Zedcrest Research

Investing Series | Senegal: Drilling out of debt

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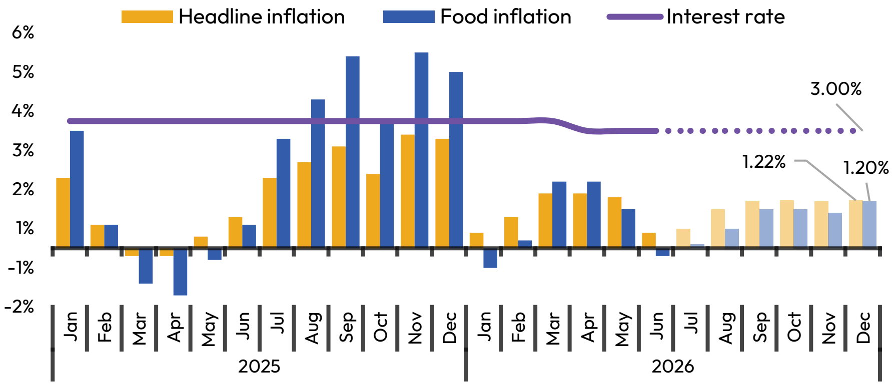
Food prices remain the dominant driver of inflation

Senegal's inflation remained exceptionally subdued during H1 2026, with headline inflation declining to 0.4% YoY in January 2026 before gradually increasing through February-April and moderating thereafter. The sharp disinflation was primarily driven by food, which constitutes approximately 50% of Senegal's Consumer Price Index (CPI) basket. Senegal remains structurally dependent on imported food, with roughly 70% of domestic food requirements sourced externally. Rice remains the dominant staple, with annual consumption estimated at 2.26 million tonnes against domestic production of only 645,000 tonnes, leaving the country reliant on 1.5-1.7 million tonnes of annual imports, principally from India and Thailand. During the period, Thai 5% broken rice prices declined from approximately $595/mt to $370/mt according to Worldbank pinksheet data, while wheat, edible oils and other imported food commodities also recorded broad-based price declines, significantly lowering imported food inflation and driving the sharp moderation in headline inflation.



Source: Trading economics, Zedcrest Research

The subsequent increase in inflation between February and April was largely attributable to renewed food price pressures rather than broad-based inflationary forces. Although Senegal's overall import bill remained below 2025 levels, the gradual recovery in international rice prices from January lows, coupled with elevated fertilizer and agricultural input costs, increased food production and import costs. Given food's dominant weighting within the CPI basket, these developments were sufficient to lift headline inflation despite relatively subdued import demand. Conversely, transport and utilities inflation remained broadly contained, reflecting the government's continued intervention in domestic energy markets. Petrol prices remained largely stable between 920-952 CFA francs per litre averaging approximately CFA 990 per litre ($1.65/litre) between February and May 2026, highlighting the effectiveness of existing fuel subsidy mechanisms in limiting the pass-through of higher international oil prices.

Fiscal support continues to shield inflation from external shocks

Fiscal policy has become the principal transmission channel through which Senegal absorbs external commodity shocks. The government allocated CFA 250 billion ($442 million) for fuel subsidies in the 2026 budget based on an assumed Brent crude price of $85/bbl. Official estimates indicate that every $1/bbl increase in crude prices raises subsidy costs by approximately CFA 12 billion ($21.2 million), implying subsidy expenditures of roughly CFA 408 billion ($721.7 million) at $77/bbl and close to CFA 680 billion ($1.20 billion) should Brent average US$100/bbl. Beyond fuel, government support extends to electricity, butane gas, fertilizers, certified seeds, rice and wheat through increasingly targeted interventions. While this strategy has successfully contained inflation, it has transferred the external commodity shock to public finances and reduced fiscal flexibility.

Food prices and subsidy reforms remain the principal inflation risks

Our inflation outlook remains more benign than the (International Monetary Fund) IMF's, which assumes a faster withdrawal of subsidies as part of the government's fiscal consolidation and debt sustainability programme. We believe a complete removal of subsidies is unlikely given the elevated fiscal and political costs of higher domestic fuel and food prices. Instead, our base case assumes a gradual rationalization of the subsidy framework, while faster normalization in fertilizer prices relative to crude oil should help reduce agricultural production costs and contain second-round inflationary pressures. Near-term food inflation, however, is likely to remain firm

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as neither India nor Thailand is currently in its main rice harvesting season. India remains in the early sowing stage of its Kharif crop, while Thailand is still in its wet-season planting cycle. In addition, El Niño-related weather risks, including below-normal monsoon rainfall and drought concerns across parts of Asia, could constrain yields and keep global rice prices elevated until fresh harvests reach the market later in the year.

