



BCEAO
BANQUE CENTRALE DES ETATS
DE L'AFRIQUE DE L'OUEST

REPORT ON MONETARY POLICY IN WAMU

December 2018



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LIST OF ACRONYMS AND ABBREVIATIONS

BCEAO:	Central Bank of West African States
BEAC:	Bank of Central African States
BoE:	Bank of England
BoG:	Bank of Ghana
Bps:	Basis points
BRVM:	Regional Securities Exchange
CBN:	Central Bank of Nigeria
CEDEAO:	Economic Community of West African States
CEMAC:	Central African Economic and Monetary Community
CIF:	Cost Insurance Freight
CPI:	Consumer Price Index
ECB:	European Central Bank
FAO:	United Nations Food and Agriculture Organization
FED:	Federal Reserve System
FOB:	Free on Board
FTSE:	Financial Times Stock Exchange
GDP:	Gross Domestic Product
HICP:	Harmonized Index of Consumer Prices
IMF:	International Monetary Fund
IPI:	Industrial Production Index
LCUBLS:	Large Corporate Users of Bank Loans
MPC:	Monetary Policy Committee
MSCI:	Morgan Stanley Capital International
NYMEX:	New York Mercantile Exchange
NEA:	Net external assets
NSI:	National Statistics Institute
OECD:	Organization for Economic Cooperation and Development
Pps:	Percentage points
RBI:	Reserve Bank of India
REER:	Real Effective Exchange Rate

SA-WDC:	Seasonally Adjusted - Working Day Corrected
SDRs:	Special Drawing Rights
TI:	Turnover Index
WAEMU:	West African Economic and Monetary Union
WAMU:	West African Monetary Union
WAMA:	West African Monetary Agency
WTI:	West Texas Intermediate

PRESS RELEASE

Meeting of the BCEAO Monetary Policy Committee

1. The Monetary Policy Committee (MPC) of the Central Bank of West African States (BCEAO) held its fourth ordinary meeting of 2018 on Wednesday, December 05, 2018, at the BCEAO Headquarters in Dakar, Republic of Senegal, under the chairmanship of Mr. Tiémoko Meyliet Koné, Governor of the Central Bank, the statutory Chairman.
2. The Committee reviewed the main developments that have marked the international and regional economic situation in recent times, as well as the risk factors that could have a bearing on medium-term inflation and economic growth prospects in the Union.
3. On the international front, the Committee noted that the pace of growth in global economic activity was generally moderate in the third quarter of 2018 amid rising trade and financial market tensions. Based on the latest data published in October 2018 by the International Monetary Fund, the global economy was expected to grow by 3.7% in 2018 and 2019. On the international markets for the main raw materials exported by the countries of the Union, prices fell in the third quarter of 2018, with the exception of coffee and oil. The largest declines were in cashew nuts, palm oil, cocoa, coffee, gold, and palm kernel oil.
4. On the domestic front, economic activity remained robust in the third quarter of 2018, at 6.7% year over year, compared to 6.5% a quarter earlier. Domestic demand was the main driver of growth in the Union. For 2018 as a whole, economic growth is expected stand at 6.6%, the same figure as in 2017.
5. With regard to public finances, the Committee noted a reduction in the budget deficit, on a commitment basis, including grants, expected at 3.9% of the GDP in 2018, according to official data, compared to 4.3% in 2017. Under these circumstances, the MPC recommends that the States maintain their efforts to implement measures with a view to meeting the Community standard of 3.0% by 2019.
6. The monetary situation of the Union in the third quarter of 2018 was marked by a 9.8% year-over-year increase in the money supply, underpinned by a rise in domestic claims (+8.0%), with net external assets experiencing a drop. On the money market, rates continued to ease for the second consecutive quarter. The quarterly money market average interest rate was 2.50% following 3.77% the previous quarter.
7. The Committee noted a slight year-over-year rise in prices in the third quarter of 2018. The inflation rate was 0.9%, after 0.7% in the previous quarter, mainly due to higher food prices. The year-over-year inflation rate is projected to reach 1.4% over a 24-month horizon, which is in line with the Central Bank's goal of price stability.
8. Based on these analyses, the Monetary Policy Committee decided to keep the BCEAO's leading rates unchanged, with the minimum bid rate on cash injection tender transactions remaining unchanged at 2.50%, while the marginal lending rate was kept at 4.50%. The reserve requirement ratio for banks in the Union remained at 3.0%.

Produced in Dakar, December 5, 2018

The Chairman of the Monetary Policy Committee

Tiémoko Meyliet Koné

SUMMARY

1. The momentum of global economic activity was reportedly moderate overall in the third quarter of 2018, with the notable exception of the United States. In particular, in emerging and developing countries, economic activity was feeling the effects of escalating trade tensions between the United States and some of its partners, tighter financial conditions, geopolitical tensions and rising oil bills.
2. The commodity prices during the third quarter of 2018 generally followed a downward trend, with a more pronounced decline in non-energy prices. The prices of raw materials exported by Union countries fell, with the exception of oil. The largest declines were in cashew nuts, palm oil, cocoa, coffee, gold, and palm kernel oil.
3. At the Union level, economic activity remained dynamic in the third quarter of 2018. Growth in the gross domestic product (GDP) in real terms, supported mainly by strong domestic demand, totaled 6.7%, year over year, after 6.5% in the previous quarter. For FY 2018 as a whole, economic growth was expected stand at 6.6%, the same figure as in 2017.
4. The year-on-year inflation rate in WAEMU was 0.9% following 0.7% in the second quarter of 2018. Growth was mainly attributable to the "Food" heading, due to insufficient supplies of cereals in Burkina Faso and Mali, as well as higher prices for fishery products in Senegal and Togo. It was also linked to the upward adjustment of fuel prices in Benin, Côte d'Ivoire, and Togo. The core inflation rate was 1.0% year on year in the third quarter of 2018 compared to 0.7% a quarter earlier.
5. The execution of the budgets of WAEMU Member States over the first nine months of 2018 resulted in a reduction in the overall deficit, on a commitment basis, including grants, which stood at 1,603.2 billion or 3.1% of the GDP at the end of September 2018 compared with 1,787.2 billion or 3.7% of the GDP in the same period of the previous year. For 2018 as a whole, the overall deficit, on a commitment basis, was expected to stand at 3.9% of the GDP compared to 4.3% in 2017.
6. The Union's foreign trade in the third quarter of 2018 showed a deficit trade balance of 581.8 billion or 3.3% of the GDP in the quarter under review, a deterioration of 47.0 billion compared to the same period of the previous year, due to an increase in the import bill for energy products. The current account deficit was expected to reach 6.8% of GDP in 2018 after 6.7% in 2017. However, given the consolidation of net capital inflows, the WAEMU countries' foreign trade was expected to register an overall surplus of 909.5 billion compared to 304.1 billion in 2017.
7. The monetary situation at the end of September 2018, compared to that at the end of June 2018, was marked by a moderate increase in the money supply, driven solely by the increase in domestic claims, as net external assets were down. The rise in domestic claims was supported by the increase in both the banking system's net claims on governments and credits to the economy. The decline in NEA was mainly attributable to the decline in BCEAO's foreign assets. The Union's foreign exchange reserves at the end of September 2018, provided a

monetary issue coverage rate of 79.5% compared to 82.0% three months earlier. Coverage in months of imports of goods and services by foreign exchange reserves declined, and stood at 4.8 months at end September 2018, after 5.4 months at end June 2018.

8. Bank liquidity decreased by 370.0 billion during the third quarter of 2018, to stand at 1,631.8 billion at the end of September 2018. This change was due to the negative impact of independent factors (-436.3 billion) over the period, mitigated by the increase in outstanding refinancing granted by the BCEAO (+66.3 billion).
9. Interest rates on the money market generally eased. The weighted average rate for weekly liquidity operations was 2.7740%, in the third quarter of 2018, compared with 4.1516% in the previous quarter. It was 3.1920% a year earlier. On the one-week interbank market compartment, the weighted average interest rate stood at 4.4100%, compared to 5.2500% in the previous quarter.
10. In the government securities market, the weighted average interest rate on Treasury bills fell to 5.61% from 6.00% a quarter earlier.
11. The average lending rate charged by banks to customers, excluding taxes and charges, increased quarter on quarter to 6.83% at the end of September 2018, after 6.72% three months earlier. At the same time last year, it stood at 6.97%.
12. The outlook for inflation in the Union does not suggest pressure on consumer price trends in the medium term. The forecast trajectory indicates a 1.0% year-on-year increase in the inflation rate in the fourth quarter of 2018. For 2018 as a whole, the average inflation rate is expected to be 0.9%, compared to 0.8% in 2017. Inflation was forecast at 1.4% on a year-on-year basis, eight quarters ahead.

I - GLOBAL ECONOMIC ENVIRONMENT

1.1 - Economic activity

1. The momentum of global economic activity was reportedly moderate overall in the third quarter of 2018, with the notable exception of the United States. In particular, in emerging and developing countries, economic activity was feeling the effects of escalating trade tensions between the United States and some of its partners, tighter financial conditions, geopolitical tensions and rising oil bills.

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

	2016	2017	2016				2017				2018		
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Advanced countries	<i>(over one year)</i>		<i>(year on year)</i>										
United States	1.5	2.3	1.6	1.3	1.5	1.9	1.9	2.1	2.3	2.5	2.6	2.9	3.0
Euro zone	1.8	2.3	1.9	1.8	1.7	2.0	2.0	2.5	2.8	2.7	2.4	2.2	1.7
Germany	1.9	2.5	1.8	1.9	1.9	1.9	2.1	2.3	2.7	2.8	2.0	1.9	1.1
France	1.2	1.8	1.3	1.1	0.9	1.2	1.4	2.3	2.7	2.8	2.2	1.6	1.4
Japan	0.9	1.7	0.5	0.8	0.9	1.5	1.3	1.6	1.9	2.1	1.1	1.4	0.3
United Kingdom	1.9	1.8	2.1	1.7	1.7	1.7	1.8	1.9	1.8	1.4	1.1	1.2	1.5
Emerging countries													
China	6.7	6.9	6.7	6.7	6.7	6.8	6.9	6.9	6.8	6.8	6.8	6.7	6.5
India	7.1	6.7	9.2	8.1	7.6	6.8	6.1	5.6	6.3	7.0	7.7	8.2	7.1
Brazil	-3.5	1.0	-5.2	-3.4	-2.7	-2.5	0.0	0.4	1.4	2.1	1.2	1.0	1.3*
Russia	-0.2	1.5	-0.5	-0.4	-0.2	0.4	0.6	2.5	2.2	0.9	1.3	1.9	1.3*
South Africa	0.6	1.3	-0.3	0.6	0.9	1.0	1.1	1.3	1.3	1.4	0.8	0.4	0.6*
Surrounding Countries													
Ghana	3.7	8.4	3.1	-0.2	5.2	5.6	7.4	11.1	8.7	5.5	5.4	5.4	6.7*
Nigeria	-1.6	0.8	-0.7	-1.5	-2.3	-1.7	-0.9	0.7	1.2	2.1	1.9	1.5	1.9*

Sources: OECD, Eurostat, IMF, Statistics South Africa

(*): Bloomberg forecast, provisional data

2. In the United States, the economy continued to grow at a steady pace, driven by strong private sector consumption and investment, against a backdrop of a healthy labor market, as well as increased local and federal government spending. Real GDP grew by 3.0%, year-on-year, in the third quarter of 2018 after 2.9% in the previous quarter.
3. In the Eurozone, the rate of growth of economic activity continued to slow down in the third quarter of 2018. Real GDP growth dropped to 1.7% from 2.2% a quarter earlier.
4. In the main emerging countries, economic activity was less dynamic. In China, the rate of production growth came in at 6.5%, year on year, compared to 6.7% in the second quarter of 2018. This trend in economic activity is attributable to weak investment spending, in a context marked by trade tensions with the United States. In India, economic activity was expected to slow, in connection with weak domestic demand. On the other hand, in Brazil and South Africa, economic activity was expected to recover.

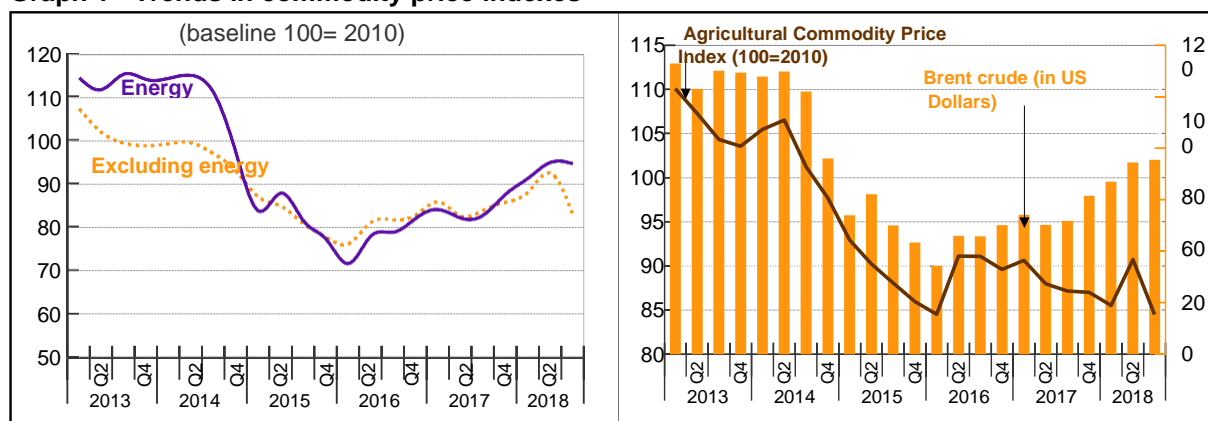
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5. In Nigeria, the main trading partner of the Union's member states in the West African subregion, growth was expected to strengthen in the third quarter of 2018, in particular in conjunction with the rise in crude oil prices.
 6. According to the latest data released by the IMF in October 2018, global growth was estimated to be 3.7% in 2018 and 2019, 0.2 percentage points lower than expected in July 2018 for both years. The downward revision of the economic growth rate forecasts can be attributed, on the one hand, to weaker-than-expected growth in the first half of 2018 in some advanced countries and, on the other hand, by the initial negative effects of trade tensions, (a fall in growth rates for the volume of world trade compared to the July 2018 forecasts of 0.6 and 0.5 points respectively for 2018 and 2019) the tightening of financial conditions, geopolitical tensions and the increase in the oil import bill in some advanced and emerging countries.
 7. Growth in advanced economies stood at 2.4% in 2018 as in 2017, down 0.1 percentage point from the July 2018 projection. For 2019, the forecast for the GDP growth rate in advanced countries remained unchanged at 2.2%. In the U.S., economic expansion remained robust in 2018 at 2.9%. However, the forecast for 2019 was revised down 0.2 points to 2.5%, due to the impact of recently announced trade measures expected to affect U.S. imports from China. Projections were revised downward for the Eurozone, where growth slowed down from 2.4% in 2017 to 2.0% in 2018 (-0.2 points from the July 2018 forecast) and to 1.9% in 2019 (-0.1 points). Economic activity declined more sharply than expected in the first quarter of 2018 in Germany, France, and Italy.
 8. In emerging and developing economies, the growth rate is expected to stand at 4.7% in 2018 and 2019, down 0.2 points and 0.4 points, respectively, compared to the previous forecast. Growth in emerging countries for 2018-2019 was thus expected to remain strong, despite the negative impact of trade tensions on business likely to affect China and other emerging Asian countries, the weakening of activity in Iran after the renewal of US sanctions, the expected slowdown in the Turkish economy in Turkey, and a less favorable outlook for some Latin American countries (Argentina, Brazil, and Mexico).
 9. In Sub-Saharan Africa, growth is expected to increase from 2.7% in 2017 to 3.1% in 2018 (-0.3 points compared to the previous forecast), and then to 3.8% in 2019, stable compared to the previous forecast. The downward revision of the 2018 forecast was due to a weaker-than-expected outlook in Nigeria, where growth was expected to be 1.9% in 2018 (-0.2 points). In South Africa, the economy recorded a decline in the pace of expansion with the growth rate falling to 0.8% (-0.7 points) in 2018 after 1.3% in 2017, and then to 1.4% (-0.3 points) in 2019.
 10. According to the IMF, the global economic outlook was subject to some risks. In the near term, there is a strong likelihood that the forecast will be revised downward, reflecting a combination of factors, including tighter financial conditions in some parts of the world, slow implementation of recommended reforms to strengthen the macroeconomic framework, increased trade barriers, a reversal of capital flows in emerging markets with weak fundamentals and high policy risks. The United States imposed tariffs on a wide range of imports and their trading

partners retaliated. Without cooperation between countries, trade tensions could lead to systemic risk. In addition, public and corporate debt are reaching increasingly high levels in many countries, revealing vulnerabilities that affect confidence and may potentially penalize investment, a key driver of growth.

1.2 - Commodity prices

11. According to World Bank data, commodity prices overall recorded a downward trend during the third quarter of 2018 compared to the previous quarter. Non-energy commodity prices were affected by fears of a slowdown in activity in some developed and emerging countries, which are the main demand markets for agricultural and energy commodities, particularly those in the Eurozone and China.

Graph 1 - Trends in commodity price indexes



Sources: World Bank, Bloomberg

12. Energy prices rose by 3.0% in the quarter under review, driven by higher prices for oil products. In particular, the price per barrel of Brent crude oil rose by 2.0%, as a result of reduced market supplies following the temporary suspension of Saudi Arabia's oil exports through the Red Sea following attacks on its cargoes, and the decline in US production. The rise in prices was also fueled by fears of a decrease in the supply in Iran, following the implementation of U.S. sanctions against the oil sector in this country in November 2018.
13. In quarterly terms, the prices of the main commodities exported by Union countries fell, with the exception of oil (+1.5%). The largest drops were noted for cashew nuts (-15.0%), palm oil (-12.7%), cocoa (-12.3%), coffee (-8.1%), gold (-7.1%) and palm kernel oil (-6.1%). Valued in CFA francs, the prices of commodities exported by the countries of the Union fell, with the exception of gold.
14. Cashew nut prices contracted, reflecting weak demand. Palm oil and palm kernel oil prices suffered from the accumulation of stocks, the impact of which was accentuated by the good outlook for global supply and sluggish demand.

15. Cocoa prices were affected by the positive outlook for world production, in conjunction with favorable weather conditions in the main production areas of West Africa (Côte d'Ivoire and Ghana).
16. The price of robusta coffee fell, in connection with the expectation of an abundant harvest in Brazil, the leading producer country.
17. Gold prices, meanwhile, dropped in the wake of the appreciation of the dollar.

