Senegal

Senegal: Current Path

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Chart 2: Population structure in Current Path, 1990-2043

Source: IFs 7.84 initialising from UNPD population prospects estimate and WDI population data
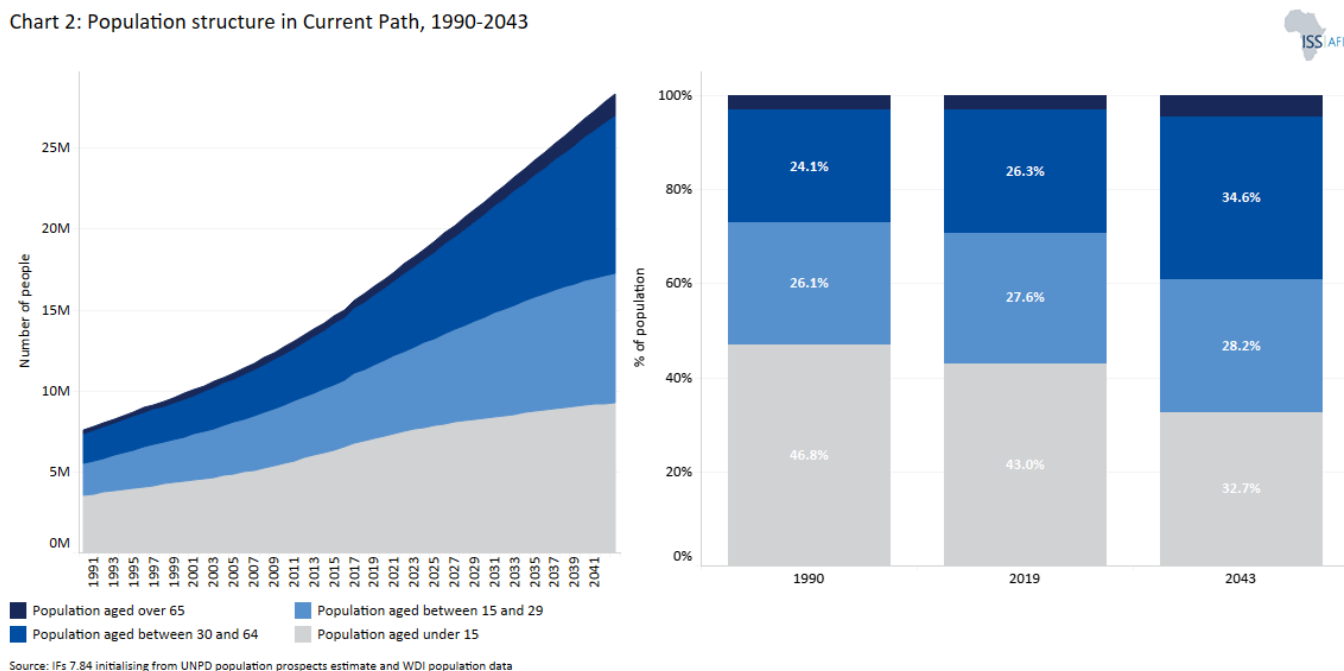
Chart 2 presents the age structure of population to 2043 in the Current Path forecast.

The population of Senegal more than doubled from 7.5 million people in 1990 to 16.3 million in 2019. This makes Senegal the seventh most populous country in West Africa and the 23rd most populous in Africa. In 2019, Senegal's population growth rate of 2.7% was the eighth highest in West Africa and 17th highest population growth rate in Africa—a decline from 3% in 1990.

The total fertility rate declined from 6.5 births per woman in 1990 to 4.6 births per woman in 2019, which was slightly above the average (of 4.3 births) for lower-middle-income African countries. As a result of this high rate, the population is heavily weighted towards the youth, as are most African populations at low- and lower-middle-income status. In 2019, 43.7% of the Senegalese population was below the age of 15 years, while 55% were in the age cohort 15–64 years (working age) and 3.1% were above the age of 65 years. Comparing this with the structure in 1990 reveals that Senegal's population structure has not fundamentally changed over the past three decades, likely the result of high fertility rates coupled with poor health outcomes.

