



BCEAO

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

**REPORT ON MONETARY POLICY
IN WAMU**

September 2019



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LIST OF ACRONYMS AND ABBREVIATIONS

BCEAO:	Central Bank of West African States
BEAC:	Bank of Central African States
BoE:	Bank of England :
BoG:	Bank of Ghana
Bp:	Basis point
BRVM:	Regional stock exchange
CBN:	Central Bank of Nigeria
CEMAC:	Central African Economic and Monetary Community
CIF:	Cost, insurance, and freight
CILSS:	Inter-State Committee for Drought Control in the Sahel
CPA:	Central Public Administration
CPI:	Consumer Price Index
ECB:	European Central Bank
ECOWAS:	Economic Community of West African States
FAO:	United Nations Food and Agriculture Organization
FED:	Federal Reserve System
FOB:	Free on Board
GDP:	Gross Domestic Product
HICP:	Harmonized Index of Consumer Prices
IMF:	International Monetary Fund
IPI:	Industrial Production Index
LBUBC:	Large Businesses Using Bank Credits
MPC:	Monetary Policy Committee
NEAs:	Net External Assets
NSIs:	National Statistics Institutes
NYMEX:	New York Mercantile Exchange
OECD:	Organisation for Economic Co-operation and Development
OPEC:	Organization of the Petroleum Exporting Countries
Pp:	Percentage point
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
WAMA:	West African Monetary Agency
WAMU:	West African Monetary Union
WTI:	West Texas Intermediate

PRESS RELEASE

Meeting of the Monetary Policy Committee of the BCEAO

1. The Monetary Policy Committee (MPC) of the Central Bank of West African States (BCEAO) held its third ordinary meeting of 2019 on Wednesday, September 4, 2019, at BCEAO headquarters in Dakar. The meeting was chaired by Mr. Tiémoko Meyliet Koné, Governor of the Central Bank and statutory Chairman of the Committee.
2. The Committee reviewed the major developments that have marked the international and regional economic situation in recent times, as well as the risk factors that could have a bearing on medium-term inflation and economic growth prospects in the Union.
3. Discussing the international economic situation, the Committee noted that global economic activity in the second quarter of 2019 continued to grow moderately, against a backdrop of uncertainties related to escalating trade disputes and rising geopolitical tensions. According to data published in July 2019 by the International Monetary Fund, global growth is expected to slow in 2019 to 3.2%, compared with 3.6% in 2018. It is projected to reach 3.5% in 2020.
4. On the international commodity markets, the prices of commodities exported by the countries of the Union experienced contrasting developments between the first and second quarters of 2019. More specifically, price declines were recorded for cashew nuts (-23.5%), palm kernel oil (-17.2%), robusta coffee (-7.1%) and cotton (-4.2%). On the other hand, increases were noted in the prices of oil (+8.8%), rubber (+6.5%) and cocoa (+5.0%).
5. With respect to economic activity on domestic markets, the buoyancy observed since the beginning of the year increased in the second quarter of 2019. The real GDP stood at 6.6% compared with 6.4% in the previous quarter. The Central Bank expects economic growth in the Union to reach 6.7% in 2019 compared with a performance of 6.6% in 2018.
6. Financial transactions in the Union's Member States during the first six months of 2019 were marked by a smaller budget deficit compared with the same period in the previous year. In relation to the GDP, the budget deficit, on a commitment basis, inclusive of grants, stood at 1.8% in the first half of 2019, compared with 2.1% a year earlier. In light of this performance, the Monetary Policy Committee encouraged the Union's countries to continue their efforts to contain the budget deficit, so as not to exceed the Community's 3.0% standard in 2019.
7. During the second quarter of 2019, the Union's monetary situation was marked by an increase in the money supply, which was due to a recovery in credits to the economy and a rise in net foreign assets. The Union's foreign exchange reserves also increased, guaranteeing 5.0 months of imports of goods and services, compared with 4.9 months at the end of March 2019.
8. On the money market, interest rates eased overall. The average quarterly money market rate was 2.70% compared with 4.50% three months earlier.
9. Reviewing the inflation situation in the Union, the Committee noted a decline in prices in the second quarter of 2019. Consumer prices decreased overall by 0.3% compared with the second quarter of 2018. This reflected a decrease in the prices of cereal products, due to an adequate supply on the Union's markets. According to the Central Bank's projection at the twenty-four month horizon, the inflation rate is expected to stand at 1.3%, which is in line with the price stability objective pursued by the BCEAO.
10. Based on these analyses, the Monetary Policy Committee decided to keep the BCEAO's leading rates unchanged, with the minimum bid rate on cash injection tender transactions remaining at

2.50%, while the marginal lending rate was kept at 4.50%. The minimum reserve ratio applicable to the banks of the Union remained at 3.0%

Issued in Dakar on September 4, 2019

The Chairman of the Monetary Policy Committee

Tiémoko Meyliet Koné

SUMMARY

1. Global economic activity remained sluggish in the second quarter of 2019, amid escalating trade disputes, rising geopolitical tensions, and the ensuing uncertainties.
2. Growth slowed in the United States in the second quarter of 2019, coming in at 2.3%, year over year, compared with 2.7% in the previous quarter. In the Eurozone, growth in economic activity remained weak, with the GDP growing at 1.2% year over year, unchanged from the previous quarter.
3. In the major emerging economies, the economic signals reflected somewhat contrasting trends. In China, economic activity slowed sharply, with a GDP growth of 6.2% year over year, its lowest level in 27 years.
4. According to the IMF's latest World Economic Outlook (WEO), released in July 2019, global growth is expected to slow to 3.2% in 2019, compared with 3.6% in 2018, before a projected recovery to 3.5% in 2020.
5. On the foreign exchange market, the euro continued to lose value against the major currencies due to uncertainties about the economic outlook for the Eurozone. As a result, the euro depreciated by 1.0% against the U.S. dollar during the second quarter of 2019.
6. On the international commodities markets, energy prices rose by an average of 3.4%, quarter over quarter, during the second quarter of 2019. This increase was mainly driven by rising crude oil prices, while gas prices declined. Brent and WTI prices rose, on average, by 8.0% and 8.5%, respectively, quarter over quarter. Global non-energy commodity prices recorded a moderate increase of 0.2% during the second quarter of 2019, following a 0.8% increase in the previous quarter.
7. On the other hand, the prices of non-energy commodities exported by WAEMU countries fell by 1.1% during the second quarter of 2019, compared with a 2.9% increase in the previous quarter. This was mainly due to the decline in the prices of cashew nuts (-23.5%), palm kernel oil (-17.2%), robusta coffee (-7.1%) and cotton (-4.2%). On the other hand, rubber and cocoa prices rose by 6.5% and 5.0% respectively over the period.
8. Economic activity in the Union gained momentum in the second quarter of 2019, with a real GDP growth rate of 6.6%, year over year, compared with 6.4% in the previous quarter. Activity continued to expand, buoyed by domestic demand whose contribution to GDP growth came to 7.3 percentage points.
9. The downward trend in overall price levels continued in the second quarter of 2019. The year-over-year inflation rate stood at -0.3%, after -0.1% in the previous quarter. This downward trend was attributable to a continued decline in food prices in most of the Union's countries, reflecting adequate market supplies due to increased production in the previous crop year. Core inflation remained at 0.1% year over year, compared with 0.2% a quarter earlier.
10. With respect to public finances, financial operations by the Union's Member States during the first six months of 2019 was marked by an increase in revenue (+11.8%) year over year that was greater than the increase in expenditure (+9.8%). This led to a reduction in the overall

deficit, on a commitment basis, inclusive of grants, which stood at 1.8% of the GDP, compared with 2.1% of the GDP in the same period of the previous year.

11. The Union's foreign trade in the second quarter of 2019 showed a trade deficit of 512.4 billion or 2.8% of the GDP, mitigated by 154.3 billion compared with the same period of the previous year, due to a higher level of growth in exports (+4.7%) than in imports (+0.3%).
12. Growth in the Union's money supply picked up during the quarter (+2.3% compared with +0.2%). This was mainly due to a recovery in claims on the economy (+4.1% compared with -0.7%) and, to a lesser extent, to an increase in net external assets (+0.8% compared with +6.3%). The recovery in claims on the economy was driven by a surge in bank lending to the private sector (+3.6% compared with -1.2%) over the period. The Union's foreign exchange reserves increased in the second quarter of 2019, ensuring a monetary issue coverage rate of 77.5% compared with 76.6% three months earlier. These reserves covered 5.0 months of imports of goods and services compared with 4.9 months at the end of March 2019.
13. With banks showing improvements in their cash (+51.9 billion), the BCEAO, in its role as a regulator of bank liquidity, reduced refinancing credits granted to banks by 52.9 billion during the second quarter of 2019. In the light of those developments, bank cash flow was broadly stable over the period.
14. On the money market, rates eased during the second quarter of 2019. The weighted average rate on weekly liquidity injection operations stood at 3.1025% compared with 4.5000% in the previous quarter and 4.1516% a year earlier. Similarly, on the one-month window, the weighted average rate stood at 3.1504%, 135 basis points and 103 basis points lower than the levels recorded in the first quarter of 2019 and the second quarter of 2018. As for the quarterly average money market rate, it stood at 2.7034% compared with 4.5000% in the previous quarter and 3.7747% a year earlier.
15. Following these developments, the average cost of treasury bills issued by the Union's Member States on the public debt market decreased. The weighted average interest rate on Treasury bills, all maturities combined, was 5.32% in the second quarter of 2019 compared with 6.22% in the same period of the previous year.
16. The cost of bank credit, as measured by the average lending rate, excluding taxes and fees, increased by 20 basis points from its level in the previous quarter, to reach 6.81% in the second quarter of 2019.
17. The Union's economic accounts forecasts showed a 6.7% increase in growth in 2019, compared with 6.6% in 2018. Economic growth is expected to be driven primarily by the tertiary and secondary sectors.
18. The year-over-year inflation rate is projected to be nil in the third quarter of 2019 and is expected to return to positive territory beginning in the fourth quarter of 2019. Looking ahead eight quarters, the year-over-year inflation rate is expected to stand 1.3%.

I - ECONOMIC ENVIRONMENT

1.1 - Activity economic

1. Growth in global economic activity remained sluggish in the second quarter of 2019, amid escalating trade disputes, rising geopolitical tensions, and the ensuing uncertainties.

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

	2016	2017	2018	2017				2018				2019	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Advanced countries	<i>(over one year)</i>			<i>(year over year)</i>									
United States	1.5	2.4	2.9	2.1	2.2	2.4	2.8	2.9	3.2	3.1	2.5	2.7	2.3*
Eurozone	1.8	2.4	1.8	2.1	2.5	2.8	2.8	2.5	2.2	1.7	1.2	1.2	1.2
Germany	1.9	2.8	1.5	2.4	2.3	3.0	3.4	2.3	2.1	1.1	0.6	0.9	0.4
France	1.2	2.4	1.7	1.4	2.4	2.8	3.0	2.4	1.9	1.5	1.2	1.3	1.4
Japan	0.9	1.9	0.8	1.5	1.7	2.2	2.4	1.3	1.5	0.1	0.3	1.0	1.2
United Kingdom	1.9	1.8	1.4	1.8	1.9	2.0	1.6	1.2	1.4	1.6	1.4	1.8	1.2
Emerging countries													
China	6.7	6.8	6.6	6.8	6.8	6.7	6.7	6.8	6.7	6.5	6.4	6.4	6.2
India	7.1	6.7	7.1	6.1	6.0	6.8	7.7	7.7	8.0	7.0	6.6	5.8	5.0
Brazil	-3.5	1.1	1.1	0.1	0.6	1.4	2.2	1.2	0.9	1.3	1.1	0.5	1.0
Russia	-0.2	1.5	2.3	0.6	2.5	2.2	0.9	1.9	2.2	2.2	2.7	0.5	0.9
South Africa	0.6	1.3	0.8	1.1	1.6	1.6	1.4	0.7	0.1	1.3	1.1	0.0	0.9
Surrounding countries													
Ghana	3.7	8.4	6.3	7.4	11.1	8.7	5.5	5.4	5.4	7.4	6.8	6.7	6.5*
Nigeria	-1.6	0.8	1.9	-0.9	0.7	1.2	2.1	1.9	1.5	1.8	2.4	2.0	1.9

Sources: OECD, Eurostat, IMF, Statistics South Africa

(*) Bloomberg and IMF forecasts, preliminary data

2. GDP growth in the United States slowed in the second quarter of 2019, coming in at 2.3%, year over year, compared with 2.7% in the first quarter of 2019. This decline in the rate of growth in activity was ascribable to trade tensions that caused a sharp drop in exports over the period. It was also the outcome of a contraction in productive investment, against a backdrop of rising uncertainty and falling corporate margins. However, GDP growth was boosted by strong household consumption and a recovery in public spending in conjunction with the recovery effect following the partial shutdown of federal government services that took place between December 2018 and January 2019.
3. In the Eurozone, economic activity growth remained sluggish in the second quarter of 2019, with GDP rising at an annual rate of 1.2%, the same as in the previous quarter. Protracted uncertainty surrounding the timing and nature of Brexit, trade conflicts, as well as temporary factors, including new emissions standards affecting certain manufacturing sectors (automotive, chemicals, pharmaceuticals), continued to weigh on economic activity.
4. In the emerging countries, China recorded its lowest GDP growth rate in 27 years, reaching a level of 6.2% year-on-year from 6.4% in the previous quarter. This decelerating trend in activity was due in part to the impact of a change in the growth model, which led to lower productivity gains, as well as to the impact of the trade restriction measures implemented by the United States. These measures led to a slowdown in exports, thereby penalizing the Chinese economy in the short term. Similarly, in India, activity continued to slow down, against a backdrop of

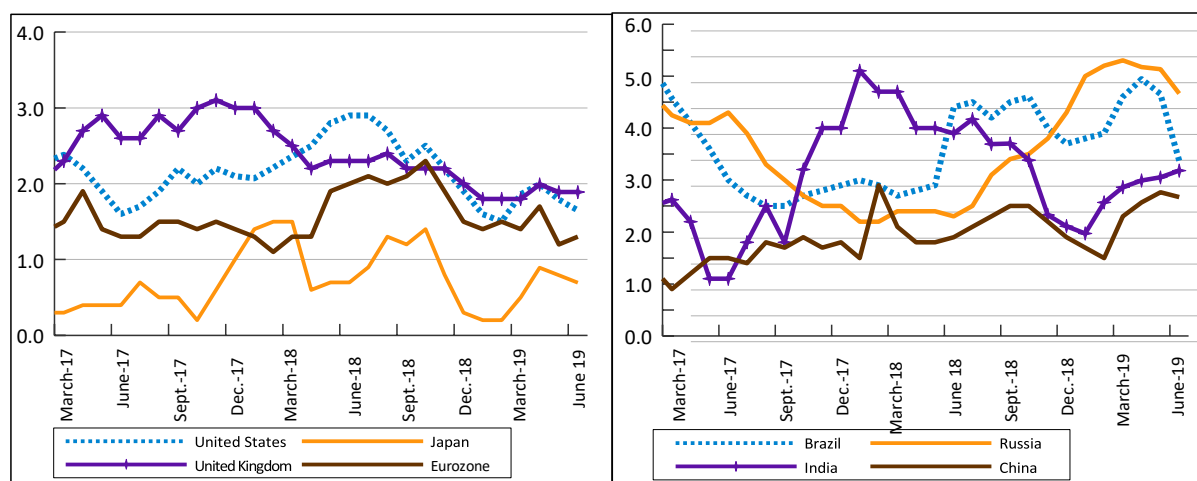
electoral tensions and growing uncertainties. The GDP growth rate was estimated at 5.0% year on year, compared with 5.8% a quarter earlier.

5. In Nigeria, the main trading partner of the WAEMU Member States in the West African subregion, the economy reportedly continued its positive trend in the second quarter of 2019, supported by higher oil prices, a strong non-oil sector, and robust domestic demand.
6. The latest forecasts released by the IMF in July 2019 suggested that global growth would decelerate further in 2019 to reach 3.2%, 0.1 percentage point lower than the April 2019 projection, before accelerating in 2020 to reach 3.5% (-0.1 percentage point lower than previous projections). Trends in the first half of 2019 pointed to sluggish growth in global activity, which is expected to be followed by stronger growth in the second half of the year. The accelerated growth expected in 2020 will be supported by a period of stabilization or recovery in countries experiencing difficulties (Argentina, Turkey, Iran, and Venezuela) as well as by the continuation of the economic stimulus measures underway in China.
7. Growth in advanced economies is expected to decline to 1.9% in 2019 (+0.1 pp) and 1.7% in 2020, compared with 2.2% in 2018. In the United States, growth is expected to increase in 2019 to 2.6% (+0.3 pp) before slowing down to 1.9% in 2020, reflecting the fading effects of the fiscal stimulus policy. In the Eurozone, GDP growth is expected to increase from 1.3% in 2019 (unchanged) to 1.6% in 2020 (+0.1 pp), driven by stronger demand. The growth outlook for Germany has been adjusted downward for 2019 (-0.1 pp), due to weaker-than-expected external demand, while the outlook for 2020 has been revised upward by +0.3 pp. Growth forecasts for France remained unchanged for both 2019 (1.3%) and 2020 (1.4%). In the United Kingdom, growth is expected to stand at 1.3% in 2019 and 1.4% in 2020.
8. In emerging and developing countries, growth is expected to fall from 4.1% in 2019 to 4.7% in 2020 (down by -0.3 percentage point and -0.1 pp, respectively, compared to the April 2019 WEO). The downward revision of the outlook was related to several factors. Chief among them was the negative impact of escalating trade tensions, domestic political tensions, and geopolitical conflicts.
9. In sub-Saharan Africa, growth is expected to increase to 3.4% in 2019 and 3.6% in 2020, although these levels are 0.1 percentage points lower in both years than the IMF projections published in April 2019. In South Africa the outlook was influenced by the impact of strikes and energy supply problems in the mining industry; accordingly, growth is expected to remain weak at 0.7% in 2019 and then 1.1% in 2020, -0.5 pp and -0.4 pp, respectively, compared with the previous forecast.
10. The global economic outlook is affected by several downside risk factors that have intensified since April 2019. In the short term, escalating trade tensions, a no-deal Brexit, increased financial vulnerabilities that built up during years of low interest rates, geopolitical tensions, and disinflation pressures could push global growth well below the level projected in the baseline scenario of the July 2019 World Economic Outlook. In the medium term, climate change and political tensions are major risks that could weigh on global output.

1.2 - Inflation

11. During the second quarter of 2019, inflation rates continued their downward trend in most advanced countries, while rising in emerging and developing countries.

Graph 1 - Trends in the inflation rate in advanced and emerging countries (measured by the year-over-year percentage change in the Consumer Price Index (CPI)) (in %)



Source: IMF

12. In the United States, inflation eased to an annual rate of 1.6% at the end of June 2019, up from 1.9% three months earlier, below the Fed's target. In the Eurozone, inflation remained moderate at 1.3%, down from 1.4% a quarter earlier, remaining below the European Central Bank's 2.0% ceiling rate. In contrast, in the United Kingdom, inflation rose slightly from 1.8% to 1.9% at the end of June 2019.