Accordingly, we expect inflation to remain cautiously stable through H2 2026 before moderating further into 2027. Our base case assumes Brent averages $72-75/bbl, a gradual normalization in fertilizer prices, and a modest improvement in global risk sentiment following a potential easing of geopolitical tensions between the United States and Iran. Rather than relying on euro strength alone, we believe any sustained improvement in risk appetite would weaken the U.S. dollar and provide modest support for the euro, thereby reducing imported inflation through the CFA franc's euro peg. Under this scenario, we forecast headline inflation to average approximately 1.8% in FY2026, reflecting a gradual reduction in subsidy support during H2 2026. Where subsidy reforms are delayed and current support measures remain broadly intact, we expect year-end inflation to remain around 0.4-0.8%, resulting in a full-year average closer to 1.6 - 1.8%%. Conversely, a faster-than-expected subsidy rationalization, combined with persistent food price pressures or renewed energy shocks, would likely push inflation closer to or above 2.0%, broadly aligning with the IMF's more cautious outlook.

External balances and global monetary policy shape the currency outlook

Senegal's currency remains anchored by the CFA fixed peg of CFA 655.957 per euro, meaning movements in the euro against the U.S. dollar (EUR/USD), rather than domestic exchange rate policy, largely determine the cost of imported goods and, by extension, imported inflation. External conditions improved significantly during 2026 as the trade deficit narrowed from approximately CFA 962 billion ($1.70 billion) in Q1 2025 to about CFA 273 billion ($482 million) during January-May 2026. March and April 2026 recorded near-balanced trade positions, with exports exceeding or broadly matching imports, strengthening foreign currency generation and reducing external financing pressures. At the regional level, WAEMU (West African Economic and Monetary Union) foreign exchange reserves increased to $45.8 billion, equivalent to 7.8 months of prospective import cover, providing a substantial buffer against external shocks and reinforcing confidence in the CFA peg.

Given the CFA fixed peg to the euro, Senegal's currency outlook is fundamentally tied to movements in the EUR/USD exchange rate rather than domestic monetary policy. Our base case assumes the Federal Reserve maintains its policy rate through H2 2026 as the U.S. labour market remains resilient and inflation continues to justify a cautious stance. Meanwhile, markets increasingly expect the European Central Bank (ECB) to deliver a further 25 basis point rate increase following its June 2026 hike, taking the deposit facility rate to 2.50% from 2.25%. This narrowing in monetary policy expectations, combined with an anticipated easing of geopolitical tensions between the U.S. and Iran, should reduce safe-haven demand for the U.S. dollar and provide further support for the euro. Consequently, we expect the euro to strengthen toward $1.15-1.18, implying an appreciation of the CFA franc against the U.S. dollar to approximately CFA 556-570 /$ from current levels, while the exchange rate remains fixed at CFA 655.957 per euro. This would improve Senegal's purchasing power for dollar-denominated imports and support external stability.

Regional inflation dynamics continue to support a prolonged policy pause

Unlike most African central banks, the BCEAO (Banque Centrale des États de l'Afrique de l'Ouest) formulates monetary policy for all eight WAEMU member states, implying policy decisions are driven by regional rather than country-specific inflation dynamics. Although Senegal continues to record one of the lowest inflation rates within the union, regional inflation rate remains broadly contained around the BCEAO's 2-3% objective, with price pressures largely reflecting supply-side factors rather than excess domestic demand. We therefore estimate that fewer than one-third of WAEMU economies currently exhibit inflation conditions consistent with further monetary tightening and assign an 80% probability that the BCEAO maintains its policy rate at 3.00% through H2 2026 and into 2027, compared with a 15% probability of a precautionary 25bp hike and only a 5% probability of policy easing.