The youth bulge (the ratio of its population aged between 15 and 29 to the total adult population) in Senegal stood at about 47.8% in 2019—a slight decline from 49% in 1990 and above the average of 46% for Africa and 47% for West Africa. The median age in Senegal in 2019 was 18.2 years—a rise from the median of 16.3 years recorded in 1990 and above West Africa's average of 18 years but below Africa's median age of 19.7 years. The working-age population group, which represents the largest share of the population coupled with the youthful population, can be a potential source of growth, provided the labour force is well trained and a sufficient number of jobs are created.

However, despite the impressive growth rate over the years, it has not translated into the needed number of jobs to absorb the growing labour force in the country. For instance, the demand for jobs is twice as large as the supply as the

rapidly growing youthful population continues to exert pressure on demand for jobs. Unemployment is high among women and youth, estimated to be about 22% and 16%, respectively. This is partly the result of a skills gap in the labour market due to training not matching the labour market requirements.

In the forecast horizon, the structure of Senegal's population will see modest changes. Senegal's population growth rate is expected to fall to 1.8% by 2043, with the total population projected to increase to 28.2 million by 2043 on the Current Path. By then, the median age is expected to rise to almost 24 years, and the youth bulge will fall to 42%. The proportion of people under the age of 15 will decline to 32.7%, while the share of the working population and the population aged 65 and older will increase to 62.8% and 4.5%, respectively, by 2043. Such rapid population growth hinders development and condemns Senegal to very modest improvements in average incomes given the demands on the fiscus to cater for its rapidly expanding population.

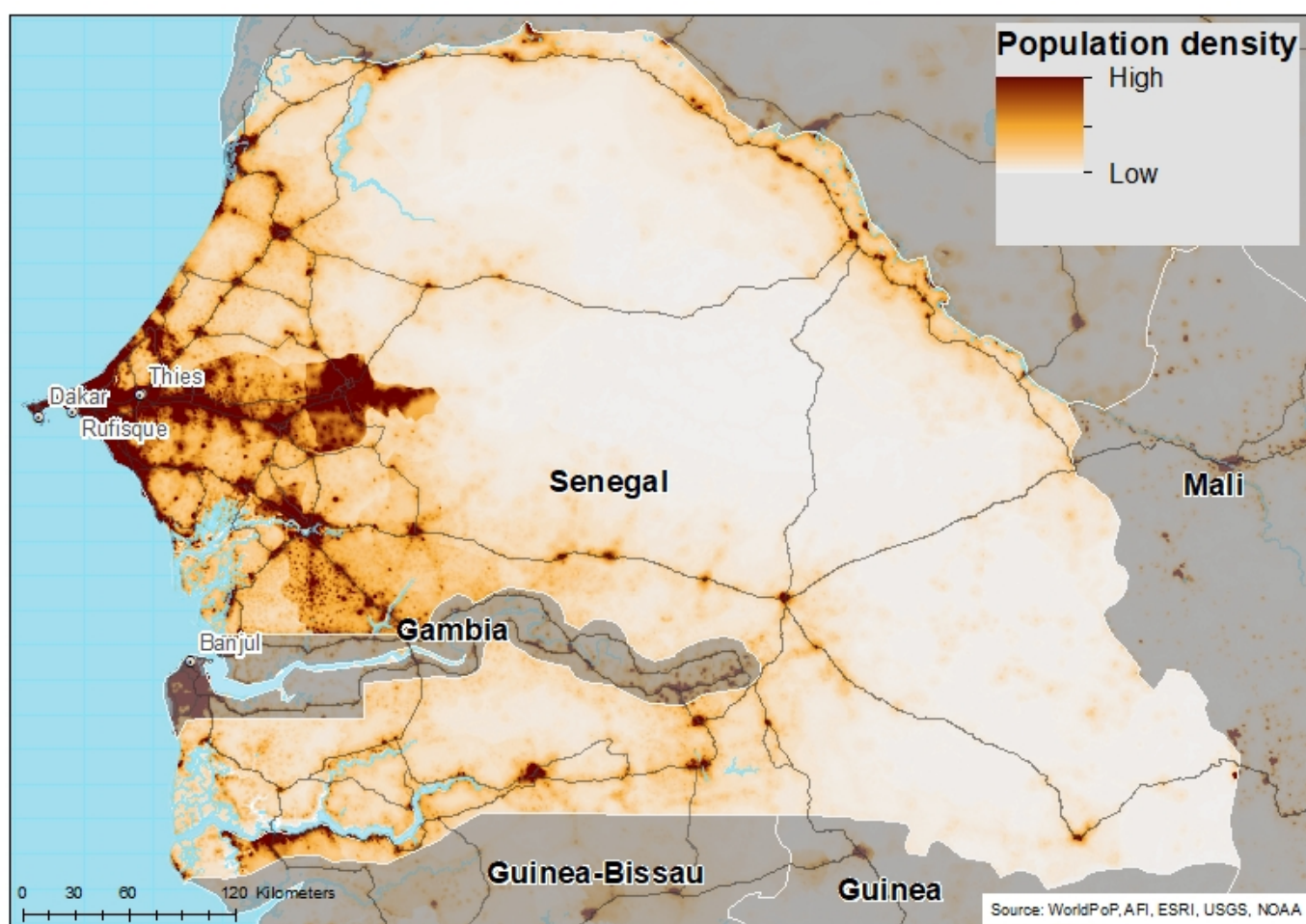**Chart 3: Population distribution map, 2022**

