



BCEAO

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

**Report on Monetary Policy in the West African
Monetary Union**

December 2020



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CONTENTS

LIST OF ACRONYMS AND ABBREVIATIONS	3
PRESS RELEASE	4
SUMMARY	6
I - GLOBAL ECONOMIC ENVIRONMENT	8
1.1 - Economic activity	8
1.2 - Inflation	9
1.3 - Commodity prices	10
1.4 - International monetary and financial conditions	13
II - TRENDS IN SUPPLY AND DEMAND FACTORS	17
2.1 - Supply factors	17
2.2 - Demand factors	21
2.3 - Economic growth outlook	28
III - CURRENCY, MONETARY CONDITIONS AND THE FINANCIAL MARKET	31
3.1 - Monetary conditions	31
3.2 - Monetary situation	35
3.3 - WAMU financial market	41
IV - INFLATION AND EXTERNAL COMPETITIVENESS	42
4.1 - Recent trends in inflation	42
4.2 - External competitiveness	44
V - INFLATION FORECAST	45
5.1 - Assumptions used for inflation projections	45
5.2 - Inflation profile over the next eight quarters	46
5.3 - Risks to the inflation outlook	47
APPENDICES	48

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 stock exchange

CBN: Central Bank of Nigeria

CPI: Consumer Price Index

ECB: European Central Bank

FED: Federal Reserve System

GDP: Gross Domestic Product

HICP: Harmonized Index of Consumer Prices

IMF: International Monetary Fund

IPI: Industrial Production Index

LBUBC: Large Businesses Using Bank Credit

MPC: Monetary Policy Committee

NEAs: Net external assets

NSIs: National Statistics Institutes

OECD: Organisation for Economic Co-operation and Development

OPEC: Organization of the Petroleum Exporting Countries

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

WEO: World Economic Outlook

WTI: West Texas Intermediate

PRESS RELEASE

Meeting of the BCEAO Monetary Policy Committee

On Wednesday, December 2, 2020, the Monetary Policy Committee (MPC) of the Central Bank of West African States (BCEAO) held its fourth ordinary meeting of financial year 2020 by videoconference, under the chairmanship of Mr. Tiémoko Meyliet Koné, Governor of the Central Bank and statutory chairman of the Committee.

The Committee reviewed the main trends unfolding recently in the international and regional economies and assessed the risk factors that could affect the medium-term outlook in terms of inflation and economic growth in the Union.

As for the international environment, the Committee noted that the global economy had entered a phase of gradual recovery in the third quarter, linked to the lifting of lockdown measures and the implementation of expansionary fiscal and monetary policies in response to the economic and health crisis. However, the outlook remained highly uncertain due to the recent resurgence of coronavirus infections in many countries, leading to the reinstatement of mobility restrictions. According to the International Monetary Fund, global economic activity was expected to experience a severe recession in 2020, with a 4.4% drop in production worldwide, following a rise of 2.9% in 2019.

Commodity prices on international markets recovered during the quarter under review in conjunction with the gradual improvement in economic activity observed during the period. According to World Bank data, energy prices recovered by 33.9% in the third quarter of 2020 after falling sharply in the previous quarter. Non-energy commodity prices also picked up, rising by 7.4% in the third quarter of 2020, after dropping by 0.9% and 4.7% in the first and second quarters of 2020, respectively. This favorable trend reflected increases of 5.7% in agricultural commodity prices, 16.5% in precious metals and 19.5% in other metals and minerals.

Looking at the domestic situation, the Committee noted that economic activity in the WAEMU Union increased slightly in the third quarter of 2020, in connection with the lifting of mobility restrictions and the positive impact of public support policy implementation. The Union's GDP was up by 0.6% compared to the same period in 2019, after a 2.0% decline in the previous quarter. For financial year 2020 as a whole, the latest forecasts put the Union's GDP growth rate at 0.9%, compared with 5.8% in 2019.

The execution of national budgets for the first nine months of 2020 shows deeper deficits compared to the same period the year before, due to the impact of the pandemic on revenue as well as the response and recovery measures implemented by the States. The budget deficit, on a commitment basis, including grants, stood at 3,742.1 billion or 5.5% of GDP at the end of September 2020, against 1,576.3 billion or 2.4% of GDP one year prior.

On the monetary front, the money supply grew by 15.5% compared to 13.2% in the same quarter of the previous year. This acceleration was driven by increases in net external assets (+19.3%) and domestic claims (+11.8%). The Union's foreign exchange reserves were established at a comfortable level, covering 5.6 months of imports of goods and services. This corresponds to a coverage rate of 74.7% of the currency issue compared to 75.3% in the previous quarter.

On the money market, financing conditions continued to ease, in keeping with the liquidity injection operations at fixed rates since the end of March 2020 and the impact of the decision to cut key rates on June 24, 2020. Accordingly, the weighted average interest rate for weekly liquidity operations was 2.00% in the third quarter of 2020, compared with 2.46% in the previous quarter and 3.15% a year earlier.

Addressing the inflation situation in the Union, the Committee noted that the overall level of consumer prices averaged 2.9% in the third quarter, following an increase of 1.7% in the previous quarter. The growth in the rate of increase of the overall price level was mainly due to higher prices for local cereals, fishery products, fresh vegetables and tubers and plantains. This trend was due to the disruption of distribution channels in the context of the COVID-19 pandemic, as well as the drop in cereal production in the 2019/2020 crop year. The core inflation rate rose to 1.6%, after increasing by 1.2% the previous quarter. For 2020 as a whole, the inflation rate was forecast at 2.2% after -0.7% in 2019. Looking ahead eight quarters to the end of September 2022, the forecasts place the inflation rate within the comfort zone (between 1.0% and 3.0%) defined for the implementation of the Union's monetary policy.

Based on these analyses, the Monetary Policy Committee decided to keep the minimum interest rate for tenders for cash injection operations unchanged at 2.00% and the interest rate for the marginal lending window unchanged at 4.00%, the levels in force since June 24, 2020. The reserve requirement ratio for the Union's banks was also kept unchanged, at 3.0%.

Done in Dakar on December 2, 2020

The President of the Monetary Policy Committee

Tiémoko Meyliet Koné

SUMMARY

After a marked downturn in the second quarter of 2020, global economic activity recovered in the third quarter, following the lifting of lockdown measures and the implementation of expansionary fiscal and monetary policies in response to the economic and health crisis. However, the outlook remained highly uncertain due to the recent resurgence of coronavirus infections in many countries, leading to the reinstatement of mobility restrictions.

Inflationary pressures were generally low in the advanced economies in the third quarter, while prices in the major emerging economies increased.

International commodity market prices recovered in the quarter under review, following two consecutive quarters of decline due to the impact of the COVID-19 pandemic on global demand. The upturn in prices reflected anticipation of economic improvements during the period.

On the foreign exchange market, the euro appreciated against the other major currencies. Over the period, it rose by 6.3% against the US dollar, 4.9% against the Japanese yen, 2.0% against the pound sterling and 11.9% against the Turkish lira.

At the WAEMU level, economic activity recovered in the third quarter of 2020, due to the lifting of mobility restrictions and the impact of public economic support measures. The Union's gross domestic product (GDP) grew by 0.6% compared to the same period in 2019, after a 2.0% decline in the previous quarter. For financial year 2020 as a whole, the latest forecasts put the Union's GDP growth rate at 0.9%, compared with 5.8% in 2019.

The Union's inflation rate averaged 2.9% in the third quarter, after 1.7% in the previous quarter. Growth in the rate of increase of the overall price level was mainly driven by the "Food" component, due to higher prices for local cereals, fishery products, fresh vegetables and tubers and plantains. This trend was due to the disruption of distribution channels in the context of the COVID-19 pandemic, and the virtual stagnation of cereal production in the 2019/2020 crop year. The core inflation rate, which measures the change in the general price level excluding fresh produce and energy, rose to 1.6%, following a 1.2% increase in the previous quarter. For 2020 as a whole, the inflation rate was forecast at 2.2% after -0.7% in 2019.

Regarding the public finances of the Member States of the Union, the execution of national budgets for the first nine months of the year 2020 showed deeper deficits compared to the same period the year before, due to the impact of the pandemic as well as the response measures implemented by the States. The overall budget deficit for the Union was estimated at 3,742.1 billion (or 5.5% of GDP) at the end of September 2020, more than double its level of 1,576.3 billion (2.4% of GDP) one year earlier.

With regard to external accounts, the Union's trade in the third quarter of 2020 generated a trade deficit of 549.1 billion, since the decline in imports (-3.9%) was more significant than in exports (-3.5%).

Developments in monetary aggregates were characterized by a slowdown in the rate of growth of the Union's money supply, in the wake of consolidation in the previous quarter. The quarterly growth rate of the broad money aggregate was +1.4% compared to +3.9% in the previous quarter. This slight increase in the money supply was solely driven by net claims on central governments, which rose by 6.7%, while claims on the economy remained virtually unchanged.

The Union's foreign exchange reserves contracted by 327.6 billion, or -2.9%, to reach 10,828.0 billion at the end of September 2020. This level ensures that the Union can cover 5.6 months of imports of goods and services and corresponds to a coverage rate of 74.7% of the currency issue, as against 75.3% the previous quarter.

On the money market, interest rate relief continued in the third quarter of 2020, facilitated by auction operations, on the BCEAO one-week and one-month open-market windows, at a fixed rate of 2.00%. The average cost of the resources offered by the Central Bank on the one-week window was 2.00% compared with 2.46% in the second quarter of 2020. The average interbank market interest rate, all maturities combined, fell to 3.02%, compared to 3.67% the previous quarter. On the one-week maturity, which accounted for 62.8% of the overall quarterly trading volume, the weighted average interest rate fell to 2.73% from 3.45% in the previous quarter and 4.31% a year earlier.

On the government securities market, the average interest rate on Treasury bills issued by the Member States of the Union, across all maturities, fell by 54 basis points to 3.09% in the third quarter of 2020, compared with a rate of 3.63% one quarter earlier. The significant reduction in the cost of Treasury bills over the period reflected the cut in the BCEAO's leading rates in June 2020 and the facilities introduced to accompany the issuance of special bills known as "Covid-19 Bills", especially the opening of a special window for the refinancing of the securities.

However, the average bank lending rate, excluding taxes and other fees, stood at 6.69% in the third quarter of 2020, up slightly from 6.55% in the previous quarter.

I - GLOBAL ECONOMIC ENVIRONMENT

1.1 - Economic activity

After a marked downturn in the second quarter of 2020, global economic activity recovered in the third quarter, following the lifting of lockdown measures and the implementation of expansionary fiscal and monetary policies in response to the economic and health crisis. However, the outlook remained highly uncertain due to the recent resurgence of coronavirus infections in many countries, leading to the reinstatement of mobility restrictions.

Table 1 - Trends in real GDP growth (%)

	2018	2019	2018				2019				2020		
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Advanced economies	<i>(Over one year)</i>		<i>(Change in relation to the same quarter the previous year)</i>										
United States	3.0	2.2	3.1	3.3	3.1	2.5	2.3	2.0	2.1	2.3	0.3	-9.0	-2.9
Eurozone	1.8	1.3	2.5	2.2	1.5	1.1	1.5	1.2	1.4	1.0	-3.3	-14.8	-4.3
Germany	1.3	0.6	2.2	2.0	0.7	0.3	1.1	0.1	0.7	0.4	-2.1	-11.3	-4.3
France	1.8	1.5	2.4	1.9	1.6	1.4	1.8	1.8	1.6	0.8	-5.7	-18.9	-4.3
United Kingdom	1.3	1.3	1.1	1.2	1.4	1.2	1.7	1.3	1.0	1.0	-2.1	-21.5	-9.6
Emerging economies													
China	6.8	6.2	6.9	6.9	6.7	6.5	6.4	6.2	6.0	6.0	-6.8	3.2	4.9
India	6.8	4.9	8.2	7.1	6.2	5.6	5.7	5.2	4.4	4.1	3.1	-23.9	-7.5
Brazil	1.8	1.2	1.8	1.6	2.1	1.7	1.2	1.5	1.3	1.6	-0.3	-10.4	-3.9
Russia	2.3	1.3	1.9	2.2	2.2	2.7	0.4	1.1	1.5	2.1	1.6	-8.0	-3.6
South Africa	0.8	0.1	0.7	0.1	1.3	1.1	0.0	0.9	0.1	-0.5	0.1	-17.1	NA
Neighboring countries													
Nigeria	1.9	2.9	1.9	1.5	1.9	2.4	2.1	2.1	2.3	2.6	1.9	-6.1	-3.6
Ghana	6.3	6.5	5.4	5.4	7.4	6.8	6.7	5.7	5.6	7.9	4.9	-2.3	NA

Sources: OECD, Eurostat, IMF, Tradingeconomics

NA: Not available

In the U.S., multifaceted support (loans to SMEs, deferrals and waivers of certain personal and corporate taxes, extension of unemployment insurance, etc.) mitigated the deterioration of economic activity in the third quarter of 2020. The GDP dropped by 2.9% compared to the same quarter in 2019, as against a 9.0% drop in the previous quarter.

In the Eurozone, economic activity contracted by 4.3% in the third quarter, following the unprecedented 14.8% drop in the second quarter.

In China, the containment of the pandemic by March 2020, combined with measures to support the economy, enabled a faster recovery. As a result, the annualized GDP growth rate was 4.9% in the third quarter of 2020, following 3.2% growth in the second quarter. In contrast, in several emerging economies, including India, South Africa, and Brazil, economic activity continued to be affected by the rapid spread of the pandemic in the third quarter of 2020.

In Nigeria, the main trading partner of WAEMU Member States in the West African subregion, the economy is expected to suffer a moderate decline in the third quarter of 2020, as the restrictive measures taken to counter the pandemic are lifted.

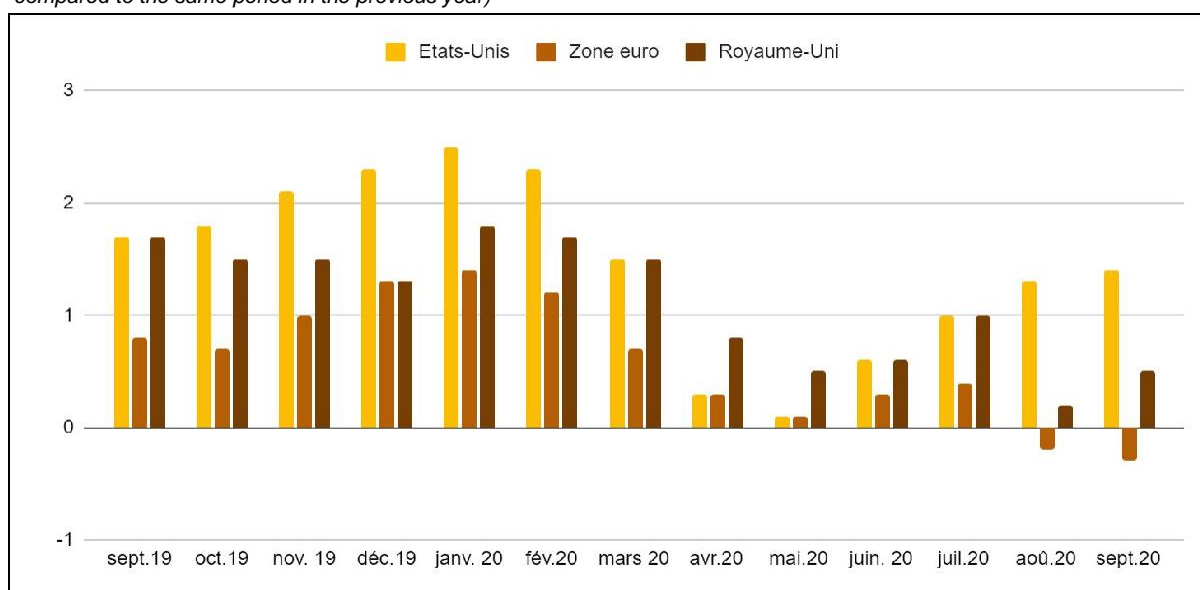
The IMF's October 2020 forecasts indicate that global economic activity was expected to suffer a serious recession in 2020, with output falling by 4.4%, after rising by 2.9% in 2019. A recovery in growth is expected in 2021, reaching 5.2%, driven by government stimulus measures and accommodating central bank monetary policies.

According to the IMF, this outlook, which is surrounded by an exceptionally high degree of uncertainty, is based on economic and public health factors that are generally difficult to predict. An acceleration in the spread of the virus, slow or no real progress in the search for treatments and vaccines, and possibly uneven access to treatment options across countries, could drive economic activity below projected levels. Under these circumstances, the magnitude of the economic downturn in 2020, the number of business failures, and the loss of jobs and income could worsen. Moreover, a deterioration in financial market perceptions could lead to a sudden halt in new lending or prevent the refinancing of existing debt in vulnerable countries. The cross-border repercussions of weaker external demand could also amplify the impact of country-specific shocks. Finally, climate change risks remain and could significantly affect global production.

1.2 - Inflation

During the third quarter of 2020, inflationary pressures were generally low in advanced economies. In contrast, prices rose in the major emerging economies.

Graph 1 - Trends in the inflation rate in the major advanced economies (percentage change compared to the same period in the previous year)

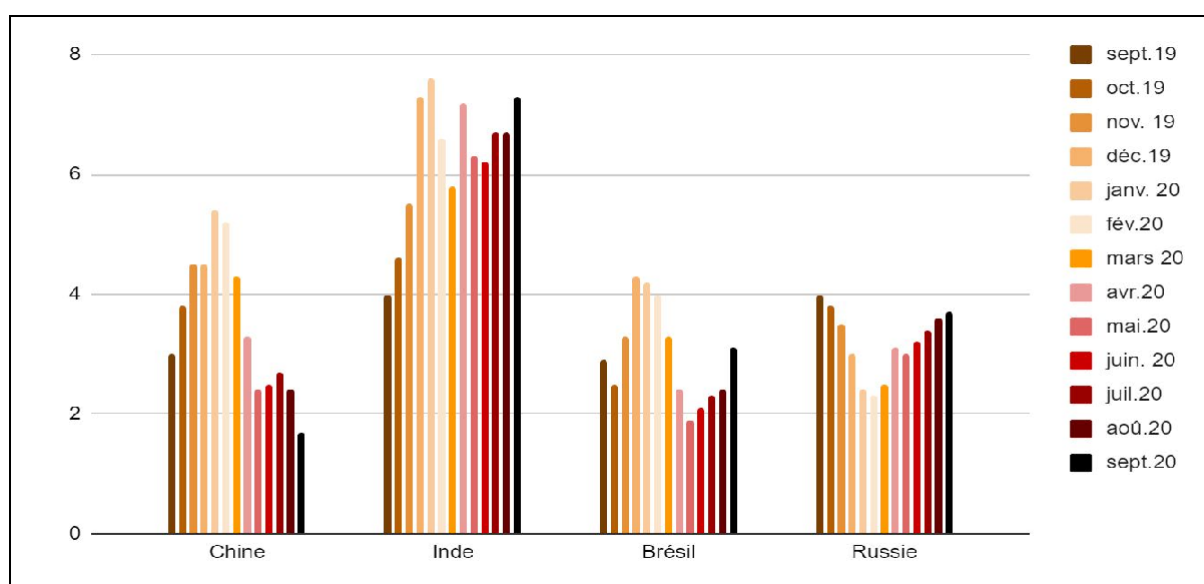


Sources: OECD, Eurostat, Tradingeconomics

In the Eurozone, prices dropped compared to the same period the year before. The inflation rate was negative at -0.3% in September compared to +0.3% in June. In the United Kingdom, the inflation rate remained almost stable at 0.5% in September 2020, as against 0.6% in June. In contrast, in the United States, inflation, as measured by the personal consumption expenditure index, rose to 1.4% in September 2020 from 0.9% three months earlier.