For Senegal, maintaining the policy rate would support the government's ongoing fiscal consolidation and debt management strategy by containing sovereign borrowing costs across the regional securities market, while preserving favourable financing conditions for businesses and households. Conversely, a policy rate increase would raise yields on government securities, increase debt servicing and refinancing costs, and reduce fiscal space at a time when authorities are gradually rationalizing subsidies and restoring fiscal credibility. While an earlier-than-expected rate cut would lower financing costs further, it could also stimulate credit growth and

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domestic demand, increasing the risk that inflation drifts above the BCEAO's 2-3% target range. Given the current balance of inflation and fiscal risks, we believe an extended policy hold remains the most appropriate outcome for Senegal through 2027.

Deep rating pressure and a stalled IMF track keep senegal's fixed income markets reliant on regional financing

Senegal's fixed income markets remain under significant strain in 2026, following the 2024-25 discovery of previously unreported public liabilities that forced a wholesale restatement of the country's debt and deficit position. Total public debt, initially reported at under 75% of GDP, was revised by Senegal's Court of Auditors and confirmed by the IMF to approximately 132% of GDP at end-2024 (S&P's own estimate, which excludes roughly 9% of GDP in state-owned enterprise liabilities, puts the figure closer to 119% of GDP), placing Senegal among the most heavily indebted sovereigns in Africa. The 2026 Budget Law targets a further reduction in the fiscal deficit to 5.4% of GDP, but the IMF has flagged the revenue assumptions underpinning this consolidation, including new levies on gambling, mobile money transfers and land taxation, as ambitious and subject to material execution risk. Total public debt service is expected to absorb roughly a quarter of government revenue in 2026, 30% of GDP needing refinancing, and the imperative to find CFA 6,075 billion by 2026.

Economic conditions shaping senegal's fixed income market

Senegal's growth outlook is becoming increasingly tied to its oil and gas sector. The Sangomar offshore oil field, operated by Woodside Energy, produced 17.9 million barrels of crude in the first half of 2026, putting the government's revised full-year production target of 31.6 million barrels (up from an initial forecast of 28.1 million barrels) within reach. Although the oil and gas sector currently accounts for only about 1% of government revenue, rising production is expected to increase its importance as a driver of economic growth and external earnings. At the same time, the Greater Tortue Ahmeyim (GTA) gas project has begun regular LNG exports. Despite these developments, the IMF has lowered its 2026 real GDP growth forecast to 2.2% from the 3.0% projected in October 2025. It also expects the current account deficit to widen to about 6.2% of GDP from its earlier estimate of 5.4%, as higher import costs and debt-service payments offset part of the gains from hydrocarbon exports. Private-sector forecasts are more optimistic, with S&P projecting growth of around 4.4% and Allianz Trade expecting about 5.8%, mainly because they assume a faster increase in oil and gas production. Even so, most forecasts agree that growth outside the hydrocarbon sector remains relatively weak, while high debt-service costs continue to limit the government's spending capacity.

Sovereign credit rate deterioration

These economic conditions have shaped Senegal's fixed income market. Since late 2024, the country's credit ratings have been downgraded several times. Moody's lowered Senegal's rating from Ba3 to Caa1 within a year, while S&P cut both its foreign- and local-currency ratings to CCC+/C and maintained a negative outlook. Fitch also lowered its assessment of Senegal's banking operating environment, reflecting weaker sovereign credit quality. The downgrades were driven by the country's higher debt burden and the continued absence of a new IMF financing programme. Although an IMF mission visited Dakar in June 2026 and acknowledged progress on fiscal reforms, no financing agreement has been approved, leaving Senegal dependent on bilateral financing and the regional debt market.

Regional debt becomes main source of funding

With access to international capital markets still limited, the government has relied heavily on the WAEMU regional securities market. Senegal raised more than CFA 4 trillion (around US$7 billion) through the UMOA-Titres market in 2025, and borrowing has remained strong in 2026. In June, the government listed CFA 627.9 billion of sovereign bonds on the BRVM, the largest single sovereign bond issue ever placed on the regional exchange. However, the increase in borrowing has pushed domestic yields higher. At an April 2026 auction, 364-day Treasury bills cleared at 6.81%, while 3-year and 5-year bonds were issued at 7.98% and 7.76%, compared with roughly 6.4%–6.95% in late 2025.

Eurobond market remains under pressure

International investors remain more cautious. Senegal's Eurobonds continue to trade at distressed levels, with the 6.75% 2048 bond trading at around 57 cents on the dollar in March 2026, implying a yield of about 12.6%. The 2031 and 2033 Eurobonds have also remained well below par following the hidden-debt revelations in 2024. Prices recovered modestly after the government successfully met about US$485 million of external debt obligations in March 2026, using funds raised in the regional market, but investor confidence remains fragile.