Table 2 - Prices of commodities exported by WAEMU countries

	Average price Q3-2018				Quarterly variation		Year-on-year	
	unit	foreign currency	unit	CFA francs	Prices in foreign currency	Prices in CFA francs	Prices in foreign currency	Prices in CFA francs
Crude Oil (NYMEX)	\$/barrel	68.7	tonne	276,755.9	1.5	4.0	41.7	43.1
Cafe robusta (ICO)	cents/lb.	79.9	kg	993.4	-8.1	-5.9	-22.0	-21.3
Cocoa (ICCO)	cents/lb.	101.9	kg	1,266.8	-12.3	-10.2	12.8	13.8
Cotton (NY #2)	cents/lb.	83.8	kg	1,042.4	-2.4	0.0	21.0	22.2
Palm oil	\$/tonne	568.3	kg	320.5	-12.7	-10.5	-17.8	-17.0
Palm kernel oil	\$/tonne	879.2	kg	495.9	-6.1	-3.7	-26.2	-25.3
Rubber	eurocent/kg	121.6	kg	797.6	-1.8	-1.8	-11.5	-11.5
Cashew nuts	\$/tonne	1,450.0	kg	817.9	-15.0	-12.8	-12.1	-11.3
Gold	\$/ounce	1,212.4	gram	24,121.9	-7.1	-4.8	-5.2	-4.2

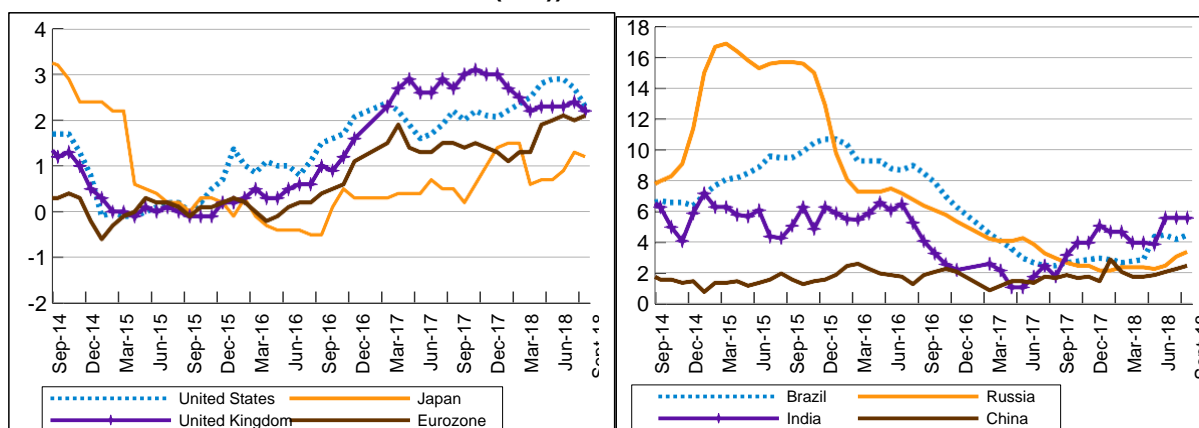
Sources: Bloomberg, Reuters

18. The prices of the main food products imported by WAEMU countries also fell during the third quarter of 2018, with the exception of wheat (+2.9%).
19. Soybean oil prices (-8.6%) were dragged down by trade tensions between the United States and its partners, in connection with Chinese sanctions on US soybean imports, as well as the favorable outlook for the US crop. Rice prices also fell (-10.2%), due to weak demand from Asian and African countries.
20. Wheat prices were bolstered by strong demand.

1.3 - Inflation

21. During the third quarter of 2018, inflationary pressures were low in most advanced countries. On the other hand, inflation was on the rise in emerging and developing countries.

Graph 2 – Trends in the inflation rate (measured by the year-on-year percentage in the Consumer Price Index (CPI))



Source: IMF

22. In the United States, the year-on-year inflation rate decreased by 0.1 percentage points at the end of September 2018 from its level three months earlier, while still standing at 2.2%, above the FED's target. Similarly, in the United Kingdom, the inflation rate declined by 0.1 percentage points to 2.3% in September 2018, while remaining above the Bank of England's target of 2.0%. On the other hand, inflation rose slightly in the Eurozone from 2.0% in June 2018 to 2.1% in September 2018.
23. Inflationary pressures increased in the major emerging economies. In Brazil, the general price level rose by 4.5% at the end of September 2018, year over year, after a rate of 4.4% three months earlier. In Russia, the inflation rate rose from 2.3% in June 2018 to 3.4% in September 2018. In India, the upward trend in consumer prices continued. The year-on-year inflation rate stood at 5.6% in September 2018, after 3.9% three months before. In China, the year-on-year inflation rate rose from 1.7% in June 2018 to 2.4% September 2018.
24. In the partner countries of the Union in the West African subregion, inflationary pressures diverged. In Ghana, a slight easing of prices was recorded, with inflation falling from 10.0% to 9.8% between June and September 2018. In Nigeria, inflation rose slightly from 11.2% to 11.3% at the end of September 2018.

1.4 - International monetary and financial conditions

1.4.1 - Central bank actions

25. Against the backdrop of a positive economic trend and weak inflationary tensions, the central banks in the main advanced and emerging countries maintained their monetary policy stance unchanged, with the exception of the United States, India, and Russia. In West and Central Africa, only the Bank of Central African States (BEAC) changed its leading rates.
26. The European Central Bank (ECB), at its meeting of September 13, 2018, left its leading interest rates unchanged, while indicating that they would remain at their current levels at least until the summer of 2019 and, in any case, as long as necessary to ensure a sustainable convergence of inflation to levels close to, but below, 2%. The ECB also noted that it would reduce the monthly amount of net asset purchases to 15 billion from September 2018 to the

end of December 2018, when these purchases would be suspended.

27. The U.S. Federal Reserve (FED), at its September 26, 2018, meeting, raised the target range for federal fund rates by 25 basis points (bps) to 2.00%-2.25%. This was the third increase in 2018 and the eighth increase since December 2015, for a cumulative increase of 200 basis points. The FED also maintained its plans for two more rate hikes this year and three more next year. However, the FED reiterated that further increases in the target federal funds rate should be consistent with expanding economic activity, strong labor market conditions, and inflation close to its 2% goal.
28. The Bank of England (BoE) decided at its meeting on November 1st, 2018, to leave its leading rate unchanged at 0.75%, but indicated that its monetary policy stance would depend on the nature and implications of the United Kingdom's exit from the European Union (EU).
29. In the emerging countries, the Central Bank of India (RBI) its leading rate by 25 basis points to 6.5%, on August 1st, 2018, the second such increase since the beginning of 2018. This decision came against a backdrop of strong domestic demand growth and rising inflationary pressures. The year-on-year inflation rate rose from 4.9% in June 2018 to 3.7% September 2018.
30. The Central Bank of Russia raised its leading rate by a quarter point to 7.5% on Friday, September 14, 2018. This was the first rate hike in Russia since late 2014, when the Central Bank had to intervene to stem the fall of the ruble. Because of the risk of accelerating inflation, it decided to suspend its foreign currency purchases until the end of the year.
31. In sub-Saharan Africa, the Central Bank of Nigeria (CBN), in its July 24, 2018, and September 25, 2018, meetings, left its leading rate unchanged at 14.0%. For the CBN, monetary easing, aimed at stimulating domestic demand, was expected to lead to inflationary pressures and a depreciation of the currency, linked to expectations of excess liquidity in the economy.
32. The Central Bank of Ghana (BoG), in its September 24, 2018, meeting, maintained its main leading rate at 17.0%, in connection with declining price pressures.
33. The BEAC increased the interest rate on tenders, its main leading rate, by 55 basis points from 2.95% to 3.5% at its October 31, 2018, Monetary Policy Committee meeting. This increase, which came almost twenty months after the 50 basis point increase in the leading rate on March 22, 2017, was aimed at strengthening the CEMAC Zone's foreign exchange reserves.

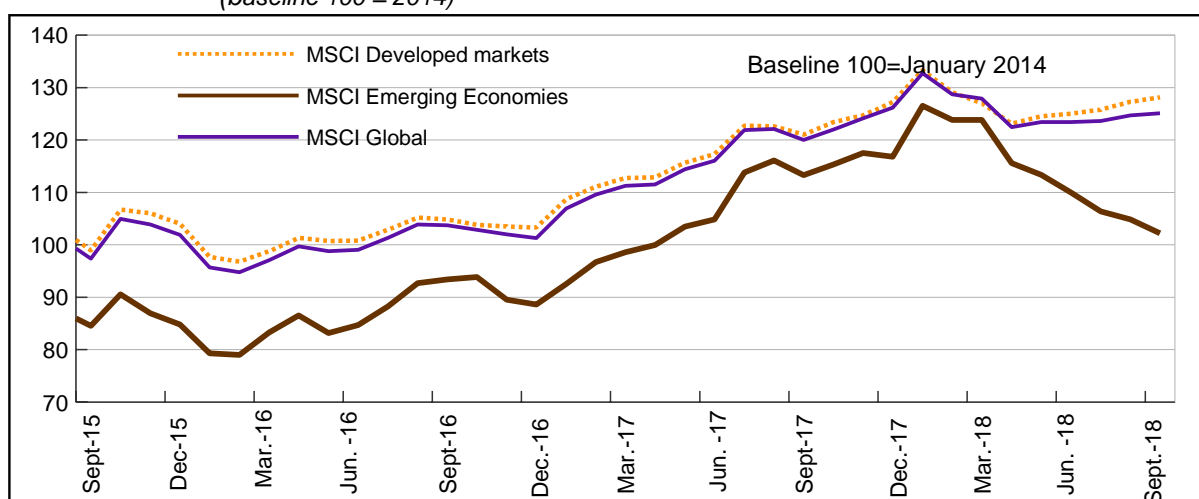
1.4.2 - Trends in monetary and financial conditions

34. Global financial markets were affected in the third quarter of 2018 by the Fed's continued tightening of monetary policy and rising trade tensions.

35. On bond markets, benchmark 10-year bond yields in the United States increased by 4 basis points (bps), to stand at 2.98% at the end of September 2018 compared to 2.94% at the end of June 2018, in conjunction with financial market expectations of further FED monetary policy tightening.
36. In the Eurozone, sovereign interest rates evolved differently from country to country. Benchmark 10-year bond yields were down to 0.43% in Germany (-1 bp), 0.75% in France (-4 bps), 4.20% in Greece (-36 bps) and 1.88% in Portugal (-5 bps). However, they rose to 2.94% in Italy (+12 bps) and 1.48% in Spain (+7 bps).
37. In the money markets, the 3-month Euribor stabilized at -0.32% in the third quarter of 2018.
38. Equity markets in emerging economies were affected by uncertainties related to trade tensions, tightening financial conditions and the fragility of the macroeconomic framework. The MSCI Emerging Economies Index fell by 7.1%. In contrast, the advanced economies index rose by 2.5%. Overall, the MSCI Global Index edged up 1.4%, coming in at 125.1 points in September 2018, after 123.4 points in June 2018.

Graph 3 - Trends in MSCI indexes on international equity markets

(baseline 100 = 2014)



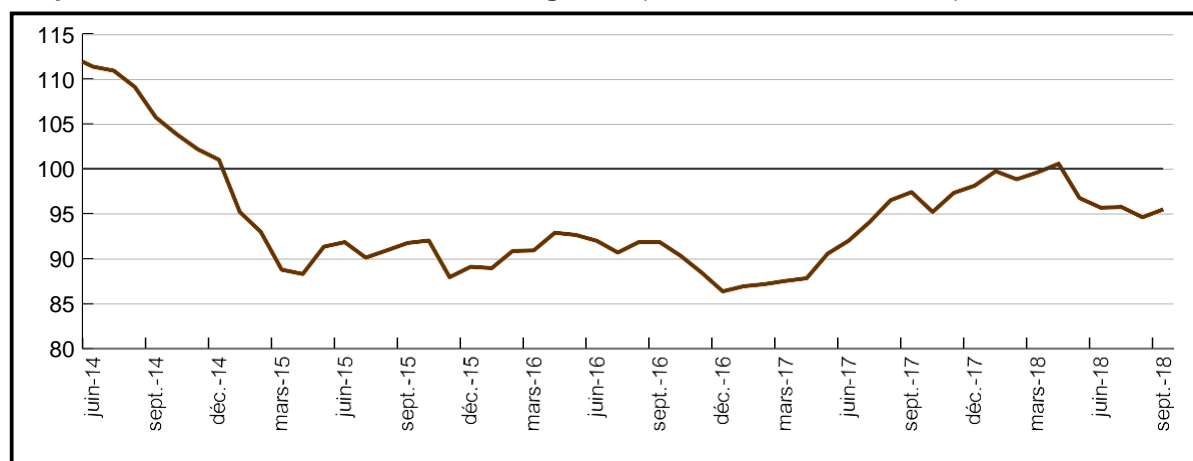
Source: Bloomberg

39. The Dow Jones index on the New York Stock Exchange and the Nikkei 225 index on the Tokyo Stock Exchange rose by 4.3% and 1.5% respectively, on a quarterly basis. In the European markets, the Eurozone's EuroStoxx 50 and the London Stock Exchange's FTSE 100 indexes posted declines of 1.7% and 0.4%, respectively, in the third quarter of 2018.
40. In the foreign exchange markets, the European currency depreciated in the third quarter of 2018 against the major currencies of the developed world, with the exception of the pound sterling. The euro fell against the Swiss franc (-2.6%), the US dollar (-2.4%) and the Japanese yen (-3.0%). The U.S. dollar was buoyed by the strong momentum of the U.S. economy and expectations of a gradual tightening of the FED's monetary policy. The U.S. dollar also benefited from its status as the main reserve currency in a context of uncertainty and capital outflows from emerging countries, particularly those most vulnerable to risks of a slowdown

in the Chinese economy. The euro strengthened by 1.9% against the pound sterling, weakened by renewed concerns over Brexit negotiations.

41. The euro fell against the Swiss franc (-2.6%), the US dollar (-2.4%) and the Japanese yen (-3.0%). However, it strengthened by 1.9% against the pound sterling.

Graph 4 - Trends in the euro/dollar exchange rate (baseline 100 = June 2010)



Source: Bloomberg

42. In West Africa, according to official data, the CFA franc exchange rate evolved differently against the various currencies of the subregion during the third quarter of 2018. Increases were noted against the Liberian dollar (+10.6%), the Ghanaian cedi (+3.5%) and the Sierra Leonean leone (+2.9%). On the other hand, it depreciated against the Nigerian naira (-4.7%), the Guinean franc (-2.5%) and the Gambian dalasi (-0.7%).

Table 3 - Trends in the exchange rate for CFA francs against other West African currencies
(Unit of foreign currency for 1,000 CFA francs)

Exchange rates	2016		2017			2018			Variation (%)	
	Q3	Q4	Q2	Q3	Q4	Q1	Q2	Q3	quarterly	annual
Gambian dalasi	77.2	75.6	77.6	85.9	84.8	87.1	86.4	85.8	-0.7	-0.1
Ghanaian cedi	6.7	6.6	7.1	8.1	7.9	8.3	8.1	8.3	3.5	2.9
Guinean franc	15,237.0	14,967.5	15,193.9	16,619.1	16,148.3	16,859.2	16,375.8	15,970.8	-2.5	-3.9
Liberian dollar	163.1	163.8	185.1	212.7	219.3	240.2	247.1	273.4	10.6	28.6
Nigerian naira	512.6	501.2	510.8	563.9	548.0	571.8	555.5	541.6	-2.5	-3.9
Sierra Leonean leone	10,565.5	11,591.2	12,210.4	13,719.0	13,516.5	14,182.3	13,962.4	14,368.3	2.9	4.7

Source: WAMA

II - TRENDS IN SUPPLY AND DEMAND FACTORS IN WAEMU

2.1 - Supply factors

43. The growth rate of WAEMU's gross domestic product in the third quarter of 2018 was 6.7%, year on year, after reaching 6.5% one quarter earlier. The slight rebound in the rate of growth confirms the optimism of business leaders regarding general trends in their activities. Indeed, the business climate indicator rose to 100.2 in the third quarter of 2018, remaining above its long-term trend.

44. Growth in economic activity in the Union was driven by the service sector, which contributed 4.0 percentage points, up 0.1 percentage points (pp) from the previous quarter. The contribution of the secondary sector was 1.5 pp, stable compared to the performances noted one quarter earlier. The primary sector's contribution to growth was 1.2 percentage points, up 0.1 pp from the performances in the second quarter 2018.

Table 4 - Industry contributions to quarterly GDP growth, year over year

(Seasonally Adjusted - Working Day Corrected (SA-WDC), in %)

	2016		2017				2018		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Primary sector	2.4	2.3	1.8	1.4	1.3	1.1	1.2	1.1	1.2
Secondary sector	0.6	0.8	1.1	1.4	1.4	1.5	1.5	1.5	1.5
Tertiary sector	3.5	3.8	3.7	4.0	4.0	3.8	3.8	3.9	4.0
GDP	6.5	6.9	6.6	6.8	6.7	6.4	6.5	6.5	6.7

Source: BCEAO

45. The trend in economic activity by country is shown in the table below:

Table 5 - Change in real gross domestic product (SA-WDC, year-on-year, as a %)

	2016		2016	2017				2017	2018		
	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3
Benin	4.4	4.9	4.0	5.5	5.8	6.0	6.1	5.8	6.4	6.6	6.8
Burkina Faso	6.2	6.4	5.9	6.4	6.3	6.3	6.2	6.3	6.6	6.4	6.8
Côte d'Ivoire	8.1	9.0	8.0	7.8	8.2	7.7	7.1	7.7	7.5	7.6	7.7
Guinea-Bissau	6.3	6.3	6.5	6.4	6.1	5.6	4.7	5.7	5.1	5.1	5.4
Mali	5.8	5.7	5.8	5.6	5.5	5.3	5.2	5.4	5.1	5.0	5.1
Niger	4.9	5.4	4.9	4.2	4.8	5.2	5.3	4.9	5.0	5.0	5.1
Senegal	6.1	6.5	6.2	7.0	7.3	7.4	7.1	7.2	6.7	6.5	6.7
Togo	5.0	4.7	5.1	4.5	4.4	4.4	4.4	4.4	4.5	4.7	5.0
WAEMU	6.5	6.9	6.4	6.6	6.8	6.7	6.4	6.6	6.5	6.5	6.7

Source: BCEAO

2.1.1 - Primary sector

46. In the primary sector, gross value added increased by 5.0% year on year in the quarter under review, compared with 4.7% in the previous quarter, owing to the increase in production of both cash crops and food crops, following the generally satisfactory rainfall recorded in the Union.

47. The latest available statistics on the 2018/2019 crop year indicated a 5.1% increase in food production in WAEMU, at 63,720,116 tonnes. This increase was mainly due to cereals (+6.6%) and other crops (+10.3%), dominated by horticultural products.

48. Compared to the average over the previous five years, current harvests are expected to be up by 17.1%.

Table 6 - Food crop production in WAEMU

(in tonnes unless otherwise stated, updated - October 2018)

	2014/2015	2015/2016	2016/2017	2017/2018* (1)	2018/2019*(2)	Average of the five previous crop years (3)	Variation (%)	
							(2)/(1)	(1)/(2)
Cereals	23,683,955	25,872,342	27,621,701	28,358,872	30,227,828	25,535,679	6.6	18.4
Tubers	20,802,371	19,876,913	20,994,098	22,640,038	22,893,495	20,356,528	1.1	12.5
Other crops	8,059,704	8,245,988	9,021,496	9,606,975	10,598,793	8,513,656	10.3	24.5
Total	52,546,030	53,995,243	57,637,295	60,605,885	63,720,116	54,405,864	5.1	17.1

Sources: Ministries of Agriculture of the States, BCEAO calculations

*Estimates

49. In respect of the main export crops, harvests were also up in the 2018/2019 crop year, compared to the previous crop year, with the exception of cocoa.

50. After a record harvest of 2,045,112 tonnes during the 2017/2018 growing season, cocoa production fell back to 1,969,746 tonnes the following crop year, due in particular to the ravages of swollen shoot virus disease on cocoa orchards. Although the volume of the harvest was down by 3.7%, it remained the second largest recorded in the Union, after the previous crop season.

51. The exceptional increase of 167.3% in coffee production, recorded at the end of the 2018/2019 crop year, reflected a return to a normal level, after the drop induced during the previous crop year by the impact of heavy rains on flowering. The crop was estimated at 137,726 tonnes, after 51,523 tonnes and 122,611 tonnes, respectively in the 2017/2018 and 2016/2017 crop years.

