COTE D'IVOIRE

Table 1	**2020**
Population, million	26.4
GDP, current US$ billion	60.0
GDP per capita, current US$	2275.1
International poverty rate ($1.9)[a]	29.8
Lower middle-income poverty rate ($3.2)[a]	59.1
Upper middle-income poverty rate ($5.5)[a]	83.2
Gini index[a]	41.5
School enrollment, primary (% gross)[b]	100.3
Life expectancy at birth, years[b]	57.4

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2015), 2011PPPs.
(b) WDI for school enrollment (2019); life expectancy (2018).

The COVID-19 pandemic negatively impacted the economy in 2020 through disruptions to services, trade, lower external demand and reduced foreign financing flows, reducing real growth to 1.8 percent. Fiscal and external balances deteriorated, debt pressures increased, and poverty rose. Downside risks to the economic outlook predominate, including a second COVID-19 wave, a decline in agricultural commodity prices, a sluggish global recovery and security vulnerabilities.

Key conditions and challenges

During the last decade, Côte d'Ivoire has been one of the fastest-growing countries in Sub-Saharan Africa (SSA), with real GDP growth averaging 8.2 percent per year (5.7 percent in per capita terms) over 2012–2019. This was driven mainly by a post-conflict recovery, public investment, and reforms that supported a credit expansion. However, the catch-up effects are dissipating, and the country will need to attract private investment and accelerate the structural shift towards higher value-added activities.

Meanwhile, within-firm productivity rose in manufacturing, but there has been little structural change between firms allocating resources to the most productive ones. Côte d'Ivoire has made significant progress on improving the business environment in terms of easing regulations and was one of the strongest reformers according to the World Bank's Doing Business report until 2019, although progress has been limited in the past year. Private investment is below levels seen in other emerging market economies. Difficulties accessing industrial land, higher transport and logistics costs, and limited access to finance, especially for SMEs, remain key barriers to investment. Further structural reforms (access to finance, access to land, tax reforms) will be essential to sustain the pace of private sector led growth.

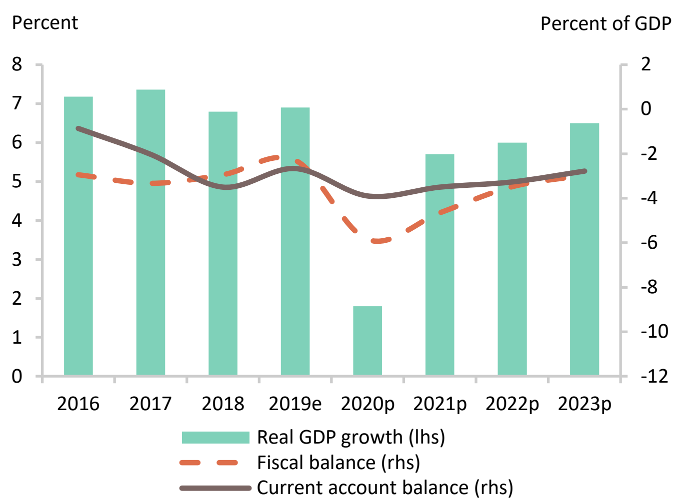
The economic recovery since 2012 translated into some improvement of households' livelihoods. The national poverty rate declined from 44.4 percent in 2015, to 39.5 percent in 2018, but rose in 2020 due to the pandemic. The crisis highlighted vulnerabilities in social safety nets, and poverty, inequality and regional disparities remain key concerns that require continued government expenditure (social programs and basic infrastructure). In addition, domestic resource mobilization is insufficient to match spending needs. Therefore, it is critical to expand the tax base and improve governance in revenue administration (including digitalization of tax procedures) to create the fiscal space necessary to promote equitable and inclusive growth.

Recent developments

GDP growth slowed to 1.8 percent (near 7 percent projected pre-COVID). The volatility in global demand and commodity prices led to lower exports, while FDI and external financial flows shrank. Household consumption grew by 1.9 percent. Agriculture showed some resilience, but services and industry were hit hard by the confinement restrictions and supply chain disruptions. Inflation increased moderately, due mainly to higher food costs.

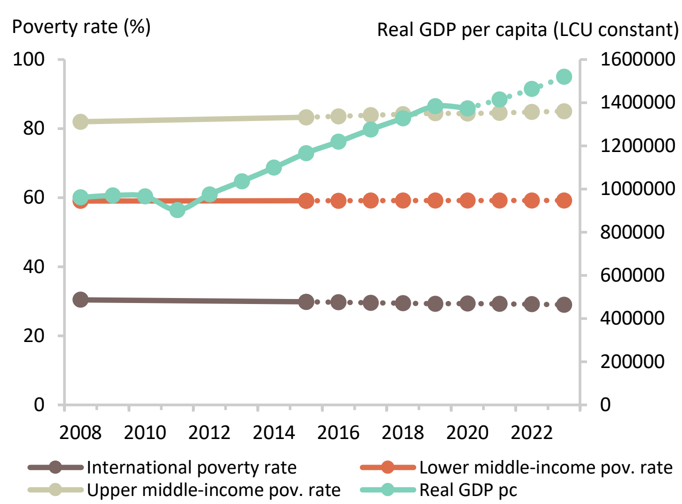
High frequency surveys suggest formal private sector employment dropped by 41 percent during COVID-19 restrictions. The national poverty rate rose and remained above previous levels (39.4 percent in

FIGURE 1 Cote d'Ivoire / Real GDP Growth, current and fiscal account balances



Source: World Bank.

