



## IMF Executive Board Concludes Regional Consultation with West African Economic and Monetary Union

FOR IMMEDIATE RELEASE

- *After almost a decade of strong growth, the WAEMU region is facing a triple crisis impacting health, the economy, and security.*
- *For 2021, growth is projected at 5.4 percent, mostly driven by a rebound in private consumption and private investment, reflecting the relaxation of lockdown constraints and the return of foreign direct investment, but the economic outlook remains uncertain.*
- *A gradual fiscal consolidation is expected to start this year and bring back the regional fiscal deficit toward the 3 percent of GDP regional ceiling by 2023.*

**Washington, DC – March 2, 2021:** The Executive Board of the International Monetary Fund (IMF) concluded the regional consultation<sup>1</sup> with the West African Economic and Monetary Union on February 8, 2021.

After almost a decade of strong growth, the West African Economic and Monetary Union (WAEMU) region is facing severe challenges from a triple crisis impacting health, the economy and security. In part, because of drastic measures taken early on, the Covid-19 virus seems to have spread at a slower pace and with a lower fatality rate in WAEMU countries than on average in Sub-Saharan Africa. Economic activity decelerated sharply in March-June 2020, particularly in the commerce, construction, transportation and hospitality sectors. But a rebound was observed in the third quarter. Both fiscal and monetary policies were relaxed significantly in 2020 to contain the pandemic and support the economy.

For 2021, growth is projected at 5.4 percent, mostly driven by a rebound in private consumption and private investment, reflecting the relaxation of lockdown constraints and the return of foreign direct investment. A gradual fiscal consolidation is expected to start this year and bring the aggregate fiscal deficit to 3 percent of GDP by 2023. There are however significant downside risks to the outlook, and new virus outbreaks or security shocks could derail the recovery and create additional fiscal pressures.

### Executive Board Assessment<sup>2</sup>

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, Acting Chair and Deputy Managing Director, made the following statement:

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<sup>1</sup> Staff reports on the annual consultations with regional institutions of currency unions and the ensuing Board discussion are both considered an integral part of the Article IV consultations with individual member countries. Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

<sup>2</sup> At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

Executive Directors agreed with the thrust of the staff appraisal. They noted the triple crises facing the region (health, economic, and security) and commended the authorities for measures taken early on to contain the spread of the COVID-19 virus, as well as for the monetary and fiscal measures to support the region's economies. Looking ahead, in view of the high uncertainty and constrained fiscal space, being prepared to respond to a deterioration in the economic outlook and further propagation of the virus will be important.

Directors concurred that a gradual return of the region to the aggregate fiscal deficit ceiling of 3 percent of GDP by 2023 would support internal and external stability. Converging toward the fiscal deficit anchor is essential to maintain an adequate level of external reserves, limit the risk of pressures on the regional financial market, and ensure debt sustainability. A number of Directors saw merit in granting some flexibility to countries facing security risks. Directors cautioned that consolidation should not harm inclusive growth by protecting priority social and infrastructure spending and shifting to targeted policies. Enhancing revenue mobilization, public financial management, and fiscal transparency will also be crucial. Against this background, Directors noted that the upcoming reform of the regional fiscal governance framework would provide an opportunity to anchor the consolidation path.

Directors welcomed the measures taken by the BCEAO in response to the pandemic, which have prevented a tightening of financial conditions. Monetary policy could be relaxed further if the economic outlook deteriorates, provided that an adequate buffer of foreign exchange reserves is maintained.

Directors agreed that the loan forbearance framework set up in March 2020 has provided relief to solvent firms and households impacted by the crisis, but stressed that banks should not relax the monitoring of customers in difficulty. Capital shortfalls in the banking system that could emerge from the crisis would call for targeted and proactive actions from the supervisor. Making the bank resolution framework fully operational in 2021, as planned by the authorities, would be essential to ensure that nonviable banks can be promptly intervened and resolved. Directors urged close monitoring of the microfinance sector and strengthening AML/CFT supervision.

Directors supported the authorities' intention to push ahead with structural reforms and regional infrastructure investment to enhance competitiveness. They also highlighted the need to continue to support the development of regional financial markets.