Chart 3 presents a population density map.

Senegal is relatively dry and its shoreline runs along the Atlantic Ocean at the Sahel's westernmost point. Senegal was the eighth most densely populated country in West Africa and the nineteenth most densely populated country in Africa in 2019. Its estimated population density of 0.83 people per hectare in 2019 was higher than the average in Africa at 0.44 people per hectare. The Atlantic port city of Dakar has a small total land area of 83 km^2 with a very high population of over 1 million people, accounting for over 25% of the total population in Senegal. Indeed, Dakar is the only city with a population over a million, followed by Touba with a population of about 800 000. Other densely populated cities include Pikine and Thies. Other regions are sparsely populated with most cities having populations of less than 300 000. For

instance, the Tambacounda region only has a population density of eleven inhabitants per square kilometre. Other sparsely populated areas also include Matam, Kedougou, Pout, Sali and Sebikotane. By 2043, Senegal's population density is forecast to reach 1.5 people per hectare, which is almost on par with the average for West Africa.

Chart 4: GDP in MER and growth in the Current Path forecast, 1990-2043
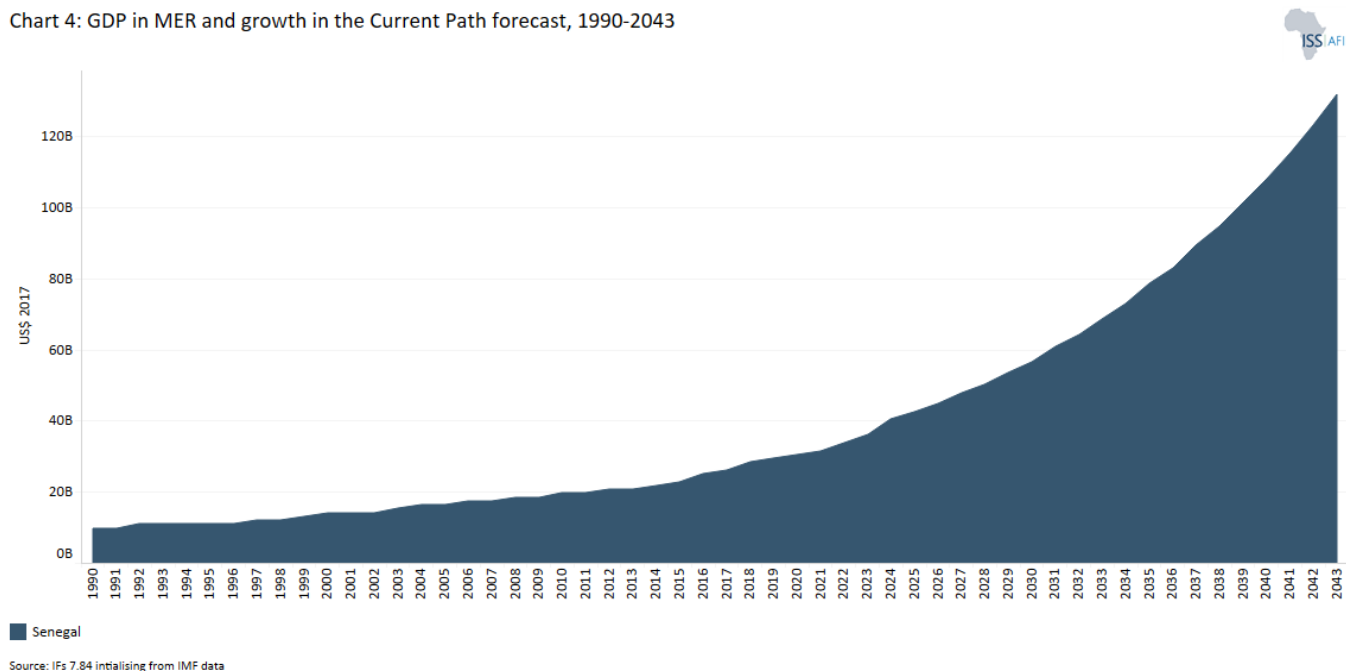

