GCCI
Gambia Chamber of Commerce and Industry

REPORT

In-Depth Analysis of The Gambia's Economy:

Industry, Import and Export

A Focus Study on the Cement Industry

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OVERVIEW

Founded in 1967, the GCCI is a nonprofit and private sector driven organization that facilitates business development, promotes cross-border trade exhibitions, and advances the business community's interests. The GCCI provides business advisory support and trade inquiry service to companies with trade and investment interests in The Gambia. The GCCI is the representative body of the private sector in The Gambia. The GCCI is a member of the International Chamber of Commerce (ICC), Pan-African Chamber of Commerce and Industry (PACCI), and Federation of West African Chambers of Commerce & Industry (FEWACCI). Since its inception, the GCCI has been the primary platform for Public-Private Dialogue(PPD). The Chamber frequently engages businesses of all sizes and gathers their challenges with a quest to seek redress through policy, legislation, and regulation.

OUR MISSION

Promote, safeguard and provide services, knowledge and resources to the Gambian Business Community for present and future generations.

OUR VISION

To be the Transformative Voice of The Business Community.

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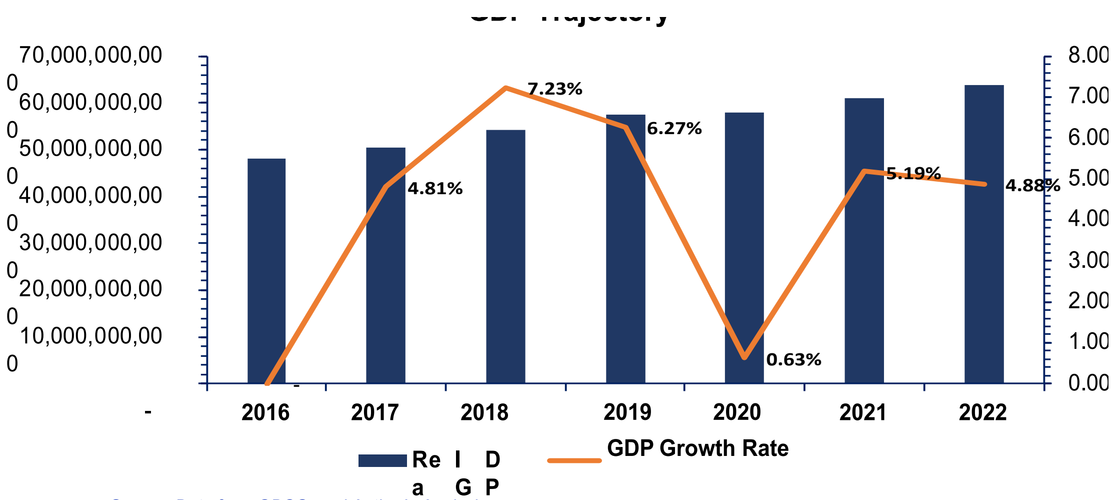
MACROECONOMIC OVERVIEW

