RESEARCH REPORT

MACROECONOMY

OCTOBER 2020

AFRICA REPORT

State of play and prospects of African economies

Attijari Global Research

PART 1

SUMMARY SHEET

- REPORT PRESENTATION
- KEY LEARNING
- REGIONAL COMPARISON

REPORT PRESENTATION

Faced with the Covid-19 pandemic, African countries reacted differently. Their approach took into consideration, of course, the level of contamination, but also the economic priorities and the leeway available to each country.

As a result, the economic impacts contrast from one country to another. In this report, we take an up-close and individual analysis of the economic context of six major African countries from the North, West and Central African regions. We thus measure the level of pandemic spread and present the preventive approach adopted by the authorities. We then study the different impacts on growth and the balances of each country. We conclude with an assessment of new opportunities & risks in light of these elements.

Our study is enriched by a comparative analysis of the Covid-19 pandemic's collateral economic damage over our entire benchmark. With the support of reliable and updated data at the end of September 2020, we list the impact levels of the pandemic on the main economic aggregates. A comparative study which allows us to draw some learnings presented at the beginning of this report.

Good reading,

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KEY LEARNINGS...

- **The economic burden of lockdown is significant:** "Life is priceless" ... in any case preserving it is very costly : countries which opted for strict confinement for a significant period (i.e. Morocco and Tunisia) would record a recession equivalent to 2 years of growth. It is only starting FY 2022 when GDP will resume with its FY 2019 level.

- **Two disparate profiles in terms of economic recovery capacity:** On the one hand, countries such as Egypt, Senegal, or Cameroon rely on new natural resource production capacities to initiate pre-production investments and ensure a growth rebound. On the other hand, the recovery of the remaining countries constituting our benchmark relies on the convalescence of their trading partners and the impact of climatic uncertainties on the agricultural component.

- **The diversification of economic partners is proving to be as critical as that of production:** In fact, the exposure of several North African and Sub-Saharan countries, which are already considered diversified in terms of production, to a pool of very affected countries by the pandemic such as France, Italy, or Spain is proving to be very costly in terms of economic growth.

- **Budget attendance is a great support in times of shock:** Admittedly deprived of a few points of growth, the countries (i.e. Morocco, Egypt, Côte d'Ivoire) which demonstrated diligence in terms of public expenditure, have call on several occasions for foreign financing at competitive costs. Others (i.e. Senegal), although showing sustained growth, find themselves in difficulty aspiring to a suspension of their debt repayments in 2020.

- **Transfers from the diaspora... rather resistant to the crisis:** With a limited decline during Q3-20 and over a sliding year of 2.3% in Morocco against an increase of 8.8% in Tunisia and 12% in Egypt, workers' remittances are surprisingly resilient. A situation which could be explained by the predominance of basic aid at the expense of savings transfers.

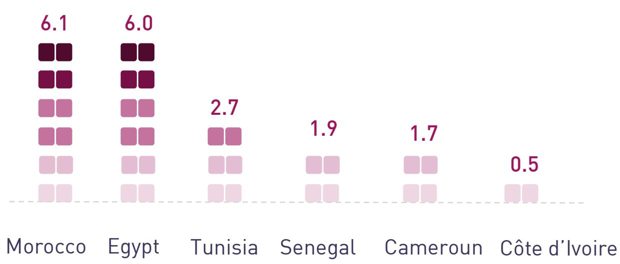
- **Currencies, whatever their regime, are rather resilient in this period of crisis:** Whether the exchange rate regime is rigid like the FCFA, intermediary like the MAD or the TND, or completely flexible such the Egyptian Pound, currencies overcome the pandemic without too much damage, at least within the short-term. The decline in consumption and production, the fall in energy prices had a positive impact on the trade balance of net importing countries. Not to mention the use of foreign loans which replenished their foreign exchange reserves.

- **The development of a permanent domestic tourism Offering... a new imperative for the viability of this sector:** Certainly presenting a structuring character for an economy, the external tourism sector whatever its profile (mass tourism in Tunisia, cultural tourism in Egypt, niche market in Morocco) is occasionally undermined by exogenous events such as terrorism or health crises. The development of a permanent domestic offering would reduce the exposure of this sector to hazards.

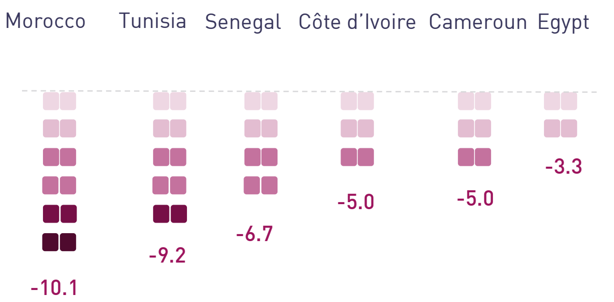
REGIONAL COMPARISON

- **The dilemma between the citizens' health and economical imperatives**
  - By imposing a strict 3-month lockdown, **Morocco** clearly ruled in favor of preserving citizens' health compared to economical imperatives. In return, its recovery plan is the most ambitious among its peers, with an overall commitment of nearly 12% of GDP ;
  - **Egypt** was more cautious to the economic needs of the population, providing flexibility in its approach related to lockdown. A strategy which fostered growth with a commitment to a stimulus plan limited to 1.6% of GDP ;
  - Halfway through, **Tunisia** opted for moderate restrictions which made it possible to maintain minimal economic activity. Its stimulus plan representing 3.0% of GDP would be more important if the situation of public finances would allow it ;
  - **Senegal** did not skimp on the means to maintain its usual strong growth. By deploying a budget of 6.5% of GDP, the authorities are making economic growth a top priority even at the cost of rapidly rising debt ;
  - **Côte d'Ivoire** was more balanced in its choices. With a stimulus plan equivalent to 6.5% of GDP, the country is preparing for a crucial electoral deadline;
  - Being already subscribed in a path of consolidation of public finances, the budget of the stimulus plan in **Cameroon** was limited to 0.8% of GDP. An injection into an economy severely hit by the fall in oil prices.

Number of death on sept. 30th, 2020 per 100k inhab.



Impact on 2020E growth (pts of GDP)

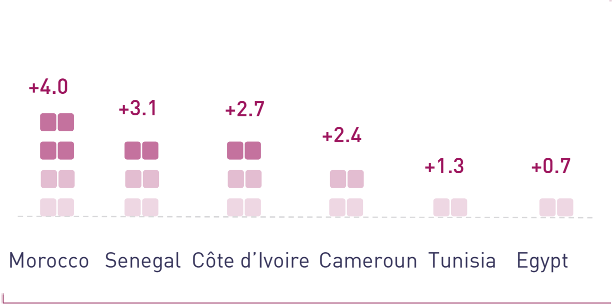


- **Various fates in terms of impact on economic growth**
  - Covid-19 pandemic put a sharp brake on **Côte d'Ivoire** and **Senegal** economic growth, despite being among the most dynamic economies in Africa. Assuming a strong improvement in the sanitary situation by the end of 2020, these two countries would resume with their normative growth rate by 2021 ;
  - For **Morocco** and **Tunisia**, the recession would wipe out economic growth from an average of 2 years of normative growth. Their economic recovery promises to be gradual and dependent on climatic conditions and the convalescence of partner countries which are severely hit by the pandemic ;
  - In lack of leeway, **Cameroon** could not avoid the recession. An unprecedented fact for an economy rich in natural resources. With the contribution of new production sources, this economy would return to normative growth starting year 2021 ;
  - With the exception of our benchmark, **Egypt** would only experience a slight slow down in its growth. With the fiscal year straddling (closing June 30), the effect of the pandemic could also be slightly apparent in the fiscal year ending June 30, 2021.

