

Economic Snapshot H1, 2017

Ivory Coast

Inflation overview – Headline inflation decreased from 0.4% year-on-year (y-o-y) in March to 0.1% y-o-y in April. The outlook for consumer spending in Ivory Coast is favourable, with expectations of continued low and stable inflationary conditions. Membership of the Union Economique et Monétaire Ouest Africain (OEMOA) is one of the main reasons for the low inflation experienced in Ivory Coast.

Growth summary – Ivory Coast has seen a slight declining trend in economic growth since 2012. A decline in cocoa prices is responsible for a low GDP growth forecast for 2017. A wave of defaults by the country's cocoa exporters, as well as higher-than-expected production has pushed prices down. However, the economy will still remain an economic outperformer measured against its regional peers.

Economic policy – The National Development Plan (NDP) 2016-2020 is designed to transform the Ivory Coast into a middle-income economy by 2020. Donors pledged in April 2016 to provide \$15.4 billion in funding for the scheme. The coherent strategy for planning development relies on a vision of capitalism but "with a human face", according to Prime Minister Daniel Kablan Duncan.

Trade & Investment SWOT	
Strengths	Weaknesses
Ivory Coast offers a number of tax incentives to new foreign investors, like corporate tax exemption for the first 3 years' trading. Credit is relatively easy to access for individuals thanks to the proliferation of mobile banking, which has extended credit facilities to rural dwellers and allows them to make large non-cash purchases. The country welcomes foreign investors in almost every sector of the economy. The country has a strong export platform and a growing demand for imports.	The judiciary is not impartial, with judges being appointed for political reasons. Although foreign and domestic firms are treated equally by law, in practice, domestic firms are often deemed to receive preferential treatment from the government. Intellectual property rights infringements go largely unpunished. Corruption is pervasive throughout the government and the judiciary.
Opportunities	Threats
Strong economic growth is predicted over the coming years, which will increase the size of the domestic market. The recovery of the banking sector and growing purchasing power will translate into increased participation in the banking and financial industries. Trade barriers such as tariffs are being progressively lowered, paving the way towards a freer trade environment. Government reforms to reduce red tape will improve the business environment.	The country's fragile political stability which took a significant knock with the various mutinies by armed forces in January, February and May 2017 poses significant security threats for business operation. Having a currency pegged to the euro could potentially pose a risk to investors because when the euro appreciates, the West African franc will as well, reducing the competitiveness of Ivorian exports. A dependence on cocoa exports exposes the country to declining state revenues in the face of lower international commodity prices. Preferential treatment towards local firms could deter foreign participation in the economy.

Source: Business Monitor International (BMI)

Mega trends		
Population	2017	Total: 23.82 million; female: 11.72 million; male: 12.1 million; age 0-14: 42.15% of total; age 15 +: 57.85% of total; age 65+: 3.05% of total
Population growth rate	2015	2.43%
Life expectancy at birth	2014	Total: 51.56 years; female: 52.42 years; male: 50.74 years
HIV/AIDS	2015	Total number of people living with HIV: 0.46 million; total adult prevalence: 3.2%; HIV AIDS orphans (age 0-17): 0.23 million
Adult literacy rate	2015	Total population: 43.27%; female: 32.73%; male: 50.74%
Urbanisation	2015	Urban population: 54.18% of total; annual urban population growth: 3.73%; rural population: 45.82% of total
Population below \$1.90 per day poverty line	2008	10.3%
Unemployment rate	2017	Total: 9.3%; female: 11%; male: 8.3%; youth (15 - 24): 13.8%
Employment	2007	Agriculture: 68% of total ; industry and services: 32% of total
Labour participation rate	2017	Total (ages 15+): 67.03% of total population
Business languages	n/a	French, 60 native dialects of which Dioula is the most widely spoken
Telephone & Internet users	2014	Fixed telephone subscriptions: 0.28 million; wired internet subscriptions: 0.06 million; cell phone subscriptions: 25.41 million (2015)

Sources: UNESCO Institute for Statistics, World Telecommunication/ICT indicator database, World Development Indicators, UNAIDS, International Labour Organisation