1.1 ECONOMIC PERFORMANCE AND COMPOSITION

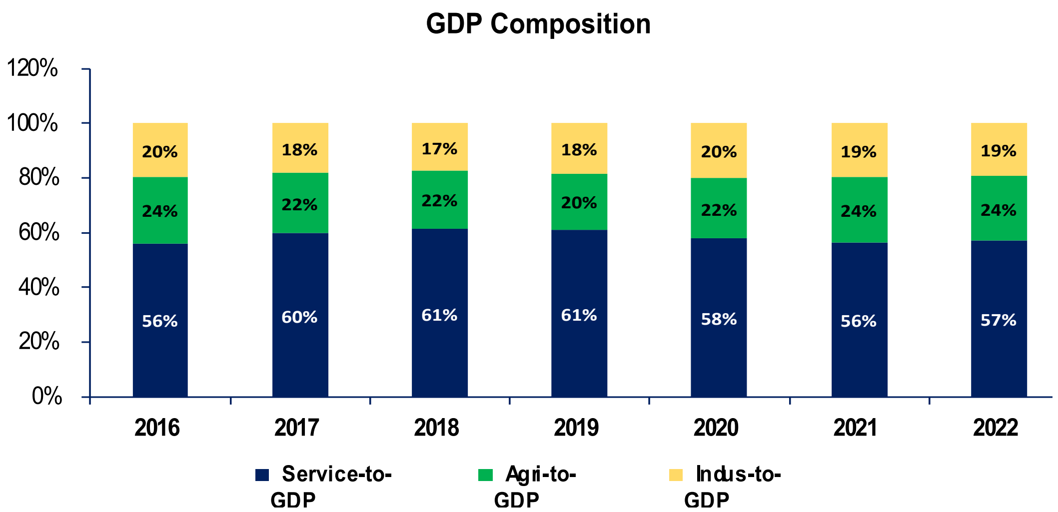
The Gambia's economy has registered an average growth rate of 4.83% for the past 7-years from 2016 to 2022. With an average population growth rate of 3%, economic growth has not uplifted living standards leaving many below the poverty-line. National Economic Output composition remains relatively unchanged with services accounting for the largest share of GDP (Gross Domestic Product) at 57% followed by Agriculture (24%), and Industry (19%) respectively. The Services sector which is historically driven by tourism services is now dominated by wholesale and retail trading indicating a shift in the economic structure. Industrial output is mainly driven by construction as manufacturing sub-sector continuous to lag. Construction output has registered dramatic uptick over the years accounting for more than 50% -70% of total industry in 2016 and 2022 respectively.

1.2 GDP TRAJECTORY



Source: Data from GBOS, and Author's Analysis

1.3 GDP COMPOSITION



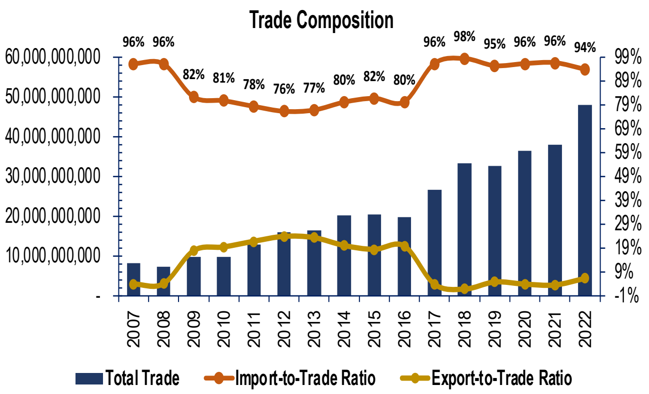
1.2 BALANCE OF TRADE POSITION

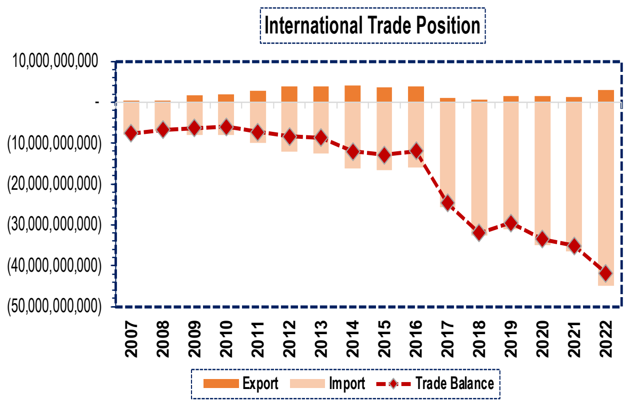
1.1.2 IMPORTS

The economy heavily relies on international trade mainly imports which is indicated in the data analysis. Trade to GDP ratio stands at 75% in 2022 mimicking the direction and behavior of the import-to-GDP ratio. On the trade composition, imports constitute 96% of trade in 2007, then took a dive during the period of the GFS (Great Financial Crisis) of 2008, extending to the period of electoral turmoil in 2016-2017 before returning to pre-crisis level by the end of 2017 election as stability returns. In the same period, exports recorded some gains as import declines but remain relatively flat from 2017 to 2022. The Gambia imports ranges from basic commodities, beverages, intermediate goods, and capital goods. Ecowas region tops the sources of imports with a great proportion of that originating from Ivory Coast. Senegal's position as a key source of imports shifted from top 10 to top 5 import sourcing country as many containers destined to The Gambia make it first to the port of Dakar given the challenges and inefficiencies at Banjul Port impacting the GMD-CFA exchange rate which has recorded an astounding annual 11.51% appreciation against the GMD (Dalasi).

