EXECUTIVE BOARD MEETING

SM/23/23
Supplement 1

January 30, 2023

To: Members of the Executive Board

From: The Secretary

Subject: **West African Economic and Monetary Union—Staff Report on Common Policies of Member Countries—Draft Press Release**

Board Action:	Executive Directors' **consideration** (Formal)
Tentative Board Date:	**Wednesday, February 1, 2023**
Publication:	Yes*
Questions:	Mr. Ricci, AFR (ext. 36007) Mr. Sever, AFR (ext. 37342) Mr. Feler, AFR (ext. 35627)

***Unless an objection from the member authorities of the WAEMU countries is received prior to the conclusion of the Board's consideration, the press release will be published.**

PRESS RELEASE

PR23/XX

IMF Executive Board Concludes the 2022 Discussions on Common Policies of Member Countries of the West African Economic and Monetary Union

FOR IMMEDIATE RELEASE

- *The WAEMU's post-Covid-19 recovery has withstood the new global and regional shocks, partly due to supportive macroeconomic policies and favorable initial macroeconomic conditions. Growth prospects remain favorable and the financial system appears resilient.*
- *However, the WAEMU faces important risks and challenges associated with rising inflation, more limited access to international capital markets, eroding external reserve buffers, and regional security issues, in the presence of elevated global risks.*
- *It is urgent to design a credible fiscal strategy anchoring debt sustainability, based on clear and adequate deficit and debt regional ceilings. Further monetary tightening seems warranted unless large risks that second-round effects may derail inflation dissipate.*

Washington, DC – February [1], 2023: On February 1, 2023, the Executive Board of the International Monetary Fund (IMF) concluded the 2022 discussions on common policies of member-countries of the West African Economic and Monetary Union (WAEMU).[1]

The WAEMU's post-Covid-19 recovery has been moderately affected by the new global and regional shocks, partly due to a further delay in fiscal adjustment. In 2022, growth is estimated to have reached 5½ percent, inflation averaged 7.5 percent mainly due to higher local and global food prices, and external reserves declined by about 20 percent to reach the equivalent of 4.5 months of imports. Against this background, monetary policy changed course through three consecutive rate hikes of 25 basis points in 2022.

Growth is expected to rebound to about 6 percent over the medium term, including due to the coming on stream of new hydrocarbon production, and inflation is projected to return to the Central Bank of West African States' (BCEAO) target band by the end of 2024. A gradual fiscal consolidation should start in 2023 and bring the aggregate fiscal deficit to 3 percent of GDP by 2025 at the latest. There are however significant downside risks to the outlook,

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. Staff hold separate annual discussions with the regional institutions responsible for common policies for the countries in four currency unions – the Euro-Area, the Eastern Caribbean Currency Union, the Central African Economic and Monetary Union, and the West African Economic and Monetary Union. For each of the currency unions, staff teams visit the regional institutions responsible for common policies in the currency union, collect economic and financial information, and discuss with officials the currency union's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis of discussion by the IMF Executive Board. Both staff's discussions with the regional institutions and the Board discussion of the annual staff report subsequently are considered an integral part of the Article IV consultation with each member.

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particularly given the volatile global economic and financial outlook, as well as regional security risks and political uncertainty.

Executive Board Assessment[2]

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[2] 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.

Table 1. WAEMU: Selected Economic and Social Indicators, 2019–27

Social Indicators

GDP			**Poverty (2019 or latest available)**	
Nominal GDP (2021, millions of US Dollars)	159,387	178,720	Headcount ratio at $1.90 a day (2011 PPP)	22.0
GDP per capita (2021, US Dollars)	1,214	1,322	Undernourishment (percent of population)	12.3
Population Characteristics			**Inequality (2018 or latest available)**	
Total (2020, millions)	127.1	130.9	Income share held by highest 10 percent of population	31.1
Urban Population (2020, percent of total)		40.4	Income share held by lowest 20 percent of population	6.9
Life expectancy at birth (2020, years)	61.4	61.7	Gini index	39.1