In the major emerging economies, the inflation rate rose overall in September 2020. In Brazil, it increased 3.1%, from 2.1% in June 2020. Similarly, in India and Russia, the inflation rate rose to 7.3% and 3.1%, respectively, from 6.2% and 2.1% three months earlier. On the other hand, in China, consumer price inflation was 1.7% in September 2020, compared to 2.5% in June 2020.

Graph 2 - Inflation rate trends in the main emerging economies (change from the same period of the previous year, in %)



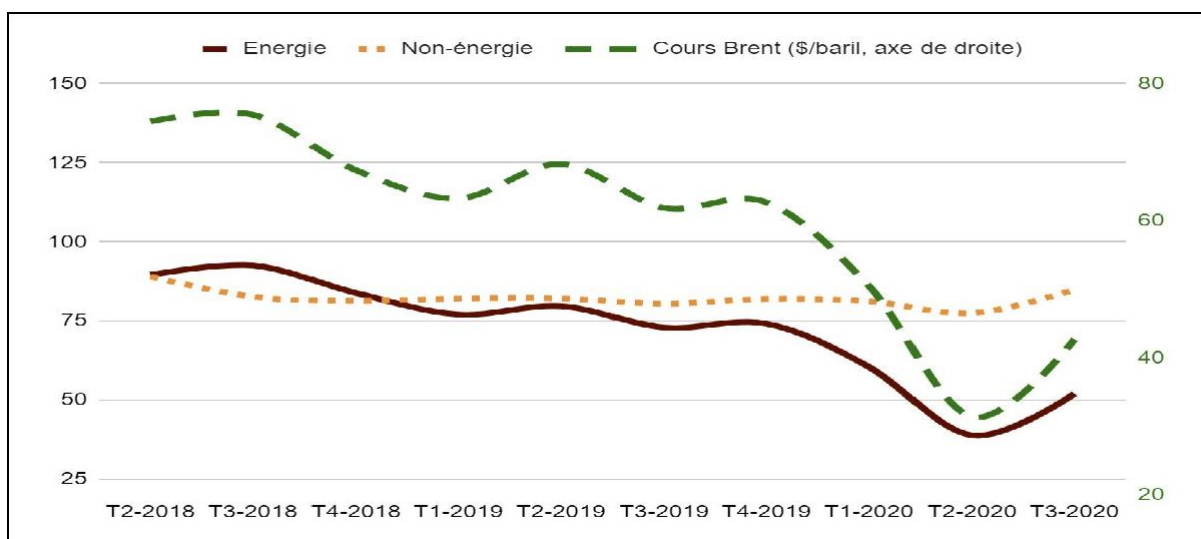
Sources: OECD, Eurostat, National Statistics Institutes, Tradingeconomics

Among the Union's trading partners in the West African subregion, Nigeria's inflation rate rose to 13.7% in September 2020, against 12.6% three months earlier. In Ghana, on the other hand, the pace of price increases slowed to 10.4% in September 2020, compared to 11.2% three months earlier.

According to the most recent forecast by the IMF, price growth in advanced economies is expected to slow in 2020 to stand at an annual average of 0.3%, after a rate of 1.4% in 2019, then rebound to 1.1% in 2021. In emerging economies and developing countries, inflation is projected at 4.4% in 2020 and 4.5% in 2021, after reaching a level of 5.1% in 2019.

1.3 - Commodity prices

In connection with improved global economic activity, commodity prices recovered in the third quarter of 2020, after two consecutive quarters of decline, due to the impact of the COVID-19 pandemic. A similar trend was also observed in the prices of commodities exported by the countries of the Union.

Graph 3 - Trends in commodity price indexes (baseline 100 = 2013)

Sources: World Bank, Bloomberg

According to World Bank data, energy prices recovered by 33.9% in the third quarter of 2020, after the sharp decline observed in the previous quarter. The most significant developments were in crude oil prices (+38.8%) and gas prices (+16.6%). Brent and WTI prices rose, on average, by 35.9% and 42.7% respectively, from one quarter to the next. However, oil prices remained 30% lower than their levels at the end of 2019.

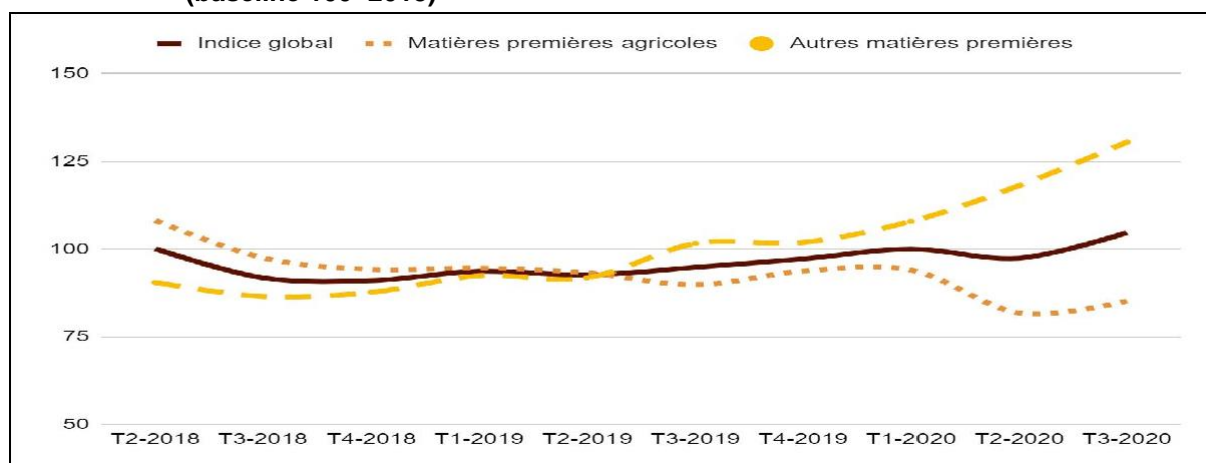
The rise in oil prices was due to the decline in U.S. crude stocks combined with OPEC's implementation of the coordinated oil production cut agreement. Oil prices were also buoyed by optimism about clinical research on COVID-19, Hurricane Laura, which disrupted production in the Gulf of Mexico, and expectations of stronger demand, particularly from China, the world's largest importer.

Non-energy commodity prices also rebounded, rising 7.4% in the third quarter of 2020, following declines of 0.9% and 4.7% in the first and second quarters of 2020, respectively. This overall trend was driven by increases of 5.7% in agricultural commodity prices, 16.5% in prices for precious metals and 19.5% for other metals and minerals.

With regard to precious metals, gold prices were bolstered by trade tensions between the United States and China, uncertainties related to the health crisis, and the weakness of the US dollar. In the case of agricultural commodities, cotton prices rose, mainly due to renewed demand from China and poor crop outlooks in the main producing countries. Rubber prices also rose, driven by increased demand from China, a recovery in manufacturing activity and the implementation of the China-U.S. trade agreement. Vegetable oil prices climbed due to reduced production in Indonesia and Malaysia as well as lower stocks in certain Asian countries such as Malaysia. Coffee prices also rose, due to higher global demand, amidst uncertainties about production in Asia and in some Central and South American countries. Cocoa prices were also up, as a result of decreased supplies combined with increased world demand.

On the other hand, uranium prices fell, against a backdrop of an upturn in production in Niger, and in connection with lower demand for nuclear power in France.

Graph 4 - Trends in the price index of non-energy commodities exported by WAEMU (baseline 100=2013)



Sources: IMF, BCEAO calculations

In comparison with the same period the previous year, the prices of the main non-energy commodities exported by WAEMU countries rose by 3.9%, after falling by 4.8% in the previous quarter. The price increases applied to all commodities, except for cashew nuts (-46.0%), rubber (-10.0%), phosphates (-1.8%), coffee (-1.8%), and to a lesser extent cocoa (-0.1%). The largest increases were recorded in gold (+29.7%), edible oils (+27.0%) and uranium (+23.4%). Cashew nut prices were driven down by sluggish global demand and high cashew nut availability (record crops in 2020 in most producing countries and large stocks held by both producers and traders).

Valued in CFA francs, the prices of the commodities exported by the countries of the Union experienced contrasting trends, while those expressed in foreign currency have risen.

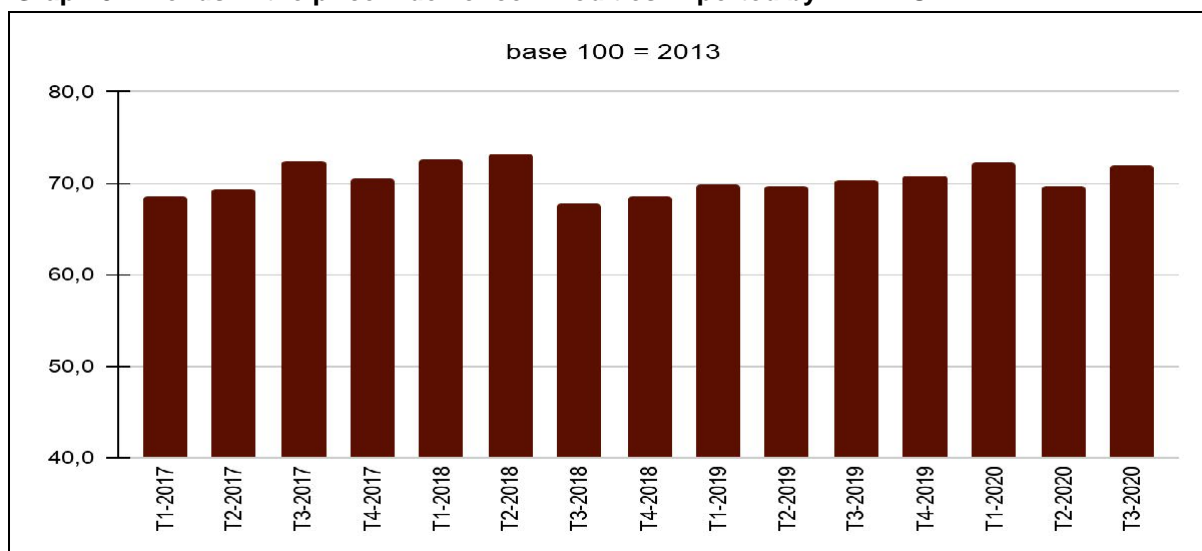
Table 2 - Prices of commodities exported by WAEMU countries

	Average price in Q3-2020				Change compared to Q2-2020		Change compared to Q3-2019	
	Unit	in foreign currencies	Unit	in CFA Francs	in foreign currencies	in CFA Francs	in foreign currencies	in CFA Francs
Crude oil (NYMEX)	\$/barrel	41.2	Ton	164,932.8	42.7	34.8	-27	-30.6
Robusta coffee (ICO)	cents/lb.	68.9	kg	852.2	11.7	5	-1.8	-6.7
Cocoa (ICCO)	cents/lb.	104.5	kg	1,291.0	1.2	-4.9	-0.1	-5.1
Cotton (NY #2)	cents/lb.	64.1	kg	792.1	13.1	6.5	4.8	-0.4
Palm oil	\$/metric ton	694.1	kg	389.2	23.8	16.5	29.4	22.9
Palm kernel oil	\$/metric ton	729.8	kg	409.2	5.2	-1.1	22.4	16.3
Rubber	eurocents/kg	116.3	kg	762.9	7.8	7.8	-10	-10
Cashew nuts	\$/metric ton	571.3	kg	320.5	1.2	-4.8	-46	-48.7
Gold	\$/ounce	1,911.4	gram	37,815.3	11.7	5.1	29.7	23.2
Uranium	\$/kg	31.2	kg	17553.2	-2.9	-8.6	23.4	17.4
Phosphates	\$/ton	77.1	kg	43.2	5.8	-0.5	-1.8	-6.7

Sources: National marketing authorities, BCEAO calculations

The price index for the main foodstuffs imported by WAEMU countries rose by 3.1% in the third quarter of 2020, after falling by 3.5% in the previous quarter. This trend was driven by increases of 16.7% in soybean oil prices, 7.1% in sugar prices, 5.4% in corn prices and 0.6% in wheat prices. This upward trend was, however, mitigated by a 5.4% decline in international rice prices.

Graph 5 - Trends in the price index of commodities imported by WAEMU



Sources: World Bank, Bloomberg, INSEE, Afristat, BCEAO

Soybean oil and wheat prices were driven by sustained demand on the global market, amplified by uncertainties about the US harvest. Sugar prices were boosted by a drop in production due to a severe drought in Thailand, the world's second largest sugar exporter. The rally in corn prices was mainly due to the large volumes recently purchased by China from the United States as part of their trade agreement. On the other hand, the decline in rice prices was due to anticipated good harvests in South American countries, where weather conditions have been more favorable.

Compared to the same period the year before, the price index for the main food commodities imported by WAEMU countries rose by 2.2% in the third quarter of 2020. This reflected price increases of 18.3% for rice, 10.4% for soybean oil, 7.3% for wheat and 4.5% for sugar. However, the decline in corn prices (-12.6%) had a moderating effect.

1.4 - International monetary and financial conditions

1.4.1 - Central Bank actions

During the third quarter of 2020, central banks around the world maintained their accommodative monetary policy stance in an effort to foster economic recovery amidst the continuing COVID-19 pandemic.

In the United States, the Federal Reserve (FED) maintained its target range for the federal funds rate at 0.00%-0.25% during the quarter. It intends to keep rates close to zero at least until the end of 2023 to support the economy in its recovery from the impact of the health crisis. In August 2020, the institution announced major changes to its monetary policy framework with a new flexible inflation-target regime. The FED's inflation target was no longer a long-term rate of 2%, but rather an inflation rate of 2% on average. This new strategy will allow the FED to let inflation exceed the target for a reasonable length of time following a period during which inflation has been below target for a long time. As a result, the FED will be able to provide more support

to the job market when the economy enters a period of crisis, without conflicting with its inflation target. In the current context marked by key rates close to the lower limit of the range, i.e., zero, the FED intends, without changing its leading rates, to raise the inflation expectations of households and businesses above 2%, thereby lowering the real interest rate. This has the potential to speed the recovery of the U.S. economy. The Federal Reserve emphasized that it continued to be concerned about inflation and would not hesitate to intervene under circumstances where excessive increases took place.

In the Eurozone, the European Central Bank (ECB) left its key interest rates unchanged during the third quarter of 2020. Thus, the interest rate on the main refinancing operations as well as on the marginal lending facility and the deposit facility remained at 0.00%, 0.25% and -0.50% respectively. The bank plans to keep its policy rates at current or lower levels until such time as it is satisfied that the inflation outlook will sustainably stabilize at a level sufficiently close to, but below, 2% over its projection horizon. This should be consistently reflected in the core inflation dynamics. In addition, the ECB has continued to provide liquidity to banks in order to offset the negative effects of the pandemic and support member economies.

The Bank of England (BoE) kept its main benchmark interest rate at 0.10%, the lowest level in history, in effect since March 2020. In addition, it continued its programs to purchase British government bonds and investment grade non-financial corporate bonds, within a limit of £750 billion outstanding on its balance sheet.

In emerging countries, some central banks left their policy rates unchanged while others stepped up monetary stimulus to reduce the negative impact of the health crisis and bolster economic recovery. **In China**, the central bank decided to leave the prime rate for one-year bank loans unchanged at 3.85% since April 2020. **In Brazil**, the central bank lowered its key rate by 25 bps to 2.00%, a historic low on August 5, 2020, following a reduction of 75 bps on June 17, 2020. This was the ninth consecutive decrease in the rate, with a view to reviving the economy, which has been hit hard by the pandemic. **In India, the central bank (RBI)** maintained its main policy rate at 4.00% in August 2020, after two reductions in March and May 2020 totaling 115 bps, with a view to stimulating economic recovery. **In Russia**, the central bank left its main policy rate at 4.25%, the level in effect since July 24, 2020, believing that its current monetary policy stance should allow a gradual recovery of the economy towards its potential level, while keeping inflation close to target.

In the West African subregion, **the Bank of Ghana (BoG)** made no changes to its monetary policy instruments (a leading rate of 14.5%, the level in effect since March 2020), noting that the outlook showed that inflation was moving towards its target and economic activity was gradually returning to normal. On the other hand, **the Central Bank of Nigeria (CBN)** lowered its key interest rate by 100 bps to 11.50% on September 22, 2020, the second drop of the year, following the one that took place in May 2020. This measure was aimed at stimulating growth for a rapid economic recovery, while ensuring price stability. In the CEMAC zone, **the BEAC**, at its Monetary Policy Committee meeting of July 22, 2020, left its main policy rates unchanged, following the March 2020 cuts of 25 bps in the interest rate on tenders (TIAO) and 100 bps in the marginal lending facility, which fell to 3.25% and 5.00% respectively. The BEAC also decided, during the meeting, to inject XAF 600 billion into a program to buy back the debts of CEMAC countries with a residual maturity of up to 10 years on the secondary market. This program is expected to last six months with a possible extension of six additional months as needed and depending on the economic outlook in 2021.

1.4.2 - Trends in monetary and financial conditions

Financial conditions remained generally favorable in the third quarter of 2020, in line with the accommodating stance of central banks' monetary policies.

In the main European Union countries, 10-year government bond yields trended lower, as follows: -7 bps to -0.52% in Germany, -12 bps to -0.24% in France, -46 bps to 0.87% in Italy, -22 bps to 0.25% in Spain and -21 bps to 1.02% in Greece. In contrast, sovereign rates on 10-year bonds in the United States rebounded slightly by 3 basis points (bps) from their June 2020 level to reach 0.69% in September 2020.

In the money markets, the 3-month Euribor, Europe's main interbank interest rate, edged down 7 bps to average -0.49% in September 2020, after -0.38% three months earlier.¹

The European currency appreciated against the other major currencies. The euro rose by 6.3% against the U.S. dollar, by 4.9% against the Japanese yen, by 2.0% against the British pound and by 11.9% against the Turkish lira.

