



BCEAO
CENTRAL BANK OF
WEST AFRICAN STATES

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

June 2023



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LIST OF ABBREVIATIONS AND ACRONYMS

BCEAO	Central Bank of West African States
BEAC	Bank of Central African States
BoE	Bank of England
BoG	Bank of Ghana
bp	Basis point
BRVM	Regional stock exchange
CBN	Central Bank of Nigeria
CEMAC	Central African Economic and Monetary Community
CG	Central government
CPI	Consumer Price Index
ECB	European Central Bank
ECOWAS	Economic Community of West African States
FAO	Food and Agriculture Organization
Fed	Federal Reserve System
FOB	Free on Board
GDP	Gross domestic product
HICP	Harmonized Index of Consumer Prices
IMF	International Monetary Fund
IPI	Industrial Production Index
LBUBCs	Largest Businesses Using Bank Credit
MPC	Monetary Policy Committee
MSCI	Morgan Stanley Capital International, provider of stock market index benchmarks
NEAs	Net external assets
NPISH	Non-profit institution serving households
NSIs	National Statistics Institute
NYMEX	New York Mercantile Exchange, stock exchange specializing in energy and metals
OECD	Organisation for Economic Co-operation and Development
OPEC+	Organization of the Petroleum Exporting Countries and 10 other oil-producing countries
pp	Percentage point
RBI	Reserve Bank of India
REER	Real effective exchange rate
SARB	South African Reserve Bank
SA-WDC	Seasonally Adjusted - Working Day Corrected
SDR	Special Drawing Right
TI	Turnover index
WAEMU	West African Economic and Monetary Union

WAMA	West African Monetary Agency
WAMU	West African Monetary Union
WTI	West Texas Intermediate, reference for oil prices on the US market

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RECORD OF CONCLUSIONS

Meeting of the BCEAO Monetary Policy Committee

1. The Monetary Policy Committee (MPC) of the Central Bank of West African States (BCEAO) held its second ordinary meeting of 2023 on June 7, 2023, at the BCEAO headquarters in Dakar, Republic of Senegal, under the chairmanship of Mr. Jean-Claude Kassi Brou, Governor of the Central Bank and statutory Chairman of the Committee.
2. The Committee reviewed the major 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.
3. On the subject of the global economic environment, the Committee observed that economic activity worldwide remained resilient in the first quarter of 2023, against a backdrop of continued monetary policy tightening by most central banks in response to persistently high levels of inflation. The latest projections by the IMF, published in April 2023, forecast that the rate of growth in global economy would slump from 3.4% in 2022 to 2.8% in 2023, before rising again to 3.0% in 2024. According to the IMF, these estimates were underpinned by generally downside risk factors, including continued rate increases by central banks, especially in advanced economies, designed to reduce inflationary pressures, along with the repercussions of deteriorating financial conditions on public debt, recent pressures in the financial sector, and ongoing geopolitical tensions.
4. On the commodities market, energy product prices continued to fall in the first quarter of 2023 but remained above pre-health-crisis levels. Non-energy product prices rose slightly overall, driven by an upturn in the prices of agricultural products and precious metals.
5. Against a backdrop of easing energy prices, inflationary pressures eased in the first quarter of 2023, both in advanced countries and in emerging and developing countries. However, inflation remained above central bank targets. To address this situation, most central banks, the European Central Bank (ECB) and the Federal Reserve (Fed) in particular, continued to raise their key interest rates.
6. Reviewing the economic conditions within the WAEMU region, the Committee observed that economic activity remained robust during the first quarter of 2023, with year-on-year growth of 5.4% of GDP in volume terms, following a 5.3% rise in the previous quarter. The latest estimates indicated that real GDP growth in the Union is anticipated to reach 6.3% in 2023 and 6.9% in 2024, following 5.9% growth in 2022. Nevertheless, the Monetary Policy Committee cautioned that these growth prospects were surrounded by significant downside risks, linked in particular to the security and socio-political situations in the region, trends in commodity prices (especially hydrocarbons and fertilizers), and weather conditions.
7. In the first quarter of 2023, public finance management figures in WAEMU showed that the aggregate budget deficit, on an accruals basis including grants, fell to 1,214.8 billion, compared with 1,512.4 billion a year earlier. The reduction in the deficit was due to a greater increase in revenues and grants than in total expenditures and net loans. The deficit was covered by sourcing resources from the regional financial market and technical and financial partners.
8. Foreign trade among the Union's countries in the first quarter of 2023 showed an aggregate deficit of 1,704.4 billion, contrasting with a deficit of 829.7 billion in the same period the previous year. This was mainly due to the deepening of the current account deficit, which was partially offset by net inflows of resources. As a percentage of GDP, the current account deficit stood at 7.7% in the first quarter of 2023, compared with 7.4% in the fourth quarter of 2022 and 6.8% one year earlier. The projection for the entire 2023 fiscal year forecast an aggregate balance of payments deficit of 526.8 billion, down from a deficit of 3,343.1 billion in 2022.
9. Monetary conditions in the Union tightened in the first quarter of 2023, reflecting the fourth consecutive increase in key BCEAO rates, bringing the cumulative rate hikes since June 2022 to 100 bps. The weighted average interest rate on the interbank market, across all maturities, stood at 4.34%, after 3.26% a quarter earlier. On the one-week segment, the weighted average interest rate stood at 4.21%, compared with 3.10% in the previous quarter. The average bank lending rate, excluding taxes and fees, reached 6.72% in the first quarter of 2023, compared with 6.70% in the fourth quarter of 2022.



10. Outstanding loans to the economy exhibited an annual growth rate of 16.6% at the end of March 2023. On the other hand, the Union's net external assets contracted by 4,208.6 billion year-on-year, in line with the deterioration in the external accounts. These developments led to year-on-year money supply growth of 8.5% at end-March 2023, compared with 11.3% at end-December 2022. On that same date, foreign exchange reserves were equivalent to 65.2% of the currency issued, up from 63.2% in the previous quarter. These reserves provided sufficient resources to cover imports of goods and services for 4 months, compared with 4.2 months in the previous quarter.
11. The Monetary Policy Committee noted the downward trend in the inflation rate, which stood at 5.8% in the first quarter of 2023, down from 7.8% in the previous quarter. Similarly, core inflation¹ stood at 4.5% during the review period, compared to 5.2% in the previous quarter. This slowdown in growth in overall price levels could be attributed to the strong performance of the 2022/2023 agricultural season, to the monetary policy measures taken by the Central Bank, and to governments' efforts to combat inflation.
12. Based on the latest estimates, inflation in the European Union is set to maintain its downward trend. It is expected to reach 4.4% in 2023 and 3.2% in 2024, compared with 7.4% in 2022, in line with the projected easing in global food and oil prices. However, the Committee noted that these estimates are subject to overall higher risks associated with spreading areas of insecurity in the Union, adverse weather conditions and changing food product prices on international markets.
13. Considering the positive outlook for inflation, the Monetary Policy Committee deemed it necessary to keep the BCEAO's key rates unchanged from their levels in force since March 16, 2023. Thus, the minimum bid rate for liquidity injection tenders has been maintained at 3.00% and the marginal lending rate at 5.00%. The reserve requirement ratio applicable to Union banks remains unchanged at 3.0%, the level in force since 16 March 2017.
14. Over the coming months, the Monetary Policy Committee will analyze inflation trends and the financing conditions for economies and, if necessary, take appropriate measures to ensure monetary stability in the region.

Drawn up in Dakar on June 7, 2023

The Chairman,

Jean-Claude Kassi Brou

¹ Inflation rate excluding volatile food and energy components.

SUMMARY

1. In the first quarter of 2023, the **global economy** performed against a backdrop of continued monetary policy tightening by most central banks and persistently high inflation.
2. Based on the data available, economic growth in the first quarter of 2023, compared with the same period in the previous year, stood at 1.6% in the United States, up from 0.9% a quarter earlier. GDP growth was more moderate in the Eurozone and the United Kingdom, at 1.3% and 0.0% respectively, down from 1.8% and 0.6% in the previous quarter. With regard to emerging countries, economic activity was particularly buoyant in India and China, with respective growth rates of 4.6% and 4.5% in the first quarter of 2023, compared with 4.4% and 2.9% a quarter earlier.
3. On the **commodities market**, energy product prices continued to fall in the first quarter of 2023 but remained above their levels prior to the health crisis. A lower energy demand in Europe, due in particular to milder winter temperatures and a surplus in the global oil supply, buoyed by a smaller-than-expected effect of the restrictions on Russian oil exports, appear to have mitigated the price rise. Non-energy products posted moderate growth, driven by a rise in the prices of agricultural commodities and precious metals. Similarly, the price index for non-energy commodities exported by the Union's countries rose by 6.8%, after falling by 2.4% a quarter earlier. Cocoa (+10.0%), zinc (+9.2%), gold (+9.1%), and coffee (+8.5%) posted the most significant increases.
4. **Inflationary pressures** subsided in the first quarter of 2023, both in advanced and emerging economies, mainly under the impact of central banks' tighter monetary policies and lower global energy prices. However, inflation remained above the expected target levels. In the Eurozone and the United States, inflation stood at 6.9% and 5.0% respectively at the end of March 2023, compared with 9.2% and 6.5% in December 2022. Similarly, in the United Kingdom, price inflation (+8.9%) was below its December 2022 level (+9.2%). In emerging economies, inflation rates stood at 0.7%, 5.6% and 7.3% respectively in China, India and South Africa, compared with 1.8%, 5.8% and 7.5% in December 2022.
5. **Global financial conditions** tightened overall in the first quarter of 2023, reflecting central banks' monetary policy stance. Specifically, the 3-month Euribor maintained its upward trajectory, averaging 2.48% compared to 1.63% in the previous quarter. On the foreign exchange front, the euro appreciated overall by 2.6% quarter on quarter, compared with a 2.4% decline in the fourth quarter of 2022.
6. **In the West African Economic and Monetary Union**, the latest quarterly GDP estimates point to robust economic activity in the first quarter of 2023, with an annual growth rate of 5.4%, compared with 5.3% in the previous quarter. This trend was driven by increased value added across all sectors. Real GDP growth in the Union for fiscal year 2022 as a whole stood at 5.9%, following a 6.1% growth rate in 2021.
7. The year-over-year **inflation rate** stood at 5.8% in the first quarter of 2023, compared with 7.8% a quarter earlier. This deceleration in the overall price level increase is primarily attributed to a reduced rate of growth in food product prices, associated with a 17.6% increase in cereal production for the 2022/2023 campaign, compared with a 13.2% drop the previous year.
8. Regarding **budget management in the WAEMU region**, during the first three months of 2023, the aggregate budget deficit on an accruals basis, including grants, fell to 1,214.8 billion from 1,512.4 billion a year earlier. This reduced deficit was due to a greater increase in revenues and grants (+536.6 billion) than in total expenditure and net loans (+239.1 billion). The public deficit was financed by leveraging resources on the regional financial market and from technical and financial partners, causing outstanding public debt to rise to 63,821.8 billion (52.9% of GDP) in March 2023, up 1,357.0 billion or 2.2% compared to December 2022.
9. In the first quarter of 2023, **foreign trade among Union countries** posted an aggregate deficit of 1,704.4 billion, compared with an 829.7 billion deficit in the same period of the previous year. This deficit was mainly due to a deterioration in the current account deficit, estimated at 2,286.7 billion, which was partially offset by net inflows of resources. Measured against GDP, the current account deficit stood at 7.7% in the first quarter of 2023, compared with 7.4% in the fourth quarter of 2022 and 6.8% a year earlier.
10. **Monetary conditions in the Union** tightened in the first quarter of 2023, reflecting the fourth consecutive increase in the BCEAO's key rates and the return to variable-rate auctions on refinancing windows since February 2023. The weighted average interest rate on the interbank market, across all maturities, stood at 4.34%, up from 3.26% a quarter earlier. On the one-week segment, the weighted average interest rate was 4.21%, up from 3.10% in the previous quarter. The average bank lending rate, excluding taxes

and fees, amounted to 6.72% in the first quarter of 2023, compared with 6.70% in the fourth quarter of 2022, up 2.0 bps.

11. The **monetary situation** was characterized by a decline in the annual growth rate of the money supply, which stood at 8.5% at the end of March 2023, down from 11.3% at the end of December 2022. The deceleration was driven by a contraction in net external assets (-4,208.6 billion or -59.4%), offset by a rise in internal claims (+8,505.6 billion or 18.9%). The increase in internal claims was attributable to higher net claims by deposit-taking institutions on central governments (+3,863.3 billion or +22.7%), combined with higher claims on the economy (+4,642.3 billion or +16.6%).
12. On the **regional stock market**, economic activity in the Union improved in the first quarter of 2023, with the aggregate BRVM Composite index rising by 1.5%, compared with a 4.0% decline in the previous quarter. The market capitalization of all listed securities rose by 6.8% on a quarterly basis, following a 12.4% increase three months earlier. This reflected growth in bond market capitalization (+13.7%), offset by a decline in equity market capitalization (-1.3%).
13. In terms of the Union's **economic outlook**, growth is expected to reach 6.3% in 2023 and 6.9% in 2024, reflecting robust performance across all sectors. However, these projections are still subject to risks associated chiefly with international economic trends, the socio-political and security situations in the Union, and the effects of climate change.
14. **Public finance management in the Union's Member States** is expected to be underpinned by a gradual reduction in deficits from 2023 onwards, following a sharp rise in 2022. The Union's budget deficit is expected to fall from 6.6% of GDP in 2022 to 5.2% in 2023 and 3.7% in 2024.
15. **WAEMU's foreign trade projections** point to a gradual improvement in the balance of payments from 2023 onwards, following a significant deterioration in 2022. With the oil and gas platforms in Niger and Senegal coming on stream, and the terms of trade improving, the current account deficit should gradually narrow to 6.2% in 2023 and 3.4% in 2024, as a percentage of GDP, compared with 7.8% in 2022. The aggregate balance of payments is expected to show a 526.8 billion deficit in 2023, followed by a 2,297.0 billion surplus in 2024, compared with a 3,343.1 billion deficit in 2022. Taking into account resources mobilized from the IMF, import coverage by foreign exchange reserves was expected to increase over the period, rising from 4.6 months in 2023 to 5.5 months in 2024, compared with 4.2 months in December 2022.
16. The **monetary situation** is expected to show a smaller decline in net external assets in 2023 and a rebound in 2024. Improvement in the aggregate balance of payments is expected to slow the deterioration in external assets in 2023, followed by a recovery in 2024. Growth in credits to the economy is expected to remain strong, at 12.5% in 2023 and 14.5% in 2024, after 14.4% in 2022.
17. Against a backdrop of easing world prices for food products and oil, higher cereal production in the 2022/2023 season, and continued normalization of monetary policy, **Inflation** is set to fall from 7.4% in 2022 to 4.4% in 2023 and 3.2% in 2024.
18. The risks surrounding inflation are primarily on the upside. These risks encompass challenges related the expansion of insecure areas, potentially impacting production capacity due to increased population displacements in affected regions and the exacerbation of issues related to market supply. In addition, deteriorating weather conditions in Union countries are expected to weigh on agricultural production performance in the 2023/2024 season.

1 - RECENT INTERNATIONAL DEVELOPMENTS

In the first quarter of 2023, the global economy played out against a backdrop of continued monetary policy tightening by most central banks amid persistently high levels of inflation. The positive trend in activity was aided by easing inflationary pressures, buoyant labor markets—especially in advanced economies, and China's discontinuation of its zero-COVID policy in December 2022.

According to the latest data, the rate of GDP growth in the United States increased to 1.6% in the first quarter of 2023, compared with 0.9% in the same period of the previous year. The Eurozone and the United Kingdom saw more moderate GDP growth, at 1.3% and 0.0% respectively, compared with 1.8% and 0.6% in the previous quarter. In emerging markets, economic activity was particularly buoyant in India and China, with growth rates of 4.6% and 4.5% respectively in the first quarter of 2023, compared with 4.4% and 2.9% a quarter earlier.

On the commodities market, energy product prices continued to fall in the first quarter of 2023 but remained above their pre-health crisis levels. This decline was attributable to lower demand for energy worldwide, due in particular to milder winter temperatures in Europe and a global oil supply surplus, buoyed by the smaller-than-expected impact of restrictions on Russian oil exports. Non-energy products posted a slight rise overall, driven by an upturn in the prices of agricultural products and precious metals. Likewise, the price index for non-energy commodities exported by Union countries rose by 6.8% in the first quarter of 2023, after a 2.4% drop a quarter earlier. Cocoa, zinc, gold, and coffee saw the most significant increases.

As energy prices eased, inflationary pressures subsided in the first quarter of 2023 in advanced, emerging and developing countries. However, inflation levels remained above central bank targets. In the Eurozone and the United States, inflation stood at 6.9% and 5.0% respectively at the end of March 2023, compared with 9.2% and 6.5% in December 2022. Similarly, price inflation (+8.9%) in the United Kingdom remained below its December 2022 level (+9.2%). In emerging economies, inflation stood at 0.7%, 5.6% and 7.3% respectively in China, India and South Africa, compared with 1.8%, 5.8% and 7.5% in December 2022.

On the foreign exchange market, the euro appreciated by 2.6% quarter on quarter, following a 2.4% decline in the fourth quarter of 2022.

1.1 - Economic activity

1. In the **United States**, economic activity accelerated to a growth rate of 1.6% in the first quarter of 2023, up from 0.9% in the previous quarter. This improvement reflected consolidated private consumer spending, public spending and exports, partially offset by a decline in real estate investment. In addition, the labor market remained vibrant, posting its fastest employment growth since July 2022. Inflation, as measured by the Personal Consumption Expenditure Index, continued its downtrend to stand at 5.0% in March 2023, after reaching 6.5% three months earlier. Core inflation, which excludes the volatile food and energy components, also fell to 5.6% in March 2023 from 5.7% in December 2022.
2. In the **eurozone**, the year-over-year GDP growth rate slowed to 1.3% in the first quarter of 2023, from 1.8% in the previous quarter. This slowdown in economic activity reflected monetary tightening amid efforts to curb inflation. Activity in the eurozone was, however, boosted by lower energy costs, reduced supply constraints and a robust labor market. The inflation rate stood at 6.9% in March 2023, compared with 9.2% three months earlier. The drop in inflation was mainly due to easing energy prices (-0.9% in March 2023), against a backdrop of lower household consumption aided by a milder winter, as well as lower prices for non-energy industrial goods (-6.6% in March 2023).

Table 1 - Trends in GDP growth in volume (in %)

	2021				2021 (Over 1 year)	2022				2022 (Over 1 year)	2023 Q1
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		
Advanced countries											
United States	1.2	12.5	5.0	5.7	6.1	3.7	1.8	1.9	0.9	2.1	1.6
Eurozone	-0.9	14.6	3.9	4.8	5.6	5.5	4.3	2.3	1.8	3.5	1.3
Germany	-2.1	10.1	1.9	1.2	2.8	3.5	1.7	1.3	0.9	1.8	0.0
France	1.5	18.6	3.6	5.1	7.2	4.8	4.2	1.0	0.5	2.6	0.8
Netherlands	-2.2	10.2	5.4	6.2	4.9	6.7	5.1	3.1	3.2	4.5	1.8
United Kingdom	-7.8	24.3	8.5	8.9	8.5	10.7	4.0	1.9	0.6	4.3	0.0
Emerging countries											
China	18.3	7.9	4.9	4.0	8.8	4.8	0.4	3.9	2.9	3.0	4.5
India	2.5	20.1	8.4	5.4	9.1	4.1	13.5	6.3	4.4	7.1	4.6
South Africa	-2.6	19.3	2.9	1.7	5.3	2.7	0.2	4.1	0.9	2.1	0.1
Neighboring countries											
Nigeria	0.5	5.0	4.0	4.0	3.4	3.1	3.5	2.2	3.5	3.3	2.7
Ghana	3.6	4.2	6.5	7.0	5.3	3.0	4.7	2.9	3.7	3.2	2.1

Sources: OECD, Eurostat, IMF, Tradingeconomics, Bloomberg

- In the **United Kingdom**, economic activity stagnated, with zero real GDP growth in the first quarter of 2023, compared with 0.6% in the previous quarter. This downturn reflected the negative effects of persistently high inflation on household consumption, and tighter financing conditions on private investment, especially in the real estate sector, where the majority of loans bore variable interest rates. However, this downturn in activity was mitigated by a robust labor market, which boosted wage growth. Price rises slowed to an annual rate of 8.9% in March 2023, compared with 9.2% in December 2022, due to lower transportation, catering, and hotel service prices.
- In the emerging countries, economic activity in **China** improved in the first quarter of 2023, following a rebound in the previous quarter, amid the country's efforts to stimulate recovery in the wake of the pandemic. Year-over-year GDP growth stood at 4.5%, compared with 2.9% a quarter earlier. Inflation stood at 0.7% in March 2023 versus 1.8% three months earlier.

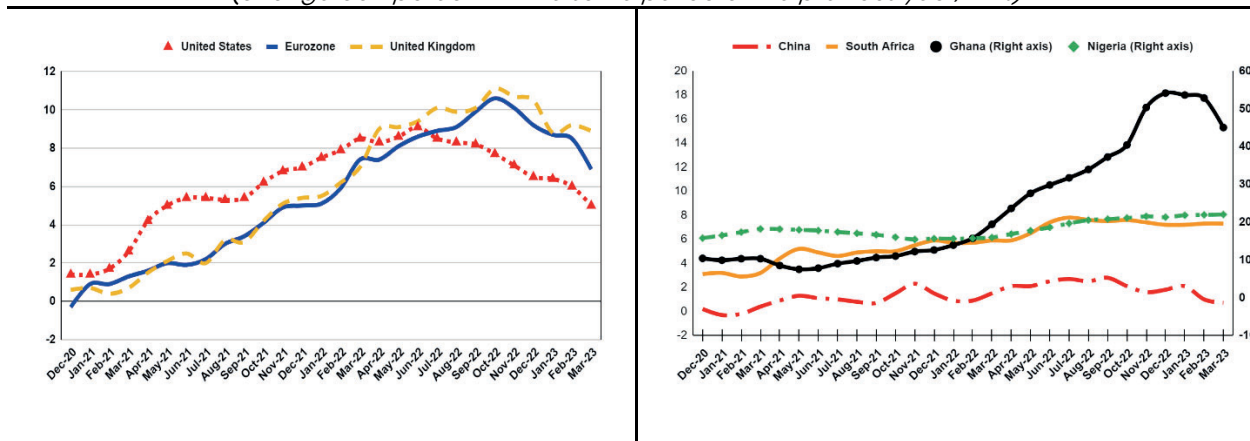
The price slowdown in China was mainly due to lower fuel costs, associated with continuing trade relations with Russia and Iran, and a further decline in the cost of ex-factory goods. In **India**, economic growth gained further momentum as inflation eased, factory activity picked up and export sales accelerated. GDP rose by 4.6%, year on year, in the first quarter of 2023, compared with 4.4% in the previous quarter. Consumer price inflation stood at 5.6% in March 2023, compared with 5.8% three months earlier. In **South Africa**, economic activity was adversely affected by persistent power cuts in the first quarter of 2023, with GDP rising by 0.1%, compared with 0.9% a quarter earlier. The inflation rate stood at 7.3% in March 2023, down from 7.5% at the end of December 2022.

- In **Nigeria**, the main trading partner of the WAEMU Member States in the ECOWAS region, the GDP growth rate is expected to amount to 2.7% in the first quarter of 2023, following a 3.5% increase a quarter earlier. The inflation rate

rose again to 22.0% in March 2023, from 21.3% in December 2022. In **Ghana**, economic activity is expected to be more subdued, with a 2.1% GDP growth rate in the first quarter of 2023, compared with 3.7% in the previous

quarter, as the country is struggling with its debt crisis. Inflationary pressures remained strong, with a 45.0% price increase rate in March 2023 compared with 54.1% three months earlier.

