Coup d'état in Africa and stock market returns: The case of French companies*

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Abstract

This article studies the impact of recent coups d'état in French-speaking Africa on the stock market performance of French companies. Using the stock prices of 197 French companies over the period September 2020 to September 2023, our results highlight a negative impact of coups d'état on the stock market performance of French companies. We also highlight the heterogeneity of these companies' reactions depending on: (i) the country affected by the coup; (ii) the companies' sector of activity; (iii) coups d'état with reshuffle or change of political regime; (iv) pro- or anti-France post-coup actions. In so doing, this article provides the first evidence of the impact of recent coups in Africa outside the affected territories.

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*"We must not give in to a narrative used by the putschists, which would consist of saying "**Our enemy has become France**""*
Emmanuel Macron, French President, August 28, 2023.

1. Introduction

Africa is widely regarded as one of the most coup-prone regions in the world (Chin & Kirkpatrick, 2023), a trend exemplified by the recent surge in coups d'état in Francophone Africa (Laurent, 2023). Specifically, over the past two to three years, elected leaders from countries including Mali, Guinea, Burkina Faso, Niger, Chad, and Gabon have been ousted from their positions following military interventions (Felix, 2023; Obangome, 2023). The latest coup d'état in French-speaking Africa took place in Gabon on August 30, 2023, a few hours after the announcement of Ali Bongo's re-election as President of the Republic of Gabon.

A coup d'état has consequences not only at the macroeconomic level, such as reduced economic growth (Blum & Gründler, 2020), but also at the microeconomic level, by affecting the performance of firms (Dube et al. 2011), or through an increase in the cost of debt (Balima, 2020). In this article, we focus on the impact of coups d'état on firm performance. Likewise, in the aftermath of a coup d'état, there are uncertainties about the new government policy and its effect. These uncertainties would affect the performance of the private sector, due to the uncertainty about the change in current government policy (Pastor and Veronesi, 2012). However, despite the importance of relations between France and the countries of French-speaking Africa, no study has yet examined to the best of our knowledge the impact of a coup d'état in Africa on the performance

of French companies. This study seeks to fill this gap by examining the effect of coups d'état in French-speaking Africa on the stock performance of French companies. In so doing, we provide the first evidence of the exposure of French firms to the economic and political tensions in former French colonies. Precisely, we analyze the responses of the stock market performance of 197 French companies to recent coups d'état in Africa over the period September 2020 to September 2023. We complete our analysis by examining whether the impact on stock market performance differs according to (i) the country affected by the coup; (ii) coups d'état with reshuffle or change of political regime; (iii) pro- or anti-coup actions; (iv) company sector of activity (consumer cyclical, real estate, industry, energy, financial services, healthcare, technology, telecommunications and basic materials).

French companies make a compelling case study in this respect, given France's historical links with the six francophone African countries affected by the coups. Furthermore, according to the World Trade Organization's trade mapping, France is also the main trading partner of most of these countries[1]. Similarly, according to the French Treasury (2023), France remains a leading investor in Sub-Saharan Africa, and the number of subsidiaries of French companies in Sub-Saharan Africa more than doubled between 2010 and 2020. All these factors help to justify the strong ties between France and the countries of French-speaking Africa.

[1] The World Trade Organization's trade mapping: https://www.wto.org/french/res_f/statis_f/statis_maps_f.htm?country_selected=NER&optionSelected=3

Accordingly, any unrest in these countries could significantly affect the performance of French companies with direct or indirect links to these countries. Furthermore, some countries, such as Niger, have taken strong measures against French companies in the wake of the coup d'état, such as banning airlines from landing or closing the French embassy. These tensions and sanctions should therefore affect the stock market performance of French companies. The results of our analysis show that French companies have been affected by the coups d'état. Specifically, we observe a negative reaction in the stock market performance of French companies to coups d'état in Africa in recent years. In addition, we highlight the diversity of the reactions of these French companies, which differ according to the country affected by the coup and the sector of activity of the company concerned.

Our paper thus contributes to the burgeoning literature on the impact of conflicts on stock returns, which has primarily focused on war (e.g., Boungou & Yatié, 2022; Hudson & Urquhart, 2015), terrorism (e.g., Arfaoui & Naoui, 2022; Arin et al., 2008) or social unrest (Barrett et al. 2021). Our study extends previous studies by focusing on a wider field of actual coups d'état and market reactions outside the territories affected by the coup. In so doing, we provide the first evidence of the sensitivity of French firms to coups in Africa, and how these responses differ according to the country affected and the firms' sector of activity. As a result, our findings could help companies engaged in international activities, particularly in high-risk countries, to better assess the risks involved in maintaining their operations in these regions.

