



## **Report on Monetary Policy in the West African Monetary Union**

**September 2020**





**BCEAO**

BANQUE CENTRALE DES ETATS  
DE L'AFRIQUE DE L'OUEST

## REPORT ON MONETARY POLICY IN THE WEST AFRICAN MONETARY UNION



*September 2020*

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

BCEAO:	Central Bank of West African States
BEAC:	Bank of Central African States
BoE:	Bank of England
BoG:	Bank of Ghana
Bps:	Basis points
BRVM:	Regional stock exchange
CBN:	Central Bank of Nigeria
CPI:	Consumer Price Index
ECB:	European Central Bank
FED:	Federal Reserve System
GDP:	Gross Domestic Product
HICP:	Harmonized Index of Consumer Prices
IMF:	International Monetary Fund
IPI:	Industrial Production Index
LBUBC:	Large Businesses Using Bank Credit
MPC:	Monetary Policy Committee
NEAs:	Net External Assets
NPISH:	Non-profit institutions serving households
NSIs:	National Statistics Institutes
OECD:	Organization for Economic Cooperation and Development
OPEC:	Organization of the Petroleum Exporting Countries
PBoC:	People's Bank of China
PEPP:	Pandemic Emergency Purchase Programme
Pps:	Percentage points
RBI:	Reserve Bank of India
REER:	Real Effective Exchange Rate
SA-WDC:	Seasonally Adjusted - Working Day Corrected
SDRs:	Special Drawing Rights
TI:	Turnover Index
WAEMU:	West African Economic and Monetary Union
WAMA:	West African Monetary Agency
WAMU:	West African Monetary Union
WEO:	World Economic Outlook
WTI:	West Texas Intermediate

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## PRESS RELEASE

### Meeting of the BCEAO Monetary Policy Committee

The Monetary Policy Committee (MPC) of the Central Bank of West African States (BCEAO) held its third ordinary meeting of financial year 2020 by videoconference from BCEAO premises on Monday, September 21, 2020, under the chairmanship of Mr. Tiémoko Meyliet Koné, Governor of the Central Bank and Statutory Chairman of the Committee.

The Committee reviewed the main trends unfolding recently in the international and regional economies and assessed the risk factors that could affect the medium-term outlook in terms of inflation and economic growth in the Union.

As for the international environment, the Committee noted that the global spread of the coronavirus pandemic (COVID-19) and the initiatives taken to contain it had led to a sharp decline in global growth. Against this backdrop, economic activity in most countries of the world dropped more sharply in the second quarter of 2020 than in the first quarter. In addition, the outlook for recovery, supported by the gradual easing of mobility restriction measures beginning in June 2020 and the recovery policies implemented by governments, was still weak due to concerns about a second wave of the pandemic. According to the International Monetary Fund, global economic activity was expected to experience a severe recession in 2020, with a decline in world production of 4.9%, after an increase of 2.9% in 2019.

On the international markets, the downward trend in commodity prices recorded in the first quarter of 2020 was accentuated in the second quarter, reflecting the negative impact of the pandemic on production chains and the aggregate demand for goods and services. According to World Bank data, energy prices were down by 35.8% in the second quarter of 2020, following an 18.4% decline in the previous quarter. Non-energy commodity prices also fell by 4.5% in the second quarter of 2020, following the 1.1% decline in the first quarter. However, precious metals, including gold, continued to rise, with prices increasing by 6.2%, after 5.4% a quarter earlier.

Looking at the domestic economy, the Committee noted that economic activity in WAEMU was also affected by the spread of the pandemic beginning in March 2020 in all Member States. The GDP fell by 2.0% in the second quarter of 2020 compared to the same period the year before, after rising by 3.2% a quarter earlier. The decline in economic activity in the Union was mainly driven by the tertiary and secondary sectors, whose value added fell by 3.4% and 3.6%, respectively, in the second quarter of 2020. In contrast, the value added of the primary sector increased by 3.1%, due to the strong performance of agricultural production. Overall, for the year 2020, the Union is expected to record economic growth of 1.3%, after achieving 6.1% in 2019.

In the first half of 2020, the execution of national budgets by the Union Member States was impacted, as in most countries of the world, by the measures taken to contain the spread of the virus and limit its economic and social repercussions. The earliest available estimates showed a significant deepening in the budget deficit, on a commitment basis, including grants, compared to its level in the same period in 2019. It stood at 6.1% of the GDP at the end of June 2020, against 2.7% one year prior.

On the monetary front, the Union's money supply continued to grow, with an increase of 13.2% at the end of June 2020, driven mainly by lending to Member States, which rose by 43.2%, in conjunction with the financing of major expenditures incurred in response to the health crisis. The Union's foreign exchange reserves also grew on an annual basis, covering 6.2 months of imports of goods and services at the end of June 2020.

The average interest rate for liquidity injection tenders at the BCEAO one-week refinancing window stood at 2.46% in the second quarter of 2020, compared to 2.90% the previous quarter. Since June 24, 2020, it has stood at 2.00%.

Addressing the inflation situation in the Union, the Committee noted that the overall level of consumer prices increased slightly in the second quarter of 2020. The inflation rate stood at 1.7%, following a level of 1.2% in the previous quarter. This situation was mainly due to higher prices for local cereals, fishery products, fresh vegetables, and tubers and plantains, as a result of the disruption in distribution channels due to the COVID-19 pandemic situation. According to the latest

projections, the inflation rate is expected to average 1.8% in 2020 and 2.0% in 2021.

Looking ahead eight quarters, i.e., by the end of June 2022, the inflation rate is expected to stand at 2.3%, within the target range (between 1.0% and 3.0%) defined for the implementation of the Union's monetary policy.

Based on these analyses, the Monetary Policy Committee decided to keep unchanged the minimum bid rate on liquidity injection tender operations and the interest rate for the marginal lending window, at respectively 2.00% and 4.00%, the levels in force since June 24, 2020. The reserve requirement ratio for the Union's banks remained unchanged, at 3.0%.

Done in Dakar on September 21, 2020

The President of the Monetary Policy Committee

Tiémoz Meyliet Koné

## SUMMARY

*The global spread of the Coronavirus pandemic (COVID-19) and the containment measures taken as of March 2020, particularly lockdown and, more generally, mobility restrictions, have resulted in an unprecedented decline in worldwide growth. Against this backdrop, economic activity in most countries of the world fell more sharply in the second quarter of 2020 than in the first quarter.*

*The outlook for recovery, supported by gradual relaxation of the social distancing and lockdown measures from June 2020 and the stimulus policies implemented by governments, continued to be weakened by concerns about a second wave of the pandemic.*

*Global inflation declined during the quarter in most advanced economies as well as in some of the major emerging economies, taking into account the extent of the drop in global demand.*

*On the international commodity markets, the downward trend in prices intensified during the quarter under review, in connection with the rapid spread of the pandemic worldwide and its negative impact on production chains and on global demand for goods and services.*

*On the foreign exchange market, the euro appreciated vis-à-vis the major currencies during the second quarter of 2020. The European currency strengthened against the British pound (3.0%), the US dollar (1.7%), the Chinese yuan (1.4%), the Indian rupee (4.6%), the Russian ruble (8.1%) and the South African rand (16.6%).*

*In WAEMU, economic activity was impacted by the spread of the pandemic as well as the mobility restriction measures implemented, especially from March 2020 onward. The GDP fell by 2.0% in the second quarter of 2020 compared to the second quarter of 2019, after a 3.2% increase a quarter earlier. For 2020 as a whole, the latest forecasts set the Union's GDP growth rate at 1.3%, compared to a projection of 2.4% in June 2020, due to the greater-than-expected slowdown in economic activity due to the negative repercussions of the COVID-19 pandemic.*

*The inflation rate in the community averaged 1.7% during the second quarter of 2020, after 1.2% a quarter earlier. The upswing in the general price level was mainly due to rising prices for local cereals, fishery products, fresh vegetables, and tubers and plantains. This trend was explained by the disruption of distribution channels in the context of the COVID-19 pandemic. The core inflation rate, which measures changes in the overall price level excluding fresh produce and energy, stood at 1.2% compared to 1.0% a quarter earlier. For the year as a whole, inflation rate was projected at 1.8% after -0.7% in 2019.*

*With regard to the public finance situation in the Member States of the Union, the execution of national budgets during the first half of 2020 showed a deepening of the deficits compared to the situation during the same period of the previous year. This deterioration was due to a decrease in revenue collection, resulting from the drop in economic activity, and an increase in government expenditures, in connection with the response to the pandemic. The overall deficit for the Union stood at 2,728.6 billion at the end of June 2020, as against 1,147.7 billion a year earlier, an increase of 1,580.9 billion. Expressed as a percentage of the GDP, it is expected to rise from 2.7% in the first half of 2019 to 6.1% of the GDP in the corresponding period of 2020.*

*As for external accounts, the Union's trade in the second quarter of 2020 was impacted by the health crisis, with the deficit increasing by 151.0 billion as compared to the same period in 2019, to stand at 562.9 billion, due to a decline in exports (16.3%) more significant than that in imports (11.6%).*

*On the monetary front, the Union's money supply continued to grow, rising by 13.2% at the end*

of June 2020 mainly driven by lending to Member States, which rose by 43.2%, in connection with the financing of the major expenditures incurred in response to the health crisis. For its part, the growth of claims on the economy slowed to 3.0% at the end of June 2020 from 6.5% at the end of March 2020. The Union's foreign exchange reserves increased by 902.9 billion during the second quarter of 2020 to reach 11,155.6 billion at the end of June 2020, in connection with the significant mobilization of external resources by the States through development partners' support for the fight against COVID-19. This level provided coverage for 6.2 months of imports of goods and services, the same level as at the end of March 2020. It corresponded to a monetary issue coverage rate of 75.3% against 79.8% a quarter earlier.

On the money market, interest rates continued to ease in the second quarter of 2020, supported by the BCEAO's one-week and one-month open market auctions at a fixed rate of 2.50%, one of the lowest in sub-Saharan Africa. The average cost of resources offered by the Central Bank on the one-week window was 2.46% in the second quarter of 2020,<sup>1</sup> compared to 2.90% in the previous quarter. On the one-month window, the average cost was 2.50% compared to 3.55% in the first quarter of 2020. On the interbank market, the average interest rate for all maturities decreased to 3.67%, from 4.21% in the previous quarter. On the one-week maturity, which accounted for 68.3% of the total volume of quarterly transactions, the average interest rate stood at 3.45% compared to 4.11% the previous quarter and 4.21% a year earlier.

On the government securities market, the average interest rate on Treasury bills issued by the Union's Member States, all maturities combined, fell by 67 basis points to 3.79% in the second quarter of 2020, compared to 4.46% one quarter earlier, reflecting the improved liquidity conditions of banks, the main investors in the public debt market.

In line with these developments, banks' lending conditions also eased, with the average cost of bank loans standing at 6.45%, compared to 6.62% in the previous quarter.

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<sup>1</sup>/ The last auction of June 2020 was carried out at a fixed rate of 2.00%, in connection with the lowering of the key rates of the BCEAO that came into effect on June 24, 2020.

## I - GLOBAL ECONOMIC ENVIRONMENT

### 1.1 - Economic activity

The worldwide spread of the Coronavirus (COVID-19) pandemic and the measures introduced to contain it as of March 2020, particularly lockdown and, more generally, mobility restrictions, have led to an unprecedented decline in global economic activity. Against this backdrop, economic activity in most countries of the world contracted more sharply in the second quarter of 2020 than in the first quarter.

However, the outlook for recovery, supported by gradual relaxation of the restrictions introduced from June 2020 onwards and the stimulus policies implemented by governments continues to be weakened by fears of a second wave of the pandemic in some countries.

**Table 1 - Trends in real GDP growth (%)**

	2018	2019	2018				2019				2020	
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Advanced economies</b>	(annually)		<i>(change from the same quarter of the previous year)</i>									
United States	2.9	2.3	3.1	3.3	3.1	2.5	2.3	2.0	2.1	2.3	0.3	-9.1
Eurozone	1.9	1.2	2.6	2.2	1.6	1.2	1.5	1.2	1.4	1.0	-3.2	-14.7
Germany	1.5	0.5	2.3	2.1	1.1	0.6	1.0	0.3	0.7	0.4	-2.2	-11.3
France	1.7	1.5	2.4	1.9	1.6	1.4	1.8	1.8	1.6	0.8	-5.7	-18.9
United Kingdom	1.3	1.4	1.1	1.3	1.6	1.4	2.0	1.3	1.3	1.1	-1.7	-21.7
<b>Emerging economies</b>												
China	6.6	6.1	6.9	6.9	6.7	6.5	6.4	6.2	6.0	6.0	-6.8	3.2
India	6.8	5.3	8.2	7.1	6.2	5.6	5.7	5.2	4.4	4.1	3.1	-23.9
Brazil	1.2	1.2	1.5	1.1	1.5	1.2	0.6	1.1	1.2	1.7	-0.3	-11.4
Russia	2.3	1.1	1.9	2.2	2.2	2.7	0.4	1.1	1.5	2.1	1.6	-8.0
South Africa	0.8	0.1	0.7	0.1	1.3	1.1	0.0	0.9	0.1	-0.5	0.1	-17.1
<b>Neighboring countries</b>												
Nigeria	6.3	6.3	2.1	1.9	1.5	1.8	2.1	2.1	2.3	2.6	1.9	-6.1
Ghana	1.9	2.3	5.4	5.4	7.4	6.8	6.7	5.7	5.6	7.9	4.9	-3.2

Sources: OECD, Eurostat, IMF, Tradingeconomics

In the United States, against the backdrop of the rapid spread of the pandemic and the implementation of measures to contain it in some of the major States, economic activity contracted sharply in the second quarter of 2020, following a marked slowdown in the first quarter. The GDP fell by 9.1% compared to the same quarter of 2019, a historic low since 1932, after a 0.3% increase in the previous quarter.

The Eurozone entered a recession with two consecutive quarters of decline in activity. Real GDP

fell by 14.7% in the second quarter of 2020, following a 3.2% decline in the previous quarter. This poor performance mainly reflected declines in economic activity in Germany (11.3%), France (18.9%), Italy (17.7%) and Spain (21.5%).

In major emerging economies, GDP growth in the second quarter of 2020 was positive at 3.2% in China, after a 6.8% decrease recorded in the first quarter. This economic recovery came against a backdrop of gradual lifting of restrictions from March onwards, linked to the decline in the number of people infected with the disease, whose impact was strengthened by the fiscal and monetary stimulus measures implemented. In contrast, activity in the other major emerging economies was adversely affected by the rapid spread of the pandemic and unfavorable external economic conditions, particularly the collapse of world trade and low oil prices. In Brazil, the GDP was down by 11.4% after falling by 0.3%. In both India and South Africa, economic activity declined sharply, with the GDP falling by 23.9% and 17.7% respectively in the second quarter of 2020.

In Nigeria, the main trading partner of the WAEMU Member States in the West African subregion, the GDP fell by 6.1% in the second quarter of 2020, in connection with the negative impact of the health crisis and low world oil prices.

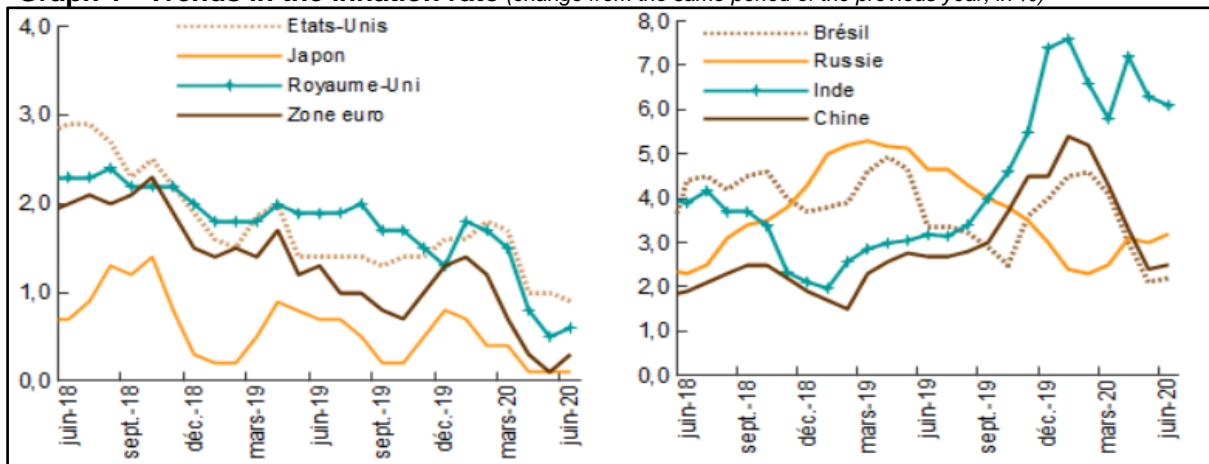
In terms of the outlook, the IMF's June 2020 revised forecasts indicated that global economic activity would experience a severe recession in 2020, with a decline in global output of 4.9%, following a 2.9% increase in 2019. A recovery is expected in 2021, with growth of 5.4%, supported by the stimulus measures implemented by governments and central banks.

The outlook continued to be surrounded by a high degree of uncertainty regarding the duration and intensity of the epidemiological shock. Risks of deterioration were related to the potential appearance of a second epidemic wave in certain countries that seemed to have the health situation under control, as well as to the effectiveness and sustainability of the initial measures to combat the pandemic. In addition to the risks associated with the pandemic, the world economy could be weakened by an increase in trade and technological tensions between the United States and China, as well as an increase in and persistence of social tensions in different regions of the world arising from the consequences of the COVID-19 pandemic.

## 1.2 - Inflation

During the second quarter of 2020, inflationary pressures eased overall in both advanced and major emerging economies, in line with the pandemic-induced weakening of demand and lower oil prices.

**Graph 1 - Trends in the inflation rate** (*change from the same period of the previous year, in %*)



Sources: OECD, Eurostat, National Statistics Institutes, BCEAO

In the United States, inflation, as measured by the Personal Consumption Expenditures (PCE) index, decreased to 0.6% at the end of June 2020 from 1.5% three months earlier. In the Eurozone, the inflation rate was 0.3% at the end of June 2020, down from 0.7% three months earlier. In the United Kingdom, the inflation rate declined from 1.5% to 0.6% between March and June 2020.

In the major emerging economies, inflation decreased overall. In China, prices rose by 2.5% in June 2020 compared to 4.3% three months earlier. Similarly, in Brazil, the inflation rate eased to 2.2% in June 2020 from 4.1% in March 2020. In contrast, in India and Russia, the inflation rate increased to 6.1% and 3.2%, respectively, from 5.8% and 2.5% three months earlier.

