



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

## **REPORT ON MONETARY POLICY IN WAMU**

March 2019





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***March 2019***

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**LIST OF ACRONYMS AND ABBREVIATIONS**

BACEN:	Banco Central do Brasil / Central Bank of Brazil
BCEAO:	Central Bank of West African States
BEAC:	Bank of Central African States
BoE:	Bank of England
BoG:	Bank of Ghana
Bps:	Basis points
BRVM:	Regional stock exchange
CBN:	Central Bank of Nigeria
CEMAC:	Central African Economic and Monetary Community
CIF:	Cost, insurance, and freight
CILSS:	Inter-State Committee for Drought Control in the Sahel
CPA:	Central Public Administration
CPI:	Consumer Price Index
ECB:	European Central Bank
ECOWAS:	Economic Community of West African States
FAO:	United Nations Food and Agriculture Organization
FED:	Federal Reserve System
FOB:	Free on Board
FTSE:	Financial Times Stock Exchange
GDP:	Gross Domestic Product
HICP:	Harmonized Index of Consumer Prices
IMF:	International Monetary Fund
INSEE:	French National Institute of Statistics and Economic Studies
IPI:	Industrial Production Index
LBUBC:	Large Businesses Using Bank Credits
MPC:	Monetary Policy Committee
MSCI:	Morgan Stanley Capital International
NEAs:	Net External Assets
NSIs:	National Statistics Institutes
NYMEX:	New York Mercantile Exchange
OECD:	Organization for Economic Cooperation and Development
OPEC:	Organization of the Petroleum Exporting Countries

PBoC:	People's Bank of China
Pps:	Percentage points
RBI:	Reserve Bank of India
REER:	Real effective exchange rate
SA-WDC:	Seasonally Adjusted - Working Day Corrected
SARB:	South African Reserve Bank (SARB)
SDRs:	Special Drawing Rights
TI:	Turnover Index
WAEMU:	West African Economic and Monetary Union
WAMA:	West African Monetary Agency
WAMU:	West African Monetary Union
WEO:	World Economic Outlook
WTI:	West Texas Intermediate

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**PRESS RELEASE****Meeting of the Monetary Policy Committee of the BCEAO**

1. The Monetary Policy Committee (MPC) of the Central Bank of West African States (BCEAO) held its first ordinary meeting of 2019 on Wednesday, March 6, 2019, at BCEAO headquarters in Dakar. The meeting was chaired by Mr. Tiémoko Meyliet Koné, Governor of the Central Bank and statutory Chairman of the Committee.
2. The Committee reviewed the main developments that have marked the international and regional economic situation in recent times, as well as the risk factors that could have a bearing on medium-term inflation and economic growth prospects in the Union.
3. Discussing the international economic situation, the Committee noted that global economic activity in the fourth quarter of 2018 continued to grow at a moderate pace, against a backdrop of increased uncertainties related mainly to trade and geopolitical tensions. According to the latest data published in January 2019 by the International Monetary Fund, the global economic growth was estimated at 3.7% in 2018 and was expected to stand at 3.5% in 2019.
4. On the main international commodities markets, the prices of products exported by the countries of the Union dropped, with the exception of coffee and gold. Cotton (-6.4%) and cocoa (-3.1%) experienced the most significant drops.
5. As regards the internal economy, growth remained robust in the fourth quarter of 2018, standing at 6.8%, year over year, compared with 6.6% a quarter earlier. Domestic demand continued to be the main driver of growth in the Union. For 2019 as a whole, economic growth was expected to stand at 6.8% compared with 6.6% in 2018.
6. With regard to public finances, the Committee noted an improvement in the budget deficit, on a commitment basis, inclusive of grants. It was estimated at 3.9% of the GDP in 2018, according to data from national departments, compared with 4.3% in 2017. In the light of the foregoing, the MPC encouraged the Member States to continue their efforts to implement measures to meet the Community's 3.0% standard in 2019.
7. At the end of December 2018, the Union's monetary situation was marked by a 12.4% year-on-year increase in the money supply, buoyed by a 28.8% increase in net external assets and by a 9.4% increase in domestic claims. On the money market, the average quarterly interest rate was 3.45% compared with 2.50% in the previous quarter. A year earlier, the rate was 4.10%.
8. The Committee noted a slight increase in prices, year over year, in the fourth quarter of 2018. The inflation rate stood at 0.9%, compared with 0.4% a quarter earlier, driven mainly by price increases in the "Transportation", "Housing" and "Communications" sectors. The year-over-year inflation rate is projected at 1.5% for the next twenty-four months, which is in line with the Central Bank's objective of price stability.
9. Based on these analyses, the Monetary Policy Committee decided to keep the BCEAO's leading rates unchanged, with the minimum bid rate on cash injection tender transactions remaining at 2.50%, while the marginal lending rate was kept at 4.50%. The minimum reserve ratio applicable to the Union's banks remained at 3.0%

*Issued in Dakar on March 6, 2019*

The Chairman of the Monetary Policy Committee

Tiémoko Meyliet Koné

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## SUMMARY

1. Global economic activity continued its course of moderate growth in the fourth quarter of 2018 amid rising uncertainties related to trade and geopolitical tensions and tightening financial conditions.
2. Commodity prices were down overall. Specifically, the prices of non-energy products fell sharply, due to limited demand. Against this backdrop, the prices of commodities exported by the countries of the Union continued their downward trend, with the exception of robusta coffee and gold. Palm kernel oil, cotton and cocoa experienced the most significant drops.
3. In WAEMU, economic activity gained momentum in the fourth quarter of 2018. Real gross domestic product (GDP) growth, driven mainly by strong domestic demand, stood at 6.8%, year over year, compared with 6.6% in the previous quarter. For 2018 as a whole, economic growth was expected to be 6.6%, as in 2017.
4. The year-over-year inflation rate in WAEMU rose to 0.9% in the fourth quarter of 2018, compared with 0.4% a quarter earlier. This acceleration was mainly attributable to price increases in the “Transportation”, “Housing” and “Communications” sectors. The core inflation rate was 0.7% year over year in the fourth quarter of 2018 compared with 0.5% in the previous quarter.
5. The financial operations of the Union’s Member States during the 2018 fiscal year resulted in a reduction of the overall deficit, on a commitments basis, inclusive of grants, which stood at 2,695.1 billion or 3.9% of the GDP at the end of December 2018 versus 2,761.5 billion or 4.3% of GDP in 2017.
6. In the fourth quarter of 2018, the Union recorded a foreign trade deficit of 230.4 billion or 1.3% of the GDP, down by 23.2 billion compared with the same period of the previous year, due to a higher imported energy products bill.
7. The monetary situation at the end of December 2018, compared with the situation at the end of September 2018, was marked by an acceleration in the growth of the money supply (+6.5%), reflecting increases in both net external assets (+5.5%) and domestic claims (+7.3%). The increase in NEAs was due to the combined strengthening of the Central Bank’s net external assets and those of the banks. Quarterly growth in domestic claims rose as a result of higher claims on the economy (+7.6%) and increased net claims of deposit-taking institutions on the Central Public Administrations (CPAs) of the Union’s Member States (+6.2%). The Union’s foreign exchange reserves stood at 8,561.0 billion at the end of December 2018, ensuring a monetary issuance coverage rate of 77.1% compared with 79.5% three months prior. Coverage in months of imports of goods and services stood at 4.7 months, as it did at the end of September 2018.
8. Bank liquidity decreased by 49.6 billion during the fourth quarter of 2018 to 1,581.7 billion at the end of December 2018. This trend was due to the negative impact of independent factors (-572.5 billion) over the period, mitigated by an increase in outstanding refinancing granted by the BCEAO (+522.9 billion). Overall, bank liquidity improved by 349.8 billion in 2018, reflecting the positive impact of 334.4 billion from independent factors and an increase of 15.4 billion in Central Bank refinancing.

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9. On the money market, interest rates tightened during the quarter under review. The weighted average rate for weekly liquidity injection operations was 4.0149% in the fourth quarter of 2018, compared with 2.7740% in the previous quarter and 4.1223% a year earlier. In the one-week segment of the interbank market, the weighted average interest rate was 5.13% compared with 4.41% in the previous quarter and 5.13% in the same period in 2017.
  10. On the government securities market, the weighted average interest rate on all maturities of Treasury bills rose to 5.78% from 5.61% a quarter earlier.
  11. The average lending rate charged by banks to customers, excluding taxes and fees, fell quarter over quarter to 6.78% at the end of December 2018, compared with 6.81% three months earlier. In the same period of 2017, it stood at 7.00%.
  12. The inflation outlook in the Union does not suggest any particular pressures on consumer price developments over the medium term. The projected trend indicates a 0.9 increase in the inflation rate year over year, in the first quarter of 2019. The forecast pegs the inflation rate at 1.5%, on a year-over-year basis, eight quarters ahead.

## I - GLOBAL ECONOMIC ENVIRONMENT

### 1.1 - Economic activity

1. Global economic activity continued to grow at a moderate pace in the fourth quarter of 2018 amid rising uncertainties related to trade and geopolitical tensions and tighter financial conditions.

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

	2016	2017	2018	2017				2018			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Advanced countries</b>	(over one year)			(year over year)							
United States	1.5	2.2	2.9	1.9	2.1	2.3	2.5	2.6	2.9	3.0	3.1
Eurozone	1.8	2.4	1.8	2.1	2.5	2.8	2.7	2.4	2.2	1.6	1.2
Germany	1.9	2.5	1.5	2.1	2.2	2.6	2.8	2.1	2.0	1.1	0.6
France	1.2	2.3	1.5	1.4	2.3	2.7	2.8	2.2	1.7	1.3	0.9
Japan	0.9	1.9	0.9	1.3	1.6	1.9	2.1	1.1	1.4	0.3	0.6*
United Kingdom	1.9	1.8	1.4	1.8	1.9	2.0	1.6	1.3	1.4	1.6	1.3
<b>Emerging countries</b>											
China	6.7	6.9	6.6	6.8	6.8	6.7	6.7	6.8	6.7	6.5	6.4
India	7.1	6.7	7.3	6.1	6.0	6.8	7.7	7.7	8.0	7.0	6.6
Brazil	-3.5	1.1	1.3	0.1	0.6	1.4	2.2	1.2	0.9	1.3	1.1
Russia	-0.2	1.5	1.7	0.6	2.5	2.2	0.9	1.3	1.9	1.5	1.5*
South Africa	0.6	1.3	0.8	1.0	1.2	1.6	1.4	0.7	0.1	1.1	1.3
<b>Surrounding Countries</b>											
Ghana	3.7	8.4	6.3	7.4	11.1	8.7	5.5	5.4	5.4	7.4	-
Nigeria	-1.6	0.8	1.9	-0.9	0.7	1.2	2.1	1.9	1.5	1.8	2.4

Sources: OECD, Eurostat, IMF, Statistics South Africa

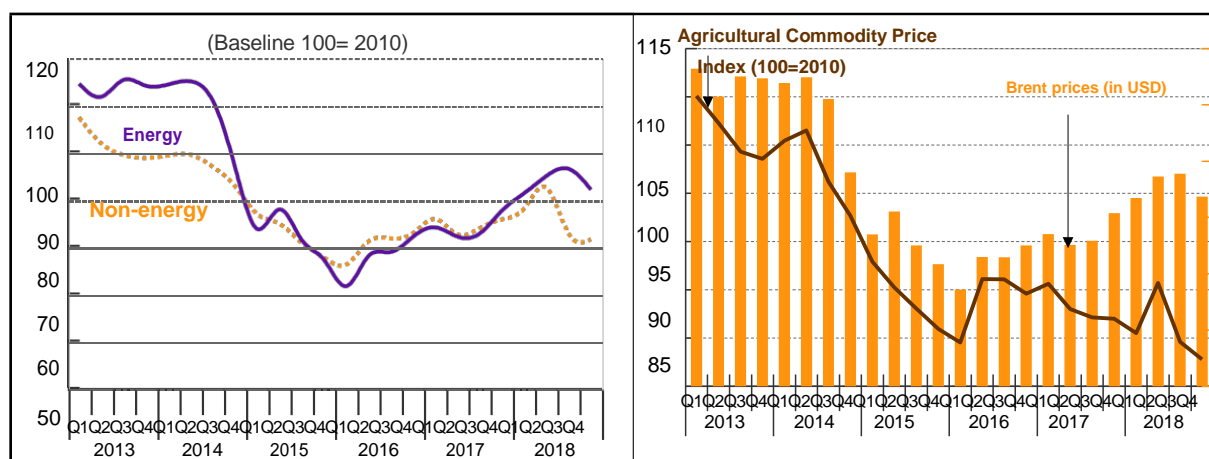
(\*) Bloomberg and IMF forecasts, preliminary data

2. In the United States, economic activity is expected to gain momentum on the back of strong domestic demand, reflecting government fiscal stimulus measures and a healthy labor market. Real GDP growth should reach 3.0%, the same level as in the previous quarter.
3. In the Eurozone, economic growth continued to slow in the fourth quarter of 2018, reflecting low levels of consumption and industrial production in Germany as well as sluggish activity in France, amidst a backdrop of social protest. Real GDP growth was reported to stand at 1.2%, compared with 1.6% a quarter earlier.
4. In the major emerging countries, the pace of growth in economic activity decreased. In China, growth slowed for the third consecutive quarter to 6.4% in the fourth quarter of 2018 from 6.5% a quarter earlier. This was due in part to uncertainty surrounding trade tensions with the United States. In India, economic activity decelerated, reflecting weak domestic demand. Year-over-year real GDP growth was expected to stand at 6.9% in the fourth quarter of 2018, compared with 7.1% a quarter earlier.
5. In Nigeria, the primary trading partner of the Union's Member States in the West African subregion, growth increased in the fourth quarter of 2018, driven mainly by a buoyant non-oil sector.

6. According to the IMF's latest World Economic Outlook (WEO), released in January 2019, the rate of global output growth was expected to reach 3.7% in 2018, unchanged from the previous projections released in October 2018. The International Monetary Fund projects global economic growth at 3.5% in 2019 and 3.6% in 2020, 0.2 and 0.1 percentage points below the levels forecast in October 2018, respectively. These downward adjustments were due to the slowdown observed in the second half of 2018, especially in the Eurozone, as well as increased uncertainty in the financial markets.
7. Growth in advanced economies is expected to decelerate to 2.3% in 2018, 2.0% in 2019 and 1.7% in 2020. In the Eurozone, annual GDP growth is expected to slow down, from 1.8% in 2018 to 1.6% in 2019, before recovering to 1.7% in 2020. In the United States, growth is expected to decelerate gradually from 2.9% in 2018 to 2.5% in 2019 and then to 1.8% in 2020, reflecting the end of the country's fiscal stimulus measures and the negative effects of trade tensions and the ensuing uncertainties.
8. In emerging and developing economies, the pace of growth is expected to slow slightly from 4.6% in 2018 to 4.5% in 2019. However, activity in emerging markets is expected to remain strong in 2019-2020, despite the anticipated negative impact of trade tensions on the Chinese economy and other emerging Asian economies. The economic outlook for emerging countries is also likely to be affected by a decline in activity in Iran following the reinstatement of US sanctions, the anticipated slowdown in economic activity in Turkey, and less auspicious developments for some Latin American countries (Argentina, Brazil, and Mexico).
9. In sub-Saharan Africa, growth is expected to pick up from 2.9% in 2018 to 3.5% in 2019 and 3.6% in 2020. In Nigeria, economic activity is expected to increase, with GDP growth at 2.0% in 2019 and 2.2% in 2020 compared with 1.9% in 2018. In South Africa, growth in economic activity is also expected to increase from 0.8% in 2018 to 1.4% in 2019 and 1.7% in 2020.
10. According to the IMF, the global economic outlook is affected by a number of risks, including escalating trade tensions, tightening financial conditions, the outcomes of negotiations on the United Kingdom's exit from the European Union, and decelerating growth in China. Other factors also posit risks to growth and investment, including geopolitical tensions in the Middle East and East Asia, the pervasive effects of climate change, and the continued decline in confidence in institutions.

## **1.2 - Commodity prices**

11. The prices of commodities generally trended downward against a backdrop of uncertainty and subdued growth. The price index for non-energy commodities continued to decline in the fourth quarter of 2018.

**Graph 1 - Trends in commodity price indexes**

Sources: World Bank, Bloomberg

12. Energy prices fell by 9.5% in the quarter under review, as a result of the decrease in oil product prices. Specifically, world oil prices fell by 14.2%, mainly due to increased production in the United States and the Organization of the Petroleum Exporting Countries (OPEC) to compensate for the decline anticipated in supplies from Iran following the implementation of US sanctions. In addition, global oil demand has been relatively sluggish.
13. On a quarterly basis, the prices of the main commodities exported by the countries of the Union fell, with the exception of prices for robusta coffee (+2.0%) and gold (+1.4%). Palm kernel oil (-15.7%), cotton (-6.4%) and cocoa (-3.1%) registered the most significant declines. The prices of staple commodities exported by countries in the Union, which are quoted in CFA francs, maintained a similar trend.
14. Palm kernel oil prices suffered from a combination of a subdued demand from China and India and abundant supplies and rising stocks, especially in Indonesia and Malaysia.
15. Cotton prices were impacted by demand concerns related to trade tensions between the United States, the world's largest cotton exporter, and China, the world's largest cotton consumer.
16. Cocoa prices were hit by the prospect of increased global production.
17. Coffee prices, on the other hand, were buoyed by strong global demand. Gold prices rose on the back of increased safe-haven investments, against the background of a drop in stock market valuations on major stock markets.

**Table 2 - Prices of commodities exported by WAEMU countries**

	Average prices Q4-2018				Quarterly change			
	unit	in foreign currencies	unit	in CFA Francs	Prices in foreign currencies	Prices in CFA F	Prices in foreign currencies	Prices in CFA F
Crude oil (NYMEX)	\$/barrel	64.5	ton	241 931.8	-14.2	-12.6	6.1	9.5
Robusta coffee (ICO)	cents/lb.	84.0	kg	1 032.2	2.0	3.9	-11.0	-8.2
Cocoa (ICCO)	cents/lb.	104.0	kg	1 250.0	-3.1	-1.3	6.2	9.6
Cotton (NY #2)	cents/lb.	82.2	kg	994.7	-6.4	-4.6	10.2	13.8
Palm oil	\$/metric ton	612.3	kg	318.5	-2.5	-0.6	-21.6	-19.1
Palm kernel oil	\$/metric ton	924.3	kg	425.9	-15.7	-14.1	-46.8	-45.1
Rubber	eurocents/kg	123.1	kg	798.3	0.1	0.1	-5.8	-5.8
Cashew nuts	\$/metric ton	1,624.1	kg	814.3	-2.3	-0.4	-13.1	-10.4
Gold	\$/ounce	1,269.0	gram	24	1.4	3.3	-3.6	-0.5

Sources: Bloomberg, Reuters

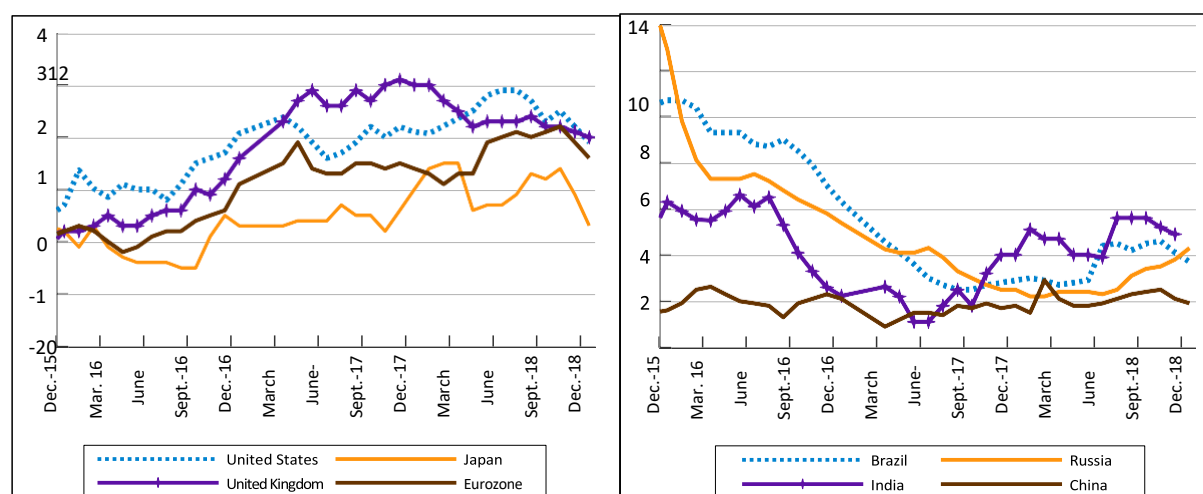
18. Meanwhile, the prices of the main food commodities imported by WAEMU countries showed differing trends during the fourth quarter of 2018. Corn (+5.0%) and soybean oil (+0.1%) prices increased, while rice (-3.0%) and wheat (-1.3%) prices dropped.