Table 7 - Production of export crops in WAEMU*(in tonnes unless otherwise stated, updated - October 2018)*

	2014/2015	2015/2016	2016/2017	2017/2018* (1)	2018/2019* (2)	Average of the five previous crop years (3)	Variation (2)/(1) (%)	Variation (2)/(3) (%)
Cocoa	1,686,218	1,836,794	1,644,801	2,045,112	1,969,746	1,778,407	-3.7	10.8
Coffee	117,867	145,658	122,611	51,523	137,726	109,890	167.3	25.3
Cotton seed	2,212,595	2,101,146	2,238,719	2,431,600	2,660,740	2,169,883	9.4	22.6
Groundnuts	2,226,285	2,720,122	2,881,855	3,185,333	3,447,644	2,651,413	8.2	30.0
Cashew nuts	1,050,943	1,259,441	1,092,950	1,140,956	1,186,832	1,082,045	4.0	9.7
Rubber	318,897	360,000	453,040	580,000	613,900	400,396	5.8	53.3

*Sources: National trade departments, BCEAO calculations***Estimates*

52. The seed cotton crop was expected to increase by 9.4% year on year to 2,660,740 tonnes, following an 8.6% increase a year earlier. This performance reflected satisfactory rainfall in production zones and the strengthening of support measures for producers, in particular the provision of inputs and technical supervision.

53. The quantity of groundnuts expected under the 2018/2019 crop year stood at 3,447,644 tonnes, up 8.2% from the previous year. This trend was observed in all the countries in the Union.

54. The volume of cashew nuts was 1,186,832 tonnes during the 2018/2019 crop season, up 4.0% compared to the previous season, due in particular to favorable weather conditions in production areas in Côte d'Ivoire and Benin.

55. Rubber production totaled 613,900 metric tons in the 2018/2019 season, up 5.8% from the previous crop season, reflecting an increase in areas planted.

2.1.2 - Secondary sector

56. In the third quarter of 2018, the value added generated by the secondary sector grew at an annual rate of 7.2%, 0.2 percentage points higher than in the previous quarter. The business climate indicator in the secondary sector remained above its long-term trend, reflecting the high levels of confidence of business leaders in the industrial and construction sectors in how their economic activities were progressing, linked to positive expectations regarding orders and the start-up of new construction sites.

57. The industrial production index posted a 5.1% year-on-year increase in the third quarter of 2018, after 4.2% three months earlier. This growth was mainly attributable to increased manufacturing production (+12.0% compared to +9.3%), particularly in Côte d'Ivoire, Guinea-Bissau, and Mali, reinforced by increased production in the "electricity, gas and water" branch (+4.7% compared to +3.1%) in Benin, Niger, and Senegal. The trend observed in the manufacturing sector was linked to the increase in production of food and beverages (+19.0% compared to 14.0%) and chemicals (+25.2% compared to 22.9%). On the other hand, there was a decline in mining production (-8.3% compared to -5.2%), mainly due to the drop in metal ore production, particularly gold in Côte d'Ivoire, where a temporary work stoppage was observed in some mines.

Table 8 - Year-over-year trends in the Industrial Production Index (IPI) in WAEMU
(SA-WDC, as a %)

Branches	2016	2017	2017		2018		
			Q3	Q4	Q1	Q2	Q3*
Production from extractive activities	-1.1	-4.3	-13.0	-0.4	-2.0	-5.2	-8.3
incl. Crude oil and natural gas	3.3	-0.5	-9.4	-0.7	-7.2	-10.6	8.4
Uranium ores	-12.6	2.6	-12.3	23.1	1.5	-5.0	-4.2
Metal ores	-1.5	3.3	4.0	-3.2	9.3	-4.9	-12.3
Manufacturing industries	4.0	6.2	8.9	4.3	10.1	9.3	12.0
- Food and beverage products	-6.1	9.1	12.3	-0.8	10.5	14.0	19.0
- Refined petroleum products	0.4	1.0	2.2	6.8	-3.0	-2.8	-0.9
- Chemical products	10.2	1.1	9.2	2.3	29.2	22.9	25.2
Electricity, gas, water	16.0	5.5	0.9	3.9	2.5	3.1	4.7
General Index	7.5	5.0	4.7	3.6	6.0	4.2	5.1

Source: BCEAO.

(*) Provisional data

2.1.3 - Tertiary sector

58. The value added generated in the tertiary sector increased by 7.2%, year over year, in the third quarter of 2018, compared to 6.9% in the first quarter of 2018. This increase was driven by the optimism of business leaders in the "Trade" sector regarding trends in their sales and the improvement in their cash flow situation.
59. The turnover indicator in market services (excluding financial services) rose by 6.9% in the third quarter of 2018 compared to 10.2% in the second quarter of 2018, driven in particular by transportation and communication services. The financial services sector index rose by 8.2% in the period under review, compared with a 6.2% increase one quarter earlier, mainly due to an increase in the volume of banking transactions (loans, deposits).
60. The retail trade turnover index rose by 6.9% in the third quarter of 2018 compared to 6.3% in the previous quarter. This increase was mainly attributable to food sales (+13.2% compared to -2.6%), particularly in Benin, Côte d'Ivoire, and Senegal, as well as automobiles (+10.2% compared to -10.8%). Retail sales of pharmaceutical products, although on the rise, showed slower growth on an annual basis (+7.3% compared to +10.8%), particularly in Benin, Côte d'Ivoire, and Niger.

Table 9 - Year-on-year trends in the turnover index (TI) in WAEMU
(SA-WDC, as a %)

	2016	2017	2017		2018		
			Q3	Q4	Q1	Q2	Q3*
Trade TI	2.6	10.1	11.7	7.9	6.9	6.3	6.9
Food products	-2.7	5.9	6.4	-1.6	-6.8	-2.6	13.2
Personal equipment products	-8.3	1.6	3.3	9.7	4.0	-6.5	-2.1
Automobiles, motorcycles, and spare parts	5.5	15.0	21.4	2.7	8.5	-10.8	10.2
Petroleum products	4.0	11.5	9.9	9.3	13.4	9.8	9.9
Pharmaceutical and cosmetic products	6.8	7.3	14.0	8.8	5.4	10.8	7.3
Turnover index for market services (excluding financial services)	-	-	-	-	12.5	10.2	6.9
Financial services	12.7	12.2	8.3	11.8	8.7	6.2	8.2

Source: BCEAO

(*) Provisional data

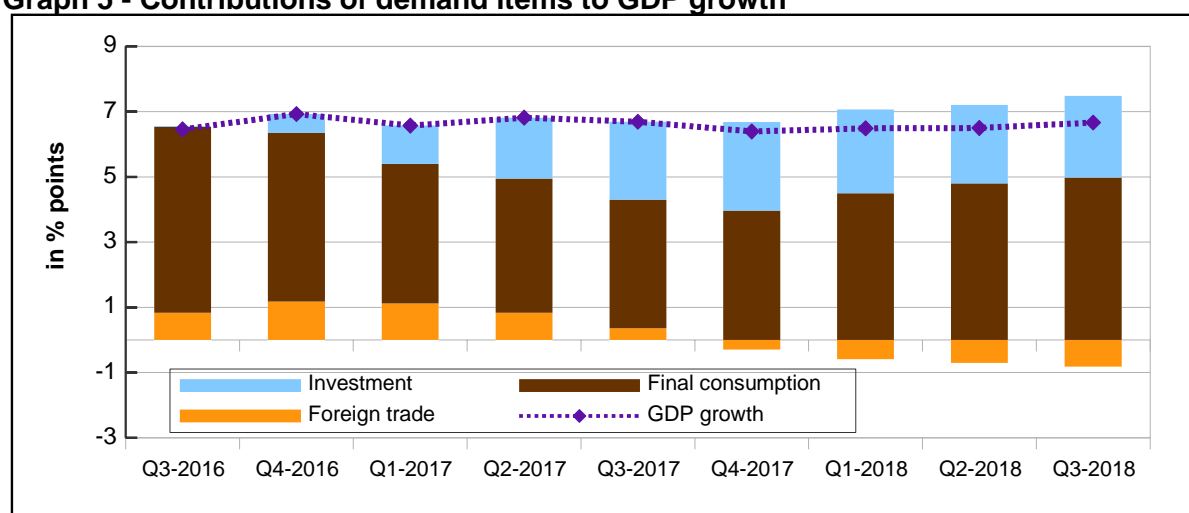
2.2 - Demand factors

2.2.1 - Trends in GDP uses

61. Final consumption continued to drive growth in the Union, contributing 5.0 percentage points to GDP growth. Investment was the second largest source of growth, contributing 2.3 percentage points (pps). In total, domestic demand contributed 7.3 percentage points to GDP growth in the third quarter of 2018. In contrast, foreign trade made a negative contribution of 0.6 pp, after -0.5 pp in the second quarter of 2018.

62. Final consumption grew by 5.9% year on year in the third quarter of 2018, compared with 5.6% a quarter earlier, in the wake of increased household consumption of services, especially communications and transportation, as well food products and electricity.

Graph 5 - Contributions of demand items to GDP growth



Source: BCEAO

63. Investment in the WAEMU Union grew by 8.2% year on year in the third quarter of 2018, driven in particular by construction and public works, in connection with the continued implementation of infrastructure construction programs.

64. The negative contribution of foreign trade to economic growth reflected a relatively greater increase in imports of goods and services than in exports of goods and services.

2.2.2 - Member States' budget execution at the end of September 2018

65. During the first nine months of 2018, the public finance profile of the Union's member states was marked by a greater year-on-year increase in revenue and grants than in public expenditure. This resulted in an easing of the budget deficit compared to the same period in 2017. The overall deficit, on a commitment basis, including grants, was estimated at 1,603.2 billion or 3.1% of the GDP at the end of September 2018, compared with 1,787.2 billion or 3.7% of the GDP at the same period the previous year.

66. Budgetary revenues amounted to 9,880.4 billion over the first three quarters of 2018, an increase of 827.4 billion (+ 9.1%) compared to the same period of the previous year. This increase was mainly attributable to the 800.5 billion (+10.6%) increase in tax revenue.

67. The increase in tax revenue was noted in all the Member States of the Union, with the exception of Guinea-Bissau, where the decline in revenue was due to the impact of sluggish cashew nut sales and exports on domestic demand.

Table 10 - Financial operations of WAEMU Member States

(in billions, unless otherwise indicated)

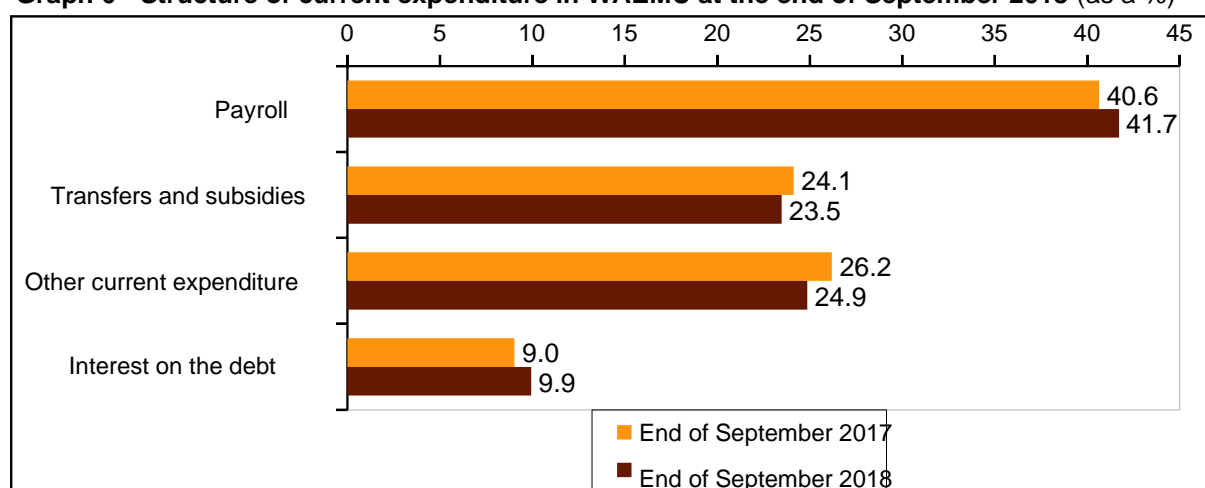
	Sept.- 2017 (1)	Sept. - 2018(*) (2)	Variation (2)/(1)	
			(level)	(as a %)
Budgetary revenue and grants	9,053.0	9,880.4	827.4	9.1
Budgetary revenue	8,489.1	9,266.8	777.7	9.2
<i>Incl. fiscal revenue</i>	7,526.7	8,327.3	800.5	10.6
<i>(% of GDP)</i>	15.8%	16.1%	-	0.3
Grants	563.9	613.6	49.7	8.8
Expenditures and net loans	10,840.2	11,483.6	643.4	5.9
<i>incl. current expenses</i>	7,366.0	7,956.6	590.6	8.0
<i>payroll</i>	2,993.9	3,320.2	326.3	10.9
<i>transfers and subsidies</i>	1,777.4	1,868.0	90.5	5.1
<i>interest on debt</i>	665.3	790.3	125.0	18.8
capital expenditure	3,323.4	3,398.6	75.2	2.3
other expenditure	153.3	139.7	-13.6	-8.9
net loans	-2.5	-11.3	-8.8	350.6
Overall balance (commitment basis) (including grants)	-1,787.2	-1,603.2	184.0	-
<i>(as a % of the GDP)</i>	-3.7%	-3.1%		

Sources: National departments, BCEAO

(*): provisional data

68. Net expenditure and loans, valued at 11,483.6 billion at the end of September 2018, showed a 5.9% year-on-year increase. This was due to the combined increase in capital and current expenditure.
69. The 8.0% increase in current expenditure, estimated at 7,956.6 billion, was driven in particular by changes in personnel expenditure (+10.9%) and interest payments on the debt (+18.8%), in line with the increase in outstanding debt recorded in recent years.
70. Capital spending rose by 2.3%, from 3,323.4 billion at the end of September 2017 to 3,398.6 billion at the end of September 2018, in conjunction with the continued implementation of public investment in infrastructure.
71. Financial transactions conducted by the countries of the Union resulted, at the end of September 2018, in an overall deficit, on a cash basis including grants, of 1,748.9 billion. To finance this deficit, the States relied on the regional public debt securities market.
72. For 2018 as a whole, the overall deficit on a commitment basis was expected to be 3.9% of GDP compared to 4.3% in 2017, according to the official sources.

Graph 6 - Structure of current expenditure in WAEMU at the end of September 2018 (as a %)



Sources: National departments, BCEAO

2.2.3 - Regional public debt market

73. The total gross amount of bonds issued on the regional public debt market over the first nine months of the year amounted to 2,185.7 billion compared to 2,752.4 billion over the same period in 2017. Net bond issues stood at 176.8 billion compared with 668.7 billion the previous year. This downward trend in net issuance, on an annual basis, was related to the reduced presence of Côte d'Ivoire on the regional financial market and the absence of Senegal on the said market since the beginning of 2018.
74. In the Treasury bill segment, resources mobilized amounted to 1,193.0 billion, down 8.7% compared to the same period of the previous year. The 12-month maturity was the most popular, with 62.5% of mobilizations.

Table 11- Gross issues of public securities by auction and syndication on the regional public securities market (in billions of CFA francs)

	2016	2017				Total 2017	2018			Total first nine months of 2018
		Q1	Q2	Q3	Q4		Q1	Q2	Q3	
Bills	1,541.0	618.6	434.4	253.9	271.3	1,578.2	380.2	308.9	503.9	1,193.0
Bonds	2,871.0	191.4	486.6	767.5	676.4	2,121.9	224.8	373.8	394.0	992.7
<i>auction</i>	1,969.7	54.3	215.2	645.5	250.2	1,165.2	112.9	218.1	394.0	725.0
<i>syndication</i>	901.3	137.1	271.5	122	426.2	956.8	111.9	155.7	-	267.7
Total	4,412.0	810.0	921.0	1,021.4	947.7	3,700.1	605.0	682.7	897.9	2,185.7

Source: WAMU Securities

75. The average cost of resources raised by governments in the Treasury bill segment declined, on a quarterly basis. The weighted average interest rate was 5.61% during the third quarter in 2018 compared with 6.00% the previous quarter.

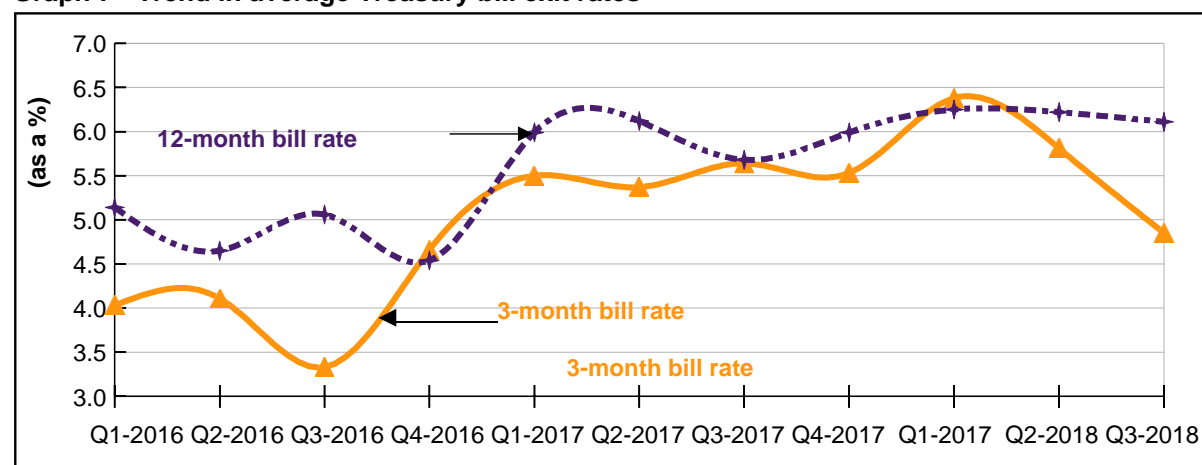
Table 12 - Average interest rates on Treasury Bills (as a %)

Terms	2016 total	2017				2017 total	2018		
		Q1	Q2	Q3	Q4		Q1	Q2	Q3
1 month	3.52	4.94	4.86	-	-	4.91	-	-	-
3 months	3.75	5.5	5.37	5.64	5.62	5.53	6.38	5.81	4.85
6 months	4.75	5.37	5.87	5.38	5.86	5.77	6.09	6.17	5.86
12 months	4.9	5.99	6.12	5.68	5.99	5.99	6.25	6.22	6.11
24 months	5.3	-	-	-	5.78	5.78	-	5.8	-
Average rate	4.72	5.68	5.74	5.58	5.85	5.71	6.22	6.00	5.61

Sources: BCEAO, WAMU Securities.

76. In particular, exit rates for both 3-month and 12-month Treasury bills declined during the quarter under review.

Graph 7 - Trend in average Treasury bill exit rates



Sources: BCEAO, WAMU Securities.

77. In the bond segment, 52 issues were made during the period for a total amount of 992.7 billion. 3-month maturities were the most commonly requested, with thirty-two issues for a total value of 515.1 billion, or 51.9% of the total value of bonds issued for the period. For all issues, the average coupon rate ranged between 6.0% and 7.0%.

Outstanding government securities on the regional market

78. Total outstanding government securities in the regional financial market stood at 9,724.5 billion at the end of September 2018 compared to 9,362.2 billion three months earlier. By country, the outstanding amount of government securities is shown in the table below.

