MOODY'S
INVESTORS SERVICE

ISSUER IN-DEPTH
9 October 2018

RATINGS

Côte d'Ivoire

	Foreign Currency	Local Currency
Gov. Bond Rating	Ba3/STA	Ba3/STA
Country Ceiling	Baa3	Baa3
Bank Deposit Ceiling	Baa3	Baa3

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Government of Côte d'Ivoire – Ba3 stable

Annual credit analysis

OVERVIEW AND OUTLOOK

The credit profile of Côte d'Ivoire (Ba3 stable) is primarily supported by the economy's resilience, growing diversification, and healthy growth prospects, which are underpinned by structural reforms and public investment in infrastructure. Moreover, the sovereign has relatively strong fiscal fundamentals and sustainable debt levels, supported by substantial donor support and debt forgiveness over the last few years. Additional credit support comes from the country's participation in the West African Economic and Monetary Union (WAEMU) and its relatively developed regional financial sector.

Côte d'Ivoire's major credit constraint is its institutional strength. Like many peers, it still scores relatively low on the Worldwide Governance Indicators. However, these scores should continue to improve steadily following the implementation of major institutional reforms. Côte d'Ivoire is also exposed to a susceptibility to event risk we assess as "Moderate (-)", driven primarily by political risks. The next presidential election in 2020 could weaken the economy if it entails sporadic violence.

The stable outlook indicates a balance of upside and downside pressures. On the upside, sustained strong growth through further shifts towards higher value-added exports could raise incomes faster than we currently expect and contribute to more rapid fiscal consolidation, enhancing fiscal flexibility. On the downside, a reemergence of lasting political tensions could impair investment and weaken the government's balance sheet if it led to a rapid increase in government spending to address social demands without a commensurate rise in revenue.

We would consider an upgrade in the event of: (1) continued strong and balanced growth that leads to better credit fundamentals, especially fiscal metrics; (2) further material improvements in governance and competitiveness; (3) a durable reduction in political risk if the various demands of parts of the population are addressed without material fiscal costs.

Conversely, we will consider a downgrade in the event of: (1) an inability to keep the fiscal deficit at a moderate level, weakening fiscal strength; (2) a reemergence of significant political and social tensions that hinder the country's medium-term growth prospects; or (3) rising macroeconomic imbalances that jeopardise the sustainability of growth.

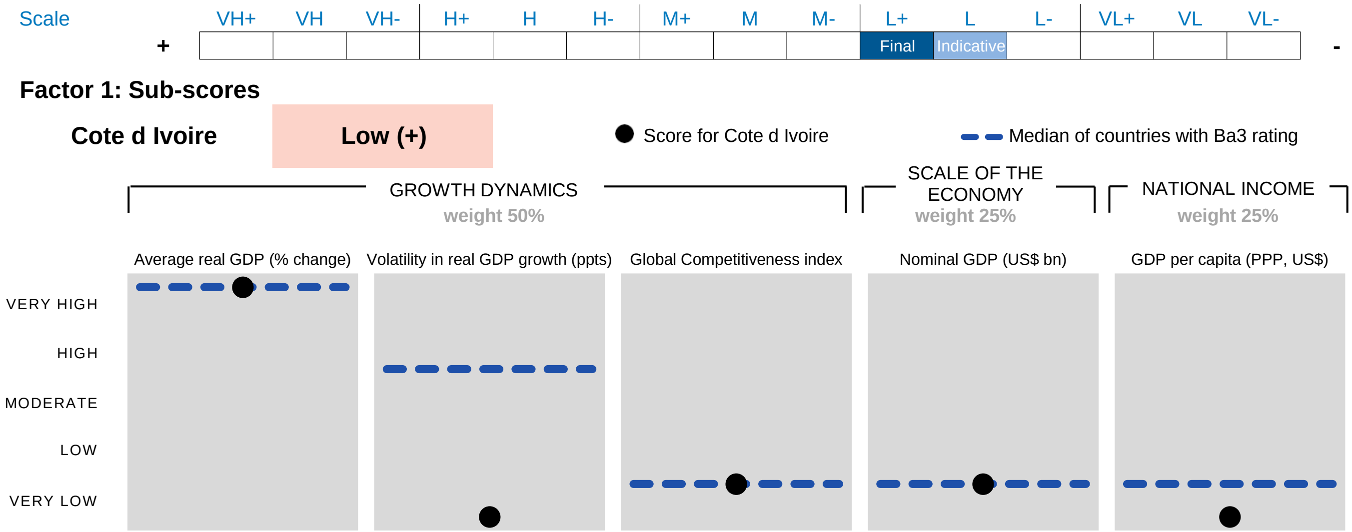
This credit analysis elaborates on Côte d'Ivoire's credit profile in terms of economic strength, institutional strength, fiscal strength and susceptibility to event risk, the four main analytical factors in our Sovereign Bond Ratings methodology.

CREDIT PROFILE

Our determination of a sovereign's government bond rating is based on the consideration of four rating factors: economic strength, institutional strength, fiscal strength, and susceptibility to event risk. When a direct and imminent threat becomes a constraint, that can only lower the preliminary rating range. For more information please see our Sovereign Bond Rating Methodology.

Economic strength: Low +

Factor 1: Overall score



Economic strength evaluates the economic structure, primarily reflected in economic growth, the scale of the economy and wealth, as well as in structural factors that point to a country's long-term economic robustness and shock-absorption capacity. Economic strength is adjusted in case excessive credit growth is present and the risks of a boom-bust cycle are building. This 'credit boom' adjustment factor can only lower the overall score of economic strength.

Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

We score Côte d'Ivoire's **economic strength** as "Low (+)", one notch above the indicative score at "Low", to compensate for a real GDP volatility indicator that is not reflective of true volatility due to the influence of the contraction of the economy during the 2011 political crisis. This takes into account a comparison with peers. This ranking is shared by sovereigns such as, Armenia (B1 positive), Ghana (B3 stable), Lebanon (B3 stable), and Senegal (Ba3 stable).

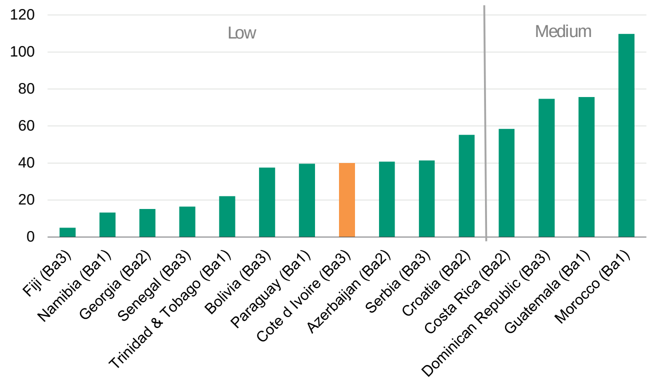
Peer comparison table factor 1: Economic strength

	Cote d Ivoire Ba3/STA	L+ Median	Armenia B1/POS	Ghana B3/STA	Lebanon B3/STA	Senegal Ba3/STA	Croatia Ba2/STA	Angola B3/STA
Final score	L+		L+	L+	L+	L+	L+	L+
Indicative score	L		L+	L+	M-	L+	M-	L+
Nominal GDP (US$ bn)	39.8	17.3	11.6	47.3	51.8	16.5	55.2	124.2
GDP per capita (PPP, US$)	3,882.8	9,801.5	9,455.9	4,682.9	19,439.1	2,726.6	24,423.5	6,752.6
Average real GDP (% change)	8.3	3.4	4.4	5.5	2.3	6.1	2.0	3.0
Volatility in real GDP growth (ppts)	4.6	2.5	6.3	3.3	3.7	1.8	3.2	4.0
Global Competitiveness Index	3.9	3.9	4.2	3.7	3.8	3.8	4.2	--

A medium-sized country, with rapidly increasing per capita income…

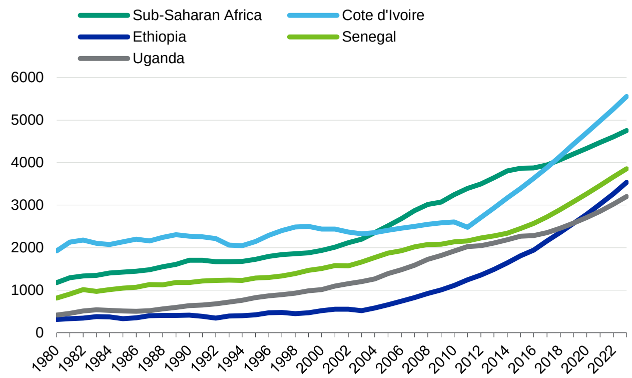
Côte d'Ivoire is a medium-sized country, with a GDP of USD39.8 billion in 2017 and a fast growing population (2.6% per year) estimated at 25 million. Per capita GDP reached USD3,882.8 in 2017 in terms of purchasing power parity, placing it on par with the average for Sub-Saharan African countries and ahead of Uganda (B2 stable), Ethiopia (B1 stable), and Senegal. Côte d'Ivoire's GDP per capita is one of the fastest growing in Sub-Saharan Africa and is likely to exceed USD5,000 by 2022 (see Exhibit 2).

Exhibit 1
Côte d'Ivoire scores "Low" in terms of economic strength
Nominal GDP (billions US$, 2017)



Sources: Moody's Investors Service, national authorities

Exhibit 2
Côte d'Ivoire's per-capita income is ahead of peers
GDP per-capita (US$, purchasing power parity)

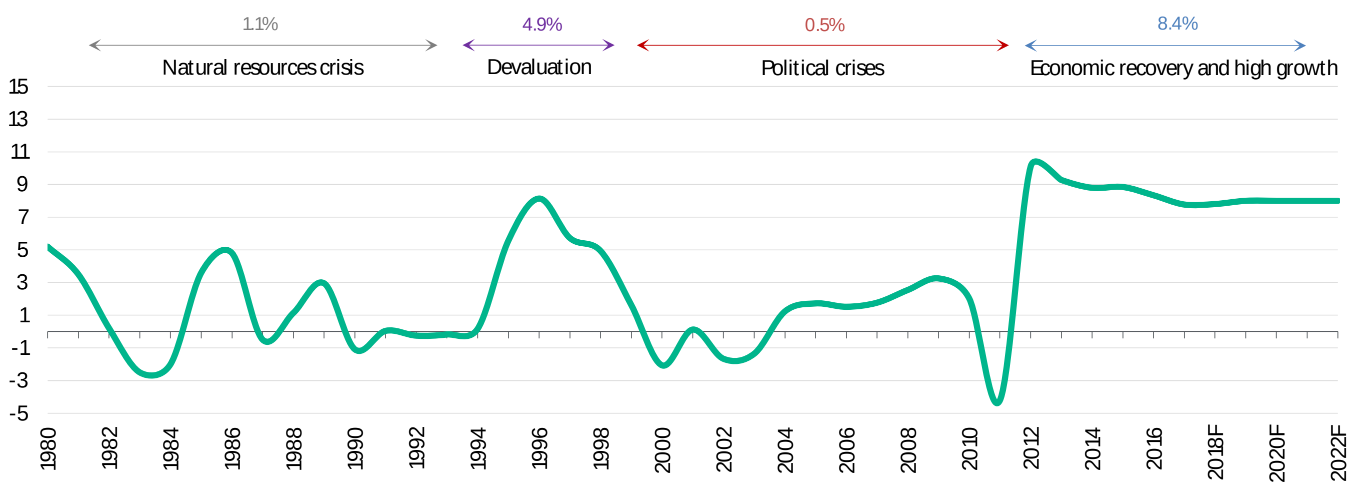


Sources: Moody's Investors Service, IMF

… Côte d'Ivoire enjoys sustained high growth since the political crisis ended in 2011

As Exhibit 3 shows, Côte d'Ivoire's average real growth rate was very low at 0.5% during the successive political crises from the 1999 coup to the short civil war at the beginning of 2011. This led to a very sharp deterioration in social indicators when combined with both population increases and a lack of investment.

Exhibit 3
Successive crises led to two lost decades for Côte d'Ivoire, but growth is recovering strongly
Real GDP growth (%, annual and average per period)



Sources: Moody's Investors Service, IMF

However, the return to political stability after President Alassane Ouattara took office in 2011 has supported a quantitative and qualitative acceleration in growth over the past seven years, particularly in the manufacturing, construction, and service sectors. After GDP contracted by 4.2% in 2011 – the year of post-electoral conflict – growth averaged 8.9% between 2012 and 2017.

We project that Côte d'Ivoire's medium-term growth will remain around 8%, higher than the average for Sub-Saharan African countries. We expect that growth will be supported by the implementation of the government's National Development Plan 2016-2020 (NDP 2016-20). In particular, the authorities would like to revive the "Ivorian economic miracle" when the country recorded robust growth of 8% and investment rates of 20% of GDP annually between 1960 and 1978, driven by the agricultural sector, which provided the country with basic infrastructure.

The NDP 2016-20 aims at a structural transformation of the economy, following five axes: (1) institutions and governance; (2) human capital; (3) industrialisation and manufacturing; (4) infrastructure; and (5) regional integration. Over the five-year period, this ambitious plan includes CFA30 trillion ($54 billion) of investment split between public and private sources (see details in the next section on institutional strength).

Overall economic competitiveness scores remain low but are improving

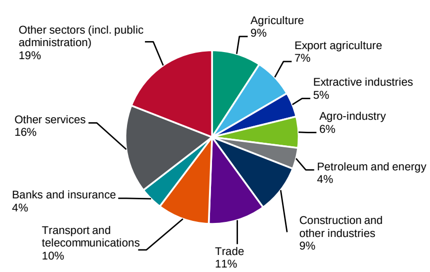
Côte d'Ivoire was excluded from the 2017-18 Global Competitiveness Report due to insufficient data. In the Global Competitiveness Index 2016–2017, Côte d'Ivoire ranked 99th out of 138 countries, down eight places since the last report, and placing it behind Kenya (B2 stable) (96th) and ahead of Gabon (Caa1 stable) (108th) and Ethiopia (109th). Côte d'Ivoire's economic competitiveness scores remain in the bottom quartile of our rated universe.

Looking at indicators from the World Economic Forum, however, in terms of infrastructure development and innovation, Côte d'Ivoire has made progress and scores higher than its Ba3-rated peers. This relates to an improvement in Côte d'Ivoire's productivity. Similarly, looking at financial market development and labour market efficiency, which underline economic efficiency, Côte d'Ivoire appears to be slightly ahead of its peers.

A diversified economy driven by a competitive, export-oriented agricultural sector that still has very high potential for development...

