



GABON RESEARCH NOTE

Unsettling credit signals from recent meeting with Chinese delegation

*The chairman of the Chinese People's Political Consultative Committee (CPPCC) has just concluded a three day visit to Libreville¹ that provided **unsettling insights into Gabon's credit situation.***

1) Mr. Yu Zhengsheng had an audience with president Aly Bongo Ondimba and then held **working meetings with prime minister Daniel Ona Onda**, Senate president Lucie Milebou and National Assembly speaker Auguste Onouviet².

At each of these sessions, the fraternal ties binding the two countries were celebrated amid pledges to deepen their bilateral cooperation³, particularly in the fields of agriculture, forestry, infrastructure and energy. Standard diplomatic fare.

2) However, the **Prime minister** clearly had more concrete issues on his mind, as he specifically **requested that China "reschedule Gabon's bilateral debt"**, to provide the country with some breathing room in the face of the oil-price collapse.

3) Although Mr. Onda did not identify the maturities or amounts in question, the **roster of credits originated during 2015 alone provides a sense of the potential order of magnitude** involved. According to the National debt office, there were four such loans⁴:

- €85,423,894 - project design and construction of the Port-Gentil stadium⁵ [ICBC];
- €72,595,032 - project design and construction of the Oyem stadium⁵ [ICBC];
- €87,160,319 - construction of trunk road between Port-Gentil and Mbega [EximBank];
- €100,788,100 – construction and equipment of three professional centres [EximBank].

4) The Gabonese request⁶ is consistent with the mounting evidence of fiscal distress and external imbalance among the oil-dependent countries comprising central Africa's CEMAC zone⁷.

- Meeting in an emergency session **last week, the BEAC⁸ slashed the reserve requirement for banks in the Zone by 50%.**
- Two days later the institution announced that it was **providing the Zone's banks with a total of approximately USD1 billion⁹** to encourage additional lending.

¹ Mr. Zhengsheng is currently in Abidjan on the second leg of a 10-day mission to west and central Africa, billed as a follow-up to last December's Forum on China-Africa Cooperation (FOCAC) Summit held in S. Africa.

² Appointed on April 5th, following the dramatic resignation of Guy Nzouba Ndama who had occupied the position since 1996.

³ It is worth noting that China is the top market for Gabon's oil, and the country's third largest source of imports.

⁴ The first two mature in 10 years (with 11/2 years grace); the latter two in 15 years (with grace periods of 3 and 5 years, respectively).

⁵ Driven by Gabon's decision to host the 2017 African Cup of Nations, and accounting for 15% of total capital spending for 2016, the two projects are explicitly criticized in the IMF's latest Article IV Report, as "*crowding out much-needed productive public investment.*"

⁶ It is unlikely that the Chinese parliamentarian had travelled with a brief covering such matters, which would explain why he appears to have avoided giving a direct response and the fact that Chinese media organizations, such as the Xinhua agency, have completely airbrushed the subject from their accounts of the visit.

⁷ I.e. Gabon, Cameroon, the Central African Republic (CAR), Chad, the Republic of the Congo and Equatorial Guinea.

⁸ I.e. the Banque des Etats de l'Afrique centrale, Zone's monetary authority. ⁹ I.e. FCFA 550 billion.

- At last week-end's meeting of ministers representing the countries that use the CFA franc, it was noted that a number of the **governments were now experiencing difficulties paying salaries, having run down their reserves**¹⁰.

Given how close the Gabonese economy is to stall speed¹¹, **the situation clearly warrants monitoring.**

Selected economic indicators¹²

Indicator	2014 Estimate	2015 Prel. est	2016 Projected	2017 Forecast
Prices (percent)				
Inflation (average)	0.5	4.5	2.5	2.5
Inflation (year-end)	3.3	0.1	2.5	2.5
General Government Finances (% of GDP)				
Revenue	27.7	21.4	19.3	19.7
Expenditure	24.8	23.7	25.1	24.6
Fiscal Balance	2.5	-2.3	-5.8	-4.8
Public Debt	32.2	43.0	50.1	49.9
General Government Finances (% of non-oil GDP)				
Revenue and grant	42.1	31.2	25.0	25.3
Oil	18.5	12.2	5.6	5.8
Non-oil	23.6	19.0	19.4	19.5
Expenditure	38.0	34.6	32.5	31.5
Current	26.5	25.4	23.5	22.7
Capital	10.9	9.2	9.0	8.8
Net Lending	0.2	0.0	0.0	0.0
Non-oil primary balance (commitments)	-12.4	-13.5	-10.3	-8.9
Overall balance (commitments)	4.1	-3.4	-7.5	-6.2
Overall balance (cash)	-1.7	-9.0	-8.8	-6.2
Money and Credit				
Broad Money (percentage change)	1.6	-1.1	-0.5	0.8
Credit to the private sector ($\Delta\%$)	-3.1	-5.3	1.9	3.1
Balance of Payments				
Current account (percent of GDP)	8.3	-1.9	-9.0	-7.4
FDI (percent of GDP)	5.6	3.6	3.5	3.8
Reserves (months of imports)	4.7	4.6	4.2	4.0
External Debt (percent of GDP)	27.3	35.6	41.2	41.3

¹⁰ As reported in "La France se dit ouverte à « des propositions d'évolution » du franc CFA", posted by [Le Monde.fr](http://LeMonde.fr) on Apr. 4, 2016 .

¹¹ 2015 GDP growth is provisionally estimated at a paltry 1.52%, with M2 shrinking by 1.2% and credit to the sector by 3.5%. Meanwhile the budget recorded an overall shortfall of 9% (of non-oil GDP), with the current account swinging to a deficit of 1.9% from a surplus of 8.3% in 2014.

¹² Source: IMF; Rhombus calculations.

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