



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

REPORT ON MONETARY POLICY IN WAMU

September 2018



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

REPORT ON MONETARY POLICY IN WAMU

September 2018

CONTENTS

LIST OF GRAPHS	3
LIST OF TABLES	4
LIST OF ACRONYMS AND ABBREVIATIONS.....	5
PRESS RELEASE	7
SUMMARY.....	8
I - GLOBAL ECONOMIC ENVIRONMENT.....	10
1.1 - Economic activity.....	10
1.2 - Commodity prices.....	12
1.3 - Inflation	14
1.4 - International monetary and financial conditions	15
II - TRENDS IN SUPPLY AND DEMAND FACTORS IN WAEMU	18
2.1 - Supply factors.....	18
2.2 - Demand factors	21
2.3 - Recent economic growth and outlook	29
III - CURRENCY, MONETARY CONDITIONS AND FINANCIAL MARKET	31
3.1 - Monetary conditions	31
3.2 - Monetary situation	35
3.3 - WAMU financial market.....	39
IV - INFLATION AND EXTERNAL COMPETITIVENESS	40
4.1 -Recent inflation trends.....	40
4.2 - External competitiveness	42
V - INFLATION FORECASTS	43
5.1 - Assumptions used for inflation forecasts.....	43
5.2 - Inflation profile over the next eight quarters	44
5.3 - Threats to the inflation outlook	45
APPENDICES.....	46

LIST OF GRAPHS

Graph 1 - Trends in commodity price indexes.....	12
Graph 2 - Trends in inflation rates	14
Graph 3 - Trends in MSCI indexes on the international equity markets.....	16
Graph 4 - Trends in the euro/dollar exchange rate	17
Graph 5 - Contributions of demand items to GDP growth.....	22
Graph 6 - Structure of current expenditure in WAEMU at the end of June 2018	23
Graph 7 - Trend in average Treasury bill output rates	25
Graph 8 - Trends in outstanding government securities and composition	26
Graph 9 - Trends in the trade balance with major partners.....	27
Graph 10 - Trends in bank liquidity.....	31
Graph 11 - Money market rate trends	32
Graph 12 - Quarterly trends in the monetary conditions index.....	33
Graph 13 - Average lending rates of banks in WAMU	33
Graph 14 - Component contributions to annual growth in the money supply	35
Graph 15 - Counterpart contributions to annual growth in the money supply	36
Graph 16 - Component contributions to annual growth in internal claims.....	36
Graph 17 - Trends in the quality of WAMU banking system portfolios.....	38
Graph 18 - Trends in BRVM indicators.....	39
Graph 19 - Contributions to year-on-year change in the HICP in WAEMU.....	40
Graph 20 - Year-on-year change in the REER.....	42
Graph 21 - Year-on-year inflation forecasts in WAEMU.....	45

LIST OF TABLES

Table 1 - Trends in GDP growth in volume	10
Table 2 - Prices of commodities exported by WAEMU countries.....	13
Table 3 - Trends in the exchange rate for CFA francs against other West African currencies	17
Table 4 - Industry contributions to quarterly GDP growth	18
Table 5 - Trends in of real gross domestic product	18
Table 6 - Food crop production in WAEMU.....	19
Table 7 - Production of export crops in WAEMU.....	19
Table 8 - Year-on-year change in the Industrial Production Index (IPI)	20
Table 9 - Year-on-year trends in the turnover index (TI)	21
Table 10 - Financial operations of WAEMU Member States.....	22
Table 11 - Gross issues through auctions and syndication on the regional market.....	24
Table 12 - Average interest rates on Treasury bills.....	24
Table 13 - Outstanding government securities at the end of June 2018 by country	25
Table 14 - Trends in outstanding government securities	25
Table 15 - Trends in the Union's trade in the second quarter of 2018	27
Table 16 - Geographical trends in WAEMU foreign trade	28
Table 17 - Growth rates in WAEMU Member States.....	29
Table 18- Contributions to growth in the gross domestic product of the Union.....	30
Table 19 - Trends in lending rates in WAMU by loan purpose	34
Table 20 - Trends in lending rates by country in WAMU	34
Table 21 - Monetary situation at the end of June 2018	35
Table 22 - Trend in core inflation	41
Table 23 - Year-on-year inflation rates by country in WAEMU.....	41
Table 24 - Trends in competitiveness by partner group	42
Table 25 - Inflation forecast assumptions.....	44
Table 26 - Inflation outlook in WAEMU.....	44

LIST OF ACRONYMS AND ABBREVIATIONS

BCEAO:	Central Bank of West African States
BEAC:	Bank of Central African States
BoE:	Bank of England
BoG:	Bank of Ghana
Bps:	Basis points
BRVM:	Regional Securities Exchange
CBN:	Central Bank of Nigeria
CEDEAO:	Economic Community of West African States
CEMAC:	Central African Economic and Monetary Community
CIF:	Cost Insurance Freight
CPI:	Consumer Price Index
ECB:	European Central Bank
FAO:	United Nations Food and Agriculture Organization
FED:	Federal Reserve System
FOB:	Free on Board
FTSE:	Financial Times Stock Exchange
GDP:	Gross Domestic Product
HICP:	Harmonized Index of Consumer Prices
IMF:	International Monetary Fund
IPI:	Industrial Production Index
LCUBLs:	Largest Corporate Users of Bank Loans
MPC:	Monetary Policy Committee
MSCI:	Morgan Stanley Capital International
NYMEX:	New York Mercantile Exchange
NEAs:	Net external assets
NSI:	National Statistics Institute
OECD:	Organization for Economic Cooperation and Development
OPEC:	Organization of the Petroleum Exporting Countries
PBoC:	People's Bank of China

Pps:	Percentage points
RBI:	Reserve Bank of India
REER:	Real Effective Exchange Rate
SA-WDC:	Seasonally Adjusted - Working Day Corrected
SDRs:	Special Drawing Rights
TI:	Turnover Index
WAEMU:	West African Economic and Monetary Union
WAMU:	West African Monetary Union
WAMA:	West African Monetary Agency
WTI:	West Texas Intermediate

PRESS RELEASE

Meeting of the BCEAO Monetary Policy Committee

1. The Monetary Policy Committee (MPC) of the Central Bank of West African States (BCEAO) held its third ordinary meeting of 2018 on Wednesday, September 12, 2018, at the BCEAO Headquarters in Dakar, Republic of Senegal, under the chairmanship of Mr. Tiémoko Meyliet Koné, Governor of the Central Bank, the statutory Chairman.
2. The Committee reviewed the main trends unfolding recently in the international and regional economy, as well inflation risk factors that could have a bearing on economic growth prospects in the Union.
3. On the international front, the Committee noted that trends in global economic activity were generally positive in the second quarter of 2018. According to the latest estimates by the International Monetary Fund, the world economy was expected to grow by 3.9% in 2018 compared with 3.8% in 2017. International prices for the main commodities exported by the Union's countries experienced contrasting developments during the second quarter of 2018. Oil, cocoa, and cotton prices rose, while palm kernel oil, cashew nuts, palm oil, gold, coffee, and rubber prices fell.
4. Within the Union, the Committee noted that economic activity remained robust in the second quarter of 2018. Growth in the gross domestic product in real terms, driven mainly by strong domestic demand, was 6.5%, year over year, the same level as in the previous quarter.
5. The Committee noted that the budget deficit, on an accrual basis, including grants, was expected to be 3.8% of GDP in 2018, according to official data, compared to 4.2% in 2017, for a Union target of 3.0% by 2019. Under these circumstances, the MPC recommends that States accelerate the implementation of measures aimed at achieving compliance with the Community standard.
6. Examining the Union's monetary situation, the Committee noted 9.2% year-on-year growth in the money supply in the second quarter of 2018, reflecting an increase in net external assets (+23.9%) and a rise in domestic claims (+7.4%). Money market rates eased overall in the second quarter of 2018. The quarterly money market average interest rate was 3.77% following 4.50% the previous quarter.
7. The Committee noted that the year-on-year inflation rate stood at 0.7% in the second quarter of 2018, after 0.9% in the previous quarter. This slight slowdown in growth was essentially due to the performance of the "Food" component, in connection with a satisfactory supply of cereal products and tubers to the markets. The year-over-year inflation rate was projected at 1.4% over a 24-month horizon, which is in phase with the Central Bank's goal of price stability.
8. Based on these developments, the Monetary Policy Committee decided to keep the minimum bid rate on cash injection tender transactions unchanged at 2.50%, while the marginal lending rate was kept at 4.50%. The reserve requirement ratio for banks in the Union remained at 3.0%.

Done in Dakar, on September 12, 2018

The Chairman of the Monetary Policy Committee

Tiémoko Meyliet Koné

SUMMARY

1. The global economy was generally buoyant in the second quarter of 2018, particularly in the United States, the United Kingdom and in some emerging markets. On the other hand, a slowdown was noted in the Eurozone, China, and India.
2. Commodity prices continued their overall upward trend, driven in particular by the rise in energy product prices. However, the prices of the main commodities exported by the countries of the Union showed contrasting trends: cocoa and cotton prices rose, while palm kernel oil, cashew nuts, palm oil, gold, coffee, and rubber prices fell.
3. At Union level, economic activity remained dynamic in the second quarter of 2018. Growth in the gross domestic product (GDP) in real terms, driven mainly by strong domestic demand, was 6.5%, year over year, the same level as in the previous quarter. For financial year 2018, economic growth is expected stand at 6.8% compared to 6.7% in 2017.
4. The year-on-year inflation rate in WAEMU was 0.7% following 0.9% in the first quarter of 2018. This slight slowdown in growth was mainly due to the performance of the "Food" component, in connection with a satisfactory supply of cereal products and tubers to the markets. The core inflation rate stood at 0.7% year-on-year in the second quarter of 2018 compared to 0.9% a quarter earlier.
5. The execution of the budgets of WAEMU Member States over the first six months of 2018 resulted in a reduction in the overall deficit, on a commitment basis, including grants, which stood at 767.7 billion or 2.2% of the GDP at the end of June 2018, compared with 832.3 billion or 2.6% of the GDP a year earlier, in conjunction with a larger increase in tax revenue.
6. The Union's foreign trade showed a deficit trade balance in the second quarter of 2018 of 421.2 billion or 2.4% of the GDP, a deterioration of 135.1 billion or 0.6% of the GDP compared to the same period of the previous year, due to an increase in the import bill for energy products and a rise in imports of food products.
7. The monetary situation at the end of June 2018, compared to the situation at the end of March 2018, was marked by a slight increase in the money supply, driven solely by domestic claims, with net external assets (NEAs) showing a decline. Trends in domestic claims were driven by the renewed vitality of lending to the economy and by a deterioration in the net position of governments vis-à-vis the Central Bank. The decline in NEAs was due to the decline in banks' external assets, while the BCEAO's external assets increased. At the end of June 2018, the Union's foreign exchange reserves provided a monetary issue coverage rate of 82.0% compared to 80.2% three months earlier. Coverage in months of imports of goods and services by foreign exchange reserves improved slightly to 5.4 months at the end of June 2018, after 5.3 months at the end of March 2018.
8. Bank liquidity increased by 444.2 billion to 2,001.8 billion at the end of June 2018. This development was due to the positive impact of independent factors (+678.7 billion) over the period, which allowed the banks to reduce their withdrawals from the Central Bank by 234.5 billion.

-
9. Interest rates on the money market generally eased. The weighted average rate for weekly liquidity operations was 4.1516%, compared with 4.5000% in the previous quarter. On the one-week interbank market compartment, the weighted average interest rate stood at 5.2500%, compared to 5.7300% in the previous quarter.
 10. On the government securities market, the weighted average interest rate on Treasury bills also fell, to stand at 6.00% from 6.22% a quarter earlier.
 11. The average lending rate applied by banks to customers, excluding taxes and fees, remained almost stable quarter on quarter, standing at 6.71% at the end of June 2018, after 6.72% three months earlier. At the same time last year, it stood at 6.89%.
 12. The outlook for inflation in the Union does not suggest pressure on consumer price trends in the medium term. The forecast trajectory indicates a 0.8% year-over-year increase in the inflation rate in the third quarter of 2018. For 2018 as a whole, the average inflation rate is expected to be 0.9%, compared to 0.8% in 2017. Inflation was forecast at 1.4% year on year over eight quarters.

I - GLOBAL ECONOMIC ENVIRONMENT

1.1 - Economic activity

1. The global economy was generally buoyant in the second quarter of 2018, particularly in the United States, the United Kingdom and in some emerging markets. On the other hand, a slowdown was noted in the Eurozone, China, and India.

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

	2016	2017	2016				2017				2018	
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Advanced countries	<i>(over one year)</i>		<i>(year on year)</i>									
United States	1.6	2.2	1.6	1.3	1.5	1.9	1.9	2.1	2.3	2.5	2.6	2.8
Eurozone	1.8	2.3	1.7	1.7	1.7	1.9	2.1	2.4	2.8	2.8	2.5	2.2
Germany	1.9	2.5	1.8	1.9	1.9	1.9	2.1	2.3	2.7	2.9	2.3	1.9
France	1.2	1.8	1.2	1.2	0.9	1.2	1.2	1.8	2.7	2.8	2.2	1.7
Japan	0.9	1.7	0.5	0.8	1.0	1.6	1.5	1.6	2.0	2.0	1.0	1.0
United Kingdom	1.9	1.8	1.9	1.8	2.0	2.0	2.1	1.9	1.7	1.4	1.2	1.3
Emerging countries												
China	6.7	6.9	6.7	6.7	6.7	6.8	6.9	6.9	6.8	6.8	6.8	6.7
India	7.1	6.7	9.2	7.9	7.5	7.0	6.1	5.7	6.3	7.0	7.7	7.5*
Brazil	-3.5	1.0	-5.2	-3.4	-2.7	-2.5	0.0	0.4	1.4	2.1	1.2	1.2*
Russia	-0.2	1.5	-0.5	-0.4	-0.2	0.4	0.6	2.5	2.2	0.9	1.3	1.9
South Africa	0.6	1.3	-0.3	0.6	0.9	1.0	1.1	1.3	0.8	1.5	0.8	1.4*
Surrounding Countries												
Ghana	3.5	8.4	4.3	1.1	4.6	4.5	6.6	9.4	9.7	8.1	6.8	7.2*
Nigeria	-1.6	0.8	-0.7	-1.5	-2.3	-1.7	-0.9	0.7	1.2	2.1	2.0	2.1*

Sources: OECD, Eurostat, IMF, Statistics South Africa

(*): Bloomberg forecast, provisional data

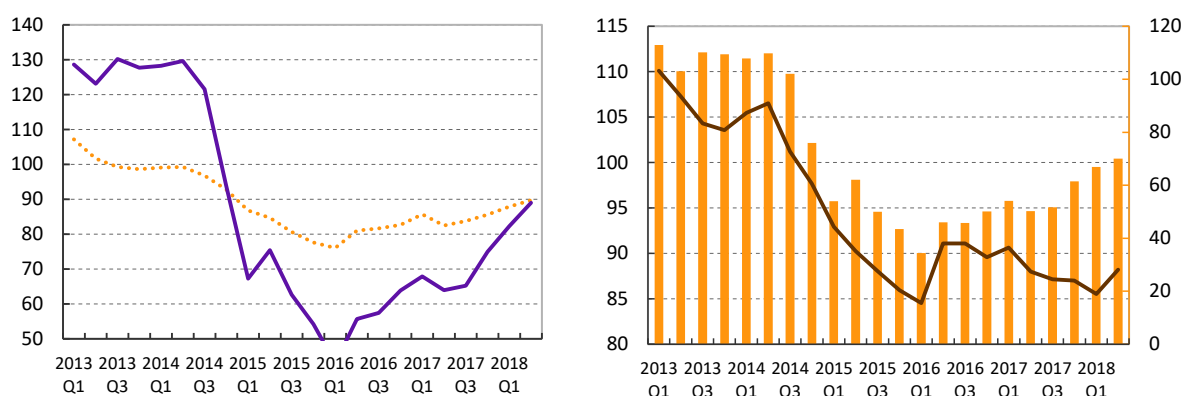
- In the United States, economic activity remained robust with real GDP growing by 2.8% year on year, after 2.6% in the previous quarter. This development was driven by buoyant private domestic demand, in conjunction with a strong labor market and the positive impact of income and corporate tax cuts.
- In the Eurozone, the pace of economic growth declined, mainly due to weak domestic demand, particularly in Germany and France. The year-on-year real GDP growth rate was 2.2%, following 2.5% the previous quarter.
- In the emerging countries, economic growth slowed slightly in China and India. The year-on-year growth rate of the Chinese economy stood at 6.7% in the second quarter of 2018, compared to 6.8% three months earlier, due to the negative impact of trade tensions with the United States on Chinese exports, as well as the authorities' efforts to reduce the high level of local government debt. In India, economic activity was expected to grow at a slower pace than in the previous quarter, in line with weak domestic demand. In Brazil, economic activity was expected to increase in the second quarter of 2018, supported by the continued rise in oil prices. South Africa's economic outlook improved as a result of the recovery in mining commodity prices, particularly gold.

5. In Nigeria, the main trading partner of the Union's Member States in the West African subregion, growth was expected to strengthen in the second quarter of 2018, driven by higher oil production and a recovery in crude oil prices.
6. According to the latest estimates released by the IMF in July 2018, the outlook for growth in the world economy for 2018 and 2019 remained unchanged at 3.9% for both years, compared to the forecast of April 2018. The continued strong growth was attributed to the vitality of the emerging and developing market economies. According to the IMF, protectionist measures announced prior to July 2018 were expected to have only limited direct macroeconomic impact.
7. In the advanced economies, growth was expected to stand at 2.4% in 2018 as in 2017, down 0.1 percentage point from the April 2018 projection. This revision was mainly due to slower than expected growth in the Eurozone and Japan. For 2019, the forecast for the GDP growth rate of advanced countries remained unchanged at 2.2%. In the United States, the growth outlook was maintained for 2018 and 2019 at 2.9% and 2.7%, respectively. In the Eurozone, growth forecasts were revised downwards by 0.2 point and 0.1 point to 2.4% in 2018 and 2.0% in 2019 respectively, in connection with uncertainties surrounding the strength of domestic demand.
8. In emerging and developing economies, the rate of GDP growth was kept unchanged from the previous estimate at 4.9% in 2018 and 5.1% in 2019 after 4.7% in 2017. In China, the outlook for growth remained stable at 6.6% in 2018 and 6.4% in 2019, after 6.9% in 2017. In India, growth projections were kept unchanged at 7.4% in 2018 and 7.8% in 2019, up from 6.7% in 2017. In Brazil and Russia, a consolidation was expected in the economic recovery, in connection with the recovery of domestic demand and the rise in oil prices.
9. In sub-Saharan Africa, the overall growth outlook remained favorable. The projected GDP growth rate was maintained at 3.4% for 2018, and raised by 0.1 point to 3.8% in 2019, after 2.8% in 2017. The growth rate of the Nigerian economy was expected to increase from 0.8% in 2017 to 2.1% in 2018 and 2.3% in 2019, 0.4 percentage point above the previous projection for 2019. In South Africa, the economic outlook remained unchanged from previous forecasts, with growth at 1.5% in 2018 and 1.7% in 2019 compared to 1.3% in 2017.
10. According to the IMF, this global economic outlook was subjected to some overall downside risks. In the short term, the main risk factors negatively affecting global economic activity were related to the escalating trade tensions between the United States and its trading partners. In addition, tightening financial conditions, geopolitical tensions, and domestic unrest, particularly in the Middle East and sub-Saharan Africa, could affect the upward trend in the global economy.