The remainder of the paper is organized as follows. Section 2 presents our empirical strategy and results. Section 3 concludes.

2. Empirical strategy

2.1. Data and model

We use monthly stock market data of 197 French companies and cover the period from September 2020 to September 2023 (i.e., one month after the latest coup d'état in Africa, notably in Gabon). Monthly stock prices were extracted from the Refinitiv Eikon database. For our estimations, we refine the monthly prices of each firm's stock to calculate returns using their log values, and then estimate the impact of coup d'état on these returns.

For our coup d'état variable, we use a dummy variable. It takes the value 1 in the month in which a coup (or attempted coup) has been reported by official national and/or international institutions concerning a French-speaking African country (i.e., Burkina Faso, Gabon, Guinea, Mali, Niger and Chad) since September 2020, and 0 otherwise[2]. In order to analyze the responses of French stock prices to the various coups d'état in Africa, we use panel regression with fixed effects[3]. The model is presented as follows:

[2] List of dates of coups d'état in French-speaking African countries: Gabon on 30 August 2023; Mali on 24 May 2021 and 18 August 2020; Niger on 26 July 2023, 31 March 2021, and April 2022; Burkina Faso on 24 January 2023; Guinea on 5 September 2021; and Chad on 20 April 2021.

[3] Other coups d'état were recorded in the years before our sample, such as the coup d'état in Algeria in April 2019 and in Sudan in 2019. We did not include these events because of data availability (for Algeria) and because these coups did not involve French-speaking African countries (Sudan).

$$Stock_{i,m} = c + \alpha_1 Coup_d'état_{c,m} + \theta_m + \lambda_i + \varepsilon_{i,c,m} \qquad (1)$$

where $Stock_{i,m}$ refers to the log returns of firm i during month m. $Coup_d'état_{c,m}$ represents the dummy variable that takes the value 1 if a coup (or attempted coup) was registered in country c during month m and 0 otherwise[4]. We adopt a firm-level clustered and robust standard error. In addition, we control for both time and firm fixed effects in our regression model using θ_m and λ_i, respectively.

2.2. Results

In this section, we provide evidence of the relationship between the advent of coups d'état in Africa and the stock market performance of French companies. We articulate our analysis as follows: (i) We study the impact of coups ''état on the stock market performance of French companies (Table 1); (ii) how responses differ according to the location of the coup (Table 2) or whether it was a coup d'état with a reshuffle or a change of political regime (Table 3); (iii) then ho' firms react to post-coup pro- or anti-France actions (Table 4); (iv) and finally we analyze how responses differ according to countries' exposure to the rise in non-coup-related armed violence (Table 5) and between firm sectors of activity (Table 6).

The results in Table 1 highlight a negative and significant relationship between the stock market performance of French companies and the various coups d'état. We observe that French stock prices have underperformed following the various coups d'état that have taken place in Africa since 2020. The advent of coups d'état in Africa, particularly in French-speaking Africa, resulted in an average

[4] Our sample consists mainly of successful coups and only one failed coup attempt, that of March 31, 2021 in Niger.

reduction in stock returns of 0.027 units[5]. This result is consistent with the analysis of Boungou & Yatié (2022), who observed a negative reaction of world stock indices to the invasion of Ukraine by Russian troops in February 2022[6]. As a result, we provide the first evidence of the sensitivity of French stock prices to coups d'état in French-speaking Africa since 2020[7].

Table 1. Coup d'état and stock returns

	Stock market index	
	(I)	(II)
Coup d'Etat	-0.027**	-0.027**
	[0.01]	[0.01]
Number of observations	6969	6969
Number of countries	197	197
Stock fixed-effect	No	Yes
Month fixed-effect	Yes	Yes
R2 (within)	0.14	0.14

Notes: Stock market index refers to the monthly log return of each French stock market index. Coup d'Etat is a dummy variable that takes the value 1 during the month in which the coup d'Etat took place in one of the French-speaking African countries, and 0 otherwise. Robust stantard errors clustered at the country level are presented in brackets. ***, **, and * stand for significance at the 1%, 5%, and 10% levels, respectively.