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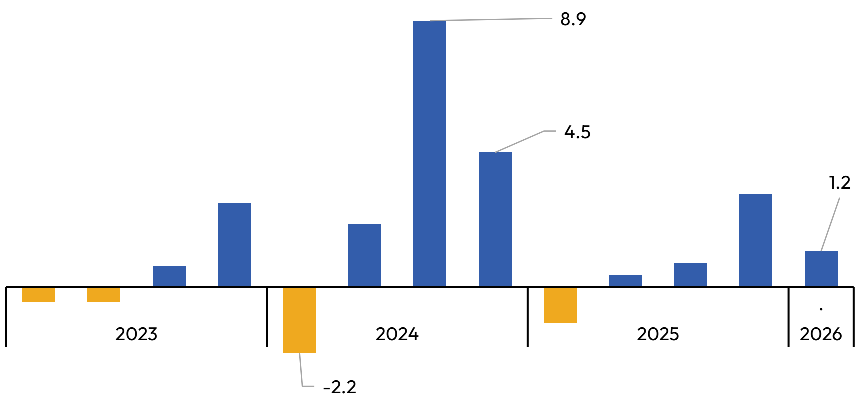
The next phase for Senegal's fixed income markets

Looking ahead, the outlook depends largely on fiscal discipline and IMF support. Under the base case, continued fiscal consolidation, steady oil and gas production, and the approval of a new IMF programme would allow Senegal to continue servicing its debt, reducing sovereign risk premiums and gradually lowering Eurobond yields. In a downside scenario, delays in securing IMF financing, weaker-than-expected government revenues, or another rise in global energy prices could increase financing pressures beyond what the regional market can absorb, raising the risk of debt restructuring.

Senegal's GDP growth remains among the strongest in Africa, but the gains are still narrowly concentrated

Senegal's economy has strengthened significantly over the past two years, with real GDP growth accelerating from 4.3% in 2023 to around 7% in 2024 and remaining close to that level in 2025, placing the country among the fastest-growing economies in West Africa. Nominal GDP has also increased from approximately US$27.9 billion in 2022 to about US$34–35 billion in 2025, although part of this increase reflects the 2025 GDP rebasing, which raised the estimated size of the economy by about 13.5% rather than entirely new economic activity.

Senegal's economic journey through GDP growth



Source: Trading economics, Zedcrest Research

The recent growth has been driven primarily by the industrial sector, particularly the start of production at the Sangomar oil field and the gradual ramp-up of the Greater Tortue Ahmeyim (GTA) LNG project. Services remain the largest contributor to economic output, while agriculture rebounded after weaker performance in previous years. Opportunities for further growth remain concentrated in hydrocarbons, refinery expansion, transport and digital infrastructure. However, fiscal consolidation has limited broad-based public capital expenditure, with government investment remaining selective despite ongoing energy-related projects. Compared with regional peers, Senegal continues to outperform, with growth exceeding the WAEMU average and remaining well above the Sub-Saharan African average. However, this strong growth has not been matched by an equally strong fiscal position, as the country continues to face elevated debt levels and tighter public finances.

External balances and revenue collection are improving, but structural challenges remain

Labour market conditions remain a constraint to more inclusive growth. Labour force participation remains below the global average, while the hydrocarbon sector driving recent GDP growth is capital-intensive and creates relatively few direct jobs. Sustained growth will therefore depend on stronger employment creation across services, manufacturing and agriculture rather than the extractive sector alone.

Senegal's external position has improved considerably as oil exports have increased and fuel imports have declined, narrowing the current account deficit and strengthening foreign exchange reserves. These improvements are expected to continue as hydrocarbon production expands. Government revenue has also strengthened, with tax collections rising on the back of higher corporate tax payments from extractive companies. Nevertheless, improvements in tax

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administration remain uneven, with customs administration and non-oil tax mobilisation still requiring further reforms to broaden the revenue base.

Strong growth, but Is debt sustainability at risk ?

Senegal is expected to maintain one of the strongest growth rates in Africa over the next six months and in the medium term, supported by rising oil production, continued LNG exports, low inflation and improving external accounts. Growth is expected to remain above most regional peers, although the pace will depend on the successful expansion of hydrocarbon production and the government's ability to maintain fiscal discipline.