1.2 - Commodity prices

11. During the second quarter of 2018, according to World Bank data, commodity prices overall continued their upward trend, driven particularly by rising prices for energy and agricultural products.

Graph 1 - Trends in commodity price indexes



Sources: World Bank, Bloomberg

(baseline 100= 2010)

Energy

Excluding energy

Agricultural Commodity Price Index (100=2010)

Brent crude (in US Dollars)

12. Energy prices rose by 8.1%, in line with the increase in the price of oil products. More specifically, WTI and Brent crude oil prices rose by 7.9% and 13.2% respectively. Prices were buoyed by strong global demand, combined with supply concerns, particularly from Venezuela, Iran, and Russia. However, this trend was mitigated by the prospect of increased oil production in the United States.
13. The prices of the main commodities exported by the countries of the Union experienced contrasting developments. In addition to oil, foreign currency-denominated prices for cocoa (+16.8%) and cotton (+6.3%) rose. In contrast, palm kernel oil (-18.0%), cashew nuts (-11.4%), palm oil (-3.7%), gold (-1.8%), coffee (-0.9%) and rubber (-0.9%) fell.
14. Cocoa prices were driven up by strong global demand, particularly from Asia, Europe, and the United States. In addition, heavy rains in the main production areas of Côte d'Ivoire and the resulting delay in the delivery of shipments to the country's various ports raised concerns about global supply, accentuating the upward trend in prices.
15. Cotton prices benefited from the resumption of purchases by the main importing countries, combined with lower stocks. Indeed, the International Cotton Advisory Committee (ICAC) estimated that world cotton demand would grow by 3.3% in 2017/2018 and 4.4% in 2018/2019. Thus, in the 2018/2019 crop season, global demand is expected to exceed production.

Table 2 - Prices of commodities exported by WAEMU countries

	Average price Q2-2018				Quarterly variation		Year-on-year	
	unit	In foreign currency	unit	CFA francs	Prices in foreign currency	Prices in CFA francs	Prices in foreign currency	Prices in CFA francs
Crude Oil (NYMEX)	\$/barrel	67.7	ton	266209.4	7.9	11.3	44.1	33.0
Cafe robusta (ICO)	cents/lb.	87.0	kg	1,055.4	-0.9	2.2	-13.7	-20.4
Cocoa (ICCO)	cents/lb.	116.2	kg	1,409.5	16.8	20.5	29.3	19.3
Cotton (NY #2)	cents/lb.	85.9	kg	1,042.8	6.3	9.7	14.1	5.3
Palm oil	\$/metric ton	650.8	kg	358.2	-3.7	-0.7	-7.5	-14.6
Palm kernel oil	\$/metric ton	936.0	kg	514.7	-18.0	-15.5	-13.0	-19.9
Rubber	eurocent/kg	123.9	kg	812.7	-0.9	-0.9	-12.3	-12.3
Cashew nuts	\$/metric ton	1,705.2	kg	937.8	-11.4	-8.7	-2.2	-9.9
Gold	\$/ounce	1,305.0	gram	25,338.0	-1.8	1.2	3.7	-4.4

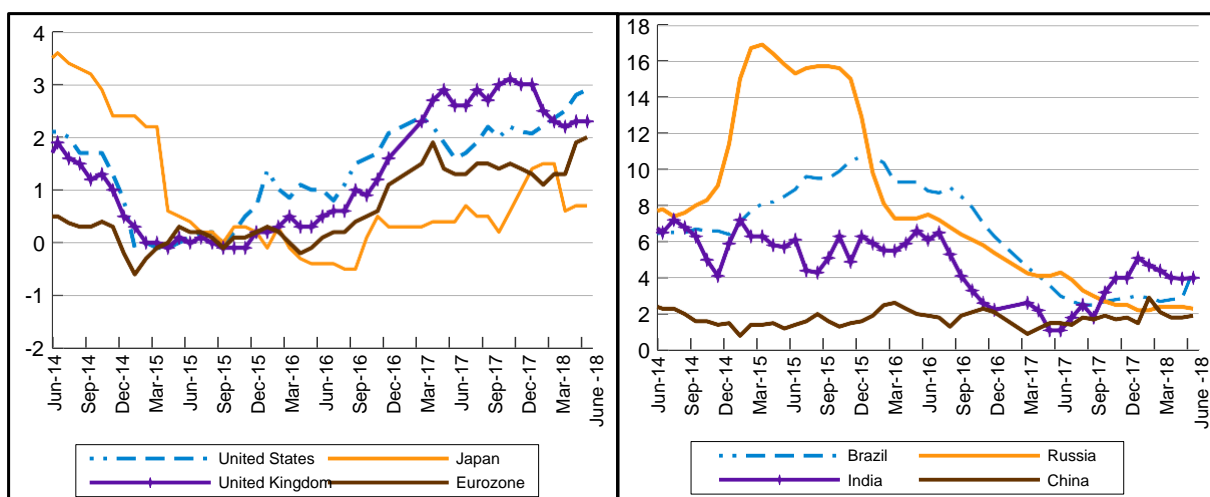
Sources: Bloomberg, Reuters

16. Palm oil and palm kernel oil prices were affected by the prospect of increased global production and large global stocks in major producing countries, particularly Malaysia and Indonesia, combined with sluggish demand.
17. Cashew nut prices dropped due to the positive outlook for world production, particularly in Africa, along with weak demand from Vietnam and India, the world's two largest importers.
18. Gold prices were affected by a drop in demand, against the backdrop of appreciation of the US dollar, the currency in which the precious metal is quoted.
19. Coffee prices continued to be affected by the abundance of the global supply from the main producing areas, notably Brazil, Uganda, and India.
20. Rubber prices remained weakened by rising market supplies and sluggish demand from importing countries, notably China, Japan, and European countries.
21. The prices of the main food products imported by WAEMU countries were on the rise during the second quarter of 2018, with the exception of soybean oil (-4.9%).
22. Wheat and corn prices rose by 11.1% and 2.9% respectively, supported by strong global demand and uncertainties about the supply of these crops, particularly in relation to adverse weather conditions in the main production areas of the United States. Rice prices rose 0.8%, driven by increased purchases from Asian countries, particularly the Philippines and Indonesia. Soybean prices, for their part, fell back, in a context of sluggish demand and strong production prospects in Latin America.

1.3 - Inflation

23. During the second quarter of 2018, inflation was trending upward in the advanced countries. In most emerging and developing countries, inflationary pressures were low.

Graph 2 - Inflation rate trends (measured by the year-on-year percentage in the Consumer Price Index (CPI))



Source: IMF

24. In the Eurozone, inflation accelerated from 1.3% in March 2018 to 2.0% in June 2018. In the United States, the year-on-year inflation rate increased by 0.5 percentage point to 2.9% at the end of June 2018, standing above the Federal Reserve's 2.0% target. In contrast, in the United Kingdom, the inflation rate declined by 0.4 percentage point to 2.3% in June 2018, while remaining above the Central Bank's target of 2.0%.

25. In the major emerging economies, inflationary pressures eased. In China, the year-on-year inflation rate rose from 2.1% March 2018 to 1.9% June 2018. In India, prices maintained their downward trend that began in January 2018. The inflation rate stood at 4.0% in June 2018, in line with the central bank target, after 4.4% in March 2018. In Russia, the inflation rate was almost stable at 2.3% at the end of June 2018, compared to 2.4% three months earlier. In Brazil, on the other hand, inflation jumped to 4.4% at the end of June 2018, year on year, from 2.7% three months earlier.

26. In the partner countries of the Union in the West African sub-region, inflationary pressures decreased. In Ghana, there was a slight slowdown in the rate of price growth, with the inflation rate falling from 10.4% to 10.0% over the period. Similarly, in Nigeria, inflation slowed by 2.1 percentage points to stand at 11.2% at the end of June 2018.

1.4 - International monetary and financial conditions

1.4.1 - Central bank actions

27. Against the backdrop of a positive economic trend, most central banks in advanced and emerging countries kept their monetary policy stance unchanged, with the exception of the United States, the United Kingdom and India. In West and Central Africa, central banks did not change their monetary policy stance, except in Ghana.
28. The European Central Bank (ECB) announced on Thursday, June 14, 2018, that it would end its net asset purchase program by the end of 2018. The ECB's net asset purchases, currently at €30 billion per month, were to be reduced to €15 billion in September 2018 and would continue thus until December 2018. However, the ECB emphasized that it would keep interest rates at their current low levels beyond the summer of 2019, in order to support growth and steer inflation toward its target rate.
29. During a meeting of the policymaking Federal Open Market Committee on June 13, 2018, the U.S. Federal Reserve (FED) increased the target range for federal fund rates by 25 basis points to 1.75%-2.0%, the seventh increase since the FED began normalizing policy in December 2015, and the second since the beginning of 2018. However, the FED stressed that its monetary policy remained accommodating and that it would continue to raise rates gradually.
30. On August 2, 2018, the Bank of England (BoE) increased its leading rate by 25 basis points to 0.75%, its second rate increase since August 2016. The BoE indicated that further monetary policy tightening would be appropriate to lower inflation to its 2.0% target, as long as the economy continued to grow as expected.
31. In the emerging countries, the Central Bank of India (RBI) raised its main rate by 25 basis points on two separate occasions, on June 6, 2018, and on August 1, 2018, to reach 6.50%, in connection with rising inflationary pressures. The People's Bank of China (PBoC) left its main instruments unchanged, amidst uncertainty about the economic outlook and trade tensions with the United States.
32. In the sub-Saharan sub-region, the Bank of Ghana (BoG), during its Monetary Policy Committee meeting on May 16-18, 2018, lowered its leading rate by 100 basis points to 17.0%, amidst declining inflationary pressures. The BoG has cut its leading rate by 300 basis points since the beginning of 2018 and by 900 basis points since it launched its accommodating monetary policy in November 2016. The Central Bank of Nigeria (CBN), in its May 21-22, 2018, meeting, decided to keep its main policy rate unchanged at 14.0%, despite declining inflationary pressures. The Bank of Central African States (BEAC), during its July 25, 2018, meeting, left its tender interest rate unchanged at 2.95%, the level in effect since March 2017.

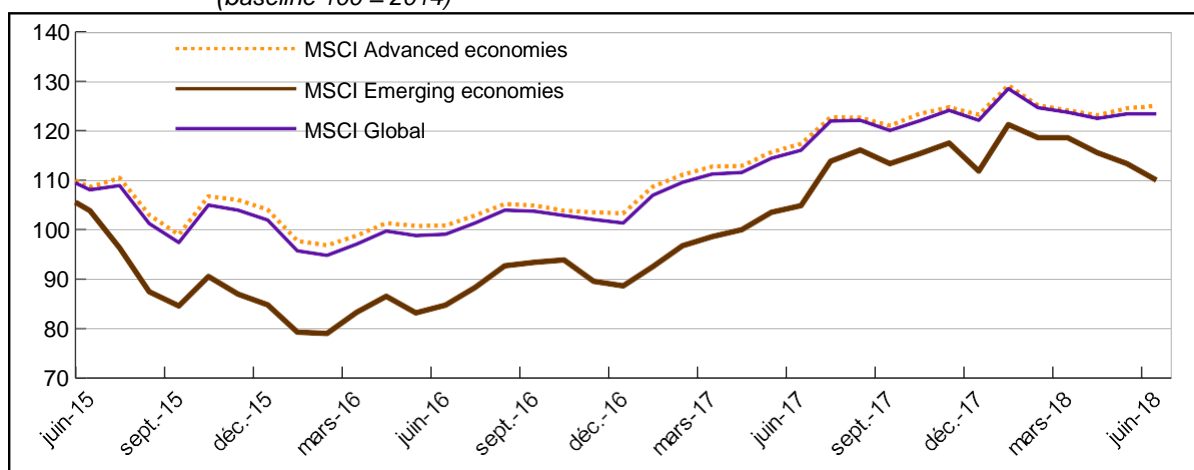
1.4.2 - Trends in monetary and financial conditions

33. Monetary and financial conditions remained generally accommodating, despite the gradual normalization of monetary policy in advanced economies.

34. On the bond markets, benchmark 10-year bond yields in the U.S. rose by 10.27 basis points (bps) to 2.94% at the end of June 2018, from 2.84% at the end of March 2018.
35. In the Eurozone, sovereign interest rates evolved differently from country to country. Benchmark 10-year bond yields were down to 0.44% in Germany (-14.23 bps) and 0.79% in France (-3.50 bps). On the other hand, they rose to 2.82% in Italy (+88.15 bp), 4.56% in Greece (+28.38 bp), 1.93% in Portugal (+14.22 bp) and 1.41% in Spain (+5.62 bp).
36. In the money markets, the 3-month Euribor edged up 0.3 basis point, quarter over quarter, to -0.32% in the second quarter of 2018.
37. International equity markets trended lower, with the MSCI Global Index declining 0.3% over the second quarter to 123.4 points in June 2018. The MSCI Emerging Economies Index fell by 7.3%, while the MSCI Advanced Economies Index rose by 0.7%.

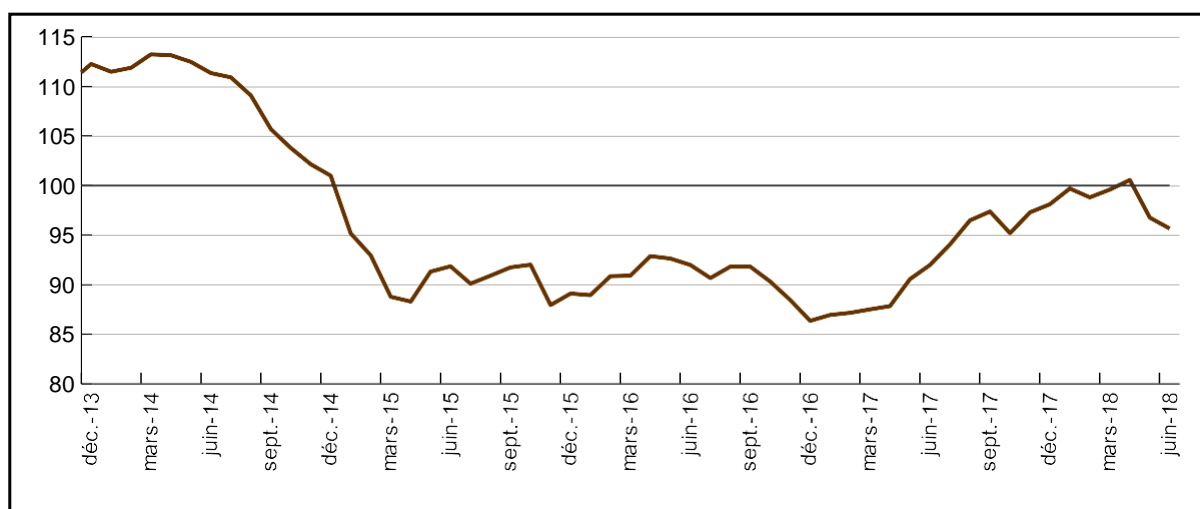
Graph 3 - Trends in MSCI indexes on the international equity markets

(baseline 100 = 2014)



Source: Bloomberg

38. The Dow Jones index on the New York Stock Exchange and the Nikkei 225 index on the Tokyo Stock Exchange fell by 2.3% and 0.1% respectively, on a quarterly basis. On the European markets, on the other hand, the Eurozone's EuroStoxx 50 and the London Stock Exchange's FTSE 100 indexes rose by 0.2% and 2.9%, respectively, in the second quarter of 2018.
39. On the foreign exchange markets, the European currency depreciated during the second quarter of 2018 against the main currencies of developed countries, with the exception of the Swiss franc. The euro was affected by the negative trend in recent economic indicators, which pointed to a further slowdown in growth, as well as by the strong momentum of the U.S. economy and expectations of a gradual rate hike by the FED.
40. Thus, the euro depreciated by 3.0% against the US dollar, by 2.3% against the Japanese yen and by 0.8% against the British pound. On the other hand, it appreciated by 0.8% against the Swiss franc.

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

Source: Bloomberg

41. In West Africa, according to official data, the CFA franc appreciated against the subregion's other currencies in the second quarter of 2018, compared to the same period in 2017. The largest increases were against the Liberian dollar (+47.6%), the Sierra Leonean leone (+18.7%), the Gambian dalasi (+17.9%) and the Ghanaian cedi (+13.6%).

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

Exchange rates	2016			2017			2018		Variation (%)	
	Q2	Q3	Q4	Q2	Q3	Q4	Q1	Q2	quarterly	annual
Gambian dalasi	73.5	77.2	75.6	77.6	85.9	84.8	87.1	86.4	-0.8	17.9
Ghanaian cedi	6.6	6.7	6.6	7.1	8.1	7.9	8.3	8.1	-2.7	13.6
Guinean franc	15,353.7	15,237.0	14,967.5	15,193.9	16,619.1	16,148.3	16,859.2	16,375.8	-2.9	8.7
Liberian dollar	158.3	163.1	163.8	185.1	212.7	219.3	240.2	247.1	2.9	47.6
Nigerian naira	349.8	512.6	501.2	510.8	563.9	548.0	571.8	555.5	-2.9	12.1
Sierra Leonean leone	10,454.8	10,565.5	11,591.2	12,210.4	13,719.0	13,516.5	14,182.3	13,962.4	-1.6	18.7

Source: WAMA

II - TRENDS IN SUPPLY AND DEMAND FACTORS IN WAEMU

2.1 - Supply factors

42. The growth rate of WAEMU's gross domestic product in the second quarter of 2018 was 6.5%, year on year, stable compared to the figure for the previous quarter. The steady pace of growth confirmed the optimism shown by business leaders about trends in their activities. Indeed, the business climate indicator¹ remained above its long-term trend in the second quarter of 2018, although it was down 1.9 points from the previous quarter.
43. Growth in economic activity in the Union was driven by the tertiary sector, which contributed 3.4 percentage points, down 0.1 percentage point from the previous quarter. The contribution of the secondary sector was 1.7 percentage point, stable compared to the previous quarter. The primary sector's contribution to growth was 1.4 percentage point, up 0.1 percentage point from the figure in the first quarter of 2018.

