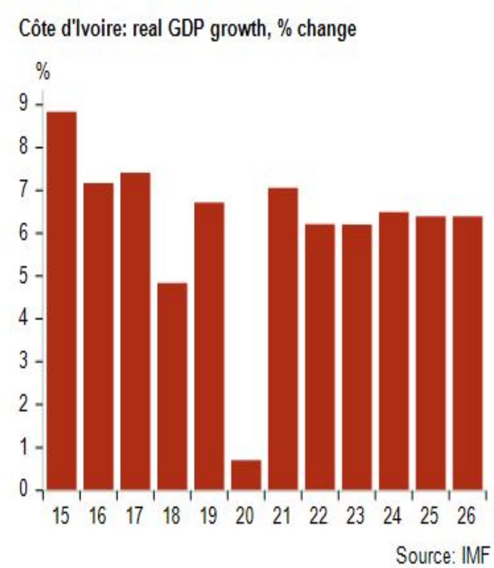
Côte d’Ivoire: Strong prospects amid global challenges | Credendo

Strong growth projections and altering external debt profile

Since emerging from a civil war in 2011, the political and security situation stabilised persistently thanks to national reconciliation efforts. Côte d’Ivoire’s economy grew beyond the regional average and showed resilience during the past tumultuous decade, which was marked by consecutive global crises. The country has a strong track record of improving the business environment and implementing reforms to enhance infrastructure, legal protection and access to services among others. Consequently, investment appetite in the world’s leading cocoa exporter has remained strong over the years. Despite 2024 being a bad year for the cocoa sector due to weather shocks, GDP growth reached 6.5% thanks to strong domestic consumption and significant investments (construction, gold mining and energy). Economic growth should reach around 6% again this year and the next.

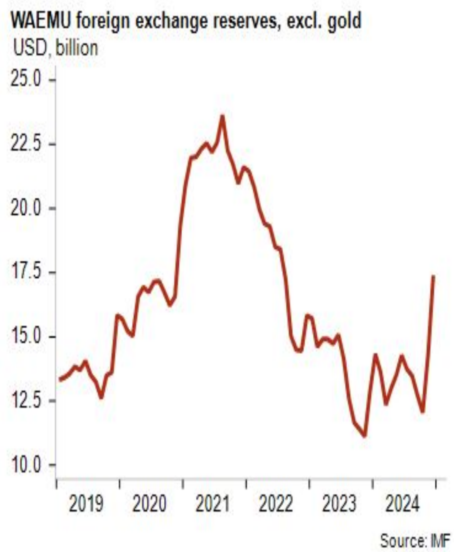


Côte d’Ivoire has a structural deficit on its current account. Following the accumulation of relatively large deficits in 2022 and 2023 (both at around 8% of GDP), improved terms of trade would narrow to 5.4% and 1.3% of GDP in 2024 and 2025 (substantial cocoa revenues and the coming on stream of the Baleine oil field). Moreover, sufficient capital inflows are projected to foster a surplus on the external balance of payments, boosting the country’s and region’s liquidity position. Côte d’Ivoire was the first African country to return to financial markets since 2021, with successful Eurobond issuances in 2024 and mending investor confidence after a series of global shocks raised great debt sustainability concerns towards the region. Côte d’Ivoire’s debt servicing burden is expected to moderate considerably as of 2025 thanks to the refinancing of a sizeable portion of its high-interest commercial debt late 2024 and early 2025. The debt-swap initiative is anticipated to enhance the country’s debt risk profile and allocate additional budgetary resources towards educational development.

Stabilising impact of BCEAO’s prudent monetary policy

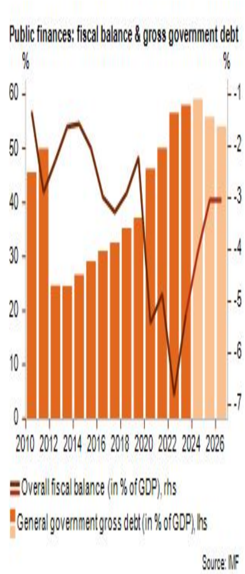
The economic environment was supported by an inflation rate of 3% end 2024, a low level that is attributed to the CFA franc's peg to the euro. As a member state of the West African CFA franc zone, Côte d'Ivoire benefits from the disciplined monetary policy of the BCEAO (Central Bank of West African States) and maintains a stable currency. The eco will replace the CFA franc as the West African sub-regional currency in the medium to long term and the authorities should aim to retain most of the economic advantages of the CFA franc to ensure economic stability and maintain investor confidence. At this stage, the timeframe for the transition to the eco remains unclear as most member states are far from meeting the convergence criteria.