From an investment perspective, strong GDP growth supports Senegal's medium-term economic outlook, but it does not fully offset concerns around public debt and fiscal sustainability. Delays in securing a new IMF programme, elevated debt levels, oil price volatility and weather-related risks remain key downside factors. For debt investors, the outlook will depend less on headline GDP growth and more on whether stronger hydrocarbon revenues translate into sustained fiscal consolidation, broader economic diversification and continued improvements in public finances.

Debt service consumes 88.9% of government revenue

Public debt remains elevated at around 118% of GDP, despite the lower ratio following the rebasing exercise, and remains among the highest in West Africa, exceeding Nigeria (52.9%), Ghana (48.8%), Côte d'Ivoire (56.3%) and Guinea-Bissau (80.5%). The hidden public liabilities uncovered after the change in government, estimated at CFA 7,475bn ($13bn), continue to weigh heavily on public finances. The lower debt ratio therefore reflects a larger economic base rather than a meaningful reduction in the underlying debt burden. More recently, the government has continued to mobilise financing, with loan agreements signed between March and July 2026 amounting to EUR 399.045mn, equivalent to CFA 261.8bn, alongside a CFA 50bn ($0.09bn) BOAD facility, bringing the total value of newly signed financing commitments to approximately CFA 311.8bn ($0.55bn). These include financing for gas infrastructure, land administration, healthcare, agricultural value chains, food security and the rehabilitation of the Hann Bay marine outfall. The latest official dashboard published by the Ministry of Finance confirms continued reliance on external and regional financing.

The FY26 budget illustrates the scale of the adjustment required to stabilise public debt. Government expenditure of CFA 7,433.9bn ($13.08bn) exceeds projected revenue of CFA 6,188.8bn ($10.89bn), creating a financing gap of CFA 1,245.1bn ($2.19bn), equivalent to 5.37% of projected GDP. Financing needs are estimated at CFA 6,075.2bn ($10.69bn), while tax revenue is projected at CFA 5,384.8bn ($9.47bn). The budget also targets public investment of CFA 2,384.6bn ($4.19bn), with nominal GDP projected at CFA 23,170bn ($40.76bn), and real GDP growth at 5%. Although the fiscal deficit is expected to narrow from 12% of GDP in 2024 to 5.37% in 2026, the adjustment remains sizeable and leaves limited fiscal space to absorb economic shocks without additional borrowing or reductions in growth-enhancing expenditure.

The government's debt strategy is increasingly dependent on domestic revenue mobilisation and regional financing. The 2026 budget projects a 23.2% tax-to-GDP ratio, up from 19.3% in 2025, supported by reforms under the economic recovery programme, while external grants remain relatively limited. The IMF had previously identified the revenue target as ambitious, meaning any material shortfall could weaken debt dynamics through additional borrowing or expenditure cuts. At the same time, the discovery of previously undisclosed liabilities of CFA 7,475bn, the suspension of the IMF's CFA 1,035bn ($1.8bn) programme and sovereign downgrades to CCC+ by S&P and Caa1 (Negative) by Moody's have tightened external financing conditions. Senegal has consequently continued to rely on the regional WAEMU market and other development partners. The government successfully raised CFA 304.15bn ($0.54bn) through its first 2026 public offering, above the initial CFA 200bn target, while the latest signed loan agreements add a further CFA 311.8bn in financing commitments.

Against this backdrop, Senegal's debt sustainability still hinges on sustained fiscal consolidation, stronger revenue mobilisation and disciplined borrowing. The hydrocarbon sector should strengthen growth, exports and government revenue over the medium term, while the government's stated objective is to gradually reduce the debt-to-GDP ratio toward 70%. However, the continued accumulation of financing commitments underscores the narrow margin for fiscal error. Default is not imminent, but the trajectory remains dependent on the successful implementation of tax reforms, restoration of investor confidence and ensuring that debt-financed investment generates sufficient economic returns to improve the country's repayment capacity.