Table 3 - Trends in the euro exchange rate against other major currencies (*)

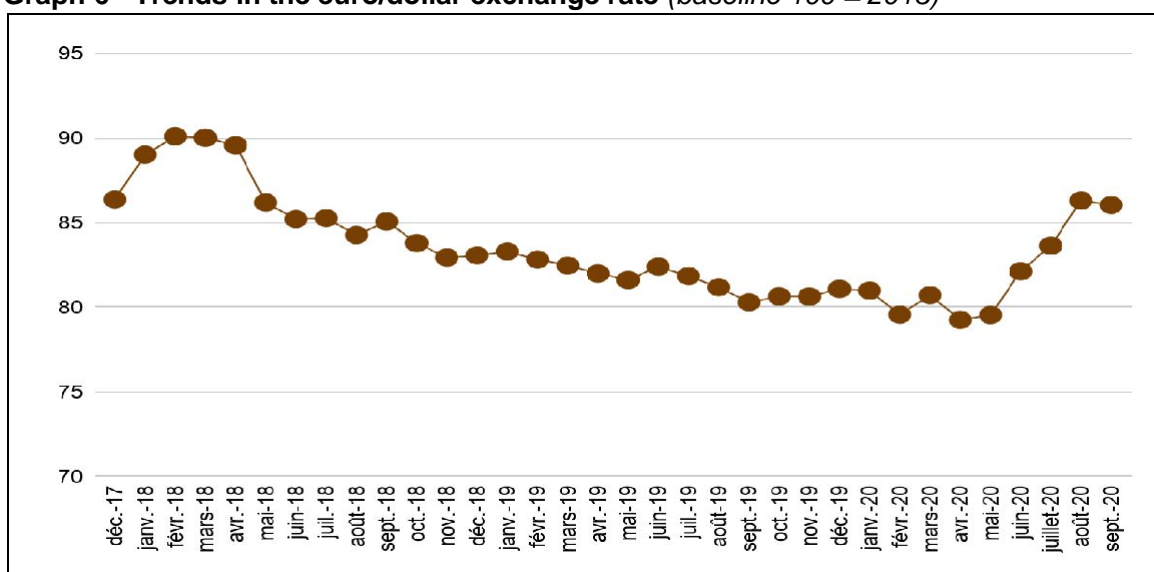
	2018		2019				2020			Change (%)	
	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	quarterly	annual
Advanced country currencies	106.9	105.5	103.2	102.6	101.6	101.0	100.9	101.3	105.9	4.6	4.3
US dollar	107.7	105.1	102.6	101.6	100.5	100.1	99.6	99.5	105.7	6.3	5.2
Pound sterling	107.0	109.0	106.5	106.8	110.1	105.0	105.2	108.3	110.5	2	0.3
Japanese yen	108.1	107.8	104.0	102.6	99.1	100.0	99.8	98.3	103.1	4.9	4
Canadian dollar	104.9	103.7	103.0	102.5	100.1	99.7	101.0	104.0	106.2	2.1	6.1
Emerging countries	107.1	112.1	108.0	108.4	108.8	109.0	110.2	116.6	121.9	4.6	12.1
Chinese yuan renminbi	103.5	107.7	104.2	104.4	106.2	106.1	104.7	106.2	110.0	3.7	3.7
Indian rupee	107.4	109.8	107.7	105.1	105.3	106.1	107.4	112.3	116.9	4.1	11.1
Turkish lira	156.1	197.5	182.7	197.5	188.6	191.9	201.6	226.3	253.4	11.9	34.3
South African rand	92.6	100.7	97.8	99.3	100.2	100.1	104.0	121.2	121.5	0.2	21.3
Oil-producing countries	107.3	108.8	105.6	105.3	105.2	104.8	105.2	108.1	113.6	5.2	8
Non-oil-producing countries	105.9	105.7	103.5	103.2	101.8	101.7	102.3	104.7	107.4	2.5	5.4
All	107.0	108.1	105.1	104.8	104.4	104.1	104.5	107.3	112.2	4.6	7.5

Sources: Banque de France, IMF, BCEAO

(*) Baseline 100=2016

Compared with the same period in 2019, the euro exchange rate index increased by 7.5% against the major foreign currencies, in conjunction with the appreciation of the European currency by 12.1% against those of emerging countries and by 4.3% against the currencies of advanced countries.

¹ The three-month Euribor has been negative since April 27, 2015.

Graph 6 - Trends in the euro/dollar exchange rate (baseline 100 = 2013)

Source: Banque de France

In the sub-region, the CFA franc appreciated by 16.0% against the currencies of West African countries outside the franc zone, after a 0.2% increase in the previous quarter. The currency rose by 21.4% against the Nigerian naira, 8.3% against the Guinean franc and 8.2% against the Ghanaian cedi. The depreciation of the naira was mainly due to the scarcity of US dollars as a result of the continuing depletion of Nigeria's foreign reserves. Overall, the common currency was strengthened by the rise of the euro, the CFA franc's anchor currency, and the bright outlook for economic activity in the WAEMU zone.

Compared to the same period the year before, the average CFA franc exchange rate rose by 16.8% against other West African currencies, particularly the naira (20.0%), the Ghanaian cedi (13.2%), the leone (13.1%) and the Guinean franc (10.2%).

Table 4 - Trends in the CFA franc/West African currencies exchange rate (foreign currency unit per 1,000 CFA francs)

	2018		2019				2020			Change (%)	
	Q2	Q3	Q1	Q2	Q3	Q4	Q1	Q2	Q3	quarterly	annual
Gambian dalasi	86.8	85.8	85.4	85.6	85.7	85.0	86.3	85.5	90.3	5.6	5.3
Ghanaian cedi	8.1	8.3	8.7	8.8	8.9	9.1	9.1	9.4	10.1	8.2	13.2
Guinean franc	16 583.2	15 971.6	15 760.0	15 641.8	15 575.0	15 705.2	15 765.3	15 846.1	17 157.4	8.3	10.2
Liberian dollar	248.4	273.5	278.5	308.7	346.2	337.5	328.4	333.1	355.1	6.6	2.6
Nigerian naira	562.4	541.7	530.5	525.0	519.7	517.0	515.4	514.0	623.9	21.4	20.0
Sierra Leonean leone	14 130.1	14 370.8	14 765.7	15 008.8	15 449.4	16 231.2	16 390.9	16 341.6	17 475.7	6.9	13.1
All West Africa (*)	129.5	127.2	126.9	126.9	127.1	127.5	127.0	127.9	148.4	16.0	16.8

Sources: WAMA, BCEAO

(*) baseline 100=2016

II - TRENDS IN SUPPLY AND DEMAND FACTORS

2.1 - Supply factors

The WAEMU economy improved slightly in the third quarter of 2020, with an increase of 0.6% in the GDP compared to the same period in 2019, after a 2.0% drop in the previous quarter. The business climate indicator, for its part, rose from 84.1 in the second quarter of 2020 to 96.4 in the third quarter of the year. This improvement reflects business leaders' more favorable views of the economic outlook, in connection with the impact of public policies introduced to bolster the economy in the context of the COVID-19 health crisis.

Table 5 - Contributions of economic sectors to quarterly GDP growth in WAEMU (change against the same quarter of the previous year) (*Seasonally and working day adjusted data (SA-WDC), in %*)

	2018		2019				2020		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Primary sector	1.6	1.5	1.3	1.0	0.8	0.6	0.6	0.3	0.3
Secondary sector	0.9	1.1	1.6	1.9	1.8	1.4	0.9	-0.6	0.2
Tertiary sector	4.0	4.1	3.9	3.7	3.1	2.3	1.7	-1.7	0.1
GDP:	6.5	6.7	6.8	6.6	5.7	4.3	3.2	-2.0	0.6

Source: BCEAO

The return to positive economic growth in the Union was mainly driven by the primary sector, whose value added rose by 1.6% in the third quarter of 2020, following a 1.5% increase in the previous quarter. The tertiary and secondary sectors recorded increases of 0.1% and 1.0% respectively, following decreases of 3.0% and 2.8% in the previous quarter. Economic trends compared to the same period of the previous year, broken down by country, are shown in the table below.

Table 6 - Trends in real GDP growth rates in WAEMU Member States

	2018		2018	2019				2019	2020		
	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3
Benin	6.8	6.9	6.7	7.5	7.5	6.8	5.7	6.9	3.9	-2.0	1.6
Burkina Faso	6.9	7.0	6.8	7.0	6.5	5.5	3.8	5.7	2.7	-2.0	1.0
Côte d'Ivoire	6.8	7.1	6.9	7.0	7.0	6.1	4.9	6.2	3.7	-1.6	0.7
Guinea-Bissau	3.2	4.2	3.4	5.6	5.8	4.6	2.1	4.5	1.5	-2.4	0.5
Mali	5.0	4.7	4.7	5.6	5.5	4.7	3.2	4.8	2.3	-2.3	-0.7
Niger	7.5	7.6	7.1	7.5	6.8	5.5	3.8	5.9	2.2	-2.5	0.6
Senegal	6.4	6.4	6.4	6.5	6.0	5.1	3.6	5.3	3.0	-2.2	0.5
Togo	5.1	5.6	4.9	6.2	6.1	5.3	3.9	5.3	2.4	-2.5	0.6
WAEMU	6.5	6.7	6.4	6.8	6.6	5.7	4.3	5.8	3.2	-2.0	0.6

Source: BCEAO

Positive growth was recorded in all the countries of the Union, except for Mali, whose GDP fell by 0.7% in the third quarter of 2020, due to the socio-political crisis the country experienced during the period under review, including the suspension of trade with neighboring countries.

2.1.1 - Primary sector

Gross value added in the primary sector increased by 1.6% in the third quarter of 2020, compared with the same period of the previous year, after a rise of 1.5% in the second quarter. This development reflects an increase in the rate of growth of livestock and fishery activities, as well as growth in food production during the 2020/2021 crop year. According to the AGRHYMET regional center, the crop year will be marked by an overall rainfall surplus compared to the norm in the Sahelo-Sudanese band of West Africa and a rainfall deficit in the coastal south of the Gulf of Guinea countries. On this basis, rainfed crop yields are expected to be substantially higher than the median values over the last five years.

According to the first available forecasts, food crop production is expected to increase by 3.5% in the 2020/2021 season compared to the previous season, reaching 69,277,297 mt. This increase is expected to result from a 3.7% increase in cereal crops, a 3.0% increase in tuber crops, and a 3.9% increase in other crops, to 31,510,992 mt, 25,041,673 mt, and 12,724,632 mt, respectively.

Compared to the average for the previous five years, the 2020/2021 harvest is expected to increase by 13.1%.

Table 7 - Food crop production in WAEMU

(in metric tons except where otherwise indicated, updated in October 2020)

	2018/2019	2019/2020 (1)	2020/2021* (2)	Average over the past five crop years (3)	Change (%)	
					(2)/(1)	(2)/(3)
Cereals	31,098,987	30,386,251	31,510,992	28,745,884	3.7	9.6
Tubers	23,734,304	24,321,588	25,041,673	22,223,876	3.0	12.7
Other crops	12,163,639	12,248,111	12,724,632	10,257,835	3.9	24.0
Total	66,996,930	66,955,950	69,277,297	61,227,595	3.5	13.1

Sources: National agriculture departments, BCEAO calculations, *Estimates

Production of the main cash crops is expected to show contrasting trends in the 2020/2021 crop year. The situation for each crop is shown in the table below.

Table 8 - Export crop production in WAEMU

(in metric tons except where otherwise stated, updated in October 2020)						
	2018/2019	2019/2020 (1)	2020/2021* (2)	Average over the past five crop years (3)	Change (%)	
					(2)/(1)	(2)/(3)
Cocoa	2,125,863	2,249,307	2,064,692	1,980,516	-8.2	4.3
Coffee	143,025	115,487	106,655	115,769	-7.6	-7.9
Seed cotton	2,402,229	2,732,189	2,263,727	2,380,463	-17.1	-4.9
Groundnut	3,471,215	3,525,194	3,674,650	3,156,744	4.2	16.4
Cashew nuts	1,220,131	1,117,538	1,404,448	1,168,014	25.7	20.2
Rubber	624,136	478,552	526,186	504,430	10	4.3

Sources: National marketing authorities, *Estimates

Groundnut production for the 2020/2021 season is expected to amount to 3,674,650 mt, up 4.2% from the previous season, due to the favorable distribution of rainfall, which should boost production in all Member States of the Union.

Cashew nut production is anticipated to reach 1,404,448 mt in the 2020/2021 season, up 25.7% from the previous season. This development owes mainly to the 42.1% increase in harvests recorded in Côte d'Ivoire, in connection with the closure of the borders, which has reduced production leakage to certain neighboring countries.

Rubber production should reach 526,186 mt in 2020/2021, a 10.0% increase compared to the previous agricultural season, due to the expansion of the areas under production.

On the other hand, the seed cotton harvest is forecast at 2,263,727 tons in the 2020/2021 season, down 17.1% from the 2019/2020 season. This drop was due to production decreases of 75.1% and 5.6% in Mali and Benin, respectively. In Mali, the downward trend was essentially driven by a reduction in areas planted, following the rural community's disagreement with the reduction of the producer purchase price from 275 F/kg during the 2019/2020 season to 200 F/kg for 2020/2021. The drop in Benin's seed cotton harvest was reportedly caused by rain shortages at the beginning of the season during the sowing period and flooding in certain production areas in the north of the country. However, increased production in other countries should help offset the extent of the downturn in the Union as a whole.

Cocoa production is expected to decline by 8.2% in the 2020/2021 season, to stand at 2,064,692 mt in the Union. This situation is mainly a consequence of the decision by Côte d'Ivoire to restrict the supply of the commodity in order to avoid a collapse in world prices. Ivorian producers continue to focus on the need to emphasize the quality of their cocoa beans over their quantity.

Coffee production is expected to reach 106,655 mt during the 2020/2021 season, down 7.6% compared to the previous growing season, mainly due to the dormancy phase of the production cycle, as well as measures taken by Côte d'Ivoire to rationalize the management of its forest resources and preserve the country's plant cover.

The drop in cocoa and coffee production during the 2020/2021 growing season is also ascribable to the impact of the COVID-19 pandemic, which has led to higher stocks due to the cancellation of certain export contracts, difficulties in sourcing inputs, and an increase in production costs owing to the cost of implementing barrier measures.

2.1.2 - Secondary sector

In the third quarter of 2020, value added generated by the secondary sector increased by 1.0% in real terms compared to the same period the year before, against a decline of 2.8% in the previous quarter. The business climate indicator remained below its long-term trend, although it did show a recovery in the quarter under review. This reflected the more optimistic outlook of business leaders in the secondary sector regarding the economic situation.

The industrial production index rose by 1.4% in the third quarter of 2020, against a drop of 5.2% in the second quarter. This development was primarily due to the 10.0% increase in mining production, combined with a slower decline in manufacturing production, which was estimated at -8.2% in the second quarter of 2020, compared to -2.5% in the quarter under review.

The performance of the extractive industry was linked to a 14.3% increase in gold production during the quarter under review, particularly in Burkina Faso, Côte d'Ivoire, and Senegal, after a 3.2% increase in the previous quarter. Uranium production in Niger also picked up, rising 13.5% in the third quarter of 2020, following a 2.3% increase in the second quarter of 2020. Crude oil production increased by 1.7%, especially in Côte d'Ivoire and Niger, following a 14.2% decline in the previous quarter. In terms of manufacturing output, the decline observed in the sector was less marked than that of the previous quarter, reflecting trends in food production, which, after a drop of 13.1% in the second quarter of 2020, fell by only 2.0% in the quarter under review.

Table 9 - Industrial Production Index (IPI) trends in WAEMU
(SA-WDC data, change from the same period one year prior, in %)

Industries	2018	2019	2019			2020		
			Q2	Q3	Q4	Q1	Q2	Q3*
Mining production	-7.8	-1.1	4.9	4.8	-6.2	8.1	-1.9	10.0
incl. Crude oil and natural gas	-0.9	5.8	18.3	9.3	-12.2	-6.6	-14.2	1.7
Uranium ores	-17.9	9.8	12.4	-0.3	7.2	19.8	2.3	13.5
Metal ores	-10.1	-4.4	0.9	4.7	-3.8	16.0	3.2	14.3
Manufacturing industries	9.4	8.9	6.8	14.0	10.0	0.8	-8.2	-2.5
- Foods and beverages	14.4	14.1	11.3	18.8	12.5	-3.0	-13.1	-2.0
- Refined petroleum products	-2.7	7.2	13.1	1.7	6.4	5.7	-6.1	-7.5
- Chemicals	25.7	2.7	5.7	1.8	-5.2	-0.6	-1.2	-5.1
Electricity, gas, water	0.1	9.4	10.2	13.4	12.2	13.2	9.1	5.3
Overall Index	4.2	6.8	6.5	11.2	5.3	3.4	-5.2	1.4

Source: BCEAO

* Preliminary data

2.1.3 - Tertiary sector

The value added generated by the tertiary sector increased slightly by 0.1%, on an annual basis, in the third quarter of 2020, in contrast to a decline of 3.0% in the second quarter of 2020. Compared to the previous quarter, the business climate indicator improved while remaining below its long-term trend, reflecting more positive perceptions among business leaders amidst a gradual recovery in trade and service activities.

The retail sales index fell by 4.5%, following a decline of 16.5% in the previous quarter. This relative improvement was due to a smaller decrease in food and clothing sales, particularly in Benin, Côte d'Ivoire, and Niger. Sales of petroleum products were down by 8.6%, compared with an 18.9% decrease in the previous quarter, mainly in Côte d'Ivoire, Niger, and Senegal.

The service sector has yet to return to its level prior to the COVID-19 pandemic crisis. The turnover index for market services (excluding financial services) fell slightly by 1.8% in the third quarter of 2020, following a 4.9% decline in the second quarter of 2020, due to a gradual recovery in transportation, education, and hotel activities in most countries of the Union.

The financial services business index recorded a higher growth rate between July and September 2020, reaching +9.1%, compared to +7.8% in the previous quarter, in line with the increase in the volume of banking transactions (loans and deposits).

Table 10 - Trends in the turnover index (TI) in WAEMU (SA-WDC data, change from the same period one year prior, in %)

	2018	2019	2019			2020		
			Q2	Q3	Q4	Q1	Q2	Q3*
Trade TI	7.3	3.1	4.5	1.0	-1.4	0.9	-16.5	-4.5
Food products	11.3	-0.7	-0.3	-6.1	-14.8	-3.9	-22.9	-9.0
Personal goods	14.6	12.6	22.4	9.1	-4.1	-0.8	-26.6	-13.3
Automobiles, motorcycles, and spare parts	0.5	0.9	3.0	-6.3	0.6	0.1	-10.5	8.7
Petroleum products	11.2	4.0	6.1	4.2	2.6	3.0	-18.9	-8.6
Pharmaceutical and cosmetic products	10.5	13.1	11.9	11.7	7.8	9.2	-7.7	4.8
Trade services TI (excluding financial services)	8.0	2.1	1.5	3.5	1.3	1.6	-4.9	-1.8
Financial services TI	7.3	8.5	7.0	10.1	9.0	7.6	7.8	9.1

Source: BCEAO

* Preliminary data

2.2 - Demand factors

2.2.1 - Trends in uses of the GDP

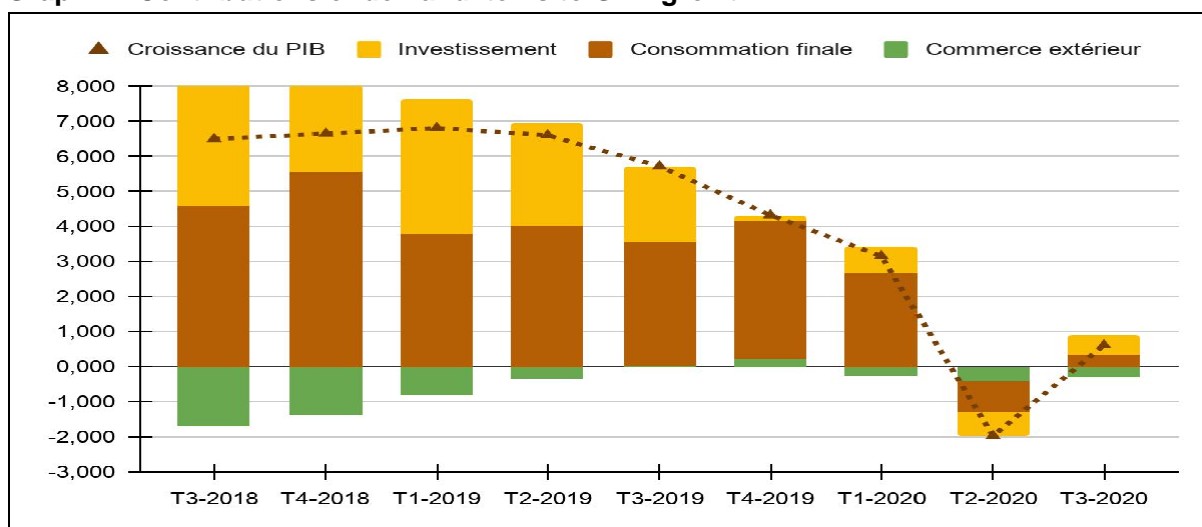
An analysis of the factors of demand shows that the growth of the Union's gross domestic product in the third quarter of 2020 was mostly driven by consumption and investments.

