

**EXECUTIVE
BOARD
MEETING**

SM/18/56
Supplement 1

March 22, 2018

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: **Monday, March 26, 2018**

Publication: Yes*

Questions: Mr. Ghura, AFR (ext. 34034)
Mr. Feler, AFR (ext. 35627)

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



INTERNATIONAL MONETARY FUND



Press Release No. 18/xx
FOR IMMEDIATE RELEASE
March 27, 2018

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

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

On March 26, 2018, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ with WAEMU

Background

Economic activity remains strong but vulnerabilities persist. Despite lower terms of trade, social tensions, and security challenges within the region, real GDP growth is estimated to have exceeded 6 percent in 2017, underpinned by strong domestic demand. Inflation remained subdued. However, external and internal imbalances widened. Preliminary data point to an increase in the fiscal deficit to 4.7 percent of GDP in 2017 from 4.5 percent in 2016, and the external current account deficit to 6 percent of GDP in 2017 from 5.6 percent in 2016. International reserve coverage rebounded somewhat to 4.2 months at end-2017, helped by sizable Eurobonds issuances by Côte d'Ivoire, Senegal, and the West African Development Bank.

The tightening of monetary policy since end-2016 stimulated the interbank market, reduced banks' appetite for government debt, and contributed to Eurobond issuances by the two largest WAEMU sovereigns. However, since September 2017, renewed liquidity pressures have pushed up the interbank market rate and maintained the average refinancing rate at the ceiling of the BCEAO's policy corridor. An ambitious set of reforms were also undertaken in 2017 to modernize financial sector regulations, including a gradual increase in minimum capital requirements in line with the Basel II/III principles. Other reforms include introducing a new accounting plan, moving to consolidated supervision of bank groups, strengthening the resolution framework, and setting up a deposit guarantee fund.

The outlook remains positive but hinges critically on the planned fiscal consolidation and implementation of structural reforms by member countries. Growth is projected to stay above 6 percent with continued low inflation over the medium term. Risks are tilted to the downside and stem from potential delays in fiscal consolidation, slow progress in the implementation

¹ 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.

of the structural reforms, persistent security concerns in the region, higher international oil prices, as well as tightening of international financial conditions and a slowdown in world growth.

Executive Board Assessment²

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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 Financial Indicators, 2014-22

	2014	2015	2016	2017	2018	2019	2020	2021	2022
				Est.			Proj.		
(Annual percentage change)									
National income and prices									
GDP at constant prices	6.7	6.2	6.6	6.5	6.4	6.3	6.3	6.4	6.2
GDP per capita at constant prices	3.7	3.3	3.8	3.6	3.5	3.4	3.4	3.5	3.3
Broad money to GDP	4.7	5.8	0.9	3.3	2.8	1.5	0.7	0.9	3.6
Consumer prices (average)	-0.1	1.0	0.3	0.8	1.7	1.9	2.0	2.2	2.0
Terms of trade	0.7	7.8	13.6	-1.8	-4.3	0.4	0.2	-0.7	-1.0
Nominal effective exchange rates	3.8	-3.9	2.0	1.8	...	...	...	...	...
Real effective exchange rates	1.0	-5.5	-0.5	-0.2	...	...	...	...	...
(Percent of GDP)									
National accounts									
Gross national savings	18.4	16.6	17.1	17.4	17.8	18.8	19.6	20.3	20.2
Gross domestic investment	23.5	22.5	22.6	23.4	24.2	24.6	25.3	25.4	25.2
Of which: public investment	7.5	7.8	7.5	8.3	8.5	8.4	8.4	8.2	8.1
(Annual changes in percent of beginning-of-period broad money)									
Money and credit ¹									
Net foreign assets	0.1	0.03	-5.4	1.7	1.8	2.8	1.9	2.7	2.7
Net domestic assets	12.5	14.8	16.1	5.8	9.1	7.9	7.0	6.3	6.1
Broad money	12.6	14.8	10.7	7.5	10.9	10.6	8.9	8.9	8.8
Credit to the private sector	12.9	16.2	12.3	13.2	12.5	11.7	12.2	12.7	12.6
(Percent of GDP, unless otherwise indicated)									
Government financial operations									
Government total revenue, excl. grants	17.5	18.4	18.2	18.7	19.3	19.3	19.7	19.9	20.1
Government expenditure	23.5	25.0	24.8	25.8	25.4	24.8	24.8	24.7	24.6
Official grants	2.7	2.4	2.2	2.3	2.1	2.5	2.4	2.3	2.2
Overall fiscal balance, incl. grants (commitment basis)	-3.3	-4.1	-4.5	-4.7	-4.0	-2.9	-2.7	-2.5	-2.4
Basic fiscal balance, incl. grants & HIPC	-1.6	-1.5	-2.0	-1.5	-0.5	0.3	0.5	0.6	0.8
External sector									
Exports of goods and services ²	25.0	25.4	22.7	22.6	21.5	21.5	21.4	21.9	22.1
Imports of goods and services ²	35.2	33.5	30.8	30.8	30.0	29.5	29.3	28.9	28.9
Current account, excl. grants	-7.6	-7.5	-7.8	-8.2	-8.4	-8.0	-7.7	-6.9	-6.7
Current account, incl. grants	-5.1	-5.5	-5.6	-6.0	-6.3	-5.7	-5.6	-5.0	-4.9
External public debt	24.1	28.0	27.7	29.8	29.3	29.1	28.6	28.2	27.9
Total public debt	40.7	45.5	48.2	48.2	48.9	48.2	47.4	46.6	45.8
Broad money	30.1	31.9	32.1	33.2	34.1	34.7	34.9	35.2	36.5
Memorandum items:									
Nominal GDP (billions of CFA francs)	49,911	53,816	58,176	62,906	68,030	73,618	79,693	86,418	93,530
Nominal GDP per capita (US dollars)	931	815	855	917	1,034	1,092	1,153	1,214	1,275
CFA franc per US dollars, average	494	591	593	581	...	...	...	...	...
Foreign exchange cover ratio ³	91.7	84.4	71.5	72.1	...	...	...	...	...
Gross international reserves									
In months of imports of goods and services ²	4.7	5.0	4.0	4.2	4.2	4.3	4.4	4.5	4.6
In millions of US dollars	7,033	7,487	6,466	7,184	7,629	8,376	9,094	10,035	11,053
In percent of broad money	39.7	36.8	28.7	29.7	28.4	28.2	27.6	27.6	27.4

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

¹Year on year change, end December.

²Excluding intraregional trade.

³Gross official reserves divided by short-term domestic liabilities (IMF definition).

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

¹Year on year change, end December.²Excluding intraregional trade.³Gross official reserves divided by short-term domestic liabilities (IMF definition).