

Keep growth flowing in

General Information



GDP	USD13.61bn (World Ranking 119, World Bank 2015)
Population	15.129mn (World Ranking 71, World Bank 2015)
Form of state	Republic
Head of government	Macky SALL
Next elections	2019, presidential



Strengths

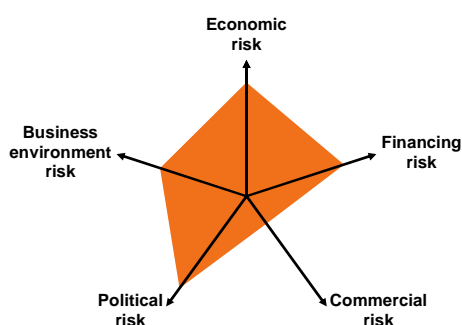
- Relatively good regional and international relations.
- Membership of the West African Monetary Union (WAMU) and the CFA franc zone provide relative monetary stability, a common currency and access to a regional central bank. Low exchange rate and transfer risk.
- Considerable debt relief under the HIPC initiative in 2004 and Multilateral Debt Relief Initiative in 2006.
- Market-friendly reforms helped to improve Doing Business ranking

Weaknesses

- Vulnerability to climatic effects on agricultural output and to changes in internationally-determined commodity prices.
- Uncertain regional influences include a border with Mali.
- Large current account deficits.
- Implementation of structural reforms sometimes slow.
- Despite improvement, business environment still shows a high level of government intervention, a bureaucratic regulatory environment and an inefficient judiciary.

Country Rating

C3



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
Mali	13% 1	20% China
Switzerland	9% 2	15% France
India	7% 3	7% Nigeria
Côte d'Ivoire	5% 4	6% India
China	4% 5	5% Netherlands

By product (% of total)

Exports	Rank	Imports
Petroleum (and related products)	16% 1	17% Petroleum (and related products)
Fish, crustaceans, molluscs	16% 2	8% Cereals and cereal preparations
Gold, non-monetary (excluding gold ores and concentrates)	10% 3	6% Road vehicles
Inorganic chemicals	7% 4	4% Textile yarn and related products
Non metallic mineral manufactures	5% 5	4% Miscellaneous manufactured articles

Source: UNCTAD 2015

In a virtuous cycle

Senegal is engaged in its most robust growth cycle in almost forty years. From 2015, GDP growth accelerated to above +6% and should continue apace in 2017 and 2018 (+7% each). This performance was registered despite the heavy reliance on the volatile primary sector (17% of GDP and 70% of the labor force) and difficult times for many other African economies (Africa grew by only +1.4% in 2016).

This growth cycle is supported by a will to free up the economy by implementing market-friendly reforms. As a result, the country's World Bank Doing Business ranking improved from 166th in 2013 to 147th in 2017.

This more favourable regulatory environment was accompanied by a rise in R&D spending. It doubled from about 0.35% of GDP between 2001 and 2007 (yearly average) to 0.7% in 2015. Moreover, Senegal developed some incubators, such as CTIC for example, to attract African Tech entrepreneurs.

Senegal's political institutions are among the most developed in the continent. The country is one of the oldest African democracies, and political transition is generally peaceful.

A key soundness indicator, the level of government revenue as % of GDP stands at about 25% and is among the best in Africa. This alludes to the country's ability to rely on itself for funding and not rely heavily on debt, an efficient buffer, given the significant level of public debt (56% of GDP in 2016).

Coping with risks related to high growth

Developing Senegal's economy supposes to increase its capital stock. This should help to provide the population with needed much-needed infrastructure - access to water, power, roads, ports, airports - and support urbanization. Yet in an initial stage of development, the need for imported capital goods soars. Importing such high value-added products and exporting low value-added ones (commodities) mean a quite high current account deficit (-8% of GDP is expected for 2017).

The currency regime offers some protection. 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 to 1EUR. Membership of the CFA franc zone engenders low exchange rate and transfer risk. We do not expect a change to the currency system in the forecast period.

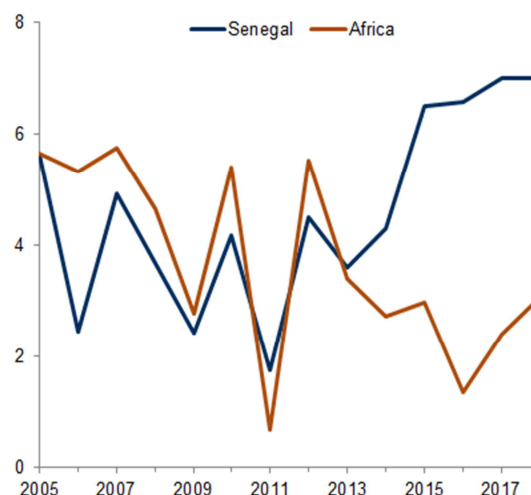
The liquidity level is quite low, but still manageable, with 4 months of import cover. Accordingly, Senegal did not need financial assistance from the IMF to cope with lower commodity prices, showing its quite good resilience relative to some regional peers.

Key Economic Forecasts

	2015	2016	2017f	2018f
GDP growth (% change)	6.5	6.6	7.0	7.0
Inflation (%)	0.1	0.9	2.0	2.0
Fiscal balance (% of GDP)	-4.8	-4.2	-3.5	-3.0
Public debt (% of GDP)	56.8	57.3	56.0	55.0
Current account (% of GDP)	-7.6	-7.1	-8.0	-8.0
External debt (% of GDP)	40.2	41.5	42.0	42.0

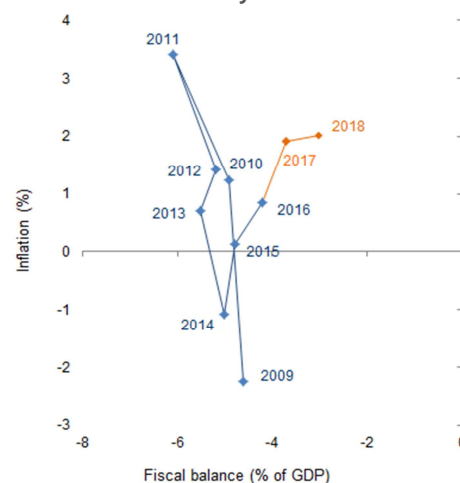
Sources: National Sources, IHS, Euler Hermes

GDP Growth (%)



Sources: National sources, IHS, Euler Hermes

Policy-mix



Sources: National sources, IHS, Euler Hermes

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