Consumption increased slightly, by 0.4%, compared to a 1.1% decrease in the previous quarter. This trend was linked to an increase in household consumption expenditure on pharmaceuticals and cosmetics as well as in spending on services, including transportation and restaurant services, with the lifting of mobility restrictions.

Capital expenditure increased by 2.1% compared to the same period of the previous year, in relation to the recovery of the construction industry, following a 2.5% decline in the previous quarter.

The contribution of foreign trade to economic growth remained negative, notwithstanding the improvement observed, in connection with the reduction of the trade deficit.

Graph 7 - Contributions of demand items to GDP growth



Source: BCEAO

2.2.2 - Implementation of WAEMU Member State budgets as at the end of September 2020

Like most countries in the world, the WAEMU Member States are contending with the health, economic and social consequences of the pandemic. The impact of this crisis was particularly felt in the execution of the governments' budgets during the first three quarters of 2020.

Public finance was marked by a greater increase in government spending compared to budgetary revenues. This has led to a significant deepening of the budget deficit, on a commitment basis, including grants, compared with its level in the same period of 2019. The budget deficit stood at 3,742.1 billion or 5.5% of GDP at the end of September 2020, against 1,576.3 billion or 2.4% of GDP one year prior.

Total fiscal revenue and grants stood at 11,231.7 billion during the first quarter of 2020, up by 35.1 billion or 0.3% compared to the same period the previous year. The increase was essentially due to a 573.0 billion (+63.7%) increase in grants, partially offset by a drop of 537.9 billion (-5.2%) in budgetary revenue.

The trend in budgetary grants, estimated at 1,472.2 billion at the end of September 2020, was a result of budgetary support received by the WAEMU Member States to help them deal with the pandemic. In contrast, the decline in budgetary revenue, mainly tax revenue, was related to the impact of the health crisis, as the pandemic has affected the mobilization of internal budgetary revenue due to the economic slowdown.

Net expenditure and loans rose by 17.2%, from 12,772.9 billion at the end of September 2019 to 14,973.8 billion at the end of September 2020, driven by an increase of 977.8 billion (10.8%) in current expenditure and 1,136.8 billion (33.2%) in capital expenditure.

Table 11 - WAEMU Member States' financial transactions in September 2020 (in billions, except where otherwise stated)

	Sept. 2019 (1)	Sept. 2020 (*) (2)	Change (2)/(1)	
			(level)	(%)
Total revenue and grants	11,196.6	11,231.7	35.1	0.3
<i>(as a % of GDP)</i>	17.1	16.6	-	-
<i>Fiscal revenue</i>	10,297.4	9,759.5	-537.9	-5.2
<i>including tax revenue</i>	8,875.5	8,545.3	-330.2	-3.7
<i>(as a % of GDP)</i>	13.6	12.7	-	-
Grants	899.2	1,472.2	573.0	63.7
<i>(as a % of GDP)</i>	1.4	2.2	-	-
Total expenditures and net loans	12,772.9	14,973.8	2,200.9	17.2
<i>including current expenditures</i>	9,045.4	10,023.2	977.8	10.8
<i>payroll</i>	3,524.1	3,778.9	254.8	7.2
<i>grants and transfers</i>	2,315.3	2,546.0	230.6	10.0
<i>payments of interest</i>	976.4	1,173.0	196.6	20.1
<i>capital investments</i>	3,421.2	4,558.0	1,136.8	33.2
<i>(as a % of GDP)</i>	5.2	6.8	-	-
<i>net loans</i>	0.0	-11.0	-11.0	-
Overall balance, commitment basis (incl. grants)	-1,576.3	-3,742.1	-2,165.8	-
<i>(% of GDP)</i>	-2.4	-5.5	-	-
Overall balance, cash basis (incl. grants)	-1,665.1	-3,742.1	-148.9	-
<i>(as a % of GDP)</i>	-2.5	-5.5	-	-

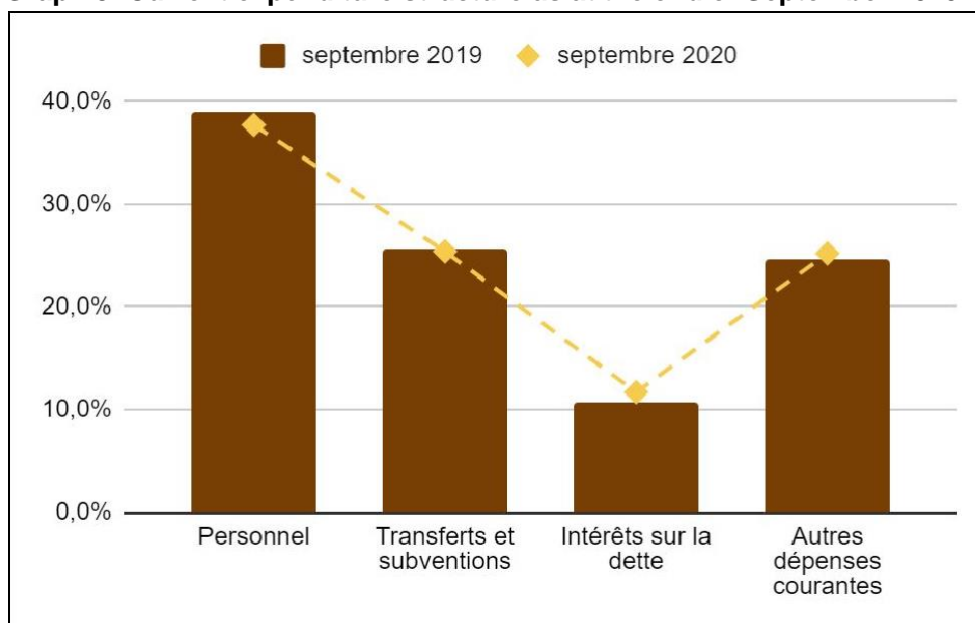
Sources: National departments, BCEAO

(*): Estimates for September 2020

The increase in current expenditure mainly reflected the rise in transfers and subsidies (10.0%). It also reflected the social assistance measures adopted by the governments, notably partial or total coverage of water and electricity bills, as well as food aid and cash transfers to vulnerable populations due to the health crisis. In addition, the payroll increased by 254.8 billion (+7.2%). In addition, the States of the Union continued to pay interest on the debt, which amounted to 1,173.0 billion, an increase of 20.1% over the previous year.

The increase in capital expenditure was the result of the continuation of disbursements for infrastructure projects as well as certain investments in relation to pandemic plans, particularly in the health sector, including the acquisition of new equipment and the opening of patient screening centers.

On a cash basis, the budget deficit, including grants, stood at 3,742.1 billion at the end of September 2020, or 5.5% of GDP. It was financed through public debt securities and by mobilizing resources from technical and financial partners.

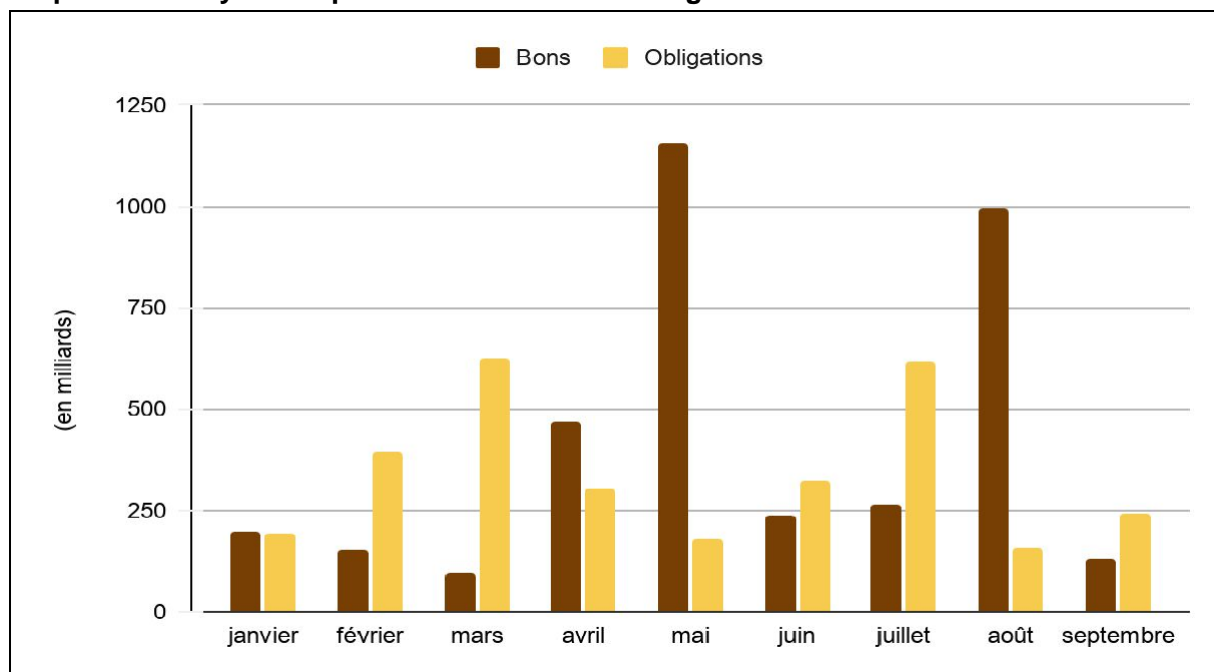
Graph 8: Current expenditure structure as at the end of September 2020

Sources: National departments, BCEAO

2.2.3 - Regional public debt securities market

Overall gross issues on the regional public debt market totaled 6,746.1 billion in the first nine months of the year, compared with 3,411.5 billion in the same period of 2019, in line with the size of the budget deficit. Net issues stood at 2,752.1 billion in 2020 against 1,079.3 one year earlier.

The Member States showed a greater preference for short-term securities. 54.9% of all issues were Treasury bills. The operations were carried out by auction, with eighty-four (84) issues amounting to 3,703.0 billion. The most common maturity was three months, linked to issues of “Covid-19 bills”.

Graph 9: Monthly developments in issues on the regional financial market

Source: WAMU Securities Agency

One hundred and fourteen (114) series of bonds were issued over the period, for a total of 3,043.1 billion compared to 1,970.0 billion in the first three quarters of 2019. Three- and five-year maturities were the most popular, amounting to a value of 2,327.3 billion, representing 76.5% of the total value of all bonds issued over the period.

Table 12: Gross issues of public securities by auction and syndication on the regional public securities market (in billions of CFA francs)

	2018	2019				Total 2019	2020		
		Q1	Q2	Q3	Q4		Q1	Q2	Q3
Bills	1,489.4	536.9	546.3	358.3	203.6	1,645.1	446.1	1,864.4	1,392.5
Bonds	1,788.2	555.0	686.4	728.6	497.0	2,467.0	1,217.9	807.7	1,017.5
<i>By auction</i>	<i>943.9</i>	<i>349.5</i>	<i>474.2</i>	<i>454.3</i>	<i>497.0</i>	<i>1,775.0</i>	<i>851.7</i>	<i>807.7</i>	<i>884.9</i>
<i>By syndication</i>	<i>844.3</i>	<i>205.5</i>	<i>212.2</i>	<i>274.3</i>	<i>0.0</i>	<i>692.0</i>	<i>366.2</i>	<i>0.0</i>	<i>132.6</i>
Total	3,277.6	1,091.9	1,232.7	1,086.9	700.6	4,112.1	1,664.0	2,672.1	2,410.0

Source: WAMU Securities Agency

The average bond yield declined in relation to the previous quarter. It averaged 5.48% across all maturities in the third quarter of 2020, compared to 6.40% in the previous quarter and 6.46% one year earlier.

The average cost of resources raised by governments in the Treasury bill segment was lower in 2020 than in the same period in 2019. The weighted average interest rate was 3.09% in the third quarter of 2020 compared with 4.93% the previous year. The significant reduction in the cost of Treasury bills over the period reflected the cut in the BCEAO's leading rates in June 2020 and the facilities introduced to support the issuance of special bills known as "Covid-19 Bills", particularly the opening of a special window for the refinancing of those securities at a rate of 2.00%.

Table 13: Average interest rate on Treasury bills (as a percentage)

	2018				2018	2019				2019	2020		
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3
1 month	-	-	-	3.90	3.90	-	-	-	-	-	-	-	-
3 months	6.38	5.81	4.85	6.02	5.46	5.00	4.98	4.63	-	4.85	3.88	3.22	2.45
6 months	6.09	6.17	5.86	5.99	6.06	5.69	5.40	-	4.90	5.52	4.38	4.49	4.20
12 months	6.25	6.22	6.11	6.08	6.16	6.07	5.62	5.29	5.11	5.61	4.94	4.91	4.89
24 months	-	5.80	-	-	5.80	-	-	-	-	-	-	-	-
Average rate	6.22	6.00	5.61	5.78	5.90	5.78	5.32	4.93	5.08	5.36	4.46	3.63	3.09

Source: BCEAO

Outstanding public securities on the regional market

Overall outstanding public securities totaled 13,635.6 billion at the end of September 2020. The structure of the outstanding securities was dominated by bonds, which represented 83.7% of the total. Their distribution, by country, was as follows:

Table 14: Outstanding public securities at the end of September 2020 (*) by country

Issuer	Bills		Bonds		Total
	(in billions)	(% of total)	(in billions)	(% of total)	(in billions)
Benin	142.0	8.4	1,552.6	91.6	1,694.6
Burkina Faso	292.0	15.8	1,552.3	84.2	1,844.3
Côte d'Ivoire	743.0	16.7	3,693.3	83.3	4,436.3
Guinea-Bissau	36.6	25.2	108.7	74.8	145.2
Mali	190.0	11.6	1,451.4	88.4	1,641.4
Niger	373.1	39.4	573.2	60.6	946.3
Senegal	306.4	20.2	1,207.6	79.8	1,514.0
Togo	141.3	10.0	1,272.1	90.0	1,413.4
WAEMU	2,224.4	16.3	11,411.2	83.7	13,635.6

Sources: BCEAO, WAMU Securities, (*). These figures apply to bills and bonds issued on the regional financial market only.

Based on the issuance schedules collected from the Member States of the Union, the total amount of resources to be mobilized on the regional market in 2020 was expected to ring in at 8,416.8 billion, up 104.7% compared to actual figures for 2019. Maturities are expected to reach 6,146.2 billion and net issuance is estimated at 2,270.6 billion, which would bring outstanding government securities to 13,154.1 billion at the end of December 2020, or 14.6% of GDP.

Table 15: Trends in outstanding public securities (in billions of CFA F)

	2015	2016	2017	2018	2019	2020 (*)
Outstanding	6,388.5	8,621.4	9,629.9	9,972.7	10,883.5	13,154.1
(% of GDP)	9.4	11.9	12.5	12.1	12.4	14.6
Relative share						
- bills	20.3	17.5	12.7	11.0	8.2	11.3
- bonds	79.7	82.5	87.3	89.0	91.8	88.7

Sources: BCEAO, WAMU Securities Agency. (*): forecasts for the end of December 2020

2.2.4 - External resource mobilization external by the States

Two of the countries in the Union have raised resources on international markets since the beginning of 2020. Niger raised resources for a nominal amount of 200 million dollars (117 billion CFA francs) on international markets. Togo issued bonds through syndication in June for an amount of 145.5 million euros, or 95.5 billion CFA francs. The countries of the Union have also received support from technical and financial partners in the fight against the pandemic.

Based on the available information, since the beginning of 2020, they have received 1,271.7 billion from the IMF, 1,181.3 billion of which were disbursed solely for the fight against Covid-19. The IMF Trust Fund for Disaster Assistance and Response also decided to service the debts of the countries of the Union to the Fund in an amount of \$55.6 billion. Côte d'Ivoire and Senegal did not qualify for this relief.²

² Cote d'Ivoire and Senegal were not eligible because their gross national incomes per capita exceeded the World Bank's operational threshold for concessional assistance, set at \$1,175 for the 2020 financial year.

In addition to the IMF's debt-service relief, the Union's countries also benefited from a suspension of payments for the rest of 2020 under the G20 initiative. The measure was extended until June 2021. In addition to supporting countries in their development projects, the World Bank provided resources in the form of grants or concessional loans to support the efforts of WAEMU countries in response to the COVID-19 pandemic and to help them deal with public health emergencies. Specifically, the amounts disbursed in the framework of financing for Covid-19-related projects are estimated at CFA F 403.9 billion. According to available information, the countries of the Union were also able to mobilize 254.8 billion CFA francs in budgetary support from the African Development Bank.

2.2.5.- Foreign and intra-WAEMU trade in the third quarter of 2020

In the third quarter of 2020, the Union's trade deficit decreased by 36.6 billion compared to the same period in 2019, reaching 549.1 billion, due to a sharper decline in imports (-3.9%) than in exports (-3.5%).

Table 16 - Trends in trade in the Union in the third quarter of 2020

	2019	2020	Change	
	Q3	Q3	(level)	%
Exports (FOB)	3,779.4	3,647.9	-131.5	-3.5
<i>incl. Gold and precious metals</i>	873.9	1,110.0	236.1	27.0
<i>Cocoa products</i>	399.5	338.9	-60.6	-15.2
<i>Petroleum products</i>	382.8	276.5	-106.3	-27.8
<i>Cashew products</i>	93.1	112.5	19.4	20.9
<i>Cotton products</i>	176.1	140.8	-35.3	-20.0
<i>Rubber</i>	129.3	174.6	45.3	35.0
<i>Uranium</i>	37.3	37.7	0.4	1.2
<i>Coffee products</i>	26.7	18.8	-7.9	-29.7
Imports (FOB)	4,365.2	4,197.0	-168.1	-3.9
<i>incl. Food products</i>	858.7	918.2	59.5	6.9
<i>Consumer goods</i>	799.4	823.2	23.8	3.0
<i>Energy products</i>	1,071.5	760.3	-311.2	-29.0
<i>Intermediate goods</i>	909.7	935.6	25.9	2.8
<i>Capital goods</i>	977.1	990.2	13.0	1.3
Trade balance	-585.7	-549.1	36.6	-6.2
(% of GDP)	-1.4	-1.2		

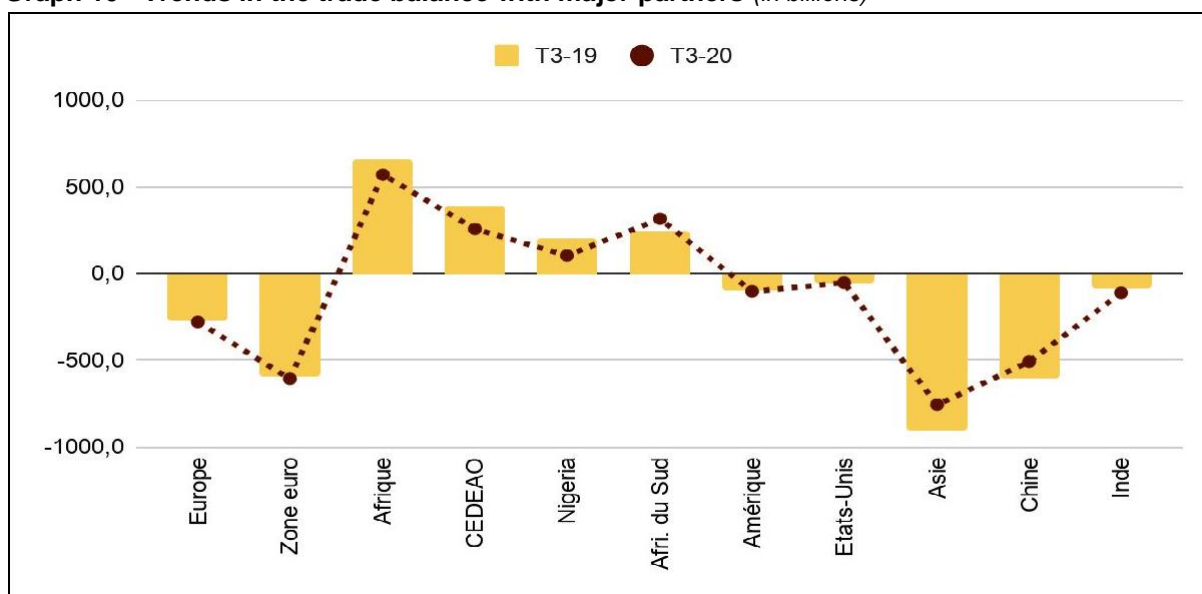
Sources: BCEAO, NSIs, Customs - (*) Estimates

The trend in exports mainly reflects the decline in sales of petroleum products (-27.8%), cocoa (-15.2%) and cotton (-20.0%), due to the downward trend in prices, coupled with a decrease in the volume of shipments of these products. However, the decline in exports was partially offset by strong sales of gold, rubber, and cashew nuts. The gold sector benefited from a positive trend in prices on international markets. Rubber and cashew nut products saw increases in export volumes, in conjunction with a surge in world demand for the products.

