



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

REPORT ON MONETARY POLICY IN WAMU

June 2018



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LIST OF ACRONYMS AND ABBREVIATIONS

BCEAO:	Central Bank of West African States
BEAC:	Bank of Central African States
BoE:	Bank of England
BoG:	Bank of Ghana
BoJ:	Bank of Japan
Bps:	Basis points
BRVM:	Regional Securities Exchange
CBN:	Central Bank of Nigeria
CEDEAO:	Economic Community of West African States
CEMAC:	Central African Economic and Monetary Community
CIF:	Cost Insurance Freight
CPI:	Consumer Price Index
ECB:	European Central Bank
FAO:	United Nations Food and Agriculture Organization
FED:	Federal Reserve System
FOB:	Free on Board
FTSE:	Financial Times Stock Exchange
GDP:	Gross Domestic Product
HICP:	Harmonized Index of Consumer Prices
IMF:	International Monetary Fund
IPI:	Industrial Production Index
LCUBLs:	Large Corporate Users of Bank Loans
MPC:	Monetary Policy Committee
MSCI:	Morgan Stanley Capital International
NYMEX:	New York Mercantile Exchange
NEA:	Net external assets
NSIs:	National Statistics Institute
OECD:	Organization for Economic Cooperation and Development
OPEC:	Organization of the Petroleum Exporting Countries
PBoC	People's Bank of China
Pps:	Percentage points
REER:	Real Effective Exchange Rate
SARB:	South African Reserve Bank
SA-WDC:	Seasonally Adjusted - Working Day Corrected
SDR:	Special Drawing Rights
TI:	Turnover Index
WAEMU:	West African Economic and Monetary Union
WAMU:	West African Monetary Union

WAMA: West African Monetary Agency

WTI: West Texas Intermediate

PRESS RELEASE

Meeting of BCEAO Monetary Policy Committee

1. The Monetary Policy Committee of the Central Bank of West African States (BCEAO) held its second ordinary meeting of 2018 on Wednesday, June 6, 2018, at BCEAO Headquarters in Dakar, Republic of Senegal, under the chairmanship of Mr. Tiémoko Meyliet Koné, Governor of the Central Bank, the statutory Chairman.
2. The Committee reviewed the main trends unfolding recently in the international and regional economy, as well the risk factors that could have a bearing on the inflation outlook and economic growth prospects in the Union.
3. On the international front, the Committee noted that the global economy remained robust in the first quarter of 2018. For the year as a whole, it was expected to grow by 3.9%, following a 3.8% increase in 2017, according to International Monetary Fund forecasts published in April 2018. International prices of the main commodities exported by the Union's countries experienced contrasting developments during the first quarter of 2018. Prices for oil, cashew nuts, cotton, cocoa, and gold rose, while palm kernel oil, palm oil, coffee and rubber prices fell.
4. The Committee noted that economic activity in the Union remained robust in the first quarter of 2018. Growth in the gross domestic product in real terms, buoyed by strong domestic demand, was 6.5%, year over year, after 6.4% in the previous quarter.
5. The Committee observed that the rate of growth of the money supply in the Union was 8.8%, year on year, in the first quarter of 2018, reflecting the consolidation of net external assets (+66.1%) and an increase in domestic claims (+3.8%). The quarterly average money market interest rate was 4.50% following 4.10% the previous quarter. However, the Committee noted a downward trend of market rates in the first two months of the second quarter of 2018.
6. The Committee noted that the year-on-year inflation rate came in at 0.9% in the first quarter of 2018, stable in relation to the previous quarter. This increase in the general price level was essentially due to the "food" heading, in connection with the increase in the price of cereals in certain Sahelian countries. The year-over-year inflation rate was projected to reach 1.5% over a 24-month horizon, in phase with the Central Bank's goal of price stability.
7. The Committee noted that the budget deficit, on a commitment basis, including grants, projected by the States for the whole of 2018 was expected to be 3.8% of the GDP, compared to 4.2% in 2017, compared to a Union target of 3.0% by 2019. Under these conditions, efforts to mobilize revenues and rationalize public spending must be continued.
8. Based on these developments, the Monetary Policy Committee decided to keep the minimum bid rate on cash injection tender transactions unchanged at 2.50%, while the marginal lending rate was kept at 4.50%. The reserve requirement ratio for banks in the Union remained at 3.0%.

Done in Dakar, June 6, 2018

The Chairman of the Monetary Policy Committee

Tiémoko Meyliet Koné

SUMMARY

1. Global economic activity remained robust in the first quarter of 2018, in conjunction with a strong U.S. economy and good business conditions in most emerging countries.
2. Commodity prices generally continued their upward trend during the first quarter of 2018, driven, in particular, by the rise in energy prices. However, the prices of the main commodities exported by the countries of the Union showed contrasting trends: the prices of cashew nuts, cotton, cocoa, and gold rose, while those of palm kernel oil, palm oil, coffee and rubber fell.
3. At the Union level, economic activity remained dynamic in the first quarter of 2018. Growth in the gross domestic product in real terms, supported mainly by strong domestic demand, was 6.5%, year over year, after 6.4% in the previous quarter. Growth for 2018 was expected stand at 6.8% compared to 6.6% in 2017.
4. The year-on-year inflation rate in WAEMU stood at 0.9% in the first quarter of 2018, stable compared to the previous quarter. The increase in the general price level was essentially due to the "food" heading, in connection with the increase in the price of cereals in certain Sahelian countries (Burkina Faso, Mali and Niger). The underlying inflation rate came in at 0.9% year on year in the first quarter of 2018 compared to 1.1% a quarter earlier.
5. The execution of the budgets of WAEMU Member States over the first three months of 2018 resulted in a reduction in the overall deficit, on a commitment basis, including grants, which stood at 317.0 billion or 1.8% of GDP at the end of March 2018, compared with 343.6 billion or 2.2% of GDP a year earlier.
6. The Union's foreign trade showed a deficit trade balance of 281.9 billion or 1.6% of GDP in the first quarter of 2018, a deterioration of 275.2 billion compared to the same period of the previous year, due to an increase in imports combined with a decline in exports.
7. The monetary situation at the end of March 2018, compared to the situation at the end of December 2017, was characterized by an increase in the money supply, buoyed by growth in net external assets, while domestic claims declined. The positive profile of net external assets was driven by the strengthening of the Central Bank's assets, in conjunction with the repatriation by Côte d'Ivoire and Senegal of the proceeds of Eurobonds issued on the international markets in March 2018. The Union's foreign exchange reserves at the end of March 2018 ensured a coverage rate of 80.2% of the monetary issue compared to 73.4% three months earlier. This level of reserves covers 5.5 months of imports of goods and services, compared to 4.2 months at the end of December 2017. The decline in domestic claims was due to the drop in net claims on central governments, whose holdings at the Central Bank increased significantly due to the repatriation of Eurobond proceeds. Lending to the economy declined, in quarterly terms, by 141.8 billion or 0.7% at the end of March 2018. Year-on-year, it showed an increase of 10.0%.

-
8. Bank liquidity increased by 325.7 billion compared with the end of December 2017 to stand at 1,557.6 billion at the end March 2018. This was due to the positive impact of independent factors (+665.0 billion) over the period, partially offset by the decline in outstanding refinancing granted by the Central Bank (-339.3 billion). Excluding Central Bank refinancing, the cash assets of the banks were negative by 2,283.9 billion at the end of March 2018 compared to 2,948.9 billion three months earlier.
 9. On the money market, the tensions that emerged in rates persisted during the first quarter of 2018. The weighted average rate for weekly liquidity operations was 4.5000%, compared with 4.1223% in the previous quarter and 4.1235% a year earlier. The average one-week interbank rate rose to 5.7300% from 5.1300% in the previous quarter and 5.0700% a year earlier.
 10. On the government securities market, the weighted average interest rate on Treasury bills rose to 6.22% from 5.85% a quarter earlier and 5.68% a year earlier.
 11. The average lending rate charged by banks to customers, excluding taxes and fees, eased slightly to 6.92% from 7.0% in the previous quarter. At the same time last year, it stood at 6.85%.
 12. The outlook for inflation in the Union does not suggest pressure on consumer price trends in the medium term. Inflation was forecast to be 1.5% year on year over eight quarters. The expected trend of the inflation rate should culminate in a 0.9% year-over-year increase in the second quarter of 2018. For 2018 as a whole, the average inflation rate is expected to be 1.1%, compared to 0.8% in 2017.

I - GLOBAL ECONOMIC ENVIRONMENT

1.1 - Economic activity

1. Global economic activity remained robust in the first quarter of 2018, in conjunction with a strong U.S. economy and good business conditions in most emerging countries.

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

	2016	2017	2016				2017				2018
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Advanced countries	(over one year)		(year on year)								
United States	1.5	2.3	1.4	1.2	1.5	1.8	2.0	2.2	2.3	2.6	2.8
Eurozone	1.8	2.3	1.7	1.7	1.7	1.9	2.1	2.4	2.8	2.8	2.5
Germany	1.9	2.5	1.8	1.9	1.9	1.9	2.1	2.3	2.7	2.9	2.3
France	1.2	1.8	1.2	1.2	0.9	1.2	1.2	1.8	2.7	2.8	2.2
Japan	0.9	1.7	0.5	0.8	0.9	1.5	1.3	1.6	1.9	2.1	1.7*
United Kingdom	1.9	1.8	1.9	1.8	2.0	2.0	2.1	1.9	1.8	1.4	1.2
Emerging countries											
China	6.7	6.9	6.7	6.7	6.7	6.8	6.9	6.9	6.8	6.8	6.8
India	7.1	6.7	9.2	7.9	7.5	7.0	6.1	5.7	6.4	6.9	7.4
Brazil	-3.5	1.0	-5.2	-3.4	-2.7	-2.5	0.0	0.4	1.5	2.2	1.6
Russia	-0.2	1.5	-0.7	-0.4	-0.3	0.4	1.0	2.4	2.6	1.5	1.4*
South Africa	0.6	1.3	-0.3	0.6	0.9	1.0	1.1	1.3	1.3	1.9	1.5
Surrounding Countries											
Ghana	3.5	8.4	4.3	1.1	4.6	4.5	6.6	9.4	9.7	8.1	7.5*
Nigeria	-1.6	0.8	-0.7	-1.5	-2.3	-1.7	-0.9	0.7	1.2	2.1	2.0*

Sources: OECD, Eurostat, IMF

(*): Bloomberg forecasts, provisional data

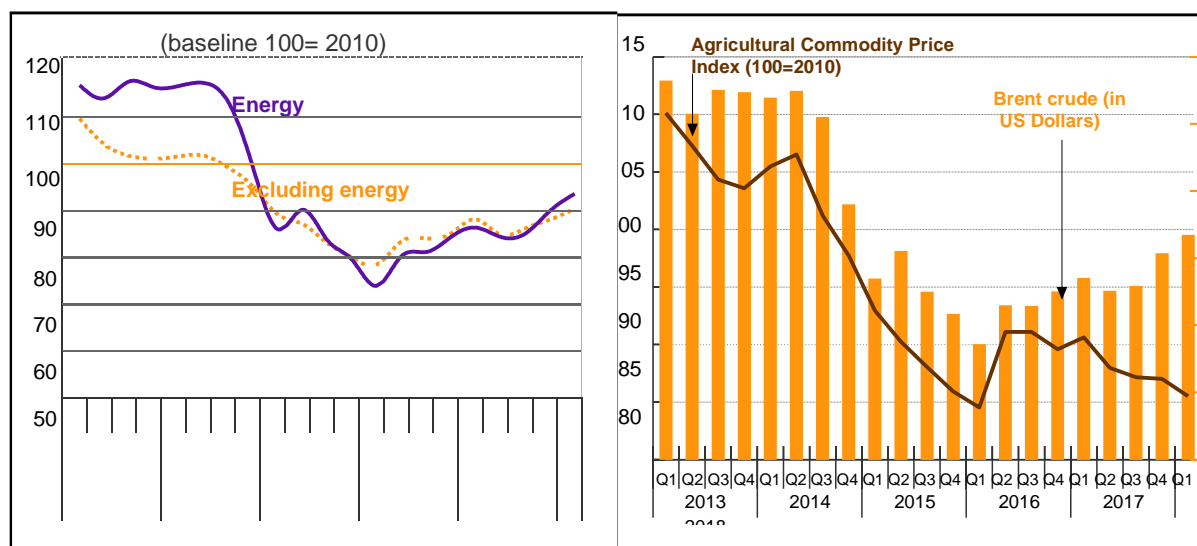
2. In the U.S., economic activity continued to strengthen in the first quarter of 2018, with real GDP growing at a year-over-year rate of 2.8% after 2.6% in the previous quarter. This was driven by strong private domestic demand, supported by a buoyant labor market and the positive impact of personal income tax cuts.
3. In the Eurozone, the pace of output growth declined in the first quarter of 2018, attributable in particular to weak business investment, singularly in Germany and France, and sluggish exports, in conjunction with the strong euro. Thus, real GDP growth was 2.5%, on an annual basis, after 2.8% in the previous quarter.
4. In the major emerging countries, economic activity remained strong, particularly in China and India. Compared to the previous quarter, the annual growth rate of the Chinese economy held steady in the first quarter of 2018 at 6.8%. This performance was attributable to strong domestic demand, including increased investment in the real estate sector. In India, economic activity was expected to pick up, driven by strong domestic demand. The real production growth rate, year over year, stood at 7.4% compared to 6.9% in the previous quarter. In Brazil and South Africa, economic activity slowed in the first quarter of 2018.

5. In Nigeria, the main trading partner of the Union's Member States in the West African subregion, growth strengthened in the first quarter of 2018, driven by increased oil production and the recovery in crude oil prices.
6. According to the latest data released by the IMF in April 2018, the outlook for growth in world production for 2018 and 2019 remained unchanged at 3.9% for both years, following a 3.8% increase in 2017. Higher growth in production compared to 2017 was driven by the vitality in emerging and developing countries, as well as improved growth in advanced countries.
7. In the United States, the growth outlook was raised by 0.2 percentage points for 2018 and 2019, to 2.9% and 2.7% respectively, mainly due to the strengthening of external demand and the expected positive macroeconomic impact of fiscal stimulus measures, in particular on investment.
8. In the Eurozone, growth forecasts for 2018 were revised upwards by 0.2 points to 2.4%, after standing at 2.3% in 2017, in line with the ECB's accommodating monetary policy. Eurozone growth forecasts for 2019 remain unchanged at 2.0%.
9. In emerging and developing economies, the expected rate of GDP growth was kept unchanged at 4.9% in 2018 from the previous estimate and raised by 0.1 percentage point to 5.1% for 2019, after 4.8% in 2017. In China, the outlook for growth remained stable at 6.6% in 2018, after 6.9% in 2017. In India, economic activity continued to gain momentum with growth projections remaining unchanged at 7.4% in 2018 and 7.8% in 2019, up from 6.7% in 2017. In Brazil and Russia, the economic recovery was expected to strengthen, in connection with the recovery of domestic demand and the rise in oil prices.
10. In sub-Saharan Africa, economic activity is expected to grow, driven by the implementation of structural reforms and the recovery of export commodity prices. Thus, the GDP growth rate was revised upward by 0.1 percentage point to 3.4% in 2018 and by 0.2 percentage points to 3.7% in 2019, after 2.8% in 2017, in relation to improved growth prospects for South Africa. The growth rate of the South African economy is expected to increase from 1.3% in 2017 to 1.5% in 2018 and 1.7% in 2019, up 0.6 and 0.8 percentage points from the initial forecasts for 2018 and 2019, respectively. In Nigeria, growth forecasts came out unchanged at 2.1% in 2018 and 1.9% in 2019, following a performance of 0.8% in 2017.
11. This global economic outlook is subject to certain risks. Over the short term, the uncertainties weighing on global economic activity are more or less balanced. On the side of potential increases, growth in advanced countries could prove more robust, in line with the continued improvement in the labor market and the recovery in investment. Regarding potential decreases, the IMF pointed to the impact of tighter financial conditions following the normalization of monetary policies, particularly that of the Fed, on capital flows to emerging and developing countries. In addition, the rise of protectionist trade policies, as well as certain non-economic factors, including geopolitical tensions and climate change, could affect the upward trend in global economic activity.

1.2 - Commodity prices

12. During the first quarter of 2018, according to World Bank data, commodity prices overall continued their upward trend, driven particularly by rising energy prices.

Graph 1 - Trends in commodity price indexes



Sources: World Bank, Bloomberg

13. Energy prices rose by 9.8% in the quarter under review, in connection with the increase in the price of petroleum products. In particular, the price of WTI on the NYMEX and the price of Brent crude oil rose by 12.9% and 8.9% respectively. Prices reacted to lower inventories in the United States on the one hand, and on the other hand to renewed geopolitical tensions between the United States and Iran, which is the fifth largest producer in the world and the third largest producer within OPEC. Oil prices were further buoyed by investor optimism that the oil market would be rebalanced by the end of 2018, in connection with meeting production quota targets set within OPEC.
14. The prices of the main commodities exported by the countries of the Union experienced contrasting developments. In addition to oil, foreign currency prices for cashew nuts (+18.0%), cotton (+13.5%), cocoa (+7.1%) and gold (+4.3%) increased. On the other hand, palm kernel oil (-18.0%), palm oil (-4.3%), coffee (-4.1%) and rubber (-3.2%) dropped. Valued in CFA francs, the prices of commodities exported by the countries of the Union maintained the same trend, with the exception of gold.
15. Cashew prices rose, driven by strong demand from Vietnam and India, the world's top two importers.

