

Executive Briefing

- Mohamed Ould Ghazouani was elected as president in the 2019 election and has embarked on a strong anti-corruption drive since.
- Economic growth will accelerate over the near term as rising global demand for the country's commodity exports – namely iron – boosts export growth.
- Gas will become increasingly important to Mauritania's economy, in line with first gas production from the Tortue natural gas field in 2023.
- A recent increase in anti-corruption efforts will help reform the attractiveness of Mauritania's mining industry and boost the investment climate more broadly.

Macroeconomic Outlook

Economic growth will accelerate in Mauritania over the near term as rising global demand for the country's commodity exports – namely iron (34.4% of Mauritanian exports in 2020) – boosts export growth. Real GDP growth will register 4.2% in 2022, up from 3.6% in 2021.

Growth will be slightly tempered by insurgency threats and rising levels of poverty, which will weigh on household consumption. According to the UN, in December 2021, an estimated 20 million Sahelians were severely food insecure – the highest number since 2016.

Mauritania's economy revolves around its extractive industries, fisheries and agricultural products, including livestock. The mining sector will consolidate its position as the driving force of the domestic economy over the coming years. Much of the interest in Mauritania's mining sector is focused on iron ore and gold. The gold sector will grow strongly, with rising prices and new projects in the pipeline due to come online in the coming years.

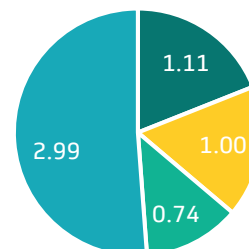
Gas will become increasingly important to Mauritania's economy, in line with first gas production from the Tortue natural gas field in 2023. BP and its partner Kosmos have proposed 30 million tonnes per annum of liquefaction capacity to be developed, comprising three ten-million-

Political Climate

The ruling party Union for the Republic (UPR) was founded by Mohamed Ould Abdel Aziz in 2009 when he came into power through a military coup. He stepped down peacefully after Mohamed Ould Ghazouani won the presidency in a 2019 election. President Ghazouani has embarked on a strong anti-corruption drive since his election and pushed for reforms. Islamist militant activity will continue to weigh on political security. Furthermore, high levels of poverty, conflicts over natural resources and longstanding ethnic and religious tensions will continue to threaten long-term political stability in the country.

Mauritania - GDP by Output, USD billion (2022)

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



Source: World Bank, Fitch Solutions

tonnes-per-annum hubs at Tortue, Teranga and BirAllah. Full development of these resources will likely be a multi-decade process and should support strong long-term economic growth in Mauritania. Real GDP growth will average 4.2% per annum between 2022 and 2031.

Key Macroeconomic Indicator	2019	2020	2021	2022	2022-2026 ave	2022-2031 ave
Population, mn	4.53	4.65	4.78	4.90	5.16	5.50
Real GDP Growth, % y-o-y	5.76	-1.76	3.57	4.18	4.52	4.24
Real GDP per capita, USD	1753.27	1676.44	1690.73	1715.76	1786.73	1866.56
Inflation (%)	2.31	2.30	3.40	5.00	5.00	5.00
Fiscal balance, % of GDP	1.73	2.04	2.00	2.00	1.52	1.54
Public debt, % of GDP	85.99	87.57	60.79	61.54	62.88	66.73
Current account balance, % of GDP	62.78	8.63	-4.50	-5.51	-11.90	-9.90
Exchange rate, MRO/USD, ave	36.69	37.19	45.96	48.26	53.33	60.54

Source: National Sources, Fitch Solutions

Business & Trade Climate

Mauritania is increasingly welcoming of foreign investment, particularly in the extractive sectors of the economy, as well as agriculture and fishing. The government created a ministerial-level committee in 2019 charged with overseeing improvements in the business climate. There is no law prohibiting or limiting foreign investment, which can target any sector of the economy and the government is working closely with the IMF, the World Bank and the international donor community to improve basic infrastructure and to update laws and regulations.

A recent increase in anti-corruption efforts will further help to boost the attractiveness of Mauritania's business environment. In April 2022, Prime Minister Mohamed Ould Bilal presented to the Assembly a new strategy to combat corruption, which builds on previous measures introduced since he took office in August 2020. Bilal's appointment followed the resignation of previous officials due to a high-level corruption report released in late July 2020.

