

Financial & Economic Crisis'Impacts on Senegal Economy

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Tembo Maburuki, PhD
Economics Advisor, UNDP-SENEGAL

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I- Introduction

- The international economic context enables to identify 4 transmission channels of the effects of the financial crisis on the Senegalese economy
- Among those channels: FDI, ODA, exports, tourism and remittances
- These external resources play an important role in the economic and social development of the country. The effects of the financial crisis hinder the efforts of the government and of the development partners to reduce poverty and attain the MDGs these last years

II- External Trade Impact (1/2)

- The consequences of the financial crisis that started in august 2007 in the US are felt in all sectors, notably, international trade
- Global growth is systematically revised downwards in relation with the evolution of indicators. The study of the repartition of Senegalese exports shows that the share of Europe is equal to 21% in avg between 2005 and 2007 (France: 8%)

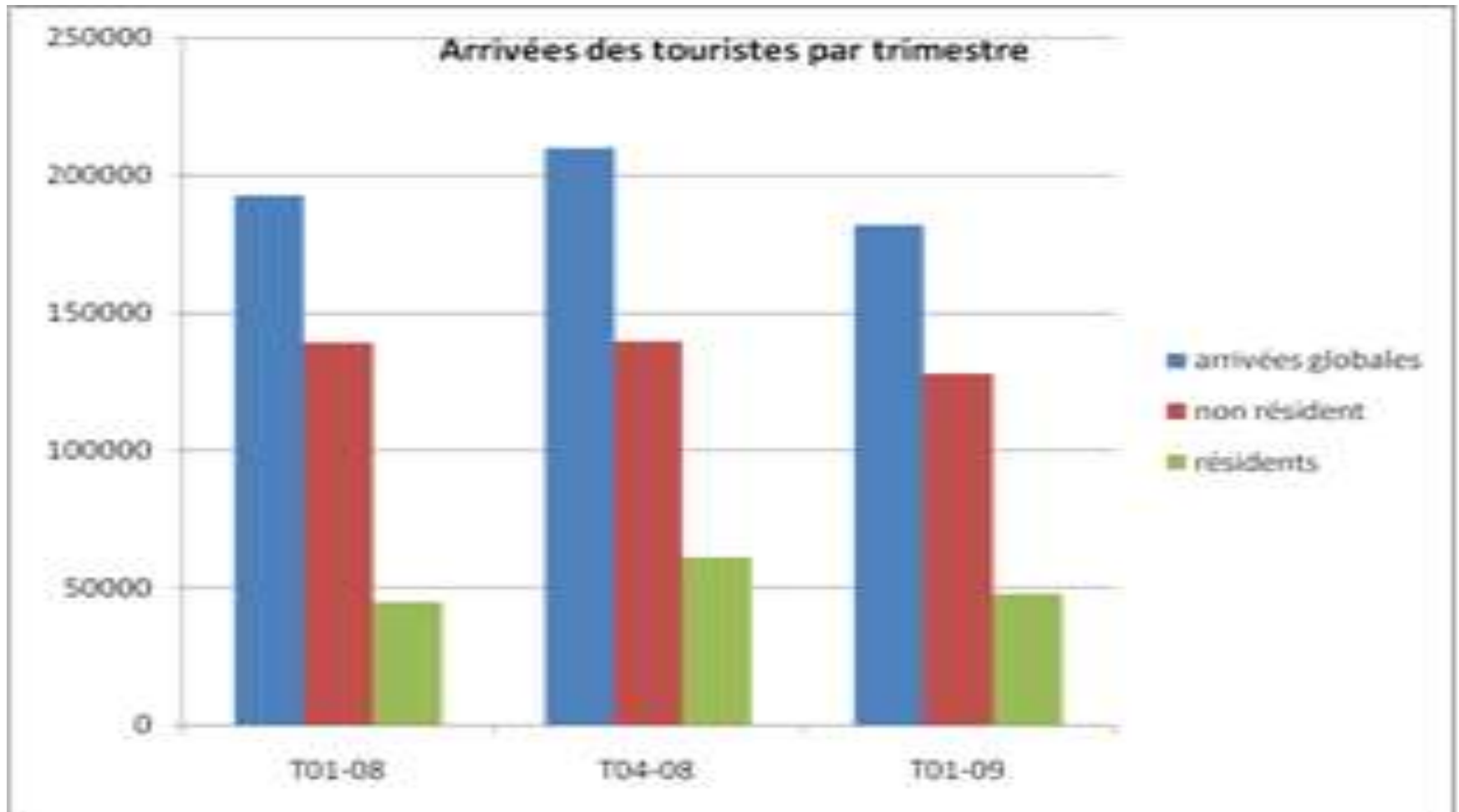
II- External Trade Impact (1/3)