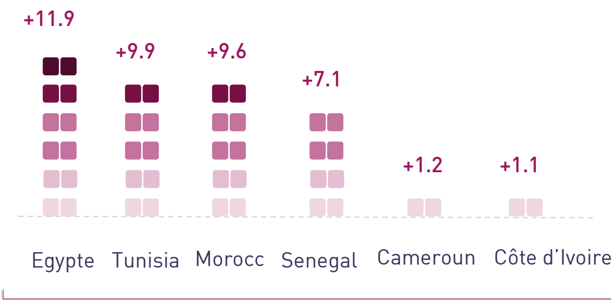
COMPARATIF RÉGIONAL (CONT.)

- **Already feverish balances, further weakened by the pandemic**
  - Having set itself, in agreement with the IMF, a fiscal deficit target of 1.5%, **Cameroon** would be particularly affected by the widening of its deficit. While the level of debt is not alarming in itself (39% of GDP), the difficulty lies in the stagnation of government revenues in the face of the rise in debt service ;
  - In **Senegal**, the strategy of prioritizing economic growth at the expense of budgetary balances is undermined by the context of the Covid-19. So much so that Senegal is among the beneficiaries of a suspension of debt service granted by the Paris Club to countries in debt distress ;
  - In **Morocco**, **Tunisia** and **Egypt**, we remain very vigilant with regard to maintaining budgetary balances, avoiding a slippage in public spending and in particular that linked to investment. Otherwise, the impact on the current account would be also pronounced given the exposure of trade to European countries in difficulty and because of the weight of tourism. As of today, foreign exchange reserves are stabilizing thanks to calls for external financing under still favorable conditions ;
  - The overrun which Côte d'Ivoire would record in terms of fiscal deficit would in no way call into question its budgetary balances. A country considered diligent in the management of its resources and employments.

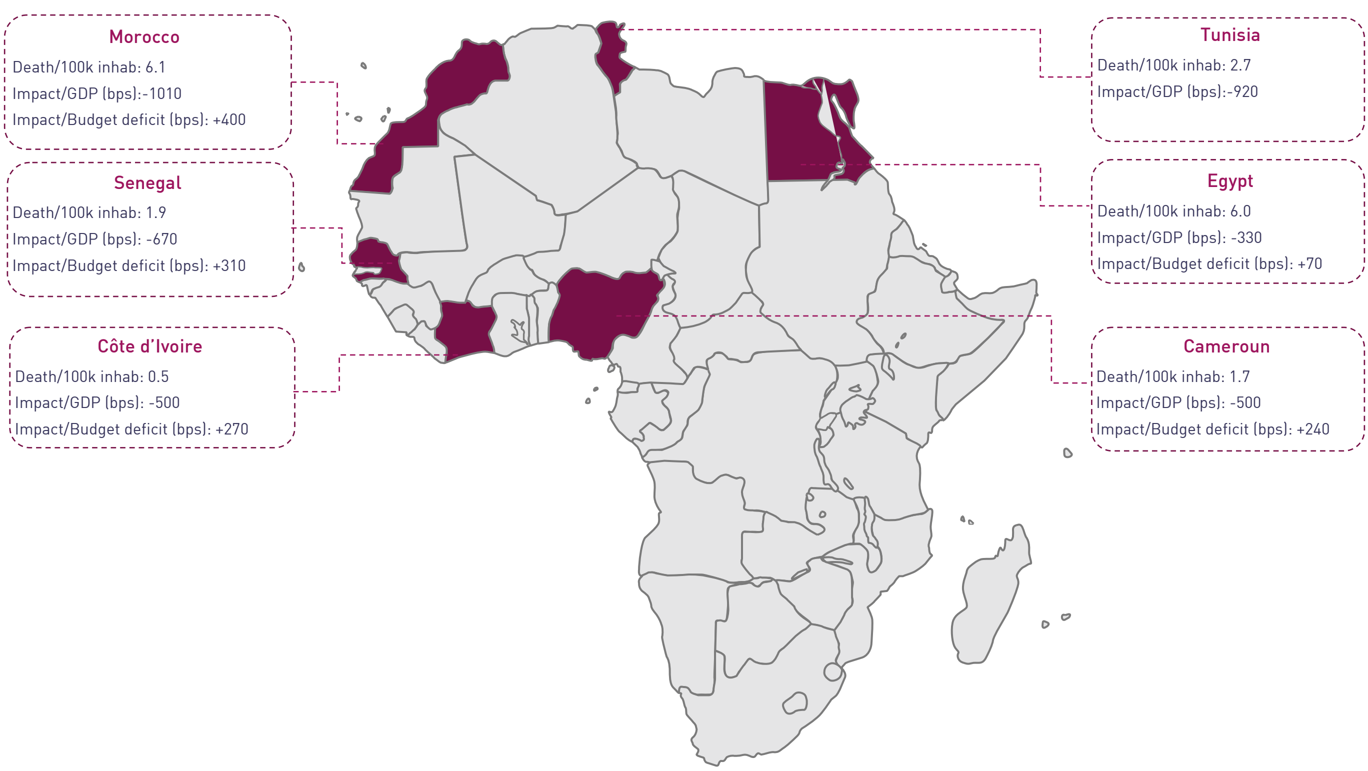
Impact on 2020E fiscal deficit (pts of GDP)



Change in debt 2019-2020 (pts of GDP)



- **Overall contrasting impacts ... confirming the uniqueness of African countries**



PART 2

COUNTRY PROFILE

NORTH AFRICA

WEST AFRICA

CENTRAL AFRICA

MOROCCO

A PARTICULARLY DIFFICULT YEAR...THE FUNDAMENTALS PRESERVED

COUNTRY FUNDAMENTALS

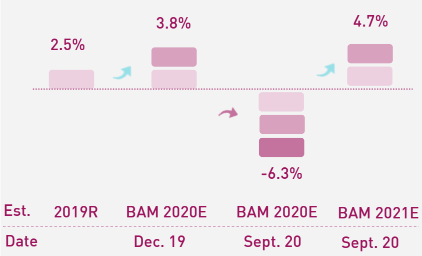
Profile	
Governance	Constitutional monarchy
Authority	King then Head of Government
Upcoming elections	Legislative in 2021
Area	711,000 Sq.
Population	35,8 millions inhab.
Demographic growth	1.0%
Urbanization rate	63.4%
Export	Automotive (27%), Agri. (22%), Phos.(17%)
Import	Capital goods (26%) , Consumer pdts (23%)
Diaspora transfers	(6% of GDP)
Economic partners	France, Italy, Spain
Currency	Floating within a band of ±5%