Graph 1 - Trends in the inflation rate in major partner countries
(change compared with the same period of the previous year, in %)



Sources: OECD, Eurostat, National statistical institutes, Tradingeconomics

1.2 - Monetary and financial conditions

1.2.1 - Central bank decisions

6. With inflation levels running above target, most of the world's central banks continued to raise their key interest rates at a slower pace, amid turmoil in the financial sector.
7. On May 3, 2023, the **US Federal Reserve (Fed)** raised its main policy rate by 25 basis points (bps) to the 5.00-5.25% range, its highest level since 2006. According to the Fed's Chairman, the institution expected to raise rates further if risks emerged that could prevent it from meeting its targets. The **European Central Bank (ECB)** decided to raise its main key rate by 50 bps on March 16, then by 25 bps on May 4, 2023. As a result, interest rates on the main refinancing transactions, the marginal lending facility and the deposit facility stood at 3.75%, 4.00% and 3.25% respectively. On May 11, 2023, the **Bank of England (BoE)** raised its key rate by a quarter point to 4.50%, following a 25-point increase in March and a 50-point increase in February 2023.
8. Meanwhile, the **People's Bank of China (PBoC)** left its main lending rates unchanged for the eighth consecutive month at its April 2023 meeting. The one-year loan prime rate (LPR), applied to loans to companies and households, remained at 3.65%. On February 8, 2023, the **Reserve Bank of India (RBI)** raised its key rate by 25 bps to 6.50%. In South Africa, the **central bank (SARB)** raised its key rate by 50 bps at its March 2023 meeting, to 7.75%, following a 25-bp increase in February 2023.
9. The **Central Bank of Nigeria (CBN)**, at its March 2023 meeting, raised its monetary policy rate to 18.00% (+50 bps), following a 100-bp hike in January 2023, to tackle persistent inflationary pressures. The **Central Bank of Ghana (BoG)** raised its main policy rate by 150 bps to 29.5% at its meeting on March 27, 2023, following a 100-bp increase in January 2023.
10. The **Bank of Central African States (BEAC)**, at the close of its March 27, 2023, Monetary Policy Committee meeting, raised its tender interest rate by 50 bps, from 4.50% to 5.00%, and its marginal lending rate from 6.25% to 6.75%.

Table 2 - Summary of the actions taken by major central banks

	Change in the key rate in 2022 (In bps)	Change in the main key rate since the beginning of 2023 at May 8 (In bps)	Key rate at May 11, 2023 (%)	Inflation target (%)	Inflation forecast for 2023 (In %)
Advanced countries					
United States	425	75	{5.00 - 5.25}	2.0	3.8
Eurozone	250	125	3.75	2.0	5.6
United Kingdom	325	100	4.50	2.0	6.8
Emerging countries					
China	-15	0	3.65	3.0	2.4
Russia	-100	0	7.50	4.0	5.9
India	225	25	6.50	5.7	6.6
Brazil	425	0	13.75	{3.75+/-1.5}	4.9
South Africa	325	75	7.75	{3.0 - 6.0}	5.6
Partner countries					
Nigeria	500	150	18.00	{6.0 - 9.0}	18.0
Ghana	1250	250	29.50	{8.0+/-2.0}	31.4
CEMAC	100	50	5.00	NA	3.3
WAEMU					
BCEAO	75	25	3.00	{1.0 - 3.0}	5.1

Source: Central banks of the countries concerned and Bloomberg for inflation forecasts

NA: Not applicable - In accordance with Article 1 of its Articles of Association, the ultimate objective of BEAC's monetary policy is to guarantee monetary stability, as measured by a low inflation rate and a sufficient currency coverage ratio (the minimum threshold is 20%).

1.2.2 - Financial conditions

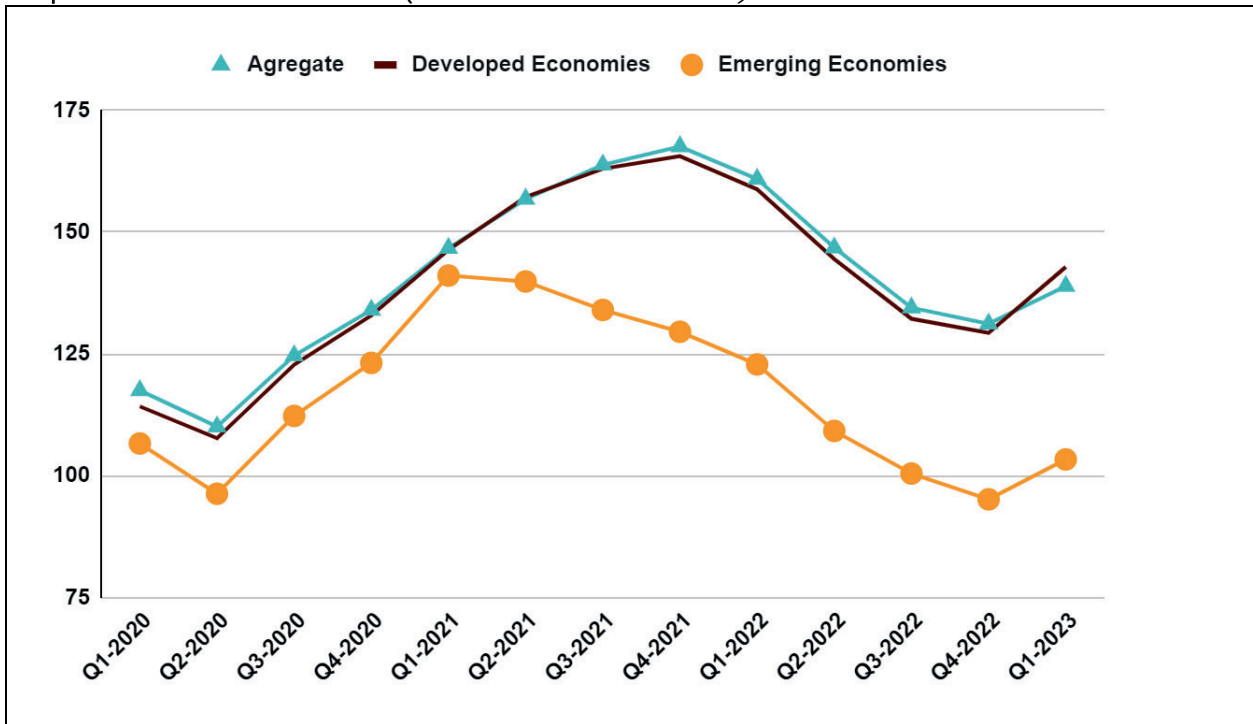
- As most central banks continued to harden their monetary policies, global financial conditions tightened overall in the first quarter of 2023.
- On the money markets, the 3-month Euribor, Europe's main interbank interest rate, maintained an upward trend, averaging 2.48%, compared with 1.63% a quarter earlier and 0.26% in the third quarter of 2022.
- On the equity markets, the MSCI index, which measures the performance of equity markets across developed countries, improved by

10.5% in the first quarter of 2023, following a 2.2% decline in the previous quarter. Similarly, the MSCI index for the stock markets of emerging economies strengthened by 8.6% in the first quarter of 2023, following a decline of 6.0% a quarter earlier. Reflecting these developments, the MSCI World Index MSCI World Index² rose by 5.9% quarter-on-quarter, after falling by 2.4% a quarter earlier. This is attributable to receding fears of recession and the reopening of China's economy post-COVID. However, the outlook remains uncertain due to turbulence in the financial sector in March 2023.

² The MSCI ACWI (All Country World Index) developed by MSCI tracks 3,000 companies in 50 countries (23 developed countries and 27 emerging markets). There are a number of versions of the index, two of which are widely used. One is the MSCI Developed Economies Index, which covers the capitalizations of the 23

economies with the most developed financial markets; equities listed on US stock exchanges account for 66% of this component. The other, which is the MSCI Emerging Economies Index, tracks the stock market trends in 27 emerging countries.

Graph 2 - Trends in MSCI Indexes (baseline value of 100 = 2019)

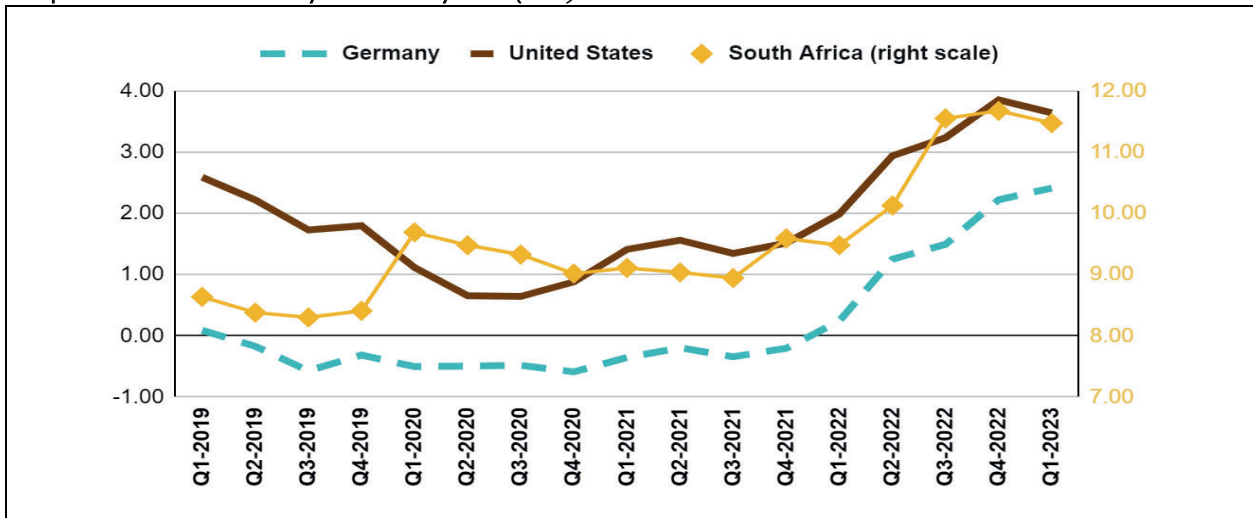


Source: Bloomberg

14. On the bond markets, 10-year government bond yields in the major advanced economies showed contrasting trends in the first quarter of 2023. In the United States, 10-year US government bond yields fell by a quarterly average of 21.0 bps to 3.64% in the first quarter of 2023, compared with a 61.9 bps rise in the previous quarter. As the US financial sector experienced turbulence, demand for long-

dated US Treasury bonds, considered to be safe-haven assets, increased, reducing their yields. By contrast, in the eurozone, yields on benchmark 10-year sovereign bonds rose by 18.9 bps in Germany and 15.4 bps in France, to 2.41% and 2.89% respectively, due to a less favorable outlook and persistent inflation. In Africa, 10-year South Africa bond yields fell by 19.8 bps in the first quarter of 2023 to 11.47%.

Graph 3 - Benchmark 10-year bond yields (in %)



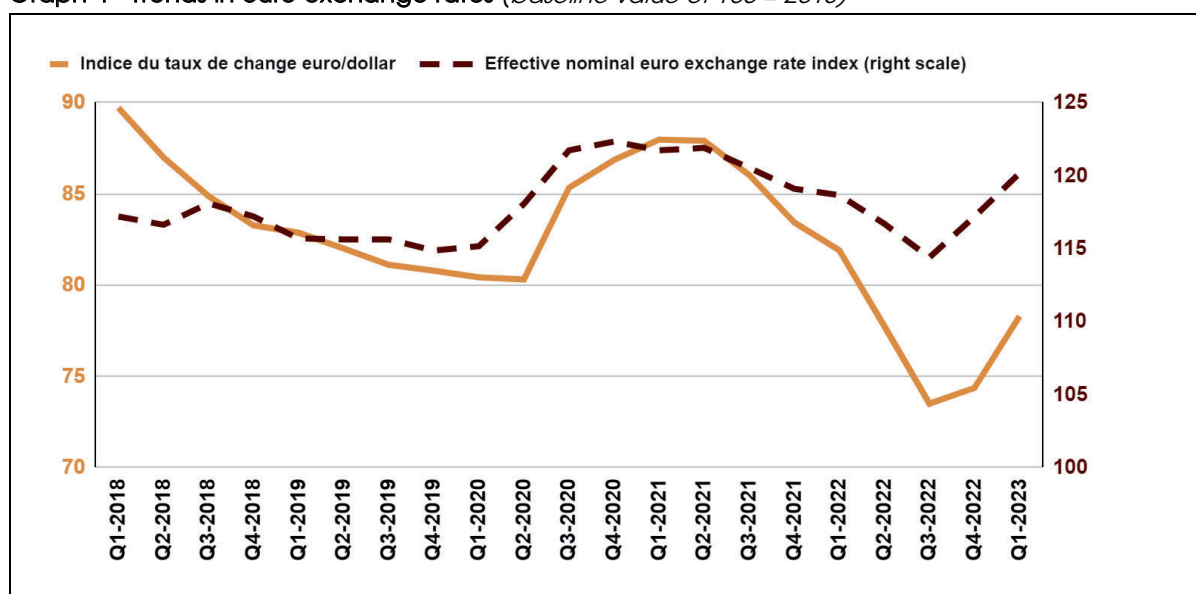
Sources: Bloomberg, Investing

1.3 - Major developments on the foreign exchange market

15. Exchange rate trends were influenced by expectations regarding the monetary policy stance of the central banks of major advanced economies, as well as by the economic outlook for the various regions. Quarter on quarter, the euro appreciated overall by 2.6% following a 2.4% drop in the fourth quarter of 2022. More specifically, the

euro gained 5.1% against the US dollar, 4.7% against the Canadian dollar, 1.6% against the pound sterling, 1.0% against the Australian dollar, and 0.9% against the Swiss franc. The European currency also appreciated against the Turkish lira (+6.6%), the South African rand (+6.0%), the Indian rupee (+5.2%) and the Chinese renminbi (+1.2%).

Graph 4 - Trends in euro exchange rates (baseline value of 100 = 2013)



Sources: Banque de France, ECB

16. On a year-over-year basis, the European currency appreciated overall by 1.3%, following a 1.6% decline in the previous quarter. Specifically, it rose by 8.8% against the Japanese yen, 5.6% against the GB pound, 2.0% against the Canadian dollar and 1.1% against the Australian dollar. By contrast, the euro weakened against the US dollar (-4.4%) and the Swiss franc (-4.3%). The euro also appreciated against the currencies of a number of emerging countries, including the Turkish lira (+29.4%), the South African rand (+11.4%), the Indian rupee (+4.5%) and the Chinese renminbi (+3.0%).

countries, following a 17.3% rise in the previous quarter, as per the official rates provided by the monetary authorities. The WAEMU currency rose in value against the leone (+16.8%), the dalasi (+10.1%), the naira (+9.4%), the Liberian dollar (+8.0%) and the Guinean franc (+5.0%). By contrast, the CFA franc exchange rate fell by 1.5% against the cedi.

17. In the West African sub-region, the CFA franc appreciated overall by 4.9%, quarter on quarter, against the currencies of the ECOWAS

18. Compared with the same period a year earlier, the CFA franc strengthened by 18.9% against the other currencies of the West African sub-region, reflecting appreciations against the leone (+63.9%), the cedi (+55.9%), the dalasi (+10.8%) and the naira (+5.3%). However, the CFA franc depreciated against the Guinean franc (-8.8%) and the Liberian dollar (-0.9%).

Table 3 - CFA franc exchange rate against other West African currencies
(Foreign currency units per CFA F 1,000)

	2020	2021				2022				2023	Change (%)	
	Q4	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Quarterly	Annual	
Gambian dalasi	92.1	92.4	91.7	90.9	89.9	88.6	86.3	90.5	99.6	10.1	10.8	
Ghanaian cedi	10.4	10.5	10.5	10.3	11.0	11.6	12.3	17.4	17.2	-1.5	55.9	
Guinean franc	17,828.7	18,052.1	17,498.6	16,492.2	15,306.1	14,103.5	13,226.7	13,293.9	13,954.7	5.0	-8.8	
Liberian dollar	313.9	315.7	308.4	261.9	260.6	246.9	235.9	239.1	258.2	8.0	-0.9	
Nigerian naira	690.0	719.7	736.6	716.4	711.1	675.0	646.7	684.9	749.0	9.4	5.3	
Sierra Leonean leone	18,204.4	18,805.1	18,593.3	19,108.1	19,736.4	20,660.2	21,533.8	27,691.6	32,350.9	16.8	63.9	
West Africa as a whole (*)	159.1	164.6	166.5	162	163.6	159.9	158.1	185.5	194.6	4.9	18.9	

Sources: WAMA (official data published on central bank websites), BCEAO

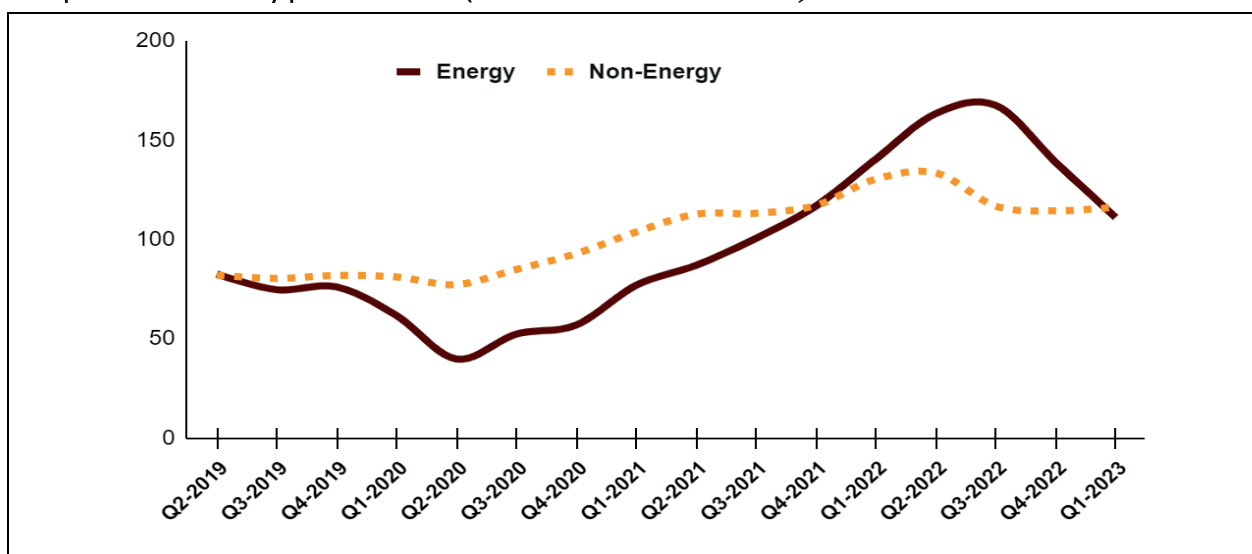
1.4 - Commodity prices

19. In the first quarter of 2023, energy commodity prices continued the downtrend that began in the second quarter of 2022, reflecting lower global demand, especially in Europe, thanks to milder winter temperatures. This decline was also triggered by a global oil supply surplus, buoyed by the lower-than-expected impact of restrictions on Russian oil exports. Concerns over further interest-rate rises, which could

adversely impact the demand for energy, and the contraction of financial markets following several bank failures, also had an impact on oil prices.

20. On the other hand, non-energy commodity prices rose slightly, boosted by a recovery in the prices of agricultural produce and precious metals.

Graph 5 - Commodity price indexes (baseline value of 100 = 2010)



Source: World Bank (The Pink Sheet)

21. On a quarterly basis, energy prices fell by 19.9% in the first quarter of 2023, following a 17.1% drop in the previous quarter. This was mainly

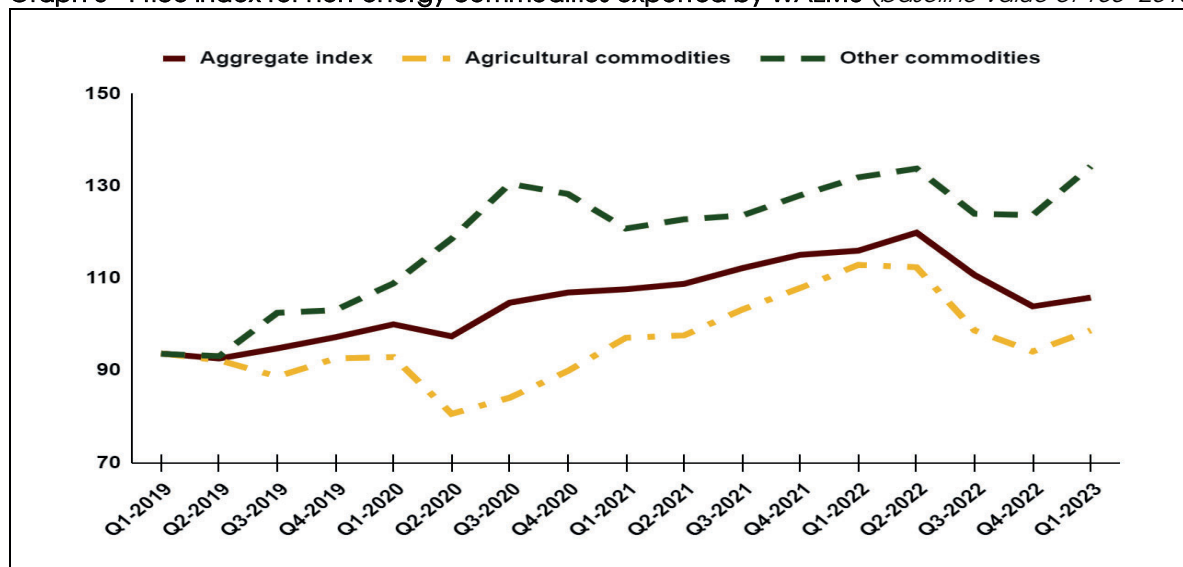
due to a 51.1% decrease in **natural gas** prices and a 7.3% fall in **oil** prices.

1.4.1 - Prices of non-energy commodities exported by WAEMU countries

22. The prices of non-energy commodities exported by WAEMU countries rose by 6.8% in the first quarter of 2023, following a 2.4% drop a quarter earlier. This upturn was mainly due to a rise in the prices of certain food products (**cocoa**: +10.0%, **coffee**: +8.5%, **gold** (+9.1%),

zinc (+9.2%), **fertilizers (phosphates)**: +5.5%), **uranium** (+0.6%) and **cotton** (+1.5%). On the other hand, the prices of **rubber** (-10.4%), **cashew nuts** (-4.3%) and **oils** (-2.4%) decreased.

Graph 6 - Price Index for non-energy commodities exported by WAEMU (baseline value of 100=2013)



Sources: World Bank Commodity Price Data, Reuters, BCEAO calculations

23. **Cocoa** prices picked up mainly due to reduced supplies from Côte d'Ivoire and expectations of a global supply deficit. **Coffee** prices were also boosted by persistent supply concerns and the International Coffee Organization's estimate of a world market deficit in 2023 for the second year running, mainly due to Arabica harvest issues among major Latin American producers. Concerns over a potential spread of the banking crisis led to increased demand for safer assets like **gold**. **Zinc** prices were buoyed by lower inventories, following the closure of some European smelters last year due to soaring electricity prices. **Phosphate** product prices continued to rise due to increased demand from India, the world's largest importer of

fertilizers. Growing demand for **uranium**, linked to renewed interest in nuclear energy following the Russian gas embargo, contributed to a rise in prices for this mineral. The rise in **cotton** prices can be attributed to adverse weather conditions, including droughts and floods, which affected harvests in many producing countries

24. On the other hand, **rubber** prices fell due to a rise in global natural rubber production. Persistent concerns over weak global demand, against a backdrop of rising inventories between November 2022 and January 2023, weighed on **palm** and **palm kernel oil** prices.

