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ECOWAS MACROECONOMIC CONVERGENCE REPORT FOR 2022

Freetown, July 2023

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
BCEAO	Central Bank of West African States
BOAD	West African Development Bank
CBDC	Central Bank Digital Currency
CET	Common External Tariff
EBID	ECOWAS Bank for Investment and Development
ECB	European Central Bank
EMCP	ECOWAS Monetary Cooperation Programme
EMDEs	Emerging Market and Developing Economies
EPA	Economic Partnership Agreement
FESPACO	Ouagadougou Pan-African Film and Television Festival
GIABA	Inter-governmental Action Group against Money Laundering in Africa
IDA	International Development Association
IMF	International Monetary Fund
MCSP	Macroeconomic Convergence and Stability Pact
NGO	Non-Governmental Organisation
PNDES	National Economic and Social Development Plan
PAG	Government Action Programme
PC-PEG	Post-COVID-19 Programme for Economic Growth
SDR	Special Drawing Rights
SSA	Sub-Saharan Africa
WAEMU	West African Economic and Monetary Union
WAMZ	West African Monetary Zone
WABA	West African Bankers Association
WAHO	West African Health Organisation
WAMA	West African Monetary Agency
WAMI	West African Monetary Institute
WAUA	West African Unit of Account

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FOREWORD

The ECOWAS Macroeconomic Convergence Report for 2022 is prepared by the West African Monetary Agency (WAMA) as part of its mandate under the ECOWAS Monetary Cooperation Programme (EMCP). The report reviews macroeconomic developments in ECOWAS and assesses Member States' compliance with the established macroeconomic convergence criteria. It also offers recommendations for policy actions. This also marks the first year of assessment of Member States' compliance with the macroeconomic convergence criteria under the new Macroeconomic Convergence and Stability Pact (MCSP), following the declaration of 2020 and 2021 as exceptional years.

In 2022, global economic recovery suffered significant setbacks due to the emergence of the Russia-Ukraine war, which further disrupted global supply chains. Global growth slowed considerably to 3.5 percent from 6.3 percent in 2021 and is projected to slow to 3.0 percent in 2023 and 2024. Similarly, persistent inflationary pressures led to a global cost-of-living crisis. Prices of essential commodities such as food and energy surged to near historic levels, increasing global headline inflation to 8.7 percent in 2022 from 4.7 percent in 2021. In response to rising global inflation, many central banks, raised interest rates in a synchronised manner, resulting in tighter financing conditions, especially for emerging markets and developing economies.

ECOWAS Member States continue to face challenges, including fiscal and debt vulnerabilities, low growth, and rising inflation as well as currency depreciation. The mixed results in compliance with the ECOWAS convergence criteria underscores the need for continued policy calibration, especially as no Member State met all the four primary convergence criteria in 2022. It is essential for the authorities to take deliberate actions to improve the performance of the Member States to ensure compliance with the macroeconomic convergence criteria, especially as we approach the convergence phase of the MSCP.

The Agency has also registered significant progress on other aspects of the Roadmap, including agreements on the distribution key for subscriptions to the capital and external reserves pooling of the future Central Bank of West Africa (CBWA), the determination of the amount for the capital of the ECOWAS Solidarity and Stabilisation Fund (ESSF), and the establishment of a framework for harmonising monetary and financial statistics in the ECOWAS as well as the initiation of the implementation of the ECOWAS Payments and Settlement Systems (EPSS).

On this note, I congratulate the staff of the WAMA, especially staff of the Multilateral Surveillance Department for the diligence exhibited in preparing this 2022 edition of the ECOWAS Macroeconomic Convergence Report. Finally, I want to recognise the WAMA Technical Committee and the Committee of Governors of the Central Banks of ECOWAS Member States whose continued support remain invaluable and highly appreciated.

Momodou Bamba Saho
Director-General, West African Monetary Agency
Freetown Sierra Leone, October 2023

EXECUTIVE SUMMARY

Following the COVID-19 crisis, the Russia-Ukraine war, which began in February 2022, has exacerbated global economic challenges, notably low economic growth, high inflation and fiscal and debt vulnerabilities, particularly in low-income countries, including the ECOWAS region. In response to rising inflation, central banks tightened monetary policy, further crowding out investment and social spending.

Global real GDP growth slowed considerably to 3.5 percent in 2022 from 6.3 percent in 2021. In Sub-Saharan Africa (SSA), economic activity followed a similar trend, with growth slowing to 3.9 percent from 4.7 percent in 2021. At the same time, global inflation accelerated, almost doubling to 8.7 percent from 4.7 percent in 2021. In SSA, inflation rose to 14.5 percent in 2022 from 11.0 percent in 2021.

In the ECOWAS, real GDP growth slowed to 4.0 percent from 4.4 percent in 2021, while end-of-period inflation rose to 21.2 percent from 12.8 percent in 2021. The overall budget deficit, including grants, widened to 5.4 percent of GDP from 4.6 percent of GDP in 2021. The stock of public debt also increased to 36.6 percent of GDP at end-December 2022 from 35.6 percent of GDP at end-December 2021. Most of the member central banks tightened their key interest rates during the year under review in response to rising inflation. On the external sector, the overall balance of payments showed a deficit of 1.2 percent of GDP, compared with a surplus of 0.3 percent of GDP in 2021, mainly attributable to the deterioration of the balance of goods and services. Regarding macroeconomic convergence, no Member State met all four (4) primary criteria, broadly reflecting poor performance on inflation and budget deficit.

The medium-term outlook for growth and inflation is premised on the persistence of the macroeconomic imbalances that characterised the global economy in 2022. Consequently, global growth is projected to slow to 3.0 percent in both 2023 and 2024. Global inflation is also projected moderate to 6.8 percent in 2023 and further to 5.2 percent in 2024. In ECOWAS, growth is projected to slow further to 3.9 percent while inflation is also projected to moderate to 17.1 percent in 2023. The budget deficit (including grants) is also expected to moderate to 5.1 percent of GDP. Despite these developments, no Member State is expected to meet all four (4) primary convergence criteria in 2023.

INTRODUCTION

1. In accordance with the Protocol Establishing WAMA (Decision A/Dec. 4/7/92 of the Authority of Heads of State and Government) in its Articles 3, 4, and 9 and the provisions of Supplementary Act A/SA.01/12/15 amending Decision No. A/DEC.03/06/12 on the Macroeconomic Convergence and Stability Pact (MCSP) among the ECOWAS Member States, this report assesses the macroeconomic performance and the status of convergence of ECOWAS Member States in 2022 and prospects for 2023. It proposes key policy recommendations to Member States, focusing mainly on the actions to be taken to improve their macroeconomic performance.

2. It should be recalled that due to macroeconomic difficulties and exceptional circumstances prevailing in Member States occasioned by the COVID-19 pandemic, a new Roadmap and MCSP were developed and adopted by the Authority of Heads of State and Government at its 59th Ordinary Meetings on June 19, 2021, in Accra, Ghana, to guide the process of implementing the MCSP and creating the single currency in 2027.

3. The year 2022, following the declaration of 2020 and 2021 as exceptional years, marks the first year of assessment of Member States' compliance with the macroeconomic convergence criteria under the new Pact. It was characterised by the strengthening and continuation of the economic recovery, which began in 2021 after the COVID-19 pandemic.

4. This report follows the joint multilateral surveillance missions (ECOWAS Commission, WAMA and WAMI) to the Member States. The report also took into account updated data on the basis of the latest information received from the various Member States. The cut-off dates for the statistical data used are as of July 31, 2023.

5. The report is organised in two parts. Part I analyses the overall macroeconomic performance and assesses the status of the convergence criteria as at end-December 2022. It has three sections. Section 1 highlights the global macroeconomic developments followed by section 2, which examines the evolution of the economic and financial situation within the ECOWAS region, and section 3, which assesses the community's status of compliance to the macroeconomic convergence criteria. Part II considers the economic and financial situation in the individual Member States, proffering country-specific recommendations. In conclusion, recommendations were formulated to improve the macroeconomic performance of Member States.

PART 1: REGIONAL ANALYSIS

I. GLOBAL ECONOMIC DEVELOPMENTS

1.1 Growth

6. In the past three (3) years, global economic activity has been executed amidst tremendous challenges. However, the growth recovery was impressive at 6.3 percent in 2021 following the effects of the COVID-19 Pandemic, which mainly led to the contraction of 2.8 percent in 2020. As the world struggled out of the consequences of the health emergencies and tightening financial conditions, the Russia-Ukraine war, which started in February 2022, has exacerbated the economic challenges as it brought about supply chain disruptions as well as increased costs of food and energy that led to a decline in real GDP growth to 3.5 percent in 2022.

7. A return of the global economy to the pace of economic growth that prevailed before the bevy of shocks in 2022 and the recent financial sector turmoil is increasingly elusive. More than a year after Russia's invasion of Ukraine and the outbreak of more contagious COVID-19 variants, many economies are still absorbing the shocks. The recent tightening in global financial conditions is also hampering the recovery, as many economies are likely to experience slower growth in incomes in 2023 amid rising unemployment. Over the medium term, the prospects for growth now seem dimmer than in decades as global growth is expected to decline to 3.0 percent in 2023 and expected to remain unchanged in 2024.

8. In advanced economies, real GDP growth was 2.7 percent in 2022 compared to 5.4 percent in 2021, and expected to slow further to 1.5 percent in 2023 and 1.4 percent in 2024. These expectations are anchored on the fact that growth in the US is expected to decline to 1.8 percent and 1.0 percent in 2023 and 2024, respectively, from 2.1 percent in 2022 and 5.9 percent in 2021. The slowdown in the US economy reflects the declining real disposable income, which continues to erode the purchasing power of households as higher interest rates are negatively affecting spending. In the euro area, growth which stood at 5.3 percent and 3.5 percent in 2021 and 2022, respectively, is expected to decline further to 0.9 percent in 2023 before settling at 1.5 percent in 2024. This development is largely attributed to the spillover effects of the Russia-Ukraine war, with quick declines in growth for the economies most exposed to the Russian gas supply cuts as well as tighter financial conditions, with the European Central Bank having ended its asset purchase programme as well as the rapidly rising policy rates in 2022.

9. Growth in the Emerging Market and Developing Economies (EMDEs) declined from 6.8 percent in 2021 to 4.0 percent in 2022 and is expected to remain unchanged at 4.0 percent in 2023 before recovering to 4.1 percent in 2024. The outlook is mainly anchored on an expected decline in Indian exports as well as a slowdown in domestic demand. However, growth in China is expected to recover to 5.2 percent in 2023 from 3.0 percent in 2022 before slowing down to 4.5 percent in 2024.

10. In SSA, growth which stood at 3.9 percent in 2022 is expected to decline to 3.5 percent in 2023 before strengthening to 4.1 percent in 2024. This performance is mainly premised on the resilient economic performance in Nigeria during the period.

Table 1. 1: Real GDP Growth

Country/Group	2019	2020	2021	2022	2023*	2024*
World Output	**2.8**	**-2.8**	**6.3**	**3.5**	**3.0**	**3.0**
Advanced Economies	**1.7**	**-4.2**	**5.4**	**2.7**	**1.5**	**1.4**
United States	2.3	-1.9	5.9	2.1	1.8	1.0
Euro Area	1.6	-6.1	5.3	3.5	0.9	1.5
Japan	0.2	-3.0	2.2	1.0	1.4	1.0
United Kingdom	1.8	-11.1	7.6	4.1	0.4	1.0
Emerging Market and Developing Economies	**3.6**	**-1.8**	**6.8**	**4.0**	**4.0**	**4.1**
China	6.0	2.2	8.4	3.0	5.2	4.5
India	3.9	-5.8	9.1	7.2	6.1	6.3
Russia	2.2	-2.7	5.6	-2.1	1.5	1.3
Brazil	1.2	-3.3	5.0	2.9	2.1	1.2
Sub-Saharan Africa	**3.3**	**-1.7**	**4.7**	**3.9**	**3.5**	**4.1**
Nigeria	2.2	-1.8	3.6	3.3	3.2	3.0
South Africa	0.3	-6.3	4.7	1.9	0.3	1.7

Source: IMF WEO April 2023; *Projections

1.2 Inflation

11. Global economic activities were conducted within an atmosphere of heightened inflationary pressures emanating in part from pent-up demand, supply chain disruptions and hikes in food, fuel and other commodity prices. Global inflation accelerated to 8.7 percent in 2022 from 4.7 percent in 2021. It is expected to decline to 6.8 percent in 2023 and further to 5.2 percent in 2024 anchored on central banks' tight monetary policy stance and the restoration of supply chains.

12. In advanced economies, inflation rose to 7.3 percent in 2022 due largely to the energy and grain price shocks emanating from the Russian-Ukraine conflict. However, it is expected to fall in 2023 and 2024 due to deliberate economic policy interventions. For the US and the euro area, inflation reached a record high to stand at 8.0 percent and 8.4 percent, respectively, in 2022, but it is projected to plummet to 4.4 percent and 5.2 percent in 2023 and further to 2.8 percent apiece in 2024, respectively.

13. The situation in EMDEs is not different as inflation climbed to 9.8 percent in 2022 from 5.9 percent a year earlier but projected to decline to 8.3 percent in 2023 and 6.8 percent in 2024 on the back of continuously tight monetary policy stance and the recovery of supply chains.

Table 1. 2 : Average Inflation

Country/Group	2019	2020	2021	2022	2023*	2024*
Global Inflation	3.9	2.9	4.7	8.7	6.8	5.2
Advanced Economies	1.4	0.7	3.1	7.3	4.7	2.8
United States	1.8	1.3	4.7	8.0	4.4	2.8
Euro Area	1.2	0.3	2.6	8.4	5.2	2.8
Japan	0.5	0.0	-0.2	2.5	3.4	2.7
United Kingdom	1.8	0.9	2.6	9.1	6.8	3.0
Emerging Market and Developing Economies	5.1	5.2	5.9	9.8	8.3	6.8
China	2.9	2.5	0.9	1.9	2.0	2.2
India	4.8	6.2	5.5	6.7	4.9	4.4
Russia	4.5	3.4	6.7	13.8	7.0	4.6
Brazil	3.7	3.2	8.3	9.3	5.0	4.8
SSA	8.1	10.1	11.0	14.5	14.0	10.5
Nigeria	11.4	13.2	17.0	18.8	20.1	15.8
South Africa	4.1	3.3	4.6	6.9	5.8	4.8

Source: IMF WEO April 2023; *Projections

14. In SSA, inflation was 14.5 percent in 2022 but expected to moderate to 14.0 percent and 10.5 percent in 2023 and 2024, respectively. The region’s largest economy, Nigeria, recorded an inflation rate of 18.8 percent in 2022 from 17.0 percent in 2021 and is projected to rise to 20.1

percent in 2023 before declining to 15.8 percent in 2024. The projections are anchored on the tight monetary policy stance and the expected decrease in global commodity prices. The situation in South Africa is similar as inflation rose to 6.9 percent in 2022 from 4.6 percent in 2021, but it is expected decline to 5.8 percent in 2023 and 4.8 percent in 2024 due to the South African Reserve Bank's tight monetary stance and the anticipated reduction in the price of fuel and food.