Table 2 - Prices of commodities exported by WAEMU countries

	Average price Q1-2018				Quarterly variation		Year on year	
	unit	In foreign currency	unit	CFA francs	Prices in foreign currency	Prices in CFA francs	Prices in foreign currency	Prices in CFA francs
Crude oil (NYMEX)	\$/barrel	62.7	ton	239,165.2	12.9	8.2	19.5	3.4
Robusta coffee (ICO)	cents/lb.	87.8	kg	1,032.8	-4.1	-8.1	-17.5	-28.7
Cocoa (ICCO)	cents/lb.	99.4	kg	1,169.4	7.1	2.5	4.6	-9.5
Cotton (NY #2)	cents/lb.	80.8	kg	950.7	13.5	8.7	5.9	-8.3
Palm oil	\$/ton	676.2	kg	360.9	-4.3	-8.3	-11.2	-23.2
Palm kernel oil	\$/ton	1141.1	kg	609.2	-18.0	-21.4	-22.1	-32.6
Rubber	eurocent/kg	125.0	kg	820.1	-3.2	-3.2	-39.1	-39.1
Cashew nuts	\$/ton	1924.5	kg	1,026.6	18.0	13.0	25.0	9.2
Gold	\$/ounce	1329.4	gram	25,024.5	4.3	-0.1	9.8	-5.0

Sources: Bloomberg, Reuters

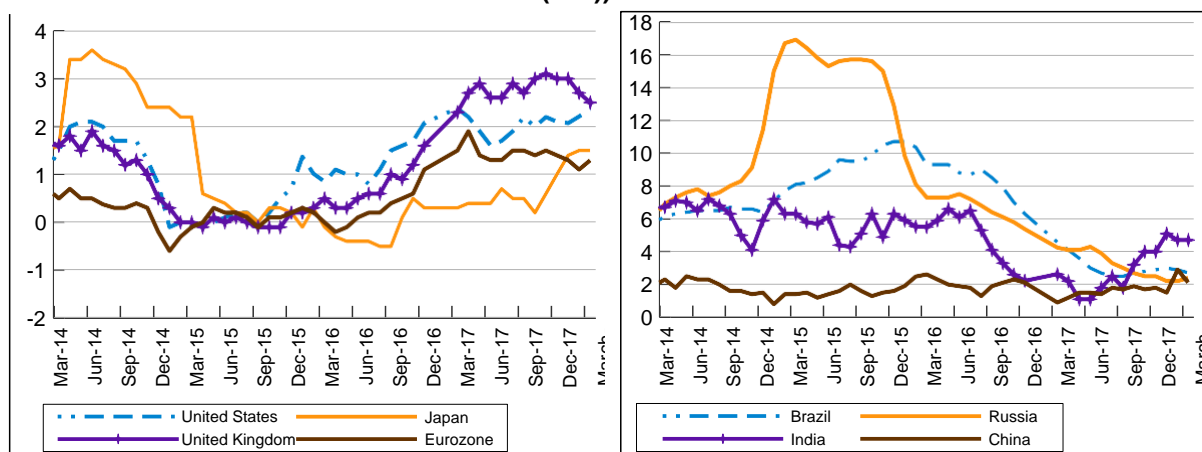
16. Cotton prices benefited from increased demand, particularly from India and China.
17. Cocoa prices were buoyed by strong demand from European and Asian countries. However, cocoa prices in CFA francs fell by 9.5% on an annual basis.
18. Against a backdrop of heightened risk aversion on the financial markets, fueled by fears of a trade war between the United States and its main partners, investors strengthened their positions in the safe haven asset, gold, to the detriment of other financial assets. This development was also linked to robust demand from India and China.
19. The decline in palm kernel oil and palm oil prices was due to the increase in stocks and production at the global level, particularly in Malaysia and Indonesia, combined with the decline in purchases from India, the world's largest importer of vegetable oil.
20. Coffee prices continued to fall, in line with the favorable production outlook in the main producing countries, notably Brazil and Vietnam.
21. Rubber prices were affected by weak global demand and stockpiling in major exporting countries, notably China and Japan.
22. The prices of the main food products imported by WAEMU countries increased during the first quarter of 2018, with the exception of soybean oil (-3.7%).
23. Wheat and corn prices rose by 7.0% in the quarter under review, supported by uncertainties in global supply due to adverse weather conditions in the main production areas in the United States. Rice prices rose by 2.5%, driven by strong demand from African and Asian countries, particularly India, Bangladesh, the Philippines, and Indonesia, as well as by weak market supplies in the main producing countries, Vietnam and Thailand.

24. In contrast, soybean prices eased, reflecting weak demand and strong supply prospects, against the backdrop of improved weather conditions in the main production areas in South America, particularly Argentina and Brazil.

1.3 - Inflation

25. During the first quarter of 2018, inflationary pressures declined in advanced countries with the exception of the United States. Similarly, prices eased in most emerging and developing countries.

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



Source: IMF

26. In the Eurozone, inflation was slightly lower, falling from 1.4% in December 2017 to 1.3% in March 2018. Similarly, in the United Kingdom, the inflation rate declined by 0.5 percentage point to 2.5%, in March 2018, while remaining above the Central Bank's target of 2.0%. In contrast, in the United States, the year-on-year inflation rate increased by 0.3 percentage point to 2.4% at the end of March 2018.
27. In the major emerging economies, inflationary pressures remained low. In Brazil, prices were up by 2.7% year on year at the end of March 2018, following 2.9% three months earlier. In Russia, prices continued to fall. The inflation rate stood at 2.4% at the end of March 2018, after 2.5% at the end of December 2017. On the other hand, in India, prices maintained their upward trend, with the inflation rate rising to 4.4% in March 2018 from 4.0% in December 2017. In China, the year-on-year inflation rate rose from 1.8% in December 2017 to 2.1% in March 2018.
28. In the partner countries of the Union in the West African sub-region, inflationary pressures decreased. Prices eased in Ghana, with inflation passing from 11.8% to 10.4% over the period. Similarly, in Nigeria, inflation slowed by 2.0 percentage points to 13.3% at the end of March 2018.

1.4 - International monetary and financial conditions

1.4.1 - Central bank actions

29. Against the backdrop of improving growth, the central banks of some advanced countries continued to gradually tighten their monetary policies. In emerging economies, most central banks eased their monetary policies to support growth. In West and Central Africa, central banks kept their monetary policy stance unchanged, with the exception of Ghana.
30. The U.S. Federal Reserve (FED), during a meeting of the policymaking Federal Open Market Committee on March 21, 2018, increased the federal funds rate target range by 25 basis points to 1.50%-1.75%. The FED also plans to make two additional rate hikes in the remainder of the year. For 2019, the FED is considering three leading rate hikes, up from two previously anticipated.
31. The European Central Bank (ECB), during its meetings on January 25, 2018, and March 8, 2018, left its rates unchanged. It also maintained the amount of asset purchases at 30 billion euros per month.
32. The Bank of England (BoE), during its meetings on February 8 and March 22, 2018, maintained its key rate at 0.5%, in light of sluggish activity owing to the uncertainties surrounding negotiations on the post-Brexit transition period that is due to end in 2020.
33. Following the Fed's decision, the People's Bank of China (PBoC) raised its 7-day repurchase rate, used for money market operations, by 5 basis points to 2.55% on 22 March 2018. However, the PBoC left its one-year lending rate, which is its key benchmark rate, unchanged at 4.35%, the level in force since October 2015. Financial markets expect the PBoC to continue to raise the cost of refinancing to curb growth in lending and avoid too great a divergence in policy from the U.S.
34. In Brazil, the Central Bank successively lowered its leading rate by 25 basis points during its meetings on 7 February and 21 March 2018 to reach 6.50%, for an overall decrease of 775 basis points since it began its monetary easing cycle in October 2016.
35. The South African Reserve Bank (SARB), during its Monetary Policy Committee meeting on March 28, 2018, lowered its lending rate by 25 basis points to 6.50%. This was the second rate reduction made by the SARB since July 2017. The drop in rates took place against a backdrop of easing inflationary pressures, an appreciation of the rand against the US dollar, and an improving outlook for growth.
36. In the sub-Saharan region, the Central Bank of Nigeria (CBN) did not change its main monetary policy instruments over the recent period. Its benchmark rate remained at 14%, the level in effect since July 26, 2016.
37. The Bank of Ghana (BoG), after cutting its benchmark interest rate by 200 basis points on March 26, 2018, made a further reduction of 100 basis points to 17.0% on Thursday, May 17, 2018, for a total cut of 900 basis points in the leading rate to since the beginning of the easing cycle that began in November 2016. This decision was motivated by the decline in inflationary pressures.

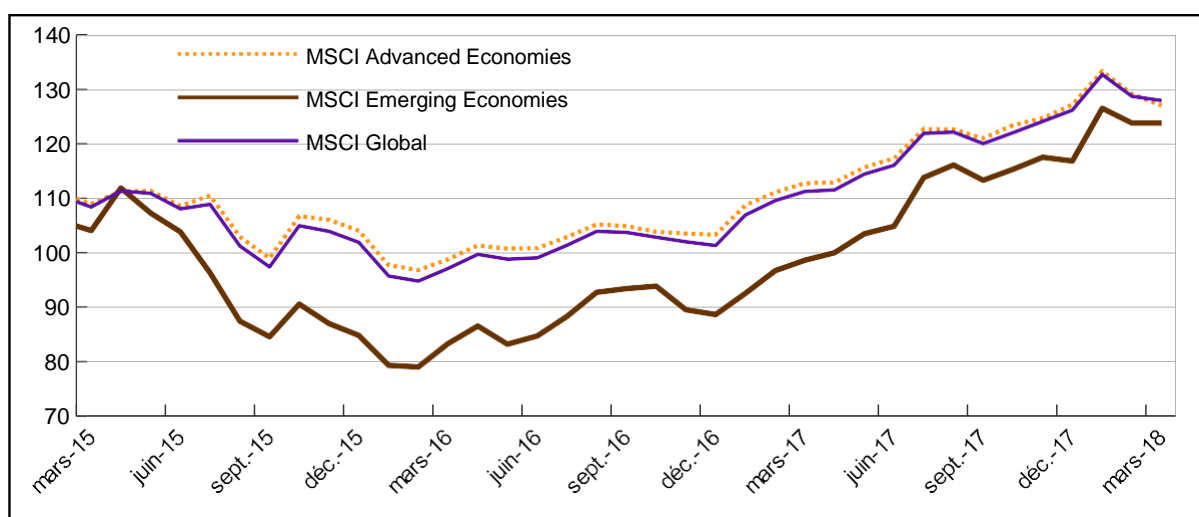
38. The Bank of Central African States (BEAC), during its meeting on March 21, 2018, kept the tender interest rate unchanged at 2.95% and the repo rate unchanged at 4.20%, the levels were in effect since March 2017.

1.4.2 - Trends in monetary and financial conditions

39. Financial markets experienced renewed volatility, mainly due to the specter of a "trade war" between the United States and its main partners, which would negatively affect the global economy.
40. On the bond markets, benchmark 10-year bond yields in the United States increased by 43.21 basis points (bps), from 2.41% at the end of December 2017 to 2.84% at the end of March 2018, in conjunction with financial market expectations of further FED monetary policy tightening.
41. In the Eurozone, sovereign interest rates evolved differently from country to country. Benchmark 10-year bond yields came in higher at 0.58% in Germany (+23.18 bps), 0.83% in France (+14.84 bps) and 1.94% in Italy (+12.01 bps). On the other hand, they fell to 4.27% in Greece (-11.27 bps), 1.36% in Spain (-9.91 bps) and 1.79% in Portugal (-5.92 bps).
42. In the money markets, the 3-month Euribor edged up by 0.1 basis point, quarter over quarter, to -0.33% in the first quarter of 2018.
43. International equity markets performed well, with the MSCI Global Index rising 1.3% to reach 127.9 points in March 2018 from 126.2 points in December 2017. The MSCI Advanced Economies Index and the MSCI Emerging Economies Index were up 0.7% and 6.0%, respectively.

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

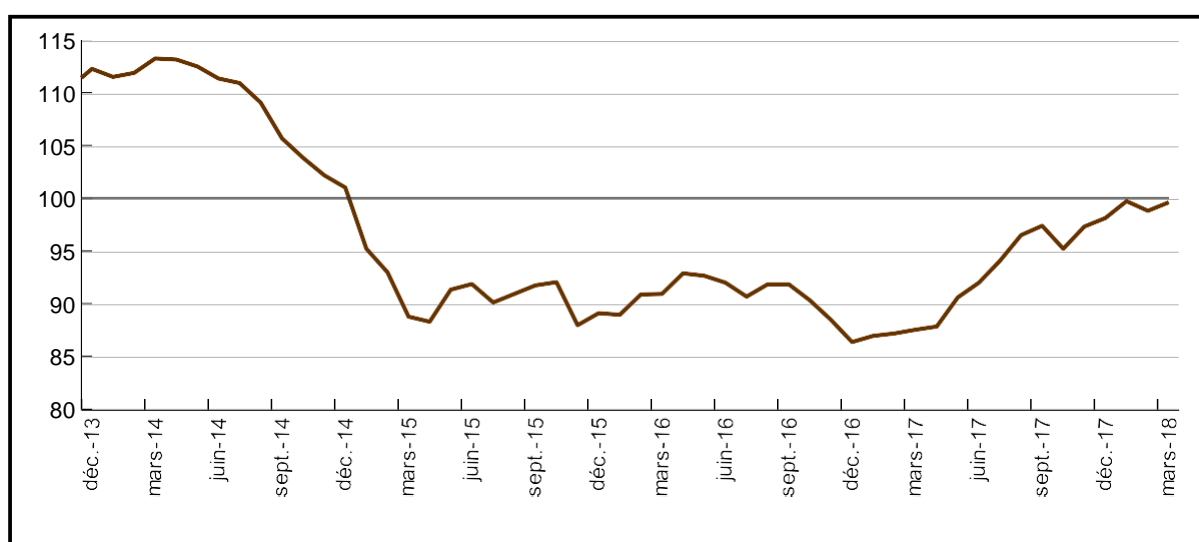
(baseline 100 = 2014)



Source: Bloomberg

44. The Dow Jones index on the New York Stock Exchange and the Nikkei 225 index on the Tokyo Stock Exchange rose by 6.0% and 0.8% respectively, on a quarterly basis. On the other hand, on the European markets, the Eurozone's EuroStoxx 50 index and the London Stock Exchange's FTSE 100 index showed declines of 3.4% and 1.7% respectively in the first quarter of 2018.
45. On the foreign exchange markets, the European currency appreciated during the first quarter of 2018 against the major developed world currencies, with the exception of the British pound sterling. The rise in the euro was driven, on the one hand, by expectations of a normalization of the ECB's monetary policy and, on the other, by continued economic vitality. The trends in the U.S. dollar were affected by fears surrounding U.S. economic policy, with the adoption of measures viewed as protectionist. As for the pound sterling, it was buoyed by the announcement of an agreement on the transition period following the exit of the United Kingdom from the European Union.
46. The euro gained 4.54% against the U.S. dollar, 1.13% against the Japanese yen and 0.22% against the Swiss franc. On the other hand, it depreciated by 0.41% against the pound sterling.

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



Source: Bloomberg

47. In West Africa, according to official data, the CFA franc appreciated against the subregion's currencies during the first quarter of 2018. Increases were recorded against the Liberian dollar (+8.1%), Ghanaian cedi (+4.8%), Sierra Leonean leone (+4.5%), Nigerian naira (+4.2%), Guinean franc (+4.2%) and Gambian dalasi (+2.2%).

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

Exchange rates	2016				2017				2018	Variation (%)	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	quarterly	annual
Gambian dalasi	70.9	73.5	77.2	75.6	73.3	77.6	85.9	84.8	86.6	2.2	18.2
Ghanaian cedi	6.5	6.6	6.7	6.6	7.1	7.1	8.1	7.9	8.3	4.8	16.6
Guinean franc	14,049.2	15,353.7	15237.0	14,967.5	15,062.9	15193.9	16,619.1	16148.3	16827.3	4.2	11.7
Liberian dollar	151.3	158.3	163.1	163.8	167.5	185.1	212.7	219.3	237.1	8.1	41.6
Nigerian naira	330.0	349.8	512.6	501.2	495.4	510.8	563.9	548.0	570.8	4.2	15.2
Sierra Leonean leone	9,676.3	10,454.8	10565.5	11,591.2	11,767.1	12210.4	13,719.0	13516.5	14128.1	4.5	20.1

Source: WAMA

II - TRENDS IN SUPPLY AND DEMAND FACTORS IN WAEMU

2.1 - Supply factors

48. The year-on-year gross domestic product (GDP) growth rate stood at 6.5% in the first quarter of 2018, after reaching 6.4% one quarter earlier. The slight upturn in the pace of growth confirms the optimism shown by business leaders about the business trends across all sectors. The business climate indicator¹ remained above its long-term trend in the first quarter of 2018.
49. Economic growth in the Union was driven by the secondary sector, whose contribution increased by 0.2 percentage point to 1.6 percentage point compared to the previous quarter. The contribution of the service sector to GDP growth was 3.9 percentage points, 0.1 percentage point higher than its fourth quarter 2017 performance. In contrast, the primary sector contributed only 1.0 percentage point, down from 1.2 percentage point a quarter earlier.

Table 4 - Industry contributions to quarterly GDP growth, year over year
(Seasonally adjusted - working day corrected (SA-WDC) data, in %)

	2016				2017				2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Primary sector	1.5	1.6	1.6	1.6	1.4	1.3	1.1	1.2	1.0
Secondary sector	1.2	1.4	1.7	1.5	1.4	1.5	1.4	1.4	1.6
Tertiary sector	3.5	3.4	3.3	3.4	3.9	4.0	4.1	3.8	3.9
GDP	6.2	6.4	6.6	6.5	6.7	6.8	6.6	6.4	6.5

Source: BCEAO

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

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

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

	2016				2016	2017				2017	2018
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		
Benin	2.8	3.7	4.4	4.9	4.0	5.4	5.6	5.7	5.7	5.6	5.5
Burkina Faso	5.3	5.9	6.2	6.3	5.9	6.6	6.5	6.6	6.8	6.7	6.7
Côte d'Ivoire	8.4	8.5	8.5	8.1	8.3	8.1	8.1	7.7	7.4	7.8	7.6
Guinea-Bissau	6.7	6.3	6.0	6.0	6.3	5.8	5.9	6.0	5.8	5.9	5.6
Mali	5.5	5.6	5.6	5.5	5.5	5.8	5.6	5.5	5.3	5.5	5.0
Niger	4.4	4.8	5.1	5.2	4.9	5.1	5.0	4.9	4.9	4.9	5.1
Senegal	6.3	5.7	6.4	6.5	6.2	7.1	7.5	7.2	7.2	7.2	6.9
Togo	5.3	5.1	5.0	5.0	5.1	4.5	4.5	4.4	4.2	4.4	4.5
WAEMU	6.2	6.4	6.6	6.5	6.5	6.8	6.9	6.7	6.4	6.7	6.5

2.1.1 - Primary sector

51. In the primary sector, gross value added increased by 4.0% year on year in the quarter under review, compared to 4.4% in the previous quarter, reflecting the increase in production of both cash crops and food crops in most coastal countries.
52. The latest official estimates showed an increase in food production of 4.9% in the 2017/2018 growing season, compared to an estimate of 6.1% in the March 2018 report. The downward revision of the growth rate in harvests was due to a decline in production, particularly in Burkina Faso (-9.6% compared to the previously expected +6.2%). It was also due to a weaker-than-expected performance in Niger, where food production, initially expected to increase by 7.4%, remained virtually stable. The poor performance in Burkina Faso was due to the early cessation of rains in certain production areas and to attacks by insect pests. In contrast, the crop year was better than initially expected in Senegal and Togo, where harvests increased by 31.7% and 2.0%, respectively, compared to the 8.0% and 1.0% increases previously foreseen.
53. With reference to the average over the previous five years, the production of the 2017/2018 crop season showed an increase of 17.1%.