19. Corn and soybean oil prices increased on the back of strong global demand. Wheat prices, on the other hand, fell due to the positive global production outlook.

### 1.3 - Inflation

20. Inflation declined overall in most advanced, emerging, and developing countries during the fourth quarter of 2018.

21. In the United States, the year-over-year inflation rate dropped by 0.4 percentage points from its level three months earlier to stand at 1.9% at the end of December 2018, a level close to the Federal Reserve (FED) target. Similarly, in the United Kingdom, the inflation rate fell by 0.2 points to 2.0% in December 2018. In the Eurozone, inflation slowed from 2.1% in September 2018 to 1.6% in December 2018.

**Graph 2 - Inflation rates in advanced and emerging countries (measured by the year-over-year percentage change in the Consumer Price Index (CPI))**

Source: IMF

22. Prices also eased in the major emerging economies. In Brazil, the year-over-year inflation rate stood at 3.7% at the end of December 2018 compared with 4.2% three months earlier. In India, the year-over-year inflation rate stood at 4.9% in December 2018 compared with 5.6% in September 2018. In China, overall price increases decelerated from 2.5% in September 2018 to 1.9% in December 2018. However, in Russia, inflationary pressures persisted. The inflation rate rose from 3.4% in September 2018 to 4.3% in December 2018. In South Africa, the year-over-year inflation rate stood at 4.4% in December 2018 compared with 4.8% three months prior.
23. In the Union's West African trading partner countries, inflationary pressures showed contrasting trends. In Ghana, price easing dynamics continued, with the year-over-year inflation rate rising from 9.8% in September 2018 to 9.4% in December 2018. By contrast, inflation in Nigeria during the same period rose slightly from 11.3% to 11.4%.

#### **1.4 - Monetary and financial conditions at international level**

##### **1.4.1 - Central bank actions**

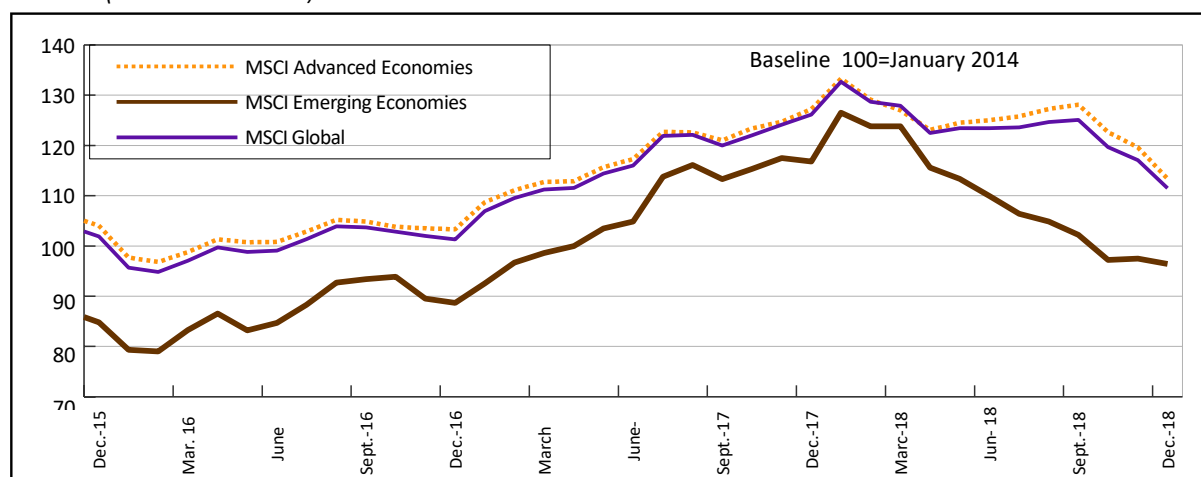
24. Against a backdrop of declining inflationary pressures and rising uncertainties about global growth, several central banks in advanced and emerging countries, including the United States, Russia, and South Africa, adjusted their monetary policies. In West and Central Africa, the central banks of Ghana and the CEMAC economic community changed their key interest rates.
25. Over the recent period, the European Central Bank (ECB) has left its key rates unchanged, while indicating that they would remain at their existing levels until at least the summer of 2019 and for as long as necessary to ensure that inflation sustainably converged to levels below, but close to, 2%. In addition, at the end of December 2018, the ECB discontinued its purchases of securities on the markets, which had begun in April 2016.
26. At its December 19, 2018, meeting, the United States Federal Reserve (FED) raised the target range for the federal funds rate by 25 basis points to 2.25%-2.50%. This was the fourth increase in 2018 and the ninth since December 2015, for a cumulative total of 225 basis points. The FED considered that this benchmark rate was appropriate in the sense that it had a neutral impact on the economy. On the other hand, the FED noted that it was concerned about the impact of the slowdown in global growth on the US economy and wanted to wait before proceeding with further tightening of its monetary policy.
27. During the period under review, the Bank of England (BoE) left its key interest rate unchanged at 0.75% as well as the monthly amount of its asset purchases at 435 billion pounds, amid uncertainties over the outcome of Brexit negotiations and the global growth outlook.
28. With regard to emerging economies, the Central Bank of Russia raised its key rate by 25 basis points to 7.75% on December 14, 2018, due to inflationary risks and the depreciation of the ruble. On February 7, 2019, the Central Bank of India lowered its main policy rate by 25 basis points to 6.25%.



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29. On November 22, 2018, the South African Reserve Bank (SARB) raised its policy rate by 25 basis points to 6.75% amid persistent inflationary pressures. This was the first increase in the SARB's policy rate since March 2016.
  30. In the subregion, over the recent period, the Central Bank of Nigeria (CBN) has left its main policy rate unchanged at 14.0%. According to the CBN, monetary easing aimed at stimulating domestic demand would lead to inflationary pressures and the depreciation of the currency, due to expectations of excess liquidity in the economy.
  31. On January 28, 2019, the Central Bank of Ghana (BoG) lowered its main policy rate by 100 basis points to 16.0% amid easing consumer prices. Inflation gradually declined from over 19% in March 2016 to 9.4% in December 2018.
  32. At its Monetary Policy Committee (MPC) meeting of December 18, 2018, the Bank of Central African States (BEAC), kept its main policy rate unchanged at 3.5%. However, it raised its marginal lending facility rate by 75 basis points to 6.00% and the penalty rate for banks to 8.30%. The increase in the marginal lending facility rate was part of the reforms to its monetary policy framework initiated since March 2017.

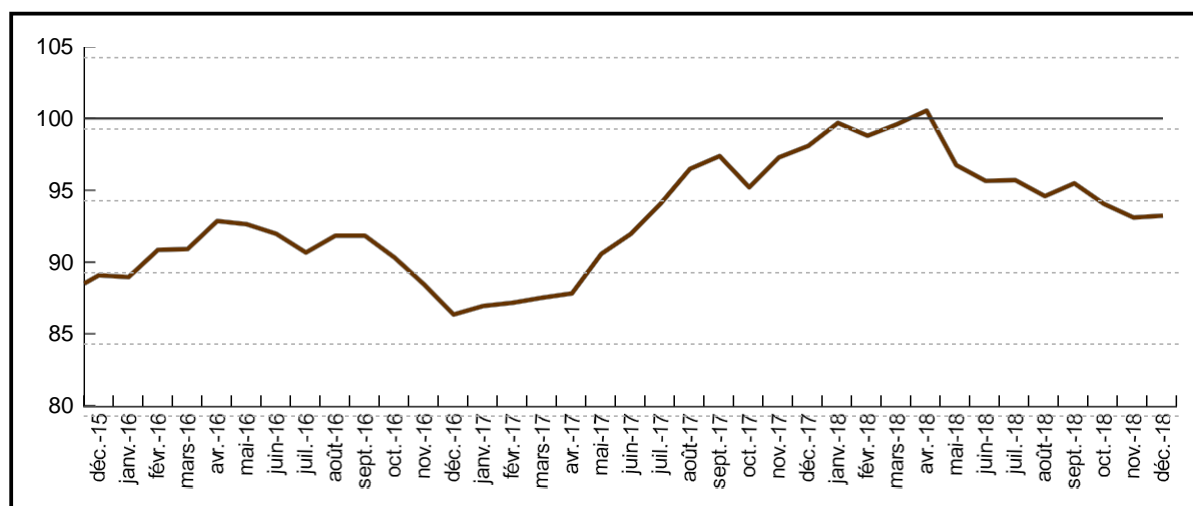
#### **1.4.2 - Trends in monetary and financial conditions**

33. On bond markets, benchmark 10-year bond yields in the United States decreased by 15 basis points (bps) from 2.98% at the end of September 2018 to 2.83% at the end of December 2018. In the Eurozone, 10-year maturity sovereign yields lowered, reaching 0.25% in Germany (-18 bps), 0.70% in France (-5 bps), 1.42% in Spain (-6 bps), and 1.72% in Portugal (-16 bps). However, they rose to 4.30% in Italy (+11 bps) and remained stable in Greece at 4.4%.
34. On the money markets, the 3-month Euribor stood at -0.31% in the fourth quarter of 2018, compared with -0.32% three months earlier.
35. Equity markets continued to be affected by concerns over trade tensions and tightening financial conditions. The MSCI indexes for advanced and emerging economies were down by 11.5% and 5.7% respectively. In all, the MSCI Global Index contracted by 10.9% to stand at 116.1 points in December 2018, as against 125.1 points in September 2018.

**Graph 3 - Trends in MSCI indexes on international equity markets***(baseline 100 = 2014)*

Source: Bloomberg

36. The Eurozone's EuroStoxx 50 index, the London Stock Exchange's FTSE 100 index, the Tokyo Stock Exchange's Nikkei 225 index, and the New York Stock Exchange's Dow Jones index all came in down in the fourth quarter of 2018, by 7.5%, 7.2%, 3.4%, and 2.8%, respectively.
37. On the foreign exchange markets, the European currency depreciated against the major developed world currencies during the fourth quarter of 2018. The euro was weakened by tensions around the Italian budget and the deteriorating economic outlook for the Eurozone.
38. The euro fell against the U.S. dollar (-1.9%), the Swiss franc (-0.7%), the Japanese yen (-0.7%) and the British pound sterling (-0.6%).

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

Source: Bloomberg

39. In West Africa, according to official data, the CFA franc recorded contrasting developments against the subregion's major currencies between September and December 2018. The CFA franc, which was quoted based on the indirect exchange rate, appreciated against the Sierra Leonean leone (+1.4%), the Gambian dalasi (+0.8%), the Ghanaian cedi (+0.3%) and the Liberian dollar (+0.1%). On the other hand, it depreciated against the Nigerian naira (-1.6%) and the Guinean franc (-1.5%).

**Table 3 - Trends in the CFA franc/West African currencies exchange rate**  
(foreign currency unit per 1,000 CFA F)

Exchange rates	2016		2017			2018			Change (in %)	
	Q3	Q4	Q2	Q3	Q4	Q2	Q3	Q4	quarterly	annual
Gambian dalasi	77.2	75.6	77.6	85.9	84.8	86.4	85.8	86.5	0.8	2.0
Ghanaian cedi	6.7	6.6	7.1	8.1	7.9	8.1	8.3	8.4	0.3	5.9
Guinean franc	15,237.0	14,967.5	15,193.9	16,619.1	16,148.3	16,375.8	15,970.8	15,733.3	-1.5	-2.6
Liberian dollar	163.1	163.8	185.1	212.7	219.3	247.1	273.4	273.8	0.1	24.9
Nigerian naira	512.6	501.2	510.8	563.9	548.0	555.5	541.6	532.9	-1.6	-2.8
Sierra Leonean leone	10,565.5	11,591.2	12,210.4	13,719.0	13,516.5	13,962.4	14,368.3	14,569.5	1.4	7.8

Sources: WAMA, BCEAO

## II - TRENDS IN SUPPLY AND DEMAND FACTORS IN WAEMU

### 2.1 - Supply factors

40. The growth rate of the gross domestic product in the WAEMU Union in the fourth quarter of 2018 was 6.8%, year over year, compared with 6.6% a quarter earlier. The slight acceleration in the growth rate confirmed business leaders' optimism about overall trends in their activities. The business climate indicator came in at 101 in the fourth quarter of 2018, remaining above its long-term trend.
41. By sector, the increase in economic activity in the Union continued to be driven mainly by the tertiary sector whose contribution stood at 4.0 percentage points (pps), unchanged from the previous quarter. Meanwhile, the contributions of the secondary and primary sectors stood at 1.6 and 1.2 pps, up 0.1 pps, respectively, from the levels achieved in the third quarter of 2018.

**Table 4 - Contributions of business lines to quarterly GDP growth in WAEMU**  
(year over year)

(Seasonally and working day adjusted (SA-WDC) data, in %)

	2016	2017				2018			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Primary sector	2.0	1.7	1.5	1.4	1.1	1.1	1.2	1.1	1.2
Secondary sector	1.0	1.2	1.3	1.3	1.4	1.4	1.4	1.5	1.6
Tertiary sector	4.0	3.7	4.0	4.0	3.9	4.0	4.0	4.0	4.0
<b>GDP</b>	<b>7.0</b>	<b>6.6</b>	<b>6.8</b>	<b>6.7</b>	<b>6.4</b>	<b>6.5</b>	<b>6.6</b>	<b>6.6</b>	<b>6.8</b>

Source: BCEAO

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

**Table 5 - Trends in real GDP growth rates in WAEMU Member States**

(SA-WDC data, year over year, in %)

	2016	2017				2017	2018				2018
	Q4	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Benin	5.1	5.3	5.8	6.0	6.2	5.8	6.6	7.0	6.8	6.9	6.8
Burkina Faso	6.4	6.3	6.2	6.3	6.4	6.3	6.6	6.7	6.7	6.5	6.6
Côte d'Ivoire	9.0	7.8	8.2	7.7	7.1	7.7	7.5	7.6	7.7	7.8	7.7
Guinea-Bissau	8.0	6.9	7.0	6.1	3.9	5.9	4.6	3.5	3.4	3.8	3.8
Mali	5.7	5.6	5.5	5.3	5.2	5.4	4.9	4.8	4.9	5.1	4.9
Niger	5.2	4.2	4.6	5.2	5.6	4.9	5.5	5.6	5.5	4.5	5.2
Senegal	6.5	7.0	7.3	7.4	7.1	7.2	6.7	6.5	6.7	7.2	6.8
Togo	5.5	5.1	4.6	4.6	3.2	4.4	4.6	4.6	4.5	5.3	4.8
<b>WAEMU</b>	<b>7.0</b>	<b>6.6</b>	<b>6.8</b>	<b>6.7</b>	<b>6.4</b>	<b>6.6</b>	<b>6.5</b>	<b>6.6</b>	<b>6.6</b>	<b>6.8</b>	<b>6.6</b>

Source: BCEAO

### 2.1.1 - Primary sector

43. In the primary sector, growth in value added increased by 5.0% year over year in the fourth quarter of 2018, up from 4.8% in the previous quarter, driven by increased fish farming, cash crop, and food crop production. Specifically, the increase in food production reflected the overall satisfactory rainfall levels recorded in the Union during the 2018/2019 growing season.

44. The latest available statistics indicated an expected 8.3% increase in food production in WAEMU during the 2018/2019 agricultural season, which would place it at 64,829,714 tons. The increased production was mainly driven by cereals (+10.9%), as well as other crops (+15.4%), dominated by horticultural products.

45. Compared with the average over the previous five years, the 2018/2019 crop is expected to increase by 19.5%.

**Table 6 - Food crop production in WAEMU**

(in metric tons except where otherwise indicated, updated - January 2019)

	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019*(2)	Average over the past five crop years (3)	Change (in %)	
							(2)/(1)	(2)/(3)
Cereals	23,682,705	25,869,325	27,621,717	27,583,193	30,599,287	25,382,574	10.9	20.6
Tubers	20,802,371	19,877,438	20,994,198	22,639,701	23,109,126	20,356,586	2.1	13.5
Other crops	8,046,847	8,232,900	9,006,295	9,633,626	11,121,301	8,508,203	15.4	30.7
<b>Total</b>	<b>52,531,923</b>	<b>53,979,663</b>	<b>57,622,210</b>	<b>59,856,520</b>	<b>64,829,714</b>	<b>54,247,363</b>	<b>8.3</b>	<b>19.5</b>

Sources: National agriculture departments, BCEAO calculations

\*Estimates

46. With regard to the main export crops, harvests also increased in the 2018/2019 crop year compared with the previous year, with the exception of cocoa.

**Table 7 - Export crop production in WAEMU***(in metric tons except where otherwise stated, updated – January 2019)*

	2014/2015	2015/2016	2016/2017	2017/2018 (1)	2018/2019* (2)	Average over the past five crop years (3)	Change (2)/(1) (in%)	Change (2)/(3) (in%)
Cocoa	1,686,218	1,836,794	1,644,801	2,045,112	1,969,746	1,778,407	-3.7	10.8
Coffee	117,867	145,658	122,611	51,523	137,726	109,890	167.3	25.3
Cotton seed	2,212,595	2,101,146	2,238,719	2,435,206	2,509,970	2,170,604	3.1	15.6
Groundnuts	2,226,285	2,720,122	2,881,855	3,185,333	3,302,448	2,651,413	3.7	24.6
Cashew nuts	1,050,943	1,259,441	1,092,950	1,140,956	1,186,832	1,082,045	4.0	9.7
Rubber	318,897	360,000	453,040	580,000	613,900	400,396	5.8	53.3

*Sources: National marketing services, BCEAO calculations**\*Estimates*

47. Coffee production increased by 167.3% at the end of the 2018/2019 season to 137,726 tons. This situation reflected a return to normal, after a significant drop due to the loss of a high proportion of the flowers as a result of heavy rains during the 2017/2018 crop year.
48. The seed cotton crop was estimated at 2,509,970 tons in the Union during the 2018/2019 season, up 3.1% compared with the previous season. The strong performance of seed cotton production was attributable to generally adequate rainfall in the production zones and to the continuation of support measures for producers, especially through the provision of inputs and technical supervision.
49. The quantity of groundnuts produced during the 2018/2019 season was estimated at 3,302,448 tons, up 3.7% from the previous year, due to increased production in all countries of the Union.
50. The volume of the cashew harvest amounted to 1,186,832 tons in the 2018/2019 season, up 4.0% from the previous season. This was ascribable to favorable weather conditions in the main producing countries.
51. Rubber production reached 613,900 tons, up 5.8% compared with the previous season, due to increased planted areas.
52. On the other hand, cocoa production was estimated at 1,969,746 tons during the 2018/2019 season, down 3.7% compared with the previous season. This drop was mainly due to a decline in yield, caused by swollen shoot disease affecting cocoa orchards.