Source: IFs 7.84 intialising from IMF data

Chart 4 presents the size of Senegal's economy from 1990 and includes a forecast to 2043 including the associated growth rate.

The Senegalese economy has traditionally revolved around a single cash crop, namely peanuts. This makes the economy vulnerable to international commodity price fluctuations and external shocks. However, the government has worked to diversify both cash crops and subsistence agriculture by expanding into commodities such as cotton and sugar cane, and promoting non-agricultural sectors. Fishing, phosphates and tourism have successfully been turned into major sources of foreign exchange since the beginning of the 21st century.

In 2019, the Senegalese economy was the fourth largest in West Africa after Nigeria, Côte d'Ivoire and Ghana, as well as the thirteenth largest among the 23 lower-middle-income groups in Africa. Its GDP measured in market exchange rates (MER) almost tripled from US$9.2 billion in 1990 to US$29.4 billion in 2019. The average GDP growth rate within this period is estimated at 3.7% per annum, below the average of 3.9% for lower-middle-income countries in Africa. In recent years, the economy has witnessed strong economic growth. Between 2014 and 2018, the economy grew by more than 6% per year—a historic performance which was occasioned by the implementation of the Emerging Senegal Plan (PSE) started in 2014. This remarkable feat can be attributed to various structural reforms in the agriculture and industrial sectors from the PSE.

Like many economies, this strong economic growth prospect was truncated by the COVID-19 pandemic in 2020. The restrictive measures and protocols instituted to control the virus curtailed economic activities, resulting in the GDP shrinking by 1.3% in 2020 — the largest drop in a decade. However, the economy recovered quickly growing at 6.5% in 2021 but dipped to 4.2% in 2022. The slump in 2022 was due to Russia's invasion of Ukraine, which compounded the economy's wounds inflicted by the COVID-19 pandemic, especially on commodity prices. This led to unfavourable terms of trade, rising inflation, fiscal deficits and debt stock. Annual inflation reached a multi-decade high of 14.1% in 2022, mainly driven by high food inflation, which accounts for nearly half of the consumer price index basket and rose by 15% in 2022.

Huge public spending, particularly on fuel and electricity subsidies, coupled with the 20% raise in public sector wages has led to a large fiscal deficit and public debt largely financed by external borrowing. From 2010 to 2019, the country's debt-to-GDP ratio increased from 28.5% to 63.9%, and rose to 69.1% in 2020 due to COVID-19 expenditure. At the end of 2022, total public debt is estimated at about 75.2% of GDP of which external debt constituted about 58.2% above the 70% debt sustainability threshold for emerging economies.

The main structural challenges facing the country include climatic hazards (droughts, floods, sea level rise and coastal erosion), fluctuation in commodity prices, high trade and current account deficit, large fiscal deficit and associated rising debt. Low productivity and high informal sector activities hinder structural transformation of the Senegalese economy. Increased political instability and insecurity in the West African region also threaten the long-term peace, stability and development of Senegal.

The government now faces the hard job of mitigating the socio-economic impact of the COVID-19 pandemic, promoting sustainable and inclusive growth and translating such gains into poverty and inequality reductions while addressing its long-term development needs and ensuring debt sustainability. With the easing of COVID-19 restrictions, and with donor support, the economy is expected to bounce back as Senegal still has strong growth potential. The country faces an optimistic future with economic growth projected to rebound to 5.3% this year to make it one of the fastest growing economies in sub-Saharan Africa. This strong economic growth will be boosted by its emerging oil and gas exploration, which was delayed due to the COVID-19 pandemic. Indeed, economic growth is forecast to accelerate to 10.6% in 2024 and to 7.4% in 2025, mainly as a result of the production of oil and gas in these years. However, this will be short lived.