As shown in Exhibit 4, although Côte d'Ivoire's economy is relatively diversified, agriculture remains a large component. The sector's contribution has been declining steadily over the last eight years as the industry and services sector have been developing more quickly. At slightly below 20% of GDP, agriculture also provides the largest share of export revenue – around 40% of exports is related to cocoa. It also provides income for two-thirds of the population.

Exhibit 4
Côte d'Ivoire's GDP is relatively diversified
Composition of nominal GDP by sector, 2017



Source: National authorities

Unlike most other countries in the region where subsistence agriculture dominates, Côte d'Ivoire's agricultural sector is relatively mechanized and export oriented, reflecting the decision by Félix Houphouët-Boigny – the country's long-serving president following independence in 1960 – to base the country's development on agriculture.

In particular, Côte d'Ivoire is the world's leading producer of cocoa (around 40% of global production) and cola nuts, the largest global producer and leading global exporter of cashew nuts, the leading African producer of dry rubber and bananas, the second-largest African producer of palm oil, and the third-largest African producer of cotton and coffee. Accordingly, the economy and largest share of exports will likely remain agriculture-based and therefore subject to commodity price volatility.

Côte d'Ivoire's economic growth is strong and notably without imbalances. The weights of the industry and the services sectors as a share of GDP continue to increase (from 24% to 28% for industry from 2015 to 2018), illustrating the transformation of the economy which is becoming more resilient. For instance, the manufacturing sector, which is included in industry, has grown from 16.3% to 17.8% over the same period.

Finally, Côte d'Ivoire's sovereign profile is exposed to environmental risks because of its large agriculture sector, as identified in our report on environmental risk and their impact on sovereigns. Relatively low income levels raise the potential impact of unfavourable weather conditions, but Côte d'Ivoire has been able to mitigate environmental risks and maintain economic resiliency. This is mainly due to the diversity of its agricultural products and their geographical dispersion, as well as the structured organisation of this sector supported by the authorities.

... which has shown resiliency to the cocoa price shock

There is increasing evidence that Côte d'Ivoire's economic resilience is strengthening. We expect the value-added content in Côte d'Ivoire's exports to continue to increase, gradually reducing the economy's vulnerability to commodity price shocks. Already in 2016-17, Côte d'Ivoire's economy proved resilient to a sharp drop in the price of cocoa, the country's main export. Combined with increased diversification across processing of agricultural products and mining, this will support very strong growth over the next few years, at around 8%. Additionally, sustained strong growth, if inclusive, will eventually raise living standards and households' capacity to absorb income shocks. Meanwhile, Côte d'Ivoire's rapid growth is realized without an increase in macroeconomic imbalances but a strengthening of the country's official reserves, which also points to economic resilience.

Similarly, the current account deficit is small (2.8% of GDP in 2017) and we expect it to remain between 2 and 3% over the next few years, and potentially fall if cocoa prices continue their rebound. Indeed exports have been resilient, with cocoa bean production growing steadily. It reached 2.033 million tonnes in 2017, against 1.634 million tonnes in 2016 (or a 24.4% increase), and compared to 1.5 million tonnes in 2012. Cocoa production is expected to be close to 2 million tonnes in 2018. The quantity of processed cocoa, and thus the value-added embedded in exports, has also increased over the years and the transformation rate of cocoa slightly exceeds 30%. Finally, overall value of total exports has increased in 2017 compared to 2016, which is explained by diversification of agricultural production in other sectors such as cashew nuts, palm oil, bananas, manioc, rubber, etc., with also an increase in processing of these crops. The goal of the country is to reach 50% of transformation by the end of the National Development Plan (NDP) 2016-20. The announcement earlier this year by Barry Callebaut (Baa3 stable), a leading manufacturer of both chocolate and cocoa products, to extend its Saco plant in Abidjan with an investment of CFA30 billion (slightly above USD50 million) helps to increase the transformation capacity of agricultural products in Côte d'Ivoire. Also, transformation of the cashew nut is being supported by the World Bank via the funding of new processing plants that will be established mainly in the north of the country.

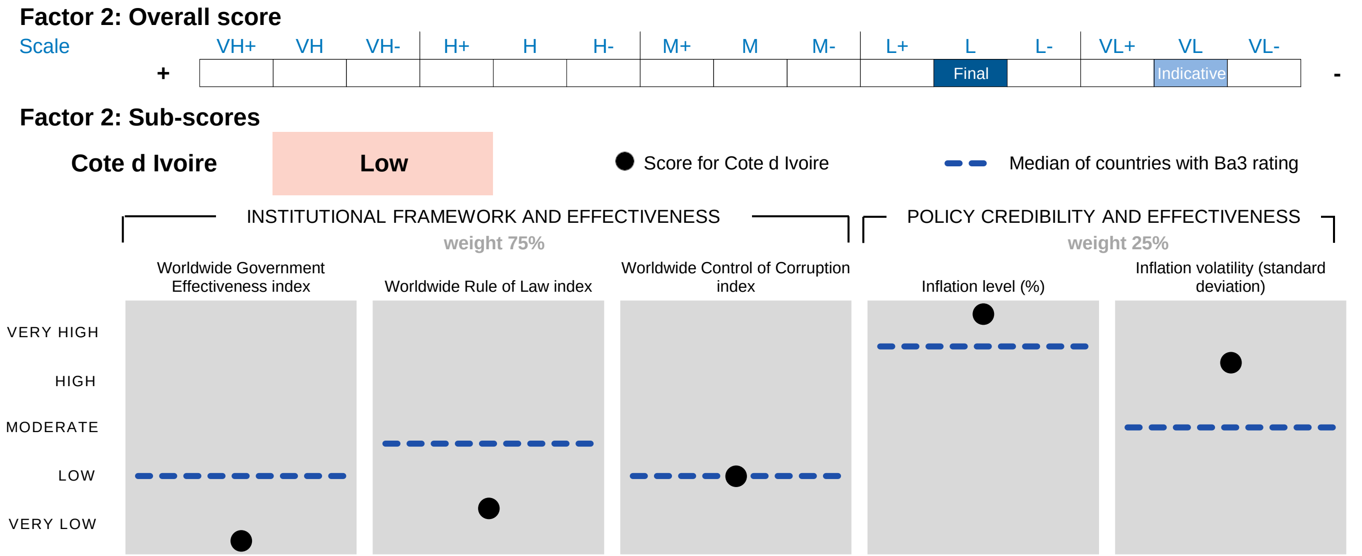
Improvements in the mining sector, energy, and infrastructure will be transformative to the economy as it supports the country's industrialisation strategy

The mining sector shows high growth potential over the medium term. Côte d'Ivoire qualified as an Extractive Industries Transparency Initiative (EITI) Compliant Country in 2013, and it introduced a new mining code in 2014. This new code clarifies the taxation of mining projects to attract new foreign investors. While the sector accounted for only 1% of GDP in 2001, it already represented close to 5% of the economy in 2017. Gold production continues to expand, reaching 25.3 tonnes in 2017 compared with 18.6 tonnes in 2014 and only 12.4 tonnes in 2011. Total production is expected to reach 30 tonnes in 2019. New mines will go into operation over the next years (170 exploration permits were granted following the new mining code). Gold production is still low considering that Côte d'Ivoire possesses one third of West Africa's Birimian greenstone belt: by comparison, Ghana, the region's leading gold producer with production around 80 tonnes/year, holds about 20% of this belt. Production of manganese has also been growing quickly over the years, from 121,000 tonnes in 2012 to an estimated 550,000 tonnes in 2018, while the production of nickel, which started in 2017, is expected to reach 1 million tonnes in 2019. Côte d'Ivoire also has significant bauxite, copper, and diamond resources.

The oil and gas sector has been developing and is promising. A total of 6 blocks are in production and 21 are in exploration. Today, proven offshore reserves total approximately 157 million barrels (excluding new discoveries), with probable reserves of over one billion barrels. The sector is still developing and in 2017 crude oil production amounted to 34,000 barrels per day. Yet Côte d'Ivoire remains a net importer of crude oil. The country via the state-owned refining company (SIR, Société Ivorienne de Raffinage) imports Nigerian crude and re-exports to Nigeria (B2 stable) refined petroleum products. The SIR should resume full production in the first quarter of 2019 as soon as some ongoing repairs are completed. Côte d'Ivoire also has 262 million barrels (in terms of oil equivalent) of gas reserves and 1.2 billion barrels of probable reserves. Natural gas production has been growing from 57 million British thermal units (Btu) to 76 million Btu in 2017. Interest from large oil companies is ongoing.

Improvements in infrastructure including energy will also support the economy and its competitiveness. Water and electricity infrastructure, road and rail networks, and ports are being rehabilitated and developed, to help support the development of the agriculture, agro-industry, and mining sectors. Electricity production is particularly advanced. Côte d'Ivoire exports 10% of its production to Burkina Faso, Ghana, and Liberia, and is expected to increase exports to neighbouring countries in the future. Electricity production is also expected to continue to increase. Although production capacity is already at 2,300 MW this year, the goal is to reach 4,000 MW in 2020 (with over 20% exported by 2020) to match the increase in demand estimated around 150 MW per year and allow development of agribusiness and mining operations. Although various projects are either being completed (most notably the Soubré dam which added 275 MW in 2017) or have started, we expect the 2020 target to be delayed by one or two years. Moreover, while the network is being upgraded (more than 40,000 km of low and medium-voltage lines and 4,650 km of high voltage lines), the network losses are still estimated to be around 23%.

Institutional strength: Low



Institutional strength evaluates whether the country's institutional features are conducive to supporting a country's ability and willingness to repay its debt. A related aspect of institutional strength is the capacity of the government to conduct sound economic policies that foster economic growth and prosperity. Institutional strength is adjusted for the track record of default. This adjustment can only lower the overall score of institutional strength.
Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

We score the **institutional strength** of Côte d'Ivoire in the "Low" category, a ranking shared by countries such as Bolivia (Ba3 stable), Egypt (B3 positive), and Paraguay (Ba1 stable). Côte d'Ivoire's institutional strength is supported by a reform momentum and peer comparison analysis. We adjusted upwards the institutional strength score to "Low" from the indicative score of "Very Low" reflecting the generally positive trend in Côte d'Ivoire's governance indicators in recent years and taking into account a successful handling of social tensions, strong fiscal management, and the ability to maintain the reform momentum during a shock, which compared favourably to peers.

Peer comparison table factor 2: Institutional strength

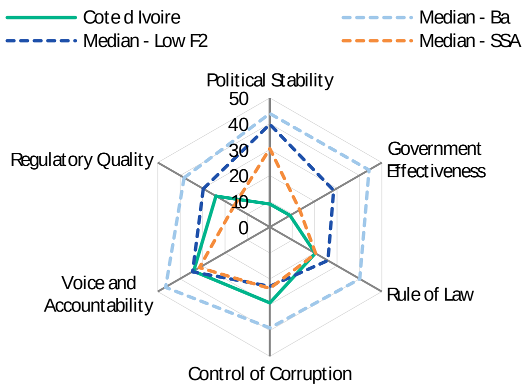
	Cote d Ivoire Ba3/STA	L Median	Bolivia Ba3/STA	Egypt B3/POS	Paraguay Ba1/STA	Turkey Ba3/NEG	Ghana B3/STA	Kenya B2/STA
Final score	L		L	L	L	L	L+	L-
Indicative score	VL		L-	L-	VL+	M-	M-	L-
Gov. Effectiveness, percentile [1]	9.0	25.5	25.5	17.2	8.2	45.8	37.5	30.0
Rule of Law, percentile [1]	20.3	23.3	3.0	23.3	18.7	37.5	56.3	29.3
Control of Corruption, percentile [1]	29.3	29.3	22.5	26.3	21.0	45.8	45.1	9.0
Average inflation (%)	1.6	3.9	4.5	11.9	3.9	10.3	11.3	4.6
Volatility in inflation (ppts)	2.0	3.0	3.6	4.7	2.5	1.6	4.2	3.6

[1] Moody's calculations. Percentiles based on our rated universe.

Reforms are markedly improving governance after more than 15 years of political instability

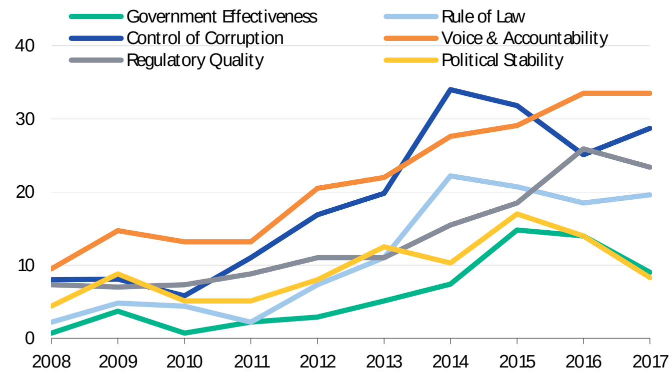
The authorities have made a major push to reform the country's institutions since the return to political stability in 2011. Even though all governance indicators have largely been improving since 2011 (see Exhibits 5 and 6), we think that current indicators do not reflect the actual progress made by the government on institutional reform. Côte d'Ivoire has been several times among the 10 best reformers in the World Bank Group's Doing Business Report. Its rank has improved by 38 places, from 177 to 139, over 2013-18. This rapid progress also reinforces the resolve of the reform-minded staff within the administration. In addition, the overall Country Policy and Institutional Assessment (CPIA) score by the World Bank has also improved since 2013 from 3.2 to 3.4 in 2016, reflecting progress in general governance.

Exhibit 5
Côte d'Ivoire's 2017 Worldwide Governance Indicators remain lower than countries that score "Low" for institutional strength and than the Ba median
% rank, Moody's rated sovereigns



Source: Worldwide Governance Indicators

Exhibit 6
Evolution of governance indicators, showing a strong institutional "takeoff" since 2011 although some indicators have weakened lately
% rank, Moody's rated sovereigns



Source: Worldwide Governance Indicators

Côte d'Ivoire also receives support from the international community, in particular the IMF. The latter provided an Extended Credit Facility (ECF) from 2011-15, geared towards strengthening public policy-making institutions through specific performance criteria. A new partnership with the IMF in the form of two programmes was agreed in December 2016, including an ECF and an Extended Fund Facility (EFF), for total support of approximately $660 million. These arrangements were later adjusted to bring total support to approximately $900 million, or 100% of Côte d'Ivoire's quota. The new programmes are comprehensive and will extend over almost all of the NDP 2016-20. Relations with international institutions in general remain excellent.