1.3 Commodity Prices

15. Food and energy prices surged to near historic levels in recent years amid the COVID-19 pandemic and the on-going Russia-Ukraine conflict, which prompted major supply-chain disruptions.

16. The fuel and non-fuel price index rose by 52.3 percent in 2021 before declining to 33.5 percent in 2022 but is, however, expected to contract in 2023 and 2024. Additionally, the fuel (energy) price index, and natural gas price index rose by 99.6 percent and 253.7 percent, respectively, in 2021 but slowed down to 63.6 percent and 105.6 percent, respectively in 2022 and expected to contract in 2023 and 2024. The index of food and beverages which rose to 25.9 percent in 2021, dropped to 14.1 percent in 2022, and it is projected to contract in both 2023 and 2024. Cereal price index, which rose by 40.7 percent in 2021, moderated to 24.8 percent in 2022 but is projected to contract in 2023 and 2024.

17. In the area of precious metals, the percentage rise per metric ton of iron ore, which jumped to 46.4 percent in 2021, contracted by 23.7 percent in 2022 but it is projected to increase again in 2023. Similarly, tin, which rose to a record high of 89.1 percent in 2021, contracted by 3.1 percent in 2022 and expected to continue to contract in 2023 and 2024. The percentage change in crude oil price per barrel plummeted by 39.2 percent in 2022 compared to 65.8 percent in 2021. The outlook shows that commodity prices are expected to remain elevated in 2023 and 2024 despite slowing down by 24.1 percent and 5.8 percent, respectively.

Table 1. 3: World Commodity Prices

Commodity	2019	2020	2021	2022	2023*	2024*	2019	2020	2021	2022	2023*	2024*
	Price indices/ Metric tonnes						Percentage Change					
Fuel and Non-Fuel.	117.0	105.9	161.2	215.2	166.0	162.8	-8.4	-9.5	52.3	33.5	-22.9	-2.0
Non-Fuel Price Index	108.5	115.6	146.1	156.9	152.5	151	0.7	6.5	26.4	7.4	-2.8	-1.0
Fuel (energy) price Index	129.3	91.7	183.1	299.5	185.6	179.7	-17.4	-29.1	99.6	63.6	-38.0	-3.2
Natural Gas Price Index	91.5	71.7	253.7	521.6	218.8	232.8	-36.7	-21.6	253.7	105.6	-58.1	6.4
Food and Beverage	98.0	99.7	125.6	143.2	135.2	131.5	-3.2	1.7	25.9	14.1	-5.6	-2.8
Food Price Index	99.4	101.0	127.4	145.4	137.3	133.4	-3.1	1.7	26.1	14.1	-5.6	-2.8
Cereals Price Index	109.9	119.1	167.6	209.1	185.4	182.6	-4.4	8.4	40.7	24.8	-11.4	-1.5
Wheat, US$ per metric tonne	163.3	185.5	265.8	360.2	321.5	329.3	-12.3	13.6	43.3	35.5	-10.7	2.4
Maize (corn), US$ per metric tonne	170.2	165.6	259.4	318.4	273.6	249.7	3.4	-2.7	56.7	22.7	-14	-8.8
Rice, US$ per metric tonne	396.5	477.8	442.0	419.1	445.2	431.3	-1.6	20.5	-7.5	-5.2	6.2	-3.1
Aluminium, US$ per metric tonne	1,794.5	1,704.0	2,473.0	2707	2326	2,438.1	-14.9	-5.0	45.1	9.5	-14.1	4.8
Iron Ore,) US$ per metric ton	93.6	108.1	158.2	120.7	126.4	116.4	33.5	15.4	46.4	-23.7	4.8	-8
Tin, US$ per metric tonne	18,661.2	17,126	32,387	31,383	23,364	22,416.8	-7.4	-8.2	89.1	-3.1	-25.6	-4.1
Nickel, US$ per metric tonne	13,913.9	13,790	18,467	25,867	24,184	24,447.3	6.1	-0.9	33.9	40.1	-6.5	1.1
Zinc, US$ per metric tonne	2,550.4	2,267	3,002.8	3,484.9	2,943	2,804.2	-12.7	-11.1	32.5	16.1	-15.6	-4.7
Lead, US$ per metric tonne	1,996.5	1,825	2,200.4	2,152.7	2,105.0	2,125.5	-10.9	-8.6	20.6	-2.2	-2.2	1.0
Uranium, US$ per pound	25.9	29.4	32.9	40.8	48.6	48.6	5.5	13.6	11.6	24.1	19.3	0.0
Crude Oil (petroleum), US$ per barrel	61.43	41.77	69.25	96.36	73.13	68.9	-10.4	-32.0	65.8	39.2	-24.1	-5.8

Source: IMF WEO April 2023 *Projections

1.4 Trade

18. Global trade volumes declined to 5.1 percent in 2022 from 10.6 percent in 2021, largely attributed to the war in Ukraine and the continuous lockdown in China following the reemergence of

COVID-19. Growth in trade volumes is further expected to slow down to 2.4 percent in 2023 before improving to 3.5 percent in 2024. These developments are also largely arising from the slowdown in global demand, shifts in the composition of spending in favour of domestic services against traded goods and increasing trade barriers as well as the strength of the US dollar.

1.5 Monetary and Financial Conditions

19. In response to rising inflationary pressures, monetary and financial conditions remained tight in 2022. The year witnessed a more hawkish approach to monetary policy stance across world economies, with the Federal Reserve raising its policy rate cumulatively by 425 basis points between December 2021 and December 2022. The Bank of Canada also raised its policy rate by 400 basis points, the Bank of England and the South African Reserve Bank 325 basis points each, the European Central Bank, 250 basis points, among others. However, China reduced its policy rate by 15 basis points to 3.65 percent at end-December 2022 from 3.80 percent in the same period in 2021 to revamp the economy after the unexpected lockdown, which severely affected the economy. The Bank of Japan also kept its rate flat at -0.1 percent for the period.

20. The higher global interest rates, especially in advanced economies, led to a tighter financing condition for EMDEs. For ECOWAS Member States, the higher interest rates have led to an increase in the external borrowing costs thereby increasing the risks of external debt vulnerabilities.

II. MACROECONOMIC AND FINANCIAL DEVELOPMENTS IN ECOWAS

2.1 Introduction

21. The macroeconomic policy thrust in ECOWAS in 2022 mainly focused on strengthening and sustaining the recovery process that commenced in 2021 following the devastating effect of the COVID-19 pandemic. Consequently, policy interventions were directed at fiscal consolidation, increased government investments, and technological innovation while protecting vulnerable households, amongst other priorities. However, heightened inflationary pressures, in particular, food and energy, largely emanating from supply-chain disruptions induced by the Russia-Ukraine war, coupled with the lingering effects of the COVID-19 pandemic negatively impacted the recovery process in the region.

22. Additionally, financing constraints due to higher global interest rates weighed heavily on the economies of the ECOWAS region in 2022. Similarly, heightened pressures in the foreign exchange market have worsened debt service costs, eroded household purchasing power and disrupted economic activities in the region.

23. Growth in the region was estimated at 4.0 percent in 2022, down from 4.4 percent in 2021, occasioned by the disruption of economic activity due to global economic headwinds, insecurity and tighter financial conditions. At the sub-regional level, growth in the WAMZ and WAEMU also reflected the global economic challenges. In the WAMZ, growth was estimated at 3.3 percent in 2022 against 3.9 percent in 2021. Similarly, in the WAEMU, growth slowed to 5.9 percent from 6.1 percent in 2021. Except for Cabo Verde, Guinea, Mali, and Niger, all countries in the ECOWAS Community recorded lower growth rates in 2022 relative to 2021. The robust performance in Cabo Verde can be attributed largely to a recovery in tourism and related activities, whilst growth in Guinea was mainly supported by the mining sector. The economic developments in Mali and Niger occurred in the context of improved agricultural output supported by good climatic conditions, and the improvement in the business climate.

24. The regional economic developments occurred within an atmosphere of increasing inflationary pressures due to the sustained hike in food and fuel prices. End-period inflation in the Community rose to 21.2 percent in December 2022 from 12.8 percent in December 2021. Similarly, average annual inflation rose to 17.2 percent in 2022 from 13.2 percent in 2021. Inflationary pressures in the region were amplified by supply constraints and exchange rate depreciations in some countries despite central banks' efforts to trim the rising inflation. In the WAMZ, end-period inflation accelerated to 25.2 percent in December 2022 from 15.1 percent in December 2021, while average inflation rose to 20.2 percent in 2022 from 16.0 percent in 2021. In the WAEMU, end-period inflation stood at 7.1 percent in December 2022 compared to 4.8 percent in December 2021, while average inflation rose to 7.0 percent in 2022 from 3.6 percent, in 2021.

25. The fiscal situation in the Community was characterised by fiscal pressures amidst concerns for debt sustainability. The aggregate fiscal deficit, including grants, increased to 5.4 percent of GDP in 2022 from 4.6 percent in 2021. Excluding grants, the deficit rose to 5.8 percent of GDP in 2022 from 5.0 percent of GDP in 2021. The deterioration in the fiscal position occurred against the

background of the rising debt servicing costs following the hikes in domestic and external interest rates as well as the increase in transfers and supports to critical sectors to cushion the population against the rising cost of living.

26. Most Member Central Banks (Bank of Ghana (BOG), Bank of Sierra Leone (BSL), Central Bank of West African States (BCEAO), Central Bank of The Gambia (CBG) and Central Bank of Nigeria (CBN)) tightened their monetary policy stances in 2022 to curb the heightened inflationary pressures in the region. The Central Bank of the Republic of Guinea (BCRG) and Bank of Cabo Verde (BCV) kept their policy rates unchanged to support growth and ease liquidity conditions in the banking system. However, the Central Bank of Liberia (CBL) lowered its policy rate to support economic growth.

27. Growth in broad money supply in the region accelerated to 17.8 percent in the 12-month period ended December 2022 from 14.2 percent in the corresponding period of 2021, mainly supported by the growth of domestic claims, particularly net claims on government (NCG).

28. External sector performance in the Community deteriorated, shaped by developments in the global economy. The current account deficit in ECOWAS widened to 1.9 percent of GDP from 1.6 percent of GDP in 2021, mainly attributed to developments in the trade balance. Consequently, the overall balance of payments position worsened to a deficit of 0.9 percent of GDP, from a surplus position of 0.3 percent of GDP in 2021.

2.2 Real Sector

29. In 2022, the aggregate real GDP growth in ECOWAS moderated to 4.0 percent from 4.4 percent in 2021, mainly reflecting the contraction in the secondary (industry) sector and slow growth in the tertiary (services) sector in several Member States. The secondary sector recorded a contraction of 1.5 percent in 2022 from a growth of 1.2 percent in 2021, occasioned by the decline in mining, particularly oil production, in Nigeria and Ghana. The primary sector grew by 3.1 percent against 2.5 percent in 2021, while the tertiary sector expanded at a slower pace, by 6.4 percent compared to 6.7 percent in 2021. These developments were supported by investment in agriculture and improved trade-related services in most countries.

30. In the WAMZ, growth stood at 3.3 percent in 2022 compared to 3.9 percent in 2021, mainly reflecting a contraction in the secondary sector and a slowdown in the primary sector. However, the services sector expanded by 6.5 percent following a growth of 5.9 percent in 2021, mainly attributed to increased trade and health-related services. The primary sector grew by 2.3 percent compared to 3.0 percent in 2021, largely due to the slow growth of agricultural output in The Gambia, Ghana, Guinea, Liberia and Nigeria.

31. The growth momentums moderated in Ghana (3.1% from 5.1% in 2021) due to slowdown in crops, forestry & logging, fishing and services; in The Gambia (4.9% from 5.3% in 2021) due mainly to slow growth of crops, fishing & aquaculture and contraction in mining; in Liberia (4.8% from 5.0% in 2021) due to slowdown in crops and mining output; in Sierra Leone (3.8% from 4.1% in 2021) occasioned by slowdown in mining output; and in Nigeria (3.3% from 3.4% in

2021) due to contraction in the industry sector. However, growth expanded in Guinea (5.5% from 4.9% in 2021), mainly supported by trade-related services and extractive activity.

32. Economic activity in the WAEMU remained strong at 5.9 percent in 2022, although lower than the 6.1 percent recorded in 2021. The performance reflected the slowdown in the tertiary sector (10.1% from 16.7% in 2021) in 2021. However, the output of the primary and secondary sectors expanded by 9.9 percent and 12.2 percent compared to 2.7 percent and 8.7 percent, respectively, in 2021. The services sector recorded slow growth in all WAEMU countries except Togo, which experienced an expansion in all three sectors.

33. In Cote d'Ivoire, real GDP growth stood at 6.7 percent compared to 7.4 percent in 2021, induced by the performance of the three sectors. The services sector slowed, recording a growth rate of 6.0 percent in 2022 compared to 11.5 percent in 2021, due mainly to weak performance in trade, transport and telecommunication. However, output increased in the primary and secondary sectors. In Senegal, growth was recorded at 4.2 percent against 6.5 percent in 2021. The secondary and tertiary sectors grew at 1.1 percent and 6.7 percent, down from 7.8 percent and 7.5 percent, respectively, due mainly to sluggish outturns from the extractive sub-sector and slowdown in health, education and, scientific and technical services.