The decline in imports was in line with the sharp decline in energy bills (-29.0%), following price drops on international markets. However, this decline was moderated by increases in purchases of capital and intermediate goods (+2.1%) as well as food and consumer goods (+5.0%). The increase in consumer goods was driven by increases in international prices, particularly for rice and edible oils, and by the strong demand for these products from abroad.

The Union's trade dynamics showed a reduced trade surplus with Africa, widening bilateral deficits with Europe and America, and a smaller deficit with Asia.

Graph 10 - Trends in the trade balance with major partners (in billions)



Sources: BCEAO, NSIs, Customs

Intra-WAEMU trade, for its part, is expected to decline by 3.7% to reach 631.5 billion, representing 16.1% of the Union's total trade, in connection with the global Covid-19 health crisis and the closure of Mali's borders during the country's embargo period. Côte d'Ivoire and Senegal remain the main suppliers, cumulatively representing 55.4% of the total intra-Community supply. On the intra-WAEMU demand side, Burkina Faso and Mali were the main destinations of trade flows, with 44.8% of the total. The main products traded were oil, food preparations (milk, broth, etc.), local products (cereals and live animals), edible oils and building materials.

2.3 - Economic growth outlook

In 2020, the economies of the WAEMU Union were marked by the Covid-19 pandemic, which caused a generalized slowdown in economies worldwide, particularly in industrialized and emerging countries, the main partners of the Member States of the Union. Considering the various mechanisms whereby the crisis was spread (*foreign trade, foreign direct investment, etc.*) as well as the decline in economic activity, particularly in the tourism, hotel and restaurant sectors, the latest estimates suggest that growth in the Union's GDP was 0.9% in 2020, after 5.8% in 2019.

Table 17: WAEMU Member States' real GDP growth rate (%)

	2019	2020		2021
		Estimates (September 2020)	Revised estimates (October 2020)	Projections (October 2020)
Benin	6.9	3.5	2.3	5.8
Burkina Faso	5.7	2.0	1.5	5.4
Côte d'Ivoire	6.2	0.8	1.8	6.3
Guinea-Bissau	4.5	-1.9	-2.3	4.5
Mali	4.8	0.9	-1.2	4.7
Niger	5.9	1.0	1.2	6.9
Senegal	5.3	1.1	-0.7	5.2
Togo	5.3	1.3	1.3	4.3
Union	5.8	2.4	0.9	5.8

Sources: National Statistics Institutes (NSIs)

The tertiary sector was the main engine of economic growth in 2020, with a contribution of 0.4 points. The contributions of the primary and secondary sectors to economic growth amounted to 0.3 and 0.2 percentage points, respectively.

Table 18: Trends in contributions to growth in the gross domestic product of the Union
(in percentage points of GDP)

	2019	2020	2021
Primary sector	0.9	0.3	1.1
Secondary sector, including:	1.7	0.2	1.5
- Manufacturing industries	0.9	0.1	-
- Public works and civil engineering	0.4	0.1	-
Tertiary sector	3.2	0.4	3.2
Real GDP	5.8	0.9	5.8
End consumption	3.6	0.9	3.4
Investment	2.5	0.3	3.9
External sector	-0.3	-0.3	-1.5
incl. - Exports	0.7	-1.6	-

Sources: National Statistics Institutes (NSIs)

Compared to the situation as reported in September 2020, recent estimates of GDP growth in 2020 were down by 1.5 percentage point, due to the decline in projected economic performances in Benin, Burkina Faso, Mali, Guinea-Bissau, and Senegal. This decline in economic growth was partially offset by higher forecasts for Côte d'Ivoire and Niger.

In Benin, economic growth was estimated at 2.3% compared to 3.5% in the September 2020 report, mainly due to a stronger than expected ebb in freight traffic in the Port of Cotonou and lower activity in the trade and transportation subsectors, caused by difficulties in delivering goods to neighboring countries.

In Burkina Faso, the downward revision of expected real GDP growth by 0.5 percentage point was due to a smaller than expected increase in value added in the primary sector (+5.0% versus previously projected +5.3%) and in the extractive industries (+1.8% versus +3.2% previously).

In Mali, the downward revision of economic performance by 2.1 points ensued from the negative impact of the socio-political crisis experienced by the country from August 2020 on economic activity, particularly in terms of the buildings and public works sub-sector (-10.4% compared to -1.6% as previously forecast) and the collection of duties and taxes (-7.5% against -2.4% previously). In addition, agricultural production, mainly cotton, was expected to fall by more than 75%, due to the reduction in areas seeded, as a result of producers' shunning of the cash crop due to lower producer prices, which had not been anticipated in previous projections. Thus, the value added of the primary sector, previously forecast to increase by 2.4%, was expected to contract by 2.8%.

In Guinea-Bissau, the economic growth forecast was revised to -2.3% against -1.9% in the previous report, in connection with the decline in food production and the smaller than expected increase in cashew nut production. Thus, the estimated value added of the primary sector is now 1.8%, as against the previous projection of 5.4%. In addition, electricity, water, and gas production is expected to increase by 3.0%, 2.0 percentage points less than previously anticipated.

In Senegal, the downward revision of the economic growth rate by 1.8 percentage points was due to the lackluster performance of the manufacturing industry (-2.1% versus +4.1% previously forecast).

By contrast, economic growth was stronger than expected (+1.8% rather than +0.8% previously reported) in Côte d'Ivoire during 2020, mainly due to a smaller slowdown in industrial production. Indeed, the latest estimates suggest a 1.6% increase in production in the manufacturing sub-sector compared with a previous forecast of +0.3%. In addition, the value added of the non-market sub-sector will increase by 7.0%, or 5.0 percentage points more than previously expected. Growth was also driven by the tertiary sector, boosted by the increased use of telecommunications due to Covid-19.

In Niger, the adjustment of the economic growth forecast for 2020, which was increased by 0.2 percentage point, was linked to economic recovery and a smaller than expected decline in the extractive sector, in line with changes in the indicators used to monitor the economy. Thus, the value added of the primary sector is expected to increase by 3.9% compared with the previous forecast of 2.8% and that of the extractive industries subsector is estimated at -1.3% against -3.8%.

Projections for 2021 point to an economic recovery. Real GDP is expected to increase by 5.8%, supported by the service sector. Economic expansion will also be driven by a revival in manufacturing industries and civil engineering and public works (construction). The rise in the GDP will also be driven by the primary sector.

Whether or not growth projections are reached will depend on the ability of the Member States of the Union to mobilize the technical and financial resources to continue implementing their ongoing projects. The States should also pursue the structural reforms needed to ensure a climate that fosters private sector development and increase the efficiency of their public spending.

III - CURRENCY, MONETARY CONDITIONS AND THE FINANCIAL MARKET

3.1 - Monetary conditions

As part of the effort to deal with the impact of the health crisis, and in order to contain the increase in the overall needs of banks, the Central Bank decided to provide the necessary liquidity to lending institutions. Accordingly, all liquidity requirements expressed by banks were served, as from March 21, 2020, at a uniform rate of 2.50%, which was further reduced to 2.00% from June 24, 2020.

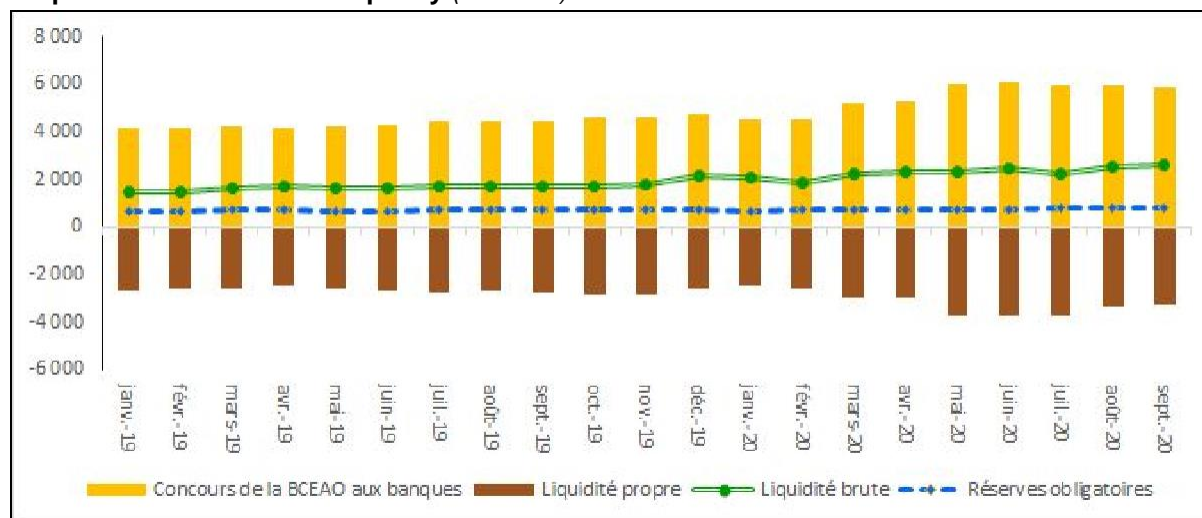
3.1.1 - Bank liquidity

During the third quarter of the year 2020, WAEMU banks' own liquidity increased by 396.5 billion to stand at -3,302.4 billion. This positive development was due to the positive balances of net payments made at bank counters (189.1 billion) and transactions with Treasuries amounting to 913.0 billion. However, this positive impact was mitigated by the net outflow of resources via transfers, which contributed to a 705.6 billion decrease in banks' own liquidity.

In line with the improvement in banks' own liquidity during the quarter, the institutions reduced their requests for liquidity from the Central Bank. Thus, outstanding refinancing fell by 229.0 billion to 5,904.9 billion at the end of September 2020.

In this context, bank liquidity, measured through the balances of ordinary and settlement accounts in the books of the Central Bank, was consolidated by 167.4 billion in the third quarter of 2020, to stand at 2,602.5 billion at the end of September 2020 against 2,435.1 billion at the end of June 2020.

Graph 11 - Trends in bank liquidity (in billions)



Source: BCEAO

In addition, the reserve requirements of the banks over the maintenance period from August 16 to September 15, 2020, were estimated at 803.9 billion. During the same period, the average reserve stood at 2,394.7 billion, exceeding the regulatory minimum requirement by 1,590.7 billion.

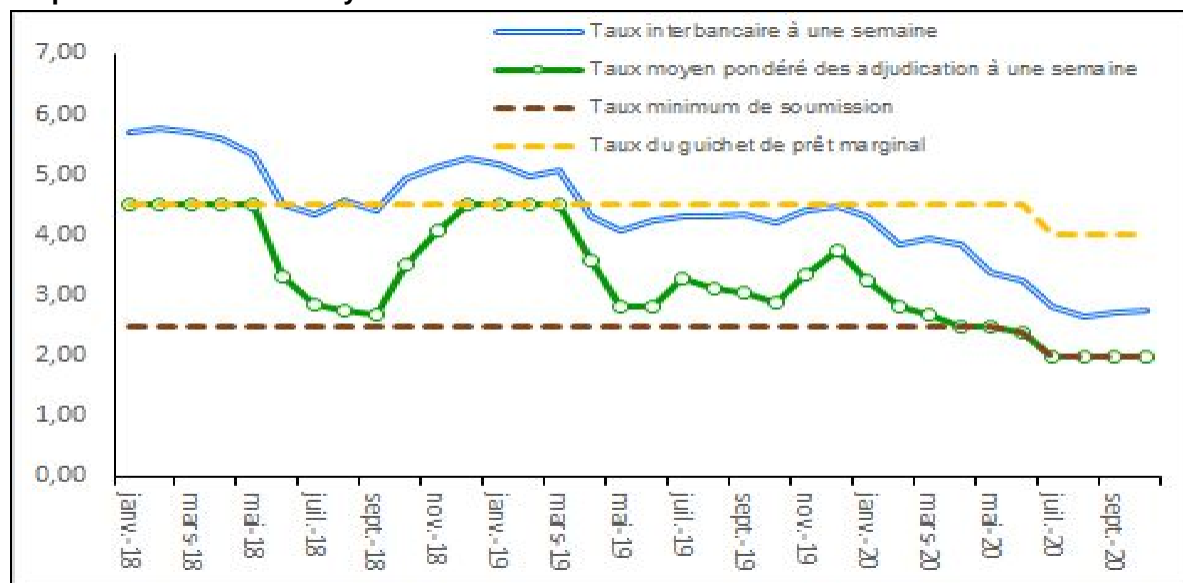
Compared to the situation described in the previous report on the maintenance period running from May 16 to June 15, 2020, surplus reserves increased by 184.0 billion, representing 197.9% of required reserves compared to 184.9% in the previous quarter. The number of banks with reserve requirement shortfalls rose from two to three, quarter on quarter.

3.1.2 - Trends in money market interest rates

An analysis of refinancing conditions at BCEAO tender windows during the third quarter of 2020 shows an easing of rates, in line with the measures taken by the Central Bank.

The weighted average interest rate on weekly liquidity injection operations stood at 2.00% in the third quarter of 2020, compared to 2.46% in the previous quarter and 3.15% a year earlier. On the one-month window, the weighted average rate was 2.00%, compared to 2.50% in the second quarter of 2020. Over the same period in 2019, the rate was 3.48%. The average quarterly money market interest rate dropped to 2.00% compared to 2.49% in the previous quarter, and 2.70% a year earlier, reflecting the cuts in the key policy rates.

Graph 12 - Trends in money market rates



Source: BCEAO

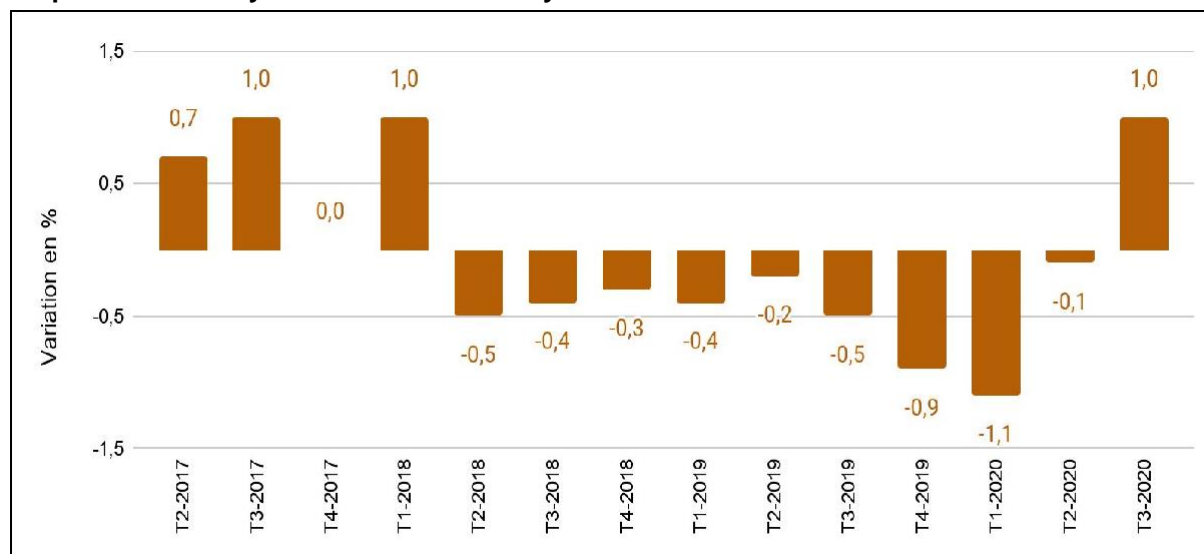
The overall volume of transactions on the interbank market, across all maturities, averaged 231 billion compared to 229 billion in the second quarter of 2020, and 393 billion a year earlier.

The weighted average interest rate for all maturities was down to 3.02% compared to 3.67% in the previous quarter and 4.47% in the same period the year before. For the one-week maturity, which represented 62.8% of the total quarterly transaction volume, the weighted average interest rate was 2.73%, compared to 3.45% in the previous quarter and 4.31% one year earlier.

3.1.3 - Trends in monetary conditions³

The 1.9 percentage point decrease in the real interest rate on the interbank market helped to offset the impact of the 4.1% increase in the real effective exchange rate on monetary conditions in the region, due to the appreciation of the euro. The monetary conditions index increased by 1.0% from the previous quarter.

Graph 13 - Quarterly trends in the monetary conditions index

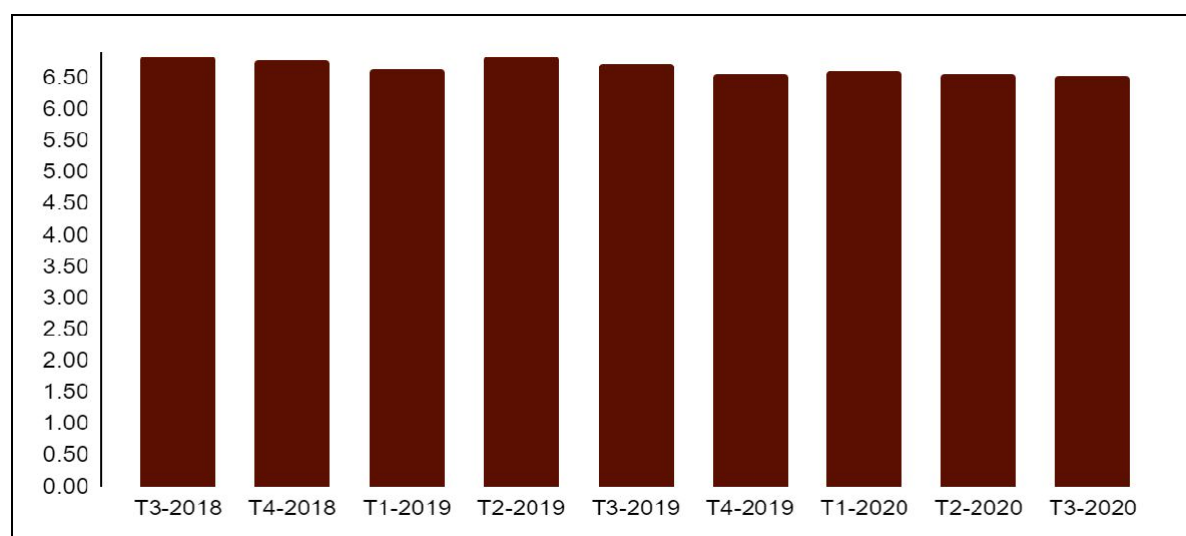


Source: BCEAO

3.1.4 - Deposit and lending rates

The average lending rate, not including taxes and fees, was relatively stable at 6.52% in the third quarter of 2020, compared to 6.54% in the second quarter.