Spread Covid-19 as of 30 Sep.	
Test / 100 k inhab.	7 318
Case / 100 k inhab.	345
Death / 100 k inhab.	6

Main aggregates	2019	2020E	2021E
GDP Growth (%)	2.5	-6.3	4.7
Inflation (%)	1.3	0.4	1.0
Unemployment rate	9.5	12.3	NE
Treasury investment (% GDP)	6.9	7.0	6.5
Budget deficit (% GDP)	-3.6	-7.4	-5.0
Treasury debt (%)	65.0	75.3	75.4
Current account (% GDP)	-4.4	-6.0	5.2
F. exchange reserves (MAD MN)	215	295	289
Parity (USD/MAD)	9.56	9.19	9.10

Rating & Eurobond issuances	
S&P	BBB- (Investment Grade)
Spread CDS 10 ans USD	167 BPS

GDP evolution



Profile

Over the past decade, Morocco made major advances in several areas such as the fight against illiteracy, services to citizens and infrastructure. However, this development was only accompanied by growth of barely 2.3% of its GDP per capita during the 2010-2019 period against 3.4% a decade earlier. Of course, the Kingdom is using the stability card to promote private and especially foreign investment. Nevertheless, the economic dynamic finds historically its origins in public procurement which, long focused on infrastructure, is only partially reflected in employment and growth. The latter remains dependent on agriculture as well as on rainfall, although to a lesser extent.

At the same time, Morocco maintained a long tradition of moderate inflation around a target of 2%. Major reforms such as the dismantling of state subsidies and the flexibility of the MAD did not question this economic target. The purchasing power of citizens is thus preserved and consumption hence remains a pillar for economic growth in Morocco.

Covid-19 Impact

Morocco long advocated a policy of openness in the conduct of its economic policy. In this context, the strict lockdown, which lasted nearly 3 months in Morocco, had considerable repercussions on several economic areas. All the more so as its main partners, in this case France, Italy and Spain, which account for 60% of trade, would post declines of at least -11% of their GDP.

- Expected decline of 69% in travel receipts ;
- 17% drop in exports against a 6% drop in imports ;
- 12% decline in the added value of the building material sector ;
- 5% drop in the trade sector.

Overall, these factors resulted in a loss of 520k jobs in Q2-2020, bringing the unemployment rate to 12.3% in Q1-2020 against 8.2% a year earlier.

Growth forecasts

Overall, the drop in foreign Demand (excluding phosphates) addressed to Morocco is estimated at -20% for the year 2020 against a normative increase of + 4%. The drought would not help the situation with a crop expected at 30 MQ against an annual average of 70 MQ. The combination of these factors would result in a recession of -6.3% according to BAM against a growth forecast of 3.8% pre-Covid.

This recession is the most severe of the past two decades. Bank Al-Maghrib just said that the growth of the year 2021 will not wipe the loss of the current year. GDP is expected to resume with its 2019 level starting year 2022.

Apparently, these figures do not take into account any risk of further restrictions to counter a possible persistence of the pandemic. Without providing for such a measure, each day of strict lockdown would deprive Morocco of 10 BPS of growth, or the equivalent of MAD 1 Bn, according to official estimates.

| NORTH AFRICA |

Recovery plan

In Morocco, the recovery plan is commensurate with the damage caused by the Covid-19 health crisis. This multi-faceted device aims above all to ensure the assembly of financial means to fuel the recovery, to present suitable economic conditions for this sake. Below are 4 key measures from around fifty initiatives considered :

- Constitution of a support fund allocated to the financing of health needs and to the support of individuals and companies in the amount of MAD 33 Bn or 3.2% of GDP ;
- Creation of a strategic investment fund of MAD 120 Bn with the mission of supporting production activities and supporting large public-private projects ;
- Cumulated reduction of 75 BPS of the Key Rate to 1.5% and tripling of the banks' financing capacity through a new regulatory mechanism ;
- Establishment of a guarantee mechanism to relieve the cash flow of corporates, and particularly SME.

Budgetary & external balances

In addition to its impact on economic growth, the lockdown is expected to have a considerable but more moderate effect on this year's budget balance. Between a double-digit decline in Treasury revenue, spending resistance to its initial level, the need in resources is growing. The decline in GDP amplifies the increase in the budget deficit expressed as a percentile of GDP, which is expected at 7.5% against an initial estimate of 3.5%. A level reminiscent of the budget deficit of 7.2% in 2012 (excluding privatization).

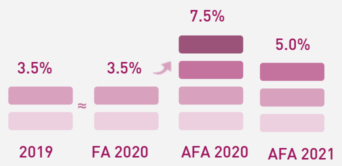
As Morocco's main economic partners are particularly affected by the pandemic, the current account deficit is expected to deteriorate from 4.4% in 2019 to 6.0% in 2020. A situation to be put into perspective as long as foreign exchange reserves can be replenished to the equivalent of 5 months of B&S imports. This was made possible thanks to recourse to the precautionary and liquidity line of the IMF kept for this purpose, and to the foreign debt issuances whose terms remain advantageous compared to emerging countries.

Risks & Opportunities

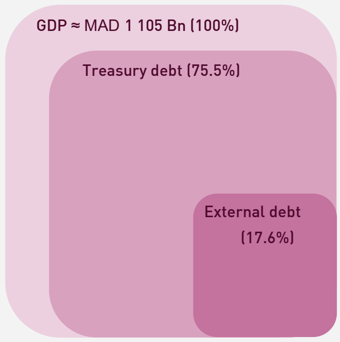
The development of 2020 is unprecedented in the recent history of the Moroccan economy. The global recession, drought and lockdown would result in a recession in Morocco of -6.3% against a growth of 3.8% expected last December. According to preliminary estimates, GDP would not return to its 2019 level until 2022. With regard to public finances, the budget deficit would reach 7.5% and the debt of the Treasury is expected to rise at 75.5%. Presumably, the Treasury seems to maintain a balance for this year 2020 while preserving a harmonious evolution of the main topics.

We believe that within the framework of Morocco's economic policy, the preservation of budgetary balances still takes precedence over the revival of growth. In this spirit, the latter could intrinsically recover if we take into account the return of rainfall, the resumption of foreign Demand and a gradual return to ordinary activity.

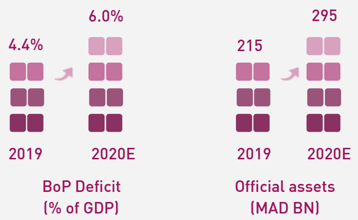
Budget deficit (% of GDP)



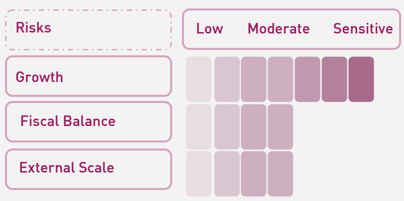
Treasury debt (% of 2020E GDP)



Balance of Payments vs. Official assets



Risk mapping



Sources : World Bank, Ministry of Finance, Bank Al-Maghrib, Exchange Office, AGR Computations

TUNISIA

REDUCED LEEWAY...THE PRIVATE SECTOR IS A KEY OF RECOVERY

COUNTRY FUNDAMENTALS

Profile

Governance	Republic
Authority	President and head of Government
Upcoming elections	Presidential in 2024
Area	163,610 Sq. km
Population	11,7 millions inhab.
Demographic growth	1.2%
Urbanization rate	69.0%
Export	Mec. & élec. Industry (47%); Textile (21%); Agri. (11%)
Import	Mec. & elec. Industry (41%); Energy (16%); Textile
Diaspora transfers	(5.6% of GDP)
Economic partners	France, Italy, Germany
Currency	Controlled float regime

Spread Covid-19 as of 30 Sep.