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Debt crossroads and narrowing fiscal space

Senegal's fiscal position remains fragile despite the deficit narrowing from 13.4 percent of GDP in 2024 to 6.4 percent in 2025, according to the International Monetary Fund (IMF), largely through expenditure rationalisation. However, the government's consolidated debt bulletin, published in July 2026, placed public sector debt at 128.6 percent of GDP at end 2024, before incorporating the subsequent GDP rebasing. The 2026 budget projects financing requirements of CFA 6.08 trillion, including CFA 4.31 trillion in principal repayments, underscoring the scale of the refinancing burden. High debt service and borrowing costs continue to compress fiscal space, crowd out private sector credit and increase the banking system's exposure to sovereign risk. Although expanding oil and gas production should strengthen exports and public revenue over time, its near-term contribution remains insufficient to materially ease the debt burden.

Strategy on paper, risks in practice

The government is pursuing fiscal consolidation through stronger domestic revenue mobilisation, expenditure rationalisation, gradual subsidy reform, improved debt transparency and greater reliance on concessional financing. The 2026 budget targets a deficit of approximately 5.4 percent of GDP, supported by improved VAT compliance, electronic invoicing and new levies. However, these revenue assumptions remain ambitious given Senegal's large informal economy and weak non hydrocarbon tax base. The strategy is broadly appropriate, but its credibility will depend on disciplined execution, affordable financing and renewed IMF support to lower borrowing costs and mobilise additional concessional resources. Without these conditions, the consolidation framework risks remaining stronger in ambition than in implementation.

Political shifts have become central to fiscal risk

The political rift between President Bassirou Diomaye Faye and Ousmane Sonko, reinforced by the launch of Kiiraay on 25 July 2026, has become material to Senegal's fiscal outlook. The division could complicate parliamentary support for tax measures, subsidy reforms and spending controls, weakening policy coordination and increasing the sovereign risk premium. Fiscal credibility will therefore depend not only on Senegal's willingness to meet its obligations, but also on its ability to establish a politically supported, affordable and fully financed path through the debt cycle.

Recent developments provide relief, but also create risks

World Bank financing agreements worth CFA 220.7 billion, signed on 5 August 2026, should support agricultural connectivity, emergency preparedness and development in Casamance and eastern Senegal. However, their fiscal value will depend on effective execution and whether the resulting economic gains exceed future debt service and maintenance costs. Senegal's assumption of the ECOWAS chairmanship on 19 July and the Dakar Youth Olympic Games beginning on 31 October could support regional trade, tourism, employment and foreign exchange earnings, although related diplomatic, infrastructure and security costs must remain controlled. Meanwhile, the diphtheria alert reported on 12 August represents a limited near-term spending risk that could require additional health expenditure if transmission widens.

The road ahead

Senegal's fiscal path is defined by three possible trajectories:

- **Stability with strain:** Continued access to regional markets supports gradual deficit reduction, but elevated debt service continues to squeeze investment and social spending.
- **Reform breakthrough:** Political alignment, a new IMF programme, stronger revenue mobilisation and increased concessional financing reduce refinancing costs, extend maturities and strengthen fiscal credibility.
- **Crisis pressure:** Persistent political division, delayed IMF support and revenue underperformance force deeper expenditure cuts or lead to arrears, with debt reprofiling or restructuring becoming more likely if refinancing conditions deteriorate.

The country's fiscal direction is broadly appropriate, focusing on revenue mobilisation, expenditure rationalisation, debt transparency and stronger governance. However, its credibility depends on effective implementation and political consensus. Without these, Senegal's ability to navigate the debt maturity cycle will remain uncertain, even as reform ambition, hydrocarbon production and economic resilience continue to support the long-term investment case.

Rising participation amid persistent labour market weakness

Senegal's labour market remains structurally weak despite ongoing reforms and economic diversification. In Q1 2026, the labour-force participation rate stood at 56.5%, up from 56.0% in

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the same quarter of the previous year, meaning only about 57 out of every 100 working-age persons (15 years and above) are either employed or actively seeking work, while 43.5% remains outside the labour force. Broad unemployment increased to 22.9%, up from 21.7% in Q1 2025, and down from 23.9% in Q4 2025. The labour market is also heavily informal, with the sector accounting for more than 90% of total employment. Currently, The Labour Force Participation Rate (LFPR) stands at 56.5% which indicates that for every 100 working-age Senegalese, approximately 56.5 are actively employed or looking for work.