Table 1. 4 : Trends in Real GDP Growth in ECOWAS

	2019	2020	2021	2022	2023*
ECOWAS	**3.1**	**-0.8**	**4.4**	**4.0**	**3.9**
WAEMU	**5.6**	**1.8**	**6.1**	**5.9**	**7.0**
BENIN	6.9	3.8	7.2	6.3	6.5
BURKINA FASO	5.7	1.9	6.5	3.0	5.8
COTE D'IVOIRE	6.2	2.0	7.4	6.7	7.2
GUINEE BISSAU	4.5	1.5	6.4	4.2	4.9
MALI	4.8	-1.2	3.1	3.7	5.1
NIGER	5.9	3.6	1.4	11.9	7.8
SENEGAL	4.6	1.3	6.5	4.2	8.8
TOGO	5.5	2.0	6.0	5.8	6.6
WAMZ	**2.7**	**-1.4**	**3.9**	**3.3**	**3.1**
GAMBIA, THE	6.7	0.6	5.3	4.9	5.8
GHANA	6.5	0.5	5.1	3.1	1.5
GUINEA	5.6	7.0	4.9	5.5	6.1
LIBERIA	-2.5	-3.0	5.0	4.8	4.3
NIGERIA	2.3	-1.9	3.6	3.3	3.2
SIERRA LEONE	5.5	-2.0	4.1	3.8	3.1
CABO VERDE	5.7	-19.3	6.8	17.7	4.4

Sources: Member Central Banks; WAMA; IMF; *Projections

34. In Benin, economic growth was reported at 6.3 percent against 7.2 percent in 2021, reflecting a slowdown in all three sectors. The primary sector (4.8% from 5.2% in 2021) was influenced by output of agriculture and livestock breeding, while the secondary sector (7.9% from 9.1% in 2021) was induced by slow growth of mining, manufacturing and construction. The tertiary sector also slowed to 6.0 percent from 6.6 percent in 2021, occasioned by the sluggish performance in trade, transport and health-related services.

35. In Mali and Niger, real GDP grew by 3.7 percent and 11.9 percent in 2022, against 3.1 percent and 1.4 percent, respectively, in 2021. In both countries, the agriculture sector expanded to 5.4 percent and 27.0 percent from 1.5 percent and -5.1 percent, respectively, in 2021. Similarly, the services sector also expanded, but at a slow pace, to support economic activities in 2022.

36. Growth in Burkina Faso, Guinea Bissau and Togo remained strong, albeit weaker than the output levels in 2021. In Guinea Bissau, growth stood at 4.2 percent against 6.4 percent in 2021, supported mainly by agricultural activity (6.1% from 5.4% in 2021). Growth in the industry and services sectors also expanded but at lower pace. In Burkina Faso, growth was recorded at 3.0 percent, down from 6.5 percent in 2021, on the back of expansion in agriculture (8.7% from -9.0% in 2021) and slow growth in services (6.6% from 13.5% in 2021). The industry sector contracted in 2022. In Togo, growth stood at 5.8 percent compared to 6.0 percent in 2021, occasioned by performance across the three sectors—the primary sector (5.0% from 3.4% in 2021) induced by investment in agriculture, the secondary sector (7.1% from 5.5% in 2021) supported by growth in extractive activity, construction and public works, and the tertiary sector (6.3% from 6.0% in 2021) on the back of increased trade-related services.

37. In Cabo Verde, real GDP expanded by 17.7 percent in 2022 compared to 6.8 percent in 2021, mainly reflecting impressive performance in the tourism sub-sector and related services.

Structure of Economies

38. The tertiary (services) sector remains the largest sector in the region's economy, accounting for 54.8 percent of GDP in 2022 compared to 53.6 percent of GDP in 2021. The primary sector, largely made up of agriculture, forestry and fisheries, accounted for 24.1 percent of GDP in 2022 and stood as the second largest sector in the review period. The secondary (industry) sector, which includes mining, manufacturing and construction sub-sectors constituted 21.1 percent of GDP in the year under review. In the WAEMU Zone, the three sectors (primary, secondary and tertiary), accounted for 20.4 percent, 20.5 percent and 59.1 percent in 2022 respectively, while in the WAMZ Zone, they constituted 25.2 percent, 21.2 percent and 53.5 percent of GDP, respectively.

Table 1. 5 : Sector Share of GDP and Contribution to Growth

	2019	2020	2021	2022	2023*	2019	2020	2021	2022	2023*
	Sector Share of GDP					Sector Contribution to Growth Rate				
ECOWAS						**3.1**	**-0.8**	**4.4**	**4.0**	**3.9**
Primary	24.3	24.6	24.2	24.1	23.6	0.7	0.7	0.6	0.8	0.9
Secondary	23.1	22.9	22.1	21.1	21.9	0.8	-0.8	0.2	-0.3	1.0
Tertiary	52.8	52.5	53.6	54.8	54.5	1.6	-0.8	3.4	3.5	2.0
WAEMU						**5.6**	**1.8**	**6.1**	**5.9**	**6.9**
Primary	21.2	21.5	20.4	20.4	19.7	0.9	0.9	0.0	1.3	1.0
Secondary	20.9	20.7	20.5	20.5	21.4	1.5	0.2	1.1	1.2	2.1
Tertiary	57.8	57.9	59.1	59.1	58.8	3.2	0.8	5.0	3.5	3.8
WAMZ						**2.7**	**-1.4**	**3.9**	**3.3**	**3.1**
Primary	24.9	25.6	25.5	25.2	24.8	0.6	0.7	0.8	0.6	0.9
Secondary	23.4	23.5	22.6	21.2	22.0	0.7	-1.0	0.0	-0.7	0.7
Tertiary	51.7	50.9	51.9	53.5	53.2	1.3	-1.1	3.1	3.4	1.5
CABO VERDE						**5.7**	**-19.3**	**6.8**	**17.7**	**4.4**
Primary	6.4	5.6	5.8	5.8	5.8	-0.4	0.4	0.2	-0.7	0.2
Secondary	24.1	21.3	22.2	22.2	22.2	1.4	-1.5	2.5	1.0	1.2
Tertiary	69.5	73.1	72.0	72.0	72.0	4.7	-14.9	4.2	17.4	3.0

Source: Central Banks; WAMA; *Projections

39. Regarding the sectors' contributions to the Community's growth rate of 4.0 percent in 2022, the primary, secondary and tertiary sectors contributed 0.8 percentage point, -0.3 percentage point and 3.5 percentage points, compared to 0.6 percentage point, 0.2 percentage point, and 3.4 percentage points, respectively, in 2021.

Inflation

40. During the review period, inflationary pressures heightened in the region, mainly reflecting escalating fuel and food prices and high exchange rate pass-through effects. End-period inflation

accelerated to 21.2 percent in December 2022 from 12.8 percent in December 2021. The average inflation rate in the Community also rose to 17.2 percent from 13.2 percent in 2021.

41. In the WAEMU Zone, end-period inflation rose to 7.1 percent in December 2022 from 4.8 percent in December 2021. The acceleration in the general price level, in all the countries of the Union except Benin was essentially influenced by increases in prices of imported and domestic food products as well as fuel. The rise in inflation can also be attributed to supply chain disruption from China due to its zero-tolerance COVID-19 policy, rising shipping costs, as well as national security challenges in some Member States. Higher levels of inflation (end-period) were reported in Burkina Faso (9.6% from 8.0%), Côte d'Ivoire (5.1% from 4.2%) Guinea Bissau (7.9% from 5.8%), Niger (5.2% from 4.9%), Mali (8.6% from 6.3%), Senegal (13.3% from 3.3%) and Togo (7.9% from 5.8%). The end-period inflation rate in the zone is, however, expected to moderate to 2.9 percent in December 2023.

Table 1. 6: Inflation (end-period)

	2019	2020	2021	2022	2023*
ECOWAS	**9.7**	**13.1**	**12.8**	**21.2**	**17.1**
WAEMU	**-0.2**	**2.7**	**4.8**	**7.1**	**2.9**
BENIN	0.5	2.5	3.3	2.7	1.8
BURKINA FASO	-3.2	3.8	8.0	9.6	2.7
COTE D'IVOIRE	1.6	2.4	4.2	5.1	4.4
GUINEE BISSAU	-0.1	1.4	5.8	7.9	5.0
MALI	-3.3	2.5	6.3	8.6	3.0
NIGER	-2.0	3.1	4.9	5.2	3.0
SENEGAL	0.7	2.5	3.3	13.3	-0.8
TOGO	0.1	2.9	5.8	7.9	3.7
WAMZ	**11.7**	**15.1**	**15.1**	**25.2**	**21.2**
GAMBIA, THE	7.7	5.7	7.6	13.7	10.4
GHANA	7.9	10.4	12.6	54.1	31.3
GUINEA	9.1	10.6	12.5	8.6	8.4
LIBERIA	20.3	13.1	5.5	9.2	6.5
NIGERIA	12.0	15.8	15.6	21.3	20.1
SIERRA LEONE	13.9	10.5	17.9	37.1	30.0
CABO VERDE	**1.9**	**-0.9**	**5.4**	**7.6**	**4.3**

Sources: Central Banks, WAMA, IMF; * Projections

42. In the WAMZ, end-period inflation remained elevated at 25.2 percent in December 2022, up from 15.1 percent in December 2021. Inflation soared in Nigeria (21.3% from 15.6%), Ghana (54.1% from 12.6%), Sierra Leone (37.1% from 17.9%), The Gambia (13.7% from 7.6) and Liberia (9.2% from 5.5%). Similarly, inflation rose in Cabo Verde to 7.6 percent from 5.4 percent in 2021, mainly due to local currency depreciation and rising food and fuel prices. However, in Guinea, end-period inflation moderated to 8.6 percent in December 2022 from 12.5 percent in December 2021, reflecting the strengthening of the domestic currency.

43. End-period inflation in the WAMZ and Cabo Verde is projected to decline to 21.8 percent and 4.3 percent, respectively, in December 2023, with moderation expected in all countries of the Zone and Cabo Verde. However, end-period inflation rates are expected to remain double-digit in The Gambia, Ghana, Nigeria and Sierra Leone in December 2023.

2.3 Fiscal Sector

44. Despite the ongoing fiscal consolidation efforts, the Community continued to face fiscal pressures. The aggregate fiscal deficit on commitment basis (excluding grants) increased to 5.8 percent of GDP in 2022 from 5.0 percent of GDP in 2021. The fiscal deficit worsened in eight (8) countries (Burkina Faso, Côte d'Ivoire, The Gambia, Ghana, Liberia, Nigeria, Sierra Leone

and Togo) compared to six (6) in 2021 (Benin, Burkina Faso, Liberia, Niger, Nigeria and Sierra Leone). Including grants, the deficit rose to 5.4 percent of GDP in 2022 from 4.6 percent in 2021. The deterioration in the fiscal position occurred against the backdrop of higher subsidies, interest payments and other social supports.

45. In the WAMZ, the fiscal deficits—excluding and including grants—increased to 5.2 percent of GDP and 5.1 percent of GDP in 2022 from 4.5 percent of GDP and 4.4 percent of GDP in 2021. The deficit (excluding grants) rose in The Gambia to 10.3 percent of GDP in 2022 from 10.0 percent of GDP in 2021, arising from increases in wages, subsidies and transfers. In Ghana, it rose to 12.0 percent of GDP from 8.7 percent of GDP in 2021 due to increase in interest payments, transfers and domestically financed capital expenditure. In Liberia, it rose to 2.2 percent of GDP from 0.9 percent of GDP in 2021, mainly due to an increase in capital expenditure, goods and services, as well as transfer payments. In Nigeria, the budget deficit (excluding grants) increased to 4.2 percent of GDP from 3.9 percent of GDP in 2021, explained by the increase in interest and transfer payments as well as wages and salaries. The budget deficit increased in Sierra Leone to 16.7 percent of GDP from 12.0 percent of GDP in 2021 due to increased interest payments, transfers and subsidies, goods and services as well as capital expenditure. However, in Guinea, the budget deficit declined to 1.2 percent of GDP from 2.3 percent of GDP in 2021, due to lower subsidies and transfers as well as wages and salaries.

46. In the WAEMU, the deficit (excluding and including grants) rose to 7.8 percent of GDP and 6.6 percent of GDP in 2022, from 6.9 percent of GDP and 5.4 percent of GDP, respectively, in 2021, reflecting continued government supports to crucial sectors of the economy. The deficit (excluding grants) rose in Burkina Faso to 10.7 percent of GDP in 2022 from 8.4 percent of GDP in 2021, Cote d'Ivoire (7.4% of GDP from 5.4% of GDP in 2021), and Togo (10.8% of GDP from 6.5% of GDP in 2021). In Burkina Faso, the increase in the deficit was due to higher expenditure on security and transfer payments. In Cote d'Ivoire, the increase was due to higher capital expenditure and interest payments. In Togo, the increase was mainly due to transfer payments and subsidies, capital expenditure as well as interest payments.

47. However, the deficit moderated in Benin (6.0% of GDP from 6.7% of GDP in 2021), Guinea Bissau (10.1% of GDP from 10.8% of GDP in 2021), Mali (6.1% of GDP from 5.5% of GDP) and Niger (11.5% of GDP from 13.4% of GDP). In Benin, the deficit position can be explained by a general improvement in tax revenue coupled with a decline in interest payments. In Guinea Bissau, the deficit moderated due to an increase in non-tax revenue and a moderation in expenditure on goods and services and interest payments. In Mali, the moderation is mainly due to a contraction in capital expenditure, while in Niger, the deficit moderated due to a contraction in capital expenditure as well as goods and services. In Senegal, the deficit declined to 6.9 percent of GDP in 2022 from 7.2 percent of GDP in 2021, reflecting a base drift effect.

48. In Cabo Verde, the fiscal situation improved as the budget deficit (excluding grants) declined to 4.8 percent of GDP from 9.4 percent of GDP a year earlier, reflecting ongoing fiscal consolidation efforts and improved tax revenue.

Table 1. 7 : Budget Deficit (excluding grants) as percent of GDP in ECOWAS

	2019	2020	2021	2022	2023*
ECOWAS	**3.5**	**5.1**	**5.0**	**5.8**	**5.5**
WAEMU	**4.2**	**7.4**	**6.9**	**7.8**	**6.8**
BENIN	1.6	5.1	6.7	6.0	5.0
BURKINA FASO	4.8	8.1	8.4	10.7	8.4
COTE D'IVOIRE	3.1	6.0	5.4	7.4	5.9
GUINEE BISSAU	7.5	13.1	10.8	10.1	7.8
MALI	3.6	6.6	5.5	6.1	5.6
NIGER	10.4	12.1	13.4	11.5	10.9
SENEGAL	5.6	8.7	7.2	6.9	6.8
TOGO	1.6	9.5	6.5	10.8	10.5
WAMZ	**3.4**	**4.7**	**4.5**	**5.2**	**5.1**
GAMBIA, THE	8.2	12.1	10.0	10.3	9.2
GHANA	4.4	10.8	8.7	12.0	6.0
GUINEA	1.0	3.1	2.3	1.2	4.4
LIBERIA	0.9	0.8	0.9	2.2	0.0
NIGERIA	3.3	3.8	3.9	4.2	5.0
SIERRA LEONE	6.3	11.5	12.0	16.7	11.0
CABO VERDE	5.0	11.1	9.4	4.8	6.9

*Sources: Central Banks, WAMA, IMF; *Projections*

Public Debt Stock

49. The stock of public debt of the region stood at 36.6 percent of GDP at end-December 2022 compared to 35.6 percent of GDP at end-December 2021, driven by exchange rate depreciation in some Member States.