- Imports slightly decreased by 1 billion and amounted to 152.5 billion at the end of the first quarter of 2009. On an annual basis, a decrease of 31.9% is also observed.
- Concerning imports from other countries of the WAEMU, they are estimated at 6.4 billions in April 2009, almost at the same level as 2008 (6.7 billions) compared to 4.6 billions in March 2009.

III- Tourism Impact 1/2

- The vulnerability of tourism to the recession is explained by the fact that these **activities are seasonal** and depend essentially on **foreign demand**. Touristic statistics reveal a **decrease of tourists' entries by 8% in January 2009**, as well as a decrease of 30% of the turnover of the subsector, compared to that of 2008.
- Non resident tourists flows decreased (-8.1%), which corresponds to almost 11,000 tourists lost for a sole quarter during the high season.

III- Tourism Impact (2/2)



IV- FDI Impact 1/2)

- The international financial crisis has a negative impact on ODA, FDI and remittances.
- IMF prospects show a slight decrease of ODA received by Senegal from 5.4% of GDP in 2008 to 5% in 2009. This decrease of aid will impact negatively on the level of foreign currency reserves which will go from 3.1 months of imports in 2008 to 2.7 months in 2009.

IV- FDI Impact (2/2)

- FDI prospects in 2008 should be equal to 6% of GDP on the medium term for all the years, which amounts to a level that is 4 times higher than the level of the last decade. Most of the **FDI flows come from the Middle East and India and are directed to the hotel business, infrastructures**, the development of a special economic zone and iron ores.
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V- Impact on Remittants (1/2)

- Remittances of NGOs and remittances of Senegalese people living abroad will suffer the consequences of the recession in developed countries.
- The decrease of remittances will have direct impacts on households' consumption as well as on the construction of houses and indirectly on the economic activity.

V- Impact on Remittants (1/3)

- During the period 2000-2007, remittances represented 8.6% of GDP. These remittances are more stable than ODA flows which tend to diminish slightly.

In 2007, they amounted to 460 billions, which equals three times FDI flows. Moreover, the amount of remittances outweighs the contribution of the main exports. During the period, the ratio of remittances over total exports went from 19% in 2001 to almost 36% in 2007, informal remittances excluded.

V- Impact on FDI (1/2)

- The financial and economic crisis that led to the recession in developed countries reduced the profitability of investment projects. It has led the group Arcelor Mittal to postpone or even stop the project of the exploitation of the iron ores in Eastern Senegal.
- The JAFZA project which was aimed at developing a special economic zone in the neighbourhoods of Dakar and was valued at US \$ 800 millions has not started yet. According to IMF prospects, FDI flows will decrease from 4.5% of GDP in 2008 to 3.8% of GDP in 2009.

VI- Impact MDG (1/2)

- The economic and financial crisis threatens the achievement of the MDGs because of its negative impact on growth, ODA and remittances.
- The MDGs that are more at risk are:
- **MDG 1:** with a reduction of households' incomes, job losses and deepening of poverty;
- **MDG 2 and 3:** low enrolment rate of young women due to the decrease in incomes and remittances;
- **MDG 3, 4, 5:** ability of poor households to benefit from health care;
- **MDG 8:** decrease of ODA and non fulfilment of the commitments of partners.

VI- Impact on MDG (2/2)

- The difficulty to mobilize ODA threatens the implementation of poverty reduction strategies.
- Since remittances have a counter-cyclical role and relieve vulnerable populations, their decrease will impact negatively on poverty and human development.

Thank You