13. In the major emerging economies, inflation rose. In China, prices rose to 2.7% year over year, at the end of June 2019, from 2.3% three months earlier. Similarly, in India, the year-over-year inflation rate rose to 3.2% compared with 2.9% in March 2019.

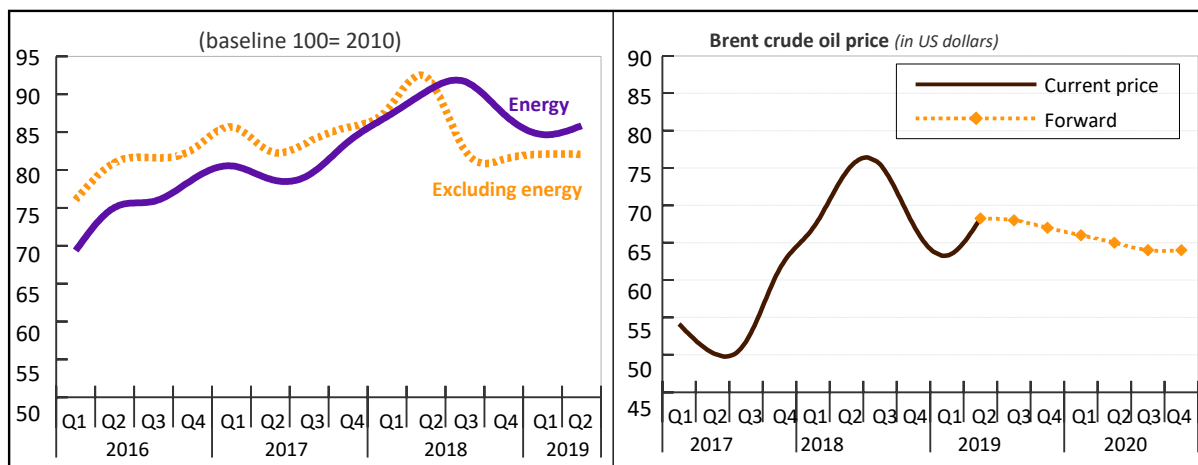
14. Inflationary pressures continued in the Union's trading partner countries in West Africa, although they eased somewhat for the second consecutive quarter. In Ghana, the inflation rate dropped slightly from 9.3% in March 2019 to 9.1% in June 2019. In Nigeria, it lowered from 11.3% to 11.2% over the same period.

15. Based on the IMF's latest World Economic Outlook, inflation in advanced economies is expected to slow down in 2019 to 1.6% in 2019 compared to an annual average of 2.0% in 2018, before rising back up to 2.0% in 2020. In both emerging and developing economies, annual average inflation is projected at 4.8% in 2019, the same level as in 2018, and is expected to rise to 4.7% in 2020.

1.3 - Commodity prices

16. Commodity prices increased during the second quarter of 2019, following the lead of energy commodity prices.

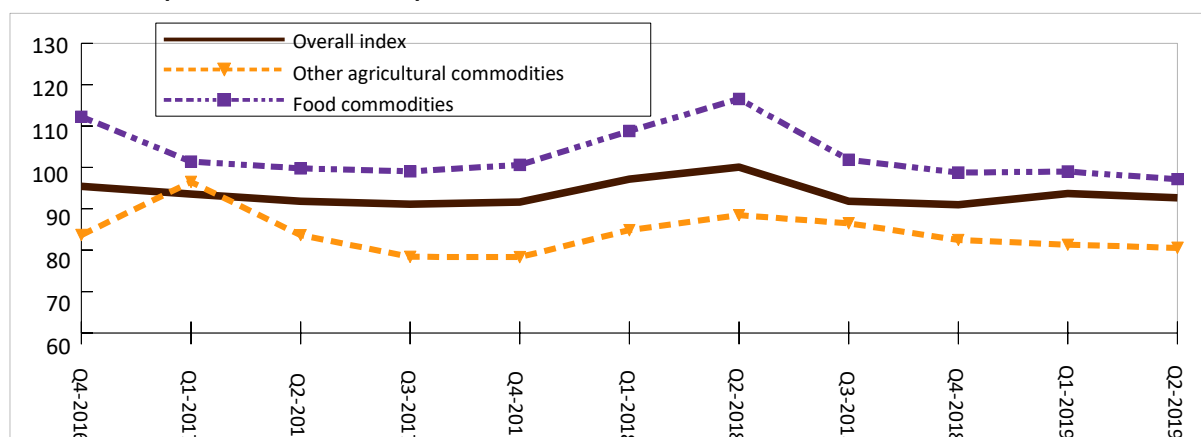
Graph 2 - Trends in commodity price indexes



Sources: World Bank, Bloomberg

17. Energy prices rose by 3.4%, quarter on quarter, during the second quarter of 2019, driven exclusively by higher crude oil prices. Most notably, Brent and WTI prices increased, on average, by 8.0% and 8.5%, respectively, quarter over quarter. The decline in natural gas prices (-19.7%) had a mitigating effect.
18. The rise in oil prices was due to escalating geopolitical tensions in the Middle East, especially between the United States and Saudi Arabia on the one hand, and Iran on the other. It also reflected the extension, until March 2020, of the agreement on oil production cuts between OPEC member countries and certain non-member oil-producing countries, as well as the risks of production cuts in Venezuela and Libya, associated with internal tensions. However, the substantial and continued increase in shale oil production in the U.S. in recent months put downward pressure on oil prices. Oil prices are expected to decline in 2020, reflecting the prospects of increased supply capacity in the United States, Brazil, and Iraq.
19. The drop in gas prices was connected with abundant supplies against a backdrop of sluggish demand.
20. Non-energy commodity prices increased moderately by 0.2% during the second quarter of 2019, following a 0.8% increase in the previous quarter. This was due to increases in the prices of agricultural products (+0.8%) and metals and minerals (+1.7%), which were partially offset by lower fertilizer prices (-5.4%) over the period.
21. On the other hand, the prices of non-energy commodities exported by the Union's countries fell by 1.1% during the second quarter of 2019, compared with a 2.9% increase in the previous quarter. Trends by product showed contrasting patterns over the quarter. The most significant declines applied to cashew nuts (-23.5%), palm kernel oil (-17.2%), robusta coffee (-7.1%) and cotton (-4.2%). On the other hand, the largest price increases involved rubber (+6.5%) and cocoa (+5.0%).

Graph 3 - Trends in the price index for non-energy commodities exported by WAEMU (baseline 100=2013)



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

22. Measured in CFA francs, the prices of commodities exported by the countries of the Union generally followed the same trend as those expressed in foreign currencies.

Table 2 - Prices of commodities exported by WAEMU countries

	Average price in Q2-2019				Quarterly change		Year-over-year change	
	unit	in foreign currencies	unit	in CFA Francs	Prices in foreign currencies	Prices in CFA F	Prices in foreign currencies	Prices in CFA F
Crude Oil (NYMEX)	\$/barrel	59.9	ton	249,881.2	8.5	9.6	-11.4	-6.1
Robusta coffee (ICO) Cocoa (OICC)	cents/lb.	71.6	kg	920.8	-7.1	-6.1	-17.7	-12.8
	cents/lb.	106.7	kg	1,373.1	5.0	6.1	-8.2	-2.6
	cents/lb.	71.4	kg	918.9	-4.2	-3.2	-16.8	-11.9
Cotton (NY #2)	\$/metric ton	514.7	kg	300.4	-3.3	-2.3	-20.9	-16.1
Palm oil	\$/metric ton	584.3	kg	341.1	-17.2	-16.3	-37.6	-33.7
Palm kernel oil	eurocents/kg	140.2	kg	919.8	6.5	6.5	13.2	13.2
	\$/metric ton	1,008.1	kg	588.3	-23.5	-22.7	-40.9	-37.3
Rubber	\$/ounce	1,309.7	gram	26,963.3	0.4	1.5	0.4	6.4

Sources: National marketing services, BCEAO calculations

23. Cotton prices were affected by a positive global production outlook in the face of moderate demand, as well as China-US trade tensions.

24. Palm kernel oil and cashew nut prices were affected by a slowdown in global demand.

25. Robusta coffee prices were weakened by the outlook for higher production in the 2019/2020 crop year, as a result of good weather conditions.

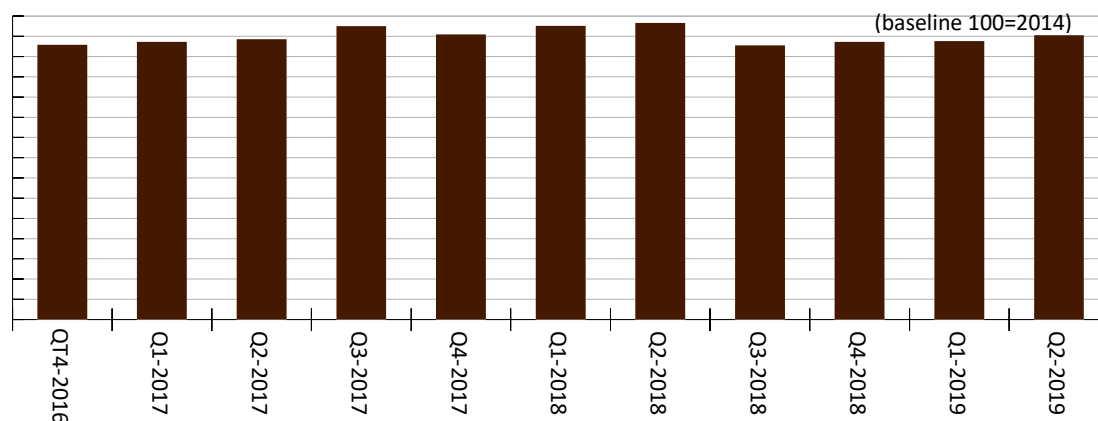
26. On the other hand, rubber prices continued to be buoyed by export restrictions under the agreement signed in March 2019 by the members of the International Tripartite Rubber Council, comprising Thailand, Malaysia, and Indonesia, against a backdrop of strong demand.

27. Cocoa prices were impacted by the agreement reached in early June 2019 between the world's top two producers, Côte d'Ivoire, and Ghana, to suspend cocoa sales for the 2019/2020 main season, with a view to imposing a minimum price for producers.

28. Prices for cashews (-40.9%), palm kernel oil (-37.6%), palm oil (-20.9%), coffee (-17.7%), cotton (-16.8%), petroleum (-9.5%), and cocoa (-8.1%) fell year over year, while the prices of rubber (+13.2%) and gold (+0.4%) rose.

29. The price index of the main food commodities imported by WAEMU countries rose by 2.2% in the second quarter of 2019, compared with a 0.3% increase a quarter earlier. This was driven by increases in the prices of corn (+4.8%), rice (+4.3%) and sugar (+0.7%). However, the prices of soybean oil (-5.4%) and wheat (-4.3%) declined.

Graph 4 - Trends in the price index of commodities imported by WAEMU



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

30. Rice and sugar prices were boosted by lower-than-expected supplies, due to reduced exports, against a backdrop of stable demand. Corn prices were driven up by adverse weather conditions in the main production areas in the United States. On the other hand, soybean oil prices were affected by an increase in world stocks, following trade tensions between the United States and China. Wheat prices weakened, reflecting a positive production outlook.

31. The price index of the main food commodities imported by WAEMU countries fell by 4.1% in the second quarter of 2019, compared with a 5.2% decline a quarter earlier. This trend was mainly driven by declines in rice (-10.6%), soybean (-9.1%) and wheat (-4.6%) prices. By contrast, the prices of sugar (+1.7%) and corn (+2.1%) rose.

1.4 - International monetary and financial conditions

1.4.1 - Central bank actions

32. Against a backdrop of slowing global economic activity, increased geopolitical tensions, and growing uncertainties, most central banks in advanced and emerging countries maintained or further relaxed their accommodative monetary policy stance. In West and Central Africa, central banks did not make changes to their monetary policy instruments.

33. In the United States, the Federal Reserve (FED), at its July 31, 2019, meeting, lowered the target range for federal funds rates by 25 basis points to 2.00-2.25%, the first time this had happened since 2008. This decision was in line with the announcement, made at its previous meeting on June 19, 2019, of a future rate cut before the end of 2019 and in 2020 to support economic activity marked by low inflation and a slowing pace of growth.

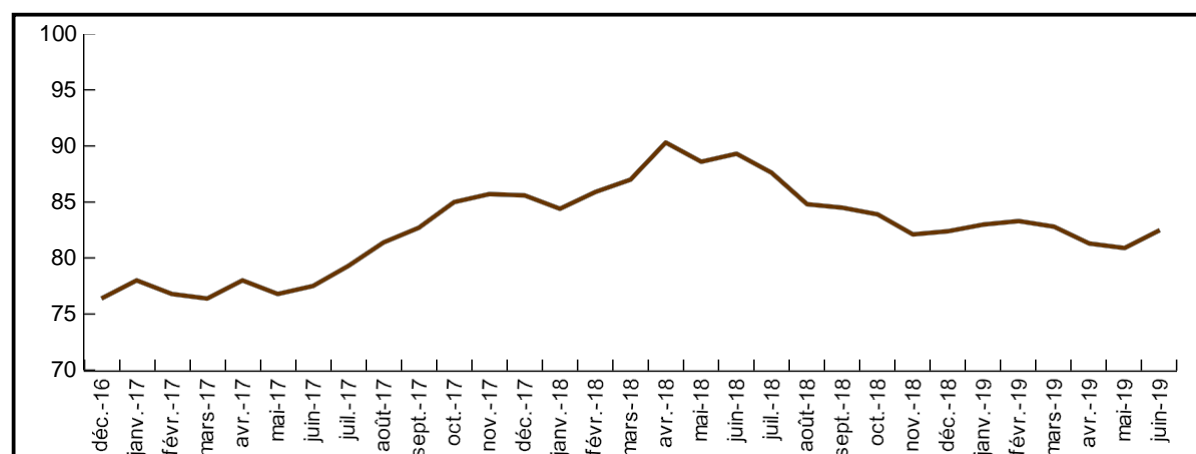
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34. In the Eurozone, the Governing Council of the European Central Bank (ECB), at its July 25, 2019, meeting, indicated that it was determined to take action by adjusting all its instruments, if inflation continued to remain below the 2.0% target level. To this end, the ECB stressed the need for a more accommodative monetary policy for an extended period of time in order to support an increase in inflation. Against this backdrop, the ECB expected its key interest rates to remain at their current levels (the interest rate on the main refinancing operations, as well as the interest rate on the marginal lending facility and the interest rate on the deposit facility, remained unchanged at 0.00%, 0.25%, and -0.40%, respectively) or at lower levels, at least through to the first half of 2020 and, in any event, for as long as necessary to ensure continued sustainable convergence of inflation towards its medium-term objective.
35. The Monetary Policy Committee of the Bank of England (BoE), for its part, decided, on May 2, 2019, to maintain the Institution's key rate at 0.75% and to continue its asset purchase program considering uncertainties surrounding of the Brexit.
36. With regard to the emerging markets, the Central Bank of India (RBI), on June 6, 2019, lowered its main policy rate by 25 bps to 5.75%, which was the third cut since the beginning of the year, in order to boost demand, particularly in the areas of investment and private consumption. On July 26, 2019, the Central Bank of Russia reduced its key rate by 25 bps to 7.25%, due to lower growth forecasts. Meanwhile, the People's Bank of China (PBoC) left its main instruments unchanged, despite the country's deteriorating economic outlook and trade tensions with the United States.
37. In the West African sub-region, the Bank of Ghana (BoG), during its Monetary Policy Committee meeting on May 27, 2019, decided to maintain its main policy rate at 16.0%, reflecting the ongoing inflation reduction process and the anchoring of expected inflation.
38. On May 21, 2019, the Central Bank of Nigeria (CBN) left its policy rate unchanged at 13.5%, in a bid to better capture the country's economic growth momentum in the face of slowing global output and rising uncertainties.
39. In the CEMAC Zone, the BEAC, in its Monetary Policy Committee (MPC) meeting of July 24, 2019, kept the orientation of its monetary policy unchanged. Thus, its main key rate, the tender interest rate, remained set at 3.5%.

1.4.2 - Changes in monetary and financial conditions

40. Government bond returns trended lower in the second quarter of 2019, indicating that markets were expecting monetary easing, reflecting announcements from advanced country central banks.
41. On the bond markets, the United States' 10-year sovereign yields declined by 50 basis points (bps) from 2.57% at the end of March 2019 to 2.07% at the end of June 2019.
42. In the Eurozone countries, 10-year government bond returns fell to 2.67% in Greece (-110 bps), 0.66% in Portugal (-73 bps), 0.50% in Spain (-63 bps), 0.08% in France (-35 bps), -0.27% in Germany (-32 bps) and 2.29% in Italy (-24 bps).
43. On the money markets, the 3-month Euribor, which is the main interbank interest rate in Europe, edged down by 1 bp to stand at -0.32% in the second quarter.

44. On the foreign exchange market, the euro continued to depreciate against the other major currencies amid uncertainty over the Eurozone's economic outlook. Thus, the euro depreciated against the Japanese yen (-1.3%), the US dollar (-1.0%) and the Swiss franc (-0.5%) during the second quarter of 2019.

Graph 5 - Trends in the euro/dollar exchange rate (baseline 100 = 2013)



Source: Banque de France

45. Based on official data, the CFA franc recorded contrasting trends against the West Africa subregion's main currencies during the second quarter of 2019. The CFA franc grew stronger against the Ghanaian cedi (+1.3%), the Liberian dollar (+12.9%), and the Sierra Leonean leone (+1.6%), while weakening against the Gambian dalasi (-1.4%), the Nigerian naira (-3.6%), and the Guinean franc (-0.7%).

Table 3 - Trends in the CFA franc/West African currencies exchange rate

(Unit of foreign currency for 1.000 CFA F)

Exchange rates	2017			2018			2019		Change (%)	
	Q2	Q3	Q4	Q2	Q3	Q4	Q1	Q2	quarterly	annual
Gambian dalasi	77.6	85.9	84.8	86.3	85.8	86.5	85.4	84.2	-1,4	-2,5
Ghanaian cedi	7.1	8.1	7.9	8.0	8.3	8.4	8.7	8.8	1,3	10,1
Guinean franc	15,193.9	16,619.1	16,148.3	16,341.3	15,970.8	15,733.3	15,747.2	15,639.6	-0.7	-4.3
Liberian dollar	185.1	212.7	219.3	247.5	273.4	273.8	278.5	314.5	12,9	27,1
Nigerian naira	510.8	563.9	548.0	554.3	541.6	532.9	530.5	511.7	-3,6	-7,7
Sierra Leonean leone	12,210.4	13,719.0	13,516.5	13,939.0	14,368.3	14,569.5	14,779.1	15,017.2	1.6	7.7

Source: WAMA

II- TRENDS IN SUPPLY AND DEMAND FACTORS IN WAEMU

2.1 - Supply factors

46. Economic activity in the Union became more buoyant in the second quarter of 2019. The real GDP growth rate was 6.6%, year over year, compared with 6.4% in the previous quarter. This trend was in keeping with the positive views expressed by business leaders as to the overall trends

in their activities over the period. The business climate indicator¹ rose by one point compared to the previous quarter, remaining above its long-term average.