Table 6 - Food crop production in WAEMU

21

	<i>(in tons unless otherwise noted)</i>					<i>(Updated April 2018)</i>		
	2013/2014	2014/2015	2015/2016	2016/2017 (1)	2017/2018* (2)	Average of the five previous crop years (3)	Variation (%)	
							(2)/(1)	(2)/(3)
Cereals	22,141,525	23,683,955	25,872,342	27,621,701	28,391,509	24,529,151	2.8	15.7
Tubers	17,469,222	20,802,371	19,876,914	20,994,098	22,381,001	19,112,327	6.6	17.1
Other crops	7,634,117	8,059,704	8,245,988	9,021,496	9,699,144	7,994,390	7.5	21.3
Total	47,244,864	52,546,030	53,995,243	57,637,295	60,471,654	51,635,868	4.9	17.1

Sources: Ministries of Agriculture of the States, BCEAO calculations

*Estimates

54. In terms of the main export crops, the latest estimates for the crop year indicate an increase in production for all crops except coffee. These results broadly confirm the trends indicated in the March 2018 report.

Table 7 - Production of export crops in WAEMU

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

Sources: National trade departments, BCEAO calculations

*Estimates

55. Cocoa production was estimated at 2,045,112 tons, up 24.3%, mainly due to the increase in harvests in Côte d'Ivoire. The crop continues to benefit from measures introduced in recent years by the authorities in charge of the sector, including better technical supervision and the use of high-yield varieties.

56. The volume of groundnuts produced amounted to 3,182,639 tons, an increase of 10.4%, attributable mainly to Senegal (+42.4%), the Union's largest producer, as well as to Guinea-Bissau (+15.0%), Benin (+7.8%) and Côte d'Ivoire (+6.3%).

57. The results of the 2017/2018 season placed cotton production at 2,334,621 tons, up 4.1% from the previous season. This increase was driven by all of the Union's cotton-producing countries with the exception of Burkina Faso, where harvests declined from one season to the next due to climatic disturbances and insect attacks. Overall, rainfall was satisfactory in most of the other countries' production areas.

58. Cashew nut production increased by 8.0% to 1,180,839 tons, due to favorable weather conditions in the areas concerned in Benin, Côte d'Ivoire, and Guinea-Bissau.
59. The rubber harvest, during the 2017/2018 season, amounted to 580,000 tons, an increase of 28.0%, due to the increase in land available for cultivation.
60. On the other hand, coffee production fell by 58.0%, due to the decline recorded in Côte d'Ivoire, following the destruction of a large part of the crop during the flowering period by heavy rains. The quantity produced was estimated at 51,523 tons for the 2017/2018 season compared to 122,611 tons the year before.

2.1.2 - Secondary sector

61. In the first quarter of 2018, the value added generated by the secondary sector grew at an annual rate of 7.9%, 1.0 percentage point higher than in the previous quarter.
62. The industrial production index posted a 5.4% year-on-year increase in the first quarter of 2018, after 3.6% three months earlier. This acceleration was mainly attributable to the increase in manufacturing (+5.2% compared to +4.3%) and extraction (+4.4% compared to -0.4%). The performance observed in the manufacturing sector was due to an increase in the production of chemicals (+25.5% compared to +2.3%), particularly industrial gases (oxygen, acetylene) and phosphoric acid in Benin, Côte d'Ivoire, and Mali. It was reinforced by an increase in food production (+5.9% compared to -0.8%), particularly sugar, cottonseed oil, and non-alcoholic beverages, mainly in Benin, Mali, and Senegal. The trend in the mining and quarrying sector was mainly due to the increase in production of metal ores (+24.3% compared with -3.2%), linked to an increase in production of gold and silver. However, during the quarter under review, there was a drop in crude oil and natural gas production (-7.7% compared to -0.7%) in Côte d'Ivoire and Niger.

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

Branches	2017	2017				2018
		Q1	Q2	Q3	Q4	Q1*
Production from extraction activities	-4.3	2.1	-1.5	-13.0	-0.4	4.4
incl. Crude oil and natural gas	-0.5	5.3	3.0	-9.4	-0.7	-7.7
Uranium ores	2.6	-16.3	22.5	-12.3	23.1	10.2
Metal ores	3.3	5.6	7.2	4.0	-3.2	24.3
Manufacturing industries	6.2	3.2	8.2	8.9	4.3	5.2
- Food and beverage products	9.1	8.6	16.9	12.3	-0.8	5.9
- Refined petroleum products	1.0	-3.3	-1.7	2.2	6.8	-2.9
- Chemical products	1.1	-2.7	-5.0	9.2	2.3	25.5
Electricity, gas & water	5.5	12.7	5.1	0.9	3.9	2.8
General Index	5.0	5.2	6.4	4.7	3.6	5.4

Source: BCEAO.

(*) Provisional data

2.1.3 - Tertiary sector

63. The value added generated in the tertiary sector increased by 7.1%, on an annual basis, in the first quarter of 2018 compared to 7.0% in the fourth quarter of 2017.
64. The sales indicator in market services (excluding financial services) came in 10.6% higher in the first quarter of 2018, driven in particular by transportation, accommodation, and restaurant services.
65. The retail sales index stood at 7.6% in the first quarter of 2018 compared to 7.9% in the previous quarter. The deceleration was mainly attributable to food sales (-3.2% compared to -1.6%) in Benin, Côte d'Ivoire, and Senegal. Retail sales increased for petroleum products (+13.1% vs. +9.3%), pharmaceuticals (+13.1% vs. +8.8%) and automobiles (+10.6% vs. +2.1%).

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

	2016	2017	2017				2018
			Q1	Q2	Q3	Q4	Q1*
Retail trade	2.6	10.1	12.4	8.5	11.7	7.9	7.6
Food products	-2.7	5.9	18.0	1.8	6.4	-1.6	-3.2
Personal equipment products	-8.3	1.6	-8.1	2.7	3.3	9.7	-0.2
Cars, motorcycles, and spare parts	5.5	15.0	24.5	12.6	21.4	2.7	10.6
Petroleum products	4.0	11.5	15.0	12.2	9.9	9.3	13.1
Pharmaceutical and cosmetic products	6.8	7.3	3.0	3.5	14.0	8.8	13.1
Turnover indicator for market services (excluding financial services)	-	-	-	-	-	-	10.6

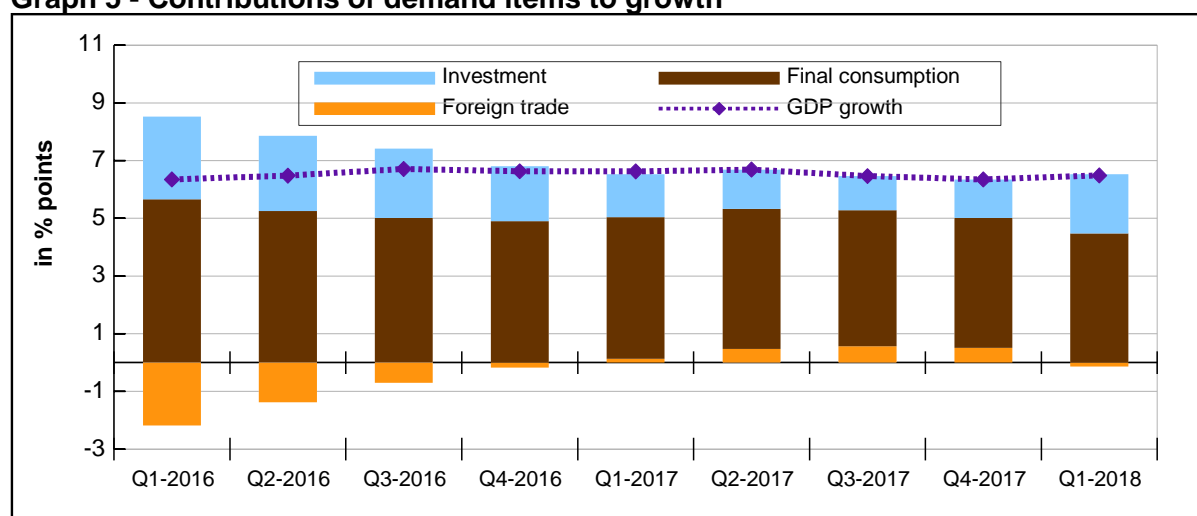
Source: BCEAO

(*) Provisional data

2.2 - Demand factors

2.2.1 - Trends in GDP uses

66. Analysis by demand component reveals that final consumption continued to drive growth in the Union, contributing 4.5 percentage points to GDP growth. Investment was also an important source of growth, contributing 2.1 percentage points. In total, domestic demand contributed 6.6 percentage points to GDP growth in the first quarter of 2018. In contrast, foreign trade made a contribution of -0.1 percentage points, after +0.4 percentage points in the fourth quarter of 2017.

Graph 5 - Contributions of demand items to growth

Source: BCEAO

67. Final consumption was up 5.2%, year on year, in the first quarter of 2018 after 5.1% a quarter earlier, due to growth in household consumption of services, especially communications and transportation services, and energy products. Government consumption also remained dynamic, growing at an annual rate of 5.5% in the first quarter of 2018 after 5.4% in the previous quarter.
68. For their part, investments in WAEMU grew by 7.4% year on year in the first quarter of 2018, driven in particular by construction and public works, in connection with the continued implementation of infrastructure construction programs.
69. The contribution of foreign trade to economic growth was -0.1 percentage point after +0.4 percentage points a quarter earlier, due to a net increase in imports of goods and services.

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

70. The data available on the budget execution by the WAEMU Member States during the first three months of 2018 shows an overall greater increase in revenue and grants compared to public expenditure, year on year, leading to a reduction in the overall deficit, on a commitment basis, including grants, to stand at 317.0 billion, or 1.8% of the GDP, at the end of March 2018, compared with 343.6 billion or 2.2% of the GDP in the same period of the previous year.
71. The budgetary revenues of the Union's Member States amounted to 3,062.5 billion in March 2018 compared to 2,789.7 billion a year earlier, an increase of 9.8%. This increase was the result of a 10.4% increase in tax revenue, which stood at 2,596.2 billion. Budgetary grants, estimated at 193.3 billion at the end of March 2018, recorded an increase of 13.1% compared to the first quarter of 2017.
72. Net expenditures and loans increased by 7.9%, from 3,133.3 billion at the end of March 2017 to 3,379.4 billion at the end of March 2018, driven by simultaneous increases in capital expenditures (+11.3%) and current expenditures (+8.0%).

Table 10 - Financial operations of WAEMU Member States*(in billions, unless otherwise indicated)*

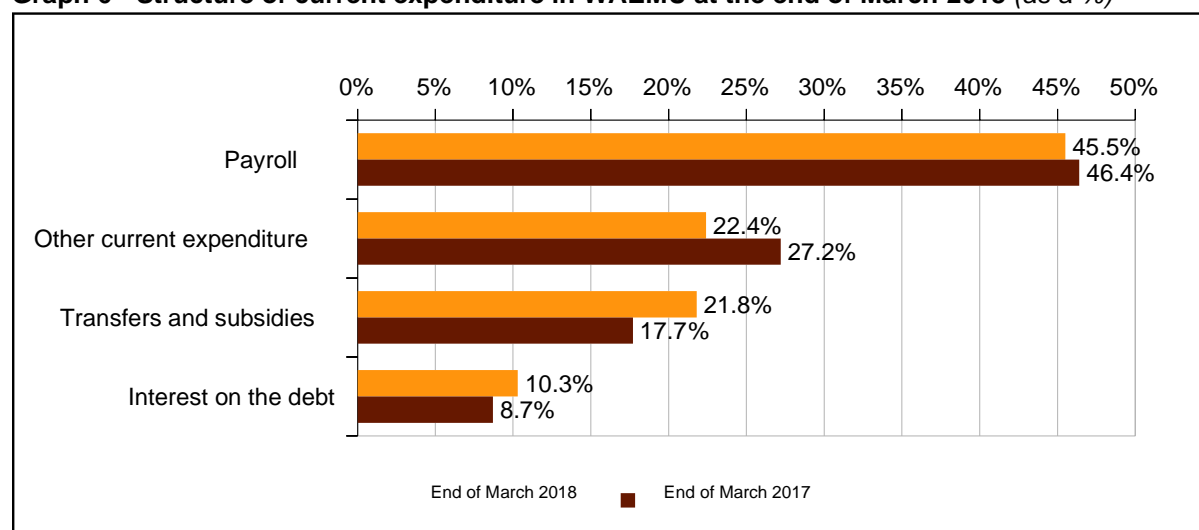
	March 2017 (1)	March 2018 (2)	Variation (2)-(1)	
			<i>(in billions)</i>	<i>(as a %)</i>
Budgetary revenue and grants	2,789.7	3,062.5	272.8	9.8
Budgetary revenue	2,618.8	2,869.1	250.3	9.6
<i>including fiscal revenue</i>	2,351.5	2,596.2	244.7	10.4
Grants	170.9	193.3	22.4	13.1
Net loans and expenditure	3,133.3	3,379.4	246.1	7.9
<i>incl. current expenses</i>	2,083.0	2,248.6	165.6	8.0
<i>payroll</i>	965.8	1,023.6	57.8	6.0
<i>transfers and subsidies</i>	368.2	489.7	121.5	33.0
<i>interest on the debt</i>	180.3	232.5	52.2	28.9
capital expenditure	962.7	1,071.6	108.9	11.3
other expenditure	88.7	66.3	-22.4	-25.3
net loans	-1.0	-7.1	-6.1	-608.2
Overall balance (commitment basis) (including grants)	-343.6	-317.0	26.6	-
<i>(as a % of the GDP)</i>	-2.2%	-1.8%		
Overall balance (cash basis) (including grants))	-487.3	-325.9	161.4	-
<i>(as a % of the GDP)</i>	-3.1%	-1.9%		

Sources: National departments, BCEAO

(*): provisional data

73. The trend in capital expenditure was linked to the continued execution of public investments, particularly in the area of infrastructure. Overall, the level of capital expenditure stood at 1,071.6 billion at the end of March 2018 compared to 962.7 billion in the same period of the previous year.

74. The increase in current expenditure was driven by payroll costs (+6.0%) and interest payments on the debt (+28.9%).

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

Sources: National departments, BCEAO

75. The overall budget deficit, on a cash basis, including grants, stood at 156.3 billion at the end of March 2018 compared to 487.3 billion in the same period of the previous year.

2.2.3 - Regional public debt market

76. Total gross issues on the regional public debt market in the first quarter of 2018 amounted to 493.1 billion, down by 316.9 billion compared to the first quarter of 2017. Net issues stood at -504.8 billion at the end of March 2018. Senegal did not raise any resources on the market during the first quarter of 2018, whereas it had mobilized 77.4 billion over the same period of the previous year. For its part, Côte d'Ivoire mobilized 87.1 billion compared to 346.9 billion a year earlier. These two Member States relied on the international financial markets to cover their financing needs.

77. In the Treasury bill segment, twenty-one issues were made for a total amount of 380.2 billion, compared to thirty issues for 618.6 billion a year earlier. The 6 and 12-month maturities were the most commonly requested, with eighteen issues for a total value of 339.3 billion, or 89.2% of the total value of bonds issued for this period.

78. National treasury departments raised 112.9 billion in the bond compartment compared to 191.4 billion in Q1 2017. Twelve issues were made with maturities of 3 years (9 issues), 5 years (2 issues) and 7 years (1 issue).

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

	2016	2017				2017	2018
	total	Q1	Q2	Q3	Q4	total	Q1
Bills	1,541.0	618.6	434.4	253.9	271.3	1,578.2	380.2
Bonds	2,871.0	191.4	486.6	767.5	676.4	2,121.9	112.9
Auction	1,969.7	54.3	215.2	645.5	250.2	1,165.1	112.9
Syndication	901.3	137.1	271.5	122.0	426.2	956.8	-
Total	4,412.0	810.0	921.0	1,021.4	947.7	3,700.1	493.1

Source: WAMU Securities

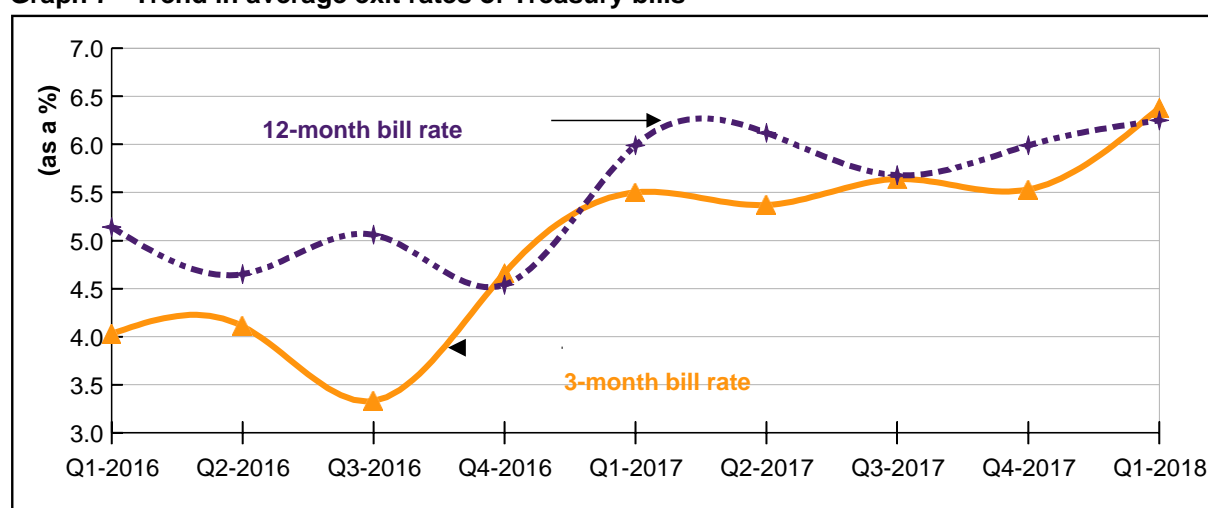
79. The average cost of the funds raised by governments increased, on an annual basis, in the Treasury bill segment. The weighted average interest rate was 6.22% at the end of March 2018 compared to 5.68% in the same period of the previous year.