50. In the WAEMU, total public debt at end-December 2022 rose to 57.6 percent of GDP from 54.5 percent of GDP in 2021. The debt ratio increased in six (6) countries (Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Senegal and Togo) while it reduced in Mali and remained flat in Niger. The domestic component of the public debt stood at 22.4 percent of GDP compared to 20.4 percent of GDP at end-December 2021 while the external debt component was 34.9 percent of GDP compared to 34.2 percent of GDP a year ago. Total public debt in the zone is projected to moderate to 55.7 percent of GDP in 2023, reflecting moderation in fiscal pressures.

51. In the WAMZ, public debt stock stood at 30.3 percent of GDP at end-December 2022 compared to 30.0 percent of GDP a year earlier, occasioned mainly by exchange rate depreciation. At end-December 2023, public debt stock is expected to moderate to 29.8 percent of GDP, broadly reflecting reduction in the debt-to-GDP ratio in Nigeria.

52. The public debt-to-GDP ratio remained relatively low and stable in Nigeria (22.9% compared to 22.5% in 2021). In Guinea, the ratio declined to 34.8 percent from 42.5 percent in 2021, attributed to debt relief by bilateral partners, particularly China. Also, the ratio declined in The Gambia (80.8% from 84.3%) and Ghana (71.2% from 76.2%) mainly reflecting the base drift effects. It, however, increased in Liberia (50.6% from 49.4%) and Sierra Leone (95.1% from 79.8%) due mainly to exchange rate depreciation.

53. Cabo Verde, which has the highest debt ratio in the Community recorded a debt-to-GDP ratio of 120.9 percent at end-December 2022 down from 143.7 percent at end-December 2021. The decline in the ratio is mainly explained by the effect of GDP rebasing. The ratio is projected at 126.3 percent at end-December 2023.

Table 1. 8 : Total Public Debt (Percent of GDP)

	2019	2020	2021	2022	2023*
ECOWAS	**24.2**	**30.4**	**35.6**	**36.6**	**36.7**
WAEMU	**43.6**	**49.4**	**54.5**	**57.3**	**55.7**
BENIN	41.3	36.9	49.8	54.1	53.8
BURKINA FASO	42.2	46.2	53.3	53.9	60.0
COTE D'IVOIRE	37.9	46.3	50.9	56.7	51.4
GUINEE BISSAU	61.1	71.6	78.1	78.5	76.7
MALI	40.6	47.3	50.7	52.5	52.7
NIGER	39.1	45.0	50.8	50.8	54.9
SENEGAL	57.1	63.1	67.4	68.2	65.1
TOGO	51.9	60.1	63.0	65.8	65.2
WAMZ	**20.2**	**26.5**	**30.0**	**30.3**	**29.8**
GAMBIA, THE	80.3	84.9	84.3	80.8	75.0
GHANA	62.4	74.4	76.2	71.2	72.5
GUINEA	36.9	43.6	42.5	34.8	35.3
LIBERIA	42.0	52.6	49.4	50.6	55.3
NIGERIA	15.6	21.3	22.5	22.9	21.9
SIERRA LEONE	61.0	76.0	79.8	95.1	92.2
CABO VERDE	**130.4**	**140.8**	**143.7**	**120.9**	**126.3**

Sources: Ministry of Economy & Finance of Member States, WAMA, WAEMU Commission, IMF; *Projections

2.4 Monetary Sector

54. Central Banks of ECOWAS Member States adopted restrictive policy stances in 2022 to rein in the persistent inflationary pressures in the region. The BOG, BSL, BCEAO, CBG and CBN adopted a tighter policy stance to counter the pressures. The BCRG and BCV kept their policy rate unchanged to support growth and ease liquidity conditions in the banking system despite the rising inflation. On the other hand, the CBL reduced its policy rate to support growth.

Table 1. 9 : Key Interest Rates in the ECOWAS Region

ZONES	INTEREST RATE	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
WAEMU	Savings (Average)	5.52	5.30	5.18	5.34	5.16
	Commercial loans (on average)	6.80	6.70	6.59	6.27	6.48
	Call for tenders rate (end-period) - MPR	2.50	2.50	2.00	2.00	2.75
	Pension rate (end of period)	4.50	4.50	4.00	4.00	4.75
	Treasury bill (90 days), on average	6.06	4.85	2.94	2.61	2.63
C. VERDE	Savings (Average)	3.10	3.10	3.10	3.10	-
	Commercial loans (on average)	10.10	9.90	9.83	-	-
	Policy rate (end of period)	1.50	1.50	0.25	0.25	0.25
	Treasury bill (90 days), on average	1.00	1.00	1.00	-	-
GAMBIA, THE	Savings (Average)	4.30	4.30	4.30	-	-
	Commercial loans (on average)	21.50	20.00	20.00	-	-
	Policy rate (end of period)	13.50	12.50	10.00	10.00	13.00
	Treasury bill (90 days), on average	5.00	2.30	2.77	3.15	3.69
GHANA	Savings (Average)	7.55	7.55	7.59	7.63	7.63
	Commercial loans (on average)	26.86	23.60	21.96	20.61	26.23
	Policy rate (end of period)	17.00	16.00	14.50	14.50	27.00
	Treasury bill (90 days), on average	14.56	14.69	14.19	12.82	23.62
GUINEA	Savings (Average)	2.79	2.57	2.76	2.70	-
	Commercial loans (on average)	21.48	22.25	12.18	22.50	-
	Policy rate (end of period)	12.50	12.50	11.50	11.50	11.50
	Treasury bill (90 days), on average	8.86	6.66	11.50	12.29	-
LIBERIA	Savings (Average)	2.10	2.10	2.10	2.10	2.10
	Commercial loans (on average)	12.80	12.40	12.44	12.44	12..44
	Policy rate (end of period)	na	30.00	25.00	20.00	15.00
	Treasury bill (90 days), on average	3.30	3.80	na	6.00	0.26
NIGERIA	Savings (Average)	4.07	3.89	3.22	1.69	-
	Commercial loans (on average)	30.66	30.23	28.64	28.06	28.37
	Policy rate (end of period)	14.00	13.50	11.50	11.50	16.50
	Treasury bill (90 days), on average	10.90	7.10	1.64	2.16	3.56
S. LEONE	Savings (Average)	3.25	3.25	2.50	2.38	2.25
	Commercial loans (on average)	19.50	20.17	20.68	20.89	19.94
	Policy rate (end of period)	16.50	16.50	14.00	14.25	17.00
	Treasury bill (90 days), on average	7.80	8.83	8.00	4.11	3.86

Source: Member Central Banks

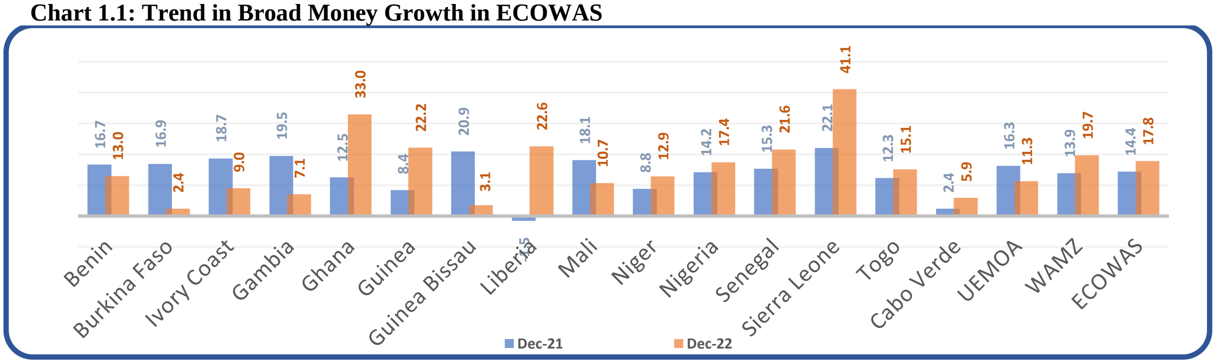
55. The CBN increased its policy rate cumulatively to 16.5 percent at end-December 2022 from 11.5 percent at the end of the previous year. The BOG also increased its policy rate by cumulatively by 1,250 basis points from 14.5 percent in December 2021 to 27.0 percent in November 2022 to tighten liquidity conditions in the banking system and rein in inflation. The CBG and BSL raised

their policy rates to 13.0 percent and 17.0 percent at end-December 2022 from 10.0 percent and 14.25 percent, respectively at end-December 2021. The BCEAO raised its key rates, the minimum liquidity injection and the marginal lending rates, by 75 basis points each to stand at 2.75 percent and 4.75 percent, respectively at the end of December 2022, against 2.00 percent and 4.00 percent at the end of December 2021. The BCRG and CBV maintained the monetary policy rate at 11.5 percent and 0.25 percent, respectively, in 2022.

56. The average T-bill rates in Member States generally trended upward in 2022. In Nigeria, the T-bill rate increased by 140 basis points to an average of 3.56 percent from 2.16 percent in 2021. The T-bill rates increased in WAEMU by 20.0 basis points (2.63% from 2.61%), Ghana by 1,080.0 basis points (23.62% from 12.82%), and The Gambia by 54 basis points (3.69% from 3.15%). However, Liberia scaled down the issuance of T-bills, hence, the rate reduced to 0.26 percent from 6.0 percent in 2021.

57. Regarding monetary aggregates, broad money supply expanded in the Community by 17.8 percent at end-December 2022 from a growth of 14.4 percent in the corresponding period of 2021, mainly supported by the growth of net domestic assets (NDA), particularly net claims on government (NCG). In the WAMZ, the NCG strengthened by 73.3 percent against 18.4 percent in 2021 while credit to the private sector grew by 20.5 percent from 24.7 percent a year ago. In the WAEMU Zone, the NCG went up by 30.2 percent in 2022 against 26.8 percent in 2021 while the growth of credit to the private sector stood at 13.8 percent compared to 18.6 percent in 2021. The growth of NCG in both zones was reinforced by the on-lending of IMF resources to governments by central banks in the region. Credit to the private sector also grew in the zones to strengthen the expansion in the Community's money supply. Year-on-year, growth in broad money supply in the WAMZ stood at 19.7 percent at end-December 2022 from 13.9 percent in 2021 and in WAEMU by 11.3 percent from 16.3 percent. The zonal development in the overall money supply was boosted by domestic claims.

Chart 1.1: Trend in Broad Money Growth in ECOWAS



58. Net Foreign Assets (NFA) contracted at end-December 2022, in the WAMZ (by -78% from -2.5%) and in the WAEMU (by -42.5% from 8.5%) due to declines in most central banks' net claims on non-residents. The dynamics in NFA was partly induced by portfolio reversals in some countries and drawdown on SDR holdings in others. With the exception of Cabo Verde, Guinea, and Sierra Leone, which recorded increases in their NFAs, the rest of the Member States witnessed contractions in their respective NFAs in 2022.

Table 1. 10: Trends in Monetary Aggregates in the WAMZ Zone and Cabo Verde (% Change)

		Dec-19	Dec-20	Dec-21	Dec-22
WAMZ	**Broad Money (M2)**	**8.4**	**13.8**	**13.9**	**19.7**
	Net Claims on Government	94.5	23.2	18.4	73.3
	Claims on Private Sector	14.9	-21.4	24.7	20.5
	Net Foreign Assets	-39.5	47.4	-2.5	-78.0
	Other items Net	6.4	-80.4	672.5	87.5
GAMBIA, THE	**Broad Money (M2)**	**27.1**	**22.0**	**19.5**	**7.1**
	Net Claims on Government	-0.3	12.3	21.5	13.2
	Claims on Private Sector	35.7	0.8	20.7	25.0
	Net Foreign Assets	61.3	45.0	19.0	-9.7
	Other items Net	-15.4	22.8	28.5	-11.8
GHANA	**Broad Money (M2+)**	**21.4**	**29.7**	**12.5**	**33.0**
	Net Claims on Government	24.2	101.6	9.2	62.7
	Claims on Private Sector	23.7	-3.6	14.4	23.5
	Net Foreign Assets	39.4	-9.7	-59.5	-261.1
	Other items Net	60.6	16.8	-55.5	-26.1
GUINEA	**Broad Money (M2)**	**22.9**	**23.0**	**8.4**	**22.2**
	Net Claims on Government	9.2	37.5	-0.8	-5.6
	Claims on Private Sector	22.5	8.0	6.7	24.2
	Net Foreign Assets	37.3	27.3	13.1	47.6
	Other items Net	7.0	35.6	-10.2	-3.1
LIBERIA	**Broad Money (M2)**	**19.8**	**5.2**	**-1.5**	**22.6**
	Net Claims on Government	53.2	20.6	-21.8	25.1
	Claims on Private Sector	11.6	-7.8	-11.4	18.6
	Net Foreign Assets	1.9	-4.1	104.4	-33.5
	Other items Net	38.7	5.3	-27.2	4.7
NIGERIA	**Broad Money (M3)**	**6.4**	**11.6**	**14.2**	**17.4**
	Net Claims on Government	105.4	13.8	20.4	78.2
	Claims on Private Sector	13.6	-24.4	26.8	19.9
	Net Foreign Assets	-51.0	54.6	4.2	-54.5
	Other items Net	-0.1	-95.3	804.0	110.3
SIERRA LEONE	**Broad Money (M2)**	**14.3**	**38.2**	**22.1**	**41.1**
	Net Claims on Government	16.2	36.8	19.6	34.3
	Claims on Private Sector	28.4	3.1	26.6	18.0
	Net Foreign Assets	10.5	49.4	8.7	3.2
	Other items Net	30.6	9.7	-1.0	-74.8
CABO VERDE	Broad Money (M2)	**8.1**	**4.1**	**2.4**	**5.9**
	Net Claims on Government	4.2	-25.6	-0.6	16.7
	Claims on Private Sector	3.9	10.2	1.7	4.8
	Net Foreign Assets	24.8	-9.9	5.2	8.3
	Other items Net	27.9	-60.5	1.9	42.1

Source: Central Banks of WAMZ Member States, BCV, WAMA

59. In Nigeria, broad money supply (M3) expanded by 17.4 percent at end-December 2022 against 14.2 percent in the same period of 2021, induced by domestic claims including NCG (78.2% from 20.4%) and credit to the private sector (19.9% from 26.8%). However, NFA contracted by 54.5 percent against a growth of 4.2 percent in 2021. A similar trend in broad money supply was observed in other Member States. In Ghana, broad money (M2+) expanded by 33.0 percent in 2022 compared to 12.5 percent in 2021, occasioned by growth in NDA, including expansions in NCG and credit to the private sector. In Cote d'Ivoire, broad money (M2) rose by 9.0 percent compared to 18.7 percent in 2021, supported mainly by NCG. In Senegal, M2 grew by 21.6 percent at end-December 2022 compared to 15.3 percent a year ago, driven by NDA, as NFA contracted.