47. By sector, economic activity in the EU continued to be driven by the service sector, which contributed 3.8 percentage points, up from 3.7 percentage points in the previous quarter. The secondary sector contributed 1.7 percentage point, up 0.1 percentage point from the previous quarter. As to the primary sector, its contribution to growth was estimated at 1.1 percentage point, unchanged from its actual level in the first quarter of 2019.

Table 4 - Contributions of business lines to quarterly GDP growth in WAEMU
(*year over year*) (Seasonally adjusted and working day adjusted (SA-WDC) data, in %)

	2017			2017	2018				2018	2019	
	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2
Primary sector	1.6	1.4	1.5	1.6	1.5	1.6	1.5	1.4	1.5	1.1	1.1
Secondary sector	1.3	1.4	1.4	1.3	1.4	1.4	1.5	1.5	1.5	1.6	1.7
Tertiary sector	3.8	3.8	3.6	3.7	3.7	3.7	3.6	3.6	3.6	3.7	3.8
GDP	6.7	6.6	6.5	6.6	6.6	6.7	6.6	6.5	6.6	6.4	6.6

Source: BCEAO

48. The table below shows trends in economic activity by country.

Table 5 - Trends in real GDP growth rates in WAEMU Member States
(SA-WDC data, year over year, in %)

	2017			2017	2018				2018	2019	
	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2
Benin	5.8	6.0	6.2	5.8	6.8	6.8	6.7	6.5	6.7	6.8	7.2
Burkina Faso	6.2	6.2	6.4	6.3	6.6	6.7	6.6	6.4	6.6	6.0	6.1
Côte d'Ivoire	8.1	7.8	7.2	7.7	7.5	7.5	7.4	7.3	7.4	7.1	7.4
Guinea-Bissau	6.4	5.9	5.1	5.9	4.0	3.5	3.5	4.2	3.8	5.2	5.1
Mali	5.5	5.4	5.2	5.4	5.1	4.9	4.9	4.8	4.9	4.8	4.9
Niger	4.6	4.8	5.3	4.9	6.1	6.6	6.8	6.7	6.5	6.3	6.4
Senegal	7.2	7.3	7.2	7.1	6.9	6.7	6.6	6.4	6.7	6.4	6.8
Togo	4.4	4.4	4.6	4.4	4.8	4.9	5.0	4.9	4.9	5.0	5.0
WAEMU	6.7	6.6	6.5	6.6	6.6	6.7	6.6	6.5	6.6	6.4	6.6

Source: BCEAO

2.1.1 - Primary sector

49. Growth in value added in the primary sector slowed to 4.7% year over year, compared with 6.1% in the previous quarter, due to less favorable rainfall conditions and persistent insecurity in the Sahel region.

^{1/} The business climate indicator is calculated based on the balance of opinions of business leaders in the major trading sectors. Its average is 100 and standard deviation is 10. For example, a business climate index value above 100 indicates that corporate executives' opinion of the long-term outlook is that it will be above average, reflecting a favorable outlook.

50. With respect to the 2018/2019 season, the latest available statistics indicated a 9.1%

increase in food crop production, which was estimated at 65,800,235 tons. This increase reflected a 10.3% increase in cereal production and a 17.1% increase in other crops, including beans, watermelons, and fruits and vegetables.

51. Compared to the average for the previous five years, the 2018/2019 crop yields were up by 20.9%.

Table 6 - Food crop production in WAEMU

(in tons unless otherwise indicated, updated - June 2019)

	2016/2017	2017/2018 (1)	2018/2019* (2)	Average of the past five crop years (3)	Change (in %)	
					(2)/(1)	(2)/(3)
Cereals	27,759,317	28,464,933	31,384,464	25,646,194	10.3	22.4
Tubers	20,994,198	22,175,602	23,109,127	20,263,766	4.2	14.0
Other crops	9,005,895	9,658,685	11,306,644	8,515,689	17.1	32.8
Total	57,759,410	60,299,220	65,800,235	54,425,649	9.1	20.9

Sources: National agriculture departments, BCEAO calculations

*Estimates

52. As for the main export crops, harvests also increased in the 2018/2019 crop year compared with the previous crop year, as shown in the table below.

Table 7 - Export crop production in WAEMU

(in metric tons except where otherwise stated, updated – June 2019)

	2016/2017	2017/2018 (1)	2018/2019* (2)	Average over the past five crop years (3)	Change (in %)	
					(2)/(1)	(2)/(3)
Cocoa	1,644,801	2,045,112	2,125,241	1,778,407	3.9	19.5
Coffee	122,611	51,523	143,675	109,890	178.9	30.7
Cotton seed	2,238,808	2,432,055	2,494,305	2,169,991	2.6	14.9
Groundnuts	2,881,855	3,185,333	3,466,749	2,651,413	8.8	30.8
Cashew nuts	1,092,950	1,140,956	1,198,149	1,082,045	5.0	10.7
Rubber	453,040	606,420	624,136	405,680	2.9	53.8

Sources: National Marketing Services

*Estimates

53. Specifically, coffee production, valued at 143,675 tons in the 2018/2019 season, increased by 178.9% compared with the previous season, reflecting a return to normal, after a substantial decline caused by significant crop losses due to heavy rains during the flowering stage of the 2017/2018 growing season.

2.1.2 - Secondary sector

54. In the quarter under review, value added generated by the secondary sector grew at an annual rate of 7.7%, or +0.8 percentage points compared with the level reached in the previous

quarter. The business climate indicator in the secondary sector was up by one point compared

with the previous quarter. This indicator remained above its long-term trend, reflecting high levels of confidence among business leaders as to trends in their activity. The business climate indicator in the industrial sector was up by 2.6 points compared with the previous quarter.

55. The industrial production index rose by 7.0%, year over year, in the second quarter of 2019, compared with 5.4% three months earlier. This increase was mainly due to a recovery in the production of extractive activities (+1.1% compared with -6.7% in the previous quarter), especially in Côte d'Ivoire and Niger. The positive trend observed in the mining sector was mainly due to increased crude oil production (+26.7% compared with +4.4%) and uranium production (+13.3% compared with +5.6%). The acceleration in the rate of industrial production was also correlated with an increase in energy production (+11.3% compared with +5.1%), especially in Benin, Côte d'Ivoire, Senegal, and Togo.

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

Industries	2018	2018			2019	
		Q2	Q3	Q4	Q1	Q2*
Output of extractive activities	-6.6	-13.1	-6.2	-6.3	-6.7	1.1
incl. Crude oil and natural gas	-0.1	-9.0	6.6	9.9	4.4	26.7
Uranium ores	-15.9	-21.2	-19.5	-20.1	5.6	13.3
Manufacturing industries	9.5	8.7	10.3	10.6	10.0	7.7
- Food and beverage products	13.4	11.9	18.2	13.9	14.1	13.2
- Refined petroleum products	-1.4	-2.5	2.4	-1.5	6.4	10.0
Electricity, gas, water	1.6	1.7	2.3	1.0	5.1	11.3
General Index	4,5	2,0	5,5	5,4	5,4	7,0

Source: BCEAO

(*) Preliminary data

2.1.3 - Tertiary sector

56. Year-over-year value added generated by the tertiary sector increased by 7.0% in the second quarter of 2019, compared with 6.8% in the first quarter of 2019. Relative to the previous quarter, the business climate indicator remained above its long-term trend and increased by 1.2 points, driven mainly by the optimistic outlook of business leaders in the "Trade" branch regarding trends in their sales figures and their improved cash position (+3 points).

57. The retail sales index rose by 9.5% in the second quarter of 2019 compared with 5.6% in the previous quarter. This acceleration was mainly due to increases in the rates of food sales (+15.1% compared to +10.5%), especially in Benin, Côte d'Ivoire, and Senegal, as well as sales of petroleum products (+6.3% as against +3.5%), mainly in Côte d'Ivoire, Senegal, and Togo. On the other hand, a slowdown was noted in the growth rate for sales of pharmaceuticals and cosmetics (+9.5% against +17.7%), and automobiles (+5.4% against +6.2%).

58. The growth rate of the turnover index for market services (excluding financial services) rose to 4.4% in the second quarter of 2019 compared with 3.4% in the first quarter of 2019, driven in particular by transportation and communications services. The financial services activity index rose by 8.1% during the period under review, compared with +7.6% noted a quarter earlier,

reflecting an increase in the volume of loans, in conjunction with a rise in the cost of credit (borrowing rate) and a fall in the deposit rate.

Table 9 - Year-over-year change in the turnover index (TI) in WAEMU
(SA-WDC data, in %)

	2018	2018			2019	
		Q2	Q3	Q4	Q1	Q2*
Trade TI	5.7	4.2	8.2	7.9	5.6	9.5
Food commodities	4.6	10.0	-0.5	11.6	10.5	15.1
Personal equipment products	3.2	-4.4	2.4	9.7	15.9	31.3
Automobiles, motorcycles, and spare parts	2.9	-9.4	6.6	-3.2	6.2	5.4
Petroleum products	11.3	9.6	14.1	8.4	3.5	6.3
Pharmaceuticals and cosmetics	12.5	18.6	13.5	10.1	17.7	9.5
Trade services TI (excluding financial services)	8.2	9.8	5.9	5.9	3.4	4.4
Financial services TI	8.0	6.4	9.8	8.0	7.6	8.1

Source: BCEAO

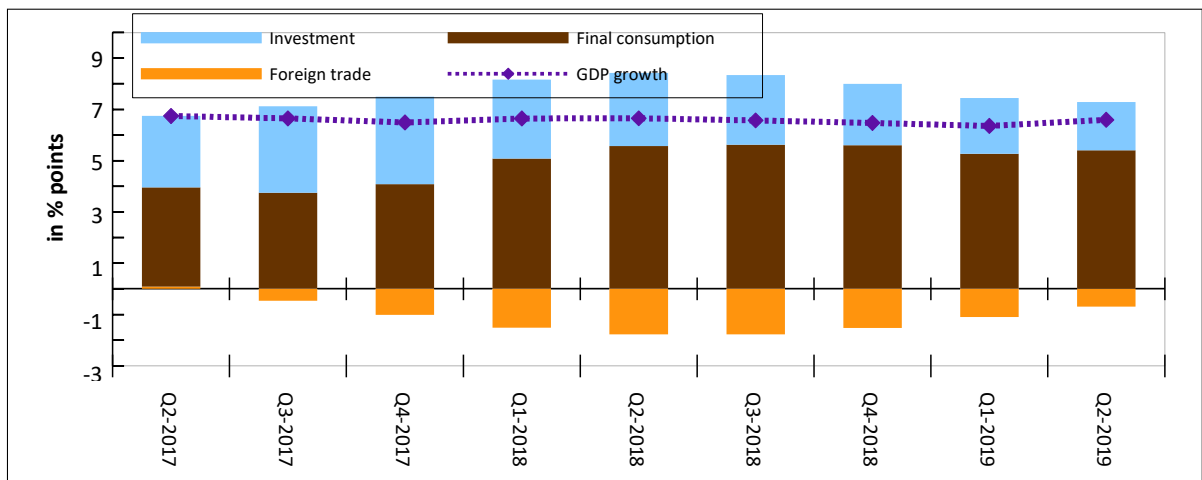
(*) Preliminary data

2.2 - Demand factors

2.2.1 - Trends in GDP uses

59. Domestic demand remained the main driver of economic growth in the Union, contributing 7.3 percentage points (pps) to GDP growth in the second quarter of 2019. More specifically, the contribution of final consumption to economic expansion stood at 5.4 pps, while the contribution of investment reached 1.9 pp. On the other hand, the contribution of foreign trade in goods and services remained negative at -0.7 pp, compared with -1.4 pp in the first quarter of 2019.
60. Final consumption grew by 6.4% in the second quarter of 2019, up from 6.2% in the previous quarter, in line with increased household consumption of services, especially communications and transportation, as well as food and energy products.

Graph 6 - Contributions of demand items to GDP growth



Source: BCEAO

61. Investments in WAEMU increased by 9.7%, year over year, in the second quarter of 2019, compared with 9.6% in the previous quarter.
62. The negative contribution of foreign trade to economic growth reflected a structural imbalance in goods and services trade. The improved contribution of the external sector was consistent with the reduced trade deficit.

2.2.2 - Budget execution of WAEMU Member States at the end of June 2019

63. The data available on the budget execution of WAEMU Member States during the first half of 2019 showed that, overall, revenues increased more than expenditures, leading to an improvement in the overall deficit, on a commitment basis, inclusive of grants.
64. Total resources collected by the Union's Member States amounted to 7,555.3 billion at the end of June 2019, compared with 6,757.3 billion at the same period the previous year, up 11.8%. This increase was mainly driven by a year-over-year increase of 14.5% in tax revenue, in connection with a strong performance in the collection of customs duties and taxes and income tax in most countries.
65. Budgetary grant mobilizations were down 9.7% to 421.7 billion at the end of June 2019 from 467.2 billion a year earlier.

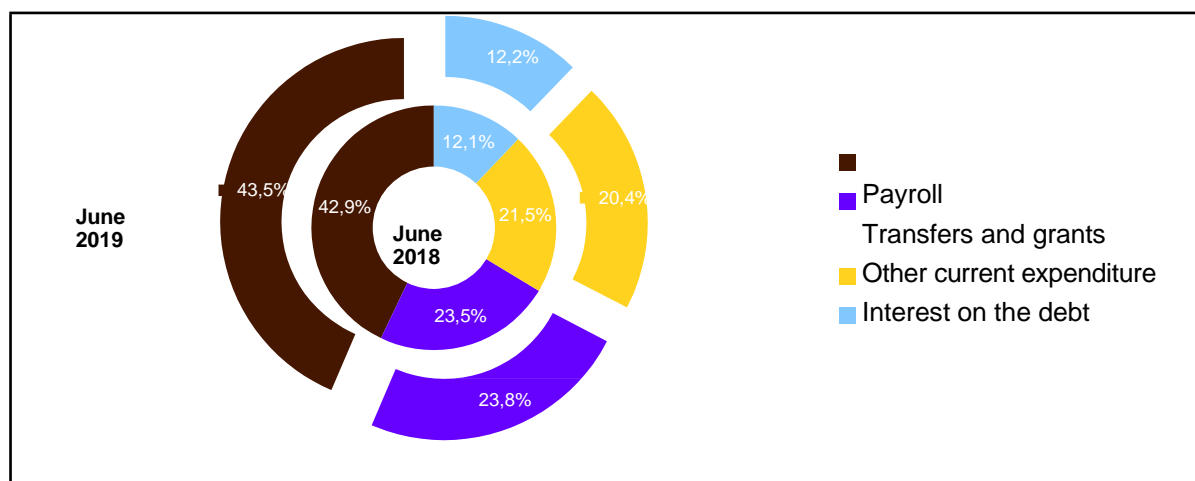
Table 10 - Financial operations of WAEMU Member States

(in billions, unless otherwise indicated)

	June 2018	June 2019	Change	
			in billions	In %
Budget revenue and grants	6,757.3	7,555.3	798.0	11.8
<i>budget revenue</i>	6,290.2	7,133.6	843.4	13.4
<i>incl. fiscal revenue</i>	5,570.1	6,379.5	809.4	14.5
<i>grants</i>	467.2	421.7	-45.4	-9.7
Total expenditures and net loans	7,465.8	8,198.0	732.2	9.8
<i>incl. Current expenditure</i>	4,822.2	5,351.2	529.0	11.0
payroll	2,067.8	2,309.0	241.2	11.7
grants and transfers	1,135.4	1,260.3	124.9	11.0
interests on the debt	582.0	703.1	121.2	20.8
<i>capital investment</i>	2,514.7	2,712.2	197.6	7.9
<i>other expenditure</i>	138.7	139.8	1.1	0.8
<i>net loans</i>	-9.7	-5.2	4.5	-46.8
Total balance, commitment basis, incl. grants	-708.5	-642.7	65.8	9.3
<i>(in % of GDP)</i>	-2.1	-1.8	-	-
Total balance, commitment basis, incl. grants	-782.1	-639.8	142.3	18.2
<i>(in % of GDP)</i>	-2.3	-1.8	-	-

Sources: National departments, BCEAO

66. Net expenditure and loans increased by 9.8%, from 7,465.8 billion at the end of June 2018 to 8,198.0 billion at the end of June 2019, under the combined impact of increased current expenditure (+529.0 billion or +11.0%) and that of capital expenditure (+197.6 billion or +7.9%).

Graph 7 - Structure of current expenditure in WAEMU as at the end of June 2019 (%)

Sources: National departments, BCEAO

67. The change in the breakdown of current expenditure was mainly due to an increase in the amounts of salaries and wages as well as interest expenses, which corresponded to 55.7% of tax revenues at the end of June 2019 compared with 55.0% a year earlier.
68. The 7.9% or 197.6 billion year-over-year increase in capital expenditure reflected the continued execution of public investments, especially in infrastructure.
69. In line with these developments, the overall deficit, on a commitment basis, inclusive of grants, came in at 642.7 billion or 1.8% of GDP in the first half of 2019, compared with 708.5 billion or 2.1% of the GDP a year earlier. To cover this deficit, the States made use of the regional market and external resources.

2.2.3 - Regional public debt market

70. In the first half of 2019, overall gross issues on the regional public debt market amounted to 2,300.2 billion, up by 1,011.9 billion or 78.5% compared with the first half of 2018. Net issuance stood at 783.8 billion at the end of June 2019, compared with -146.1 billion a year earlier, due to a stronger presence of Côte d'Ivoire and Senegal on the regional financial market compared with the same period of the previous year.
71. In the Treasury bill segment, forty-four issues were made for a cumulative amount of 1,061.2 billion, compared with thirty-seven issues for 689.1 billion a year earlier. The 3- and 12-month maturities were the most sought after with nineteen issues totaling 440.9 billion, i.e., 79.4% of the total amount of bills issued during the period.
72. National treasury departments raised 1,239.0 billion in the bond compartment compared with 599.2 billion in the first half of 2018. The bonds issued were mainly for 3-year and 5-year maturities, which represented 62.9% and 31.2% of the resources raised, respectively. Thirty-eight issues were made by auction for 823.7 billion and six through syndication for 415.3 billion.

