

Executive Briefing

- President Azali Assoumani won a snap election in 2019 and could potentially remain in office until 2029
- The services sector accounts for over 50% of GDP in terms of value add
- Vanilla, ylang-ylang and cloves together account for roughly 80% of exports
- Comoros hopes to attain emerging market status by 2030

Macroeconomic Outlook

Real GDP growth was constrained in 2019 due to the negative impact of Cyclone Kenneth. The economy grew at 1.3% but is expected to rebound to 4.2% in 2020. Growth is estimated to average 3.2% between 2019 and 2023, largely underpinned by improved access to electricity, increased exports and stronger remittance flows. In terms of value added, the services sector (including public services) is the largest contributor to the economy, accounting for 53.5% of GDP in 2018, followed by agriculture at 32.6%.

Known as the 'Perfume Isles', the economy is underpinned by the production of three main crops: vanilla, ylang-ylang essential oil and cloves. As part of its 2030 Emergence Plan (whereby the country hopes to achieve emerging market status by 2030), the government has committed to undertaking structural transformation and diversifying the economy in order to achieve higher and more inclusive economic growth.

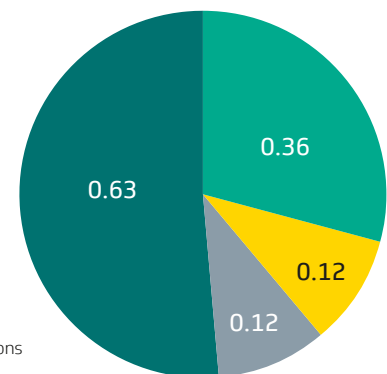
It is hoped economic expansion will be driven by a gradual improvement in the supply of electricity and the implementation of the government's revised strategic development plan (SCA2D). As part of SCA2D, the government aims to implement an extensive infrastructure investment programme, including the construction of a large hospital and a deep-water port, in an effort to reduce the country's existing infrastructure bottlenecks. The implementation of these large-scale infrastructure projects will depend on securing the required financing.

Political Climate

The political environment in Comoros has grown more turbulent since President Azali Assoumani and his government suspended the rotating presidency and power-sharing agreement between the three islands that comprise the archipelago - Anjouan, Moheli and Grande Comore. The suspension, which followed a constitutional referendum on the length of the presidential term, was then followed by a snap election in 2019 that was won by Assoumani and his Convention for the Renewal of Comoros (CRC) party. He would have previously only been able to stand for one five-year term, but will now be able to stand for a further two.

Comoros – GDP by Output, USD billion (2020)

- Agriculture
- Mining
- Industry (ex. mining)
- Services



Source: World Bank, Fitch Solutions

The Assoumani administration has also renewed its commitment to sustainable public finance management and has taken various steps to modernise the monetary policy framework. In order to finance public investment, the government has committed to reducing the size of the civil service workforce and improving domestic tax collection efforts. The 2017 Finance Act aims to double the tax burden from 11.1% to 22.1%.

Comoros could potentially be sitting on significant oil reserves. Although several oil production licences have been distributed, no oil or gas wells have been drilled.

Key Macroeconomic Indicators	2017	2018	2019	2019-23 ave
Population, million	0.8	0.8	0.9	0.9
Real GDP Growth, % y-o-y	3.0	3.0	1.3	3.2
Real GDP per capita, USD	2,473.1	2,478.8	2,443.6	2,500.1
Inflation (%)	0.1	1.7	3.2	2.1
General government primary net lending/ borrowing, % of GDP	0.4	-0.9	-3.2	-2.2
General government gross debt, % of GDP	18.4	21.0	24.3	29.5
Current account balance, % of GDP	-2.2	-3.8	-8.0	-6.1
Exchange rate, /USD, ave	435.7	400.4	N/A	N/A

Source: IMF World Economic Outlook

Business & Trade Climate

The government has made efforts to improve the business operating environment by strengthening the rights of investors and creating structured public-private dialogue sessions. A number of tax incentives and other benefits are also offered to investors, while the Comorian franc is pegged to the euro, dampening inflationary pressures.