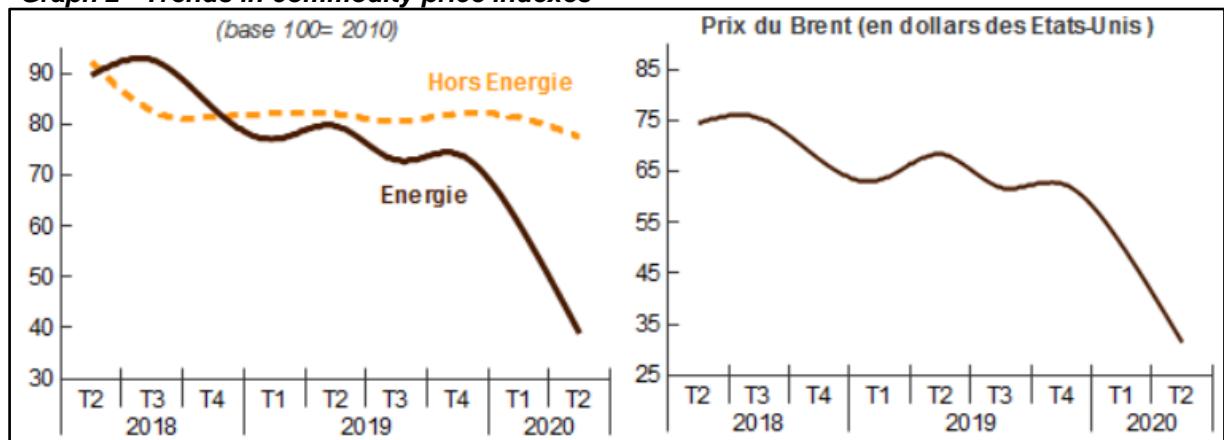
In the Union's trading partner countries in the West African subregion, inflationary pressures increased. In Nigeria, the inflation rate rose to 12.6% in June 2020 from 12.3% three months earlier. Similarly, in Ghana, the inflation rate rose to 11.2% from 7.8% in March 2020, due to higher food prices in areas affected by government-ordered closures due to the pandemic.

According to the IMF's latest World Economic Outlook, price increases in advanced economies were expected to decelerate to an annual average of 0.3% in 2020 before accelerating to 1.1% in 2021, after 1.4% in 2019. In emerging economies and developing countries, the inflation rate was projected at 4.4% in 2020 and 4.5% in 2021, after reaching 5.1% in 2019.

### 1.3 - Commodity prices

The downward trend in commodity prices observed in the first quarter of 2020 intensified in the second quarter, driven by the rapid spread of the COVID-19 pandemic worldwide and its negative impact on production chains and aggregate demand for goods and services.

**Graph 2 - Trends in commodity price indexes**



Sources: World Bank, Bloomberg

According to World Bank data, energy prices experienced a downturn in the second quarter of 2020, dropping 35.8% compared to the previous quarter, after a decrease of 18.4% a quarter earlier. This development reflects the decrease by 38.3% in crude oil prices, 22.9% in coal prices and 19.2% in gas prices. In particular, Brent and WTI prices contracted by 37.8% and 39.5%, respectively, from one quarter to the next.

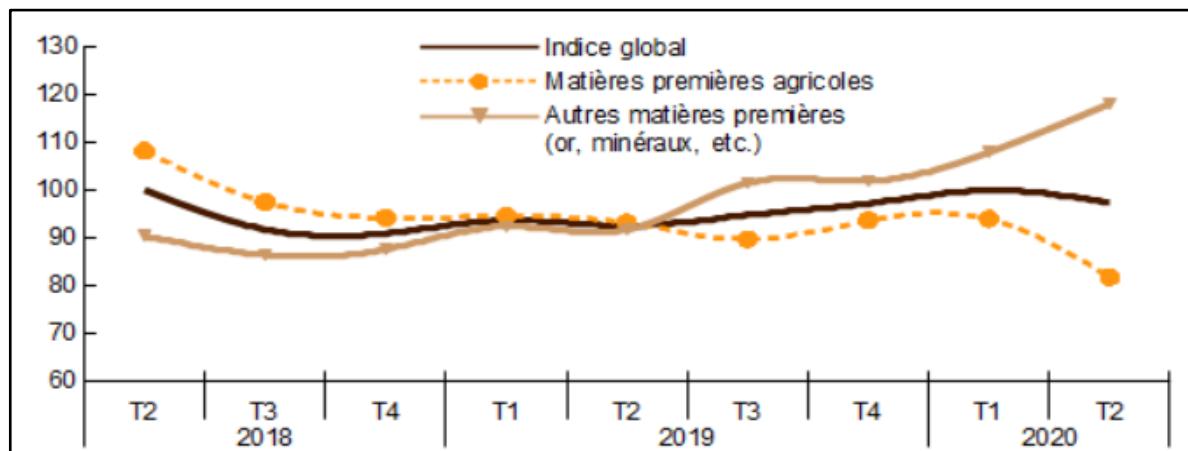
The fall in oil prices was due to a sharp decline in demand, which appeared significantly lower than global supply, despite the April 2020 production cut agreement between OPEC and other major global producers.

Non-energy commodity prices also fell by 4.5% in the second quarter of 2020, following the 1.1% decline in the previous quarter. This development reflected declines in prices for metals and

minerals (5.9%), fertilizers (4.5%) and agricultural products (4.1%). Prices of precious metals, including gold, continued to rise, increasing by 6.2% after 5.4% in the previous quarter.

For WAMU, the price index for non-energy commodities exported by Member States fell by 2.6% in the second quarter of 2020, after rising by 2.8% in the previous quarter. Cashew nut prices fell by 26.6%, while rubber, cotton, and cocoa prices declined by 17.8%, 13.4%, and 10.9%, respectively. However, this trend was offset by an 8.1% increase in gold prices.

**Graph 3 - Trends in the price index of non-energy commodities exported by WAEMU (baseline 100=2013)**



Sources: IMF, BCEAO calculations

Cashew nut prices continued to be weakened by sluggish demand and abundant production. Similarly, the suspension of activity in the automobile and tire industries eroded demand for rubber. Cotton prices were also affected by weak demand for clothing products amid global economic recession and associated unemployment. Cocoa prices were pulled down by fears of a slowdown in global demand and an improved outlook for cocoa mid-crop in Côte d'Ivoire, beginning in April 2020. Falling demand for coffee has also impacted prices.

The strong price performance of gold, a safe haven investment, was linked in particular to the fall in international interest rates and renewed uncertainty about the duration and extent of the COVID-19 pandemic.

Compared to the same period of the previous year, international prices for the main commodities exported by the Union's countries recorded sharp falls, the most significant of which were for oil (-51.9%), cashew nuts (-44.0%), rubber (-23.1%), cotton (-20.7%), coffee (-13.7%) and cocoa (-3.3%). In contrast, gold prices rose by 30.6%.

Prices for commodities exported by the countries of the Union valued in CFA francs followed the same downward trend as those expressed in foreign currencies.

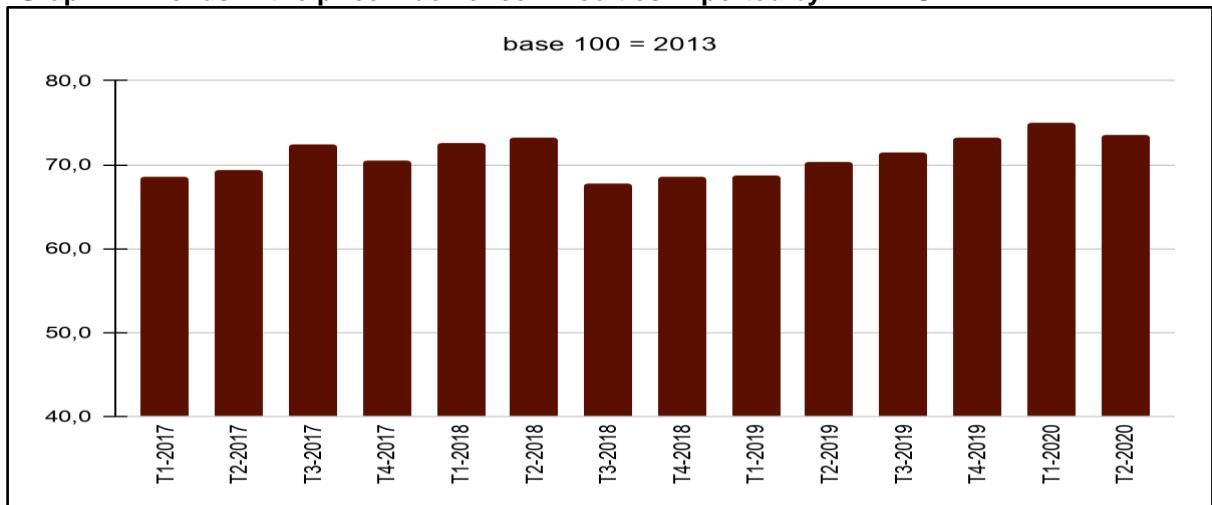
**Table 2 - Prices of commodities exported by WAEMU countries**

	Average prices Q2-2020			Change from Q1-2020		Change from Q2-2020	
	Unit	In foreign currencies	In CFA francs	Prices in foreign currencies	Prices in CFA F	Prices in foreign currencies	Prices in CFA F
Crude oil (NYMEX)	\$/barrel	28.8	122,325.9	-37.4	-37.3	-51.9	-49.7
Robusta coffee (ICO)	cents/lb.	61.7	811.4	-7.5	-7.4	-13.7	-11.9
Cacao (ICCO)	cents/lb.	103.2	1,356.9	-10.9	-10.8	-3.3	-1.2
Cotton (NY #2)	cents/lb.	56.6	743.6	-13.4	-13.3	-20.7	-19.1
Palm oil	\$/metric ton	560.8	334.1	-23	-22.9	8.9	11.2
Palm kernel oil	\$/metric ton	693.9	413.7	-15.5	-15.3	18.8	21.3
Rubber	eurocents/kg	107.9	707.6	-17.8	-17.8	-23.1	-23.1
Cashew nut	\$/metric ton	564.6	336.6	-26.6	-26.5	-44	-41.8
Gold	\$/ounce	1,710.8	35,973.6	8.1	8.2	30.6	33.4

Sources: National marketing authorities, BCEAO calculations

The price index for the main foodstuffs imported by WAEMU countries fell by 1.8% in the second quarter of 2020, after rising by 2.3% a quarter earlier. This trend was driven by declines in the prices of corn (13.9%), soybean oil (10.2%), sugar (6.0%) and wheat (5.8%). Weakening global demand and high stocks were the main reasons for the downward trend in prices. However, due to export restrictions and increased demand from Malaysia and the Philippines, international rice prices rose by 19.0%.

Compared to the same period of the previous year, the price index for the main foodstuffs imported by WAEMU countries rose by 4.7% in the second quarter of 2020, after a 9.0% increase a quarter earlier. This trend reflected increases in the prices of rice (45.4%) and wheat (7.6%). Falling prices for corn (17.6%), sugar (5.0%) and soybean oil (3.0%) had a moderating effect.

**Graph 4 - Trends in the price index of commodities imported by WAEMU**

Sources: World Bank, Bloomberg, INSEE, BCEAO, Afristat

## 1.4 - International monetary and financial conditions

### 1.4.1 - Central banks' actions

In response to the unprecedented shock related to the COVID-19 pandemic (contraction of activity, decline in demand, lower inflation, worsening of financial conditions, etc.), as of March 2020, central banks around the world adopted measures to support the economy, in addition to budgetary interventions.

**In the United States, the Federal Reserve (FED)** kept the federal fund target range at 0.00%-0.25% in the second quarter of 2020, after the two cuts totaling 150 basis points (bps) in March 2020. In its statements covering the recent period, the FED announced that the current level of the federal fund target range would not be changed, at least until 2022. It plans to wait until the economy has overcome the current crisis and is on track to achieve its goals of full employment and price stability before raising its key rates. In addition, the institution decided to continue its government bond purchase program for an unlimited amount, with a view to ensuring the smooth operation of financial markets. Since March 2020, the FED has put in place several new financing facilities. In particular, to support the supply of credit to households and businesses, the Federal Reserve has planned to increase its purchases of Treasury securities and residential and commercial mortgage-backed securities in order to maintain the proper operation of markets, supporting the effective transmission of monetary policy.

**In the Eurozone, the European Central Bank (ECB)** kept its key interest rates unchanged during the second quarter of 2020. However, it introduced a series of measures to offset the negative effects of the pandemic and support the Member States' economies. On June 4, 2020, the ECB decided to increase the budget of the exceptional asset purchase program (sovereign and private assets) known as PEPP (Pandemic Emergency Purchase Program) by 600 billion euros to 1,350 billion. Furthermore, the PEPP was extended until at least the end of June 2021. On July 16, 2020, the Governing Council decided to reinvest principal repayments on maturing assets acquired under the PEPP at least until the end of 2022.

**The Bank of England (BoE)** kept its benchmark interest rate unchanged at 0.10%, a record low following two consecutive cuts in March 2020 totaling 65 bps. Considering that further monetary policy easing was necessary due to decreased economic activity, low inflation, and downside risks to the outlook, it decided in June 2020 to increase its purchases of UK government bonds by £100 billion.

In emerging countries, central banks took steps to limit the negative impact of the pandemic since its outbreak. **In China**, the Central Bank decided on May 26, 2020, to lower the required reserve ratio for large financial institutions for the second time this year from 150 bps to 11.0%, in order to support the supply of loans to businesses. This measure was introduced after China dropped its annual economic growth target for the first time since 2002, due to uncertainties related to trends in the development of the pandemic and global trade. Earlier, on April 20, 2020, the Central Bank lowered the benchmark interest rate for loans for the second time this year, for a total of 30 bps, bringing it down to 3.85%. **In Brazil**, one of the countries hardest hit by the pandemic, the Central Bank lowered its key rate by 25 bps to 2.00%, a historic low, on August 5, 2020, following the cut of 75 bps on June 17, 2020. This was the ninth consecutive cut made to the rate, in a bid to relaunch the economy, which was severely affected by the pandemic. **In India, the Central Bank (RBI)** lowered its main policy rate by 40 bps to 4.00% on May 22, 2020, the second cut of the year for a total of 115 bps, after an initial cut in March. **In Russia**, the Central Bank lowered its key rate by 25 bps on July 24, 2020, to 4.25%. This was the fourth cut of the year, following those in February, April, and June, for a total of 200 bps.

In the West African subregion, the Monetary Policy Committee of the **Bank of Ghana (BoG)**, at its meeting held on July 27, 2020, kept its key rate at 14.50%, after a 150-bps reduction in March. The Committee stated that in the current environment marked by a significant slowdown in growth,

a widening fiscal deficit and rising inflation following the extraordinary fiscal and monetary stimulus measures taken to boost economic activity amid the COVID-19 pandemic, some “monetary restraint” was necessary to preserve macroeconomic stability. **The Central Bank of Nigeria (CBN)** maintained its main policy rate unchanged over the recent period at 12.50%, following its reduction by 100 bps on May 28, 2020, for the first time since March 2019. This measure was aimed at stimulating growth for a rapid economic recovery, while preserving price stability. In the CEMAC Zone, the BEAC, at its Monetary Policy Committee meeting on July 22, 2020, held its main policy rates unchanged, following the March 2020 cuts of 25 bps in the interest rate for tenders (TIAO) and 100 bps in the marginal lending facility rate to 3.25% and 5.00%, respectively. The BEAC's MPC also decided to launch public securities buyback operations on the secondary market, for a total amount of CFA F 600 billion, over a period of 6 months, renewable as required.

#### 1.4.2 - Trends in monetary and financial conditions

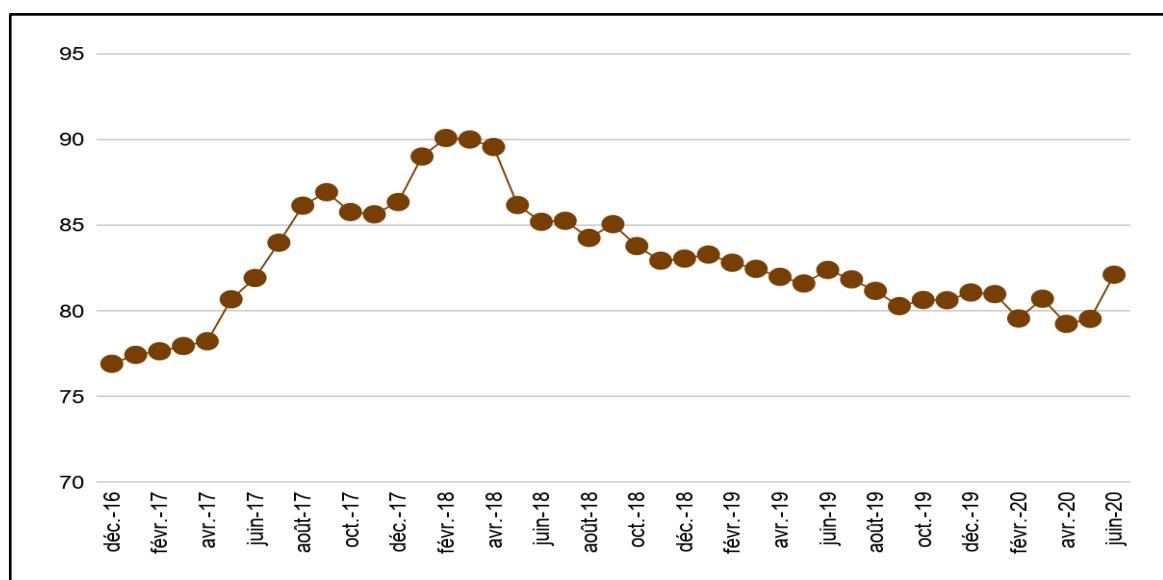
Financial conditions improved overall in the second quarter of 2020, in response to the monetary easing measures by central banks.

Sovereign rates on 10-year maturity bonds in the United States fell by 7 basis points (bps) to 0.66% at the end of June 2020. In the Eurozone countries, trends in 10-year government bond yields were similar across the major countries: -2 bps to -0.50% in Germany, -12 bps to -0.12% in France, -12 bps to 1.33% in Italy, -16 bps to 0.47% in Spain and -57 bps to 1.23% in Greece.

On the money markets, the 3-month Euribor, the main interbank interest rate in Europe, rose slightly by 7 bps to an average of -0.37% in June 2020, after -0.42% three months earlier.<sup>2</sup>

The European currency appreciated against the major foreign currencies. It was driven up by the prospect of the implementation of a European recovery plan and less disappointing economic indicators, particularly in May and June 2020. In particular, the euro strengthened by 3.0% against the pound sterling, 1.7% against the US dollar and 1.4% against the Chinese yuan.

**Graph 5 - Trends in euro/dollar exchange rates (baseline 100 = 2013)**



Source: Banque de France

Compared to the same period of 2019, the exchange rate index of the euro against the major

<sup>2</sup> The three-month Euribor has been in negative territory since April 27, 2015.

foreign currencies rose by 2.3%, in connection with the appreciation of the European currency by 4.7% against the currencies of emerging countries, and by 20.9% against the currencies of other countries, including oil-producing countries. However, the euro's 1.6% decline against the currencies of advanced countries had a moderating effect.

In the subregion, the CFA franc appreciated by 0.2% against the currencies of West African countries, following a 0.3% depreciation in the previous quarter. The increases were 3.1% against the Ghanaian cedi, 1.4% against the Liberian dollar, and 0.5% against the Guinean franc.

Compared to the same period last year, the CFA franc weakened by 0.8%, due to declines of 2.1% against the naira and 0.1% against the Gambian dalasi.