Table 11 - Gross public securities issues on the regional market*(in billions of CFA F)*

	Total 2017	2017				Total 2018	2019	
		Q1	Q2	Q3	Q4		Q1	Q2
Bills	1,578.2	380.2	308.9	471.3	329.0	1,489.4	536.9	524.3
Bonds	2,121.9	224.8	374.4	558.6	630.4	1,788.2	546.0	693.0
<i>By adjudication</i>	1,165.2	112.9	218.1	394.0	218.9	943.9	349.5	474.2
<i>By syndication</i>	958.8	111.9	156.3	164.6	411.5	844.3	196.5	218.8
Total	3,700.1	605.0	683.3	1,029.9	959.4	3,277.6	1,082.9	1,217.3

Source: WAMU Securities

73. In line with the trend in net issuance, total outstanding public securities on the regional financial market stood at 10,756.5 billion at the end of June 2019. The percentage of bonds in outstanding securities stood at 85.9%. The breakdown by country was as follows:

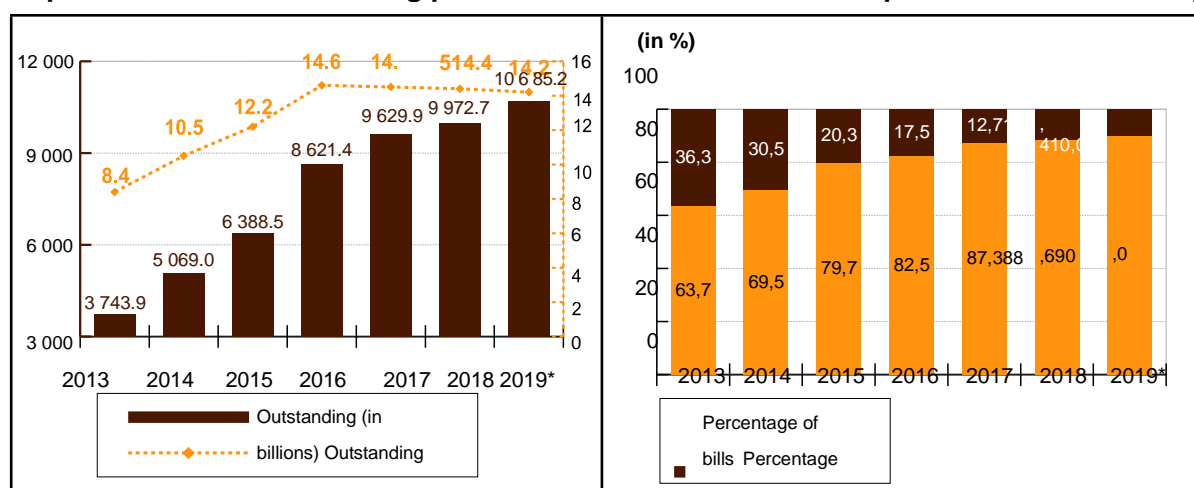
Table 12 - Outstanding government securities at the end of June 2019 by country (*)*(in billions of CFA F)*

	Bills	Bonds	Total
Benin	169.7	1,287.1	1,456.8
Burkina Faso	361.9	1,052.7	1,414.5
Côte d'Ivoire	371.3	3,370.4	3,741.6
Guinea-Bissau	18.3	47.4	65.7
Mali	185.7	1,078.8	1,264.5
Niger	313.7	561.2	874.9
Senegal	0.0	790.3	790.3
Togo	92.4	1,055.7	1,148.1
WAEMU	1,513.0	9,243.5	10,756.5

Source: WAMU-Securities

(*) These figures concern only issues on the regional financial market.

74. Based on the issuance schedules compiled from the Union's Member States, the total amount of resources to be mobilized on the regional market was expected to amount to 3,898.1 billion, up 18.9% compared with actual figures in 2018. Maturities were estimated at 3,185.6 billion and net issuance was expected to be positive at 712.5 billion, bringing outstanding public securities to 10,685.2 billion, or 14.2% of the GDP at the end of December 2019.

Graph 8 - Trends in outstanding public securities at the end of the period and their makeup

Sources: BCEAO, WAMU Securities

(*): forecasts for end December 2019

2.2.4 - Resource mobilization on international markets

75. During the first half of 2019, Benin raised resources on the international markets by issuing Eurobonds for a nominal amount of 500 million euros, or 328 billion CFA francs, with a coupon of 5.75%, for a maximum maturity of 7 years.

2.2.5 - External and intra-WAEMU trade

2.2.5.1 - External trade

76. In the second quarter of 2019, the Union's trade deficit narrowed by 154.3 billion compared with the same period of 2018, to stand at 512.4 billion or 2.8% of the GDP, due to a higher rate of growth in exports (+4.7%) than in imports (+0.3%). Overall, the import-export coverage rate rose to 88.0% in the second quarter of 2019 from 84.3% a year earlier, up 3.7 percentage points.

77. The buoyancy of the export sector reflected higher sale volumes in cotton (+46.4%), cocoa (+22.1%), gold (+8.6%), oil (+15.6%) and rubber (+11.4%). The increase in revenue was mainly due to positive trends in international prices for gold and rubber, and increases in volumes shipped with regard to cotton, cocoa, and oil. These increases were, however, partially offset by a decline in cashew nut sales (-42.1%), against the backdrop a sharp drop in international prices.

78. Imports rose as a result of higher purchases of capital and intermediate goods (+4.4%), driven by buoyant public and private investment. However, this trend was partially offset by a decline in the food and consumer goods supply bill (-3.3%), due to easing of prices on international markets, especially for rice and oils.

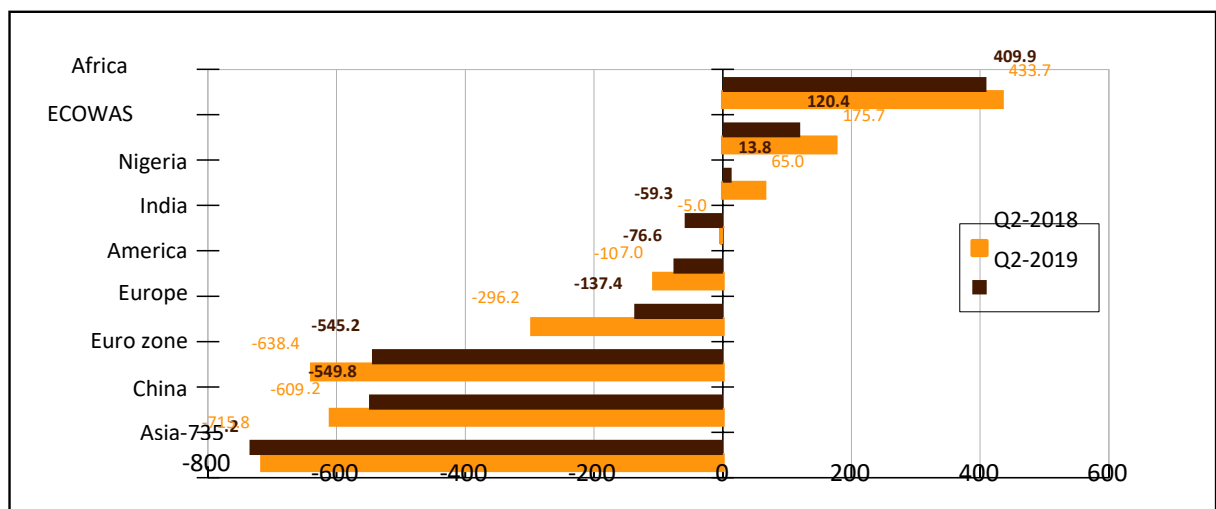
Table 13 - Trends in the Union's trade in the second quarter of 2019

	Q2-2018	Q2-2019*	Annual change	
	<i>(in billions)</i>		<i>(in billions)</i>	<i>(in %)</i>
Exports (FOB)	3,590.1	3,759.2	169.1	4.7
<i>incl. Cocoa products</i>	437.5	534.0	96.5	22.1
<i>Gold and precious metals</i>	998.3	1,084.3	86.0	8.6
<i>Petroleum products</i>	337.5	390.0	52.5	15.6
<i>Cotton products</i>	152.4	223.1	70.7	46.4
<i>Coffee products</i>	32.5	30.7	-1.8	-5.5
<i>Cashew products</i>	385.6	223.1	-162.5	-42.1
<i>Rubber</i>	96.2	107.2	11.0	11.4
<i>Uranium</i>	27.8	29.5	1.7	6.1
Imports (FOB)	4,256.8	4,271.6	14.8	0.3
<i>incl. Food commodities</i>	1,129.6	1,092.4	-37.2	-3.3
<i>Consumer goods</i>	388.4	379.2	-9.2	-2.4
<i>Energy products</i>	956.1	918.4	-37.7	-3.9
<i>Capital goods</i>	1,056.7	1,101.0	44.3	4.2
<i>Intermediate goods</i>	951.2	994.5	43.3	4.6
Trade balance	-666.7	-512.4	154.3	23.1
(as a % of GDP)	-3.9%	-2.8%		

Sources: BCEAO, NSIs, Customs - NB: Imports are in CIF value, unless otherwise indicated - (*) estimates

79. An analysis of the geographical pattern of the Union's trade flows during the period under review showed a trade surplus with Africa but trade deficits with Asia, Europe, and America.

80. The Union's trade surplus with its main African partners amounted to 409.9 billion, including 313.4 billion with South Africa, reflecting gold shipments to that country by Burkina Faso and Mali. With respect to the other countries in the ECOWAS zone, the balance showed a surplus of 120.4 billion. More specifically, the Union posted surpluses of 13.8 billion with Nigeria and 45.8 billion with Ghana. Sales to these countries consisted exclusively of petroleum products, live animals, chemicals, and food commodities. External purchases by Union countries from other African countries consisted exclusively of energy products and intermediate goods.

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

Sources: BCEAO, NSIs, Customs

81. The Union's trade with European countries showed a deficit of 137.4 billion in the second quarter of 2019. This negative figure reflects the deficit recorded with the Eurozone (-545.2 billion), which is a major supplier of capital and intermediate goods, food commodities (especially wheat and dairy products) and refined petroleum products to the Union. Sales to the Eurozone consisted largely of cocoa, crude oil, fishery products and uranium. On the other hand, in relation to European countries outside the European Union, WAEMU showed a trade surplus of 464.8 billion. Exports of goods to these countries consisted mainly of gold and cotton. Imports from these countries consisted mainly of intermediate goods, refined petroleum products and foodstuffs.

Table 14 - Geographic trends in WAEMU's external trade flows (in %)

	Exports		Imports		External trade (Exports and Imports)	
	Q2-2018	Q2-2019	Q2-2018	Q2-2019	Q2-2018	Q2-2019
I. Europe	38.6	41.2	39.6	39.5	39.1	40.3
<i>Eurozone</i>	19.2	20.7	33.4	33.1	25.7	26.2
II. Africa	30.0	30.1	15.1	16.9	21.9	23.1
ECOWAS	15.0	14.7	8.5	10.1	11.5	12.3
<i>Nigeria</i>	9.4	9.3	6.4	7.9	7.8	8.5
<i>Ghana</i>	3.8	3.7	2.0	2.2	2.9	2.9
CEMAC	0.8	0.8	0.1	0.1	0.4	0.5
Other African countries	14.2	14.6	6.5	6.6	10.0	10.4
<i>South Africa</i>	9.9	10.3	1.7	1.7	5.5	5.7
III. America	6.6	7.1	8.1	8.0	7.4	7.6
<i>United States</i>	3.5	3.8	4.2	3.9	3.9	3.9
IV. Asia	23.2	20.0	36.4	34.8	30.4	27.9
<i>China</i>	1.9	2.0	16.0	14.9	9.5	8.7
<i>India</i>	7.5	5.2	6.5	6.6	7.0	6.2
V. Other countries	1.4	1.6	0.8	0.8	1.1	1.1
VI. Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: BCEAO, NSIs, Customs

82. The Union's trade deficit with the Americas amounted to 76.6 billion in the quarter under review. The Union's procurements from America consisted of consumer goods, capital goods and refined oil products. Exports to the continent consisted of cocoa, crude oil, and rubber.
83. Trade with Asia showed a deficit of 735.2 billion. Specifically, the Union had a trade deficit of 549.8 billion with China. Sales to Asia consisted mainly of cashew nuts, cotton, gold, cocoa, and chemicals. Imports consisted mainly of capital and intermediate goods and food commodities, especially rice from Thailand and India. Intermediate goods from Asia were supplied mainly by China, Japan, and India.

2.2.5.2 - Intra-WAEMU trade

84. Intra-WAEMU trade was estimated to have increased by 2.3% to 646.4 billion, representing 16.1% of the Union's total trade. Côte d'Ivoire and Senegal continued to be the main suppliers, with a combined 55.4% of total intra-Community supply. 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 commodities (cereals, live animals), edible oils and construction materials.

2.3 - Recent economic growth and outlook

85. The latest statistics published by the Union's government departments showed that economic activity remained strong in the WAEMU Union in 2018, with real GDP growth of 6.6%, the same rate as in 2017. Growth in economic activity was mainly driven by the tertiary sector, whose contribution stood at 3.6 points, while the contributions of the primary and secondary sectors amounted to 1.5 point each.

Table 15 - Growth rates in WAEMU Member States(%)

	2017	2018	2019	
		<i>Estimates revised in July 2019</i>	<i>Forecast June 2019 Report</i>	<i>Revised forecasts</i>
Benin	5.8	6.7	7.6	7.6
Burkina Faso	6.3	6.6	6.4	6.1
Côte d'Ivoire	7.7	7.4	7.5	7.5
Guinea-Bissau	5.9	3.8	6.3	6.3
Mali	5.4	4.9	4.9	5.0
Niger	4.9	6.5	6.8	6.3
Senegal	7.1	6.7	6.9	6.9
Togo	4.4	4.9	5.1	5.1
Union	6.6	6.6	6.7	6.7

Sources: BCEAO, NSIs

86. Real GDP growth in 2019 is expected to stand at 6.7% compared with 6.6% in 2018. This trend is expected to be driven mainly by the tertiary and secondary sectors, whose contributions should at 3.7 points and 2.0 points, respectively. The tertiary sector is expected to benefit in particular from buoyant banking and telecommunications services as well as from increased commercial trade activities. The increase in value added in the secondary sector is expected to be driven by stronger construction and public works activity, as a result of the implementation of investment projects, particularly in Benin, Burkina Faso, Côte d'Ivoire, and Senegal. Manufacturing output is also expected to increase, in particular as a result of increased agricultural production, as well as cement production to meet the needs of the construction industry. The contribution of the primary sector was expected to stand at 1.0 point in 2019.
87. Downward adjustments were made to the economic performance of Burkina Faso and Niger, amounting to 0.3 and 0.5 percentage points, respectively, from the forecasts presented in the June 2019 report. The economies of Burkina Faso and Niger are expected to grow by 6.1% and 6.3%, respectively, compared with the levels of 6.4% and 6.8% previously forecast,

mainly due to a 1.4 percentage point drop in the investment rate in Burkina Faso and a smaller-than-expected increase in the value added of the primary sector in Niger.

88. By contrast, Mali's economic performance, initially expected to ring in at 4.9%, was raised by 0.1 pp to 5.0%. This adjustment was ascribable to a stronger-than-expected increase in gold production following the commissioning of the country's second largest mine.

Table 16 - Contributions to growth in the Union's gross domestic product

	2017	2018	2019
Primary sector	1.6	1.5	1.0
Secondary sector	1.3	1.5	2.0
Tertiary sector	3.7	3.6	3.7
Real GDP	6.6	6.6	6.7
Final consumption	4.1	5.0	5.0
Investment	2.1	2.5	2.2
External sector	0.4	-0.9	-0.5
including - Exports	3.2	1.7	2.2

Source: BCEAO

89. To boost the economic performance of WAEMU Member States in an international environment marked by persistent risk factors, the Union's Member States should grant priority to ongoing actions aimed at increasing their resources, especially through targeted measures to broaden the tax base, with a view to bringing the tax burden ratio into alignment with the community objective of 20% and enhancing efficiency in public spending.

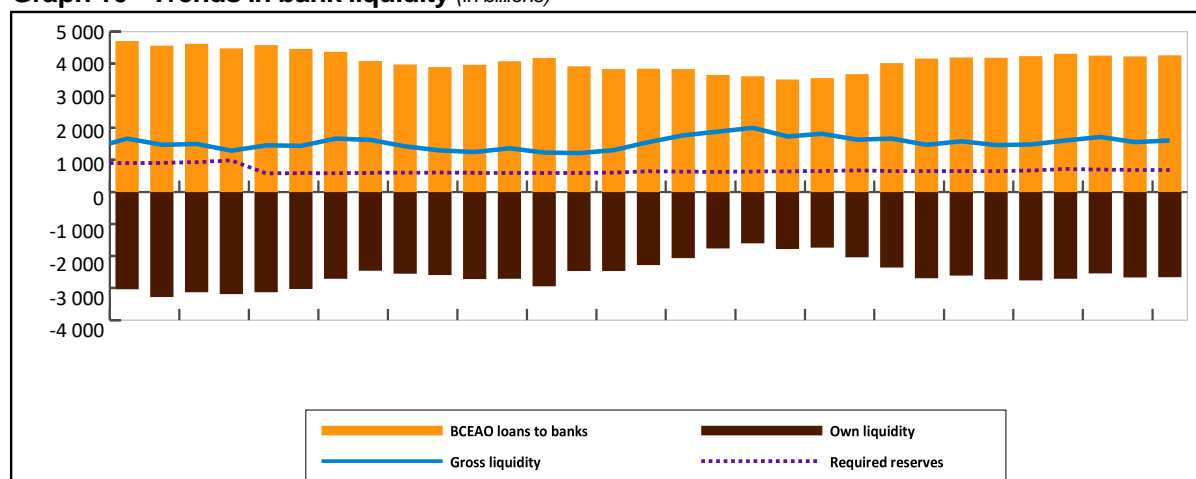
III - CURRENCY, MONETARY CONDITIONS AND THE FINANCIAL MARKET

3.1 - Monetary conditions

3.1.1 - Bank liquidity

90. Bank liquidity, which is measured through the balances of ordinary and settlement accounts on the books of the Central Bank, was stable in the second half of 2019, standing at 1,599.9 billion at the end of June 2019 compared with 1,600.9 billion at the end of March 2019. This trend was due to the positive impact of independent factors (+51.9 billion), offset by a decline in outstanding refinancing facilities extended the by the BCEAO (-52.9 billion) over the period.
91. The positive change in banks' independent liquidity supply was driven by the balance of transactions with national treasury departments and other net factors (+65.7 billion) as well as by net transfers initiated by banks (+38.3 billion). These increases were, however, were offset by the net outflow of banknotes from bank counters (-52.1 billion).