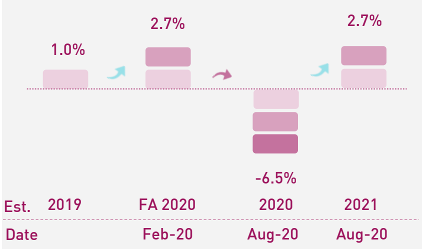
Test / 100 k inhab.	1 768
Case / 100 k inhab.	157
Death / 100 k inhab.	3

Main aggregates	2019	2020E	2021E
GDP Growth (%)	1.0	-6.5	2.7
Inflation (%)	6.7	5.7	5.1
Unemployment rate	14.9	20.0	NE
Investment (% GDP)	6.0	6.9	NE
Budget deficit (% GDP)	-3.5	-4.3	NE
Public debt (%)	73.2	85.0	NE
Current Balance (% GDP)	-8.5	-7.5	NE
F. exchange reserves (TND BN)	20.8	21.0	NE
Parity (USD/TND)	2.77	2.71	NE

Rating & Eurobond issues

Moody's	B2
Spread CDS 10y USD	504 BPS

GDP Evolution



Profile

Nine years after the advent of the Arab Spring, Tunisia is handling this phase with delicacy, which could still be described as a transition. Indeed, the country is seeking to consolidate its democratic achievements, particularly in the areas of the representativeness of the population in the political field, the integration of women and freedom of expression. Nevertheless, the stabilization of the political field is necessary for the acceleration of important projects including the creation of constitutional bodies, decentralization, and the development of the judiciary.

For its part, the Tunisian economy presents a complex situation. On the one hand, economic growth is failing to achieve sufficient momentum to reduce unemployment, reduce disparities and attract more FDIs. On the other hand, the balance of the Tunisian economy has to be preserved given a constantly growing outstanding debt with a strong foreign weighting, and a consistent current account deficit which exert considerable pressure on the Dinar.

Impact Covid-19

With 18,400 cases and 321 deaths as of September 30, official statistics show a gradual spread of the Covid-19 pandemic. This record could be revised with the increase in the number of tests, which amounts to nearly 1,300 daily tests. In any case, this context allows Tunisia to limit restrictions at urban areas and to open its borders seeking for an economic recovery, undermined by the consequences of this pandemic.

In fact, being a tourist country with a great opening of its trade to Europe, the Tunisian economy is suffering. The country lost 1.9 million tourists in Q2-20. At the same time, exports and imports showed a drop of around 18% at the end of August, while FDIs fell by 14%. Finally, the unemployment rate fell from an average level of 15% to 20%.

Growth forecasts

Initially forecast at +2.7% in February, FY 2020 economic growth in Tunisia is expected to decline by around -6.5% according to the latest forecasts from the Central Bank. This under-performance is attributable to a decline in all activities, particularly exporting sectors, and other areas linked to foreign flows, particularly tourism and transport. In addition, the phosphate and petroleum sectors are still failing to overcome their difficulties.

Pending better visibility, FY 2021 would only see growth of 2.7%. At this rate, the effect of the pandemic would take more than 2 years to be absorbed. We remain optimistic, however, about the ability of the Tunisian economy to follow the rebound of its partners in the Euro Zone and a return of rainfalls to post a growth resumption.

| NORTH AFRICA |

Recovery plan

Faced with the extent of the economic damage from the Covid-19 pandemic, the government presented an economic recovery plan which mobilizes public funds nearly 3.0% of GDP. To enhance the impact of this recovery plan, the authorities are counting on the involvement of the private sector through public-private partnerships (PPP) for the implementation of projects, and the encouragement of private investment, which is the State main priority.

At the same time, the government wants to speed up the population database project and electronic data exchange process, which would help fight fraud and enhance administrative procedures.

Budgetary & external balances

Already in H1-2020, Tunisia experienced a widening of its budget balance from 56% to TND 3.8 Bn attributable to the drop in revenue of -11.4% against the relative resistance of expenditure excluding debt service which is down -1.2% among which a 20.3% decline in investment. The 2020E budget deficit would therefore widen to 4.3% of GDP against an initial forecast of 3.0% after 3.5% in 2019. As a result, public debt would peak at 85% of GDP, of which nearly 3/4 is made up of foreign debt.

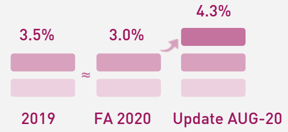
For its part, the balance of payments deficit should be affected by the fall in travel receipts, estimated at 47% during H1-20. This poor performance would be mitigated by the decline in the trade balance deficit which takes into account a larger drop in imports than that of exports, as well as an astonishing resilience of workers' remittances up 2 % to € 52 Mn during this first half. Thus, over the year as a whole, the current account deficit is estimated at 7.5% of GDP against 8.5% in 2019, which would help maintain foreign exchange reserves around 4 months of imports.

Risks & Opportunities

The Tunisian economy would find it difficult to absorb the blow of a year of sharp decline in 2020 GDP against a backdrop of slowing down economic growth outside the Covid-19 context. In fact, the leeway is shrinking particularly in terms of the State's own resources. The sharp rise in the outstanding debt, especially foreign debt, favored the Tunisian Dinar, which is moving up against the Euro and the Dollar. With that being said, this situation is detrimental to the overall balance of public finances and in particular to investment, which would be affected by the increase in debt servicing.

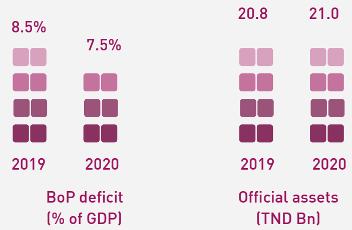
On the other hand, the decline in inflation observed in 2020 and which is expected to continue into 2021 would support the purchasing power of citizens, pave the way for other reforms, and contribute to the competitiveness of exported products' prices.

Budget deficit (% of GDP)

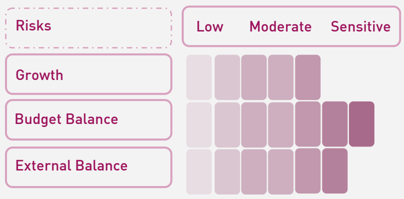


Public debt during H1-20 (% of GDP 2020E)

Balance of Payments vs. Official assets



Risk mapping



Sources : Central Bank of Tunisia, Ministry of Finance, INS, AGR Computations

EGYPT

PROVEN RESILIENCE...AND A RAPID RECOVERY IN PERSPECTIVE

COUNTRY FUNDAMENTALS

Profile

Governance	Republic
Authority	President and head of Govt
Upcoming elections	Presidential in 2030
Area	1,001,450 Sq. km
Population	98,9 millions inhab.
Demographic growth	2.0%
Urbanization rate	42.7%
Export	Energy products (35%); Plastics (6%); Fruits (5%)
Import	Capital goods (12%), Minerals (7%); Vehicles (7%)
Diaspora transfers	(8.8% of GDP)
Economic partners	Italy, Turkey, EAU & USA
Currency	Floating

Spread Covid-19 as of 30 Sep.

