

Outlook promising, despite regional uncertainties



General Information

GDP	USD15.58bn (World ranking 119, World Bank 2014)
Population	14.55mn (World ranking 71, World Bank 2014)
Form of state	Republic
Head of government	Macky SALL
Next elections	2019, presidential



Strengths

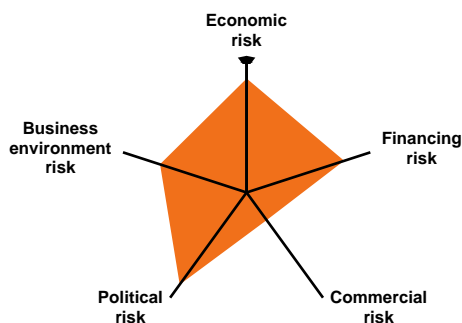
- Relatively good regional and international relations.
- Membership of the West African Monetary Union (WAMU) and the CFA franc zone provide relative monetary stability, a common currency and access to a regional central bank. Low exchange rate and transfer risk.
- Considerable debt relief under the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

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.
- Implementation of structural reforms sometimes slow.
- Weak business environment, with 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	17% 1	14% China
Switzerland	7% 2	14% France
United Arab Emirates	5% 3	9% Netherlands
India	5% 4	7% Nigeria
France	4% 5	6% India

By product (% of total)

Exports	Rank	Imports
Petroleum, petroleum products and Fish, crustaceans, molluscs and	19% 1	26% Petroleum, petroleum products and
Gold, non-monetary (excluding gold)	16% 2	9% Cereals and cereal preparations
Non metallic mineral manufactures,	11% 3	5% Road vehicles
Vegetables and fruits	7% 4	3% Textile yarn and related products
	5% 5	3% Iron and steel

Source: UNCTAD

Economic Overview

Strong growth despite frailties

The economy remains heavily reliant on the primary sector, with agriculture accounting for 17% of GDP and 70% of the labor force, and on international financial aid. The economy is also highly vulnerable to domestic and external shocks, including climatic volatility and the externally-determined prices for its commodity exports. EH expects GDP growth of +5% in 2016 (after +4.5% in 2015) and +5.5% in 2017, compared with a ten-year (to end-2015) annual average of +3.4%. Longer term, the offshore oil and gas sector provides scope for an economic boost.

Regional framework provides support...

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 engenders low exchange rate and transfer risk. We do not expect a change to the currency system in the forecast period.

...but large current account deficits require international assistance

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. EH expects the current account deficit in 2016 will be -8% of GDP, with only a moderate improvement to -7% in 2017. 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 external accounts.

External debt commitments, although lowered, require careful management

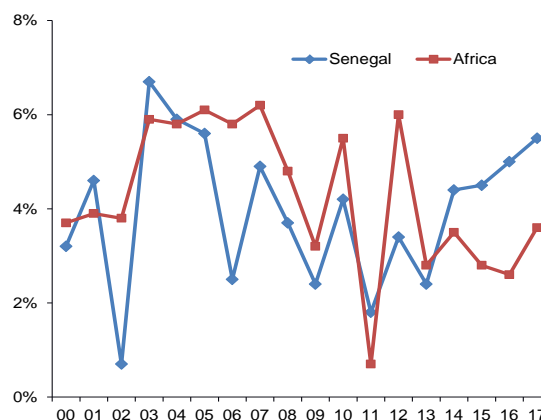
Despite significant external debt relief, including write-offs, principally through the HIPC and MDRI initiatives in 2004 and 2006, external obligations and their repayment schedules are a significant redirection of limited financial resources away from more productive uses. Debt has been increasing and the external debt/GDP ratio is forecast at 50% in 2016, relatively high for an economy such as Senegal's. Annual debt servicing is currently only around 6% of export earnings but this still represents a repayment burden for a country with volatile and limited foreign exchange earning capacity.

Key Economic Forecasts

	2014	2015	2016f	2017f
GDP growth (% change)	4.4	4.5	5.0	5.5
Inflation (% end-year)	-0.8	0.4	2.0	2.0
Fiscal balance (% of GDP)	-7.5	-6.6	-5.5	-4.5
Public debt (% of GDP)	51.8	53.2	53.5	54.0
Current account (% of GDP)	-6.0	-5.7	-8.0	-7.0
External debt (% of GDP)	35.5	44.4	50.0	52.0

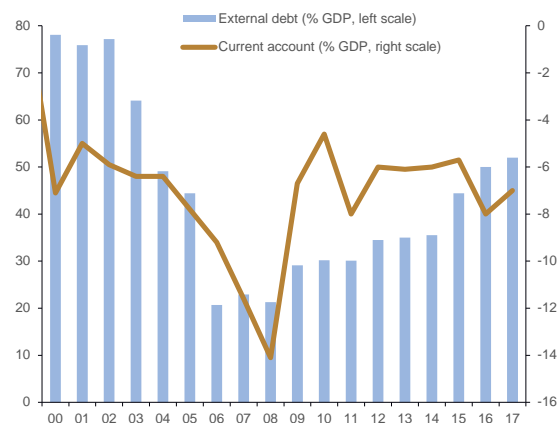
Sources: National Sources, IHS, Euler Hermes

GDP Growth (%)



Sources: National sources, IHS, Euler Hermes

Current Account Balance and External Debt (% of GDP)



Sources: National sources, IHS, Euler Hermes

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