



Casa África – Business Opportunities tab

Republic of Benin

The country's economic structure has remained more or less stable over the last two decades, with the predominance of the tertiary sector accounting for approximately half of GDP, followed by the primary sector and finally a poorly developed secondary sector. Before the pandemic, the economic outlook for Benin was positive. Compared to initial forecasts prior to the outbreak, GDP is expected to fall by between 3.4% and 5.5%. The pandemic is expected to lead to a decline in cotton exports and a reduction in foreign direct investment, particularly from China. There will also be difficulties in accessing international financial markets due to the general reluctance of investors. Travel and tourism, which account for 6% and 5% of jobs in Benin, will fall. The budget deficit in 2020 is expected to widen to about 3%, due to a fall in revenue and an increase in expenditure. The current account deficit is also expected to increase by about 2% following the fall in cotton exports. Inflation will remain limited, between 1.1% and 1.4%, in line with the fall in domestic demand due to lower revenues. By 2021, economic growth is expected to recover along with a recovery in the global economy.

Benin's foreign sector is characterized by maintaining a current account deficit and by the importance of re-export trade. India and China are its main international partners, and their most exported products are cotton, fruits and nuts; imports are mainly of cereals, trade and oil products. The country is highly exposed to the changes in trade and monetary policies of Nigeria, its main trading partner and recipient of approximately 50% of its exports.

The current inadequacy of infrastructure in the country is an obstacle to growth, as it reduces economic profitability. In addition, there is low productivity and informal labour is very much latent, which causes structural imbalances and creates a distortion between actual and potential growth. Agricultural productivity is low, and the industrial structure is based on agribusiness, manufacturing, construction and public works. On the other hand, the education and health sectors are quite weak, which is reflected in social welfare. In addition, population growth and underemployment are very high. In this regard, it is worth noting the implementation in agriculture of the Strategic Plan for the Development of the Agricultural Sector in 2017, whose objectives include improving agricultural productivity, developing value chains in different products, strengthening the resilience of farms and establishing financing mechanisms and agricultural insurance that can be adapted to each circumstance. On the other hand, the capacity to generate electricity has increased considerably in recent years, but the country still maintains a high dependence on Nigeria and Ghana for its supply. The proposed Electricity Emergency Plan aims to support an energy strategy for the country, so that by 2035 the power generation capacity will be approximately four times higher than it is today.

AEO: <https://www.afdb.org/en/documents/african-economic-outlook-2020>

AEO (Suplemento COVID-19): <https://www.afdb.org/en/documents/african-economic-outlook-2020-supplement>

MAEC: http://www.exteriores.gob.es/Documents/FichasPais/benin_FICHA%20PAIS.pdf

ANNEX: Economic tables

Table 1: Macroeconomic indicators

	2017	2018	2019	2020 (p)
Real GDP growth	5,7	6,7	6,7	6,7
Real per capita GDP growth	2,8	3,8	3,7	3,9
Inflation	1,8	0,9	-0,1	1,2
Budget balance (% GDP)	-4,2	-3,0	-2,5	-2,1
Current account (% GDP)	-7,4	-6,0	-5,5	-5,2

Source: African Development Bank, (p) predictions before the COVID-19