**Table 3 - Trends in the CFA franc/West African currencies exchange rate** (*Foreign currency unit per 1,000 CFA francs*)

	2018		2019				2020		Change (%)	
	Q1	Q2	Q1	Q2	Q3	Q4	Q1	Q2	Quarterly	Annual
Gambian dalasi	87.1	86.8	85.4	85.6	85.7	85.0	86.3	85.5	-0.9	-0.1
Ghanaian cedi	8.3	8.1	8.7	8.8	8.9	9.1	9.1	9.4	3.1	6.4
Guinean franc	16,859.6	16,583.2	15,760.0	15,641.8	15,575.0	15,705.2	15,765.3	15,846.1	0.5	1.3
Liberian dollar	240.3	248.4	278.5	308.7	346.2	337.5	328.4	333.1	1.4	7.9
Nigerian naira	571.8	562.4	530.5	525.0	519.7	517.0	515.4	514.0	-0.3	-2.1
Sierra Leone (leone)	14,182.4	14,130.1	14,765.7	15,008.8	15,449.4	16,231.2	16,390.9	16,341.6	-0.3	8.9
All West Africa *	133.5	131.4	126.1	125.3	124.6	124.5	124.0	124.3	0.2	-0.8

Source: WAMA

(\*) baseline 100=2016

## II - TRENDS IN SUPPLY AND DEMAND FACTORS

### 2.1 - Supply factors

Economic activity in WAEMU was impacted by the spread of the pandemic and the mobility restriction and social distancing measures introduced, particularly from March 2020 onwards. Real GDP fell in the second quarter of 2020 by 2.0% compared to the second quarter of 2019, after a 3.2% increase a quarter earlier. The business climate indicator<sup>3</sup> fell from 97.9 in the first quarter of 2020 to 84.1 in the second quarter of 2020. This major drop reflected business leaders' unfavorable opinion of economic developments, linked to the COVID-19 pandemic.

**Table 4 - Contributions of business lines to quarterly GDP growth in WAEMU** (change compared to the same quarter of the previous year) (*Seasonally adjusted - working day corrected (SA-WDC) data, in %*)

	2018			2019				2020	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Primary sector	1.5	1.5	1.4	1.3	1.1	0.9	0.8	0.7	0.7
Secondary sector	1.7	1.6	1.5	1.7	1.5	1.4	1.2	0.7	-0.7
Tertiary sector	3.1	3.3	3.6	3.9	4.0	3.7	2.9	1.8	-2.0

<sup>3</sup> The business climate indicator is calculated based on the balance of opinions of business leaders in the major trading sectors. Its average is 100 and standard deviation is 10. For example, a business climate index value above 100 indicates that corporate executives' opinion of the long-term outlook is that it will be above average, reflecting a favorable outlook.

GDP	6.3	6.4	6.5	6.9	6.6	6.0	4.9	3.2	-2.0
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Source: BCEAO

The deceleration in economic activity in the Union was mainly driven by the tertiary sector, whose value added fell by 3.4% in the second quarter of 2020, following a 3.1% increase in the previous quarter. Value added in the secondary sector fell by 3.6%, after an increase by 3.3% in the previous quarter. In the primary sector, value added increased by 3.1% in the second quarter of 2020, after a 3.2% increase in the previous quarter. The trends in economic activity compared to the same period of the previous year for each country are shown in the table below:

**Table 5 - Trends in real GDP growth rates in WAEMU Member States (SA-WDC data, compared to the same period of the previous year, in %)**

	2018			2018	2019				2019	2020	
	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2
Benin	6.5	6.8	7.2	6.7	7.7	7.6	6.8	5.5	6.9	3.8	-2.2
Burkina Faso	6.7	6.8	7.1	6.8	7.0	6.6	5.5	3.9	5.7	2.7	-2.0
Côte d'Ivoire	6.7	6.7	6.9	6.8	7.2	7.2	6.9	6.1	6.9	3.7	-1.6
Guinea-Bissau	2.9	3.2	4.1	3.4	5.2	5.5	4.6	2.7	4.5	1.5	-1.7
Mali	4.5	4.7	5.1	4.7	5.6	5.6	5.0	3.9	4.8	2.3	-2.3
Niger	7.1	7.3	7.1	7.1	6.5	5.7	4.7	3.5	5.9	2.2	-2.6
Senegal	6.5	6.4	5.8	6.4	6.6	5.6	4.9	4.0	5.3	3.0	-2.2
Togo	4.7	5.1	5.5	4.9	6.0	5.9	5.3	4.2	5.3	2.4	-2.5
<b>WAEMU</b>	<b>6.3</b>	<b>6.4</b>	<b>6.5</b>	<b>6.4</b>	<b>6.9</b>	<b>6.6</b>	<b>6.0</b>	<b>4.9</b>	<b>6.1</b>	<b>3.2</b>	<b>-2.0</b>

Source: BCEAO

### 2.1.1 - Primary sector

In the primary sector, gross value added rose by 3.1% in the second quarter of 2020, compared to the same period of the previous year, compared to 3.2% a quarter earlier. This development was due to the resilience of fish farming and livestock breeding despite the COVID-19 situation, with increases of 4.7% and 5.9%, respectively, in the second quarter of 2020.

Available statistics on the 2019/2020 crop year showed mixed results. Food crop production recorded a slight increase of 0.02%, compared to the previous year, standing at 67,007,407 metric tons, due to poor rainfall conditions in some production areas. Harvests were up mainly for tubers (+949,372 tons or 4.0%). Cereal production was down by 1.9% to 30,508,106 tons.

However, compared to the average production over the previous five years, food crop harvests for 2019/2020 were up by 14.8%.

**Table 6 - Food crop production in WAEMU**

(In metric tons except where otherwise stated, updated - August 2020)

	2017/2018	2018/2019 (1)	2019/2020* (2)	Average over the past five crop years (3)	Change (%)	
					(2)/ (1)	(2)/ (3)
Cereals	28,475,001	31,098,987	30,508,106	27,425,289	-1.9	11.2
Tubers	22,191,854	23,734,304	24,683,676	21,520,033	4.0	14.7
Other crops	9,668,703	12,163,639	11,815,625	9,415,870	-2.9	25.5
<b>Total</b>	<b>60,335,558</b>	<b>66,996,930</b>	<b>67,007,407</b>	<b>58,361,192</b>	<b>0.02</b>	<b>14.8</b>

Sources: National agriculture departments, BCEAO calculations,

\*estimates

Production of the main export crops, with the exception of coffee and cashew nuts, increased in the 2019/2020 crop year compared to the previous season. The table below shows the situation by commodity.

**Table 7 - Export crop production in WAEMU**

(in metric tons except where otherwise stated, updated - August 2020)

	2017/2018	2018/2019 (1)	2019/2020 * (2)	Average of the five previous crop years (3)	Change (%)	
					(2)/ (1)	(2)/ (3)
Cocoa	2,045,814	2,125,863	2,249,307	1,867,898	5.8	13.8
Coffee	52,066	143,025	115,487	116,245	-19.3	23
Seed cotton	2,432,422	2,451,496	2,787,603	2,286,399	13.7	7.2
Groundnuts	3,185,333	3,471,215	3,524,374	2,896,962	1.5	19.8
Cashew nuts	1,150,009	1,220,131	1,117,538	1,154,695	-8.4	5.7
Rubber	606,420	624,136	850,000	472,499	36.2	32.1

Sources: National Marketing Authorities

\* estimates

### 2.1.2 - Secondary sector

In the second quarter of 2020, value added generated by the secondary sector fell, compared to the same period of the previous year, by 3.6% in real terms, compared to an increase of 3.3% in the previous quarter. The business climate indicator, after falling below its long-term trend in the first quarter of 2020, was lower in the period under review. Business leaders showed a very low level of confidence in the economic situation. Indeed, in connection with the COVID-19 pandemic, businesses recorded an increase in order cancellations, a deterioration in their cash position and the stoppage of several civil engineering and public works projects in the second quarter of 2020.

The industrial production index fell by 5.5% in the second quarter of 2020, compared to an increase of 2.5% in the previous quarter. This contraction was mainly due to lower manufacturing and mining output.

**Table 8 - Industrial Production Index (IPI) trends in WAEMU (SA-WDC data, change compared to the same period of the previous year, in %.)**

Industries	2018	2019	2019			2020	
			Q2	Q3	Q4	Q1	Q2*
Output of extractive industries	-7.8	-1.1	5.0	4.6	-4.0	10.1	-3.9
incl. Crude oil and natural gas	-0.9	5.8	18.3	9.7	-12.2	-6.6	-16.1
Uranium ores	-17.9	9.8	12.4	13.0	7.2	19.8	0.4
Metallic ores (gold, manganese, etc.)	6.2	6.1	5.1	6.2	4.2	12.8	2.1
Manufacturing industries	9.4	8.9	7.5	11.9	7.8	-0.6	-7.4
- Food and beverage products	14.4	14.1	11.3	18.9	12.5	-2.9	-10.5
- Refined petroleum products	-1.3	6.0	7.2	19.4	-18.0	5.5	5.6
Electricity, gas & water	0.1	9.4	10.2	12.2	11.4	12.0	8.7
<b>Overall Index</b>	<b>4.2</b>	<b>6.8</b>	<b>7.1</b>	<b>10.2</b>	<b>5.1</b>	<b>2.5</b>	<b>-5.5</b>

Source: BCEAO

\* Preliminary data

Over the period under review, manufacturing output dropped sharply by 7.4%, following a 0.6% decline three months earlier. This development was mainly due to the 10.5% decline in food products and 2.5% in beverages, particularly in Benin, Côte d'Ivoire, and Senegal. In the extractive industry, there was a decline of 3.9% during the period under review, compared to an increase of 10.1% in the previous quarter, reflecting in particular the slowdown in the production of crude oil and natural gas, mainly in Côte d'Ivoire and Niger.

### 2.1.3 - Tertiary sector

The added value generated in the tertiary sector fell by 3.4% in the second quarter of 2020, from an increase of 3.1% in the first quarter of the same year. Compared to the previous quarter, the business climate in the tertiary sector deteriorated in connection with the COVID-19 health crisis. Businesses in the market services sector reported a further decline in volume. Commercial companies, which were relatively unaffected at the beginning of the crisis, were also affected, due to the significant reductions in stocks, difficulties in obtaining supplies from suppliers and a tense financial situation.

The retail sales index fell by a significant 16.6% in the quarter under review, compared to a 0.5% increase in the previous quarter. This decline, which was mainly due to the COVID-19 crisis, was attributable in particular to lower sales of food and beverages (-24.9% compared to -4.2%), textiles and clothing (-26.6% compared to -0.7%) and petroleum products (-18.4% compared to +2.5%). The decrease in sales of food products was recorded in particular in Benin, Côte d'Ivoire, and Togo. With regard to textiles and clothing, the drop in sales was significant in Benin, Senegal, and Togo. As for the decline in the marketing of petroleum products, Côte d'Ivoire, Niger, and Senegal were the countries most affected.

The sales index in market services (excluding financial services) fell by 4.8% in the second quarter of 2020, compared to an increase of 1.7% in the first quarter of 2020, as a result of the decline of activities in transportation, accommodations, and restaurant services, particularly in connection with the closure of some hotel resorts.

The financial services activity index, for its part, recorded a slight increase during the period under review, ringing in at +7.8%, against +7.6% one quarter earlier, in line notably with the increase in the volume of banking transactions (credits, deposits), partially offset by a fall in lending rates.

**Table 9 - Trends in the turnover index (TI) in WAEMU (SA-WDC data, change compared to the same period of the previous year, in %)**

	2018	2019	2019			2020	
			Q2	Q3	Q4	Q1	Q2*
<b>Trade TI</b>	<b>7.3</b>	<b>3.1</b>	<b>4.5</b>	<b>0.7</b>	<b>-1.4</b>	<b>0.5</b>	<b>-16.6</b>
Food products	11.3	-0.7	-0.3	-7.1	-14.8	-4.2	-24.9
Personal goods	14.6	12.6	22.4	9.1	-4.1	-0.7	-26.6
Automobiles, motorcycles, and spare parts	0.5	0.9	3.0	-6.3	0.6	-0.3	-10.1
Petroleum products	11.2	4.0	6.1	4.2	2.6	2.5	-18.4
Pharmaceutical and cosmetic products	10.5	13.1	11.9	11.7	7.8	9.2	-7.0
<b>Trade services TI (excluding financial services)</b>	<b>8.0</b>	<b>2.1</b>	<b>1.5</b>	<b>3.5</b>	<b>1.3</b>	<b>1.7</b>	<b>-4.8</b>
<b>Financial services TI</b>	<b>7.3</b>	<b>8.5</b>	<b>7.0</b>	<b>10.1</b>	<b>9.0</b>	<b>7.6</b>	<b>7.8</b>

Source: BCEAO

\* Preliminary data

## 2.2 - Demand factors

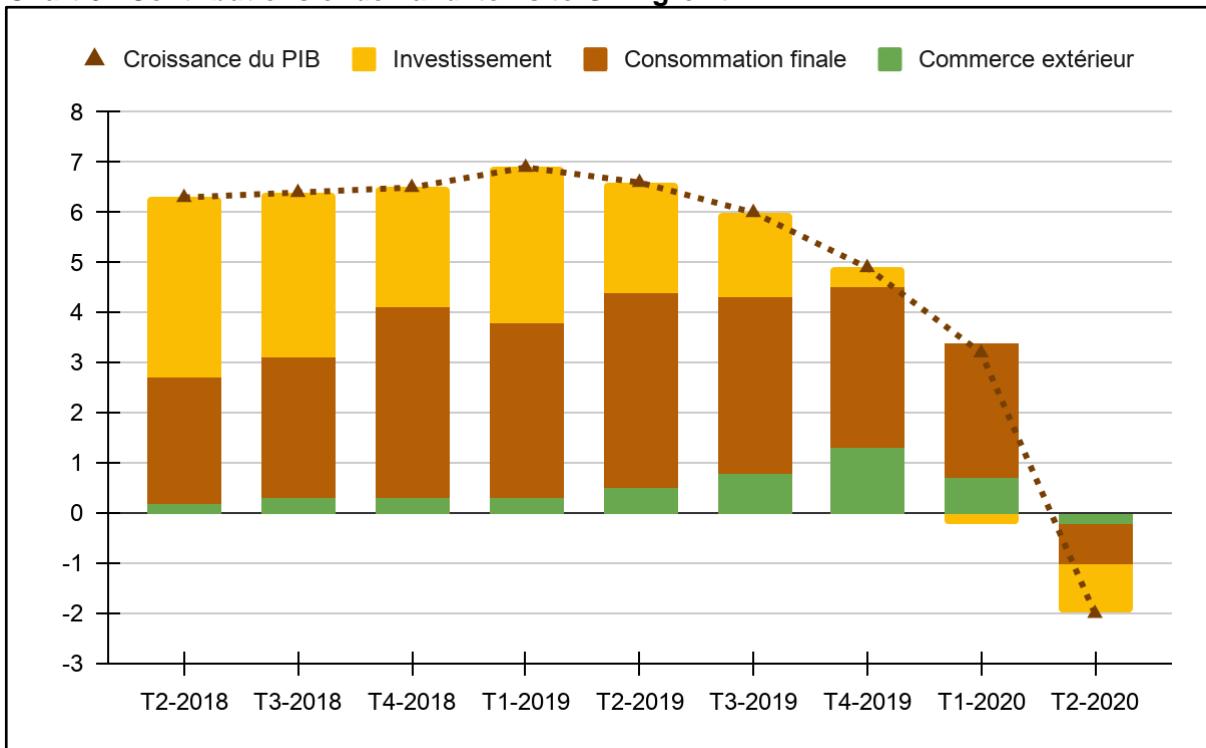
### 2.2.1 - Trends in uses of GDP

Analysis based on demand factors showed that the decrease in the gross domestic product of the Union during the second quarter of 2020 was mainly driven by consumption and investment.

Consumption fell by 1.0% in the second quarter of 2020, in line with a decline in household spending on services, particularly in the transportation and food service categories.

Capital expenditure fell by 3.9% in the second quarter of 2020, compared to the same period of the previous year, after dropping by 0.6% in the previous quarter, in connection with the decline in construction activity in the context of the COVID-19 pandemic.

In terms of foreign trade, the deterioration of the trade deficit due to a more significant decline in exports than in imports also contributed to the drop in economic activity in the second quarter of 2020.

**Chart 6 - Contributions of demand items to GDP growth**

Source: BCEAO

### 2.2.2 - Budget execution of WAEMU Member States at the end of June 2020

In the first half of 2020, budget execution in WAEMU Member States, as in most countries around the world, was affected by the measures taken to contain the spread of the coronavirus and limit its economic and social impact.<sup>4</sup>

The first available estimates of budget execution by WAEMU Member States showed a significant widening of the budget deficit, on a commitment basis, including grants, compared to its level at the same period in 2019. Indeed, the budget deficit stood at 2,728.6 billion or 6.1% of the GDP at the end of June 2020, compared to 1,147.7 billion or 2.7% of the GDP a year earlier. This change reflected lower revenue mobilization and increased government spending in connection with the response to the pandemic.

The budget revenues of the Member States of the Union amounted to 6,579.9 billion at the end of the first six months of 2020, as against 6,858.5 billion a year earlier, a decline of 278.6 billion or 4.1%. This decrease was mainly due to the 5.1% drop in tax revenue, in line with the impact of the pandemic on resource mobilization by national governments and fiscal expenditures incurred to limit the economic and social impact of the health crisis.

Budgetary grants, estimated at 486.8 billion at the end of June 2020, are expected to show an increase of 18.8% compared to the first six months of 2019. This situation reflects the budgetary support received by the States to cope with the pandemic.

<sup>4</sup> See the June 2020 Report for measures implemented by States.