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

(Seasonally Adjusted-Working Day Corrected (SA-WDC) data, as a %)

	2016			2017				2018	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Primary sector	1.6	1.7	1.7	1.5	1.3	1.2	1.1	1.3	1.4
Secondary sector	1.3	1.4	1.5	1.4	1.5	1.5	1.6	1.7	1.7
Tertiary sector	3.3	3.5	3.7	3.8	4.0	4.1	3.7	3.5	3.4
GDP	6.2	6.6	6.9	6.7	6.8	6.8	6.4	6.5	6.5

Source: BCEAO

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

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

	2016			2016	2017				2017	2018	
	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2
Benin	3.7	4.4	5.0	4.0	5.3	5.6	5.7	5.7	5.6	5.6	5.8
Burkina Faso	5.9	6.0	6.7	5.9	6.8	6.6	6.9	6.6	6.7	6.6	6.7
Côte d'Ivoire	7.7	8.5	8.9	8.3	8.2	8.1	7.9	7.0	7.8	7.5	7.6
Guinea-Bissau	6.4	6.1	5.9	6.3	5.9	5.9	5.9	5.9	5.9	6.0	6.1
Mali	5.8	5.8	5.7	5.8	5.7	5.6	5.5	5.3	5.5	5.2	5.1
Niger	4.4	4.9	5.4	4.9	4.2	4.8	5.2	5.3	4.9	5.0	5.0
Senegal	6.1	6.1	6.5	6.2	6.9	7.2	7.3	7.1	7.2	6.8	6.7
Togo	5.2	5.0	4.7	5.1	4.5	4.4	4.4	4.4	4.4	4.5	4.8
WAEMU	6.2	6.6	6.9	6.5	6.7	6.8	6.8	6.4	6.7	6.5	6.5

Source: BCEAO

1/ The business environment indicator is calculated based on the balance of opinions of business leaders in the major market sectors. Its mean is 100 and its standard deviation is 10. Thus, a business environment index value of over 100 indicates that business leaders' opinion is that the business climate will be better than the long-term average, reflecting a favorable business climate.

2.1.1 - Primary sector

45. In the primary sector, gross value added increased by 5.7%, on an annual basis, compared to 5.3% a quarter earlier, mainly due to the strong performance of both cash crop and food crop production as well as fish production in most coastal countries.
46. The latest available statistics on the 2017/2018 agricultural season indicated a food production level of 60.47 million tons, an increase of 4.9% compared to the previous season. This development was linked to higher harvests in all the Member States of the Union, with the exception of Burkina Faso, Guinea-Bissau, and Niger. The declines observed in the latter countries were mainly due to the early cessation of rains in certain production areas and to insect attacks.
47. With reference to the average of the previous five years, the production of the 2017/2018 crop season showed an increase of 17.1%.

Table 6 - Food crop production in WAEMU

	<i>(in tons unless otherwise noted)</i>					<i>(updated July 2018)</i>		
	2013/2014	2014/ 2015	2015/ 2015	2016/2017 (1)	2017/2018* (2)	Average of the five previous crop years (3)	Variation (%) (2)/(1)	(1)/(2)
Cereals	22,141,525	23,683,955	25,872,342	27,621,701	28,390,157	24,529,151	2.8	15.7
Tubers	17,469,222	20,802,371	19,876,914	20,994,098	22,381,001	19,112,327	6.6	17.1
Other crops	7,634,117	8,059,704	8,245,988	9,021,496	9,699,143	7,994,390	7.5	21.3
Total	47,244,864	52,546,030	53,995,243	57,637,295	60,470,301	51,635,868	4.9	17.1

Sources: Ministries of Agriculture of the States, BCEAO calculations

*Estimates

48. In terms of the main export crops, production of all crops increased, with the exception of coffee, as a large part of the crop was destroyed during the flowering period by the heavy rains in Côte d'Ivoire. These figures broadly confirmed the trends indicated in the June 2018 report.

Table 7 - Production of export crops in WAEMU

	<i>(Updated - July 2018)</i>					Average of the five previous crop years (3)	Variation (2)/(1)(in %)	Variation (2)/(3)(in %)
	2013/2014	2014/2015	2015/2016	2016/2017* (1)	2017/2018* (2)			
Cocoa	1,679,109	1,686,218	1,836,794	1,644,808	2,045,112	1,670,505	24.3	22.4
Coffee	111,793	117,867	145,658	122,611	51,523	125,911	-58.0	-59.1
Cotton seed	1,865,355	2,212,595	2,101,146	2,241,719	2,334,621	2,023,230	4.1	15.4
Groundnuts	2,243,425	2,226,285	2,720,122	2,881,855	3,182,639	2,333,159	10.4	36.4
Cashew nuts	865,933	1,050,943	1,259,441	1,092,950	1,180,839	1,010,451	8.0	16.9
Rubber	290,043	318,897	360,000	453,040	580,000	335,633	28.0	72.8

Sources: National trade departments, BCEAO calculations

*Estimates

2.1.2 - Secondary sector

49. In the second quarter of 2018, the value added generated by the secondary sector grew at an annual rate of 8.1%, 0.1 percentage point lower than in the previous quarter. The business environment indicator remained well above its long-term trend (+3.1 points and +3.3 points respectively), reflecting high levels of confidence among business leaders in the industrial and construction sectors in the trends in their activities. This optimism was linked to positive expectations of production, orders, and the start-up of new construction projects.

50. More specifically, the industrial production index posted a 4.7% year-on-year increase in the second quarter of 2018, following 5.1% three months earlier. This slowdown was mainly attributable to the decline in production in the extractive industries (-4.5% compared with -0.8%), notably due to the drop in uranium production in Niger and gold production in Mali, Niger, and Senegal. There was also a decrease in crude oil and natural gas production in Côte d'Ivoire and Niger due to maintenance work. However, production rose in the energy sector (+5.0% compared to +2.0%), particularly in Benin and Mali, as well as in the manufacturing sector (+10.5% compared to +7.6%), especially in Côte d'Ivoire and Mali.

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

Branches	2016	2017	2017			2018	
			Q2	Q3	Q4	Q1	Q2*
Production from extractive activities incl.	-1.1	-4.3	-1.5	-13.0	-0.4	-0.8	-4.5
crude oil and natural gas	3.3	-0.5	3.0	-9.4	-0.7	-6.7	-7.6
Uranium ores	-12.6	2.6	22.5	-12.3	23.1	10.2	-2.0
Metal ores	-1.5	3.3	7.2	4.0	-3.2	7.0	-2.6
Manufacturing industries	4.0	6.2	8.2	8.9	4.3	7.6	10.5
- Food and beverage products	-6.1	9.1	16.9	12.3	-0.8	5.9	10.1
- Refined petroleum products	0.4	1.0	-1.7	2.2	6.8	0.0	-1.3
- Chemical products	10.2	1.1	-5.0	9.2	2.3	20.0	14.1
Electricity, gas, water	16.0	5.5	5.1	0.9	3.9	2.0	5.0
General Index	7.5	5.0	6.4	4.7	3.6	5.1	4.7

Source: BCEAO

(*) Provisional data

2.1.3 - Tertiary sector

51. The value added generated by the tertiary sector increased by 6.2%, on an annual basis, in the second quarter of 2018, compared to 6.4% in the first quarter of 2018. This increase confirmed the optimism of business leaders in the "Trade" sector regarding sales trends and the improvement of the cash-flow situation.

52. The turnover indicator in market services (excluding financial services) rose by 9.3% in the second quarter of 2018 compared to 12.6% in the first quarter of 2018, driven in particular by transportation, accommodations, and restaurant services.

53. The turnover index for financial services recorded a 7.5% increase compared to an increase of 12.5% a quarter earlier.

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

	2016	2017	2017			2018	
			Q2	Q3	Q4	Q1	Q2*
Retail sales TI	2.6	10.1	8.5	11.7	7.9	7.2	4.5
Food products	-2.7	5.9	1.8	6.4	-1.6	-3.2	-4.1
Personal equipment products	-8.3	1.6	2.7	3.3	9.7	4.8	-2.5
Cars, motorcycles, and spare parts	5.5	15.0	12.6	21.4	2.7	9.0	-3.4
Petroleum products	4.0	11.5	12.2	9.9	9.3	12.9	10.2
Pharmaceutical and cosmetic products	6.8	7.3	3.5	14.0	8.8	5.2	9.7
Turnover index for market services (excluding financial services)	-	-	-	-	-	12.6	9.3
Financial services	12.7	12.2	16.3	8.3	11.8	12.5	7.5

Source: BCEAO

(*) Provisional data

54. The retail trade turnover index rose by 4.5% compared to 7.2% in the previous quarter. This slowdown was mainly related to sales of food products in Benin, Côte d'Ivoire, and Senegal, as well as capital goods and automobiles. Growth in retail sales of pharmaceutical products increased, particularly in Côte d'Ivoire, Mali, and Senegal.

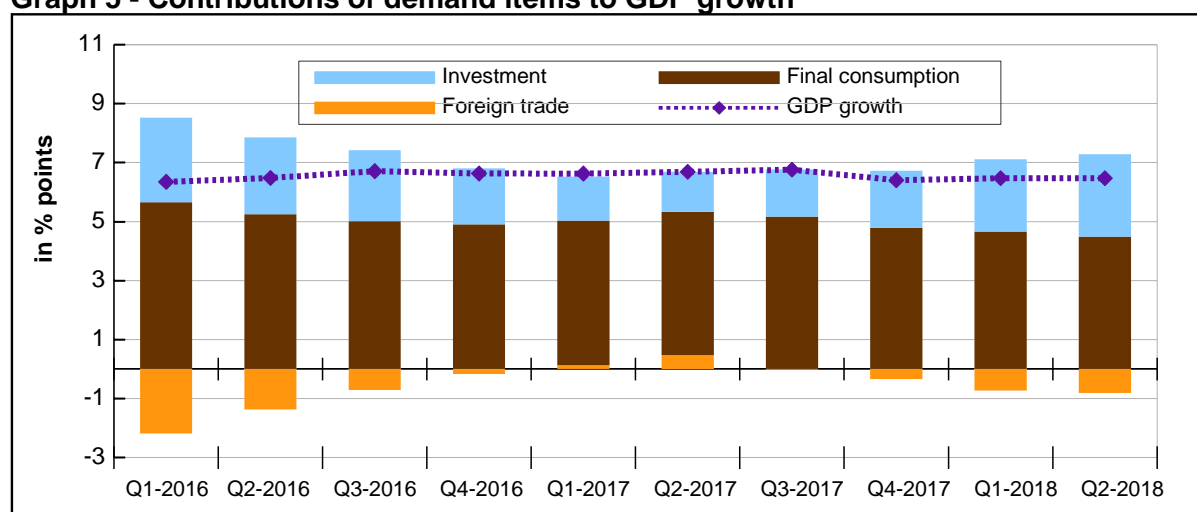
2.2 - Demand factors

2.2.1 - Trends in GDP uses

55. An analysis broken down by demand components revealed that final consumption continued to drive growth in the Union, contributing 4.5 percentage points to GDP growth. Investment was also a significant source of growth, contributing 2.8 percentage points. In total, domestic demand contributed 7.3 percentage points to GDP growth in the second quarter of 2018. In contrast, foreign trade made a contribution of -0.8 percentage point, after -0.7 percentage point in the first quarter of 2018.

56. Final consumption grew by 5.0% year on year in the second quarter of 2018, compared with 5.2% a quarter earlier, in the wake of increased household consumption of services, especially communications and transportation, as well energy products.

57. For their part, investments in WAEMU grew by 10.8% year on year in the second quarter of 2018, driven in particular by construction and public works, in connection with the continued implementation of infrastructure construction programs.

Graph 5 - Contributions of demand items to GDP growth

Source: BCEAO

58. As regards foreign trade, the negative contribution to economic growth reflected a relatively larger increase in imports of goods and services than in exports.

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

59. The latest available data on the budget execution of WAEMU Member States during the first half of 2018 indicated that, overall, revenues and grants increased more than public expenditure, year on year. This led to a reduction of the overall deficit, on a commitment basis, including grants, which stood at 767.7 billion, or 2.2% of the GDP, at the end of June 2018, compared with 832.3 billion or 2.6% of the GDP for the same period the previous year.

Table 10 - Financial operations of WAEMU Member States

(in billions, unless otherwise indicated)

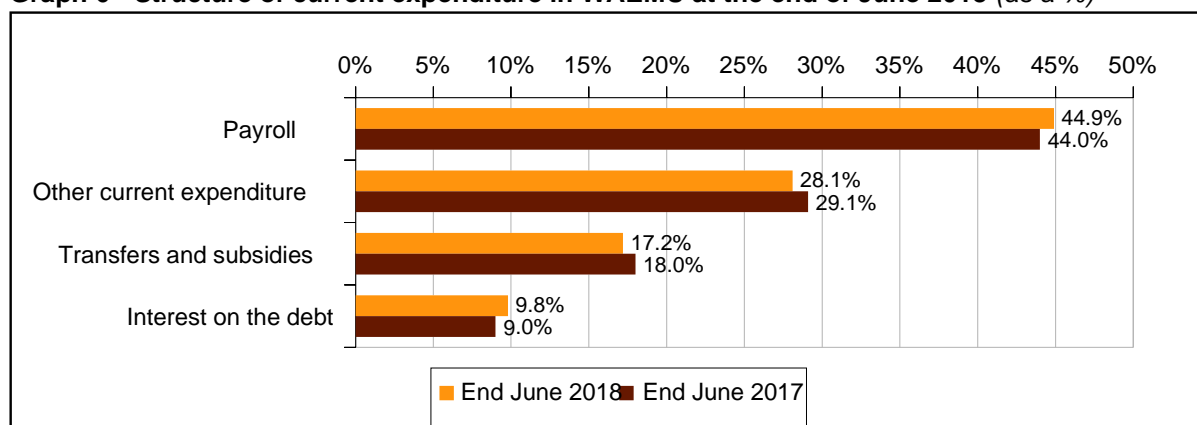
	June 2017	June 2018(*)	Variation (2)/(1)	
	(1)	(2)		(as a %)
Fiscal revenue and grants	6,109.5	6,936.1	826.6	13.5
Fiscal revenue	5,731.4	6,501.4	770.0	13.4
<i>including tax revenue</i>	5,082.2	5,839.8	757.7	14.9
Grants	378.2	434.7	56.6	15.0
Expenditures and net loans	6,941.8	7,703.8	762.0	11.0
<i>incl. current expenses</i>	4,693.9	5,074.3	380.5	8.1
<i>payroll</i>	2,067.4	2,277.1	209.7	10.1
<i>transfers and subsidies</i>	842.7	873.3	30.6	3.6
<i>interest on debt</i>	420.1	496.0	75.9	18.1
<i>capital expenditure</i>	2,134.9	2,503.7	368.8	17.3
<i>other expenditure</i>	116.7	128.0	11.3	9.6
<i>net loans</i>	-3.7	-2.3	1.4	-
Overall balance (commitment basis) (incl. grants)	-832.3	-767.7	64.6	-
<i>(as a % of the GDP)</i>	-2.6%	-2.2%		

Sources: National departments, BCEAO

(*): provisional data

60. The budgetary revenues of the Union's Member States stood at 6,501.4 billion at the end of the first six months of 2018, an improvement of 770.0 billion or 13.4% compared to their level a year earlier. This change mainly reflected the increase of 757.7 billion or 14.9% in tax revenues over the period. Budgetary grants recorded an increase of 56.6 billion or 15.0% compared to the first half of 2017, to 434.7 billion at the end of June 2018.
61. At the same time, net expenditures and loans increased by 762.0 billion or 11.0% to 7,703.8 billion at the end of June 2018, driven by the simultaneous increase in capital expenditures (+17.3%) and current expenditures (+8.1%).
62. The level of capital expenditures, amounting to 2,503.7 billion at the end of June 2018, was up 368.8 billion, year on year.
63. The increase in current expenditure was driven by the payroll (+10.1%) and interest payments on the public debt (+18.1%).

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



Sources: National departments, BCEAO

64. To finance the deficit, the Member States of the Union relied on both external and internal resources.

2.2.3 - Regional public debt market

65. The total amount of gross issues on the regional public debt market stood at 1,175.8 billion at the end of the first half of 2018, down 555.2 billion or 32.7% compared to the level recorded in the first six months of 2017. Net issues were negative at 234.9 billion during the first half of 2018, compared to a positive balance of 565.7 billion a year earlier. Excluding Côte d'Ivoire and Senegal, which did not make much use of the market, net issues amounted to +290.3 billion.
66. In the Treasury bill compartment, resource mobilizations in the first six months of 2018 amounted to 689.1 billion compared to 1,053.0 billion in the same period a year earlier. The 12- and 6-month maturities were the most popular, representing 63.3% and 23.6% of total amounts mobilized, respectively.
67. In the bond compartment, national treasury departments raised 486.7 billion compared to 678.0 billion in the first half of 2017. The largest mobilizations were in the 3-year and 5-year segments, with 47.9% and 27.3% of resources collected, respectively.

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

	2016 total	2017				2017 total	2018	
		Q1	Q2	Q3	Q4		Q1	Q2
Bills	1,541.0	618.6	434.4	253.9	271.3	1,578.2	380.2	308.9
Bonds	2,871.0	191.4	486.6	767.5	676.4	2,121.9	174.9	311.8
auction	1,969.7	54.3	215.2	645.5	250.2	1,165.1	112.9	218.1
syndication	901.3	137.1	271.5	122.0	426.2	956.8	62.0	93.7
Total	4,412.0	810.0	921.0	1,021.4	947.7	3,700.1	555.1	620.7

Source: WAMU Securities

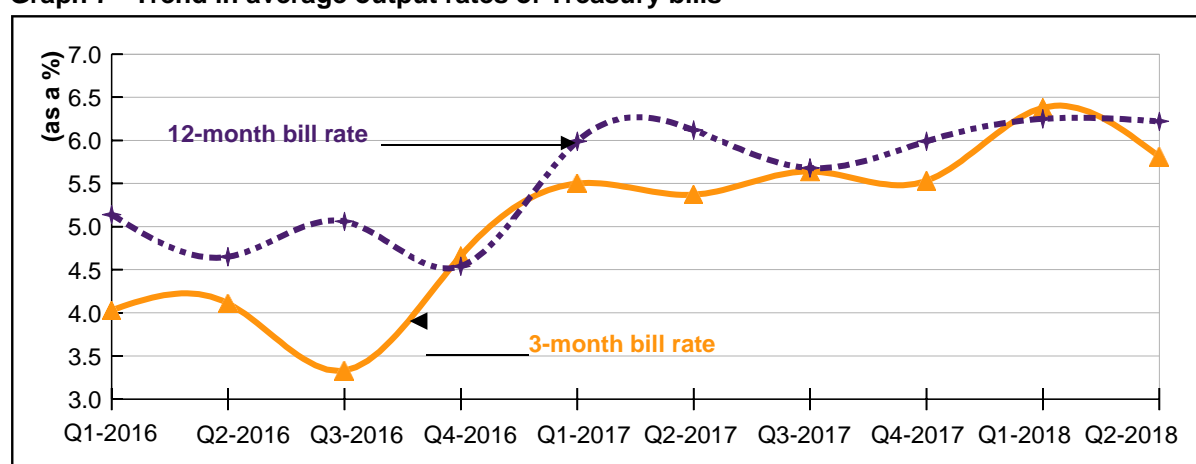
68. The average cost of resources raised by governments (weighted average interest rate) through the Treasury bill segment trended down, quarter on quarter, to stand at 6.00% for the second quarter of 2018 compared to 6.22% a quarter earlier.