### 2.1.2 - Secondary sector

53. In the quarter under review, the value added generated by the secondary sector grew at an annual rate of 7.4%, up 0.3 pp on the previous quarter. The business climate indicator in the secondary sector remained above its long-term trend, reflecting high levels of confidence in trends in the industrial and construction sectors, which was associated with favorable expectations regarding orders and the start-up of new construction sites.
54. The industrial production index rose by 6.1%, year over year, in the fourth quarter of 2018, compared with 5.1% three months earlier. This increase was mainly due to higher growth in manufacturing production (+12.0% compared with +11.0%), especially in Benin, Mali, and Senegal. The trend observed in the manufacturing sector was mainly due to increased production of food and beverages (+21.0% compared with +12.4%) and chemicals (+26.5% compared with +26.3%). However, the increase in manufacturing output was offset by a decline in mining production (-4.2% compared with -4.4%), owing mainly to lower uranium production in Niger and gold production in Côte d'Ivoire as a result of social protests in the sector.

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

Industries	2017	2018*	2017	2018			
			Q4	Q1	Q2	Q3	Q4*
Production of mining activities	-4.3	-3.9	-0.4	-2.0	-5.2	-4.4	-4.2
incl. Crude oil and natural gas	-0.5	-2.6	-0.7	-7.2	-10.6	7.7	-0.4
Uranium ores	2.6	-4.4	23.1	1.5	-5.0	-10.0	-4.2
Metal ores	3.3	-4.7	-3.2	9.3	-4.9	-14.7	-8.5
Manufacturing industries	6.2	10.6	4.3	10.1	9.3	11.0	12.0
- Food and beverages	9.1	14.5	-0.8	10.5	14.0	12.4	21.0
- Refined petroleum products	1.0	-1.6	6.8	-3.0	-2.8	4.6	-5.3
- Textile products	1.1	26.2	2.3	29.2	22.9	26.3	26.5
Electricity, gas & water	5.5	2.8	3.9	2.5	3.1	3.0	2.7
<b>Overall Index</b>	<b>5.0</b>	<b>5.4</b>	<b>3.6</b>	<b>6.0</b>	<b>4.2</b>	<b>5.1</b>	<b>6.1</b>

Source: BCEAO

(\*) Preliminary figures

**2.1.3 - Tertiary sector**

55. The year-over-year value added generated by the tertiary sector increased by 7.3% in the fourth quarter of 2018 and was stable compared with the levels achieved in the third quarter of 2018. This was driven mainly by the optimistic outlook of business leaders in the “Market Services” branch regarding trends in their sales figures and their improved cash position.
56. The turnover indicator in market services (excluding financial services) rose by 5.9% in the fourth quarter of 2018 compared with 5.7% in the third quarter of 2018, driven mainly by the transportation, accommodations, and restaurant services branches. As for the financial services activity index, it increased by 10.2% during the period under review, compared with 10.1% in the previous quarter, which was due in part to an increase in the volume of banking transactions (credits, deposits), partially offset by an increase in the cost of resources (deposit rate), coupled with a decline in the lending rate.
57. The retail sales index rose by 9.0% in the fourth quarter of 2018 compared with 11.0% in the previous quarter. This slowdown was mainly due to food sales (+8.5% compared with +14.7%), especially in Niger, Senegal, and Togo, as well as pharmaceuticals (+2.2% as against +7.0%) in Benin, Mali, Senegal, and Togo. On the other hand, there was an increase in the pace of retail sales of personal goods (+10.8% versus +7.3%) especially in Côte d'Ivoire, Guinea-Bissau and Senegal, and oil products (+13.1% versus +12.5%).

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

	2017	2018	2017	2018			
			Q4	Q1	Q2	Q3	Q4*
<b>Trade TI</b>	<b>10.1</b>	<b>8.3</b>	<b>7.9</b>	<b>6.9</b>	<b>6.3</b>	<b>11.0</b>	<b>9.0</b>
Food commodities	5.9	3.4	-1.6	-6.8	-2.6	14.7	8.5
Personal goods	1.6	5.5	9.7	4.0	-6.5	6.1	18.5
Automobiles, motorcycles, and spare parts	15.0	-5.0	2.7	8.5	-10.8	-16.4	-1.3
Petroleum products	11.5	12.2	9.3	13.4	9.8	12.5	13.1
Pharmaceuticals and cosmetics	7.3	6.4	8.8	5.4	10.8	7.0	2.2
<b>Trade services TI (excluding financial services)</b>	<b>-</b>	<b>8.2</b>	<b>-</b>	<b>11.6</b>	<b>9.7</b>	<b>5.7</b>	<b>5.9</b>
<b>Financial services TI</b>	<b>12.3</b>	<b>8.7</b>	<b>12.0</b>	<b>8.5</b>	<b>5.9</b>	<b>10.1</b>	<b>10.2</b>

Source: BCEAO

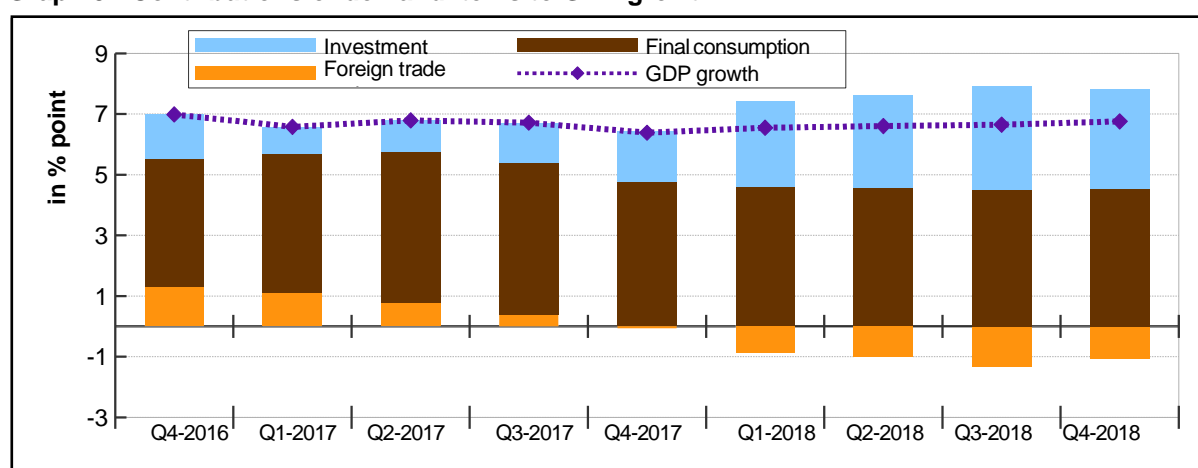
(\*)Provisional data

## 2.2- Demand factors

### 2.2.1 - Trends in GDP uses

58. Domestic demand continued to be the main driver of economic growth in the Union, contributing 7.8 percentage points (pps) to GDP growth in the fourth quarter of 2018. More specifically, the contribution of final consumption to economic expansion stood at 4.5 pps while investment contributed 3.3 pps. On the other hand, foreign trade in goods and services contributed -1.0 pp, compared with -1.3 pp in the third quarter of 2018.

59. Final consumption rose by 5.3% year over year in the fourth quarter of 2018, up from 5.2% a quarter earlier, in line with the increase in household consumption of services, particularly transportation, accommodation, and restaurant services, as well as energy products.

**Graph 5 - Contributions of demand items to GDP growth**

Source: BCEAO

60. Investments in WAEMU rose by 11.9% year over year in the fourth quarter of 2018, driven in particular by construction and public works, in connection with the continued implementation of infrastructure construction programs. Government capital expenditure also remained buoyant, with a year-over-year increase of 7.2% in the fourth quarter of 2018.

61. The negative contribution of foreign trade to economic growth reflected the surplus of imported goods and services over exports.

## 2.2.2 - Budget execution of WAEMU Member States at the end of December 2018

62. The execution of financial operations by the Union's Member States for the 2018 fiscal year, was marked by continued fiscal consolidation efforts, against a backdrop of continued strong economic growth and satisfactory implementation of programs with the IMF. The downward trend in the public deficit was the outcome of control of public spending, especially current spending, combined with a slight improvement in the tax burden ratio.

63. The total budget resources of the Union's Member States increased year over year by 8.9% to stand at 14,308.2 billion at the end of December 2018, compared with a 10.0% increase the year before. This trend was mainly driven by increased tax revenues (+10.6%) across all countries of the Union. Despite this increase, actual amounts of public resources collected remained below the objectives laid down by the States in 2018. As a result, the tax burden ratio stood at 15.7% at the end of 2018, compared with an initial forecast of 16.4% and a community standard set at 20% for 2019.

64. Non-tax revenue mobilizations also rose, reaching 1,525.3 billion in 2018 after 1,340.6 billion a year earlier. Similarly, budget subsidies increased in 2018 by 75.6 billion or 5.4%, compared to 2017, to stand at 1,475.5 billion.

**Table 10 - Financial operations of WAEMU member states**

*(in billions, except where otherwise indicated)*

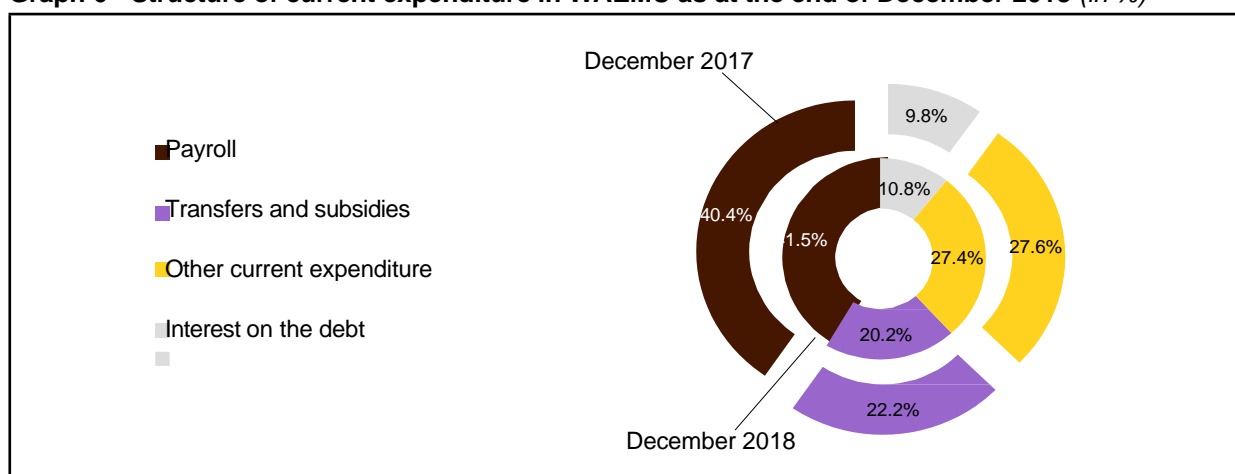
	Dec.-2017	Dec.- 2018(*)	Variation (2)/(1)	
	(1)	(2)	(amount)	(in %)
<b>Budget revenue and grants</b>	<b>13,138.6</b>	<b>14,308.2</b>	<b>1,169.6</b>	<b>8.9</b>
Budget revenue	11,738.7	12,832.7	1,094.0	9.3
<i>incl. fiscal revenue</i>	9,872.0	10,922.7	1,050.7	10.6
<i>in % of GDP</i>	15.4%	15.7%	-	0.3
Grants	1,399.9	1,475.5	75.6	5.4
<b>Net expenditure and loans</b>	<b>15,900.1</b>	<b>17,003.3</b>	<b>1,103.2</b>	<b>6.9</b>
<i>incl. current expenditure</i>	9,890.5	10,600.1	709.6	7.1
<i>payroll</i>	3,997.8	4,402.8	405.0	10.1
<i>transfers and subsidies</i>	2,196.8	2,144.3	-52.5	-2.4
<i>interest on the debt</i>	966.3	1,146.6	180.3	18.7
<i>Fiscal interest/revenue (in %)</i>	9.8%	10.5%	-	-
capital expenditures	5,541.9	5,980.2	438.3	7.9
other expenditures	474.8	437.6	-37.2	-7.8
net loans	-7.0	-14.5	-7.5	107.3
<b>Total balance, commitment basis (incl. grants)</b>	<b>-2,761.5</b>	<b>-2,695.1</b>	<b>66.4</b>	<b>-</b>
<i>as a % of GDP</i>	-4.3%	-3.9%	-	-

Sources: National departments, BCEAO



65. Net expenditure and loans increased on an annual basis by 6.9% to stand at 17,003.3 billion at the end of December 2018 (24.5% of the GDP), compared with a 9.1% increase a year earlier. This slowdown in public spending was achieved by controlling current expenditures, which rose by 7.1% in 2018, after a 9.1% increase in 2017. However, the wage bill and interest payments on the public debt represented 40.3% and 10.5% of tax revenues, respectively, compared with 40.5% and 9.8% in 2017.
66. Specifically, the 10.1% increase in the wage bill from one year to the next was attributable, for most countries, to increased benefits in social sectors.
67. Capital expenditure amounted to 5,980.2 billion at the end of December 2018, up 438.3 billion or +7.9%, against a backdrop of continued execution of public investment programs in infrastructure. As a percentage of the GDP, however, they remained stable at 8.6%, year on year.

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



Sources: National departments, BCEAO

68. In the light of these developments, the overall deficit, on a commitment accrual basis, including grants, narrowed by 66.4 billion to 2,695.1 billion at the end of December 2018, or 3.9% of GDP, compared with a deficit of 2,761.5 billion or 4.3% of the GDP in 2017. On a cash basis, the deficit stood at 2,812.1 billion, or 4.0% of the GDP.

### 2.2.3 - Regional public debt market

69. The total gross amount of bonds issued on the regional public debt market in 2018 amounted to 3,277.6 billion, against an initial forecast of 3,919.0 billion, compared with 3,700.1 billion in 2017. The 422.5 billion decline over the previous year was due to the reduced presence of Côte d'Ivoire and the absence of Senegal on the regional financial market throughout during the year. As a result, net issuance was 342.9 billion compared to 1,008.4 billion a year earlier.
70. Resource mobilization on the regional financial market in 2018 was mostly carried out through the Treasury bond compartment, which represented 54.6% of the total, compared to 57.3% in 2017 and 65.1% in 2016.

71. The total volume of bonds issued by auction in 2018 stood at 943.9 billion, down 221.3 billion from 2017. Securities with maturities of 3 and 5 years were the most popular, raising 698.3 billion and 194.2 billion respectively, representing 94.6% of the total value of bond issues by auction.
72. The volume of bond issues through syndication amounted to 844.3 billion in 2018, down 112.5 billion compared to 2017. The Member States showed a strong preference for 7- and 8-year maturities; the amounts mobilized on these maturities were 487.6 billion and 294.9 billion, respectively, representing 92.7% of the total volume of bond issues by syndication. Syndicated issues were made by Benin (62.6 billion), Burkina Faso (168.7 billion), Côte d'Ivoire (394.8 billion), Mali (156.2 billion) and Togo (62.0 billion).
73. The average yield for all bonds issued by auction in 2018 was 6.29%, compared to 6.61% a year earlier.
74. On the Treasury bills compartment, seventy-one issues were made during 2018, for a total amount of 1,489.4 billion, compared to an initial forecast of 1,204.0 billion. The 12-month of was the most popular, with forty-six issues worth 937.4 billion, or 62.9% of the total value of the bills.

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

	2016	2017				Total 2017	2018				Total 2018
		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
Bills	1 541.0	618.6	434.4	253.9	271.3	1 578.2	380.2	308.9	471.3	329.0	1 489.4
Bonds	2 871.0	191.4	486.6	767.5	676.4	2 121.9	224.8	374.4	558.6	630.4	1 788.2
<i>auction</i>	1 969.7	54.3	215.2	645.5	250.2	1 165.2	112.9	218.1	394.0	218.9	943.9
<i>syndication</i>	901.3	137.1	271.5	122	426.2	956.8	111.9	156.3	164.6	411.5	844.3
<b>Total</b>	<b>4 412.0</b>	<b>810.0</b>	<b>921.0</b>	<b>1 021.4</b>	<b>947.7</b>	<b>3 700.1</b>	<b>605.0</b>	<b>683.3</b>	<b>1 029.9</b>	<b>959.4</b>	<b>3 277.6</b>

Source: WAMU-Securities

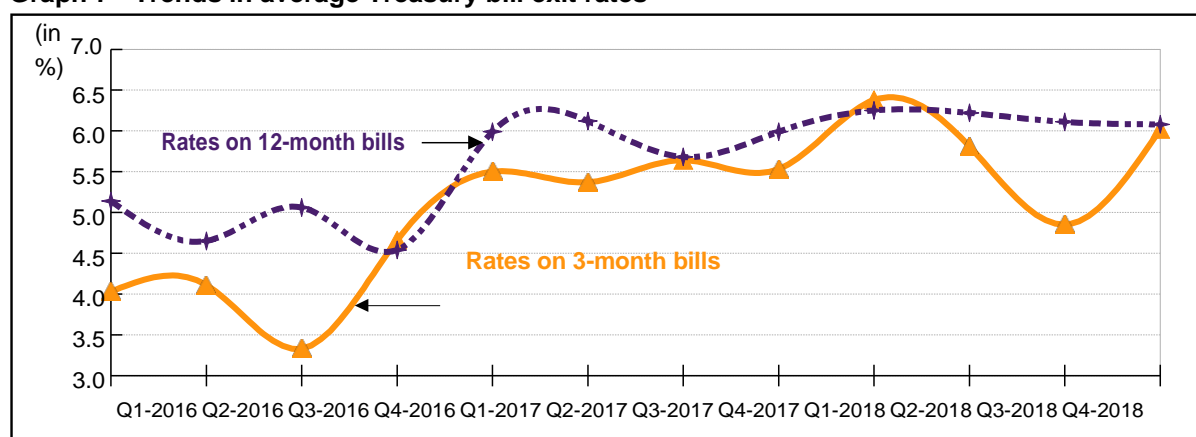
75. In 2018, interest rates on the Treasury bill segment were on the rise overall. The weighted average interest rate for all maturities combined was 5.90%, compared with 5.71% the previous year. Interest rate rises were recorded across all maturities, except for the one- and three-month maturities. The largest rate increases were observed in the 6-month maturity (+0.29 percentage point) and the 12-month maturity (+0.17 percentage point).

**Table 12 - Average interest rates on Treasury bills (in %)**

Maturity	Avg. 2016	2017				Avg. 2017	2018				Avg. 2018
		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
1 month	3.52	4.94	4.86	-	-	4.91	-	-	-	3.90	3.90
3 months	3.75	5.5	5.37	5.64	5.62	5.53	6.38	5.81	4.85	6.02	5.46
6 months	4.75	5.37	5.87	5.38	5.86	5.77	6.09	6.17	5.86	5.99	6.06
12 months	4.9	5.99	6.12	5.68	5.99	5.99	6.25	6.22	6.11	6.08	6.16
24 months	5.3	-	-	-	5.78	5.78	-	5.80	-	-	5.80
<b>Average rate</b>	<b>4.72</b>	<b>5.68</b>	<b>5.74</b>	<b>5.58</b>	<b>5.85</b>	<b>5.71</b>	<b>6.22</b>	<b>6.00</b>	<b>5.61</b>	<b>5.78</b>	<b>5.90</b>

Sources: BCEAO, WAMU Securities

76. On a quarterly basis, the average cost of bills increased from 5.61% to 5.78% in the fourth quarter of 2018.

**Graph 7 - Trends in average Treasury bill exit rates**

Sources: BCEAO, WAMU Securities

### **Outstanding government securities on the regional market**

77. In line with these trends, the overall stock of government securities increased to 9,972.7 billion or 14.4% of the GDP at the end of December 2018, from 9,629.8 billion or 14.5% of the GDP a year earlier. They continued to be dominated by bonds, which accounted for 89.0% of the total. The table below presents the outstanding amount of government securities by country.

