Senegal’s solid economic performance makes it a top business destination for Belgian companies | Credendo

A traditionally stable political environment and a recovering inflow of export revenues are the two key ingredients that make Senegal one of the region’s most resilient economies, and a prime target for Belgian companies.

This is the observation from the latest analysis published by Credendo on the eve of the Belgian Economic Mission to Senegal, chaired by HRH Princess Astrid.

Tourism, phosphate, gold and agricultural products have long been the main strengths of Senegal’s economy, but more recently oil and gas have been added to this already promising list.
With already strong macroeconomic credentials compared with many other countries in the region, Senegal may yet surprise observers, being in a position to benefit from new revenue driven by hydrocarbon production.

The country’s current economic figures may appear mixed: in 2022, inflation reached 9.7%, its highest level since the early 1990s. Why? “It’s largely due to food and energy price hikes as a result of global turbulence following Russia’s invasion of Ukraine and a disappointing local harvest,” explains Nabil Jijakli, Group Deputy CEO of Credendo.

Despite a small contraction in industrial production and a cut in public investment spending, real terms GDP growth remained strong in 2022 (4.7%). It is expected to accelerate to 8.3% in 2023, benefiting from oil and gas production coming on stream, recovering tourism revenues and industrial production, together with softened inflation expectations (5% in 2023).

What’s more, it’s all systems go for 2024. According to Louise Van Cauwenbergh, Country and Sector Risk Analyst at Credendo, “Senegal’s GDP growth is expected to reach double digits, again thanks to hydrocarbon production. Long-term growth prospects also remain solid (5%).” With economic indicators like these, Senegal is well equipped to remain one of the region’s best-performing countries.

This good news should reassure international importers and investors, “especially as it is expected to precede other good news: the steady rise in public debt stock during the last decade is set to be reversed,” explains Louise Van Cauwenbergh. The IMF categorises Senegal as being at “moderate risk of debt distress,” whereas it was at “low risk of debt distress” for several years.

Rising political tensions, in spite of the country’s stable institutions, are the only damper. The

President’s attempts to circumvent the constitution to seek a third term have only increased political tensions. “With a presidential election scheduled for 2024, the year ahead will be pivotal for Senegal in upholding its legacy of strong and democratic institutions”, says Nabil Jijakli.

Like most West African coastal nations, Senegal is exposed to security risks related to outbreaks of jihadist violence from Mali and Burkina Faso. “Risks from climate change disasters and food insecurity are also important threats. Senegal is also exposed to international supply chain disruptions resulting from the war in Ukraine and the tightening of global financial conditions,” which is not without risk, explains Nabil Jijakli.

Senegal’s MLT political risk classification has been stable and in category 5/7 for almost two decades, and the outlook remains unchanged. In 2023 and 2024, economic and financial indicators are expected to gradually improve on the back of easing inflation and a reduced deficit, thanks to accelerating GDP and export growth. As a result, debt ratios should decline over time, although this year’s debt services will be more elevated due to adverse financial conditions. Moreover, forecasts remain volatile given the uncertain geopolitical outlook and generally weaker global economic prospects forecast for this year.
However, current liquidity pressures, which have persisted for several months and affect several international businesses that have expanded their business to Senegal, should not be overlooked. Liquidity pressure and falling gross foreign exchange reserve levels are currently significant risk factors in many parts of the world and, as a member of the WAEMU monetary union, Senegal is no exception. Reserves import coverage should nevertheless be adequate, according to the IMF. At the start of 2023, foreign exchange reserves started to stabilise again, yet worsening international financing conditions are weighing on financial access and could create more liquidity pressure over the course of the year.

Despite these necessary and sensible precautions, it is clear that, by investing in Senegal, Belgian companies are opting for one of the strongest and most promising countries in the region.

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