Table 4 - Prices of commodities exported by WAEMU countries

	Average prices Q1-2023				Change compared to Q4-2022		Change compared to Q1-2022	
	units and value in foreign currency		units and value in CFA francs		foreign currencies	CFA F	foreign currencies	CFA F
Crude oil (NYMEX)	in \$/barrel	76.4	metric ton	333,618.0	-6.9%	-11.7%	-17.6%	-13.9%
Robusta coffee (ICO)	in cents/lb	101.2	kg	1,364.8	8.5%	3.0%	-6.7%	-2.4%
Cocoa (IOCC)	in cents/lb	117.9	kg	1,589.0	10.0%	4.7%	4.2%	9.0%
Cotton (NY #2)	in cents/lb	83.5	kg	1,125.4	1.5%	-3.6%	-30.6%	-27.4%
Palm oil	in \$/metric ton	1,009.8	kg	617.4	-3.7%	-8.6%	-34.8%	-31.8%
Palm kernel oil	in \$/metric ton	1,037.0	kg	634.0	-1.0%	-5.9%	-54.8%	-52.7%
Rubber	in eurocents/kg	144.2	kg	946.0	-10.4%	-10.4%	-27.6%	-27.6%
Cashew nuts	in \$/metric ton	460.5	kg	281.5	-4.3%	-9.1%	-19.5%	-15.8%
Gold	in \$/ounce	1,887.4	gram	40,705.9	9.1%	3.8%	0.8%	5.4%
Uranium	in \$/lb	40.7	kg	54,863.3	0.6%	-4.5%	3.3%	8.1%
Phosphates	in \$/metric ton	322.5	kg	197.2	5.5%	0.2%	84.5%	93.0%

Sources: Reuters, BCEAO calculations

1.4.2 - Prices of foodstuffs imported by WAEMU countries

25. The price index³ for the main food products imported by WAEMU countries fell by 2.6% in the first quarter of 2023, after rising by 1.6% a quarter earlier. This decline reflected a 14.2% drop in **vegetable oil** prices and a 10.4% drop in **wheat** prices. However, **sugar** and **rice** prices, which rose by 5.5% and 1.9% respectively, helped mitigate the fall in the imported product price index.
26. The drop in **soybean oil** prices was due to a slack import demand, combined with an improved production outlook. Higher supplies from Russia, the world's leading exporter, and forecasts of record harvests in Australia and India, thanks to favorable weather conditions, had a downward impact on **wheat** prices.
27. **Sugar** prices, on the other hand, were boosted by a more limited supply. The end of the tax exemption program for gasoline in Brazil boosted demand for sugarcane-based ethanol, which is subject to lower tax rates. This policy increases the profitability of domestic ethanol blenders and forces producers to allocate sugarcane to fuel production rather than sugar milling, which limits the supply of sweeteners. International rice prices rose due to tight supplies and strong local demand in some Asian exporting countries.
28. The price index for the main food staples imported by WAEMU countries rose by 2.7% year on year in the first quarter of 2023. This trend mainly reflected higher rice (+15.2%) and sugar (+3.1%) prices. The 19.0% and 11.3% drops in wheat and vegetable oil prices mitigated the trend. The prices of foodstuffs imported by WAEMU countries, quoted in CFA francs, rose by 4.7%, including 20.4% for rice and 16.9% for sugar. The trend was mitigated by drops of 34.0% and 15.4% in vegetable oils and wheat respectively.

³ Prices are quoted in US dollars.

2 - AGGREGATE SUPPLY AND DEMAND

The latest estimates point to continued buoyancy of economic activity in the Union in the first quarter of 2023, with real GDP up by 5.4% year on year, compared with 5.3% in the previous quarter. This increase in activity was driven by rising value added in all sectors

2.1 - Aggregate supply

29. Economic activity in WAEMU remained buoyant in the first quarter of 2023, with GDP up 5.4% year on year, compared with 5.3% in the previous quarter. The business climate indicator, which captures the opinions of business leaders, remained above its long-term trend at 101.1 points. This reflects business leaders' continued positive outlook on the economy, reflecting continuing confidence of business leaders in the positive economic outlook. Carry-over growth, which is an indication of the minimum level of growth to be achieved by the end of the year, was estimated at 3.4% in the first quarter of 2023.

30. GDP growth in volume terms in the Union was driven by sustained positive trends in economic activity, especially in the secondary and tertiary sectors. The contribution of the secondary sector increased from 0.6 percentage point (pp) in the fourth quarter of 2022 to 0.7 pp in the quarter under review. The tertiary sector's contribution to growth stood at 3.4 pps in the first quarter of 2023, up slightly from 3.3 pps in the previous quarter. By contrast, the primary sector's contribution fell slightly to 1.3 pp in the first quarter of 2023, compared with 1.4 pp in the fourth quarter of 2022.

Table 5 - Contributions to GDP growth, year-over-year (In %)
(seasonally adjusted - working day corrected (SA-WDC))

	2021				2022				2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Primary sector	0.2	0.1	-0.1	0.3	0.9	1.2	1.5	1.4	1.3
Secondary sector	1.0	1.8	1.5	1.4	1.2	1.1	0.8	0.6	0.7
Tertiary sector	2.9	6.0	4.8	4.6	3.9	3.8	3.9	3.3	3.4
GDP	4.1	7.9	6.2	6.3	6.0	6.1	6.2	5.3	5.4

Source: BCEAO

31. The year-over-year trend in economic activity by country is shown in the table below:

Table 6 - Trends in the gross domestic product (SA-WDC data, year over year in %)

	2021	2022				2022	2023
		Q1	Q2	Q3	Q4		Q1
Benin	7.2	7.2	6.4	5.8	5.6	6.3	5.1
Burkina Faso	6.5	4.2	2.4	2.5	3.2	3.0	3.7
Côte d'Ivoire	7.4	7.0	7.8	6.8	5.3	6.7	5.4
Guinea-Bissau	6.4	5.7	4.2	4.7	4.4	4.7	4.7
Mali	3.1	3.3	3.3	4.6	3.6	3.7	3.4
Niger	1.4	8.2	11.1	14.9	11.8	11.5	9.9
Senegal	6.5	4.6	3.5	4.3	4.2	4.2	5.3
Togo	6.0	5.7	6.3	5.7	5.6	5.8	5.5
WAEMU	6.1	6.1	6.3	6.3	5.3	5.9	5.4

Source: BCEAO

2.1.1. Primary sector

32. The primary sector's value added grew by 5.9% in the first quarter of 2023, compared with the same period in the previous year, versus 6.2% a quarter earlier. This strong performance was driven by sustained positive trends in livestock farming, fishing, and cash crops.

33. Estimates available in April 2023 pointed to higher volumes of agricultural export crops, in the course of the 2022/2023 crop year, compared with the previous year, with the exception of cocoa and cotton.

Table 7 - Trends in cash crop production in WAEMU (in metric tons unless otherwise indicated)

	2018/2019	2019/2020	2020/2021	2021/2022 (1)	2022/2023 *	Average of previous five crop campaigns (3)	Change (in %)	
							(2)/(1)	(2)/(3)
Cacao	2,125,863	2,249,307	2,187,766	2,244,204	2,116,729	2,170,591	-5.7	-2.5
Coffee	143,025	115,487	104,394	84,418	129,492	99,878	53.4	29.7
Seed cotton	2,355,442	2,586,405	1,977,793	2,676,987	2,421,632	2,400,051	-9.5	0.9
Groundnut	3,427,191	3,465,440	4,095,024	3,631,784	3,945,488	3,560,955	8.6	10.8
Cashew nuts	1,219,438	1,086,114	1,238,808	1,414,366	1,529,529	1,221,747	8.1	25.2
Rubber	624,136	478,550	949,276	1,100,386	1,347,900	751,754	22.5	79.3

Sources: National marketing services. (*) End-of-April forecasts 2023

34. Coffee production totaled 129,492 metric tons in the 2022/2023 crop year, up 53.4% on the previous year, reflecting a return to normal conditions following the vegetative rest period in the production cycle, which had led to a significant drop in harvests in the 2021/2022 crop year. Groundnut production was estimated at 3,945,488 metric tons for the 2022/2023 campaign, up 8.6% on the previous campaign, reflecting a favorable spatial and temporal distribution of rainfall in most of the Union's Member States. The quantity of cashew nuts produced in the 2022/2023 season amounted to 1,529,529 metric tons, up 8.1% on the previous season. This trend is mainly attributable to the 7.2% increase in harvests recorded in Côte d'Ivoire, the leading producer of this commodity. Natural rubber production is estimated at 1,347,900 metric tons for the 2022/2023 season, up 22.5% on the previous crop year, due to an increase in the number of mature trees.

35. Cocoa production, on the other hand, fell by 5.7% to 2,116,729 metric tons in the 2022/2023 season. Seed cotton harvests were estimated at 2,421,632 metric tons, down 9.5% on the 2021/2022 campaign, due to farms being invaded by crop pests, especially in Burkina Faso and Mali, and to the delayed availability of fertilizers to cotton growers, especially in Burkina Faso.

36. With respect to food production, the data available for the 2022/2023 crop year point to a 9.7% annual increase in harvests within the Union. Food production is thus estimated at 72,702,641 metric tons for the 2022/2023 crop year, driven mainly by a 17.6% (or 4,815,553-ton) increase in cereals and a 2.4% or (622,245-ton increase) in tubers. Compared with the average for the previous five crop years, the 2022/2023 crop year harvests have risen by 8.3%.

Table 8 - Trends in food production in WAEMU (in metric tons unless otherwise indicated)

	2018/2019	2019/2020	2020/2021	2021/2022 (1)	2022/2023* (2)	Average of previous five crop campaigns (3)	Change (In %)	
							(2)/(1)	(2)/(3)
Cereals	31,099,065	30,296,792	31,451,061	27,297,419	32,112,972	29,723,868	17.6	8.0
Tubers	23,734,304	24,321,704	26,223,933	25,944,245	26,566,490	24,576,028	2.4	8.1
Other crops	12,776,308	12,988,423	14,329,061	13,060,002	14,023,179	12,825,515	7.4	9.3
Total	67,609,676	67,606,919	72,004,055	66,301,666	72,702,641	67,125,410	9.7	8.3

Sources: National agriculture departments, BCEAO calculations, (*) estimates

2.1.2. Secondary sector

37. In the first quarter of 2023, real value added in the secondary sector rose by 3.1% year on year, compared with a 3.0% increase a quarter earlier. The business climate indicator for the secondary sector remained above its long-term trend, improving by 2.0 points on the previous quarter.
38. The Industrial Production Index rose by 2.3% in the first quarter of 2023, following a 1.0% rise a quarter earlier. However, this was mitigated by a downturn in production in the extractive sector. **Manufacturing activity** recovered during the period under review to 3.2%, following a 2.0% decline a quarter earlier, mainly due to accelerated production of refined oil and chemicals, especially in Côte

d'Ivoire and Senegal. The rise in the index was also due to a smaller drop in food production, which contracted by 1.4% in the first quarter of 2023, compared with a 5.3% decline the quarter before. The decline in food production was attributable to oilseed products (oils) in Côte d'Ivoire, and sugar, broths and pasta in Mali. It was also due to lower beverage production in Côte d'Ivoire.

39. **Energy production** rose by 7.2% in the first quarter of 2023, compared with 10.6% in the previous quarter. Production in the **extractive sector** fell by 4.8% in the first quarter of 2023, down from 5.4% in the previous quarter, due to the decline in metal production (mainly gold), notably in Senegal, Burkina Faso and Niger.

Table 9 - Industrial Production Index (IPI) trends in WAEMU, year on year (SA-WDC data, in %)

Industries	2021	2022				2022	2023
		Q1	Q2	Q3	Q4		Q1
Mining production	0.0	1.9	-5.4	2.8	5.4	1.1	-4.8
including Crude oil and natural gas	-0.4	13.3	8.7	12.1	4.6	9.7	3.9
- Uranium ores	-7.1	-46.9	-27.2	2.9	5.1	-19.3	8.2
- Metal ores	0.3	0.3	-9.9	-2.3	7.0	-1.4	-8.8
Manufacturing Industries	8.2	2.6	7.2	1.5	-2	2.3	3.2
- Foods and beverages	6.6	2.6	6.2	0.1	-5.3	0.9	-1.4
- Refined petroleum products	7.3	6.4	-1.8	12.4	-3.2	3.2	16.3
- Chemicals	4.9	1.4	1.0	-11.4	-14.2	-5.9	19.8
Electricity, gas, water	6.5	8.7	8.8	5.9	10.6	8.5	7.2
Aggregate Index	5.9	2.8	3.8	3.4	1.0	2.7	2.3

Source: BCEAO

(*) Estimates

2.1.3 Tertiary sector

40. Value added in the tertiary sector rose by 6.0% year on year in the first quarter of 2023, after

increasing by 5.8% in the previous quarter. However, the business climate indicator in the

tertiary sector deteriorated by 2.1 points, to below its long-term trend, reflecting business leaders' pessimistic outlook, especially in the market services sector.

41. The retail sales index rose by 13.7% in the quarter under review, following a 12.2% increase a quarter earlier. This increase

reflected a pick-up in sales of automotive products in all Union countries with the exception of Burkina Faso. It also reflected a faster growth rate in pharmaceutical and cosmetics sales, which rose by 6.5% in the first quarter of 2023, compared with a 2.2% decline in the fourth quarter of 2022.

Table 10 - Year-on-year turnover index (TI) trends in WAEMU (SA-WDC data, in %)

	2021	2022				2022	2023
	Q4	Q1	Q2	Q3	Q4		Q1
Trade TI	14.7	10.1	13.7	17.0	12.2	13.3	13.7
Foodstuffs	22.0	8.5	3.9	6.7	11.5	7.6	8.4
Personal goods	8.5	6.6	2.5	6.7	11.4	6.7	9.9
Household equipment products	8.5	15.5	11.5	17.3	14.2	14.6	9.1
Automobiles, motorcycles, and spare parts	18.0	2.8	8.7	11.7	15.3	9.9	35.5
Petroleum products	11.5	14.2	23.9	33.3	19.7	22.7	16.3
Pharmaceuticals and cosmetics	10.7	-1.3	0.4	0.7	-2.2	-0.6	6.5
Trade services TI (excluding financial services)	11.4	8.3	9.1	7.8	7.0	8.0	4.9
Transportation and warehousing services	20.6	18.6	15.7	9.7	1.5	10.9	-3.5
Hospitality and catering services	27.5	40.7	28.7	18.5	2.9	20.9	8.0
Information and communication services	4.4	2.8	2.4	4.2	7.6	4.2	3.0
TI for financial services	9.5	12.6	11.9	14.1	16.1	13.8	16.6

Source: BCEAO

42. The turnover index for market services (excluding financial services) rose by 4.9% in the first quarter of 2023 compared with the same quarter a year earlier, down from 7.0% a quarter earlier. The deceleration was mainly due to a smaller increase in information and communication activities and, to a lesser extent, to a decline in transportation activities, compared with the fourth quarter of 2022. The decline in these two sub-sectors was mostly

confined to Côte d'Ivoire, reflecting the poor performance of the wired telecommunication and air transportation sectors.

43. The financial services activity index expanded by 16.6% in the period under review, compared with 16.1% in the previous quarter, mainly due to higher volumes of banking transactions (loans in particular), coupled with a rise in lending rates.

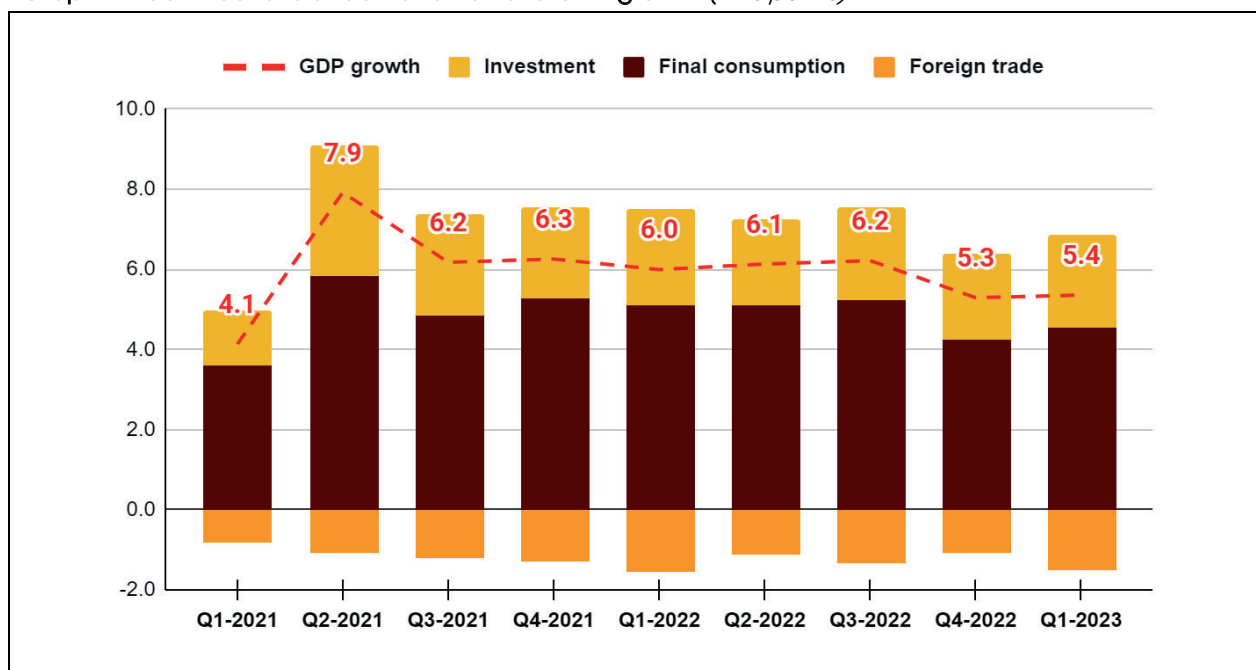
2.2 - Aggregate demand

44. Analysis by demand component shows that the pace of growth in the Union's GDP in the first quarter of 2023 was driven primarily by domestic demand, with the external sector making a negative contribution.
45. In the first quarter of 2023, domestic demand grew by 6.7% year over year, compared with 6.2% in the previous quarter, mainly due to higher consumer spending. Final consumption accelerated to 5.5% from 5.3% in the previous quarter, driven by household consumption expenditure on capital goods and catering services, against a backdrop of decelerating inflation in the first quarter of 2023.

46. As for capital expenditures, they were sustained by investments in both the public and private sectors, amid several major projects being implemented in the oil and gas sector. Capital expenditure rose by 10.4% in the first quarter of 2023, after rising by 9.0% in the previous quarter.

47. Meanwhile, the foreign trade sector made a negative contribution to economic growth in the first quarter of 2023 (-1.5 points), as it had in the previous quarter, as a result of the trade deficit, with imports outstripping exports.

Graph 7 - Contributions of demand items to GDP growth (in % points)



Source: BCEAO

48. Looking at 2022 as a whole, the Union's real GDP grew by 5.9%, after 6.1% in 2021. The tertiary sector was the main contributor to economic growth, with an estimated contribution of 3.7 percentage points (pps), driven by increased activity in the "Banking, insurance and other market services", "Trade, catering and hospitality" and "Transportation, warehousing and communications" sub-sectors. This economic performance was also fueled by the primary sector, which contributed 1.3 percentage point to

economic growth, driven by a 9.7% rise in food production, coupled with an increase in the production of most cash crops during the 2022/2023 season. The secondary sector contributed 0.9 pp, helped mainly by higher manufacturing production and buoyant activity in the "Civil engineering and public works" sub-sector, reflecting continuing implementation of major projects in Senegal (construction of an oil platform), Benin and Niger (construction of pipelines to export crude oil from Niger).

Table 11 - Real GDP growth trends (in percentage)

	2019	2020	2021	2022
Primary sector	0.7	1.0	0.2	1.3
Secondary sector	1.9	0.1	1.4	0.9
<i>including: - Manufacturing industries</i>	<i>0.9</i>	<i>0.0</i>	<i>0.8</i>	<i>0.4</i>
<i>- Public works and civil engineering</i>	<i>0.7</i>	<i>-0.2</i>	<i>0.4</i>	<i>0.4</i>
Tertiary sector	3.2	0.6	4.5	3.7
Real GDP	5.8	1.7	6.1	5.9
Final consumption	3.9	1.4	2.9	2.6
Investment	2.1	0.8	4.4	4.6
External sector	-0.2	-0.5	-1.2	-1.3

Sources: National departments - BCEAO calculations

49. An analysis of GDP uses showed that growth in economic activity in 2022 was mainly driven by investment and final consumption, whose contributions were estimated at 4.6 pps and 2.6 pps respectively. The particularly large contribution of investments was due to the implementation of a number of major oil and

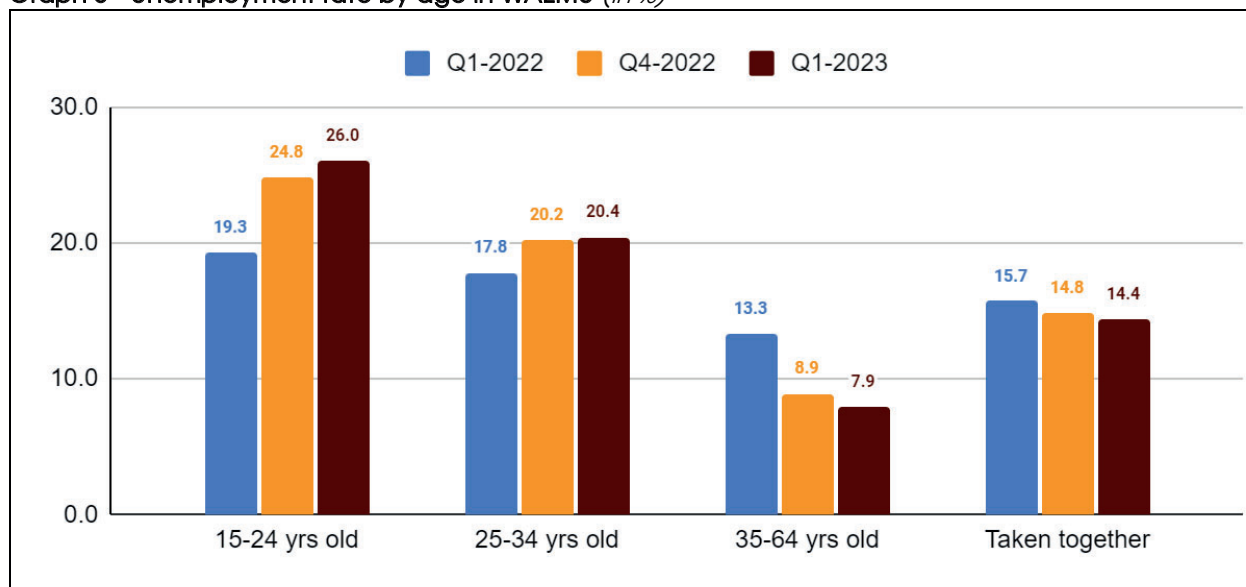
gas projects. Final consumption was forecast to contribute less than in 2021, mainly due to household income losses caused by strong inflationary pressures since the start of the year. On the other hand, the external sector contributed -1.3 pp to economic growth, compared with -1.2 pp in 2021.

2.3 - Labor market

50. Labor market data were generated from household surveys carried out by the BCEAO in the main conurbation of each country in the Union. The unemployment rate⁴ in the Union's major conurbations was estimated at 14.4% in the first quarter of 2023, compared with 14.8% in the previous quarter. Unemployment among women fell by 0.7 pp to 17.1%, while remaining virtually unchanged among men (12.3%). Compared with the same period the previous year, the unemployment rate fell by 1.3 pp.

51. Based on respondents' age, the unemployment rate fell by one point among adults in the 35-64 age bracket, to 7.9%. On the other hand, it rose by 1.2 pp to 26.0% among the youngest respondents aged 15-24. The unemployment rate among 24-35-year-olds remained virtually unchanged from the previous quarter, at 20.4%.

Graph 8 - Unemployment rate by age in WAEMU (in %)



Source: BCEAO

52. According to household declarations, the employment rate, defined as the proportion of the working-age population who are

employed, stood at 47.2% in the first quarter of 2023, virtually unchanged from the previous quarter.

⁴ The unemployment rate as defined by the ILO is the proportion of unemployed people in the working population. According to the ILO, an

unemployed person is any individual of working age, without a job, who is looking for work and is available for work

3 - RECENT TRENDS IN INFLATION AND COMPETITIVENESS

The inflation rate in the Union stood at 5.8% year over year in the first quarter of 2023, compared with a 7.8% increase a quarter earlier. This slowdown in inflation in the general price level was essentially attributable to slower growth in food product prices, reflecting in particular an increase in cereal supplies and a downturn in prices on international markets.