1.1.3 EXPORTS

The Gambia dominated the re-export trade with its neighboring countries of Senegal, Mali, Guinea Bissau until recently it loses that competitive advantage to Senegal due to the massive infrastructural and technical advancement at Dakar Port. Even when Exports recorded significant gains between 2008-2016, the performance is accrued to re-export as domestic exports remains relatively unchanged, reflecting a weak productive sector mirroring the industrial sector performance. The outcome of excess import over exports is evidenced by the continuously deteriorating balance of trade deficit which has expanded since 2017. Cumulatively, this leaves the economy extremely vulnerable to exogenous shocks, and an accelerated depreciation of the of the GMD translating to imported inflation stifling living standards and retracting minimal gains from growth. A case in point is the Covid-19 shock aggravated by the Russian-Ukraine War which affected supply chains, increased logistics cost, and in-turn increasing import prices and driving foreign exchange shortages in the economy.





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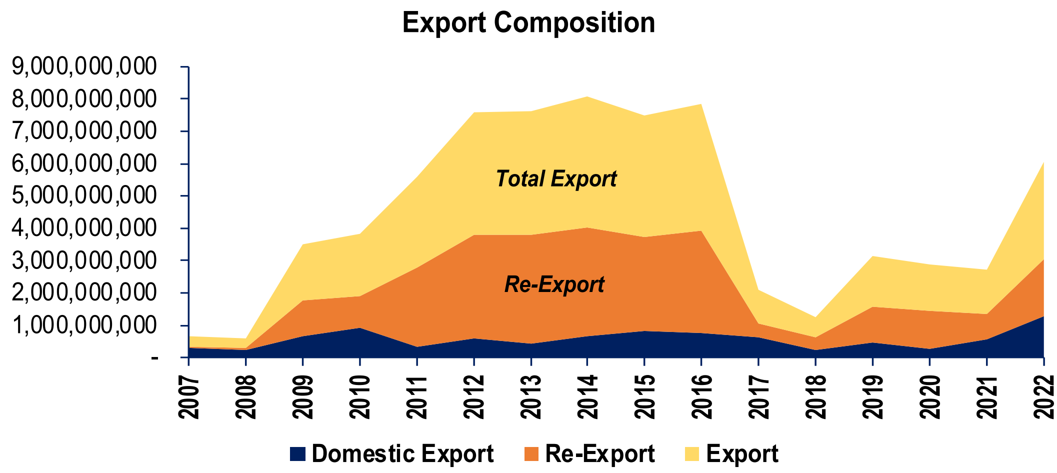


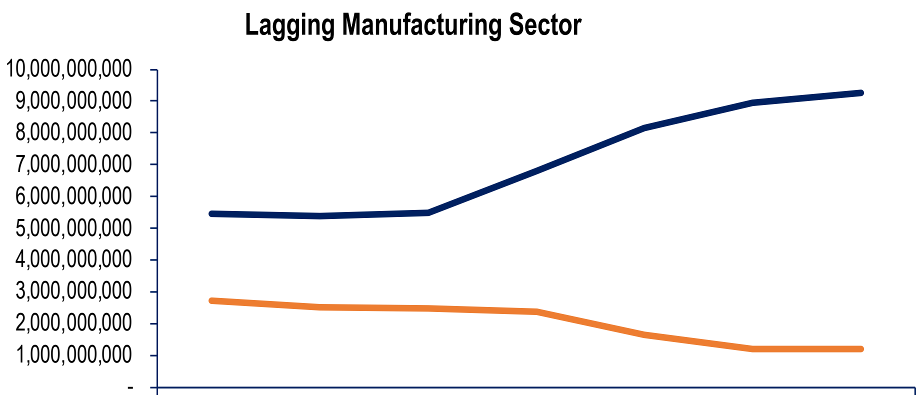
Source: Data from GBOS, and Author's Analysis (GMD values)