Table 13 - Outstanding government securities at the end of September 2018 by country(*)
(in billions of CFA francs)

	Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAEMU
Bills	175.8	257.5	272.8	23.7	170.5	261.1	0.0	102.9	1,264.2
Bonds	1,261.4	866.9	3,022.3	36.0	991.5	438.8	906.8	936.8	8,460.4
Total	1,437.2	1,124.3	3,295.1	59.7	1,162.0	699.9	906.8	1,039.7	9,724.5

Source: BCEAO

(*) These figures apply to bills and bonds issued on the regional financial market only.

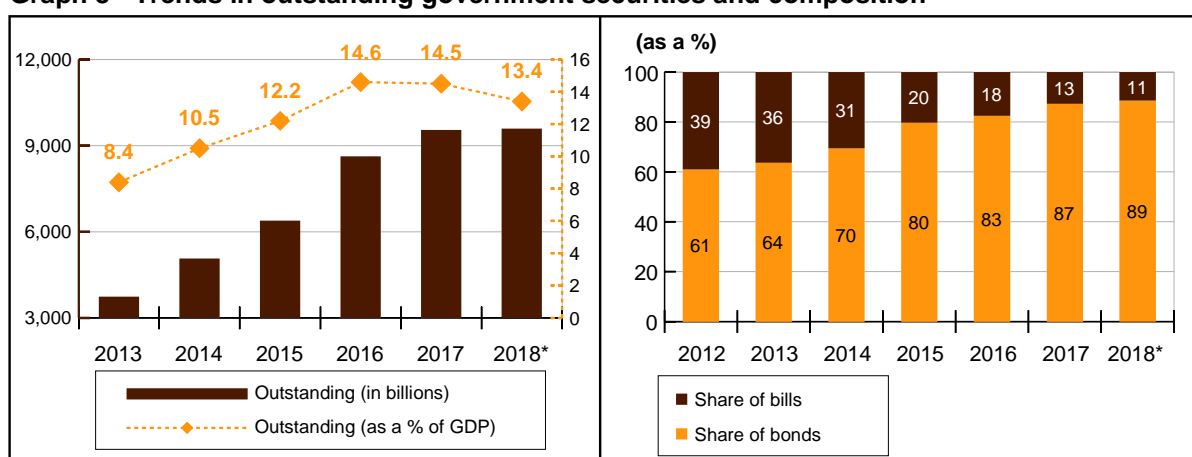
79. On the basis of the issue programs, the gross total value of bonds issued on the regional public debt market was 2,870.0 billion at the end of December 2018 compared with 3,700.1 billion in 2017. Maturities stood at 2,829.5 billion and net issues were positive at 40.5 billion, bringing outstanding government securities to 9,588.2 billion the end of December 2018, i.e., 13.3% of GDP.

Table 14 - Trends in outstanding government securities (in billions, unless otherwise indicated)

	2011	2012	2013	2014	2015	2016	2017	2018 (*)
Outstanding	2,601.7	3,023.9	3,743.9	5043.2	6,388.5	8,621.4	9,547.7	9,588.2
(as a % of the GDP)	6.9	7.3	8.4	10.5	12.2	14.6	14.5	13.4
Relative share								
- bills	36.7	39.0	36.3	30.5	20.3	17.5	12.7	16.0
- bonds	63.3	61.0	63.7	69.5	79.7	82.5	87.3	84.0

Source: BCEAO

(*) forecasts

Graph 8 - Trends in outstanding government securities and composition

Sources: BCEAO, WAMU-Securities

(*): forecasts for end December 2018

2.2.4 - Mobilization of resources on international markets

80. Since the beginning of 2018, Côte d'Ivoire and Senegal leveraged resources on international markets through eurobond issues. For Côte d'Ivoire, the total amount mobilized was 1.7 billion euros, or 1,115.0 billion CFA francs. These resources were raised in two equal tranches, with respective maturities of 12 years at 5.250% and 30 years at 6.625%. Senegal issued two tranches, one in US dollars for an amount of \$1.0 billion, i.e., approximately 531.2 billion CFA francs, at a rate of 6.75% over 30 years, and one in euros for €1.0 billion, i.e., approximately 656.0 billion CFA francs, at a rate of 4.75% over 10 years.

2.2.5 - Foreign and intra-WAEMU trade

2.2.5.1 - Foreign trade

81. In the third quarter of 2018, the Union's trade deficit widened compared to the same period in 2017 to reach 581.8 billion, due to a larger increase in imports (+317.7 billion) than in exports (+223.0 billion). Overall, the rate of import coverage by exports was 85.0% in the third quarter of 2018 compared to 85.1% in the same period in 2017.

82. The increase in exports was mainly due to higher sales of cotton (+55.1%), petroleum products (+45.0%), cashew nuts (+16.5%) and gold (+1.1%), in line with changes in international prices and volumes. In particular, the increase in the volume of cotton exports was due to support measures for the sector implemented in the countries in the Union. The increase in exports was, however, offset by lower revenues from sales of cocoa (-4.4%), rubber (-18.5%), and uranium (-26.3%), against the backdrop of lower prices on international markets for uranium and rubber. The decline in cocoa sales outside the Union was due to a sharp decrease in volumes shipped (-18.1%), which was not offset by the positive effects of the recovery in international prices on export earnings.

Table 15 - Trends in the Union's trade in the third quarter of 2018

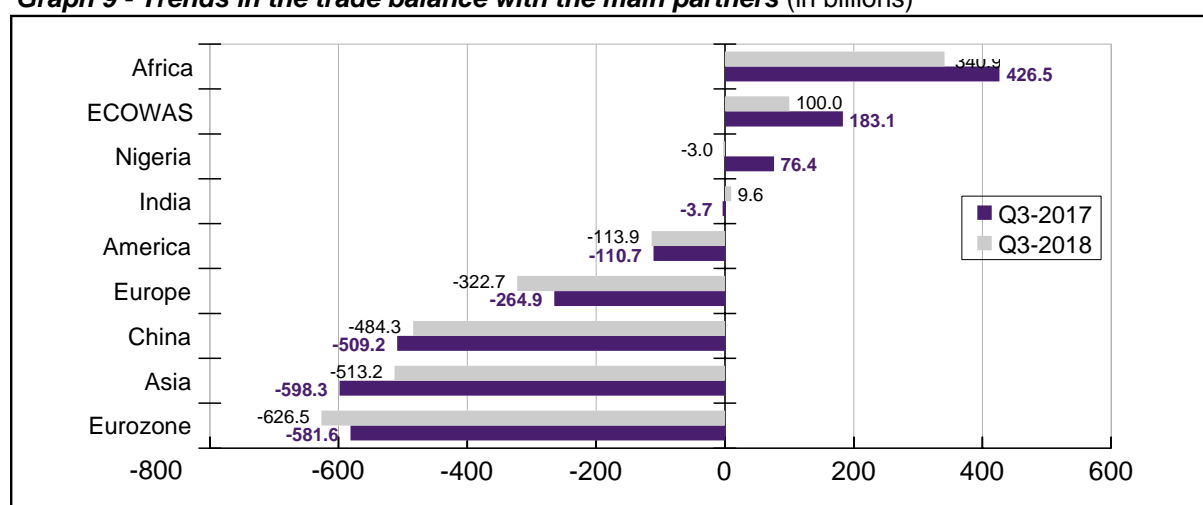
	Q3-2017	Q3-2018*	Annual variation	
	(in billions)		(in billions)	(as a %)
Exports	3,065.8	3,288.8	223.0	7.3
<i>incl. Cocoa products</i>	249.3	238.4	-10.9	-4.4
<i>Gold and precious metals</i>	899.5	909.2	9.7	1.1
<i>Petroleum products</i>	257.3	373.2	115.9	45.0
<i>Cotton products</i>	122.8	190.5	67.7	55.1
<i>Coffee products</i>	24.2	24.3	0.1	0.4
<i>Cashew products</i>	306.8	357.6	50.8	16.6
<i>Rubber</i>	118.8	96.8	-22.0	-18.5
<i>Uranium</i>	35.3	26.0	-9.3	-26.3
Imports (FOB)	3,600.6	3,870.6	270.0	7.5
<i>incl. food products</i>	977.4	948.9	-28.5	-2.9
<i>Consumer goods</i>	341.4	345.2	3.8	1.1
<i>Energy products</i>	632.9	925.4	292.5	46.2
<i>Capital goods</i>	918.1	938.6	20.5	2.2
<i>Intermediate goods</i>	882.9	903.2	20.3	2.3
Trade balance	-534.8	-581.8	-47.0	-8.8
(as a % of the GDP)	-3.3%	-3.3%	-	-

Sources: BCEAO, NSIs, Customs

(*) Estimated data

83. The increase in imports was mainly due to the rise in the oil bill (+46.2%), in line with the surge in prices on international markets. The increase in purchases of capital and intermediate goods (+2.3%), linked to the execution of investment programs, also contributed to the deterioration of the trade balance. External purchases of consumer goods fell by 1.8% in the wake of lower prices for the main food products imported in the Union, notably rice and oils.

84. An analysis of the geographical trends of the Union's commercial trade shows a surplus balance with Africa but a deficit with Europe, America, and Asia.

Graph 9 - Trends in the trade balance with the main partners (in billions)

Sources: BCEAO, NSIs, Customs

85. The Union's trade surplus with its main African partners amounted to 340.9 billion, including 257.9 billion with South Africa, in line with gold shipments from Burkina Faso and Mali to that country. With regard to the other ECOWAS countries outside WAEMU, the trade balance showed a surplus of 100.0 billion. Sales to these countries were exclusively of petroleum products, live animals, chemicals, and food products. The external purchases of Union countries from other African countries consisted exclusively of energy products and intermediate goods.

86. The Union's trade with European countries showed a deficit of 322.7 billion. This unfavorable position can be explained by the deficit with the Eurozone (-626.5 billion), the Union's main supplier of capital and intermediate goods, food products (especially wheat and dairy products) and refined petroleum products. Sales to the Eurozone were largely in cocoa, crude oil, fishery products and uranium. For non-EU countries, WAEMU showed a surplus of 357.9 billion, due to a surplus of 508.4 billion with Switzerland. Exports of goods to these countries were mainly gold and cotton. Imports from these countries were mainly intermediate goods, refined petroleum products and food products.

Table 16 - Geographic trends of WAEMU foreign trade (as a %)

	Export FOB		Imports CIF	
	Q3-2017	Q3-2018	Q3-2017	Q3-2018
I. Europe	37.8	36.5	39.6	39.4
<i>Eurozone</i>	17.7	17.2	31.2	30.8
II. Africa	31.7	31.2	15.1	17.7
ECOWAS	16.0	15.9	8.5	11.0
<i>Nigeria</i>	10.0	10.1	6.4	8.6
<i>Ghana</i>	4.1	4.1	2.0	2.3
CEMAC	0.8	0.9	0.1	0.1
Other African countries	14.9	14.4	6.5	6.6
<i>South Africa</i>	10.5	9.9	1.7	1.7
III. America	5.9	6.0	8.1	8.0
<i>United States</i>	3.0	2.6	4.2	3.9
IV. Asia	23.3	24.6	36.4	34.1
<i>China</i>	2.1	2.1	16.0	14.3
<i>India</i>	7.5	7.9	6.5	6.4
V. Other countries	1.4	1.8	0.8	0.8
VI. Total	100	100.0	100.0	100.0

Sources: BCEAO, NSIs, Customs

87. The Union's trade deficit with the American continent amounted to 113.9 billion. The Union's supplies from America consisted of consumer goods, capital goods and refined petroleum products. Exports to the continent consisted of cocoa, crude oil, and rubber.

88. Trade in goods with Asia showed a deficit of 513.2 billion. In particular, the Union had a trade deficit of 484.3 billion with China. Sales to the Asian continent consisted mainly of cashew nuts, cotton, gold, cocoa, and chemicals. Goods purchased mainly included capital goods, food products—mainly rice from Thailand and India—, and intermediate goods. Intermediate goods from Asia were supplied mainly by China, Japan, and India.
89. For 2018 as a whole, the current account deficit was expected to reach 6.8% of the GDP in 2018 after 6.7% in 2017. However, given the consolidation of net capital inflows, the WAEMU countries' foreign trade was expected to register an overall surplus of 909.5 billion compared to 304.1 billion in 2017.

2.2.5.2 - Intra-WAEMU trade

90. Intra-WAEMU trade was estimated to have risen by 7.4% to 576.3 billion, i.e., 16.1% of the Union's total trade. Côte d'Ivoire and Senegal remained the main suppliers, accounting for 55.4% of total intra-community supply. On the intra-zone demand side, Mali and Burkina Faso were the main destinations for trade flows, accounting for 51.6% of the total. The main products traded were oil, food preparations (milk, broths, etc.), local products (cereals and live animals) and edible oils.

2.3 - Recent economic growth and outlook

91. Based on the latest official statistics, economic activity remained strong in the Union in 2018 when the GDP increased by 6.5% in volume compared to 6.8% in the previous Report.
92. Economic growth in 2018, identical to that recorded in 2017, was supported by the expansion of the service sector and trade activities, in conjunction with the development of transportation and communication infrastructure. Economic growth was also driven by strong industrial performances, as evidenced by the increase during the first eight months of 2018 in the industrial production index. This upturn was driven by robust mining and manufacturing activities as well as by construction and public works, which continued to benefit from the execution of major basic infrastructure projects. In addition, the increase in agricultural production, due to generally satisfactory rainfall, according to the analysis of the AGRHYMET regional center, and the continuation of actions undertaken to revitalize the main agricultural sectors, also supported GDP growth.
93. In Burkina Faso, the rate of economic growth was estimated at 6.7% compared to 7.0% indicated in the September 2018 report, taking into account the impact of the weakened security climate on economic activity. It was also due to constraints on mobilizing own revenues caused by social unrest during the first half of 2018, as well as by the downward revision of investment expenditure, in connection with the slow mobilization of national development plan (PNDES) financing resources.
94. In Côte d'Ivoire, the impact of the recent drop in the price of cocoa, the country's main export, was expected to continue to affect the economy. The growth rate was revised downward by 0.2 percentage points to 7.7%.

95. In Guinea-Bissau, the impact of the drop in cashew nut producer prices, following the return to normal of world prices for the commodity, after the exceptional increase recorded in 2017, affected domestic demand and the trade subsector. On this basis, the country's economic growth was revised to 3.8% in 2018, 2.4 percentage points lower than expected.

Table 17 - Growth rates in WAEMU Member States (as a %)

	2016	2017	2018	
		<i>Estimates</i>	<i>Forecast (September 2018)</i>	<i>Revised projections (October 2018)</i>
Benin	4.0	5.8	6.0	6.8
Burkina Faso	5.9	6.3	7.0	6.7
Côte d'Ivoire	8.0	7.7	7.9	7.7
Guinea-Bissau	6.5	5.7	6.2	3.8
Mali	5.8	5.4	5.2	4.9
Niger	4.9	4.9	5.2	5.2
Senegal	6.2	7.2	7.0	6.8
Togo	5.1	4.4	4.9	4.8
Union	6.4	6.6	6.8	6.6

Sources: BCEAO, NSIs

96. In Mali, the revision of the country's growth rate from 5.2% to 4.9% for 2018 was due to the weaker-than-expected performance of agricultural and extractive activities.

97. Senegal's growth rate was revised downward by 0.2 percentage points due to weaker performances than initially expected in certain industries, particularly the fishery (+1.9% compared to +3.1% initially).

98. In Togo, the socio-political context weighed on economic activity, the pace of which was revised downward by 0.1 percentage points from the figure provided in the September 2018 report.

99. In contrast, in Benin, the growth rate initially projected at 6.0%, was raised to 6.8%, due to a higher than expected increase in cotton production during the 2018-2019 growing season. The seed cotton harvest, which was initially expected to be 600,000 tonnes, was actually estimated at 700,000 tonnes. In addition, the vitality of the Cotonou Port, following increased trade with Nigeria, helped to improve the contribution of the transportation sub-sector.

Table 18- Contributions to growth in the gross domestic product of the Union

	2016	2017	2018
Primary sector	1.9	1.8	1.2
Secondary sector	0.8	1.1	1.6
Tertiary sector	3.7	3.7	3.8
Real GDP	6.4	6.6	6.6
Final consumption	5.7	3.9	4.9
Investment	0.2	1.6	3.7
External sector	0.5	1.1	-2.0
incl. - Exports	1.2	3.4	1.2

Source: BCEAO

100. In view of the changing international and domestic environment, to maintain vigorous growth in the Union, the Member States of the Union should grant priority to the following actions:

- sustainably strengthen the production base and drivers of economic growth. In this regard, it is imperative to speed the implementation of reforms to improve the business climate in order to attract more private investors, especially in the agri-food and manufacturing industries, and
- consolidate the budgetary space. In addition to better rationalization of expenditure on the basis of cost effectiveness, the focus should be placed on increasing the resources of the States.

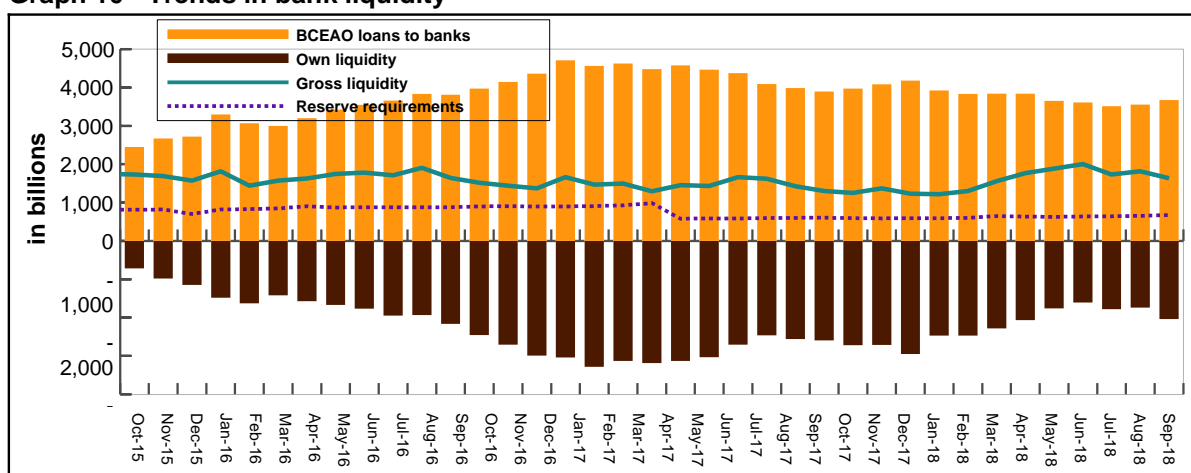
III - CURRENCY, MONETARY TERMS AND FINANCIAL MARKET

3.1 - Monetary terms

3.1.1 - Bank liquidity

101. The cash position of the banks, measured through the balances of ordinary and settlement accounts on the books of the Central Bank, dropped by 370.0 billion during the third quarter of 2018 to 1,631.8 billion at the end of September 2018. This was due to the negative impact of independent factors (-436.3 billion after +678.7 billion in the second quarter) over the period, mitigated by the increase in outstanding refinancing granted by the BCEAO (+66.3 billion compared to -234.5 billion at the end of June 2018).

102. The negative variation in the independent supply of bank liquidity was mainly due to the negative balance of transfers initiated by the banks (-1,020.4 billion) mitigated by returns of banknotes to bank counters (+313.3 billion) and the balance of transactions with national treasury departments (+270.8 billion).

Graph 10 - Trends in bank liquidity

Source: BCEAO

103. The structural liquidity position of banks or the cash assets of the banks, defined as cash excluding BCEAO refinancing, remained in deficit by 2,041.5 billion at the end of September 2018 compared to 1,605.2 billion three months earlier.