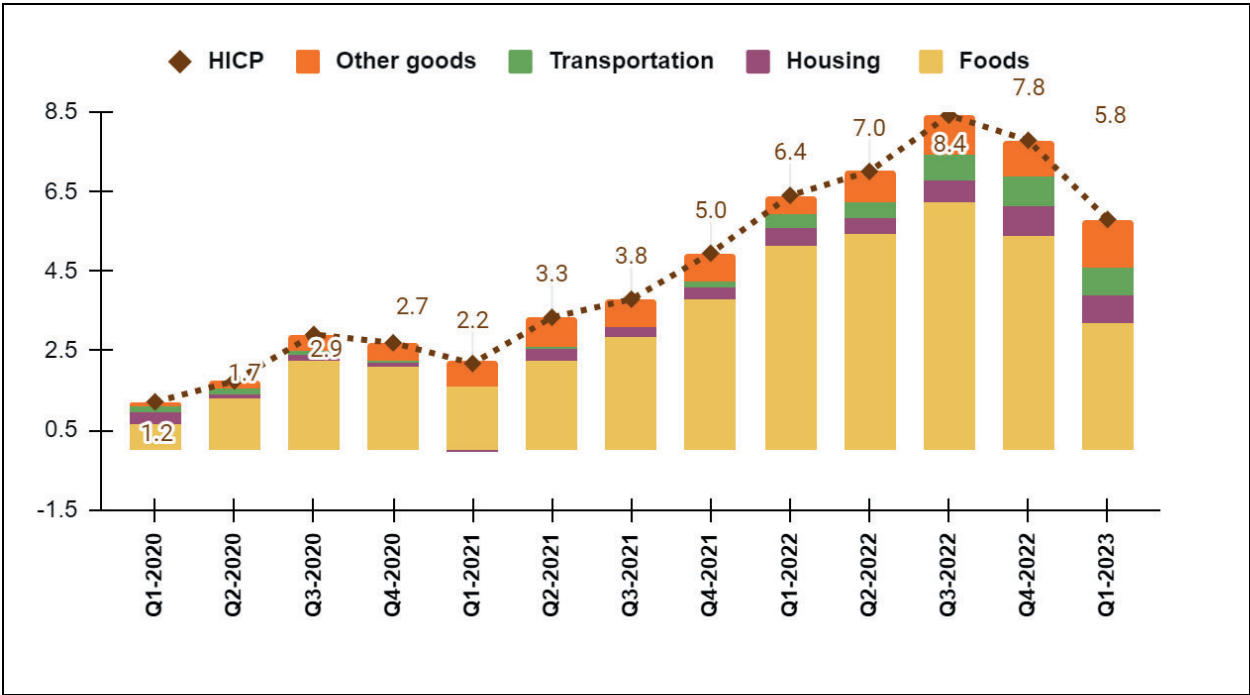
The real effective exchange rate rose by 0.4% in the first quarter of 2023 compared with the same period in the previous year, as a result of a 4.0% appreciation in the nominal effective exchange rate, mitigated by a positive inflation differential equivalent to 3.6 percentage points (pps).

3.1 - Recent trends in inflation

53. Inflation continued its downward trajectory, which commenced in the fourth quarter of 2022. Aggregate inflation in WAEMU stood at 5.8% in the first quarter of 2023, compared with 7.8% a quarter earlier and the 6.9% initially forecast. This deceleration in aggregate inflation was the second recorded since the second quarter of 2021, when the inflation rate rose above the 3.0% threshold. This was due to a decline in the prices of the “Foodstuffs”

component, which rose by 7.0% in the quarter under review, compared with an 11.9% rise a quarter earlier. Most Union countries experienced a slowdown in food prices during the quarter under review, reflecting the fact that the 2022/2023 harvests were sold on the market, with cereal production up by 17.0% compared with a 13.1% drop the previous year.

Graph 9 - Contributions to change in the HICP in WAEMU (in pps)



Source: BCEAO

54. Notwithstanding this slowdown in inflation, food product prices remained relatively high, mainly due to persistent external shocks associated with soaring international prices for foodstuffs imported by the Union (+4.0%), and relatively high price rises for staple products

such as rice (+20.4%) and sugar (+16.9%). These external shocks were compounded by persistent difficulties in supplying local markets, as insecurity continued to spread, severely affecting food product distribution channels, especially in Burkina Faso, Mali and Niger.

55. The “Transportation” and “Housing” components saw price increases of 9.0% and 6.4% respectively in the first quarter of 2023, compared with 7.8% and 5.9% in the previous quarter. In the “Transportation” component, the price trend was due to higher fuel prices. In the first quarter of 2023, gasoline and diesel prices rose by 23.7% on average in the Union.

The rise in fuel prices has had an impact on transportation fares in most Member States.

56. In the “Housing” function, the pressures observed were related to rising charcoal, kerosene and gas prices in Union countries, as well as higher electricity prices in Senegal. In the first quarter of 2023, the year-on-year rise in kerosene prices reached 27.8% in the Union

Table 12 - Trends in Inflation and its components

	Annual change (In %)				Contributions (In % points)			
	Q2-2022	Q3-2022	Q4-2022	Q1-2023	Q2-2022	Q3-2022	Q4-2022	Q1-2023
Fresh produce	14.6	16.8	14.4	8.1	3.5	4.1	3.5	2.0
Energy	5.8	8.5	9.5	9.9	0.4	0.6	0.7	0.7
<i>Core inflation</i>	<i>4.6</i>	<i>5.4</i>	<i>5.2</i>	<i>4.5</i>	<i>3.1</i>	<i>3.7</i>	<i>3.6</i>	<i>3.1</i>
Total Inflation	7.0	8.4	7.8	5.8	7.0	8.4	7.8	5.8
Food products	12.3	13.8	11.9	7	5.3	5.9	5.4	3.2
Alcoholic beverages	8.5	4.8	5.1	8	0.1	0.1	0.1	0.1
Clothing	2.4	2.9	3.5	3	0.2	0.2	0.2	0.2
Housing	3.9	5.4	5.9	6.4	0.5	0.7	0.7	0.7
Furniture	2.1	2.6	2.9	3.5	0.1	0.1	0.1	0.2
Health	1.7	2	2	1.3	0.1	0.1	0.1	0.1
Transportation	4.7	7.4	7.8	9	0.4	0.7	0.7	0.7
Communications	-0.2	-0.3	0.3	1	0	0	0	0
Recreation and culture	-0.4	6.1	5.5	4.6	0	0.2	0.1	0.1
Education	0.7	1	1.1	0.9	0	0	0	0
Restaurants and hotels	2.8	4.4	4.9	6.1	0.2	0.3	0.3	0.4
Other goods	3.3	2.8	3.4	3.1	0.1	0.1	0.1	0.1

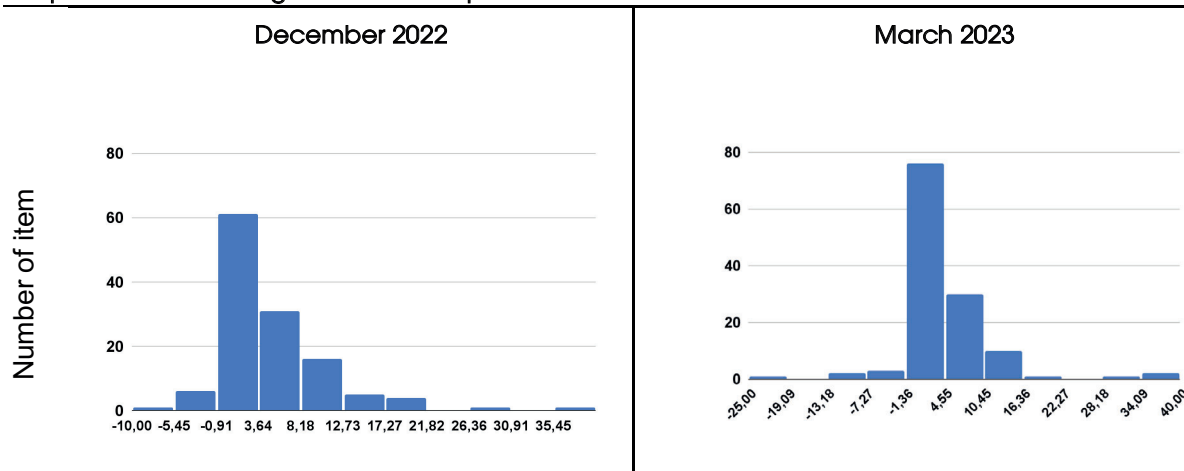
Sources: BCEAO, NSIs

57. The scope of price increases in WAEMU narrowed further over the period. The proportion of commodities subject to significant price rises⁵ fell to 50.8% in March 2023 from 53.2% in December 2022, mainly due

to a slowdown in the rise of food product prices. This trend is illustrated by the histogram of price changes for goods and services, which shows greater declines in March 2023 than in December 2022.

⁵ Proportion of consumer items whose prices showed a year-on-year change exceeding 3.0%.

Graph 10 - Price changes in HIPC component items



Source: BCEAO ("," equals "%")

58. The breakdown by type of spending shows that consumer goods prices rose by 6.3% in the first quarter of 2023, following a 9.3% increase in the previous quarter. This was mainly due to a smaller increase in foodstuff prices. Prices for services rose by 4.5%, compared with 4.2% in the fourth quarter of 2022, reflecting higher transportation, catering, and housing costs.

59. The core inflation rate, which measures the change in the aggregate price level excluding fresh produce and energy, rose by 4.5% in the first quarter of 2023, following a 5.2% increase in the previous quarter. The slowdown reflected a decline in the prices of certain foodstuffs included in the core index, such as flour (+12.8% vs. +18.4% previously), sugar (+10.8% vs. +14.6%), dried vegetables (+1.0% vs. +6.0%) and meat (+5.5% vs. +7.1%). The price pressures on these foodstuffs accounted for 45.5% of the rise in the core inflation rate, compared with 49.3% in the previous quarter.

60. In addition, fresh produce prices rose by 8.1% in the first quarter of 2023, down from 14.4% in the previous quarter. By contrast, energy product prices rose by 9.9% in the quarter under review, following a 9.5% increase in the fourth quarter of 2022, due to higher charcoal prices, as well as higher gas and fuel prices.

61. All countries in the Union experienced a slowdown in inflation, with the exception of Benin and Guinea-Bissau, where inflation rates were on the rise. The price dynamics in Benin were partly due to a base effect on the price of foodstuffs (+5.7% vs. +0.0%), in line with the significant fall in prices observed in the country a year earlier, and partly to a weak supply of cereals whose production was sluggish (stable production, after a 6.0% increase in the previous season). In Guinea-Bissau, the slight acceleration in prices essentially mirrored the increased pressure on food prices (+13.2% vs. +11.1%), especially unprocessed cereal prices (+20.2% vs. +16.1%), reflecting higher global prices.

Table 13 - Trends in inflation by country (in annual average, %)

Country	2021	2022	Q1-2022	Q2-2022	Q3-2022	Q4-2022	Q1-2023
Benin	1.7	1.4	4.1	-0.4	-0.9	2.7	4.9
Burkina Faso	3.9	14.1	10.3	16.1	17.6	12.2	5.7
Côte d'Ivoire	4.2	5.2	4.9	4.3	6.0	5.7	4.9
Guinea-Bissau	3.3	7.9	6.6	7.4	8.3	9.2	10.1
Mali	3.9	9.7	8.2	9.5	12.3	8.6	6.5
Niger	3.8	4.2	5.1	5.2	3.5	3.2	1.5
Senegal	2.2	9.7	6.1	7.8	11.4	13.3	9.8
Togo	4.5	7.6	8.2	7.4	7.0	7.9	6.3
WAEMU	3.6	7.4	6.4	7.0	8.4	7.8	5.8

Sources: BCEAO, NSIs

62. Overall, the 5.8% rise in inflation in the first quarter of 2023 was mainly attributable to the “Food” component, which contributed 3.2 pps

to total inflation, and, to a lesser extent, to the “Housing” and “Transportation” functions, which each contributed 0.7 pp.

3.2 - External competitiveness

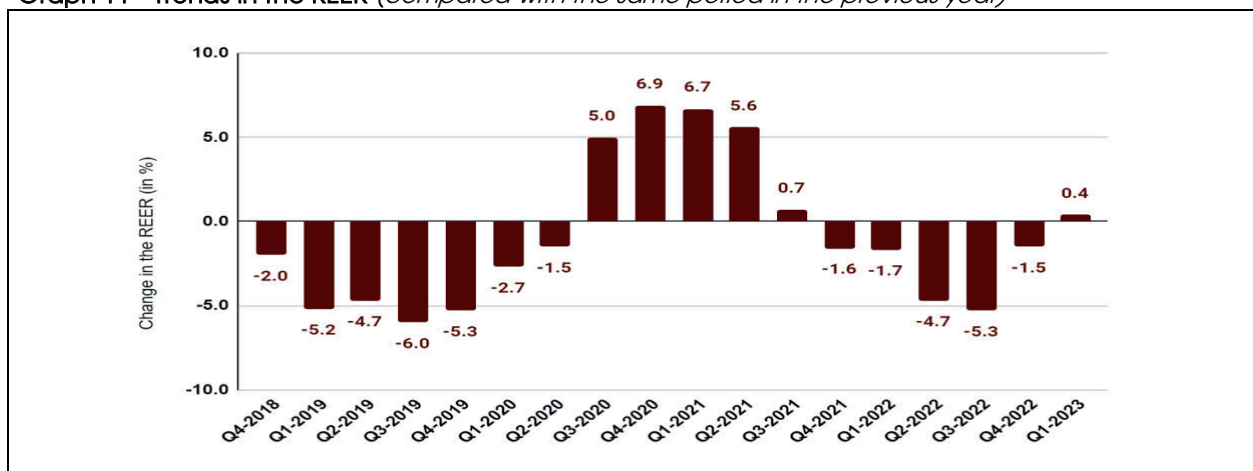
63. The real effective exchange rate (REER) rose by 0.4% in the first quarter of 2023 over the same period last year, following a 1.5% fall in the previous quarter. This reflected a slight loss of competitiveness on the part of the Union, consistent with a 4.0% appreciation in the nominal effective exchange rate, mitigated by a positive inflation differential of 3.6 percentage points (pps).

African rand (+11.4%), the pound sterling (+5.6%), the naira (+5.3%) and the Chinese renminbi (+3.0%). By contrast, the Union's currency depreciated on an annualized basis against the US dollar (-4.4%) and the Swiss franc (-4.3%).

64. The nominal effective exchange rate trend in the first quarter of 2023 reflected the annualized appreciation of the CFA franc against the Ghanaian cedi (+55.9%), the South

65. The inflation rate in the Union stood at 5.8% in the first quarter of 2023, compared with 9.4% on average in partner countries. In the case of neighboring partners such as Nigeria and Ghana, inflation remained very high during the quarter under review, reaching 22.0% and 45.0% respectively in March 2023.

Graph 11 - Trends in the REER (compared with the same period in the previous year)



Source: BCEAO

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

66. The table below shows the overall competitiveness gains (-) or losses (+) in relation to partner groups.

Table 14 - Trends in competitiveness by partner group (in %)

	Years			Quarterly change				Annual change			
	2019	2021	2022	Q2-2022	Q3-2022	Q4-2022	Q1-2023(*)	Q2-2022	Q3-2022	Q4-2022	Q1-2023(*)
Industrialized countries	-3.5	1.8	-1.4	-1.1	0.1	0.0	-0.3	-0.4	-1.7	-2.1	-1.3
Eurozone	-2.2	1.0	-0.8	-1.2	0.2	0.8	-1.4	0.1	-0.8	-0.8	-1.5
Neighboring countries	-11.5	7.3	-8.5	-2.4	-6.0	-3.8	7.6	-4.3	-10.6	-14.4	-5.0
Asian countries	-5.7	3.0	-2.8	2.8	-2.5	-1.3	3.1	-1.7	-5.0	-3.9	2.0
EU countries	-2.2	0.7	-0.6	-1.0	0.2	1.0	-1.3	0.0	-0.8	-0.6	-1.1
Emerging countries	-4.9	1.2	-3.5	1.7	-4.0	-0.5	3.2	-2.3	-5.6	-4.5	0.2
CEMAC	-1.3	2.2	2.4	-1.4	2.6	1.2	-0.9	3.3	2.7	2.4	1.4
All	-5.6	2.8	-3.4	-2.4	-0.9	2.4	1.4	-4.7	-5.3	-1.5	0.4

Source: BCEAO

(*) Estimates

(+) Appreciation of the REER or loss of competitiveness

(-) Depreciation of the REER or competitiveness gain

4 - TRENDS IN PUBLIC FINANCES

In the first three months of 2023, budget performance by Member States resulted in an aggregate budget deficit of 1,214.8 billion on an accruals basis, including grants, compared with 1,512.4 billion a year earlier.

This improvement was due to a 536.6 billion increase in budget revenues and grants, offset by a 239.1 billion rise in net expenditure and loans. Public revenues rose, reflecting in particular a positive trend in economic activity, while expenditure showed a slower increase, reflecting a decline in capital expenditure. Increases in current expenditure, mainly wages and subsidies, offset the lower effect of capital spending.

4.1 - Revenues and grants

67. The budget revenues of the Union's Member States totaled 4,328.9 billion at the end of the first three months of 2023, compared with 3,916.6 billion at the end of March 2022, up 412.3 billion or 10.5%. This increase, which was driven by tax revenues (+11.6%), was due in

particular to buoyant economic activity in the Member States during the period under review. Budget grants, estimated at 192.5 billion at the end of the first quarter of 2023, were up 182.7% over the same period in 2022.

Table 15 - Financial transactions of WAEMU Member States (in billions, unless otherwise stated)

	March 2022 (1)	March 2023* (2)	Change (2) - (1)	
			In billions	In %
Budget revenues and grants	3,984.8	4,521.4	536.6	13.5
<i>(in % of GDP)</i>	<i>15.3</i>	<i>15.3</i>	-	-
Budget revenues	3,916.6	4,328.9	412.3	10.5
Tax revenues	3,318.6	3,704.3	385.7	11.6
<i>(in % of GDP)</i>	<i>12.7</i>	<i>12.5</i>	-	-
Other revenues (including non-fiscal)	598.1	624.6	26.5	4.4
Grants	68.1	192.5	124.4	182.7
Total expenditures and net loans	5,497.1	5,736.2	239.1	4.3
<i>(in % of GDP)</i>	<i>21.1</i>	<i>19.4</i>	-	-
Current expenditure	3,647.0	3,999.4	352.4	9.7
<i>payroll</i>	<i>1,394.7</i>	<i>1,615.8</i>	<i>221.1</i>	<i>15.9</i>
<i>transfers and subsidies</i>	<i>968.4</i>	<i>1,081.1</i>	<i>112.7</i>	<i>11.6</i>
<i>interest on debt</i>	<i>649.6</i>	<i>696.6</i>	<i>47.0</i>	<i>7.2</i>
<i>other expenditures</i>	<i>634.3</i>	<i>605.8</i>	<i>-28.5</i>	<i>-4.5</i>
Capital expenditures	1,559.1	1,485.6	-73.5	-4.7
<i>(in % of GDP)</i>	<i>6.0</i>	<i>5.0</i>	-	-
Other expenditure	280.2	259.0	-21.2	-7.6
Net loans	10.7	-7.8	-18.5	-173.3
Balance based on accruals, including grants	-1,512.4	-1,214.8	297.6	19.7
<i>(in % of GDP)</i>	<i>-5.8</i>	<i>-4.1</i>	-	-
Cash balance, including grants	-1,502.3	-1,062.9	439.4	29.2
<i>(in % of GDP)</i>	<i>-5.8</i>	<i>-4.1</i>	-	-

Sources: National departments, BCEAO.

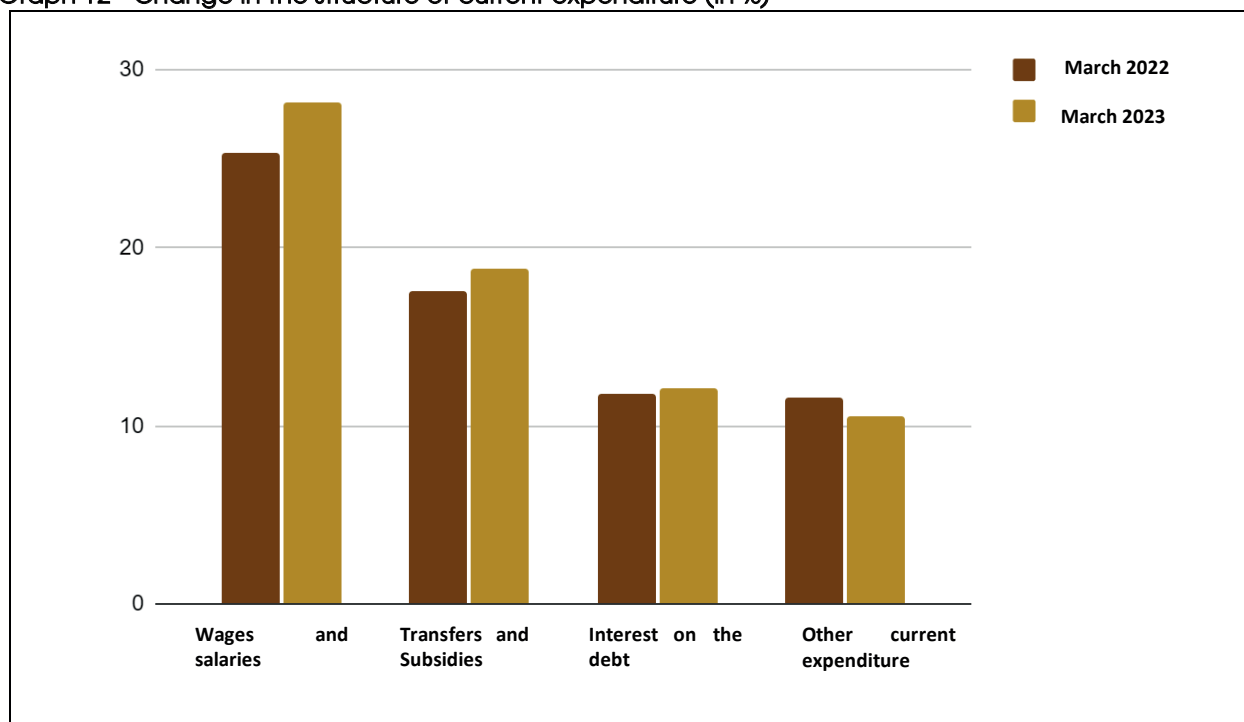
(*) Estimates

4.2 - Total expenditures and net loans

68. Total expenditures and net loans increased by 4.3% to 5,736.2 billion by the end of March 2023, compared with 5,497.1 billion a year earlier. This upward trend was attributable to an increase in current expenses, which rose by 9.7%, partially offset by a 4.7% decline in capital expenditure. The increase in current expenses was primarily driven by higher personnel costs (up by 15.9%), transfers and subsidies (up by 11.6%), and

financial expenses related to public debt (up by 7.2%), but this was mitigated by a decrease in operating expenses (down by 4.5%). The rise in the wage bill could be attributed, in part, to the measures taken by governments to preserve the purchasing power of the population, including salary and allowance increases in certain Member States.

Graph 12 - Change in the structure of current expenditure (in %)



Sources: National departments, BCEAO

4.3 - Budget balance and financing

69. In the first three months of 2023, the budget deficit in WAEMU, on an accruals basis, including grants, narrowed to 1,214.8 billion

compared with 1,512.4 billion a year earlier, down 19.7%. As a percentage of GDP, the deficit fell by 1.7 points to 4.1%.

4.3.1 - Issuances on the regional public debt market

70. In the first quarter of 2023, WAEMU Member States raised 1,902.9 billion on the regional public debt market, down 0.8 billion compared to the same period in 2022. This decrease was attributable, in part, to a decline in Treasury bond issues (-10.8%), which was partially mitigated by an increase in bill issues (+25%). The decrease in Member States' bond issues was primarily due to reduced investor subscriptions. The aggregate bid-to-cover ratio⁶ averaged 99.6% in the first quarter of 2023, compared to 243.1% the previous year. The decline in the coverage rate could be attributed to banks' increased exposure to sovereign risk, reducing their appetite for government bonds issued on the regional financial market. A significant portion of high public deficits had been financed through this market, leading to higher levels of public securities on banks' balance sheets, significantly exceeding pre-COVID-19 levels. Since 2021, this figure has remained above 27.0%, compared with 20.8% in December

2019. Net bond issues stood at -384.5 billion in the first quarter of 2023, compared with 505.2 billion a year earlier.

71. Regarding treasury bills, the Member States raised 715.5 billion in the first quarter of 2023, accounting for 37.6% of resources raised on the regional financial market, compared with 572.5 billion the previous year. The 3-month maturity bills were the most popular, totaling 316.5 billion, or 44.2% of bonds issued during the period, followed by 6-month maturity bills (246.8 billion or 34.5%) and 12-month maturity bills (152.2 billion or 21.3%).

72. In the bond segment, national treasury departments raised 1,187.4 billion (62.4% of resources raised on the market) in the first quarter of 2023, compared to 1,331.2 billion the previous year. Specifically, the total amount of bonds issued on the auction market was 497.5 billion, accounting for 41.9% of total bonds, while those issued through syndication

⁶ The coverage ratio is defined as the ratio between the amount of subscriptions and the amount requested at the launch of the issues.

reached 689.9 billion (58.1% of total bonds). These bonds covered various maturities, including 3 years (331.4 billion), 5 years (226.1

billion), 7 years (321.9 billion), 10 years (50.0 billion), and 15 years (258.0 billion).