Also, as part of fiscal consolidation measures, the government has also adopted a roadmap to phase energy subsidies by 2025 and to move away from non-concessional financing to a more domestic regional market financing. In addition, the country signed a 36-month financing agreement with the International Monetary Fund (IMF) worth US$1.5 billion anchored on three main pillars: 1) fiscal consolidation and debt reduction, 2) improving public sector governance and anti-money laundering, and 3) promoting inclusive private sector led growth.

On the Current Path, Senegal's GDP is estimated to more than quadruple to US$132 billion by 2043. The increase in GDP reflects the higher rate of economic growth expected to occur within the next 24 years.

Chart 5: Size of the informal economy, as per cent of GDP and per cent of total labour, 2019-2043
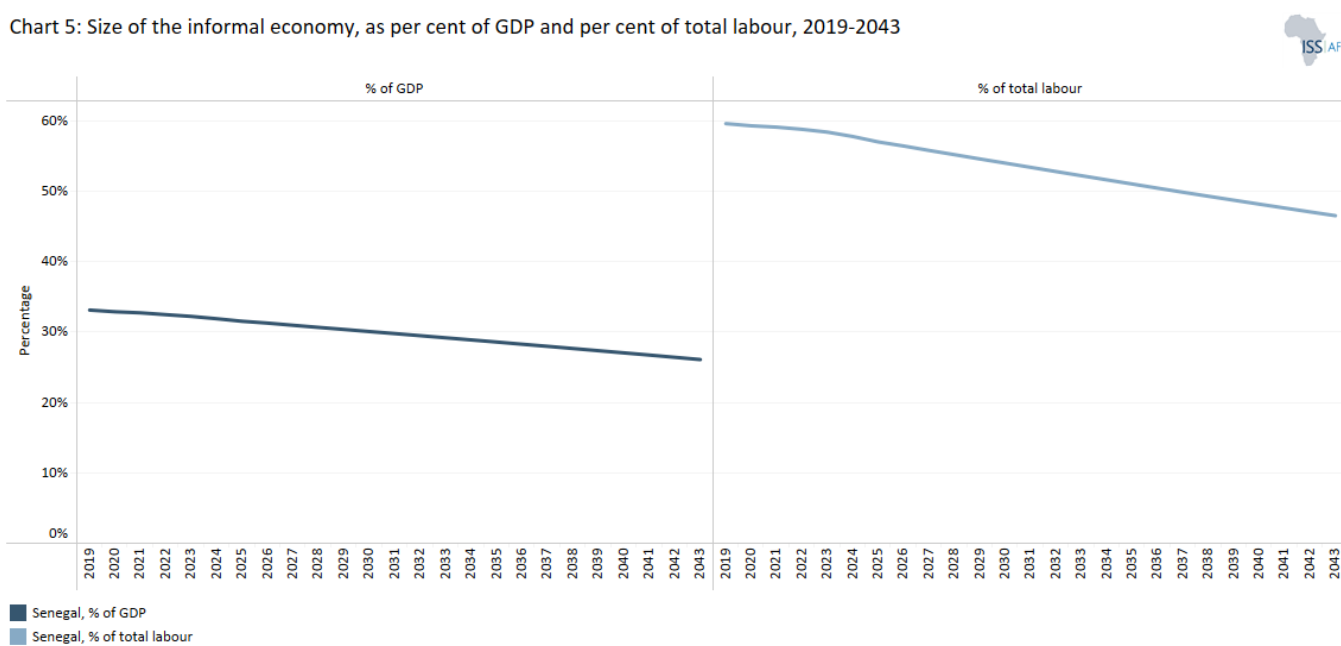
Source: IFs 7.84 initialising from Elgin and Oztunali (2008), and Schneider and Enste (2012) data

Chart 5 presents the size of the informal economy as a per cent of GDP and in absolute terms, as well as the per cent of total non-agriculture labour involved in the informal economy. Also see Chart 33 that presents the impact of the combined scenario on the informal sector.

Estimations and data on the informal sector are often unreliable and must be treated carefully. Researchers generally distinguish between the shadow and informal economy. According to the ILO: 'The informal economy refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements.' Where data is not available, IFs estimate the size. Note that the ILO definition of employment in the informal economy excludes the agricultural sector.