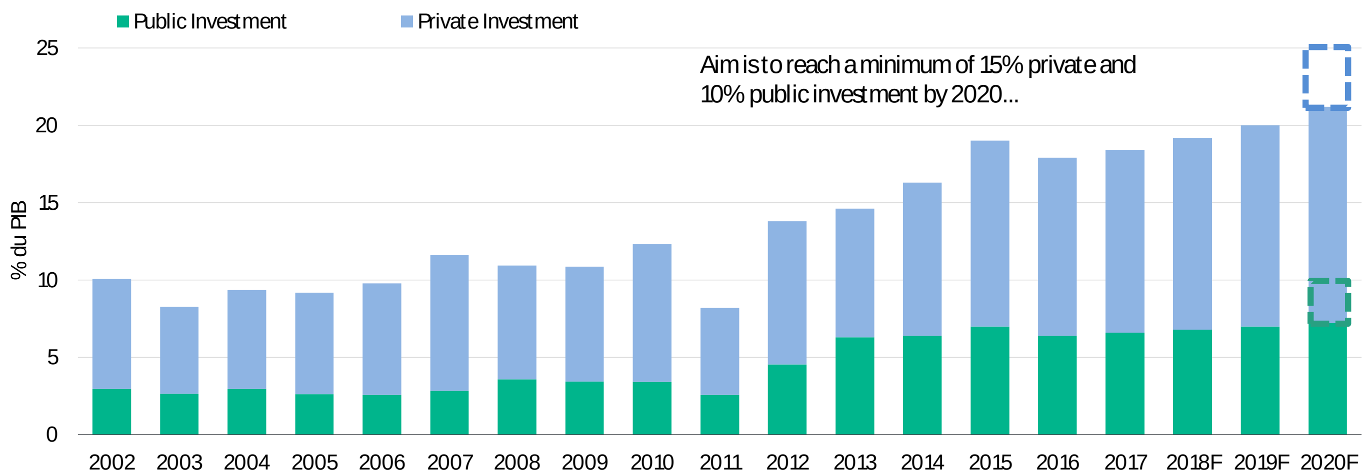
The NDP 2016-20 aims to accelerate the structural changes that began under the previous plan to achieve emerging status by 2020

The NDP 2016-20 aims to achieve an increase in foreign direct investment (FDI) and to foster high growth by creating one of the most competitive business environments in Africa through structural reform. As part of the new investment framework under the previous NDP, the Côte d'Ivoire Investment Promotion Centre (CEPICI) was established to coordinate and streamline all government actions related to investment in the country. Over the 2011-15 period, CEPICI facilitated CFA1,829 billion ($3.2 billion) of foreign and domestic investment, and aims to more than double investment over the course of the NDP 2016-20. Although the 2020 goal to reach emerging status seems ambitious, it has clearly focused officials on improving the business climate and generating results. A new investment code, which has been approved by the council of ministers and is currently being discussed in parliament, illustrates government willingness to further develop the attractiveness of the economy. It includes the agricultural sector, promotes the use of tax credits rather than exonerations, and encourages local participation and that of SMEs. In our opinion, this new code, perceived by many as very favourable to investors, is an attempt to attract as many economic players as possible, hoping that ultimately government revenues will benefit.

Like the previous plan, this new NDP received strong backing from the international community. A consultative group in Paris pledged CFA7,700 billion ($13.8 billion), of which CFA6,350 billion was new funding from bilateral and multilateral institutions. In theory, out of the CFA30,000 billion ($53.9 billion) needed for the plan, about 38% will be funded by the public sector and 62% by the private sector, making the latter the guarantor of a sustainable increase in investment in the Ivorian economy in the long term. The state planned to contribute CFA11,284 billion, starting in 2016 with CFA1,644 billion. Public domestic savings that can be mobilised are estimated at CFA5,215 billion ($9.2 billion). Consequently, the funding needed was estimated at CFA4,425 billion ($7.9 billion) over 2017-20. The amount pledged in Paris by public institutions far exceeded the estimated funding needed. It remains debatable whether the private sector will be able to invest CFA18,700 billion ($33.6 billion). We believe it will most likely be able to, considering how in the previous NDP, the private sector funded its entire share. In the new plan, as each project is specified with corresponding public investment shares, private sector investment will be facilitated. While the plan appears to be on track, a more detailed report on midpoint progress will be available in the first quarter of 2019 and the authorities will then take corrective measures in order to attain the NDP's objectives.

Thus far, the results of the previous plan have been encouraging. Growth in private investment has outpaced a strong rise in public investment since 2011 (see Exhibit 7). Public investment geared towards heavy infrastructure such as roads, or social infrastructure such as school construction, rose from 2.4% of GDP in 2011 to an expected 7.1% in 2017, while private investment increased from 5.6% to an expected 14.5% over the same period. While the average investment rate registered by Sub-Saharan African economies was 19.1% of GDP in 2016, according to the World Economic Outlook, Côte d'Ivoire's strongly improving trend of investment has brought its overall investment ratio closer to the Sub-Saharan African average. The government's goal is to reach a minimum of 25% investment to GDP by 2020, of which private investment will represent a minimum of 15%. Due to fiscal consolidation efforts, it is unlikely that the government will reach 10% of public investment, but given the pace of private sector investment already close to 15%, the overall target of 25% by 2020 might still be met.

Exhibit 7
Private investment has more than doubled recently
% of GDP



Source: National authorities

In addition, significant progress on social indicators is being achieved. The poverty headcount ratio (share of population living on less than $1.25 PPP per day) has fallen from nearly 50% after the 2011 civil war to 35% in 2015, according to the United Nations Development Programme. Poverty is still high, however, and reducing it remains one of the top priorities of the government. Spending on the poor (including foreign financing) has significantly increased in nominal terms and from CFA845 billion (7% of GDP) in 2011 to CFA2,070 billion (8.9% of GDP) in 2017.

Structural reforms are being implemented across all sectors of the economy to boost its attractiveness

Economic liberalism and trade openness have been integral components of Côte d'Ivoire's economic policy since the country's independence (for example, around 25% of the population is made up of non-nationals, according to the 2014 census). As a result, the private sector is traditionally the major driver of economic growth. The country is one of the few where a local sponsor is not needed for foreign investors. In fact, government intervention in the economy slowed sharply after the crisis in the early eighties, when commodity (including agricultural) prices collapsed, and the economy has one of the lowest rates of state ownership among countries in Sub-Saharan Africa.

This liberalism is best exemplified by the electricity sector, which was privatised in the 1990s. As a result, Côte d'Ivoire is one of the few countries to boast a small surplus of electricity production that is exported to countries in West Africa. Private sector power producers already account for more than half of electricity production and continue to grow, as further investment through public-private partnerships is encouraged. The IT sector, led by the telecommunications industry, is mainly in private hands. While the cocoa and coffee sectors are regulated by the Coffee and Cocoa Board, agriculture has essentially developed based on private stakes in the economy, with small-scale producers composing the vast majority of farmers. Unlike many countries in the Sub-Saharan region, Côte d'Ivoire has eliminated all fuel subsidies, with fuel prices now determined by the market. In addition, the government also implemented a scheme to support small and medium-sized enterprises (SMEs) to increase their contribution to the country's GDP. The goal is for the industry sector including manufacturing to reach a 40% contribution to GDP by 2020 (currently it stands at 28%). To achieve this, an action plan has been developed to enhance access to finance and to markets to reduce the proportion of informal exchanges and to create new industrial zones. Industrialisation is likely to come mainly from agribusiness and light manufacturing.

Strategy for the cocoa sector

While Côte d'Ivoire wants to maintain its leadership in the production of cocoa beans, the government is aiming to increase the value added of the sector's exports. To quantify the potential gain, the current price of cocoa beans accounts for around 10% of the price of a chocolate bar. The government will provide financial incentives for industrial companies and exporters to move up the value chain. The export tax on raw beans is 14.6% and decreases with each additional step of transformation of the raw product (from paste, to semi-finished products like cocoa butter, and to finished products). There will be no tax for exports of ready-to-eat chocolate. In 2015, for the first time, Côte d'Ivoire exported 10,000 tonnes of ready-to-eat chocolate.

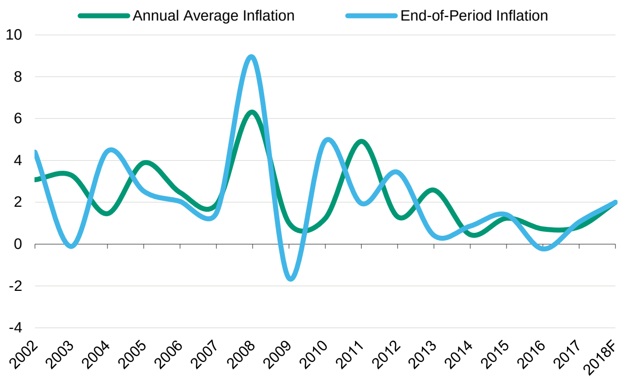
Budget and public finance reforms have been paramount in supporting the government's strategy

To boost the level of investment in the economy – especially by the private sector – the authorities needed to increase capital spending to revive basic infrastructure (electricity, energy, roads, water, and sanitation). As spending increased, it became increasingly necessary to secure further public resources. There have been two main avenues to increase the efficiency of public finance management: first, to rationalise resource mobilisation; second, to better regulate the execution of the budget. As an example of the former, the government was able to raise the recovery rate of cheques paid at customs offices from 71% to 100%. To achieve this, cheques are now scanned and sent to the tax office for immediate monitoring. If the cheque is not backed by sufficient funds, the exporter (who is now identified by a unique ID number for tax purposes) will have its license to export suspended if the funds are not provided within 10 days. This system has been in place since 2015. Another example is the government reducing the amount of time taken to make VAT reimbursements to less than 48 hours from 13.2 months, by modifying the law on VAT so that 10% of VAT receipts are set aside for that purpose. These two examples underscore the improved coordination across departments involved in public finance management, ultimately resulting in more predictable revenue collection (and less corruption) and better budget execution. The authorities are promoting the use of IT to streamline public service in all departments. Since 2017, the corporates with turnover above CFA 200 million ($0.35 million) have now the possibility to pay their taxes online.

The WAEMU has been highly beneficial for monetary stability

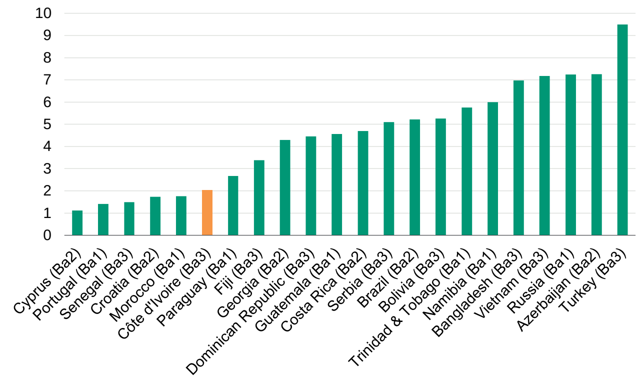
The WAEMU comprises eight countries and 117 million people sharing a common currency, the CFA franc (see Appendix 1 for further information on the CFA zone framework). As a result, it provides a rigid framework for monetary and foreign-exchange policies enforced by the Central Bank of West African States (BCEAO). The latter pursues an inflation target, which has enabled its member countries to maintain outstanding price stability over time (see Exhibits 8 and 9). Among their peers, Côte d'Ivoire and Senegal have the lowest level of inflation.

Exhibit 8
Moderate inflation in Côte d'Ivoire, given WAEMU membership
% change, average of period and end of period



Sources: Haver Analytics, Moody's Investors Service

Exhibit 9
Côte d'Ivoire's average annual inflation rate has been low compared to peers
Average annual inflation, 2006-2022F



Sources: IMF, national authorities, Moody's Investors Service

Moreover, WAEMU membership tapers fiscal policy since the BCEAO may not act as a lender of last resort and cannot therefore finance government deficits. This triggered an improvement in the efficiency of tax systems in some member countries. The BCEAO also guarantees the banking regulator's independence. Finally, the WAEMU acts as a catalyst for structural reforms, encouraging member states to adopt specific common regulations in order to foster economic integration among themselves. For example, the convergence criteria to a deficit of 3% of GDP by 2019 supports fiscal consolidation in the region. There are also various institutions which help member countries monitor and exert pressure pressures on those not on track with targets.

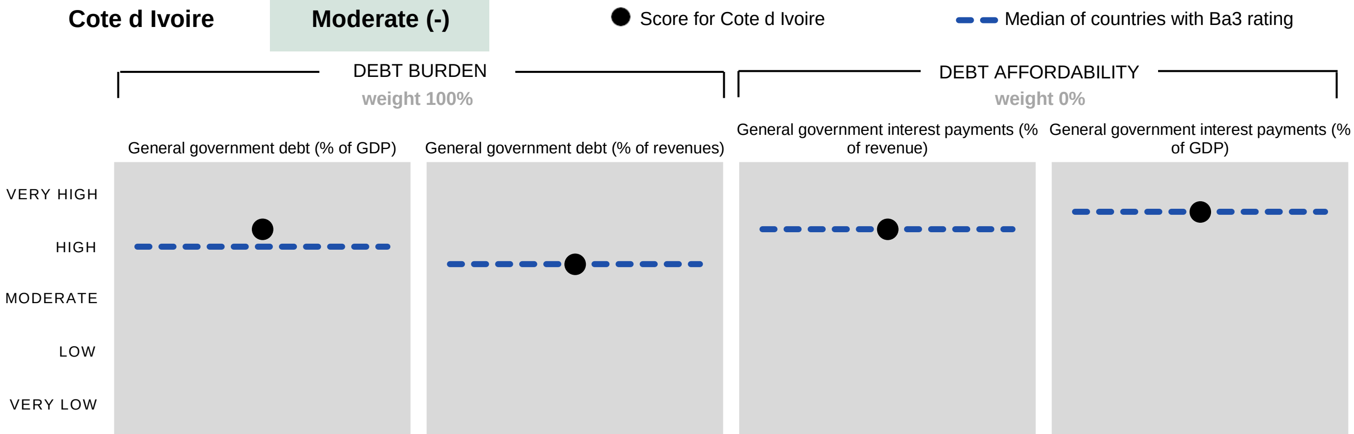
Fiscal strength: Moderate (-)

Factor 3: Overall score

Scale		VH+	VH	VH-	H+	H	H-	M+	M	M-	L+	L	L-	VL+	VL	VL-	
	+									Final							-

Factor 3: Sub-scores

Cote d Ivoire **Moderate (-)**



Fiscal strength captures the overall health of government finances, incorporating the assessment of relative debt burdens and debt affordability as well as the structure of government debt. Some governments have a greater ability to carry a higher debt burden at affordable rates than others. Fiscal strength is adjusted for the debt trend, the share of foreign currency debt in government debt, other public sector debt and for cases in which public sector financial assets or sovereign wealth funds are present. Depending on the adjustment factor the overall score of fiscal strength can be lowered or increased.
Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

We assess Côte d'Ivoire's fiscal strength as "Moderate (-)", a score it shares with countries such as Bangladesh (Ba3 stable), Trinidad & Tobago (Ba1 stable), Uruguay (Baa2 stable) and Vietnam (Ba3 stable).