Table 16 - Gross issues of government securities on the regional market (in billions of CFA F)

Instrument	2021				Total 2021	2022				Total 2022	2023
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1
Bills	575.3	469.0	571.8	439.8	2,055.9	572.5	413.9	479.9	289.5	1,755.8	715.5
Bonds	1,285.3	1,789.5	1,218.5	918.8	5,212.1	1,331.2	1,559.6	2,009.6	1,820.5	6,720.9	1,187.4
<i>By tender</i>	<i>957.8</i>	<i>1,331.5</i>	<i>811.5</i>	<i>394.8</i>	<i>3,495.6</i>	805.0	983.2	1,227.1	483.6	3,498.9	497.5
<i>Through syndication</i>	<i>327.5</i>	<i>458.0</i>	<i>407.0</i>	<i>524.0</i>	<i>1,716.5</i>	526.2	576.4	782.5	1,336.9	3,222.0	689.9
Total	1,860.6	2,258.5	1,790.3	1,358.6	7,268.0	1,903.7	1,973.5	2,489.5	2,110.0	8,476.7	1,902.9

Sources: WAMU Securities, AMF-UMOA.

73. Overall, financing conditions on the public debt market tightened during the first quarter of 2023 compared with the same period in the previous year. Weighted average rates on Treasury bills rose, on average, from 2.63% in the first quarter of 2022 to 4.38% in the first quarter of 2023. Bond yields stood at 6.18% in the first quarter of 2023, marking an increase of 79 basis points compared to the first quarter of 2022. These developments could be attributed, in part, to market tensions observed during the period under review and the impact of the Central Bank's key rate hikes.

74. For bills with maturities of 3 months, 6 months, and 12 months, the weighted average rates rose by 1.49 points, 2.57 points, and 1.30 points, respectively. As for bonds, the yields for 3-year maturities rose to 6.41% (+2.02 points), the 5-year maturities increased to 6.38% (+1.83 points), the 7-year maturities reached 5.87% (+0.54 points), 10-year maturities climbed to 6.35% (+0.57 points), and 15-year maturities stood at 6.07% (+0.3 points).

Table 17 - Average interest rates and yields on government securities (in %)

	2021				Average 2021	2022				Average 2022	2023
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1
1 months	-	-	-	-	-	-	-	-	2.51	2.51	-
3 months	2.90	2.58	2.47	-	2.60	2.41	2.60	2.81	-	2.63	3.9
6 months	3.24	2.86	-	-	3.07	2.58	2.53	3.30	2.96	2.60	5.15
12 months	4.31	3.99	3.01	2.62	3.27	2.84	2.89	3.32	3.40	3.15	4.14
WAR* on bills	3.60	3.27	2.82	2.62	3.10	2.63	2.71	3.09	3.28	2.88	4.38
3 years	5.79	5.37	4.98	3.72	5.35	4.39	4.86	5.58	5.51	5.35	6.41
5 years	6.03	5.76	5.29	4.56	5.63	4.55	5.27	5.90	5.84	5.40	6.38
7 years	6.08	5.96	5.63	5.58	5.90	5.33	5.92	5.95	6.06	5.92	5.87
8 years	6.50	-	-	-	6.50	-	-	-	-	-	-
10 years	5.90	6.27	6.19	5.89	6.15	5.78	5.78	6.09	6.03	5.90	6.35
12 years	-	6.11	-	-	6.11	-	6.15	6.30	6.12	6.25	-
15 years	-	-	-	5.97	5.97	5.77	5.76	5.75	6.00	5.80	6.07
20 years	-	-	-	-	-	5.85	.	5.85	.	5.85	-
WAY** on bonds	6.03	5.88	5.82	5.11	5.85	5.39	5.55	5.84	5.97	5.72	6.18

Sources: BCEAO, WAMU Securities, AMF-UMOA. (*) WAR: weighted average rate (**) WAY: weighted average yield.

4.3.2- Outstanding government securities on the regional market

75. The total outstanding amount of government securities at the end of March 2023 was estimated at 20,950.9 billion, equivalent to 17.3% of GDP, compared to 18,179.2 billion or

16.6% of GDP in the previous year. The structure of this outstanding amount is dominated by Treasury bonds, which account for 93.3% of the total.

Table 18 - Outstanding government securities at the end of March 2023 by country (in billions of CFA F)

		Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAEMU
Bills	Adjudication	47.9	33.2	575.4	28.5	108.5	271.0	293.7	49.9	1,408.1
	Bonds									
Bonds	Adjudication	1,272.4	1,363.3	2,372.1	233.5	1,499.2	799.9	2,139.2	1,541.8	11,221.4
	Syndication	616.4	1,390.8	4,020.0	0.0	1,094.2	531.6	437.6	230.8	8,321.4
Total outstanding amounts		1,936.7	2,787.3	6,967.5	262.1	2,701.9	1,602.4	2,870.6	1,822.5	20,950.9

Sources: BCEAO, WAMU Securities. Figures as at March 31, 2023.

4.3.3 - Mobilization of external resources by WAEMU Member States

76. In addition to their activities on the regional financial market, the Union's countries received financial support from external partners during the first quarter of 2023. This included contributions from the World Bank (344.2 billion), the African Development Bank (55.6 billion), and United Nations agencies (18.6 billion).

the first three months of 2023, totaling 184.3 billion. Burkina Faso received 49.0 billion of this total through the Rapid Credit Facility (RCF), while Guinea-Bissau received 1.9 billion under the Extended Credit Facility (ECF). Disbursements to Senegal included the Standby Credit Facility and the ongoing standby arrangement, amounting to a total of 132.6 billion.

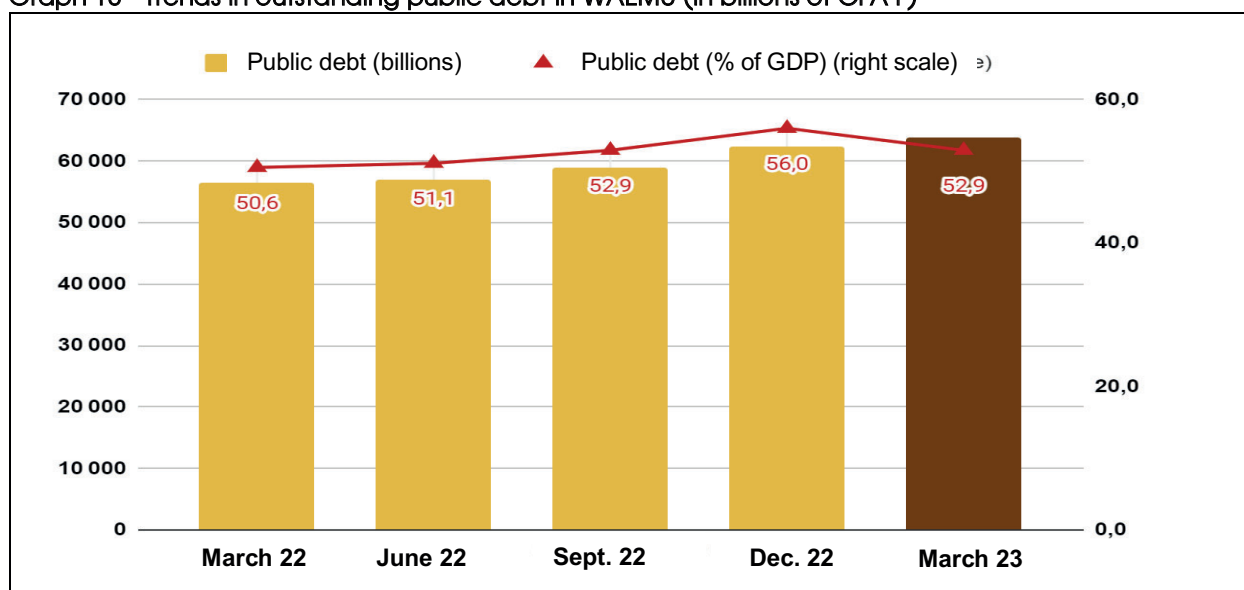
77. In addition, three Member States of the Union (Burkina Faso, Guinea-Bissau and Senegal) received financial support from the IMF during

4.3.4 - Trends in the total public debt

78. In line with the borrowing resources utilized to finance the budget deficit, the Union's total public outstanding debt was projected to

reach 63,821.8 billion in March 2023, equivalent to an increase of 1,357.0 billion or 2.2% compared to December 2022.

Graph 13 - Trends in outstanding public debt in WAEMU (in billions of CFA F)



Sources: National departments, BCEAO

(*) estimates ("=" equals "=")

5 - TRENDS IN EXTERNAL ACCOUNTS

In the first quarter of 2023, the Union's aggregate balance of payments showed a deficit of 1,704.4 billion, following a deficit of 829.7 billion recorded in the same period of the previous year, reflecting the deterioration observed in the current account balance.

5.1 - Current account transactions

79. The deficit on the **balance of current account transactions** amounted to 2,286.7 billion in the first quarter of 2023, compared with 1,783.2 billion in the same period of the previous year, marking a 28.2% increase. This increase can be

attributed to a worsening performance in the goods and services account and primary income. As a percentage of GDP, the current account deficit stood at 7.7% in the first quarter of 2023, compared with 6.8% a year earlier, reflecting a 0.9 percentage point increase.

Table 19 - Trends in the current account (in billions, unless otherwise stated)

Categories	2022		2023
	Q1	Q4	Q1
Trade balance	-638.4	-905.4	-935.2
Balance of services	-1,479.5	-1,550.3	-1,599.8
- Travel	208.9	226.2	234.5
- Freight	-1,157.4	-1,259.7	-1,180.9
Balance of primary and secondary revenues	334.6	300.0	248.3
Primary income	-645.6	-696.8	-783.6
Secondary income	980.2	996.8	1,031.9
- Private transfers	683.7	706.0	727.9
Balance of the current account	-1,783.2	-2,155.7	-2,286.7
(In % GDP)	-6.8%	-7.4%	-7.7%

Sources: NSIs, Customs, BCEAO

5.1.1 - Trends in foreign trade in the Union

80. In the first quarter of 2023, the Union's **trade deficit** increased by 296.8 billion compared with the same quarter of the previous year, reaching 935.2 billion. This was driven by a rise in imports (+2.0%) coupled with a decline in exports (-2.4%).

81. The decrease in exports was primarily due to declines in the sales of cotton (-37.1%), cashew

nuts (-14.0%), petroleum products (-9.9%), rubber (-6.8%), and gold (-3.8%), mainly due to unfavorable price trends for these products on international markets, with the exception of gold. However, this trend was partially counterbalanced by increased cocoa sales (+10.5%) due to favorable cocoa price trends in international markets and increased shipment volumes.

Table 20 - Trends in the trade balance (in billions, unless otherwise stated)

	2022		2023	Year-on-year change (Q1-2023 / Q1-2022)	
	Q1	Q4	Q1		(in %)
Exports	6,471.5	6,232.8	6,319.0	-152.5	-2.4%
<i>including Cocoa products</i>	1,329.2	1,260.8	1,468.6	139.4	10.5%
<i>Gold and precious metals</i>	1,710.1	1,735.3	1,645.8	-64.3	-3.8%
<i>Petroleum products</i>	537.9	542.9	484.4	-53.5	-9.9%
<i>Cotton products</i>	584.8	331.9	367.8	-217.0	-37.1%
<i>Coffee products</i>	19.7	20.5	20.1	0.4	2.0%
<i>Cashew nuts products</i>	141.5	119.3	121.7	-19.8	-14.0%
<i>Rubber</i>	210.4	238.4	196.1	-14.3	-6.8%
<i>Uranium</i>	32.0	32.0	32.8	0.8	2.5%
Imports (FOB)	-7,109.9	-7,138.1	-7,254.2	-144.3	2.0%
<i>including Food products</i>	-1,715.4	-1,823.6	-1,856.8	-141.4	8.2%
<i>Consumer packaged goods</i>	-1,032.2	-1,135.1	-1,083.0	-50.8	4.9%
<i>Energy products</i>	-2,060.7	-1,962.8	-1,819.0	241.7	-11.7%
<i>Intermediate goods</i>	-1,425.2	-1,444.1	-1,524.1	-98.9	6.9%
<i>Capital goods</i>	-1,529.1	-1,542.2	-1,642.2	-113.1	7.4%
Trade balance	-638.4	-905.4	-935.2	-296.8	
(In % of GDP)	-2.4%	-3.1%	-3.2%		

Sources: NSIs, Customs, BCEAO

82. The increase in the Union's imports, compared with the same period in the previous year, was mainly attributed to higher purchases of food products and consumer packaged goods (+7.0%), as well as capital and intermediate

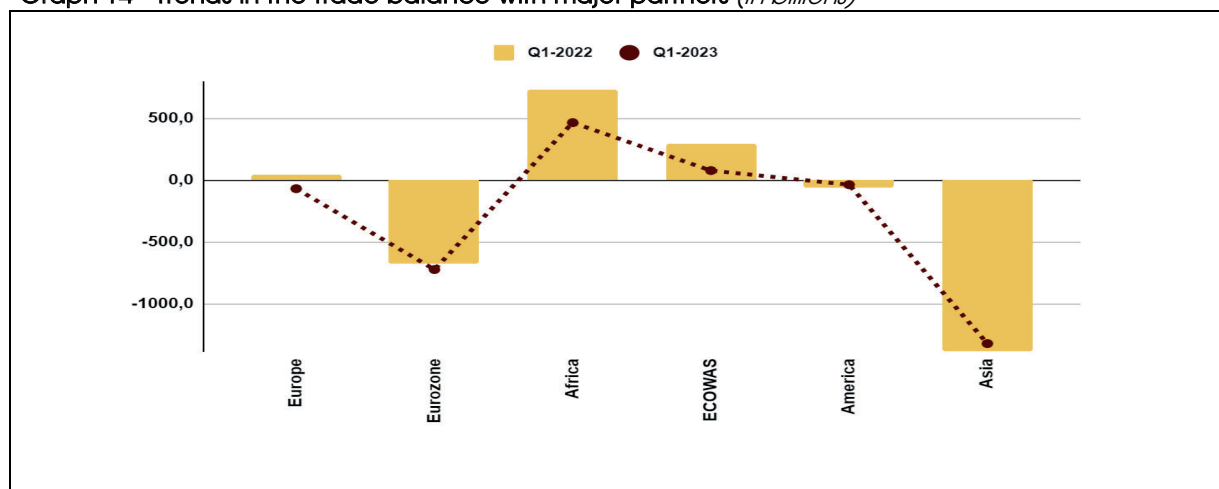
goods (+7.2%). The increase in external purchases was, however, moderated by a reduction in the energy bill (-11.7%), in line with the decline in petroleum product prices on international markets.

Geographical breakdown of foreign trade

83. The geographical breakdown of the Union's trade in the first quarter of 2023 essentially reflected a decline in the surplus balance with

Africa, compared with the same period in the previous year.

Graph 14 - Trends in the trade balance with major partners (in billions)



Sources: NSIs, Customs, BCEAO

Trends in Intra-WAEMU trade

84. Intra-WAEMU trade rose by 3.6% in the first quarter of 2023 to 1,132.1 billion, equivalent to 16.1% of the Union's total trade. Côte d'Ivoire and Senegal remained the main suppliers, accounting for 55.4% of the overall intra-WAEMU supply. On the intra-WAEMU demand

side, Mali and Burkina Faso were the main destinations, accounting for 44.8% of total trade flows. Products traded included oil, food preparations (milk, broths, etc.), local products (cereals, live animals), edible oils and building materials.

5.1.2 - Trends in other current account headings

85. The **balance of services** deficit rose by 8.1% compared with the same quarter of the previous year, reaching 1,599.8 billion, reflecting an increase in the freight bill (+2.0%) coupled with higher consumption of specialized services, including engineering services for infrastructure construction.

result of higher interest payments on the external public debt.

86. The deficit on the **primary income** account worsened by 21.4% to 783.6 billion, mainly as a

87. The surplus on the **secondary income** account grew by 5.3% over the same quarter of the previous year, to stand at 1,031.9 billion, due to an increase in budgetary aid received by governments (+2.5%) combined with a rise in remittances from migrants (+6.5%)

5.2 - Capital and financial account trends

88. The **capital account** surplus fell by 11.4% compared with the same period in the previous year, reflecting a marked decline in project grants received by WAEMU Member States.

billion to 1,908.7 billion compared with the same period in the previous year. This requirement was covered to the tune of **11.7%** by net inflows to the financial account, compared with **40.6%** in the same period of the previous year.

89. Reflecting the above trends, the Union's **financing requirement** increased by 552.3

Table 21 - Trends in the capital account, financial account, and aggregate balance
(in billions, unless otherwise stated)

	2022		2023
	Q1-2022	Q4-2022	Q1-2023
Balance of the current account	-1,783.2	-2,155.7	-2,286.7
Balance of the capital account	426.8	417.1	378.0
- Public administration	329.6	317.3	277.0
Financing needs	-1,356.4	-1,738.6	-1,908.7
Balance of the financial account	-636.7	-1,615.7	-592.7
- FDI	-680.7	-738.7	-771.7
- Portfolio investments	5.2	-56.5	-9.7
- Other investments	38.7	-820.5	188.7
incl. net government drawdowns	-270.6	-641.0	-10.7
Balance after statistical adjustment	-829.7	286.3	-1,704.4
Revaluations	169.6	101.3	124.4
Change in net external assets	660.1	-387.6	1,580.0
Reserves in months of imports	5.0	4.2	4.0

Sources: NSIs, Customs, BCEAO

90. Net capital inflows to the financial account decreased by 44.0 billion to 592.7 billion, reflecting a decline in net public borrowings (-260.0 billion). However, this trend was mitigated by a rise in foreign direct investment (+91.1 billion), due to continued investment in the oil and gas sector.

billion deficit in the first quarter of 2023, compared with an 829.7 billion deficit a year earlier.

91. Overall, the aggregate balance of payments contracted sharply year-on-year, with a 1,704.4

92. Foreign exchange reserves covered imports of goods and services for 4.0 months at the end of March 2023, compared with 4.2 months at the end of December 2022 and 5.0 months in March 2022.

6 - MONETARY CONDITIONS, CURRENCY, AND THE STOCK MARKET

The Central Bank maintained its strategy of gradually normalizing its monetary policy during the first quarter of 2023, marking the fourth consecutive increase in its main key interest rates. In accordance with its established monetary policy direction, the BCEAO made the decision on February 10, 2023, to return to the practice of conducting variable-rate auctions with predetermined amounts as part of its liquidity regulation efforts, a move that aligns with the approach used before the onset of the COVID-19 pandemic.

The weighted average interest rate on the interbank market, across all maturities, increased to 4.34%, compared with 3.26% a quarter earlier. Specifically, the one-week segment saw a rise in the weighted average interest rate to 4.21%, up from 3.10% in the previous quarter and 2.30% a year earlier. The average bank lending rate, excluding taxes and fees, stood at 6.72% in the first quarter of 2023, compared with 6.70% in the third quarter of 2022.

The monetary situation was marked by a decline in the annual growth rate of the money supply, which dropped from 11.3% at the end of December 2022 to 8.5% at the end of March 2023. This deceleration was due to the contraction of 4,208.6 billion or 59.4% in net external assets. On the domestic front, claims increased by 18,505.6 billion or 18.9%, driven by higher net claims by deposit-taking institutions on central governments (+3,863.3 milliards or +22.7%) and higher claims on the economy (+4,642.3 billion or +16.6%).

On the regional stock market, activity in the Union improved in the first quarter of 2023, with the BRVM Composite index rising by 1.5%, contrasting with a 4.0% decline in the previous quarter. Market capitalization of all listed securities increased by 6.8% quarter on quarter, following a 12.4% rise, three months earlier. This reflected an increase in bond market capitalization (+13.7%), offset by a decline in equity market capitalization (-1.3%).

6.1 - Monetary conditions

93. The BCEAO Monetary Policy Committee had raised the key rates four times by 25 basis points each, totaling 100 basis points since mid-2022. Consequently, as at March 16, 2023, the minimum bid rate for BCEAO auctions stood at 3.00%, and the marginal lending rate at 5.00%, compared with 2.75% and 4.75% respectively in the fourth quarter of 2022. In keeping with the guidelines laid down by the Monetary Policy Committee, the BCEAO decided to switch back to normal operations through its refinancing windows, with effect from February 10, 2023. This decision was taken with a view to

bringing bank liquidity into line with trends in other macroeconomic aggregates.

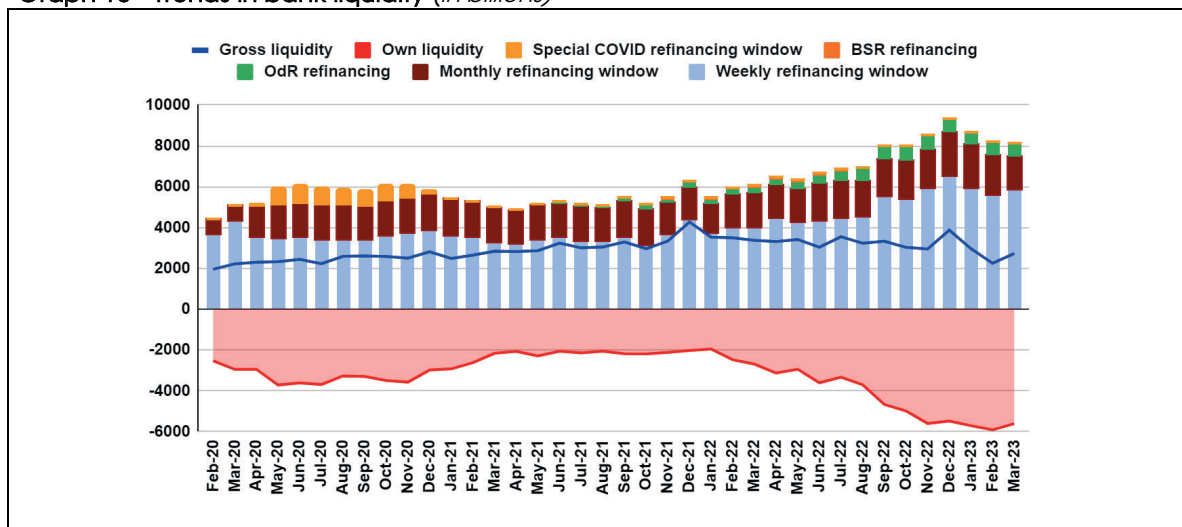
94. This involved conducting auctions on the weekly and monthly windows at variable rates and announcing the offered amounts in advance, as was the case before the COVID-19 pandemic. In February 2023, the Central Bank initially reduced its liquidity injections, but it gradually increased them in March 2023. These liquidity injections took account of the actual needs of the entire banking system.

6.1.1 - Bank liquidity

95. During the first quarter of 2023, banks' own cash position deteriorated by 124.2 billion to stand at -5,612.2 billion at the end of March 2023. This deterioration was driven by the negative impact of the balance of net transfers received (-295.1 billion). Net banknote payments (+132.1 billion) and bank transactions with treasuries and other net

factors (+38.8 billion) partially offset the deterioration. Central Bank lending to banks decreased by 1,019.8 billion, reaching a total of 8,336.1 billion at the end of March 2023. This decline was mainly driven by reduced lending through both the weekly window (-710.1 billion) and the monthly window (-502.7 billion).

Graph 15 - Trends in bank liquidity (in billions)



Source: BCEAO

96. For the maintenance period running from February 16 to March 15, 2023, the total bank reserve requirements amounted to 1,207.9 billion. During the same period, bank reserves averaged 2,286.8 billion, which exceeded the regulatory minimum by 1,078.9 billion. Over the reserve maintenance period running from November 16 to December 15, 2022, the

reserve maintenance surplus was 1,766.1 billion.