**Table 13 - Outstanding public securities at the end of December 2018 by country (\*)**  
(in billions of CFA F)

	Benin	Burkina Faso	Côte d'Ivoire	Guinea- Bissau	Mali	Niger	Senegal	Togo	WAEMU
<b>Bills</b>	160.1	282.7	113.8	20.6	185.8	202.5	0.0	126.6	1,092.1
<b>Bonds</b>	1,267.0	966.4	3,345.6	39.3	1,022.9	476.8	825.0	937.6	8,880.6
<b>Total</b>	<b>1,427.1</b>	<b>1,249.1</b>	<b>3,459.4</b>	<b>59.9</b>	<b>1,208.7</b>	<b>679.3</b>	<b>825.0</b>	<b>1,064.2</b>	<b>9,972.7</b>

Source: WAMU-Securities

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

78. The total amount of resources to be mustered on the regional public debt market for 2019 as a whole, based on the issuance schedules compiled from the Union's Member States, is estimated at 3,413.0 billion, up 4.1% compared to 2018. Maturities are estimated at 2,631.4 billion and net issuance is expected to be positive at 781.6 billion, bringing the stock of public securities to 10,719.2 billion, or 14.3% of the GDP, at the end of December 2019.

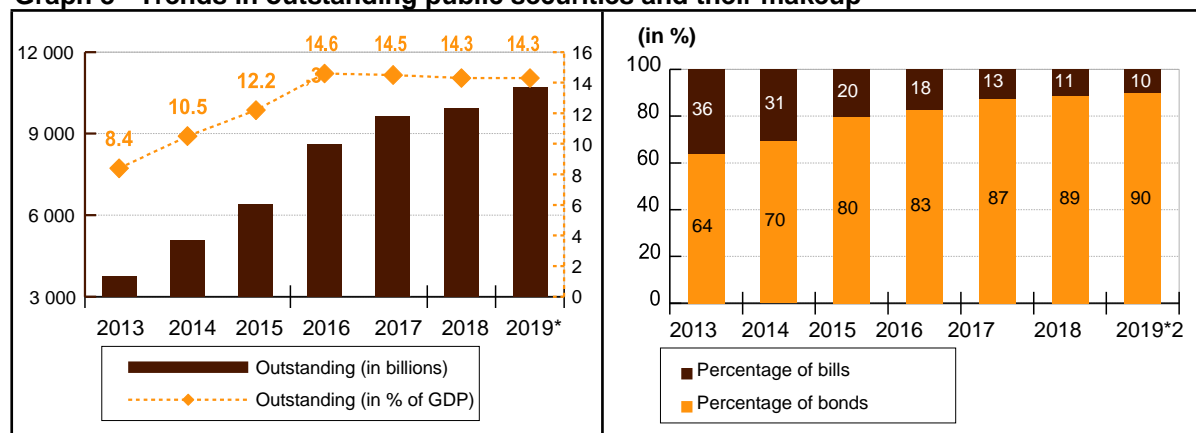
**Table 14 - Trends in outstanding government securities** (in billions, unless otherwise indicated)

	2012	2013	2014	2015	2016	2017	2018	2019 (*)
<b>Outstanding</b>	<b>3,023.9</b>	<b>3,743.9</b>	<b>5043.2</b>	<b>6,388.5</b>	<b>8,621.4</b>	<b>9,629.8</b>	<b>9,972.7</b>	<b>10,719.2</b>
(in % of GDP)	7.3	8.4	10.5	12.2	14.6	14.5	14.4	14.3

Sources: BCEAO, WAMU Securities

(\*): forecasts

**Graph 8 - Trends in outstanding public securities and their makeup**



Sources: BCEAO, WAMU Securities

(\*) : forecasts for end December 2019

## 2.2.4 - Resource mobilization on international markets

79. In 2018, Côte d'Ivoire and Senegal raised resources on the international markets through Eurobond issues. The overall amount mobilized by Côte d'Ivoire was €1.7 billion, or CFA F 1,115.0 billion. These resources were raised in two tranches in equal amounts, with respective maturities of 12 years at a rate of 5.250%, and 30 years at a rate of 6.625%. Senegal raised resources through an issue in two tranches, one in US dollars in an amount of 1.0 billion, or approximately 531.2 billion CFA francs, at a rate of 6.75% over 30 years, and another operation in euros in an amount of 1.0 billion, or approximately 656.0 billion CFA francs, at a rate of 4.75% over 10 years.

## 2.2.5 - External and intra-WAEMU trade

### 2.2.5.1 - External trade

80. In the fourth quarter of 2018, the Union's trade deficit shrank by 23.2 billion compared to the same period of 2017, to 230.5 billion. This was due to a larger increase in imports (+6.4%) than in exports (+6.1%). Overall, the import-export coverage rate was 94.0% in the fourth quarter of 2018, compared 94.3% in the same period of 2017.

81. Export growth was mainly driven by increased sales of cotton (+44.8 billion or +29.1%) and petroleum products (+57.9 billion or +19.4%), cocoa (+77.6 billion or +16.9%) and gold (+34.1 billion or +3.7%), in line with changes in international prices or volumes. However,

the increase in exports was partially offset by drops in revenue from sales of cashew nuts (-5.5 billion or -1.5%), rubber (-3.7 billion or -3.6%) and uranium (-9.0 billion or -25.5%), against the backdrop of a year-over-year decline in international market prices.

**Table 15 - Evolution of the Union's trade in the fourth quarter of 2018**

	Q4-2017	Q4-2018*	Annual variation	
	(in billions)		(in billions)	(in %)
<b>Exports (FOB)</b>	<b>3,421.2</b>	<b>3,630.3</b>	<b>209.1</b>	<b>6.1</b>
<i>incl. Cocoa products</i>				
<i>Gold and precious metals</i>	459.9	537.5	77.6	16.9
<i>Petroleum products</i>	924.7	958.8	34.1	3.7
<i>Cotton products</i>	298.6	356.5	57.9	19.4
<i>Coffee products</i>	153.8	198.6	44.8	29.1
<i>Cashew products</i>	24.8	25.2	0.4	1.6
<i>Rubber</i>	355.4	349.9	-5.5	-1.5
<i>Uranium</i>	103.1	99.4	-3.7	-3.6
	35.3	26.3	-9.0	-25.5
<b>Imports (FOB)</b>				
<i>incl. Food products</i>	<b>3,628.5</b>	<b>3,860.8</b>	<b>232.3</b>	<b>6.4</b>
<i>Consumer goods</i>	942.8	940.1	-2.7	-0.3
<i>Energy products</i>	359.4	361.3	1.9	0.5
<i>Capital goods</i>	698.1	831.6	133.5	19.1
<i>Intermediate goods</i>	902.3	969.4	67.1	7.4
<b>Trade balance</b>	882.9	932.1	49.2	5.6
<b>(in % of GDP)</b>	<b>-207.3</b>	<b>-230.5</b>	<b>-23.2</b>	<b>-11.2</b>
	<b>-1.3%</b>	<b>-1.3%</b>	-	-

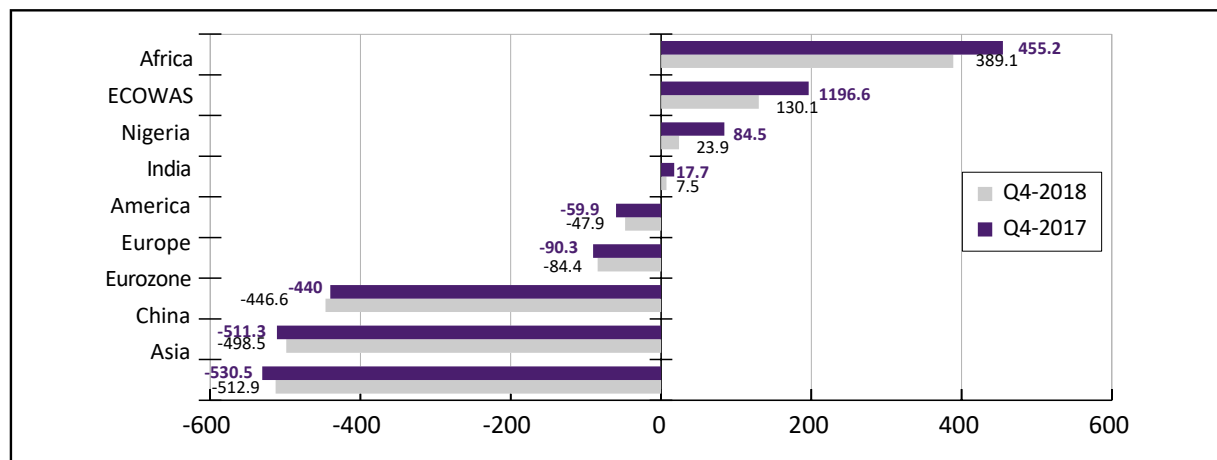
Sources: BCEAO, NSIs, Customs

(\*) Estimated data

82. The year-over-year increase in imports was essentially due a higher oil bill (+19.1%), reflecting a surge in the price of this commodity on the international markets on a year-over-year basis. The increase in purchases of capital and intermediate goods (+6.5%), in the framework of the implementation of infrastructure investment programs, also contributed to the deterioration of the trade balance. The growth rate of these imports, however, was partially offset by decreases in terms of purchases of food products and consumer goods from outside the Union (-0.1%), due in particular to the lower levels of prices for these commodities, namely rice and oils, on global markets.

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

84. The Union's trade surplus with its main African partners amounted to 389.1 billion, including 275.5 billion with South Africa, reflecting gold shipments by Burkina Faso and Mali to South Africa. With regard to other ECOWAS countries outside WAEMU, the balance showed a surplus of 130.1 billion. Specifically, the Union posted trade surpluses of 23.9 billion and 48.8 billion respectively with Nigeria and Ghana. Sales to these countries consisted exclusively of petroleum products, live animals, chemicals, and food commodities. External purchases by Union countries from other African countries consisted exclusively of energy products and intermediate goods.

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

Sources: BCEAO, NSIs, Customs

85. The Union's trade with European countries showed a deficit of 84.4 billion. This negative figure reflected the deficit recorded with the Eurozone (-446.6 billion), which is a major supplier of capital and intermediate goods, food products (especially wheat and dairy products) and refined petroleum products. Sales to the zone were largely made up of cocoa, crude oil, fishery products, and uranium. In relation to European countries outside the Eurozone, the WAEMU Union had an overall surplus of \$362.2 billion. Exports of goods to these countries consisted mainly of gold and cotton. Imports from these countries included intermediate goods, refined petroleum products and food products.

**Table 16 - Geographic trends in WAEMU's external trade flows (%)**

	Exports FOB		Imports CIF	
	Q4-2017	Q4-2018	Q4-2017	Q4-2018
<b>I. Europe</b>	<b>39.3</b>	<b>39.8</b>	<b>39.6</b>	<b>39.6</b>
Eurozone	20.1	20.7	31.2	31.1
<b>II. Africa</b>	<b>29.3</b>	<b>28.7</b>	<b>15.1</b>	<b>17.7</b>
ECOWAS	14.8	14.4	8.5	10.2
Nigeria	9.3	9.1	6.4	8.6
Ghana	3.8	3.7	2.0	2.2
CEMAC	0.8	0.8	0.1	0.1
Other African countries	13.8	13.6	6.5	6.6
South Africa	9.7	9.4	1.7	1.7
<b>III. America</b>	<b>6.8</b>	<b>7.2</b>	<b>8.1</b>	<b>8.0</b>
United States	3.8	3.9	4.2	3.9
<b>IV. Asia</b>	<b>23.1</b>	<b>22.8</b>	<b>36.4</b>	<b>34.7</b>
China	2	1.9	16.0	14.7
India	7.4	7.1	6.5	6.5
<b>V. Other countries</b>	<b>1.3</b>	<b>1.5</b>	<b>0.8</b>	<b>0.8</b>
<b>VI. Total</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Sources: BCEAO, NSIs, Customs

86. The Union's trade deficit with the American continent amounted to 47.9 billion. The Union's procurements from America consisted of consumer goods, capital goods and refined petroleum products. Exports to the American continent consisted of cocoa, crude oil, and rubber.

87. Trade in goods with Asia showed a deficit of 512.9 billion. Specifically, with China, the Union reported a trade deficit of \$498.5 billion. Sales to Asia consisted mainly of cashew nuts, cotton, gold, cocoa, and chemicals. Acquisitions are made up mainly of capital and intermediate goods, supplied mainly by China, Japan and India, and food commodities, mainly rice from Thailand and India.

#### 2.2.5.2 - Intra-WAEMU trade

88. Intra-WAEMU trade is estimated to have risen by 6.3% to reach 603.0 billion, or 16.1% of the Union's total trade. Côte d'Ivoire and Senegal continued to be the main suppliers, with a combined 55.4% of total intra-Community supply. On the intra-WAEMU demand side, Mali and Burkina Faso were the main destinations for trade flows, with 51.6% of the total. The main products traded were oil, food preparations (milk, broths, etc.), local products (such as local cereals and live animals), and edible oils.

### 2.3 - Recent economic growth and outlook

89. Based on the latest statistics published by official national departments, economic activity remained solid in the Union in 2018, with real GDP growth of 6.6%, compared to 6.6% in 2017.

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

	2017	2018		2019 <i>Forecast</i>
		<i>Estimates (Dec. 2018 Report)</i>	<i>Revised estimates</i>	
Benin	5.8	6.8	6.8	7.6
Burkina Faso	6.3	6.7	6.6	6.4
Côte d'Ivoire	7.7	7.7	7.7	7.8
Guinea-Bissau	5.9	3.8	3.8	6.3
Mali	5.4	4.9	4.9	5.0
Niger	4.9	5.2	5.2	6.5
Senegal	7.2	6.8	6.8	6.9
Togo	4.4	4.8	4.8	5.0
<b>Union</b>	<b>6.6</b>	<b>6.6</b>	<b>6.6</b>	<b>6.8</b>

Sources: BCEAO, NSIs

90. Compared to the estimates presented in the December 2018 report, only Burkina Faso's growth rate has been adjusted from 6.7% to 6.6%. This update is mainly attributable to an 11.3% decline in seed cotton production from one season to the next, compared with a 5.4% increase initially expected.

91. In 2018, economic growth was mainly driven by the tertiary sector which contributed 3.7 percentage points, reflecting the strong performance of commercial, port and airport activities. The secondary and primary sectors contributed 1.6 percentage points and 1.3 percentage points, respectively, helped by intensified construction and public works activities and increasing mining, manufacturing, and agricultural production.
92. Economic growth is expected to remain strong and broad-based in 2019 in the WAEMU region. According to projections by official departments, the Union's gross domestic product is expected to grow by 6.8% in real terms. Economic growth is expected to be driven mainly by the tertiary and secondary sectors whose contributions to growth are predicted to stand at 3.7 points and 1.9 point, respectively. The tertiary sector is expected to be buoyed in particular by the vitality of banking and telecommunications services and by strong growth in trade activities, following increases in agricultural and industrial production. Growth in the value added of the secondary sector is expected to be driven by intensified construction and public works activity, as a result of the implementation of investment projects, especially in Benin, Burkina Faso, Côte d'Ivoire, and Senegal. The contribution of construction and public works is expected to rise from 0.5 points in 2018 to 0.8 points in 2019. Manufacturing output is also expected to increase, especially as a result of a rise in agricultural and cement production to meet construction needs. The contribution of the manufacturing sector to economic growth is expected to rise from 0.7 point in 2018 to 0.8 point in 2019. The contribution of the primary sector is expected to rise to 1.2 point in 2019, in line with the increase in food production and exports.

**Table 18 - Contributions to growth in the Union's gross domestic product**

	<b>2017</b>	<b>2018</b>	<b>2019</b>
Primary sector	1.9	1.3	1.2
Secondary sector	1.1	1.6	1.9
Tertiary sector	3.6	3.7	3.7
<b>Real GDP</b>	<b>6.6</b>	<b>6.6</b>	<b>6.8</b>
Final consumption	4.2	4.6	5.1
Investment	1.3	2.2	2.7
External sector	1.1	-0.2	-1.0
including - Exports	3.3	2.4	2.0

Source: BCEAO

93. In the light of the uncertainties surrounding the global economic outlook, maintaining strong growth in the Union will require that the Union's Member States grant priority to current actions aiming at:
- consolidating the implementation of the necessary reforms to improve the business climate in order to attract more private investors, especially in the agri-food and manufacturing industries, with a view to strengthening the production base over the long term, and
  - increasing public resources, in particular through targeted actions aimed at broadening the tax base and bringing the tax burden ratio in line with the Community's target of 20% by the end of 2019, as well as further streamlining public spending to achieve greater efficiency.



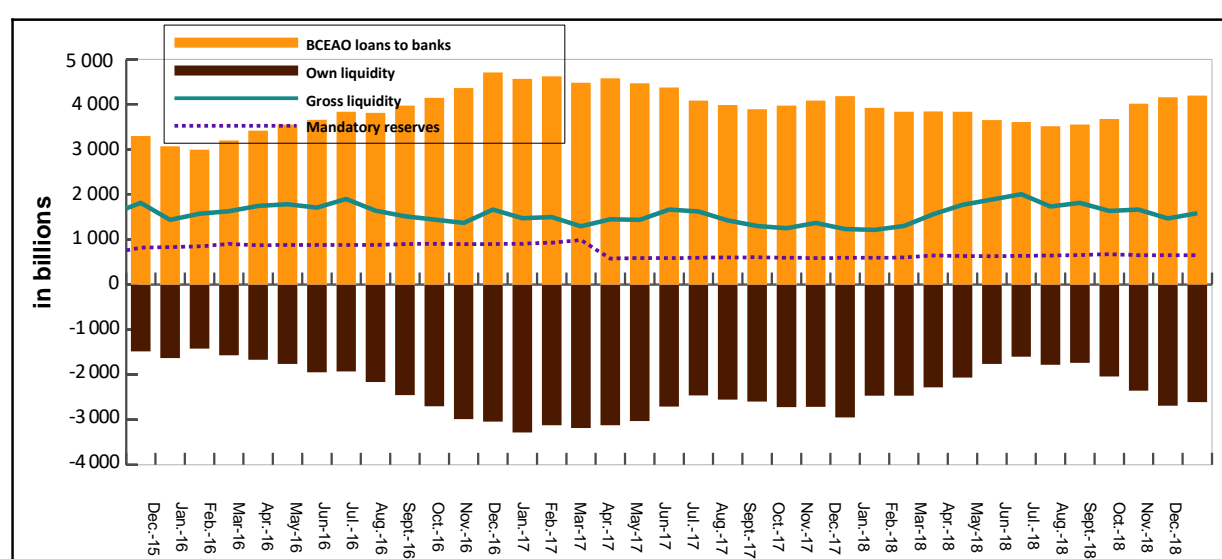
### III - CURRENCY, MONETARY CONDITIONS AND THE FINANCIAL MARKET

#### 3.1 - Monetary conditions

##### 3.1.1 - Bank liquidity

94. Bank liquidity, measured through the balances of ordinary and settlement accounts on the books of the Central Bank, increased by 49.6 billion during the fourth quarter of 2018 to 1,581.7 billion at the end of December 2018. This increase resulted from the negative impact of independent factors (-572.5 billion) over the period, mitigated by an increase in outstanding refinancing granted by the BCEAO (+522.9 billion). Overall, over the course of 2018, bank liquidity improved by 349.8 billion, reflecting the positive impact of 334.4 billion owing to independent factors and the increase of 15.4 billion in BCEAO refinancing.
95. The drop in the banks' independent supply of liquidity was caused by the deficit balances of transfers initiated by banks (-307.7 billion), transactions with national treasury departments and other net factors (-225.0 billion) and the negative balance of transfers initiated by banks (-39.8 billion). These developments were due to pressure on banks' resources in December, with year-end spending leading to a significant increase in currency in circulation and transfers.

