BCEAO

CENTRAL BANK OF
WEST AFRICAN STATES

REPORT ON MONETARY POLICY IN WAMU

June 2024

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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
CGs	Central governments
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
MSCI	Morgan Stanley Capital International, benchmark stock market index provider
NEAs	Net external assets
NPISH	Non-profit institution serving households
NSIs	National statistics institutes
NYMEX	New York Mercantile Exchange, specializing in energy and metals
OECD	Organization 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
SDRs	Special Drawing Rights
TI	Turnover index
WAEMU	West African Economic and Monetary Union
WAMA	West African Monetary Agency
WAMU	West African Monetary Union
WTI	West Texas Intermediate, a benchmark for the price of oil on the US market

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STATEMENT 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 2024, on Tuesday, June 4, 2024, at the BCEAO headquarters in Dakar, Republic of Senegal, under the chairmanship of Dr. 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 a positive trajectory in economic activity worldwide in the first quarter of 2024, despite most central banks, especially in advanced countries, maintaining key interest rates at high levels. The IMF projections published in April 2024 forecast that the global economy would grow by 3.2% in 2024 and 2025, matching the growth rate recorded in 2023. The risks surrounding these forecasts appear balanced. Downside risk factors include higher oil prices due to rising geopolitical tensions, worsening of climate change shocks, and slower growth in China. Factors contributing to an optimistic outlook include faster and deeper cuts in central bank interest rates, driven by advances in artificial intelligence and more expansionary fiscal policies.

4. On the international commodity market, energy commodity prices continued to fall in the first quarter of 2024, reflecting high global supplies and weaker demand, especially in Europe. Non-energy commodity prices also dropped, driven mainly by lower fertilizer prices. By contrast, the prices of non-oil commodities exported by WAEMU Member States rose by 21.3% in the first quarter of 2024, following an 8.0% rise in the previous quarter.

5. Reviewing the economic conditions within the WAEMU region, the Monetary Policy Committee observed that economic activity remained robust during the first quarter of 2024, with a 5.1% year-on-year increase in real GDP, following a rise of 4.8% in the previous quarter. This growth was driven by increased value added across all sectors. According to the latest BCEAO forecasts, economic growth for the Union is projected to reach 6.1% in 2024, up from 5.3% in 2023. The Committee cautioned that these growth prospects were surrounded by significant downside risks, associated in particular with deteriorating security and socio-political conditions in the sub-region, as well as the adverse effects of droughts and floods on agricultural production.

6. In the first quarter of 2024, public finance management figures in WAEMU showed that the aggregate budget deficit, on an accrual basis including grants, fell to 1,833.1 billion, compared

with 1,865.3 billion over the same period in 2023. Financing needs were met by raising resources on the regional financial market and from external partners. On the regional financial market, the coverage rate of public securities issues improved significantly, rising to +126.9% from +106.3% in the first quarter of 2023. However, borrowing costs increased, largely due to banks' high exposure to sovereign risk.

7. External trade among the Union's countries showed an aggregate deficit of 14.0 billion in the first quarter of 2024, contrasting with a deficit of 1,704.4 billion over the same period the previous year. This notable improvement in the external trade profile was primarily driven by an uptick in net inflows on the financial account, bolstered by the issuance of Eurobonds by Côte d'Ivoire and Benin, as well as a decrease in the current account deficit, which rang in at 4.8% of GDP, down from 6.8% the year before. Foreign exchange reserves covered 3.5 months of imports in March 2024.

8. Monetary conditions in the Union tightened overall in the first quarter of 2024, driven by the demand for government financing, which placed cash flow constraints on banks. The weighted average interest rate on the interbank market, across all maturities, rose to 5.81%, up from 5.08% in the previous quarter. It rang in at 4.34% for the same period a year earlier. On the one-week segment, the weighted average interest rate rose to 5.90%, compared with 5.12% in the previous quarter and 4.21% a year earlier. The average bank lending rate, excluding taxes and fees, stood at 6.96% in the first quarter of 2024, up from 6.84% in the fourth quarter of 2023.

9. Outstanding loans to the economy recorded an annual growth rate of 5.1% at the end of March 2024. Meanwhile, the Union's net external assets contracted, in line with the deterioration in external accounts in 2023. These developments culminated in year-on-year money supply growth of 3.7% at the end of March 2024, compared with 3.5% at the end of December 2023.

10. The Monetary Policy Committee noted that price trends in the Union remained within the Central Bank's target range in the first quarter of 2024. The inflation rate stood at 2.8% in the first quarter of 2024, up from 2.3% in the previous quarter.

11. According to the latest forecasts, inflation is expected to increase slightly before returning to the target range of 1% to 3% from the third quarter of 2024, aligning with projected declines in global food prices. The annual average inflation rate for 2024 is projected at 2.9%. The Committee cautioned, however, that inflation remains vulnerable to upside risks, notably due to ongoing security crises in certain Union Member States and heightened geopolitical tensions, which could impact global food and energy prices.

12. In addition, risks to the external balance are expected to decrease in 2024, driven by improved terms of trade, the start-up of hydrocarbon infrastructure production in some WAEMU Member States, and governments' efforts to raise external resources. As a result, the aggregate balance of payments is projected to shift to a surplus following two consecutive years of deficit.

13. Based on this outlook, the Monetary Policy Committee has opted to keep the BCEAO's key rates unchanged at their current levels since December 16, 2023. Therefore, the minimum bid rate for liquidity injection tenders remains at 3.50%, while the marginal lending rate stays at 5.50%. Additionally, the reserve requirement ratio applicable to banks in the Union remains unchanged at 3.0%, the same since March 16, 2017.

14. Over the coming months, the Monetary Policy Committee will analyze inflation trends, as well as the economic, financial, and monetary situation, and if necessary, take appropriate measures to ensure monetary stability in the region.

Drawn up in Dakar on June 4, 2024

The Chairman,

Jean-Claude Kassi BROU

SUMMARY

1. In the first quarter of 2024, **the global economy** maintained a positive trajectory, against a backdrop of high key interest rates maintained by most central banks, especially in advanced economies.

2. According to the latest available data, economic growth in the United States remained strong in the first quarter of 2024, recording a year-on-year growth rate of 3.0%, compared with 3.1% in the previous quarter. In the eurozone, the GDP grew by 0.4% following a 0.1% growth in the fourth quarter of 2023. The UK saw a 0.2% economic growth, rebounding from a contraction of 0.2% in the previous quarter. In emerging markets, economic activity remained robust, notably with China and India posting growth rates of 7.1% and 5.3% respectively in the Q1 2024, compared with 8.4% and 5.2% a quarter earlier. South Africa's output increased by 1.0% in the first quarter of 2024, following a 1.2% rise in the previous quarter.

3. **Inflationary pressures eased** across most regions in the first quarter of 2024, largely driven by easing in international food and energy prices. In March 2024, the inflation rate in the eurozone stood at 2.4%, down from 2.9% in December 2023, while in the UK, it stood at 3.2%, down from 4.0% in December 2023. In the USA, however, the inflation rate rose slightly to 2.7% in March 2024 from 2.6% three months earlier. With regard to emerging countries, India experienced a decrease in inflation to 4.9% in March 2024, down from 5.7% three months earlier. By contrast, South Africa and China experienced slight increases in the rate of inflation, with 5.3% and 0.1% respectively in March 2024, compared to 5.1% and -0.3% three months earlier.

4. Energy prices fell on **international commodity markets**, mainly driven by high global supplies amid reduced demand, especially in Europe due to mild winter temperatures. Similarly, prices for non-energy commodities decreased following a decline in the previous quarter, primarily influenced by lower fertilizer prices. By contrast, the prices of non-oil commodities exported by WAEMU countries increased by 21.3% quarter on quarter in the first quarter of 2024, following an 8.0% rise in the previous quarter. This increase was particularly significant for commodities such as cocoa, coffee, uranium, rubber, cotton, and vegetable oils.

5. **Global financial conditions** remained stable compared with the previous quarter, with most central banks in advanced economies keeping key rates unchanged. The benchmark eurozone interbank rate (€STR: Euro Short Term Rate) averaged 3.91%, up from 3.90% in the previous quarter. In the United States, the Overnight Bank Funding Rate was 5.33% in Q1 2024, up from 5.32% the previous quarter. On the foreign exchange front, the euro appreciated by 0.6% quarter on quarter against major currencies, following a 0.7% decline in Q4 2023.

6. **In the West African Economic and Monetary Union (WAEMU)**, economic activity remained robust in the first quarter of 2024, with real GDP up 5.1% year on year from 4.8% in the previous quarter. Growth was driven by increased value added across all sectors.

7. The year-over-year **inflation rate** was 2.8% in Q1 2024, up from 2.3% in the previous quarter. This increase in overall prices is primarily attributed to a higher rate of growth in food product prices

(+3.4% compared with +1.9% previously), driven by lower increases in cereal production in the 2023/2024 crop year (+2.0% versus +17% in the previous crop year) in the Union.

8. In the first quarter of 2024, **public finance management** within WAEMU culminated in a reduction in the overall budget deficit, on an accruals basis, inclusive of grants, to 1,833.1 billion, down from 1,865.3 billion in the corresponding period in 2023. Financing requirements were covered by resources raised on the regional financial market and from external partners. On the regional financial market, the coverage rate for public securities issues (121.8%) improved compared with the first quarter of 2023 (107.1%). However, borrowing costs increased, notably due to banks being highly exposed to sovereign risk.

9. **External trade by Union countries** in the first quarter of 2024 posted an aggregate deficit of 14.0 billion, compared with a 1,704.4 billion deficit in the same period of the previous year. This marked improvement in the external trade profile was primarily attributed to increased net inflows on the financial account, spurred by the mobilization of Eurobonds by Côte d'Ivoire and Benin, combined with a drop in the current account deficit, which stood at 4.8% of GDP, compared with 6.8% a year earlier.

10. **Monetary conditions in the Union** tightened overall in the first quarter of 2024, reflecting a high demand for financing on the part of governments. The weighted average interest rate on the interbank market, across all maturities, stood at 5.81%, compared with 5.08% a quarter earlier. This compares with 4.34% for the same period a year earlier. On the one-week segment, the weighted average interest rate was 5.90%, compared with 5.12% in the previous quarter and 4.21% a year earlier. The average bank lending rate, excluding taxes and fees, stood at 6.96% in the first quarter of 2024, compared with 6.84% in the fourth quarter of 2023.

11. The **monetary situation** at the end of March 2024 was characterized by a year-on-year increase in the money supply to 3.7%, from 3.5% three months earlier. This trend was driven by increased internal claims of 4,403.9 billion or 8.2%, the impact of which was mitigated by a contraction in net external assets. The increase in internal claims was due to a rise in net claims by deposit-taking institutions on central governments (+2,737.9 billion or +13.1%), combined with a rise in claims on the economy (+1,665.9 billion or +5.1%).

12. On the **regional stock market,** the aggregate index, the BRVM Composite, edged up by 0.3% in the first quarter of 2024, compared with 1.3% in the previous quarter. The market capitalization of all securities listed on the market rose by 0.1% on a quarterly basis, following an increase of 1.7% three months earlier. This reflected a 0.3% increase in market capitalization for equities, offset by a slight decline (-0.1%) in bonds. Overall market capitalization rose by 3.8% year over year.

13. The **economic outlook** for the WAEMU region remains favorable but continues to be influenced by international developments, the socio-political and security situation, and the effects of climate

change. According to the latest BCEAO forecasts, the Union's real GDP growth rate is expected to rise to 6.1% in 2024 and 6.9% in 2025. This acceleration is anticipated to be driven by the resilience of extractive and manufacturing production, as well as robust activity in the "Public Works and Civil Engineering" sub-sector.

14. **Public finance management** is expected to result in a reduction in the Union's overall budget deficit, from 4.0% of GDP in 2024 to 3.3% in 2025, following a 5.1% deficit in 2023. This anticipated decline was attributed to ongoing reforms aimed at modernizing tax and customs administration and streamlining public spending. The public debt ratio for the Union as a whole is expected to reach 59.8% of GDP in 2024 and 60.0% in 2025, compared with 60.3% in 2023. However, there remains a high level of risk of getting off track in terms of fiscal consolidation, due to major uncertainties surrounding the security and socio-political situation in certain countries.

15. **WAEMU's external trade** projections point to a surplus in 2024 and 2025, following two consecutive years of deficits. This shift in the profile of the Union's external accounts is associated with continued improvement in terms of trade, the start of operations at new gas and oil production infrastructures in the region, and the return of certain of the Union's countries to the international capital markets. The aggregate balance of payments is expected to show a surplus of 776.3 billion in 2024 and 2,003.7 billion in 2025, after a deficit of 3,530.4 billion in 2023. Foreign exchange reserves are projected to cover imports for 4.1 months in 2024 and 5.1 months in 2025, compared with 3.5 months in 2023.

16. The **monetary situation** is anticipated to be marked by adequate financing of the economies, with credit to the economy expected to grow at a rate of 9.7% in 2024 and 10.3% in 2025, following a growth rate of 9.4% in 2023.

17. Against a backdrop of easing global food and oil prices, average annual inflation in the Union is expected to decline from 3.7% in 2023 to 2.9% in 2024, and 2.4% in 2025. However, price increases will accelerate to 3.7% in the second quarter of 2024, reflecting a poor growing season.

18. The **balance of risks surrounding inflation** is on the upside. The risks of increased inflation are associated with expanding areas of insecurity within the Union, persistent political crises in certain Union countries and the occurrence of climatic shocks. Heightened insecurity and political instability in some of the Union's countries could lead to population displacements, leading to reduced production and significant disruptions in food distribution channels. Additionally, the escalation of geopolitical crises, such as conflicts in the Middle East and the war in Ukraine, could drive up oil and food prices again.

1 – RECENT INTERNATIONAL DEVELOPMENTS

The global economy continued its positive momentum in the first quarter of 2024, against a backdrop of high key interest rates maintained by most central banks, especially in advanced economies.

According to the latest data, the rate of GDP growth in the United States in the first quarter of 2024 was 3.0% year on year compared with 3.1% a quarter earlier. In the eurozone, economic growth stood at 0.4% in the first quarter of 2024, up from 0.1% in the previous quarter. In the UK, the economy grew by 0.2%, after falling by 0.2% in the previous quarter. Among emerging economies, India and China recorded particularly robust economic activity, with growth rates of 7.1% and 5.3% respectively in the first quarter of 2024, after 8.4% and 5.2% in the preceding quarter. South Africa had a growth rate of 1.0% in the first quarter of 2024, down from a 1.2% increase in the previous quarter.

Inflation declined overall in most regions, reflecting easing energy and food prices. In the eurozone and the UK, the inflation rate stood at 2.4% and 3.2% respectively in March 2024, compared with 2.9% and 4.0% in December 2023. In the United States, on the other hand, inflation edged up to 2.7% in March 2024, from 2.6% three months earlier. Among emerging economies, India's inflation rate dropped to 4.9% in March 2024 from 5.7% three months prior, while in South Africa and China, inflation increased slightly to 5.3% and 0.1% respectively, compared with 5.1% and -0.3% in December 2023.

On the commodities market, energy commodity prices continued to decline in the first quarter of 2024. This trend can be attributed to a strong global supply coupled with weaker demand, especially in Europe, due to milder winter temperatures. The prices of non-energy commodities were down overall, continuing the decline from the previous quarter, driven by falling prices for fertilizer products. However, the prices for non-oil commodities exported by WAEMU countries surged by 21.3% in the first quarter of 2024, following an 8.0% increase in the previous quarter. The most significant increases were seen in cocoa, coffee, uranium, rubber, cotton, and vegetable oils.

International financial conditions remained virtually stable in the first quarter of 2024 compared with the previous quarter. The benchmark eurozone interbank market rate (€STR) averaged 3.91%, compared with 3.90% a quarter earlier. In the United States, the Overnight Bank Funding Rate stood at 5.33% in the first quarter of 2024, compared with 5.32% in the previous quarter. On the foreign exchange market, the euro appreciated overall by 0.6% quarter on quarter against the major currencies, following a 0.7% decline in the fourth quarter of 2023.

1.1 – Economic activity

1. In the **United States**, economic activity grew by 3.0% in the first quarter of 2024, compared with 3.1% in the previous quarter, reflecting the continuing strength of the labor market and rising business investment. Inflation, as measured by the Personal Consumption Expenditure Index, edged up to 2.7% in March 2024, following a level of 2.6% three months earlier.

2. In the **eurozone**, the year-over-year GDP growth rate stood at 0.4% in Q1 2024, from 0.1% in the previous quarter. The robust performance of the services sector in Spain and Italy boosted economic activity in the zone, while persistent challenges in Germany's industrial sector had a dampening effect. The inflation rate stood at 2.4% in March 2024, down from 2.9% three months earlier. The downward trend was driven by slower price increases in the "food, alcohol, and tobacco" category (2.6% in March 2024, compared with 6.1% in December 2023), non-energy industrial commodities (1.1%, compared to 2.5%), and energy commodities (-1.8%, compared to -6.7%).

Table 1 – Year-over-year trends in real GDP growth (in %)

	2022				2022 *(Over 1 year)*	2023				2023 *(Over 1 year)*	2024
	Q1	Q2	Q3	Q4		**Q1**	**Q2**	**Q3**	**Q4**		**Q1**
Advanced countries											
United States	3.6	1.9	1.7	0.7	1.9	1.7	2.4	2.9	3.1	2.5	3.0
Eurozone	5.4	4.1	2.5	1.9	3.5	1.3	0.6	0.1	0.1	0.5	0.4
Germany	*4.0*	*1.6*	*1.2*	*0.8*	*1.9*	*0.1*	*0.2*	*-0.1*	*-0.2*	*0.0*	*-0.2*
France	*4.3*	*3.8*	*1.4*	*0.8*	*2.6*	*0.8*	*1.1*	*0.7*	*0.8*	*0.9*	*1.1*
Netherlands	*6.4*	*5.2*	*3*	*2.9*	*4.4*	*1.8*	*-0.1*	*-0.8*	*-0.4*	*0.1*	*-0.3*
United Kingdom	11.4	3.9	2.1	0.6	4.5	0.3	0.2	0.2	-0.2	0.1	0.2
Emerging countries											
China	4.8	0.4	3.9	2.9	3.0	4.5	6.3	4.9	5.2	5.2	5.3
India	4.0	12.8	5.5	4.3	6.7	6.1	8.2	8.1	8.4	7.7	7.1
South Africa	2.5	0.2	4.1	0.8	1.9	0.2	1.5	-0.7	1.2	0.6	1.0
Neighboring countries											
Nigeria	3.1	3.5	2.3	3.5	3.1	2.3	2.5	2.5	3.5	2.7	3.2
Ghana	3.1	3.8	2.2	3.2	3.1	3.3	3.2	2.0	3.8	3.1	3.6

Sources: OECD, Eurostat, IMF, Tradingeconomics, Bloomberg (*) Estimate

3. In the **United Kingdom**, economic activity grew by 0.2% in the first quarter of 2024, following a 0.2% drop in the previous quarter. This uptick was driven primarily by increased activity in the services and industrial sectors, as well as higher public spending. The UK inflation rate fell to 3.2% in March 2024 from 4.0% in December 2023, mainly due to slower momentum in food prices.

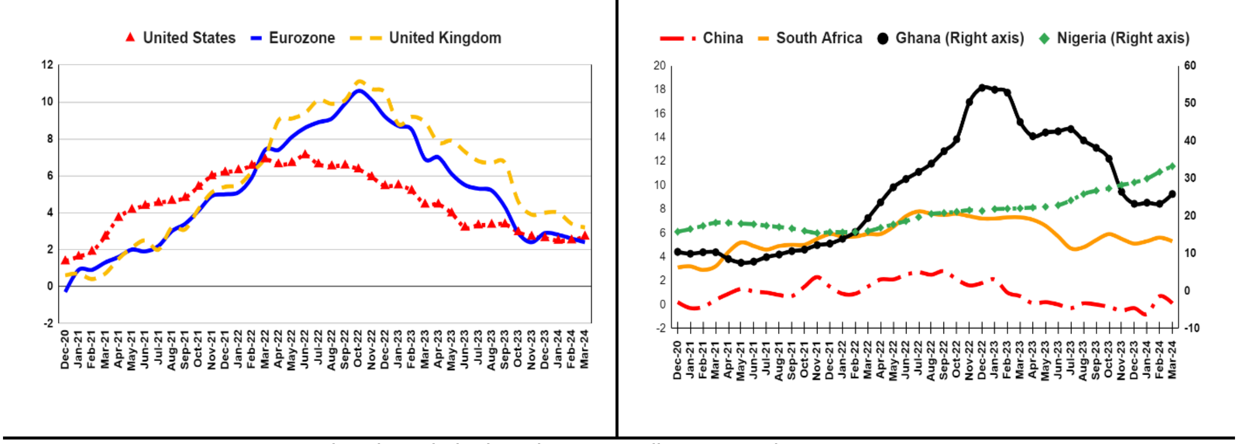
4. In emerging markets, economic activity in **China** improved in the first quarter of 2024, with GDP growth rising to 5.3% from 5.2% the previous quarter. This increase was driven by the Chinese government's ongoing support measures, including relaxed criteria for real estate loans and reduced reserve requirements for banks to boost lending to households and businesses. Inflation stood at 0.1% in March 2024, up from -0.3% in December 2023, largely due to higher food prices. In **India**, robust economic growth continued thanks to major public investment programs in infrastructure, with GDP increasing by 7.1% year on year in the first quarter of 2024, after 8.4% in the previous quarter. Consumer prices rose by 4.9% in March 2024, compared to 5.7% three months earlier. In **South Africa**, GDP growth stood at 1.0% in the first quarter of 2024, following a 1.2% increase in the previous quarter, driven by an upturn in the manufacturing sector. The inflation rate reached 5.3% in March 2024, up from 5.1% in December 2023.

5. In **Nigeria**, the main trading partner of the WAEMU Member States within ECOWAS, economic growth is projected to reach 3.2% in the first quarter of 2024, down from 3.5% the previous quarter, due to stronger oil production and government initiatives to support the agricultural sector. Inflation surged to 33.2% in March 2024, up from 28.9% in December 2023, mainly due to a sharp depreciation of the naira, influenced by foreign exchange liberalization measures implemented since June 2023. In **Ghana**, economic activity is expected to remain strong,

with GDP growth at 3.6% in the first quarter of 2024, after 3.8% in the previous quarter, driven by the services and agricultural sectors. Inflationary pressures remained strong, with the price index rising by 25.8% in March 2024, up from 23.2% three months earlier, due to currency depreciation, which increased the cost of imported goods.

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 still running above target, most of the world's central banks, especially in advanced economies, kept their key rates unchanged.

7. On May 1, 2024, the **US Federal Reserve (Fed**) maintained the federal funds rate in a target range of 5.25% to 5.50% for the sixth consecutive time. However, the Fed anticipates key rate cuts later in 2024. The **European Central Bank (ECB)** also held its interest rates steady at its meeting on April 11, 2024, signaling potential future cuts due to a slowdown in eurozone inflation. Interest rates on the main refinancing operations, the marginal lending facility and the deposit facility remained at 4.50%, 4.75% and 4.00% respectively. The **Bank of England (BoE),** during its meeting on May 9, 2024, also kept its key rate unchanged at 5.25%—its highest level in 16 years—emphasizing the need for a restrictive monetary policy until the inflation target is met.

8. The **People's Bank of China (PBoC)** kept its rates unchanged at its March 20, 2024, meeting, with its benchmark mortgage lending rate (LPR) at 3.45%. On February 5, 2024, it reduced the reserve requirement rate for banks by 50 basis points, providing additional liquidity estimated at around 130 billion euros for household and corporate financing. The **Reserve Bank of India (RBI)** decided to hold its key rate steady at 6.50% on April 5, 2024, for the seventh time in a row, due to persistent inflation risks amidst strong economic growth. In South Africa, the **Central Bank (SARB)** maintained its repurchase rate at 8.25% on March 27, 2024, for the fifth consecutive meeting, to counter risks of higher inflation.

