



# IMPACT OF THE RUSSIAN UKRAINIAN CRISIS IN THE IVORY COAST

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THE FIRST NOTICEABLE EFFECTS

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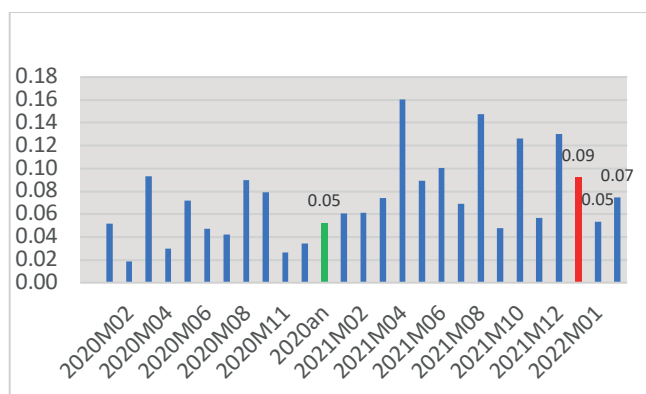
## THE FIRST NOTICEABLE EFFECTS

In this note, we analyze the effects of the recent Russian-Ukrainian crisis on Ivorian economy, based on the history of trade, taken monthly from 2020 to 2021 and over the first two months of 2022. Overall, it emerges that the crisis will have a slight impact on exports and imports, but in the medium term, could affect the stability of food prices and the availability of wheat stocks. Indeed, if the crisis persists over time, inflationary pressures, especially at the level of wheat and nitrogenous products, may be observed, in addition to the lack of State import duties and taxes, the profits of exporting companies, and especially for rural households living from rubber production. In these circumstances, several alternatives to the dependence on Russian-Ukrainian products must be explored.

### Russia: An important trading partner

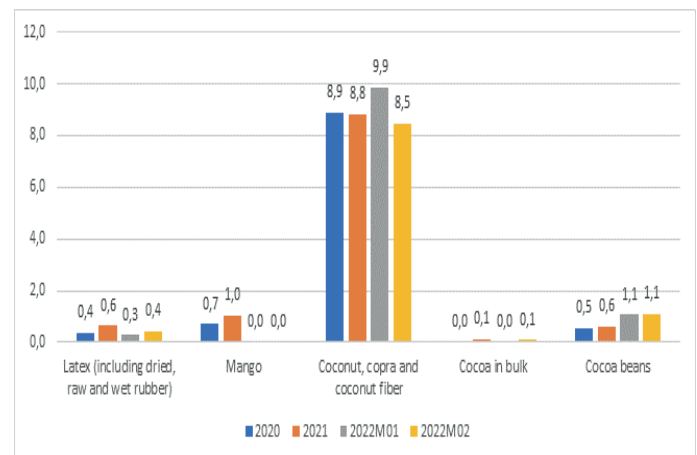
Russia is the 52nd Ivorian export partner with \$13.6 million (against \$6.4 million in 2020). Exports from Côte d'Ivoire to Russia are low. They represented 0.05% and 0.07% of total exports between 2020 and 2021 respectively. In 2022, they represented only 0.05% and 0.07% of exports, for the months of January and February. Five main products are exported to Russia, the most important of which is Latex. In 2021, Latex exports to Russia amounted to \$9.5 million out of a global Latex export of \$1.471 billion. Russia ranks 20th for this product. The main partners of the country are Malaysia, China, the United States, India and Germany which receive 61.9% of Latex exports. Mass cocoa cakes are the second exported product. The overall export value increased from \$1.2 million to \$1.5 million in 2020 and 2021, and in the first months of 2022.

**Chart: Share of exports to Russia in monthly global exports 2020-2022**



Source: INS/DCN\_ Customs data

### Share in % of products traded with Russia in the total trade of the products concerned



Source: INS/DCN\_ Customs data

The analysis of the destinations of these main products shows that in 2020 and 2021, Russia received 0.4% and 0.6% of Côte d'Ivoire's Latex exports, which remains the most exported product in value, even if in volume, Nuts, Coconuts, copra, are the most important (8.9% in 2020 and 9.9% in 2021). Also, a little more than 8% of Coconuts, copra and coconut fiber were destined for Russia, as well as Cocoa cakes (1.1%) and Latex (0.4%) in the first two months of 2022.

### Relative dependence on products imported from Russia

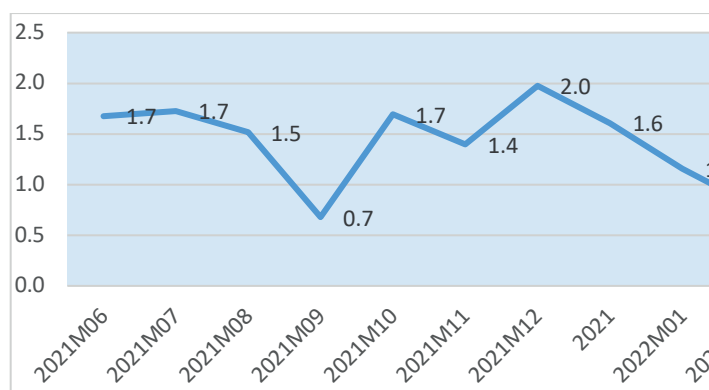
Russia was in 2021, the 18th import partner of Côte d'Ivoire with more than \$216 million (against \$116 million in 2020).