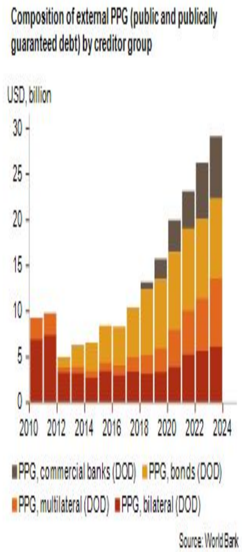
Côte d'Ivoire has access to pooled foreign exchange reserves as a member of the monetary union. However, since 2021, adverse terms of trade (in a net fuel and food importing region), rising security risks and the political upheaval in member states Burkina Faso, Mali and Niger ¬– which are isolated by military governments – resulted in liquidity pressures. These have in turn translated into a consistent drop of regional foreign exchange reserves until end 2023. In 2024, pressures eased as reserves were supported by Eurobond issuances of Benin, Côte d'Ivoire and Senegal. As a result, foreign exchange reserves reached USD 17.4 billion or 2.7 months of import cover by the end of 2024, which is still an inadequate level to securely defend the peg to the euro. To address the immediate shortfall in liquidity and structurally turn the tide, the WAEMU passed new anti-money laundering regulation and tighter currency controls in December 2024, including stricter repatriation requirements for export earnings.



Public finances could gradually improve

Public finances came under increased pressure due to subsequent external shocks, such as Covid-19 and the invasion of Ukraine, leading to deep fiscal deficits and an acceleration in public debt accumulation. Côte d'Ivoire's gross government debt grew from 38% of GDP in 2019 to an expected peak of 59% in 2024. This debt level is still manageable and, in absence of new shocks, set to moderate over the coming years assuming ongoing fiscal consolidation efforts. Nevertheless, about 64% of total government debt is external debt and its creditor composition has transformed significantly over the past decade (see graph below). Indeed, while the proportion of debt held by bilateral creditors did not grow that much, the fraction of commercial debt (bonds and commercial banks) went times seven over the past decade. Also borrowing from multilateral institutions increased considerably. As a result of the large proportion of commercially owed debt, the government's financial stability is much more exposed to fluctuations on the financial markets and adverse investor sentiment.





Côte d'Ivoire is considered at 'moderate risk of debt distress', according to the IMF. Nevertheless, gross government debt as a percentage of government revenues is an indicator that calls for cautiousness as it reached more than 354% in 2024 (down from 371% in 2022) and interest payments absorbed more than 14.4% of yearly revenues in 2024. According to the IMF's projections, government revenues will steadily increase, thanks to which the overall fiscal deficit should sustain a healthy 3% of GDP over the projection period, which is the WAEMU's conversion criterion. Given the expected increase in security spending, this assumes the continuation of reform implementation and fiscal consolidation under the IMF financial support programme (from May 2023 until September 2026).

Major risks to the outlook

Credendo has a stable outlook for the MLT political risk (category 5/7) and for the ST political risk (category 4/7) while the business environment risk is expected to stay in category D/G. Although Côte d'Ivoire is presumed to remain one of the best performing economies in the region, there are some important risks confronting this outlook. Firstly, climate change events and weather shocks could affect all segments of the agriculture-based economy. Secondly, security risks related to jihadist spillovers in the north and regional political turbulence are not expected to abate soon, while geopolitical tensions create great uncertainty. Despite the announced withdrawal of French military forces from the country this year, there is no indication Côte d'Ivoire will sever ties with France further or replace French troops with Russian forces as witnessed in the Sahel states. Nevertheless, socio-political tensions are high, and President Ouattara's anticipated aspirations for a fourth term fuel the risk of political violence and civil unrest in the run-up to the October 2025 presidential elections. Moreover, there is a risk of loosened fiscal discipline ahead of the elections.

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