Euler Hermes
Economic
Research

Country Risk Analysis

Mali

Recent weak security and stability undermine gains

General Information

GDP	USD10.308bn (World ranking 129, World Bank 2012)
Population	14.85 million (World ranking 68, World Bank 2012)
Form of state	Republic
Head of government	Dioncounda TRAORE (intérim)
Next elections	2018, presidential

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.
- Large-scale debt relief in 2003-2006 resulted in a more manageable external debt burden.

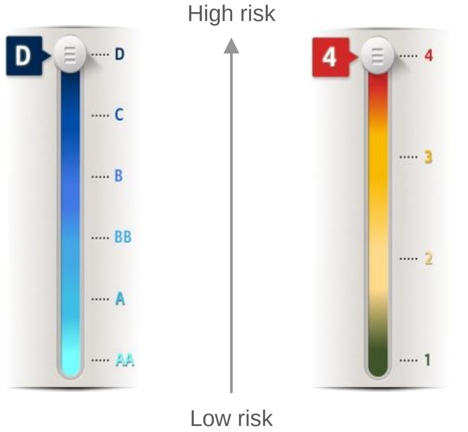
Weaknesses

- High levels of poverty.
- Poor infrastructure and a landlocked position limit economic development and impose additional trading costs.
- Lack of significant economic diversification from the primary sector.
- 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 including an ineffective banking and financial sector.

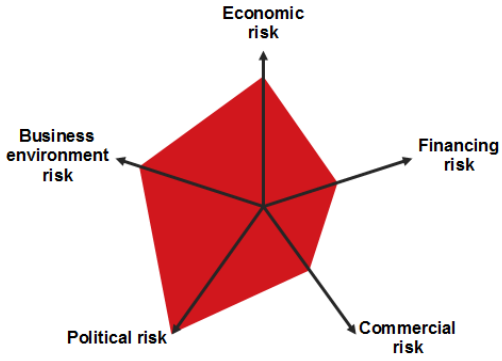
Country Rating D4

Country Grade

Country Risk Level



Risk Dimensions



Economic Structure

GDP breakdown (% of total, 2011)

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

Trade structure (% of total, 2011)

By destination/origin

Exports		Rank		Imports
South Africa	39%	1	19%	Senegal
United Arab Emirates	11%	2	14%	France
China	7%	3	10%	China
Switzerland	5%	4	8%	Côte d'Ivoire
Italy	5%	5	7%	Benin

By product

Exports		Rank		Imports
Gold, non-monetary (excluding gold ores and	59%	1	20%	Petroleum, petroleum products and related
Textiles fibres and their wastes	22%	2	7%	Non metallic mineral manufactures, n.e.s.
Petroleum, petroleum products and related	5%	3	6%	Road vehicles
Live animals other than animals of division 03	2%	4	5%	Medicinal and pharmaceutical products
Fertilizers	1%	5	5%	Textile yarn and related products

Economic Forecast

	2009	2010	2011	2012	2013f	2014f
GDP growth (% change)	4.5	5.8	2.7	-1.0	-2.0	2.5
Inflation (%, end-year)	1.7	1.9	5.3	2.4	2.2	3.6
Fiscal balance (% of GDP)	-8.3	-5.2	-8.6	-8.9	-8.9	-8.7
Public debt (% of GDP)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Current account (% of GDP)	-7.3	-12.7	-7.9	-5.7	-10.1	-9.4
External debt (% of GDP)	24.7	26.2	27.6	30.8	29.7	29.1

Sources: IHS Global Insight, National sources, Euler Hermes

Economic Overview

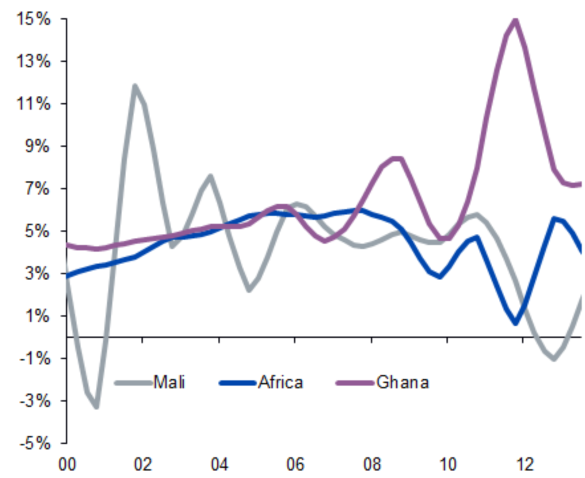
GDP growth constrained by adverse stability and security issues

The economy of Mali is weighted towards the agricultural sector (39% of GDP and the major employer) and mining (gold accounts for 59% of total export earnings. Growth and earnings capacity therefore depend to a high degree on climatic conditions (particularly rainfall levels) and internationally-determined commodity prices (cotton, as well as gold).

However, recent economic developments largely reflect domestic political tensions and an insurrection and armed conflict in the north, rather than climate and the world economy. Annual average real GDP growth in the ten-year period up to end-2012 was +4.2%, a rate relatively consistent with the average for Sub-Saharan Africa over that period but below that of Ghana, particularly since 2007 (see chart). The economy contracted in 2012 when most activities, including industrial output and agricultural production, were disrupted because of a significant downward spiral in security.

The short- to medium-term outlooks depend on developments in relation to regional security issues and domestic political stability. EH expects GDP will contract by a further -2% in 2013 (after -1% in 2012) before moderate growth returns in 2014 (+2.5%), but much depends on securing stability in the north and east of the country and on the outlook for global commodity prices, particularly cotton and gold.

GDP growth (%)



Sources: IHS Global Insight, Euler Hermes

Membership of the CFA franc bloc provides some financial security

Mali is a member of the Economic Community of West African States (ECOWAS), the West African Economic Monetary Union (WAEMU) and other regional organisations. Membership of the CFA franc zone provides for low exchange rate and transfer risk. Mali also has relatively good relations with donor countries, in particular with the EU and institutions such as the UN, IMF and World Bank. Indeed, the return of a degree of domestic political stability helped unlock access to aid pledges in May of USD3.25 billion. Aid disbursements are subject to continuation of relative stability.

In early November 2013, the EU and World Bank pledged a further USD8.25 billion in aid to five Sahelian countries, including Mali, reflecting a strong international commitment to promote regional growth and assist in improvements in security. Of the total, the World Bank pledged USD1.5 billion over the next two years and the EU USD6.75 billion over a seven-year period.

EH does not expect a change in the CFA franc mechanism, with the fixed peg to the euro remaining 655.957 francs per EUR through to end-2014.

External debt relief was a significant boost, but benefits should not be squandered

In the past, Mali had significant external debt problems. However, as a result of large-scale debt relief in 2006 under the HIPC initiative, external debt fell sharply from 213% of export earnings in 2005 to 72% in 2008, although it has since risen again to around 85%. Considering the re-accumulation of new external debt and the large structural fiscal and current account deficits, it remains to be seen if Mali is able to sustain relatively manageable levels of indebtedness. In any event, the country will remain dependent on foreign aid into the longer term.

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