Economic Indicators

	2019	2020	2021		2022		2023	2024	2025	2026	2027
			SM/22/9 [1]	Est.	SM/22/9 [1]	Proj.			Projected		
					(Annual percentage changes)						
National Income and Prices											
GDP at constant prices [2]	5.7	1.8	5.7	5.9	6.1	5.1	6.2	7.3	5.9	5.7	5.7
GDP per capita at constant prices	2.8	-1.0	2.8	3.0	3.1	2.2	3.3	4.4	3.0	2.8	2.8
Consumer prices (average)	-0.7	2.1	3.3	3.6	2.5	7.5	3.3	2.0	1.9	1.9	2.0
Terms of trade	-3.0	23.5	-3.1	-6.5	-1.7	-8.7	-0.5	1.2	0.1	-0.5	-0.2
Nominal effective exchange rate	-0.5	3.7	...	1.3	...	...	...	...	...	...	...
Real effective exchange rate	-3.7	3.7	...	1.1	...	...	...	...	...	...	...
					(Percent of GDP)						
National Accounts											
Gross national savings	19.3	20.9	19.5	21.3	20.1	20.9	22.0	23.7	22.7	22.9	23.4
Gross domestic investment	24.3	24.9	25.4	27.4	25.9	29.0	29.0	28.7	27.4	27.4	27.8
Of which: public investment	6.1	7.0	7.5	7.3	7.8	7.6	7.7	7.7	6.9	7.0	7.0
					(Annual changes in percent of beginning-of-period broad money)						
Money and Credit											
Net foreign assets	6.6	0.7	2.5	6.0	-0.1	-8.0	0.1	0.9	2.0	2.3	1.7
Net domestic assets	3.7	15.9	5.5	2.2	8.0	17.8	8.7	8.6	6.0	5.4	5.9
Broad money	10.3	16.5	8.0	8.1	8.0	9.9	8.8	9.5	8.0	7.7	7.7
Credit to the economy	4.2	4.1	2.6	0.6	2.5	12.2	1.4	4.1	3.7	3.2	3.9
					(Percent of GDP, unless otherwise indicated)						
Government Financial Operations											
Government total revenue, excl. grants	15.6	15.2	15.3	16.2	15.9	15.7	16.1	17.0	17.2	17.3	17.5
Government expenditure	19.7	22.8	22.9	23.3	22.4	23.4	22.6	22.3	21.5	21.6	21.8
Overall fiscal balance, excl. grants	-4.1	-7.6	-7.6	-7.1	-6.5	-7.6	-6.5	-5.3	-4.3	-4.3	-4.3
Overall fiscal balance, incl. grants	-2.3	-5.6	-5.9	-5.6	-4.7	-6.0	-5.0	-4.0	-3.0	-3.0	-3.0
External Sector											
Exports of goods and services [3]	19.7	19.1	18.9	19.1	19.9	19.3	18.3	19.3	18.8	18.7	18.7
Imports of goods and services [3]	25.4	24.1	25.8	26.2	26.6	27.6	25.4	24.4	23.5	23.2	23.2
Current account, excl. grants	-6.0	-5.3	-6.8	-7.0	-6.8	-8.5	-7.1	-5.1	-4.8	-4.6	-4.6
Current account, incl. grants	-4.9	-4.0	-5.9	-6.2	-5.9	-7.7	-6.4	-4.4	-4.1	-4.0	-4.0
External public debt	30.4	33.7	36.4	36.5	35.1	34.6	32.9	30.8	29.2	27.8	26.9
Total public debt	45.2	51.9	55.6	57.1	55.5	56.8	56.6	54.9	53.1	51.5	50.4
Broad Money	34.2	38.6	38.6	38.6	...	...	...	...	...	...	...
Memorandum Items:											
Nominal GDP (billions of CFA francs)	88,607	91,608	98,891	99,054	106,762	108,834	118,459	129,680	140,050	150,824	162,363
Nominal GDP per capita (US dollars)	1,186	1,214	1,332	1,322	1,394	1,263	1,298	1,383	1,454	1,525	1,599
CFA franc per US dollars, average	585.9	574.8	...	554.2	...	...	...	...	...	...	...
Gross international reserves [4]											
In months of next year's imports (of goods and services)	5.6	5.4	5.8	5.6	5.5	4.5	4.4	4.3	4.4	4.5	4.6
In percent of current GDP	11.7	12.8	...	14.2	...	10.4	9.7	9.2	9.2	9.4	9.4
In percent of the BCEAO's sight liabilities	81.4	77.3	...	79.3	...	63.2	66.9	63.5	63.8	65.0	64.7
In millions of US dollars	17,547	21,764	24,228	24,194	24,898	18,490	17,938	18,668	20,373	22,531	24,130

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

All projections presented in this staff report were prepared in mid-December 2022 and do not incorporate any further developments.

[1] Shows data from the IMF Country Report No. 2022/067, issued in January 2022 (Board document number SM/22/9).

[2] The acceleration in GDP growth in 2023/24 is due to the start of production of large hydrocarbon projects in Niger and Senegal.

[3] Excluding intraregional trade.

[4] Data for 2021 includes the 2021 SDR allocation which is equivalent to US$2,327 million, or 0.6 months of imports and 9.6 percent of the BCEAO's sight liabilities.