We continue our analysis to determine whether the stock performance of French firms is more sensitive to specific coups d'état (see Table 2). We observe that the response of firm stocks was more marked in Gabon than in other coups d'état. One explanation could be that the coup d'état in Gabon plunges both the local economy and Gabon's long-standing trading partners (such as France) into

[5] We also check whether the effect of coups on stock prices is lagged. Indeed, it could be that the negative shock to the stock returns of French companies exposed to these countries would be delayed or due to later developments after the coup. We redo our estimates by including two lags. The results of this analysis are reported in Table A1 (Appendix), and they highlight that stock market index responses were greater a few months after the coup.

[6] This result is consistent with that of Barrett et al. (2021), who also provide systematic evidence of the negative impact of social unrest in 72 countries on stock market performance over the period 2011 to 2020.

[7] As a robustness analysis, we perform a placebo test by considering the stock market indices of 100 British companies. The idea is to observe whether coups d'état in French-speaking Africa are bad for companies in general or only for French companies in particular. The results of this analysis are reported in Table A2 and show that British stock market indices have continued to perform well despite the various coups d'état in Africa. The low exposure of British companies is undoubtedly due to the weak historical and commercial links between England and French-speaking African countries.

uncertainty, as it marks the end of a political regime (i.e., the "*Bongo Regime*") that has ruled Gabon for almost 60 years.

Table 2. Results by countries

	Stock market index					
	(I)	(II)	(III)	(IV)	(V)	(VI)
Coup d'Etat (Gabon)	-0.027**					
	[0.01]					
Coup d'Etat (Mali)		0				
		[0.00]				
Coup d'Etat (Niger)			0.023*			
			[0.01]			
Coup d'Etat (Chad)				0		
				[0.00]		
Coup d'Etat (Burkina)					0.112***	
					[0.01]	
Coup d'Etat (Guinea)						0.008
						[0.01]
Number of observations	394	378	1160	378	768	382
Number of countries	197	189	197	189	194	191
Fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes
R2 (within)	0.02	0.003	0.051	0.094	0.137	0.003

Notes: Stock market index refers to the monthly log return of each French stock market index. Coup d'Etat is a dummy variable that takes the value 1 during the month in which the coup d'Etat took place in one of the French-speaking African countries, and 0 otherwise. Robust stantard errors clustered at the country level are presented in brackets. ***, **, and * stand for significance at the 1%, 5%, and 10% levels, respectively.

This therefore leads us to distinguish between coups with regime change and coups with reshuffle. We rely on the analysis of Chin et al. (2021) for this distinction. We consider a coup d'état with a change of regime if it overthrows the power in place and places new people at the head of the country, which was the case of Guinea and Gabon for example. Conversely, a coup d'état with a reshuffle keeps the power/regime in place but there are some adjustments at the executive level, as was the case with Chad. The results of this analysis are reported in Table 3. We continue to observe a negative effect of coups on the stock market performance of French firms. The effect is, however, a little more marked for coups with reshuffle. One of the explanations could be linked to the fact that coups with reshuffle generally occur less than a year after the coups with regime

change, as was the case in Burkina or even in Mali. This has been described during the European Summit on May 25, 2021, by French President Emmanuel Macron as a "*coup within a coup, unacceptable*". This situation would lead to increased uncertainty and prolong the instability of these countries.

Table 3. Regime change coups and reshuffling coups

	Stock market index	
	(I)	(II)
Reshuffle	-0.081***	
	[0.01]	
Regime change		-0.021**
		[0.01]
Number of observations	6969	6969
Number of countries	197	197
Fixed-effect	Yes	Yes
R2 (within)	0.14	0.14

Notes: Stock market index refers to the monthly log return of each French stock market index. Regime change is a dummy variable which takes the value 1 if the previous regime has just been overthrown by a new one, and 0 otherwise. Reshuffle is a dummy variable which takes the value 1 if the coup d'état is a reshuffling of the current regime, and 0 otherwise. Robust stantard errors clustered at the country level are presented in brackets. ***, **, and * stand for significance at the 1%, 5%, and 10% levels, respectively.