Labour market challenges are more pronounced among young people, rural communities and women. Youth unemployment sits at 28.4%, compared with 16.8% among adults, while over one-third of individuals aged 15–24 years are not in employment, education or training (NEET). Rural unemployment remains elevated at 32.0%, almost twice the 17.4% recorded in urban areas, while women continue to experience lower participation and higher unemployment compared with men. The International Labour Organisation (ILO) unemployment rate is much lower at 5.1%, capturing only those without work who are actively searching and available for employment. The wider unemployment rate of 22.9% by the Agence Nationale de la Statistique et de la Démographie (ANSD) provides a more accurate picture of Senegal's labour market challenges by accounting for discouraged workers, underemployment and widespread informal employment.

Harvesting growth as Senegal bets billions on youth

The government's 2026 employment strategy is increasingly linked to Sénégal 2050, with emphasis on youth entrepreneurship, vocational training, agriculture, agro-processing, industrialisation and human-capital development. The Seed Fund under the Vocational Training and Integration Project (PFPI) is supported by CFA1.8 billion (approximately $3.1 million) and targets young people aged 18–35. The broader PFPI objective is to facilitate access to decent employment for more than 100,000 young people by 2027, with women expected to account for 70% of beneficiaries.

The most measurable employment investment currently being implemented is the Agropole-Sud agro-industrial transformation project. The Government of Senegal, supported by the African Development Bank and the Islamic Development Bank, inaugurated the 15-hectare Kolda Agro-Industrial Park in April 2026. The AfDB's financing for the Kolda and Adéane agro-industrial parks totals approximately CFA 28.3 billion ($50.5 million). The project is expected to generate up to 15,000 direct jobs and 35,000 indirect jobs, or approximately 50,000 employment opportunities, mainly across maize, mango and cashew value chains. With current cashew processing at 3%, the government aims at improving this capacity to 30% as this will boost both export earnings and job creation in areas such as agricultural supply chains and associated logistics operations.

Human-capital investment is also being strengthened with the 2026 budget allocating approximately CFA 990.75 billion ($1.73 billion) to education, supporting curriculum reform, improved school participation and the longer-term development of labour-market-relevant skills. The reform agenda targets a 90% school-enrolment rate under Sénégal 2050. While this expenditure will not materially reduce unemployment during H2 2026, it is expected to improve workforce quality and reduce skills mismatches over the medium term.

Capital intensive growth and fiscal pressure remain bottlenecks of job creation

Labour-market conditions are likely to improve gradually but remain constrained by weak formal-sector absorption. Economic growth will support activity in construction, agriculture, services and energy-related supply chains; however, the employment impact may remain limited because hydrocarbon production is capital-intensive. In addition, Senegal's debt pressures have increased the need for expenditure rationalisation, and the government announced the closure of 19 public agencies, expected to generate approximately CFA 55 billion in savings over three years.

The unemployment rate is therefore likely to remain above 20% under the broad national measure through H2 2026, although agro-industrial and regional development projects could begin to generate employment in rural areas

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Bourse Régionale des Valeurs Mobilières (BRVM) rally gathers pace as monetary easing and retail inflows lift Senegalese equities

The BRVM Composite Index has gained 43.52% year-to-date (YTD) as of 13 August 2026, supported by the Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) accommodative monetary policy, robust regional economic growth, and a surge in retail investor participation that has boosted market liquidity. The March 2026 reduction in the BCEAO's policy rate to 3.00% lowered funding costs across the WAEMU region, encouraging capital flows into equities and underpinning broad-based gains across the exchange.

Within the Senegalese market, performance has also been strong year-to-date, with TotalEnergies Marketing Sénégal (TTLS) up 44.00% YTD, Bank of Africa Sénégal (BOAS) up 46.80% YTD, and Sonatel (SNTS) up 22.50% YTD. Sonatel remains the dominant listed company and the flagship stock on the BRVM. With a market capitalization of approximately CFA 3.2 trillion (US$5.6 billion), it accounts for roughly 17% of the BRVM's total market capitalization of CFA 19.14 trillion (approximately US$33.67 billion).

Sonatel (SNTS) delivered another resilient quarter, with H1 2026 revenue increasing 9.3% year-on-year to CFA 1,049.8 billion (US$1.85 billion), driven primarily by continued growth in mobile data, Orange Money, and fixed broadband services. Net profit rose 10.5% YoY to CFA 230.0 billion (US$404.57 million), reflecting sustained earnings quality despite a more challenging operating environment. However, profitability faced some pressure from a swing in foreign exchange performance, with the Group recording a CFA 656 million FX loss in H1 2026 compared with a CFA 3.0 billion gain in the prior-year period, alongside higher depreciation and restructuring costs.