Human Development Index (HDI) 2015		Index of Economic Freedom 2016		Global Competitiveness Index (GCI) 2016		Doing Business 2017		Corruption Perceptions Index 2016	
171st	out of 188 countries	92nd	out of 179 countries	99th	out of 148 countries	142nd	out of 189 countries	108th	out of 177 countries

Source: Transparency International, Doing Business, World Economic Forum, UN Human Development Report, The Heritage Foundation

Sovereign Risk Ratings		
S&P Global Ratings	Fitch Ratings	Moody's Investors Service
--	B+/Stable	Ba3/Stable

Fitch Ratings affirmed the Ivory Coast's long-term foreign currency Issuer Default Ratings (IDR) at "B+" with a stable outlook in December 2016. The macroeconomic performance in the country has been stronger than peers since the 2011 post-election crisis. Continued public investment will help sustain strong growth, despite a drought-related decline in cocoa and coffee production. Some of the main factors that could trigger negative rating action are a decline in growth prospects, a deterioration in public debt dynamics and renewed political instability. Some of the factors that could, on the other hand, trigger positive rating action are a significant improvement in public debt dynamics beyond what is currently projected by Fitch and an improvement in development and governance indicators.

Moody's Investors Services affirmed Ivory Coast's "Ba3" long-term foreign currency rating in March 2017, keeping the rating on a stable outlook. While commenting in January this year on the outlook for Sub-Saharan African sovereigns, the rating agency said that it expects rapid economic growth in Ethiopia, Ivory Coast and Senegal during 2017. Structural reforms and investment in infrastructure underpin Ivory Coast's strong economic growth prospects this year. In April, Moody's commented that while global cocoa prices are at a 10-year low, leading producer Ivory Coast will be able to withstand this short-term price challenge – cocoa accounted for 43% of the country's export earnings in 2016. Cocoa prices were at the time around 30% lower than seen in mid-2016. Moody's warned of pressure on the country via the fiscal and current account balances, though minimum farm gate have protected farmers in Ivory Coast.

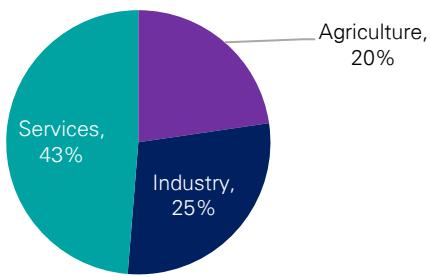
Quality of infrastructure	Economic diversity	Banking sector	Continuity of economic policy	GDP growth	Fiscal / current account balances	Foreign investment	Socio-economic development	Forex reserves
Poor	Services are the largest industry	Well regulated	More coherent under NDP 2016-2020	High, although recently declining	Twin deficits	Rising	Low	Increasing over long term

Stock market	Listed companies	Liquidity	Market capitalisation	Largest sector	Weekly trading volume
Regional Bourse Régionale des Valeurs Mobilières (BRVM)	40	Low	\$9.4 billion Source: African Alliance	Communication	\$1 million Source: African Alliance
Capital market	Level of development	Liquidity	Maturity range	Municipal bonds	Corporate bonds
Yes	Underdeveloped	Limited	7 days to 7 years	No	Limited

Macroeconomic overview

Economic structure - The primary sector is responsible for producing some of the country's most important export goods. Cocoa, fruit and nuts represent more than half of export earnings and are planted on both small-scale and commercial farms. Around a fifth of the country's land area is under crop cultivation, with smaller crops including cotton and rice. The secondary sector includes a small oil producing sector as well as a more sizeable manufacturing industry. Factory production is however limited to the refining and processing of agricultural produce and the majority of the country's demand for manufactured goods are satisfied by imports. The tertiary sector includes large retail (10% formal penetration rate) and financial industries. Membership of the West African monetary bloc ensure strong regulation of local banks though these entities are now lagging behind providers of mobile financial services in terms of the number of active accounts.