As is the case in most African countries, the informal sector is a lifeline for many people in Senegal. According to a 2020 ILO report, nine out of ten workers in Senegal are in informal employment and 97% of non-agricultural economic value chains operate in the informal economy. A more recent 2022 ILO report confirms this, indicating that 96% of the economically active population are in the informal sector. The informal economy consists mainly of daily wage workers. Many do not have a contract and do not benefit from any form of social protection nets.

The informal economy in Senegal is also dominated by women, especially in the capital city, Dakar. Some worker groups in the informal sector include domestic workers, market traders, home-based workers, street vendors, waste pickers and transport workers. In Dakar alone, these six groups constitute 77% of all employment in the city.

In 2019, however, IFs estimated the size of the informal sector in Senegal to be approximately 33% of GDP above the average of 29.5% for lower-middle-income countries in Africa. Among Africa's 23 lower-middle-income countries, Senegal has the ninth highest informal sector, suggesting that it has performed poorly in formalising its economy compared to the average of other African countries within its income group. The size of the informal sector is expected to decline slightly to 26.1% of GDP by 2043, constituting an almost seven percentage point decrease over the 24-year period. This projected reduction in the size of the informal economy augurs well for government revenue. Over the forecast horizon, Senegal will perform relatively poorly compared to its lower-middle-income peers although it eventually closes the gap. Senegal will have the tenth largest informal sector among lower-middle-income countries in Africa in 2043.

Though the informal economy provides a safety net for a large and growing working-age population in the country, it impedes economic growth. Reducing informality will allow more people to benefit from better wages and redistributive measures. Therefore, authorities need to take measures to reduce the size of the informal economy by reducing the hurdles to registering a business, tackling corruption and improving access to finance.