In 2021, imports of *nitrogenous products* and *fertilizers* are the most important with \$69 million. Russia ranks second behind Morocco with 29.6% of total exports of this product. **Wheat imports from Russia amount to \$52 million (120,000 tons)**. It also occupies second place after France with 20.8% of total wheat imports. For fish and other fishery products, Russia ranks sixth with 6.7% of global imports amounting to \$755 million.

In addition to these ten products are mainly traded, there are also: Wheat; fish and other frozen fish products; refined, animal and vegetable oils; miscellaneous food products; veneer sheets, plywood, panels; paper and cardboard; nitrogen products and fertilizers; chemical and organic dyes; basic plastic material and synthetic rubber; steel products.

These imports from Russia represented 1.1% and 1.6% of total imports in 2020 and 2021. In value, it is \$116 million in 2020 and \$216 million that was spent on imports with this country. Since 2022, for the months of January and February, there has been a downward trend in the share of imports in total imports, falling from 1.2% in January to 0.8% in February. This could compromise the very strong domestic demand for these products.

#### Share of Russian imports in global imports



Source, our calculations with INS data

These imports generally relate to wheat, the value of imports of which doubled between 2020 and 2021, rising from \$24.6 million to \$49.5 million. Fish and other frozen fish products, the amounts of which increased from \$34.6 million to \$49.6, an increase of 43.2%, followed by an increase recorded in 2022 from January to February. Also in 2021, a third of Côte d'Ivoire's imports of *nitrogen* products and *fertilizers* came from Russia.

#### Ukraine: A relative low dependence on imports

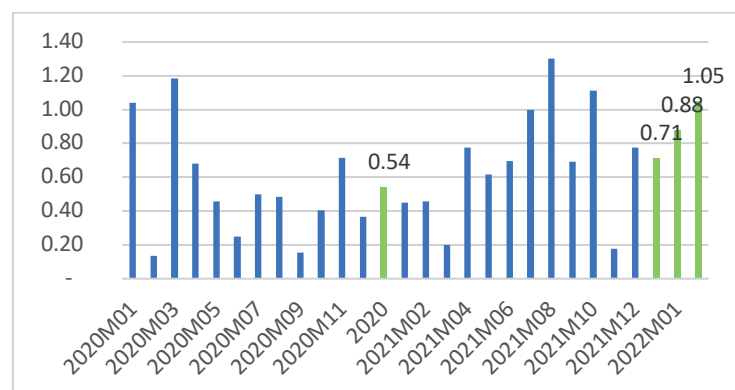
In 2021, Ukraine was the 32nd import partner out of 214, with an overall value of 96.2 million. On the export side, Ukraine is the 70th partner out of 146, with an overall export value of goods of \$4.82 million. Duties and taxes from trade amount to more than \$2.4 million in 2021.

The share of exports to Ukraine in total exports remains very low and is dominated by three main products, relating to *Latex* (including dried, raw and wet rubber); *coconut*, *copra* and *coconut fibre*; *cocoa cakes*.

On the other hand, imports from Ukraine are slightly more numerous, and relate to other refined animal and vegetable oils, the preparation and preservation of fruit and vegetables, nitrogenous products and fertilizers, iron and steel products and processing steel, metal works (metal structures, tanks, boilers, tools, screws and bolts, arms and ammunition, metal working, metal cooking utensils). Imports from Ukraine are mainly iron and steel and steel processing products, the values of which increased from \$46.5 million in 2020 to \$71.7 million in 2021, i.e. more than double the previous year: imports

increased from 0.5% in 2020 to 0.71% in 2021, and have been on an upward trend since January and February 2022.

#### Share of imports from Ukraine in overall imports



Source, our calculations with INS data

#### A trade balance deficit and a low coverage rate.

An analysis of the indicators of international trade between Côte d'Ivoire and both Russia and Ukraine shows that the trade balance over the two years, 2020 and 2021, is very negative. It went from -\$157.1 million in 2020 to -\$293.2 million in 2021. This means that Côte d'Ivoire imports much more than it exports from these countries. Also, the very low coverage rate over these two years, namely from 4.1% in 2020 to 5.9% in 2021 and 6.4% over the first two months of 2022, confirms that Côte d'Ivoire's export revenues only cover average 5% of import expenditure.

#### THE EFFECTS OF THE UKRAINIAN CRISIS

In Côte d'Ivoire, the war in Ukraine is causing **both an inflationary shock, but also a scarcity of the quantities of cereals and fertilizers available**. Its effects are likely to last throughout the year and seriously affect this country already affected by the COVID pandemic.

