

## Djibouti city industry and market trends

A small country on the Gulf of Aden in northeast Africa, Djibouti is a small country, home to roughly one million people. With a relatively low gross domestic product (GDP) generation, it is...

increased economic activities, leading to a gradual expansion in Djibouti City. Overall, Djibouti's five regions are characterized by semi-nomadic pastoralist production systems, with most of the country's territories being sparsely populated. The government's rule in Djibouti remained largely uncontested during the review

Djibouti's US\$2 billion city-state economy is driven by a state-of-the-art port complex, among the most sophisticated in the world. Trade through the port is expected to grow rapidly in parallel with the expanding economy of its largest neighbor and main trading partner, Ethiopia.

Djibouti Economic Outlook. The upturn in economic activity was consolidated in 2023, with GDP growth estimated at 7.3%, up from 3.7% in 2022, driven mainly by trade (thanks to the revival of port activities) and transport. Services accounted for around 85% of GDP in 2023, followed by industry (14%) and agriculture (1%).

In 2022, Djibouti exported a total of \$542M, making it the number 169 exporter in the world. During the last five reported years the exports of Djibouti have changed by \$419M from \$123M in 2017 to \$542M in 2022. The most recent exports are led by Palm Oil (\$299M), Chlorides (\$90M), Seed Oils (\$26.7M), Flax Yarn (\$13.5M), and Bovine (\$10.3M).

Djibouti is one of the smallest countries in Africa, with an area of 23,200 square kilometers and a population estimated at 1,066,000. The size of its economy limits its ability to diversify production and increases its reliance on foreign markets, making it more vulnerable to market downturns and hampering its access to external capital. With less than 1,000 square kilometers of arable land (0.04 percent of its total land area) and average annual rainfall of only 130 millimeters, Djibouti depends on imports to meet its food needs.

Djibouti's strength lies in its strategic location at the southern entrance to the Red Sea, making it a bridge between Africa and the Middle East. Adjacent to some of the world's busiest shipping lanes, it hosts military bases for China, France, Italy, Japan, the United States, and the North Atlantic Treaty Organization (NATO), as well as for other countries with forces supporting global anti-piracy efforts.

As of September 2024, Djibouti's active portfolio comprised 12 projects and 3 trust funds for a total US\$302.80 million in addition to 4 regional operations worth US\$98.50 million. In 2021 Bank teams have leveraged IDA resources through recipient-executed trust funds, with a net commitment value of about US\$30 million. The portfolio is focused on energy, transport, digital transformation, education, health, social safety nets, rural community development and support to micro, small and medium enterprises

In 2021, IFC initiated a Private Sector Diagnostic (PSD), which has informed the WBG's country engagement process in the country. The PSD was widely disseminated in March 2023. Building on the PSD, IFC developed a five-year Djibouti Country Strategy (CS) (FY22-26) to anchor its future engagements in the country.

IFC has a trade finance facility guarantee project with East African Bank (EAB). IFC also has three advisory projects focused on (i) affordable housing(ii) enhancing the global risk management and credit management capacities and skills of EAB, and (iii) a business-enabling environment project to develop IFC's roadmap in the financial services sector and to assess potential investment opportunities with the country's first financial institution leasing. In 2022 IFC signed a training agreement with the Central Bank of Djibouti on stress testing in the financial sector.

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