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

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

Sources: BCEAO, WAMU Securities.

80. The exit rates for 3- and 12-month Treasury bills showed upward trends during the quarter under review.

Graph 7 - Trend in average exit rates of Treasury bills

Sources: BCEAO, WAMU Securities.

Outstanding government securities on the regional market

81. Overall outstanding government securities stood at 9,125.1 billion at the end of March 2018. The outstanding amount of government securities, broken down by country, is shown in table 13 below.

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

	Benin	Burkina Faso	Côte d'Ivoire	Guinea-Bissau	Mali	Niger	Senegal	Togo	WAMU
Bills	149.1	268.5	278.9	23.7	105.2	132.2	22.0	132.9	1 112.5
Bonds	998.4	716.6	3 090.0	24.7	786.0	379.4	1 397.9	619.5	8 012.6
Total	1 147.5	985.1	3 368.9	48.4	891.2	511.6	1 419.9	752.4	9 125.1

Source: BCEAO

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

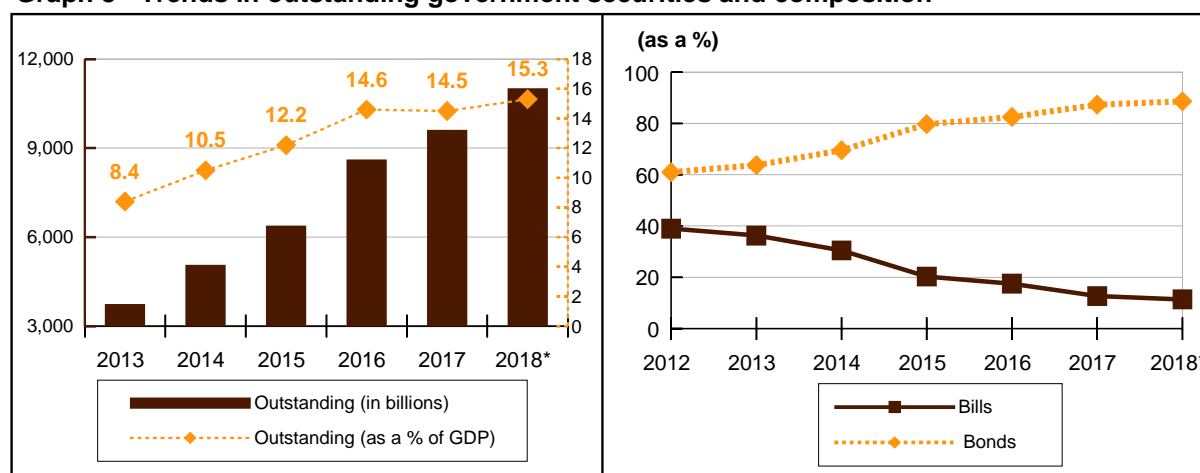
82. The outlook for the year 2018, based on the issuance schedules collected from the Union's Member States, indicates that the total amount of resources to be mobilized on the regional market should be 3,782.0 billion, up by 2.2% compared to actual figures in 2017. These issues would bring the outstanding stock of government securities to a total of 10,810.7 billion, or 15.1% of the GDP, at the end of December 2018.

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

	2012	2013	2014	2015	2016	2017	2018 (*)
Outstanding	3,023.9	3,743.9	5043.2	6,388.5	8,621.4	9,547.7	10,810.7
(as a % of GDP)	7.3	8.4	10.5	12.2	14.6	14.5	15.1
Relative share (%)							
- bills	39.0	36.3	30.5	20.3	17.5	12.7	11.4
- bonds	61.0	63.7	69.5	79.7	82.5	87.3	88.6

Source: BCEAO (*) forecasts

Graph 8 - Trends in outstanding government securities and composition



Sources: BCEAO, WAMU Securities

(*): forecasts for end December 2018

2.2.4 - Mobilization on international markets

83. In the course of the first quarter of 2018, Côte d'Ivoire and Senegal leveraged resources on international markets through eurobond issues. For Côte d'Ivoire, the total amount mobilized was €1.7² billion euros, or 1,115.0 billion CFA francs. Senegal issued two tranches, one in US dollars for an amount of \$1.0³ billion, i.e., approximately 531.2 billion CFA francs, and one in euros for €1.0 billion, i.e., approximately 656.0 billion CFA francs.

2/ This operation was divided into a tranche of €0.85 billion maturing in 2030 with a yield of 5.25% and another tranche in the same amount maturing in 2048 with a yield of 6%.

3/ The first tranche of the transaction consists of US dollar-denominated bonds with a 30-year maturity (maturing in 2048) and a yield of 6.75%. The second tranche consists of euro-denominated bonds maturing in March 2028, i.e., a 10-year term, with a yield of 4.75%.

2.2.5 - Foreign and intra-WAEMU trade

2.2.5.1 - Foreign trade

84. The Union's foreign trade showed a deficit of 281.9 billion or 1.63% of the GDP in the first quarter of 2018, worsening by 275.2 billion compared to the same period of the previous year, attributable to an increase in imports (+3.7%), combined with a decline in exports (-3.3%). As a result, the import-export coverage rate deteriorated by 6.7 percentage points, year on year, to 93.1% in the first quarter of 2018 compared to 99.8% in the same period of 2017.
85. The year-on-year increase in imports was mainly driven by the rise in prices and volumes of petroleum products (+7.0%) as well as foodstuffs and consumer goods (+3.4%). Purchases of capital and intermediate goods (+4.3%), in connection with the implementation of investment programs, were also factors in the increase in imports.
86. The decline in the value of exports, on an annual basis, despite the increase in volumes, was due to lower sales of cocoa (-9.1%), rubber (-25.9%), cotton (-4.3%) and gold (-2.9%), in line with trends in international prices. The decline in the overall value of exports was partially offset by increased shipments of petroleum products (+5.6%) and cashew nuts (+11.8%), which benefited from favorable international price conditions.

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

	Q1-2017	Q1-2018*	Annual variation	
	in billions		in billions	as a %
Exports	3,926.9	3,796.4	-130.5	-3.3
<i>incl. Cocoa products</i>	1,123.9	1,021.7	-102.2	-9.1
<i>Gold and precious metals</i>	922.6	895.6	-27.0	-2.9
<i>Petroleum products</i>	384.4	406.0	21.6	5.6
<i>Cotton products</i>	154.9	148.3	-6.6	-4.3
<i>Coffee products</i>	20.9	16.2	-4.7	-22.5
<i>Cashew products</i>	114.2	127.7	13.5	11.8
<i>Rubber</i>	140.8	104.3	-36.5	-25.9
<i>Uranium</i>	47.2	47.9	0.7	1.5
Imports (FOB)	3,933.6	4,078.3	144.7	3.7
<i>incl. Food products</i>	1,034.7	1,064.0	29.3	2.8
<i>Consumer products</i>	332.7	349.4	16.7	5.0
<i>Energy products</i>	625.5	669.1	43.6	7.0
<i>Capital goods</i>	862.4	899.1	36.7	4.3
<i>Intermediate goods</i>	829.5	865.7	36.2	4.4
Trade balance	-6.7	-281.9	-275.2	-4,107.5
Trade balance (as a % of GDP)	-0.04%	-1.63%		

Sources: BCEAO, NSIs, Customs

(*) Estimated data

87. An analysis of the geographical trends in the Union's foreign trade during the period under review showed trade balance surpluses with Africa, Europe, and America, but a deficit with Asia.

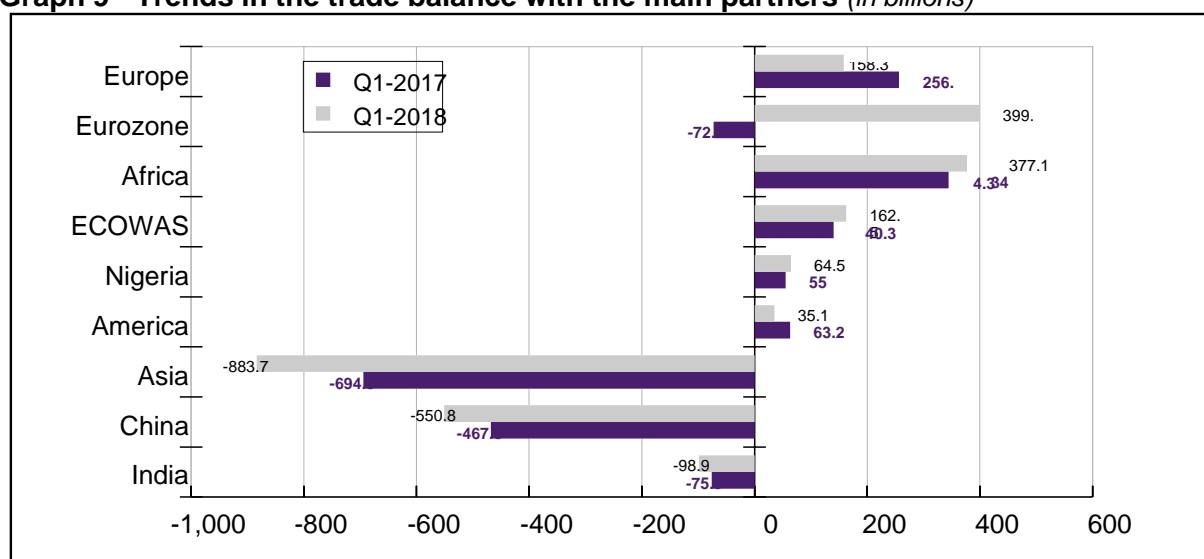
88. The Union's trade surplus with its main African partners amounted to 377.1 billion, including 251.3 billion with South Africa, in line with gold shipments from Burkina Faso and Mali to that country. As regards other ECOWAS countries outside WAEMU, the balance showed a surplus of 162.5 billion. With Nigeria and Ghana, in particular, the Union had trade surpluses of 64.5 billion and 43.1 billion, respectively. Sales to those countries were exclusively of live animals, chemicals, petroleum products and food products. External purchases of Union countries from other African countries consisted solely of energy products and intermediate goods.
89. The Union's trade with European countries showed a surplus of 158.3 billion, due to a surplus of 399.2 billion with countries outside the Eurozone, notably Switzerland (+492.5 billion). However, this favorable position was moderated by the deficit with the Eurozone (-240.9 billion), which mainly supplied the Union with capital and intermediate goods, food products (especially wheat and dairy products) and refined petroleum products. Sales to the Eurozone mainly included cocoa, crude oil, fishery products, and uranium. Exports of goods to other European countries outside the Eurozone were mainly gold and cotton. Imports from those countries were mainly intermediate goods, refined petroleum products and food products.

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

	FOB Exports		CIF Imports	
	Q1-2017	Q1-2018	Q1-2017	Q1-2018
I. Europe	47.4	46.4	39.6	39.3
<i>Eurozone</i>	29.1	28.2	31.2	31.0
II. Africa	25.6	26.5	15.1	15.4
ECOWAS	12.8	13.4	8.5	8.5
<i>Nigeria</i>	8.1	8.5	6.4	6.4
<i>Ghana</i>	3.2	3.4	2.0	2.1
CEMAC	0.7	0.7	0.1	0.1
Other African countries	12.1	12.3	6.5	6.7
<i>South Africa</i>	8.4	8.5	1.7	1.7
III. America	10.0	9.7	8.1	8.2
IV. Asia	15.4	15.7	36.4	36.3
<i>China</i>	1.8	1.8	16.0	15.2
<i>India</i>	4.2	4.4	6.5	6.6
V. Other countries	1.5	1.6	0.8	0.8
VI. Total	100	100.0	100.0	100.0

Sources: BCEAO, NSIs, Customs

90. The Union's trade surplus with the American continent amounted to 35.1 billion. Exports to the continent consisted of cocoa, crude oil, and rubber. The Union's purchases from America consists of consumer goods, capital goods and refined petroleum products.

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

Sources: BCEAO, NSIs, Customs

91. Trade in goods with Asia remained in deficit by 883.7 billion. More specifically, the Union showed trade deficits with China and India of 550.8 billion and 98.9 billion, respectively. Sales to the Asian continent consisted mainly of cashew nuts, cotton, gold, cocoa, and chemicals. Goods purchased mainly comprised capital goods, food products (especially rice from Thailand and India), and intermediate goods. Intermediate goods from Asia were supplied mainly by China, Japan, and India.

2.2.5.2 - Intra-WAEMU trade

92. Intra-WAEMU trade rose by 0.2% to 633.9 billion, i.e., 16.1% of the zone's total trade. Côte d'Ivoire and Senegal remained the main suppliers, accounting for 55.4% of total intra-community supply. Mali and Burkina Faso were the main recipients of trade flows, accounting for 51.6% of the total. The main products traded were oil, food preparations (milk, broths, etc.), local products (cereals, live animals) and edible oils.

2.3 - Recent economic growth and outlook

93. In 2017, the Union's economic growth was estimated at 6.7% after 6.5% in 2016. It was mainly driven by the service sector, which contributed 3.6 points. The contributions of the secondary and primary sectors amounted to 1.6 and 1.5 point, respectively. The pace of GDP growth was 0.1 percentage point lower than indicated in the March 2018 report, due to the downward revision of Côte d'Ivoire's growth to 7.8% from an initial estimate of 8.1%. This was due to a greater-than-anticipated impact of the fall in world cocoa prices on export earnings and a decline in oil extraction due to a natural decline in well reserves.

94. The growth outlook for the Union remained favorable for 2018. According to the latest official estimates, the economic growth rate, in real terms, was 6.8% in 2018.

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

	2016	2017	2018	
		<i>Estimates</i>	<i>March 2018 Forecast</i>	<i>June 2018 projections</i>
Benin	4.0	5.6	6.0	6.1
Burkina Faso	5.9	6.7	6.0	7.1
Côte d'Ivoire	8.3	7.8	8.3	7.9
Guinea-Bissau	6.3	5.9	5.7	6.2
Mali	5.5	5.5	5.4	5.0
Niger	4.9	4.9	5.2	5.2
Senegal	6.2	7.2	7.0	7.0
Togo	5.1	4.4	5.3	4.9
Union	6.5	6.7	6.8	6.8

Sources: BCEAO, NSIs

95. Economic growth was mainly driven by the tertiary and secondary sectors, which contributed 3.5 points and 2.0 points, respectively. The tertiary sector was buoyed by robust telecommunications, tourism, and hotel services, as well as the expansion of trade activities, following increases in agricultural and industrial production. The consolidation of value added in the secondary sector was the result, inter alia, of a stronger contribution by construction, public works and civil engineering, due to the implementation of investment projects, particularly in Benin, Burkina Faso, Côte d'Ivoire, and Senegal. Agri-food and chemical production also drove growth in the secondary sector, in conjunction with increased food and export crop harvests and increased cement supplies. The primary sector, which was expected to contribute 1.3 percentage point to economic growth in 2018, was supported mainly by an increase in agricultural production of food and export crops.
96. The rate of economic expansion in the Union remained unchanged from the level indicated in the March 2018 report. However, actual levels fluctuated in certain countries.
97. The Ivorian economy experienced growth of 7.9% in 2018, compared to a rate of 8.3% initially expected, due to the delay in the start-up of certain projects included in the 2016-2020 National Development Plan (NDP), such as the Metro and the fourth Abidjan bridge. This trend was reinforced by the 17.2% decline in expected oil production.
98. In Mali, the economic expansion rate, initially projected at 5.4%, was 5.0% at the end of 2018, in conjunction with a weaker performance of the extractive industry.
99. In Togo, the economic outlook was revised downward due to the deteriorating socio-political situation. Thus, the growth rate was estimated at 4.9% for 2018, compared to 5.3% initially forecast.
100. On the other hand, Burkina Faso's economy is expected to grow by 7.1% in 2018 compared to the 6.0% initially forecast. This development can be attributed a catch-up effect, particularly in the primary sector, after the unsatisfactory results obtained during the 2017/2018 agricultural season.

101. In Benin, expected growth was revised upward by 0.1 percentage point to 6.1%, due to a reassessment of the impact of the dynamic Nigerian economy on the performance of services, particularly as regards the Port of Cotonou. In Guinea-Bissau, growth was also revised upward by 0.5 percentage point to 6.2%, in connection with the upward revision of the outlook for the cashew nut harvest, reflecting the upward trend in world prices and producer prices.

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

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

Source: BCEAO

102. The baseline scenario of the Union's economic outlook is subject to certain risk factors that may affect the projected performance. Higher external financing costs, a persistently low tax rate, and a more fragile security environment could make economic growth in the Union less strong than expected. In order to maintain the current growth momentum, measures must be taken by the Union Member States to address the following key challenges:

- expand the fiscal space⁴, by increasing budget revenues. Attention could be paid to improving the efficiency of the mechanisms put in place for taxing the informal sector and rationalizing existing arrangements for tax exemptions and rebates,
- improve the efficiency of public spending, through better targeting of subsidies to the most vulnerable, and of investments,
- ensure public debt sustainability, through the adoption of appropriate public debt strategies, and
- maintain a peaceful socio-political climate and improve the security environment in the Union.

4/ Increasing revenues and rationalizing expenditures creates fiscal space.