Côte d'Ivoire's fiscal strength is supported by the government's relatively low debt burden and efforts by the authorities to improve the government's revenue intake to finance a relatively high level of capital spending, to support economic development, and maintain broadly stable debt levels. Government debt remains affordable but could rise as the government increasingly takes on debt on commercial terms.

Peer comparison table factor 3: Fiscal strength

	Cote d Ivoire Ba3/STA	M- Median	Bangladesh Ba3/STA	Uruguay Baa2/STA	Vietnam Ba3/STA	Trinidad & Tobago Ba1/STA	Ethiopia B1/STA	Rwanda B2/STA
Final score	M-		M-	M-	M-	M-	M	L+
Indicative score	M-		M	M-	M	L	M	L+
Gen. gov. debt/GDP	43.4	48.2	27.1	47.7	51.8	62.7	27.3	43.0
Gen. gov. debt/revenue	219.1	202.8	265.2	164.5	201.2	247.5	189.7	188.1
Gen. gov. interest payments/GDP	1.8	2.1	1.8	2.7	2.0	3.0	0.4	1.0
Gen. gov. int. payments/revenue	8.9	10.7	17.6	9.3	7.7	12.0	3.1	4.6

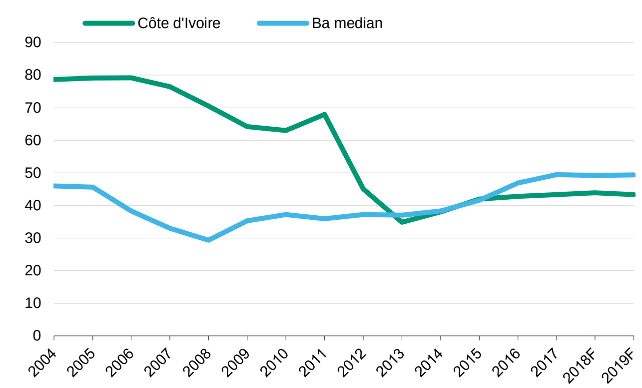
Healthy government balance sheet due to recent HIPC initiative

Government debt stood at 43.4% of GDP at the end of 2017, compared with a low of 35% of GDP in 2013, following debt relief provided under the World Bank's Enhanced Heavily Indebted Poor Countries (HIPC) initiative.

Côte d'Ivoire embarked on the HIPC initiative following a default in 2011 after the 2011 civil conflict (see Appendix 3). After completing the initiative in June 2012, the key lenders of the Paris Club of international creditors, which includes the world's leading industrialised countries, granted it relief on its external debt. A $2.3 billion eurobond that the country issued in 2013 was also restructured (see Appendix 2). According to the terms of the arrangement with the Paris Club, Côte d'Ivoire committed to not granting a more favourable agreement to any other creditor, which means that the government has legacy arrears on its external debt dating from that time. However, it has not accumulated any new external arrears since then.

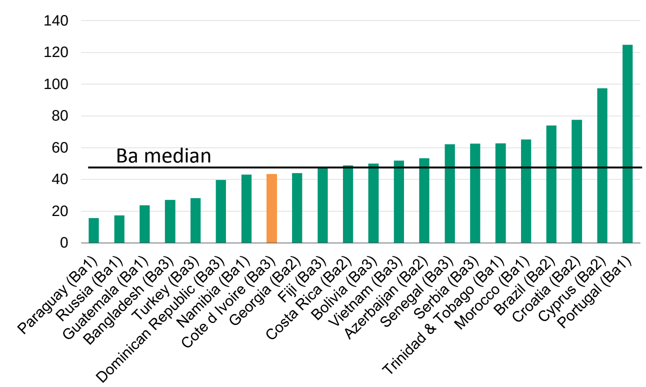
The government's external debt, as presented by the authorities and the IMF, includes a large proportion of debt reduction and development contracts (C2D) which we do not consider as debt because they are part of fully fledged debt-forgiveness mechanisms. The C2D is a debt relief initiative granted by France (Aa2 positive) under which the debtor country continues to service the debt that has been cancelled but receives the payment back as a subsidy from France. The subsidy is deposited in a special account with the BCEAO and earmarked for selected poverty-reduction programmes.

Exhibit 10
Côte d'Ivoire's debt has come back to the Ba median since 2013
General government debt as % of GDP, 2004-19F



Sources: Moody's Investors Service, IMF, national authorities

Exhibit 11
Côte d'Ivoire's debt is lower than most peers
General government debt as % of GDP, 2017



Sources: Moody's Investors Service, IMF, national authorities

Debt remains affordable and is increasingly less sensitive to foreign-exchange risk

Around half of Côte d'Ivoire's government debt is external and foreign currency-denominated, with the remainder domestic and local currency-denominated. We expect the ratio of external foreign currency-denominated debt to increase to 57% in 2018 following the large euro-denominated Eurobond issuance earlier this year. Foreign-exchange risk remains relatively contained because of Côte d'Ivoire's membership of the WAEMU and its increasing issuance in euros. Additionally, the country has swapped into euros the service of its dollar-denominated eurobonds until 2022 and therefore its external debt payments are at 95% covered in euros until then.

A large but decreasing share of external debt is owed to bilateral and multilateral lenders and has long maturities and low interest rates. The remainder is held by international banks and eurobond investors. Domestic debt is mainly held by banks.

Government debt is characterised by long tenures and is affordable: the government spent 8.9% of its revenue on interest in 2017. Debt affordability has increased since 2014, as the government steps up its borrowing from commercial sources, and we expect it to remain broadly stable at around 10%.

The maturity of government debt is increasing, with an average of 7.2 years at the end of 2017, including 4.1 years for domestic debt and 9.1 years for external debt, a trend we expect to continue. For example, this year's eurobond issuances (see below) will further increase the average maturity by more than one year.

Côte d'Ivoire is likely to increasingly issue in euros with very long maturities. It has been able to issue longer maturities in euros at a rate below long-term local-currency issuances, and it aims to continue issuing in euro-denominated debt while attempting to promote concessional lending. This suggests that, while external debt is growing, the exchange-rate risk is decreasing. Côte d'Ivoire prepaid $750 million on its 2024 and 2032 US dollar eurobonds in June 2017.

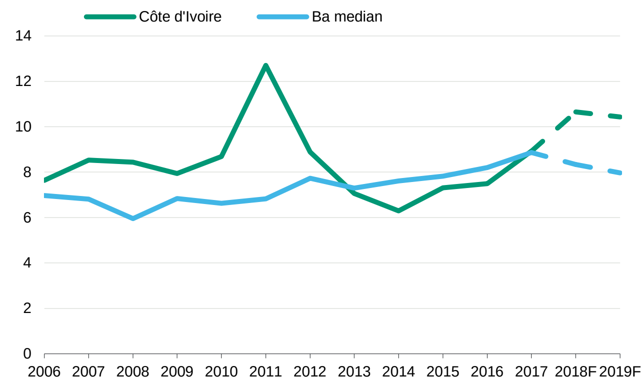
While the WAEMU pool of reserves is likely to continue to grow, the exchange-rate risk with the euro is very low. In March 2018, the country issued €1.7 billion in two equal tranches, of 12- and 30-year maturities, with yields of 5.2% and 6.6% respectively. This further supports the WAEMU's reserves, which are likely to reach 5.5 months of export cover by the end of 2018.

The total debt of public sector companies amounted to around CFA400 billion, or 1.7% of GDP, at the end of 2017, implying limited contingent liability risk for the government. However, this amount is likely to increase by CFA300 billion by the end of 2018 as SIR aggregates its service provider debt (such as letters of credit to import crude oil and re-export refined products) into a loan of $600 million with a government guarantee. SIR will partly surrender an existing tax at the pump to service the loan so that the government's balance sheet is preserved. As a result, the stock of debt is likely to rise to CFA700 billion (or approximately 3% of GDP).

Exhibit 12

Côte d'Ivoire's interest payments have been in line with the Ba median since 2012

General government interest payments to revenue, %

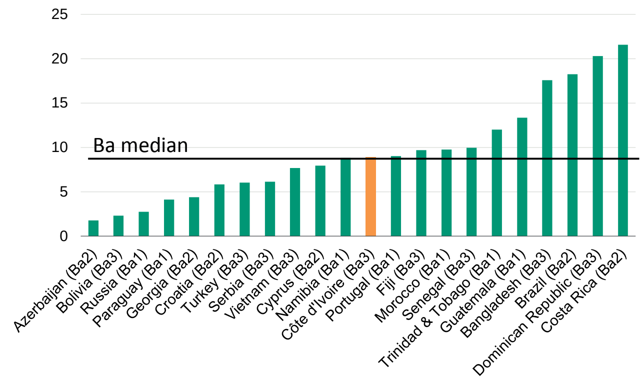


Sources: Moody's Investors Service, IMF, national authorities

Exhibit 13

Interest payments are in line with peers

General government interest payments to revenue, %, 2017



Sources: Moody's Investors Service, IMF, national authorities

Pro-growth spending is making way for fiscal consolidation…

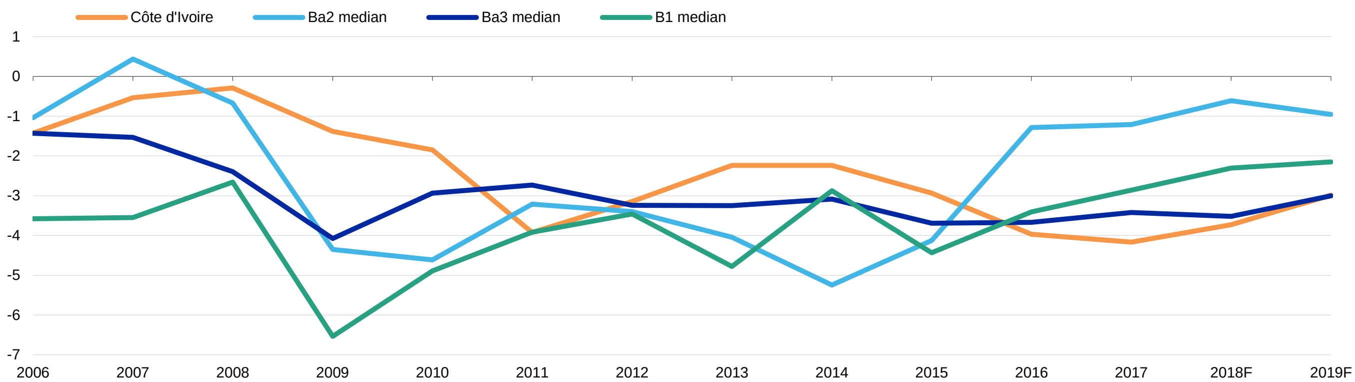
The government has increased its revenue intake substantially since 2014, to almost 20% of GDP. This has allowed it to increase its spending, particularly pro-growth spending such as capital expenditure – which has risen by around 30% on a CAGR basis since 2011 compared with 15% for operating expenditure – while limiting the impact on the fiscal balance. The fiscal deficit reached 4.2% in 2017, with capital spending representing a high proportion of overall spending (around 30%, or 7.2% of GDP). This suggests not only that the government borrows solely to finance capital spending but that it self-finances a large portion (3% of GDP) from its own revenue, including grants amounting to 1.2% of GDP.

We expect the fiscal deficit to fall below 3% of GDP over the next few years (see Exhibit 14). This baseline scenario balances the government's commitment to fiscal consolidation (the WAEMU has set a common objective to bring the deficit for all member countries down to 3% of GDP or below by 2019) with the budget's historic susceptibility to shocks, which resulted in larger than expected deficits in 2016 and 2017.

Increased security spending following a terrorist attack in Grand-Bassam in March 2016 and a loss of revenue due to a fall in cocoa prices weighed on the 2016 and 2017 fiscal outcomes. Payments to former rebels and a public sector wage settlement aggravated the deficit in 2017, which rose to 4.2% of GDP but was still below the 4.5% level agreed with the IMF.

As the economy is now on a firmer footing, supported by a rebound in cocoa bean prices in the first quarter of 2018, we expect the government to prioritise fiscal consolidation and to continue to outperform deficit targets it has agreed with the IMF (3.75% in 2018 and 3.00% in 2019), particularly if the recovery in cocoa prices is sustained.

Exhibit 14
Fiscal deficit is in line with peers
General government financial balance, % nominal GDP

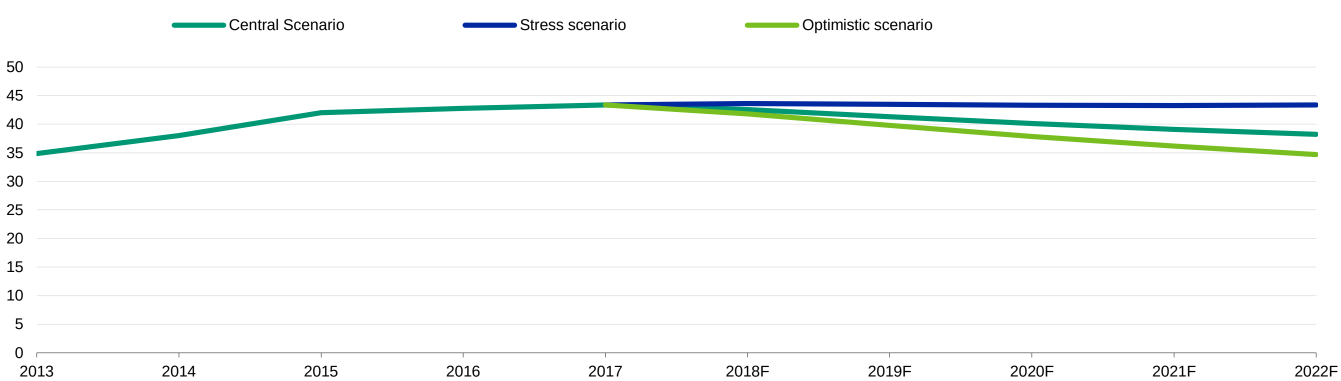


Sources: Finance Ministry, Moody's Investors Service

...which will support the stabilisation of government debt

We project government debt to GDP to stabilise at around 43.5% in 2018-19 due to high nominal growth and a gradual reduction in the government's primary balance. Assuming the government persists with fiscal consolidation beyond 2018, in line with the WAEMU fiscal norm, and the growth outlook remains supportive, government debt is likely to begin to fall in 2019, as Exhibit 15 shows. Risks surrounding this central scenario are well balanced.