Graph 10 - Trends in bank liquidity (in billions)



Source: BCEAO

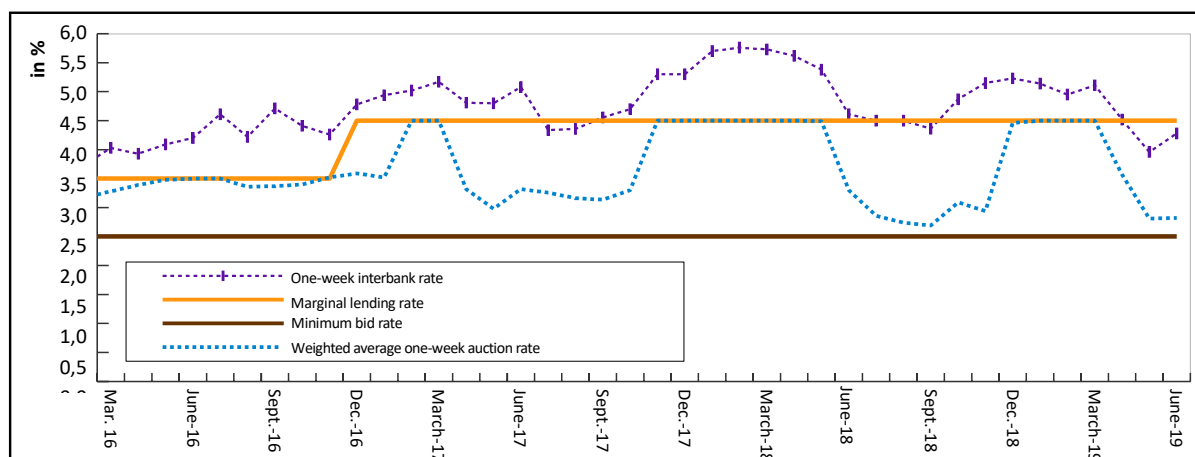
92. The banks' reserve requirements over the maintenance period from May 16 to June 15, 2019, stood at 683.8 billion. Over the same period, reserves held by banks averaged 1,635.6 billion, exceeding the minimum regulatory requirement by 951.8 billion.
93. With respect to their status during the reserve maintenance period from February 16 to March 15, 2019, surplus reserves were up by 268.7 billion. The banks' actual reserves represented 139.2% of required reserves compared with 95.5% in the previous quarter. The number of banks with reserve requirement shortfalls remained stable at six.

3.1.2 - Trends in money market interest rates

94. An analysis of refinancing conditions on the one-week and one-month tender windows of the BCEAO during the second quarter of 2019 showed an easing of money market rates.
95. The weighted average rate on weekly liquidity injection operations stood at 3.1025% in the second quarter of 2019 compared with 4.5000% in the previous quarter and 4.1516% a year earlier. On the one-month window, the weighted average rate was 3.1504%, versus 4.5000%

in the first quarter of 2019. In the same period of 2018, the rate stood at 4.1809%. On the other hand, the quarterly average money market rate² came in at 2.7034% compared to 4.5000% in the previous quarter and 3.7747% a year earlier.

Graph 11 - Trends in money market rates



Source: BCEAO

96. Interbank market rates followed a downward trend during the period under review. The weighted average interest rate across all maturities fell to 4.3374% from 5.0701% a quarter earlier. It also dropped by 94 basis points from its level in the second quarter of 2018 (5.2812%). The weighted average interest rate on the one-week maturity, which totaled 72% of the overall quarterly transaction volume, fell to 4.21% from 5.06% in the previous quarter and 5.25% a year earlier.

97. In the Treasury bill segment of the financial market, the average cost of resources raised by the Union's Member States continued its downward trend. The weighted average interest rate stood at 5.32% in the second quarter of 2019 compared with 6.00% in the same period one year prior.

Table 17 - Average interest rates for Treasury bills (%)

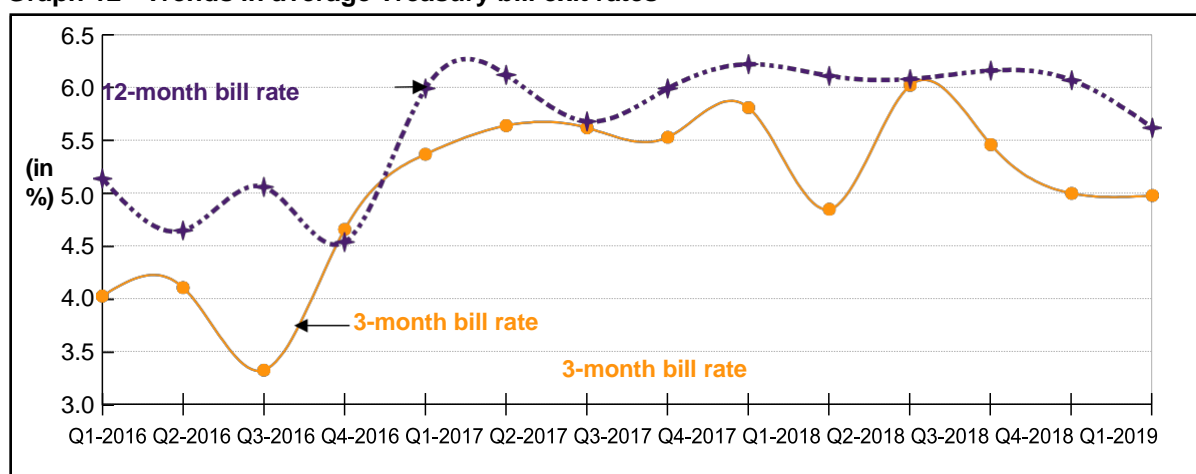
	2017				Average 2017	2018				Average 2018	2019	
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2
1 month	4.94	4.86	-	-	4.91	-	-	-	3.90	3.90	-	-
3 months	5.50	5.37	5.64	5.62	5.53	6.38	5.81	4.85	6.02	5.46	5.00	4.98
6 months	5.37	5.87	5.38	5.96	5.77	6.09	6.17	5.86	5.99	6.06	5.69	5.40
12 months	5.99	6.12	5.68	5.99	5.99	6.25	6.22	6.11	6.08	6.16	6.07	5.62
24 months	-	-	-	5.78	5.78	-	5.8	-	-	5.80	-	-
Average rate	5.68	5.74	5.58	5.85	5.71	6.22	6.00	5.61	5.78	5.90	5.78	5.32

Sources: BCEAO, WAMU Securities

^{2/} The quarterly average rate represents the average of the marginal rates on weekly auction operations weighted by the number of days accrued for these rates during the quarter.

98. The exit rate curves for 3-month and 12-month Treasury bills followed a downward trend during the quarter under review.

Graph 12 - Trends in average Treasury bill exit rates

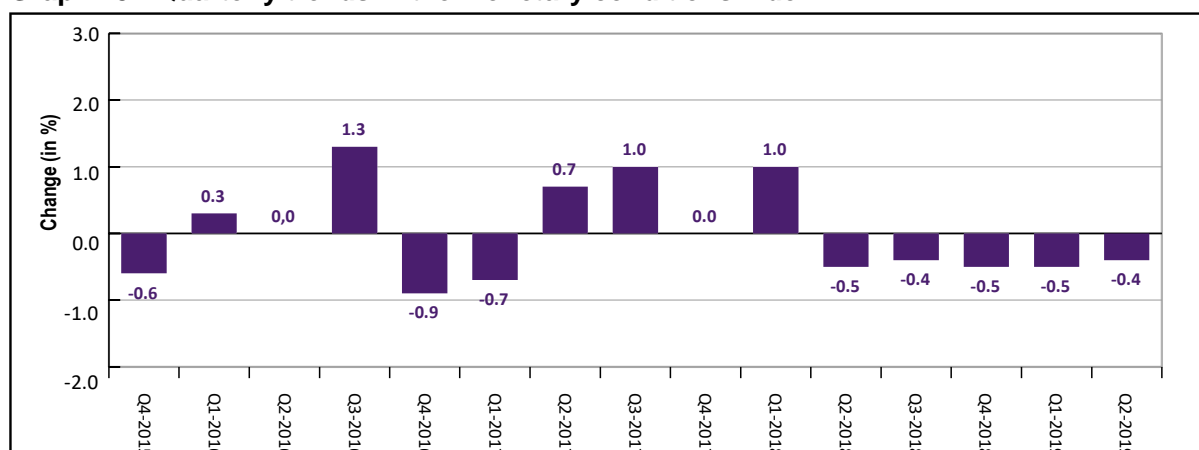


Sources: BCEAO, WAMU Securities

3.1.1 - Trends in monetary conditions³

99. Monetary conditions continued to ease in the second quarter of 2019. The monetary conditions index fell by 0.4% from the previous quarter, reflecting a decline in the real effective exchange rate (-0.2%), in conjunction with a decline in the real interest rate on the one-week interbank market (-0.6 percentage point).

Graph 13 - Quarterly trends in the monetary conditions index

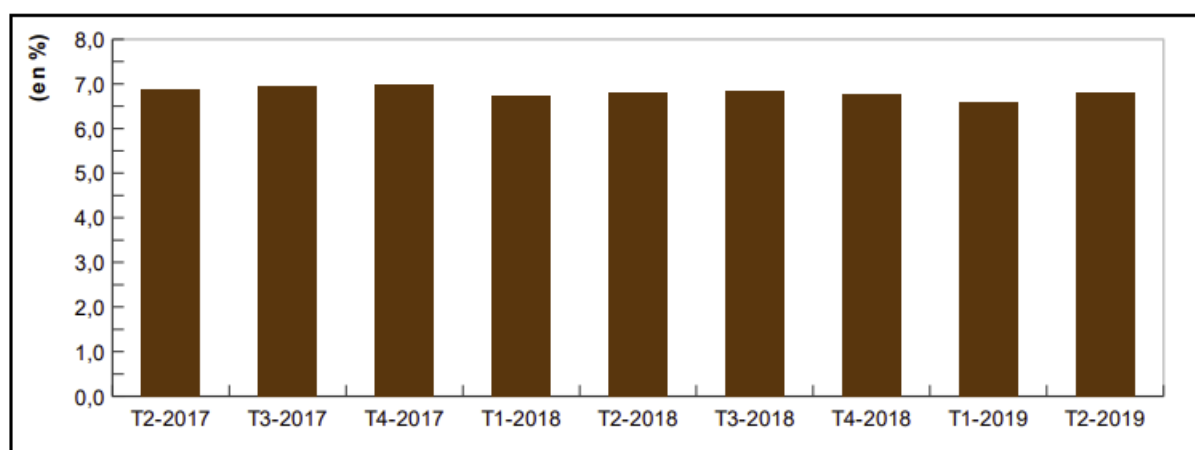


Source: BCEAO

3.1.3 - Deposit and lending rates

100. The cost of bank credit, as measured by the average lending rate, excluding taxes and fees, rose by 20 basis points from its level in the previous quarter, to reach 6.81% in the second quarter of 2019.

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

Graph 14 - Average lending rates for WAMU banks

Source: BCEAO

101. Lending rates broken down by loan purpose revealed that rates under the different headings increased overall during the second quarter of 2019 compared to the previous quarter. This increase was mainly observed in equipment loans (+39 bps), export loans (+24 bps), consumer loans (+23 bps) and cash flow loans (+14 bps). On the other hand, the rate on housing loans fell by 6 bps.

Table 18 - Trends in lending rates in WAMU by loan purpose (%)

	2017				2018				2019	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Housing	7.74	8.25	7.93	8.10	7.87	7.69	7.65	7.27	7.50	7.44
Exports	6.99	6.62	7.96	8.56	7.18	6.61	6.51	7.37	7.01	7.25
Equipment	7.94	7.16	7.39	7.74	7.93	8.12	7.63	7.45	7.01	7.40
Consumer	8.11	8.34	8.29	7.99	7.87	8.21	8.23	7.94	8.07	8.30
Cashflow	6.32	6.51	6.56	6.64	6.29	6.23	6.26	6.43	6.19	6.33
Other	7.75	7.26	7.38	7.23	6.74	7.21	7.45	7.00	7.03	7.33
Total	6.85	6.89	6.97	7.00	6.75	6.80	6.83	6.78	6.61	6.81

Source: BCEAO

102. Broken down by country, lending rates increased³ in Guinea-Bissau (+201 bps), Niger (+52 bps), Senegal (+28 bps), Côte d'Ivoire (+12 bps) and Burkina Faso (+3 bps). On the other hand, decreases in bank loan costs were reported in Benin (-56 bps), Togo (-16 bps) and Mali (-12 bps).

³ Specifically, the rise in lending rates in Guinea-Bissau and Niger was due to large volumes of personal loans, totaling 7 billion and 19 billion respectively at a rate of 10% in both countries. On the other hand, in Benin, the rate decrease was due in particular to the implementation of loans worth 50 billion to state-owned companies and EPICs at a rate of 6% during the month of May 2019.

Table 19 - Trends in lending rates in WAMU by country (in %)

	2017				2018				2019	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Benin	7.61	7.93	7.96	7.84	7.91	8.22	7.71	7.53	7.52	6.96
Burkina Faso	7.49	6.83	7.45	7.35	7.51	7.45	7.53	7.30	7.21	7.24
Côte d'Ivoire	6.22	6.49	6.40	6.51	6.22	6.27	6.49	6.34	6.38	6.50
Guinea-Bissau	8.85	9.65	8.50	9.58	8.22	9.42	9.68	8.79	7.88	9.89
Mali	8.27	7.79	7.86	8.06	7.98	7.66	7.91	7.90	7.67	7.55
Niger	9.24	10.01	10.14	9.40	9.61	9.10	9.65	8.72	9.41	9.93
Senegal	5.69	5.93	5.94	6.29	5.79	5.81	5.71	6.21	5.56	5.84
Togo	8.23	7.69	8.22	8.33	8.26	8.50	8.09	7.82	7.80	7.64
WAEMU	6.85	6.89	6.97	7.00	6.75	6.80	6.83	6.78	6.61	6.81

Source: BCEAO

103. The average lending rate came out lower in the second quarter of 2019, standing at 5.20% compared with 5.35% in the previous quarter.

Table 20 - Trends in deposit rates in WAMU by country (in %)

	2017				2018				2019	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Benin	6.16	5.83	5.56	5.80	5.21	5.72	6.10	5.87	5.13	4.67
Burkina Faso	5.55	5.52	5.74	5.77	5.76	5.37	5.78	5.84	5.71	5.76
Côte d'Ivoire	4.99	5.07	4.97	4.92	4.80	4.96	5.04	5.11	4.96	4.82
Guinea-Bissau	3.44	3.70	4.73	3.88	3.79	4.85	4.67	3.83	3.51	5.31
Mali	5.10	4.91	4.90	4.86	4.95	4.91	4.82	5.12	5.03	5.04
Niger	6.03	6.04	5.32	5.42	5.20	5.81	5.71	6.05	5.65	5.35
Senegal	4.92	5.32	5.17	5.46	5.41	5.29	5.65	5.46	5.48	5.05
Togo	5.44	5.42	5.42	5.34	5.49	5.91	5.63	5.76	5.63	5.48
WAEMU	5.17	5.33	5.30	5.35	5.25	5.32	5.50	5.54	5.35	5.20

Source: BCEAO

3.2 - Monetary situation

104. During the second quarter of 2019, the quarterly growth of the Union's money supply increased, due to a recovery in claims on the economy and, to a lesser extent, to increased net external assets.

Table 21 - Monetary situation at the end of June 2019 (in billions, unless otherwise indicated)

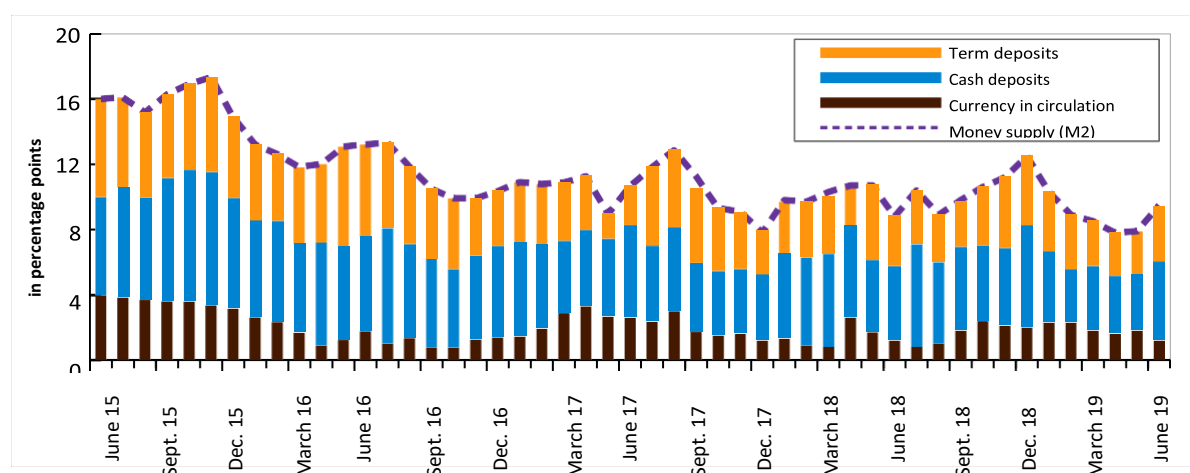
	June-2018	Dec.-2018	March-2019	June-2019	Quarterly variation (4)/(3)		Year-over-year change (4)/(1)	
	(1)	(2)	(3)	(4)	(amount)	(in %)	(amount)	(in %)
	Money supply	25,947.4	27,726.8	27,781.0	28,407.5	626.5	2.3	2,460.1
Net external assets	6,177.3	5,375.1	5,713.6	5,760.8	47.1	0.8	-416.6	-6.7
Domestic claims	26,896.5	30,021.8	29,744.5	30,440.1	695.6	2.3	3,543.6	13.2
Net claims on CPAs*	6,597.3	8,110.5	7,980.9	7,779.3	-201.6	-2.5	1,182.0	17.9
Claims on the economy	20,299.3	21,911.4	21,763.6	22,660.9	897.3	4.1	2,361.6	11.6

Source: BCEAO

(*) CPAs: Central Public Administrations

3.2.1 -The money supply and its components

105. The Union's money supply over the quarter rose from 0.2% at the end of March 2019 to 2.3% at the end of June 2019. On an annual basis, the money supply grew by 9.5% compared with 8.5% three months earlier, driven solely by buoyant domestic claims (+13.2% compared with +13.4%).

Graph 15 - Contributions of various components of annual growth in the money supply

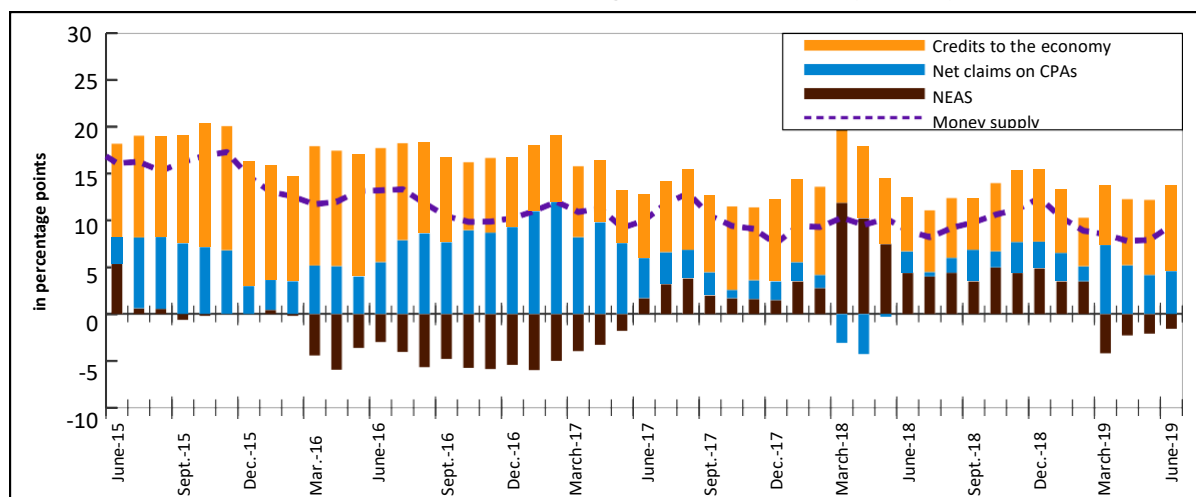
Source: BCEAO

106. An analysis of the components showed that the quarter-on-quarter increase in the money supply was reflected in the trends of deposits (+3.4% compared with -0.2%), with currency in circulation contracting by 1.7% at the end of June 2019, compared with a 1.6% increase at the end of March 2019. On an annual basis, the consolidation of the money supply was reflected in an increase in deposits (+10.7% versus +8.8% a year earlier) as well as an increase in currency in circulation (+5.2% versus +7.7%).