9. On March 26, 2024, the **Central Bank of Nigeria (CBN)** raised its key interest rate by 200 basis points to 24.75%, following a historic 400 basis point increase in February 2024. This decision was aimed at controlling inflation, which reached 33.2% in March 2024, its highest level in 30 years. The **Bank of Ghana (BoG)** kept its benchmark rate unchanged at 29.00% on March 25, 2024, following a 100-basis point cut in January 2024, due to ongoing inflation risks. The inflation rate of 25.8% remains well above the central bank's target range of 6% to 10%.

10. Following its Monetary Policy Committee meeting on March 25, 2024, the **Bank of Central African States (BEAC)** decided to maintain its tender interest rate at 5.00% and its marginal lending rate at 6.75%.

Table 2 – Summary of actions taken by major central banks

	Change in key rate in 2023 (in bps)	Change in main key rate since the beginning of 2024 on May 8 (in bps)	Key rate on May 8, 2024 (%)	Inflation target (%)	Inflation forecasts for 2024 (in %)
Advanced countries					
United States	100	0	{5.25 – 5.50}	2.0	2.9
Eurozone	200	0	4.50	2.0	2.4
United Kingdom	175	0	5.25	2.0	2.6
Emerging countries					
China	-20	0	3.45	3.0	1.0
Russia	850	0	16.00	4.0	7.0
India	25	0	6.50	5.7	4.6
Brazil	-200	-125	10.50	{3.75+/-1.5}	4.1
South Africa	125	0	8.25	{3.0 – 6.0}	4.9
Partner countries					
Nigeria	225	600	24.75	{6.0 – 9.0}	26.3
Ghana	200	-100	29.00	{8.0+/-2.0}	22.3
CEMAC	50	0	5.00	NA	4.5
WAEMU					
BCEAO	75	0	3.50	{1.0 – 3.0}	2.9

Sources: 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 the 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%).

2.2.3 – *Financial conditions*

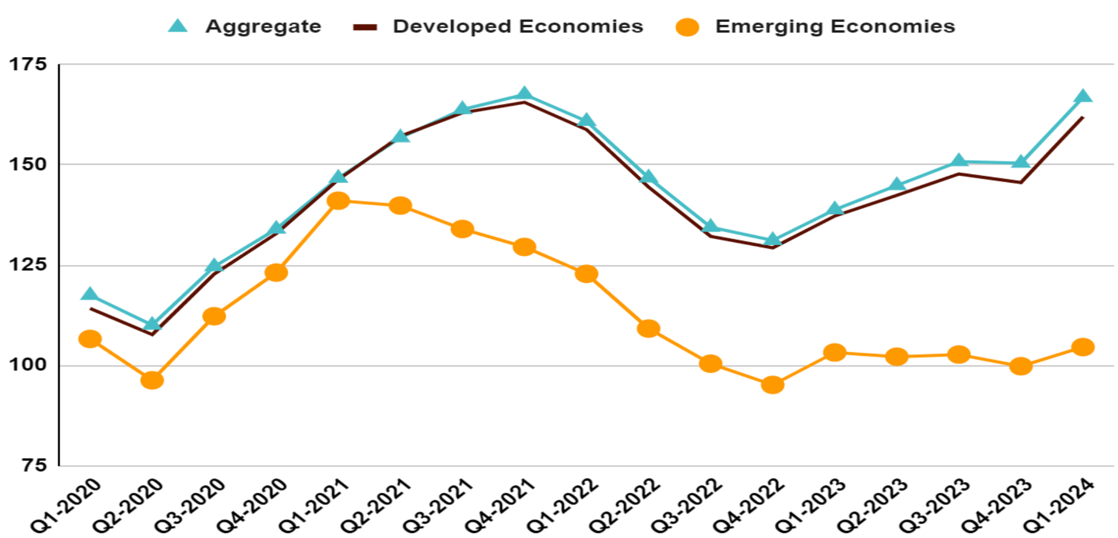
11. Global financial conditions remained stable in the first quarter of 2024 compared to the previous quarter, primarily because most central banks kept their key interest rates unchanged.

12. On the money markets, the Euro Short Term Rate (€STR), the benchmark eurozone interbank rate, averaged 3.91%, up from 3.90% in the previous quarter and 2.23% in Q1 2023. In the United States, the Overnight Bank Funding Rate, the main benchmark rate on the interbank market, stood at 5.33% in the first quarter of 2024,

compared with 5.32% in the previous quarter and 5.04% a year earlier.

13. The MSCI index measuring the performance of equity markets in developed countries rose by 11.3% in the first quarter of 2024, following a decline of 1.4% in the previous quarter. This upward momentum on the markets was attributable to expectations of key interest rate cuts in 2024 by the Federal Reserve and the European Central Bank, following their recent decision to maintain their current rates. Similarly, the MSCI stock market index for emerging economies rose by 4.8% in the first quarter of 2024, after falling by 2.8% a quarter earlier. The MSCI[1] global index rose by 10.9% quarter on quarter, after falling by 0.3% a quarter earlier.

Graph 2 – MSCI index trends *(baseline value of 100 = 2019)*

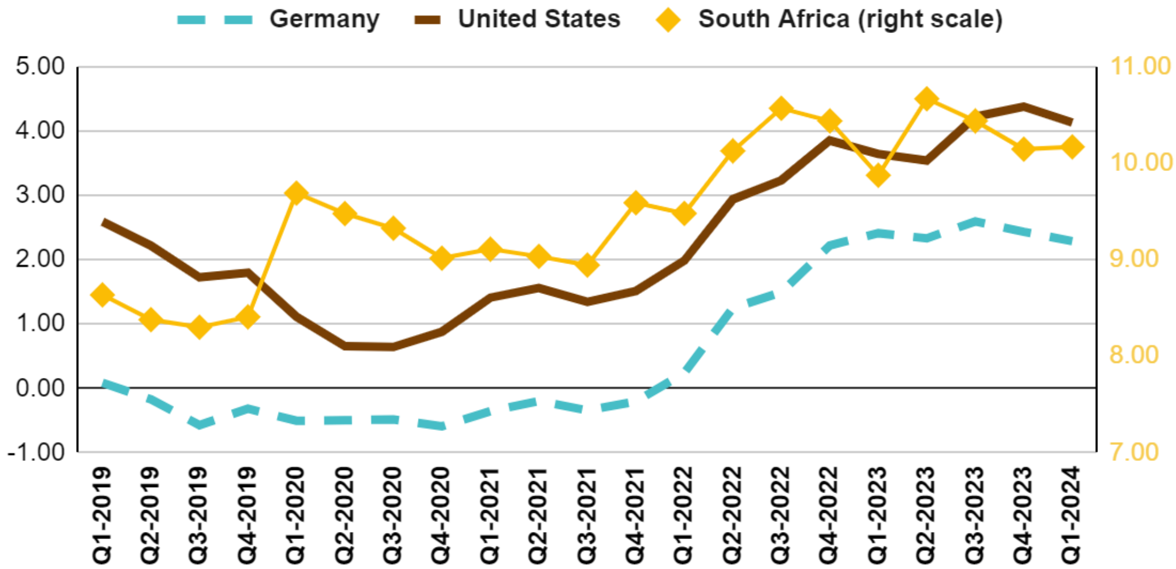


Source : Bloomberg

14. On the bond markets, 10-year government bond yields in major advanced economies showed a downward trend in the first quarter of 2024, largely due to anticipated reductions in key central bank rates. In the United States, 10-year government bond yields fell by an average of 24.8 basis points to 4.13% in the first quarter of 2024, on a quarterly basis, after rising by 15.8 basis points in the previous quarter. In the eurozone, yields on benchmark 10-year sovereign bonds decreased by 22.4 basis points in France and 14.4 basis points in Germany over the period, settling at 2.78% and 2.29%, respectively. By contrast, in South Africa, 10-year Treasury bond yields edged up by 2.3 bps in the first quarter of 2024 to 10.17%, mirroring concerns among investors, especially foreign investors, over the country's economic outlook.

[1] 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 several 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 3 – Benchmark 10-year bond yields (in %)

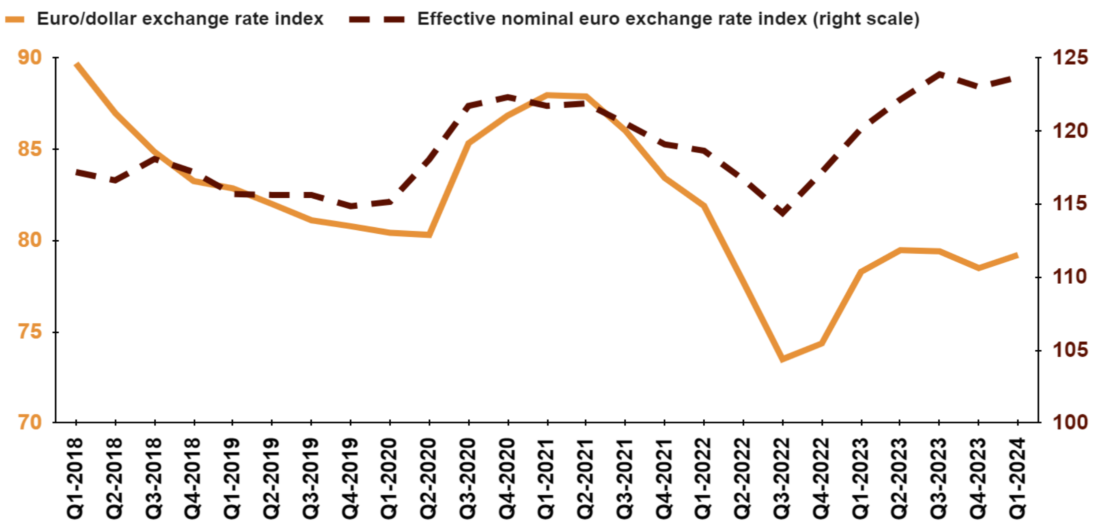


Sources: Bloomberg, Investing

1.3 – Major developments on the foreign exchange market

15. On the foreign exchange market, the **euro** appreciated overall by 0.6% quarter on quarter against other major currencies, after depreciating by 0.7% in the fourth quarter of 2023. More specifically, the euro strengthened against the **Japanese yen** (+1.3%) and the **US dollar** (+0.9%). The eurozone currency also appreciated against the **South African rand** (+1.7%), the **Indian rupee** (+0.7%) and the **Chinese yuan** (+0.4%), but fell by 1.2% against the **pound sterling**, 1.1% against the **Russian ruble** and 0.5% against **the Swiss franc**.

Graph 4 – Trends in the euro exchange rate *(baseline value of 100 = 2013)*



Sources: Banque de France, ECB

16. The eurozone currency appreciated by 2.9% year on year, following a 5.0% increase in the previous quarter. Specifically, it rose by 13.5% against the Japanese yen, 5.2% against the Australian dollar, 1.2% against the US dollar, and 0.9% against the Canadian dollar. The euro also strengthened against the currencies of several emerging countries, including the Turkish lira (+65.9%), the Russian ruble (+25.9%), the South African rand (+7.6%), the Chinese yuan (+6.3%), and the Indian rupee (+2.2%).

17. In the West African sub-region, the CFA franc appreciated by 39.6% quarter on quarter against the currencies of the ECOWAS countries, following a 7.5% rise in the previous quarter, as per the official exchange rates provided by the relevant monetary authorities. The WAEMU currency rose in value against the naira (+54.6%), the cedi (+7.7%), the dalasi (+7.1%), the Liberian dollar (+2.6%) and the Guinean franc (+1.1%). By contrast, the CFA franc exchange rate fell by 1.8% against the Sierra Leonean leone.

18. Compared with the same period a year earlier, the CFA franc strengthened by 114.6% against the currencies of the other countries in the West African sub-region, notably reflecting its appreciation against the naira (+187.7%), the Liberian dollar (+22.3%), the cedi (+18.3%), the dalasi (+10.0%), and the Guinean franc (+1.0%).

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

	2022				2023				2024	Change (%)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Quarterly	Annual
Gambian dalasi	89.9	88.6	86.3	90.5	99.6	98.7	99.3	102.3	109.5	7.1	10.0
Ghanaian cedi	11.0	11.6	12.3	17.4	17.2	18.2	18.3	18.9	20.3	7.7	18.3
Guinean franc	15,306.1	14,103.5	13,227.8	13,293.9	13,954.7	14,127.9	14,110.3	13,931.0	14,088.2	1.1	1.0
Liberian dollar	260.6	246.9	236.0	239.1	258.2	279.4	307.8	307.6	315.7	2.6	22.3
Nigerian naira	711.1	675.0	646.8	684.9	749.0	812.7	1271.4	1394.1	2155.2	54.6	187.7
Sierra Leonean leone	19,736.4	20,660.2	21,533.8	27,691.6	30,894.3	27,651.2	28,375.7	27,144.4	26,661.9	-1.8	-13.7
West Africa as a whole (*)	**163.6**	**159.9**	**158.1**	**185.5**	**194.3**	**209.6**	**277.9**	**298.8**	**417.0**	**39.6**	**114.6**

Sources: WAMA (official central bank data), BCEAO, (*) Index (baseline value of 100 =2016)

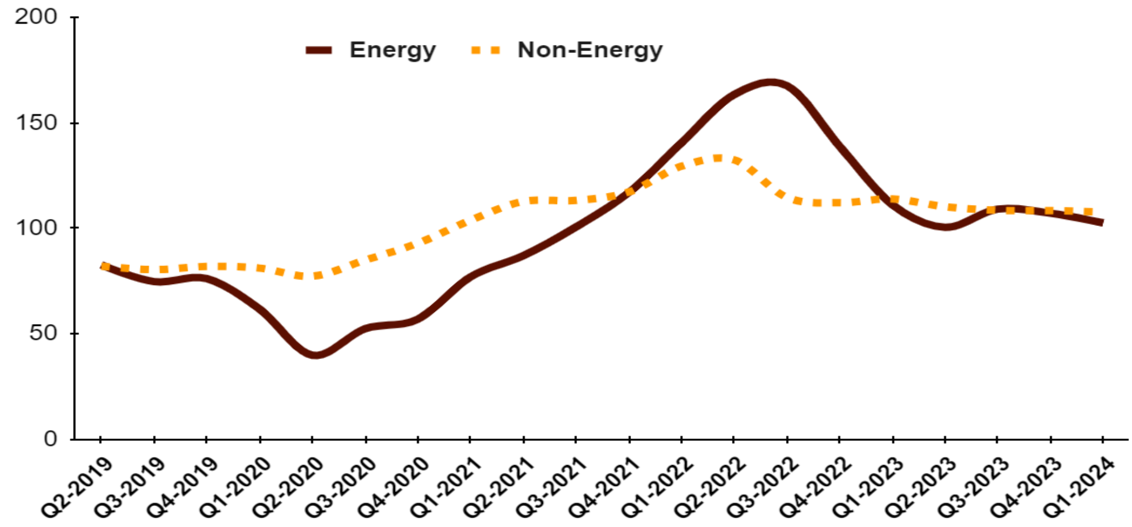
1.4 – Commodity prices

19. During the first quarter of 2024, energy commodity prices continued their downward trend, driven by lower demand in Europe due to milder winter conditions, increased LNG (Liquefied Natural Gas) supply, high inventory levels, and reduced dependence on Russian gas. Additionally, the reluctance of some producer countries to adhere to OPEC+ production cuts helped ease oil prices (-1.8%). Overall, energy prices fell by 4.3% quarter on quarter in the first quarter of 2024, following a 1.8% drop in the previous quarter. This trend was primarily due to a 27.9% decrease in natural gas prices. On an annual basis, energy prices fell by 7.7% in the first

quarter of 2024, following a 22.8% drop in the previous quarter.

20. Non-energy commodity prices fell by 0.6%, following a 0.2% decline in the previous quarter, primarily due to a significant drop in fertilizer prices (-40.0%). By contrast, precious metal prices rose by 4.9%, driven by higher gold prices, largely due to increased international demand and expectations of monetary easing by the Federal Reserve. Similarly, prices for agricultural products rose by 0.3%, following a 0.2% increase in the previous quarter.

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

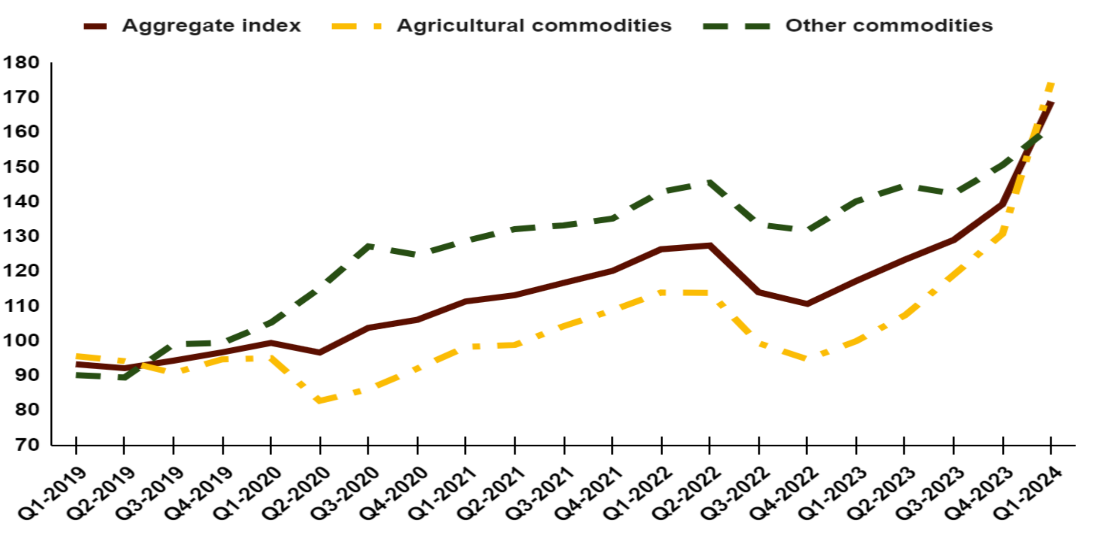


Source: World Bank

1.4.1 – Prices of non-oil commodities exported by WAEMU countries

21. Non-oil commodity prices exported by WAEMU countries rose at a quarterly rate of 21.3% in the first quarter of 2024, following an 8.0% increase in the previous quarter. This growth was primarily driven by higher prices for certain agricultural commodities, including **cocoa** (+44.5%), **coffee** (+24.0%), **rubber** (+15.5%), **cotton** (+9.2%), and **oils** (+6.4%), as well as mining commodities such as **uranium** (+18.4%). By contrast, **cashew nut** prices fell by 2.0% over the same period.

Graph 6 – Price indexes for non-oil commodities exported by WAEMU
(baseline value of 100 =2013)



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

22. The rise in **cocoa** prices in the first quarter of 2024 was mainly due to poor harvests in the main producing regions, notably Côte d'Ivoire and Ghana, as a result of excessive rainfall. According to the International Cocoa Organization (ICCO), the 2023/2024 season is expected to record a significant deficit of 374,000 metric tons of pods. The increase in **coffee** prices in the first quarter of 2024 was due to several factors, including below-average rainfall in Brazil's coffee-growing regions and insufficient supplies in Vietnam, the world's lead producer, due to coffee growers' demands for higher pay. **Rubber** prices rose due, in particular, to concerns about shortages following heavy rains in Thailand, optimism about a recovery of demand in the automotive sector, and prospects of economic recovery in China, the world's leading rubber consumer. **Uranium** prices rose against a backdrop of persistent supply risks (political context in Niger, one of the main producers) and increased demand, driven by the revival of nuclear power in countries such as France, Japan and the UK, which have reaffirmed their commitment to this reliable, low-carbon energy source. The rise in **cotton** prices stemmed from lower stocks in the United States and strong demand from China, against a backdrop of constrained production and expectations of a decrease in supply. The rise in **palm oil** and **palm kernel oil** prices was due to adverse weather conditions in Malaysia, strong Chinese demand associated with the Lunar New Year in February 2024, and India's decision to extend lower import duties on vegetable oils until March 2025.

23. On the other hand, **cashew nut** prices decreased due to an anticipated oversupply on the market due to increased production in Côte d'Ivoire, the world's leading producer country.

Table 4 – Prices of commodities exported by WAEMU countries

	Average prices in Q1-2024				**Change compared to Q4-2023**		**Change compared to Q1-2023**	
	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	76.7	metric ton	331,041.8	-1.7%	-2.6%	0.4%	-0.8%
Robusta coffee (ICO)	in cents/pound	155.0	kg	2,064.7	24.0%	22.9%	53.1%	51.3%
Cocoa (OICC)	in cents/pound	262.9	kg	3,502.5	44.5%	43.2%	123.0%	120.4%
Cotton (NY #2)	in cents/pound	90.1	kg	1,200.0	9.2%	8.2%	7.9%	8.2%
Palm oil	in $/metric ton	974.1	kg	588.6	5.1%	4.2%	-3.5%	-4.7%
Palm kernel oil	in $/metric ton	1,051.2	kg	635.1	11.7%	10.7%	1.4%	0.2%
Rubber	in eurocents/kg	177.7	kg	1,165.6	15.5%	15.5%	23.2%	23.2%
Cashew nuts	in $/metric ton	423.4	kg	255.8	-2.0%	-2.9%	-8.1%	-9.1%
Gold	in $/ounce	2,072.4	gram	44,170.5	4.8%	3.8%	9.8%	8.5%
Uranium	in $/lb.	75.0	kg	99,896.5	18.4%	17.4%	84.2%	82.1%
Phosphates	in $/metric ton	599.2	kg	362.0	10.0%	9.0%	-2.8%	-3.9%

Sources: Reuters, BCEAO calculations

1.4.2 – Prices of foodstuffs imported by WAEMU countries

24. The price index[2] for the main foodstuffs imported by WAEMU countries rose by 1.2% in the first quarter of 2024, after falling by 0.6% a quarter earlier. This trend reflected a 6.5% increase in **rice** prices. On the other hand, lower prices for **soybean oil** (-9.7%), **sugar** (-5.8%), **milk** (-4.3%) and **wheat** (-1.4%) helped to offset the rise in the imported product price index.

25. The increase in **rice** prices was mainly due to a limited supply resulting from the extension of India's export bans for an indefinite period, against a backdrop of strong demand, especially from Asia and Africa.

26. By contrast, the drop in **soybean oil** prices was ascribable to the abundance of supplies from South America, especially Brazil and Argentina, resulting in a surplus in the region and an increase in global stocks. The drop in **sugar** prices was due to a larger-than-expected supply in the 2023/2024 season, driven by a recovery in production in Thailand and the return of Indian production to the market. Lower **milk** prices were a result of a decline in international demand, driven in particular by reduced imports in China. **Wheat** prices fell in connection with higher Ukrainian exports in February 2024, favorable weather conditions in South America and the United States, and expectations of a strong global supply.

27. Year on year, the price index for the main foodstuffs imported by WAEMU countries was down by 5.7% in the first quarter of 2024, following a 10.1% drop in the previous quarter. This trend mainly reflects a drop in the prices of vegetable oils (-22.0%), wheat (-21.0%), and milk (-12.7%). This trend was partially offset by an 8.1% increase in sugar prices and a 1.5% rise in rice prices.

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[2] Prices are quoted in US dollars.

2 – AGGREGATE SUPPLY AND DEMAND

Recent estimates indicate that economic growth in the Union remained strong in the first quarter of 2024, with real GDP increasing by 5.1% year on year, up from 4.8% in the previous quarter. This trend in growth was fueled by higher value added across all sectors.

2.1 – Aggregate supply

29. Economic activity in the WAEMU region maintained its growth trajectory in the first quarter of 2024, with GDP rising by 5.1% year on year, up 0.3 percentage point from the previous quarter. The business climate indicator[3], which captures the opinions of business leaders, remained above its long-term average at 101.4 points. This reflects the continuing confidence of business leaders in the positive economic outlook. Carry-over growth, which is an indication of the minimum level of growth that is expected by the end of the year, was 3.6% for the first quarter of 2024.

30. GDP growth in volume within the Union was due to sustained positive trends in economic activity, especially in the primary and tertiary sectors. During the quarter under review, the tertiary sector's contribution to growth was 3.4 percentage points after a performance of 3.0 points in the previous quarter, up 0.4 point, while the primary sector contributed 0.9 percentage points, up from 0.6 points. By contrast, the secondary sector's contribution decreased slightly to 0.8 percentage point in the first quarter of 2024, compared with 1.2 percentage point in the fourth quarter of 2023.