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

	2016				Total 2016	2017				Total 2017	2018	
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2
1 month	-	-	-	3.52	3.52	4.94	4.86	-	-	4.91	-	-
3 months	4.03	4.11	3.33	4.66	3.75	5.50	5.37	5.64	5.62	5.53	6.38	5.81
6 months	4.67	4.81	-	-	4.75	5.37	5.87	5.38	5.86	5.77	6.09	6.17
12 months	5.14	4.65	5.06	4.54	4.90	5.99	6.12	5.68	5.99	5.99	6.25	6.22
24 months	5.10	5.76	5.07	5.62	5.30	-	-	-	5.78	5.78	-	5.80
Average rate	4.92	4.72	4.38	4.82	4.72	5.68	5.74	5.58	5.85	5.71	6.22	6.00

Sources: BCEAO, WAMU Securities

69. The output rates for both 3-month and 12-month Treasury bills declined during the quarter under review.

Graph 7 - Trend in average output rates of Treasury bills

Sources: BCEAO, WAMU Securities.

Outstanding government securities on the regional market

70. Overall outstanding government securities stood at 9,312.8 billion at the end of June 2018. By country, the outstanding amount of government securities is shown in Table 13 below.

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

	Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAEMU
Bills	105.0	294.8	260.4	21.2	135.3	172.0	22.0	137.9	1,148.6
Bonds	1,197.2	797.9	3,101.0	29.9	884.6	400.1	864.0	889.5	8,164.2
Total	1,302.2	1,092.7	3,361.4	51.1	1,019.9	572.1	886.0	1,027.4	9,312.8

Source: BCEAO

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

71. The outlook for the whole of 2018, on the basis of the issue schedules, the gross total value of bonds issued on the regional public debt market was 2,459.1 billion compared with 3,274.0 billion in 2017. Maturities stood at 2,716.0 billion and net issues at -256.9 billion, bringing the stock of government securities to 9,290.8 billion or 13.0% of GDP at the end of December 2018.

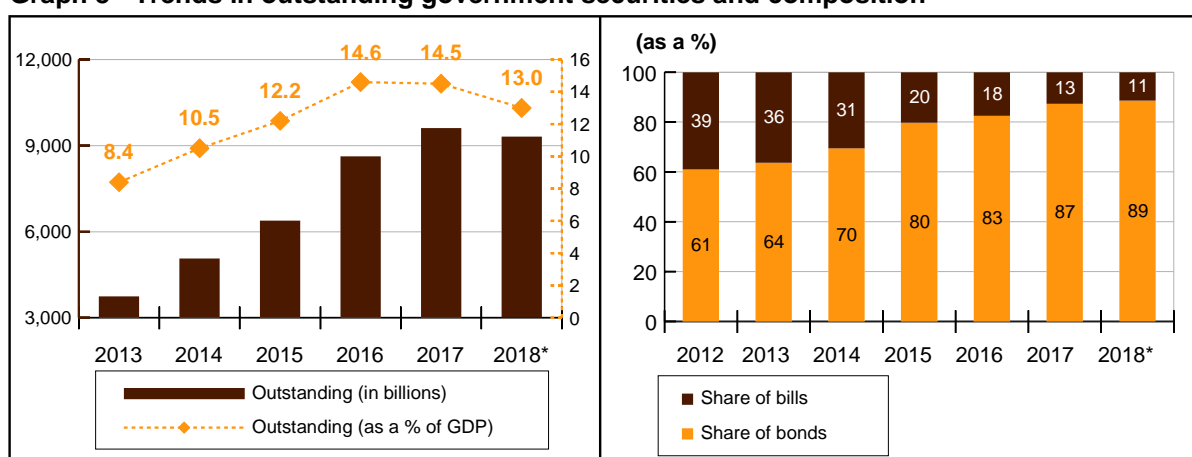
Table 14 - Trends in outstanding government securities (in billions, unless otherwise indicated)

	2011	2012	2013	2014	2015	2016	2017	2018 (*)
Outstanding	2,601.7	3,023.9	3,743.9	5,043.2	6,388.5	8,621.4	9,547.7	9,290.8
(as a % of the GDP)	6.9	7.3	8.4	10.5	12.2	14.6	14.5	13.0
Relative share								
- bills	36.7	39.0	36.3	30.5	20.3	17.5	12.7	16.0
- bonds	63.3	61.0	63.7	69.5	79.7	82.5	87.3	84.0

Source: BCEAO

(*) forecasts

72. This decline in outstanding government securities was due to the fact that no government securities were issued by the Senegal on the regional market since the beginning of 2018, combined with the sharp decline in issues by Côte d'Ivoire.

Graph 8 - Trends in outstanding government securities and composition

Sources: BCEAO, WAMU Securities

(*): forecasts for end December 2018

2.2.4 - Mobilization of resources on international markets

73. Côte d'Ivoire and Senegal leveraged resources on international markets through eurobond issues in the first half of 2018. For Côte d'Ivoire, the total amount mobilized was €1.7 billion, or 1,115.0 billion CFA francs. Senegal issued two tranches: one in US dollars for an amount of \$1.0 billion, i.e., approximately 531.2 billion CFA francs, and an operation in euros for €1.0 billion, i.e., approximately 656.0 billion CFA francs.

2.2.5 - Foreign and intra-WAEMU trade

2.2.5.1 - Foreign trade

74. The Union's foreign trade showed a deficit of 421.2 billion in the second quarter of 2018, worsening by 135.1 billion compared to the same period of the previous year, due to a greater increase in imports (+6.5%) than in exports (+3.4%). Overall, the import-export coverage rate deteriorated by 2.7 percentage points, on an annual basis, to 90.2% in the second quarter of 2018.

75. The year-on-year increase in imports was mainly ascribable to the rise in the oil bill (+34.7%), in line with the recovery of prices on international markets, coupled with increased purchases of foodstuffs (+6.2%). Purchases of capital and intermediate goods also increased (+1.6%), due to the implementation of public investment programs.

76. The increase in the value of exports, on an annual basis, was mainly due to higher sales of petroleum products (+34.9%), cotton (+11.8%), rubber (+2.3%) and cocoa (+7.6%), in line with changes in international prices and/or volumes. The increase in the volume of cotton exports can be explained by the cotton sector support measures implemented in the countries of the Union. As regards cocoa, the significant impacts international price rises were mitigated by the decline in export volumes (-11.7%) over the period. Higher exports were moderated by lower revenues from gold (-2.6%), uranium (-3.1%) and cashew nuts (-8.7%), due to the decline in international prices.

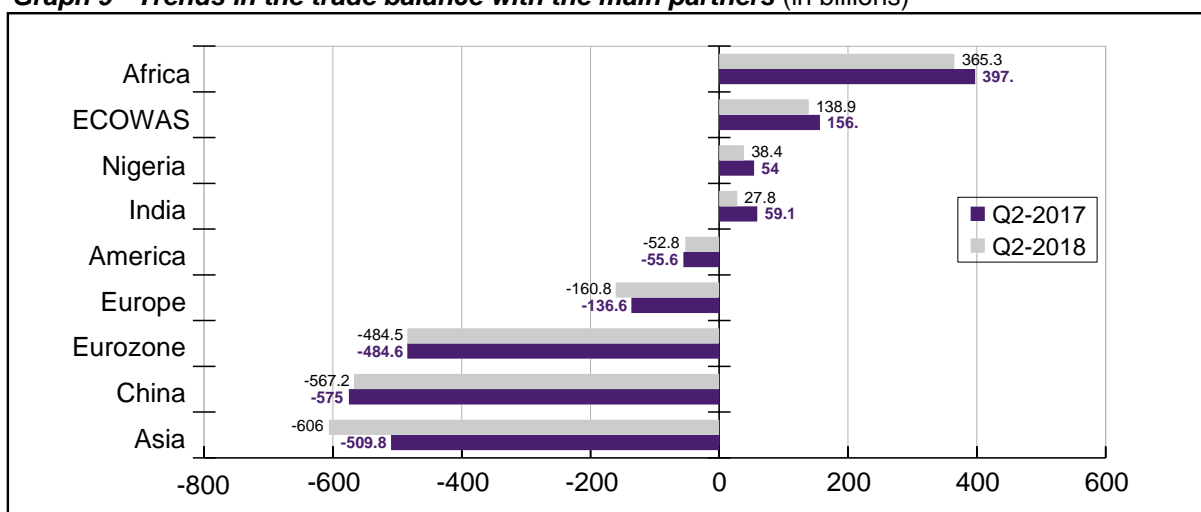
Table 15 - Trends in the Union's trade in the second quarter of 2018

	Q2-2017	Q2-2018*	Annual variation	
	in billions		in billions	as a %
Exports	3,733.4	3,861.0	127.6	3.4
<i>incl. Cocoa products</i>	596.3	641.5	45.2	7.6
<i>Gold and precious metals</i>	956.9	932.3	-24.6	-2.6
<i>Petroleum products</i>	324.1	437.1	113.0	34.9
<i>Cotton products</i>	147.1	164.5	17.4	11.8
<i>Coffee products</i>	20.3	30.1	9.8	48.3
<i>Cashew products</i>	535.3	488.6	-46.7	-8.7
<i>Rubber</i>	94.6	96.8	2.2	2.3
<i>Uranium</i>	28.7	27.8	-0.9	-3.1
Imports (FOB)	4,019.5	4,282.2	262.7	6.5
<i>incl. Food products</i>	1,055.7	1,121.6	65.9	6.2
<i>Consumer products</i>	352.9	359.3	6.4	1.8
<i>Energy products</i>	577.1	777.1	200.0	34.7
<i>Capital goods</i>	910.8	926.7	15.9	1.7
<i>Intermediate goods</i>	878.3	891.2	12.9	1.5
Trade balance	-286.1	-421.2	-135.1	-47.2
Trade balance (% of GDP)	-1.8%	-2.4%	-	-

Sources: BCEAO, NSIs, Customs

(*) Estimated data

77. Analysis of the geographical trends in the Union's foreign trade during the period under review revealed a trade surplus with Africa but a deficit with the other regions, namely Europe, America, and Asia.

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

Sources: BCEAO, NSIs, Customs

78. The Union's trade surplus with its main African partners amounted to 365.3 billion, including 260.5 billion with South Africa, in line with gold shipments from Burkina Faso and Mali to that country. As regards other ECOWAS countries outside the WAEMU Union, the trade balance showed a surplus of 138.9 billion. With Nigeria and Ghana, the Union had trade surpluses of 38.4 billion and 44.2 billion, respectively. Sales to those countries included petroleum products, live animals, and chemicals, as well as food products. External purchases of Union countries

from other African countries consisted of energy products and intermediate goods.

79. The Union's trade with European countries showed a deficit of 160.8 billion. This unfavorable balance was due to the trade deficit recorded with the Eurozone (-484.5 billion), the Union's main supplier of capital and intermediate goods, food products (especially wheat and dairy) and refined oil products. Sales to the Eurozone mainly included cocoa, crude oil, fishery products and uranium. For non-EU countries in Europe, WAEMU showed a surplus of 379.2 billion, due to a surplus of 514.0 billion with Switzerland. Exports of goods to those countries consisted mainly of gold and cotton, while imports mainly consisted of intermediate goods, refined petroleum products and foodstuffs.

Table 16 – Geographic trends in WAEMU foreign trade (as a %)

	FOB Exports		CIF Imports	
	Q2-2017	Q2-2018	Q2-2017	Q2-2018
I. Europe	38.9	39.3	39.6	39.2
<i>Eurozone</i>	20.6	21.7	31.2	30.9
II. Africa	26.9	27.1	15.1	15.9
ECOWAS	13.3	13.7	8.5	9.1
<i>Nigeria</i>	8.4	8.6	6.4	6.9
<i>Ghana</i>	3.5	3.5	2.0	2.1
CEMAC	0.7	0.8	0.1	0.1
Other African countries	12.9	12.7	6.5	6.7
<i>South Africa</i>	9.2	8.6	1.7	1.7
III. America	7.2	7.7	8.1	8.2
IV. Asia	25.6	24.1	36.4	35.9
<i>China</i>	1.8	1.8	16.0	14.8
<i>India</i>	8.6	8.0	6.5	6.5
V. Other countries	1.4	1.8	0.8	0.8
VI. Total	100	100.0	100.0	100.0

Sources: BCEAO, NSIs, Customs

80. The Union's trade deficit with the American continent amounted to 52.8 billion. The Union's procurements from America consisted of consumer goods, capital goods and refined petroleum products. Exports to the American continent consisted of cocoa, crude oil, and rubber.

81. Trade in goods with Asia showed a deficit of 606.0 billion. In particular, the Union had a trade deficit of 567.2 billion with China. Sales to the Asian continent consisted largely of cashew nuts, cotton, gold, cocoa, and chemicals. Purchases mostly included capital goods, food products – mainly rice from Thailand and India – and intermediate goods, mostly from China, Japan, and India.

2.2.5.2 - Intra-WAEMU trade

82. Intra-WAEMU trade rose by 5.0% to 655.5 billion, i.e., 16.1% of the Union's total trade. Côte d'Ivoire and Senegal remained the main suppliers, accounting for 55.4% of total intra-community supplies. On the intra-WAEMU demand side, Mali and Burkina Faso were the main destinations for trade flows with 51.6% of the total. The main products traded were oil, food preparations (milk, broths, etc.), local products (cereals, live animals, etc.) and edible oils.

2.3 - Recent economic growth and outlook

83. Based on the latest official statistics, the Union's economic growth amounted to 6.7% in 2017, after 6.5% in 2016. It was mainly driven by the service sector, which contributed 3.6 points. The contributions of the primary and secondary sectors amounted to 1.6 and 1.5 point, respectively.

84. The pace of economic expansion in the Union in 2017 was 0.1 percentage point higher than the level cited in the June 2018 report, driven by the upward revision of GDP growth in Burkina Faso and Mali, estimated at 6.7% and 5.5%, respectively, compared to 6.2% and 5.3% previously. These revaluations were the result of stronger than expected growth in trade and service activities.

85. According to official projections for the year 2018, economic growth, in real terms, stood at 6.8%, driven mainly by the tertiary and secondary sectors, whose contributions represented respectively 3.5 points and 2.0 points.

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

	2016	2017	2018	
		<i>Estimates</i>	<i>June 2018 forecast</i>	<i>September 2018 projections</i>
Benin	4.0	5.6	6.1	6.0
Burkina Faso	5.9	6.7	7.1	7.0
Côte d'Ivoire	8.3	7.8	7.9	7.9
Guinea-Bissau	6.3	5.9	6.2	6.2
Mali	5.8	5.5	5.0	5.2
Niger	4.9	4.9	5.2	5.2
Senegal	6.2	7.2	7.0	7.0
Togo	5.1	4.4	4.9	4.9
Union	6.5	6.7	6.8	6.8

Sources: BCEAO, NSIs

86. The tertiary sector was buoyed by the vitality of telecommunications services, tourism, and hotels, as well as the expansion of trade, following increases in agricultural and industrial production. Higher value added in the secondary sector was the result, inter alia, of the stronger contribution by construction and public works and civil engineering, brought about by the execution of investment projects, particularly in Benin, Burkina Faso, Côte d'Ivoire, and Senegal. Agri-food and chemical production also drove growth in the secondary sector, in conjunction with increases in food and export crops and the supply of cement to meet the needs of the construction industry. Growth in the primary sector, which was expected to contribute 1.3 percentage point to economic growth in 2018, was driven mainly by an increase in production of food crops and export crops.

87. The Union's expected economic expansion rate for 2018 was unchanged from the level reported in the June 2018 report. However, forecasts were revised in some countries.

88. In Benin and Burkina Faso, projected growth in 2018 was revised downward by 0.1 percentage point, while in Mali, the projection of GDP growth was raised.

89. The economies of Benin and Burkina Faso were expected to grow by 6.0% and 7.0%, respectively, compared to the 6.1% and 7.1% previously forecast, mainly due to a smaller-than-expected increase in import duties and taxes in Benin and in the value added generated by services in Burkina Faso.

90. In Mali, the rate of economic expansion, initially projected at 5.0%, is expected to be 5.2% at the end of 2018, mainly due to the upward revision of the expected increase in import duties and taxes in a context of economic dynamism.

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

	2016	2017	2018
Primary sector	1.2	1.6	1.3
Secondary sector	1.4	1.5	2.0
Tertiary sector	3.9	3.6	3.5
Real GDP	6.5	6.7	6.8
Final consumption	4.4	4.4	4.8
Investment	3.2	1.6	2.7
External sector	-1.1	0.7	-0.7
incl. - Exports	0.2	3.3	1.8

Source: BCEAO

91. The baseline scenario for the economic outlook for the Union is surrounded by a number of uncertainties that could negatively affect the projected performance. Higher external financing costs, worsening global trade tensions and their impact on demand from the Union, a persistently low tax rate, and a more fragile security environment could make economic growth in the Union weaker than expected. In order to preserve the current growth dynamic, measures must be taken by the Member States of the Union to meet the following main challenges:

- continued fiscal consolidation through increased mobilization of budgetary revenues and rationalization of expenditure,
- fostering growth, by enhancing the competency of human capital and supporting SMEs/SMLs in the primary processing sector, and
- maintaining a peaceful socio-political climate and improving the security environment in the Union.