Exhibit 15
Debt levels are expected to stabilise even under a stress scenario
% of GDP



Note: Moody's stress scenarios are based on the impact of cumulative negative/positive shocks on nominal growth, the government primary balance, the average interest rate on debt and the annual change in the foreign-exchange rate. The shocks are based on a 0.25/annum standard deviation (calculated for 10 years) for each of the four variables over the forecast period.
Sources: National authorities, Moody's Investors Service

Susceptibility to event risk: Moderate (-)

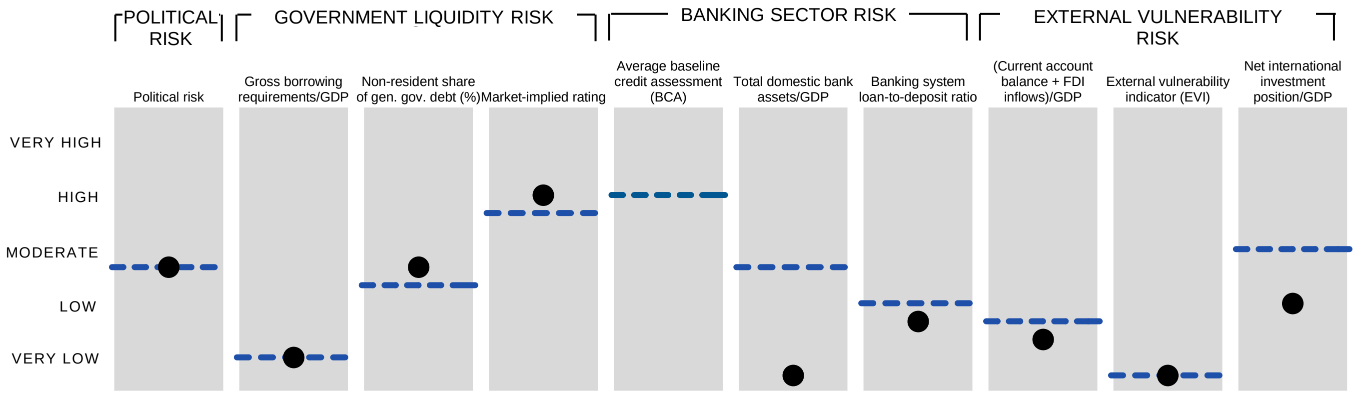
Factor 4: Overall score

Scale	VL-	VL	VL+	L-	L	L+	M-	M	M+	H-	H	H+	VH-	VH	VH+	
+							Final									-

Factor 4: Sub-scores

Cote d Ivoire **Moderate (-)**

● Score for Cote d Ivoire — — Median of countries with Ba3 rating



Susceptibility to event risk evaluates a country's vulnerability to the risk that sudden events may severely strain public finances, thus increasing the country's probability of default. Such risks include political, government liquidity, banking sector and external vulnerability risks. Susceptibility of event risk is a constraint which can only lower the preliminary rating range as given by combining the first three factors.

Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

Political risk: Moderate (-)

We assess Côte d'Ivoire's government political risk as "Moderate (-)", a score it shares with Angola (B3 stable), Cambodia (B2 stable), Guatemala (Ba1 stable) and Honduras (B1 stable).

Peer comparison table factor 4a: Political risk

	Cote d Ivoire Ba3/STA		Cambodia B2/STA	Angola B3/STA	Guatemala Ba1/STA	Zambia Caa1/STA	Honduras B1/STA	Morocco Ba1/POS
Final score	M-		M-	M-	M-	M-	M-	M-
Geopolitical risk	VL	--	L	VL	L-	VL	VL	L+
Domestic political risk	M-	--	M-	M-	M-	M-	M-	M-

Consolidation of political stability continues in President Ouattara's second term

President Alassane Ouattara was elected to a second five-year term in October 2015 with 83.6% of the vote. His re-election dispelled political uncertainty over the five-year term and was the main reason we lowered our assessment of the country's political risk by one notch to "Moderate (-)" from "Moderate" in November 2015. Much had been achieved in the period following the civil conflict in 2010-11 (see Appendix 3 for more details), while the president indicated that reconciliation efforts would continue during his second term, further reducing political risk.

Although challenges to political stability could increase ahead of the next presidential election in 2020, we believe such risks are likely to be contained. In November 2016, following a referendum and constitutional reform, the post of vice-president was established to provide a head of state should the president be incapacitated. In January 2017, meanwhile, President Ouattara appointed former prime minister Daniel Kablan Duncan as vice-president. A new cabinet led by the new prime minister, Amadou Gon Coulibaly, was appointed shortly afterwards. The appointments reflected a consolidation of power under the president, and support policy continuity and our assessment of gradually improving institutional strength.

To consolidate political stability, President Ouattara created the Rassemblement des Houphouëtistes pour la Démocratie et la Paix (RHDP) party, which led to a break-up of the existing coalition between the Rassemblement des Républicains (RDR) and the Parti Démocratique de la Côte d'Ivoire (PDCI). The move led to a cabinet reshuffle and a new government under Coulibaly made up of RHDP members and civil society figures.

While the ruling RHDP expects remaining PDCI members to join the party before the next presidential election (a number of key PDCI figures have already joined the party), the fact that the coalition has broken up increases political risk. Besides, the country's third major party, the Front Populaire Ivoirien (FPI), remains divided between hardliners and moderates.

The next presidential election is unlikely to lead to widespread instability. However, sporadic violence could occur ahead of the vote, driven by divisions and weakness in the political opposition, uncertainty over the development of a new generation of political leaders and economic growth that is not more inclusive.

Political stability has been strengthened by the government's good relationships with the international community, particularly France, which maintains a military presence in Côte d'Ivoire and has mediated in major political conflicts in the country. A new defence treaty ("Partenariat") has been ratified by both countries and includes a French military base that will eventually host more than 1,000 combat troops and a military academy for the wider region. The French military presence in West Africa fosters cooperation between the countries and reduces regional instability. The 2016 terrorist attack in Grand-Bassam has not materially affected the country's stability.

The 2017 protests reflect growing inequality

Social unrest at the start of 2017 took the form of strikes by civil servants over salary arrears, pension issues and salary increases. The protesters' demands were legitimate legacy budget claims and addressed by the government over an eight-year horizon. The authorities have recognised 1.1% of GDP wage and pension arrears, and will pay them (0.14% of GDP per year) in exchange for a five-year truce with trade unions to avoid new strikes and maintain social stability. This negotiation between civil servants and the government is not atypical following years of rapid growth, and in this case settled previous agreements that were not met by previous administrations.

This was followed by government payments to former rebels who had been integrated into the army following the 2011 civil conflict. Payments amounting to up to 0.5% of GDP were made to more than 8,000 soldiers. The former rebels in early 2017 had called on the government to honour its pledges which, after negotiation, amounted to CFA12 million per person (almost CFA100 billion).

Following this one-off payment, the government moved to reform its currently 25,000-strong armed forces by reducing the number of military personnel and transforming the armed forces into a professional army ("loi de programmation militaire"). It aims to reduce the army's headcount by 10,000, including an expected 6,000 departures by the end of 2018.

Such discontent highlights how some parts of the population feel they are not sharing in Côte d'Ivoire's high growth, as well as their impatience to benefit from the country's economic expansion. Growing inequality forms part of our assessment of domestic political risk and informs our decision to maintain Côte d'Ivoire's score at "Moderate (-)".

Government liquidity risks: Low (+)

Peer comparison table factor 4b: Government liquidity risk

	Cote d Ivoire Ba3/STA	L+ Median	Senegal Ba3/STA	Serbia Ba3/STA	Dominican Republic Ba3/STA	Ethiopia B1/STA	Fiji Ba3/STA	Croatia Ba2/STA
Final score	L+		L+	L+	L+	L+	L+	L+
Indicative score	M-		M-	L	L+	L	L	L-
Gross borrowing req./GDP	6.5	9.5	10.2	9.5	8.0	3.5	6.6	11.3
Gen. gov. ext. debt/gen. gov. debt	57.4	59.6	78.2	59.6	63.7	65.2	28.4	39.0
Market funding stress indicator	B2	B1	B1	Ba1	Ba3	B1	B2	Baa2

The government liquidity risk score at "Low (+)" deviates from the indicative "Moderate (-)" as the volatility of the market stress indicator does not reflect a material change in the ability of the country to secure funds or to roll over its debts. Our assessment reflects expected government financing needs of 6.5% of GDP in 2018, falling from 8.5% in 2017 because of the increase in the average maturity of Côte d'Ivoire's debt. The government's financing typically comes from concessional funding from bilateral and multilateral lenders, international bond issuance and regional capital markets.

Côte d'Ivoire has diversified its sources of funding since 2014, when it regained access to global capital markets by issuing a eurobond. After issuing a $750 million, 10-year sovereign bond in July 2014, the government issued a $1 billion, 12-year eurobond in February 2015, and in 2017 issued a $1.25 billion 16-year bond and a €625 million eight-year note. In March 2018, it issued €1.7 billion in two equal tranches, with 12- and 30-year maturities, with yields of 5.2% and 6.6% respectively,. The issuances were one of the largest euro-denominated issuances by a non-EU country, highlighting Côte d'Ivoire's good access to international markets.

The country's access to developing regional capital markets (the WAEMU market) supports our assessment of government liquidity risk. Côte d'Ivoire has been the largest issuer in WAEMU for several years, as its largest economy, and its debt instruments enjoy the status of regional risk-free assets which define the yield curve. In 2017, it was able to issue, in CFA francs, the equivalent of $200 million with a 12-year maturity at 5.99%.

The regional market has refinanced between CFA700 billion and CFA800 billion of Ivorian debt over the last three years. Because we expect the stock of domestic debt to GDP to fall to slightly above 15% in the next few years, we assume that the refinancing of local-currency debt will decline, notwithstanding the continued deepening of regional capital markets and the lengthening maturity of domestic debt, which stood at 4.1 years at the end of 2017 compared with 3.5 years in 2013. Côte d'Ivoire is also one of the few countries at its stage of development in which foreign investors are buying domestic issuances. For example, it has twice issued the equivalent of $300 million in the form of sukuks (Islamic bonds), which were largely bought by institutional investors in the Gulf.

The BCEAO has created the UMOA-Titres agency to increase member countries' capacity to access domestic financing, while the WAEMU has also established a financial stability fund. The fund's objective is to provide liquidity support to sovereigns when needed, securing sovereign members' debt payments and limiting spillover risks within the CFA franc zone. Nevertheless, the regional financial system remains relatively underdeveloped, with banks accounting for the bulk of government asset purchases.

Banking system risks are also limited

Peer comparison table factor 4c: Banking sector risk

	Cote d Ivoire Ba3/STA	L Median	Angola B3/STA	Fiji Ba3/STA	South Africa Baa3/STA	Senegal Ba3/STA	Norway Aaa/STA	Peru A3/STA
Final score	L		L	L	L	L	L	L
Indicative score	L-		VL+	L	L+	L	L	L+
Baseline credit assessment	--	baa2	caa1	--	baa3	--	a3	baa3
Total dom. bank assets/GDP	38.2	136.3	53.0	97.4	110.9	69.8	175.6	--
Loan-to-deposit ratio	77.4	89.4	62.0	85.1	93.6	88.1	191.0	--

Our assessment of banking sector risk is at "Low", above the indicative score of "Low (-)" due to relatively low capitalisation ratio of the system. The Ivorian banking system is small, with assets rising to CFA8,858.8 billion (38.2% of GDP) at the end of 2017. In 2017, 28 banks accounted for more than 80% of the financial services market, with insurance companies making up the remainder. Most banks are foreign-owned, and the three major banks are subsidiaries of foreign banking groups.

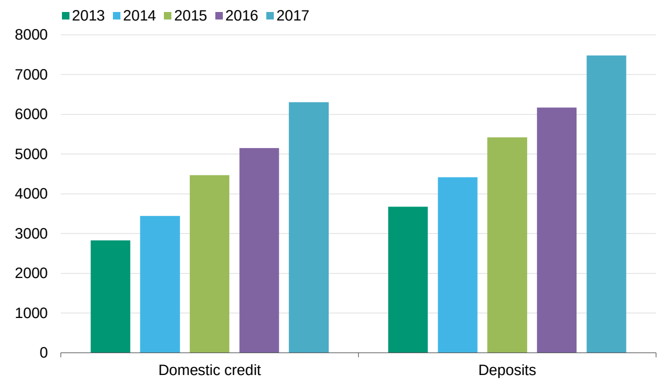
Banking branches are mainly located in Abidjan, where more than 40% of the country's economic activity is concentrated. As a result, the penetration rate of banking services is weak, though increasing, and stood at 19% at the end of 2017 (the rate is marginally higher including the microfinance sector). Market shares are unevenly distributed because subsidiaries of foreign banks dominate the sector, accounting for around 60% of assets. However, they generally have the most robust balance sheets and comply with all prudential requirements.

Strong growth in domestic lending, which reached 29.6% in 2015, slowed to 15.0% in 2016 and 2017, in part reflecting the correlation between credit to the private sector and public investment in the economy. Growth in net domestic assets has been steady, and averaged 18% in 2014-17. Deposits grew by an average 20% in 2014-15, but slowed to 12% in 2016 before climbing to 15% in 2017. The banking system is relatively liquid, with a loan to deposit ratio of 77.4% at the end of 2017 (see Exhibits 16 and 17).

