

Francophone West Africa Business Forecast Report

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Abstracts

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BMI predicts tepid economic growth across Francophone West Africa, with only three countries (Benin, Côte d'Ivoire and Niger) growing faster than the average of all Sub-Saharan African countries excluding South Africa.

That said, we see the West African Economic and Monetary Union (UEMOA) outperforming the Economic and Monetary Community of Central Africa (CEMAC) in 2013 and over the coming years. We project average annual real GDP growth of 5.7% between 2013 and 2017 for UEMOA, with average annual expansion of just 3.8% in CEMAC. This is largely due to the economic recovery in Côte d'Ivoire and stagnating oil production in key CEMAC economies.

We believe that political tensions will rise in Côte d'Ivoire, but that the country's political stability will not be seriously threatened. We have raised our 2012 GDP estimate to 8.4%, and predict real growth of 6.5% in 2013.

In Cameroon, we see real GDP growth accelerating to 5.2% in 2013, but predict that it will trend down over the coming years, falling to 3.7% by 2017. Economic expansion is also accelerating in the Central African Republic, though the country's challenging business environment remains a concern.

BMI believes that Equatorial Guinea's current account deficit will remain wide as oil production stagnates and begins to fall. Unless action is taken soon, we predict that the economy will enter a structural decline.

Gabon, another declining oil producer, faced an embarrassing downgrade by Standard & Poor's, but BMI believes yields on its US\$ 2017 eurobond will continue to trade down over the medium term.

Unexpected leadership from Paris has caused us to re-evaluate the likelihood of a military intervention in Mali. We now believe a UNbacked African force will enter the country in mid-2013 but stress that a mission to re-establish government control over the north would be highly challenging for regional armies.

BMI doubts that Senegal's cabinet reshuffle will cause the country to break from its deficit-reduction policies, though we will continue to watch the situation closely.

We note that economic growth is improving in Togo, though we highlight the country's poor governance as a major obstacle to further acceleration.

Contents

BMI Ratings

BMI Risk Ratings – Africa Tables

Executive Summary

Regional Outlook

Francophone West Africa To Underperform

The economies of Africa's Franc zone will underperform over the duration of our 2013-2017 forecast period due to weak export growth, a fractured internal market and a difficult business environment. Stagnating oil production will cause real GDP growth in the region's Central African states to average just 3.8% between 2013 and 2017, while West African states will average 5.7%.

TABLE: UEMOA & CEMAC REAL GDP, % CHG Y-O-Y

CHAPTER 1.1: POLITICAL OUTLOOK – COTE D'IVOIRE

Domestic Politics

Trials To Raise Political Tensions

A leaked UN report claims that activists loyal to former president Laurent Gbagbo have hired mercenaries in Liberia and met with Islamist extremists in Mali in an attempt to overthrow the Ivorian government. We believe that the opposition lacks the capacity to follow through with its plans, but the sentencing of prominent Gbagbo loyalists is likely to ratchet up tensions.

TABLE: POLITICAL OVERVIEW

Long Term Political Outlook

The Long Road To Reunification

Over the next 10 years, the primary political goals in Cote d'Ivoire will be reducing endemic poverty, addressing identity politics and unifying administration of the country. The risk of rebellions and coup attempts will remain high for the foreseeable future.

CHAPTER 1.2: ECONOMIC OUTLOOK – COTE D'IVOIRE

Economic Activity

Growth To Slow, Remain Elevated

Despite a slight upward revision of our 2012 real GDP growth forecast to 8.4% from 8.0% we remain sceptical of the Ivorian government's forecast that growth will take off; our forecast for 2013 growth is only 6.5%. We believe that base effects boosted 2012's figure, and political tensions and a difficult business environment will cause growth (while still high) to slow in the coming years.

TABLE: COTE D'IVOIRE – ECONOMIC ACTIVITY**CHAPTER 1.3: 10-YEAR FORECAST – COTE D'IVOIRE**

The Ivorian Economy To 2021

Political Risk Still Drags Growth Below Potential

While growth over the next 10 years is expected to improve on the last decade, political uncertainty continues to exert a downward pull on the country's potential. In our view, high poverty levels and a frail business environment will represent the main obstacles to growth over the longer term.

TABLE: COTE D'IVOIRE – LONG-TERM MACROECONOMIC FORECASTS**CHAPTER 1.4: BUSINESS ENVIRONMENT – COTE D'IVOIRE**

Business Environment Outlook

TABLE: BMI BUSINESS AND OPERATION RISK RATINGS**TABLE: BMI LEGAL FRAMEWORK RATING****TABLE: LABOUR FORCE QUALITY****TABLE: AFRICA – ANNUAL FDI INFLOWS****TABLE: TRADE AND INVESTMENT RATINGS****TABLE: TOP EXPORT DESTINATIONS****CHAPTER 2: COUNTRY REPORTS**

Cameroon

Economic Activity

Central African Republic

Economic Activity

Equatorial Guinea

Balance Of Payments

Gabon

Debt Policy

Mali

Domestic Politics

Senegal

Domestic Politics

Togo

Economic Activity

CHAPTER 3: BMI GLOBAL ASSUMPTIONS

Global Outlook

Mixed Signals For The New Year

TABLE: GLOBAL ASSUMPTIONS

TABLE: DEVELOPED STATES REAL GDP GROWTH FORECAST

TABLE: REAL GDP GROWTH CONSENSUS FORECASTS

TABLE: EMERGING MARKETS REAL GDP GROWTH FORECAST

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