Test / 100 k inhab.	NC
Case / 100 k inhab.	105
Death / 100 k inhab.	6

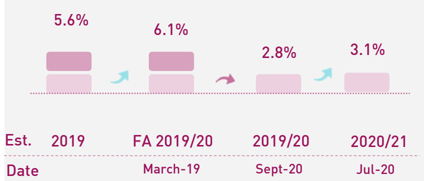
Main aggregates*	2019	2020E	2021E
GDP Growth (%)	5.6	2.8	3.1
Inflation (%)	9.4	5.6	7.2
Unemployment rate	7.9	10.3	11.6
Treasury investment (% GDP)	2.7	3.4	4.1
Budget deficit (% GDP)	-8.2	-7.9	-6.3
Treasury debt (%)	72.5	82.5	82.7
Current balance (% GDP)	-3.1	-4.3	-4.6
F. exchange reserves ($ MN)	43.9	35.0	31.0
Parity (USD/EGP)	16.6	16.4	16.6

* As of june 30th

Rating & Eurobond issues

S&P	B
Spread CDS 10y USD	593 BPS

GDP evolution



Profile

Since the stabilization of the political landscape with the election of President Al-Sisi in 2014, Egypt is working to overcome the structural difficulties which persisted for a long time and which accentuated after 3 years of instability. Poverty represents the main challenge to be taken up as long as the extreme poverty indicator is increasing from 5.3% in 2015 to 6.2% in 2018. The activity rate is in structural decline, its level decreases by 49 % in 2010 to 42% in 2019. Faced with this, the authorities are joining forces with international institutions by capitalizing on the fundamental pillars of Egypt, which are strong demographic growth and the consistency of the four sources of income (diaspora transfers, income of the Suez Canal, revenues from hydrocarbons and tourism). Thus, major reforms were carried out in return for substantial funding. The objective is to achieve a level of growth sufficient to reduce poverty and dilute the twin deficits. Thus, on June 30, 2019 and before this particular context of pandemic, GDP growth reached 5.6%, the budget deficit was reduced to 8.2% after 9.7% a year earlier.

Covid-19 Impact

As of September 30, 2020, Egypt had nearly 104k cases and almost 6k deaths. A significant outcome given the limited number of tests performed compared to peer countries. In this context, and since the start of the pandemic, Egypt opted for a moderate system of restrictions which is based mainly on a nighttime curfew and a suspension of international flights. At the same time, an almost ordinary activity was maintained, and tourist flights were authorized starting July 1st in order to limit the economic collateral damage of the pandemic.

Overall, the real estate and tourism sectors, with a high job content, were particularly affected. The unemployment rate could exceed 10.3% in 2020 against 7.9% a year earlier. The revenues of the Suez Canal would suffer from the drop in the flow of maritime trade and the drop in oil prices, which is beneficial to road transport.

Growth forecasts

According to the latest official forecasts, growth in Egypt will fall from 6.1% to 2.8% on June 30, 2020. A significant drop of 330 BPS, but which in itself constitutes a real performance for a great economic power across the African continent. Indeed, the peer countries, in this case Nigeria and South Africa, are expected to record recessions with respective drops in their GDP of -3.4% and -7.0% during this year 2020.

The Covid-19 pandemic spreading straddling the two fiscal years 2019/2020 and 2020/2021, its economic effects would also be apparent for the financial year ending June 30, 2021. The latter would show an increase of 3.1% against an initial estimate of 5.5%.

| NORTH AFRICA |

Recovery Plan

The authorities undertook a series of measures aimed in particular at helping the most affected sectors, deterring capital outflows and supporting consumption and investment. We cite in particular :

- An allocation of EGP 100 Bn (1.6% of GDP) as an overall stimulus plan ;
- A cut in the key rate of 300 PBS from 12.75% to 9.75% ;
- A carry forward of loans for 6 months without penalties for SMEs ;
- A suspension of the tax on capital gains and reduction of the dividend tax from 10% to 5% and injection of EGP 20 Bn into the equity market ;
- A reduction in the prices of electricity and gas to industries ;
- A display and deferral of taxes applicable to the most affected sectors, including tourism and real estate.

Budgetary & external balances

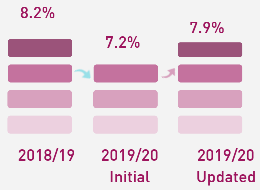
During the past five years, Egypt pursued a rigorous policy of reducing the budget deficit in collaboration with the IMF which gradually reduced its rate from 12.5% in 2016 to 8.2% in 2019. This downward trend has slowed down during this fiscal year ended June 30, 2020, with a fiscal deficit around 8% of GDP. A situation which can be explained on the one hand by the deceleration in economic growth, and on the other by the cost of the stimulus plan cited above and estimated at 1.6% of GDP.

At the same time, the decline in Suez Canal revenues in addition to that of energy revenues would lead to a slight widening of the current account deficit, which would drop from 3.5% to 4.3%. Faced with this situation, Egypt managed to issue the second largest Eurobond issue in its history for an amount of $ 5 Bn with a risk premium of 593 BPS. To this end, foreign exchange reserves remain at around $ 35 Bn, the equivalent of nearly 5.8 months of imports.

Risks & Opportunities

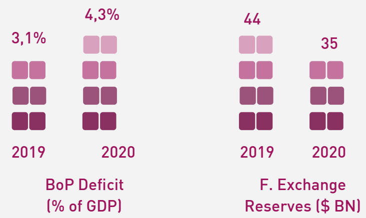
The discovery of new offshore gas fields would give new impetus to an economy which is growing at an average pace close to 5% during the last five years. It must be said that the country is "cornered" in maintaining this pace to consolidate its fundamentals. The economy relies on investors' confidence and IMF support to fuel its development through substantial external financing. This balance could be put into difficulty, in particular by a deterioration in external financing conditions following the rise in investor risk aversion towards indebted countries.

Budget deficit (% of GDP)

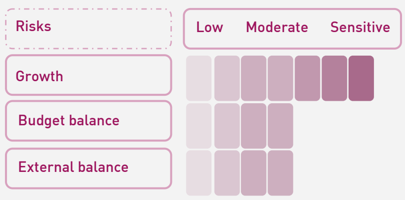


Treasury debt (% of 2019 GDP)

Balance of Payments vs. Official assets



Risk mapping



Sources : Ministry of Finance, Central bank, IMF, AGR

CÔTE D'IVOIRE

A SITUATION UNDER CONTROL...TO GET A GOOD START OF THE ELECTORAL PROCESS

COUNTRY FUNDAMENTALS

Profile

Governance	Republic
Authority	President and head of Government
Upcoming elections	Presidential in october 2020
Area	322,463 Sq. km
Population	25,8 millions inhab.
Demographic growth	2.6%
Urbanization rate	51.6%
Export	Cocoa (28%); Oil products (16%)
Import	Oil products (22%); Vehicles & machines (12%) Food (12%)
Diaspora transfers	(1% of GDP)
Economic part.	Netherlands; United States, France
Currency	Peg to the Euro

Spread Covid-19 as of 30 Sep.