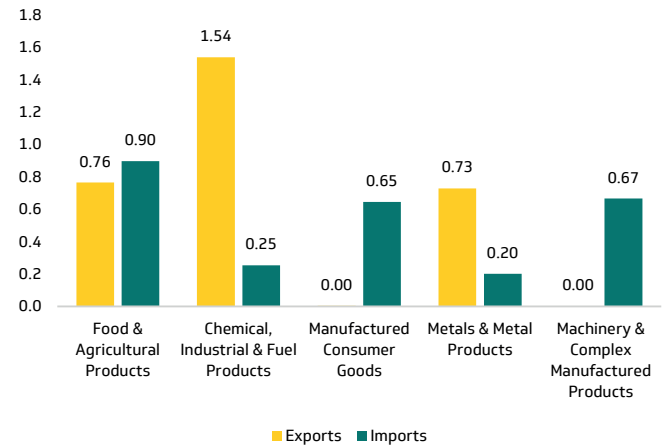
Mauritania is very open to international trade, which represented around 90.7% of the GDP in 2020 (according to the World Bank). Overall, the Europe region is typically the biggest trading partner of Mauritania in value terms. Iron (34.5%) and copper ore (7.6%), fishing products, gold, inedible flours, meals and pellets were the main exports of Mauritania in 2020. Exports will remain elevated over the near term, as metals and mineral producers capitalise on high global commodity prices.

Market Risk

Risk Factor	Impact on Business
Parastatal companies and SOEs have experienced significant business and financial problems in terms of increasing levels of debt, operational losses and payment delays.	Increased fiscal reserve risks for the government and dominance of SOEs can make it difficult for other companies to compete.
'Mauritanisation law' requires employers to give priority to nationals over foreign workers.	Businesses wishing to employ foreign workers must show a position cannot be filled by the national labour market. Local hiring laws could increase labour costs for businesses and result in skilled labour shortages.
Ongoing instability in the Sahel region and growing strength of Islamist groups.	Increased security risks threaten business operations, dent investor sentiment and have a negative impact on economic activity and government fiscal policy.

While Mauritania has established special economic zones (SEZs), which offer tax benefits and other incentives to help encourage the development of domestic manufacturing capacity, the country still relies heavily on fuel, machinery and manufactured imports. That said, food and agricultural products was Mauritania's largest import category in 2020, totalling USD0.9 billion.

Mauritania Exports & Imports, USD billion (2020)



Investment Opportunities

Mining



While iron ore dominates Mauritania's mining sector, the country boasts extensive mineral resources, including gold. High commodity prices will support production in both iron ore and gold over the coming years, and incentivise increased investment into projects. A joint venture between Canadian firm Chilean Metals and Australian miner Aura Energy will underpin continued exploration in the gold sector. In July 2020, Chilean Metals signed a USD3.4 million investment to create a 50:50 joint venture with Aura Energy. The investment vehicle will add upside potential to the exploration and development of the Tasiast South tenements, which measure over 435sq km and are located along the same greenstone belt as Kinross Gold's Tasiast gold mine.

Renewable Energy



The entire Sahel region has significant solar resources to capitalise on, and wind power potential is also high in Mauritania. In recognition of this, the Mauritanian government aims to increase the share of renewable energy in the domestic electricity mix to 50% by 2030. Besides a handful of small-scale utility projects, companies active in the mining sector are also increasingly adopting renewable energy into their operations. For example, Kinross Gold unveiled plans in February 2022 to invest USD55 million for the construction of a 34MW solar photovoltaic (PV)-plus-storage power plant at its Tasiast mine in the country. Also, in February 2022, the AfDB announced that it would commit USD379.6 million over the next seven years to provide funding for 500MW of solar energy and storage for the Desert to Power G5 Sahel Facility in Mauritania, Mali, Burkina Faso, Niger and Chad.



Utility Infrastructure

Investment into infrastructure to improve access to water and electricity will proliferate in Mauritania, underpinned by strong underlying demand for basic utility infrastructure, rising multilateral financing and government efforts to improve utility access. Electrification rates were under 50% as of 2020, while rainfall is scarce and drought conditions frequent. As such, opportunities in new electricity grid infrastructure, desalination facilities and water supply projects are increasing. In line with this, it was announced in March 2022 that the government of Mauritania had secured USD100 million financing from the Saudi Fund for Development to construct a USD317 million drinking water supply system in Kiffa, Mauritania. The project will deliver facilities for the transportation, treatment, storage and distribution, together with raw water collection from Senegal River, to supply the town of Kiffa. OPEC Fund for International Development and the Islamic Development Bank will support the financing of the remaining USD217 million for the project.



Hydrocarbons

Large natural gas deposits found by Kosmos Energy off the coast of Mauritania and Senegal in 2014 are now being developed after several successful wells were drilled (the Greater Tortue area). While Covid-19 has delayed the Greater Tortue/Ahmeymim field start-up by 12 months to mid-2023, the project will provide a significant fiscal boost to Mauritania and enable the country to become an LNG exporter. Some majors are now undertaking exploration in Mauritania's offshore, including Total and numerous blocks remain open for negotiations. In order to fully monetise the newly discovered offshore hydrocarbons, significant investment will be needed in supporting infrastructure, like transport, pipelines and electricity capacity.

For more information please contact:

Trade Intelligence Solutions, African Export-Import Bank [AFREXIMBANK], 72B El-Maahad El-Eshteraky Street, Roxy, Heliopolis, Cairo 11341, Egypt

afreximbank.com Tel: + 2 02 2456 4100/1/2/3/4 Email: trade.intelligence@afreximbank.com