1.3 THE INDUSTRY SECTOR

1.1.3 MANUFACTURING

Manufacturing through industrialization has proven to be the nexus for innovation, technological development, skills development, and knowledge transfer as it is the nucleus for industrial development from early developed nations to the Newly industrialized East Asian Tigers (Singapore, Hong Kong, Taiwan, Indonesia, and Malaysia). The Gambia's geographical location, its access to the Atlantic Ocean, and reliance on imports presents a unique opportunity to develop light manufacturing in the areas of agribusiness, iron and steel, footwear, aluminum, apparel and clothing, soap, food and drink processing, electronic assembling, and packaging, all attractive for investments. Despite the many efforts to encourage investment in this sub-sector as discussed under the "industrial policy sub-section", the desired results have not been achieved as evidenced by the declining trend of manufacturing output at levels and as share of the total industry output.

Source: Data from GBOS, and Author's Analysis



	2016	2017	2018	2019	2020	2021	2022
Construction Output	5,450,120,09	5,372,347,56	5,478,230,13	6,793,518,25	8,155,249,04	8,958,016,32	9,243,601,96
Manufacturing Output	2,734,259,46	2,519,157,81	2,488,810,48	2,359,970,97	1,660,571,68	1,192,271,54	1,205,692,92

Construction Output Manufacturing Output

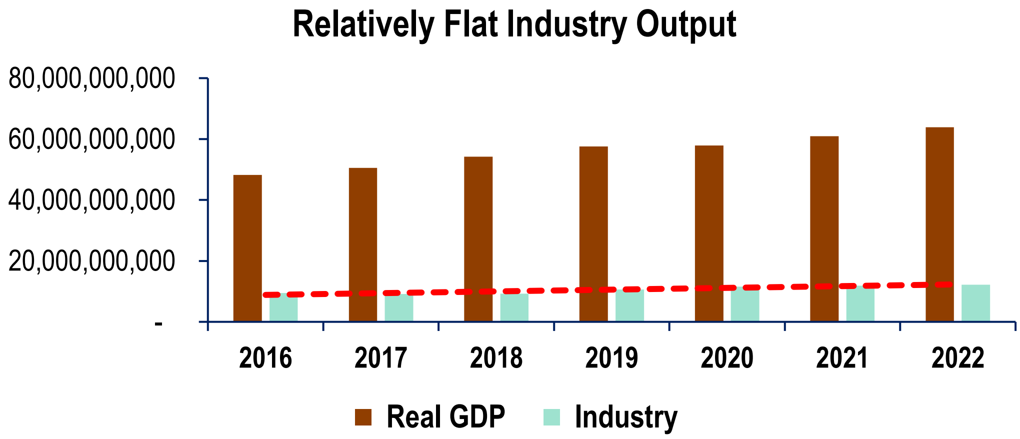
1.1.4 INDUSTRIAL POLICY

Industrial policies such as the use of subsidies, tariffs, and other non-tariff barriers, are deliberate government policies designed to create new industries or support existing ones. While there is evidence of successful industrial policies in pre-globalization era, they have become controversial in the modern global economy so much that international agreements set to limit the scope of actions that countries can take to support their industries, and if politically motivated, it could waste huge public resources. Recently the global economy is witnessing the re-emergence of industrial policies as the U.S, and the European Union impose tariffs on EV (Electric Vehicles) imports from China on the argument that the Chinese EV industry is heavily subsidized. Numerous policy documents have been developed including The Gambia's Trade Strategy & Industrial Policy, The Gambia Trade Policy, and Action Plan 2018-2022, The Gambia Investment Policy Revised 2018, and the latest Domestic Trade Strategy 2024-2029, all geared towards stimulating and developing an industrial base. These policies advocates for tax exemptions, easy access to land, easy access to finance, good governance, and sound macroeconomic policies and stability. The Gambia Investment Promotion Act (2001) and The Gambia Free Zones Act (2001), lead to the development of the Special Investment Certificates (SICs) and Free Zones Licenses (FZLs) under the supervision of The Gambia Investment Promotion and Free Zones Agency (GIPZA) which was later transformed into The Gambia Investment and Export Promotion Agency (GIEPA) by The Gambia Investment and Export Promotion Act of (2015) to oversee the issuance, and monitoring of the reformed SICs, FZLs Certificates and Licenses.