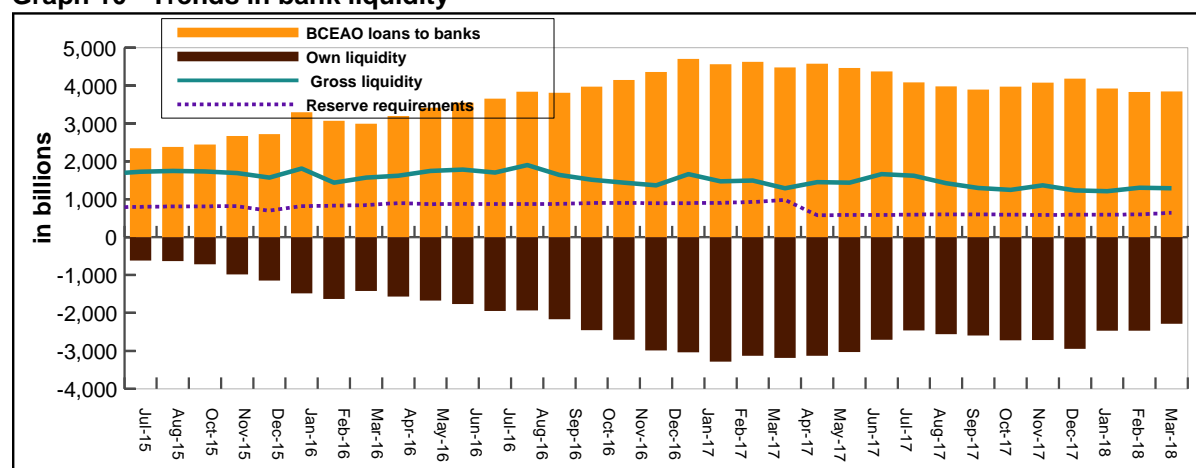
III - CURRENCY, MONETARY CONDITIONS AND FINANCIAL MARKET

3.1 - Monetary conditions

3.1.1 - Bank liquidity

103. The cash position of the banks, measured through the balances of ordinary and settlement accounts on the books of the Central Bank, increased by 325.7 billion during the first quarter of 2018 to 1,557.6 billion at the end of March 2018. This change was due to the positive impact of independent factors (+665.0 billion) over the period, partially offset by the decline in outstanding refinancing granted by the Central Bank (-339.3 billion).

Graph 10 - Trends in bank liquidity



Source: BCEAO

104. The positive change in the banks' autonomous supply of liquidity was mainly driven by the balance of banks' transactions with national treasury departments and other net factors (+401.1 billion) and by transfers (+226.6 billion). The change in the balance of banks' transactions with national treasury departments was mainly due to the gradual diffusion in the economy of the resources mobilized through Eurobonds. The positive balance of transfers reflects the impact of the repatriation of export earnings.

105. The structural liquidity position of banks or the cash assets of the banks, defined as cash excluding Central Bank refinancing, remained in deficit by 2,283.9 billion at the end of March 2018 compared to 2,948.9 billion three months earlier.

106. Banks' reserve requirements over the maintenance period running from February 16 to March 15, 2018, stood at 645.2 billion. Over the same period, the reserves held by the banks averaged 1,286.8 billion, exceeding the minimum regulatory requirement by 641.6 billion.

107. Compared to the situation three months earlier, in the period running from November 16 to December 15, 2017, excess reserves decreased by 80.4 billion. They represented 99.4% of required reserves compared to 122.2% in the previous quarter. The number of banks with a reserve requirement shortfall fell from thirteen to twelve.

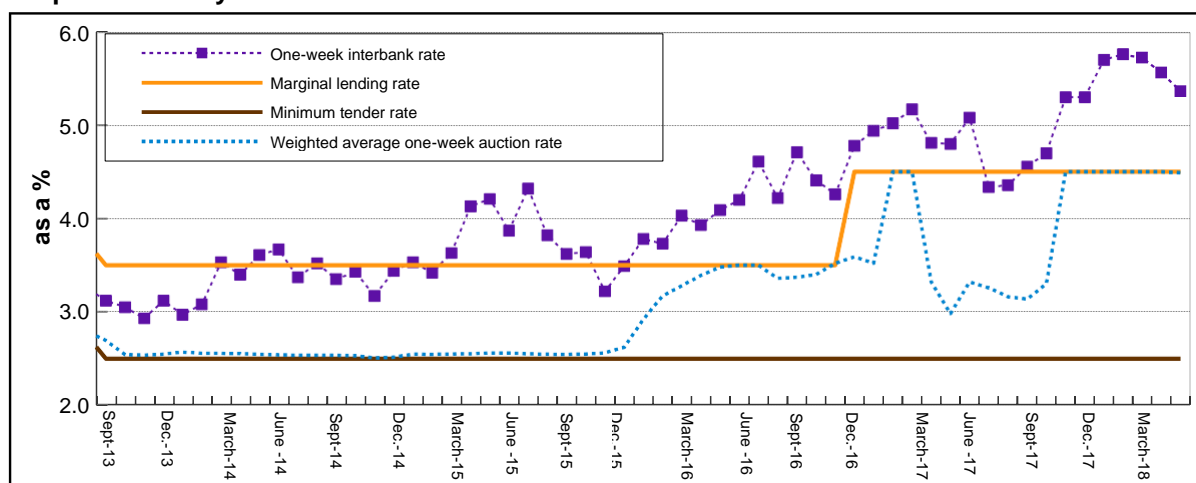
3.1.2 - Money market interest rate trends

108. An analysis of refinancing conditions on the one-week and one-month tender windows of the BCEAO during the first quarter of 2018 showed continued pressure on money market rates.

109. The weighted average rate for weekly liquidity operations was 4.5000% in the 1st quarter of 2018, with 4.1223% in the previous quarter and 4.1235% a year earlier. On the one-month window, the weighted average rate stood at 4.5000% versus 4.1393% in the fourth quarter of 2017. With reference to the same period in 2017, this rate shows an increase of 4.43 basis points.

110. The quarterly money market average⁵ was 4.5000% following 4.0962% the previous quarter and 3.8652% the previous year.

Graph 11 - Money market rate trends



Source: BCEAO

111. Rates rose on the interbank market during the period under review. The weighted average interest rate for all maturities stood at 5.5968%, compared to 5.1484% one quarter earlier. It was also up 49 basis points from its level in the first quarter of 2017 (5.1112%). On the one-week maturity, which accounts for 72.1% of total quarterly trading volume, the weighted average interest rate rose to 5.7300% from 5.1300% in the previous quarter and 5.0700% a year earlier.

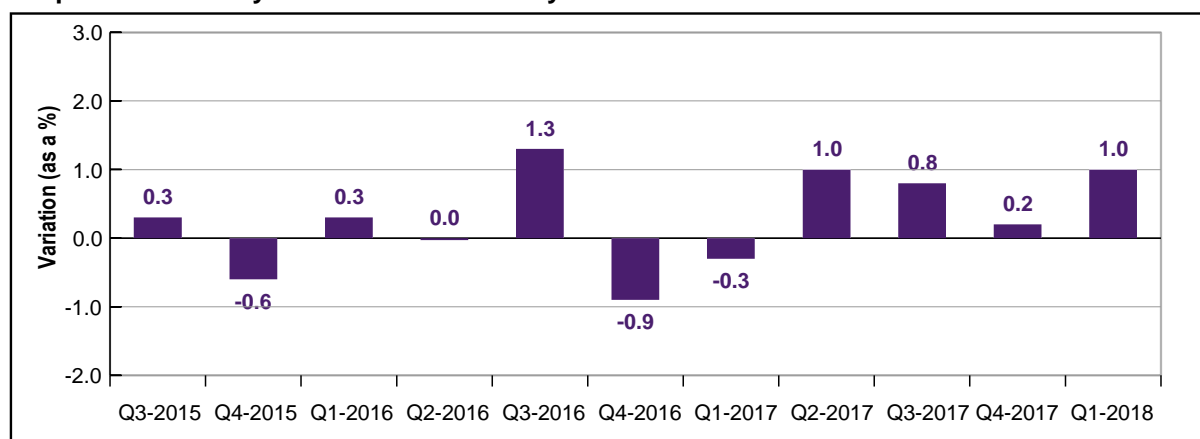
112. However, a downward trend in money market rates was observed in the first two months of the second quarter of 2018.

3.1.3 - Changes in monetary conditions⁶

113. In the first quarter of 2018, the monetary conditions index increased by 1.0% compared to the previous quarter, in line with the increases in the real interest rate in the one-week interbank market (+0.6 percentage points) and the real effective exchange rate (+1.6%).

5/ The quarterly average money market rate is the average of the weekly marginal auction rates weighted by the number of days these rates were applied during the quarter.

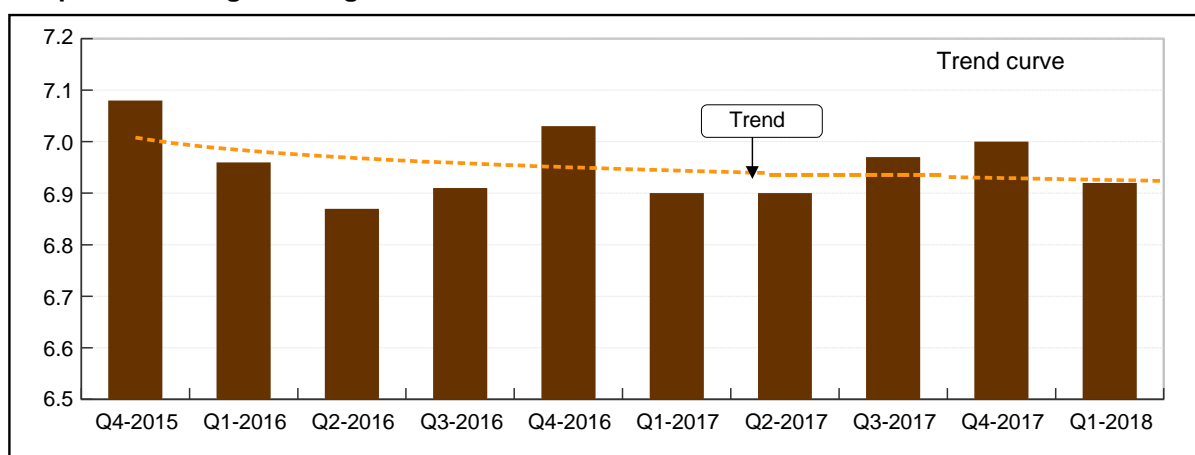
6/ The monetary conditions index is a synthetic indicator that makes it possible to assess the combined effects of interest rate and exchange rate policies on aggregate demand. It is calculated as a weighted average of the real effective exchange rate and the real interest rate, and trends in the index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

Graph 12 - Quarterly trends in the monetary conditions index

Source: BCEAO

3.1.4 - Deposit and lending rates

114. The average lending rate, excluding taxes and fees, was 6.92% in the first quarter of 2018, down 8 basis points from 7.00% a quarter earlier. In the same period of the previous year, this indicator showed a level of 6.85%.

Graph 13 - Average lending rates of WAMU banks

Source: BCEAO

115. An analysis by loan purpose showed a quarter-on-quarter decline in lending rates across all categories, with the exception of equipment loans. The most significant drops in lending rates were seen in loans to finance housing-related activities (-57 basis points)⁷ and export financing (-50 basis points).

^{7/} This development reflected a return to normal after the tensions observed on housing loans in Côte d'Ivoire in the previous quarter.

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

	2015			2016			2017				2018
	Q2	Q3	Q4	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Housing	7.87	8.63	7.79	8.11	8.07	7.54	7.74	8.25	7.93	8.10	7.53
Export	9.87	9.78	9.07	7.49	6.89	6.70	6.99	6.62	7.96	8.56	8.06
Equipment	8.45	7.86	8.14	8.11	7.34	7.72	7.94	7.16	7.39	7.74	7.77
Consumption	7.57	7.66	6.94	7.20	7.32	7.84	8.11	8.35	8.29	7.99	7.96
Cash flow	6.46	6.27	6.81	6.37	6.57	6.70	6.32	6.53	6.56	6.64	6.57
Other	7.84	7.87	7.41	7.39	7.41	7.11	7.75	7.32	7.38	7.23	7.05
Total	7.04	6.91	7.08	6.83	6.91	7.03	6.85	6.89	6.97	7.00	6.92

Source: BCEAO

116. By country, the largest decreases in bank loan costs were recorded in Côte d'Ivoire (-27 basis points) and Guinea-Bissau (-30 basis points).

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

	2015	2016			2017				2018
	Q4	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Benin	7.69	7.93	8.46	8.14	7.61	8.13	7.96	7.84	8.25
Burkina Faso	8.32	7.35	7.66	7.44	7.49	6.83	7.45	7.35	7.53
Côte d'Ivoire	6.41	6.37	6.16	6.46	6.22	6.58	6.40	6.51	6.24
Guinea-Bissau	9.90	9.24	9.71	8.71	8.85	9.26	8.50	9.58	9.28
Mali	8.38	8.18	8.27	7.94	8.27	7.79	7.86	8.06	8.22
Niger	9.49	9.49	10.09	9.65	9.24	10.10	10.14	9.40	9.41
Senegal	5.89	5.59	5.50	5.65	5.69	5.93	5.94	6.29	6.16
Togo	8.20	8.23	8.05	8.29	8.23	7.74	8.22	8.33	8.31
WAEMU	7.08	6.83	6.91	7.03	6.85	6.89	6.97	7.00	6.92

Source: BCEAO

117. The average deposit rate decreased quarter on quarter to 5.07% compared to 5.35% in the previous quarter.

3.2 - Monetary situation

118. A review of the Union's monetary situation at the end of March 2018, compared to the situation three months earlier, showed an increase in the money supply, supported solely by growth in net external assets, as domestic claims declined.

Table 21 - Monetary situation at the end of March 2018

(Outstanding at the end of the period, in billions of CFA francs unless otherwise indicated)

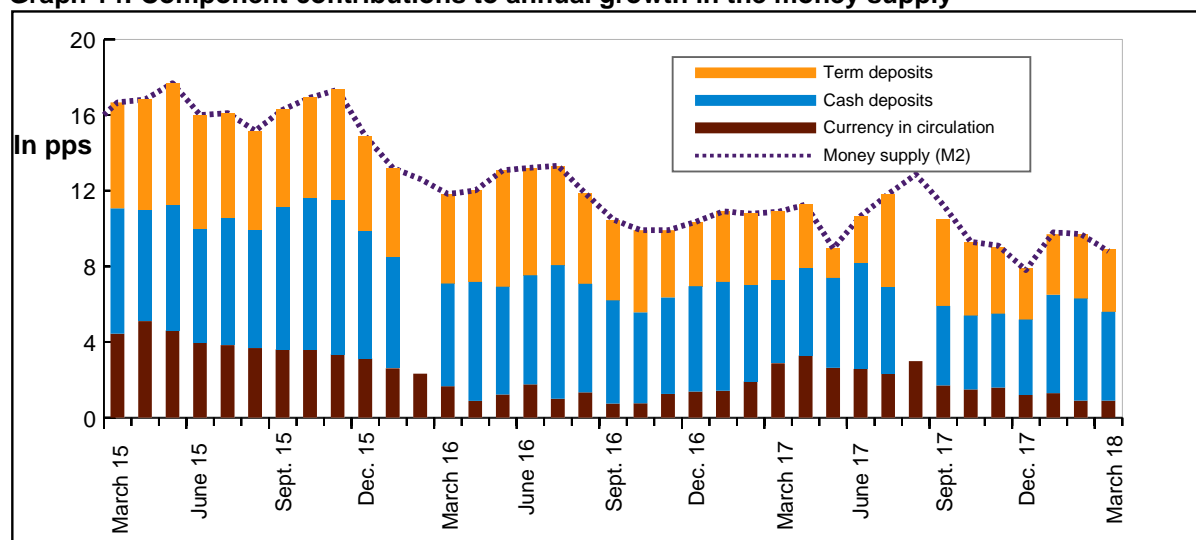
	March-2017	Sept-2017	Dec-2017	March-2018	Quarterly change (4)/(3)		Year-on-year change (4)/(1)	
	(1)	(2)	(3)	(4)	(level)	(as a %)	(level)	(as a %)
Money supply	23,189.6	23,660.7	24,426.9	25,219.8	792.9	3.2	2,030.2	8.8
Net external assets	3,986.6	4,172.2	4,029.6	6,621.2	2,591.6	64.3	2,634.6	66.1
Domestic claims	25,115.9	25,877.1	27,204.4	26,082.7	-1,121.7	-4.1	966.8	3.8
Net claims on governments	6,786.9	6,711.2	6,895.8	5,915.9	-979.9	-14.2	-871.0	-12.8
Claims on the economy	18,329.1	19,165.9	20,308.6	20,166.8	-141.8	-0.7	1,837.7	10.0

Source: BCEAO

3.2.1 - Money supply and its components

119. The quarterly growth rate of the money supply was 3.2%, as in the previous quarter. On an annual basis, the money supply showed an increase of 8.8% at the end of March 2018, after 7.5% at the end of December 2017. The year-on-year increase in the money supply was reflected in the trends in currency in circulation and deposits. The annual rate of growth in currency in circulation was 3.6% at the end of March 2018, down from 5.0% three months earlier. Deposits grew by 10.5%, on an annual basis, compared to 8.3% a quarter earlier.

