

Cote d'Ivoire Business Forecast Report Q3 2014

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Abstracts

Core Views

We predict that Côte d'Ivoire will be among the fastest growing economies in Sub-Saharan Africa in 2014 and we expect this strong growth momentum to be maintained over the medium term. This positive outlook is underpinned by a combination of sustained strong levels of development spending by the Ivorian government, intensifying foreign investment into new industries, stable inflation and rising consumer spending levels.

Despite the more conciliatory rhetoric espoused by the Ivorian government and the Front Populaire Ivoirien, the main opposition party, in late 2013, recent developments reinforce our view that meaningful political rapprochement in Côte d'Ivoire will remain elusive over the near term at least.

A rapidly expanding economy, improvements to revenue collection, and prudent recurrent spending plans will allow the Ivorian government to keep capital spending levels high without jeopardising fiscal stability. We forecast a fiscal deficit worth 3.2% of GDP in 2014 and 2.6% in 2015.

Major Forecast Changes

Recently published IMF data containing revisions to Côte d'Ivoire's historical budget data have prompted some modest adjustments to our fiscal forecasts. We are now forecasting a budget deficit worth 3.2% of GDP in 2014 and 2.6% in 2015 (compared to 2.8% and 2.6% respectively before).

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Despite the more conciliatory rhetoric espoused by the Ivorian government and the Front Populaire Ivoirien, the main opposition party, in late 2013, recent developments reinforce our view that meaningful political rapprochement in Côte d'Ivoire will remain elusive over the near term at least.

Table: Political Overview

Long-Term Political Outlook

Post-Conflict Challenges To Linger

While the establishment of a cohesive national government has set the stage for an impressive economic recovery in Côte d'Ivoire, the country's political system remains brittle and ethnic tensions are easily inflamed. In our core scenario, BMI predicts that Alassane Ouattara's government will be only partially successful in addressing the country's political, security, and social challenges and that tensions will remain high over the coming years. A more stable outcome is possible, though highly unlikely, while we ascribe a 10-20% probability to a repeat of the 2010-2011 political crisis between now and 2020.

CHAPTER 2: ECONOMIC OUTLOOK

SWOT Analysis

BMI Economic Risk Ratings

Economic Activity

Growth Momentum Strong, But Political Risks Rising

We expect headline economic growth in Côte d'Ivoire to remain around the 8.0-9.0% level over the medium term as the country benefits from robust levels of public investment, an improving investment climate and a buoyant consumer segment. We believe, however, that the potential for heightened political and social tensions - not

least given next year's election and the trial of former President Gbagbo at The Hague - will see downside risks increase over the near term.

Table: ECONOMIC ACTIVITY

Balance Of Payments

Cocoa Decline Drives Widening C/A Deficit

Soaring consumer and infrastructure- driven import demand together with moderating export growth will see Côte d'Ivoire's current account deficit widen to 5.5% of GDP by 2018 from an estimated 2.9% in 2013. Nevertheless, we believe this shortfall will be easily offset by robust inflows of FDI as well as the disbursement of substantial projects loans from multilateral and bilateral actors.

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Inflation Set To Rise

Easing food price pressures have brought inflation rates within West Africa's franc zone well within the body's regional central bank's target range over the past 12 months, with some economies experiencing deflation in the past several months. We expect inflation to pick up somewhat through the course of 2014, due to potential droughts in Sahelian regions, and rising demand pull pressures, in particular from Côte d'Ivoire.

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A rapidly expanding economy, improvements to revenue collection, and prudent recurrent spending plans will allow the Ivorian government to keep capital spending levels high without jeopardising fiscal stability. We forecast a fiscal deficit worth 3.2% of GDP in 2014 and 2.6% in 2015.

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A Bright Decade Ahead, But Fragilities To Persist

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