Table 5 – Contributions to GDP growth, year over year

(in %) – (seasonally adjusted- working day corrected (SA-WDC) data)

	2022				2023				2024
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
Primary sector	1.4	1.8	1.8	1.3	0.8	0.4	0.2	0.6	0.9
Secondary sector	0.8	0.6	1.0	1.1	1.4	1.7	1.6	1.2	0.8
Tertiary sector	3.5	3.0	3.0	2.8	3.4	3.6	3.6	3.0	3.4
GDP	**5.7**	**5.4**	**5.8**	**5.2**	**5.6**	**5.7**	**5.4**	**4.8**	**5.1**

Source: BCEAO

31. Year-on-year trends in economic activity by country are shown in Table 6 below.

[3] The business climate indicator is derived from the balance of opinions among business leaders across major market sectors. With a mean of 100 and a standard deviation of 10, a value above 100 signifies that business leaders view the business climate as more favorable than the long-term average, reflecting a positive assessment of the current business environment.

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

	2022	2023				2023	2024
		Q1	Q2	Q3	Q4		Q1
Benin	**6.3**	6.3	6.5	6.6	6.0	**6.4**	6.0
Burkina Faso	**1.8**	1.6	2.9	3.4	4.1	**3.0**	3.9
Côte d'Ivoire	**6.2**	6.8	7.0	7.0	5.4	**6.5**	6.3
Guinea-Bissau	**4.6**	4.8	5.2	5.4	5.4	**5.2**	4.6
Mali	**3.5**	5.0	5.3	5.2	5.4	**5.2**	4.9
Niger	**11.9**	6.1	4.3	-0.1	-0.2	**2.5**	-0.1
Senegal	**3.8**	4.3	4.6	4.6	4.9	**4.6**	4.7
Togo	**5.8**	6.9	6.7	7.0	5.1	**6.4**	6.1
WAEMU	**5.5**	**5.6**	**5.7**	**5.4**	**4.8**	**5.3**	**5.1**

Source: BCEAO

2.1.1. Primary sector

32. The primary sector's value added grew by 3.9% in the first quarter of 2023, compared with the same period in the previous year, versus 2.1% the quarter before. This strong performance was driven by sustained positive trends in livestock farming, fishing, and cash crops

33. The final results for the 2023/2024 crop year, released in March 2024, reveal a 2.3% annual increase in food production in the Union, reaching an estimated 78,665,729 metric tons. Cereal production in particular grew by 2.0%, while tuber production rose by 5.0%. Compared with the average of the previous five crop years, the food supply for the 2023/2024 crop year was up by 11.1%.

Table 7 – Trends in food crop production in WAEMU *(in tons unless otherwise stated)*

	2019/2020	2020/2021	2021/2022	2022/2023 (1)	2023/2024 (2)	Average of previous five campaigns (3)	Change (in %)	
							(2)/(1)	(2)/(3)
Cereals	30,296,793	31,460,366	27,294,963	31,898,704	32,546,982	30,409,285	2.0	7.0
Tubers	24,321,704	26,223,933	25,944,245	26,934,859	28,278,429	25,431,809	5.0	11.2
Other crops	14,412,983	16,431,689	15,712,552	18,060,630	17,840,318	14,966,446	-1.2	19.2
Total	**69,031,480**	**74,115,988**	**68,951,760**	**76,894,193**	**78,665,729**	**70,807,540**	**2.3**	**11.1**

Sources: Member State Ministries of Agriculture, BCEAO calculations.

34. Harvests of export products generally increased at the end of the 2023/2024 crop year compared with the previous year, with the exception of cocoa, coffee, and cotton.

Table 8 – Trends in cash crop production in WAEMU *(in tons unless otherwise stated)*

	2019/2020	2020/2021	2021/2022	2022/2023 (1)	2023/2024* (2)	Average of previous five campaigns (3)	Change (in %)	
							(2)/(1)	(2)/(3)
Cocoa	2,249,611	2,189,820	2,244,122	2,375,254	1,839,794	2,236,934	-22.5	-17.8
Coffee	115,393	106,101	84,312	118,935	73,045	113,553	-38.6	-35.7
Seed cotton	2,569,572	1,977,793	2,657,342	1,929,270	1,916,779	2,297,886	-0.6	-16.6
Groundnut	3,433,149	4,088,755	3,455,500	3,987,488	4,217,601	3,685,698	5.8	14.4
Cashew nuts	1,086,114	1,238,808	1,414,366	1,539,292	1,762,296	1,299,603	14.5	35.6
Rubber	478,550	949,276	1,100,386	1,332,600	1,624,824	896,990	21.9	81.1

Sources: National Marketing Services, (*) Estimates at end April 2024

35. At the end of the 2023/2024 crop season, groundnut harvests in WAEMU totaled 4,217,601 tons, marking a 5.8% increase from the previous season due to favorable weather conditions for the crop in producing countries. Significant increases were noted in Burkina Faso (+22.2%), Senegal (+15.1%) and Mali (+8.0%).

36. Cashew nut production reached 1,762,296 tons for the 2023/2024 season, up 14.5% from the previous year. This growth is due to higher harvests across all producing countries, especially in Benin (+5.3%), Guinea-Bissau (+4.2%), and Côte d'Ivoire (+19.2%).

37. Rubber production is estimated at 1,624,824 tons for the 2023/2024 season, representing a 21.9% increase over the 2022/2023 season, owing to an increase in the number of mature rubber trees.

38. By contrast, cocoa and coffee production declined, totaling 1,839,794 tons and 73,045 tons respectively, down 22.5% and 38.6%. The decreased supply of cocoa can be ascribed to a lower supply in Côte d'Ivoire (-22.7%) due to excessive rainfall and aging plantations. Coffee production suffered a 50.6% reduction in Côte d'Ivoire due to similar adverse weather conditions.

39. Seed cotton production also fell by 0.6% compared to the 2022/2023 crop year, totaling 1,916,779 tons in WAEMU for the 2023/2024 season. This decline is largely due to a 49.9% drop in production from Côte d'Ivoire, owing to persistent attacks by jassids, a pest affecting cotton crops. However, this performance was somewhat mitigated by increased momentum in Mali, where seed cotton harvests rose by 49.5%, thanks to government measures. These included (i) covering 9.9 billion CFA francs in input credits for cotton growers whose fields were damaged by pests in the previous season, (ii) raising producer prices by ten CFA francs to 295 per kilogram of first-grade cotton, and (iii) increasing input subsidies for all producers.

2.1.2. Secondary sector

40. In the first quarter of 2024, real value added in the secondary sector grew by 3.0% year on year, which marked a slowdown from the 6.1% growth recorded in the previous quarter. Despite this deceleration, the business climate indicator for the secondary sector remained above its long-term average at 102.0 points, indicating ongoing confidence among business leaders in a positive economic outlook.

41. The Industrial Production Index increased by 2.4% in the first quarter of 2024, following a 5.2% rise the previous quarter. This trend was connected with slower growth in manufacturing production, especially in foodstuffs, textiles, rubber goods, and plastics. Manufacturing activity grew by 3.4% during the period, after an 8.9% increase the previous quarter, due to lower production of oil, beverages, and sugar, especially in Burkina Faso, Mali, and Senegal. Refined oil production also slowed in the quarter under review, with growth dropping from 9.7% in the fourth quarter of 2023 to 7.2% in the first quarter of 2024, notably in Côte d'Ivoire and Senegal. The trend in the index is also linked to slower growth in mining production, including a decline in gold output in Senegal and reduced uranium production in Niger.

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

Industries	2022	2023				2023	2024
		Q1	Q2	Q3	Q4		Q1
Mining production	**-0.6**	**-6.9**	**4.0**	**-3.9**	**1.7**	**-1.4**	**1.2**
including Crude oil and natural gas	9.5	3.9	-1.1	-1.6	3.5	1.1	4.3
- Uranium ores	-19.3	8.2	-1.2	-23.2	-24.1	-11.7	-41.2
- Metal ores	-4.2	-12.3	7.0	-3.2	4.1	-1.5	0.5
Manufacturing industries	**1.2**	**2.5**	**2.1**	**6.3**	**8.9**	**4.9**	**3.4**
- Food and beverages	-1.0	-0.6	-0.9	1.9	6.2	1.6	3.4
- Refined petroleum products	2.6	16.3	5.1	2.9	9.7	8.5	7.2
- Chemicals	-3.7	16.2	23.3	28.4	-0.8	16.2	0.2
Electricity, gas, water	**8.5**	**6.8**	**14.9**	**13.2**	**11.5**	**11.7**	**4.1**
Aggregate Index	**1.5**	**1.5**	**3.6**	**3.9**	**5.2**	**3.5**	**2.4**

Source: BCEAO *(*) Estimates*

2.1.3 Tertiary sector

42. Value added in the tertiary sector rose by 6.4% year on year in the first quarter of 2024, following a 5.4% increase in the previous quarter. The business climate indicator for the tertiary sector remained above its long-term trend at 101.0 points, reflecting business leaders' optimism about the economic situation, particularly in the market services sector.

43. The turnover index for market services (excluding financial services) rose by 6.2% in the first quarter of 2024 over the same quarter of the previous year, as against a 5.4% rise in the previous quarter. This growth was primarily driven by higher transportation and communication activities. The Financial Services Activity Index rose by 14.3% during the period, up from 14.1% the previous quarter, largely due to higher lending rates.

44. The retail turnover index rose by 3.3% in the quarter under review, after 3.5% in the previous quarter. It was bolstered by a strong performance in sales in automobiles, pharmaceuticals, and cosmetics but tempered by a slowdown in sales of petroleum products and household goods, as well as a decline in foodstuff sales, especially in Benin, Mali, Senegal, and Niger. The momentum in foodstuff sales reflects supply constraints and reduced external orders.

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

	2022	2023				2023	2024
		Q1	Q2	Q3	Q4		Q1
Trade TI	**13.5**	**12.5**	**4.9**	**4.1**	**3.5**	**6.1**	**3.3**
Foodstuffs	7.8	7.8	3.0	7.9	2.3	5.2	-1.2
Personal goods	5.6	9.2	2.0	17.1	5.1	8.1	3.6
Household equipment products	14.3	4.5	4.2	12.1	5.8	6.7	4.3
Automobiles, motorcycles, and spare parts	9.0	30.4	19.7	9.9	5.7	15.5	13.0
Petroleum products	23.4	16.1	4.5	3.5	5.9	7.3	1.5
Pharmaceuticals and cosmetics	-0.7	4.8	1.8	-5.5	-2.9	-0.7	7.6
Trade services TI (excluding financial services)	**8.2**	**2.8**	**4.2**	**6.9**	**5.4**	**4.9**	**6.2**
Transportation and warehousing services	11.8	-2.3	3.1	9.9	5.7	4.1	6.9
Hospitality and catering services	26.9	13.5	8.5	2.8	6.7	7.9	0.2
Information and communication services	4.8	3.4	7.8	3.5	3.4	4.5	5.9
TI for financial services	**13.8**	**16.7**	**16.0**	**14.9**	**14.1**	**15.4**	**14.3**

Source: BCEAO

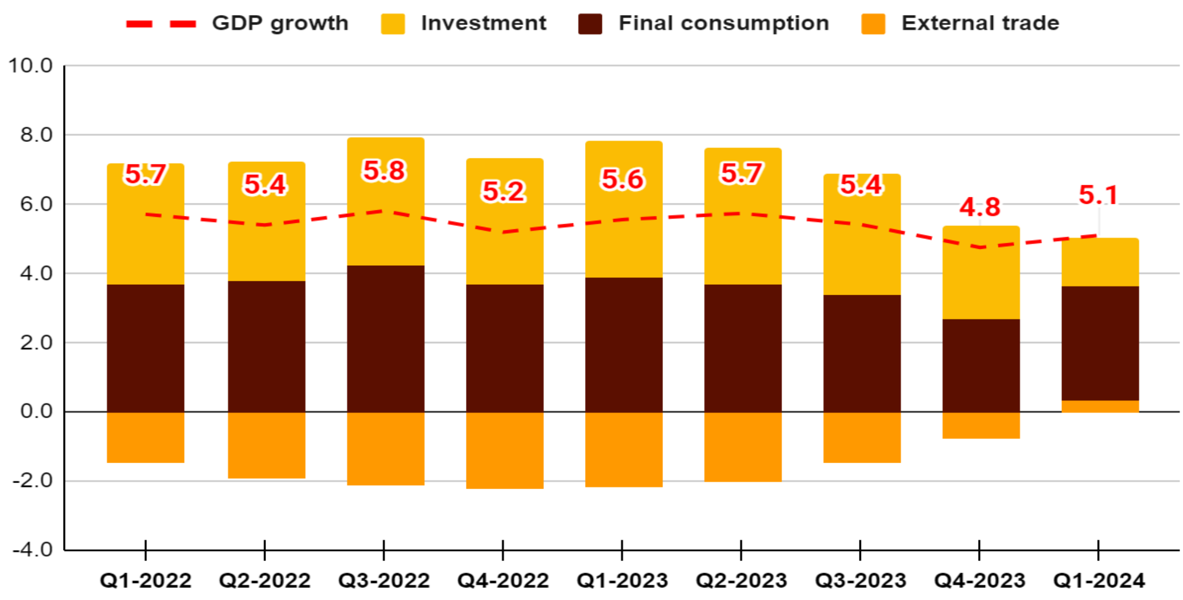
2.2 – Aggregate demand

45. Growth in the Union's gross domestic product in the first quarter of 2024 was driven by internal demand, which contributed +4.7 percentage points (pps), against a backdrop of improving net exports.

46. Internal demand grew by 4.4% year on year, compared with 5.0% in the previous quarter. Final consumption rose by 4.2%, following a 3.4% increase in the fourth quarter of 2023, driven by higher household consumption expenditure on capital goods and transportation and communication services. Capital expenditure increased by 4.9% in the first quarter of 2024, following a 9.3% rise in the previous quarter, against a backdrop of slower completion of major projects.

47. The external trade sector made a positive contribution to economic growth in the first quarter of 2024 (+0.4 points), reflecting a reduction in the trade deficit, driven by an increase in exports and a decrease in imports.

Graph 7 - Contributions of demand items to GDP growth *(in pps)*



Source: BCEAO

48. The Union's GDP grew by 5.3% in 2023, after 5.5% in 2022. The tertiary sector remained the primary driver of economic growth in the Union, contributing 3.3 pps versus 3.1 pps in 2022. The sector's healthy performance was mainly driven by a favorable trend in services (1.4 points) and the "Trade, catering and hospitality" (0.7 point) and "Transport, warehousing, and communications" (0.6 point) sub-sectors. The secondary and primary sectors contributed 1.4 and 0.6 percentage point, respectively, to economic growth in 2023, up from 0.8 and 1.6 percentage point in 2022. The increased momentum of the secondary sector was driven by extractive and manufacturing activities, as well as robust production in the "Civil engineering and public works" sub-sector, with ongoing infrastructure projects across most countries in the zone. The slowdown in the primary sector was linked to a decline in the growth rate of food production, which fell from 11.5% in 2022/2023 to 2.3% in 2023/2024.

Table 11 - Real GDP growth trends *(in percentage)*

	2021	2022	2023*
Primary sector	0.8	1.6	0.6
Secondary sector	1.0	0.8	1.4
including: - Manufacturing industries	*0.5*	*0.7*	*0.8*
- Mining and quarrying	*0.2*	*-0.1*	*0.1*
- Public works and civil engineering	*0.2*	*0.1*	*0.4*
Tertiary sector	4.2	3.1	3.3
Real GDP	**6.0**	**5.5**	**5.3**
Final consumption	4.2	5.3	5.2
Investment	2.6	1.9	1.6
External sector	-0.8	-1.7	-1.5

Source: NSIs, BCEAO (*) Estimates

49. In terms of uses, economic growth for 2023 as a whole was mainly driven by final consumption (5.2 pps) and investment (1.6 pp). The contribution from investments was due to the execution of various major projects, notably the construction of infrastructure for the African Cup of Nations held in January 2024 in Côte d'Ivoire, and the acceleration of work to complete oil and gas projects in Senegal. The contribution of the external sector is estimated at -1.5 pp in 2023, compared with -1.7 pp a year earlier.

50. Compared with previous estimates published in the March 2024 report, economic growth in the Union has been revised downwards by 0.3 percentage point (pp). The downturn in the Union's performance is the result of declines in Niger (-1.9 pp), Burkina Faso (-0.6 pp), and Côte d'Ivoire (-0.5 pp), mitigated by stronger GDP growth in Guinea-Bissau (+1.0 pp), Senegal (+0.5 pp), and Benin (+0.3 pp).

51. In Niger, economic growth stood at 2.5% in 2023, down 1.9 pp on the previously announced rate of 4.4%. This situation was in line with the weaker-than-expected performance of primary sector activities and trade, as well as the downturn in output from other market services and the extractive industries. These counter-performances were mitigated by increased manufacturing output, notably crude oil refining, in response to demand from Burkina Faso and Mali, and a boom in transportation and communication services.

52. In Burkina Faso, there was an estimated increase of 3.0% in GDP in 2023, compared with the previously announced figure of 3.6%, due to the lower-than-expected increase in activities in the secondary and tertiary sectors, where value-added grew by 2.0% and 3.2% respectively, compared with previously forecasts of 3.7% and 4.9%. On the other hand, the primary sector recorded stronger-than-expected growth of 2.5%, against a forecast of 1.8%.

53. In Côte d'Ivoire, economic growth was estimated at 6.5% in 2023, down 0.5 percentage point (pp) on the previous estimate of 7.0%. This decrease is mainly due to poor performance in the primary sector, where value added, initially expected to increase by.7%, fell by 4.1%, reflecting unsatisfactory export crop production.

54. Guinea-Bissau's GDP rose by 5.2% in 2023, compared with 4.2% in the previous report, due in particular to renewed dynamism in the secondary sector, driven by growth in manufacturing output (+5.9 pps) as well as in the "Water, Electricity, Gas" branch (+12.7 pps).

55. In Senegal, economic growth in 2023 stood at 4.6%, up 0.5 pp on previous forecasts. This trend was driven by better-than-expected performances in the primary and tertiary sectors, due in particular to production increases in agriculture (+3.8 pps), manufacturing (+3.8 pps), water, electricity, and gas (+3.7 pps), as well as an increase in trade (+6.1 pps).

56. In Benin, GDP grew by 6.4% in 2023, i.e. 0.3 pp more than the previous estimate, mainly due to a stronger-than-expected rise in output in the tertiary sector, whose value added increased by 5.9% versus the 4.7% previously indicated. Growth was driven by the "Trade" (+2.4 pps) and "Transportation and communications" (+1.6 pp) industries.

2.3 - Labor market

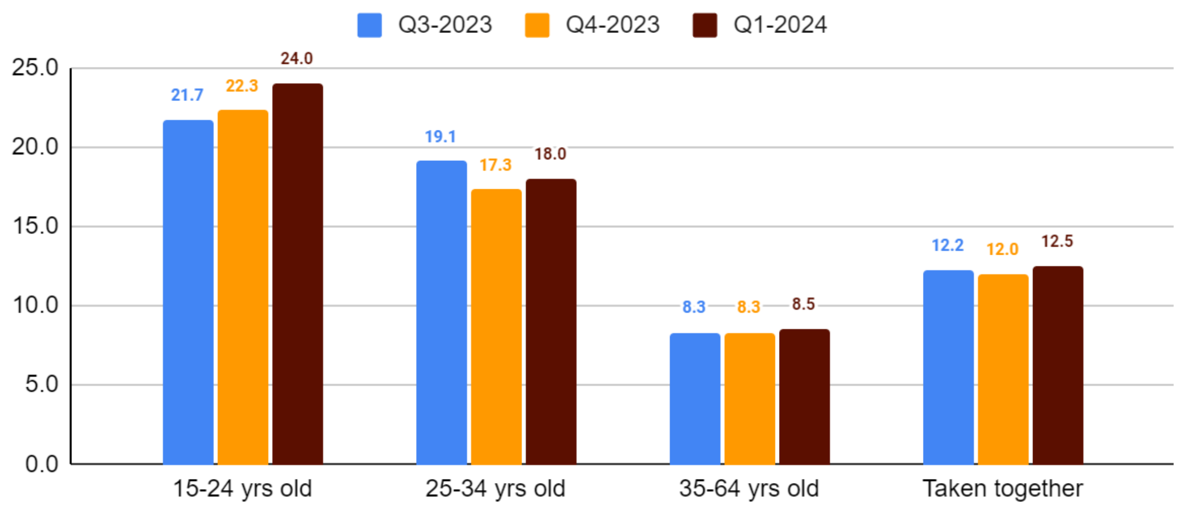
57. Data on the labor market, sourced from household surveys conducted by the BCEAO in the main urban areas of each country in the Union, indicate that the employment rate, defined as the proportion of the working-age population that is employed, was 51.6% in the first quarter of 2024, compared with 50.4% in the previous quarter, up 1.2 pp.

58. In the main urban centers of the Union's countries, the unemployment rate[4] stood at 12.5% in the first quarter of 2024, up by 0.5 percentage point over the previous quarter. Compared to the same period in the previous year, the unemployment rate was down by 1.9 percentage point.

59. The gender breakdown by gender reveals an unemployment rate of 17.0% for women, up by 0.2 percentage point over the previous quarter. Among men, the rate increased by 1.6 percentage point to 8.0%.

60. The breakdown by age group shows that the increase in unemployment was more significant among the younger population aged 15-24, which saw a rise of 1.7 percentage point to 24.0%. In contrast, the increase in unemployment among adults aged 35-64 was more moderate, up 0.2 percentage point, at 8.5%.

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



Source: BCEAO

[4] The definition used is that of the International Labor Organization (ILO), which defines unemployment based on three criteria: being without employment, being available to work, and actively seeking employment (ILO, 1982). The unemployment rate is the ratio of the number of unemployed individuals to the total labor force. The labor force includes all people of working age who are available for work.

3 - RECENT TRENDS IN INFLATION AND COMPETITIVENESS

The inflation rate in the Union stood at 2.8% year over year in the first quarter of 2024, up from 2.3% in the previous quarter. The increase in the inflation rate was primarily driven by the "food" component, which rose by 3.4% in the quarter under review, compared to 1.9% the previous quarter. By contrast, the core inflation rate dropped slightly to 2.0%, down from 2.1% in the fourth quarter of 2023.

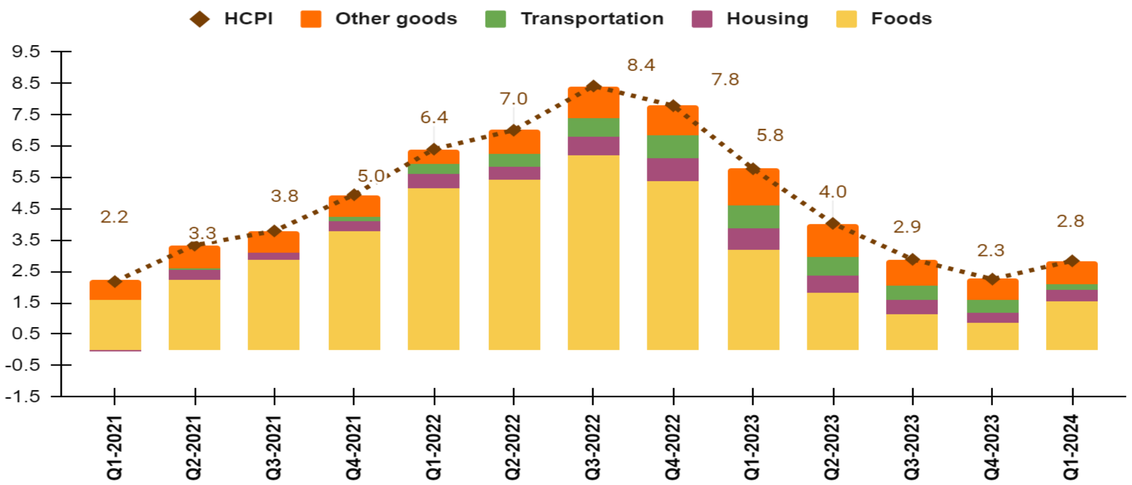
The real effective exchange rate (REER) rose by 13.3% in the first quarter of 2024 compared to the same period last year, following a 9.0% increase the previous quarter, due to a 17.8% appreciation in the nominal effective exchange rate, mitigated by a favorable inflation differential of 4.5 percentage points.