104. Banks' reserve requirements over the period of constitution, from August 16 to September 15, 2018, averaged 672.0 billion. Over the same period, the reserves held by the banks averaged 1,648.0 billion, exceeding the minimum regulatory requirement by 976.0 billion.

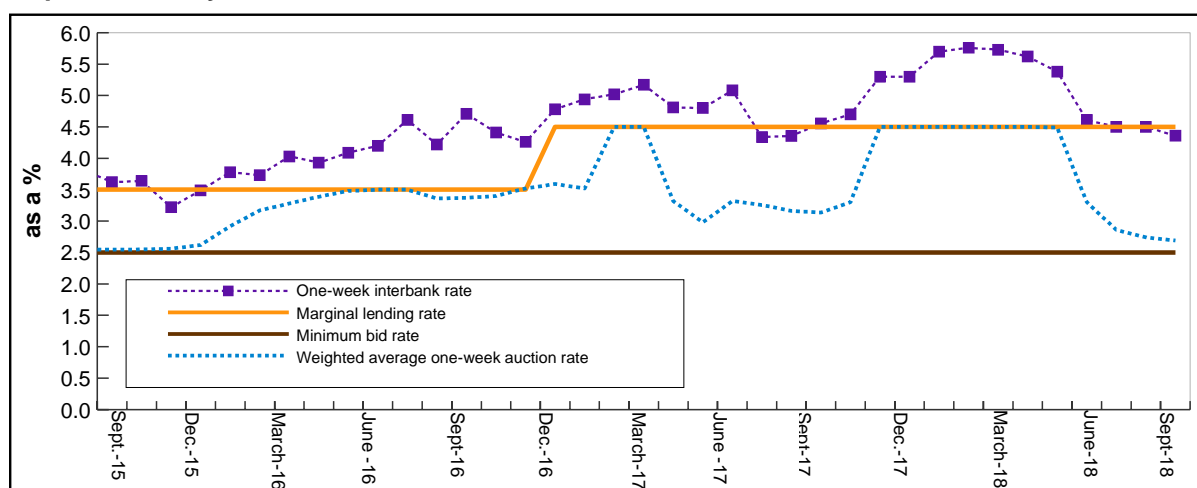
105. Compared to the situation three months earlier, from May 16 to June 15, 2018, excess reserves decreased by 243.6 billion. They represented 145.2% of required reserves compared to 191.7% in the previous quarter. The number of banks with a reserve requirement shortfall increased from three to five.

3.1.2 - Money market interest rate trends

106. An analysis of refinancing conditions on the one-week and one-month tender windows of the BCEAO during the third quarter of 2018 showed an easing in money market rates.

107. The weighted average rate for weekly liquidity operations was 2.7740% in the third quarter of 2018, compared with 4.1516% in the previous quarter and 3.1920% a year earlier. On the one-month window, the weighted average rate was 2.9407% against 4.1809% in the second quarter. In the same period of 2017, this rate was 3.4018%. The quarterly money market average¹, for its part, was 2.5000% following 3.7747% the previous quarter and 3.2029% the previous year.

^{1/} The average quarterly money market rate is the average of the weekly marginal auction rates weighted by the number of days these rates were in force during the quarter.

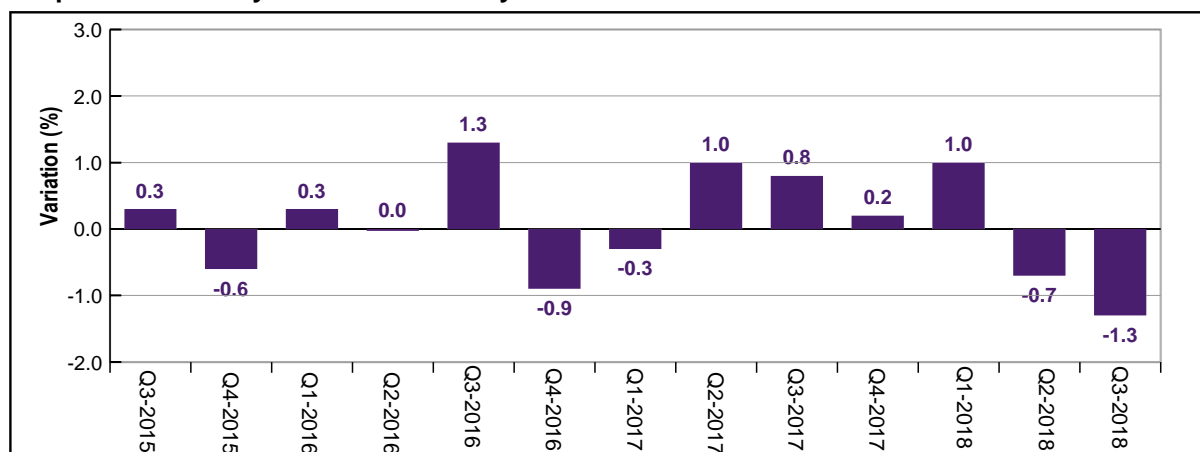
Graph 11 - Money market rate trends

Source: BCEAO

108. On the interbank market, rates fell during the period under review. In line with the trend observed at BCEAO counters, the weighted average interest rate for all maturities combined stood at 4.5521% compared to 5.2571% one quarter earlier. It was down 7 basis points from its level in the third quarter of 2017 (4.6222%). On the one-week maturity, which accounted for 59.6% of the overall quarterly trading volume, the weighted average interest rate was 4.4100% compared to 5.2500% in the previous quarter and 4.3600% a year earlier.

3.1.3 - Changes in monetary conditions²

109. Monetary conditions continued to ease in the third quarter of 2018. The monetary conditions index fell by 1.3% compared to the previous quarter, in line with the decline in the real interest rate in the one-week interbank market (-0.9 percentage points) and the real effective exchange rate (-1.7%).

Graph 12 - Quarterly trends in monetary terms index

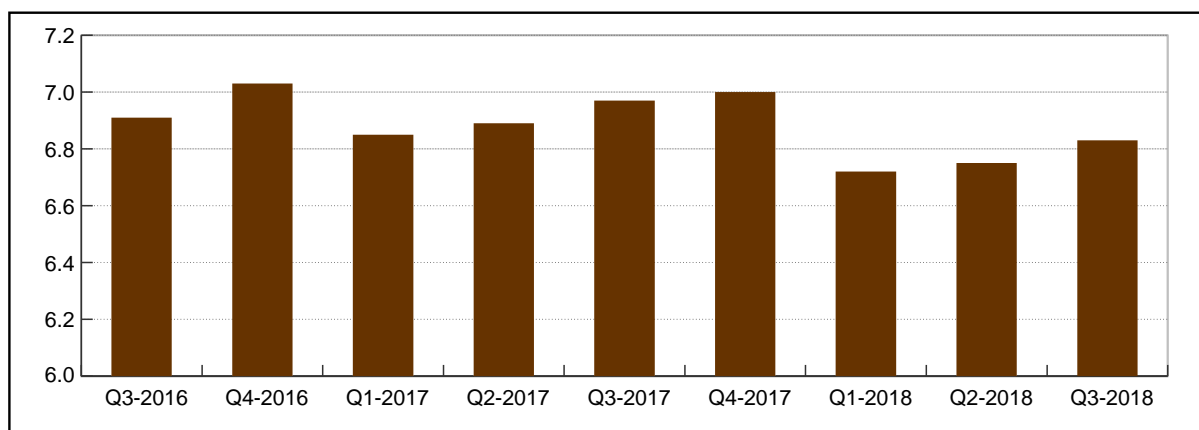
Source: BCEAO

^{2/} The monetary conditions index is a synthetic indicator that makes it possible to assess the combined effects of interest rate 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 are measured against the level of the index corresponding to the baseline period (average over 2000-2010).

3.1.4 - Deposit and lending rates

110. The average lending rate, excluding taxes and fees, was 6.83% in the third quarter of 2018, up by 8 basis points from the previous quarter. In the same period of last year, the indicator stood at 6.97%.

Graph 13 - Average lending rates of banks in WAMU



Source: BCEAO

111. An analysis broken down by loan purpose showed that lending rates experienced contrasting developments during the third quarter of 2018. They were up for loans granted in relation to housing (+38 basis points) and cash flow (+2 basis points) but were down for equipment loans (-38 basis points) and export loans (-23 basis points).

Table 19 - Trends in lending rates in WAMU by loan purpose (as a %)

	2016		2017			2018		
	Q3	Q4	Q2	Q3	Q4	Q1	Q2	Q3
Housing	8.07	7.54	8.25	7.93	8.10	7.85	7.71	8.09
Export	6.89	6.70	6.62	7.96	8.56	7.15	6.62	6.39
Equipment	7.34	7.72	7.16	7.39	7.74	7.74	7.98	7.60
Consumption	7.32	7.84	8.35	8.29	7.99	7.86	8.19	8.19
Cash flow	6.57	6.70	6.53	6.56	6.64	6.33	6.26	6.28
Other	7.41	7.11	7.32	7.38	7.23	6.76	7.07	7.46
Total	6.91	7.03	6.89	6.97	7.00	6.72	6.75	6.83

Source: BCEAO

112. By country, an increase in the cost of bank loans was observed in all countries except Benin and Togo.

Table 20 - Trends in lending rates by country in WAMU (as a %)

	2016		2017			2018		
	Q3	Q4	Q2	Q3	Q4	Q1	Q2	Q3
Benin	8.46	8.14	8.13	7.96	7.84	7.91	8.22	7.66
Burkina Faso	7.66	7.44	6.83	7.45	7.35	7.07	7.18	7.52
Côte d'Ivoire	6.16	6.46	6.58	6.40	6.51	6.22	6.27	6.49
Guinea-Bissau	9.71	8.71	9.26	8.50	9.58	8.22	9.41	9.68
Mali	8.27	7.94	7.79	7.86	8.06	7.98	7.66	8.12
Niger	10.09	9.65	10.10	10.14	9.40	9.61	9.10	9.65
Senegal	5.50	5.65	5.93	5.94	6.29	5.79	5.75	5.80
Togo	8.05	8.29	7.74	8.22	8.33	8.26	8.50	8.09
WAEMU	6.91	7.03	6.89	6.97	7.00	6.72	6.75	6.83

Source: BCEAO

113. On the other hand, the average deposit rate increased on a quarterly basis to 5.51% from 5.30% in the previous quarter.

Table 21 - Trends in deposit rates by country in WAMU (as a %)

	2016		2017			2018		
	Q3	Q4	Q2	Q3	Q4	Q1	Q2	Q3
Benin	5.71	5.83	5.83	5.56	5.80	5.21	5.08	6.08
Burkina Faso	5.41	5.98	5.52	5.74	5.77	5.36	5.41	5.78
Côte d'Ivoire	5.07	5.03	5.07	4.97	4.92	4.80	4.96	5.04
Guinea-Bissau	4.36	3.74	3.70	4.73	3.88	3.79	4.85	4.67
Mali	5.07	4.31	4.91	4.90	4.86	4.95	4.91	4.86
Niger	6.02	6.20	6.04	5.32	5.42	5.19	5.81	5.71
Senegal	5.12	5.21	5.32	5.17	5.46	5.53	5.33	5.52
Togo	5.67	5.57	5.42	5.42	5.34	5.49	5.91	5.63
WAEMU	5.33	5.46	5.33	5.30	5.35	5.29	5.30	5.51

Source: BCEAO

3.2 – Monetary situation

114. The Union's monetary situation at the end of September 2018, compared to that at the end of June, was marked by a moderate increase in the money supply, due solely to the increase in domestic claims, as net external assets were down.

Table 22 - Monetary situation at the end of September 2018

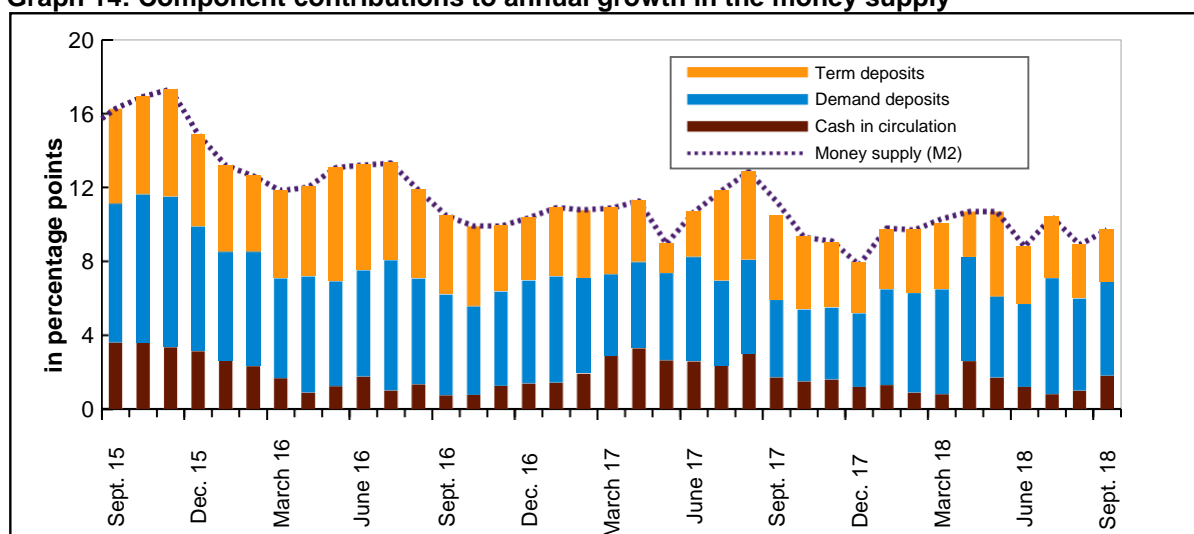
	Sept-2017	March-2018	June-2018	Sept.-2018	Quarterly change (4)/(3)		Year-on-year change (4)/(1)	
	(1)	(2)	(3)	(4)	(level)	(as a %)	(level)	(as a %)
Money supply	23,690.5	25,598.5	25,951.7	26,020.1	68.4	0.3	2,329.6	9.8
Net external assets	4,258.0	6,784.2	6,177.3	5,093.1	-1,084.2	-17.6	835.1	19.6
Domestic claims	25,914.2	26,236.1	26,936.5	27,990.4	1,053.9	3.9	2,076.2	8.0
Net claims on governments	6,716.7	6,077.3	6,637.3	7,495.3	858.0	12.9	778.6	11.6
Claims on the economy	19,197.5	20,158.7	20,299.3	20,495.2	195.9	1.0	1,297.7	6.8

Source: BCEAO

3.2.1 – The Money supply and its components

115. The quarterly rate of money supply growth slowed in the third quarter of 2018 to 0.3% at the end of September from 1.4% three months earlier. On an annual basis, the money supply recorded an increase of 9.8% compared to 8.9% three months earlier, driven by the consolidation of domestic claims (2,076.2 billion) and net external assets (835.1 billion). The year-on-year increase in the money supply was reflected in the trends in currency in circulation and deposits. The annual rate of growth in currency in circulation was 8.2% at the end of September 2018, compared to 4.3% at the end of June 2018. Deposits grew by 10.3%, year on year, after a 10.4% increase a quarter earlier.

Graph 14: Component contributions to annual growth in the money supply

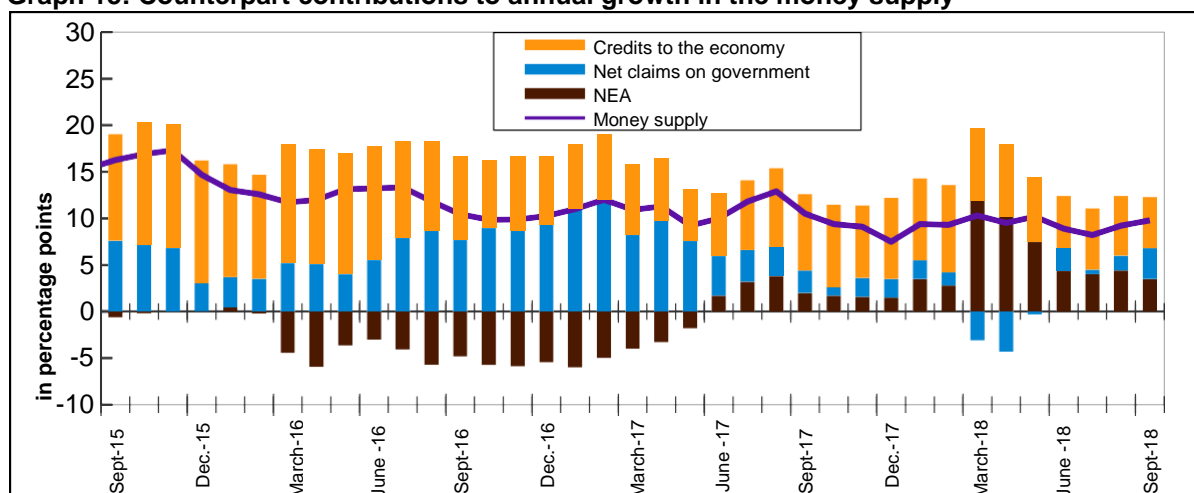


Source: BCEAO

3.2.2 - Counterparts of the money supply

116. The growth in the money supply over the third quarter of 2018 was attributable to an increase in domestic claims.

Graph 15: Counterpart contributions to annual growth in the money supply



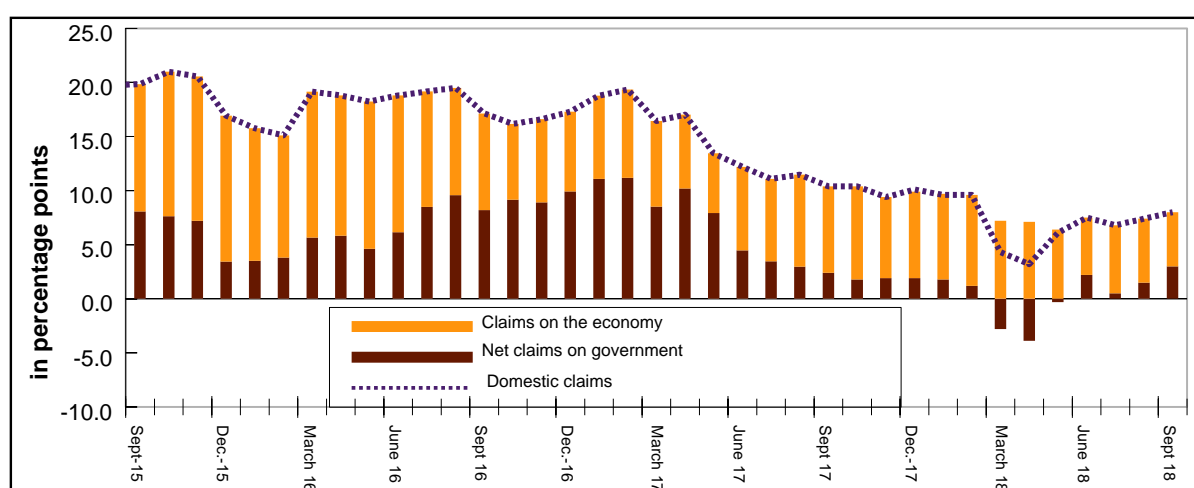
Source: BCEAO

Domestic claims

117. On a quarterly basis, growth in domestic claims strengthened to 3.9% at the end of September 2018, after 2.7% three months earlier. This quarter-on-quarter change was due to an increase of 858.0 billion in net claims of deposit-taking institutions on central governments of the Union's Member States combined with the increase of claims on the economy (+195.9 billion).