Graph 14 - Average lending rates of banks in the Union (%)



Source: BCEAO

³ The monetary conditions index is a synthetic indicator for assessing the combined impact of interest and exchange rate policies on aggregate demand. It is calculated as a weighted average of the real effective exchange rate and the real interest rate and trends are measured against the level of the index over the baseline period (average of the 2000-2010 period).

Broken down by purpose, average rates dropped for export, housing, equipment, and consumption loans.

Table 19 - Trends in lending rates in WAEMU according to the purpose of the loan (%)

	2018			2019				2020		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Housing	7.68	7.65	7.27	7.50	7.19	7.75	7.02	8.13	6.76	6.63
Exports	7.07	6.51	7.37	7.01	6.96	6.79	6.71	6.72	8.10	7.14
Equipment	8.12	7.62	7.45	7.03	7.77	7.69	7.16	7.48	6.93	6.35
Consumption	8.22	8.23	7.93	8.08	7.92	7.41	7.42	7.56	7.39	7.12
Cash	6.21	6.26	6.43	6.20	6.31	6.22	6.20	6.09	6.07	6.26
Other	7.21	7.45	7.00	7.12	7.58	6.99	6.70	7.12	7.04	6.65
Total	6.80	6.83	6.78	6.63	6.83	6.72	6.56	6.62	6.54	6.52

Source: BCEAO

Analysis by country shows that lending rates fell in Senegal (-39 bps) and Côte d'Ivoire (-3 bps). However, they rose in the other countries of the Union, notably Niger (+68 bps), Togo (+28 bps) and Mali (+25 bps).

Table 20 - Country trends in lending rates in WAEMU (%)

	2018			2019				2020		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Benin	8.22	7.71	7.53	7.52	7.03	7.77	7.06	7.57	7.11	7.55
Burkina Faso	7.45	7.53	7.30	7.40	7.09	7.30	7.36	6.48	6.40	6.42
Côte d'Ivoire	6.27	6.49	6.34	6.38	6.60	6.45	6.06	6.43	6.38	6.36
Guinea-Bissau	9.50	9.65	8.77	7.88	9.20	8.67	7.98	8.02	8.80	8.88
Mali	7.66	7.91	7.90	7.67	7.70	7.90	7.71	8.10	7.51	7.76
Niger	9.10	9.65	8.72	9.41	9.88	9.67	9.40	8.99	8.25	8.93
Senegal	5.81	5.71	6.21	5.56	5.91	5.78	5.77	5.89	5.96	5.57
Togo	8.50	8.09	7.82	7.80	7.64	7.86	7.48	7.68	7.45	7.73
WAEMU	6.80	6.83	6.78	6.63	6.83	6.72	6.56	6.62	6.54	6.52

Source: BCEAO

The average interest rate paid on term deposits followed a downward trend, decreasing from 5.12% in the second quarter of 2020 to 5.01% in the quarter under review.

Table 21 - Country trends in interest rates on term deposits in WAEMU

	2018			2019				2020		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Benin	5.72	6.10	5.87	5.13	5.19	5.64	5.63	5.70	5.56	5.22
Burkina Faso	5.37	5.78	5.84	5.74	5.62	5.93	6.03	5.20	5.87	5.81
Côte d'Ivoire	4.96	5.04	5.11	4.96	4.83	4.83	4.65	4.89	4.63	4.62
Guinea-Bissau	5.20	4.74	3.99	3.51	5.31	4.50	4.17	3.65	5.45	5.10
Mali	4.91	4.82	5.12	5.04	5.14	4.84	4.70	4.94	5.00	4.89
Niger	5.81	5.71	6.05	5.65	5.58	5.97	5.94	5.71	5.57	6.02
Senegal	5.29	5.65	5.46	5.48	5.54	5.62	4.87	4.83	4.63	4.45
Togo	5.91	5.63	5.76	5.63	5.48	5.62	5.52	5.63	5.61	5.61
WAEMU	5.32	5.50	5.54	5.35	5.28	5.43	5.30	5.17	5.12	5.01

Source: BCEAO

3.2 - Monetary situation

The pace of growth of the Union's money supply slowed in the third quarter of 2020, following an improvement in the previous quarter. The quarterly growth rate for the broad money aggregate was +1.4% compared to 3.9% in the previous quarter. However, compared to the same period of the previous year, growth in the money supply grew by 15.5%, compared to 13.2% three months earlier.

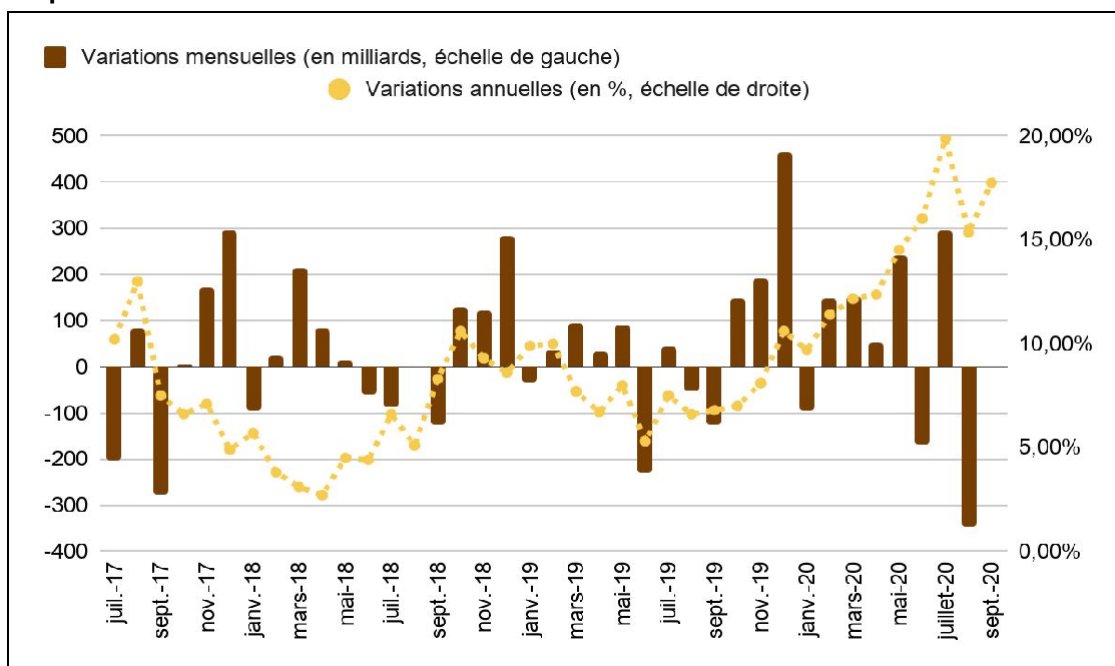
Table 22 - Monetary situation at end of September 2020 (in billions, except where otherwise indicated)

	Sept.-2019	June-2020	Sept.-2020	Quarterly change (3)/(2)		Year-over-year change (3)/(1)	
	(1)	(2)	(3)		(%)		(%)
Money supply	28,234.5	32,163.4	32,617.3	453.9	1.4	4,382.8	15.5
Net foreign assets	5,065.0	6,411.0	6,042.7	-368.2	-5.7	977.7	19.3
Domestic claims	31,165.2	34,125.9	34,839.3	713.4	2.1	3,674.1	11.8
Net claims on governments*	8,710.7	10,779.1	11,499.6	720.5	6.7	2,788.9	32.0
Claims on the economy	22,454.5	23,346.8	23,339.7	-7.1	0.0	885.2	3.9

3.2.1 - The money supply and its components

The moderate increase in the money aggregate in the third quarter reflected a slowdown in deposits, which rose by 2.0%, following a 4.6% increase, and in bills and coins in circulation, which rose by 0.7%, following a 1.7% increase. The smaller increase in currency in circulation in the third quarter of 2020, in addition to its seasonality, reflected a significant reduction in uncertainty related to travel restrictions imposed during the second quarter of 2020.

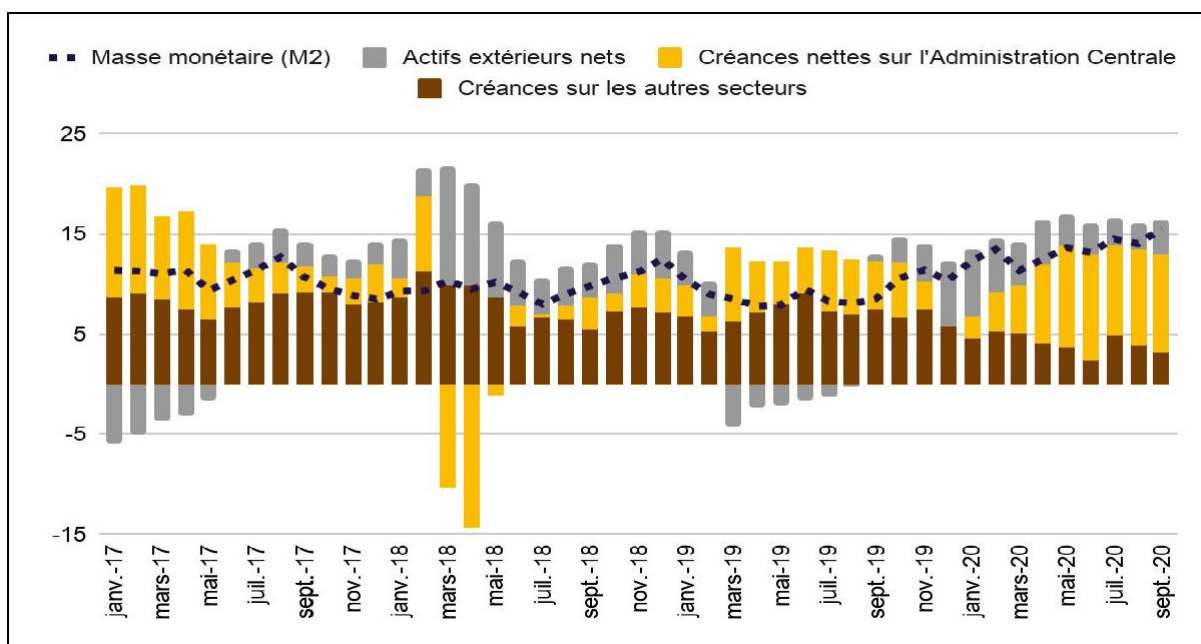
Compared to the same quarter of the previous year, the 15.5% increase in the money supply was consistent with the 14.9% increase in deposits and the 17.8% increase in currency in circulation.

Graph 15 - Trends in bills and coins in circulation

Source: BCEAO

3.2.2 - Money supply and counterparts

Counterpart analysis showed that domestic claims were the sole source of money creation from one quarter to the next, as net external assets declined. Compared to the same period the year before, the increase in the broad money aggregate was the result of combined increases in domestic claims and net external assets.

Graph 16 - Counterpart contributions to annual growth in the money supply (in percentage points)

Source: BCEAO

Net external assets (NEAs)

Net external assets of deposit-taking institutions fell by \$368.2 billion from the previous quarter, following a decline of \$243.0 billion three months earlier.

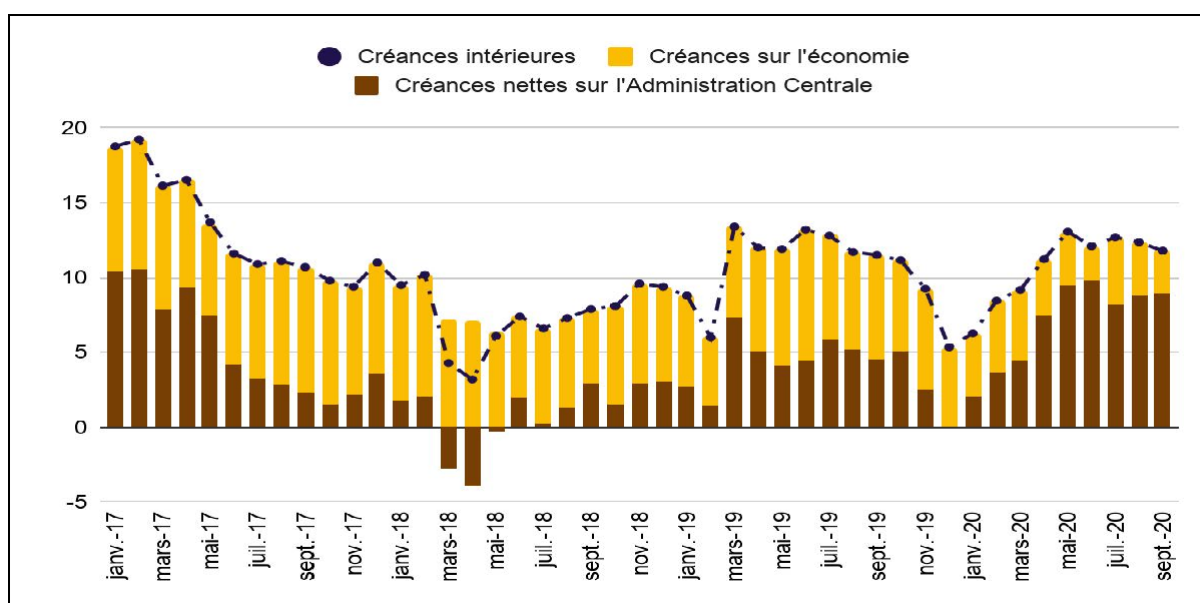
For the third consecutive quarter of the year, transfers abroad, particularly by banks, resulted in a deficit of 705.6 billion compared to a deficit of 939.5 billion in the corresponding period in 2019. Since the beginning of the year, total transfers have shown a cumulative deficit balance of 958.2 billion, attributable mainly to the deficit in the balance of transfers from banks (-1,318.2 billion) and from Treasuries (-166.7 billion). This trend was partially offset by the balance of various account holders (+526.7 billion). The BCEAO's foreign exchange reserves dropped by 327.6 billion, or 2.9%, to 10,828.0 billion at the end of September 2020, in line with the slowdown in the repatriation of export earnings. The level of official reserve assets recorded at the end of the quarter corresponded to a monetary issue coverage rate of 74.7%, compared with 75.3% the previous quarter. It provided 5.6 months of coverage of imports of goods and services.

Compared to the same period of the previous year, net foreign assets were consolidated by 2,130.1 billion, or +24.5%, at the end of September 2020, after an increase of 2,113.3 billion or +24.3% three months earlier.

Domestic claims

Loans from the banking sector to residents increased by 713.4 billion or 2.1% over the quarter from 721.9 billion or 2.4% a year earlier. This development was driven by the increase in net claims on central governments (+720.5 billion), while loans to the private sector fell slightly (-7.1 billion).

Graph 17 - Counterpart contributions to annual growth in the money supply (in percentage points)



Source: BCEAO

Net claims on central governments of the Member States

The growth of net loans by deposit-taking institutions to central governments was due to the combined increase of 447.1 billion in the BCEAO's net claims and 273.4 billion in net claims by banks. The upswing in the BCEAO's net claims on governments essentially reflected the decline

in deposits by central governments, in line with the use of resources mobilized from technical and financial partners. Conversely, the increase in banks' net claims reflected the financing of budgetary measures adopted by the States as part of efforts to combat the Covid-19 pandemic and revive the economy, particularly the launch of the second phase of Treasury bill issues known as "Covid-19 Bills". Within this framework, the BCEAO and the WAMU Securities Agency supported member states in raising 831.1 billion between July and August 2020, with a three-month maturity and an average exit interest rate of 2.3%. In line with these developments, the outstanding portfolios of government securities held by banks and direct loans granted to Member States were consolidated by 296.6 billion.

Table 23 - Net claims on central governments (in billions)

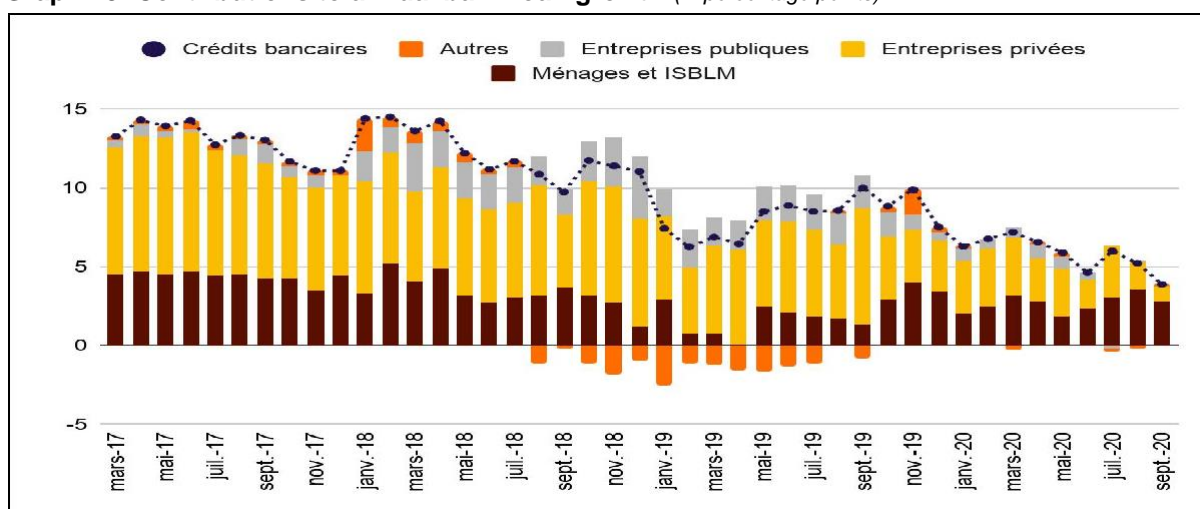
	Sept. 2019	June 2020	Sept. 2020	Change	
				quarterly	annual
Net claims on central governments	8,710.7	10,779.1	11,499.6	720.5	2,788.9
Claims of deposit-taking institutions	12,900.0	17,550.3	17,938.5	388.2	5,038.5
Credit	4,101.7	5,744.5	5,848.9	104.4	1,747.2
Public securities portfolios	8,783.7	11,893.5	12,075.2	181.7	3,291.5
Other claims	14.6	13.4	14.5	1.1	-0.1
Deposit institution commitments	4,189.3	6,872.8	6,439.0	-433.8	2,249.7
Treasury	29.4	33.3	34.7	1.4	5.3
Deposits	4,110.3	6,800.0	6,352.2	-447.8	2,241.9
Other commitments	49.6	39.5	52.1	12.6	2.5

Source: BCEAO

Claims on the economy

Outstanding loans to the economy were almost stable overall (down 7.1 billion) between June and September 2020, after a 0.8% increase in the previous quarter and a decrease of -0.9% at the end of September 2019. The annual growth of claims on the economy stood at 3.9% at the end of September 2020, compared to 3.0% at the end of June 2020 and 9.6% at the end of September 2019. Bank credits granted to households and private businesses, which made up 90% of outstanding bank credits granted to residents, rose by 4.1% compared to 4.6% three months earlier. Loans to other sectors decelerated markedly, rising by 1.7% at the end of September compared to a 4.8% increase three months earlier.

Graph 18: Contributions to annual bank loan growth (in percentage points)



Source: BCEAO

3.2.3 - Bank resources and uses

Between June and September 2020, the activities of lending institutions were marked by a reduction of 364.2 billion or -10.2% in their structural cash deficit. This was due to a higher increase in resources than in uses.

The banking system's resources increased by 804.1 billion or 2.3% to 36,157.6 billion at the end of September 2020. This growth was driven by increases of 699.1 billion (2.4%) in deposits and loans and 128.7 billion (3.4%) in equity capital, partially offset by a 23.7 billion (-1.0%) decline in other resources.