However, these policy incentives have not yielded the desired outcome as the industry sector performance remains relatively stagnant hovering between 18-20% and averaging 19% as share of GDP over a period of 7-years between 2016-2022. Among other reasons, the most common is the lack of implementation of policies to their full potentials, and when initiated, the lack of continuous monitoring and evaluation. Even though all the mentioned policy documents have it enshrined within its goals, "easy access to land and reliable energy", Firms wanting to engage in domestic production will have to incur huge sunk costs from developing the land from the bottom to be readily operational, and additional variable cost on energy and uncertainty to its sustainable and reliable supply. This is further exacerbated by the absence of readily available skillset in the labor market, lack of raw materials and capital infrastructural deficiency.

Year	Real GDP	Industrial Output	Industry to GDP	Manufacturing to GD
2016	48,206,394,734	9,423,800,547.00	19.55%	5.67%
2017	50,523,534,872	9,089,466,573.00	17.99%	4.99%
2018	54,175,926,115	9,273,805,613.00	17.12%	4.59%
2019	57,574,620,891	10,643,674,733.00	18.49%	4.10%
2020	57,936,023,617	11,518,685,850.00	19.88%	2.87%
2021	60,940,240,867	11,850,418,749.00	19.45%	1.96%
2022	63,911,983,279	12,213,827,613.00	19.11%	1.89%