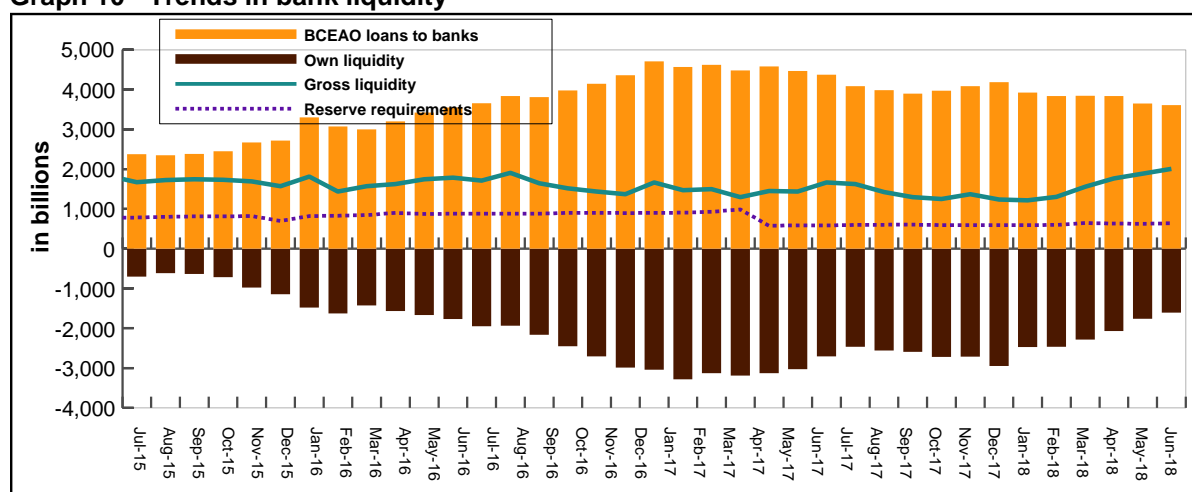
III - CURRENCY, MONETARY CONDITIONS AND FINANCIAL MARKET

3.1 - Monetary conditions

3.1.1 - Bank liquidity

92. The cash position of banks, measured through the balances of ordinary and settlement accounts on the books of the Central Bank, increased by 444.2 billion during the second quarter of 2018 to stand at 2,001.8 billion at the end of June 2018. This development was due to the positive impact of independent factors (+678.7 billion) over the period, mitigated by the decline in outstanding refinancing granted by the BCEAO (-234.5 billion). In the first six months of 2018, bank liquidity increased by 769.9 billion.
93. The increase in the banks' independent supply of liquidity in the second quarter was driven mainly by the balance of banks' transactions with national treasury departments and other net factors (+397.1 billion), as well as by transfers (+183.7 billion). The increase in the balance of banks' transactions with national treasury departments is mainly related to the diffusion in the economy of the resources mobilized through Eurobonds. The positive balance of transfers reflects the impact of the repatriation of export earnings. Based on available data, transfers received by banks, mainly consisting of repatriation of the proceeds of export earnings, amounted to 3,792.7 billion in the first six months of 2018, an increase of 638.7 billion compared to the same period a year earlier.

Graph 10 - Trends in bank liquidity



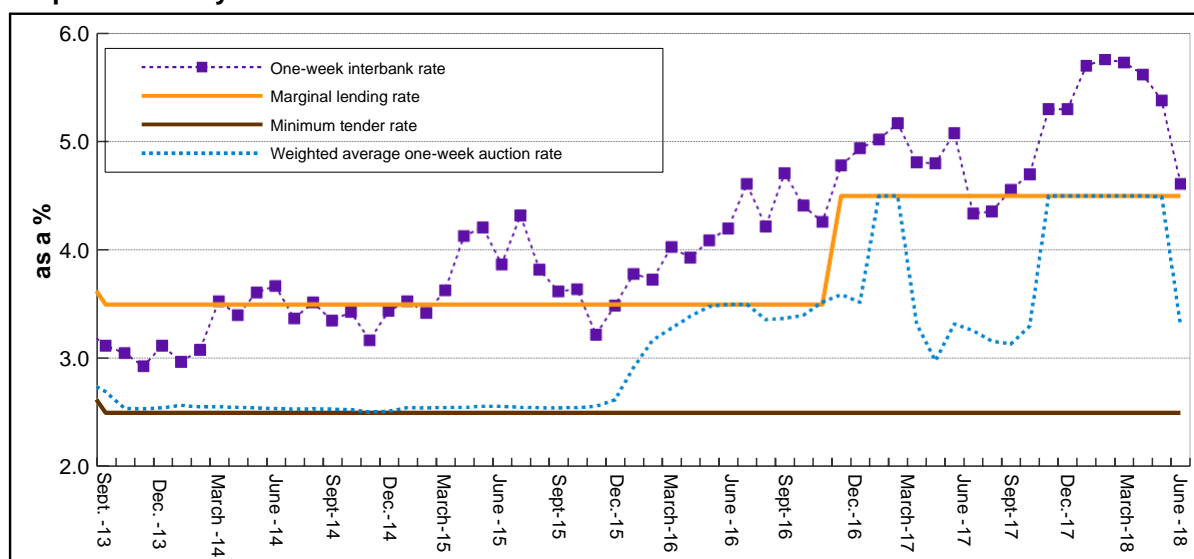
Source: BCEAO

94. The structural liquidity position of banks, defined as cash excluding Central Bank refinancing, remained in deficit by 1,605.2 billion at the end of June 2018 compared to 2,283.9 billion three months earlier.
95. Banks' reserve requirements over the maintenance period running from May 16 to June 15, 2018, averaged 636.3 billion. Over the same period, the reserves held by the Banks averaged 1,855.9 billion, exceeding the minimum regulatory requirement by 1,219.6 billion.
96. Compared to the situation in the February 16-March 15, 2018, period, excess reserves increased by 578.1 billion. They represented 191.7% of required reserves compared to 99.4% in the previous quarter. The number of banks with a reserve requirement shortfall fell from twelve to three.

3.1.2 - Money market interest rate trends

97. An analysis of refinancing conditions on the one-week and one-month tender windows of the BCEAO during the second quarter of 2018 showed a drop in money market rates.
98. The weighted average rate for weekly liquidity operations was 4.1516% in the second quarter of 2018, compared with 4.5000% in the previous quarter and 3.1885% a year earlier. On the one-month window, the weighted average rate was 4.1809% versus 4.5000%. In the same period in 2017, this rate was 3.3573%. The average money market rate² for the quarter was 3.7747% following 4.5000% the previous quarter and 2.7026% the previous year.

Graph 11 - Money market rate trends



Source: BCEAO

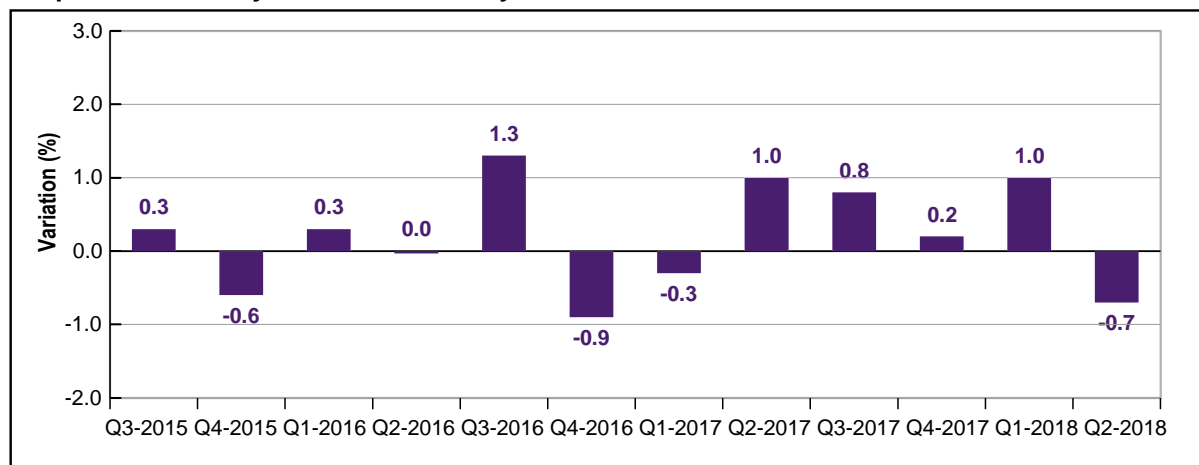
99. On the interbank market, rates eased during the period under review, in the wake of those of the BCEAO's tender windows. The weighted average interest rate across all maturities was 5.2812%, down 32 basis points from the level recorded one quarter earlier. On the one-week maturity, which accounted for 61.8% of the overall quarterly trading volume, the weighted average interest rate was 5.2500% compared to 5.7300% in the previous quarter and 4.8500% a year earlier. In June 2018, the rate was 4.62% compared to 5.73% in March 2018.

^{2/} The average quarterly money market rate is the average of the weekly marginal auction rates weighted by the number of days the rates were in force during the quarter.

3.1.3 - Changes in monetary conditions³

100. In the second quarter of 2018, the monetary conditions index declined by 0.7% from the previous quarter, in relation to the decline in the real interest rate in the one-week interbank market (-0.3 percentage points) and the real effective exchange rate (-1.8%).

Graph 12 - Quarterly trends in monetary terms index

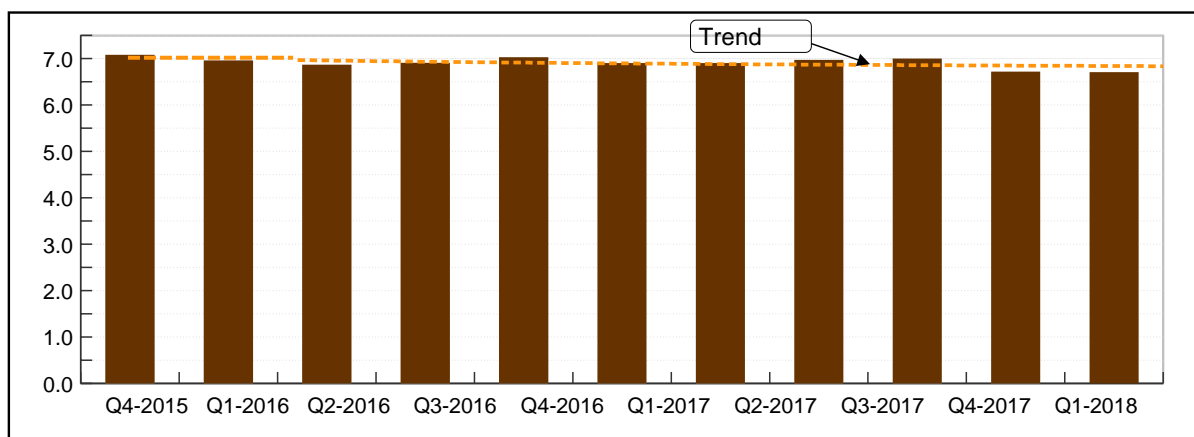


Source: BCEAO

3.1.4 - Deposit and lending rates

101. The average lending rate, excluding taxes and fees, was 6.71% in the second quarter of 2018, virtually unchanged from the previous quarter (-1 basis point). In the same period last year, this indicator was 6.89%.

Graph 13 - Average lending rates of banks in WAMU



Source: BCEAO

102. An analysis broken down by loan purpose indicated that lending rates experienced contrasting developments during the second quarter of 2018. They were down for loans granted for export-related activities (-100.0 basis points) and for cash flow (-13.0 basis points), but were up for equipment loans (+16.0 basis points) and consumer credit (+14.0 basis points).

^{3/} The monetary conditions index is a synthetic indicator that makes it possible to assess the combined effects of interest rate and exchange rate policies on aggregate demand. It is calculated as a weighted average of the real effective exchange rate and the real interest rate, and trends in the index are measured against the level of the index in the baseline period (average over the 2000-2010 period).

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

	2016			2017				2018	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Housing	8.11	8.07	7.54	7.74	8.25	7.93	8.10	7.85	7.85
Export	7.49	6.89	6.70	6.99	6.62	7.96	8.56	7.15	6.15
Equipment	8.11	7.34	7.72	7.94	7.16	7.39	7.74	7.74	7.90
Consumption	7.20	7.32	7.84	8.11	8.35	8.29	7.99	7.86	8.00
Cash flow	6.37	6.57	6.70	6.32	6.53	6.56	6.64	6.33	6.20
Other	7.39	7.41	7.11	7.75	7.32	7.38	7.23	6.76	7.36
Total	6.83	6.91	7.03	6.85	6.89	6.97	7.00	6.72	6.71

Source: BCEAO

103. By country, significant decreases in bank credit costs were recorded in Niger (-34.0 basis points) and Togo (-14.0 basis points). On the other hand, increases in the cost of bank loans were noted in Benin (+41.0 basis points) and Guinea-Bissau (+139.0 basis points).⁴

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

	2016			2017				2018	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Benin	7.93	8.46	8.14	7.61	8.13	7.96	7.84	7.91	8.32
Burkina Faso	7.35	7.66	7.44	7.49	6.83	7.45	7.35	7.07	7.05
Côte d'Ivoire	6.37	6.16	6.46	6.22	6.58	6.40	6.51	6.22	6.14
Guinea-Bissau	9.24	9.71	8.71	8.85	9.26	8.50	9.58	8.22	9.61
Mali	8.18	8.27	7.94	8.27	7.79	7.86	8.06	7.98	7.86
Niger	9.49	10.09	9.65	9.24	10.10	10.14	9.40	9.61	9.27
Senegal	5.59	5.50	5.65	5.69	5.93	5.94	6.29	5.79	5.69
Togo	8.23	8.05	8.29	8.23	7.74	8.22	8.33	8.26	8.12
WAEMU	6.83	6.91	7.03	6.85	6.89	6.97	7.00	6.72	6.71

Source: BCEAO

104. Furthermore, the average deposit rate increased quarter on quarter to 5.38% from 5.29% in the previous quarter.

4/ During the quarter under review, a bank in Guinea-Bissau granted a private company in the production sector a loan of 12 billion CFA francs at an interest rate of 10.0%.

3.2 - Monetary situation

105. The Union's monetary situation at the end of June 2018, compared to the situation prevailing three months earlier, was marked by a slight increase in the money supply, solely due to the recovery in domestic claims, as net external assets declined after the significant jump recorded in the first quarter of 2018.

Table 21 - Monetary situation at the end of June 2018

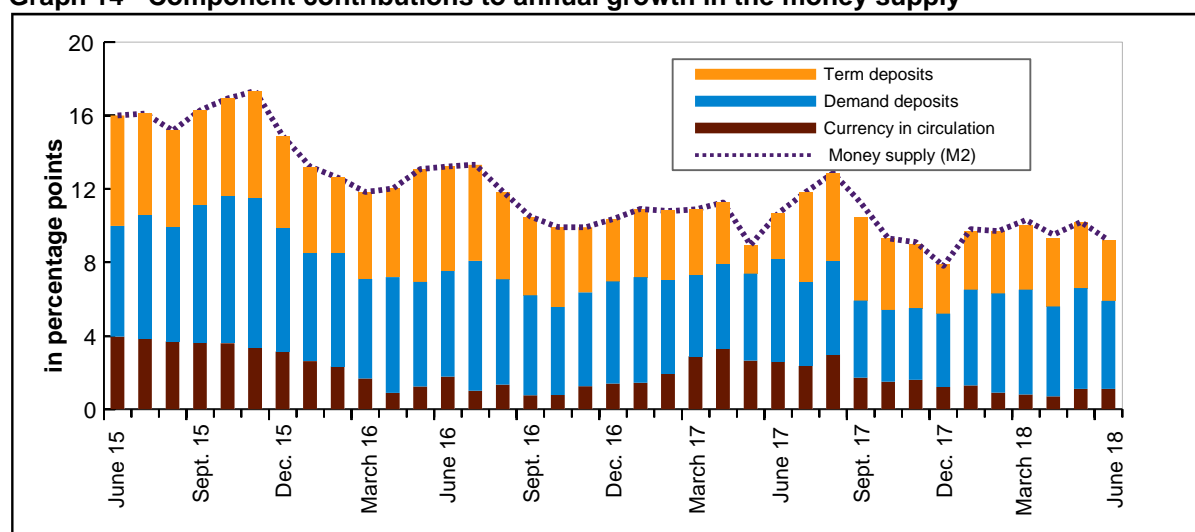
	June-2017	Dec-2017	March-2018	June-2018	Quarterly variation (4)/(3)		Year-on-year change (4)/(1)	
	(1)	(2)	(3)	(4)	(amount)	(as a %)	(amount)	(as a %)
Money supply	23,761.8	24,649.8	25,592.9	25,940.0	347.1	1.4	2,178.2	9.2
Net external assets	5,052.2	4,172.5	6,784.2	6,257.3	-526.9	-7.8	1,205.1	23.9
Domestic claims	25,046.7	27,438.0	26,234.0	26,895.5	661.5	2.5	1,848.8	7.4
Net claims on governments*	6,096.5	7,276.8	6,075.3	6,636.2	560.9	9.2	539.7	8.9
Claims on the economy	18,950.2	20,161.2	20,158.7	20,259.3	100.6	0.5	1,309.1	6.9

Source: BCEAO

3.2.1 - Money supply and its components

106. The quarterly pace of money supply growth slowed in the second quarter of 2018 to stand at 1.4% at the end of June from 3.8% three months earlier, driven by a decline in net external assets. Similarly, on an annual basis, money supply growth decreased to 9.2% from 10.3% three months earlier. The year-on-year increase in the money supply was reflected in the trends in deposits and currency in circulation. The year-over-year growth rate in bills and coins in circulation rose to 4.4% at the end of June 2018, after 3.1% three months earlier. Deposits grew by 10.7%, year-on-year, compared to 12.6% a quarter earlier.

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

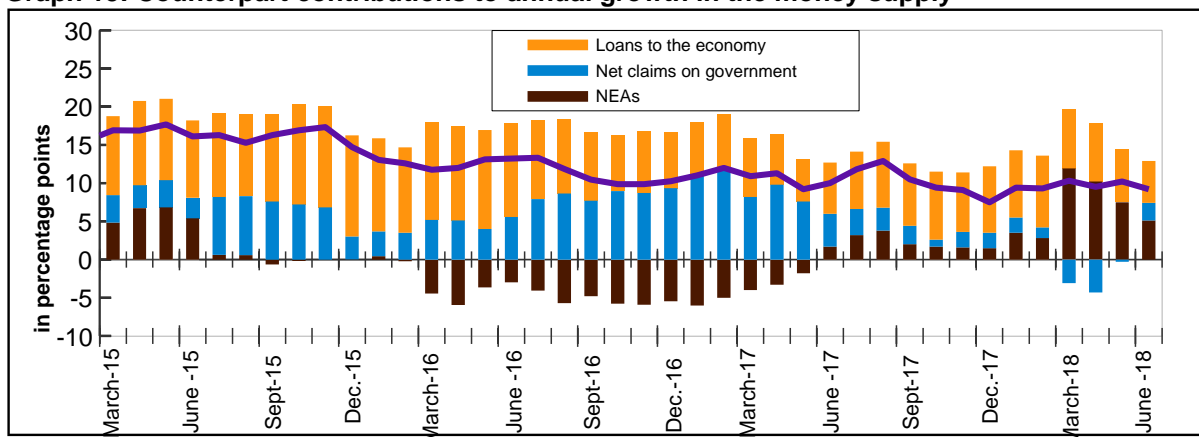


Source: BCEAO

3.2.2 - Money supply counterparts

107. The growth in the money supply over the second quarter of 2018 was entirely ascribable to the recovery in domestic claims.