3.1 - Recent trends in inflation

61. Compared with the same period the previous year, the overall price level in WAEMU rose by 2.8% in the first quarter of 2024, after rising by 2.3% in the previous quarter. This acceleration was primarily driven by a 3.4% increase in food prices during the quarter under review, against a 1.9% increase in the previous quarter. Slower growth in cereal production during the 2023/2024 crop year (+2.0% versus +17% in the previous year) contributed to pressures on local food prices. In Niger, cereal production dropped by 15.0%, following a 69.0% increase the previous season. In Mali and Burkina Faso, cereal production fell by 1.2% and 0.6%, respectively, after increases of +15% and +11.0% in the previous season. As a result, cereal prices rose by 4.0% in the first quarter of 2024, after falling by 1.4% in the previous quarter.

62. On the other hand, slower price rises for the "Transportation" component (+2.5% versus +4.9%) helped offset the impact of higher food prices. This trend in the "Transportation" category can be attributed to a slower increase in fuel and lubricant prices (+1.6% versus +3.8%) and road transportation service rates (+4.5% versus +6.7%).

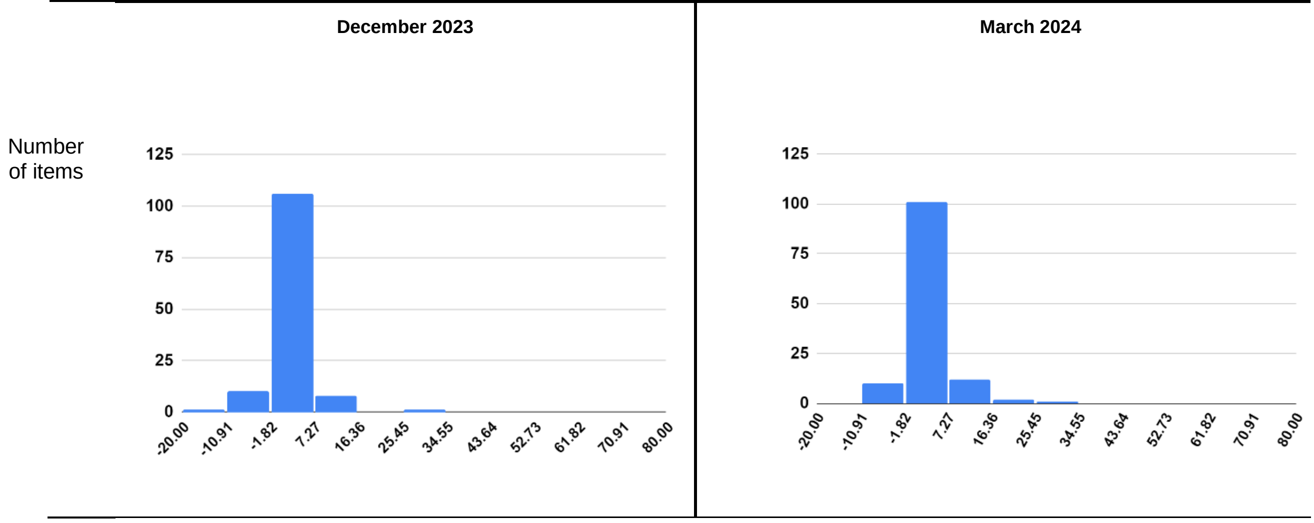
Graph 9 - Contributions to change in the HICP in WAEMU *(in pps)*



Sources: NSIs, BCEAO

63. Price increases spread across WAEMU over the period and impacted a wider range of products. The proportion of items experiencing significant price increases (over 3.0%) rose from 27.8% in December 2023 to 34.1% in March 2024, driven primarily by a surge in food prices.

Graph 10 - Price changes in HIPC component items



Source: BCEAO

64. Prices for all goods increased by 3.0%, up from 2.0% in the previous quarter, mainly driven by foodstuffs. Prices for services rose by 2.2% during the period under review, against 3.0% in the previous quarter, due to lower prices for transportation and communication services.

65. The core inflation rate, which measures change in the aggregate price level excluding fresh produce and energy, decreased slightly to 2.0% over the quarter from 2.1% in the fourth quarter of 2023. This was mainly due to slower price hikes in certain foodstuffs included in the core index, notably sugar (+7.8% vs. +8.5%), milk (+2.3% vs. +5.1%), and oil (-8.4% vs. -5.3%). Price easing was seen on some non-foodstuffs included in core inflation, such as home maintenance products (-0.2% vs. -0.1%), road transportation (+4.5% vs. +6.7%), and communications (+0.0% vs. 0.4%).

66. Fresh produce prices rose by 4.7% in the first quarter of 2024, up from 2.2% the previous quarter. Energy prices increased by 4.1% in the first quarter of 2024, following a 5.7% rise in the previous quarter, reflecting a continued slowdown in crude oil prices on the international market.

Table 12 - Trends in inflation and its components

	Annual change (in %)			Contributions (in pps)		
	Q3-2023	Q4-2023	Q1-2024	Q3-2023	Q4-2023	Q1-2024
Fresh produce	3.1	2.2	4.7	0.8	0.5	1.1
Energy	7.3	5.7	4.1	0.5	0.4	0.3
Core inflation	***2.3***	***2.1***	***2.0***	***1.6***	***1.4***	***1.4***
Headline inflation	**2.9**	**2.3**	**2.8**	**2.9**	**2.3**	**2.8**
Foodstuffs	2.4	1.9	3.4	1.1	0.9	1.6
Alcoholic beverages	4.0	2.6	0.2	0.1	0.0	0.0
Clothing	1.9	1.6	1.0	0.1	0.1	0.1
Housing	4.4	2.9	3.0	0.5	0.3	0.3
Furniture	2.1	2.4	2.0	0.1	0.1	0.1
Health	1.1	1.7	2.4	0.0	0.1	0.1
Transportation	5.8	4.9	2.5	0.5	0.4	0.2
Communications	0.4	0.1	-0.1	0.0	0.0	0.0
Recreation and culture	2.2	1.8	2.9	0.1	0.0	0.0
Teaching	1.1	1.1	0.9	0.0	0.0	0.0
Restaurants and hotels	5.4	4.5	5.1	0.3	0.3	0.3
Other goods	2.4	2.0	2.0	0.1	0.1	0.1

Sources: BCEAO, INS

67. A country-by-country analysis reveals higher inflation rates for Burkina Faso (+3.2% vs. +0.0%), Niger (+7.8% vs. +7.1%), and Senegal (+2.6% vs. +1.4%). In Mali, price increases slowed very slightly (-0.6% vs. -0.8%).

68. The uptick in inflation in Burkina Faso was driven by rising food prices (+2.5% vs. -2.9%), associated with smaller drops in cereal (-0.5% vs. -7.0%) and pulse prices (-0.5% vs. -14.0%), following the poor performance of the 2023/2024 agricultural campaign. In Niger, rising inflation was partly due to higher cereal prices (+21.9% vs. +16.7%) owing to a drop in cereal production which culminated in higher prices for maize (+38.6%) and millet (+14.1%). The price drop in Mali was due to a baseline effect, as prices were relatively high during the same quarter a year earlier, particularly for foodstuffs.

69. By contrast, the inflation rate dropped in Guinea-Bissau (+2.6% vs. +3.3%), Togo (+2.7% vs. +4.1%), and Côte d'Ivoire (+3.5% vs. +3.7%). In Benin, the inflation rate remained stable at -0.3%.

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

Country	2022	2023	Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024
Benin	1.4	2.7	4.9	3.9	2.5	-0.3	-0.3
Burkina Faso	14.1	0.7	5.7	-0.3	-1.9	0.0	3.2
Côte d'Ivoire	5.2	4.4	4.9	4.7	4.1	3.7	3.5
Guinea-Bissau	7.9	7.2	10.1	9.7	6.0	3.3	2.6
Mali	9.7	2.1	6.5	3.0	-0.2	-0.8	-0.6
Niger	4.2	3.7	1.5	1.0	5.2	7.1	7.8
Senegal	9.7	5.9	9.8	8.3	4.9	1.4	2.6
Togo	7.6	5.3	6.3	6.2	4.6	4.1	2.7
WAEMU	**7.4**	**3.7**	**5.8**	**4.0**	**2.9**	**2.3**	**2.8**

Sources: BCEAO, INS

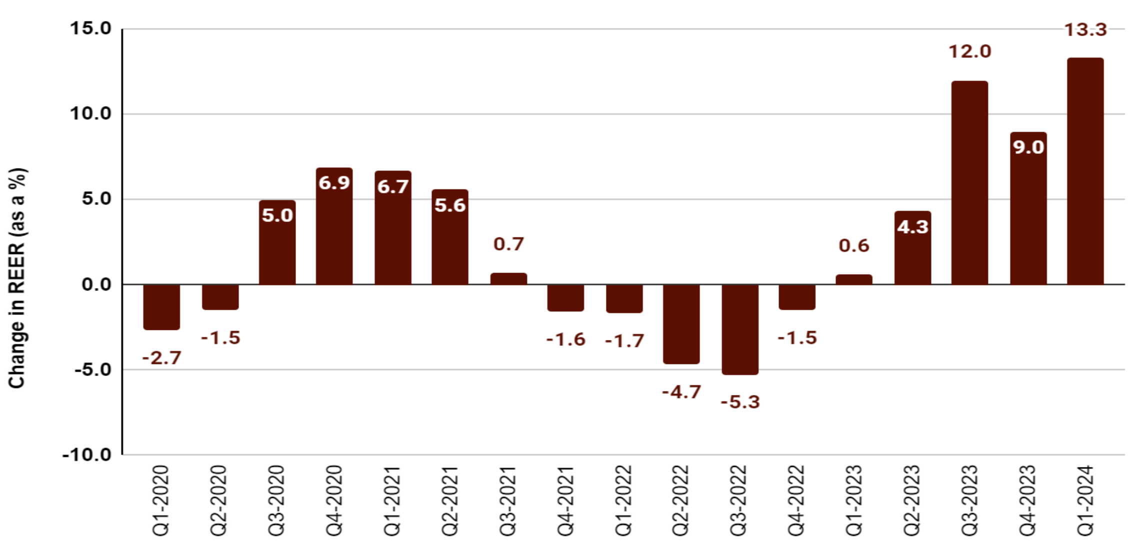
3.2 - External competitiveness

70. The real effective exchange rate (REER) rose by 13.3% in the first quarter of 2024 against the same period the previous year, following a 9.0% increase in the previous quarter. This reflected a loss of price competitiveness on the part of the Union, consistent with an appreciation of 17.8% in the nominal effective exchange rate, mitigated by a positive inflation differential of 4.5 percentage points.

71. The rise in the nominal effective exchange rate in the first quarter of 2024 reflected the annualized appreciation of the CFA franc against the naira (+187.7%), the Turkish lira (+65.9%), the Ghanaian cedi (+18.3%), the South African rand (+7.6%), and the Chinese yuan (+6.3%). This was partially offset by a year-on-year depreciation against the Swiss franc (-4.3%) and the sterling (-3.1%).

72. The inflation rate in the Union stood at 2.8% in the first quarter of 2024, compared with 7.4% on average in partner countries. In the case of neighboring partners such as Nigeria and Ghana, inflation remained very high during the quarter, at 31.6% and 24.2% respectively.

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



Source: BCEAO *(-) for gains and (+) for losses in competitiveness*.

73. 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			
	2022	2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024(*)	Q2-2023	Q3-2023	Q4-2023	Q1-2024(*)
Industrialized countries	-1.3	0.1	0.3	1.0	-0.4	-0.8	-0.3	0.7	0.6	0.2
Eurozone	-0.7	-1.1	-0.1	1.0	-0.2	-0.8	-1.6	-1.4	-0.2	0.0
Neighboring countries	-8.5	19.6	2.0	28.0	2.8	26.6	5.0	39.8	33.5	70.0
Asian countries	-2.8	8.0	1.4	2.3	-2.2	3.8	9.6	13.5	7.6	5.3
EU countries	-0.6	-1.0	-0.3	1.0	-0.2	-0.9	-1.4	-1.4	-0.4	-0.4
Emerging countries	-3.5	8.9	2.1	2.2	-2.0	3.1	11.3	14.3	8.5	5.5
CEMAC	2.4	-1.6	1.1	0.2	-1.1	-1.9	-1.4	-2.4	-2.7	-1.8
All	**-3.4**	**6.6**	**1.2**	**6.4**	**-0.3**	**5.5**	**4.3**	**12.0**	**9.0**	**13.3**

Source: BCEAO *(*) Estimates* *(+) Appreciation of the REER or loss of competitiveness*
(-) Depreciation of the REER or competitiveness gain

4- TRENDS IN PUBLIC FINANCES

During the first quarter of 2024, budget performance by member states resulted in an overall budget deficit of 1,833.1 billion, on an accruals basis, including grants, compared with 1,865.3 billion over the same period in 2023.

This was due to a greater increase in budget revenues and grants (+370.6 billion or +7.9%) than in total expenditure and net loans (+338.3 billion or +5.2%). Public revenue increased, reflecting in particular a positive trend in economic activity and improved tax collection, while spending control was mainly driven by moderate growth in current expenditure and a decline in other expenditure, i.e. expenditure associated with earmarked revenue.

Financing requirements were met, among others, through resources raised on the regional financial market and from donors. On the regional financial market, coverage of public securities issues by subscriptions improved compared with the first quarter of 2023. However, borrowing costs increased.

4.1 - Revenues and grants

74. In the countries of the Union, fiscal revenue totaled 5,073.0 billion at the end of the first three months of 2024, compared with 4,702.4 billion at the end of March 2023, up 370.6 billion or 7.9%. This increase, which was driven mainly by tax revenue (+10.8%), was due to robust economic activity and efforts to strengthen the performance of tax and customs administration, as part of the reforms included in IMF-supported programs.

75. Budget grants were estimated at 147.2 billion at the end of the first quarter of 2024, down 42.1% against the same period in 2023. This decline was associated with the exceptionally high level of grant mobilization by Burkina Faso in the first quarter of 2023. It should be noted that over the first three months of 2023, Burkina Faso benefited from World Bank grants totaling 101.7 billion.

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

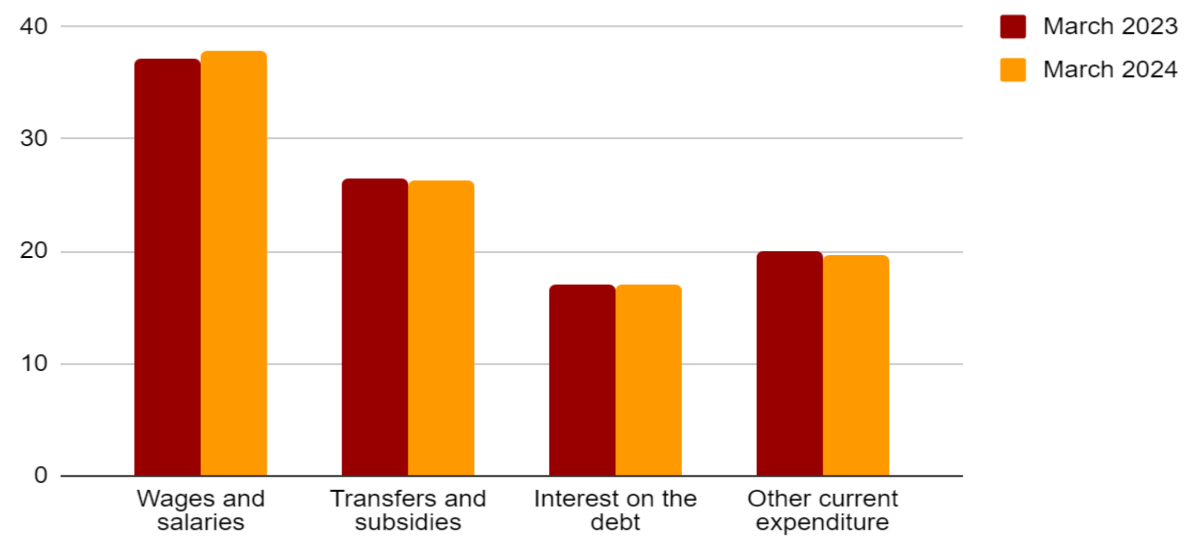
	March 2023 (1)	March 2024* (2)	Change (2) - (1)	
			in billions	in %
Budget revenue and grants	**4,702.4**	**5,073.0**	**370.6**	**7.9**
(in % of GDP)	*16.1*	*15.9*	-	-
Budget revenue	4,448.1	4,925.9	477.8	10.7
Tax revenue	3,827.4	4,241.0	413.6	10.8
(in % of GDP)	*13.1*	*13.3*	-	-
Other revenue (including non-fiscal)	620.8	684.8	64.0	10.3
Grants	254.3	147.2	-107.1	-42.1
Total expenditure and net loans	**6,567.7**	**6,906.0**	**338.3**	**5.2**
(in % of GDP)	*22.5*	*21.7*	-	-
Current expenditure	4,568.2	4,704.0	135.8	3.0
total payroll	1,692.4	1,768.7	76.3	4.5
operating expenditure	906.6	917.6	11.0	1.2
transfers and subsidies	1,203.3	1,226.2	22.9	1.9
interest on debt	765.9	791.5	25.6	3.3
Capital expenditure	1,631.8	1,876.0	244.2	15.0
(in % of GDP)	*5.6*	*5.9*	-	-
Other expenditure	363.4	326.0	-37.4	-10.3
Net loans	4.3	0.0	-4.3	-100.0
Balance (accruals basis, including grants)	**-1,865.3**	**-1,833.1**	**32.2**	**1.7**
(in % of GDP)	*-6.4*	*-5.8*	-	-
Cash balance including grants	**-1,794.8**	**-1,833.1**	**-38.3**	**-2.1**
(in % of GDP)	*-6.2*	*-5.8*	-	-

Sources: National departments, BCEAO *(*) Estimates*

4.2 - Total expenditure and net loans

76. Total expenditure and net loans rose by 338.3 billion or +5.2% to 6,906.0 billion at the end of March 2024. This trend was mainly due to an increase in capital expenditure (+15.0%) and, to a lesser extent, in current expenditure (+3.0%), mitigated by a decrease in other expenditure (-10.3%). The increase in current expenditure was driven by a simultaneous increase in payroll costs (+4.5%), interest on public debt (+3.3%), transfers and subsidies (+1.9%) and operating expenditure (+1.2%). The payroll increase was due, among other factors, to the financial impact of new recruits in the civil service.

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



Sources : National departments, BCEAO

4.3 - Budget balance and financing

77. At the end of the first three months of 2024, the WAEMU budget deficit on an accruals basis, including grants, narrowed to 1,833.1 billion, down 1.7% from its level of 1,865.3 billion at the end of March 2023. The deficit stood at 5.8% of GDP, compared with 6.4% a year earlier. To meet their financing requirements, the Member States turned to regional and international financial markets, as well as financial assistance from external donors, among other sources.

4.3.1 - Issuances on the regional public debt market

78. Resources raised by WAEMU Member States on the regional public debt market in the first quarter of 2024 totaled 1,960.8 billion, up by 86.2 billion on the first quarter of 2023. This increase was driven by higher issues of Treasury bills (+56.7%), partially offset by lower bond issues (-27.6%). The breakdown between bills and bonds changed from the previous year, with bills accounting for 57.2% and bonds 42.8% of total issues, compared with 38.2% and 61.8% respectively a year earlier. This shift may reflect investors' preference for short-term instruments due to their high exposure to sovereign risk. In the first quarter of 2024, the coverage rates of subscriptions stood at 161.2% for bills and 86.5% for bonds, compared with 118% and 100.5% respectively over the same period in 2023. Net issuance amounted to 393.7 billion over the first three months of 2024, versus -384.6 billion in the first quarter of 2023.

79. In the Treasury bill segment, Member States raised 1,121.4 billion in the first quarter of 2024, compared with 715.4 billion a year earlier. The most sought-after issuances were 12-month maturities, totaling 660.2 billion or 58.9% of bills issued over the period, followed by 3-month maturities (234.5 billion or 20.9%) and 6-month maturities (226.7 billion or 20.2%).

80. In the bond segment, public treasuries raised 839.4 billion in the first quarter of 2024, compared with 1,159.2 billion the previous year. The total bond issues on the auction market amounted to 469.4 billion, or 55.9% of all bonds, with 370.0 billion raised through syndication (44.1% of total bonds). Bond issues included maturities of 2 years (2.2 billion), 3 years (381.3 billion), 5 years (246.8 billion), 7 years (145.0 billion), and 10 years (64.1 billion).

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

Instrument	2022				Total 2022	2023				Total 2023	2024
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1
Bills	572.5	413.9	479.9	289.5	1,755.8	715.4	1,435.5	908.6	554.1	3,613.6	1,121.4
Bonds	1,331.2	1,889.6	2,009.6	1,820.5	7,050.9	1,159.2	1,778.8	1,762.5	431.9	5,132.4	839.4
By auction	805.0	*983.2*	*1,227.1*	*483.6*	*3,498.9*	497.6	*1,458.8*	*1,422.5*	*201.9*	*3,580.8*	*469.4*
By syndication	526.2	*906.4*	*782.5*	*1,336.9*	*3,552.0*	661.6	*320.0*	*340.0*	*230.0*	*1,551.6*	*370.0*
Total	**1,903.7**	**2,303.5**	**2,489.5**	**2,110.0**	**8,806.7**	**1,874.6**	**3,214.3**	**2,671.1**	**986.0**	**8,746.0**	**1,960.8**

Sources: WAMU Securities, AMF-UMOA *(*) Provisional data for syndication in Q1 2024*

81. Overall, financing conditions on the public debt market tightened during the first quarter of 2024 compared with the same period in the previous year.

82. For Treasury bills, weighted average rates increased by 274 bps for 3-month maturities, 194 bps for 6-month maturities, and 311 bps for 12-month maturities. The average weighted rate on Treasury bills rose from 4.38% in the first quarter of 2023 to 7.09% in the first quarter of 2024. Bond yields rose to 8.47% (+206 bps) for 3-year maturities, 6.44% (+6 bps) for 5-year maturities, 6.23% (+35 bps) for 7-year maturities and 6.83% (+48 bps) for 10-year maturities. Weighted average yields stood at 7.36% in the first quarter of 2024, up 117 bp over Q1 2023.

83. These trends are mainly due to banks' high exposure to sovereign risk, and to the additional risk premium required by investors due to uncertainties associated with the security and socio-political situation in certain of the Union's countries.

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

	2022				Average 2022	2023				Average 2023	2024
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1
3 months	2.41	2.60	2.81	-	2.63	3.90	5.79	5.98	6.98	5.15	6.64
6 months	2.58	2.53	3.30	2.96	2.60	5.15	6.72	7.23	8.08	6.37	7.1
12 months	2.84	2.89	3.32	3.40	3.15	4.14	6.95	6.86	6.58	6.59	7.25
WAR* on bills	**2.63**	**2.71**	**3.09**	**3.28**	**2.88**	**4.38**	**6.71**	**6.57**	**5.99**	**6.1**	**7.09**
3 years	4.39	4.86	5.58	5.51	5.35	6.41	7.25	7.34	7.97	7.21	8.47
5 years	4.55	5.27	5.90	5.84	5.40	6.38	7.01	6.98	7.00	6.86	6.44
7 years	5.33	5.89	5.95	6.06	5.92	5.88	6.22	6.40	6.31	6.17	6.23
10 years	5.78	5.81	6.09	6.03	5.91	6.35	-	6.50	6.6	6.49	6.83
12 years old	-	6.15	6.30	6.12	6.17	-	-	-	-	-	-
15 years	5.77	5.90	5.75	6.00	5.85	6.07	-	-	-	6.07	-
20 years	5.85	-	5.85	-	5.85	-	-	-	-	-	-
WAY on bonds**	**5.39**	**5.64**	**5.84**	**5.97**	**5.73**	**6.19**	**7.05**	**7.13**	**6.93**	**6.87**	**7.36**

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

4.3.2 - Outstanding government securities on the regional market

84. The total outstanding amount of government securities at the end of March 2024 was estimated at 25,049.9 billion or 19.1% of GDP, compared with 20,950.9 billion or 17.4% of GDP in March 2023. The structure of the outstanding amount is dominated by Treasury bonds, which make up 90.5% of the total.