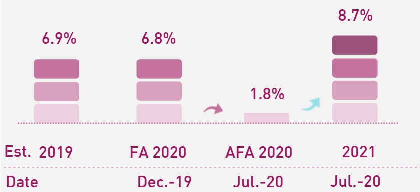
Test / 100 k inhab.	ND
Case / 100 k inhab.	76
Death / 100 k inhab.	0,5

Main aggregates	2019	2020E	2021E
GDP Growth (%)	6.9	1.1	8.7
Inflation (%)	1.0	2.4	1.7
Unemployment rate (%)	6.6	NE	NE
Investment (% GDP)	7.5	7.8	8.1
Budget deficit (% GDP)	-3.0	-5.2	-2.5
Public debt (% GDP)	49.0	49.9x	48.5
Current Balance (% GDP)	-5.8	NE	NE
F. exchange reserves (month)	5,7	NE	NE
Parity (USD/FCFA)	586	555	546

Rating & Eurobond issues

Moody's	Ba3
Spread CDS 10y USD	498 BPS

GDP Evolution



Profile

Côte d'Ivoire has several assets which make it an attractive country on an African scale. With 500 km of coastline and sharing its borders with 5 countries, its location is conducive to cross-border trade. Its galloping demographic growth and increasing urbanization are the pillars of its growth. Likewise, Côte d'Ivoire diversified natural resources among which agriculture and fossil fuels, saving it from the "single-product" risk. All of these factors propel GDP growth to a high level, around 7.5% per year.

Currently, Côte d'Ivoire faces a crucial deadline, that of the presidential polls scheduled for October 31. An important meeting for the country which aims to preserve its stability as well as its economic achievements.

Covid-19 Impact

With 19,669 cases and 120 deaths as of September 30, while taking into account an increase in the number of daily tests to 1,600 from 600 previously, Côte d'Ivoire has a rather reassuring health record in the face of the Covid-19 pandemic.

Still, the restrictive measures to contain the spread of the virus imposed in mid-March then eased two months later have dealt a severe blow to vital sectors including agriculture, construction, transport and tourism.

On the Supply side, the Covid-19 crisis is expected to significantly affect the dynamics of investments, recognized to be a real pillar of growth in this country. In fact, the capacity of the State, as the contractor and at the same time a partner of the private sector in the conduct of investments in the country, should decline as fiscal resources decrease.

Growth forecasts

Accustomed to very sustained growth of around 7% to 8% during the last five-year period, the Ivorian economy would record its worst year since the 2011 crisis. FY 2020E growth is thus forecasted at +1.1% according to the latest forecasts for October when the Finance Act was based on an assumption of +6.8%. In fact, H1-20 statistics show a decline in mining & manufacturing industries, building materials beyond tourism following the closure of airlines until July 1st. The latter is gaining importance in the economy with a weight of 7.3% in the 2019 GDP against 6.3% in 2018.

In 2021, and according to the IMF, Côte d'Ivoire would return to its sustained levels of growth with an estimate of 8.7%. This level implies a dissipation of the Covid-19 pandemic as much as a favorable agricultural season.

Recovery plan

Faced with the scale of the health crisis and its collateral damage to the economy, the Ministry of Finance mentioned a stimulus plan of CFAF 1,700 Bn, or 6.5% of GDP. This amount is intended to :

- Safeguard the informal economy and SMEs. More vulnerable to the current context of crisis, these economic segments are priorities within the recovery plan ;
- Support businesses for a rapid economic recovery. This mainly concerns tax exemptions ;
- help the agricultural sector. The latter accounts for 28% of the GDP and 40% of Côte d'Ivoire's exports and 46% of jobs ;
- Give direct aid to needy households.

Budgetary & external balances

Traditionally assiduous in respecting budgetary balances, Côte d'Ivoire would record an overrun in this year 2020. In fact, the recovery plan, the increase in health spending, and the fall in tax revenues would lead to the budget deficit from a 2.5% enshrined in the Finance Act at a projection of 5.2% established in April by the IMF staff. This deviation is of little concern and would not risk, in the current state of affairs, increasing the debt burden, the level of which remains under control at 49% of GDP according to Q3-19 figures.

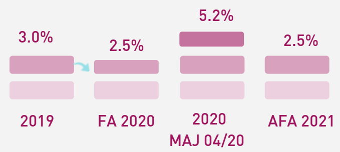
In terms of the external balance, and if we refer to the latest monetary statistics for the WAEMU zone, foreign exchange reserves represent nearly 5.7 months of imports of goods and services. A comfortable situation for maintaining monetary balance in the area and reducing liquidity tensions in a difficult context of 2020.

Risks & Opportunities

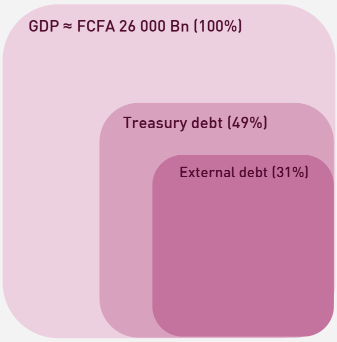
Côte d'Ivoire has a balanced profile. Its economy has the full capacity to rebound as soon as the pandemic dissipates. For this, the country relies on a growing investment budget, an improving business climate as well as a dynamic private sector. Likewise, the budgetary situation is very reassuring. The deviation that the budget deficit should experience in 2020E would only be temporary. In any case, the country has a leeway given the current levels of indebtedness and especially with regard to the "normative" growth rate of the country.

The main area of risk lies in the country's ability to ensure the smooth running of the next election. A turning point for the country, which is trying to move away as far as possible from the specter of the political and economic crisis of 2010.

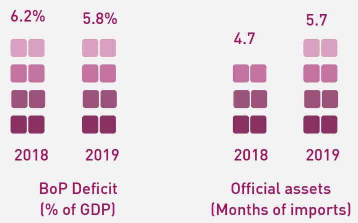
Budget deficit (% of GDP)



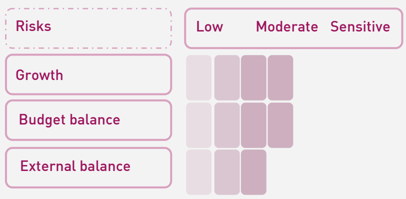
Treasury debt (% of SEPT-19 GDP)



Balance of Payments vs. WAEMU foreign reserves



Risk mapping



Sources : IMF, Ministry of Finance, AGR Computations

SENEGAL

PRIORITY TO ECONOMIC GROWTH ... AT THE RISK OF A BUDGET DEFICIT SLIP

COUNTRY FUNDAMENTALS

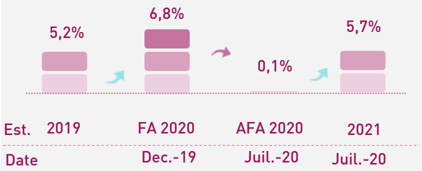
Profile	
Governance	Republic
Authority	President and head of Govt
Upcoming elections	Municipal in 2021
Area	196,712 Sq. km
Population	16.7 millions inhab.
Demographic growth	2.8%
Urbanization rate	44.0%
Export	Agri. (30%); Int. products (20%); Gold (19%)
Import	Int. Prod. (22%); indus. Prod.(21%); Agri. (21%)
Diaspora transfers	(10,5% of GDP)
Economic partners	France, Italy, spain
Currency	PEG to the EURO

