SENEGAL

Table 1	2023
Population, million	17.8
GDP, current US$ billion	31.1
GDP per capita, current US$	1753.3
International poverty rate ($2.15)[a]	9.9
Lower middle-income poverty rate ($3.65)[a]	36.3
Upper middle-income poverty rate ($6.85)[a]	75.6
Gini index[a]	36.2
School enrollment, primary (% gross)[b]	83.3
Life expectancy at birth, years[b]	67.1
Total GHG emissions (mtCO2e)	36.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Economic growth slowed slightly to 3.7 percent in 2023 due to social unrest and delayed hydrocarbon production. The fiscal deficit and debt remained high, fueled by energy subsidies and frontloaded financing. Inflation averaged 6.1 percent, eroding household purchasing power, but poverty remains unchanged. Economic activity is set to rebound in the medium term, supported by hydrocarbon production. Political uncertainty, hydrocarbon production delays, and geopolitical tensions threaten the outlook.

Key conditions and challenges

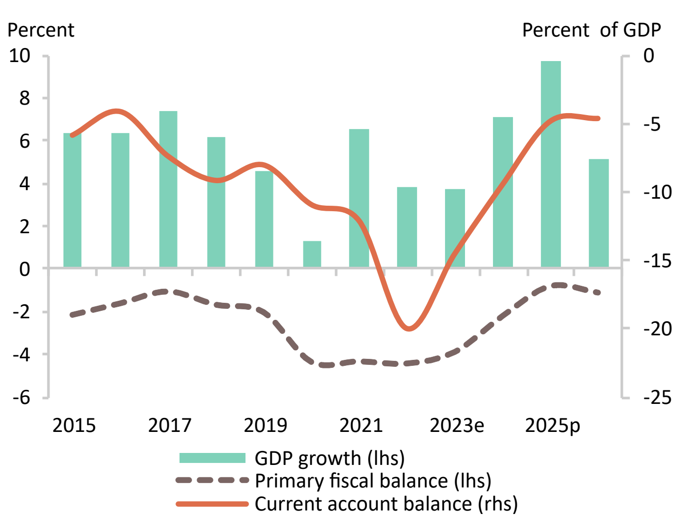
Senegal's socioeconomic development challenges are heightened by rising uncertainty. Declining yet high inflation and unfavorable global and domestic financial conditions combined with high debt levels undermine macro-fiscal stability. Structural vulnerabilities, such as low productivity, limited human capital, high informality, and youth emigration, persist and are exacerbated by external shocks, as seen during the COVID-19 pandemic and Russia's invasion of Ukraine. Despite the emphasis on industrialization in the action plan PAP3 of the government's Plan Senegal Emergent, the transition to a more diversified economy with a larger industrial base remains limited, with the economy remaining heavily reliant on agriculture and services. The onset of hydrocarbon production offers an opportunity to accelerate equitable investment in human capital, provided that related resources are managed within a strong governance framework.

Recent developments

Economic growth remained broadly stable around 3.7 percent in 2023 (1.1 percent per capita) as political tensions and social unrest disrupted consumer spending and delayed investment in key sectors, including ICT, trade, and transport. As a result, the services sector decelerated from 5.1 percent in 2022 to 3.3 percent in 2023. Gold production declined by 15.5 percent (year-on-year) due to lower demand, reserve depletion, and labor strikes. Challenges in the extractive industry led to a slower-than-expected performance in the industry sector despite strong cement sales. Headline inflation averaged 6.1 percent in 2023 as food and energy prices continued their downward trends – although remaining well above the regional Central Bank's target band of 1-3 percent. Poverty incidence (using the $3.65 per capita per day in 2017 PPP international poverty line) remained stable at 36.4 percent in 2023, from 36.5 percent in 2022. While rising prices eroded the purchasing power of households this was mitigated by growth in the agriculture sector, which employs most of the poor. The national poverty trend is the result of a slight increase in urban areas, while the poverty rate slightly decreased in rural areas.

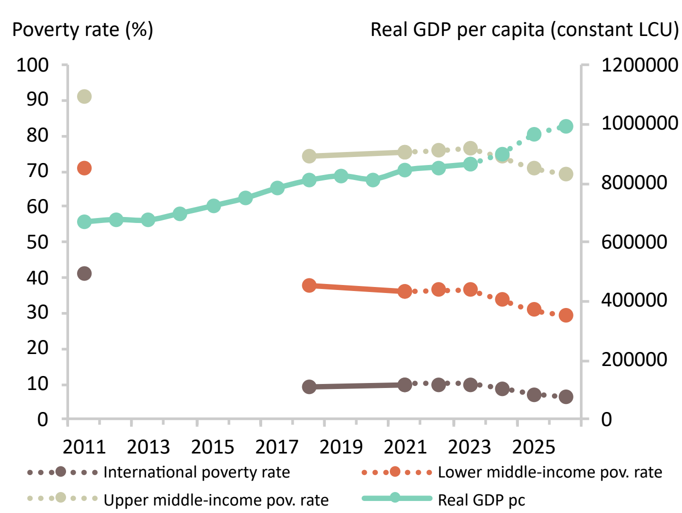
The fiscal deficit is expected to remain at 6.6 – above the 4.9 percent of GDP objective set in the 2023 Budget Law – driven by lower tax collection and persistently high energy subsidies. The former declined to 17.3 percent of GDP – about 1 percentage point below its 2022 level – owed to lower revenue collection on international trade. Public expenditure declined to 25.7 percent of GDP from 26.6 percent, thanks to a decline in current spending. Fiscal measures to support purchasing power (0.6 percent of GDP)

FIGURE 1 Senegal / Evolution of main macroeconomic indicators



Source: World Bank.