Previous results highlight the heterogeneous response of stocks to coups d'état. Coups d'état was sometimes associated with a multitude of anti-French actions in the period that followed, such as demands for the withdrawal of French troops or the closure of embassies. The latest example is Niger, where the putschists demanded the departure of the French ambassador to Niger after taking power. These various measures have come at a time when French policy in these countries has been increasingly challenged in recent years. A case in point is the difficulty French troops are having in eradicating the presence of jihadists in the Sahel. As a complementary analysis, we check the response of French stock market indices to the coup d'état according to the country's profile (pro- or anti-France). To do this, we form two groups. On the one hand, we have a group of

countries where post-coup actions could be equated with a backlash against French policy, notably the putschists' demands for the departure of French troops or even the closure of embassies (in Mali, Burkina Faso and Niger, among others). On the other hand, we consider a Pro-France group where the first actions taken by the new leadership did not directly threaten French interests, as was the case in Gabon, Chad, and Guinea.

Table 4. Coup d'état and French stock returns: Pro-France vs. anti-France

	Stock market index	
	(I)	(II)
Coup d'Etat (Anti-France)	0.023*	
	[0.01]	
Coup d'Etat (Pro-France)		-0.027**
		[0.01]
Number of observations	2117	4852
Number of countries	197	197
Fixed-effect	Yes	Yes
R2 (within)	0.083	0.158

Notes: Stock market index refers to the monthly log return of each French stock market index. Coup d'Etat is a dummy variable that takes the value 1 during the month in which the coup d'Etat took place in one of the French-speaking African countries, and 0 otherwise. Robust stantard errors clustered at the country level are presented in brackets. ***, **, and * stand for significance at the 1%, 5%, and 10% levels, respectively.

The results of this analysis are reported in Table 4 and highlight the fact that the various coups d'état perpetrated in the pro-France regions negatively affected the performance of French companies, in contrast to the anti-France coups d'état. This could be explained by the fact that in these anti-France countries, France's presence was less and less felt. In other words, France's economic interests (particularly in the Sahel) were less present. We can therefore imagine that French companies had already anticipated the potential repercussions of the rise in violence in the Sahel, unrelated to coups d'état. Although anecdotal, at the Summit for a New Global Financial Pact on June 22, 2023, in Paris, Niger's President-in-Office Mohamed Bazoum expressed concern at the absence of

French companies in Niger. Conversely, in pro-France countries such as Gabon, there was no sign of a coup d'état with a regime change that would put an end to a 50-year-old regime. This could plunge France's interests into considerable uncertainty.

Table 5. Coup d'état, violence and French stock returns

	Stock market index						
	(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)
Coup d'Etat	-0.028	-0.027**	-0.075***	-0.036	-0.026**	-0.028	-0.227***
	[0.02]	[0.01]	[0.02]	[0.08]	[0.01]	[0.02]	[0.05]
Violence (Chad)	0.002						-0.004
	[0.01]						[0.00]
Violence (Gabon)		-0.002					-0.037*
		[0.01]					[0.02]
Violence (Guinea)			0.048***				0.149***
			[0.01]				[0.03]
Violence (Mali)				-0.001			-0.000
				[0.01]			[0.00]
Violence (Burkina)					0.000		-0.009***
					[0.00]		[0.00]
Violence (Niger)						-0.000	-0.005***
						[0.00]	[0.00]
Number of observations	6969	6969	6969	6969	6969	6969	6969
Number of countries	197	197	197	197	197	197	197
Fixed-effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R2 (within)	0.140	0.140	0.140	0.140	0.140	0.140	0.140

Notes: Stock market index refers to the monthly log return of each French stock market index. Coup d'Etat is a dummy variable that takes the value 1 during the month in which the coup d'Etat took place in one of the French-speaking African countries, and 0 otherwise. Violence refers to the number of riots and battles recorded in French-speaking African countries over the study period. Robust standard errors clustered at the country level are presented in brackets. ***, **, and * stand for significance at the 1%, 5%, and 10% levels, respectively.

Furthermore, one of the concerns linked to this analysis could be the possibility of omitting confounding factors, such as the rise of armed violence not necessarily linked to a coup d'état in the affected countries. Indeed, countries hit by a coup d'état have generally been confronted with growing armed insurgencies before (e.g., Chad, with the death of President Idriss Deby at the hands of rebels) or after (e.g., Niger and Burkina Faso) the coup. To control for this, we include in our estimates armed violence (riots and battles) extracted from the ACLED database. The results of this analysis are reported in Table 5. We

continue to observe a negative and significant relationship between the advent of coups d'état and the stock market performance of French firms, regardless of the occurrence of non-coup-related violence.