**Graph 10 - Trends in bank liquidity**



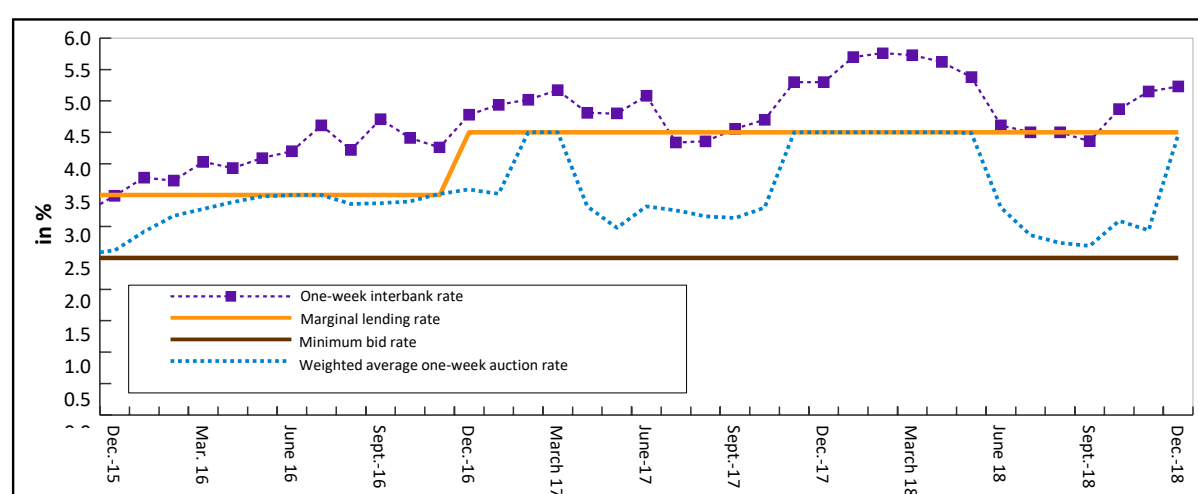
Source : BCEAO

96. The structural liquidity position of the banks or banks' own cash, defined as the banks' cash excluding refinancing from the BCEAO, remained in deficit by 2,614.5 billion at the end of December 2018 compared with 2,042.0 billion three months earlier.
97. The banks' required reserves over the maintenance period running from November 16 to December 15, 2018, stood at 646.9 billion. Over the same period, banks' reserve holdings averaged 1,413.0 billion, exceeding the minimum regulatory requirement by 766.1 billion.
98. Compared with the situation in the maintenance period from August 16 to September 15, 2018, excess reserves decreased by 209.9 billion. They represented 118.4% of required reserves compared with 145.2% in the previous quarter. The number of banks in deficit with regard to their required reserves increased from five to fourteen over the same period.

### 3.1.2 - Trends in money market interest rates

99. An analysis of refinancing conditions at the BCEAO's one-week and one-month tender windows during the first quarter of 2019 showed pressure on money market rates, in contrast with the easing observed in the previous quarter.
100. The weighted average rate on weekly liquidity injection operations was 4.0149% in the fourth quarter of 2018 compared with 2.7740% in the previous quarter and 4.1223% a year earlier. On the one-month window, the weighted average rate was 3.9677% compared with 2.9407%, in the third quarter and 4.1393% a year earlier. As for the quarterly average money market rate<sup>1</sup>, it stood at 3.4531% compared with 2.5000% in the previous quarter and 4.0962% a year earlier.

**Graph 11 - Trends in money market rates**



Source: BCEAO

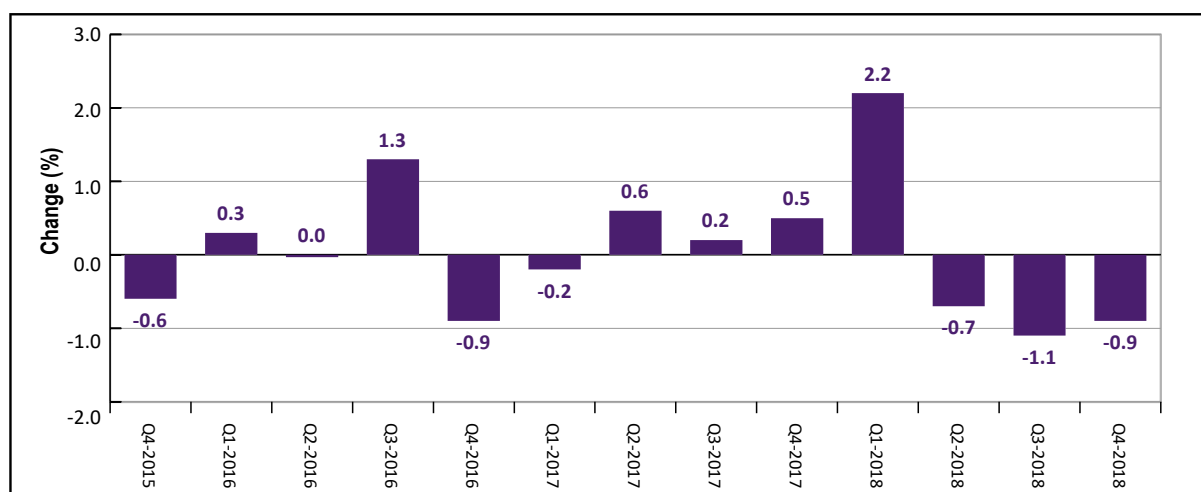
101. Rates were on the rise on the interbank market during the period under review, following the trend observed at BCEAO branches. The weighted average interest rate, across all maturities, was 5.09% at the end of December 2018 compared with 4.55% three months earlier. By contrast, on a year-over-year basis, it was down by 6 basis points. On the one-week maturity, which totaled 72.6% of the overall quarterly trading volume, the weighted average interest rate was 5.13% compared with 4.41% in the previous quarter and 5.13% in the same period of 2017.

### 3.1.3 - Trends in monetary conditions<sup>2</sup>

102. Monetary conditions continued to ease in the fourth quarter of 2018. The monetary conditions index declined by 0.9 percent from the previous quarter, and were driven by the concurrent declines in the real interest rate on the one-week interbank market (-0.1 percentage point) and the real effective exchange rate (-1.8 percent).

<sup>1</sup> The quarterly average rate represents the average of the marginal rates on weekly auction operations weighted by the number of days accrued for these rates during the quarter.

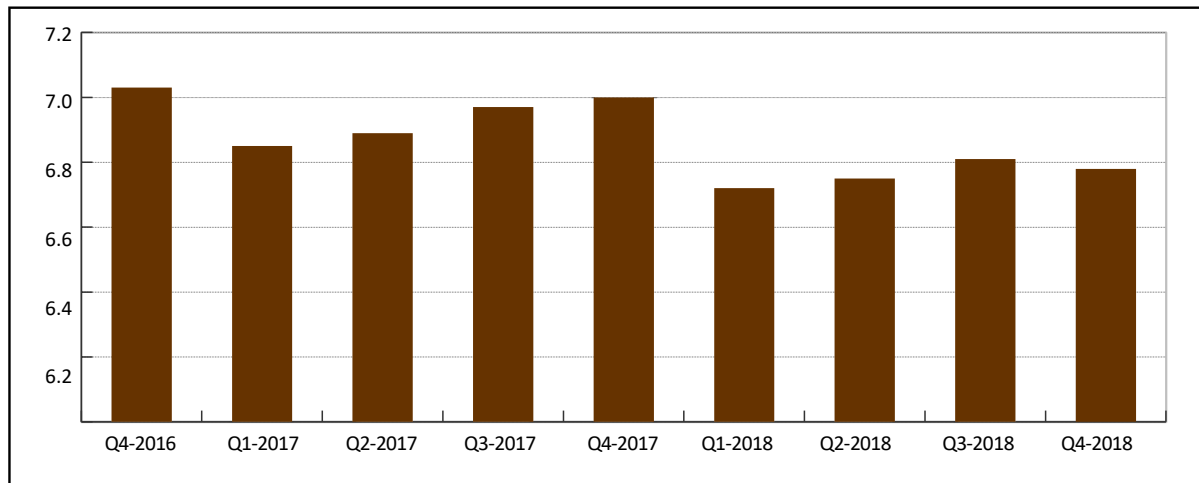
<sup>2</sup> The monetary conditions index is a synthetic indicator for assessing the combined impact of interest and exchange rate policies on aggregate demand. It is calculated as a weighted average of the real effective exchange rate and the real interest rate and trends in the index are measured against the level of the index over the baseline period (average over the 2000-2010 period).

**Graph 12 - Quarterly trends in the monetary conditions index**

Source: BCEAO

### 3.1.4 - Deposit and lending rates

103. The average lending rate, excluding taxes and fees, decreased from its level in the previous quarter by 3 basis points, to reach 6.83% in the fourth quarter of 2018. In the same period the previous year, it stood at 7.00%.

**Graph 13 - Average lending rates for WAMU banks**

Source: BCEAO

104. An analysis broken down by loan purpose indicated that lending rates showed contrasting trends in the first quarter of 2018 in reference to the previous quarter. They decreased for housing loans (-24 bps), export loans (-6 bps) and equipment loans (-1 bps) but were up for cash flow loans and consumer loans by 6.0 bps and 1.0 bps, respectively.

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

	2016			2017				2018			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Housing	8.11	8.07	7.54	7.74	8.25	7.93	8.10	7.85	7.71	8.01	7.77
Export	7.49	6.89	6.70	6.99	6.62	7.96	8.56	7.15	6.62	6.80	6.74
Equipment	8.11	7.34	7.72	7.94	7.16	7.39	7.74	7.74	7.98	7.57	7.56
Consumption	7.20	7.32	7.84	8.11	8.35	8.29	7.99	7.86	8.19	8.18	8.18
Cash flow	6.37	6.57	6.70	6.32	6.53	6.56	6.64	6.33	6.26	6.23	6.29
Other	7.39	7.41	7.11	7.75	7.32	7.38	7.23	6.76	7.07	7.42	7.35
<b>Total</b>	<b>6.83</b>	<b>6.91</b>	<b>7.03</b>	<b>6.85</b>	<b>6.89</b>	<b>6.97</b>	<b>7.00</b>	<b>6.72</b>	<b>6.75</b>	<b>6.81</b>	<b>6.78</b>

Source: BCEAO

105. By country, the largest decreases were recorded in Guinea-Bissau (-38 basis points) and Niger (-25 basis points), reflecting a drop in the cost of cash and equipment credit<sup>3</sup>.

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

	2016	2017				2018			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Benin	8.14	7.61	8.13	7.96	7.84	7.91	8.22	7.71	7.76
Burkina Faso	7.44	7.49	6.83	7.45	7.35	7.07	7.18	7.52	7.40
Côte d'Ivoire	6.46	6.22	6.58	6.40	6.51	6.22	6.27	6.49	6.46
Guinea-Bissau	8.71	8.85	9.26	8.50	9.58	8.22	9.41	9.68	9.30
Mali	7.94	8.27	7.79	7.86	8.06	7.98	7.66	8.13	8.05
Niger	9.65	9.24	10.10	10.14	9.40	9.61	9.10	9.40	9.16
Senegal	5.65	5.69	5.93	5.94	6.29	5.79	5.75	5.71	5.71
Togo	8.29	8.23	7.74	8.22	8.33	8.26	8.50	8.09	7.99
<b>WAEMU</b>	<b>7.03</b>	<b>6.85</b>	<b>6.89</b>	<b>6.97</b>	<b>7.00</b>	<b>6.72</b>	<b>6.75</b>	<b>6.81</b>	<b>6.78</b>

Source: BCEAO

106. The average lending rate increased slightly quarter on quarter to 5.55% from 5.52% in the previous quarter.

**Table 21 - Trends in lending rates in WAMU by country (in %)**

	2016	2017				2018			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Benin	5.83	6.16	5.83	5.56	5.80	5.21	5.72	6.10	5.90
Burkina Faso	5.98	5.55	5.52	5.74	5.77	5.36	5.41	5.78	5.74
Côte d'Ivoire	5.03	4.99	5.07	4.97	4.92	4.80	4.96	5.04	5.32
Guinea-Bissau	3.74	3.44	3.70	4.73	3.88	3.79	4.85	4.67	4.01
Mali	4.31	5.10	4.91	4.90	4.86	4.95	4.91	4.88	5.07
Niger	6.20	6.03	6.04	5.32	5.42	5.19	5.81	5.42	5.58
Senegal	5.21	4.92	5.32	5.17	5.46	5.53	5.33	5.68	5.68
Togo	5.57	5.44	5.42	5.42	5.34	5.49	5.91	5.63	5.65
<b>WAEMU</b>	<b>5.46</b>	<b>5.17</b>	<b>5.33</b>	<b>5.30</b>	<b>5.35</b>	<b>5.29</b>	<b>5.33</b>	<b>5.52</b>	<b>5.55</b>

Source: BCEAO

<sup>3</sup> During the quarter under review, a bank in Guinea-Bissau granted a private business operating in the productive sector a cash flow loan of CFA F 553 million at an interest rate of 7.0%, while a bank in Niger granted an equipment loan of CFA F 6.4 billion at an interest rate of 5.9%. These rates are lower than the average rates generally observed in these countries.

## 3.2 - Monetary situation

107. The Union's monetary situation at the end of December 2018, compared with the situation prevailing three months earlier, was characterized by faster growth in the money supply, due to a recovery in net external assets combined with growth in domestic claims.

**Table 22 - Monetary situation at the end of December 2018**

	Dec.-2017	June-2018	Sept.-2018	Dec.-2018	Quarterly variation (4)/(3)		Year-over-year change (4)/(1)	
	(1)	(2)	(3)	(4)	(amount)	(%)	(amount)	(%)
Money supply	24,649.8	25,951.7	26,019.3	27,715.1	1,695.8	6.5	3,065.3	12.4
Net external assets	4,172.5	6,177.3	5,093.1	5,375.1	282.0	5.5	1,202.7	28.8
Domestic claims	27,438.0	26,936.5	27,990.1	30,023.8	2,033.7	7.3	2,585.7	9.4
Net claims on CPAs*	7,276.8	6,637.3	7,495.0	7,960.8	465.8	6.2	684.0	9.4
Claims on the economy	20,161.2	20,299.3	20,495.2	22,063.0	1,567.8	7.6	1,901.7	9.4

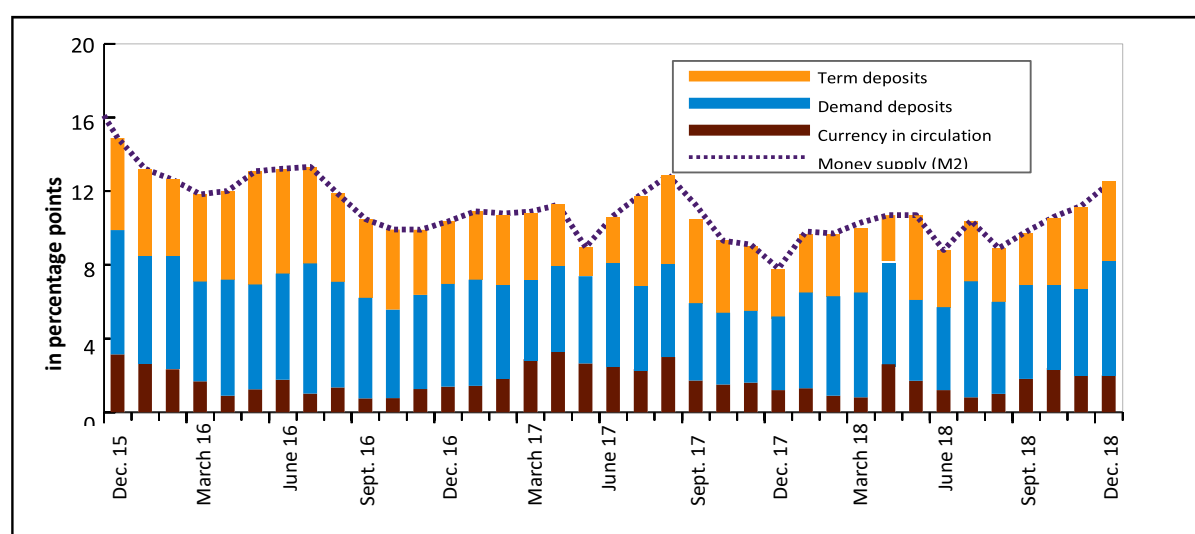
Source: BCEAO

(\*) CPAs: Central Public Administrations

### 3.2.1 - The money supply and its components

108. Quarterly growth in the money supply increased in the fourth quarter of 2018 to 6.5% at the end of December, compared with 0.3% at the end of September 2018. On an annual basis, the money supply increased by 12.4% compared with 9.8% three months earlier. The year-over-year increase in the money supply was reflected in the trends of currency in circulation and deposits. The year-over-year growth rate of currency in circulation was 8.5% at the end of December 2018, compared with 8.2% at the end of September 2018. Deposits were up 13.6%, year over year, following a 10.3% increase a quarter earlier.

**Graph 14 - Contributions of various components to annual growth in the money supply**

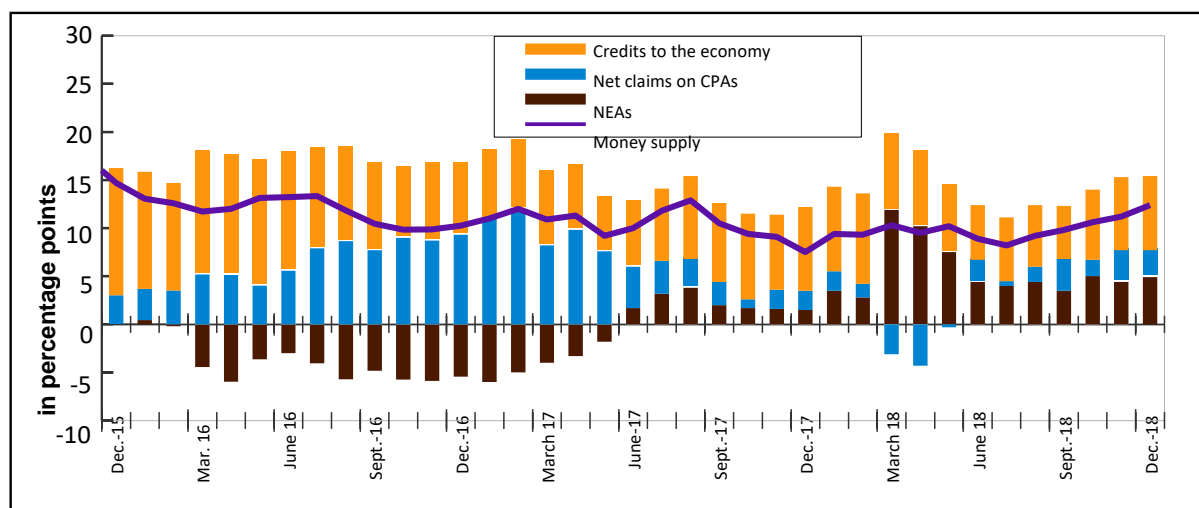


Source: BCEAO

### 3.2.2 - Money supply counterparts

109. The increase in the money supply in the first quarter of 2018 was ascribable to increases in net external assets alone.

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



Source: BCEAO

#### **Net External Assets (NEAs)**

110. At the end of December 2018, the outstanding net external assets of deposit-taking institutions in WAMU increased by 282.0 billion following a 1,084.2 billion decrease in the previous quarter. This drop was ascribable to growth in both the net external assets of the Central Bank and the net external assets of the banks of the Union.

111. The BCEAO's NEAs amounted to 6,584.5 billion at the end of December 2018, up by 122.6 billion from the level recorded three months earlier. This reflected a decrease in external liabilities (-118.1 billion), combined with a slight increase in external claims (+4.5 billion). At the end of December 2018, the Union's foreign exchange reserves stood at 8,561.0 billion, ensuring a monetary issue coverage rate of 77.1% compared with 79.5% three months earlier and 73.4% at the end of December 2017. This level of foreign exchange reserves guaranteed 4.7 months of imports of goods and services, as at the end of September 2018, compared with 4.1 months at the end of December 2017.

112. As for banks' NEAs, they increased by 159.4 billion in the fourth quarter of 2018, driven by higher levels of external receivables (+168.5 billion), slightly offset by an increase in commitments to non-residents (+9.1 billion) over the period.

113. On an annual basis, the net external assets of the Union's deposit-taking institutions increased by 1,202.7 billion or 28.8% at the end of December 2018, reflecting the increase in the BCEAO's NEAs (+1,279.9 billion), partially offset, however, by a slight deterioration in the banks' net external assets (-77.2 billion) over the period.