Exhibit 16

Domestic credit is increasing rapidly, but remains lower than deposits

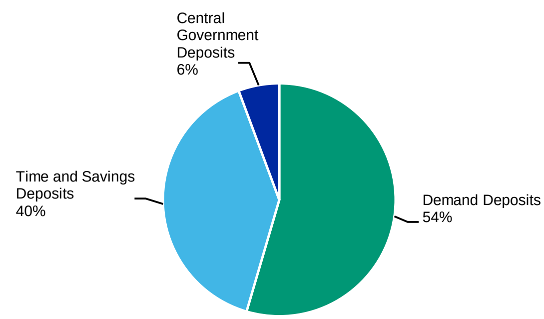
CFA billion



Sources: IMF, Central Bank of West African States

Exhibit 17

Breakdown of deposits with commercial banks 2017



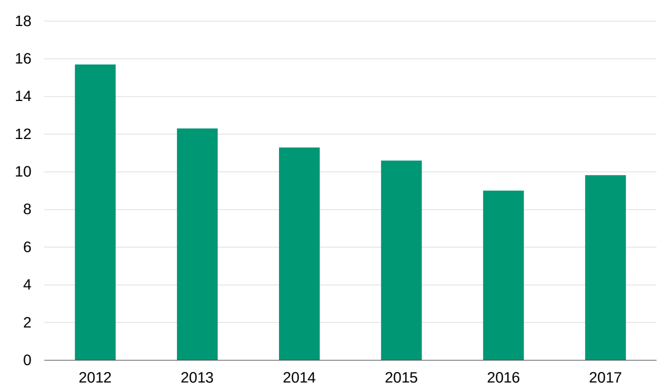
Sources: IMF, Central Bank of West African States

The banking system poses limited contingent risks to public finances and has proved resilient, with no bank failing despite the adverse effects of the political and security crisis of 2010-11. However, despite some improvement, the overall quality of bank portfolios remains weak, particularly among state-owned banks.

In 2017, outstanding non-performing loans (NPLs) accounted for 9.8% of gross lending (compared with 16.9% in 2011) of which 63.3% were provisioned (see Exhibits 18 and 19). In respect of capitalisation, capital adequacy has been declining and stood at 8.36% at the end of 2017, at the 8.00% threshold of the WAEMU framework. However, the ratio is likely to rise in the future as the BCEAO is implementing the new Basel III regulations.

Exhibit 18

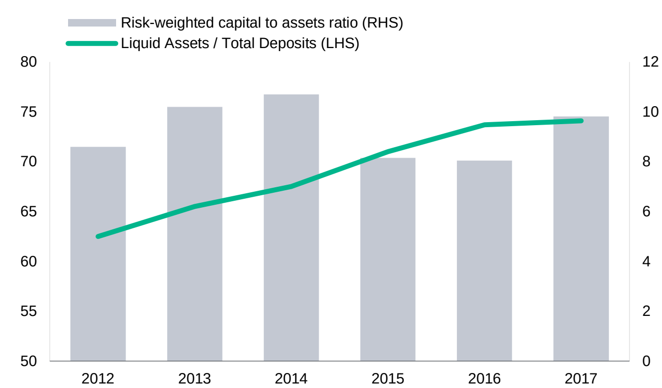
Non-performing loans have generally fallen since 2012



Sources: IMF, Central Bank of West African States

Exhibit 19

Prudential ratios have somewhat improved since 2012



Sources: IMF, Central Bank of West African States

In August 2018, a local cocoa trader (Saf Cacao) filed for bankruptcy, resulting in the liquidation of its assets and liabilities of CFA150 billion for private banks and CFA70 billion for the Coffee Cocoa Council (CCC), representing around 2% of the financial system. The authorities are more likely not to intervene in wholly private transactions, particularly because the liabilities do not represent a systemic risk for the financial system. However, some very small banks may need capital injections if their losses fully crystallise.

Côte d'Ivoire benefits from currency stability and robust external accounts

Peer comparison table factor 4d: External vulnerability risk

	Cote d Ivoire Ba3/STA	VL- Median	Botswana A2/STA	Guatemala Ba1/STA	Bangladesh Ba3/STA	Trinidad & Tobago Ba1/STA	Brazil Ba2/STA	Belgium Aa3/STA
Final score	VL-		VL-	VL-	VL-	VL-	VL-	VL-
Indicative score	VL		VL-	VL-	VL-	VL-	VL-	L-
(Curr. acc. bal. + FDI inflows)/GDP	-1.2	6.6	14.6	3.0	0.4	-4.0	3.0	-6.1
External vulnerability indicator (EVI)	9.9	27.9	6.7	26.0	19.4	20.9	44.6	--

We assess Côte d'Ivoire's external vulnerability risk as "Very Low (-)", below the indicative score of "Very Low". A balance of payments crisis is very unlikely because of its membership of WAEMU, in which the CFA franc's convertibility is guaranteed by the French Treasury based on a fixed exchange rate with the euro. In addition, Côte d'Ivoire has almost always recorded a trade surplus and a current account with, on average, a slight surplus over the long term (1.5% of GDP on average between 2000 and 2017). In addition, its export market is well diversified, with export destinations mostly across Europe and Africa. External debt was a relatively low 38% of GDP in 2017 (though a large increase on 31.9% in 2016), while debt-service costs have reduced following the cancellation of debt in 2012.

Local banks have positive external positions and had a positive net assets position of $0.4 billion in 2017. Banks are required to repatriate at least 80% of export proceeds to the CFA zone, though they have failed to do so for a prolonged period. The BCEAO intends to continue to tighten this scheme and could impose fines to encourage compliance: this should rapidly generate a significant structural increase in Ivorian foreign-currency reserves and benefit the wider balance of payments. As a result of these factors, the repatriation rate rose to 46% in 2017 from 28% in 2016. Côte d'Ivoire's external vulnerability indicator (external short-term debt plus maturing long-term external debt divided by foreign-exchange reserves) is also very low and likely to fall to 11.0% at the end of 2018 from 32.9% in 2017.

Risk of CFA franc devaluation remains very low

A devaluation of the CFA franc is the main financial risk for Côte d'Ivoire. Such a development would instantly increase debt relative to public revenue because around half of public debt is foreign currency-denominated. A devaluation would also significantly increase the cost of servicing this debt. However, a CFA zone balance of payments crisis is highly unlikely because capital inflows have generally covered current account deficits. We expect an increase in the CFA zone's official reserves in the medium term.

While the CFA franc devalued by 50% relative to the French franc in 1994, we view the risk of a repeat of such a depreciation as remote. The devaluation was spurred by a fall in the BCEAO reserve ratio (bank notes issued and deposits with the central bank) to below 17% in 1993. Whenever reserves fall below 20% of the monetary base, the BCEAO must take measures to contract the monetary base, a scheme similar to those operated in currency board arrangements. When reserves reach zero, the central bank implements new measures. This has occurred once, in 1991, though the French Treasury was able to keep the exchange rate intact during this period.

Although it failed to generate the desired level of growth, the 1994 devaluation brought the coverage ratio to 84%. It even exceeded 100% between 1999 and 2012, falling back to 84.3% at the end of 2014. Recent issuances by both Côte d'Ivoire and Senegal support the pool of reserves. There is a striking difference between the WAEMU region and the Central Africa franc zone in this area, the latter having depleted most of its reserves in the wake of the oil price shock.

Over the past decade, this 70-year monetary arrangement has been tested by a series of crises in the two monetary subregions of the CFA zone, and has remained intact on each occasion. In addition, devaluation would need to be agreed by all the countries in the CFA zone (western and central Africa) and the French Treasury. As a result, it would be extremely unlikely to take place without a prolonged public debate.

Appendices

Appendix 1: The CFA Zone

Côte d'Ivoire is part of the West African Economic and Monetary Union (WAEMU), whose currency (the CFA franc) has been linked to the French franc and then the euro through an agreement between participating countries and the French Treasury for more than 70 years. Participation in the CFA franc zone has the following features:

- WAEMU members do not have individual central banks, monetary policies, currencies or exchange-rate regimes. There is one central bank for the union, the BCEAO (Banque Centrale des Etats de l'Afrique de l'Ouest), located in Dakar (Senegal). The central bank sets monetary policy for the monetary union. The exchange-rate regime, in particular the level of the peg to the euro, is reached by a multilateral, unanimous decision between the French Treasury and all the countries participating in the CFA zone.
- The currency reserves of the participating countries are pooled at the central bank. In turn, at least 50% of the reserves are deposited in a current account held by the French Treasury at the Banque de France. They earn an interest rate of EONIA +100 basis points.
- The French Treasury acts as guarantor of the exchange-rate regime and ensures the unlimited convertibility of the CFA franc with the euro. In practice, this support takes the form of an unlimited overdraft facility granted to the BCEAO on its account at the Banque de France with the French Treasury. The convertibility is not backed by a monetary arrangement (such as the ECB arrangement) but by an international agreement, with support from the French government.
- There are no capital transactions within the CFA zone, but there are capital controls between the zone and the rest of the world. In particular, the central bank reserves the right to compel private and public institutions within the area to redeem their foreign-currency holdings in return for CFA francs. For example, 80% of export revenue has to be repatriated and converted to CFA francs.
- Participation in the CFA zone greatly reduces the risk of exchange-rate depreciation increasing the cost of servicing foreign-currency debt. It does not eliminate this risk, however, because: (1) not all foreign-currency debt is euro-denominated; and (2) the possibility of a devaluation of the CFA franc relative to the euro exists: in 1994, the CFA franc was devalued by 50%, but we believe this risk is very small.
- The WAEMU is also an economic union with an integrated financial system and unified customs, in which the free movement of people and capital is assured. The WAEMU Treaty establishes the harmonisation of tax systems through common tax bases and brackets, and has enabled common external tariffs to be established.

Appendix 2: The 2011 default on the 2032 eurobond

» After reaching the decision point of the Heavily Indebted Poor Countries (HIPC) initiative in March 2009, Côte d'Ivoire in April 2010 issued a $2.3 billion eurobond maturing in 2032 and repayable over 23 years, including a six-year grace period. The bond replaced the Brady bonds issued after the London Club restructuring in March 1998. After honouring the first coupon in June 2010, the authorities missed the coupon payments for December 2010, June 2011 and December 2011. The total involved was $98.4 million.

» Payments resumed in June 2012. In November 2012, an agreement was reached with lenders for Côte d'Ivoire to clear its arrears. The lenders agreed to cancel late penalties on arrears. Shortly afterwards, the authorities reopened the 2032 eurobond issue and issued $187 million, bringing the total to $2.5 billion. The balance for the arrears was extended after the Paris Club's parallel private-debt renegotiations.

» The electoral crisis that began in December 2010 resulted in a deterioration of diplomatic relations with President Laurent Gbagbo's government, which was considered illegitimate by many in the international community. This break in relations extended to the country's main lenders and also to other WAEMU members. Before the civil war, the economy had been pressured by economic sanctions on the Gbagbo administration, which still controlled the south of the country and Abidjan.

» The BCEAO also withdrew recognition and refused access to the WAEMU currency pool in Dakar. It recognised access only for elected President Alassane Ouattara and his new administration. President Gbagbo's supporters then moved quickly to seize the cash reserves held by the central bank in Abidjan. The Ouattara administration was unable to take possession of the premises of BCEAO's local subsidiary in the city, which held the systems to order payments and details of the recipients of these payments. This is why Côte d'Ivoire was unable to honour the coupon payments on its 2032 eurobond.

» Ouattara's triumph in March 2011 was followed by the restoration of relations between Abidjan and the BCEAO, and the gradual normalisation of repayments on government debt. In the case of Côte d'Ivoire, default was unrelated to any unwillingness or inability by its legitimate government to repay its debt because reserves were available at the central bank. Rather, payment was impeded by the new administration's inability to take control of the central bank, a subsidiary of the BCEAO.

» The default was directly linked to the political situation and the international community's rejection of the legitimacy of the Gbagbo government. Given the stabilisation of Côte d'Ivoire's political situation since 2011 and the encouraging outlook beyond 2017, we consider the risk of a second default on a par with that in 2011 to be low. Moreover, to mitigate the risk that a new, even fleeting, political crisis would trigger a default by a member country of the CFA zone, WAEMU, concerned about its reputation, created a Financial Stability Fund in May 2012 (Decision CN/UMOA/007/05/2012).

» With an endowment of CFA383 billion ($795 million), this emergency fund is intended to cover the debt service of states in exceptional circumstances, as determined by its members. The beneficiary member state is then bound to repay the funds applied within five years. Once fully funded, the FSF will be able to prevent a default on government bonds in circumstances similar to 2011 because it will take over debt-servicing costs. A confrontation between one government and other WAEMU members will pose a risk to a member state's signature only if the crisis is prolonged.