Table 1. WAEMU: Selected Economic and Social Indicators, 2017-2025

Social Indicators											
GDP			Poverty (2015 or latest available)								
Nominal GDP (2019, millions of US Dollars)		151,154	Headcount ratio at \$1.90 a day (2011 PPP)			46.3					
GDP per capita (2019, US Dollars)		1,190	Undernourishment (percent of population)			15.9					
Populations characteristics			Inequality (2015 or latest available)								
Total (2019, millions)		127	Income share held by highest 10 percent of population			32.1					
Urban Population (2018, percent of total)		40.3	Income share held by lowest 20 percent of population			6.1					
Life expectancy at birth (2017, years)		60.9	Gini index			40.8					
Economic Indicators											
	2017	2018	2019		2020		2021	2022	2023	2024	2025
			SM/19/44 <sup>1</sup>	Est.	SM/19/44 <sup>1</sup>	Proj.			Projected		
(Annual percentage change)											
National income and prices											
GDP at constant prices	6.4	6.5	6.6	5.9	6.5	0.3	5.4	6.6	7.4	6.5	6.1
GDP per capita at constant prices	3.5	3.5	3.7	3.0	3.7	-2.5	2.5	3.7	4.4	3.6	3.2
Consumer prices (average)	0.8	0.9	1.6	-0.1	1.9	1.7	1.6	1.9	1.9	1.9	1.9
Terms of trade	-7.6	-2.2	2.5	1.7	-0.6	18.4	2.3	-5.6	-5.3	-1.8	-1.2
Nominal effective exchange rate	2.0	4.1	...	-0.5	...	...	...	...	...	...	...
Real effective exchange rate	-0.1	2.0	...	-3.9	...	...	...	...	...	...	...
(Percent of GDP)											
National accounts											
Gross national savings	18.0	18.6	14.9	19.1	15.2	18.6	19.4	19.8	21.3	21.3	21.4
Gross domestic investment	23.0	24.3	20.1	23.7	20.9	24.0	25.1	24.9	25.3	25.1	25.4
Of which: public investment	6.6	6.4	7.3	6.3	7.4	7.1	7.1	6.8	6.6	6.6	6.6
(Annual changes in percent of beginning-of-period broad money)											
Money and credit <sup>2</sup>											
Net foreign assets	1.7	4.5	2.6	6.6	1.3	0.3	-0.5	0.3	2.0	2.1	0.9
Net domestic assets	6.8	8.0	7.6	3.8	9.7	10.1	7.4	8.1	7.2	6.4	7.1
Broad money	8.5	12.5	10.2	10.3	11.0	10.4	6.9	8.4	9.2	8.5	8.0
Credit to the economy	7.6	5.9	8.3	4.2	7.1	5.6	3.3	3.3	3.5	3.0	3.4
(Percent of GDP, unless otherwise indicated)											
Government financial operations											
Government total revenue, excl. grants	15.0	14.6	15.4	15.6	15.8	14.7	15.5	15.8	16.3	16.5	16.8
Government expenditure	20.3	19.6	19.8	19.7	19.9	23.1	22.3	21.4	21.0	20.9	21.1
Overall fiscal balance, excl. grants	-5.3	-5.0	-4.4	-4.1	-4.2	-8.4	-6.9	-5.6	-4.8	-4.4	-4.3
Overall fiscal balance, incl. grants (commitment basis)	-3.6	-3.3	-2.5	-2.3	-2.4	-5.9	-4.9	-3.8	-3.1	-2.9	-2.8
External sector											
Exports of goods and services <sup>3</sup>	19.3	19.0	18.8	19.1	18.5	17.0	18.1	18.7	20.2	20.3	20.2
Imports of goods and services <sup>3</sup>	25.1	25.5	26.4	24.6	26.5	23.4	24.3	24.4	24.7	24.9	25.1
Current account, excl. grants	-5.8	-6.5	-8.3	-6.0	-8.7	-6.9	-6.8	-6.3	-5.0	-4.7	-4.7
Current account, incl. grants	-4.7	-5.4	-6.3	-4.8	-6.8	-5.4	-5.7	-5.2	-4.0	-3.9	-4.0
External public debt	23.1	27.7	28.2	30.2	27.0	32.9	33.3	32.7	31.5	30.5	29.4
Total public debt	40.4	43.0	42.6	44.8	41.7	48.5	49.6	49.5	48.4	47.6	46.8
<b>Broad money</b>	23.9	33.0	27.7	34.3	28.1	37.1	37.1	...	...	...	...
Memorandum items:											
Nominal GDP (billions of CFA francs)	77,736	83,391	90,359.6	88,561	98,154.8	90,231	96,476	104,539	114,189	123,865	133,761
Nominal GDP per capita (US dollars)	1,118	1,218	1,279.4	1,190	1,365.5	1,198	1,322	1,403	1,494	1,576	1,652
CFA franc per US dollars, average	581	555	...	585.9	...	...	...	...	...	...	...
Foreign exchange cover ratio <sup>4</sup>	73.5	85.3	...	88.4	...	...	...	...	...	...	...
Gross international reserves											
In months of imports of goods and services <sup>3</sup>	4.1	4.7	4.4	5.9	4.3	5.5	5.0	4.6	4.5	4.3	3.9
In millions of US dollars	12,963	14,858	16,514.2	17,547	17,360.5	19,275	19,497	19,801	21,135	22,276	22,555
In percent of broad money	29.4	31.1	32.2	34.1	30.2	31.9	...	...	...	...	...

Sources: IMF, African Development database; World Economic Outlook; World Bank World Development Indicators; IMF staff estimates and projections.

<sup>1</sup>The GDP series of the 2019 regional consultation (SM/19/44) was adjusted to account for the National Accounts rebasing of Côte d'Ivoire, Niger and Togo, and facilitate the comparison of GDP ratios with current projections; the other components of GDP could not be recomputed in the new bases.<sup>2</sup>Year on year change, end December.<sup>3</sup>Excluding intraregional trade.<sup>4</sup>Gross official reserves divided by short-term domestic liabilities (IMF definition).