Table 1. 11 : Trends in Monetary Aggregates in the WAEMU Zone (% Change)

		Dec-19	Dec-20	Dec-21	Dec-22
WAEMU	**Broad Money (M2)**	**10.4**	**16.5**	**16.3**	**11.3**
	Net Claims on Government (NCG)	0.1	52.1	26.8	30.2
	Claims on Private Sector	8.2	4.6	18.6	13.8
	Net Foreign Assets (NFA)	35.2	2.9	8.5	-42.5
	Other items Net (OIN)	-11.0	-6.4	-40.1	-3.4
Benin	**Broad Money (M2)**	**6.0**	**17.3**	**16.7**	**13.0**
	Net Claims on Government (NCG)	-285.8	125.2	236.3	104.8
	Claims on Private Sector	-38.0	-6.0	10.7	21.9
	Net Foreign Assets (NFA)	3.8	24.9	38.8	0.5
	Other items Net (OIN)	88.9	-43.3	-70.1	-1.4
Burkina Faso	**Broad Money (M2)**	**9.1**	**17.8**	**16.9**	**2.4**
	Net Claims on Government (NCG)	165.5	26.7	-134.6	523.5
	Claims on Private Sector	11.1	9.7	10.1	16.3
	Net Foreign Assets (NFA)	4.5	31.5	32.9	-25.2
	Other items Net (OIN)	-49.4	-19.1	36.9	-37.7
Côte d'Ivoire	**Broad Money (M2)**	**10.8**	**21.1**	**18.7**	**9.0**
	Net Claims on Government (NCG)	20.4	40.0	18.1	27.7
	Claims on Private Sector	7.6	10.6	13.6	10.9
	Net Foreign Assets (NFA)	22.9	25.7	34.0	-7.6
	Other items Net (OIN)	-41.0	-16.1	-23.4	-27.1
Guinee Bissau	**Broad Money (M2)**	**0.3**	**9.1**	**20.9**	**3.1**
	Net Claims on Government (NCG)	13.8	-19.7	55.4	32.7
	Claims on Private Sector	4.4	3.4	5.7	25.8
	Net Foreign Assets (NFA)	-6.6	24.2	22.4	-19.3
	Other items Net (OIN)	10.4	-34.7	-22.4	37.0
Mali	**Broad Money (M2)**	**9.0**	**22.2**	**18.1**	**10.7**
	Net Claims on Government (NCG)	-37.1	72.0	32.8	78.6
	Claims on Private Sector	2.2	5.1	16.0	16.5
	Net Foreign Assets (NFA)	84.3	78.1	-5.6	-47.6
	Other items Net (OIN)	23.8	-37.7	21.8	-37.9
Niger	**Broad Money (M2)**	**15.1**	**17.0**	**8.8**	**12.9**
	Net Claims on Government (NCG)	-90.4	636.5	-24.6	54.7
	Claims on Private Sector	16.5	8.7	16.5	13.5
	Net Foreign Assets (NFA)	98.2	-12.7	25.2	-0.2
	Other items Net (OIN)	-9.9	27.8	-71.0	-3.8
Senegal	**Broad Money (M2)**	**8.2**	**12.3**	**15.3**	**21.6**
	Net Claims on Government (NCG)	19.0	157.1	29.6	51.5
	Claims on Private Sector	6.7	2.1	13.4	22.4
	Net Foreign Assets (NFA)	8.0	-4.6	7.6	-3.1
	Other items Net (OIN)	-6.8	-19.1	-13.2	-29.6
Togo	**Broad Money (M2)**	**4.5**	**11.6**	**12.3**	**15.1**
	Net Claims on Government (NCG)	-78.7	-67.2	-50.5	2461.9
	Claims on Private Sector	4.1	2.2	10.6	17.0
	Net Foreign Assets (NFA)	30.0	33.5	12.4	-1.7
	Other items Net (OIN)	22.1	-30.5	8.3	-27.5

Source: Central Banks of WAEMU Member States, WAMA

2.5 External Sector

60. The current account deficit remained stable at 1.6 percent of GDP in both 2022 and 2021. In the WAMZ, the current account position stood at a surplus of 0.2 percent of GDP compared to a deficit of 0.5 percent of GDP in 2021, reflecting improved trade performance in Nigeria and Ghana. The current account balance in Nigeria improved to a surplus of US$1.0 billion (0.2% of GDP) in 2022 from a deficit of US$3.3 billion (0.8% of GDP in 2021) in 2021, reflecting the

decline in the trade deficit and the sustained surplus of the secondary income balance. In Ghana, the current account deficit narrowed to US$1,516.9 million (2.1% of GDP) in 2022 from US$2,541.4 million (3.2% of GDP) in 2021, largely attributed to the improvement in the surplus in the merchandise trade balance.

61. The current account deficit in Sierra Leone widened to 9.1 percent of GDP from 8.5 percent of GDP in 2021 due to the depreciation of the domestic currency. However, in absolute terms, the current account improved to US$353.2 million in 2022 from US$360.6 million in 2021. In Guinea, the current account balance recorded a surplus of US$3,332.6 million (15.7% of GDP) in 2022, against a surplus of US$5,062.83 million (30.7% of GDP) a year earlier due to a significant decline in the trade surplus. In Liberia, the deficit of the current account balance widened in absolute terms by 5.7 percent to US$629.0 million (15.8% of GDP) in 2022, from US$595.1 million (17.0% of GDP) in the preceding year, occasioned by an increase in the trade deficit and reduction of the secondary income surplus. In The Gambia, the current account deficit widened to US$112.5 million (4.9% of GDP) in 2022 from US$91.4 million (4.6% of GDP) in 2021 due to higher import bills, which offset the growth in total exports.

62. In the WAEMU, the current account balance recorded a deficit (9.5% of GDP from 5.6% of GDP) occasioned by worsening of the trade balance in most countries of the zone. In Cote d'Ivoire, the current account deficit widened to CFAF3,005.2 billion (6.9% of GDP) from CFAF1,593.82 billion (4.0% of GDP) in 2021, attributable to the worsening of the merchandise trade balance and the balances of services and primary income. In Benin, the current account deficit widened to CFAF607 billion (5.6% of GDP) from CFAF 407 billion (4.2% of GDP) in 2021, mainly due to the deterioration of the trade deficit reflecting an increase in the imports bill, particularly, petroleum products. In Burkina Faso, the current account balance worsened to a deficit of CFAF663.7 billion (5.8% of GDP) from a surplus of CFAF42.8 billion (0.4% of GDP) in 2021, induced by a decline in merchandise trade surplus and widening of the deficit of the services account (net). The current account deficit in Guinea Bissau widened to CFAF83.1 billion (7.4% of GDP) from a deficit of CFAF7.8 billion (0.8% of GDP) in 2021, largely due to the increase in the trade balance.

63. In Niger, the current account deficit worsened to CFAF1,497.0 billion (15.6% of GDP) from CFAF1,164.0 billion (14.1% of GDP) in 2021, mainly reflecting the deterioration in the trade balance. In Mali, the current account deficit widened in nominal terms to CFAF822.05 billion (7.0% of GDP) from CFAF819.7 (7.7% of GDP) in 2021, mainly on account of the deterioration in the trade balance. In Senegal, the current account deficit worsened to CFAF3,654.9 billion (21.7% of GDP) in 2022 from CFAF1,845.0 billion (12.0% of GDP) in 2021, due to worsening of the trade balance as well as the primary income account. In Togo the current account deficit widened to CFAF125.6 billion (2.5% of GDP) from CFAF40.8 billion (0.9% of GDP) in 2021, largely on account of worsening of the merchandise trade deficit and decline in the surplus of the services account.

64. In Cabo Verde, the current account deficit narrowed significantly to CVE8,240.18 billion (3.4% of GDP) from CVE23,083.36 billion (11.8% of GDP) in 2021, broadly reflecting improved trade balance and the narrowing of the deficits in the primary and secondary income accounts.

Table 1. 12 : Current Account Balance (% of GDP)

	2019	2020	2021	2022	2023*
ECOWAS	**0.8**	**-3.5**	**-1.6**	**-1.9**	**-2.4**
WAEMU	**-5.1**	**-4.3**	**-5.6**	**-9.5**	**-6.6**
BENIN	-4.0	-1.7	-4.2	-5.6	-4.6
BURKINA FASO	-3.3	2.6	0.4	-5.3	3.2
COTE D'IVOIRE	-2.3	-3.1	-4.0	-6.9	-6.1
GUINEE BISSAU	-8.4	-2.5	-0.8	-7.4	-5.9
MALI	-7.5	-2.2	-7.7	-7.0	-3.4
NIGER	-12.2	-13.2	-14.1	-15.6	-12.9
SENEGAL	-8.1	-10.9	-12.0	-21.2	-16.1
TOGO	-0.8	-0.3	-0.9	-2.5	-1.2
WAMZ	**-3.0**	**-3.3**	**-0.5**	**0.2**	**-1.2**
GAMBIA, THE	-2.0	-4.8	-4.6	-4.9	-5.1
GHANA	-2.7	-3.0	-3.2	-2.1	-2.8
GUINEA	-2.3	18.5	30.7	15.7	-5.2
LIBERIA	-21.4	-17.9	-17.0	-15.8	-17.0
NIGERIA	-2.9	-3.7	-0.8	0.2	-0.6
SIERRA LEONE	-14.9	-6.8	8.5	9.1	-7.3
CABO VERDE	-1.0	-15.3	-11.8	-3.4	-5.0

Source: Member Central Banks; *Projections

65. The overall balance of payment position in the region was recorded at a deficit of 1.2 percent of GDP in 2022 against a surplus of 0.3 percent of GDP in 2021 due mainly to developments of merchandise trade and services.

Table 1. 13: Overall Balance of Payments (% of GDP)

	2019	2020	2021	2022	2023*
ECOWAS	**1.7**	**0.2**	**0.3**	**-1.2**	**-0.3**
WAEMU	**1.6**	**2.1**	**0.5**	**-1.3**	**0.0**
BENIN	0.5	2.7	6.1	0.1	0.2
BURKINA FASO	0.7	4.6	5.8	-5.3	2.6
COTE D'IVOIRE	1.4	1.7	2.8	-0.7	-1.7
GUINEE BISSAU	-1.7	5.8	6.1	5.4	0.3
MALI	2.6	4.5	-0.5	-3.9	0.8
NIGER	4.2	-1.0	1.7	0.0	0.8
SENEGAL	1.1	-0.6	0.9	-0.4	0.3
TOGO	4.0	5.7	2.6	-0.4	3.6
WAMZ	**-0.6**	**-0.2**	**0.2**	**-1.2**	**-0.4**
GAMBIA, THE	-0.1	7.3	11.0	1.9	-2.7
GHANA	2.0	0.5	0.6	-4.9	-3.7
GUINEA	5.3	5.3	0.6	2.4	0.4
LIBERIA	1.0	3.0	10.4	0.0	0.8
NIGERIA	-0.9	-0.4	0.1	-0.7	0.1
SIERRA LEONE	0.5	0.1	3.6	-7.7	-5.6
CABO VERDE	-6.5	4.5	-0.6	-1.1	-0.3

Source: Member Central Banks; *Projections

2.6 Prospects

66. The macroeconomic prospects in the region for 2023 remained positive but expected to fall short of the performance in 2022. In 2023, regional growth is projected to further slow down to 3.9 percent, in the context of the Russia-Ukraine war and other geopolitical tensions coupled with heightened inflationary prices and tightening financing conditions.

67. The growth prospect is expected to occur in the environment of elevated inflation due to rising food and fuel prices amplified by exchange rate and fiscal pressures experienced in some Member States. End-period inflation in the region is projected at 17.1 percent in 2023.

68. The overall fiscal position is expected to improve as the budget deficit (excluding grants) is projected to moderate to 5.5 percent of GDP in 2023, occasioned by ongoing fiscal consolidation efforts and the unwinding of COVID-induced expenditure pressures on government operations in the region. Public debt vulnerability is expected to remain elevated due to exchange rate pressures and financing challenges in some Member States. Consequently, the public debt-to-GDP ratio is projected at 36.7 percent of GDP at end-December 2023.

69. The monetary policy stance of Member Central Banks is expected to remain tight in 2023, within the context of the elevated inflation pressures. On the external front, the current account deficit is anticipated to widen due to weak exports of primary commodities and increased imports.

III. STATUS OF MACROECONOMIC CONVERGENCE IN ECOWAS

3.1 Introduction

70. Under the MCSP, ECOWAS Member States are required to meet the primary macroeconomic convergence criteria on a sustainable basis over the period 2024-2026. The convergence criteria focus on price stability, low budget deficit, adherence to central bank financing rule, and maintenance of adequate levels of gross external reserves. In addition, the benchmarks emphasise debt limits and nominal exchange rate stability.

71. This chapter reviews Member States' performance on the convergence criteria for the period ended December 2022 against the performance of 2021 and also discusses the projections for 2023.

Table 1. 14: Primary and Secondary Criteria

Primary Criteria	**Target**
Budget deficit (including grants and on commitment basis)	≤ 3% of GDP
Average annual inflation (rate)	≤ 5%
Central bank financing of budget deficit	≤ 10% of previous year's tax revenue
Gross external reserves	≥ 3 months of imports of goods and services
Secondary Criteria	**Target**
Ratio of total public debt-to-GDP	≤ 70%
Nominal exchange rate variation	±10% vis a vis the WAUA

Source: WAMA

3.2 Summary of the Macroeconomic Convergence

72. Assessment of Member States' compliance with the primary macroeconomic convergence criteria in 2022 revealed that no Member State satisfied all four (4) primary convergence criteria, the same as the situation in the previous year. The number of Member States that met at least three (3) primary criteria dropped to four (4), namely Benin, Niger, Guinea and Liberia, from 11 in 2021, reflecting poor outturns on the inflation and budget deficit criteria. Initial projections are that the situation will remain unchanged in 2023. However, the number of Member States expected to meet at least three (3) primary criteria is projected to rise to five (5).