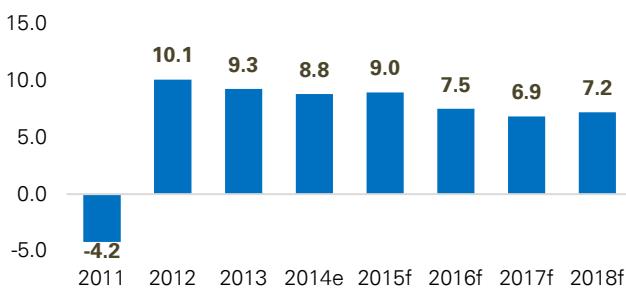
Economic structure as % of GDP 2015



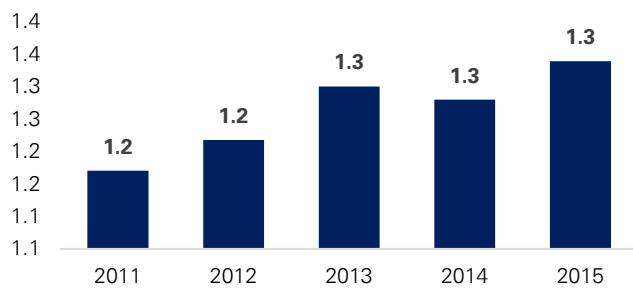
Source: World Bank: World Development Indicators

Economic growth – The Ivory Coast has seen a slight declining trend in economic growth since 2012. A decline in cocoa prices is responsible for a low GDP growth forecast for 2017. A wave of defaults by the country's cocoa exporters, as well as higher-than-expected production has pushed prices down. The International Monetary Fund (IMF) is forecasting growth of 6.9% and 7.2% in 2017 and 2018, respectively. Gains in infrastructure investment and private consumption will allow the economy to eventually see higher growth again. Overall, the growth outlook for the Ivorian economy is strong and household spending will continue to be one of the largest contributors to economic growth. Strong and sustained economic growth over the next few years will also allow per capita income levels to rise. With the positive expectations for GDP growth over the next 10 years, debt pressures from debt servicing is expected to fall. Over the short term, Ivory Coast is expected to be one of West Africa's growth outperformers.

Real GDP growth (%)



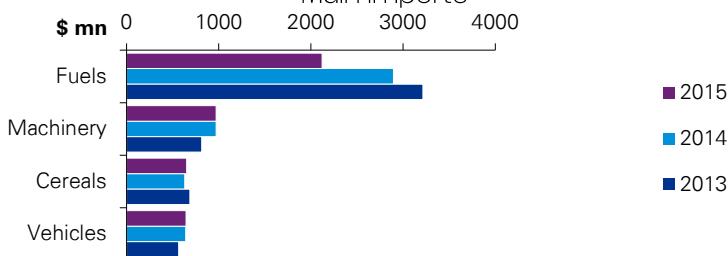
FDI inflows (% of GDP)



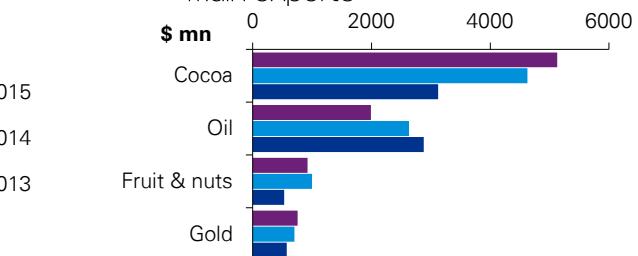
Sources: IMF, United Nations Conference on Trade and Development (UNCTAD)

Foreign investment – Ivory Coast's strongest investment-attracting assets come in the form of high levels of openness to international trade and liberal foreign investment regime, low tax burdens, and membership of the West African Economic and Monetary Union (UEMOA) which provides benefits in terms of foreign currency transactions and access to a regional bourse. The Ivorian government's pro-business stance since 2011 has also seen significant reductions in bureaucratic red tape for business operation as well as legal dispute resolution. Admittedly, many problems still exist for businesses, largely in the form of the many contextual barriers to FDI such as the country's fragile political stability and underdeveloped land ownership systems. Soldiers demanding bonuses and wage rises in January 2017 have done little to dent investors' faith that President Alassane Ouattara will retain control and push ahead with reforms.