Spread Covid-19 as of 30 Sep. 2020	
Test / 100 k inhab.	ND
Case / 100 k inhab.	89
Death / 100 k inhab.	2

Main aggregates	2019	2020E	2021E
GDP Growth (%)	5,2	0,1	5,7
Inflation (%)	1,0	1,7	NE
Unemployment rate (%)	16,9	NE	NE
Investment (% GDP)	10,8	10,0	10,1
Budget deficit (% GDP)	3,9	6,1	5,0
Treasury debt (% GDP)	59,6	61,1	61,4
Current balance (% GDP)	-5,8	NE	NE
F. exchange reserves	5,7	NE	NE
Parity (USD/FCFA)	586	555	546

Rating & Eurobond issues	
S&P	B+
Spread CDS 10y USD	402 PBS

GDP evolution



Profile

With an advantageous geo-strategic location, Senegal is bordering 5 neighbouring countries, with a 531 km long coast to the west. A location which has historically helped establish a tradition of commerce between this country and the West African region. The country has 15.4 million inhabitants of which 60.0% is under the age of 24, with a high population growth rate of 2.7%. The diaspora is significant with nearly 3.0 million Senegalese living abroad. Senegal demonstrates political stability. Compared to the countries of Sub-Saharan Africa, Senegal could not be called a country rich in natural resources. An oil importer, the country nevertheless has deposits of Phosphates, Gold, Zircon and Titanium. The situation would change with the start of gas and oil production expected in 2022. News which promises to maintain an already high economic growth, i.e. above 6% on average over the last 7 years.

Covid-19 impact

As of September 30, 2020, there were nearly 14,919 cases and 309 deaths in Senegal, taking into account nearly 1,400 daily tests. A much larger balance sheet than that of Côte d'ivoire in equal proportions. The pandemic particularly affects Dakar, the nerve center of the country, with 75% of cases. The authorities lifted the restrictions at the beginning of June. However, the rebound in confirmed cases prompted further restrictions. International flights are permitted with pre-entry conditions, while land borders remain closed.

Accommodation & food services, trade and transport represent the main affected sectors . In terms of external flows, imports and exports are forecast to decline by around 17.0% while transfers from the diaspora, which account for nearly 10.5% of GDP, would decline considerably according to the official forecasts.

Growth forecasts

The year 2020 would constitute a real break in the solid and steady growth chain displayed in recent years. While GDP growth was not very volatile and recorded an average of over 6%, that of the current year would be at equilibrium with almost zero growth (0.1%). Supported by the diversification of the economy, Senegal prevents a strong economic recession, which would, nevertheless, put in difficulty a country which regularly justifies its budgetary position by a sustained growth. In addition, exposure to France, Italy and Spain, countries severely affected by the Covid-19 pandemic weighed heavily on foreign trade which resulted in a widening of the trade deficit of 7% in S1-20.

In 2021, and according to forecasts made in July, growth would return to its usual level and stand at 5.7%. In fact, Senegal is thus planning a return to normative growth through an acceleration of private investments which would precede the new exploitation of hydrocarbons planned for 2022.

| WEST AFRICA |

Recovery plan

Senegal allocated a budget of FCFA 1,000 Bn for COVID-19 fund to support the economy. This fund, which represents 7% of GDP, would largely be used to support the private sector with a quota of 66%. The state would allocate nearly 18% of the amount dedicated to covering the shortfall in tax revenue. Social allowances would, for their part, be divided between support for heavily affected households (10%) and the financing of health expenditure (6%).

This ambitious plan clearly reveals the executive's will in Senegal to give priority to economic growth, at the cost of a significant budgetary cost.

Bugetary and external balances

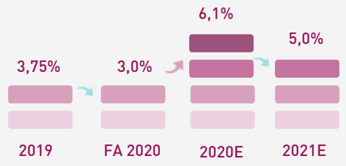
While we were expecting the budget deficit to be brought into line with WAEMU community rules in 2020 with a limit of 3% of GDP, this year would see a deterioration of this budget balance to nearly 6.1%. The main reasons lie in the sudden stop in economic growth as well as the ambitious stimulus plan put in place, which represents nearly 25% of Senegal's annual budget. Thus, in order to meet these financing needs, the finance ministry released a "quick" credit facility from the IMF. In this combination of circumstances, Senegal joined the initiative to suspend the debt service of 2020 towards the creditors of the Paris Club for an amount of FCFA 90 Bn.

In terms of the external balance, and if we refer to the latest monetary statistics for the WAEMU zone, foreign exchange reserves represent nearly 5.7 months of imports of goods and services. A comfortable situation for maintaining monetary balance in the area and reducing liquidity tensions in a difficult 2020 context.

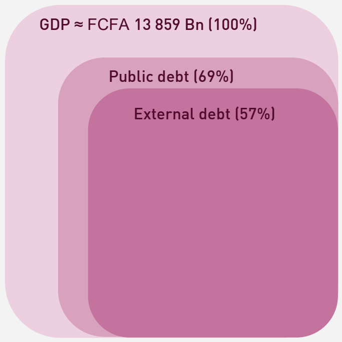
Risks and opportunities

The analysis of economic aggregates in Senegal shows the country's strong determination to give top priority to economic growth. Thus, we would expect a gradual reestablishment of budgetary balances through the strengthening of State revenues from fossil fuel revenues starting year 2022. However, the Covid-19 pandemic broke down, albeit occasionally, this chain of growth and create a real budgetary imbalance. So much so that Senegal was just notified of the drawing ceilings not to be exceeded by the IMF, and that the country registered among the beneficiaries of debt service suspension granted by the Paris club to countries in difficulty. A situation which risks presenting arguments for the rating agencies to reconsider the country's rating, which would have the consequence of increasing the cost of debt, which already weighs nearly 25% of Treasury revenue.

