

Executive Briefing

- Senegal enjoys a period of some political stability with President Sall in his second term of office having won elections in 2019
- A period of economic diversification as the government plans to invest in the country's infrastructure and opportunities in the mining and hydrocarbons sectors
- Refined petroleum and gold are Senegal's largest exports
- Development of a new port at Dakar has increased annual handling capacity significantly and could become a major transshipment and trade hub for West Africa

Macroeconomic Outlook

The government's ongoing Plan Sénégal Emergent (PSE) and the significant investment into large-scale capital projects that it involves will remain a key driver of economic growth in the country over the next decade. Senegal will post notably strong real GDP growth over the coming decade increasing by an annual average of 6.8% by 2028. The plan will support diversification to reduce a traditional reliance on agriculture and tourism.

Senegal's economy is largely based on mining, construction, agriculture, tourism and construction. A number of foreign-funded infrastructure projects – including power plant upgrades and transport infrastructure for an industrial hub near Dakar – will help diversify the economic landscape. There are three pillars to the government's diversification plans: a structural transformation of the economy; human capital and sustainable development; and governance, peace and sustainability.

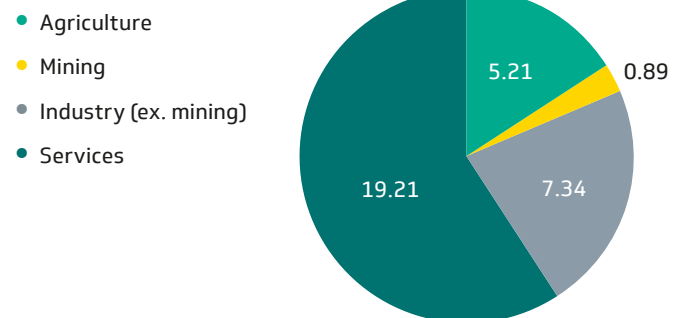
Private consumption will be the key driver for real GDP growth, but government investment will be hugely important too, especially in terms of improving infrastructure (better transport network and power supply), developing mining (benefitting from unexploited mineral reserves) and seizing the potential of the hydrocarbons sector (the SNE deep-water oil and gas field located within the Sangomar Deep Offshore Block).

The pace of economic growth should accelerate further in 2021 and beyond, driven by the oil and gas sector. In particular, production and

Political Climate

February 2019 saw the national elections being won by the incumbent President Macky Sall, who is in his second term of office. Despite some criticism from opposition parties on the election process, Senegal enjoys well-developed democratic institutions and relative political and press freedoms. General strong economic growth should shore up the popularity of the government and boost social stability, but note should be taken of an underemployed youth population, which could cause public protests in the longer term.

Senegal – GDP by Output, USD billion (2020)



Source: World Bank, Fitch Solutions

export of gas will surge in 2022, while oil shipments are scheduled to commence in 2023. The transition of these hydrocarbon projects from the construction to the exploitation phase will result in net exports making a far more positive contribution to headline GDP growth from 2022.

Key Macroeconomic Indicators	2017	2018	2019	2019-23 ave	2019-28 ave
Population, million	15.42	15.85	16.30	17.20	18.38
Real GDP Growth, % y-o-y	7.13	6.76	6.10	6.68	6.76
Real GDP per capita, USD	1,501.44	1,558.97	1,609.16	1,738.33	1,937.67
Inflation (%)	1.30	0.48	1.43	1.84	1.92
Fiscal balance, % of GDP	-3.02	-3.80	-3.93	-3.65	-2.84
Public debt, % of GDP	62.09	63.71	63.05	62.45	59.00
Current account balance, % of GDP	-7.39	-8.14	-8.87	-8.06	-6.61
Exchange rate, XOF/USD, ave	546.40	570.40	601.80	582.82	574.15

Source: National Sources, Fitch Solutions

Business & Trade Climate

In line with the government's welcoming attitude to investors, the country has a clear FDI legal framework; there is strong protection for foreign investor property rights, and low restrictions imposed on foreign land or business ownership in the country. Senegal's Investment Code offers incentives to promote economic diversification, based on investment volume, company size and location, including tax and customs exemptions. The Mining Code and the Petroleum Code (finalised in February 2019) have specific incentives for investment into these sectors.

Investors to Senegal will also benefit from its membership of the Economic Community of West African States (ECOWAS), which seeks to create a regional free trade zone, and has adopted the ECOWAS Common External Tariff System. In a positive move towards the formation of a larger regional liberalised market, Senegal signed the African Continental Free Trade Area agreement in 2018.

Refined petroleum and gold are Senegal's single largest exports. The hydrocarbons sector is eventually set to become an important long-term driver of export growth, which should reduce the current account deficit and unwind external imbalances. Senegal's import products are relatively diversified as no single product category dominates the mix. Top imports include fuel, cereals and machinery.

Market Risk

Risk Factor	Impact on Business
Underemployment among youth population	If population growth is not matched by new jobs, real GDP growth over the next decade will be lower than expected and could ultimately lead to social unrest
Reliance on extractive industries	The government's development of the mining industry will not necessarily boost employment. Country needs to grow its manufacturing and services sectors as well so that the economy supports more inclusive growth

Investment Opportunities



Mining

Senegal has large unexploited mineral deposits, but has as yet only a small mining sector. The government wants the extractive sector to be one of the pillars of development. Senegal already exports considerable quantities of phosphate, but the administration is keen to develop its iron ore, gold and oil sectors also. Gold output has picked up and undeveloped discoveries by Randgold Resources and lamgold offer opportunities in the coming years. Output of titanium and zirconium has grown strongly in recent years, with exports doubling between 2015 and 2018.



Freight & Logistics

The country has already developed a new port in Dakar, in partnership with Bolloré Africa Logistics. With an annual handling capacity of 2 million twenty-foot equivalent units, and a draught of 13m, the port is well placed to develop into a transshipment and trade hub and entry point for other West African countries. The port, combined with good air and ground transportation links, will help Senegal emerge as a regional centre for logistics services over the coming years.



Hydrocarbons

The SNE deep-water oil and gas field, located within the Sangomar Deep Offshore Block, was the world's largest oil discovery in 2014. Partners Woodside, Cairn Energy, FAR Ltd and Petrosen are planning three phases for the development of the field. Meanwhile, BP and Kosmos Energy sanctioned the Greater Tortue Ahmeyim floating liquefied natural gas (FLNG) project in 2018, which is expected to produce 2.5mtpa of LNG for export, from the offshore giant Tortue field. Further investment into exploration of the promising offshore acreage will gain new impetus from the opening of the country's first licensing round in early 2020.



Infrastructure

The government's focus for future investments linked to the PSE will now largely look to develop business-supporting infrastructure anchored around a number of Special Economic Zones (SEZs) as well as more societal infrastructure such as education and tourism projects. Furthermore, the country's solid legal and regulatory Public Private Partnership (PPP) framework, which came into operation in 2014, will help to drive further investment into the transport, power and industrial infrastructure space.

Senegal Exports & Imports (US billion), 2018



Source: ITC

For more information please contact:

Trade Information Services, 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.information@afreximbank.com