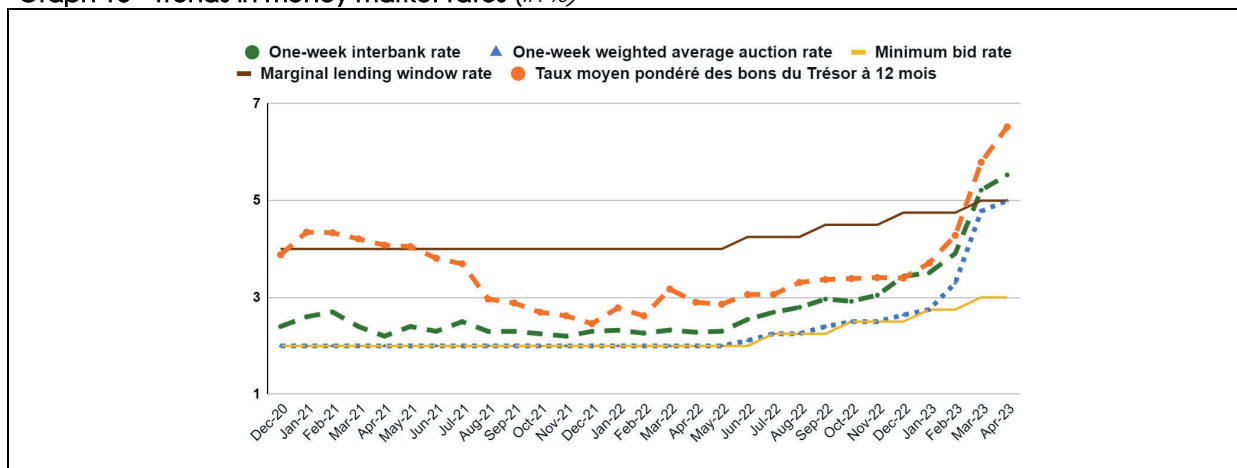
97. The number of institutions subject to minimum reserve requirements fell to 25, compared with 5 during the maintenance period running from November 16 to December 15, 2022.

6.1.2 - Trends in money market interest rates

- 98. An analysis of BCEAO refinancing conditions in the first quarter of 2023 indicated a rise in interest rates, reflecting the continued normalization of the Central Bank's monetary policy. The weighted average rate for weekly transactions rose to 3.50% in the first quarter, up from 2.54% in the previous quarter.
- 99. Transaction volumes on the interbank market, across all maturities, averaged 768.0 billion in the first quarter of 2023, up 144.0 billion (23.0%) compared with the quarter before.

Transactions stood at 562.0 billion a year earlier (+37.0%). The weighted average interest rate for these transactions was 4.34%, in line with the current monetary policy stance, compared with 3.26% in the previous quarter and 2.53% in the same period the previous year. The one-week maturity accounted for 61.0% of total quarterly transaction volume (59.0% in the previous quarter), with a weighted average interest rate of 4.21%, up from 3.10% in the previous quarter and 2.30% a year earlier.

Graph 16 - Trends in money market rates (in %)



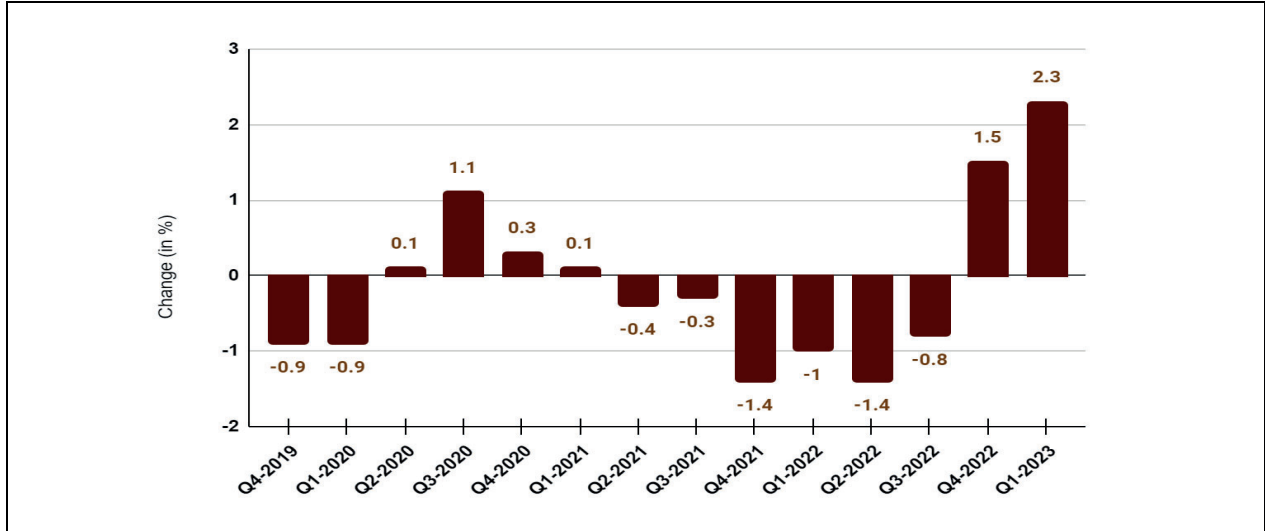
Source: BCEAO

6.1.3 - Trends in monetary conditions

100. The monetary conditions index rose by 2.2% on the previous quarter, reflecting tightening monetary conditions. This trend was driven by a quarterly rise in the real effective exchange

rate (+1.4%) and the real interest rate on the one-week interbank market (+111 basis points).

Graph 17 - Quarterly trends in the monetary conditions index



Source: BCEAO

6.1.3 - Trends in bank rates on term deposits

101. The average lending rate was 5.23% in the first quarter of 2023, up from 5.19% in the fourth quarter of 2022, or 4 basis points.

Table 22 - Country trends in interest rates on term deposits (in %)

	2021				2022				2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Benin	5.49	5.54	5.21	5.41	5.46	5.16	5.23	5.04	5.41
Burkina Faso	5.83	4.91	5.81	5.64	5.80	5.66	5.09	5.07	5.67
Côte d'Ivoire	4.65	4.68	4.63	4.74	4.52	4.64	4.83	4.96	4.68
Guinea-Bissau	4.39	4.44	5.02	4.60	4.19	4.16	5.75	5.14	3.75
Mali	5.04	5.03	5.04	4.87	4.87	5.18	5.02	5.05	5.04
Niger	5.42	5.46	5.88	5.94	5.85	6.13	5.93	5.84	6.03
Senegal	4.84	5.20	5.88	5.80	5.34	5.04	5.19	5.58	5.34
Togo	5.73	5.81	5.72	5.62	5.61	5.65	5.63	5.40	5.70
WAEMU	5.22	5.21	5.51	5.33	5.23	5.15	5.14	5.19	5.23

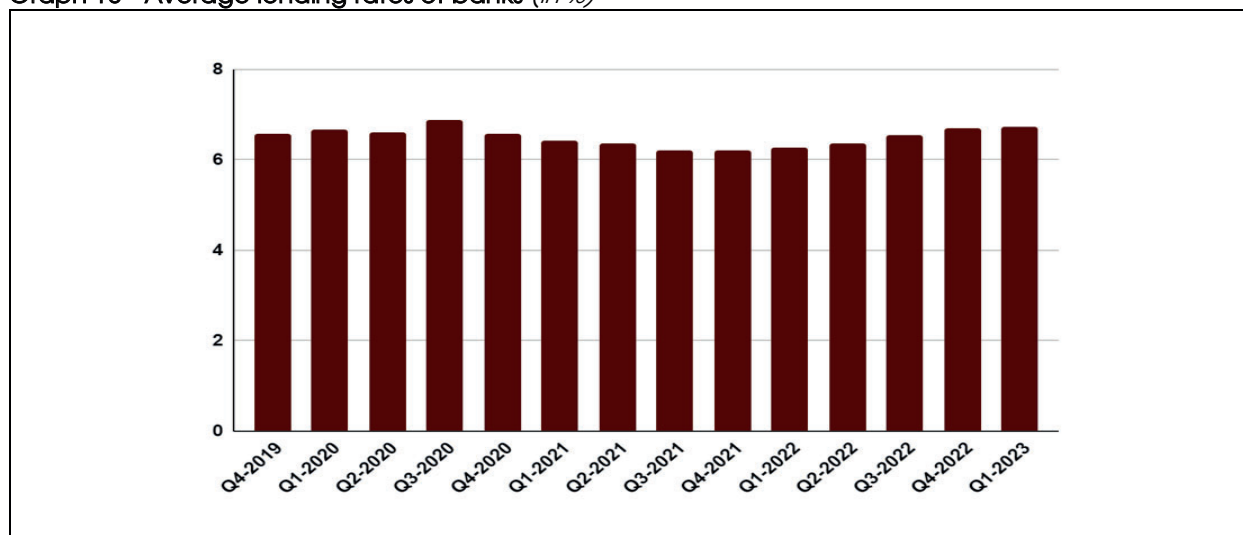
Source: BCEAO

6.1.4 - Trends in bank lending rates

102. The average lending rate, excluding taxes and fees, was 6.72% in the first quarter of 2023,

compared with 6.70% in the fourth quarter of 2022, up 2 bps

Graph 18 - Average lending rates of banks (in %)



Source: BCEAO

103. In the first quarter of 2023, lending rates for capital goods (+58 bps) and consumer goods (+16 bps) increased, according to loan

purposes. By contrast, lending rates fell for export credits (-54 bps), cash-flow loans (-20 bps) and real estate loans (-12 bps).

Table 23 - Country trends in lending rates by loan purpose (in %)

	2021				2022				2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Consumer	7.09	7.22	7.05	7.12	7.45	7.64	7.47	7.79	7.94
Exports	5.89	6.59	8.37	6.93	7.54	6.56	7.51	6.83	6.29
Cash-flow	5.87	5.75	5.45	5.52	5.63	5.70	6.03	6.25	6.05
Equipment	6.34	6.84	6.93	7.00	7.06	6.96	6.85	7.00	7.57
Real estate	6.38	6.50	6.53	6.95	6.33	6.67	6.34	7.21	7.09
Other	6.80	6.63	6.47	6.23	6.50	6.55	6.82	6.81	7.10
Total	6.33	6.31	6.20	6.23	6.27	6.35	6.54	6.70	6.72

Source: BCEAO

104. Broken down according to the type of borrower, the first quarter of 2023 recorded higher lending rates for cooperatives (+475 bps), insurance companies (+95 bps) and

individuals (+41 bps). By contrast, interest rates on loans to governments (-16 bps), businesses (-15 bps) and financial customers (-7 bps) decreased.

Table 24 - Trends in lending rates in WAEMU by borrower type (in %)

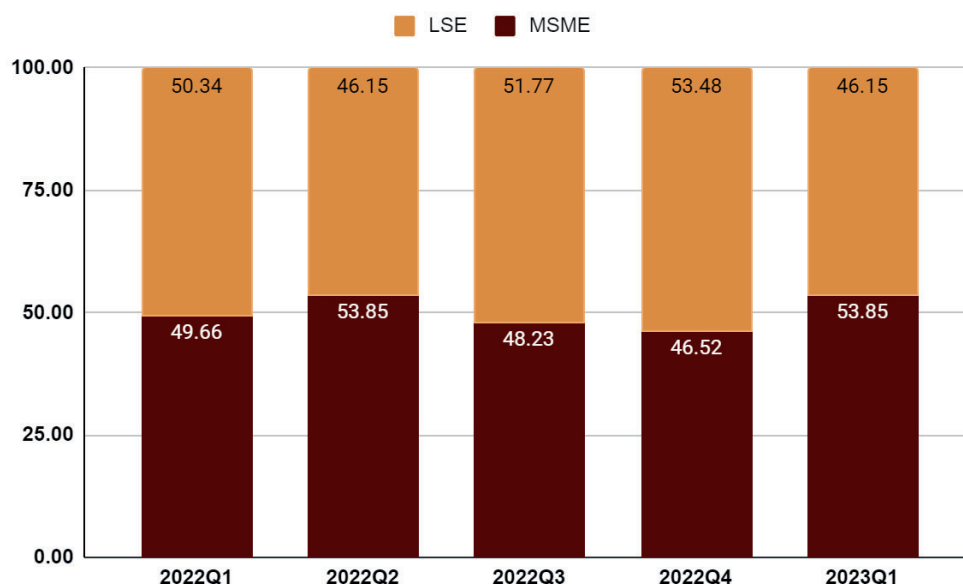
	2021				2022				2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Government	5.04	5.08	4.55	4.92	4.99	4.71	5.63	5.90	5.74
Individuals	7.42	7.85	7.69	7.73	8.04	8.13	8.06	8.20	8.61
Financial customers	7.36	6.53	6.49	6.08	7.03	4.71	4.88	7.72	7.65
Insurance	7.18	6.26	7.08	6.42	4.76	6.40	7.20	4.81	5.76
Businesses	6.08	5.97	5.79	6.07	5.92	6.13	6.16	6.46	6.31
Cooperatives	8.15	4.80	5.59	8.82	9.49	8.30	6.77	4.68	9.43
Other	7.48	7.28	7.22	6.66	7.49	7.23	7.48	8.14	9.13
Total	6.33	6.31	6.20	6.23	6.27	6.35	6.54	6.70	6.72

Source: BCEAO

Box 1 - Structure and conditions of loans to the private sector

The loan volume structure broken down by legal status revealed a predominance of loans to legal entities, which accounted for 86% of all new loans, compared with just 14% for individuals. The proportion of loans granted to individuals increased by 3 percentage points compared with the previous quarter.

Graph a: Breakdown of loans granted to businesses in WAEMU, by business size (in %)



Source: BCEAO

Large-scale enterprises accounted for 53.85% of loans granted, while micro, small, and medium-sized enterprises (MSMEs) received 46.15% of all loans.

In terms of the conditions applied to legal entities, lending rates rose (+19 basis points) compared with the fourth quarter of 2022, with the most significant increases recorded for medium-sized enterprises (+33 bps) and small enterprises (+13 bps). However, rates decreased for large-scale enterprises (-11 bps). In terms of gender, lending rates rose for both women (+37 bps) and men (+38 bps).

105. In terms of loan maturity, the increase in lending rates was greater for loans with maturities of over 5 years (+70 basis points). Lending rates also rose for loans with maturities of between 1 and 2 years (+69 basis points)

and loans with maturities of between 2 and 5 years (+54 basis points). On the other hand, a decline was recorded for maturities of less than one year (-12 basis points).

Table 25 - Country trends in lending rates in WAEMU by loan term (in %)

	2021				2021	2022				2022	2023
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1
Less than 1 yr	6.04	5.96	5.79	5.96	5.94	5.92	6.08	6.23	6.43	6.17	6.31
Between 1 and 2 yrs	7.15	6.75	7.07	6.75	6.93	7.27	7.48	7.76	7.58	7.52	8.27
Between 2 and 5 yrs	6.97	7.20	7.12	7.09	7.10	7.37	7.08	7.04	7.33	7.21	7.87
More than 5 years	6.68	6.96	7.01	6.46	6.77	7.25	6.69	7.26	7.20	7.10	7.90
Total	6.33	6.31	6.20	6.23	6.27	6.27	6.35	6.54	6.70	6.46	6.72

Source: BCEAO

106. Analyzed by country, lending rates rose in Niger (+50 basis points), Mali (+44 basis points), Burkina Faso (+33 basis points), Togo (+18 basis points), Benin (+17 basis points), and Senegal

(+6 basis points), while Guinea-Bissau and Côte d'Ivoire experienced decreases of 60 and 2 basis points, respectively.

Table 26 Country trends in lending rates in WAEMU (in %)

	2021				2022				2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Benin	6.35	6.96	7.80	6.97	6.78	7.01	7.44	7.13	7.30
Burkina Faso	6.46	7.01	6.73	6.81	6.90	7.05	7.22	7.41	7.74
Côte d'Ivoire	5.84	5.72	5.48	5.28	5.74	5.83	6.08	6.33	6.31
Guinea-Bissau	8.28	8.95	8.94	9.36	8.15	9.62	8.94	8.84	8.24
Mali	7.55	7.78	7.53	7.53	7.71	7.25	7.42	7.56	8.00
Niger	7.77	8.02	8.61	8.24	8.32	8.68	8.31	8.39	8.89
Senegal	5.99	5.68	5.59	5.72	5.52	5.71	5.79	5.82	5.88
Togo	7.30	7.35	7.74	7.71	6.87	7.28	7.40	7.22	7.40
WAEMU	6.33	6.31	6.20	6.23	6.27	6.35	6.54	6.70	6.72

Source: BCEAO

6.2 - Monetary situation

107. Annual growth in the money supply fell to 8.5%, as at the end of March 2023, down from 11.3% at the end of December 2022. This decline was mainly due to a contraction in net external assets (-4,208.6 billion or -59.4%) partially offset by the rise in internal claims (+8,505.6 billion or

+18.9%). Internal claims rose due to increased net claims by deposit-taking institutions on central governments (+3,863.3 billion or +22.7%), combined with the rise in claims on the economy (+4,642.3 billion or +16.6%).

Table 27 - Monetary situation as at end-March 2023 (in billions, unless otherwise stated)

	March 2022	Dec. 2022	March 2023	Quarter over quarter		Year over year	
				Level	%	Level	%
Money supply (M2)	42,087.9	46,162.1	45,659.1	-503.0	-1.1%	3,571.3	8.5%
Currency outside banks	9,617.4	10,338.2	10,294.7	-43.6	-0.4%	677.3	7.0%
Deposits	32,470.5	35,823.9	35,364.4	-459.4	-1.3%	2,894.0	8.9%
Net external assets	7,086.6	4,458.0	2,878.0	-1,580.0	-35.4%	-4,208.6	-59.4%
Internal claims	44,938.7	51,760.0	53,444.3	1,684.2	3.3%	8,505.6	18.9%
Net claims on CGs *	17,034.4	20,380.0	20,897.7	517.7	2.5%	3,863.3	22.7%
Claims on the economy	27,904.2	31,380.0	32,546.6	1,166.5	3.7%	4,642.3	16.6%

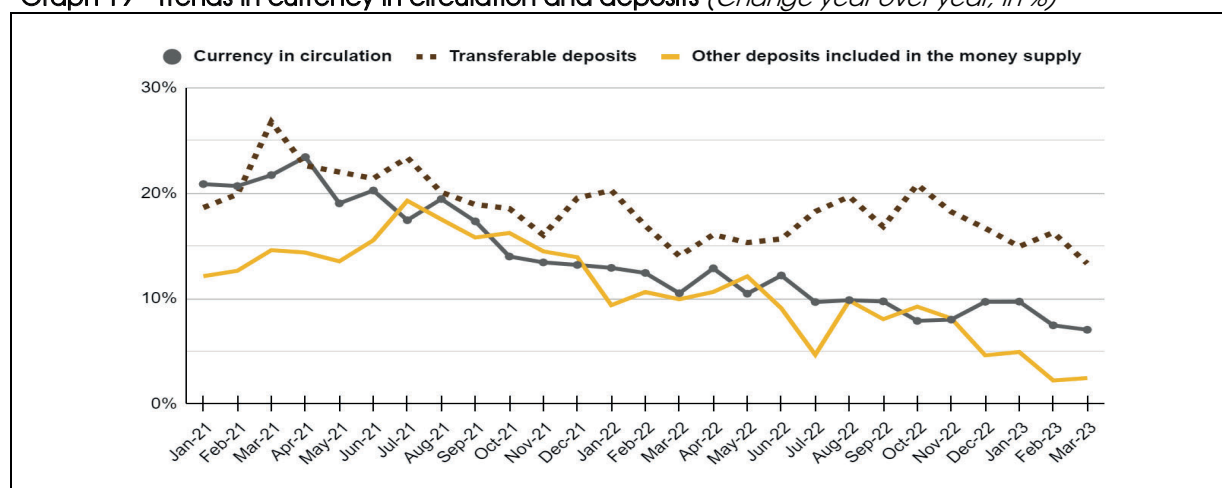
Source: BCEAO (*) Central governments

6.2.1 - The money supply and its components

108. The slowdown in growth in the money supply was reflected in its main components, namely currency outside banks and deposits. Annual growth in currency outside banks stood at 7.0%

at the end of March 2023, compared with 9.7% at the end of December 2022. Deposits increased by 8.9% at the end of March 2023, compared with 11.8% three months earlier.

Graph 19 - Trends in currency in circulation and deposits (Change year over year, in %)

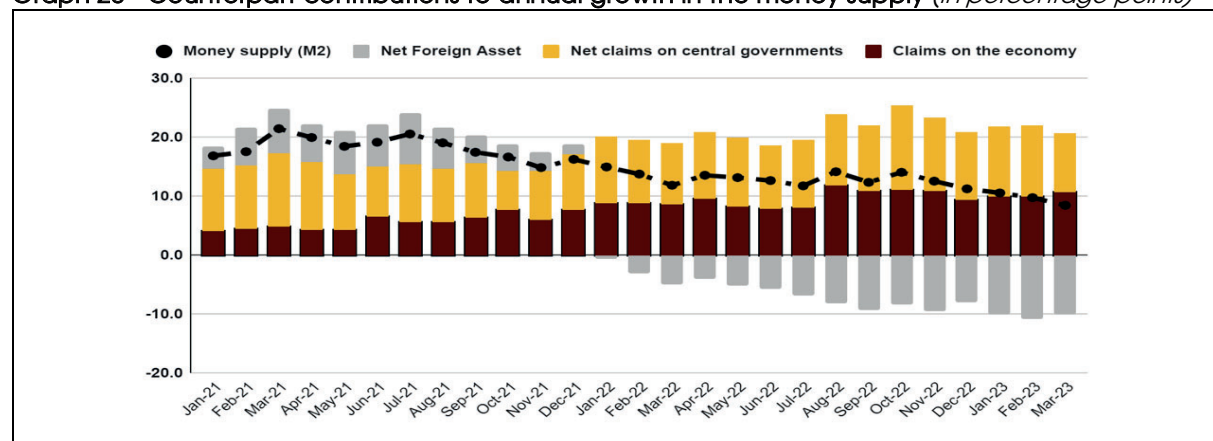


Source: BCEAO

6.2.2 - Money supply and counterparties

109. At the end of March 2023, lending by deposit-taking institutions to resident economic operators accounted for the bulk of annual growth in money supply. Net external assets (NEAs), resulting from transactional flows with the rest of the world, made a negative contribution to growth in global liquidity.

Graph 20 - Counterpart contributions to annual growth in the money supply (in percentage points)



Source: BCEAO

Net external assets

110. Net external assets contracted by 1,580.0 billion or 35.4% in the first quarter of 2023, under the combined impact of the drop in the BCEAO's NEAs (-1,052.1 billion) and that of other deposit-taking institutions (-527.9 billion).
111. The Union's NEAs fell by 4,208.6 billion or 59.4% year over year at the end of March 2023,

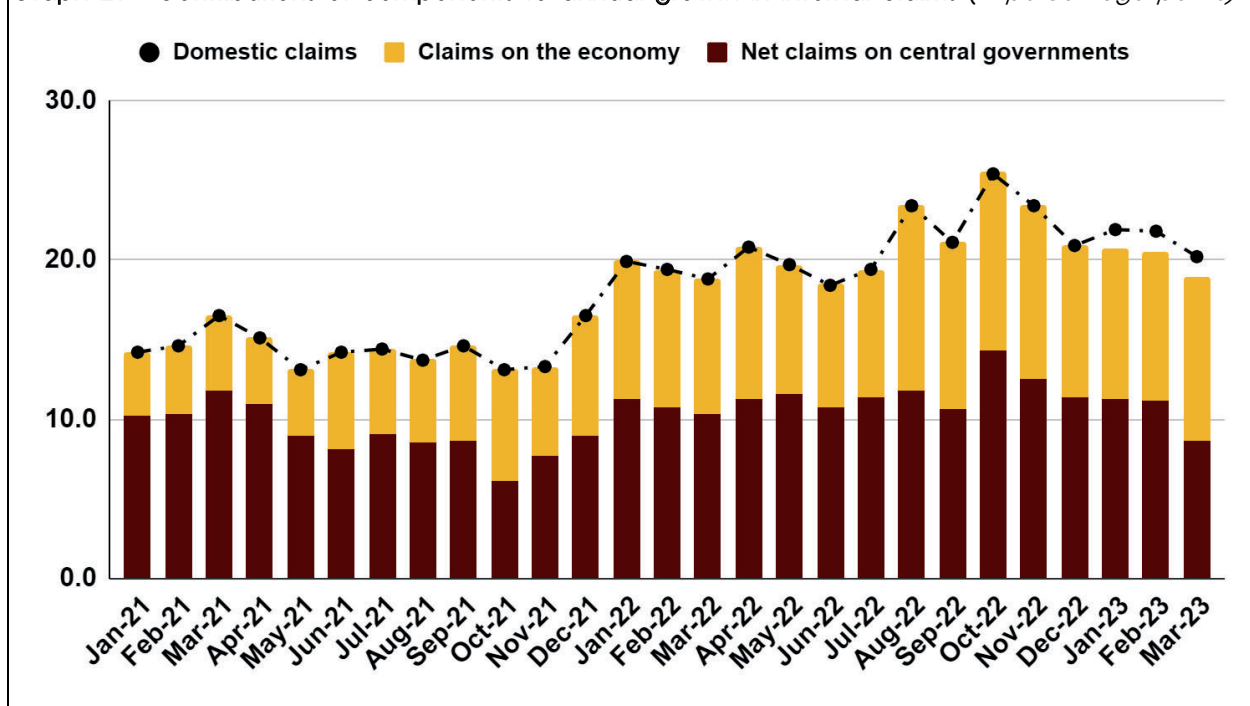
driven by a 3,423.2 billion or 41.8% decline in BCEAO NEAs and a 785.4 billion or 71.5% drop in NEAs of other deposit-taking institutions. This trend reflected the current account deficit over the period, which was insufficiently covered by net capital inflows.