#### **Domestic receivables**

114. Quarterly growth in domestic claims continued to intensify, standing at 7.3% at the end of December 2018, compared with 3.9% three months earlier. This quarter-on-quarter change followed an acceleration in growth of claims on the economy (+1,567.8 billion or +7.6%),

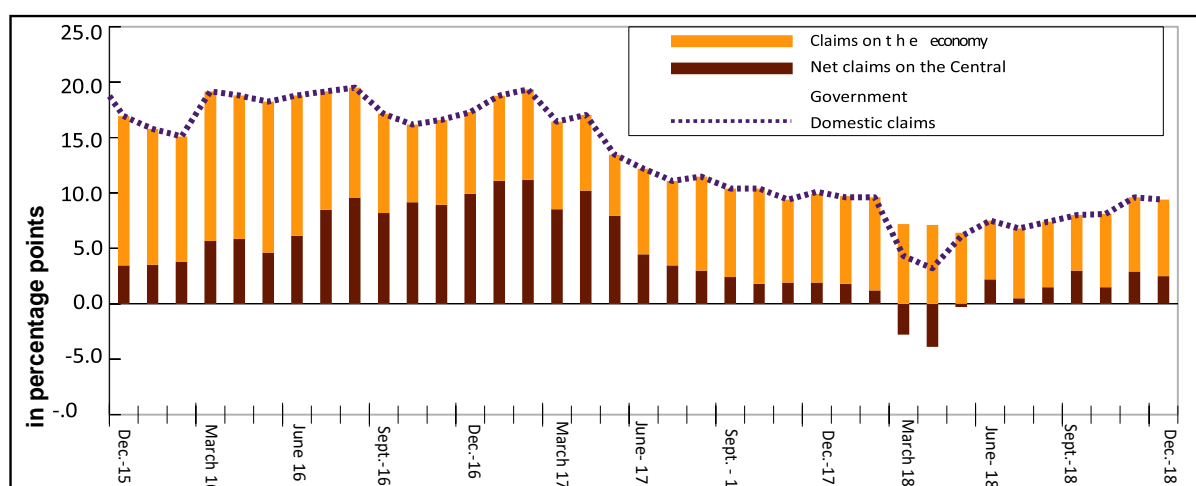
combined with an increase in the net claims of deposit-taking institutions on the Central Public Administrations (CPAs) of the Union's Member States (+465.8 billion or +6.2%).

115. In terms of annual change, outstanding domestic claims increased by 9.4% at the end of December 2018, compared with 8.0% three months earlier. This strong increase was mainly due to greater net claims on central public administrations (+9.4% compared with +6.8% three months earlier). The contributions of claims on the economy and net claims on central public administrations to annual growth in domestic claims at the end of December 2018 were 6.9 percentage points (pps) and 2.5 pps, respectively, compared with 5.0 pps and 3.0 pps at the end of September 2018.

### ***Net claims on the central governments of the Member States***

116. Net claims of deposit-taking institutions on central public administrations (CPAs) fell quarter over quarter by 6.2% in the fourth quarter of 2018 compared with 12.9% in the previous quarter. This decrease was mainly the result of a slowdown in banks' net claims on central government (+5.7% vs. +7.0%).

**Graph 16 - Contributions of components to annual growth in internal claims**



Source: BCEAO

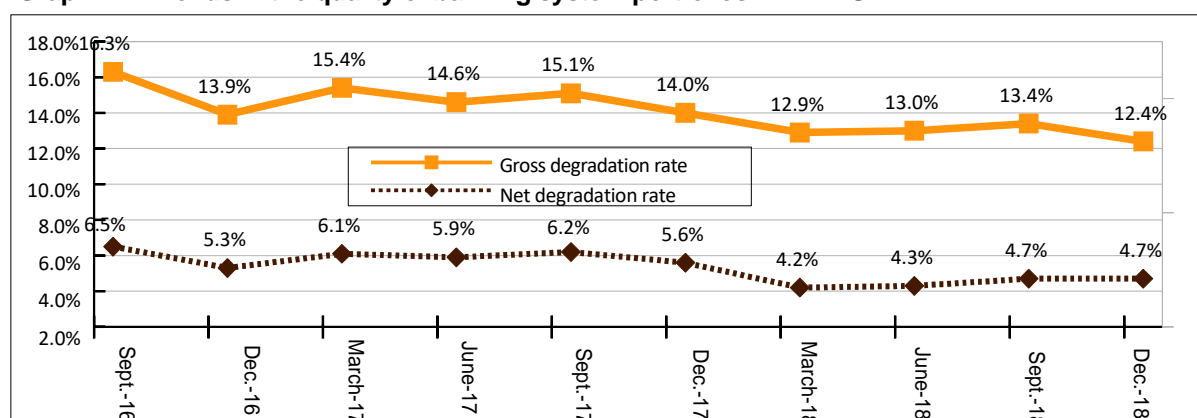
### ***Claims on the economy***

117. In the fourth quarter of 2018, quarterly growth in claims on the economy accelerated to reach 7.6% (+1,567.8 billion) compared with 1.0% (+195.9 billion) three months earlier. Broken down by category of beneficiary, bank loans granted to public enterprises increased by 27.7% or 354.3 billion from one quarter to the next, while loans granted to the private sector rose by 6.0% or 1,052.9 billion over the same period. The reduction in credit to the private sector was driven by a recovery in bank loans to private non-financial businesses (+10.6% or 1,177.3 billion), partially offset by a decrease in loans granted to households and nonprofit institutions serving households (-1.9% or 124.4 billion).
118. Year over year, claims on the economy increased by 9.4% or +1,901.7 billion at the end of December 2018, compared with 6.8% or +1,297.7 billion in the previous quarter.

### 3.2.3 - Bank uses and resources

119. The activity of the Union's banking system during the fourth quarter of 2018 was characterized by a greater increase in uses than in resources, leading to a worsening of the structural cash deficit compared with the previous quarter. However, the quality of the portfolio of credit institutions improved over the same period.
120. Between September and December 2018, the banking system's uses increased (+1,930.4 billion or +6.3%), reaching 32,660.2 billion at the end of the period. This upward trend was due to a rise in lending (+1,603.0 billion or +8.3%) and other uses (+327.4 billion or +2.8%).
121. Over the same period, bank resources increased by 1,558.6 billion (+5.6%) to stand at 29,617.9 billion at the end of December 2018, driven by increased outstanding deposits.
122. The total outstanding loans granted to the 50 largest businesses using bank credit (LBUBCs) in each Member State of the Union stood at 6,085.6 billion at the end of December 2018, up by 1.9% compared with the previous quarter and by 2.7% year over year. As a proportion of the loans declared to the Union's central credit bureau, they reportedly represented 47.1% at the end of December 2018 compared with 46.7% at the end of September 2018. Broken down by sector, more than four-fifths of the largest risks pertained to loans to businesses operating in the following sectors: "wholesale trade" (26.4%), "community services" (18.9%) "manufacturing" (15.0%), "transportation and communications" (12.2%) and "construction and public works" (10.0%).
123. The portfolio quality of banks and bank-like financial institutions in the Union improved, with the gross portfolio impairment rate reaching 12.4% compared with 13.4% at the end of September 2018. The net impairment rate of the banks' portfolios stood at 4.7%, as in the previous quarter.
124. The year-over-year trends in banking activity were marked by the continuation of adjustment efforts initiated by lending institutions since the beginning of 2017. Uses increased by 2,135.0 billion (+7.0%), while resources rose by 2,465.6 billion (+9.1%). As a result, the structural cash deficit narrowed by 299.5 billion, or -8.9%, mainly due to increased deposit collection (+1,939.3 billion or +8.6%).

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



Source: BCEAO



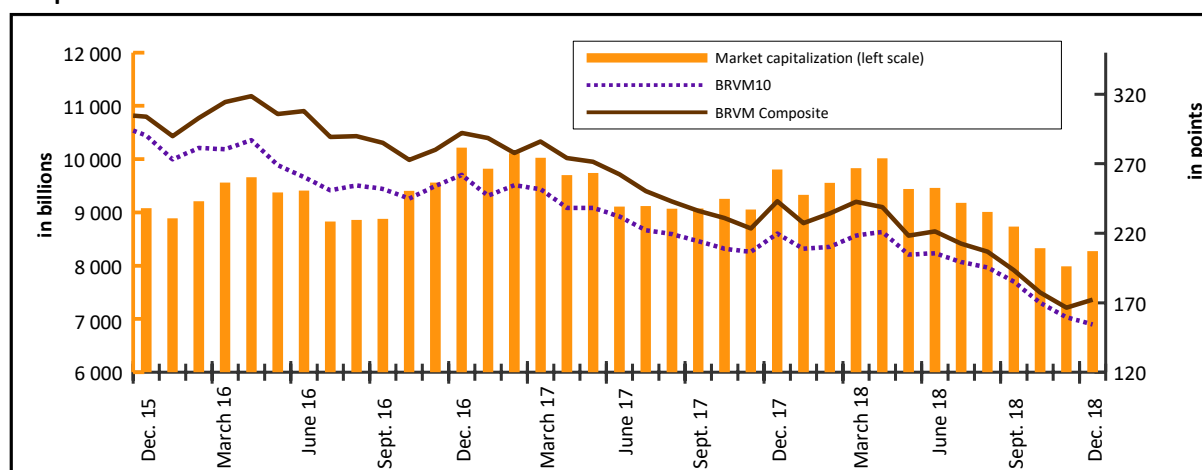
### 3.2.4 - Central Bank interventions

125. The overall volume of BCEAO interventions amounted to 6,174.4 billion at the end of December 2018 compared with 5,591.5 billion three months earlier, up 582.9 billion. This change was ascribable to an increase in refinancing granted by the Central Bank to the banks and financial institutions of the Union (+522.8 billion), combined with an increase in the Central Bank's claims on national treasuries (+60.1 billion).
126. At the end of December 2018, outstanding loans granted by the Central Bank to banks and financial institutions stood at 4,196.2 billion compared with 3,673.3 billion three months earlier.
127. The increase in the Central Bank's claims on national treasuries over the period was due to an increase in the implementation of IMF loans (+83.6 billion), combined with repayments of loans backed by SDR allocations (-20.8 billion) and consolidated monetary loans (-0.7 billion).
128. Outstanding refinancing granted by the BCEAO to banks, backed by government securities stood at 3,137.3 billion at the end of December 2018, representing 34.2% of fiscal revenues in the penultimate fiscal year (2016), for a maximum standard of 35%.

### 3.3 - WAMU financial market

129. Sub-regional stock market activity continued its downward trend during the fourth quarter of 2018. The BRVM Composite index fell by 10.0% to close at 172.24 points in December 2018, as compared to 193.47 points at the end of September 2018. For its part, the index of the ten most active stocks, the BRVM10, experienced a 16.6% drop, falling to 154.36 points from 185.19 points three months earlier.

Graph 18 - Evolution of BRVM indicators



Source : BRVM

130. All sector indexes dropped over the period. The "Agriculture" (-7.0%), "Industry" (-12.9%), "Retail" (-1.3%), "Public Services" (-16.6%), "Finance" (-3.9%), "Transportation" (-35.0%) and "Other Sectors" (-39.3%) indexes were all down. The year-over-year BRVM Composite and BRVM10 indexes also dropped by 29.1% and 29.7% respectively.
131. The market capitalization of all securities listed on the market stood at 8,274.0 billion at the end of December 2018, down 457.7 billion or 5.2% from the level recorded three months earlier. This was due to a decrease in the capitalization of the equity market (-597.0 billion or

-12.3%), which was partially offset by an increase in the bond market (+139.3 billion or +4.2%). A year-over-year analysis showed a contraction of 1,531.8 billion or 15.6% of the global market capitalization.

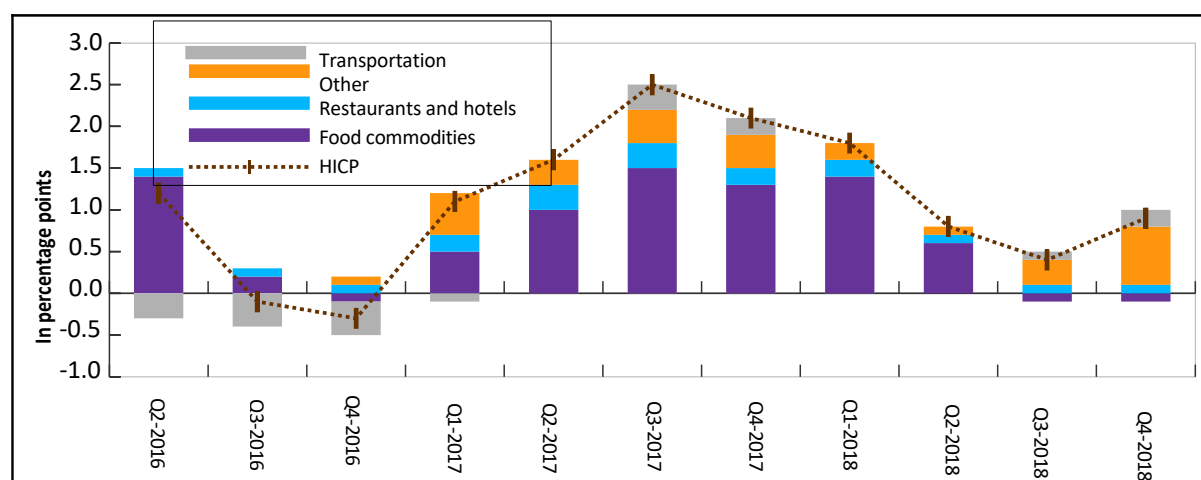
## IV - INFLATION AND COMPETITIVENESS

### 4.1 - Recent trends in inflation<sup>4</sup>

132. The fourth quarter of 2018 saw the general consumer price index (HICP) pick up. The year-over-year inflation rate in the WAEMU Union stood at 0.9% during the period under review, compared with 0.4% a quarter earlier. This increase was mainly attributable to the "Transportation", "Housing" and "Communications" components. The "Transportation" component, which contributed 0.1 percentage point, reflected the upward adjustment of fuel prices in Burkina Faso, Côte d'Ivoire, and Togo. The 0.1 percentage point contribution from the "Housing" component was related to higher rent costs, especially in Côte d'Ivoire and Niger, due to the pressure of housing demand, and to household fuel costs in Mali and Senegal. The "Communications" component also contributed 0.1 percentage point, mainly due to higher communications rates in Benin.

133. However, these increases were mitigated by a price drop in the food component, whose contribution to total inflation came out at -0.1 percentage point in the fourth quarter of 2018. This was mainly due to lower grain prices, in a context where production was above the five-year average.

**Graph 19 - Contributions to year-over-year change in the HICP in WAEMU**



Source: BCEAO

<sup>4</sup> In this report, the inflation rate, measured by changes in the WAEMU Harmonized Index of Consumer Prices (HICP), is calculated on the basis of the 2014 rate, which replaces the 2008 rate (see Box 1).

134. The breakdown by type revealed an upturn in the rate of increase in prices for goods, which came in +1.0% in the fourth quarter of 2018 compared with +0.5% in the previous quarter, in conjunction with higher fuel prices in some countries of the Union. As for services, prices increased overall, rising by 0.8% in the fourth quarter of 2018 compared with 0.3% in the previous quarter, reflecting higher rents and communications rates.
135. Core inflation, which measures change in general price levels excluding fresh food and energy, came in at 0.7% year over year in the fourth quarter of 2018 compared with 0.5% in the previous quarter. This was mainly due to higher prices for the above-mentioned services.

**Table 23 - Trends in core inflation**

	Components	Weight. (in %)	Q1-2018	Q2-2018	Q3-2018	Q4-2018	Q1-2019
Annual changes (in %)	Fresh produce	24.0	2.0	1.4	1.	-0.2	1.4
	Energy	6.8	0.4	0.9	-0.3	1.1	3.5
	Core inflation index	69.2	2.2	1.7	0.7	0.5	0.7
Contributions (in % points)	Fresh produce	24.0	0.5	0.5	0.3	0.0	0.2
	Energy	6.8	0.1	0.1	0.0	0.1	0.2
	Core inflation index	69.2	1.5	1.2	0.5	0.3	0.5
<b>Total</b>		<b>100.0</b>	<b>2.1</b>	<b>1.8</b>	<b>0.8</b>	<b>0.4</b>	<b>0.9</b>

Sources: BCEAO, NSIs

136. An analysis of the breakdown by country showed an increase in the general price level in the fourth quarter of 2018 in all the Union's Member States, with the exception of Burkina Faso and Niger, where strong performances were noted in the supply of food commodities. In Benin, the inflation rate moved into negative territory, reflecting a drop in food prices, combined with a drop in restaurant services prices.

### Box 1 - Publication of the new Harmonized Index of Consumer Prices (HICP 2014)

In October 2018, the WAEMU Member States started the publishing the 2014 Harmonized Index of Consumer Prices (HICP 2014), which replaced the 2008 baseline HICP. As a reminder, the baseline change was made pursuant to Regulation No. 03/2017/CM/WAEMU, on the modalities for the elaboration, calculation and dissemination of the Harmonized Index of Consumer Prices in WAEMU Member States (HICP baseline 2014).

The main innovation in the new index lies the extension of the scope of price data collection to the entire national territory in each country.

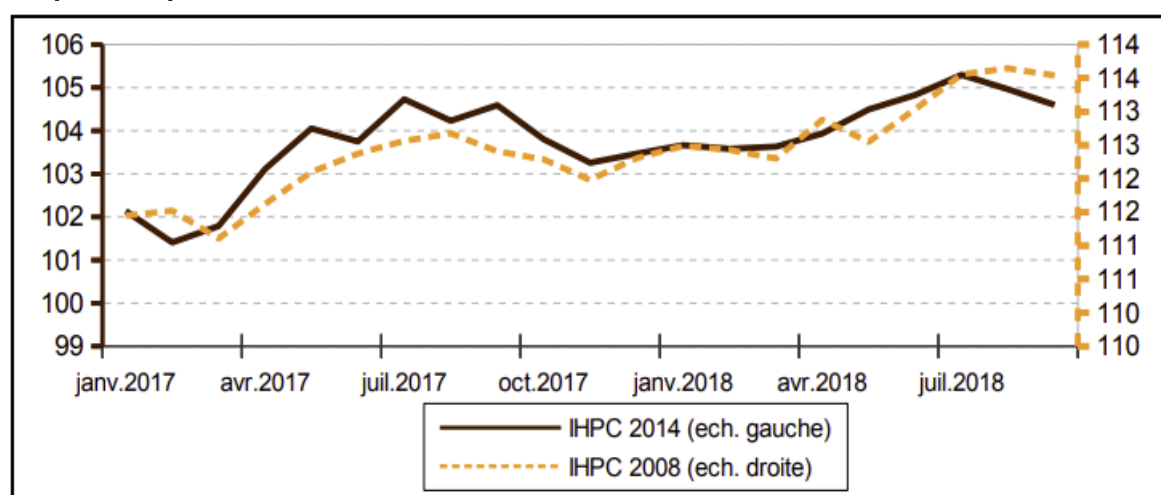
With the inclusion of rural areas, the change in the scope of observation resulted in an increase in the weight of food commodities in the 2014 HICP at the expense of other categories of products and services. The percentage of consumption of food and non-alcoholic beverages in the index thus rose from 31.1% in the 2008 HICP to 43.9% in the 2014 HICP. This increase was due to the fact that account was taken of the consumption habits of rural households, which devote a larger share of their income to food, compared to urban households.

However, the inclusion of rural data in the price index led to a reduction in the weight of transportation, restaurant, and hotel services, as well as housing services (rent, cleaning services, maintenance), which are not widely consumed by rural households.

In addition, the extension of the HICP calculation scope and the updating of the associated basket of goods and services resulted in a significant increase in the number of basic products to be monitored. In most countries, the number of products tracked tripled with the switch to the 2014 HICP.