Appendix 3: The 2010-11 civil war

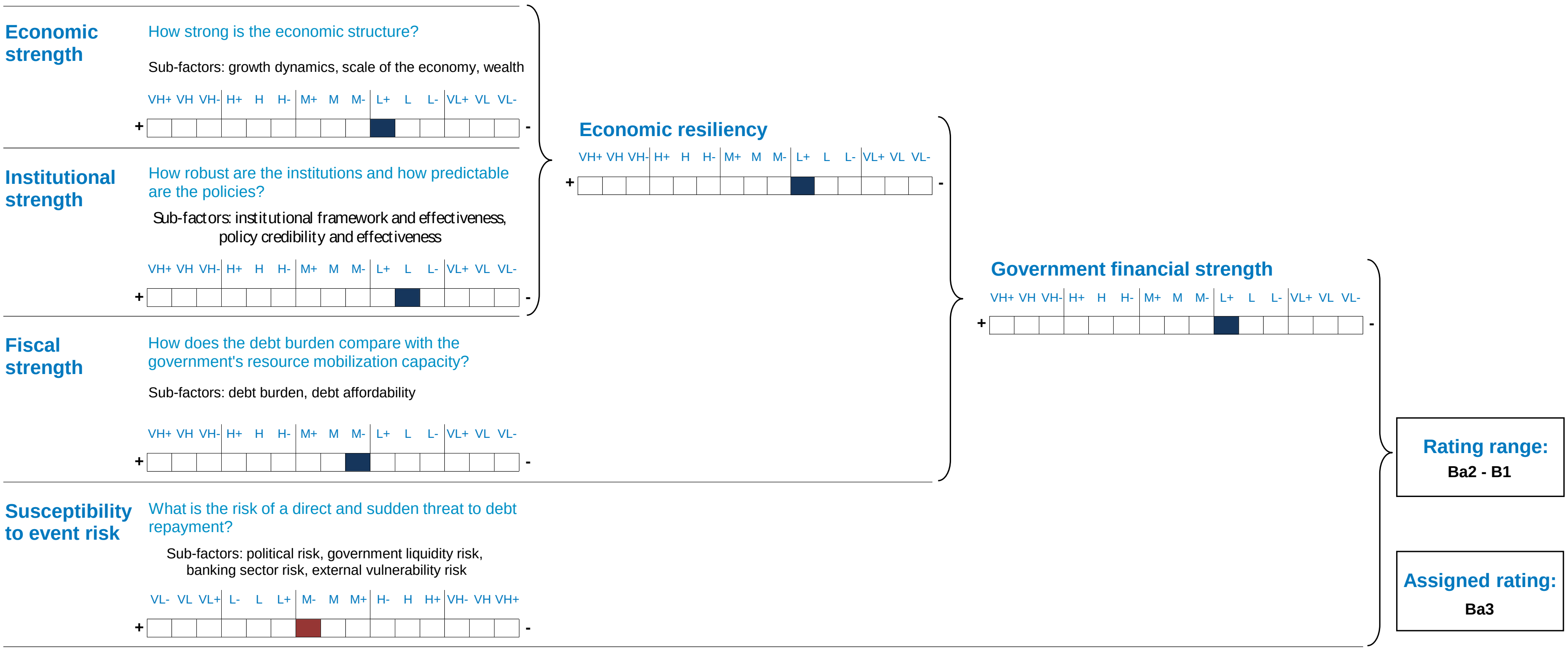
- The civil conflict that erupted following the election of President Alassane Ouattara in 2010 was responsible for the deaths of an estimated 3,000 people and was highly disruptive for the entire country. It resulted in the displacement of more than 700,000 people within the country and more than 250,000 people in the wider sub-Saharan region. Almost all have returned, though around 38,000 remain abroad, mainly in Liberia. The authorities are working in concert with the UN High Commissioner for Refugees and the Liberian authorities to facilitate their return, which was delayed by the Ebola outbreak.
- The conflict reflected deep political divisions within the country that date back to the early 1990s, when multiparty politics was introduced at the end of President Houphouët-Boigny's mandate and the country had been celebrated as a model for economic development in sub-Saharan Africa. These are the results of a drawn-out political crisis.
- Events escalated with the 1999 coup of General Guei and the rejection by the Supreme Court of 14 of the 19 candidates put forward in presidential elections in 2010. The electoral commission eventually announced the victory of Laurent Gbagbo after Guei was ousted in the wake of mass social demonstrations. In September 2002, a movement formed by rebel soldiers, who eventually called themselves the Mouvement des Forces Nouvelles, gradually occupied the north of the country (around 60% of the country's territory). Although a peacekeeping force of French troops prevented clashes from escalating, the country was split in two.
- Peace talks began after a ceasefire was declared in October 2002 and resulted in the signing of the Linas-Marcoussis Agreement in France in 2003. A national unity government was formed amid serious and recurring political tensions. In 2004, the UN Security Council authorised the deployment of the United Nations Operation in Côte d'Ivoire with 10,000 UN peacekeepers, including 4,600 French soldiers. The council continued to extend President Gbagbo's mandate regularly until the presidential elections of October 2010.
- The protracted political crisis has also increased inequality, particularly between the north and south of the country. As a consequence, youth poverty and unemployment will be major challenges in the future.
- Many strides have been made towards national reconciliation. In particular, the Commission for Dialogue, Truth, and Reconciliation ("Commission Dialogue, Vérité et Réconciliation") chaired by Charles Konan Banny[1] was created to shed light on past events. The commission submitted its report to the president of the republic in September 2014 and a compensation fund for the victims was created, beginning with CFA10 billion earmarked in 2015. The "Commission Nationale pour la Reconciliation et l'Indemnisation des Victimes" has succeeded the CDVR. An estimated 500,000 victims could be compensated, though payments will take several years to process.

Rating range

Combining the scores for individual factors provides an indicative rating range. While the information used to determine the grid mapping is mainly historical, our ratings incorporate expectations around future metrics and risk developments that may differ from those that the rating range implies. Thus, the rating process is deliberative and not mechanical, meaning that it depends on peer comparisons and should leave room for exceptional risk factors to be taken into account that may result in an assigned rating outside the indicative rating range. For more information, please see our Sovereign Bond Ratings methodology.

Exhibit 20

Sovereign rating metrics: Côte d'Ivoire



Source: Moody's Investors Service

Comparatives

This section compares credit relevant information regarding Côte d'Ivoire with other sovereigns that we rate. It focuses on a comparison with sovereigns within the same rating range and shows the relevant credit metrics and factor scores.

Côte d'Ivoire's factor scores are all in line with the Ba3 median of Moody's-rated sovereigns. Regarding economic strength, Côte d'Ivoire scores at "Low (+)". While its average real GDP growth generally ranks above rated peers, its per capita wealth is lower. The country's institutional strength is assessed to be "Low", although there is reason to believe its metrics in this area understate the results it has been able to achieve relatively rapidly to date. For fiscal strength, Côte d'Ivoire's debt stock and interest payments relative to its economy and revenue are in line with Ba3 peers. The country's susceptibility to event risk score is determined by domestic political risks. External metrics are strong relative to peers, with smaller current account deficits and a lower external vulnerability indicator.

Exhibit 21

Côte d'Ivoire: key peers

Cote d Ivoire Key Peers

	Year	Cote d Ivoire	Vietnam	Bolivia	Tanzania	Croatia	Senegal	Ba3 Median	Sub-Saharan Africa Median
Rating/Outlook		Ba3/STA	Ba3/STA	Ba3/STA	B1/NEG	Ba2/STA	Ba3/STA	Ba3	B2
Rating Range		Ba2 - B1	Ba1 - Ba3	Ba1 - Ba3	Ba3 - B2	Ba1 - Ba3	Ba2 - B1	Ba2 - B1	B1 - B3
Factor 1		**L+**	**H-**	**L+**	**M-**	**L+**	**L+**	**L+**	**L+**
Nominal GDP (US$ bn)	2017	39.8	223.9	37.5	52.1	55.2	16.5	41.4	27.7
GDP per capita (PPP, US$)	2017	3882.8	6913.1	7536.1	3212.7	24423.5	2726.6	7536.1	3882.8
Avg. real GDP (% change)	2013-2022	8.3	6.3	4.1	6.9	2.0	6.1	5.6	4.7
Volatility in real GDP growth (ppts)	2008-2017	4.6	0.6	1.0	0.9	3.2	1.8	2.2	2.3
Global Competitiveness index	2017	3.9	4.4	3.5	3.7	4.2	3.8	3.9	3.8
Factor 2		**L**	**L+**	**L**	**VL+**	**H+**	**M-**	**L**	**VL+**
Government Effectiveness, percentile [1]	2017	9.0	42.8	25.5	15.7	66.1	29.3	29.3	16.5
Rule of Law, percentile [1]	2017	20.3	51.8	3.0	25.5	60.9	45.1	37.5	29.3
Control of Corruption, percentile [1]	2017	29.3	24.0	22.5	32.3	57.1	52.6	29.3	27.8
Average inflation (% change)	2013-2022	1.6	4.1	4.5	5.6	1.0	0.8	3.4	5.2
Volatility in inflation (ppts)	2008-2017	2.0	5.3	3.6	3.8	2.1	2.6	2.6	3.1
Factor 3		**M-**	**M-**	**H**	**L-**	**L**	**L-**	**M-**	**L+**
Gen. gov. debt/GDP	2017	43.4	51.8	50.0	40.0	77.5	62.2	47.6	43.4
Gen. gov. debt/revenue	2017	219.1	201.2	170.6	252.5	169.4	257.7	201.2	252.5
Gen. gov. interest payments/revenue	2017	8.9	7.7	2.3	9.8	5.8	10.0	8.9	10.0
Gen. gov. interest payments/GDP	2017	1.8	2.0	0.7	1.5	2.7	2.4	2.0	2.3
Gen. gov. financial balance/GDP	2017	-4.2	-3.5	-5.0	-1.9	0.8	-4.5	-3.4	-4.2
Factor 4		**M-**	**H-**	**M**	**M-**	**M-**	**L+**	**M-**	**M+**
Current account balance/GDP	2017	-2.8	2.9	-6.3	-2.6	4.3	-9.4	-5.6	-3.9
Gen. gov. external debt/gen. gov. debt	2017	57.4	50.0	46.8	73.4	39.0	78.2	50.0	58.6
External vulnerability indicator (EVI)	2019F	9.9	43.1	27.7	48.3	60.6	17.0	27.7	44.1

[1] Moody's calculations. Percentiles based on our rated universe.

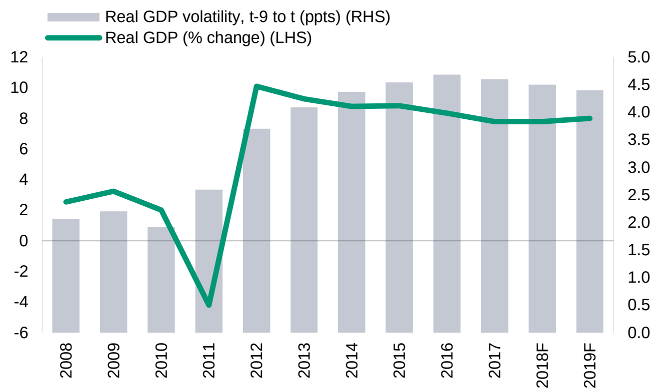
[1] Moody's Investors Service calculations. Percentiles based on our rated universe.
Source: Moody's Investors Service, national authorities, IMF

DATA, CHARTS AND REFERENCES

Chart pack: Côte d'Ivoire

Exhibit 22

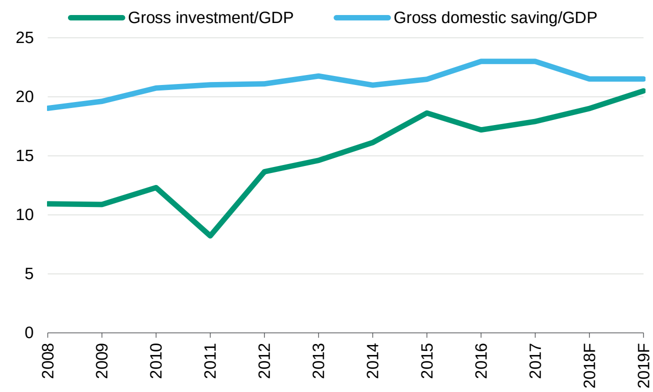
Economic growth



Sources: Moody's Investors Service, national authorities, IMF

Exhibit 23

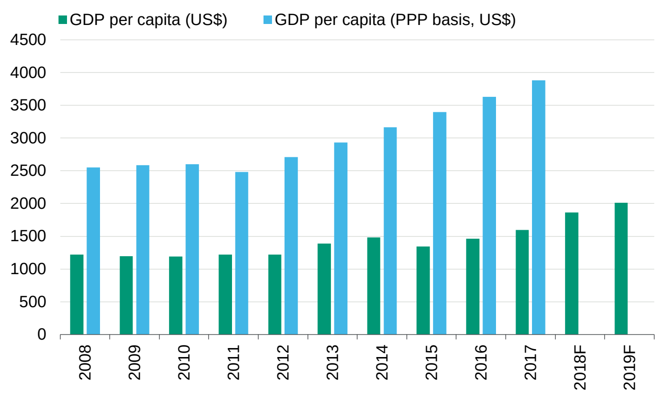
Investment and saving



Sources: Moody's Investors Service, national authorities, IMF

Exhibit 24

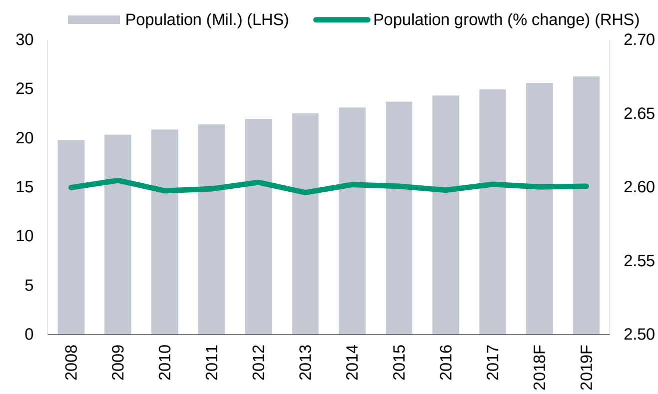
National income



Sources: Moody's Investors Service, national authorities, IMF

Exhibit 25

Population

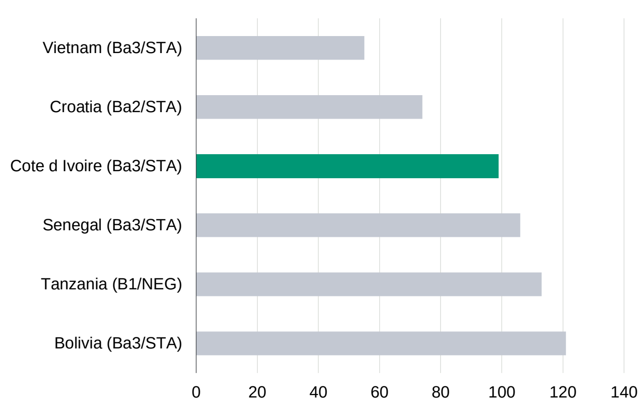


Sources: Moody's Investors Service, national authorities, IMF

Exhibit 26

Global Competitiveness Index, 2016-2017

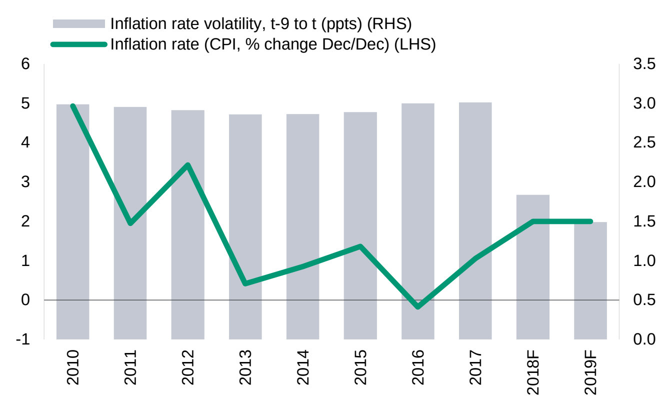
Rank 99 out of 138 countries



Source: World Economic Forum

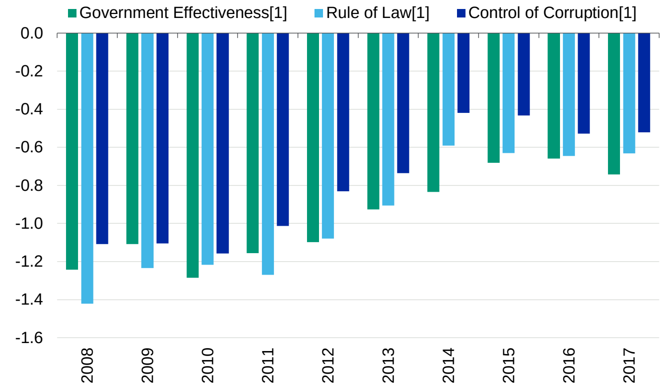
Exhibit 27

Inflation and inflation volatility



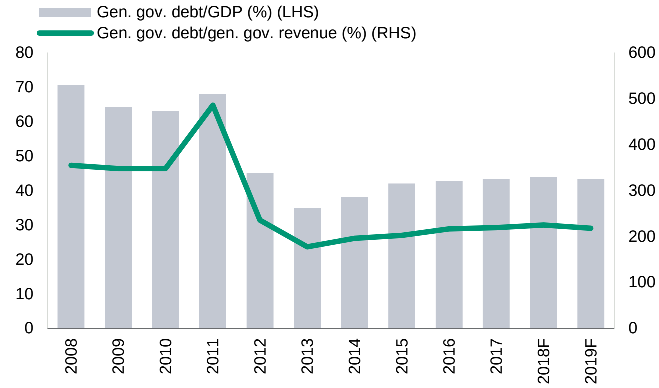
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 28
Institutional framework and effectiveness