Table 1. 15: Number of Primary Criteria met by Member States

	2018	**2019**	**2020**	**2021**	**2022**	**2023***
BENIN	4	4	3	3	3	3
BURKINA FASO	3	3	3	3	2	2
CABO VERDE	4	4	3	3	2	3
COTE D'IVOIRE	4	4	3	3	2	3
GAMBIA, THE	2	3	2	1	1	2
GHANA	2	2	1	2	0	2
GUINEA	3	3	2	3	3	2
GUINEA BISSAU	3	3	3	3	2	2
LIBERIA	1	1	2	3	3	3
MALI	3	4	3	3	2	2
NIGER	4	3	3	3	3	3
NIGERIA	2	1	1	1	1	2
SENEGAL	3	3	3	3	2	2
SIERRA LEONE	1	2	1	1	1	2
TOGO	4	4	3	3	2	2
Met all 4 primary criteria	**5**	**5**	**0**	**0**	**0**	**0**
Met at least 3 primary criteria	**10**	**11**	**9**	**11**	**4**	**5**

Source: ECOWAS Commission; WAMA, IMF; * Projections

73. Overall, no Member State met all the six (6) convergence criteria, and the situation is expected to persist in 2023. However, the number of Member States that met at least five (5) dropped to two (2), namely Benin and Niger from eight (8) countries in 2021.

Table 1. 16: Total Number of Criteria met by Member States

	2018	2019	2020	2021	2022	2023*
BENIN	6	6	5	5	5	5
BURKINA FASO	5	5	5	5	4	4
CABO VERDE	5	5	4	4	3	4
COTE D'IVOIRE	6	6	5	5	4	5
GAMBIA, THE	3	4	3	2	2	3
GHANA	4	4	2	3	0	2
GUINEA	5	5	4	5	4	4
GUINEA BISSAU	5	5	4	4	3	3
LIBERIA	2	2	4	4	4	5
MALI	5	6	5	5	4	4
NIGER	6	5	5	5	5	5
NIGERIA	4	3	3	3	3	4
SENEGAL	5	5	5	5	4	4
SIERRA LEONE	3	4	2	2	1	2
TOGO	6	6	5	5	4	4
Met all 6 Convergence Criteria	**4**	**4**	**0**	**0**	**0**	**0**
Met at least 5 Conv. Criteria	**10**	**10**	**7**	**8**	**2**	**4**

Source: WAMA; * Projections

74. In terms of the number of Member States that met the criteria on budget deficit and central bank financing of the budget deficit, performance remained unchanged but worsened with regards to the criteria on inflation and gross external reserves. With respect to the secondary convergence criteria, performance on the nominal exchange rate variation deteriorated, whilst the target on public debt-to-GDP ratio remained unchanged.

Table 1. 17: Number of Countries that Met the Convergence Criteria in ECOWAS

CRITERIA	TARGET	2018	2019	2020	2021	2022	2023*
Primary Criteria							
Budget deficit (commit. basis, including grants)	≤3%	8	8	2	2	2	2
Average annual inflation rate	≤5%	12	9	9	9	2	4
Central bank financing of budget deficit	≤10%	11	13	12	12	11	14
Gross external reserves	≥3	12	14	13	15	14	15
Secondary Criteria							
Nominal exchange rate variation	±10%	14	14	15	14	11	13
Ratio of public debt to GDP	≤70%	13	13	10	10	10	10

Sources: WAMA, ECOWAS; *Projections

3.3 Analysis of Performance on the Primary Criteria

Budget Deficit (Including Grants) / GDP ≤ 3 percent

75. Performance regarding the criterion on budget deficit remained unchanged as only Guinea and Liberia met this target both in 2022 and 2021, hence, the best performers as they also met this target on a sustained basis for the past three years. Performance was partly on the back of fiscal restraints under the IMF's Extended Credit Facility (ECF) programme in Liberia and stringent expenditure rationalisation in Guinea. This criterion was missed by 13 countries consistently over the past three years. The highest deficit was recorded in Ghana, a trend observed over the last three years.

Table 1. 18: Ratio of Budget Deficit to GDP (Including Grants)

Overall Budget Deficit/GDP (≤3%)						
	2018	2019	2020	2021	2022	2023*
ECOWAS	**2.9**	**3.2**	**4.5**	**4.6**	**5.4**	**5.1**
WAEMU	**3.4**	**2.6**	**5.5**	**5.4**	**6.6**	**5.2**
WAMZ	**2.8**	**3.3**	**4.3**	**4.4**	**5.1**	**5.0**
CABO VERDE	2.7	1.8	8.3	7.4	4.0	5.3
BENIN	2.9	0.5	3.8	5.7	5.5	4.3
BURKINA FASO	4.3	3.4	5.2	6.1	8.5	6.3
COTE D'IVOIRE	2.9	2.3	5.4	4.9	6.8	5.2
GUINEA BISSAU	4.4	3.6	9.3	7.3	6.5	4.2
MALI	4.7	1.7	5.5	4.9	5.3	5.0
NIGER	3.0	3.6	5.3	5.9	6.8	5.7
SENEGAL	3.7	3.9	6.4	6.3	6.1	5.3
TOGO	0.6	1.3	7.0	5.1	8.3	6.6
GAMBIA, THE	6.0	3.0	3.6	5.8	4.8	2.8
GHANA	3.5	4.1	10.5	8.5	11.8	5.7
GUINEA	1.1	0.5	2.0	1.7	0.7	3.8
LIBERIA	0.3	0.9	-2.2	0.8	2.1	0.0
NIGERIA	2.8	3.3	3.8	3.9	4.2	5.0
SIERRA LEONE	5.2	3.1	5.8	6.6	9.8	8.1

Source: Ministry of Finance, Member States; *Projections

Average Inflation Rate ≤ 5 percent

76. In 2022, inflationary pressures heightened in the region, mostly due to rising energy, fuel and food prices as well as exchange rate depreciation. Performance deteriorated significantly, as only two (2) countries (Benin and Niger) met the average inflation criterion in 2022 against nine (9) in 2021. All WAMZ countries missed this target during the review period. Ghana and Sierra Leone recorded the highest average inflation rates of 31.5 percent and 27.0 percent, respectively, in 2022. In the countries that missed the target, average inflation increased in nine (9) and moderated in only two (2) in 2022 against performance in 2021.

Table 1. 19: Average Inflation Rate in ECOWAS Member States

AVERAGE ANNUAL INFLATION (≤5%)						
	2018	2019	2020	2021	2022	2023*
ECOWAS	**10.1**	**9.3**	**11.0**	**13.2**	**17.2**	**17.7**
WAEMU	**1.1**	**-0.5**	**2.1**	**3.6**	**7.0**	**5.2**
WAMZ	**11.9**	**11.2**	**12.7**	**16.0**	**20.2**	**21.3**
CABO VERDE	1.3	1.1	0.6	1.9	7.9	4.3
BENIN	0.8	-0.9	3.0	1.7	1.4	2.9
BURKINA FASO	1.9	-3.2	1.9	3.9	14.1	5.5
COTE D'IVOIRE	0.6	0.8	2.4	4.2	5.2	4.1
GUINEA BISSAU	1.4	0.2	1.5	3.3	7.9	5.6
MALI	1.8	-3.0	0.5	3.9	9.7	5.5
NIGER	2.7	-2.5	2.9	3.8	4.2	2.3
SENEGAL	0.5	1.0	2.5	2.2	9.7	9.9
TOGO	0.9	0.7	1.8	4.5	7.6	6.8
GAMBIA, THE	5.8	7.1	5.6	5.6	11.5	11.3
GHANA	9.8	9.5	9.9	10.0	31.5	44.0
GUINEA	9.8	9.5	10.6	12.6	10.5	9.2
LIBERIA	23.3	27.0	17.4	7.9	7.6	8.7
NIGERIA	12.1	11.4	13.2	17.0	18.8	18.1
SIERRA LEONE	16.0	14.8	13.2	11.9	27.0	37.8

Sources: Member Central Banks; *Projections

Central Bank Financing of the Budget Deficit: (≤ 10 percent)

77. The performance on the central bank financing of the budget deficit criterion fell in 2022 as 11 Member States met the criterion, down from 12 in 2021. The WAEMU countries, Guinea and Liberia, have consistently met this criterion in the last three years, while Nigeria and Sierra Leone mostly missed the target over the same period.

Table 1.20: Central Bank Financing of Budget Deficit

Central Bank Financing of Budget Deficit (≤10% of previous year tax revenue)						
	2018	**2019**	**2020**	**2021**	**2022**	**2023***
ECOWAS	**14.9**	**49.9**	**31.7**	**13.5**	**70.9**	**0.0**
WAEMU	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
WAMZ	**17.8**	**59.5**	**37.8**	**17.5**	**91.5**	**0.0**
CABO VERDE	0.0	0.0	0.0	0.0	0.0	0.0
BENIN	0.0	0.0	0.0	0.0	0.0	0.0
BURKINA FASO	0.0	0.0	0.0	0.0	0.0	0.0
COTE D'IVOIRE	0.0	0.0	0.0	0.0	0.0	0.0
GUINEA BISSAU	0.0	0.0	0.0	0.0	0.0	0.0
MALI	0.0	0.0	0.0	0.0	0.0	0.0
NIGER	0.0	0.0	0.0	0.0	0.0	0.0
SENEGAL	0.0	0.0	0.0	0.0	0.0	0.0
TOGO	0.0	0.0	0.0	0.0	0.0	0.0
GAMBIA, THE	6.7	0.0	0.0	11.9	24.0	11.0
GHANA	12.9	0.0	46.7	0.0	75.2	0.0
GUINEA	0.0	3.0	1.8	1.6	0.0	0.0
LIBERIA	33.9	27.9	0.0	0.0	0.0	0.0
NIGERIA	18.7	67.4	38.5	20.5	98.0	0.0
SIERRA LEONE	15.2	0.7	21.9	20.0	55.5	0.0

Source: Member States Central Bank, *Projections

Gross External Reserves

78. The gross external reserves criterion was met by 14 Member States in 2022, down from 15 in 2021. Performance with regards to this criterion remains the most satisfactory, hence WAEMU countries, Cabo Verde, The Gambia, Nigeria and Sierra Leone consistently met this target in the past three years. However, with the exception of Nigeria, gross external reserves in months of import cover moderated in Member States in 2022, relative to the performance in the previous year.

Table 1. 21: Gross External Reserves in Months of Imports of Goods & Services

Gross External Reserves in Months of Imports Cover (≥3 months)						
	2018	**2019**	**2020**	**2021**	**2022**	**2023***
ECOWAS	**9.3**	**4.7**	**5.9**	**6.8**	**7.5**	**4.7**
WAEMU Countries	**4.6**	**5.2**	**6.5**	**6.6**	**4.2**	**4.4**
WAMZ	**10.2**	**4.6**	**5.8**	**6.8**	**8.5**	**4.8**
CABO VERDE	5.6	6.9	7.9	7.5	6.0	5.5
GAMBIA, THE	2.7	4.2	6.1	8.8	7.1	7.3
GHANA	3.6	3.8	4.2	4.0	2.8	3.0
GUINEA	2.6	3.1	2.9	4.9	4.7	5.1
LIBERIA	2.4	2.2	2.7	4.5	3.6	4.2
NIGERIA	11.2	4.8	6.1	7.3	9.6	5.1
SIERRA LEONE	3.1	3.2	5.1	5.4	3.2	3.9

Source: Member States Central Bank; *Projections

3.4 Analysis of Performance on the Secondary Criteria

Nominal Exchange Rate Variation

79. In 2022, performance related to nominal exchange rate variation declined as 11 Member States satisfied the criterion, down from 14 in 2021. All WAEMU countries and Cabo Verde met the criterion due to the pegged exchange rate regimes. In the WAMZ, four (4) countries missed the criterion. In Ghana, it was due to high depreciating pressures occasioned by capital outflows and exchange rate pressures, and in Sierra Leone it was due to high foreign exchange demand. Guinea missed the target due to the excess foreign exchange inflows from export receipts and royalties, while increased remittances impacted Liberia's performance.

Table 1. 22: Nominal Exchange Rate Variation (Local currency against WAUA)

Nominal Exchange rate (±10 %)						
	2018	2019	2020	2021	2022	2023*
ECOWAS	**-1.7**	**0.4**	**-7.7**	**-5.4**	**-3.4**	**-7.2**
WAEMU Countries	**2.6**	**-2.8**	**1.0**	**-1.5**	**-5.3**	**2.4**
WAMZ	**-2.5**	**1.0**	**-9.3**	**-6.5**	**-2.9**	**10.0**
CABO VERDE	**2.6**	**-2.8**	**1.0**	**-1.5**	-5.3	2.4
GAMBIA, THE	5.4	-1.8	-2.4	-1.3	-1.1	-1.2
GHANA	-7.0	-9.9	-6.8	-8.3	-24.6	-23.6
GUINEA	-3.2	-2.8	-4.8	-4.2	19.5	1.8
LIBERIA	-22.6	-20.9	-3.5	12.5	15.8	-5.1
NIGERIA	-2.0	2.2	-9.7	-6.5	0.01	-8.1
SIERRA LEONE	-8.7	-9.8	-9.2	-4.1	-34.9	-33.0

Source: Member States Central Banks; *Projections

Public Debt/GDP (≤ 70%)

80. The number of Member States that satisfied the public debt criterion remained unchanged at 10 at end-December 2022 compared to end-December 2021. In the WAEMU, only Guinea Bissau missed the target, while four (4) countries (Cabo Verde, The Gambia, Ghana, and Sierra Leone) missed the criterion in the non-WAEMU Zone induced by the critical need to finance key development spending, limited fiscal space and depreciation of domestic currencies. The Gambia and Cabo Verde consistently missed this criterion in the past several years. Cabo Verde continues to register the highest debt-to-GDP ratio, while Nigeria has the lowest in the region during the period under review.