Source: Data from GBOS, and Author's Analysis

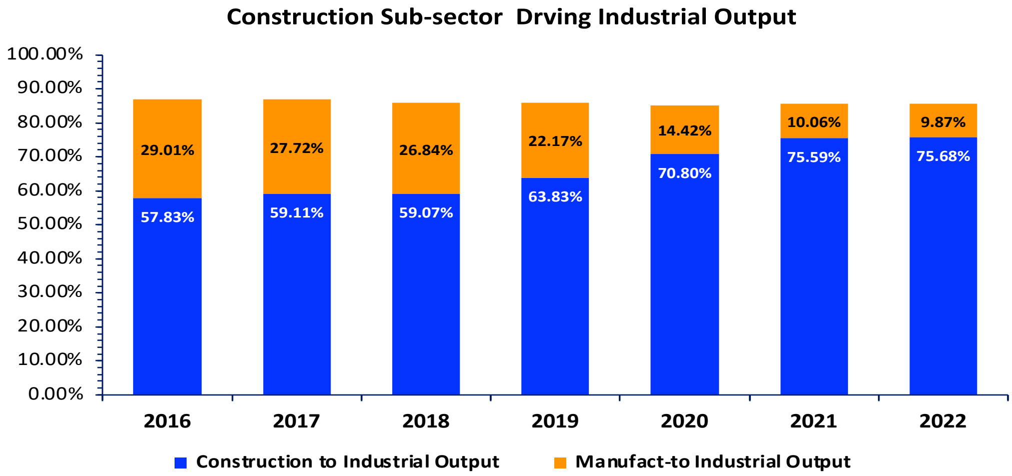


Source: Data from GBOS, and Author's Analysis

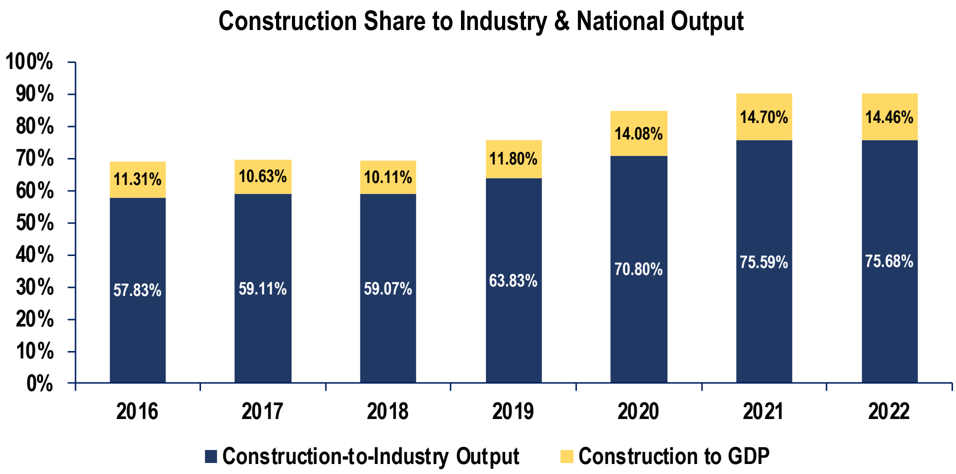
1.1.5 THE CEMENT SUB-SECTOR

1.1.1.5 DEMAND DRIVERS

Cement is a key input to construction services and the economy has experienced an uptick in demand for the commodity as both private construction and public infrastructural development has seen record boom over the years making cement a critical supply input. Increasing and continuous rural-urban migration has pushed-up demand for housing in urban centers, coupled with private real estate investment and development by Gambian Diaspora, have driven-up demand for various complementary inputs for real estate development (both residential and commercial) such as cement, electrical appliances, furniture, and other housing materials. These activities have considerably accelerated the performance of the construction sub-sector which is the key driver of the industry sector more than doubling the output of the manufacturing sub-sector.



Source: Data from GBOS, and Author's Analysis



Source: Data from GBOS, and Author's Analysis

1.1.1.6 SUPPLY SOURCES

The supply-side of the cement sub-sector is highly concentrated from country of origins to market players. GACEM, JAH OIL COMPANY, SALAM COMPANY, and other importers are the main suppliers. Except SALAM COMPANY, which started manufacturing (importing raw materials) recently, both GACEM and JAH OIL engage in cement re-bagging as their business model sourcing mainly via vessels (Sea) from Turkey, Morocco, and China, while other Retail Importers source 100% bagged cement via land from Senegal through the Farafenni-Keur Ayib border.

1.1.1.7 DISTRIBUTION AND ACCESSIBILITY

Besides JAH OIL COMPANY, which has advantage in distribution to reach petty retailers and consumers through its established petrol stations (not 100-percent coverage) further into towns in the provinces, SALAM and GACEM mainly distribute to urban and city centers, and this associated with logistic costs such as truck acquisition, operational and maintenance costs, and labor. Economics of production dictates that market players will enter the market since supply is short and greater than normal profits (Marginal Revenue >Marginal Cost) are made. There exist such opportunity as manufacturers (SALAM COMPANY) has not reach full capacity, and re-bagging companies have not fully exhausted the consumer market-reach through their corporate distribution channels.

Other Importers have taken the economic advantage of the proximity of Farafenni-Keur Ayib border to fill the supply gap as the bigger players face effective and efficient distribution challenges. The supply by major players is complemented by the other importers especially in rural areas, and together they ensure sufficient supply, meeting demand, and maintaining market and price stability. This investigation found that an immediate policy intervention upsetting this supply structure that is not effectively and efficiently implemented creates market and price instability and, or cause inaccessibility of cement in some parts of the country.

1.4 POLICY INTERVENTION AND IMPLEMENTATION

Earlier in April of this year, policy makers increased the import duty of bagged cement via land from Senegal by 500% from D30 per bag to D180 per bag, restricting imported cement from Senegal and sending the sub industry into chaos as tens of trucks got stuck at the Senegalese side of the border. The impact was an immediate price shock and shortage of cement in the country as re-bagging companies and the manufacturer scramble capacity to meet the shortage emanating from the shock.

1.1.4 ARGUMENTS FOR THE POLICY

Our investigation in this report has clearly established that there exist numerous, both revised and new industrial and Domestic Investment policies and legal frameworks designed to develop the industrial base of the economy in line with National Development Plans. For many reasons as provided in this research including the lack of full implementation of policies, have not yielded desired outcomes. Correction of the balance of trade position, domestic employment creation, re-strengthening of the dalasi, and as a retaliatory measure are among the reasons for such intervention. Authorities argued that Senegal bared entry of goods of Gambian origin in-protection of its local industries. Further arguments provided to this study indicate leakages in expected revenue collections at the border point.