TotalEnergies Marketing Sénégal (TTLS) reported mixed first-quarter results. Revenue declined 10.0% YoY to CFA 99.9 billion (US$173.7 million) following the Senegalese government's reduction in regulated pump prices in December 2025. The decline was therefore largely regulatory rather than demand-driven, as lower fuel prices mechanically reduced reported sales despite relatively stable distribution volumes. Nevertheless, the company demonstrated improved operating efficiency, with operating profit rising 28.0% YoY to CFA 2.62 billion (US$4.6 million) and net profit increasing 5.0% YoY to CFA 1.59 billion (US$2.8 million), supported by stronger margins, particularly within its higher-margin lubricants business.

Bank of Africa Sénégal (BOAS) also posted a solid set of results. Q1 2026 net profit increased 9.7% YoY to CFA 5.7 billion (US$9.9 million), supported by higher interest income as loan growth remained robust. Customer deposits expanded faster than the loan portfolio, strengthening the bank's funding profile and reducing reliance on more expensive wholesale financing. Total assets increased to CFA 805 billion (US$1.4 billion) from CFA 748 billion (US$1.3 billion) a year earlier, reflecting continued balance sheet expansion.

Across the broader BRVM, companies within the financial sector have been the strongest-performers in the market. Banking stocks have benefited significantly from lower funding costs and improved credit growth following the BCEAO's monetary easing. Ecobank Transnational Togo (ETIT) has returned 195.70% YTD, Coris Bank International (CBIBF) has risen by 166.20% , while Safca/Alios Finance CI (SAFC) has gained 135.30%, and several Bank of Africa subsidiaries across Senegal, Niger and Burkina Faso have recorded gains ranging from 46% to 95%. The utilities sector has also performed, led by Compagnie Ivoirienne d'Électricité (CIEC), whose 130.90% YTD return has been supported by strong earnings and a 100% dividend payout ratio. Meanwhile, the consumer goods sector has delivered more fundamentally driven gains, with Unilever Côte d'Ivoire (UNLC) (+69.50 %) and Nestlé Côte d'Ivoire (NTLC) (+63.90%) benefiting from resilient consumer demand and improving corporate profitability.

Beyond company fundamentals, structural and macroeconomic developments continue to support investor sentiment. The exchange has benefited from the BCEAO's accommodative policy stance, stronger regional economic activity, and the successful migration to a T+2 settlement cycle in December 2025, improving market efficiency and aligning the BRVM more closely with international standards. Investor confidence was further reinforced by the highly successful Bridge Bank Group Côte d'Ivoire (BBGCI) initial public offering, which raised approximately US$118 million and was fully subscribed within 24 hours, highlighting the depth of demand for quality issuers across the region.

For Senegal specifically, higher albeit volatile global oil prices have provided a supportive backdrop for downstream petroleum marketers. Brent crude, which has traded within a range of US$61–118 per barrel over the past year and currently stands around US$88 per barrel, has

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supported industry margins despite regulated domestic pricing. This dynamic has been reflected in the resilient profitability reported by TotalEnergies Marketing Sénégal.

Nevertheless, several risks remain. Trading activity on the BRVM continues to be constrained by relatively thin market liquidity and a high concentration of market capitalization within a handful of large-cap companies, particularly Sonatel. In Senegal, domestic political tensions and uncertainty surrounding discussions with the IMF could weigh on investor confidence should they delay fiscal reforms or weaken macroeconomic policy credibility.

Overall, we expect the BRVM to continue the upward performance. The combination of supportive monetary conditions, continued regional integration, improving corporate earnings, and growing domestic investor participation should continue to underpin market performance over the medium term. We expect companies with strong balance sheets, resilient earnings growth, and attractive dividend profiles to remain the principal beneficiaries of these favourable market conditions. Within Senegal, TotalEnergies Marketing Sénégal appears well positioned to benefit from the current oil price environment and improving operating margins, while Sonatel's strong regional footprint, resilient earnings, and growing digital services portfolio reinforce its position as a leading defensive blue-chip, with sustained investment in data, Orange Money and broadband supporting long-term growth.

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