Table 1. 23: Public Debt-to-GDP Ratio

Public Debt/GDP (≤70%)						
	2018	2019	2020	2021	2022	2023*
ECOWAS	**23.2**	**24.3**	**30.4**	**35.6**	**36.6**	**36.7**
WAEMU	**41.4**	**43.6**	**48.8**	**54.5**	**57.3**	**59.8**
WAMZ	**19.4**	**20.3**	**26.6**	**30.0**	**30.3**	**29.8**
CABO VERDE	**131.3**	**130.4**	**140.8**	**143.7**	**120.9**	**126.3**
BENIN	41.1	41.3	36.9	49.8	54.1	53.8
BURKINA FASO	37.3	42.2	46.2	53.3	53.9	60.0
COTE D'IVOIRE	36.0	37.9	46.3	50.9	56.7	51.4
GUINEA BISSAU	44.4	61.1	71.6	78.1	78.5	76.7
MALI	36.9	40.6	47.3	50.7	52.5	52.7
NIGER	38.8	39.1	45.0	50.8	50.8	54.9
SENEGAL	54.8	57.1	63.1	67.4	68.2	62.7
TOGO	55.5	51.9	60.1	63.0	65.8	65.2
GAMBIA, THE	82.4	80.3	84.9	84.3	80.8	75.0
GHANA	57.6	62.4	74.4	76.2	71.2	72.5
GUINEA	42.5	36.9	43.6	42.5	34.8	40.2
LIBERIA	28.8	42.0	52.6	49.4	50.6	55.3
NIGERIA	15.0	15.6	21.3	22.5	22.9	21.9
SIERRA LEONE	57.4499	61	76	79.8	95.1	92.2
No. of countries that met the criterion	13	13	10	10	10	10

Source: Member States Central Banks; MEF; *Projections

3.5 Prospects

81. The prospects of compliance with the macroeconomic convergence criteria in 2023 appear somewhat unfavourable in view of the high inflationary and budget pressures being experienced in Member States. No Member State is expected to meet all four (4) primary criteria at end-December 2023. However, five (5) Member States (Benin, Cabo Verde, Cote d'Ivoire, Liberia and Niger) are expected to meet at least three (3) primary criteria at end-December 2023 and four (4) Member States (Benin, Cote d'Ivoire, Liberia and Niger) are expected to meet at least five (5) of the six (6) convergence criteria in 2023.

82. On the budget deficit criterion, three (3) Member States (The Gambia, Guinea and Liberia) are expected to satisfy the criterion at end-December 2023, mainly due to expenditure rationalisation under the IMF's ECF programme in the case of The Gambia and Liberia. Performance on average inflation is expected to improve with expected scaling down of prices of essential commodities in the latter half of 2023. Four (4) countries (Benin, Cabo Verde, Cote d'Ivoire and Niger) are expected to meet the target.

83. Performance on central bank financing of the budget deficit is expected to improve in 2023 with all Member States meeting the target, with the exception of The Gambia. With regards to gross external reserves, all Member States are expected to meet the target in 2023, supported by the continued policy efforts by central banks of Member States to increase their reserve buffers with partner support.

84. On the public debt criterion, performance will remain the same at end-December 2023 as the outturn in 2022. However, the number of countries expected to meet the nominal exchange rate variation criterion will increase to thirteen (13).

PART II: REPORT ON THE ECONOMIC AND FINANCIAL SITUATION IN ECOWAS MEMBER STATES

1. BENIN

1.1. Introduction

85. Benin's 2022 macroeconomic policy thrust was anchored on the 2nd Government's Programme of Action (PAG, 2021-2026), which is aimed at strengthening the administration of justice, fostering a structural transformation of the economy, and improving living conditions of the populace. The priority areas include infrastructure, agriculture and agribusiness, tourism, health, energy, telecommunication, and education. The programme, which is estimated to cost US$20.6 billion, is expected to create 500,000 new jobs and improve the living standards of the people. The PAG is consistent with the strategic orientations of the National Development Plan (NDP, 2018-2025), which is mainly aimed at consolidating the achievements of the PAG and raising the value-chain for the development of the processing sub-sector.

86. In order to increase the chances of success of the PAG, the government entered into a 42-month ECF programme with the IMF. The objective is to support Benin in responding effectively to its urgent financing needs, in particular, relating to the security challenges and the effects of the Russia-Ukraine war to maintain macroeconomic stability and lend support to the national development plan.

87. Despite the economic slowdown, Benin's economic growth remained strong at 6.3 percent in 2022 compared to 7.2 percent in 2021, supported by growth across the three sectors. End-period inflation declined to 2.8 percent in December 2022 from 3.3 percent in 2021, while the annual average inflation rate was 1.4 percent in 2022 compared to 1.7 percent in 2021.

88. The overall budget deficit on commitment basis (excluding grants) narrowed to 6.0 percent of GDP from 6.7 percent of GDP in 2021, mainly reflecting the increase in tax revenues.

89. Growth in broad money supply (M2) moderated to 13.0 percent in the 12-month period ended December 2022 from 16.7 percent in the corresponding period of 2021. With regards to external sector developments, the current account deficit stood at 5.6 percent of GDP in 2022 against 4.2 percent of GDP in 2021.

1.2. Sectoral Analysis

1.2.1. Real Sector

90. Real GDP growth remained impressive, though lower at 6.3 percent in 2022 compared to 7.2 percent in 2021. The primary sector grew by 4.8 percent in 2022, compared to 9.9 percent in 2021, on account of modest performance across all the sub-sectors. Livestock and agriculture grew by 7.4 percent and 4.5 percent in 2022, compared to 9.9 percent and 4.6 percent, respectively, in 2021. Activities in fishing remained flat at 3.5 percent in 2022.

91. The secondary sector posted a growth of 7.9 percent in 2022, compared to the 9.1 percent recorded in 2021, driven by the slowdown in all the sub-sectors. All the key sub-sectors decelerated with the exception of electricity, gas & water and Food & beverage industries, which recorded higher growth rates of 8.0 percent and 7.3 percent, respectively in 2022 compared with the 7.9 percent and 3.3 percent recorded in 2021. Mining & quarrying and other manufacturing grew by 5.8

percent and 7.3 percent in 2022 compared to 7.9 percent and 8.1 percent, respectively in 2021. The construction sub-sector decelerated but remained impressive at 9.1 percent compared to 17.4 percent in 2021, reflecting the base drift effect. The robust performance of the construction sub-sector was supported by several socio-economic infrastructure projects commenced under the PAG (2016-2021), which is expected to be completed and succeeded by PAG (2021-2026).

92. The tertiary sector recorded a growth of 6.5 percent in 2022, compared with a growth of 7.5 percent in 2021, supported by growth in most of the key sub-sectors during the review period. Banks and financial institutions sub-sector recovered with strong growth of 6.4 percent in 2022 following the contraction of 5.2 percent in 2021. The post & telecommunications sector posted the highest growth rates of 10.0 percent in 2022 compared to 8.8 percent in 2021.

93. In terms of contribution to GDP growth, the tertiary sector contributed 3.7 percentage points, while the secondary and the primary sectors contributed 1.3 percentage points each. This outcome compares to contributions of 4.3 percentage points, 1.5 percentage points and 1.4 percentage points for the tertiary, secondary and primary sectors, respectively, in 2021.

Table 2. 1:Trends in GDP and its Components in Benin

(In billions of CFA francs)	2020	2021	2022	2023*	2020	2021	2022	2023*
Supply Side	**Percentage Change**				**Contribution to Growth**			
RGDP	**3.8**	**7.2**	**6.3**	**6.5**	**3.8**	**7.2**	**6.3**	**6.5**
Primary sector	**1.8**	**5.2**	**4.8**		**0.5**	**1.4**	**1.3**	
Agriculture	2.0	4.6	4.5		0.4	1.0	1.0	
Breeding	-0.5	9.9	7.4		0.0	0.3	0.3	
Fishing	3.1	3.5	3.5		0.1	0.1	0.1	
Secondary sector	**5.2**	**9.1**	**7.9**		**0.8**	**1.5**	**1.3**	
Mining and quarrying	9.1	7.9	5.8		0.0	0.0	0.0	
Food and beverage industries	2.4	3.3	7.3		0.2	0.2	0.4	
Other Manufacturing	5.2	8.1	7.3		0.2	0.3	0.3	
Electricity, gas and water	14.4	7.9	8.0		0.1	0.1	0.1	
Construction	7.1	17.4	9.1		0.3	0.9	0.5	
Tertiary sector	**4.5**	**7.5**	**6.5**		**2.5**	**4.3**	**3.7**	
Commerce	0.8	5.8	5.0		0.1	0.7	0.6	
Restaurants and hotels	-1.2	9.9	4.7		0.0	0.3	0.1	
Transport	2.2	8.3	6.7		0.2	0.7	0.6	
Post and telecommunications	3.0	8.8	10.0		0.1	0.2	0.2	
Banks and financial institutions	3.0	-5.2	6.4		0.0	-0.1	0.1	
Public administration and social security	14.4	8.5	8.2		0.9	0.6	0.6	
Education	14.6	5.1	5.6		0.6	0.2	0.3	
Health and social work	15.4	13.5	4.8		0.1	0.1	0.1	
Other services	3.3	5.3	4.8		0.3	0.4	0.4	
Demand Side								
1. Final Consumption Expenditure	**4.7**	**5.3**	**4.7**		**3.7**	**4.2**	**3.7**	
which: Private	3.2	4.8	5.0		2.2	3.3	3.3	
Public	14.4	8.5	3.5		1.5	1.0	0.4	
2, GFCF	2.1	17.8	12.9		0.6	4.7	3.7	
Private	-7.1	15.3	9.5		-1.7	3.3	2.2	
Public	88.4	29.6	19.0		2.3	1.4	1.1	
3. Changes in inventories	-17.3	21.0	0.2		-0.1	0.1	0.0	
4. Investment (2+3)	1.9	17.9	12.8		0.5	4.7	3.7	
5. Net exports	**6.3**	**31.9**	**16.6**		**-0.3**	**-1.8**	**-1.1**	
6. Exports	-25.0	12.6	19.1		-6.9	2.5	4.0	
Exports of goods	-25.6	14.1	19.5		-6.0	2.4	3.5	
Exports of services	-21.1	3.5	16.3		-0.8	0.1	0.5	
7. Imports	-19.8	16.8	18.5		-6.5	4.3	5.1	
Imports of goods	-18.7	18.2	18.0		-5.5	4.2	4.6	
Imports of services	-29.3	3.5	23.8		-1.0	0.1	0.5	
Memorandum Items								
Real GDP (in billion CFA francs)	11,257	9,329	9,912					
Exchange rate variation per USD	1.0	1.5	-5.3					
Inflation								
Average	3.0	1.7	1.4	3.0				
End period	2.3	3.3	2.7					

Source: Institut National de la Statistique et de la Démographie (INStaD) Bureau, Cotonou – Bénin *-projection

94. On the demand side, final consumption mainly supported the economic growth by contributing 3.7 percentage points, attributed to the growth in private and public consumptions. However, the underperformance of net exports and investment mitigated the growth. Investment grew by 12.8 percent in 2022, contributing 3.7 percentage points to the GDP growth. Net exports grew by 16.6 percent in 2022 and contributed negative 1.1 percentage points to the GDP growth, as the increase in imports outweighed that of exports.

95. Regarding price developments, end-period inflation declined to 2.7 percent at end-December 2022 from 3.3 percent at end-December 2021. Similarly, annual average inflation fell to 1.4 percent in 2022 from the 1.7 percent recorded in 2021, reflecting subsidies on key commodities, especially food and fuel.

1.2.2. Fiscal Sector

96. Fiscal operations for 2022 resulted in an overall budget deficit, on commitments basis (including grants) of CFAF 596.2 billion (5.5% of GDP) compared with the deficit of CFAF 561.6 billion (5.7% of GDP) recorded in the previous year. The budget deficit excluding grants also narrowed to 6.0 percent of GDP from 6.7 percent in 2021. The improved fiscal performance was attributed to the increase in tax revenue coupled with the moderation of total expenditure.

97. Total revenue and grants increased by 15.6 percent to CFAF 1,499 billion (13.8% of GDP) in 2022 from CFAF1,296 billion (13.2% of GDP) in 2021, mainly influenced by tax revenue which increased by 22.0 percent to CFAF 1,321 billion (12.2% of GDP) in 2022, from CFAF 1,082 billion (11.0% of GDP) a year ago. However, non-tax revenue fell by 16.7 percent to CFAF177.8 billion (1.6% of GDP) from CFAF213.4 billion (2.2% of GDP) in 2021. Grants also declined by 40.7 percent to CFAF 54.6 billion (0.5% of GDP) in 2022 from CFAF92 billion (0.9% of GDP) in 2021.

98. Total expenditure and net lending amounted to CFAF2,149 billion (19.8% of GDP) in 2022 compared to CFAF1,949 billion (19.9% of GDP) in 2021, an increase of 10.3 percent, which can be explained by the rise in both current and capital expenditures. Recurrent expenditure increased by 4.6 percent to CFAF1,198 billion (11.0% of GDP) from CFAF1,145 billion (11.7% of GDP) in 2021, due to increase in wages and salaries, pensions and scholarships and current transfers by 12.7 percent, 2.6 percent and 23.7 percent respectively, in 2022.

99. Capital expenditure increased by 19.0 percent to CFAF 955 billion (8.8% of GDP) from CFAF 803 billion (8.2% of GDP) in 2021, indicating continued investments in critical infrastructure such as energy, power and sanitation projects.

100. The outstanding stock of public debt stood at CFAF5,867 billion (54.1% of GDP) at end-December 2022, compared to CFAF4,886 billion (49.8% of GDP) at end-December 2021. External debt rose to CFAF3,863 billion (35.6% of GDP) from CFAF3,345 billion (34.1% of GDP) at end-December 2021, while the domestic debt stock stood at CFAF2,004 billion (18.5% of GDP) as at end-December 2022, compared to CFAF1,541 billion (15.7% of GDP) at end-December 2021.