Main imports



Main exports



Main Imports: % share of total	2013	2014	2015
Fuels	25.8%	25.9%	22.2%
Machinery	6.5%	8.7%	10.2%
Cereals	5.5%	5.6%	6.9%
Vehicles	4.5%	5.7%	6.8%

Main Exports: % share of total	2013	2014	2015
Cocoa	25.8%	35.6%	43.3%
Oil	23.8%	20.3%	16.8%
Fruit & nuts	4.4%	7.7%	7.8%
Gold	4.8%	5.4%	6.4%

Source: Trade Map

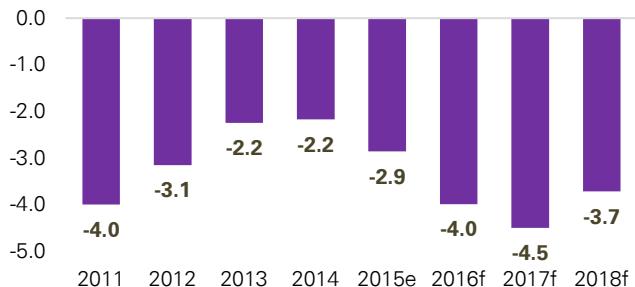
External trade – The current account deficit will widen further in the next two years, since export revenue will be much lower than previously thought due to the drop in cocoa prices. Additionally, import spending will increase due to robust investment into the country's infrastructure. A lack of domestic manufacturing capacity, lead to Ivory Coast being increasingly reliant on imports of capital and consumer goods. The IMF is forecasting the current account deficit to widen to 4% and 3.5% of GDP in 2017 and 2018, respectively, up from an estimated 2.2% in 2016. In the past, Ivory Coast has either run a current account surplus or a very shallow deficit. This trend is however expected to change in the future with the high levels of capital goods imports - necessary for the development of new industries - that will keep this balance in the red. Inward investment flows are however expected to remain robust throughout this period where the current account deficit will widen, in order to cover the shortfall.

Current account balance (% of GDP)



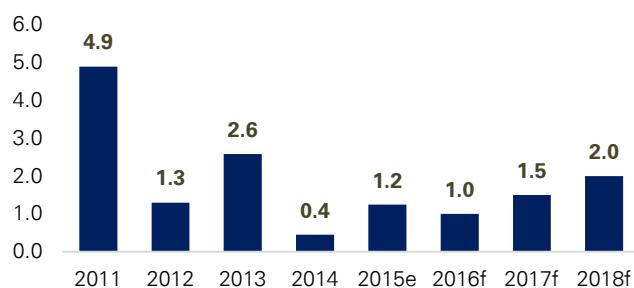
Source: IMF

Fiscal Balance (% of GDP)



Fiscal policy – The fiscal deficit will widen even further in 2017 as a result of lower revenues from cocoa and significant infrastructure expenditure. This will require increased government borrowing, increasing nominal debt levels over the next couple of years. Most of this borrowing is on a concessional basis ensuring that the likelihood of another credit risk event is limited. The IMF projects the fiscal deficit to reach 4.5% of GDP this year and 3.7% of GDP in 2018. Moody's Investors Service has however noted that while cocoa prices are at a 10 year low and will place pressure on the economy and fiscal position, however the country will be able to withstand short-term commodity price fluctuations due to the minimum farm gate prices.

Inflation (% change)



Source: IMF

Monetary policy - Headline inflation decreased from 0.4% y-o-y in March to 0.1% y-o-y in April. The outlook for consumer spending in Ivory Coast is favourable, with expectations of continued low and stable inflationary conditions. Membership of the Union Economique et Monetaire Ouest Africain (OEMOA) is one of the main reasons for the low inflation experienced in Ivory Coast, compared to most of Sub-Saharan Africa. Admittedly, higher petrol prices and currency weaknesses will increase average inflation slightly in 2017 and 2018 compared to the three years before. However, it is expected that there will be no drastic increases in the inflation rate. Since the regional currency is pegged to the euro, a weakening euro will drive some limited acceleration in inflation towards 2019. The outcome of the French elections in May could also have a significant effect on inflation levels: any plans to take France out of the Eurozone or to abolish the West and Central African francs would have a negative impact on inflation.

Contact details

KPMG Ivory Coast	KPMG South Africa Economics
Jean-Luc Ruelle, CEO +225 202 257 53 jruelle@kpmgci.com	Lulu Krugel, Director +27 (0) 82 712 4049 lulu.krugel@kpmg.co.za

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