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

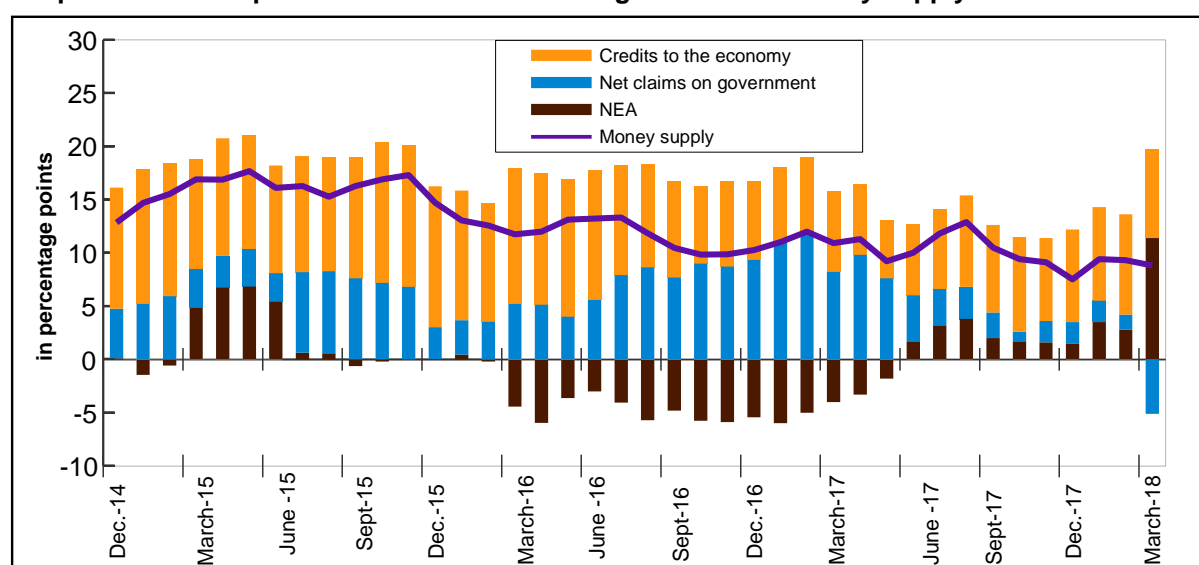


Source: BCEAO

3.2.2 - Counterparts of the money supply

120. The quarter-on-quarter growth in the money supply was driven exclusively by the increase in net foreign assets.

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



Source: BCEAO

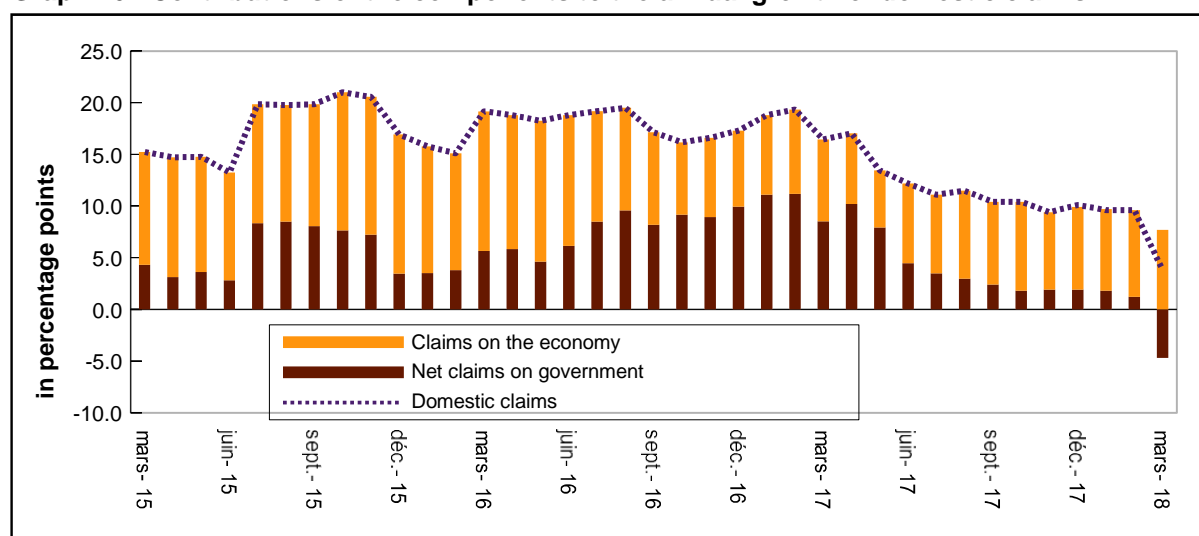
Net external assets (NEA)

121. At the end of March 2018, the outstanding net external assets of WAMU deposit-taking institutions recovered after two consecutive quarters of decline, with an increase of 2,591.6 billion compared to the end of December 2017. This development was driven by the strengthening of the Central Bank's net external assets.
122. BCEAO's NEAs grew by 2,200.6 billion during the first quarter of 2018, driven by an increase of 2,214.5 billion in official foreign exchange reserves due to the repatriation⁸ by Côte d'Ivoire and Senegal of the proceeds of the Eurobonds mobilized on the international markets in March 2018. The Central Bank's external commitments over the same period increased slightly by 13.9 billion. The Union's foreign exchange reserves at the end of March 2018 reached 9,398.8 billion, providing a monetary issue coverage rate of 80.2%, as compared to 73.4% three months earlier. Foreign exchange reserve coverage stood at 5.5 months of imports of goods and services, compared to 4.2 months at the end of December 2017.
123. After three consecutive quarters of decline, banks' NEAs increased by 391.0 billion in the first quarter of 2018, reflecting the impact of an increase in banks' external claims (+134.5 billion) combined with a decline in their liabilities to nonresidents (-256.4 billion) over the period.
124. On an annual basis, the net external assets of the Union's deposit-taking institutions showed an increase of 2,634.6 billion or 66.1% at the end of March 2018. This change can be explained by the increase in BCEAO NEAs (+2,663.3 billion), mainly connection with the impact of the repatriation of resources raised on international markets by Côte d'Ivoire and Senegal in March 2018, as banks' net external assets deteriorated (-28.7 billion) over the period.

Domestic claims

125. The quarterly increases in the stock of domestic claims for two consecutive quarters ended in the first quarter of 2018, with a 4.1% decrease, deflating to 1,121.7 billion, compared to a 5.1% increase at the end of December 2017. This quarter-on-quarter decline was due to a 979.9 billion decrease in net claims of deposit-taking institutions on central governments of the Union's Member States, as a result of increased public deposits due to the unused portion of Eurobond proceeds. It was also linked to the quarterly decline of 141.8 billion in loans to the economy, in line with the seasonal cycle.
126. On an annual basis, growth of domestic receivables outstanding slowed in the first quarter of 2018 to a rate of 3.8%, following increases of 9.9% in December 2017 and 10.4% in September 2017. This deceleration in domestic claims was linked to the decline in net claims on governments, following the increase in government deposits at the Central Bank. However, on an annual basis, claims on the economy rose by 1,837.7 billion or 10.0%, supporting the increase in domestic claims. The contributions of net claims on governments and credits to the economy to the expansion of domestic claims stood at -4.7 percentage points (pps) and 7.7 pps compared to 1.2 pp and 8.4 pps, respectively, at the end of December 2017.

8/ Senegal and Côte d'Ivoire transferred to the BCEAO 897.4 billion on March 13, 2018, and 1,113.6 billion on March 23, 2018, respectively, in funds they raised through issues of Eurobonds on international markets, for a total of 2011.0 billion.

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

Source: BCEAO

Net claims on central governments of Member States

127. Net claims of deposit-taking institutions on central governments recorded a decrease of 979.9 billion or 14.2% from quarter to quarter, compared to an increase of 184.3 billion or 2.7% a quarter earlier. This change was due to the drop in net claims on the BCEAO (-1,446.0 billion), following a stronger increase in government deposits at the BCEAO (+1,493.8 billion), partially offset by the increase in banks' net claims on governments (+466.1 billion). On an annual basis, the decline in net lending by deposit-taking institutions to governments was 12.8% at the end of March 2018, after an increase of 8.0% in the previous quarter.

Claims on the economy

128. After a 6.5% increase in the fourth quarter of 2017, claims on the economy declined by 141.8 billion or 0.7% in the first quarter of 2018. Year-on-year, loans to the economy recorded an increase of 10.0% (+1,837.7 billion) at the end of March 2018 after 10.7% in the previous quarter.

3.2.3 - Bank uses and resources

129. Trends in the situation of the Union's banking system during the first quarter of 2018 were marked by an increase in resources, and a decline in uses.

130. Between December 2017 and March 2018, resources increased by 468.2 billion (+1.7%) to 27,651.6 billion. This change was mainly driven by shareholders' equity (+438.8 billion or +16.5%) and other resources (+278.1 billion or 278.1 billion or +14.9%), whose impact was partially offset by a decline in deposits and borrowings (-248.7 billion or -1.1%)

131. Over the same period, banking system uses declined by 241.8 billion or 0.8% to stand at 30,322.4 billion. This was the result of a decrease in loans (-193.1 billion or -1.0%) and other uses (-48.7 billion or -0.4%).

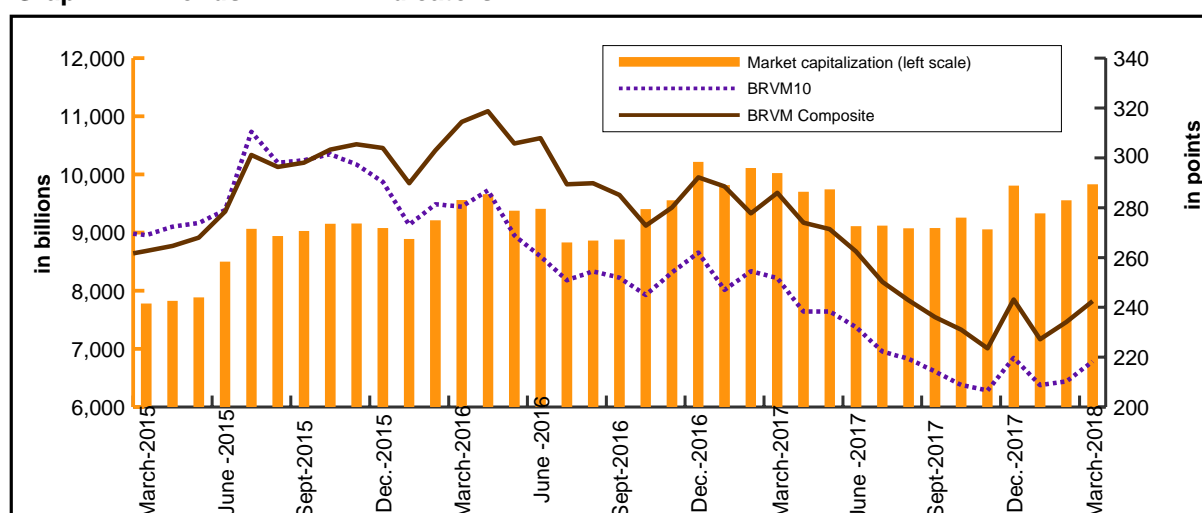
132. The total outstanding loans granted to the 50 Largest Corporate Users of Bank Loans in each Member State of the Union stood at 6,085.1 billion at the end of March 2018, up 2.7% from the previous quarter and 9.1% year on year. When compared to the loans reported to the Union's central credit register, this represented 46.9% at the end of March 2018 compared to 46.8% at the end of December 2017. In relation to loans to the economy, the loans granted to the 50 largest corporate users of bank loans in each member country of the Union represented 32.9% at the end of March 2018, compared to 32.4% at the end of December 2017 and 34.0% the year before. At sector level, more than four fifths of the main risks were borne by companies operating in the "wholesale trade" (27.0%), "manufacturing industries" (16.6%), "services provided to the community" (15.9%), "transportation and communications" (11.9%) and "construction and public works" (9.3%) sectors.
133. The quality of the portfolio of the Union's banks and bank-like financial institutions improved during the quarter. Indeed, the gross portfolio deterioration rate came to 12.9% compared to 14.0% at the end of December 2017. The net rate, taking into account the provisioning effort, was 4.2% compared to 5.6% in the previous quarter.

3.2.4 - Central Bank interventions

134. The overall volume of BCEAO interventions stood at 5,706.1 billion at the end of March 2018 compared to 6,067.7 billion at the end of December 2017, down 361.6 billion. This change reflected the simultaneous decline in refinancing granted by the Central Bank to banks and financial institutions in the Union (-338.1 billion) and the Central Bank's claims on national treasury departments (-23.5 billion).
135. For the first quarter of 2018, loans granted by the Central Bank to banks and financial institutions stood at 3,845.0 billion at the end of March 2018, entirely through the tender windows, with no amounts served through the permanent windows.
136. Central Bank claims on national treasury departments fell by 23.5 billion, mainly due to the repayment of loans backed by SDR allocations (-16.5 billion) and IMF loans (-2.8 billion).

3.3 - WAMU financial market

137. Overall, stock market activity in the subregional financial market declined slightly during the quarter under review. The BRVM Composite index was down by 0.52 point or 0.2% compared to its level at the end of December 2017, closing at 242.5 points at the end of March 2018. The index of the ten most active stocks, the BRVM10, fell to 218.3 points, after 219.7 points three months earlier, a drop of 1.4 point or 0.6%.

Graph 17 - Trends in BRVM indicators

Source: BRVM

138. The indexes for the various sectors showed contrasting trends. Sector indexes for "Agriculture", "Industry", "Distribution" and "Other Sectors" fell, while those for "Public services", "Finance" and "Transportation" rose.

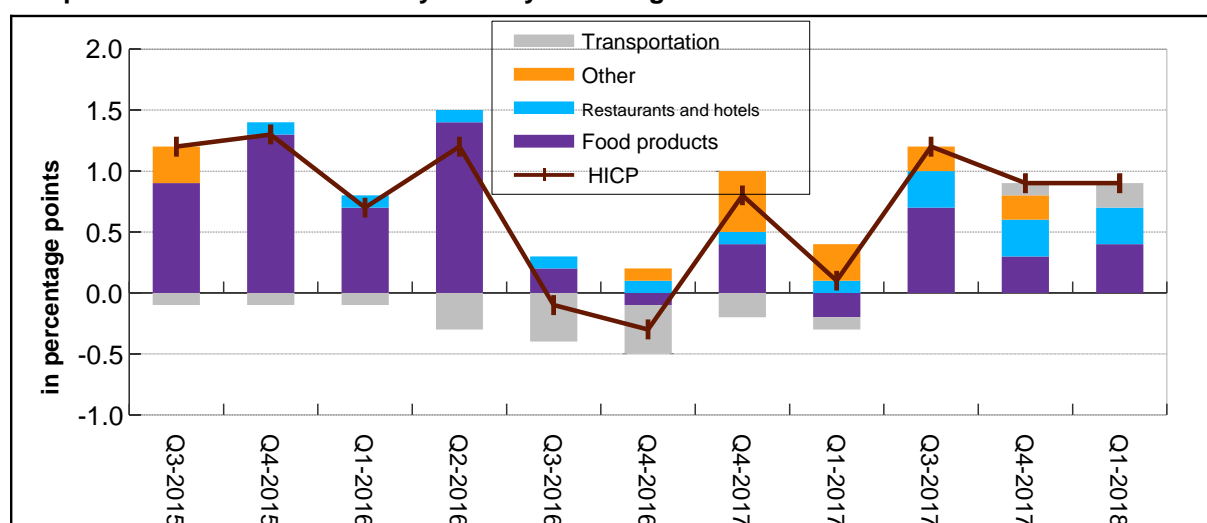
139. On an annual basis, the BRVM Composite and BRVM10 indexes fell by 15.2% and 13.3% respectively.

140. The market capitalization of all securities listed on the market stood at 9,831.8 billion at the end of March 2018, up 26.0 billion or 0.3% compared to the end of December 2017. This slight rise was due to an increase in the capitalization of the bond market (+40.8 billion or +1.4%), mitigated, however, by the decline in the capitalization of the equity market (-14.8 billion or -0.2%). On an annual basis, the overall market capitalization of the BRVM fell by 1.9%.

IV - INFLATION AND EXTERNAL COMPETITIVENESS

4.1 - Recent trends in inflation

141. The year-on-year inflation rate in the WAEMU Union stood at 0.9% in the first quarter of 2018, stable compared to the previous quarter. The increase in the general price level was essentially driven by the "Food" component, whose contribution to total inflation rose from +0.3 percentage points in the fourth quarter of 2017 to +0.4 percentage points in the first quarter of 2018. The increase in food prices was mainly the result of higher cereal prices in some Sahelian countries (Burkina Faso, Mali, and Niger). This situation was due to the decline in cereal production in Burkina Faso and Niger, combined with the increase in demand induced by an increase in exports to Nigeria and Ghana as well as purchases to replenish stocks.

Graph 18 - Contributions to the year-on-year change in the HICP in WAEMU

Source: BCEAO

142. Like food, the hotels and restaurants heading also contributed +0.3 percentage points to total inflation, the same rate as in the previous quarter, mainly due to the increase in prices for restaurant services.
143. At the end of March 2018, there was an acceleration in prices under the "Transportation" heading, whose contribution to total inflation stood at +0.2 percentage points, compared with +0.1 percentage points a quarter earlier. The contributions of the "Clothing" and "Housing" components were zero after a contribution of +0.1 percentage points in the previous quarter. The contributions of the other functions to total inflation were pretty much stable, with "Furniture" contributing +0.1 points and "Communication" -0.1 points.
144. An analysis broken down by type showed a slight slowdown in the pace of the growth in the price of goods, which stood at +0.9% in the first quarter of 2018 compared to +1.1% in the previous quarter, related to slower growth in prices of clothing items. As for services, prices accelerated overall, rising 0.9% in the first quarter of 2018 after 0.5% in the previous quarter, linked to rising costs for transportation services.
145. Core inflation, which measures the change in general price levels excluding fresh food and energy, stood at 0.9% year on year in the first quarter of 2018 compared to 1.1% a quarter earlier. This was connected with the above-mentioned price developments for housing services and clothing items.
146. As for the "Energy" component, the decline in prices observed in previous quarters continued in the first quarter of 2018, in connection with the decline in electricity and gas rates in Côte d'Ivoire and Togo.

Table 22 - Trend in core inflation

	Components	Weighting (in %)	Q1-2017	Q2-2017	Q3-2017	Q4-2017	Q1-2018
Annual variation (as a %)	Fresh produce	16.6	1.9	-2.3	3.0	0.9	0.9
	Energy	7.5	-1.3	-3.0	-1.3	-0.4	-0.2
	Core Index	75.9	0.8	1.1	1.1	1.1	0.9
Contributions (in % points)	Fresh produce	16.6	0.3	-0.5	0.5	0.2	0.2
	Energy	7.5	-0.1	-0.2	-0.1	-0.1	0.0
	Core Index	75.9	0.6	0.8	0.8	0.8	0.7
Total		100	0.8	0.1	1.2	0.9	0.9

Sources: BCEAO, NSIs

147. The country analysis suggests that general price levels increased in the first quarter of 2018 in all Member States of the Union excepting Guinea-Bissau. The decline in inflation in this country was linked to a price drop in the "Food" component, in connection with a satisfactory supply of fresh vegetables and fruit to the markets, whose prices fell by 15.6% and 14.5% respectively in the first quarter of 2018.