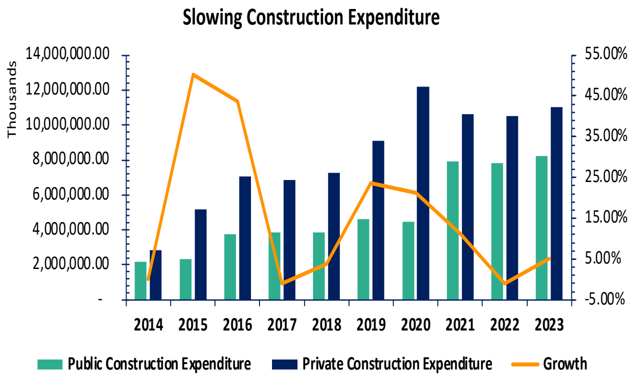
1.1.5 ARGUMENTS AGAINST THE POLICY

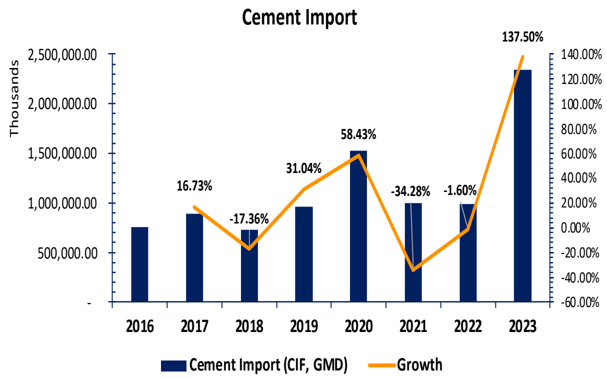
Opponents of the policy argue that the tariff increment will suffocate importers' businesses, cause possible of loss of investment capital and liquidity as many importers have funds locked in accounts created with factories contracted in Senegal until the contracted tons are exhausted. The explanation that follows indicates how importers have their funds locked as a measure to ensure that the cement is exported and not re-sold in Senegal as it is free of domestic taxes. In addition, their livelihoods, that of their dependents as well as those employed in operating, and managing the trucks greatly hang on it. In addition, policy opponents argued revenue loss to GRA as well causing shortage of cement especially in rural Gambia.

An importer must first register with their Gambian Business Documents with the supplying factory creating their account with a placed order. A 500-ton total order comes out at a total cost of CFA 55,460 per-ton but 15.2% or CFA 8,460 is held with the factory making the ex-factory price CFA 47,000. The CFA 8,460 will not be released until it is proven that the entire order is exhausted through the Senegalese DUANE and Gambian Customs. Because the processing to release the CFA 8,460 takes time, and importers recycle proceeds, they continue to place new orders while awaiting the release of held funds which leads to accumulation of locked funds over-time.