Table 18 - Outstanding government securities at the end of March 2024 by country *(in billions of CFA F)*

		Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAEMU
Bills	Auction	56.8	228.6	819.1	88.3	257.0	439.7	242.7	253.5	2 385,7
Bonds	Auction	1,231.0	1,640.5	2,996.6	254.2	1,687.9	833.1	2,634.9	1,664.0	12 942,2
	Syndication	564.5	1,378.7	5,563.2	0.0	1,057.1	554.8	393.7	210.0	9 722,0
	Total	1,795.5	3,019.2	8,559.8	254.2	2,745.0	1,387.9	3,028.6	1,874.0	22 664,2
Total outstanding amount		**1,852.3**	**3,247.8**	**9,378.9**	**342.5**	**3,002.0**	**1,827.6**	**3,271.3**	**2,127.5**	**25,049.9**

Sources: BCEAO, WAMU Securities. Figures as at March 31, 2024.

4.3.3 - External resources raised by WAEMU Member States

85. In the first quarter of 2024, the Union's countries received financial support from external partners, including contributions from the World Bank (243.4 billion), the African Development Bank (25.2 billion), United Nations agencies (5.9 billion), and the European Commission (5.3 billion), among others.

86. In March 2024, Togo secured financial support amounting to 41.3 billion from the IMF under the Extended Credit Facility (ECF), following the approval of a new economic and financial program supported by the institution.

87. Two Member States, Benin and Côte d'Ivoire, tapped into international financial markets by issuing Eurobonds. These operations allowed the authorities of Côte d'Ivoire and Benin to raise 1,576.7 billion and 442.1 billion, respectively, in January and February 2024.

Table 19 - Disbursements under the IMF's financial programs by country *(in billions of CFA F)*

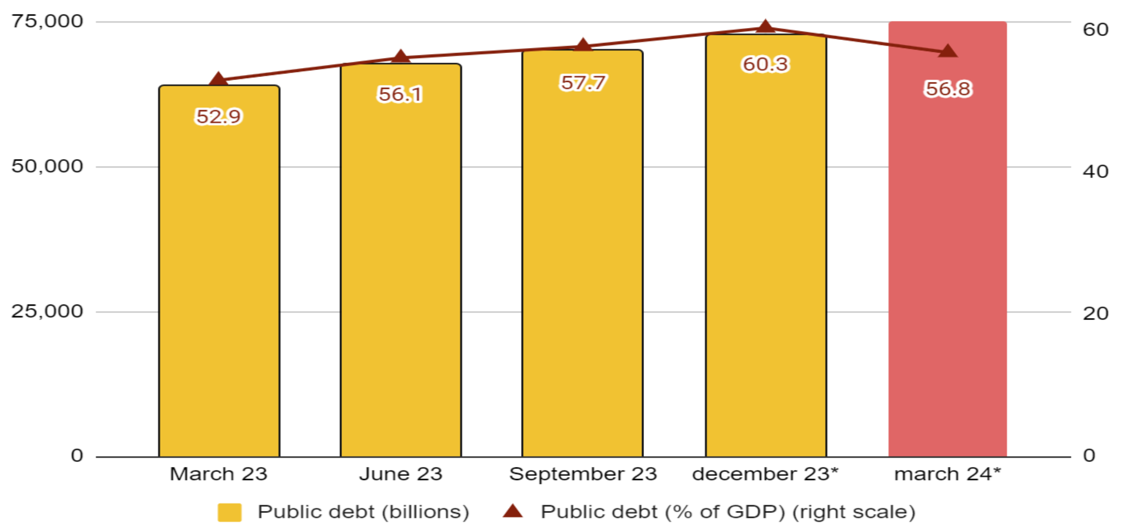
	Q1 2023	Q1 2024
Benin	0.0	0.0
Burkina Faso	49.0	0.0
Côte d'Ivoire	0.0	0.0
Guinea-Bissau	1.9	0.0
Mali	0.0	0.0
Niger	0.0	0.0
Senegal	132.6	0.0
Togo	0.0	41.3
WAEMU	**183.5**	**41.3**

Source: BCEAO

4.3.4 - Trends in the total public debt

88. In line with the borrowing resources utilized to finance the budget deficit, the Union's total outstanding public debt was projected to reach 74,970.1 billion in March 2024, representing an increase of 2,327.7 billion or 3.2% over December 2023.

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



Source: National departments, BCEAO *(*) Estimates*

5 - EXTERNAL ACCOUNTS

In the first quarter of 2024, the Union's aggregate balance of payments showed a deficit of 14.0 billion, following a deficit of 1,704.4 billion recorded for the same period of the previous year, reflecting increased net inflows to the financial account, driven by Eurobond issues by Côte d'Ivoire and Benin, and a decline in the current account deficit, which stood at 4.8% of GDP versus 6.8% a year earlier.

5.1 - Current account transactions

89. The **current account** deficit was 1,526.1 billion in the first quarter of 2024, down 22.5% from 1,969.5 billion in the same period the previous year, reflecting an improved performance in the goods and services account. As a percentage of GDP, the current account deficit stood at 4.8% in the first quarter of 2024, compared to 6.8% a year earlier, marking an improvement of 2 percentage points.

Table 20 - Trends in the current account *(in billions, unless otherwise stated)*

	2023		**2024**
Categories	**Q1**	**Q4**	**Q1**
Trade balance	**-417.4**	**-362.3**	**134.8**
Balance of services	**-1,444.6**	**-1,431.1**	**-1,546.1**
- Travel	258.1	262.9	274.4
- Freight	-1,150.9	-1,153.3	-1,169.9
Balance of primary and secondary revenues	**-107.5**	**-117.0**	**-114.8**
Primary revenue	-891.0	-909.0	-924.0
Secondary revenue	783.5	792.0	809.2
- Private transfers	702.9	711.0	724.2
Balance of the current transactions account	**-1,969.5**	**-1,910.4**	**-1,526.1**
(in % GDP)	*-6.8%*	*-6.2%*	*-4.8%*

Sources: NSIs, Customs, BCEAO

5.1.1 - Trends in the Union's external trade

90. In the first quarter of 2024, the Union's **trade balance** showed a surplus of 134.8 billion, compared with a deficit 417.4 billion in the same period in 2023. This improvement was driven by a greater increase in exports (+10.1%) than in imports (+1.7%).

91. The increase in exports was fueled by higher sales of cotton (+30.9%), cocoa (+28.1%), and gold (+6.9%), supported by favorable price trends on international markets. However, this increase was partially offset by drops in cashew nut sales, which were down by 3.1% owing to unfavorable market prices, and uranium (-100%), as no uranium ore was shipped during the period under review.

Table 21 - Trends in the trade balance *(in billions, unless otherwise stated)*

	2023		2024	Year-on-year change (Q1-2024 / Q1-2023)	
	Q1	Q4	Q1	(in billions)	(in %)
Exports	6,652.4	6,722.2	7,321.6	669.2	10.1%
including Cocoa products	*1,257.4*	*1,198.9*	*1,610.6*	*353.2*	*28.1%*
Gold and precious metals	*1,745.2*	*1,819.9*	*1,865.8*	*120.6*	*6.9%*
Petroleum products	*757.1*	*768.2*	*798.3*	*41.2*	*5.4%*
Cotton products	*166.2*	*192.9*	*217.6*	*51.4*	*30.9%*
Coffee products	*30.1*	*26.5*	*30.2*	*0.1*	*0.3%*
Cashew nut products	*231.5*	*196.1*	*224.4*	*-7.1*	*-3.1%*
Rubber	*306.6*	*337.9*	*337.1*	*30.5*	*9.9%*
Uranium	*32.8*	*0.0*	*0.0*	*-32.8*	*-100.0%*
Imports (FOB)	-7,069.8	-7,084.5	-7,186.8	-117.0	1.7%
including Foodstuffs	*-1,412.6*	*-1,371.6*	*-1,386.7*	*25.9*	*-1.8%*
Consumer packaged goods	*-1,039.5*	*-1,030.2*	*-1,023.2*	*16.3*	*-1.6%*
Energy commodities	*-1,889.0*	*-1,905.7*	*-1,937.8*	*-48.8*	*2.6%*
Intermediate goods	*-1,542.0*	*-1,549.1*	*-1,577.5*	*-35.5*	*2.3%*
Capital goods	*-1,675.5*	*-1,702.2*	*-1,723.6*	*-48.1*	*2.9%*
Trade balance	-417.4	-362.3	134.8	552.2	
(in % of GDP)	-1.4%	-1.2%	0.4%	1.8%	

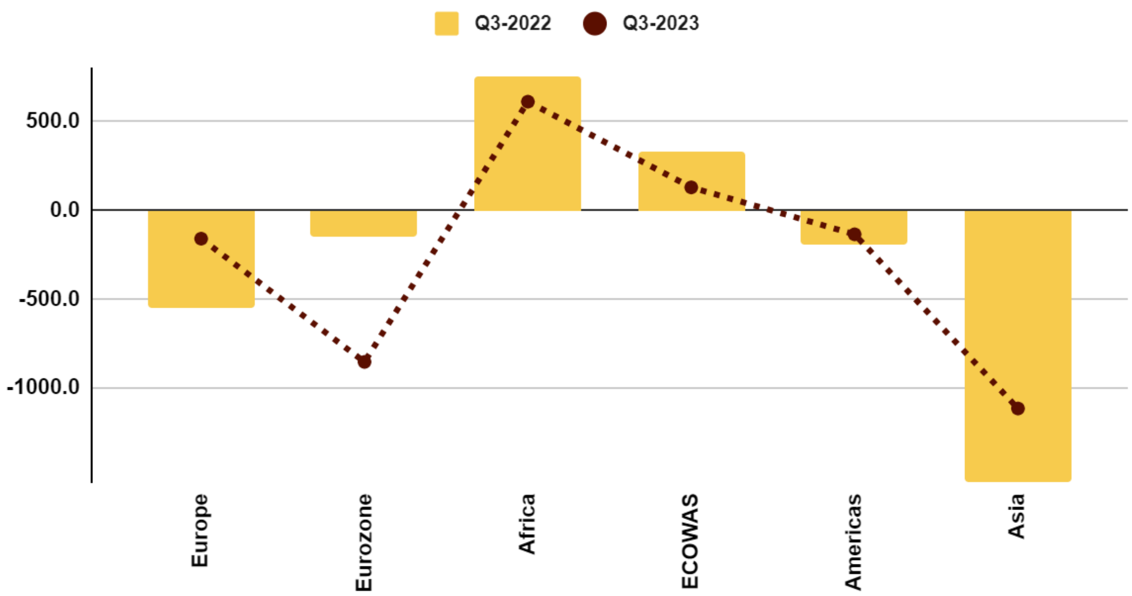
Sources: NSIs, Customs, BCEAO

92. The trend in imports was marked by a 2.6% increase in the energy bill and a similar rise in purchases of capital and intermediate goods. This increase was partially offset by a 1.7% reduction in the cost of food and convenience goods, amid easing international prices for these products. The rise in the energy bill and the increased purchases of capital and intermediate goods can be attributed to robust internal demand.

Geographical breakdown of external trade

93. In the first quarter of 2024, the geographical orientation of the Union's trade shifted compared to the same period the previous year. There was a decline in the trade surplus with the rest of Africa and a reduction in the trade deficit with Asia and the Americas.

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



Sources: NSIs, Customs, BCEAO

Trends in intra-WAEMU trade

94. Intra-WAEMU trade rose by 7.7% to 1,090.1 billion, equivalent to 13.8% of the Union's total trade. Côte d'Ivoire and Senegal remained the main suppliers, accounting for 55.4% of total intra-community supply, compared with 55.1% for the same period a year earlier. On the intra-WAEMU demand side, Mali and Burkina Faso remained the main destinations for trade flows, accounting for 42.1% of the total, versus 47.2% a year earlier. The main products traded were oil, food preparations (milk, broths, etc.), raw products (cereals, live animals), edible oils, and building materials.

5.1.2 - Trends in other current account headings

95. The **balance of services** deficit deepened by 7.0% compared with the same quarter of the previous year, reaching 1,546.1 billion, reflecting a higher freight bill (+6.8%) coupled with increased consumption of specialized services, including engineering services for infrastructure construction.

96. The deficit on the **primary income** account worsened by 3.7% to stand at 924.0 billion, mainly owing to higher interest payments on external public debt (+12.1 billion).

97. The **secondary income** surplus rose by 3.3% year on year to reach €809.2 billion, due to an increase in budgetary aid received by governments (+5.5%), combined with higher migrant remittances (+3.0%).

5.2 - Capital and financial account trends

98. The **capital account** surplus fell by 5.2% compared with the same period in the previous year, to settle at 352.9 billion, reflecting a decline in project grants received by WAEMU Member States.

99. Reflecting the above trends, the Union's **financing needs** dropped by 424.2 billion compared to the same period the previous year, to stand at 1,173.3 billion. They were covered to the tune of 100.4% by net inflows to the financial account, compared with -5.5% in the same period of the previous year.

Table 22 - Trends in the capital account, financial account, and aggregate balance

(in billions, unless otherwise stated)

	2023		2024
	Q1	**Q4**	**Q1**
Balance of the current account	**-1,969.5**	**-1,910.4**	**-1,526.1**
Balance of the capital account	**372.1**	**384.9**	**352.9**
- Public administration	275.0	281.0	248.6
Financing needs	**-1,597.5**	**-1,525.6**	**-1,173.3**
Financial account balance	**-160.5**	**-1,219.8**	**-1,519.3**
- FDI	-893.7	-917.9	-924.9
- Portfolio investments	95.3	55.1	-1,502.4
- Other investments	637.9	-357.0	908.0
including net public drawdowns	139.3	-650.5	219.5
Aggregate balance after statistical adjustment	**-1,704.4**	**-103.2**	**-14.0**
Revaluations	124.4	47.1	395.0
Change in net external assets	**1,580.0**	**56.1**	**-381.0**
Reserves in months of imports	**4.0**	**3.5**	**3.5**

Sources: NSIs, Customs, BCEAO

100. Net capital inflows on the **financial account** rose by 1,358.8 billion to 1,519.3 billion, in line with Eurobond issues by Benin and Côte d'Ivoire for a net amount of 1,502.4[5] billion and increased foreign direct investment (+31.2 billion) due to continued investment in the oil and gas sector.

101. Overall, the **aggregate balance of payments** improved significantly year on year, with a 14.0 billion deficit in the first quarter of 2024, versus a deficit of 1,704.4 billion a year earlier.

[5] Gross Eurobond issues amounted to 2,018.8 billion euros.

6 - MONETARY CONDITIONS, CURRENCY AND STOCK MARKET

Monetary conditions tightened overall in the first quarter of 2024, primarily due to strong demand for government financing and the additional risk premium required by investors amid uncertainties associated with the socio-political situation in certain Union countries. The weighted average interest rate on the interbank market, across all maturities, stood at 5.81%, up from 5.08% in the previous quarter. On the one-week segment, the weighted average interest rate rose to 5.90%, compared with 5.12% in the previous quarter and 4.21% a year earlier. The average bank lending rate, excluding taxes and fees, was 6.96% in the first quarter of 2024, up from 6.84% in the fourth quarter of 2023.

At the end of March 2024, the monetary situation was marked by a year-on-year acceleration in the money supply, which increased by 3.7%, up from 3.5% three months earlier. This trend was driven by a rise in internal claims of 4,403.9 billion or 8.2%, although it was somewhat offset by a contraction in net external assets. The increase in internal claims was due to higher net claims by deposit-taking institutions on central governments (+2,737.9 billion or +13.1%) and increased claims on the economy (+1,665.9 billion or +5.1%).

On the regional stock market, activity edged up slightly in the first quarter of 2024, with the overall index, the BRVM Composite, rising by 0.3% after a 1.0% increase in the previous quarter. The market capitalization of all listed securities improved by 0.1% quarterly, following a rise of 1.7% three months earlier. This was due to a 0.3% increase in equity market capitalization, slightly offset by a 0.1% decline in bond market capitalization. Annually, overall market capitalization rose by 3.8%.

6.1 - Monetary conditions

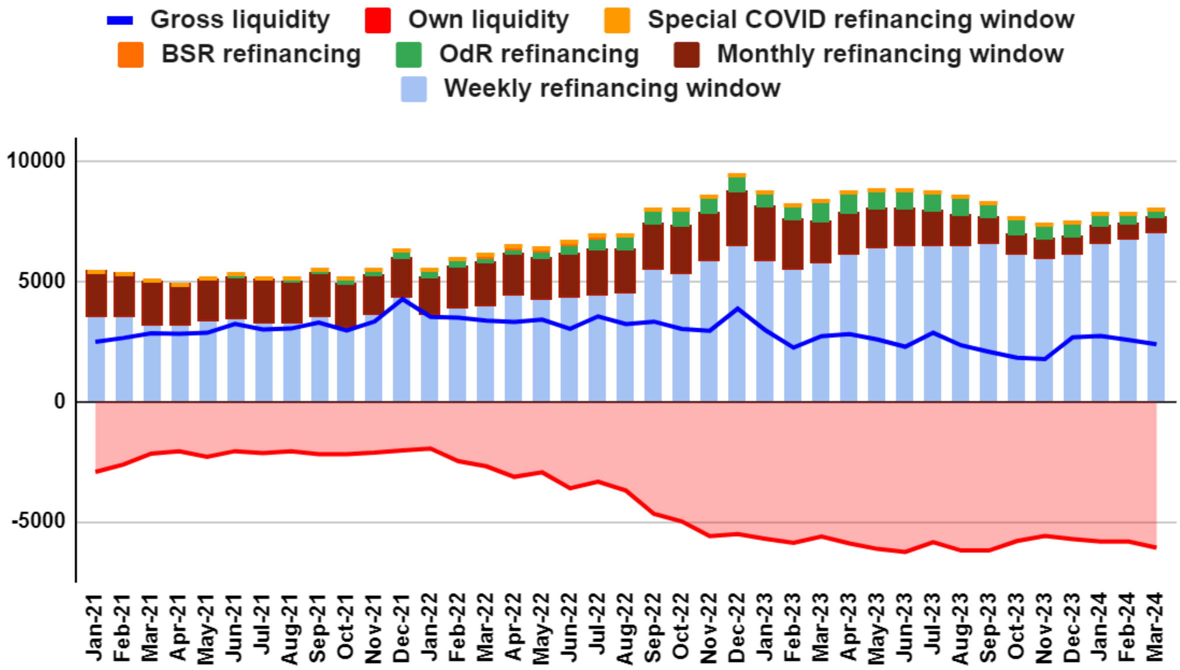
102. During the first quarter of 2024, the Central Bank continued to meet banks' real liquidity requirements at its refinancing windows. The minimum bid rate and the rate on the marginal lending window remained at 3.5% and 5.5% respectively, their levels since December 16, 2023.

6.1.1 - Bank liquidity

103. In the first quarter of 2024, WAEMU banks' own liquidity, defined as bank cash excluding BCEAO refinancing, contracted by 359.1 billion. This was primarily due to net transfers (-293.0 billion) and net banknote outflows (-151.0 billion). However, the positive balance of bank transactions with treasuries (+84.9 billion) mitigated this trend.

104. Over the same period, Central Bank lending to banks rose by 68.5 billion, reaching 8,469.7 billion at the end of March 2024. This increase was mainly driven by a rise in lending through the weekly window (+898.3 billion). Outstanding refinancing on the marginal lending, stimulus bond, and monthly windows decreased by 536.3 billion, 200.0 billion, and 99.2 billion respectively. As a result, bank liquidity fell by 290.6 billion between the end of December 2023 and the end of March 2024.

Graph 15 - Trends in bank liquidity *(in billions)*



Source: BCEAO *BSR: Resilience and support bonds OdR: Recovery bonds*

105. For the maintenance period running from February 16 to March 15, 2024, total bank reserve requirements amounted to 1,222.1 billion. Over the same period, actual bank reserves averaged 2,405.1 billion, exceeding the regulatory minimum by 1,183.0 billion. Over the previous reserve maintenance period, from November 16 to December 15, 2023, the reserve maintenance surplus stood at 402.7 billion.

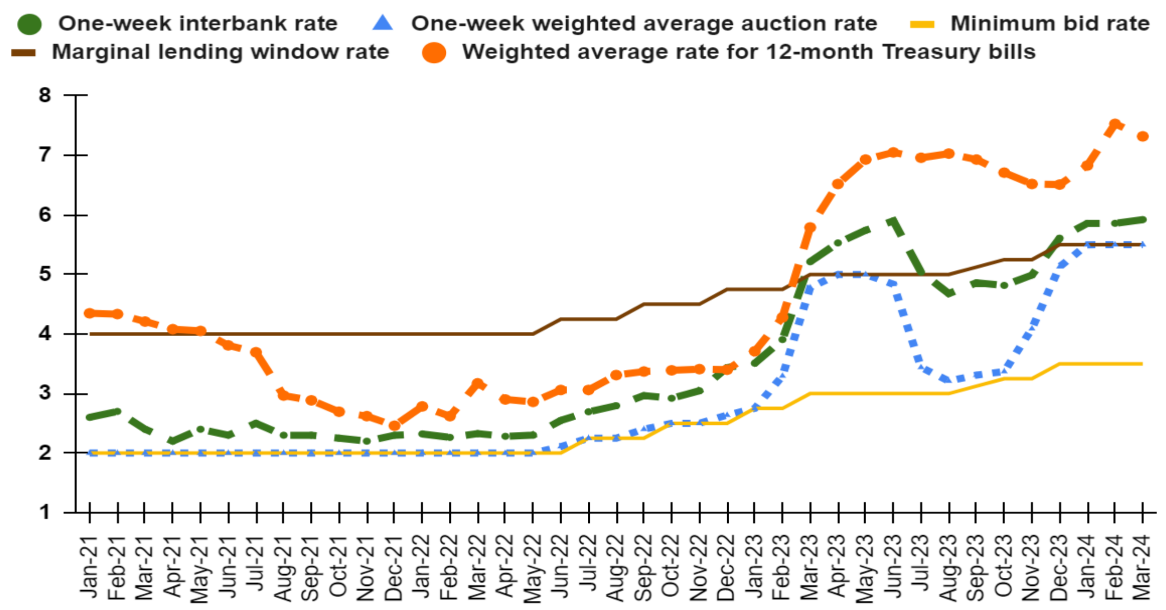
106. The number of reporting institutions with insufficient required reserves over the February 16 to March 15, 2024, period stood at 18 banks, compared with 42 over the maintenance period running from November 16 to December 15, 2023.

6.1.2 - Trends in money market interest rates

107. In the first quarter of 2024, the weighted average rate on the BCEAO's one-week tender window stood at 5.50% compared with 4.12% in the previous quarter, up 138 bps.

108. Transaction volumes on the interbank market, across all maturities, averaged 557 billion in the first quarter of 2024, down 16.7% on the previous quarter when a volume of 669 billion was recorded. The level of transactions stood at 768 billion a year earlier (-27.5%). The weighted average interest rate was 5.81%, compared with 5.08% a quarter earlier. During the same period the previous year, the rate was 4.34%. On the one-week maturity, which accounted for 54% of total quarterly transaction volume (51% in the previous quarter), the weighted average interest rate was 5.90%, compared with 5.12% in the previous quarter and 4.21% a year earlier.