148. Inflation in Niger reached 6.4% in the first quarter of 2018, following a 4.2% performance a quarter earlier. This trend was related to the increase in the prices of food products, particularly cereals, vegetables, tubers, and plantains, as well as transportation and housing services. More specifically, the rise in cereal prices was linked to increased demand due to higher exports to Nigeria as well as purchases to replenish stocks.

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

Country	2016 (*)	2017 (*)	Q1-2017	Q2-2017	Q3-2017	Q4-2017	Q1-2018
Benin	-0.8	0.1	-1.4	-2.4	1.7	2.5	1.1
Burkina Faso	-0.2	0.4	0.3	-0.5	0.3	1.3	1.8
Côte d'Ivoire	0.7	0.7	1.0	-0.1	1.1	0.8	0.1
Guinea-Bissau	1.5	1.0	1.6	1.2	1.8	-0.4	-0.3
Mali	-1.7	1.8	1.4	1.4	2.5	1.7	2.2
Niger	0.2	2.4	1.4	1.9	2.0	4.2	6.4
Senegal	0.8	1.3	2.1	1.7	1.5	0.0	0.7
Togo	0.9	-0.8	-0.8	-1.1	-0.4	-0.7	0.2
WAEMU	0.3	0.8	0.8	0.1	1.2	0.9	0.9

Sources: BCEAO, NSIs.

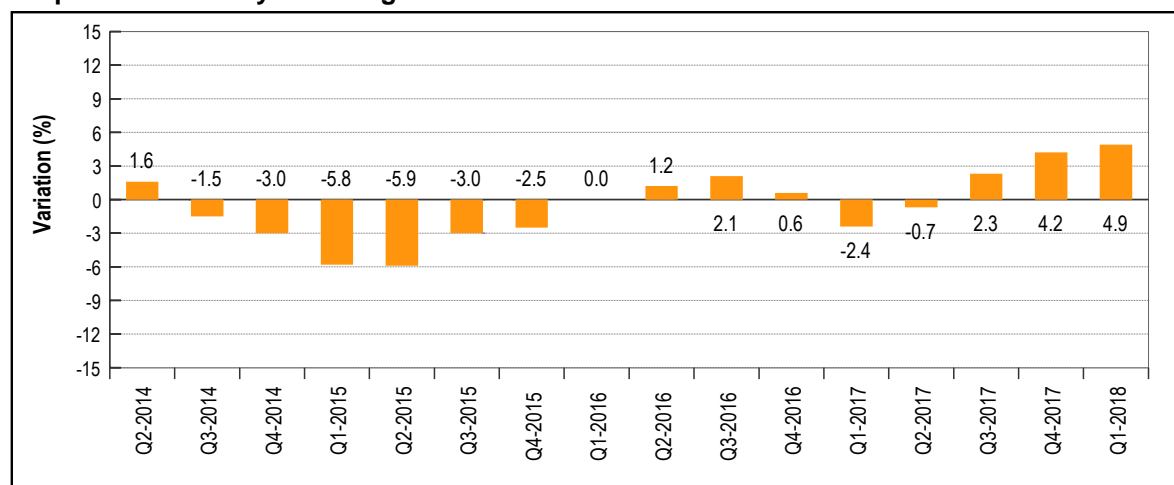
(*): Annual average

4.2 - External Competitiveness

149. The real effective exchange rate (REER) rose by 4.9% in the first quarter of 2018 compared to the same period of the previous year. This change mainly reflected the increase in the nominal effective exchange rate (+7.7%), mitigated by a 2.8-percentage point inflation differential favorable to the Union. Most of the gains from the change in parity in January 1994 were maintained by the Union. At the end of March 2018, WAEMU recorded a net gain in competitiveness of 31.0% vis-à-vis all its partners compared to 1993.

150. The change in the nominal effective exchange rate in the first quarter of 2018 reflected the appreciation, on an annual basis, of the CFA franc against the currencies of most of the Union's partner countries, notably the Ghanaian cedi (+16.6%), the US dollar (+15.5%), the naira (+15.2%) and the Japanese yen (+10.0%). However, the inflation rate in the Union helped offset the appreciation of the REER, as it stood at 0.9% in the first quarter of 2018, compared to an average of 3.8% in the partner countries.

Graph 19 - Year-on-year change in the REER



Source: BCEAO

(*): estimates

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

151. Table 24 below shows the gains or losses in overall competitiveness vis-à-vis the partner groups.

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

Partner countries	Year		Quarterly variations			Annual variations		
	2016	2017	Q3-2017	Q4-2017	Q1-2018 (*)	Q3-2017	Q4-2017	Q1-2018 (*)
Industrialized countries	0.6	0.3	0.4	-0.5	2.3	1.6	2	3
Eurozone	0.0	-0.7	-1.2	-0.9	1.7	-0.2	-0.5	-0.4
Surrounding countries	3.4	9.3	9.4	0.4	-4.4	4	8	3.9
Asian countries	1.0	-0.4	4.3	-3.7	6.6	4.7	7.1	10.7
EU countries	1.0	-0.2	-0.8	-1	1.6	0.2	-0.3	-0.2
Emerging countries	2.5	-3.3	4.9	-2.9	3.9	2.5	5.3	8.2
CEMAC	-0.6	-0.1	-1.6	-1.6	2.0	0.3	0	0
All	1.6	0.8	3.4	-1.1	1.6	2.3	4.2	4.9

Source: BCEAO

(*) Estimates

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

V - INFLATION FORECASTS

152. Projections of general price levels are based on the outlook for the international environment and domestic economic conditions. They are specifically based on inflation forecasts in the Eurozone, international food and oil prices and the euro/dollar exchange rate. Internally, they take into account the outlook for trends in food crop production.

5.1 - Assumptions used for inflation forecasts

153. The projection assumptions were founded on a recovery in world oil prices in 2018, followed by relative stability in 2019 and 2020. The average price of crude oil (WTI) was expected to rise from \$51 in 2017 to \$62 in 2018 and then to \$60 in 2019 and 2020 ⁹.

154. On the foreign exchange market, the average rate of the euro was expected to be \$1.23 in 2018, \$1.24 in 2019 and 2020,¹⁰ compared to \$1.13 in 2017.

155. Assumptions about imported inflation also incorporated the outlook for general world price levels. In particular, the inflation rate in the Eurozone¹¹ was expected to fall from 1.5% in 2017 to 1.4% in 2018 and 2019, reaching 1.7% in 2020.

156. FAO projections indicated a 0.3% increase in global cereal production in 2017 compared to 2016. Global grain supply was expected to remain ample overall in 2018, given the high level of stocks. In total, trends in the prices of food products imported by the Union should be contained. Projections assumed 5.0% increases over the 2018/2019 and 2019/2020 periods.

157. According to the Permanent Interstate Committee for drought control in the Sahel (CILSS), the 2017/2018 agropastoral season was marked by normal rainfall. However, pockets of drought and early cessation of rains were noted, particularly in Burkina Faso, Mali, and Niger, combined with locust attacks in those countries. Estimates indicated a 2.8% increase in WAEMU cereal production for the 2017/2018 crop season.

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

9/ Futures market data is from Bloomberg

10/ March 2018 ECB projections

11/ March 2018 ECB forecast

Table 25 - Inflation forecast assumptions (as a %)

	2017	2018			2019		
		Lower	Median	Higher	Lower	Median	Higher
Barrel of oil (WTI, in dollars)	51	52	62	72	50	60	70
Euro/dollar exchange rate	1.13	1.28	1.23	1.18	1.29	1.24	1.19
Eurozone inflation (%)	1.5	0.9	1.4	1.9	0.9	1.4	1.9
Food prices (%)	8.1	0.0	5.0	10.0	0.0	5.0	10.0
Union cereal production (%)	2.8	10.0	5.0	0.0	10.0	5.0	0.0

Sources: Bloomberg, ECB, BCEAO

5.2 - Inflation profile over the next eight quarters

159. The forecasts are presented in the table below. They take into account the low, high, and median hypotheses.

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

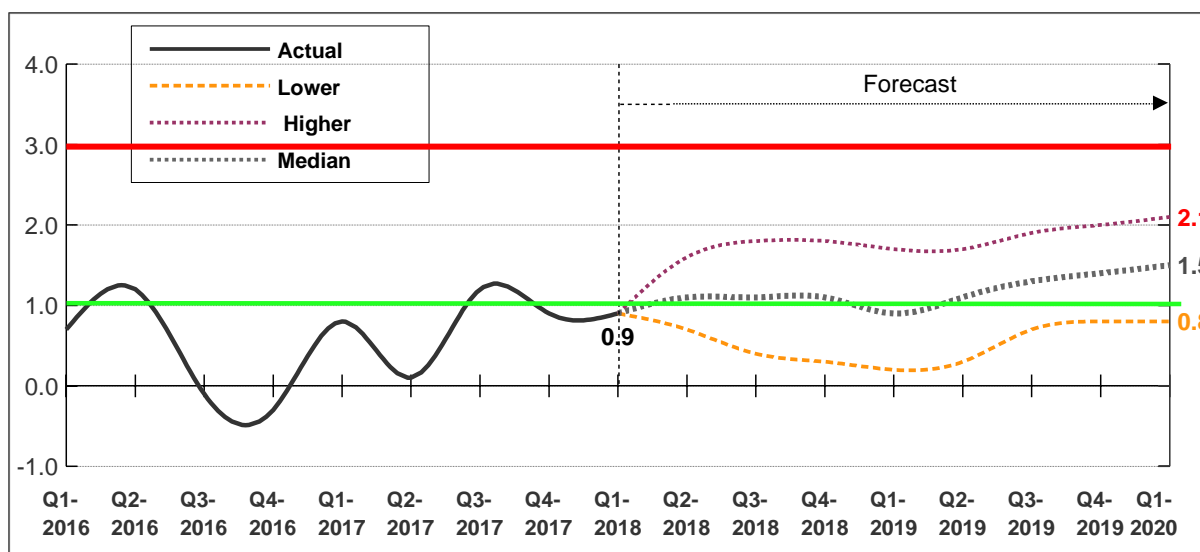
		Year-on-year change									Average			
		2018				2019				2020	2017	2018	2019	Eight quarters
		Q1 Fcst	Q2 Fcst	Q3 Fcst	Q4 Fcst	Q1 Fcst	Q2 Fcst	Q3 Fcst	Q4 Fcst	Q1 Fcst				
Inflation rate	Lower scenario	0.9	0.7	0.4	0.3	0.2	0.3	0.7	0.8	0.8	0.8	0.6	0.5	0.5
	Median scenario	0.9	1.1	1.1	1.1	0.9	1.1	1.3	1.4	1.5	0.8	1.0	1.2	1.2
	Higher scenario	0.9	1.6	1.8	1.8	1.7	1.7	1.9	2.0	2.1	0.8	1.5	1.8	1.8

Source: BCEAO

160. Under the median scenario, the year-on-year inflation rate was projected at 1.1% in the second quarter of 2018, compared to 0.9% in the first quarter of 2018. The increase in prices was linked to the rise in the price of local cereals, particularly in the Sahelian countries, and to the increase in fuel prices in most countries as a result of the recovery in crude oil prices.

161. Looking ahead eight quarters, the forecasts placed the inflation rate at 1.5% year on year, in the comfort zone (between 1.0% and 3.0%) defined for the implementation of the Union's monetary policy.

Graph 20 - Year-on-year inflation forecasts in WAEMU (as a %)



Source: BCEAO

5.3 - Threats to the inflation outlook

162. On analysis, the risks that could cause a lower inflation rate over the next few quarters included the appreciation of the euro against the American dollar as economic growth picks up in the Eurozone.
163. Upside risks were related to higher oil prices and stagnant grain production in the coming crop year, which could lead to higher food prices. In addition, the persistence of security issues, particularly in the Sahelian countries, could disrupt marketing channels and ultimately cause prices to rise.

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APPENDICES

Table A.1: Macroeconomic indicators of the Union

Table A.2: Issues of Treasury bills in 2018

Table A.3: Treasury bond issues in 2018

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

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

Table A.6: WAMU: Monetary aggregates

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

Tables A.8: Breakdown of inflation in WAEMU

Table A.1 - Macroeconomic indicators of the Union

WAEMU	2012	2013 Estimates	2014 Estimates	2015 Estimates	2016 Estimates	2017 Estimates	2018 Forecasts
REAL SECTOR							
1 - Nominal GDP (in billions of CFA francs)	45,331.9	48,341.1	52,078.7	56,296.1	60,874.6	65,957.3	71,739.2
Weight (%): Primary sector	25.5	24.6	24.7	25.3	25.0	24.8	24.4
Secondary sector	22.3	22.1	22.7	21.9	22.5	22.6	22.6
Tertiary sector	52.1	53.3	52.6	52.8	52.5	52.6	53.0
<i>Real GDP growth rate (%)</i>	6.2	5.9	6.5	6.3	6.5	6.7	6.9
Contribution to growth: Primary	1.2	0.3	2.0	0.6	1.2	1.6	1.4
Secondary	0.6	1.7	1.2	1.4	1.4	1.5	2.0
Tertiary	4.4	4.0	3.3	4.3	3.9	3.6	3.5
2 - Domestic savings (in billions of CFA francs)	6,801.3	7,054.4	8,533.8	9,084.7	10,105.2	11,504.9	12,594.8
CFA francs)	15.0	14.6	16.4	16.1	16.6	17.4	17.6
<i>Domestic savings rate (%)</i>	2.3	3.3	3.0	3.2	3.6	3.8	4.5
<i>Public domestic savings rate (%)</i>	9,944.8	11,495.5	12,555.9	13,570.4	14,451.2	16,469.1	17,960.8
3 - Investment (in billions of CFA francs)	21.9	23.8	24.1	24.1	23.7	25.0	25.0
<i>Investment rate (%)</i>	6.8	8.3	8.1	8.7	8.6	9.6	9.3
<i>Public investment rate (%)</i>							
PRICES							
4 - Average annual inflation rate (CPI) (%)	2.4	1.5	-0.1	1.0	0.3	0.8	1.2
5 - Year-on-year inflation rate (end of Dec.) (%) (*)	2.8	0.0	0.3	1.3	-0.2	0.9	1.5
PUBLIC FINANCES (in billions of CFA francs)							
6 - Total revenue and grants	8,735.8	9,608.9	10,135.9	11,304.7	11,948.5	13,105.2	14,774.7
Total revenue	7,793.7	8,270.5	8,811.9	9,994.0	10,729.7	11,705.4	13,134.7
Tax revenue	6,869.7	7,212.2	7,723.7	8,539.9	9,183.6	9,871.6	11,700.7
(in % of GDP)	15.2	14.9	14.8	15.2	15.1	15.0	16.3
7 - Overall expenditure	10,020.3	11,048.2	11,717.2	13,503.9	14,534.3	15,844.7	17,522.5
Current expenditure	6,770.9	6,848.6	7,484.9	8,502.9	9,066.0	9,887.8	9,915.0
(as a % of the GDP)	14.9	14.2	14.4	15.1	14.9	15.0	13.8
Investment from internal resources (% of GDP)	2,002.2	2,222.5	2,283.9	2,711.9	3,120.5	3,330.2	3,723.1
resources (% of GDP)	4.4	4.6	4.4	4.8	5.1	5.1	5.2
8 - Basic primary balance on tax revenue (%)	-7.4	-4.9	-6.0	-6.5	-6.7	-5.6	5.2
9 - Basic budget balance	-979.4	-800.5	-956.8	-1,220.8	-1,456.8	-1,512.6	-503.4
10 - Overall budget balance, with grants	-1,284.5	-1,439.3	-1,581.3	-2,199.2	-2,585.7	-2,739.5	-2,747.8
(as a % of the GDP)	-2.8	-3.0	-3.0	-3.9	-4.2	-4.2	-3.8
11 - Overall budget balance, excluding grants	-2,226.6	-2,777.7	-2,905.2	-3,510.0	-3,804.6	-4,139.3	-4,387.8
(as a % of the GDP)	-4.9	-5.7	-5.6	-6.2	-6.2	-6.3	-6.1
EXTERNAL PUBLIC DEBT (in billions of CFA francs)							
12 - Outstanding debt	10,238.0	9,390.1	11,346.6	14,003.0	15,570.1	-	-
(as a % of the GDP)	22.6	19.4	21.8	24.9	25.5	-	-
13 - Debt service paid	409.6	483.0	516.9	719.9	841.9	-	-
interest	155.2	208.6	244.4	315.3	377.8	-	-
EXTERNAL SECTOR (in billions of CFA francs)							
14 - Exports	12,798.4	12,701.3	13,340.5	13,996.8	13,947.3	15,078.5	15,331.9
15 - Imports	13,367.6	14,104.1	14,370.2	15,229.1	14,983.1	17,114.5	17,685.3
16 - Trade balance	-569.2	-1,402.8	-1,029.7	-1,232.3	-1,035.8	-2,036.0	-2,353.4
17 - Current balance, including grants	-2,174.7	-3,031.5	-2,547.2	-3,200.7	-3,211.1	-4,733.1	-4,993.1
(as a % of the GDP)	-4.8	-6.3	-4.9	-5.7	-5.3	-7.2	-7.0
18 - Current balance, excluding grants	-2,558.1	-3,434.4	-2,980.7	-3,637.8	-3,610.8	-5,237.0	-5,432.0
(as a % of the GDP)	-5.6	-7.1	-5.7	-6.5	-5.9	-7.9	-7.6
Overall balance	-268.6	-568.2	74.5	-189.8	-946.8	304.1	568.3
19 - Exceptional financing	4,162.5	30.0	31.5	59.9	17.7	0.0	0.0
20 - Degree of openness (B&S exports+B&S imports)/GDP (as a %)	31.1	33.5	33.6	32.9	30.5	31.2	29.5
CURRENCY (in billions of CFA francs)							
21 - Net foreign assets(**)	5,569.3	4,731.7	4,747.4	4,753.6	3,696.8	4,029.6	4,365.1
22 - Domestic claims (**)	11,950.9	14,286.8	16,821.3	19,668.6	23,114.5	25,412.9	28,097.0
(as a % of the GDP)	26.4	29.5	32.3	34.9	37.9	38.4	39.2
23 - Claims on other sectors(**)	9,656.8	11,160.1	12,922.4	15,189.3	16,727.2	18,517.1	20,808.4
(as a % of the GDP)	21.3	23.1	24.8	27.0	27.4	28.0	29.0
24 - Money supply (M2)	14,270.9	15,845.2	17,870.2	20,531.1	22,717.3	24,426.9	27,213.2
25 - Foreign exchange reserves	7,088.3	6,623.0	7,065.9	7,522.7	6,529.4	7,184.2	7,613.0
26 - Coverage rate of the money issue	105.5	90.4	84.3	80.2	68.2	73.4	72.7