**Table 10 - Financial transactions of WAEMU Member States, June 2020 (in billions, unless otherwise stated)**

	June-19	June-20	Change (amount)	Change (%)
<b>Total revenues and grants</b>	<b>7,268.1</b>	<b>7,066.7</b>	<b>-201.4</b>	<b>-2.8</b>
Total revenues	6,858.5	6,579.9	-278.6	-4.1
including fiscal revenues	5,819.8	5,524.5	-295.3	-5.1
(% of GDP)	13.6	12.4		
Other revenue (including non-fiscal)	1,038.7	1,055.4	16.7	1.6
Grants	409.6	486.8	77.2	18.8
<b>Net expenditures and loans</b>	<b>8,415.9</b>	<b>9,795.4</b>	<b>1,379.5</b>	<b>16.4</b>
Current expenditures	5,705.5	6,576.1	870.6	15.3
Transfers and grants	1,211.0	1,818.4	607.4	50.2
Capital expenditure	2,501.8	2,858.8	357.0	14.3
(% of GDP)	5.9	6.4		
<b>Total balance, commitment basis, including grants</b>	<b>-1,147.7</b>	<b>-2,728.6</b>	<b>-1,580.9</b>	<b>-137.7</b>
(% of GDP)	-2.7	-6.1		
<b>Total balance, cash basis, including grants</b>	<b>-1,175.5</b>	<b>-2,769.2</b>	<b>-1,593.7</b>	<b>-135.6</b>

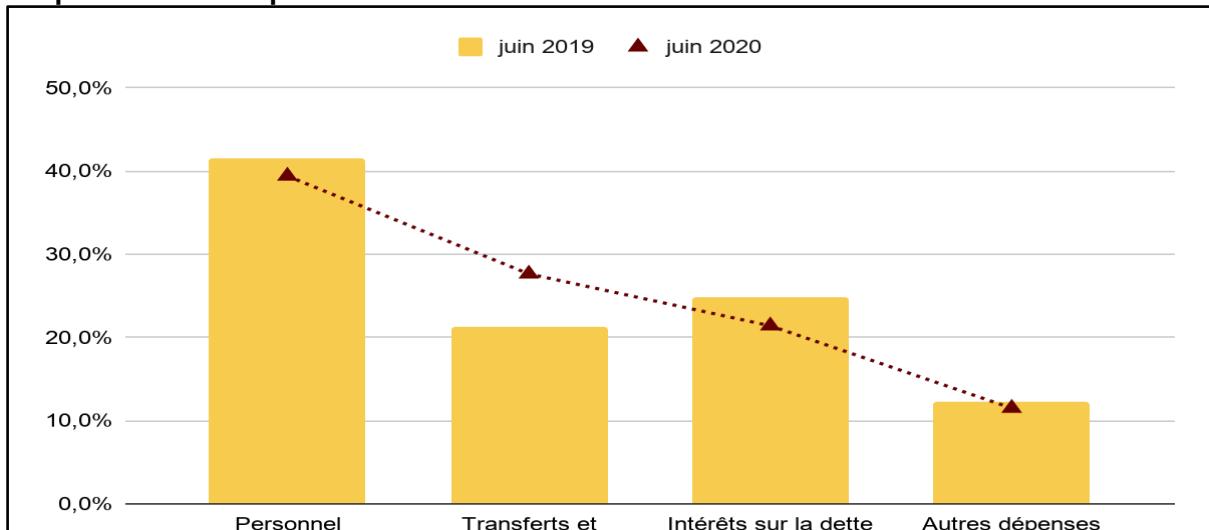
Sources: National departments, BCEAO

(\*): Estimates for June 2020

Net expenditures and loans increased by 16.4%, from 8,415.9 billion at the end of June 2019 to 9,795.4 billion at the end of June 2020, as a result of the increase of 870.6 billion or 15.3% in current expenditures and 357.0 billion or 14.3% in capital expenditures. The increase in transfers and subsidies was due, in particular, to social assistance measures adopted by the governments and involving partial or total coverage of water and electricity bills, food aid and cash transfers to vulnerable populations.

The 14.3% or \$357.0 billion increase in capital expenditures over the year reflected the continuation of infrastructure projects as well as the implementation of certain investments in connection with plans to combat the pandemic, particularly in the health sector, through the acquisition of new equipment or the opening of centers for patient screening.

On a cash basis, the budget deficit, including grants, amounted to 2,769.2 billion at the end of June 2020. It was financed by soliciting the public debt market and by mobilizing resources from technical and financial partners.

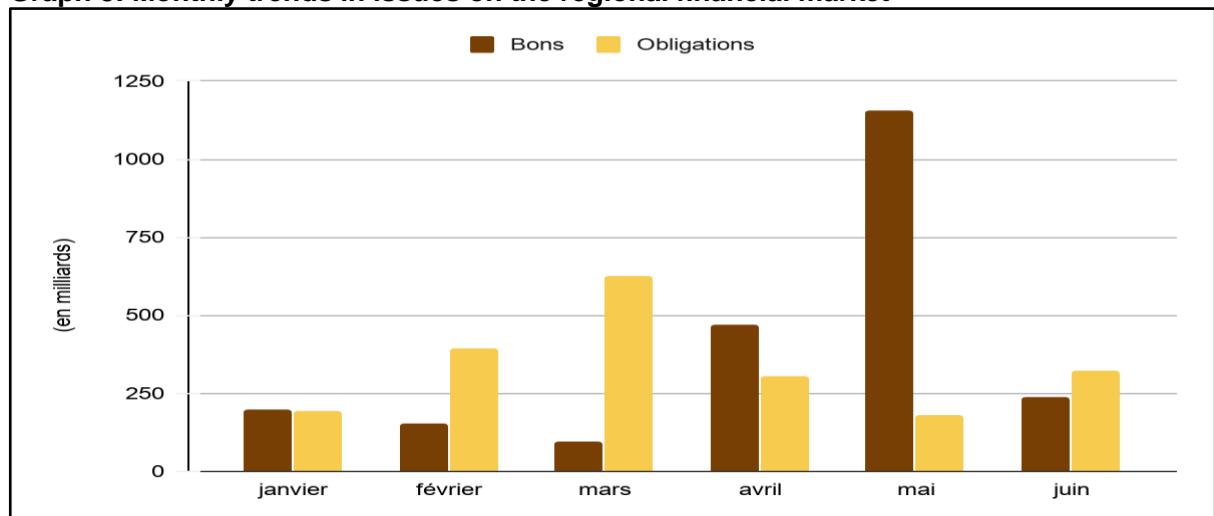
**Graph 7: Current expenditures structure at the end of June 2020**

Sources: National departments, BCEAO

### 2.2.3 - Regional public debt market

In the first half of 2020, the total gross amount of bonds issued on the regional public debt market was 4,336.1 billion, up 2,011.5 billion or 86.5% compared to the first half of 2019. Net bond issues stood at 2,746.1 billion at the end of June 2020, compared to 783.8 billion a year earlier, due to the strong presence of the Member States on the regional financial market to raise resources to cover their financing needs related to the fight against the COVID-19 pandemic.

In the Treasury bill segment, fifty-three issues were made for a cumulative amount of 2,310.5 billion, compared to forty-four issues amounting to 1,083.2 billion a year earlier. The 3- and 6-month maturities were the most popular, with thirty-six issues for a total value of 1,916.4 billion, including 1,172.6 billion in Treasury bills known as “COVID-19 Bills”, issued during the months of April and May 2020.

**Graph 8: Monthly trends in issues on the regional financial market**

Source: WAMU Securities Agency

During the first six months of 2020, national treasury departments raised 2,025.6 billion on the

bond segment, compared to 1,241.4 billion in the first half of 2019. The bonds issued were mainly for 3-year and 5-year maturities, representing 42.4% and 30.5% of the resources collected, respectively. Seventy-six issues were made by auction for an amount of 1,659.4 billion and four by syndication for an amount of 366.2 billion. Issues by syndication were made by Treasury departments in Burkina Faso (140.0 billion), Côte d'Ivoire (110.0 billion) and Mali (116.2 billion).

**Table 11: Gross issues by auction and syndication on the regional public securities market**  
(in billions of CFA F)

	2018	2019				Total 2019	2020	
		Q1	Q2	Q3	Q4		Q1	Q2
Bills	1,489.4	536.9	546.3	358.3	203.6	1,645.1	446.1	1,864.4
Bonds	1,788.2	555.0	686.4	728.6	497.0	2,467.0	1,217.9	807.7
<i>By auction</i>	943.9	349.5	474.2	454.3	497.0	1,775.0	851.7	807.7
<i>By syndication</i>	844.3	205.5	212.2	274.3	0.0	692.0	366.2	0.0
<b>Total</b>	<b>3,277.6</b>	<b>1,091.9</b>	<b>1,232.7</b>	<b>1,086.9</b>	<b>700.6</b>	<b>4,112.1</b>	<b>1,664.0</b>	<b>2,672.1</b>

Source: WAMU Securities Agency

On the Treasury bill segment, the average interest rate for resources raised by States fell, on a year-over-year basis. The weighted average interest rate stood at 3.79% at the end of June 2020 after 4.46% a quarter earlier, compared to 5.32% for the same period of the previous year. This significant easing of the cost of Treasury bills over the period essentially reflected the measures put in place to support the issuing of special bills known as "COVID-19 Bills", in particular the opening of a special three-month refinancing window to refinance these securities at a uniform rate of 2.50%.

**Table 12: Average interest rate on Treasury bills (%)**

	2018				Total 2018	2019				Total 2019	2020	
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2
1 month	-	-	-	3.90	3.90	-	-	-	-	-	-	-
3 months	6.38	5.81	4.85	6.02	5.46	5.00	4.98	4.63	-	4.85	3.88	3.28
6 months	6.09	6.17	5.86	5.99	6.06	5.69	5.40	-	4.9	5.52	4.38	4.45
12 months	6.25	6.22	6.11	6.08	6.16	6.07	5.62	5.29	5.11	5.61	4.94	4.93
24 months	-	5.8	-	-	5.80	-	-	-	-	-	-	-
<b>Average rate</b>	<b>6.22</b>	<b>6.00</b>	<b>5.61</b>	<b>5.78</b>	<b>5.90</b>	<b>5.78</b>	<b>5.32</b>	<b>4.93</b>	<b>5.08</b>	<b>5.36</b>	<b>4.46</b>	<b>3.79</b>

Source: BCEAO

### **Outstanding public securities on the regional market**

In line with the trend in net issues, the total outstanding amount of government securities on the regional financial market stood at 13,629.6 billion at the end of June 2020. Bonds accounted for 81.5% of this outstanding amount. The situation by country was as follows:

**Table 13: Outstanding public securities at the end of June 2020 (\*) by country (in billions of CFA F)**

	Bills	Bonds	Total
Benin	142.0	1,529.3	1,671.3
Burkina Faso	348.7	1,402.9	1,751.6
Côte d'Ivoire	938.4	3,594.5	4,533.0
Guinea-Bissau	42.1	87.3	129.4
Mali	217.5	1,484.9	1,702.4
Niger	384.1	642.9	1,026.9
Senegal	267.4	1,177.2	1,444.7
Togo	179.3	1,190.9	1,370.3
<b>WAEMU</b>	<b>2,519.5</b>	<b>11,110.0</b>	<b>13,629.6</b>

Source: BCEAO, WAMU Securities      (\*) These figures apply to issues on the regional financial market only.

For the year 2020, based on the issuance schedule submitted by the Union's Member States, the total amount of resources to be mobilized on the regional financial market is expected to amount to 6,342.1 billion, up 54.2% compared to 2019. Maturities will be 4,556.1 billion and net issuance will be positive at 1,786.0 billion, an increase of 96.1%. The result will be an outstanding stock of government securities of 12,669.5 billion at the end of December 2020, representing 14.0% of the Union's GDP.

**Table 14: Outstanding public securities trends (in billions of CFA F)**

	2015	2016	2017	2018	2019	2020*
<b>Outstanding</b>	<b>6,388.5</b>	<b>8,621.4</b>	<b>9,629.9</b>	<b>9,972.7</b>	<b>10,883.5</b>	<b>12,669.5</b>
(% of GDP)	9.5	12.1	12.7	12.3	12.5	14.0
<b>Relative share</b>						
- bills	20.3	17.5	12.7	11	7.2	-
- bonds	79.7	82.5	87.3	89	91.8	-

Sources: BCEAO, WAMU Securities Agency.

(\*): forecast for end of December 2020

#### **2.2.4 - Mobilization of external resources by the States**

In the first half of 2020, only Niger issued Eurobonds on international markets. They amounted to \$200 million.

The Member States also received support from international institutions, particularly in the fight against the pandemic.

During the first half of the year, the countries mobilized \$1,215.0 billion from the IMF, \$1,181.3 billion of which was earmarked for the fight against COVID-19. The IMF also decided, through its Catastrophe Containment and Relief Trust (CCRT), to service the Union countries' debt to the Fund over a six-month period for an amount of 27.5 billion. Côte d'Ivoire and Senegal were not eligible for this relief. In addition to the IMF debt service relief, the Union's countries also benefited from a suspension of repayments to the Paris Club for the remainder of 2020.

The World Bank also provided resources in the form of grants or concessional loans to support the efforts of WAEMU countries in the fight against the COVID-19 pandemic and help them respond to public health emergencies. The total amount for the Union as a whole was 361.8 billion.

The countries of the Union were also able to mobilize 254.8 billion CFA francs from the African Development Bank in the form of budget support.

#### **2.2.5.- Foreign trade and intra-WAEMU trade in the second quarter of 2020**

In the second quarter of 2020, the Union's trade deficit worsened by 150.9 billion compared to the same period in 2019, to stand at 562.9 billion, due to a 16.3% decrease in exports and a 11.6% decrease in imports.

The trend in imports reflected the decreases in the energy bill (48.7%) and in foreign purchases of capital and intermediate goods (10.0%). The fall in the oil bill was due to lower prices on international markets, while the fall in imports of capital goods and intermediate goods was due to the economic situation, which was not very conducive to the implementation of socio-economic projects. The decline in imports was partially offset by the increase in food and consumer goods supplies (3.4%), due to the increase (45.4%) in international prices, particularly for rice.

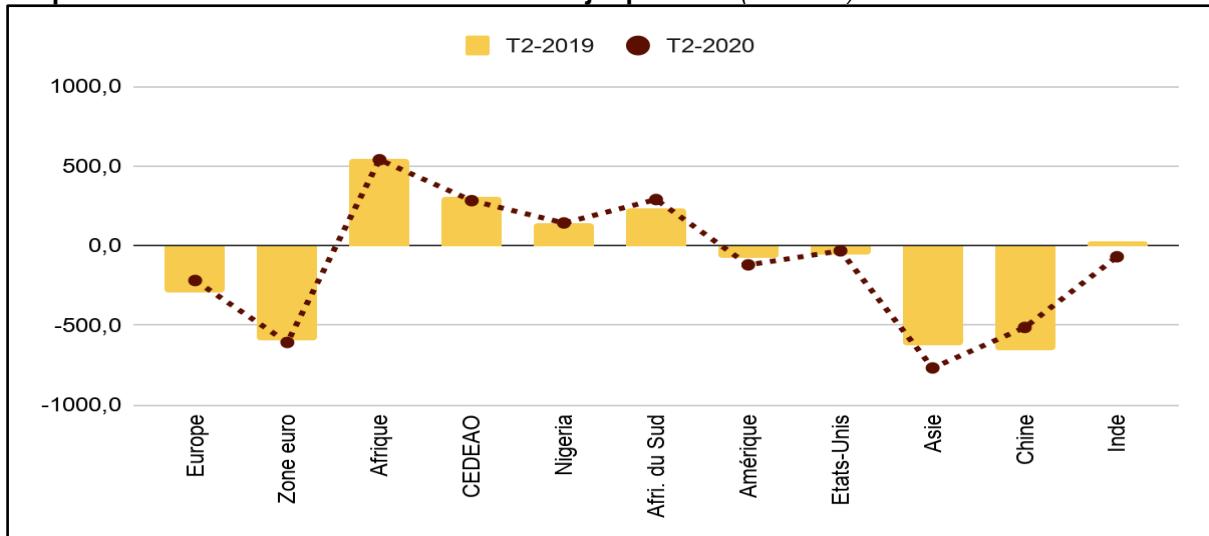
The decline in exports was due to the poor performance of sales of petroleum products, cotton, cashew nuts, rubber, and cocoa, which fell by 69.6%, 57.2%, 45.6%, 7.6% and 2.7%, respectively. These developments were due to unfavorable price trends and declines in export volumes for the products, with the exception of rubber, which benefited from an increase in production. The downward trend in exports was, however, partially offset by the increase in gold sales, in line with rising international market prices.

**Table 15 - Trends in trade in the Union in the first quarter of 2020**

	2019	2020	Change	
	Q2	Q2	(amount)	(%)
<b>Exports (FOB)</b>	<b>4,281.2</b>	<b>3,585.3</b>	<b>-695.9</b>	<b>-16.3</b>
<i>incl. Gold and precious metals</i>	874.5	1,012.7	138.2	15.8
Cocoa products	500.9	487.5	-13.4	-2.7
Petroleum products	515.0	156.6	-358.4	-69.6
Cashew products	461.1	251.0	-210.1	-45.6
Cotton products	328.6	140.6	-188.0	-57.2
Rubber	92.4	85.4	-7.0	-7.6
Uranium	41.3	37.5	-3.8	-9.2
Coffee products	30.7	23.7	-7.0	-22.8
<b>Imports (FOB)</b>	<b>4,693.2</b>	<b>4,148.2</b>	<b>-545.0</b>	<b>-11.6</b>
<i>incl. Food products</i>	1,191.4	1,218.5	27.1	2.3
Consumer goods	496.2	526.3	30.1	6.1
Energy products	1,098.4	563.7	-534.7	-48.7
Capital goods	782.0	719.2	-62.8	-8.0
Intermediate goods	864.5	762.8	-101.7	-11.8
<b>Trade balance</b>	<b>-412.0</b>	<b>-562.9</b>	<b>-150.9</b>	<b>-36.6</b>
<b>(% of GDP)</b>	<b>-1.0</b>	<b>-1.3</b>		

Sources: BCEAO, NSIs, Customs - (\*) estimates

The dynamics of the Union's trade during the period under review showed a slight widening of the surplus with Africa, a widening of bilateral deficits with Asia and America, and a narrowing of the deficit with Europe.

**Graph 9 - Trends in the trade balance with major partners (in billions)**

Sources: BCEAO, NSIs, Customs

Intra-WAEMU trade was estimated to have fallen by 16.7% to 622.5 billion, representing 16.1% of the Union's total trade. Côte d'Ivoire and Senegal continued to be the Union's main suppliers, accounting for 55.4% of total intra-Community supply. On the demand side, Mali and Burkina Faso were the main destinations, with a 51.6% share of the flows exchanged between the countries of the Union. The main products traded were oil, food preparations (milk, broths, etc.), local products (cereals, live animals), edible oils and construction materials.

### 2.3 - Economic growth outlook

Forecasts for the third quarter, based on available economic indicators, were posited on an upturn in economic activity, supported by the relaxation of the restrictive measures taken by governments in the context of the COVID-19 crisis, the implementation of fiscal and monetary stimulus programs, as well as the recovery of economic activities in most of the Union's trading partner countries, notably China and the United States. WAMU's GDP was expected to grow by 2.1% in the third quarter of 2020.

For 2020 as a whole, the Union was expected to record economic growth of 1.3%, compared to an initial forecast of 6.6%, after achieving 6.1% in 2019. This clear slowdown reflected the impact of the coronavirus pandemic, which has led to a widespread decline in global economic activity, particularly in industrialized and emerging countries, the major partners of the Union's Member States. These forecasts took into account the various transfer mechanisms (foreign trade, foreign direct investment, migrant remittances, etc.) as well as the decline in activity, particularly in the financial, tourism, transportation, hotel, and restaurant sectors.

**Table 16: Real GDP growth rate in WAEMU Member States (%)**

	2018	2019	2020	
		Estimates	Forecasts (June 2020)	Projections (September 2020)
Benin	6.7	6.9	3.5	3.5
Burkina Faso	6.8	5.7	2.0	2.0
Côte d'Ivoire	7.4	6.9	3.6	0.8
Guinea-Bissau	3.4	4.5	-1.9	-1.9
Mali	4.7	4.8	0.9	0.9
Niger	7.1	5.9	1.0	1.0
Senegal	6.4	5.3	1.1	1.1
Togo	4.9	5.3	1.3	1.3
<b>Union</b>	<b>6.4</b>	<b>6.1</b>	<b>2.4</b>	<b>1.3</b>

Sources: National Institutes of Statistics (NISs)

The downward revision of Côte d'Ivoire's growth outlook was due to a stronger-than-expected decline in primary sector output (-2.6% versus -2.0% previously) and a smaller-than-expected increase in secondary sector activity (+0.3% versus +5.0% previously).

Sectoral contributions were expected to be 0.9 points for the tertiary sector, 0.1 points for the secondary sector and 0.3 points for the primary sector.

