

Senegal: Will young reformist president live up to great expectations? | Credendo

Event

Following months of historic violent political unrest, the [postponed presidential elections](#) were held in March 2024. During these elections, the opposition managed to book a landslide victory. Former tax-collector and transparency activist Diomaye Faye won the presidency, and his mentor Ousmane Sonko became Senegal's new prime minister. During the unfolding of the recent political crisis, both Sonko and Faye were freed from prison as part of an amnesty deal. They had been imprisoned over defamation and online criticism of the former government last year. This specific ending to a deep constitutional crisis has proved the strength of Senegal's institutions and civil society as democracy prevailed in a region ravaged by democratic decay and military coups.

Impact

Faye and Sonko managed to snoop Senegal's youthful population with campaign promises on interventionist policies and radical economic, monetary and anti-corruption reforms (such as leaving the CFA franc currency union). Still, the leadership duo is expected to be more pragmatic when it comes to actual policy making. Early April, President Faye formed a coalition with supportive opposition members, some from highly technocratic backgrounds yet many lacking governance experience. Nevertheless, this somewhat reassured foreign partners and investors that key relationships and economic interests will not be threatened. In fact, President Faye is expected to be more of a reformist than a revolutionary. Yet to pass meaningful reforms in the longer term, the Faye administration will first need to find a majority during legislative elections expected to be planned around September 2024. Although the immediate risk for political unrest has eased since the March 2024 elections, there is still a simmering risk for social unrest stemming from high costs of living, youth unemployment of nearly 20% and rising anti-French sentiments.

In December 2023, Credendo downgraded its short-term political risk classification for Senegal to category 5/7 as liquidity was under pressure and large financing gaps were emerging on the external balance of payments. That was due to ongoing delays in oil and gas production, which are expected to finally come on stream as of the second half of this year. The deadly unrest had a negative impact on economic performance in 2023 but should settle over the course of 2024. Moreover, due to the subsequent delays in oil and gas production, GDP growth was revised down again to 8.3% for 2024, while double-digit growth should finally materialise in 2025 (10.2%). The medium- to long-term political risk classification is in category 5/7 but is under negative watch due to mounting external indebtedness affecting the country's financial position. It remains to be seen whether the new government will stick to consolidation efforts and can prevent external debt sustainability from drifting off further, especially as it is unlikely to moderate the costly power and fuel subsidies. On the upside, the booming hydrocarbon sector is likely to generate a new influx of investment flows, also in the renewables sector. According to the IMF's debt sustainability analysis, Senegal's public debt is at 'moderate risk of debt distress', which reflects public finance benchmarks at currently sustainable levels.

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