

Large fiscal & current account deficits



General Information

GDP	USD14.16bn (World ranking 118, World Bank 2012)
Population	13.73 million (World ranking 70, World Bank 2012)
Form of state	Republic
Head of government	Macky SALL
Next elections	2019, presidential



Strengths

- Relatively good regional and international relations.
- 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 in 2004 and Multilateral Debt Relief Initiative in 2006.

Weaknesses

- Vulnerability to climatic effects on agricultural output and to changes in internationally-determined commodity prices.
- Uncertain regional influences include a border with Mali.
- Low income country dependent on foreign aid.
- Large fiscal deficits.
- Large annual current account deficits (-9.4% of GDP in 2013).
- Slow implementation of structural reforms.
- Weak business environment, with a high level of government intervention, a bureaucratic regulatory environment and an inefficient judiciary.

Country Rating

C3

Country Grade



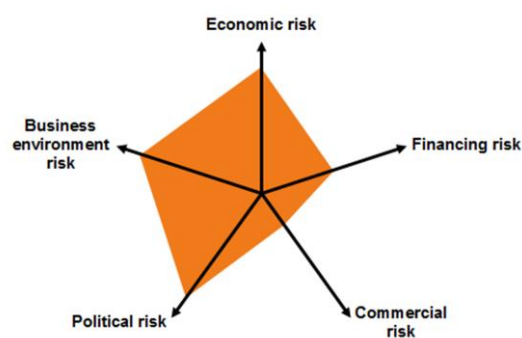
High risk

Low risk

Country Risk Level



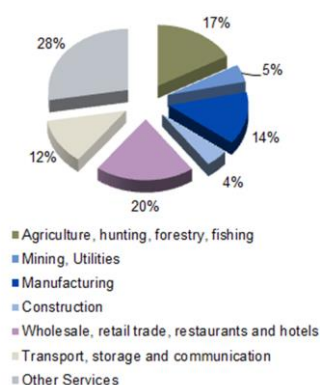
Risk Dimensions



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Economic Structure

GDP breakdown (2011)



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

Trade structure (% of total, 2011)

By destination/origin

Exports	Rank	Imports
Mali	24% 1	16% France
India	15% 2	13% United Kingdom
France	5% 3	9% China
Italy	5% 4	8% Netherlands
Spain	4% 5	7% Nigeria

By product

Exports	Rank	Imports
Petroleum, petroleum products and related materials	21% 1	29% Petroleum, petroleum products and related materials
Fish, crustaceans, molluscs and preparations thereof	15% 2	9% Cereals and cereal preparations
Inorganic chemicals	12% 3	5% Road vehicles
Non metallic mineral manufactures, n.e.s.	8% 4	4% Iron and steel
Fixed vegetable oils and fats, crude, refined or fractionated	5% 5	3.2% Specialised machinery

Economic Forecast

	2010	2011	2012	2013	2014f	2015f
GDP growth (% change)	4.1	2.8	3.2	3.6	4.5	4.5
Inflation (% end-year)	4.3	2.7	1.1	-0.1	1.8	2.0
Fiscal balance (% of GDP)	-5.2	-6.3	-5.6	-4.7	-4.3	-3.9
Public debt (% of GDP)	35.5	40.5	43.4	36.4	34.5	33.0
Current account (% of GDP)	-5.9	-7.0	-10.0	-9.4	-8.8	-8.5
External debt (% of GDP)	30.4	29.9	33.4	33.1	34.1	34.6

Sources: IHS Global Insight, national sources, Euler Hermes

Economic Overview

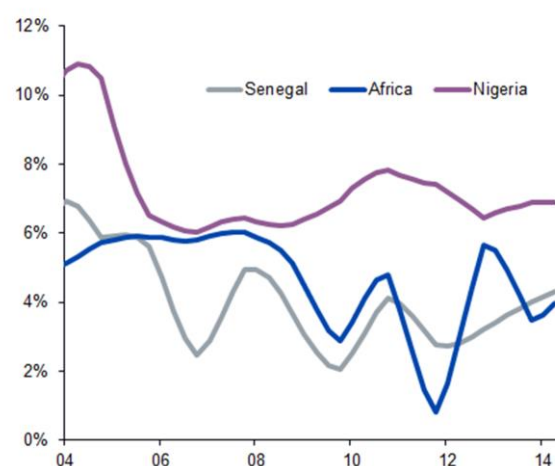
GDP growth, while adequate, is below that of regional peers...