**Table 17: Trends in contributions to the growth of the Union's gross domestic product**

	<b>2018</b>	<b>2019</b>	<b>2020 (est.)</b>
Primary sector	1.3	0.8	0.3
Secondary sector	1.8	1.6	0.1
Tertiary sector	3.3	3.7	0.9
<b>Real GDP</b>	<b>6.4</b>	<b>6.1</b>	<b>1.3</b>
Final consumption	3.3	3.3	0.7
Investment	2.4	2.2	-1.5
Foreign sector including - Exports	0.7 1.6	0.6 1.7	2.1 0.4

Sources: BCEAO, State Services

These outlooks are surrounded by significant downside risks, linked to the duration and intensity of the pandemic both globally and in the subregion, and to the deteriorating security situation.

Member States should, in this context:

- intensify and strengthen measures to contain the spread of the pandemic and limit its impact on economic performance,
- continue efforts to effectively mobilize resources pledged by external partners in support of economic recovery plans,
- speed up actions to improve fiscal administrations' tax collection, in a context of weakening of the revenue base, and
- continue to improve the security, health, and education environment, particularly through investments in infrastructure and technology.

### **III - CURRENCY, MONETARY CONDITIONS AND FINANCIAL MARKET**

#### **3.1 - Monetary conditions**

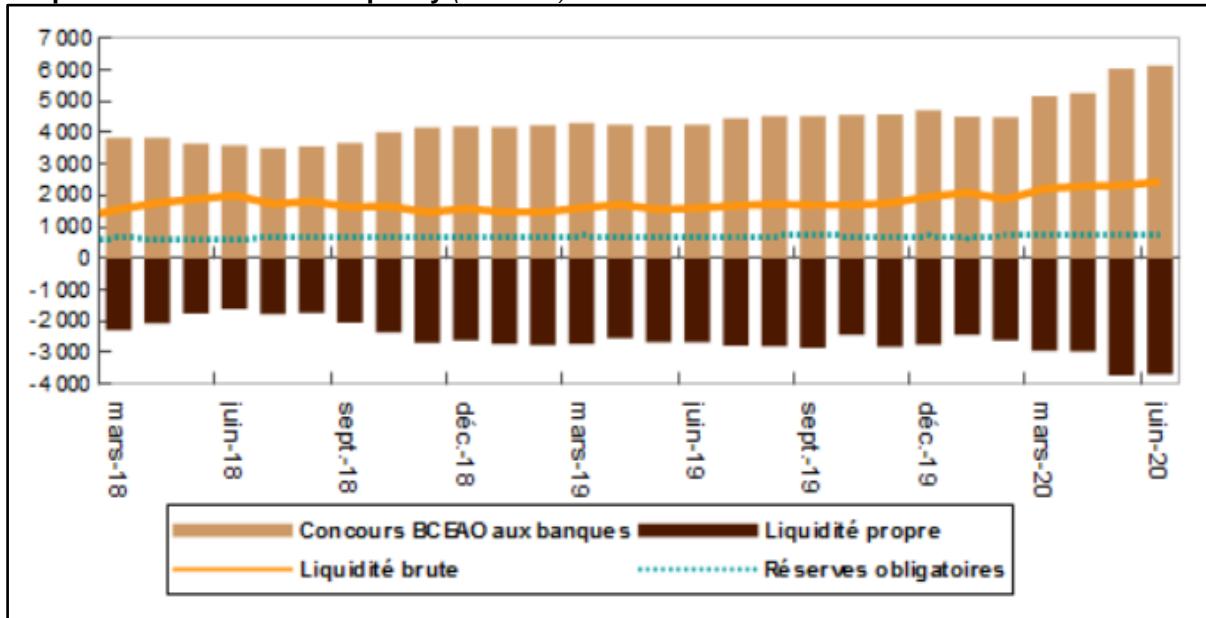
##### **3.1.1 - Bank liquidity**

During the second quarter of 2020, WAEMU banks' own liquidity deteriorated by 752.6 billion to stand at -3,698.8 billion. Indeed, net outflows of resources via transfers contributed to the deterioration of banks' cash position by 533.5 billion. Similarly, the balance of their operations with the treasury came out negative at -284.6 billion, in particular in connection with their acquisitions of public securities, especially COVID-19 Bills. In terms of banknote movements, payments made at bank counters were greater than withdrawals, resulting in a positive balance of 65.6 billion, which was unable to compensate, however, for the negative impact of changes in other factors.

In order to cover their cash deficit, which widened further during the quarter, banks increased their requests for liquidity from the Central Bank. Thus, during the quarter, outstanding refinancing increased by 971.4 billion to reach 6,133.9 billion.

As a result of these developments, the bank's cash position, measured through the balances of ordinary and settlement accounts in the books of the Central Bank, was consolidated by 218.9 billion in the second quarter of 2020, standing at 2,435.1 billion at the end of June 2020 against 2,216.2 billion at the end of March 2020.

**Graph 10 - Trends in bank liquidity (in billions)**



Source: BCEAO

Furthermore, the reserve requirements of banks over the maintenance period running from May 16 to June 15, 2020, were estimated at 760.8 billion. Over the same period, actual reserves averaged 2,167.6 billion, exceeding the regulatory minimum level required by 1,406.8 billion.

Compared to the situation outlined in the last Report, i.e., the February 16 to March 15, 2020, maintenance period, surplus reserves increased by 374.5 billion. They represented 184.9% of required reserves compared to 135.2% in the previous quarter. The number of banks with reserve requirement shortfalls decreased from three to two.

### 3.1.2 - Trends in money market interest rates

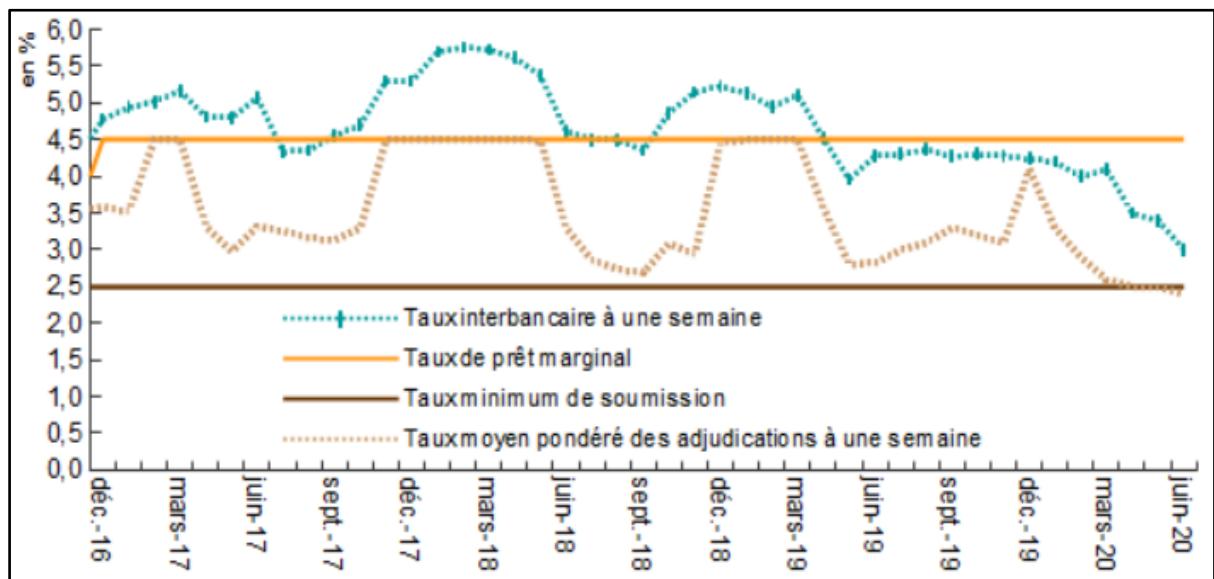
An analysis of refinancing terms at BCEAO tender windows during the second quarter of 2020 showed an easing of rates, in connection with measures taken by the Central Bank to mitigate the negative effects of the crisis on the economies of the Union's countries.

Among these measures, the Central Bank increased its lending to the banking system by organizing auctions at a fixed rate corresponding to the minimum bid rate (2.50%). On the public securities market, a special window was set up to refinance the so-called "COVID-19 Bills" issued by the States to cover the immediate expenses related to the fight against the COVID-19 pandemic. The BCEAO Monetary Policy Committee also reduced its key rates by 50 basis points, effective June 24, 2020.

The weighted average rate for weekly liquidity injection operations was 2.46% in the second quarter of 2020 compared to 2.90% in the previous quarter and 3.10% a year earlier. On the one-month window, the weighted average rate was 2.50% compared to 3.55% in the first quarter of

2020. In the same period of 2019, the rate was 3.15%.

**Graph 11 - Trends in money market rates**



Source: BCEAO

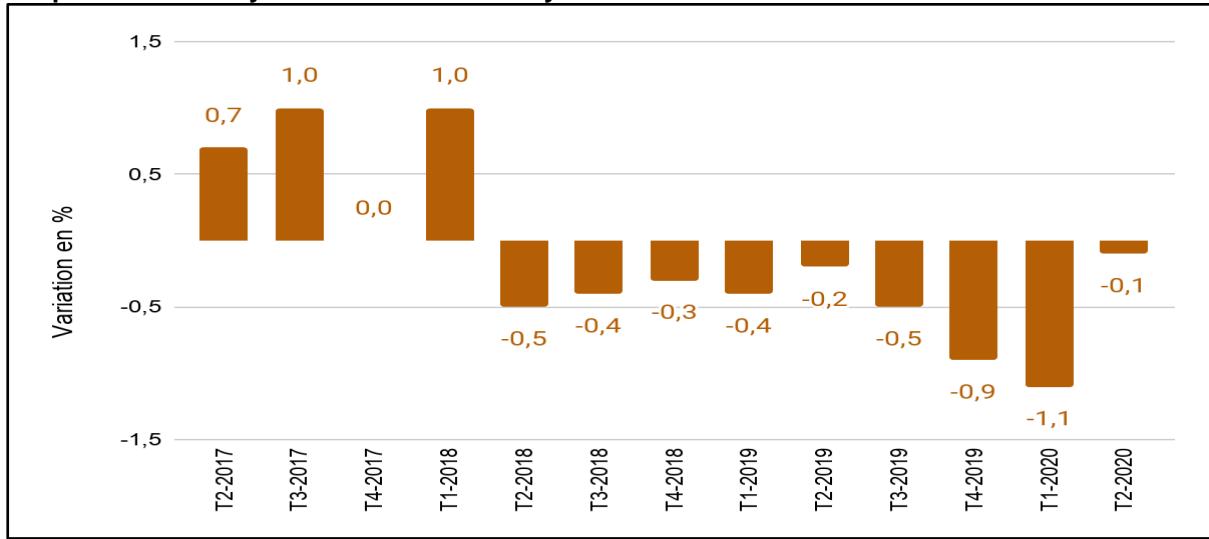
On the interbank market, the volume of weekly transactions, across all maturities, averaged 229 billion compared to 343 billion in the first quarter of 2020 and 484 billion a year earlier.

Against this backdrop, the weighted average interest rate, across all maturities, fell to 3.67% from 4.21% a quarter earlier, and was 66 basis points lower than its level in the second trimester of 2019. On the one-week maturity, which totaled 68.3% of the overall quarterly transaction volume, the weighted average interest rate stood at 3.45% compared to 4.11% in the previous quarter, and 4.21% a year earlier.

### 3.1.3 - Trends in monetary conditions<sup>5</sup>

Monetary conditions eased slightly in the second quarter of 2020. The monetary conditions index dropped by 0.1% from the previous quarter, in part due to the decline in the real interest rate on the one-week interbank market (1.3 percentage point), whose effects were partly offset by a 1.2% increase in the real effective exchange rate.

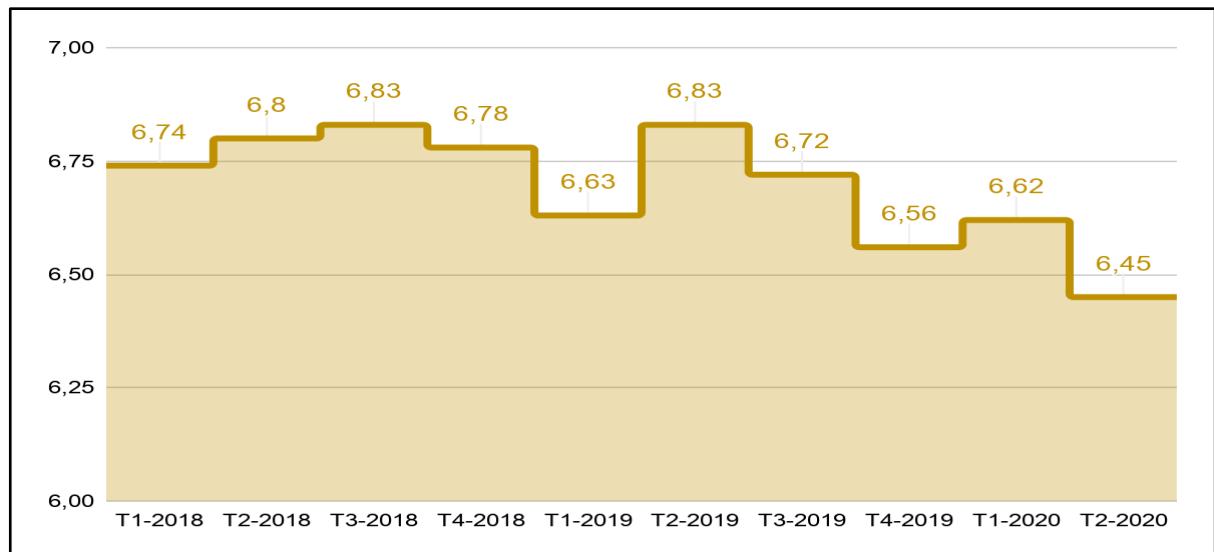
<sup>5</sup> The monetary conditions index is a synthetic indicator for assessing the combined effects of interest rate and exchange rate policies on aggregate demand. It is calculated as a weighted average of the real effective exchange rate and the real interest rate and trends are measured against the level of the index over the baseline period (average of the 2000-2010 period).

**Graph 12 - Quarterly trends in the monetary conditions index**

Source: BCEAO

### 3.1.4 - Deposit and lending rates

The average lending rate, excluding taxes and fees, declined in the second quarter of 2020 to 6.45% from 6.62% the previous quarter. In the same period last year, the rate was 6.83%.

**Graph 13 - Average lending rates of banks in WAEMU (in %)**

Source: BCEAO

Depending on the purpose of the loan, average rates fell mainly for housing loans by 57 basis points, cash loans by 26 bps, consumer loans by 13 bps and equipment loans by 11 bps.

**Table 18 - Trends in lending rates in WAEMU according to the purpose of the loan (%)**

	2018				2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Housing	7.85	7.68	7.65	7.27	7.50	7.19	7.75	7.02	8.13	7.56
Exports	7.18	7.07	6.51	7.37	7.01	6.96	6.79	6.71	6.72	6.70
Equipment	7.93	8.12	7.62	7.45	7.03	7.77	7.69	7.16	7.48	7.37
Consumption	7.86	8.22	8.23	7.93	8.08	7.92	7.41	7.42	7.56	7.43
Treasury	6.28	6.21	6.26	6.43	6.20	6.31	6.22	6.20	6.09	5.83
Others	6.75	7.21	7.45	7.00	7.12	7.58	6.99	6.70	7.12	7.41
<b>Total</b>	<b>6.74</b>	<b>6.80</b>	<b>6.83</b>	<b>6.78</b>	<b>6.63</b>	<b>6.83</b>	<b>6.72</b>	<b>6.56</b>	<b>6.62</b>	<b>6.45</b>

Source: BCEAO

By country, lending rates fell in Niger (-95 bps), Benin (-70 bps), Mali (-46 bps), Côte d'Ivoire (-26 bps) and Togo (-5 bps). In contrast, they increased in Guinea-Bissau (+59 bps), Burkina Faso (+29 bps) and Senegal (+11 bps).

**Table 19 - Trends in lending rates by country in WAEMU (%)**

	2018				2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Benin	7.91	8.22	7.71	7.53	7.52	7.03	7.77	7.06	7.57	6.87
Burkina Faso	7.51	7.45	7.53	7.30	7.40	7.09	7.30	7.36	6.48	6.77
Côte d'Ivoire	6.22	6.27	6.49	6.34	6.38	6.60	6.45	6.06	6.43	6.17
Guinea-Bissau	8.36	9.50	9.65	8.77	7.88	9.20	8.67	7.98	8.02	8.61
Mali	7.98	7.66	7.91	7.90	7.67	7.70	7.90	7.71	8.10	7.64
Niger	9.61	9.10	9.65	8.72	9.41	9.88	9.67	9.40	8.99	8.04
Senegal	5.79	5.81	5.71	6.21	5.56	5.91	5.78	5.77	5.89	6.00
Togo	8.25	8.50	8.09	7.82	7.80	7.64	7.86	7.48	7.68	7.63
<b>WAEMU</b>	<b>6.74</b>	<b>6.80</b>	<b>6.83</b>	<b>6.78</b>	<b>6.63</b>	<b>6.83</b>	<b>6.72</b>	<b>6.56</b>	<b>6.62</b>	<b>6.45</b>

Source: BCEAO

The average lending rate on time deposits also trended downward, from 5.17% in the first quarter of 2020 to 4.99% in the quarter under review.

**Table 20 - Trends by country of deposit rates on term deposits in WAEMU**

()	2018				2019				2020	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Benin	5.21	5.72	6.10	5.87	5.13	5.19	5.64	5.63	5.70	5.38
Burkina Faso	5.76	5.37	5.78	5.84	5.74	5.62	5.93	6.03	5.20	5.71
Côte d'Ivoire	4.80	4.96	5.04	5.11	4.96	4.83	4.83	4.65	4.89	4.53
Guinea-Bissau	3.74	5.20	4.74	3.99	3.51	5.31	4.50	4.17	3.65	4.19
Mali	4.95	4.91	4.82	5.12	5.04	5.14	4.84	4.70	4.94	4.68
Niger	5.20	5.81	5.71	6.05	5.65	5.58	5.97	5.94	5.71	5.79
Senegal	5.41	5.29	5.65	5.46	5.48	5.54	5.62	4.87	4.83	4.72
Togo	5.54	5.91	5.63	5.76	5.63	5.48	5.62	5.52	5.63	5.63
<b>WAEMU</b>	<b>5.26</b>	<b>5.32</b>	<b>5.50</b>	<b>5.54</b>	<b>5.35</b>	<b>5.28</b>	<b>5.43</b>	<b>5.30</b>	<b>5.17</b>	<b>4.99</b>

Source: BCEAO

### 3.2 - Monetary situation

The second quarter of 2020 was marked by a consolidation of the growth rate of the Union's money supply, after the slowdown recorded in the previous quarter. The quarterly growth rate of the broad money aggregate was +4.0% compared to 1.1% the quarter before. Year on year, money supply growth also increased to 13.2%, compared to 11.4% three months earlier.