Internal claims

112. Outstanding internal claims increased year on year by 8,505.6 billion or 18.9% as at the end of March 2023. This trend resulted from higher net

claims by deposit-taking institutions on central governments (+3,863.3 billion) and higher claims on the economy (+4,642.3 billion).

Graph 21 - Contributions of components to annual growth in internal claims (in percentage points)



Source: BCEAO

Net claims on central governments of Member States

113. Net claims on central governments rose quarter on quarter by 517.7 billion to stand at 20,897.7 billion at the end of March 2023, under the combined effect of a 778.2 billion increase in the Central Bank's net claims on central governments and a 260.5-billion decrease in banks' net claims on central governments. The increase in BCEAO net receivables from central governments was mainly due to a
114. Net claims on central governments rose by 3,863.3 billion (+22.7%) year on year.

523.9 billion decline in government deposits with the Central Bank and a 175.7 billion increase in IMF financing. Banks' net receivables from central governments were down by 97.7 billion on loans to governments, and by 120.1 billion on their Treasury securities portfolios, the impact of which was reinforced by the accumulation of government deposits with banks (+42.5 billion).

Table 28 - Net claims on central governments (in billions)

	March-22	Dec.-22	March-23	Change	
				Quarterly	Annual
Net claims on central governments	17,034.4	20,380.0	20,897.7	517.7	3,863.3
Loans from deposit-taking Institutions	23,659.0	27,100.3	27,054.5	-45.8	3,395.5
Loans	7,857.1	9,446.3	9,524.3	78.0	1,667.2
Public securities portfolios	15,789.7	17,637.7	17,517.6	-120.1	1,727.9
Other loans	12.2	16.2	12.5	-3.7	0.3
Deposit institution commitments	6,624.6	6,720.3	6,156.8	-563.5	-467.8
Treasury	34.0	30.4	30.4	0.0	-3.6
Deposits	6,544.7	6,541.8	6,060.4	-481.4	-484.3
Other commitments	45.9	148.1	66.0	-82.1	20.1

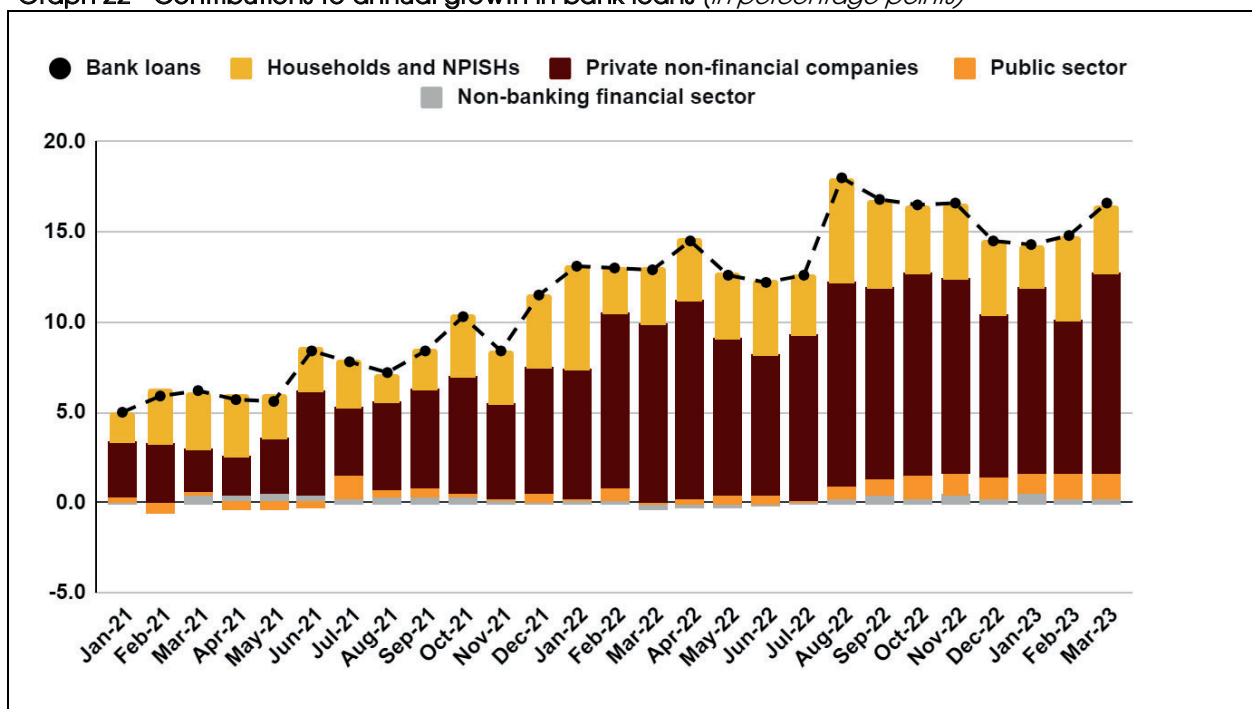
Source: BCEAO

Claims on the economy

115. The year-on-year increase in claims on the economy stood at 16.6% at the end of March 2023, compared with 14.4% at the end of December 2022. This trend was mainly driven by a higher growth rate in bank loans to the private sector (+3,912.2 billion or 16.2%),

following a 14.3% increase in the previous quarter. Loans to private companies rose by 18.4%, while loans extended to households and non-profit institutions serving households increased by 12.3%.

Graph 22 - Contributions to annual growth in bank loans (in percentage points)



Source: BCEAO



- 116. Outstanding loans reported to the WAMU Central Credit Register were estimated at 18,203.5 billion at the end of March 2023, compared with 17,694.9 billion at the end of December 2022 and 16,036.0 billion a year earlier, reflecting a quarter-on-quarter increase of 2.9% and a year-on-year increase of 13.5%. This accounted for 59.0% of bank loans to the economy at the end of March 2023.
- 117. Total outstanding amounts of loans granted to the 400 largest businesses using bank credits (LBUBCs) stood at 9,152.8 billion at the end of March 2023, compared with 8,879.1 billion at the end of December 2022 and 8,068.3 billion at the end of March 2022, up 3.1% quarter on quarter and 13.4% year on year respectively. As a proportion of loans reported to the Union's Central Credit Register, it accounted for 50.3% at the end of March 2023.
- 118. Loans granted to the 400 LBUBCs accounted for 29.6% of credits to the economy at the end of March 2023, compared with 29.7% at the end of December 2022 and 29.8% at the end of March 2022. Broken down by country, the 50 LBUBCs accounted for 67.1% of credits to the economy in Guinea-Bissau, 57.1% in Niger, 47.2% in Benin, 41.1% in Mali and 40.3% in Togo. The percentage was below the regional average in Côte d'Ivoire (23.4%), Senegal (25.5%) and Burkina Faso (28.7%).
- 119. Analyzed according to the maturity of commitments carried by the 50 LBUBCs, short-term loans predominated over medium- and

long-term loans. At the end of March 2023, the share of short-term resources granted to all 50 LBUBCs by country stood at 60.1%, compared with 39.9% for medium- and long-term loans.

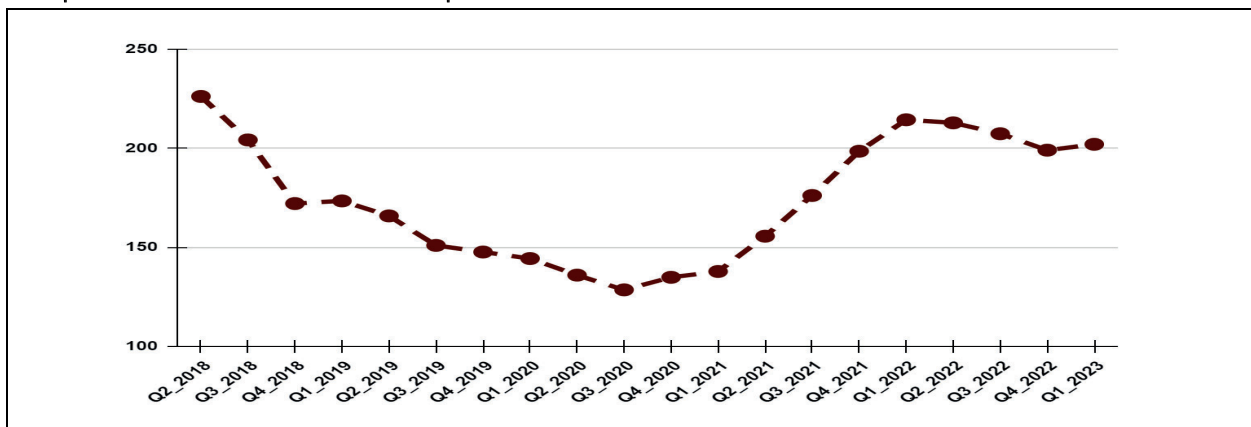
- 120. In terms of industry sectors, more than 4/5 of large exposures are concentrated in six specific industries: "Wholesale trade" (28.5%), "Services to the community" (20.9%), "Manufacturing industries" (11.6%), "Civil engineering and public works" (9.8%), "Transportation and communications" (9.0%), and "Insurance, real estate, business services" (7.8%).
- 121. Outstanding cross-border financing in the WAMU region for all the Union's largest credit users was estimated at 270.6 billion at the end of March 2023, equivalent to 3.0% of total large exposures, compared with 246.6 billion at the end of December 2022 (or 2.9%) and 219.3 billion a year earlier (or 2.7%). They were mainly granted by credit institutions in Burkina Faso (31.2%), Togo (21.2%), Niger (17.0%), and Benin (16.7%).
- 122. The quality of the portfolios of the Union's banks and bank-like financial institutions deteriorated slightly during the quarter under review. This was reflected in a greater increase in the stock of past-due loans compared to gross loans. As a result, the gross portfolio deterioration rate rose by 0.2 percentage point to 8.6% at the end of March 2023. The net rate followed a similar trend, rising by 0.1 percentage point to 3.0%.

6.3 - The WAMU stock market

- 123. Stock market activity in the Union improved in the first quarter of 2023, with the aggregate index—the BRVM Composite—up 1.5% versus a 4.0% decline in the previous quarter. On the

other hand, the BRVM Composite index was down by 5.8% year on year, compared with a 0.3% rise a quarter earlier.

Graph 23 - Trends in the BRVM Composite index



Source: BRVM

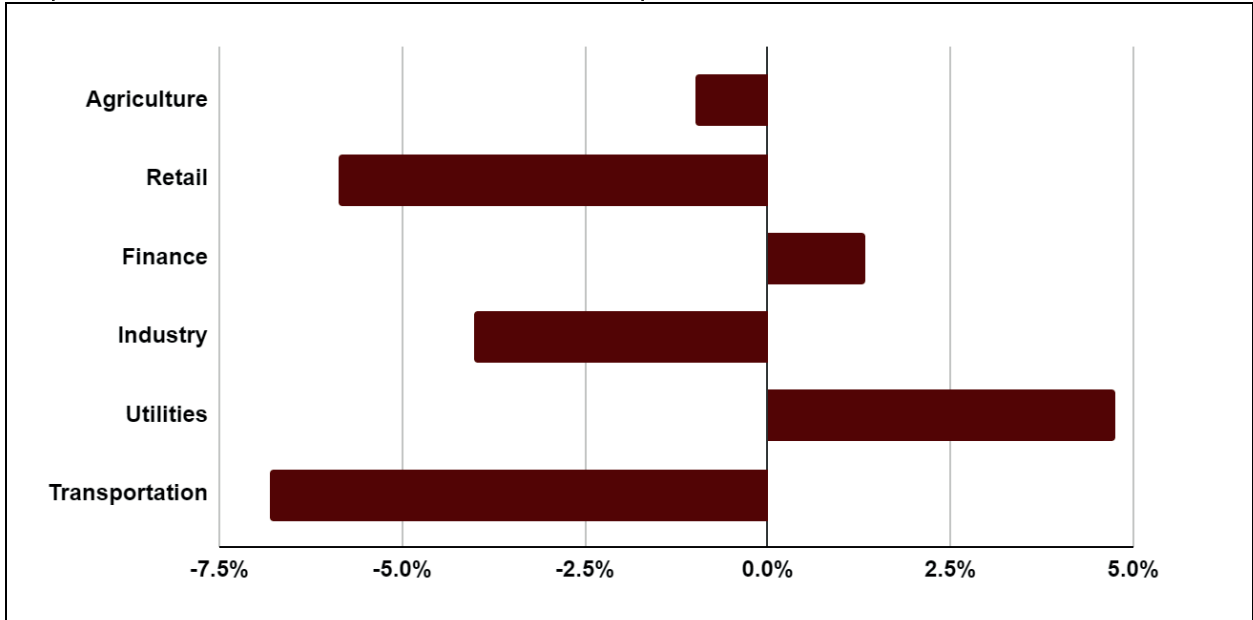


124. This improved stock market performance was driven by index gains in the Public (+4.8%) and Financial (+1.8%) sectors. By contrast, drops were recorded in the Transportation (-6.8%), Agriculture (-1.0%) and Industry (-4.0%) sectors.

following a 12.4% increase, three months earlier, reaching 17,612.5 billion at the end of March 2023. This trend reflected an increase in bond market capitalization (+13.7%), offset by a decrease in equity market capitalization (-1.3%).

125. The market capitalization of all securities listed on the market rose by 6.8% quarter on quarter,

Graph 24 - Trends in BRVM sector Indexes in the first quarter of 2023



Source: BRVM

126. Overall market capitalization rose by 23.6% year over year.

7 - MEDIUM-TERM MACROECONOMIC OUTLOOK

The global economy is forecast to grow at a slower pace in 2023, against a backdrop of persistently high inflation, and under the impact of a rapid and substantial rise in key interest rates, as well as the emergence of vulnerabilities in the banking sector in advanced economies that could spread to the global financial sector as a whole. The latest projections, published by the IMF in April 2023, suggest that the global output growth rate could fall from 3.4% in 2022 to 2.8% in 2023, before recovering to a level of 3.0% in 2024. The figures for 2023 have been revised downwards by a 0.1 percentage point compared with the global economic outlook drawn up in January 2023.

The Union's **economic outlook** is positive, but remains contingent on developments in the international economy, the socio-political and security situations, and the effects of climate change. The latest estimates put the Union's real GDP growth at 6.3% in 2023, compared with 5.9% in 2022, on the back of stronger activity across all sectors. In 2024, the Union's GDP is forecast to grow by an average of 6.9%, driven by resilient production in the leading sectors, i.e., the tertiary and secondary sectors.

Public finance management in the Union's Member States should see a gradual reduction in deficits from 2023 onwards, following an increase in 2022, at a time when most States signed up to IMF programs designed to streamline spending and increase domestic resource mobilization. The Union's budget deficit is expected to fall from 6.6% of GDP in 2022 to 5.2% in 2023 and 3.7% in 2024.

WAEMU's **foreign trade** should see the deficit in the aggregate balance of payments narrow from 2023, following a substantial deterioration in 2022. The current account deficit should gradually ease from 7.8% of GDP in 2022 to 6.2% in 2023 and 3.4% in 2024. This trend should be driven by a drop in food and energy commodity prices, as well as the commissioning of oil and gas platforms in Niger and Senegal. The aggregate balance of payments is expected to post a 526.8 billion deficit in 2023 and a 2,297.0 billion surplus in 2024, on the heels of a 3,343.1 billion deficit in 2022. Foreign exchange reserve coverage of imports during the period is expected to rise from 4.6 months in 2023 to 5.5 months in 2024.

The **monetary situation** will be marked by a smaller drop in net external assets in 2023 and a recovery in 2024, reflecting an improvement in the aggregate balance of payments. The increase in credits to the economy should drop from 14.4% in 2022 to 12.5% in 2023, before rising to 14.5% in 2024.

The annual average **inflation rate** in the Union is expected to fall to 4.4% in 2023 and 3.2% in 2024, compared with 7.4% in 2022.

7.1 - Assumptions underlying the forecasts

127. Projections were based on the outlook for the international environment and domestic economic conditions. They were based on forecasts of key macroeconomic variables, i.e., global growth, inflation, and interest rates. They also factored in international food

product and oil prices, as well as the euro/United States dollar exchange rate. On the domestic front, projection assumptions take into account the economic programs of the Union's Member States, climatic conditions, as well as trends in the security situation.

In terms of the International environment,

The global economic outlook should be less positive in 2023 than in 2022 and is surrounded by generally bearish risks.

128. The latest projections published by the IMF in April 2023 forecast a slowdown in global economic growth from 3.4% in 2022 to 2.8% in 2023. This forecast for 2023 has been adjusted downward by 0.1 percentage point, compared with the January 2023 projections. This slowdown in 2023 reflects the negative impact of persistently high inflation in several regions of the world, the impact of the rapid rise in key interest rates, and the emergence of vulnerabilities in the banking sector of

advanced economies, which could spread to the entire financial sector. In 2024, global economic growth should pick up slightly to 3.0%.

129. Global inflation is expected to fall to 7.0% in 2023 and then to 4.9% in 2024, after peaking at 8.7% in 2022, reflecting the anticipated drop in energy and food product prices, the effects of monetary tightening on demand, and lower freight costs worldwide.



130. According to the IMF, the growth outlook is surrounded by a number of downside risks, including further rate hikes by central banks, especially in advanced economies, to curb inflation, the repercussions of deteriorating

financial conditions on public debt, recent pressures in the financial sector, the lingering war in Ukraine and increasingly fragmented geo-economic conditions.

The financial conditions should continue to tighten until 2023, before stabilizing in 2024

131. With inflation rates set to remain high throughout 2023, well above the targets set by the monetary authorities, the major central banks are likely to continue tightening their monetary policies. In addition, recent pressures in the banking sector have compounded the risks of spillover to the financial system and

non-financial businesses. Against this backdrop, financial conditions could tighten further in 2023. From 2024 onwards, however, easing price pressures should lead to the major central banks changing their monetary policy tightening stance.

International commodity prices should ease gradually, after a sharp rise in 2022

132. International prices of commodities exported by WAEMU countries are expected to fall overall over the 2023-2024 period.⁷

\$73.0 in 2025. In the medium term, oil prices are expected to be influenced by the OPEC+ production rate and geopolitical tensions.

133. With the exception of cocoa, uranium, phosphates, and gold, the prices of commodities exported by WAEMU Member States are set to fall in 2023, after peaking in 2022. They are expected to contract overall, reflecting a slowdown in economic activity, especially in advanced economies. The forecast also assumes a decline in the prices of petroleum products worldwide in 2023 and 2024. The average crude oil price (WTI) is expected to fall from \$93.0 in 2022 to \$83.0 in 2023, before dropping to \$78.1 in 2024 and

134. International prices for food products imported by WAEMU countries are set to fall back in 2023 and 2024, after rising in 2022. According to IMF and FAO forecasts, the price index⁸ for imported food commodities should fall by 5.0% in 2023 and 15.1% in 2024, before rebounding to 8.7% in 2025, following the exceptional 35.7% rise recorded in 2022. This downtrend is expected to result from favorable supply trends on the markets and an expected slowdown in demand.

At the regional level, countries are committed to progressive fiscal consolidation from 2023.

135. Governments are committed to fiscal consolidation, based on accelerated reforms of tax and customs administrations, as well as streamlined public spending.

support. The resources expected from these programs are estimated, in gross terms, at 1,325.9 billion and 1,224.4 billion, in 2023 and 2024 respectively. In net terms, these resources would amount to 1,013.0 billion and 486.5 billion for the two years mentioned above.

136. Five States signed on to programs with the IMF at the end of May 2023 in order to qualify for its

Relatively positive agro-climatic conditions

137. For the 2023/2024 and 2024/2025 cereal crop seasons, the central scenario assumes a 5.0% increase in production.

139. In addition to the central scenario, two other scenarios, one higher and the other lower, have been developed to frame the medium-term outlook for inflation. These scenarios are built around the central projections, with a tolerance margin of plus or minus 5 percentage points (for cereal production, imported food prices, exchange rates, etc.), or plus or minus 10 percentage points (price per barrel of crude oil).

138. Regarding the recent **security situation** in the Union, the baseline scenario assumes a stabilization of the security environment over the projection horizon.

⁷ World Bank, IMF and Bloomberg projections.

⁸ Quoted in CFA F.

Table 29 - Inflation scenario assumptions

	2022	2023			2024			2025		
		Lower	Central	Higher	Lower	Central	Higher	Lower	Central	Higher
Barrel of oil (WTI, in dollars)	93.0	73.0	83.0	110.0	68.1	78.1	88.1	63.0	73.0	83.0
Euro/dollar exchange rate	1.05	1.07	1.02	0.97	1.19	1.14	1.09	1.20	1.15	1.10
Eurozone inflation (%)	8.4	4.8	5.3	5.8	2.4	2.9	3.4	1.6	2.1	2.6
BCEAO index of imported food prices (%)	35.7	-10.0	-5.0	5.8	-20.1	-15.1	-10.1	3.7	8.7	13.7
Cereal production in the Union (%)	17.6	10.0	5.0	0.0	10.0	5.0	0.0	10.0	5.0	0.0

Sources: Bloomberg, BCE, BCEAO

7.2 - Medium-term macroeconomic forecasts

140. Macroeconomic forecasts for the Union remain favorable on the whole, despite the persistence of certain downside risk factors
141. For the year 2023, the Central Bank's forecasts anticipate 6.3% growth in economic activity within the Union, compared to 6.5% forecast last March. This 0.2-point downward revision can be attributed to slower growth in the extractive sector and reduced public investment in Mali (-15.0 billion) and Guinea-Bissau (-2.2 billion). The main drivers of economic expansion in 2023 are expected to be the tertiary and secondary sectors,

contributing 3.3 pps and 1.9 pp, respectively. Growth in the tertiary sector should be buoyed by commercial activities and services while, in the secondary sector, growth should be fueled by increased mining and manufacturing output, especially with the startup of oil and gas production in Senegal at the end of 2023 and the resumption of gold extraction in mines where activity had been suspended due to security problems. Increased agricultural production is also expected to contribute to production in the primary sector, adding 1.1 pp, due to the continued implementation of programs to enhance yields for the main cash and food crops across most countries.

Table 30 - Real GDP growth rate forecasts (in percentage)

	2021	2022	2023 *		2024*	
		Estimates (May 2023)	Estimates BCEAO (March 2023)	Estimates BCEAO (June 2023)	Estimates BCEAO (March 2023)	Estimates BCEAO (June 2023)
Benin	7.2	6.3	5.7	5.7	6.0	5.9
Burkina Faso	6.5	3.0	5.0	4.8	5.1	5.1
Côte d'Ivoire	7.4	6.7	7.0	6.7	7.0	6.8
Guinea-Bissau	6.4	4.7	5.4	4.5	5.0	5.0
Mali	3.1	3.7	4.8	4.5	5.0	5.0
Niger	1.4	11.5	7.2	6.3	10.1	10.5
Senegal	6.5	4.2	8.4	8.4	9.0	9.0
Togo	6.0	5.8	6.2	5.7	6.7	5.7
Union	6.1	5.9	6.5	6.3	7.0	6.9

Sources: NSIs, BCEAO

142. In terms of uses, GDP growth in 2023 was expected to be driven primarily by investment and final consumption, which contributed 3.3 pps and 2.1 pps respectively. The external sector was also expected to make a positive contribution totaling 0.9 pp, thanks to the launch of oil and gas production in Senegal.
143. In 2024, the Union's economic growth should reach 6.9%. This trend can be attributed to the ongoing construction and reinforcement of basic socio-economic infrastructure in most Member States, as well as increased industrial

and agricultural production and their knock-on effects on trade and services.