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



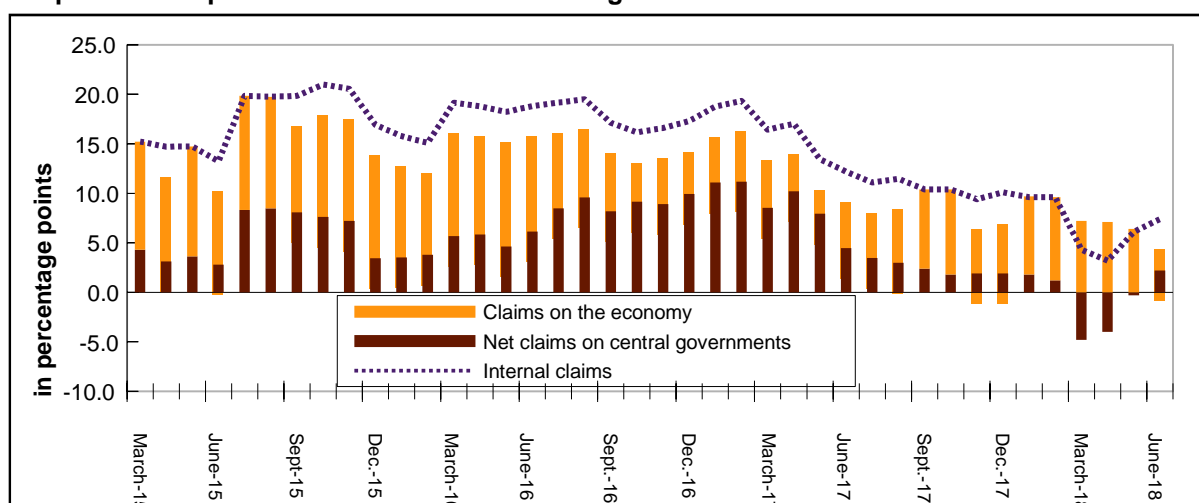
Source: BCEAO

Domestic claims

108. On a quarterly basis, domestic claims recovered, growing by 2.5% at the end of June 2018, after posting a 4.4% decline at the end of March 2018. This quarter-on-quarter increase was due to the 560.9 billion increase in net claims of deposit-taking institutions on central governments of the Union's Member States combined with the expansion of claims on the economy (+100.6 billion) over the period.

109. On a year-on-year basis, outstanding domestic claims increased by 7.4%, after 4.3% three months earlier. This growth in domestic claims was mainly due to the increase in net claims on central governments (+8.9%), after a 10.5% decline reported three months earlier. The contributions of net claims on central governments and loans to the economy to the consolidation of domestic claims came to 2.2 percentage points (pps) and 5.2 pps compared to -2.8 pps and 7.2 pps, respectively, at the end of March 2018.

Graph 16 - Component contributions to annual growth in internal claims



Source: BCEAO

Net claims on central governments of Member States

110. Net claims of deposit-taking institutions on central governments increased by 9.2% or 560.9 billion in the second quarter of 2018, after a decrease of 16.5% or 1,201.5 billion between December 2017 and March 2018. This recovery was due to the increase in net claims of the BCEAO (+838.5 billion), driven by a drop in government deposits at the BCEAO (-766.4 billion), mitigated by the decline in net claims of banks on governments (-277.4 billion).

Claims on the economy

111. In the second quarter of 2018, growth in claims on the economy stood at 0.5%, quarter over quarter. By category of beneficiary, loans to public corporations decreased by 9.7% or 136.4 billion, while loans to the private sector increased by 2.0% or 344.2 billion. More specifically, bank loans to private non-financial companies increased by 3.5% or 344.9 billion, while bank loans to households declined by 0.7% or 40.7 billion.

112. Year over year, claims on the economy recorded an increase of 6.9% (+1,309.1 billion) at the end of June 2018, after 9.8% (+1,800.0 billion) the previous quarter.

Net external assets (NEAs)

113. At the end of June 2018, the outstanding net external assets of WAMU deposit-taking institutions stood at 526.9 billion below the level observed at the end of March 2018. This decrease was driven by the deterioration of the net external assets of banks, while those of the Central Bank increased slightly.

114. The BCEAO's NEAs amounted to 7,594.8 billion at the end of the second quarter of 2018, an improvement of 90.0 billion from the level recorded in the previous quarter. This was due to an increase in external claims (+228.7 billion), mainly official reserve assets (+228.5 billion), which was greater than the increase in foreign commitments (+138.7 billion). The Union's foreign exchange reserves stood at 9,627.3 billion at the end of June 2018, corresponding to a monetary issue coverage rate of 82.0% compared to 80.2% three months earlier. This level of foreign exchange reserves covers 5.4 months of imports of goods and services, compared to 5.3 months at the end of March 2018.

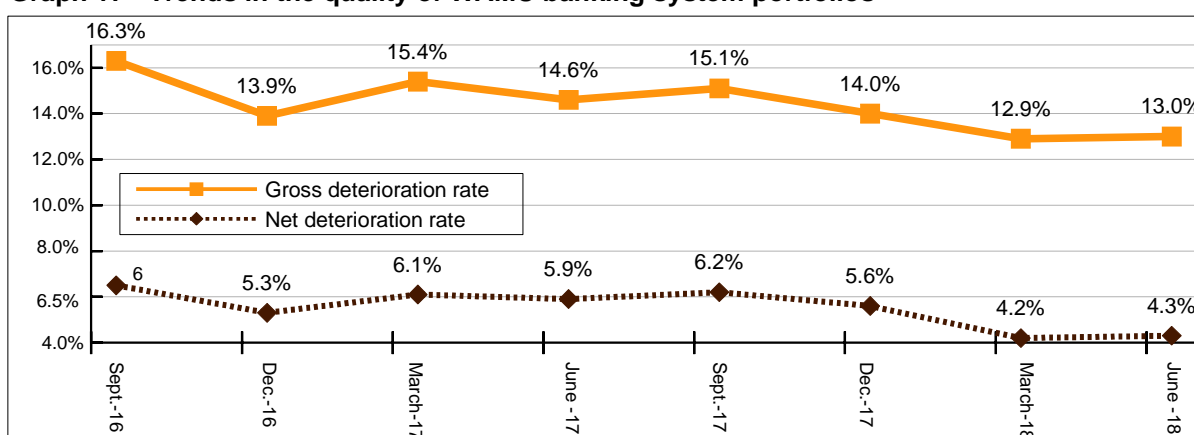
115. The net external assets (NEAs) of the banks fell by 616.9 billion in the second quarter of 2018, driven by a decline in banks' external claims (-114.8 billion), combined with an increase in their liabilities to nonresidents (+502.1 billion) over the period, including loans granted by their foreign correspondents (+282.2 billion) and nonresidents' deposits on their books (+225.5 billion).

116. On an annual basis, the net external assets of the Union's deposit-taking institutions increased by 1,205.1 billion or 23.9% at the end of June 2018, due to the increase in the NEAs of the BCEAO (+1,488.3 billion), slightly mitigated by the deterioration of banks' net external assets (-283.2 billion) over the period.

3.2.3 - Uses and resources of banks

117. The situation of the Union's banking system during the second quarter of 2018 was marked by an increase in resources greater than the increase in the uses of credit institutions, leading to a decrease in the structural cash deficit compared to the end of March 2018. The quality of the credit institutions' portfolio remained almost stable over the same period.
118. Between the end of March 2018 and the end of June 2018, the resources of the Union's banking system increased by 654.2 billion or +2.5% to 28,305.8 billion. Their growth was essentially driven by deposits and borrowings (+1,006.1 billion or +4.5%), partially offset by the decline in other resources (-251.9 billion or -11.7%) and equity (-100.1 billion or -3.2%).
119. Over the same period, uses increased slightly (+220.3 billion or +0.7%) to 30,542.6 billion. This increase resulted from a rise in loans (+328.2 billion or +1.7%), partially offset by a decrease in other uses (-108.0 billion or -0.9%).
120. The total outstanding loans granted to the 50 largest corporate users of bank loans in each Member State of the Union stood at 6,080.6 billion at the end June 2018, up 2.5% from the previous quarter and 9.9% year on year. In proportion to the loans reported to the Union's Central credit register, they represented 46.4% at the end of June 2018 compared to 46.3% at the end of March 2018. In relation to loans to the economy, the loans granted to the 50 largest corporate users of bank loans in each country of the Union represented 30.9% at the end of June 2018, compared to 30.8% at the end of March 2018 and 31.6% a year earlier. More than four-fifths of the main risks were borne by companies in the "wholesale trade" (27.3%), "public services" (18.0%), "manufacturing" (15.6%), "transportation and communications" (10.6%) and "construction" (9.6%) sectors.
121. The overall quality of the portfolios of banks and bank-like financial institutions in the Union was almost stable from one quarter to the next. The gross portfolio deterioration rate came to 13.0% compared to 12.9% at the end of March 2018. The net rate, taking into account the provisioning effort, was 4.3% after 4.2% in the previous quarter.

Graph 17 - Trends in the quality of WAMU banking system portfolios



Source: BCEAO

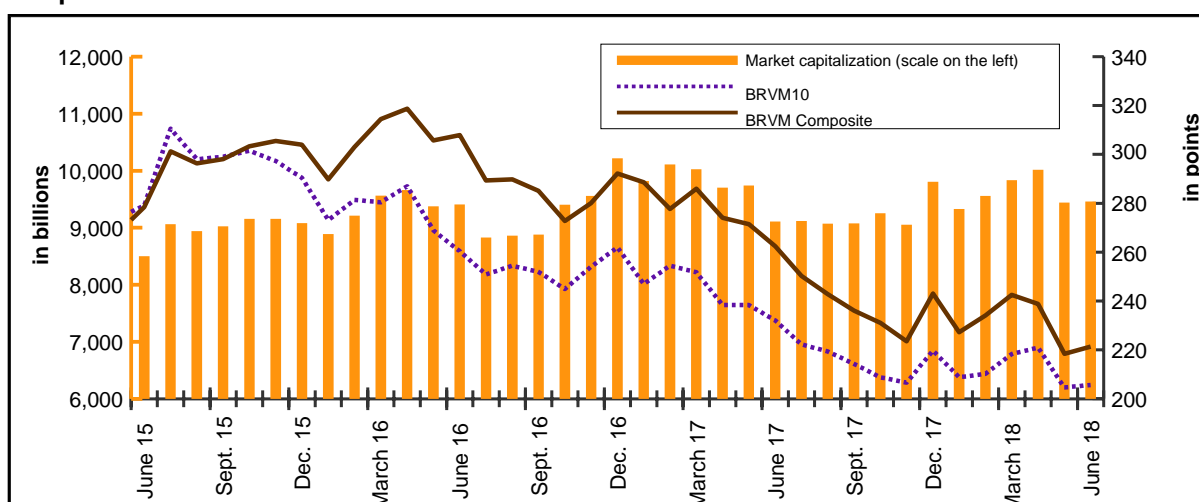
3.2.4 - Central Bank interventions

122. The overall volume of BCEAO interventions amounted to 5,550.6 billion at the end of June 2018 compared to 5,702.6 billion three months earlier, down 152.0 billion. This reflected the decline in refinancing granted by the Central Bank to the banks and financial institutions of the Union (-234.5 billion), partially offset by the increase in the Central Bank's claims on national treasury departments (+82.4 billion).
123. At the end of June 2018, the outstanding loans granted by the Central Bank to banks and financial institutions stood at 3,607.0 billion, served entirely on the tender windows.
124. The Central Bank's claims on national treasury departments increased by 82.4 billion, in connection with the implementation of IMF loans (+100.7 billion), whose impact was lessened by repayments of loans backed by SDR allocations (-18.5 billion) and consolidated monetary loans (-0.7 billion).
125. Outstanding refinancing granted by the BCEAO to banks, backed by government securities, stood at 2,861.4 billion at the end of June 2018, representing 31.2% of tax revenues for the penultimate fiscal year (2016), for a maximum standard of 35%.

3.3 - WAMU financial market

126. Subregional stock market activity continued its downward trend during the second quarter of 2018. The BRVM Composite index declined by 8.7% to close at 221.35 points in June 2018 compared to 242.5 points at the end of March 2018. Similarly, the index of the ten most active stocks, the BRVM10, dropped by 5.8% to 205.65 points, after 218.31 points three months earlier.

Graph 18 - Trends in BRVM indicators



Source: BRVM

127. In the wake of the benchmark indexes, all sector indexes ("Agriculture", "Industry", "Retail", "Utilities", "Finance", "Transportation" and "Other Sectors") declined over the period.
128. On an annual basis, the BRVM Composite and BRVM10 indexes fell by 15.6% and 11.4% respectively.

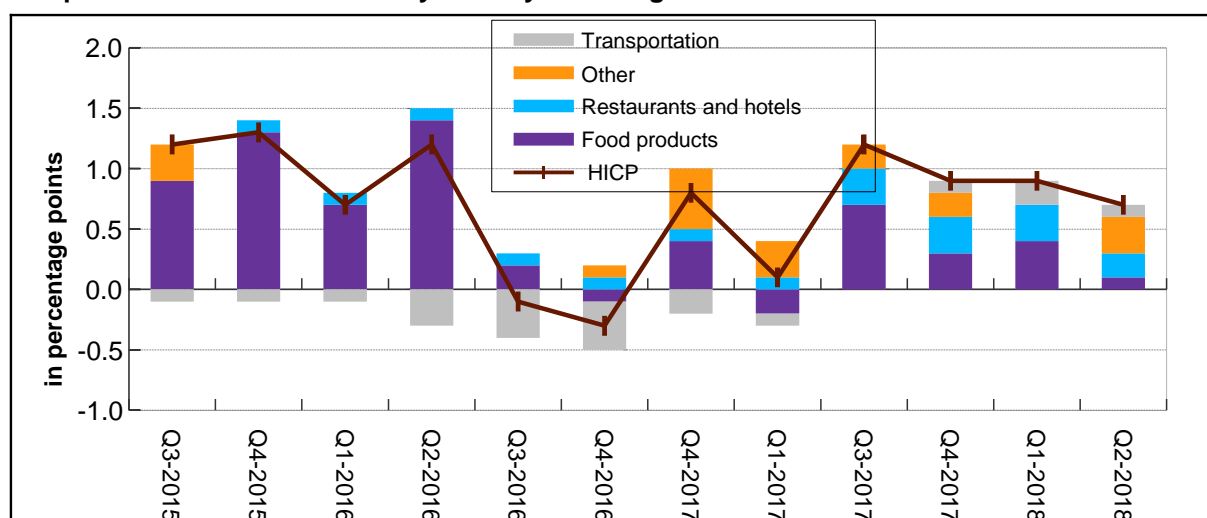
129. The market capitalization of all securities listed on the market stood at 9,460.45 billion at the end of June 2018, down 371.4 billion or 3.8% compared to the end of March 2018. This contraction was due to the decrease in the capitalization of the equity market (-595.75 billion or -8.7%), mitigated, however, by the increase in bond market capitalization (+224.39 billion or +7.4%). On the other hand, on an annual basis, overall BRVM market capitalization recorded an increase of 3.9%.

IV - INFLATION AND EXTERNAL COMPETITIVENESS

4.1 - Recent trends in inflation

130. The second quarter of 2018 saw a slowdown in the year-over-year increase in the Harmonized Index of Consumer Prices (HICP). The year-on-year inflation rate stood at 0.7% in the second quarter of 2018, after 0.9% in the previous quarter. This slowdown was mainly driven by the “Food” component, whose contribution to total inflation fell from +0.4 percentage point in the first quarter of 2018 to +0.1 percentage point in the second quarter of 2018. The trends in food prices were due to the satisfactory supply of cereal products, tubers, and plantains in the coastal countries, particularly in Côte d’Ivoire and Togo, as well as fishery products in Senegal.

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



Source: BCEAO

131. The contributions to inflation from the “Hotels and Restaurants” and “Transportation” headings also fell by 0.1 percentage point, respectively. For the “Hotels and Restaurants” component, the deceleration noted was due to slower growth in prices for food products. As for the “Transportation” component, the decrease observed was caused by the fading of the impact of price increase on hydrocarbons sold in bulk in Benin that occurred in the first quarter of 2018, in connection with the fuel shortage in Nigeria at the time.

132. Housing prices, with a contribution to total inflation coming out at +0.2 percentage point in the second quarter of 2018, compared to a zero contribution a quarter earlier, accelerated year over year. This change was mainly attributable to an increase in rents in Côte d’Ivoire and Niger, due to the pressure of housing demand.

133. An analysis by type indicated a slowdown in the pace of growth in the price of goods, which stood at +0.6% in the second quarter of 2018 compared to +0.9% in the previous quarter, in

connection with lower growth in food prices. As for services, the overall rate of price increases rose slightly, rising 1.0% in the second quarter of 2018 compared to 0.9% in the previous quarter, linked to higher costs for housing services.

134. Core inflation, which measures trends in the general price level excluding fresh food and energy, stood at 0.7% year on year in the second quarter of 2018 compared to 0.9% a quarter earlier. This situation was the result of the above-mentioned growth slowdowns in the prices of transportation and restaurant services.

Table 22 - Trend in core inflation

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

Sources: BCEAO, NSIs

135. The country-by-country analysis shows contrasting inflation developments in the second quarter of 2018. An acceleration in the rate of price increases was noted in Guinea-Bissau and Mali. In Guinea-Bissau, the change was ascribable to higher prices for fishery products, partially offset by lower prices for fresh vegetables and fruit. In Mali, the acceleration of inflation was in line with the increase in the prices of cereals, as well as tubers and plantains.

136. In the other countries of the Union, there was a downward trend in inflation, with a negative rate in Côte d'Ivoire. The decline in prices in Côte d'Ivoire was due to the "Food" heading, in connection with the satisfactory supply of fresh vegetables, fruits, tubers and plantains on the markets.

Table 23 - Year-on-year inflation rates by country in WAEMU (as a %)

Country	2016 (*)	2017 (*)	Q2-2017	Q3-2017	Q4-2017	Q1-2018	Q2-2018
Benin	-0.8	0.1	-2.4	1.7	2.5	1.1	1.0
Burkina Faso	-0.2	0.4	-0.5	0.3	1.3	1.8	1.6
Côte d'Ivoire	0.7	0.7	-0.1	1.1	0.8	0.1	-0.2
Guinea-Bissau	1.5	1.0	1.2	1.8	-0.4	-0.3	1.0
Mali	-1.7	1.8	1.4	2.5	1.7	2.2	2.6
Niger	0.2	2.4	1.9	2.0	4.2	6.4	4.8
Senegal	0.8	1.3	1.7	1.5	0.0	0.7	0.2
Togo	0.9	-0.8	-1.1	-0.4	-0.7	0.2	0.1
WAEMU	0.3	0.8	0.1	1.2	0.9	0.9	0.7

Sources: BCEAO, NSIs.