**Table 21 - Monetary situation at the end of June 2020 (in billions, unless otherwise stated)**

	June-2019	March-2020	June-2020	Change from the previous quarter (3)/(2)		Change compared to the same period of the previous year (3)/(1)	
				(1)	(2)	(3)	(%)
Money supply	28,416.2	30,941.4	32,166.7	1,225.3	4.0	3,750.5	13.2
Net external assets	5,760.8	6,653.9	6,411.0	-242.9	-3.7	650.2	11.3
Domestic claims	30,443.3	32,475.3	34,134.0	1,658.7	5.1	3,690.7	12.1
Net claims on central governments	7,782.4	9,302.6	10,787.3	1,484.7	16.0	3,004.9	38.6
Claims on the economy	22,660.9	23,172.7	23,346.8	174.1	0.8	685.9	3.0

Source: BCEAO

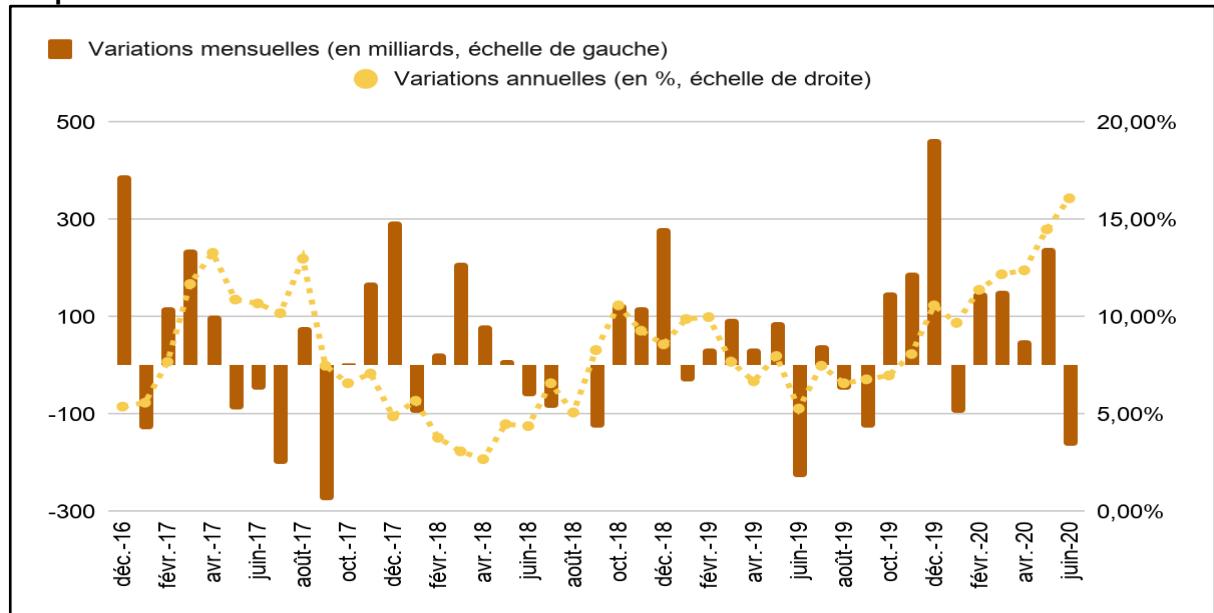
#### 3.2.1 - The money supply and its components

The increase in the broad money aggregate in the second quarter reflected a 1.8% increase in banknotes and coins in circulation and a 4.6% increase in deposits. The increase in deposits came mainly from households, which rose by 6.6%.

Compared to the same quarter of the previous year, the 13.2% increase in the money supply reflected the 12.4% increase in deposits and the 16.1% increase in currency in circulation. Over the period running from April to May 2020, corresponding to the period of strict application of measures restricting population mobility (curfews and border closures) in WAEMU countries, cash

in circulation increased by 12.4% and 14.5% respectively compared to the same period of the previous year, i.e., levels not seen since 2015. This significant increase particularly reflected the exceptionally large withdrawals made during the period in order to satisfy transaction needs but also precautionary withdrawals, due to heightened uncertainties linked to travel restrictions.

**Graph 14 - Trends in the circulation of banknotes and coins**

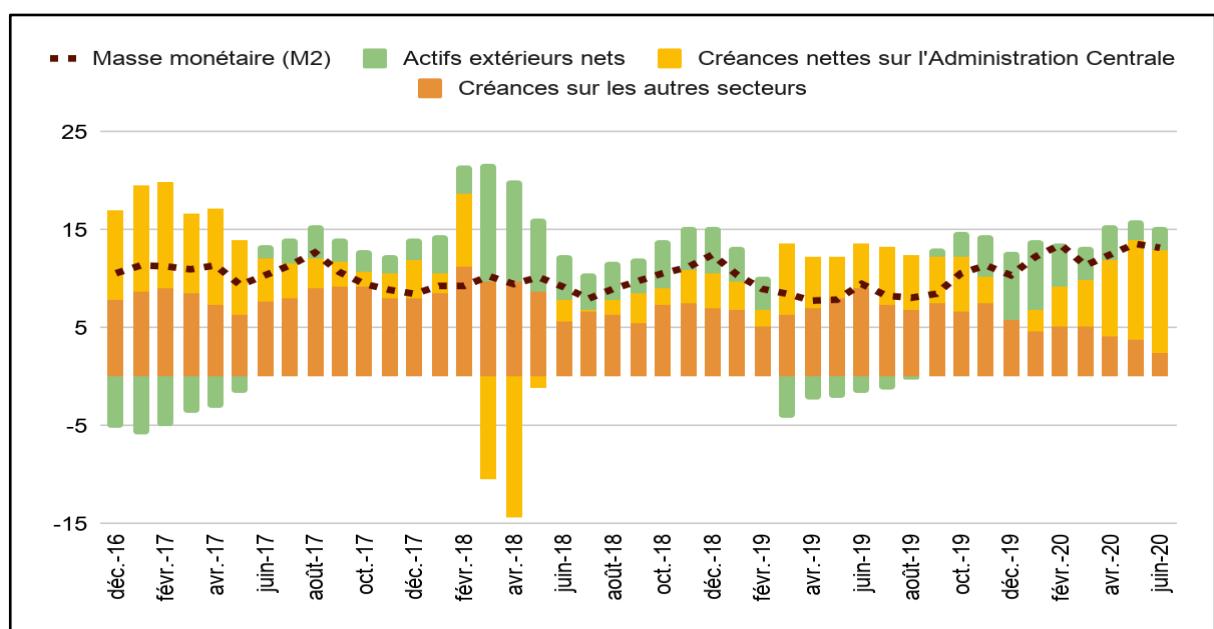


Source: BCEAO

### 3.2.2 - The money supply and its counterparts

The counterpart analysis revealed that domestic claims were the only source of money creation on a quarterly basis, as net external assets decreased. In contrast, the increase in the broad money aggregate, compared to the same period the year before, was the result of a combined increase in domestic claims and net external assets.

**Graph 15 - Counterpart contributions to annual growth in the money supply (in percentage points)**



Source: BCEAO

### **Net external assets (NEAs)**

The net external assets of depository institutions fell by \$243.0 billion, compared to the previous quarter, following a decrease of \$637.0 billion three months earlier.

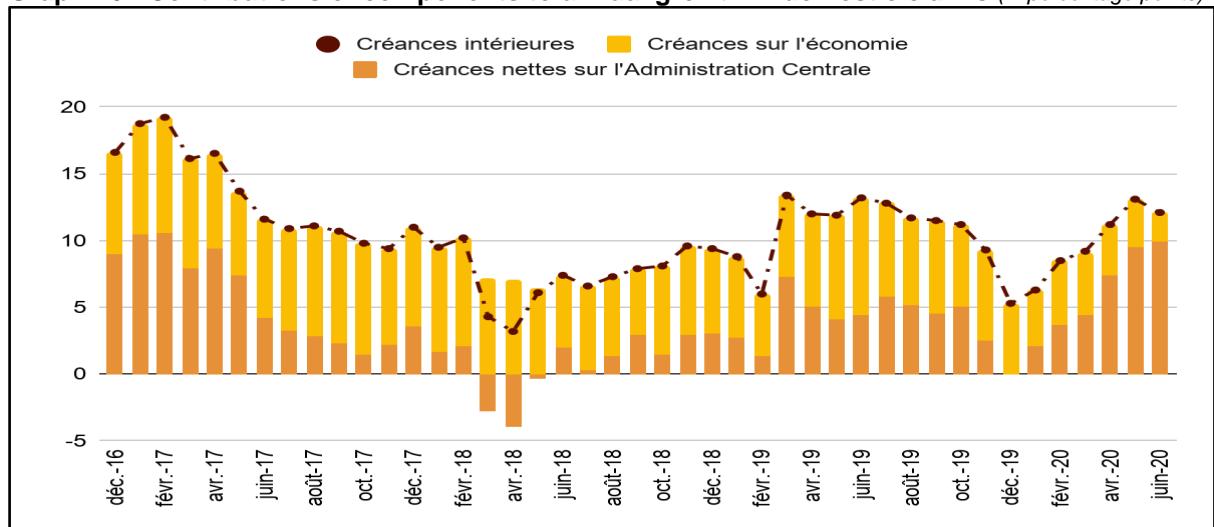
The second quarter of 2020 was marked by the execution transfers abroad, particularly by banks, whose balance showed a deficit of 533.5 billion. Since the beginning of the year, transfers have shown a cumulative deficit balance of 587.3 billion, driven by the deficit in the balance of bank transfers (-612.7 billion) and that of national treasury departments (-255.7 billion). This trend was partially offset by the balance of various account holders (+281.1 billion). The BCEAO's foreign exchange reserves, for their part, increased by 902.9 billion, i.e., by 8.8%, to reach 11,155.6 billion at the end of June 2020, in line with the IMF's support to Member States in the fight against the COVID-19 pandemic, particularly during the months of April and May 2020. The level recorded at the end of the quarter corresponded to a monetary issuance coverage rate of 75.3% against 79.8% a quarter earlier. Furthermore, it provided coverage for 6.2 months of imports of goods and services as at the end of March 2020.

Compared to the same quarter of the previous year, net external assets were consolidated by 650.2 billion, or +11.3%, at the end of June 2020, after 940.3 billion or +16.5% three months earlier.

### **Domestic claims**

Loans from the banking sector to resident units increased by 1,658.7 billion or 5.1% over the quarter. This development was driven by the strengthening of net claims on central government administrations (+1484.7 billion) combined with a slight recovery in lending to the private sector (+174.1 billion).

**Graph 16 - Contributions of components to annual growth in domestic claims (in percentage points)**



Source: BCEAO

### **Net claims on Central government administrations of Member States**

The recovery in net lending by deposit-taking institutions to central governments was due to the vigorous fiscal measures implemented by States in response to the COVID pandemic, particularly the launch of the first phase of Treasury bill issues known as "COVID-19 Bills". In this context, the BCEAO and the WAMU Securities Agency supported Member States in raising 1,172.6 billion, between April and May 2020, for a three-month maturity with an exit interest rate of 3.12%. In line with these developments, the outstanding government securities portfolios held by banks and direct loans granted to the States grew by 2,107.2 billion and 78.9 billion respectively. At the same

time, central government deposits with banks increased by 440.6 billion over the quarter.

**Table 22 - Net claims on central governments (in billions)**

	June 2019	March 2020	June 2020	Change	
				Quarterly	Annual
<b>Net claims on central governments</b>	<b>7,782.4</b>	<b>9,303.2</b>	<b>10,787.3</b>	<b>1,484.1</b>	<b>3,004.9</b>
<b>Claims on deposit-taking institutions</b>	<b>12,327.2</b>	<b>14,289.5</b>	<b>17,652.0</b>	<b>3,362.5</b>	<b>5,324.8</b>
Loans	4,007.6	4,490.4	5,744.5	1,254.1	1,736.9
Government securities portfolios	8,306.2	9,786.3	11,893.5	2,107.2	3,587.3
Other claims	13.5	12.3	13.4	1.1	-0.1
<b>Deposit-taking institutions commitments</b>	<b>4,544.8</b>	<b>4,986.9</b>	<b>6,864.7</b>	<b>1,877.8</b>	<b>2,319.9</b>
Treasury	29.9	33.5	25.2	-8.3	-4.7
Deposits	4,482.3	4,931.2	6,770.5	1,839.3	2,288.2
Other commitments	32.7	22.2	39.5	17.3	6.8

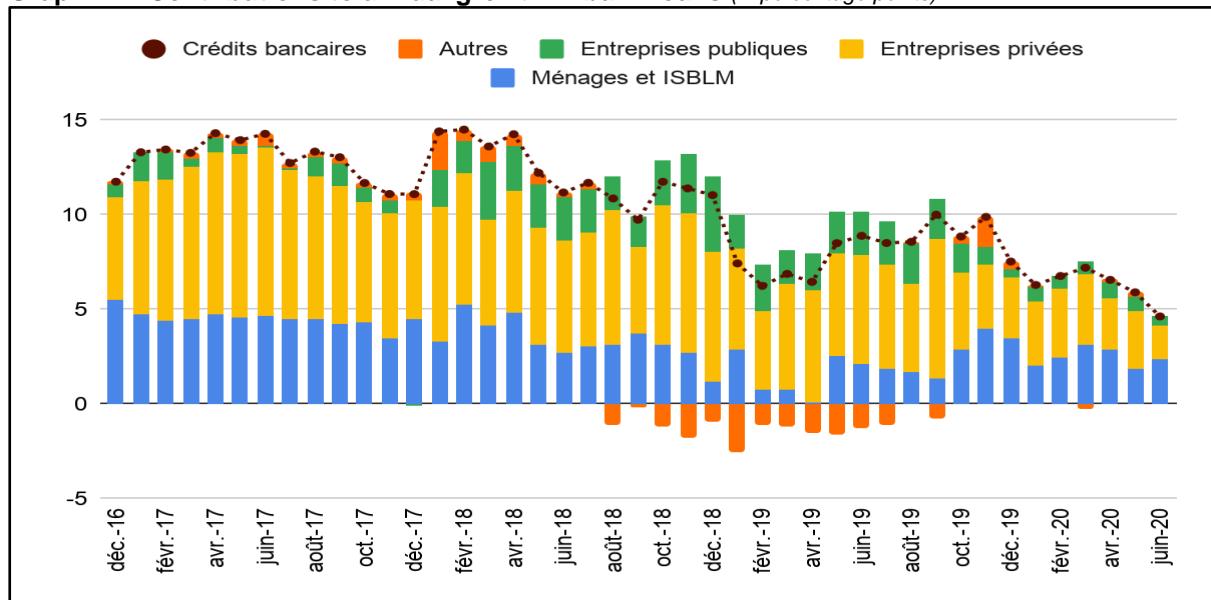
Source: BCEAO

### **Claims on the economy**

Claims on the economy recovered slightly in the second quarter of 2020, increasing by 174.1 billion or 0.8% from the previous quarter, after a decrease of 335.5 billion or 1.4% in the previous quarter. This trend reflected the impact of measures implemented to encourage banks to extend more credit to support the recovery of activity in the Union.

The recovery in bank loans mainly reflected increases in loans to households and private enterprises. Over the quarter, loans to households and NPISHs rose by 1.4% or +96.0 billion, while loans to private enterprises grew by 0.3% or +38.8 billion, after falling by 0.5% the quarter before.

**Graph 17 - Contributions to annual growth in bank loans (in percentage points)**



Source: BCEAO

### 3.2.3 - Bank resources and uses

Between March and June 2020, the activities of lending institutions were marked by an increase in their structural cash deficit by 556.5 billion (18.5%). This deterioration was due to a higher rate of growth in uses compared to resources.

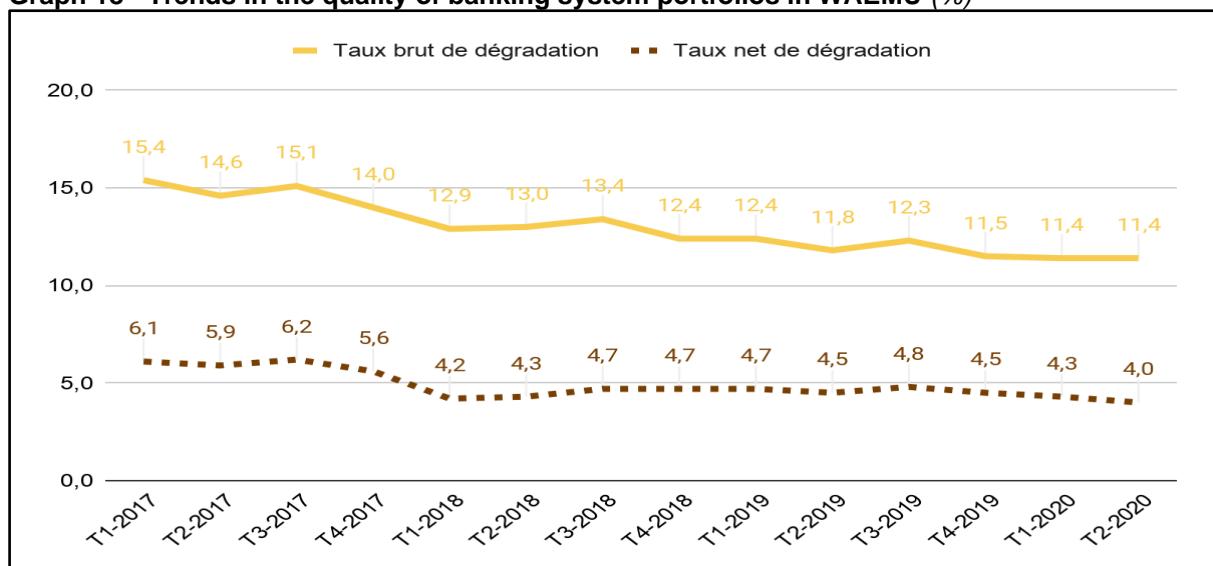
Banking system uses increased by 2,019.8 billion (5.5%) to 38,911.2 billion at the end of June 2020. This was the result of an increase in other uses (1,836.5 billion; 13.1%), particularly investment securities (1,411.2 billion; 15.7%), as well as customer loans (134.5 billion; 0.6%).

Resources grew by 1,463.3 billion (4.3%), reaching 35,353.5 billion at the end of June 2020, in line with the increase in deposits and borrowings (1,433.3 billion; 5.2%) and miscellaneous resources (62.9 billion; 2.8%), offset however by the decrease in net equity (33.0 billion; 0.9%).

Outstanding loans reported to WAMU's central credit bureau were estimated at 14,446.4 billion at the end of June 2020, compared to 14,249.5 billion at the end of March 2020 and 13,635.5 billion a year earlier, i.e., an increase of 1.4% on a quarterly basis and 5.9% year over year. Total outstanding loans granted to the 50 largest businesses using bank credit (LBUBCs) in each Member State of the Union stood at 7,081.0 billion at the end of June 2020, compared to 6,999.2 billion at the end of March 2020 and 6,461.7 billion at the end of June 2019, i.e., an increase of 1.2% on a quarterly basis and 9.6% compared to the same period of the previous year. In relation to the loans reported to the Union's central credit bureau, it represented 49.0% at the end of June 2020, compared to 49.1% at the end of March 2020. In terms of loans to the economy, the loans granted to the 50 LBUBCs in each Member State of the Union represented 31.5% at the end of June 2020, compared to 31.7% at the end of March 2020 and 31.4% in June 2019. At the sectoral level, the 50 largest risks were mainly concentrated in the "wholesale trade" (28.4%), community services" (16.3%), "manufacturing industries" (14.2%), "transportation and communications" (11.8%) and "civil engineering and public works" (10.4%) sectors. These five branches of activity alone attracted more than 80% of loans reported to the Central Risk Office.