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



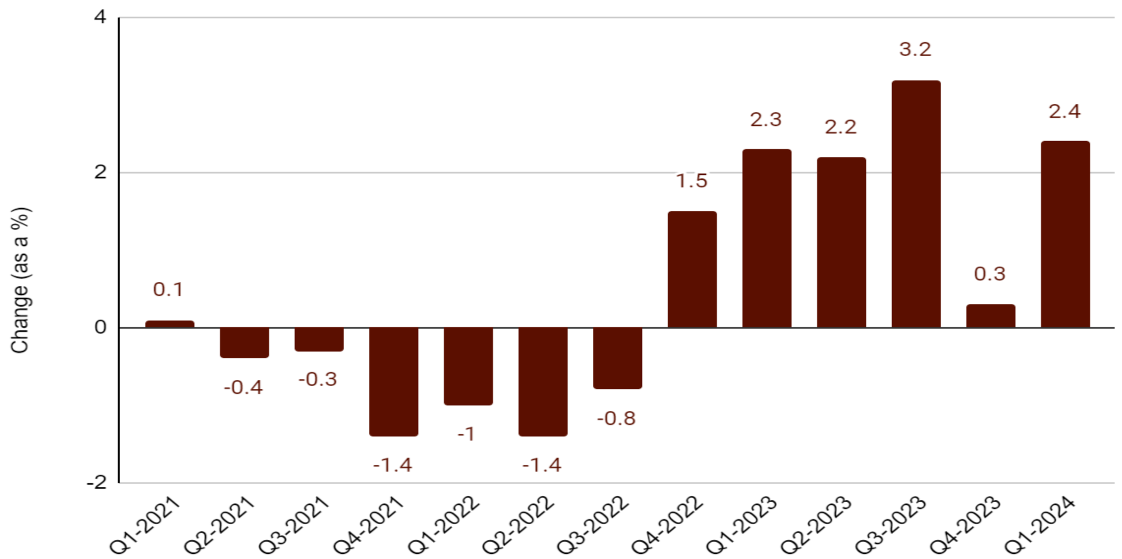
Source: BCEAO

6.1.3 - Trends in monetary conditions

6

109. The monetary conditions index was up 2.4% on the previous quarter, reflecting tightening monetary conditions. This trend was driven by a quarterly rise in the real interest rate on the one-week interbank market (+22 bps), bolstered by an increase in the real effective exchange rate (+5.5%) over the same period.

Graph 17 - Quarterly trends in the monetary conditions index



Source: BCEAO

[6] The monetary conditions index is a synthetic indicator for assessing the combined impact of interest and exchange rate policies on aggregate demand. It is calculated as a weighted average of the real effective exchange rate and the real interest rate and trends in the index are measured against the level of the index over the baseline period.

6.1.4 - Trends in bank rates on term deposits

110. The average lending rate stood at 5.28% in the first quarter of 2024, up by 13 bps from 5.15% in the fourth quarter of 2023.

Table 23 - Time deposit rates by country *(in %)*

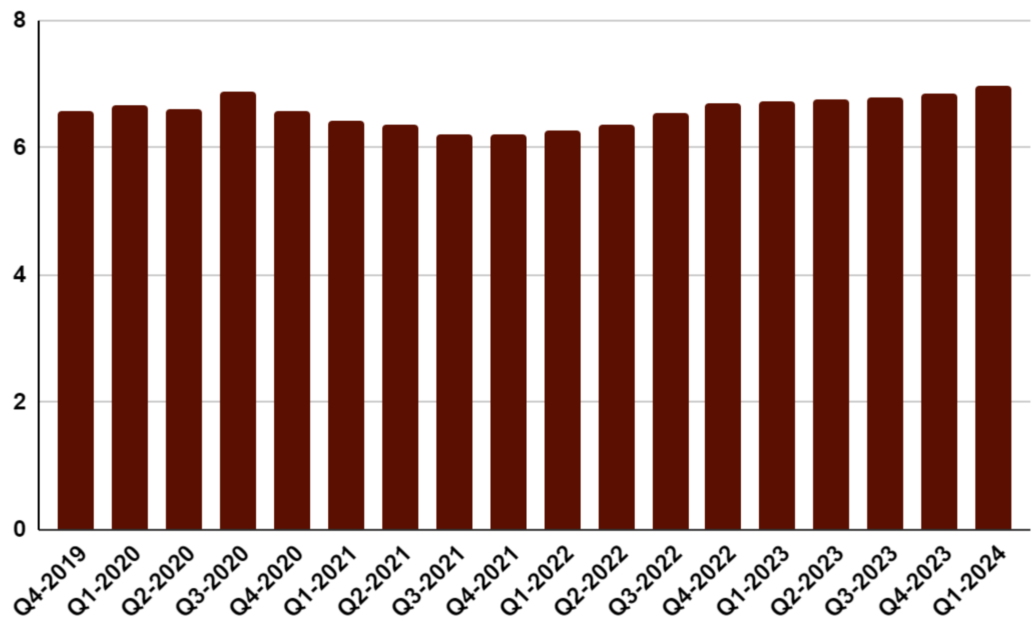
	2022				2023				2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Benin	5.46	5.16	5.23	5.04	5.41	5.31	5.30	5.26	5.57
Burkina Faso	5.80	5.66	5.09	5.07	5.67	5.53	5.63	4.60	5.94
Côte d'Ivoire	4.52	4.64	4.83	4.96	4.68	4.67	4.83	4.53	4.11
Guinea-Bissau	4.19	4.16	5.75	5.14	3.75	3.03	4.66	3.50	4.60
Mali	4.87	5.18	5.02	5.05	5.04	5.14	4.99	5.34	5.39
Niger	5.85	6.13	5.93	5.84	6.03	6.12	6.08	5.99	5.93
Senegal	5.34	5.04	5.19	5.58	5.34	5.44	5.61	5.59	5.65
Togo	5.61	5.65	5.63	5.40	5.70	5.41	5.72	5.58	5.69
WAEMU	**5.23**	**5.15**	**5.14**	**5.19**	**5.23**	**5.14**	**5.35**	**5.15**	**5.28**

Source: BCEAO

6.1.5 - Trends in bank lending rates

111. The average borrowing rate, excluding taxes and fees, was 6.96% in the first quarter of 2024, up 12 bps on the previous quarter.

Graph 18 - Average bank lending rates *(in %)*



Source: BCEAO

112. Broken down by loan purpose, lending rates rose for capital expenditure loans (+70 bps), real estate loans (+58 bps), and corporate cash flow loans (+17 bps) in the first quarter of 2024. On the other hand, lending costs dropped for export loans (-115 bps) and consumer loans (-50 bps).

Table 24 - Trends in lending rates by loan purpose *(in %)*

	2022				2023				2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Consumer	7.45	7.64	7.47	7.79	7.95	7.89	7.87	7.36	6.86
Exports	7.54	6.56	7.51	6.83	6.29	5.61	6.29	7.48	6.33
Treasury	5.63	5.70	6.03	6.25	6.05	6.36	6.37	6.56	6.73
Capital expenditure	7.06	6.96	6.85	7.00	7.57	7.27	7.24	7.28	7.98
Real estate	6.33	6.67	6.34	7.21	7.09	6.71	6.90	6.58	7.16
Other	6.50	6.55	6.82	6.81	7.10	7.04	6.87	6.95	7.08
Total	**6.27**	**6.35**	**6.54**	**6.70**	**6.73**	**6.76**	**6.78**	**6.84**	**6.96**

Source: BCEAO

113. Broken down by borrower type, the rate increases impacted lending conditions for non-profit institutions serving households (+100 bps), non-financial companies (+14 bps), households (+11 bps), and financial companies (+7 bps). This increase was mitigated by a drop in interest rates on loans to public authorities (-56 bps).

Table 25 - Trends in lending rates in WAEMU by borrower type *(%)*

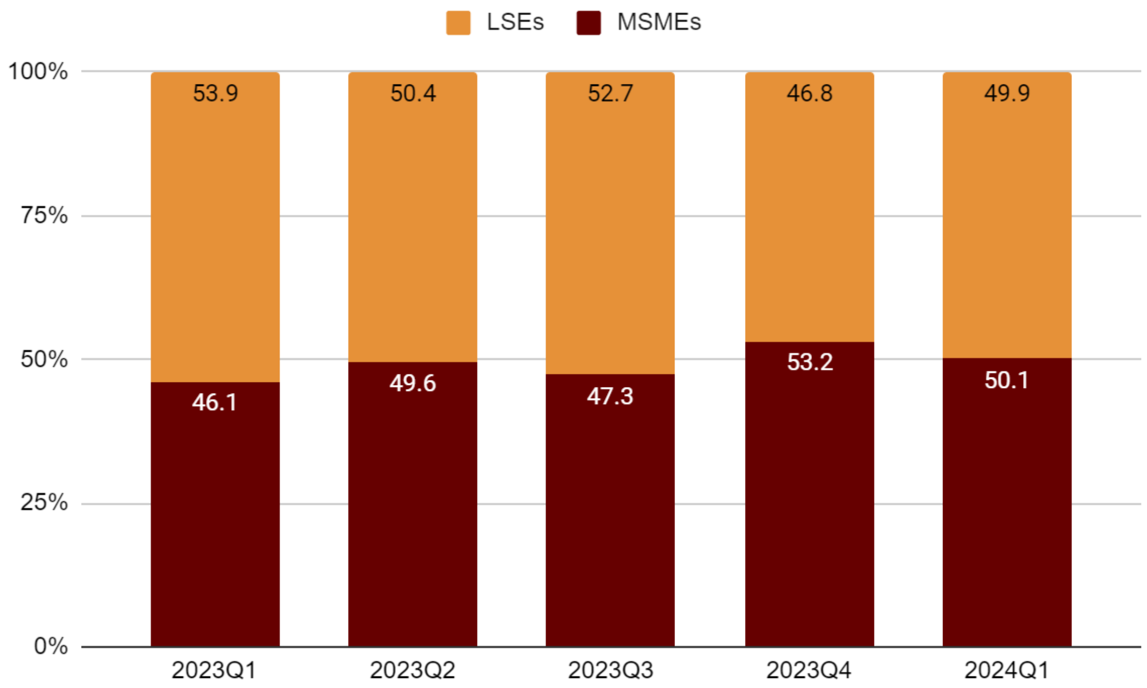
	2022				2023				2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Microfinance institutions	7.27	5.99	5.45	6.91	7.95	7.33	7.87	7.57	6.54
Other financial companies	4.76	6.40	7.20	4.81	5.78	6.77	6.68	7.22	7.29
Non-financial companies	5.92	6.15	6.16	6.46	6.32	6.41	6.45	6.64	6.78
Households	7.82	7.74	7.94	8.17	8.49	8.24	8.23	8.06	8.17
NPISHs	7.02	8.07	6.46	8.34	9.14	8.21	7.71	6.90	7.90
Public authorities	4.99	4.70	5.63	5.90	5.74	6.44	5.87	6.36	**5.80**
Total	**6.27**	**6.35**	**6.54**	**6.70**	**6.73**	**6.76**	**6.78**	**6.84**	**6.96**

Source: BCEAO

Box 1 - Structure and terms 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 89.1% of all new loans, compared with just 10.9% for individuals. The proportion of loans granted to individuals increased by one (1) percentage point compared with the previous quarter.

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



Source: BCEAO

In the legal entities segment[7], the proportion of loans granted to micro, small, and medium-sized enterprises (MSMEs) decreased by 3.1 percentage points to 50.1%. By contrast, lending to large-sized enterprises (LSEs) increased by the same amount, reaching 49.9%. Lending rates for legal entities rose by 10 basis points in the first quarter of 2024 as against the previous quarter. Increases were noted in both the LSE and MSME segments, with a bigger rise for the latter. Rates for MSMEs increased by 17 basis points, from 7.12% in the fourth quarter of 2023 to 7.29% in the first quarter of 2024. Rates for LSEs increased by 10 basis points to 6.33%. Lending rates for individuals rose by 6 basis points to stand at 8.15% during the quarter under review, compared to the fourth quarter of 2023. This increase affected both women (+9 basis points) and men (+5 basis points).

114. In terms of credit maturities, the rise in lending rates affected all segments. The most significant increases were observed for loans with maturities between 1 and 2 years (+44 bps), followed by loans with maturities between 2 and 5 years (+30 bps). In contrast, more modest increases were noted for loans with maturities of less than 1 year (+10 bps) and for long-term loans (over 10 years) (+6 bps).

[7] . Microenterprises (annual sales less than or equal to CFA F 30,000,000)
. Small businesses (annual sales excluding tax of between CFA F 30,000,000 and CFA F 100,000,000 inclusive)
. Medium-sized companies (between CFA F 100,000,000 and CFA F 1,000,000,000 inclusive)
. Large companies (annual sales excluding tax strictly in excess of CFA F 1 billion)

Table 26 - Lending rates in WAEMU by loan term *(%)*

	2022				2022	2023				2023	2024
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1
Less than 1 year	5.92	6.08	6.23	6.43	6.18	6.31	6.44	6.46	6.57	6.45	6.67
Between 1 and 2 years	7.27	7.56	7.76	7.58	7.57	8.27	8.23	7.72	7.74	7.93	8.18
Between 2 and 5 years	7.37	7.08	7.04	7.33	7.21	7.87	7.84	8.09	7.68	7.85	7.98
Over 5 years	7.25	6.69	7.26	7.20	7.09	7.91	7.54	7.68	7.35	7.61	7.41
Total	**6.26**	**6.35**	**6.54**	**6.70**	**6.48**	**6.73**	**6.76**	**6.78**	**6.84**	**6.78**	**6.96**

Source: BCEAO

115. By country, lending rates rose in Niger (+64 bps), Benin (+26 bps), Mali (+20 bps), Senegal (+9 bps), Côte d'Ivoire (+3 bps), and Togo (+2 bps). On the other hand, rates fell in Guinea-Bissau (-50 bps)[8] and Burkina Faso (-25 bps) compared with the previous quarter.

Table 27 - Trends in lending rates by country in WAEMU *(%)*

	2022				2023				2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Benin	6.78	7.01	7.44	7.13	7.32	7.20	7.39	7.27	7.53
Burkina Faso	6.90	7.05	7.22	7.41	7.79	7.88	7.70	7.87	7.62
Côte d'Ivoire	5.74	5.83	6.08	6.33	6.31	6.39	6.62	6.72	6.75
Guinea-Bissau	8.15	9.62	8.94	8.84	8.24	7.98	9.20	9.25	8.75
Mali	7.71	7.25	7.42	7.56	8.00	7.32	7.07	7.22	7.42
Niger	8.32	8.68	8.31	8.39	8.89	8.77	8.86	8.14	8.78
Senegal	5.52	5.71	5.79	5.82	5.88	6.07	5.91	6.18	6.27
Togo	**6.87**	7.28	7.40	7.22	7.40	7.56	7.61	7.51	7.53
WAEMU	**6.27**	**6.35**	**6.54**	**6.70**	**6.73**	**6.76**	**6.78**	**6.84**	**6.96**

Source: BCEAO

6.2 - Monetary situation

116. Annual growth in the money supply increased to 3.7% at the end of March 2024, up from 3.5% at the end of December 2023. This growth was primarily driven by an 8.2% rise in internal claims, partially offset by a contraction in net external assets (-1,347.8 billion or -46.8%). The increase in internal claims was due to the consolidation of net claims by deposit-taking institutions on central governments (+2,737.9 billion or 13.1%) and claims on the economy (+1,665.9 billion or 5.1%).

[8] This decline in rates in Guinea-Bissau was due to the structure of loans granted to non-financial companies for cash flow requirements, which were higher in Q1 2024. As a result, credit costs for this segment were relatively cheaper.

Table 28 - Monetary situation at the end of March 2024 *(in billions, unless otherwise stated)*

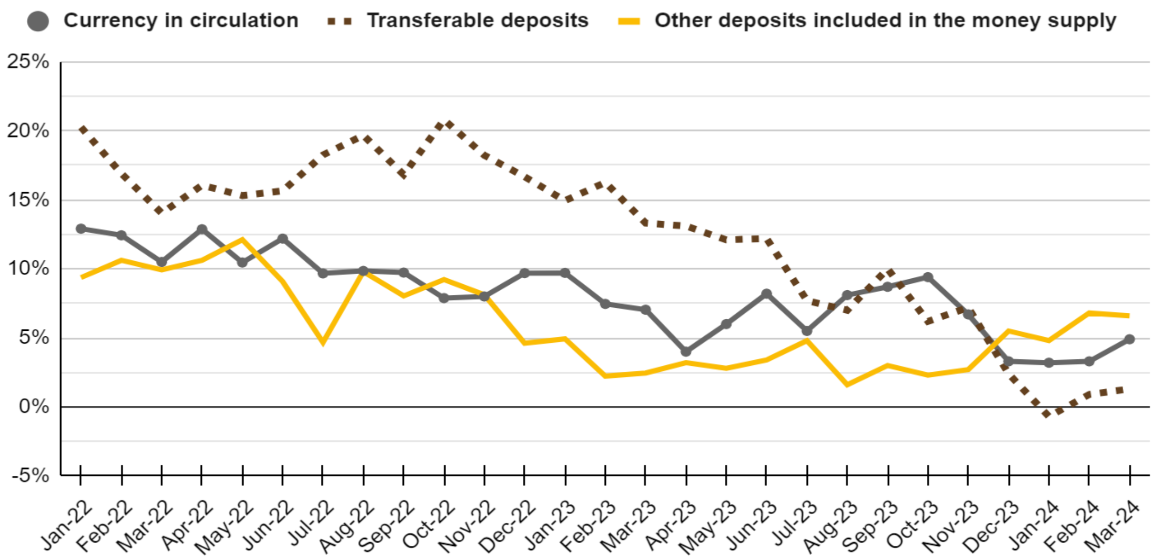
	March 2023	Dec. 2023	March 2024	Quarter over quarter		Year over year	
				Level	%	Level	%
Money supply (M2)	**45,659.1**	**47,778.4**	**47,340.8**	**-437.7**	**-0.9%**	**1,681.6**	**3.7%**
Currency outside banks	10,294.7	10,673.8	10,804.2	130.4	1.2%	509.5	4.9%
Deposits	35,364.4	37,104.7	36,536.6	-568.1	-1.5%	1,172.2	3.3%
Net external assets	2,878.0	1,149.2	1,530.2	381.0	33.2%	-1,347.8	-46.8%
Internal claims	53,444.3	58,069.6	57,848.1	-221.5	-0.4%	4,403.9	8.2%
Net claims on CGs * (trade receivables)	20,897.7	23,750.0	23,635.6	-114.4	-0.5%	2,737.9	13.1%
Claims on the economy	32,546.6	34,319.6	34,212.5	-107.0	-0.3%	1,665.9	5.1%

Source: BCEAO (*) CGs: Central governments

6.2.1 - Money supply and its components

117. The higher rate of growth in the money supply was reflected in its main components, namely currency outside banks and deposits. Annual growth rate of currency outside banks was 4.9% at the end of March 2024, up from 3.2% at the end of December 2023. Deposits grew by 3.3% at the end of March 2024, down slightly by 0.3 percentage point compared with the previous quarter.

Graph 19 - Trends in currency outside banks and deposits *(Year-on-year change, in %)*

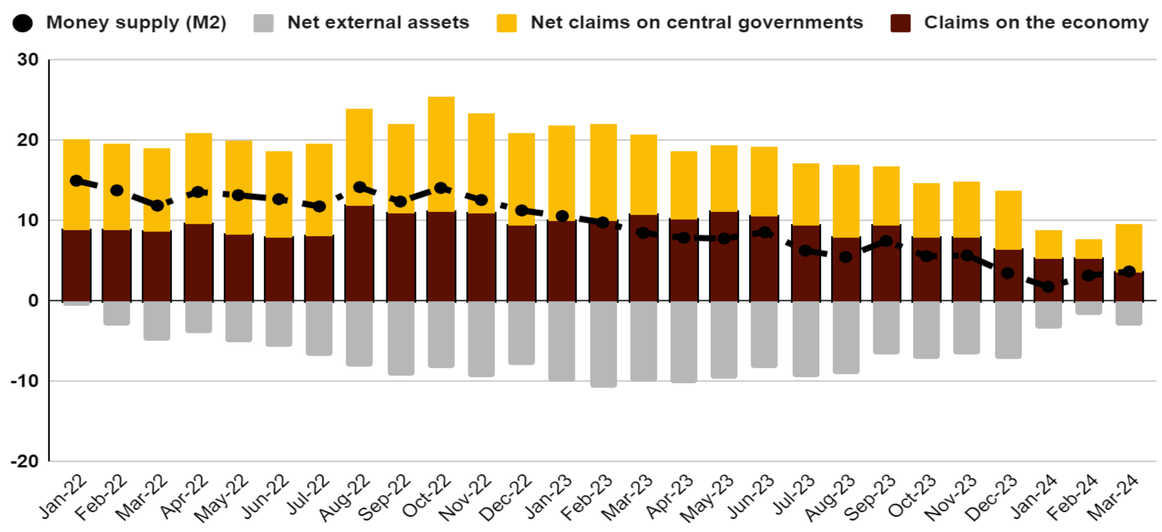


Source: BCEAO

6.2.2 - Money supply and counterparties

118. Growth in the money supply on an annualized basis was primarily driven by internal claims. Net external assets (NEAs) resulting from transactional flows with the rest of the world contributed negatively to the growth of the money supply.

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



Source: BCEAO

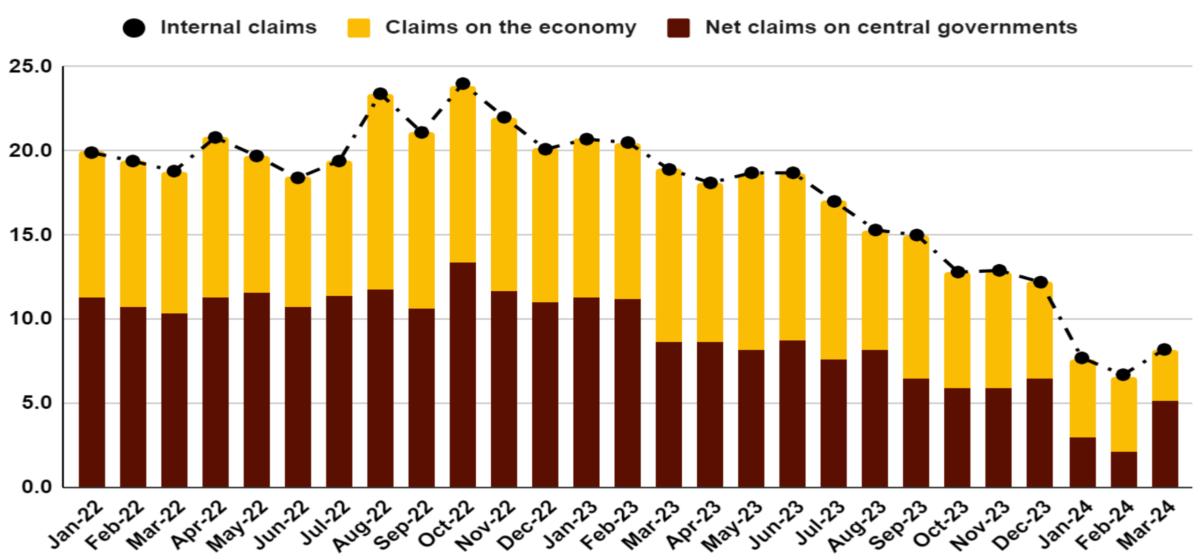
Net external assets

119. Year on year, the Union's net external assets (NEAs) fell by 1,347.8 billion or -46.8% as at the end of March 2024. This decline was driven by a 1,709.4 billion or -35.9% decrease in the BCEAO's NEAs, coupled with a 361.6 billion or +19.2% increase in NEAs of other deposit-taking institutions. This trend reflects the balance of payments deficit in 2023.

Internal claims

120. Outstanding internal claims rose by 4,403.9 billion or 8.2% year on year at the end of March 2024. The increase was driven by a rise in net claims by deposit-taking institutions on central governments (+2,737.9 billion or +13.1%) and growth in claims on the economy (+1,665.9 billion or +5.1%).

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



Source: BCEAO

Net claims on central governments (CGs) of Member States

121. On a quarterly basis, net claims on CGs fell by 114.4 billion to settle at 23,635.6 billion at the end of March 2024, under the combined impact of a 56.2 billion increase in the BCEAO's net claims on CGs and a 170.6 billion decrease in those of banks.