118. In terms of annual change, the pace of growth of outstanding domestic claims rose to 8.0% at the end of September 2018, after 7.5% three months earlier. This increase was mainly attributable to growth in claims on central governments (+11.6% compared to +8.9% three months earlier). The contributions of net claims on central governments and claims on the economy to the increase of domestic claims came to 3.0 percentage points (pps) and 5.0 pps compared to 2.2 pps and 5.3 pps, respectively, at the end of June 2018.

Graph 16 - Contributions of the components to the annual growth of domestic claims



Source: BCEAO

Net claims on central governments of Member States

119. Net claims of deposit-taking institutions on central governments increased by 12.9% or 858.0 billion in the third quarter of 2018, after an increase of 9.2% or 559.9 billion in the second quarter of 2018. The higher growth rate was due to the increase in banks' net claims on the central government (+479.6 billion), as well as due to the increase in the BCEAO's net claims on central governments (+378.4 billion), driven by a decline in government deposits at the BCEAO (-417.4 billion).

Claims on the economy

120. In the third quarter of 2018, growth in claims on the economy came in at 1.0%, quarter-on-quarter, compared to 0.7% three months earlier. By category of beneficiary, bank loans to public corporations increased by 2.4% or 29.7 billion from one quarter to the next, while loans to the private sector increased by 0.3% or 50.1 billion over the same period. The trends in loans to the private sector were due to an increase in bank loans to households and nonprofit institutions serving households (+6.1% or 376.0 billion), partially offset by a contraction in credit to private nonfinancial companies (-2.8% or -326.0 billion).

121. Year on year, claims on the economy rose by 6.8%, after 7.1% in the previous quarter.

Net external assets (NEA)

122. At the end of September 2018, the outstanding net external assets of WAMU deposit-taking institutions fell by 1,084.2 billion after a decline of 606.9 billion in the previous quarter. This change was driven by the deterioration of the Central Bank's net external assets, while those of the banks increased slightly.

123. The NEA of the BCEAO stood at 6,461.9 billion at the end of September 2018, down by 1,132.9 billion from the level recorded three months earlier. This change reflected a decline in external claims (-1,070.8 billion), pertaining to official foreign exchange reserves only, combined with a slight increase in external liabilities (+62.1 billion). The quarter-on-quarter drop in external claims was mainly due to the negative balance of transfers via the BCEAO (-1,019.6 billion). In the corresponding period of 2017, net transfers were negative by 722.7 billion. At the end of September 2018, the Union's foreign exchange reserves stood at 8,556.5 billion, corresponding to a monetary issue coverage rate of 79.5% compared to 82.0% three months earlier. This level of foreign exchange reserves provides coverage for 4.8 months of imports of goods and services, compared to 5.4 months at the end of June 2018.

124. Banks' NEA improved by 48.7 billion in the third quarter of 2018, driven by a larger decline in their liabilities to non-residents (-132.8 billion) than in their external claims (-84.1 billion) over the period.

125. On an annual basis, the net external assets of the Union's deposit-taking institutions increased by 835.1 billion or 19.6% at the end of September 2018, reflecting the increase in the NEAs of the BCEAO (+1,083.4 billion), partially offset by the deterioration of banks' net external assets (-248.3 billion) over the period.

3.2.3 - Uses and resources of banks

126. The activity of the Union's banking system during the third quarter of 2018 was marked by a decrease in credit institutions' resources and an increase in uses, entailing the deepening of the structural cash deficit compared to the previous quarter. The quality of lending institutions' portfolios deteriorated over the same period.

127. Between June 2018 and September 2018, the banking system's resources fell by 246.5 billion (-0.9%) to 28,059.3 billion, mainly in connection with the decline in outstanding deposits, especially ordinary accounts (-383.6 billion or -3.1%).

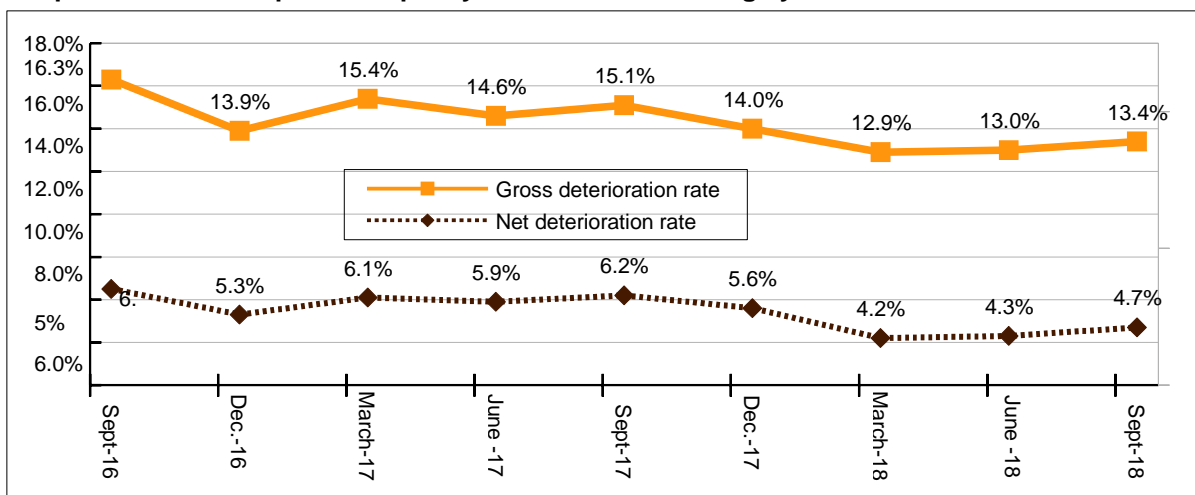
128. Over the same period, banking uses increased by 187.1 billion (+0.6%) to 30,729.7 billion.

129. Total outstanding loans granted to the 50 Largest Corporate Users of Bank Loans in each Member State of the Union stood at 6,199.5 billion at the end of September 2018, up by 2.5% from the previous quarter and 10.2% year over year. They represented 46.4% of the loans reported to the Union's Central credit register at the end of September 2018, compared to 46.1% three months earlier. The loans granted to the 50 large corporate users of bank loans in all of the countries of the Union represented 30.9% of loans to the economy at the end of June 2018, compared to 30.8% at the end of March 2018 and 31.6% a year earlier. At sector level, more than four-fifths of large risks were carried by companies operating in the

"wholesale trade" (27.6%), "community services" (18.8%), "manufacturing industries" (14.7%), "transportation and communications" (12.0%) and "construction and public works" (9.9%) sectors.

130. The portfolio quality of banks and bank-like financial institutions in the Union deteriorated to 13.4% at the end of September 2018 from 13.0% at end-June 2018. The net deterioration rate of the banks' portfolios was 4.7% compared to 4.3% a quarter earlier.

Graph 17 - Trends in portfolio quality in the WAMU banking system



Source: BCEAO

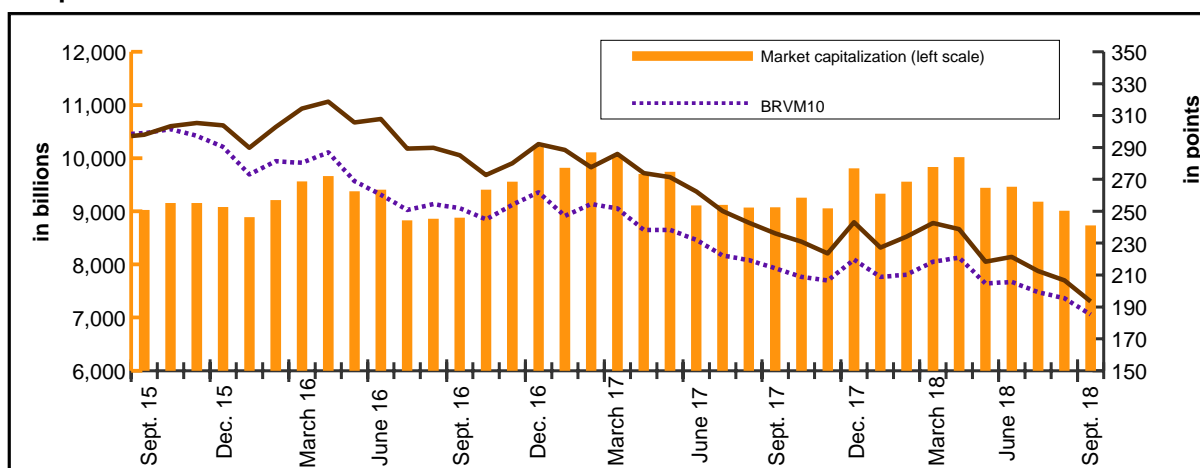
3.2.4 - Central Bank interventions

131. The overall volume of BCEAO interventions amounted to 5,591.5 billion at the end September 2018 compared to 5,550.6 billion three months earlier i.e., an increase 40.9 billion. This change resulted from the increase in refinancing granted by the Central Bank to the banks and financial institutions of the Union (+66.3 billion), partially offset by the contraction in the Central Bank's claims on national treasury departments (-25.4 billion).
132. At the end September 2018, the outstanding loans granted by the central bank to banks and financial institutions stood at 3,673.3 billion compared to 3,607.0 billion three months before.
133. The decline in the Central Bank's claims on national treasury departments over the period was due to the decline in the implementation of IMF loans (-4.8 billion), combined with the repayment of loans backed by SDR allocations (-18.7 billion) and consolidated monetary loans (-0.7 billion).
134. Outstanding refinancing granted by the BCEAO to banks and backed by government securities stood at 2,837.2 billion at the end September 2018, representing 30.9% of fiscal revenues for the year before the previous fiscal year (2016), compared to a maximum standard of 35%.

3.3 - WAMU financial market

135. Subregional stock market activity continued its downward trend during the third quarter of 2018. The overall index, the BRVM Composite, fell 12.6% to close at 193.47 points in September 2018 from 221.35 points at the end of June 2018. Similarly, the index of the ten most active stocks, the BRVM10, fell by 10.0% to 185.19 points, after 205.67 points three months earlier.

Graph 18 - Trends in BRVM indicators



Source: BRVM

136. In the wake of the benchmarks, all sector indexes, "Agriculture" "Industry", "Distribution", "Public services", "Finance" and "Transportation", declined over the period, with the exception of "Other Sectors".

137. On an annual basis, the BRVM Composite and BRVM10 indexes fell by 18.1% and 13.6% respectively.

138. The market capitalization of all listed securities stood at 8,731.71 billion at the end of September 2018, down 728.7 billion or 7.7% from the level recorded three months earlier. This change was due to the decrease in the capitalization of the equity market (-784.2 billion or -12.6%), mitigated, however, by the increase in that of the bond market (+55.5 billion or +1.7%). Similarly, on an annual basis, the overall market capitalization of the BRVM recorded a decline of 3.8%.

IV - INFLATION AND EXTERNAL COMPETITIVENESS

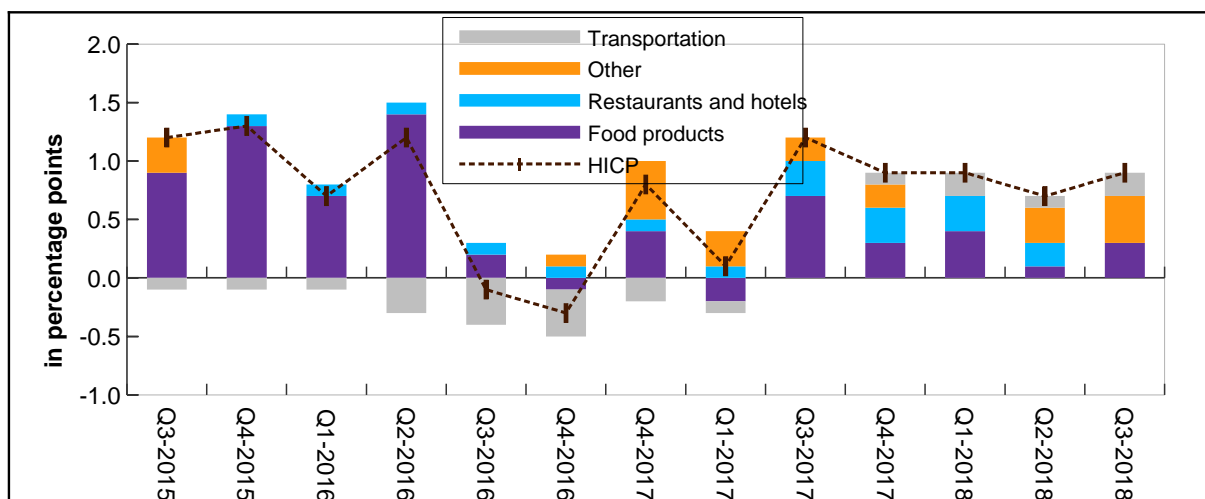
4.1 - Recent trends in inflation³

139. The third quarter of 2018 saw a recovery in annual growth in the Harmonized Index of Consumer Prices (HICP) after a slowdown noted in the previous quarter. The year-on-year inflation rate stood at 0.9% in the third quarter of 2018, after 0.7% in the previous quarter. This trend was mainly attributable to the "Food" component, whose contribution to total inflation rose from +0.1 percentage point in the second quarter of 2018 to +0.3 percentage point in the third quarter of 2018. The rise in food prices was due mainly to the increase in the price of cereals in Burkina Faso and Mali, in connection with inadequate market supplies. It was

³ In March 2017, the WAEMU Council of Ministers adopted Regulation No. 03/2017/CM/UEMOA, on the methods for preparation, calculation, and dissemination of the Harmonized Index of Consumer Prices in the WAEMU Member States (HICP baseline 2014). The Regulation specifies that the new index is effective as of January 2017. National indexes using the 2014 baseline are not yet available for all countries of the Union. Accordingly, the analyses in this report use the baseline 2008 HICP.

also due to the increase in the price of fishery products in Senegal and Togo, in connection with the decline in supply. In addition, upward adjustments in fuel prices in Benin, Côte d'Ivoire, and Togo weighed on the upward price trend.

Graph 19 - Contributions to year-on-year change in the HICP in WAEMU



Source: BCEAO

140. The contributions to inflation from the “Transportation” and “Apparel” components also increased by 0.1 percentage point, respectively. The increase in the “Transportation” component was the result of the higher fuel prices in Benin, Côte d’Ivoire, and Togo, as well as the increase in the cost of transportation services in Niger.
141. However, the rate of increase of prices in the “Hotels and Restaurants” component slowed over the period under review. Their contribution to total inflation was zero in the third quarter of 2018, compared to +0.2 percentage points a quarter earlier. This trend essentially reflected the lower prices for restaurant services in Côte d’Ivoire.
142. An analysis by nature showed an increase in the rate of growth in the price of goods to +0.8% in the third quarter of 2018 from +0.6% in the previous quarter, in connection with higher food prices. As for services, price growth general slowed slightly, rising by 0.9% in the third quarter of 2018 compared to 1.0% in the previous quarter, linked to higher costs for restaurant services.
143. Core inflation, which measures the change in overall price levels excluding fresh food and energy, was 1.0% year on year in the third quarter of 2018 compared to 0.7% a quarter earlier. This situation was the result of the above-mentioned changes in the prices of transportation services and items of apparel.

Table 23 - Trend in core inflation

	Components	weighted. (as a %)	Q2-2017	Q3-2017	Q4-2017	Q1-2018	Q2-2018	Q3-2018
Annual variation (as a %)	Fresh produce	16.6	-2.3	3.0	1.1	1.6	0.5	0.2
	Energy	7.5	-3.0	-1.3	-0.4	-0.3	1.2	2.5
	Core Index	75.9	1.1	1.1	1.1	0.9	0.7	1.0
Contributions (in % points)	Fresh produce	16.6	-0.5	0.5	0.2	0.3	0.1	0.0
	Energy	7.5	-0.2	-0.1	-0.1	0.0	0.1	0.2
	Core Index	75.9	0.8	0.8	0.8	0.6	0.5	0.7
	Total	100	0.1	1.2	0.9	0.9	0.7	0.9

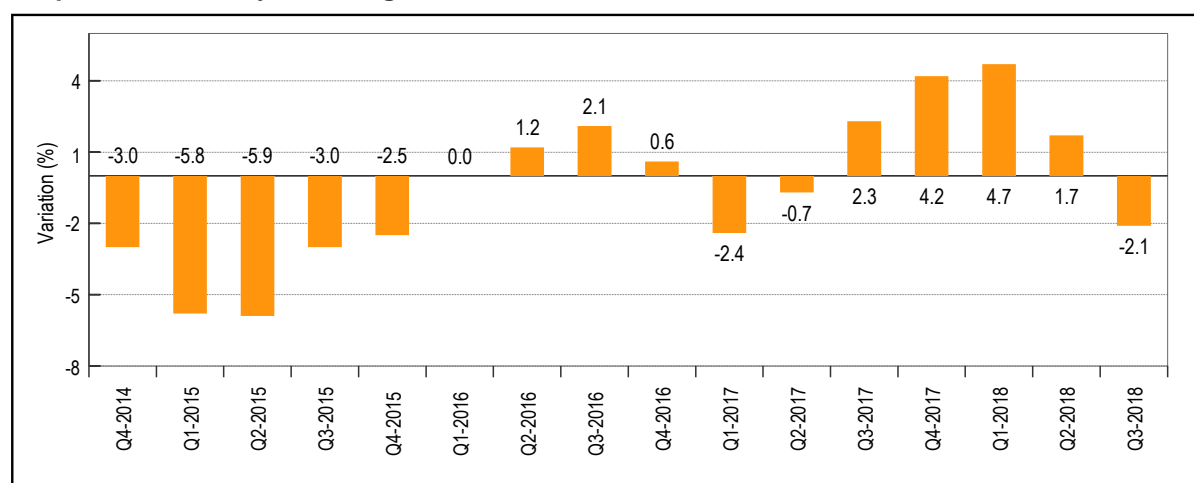
Sources: BCEAO, NSIs

144. An analysis by country showed that the increase in the rate of inflation in the third quarter of 2018 was localized mainly in Côte d'Ivoire and Togo. In Côte d'Ivoire, the trend was essentially driven by the "Food" component, whose contribution to total inflation was zero in the third quarter of 2018 against -0.7 percentage points one quarter earlier. In Togo, the upswing reflected the increase in the price of unprocessed cereals and fishery products in relation to the decline in supply. It was also related to the increase in food service costs and fuel prices.

4.2 - External Competitiveness

145. The real effective exchange rate (REER) fell by 2.1% in the third quarter of 2018 compared to the same period the previous year. This change reflects a gain in the Union's competitiveness linked mainly to the inflation differential in favor of the Union (-3.0%) compared to its partners, partially offset by a rise in the nominal effective exchange rate (+0.8%).

146. The change in the nominal effective exchange rate in the third quarter of 2018 reflects the annual appreciation of the CFA franc against the Ghanaian cedi (+2.9%), the South African rand (+5.7%), the Canadian dollar (+3.3%), the Swiss franc (+1.2%) and the Chinese yuan (+1.1%). Over the same period, the inflation rate in the Union was 0.9% compared to an average of 3.9% in the partner countries.

Graph 20 - Year-on-year change in the REER

Source: BCEAO

(*): estimates

(-) for gains and (+) for losses in competitiveness.