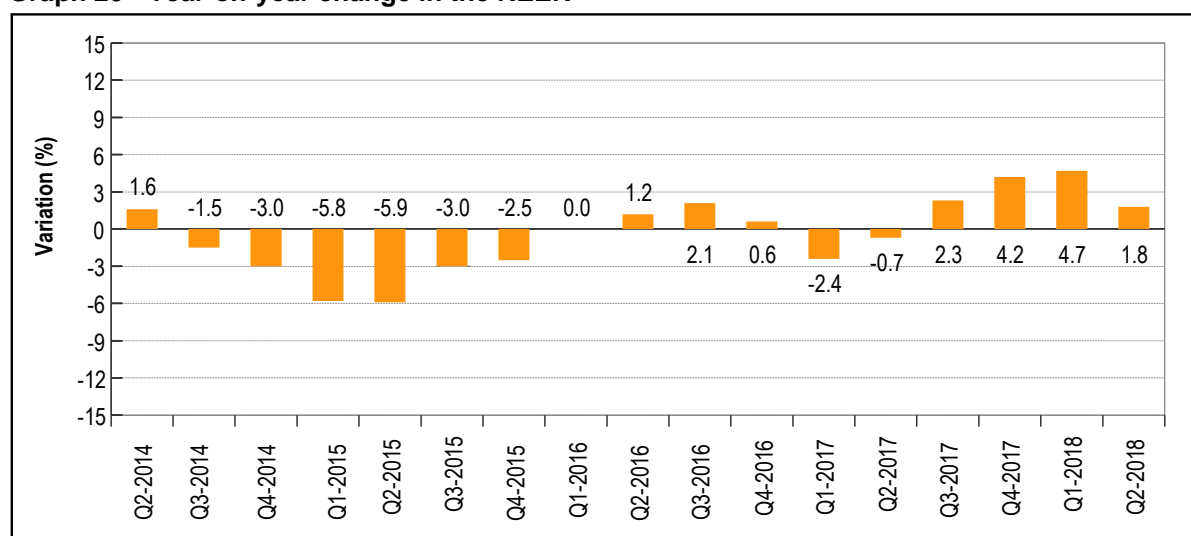
(*): Annual average

4.2 - External Competitiveness

137. The real effective exchange rate (REER) rose by 1.8% in the second quarter of 2018 compared to the same period last year. This change mainly reflected the 4.7% increase in the nominal effective exchange rate, mitigated by an inflation differential of 2.8 percentage points in the Union's favor.

138. The change in the nominal effective exchange rate in the second quarter of 2018 reflected the year-on-year of the CFA franc against the Ghanaian cedi (+13.6%), the Japanese yen (+10.0%), the naira (+12.1%), the Swiss franc (+8.4%), the U.S. dollar (+8.3%), the Canadian dollar (+3.9%) and the South African rand (+3.7%). During the same period, the inflation rate in the Union was 0.7% compared to an average of 3.5% in the partner countries.

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



Source: BCEAO

(*): estimates

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

139. Table 25 below shows the gains or losses in overall competitiveness vis-à-vis the partner groups.

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

Partner countries	Year		Quarterly variations			Annual variations		
	2016	2017	Q4-017	Q1-2018	Q2-2018(*)	Q4-2017	Q1-2018	Q2-2018 (*)
Industrialized countries	0.6	0.3	-0.5	2.3	-0.7	2.0	3.0	1.5
Eurozone	0.0	-0.7	-0.9	1.7	-0.5	-0.5	-0.4	-1.0
Surrounding countries (**)	3.4	9.3	0.4	-5.3	-5.2	8.0	2.9	0.0
Asian countries	1.0	-0.4	-3.7	6.6	-2.8	7.1	10.7	4.1
EU countries	1.0	-0.2	-1.0	1.6	-0.5	-0.3	-0.2	-0.8
Emerging countries	2.5	-3.3	-2.9	3.9	-1.5	5.3	8.2	3.7
CEMAC	-0.6	-0.1	-1.6	0.7	1.2	0.0	-1.2	-0.2
All	1.6	0.8	-1.1	1.3	-1.8	4.2	4.7	1.8

Source: BCEAO

(*) Estimates

(+) Appreciation of the REER or loss of competitiveness
(-) Depreciation of REER or gain in competitiveness

(**) Namely, Gambia, Ghana, Guinea, Mauritania, and Nigeria.

V - INFLATION FORECASTS

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

5.1 - Assumptions used for inflation forecasts

141. The forecasts assumed a recovery in world oil prices in 2018, followed by a decline in 2019 and relative stability in 2020. The average price of crude oil (WTI) is expected to rise from \$51 in 2017 to \$66 in 2018 and then drop to \$65 in 2019 and 2020.⁵

142. On the foreign exchange market, the average euro exchange rate was expected to rise from \$1.13 in 2017 to \$1.20 in 2018,⁶ then \$1.23 in 2019 and \$1.25 in 2020.⁷

143. The assumptions about imported inflation also incorporate the outlook for the general price level worldwide. In particular, the inflation rate in the Eurozone⁸ is expected to rise from 1.5% in 2017 to 1.7% in 2018, 2019 and 2020.

144. FAO projections indicated a 0.3% increase in global cereal production in 2017 compared to 2016. Global grain supply is expected to remain ample overall in 2018, given the high level of stocks. Under these conditions, an increase of 5.0% was assumed for the projections over the 2018-2020 period.

145. Agro-hydro-climatic forecasts by the Inter-State Committee for Drought Control in the Sahel (CILSS) for the 2018/2019 season were based on normal or even surplus rainfall, with risks of dry spells in some production areas during the crop establishment phase. In addition, the latest available information indicates that there was a surplus of rainfall in Niger and a deficit in Mali and Burkina Faso. On this basis, the projections predicted a 5.0% increase in cereal production for the 2018/2019 season. A similar trend is projected for the 2019/2020 crop year.

146. Given the uncertainties surrounding the evolution of global economic activity, two additional scenarios, one higher and one lower, were developed to track the medium-term outlook for inflation. These scenarios were built around the median trends in the main determining factors of inflation within a range of plus or minus 5 percentage points (cereal production, imported food prices, exchange rate), or even plus or minus 10 percentage points (price of a barrel of crude oil).

5/ Futures market data is from Bloomberg

6/ ECB projections from June 2018.

7/ Market Consensus, Bloomberg.

8/ June 2018 ECB Forecast.

Table 25 - Inflation forecast assumptions (as a %)

	2017	2018			2019			2020		
		Lower	Median	Higher	Lower	Median	Higher	Lower	Median	Higher
Barrel of oil (WTI, in dollars)	51	61	66	71	55	65	75	55	65	75
Euro/dollar exchange rate	1.13	1.25	1.20	1.15	1.28	1.23	1.18	1.30	1.25	1.20
Eurozone inflation (%)	1.5	1.2	1.7	2.2	1.2	1.7	2.2	1.2	1.7	2.2
Food prices (%)	8.1	0.0	5.0	10.0	0.0	5.0	10.0	0.0	5.0	10.0
Union cereal production (%)	2.8	10.0	5.0	0.0	10.0	5.0	0.0	10.0	5.0	0.0

Sources: Bloomberg, ECB, BCEAO

5.2 - Inflation profile over the next eight quarters

147. The forecasts presented in Table 26, below, take into account the low, high, and median assumptions.

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

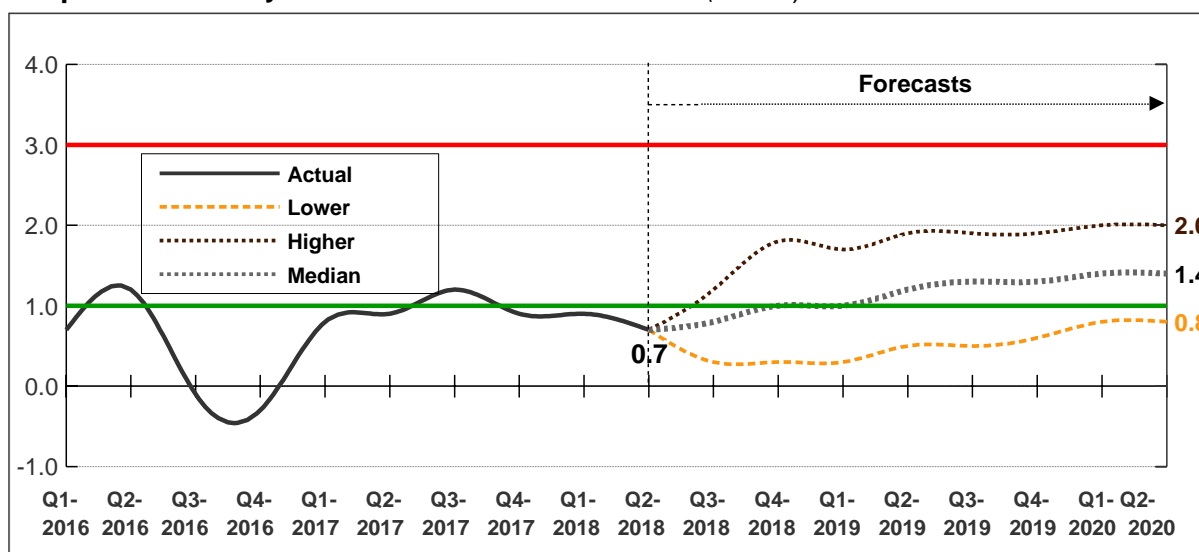
	Year-on-year change									Average				
	2018			2019				2020		2017	2018	2019	Eight quarters	
	Q2 Actual	Q3 Fcst	Q4 Fcst	Q1 Fcst	Q2 Fcst	Q3 Fcst	Q4 Fcst	Q1 Fcst	Q2 Fcst					
Inflation rate	Lower scenario	0.7	0.3	0.3	0.3	0.5	0.5	0.6	0.8	0.8	0.8	0.6	0.5	0.5
	Central scenario	0.7	0.8	1.0	1.0	1.2	1.3	1.3	1.4	1.4	0.8	0.9	1.2	1.2
	Higher scenario	0.7	1.2	1.8	1.7	1.9	1.9	1.9	2.0	2.0	0.8	1.2	1.9	1.8

Source: BCEAO

148. Under the median scenario, the year-on-year inflation rate was projected at 0.8% in the third quarter of 2018, up from 0.7% in the second quarter of 2018. The increase in prices is linked to the rise in the price of local cereals in the Sahelian countries and to the increase in fuel prices due to higher prices for crude oil.

149. The inflation rate, as an annual average, was projected at 0.9% in 2018, down from an initial forecast of 1.0%, reflecting the lower-than-expected increase in food prices in the second quarter of 2018. This revision also took into account the stable pump prices for petroleum products observed in some countries in the first half of 2018, against an initially anticipated increase.

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

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

Source: BCEAO

5.3 - Threats to the inflation outlook

151. The downside risks to inflation over the next few quarters include an appreciation of the euro exchange rate, particularly against the dollar, in a context of continued strong economic expansion in the Eurozone.
152. Upside risks included a larger than expected increase in oil prices and stagnant grain production in the next crop year, which could result in higher oil prices and higher food prices, respectively. In addition, the persistence of security problems, particularly in the Sahelian countries, could disrupt marketing channels and ultimately lead to price increases.

=====

APPENDICES

Table A.1: Macroeconomic indicators of the Union

Table A.2: Issues of Treasury bills in 2018

Table A.3: Treasury bond issues in 2018

Table A.4: WAMU: Summary situation of the Central Bank

Table A.5: WAMU: Summary situation of the banks

Table A.6: WAMU: Monetary aggregates

Table A.7: WAMU: Net claims on central governments

Tables A.8: Breakdown of inflation in WAEMU

Table A.1 - Macroeconomic indicators of the Union

WAEMU	2012	2013	2014	2015	2016	2017	2018
		Estimates	Estimates	Estimates	Estimates	Estimates	Forecasts
REAL SECTOR							
1 - Nominal GDP (in billions of CFA francs)	45,331.9	48,341.1	52,078.7	56,296.1	60,874.6	65,957.3	71,476.2
Weight (%): Primary sector	25.5	24.6	24.7	25.3	25.0	24.8	24.3
Secondary sector	22.3	22.1	22.7	21.9	22.5	22.6	22.8
Tertiary sector	52.1	53.3	52.6	52.8	52.5	52.6	52.8
<i>Real GDP growth rate (%)</i>	6.2	5.9	6.5	6.3	6.5	6.7	6.8
Contribution to growth: Primary	1.2	0.3	2.0	0.6	1.2	1.6	1.3
Secondary	0.6	1.7	1.2	1.4	1.4	1.5	2.0
Tertiary	4.4	4.0	3.3	4.3	3.9	3.6	3.5
2 - Domestic savings (in billions of CFA francs)	6,801.3	7,054.4	8,533.8	9,084.7	10,105.2	11,504.9	12,786.1
<i>Domestic savings rate (%)</i>	15.0	14.6	16.4	16.1	16.6	17.4	17.9
<i>Public domestic savings rate (%)</i>	2.3	3.3	3.0	3.2	3.6	3.8	4.5
3 - Investment (in billions of CFA francs)	9,944.8	11,495.5	12,555.9	13,570.4	14,451.2	16,469.1	18,210.0
<i>Investment rate (%)</i>	21.9	23.8	24.1	24.1	23.7	25.0	25.5
<i>Public investment rate (%)</i>	6.8	8.3	8.1	8.7	8.6	9.6	9.3
PRICES							
4 - Average annual inflation rate (CPI) (as a %)	2.4	1.5	-0.1	1.0	0.3	0.8	0.9
5 - Year-on-year inflation rate (end of Dec.) (%) (*)	2.8	0.0	0.3	1.3	-0.2	0.9	1.0
PUBLIC FINANCES (in billions of CFA francs)							
6- Total revenue and grants	8,735.8	9,608.9	10,135.9	11,304.7	11,948.5	13,105.2	-
Total revenue	7,793.7	8,270.5	8,811.9	9,994.0	10,729.7	11,705.4	-
Tax revenue	6,869.7	7,212.2	7,723.7	8,539.9	9,183.6	9,871.6	-
(in % of the GDP)	15.2	14.9	14.8	15.2	15.1	15.0	-
7 - Overall expenditure	10,020.3	11,048.2	11,717.2	13,503.9	14,534.3	15,844.7	-
Current expenditure	6,770.9	6,848.6	7,484.9	8,502.9	9,066.0	9,887.8	-
(as a % of the GDP)	14.9	14.2	14.4	15.1	14.9	15.0	-
Investment from internal resources	2,002.2	2,222.5	2,283.9	2,711.9	3,120.5	3,330.2	-
(in % of the GDP)	4.4	4.6	4.4	4.8	5.1	5.1	-
8 - Basic primary balance on tax revenue (%)	-7.4	-4.9	-6.0	-6.5	-6.7	-5.6	-
9 - Basic budget balance	-979.4	-800.5	-956.8	-1,220.8	-1,456.8	-1,512.6	-
10 - Overall budget balance, with grants	-1,284.5	-1,439.3	-1,581.3	-2,199.2	-2,585.7	-2,739.5	-
(as a % of the GDP)	-2.8	-3.0	-3.0	-3.9	-4.2	-4.2	-
11 - Overall budget balance, excluding grants	-2,226.6	-2,777.7	-2,905.2	-3,510.0	-3,804.6	-4,139.3	-
(as a % of the GDP)	-4.9	-5.7	-5.6	-6.2	-6.2	-6.3	-
EXTERNAL PUBLIC DEBT (in billions of CFA francs)							
12 - Outstanding debt	10,238.0	9,390.1	11,346.6	14,003.0	15,570.1	-	-
(as a % of the GDP)	22.6	19.4	21.8	24.9	25.6	-	-
13 - Debt service paid	409.6	483.0	516.9	719.9	841.9	-	-
<i>interest</i>	155.2	208.6	244.4	315.3	377.8	-	-
EXTERNAL SECTOR (in billions of CFA francs)							
14 - Exports	12,798.4	12,701.3	13,340.5	13,996.8	13,947.3	15,078.5	-
15 Imports	13,367.6	14,104.1	14,370.2	15,229.1	14,983.1	17,114.5	-
16 - Trade balance	-569.2	-1,402.8	-1,029.7	-1,232.3	-1,035.8	-2,036.0	-
17 - Current balance, including grants	-2,174.7	-3,031.5	-2,547.2	-3,200.7	-3,211.1	-4,733.1	-
(as a % of the GDP)	-4.8	-6.3	-4.9	-5.7	-5.3	-7.2	-
18 - Current balance, excluding grants	-2,558.1	-3,434.4	-2,980.7	-3,637.8	-3,610.8	-5,237.0	-
(as a % of the GDP)	-5.6	-7.1	-5.7	-6.5	-5.9	-7.9	-
Overall balance	142.1	-568.2	74.5	-189.8	-946.8	304.1	-
19 - Exceptional financing	4,162.5	30.0	31.5	59.9	17.7	0.0	-
20 - Degree of openness (B&S exports+B&S imports)/GDP (as a %)	31.1	33.6	32.8	31.2	30.5	28.2	-
CURRENCY (in billions of CFA francs)							
21- Net external assets	5,569.3	4,731.7	4,747.4	4,753.6	3,696.8	4,172.5	-
22 - Domestic claims	13,055.3	15,497.6	18,115.0	21,196.4	24,715.7	27,438.0	-
(as a % of the GDP)	28.8	32.1	34.8	37.7	40.6	41.2	-
23 - Receivables from other sectors	10,761.2	12,370.9	14,216.0	16,717.1	18,328.5	20,161.2	-
(as a % of the GDP)	23.7	25.6	27.3	29.7	30.1	30.8	-
24 - Money supply (M2)	14,270.9	15,845.2	17,870.2	20,531.1	22,717.3	24,549.8	-
25 - Foreign exchange reserves	7,088.3	6,623.0	7,065.9	7,522.7	6,534.3	7,188.8	-
26 - Money issue coverage rate	105.5	90.4	84.3	80.2	68.2	73.4	-

Sources: National departments; BCEAO

(*) Year-over-year price projection for Q4 2017 and 2018

Table A.2: Issues of Treasury bills in 2018 (*)

(in millions of CFA francs, unless otherwise indicated)