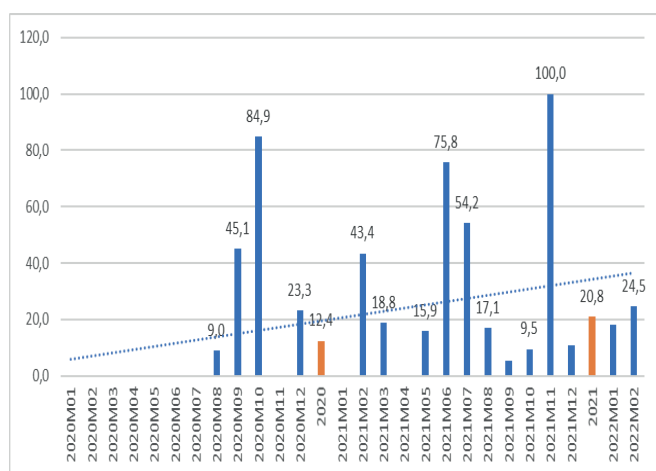
- **A supply shock: tension on quantities and prices**

Wheat represents an important part of final household consumption, in particular because of the inclusion of this cereal in the production of bread. Côte d'Ivoire has some concerns since its supplies from Ukraine and Russia are appreciable, but there is still France which is an important supplier for Ivorian millers. For the moment, the market is stabilized, **but the current available stocks will not cover needs beyond May-June 2022**. On fuel, there is a subsidy of \$94.8 million which therefore makes it possible to stabilize the price of diesel between January and March 2022, according to the Ministry of Commerce.

- *Risk of food insecurity*

In mid-2021, as a result of the pandemic, 20% of households were already in need of food. The decrease in food purchases caused by the Ukrainian crisis will increase the risk of food insecurity in the country. This graph below confirms our dependence in terms of wheat, imported from Russia.

*Share of Russian wheat imports as a percentage of total wheat imports.*



In 2020 and 2021, the value of wheat imported from Russia represented 12.4% and 20.8%, an increase of 8.4 percentage points. Since 2022, this dependence on imported wheat from Russia has increased from 18.1% to 24.5% in January and February, respectively. This crisis is already putting pressure on the availability of wheat, which is used extensively in bakeries.

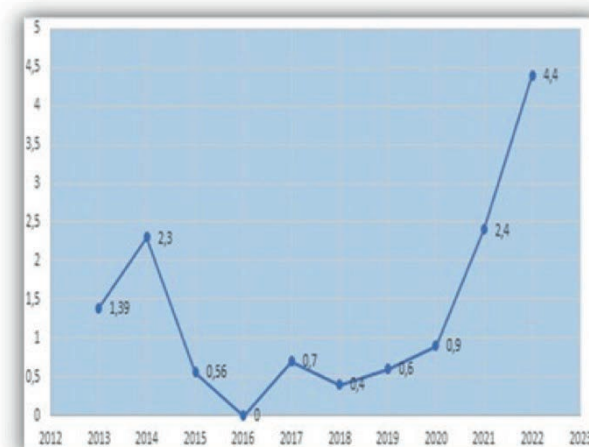
- *Exacerbation of inflation*

Like the rest of the world, Côte d'Ivoire is facing an inflationary trend further to the pandemic. To deal with popular discontent due to the rise in prices that has been simmering for months, measures were taken last year by government. **But because of the war in Ukraine, these measures have been amplified.** Oil, rice, pasta, concentrated tomato, beef, sugar, milk, have seen their prices capped for at least three months. Twenty other consumer goods have been put on the regulated price list. Some food products are even prohibited from export.

If inflation continues, each country will tend to want to protect its citizens, to maintain social peace, to also maintain the purchasing power of consumers. Emergency measures were already taken in recent months to curb an inflationary trend, but this time, the surge in wheat or oil prices due to the war in Ukraine is a concern in a country

that is a big consumer of bread. The litre of fuel, fixed at the beginning of each month, is currently around \$1.08.

**Evolution of the inflation rate**



- *A threat to the mobilization of customs revenue*

The duties and taxes collected by customs on trade with Russia amounted to \$23.7 million in 2021.

Although minimal compared to other partners, the effect of the Russo-Ukrainian crisis may constitute a **shortfall in terms of state resources**. Indeed, duties and taxes on import increased from \$27.4 million in 2020 to \$47.6 million in 2021, i.e. a total of \$75 million over the period under review. **But during the first two months of 2022, only \$6.4 million were collected in January and \$4.8 million in February.** The drop in these revenues at this level shows a first glimpse of what the effects of this crisis may be on import taxes. With regard to export taxes, the cumulative amount is \$0.6 million.

*Conclusion*

The shortfall in the level of imports of goods from Russia and Ukraine will have consequences on the economy, in general, and on industries and households in particular. The risk of tension on domestic demand for these products is real.

This crisis will impact on the cost of inputs for Ivorian industries, especially those of grain processing and pastry, but also on agricultural production as a whole. Wheat is very important for the production of flour and bread which is increasingly consumed by Ivorians. The exacerbation of inflation and the fall in fiscal resources suggests a contraction of the economy during the second half of the year as well as a risk of social tension. The situation needs to be monitored.

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