147. The table below shows the gains or losses in overall competitiveness vis-à-vis the partner groups.

Table 24 - Trends in competitiveness by partner group (as a %)

Partner countries	Year		Quarterly variations			Annual variations		
	2016	2017	Q1-2018	Q2-2018	Q3-2018(*)	Q1-2018	Q2-2018	Q3-2018 (*)
Industrialized countries	0.6	0.3	2.3	-0.8	-1.9	3.0	1.4	-1.0
Eurozone	0.0	-0.7	1.7	-0.6	-1.5	-0.4	-1.1	-1.4
Surrounding countries (**)	3.4	9.3	-5.3	-5.4	-4.2	2.9	-0.3	-7.4
Asian countries	1.0	-0.4	6.6	-2.9	-1.9	10.7	4.0	-2.2
EU countries	1.0	-0.2	1.6	-0.6	-1.3	-0.2	-0.9	-1.4
Emerging countries	2.5	-3.3	3.9	-1.6	0.7	8.2	3.6	-0.2
CEMAC	-0.6	-0.1	2.7	1.1	-1.4	0.8	0.5	0.7
All	1.6	0.8	1.4	-1.9	-1.7	4.7	1.7	-2.1

Source: BCEAO

(*) Estimates

(+) Appreciation of the REER or loss of competitiveness

(-) Depreciation of the REER or gain in competitiveness

(**) I.e., Gambia, Ghana, Guinea, Mauritania, and Nigeria.

V - INFLATION FORECASTS

148. Projections of the general price level are based on the outlook for the international environment and domestic economic conditions. They are based, in particular, on forecasts for international food and oil prices and the euro/dollar exchange rate. Internally, they take into account the expected trends in food production.

5.1 - Assumptions used for inflation forecasts

149. The forecasts assumed a recovery in world oil prices in 2018 and 2019, followed by a relative decline in 2020. The average price of crude oil (WTI) is expected to rise from \$51.0 in 2017 to \$68.6 in 2018, reaching \$68.9 in 2019 and \$67.5 in 2020.⁴

150. On the foreign exchange market, the average euro exchange rate is expected to rise from \$1.13 in 2017 to \$1.19 in 2018, then \$1.20 in 2019 and 2020.

151. The assumptions about imported inflation also incorporate the outlook for the general price level at the global level. In particular, the inflation rate in the Eurozone⁵ is expected to rise from 1.5% in 2017 to 1.7% in 2018, 2019 and 2020.

152. FAO projections indicated a 0.3% increase in global cereal production in 2017 compared to 2016. Global grain supply is expected to remain ample overall in 2018, given the high level of stocks. Under these conditions, a 5.0% increase in the prices of the main food products (rice and wheat in particular) was assumed for the projections for the 2018-2020 period.

153. According to the Permanent Interstate Committee for drought control in the Sahel (CILSS), the 2018/2019 crop year was marked by excess rainfall with, however, periods of drought in some regions of Mali and Senegal. On this basis, the projections counted on a 5.1% increase in cereal production for the 2018/2019 season. A similar outlook is expected for

4/ Futures market data is from Bloomberg

5/ September 2018 ECB forecast.

for the 2019/2020 growing season.

154. In the light of the uncertainties surrounding global economic trends, two additional inflation scenarios, one higher and one lower, were developed to track the medium-term outlook for inflation. These scenarios were built around the median forecasts for trends in the main determining factors of inflation, with margins of plus or minus 5 points (cereal production, imported food prices, exchange rate), or plus or minus 10 US dollars (price per barrel of crude oil).

Table 25 - Inflation forecast assumptions (as a %)

	2017	2018			2019			2020		
		Lower	Median	Higher	Lower	Median	Higher	Lower	Median	Higher
Barrel of oil (WTI, in dollars)	51.0	58.6	68.6	78.6	58.9	68.9	78.9	57.5	67.5	77.5
Euro/dollar exchange rate	1.13	1.22	1.19	1.16	1.25	1.20	1.15	1.25	1.20	1.15
Eurozone inflation (%)	1.5	1.2	1.7	2.2	1.2	1.7	2.2	1.2	1.7	2.2
Food prices (%)	8.1	0.0	5.0	10.0	0.0	5.0	10.0	0.0	5.0	10.0
Union cereal production (%)	2.8	10.0	5.0	0.0	10.0	5.0	0.0	10.0	5.0	0.0

Sources: Bloomberg, ECB, BCEAO

5.2 - Inflation profile over the next eight quarters

155. The forecasts presented in the table below take into account the low, high, and median assumptions.

Table 26 - Inflation outlook in WAEMU (as a %)

	Year-on-year change									Average				
	2018		2019				2020			2017	2018	2019	Eight quarters	
	Q3 Actual	Q4 Fcst	Q1 Fcst	Q2 Fcst	Q3 Fcst	Q4 Fcst	Q1 Fcst	Q2 Fcst	Q3 Fcst					
Lower scenario	0.9	0.8	0.5	0.4	0.5	0.5	0.5	0.8	0.8	0.8	0.8	0.9	0.4	0.6
Median scenario	0.9	1.0	1.0	1.1	1.2	1.3	1.3	1.4	1.4	0.8	0.9	1.1	1.1	1.2
Higher scenario	0.9	1.2	1.4	1.8	1.9	2.0	2.0	2.0	2.0	0.8	0.9	1.9	1.9	1.8

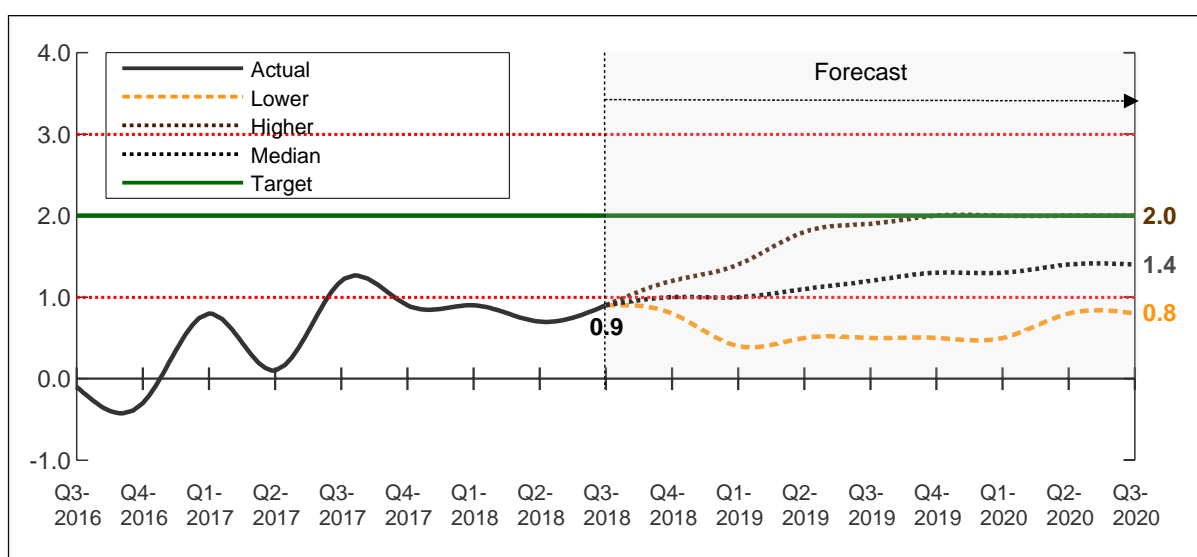
Source: BCEAO

156. For the median scenario, the year-on-year inflation rate is projected at 1.0% in the fourth quarter of 2018, up from 0.9% in the third quarter of 2018. This slight rebound was linked to the increase in fuel prices in most countries in line with the impact of crude oil prices on domestic prices.

157. The annual average inflation rate in the Union was expected to stand at 0.9% in 2018, relatively stable compared to the previous forecast. The increase in prices in 2018 was driven primarily by higher prices for local food products, including vegetables and fishery products, as well as restaurant and transportation services. This trend reflected the impact of the constraints on food supplies observed in certain countries, mainly in the first half of the year.

158. Looking ahead eight quarters, the forecasts placed the inflation rate at 1.4% year over year, in the comfort zone (between 1.0% and 3.0%) defined for the implementation of the Union's monetary policy.

Graph 21 - Year-on-year inflation forecasts in WAEMU (as a %)



Source: BCEAO

5.3 - Threats to the inflation outlook

159. Among the downside risks that could affect inflation projections over the next few quarters, there may be a decline in the prices of products imported by Union countries, particularly in connection with the impact of the trade war between the United States and some of its partners.

160. Upside risks were linked to the stronger than expected increase in oil prices, in connection with rising in geopolitical tensions in the Middle East. In addition, the persistence of security problems, particularly in the Sahelian zone, could disrupt marketing channels and ultimately lead to an increase in prices.

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APPENDICES

Table A.1: Issues of Treasury bills in 2018

Table A.2: Treasury bond issues in 2018

Table A.3: WAMU: Summary situation of the Central Bank

Table A.4: WAMU: Summary situation of the banks

Table A.5: WAMU: Monetary aggregates

Table A.6: WAMU: Net claims on central governments

Table A.7: Breakdown of inflation in WAEMU

Table A.1: Issues of Treasury bills since the beginning of 2018 (*)

(in millions of CFA francs, unless otherwise indicated)

Issuer	Maturity	Date of issue	Value date	Expiry date	Amount advertised	Amount offered	Amount accepted	Marginal rate	Weighted average rate
Niger	3 months	01/15/2018	01/16/2018	04/05/2018	25,000	9,000	9,000	6.50	6.33
Niger	3 months	03/22/2018	03/23/2018	06/21/2018	10,000	9,893	9,893	6.70	6.45
Benin	3 months	03/29/2018	03/30/2018	06/28/2018	20,000	24,369	22,000	6.50	6.38
Niger	3 months	05/08/2018	05/09/2018	08/07/2018	10,000	36,090	21,353	6.25	6.12
Burkina Faso	3 months	06/13/2018	06/14/2018	09/12/2018	25,000	71,650	27,500	5.75	5.50
Cote d'Ivoire	3 months	07/17/2018	07/18/2018	10/16/2018	35,000	86,711	36,296	5.15	5.05
Cote d'Ivoire	3 months	08/29/2018	08/30/2018	11/28/2018	30,000	79,137	33,000	5.00	4.68
Cote d'Ivoire	3 months	09/11/2018	09/12/2018	12/11/2018	30,000	61,021	32,654	4.48	4.36
Cote d'Ivoire	3 months	09/11/2018	09/12/2018	12/11/2018	30,000	61,021	32,654	4.48	4.36
Niger	3 months	09/13/2018	09/14/2018	12/13/2018	30,000	39,587	33,000	6.02	5.80
Subtotal					245,000	478,479	257,350	-	-
Burkina Faso	6 months	02/07/2018	02/08/2018	08/08/2018	25,000	37,431	25,338	6.26	6.12
Niger	6 months	02/22/2018	02/23/2018	08/23/2018	20,000	17,611	17,611	6.75	6.43
Cote d'Ivoire	6 months	02/27/2018	02/28/2018	08/28/2018	40,000	28,301	28,301	5.70	5.29
Niger	6 months	03/26/2018	03/27/2018	09/24/2018	20,000	19,000	19,000	6.85	6.73
Mali	6 months	03/28/2018	03/29/2018	09/26/2018	25,000	13,833	13,033	6.50	6.40
Niger	6 months	04/27/2018	04/30/2018	10/28/2018	20,000	35,879	22,000	6.45	5.98
Niger	6 months	05/17/2018	05/18/2018	11/15/2018	10,000	21,534	19,939	6.50	6.23
Niger	6 months	06/07/2018	06/08/2018	12/06/2018	10,000	20,288	17,657	6.50	6.30
Benin	6 months	08/09/2018	08/10/2018	02/07/2019	25,000	65,668	27,500	5.96	5.86
Subtotal					195,000	259,545	190,379	-	-
Burkina Faso	1 year	01/09/2018	01/10/2018	01/08/2019	25,000	19,612	19,112	6.50	6.39
Benin	1 year	01/11/2018	01/12/2018	01/10/2019	20,000	19,998	19,998	6.50	6.34
Togo	1 year	01/12/2018	01/13/2018	01/13/2019	15,000	5,132	5,132	6.90	6.71
Ivory Coast	1 year	01/16/2018	01/17/2018	01/15/2019	35,000	39,403	28,000	5.80	5.73
Mali	1 year	01/17/2018	01/18/2018	01/16/2019	25,000	23,391	18,619	6.50	6.34
Niger	1 year	01/25/2018	01/26/2018	01/24/2019	25,000	21,667	20,357	6.50	6.42
Ivory Coast	1 year	02/06/2018	02/07/2018	02/05/2019	35,000	36,401	30,806	5.61	5.61
Guinea-Bissau	1 year	02/13/2018	02/14/2018	02/12/2019	6,000	4,450	4,350	6.50	6.28
Togo	1 year	02/16/2018	02/19/2018	02/17/2019	20,000	19,063	19,063	6.90	6.58
Burkina Faso	1 year	02/21/2018	02/22/2018	02/20/2019	25,000	18,566	18,566	6.50	6.42
Burkina Faso	1 year	03/07/2018	03/08/2018	03/06/2019	30,000	23,664	20,664	6.50	6.47
Mali	1 year	03/14/2018	03/15/2018	03/13/2019	25,000	14,515	13,515	6.50	6.46
Togo	1 year	03/16/2018	03/19/2018	03/17/2019	20,000	17,820	17,820	6.91	6.62
Guinea-	1 year	04/05/2018	04/06/2018	04/04/2019	5,000	5,562	5,512	6.75	6.62
Bissau	1 year	04/13/2018	04/16/2018	04/15/2019	20,000	50,381	22,000	6.45	6.26
Benin	1 year	04/18/2018	04/19/2018	04/17/2019	20,000	56,988	22,000	6.25	6.16
Burkina Faso	1 year	04/25/2018	04/26/2018	04/24/2019	20,000	46,550	22,000	6.10	5.99
Mali	1 year	05/02/2018	05/03/2018	02/20/2019	20,000	28,280	22,000	6.25	6.09
Burkina Faso	1 year	05/04/2018	05/07/2018	05/05/2019	20,000	24,737	22,000	6.75	6.48
Togo	1 year	05/16/2018	05/17/2018	12/18/2018	20,000	45,334	22,000	6.15	6.06
Burkina Faso	1 year	05/23/2018	05/24/2018	05/22/2019	20,000	20,109	19,409	6.50	6.08
Mali	1 year	06/21/2018	06/22/2018	06/20/2019	20,000	24,579	22,000	6.40	6.08
Benin	1 year	06/22/2018	06/25/2018	06/23/2019	20,000	22,536	21,536	6.78	6.35
Togo	1.00	07/04/2018	07/05/2018	07/03/2019	25,000	20,925	20,725	6.50	6.31
Mali	1.00	07/05/2018	07/09/2018	07/07/2019	35,000	62,833	41,114	6.30	6.19
Benin	1.00	07/10/2018	07/11/2018	07/09/2019	25,000	28,624	27,500	6.30	6.29
Niger	1.00	07/12/2018	07/13/2018	07/11/2019	10,000	24,661	18,031	6.50	6.38
Niger	1.00	07/19/2018	07/20/2018	07/18/2019	15,000	23,135	16,500	6.45	6.34
Burkina Faso	1.00	07/25/2018	07/26/2018	07/24/2019	25,000	44,742	27,500	6.00	5.96
Niger	1.00	08/01/2018	08/02/2018	07/31/2019	10,000	42,360	18,011	6.25	6.08
Mali	1.00	08/14/2018	08/16/2018	08/14/2019	12,500	27,652	16,870	6.20	6.04
Burkina Faso	1.00	08/16/2018	08/17/2018	08/15/2019	25,000	45,384	27,500	6.15	6.04
Niger	1.00	08/20/2018	08/21/2018	08/19/2019	25,000	18,278	17,478	6.22	5.89
Burkina Faso	1.00	08/30/2018	08/31/2018	08/29/2019	20,000	32,239	22,000	6.15	6.05
Guinea-	1.00	09/19/2018	09/21/2018	09/19/2019	25,000	49,062	27,500	6.00	5.87
Bissau	1.00	09/25/2018	09/26/2018	09/24/2019	5,000	8,428	5,500	6.19	6.06
Niger	1.00	09/27/2018	09/28/2018	09/26/2019	12,500	24,233	22,608	6.15	6.01
Subtotal					761,000	1,041,294	745,296	-	-

Source: WAMU Securities

(*) at the end of September 2018

Table A.2: Issues of bonds during 2018 (*)

(in millions of CFA francs, unless otherwise indicated)