The gross deterioration rate in the quality of the portfolios of banks and bank-like financial institutions in the Union remained stable at 11.4%. The net rate improved by 0.3 percentage points, at 4.0% compared to 4.3% at the end of March 2020.

**Graph 18 - Trends in the quality of banking system portfolios in WAEMU (%)**



Source: BCEAO

Compared to the same period of the previous year, the cash position of the Union's credit

institutions deteriorated by 646.7 billion or 22.2%. Uses were up by 4,911.0 billion (14.4%), due to increases of 1,429.8 billion (6.6%) in loans and 3,432.5 billion (+27.7%) in other uses, in particular investment securities, which were up by 2,473.2 billion or 31.2%. Resources also saw an increase of 4,264.4 billion (13.7%), driven by the growth in deposits and borrowings (3,685.2 billion or 14.4%) as well as in net equity which increased by 391.4 billion or 11.5%, respectively.

In line with these developments, the gross and net rates of deterioration of the quality of lending institution portfolios were down by 0.4 and 0.5 percentage points respectively, compared to the same period of the previous year, reflecting better control of risk.

### **3.2.4 - Central Bank interventions**

The overall volume of BCEAO interventions increased significantly in the second quarter of 2020 to reach 9,390.0 billion at the end of June 2020, an increase of 2,147.8 billion (+29.7%). This was due to the increase in refinancing granted by the Central Bank to the Union's banks (971.4 billion), combined with growth in the Central Bank's claims on national treasuries (1,176.4 billion).

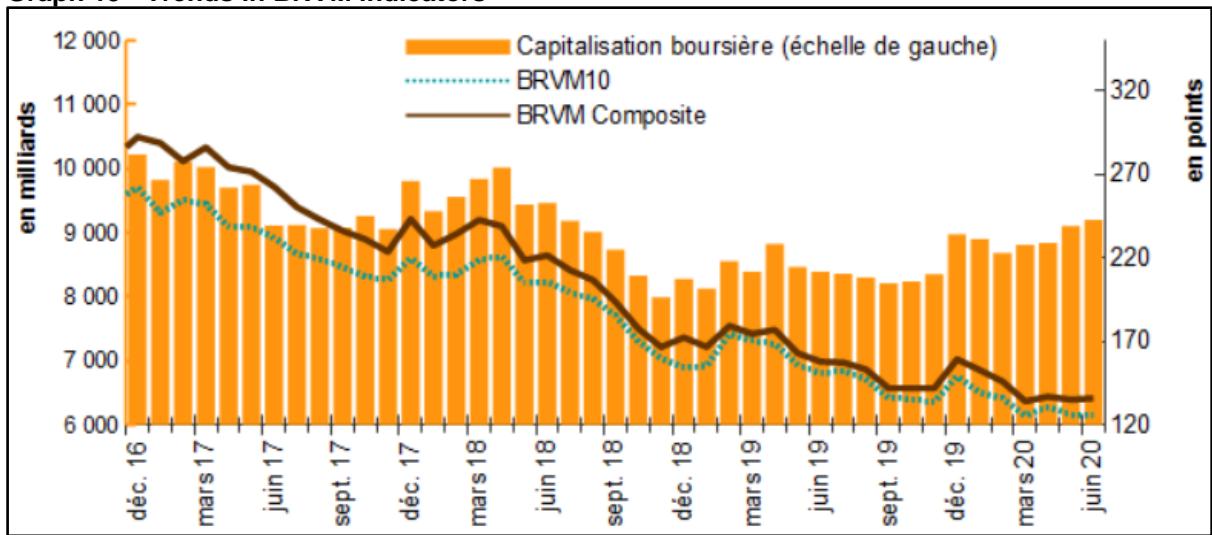
At the end of June 2020, outstanding loans granted by the BCEAO to banks stood at 6,133.9 billion against 5,162.4 billion three months earlier. This was due to the impact of the implementation of measures adopted by the Central Bank to ensure an appropriate supply of liquidity in order to support continued financing of the economy. The increase in Central Bank claims on national treasuries (1,176.4 billion), which stood at 3,256.1 billion at the end of June, was mainly due to the increased IMF facilities (1,177.5 billion), whose impact was partially offset by repayments made under facilities backed by SDR allocations (1.5 billion).

Outstanding refinancing granted by the BCEAO to banks, backed by government securities, stood at 5,737.5 billion at the end of June 2020, representing 54.2% of fiscal revenues for the second last financial year (2018), after 4,606.7 billion at the end March 2020 (43.6%).

### **3.3 - WAMU FINANCIAL MARKET**

Subregional stock market activity recovered slightly during the second quarter of 2020, after a sharp drop in the previous quarter. The BRVM Composite index rose by 1.4% between March and June 2020, to close at 135.86 points. Similarly, the index of the ten most active stocks, the BRVM 10, rose by 0.5% over the same period to reach 126.12 points at the end of June 2020. Compared to the same period of the previous year, the indexes were down by 13.9% and 16.3%, respectively.

The upward trend in the stock market indexes during the second quarter was driven by growth in indexes such as "retail" (9.9%), "finance" (2.4%) and "industry" (2.1%). However, this trend was dampened by decreases in other indexes such as "transportation" (6.2%), "agriculture" (3.3%) and "utilities" (0.7%).

**Graph 19 - Trends in BRVM indicators**

Source: BRVM

The market capitalization of all securities listed on the market totaled 9,198.4 billion at the end of June 2020, an increase of 388.1 billion or 4.4% compared to the situation at the end of March 2020. This was due to an increase in both equity market capitalization (53.1 billion or 1.3%) and bond market capitalization (334.9 billion or 7.0%). In addition, the analysis on an annual basis showed an increase of 789.0 billion or 9.4% in overall market capitalization.

## IV - INFLATION AND EXTERNAL COMPETITIVENESS

### 4.1 - Recent inflation trends

The inflation rate in WAEMU, compared to the same quarter of the previous year, stood at 1.7% in the second quarter of 2020, compared to 1.2% a quarter earlier. The increase in general price levels was driven in particular by the “Food” component, which grew up by 3.0% in the second quarter of 2020, after 1.5% a quarter earlier. The rise in food prices was observed in almost all the Union’s countries, in connection with higher prices for local cereals, fishery products, fresh vegetables, tubers and plantains. This was due to the disruption of distribution channels in the context of the COVID-19 pandemic, against the backdrop of decreased agricultural production in 2019/2020, particularly for local cereals, in the Sahelian countries of Niger, Burkina Faso and Mali.

**Graph 20 - Contributions to changes in the HICP in WAEMU compared to the same period the year before**



Source: BCEAO

The increase in general price levels was, however, partially offset by smaller increase in the prices under the “Housing” component, which rose by 1.1% in the second quarter of 2020, compared to 2.8% in the previous quarter. This change was linked in particular to rate reductions for water in Burkina Faso and Niger, as well as electricity in Niger, as part of the social measures taken by governments to mitigate the impact of the COVID-19 pandemic health crisis on the most vulnerable groups. Lower prices for diesel and kerosene were also noted, particularly in Burkina Faso, Mali, and Togo, following the drop in international crude oil prices.

It was reported that prices for goods rose by 1.8% in the second quarter of 2020, after an increase of 1.2% a quarter earlier. This was mainly due to the increase in food prices. Prices in the service sector, for their part, maintained the same pace of growth (1.3%) in the second quarter of 2020.

The core inflation rate, which measures changes in the general level of prices excluding fresh produce and energy, rose by 1.2% in the second quarter of 2020, compared to the same period of the previous year, after 1.0% a quarter earlier. In addition, prices of fresh produce went up by 3.8% in the second quarter of 2020, compared to 1.0% in the first quarter of 2020, in connection with higher prices for the abovementioned food products. As for energy products, the pace of growth fell by 3 percentage points to stand at 0.5% in the second quarter of 2020, due to lower

prices for fuel and kerosene in some countries in the Union, notably Burkina Faso, Côte d'Ivoire, Mali, and Togo, in line with the decline in international crude oil prices, whose impact was offset by the increase in firewood prices

**Table 23 - Trends in inflation and its components**

	Annual changes (in %)			Contributions (in % points)		
	Q4- 2019	Q1- 2020	Q2- 2020	Q4- 2019	Q1- 2020	Q2- 2020
Fresh produce	-3.7	1.0	3.8	-0.9	0.2	0.9
Energy	2.4	3.5	0.5	0.2	0.3	0.0
<b>Core inflation</b>	<b>0.1</b>	<b>1.0</b>	<b>1.2</b>	<b>0.1</b>	<b>0.7</b>	<b>0.8</b>
<b>Overall Inflation</b>	<b>-0.6</b>	<b>1.2</b>	<b>1.7</b>	<b>-0.6</b>	<b>1.2</b>	<b>1.7</b>
Food products	-1.8	1.5	3.0	-0.7	0.6	1.3
Alcoholic beverages	-0.5	0.0	-1.7	0.0	0.0	0.0
Clothing	0.6	1.5	1.4	0.0	0.1	0.1
Housing	1.4	2.8	1.1	0.2	0.4	0.1
Furnishings	0.1	0.5	1.1	0.0	0.0	0.1
Health	-1.8	-1.0	-0.1	-0.1	0.0	0.0
Transportation	0.7	1.4	1.4	0.1	0.1	0.1
Communications	-1.9	-1.4	-1.6	-0.1	-0.1	-0.1
Recreation and culture	-0.8	-2.0	-0.9	0.0	0.0	0.0
Education	2.2	2.0	1.7	0.0	0.0	0.0
Restaurants and Hotels	0.4	1.2	1.4	0.0	0.1	0.1
Other goods	0.5	0.3	0.5	0.0	0.0	0.0

Sources: BCEAO, NSIs

Analysis by country showed that inflation was rising in all countries in the Union, except Mali, where prices fell, and Togo, where they decelerated slightly. In Mali, significant drops in prices for communications (18.5%), recreation and culture (9.5%) and health services (4.6%) have kept inflation in negative territory. In Togo, the less significant increase in the general level of prices was mainly due to the two downward adjustments in fuel prices recorded during the quarter, in line with the decline in international crude oil prices.

**Table 24 - Trends in inflation by country (in %)**

Country	2018 (*)	2019 (*)	Q1-2019	Q1-2019	Q4-2019	Q1-2020	Q2-2020
Benin	0.8	-0.9	-2.1	-2.0	0.5	2.0	3.1
Burkina Faso	1.9	-3.2	-2.9	-4.9	-3.2	-0.3	0.7
Côte d'Ivoire	0.6	0.8	0.9	0.7	1.0	2.3	2.5
Guinea-Bissau	0.4	0.2	-0.5	-0.1	-0.7	0.2	2.9
Mali	1.9	-3.0	-2.4	-1.8	-3.6	-0.7	-1.2
Niger	2.8	-2.5	-3.3	-3.3	-2.0	0.5	2.6
Senegal	0.5	1.0	1.4	1.0	1.1	2.1	2.7
Togo	0.9	0.7	0.2	0.3	0.1	1.2	1.0
<b>WAEMU</b>	<b>1.2</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-1.0</b>	<b>-0.6</b>	<b>1.2</b>	<b>1.7</b>

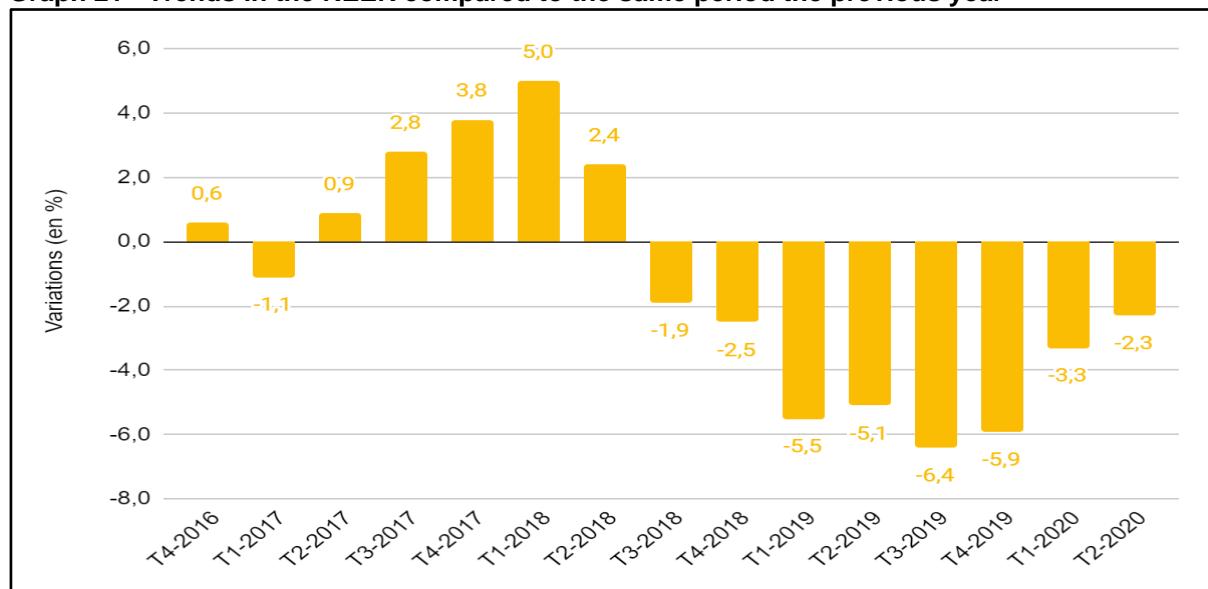
Sources: BCEAO, NSIs

(\*) : Annual average

#### 4.2 - External competitiveness

The real effective exchange rate (REER) fell by 2.3% in the second quarter of 2020 compared to the same period the previous year, following a decline of 3.3% in the previous quarter. This development reflected an increase in the Union's competitiveness, mainly linked to the inflation differential in WAEMU's favor (3.2%), as compared to its partners, partially offset by the increase in the nominal effective exchange rate (0.9%).

The trend in the nominal effective exchange rate in the second quarter of 2020 mainly reflected the appreciation of the CFA franc against the Ghanaian cedi (6.4%), the pound sterling (3.0%) and the Indian rupee (4.6%) compared to the same period the previous year. In contrast, the CFA franc depreciated against the naira (2.1%), the Swiss franc (0.5%) and the U.S. dollar (0.2%). As for the inflation rate in the Union, it stood at 1.7% in the second quarter of 2020, compared to an average increase of 5.2% in partner countries.

**Graph 21 - Trends in the REER compared to the same period the previous year**

Source: BCEAO

(\*) : estimates

(-) for gain in competitiveness and (+) for loss in competitiveness.

The table below shows competitiveness gains or losses in overall with respect to partner groups.

**Table 25 - Trends in competitiveness by partner groups (in %)**

	Years		Quarterly change			Annual change		
	2018	2019	Q4- 2019	Q1- 2020	Q2- 2020(*)	Q4- 2019	Q1- 2020	Q2- 2020(*)
Developed countries	0.8	-3.5	-0.4	-0.3	0.6	-3.5	-3.1	-0.9
Eurozone	-0.7	-2.2	-0.2	0.0	0.7	-2.3	-1.9	0.0
Neighboring countries	-3.1	-11.5	-2.4	-1.7	-2.5	-10.3	-10.7	-9.2
Asian countries	3.1	-6.1	-2.8	-0.1	5.0	-7.6	-5.1	-0.5
EU countries	-0.6	-2.2	-0.5	0.0	1.0	-2.6	-2.0	0.1
Emerging countries	3.5	-5.2	-2.3	0.7	7.5	-8.0	-3.8	3.5
CEMAC	0.9	-1.3	-0.4	-0.9	-1.5	-1.6	-1.2	-1.7
All	<b>0.8</b>	<b>-5.7</b>	<b>-1.4</b>	<b>0.0</b>	<b>1.2</b>	<b>-5.9</b>	<b>-3.3</b>	<b>-2.3</b>

Source: BCEAO.

(\*) Estimates

(+) REER appreciation or loss of competitiveness

(-) REER depreciation or gain in competitiveness

## V - INFLATION FORECASTS

Aggregate price level projections were based on the outlook for the international environment and domestic economic conditions. In particular, they were posited on inflation forecasts in the Eurozone, international food and oil prices, and the euro/dollar exchange rate. The outlook for food-crop production was also taken into account in the internal projections.

### 5.1 - Assumptions used for inflation forecasts

The assumptions used for the projections were based on a decline in world prices for petroleum products in 2020, in line with the impact of the COVID pandemic, followed by increases in 2021 and 2022. The average price of crude oil (WTI) was expected to fall from \$57 in 2019 to \$38.1 in 2020, before rising to \$42.3 in 2021 and \$43.4 in 2022.<sup>6</sup> On the foreign exchange market, the euro was expected to average \$1.09 in 2020 and \$1.08 in 2021 and 2022,<sup>7</sup> compared to \$1.12 in 2019. Assumptions regarding imported inflation also took account of the outlook for the general level of world prices. In particular, the inflation rate in the Eurozone<sup>8</sup> is expected to drop from 1.2% in 2019 to 0.3% in 2020, before rising to 0.8% in 2021, and 1.3% in 2022. IMF forecasts showed an increase in world food prices in 2020 (2.9%), then in 2021 and 2022 (2.1% and 2.5%) respectively, after a decline of 3.6% in 2019.

According to the AGRHYMET Regional Center, the hydrological situation for the 2020/2021 crop season was characterized, at the end of July 2020, by excess to normal flows. Compared to the average for the 2009-2018 period, rainfall is expected to range from normal (90%-110% of the average) to high (>110%) for almost the entire Sahelo-Sudanian zone of West Africa. These rainfall conditions were favorable to successful planting of rainfed cereals, with replanting in areas where pockets of drought were noted. The locust situation remains calm in the Sahel and West

<sup>6</sup>/ Futures market data are provided by Bloomberg

<sup>7</sup>/ ECB projections, June 2020.

<sup>8</sup>/ ECB forecasts, June 2020.

Africa. For cereal production in the Union, an increase of 5.0% has been assumed for the 2020/2021 crop season, after a 1.9% decline in the previous season.

In the light of the uncertainties surrounding global economic trends, two additional inflation scenarios, one higher and one lower, were developed to supplement the baseline scenario for the medium-term inflation outlook. These scenarios were built around the median projections, with margins of plus or minus 5 points (cereal production, imported food prices, exchange rates), or plus or minus 10 US dollars (price per barrel of crude oil).

**Table 26 - Inflation projection assumptions (%)**

	2019	2020			2021			2022		
		Lower	Median	higher	Lower	Median	higher	Lower	Median	higher
Barrel of oil (WTI, in dollars)	57	28.1	38.1	48.1	32.3	42.3	52.3	33.4	43.4	53.4
Euro/dollar exchange rate	1.12	1.14	1.09	1.04	1.13	1.08	1.03	1.13	1.08	1.03
Eurozone inflation (%)	1.2	-0.2	0.3	0.8	0.3	0.8	1.3	0.8	1.3	1.8
Food prices (%)	-3.6	-2.1	2.9	7.9	-2.9	2.1	7.1	-2.5	2.5	7.5
Cereal production in the Union (%)	-1.9	10.0	5.0	0.0	10.0	5.0	0.0	10.0	5.0	0.0

Sources: Bloomberg, ECB, BCEAO

## 5.2 - Inflation profile over the next eight quarters

The forecasts in the following table reflect the lower, higher, and median assumptions.