Uses rose by 439.9 billion (1.1%) to 39,351.1 billion at the end of September 2020. This was due to an increase of 378.5 billion (2.4%) in other assets, notably investment securities, up by 143.0 billion (1.4%), as well as customer loans, which rose by 33.5 billion or 0.2%.

Outstanding loans reported to WAMU's Central Bank credit bureau were estimated at 14,378.1 billion at the end of September 2020, compared with 14,095.8 billion at the end of June 2020 and 13,468.6 billion a year earlier, i.e., respective increases of 2.0% in quarterly terms and 6.8% year on year. They represented 64.2% of loans to the economy. Total outstanding loans granted to the 50 largest businesses using bank credit (LBUBCs) in each Member State of the Union stood at 6,910.4 billion at the end of September 2020, compared with 7,196.3 billion at the end of June 2020 and 6,770.9 billion at the end of September 2019, i.e., a decline of 4.0% in quarterly terms and an increase of 2.1% on an annual basis. In relation to the loans reported to the Union's Central Bank credit bureau, they accounted for 48.1% at the end of September 2020, compared with 51.1% at the end of June 2020. In terms of loans to the economy, loans granted to all 50 LBUBCs in each member country of the Union represented 30.9% at the end of September 2020, compared with 32.5% at the end of June 2020 and 31.7% in September 2019. According to the country-by-country breakdown, loans granted to the 50 LBUBCs as a proportion of loans to the economy represented 42.8% in Benin, 41.3% in Togo, 41.0% in Mali, 36.7% in Niger, 35.1% in Guinea-Bissau, 31.5% in Burkina Faso, 27.6% in Côte d'Ivoire and 26.2% in Senegal.

The breakdown according to the maturities of the commitments made by the 50 LBUBCs revealed that short-term loans were more prevalent than medium- and long-term loans. At the end of September 2020, the share of short-term resources granted to all LBUBCs by country was estimated at 54.1%, compared with 45.9% for medium- and long-term loans. By sector, the 50 largest risks were mainly concentrated in the "wholesale trade" (26.6%), "community services" (16.5%), "manufacturing industries" (16.0%), "transportation and communications" (12.2%), and "civil engineering and public works" (10.8%) sectors. These five (5) lines of business alone attracted more than 4/5 of the loans reported to the credit bureau. Outstanding cross-border financing within WAMU for all 50 LBUBCs in each Member State of the Union was estimated at 163.0 billion at the end of September 2020, i.e., 2.4% of total large exposures, compared with 166.7 billion at the end of June 2020 (2.3%) and 153.1 billion a year earlier (2.3%). They were mainly granted by lending institutions in Burkina Faso (31.4%), Niger (27.8%), Benin (15.6%) and Togo (12.4%).

The quality of the portfolios of banks and bank-like financial institutions in the Union declined by 0.3 percentage points, bringing the gross deterioration rate to 11.7% at the end of September 2020, compared with 11.4% in the previous quarter. The net rate also deteriorated by 0.1 percentage point to 4.1% from 4.0% at the end of June 2020.

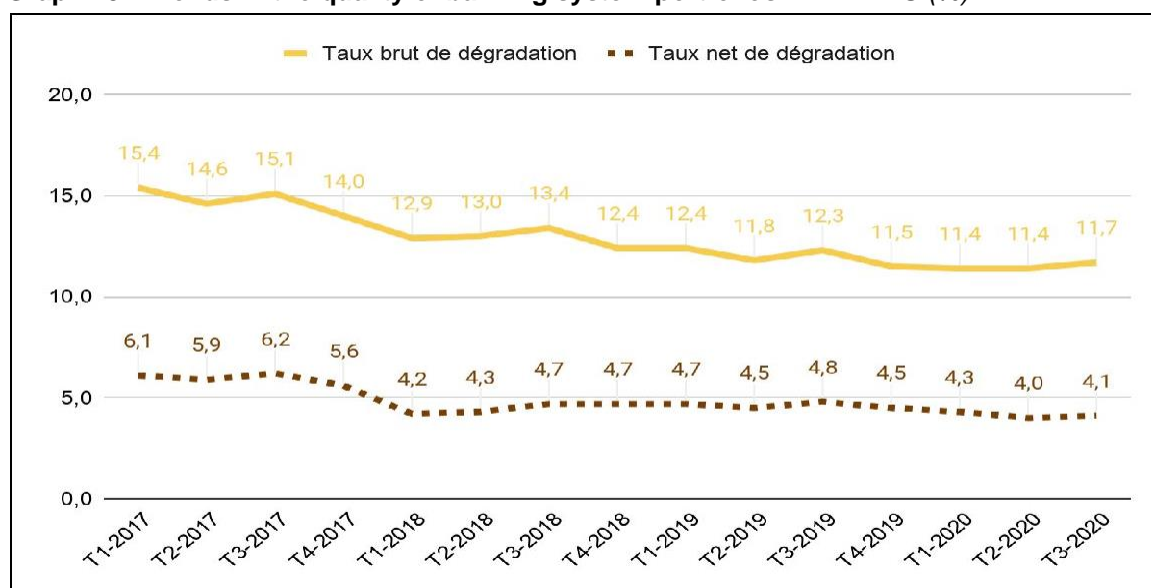
As part of its relief measures against the impact of the Covid-19 pandemic, the BCEAO invited banks and microfinance institutions to grant deferrals on their loans to affected businesses, for a

renewable period of three months, without interest, fees or penalties. In return, the Central Bank provided them with incentives in the form of greater flexibility in the application of the prudential and accounting framework.

Thus, lending institutions were authorized to classify all loans whose maturities were extended due to the consequences of the health crisis as sound loans. This measure partially offset the deterioration in the quality of their loan portfolios. From a prudential standpoint, the above-mentioned loans were considered as sound loans and would therefore receive the same weightings when calculating capital requirements.

The reports submitted by these institutions to the BCEAO showed that, at the end of August 2020, all the banks of the Union had granted maturity extensions to their customers, for a cumulative amount of more than CFA F 385 billion, applying to more than 3,000 companies and 13,000 private sector employees.

Graph 19 - Trends in the quality of banking system portfolios in WAEMU (%)



Source: BCEAO

Compared to the same period one year prior, the cash position of the Union's credit institutions deteriorated by 99.3 billion or 3.2%. Uses were up by 4,966.7 billion or 14.4%, due to increases of 1,230.3 billion or 5.6% in loans and 3,708.4 billion or 29.6% in other uses, particularly investment securities (+2,528.7 billion or 31.3%). Resources also saw an increase of 4,353.9 billion or 15.6%, driven by the consolidation of deposits and borrowings (by 3,685.2 billion or 17.0%) as well as growth in net equity and miscellaneous resources, which rose by 380.3 billion or 11.7% and 133.3 billion or 6.2% respectively.

In line with these developments, the gross and net deterioration rates in the quality of credit institutions portfolios fell by 0.6 and 0.7 pps, respectively, compared with the same period the year before, reflecting better risk control.

3.2.4 - Central Bank interventions

The overall volume of BCEAO interventions dropped by 239.0 billion or 2.5% in the third quarter of 2020, reaching 9,151.0 billion at the end of September 2020. This was due to the combined decline in refinancing granted by the Central Bank to the Union's banks and its claims on national treasuries, which fell by 229.0 billion and 10.0 billion, respectively.

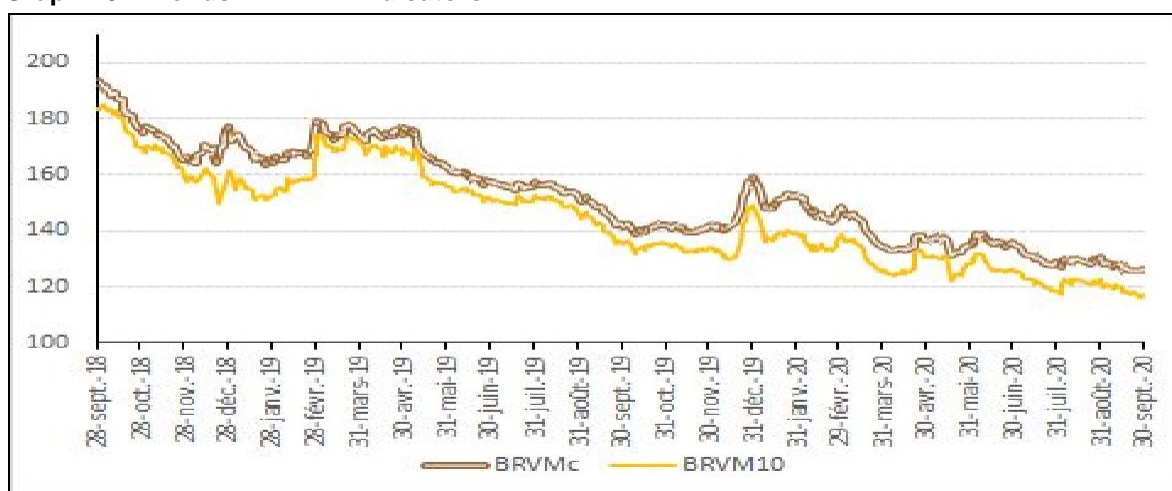
Outstanding loans granted by the BCEAO to the Union's banks stood at 5,904.9 billion at the end of September 2020. The decline in the Central Bank's outstanding loans to national treasuries to 3,246.1 billion at the end of September was mainly due to a drop of 8.7 billion in IMF loans and a decrease of 0.8 billion in consolidated loans, combined with repayments of 1.5 billion in loans backed by SDR allocations.

Outstanding refinancing granted to banks by the BCEAO and backed by government securities stood at 5,637.1 billion at the end of September 2020, representing 54.5% of fiscal revenue for 2018, after 5,737.5 billion at the end of June 2020 (54.2%).

3.3 - WAMU financial market

Sub-regional stock market activity continued its downward trend during the third quarter of 2020. The aggregate index, the BRVM Composite, averaged 127.1 points in September 2020, compared with an average level of 136.4 points in June 2020, a decline of 6.8% over the period. In the same vein, the index of the ten most active stocks, the BRVM 10, recorded a contraction of 7.0% over the same period, settling at an average level of 118.9 points in September 2020. Compared to the same period a year earlier, these indexes declined by 13.8% and 16.0%, respectively.

Graph 20 - Trends in BRVM indicators



Source: BRVM

The overall downward trend of the stock market indicators in the third quarter reflected drops in company shares in the "Distribution" sector totaling 15.7%, as well as in "Utilities" (10.6%), "Transportation" (9.9%), "Industries" (3.5%) and "Finance" (3.1%). On the other hand, the prices of company securities in the "Agriculture" sector rose by 0.1%.

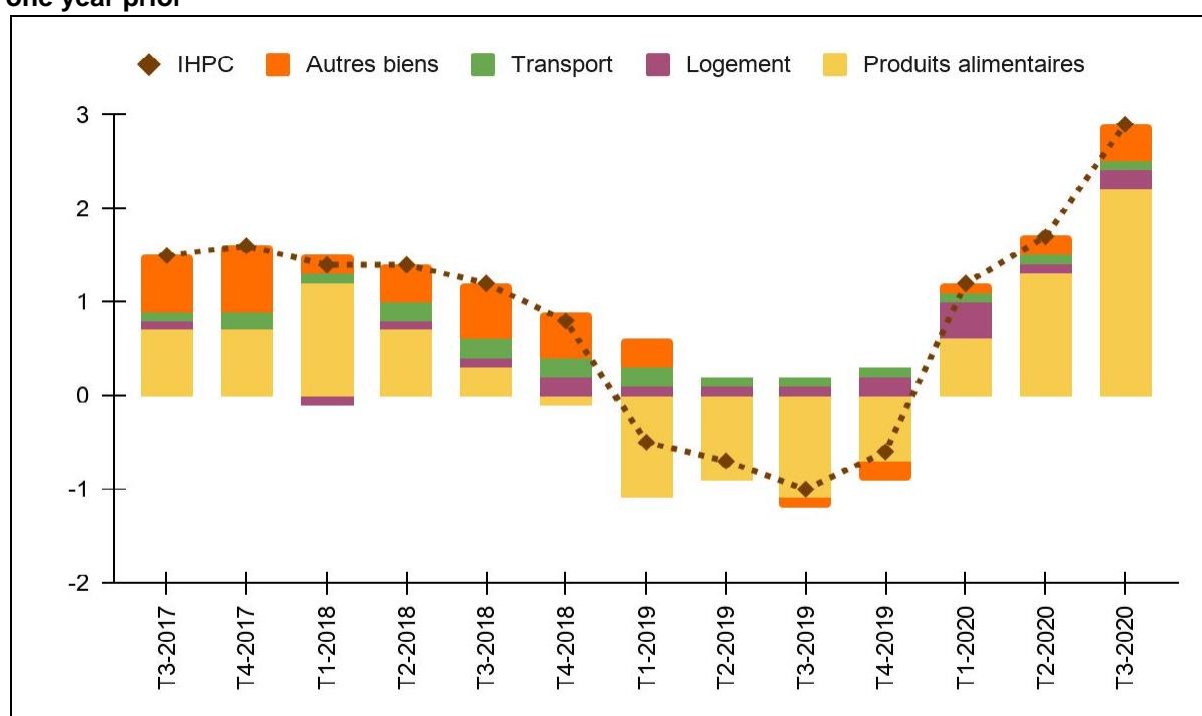
IV - INFLATION AND EXTERNAL COMPETITIVENESS

4.1 - Recent inflation trends

The inflation rate in the WAEMU Union in the third quarter of 2020 was 2.9% as compared to the same period in 2019, after 1.7% a quarter earlier. The acceleration of the rate of increase in the general price level was primarily driven by the “Food” component, which rose by 5.0% in the third quarter of 2020, compared with 3.0% a quarter earlier. The increase in food prices was observed in virtually all of the countries in the Union, in connection with price rises on local cereals, fishery products, fresh vegetables, and tubers and plantains. This development was linked to the disruption of distribution channels in the context of the Covid-19 pandemic, combined with a contraction in agricultural production in 2019/2020, particularly for local cereals, in the Sahelian countries of Niger, Burkina Faso and Mali. The disruption of communications networks following the floods that occurred in some countries in August and September 2020 has also contributed to increased pressure on food prices.

The health crisis has also had an impact on land and air transportation costs. More specifically, there has been a 23.7% increase in fares in Benin.

Graph 21 - Contributions to the trend in the HICP in the Union, compared to the same period one year prior



Source: BCEAO

The increase in the general level of consumer prices was, however, cushioned by a drop in the cost of communications services (-1.2%), thanks to measures introduced by cell phone companies in Mali and Niger in support of efforts to combat the coronavirus pandemic.

A breakdown by type of spending showed that prices for goods rose by 3.5% in the third quarter of 2020, following a 1.8% increase in the previous quarter. This was mainly due to higher food prices. Prices for services rose by 1.5%, following a 1.3% increase in the second quarter of 2020, due to higher land and air transportation costs.

The core inflation rate, which measures changes in the aggregate price levels excluding fresh produce and energy, rose by 1.6% in the third quarter of 2020 compared to the same period one year earlier, following a 1.2% increase in the previous quarter. On the other hand, fresh produce prices rose by 6.9%, compared with 3.8% in the second quarter of 2020, in line with the abovementioned increase in food prices. Prices for energy products rose by 1.0% in the third quarter of 2020, due to an increase in the price of charcoal, as supply channels were disrupted following floods in some countries. These developments suggest that the inflationary pressures observed in the third quarter of 2020 were mainly due to transitory supply shocks.

Table 24 - Trends in inflation and its components

	Annual change (%)			Contributions (% points)		
	Q1- 2020	Q2- 2020	Q3- 2020	Q1- 2020	Q2- 2020	Q3-2020
Fresh produce	1.0	3.8	6.9	0.2	0.9	1.7
Energy	3.5	0.5	1.0	0.3	0.0	0.1
<i>Core inflation</i>	<i>1.0</i>	<i>1.2</i>	<i>1.6</i>	<i>0.7</i>	<i>0.8</i>	<i>1.1</i>
Total inflation	1.2	1.7	2.9	1.2	1.7	2.9
Food products	1.5	3.0	5.0	0.6	1.3	2.2
Alcoholic beverages	0.0	-1.7	2.6	0.0	0.0	0.0
Clothing	1.5	1.4	1.0	0.1	0.1	0.1
Housing	2.8	1.1	1.3	0.4	0.1	0.2
Furnishings	0.5	1.1	0.9	0.0	0.1	0.0
Health	-1.0	-0.1	1.4	0.0	0.0	0.1
Transportation	1.4	1.4	1.2	0.1	0.1	0.1
Communications	-1.4	-1.6	-1.2	-0.1	-0.1	-0.1
Recreation and culture	-2.0	-0.9	0.3	0.0	0.0	0.0
Education	2.0	1.7	1.5	0.0	0.0	0.0
Restaurants and hotels	1.2	1.4	2.5	0.1	0.1	0.2
Other goods	0.3	0.5	1.0	0.0	0.0	0.1

Sources: BCEAO, NSIs

Inflation accelerated in all the countries in the Union, apart from Côte d'Ivoire and Guinea-Bissau, the latter having even experienced a slowdown in terms of price increases. The downward trend in inflation in Guinea-Bissau was mainly due to better supplies of fresh vegetables.

Table 25 - Trends in inflation by country (%)

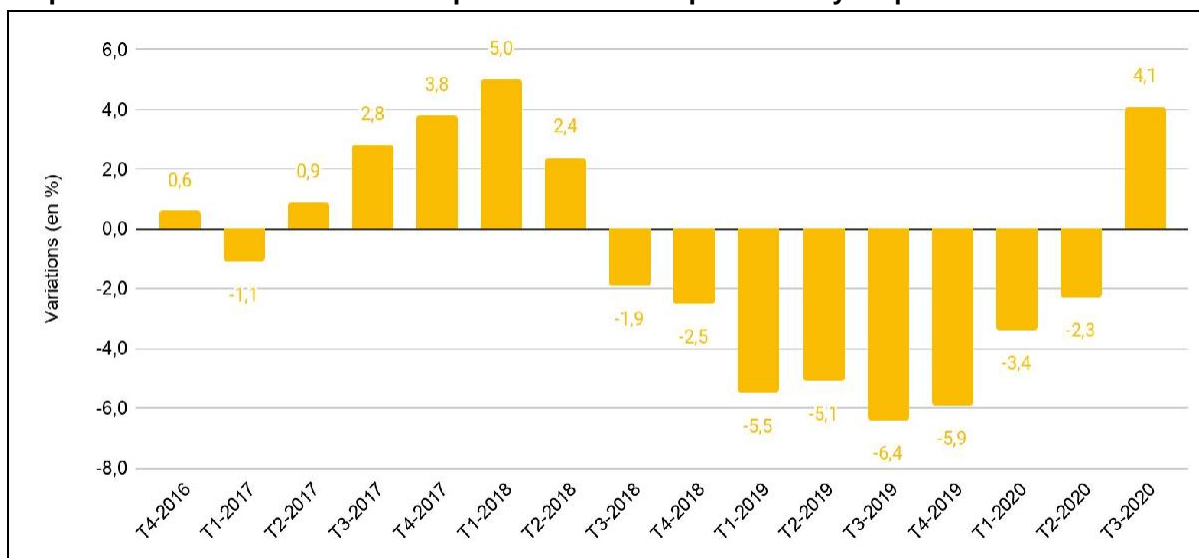
Countries	2018 (*)	2019 (*)	Q3-2019	Q4-2019	Q1-2020	Q2-2020	Q3-2020
Benin	0.8	-0.9	-2.0	0.5	2.0	3.1	4.5
Burkina Faso	1.9	-3.2	-4.9	-3.2	-0.3	0.7	3.3
Côte d'Ivoire	0.6	0.8	0.7	1.0	2.3	2.5	2.5
Guinea-Bissau	0.4	0.2	-0.1	-0.7	0.2	2.9	1.6
Mali	1.9	-3.0	-1.8	-3.6	-0.7	-1.2	1.3
Niger	2.8	-2.5	-3.3	-2.0	0.5	2.6	5.4
Senegal	0.5	1.0	1.0	1.1	2.1	2.7	2.8
Togo	0.9	0.7	0.3	0.1	1.2	1.0	2.3
WAEMU	1.2	-0.7	-1.0	-0.6	1.2	1.7	2.9

Sources: BCEAO, NSIs

(*): Annual average

4.2 - External competitiveness

The real effective exchange rate (REER) increased by 4.1% in the third quarter of 2020 compared to the same period the previous year, against a decline of 2.3% in the previous quarter. This reflects a loss of competitiveness in the Union, mainly due to the 6.0% increase in the nominal effective exchange rate, partially offset by an inflation differential of 1.9% in the Union's favor. The inflation rate was 2.9% in the Union, compared with an average of 4.8% for its partner countries.