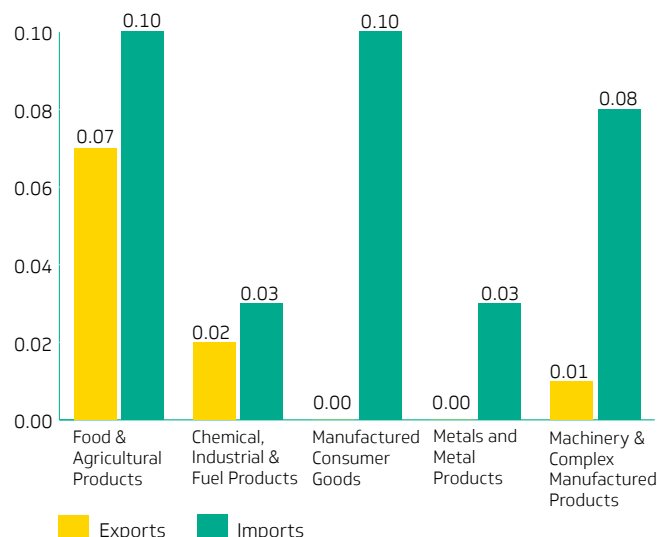
Comoros is ideally geographically situated, acting as an intermediate point between Southern and East Africa, the Gulf States, the other Indian Ocean islands and Asia. Furthermore, Comoros is a member of the SADC, COMESA, the Arab League and the Indian Ocean Commission (IOC).

The export base is narrow and is built on the production and shipping of vanilla, ylang-ylang essential oil and cloves. Cloves are the most valuable export, accounting for roughly 45% of total exports, while vanilla accounts for about a third of export earnings. Taken together, vanilla, ylang-ylang and cloves account for roughly 80% of Comoros' exports. The spice sector employs nearly 50% of the country's workforce.

Elevated exports in 2018 were driven by soaring vanilla export prices and destocking activities in the vanilla and ylang-ylang sectors. However, an increase in imports outweighed the benefit of heightened exports and the trade balance continued to widen. Comoros imports approximately 70% of its food, although vehicles are the single biggest import.

The EU is a significant trade partner, with ylang-ylang oil making up a substantial share of exports to the bloc, particularly to France. Due to its colonial links, Comoros continues to prioritise its aid and trade relationship with France. Singapore and Pakistan are also important markets for exports. Comoros' main import partners are France, UAE and China.

Comoros Exports & Imports (US billion), 2018



Source: ITC

Market Risk

Risk Factor	Impact on Business
Intra-island tensions in the wake of the 2019 presidential election.	Opposition parties boycotted legislative elections in January 2020 amid heightened political tensions and ongoing instability since the 2018 referendum.
Limited electricity supply.	Businesses need to rely on alternative forms of electricity generation, increasing costs.

Investment Opportunities



Agriculture

Blessed with rich, fertile volcanic soil, Comoros is well suited to the production of various spices. Comoros is one of the largest producers of ylang-ylang oil, used in highly quality perfumery. In 2016, the government established the National Office of Vanilla for the economic promotion of the vanilla industry, including production, processing and marketing. The country is one of the world's largest producers of the bean.



Renewable Energy

In 2018, the government announced a new law to increase the share of electricity generated by renewable sources, in line with its aim of boosting energy security and bolstering intermittent power supplies. Currently, about 5% of electricity is generated by hydroelectric power.



Tourism

The Comoros islands present numerous opportunities in the tourism sector, with its beautiful beaches, striking volcanic landscape and a marine park. The sector has the potential to underpin future growth and unlock economic potential with the aid of foreign investment.



Maritime Transport

Situated in the Mozambican Channel, Comoros could become a stop-over point for ships travelling along Africa's east coast. Travel between the islands is often dependent on boats and opportunities exist to service the maritime sector.

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