122. Net claims on central governments rose by 2,737.9 billion (+13.1%) year on year.

Table 29 - Net claims of deposit-taking institutions on CGs *(in billions)*

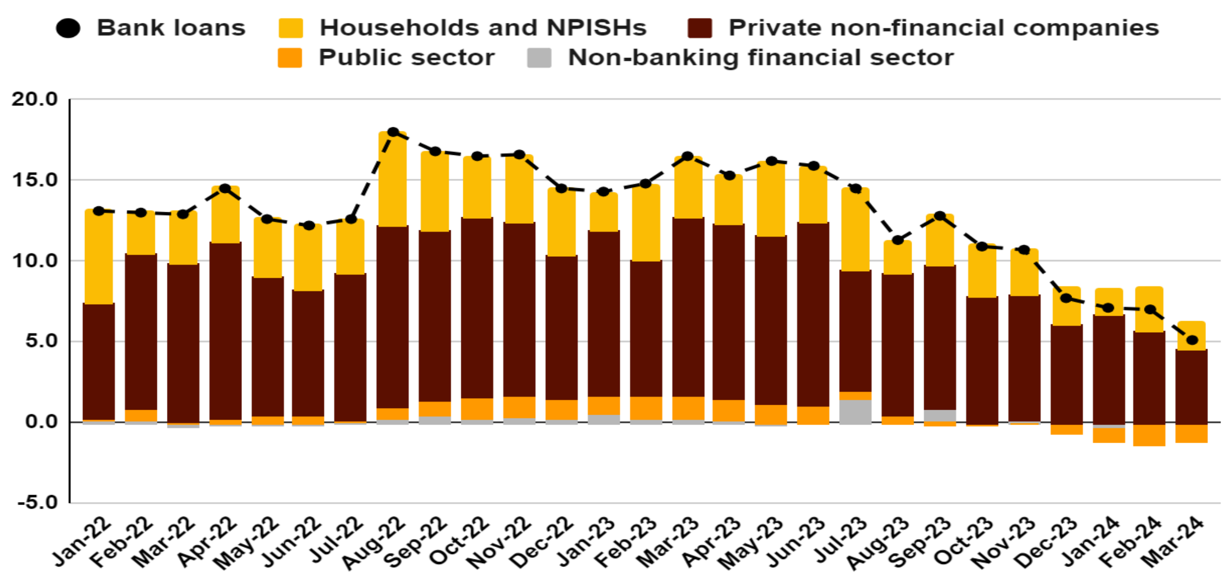
	March-23	Dec.-23	March-24	Variation	
				Quarterly	Annual
Net claims on CGs	**20,897.7**	**23,750.0**	**23,635.6**	**-114.4**	**2,737.9**
Loans from deposit-taking institutions	**27,054.5**	**30,194.9**	**30,540.0**	**345.1**	**3,485.6**
Loans	9,524.3	10,339.2	10,247.8	-91.4	723.5
Public securities portfolios	17,517.6	19,839.1	20,279.9	440.8	2,762.3
Other loans	12.5	16.6	12.3	-4.3	-0.2
Deposit institution commitments	**6,156.8**	**6,444.9**	**6,904.4**	**459.5**	**747.6**
Treasury	30.4	30.4	30.4	0.0	0.0
Deposits	6,060.4	6,218.3	6,775.1	556.8	714.7
Other commitments	66.0	196.1	98.9	-97.2	32.9

Source: BCEAO

Claims on the economy

123. The year-on-year increase in claims on the economy stood at 5.1% at the end of March 2024, compared with 9.4% at the end of December 2023. The slowdown was driven mainly by a lower growth rate in bank loans, which rose by 5.1%, compared with 7.7% in the previous quarter. Loans to the private sector rose by 1,942.8 billion or 6.9%, compared with 9.2% in the previous quarter. Specifically, loans to private non-financial companies rose by 7.4%, compared with a 10.1% increase three months earlier, while loans to households and non-profit institutions serving households increased by 6.0%, after 7.6% previously.

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



Source: BCEAO

124. Outstanding loans reported to the WAMU Central Credit Register stood at 19,059.1 billion at the end of March 2024, compared with 19,017.5 billion at the end of December 2023 and 18,189.8 billion a year earlier, reflecting a quarter-on-quarter increase of 0.2% and a year-on-year increase 4.8%. They accounted for 59.3% of bank loans to the economy at the end of March 2024.

125. Total outstanding loans granted to the 400 largest businesses using bank credits (LBUBCs) stood at 9,529.4 billion at the end of March 2024, against 9,453.4 billion at the end of December 2023 and 9,035.2 billion at the end of March 2023, up by 0.8% quarter on quarter and 5.5% year on year. They represented 50.0% of all loans reported to the Union's Central Credit Register at the end of March 2024.

126. Loans granted to the 400 LBUBCs accounted for 29.6% of all bank loans to the economy at the end of March 2024, compared with 29.3% at the end of December 2023 and 29.4% at the end of March 2023. Broken down by country, the 50 national LBUBCs accounted for 58.2% of loans to the economy in Guinea-Bissau, 50.0% in Niger, 37.4% in Togo, 36.9% in Benin and 36.6% in Mali. The percentage was below the regional average in Senegal (25.5%), Côte d'Ivoire (27.3%), and Burkina Faso (30.7%).

127. Broken down according to the maturities of the commitments of the 50 LBUBCs, short-term loans predominated over medium- and long-term loans. At the end of March 2024, short-term resources granted to each country's 50 LBUBCs represented 61.0% of the total, compared with 39.0% for medium- and long-term loans.

128. By sector, major exposures were mainly concentrated in six (6) industries: "Wholesale trade" (28.9%), "Services to the community" (22.1%), "Manufacturing industries" (12.4%), "Civil engineering and public works" (9.1%), "Transportation and communications" (8.5%) and "Insurance, real estate, business services" (8.4%).

129. Outstanding cross-border financing in the WAMU region across the Union's largest credit users was estimated at 310.4 billion at the end of March 2024, equivalent to 3.2% of total large exposures, compared with 302.6 billion at the end of December 2023 (or 3.2%) and 270.6 billion a year earlier (or 3.0%). They were mainly granted by credit institutions in Burkina Faso (30.4%), Togo (22.4%), Niger (17.3%), and Benin (16.0%). The

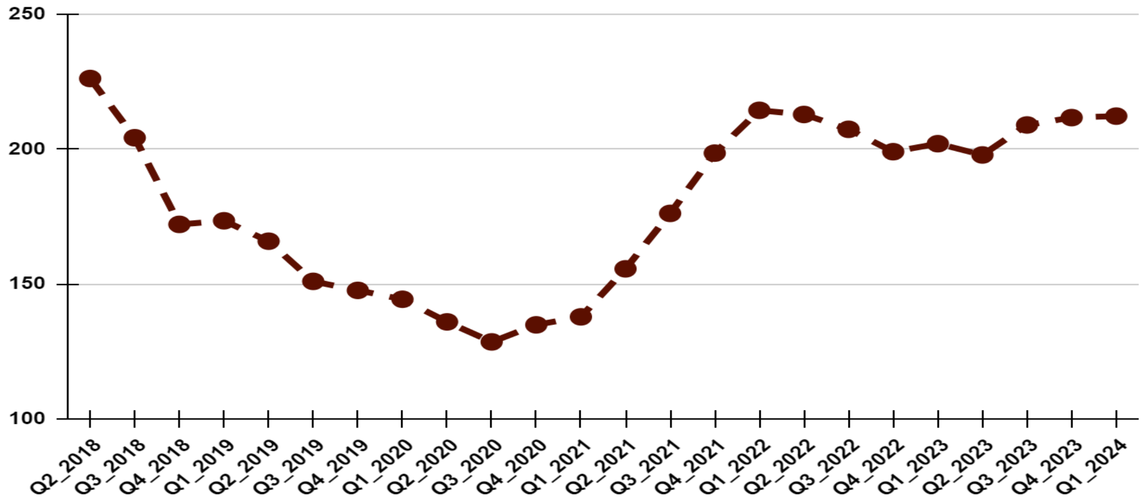
main beneficiaries were in Côte d'Ivoire (31.5%), Senegal (29.7%), and Burkina Faso (26.1%).

130. The gross portfolio deterioration rate among the Union's credit institutions averaged 9% at the end of March 2024, compared with 8.7% at the end of December 2023.

6.3 - The WAMU stock market

131. Stock market activity in the Union grew in the first quarter of 2024, with the aggregate index, the BRVM Composite, rising by 0.3% following a 1.3% increase in the previous quarter. A similar trend was seen on an annual basis, with a 5.1% increase in the BRVM Composite index, following a 6.4% rise a quarter earlier.

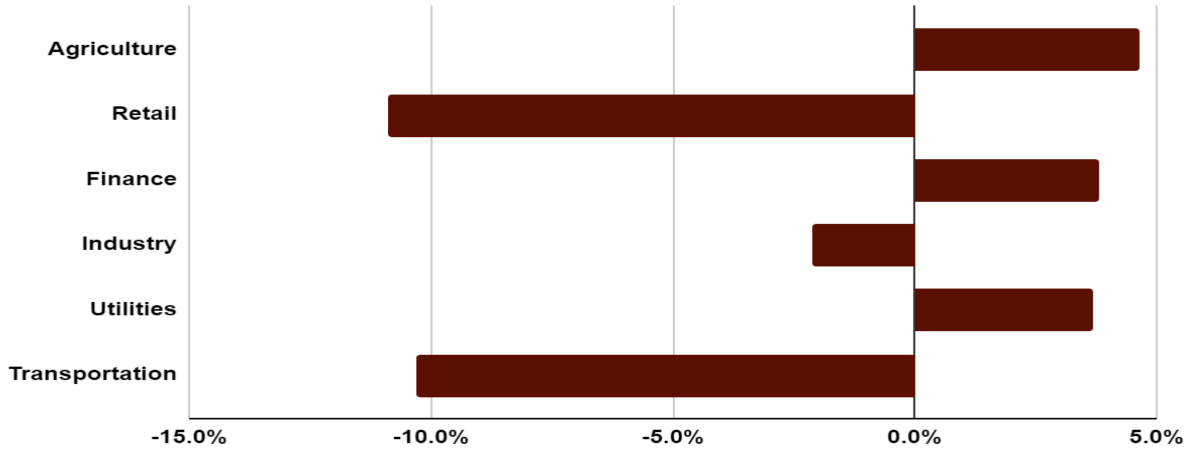
Graph 23 - Trends in the BRVM Composite index



Source : BRVM

132. This slight rise in stock market performance was driven by index gains in the "Agriculture" (+4.6%), "Finance" (+3.8%), and "Utilities" (+3.7%) sectors. By contrast, declines were recorded in the "Retail" (-10.9%), "Transportation" (-10.3%), and "Industry" (-2.1%) sectors.

Graph 24 - Trends in the BRVM[9] sector indexes in the first quarter of 2024



Source : BRVM

133. The market capitalization of listed securities improved by 0.1% quarter on quarter, reaching 18,287.7 billion at the end of March 2024, following a 1.7% increase three months earlier. This trend reflected a rise in equity market capitalization (+0.3%), offset by a slight decline in bond market capitalization (-0.1%).

134. Overall market capitalization rose by 3.8% year over year.

[9] Weightings by sector: Agriculture (0.2%), Retail (0.9%), Finance (27.4%), Industry (0.04%), Utilities (71.5%), Transportation (0.003%)

7 - MEDIUM-TERM MACROECONOMIC OUTLOOK

The global economy is forecast to grow at a faster-than-expected pace in 2024, supported by easing inflationary pressures in several regions. This trend will be further reinforced by anticipated cuts in key interest rates by various central banks in 2024, most notably in the advanced economies.

According to the latest IMF projections published in April 2024, the global economy should grow by 3.2% in both 2024 and 2025, maintaining the same rate as in 2023. The forecast for 2024 has been revised upward by 0.1 percentage point compared to the IMF's January 2024 outlook.

Economic growth in developed countries is projected to reach 1.7% in 2024 and 1.8% in 2025, up from 1.6% in 2023. In emerging and developing countries, economic growth is expected to remain steady at 4.3% in both 2024 and 2025, consistent with 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. Monetary policy is expected to align with the objectives of preserving the external and internal stability of the common currency, with GDP projected to grow by 6.1% in 2024 and 6.9% in 2025. This acceleration should be driven largely by the resilience of extractive production.*

***Public finance** management in Union Member States should further reduce the deficit, from 4.0% of GDP in 2024 to 3.3% of GDP in 2025, following a 5.1% deficit in 2023. The public debt ratio is expected to reach 59.8% in 2024 and 60.0% in 2025, compared with 60.3% in 2023.*

*WAEMU's **external trade** is expected to show a surplus in 2024 and 2025, following two consecutive years of deficit, thanks to the start-up of gas and oil production units in Niger and Senegal, a reduction in the oil bill, lower imports of specialized services linked to major gas and oil projects, and the return of some WAEMU countries to the international capital markets. The aggregate balance of payments should show a surplus of 776.3 billion in 2024 and 2,003.7 billion in 2025, after a deficit of 3,530.4 billion in 2023. Foreign exchange reserves are expected to cover imports for 4.1 months in 2024 and 5.1 months in 2025, up from 3.5 months in 2023.*

*The **monetary situation** will be marked by adequate financing of the economies. The pace of growth in loans to the economy should be 9.7% in 2024 and 10.0% in 2025, up from 9.4% in 2023.*

*The average annual **inflation rate** in the Union should fall to 2.9% in 2024 and 2.4% in 2025, from 3.7% in 2023.*

7.1 - Assumptions underlying the forecasts

135. The key assumptions underlying the forecasts were based on the outlook for both the international environment and internal economic conditions. On the external front, these assumptions involve global economic growth projections, forecasts for the Union's main partner countries, trends in international commodity prices, and international financial conditions. At the sub-regional level, assumptions focus on budget deficit profiles in the Union's Member States and their financing methods, the direction of monetary policy, developments in security and socio-political situations, and agro-climatic conditions.

In terms of the international environment, the performance of the global economy is expected to be more robust than previously forecast in 2024, presenting a balanced risk outlook.

136. The latest projections published by the IMF in April 2024 forecast global economic growth of 3.2% for both 2024 and 2025, consistent with 2023. This forecast for 2024 has been adjusted upward by 0.1 percentage point compared with the January 2024 projections. This anticipated increase in global economic activity is mainly due to a positive outlook for advanced economies. Growth in emerging and developing economies is

expected to decelerate slightly, but will remain strong, bolstered by vigorous activity in China and India.

137. Global inflation is expected to continue its downward trend, decreasing from 6.8% in 2023 to 5.9% in 2024, and further to 4.5% in 2025. Inflation should align with the targets set by major central banks. In the eurozone, inflation is projected to drop from 5.4% in 2023 to 2.4% in 2024, and then to 2.1% in 2025. In the United States, it is anticipated to stand at 2.0% in 2025, down from 2.9% in 2024.

138. The risks surrounding the global economic outlook appear to be balanced. On the downside, risks include potential higher oil and food prices driven by geopolitical tensions from the Israeli-Palestinian and Russian-Ukrainian conflicts. Such tensions could prompt central banks to raise their interest rates, resulting in tighter international financial conditions. Other downside risks involve a potential slowdown of growth in China due to ongoing issues in its real estate sector, as well as global climate shocks that could constrain food supplies and spark new inflationary pressures. On the upside, faster-than-expected declines in global inflation could prompt central banks to lower rates more swiftly. In addition, advances in artificial intelligence could boost productivity gains. Finally, another upside risk lies in the possibility of more expansionary fiscal policies, supported by lower interest rates.

The financial and monetary conditions should ease in 2024.

139. As inflationary pressures ease, several central banks, especially in advanced economies, are considering cutting their key rates at upcoming Monetary Policy Committee meetings. The European Central Bank (ECB) has indicated that a rate cut could be imminent, given the slowdown in inflation within the eurozone. Similarly, the US Federal Reserve (Fed) is planning to reduce its key rates by three-quarters of a percentage point in 2024.

International prices for commodities exported by WAEMU countries should rise overall in 2024.

140. Prices for commodities exported by WAEMU countries are expected to rise overall in 2024, before decreasing slightly in 2025. This price increase in 2024 is attributed to disruptions in supply chains caused by geopolitical tensions around the world, and to less favorable weather conditions in some regions during the 2023/2024 crop season.

141. World prices for petroleum products are anticipated to pick up in 2024 before easing in 2025 and 2026f due to strong global supplies. Oil prices[10] are projected to rise from US$80.0 in 2023 to US$84.5 in 2024, then decline to US$78.3 in 2025.

International prices for imported foodstuffs are expected to continue the downward trend that began in 2023.

142. World prices for foodstuffs imported by WAEMU countries are set to fall between 2024 and 2025. According to forecasts by the IMF and the FAO, the price index[11] for imported food commodities is set to fall, year over year, by 4.1% in 2024 and 7.4% in 2025, following a contraction of 9.8% in 2023. This downward trend is due to increased supplies of certain products on the markets, and a slowdown in demand.

At the regional level, the current security and socio-political situation is unlikely to deteriorate further over the next few years.

143. The current security and socio-political situation is unlikely to deteriorate any further. Governments are committed to strengthening security in the region. It has therefore been

[10] Average of WTI, Brent, and DUBAI prices
[11] Quoted in CFA Francs

assumed that the security environment will stabilize over the projection period.

In terms of public finances, States are expected to pursue policies aimed at further fiscal consolidation, in line with the commitments they have made under their IMF programs.

144. With the exception of Mali, all WAEMU countries have an IMF-supported economic and financial program. Niger's program is due to resume normal operations in 2024. While Mali does not have a program with the IMF, it does have access to the Rapid Credit Facility.

145. In 2024, the budget deficit is should be covered by net internal financing (excluding IMF financing), which will account for 47.9% of total net financing. The percentage is expected to decrease to 37.6% in 2025. Gross IMF disbursements to governments are anticipated to reach 1,515.8 billion in 2024 and 1,567.6 billion in 2025.

146. In the first quarter of 2024, Côte d'Ivoire and Benin issued Eurobonds amounting to 1,576.7 billion and 442.1 billion, respectively. Over the remainder of 2024, Côte d'Ivoire and Senegal are expected to raise 349.6 billion and 328.0 billion, respectively, through syndicated loans on international markets. In 2025, Benin and Côte d'Ivoire are projected to issue Eurobonds for 209.2 billion and 315.0 billion, respectively.

147. ***New oil and gas production infrastructure in the region should be commissioned starting in 2024.***

148. In Senegal, the start of production is anticipated in the final quarter of 2024, and it is expected to boost the country's exports and tax revenue. In Niger, oil production and exports began in the second quarter of 2024.

Agro-climatic conditions should be relatively favorable.

149. According to the Permanent Interstate Committee for Drought Control in the Sahel (CILSS), the final results for the 2023/2024 crop season show a 2.0% increase in cereal production across the WAEMU zone, following a substantial rise of 17.0% in 2022/2023. By country, production rose by 19.3% in Benin, 16.7% in Côte d'Ivoire, 16.0% in Senegal, 8.4% in Togo, 2.1% in Guinea-Bissau, and 1.0% in Burkina Faso. Niger, Mali, and Burkina Faso experienced decreases of 15.1%, 1.2%, and 0.6%, respectively. The poor performance of the 2023/2024 crop year in these three Union countries could lead to increases in local cereal prices.

150. For the coming years, the central scenario forecasts a 5.0% increase in cereal production. Two other scenarios — a higher and a lower one — were also developed to provide a framework for medium-term inflation prospects. These scenarios are based on central projections, allowing for variations of plus or minus 5 points for cereal production, imported food prices, and the exchange rate. For crude oil prices, fluctuations of plus or minus US$10 are envisaged.

Table 30 - Inflation scenario assumptions

	2023	2024			2025		
	Central	Lower	Central	Higher	Lower	Central	Higher
Barrel of oil (WTI, in dollars)	77.5	72.3	82.3	92.3	65.6	75.6	85.6
Euro/dollar exchange rate	1.08	1.11	1.06	1.01	1.18	1.13	1.08
Eurozone inflation (%)	5.4	1.8	2.3	2.8	1.5	2.0	2.5
BCEAO index of imported food prices (%)	-9.8	-9.1	-4.1	0.9	-12.4	-7.4	-2.4
Cereal production in the Union (%)	2.0	10.0	5.0	0.0	10.0	5.0	0.0

Sources: Bloomberg, ECB, BCEAO, IMF.
(*) The cereal production level in 2023 impacts prices from Q4 2023 to Q3 2024 (the time lag also applies to subsequent years).

7.2 - Medium-term macroeconomic forecasts

151. For 2024, the Central Bank forecasts a 6.1% increase in the Union's real GDP, down 0.4 pp from the previous projections published in March 2024, due to weaker performances expected in Burkina Faso, Senegal, and Niger. In Burkina Faso, the downward revision of 0.9 pp in economic growth was ascribable to the negative impact of the persistent security crisis on economic activity. In Senegal, economic expansion is now expected to reach 7.3% in 2024, compared with a previous forecast of 8.8%, primarily due to the delayed start-up of oil and gas production. In Niger, GDP is projected to grow by 4.2% in 2024, instead of the previously forecast 6.3%, due to a wait-and-see attitude on the part of investors.

152. In 2024, economic activity in the Union will be driven by the tertiary and secondary sectors, contributing 3.3 percentage points and 1.8 percentage point, respectively. Growth in commercial activities and services should bolster the tertiary sector, while the secondary sector is expected to gain momentum from increased oil and gas production, especially due to the start-up of crude oil exports in Niger and the exploitation of the Sangomar offshore oil field in Senegal. The primary sector is expected to contribute 1.0 percentage point, driven by higher agricultural production in the 2024/2025 season, due to the continued implementation in most countries of programs to improve yields for the main cash crops and staple foods.

Table 31 - Projected real GDP growth rates (%)

	2022	2023*	2024**	2025**
Benin	6.3	6.4	6.0	6.4
Burkina Faso	1.8	3.0	4.9	5.8
Côte d'Ivoire	6.2	6.5	6.8	6.5
Guinea-Bissau	4.6	5.2	5.3	6.4
Mali	3.5	5.2	4.9	4.9
Niger	11.9	2.5	4.2	7.1
Senegal	3.8	4.6	7.3	10.2
Togo	5.8	6.4	5.7	6.0
Union	**5.5**	**5.3**	**6.1**	**6.9**

Sources: NSIs, BCEAO (*) National department estimates (**) BCEAO projections

153. An analysis of GDP uses shows that economic expansion in 2024 is expected to be driven by robust internal demand. Final consumption is projected to contribute 2.7 percentage points. The external sector is expected to consolidate, with its contribution to growth rising from -1.5 pp in 2023 to +1.0 pp in 2024. Investments should contribute 2.4 pps to economic growth, up from 1.6 pp in 2023.

Table 32 - Trends in contributions to GDP growth in the Union *(in %)*

	2022	2023*	2024**	2025**
Primary sector	1.6	0.6	1.0	1.1
Secondary sector	0.8	1.4	1.8	2.5
including : - Manufacturing industries	*0.7*	*0.8*	*0.7*	*0.8*
- Mining and quarrying	*-0.1*	*0.1*	*0.5*	*1.1*
- Public works and civil engineering	*0.1*	*0.4*	*0.4*	*0.5*
Tertiary sector	3.1	3.3	3.3	3.3
Real GDP	**5.5**	**5.3**	**6.1**	**6.9**
Final consumption	5.3	5.2	2.7	3.3
Investment	1.9	1.6	2.4	2.4
External sector	-1.7	-1.5	1.0	1.2

Sources: NSIs, BCEAO (*) National department estimates (**) BCEAO projections

154. In 2025, the Union's GDP is projected to rise by 6.9%, fueled by growth in the tertiary and secondary sectors, which are expected to contribute 3.3 pps and 2.5 pps, respectively. This growth is predicated on increased industrial and agricultural production, along with a surge in construction and public works due to ongoing projects aimed at building and reinforcing basic socio-economic infrastructure across most of the Member States in the monetary zone. The tertiary sector is expected to benefit from the spillover effects of the other two sectors' momentum on trade and services. The primary sector is anticipated to contribute 1.1 pp.