GDP growth improved in 2012 (+3.2%) and 2013 (+3.6%), relative to 2011 (+2.8%), although expansion in the primary sector (agriculture accounts for 17% of GDP and mining a further 5%) was lacklustre. Structural impediments (including weak infrastructure and inefficient power and energy supplies) continue to constrain growth at rates below potential. Moreover, further action is required to diversify the economy and improve the business regulatory environment. Nevertheless, the growth outlook is moderately positive, with government-support initiatives boosting agricultural output. The tourism sector, however, will continue to be adversely affected by weakness in European markets. Overall, EH expects GDP growth of +4.5% in both 2014 and 2015, compared with a ten-year annual average of +3.9%.

...and is supported by the regional framework

Senegal is a member of the West African Monetary Union (WAMU), whose common currency, the CFA franc, is issued by the Central Bank of West African States (BCEAO). The CFA franc is pegged to the EUR at a rate of XOF655.96:1EUR. Membership of the CFA franc zone provides for low exchange rate and transfer risk.

GDP growth (% q/q)



Sources: IHS Global Insight, Euler Hermes

Inflationary pressures are subdued

Membership of regional economic and monetary systems also serves to keep inflationary pressures low, even though food accounts for around 40% of the consumer price index. Average inflation in 2013 was 0.7% and EH expects an uptick in 2014 and 2015 but to an average rate of 1.4% and 2%, respectively, below the regional convergence target of 3%.

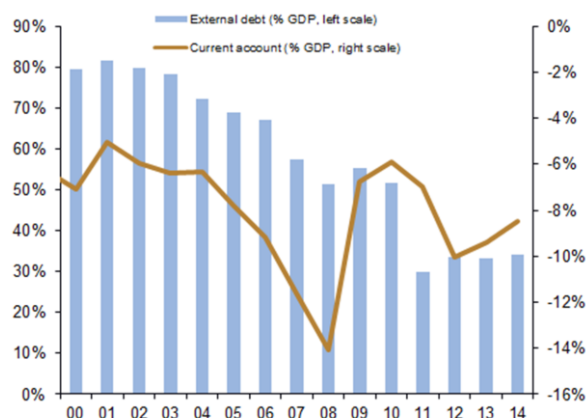
Domestic and external accounts receive support via regional co-operation

Some of the country's structural impediments feed through into competitive deficiencies in key export industries and Senegal's external accounts are generally weak. Moreover, this weakness is exacerbated at times of downturn in the global economy, with associated reduced demand for commodities. At such times, however, import growth is not necessarily correspondingly reduced as inflows of capital goods are required for construction and infrastructure development, so trade deficits become larger. In the period 2000-08 the average annual current account deficit was equivalent to -8.4% of GDP. Since then deficits have remained high and EH expects the current account deficit in 2014 will reach -8.8% of GDP, with only a slight correction in 2015 (-8.5%). Deficits of this magnitude are clearly not sustainable for a protracted period and Senegal will remain reliant on external support from both donors and concessionary lenders to finance its external accounts.

FX reserves at the end of 2013 were USD2.3 billion and provided an import cover of 3.6 months, although that figure should be assessed in relation to the above comments relating to the external accounts in general.

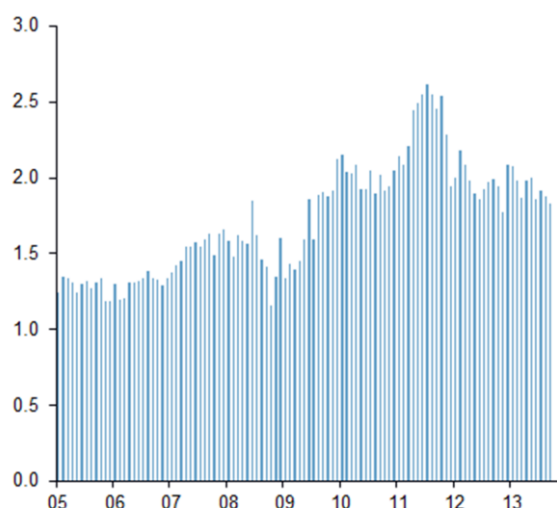
Despite significant foreign debt relief, including write-offs, principally through the HIPC and MDRI initiatives in 2004 and 2006, external obligations and their repayment schedules are a significant redirection of limited financial resources away from more productive uses. In the period 2000-08, the external debt/GDP ratio averaged an annual 50.8% and even at a current 34% is high for an economy such as Senegal's. Annual debt servicing is now down to around 5% of export earnings but still represents a repayment burden for a country with volatile and limited foreign exchange earning capacity.

External debt & current account balance as % of GDP



Sources: IHS Global Insight, Euler Hermes

Foreign Exchange Reserves (USD bn)



Sources: IHS Global Insight, Euler Hermes

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