A comparison of the price index series calculated on the basis of 2008 and 2014 shows that the 2014 HICP appears to be more volatile than the 2008 HICP, showing the relative importance of “fresh food” consumed in rural areas. The standard deviation of the 2008 HICP series is 0.7 points compared with 0.9 points for the 2014 HICP.

**Graph: Comparative trends in the 2014 HICP and the 2008 HICP in WAEMU**



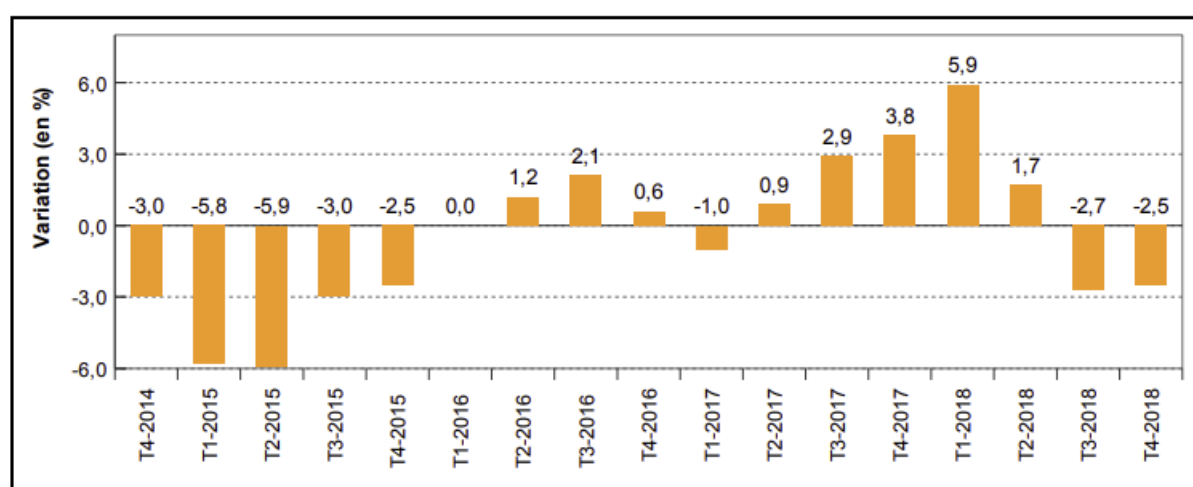
Source: BCEAO

On the other hand, the year-over-year inflation rate calculated with the 2014 HICP remained within the comfort zone defined for the implementation of the Central Bank's monetary policy, remaining below 2% in 2018.

## 4.2 - External competitiveness

137. The real effective exchange rate (REER) fell by 2.5% in the fourth quarter of 2018 compared with the same period last year. This drop reflected a gain in the Union's competitiveness, associated mainly with the inflation differential, which was favorable to WAEMU (-3.0%) compared with its partners, partially offset by a slight increase in the nominal effective exchange rate (+0.5%).
138. The change in the nominal effective exchange rate in the fourth quarter of 2018 reflected the year-on-year appreciation of the CFA franc against the Indian rupee (+7.8%), the Ghanaian cedi (+5.9%), the South African rand (+1.3%), and the Chinese yuan (+1.4%). On the other hand, the CFA franc depreciated against the U.S. dollar (-3.1%), the naira (-2.8%) and the Swiss franc (-2.3%). The inflation rate in the Union stood at 0.9% in the fourth quarter of 2018 compared with an average increase of 3.9% in partner countries.

**Graph 20 - Year-over-year trends in the REER**



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

139. The table below shows the Union's gains or losses in overall competitiveness with respect to partner groups.

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

Partner countries	Years		Quarterly change			Annual change		
	2016	2017	Q2-2018	Q3-2018	Q4-2018(*)	Q2-2018	Q3-2018	Q4-2018 (*)
Industrialized countries	0.6	1.5	-0.4	-2.1	-1.4	1.4	-1.5	-1.7
Eurozone	0.0	0.5	-0.3	-1.6	-1.0	-1.1	-1.8	-1.2
Surrounding countries (**)	3.4	5.4	-6.9	-5.0	-3.6	-0.6	-8.5	-9.3
Asian countries	1.0	1.0	-2.6	-2.1	-1.9	3.8	-3.0	-0.5
EU countries	1.0	1.0	-0.2	-1.4	-1.1	-0.9	-1.8	-1.3
Emerging countries	2.4	-1.7	-1.4	0.6	-1.5	3.4	-0.9	0.7
CEMAC	-0.6	1.1	1.5	-1.5	-1.8	0.5	0.1	0.6
<b>All</b>	<b>1.6</b>	<b>1.2</b>	<b>-1.9</b>	<b>-2.0</b>	<b>-1.8</b>	<b>1.7</b>	<b>-2.7</b>	<b>-2.5</b>

Source: BCEAO

(\*) Estimates

(+) Depreciation of REER or loss of competitiveness (-)  
Depreciation of REER or gain of competitiveness

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

## V - INFLATION FORECASTS

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

### 5.1 - Assumptions used for inflation projections

141. The projection assumptions assumed a decline in global oil prices in 2019, followed by relative stability in 2020. The average price of crude oil (WTI) is projected to fall from \$65 in 2018 to \$54 in 2019, before rising slightly to \$55 in 2020.<sup>5</sup>

142. On the foreign exchange market, the euro is expected to average \$1.14 in 2019 and 2020<sup>6</sup> compared with \$1.18 in 2018.

143. The assumptions for imported inflation also incorporated the outlook for the general price level at the global level. Specifically, the inflation rate in the Eurozone<sup>7</sup> is expected to fall from 1.8% in 2018 to 1.6% in 2019, before rising to 1.7% in 2020.

144. The IMF forecasts indicated an increase in world food prices in 2019 and 2020 of 1.7% and 0.3% respectively. This trend reflected the effect of the 2.4% decline in world cereal production compared with the previous season.

145. According to the Interstate Committee for Drought Control in the Sahel (CILSS), the 2018/2019 season was marked by excess rainfall, although there were dry spells in some production areas in Mali and Senegal. Cereal production was up 10.9% for the 2018/2019 season. A 5.0% increase in cereal production was assumed for the 2019/2020 season.

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

**Table 25 - Inflation projection assumptions (%)**

	2018	2019			2020		
		Lower	Median	Higher	Lower	Median	Higher
Barrel of oil (WTI, in dollars)	65	44	54	64	45	55	65
Euro/dollar exchange rate	1.18	1.19	1.14	1.09	1.19	1.14	1.09
Eurozone inflation (%)	1.8	1.1	1.6	2.1	1.2	1.7	2.2
Food prices (%)	2.3	-3.3	1.7	6.7	-4.7	0.3	5.3
Cereal production in the Union (%)	10.0	10.0	5.0	0.0	10.0	5.0	0.0

Sources: Bloomberg, ECB, BCEAO

<sup>5</sup> Futures market data sourced from Bloomberg

<sup>6</sup> December 2018 ECB projections.

<sup>7</sup> September 2018 ECB projections.

## 5.2 - Inflation profile for the next eight quarters

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

**Table 26 - Inflation outlook in WAEMU (%)**

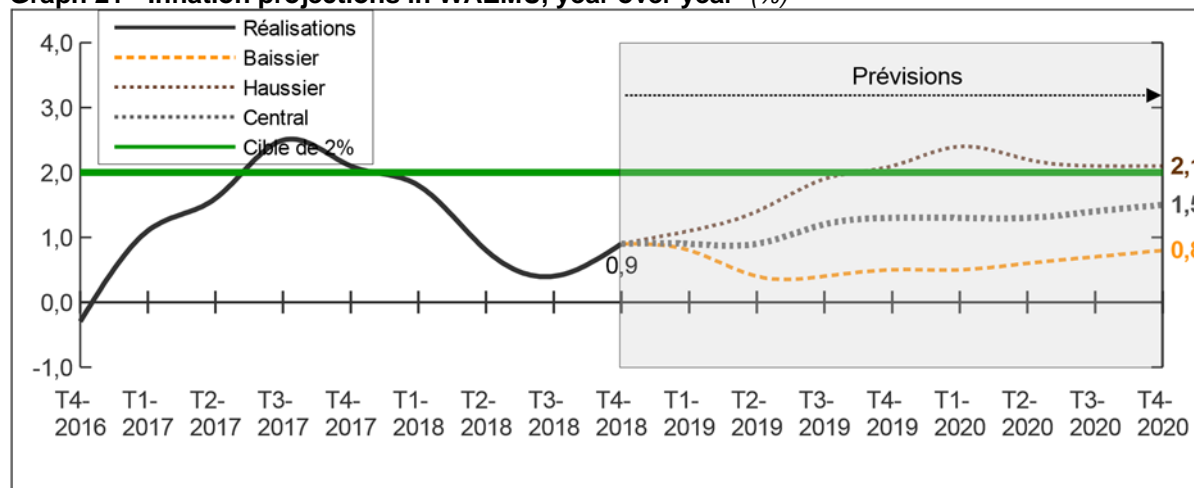
		Year-over-year change									Average				
		2018	2019					2020				2018	2019	2020	Eight quarters
			Q4 Actual	Q1 Fcst	Q2 Fcst	Q3 Fcst	Q4 Fcst	Q1 Fcst	Q2 Fcst	Q3 Fcst	Q4 Fcst				
Inflation rate	Lower scenario	0.9	0.8	0.4	0.4	0.5	0.5	0.6	0.7	0.8	0.8	0.6	0.7	0.6	
	Median scenario	0.9	0.9	0.9	1.2	1.3	1.3	1.3	1.4	1.5	0.8	1.1	1.4	1.2	
	Higher scenario	0.9	1.1	1.4	1.9	2.1	2.4	2.2	2.1	2.1	0.8	1.6	2.2	1.9	

Source: BCEAO

148. Under central scenario, the year-over-year inflation rate is projected at 0.9% in the first quarter of 2019, unchanged compared with the actual rate recorded in the fourth quarter of 2018.

149. Looking ahead eight quarters, the inflation rate is expected to stand at 1.5% year over year, within the comfort zone (between 1.0 and 3.0 percent) defined for the implementation of the Union's monetary policy. The slight increase in inflation in 2020 reflects the assumption of a smaller increase in food production in the next season (2019/2020).

**Graph 21 - Inflation projections in WAEMU, year over year (%)**



Source : BCEAO

## 5.3 - Risks to the inflation outlook

150. Among the downside risks to inflation over the next few quarters, there may be a decline in the prices of products imported by the countries of the Union, especially in relation to the drop in global demand caused by trade tensions between the United States and some of its partners, especially China.

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151. As for the upside risks, they could include the reversal of the oil price trend, in connection with geopolitical tensions. They could also come from security problems, especially in the Sahel region, which would affect marketing channels and ultimately be a source of price increases.

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## **APPENDICES**

**Table A.1 - Treasury bill issues in 2018**

**Table A.2 - Treasury bond issues in 2018**

**Table A.3 - WAMU: Central Bank summary statement**

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

**Table A.5 - WAMU: Monetary aggregates**

**Table A.6 - WAMU: Net claims on CPAs**

**Table A.7 - Breakdown of inflation in WAEMU**

**Table A.1: Treasury bill issues in 2018 (\*)***(in millions of CFA francs, unless otherwise indicated)*

Maturity	Issuer	Amount advertised	Amount offered	Amount accepted	Marginal rate	Weighted average rate
1 month	Côte d'Ivoire	30,000	89,570	33,000	3.50	3.42
	Niger	15,000	9,715	9,715	6.00	5.54
<b>Subtotal 1</b>		45,000	99,285	42,715	-	-
3 months	Niger	25,000	9,000	9,000	6.50	6.33
	Niger	10,000	9,893	9,893	6.70	6.45
	Benin	20,000	24,369	22,000	6.50	6.38
	Niger	10,000	36,090	21,353	6.25	6.12
	Burkina Faso	25,000	71,650	27,500	5.75	5.50
	Côte d'Ivoire	35,000	86,711	36,296	5.15	5.05
	Côte d'Ivoire	30,000	79,137	33,000	5.00	4.68
	Côte d'Ivoire	30,000	61,021	32,654	4.48	4.36
	Niger	30,000	39,587	33,000	6.02	5.80
	Burkina Faso	17,500	25,756	23,534	6.15	6.02
<b>Subtotal 2</b>		232,500	443,214	248,230	-	-
6 months	Burkina Faso	25,000	37,431	25,338	6.26	6.12
	Niger	20,000	17,611	17,611	6.75	6.43
	Côte d'Ivoire	40,000	28,301	28,301	5.70	5.29
	Niger	20,000	19,000	19,000	6.85	6.73
	Mali	25,000	13,833	13,033	6.50	6.40
	Niger	20,000	35,879	22,000	6.45	5.98
	Niger	10,000	21,534	19,939	6.50	6.23
	Niger	10,000	20,288	17,657	6.50	6.30
	Benin	25,000	65,668	27,500	5.96	5.86
	Niger	25,000	48,560	27,500	6.10	6.07
	Burkina Faso	30,000	18,965	17,945	6.00	5.92
	Mali	20,000	28,134	20,000	6.00	5.85
	Guinea-Bissau	10,000	5,239	5,239	6.50	6.31
<b>Sub-Total 3</b>		280,000	360,443	261,063	-	-

Source: BCEAO

(\*) at the end of December 2018

**Table A.1 (continued): Treasury bill issued in 2018 (\*)**  
*(in millions of CFA francs, unless otherwise indicated)*

Maturity	Issuer	Amount advertised	Amount offered	Amount accepted	Marginal rate	Weighted average rate
12 months	Burkina Faso	25,000	19,612	19,112	6.50	6.39
	Benin	20,000	19,998	19,998	6.50	6.34
	Togo	15,000	5,132	5,132	6.90	6.71
	Côte d'Ivoire	35,000	39,403	28,000	5.80	5.73
	Mali	25,000	23,391	18,619	6.50	6.34
	Niger	25,000	21,667	20,357	6.50	6.42
	Côte d'Ivoire	35,000	36,401	30,806	5.80	5.61
	Guinea-Bissau	6,000	4,450	4,350	6.50	6.28
	Togo	20,000	19,063	19,063	6.90	6.58
	Burkina Faso	25,000	18,566	18,566	6.50	6.42
	Burkina Faso	30,000	23,664	20,664	6.50	6.47
	Mali	25,000	14,515	13,515	6.50	6.46
	Togo	20,000	17,820	17,820	6.91	6.62
	Guinea-Bissau	5,000	5,562	5,512	6.75	6.62
	Benin	20,000	50,381	22,000	6.45	6.26
	Burkina Faso	20,000	56,988	22,000	6.25	6.16
	Mali	20,000	46,550	22,000	6.10	5.99
	Burkina Faso	20,000	28,280	22,000	6.25	6.09
	Togo	20,000	24,737	22,000	6.75	6.482
	Burkina Faso	20,000	45,334	22,000	6.15	6.06
	Mali	20,000	20,109	19,409	6.50	6.08
	Benin	20,000	24,579	22,000	6.40	6.08
	Togo	20,000	22,536	21,536	6.78	6.347
	Mali	25,000	20,925	20,725	6.50	6.31
	Benin	35,000	62,833	41,114	6.30	6.19
	Benin	25,000	28,624	27,500	6.30	6.29
	Niger	10,000	24,661	18,031	6.50	6.38
	Niger	15,000	23,135	16,500	6.45	6.34
	Burkina Faso	25,000	44,742	27,500	6.00	5.96
	Niger	10,000	42,360	18,011	6.25	6.08
	Niger	12,500	27,652	16,870	6.20	6.04
	Mali	25,000	45,384	27,500	6.15	6.04
	Burkina Faso	25,000	18,278	17,478	6.22	5.89
	Niger	20,000	32,239	22,000	6.15	6.05
	Burkina Faso	25,000	49,062	27,500	6.00	5.87
	Guinea-Bissau	5,000	8,428	5,500	6.19	6.06
	Niger	12,500	24,233	22,608	6.15	6.01
	Togo	20,000	16,925	16,925	6.50	6.138
	Burkina Faso	25,000	22,695	21,970	6.15	6.05
	Niger	7,500	13,728	13,167	6.64	6.13
	Togo	25,000	25,534	24,134	6.50	6.146
	Mali	20,000	36,225	22,000	6.05	6.03
	Burkina Faso	25,000	32,834	25,134	6.20	6.01
	Mali	20,000	45,490	22,000	5.99	5.97
	Niger	25,000	33,297	27,500	6.55	6.15
	Burkina Faso	17,500	19,279	19,279	6.50	6.17
<b>Subtotal 4</b>		<b>946,000</b>	<b>1,287,301</b>	<b>937,405</b>	<b>-</b>	<b>-</b>
		<b>1,503,500</b>	<b>2,190,243</b>	<b>1,489,413</b>		

Source: BCEAO

(\*) at the end of December 2018

Table A.2: Treasury bond issues in 2018 (\*)

Maturity	Issuer	Amount advertised	Amount offered	Amount accepted	Marginal rate	Weighted average rate	Coupon	Weighted average price
3 years	Burkina Faso	20,000	20,013	20,013	7.73	7.490	6.00	96.11
	Togo	15,000	16,093	16,040	8.19	7.686	6.25	96.26
	Mali	20,000	6,390	0	0.00	0.00	6.15	0.00
	Benin	15,000	6,422	5,004	7.20	6.89	6.00	97.64
	Niger	20,000	5,376	5,376	8.12	7.44	6.00	96.54
	Benin	15,000	10,006	6,838	7.55	7.24	6.00	96.78
	Togo	20,000	3,306	0	0.00	0.000	6.25	0.00
	Benin	17,500	8,110	8,110	7.93	7.68	6.00	95.63
	Burkina Faso	25,000	16,513	13,513	8.01	7.84	6.00	95.65
	Guinea-Bissau	5,000	6,581	5,235	7.85	7.65	6.50	97.00
	Mali	20,000	31,583	21,307	7.70	7.09	6.20	97.65
	Togo	15,000	17,215	15,715	8.19	7.547	6.25	96.61
	Benin	12,500	21,917	21,917	7.63	7.37	6.00	96.41
	Mali	20,000	32,300	22,000	7.23	7.12	6.15	97.75
	Benin	20,000	9,639	9,639	8.02	7.71	6.00	95.78
	Togo	20,000	14,566	14,566	8.19	7.84	6.25	95.88
	Mali	25,000	34,000	26,359	7.29	7.26	6.15	97.09
	Burkina Faso	20,000	25,261	21,389	7.69	6.757	6.15	98.38
	Benin	35,000	35,932	35,885	7.53	7.49	6.00	96.12
	Burkina Faso	25,000	26,570	23,270	7.69	7.571	6.15	96.29
	Mali	20,000	25,099	22,000	7.48	7.39	6.15	96.76
	Togo	25,000	51,041	48,550	7.59	7.57	6.25	96.55
	Niger	10,000	3,989	3,989	8.09	7.81	6.15	95.69
	Burkina Faso	25,000	26,791	20,271	7.69	7.566	6.15	96.30
	Niger	12,500	10,630	10,630	8.11	7.81	6.15	95.74
	Togo	20,000	17,097	14,452	7.94	7.92	6.00	97.03
	Guinea-Bissau	6,000	6,073	6,073	8.45	7.96	6.50	96.21
	Togo	20,000	29,318	21,218	7.59	7.57	6.25	96.56
	Burkina Faso	25,000	21,190	20,590	7.69	7.436	6.15	96.63
	Benin	25,000	37,021	35,221	7.63	7.46	6.10	96.45
	Benin	15,000	25,719	16,500	7.63	7.20	6.10	97.12
	Niger	12,500	4,805	3,455	7.75	7.57	6.15	96.44
	Niger	7,500	1,832	1,832	7.74	7.58	6.20	96.39
	Burkina Faso	20,000	24,893	20,000	8.09	7.900	6.15	95.46
	Niger	12,500	11,130	11,100	7.75	7.41	6.20	96.86
	Benin	15,000	23,462	13,322	7.88	7.34	6.10	96.83
	Togo	25,000	23,259	21,030	8.34	7.79	6.00	96.91
	Mali	25,000	26,625	24,625	7.49	7.44	6.15	96.62
	Guinea-Bissau	5,000	5,654	3,327	8.05	7.98	6.50	96.17
	Burkina Faso	30,000	14,354	13,689	7.69	7.495	6.15	96.48
	Niger	30,000	22,869	22,869	8.19	8.10	6.20	95.27
	Benin	15,000	24,036	16,500	7.83	7.33	6.10	96.76
	Burkina Faso	17,500	6,944	6,584	7.69	7.64	6.15	96.11
	Benin	25,000	29,391	18,991	9.52	9.07	6.00	96.05
	Burkina Faso	17,500	9,298	9,298	7.90	7.69	6.15	96.01
Subtotal 1		846,000	830,312	698,292	-	-	-	-