155. In terms of uses, GDP growth in 2025 is expected to be driven primarily by final consumption and investment, contributing 3.3 points and 2.4 points, respectively. This aligns with rising household demand and the continued completion of socio-economic infrastructure projects. The external sector is expected to contribute 1.2 pp, bolstered by strengthening exports, especially due to oil and gas sales by Niger, Senegal, and Côte d'Ivoire.

156. Considering recent developments in the internal and international environments, which are marked by persistent geopolitical tensions and a fragile security situation in WAEMU, the primary challenges facing Member States include maintaining macroeconomic stability, improving the socio-political and security climate, and accelerating the diversification of production bases.

Continued fiscal consolidation in 2024 and 2025

157. On the budgetary front, the outlook for 2024 is characterized by continued fiscal consolidation, driven by tax and customs administration modernization in across Member States and streamlining of public spending. As a result, the budget deficit is projected to decrease to 4.0% of GDP in 2024 and 3.3% in 2025, down from 5.1% in 2023.

Table 33 - Budget projections for 2024-2025 *(in billions, unless otherwise stated)*

	2022	2023*	2024**	2025**
Total revenue and grants	19,283.3	21,284.4	24,681.3	27,720.9
(in % of GDP)	*17.3*	*17.7*	*18.8*	*19.2*
Tax revenues	15,214.2	17,070.9	19,936.4	22,468.2
(in % of GDP)	*13.7*	*14.2*	*15.2*	*15.6*
Other revenues (including non-tax)	2,708.5	2,931.9	3,166.1	3,550.8
(in % of GDP)	*2.4*	*2.4*	*2.4*	*2.5*
Grants	1,360.6	1,281.5	1,578.8	1,701.8
(in % of GDP)	*1.2*	*1.1*	*1.2*	*1.2*
Total expenditure and net loans	26,916.4	27,450.2	30,004.8	32,479.2
(in % of GDP)	*24.2*	*22.8*	*22.8*	*22.5*
including current expenditure	16,769.1	17,340.0	18,268.7	19,705.9
(in % of GDP)	*15.1*	*14.4*	*13.9*	*13.7*
capital expenditure	8,647.1	8,589.8	10,411.1	11,082.3
(in % of GDP)	*7.8*	*7.1*	*7.9*	*7.7*
Balance (accruals basis, including grants)	-7,633.1	-6,165.9	-5,323.5	-4,758.3
(in % of GDP)	*-6.9*	*-5.1*	*-4.0*	*-3.3*

Sources: BCEAO, National departments *(*) Estimates* *(**) Projections*

158. The main projected changes in public debt are shown in the table below.

Table 34 - Trends in aggregate outstanding debt across WAEMU *(in billions of CFA F)*

	2022	2023*	2024*	2025**
Outstanding debt	**64,217.7**	**72,642.4**	**78,573.1**	**86,515.0**
In % of GDP	*57.8*	*60.3*	*59.8*	*60.0*
Debt servicing (as % of tax revenue)	57.6	57.6	54.6	54.2

Sources: National departments, BCEAO. (*) Estimates *(**) Projections*

WAEMU's external trade should show an overall surplus in 2024, following significant deficits recorded in 2022 and 2023. The Union's improved external account profile should consolidate in 2025, mainly on the back of improved terms of trade, increased oil and gas exports, and the return of certain Union countries to the international capital markets.

159. In 2024, the current account deficit as a percentage of GDP is expected to decrease to 4.2%, down by 3.3 percentage points from 2023. This improvement is primarily due to a favorable shift in the balance of goods and services, and more particularly in the balance of goods, which is projected to show a surplus of 300.2 billion. This surplus will result from a larger increase in exports (+18.4%) compared to imports (+4.1%). The boost in exports will reflect the start of gas and oil production, while the expected slowdown in imports is linked to a reduction in the oil bill and decreased imports of specialized services, following the completion of major oil and gas projects.

Table 35 - Balance of payments projections for 2024-2025 *(in billions of CFA francs, unless otherwise stated)*

	2022	2023	2024		2025	
			Est. (March 2024)	**Est. (June 2024)**	**Est. (March 2024)**	**Est. (June 2024)**
Trade balance	**-5,140.5**	**-3,083.1**	**691.7**	**300.2**	**421.6**	**1,637.0**
Exports (FOB)	24,584.6	24,580.4	**29,238.7**	**29,107.5**	**29,240.9**	**30,241.6**
Imports (FOB)	29,725.1	27,663.5	**28,547.0**	**28,807.3**	**28,819.2**	**28,604.6**
Balance of services	**-6,565.2**	**-6,054.6**	**-5,562.9**	**-5,858.3**	**-5,573.6**	**-5,768.8**
Including freight	-5,060.7	-4,729.2	-4,637.1	-4,957.1	-4,689.4	-4,955.4
Balance of the primary income account	**-3,303.9**	**-3,539.7**	**-3,712.6**	**-3,760.8**	**-3,643.3**	**-3,997.0**
Balance of the secondary income account	**3,963.6**	**3,569.7**	**3,580.3**	**3,805.2**	**3,700.7**	**3,667.2**
Balance of the current transactions account	**-11,046.1**	**-9,107.7**	**-5,003.5**	**-5,513.6**	**-5,094.6**	**-4,461.6**
Balance of the current transactions account (% GDP)	-9.9	-7.5	-3.8	-4.2	-3.5	-3.1
Balance of the current transactions account excluding grants (% GDP)	-10.3	-7.8	-4.1	-4.5	-3.8	-3.4
Balance of the capital account	**1,373.2**	**1,345.7**	**1,606.5**	**1,601.7**	**1,645.2**	**1,756.1**
Balance of the financial account	**-6,864.9**	**-3,984.4**	**-4,861.1**	**-4,688.1**	**-5,324.3**	**-4,709.2**
Aggregate balance	**-3,343.1**	**-3,530.4**	**1,464.1**	**776.3**	**1,874.9**	**2,003.7**
Revaluations	**54.5**	**221.6**	**0.0**	**0.0**	**0.0**	**0.0**
Change in NEAs	**3,288.7**	**3,308.8**	**-1,464.1**	**-776.3**	**-1,874.9**	**-2,003.7**
Foreign exchange reserves in months of imports	**4.3**	**3.5**	**4.4**	**4.1**	**5.1**	**5.1**

Sources: NSIs, BCEAO

160. The surplus on the capital account is projected to reach 1,601.7 billion in 2024, up from 1,345.7 billion the previous year. Net capital inflows on the financial account are expected to increase by 17.7%, largely due to certain Union countries returning to the international capital markets. Benin and Côte d’Ivoire have issued Eurobonds totaling 1,502.4 billion. In addition, Côte d’Ivoire and Senegal are expected to raise 349.6 billion and 328.0 billion, respectively, through syndicated loans on international markets over the course of the year. The downturn in foreign direct investment, due in particular to the completion of the Benin-Niger oil pipeline and Senegal’s oil and gas platforms, could mitigate the positive impact of capital raised on international markets. Under these conditions, the aggregate balance of payments is expected to show a surplus of 776.3 billion, compared with a 3,530.4 billion deficit in 2023.

161. In 2025, WAEMU Member States are projected to have an aggregate external trade balance surplus of 2,003.7 billion. The start-up of full production at gas and oil facilities should shore up the Union’s external accounts. The current account deficit is projected to stand at 3.1% of GDP while the capital account surplus is anticipated to reach 1,756.1 billion. Financial flows are expected to cover 174.1% of financing requirements, estimated at 2,705.5 billion in 2025. Foreign exchange reserves are projected to cover imports for 5.1 months in 2025, compared to 4.1 months in 2024.

The monetary situation should be characterized by adequate financing for the economies.

162. Growth in loans to the economy is expected to reach 9.7% in 2024, compared with 9.4% in 2023 and 14.4% in 2022.

Table 36 - Projected monetary aggregates for 2024-2025 *(in billions, unless otherwise stated)*

Headings	**2022**	**2023**	**2024**		**2025**	
			Estimates (March.2024)	Estimates (June.2024)	Estimates (March.2024)	Estimates (June.2024)
Money supply growth rate	11.3%	3.5%	16.1%	8.0%	13.8%	9.9%
Rate of growth in claims on the economy	14.4%	9.4%	10.2%	9.7%	10.3%	10.0%
Change in net claims on central governments	4,729.1	3,370.0	2,416.3	3,217.5	1,834.1	2,559.4
Change in NEAs	-3,288.7	-3,308.8	1,464.1	776.3	1,874.9	2,003.7
Claims on the economy/GDP	**28.2%**	**28.2%**	**28.5%**	**28.7%**	**28.8%**	**29.0%**
Broad money (M2)	**46,162.1**	**47,891.9**	**55,602.5**	**51,596.6**	**63,275.6**	**56,697.5**
Currency outside banks	10,338.2	10,787.2	10,824.2	10,992.7	10,950.3	11,282.9
Deposits	35,823.9	37,104.7	44,778.3	40,603.9	52,325.3	45,414.7

Source: BCEAO

163. In 2024, the money supply is expected to rise by 8.0%, following a 3.5% increase in 2023, driven by internal claims and the expected consolidation of NEAs. Net claims by deposit-taking institutions on central governments should increase by 3,217.5 billion, compared with 3,370.0 billion in 2023 and 4,729.1 billion in 2022. Deposit-taking institutions' NEAs are expected to increase by 776.3 billion, reflecting the improved profile of external accounts.

164. In 2025, the forecast 9.9% increase in the money supply should be driven by growth in internal claims and the expected 2,003.7 billion consolidation in net external assets (NEAs) of deposit-taking institutions. Funding for private and public sector activities is expected to be strong, with claims on the economy rising to 10.0% and net claims on CGs increasing by 2,559.4 billion.

7.3 - Inflation forecasts and risks

165. The forecasts presented in Table 37 take into account three assumptions: low, central and high.

166. For the second quarter of 2024, an acceleration in the overall price level is anticipated, with the inflation rate expected to rise to 3.7%, up from 2.8% in the first quarter of 2024. This trend would be consistent with ongoing pressures on cereal prices, especially in Sahelian countries, which recorded a drop in cereal production during the 2023/2024 crop year.

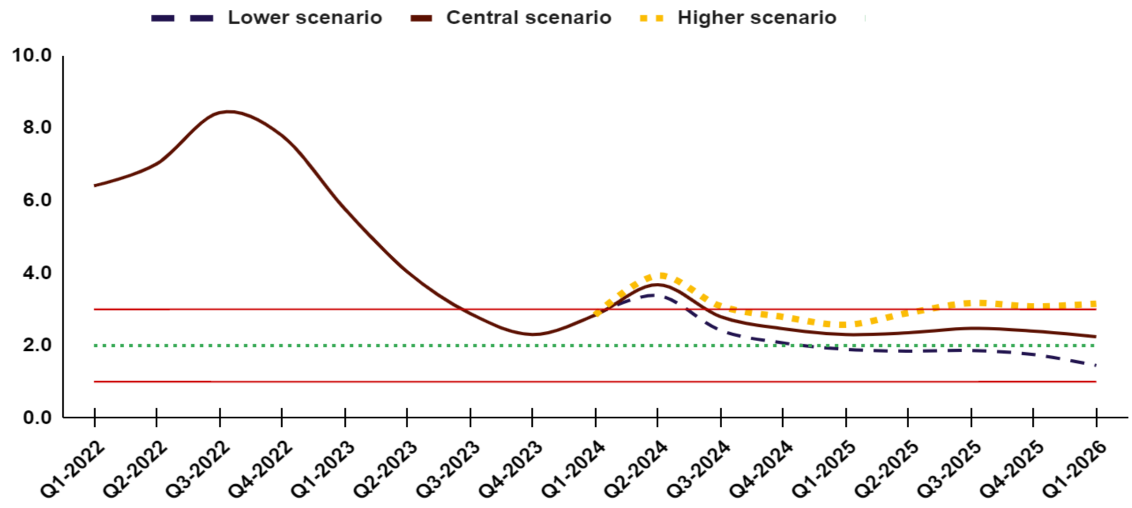
Table 37 - WAEMU inflation outlook (in %)

		2024				2025				2026	Averages			
		Q1 Real	Q2 Fcst	Q3 Fcst	Q4 Fcst	Q1 Fcst	Q2 Fcst	Q3 Fcst	Q4 Fcst	Q1 Fcst	2023	2024	2025	Eight quarters
Inflation rate	Lower scenario	2.8	3.4	2.4	2.1	1.9	1.8	1.9	1.8	1.5	3.7	2.7	1.8	2.1
	Central scenario	2.8	3.7	2.8	2.5	2.3	2.4	2.5	2.4	2.2	3.7	2.9	2.4	2.6
	Higher scenario	2.8	3.9	3.1	2.8	2.6	2.9	3.2	3.1	3.2	3.7	3.2	2.9	3.1

Sources: NSIs, BCEAO

167. Inflation is expected to remain within the comfort zone (between 1.0% and 3.0%) defined for the implementation of the Union's monetary policy over the forecast period, reaching 2.2% in the first quarter of 2026. This trend is expected to be driven mainly by a lack of tensions on world food and oil prices projected for this period.

Graph 25 - Inflation forecasts over the Q2-2024 - Q1-2026 period (year on year in %)



Source: BCEAO

168. The inflation forecasts are surrounded by overall higher risks associated with the spread of insecurity in the Union, the persistence of political crises in certain member countries, and the occurrence of climatic shocks. 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. The intensification of geopolitical crises, especially in the Middle East and the Russian-Ukrainian conflict, could also trigger price hikes within the Union.

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APPENDICES

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

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

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

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

5. **Table A.5 - Breakdown of inflation in WAEMU**

Table A.1 - WAMU: Central Bank summary statement

Outstanding amounts in billions - CFA F	**Dec.-22**	**March-23**	**June-23**	**Sept.-23**	**Dec.-23**	**March-24**
Net external assets	**5,814.3**	**4,762.2**	**4,611.4**	**2,722.2**	**3,080.4**	**3,052.8**
Claims on non-residents	11,411.6	10,747.6	10,806.5	9,027.0	9,496.6	9,485.5
Commitments to non-residents	5,597.4	5,985.4	6,195.1	6,304.9	6,416.1	6,432.7
Claims on other deposit-taking institutions	**9,363.2**	**8,337.3**	**8,787.4**	**8,417.3**	**8,611.7**	**8,497.7**
Net claims on central governments	**3,159.4**	**3,937.6**	**3,820.4**	**4,593.2**	**6,500.6**	**6,556.8**
Claims on the economy	**607.5**	**645.8**	**648.2**	**649.9**	**707.5**	**722.8**
TOTAL ASSETS	**18,944.4**	**17,682.9**	**17,867.4**	**16,382.6**	**18,900.3**	**18,830.0**
Monetary base	**15,933.6**	**14,587.5**	**14,586.3**	**13,938.7**	**15,119.5**	**14,877.8**
Currency outside banks	11,428.0	11,295.9	11,658.4	11,179.8	11,669.4	11,820.4
Commitments to other deposit-taking institutions	3,867.9	2,723.9	2,281.1	2,071.2	2,679.1	2,388.5
Commitments to other sectors	637.7	567.8	646.8	687.7	771.0	668.9
Deposits and securities other than shares not included in the money supply	**1.6**	**9.5**	**15.9**	**29.6**	**33.3**	**37.9**
Shares and other equity securities	**3,080.7**	**3,188.8**	**3,296.0**	**3,360.0**	**3,403.5**	**3,784.8**
Other items (net)	**-71.5**	**-102.9**	**-30.8**	**-945.7**	**343.9**	**129.6**
TOTAL LIABILITIES	**18,944.4**	**17,682.9**	**17,867.4**	**16,382.6**	**18,900.3**	**18,830.0**

Source: BCEAO

Table A.2 - WAMU: Summary statement of banks

Outstanding amounts in billions - CFA F	Dec.-22	March-23	June-23	Sept.-23	Dec.-23	March-24
Net external assets	**-1,356.3**	**-1,884.2**	**-1,669.2**	**-1,516.9**	**-1,931.3**	**-1,522.6**
Claims on non-residents	1,106.0	1,165.8	1,063.6	1,178.0	1,183.1	1,281.3
Commitments to non-residents	-2,462.3	-3,050.0	-2,732.9	-2,695.0	-3,114.3	-2,803.9
Claims on the Central Bank	**5,013.6**	**3,691.4**	**3,479.9**	**3,140.5**	**3,825.4**	**3,747.8**
Net claims on central governments	**17,251.0**	**16,990.5**	**17,937.0**	**17,331.6**	**17,279.8**	**17,109.2**
Claims on the economy	**30,772.6**	**31,900.7**	**32,406.6**	**33,093.4**	**33,612.0**	**33,489.8**
Claims on other financial companies	871.3	900.5	885.7	1,507.0	907.1	965.1
Claims on central and local governments	453.8	740.7	578.9	460.6	425.8	230.7
Claims on public non-financial companies	1,978.2	2,007.4	2,032.1	2,024.2	1,989.2	2,007.4
Claims on the private sector	27,469.3	28,252.2	28,909.9	29,101.6	30,289.9	30,286.6
TOTAL ASSETS	**51,680.9**	**50,698.4**	**52,154.3**	**52,048.6**	**52,786.0**	**52,824.2**
Commitments to the Central Bank	**9,344.2**	**8,225.0**	**8,748.5**	**8,415.1**	**8,582.7**	**8,497.5**
Transferable deposits included in the broad money supply	**21,529.3**	**21,050.0**	**21,563.9**	**21,248.3**	**21,987.4**	**21,278.7**
Other deposits included in the broad money supply	**13,287.1**	**13,376.9**	**13,757.9**	**13,929.4**	**13,976.5**	**14,219.2**
Deposits not included in the broad money supply	**2,070.1**	**1,884.5**	**1,951.0**	**1,982.2**	**2,093.5**	**2,177.3**
Securities other than shares not included in the broad money supply	**13.9**	**10.8**	**10.3**	**6.8**	**6.9**	**3.4**
Borrowings	**1,363.7**	**1,085.8**	**1,217.2**	**1,135.9**	**1,146.3**	**1,252.8**
Shares and other equity securities	**3,816.8**	**5,490.9**	**5,476.7**	**4,300.7**	**6,261.9**	**6,381.2**
Other items (net)	**255.9**	**-425.5**	**-571.3**	**1,030.2**	**-1,269.2**	**-985.8**
TOTAL LIABILITIES	**51,680.9**	**50,698.4**	**52,154.3**	**52,048.6**	**52,786.0**	**52,824.2**

Source: BCEAO

Table A.3 - WAMU: Monetary aggregates

In billions of CFA F	Dec.-22	March-23	June-23	Sept.-23	Dec.-23	March-24
Currency outside banks	**10,338.2**	**10,294.7**	**10,624.3**	**10,108.9**	**10,675.1**	**10,804.2**
Transferable deposits	**22,370.1**	**21,868.1**	**22,424.1**	**22,187.2**	**22,914.9**	**22,146.1**
M1	**32,708.3**	**32,162.8**	**33,048.4**	**32,296.1**	**33,590.1**	**32,950.3**
Other deposits included in the money supply (1)	**13,453.8**	**13,496.3**	**13,914.3**	**14,048.0**	**14,189.7**	**14,390.5**
Money supply (M2)	**46,162.1**	**45,659.1**	**46,962.6**	**46,344.1**	**47,779.8**	**47,340.8**
Net external assets	**4,458.0**	**2,878.0**	**2,942.2**	**1,205.2**	**1,149.2**	**1,530.2**
BCEAO	5,814.3	4,762.2	4,611.4	2,722.2	3,080.4	3,052.8
Banks	-1,356.3	-1,884.2	-1,669.2	-1,516.9	-1,931.3	-1,522.6
Internal claims	**51,760.0**	**53,444.3**	**54,781.8**	**55,637.8**	**58,069.6**	**57,848.1**
Net claims on central governments	20,380.0	20,897.7	21,727.1	21,894.4	23,750.0	23,635.6
Claims on the economy	31,380.0	32,546.6	33,054.7	33,743.4	34,319.6	34,212.5
Non-monetary liabilities (2)	**10,346.6**	**11,670.3**	**11,967.2**	**10,815.1**	**12,945.4**	**13,637.3**
Other net items (3)	**-290.7**	**-1,007.2**	**-1,205.9**	**-316.2**	**-1,506.4**	**-1,599.8**
Total counterparties of M2 (4)	**46,162.1**	**45,659.1**	**46,962.6**	**46,344.1**	**47,779.8**	**47,340.8**

(1) Term deposits and special savings accounts with banks, interest-bearing deposits with the Central Bank.

(2) Comprising shares and other equity in deposit-taking institutions and their non-monetary liabilities 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 net items.

Source: BCEAO

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

In billions of CFA F	Dec.-22	March-23	June-23	Sept.-23	Dec.-23	March-24
BCEAO net receivables	**3,129.0**	**3,907.2**	**3,790.0**	**4,562.8**	**6,470.2**	**6,526.4**
Receivables	**5,100.1**	**5,272.1**	**5,670.7**	**6,683.8**	**8,057.4**	**7,956.4**
Credits	5,083.9	5,259.6	5,657.0	5,619.1	6,020.8	5,978.6
Competitions 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	3,311.1	3,486.8	3,884.2	3,846.3	4,248.0	4,205.8
Other loans (financial receivables) (1)	242.3	242.3	242.3	242.3	242.3	242.3
Other loans (2)	16.2	12.5	13.8	14.9	16.6	12.3
Commitments	**1,971.1**	**1,365.0**	**1,880.7**	**2,121.0**	**1,587.2**	**1,430.0**
Treasury	30.4	30.4	30.4	30.4	30.4	30.4
Deposits	1,834.0	1,310.1	1,799.6	2,014.1	1,451.4	1,375.8
Other commitments (3)	106.7	24.5	50.7	76.5	105.4	23.7
Net claims on banks	**17,251.0**	**16,990.5**	**17,937.0**	**17,331.6**	**17,279.8**	**17,109.2**
Receivables	**22,000.1**	**21,782.3**	**22,793.5**	**22,374.4**	**22,137.5**	**22,583.6**
Loans	4,362.4	4,264.7	4,080.9	3,931.5	4,318.4	4,269.2
Treasury securities portfolio	17,637.7	17,517.6	18,712.7	18,442.9	17,819.1	18,314.4
Commitments	**4,749.1**	**4,791.8**	**4,856.5**	**5,042.7**	**4,857.7**	**5,474.4**
TOTAL NET CLAIMS ON CGs	**20,380.0**	**20,897.7**	**21,727.1**	**21,894.4**	**23,750.0**	**23,635.6**

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

(2) Expenditure on behalf of governments to be recovered, taxes to be recovered, and miscellaneous claims on governments.

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

Source: BCEAO

Table A.5 - Breakdown of inflation in WAEMU

Table A.5.1 - Trends in inflation by geographic origin

	Components	Weighting (in %)	Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024
Change (in %)	Local	70.0	5.7	3.5	2.5	1.7	2.6
	Imported	30.0	5.9	5.2	3.8	3.7	3.5
Contributions (in pps)	Local	70.0	4	2.4	1.8	1.2	1.8
	Imported	30.0	1.8	1.6	1.1	1.1	1
	Total	**100.0**	**5.8**	**4.0**	**2.9**	**2.3**	**2.8**

Sources: BCEAO, NSIs

Table A.5.2 - Inflation trends by product type

	Components	Weighting (in %)	Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024
Change (in %)	Goods	70.7	6.3	3.8	2.5	2	3
	Services	29.3	4.5	4.5	3.6	3	2.2
Contributions (in pps)	Goods	70.7	4.5	2.7	1.8	1.4	2.1
	Services	29.3	1.3	1.3	1.1	0.9	0.7
	Total	**100.0**	**5.8**	**4.0**	**2.9**	**2.3**	**2.8**

Sources: BCEAO, NSIs

Table A.5.3 - Gaps between forecast and actual inflation rates in WAEMU

	Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024
Forecast date	January 2023	April 2023	July 2023	October 2023	January 2024
Actual rates in % (A)	5.8	4.0	2.9	2.3	2.8
Forecast rates in % (B)	6.8	4.4	3.8	2.3	2.8
Difference in pps (A-B)	-1.0	-0.4	-0.9	0.0	0.0

Source: BCEAO

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