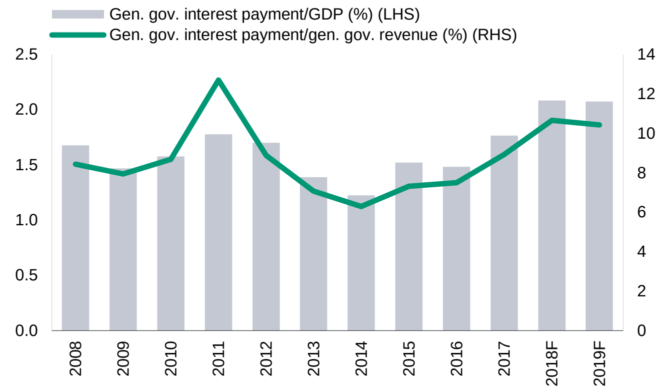
[1] Composite index with values from about -2.50 to 2.50: higher values correspond to better governance.
Source: Worldwide Governance Indicators

Exhibit 29
Debt burden



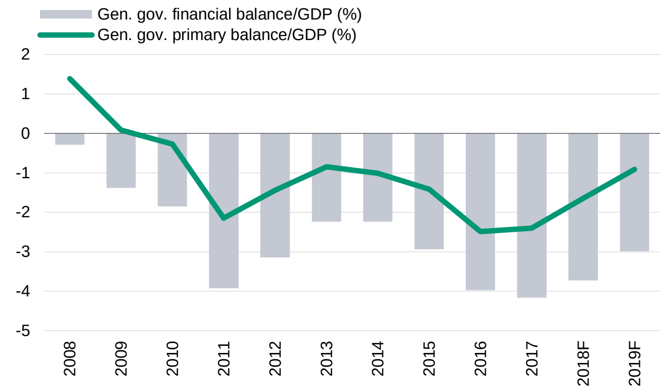
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 30
Debt affordability



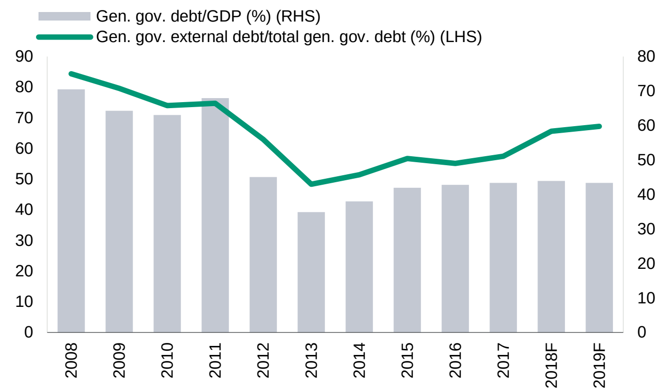
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 31
Financial balance



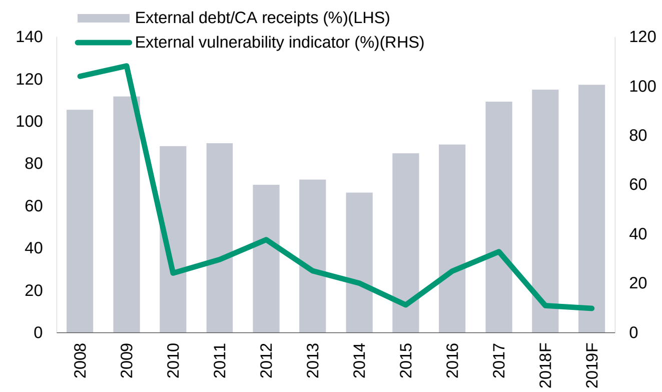
Sources: Moody's Investors Service, national authorities, IMF

Exhibit 32
Government liquidity risk



Sources: Moody's Investors Service, national authorities, IMF

Exhibit 33
External vulnerability risk



EVI = (Short-Term External Debt + Currently Maturing Long-Term External Debt + Total Nonresident Deposits Over One Year) / Official Foreign Exchange Reserves
Sources: Moody's Investors Service, national authorities, IMF

Rating history

Exhibit 34
Côte d'Ivoire

	Government Bonds			Foreign Currency Ceilings				
				Bonds & Notes		Bank Deposit		
	Foreign Currency	Local Currency	Outlook	Long-term	Short-term	Long-term	Short-term	Date
Rating Affirmed	--	--	--	--	--	--	--	Mar-18
Rating Raised	Ba3	Ba3	Stable	--	--	--	--	Nov-15
Rating Assigned	B1	B1	Positive	Baa3	P-3	Baa3	P-3	Jul-14

Source: Moody's Investors Service

Annual statistics

Exhibit 35

Côte d'Ivoire

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017E	2018F	2019F
Economic structure and performance												
Nominal GDP (US$ bil.)	24.2	24.3	24.9	26.1	26.8	31.3	34.3	31.9	35.6	39.8	47.7	52.9
Population (Mil.)	19.8	20.3	20.9	21.4	22.0	22.5	23.1	23.7	24.3	25.0	25.6	26.3
GDP per capita (US$)	1,223	1,194	1,193	1,221	1,222	1,389	1,482	1,344	1,462	1,594	1,864	2,013
GDP per capita (PPP basis, US$)	2,550	2,586	2,603	2,480	2,711	2,934	3,167	3,397	3,632	3,883	--	--
Nominal GDP (% change, local currency)	11.3	5.7	7.5	0.1	11.0	12.9	9.5	11.3	11.9	9.8	9.9	9.8
Real GDP (% change)	2.5	3.3	2.0	-4.2	10.1	9.3	8.8	8.8	8.3	7.8	7.8	8.0
Inflation (CPI, % change Dec/Dec)	8.9	-1.6	4.9	1.9	3.4	0.4	0.9	1.4	-0.2	1.1	2.0	2.0
Gross investment/GDP	10.9	10.9	12.3	8.2	13.6	14.6	16.1	18.6	17.2	17.9	19.0	20.5
Gross domestic saving/GDP	19.0	19.6	20.7	21.0	21.1	21.7	21.0	21.5	23.0	23.0	21.5	21.5
Nominal exports of G & S (% change, US$ basis)	18.8	8.2	2.1	8.4	-8.4	9.4	8.6	-11.1	-10.8	7.9	16.5	7.2
Nominal imports of G & S (% change, US$ basis)	13.3	-0.4	11.2	-14.4	17.5	18.7	4.8	-10.5	-11.3	19.5	15.0	6.7
Openness of the economy[1]	87.3	90.8	94.0	87.6	87.1	84.9	82.8	79.4	63.3	64.1	61.9	59.7
Government Effectiveness[2]	-1.2	-1.1	-1.3	-1.2	-1.1	-0.9	-0.8	-0.7	-0.7	--	--	--
Government finance												
Gen. gov. revenue/GDP	19.9	18.5	18.1	14.0	19.1	19.7	19.4	20.8	19.8	19.8	19.5	19.9
Gen. gov. expenditures/GDP	20.2	19.9	20.0	17.9	22.3	21.9	21.7	23.7	23.8	24.0	23.3	22.9
Gen. gov. financial balance/GDP	-0.3	-1.4	-1.8	-3.9	-3.1	-2.2	-2.2	-2.9	-4.0	-4.2	-3.7	-3.0
Gen. gov. primary balance/GDP	1.4	0.1	-0.3	-2.1	-1.4	-0.8	-1.0	-1.4	-2.5	-2.4	-1.6	-0.9
Gen. gov. debt (US$ bil.)	16.2	16.2	15.8	16.5	12.4	11.3	11.9	13.1	14.5	18.4	21.0	23.0
Gen. gov. debt/GDP	70.5	64.2	63.0	67.9	45.1	34.9	38.0	42.0	42.8	43.4	43.9	43.3
Gen. gov. debt/gen. gov. revenue	354.6	347.2	347.4	485.4	235.4	177.3	195.5	202.1	216.0	219.1	224.6	217.8
Gen. gov. interest payments/gen. gov. revenue	8.4	7.9	8.7	12.7	8.9	7.1	6.3	7.3	7.5	8.9	10.7	10.4
Gen. gov. FC & FC-indexed debt/gen. gov. debt	81.4	75.0	69.4	70.1	56.1	38.1	40.9	47.0	44.1	49.0	57.0	59.0
External payments and debt												
Nominal exchange rate (local currency per US$, Dec)	471.3	455.3	490.9	507.0	497.2	475.6	540.3	602.5	622.3	547.0	531.9	526.5
Real eff. exchange rate (% change)	4.8	-0.4	-5.9	2.0	-3.9	4.5	1.0	-4.2	0.2	-0.1	--	--
Current account balance (US$ bil.)	0.5	1.6	0.5	2.7	-0.3	-0.4	0.5	-0.2	-0.4	-1.1	-1.4	-1.2
Current account balance/GDP	1.9	6.7	1.9	10.2	-1.2	-1.4	1.5	-0.6	-1.2	-2.8	-2.8	-2.3
External debt (US$ bil.)	13.0	14.9	11.7	12.8	9.5	9.8	9.8	11.4	11.3	15.1	18.5	20.2
Public external debt/total external debt	82.0	85.4	80.4	77.4	52.9	64.6	67.4	74.7	71.9	74.6	78.7	80.3
Short-term external debt/total external debt	13.4	0.4	3.3	7.5	1.2	1.3	0.0	0.0	0.0	0.0	0.0	0.0
External debt/GDP	53.5	61.3	47.0	48.9	35.5	31.4	28.5	35.7	31.9	38.0	38.8	38.2
External debt/CA receipts[3]	105.6	111.8	88.3	89.6	70.0	72.4	66.3	84.9	89.0	109.4	115.0	117.3
Interest paid on external debt (US$ bil.)	0.3	0.1	0.1	0.2	0.1	0.2	0.2	0.3	0.3	0.4	0.6	0.6
Amortization paid on external debt (US$ bil.)	0.8	0.8	0.6	0.6	0.5	0.8	0.6	0.5	1.2	1.3	1.3	0.8
Net foreign direct investment/GDP	1.8	1.6	1.3	1.1	1.2	1.3	1.2	1.5	1.5	1.6	1.8	2.0
Net international investment position/GDP	-51.1	-37.3	-32.0	-21.4	8.3	7.1	7.5	7.0	6.8	4.6	--	--
Official forex reserves (US$ bil.)	2.3	2.8	3.2	3.9	3.5	3.8	4.1	4.4	3.9	5.6	6.7	7.3
Net foreign assets of domestic banks (US$ bil.)	0.2	0.2	0.1	0.3	0.6	0.5	0.4	0.4	0.6	0.4	--	--

Exhibit 36

Monetary, external vulnerability and liquidity indicators												
M2 (% change Dec/Dec)	5.7	17.2	18.2	10.7	6.8	11.4	16.0	19.1	12.1	16.5	--	--
Monetary policy rate (% per annum, Dec 31)	3.8	3.3	3.3	3.3	3.0	2.5	2.5	2.5	2.5	2.5	--	--
Domestic credit (% change Dec/Dec)	7.2	19.1	13.2	1.4	19.6	20.2	19.4	19.7	18.8	13.5	--	--
Domestic credit/GDP	19.4	21.9	23.0	23.3	25.1	26.7	29.2	31.4	33.3	34.4	--	--
M2/official forex reserves (X)	2.8	2.7	2.6	2.3	2.8	3.0	2.9	2.9	3.5	3.2	--	--
Total external debt/official forex reserves	575.9	524.1	365.4	327.7	271.6	257.6	239.7	260.6	293.3	270.0	276.0	275.3
Debt service ratio[4]	9.1	7.3	5.5	5.8	4.7	7.1	5.8	5.8	11.5	12.7	11.7	8.0
External vulnerability indicator (EVI)[5]	104.1	108.3	24.2	29.8	37.7	25.1	20.0	11.2	24.9	32.9	11.0	9.9
Liquidity ratio[6]	14.8	36.6	47.9	45.6	38.1	-14.0	-30.1	-3.1	13.8	1.7	--	--
Total liabilities due BIS banks/total assets held in BIS banks	64.7	119.7	179.0	118.9	104.9	107.8	132.1	74.4	58.2	40.9	--	--
"Dollarization" ratio[7]	8.9	9.1	8.9	7.1	9.8	9.0	10.5	10.4	10.8	11.0	--	--
"Dollarization" vulnerability indicator[8]	15.0	14.3	13.8	10.6	15.9	15.5	18.4	18.9	21.2	19.7	--	--

[1] Sum of Exports and Imports of Goods and Services/GDP
[2] Composite index with values from about -2.50 to 2.50: higher values suggest greater maturity and responsiveness of government institutions
[3] Current Account Receipts
[4] (Interest + Current-Year Repayment of Principal)/Current Account Receipts
[5] (Short-Term External Debt + Currently Maturing Long-Term External Debt + Total Nonresident Deposits Over One Year)/Official Foreign Exchange Reserves
[6] Liabilities to BIS Banks Falling Due Within One Year/Total Assets Held in BIS Banks
[7] Total Foreign Currency Deposits in the Domestic Banking System/Total Deposits in the Domestic Banking System
[8] Total Foreign Currency Deposits in the Domestic Banking System/(Official Foreign Exchange Reserves + Foreign Assets of Domestic Banks)

Sources: Moody's Investors Service, national authorities, IMF

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Endnotes

1 Former prime minister (December 2005-March 2007) and former governor of the WAEMU (December 1994-December 2005).

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REPORT NUMBER 1119553

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