3.2.2 - Money supply counterparts

107. The increase in the money supply during the second quarter of 2019 resulted from a recovery of claims on the economy (+4.1% compared with -0.7% three months earlier), combined with a moderate increase in net external assets (+47.1 billion compared with +338.5 billion). On the other hand, net claims on the central public administrations (CPAs) of the Union's countries declined further (-2.5% compared with -1.6%) over the period.

Graph 16 - Counterpart contributions to annual growth in the money supply

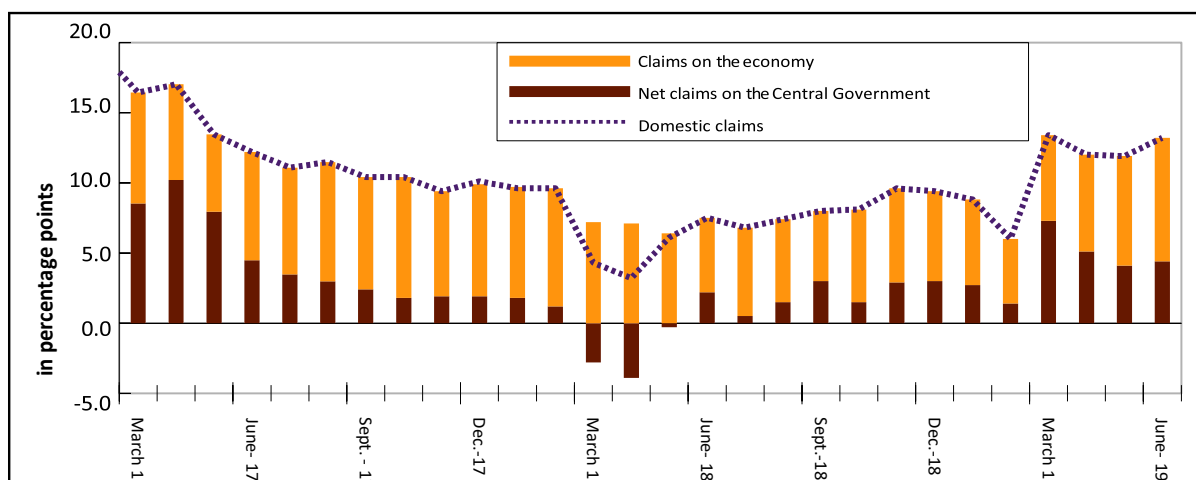


Source: BCEAO

Domestic claims

108. On a quarterly basis, domestic claims increased by 2.3% at the end of June 2019, following a 0.9% decline three months earlier. This recovery was driven by an upturn in claims on the economy (+4.1% versus -0.7%), despite the continued decline in net claims of deposit-taking institutions on the central public administrations (CPAs) of the Union's Member States (-2.5% compared with -1.6%).

109. In terms of annual change, the increase in outstanding domestic claims stood at 13.2% at the end of June 2019, compared with 13.4% three months earlier. This slight deceleration was due to a slowdown in net claims on CPAs (+17.9% as against +31.3% three months earlier), partially offset by the consolidation of claims on the economy (+11.6% as compared with +8.0% three months earlier). The contributions of claims on the economy and net claims on CPAs to the annual growth of domestic claims came out at the end of June 2019 at 8.8 percentage points (pps) and 4.4 pps, respectively, compared with 6.1 pps and 7.3 pps at the end of March 2019.

Graph 17 - Contributions of components to annual growth in domestic claims

Source: BCEAO

Net claims on central governments of Member States

110. Net claims of deposit-taking institutions on CPAs fell again by 2.5% in the second quarter of 2019, on a quarterly basis, after a 1.6% decline in the previous quarter. This decrease reflected an increase in CPA deposits at the BCEAO and at banks (+159.3 billion), combined with a decline in their liabilities to banks (-45.7 billion).

Claims on the economy

111. Quarterly growth in claims on the economy returned to positive territory, reaching 4.1% in the second quarter of 2019, compared with -0.7% in the previous quarter. This recovery was mainly attributable to an increase in bank credit to the private sector (+3.6% compared with -1.2%) over the period. This increase in credit to the private sector was due to a rise in bank credit to private non-financial companies (+3.5% compared with -1.3%) and also to households and non-profit institutions (+3.8% versus -1.1%). Bank loans to public enterprises increased by 1.4%, quarter on quarter, compared with 3.5% three months earlier.

112. Year-over-year growth in claims on the economy was 11.6% at the end of June 2019, compared with 8.0% three months earlier.

Net External Assets (NEAs)

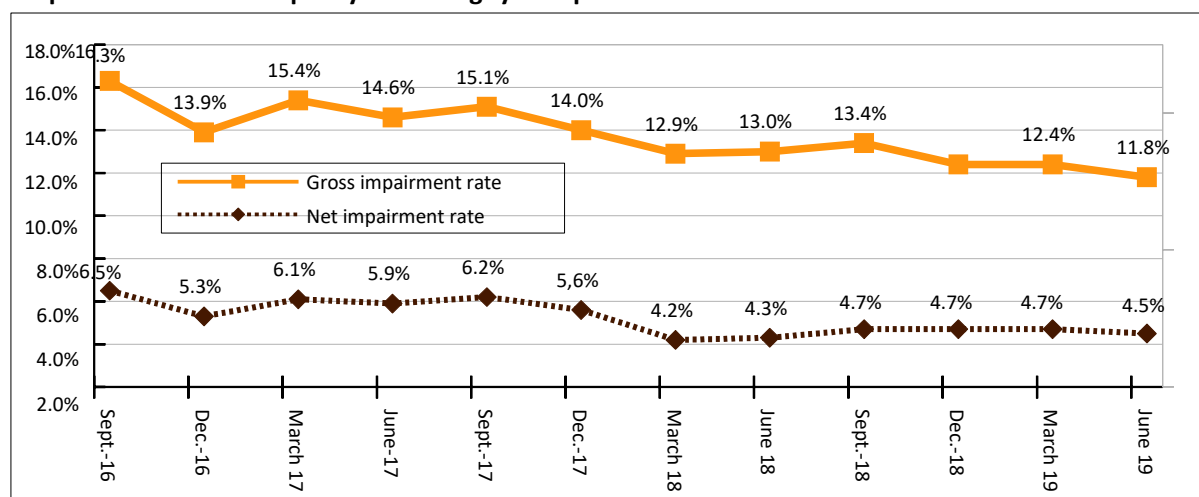
113. At the end of June 2019, net external assets outstanding at the Union's deposit-taking institutions increased by 47.1 billion, compared with a 338.5 billion increase in the previous quarter. This trend was driven by growth in the Central Bank's net external assets (+129.4 billion), partially offset by the decline in those of banks (-82.3 billion).

114. The increase in BCEAO's NEAs over the second quarter of 2019 was due to a rise in external claims (+167.7 billion), partially offset by an increase in external liabilities (+38.3 billion). The Union's foreign exchange reserves totaled 9,042.3 billion at the end of June 2019, reflecting a 77.5% monetary issue coverage rate compared with 76.6% three months prior. This level of foreign reserves guaranteed 5.0 months of imported goods and services versus 4.9 months at the end of March 2019.

-
115. The decline in banks' NEAs in the second quarter of 2019 resulted from a larger increase in external liabilities (+180.6 billion) than in external claims (+98.4 billion) over the period.
116. The Union's net external assets were down by 416.6 billion, year over year, at the end of June 2019, as a result of a decline in the BCEAO's NEAs (-650.3 billion), insufficiently offset by an increase in banks' NEAs (+233.7 billion) over the period.

3.2.3 - Banks' uses and resources

117. Activity in the Union's banking system increased during the second quarter of 2019, due to greater increases in resources than in uses, leading to an improvement in the structural cash deficit compared with the previous quarter. In addition, the quality of the portfolios of lending institutions improved over the period.
118. Between March and June 2019, banking system resources increased by 680.7 billion (+2.3%) to 31,089.1 billion, reflecting mainly increased deposits and borrowings (+874.5 billion or +3.5%) and cash (+169.7 billion or +5.3%).
119. As for uses, they increased by 494.4 billion (+1.5%) to stand at 34,000.1 billion at the end of June 2019. This resulted from an increase in customer loans (+748.5 billion or +3.6%), particularly short-term loans (+301.7 billion or +4.0%), largely offset by decreases in other uses (-247.9 billion, or -2.0%) over the period under review.
120. The total outstanding loans granted to the 50 largest businesses using bank credit (LBUBCs) in each Member State of the Union stood at 6,629.3 billion at the end of June 2019, compared with 6,375.1 billion at the end of March 2019 and 6,047.7 billion at the end of June 2018, corresponding to an increase of 4.0% on a quarterly basis and 9.6% year over year. As a proportion of the loans declared to the Union's central credit bureau, it was projected to account for 48.7% at the end of June 2019 compared with 47.8% at the end of March 2019. By sector, the major risks mainly involved companies operating in the "wholesale trade" (26.5%), "community services" (18.2%), "manufacturing industries" (15.1%), "transportation and communications" (12.1%) and "construction and public works" (11.2%) sectors.
121. The portfolio quality of banks and bank-like financial institutions in the Union improved slightly during the second quarter of 2019, with the gross portfolio impairment rate at 11.8% at the end of June 2019 compared with 12.4% three months earlier. The net rate, taking into account the provisioning effort, also improved to 4.5% from 4.7% at the end of March 2019.

Graph 18 - Trends in the quality of banking system portfolios in WAMU

Source: BCEAO

122. The year-over-year trends in banking activity were marked by an increase in uses (+3,497.1 billion or +11.5%) greater than the increase in resources (+2,783.3 billion or +9.8%). As a result of these developments, the structural deficit of the Union's credit institutions deepened by 674.2 billion, on an annual basis, to stand at -2,911.0 billion at the end of June 2019.

123. The gross portfolio impairment rate improved by 1.2 percentage points, year over year, while the net rate deteriorated by 0.2 percentage points.

3.2.4 - Central Bank interventions

124. The overall volume of BCEAO interventions amounted to 6,218.3 billion at the end of June 2019, down 49.5 billion from its level at the end of March 2019. This decrease was due to a reduction in refinancing facilities granted by the issuing institution to the banks and financial institutions of the Union (-52.9 billion), mitigated by an increase in the Central Bank's claims on national treasuries (+3.4 billion).

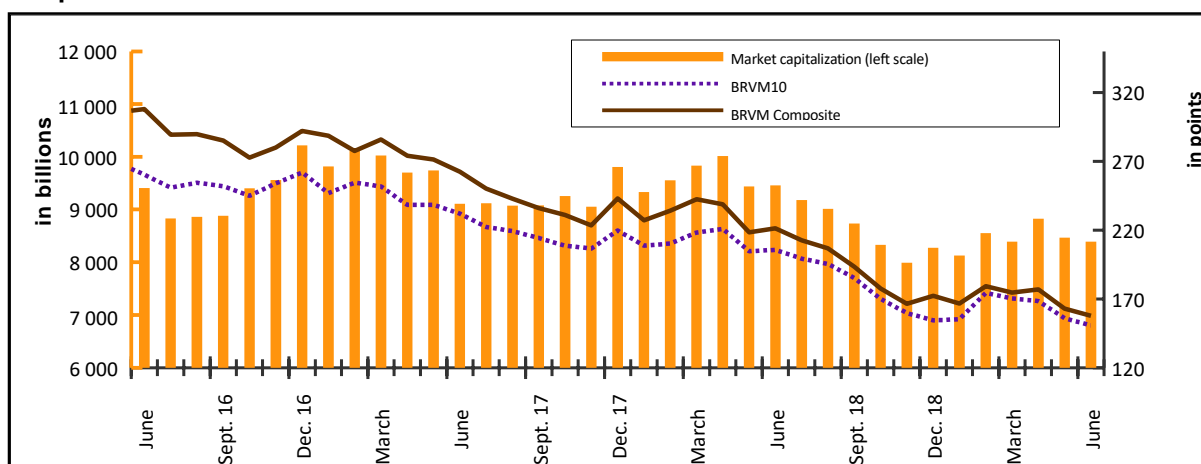
125. At the end of June 2019, the outstanding loans granted by the Central Bank to banks and financial institutions stood at 4,262.6 billion.

126. The increase in the Central Bank's claims on national treasuries over the period was mainly due to an increase in the implementation of IMF loans (+14.6 billion), lessened by the repayment of financing backed by SDR allocations (-11.5 billion) and consolidated monetary loans (-0.7 billion).

3.3 - WAMU financial market

127. During the second quarter of 2019, sub-regional stock market activity was down. The BRVM Composite index fell by 9.6% to close at 157.79 points at the end of June 2019 compared with 174.50 points at the end of March 2019. More specifically, the BRVM10, which is the index of the ten most active stocks on the regional exchange, stood at 150.67 points at the end of June 2019, down 11.5% or 19.65 points from March 2019. On an annual basis, the BRVM Composite and BRVM10 indexes dropped by 28.7% and 26.7% respectively.

Graph 19 - Trends in BRVM indicators



Source: BRVM

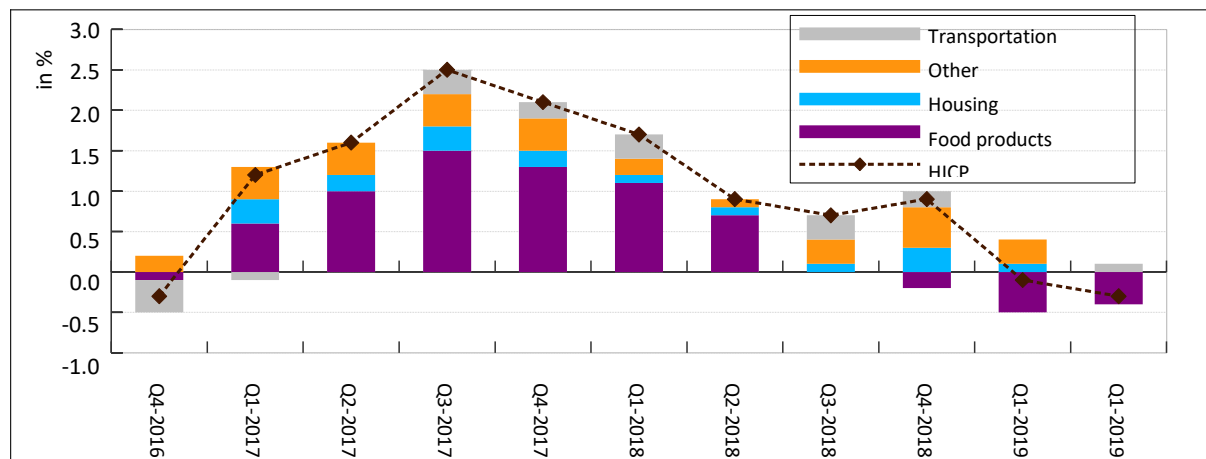
128. With the exception of the “Other Sectors” index (0.0%), all sectoral indexes dropped in the quarter under review, namely “Agriculture” (-28.5%), “Transportation” (-23.8%), “Public Services” (-13.9%), “Distribution” (-8.1%), “Industry” (-6.0%) and “Finance” (-2.1%).

129. The market capitalization of all securities listed on the market amounted to 8,409.4 billion at the end of June 2019, up 20.5 billion or 0.2% compared with the end of March 2019. This development resulted from an increase in the capitalization of the bond market (+231.1 billion or +6.6%), lessened by the contraction of the equity market (-210.6 billion or -4.3%) over the period. The year-over-year analysis showed a decrease of 1,051.1 billion or 11.1% in overall market capitalization.

IV - INFLATION AND EXTERNAL COMPETITIVENESS

4.1 - Recent trends in inflation

130. Prices continued to decline in the second quarter of 2019. The inflation rate, as measured by the general consumer price index (HICP), came in at -0.3% year over year during the period under review, compared with -0.1% a quarter earlier. This downward trend was ascribable to a continued decline in food prices in most countries in the Union, especially prices of local cereals in the landlocked Sahelian countries. At the end of June 2019, there was a significant annual decline in local cereal prices in Burkina Faso (-34%), Mali (-36%) and Niger (-27%), reflecting improved market supplies due to higher production in the previous agricultural season. Food sales at reduced prices or free food distributions by government agencies, as well as support from humanitarian partners in some regions of the Sahel, also contributed to the drop in prices.

Graph 20 - Contributions to the year-over-year change in the HICP in WAEMU

Source: BCEAO

131. Similarly, a drop in prices in the “communications” category, in connection with the downward revision of rates, especially in Burkina Faso, Niger and Togo, contributed to a decrease in prices.
132. On the other hand, there was a rise in prices under the “transportation” component, in connection with the upward adjustment of fuel prices in Benin, Côte d’Ivoire, Mali and Togo.
133. A breakdown by nature indicated a decline in prices for goods, which came in at -0.5% in the second quarter of 2019 compared with -0.3% in the previous quarter, reflecting lower food prices. Similarly, prices for services showed a slowdown in growth, rising 0.2 percent in the second quarter of 2019 compared with 0.4 percent in the previous quarter, reflecting lower costs for communications services. The change in service prices also reflected a lower rate of increase in the cost of housing services, in connection with base effects observed in the second quarter of 2018 in Côte d’Ivoire and Niger, where higher rents had been reported.
134. Core inflation, which measures trends in the general price level excluding fresh food and energy, stood at 0.1 percent, year over year, in the second quarter of 2019, compared with 0.2 percent one quarter earlier. This slowdown resulted from the aforementioned developments in housing and communications services prices.

Table 22 - Trends in core inflation

Components		Weight. (in %)	Q2-2018	Q3-2018	Q4-2018	Q1-2019	Q2-2019
Annual changes (in%)	Fresh produce	24.3	1.4	0.3	0.7	-0.8	-1.5
	Energy	7.2	-0.3	1.1	3.5	0.6	0.5
	Core inflation index	68.5	0.9	0.7	0.7	0.2	0.1
Contributions (in % points)	Fresh produce	24.3	0.3	0.1	0.2	-0.2	-0.2
	Energy	7.2	0.0	0.1	0.2	0.0	0.0
	Core inflation index	68.5	0.6	0.5	0.5	0.1	0.1
Total		100.0	0.9	0.7	0.9	-0.1	-0.3

Sources: BCEAO, NSIs

135. Country-by-country analysis showed that the drop in inflation was mainly driven by landlocked Sahelian countries (Burkina Faso, Mali, and Niger) and, to a lesser extent, Benin and Guinea-Bissau. The price drop in the Sahelian countries was ascribable to the "food" function, reflecting the extent of the decline in local cereal prices referred to above. In Benin, the drop was mainly due to the "housing" component, in conjunction with the drop in the price of cement. Finally, the trend observed in Guinea-Bissau was due to a drop in the price of gas and transportation services.