As a further analysis, we investigate whether the stock prices of companies differ according to their sector of activity. Looking at company profiles on Yahoo Finance (https://fr.finance.yahoo.com/), we group our companies according to their sector of activity, namely consumer cyclical, real estate, industrials, energy, financials, health care, technology, telecommunication, and basic materials. The results of this analysis are reported in Table 6. We continue to observe a negative relationship between coups d'état and the stock performance of French firms, irrespective of sector (except for energy, basic materials, and consumer cyclical). We find that this relationship is significantly stronger for companies operating in the real estate, industrial, and telecommunication sectors. Overall, our results highlight a negative relationship between the occurrence of coups d'état and the stock market performance of French companies, particularly for those operating in the real estate, industrials, and telecommunication sectors. In the same vein, Johnson et al. (1999) showed that American companies react heterogeneously to presidential political cycles in the United States.

Table 6. Results by sectors

	Stock market index by sectors:								
	Consumer cyclical	Real estate	Insdustrials	Energy	Financials	Health care	Technology	Tele-commuincation	Basic materials
Coup d'Etat	0.009	-0.106**	-0.043*	0.006	-0.034	-0.032	-0.025	-0.054*	0.001
	[0.03]	[0.04]	[0.02]	[0.03]	[0.02]	[0.06]	[0.04]	[0.03]	[0.04]
Number of observations	1395	432	1296	360	419	1132	910	576	447
Number of countries	39	12	36	10	12	32	26	17	13
Fixed-effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R2 (within)	0.224	0.401	0.241	0.264	0.501	0.157	0.103	0.136	0.265

Notes: Stock market index refers to the monthly log return of each French stock market index. Coup d'Etat is a dummy variable that takes the value 1 during the month in which the coup d'Etat took place in one of the French-speaking African countries, and 0 otherwise. Robust stantard errors clustered at the country level are presented in brackets. ***, **, and * stand for significance at the 1%, 5%, and 10% levels, respectively.

Overall, the results of our analysis highlight a negative response from French firms to the various coups d'état recorded in French-speaking Africa during our period. Nevertheless, these responses to coups differed according to the

company's sector of activity and the characteristics of the coup. In so doing, we provide the first evidence of the sensitivity of French firms to coups d'état in Africa, and how this sensitivity evolves according to the sector of activity of French firms and the inherent characteristics of the coup d'état.

3. Conclusion

This paper aims to analyze whether the stock performance of French firms is sensitive to the various coups d'état in French-speaking Africa in recent years. By considering the stock performance of 197 French firms over the period September 2020 to September 2023, our results highlight a negative response of these firms to recent coups d'état. We also find that the stock performance of French firms varies based on the country impacted by the coup and the companies' sector of activity. These results could help companies with international activities, particularly in high-risk countries, to take better account of the risks associated with maintaining operations in these territories.

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Appendix

Table A1. Coup d'état and lagged stock market indices

	Stock market index	
	(I)	(II)
L1.Coup d'Etat	-0.021**	-0.021**
	[0.01]	[0.01]
L2.Coup d'Etat	-0.048***	-0.048***
	[0.01]	[0.01]
Number of observations	6780	6780
Number of countries	197	197
Stock fixed-effect	No	Yes
Month fixed-effect	Yes	Yes
R2 (within)	0.144	0.144

Notes: Stock market index refers to the monthly log return of each French stock market index. Coup d'Etat is a dummy variable that takes the value 1 during the month in which the coup d'Etat took place in one of the French-speaking African countries, and 0 otherwise. Robust stantard errors clustered at the country level are presented in brackets. ***, **, and * stand for significance at the 1%, 5%, and 10% levels, respectively.

Table A2. Coup d'état and British stock returns

	British stock market index	
	(I)	(II)
Coup d'Etat	0.049***	0.049***
	[0.01]	[0.01]
Number of observations	3569	3569
Number of countries	100	100
Stock fixed-effect	No	Yes
Month fixed-effect	Yes	Yes
R2 (within)	0,259	0,259

Notes: Stock market index refers to the monthly log return of each British stock market index. Coup d'Etat is a dummy variable that takes the value 1 during the month in which the coup d'Etat took place in one of the French-speaking African countries, and 0 otherwise. Robust stantard errors clustered at the country level are presented in brackets. ***, **, and * stand for significance at the 1%, 5%, and 10% levels, respectively.