Source: BCEAO

(\*) at the end of December 2018

Table A.2: Treasury bond issues in 2018 (\*) (Continued)

Maturity	Issuer	Amount advertised	Amount offered	Amount accepted	Marginal rate	Weighted average rate	Coupon	Weighted average price
5 years	Togo	60,000	61,992	61,992	7.02	7.02	6.90	100.00
	Benin	17,500	10,228	10,228	7.12	7.12	6.15	96.01
	Niger	10,000	784	784	7.57	7.27	6.15	95.82
	Togo	20,000	21,718	21,605	7.70	7.631	6.50	96.22
	Benin	12,500	3,934	3,934	7.12	7.06	6.15	96.24
	Niger	10,000	648	647	7.53	7.22	6.15	96.08
	Niger	10,000	795	795	7.53	7.20	6.15	96.14
	Mali	10,000	4,342	4,342	7.54	7.36	6.15	95.64
	Niger	25,000	30,621	28,641	7.29	7.20	6.40	97.30
	Niger	30,000	32,276	32,276	7.60	6.84	6.25	97.77
	Niger	10,000	3,969	3,969	7.76	7.53	6.40	95.82
	Togo	25,000	6,450	6,450	7.48	7.36	6.50	96.50
	Mali	20,000	22,300	22,000	7.47	7.36	6.40	96.43
	Burkina Faso	25,000	4,827	4,827	7.46	7.065	6.25	96.94
	Benin	25,000	18,019	18,019	7.37	7.22	6.30	96.56
	Niger	12,500	3,346	3,346	7.67	7.66	6.40	95.51
	Togo	25,000	4,048	4,048	7.77	7.47	6.25	95.95
	Niger	30,000	28,304	28,304	7.60	6.96	6.25	97.31
<b>Subtotal 2</b>		<b>377,500</b>	<b>258,601</b>	<b>256,206</b>	-	-	-	-
7 years	Mali	49,950	49,950	49,950	6.35	6.35	6.25	100.00
	Mali	30,000	27,900	27,000	6.34	6.34	6.25	100.00
	Benin	60,000	62,596	62,596	6.60	6.60	6.50	100.00
	Burkina Faso	75,000	93,744	93,744	6.60	6.599	6.50	100.00
	Niger	30,000	24,331	24,331	7.52	7.08	6.50	97.41
	Mali	70,000	106,300	106,300	6.49	6.49	6.50	100.00
	Burkina Faso	75,000	NA	75,000			6.50	
	Côte d'Ivoire	100,000	NA	100,000			5.95	
<b>Subtotal 3</b>		<b>489,950</b>	<b>364,822</b>	<b>538,922</b>	-	-	-	-
8 years	Côte d'Ivoire	100,000	164,641	164,641	6.00	6.00	6.00	100.00
	Côte d'Ivoire	100,000	130,253	130,253	6.00	6.00	6.00	100.00
<b>Subtotal 4</b>		<b>200,000</b>	<b>294,894</b>	<b>294,894</b>				
<b>Total</b>		<b>1,913,450</b>	<b>1,748,629</b>	<b>1,788,314</b>				

Source: BCEAO

(\*) at the end of December 2018

**Table A.3: WAMU: Central Bank summary statement**

Encours en milliards - FCFA	2016		2017				2018			
	sept.-16	déc.-16	mars-17	juin-17	sept.-17	déc.-17	mars-18	juin-18	sept.-18	déc.-18
Actifs extérieurs nets	4 672,6	4 565,3	4 743,9	6 106,5	5 378,5	5 304,6	7 504,8	7 594,8	6 461,9	6 584,5
Créances sur les non-résidents	6 681,7	6 534,3	6 722,6	8 103,5	7 335,9	7 188,8	9 403,3	9 632,0	8 561,2	8 565,7
Engagements envers les non-résidents	2 009,0	1 969,0	1 978,7	1 997,0	1 957,4	1 884,2	1 898,5	2 037,2	2 099,3	1 981,2
Créances sur les autres institutions de dépôt	3 973,1	4 709,9	4 478,9	4 373,1	3 892,5	4 180,8	3 841,5	3 607,0	3 673,3	4 196,2
Créances nettes sur l'administration centrale	510,7	561,8	575,8	-279,2	421,3	501,2	-975,2	-135,4	241,0	293,3
Créances sur l'économie	255,0	212,2	245,9	256,4	262,2	209,5	229,1	244,3	250,1	437,3
<b>TOTAL ACTIF</b>	<b>9 411,5</b>	<b>10 049,3</b>	<b>10 044,5</b>	<b>10 456,8</b>	<b>9 954,4</b>	<b>10 196,2</b>	<b>10 600,2</b>	<b>11 310,7</b>	<b>10 626,3</b>	<b>11 511,3</b>
Base monétaire	7 494,4	8 139,1	8 023,2	8 402,4	7 883,3	8 016,1	8 501,9	9 080,7	8 522,3	8 969,5
Circulation fiduciaire	5 575,8	6 135,7	6 372,9	6 382,8	5 957,8	6 407,6	6 548,1	6 646,0	6 424,8	6 969,9
Dépôts des banques	1 516,0	1 662,7	1 291,4	1 664,1	1 296,9	1 231,9	1 557,6	2 001,8	1 631,3	1 581,7
Engagements envers les autres secteurs (1)	402,7	340,6	359,0	355,5	628,6	376,7	396,2	432,9	466,1	417,9
Dépôts exclus de la base monétaire (2)	0,5	0,3	1,1	2,8	1,0	8,4	0,4	3,2	0,5	0,5
Actions et autres titres de participation	2 059,0	2 009,2	2 048,5	2 021,4	2 006,4	1 950,4	2 045,4	2 150,6	2 098,2	2 363,7
Autres postes (net)	-142,4	-99,2	-28,3	30,2	63,6	221,3	52,5	76,3	5,3	177,6
<b>TOTAL PASSIF</b>	<b>9 411,5</b>	<b>10 049,3</b>	<b>10 044,5</b>	<b>10 456,8</b>	<b>9 954,4</b>	<b>10 196,2</b>	<b>10 600,2</b>	<b>11 310,7</b>	<b>10 626,3</b>	<b>11 511,3</b>
Source: BCEAO										
(1) Dépôts ouverts dans les livres de la BCEAO au profit des unités du secteur détenteur de monnaie, notamment les établissements financiers et les agents de la Banque Centrale.										
(2) Comptes de dépôt à caractère particulier ouverts dans les livres de la BCEAO par des sociétés non-financières publiques. Ces dépôts n'intègrent pas la définition de la monnaie au sens large.										

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

Encours en milliards - FCFA	2016		2017				2018			
	sept.-16	déc.-16	mars-17	juin-17	sept.-17	déc.-17	mars-18	juin-18	sept.-18	déc.-18
Actifs extérieurs nets	-920,2	-868,5	-717,9	-1 054,3	-1 120,5	-1 132,2	-720,6	-1 417,5	-1 368,8	-1 209,4
Créances sur les non-résidents	648,0	662,4	754,2	763,2	643,3	661,8	791,2	676,4	592,3	760,8
Engagements envers les non-résidents	-1 568,2	-1 530,9	-1 472,1	-1 817,5	-1 763,7	-1 794,0	-1 511,7	-2 093,9	-1 961,1	-1 970,2
Créances sur la Banque Centrale	2 163,6	2 184,8	1 869,0	2 191,3	1 948,4	1 856,5	2 063,5	2 555,0	2 172,9	2 144,3
Créances nettes sur l'administration centrale	5 705,6	5 858,1	6 237,5	6 408,5	6 326,9	6 807,2	7 082,8	6 805,3	7 284,9	7 698,1
Créances sur l'économie	16 978,1	18 116,3	18 112,8	18 693,8	18 935,3	19 951,7	19 929,6	20 055,0	20 245,1	21 625,6
Créances sur les autres sociétés financières	1 083,6	1 079,3	1 060,6	1 058,0	980,6	1 059,8	1 029,9	1 060,6	946,7	856,2
Créances sur les sociétés non-financières publiques	1 088,5	1 174,9	1 034,3	1 121,7	1 174,2	1 139,2	1 387,3	1 260,3	1 354,7	1 651,4
Créances sur le secteur privé	14 806,0	15 862,1	16 018,0	16 514,0	16 780,5	17 752,7	17 405,5	17 706,0	17 878,7	18 910,3
<b>TOTAL ACTIF</b>	<b>23 927,1</b>	<b>25 290,7</b>	<b>25 501,4</b>	<b>26 239,3</b>	<b>26 090,1</b>	<b>27 483,2</b>	<b>28 355,4</b>	<b>27 997,8</b>	<b>28 334,0</b>	<b>30 258,7</b>
Engagements envers la banque centrale	3 781,9	4 575,9	4 402,8	4 273,0	3 762,5	4 182,2	3 370,7	3 421,0	3 431,5	3 073,7
Dépôts transférables inclus dans la masse monétaire	8 596,3	9 217,9	9 131,7	9 531,8	9 538,3	10 097,8	10 515,0	10 710,8	10 687,0	11 636,1
Autres dépôts inclus dans la masse monétaire	7 256,5	7 432,7	7 748,9	7 941,9	7 983,6	8 157,8	8 513,4	8 586,4	8 860,1	9 127,4
Dépôts exclus de la masse monétaire au sens large	620,4	633,0	610,4	670,9	735,7	715,4	865,1	873,9	875,3	952,0
Titres autres qu'actions exclus de la masse monétaire	38,4	30,8	40,5	41,5	39,4	35,4	13,4	19,8	13,4	2,6
Emprunts	411,7	463,3	485,3	436,9	477,7	609,1	842,1	540,8	653,4	749,7
Actions et autres titres de participation	2 308,0	2 492,0	2 535,5	2 521,1	2 740,1	2 971,7	3 012,1	2 893,7	2 980,5	3 108,8
Autres postes (net)	914,0	445,2	546,4	822,2	812,8	713,8	1 223,6	951,5	832,8	1 608,3
<b>TOTAL PASSIF</b>	<b>23 927,1</b>	<b>25 290,7</b>	<b>25 501,4</b>	<b>26 239,3</b>	<b>26 090,1</b>	<b>27 483,2</b>	<b>28 355,4</b>	<b>27 997,8</b>	<b>28 334,0</b>	<b>30 258,7</b>
Source: BCEAO										

**Table A.5: WAMU: Monetary aggregates**

En milliards de FCFA	2016		2017				2018			
	sept.-16	déc.-16	mars-17	juin-17	sept.-17	déc.-17	mars-18	juin-18	sept.-18	déc.-18
<i>Circulation fiduciaire</i>	4 937,7	5 509,2	5 739,6	5 705,0	5 306,8	5 778,2	5 920,1	5 959,2	5 744,1	6 271,2
<i>Dépôts à vue</i>	9 092,1	9 668,2	9 608,1	10 024,7	10 031,4	10 660,6	11 047,6	11 273,9	11 250,5	12 182,2
<b>M1</b>	14 029,8	15 177,4	15 347,7	15 729,6	15 338,2	16 438,8	16 967,7	17 233,1	16 994,6	18 453,5
<i>Autres dépôts inclus dans la masse monétaire (1)</i>	7 372,6	7 539,9	7 860,1	8 032,1	8 352,3	8 211,0	8 630,8	8 718,6	9 024,7	9 261,7
<b>MASSE MONETAIRE (M2)</b>	<b>21 402,4</b>	<b>22 717,3</b>	<b>23 207,8</b>	<b>23 761,8</b>	<b>23 690,5</b>	<b>24 649,8</b>	<b>25 598,5</b>	<b>25 951,7</b>	<b>26 019,3</b>	<b>27 715,1</b>
<i>Actifs extérieurs nets</i>	3 752,4	3 696,8	4 026,0	5 052,2	4 258,0	4 172,5	6 784,2	6 177,3	5 093,1	5 375,1
<i>Banque Centrale</i>	4 672,6	4 565,3	4 743,9	6 106,5	5 378,5	5 304,6	7 504,8	7 594,8	6 461,9	6 584,5
<i>Banques</i>	-920,2	-868,5	-717,9	-1 054,3	-1 120,5	-1 132,2	-720,6	-1 417,5	-1 368,8	-1 209,4
<i>Créances intérieures</i>	23 418,4	24 715,7	25 143,4	25 046,7	25 914,2	27 438,0	26 236,1	26 936,5	27 990,1	30 023,8
<i>Créances nettes sur l'administration centrale</i>	6 185,2	6 387,2	6 784,6	6 096,5	6 716,7	7 276,8	6 077,3	6 637,3	7 495,0	7 960,8
<i>Créances sur les autres secteurs</i>	17 233,2	18 328,5	18 358,8	18 950,2	19 197,5	20 161,2	20 158,7	20 299,3	20 495,2	22 063,0
<i>Passifs à caractère non monétaire (2)</i>	5 437,9	5 628,5	5 721,2	5 694,5	6 000,3	6 290,4	6 778,6	6 482,0	6 621,3	7 177,3
<i>Autres postes nets (3)</i>	330,5	66,7	240,3	642,7	481,5	670,3	643,2	680,2	442,7	506,4
<b>TOTAL DES CONTREPARTIES DE M2 (4)</b>	<b>21 402,4</b>	<b>22 717,3</b>	<b>23 207,8</b>	<b>23 761,8</b>	<b>23 690,5</b>	<b>24 649,8</b>	<b>25 598,5</b>	<b>25 951,7</b>	<b>26 019,3</b>	<b>27 715,1</b>
Source: BCEAO										
(1) Dépôts à terme et comptes d'épargne à régime spécial ouverts auprès des banques, dépôts rémunérés ouverts dans les livres de la Banque Centrale.										
(2) Composés des actions et autres participations dans les institutions de dépôt et de leurs engagements non-monétaires envers les autres secteurs.										
(3) Composé des ajustements de consolidation et de la balance nette des actifs non-classifiés notamment les éléments divers et les actifs non-financiers.										
(4) Total des contreparties = Actifs extérieurs nets + Créances intérieures - Passifs à caractère non-monétaire - Autres postes nets.										



Table A.6: WAMU: Net Claims on CPAs

En milliards de FCFA	2016		2017				2018			
	sept.-16	déc.-16	mars-17	juin-17	sept.-17	déc.-17	mars-18	juin-18	sept.-18	déc.-18
<b>Créances nettes de la BCEAO</b>	<b>479,7</b>	<b>529,1</b>	<b>547,2</b>	<b>-312,0</b>	<b>389,9</b>	<b>469,6</b>	<b>-1 005,5</b>	<b>-168,0</b>	<b>210,1</b>	<b>262,7</b>
Créances	1 794,9	1 819,2	1 802,3	1 842,9	1 836,9	1 884,6	1 861,1	1 943,5	1 918,2	1 978,3
Crédits	1 780,9	1 803,9	1 783,1	1 829,9	1 822,9	1 868,9	1 848,9	1 930,4	1 903,3	1 962,6
Concours adossés aux DTS	243,8	226,1	209,5	190,3	172,3	154,1	137,6	119,1	100,4	79,5
Découverts statutaires consolidés	231,1	230,4	229,7	229,0	228,4	227,7	226,9	226,2	225,5	224,8
Concours du FMI	1 049,0	1 093,0	1 089,5	1 156,2	1 170,6	1 239,4	1 236,6	1 337,3	1 332,5	1 416,0
Autres concours de Gouvernements étrangers (1)	15,1	12,4	12,4	12,4	9,4	5,5	5,5	5,5	2,7	0,0
Autres créances (2)	241,9	242,0	242,0	242,1	242,2	242,3	242,3	242,3	242,3	242,3
Engagements	1 315,2	1 290,1	1 255,1	2 154,9	1 447,0	1 415,0	2 866,6	2 111,5	1 708,0	1 715,5
Encaisses du Trésor	31,1	32,7	28,6	32,7	31,4	31,7	30,2	32,6	30,9	30,6
Dépôts	1 244,4	1 203,2	1 159,5	2 094,7	1 368,5	1 324,0	2 817,8	2 051,5	1 634,0	1 624,5
Autres engagements (3)	39,7	54,2	67,0	27,5	47,2	59,3	18,5	27,4	43,1	60,5
<b>Créances nettes des banques</b>	<b>5 705,6</b>	<b>5 858,1</b>	<b>6 237,5</b>	<b>6 408,5</b>	<b>6 326,9</b>	<b>6 807,2</b>	<b>7 082,8</b>	<b>6 805,3</b>	<b>7 284,9</b>	<b>7 698,1</b>
Créances	8 215,3	8 538,5	8 821,2	9 069,5	9 010,4	9 703,2	9 121,1	9 086,5	9 455,1	9 978,6
Crédits	1 386,6	1 461,3	1 613,2	1 734,2	1 619,1	2 051,0	1 395,0	1 232,1	1 563,3	1 821,3
Portefeuille de titres du Trésor	6 828,7	7 077,2	7 208,0	7 335,2	7 391,4	7 652,2	7 726,0	7 854,4	7 891,8	8 157,3
Engagements	2 509,7	2 680,4	2 583,7	2 661,0	2 683,6	2 895,9	2 038,3	2 281,2	2 170,2	2 280,5
<b>TOTAL CREANCES NETTES SUR L'ADMINISTRATION CENTRALE</b>	<b>6 185,2</b>	<b>6 387,2</b>	<b>6 784,6</b>	<b>6 096,5</b>	<b>6 716,7</b>	<b>7 276,8</b>	<b>6 077,3</b>	<b>6 637,3</b>	<b>7 495,0</b>	<b>7 960,8</b>
Source: BCEAO										
(1) Le concours koweitien à l'Etat du Sénégal.										
(2) Les dépenses pour le compte des Etats à récupérer, les taxes à récupérer, les créances diverses sur les Etats.										
(3) Taxes recouvrées, commissions sur transferts et autres sommes recouvrées pour le compte des Etats.										

**Table A.7: Breakdown of inflation in WAEMU****Table A.7-1: Year-over-year price changes by geographical origin**

	Components	Weight (in %)	Q4-2017	Q1-2018	Q2-2018	Q3-2018	Q4-2018
Annual changes (in %)	Local	69.7	1.6	1.6	1.1	0.5	0.8
	Imported	30.3	3.5	2.2	0.1	0.3	1.0
Contributions (in % points)	Local	69.7	1.1	1.1	0.8	0.3	0.6
	Imported	30.3	1.0	0.7	0.0	0.1	0.3
	<b>Total</b>	<b>100</b>	<b>2.1</b>	<b>1.8</b>	<b>0.8</b>	<b>0.4</b>	<b>0.9</b>

Sources: BCEAO, NSIs.

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

	Components	Weight (in %)	Q4-2017	Q1-2018	Q2-2018	Q3-2018	Q4-2018
Changes (in %)	Goods	70.2	2.3	1.5	0.7	0.5	1.0
	Services	29.8	1.9	2.2	1.0	0.3	0.8
Contributions (in % points)	Goods	70.2	1.5	1.1	0.5	0.3	0.7
	Services	29.8	0.6	0.7	0.3	0.1	0.2
	<b>Total</b>	<b>100</b>	<b>2.1</b>	<b>1.8</b>	<b>0.8</b>	<b>0.4</b>	<b>0.9</b>

Sources: BCEAO, NSIs.





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