Table 23 - Year-over-year inflation rate by country in WAEMU (%)

Country	Q2-2018	Q3-2018	Q4-2018	Q1-2019	Q2-2019
Benin	1.9	1.7	-0.2	0.0	-1.0
Burkina Faso	2.5	2.3	0.9	-1.6	-2.9
Côte d'Ivoire	0.6	0.6	0.8	0.6	0.9
Guinea-Bissau	0.4	0.0	1.7	2.4	-0.5
Mali (*)	1.1	-0.2	1.7	-1.2	-0.1
Niger	3.8	2.7	1.2	-1.4	-3.3
Senegal	0.2	-0.5	0.7	0.5	1.4
Togo	1.2	0.7	1.7	2.2	0.2
WAEMU	0.9	0.7	0.9	-0.1	-0.3

Sources: BCEAO, NSIs.

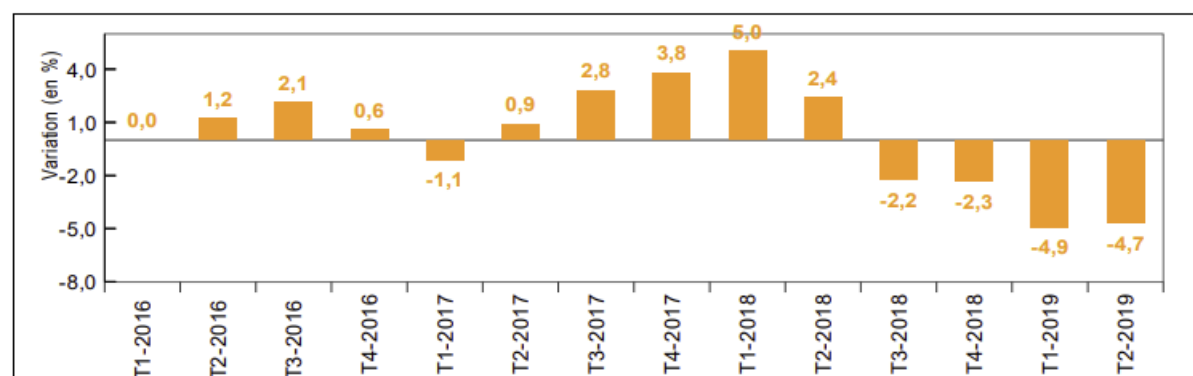
(*) Estimate for the second quarter of 2019

4.2 - External competitiveness

136. The real effective exchange rate (REER) fell by 4.7% in the second quarter of 2019 compared with the same period last year, following a 4.9% decline in the previous quarter. This development reflected a gain in the Union's competitiveness, due mainly to the inflation differential, which was favorable to WAEMU (-3.7%) compared with its partners, as well as the decline in the nominal effective exchange rate (-1.0%).

137. Trends in the nominal effective exchange rate in the second quarter of 2019 mainly reflected the year-over-year depreciation of the CFA franc against the naira (-7.7%), the U.S. dollar (-5.7%), the Japanese yen (-5.1%), the Swiss franc (-4.1%) and the Canadian dollar (-2.3%). In contrast, the CFA franc appreciated against the South African rand (+7.3%) and the Ghanaian cedi (+10.1%).

Graph 21 - Year-over-year trends in the REER



Source: BCEAO

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

138. The year-over-year inflation rate stood at 3.4%, on average, in the partner countries in the second quarter of 2019 compared with -0.3% in the Union.

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

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

Partner countries	Year		Quarterly changes			Annual changes		
	2017	2018	Q4-2018	Q1-2019	Q2-2019(*)	Q4-2018	Q1-2019	Q2-2019(*)
Industrialized countries	1.5	0.6	-1.3	-1.8	0.6	-1.6	-3.2	-3.2
Eurozone	0.5	-0.8	-0.9	-1.4	0.6	-1.1	-1.7	-1.9
Surrounding countries (**)	5.4	-3.2	-3.2	-3.3	-2.7	-8.6	-12.6	-11.7
Asian countries	0.9	3.0	-1.9	-1.1	-0.3	-0.5	-5.1	-4.0
EU countries	0.9	-0.7	-1.0	-1.4	0.7	-1.2	-1.7	-1.9
Emerging countries	-1.8	3.3	-1.5	-2.7	-0.2	0.7	-2.7	-2.5
CEMAC	1.0	0.8	-1.7	-1.0	2.3	0.7	-0.4	-0.7
All	1.2	0.7	-1.7	-2.3	-0.2	-2.3	-4.9	-4.7

Source: BCEAO

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

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

V - INFLATION FORECASTS

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

5.1 - Assumptions used for the projections of inflation

141. The projection assumptions assumed a drop in the average price of crude oil (WTI) from \$60.9 in 2019 to \$59.4 in 2020.

142. On the foreign exchange market, the euro is expected to average \$1.12 in 2019, 2020 and 2021,⁴ compared with \$1.18 in 2018.

143. The assumptions for imported inflation also incorporate the outlook for the general price level at the global level. Specifically, the inflation rate in the Eurozone⁵ is expected to fall from 1.8% in 2018 to 1.3% in 2019, before rising to 1.4% in 2020 and 1.6% in 2021.

144. The IMF forecasts predict a decline in world food prices in 2019, followed by increases in 2020 and 2021. After a decline of 2.9% in 2019, prices are expected to rise by 2.1% in 2020 and 0.1% in 2021. The change in the trend from 2020 onwards reflects an anticipated 2.4% drop in world cereal production on an annual basis.

145. According to the agro-hydro-climatic forecasts published in June 2019 by the Inter-State Committee for Drought Control in the Sahel (CILSS) for the 2019/2020 season, rainfall higher than or equal to the seasonal averages of the reference period (1981-2010) is expected over the central and eastern areas of the Sahelian strip. The coastal areas of

⁴ June 2019 ECB projections

⁵ ECB June 2019 forecast

West Africa are expected to experience normal to deficient rainfall. For its part, the AGRHYMET Regional Center forecast a 2019/2020 rainy season wetter than the averages recorded over the 1981-2010 period, with a normal start in the southern and northern regions of the Union, and an almost normal end to the season. On the other hand, long dry spells expected at the beginning of the season in almost all Sahelian countries could affect crop on set and facilitate the spread development of insect pests. These forecast dry periods are expected to be shorter in Burkina Faso, southeastern Mali, and the entire agricultural belt of Niger. The 2019-2020 agropastoral season was marked by an early start and heavy rains, which caused flooding in some countries. On that basis, projections indicated a moderate increase in cereal production for the 2019/2020 season (+5.0%), following a 9.1% increase during the previous season.

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

Table 25 - Inflation projection assumptions (%)

	2018	2019			2020			2021		
		Lower	Median	Higher	Lower	Median	Higher	Lower	Median	Higher
Barrel of oil (WTI, in dollars)	65.0	50.9	60.9	70.9	49.4	59.4	69.4	46.4	56.4	66.4
Euro/dollar exchange rate	1.18	1.17	1.12	1.07	1.17	1.12	1.07	1.17	1.12	1.07
Eurozone inflation (%)	1.8	0.8	1.3	1.8	0.9	1.4	1.9	1.1	1.6	2.1
Food prices (%)	-0.6	-7.9	-2.9	2.1	-2.9	2.1	7.1	-4.9	0.1	5.1
Cereal production in the Union (%)	9.1	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 for the next eight quarters

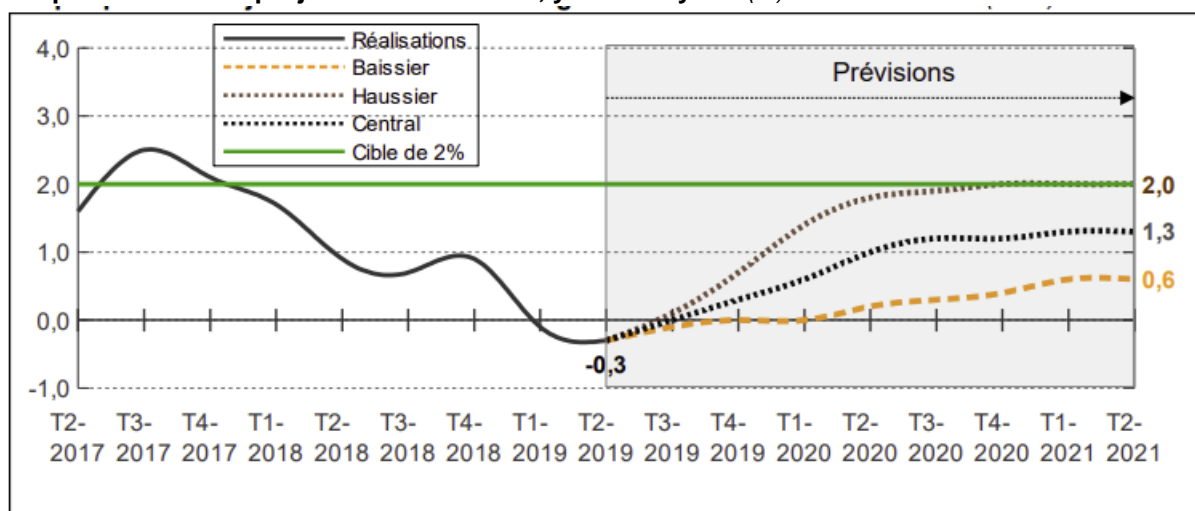
147. The forecasts presented in the table below reflect the low, high, and median assumptions.
148. For the median scenario, the year-over-year inflation rate is projected at zero in the third quarter of 2019 and is expected to return to positive territory from the fourth quarter of 2019, in relation to the expected recovery in food prices and the impact of the upward adjustment in fuel prices observed in Senegal at the end of June 2019.

Table 26 - Inflation outlook in WAEMU (%)

		Year on year									Average			
		2019			2020				2021		2018	2019	2020	Eight quarters
		Q2 Actual	Q3 Fcst	Q4 Fcst	Q1 Fcst	Q2 Fcst	Q3 Fcst	Q4 Fcst	Q1 Fcst	Q2 Fcst				
Inflation rate	Lower scenario	-0.3	-0.1	-0.1	0.0	0.2	0.3	0.4	0.6	0.6	1.1	-0.2	0.1	0.2
	Median scenario	-0.3	0.0	0.3	0.6	1.0	1.2	1.2	1.3	1.3	1.1	0.0	1.0	0.9
	Higher scenario	-0.3	0.1	0.7	1.4	1.8	1.9	2.0	2.0	2.0	1.1	0.1	1.9	1.5

Source: BCEAO

149. Looking ahead eight quarters, the inflation rate is expected to be 1.3% year on year, within the comfort zone (between 1.0% and 3.0%) defined for the implementation of the Union's monetary policy. The gradual rise in inflation until 2020 reflects the assumption of a decline in food crop production growth over the next crop year (+5.0% compared to +9.0% previously), as well as the anticipated recovery in imported food prices from 2020

Graph 22 - Inflation projections in WAEMU, year over year (%)

Source: BCEAO

150. Overall, the forecasts indicated a reversal in the trend in prices in the Union, with the inflation rate returning to positive territory from the fourth quarter of 2019.⁶ This outlook was mainly posited on expectations of an increase in fuel prices at the pump, with a knock-on effect on the prices of other services. In addition to these factors, there was the impact of the appreciation of the dollar against the euro, the currency to which the CFA Franc is pegged. In the light of these considerations, the risks of deflation in the Union and its negative effects on consumption and investment are very low.

⁶ A similar situation was observed in the fourth quarter of 2016, when the inflation rate stood at -0.3%. It was followed by a return of prices to positive territory no later than the next quarter (0.8%).

5.3 - Risks to the inflation outlook

151. Upside and downside risks pertaining to these inflation forecasts appear to be broadly balanced.
152. The downward-trending risks regarding inflation over the next few quarters include a larger than expected decline in food prices in the countries of the Union due to a surplus in cereal production.
153. As for the upside risks, they are correlated with pressures on oil prices, which could be caused by geopolitical tensions (Iran, Libya).

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APPENDICES

- **Table A.1: Treasury bill issues in 2019**
- **Table A.2: Treasury bond issues in 2019**
- **Table A.3: WAMU: Central Bank summary statement**
- **Table A.4: WAMU: Summary statement of the banks**
- **Table A.5: WAMU: Monetary aggregates**
- **Table A.6: WAMU: Net claims on CPAs**
- **Table A.7: Breakdown of inflation in WAEMU**

Table A.1: Treasury bill issues in 2019 (*)*(in millions of CFA francs, except where otherwise indicated)*

Issuer	Instrument	Maturity (in years)	Date issued	Value date	Due date	Amount advertised	Amount offered	Amount accepted	AR	WAR
Bénin	BJ-BT - 12 mois - 09.janvier.20	12	09/01/19	11/01/19	09/01/20	20,000	36,211	21,947	6.45	6.31
	BJ-BT - 6 mois - 22.août.19	6	21/02/19	22/02/19	22/08/19	25,000	26,890	25,000	6.35	6.10
	BJ-BT - 6 mois - 14.novembre.19	6	16/05/19	17/05/19	14/11/19	25,000	50,911	27,500	5.35	5.07
	BJ-BT - 3 mois - 12.septembre.19	3	13/06/19	14/06/19	12/09/19	25,000	26,646	26,646	6.00	5.70
Burkina	BF-BT - 12 mois - 07.janvier.20	12	08/01/19	09/01/19	07/01/20	25,000	25,313	25,313	6.50	6.23
	BF-BT - 12 mois - 22.janvier.20	12	23/01/19	24/01/19	22/01/20	15,000	16,323	16,322	6.49	6.40
	BF-BT - 6 mois - 07.août.19	6	06/02/19	07/02/19	07/08/19	30,000	32,381	30,000	6.40	6.16
	BF-BT - 12 mois - 19.février.20	12	20/02/19	21/02/19	19/02/20	15,000	26,897	15,791	6.40	6.23
	BF-BT - 12 mois - 04.mars.20	12	06/03/19	07/03/19	04/03/20	30,000	51,329	33,000	6.32	6.25
	BF-BT - 3 mois - 03.juillet.19	3	03/04/19	04/04/19	03/07/19	25,000	61,179	27,500	5.85	5.81
	BF-BT - 12 mois - 15.avril.20	12	17/04/19	18/04/19	15/04/20	25,000	87,362	27,500	5.80	5.80
	BF-BT - 12 mois - 20.mai.20	12	22/05/19	23/05/19	20/05/20	20,000	67,554	22,000	5.38	5.12
BF-BT - 3 mois - 25.septembre.19	3	26/06/19	27/06/19	25/09/19	25,000	32,867	25,597	5.75	5.33	
Cote d'Ivoire	CI-BT - 3 mois - 14.avril.19	3	11/01/19	14/01/19	14/04/19	30,000	40,702	30,000	5.10	4.88
	CI-BT - 12 mois - 14.janvier.20	12	15/01/19	16/01/19	14/01/20	35,000	46,735	38,500	5.80	5.50
	CI-BT - 6 mois - 30.juillet.19	6	29/01/19	30/01/19	30/07/19	30,000	44,330	33,000	5.70	5.53
	CI-BT - 3 mois - 06.mai.19	3	04/02/19	05/02/19	06/05/19	30,000	47,273	33,000	5.15	5.06
	CI-BT - 12 mois - 11.février.20	12	12/02/19	13/02/19	11/02/20	35,000	35,510	33,002	5.80	5.75
	CI-BT - 6 mois - 27.août.19	6	26/02/19	27/02/19	27/08/19	30,000	30,508	26,500	5.50	5.36
	CI-BT - 3 mois - 04.juin.19	3	05/03/19	06/03/19	04/06/19	30,000	46,040	33,000	5.10	5.05
	CI-BT - 6 mois - 11.septembre.19	6	13/03/19	14/03/19	11/09/19	30,000	18,168	16,158	5.55	5.38
	CI-BT - 6 mois - 24.septembre.19	6	26/03/19	27/03/19	24/09/19	30,000	18,260	15,750	5.55	5.38
	CI-BT - 12 mois - 30.mars.20	1	01/04/19	02/04/19	30/03/20	30,000	6,900	0	0.00	0.00
	CI-BT - 3 mois - 14.juillet.19	3	12/04/19	15/04/19	14/07/19	25,000	45,955	27,500	5.05	5.03
	CI-BT - 3 mois - 28.juillet.19	3	26/04/19	29/04/19	28/07/19	30,000	69,645	33,000	4.85	4.84
	CI-BT - 3 mois - 13.août.19	3	14/05/19	15/05/19	13/08/19	25,000	57,211	27,500	4.49	4.38
	CI-BT - 12 mois - 19.mai.20	12	21/05/19	22/05/19	19/05/20	20,000	20,512	18,512	5.60	5.17
CI-BT - 3 mois - 26.août.19	3	27/05/19	28/05/19	26/08/19	25,000	34,707	27,500	4.50	4.48	
CI-BT - 3 mois - 23.septembre.19	3	24/06/19	25/06/19	23/09/19	25,000	45,952	27,500	4.40	4.33	
Guinée-Bissau	GB-BT - 12 mois - 04.février.20	12	05/02/19	06/02/19	04/02/20	6,000	4,008	4,008	6.60	6.48
	GB-BT - 12 mois - 31.mars.20	12	02/04/19	03/04/19	31/03/20	8,000	12,841	8,800	6.45	6.34
Mali	ML-BT - 12 mois - 15.janvier.20	12	16/01/19	17/01/19	15/01/20	20,000	39,584	22,000	6.25	5.96
	ML-BT - 12 mois - 12.février.20	12	13/02/19	14/02/19	12/02/20	20,000	37,742	22,000	6.31	6.06
	ML-BT - 12 mois - 13.mai.20	12	15/05/19	16/05/19	13/05/20	25,000	70,430	27,500	5.59	5.49
	ML-BT - 12 mois - 10.juin.20	12	12/06/19	13/06/19	10/06/20	20,000	43,642	22,000	5.50	5.32
Niger	NG-BT - 12 mois - 16.janvier.20	12	17/01/19	18/01/19	16/01/20	20,000	29,803	21,923	6.45	6.23
	NG-BT - 12 mois - 13.février.20	12	14/02/19	15/02/19	13/02/20	25,000	37,466	27,068	6.30	6.16
	NG-BT - 12 mois - 09.avril.20	12	11/04/19	12/04/19	09/04/20	20,000	68,364	22,000	6.00	6.00
	NG-BT - 12 mois - 26.mai.20	12	28/05/19	29/05/19	26/05/20	20,000	27,213	22,000	5.85	5.61
	NG-BT - 6 mois - 19.décembre.19	6	20/06/19	21/06/19	19/12/19	40,000	79,211	44,000	5.80	5.61
	NG-BT - 12 mois - 25.juin.20	12	27/06/19	28/06/19	25/06/20	20,000	33,456	22,000	6.00	5.87
Togo	TG-BT - 12 mois - 09.janvier.20	12	10/01/19	11/01/19	09/01/20	20,000	18,625	13,625	6.50	6.442
	TG-BT - 12 mois - 20.avril.20	12	19/04/19	23/04/19	20/04/20	20,000	77,135	22,000	5.75	5.63
	TG-BT - 12 mois - 14.juin.20	12	14/06/19	17/06/19	14/06/20	20,000	21,354	15,729	6.00	5.83