FIGURE 2 Cote d'Ivoire / Poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

2018) at 41.5 percent in October 2020, corresponding to nearly 425 thousand additional poor.

The fiscal deficit widened to 5.9 percent of GDP in 2020 and debt rose to 45.8 percent of GDP (from 41.2 in 2019), driven by the government's COVID-19 emergency response package. Tax revenues narrowed, reflecting the toll on economic activity and the fiscal cost of crisis measures.

The current account deficit increased to 3.8 percent of GDP in 2020, mainly reflecting a lower trade surplus, as global prices for cocoa beans – 27 percent of exports in 2018 – and external demand for the country's exports were subdued.

Côte d'Ivoire's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), with a fixed peg between the CFA Franc and the Euro. To support COVID-19 related extra spending, the BCEAO announced monetary and macroprudential measures since March 2020, including a policy rate cut and extended refinancing operations of the 3-month COVID-19 bonds to support governments and businesses. Cote d'Ivoire's reserves reached an estimated 5.5 months of imports in 2020. Between March and October 2020, the REER appreciated by 6.4 percent y/y, reflecting the nominal appreciation of the Euro against the USD.

Outlook

Economic growth should gradually return to pre-pandemic levels by 2023. Real GDP is projected to grow by 5.7 percent in 2021, building on the recovery of late 2020 which was reflected in some high frequency monthly indicators picking up again (export volumes, google mobility indicators, etc.). Domestic consumption will continue to pick up alongside the recovery. Inflation is projected to remain below the WAEMU target, anchored by the CFAF/Euro peg and a prudent monetary policy. The external current account deficit is expected to narrow gradually, reaching 2.7 percent of GDP by 2023 as exports recover and grow faster than imports, strengthening the country's trade balance.

The fiscal deficit is projected to gradually narrow towards the WAEMU criterion of 3 percent by 2023. Continued crisis-support spending for households and firms, and accelerated public investment, will put pressure on public expenditures in 2021. Fiscal consolidation in the medium-term should come from increased digitalization in revenue administration, renewed efforts in collections and tax policy reforms, combined with the gradual withdrawal of COVID spending and control over current spending.

Poverty incidence increased during the pandemic, but the economic recovery, continued government expenditure and expansion of the country's social safety net through cash transfers are expected to put poverty back onto a downward trajectory in 2021.

Despite this relatively favorable outlook, downside risks are significant. Côte d'Ivoire may yet face a second domestic peak of COVID-19 outbreaks if new strains become more prevalent, which may require further confinement measures. The country has ordered vaccines and the vaccination campaign (to begin with essential staff from the healthcare, security and education sectors) has started in March 2021. In addition, continued pandemic restrictions in trade partners (the US and EU) may depress export prices and demand, while slowing down the recovery of foreign direct investments.

TABLE 2 Côte d'Ivoire / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	6.9	6.2	1.8	5.7	6.0	6.5
Private Consumption	8.0	6.0	1.9	3.0	6.0	6.5
Government Consumption	1.9	4.1	0.3	5.1	0.1	-5.3
Gross Fixed Capital Investment	18.7	5.5	6.2	9.7	4.5	5.8
Exports, Goods and Services	5.6	5.7	-4.6	4.6	4.8	5.7
Imports, Goods and Services	2.2	4.4	-0.2	1.5	1.4	1.1
Real GDP growth, at constant factor prices	6.9	6.2	1.8	5.7	6.0	6.5
Agriculture	5.3	1.4	0.7	1.8	1.9	1.7
Industry	10.7	10.1	4.0	5.0	7.0	7.0
Services	6.1	6.1	1.3	6.9	6.6	7.3
Inflation (Consumer Price Index)	0.4	0.8	1.2	1.4	1.6	1.8
Current Account Balance (% of GDP)	-3.5	-2.7	-3.8	-3.4	-3.2	-2.7
Net Foreign Direct Investment (% of GDP)	1.2	1.0	0.2	1.6	1.8	1.7
Fiscal Balance (% of GDP)	-2.9	-2.3	-5.9	-4.7	-3.4	-2.9
Debt (% of GDP)	40.1	41.2	45.8	46.1	46.3	45.8
Primary Balance (% of GDP)	-1.6	-0.7	-4.0	-3.0	-1.7	-1.3
International poverty rate ($1.9 in 2011 PPP)[a,b]	29.4	29.3	29.3	29.2	29.1	29.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	59.1	59.1	59.1	59.2	59.2	59.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	84.1	84.4	84.3	84.5	84.8	85.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.
(a) Calculations based on 2008-ENV and 2015-ENV. Actual data: 2015. Nowcast: 2016-2020. Forecast are from 2021 to 2023.
(b) Projection using annualized elasticity (2008-2015) with pass-through = 1based on GDP per capita in constant LCU.