Issuer	Issued by	Maturity	Date of issue	Value date	Expiry date	Amount advertised	Amount offered	Amount accepted	Rate of return	Coupon	Marginal price	Weighted average price
Burkina Faso	Auction	3.00	01/24/2018	01/25/2018	01/25/2021	20,000	20,013	20,013	7.490	6.00	95.50	96.11
Togo	Auction	3.00	01/26/2018	01/29/2018	01/29/2021	15,000	16,093	16,040	7.686	6.25	95.00	96.26
Benin	Auction	3.00	02/01/2018	02/02/2018	02/02/2021	15,000	6,422	5,004	6.89	6.00	96.85	97.64
Niger	Auction	3.00	02/08/2018	02/09/2018	10/16/2020	20,000	5,376	5,376	7.44	6.00	95.00	96.54
Benin	Auction	3.00	02/15/2018	02/16/2018	02/02/2021	15,000	10,006	6,838	7.24	6.00	96.00	96.78
Benin	Auction	3.00	03/15/2018	03/16/2018	03/16/2021	17,500	8,110	8,110	7.68	6.00	95.00	95.63
Burkina Faso	Auction	3.00	03/21/2018	03/22/2018	11/23/2020	25,000	16,513	13,513	7.84	6.00	95.25	95.65
Guinea-Bissau	Auction	3.00	04/05/2018	04/06/2018	04/06/2021	5,000	6,581	5,235	7.65	6.50	96.50	97.00
Mali	Auction	3.00	04/11/2018	04/12/2018	04/12/2021	20,000	31,583	21,307	7.09	6.20	96.10	97.65
Togo	Auction	3.00	04/20/2018	04/23/2018	04/23/2021	15,000	17,215	15,715	7.547	6.25	95.00	96.61
Benin	Auction	3.00	04/26/2018	04/27/2018	04/27/2021	12,500	21,917	12,500	7.37	6.00	95.76	96.41
Mali	Auction	3.00	05/09/2018	05/10/2018	11/20/2020	20,000	32,300	22,000	7.12	6.15	97.51	97.75
Benin	Auction	3.00	05/24/2018	05/25/2018	03/16/2021	20,000	9,639	9,639	7.71	6.00	95.05	95.78
Togo	Auction	3.00	06/08/2018	06/11/2018	06/11/2021	20,000	14,566	14,566	7.84	6.25	95.00	95.88
Mali	Auction	3.00	06/20/2018	06/21/2018	06/21/2021	25,000	34,000	26,359	7.26	6.15	97.00	97.09
Burkina Faso	Auction	3.00	06/27/2018	06/28/2018	06/28/2021	20,000	25,261	21,389	6.757	6.15	96.00	98.38
Benin	Auction	3.00	07/05/2018	07/09/2018	07/09/2021	35,000	35,932	35,885	7.49	6.00	96.00	96.12
Burkina Faso	Auction	3.00	07/11/2018	07/12/2018	07/12/2021	25,000	26,570	23,270	7.571	6.15	96.00	96.29
Mali	Auction	3.00	07/18/2018	07/19/2018	07/19/2021	20,000	25,099	22,000	7.39	6.15	96.52	96.76
Togo	Auction	3.00	07/20/2018	07/23/2018	07/23/2021	25,000	51,041	48,550	7.57	6.25	96.50	96.55
Niger	Auction	3.00	08/01/2018	08/02/2018	08/02/2021	10,000	3,989	3,989	7.81	6.15	95.00	95.69
Burkina Faso	Auction	3.00	08/08/2018	08/09/2018	08/09/2021	25,000	26,791	20,271	7.566	6.15	96.00	96.30
Niger	Auction	3.00	08/14/2018	08/16/2018	08/02/2021	12,500	10,630	10,630	7.81	6.15	95.00	95.74
Togo	Auction	3.00	08/17/2018	08/20/2018	04/21/2020	20,000	17,097	14,452	7.92	6.00	97.00	97.03
Guinea-Bissau	Auction	3.00	08/28/2018	08/29/2018	08/29/2021	6,000	6,073	6,073	7.96	6.50	95.00	96.21
Togo	Auction	3.00	08/31/2018	09/03/2018	09/03/2021	20,000	29,318	21,218	7.57	6.25	96.50	96.56
Burkina Faso	Auction	3.00	09/05/2018	09/06/2018	09/06/2021	25,000	21,190	20,590	7.436	6.15	96.00	96.63
Benin	Auction	3.00	09/06/2018	09/07/2018	09/07/2021	25,000	37,021	35,221	7.46	6.10	96.00	96.45
Benin	Auction	3.00	09/18/2018	09/19/2018	09/19/2021	15,000	25,719	16,500	7.195	6.10	96.00	97.12
Niger	Auction	3.00	09/27/2018	09/28/2018	08/02/2021	12,500	4,805	3,455	7.57	6.15	96.00	96.44
Subtotal						561,000	596,870	515,125	-	-	-	-
Togo	Syndication	5.00	01/20/2018	01/26/2018	01/26/2023	60,000	61,992	61,992	7.02	6.90	100.00	100.00
Benin	Auction	5.00	03/15/2018	03/16/2018	03/16/2023	17,500	10,228	10,228	7.12	6.15	96.00	96.01
Niger	Auction	5.00	03/22/2018	03/23/2018	03/23/2023	10,000	784.20	784.20	7.27	6.15	94.75	95.82
Togo	Auction	5.00	03/30/2018	04/03/2018	04/03/2023	20,000	21,718	21,605	7.631	6.50	96.00	96.22
Benin	Auction	5.00	04/26/2018	04/27/2018	04/27/2023	12,500	3,934	3,934	7.06	6.15	96.00	96.24
Niger	Auction	5.00	05/08/2018	05/09/2018	03/23/2023	10,000	648	647	7.22	6.15	95.00	96.08
Niger	Auction	5.00	05/17/2018	05/18/2018	03/23/2023	10,000	795	795	7.20	6.15	95.00	96.14
Niger	Auction	5.00	06/07/2018	06/08/2018	03/23/2023	10,000	4,342	4,342	7.36	6.15	95.00	95.64
Mali	Auction	5.00	06/20/2018	06/21/2018	06/21/2023	25,000	30,621	28,641	7.20	6.40	97.00	97.30
Niger	Auction	5.00	07/06/2018	07/09/2018	07/09/2023	30,000	32,276	32,276	6.84	6.25	95.00	97.77
Niger	Auction	5.00	07/12/2018	07/13/2018	07/13/2023	10,000	3,969	3,969	7.53	6.40	95.00	95.82
Togo	Auction	5.00	07/20/2018	07/23/2018	07/23/2023	25,000	6,450	6,450	7.36	6.50	96.00	96.50
Mali	Auction	5.00	08/02/2018	08/03/2018	08/03/2023	20,000	22,300	22,000	7.36	6.40	96.01	96.43
Burkina Faso	Auction	5.00	08/08/2018	08/09/2018	08/09/2023	25,000	4,827	4,827	7.065	6.25	95.52	96.94
Benin	Auction	5.00	09/06/2018	09/07/2018	09/07/2023	25,000	18,019	18,019	7.22	6.30	96.00	96.56
Subtotal						310,000	222,904	220,509	-	-	-	-
Mali	Syndication	7.00	02/25/2018	02/25/2018	02/24/2025	49,950	49,950	49,950	6.35	6.25	100.00	100.00
Mali	Auction	7.00	02/28/2018	03/01/2018	03/01/2025	30,000	27,900	27,900	6.34	6.25	100.00	100.00
Burkina Faso	Syndication	7.00	05/31/2018	06/05/2018	06/05/2025	75,000	93,744	93,744	6.599	6.50	100.00	100.00
Benin	Syndication	7.00	05/22/2018	07/22/2018	07/22/2025	60,000	62,000	62,000	6.60	6.50	100.00	100.00
Niger	Auction	7.00	07/06/2018	07/09/2018	07/09/2025	30,000	24,331	24,331	7.08	6.50	95.55	97.41
Subtotal						244,950	257,925	257,025	-	-	-	-
Total						1,115,950	1,077,699	992,659	-	-	-	-

Source: WAMU Securities (*) at the end of September 2018

Table A.3: WAMU: Summary situation of the Central Bank

Encours en milliards - FCFA	2016				2017				2018		
	mars-16	juin-16	sept-16	déc-16	mars-17	juin-17	sept-17	déc-17	mars-18	juin-18	sept-18
Actifs extérieurs nets	5 453,5	5 575,3	4 672,6	4 565,3	4 743,9	6 106,5	5 378,5	5 304,6	7 504,8	7 594,8	6 461,9
Créances sur les non-résidents	7 444,8	7 598,4	6 681,7	6 534,3	6 722,6	8 103,5	7 335,9	7 188,8	9 403,3	9 632,0	8 561,2
Engagements envers les non-résidents	1 991,3	2 023,2	2 009,0	1 969,0	1 978,7	1 997,0	1 957,4	1 884,2	1 898,5	2 037,2	2 099,3
Créances sur les autres institutions de dépôt	3 194,6	3 655,2	3 973,1	4 709,9	4 478,9	4 373,1	3 892,5	4 180,8	3 841,5	3 607,0	3 673,3
Créances nettes sur l'administration centrale	692,5	530,1	510,7	561,8	575,8	-279,2	421,3	501,2	-975,2	-135,4	241,0
Créances sur l'économie	238,6	247,1	255,0	212,2	245,9	256,4	262,2	209,5	229,1	244,3	250,1
TOTAL ACTIF	9 579,2	10 007,7	9 411,5	10 049,3	10 044,5	10 456,8	9 954,4	10 196,2	10 600,2	11 310,7	10 626,3
Base monétaire	7 776,7	8 108,9	7 494,4	8 139,1	8 023,2	8 402,4	7 883,3	8 016,1	8 501,9	9 080,7	8 522,3
Circulation fiduciaire	5 799,1	5 740,2	5 575,8	6 135,7	6 372,9	6 382,8	5 957,8	6 407,6	6 548,1	6 646,0	6 424,8
Dépôts des banques	1 623,8	1 707,9	1 516,0	1 662,7	1 291,4	1 664,1	1 296,9	1 231,9	1 557,6	2 001,8	1 631,3
Engagements envers les autres secteurs (1)	353,8	660,8	402,7	340,6	359,0	355,5	628,6	376,7	396,2	432,9	466,1
Dépôts exclus de la base monétaire (2)	0,3	0,8	0,5	0,3	1,1	2,8	1,0	8,4	0,4	3,2	0,5
Actions et autres titres de participation	1 950,8	2 020,3	2 059,0	2 009,2	2 048,5	2 021,4	2 006,4	1 950,4	2 045,4	2 150,6	2 098,2
Autres postes (net)	-148,6	-122,3	-142,4	-99,2	-28,3	30,2	63,6	221,3	52,5	76,3	5,3
TOTAL PASSIF	9 579,2	10 007,7	9 411,5	10 049,3	10 044,5	10 456,8	9 954,4	10 196,2	10 600,2	11 310,7	10 626,3

Source: BCEAO

(1) Dépôts ouverts dans les livres de la BCEAO au profit des unités du secteur détenteur de monnaie, notamment les établissements financiers et les agents de la Banque Centrale.

(2) Comptes de dépôt à caractère particulier ouverts dans les livres de la BCEAO par des sociétés non-financières publiques. Ces dépôts n'intègrent pas la définition de la monnaie au sens large.

Table A.4: WAMU: Summary of the situation banks

Encours en milliards - FCFA	2016				2017				2018		
	mars-16	juin-16	sept-16	déc-16	mars-17	juin-17	sept-17	déc-17	mars-18	juin-18	sept-18
Actifs extérieurs nets	-643,7	-830,6	-920,2	-868,5	-717,9	-1 054,3	-1 120,5	-1 132,2	-720,6	-1 417,5	-1 368,8
Créances sur les non-résidents	690,6	628,1	648,0	662,4	754,2	763,2	643,3	661,8	791,2	676,394	592,335
Engagements envers les non-résidents	-1 334,2	-1 458,7	-1 568,2	-1 530,9	-1 472,1	-1 817,5	-1 763,7	-1 794,0	-1 511,7	-2 093,87	-1 961,093
Créances sur la Banque Centrale	2 277,9	2 221,1	2 163,6	2 184,8	1 869,0	2 191,3	1 948,4	1 856,5	2 063,5	2 555,016	2 172,856
Créances nettes sur l'administration centrale	4 406,7	4 658,6	5 705,6	5 858,1	6 237,5	6 408,5	6 326,9	6 807,2	7 082,8	6 805,262	7 284,853
Créances sur l'économie	16 341,1	17 045,4	16 978,1	18 116,3	18 112,8	18 693,8	18 935,3	19 951,7	19 929,6	20 055,008	20 245,05
Créances sur les autres sociétés financières	1 096,0	1 029,2	1 083,6	1 079,3	1 060,6	1 058,0	980,6	1 059,8	1 029,9	1 060,629	946,746
Créances sur les sociétés non-financières publiques	1 080,1	1 099,2	1 088,5	1 174,9	1 034,3	1 121,7	1 174,2	1 139,2	1 387,3	1 260,29	1 354,679
Créances sur le secteur privé	14 165,0	14 917,0	14 806,0	15 862,1	16 018,0	16 514,0	16 780,5	17 752,7	17 405,5	17 705,952	17 878,666
TOTAL ACTIF											
Engagements envers la banque centrale	3 126,9	3 570,1	3 781,9	4 575,9	4 402,8	4 273,0	3 762,5	4 182,2	3 370,7	3 420,966	3 271,539
Dépôts transférables inclus dans la masse monétaire	8 231,2	8 352,9	8 596,3	9 217,9	9 131,7	9 531,8	9 538,3	10 097,8	10 515,0	10 710,776	10 687,004
Autres dépôts inclus dans la masse monétaire	6 973,5	7 153,6	7 256,5	7 432,7	7 748,9	7 941,9	7 983,6	8 157,8	8 513,4	8 586,365	8 860,149
Dépôts exclus de la masse monétaire au sens large	665,0	577,9	620,4	633,0	610,4	670,9	735,7	715,4	865,1	873,863	875,305
Titres autres qu'actions exclus de la masse monétaire	37,9	38,4	38,4	30,8	40,5	41,5	39,4	35,4	13,4	19,769	13,363
Emprunts	396,6	360,4	411,7	463,3	485,3	436,9	477,7	609,1	842,1	540,841	653,374
Actions et autres titres de participation	2 308,4	2 200,8	2 308,0	2 492,0	2 535,5	2 521,1	2 740,1	2 971,7	3 012,1	2 893,74	2 980,501
Autres postes (net)	642,5	840,5	914,0	445,2	546,4	822,2	812,8	713,8	1 223,6	951,49	992,766
TOTAL PASSIF											

Source: BCEAO

Table A.5: WAMU: Monetary aggregates

En milliards de FCFA	2016				2017				2018		
	mars-16	juin-16	sept-16	déc-16	mars-17	juin-17	sept-17	déc-17	mars-18	juin-18	sept-18
Circulation fiduciaire	5 138,9	5 153,0	4 937,7	5 509,2	5 739,6	5 705,0	5 306,8	5 778,2	5 920,1	5 959,2	5 744,4
Dépôts à vue	8 659,5	8 871,7	9 092,1	9 668,2	9 608,1	10 024,7	10 031,4	10 660,6	11 047,6	11 273,9	11 251,1
M1	13 798,4	14 024,6	14 029,8	15 177,4	15 347,7	15 729,6	15 338,2	16 438,8	16 967,7	17 233,1	16 995,5
Autres dépôts inclus dans la masse monétaire (1)	7 104,8	7 504,9	7 372,6	7 539,9	7 860,1	8 032,1	8 352,3	8 211,0	8 630,8	8 718,6	9 024,7
MASSE MONÉTAIRE (M2)	20 903,2	21 529,5	21 402,4	22 717,3	23 207,8	23 761,8	23 690,5	24 649,8	25 598,5	25 951,7	26 020,1
Actifs extérieurs nets	4 809,8	4 744,7	3 752,4	3 698,8	4 026,0	5 052,2	4 258,0	4 172,5	6 784,2	6 177,3	5 093,1
Banque Centrale	5 453,5	5 575,3	4 672,6	4 565,3	4 743,9	6 106,5	5 378,5	5 304,6	7 504,8	7 594,8	6 461,9
Banques	-643,7	-830,6	-920,2	-868,5	-717,9	-1 054,3	-1 120,5	-1 132,2	-720,6	-1 417,5	-1 368,8
Créances intérieures	21 649,4	22 451,0	23 418,4	24 715,7	25 143,4	25 046,7	25 914,2	27 438,0	26 236,1	26 936,5	27 990,4
Créances nettes sur l'administration centrale	5 069,7	5 158,4	6 185,2	6 387,2	6 784,6	6 096,5	6 716,7	7 276,8	6 077,3	6 637,3	7 495,3
Créances sur les autres secteurs	16 579,7	17 292,6	17 233,2	18 328,5	18 358,8	18 950,2	19 197,5	20 161,2	20 158,7	20 299,3	20 495,2
Passifs à caractère non monétaire (2)	5 359,0	5 198,5	5 437,9	5 828,5	5 721,2	5 694,5	6 000,3	6 290,4	6 778,6	6 482,0	6 621,3
Autres postes nets (3)	197,0	467,7	330,5	66,7	240,3	642,7	481,5	670,3	643,2	680,2	442,1
TOTAL DES CONTREPARTIES DE M2 (4)	20 903,2	21 529,5	21 402,4	22 717,3	23 207,8	23 761,8	23 690,5	24 649,8	25 598,5	25 951,7	26 020,1

Source: BCEAO

(1) Dépôts à terme et comptes d'épargne à régime spécial ouverts auprès des banques, dépôts rémunérés ouverts dans les livres de la Banque Centrale.

(2) Composés des actions et autres participations dans les institutions de dépôt et de leurs engagements non-monnaïres envers les autres secteurs.

(3) Composé des ajustements de consolidation et de la balance nette des actifs non-classifiés notamment les éléments divers et les actifs non-financiers.

(4) Total des contreparties = Actifs extérieurs nets + Créances intérieures - Passifs à caractère non-monnaïres - Autres postes nets.

Table A.6: WAMU: Net claims on central governments

En milliards de FCFA	2016				2017				2018		
	mars-16	juin-16	sept.-16	déc.-16	mars-17	juin-17	sept.-17	déc.-17	mars-18	juin-18	sept.-18
Créances nettes de la BCEAO	662,9	499,8	479,7	529,1	547,2	-312,0	389,9	469,6	-1 005,5	-168,0	210,4
Créances	1 837,0	1 809,9	1 794,9	1 819,2	1 802,3	1 842,9	1 836,9	1 884,6	1 861,1	1 943,5	1 918,2
Crédits	1 824,9	1 796,7	1 780,9	1 803,9	1 783,1	1 829,9	1 822,9	1 868,9	1 848,9	1 930,4	1 903,3
Concours adossés aux DTS	279,7	261,3	243,8	226,1	209,5	190,3	172,3	154,1	137,6	119,1	100,4
Découverts statutaires consolidés	232,4	231,8	231,1	230,4	229,7	229,0	228,4	227,7	226,9	226,2	225,5
Concours du FMI	1 053,0	1 046,9	1 049,0	1 093,0	1 089,5	1 156,2	1 170,6	1 239,4	1 236,6	1 337,3	1 332,5
Autres concours de Gouvernements étrangers (1)	18,1	15,1	15,1	12,4	12,4	12,4	9,4	5,5	5,5	5,5	2,7
Autres créances (2)	241,6	241,7	241,9	242,0	242,0	242,1	242,2	242,3	242,3	242,3	242,3
Engagements	1 174,1	1 310,1	1 315,2	1 290,1	1 255,1	2 154,9	1 447,0	1 415,0	2 866,6	2 111,5	1 707,8
Encaisses du Trésor	29,6	30,3	31,1	32,7	28,6	32,7	31,4	31,7	30,2	32,6	30,6
Dépôts	1 131,9	1 253,4	1 244,4	1 203,2	1 159,5	2 094,7	1 368,5	1 324,0	2 817,8	2 051,5	1 634,0
Autres engagements (3)	12,7	26,5	39,7	54,2	67,0	27,5	47,2	59,3	18,5	27,4	43,1
Créances nettes des banques	4 406,7	4 658,6	5 705,6	5 858,1	6 237,5	6 408,5	6 326,9	6 807,2	7 082,8	6 805,3	7 284,9
Créances	6 929,3	7 349,9	8 215,3	8 538,5	8 821,2	9 069,5	9 010,4	9 703,2	9 121,1	9 086,5	9 455,1
Crédits	1 280,4	1 435,3	1 386,6	1 461,3	1 613,2	1 734,2	1 619,1	2 051,0	1 395,0	1 232,1	1 563,3
Portefeuille de titres du Trésor	5 648,9	5 914,6	6 828,7	7 077,2	7 208,0	7 335,2	7 391,4	7 652,2	7 726,0	7 854,4	7 891,8
Engagements	2 522,5	2 691,3	2 509,7	2 680,4	2 583,7	2 661,0	2 683,6	2 895,9	2 038,3	2 281,2	2 170,2
TOTAL CRÉANCES NETTES SUR L'ADMINISTRATION CENTRALE	5 069,7	5 158,4	6 185,2	6 387,2	6 784,6	6 096,5	6 716,7	7 276,8	6 077,3	6 637,3	7 495,3

Source: BCEAO

(1) Le concours kowetien à l'Etat du Sénégal.

(2) Les dépenses pour le compte des Etats à récupérer, les taxes à récupérer, les créances diverses sur les Etats.

(3) Taxes recouvrées, commissions sur transferts et autres sommes recouvrées pour le compte des Etats.

Tables A.7: Breakdown of inflation in WAEMU**Table A 7-1: Year-on-year price trends by geographic origin**

	Components	Weighting (as a %)	Q3-2017	Q4-2017	Q1-2018	Q2-2018	Q3-2018
Annual variation (as a %)	Local	72.7	1.4	1.0	1.0	0.7	1.1
	Imported	27.3	0.5	0.5	1.0	0.7	0.5
Contributions (in % points)	Local	72.7	1.0	0.7	0.7	0.5	0.8
	Imported	27.3	0.2	0.2	0.2	0.2	0.1
	Total	100	1.2	0.9	0.9	0.7	0.9

Sources: BCEAO, NSIs

Table A 7-2: Trends in prices of goods and services (year-on-year)

	Components	Weighting (as a %)	Q3-2017	Q4-2017	Q1-2018	Q2-2018	Q3-2018
Variations (as a %)	Goods	60.1	2.2	1.1	0.9	0.6	0.8
	Services	39.9	0.2	0.5	0.9	1.0	0.9
Contributions (in % points)	Goods	60.1	1.2	0.7	0.6	0.3	0.5
	Services	39.9	0.0	0.2	0.3	0.4	0.4
	Total	100	1.2	0.9	0.9	0.7	0.9

Sources: BCEAO, NSIs



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