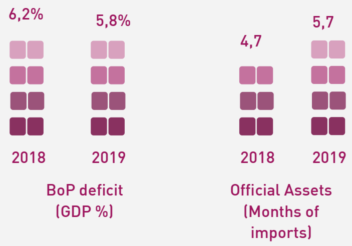
Budget deficit (% of GDP)



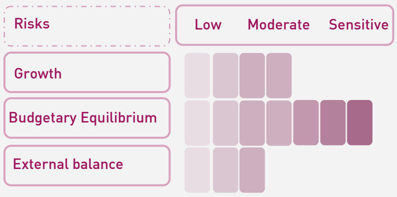
Treasury debt (% of 2020E GDP)



Balance of payment vs. WAEMU foreign reserves



Risk mapping



Sources : Ministry of Finance, WAEMUCentral bank, World bank, AGR computations

CAMEROON

FRAGILE BALANCE...THE LEEWAY IS TIGHTENING

COUNTRY FUNDAMENTALS

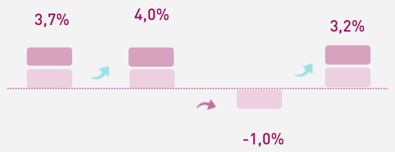
Profile	
Governance	Republic
Authority	President then first Minister
Upcoming Polls	Presidential in 2025
Area	475 442 Sq. km
Population	25,2 millions d'hab.
Demographic growth	2,6%
Urbanization rate	56,4%
Export	Oil and Gas (47%); Wood (14%); Cocoa (11%)
Import	Hydrocarbons (22%) ; Machinery (15%); Chem. (13%)
Diaspora transfers	(1% OF GDP)
Economic partners	China, France, Nether.
Currency	Peg to the Euro

Spread Covid-19 as of 30 Sep. 2020	
Tests / 100 k inhab.	ND
Case / 100 k inhab.	83
Death / 100 k inhab.	2

Main aggregates	2019	2020E	2021E
GDP Growth (%)	3,7	-1,1	3,2
Inflation (%)	2,4	2,9	2,5
Unemployment (%)	3,5	3,4	NE
Investment (% GDP)	6,7	5,7	6,4
Budget deficit (% GDP)	-2,1	-4,5	-3,0
Direct Public debt (% GDP)	33,2	38,6	45,0
Current balance (% GDP)	-1,5	-10,3	NE
Money coverage rate	66,9	74,2	NE
Parity (USD/FCFA)	586	555	546

Rating & Eurobond issues	
S&P	B-
Spread CDS 10y USD	669 PBS

GDP evolution



Est.	2019	FA 2020	AFA 2020	2021E
Date		Dec.-19	Jul.-20	Jul.- 20

Profile

Cameroon presents a prominent economic profile. Unlike many countries within the region, its challenge is not diversification. In fact, this economy only partially relies on oil revenues which represent 10% of GDP. Its economic structure, although varied, is based on little processed income. The country is therefore limited fully exposed to the risk of an unfavourable development of the "terms of trade". It is true that Cameroon posted an average growth of over 5% during the last five-year term. However, this pace seems to run out of steam in the future in the absence of identified growth drivers. In this context, the government is leaning towards an expansionary fiscal policy based on investment support. An orientation which is confronted with a collegial will of the CEMAC member countries of to reduce the wing and to avoid individual policies which could harm the stability of the economic zone.

Covid-19 Impact

As of September 30, Cameroon had nearly 20,800 cases, including nearly 418 deaths after having carried out nearly 200k tests. It is the most affected country in Central Africa. It must be said that the country opted for a reduction in lockdown measures at the end of April to limit the collateral damage to its economy. The agribusiness, financial services, hotel and catering sectors are particularly affected.

Overall, trade volume is expected to decline by around 16% in H1-20. Without forgetting the impact of the fall in the price of hydrocarbons which would be visible on the State resources. Indeed, oil represents nearly 10% of GDP and nearly 30% of exports. The postponement of large-scale sporting events planned in Cameroon would also deprive the country of revenue which would offset the large investments made in infrastructure.

Growth forecasts

Initially, the 2020E Finance Act provided for a small acceleration in GDP growth to 4.0%, driven by the commissioning of new gas fields and the continuation of infrastructure projects. However, the fall in energy prices, the slowdown in construction sites in addition to the drop in aggregate Demand would cause a drop in GDP of around -1.1%. A poor performance in line with the recession of -1.7% that the entire CEMAC region would report. Particularly, the oil sector is set to post a double-digit decline due to the fall in investments and the drop in extraction volumes in a context of falling oil prices.

For the year 2021, and according to forecasts drawn up in July, growth would return to a normative level with a projection of 3.2%.

| CENTRAL AFRICA |

Recovery plan

In order to alleviate the impact of the Covid-19 pandemic shock, Cameroon allocated a budget of FCFA 180 Bn to the Special National Solidarity Fund, representing 0.8% of GDP. This amount, limited compared to countries of comparable size, takes into account the budget tightening program in which Cameroon joined in collaboration with the IMF.

In any case, a 72% quota of this fund is allocated to operating expenses while a fraction of 28% is devoted to investment. The commitments thus aim to strengthen health, and mainly support the development of local production of essential products. Next, support is provided for the productive sectors, particularly agriculture, where the development of substitute products is aimed at promoting food self-sufficiency.

Bugetary and external balances

As a reminder, Cameroon agreed with the IMF on a budget deficit target of 1.5% of GDP under the Economic and Financial Program. Initially, the 2020 Finance Act sets a target of bringing this threshold closer to an estimated level of 2.1% of GDP. The current context suggests that Cameroon will move away from this objective with a projected level of 4.5%. Public debt would reach nearly 39% of GDP. A level which is certainly not alarming compared to peer countries, but constitutes a real challenge to be met due to the state's limited resources.

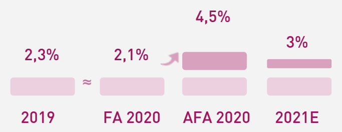
The economic impact of the pandemic is more tangible at the level of the entire CEMAC zone's external balance. In fact, the zone's current account deficit would reach 10.3% in 2020 against 1.5% a year earlier. This deterioration is not reflected in the level of the currency's external coverage rate, a real indicator of the FCFA exchange rate mechanism viability, and which is explained by the use of external financing by CEMAC member countries.

Risks and opportunities

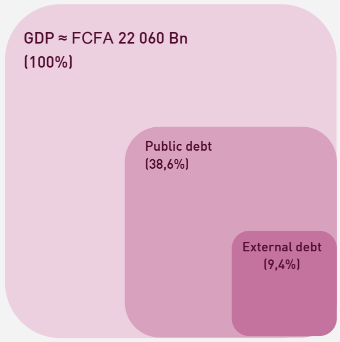
During the period prior to the Covid-19 pandemic, Cameroon was pursuing a path of consolidating public finances which gradually reduced the budget deficit from 6.1% in 2016 to 2.3% in 2019. The Covid-19 shock comes to bring Cameroon out of this trajectory and adds a new difficulty of increasing debt service for the future. A complication which also tightens the leeway for carrying out the non-oil investments necessary to fund growth.

In this context, Cameroon is increasingly exposed to exogenous hazards and particularly to the evolution of oil prices.

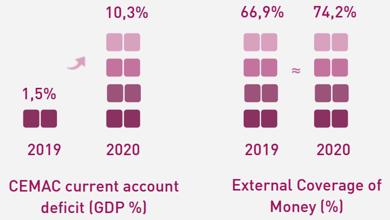
Budget deficit (% of GDP)



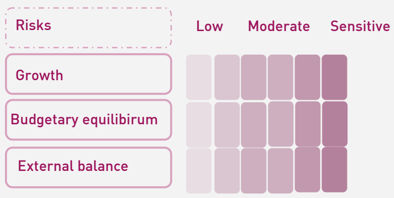
Treasury Debt (2020E GDP)



BoP vs. CEMAC External coverage of Money



Risk mapping



Sources : Statistics Institute, CEMAC Central bank, Ministry of Finance, AGR computations

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