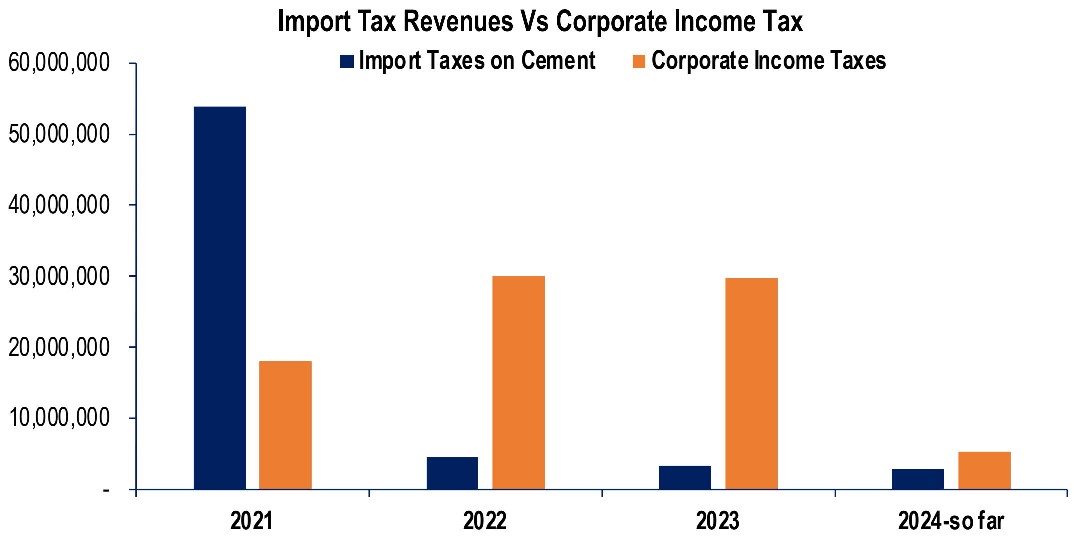
1.5 FINDINGS AND CONCLUSION

Our findings have indicated with satisfactory evidence of The Gambia's dependence on imports especially from Senegal. That there is need for proper and effective implementation of industrial development policies for all the arguable benefits it brings to economic development. We have also indicated that the supply structure of cement is such that other importers via land (through Senegal), play a crucial role in complementing the bigger players, and any haphazard policy intervention will drive the market into chaos. There is an indication of a strong correlation between construction expenditure (demand) and cement import. Although construction expenditure continues to grow, its growing at a slower pace from its 2015 peak which has impacted cement consumption. From 2019 to 2022, both private and public construction expenditure slowed significantly dragging with it cement demand before recovery begins in 2023. Corporate Income Tax from re-bagging firms is gradually overtaking revenue generated from import duty on cement.





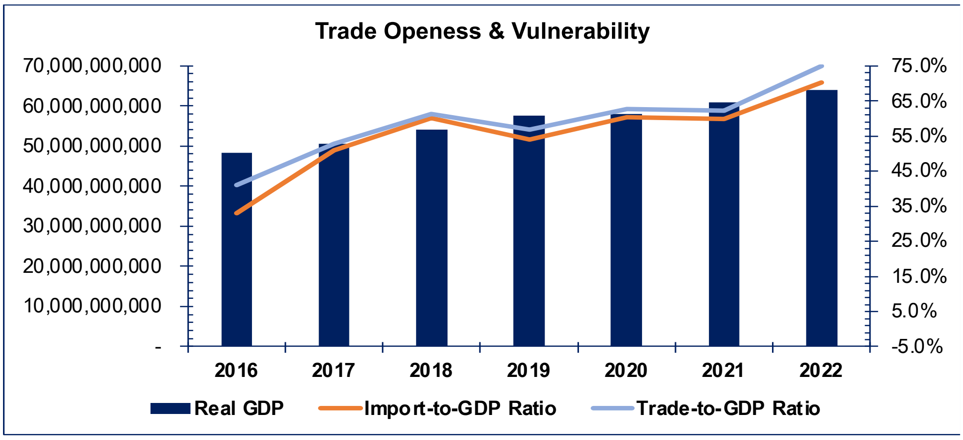
Source: Data from GBOS, Author's Analysis



Source: Data from GRA, Author's analysis. Import and Corporate Tax Revenue in (GMD)

1.6 POLICY RECOMMENDATION

Given its international trade position, manufacturing output, availability and accessibility of labor, availability, and accessibility of raw materials, coupled with sustainable and reliable energy supply challenges, The Gambia has long way to realize its industrialization goals which are necessary to accelerate economic development. Substantiated by the research evidence, we suggest going forward that industrial policy interventions and implementations while remaining crucial should be cautiously implemented in a series of phases to smoothen-out market shocks and reactions. The economy is so reliant on imports that any adjustment to re-structure requires careful planning, consultation with concerned market players and other actors to ensure that the intended objectives are attained.



Source: Data from GBOS, Author's Analysis

Finally on the cement sub-sector, we will suggest that policymakers redirect the approach of the policy implementation. By giving other importers via land (through Senegal), a phasing out period combined with a capped level of tonnage on monthly basis. This gives them the opportunity to re-structure and divest their capital in other profitable businesses, while creating time for domestic manufacturers to properly structure and expand capacity to fulfill market demand thus ensuring market and price stability.

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