Source: BCEAO

(*) at the end of June 2019

Table A.2: Treasury bond issues in 2019 (*)
(in millions of CFA francs, except where otherwise indicated)

Issuer	Instrument	Issued by	Maturity (in years)	Date issued	Value date	Due date	Amount advertised	Amount offered	Amount accepted	AR	WAR	AP	WAP
Bénin	BJ - 6,1% - 3 ans - 25.janvier.22	3.00	24/01/19	25/01/19	25/01/22	20,000	47,425	22,000	7.24	7.18	6.10	97.00	97.16
	BJ - 6,1% - 3 ans - 25.janvier.22	3.00	07/02/19	08/02/19	25/01/22	20,000	40,083	22,000	7.25	6.99	6.10	97.01	97.66
	BJ - 6,3% - 5 ans - 08.mars.24	5.00	07/03/19	08/03/19	08/03/24	15,000	20,320	13,320	7.53	6.99	6.30	95.00	97.15
	BJ - 6,3% - 5 ans - 19.avril.24	5.00	18/04/19	19/04/19	03/01/00	45,401	15,000	58,105	18,447.00	6.84	6.77	6.30	97.75
	BJ - 6,4% - 7 ans - 19.avril.26	7.00	18/04/19	19/04/19	03/01/00	46,131	15,000	16,503	14,552.56	7.19	7.06	6.40	96.00
Burkina	BF - 6,15% - 3 ans - 24.janvier.22	3.00	23/01/19	24/01/19	24/01/22	15,000	13,439	13,229	7.79	7.57	6.15	95.75	96.29
	BF - 6,15% - 3 ans - 21.février.22	3.00	20/02/19	21/02/19	21/02/22	15,000	18,781	17,208	7.69	7.58	6.15	96.00	96.28
	BF - 6,15% - 3 ans - 09.mai.22	3.00	08/05/19	09/05/19	04/01/00	44,690	12,500	59,872	7,416.91	6.14	6.07	6.15	100.00
	BF - 6,25% - 5 ans - 09.mai.24	5.00	08/05/19	09/05/19	04/01/00	45,421	12,500	22,044	20,083.09	6.97	6.72	6.25	97.00
	BF - 6,15% - 3 ans - 09.mai.22	3.00	07/06/19	11/06/19	05/01/00	44,690	20,000	44,436	22,000.00	6.33	6.19	6.15	99.51
Cote d'Ivoire	CI - 5,7% - 3 ans - 23.janvier.22	3.00	22/01/19	23/01/19	23/01/22	35,000	12,500	0	0.00	0.00	5.70	0.00	0.00
	CI - 5,8% - 5 ans - 20.mars.24	5.00	19/03/19	20/03/19	20/03/24	30,000	31,500	31,500	7.29	6.81	5.80	95.00	96.55
	CI - 5,9% - 3 ans - 06.mai.22	3.00	03/05/19	06/05/19	04/01/00	44,687	75,000	121,568	116,247.69	6.84	6.80	5.90	97.50
	CI - 6% - 5 ans - 06.mai.24	5.00	03/05/19	06/05/19	04/01/00	45,418	75,000	40,985	40,985.13	6.84	6.71	6.00	96.50
	CI - 5,7% - 3 ans - 22.mai.22	3.00	21/05/19	22/05/19	04/01/00	44,703	20,000	28,458	25,488.00	6.44	5.75	5.70	98.01
Guinée-Bissau	GB - 6,5% - 3 ans - 13.mars.22	3.00	12/03/19	13/03/19	13/03/22	6,000	6,899	6,566	8.04	7.84	6.50	96.01	96.53
	GB - 6,5% - 3 ans - 12.juin.22	3.00	11/06/19	12/06/19	05/01/00	44,724	10,000	14,945	11,000.00	7.64	7.18	6.50	97.03
Mali	ML - 6,15% - 3 ans - 31.janvier.22	3.00	30/01/19	31/01/19	31/01/22	20,000	14,778	14,708	7.68	7.42	6.15	96.01	96.68
	ML - 6,15% - 3 ans - 28.février.22	3.00	27/02/19	28/02/19	28/02/22	25,000	50,182	41,850	7.69	7.14	6.15	96.00	97.39
	ML - 6,4% - 5 ans - 28.février.24	5.00	27/02/19	28/02/19	28/02/24	25,000	13,150	13,150	7.47	7.07	6.40	96.01	97.46
	ML - 6,15% - 3 ans - 28.mars.22	3.00	27/03/19	28/03/19	28/03/22	20,000	52,944	22,000	7.67	7.42	6.15	96.05	96.67
	ML - 6,15% - 3 ans - 11.avril.22	3.00	10/04/19	11/04/19	03/01/00	44,662	20,000	74,107	22,000.00	7.19	7.10	6.15	97.25
	ML - 6,4% - 5 ans - 28.février.24	5.00	24/04/19	25/04/19	03/01/00	45,350	15,000	57,195	16,500.00	6.80	6.73	6.40	98.50
Niger	NG - 6,4% - 5 ans - 31.mai.24	5.00	29/05/19	31/05/19	04/01/00	45,443	20,000	32,979	22,000.00	6.75	6.69	6.40	98.52
	NG - 6,25% - 5 ans - 15.mars.24	5.00	14/03/19	15/03/19	15/03/24	30,000	42,625	33,000	7.74	6.94	6.25	95.05	97.64
	NG - 6,15% - 3 ans - 29.mars.22	3.00	28/03/19	29/03/19	29/03/22	20,000	69,325	22,000	7.48	7.38	6.15	96.53	96.77
Sénégal	SN - 6,15% - 3 ans - 10.mai.22	3.00	09/05/19	10/05/19	04/01/00	44,691	20,000	66,341	22,000.00	6.22	6.15	6.15	99.80
	SN - 5,85% - 3 ans - 07.juin.22	3.00	06/06/19	07/06/19	05/01/00	44,719	18,000	43,231	0.00	0.00	0.00	5.85	0.00
	SN - 6% - 5 ans - 07.juin.24	5.00	06/06/19	07/06/19	05/01/00	45,450	18,000	50,131	20,600.00	6.06	6.00	6.00	99.70
Togo	SN - 6,15% - 7 ans - 07.juin.26	7.00	06/06/19	07/06/19	05/01/00	46,180	19,000	35,642	34,400.00	6.51	6.33	6.15	98.00
	TG - 6,25% - 3 ans - 28.janvier.22	3.00	25/01/19	28/01/19	28/01/22	20,000	36,094	22,000	7.58	7.38	6.25	96.52	97.03
	TG - 6,25% - 3 ans - 11.février.22	3.00	08/02/19	11/02/19	11/02/22	20,000	27,847	20,000	7.99	7.57	6.25	95.50	96.56
	TG - 6,25% - 3 ans - 23.avril.21	3.00	22/02/19	25/02/19	23/04/21	15,000	35,679	13,000	8.00	7.88	6.25	96.61	96.84
	TG - 6,25% - 3 ans - 11.mars.22	3.00	08/03/19	11/03/19	11/03/22	10,000	19,780	16,588	7.39	7.26	6.25	97.00	97.34
	TG - 6,5% - 5 ans - 11.mars.24	5.00	08/03/19	11/03/19	11/03/24	10,000	5,815	5,412	7.48	7.34	6.50	96.00	96.54
	TG - 6,25% - 3 ans - 11.mars.22	3.00	05/04/19	08/04/19	03/01/00	44,631	20,000	77,239	22,000.00	7.22	7.17	6.25	97.50
	TG - 6,5% - 5 ans - 11.mars.24	5.00	17/05/19	20/05/19	04/01/00	45,362	20,000	62,070	22,000.00	6.73	6.62	6.50	99.01
TG - 6,25% - 3 ans - 03.juin.22	3.00	31/05/19	03/06/19	05/01/00	44,715	15,000	41,789	16,500.00	6.60	6.29	6.25	99.07	

Source: BCEAO (*)

at the end of June 2019

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

SITUATION DES AUTRES INSTITUTIONS DE DEPOT - UMOA										
Encours en milliards - FCFA	2017				2018				2019	
	mars-17	juin-17	sept-17	déc-17	mars-18	juin-18	sept-18	déc-18	mars-19	juin-19
Actifs extérieurs nets	-717,9	-1 054,3	-1 120,5	-1 132,2	-720,6	-1 417,5	-1 368,8	-1 209,4	-1 101,5	-1 183,7
Créances sur les non-résidents	754,2	763,2	643,3	661,8	791,2	676,4	592,3	760,8	694,0	792,3
Engagements envers les non-résidents	-1 472,1	-1 817,5	-1 763,7	-1 794,0	-1 511,7	-2 093,9	-1 961,1	-1 970,2	-1 795,5	-1 976,1
Créances sur la Banque Centrale	1 869,0	2 191,3	1 948,4	1 856,5	2 063,5	2 559,3	2 189,7	2 233,9	2 185,7	2 417,2
Créances nettes sur l'administration centrale	6 237,5	6 408,5	6 326,9	6 807,2	7 082,8	6 765,3	7 244,9	7 849,6	7 965,7	7 813,6
Créances sur l'économie	18 112,8	18 693,8	18 935,3	19 951,7	19 929,6	20 055,0	20 245,1	21 474,1	21 297,0	22 188,8
Créances sur les autres sociétés financières	1 060,6	1 058,0	980,6	1 059,8	1 029,9	1 060,6	946,7	856,2	806,8	726,7
Créances sur les sociétés non-financières publiques	1 034,3	1 121,7	1 174,2	1 139,2	1 387,3	1 260,3	1 354,7	1 651,4	1 706,7	1 951,4
Créances sur le secteur privé	16 018,0	16 514,0	16 780,5	17 752,7	17 405,5	17 706,0	17 878,7	18 861,3	18 670,2	19 372,4
TOTAL ACTIF										
Engagements envers la banque centrale	4 402,8	4 273,0	3 762,5	4 182,2	3 370,7	3 421,0	3 431,5	3 707,3	3 906,3	4 231,2
Dépôts transférables inclus dans la masse monétaire	9 131,7	9 531,8	9 538,3	10 097,8	10 515,0	10 710,8	10 687,0	11 636,1	11 449,2	11 953,9
Autres dépôts inclus dans la masse monétaire	7 748,9	7 941,9	7 983,6	8 157,8	8 513,4	8 586,4	8 860,1	9 127,4	9 281,8	9 494,7
Dépôts exclus de la masse monétaire au sens large	610,4	670,9	735,7	715,4	865,1	873,9	875,3	952,0	975,9	1 022,1
Titres autres qu'actions exclus de la masse monétaire	40,5	41,5	39,4	35,4	13,4	19,8	13,4	2,6	2,6	2,7
Emprunts	485,3	436,9	477,7	609,1	842,1	540,8	653,4	749,7	858,0	1 287,6
Actions et autres titres de participation	2 535,5	2 521,1	2 740,1	2 971,7	3 012,1	2 893,7	2 980,5	3 108,8	3 164,2	3 273,8
Autres postes (net)	546,4	822,2	812,8	713,8	1 223,6	915,8	809,6	1 064,3	709,0	-30,1
TOTAL PASSIF										
Source: BCEAO										

Table A.5: WAMU: Monetary aggregates

AGREGATS DE MONNAIE - UMOA										
En milliards de FCFA	2017				2018				2019	
	mars-17	juin-17	sept-17	déc-17	mars-18	juin-18	sept-18	déc-18	mars-19	juin-19
Circulation fiduciaire	5 739,6	5 705,0	5 306,8	5 778,2	5 920,1	5 954,9	5 745,6	6 275,9	6 373,6	6 266,0
Dépôts à vue	9 608,1	10 024,7	10 031,4	10 660,6	11 047,6	11 273,9	11 249,7	12 189,3	12 061,9	12 531,9
M1	15 347,7	15 729,6	15 338,2	16 438,8	16 967,7	17 228,8	16 995,3	18 465,2	18 435,5	18 797,8
Autres dépôts inclus dans la masse monétaire (1)	7 860,1	8 032,1	8 352,3	8 211,0	8 630,8	8 716,6	9 024,7	9 261,7	9 345,5	9 609,7
MASSE MONETAIRE (M2)	23 207,8	23 761,8	23 690,5	24 649,8	25 598,5	25 947,4	26 020,0	27 726,8	27 781,0	28 407,5
Actifs extérieurs nets	4 026,0	5 052,2	4 258,0	4 172,5	6 784,2	6 177,3	5 093,1	5 375,1	5 713,6	5 760,8
Banque Centrale	4 743,9	6 106,5	5 378,5	5 304,6	7 504,8	7 594,8	6 461,9	6 584,5	6 815,1	6 944,5
Banques	-717,9	-1 054,3	-1 120,5	-1 132,2	-720,6	-1 417,5	-1 368,8	-1 209,4	-1 101,5	-1 183,7
Créances intérieures	25 143,4	25 046,7	25 914,2	27 438,0	26 236,1	26 896,5	27 950,6	30 021,8	29 744,5	30 440,1
Créances nettes sur l'administration centrale	6 784,6	6 096,5	6 716,7	7 276,8	6 077,3	6 597,3	7 455,5	8 110,5	7 980,9	7 779,3
Créances sur les autres secteurs	18 358,8	18 950,2	19 197,5	20 161,2	20 158,7	20 299,3	20 495,2	21 911,4	21 763,6	22 660,9
Passifs à caractère non monétaire (2)	5 721,2	5 694,5	6 000,3	6 290,4	6 778,6	6 482,0	6 621,3	7 177,3	7 512,3	8 053,0
Autres postes nets (3)	240,3	642,7	481,5	670,3	643,2	644,5	402,5	492,8	164,8	-259,6
TOTAL DES CONTREPARTIES DE M2 (4)	23 207,8	23 761,8	23 690,5	24 649,8	25 598,5	25 947,4	26 020,0	27 726,8	27 781,0	28 407,5
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) Composés 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.6: WAMU: Net claims on CPAs

CREANCES NETTES SUR L'ADMINISTRATION CENTRALE - UMOA										
En milliards de FCFA	2017				2018				2019	
	mars-17	juin-17	sept-17	déc-17	mars-18	juin-18	sept-18	déc-18	mars-19	juin-19
Créances nettes de la BCEAO	547,2	-312,0	389,9	469,6	-1 005,5	-168,0	210,6	260,8	15,1	-34,4
Créances	1 802,3	1 842,9	1 836,9	1 884,6	1 861,1	1 943,5	1 918,2	1 978,3	1 952,3	1 955,7
Crédits	1 783,1	1 829,9	1 822,9	1 868,9	1 848,9	1 930,4	1 903,3	1 962,6	1 939,9	1 942,2
Concours adossés aux DTS	209,5	190,3	172,3	154,1	137,6	119,1	100,4	79,5	60,6	49,0
Découverts statutaires consolidés	229,7	229,0	228,4	227,7	226,9	226,2	225,5	224,8	224,0	223,3
Concours du FMI	1 089,5	1 156,2	1 170,6	1 239,4	1 236,6	1 337,3	1 332,5	1 416,0	1 413,0	1 427,6
Autres concours de Gouvernements étrangers (1)	12,4	12,4	9,4	5,5	5,5	5,5	2,7	0,0	0,0	0,0
Autres créances (2)	242,0	242,1	242,2	242,3	242,3	242,3	242,3	242,3	242,3	242,3
Engagements	1 255,1	2 154,9	1 447,0	1 415,0	2 866,6	2 111,5	1 707,5	1 717,4	1 937,1	1 990,1
Encaisses du Trésor	28,6	32,7	31,4	31,7	30,2	32,6	30,4	32,5	29,1	33,0
Dépôts	1 159,5	2 094,7	1 368,5	1 324,0	2 817,8	2 051,5	1 634,0	1 624,5	1 891,7	1 924,3
Autres engagements (3)	67,0	27,5	47,2	59,3	18,5	27,4	43,1	60,5	16,4	32,7
Créances nettes des banques	6 237,5	6 408,5	6 326,9	6 807,2	7 082,8	6 765,3	7 244,9	7 849,6	7 965,7	7 813,6
Créances	8 821,2	9 069,5	9 010,4	9 703,2	9 121,1	9 086,5	9 455,1	10 130,2	10 417,3	10 371,5
Crédits	1 613,2	1 734,2	1 619,1	2 051,0	1 395,0	1 232,1	1 563,3	1 821,3	1 966,3	2 065,3
Portefeuille de titres du Trésor	7 208,0	7 335,2	7 391,4	7 652,2	7 726,0	7 854,4	7 891,8	8 308,9	8 389,1	8 306,2
Engagements	2 583,7	2 661,0	2 683,6	2 895,9	2 038,3	2 321,2	2 210,2	2 280,5	2 451,5	2 557,9
TOTAL CREANCES NETTES SUR L'ADMINISTRATION CENTRALE	6 784,6	6 096,5	6 716,7	7 276,8	6 077,3	6 597,3	7 455,5	8 110,5	7 980,9	7 779,3
Source: BCEAO										
(1) Le concours kowetien à l'Etat du Sénégal.										
(2) Les dépenses pour le compte des Etats à récupérer, les taxes à récupérer, les créances diverses sur les Etats.										
(3) Taxes recouvrées, commissions sur transferts et autres sommes recouvrées pour le compte des Etats.										

Table A.7: Breakdown of inflation in WAEMU

Table A.7-1: Year-over-year price change based on geographical origin

	Components	Weight. (in %)	Q2-2018	Q3-2018	Q4-2018	Q1-2019	Q2-2019
Annual changes (in %)	Local	70.0	1.1	0.8	0.8	-0.3	-0.4
	Imported	30.0	0.3	0.4	1.0	0.5	0.2
Contributions (in % points)	Local	70.0	0.8	0.6	0.6	-0.2	-0.3
	Imported	30.0	0.1	0.1	0.3	0.1	0.0
	Total	100	0.9	0.7	0.9	-0.1	-0.3

Sources: BCEAO. NSIs.

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

	Components	Weight. (in %)	Q2-2018	Q3-2018	Q4-2018	Q1-2019	Q2-2019
Annual changes (in %)	Goods	70.7	0.7	0.7	1.0	-0.3	-0.5
	Services	29.3	1.3	0.6	0.8	0.4	0.2
Contributions (in % points)	Goods	70.7	0.5	0.5	0.7	-0.2	-0.4
	Services	29.3	0.4	0.2	0.2	0.1	0.1
	Total	100	0.9	0.7	0.9	-0.1	-0.3

Sources: BCEAO. NSIs.



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