According to the median scenario, the inflation rate, as compared to the same period the previous year, is projected at 2.0% in the third quarter of 2020, after a performance of 1.7% in the second quarter of 2020, due to continued increase in food prices.

**Table 27 - Inflation outlook in WAEMU (%)**

	Year over year										Average			
	2020			2021				2022		2019	2020	2021	Eight quarters	
	Q2 Actual	Q3 Fcst	Q4 Fcst	Q1 Fcst	Q2 Fcst	Q3 Fcst	Q4 Fcst	Q1 Fcst	Q2 Fcst					
	Lower scenario	1.7	1.8	1.8	1.4	1.4	1.5	1.5	1.4	1.5	-0.7	1.6	1.4	1.5
Inflation rate	Median scenario	1.7	2.0	2.1	1.8	1.9	2.0	2.1	2.2	2.3	-0.7	1.8	2.0	2.1
	Higher scenario	1.7	2.2	2.4	2.2	2.4	2.7	2.8	2.9	3.0	-0.7	2.0	2.6	2.7

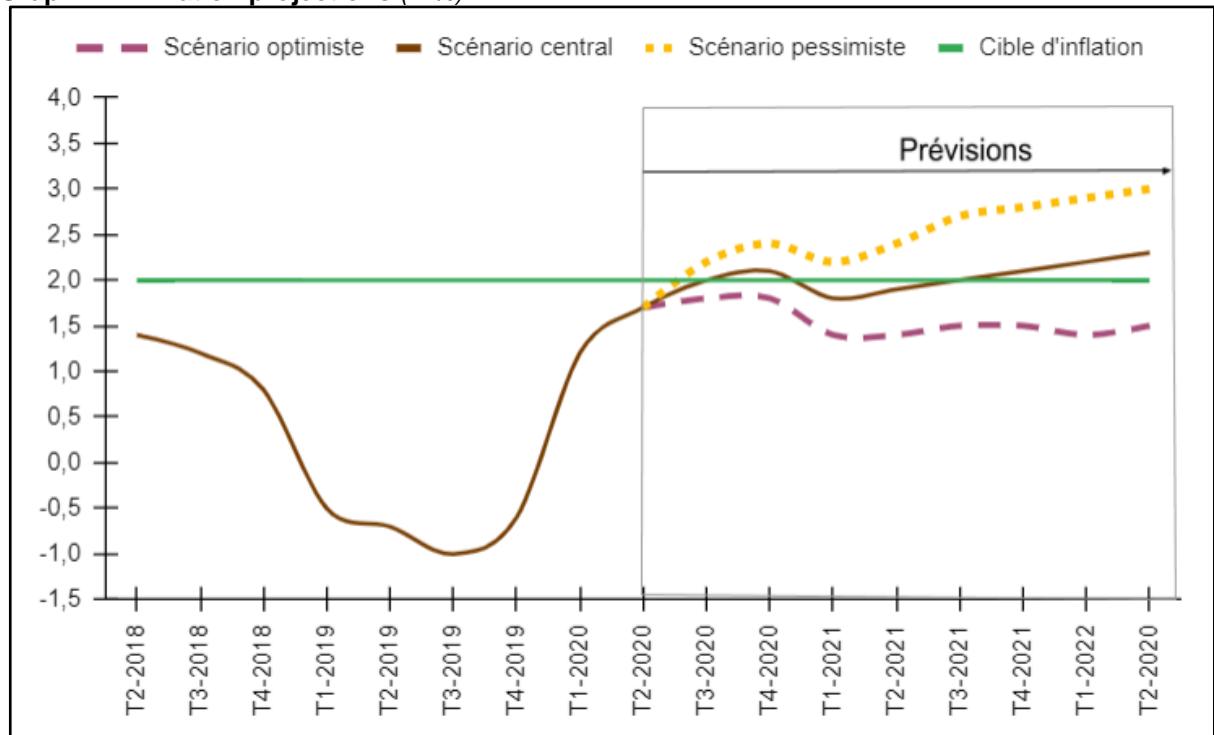
Source: BCEAO

For 2020 as a whole, the inflation rate is projected at 1.8%, up by 2.5 percentage points compared

to 2019. This trend is expected to follow from the slowdown in the pace of growth in food production in the previous crop season, the impact of the disruption of supply channels caused by the COVID-19 pandemic, as well as the upturn in the price of imported food products from 2020 onwards.

At the end of June 2022, the inflation rate is expected to stand at 2.3%, within the target range (between 1.0% and 3.0%) defined for the Union's monetary policy implementation.

**Graph 22 - Inflation projections (in %)**



Source: BCEAO

### 5.3 - Risks to the inflation outlook

Risks to the inflation outlook over the years 2020 and 2021 are correlated with the impact of the COVID-19 crisis on supply and demand factors.

Downside risks could arise from a greater-than-anticipated decline in petroleum product prices in an environment of low global demand.

Upside risks could come from volatile imported food prices, linked to supply pressures. These risks could be exacerbated by climate disturbances that would affect local cereal production.

## APPENDICES

1. **Table A.1 - WAMU: Central Bank Summary statement**
2. **Table A.2 - WAMU: Summary statement of banks**
3. **Table A.3 - WAMU: Monetary aggregates**
4. **Table A.4 - WAMU: Net claims on central governments**
5. **Tables A.5 - Breakdown of inflation in WAEMU**

**Table A.1 - WAMU: Central Bank Summary statement**

<i>Outstanding amounts in billions of CFA F</i>	June-18	March-19	June-19	Sept.-19	Dec.-19	March-20	June-20
<b>Net external assets</b>	7,594.8	6,815.1	6,944.5	6,487.3	8,272.4	7,712.2	7,410.4
Claims on non-residents	9,632.0	8,879.3	9,047.0	8,702.7	10,361.7	10,257.5	11,160.3
Commitments to non-residents	2,037.2	2,064.2	2,102.5	2,215.4	2,089.3	2,545.3	3,750.0
<b>Claims on other deposit-taking institutions</b>	3,607.0	4,315.5	4,262.6	4,531.1	4,710.1	5,162.4	6,133.9
<b>Net claims on central government administrations</b>	-135.4	44.2	-1.3	470.3	44.4	146.1	-123
<b>Claims on the economy</b>	244.3	466.7	472.1	478.9	482.8	488.8	495.6
<b>TOTAL ASSETS</b>	<b>11,310.7</b>	<b>11,641.5</b>	<b>11,677.8</b>	<b>11,967.6</b>	<b>13,509.7</b>	<b>13,509.5</b>	<b>13,916.8</b>
<b>Monetary base</b>	9,080.7	9,073.1	9,036.3	9,044.2	10,568.5	10,727.4	11,098.1
Currency outside banks	6,646.0	7,071.8	7,019.7	6,883.3	7,751.2	7,990.9	8,101.4
Bank deposits	2,001.8	1,600.9	1,599.9	1,686.0	2,123.6	2,216.2	2,435.1
Commitments to other sectors (1)	432.9	400.3	416.8	474.8	693.7	520.3	561.6
Deposits excluded from the monetary base (2)	3.2	7	1.8	0.5	4.5	1.8	1.9
Shares and other equity securities	2,150.6	2,504.6	2,465.0	2,661.3	2,596.9	2,826.8	2,851.5
Other items (net)	76.3	56.8	174.6	261.5	339.9	-46.5	-34.7
<b>TOTAL LIABILITIES</b>	<b>11,310.7</b>	<b>11,641.5</b>	<b>11,677.8</b>	<b>11,967.6</b>	<b>13,509.7</b>	<b>13,509.5</b>	<b>13,916.8</b>
Source: BCEAO							
(1) Deposits opened in the books of the BCEAO for the benefit of units of the money-holding sector, notably financial for money-holding sector entities, including financial institutions and Central Bank staff.							
(2) Special deposit accounts opened in the books of the BCEAO by non-financial public corporations. These deposits do not fall under the definition of broad money.							

**Table A.2 - WAMU: Summary statement of banks**

<i>Outstanding amounts in billions of CFA F</i>	June-18	March-19	June-19	Sept.-19	Dec.-19	March-20	June-20
<b>Net external assets</b>	<b>-1,417.5</b>	<b>-1,101.5</b>	<b>-1,183.7</b>	<b>-1,172.2</b>	<b>-981.5</b>	<b>-1,058.2</b>	<b>-999.4</b>
Claims on non-residents	676.4	694	792.3	702.7	868.7	892.5	902.1
Commitments to non-residents	-2,093.9	-1,795.5	-1,976.1	-1,874.9	-1,850.2	-1,950.8	-1,901.5
<b>Claims on Central Bank</b>	<b>2,559.3</b>	<b>2,185.7</b>	<b>2,417.2</b>	<b>2,351.4</b>	<b>2,804.7</b>	<b>3,074.2</b>	<b>3,106.9</b>
<b>Net claims on central government administrations</b>	<b>6,765.3</b>	<b>7,965.7</b>	<b>7,813.6</b>	<b>8,269.8</b>	<b>8,102.9</b>	<b>9,190.0</b>	<b>10,935.5</b>
<b>Claims on the economy</b>	<b>20,055.0</b>	<b>21,297.0</b>	<b>22,188.8</b>	<b>21,975.6</b>	<b>23,025.4</b>	<b>22,683.9</b>	<b>22,851.1</b>
Claims on other financial companies	1,060.6	806.8	726.7	703.5	802.3	749.7	784.5
Claims on federal and local governments	28.1	113.3	138.4	64.5	98	53.9	64.9
Claims on non-financial public corporations	1,260.3	1,706.7	1,951.4	1,698.6	1,751.5	1,845.3	1,826.4
Claims on the private sector	17,706.0	18,670.2	19,372.4	19,509.1	20,373.6	20,034.9	20,175.4
<b>TOTAL ASSETS</b>	<b>27,962.1</b>	<b>30,347.0</b>	<b>31,235.9</b>	<b>31,424.7</b>	<b>32,951.5</b>	<b>33,889.8</b>	<b>35,894.1</b>
<b>Commitments to the Central Bank</b>	<b>3,421.0</b>	<b>3,906.3</b>	<b>4,231.2</b>	<b>4,377.4</b>	<b>4,537.2</b>	<b>4,912.3</b>	<b>5,787.2</b>
<b>Transferable deposits included in money supply</b>	<b>10,710.8</b>	<b>11,449.2</b>	<b>11,953.9</b>	<b>11,637.6</b>	<b>12,638.0</b>	<b>12,707.1</b>	<b>13,590.7</b>
<b>Other deposits included in money supply</b>	<b>8,586.4</b>	<b>9,281.8</b>	<b>9,494.7</b>	<b>9,704.1</b>	<b>10,029.9</b>	<b>10,265.9</b>	<b>10,435.9</b>
<b>Deposits excluded from broad money</b>	<b>873.9</b>	<b>975.9</b>	<b>1,022.1</b>	<b>1,080.2</b>	<b>1,080.5</b>	<b>1,111.0</b>	<b>1,125.5</b>
<b>Securities other than shares excluded from money supply</b>	<b>19.8</b>	<b>2.6</b>	<b>2.7</b>	<b>2.9</b>	<b>21.9</b>	<b>28.5</b>	<b>22.3</b>
<b>Borrowings</b>	<b>540.8</b>	<b>858</b>	<b>1,287.6</b>	<b>776.8</b>	<b>1,154.7</b>	<b>814.3</b>	<b>976.4</b>
<b>Shares and other equity securities</b>	<b>2,893.7</b>	<b>3,164.2</b>	<b>3,273.8</b>	<b>3,383.0</b>	<b>3,540.4</b>	<b>3,762.4</b>	<b>3,641.9</b>
<b>Other items (net)</b>	<b>915.8</b>	<b>709</b>	<b>-30.1</b>	<b>462.8</b>	<b>-51</b>	<b>288.2</b>	<b>314.2</b>
<b>TOTAL LIABILITIES</b>	<b>27,962.1</b>	<b>30,347.0</b>	<b>31,235.9</b>	<b>31,424.7</b>	<b>32,951.5</b>	<b>33,889.8</b>	<b>35,894.1</b>

Source: BCEAO

**Table A.3 - WAMU: Monetary aggregates**

<i>In billions of CFA F</i>	June-18	March-19	June-19	Sept.-19	Dec.-19	March-20	June-20
Banknotes and coins in circulation	5,954.9	6,373.6	6,269.1	6,134.4	6,942.0	7,148.4	7,278.9
Demand deposits	11,273.9	12,061.9	12,537.4	12,252.9	13,227.7	13,334.7	14,210.5
M1	17,228.8	18,435.5	18,806.5	18,387.4	20,169.7	20,483.1	21,489.3
Other deposits included in the money supply (1)	8,718.6	9,345.5	9,609.7	9,847.1	10,430.8	10,458.3	10,677.4
<b>MONEY SUPPLY (M2)</b>	<b>25,947.4</b>	<b>27,781.0</b>	<b>28,416.2</b>	<b>28,234.5</b>	<b>30,600.5</b>	<b>30,941.4</b>	<b>32,166.7</b>
Net external assets	6,177.3	5,713.6	5,760.8	5,315.1	7,290.9	6,653.9	6,411.0
Central Bank	7,594.8	6,815.1	6,944.5	6,487.3	8,272.4	7,712.2	7,410.4
Banks	-1,417.5	-1,101.5	-1,183.7	-1,172.2	-981.5	-1,058.2	-999.4
Domestic claims	26,896.5	29,744.5	30,443.3	31,165.2	31,626.3	32,475.3	34,134.0
Net claims on central government administrations	6,597.3	7,980.9	7,782.4	8,710.7	8,118.1	9,302.6	10,787.3
Claims on other sectors	20,299.3	21,763.6	22,660.9	22,454.5	23,508.2	23,172.7	23,346.8
Non-monetary liabilities (2)	6,482.0	7,512.3	8,053.0	7,904.7	8,398.8	8,544.8	8,619.6
Other net items (3)	644.5	164.8	-265.2	341.1	-82.1	-357	-241.3
<b>TOTAL COUNTERPARTS OF M2 (4)</b>	<b>25,947.4</b>	<b>27,781.0</b>	<b>28,416.2</b>	<b>28,234.5</b>	<b>30,600.5</b>	<b>30,941.4</b>	<b>32,166.7</b>
Source: BCEAO							
(1) Time deposits and special savings accounts opened with banks; interest-bearing deposits opened in the books of the Central Bank							
(2) Comprising shares and other interests in deposit-taking institutions and their non-monetary commitments to other sectors.							
(3) Comprising consolidation adjustments and the net balance of non-classified assets including sundry items and non-financial assets.							
(4) Total counterparts = Net external assets + Domestic claims - Non-monetary liabilities - Other net items							

**Table A.4 - WAMU: Net claims on central governments**

<i>In billions of CFA F</i>	June-18	March-19	June-19	Sept.-19	Dec.-19	March-20	June-20
<b>BCEAO net claims</b>	<b>-168</b>	<b>15.1</b>	<b>-31.2</b>	<b>440.9</b>	<b>15.2</b>	<b>112.6</b>	<b>-148.2</b>
<b>Claims</b>	1,943.5	1,952.3	1,955.7	2,002.9	<b>2,061.1</b>	<b>2,079.7</b>	3,256.1
Loans	1,930.4	1,939.9	1,942.2	1,988.3	2,045.0	2,067.4	3,242.6
Facilities backed by SDR allocations	119.1	60.6	49	22.2	20.5	18.8	17.4
Consolidated facilities	226.2	224	223.3	222.6	221.8	221.1	220.3
IMF facilities	1,337.3	1,413.0	1,427.6	1,501.2	1,560.5	1,585.2	2,762.7
Other foreign government facilities (1)	5.5	0	0	0	0	0	0
Other loans (financial claims) (2)	242.3	242.3	242.3	242.3	242.3	242.3	242.3
<b>Commitments</b>	2,111.5	1,937.1	1,986.9	1,562.0	2,045.9	1,967.1	3,404.3
Treasury	32.6	29.1	29.9	29.4	29.2	33.5	25.2
Deposits	2,051.5	1,891.7	1,924.3	1,483.0	<b>1,947.7</b>	<b>1,911.4</b>	3,339.6
Other commitments (4)	27.4	16.4	32.7	49.6	69	22.2	39.5
<b>Net bank claims</b>	<b>6,765.3</b>	<b>7,965.7</b>	<b>7,813.6</b>	<b>8,269.8</b>	<b>8,102.9</b>	<b>9,190.0</b>	<b>10,935.5</b>
<b>Claims</b>	9,086.5	10,417.3	10,371.5	10,897.1	11,048.1	12,209.8	14,395.9
Loans	1,232.1	1,966.3	2,065.3	2,113.4	<b>2,219.6</b>	<b>2,423.0</b>	2,501.9
Government securities portfolios	7,854.4	8,389.1	8,306.2	8,783.7	<b>8,828.0</b>	<b>9,786.3</b>	11,893.5
<b>Commitments</b>	2,321.2	2,451.5	2,557.9	2,627.3	2,945.2	3,019.8	3,460.4
<b>TOTAL NET CLAIMS ON CGA</b>	<b>6,597.3</b>	<b>7,980.9</b>	<b>7,782.4</b>	<b>8,710.7</b>	<b>8,118.1</b>	<b>9,302.6</b>	<b>10,787.3</b>
Source: BCEAO							
(1) The Kuwait loan to the State of Senegal.							
(2) Expenditures on behalf of the States to be recovered, recoverable taxes, sundry claims on States.							
(3) Recovered taxes, commissions on transfers and other amounts recovered on behalf of States.							

### Tables A.5 - Breakdown of inflation in WAEMU

**Table A.5.1 - Inflation trends based on geographical origin**

	Components	Weighting (%)	Q2-2019	Q3-2019	Q4-2019	Q1-2020	Q2-2020
Annual change (%)	Local	70.0	-0.7	-1.3	-0.8	1.9	2.3
	Imported	30.0	-0.8	-0.5	-0.2	-0.5	0.3
Contributions (in % points)	Local	70.0	-0.5	-0.9	-0.5	1.3	1.6
	Imported	30.0	-0.2	-0.1	-0.1	-0.1	0.1
	<b>Total</b>	<b>100.0</b>	<b>-0.7</b>	<b>-1.0</b>	<b>-0.6</b>	<b>1.2</b>	<b>1.7</b>

Sources: BCEAO, NSIs.

**Table A.5.2 - Trends in the prices of goods and services**

	Components	Weighting (%)	Q2-2019	Q3-2019	Q4-2019	Q1-2020	Q2-2020
Change (%)	Goods	70.7	-1.5	-1.9	-1.4	1.2	1.8
	Services	29.3	1.2	1.2	1.2	1.3	1.3
Contributions (in % points)	Goods	70.7	-1.1	-1.4	-1.0	0.8	1.3
	Services	29.3	0.4	0.4	0.4	0.4	0.4
	<b>Total</b>	<b>100.0</b>	<b>-0.7</b>	<b>-1.0</b>	<b>-0.6</b>	<b>1.2</b>	<b>1.7</b>

Sources: BCEAO, NSIs,