144. In terms of employment, growth in GDP in 2024 is expected to be mainly driven by final consumption and investment, in line with rising household demand and intensified socio-economic infrastructure projects. In 2024, the investment rate is expected to reach 19.1% for the private sector and 7.7% for the public sector. The contribution of the external sector to growth is expected to be driven by higher exports, as a result of oil and gas sales by Niger, Senegal, and Côte d'Ivoire.

Table 31 - Trends in contributions to GDP growth in the Union (in percentage points)

	2021	2022	2023 *	2024 *
Primary sector	0.2	1.3	1.1	0.9
Secondary sector	1.4	0.9	1.9	2.3
<i>including: - Manufacturing industries</i>	<i>0.8</i>	<i>0.4</i>	<i>0.5</i>	<i>0.6</i>
<i>- Public works and civil engineering</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.5</i>
Tertiary sector	4.5	3.7	3.3	3.7
Real GDP	6.1	5.9	6.3	6.9
Final consumption	2.9	2.6	3.3	3.5
Investment	4.4	4.6	2.1	2.2
External sector	-1.2	-1.3	0.9	1.2

Sources: NSIs, BCEAO (*) BCEAO forecasts

145. These growth prospects remain subject to significant downside risks, associated in particular with the security and socio-political situations in the sub-region, and trends in

commodity prices, notably hydrocarbons and fertilizers. Weather conditions and rising production costs in WAEMU countries⁹ could also limit supply in the Union.

Gradual reduction in budget deficit from 2023 onwards

146. As regards public finance, the estimates point to a gradual reduction in budget deficits from 2023 onwards, following an increase in 2022. As

a result, the budget deficit should narrow to 5.2% and 3.7% of GDP respectively in 2023 and 2024, after 6.6% in 2022.

⁹ +24.7% over the first six months of 2022 in Senegal and +14.2% over the first five months in Côte d'Ivoire.

Table 32 - Budget forecasts for 2023-2024 (in billions, unless otherwise stated)

	2021	2022*	2023**	2024**
Total revenue and grants	17,631.4	19,250.5	22,020.3	24,225.6
(in % of GDP)	17.5	17.3	18.3	18.4
Tax revenues	13,613.5	15,016.3	17,270.7	19,467.9
(in % of GDP)	13.5	13.5	14.3	14.7
Non-tax revenues	1,772.0	1,801.3	1,824.8	2,045.9
(in % of GDP)	1.8	1.6	1.5	1.6
Grants	1,476.3	1,562.3	1,806.7	1,718.4
(in % of GDP)	1.5	1.4	1.5	1.3
Total expenditures and net loans	23,066.7	26,642.0	28,259.9	29,175.0
(in % of GDP)	22.9	23.9	23.4	22.1
Current expenditure	14,503.6	16,517.7	16,876.0	17,604.6
(in % of GDP)	14.4	14.8	14.0	13.3
Capital investments	7,501.7	8,816.0	9,756.0	10,415.4
(in % of GDP)	7.5	7.9	8.1	7.9
Balance based on commitments (including grants)	-5,435.3	-7,391.5	-6,239.6	-4,949.4
(in % of GDP)	-5.4	-6.6	-5.2	-3.7
Cash balance (incl. grants)	-5,290.7	-7,254.5	-6,377.4	-5,098.9
(in % of GDP)	-5.3	-6.5	-5.3	-3.9

Sources: National departments, BCEAO.

(*) Estimates (**) Projections.

147. As regards public debt, Table 33 shows the major projected trends for aggregate debt outstanding in WAEMU. Outstanding debt

should rise from 56.0% of GDP in 2022 to 58.0% in 2023, settling back to 56.6% in 2024.

Table 33 - Trends in aggregate outstanding debt across WAEMU (in billions of CFA F)

	2021	2022*	2023*	2024*
Outstanding debt	54,845.5	62,464.9	69,861.9	74,725.4
<i>In % of GDP</i>	<i>54.4</i>	<i>56.0</i>	<i>58.0</i>	<i>56.6</i>

Source: BCEAO, National departments.

(*) Estimates

WAEMU's foreign trade should see a gradual improvement in the aggregate balance from 2023 onwards.

148. In **2023**, the current account deficit should improve to 6.2% of GDP, as the deficit on goods and services eases. Specifically, the completion of oil extraction infrastructure projects in Senegal and of the Niger-Benin pipeline, in 2023, should lead to a slowdown in service imports, as well as in capital and intermediate goods. The commissioning of

these facilities, scheduled for the fourth quarter of 2023, and the anticipated rise in oil production in Côte d'Ivoire during the same year, should substantially boost exports from the Union. In addition, the drop in consumer goods imports and lower oil bills should have a moderating effect on the trade balance deficit.

Table 34 - Balance of payments projections for 2023-2024 (in billions of CFA francs, unless otherwise stated)

	2021	2022 (Est.)	2023 (Proj.)	2024 (Proj.)
Trade balance	-1,111.4	-3,587.7	-2,318.5	400.8
Balance of services	-5,338.4	-6,048.3	-5,851.9	-5,446.8
<i>Incl. freight</i>	-3,679.7	-4,603.9	-4,678.6	-4,476.3
Balance of the primary income account	-2,873.3	-2,919.2	-2,997.6	-3,414.7
Balance of the secondary income account	3,349.5	3,841.0	3,649.0	4,001.8
Balance of the current transactions account	-5,973.6	-8,714.2	-7,519.0	-4,458.9
Balance of the current transactions account (as a % of GDP)	-5.9	-7.8	-6.2	-3.4
Balance of the current transactions account exclusive of grants (as a % of GDP)	-6.3	-8.3	-6.5	-3.8
Balance of the capital account	1,482.7	1,656.2	1,835.5	1,590.8
Balance of the financial account	-5,317.5	-4,094.9	-5,156.7	-5,165.2
Aggregate balance	475.7	-3,343.1	-526.8	2,297.0
Revaluations	133.5	54.5	-	-
Change in NEAs	-609.2	3,288.7	526.8	-2,297.0

Sources: NSIs, BCEAO

149. The surplus on the capital account is estimated at 1,835.5 billion versus 1,656.2 billion a year earlier, in line with the increase in project grants in certain WAEMU countries. Net capital inflows to the financial account should be up by 25.9%, due in particular to higher foreign direct investment flows (+17.7%) and, to a lesser extent, to government drawdowns. Under these conditions, the aggregate balance of payments should show a 526.8 billion deficit, compared with a 3,343.1 billion deficit in 2022.
150. In 2024, the WAEMU Member States are expected to achieve a 2,297.0 billion surplus in

their overall foreign trade balance. The commencement of full-scale production in the gas and oil sectors should significantly bolster the Union's external accounts. The current account deficit is forecast at 3.4% of GDP. The capital account surplus is forecast at 1,590.8 billion. Under these conditions, the financial flows anticipated should make it possible to cover the financing requirement, estimated at 2,868.1 billion in 2024, by 180.1%. Considering the net mobilizations of 486.5 billion from the IMF, foreign exchange reserve coverage for imports is expected to increase to 5.5 months in 2024, up from 4.6 months in 2023.

The monetary situation should be characterized by a smaller decrease in net external assets in 2023, followed by a recovery in 2024

151. Looking at the period covered by the forecasts, an improved aggregate balance of payments should mitigate deterioration in external assets in 2023, which is then expected

to recover in 2024. Growth in credits to the economy should decelerate from 14.4% in 2022 to 12.5% in 2023, before picking up again to reach 14.5% in 2024.

Table 35 - Projected monetary aggregates for 2023-2024 (in billions, unless otherwise stated)

Headings	2021	2022	2023	2024
Money supply growth rate	16.3%	11.3%	13.3%	15.7%
Rate of growth in claims on the economy	11.3%	14.4%	12.5%	14.5%
Change in net claims on central governments	3 306.7	4 729.1	4 383.8	2 597.0
Change in NEAs	609.2	-3 288.7	-526.8	2 297.0
Claims on the economy/GDP	27.5%	29.1%	29.3%	30.6%
Broad money (M2)	41 458.8	46 162.1	52 301.3	60 499.2
Currency outside banks	9 424.7	10 338.2	11 700.5	13 408.4
Deposits	32 034.2	35 823.9	40 600.8	47 090.9
Foreign exchange reserves in no. of months of import	5.2	4.2	4.6	5.5

Source: BCEAO (*) Estimates



152. In 2023, the money supply is expected to rise by 13.3%, following an 11.3% increase in 2022, driven by internal claims. Net claims by deposit-taking institutions on the central government should increase by 4,383.8 billion, reflecting governments' reliance on the domestic market to finance their deficits, and IMF assistance to governments via the Central Bank. Deposit-taking institutions' NEAs are expected to fall by 526.8 billion, reflecting an unfavorable foreign trade profile.

153. In 2024, the forecast 15.7% increase in the money supply should be driven by trends in claims on the economy (+14.5%) and the expected 2,297.0 billion consolidation in deposit-taking institutions' net external assets (NEAs). Funding for private- and public-sector activities is expected to be strong, with claims on the economy rising by 14.5% and net claims on central governments increasing by 2,597.0 billion.

7.3 - Inflation forecasts and risks

154. The forecasts presented in Table 36 take into account three assumptions: low, central and high.

reflecting easing international prices for foodstuffs imported by the Union.

155. Inflation is forecast to decelerate to 4.4% in the second quarter of 2023, after reaching 5.8% in the first quarter of 2023. This easing in price levels is expected to reflect an increase in cereal supply, due to a healthy supply of cereal products from the 2022/2023 crop year. In addition, the prices of imported food products are expected to trend downwards,

156. This momentum should also be buoyed by continued government action to preserve people's purchasing power, and in particular through interventions under the National Response Plans (PNR) agreed between governments and their partners. In addition, the increase in key interest rates achieved recently should reduce inflation.

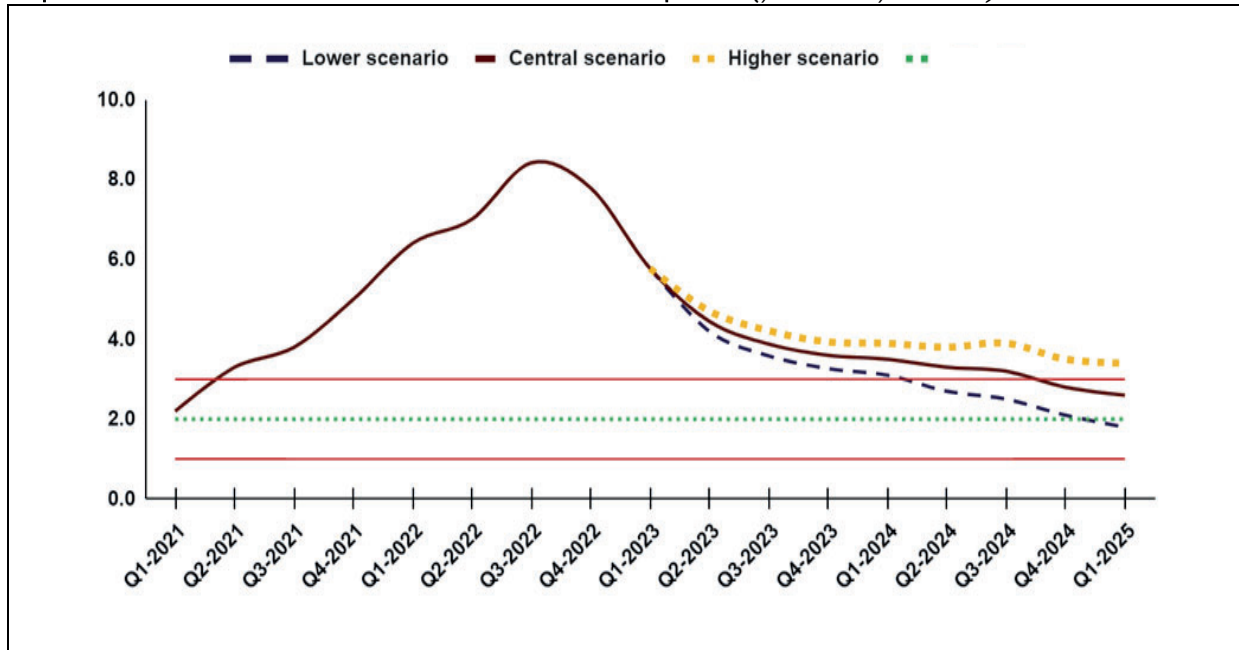
Table 36 - Inflation outlook in WAEMU (in %)

											Averages			
		2023				2024				2025	2022	2023	2024	Eight quarters
		Q1 Actual	Q2 Fcst	Q3 Fcst	Q4 Fcst	Q1 Fcst	Q2 Fcst	Q3 Fcst	Q4 Fcst	Q1 Fcst				
Inflation rate	Lower scenario	5.8	4.2	3.6	3.3	3.1	2.7	2.5	2.1	1.8	7.4	4.2	2.6	2.9
	Central scenario	5.8	4.4	3.9	3.6	3.5	3.3	3.2	2.8	2.6	7.4	4.4	3.2	3.4
	Higher scenario	5.8	4.6	4.2	3.9	3.9	3.8	3.9	3.5	3.4	7.4	4.6	3.8	3.9

Sources: NSIs, BCEAO

157. Inflation is expected to remain on a downward trend throughout the period covered by forecasts, staying above the 3.0% threshold until the third quarter of 2024. By the first quarter of 2025, the inflation rate should reach 2.6%, within the comfort zone (between 1.0% and 3.0%) defined for the implementation of the Union's monetary policy. The slowdown in inflation is expected to be driven mainly by the easing of global food and oil prices forecast over the period.

Graph 25 - Inflation forecasts for the Q1-2023 - Q4-2024 period (year over year, in %)



Source: BCEAO

158. The inflation forecasts are surrounded by overall higher risks associated with the spread of insecurity in the Union, adverse weather conditions and developments in the agreement between the United Nations, Ukraine, Russia, and Turkey on the export of Ukrainian cereals via the Black Sea. A deterioration in the security situation could have a considerable impact on food product distribution channels, leading to massive population displacements and consequently a drop in production. In addition, the risk of flooding and longer or shorter dry spells are likely to adversely affect production and, ultimately, inflation. The central scenario in the

forecast table, which is in line with the forecasts made by experts at the AGRHYMET Regional Center (CRA) in the Sahelian and Sudanian zones, is based on a 2023 rainy season marked by average to surplus rainfall. Finally, the agreement between the United Nations, Ukraine, Russia, and Turkey on the export of Ukrainian cereals via the Black Sea, which ensures a steady supply of cereals to the world market, was extended for two months in mid-May 2023. Failure to renew this agreement by that date could lead to pressures on global prices for food products imported by Union countries, especially wheat.



APPENDICES

1. Table A.1 - WAMU: Central Bank summary statement
2. Table A.2 - WAMU: Summary statement of banks
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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 in billions of CFA francs</i>	Dec.-21	March-22	June-22	Sept.-22	Dec.-22	March-23
Net external assets	8,878.4	8,185.4	7,757.0	5,464.0	5,814.3	4,762.2
Claims on non-residents	14,044.6	13,506.7	13,426.9	11,816.2	11,376.3	10,747.6
Commitments to non-residents	5,166.3	5,321.3	5,669.9	6,352.2	5,562.1	5,985.4
Claims on other deposit-taking institutions	6,298.5	6,069.0	6,643.7	7,999.6	9,363.2	8,337.3
Net claims on central governments	2,366.6	2,797.0	2,433.2	2,665.6	3,159.4	3,937.6
Claims on the economy	567.0	576.6	584.2	590.9	607.5	645.8
TOTAL ASSETS	18,110.4	17,627.9	17,418.1	16,720.1	18,944.4	17,682.9
Monetary base	15,213.2	14,649.9	14,425.3	14,310.6	15,933.6	14,587.5
Currency outside banks	10,406.7	10,713.4	10,828.5	10,378.1	11,428.0	11,295.9
Commitments to other deposit-taking institutions	4,265.5	3,371.1	3,031.7	3,326.7	3,867.9	2,723.9
Commitments to other sectors	541.0	565.4	565.1	605.7	637.7	567.8
Deposits and securities other than shares not included in the money supply	4.9	6.7	4.4	2.6	1.6	9.5
Shares and other equity securities	3,140.0	3,344.7	3,254.2	3,286.7	3,080.7	3,188.8
Other items (net)	-247.6	-373.3	-265.8	-879.7	-71.5	-102.9
TOTAL LIABILITIES	18,110.4	17,627.9	17,418.1	16,720.1	18,944.4	17,682.9

Source: BCEAO

Table A.2 - WAMU: Summary statement of banks

<i>Outstanding in billions of CFA francs</i>	Dec.-21	March-22	June-22	Sept.-22	Dec.-22	March-23
Net external assets	-1,131.7	-1,098.8	-1,178.1	-1,393.6	-1,356.3	-1,884.2
Claims on non-residents	1,028.0	1,008.2	1,055.7	1,014.8	1,106.0	1,165.8
Commitments to non-residents	-2,159.7	-2,107.0	-2,233.8	-2,408.3	-2,462.3	-3,050.0
Claims on the Central Bank	5,160.7	4,417.3	4,073.9	4,312.3	5,093.6	3,803.4
Net claims on central governments	13,315.0	14,271.5	15,305.9	16,099.6	17,251.0	16,990.5
Claims on the economy	26,862.2	27,327.7	27,872.7	29,035.6	30,772.6	31,900.7
Claims on other financial companies	822.4	865.5	861.2	861.0	871.3	900.5
Claims on central and local governments	156.3	148.2	251.5	405.2	453.8	740.7
Claims on public non-financial companies	1,834.5	1,879.4	1,863.8	1,891.3	1,978.2	2,007.4
Claims on the private sector	24,049.1	24,434.7	24,896.1	25,878.0	27,469.3	28,252.2
TOTAL ASSETS	44,206.3	44,917.6	46,074.4	48,053.9	51,760.9	50,810.4
Commitments to the Central Bank	6,271.4	6,018.4	6,673.5	7,961.3	9,344.2	8,130.0
Transferable deposits included in the broad money supply	18,462.1	18,526.5	19,177.6	19,328.4	21,529.3	21,050.0
Other deposits included in the broad money supply	12,671.4	13,011.7	13,332.9	13,508.0	13,287.1	13,376.9
Deposits not included in the broad money supply	1,511.9	1,533.9	1,627.7	1,685.2	2,070.1	1,884.5
Securities other than shares not included in the broad money supply	21.1	18.2	18.0	14.0	13.9	10.8
Borrowings	1,073.1	1,398.3	1,082.2	1,240.6	1,363.7	1,085.8
Shares and other equity securities	4,856.5	4,802.3	4,714.1	5,011.4	3,796.8	5,587.9
Other items (net)	-661.3	-391.6	-551.4	-695.1	355.9	-315.5
TOTAL LIABILITIES	44,206.3	44,917.6	46,074.4	48,053.9	51,760.9	50,810.4

Source: BCEAO

Table A.3 - WAMU: Monetary aggregates

<i>In billions of CFA F</i>	Dec.-21	March-22	June-22	Sept.-22	Dec.-22	March-23
Currency outside banks	9,424.7	9,617.4	9,815.8	9,302.8	10,338.2	10,294.7
Transferable deposits	19,173.5	19,297.0	19,991.4	20,176.4	22,370.1	21,868.1
M1	28,598.2	28,914.4	29,807.2	29,479.2	32,708.3	32,162.8
Other deposits included in the money supply (1)	12,860.6	13,173.5	13,454.9	13,635.6	13,453.8	13,496.3
Money supply (M2)	41,458.8	42,087.9	43,262.0	43,114.8	46,162.1	45,659.1
Net external assets	7,746.6	7,086.6	6,578.9	4,070.4	4,458.0	2,878.0
BCEAO	8,878.4	8,185.4	7,757.0	5,464.0	5,814.3	4,762.2
Banks	-1,131.7	-1,098.8	-1,178.1	-1,393.6	-1,356.3	-1,884.2
Internal claims	43,080.1	44,938.7	46,165.6	48,361.3	51,760.0	53,444.3
Net claims on central governments	15,650.9	17,034.4	17,708.7	18,734.7	20,380.0	20,897.7
Claims on the economy	27,429.2	27,904.2	28,456.9	29,626.5	31,380.0	32,546.6
Non-monetary liabilities (2)	10,607.5	11,104.0	10,700.5	11,240.4	10,326.6	11,767.3
Other items (net) (3)	-1,239.6	-1,166.6	-1,218.0	-1,923.6	-270.7	-1,104.2
TOTAL COUNTERPARTIES OF M2 (4)	41,458.8	42,087.9	43,262.0	43,114.8	46,162.1	45,659.1

(1) Term deposits and special savings accounts opened in banks; interest-bearing deposits opened with 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, particularly miscellaneous items and non-financial assets

(4) Total counterparties = Net external assets + Internal claims - Non-monetary liabilities - Other items (net).

Source: BCEAO

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

<i>In billions of CFA F</i>	Dec.-21	March-22	June-22	Sept.-22	Dec.-22	March-23
BCEAO net claims	2,335.8	2,762.9	2,402.8	2,635.1	3,129.0	3,907.2
Receivables	4,759.1	4,860.0	4,927.9	5,050.0	5,100.1	5,272.1
Loans	4,743.2	4,847.8	4,914.7	5,035.6	5,083.9	5,259.6
Loans backed by SDRs	1,312.5	1,312.5	1,312.5	1,312.5	1,312.5	1,312.5
Consolidated loans	218.0	218.0	218.0	218.0	218.0	218.0
IMF loans	2,970.4	3,075.0	3,141.9	3,262.8	3,311.1	3,486.8
Other loans (financial receivables) (1)	242.3	242.3	242.3	242.3	242.3	242.3
Other loans (2)	15.9	12.2	13.2	14.3	16.2	12.5
Commitments	2,423.3	2,097.1	2,525.1	2,414.8	1,971.1	1,365.0
Treasury	30.7	34.0	30.4	30.4	30.4	30.4
Deposits	2,304.3	2,041.2	2,448.5	2,309.3	1,834.0	1,310.1
Other commitments (3)	88.2	21.9	46.2	75.1	106.7	24.5
Net claims of banks	13,315.0	14,271.5	15,305.9	16,099.6	17,251.0	16,990.5
Receivables	17,899.5	18,799.0	20,365.1	20,752.5	22,000.1	21,782.3
Loans	3,026.2	3,009.3	3,640.0	3,638.0	4,362.4	4,264.7
Treasury securities portfolio	14,873.4	15,789.7	16,725.1	17,114.5	17,637.7	17,517.6
Commitments	4,584.5	4,527.5	5,059.2	4,652.9	4,749.1	4,791.8
TOTAL NET CLAIMS ON CGs	15,650.9	17,034.4	17,708.7	18,734.7	20,380.0	20,897.7

(1) Claims on negative international investment positions and other financial claims due from governments

(2) Expenditures on behalf of the States to be recovered, taxes to be recovered, miscellaneous claims on governments.

(3) Taxes collected, commissions on transfers and other amounts collected on behalf of governments.

Source: BCEAO

Tables A.5 - Breakdown of Inflation in WAEMU

Table A.5.1 - Trends in Inflation by geographical origin

	Component	Weighting (%)	Q1-2022	Q2-2022	Q3-2022	Q4-2022	Q1-2023
Change (%)	Local	70.0	7.3	8.1	9.7	8.3	5.7
	Imported	30.0	4.2	4.4	5.3	6.7	5.9
Contributions (in % points)	Local	70.0	5.1	5.7	6.8	5.8	4.0
	Imported	30.0	1.3	1.3	1.6	2.0	1.8
	Total	100.0	6.4	7.0	8.4	7.8	5.8
<i>Sources: BCEAO, NSIs.</i>							

Table A.5.2 - Trends in Inflation by component

	Component	Weighting (%)	Q1-2022	Q2-2022	Q3-2022	Q4-2022	Q1-2023
Change (%)	Goods	70.7	7.5	8.4	9.9	9.1	6.3
	Services	29.3	3.6	3.6	4.7	4.8	4.5
Contributions (in % points)	Goods	70.7	5.3	5.9	7.0	6.4	4.5
	Services	29.3	1.1	1.1	1.4	1.4	1.3
	Total	100.0	6.4	7.0	8.4	7.8	5.8
<i>Sources: BCEAO, NSIs.</i>							



BCEAO
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