Graph 22 - Trends in the REER compared to the same period one year prior

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

The table below shows the gains and losses in overall competitiveness in relation to partner groups.

Table 26 - Trends in competitiveness by partner groups (%)

	Year		Quarterly change			Annual change		
	2018	2019	Q1-2020	Q2-2020	Q3-2020(*)	Q1-2020	Q2-2020	Q3-2020(*)
Developed countries	0.8	-3.5	-0.3	0.6	2.1	-3.1	-0.9	1.9
Eurozone	-0.7	-2.2	0.0	0.7	0.8	-1.9	0.0	1.3
Neighboring countries	-3.1	-11.5	-1.7	-2.3	13.3	-10.7	-9.0	6.2
Asian countries	3.1	-6.1	-0.1	4.6	4.9	-5.1	-0.8	6.5
EU countries	-0.6	-2.2	0.0	1.0	1.0	-2.0	0.1	1.4
Emerging countries	3.5	-5.2	0.7	7.1	1.4	-3.8	3.0	6.7
CEMAC	0.9	-1.3	-0.9	-1.5	1.6	-1.2	-1.7	-1.2
All	0.8	-5.7	-0.1	1.3	4.4	-3.4	-2.3	4.1

Source: BCEAO.

(*) Estimates

(+)
(-) Increase in the REER or decrease in competitiveness(-)
Decrease in the REER or gain in competitiveness

V - INFLATION FORECAST

Projections of the aggregate price level were based on the outlook for the international environment and domestic economic conditions. They were posited on inflation forecasts in the Eurozone, international food and oil prices, and the euro/dollar exchange rate. The outlook for food production was considered in the internal projections.

5.1 - Assumptions used for inflation projections

Projection assumptions assumed a drop in world oil prices in 2020, followed by an increase in 2021 and 2022. The average price of WTI crude oil was expected to fall from \$57 in 2019 to \$38.20 in 2020, before rising to \$42.40 in 2021 and \$43.90 in 2022.⁴ On the foreign exchange market, the euro was expected to average \$1.14 in 2020, then \$1.18 in 2021 and 2022,⁵ compared with \$1.12 in 2019. The assumptions for imported inflation also reflected the outlook for aggregate world prices. In particular, the inflation rate in the Eurozone⁶ was expected to fall from 1.2% in 2019 to 0.3% in 2020, before rising to 1.0% in 2021 and 1.3% in 2022. IMF forecasts indicated an increase in world food prices between 2020 and 2022. They were expected to rise by 0.7% in 2020, then by 4.2% and 0.3%, respectively, in 2021 and 2022.

According to the AGRHYMET Regional Center, rainfall in the 2020/2021 agricultural season was generally favorable for crops. However, August and September 2020 were marked by torrential rains that caused flooding in most of the Union's countries. It was therefore assumed that cereal production in the Union would increase by 3.7% in the 2020/2021 crop year, after a 2.3% decrease in the previous year.

In the light of the uncertainties surrounding global economic trends, two additional inflation scenarios, one higher and one lower, were developed to supplement the median outlook. These scenarios were built around the median projections, with margins of plus or minus 5 percentage points (cereal production, imported food prices, exchange rate), or plus or minus 10 dollars (price per barrel of crude oil).

^{4/} The data on the futures market comes from Bloomberg

^{5/} ECB projections, September 2020.

^{6/} ECB forecasts, September 2020.

Table 27 - Inflation projection assumptions (%)

	2019	2020			2021			2022		
		Lower	Median	Higher	Lower	Median	Higher	Lower	Median	Higher
Barrel of oil (WTI, in dollars)	57	33.2	38.2	43.2	32.4	42.4	52.4	33.9	43.9	53.9
Euro/dollar exchange rate	1.12	1.16	1.14	1.12	1.23	1.18	1.13	1.23	1.18	1.13
Eurozone inflation (%)	1.2	0.1	0.3	0.5	0.5	1.0	1.5	0.8	1.3	1.8
Food prices (%)	-3.1	-1.3	0.7	2.7	-0.8	4.2	9.2	-4.7	0.3	5.3
Cereal production in the Union (%)	-1.9	9.0	4.0	-1.0	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

The forecasts presented in the following table reflect the low, high, and median assumptions.

Under the baseline scenario, the inflation rate, compared to the same period the previous year, was projected at 2.8% in the fourth quarter of 2020, following a level of 2.9% in the third quarter of 2020, in connection with the easing of restrictive measures taken by the countries of the Union in response to the Covid-19 health crisis, which had caused disruptions in distribution channels.

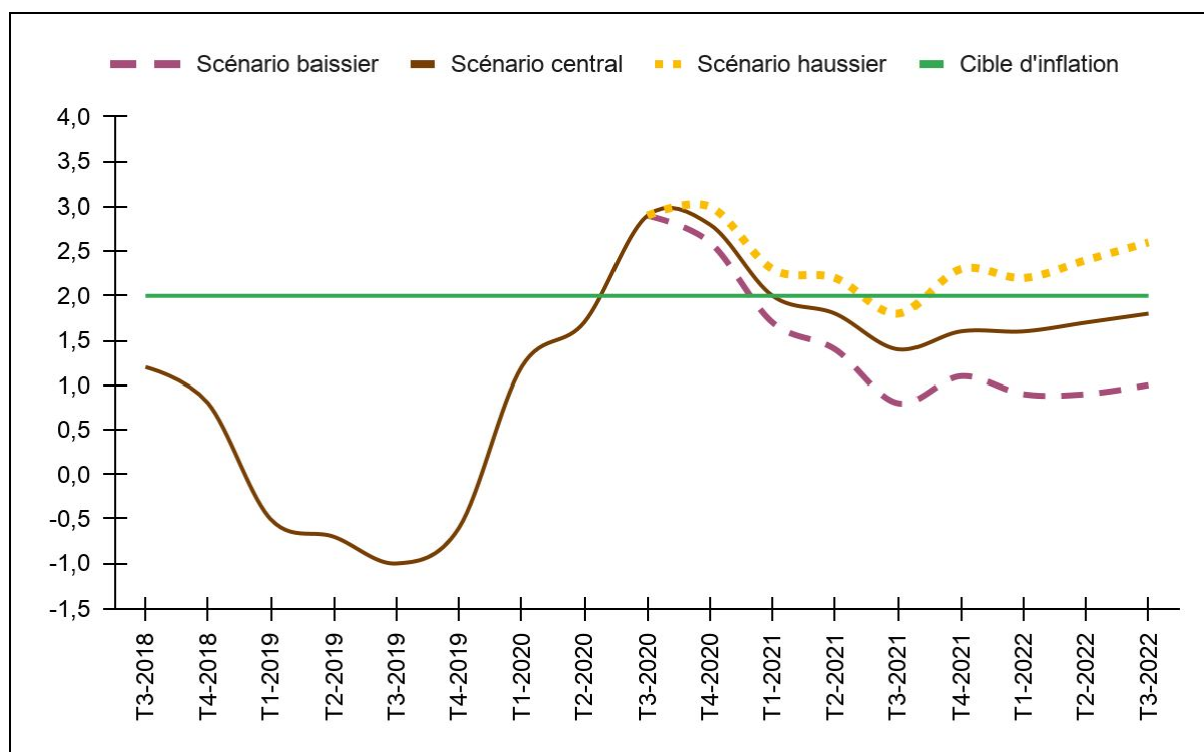
Table 28 - Inflation outlook in WAEMU (%)

		Year over year									Average			
		2020		2021				2022			2019	2020	2021	All eight quarters
		Q3 Actual	Q4 Forecast	Q1 Forecast	Q2 Forecast	Q3 Forecast	Q4 Forecast	Q1 Forecast	Q2 Forecast	Q3 Forecast				
Inflation rate	Lower scenario	2.9	2.6	1.7	1.4	0.8	1.1	0.9	0.9	1.0	-0.7	2.1	1.3	1.3
	Median scenario	2.9	2.8	2.0	1.8	1.4	1.6	1.6	1.7	1.8	-0.7	2.2	1.7	1.8
	Higher scenario	2.9	3.0	2.3	2.2	1.8	2.3	2.2	2.4	2.6	-0.7	2.3	2.1	2.4

Source: BCEAO

The inflation rate for 2020 is projected at 2.2%, up 2.9 percentage points from 2019. This trend is in line with decreased food production during the 2019/2020 growing season, the impact of the disruption of supply channels due to the Covid-19 pandemic, and the recovery of imported food prices in 2020.

At the end of September 2022, the inflation rate is expected to stand at 1.8%, within the comfort zone (between 1.0% and 3.0%) defined for the Union's monetary policy implementation. The slowdown in inflation is expected to be driven mainly by the positive impact of the lifting of restrictive measures introduced in 2020 and increased in food production in the 2020/2021 growing season.

Graph 23 - Inflation projections (%)

Source: BCEAO

5.3 - Risks to the inflation outlook

Risks to the inflation outlook in 2020 and 2021 are correlated with the impact of the Covid-19 pandemic health crisis on supply and demand factors.

Downside risks could arise if the assumed rebound in oil prices does not materialize due to weak global demand conditions.

Upside risks could derive from a rebound in food prices linked to supply tensions. These risks could be exacerbated by the impact of climate change, which would affect local cereal production, as well as the continued disruption of distribution channels for certain products.

APPENDICES

1. **Table A.1- WAMU: Central Bank summary statement**
2. **Table A.2- WAMU: Summary statement of banks**
3. **Table A.3- WAMU: Monetary aggregates**
4. **Table A.4- WAMU: Net claims on central governments**
5. **Table A.5 - Breakdown of inflation in WAEMU**

Table A.1- UMOA: Central Bank summary statement

<i>Outstanding in billions of CFA francs</i>	Sept.-19	Dec.-19	March-20	June-20	Sept.-20
Net foreign assets	6,237.2	7,920.9	7,712.2	7,410.4	7,125.0
Claims on non-residents	8,702.7	10,361.7	10,257.5	11,160.3	10,832.6
Commitments to non-residents	2,465.5	2,440.8	2,545.3	3,750.0	3,707.7
Claims on other deposit-taking institutions	4,531.1	4,710.1	5,162.4	6,133.9	5,904.9
Net claims on central governments	470.3	44.4	146.1	-123.0	325.5
Claims on the economy	478.9	482.8	488.8	495.6	498.6
TOTAL ASSETS	11,717.4	13,158.2	13,509.5	13,916.8	13,854.0
Monetary base	9,044.2	10,568.5	10,727.4	11,098.1	11,226.2
Currency outside banks	6,883.3	7,751.2	7,990.9	8,101.4	8,053.9
Bank deposits	1,686.0	2,123.6	2,216.2	2,435.1	2,604.4
Commitments to other sectors (1)	474.8	693.7	520.3	561.6	567.9
Deposits excluded from the monetary base (2)	0.5	4.5	1.8	1.9	1.4
Shares and other equity securities	2,661.3	2,596.9	2,826.8	2,851.5	2,895.0
Other items (net)	11.4	-11.6	-46.5	-34.7	-268.6
TOTAL LIABILITIES	11,717.4	13,158.2	13,509.5	13,916.8	13,854.0
Source: BCEAO					
(1) Deposits opened in the books of the BCEAO for money-holding sector entities, including financial institutions and Central Bank staff.					
(2) Special deposit accounts opened in the books of the BCEAO by non-financial public corporations. These deposits do not fall under the definition of money in the broad sense.					

Table A.2- UMOA: Summary statement of banks

<i>Outstanding in billions of CFA francs</i>	Sept.-19	Dec.-19	March-20	June-20	Sept.-20
Net foreign assets	-1,172.2	-981.5	-1,058.2	-999.4	-1,082.3
Claims on non-residents	702.7	868.7	892.5	902.1	915.2
Commitments to non-residents	-1,874.9	-1,850.2	-1,950.8	-1,901.5	-1,997.5
Claims on the Central Bank	2,351.4	2,804.7	3,074.2	3,102.9	3,423.9
Net claims on the central government	8,269.8	8,102.9	9,190.0	10,935.5	11,208.8
Claims on the economy	21,975.6	23,025.4	22,683.9	22,851.1	22,841.1
Claims on other financial companies	703.5	802.3	749.7	784.5	732.1
Claims on central and local government	64.5	98	53.9	64.9	87.4
Claims on public non-financial corporations	1,698.6	1,751.5	1,845.3	1,826.4	1,711.2
Claims on the private sector	19,509.1	20,373.6	20,034.9	20,175.4	20,310.4
TOTAL ASSETS	31,424.7	32,951.5	33,889.8	35,890.1	36,391.5
Commitments to the central bank	4,377.4	4,537.2	4,912.3	6,002.2	5,452.5
Transferable deposits included in the money supply	11,637.6	12,638.0	12,707.1	13,590.7	13,795.7
Other deposits included in the money supply	9,704.1	10,029.9	10,265.9	10,435.9	10,727.8
Deposits not included in the money supply in the broad sense	1,080.2	1,080.5	1,111.0	1,125.5	1,223.5
Securities other than shares not included in the money supply	2.9	21.9	28.5	22.3	22.3
Borrowings	776.8	1,154.7	814.3	896.4	1,077.8
Shares and other equity securities	3,383.0	3,540.4	3,762.4	3,637.9	3,785.1
Other items (net)	462.8	-51	288.2	179.2	306.8
TOTAL LIABILITIES	31,424.7	32,951.5	33,889.8	35,890.1	36,391.5

Table A.3- UMOA: Monetary aggregates

<i>In billions of CFA F</i>	Sept.-19	Dec.-19	March-20	June-20	Sept.-20
Currency outside banks	6,134.4	6,942.0	7,148.4	7,273.3	7,224.0
Demand deposits	12,252.9	13,227.7	13,334.7	14,212.7	14,493.6
M1	18,387.4	20,169.7	20,483.1	21,486.0	21,717.6
Other deposits included in the money supply (1)	9,847.1	10,430.8	10,458.3	10,677.4	10,899.7
MONEY SUPPLY (M2)	28,234.5	30,600.5	30,941.4	32,163.4	32,617.3
Net foreign assets	5,065.0	6,939.4	6,653.9	6,411.0	6,042.7
Central Bank	6,237.2	7,920.9	7,712.2	7,410.4	7,125.0
Banks	-1,172.2	-981.5	-1,058.2	-999.4	-1,082.3
Domestic claims	31,165.2	31,626.3	32,475.3	34,125.9	34,839.3
Net claims on central governments	8,710.7	8,118.1	9,302.6	10,779.1	11,499.6
Claims on other sectors	22,454.5	23,508.2	23,172.7	23,346.8	23,339.7
Non-monetary liabilities (2)	7,904.7	8,398.8	8,544.8	8,535.5	9,005.1
Other items (net) (3)	90.9	-433.6	-357	-162.1	-740.4
TOTAL M2 COUNTERPARTS (4)	28,234.5	30,600.5	30,941.4	32,163.4	32,617.3
Source: BCEAO					
(1) Term deposits and special savings accounts opened in banks; interest-bearing deposits opened in the books of the Central Bank.					
(2) Comprising shares and other interests in deposit-taking institutions and their non-monetary commitments to other sectors.					
(3) Comprising consolidation adjustments and the net balance of non-classified assets, particularly miscellaneous items and non-financial assets.					
(4) Total counterparts = Net foreign assets + Domestic claims - Non-monetary liabilities - Other items (net).					

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

<i>In billions of CFA F</i>	Sept.-19	Dec.-19	March-20	June-20	Sept.-20
Net claims of the BCEAO	440.9	15.2	112.6	-156.4	290.8
Claims	2,002.9	2,061.1	2,079.7	3,256.1	3,246.1
Loans	1,988.3	2,045.0	2,067.4	3,242.6	3,231.6
Loans backed by SDRs	22.2	20.5	18.8	17.4	15.8
Consolidated loans	222.6	221.8	221.1	220.3	219.5
IMF loans	1,501.2	1,560.5	1,585.2	2,762.7	2,753.9
Other foreign government loans (1)	0.0	0.0	0.0	0.0	0.0
Other loans (financial receivables) (2)	242.3	242.3	242.3	242.3	242.3
Commitments	1,562.0	2,045.9	1,967.1	3,412.4	2,955.4
Treasury	29.4	29.2	33.5	33.3	34.7
Deposits	1,483.0	1,947.7	1,911.4	3,339.6	2,868.6
Other commitments (4)	49.6	69	22.2	39.5	52.1
Net claims by banks	8,269.8	8,102.9	9,190.0	10,935.5	11,208.8
Claims	10,897.1	11,048.1	12,209.8	14,395.9	14,692.4
Loans	2,113.4	2,219.6	2,423.0	2,501.9	2,617.3
Treasury securities portfolios	8,783.7	8,828.0	9,786.3	11,893.5	12,075.2
Commitments	2,627.3	2,945.2	3,019.8	3,460.4	3,483.6
TOTAL NET CLAIMS ON CGs	8,710.7	8,118.1	9,302.6	10,779.1	11,499.6
Source: BCEAO					
(1) The Kuwaiti loan to Senegal.					
(2) Expenditures on behalf of the States to be recovered, taxes to be recovered, miscellaneous claims on the States.					
(3) Taxes recovered, commissions on transfers and other amounts recovered on behalf of the States.					

Table A.5 - Breakdown of inflation in WAEMU**Table A.5.1 - Trends in inflation by geographical origin**

	Component	Weight (%)	Q3-2019	Q4-2019	Q1-2020	Q2-2020	Q3-2020
Annual change (as a %)	Local	70.0	-1.3	-0.8	1.9	2.3	4.0
	Imported	30.0	-0.5	-0.2	-0.5	0.3	0.5
Contributions (in % points)	Local	70.0	-0.9	-0.5	1.3	1.6	2.8
	Imported	30.0	-0.1	-0.1	-0.1	0.1	0.1
	Total	100.0	-1.0	-0.6	1.2	1.7	2.9

Sources: BCEAO, NSIs.

Table A.5.2 - Trends in prices of goods and services

	Component	Weight (%)	Q3-2019	Q4-2019	Q1-2020	Q2-2020	Q3-2020
Change (as a %)	Goods	70.7	-1.9	-1.4	1.2	1.8	3.5
	Services	29.3	1.2	1.2	1.3	1.3	1.5
Contributions (in % points)	Goods	70.7	-1.4	-1.0	0.8	1.3	2.5
	Services	29.3	0.4	0.4	0.4	0.4	0.4
	Total	100.0	-1.0	-0.6	1.2	1.7	2.9

Sources: BCEAO, NSIs,



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