Sources: National departments; BCEAO

(*) Year-over-year price projection for Q4 2017 and 2018 (**) From 2004

Table A.2: Issues of Treasury bills since the beginning of 2018 (*)

(in millions of CFA francs, unless otherwise indicated)

Maturity	Issuer	Amount in auction	Amount of bids	Amount accepted	Value date	Maturity date	Marginal rates	Weighted average rates
3 months								
	- Benin national treasury	20,000	24,369	22,000	03/30/2018	06/28/2018	6.5000%	6.3758%
	- Niger national treasury	25,000	9,000	9,000	01/16/2018	04/05/2018	6.5000%	6.3278%
	- Niger national treasury	10,000	9,893	9,893	03/23/2018	06/21/2018	6.7000%	6.4538%
	SUB-TOTAL 1	55,000	43,262	40,893	-	-	-	-
6 months								
	- Burkina Faso national treasury	25,000	37,431	25,338	02/08/2018	08/08/2018	6.2600%	6.1248%
	- Côte d'Ivoire national treasury	40,000	28,301	28,301	02/28/2018	08/28/2018	5.7000%	5.2904%
	- Mali national treasury	25,000	13,833	13,033	03/29/2018	09/26/2018	6.5000%	6.3951%
	- Niger national treasury	20,000	17,611	17,611	02/23/2018	08/23/2018	6.7500%	6.4311%
	- Niger national treasury	20,000	19,000	19,000	03/27/2018	09/24/2018	6.8500%	6.7311%
	SUB-TOTAL 2	130,000	116,176	103,283	-	-	-	-

Source: WAMU Securities

(*) at the end of March 2018

Table A.2 (continued): Issue of Treasury bills in 2018 (*) (Continued)

(in millions of CFA francs, unless otherwise indicated)

Maturity	Issuer	Amount in auction	Amount of bids	Amount accepted	Value date	Maturity date	Marginal rates	Weighted average rates
12 months								
	- Benin national treasury	20,000	19,998	19,998	01/12/2018	01/10/2019	6.5000%	6.3381%
	- Burkina Faso national treasury	25,000	19,612	19,112	01/10/2018	01/08/2019	6.5000%	6.3886%
	- Burkina Faso national treasury (simultaneous)	25,000	18,566	18,566	02/22/2018	02/20/2019	6.5000%	6.4183%
	- Burkina Faso national treasury (simultaneous)	30,000	23,664	20,664	03/08/2018	03/06/2019	6.5000%	6.4665%
	- Côte d'Ivoire national treasury	35,000	36,401	30,806	02/07/2018	02/05/2019	5.8000%	5.6071%
	- Côte d'Ivoire national treasury	35,000	39,403	28,000	01/17/2018	01/15/2019	5.8000%	5.7268%
	- Guinea-Bissau national treasury	6,000	4,450	4,350	02/14/2018	02/12/2019	6.4994%	6.2810%
	- Mali national treasury	25,000	23,391	18,619	01/18/2018	01/16/2019	6.5000%	6.3447%
	- Mali national treasury	25,000	14,515	13,515	03/15/2018	03/13/2019	6.5000%	6.4554%
	- Niger national treasury	25,000	21,667	20,357	01/26/2018	01/24/2019	6.5000%	6.4200%
	- Togo national treasury	15,000	5,132	5,132	01/15/2018	01/13/2019	6.9000%	6.7055%
	- Togo national treasury	20,000	19,063	19,063	02/19/2018	02/17/2019	6.9000%	6.5751%
	- Togo national treasury	20,000	17,820	17,820	03/19/2018	03/17/2019	6.9055%	6.6203%
	SUB-TOTAL 4	306,000	263,682	236,002	-	-	-	-
TOTAL		491,000	423,120	380,178				

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

Table A.3: Issues of Treasury bonds in 2018 (*)

(in millions of CFA francs, unless otherwise indicated)

Maturity	Issuer	Amount in auction	Amount of bids	Amount accepted	Value date	Maturity date	Issue rate	Marginal price	Weighted average price
3 years									
	- Benin national treasury	15,000	6,422	5,004	02/02/2018	02/02/2021	6.0000%	9,685	9,764
	- Benin national treasury	15,000	10,006	6,838	02/16/2018	02/02/2021	6.0000%	9,600	9,678
	- Benin national treasury	17,500	8,110	8,110	03/16/2018	03/16/2021	6.0000%	9,500	9,563
	- Burkina Faso national treasury	20,000	20,013	20,013	01/25/2018	01/25/2021	6.0000%	9,550	9,611
	- Burkina Faso national treasury	25,000	16,513	13,513	03/22/2018	11/23/2020	6.0000%	9,525	9,565
	- Mali national treasury	20,000	6,390	-	02/01/2018	11/20/2020	6.1500%	-	-
	- Niger national treasury	20,000	5,376	5,376	02/09/2018	10/16/2020	6.0000%	9,500	9,654
	- Togo national treasury	15,000	16,093	16,040	01/29/2018	01/29/2021	6.2500%	95	96
	- Togo national treasury	20,000	3,306	-	03/05/2018	01/29/2021	6.2500%	-	-
	SUB-TOTAL 1	167,500	92,229	74,894	-	-	-		-
5 years									
	- Benin national treasury	17,500	10,228	10,228	03/16/2018	03/16/2023	6.1500%	9,600	9,601
	- Niger national treasury	10,000	784	784	03/23/2018	03/23/2023	6.1500%	9,475	9,582
	SUB-TOTAL 3	27,500	11,012	11,012	-	-	-		-
7 years									
	- Mali national treasury	30,000	27,900	27,000	03/01/2018	03/01/2025	6.2500%	10,000	10,000
	SUB-TOTAL 4	30,000	27,900	27,000	-	-	-		-
TOTAL		225,000	131,141	112,906	-	-	-		-

Source: WAMU Securities

(*) at the end of March 2018

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

Outstanding in billions - CFA francs	2016				2017				2018
	March-16	June -16	Sept-16	Dec.-16	March-17	June -17	Sept-17	Dec.-17	March-18
Net external assets	5,453.5	5,575.3	4,672.6	4,565.3	4,705.2	6,017.7	5,291.3	5,167.9	7,368.5
Claims on non-residents	7,444.8	7,598.4	6,681.7	6,534.3	6,722.6	8,103.5	7,335.9	7,188.8	9,403.3
Commitments to non-residents	1,991.3	2,023.2	2,009.0	1,969.0	2,017.4	2,085.8	2,044.5	2,020.9	2,034.8
Claims on other deposit-taking institutions	3,194.6	3,655.2	3,973.1	4,709.9	4,478.9	4,373.1	3,892.5	4,180.8	3,841.5
Net claims on central governments	692.5	530.1	510.7	561.8	575.8	-279.2	421.3	501.2	-975.2
Claims on the economy	238.6	247.1	255.0	212.2	245.9	256.4	262.2	209.5	229.1
TOTAL ASSETS	9,579.2	10,007.7	9,411.5	10,049.3	10,005.8	10,368.0	9,867.2	10,059.5	10,463.9
Monetary basis	7,776.7	8,108.9	7,494.4	8,139.1	8,023.2	8,402.4	7,883.3	8,016.1	8,501.9
Currency circulation	5,799.1	5,740.2	5,575.8	6,135.7	6,372.9	6,382.8	5,957.8	6,407.6	6,548.1
Bank deposits	1,623.8	1,707.9	1,516.0	1,662.7	1,291.4	1,664.1	1,296.9	1,231.9	1,557.6
Commitments to other sectors (1)	353.8	660.8	402.7	340.6	359.0	355.5	628.6	376.7	396.2
Deposits excluded from the monetary base (2)	0.3	0.8	0.5	0.3	1.1	2.8	1.0	8.4	0.4
Shares and other equity securities	1,950.8	2,020.3	2,059.0	2,009.2	2,048.5	2,021.4	2,006.4	1,950.4	2,045.4
Other items (net)	-148.6	-122.3	-142.4	-99.2	-67.0	-58.5	-23.5	84.6	-83.8
TOTAL LIABILITIES	9,579.2	10,007.7	9,411.5	10,049.3	10,005.8	10,368.0	9,867.2	10,059.5	10,463.9
Source: BCEAO									
(1) Deposits opened in the books of the BCEAO for the benefit of units of the money-holding sector, notably financial institutions, and Central Bank staff.									
(2) Special deposit accounts opened in the books of the BCEAO by non-financial public companies. These deposits are not part of the broad definition of money.									

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

Outstanding in billions - CFA francs	2016				2017				2018
	March-16	June -16	Sept-16	Dec.-16	March-17	June -17	Sept-17	Dec.-17	March-18
ASSETS									
Net external assets	-643.7	-830.6	-920.2	-868.5	-718.6	-1,055.7	-1119.2	-1138.3	-747.4
Claims on non-residents	690.6	628.1	648.0	662.4	753.4	762.5	644.0	658.2	792.8
Commitments to non-residents	-1334.2	-1458.7	-1568.2	-1,530.9	-1,472.1	-1,818.2	-1763.1	-1796.5	-1,540.1
Claims on the Central Bank	2277.9	2,221.1	2163.6	2184.8	1,866.3	2,188.2	1950.1	1871.5	2,057.9
Net claims on central governments	4406.7	4,658.6	5705.6	5858.1	6,239.7	6,401.6	6320.7	6425.1	6,891.1
Claims on the economy	16341.1	17,045.4	16978.1	18116.3	18,083.1	18653.8	18903.7	20099.1	19937.7
Claims on other financial companies	1096.0	1,029.2	1083.6	1079.3	1,060.0	1,056.5	979.5	1058.9	987.8
Claims on public non-financial corporations	1080.1	1,099.2	1088.5	1174.9	1,033.8	1,122.1	1175.5	1304.3	1,391.9
Claims on the private sector	14165.0	14,917.0	14806.0	15862.1	15,989.3	16475.2	16748.7	17735.9	17449.1
LIABILITIES									
Commitments to the central bank	3126.9	3,570.1	3781.9	4575.9	4,396.3	4,266.4	3757.0	4177.6	3,496.7
Transferable deposits included in the money supply	8231.2	8,352.9	8596.3	9217.9	9,114.3	9,497.3	9512.4	9968.6	10380.2
Other deposits included in the money supply	6973.5	7,153.6	7256.5	7432.7	7,745.2	7,940.8	7979.3	8066.2	8,495.6
Deposits excluded from the broad money supply	665.0	577.9	620.4	633.0	610.2	670.7	733.5	710.8	886.7
Securities other than shares excluded from the money supply	37.9	38.4	38.4	30.8	40.5	41.5	39.4	35.4	14.5
Borrowings	396.6	360.4	411.7	463.3	483.6	436.6	477.2	605.6	752.3
Shares and other equity securities	2308.4	2,200.8	2308.0	2492.0	2,531.9	2,509.9	2733.6	2970.1	3,009.3
Other items (net)	642.5	840.5	914.0	445.2	548.4	824.8	822.8	723.0	1,103.9
Source: BCEAO									

Table A.6: WAMU: Monetary aggregates

<i>In billions of CFA francs</i>	2016				2017				2018
	March-16	June -16	Sept-16	Dec.-16	March-17	June -17	Sept-17	Dec.-17	March-18
<i>Currency in circulation</i>	5,139.6	5,155.8	4,941.0	5,512.6	5,742.4	5,711.8	5,307.8	5,782.3	5,947.8
<i>Demand deposits</i>	8,659.5	8,871.7	9,092.7	9,630.2	9,579.9	10,081.2	10,003.9	10,525.3	10,659.1
<i>M1</i>	13,799.0	14,027.5	14,033.7	15,142.8	15,322.3	15,792.9	15,311.7	16,307.6	16,606.8
<i>Other deposits included in the money supply (1)</i>	7,104.8	7,504.9	7,372.6	7,514.4	7,856.4	8,035.0	8,348.0	8,119.3	8,612.9
MONEY SUPPLY (M2)	20,903.8	21,532.4	21,406.3	22,657.1	23,178.7	23,827.9	23,659.7	24,426.9	25,219.8
<i>Net external assets</i>	4,809.8	4,744.7	3,752.4	3,694.4	3,986.6	5,118.6	4,172.2	4,029.6	6,621.2
<i>Central Bank</i>	5,453.5	5,575.3	4,672.6	4,565.3	4,705.2	6,017.7	5,291.3	5,167.9	7,368.5
<i>Banks</i>	-643.7	-830.6	-920.2	-870.9	-718.6	-899.2	-1,119.2	-1,138.3	-747.4
<i>Domestic claims</i>	20,134.0	20,868.7	21,827.9	23,070.5	23,443.0	23,412.3	24,096.2	27,204.4	26,082.7
<i>Net claims on government</i>	5,070.3	5,161.3	6,188.6	6,432.5	6,786.9	6,093.8	6,711.7	6,895.8	5,915.9
<i>Claims on other sectors</i>	15,063.6	15,707.4	15,639.3	16,638.0	16,656.1	17,318.5	17,384.5	20,308.6	20,166.8
<i>Non-monetary liabilities (2)</i>	5,359.0	5,198.5	5,437.9	5,641.0	5,715.8	5,893.1	5,991.3	6,280.8	6,708.7
<i>Other net items (3)</i>	-1,319.1	-1,117.5	-1,263.9	-1,533.2	-1,464.9	-1,190.2	-1,382.6	526.3	775.3
TOTAL M2 COUNTERPARTS (4)	20,903.8	21,532.4	21,406.3	22,657.1	23,178.7	23,827.9	23,659.7	24,426.9	25,219.8
Source: BCEAO									
(1) Term deposits and special savings accounts opened with banks; interest-bearing deposits opened with the Central Bank.									
(2) Composed of shares and other equity in deposit-taking institutions and their non-monetary commitments to other sectors.									
(3) Consist of consolidation adjustments and the net balance of non-classified assets including miscellaneous items and non-financial assets.									
(4) Total counterparts = Net external assets + Domestic claims - Non-monetary liabilities - Other net items.									

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

<i>In billions of CFA francs</i>	2016				2017				2018
	March-16	June -16	Sept-16	Dec.-16	March-17	June -17	Sept-17	Dec.-17	March-18
Net claims of the BCEAO	663.6	502.6	483.0	532.1	547.2	-307.8	391.0	470.7	-975.2
Receivables	1,824.9	1,796.7	1,780.9	1,803.9	1,783.1	1,829.9	1,822.9	1,868.9	1,848.9
Loans	279.7	261.3	243.8	226.1	209.5	190.3	172.3	154.1	137.6
Loans backed by SDRs	232.4	231.8	231.1	230.4	229.7	229.0	228.4	227.7	226.9
Consolidated statutory overdrafts	1,053.0	1,046.9	1,049.0	1,093.0	1,089.5	1,156.2	1,170.6	1,239.4	1,236.6
IMF loans	18.1	15.1	15.1	12.4	12.4	12.4	9.4	5.5	5.5
Other loans from foreign governments (1)	241.6	241.7	241.9	242.0	242.0	242.1	242.2	242.3	242.3
Other receivables (2)	12.2	13.2	14.0	15.3	19.2	13.1	14.0	15.6	12.2
Commitments	1,173.5	1,307.3	1,311.9	1,287.1	1,255.1	2,150.8	1,445.9	1,413.8	2,836.3
Treasury Cash	28.9	27.5	27.8	29.7	28.6	28.6	30.3	30.5	0.0
Deposits	1,131.9	1,253.4	1,244.4	1,203.2	1,159.5	2,094.7	1,368.5	1,324.0	2,817.8
Other commitments (3)	12.7	26.5	39.7	54.2	67.0	27.5	47.2	59.3	18.5
Net claims of banks	4,406.7	4,658.6	5,705.6	5,900.3	6,239.7	6,401.6	6,320.7	6,425.1	6,891.1
Receivables	6,929.3	7,349.9	8,215.3	8,646.9	8,819.8	9,066.2	9,005.8	9,520.5	8,992.9
Loans	1,280.4	1,435.3	1,386.6	1,516.0	1,624.9	1,739.5	1,623.0	2,055.3	1,373.4
Treasury securities portfolios	5,648.9	5,914.6	6,828.7	7,130.9	7,194.8	7,326.7	7,382.8	7,465.2	7,619.6
Commitments	2,522.5	2,691.3	2,509.7	2,746.6	2,580.1	2,664.5	2,685.2	3,095.4	2,101.8
TOTAL NET CLAIMS ON CENTRAL GOVERNMENT	5,070.3	5,161.3	6,188.6	6,432.5	6,786.9	6,093.8	6,711.7	6,895.8	5,915.9
Source: BCEAO									
(1) The Kuwaiti loan to the Government of Senegal.									
(2) Expenditures on behalf of Governments to be recovered, taxes to be recovered, miscellaneous claims on the States.									
(3) Taxes collected, transfer fees and other amounts collected on behalf of the States.									

Tables A.8: Breakdown of inflation in WAEMU

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

	Components	Weighting (%)	Q1-2017	Q2-2017	Q3-2017	Q4-2017	Q1-2018
Annual variation (as a %)	Local	72.7	1.1	0.1	1.4	1.0	1.0
	Imported	27.3	0.0	0.2	0.5	0.5	0.3
Contributions (in % points)	Local	72.7	0.8	0.1	1.0	0.7	0.7
	Imported	27.3	0.0	0.0	0.2	0.2	0.2
	Total	100	0.8	0.1	1.2	0.9	0.9

Sources: BCEAO, NSIs

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

	Components	Weighting (%)	Q1-2017	Q2-2017	Q3-2017	Q4-2017	Q1-2018
Variations (%)	Goods	60.1	1.5	-0.1	2.2	1.1	0.9
	Services	39.9	-0.4	0.4	0.2	0.5	0.9
Contributions (in % points)	Goods	60.1	0.9	-0.1	1.2	0.7	0.6
	Services	39.9	-0.1	0.2	0.0	0.2	0.3
	Total	100	0.8	0.1	1.2	0.9	0.9

Sources: BCEAO, NSIs.



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