Chart 6: GDP per capita in Current Path forecast, 1990-2043
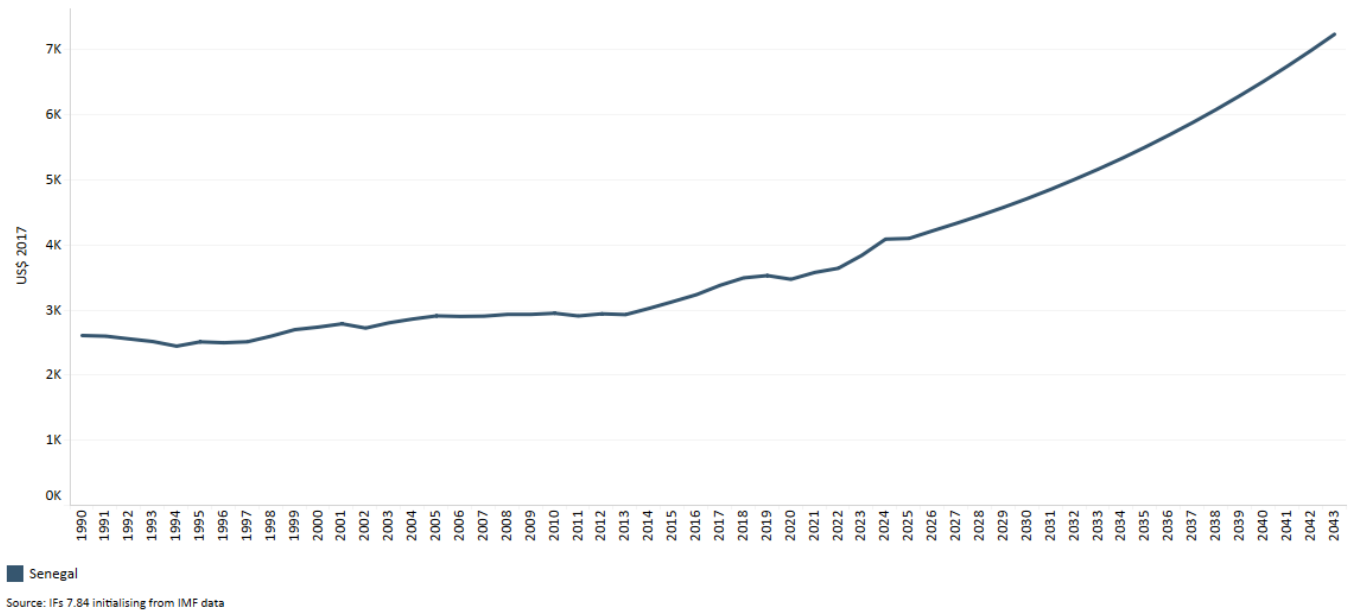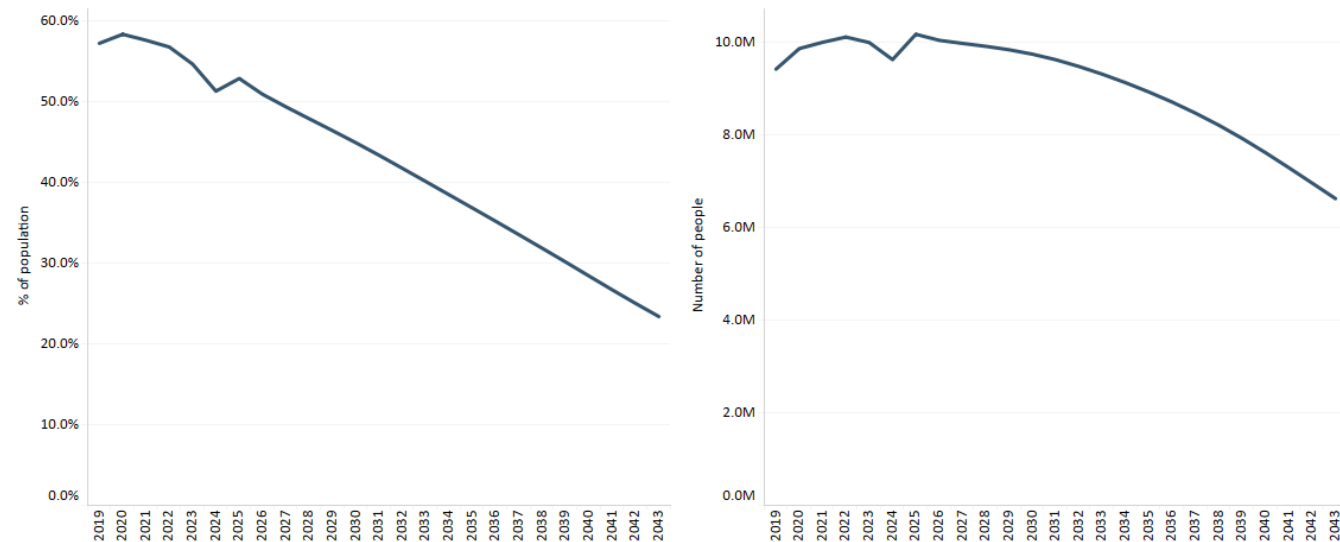

Source: IFs 7.84 initialising from IMF data

Chart 6 presents average GDP per capita from 1990 and includes the Current Path forecast to 2043.

Despite its limitations, GDP per capita is generally used to measure the standard of living and is the most widely used and accepted indicator to compare welfare among countries. Using the purchasing power parity (PPP) measure, for this analysis, Senegal's GDP per capita of US$3 546 in 2019 is the seventh lowest GDP per capita among the 23 lower-middle-income countries in Africa and 89% less than the group average of US$6 708 for lower-middle-income countries in Africa. This figure represents a 36% improvement from the US$2 609 it recorded in 1990. The improvement in GDP per capita within the period is mainly due to its economic growth rate averaged at 3.7% surpassing average population growth rate over the period.

On the Current Path, Senegal will witness tremendous improvement in its GDP per capita and gain ground on its income-group peers—a result of the high economic growth rates forecasted. By 2043, its GDP per capita is projected to more than double to US$7 239, placing it 12th highest among lower-middle-income African countries, five places above its 2019 ranking. At this rate, the country's GDP per capita will be only US$1 663 lower than the average of US$8 902 for its income-group peers in Africa. The higher GDP per capita expected to occur in the next 24 years is due to Senegal's high economic growth prospects.

Chart 7: Extreme poverty in Current Path as % of population and numbers, 2019-2043

Senegal

Source: IFs 7.84 initialising from UNPD population prospects estimate, WDI and PovcalNet data

Chart 7 presents the number of people living in extreme poverty, also expressed as a per cent of the population.