FIGURE 2 Senegal / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

and energy sector subsidies encompassing outstanding arrears (4.2 percent of GDP end-September 2023) continue to hinder fiscal consolidation efforts. Public debt remains at moderate risk of debt distress, with limited margins to absorb future shocks. The current account deficit is estimated at 14.5 percent in 2023 from 20 percent in 2022, driven by lower service imports related to hydrocarbon services, increased export prices, and the resumption of trade with Mali. It was financed by foreign direct investments, portfolio investments, remittances, and external credits.

To counter inflation across WAEMU countries, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 150 basis points since mid-2022 to 3.5 percent for liquidity calls and 5.5 percent for the marginal lending facility. However, inflation in the region (3.7 percent in 2023) was still above the 1-3 percent target and foreign exchange reserves have been on a downward trend, estimated at 3.5 months of imports at end-2023, down from 4.3 months at the end of 2022.

Outlook

Economic growth is projected to average 7.5 percent in 2024-2026 (4.8 percent per capita) and be broad based, driven by hydrocarbon production from mid-2024, and a rebound in the mining sector spurred by the discovery of new gold and phosphate mines as well as agriculture and services. Aggregate demand will be supported by private consumption. The baseline assumes favorable rainfall and fading political uncertainty. Inflation is forecasted to decelerate to 2 percent by 2025 as food and energy prices maintain downward trends.

The BCEAO may need to continue monetary tightening in 2024 to bring inflation under control and in the context of rising uncertainties over the withdrawal of Niger, Mali, and Burkina Faso from ECOWAS and potential spillovers to WAEMU. These uncertainties are likely to increase investors' risk perceptions leading to tighter financing conditions and putting additional strain on already low foreign exchange reserves.

Projected growth, including in agriculture, the expansion of cash transfers, and declining food prices are expected to affect household well-being positively. Consequently, poverty is expected to resume a downward trend in 2024.

Fiscal consolidation efforts, including reduced energy subsidies and increased tax revenues, should enable the fiscal deficit to decline toward the WAEMU convergence criteria of 3 percent of GDP by 2025. Under a benign base case, public debt is expected to decline gradually to 67.2 percent in 2026. However, extreme weather shocks or increases in security spending could delay the necessary fiscal adjustment and exacerbate debt sustainability risks. The CAD is projected to narrow significantly from 9.5 percent of GDP in 2024 to an average 4.7 percent in 2025-6 as hydrocarbon exports begin, although a potential risk remains as the Alliance of Sahel States withdrawal from ECOWAS will impact exports to Mali. Regional uncertainties could lead to further tightening of financing conditions and put additional strain on already low foreign exchange reserves.

TABLE 2 Senegal / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.5	3.8	3.7	7.1	9.7	5.7
Private consumption	3.4	3.5	2.3	3.1	3.6	3.7
Government consumption	14.4	1.5	-7.1	14.7	7.7	4.5
Gross fixed capital investment	15.8	11.0	12.5	6.0	8.8	8.6
Exports, goods and services	22.5	3.5	6.7	14.3	20.1	3.4
Imports, goods and services	16.0	12.4	6.0	5.4	4.9	3.1
Real GDP growth, at constant factor prices	6.3	3.6	3.7	7.1	9.7	5.7
Agriculture	0.8	0.3	6.2	6.3	6.4	6.5
Industry	7.1	2.6	2.9	16.8	23.4	3.9
Services	7.7	5.1	3.3	3.2	4.0	6.5
Inflation (consumer price index)	2.2	9.7	6.1	3.0	2.0	2.0
Current account balance (% of GDP)	-12.1	-20.0	-14.5	-9.5	-4.8	-4.6
Fiscal balance (% of GDP)	-6.3	-6.6	-6.6	-4.8	-3.0	-3.0
Revenues (% of GDP)	19.5	20.0	19.2	20.8	21.8	22.3
Debt (% of GDP)	73.4	76.1	79.5	72.4	67.5	67.2
Primary balance (% of GDP)	-4.3	-4.4	-3.9	-2.2	-0.8	-1.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	9.9	10.0	9.8	8.7	7.2	6.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	36.3	36.5	36.4	33.9	30.9	29.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	75.6	75.9	76.3	74.1	71.1	69.5
GHG emissions growth (mtCO2e)	3.1	1.1	0.5	3.8	5.5	5.1
Energy related GHG emissions (% of total)	24.2	24.5	24.0	24.2	24.5	23.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2021-EHCVM. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.