Issuer	Maturity date	Date of issue	Value date	Expiry date	Amount advertised	Amount offered	Amount accepted	Marginal rate	Weighted average rate
Niger	3 months	01/15/2018	01/16/2018	04/05/2018	25,000	9,000	9,000	6.50	6.33
Niger	3 months	03/22/2018	03/23/2018	06/21/2018	10,000	9,893	9,893	6.70	6.45
Benin	3 months	03/29/2018	03/30/2018	06/28/2018	20,000	24,369	22,000	6.50	6.38
Niger	3 months	05/08/2018	05/09/2018	08/07/2018	10,000	36,090	21,353	6.25	6.12
Burkina Faso	3 months	06/13/2018	06/14/2018	09/12/2018	25,000	71,650	27,500	5.75	5.50
Subtotal					90,000	151,002	89,746	-	-
Burkina Faso	6 months	02/07/2018	02/08/2018	08/08/2018	25,000	37,431	25,338	6.26	6.12
Niger	6 months	02/22/2018	02/23/2018	08/23/2018	20,000	17,611	17,611	6.75	6.43
Côte d'Ivoire	6 months	02/27/2018	02/28/2018	08/28/2018	40,000	28,301	28,301	5.70	5.29
Niger	6 months	03/26/2018	03/27/2018	09/24/2018	20,000	19,000	19,000	6.85	6.73
Mali	6 months	03/28/2018	03/29/2018	09/26/2018	25,000	13,833	13,033	6.50	6.40
Niger	6 months	04/27/2018	04/30/2018	10/28/2018	20,000	35,879	22,000	6.45	5.98
Niger	6 months	05/17/2018	05/18/2018	11/15/2018	10,000	21,534	19,939	6.50	6.23
Niger	6 months	06/07/2018	06/08/2018	12/06/2018	10,000	20,288	17,657	6.50	6.30
Subtotal					170,000	193,877	162,879	-	-
Burkina Faso	1 year	01/09/2018	01/10/2018	01/08/2019	25,000	19,612	19,112	6.50	6.39
Benin	1 year	01/11/2018	01/12/2018	01/10/2019	20,000	19,998	19,998	6.50	6.34
Togo	1 year	01/12/2018	01/15/2018	01/13/2019	15,000	5,132	5,132	6.90	6.71
Côte d'Ivoire	1 year	01/16/2018	01/17/2018	01/15/2019	35,000	39,403	28,000	5.80	5.73
Mali	1 year	01/17/2018	01/18/2018	01/16/2019	25,000	23,391	18,619	6.50	6.34
Niger	1 year	01/25/2018	01/26/2018	01/24/2019	25,000	21,667	20,357	6.50	6.42
Côte d'Ivoire	1 year	02/06/2018	02/07/2018	02/05/2019	35,000	36,401	30,806	5.80	5.61
Guinea-Bissau	1 year	02/13/2018	02/14/2018	02/12/2019	6,000	4,450	4,350	6.50	6.28
Togo	1 year	02/16/2018	02/19/2018	02/17/2019	20,000	19,063	19,063	6.90	6.58
Burkina Faso	1 year	02/21/2018	02/22/2018	02/20/2019	25,000	18,566	18,566	6.50	6.42
Burkina Faso	1 year	03/07/2018	03/08/2018	03/06/2019	30,000	23,664	20,664	6.50	6.47
Mali	1 year	03/14/2018	03/15/2018	03/13/2019	25,000	14,515	13,515	6.50	6.46
Togo	1 year	03/16/2018	03/19/2018	03/17/2019	20,000	17,820	17,820	6.91	6.62
Guinea-Bissau	1 year	04/05/2018	04/06/2018	04/04/2019	5,000	5,562	5,512	6.75	6.62
Benin	1 year	04/13/2018	04/16/2018	04/15/2019	20,000	50,381	22,000	6.45	6.26
Burkina Faso	1 year	04/18/2018	04/19/2018	04/17/2019	20,000	56,988	22,000	6.25	6.16
Mali	1 year	04/25/2018	04/26/2018	04/24/2019	20,000	46,550	22,000	6.10	5.99
Burkina Faso	1 year	05/02/2018	05/03/2018	02/20/2019	20,000	28,280	22,000	6.25	6.09
Togo	1 year	05/04/2018	05/07/2018	05/05/2019	20,000	24,737	22,000	6.75	6.48
Burkina Faso	1 year	05/16/2018	05/17/2018	12/18/2018	20,000	45,334	22,000	6.15	6.06
Mali	1 year	05/23/2018	05/24/2018	05/22/2019	20,000	20,109	19,409	6.50	6.08
Benin	1 year	06/21/2018	06/22/2018	06/20/2019	20,000	24,579	22,000	6.40	6.08
Togo	1 year	06/22/2018	06/25/2018	06/23/2019	20,000	22,536	21,536	6.78	6.35
Subtotal					491,000	588,738	436,459	-	-
Total					751,000	933,617	689,084	-	-

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

Table A.3: Treasury bond issues in 2018 (*)

(in millions of CFA francs, unless otherwise indicated)

Issuer	Issued by	Maturity	Date of issue	Value date	Expiry date	Amount advertised	Amount offered	Amount accepted	Rate of return	Coupon	Marginal price	Weighted average price
Burkina Faso	Auction	3.00	01/24/2018	01/25/2018	01/25/2021	20,000	20,013	20,013	7.490	6.00	95.50	96.11
Togo	Auction	3.00	01/26/2018	01/29/2018	01/29/2021	15,000	16,093	16,040	7.686	6.25	95.00	96.26
Benin	Auction	3.00	02/01/2018	02/02/2018	02/02/2021	15,000	6,422	5,004	6.89	6.00	96.85	97.64
Niger	Auction	3.00	02/08/2018	02/09/2018	10/16/2020	20,000	5,376	5,376	7.44	6.00	95.00	96.54
Benin	Auction	3.00	02/15/2018	02/16/2018	02/02/2021	15,000	10,006	6,838	7.24	6.00	96.00	96.78
Benin	Auction	3.00	03/15/2018	03/16/2018	03/16/2021	17,500	8,110	8,110	7.68	6.00	95.00	95.63
Burkina Faso	Auction	3.00	03/21/2018	03/22/2018	11/23/2020	25,000	16,513	13,513	7.84	6.00	95.25	95.65
Guinea-Bissau	Auction	3.00	04/05/2018	04/06/2018	04/06/2021	5,000	6,581	5,235	7.65	6.50	96.50	97.00
Mali	Auction	3.00	04/11/2018	04/12/2018	04/12/2021	20,000	31,583	21,307	7.09	6.20	96.10	97.65
Togo	Auction	3.00	04/20/2018	04/23/2018	04/23/2021	15,000	17,215	15,715	7.547	6.25	95.00	96.61
Benin	Auction	3.00	04/26/2018	04/27/2018	04/27/2021	12,500	21,917	21,917	7.37	6.00	95.76	96.41
Mali	Auction	3.00	05/09/2018	05/10/2018	11/20/2020	20,000	32,300	22,000	7.12	6.15	97.51	97.75
Benin	Auction	3.00	05/24/2018	05/25/2018	03/16/2021	20,000	9,639	9,639	7.71	6.00	95.05	95.78
Togo	Auction	3.00	06/08/2018	06/11/2018	06/11/2021	20,000	14,566	14,566	7.84	6.25	95.00	95.88
Mali	Auction	3.00	06/20/2018	06/21/2018	06/21/2021	25,000	34,000	26,359	7.26	6.15	97.00	97.09
Burkina Faso	Auction	3.00	06/27/2018	06/28/2018	06/28/2021	20,000	25,261	21,389	6.757	6.15	96.00	98.38
Subtotal						285,000	275,595	233,022	-	-	-	-
Togo	Syndication	5.00	01/20/2018	01/26/2018	01/26/2023	60,000	61,992	61,992	7.02	6.90	100.00	100.00
Benin	Auction	5.00	03/15/2018	03/16/2018	03/16/2023	17,500	10,228	10,228	7.12	6.15	96.00	96.01
Niger	Auction	5.00	03/22/2018	03/23/2018	03/23/2023	10,000	784.20	784.20	7.27	6.15	94.75	95.82
Togo	Auction	5.00	03/30/2018	04/03/2018	04/03/2023	20,000	21,718	21,605	7.631	6.50	96.00	96.22
Benin	Auction	5.00	04/26/2018	04/27/2018	04/27/2023	12,500	3,934	3,934	7.06	6.15	96.00	96.24
Niger	Auction	5.00	05/08/2018	05/09/2018	03/23/2023	10,000	648	647	7.22	6.15	95.00	96.08
Niger	Auction	5.00	05/17/2018	05/18/2018	03/23/2023	10,000	795	795	7.20	6.15	95.00	96.14
Niger	Auction	5.00	06/07/2018	06/08/2018	03/23/2023	10,000	4,342	4,342	7.36	6.15	95.00	95.64
Mali	Auction	5.00	06/20/2018	06/21/2018	06/21/2023	25,000	30,621	28,641	7.20	6.40	97.00	97.30
Subtotal						175,000	135,063	132,968	-	-	-	-
Mali	Auction	7.00	02/28/2018	03/01/2018	03/01/2025	30,000	27,900	27,000	6.34	6.25	100.00	100.00
Burkina Faso	Syndication	7.00	05/31/2018	06/05/2018	06/05/2025	75,000	93,744	93,744	6.599	6.50	100.00	100.00
Subtotal						105,000	318,765	313,676	-	-	-	-
Total						565,000	729,423	679,666	-	-	-	-

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

Table A.4: WAMU: Summary situation of the Central Bank

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

Source: BCEAO

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

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

Table A.5: WAMU: Summary situation of the banks

SITUATION DES AUTRES INSTITUTIONS DE DEPOT - UMOA <i>Encours en milliards - FCFA</i>	2016			2017				2018	
	juin-16	sept.-16	déc.-16	mars-17	juin-17	sept.-17	déc.-17	mars-18	juin-18
ACTIF									
Actifs extérieurs nets	-830,6	-920,2	-868,5	-717,9	-1 054,3	-1 120,5	-1 132,2	-720,6	-1 337,5
Créances sur les non-résidents	628,1	648,0	662,4	754,2	763,2	643,3	661,8	791,2	676,4
Engagements envers les non-résidents	-1 458,7	-1 568,2	-1 530,9	-1 472,1	-1 817,5	-1 763,7	-1 794,0	-1 511,7	-2 013,9
Créances sur la Banque Centrale	2 221,1	2 163,6	2 184,8	1 869,0	2 191,3	1 948,4	1 856,5	2 063,5	2 555,0
Créances nettes sur l'administration centrale	4 658,6	5 705,6	5 858,1	6 237,5	6 408,5	6 326,9	6 807,2	7 082,8	6 805,3
Créances sur l'économie	17 045,4	16 978,1	18 116,3	18 112,8	18 693,8	18 935,3	19 951,7	19 929,6	20 015,0
Créances sur les autres sociétés financières	1 029,2	1 083,6	1 079,3	1 060,6	1 058,0	980,6	1 059,8	1 029,9	1 020,6
Créances sur les sociétés non-financières publiques	1 099,2	1 088,5	1 174,9	1 034,3	1 121,7	1 174,2	1 139,2	1 387,3	1 260,3
Créances sur le secteur privé	14 917,0	14 806,0	15 862,1	16 018,0	16 514,0	16 780,5	17 752,7	17 405,5	17 706,0
PASSIF									
Engagements envers la banque centrale	3 570,1	3 781,9	4 575,9	4 402,8	4 273,0	3 762,5	4 182,2	3 370,7	3 461,3
Dépôts transférables inclus dans la masse monétaire	8 352,9	8 596,3	9 217,9	9 131,7	9 531,8	9 538,3	10 097,8	10 515,0	10 710,8
Autres dépôts inclus dans la masse monétaire	7 153,6	7 256,5	7 432,7	7 748,9	7 941,9	7 983,6	8 157,8	8 513,4	8 586,4
Dépôts exclus de la masse monétaire au sens large	577,9	620,4	633,0	610,4	670,9	735,7	715,4	865,1	873,9
Titres autres qu'actions exclus de la masse monétaire	38,4	38,4	30,8	40,5	41,5	39,4	35,4	13,4	19,8
Emprunts	360,4	411,7	463,3	485,3	436,9	477,7	609,1	842,1	540,8
Actions et autres titres de participation	2 200,8	2 308,0	2 492,0	2 535,5	2 521,1	2 740,1	2 971,7	3 012,1	2 893,7
Autres postes (net)	840,5	914,0	445,2	546,4	822,2	812,8	713,8	1 223,6	951,2

Source: BCEAO

Table A.6: WAMU: Monetary aggregates

Encours en milliards de FCFA	2016			2017				2018	
	juin-16	sept.-16	déc.-16	mars-17	juin-17	sept.-17	déc.-17	mars-18	juin-18
Circulation fiduciaire	5 153,0	4 937,7	5 509,2	5 739,6	5 705,0	5 306,8	5 778,2	5 918,1	5 958,1
Dépôts à vue	8 871,7	9 092,1	9 668,2	9 608,1	10 024,7	10 031,4	10 660,6	11 044,1	11 263,3
M1	14 024,6	14 029,8	15 177,4	15 347,7	15 729,6	15 338,2	16 438,8	16 962,1	17 221,4
Autres dépôts inclus dans la masse monétaire (1)	7 504,9	7 372,6	7 539,9	7 860,1	8 032,1	8 352,3	8 211,0	8 630,8	8 718,6
Masse monétaire (M2)	21 529,5	21 402,4	22 717,3	23 207,8	23 761,8	23 690,5	24 649,8	25 592,9	25 940,0
Actifs extérieurs nets	4 744,7	3 752,4	3 696,8	4 026,0	5 052,2	4 258,0	4 172,5	6 784,2	6 257,3
BCEAO	5 575,3	4 672,6	4 565,3	4 743,9	6 106,5	5 378,5	5 304,6	7 504,8	7 594,8
Banques	-830,6	-920,2	-868,5	-717,9	-1 054,3	-1 120,5	-1 132,2	-720,6	-1 337,5
Créances intérieures	22 451,0	23 418,4	24 715,7	25 143,4	25 046,7	25 914,2	27 438,0	26 234,0	26 895,5
Créances nettes sur l'Administration Centrale	5 158,4	6 185,2	6 387,2	6 784,6	6 096,5	6 716,7	7 276,8	6 075,3	6 636,2
Créances sur l'économie	17 292,6	17 233,2	18 328,5	18 358,8	18 950,2	19 197,5	20 161,2	20 158,7	20 259,3
Passifs à caractère non monétaire (2)	5 198,5	5 437,9	5 628,5	5 721,2	5 694,5	6 000,3	6 290,4	6 778,6	6 482,0
Autres postes nets (3)	467,7	330,5	66,7	240,3	642,7	481,5	670,3	646,8	730,8
Total des contreparties de M2 (4)	21 529,5	21 402,4	22 717,3	23 207,8	23 761,8	23 690,5	24 649,8	25 592,9	25 940,0

Source: BCEAO

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

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

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

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

Table A.7: WAMU: Net claims on central governments

Encours en milliards de FCFA	2016			2017				2018	
	juin-16	sept.-16	déc.-16	mars-17	juin-17	sept.-17	déc.-17	mars-18	juin-18
Totales Créances nettes sur l'Administration Centrale	5 158,4	6 185,2	6 387,2	6 784,6	6 096,5	6 716,7	7 276,8	6 075,3	6 636,2
Créances nettes de la BCEAO	499,8	479,7	529,1	547,2	-312,0	389,9	469,6	-1 007,5	-169,0
Créances	1 809,9	1 794,9	1 819,2	1 802,3	1 842,9	1 836,9	1 884,6	1 861,1	1 943,5
Crédits	1 796,7	1 780,9	1 803,9	1 783,1	1 829,9	1 822,9	1 868,9	1 848,9	1 930,4
Concours adossés aux DTS	261,3	243,8	226,1	209,5	190,3	172,3	154,1	137,6	119,1
Découverts statutaires consolidés	231,8	231,1	230,4	229,7	229,0	228,4	227,7	226,9	226,2
Concours du FMI	1 046,9	1 049,0	1 093,0	1 089,5	1 156,2	1 170,6	1 239,4	1 236,6	1 337,3
Autres concours de Gouvernements étrangers (1)	15,1	15,1	12,4	12,4	12,4	9,4	5,5	5,5	5,5
Autres crédits (créances financières) (2)	241,7	241,9	242,0	242,0	242,1	242,2	242,3	242,3	242,3
Engagements	1 310,1	1 315,2	1 290,1	1 255,1	2 154,9	1 447,0	1 415,0	2 868,6	2 112,6
Encaisses du Trésor	30,3	31,1	32,7	28,6	32,7	31,4	31,7	32,3	33,6
Dépôts	1 253,4	1 244,4	1 203,2	1 159,5	2 094,7	1 368,5	1 324,0	2 817,8	2 051,5
Autres engagements (3)	26,5	39,7	54,2	67,0	27,5	47,2	59,3	18,5	27,4
Créances nettes des banques	4 658,6	5 705,6	5 858,1	6 237,5	6 408,5	6 326,9	6 807,2	7 082,8	6 805,3
Créances	7 349,9	8 215,3	8 538,5	8 821,2	9 069,5	9 010,4	9 703,2	9 121,1	9 086,5
Crédits	1 435,3	1 386,6	1 461,3	1 613,2	1 734,2	1 619,1	2 051,0	1 395,0	1 232,1
Portefeuille de titres du Trésor	5 914,6	6 828,7	7 077,2	7 208,0	7 335,2	7 391,4	7 652,2	7 726,0	7 854,4
Engagements	2 691,3	2 509,7	2 680,4	2 583,7	2 661,0	2 683,6	2 895,9	2 038,3	2 281,2

Source: BCEAO

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

(2) Les créances sur position extérieure négative et autres créances financières dues par les Etats.

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

Tables A.8: Breakdown of inflation in WAEMU

Table A 8-1: Year-on-year price changes by geographic origin

	Components	Weighted (%)	Q2-2017	Q3-2017	Q4-2017	Q1-2018	Q2-2018
Annual variation (as a %)	Local	72.7	0.1	1.4	1.0	1.0	0.7
	Imported	27.3	0.2	0.5	0.5	1.0	0.7
Contributions (in % points)	Local	72.7	0.1	1.0	0.7	0.7	0.5
	Imported	27.3	0.0	0.2	0.2	0.2	0.2
	Total	100	0.1	1.2	0.9	0.9	0.7

Sources: BCEAO, NSIs

Table A 8-2: Trends in prices of goods and services (year-on-year)

	Components	Weighted (%)	Q2-2017	Q3-2017	Q4-2017	Q1-2018	Q2-2018
Variations (as a %)	Goods	60.1	-0.1	2.2	1.1	0.9	0.6
	Services	39.9	0.4	0.2	0.5	0.9	1.0
Contributions (in % points)	Goods	60.1	-0.1	1.2	0.7	0.6	0.3
	Services	39.9	0.2	0.0	0.2	0.3	0.4
	Total	100	0.1	1.2	0.9	0.9	0.7

Sources: BCEAO, NSIs



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