In 2015, the World Bank adopted US$1.90 per person per day (in 2011 prices using GNI), also used to measure progress towards achieving Sustainable Development Goal (SDG) 1 of eradicating extreme poverty. In 2022, the World Bank updated the US$1.90 to US$2.15 in 2017 constant dollars. They are:

- US$3.20 for lower-middle-income countries, now US$3.65 in 2017 values.

- US$5.50 for upper-middle-income countries, now US$6.85 in 2017 values.

- US$22.70 for high-income countries. The Bank has not yet announced the new poverty line in 2017 US$ prices for high-income countries.

This page still uses US$1.90 and US$3.20.

Senegal ranked 170th out of 191 countries on the Human Development Index in 2022, below the sub-Saharan average. As a lower-middle-income country, Senegal uses the US$3.20 benchmark for extreme poverty. In 2019, 9.3 million Senegalese people, representing 57.3% of the population, lived below the poverty line of US$3.20, which was below the average of 60.6% for lower-middle-income countries in Africa. Poverty is more prevalent in rural areas than in urban centres. About 66% of people residing in rural areas are considered poor compared to the 25% of people living in Dakar.[1] Poverty in Senegal is also concentrated among minority ethnic groups. For instance, ethnic groups like Pulaar and Sareer are at 83% and 80% risk of being chronically impoverished.[2]

The root causes of poverty in Senegal include high unemployment rates, a high dependency on the agricultural sector, environmental factors, and limited access to social services such as healthcare and welfare especially in rural areas. Civic unrest, particularly in the Casamance region, and lack of financial inclusion are also underlying factors of the high poverty rate in the country.[3] Child labour and lack of education are also contributors to poverty in Senegal as well the large informal sector and low skilled labour.

To combat high poverty rates, the Senegalese government initiated the National Programme of Family Security Grants, which aims to build up the resilience of the most vulnerable citizens to chronic poverty and economic shocks. However, the undeveloped agricultural sector poses a significant setback to reducing poverty in the country since almost 75% of poor people reside in rural areas and depend on the sector for livelihood.[4]

As a result of poverty, many Senegalese people migrate to other countries in search of better economic opportunities. Countries such as Libya and Mauritania have been popular destinations in the past because of their booming oil industries. Other Senegalese people emigrate to France, Italy and Spain for better economic opportunities.[5]

On the Current Path, Senegal's progress in reducing poverty rates will be quicker compared to the average of its income-group peers in Africa such that by 2043, the poverty rate of 23.4% (equivalent to 6.6 million Senegalese people) will be about 15 percentage lower than the average of 38.3% for lower-middle-income countries in Africa.

Chart 8: National Development Plan of Senegal

Source: Presidency of Senegal website

Senegal has a long-term development vision called Plan Senegal Emergent (PSE) that spans from 2014 to 2035. The PSE is a strategic development initiative launched by the government to transform the country's economy and promote sustainable development. The overarching vision of the plan is to make Senegal an emergent economy by 2035 that will be characterised by inclusive development and growth, which is coupled with improved living conditions. The three pillars are centred around:

1) the structural transformation of the economy

2) human capital, social protection and sustainable development, and

3) institutional reform, governance and security.

In addition key sectors are identified including agriculture, fisheries, mining, energy, tourism, information and communications technology (ICT) and infrastructure. The government has also established mechanisms for monitoring and evaluating the progress of the plan to ensure effective implementation.

In addition to the long-term vision, Senegal has a medium-term development plan called *Plan d'Actions Prioritaires* (PAP) that covers the period from 2019 to 2023. The development priorities of this plan include structural transformation of the economy and growth, human capital, social protection and sustainable development, and governance, peace and security. In the past, the country has also implemented other medium-term plans such as the National Strategy for Economic and Social Development (NSESD) from 2013 to 2017 and the Sectoral Policy for the Development of Local Governance, Development and Regional Planning from 2015 to 2020. These plans and strategies aim to transform the economy, improve human capital, promote social protection and sustainable development, ensure good governance and enhance the country's overall development.

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Mr Enoch Randy Aikins joined the AFI in May 2021. Before that, Enoch was a research and programmes officer at the Institute for Democratic Governance in Accra. He also worked as a research assistant (economic division) with the Institute for Statistical Social and Economic Research at the University of Ghana. Enoch's interests include African politics and governance, economic development, public sector reform, poverty and inequality. He has an MPhil in economics from the University of Ghana, Legon.

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