Table 2. 2: Trends in Key Fiscal Indicators in Benin

Billions of CFA francs	2020	2021	2022	2020	2021	2022
	Percentage Change			Percent of GDP		
Total Revenue and Grants	9.2	7.2	11.9	11.5	14.1	14.3
Total Revenue	5.0	13.5	15.6	10.1	13.2	13.8
Income Tax Revenue	15.1	11.1	30.1	5.5	7.0	8.2
Customs	-7.4	19.9	8.1	2.9	4.1	4.0
Tax Revenue	6.1	14.2	22.0	8.4	11.0	12.2
Non-Tax Revenue	-0.3	9.9	-16.7	1.7	2.2	1.6
Grants/Transfers	55.8	-39.6	-40.7	1.4	0.9	0.5
Project donation	55.8	-39.6	-40.7	1.4	0.9	0.5
Total Expenditure & Lending	40.3	13.3	10.3	15.3	19.9	19.8
Recurrent Expenditure	21.8	4.5	4.6	9.7	11.7	11.0
Primary expenditure	20.2	0.6	10.2	8.2	9.4	9.4
Staff costs	7.3	-2.1	12.7	3.5	3.9	4.0
Pensions and scholarships	2.6	-2.5	2.6	0.8	0.9	0.9
Current transfers	28.8	11.2	23.7	2.1	2.6	3.0
Other expenditure (operating)	58.5	-4.9	-9.9	1.8	1.9	1.6
Interest Payments	30.9	24.7	-18.7	1.6	2.2	1.6
Domestic debt	-1.0	44.8	-41.1	0.9	1.6	0.8
External debt	153.5	-5.3	32.5	0.6	0.7	0.8
Capital Expenditure/Investment	88.4	29.0	19.0	5.5	8.2	8.8
Internal/budgetary contribution (BESA)	56.1	45.6	14.3	3.2	5.3	5.5
External financing	160.6	6.6	27.6	2.4	2.9	3.3
Net loans (- = repayment)	-145.8	-5.3	-309.7	0.0	0.0	0.0
Overall deficit (commitment basis) including grants				-3.8	-5.7	-5.5
Overall deficit (commitment basis) excluding grants				-5.1	-6.7	-6.0
Overall deficit (cash basis)				-4.7	-6.5	-5.2
Total debt /GDP				36.9	49.8	54.1
Domestic debt/GDP				16.1	15.7	18.5
External debt/GDP				20.8	34.1	35.6

Source: Ministère de l'économie et des finances

1.2.3. Monetary Sector

101. Developments in monetary aggregates in Benin in 2022 showed a slowdown in broad money supply (M2) growth to 13.0 percent from 16.7 percent in 2021, driven by a significant slowdown in the NFA. The NFA of the banking system, grew by 0.5 percent at end-December 2022, significantly lower than the 38.8 percent growth recorded in the corresponding period in 2021. The NFA of deposit money banks also grew by 16.3 percent compared to 55.8 percent at end-December 2021. However, the NFA of the monetary authority (BCEAO) contracted by 219.0 percent in 2022 compared to the contraction of 44.6 percent in 2021.

102. NDA grew by 38.0 percent in the period ended December 2022 against the contraction of 11.5 percent in the same period of 2021, reflecting net domestic claims which increased by 24.2 percent. Claims on the private sector expanded by 19.1 percent compared to the growth of 6.9 percent recorded at end-December 2021, driven by the increased credits to stimulate economic activities. The NCG, however, contracted by 104.5 percent at end-December 2022, albeit an improvement from the 236.2 percent contraction recorded in the corresponding period of 2021.

103. The financial soundness indictors showed that the banking system remained safe and resilient, characterised by a strong capital base, sufficient liquidity and declining non-performing loans (NPLS) ratio during the review period. Overall liquidity of the banking system stood at CFAF 5,566.8 billion, at end-December 2022 compared to CFAF4,572.4 billion at end-December 2021, representing an increase of 21.75 percent. Outstanding customer loans increased to CFAF 2,627.4 billion at the end of December 2022 against CFAF1,974.8 billion at the end of December 2021, an increase of 33.04 percent.

Table 2. 3: Growth in Key Monetary Aggregates in Benin

Billions of CFA francs	2020	2021	2022	2020	2021	2022
ASSETS	**Percentage Change**			**Contribution to M2 Growth**		
Net Foreign Assets (NFA)	24.9	38.8	0.5	13.1	21.7	0.3
BCEAO	-17.1	-44.6	-219.0	-2.3	-4.2	-9.8
Banks	39.3	55.8	16.3	15.4	25.9	10.1
Net Domestic Assets (NDA)	8.9	-11.5	38.0	4.2	-5.0	12.7
Net Domestic Credit	18.8	-0.5	24.2	11.6	-0.3	12.9
Government (Net)	-125.2	-236.2	-104.8	11.1	-4.5	2.3
Private Sector	0.7	6.9	19.1	0.5	4.2	10.6
Other Items (net)	52.2	26.0	0.9	7.3	4.7	0.2
LIABILITIES						
Broad Money (M2+)	17.3	16.7	13.0	17.3	16.7	13.0
Narrow Money (M1)	21.1	23.0	16.9	13.1	14.7	11.4
Currency in Circulation	25.6	7.2	13.7	6.2	1.8	3.2
Demand deposits	18.2	33.6	18.7	6.9	12.8	8.2
Other deposits included in the money supply (1)	11.1	5.5	4.9	4.2	2.0	1.6
BCEAO	0.0	0.0	0.0	0.0	0.0	0.0
Banks	11.1	5.5	4.9	4.2	2.0	1.6
MEMORANDUM						
Velocity (GDP/M2+)	4.1	3.9	3.8			
Credit to Private Sector/GDP %	0.1	0.1	0.2			
Net Foreign assets/M2	0.6	0.7	0.6			
Net Domestic Assets /M2	0.4	0.3	0.4			
Currency in Circulation/M2	0.3	0.2	0.2			

Source: BCEAO

1.2.4. External Sector

104. The current account deficit worsened to CFAF607 billion (5.6% of GDP) from CFAF407 billion (4.2% of GDP) in 2021, due mainly to the widening the trade deficit, reflecting the increase in the imports bill, particularly, petroleum products.

105. The trade deficit widened to CFAF373 billion (3.4% of GDP), from CFAF195 billion (2.0% of GDP) in 2021, due mainly to the 7.2 percent increase in imports (fob) to CFAF2,375 billion (21.9% of GDP) in 2022 from CFAF2,215 billion (22.6% of GDP) in 2021.

106. The deficit in the services account narrowed to CFAF226.0 billion (2.1% of GDP) in 2022 from CFAF233.0 billion (2.4 % of GDP) in 2021. However, the deficit in the primary income account widened to CFAF123.0 billion (1.1% of GDP) in 2022 from CFAF105.0 billion (1.1% of GDP) in 2021, due to increase in interest payments on external public debt. Secondary income surplus also narrowed to CFAF115.0 billion (1.1% of GDP) in 2022 from CFAF126.0 billion (1.3% of GDP) in 2021, reflecting the decrease in Grants from development partners.

107. The capital account surplus increased by 23.5 percent to CFAF119 billion (1.1% of GDP) in 2022, from a surplus of CFAF97 billion (1.0% of GDP) in 2021. The net borrowing on the financial account (net financial liabilities) increased to CFAF 497.0 billion (4.6% of GDP) in 2022 from CFAF858.2 billion (8.7% of GDP) in 2021. The growth in net borrowing (net financial liability) was attributed to increased direct investment (net). The FDI (net) rose to CFAF205.0 billion (1.9% of GDP) in 2022 from CFAF168.0 billion (1.7% of GDP) in 2021. Portfolio investments and other investments (net) amounted to CFAF172.3 billion (1.6% of GDP) and CFAF120.0 billion (1.1% of GDP) compared to CFAF504.0 billion (5.1% of GDP) and CFAF186.3 billion (1.9% of GDP), respectively, in 2021.

Table 2. 4: Trends in Key Balance of Payments Indicators in Benin

Billions of CFA francs	2019	2020	2021	2022	2019	2020	2021	2022
	Amount (Billion CFAF)				Percent of GDP			
A. Current Account (1+2+3+4)	-337	-157	-407	-607	-3.0	-1.4	-4.2	-5.6
1. Goods	-260	-90	-195	-373	-2.3	-0.8	-2	-3.4
Exports	1,791	1,720	2,020	2,002	15.8	15.3	20.6	18.4
Imports	-2,051	-1,810	-2,215	-2,375	-18.1	-16.1	-22.6	-21.9
2. Services	-162	-161	-233	-226	-1.4	-1.4	-2.4	-2.1
3. Primary Income	-41	-70	-105	-123	-0.4	-0.6	-1.1	-1.1
4., Secondary Performance	127	163	126	115	1.1	1.4	1.3	1.1
Government	49	108	49	41	0.4	1.0	0.5	0.4
Other sectors	78	55	77	73	0.7	0.5	0.8	0.7
B. Capital account (5+6)	116	101	97	119	1.0	0.9	1.0	1.1
5.Other capital transfers	-	-	-3	55	0	0	0	0.5
6.other sectors	116	101	147	65	1.0	0.9	1.5	0.6
C. Financial account (7+8+9+10)	-263	-362	-858	-497	-2.3	-3.2	-8.7	-4.6
7. Direct investment	-112	-88	-168	-205	-1	-0.8	-1.7	-1.9
8. Portfolio investments	-125	-76	-504	-172	-1.1	-0.7	-5.1	-1.6
9. Financial derivatives	-	-	-	-	0	0	0	0
10. Other investments	-26	-198	-186	-120	-0.2	-1.8	-1.9	-1.1
D. Net errors and omissions	4	2	3	-	0	0	0	0
E- Overall balance (a+b-d+e)	46	307	550	10	0.4	2.7	5.6	0.1
Memorandum items								
GDP at current prices (billions of CFA francs)	11,303	11,257	9,810	10,855				
Gross external reserves (billions of CFA francs)		11,731.2	14,039.9	11,371.5				
Gross external reserves (months of imports)		6.5	6.6	4.2				
Average exchange (USD/CVE)		801.6	789.9	833.9				
Average exchange rate variation (%)		1.0	1.5	-5.3				

Source: BCEAO

1.3. Status of Macroeconomic Convergence

108. With respect to macroeconomic convergence, the country met five (5) out of the six (6) macroeconomic convergence criteria in 2022 (same as in 2021); three (3) primary convergence criteria and two (2) secondary convergence criteria. In terms of the primary convergence criteria, the country satisfied the central bank financing of the budget deficit, average annual inflation and the gross external reserves but missed budget deficit criterion. Regarding the secondary convergence criteria, the country met both the nominal exchange rate variation and public debt.

Table 2. 5: Status of Macroeconomic Convergence in Benin

CRITERIA	TARGET	2019	2020	2021	2022
Primary Criteria		**4**	**3**	**3**	**3**
Budget deficit (commitment basis, including grants)	≤3%	0.5	-3.8	5.7	5.5
Average annual inflation rate	≤5%	-0.9	3.0	1.7	1.4
Central Bank financing of Budget Deficit	≤10%	0.0	0.0	0.0	0.0
Gross external reserves	≥3 months	5.2	6.5	6.6	4.2
Secondary Criteria		**2**	**2**	**2**	**2**
Nominal exchange rate variation	±10%	-2.8	1.0	-1.5	-5.3
Public debt to GDP ratio	≤70%	41.3	36.9	49.8	54.1
Total Convergence Criteria Met		**6**	**5**	**5**	**5**

Source: Authorities of Benin

1.4. Prospects

109. Benin's medium-term economic outlook is positive. Growth is expected to reach 6.5 percent in 2023, underpinned by key reforms in agriculture, governance, and improvements in public financial management and the business climate. Improved food supply is expected to bring down further inflationary expectations. The budget deficit is projected to narrow to 4.3 percent in 2023 while public debt is projected to decrease to 53.8 percent of GDP in 2023, supported by strong economic growth and better debt management strategies implemented during this period. However, the current account deficit is expected to widened to 6.1 percent in 2023, reflecting the developments in the trade balance.

110. With respect to macroeconomic convergence, the country is expected to sustain performance in 2023 but is likely to miss the budget deficit criterion.

1.5. Conclusion and Recommendations

111. Economic activities remained resilient, and inflation was under control despite the effects of the Russia-Ukraine war, which heightened inflationary pressures in the region. To sustain the current performance and improve on the convergence scale, the authorities are encouraged to consider the following recommendations:

  i. enhance measures to promote growth-oriented sectors including agriculture, tourism and the digital economy, with a strong focus on technical education and vocational training;
  ii. enhance the development of the processing industry through government investment in key sectors; and
  iii. pursue fiscal reforms by prioritising and rationalising expenditures while improving revenue mobilisation, thereby bringing the budget deficit within sustainable limits.

2. BURKINA FASO

2.1. Introduction

112. Burkina Faso's economic policy thrust was anchored on the new National Plan for Strategic Economic Development (PNDES), which takes on board all the challenges relating to the economic and social context. The PNDES focussed mainly on the following priorities areas:

- consolidating resilience, security, social cohesion and peace;
- expanding institutional reforms and modernising State Departments;
- consolidating the development of sustainable human capital and solidarity; and
- revamping productive sectors for economic growth and job creation.

113. With regard to budgetary policy, the priorities included the implementation of the Transition Action Plan (PAT), the dynamics of significant improvement in the mobilisation of domestic resources and efficiency in the implementation of public expenditure.

114. The achievement of the government's objectives was particularly influenced by global developments, especially geopolitical tensions, including the effects of the Russia-Ukraine crisis. At the domestic level, persistent terrorist attacks led to massive internal displacement of the population.

115. In this context, economic activity in 2022 experienced a slowdown, following the recovery observed in 2021. Real GDP growth was 3.0 percent compared to 6.5 percent in 2021, reflecting the decline in the secondary sector and the sluggish growth in the tertiary sector.

116. With regard to budget implementation, fiscal policies were implemented within the context of tight external financing conditions, worsened by inadequate domestic revenue mobilisation. Consequently, the key fiscal indicators deteriorated as the budget deficit on commitment basis (including grants), worsened further from 6.1 percent of GDP in 2021 to 8.5 percent of GDP in 2022.

117. The monetary situation was characterised by a 24.0 percent increase in money supply by the end-December 2022 as against 16.9 percent at end-December 2021, reflecting the increase in domestic claims.

118. Burkina Faso's transactions with the rest of the world in 2022 deteriorated as the overall balance of payments recorded a deficit of 5.3 percent of GDP against the surplus of 5.8 percent of GDP recorded in 2021.

119. In terms of macroeconomic convergence, Burkina Faso maintained the same performance as in 2021, meeting four (04) out of the six convergence criteria, including two (2) primary (central bank financing of the budget deficit and gross external reserves) and two (2) secondary.

2.2. Sectoral Analysis

2.2.1. Real Sector

120. Economic activity in 2022 recorded a slowdown after the recovery observed in 2021. Indeed, real GDP growth stood at 3.0 percent, as against 6.5 percent in 2021, largely attributable to the decline in the secondary sector and the sluggish growth in the tertiary sector.

121. The primary sector posted a growth rate of 8.7 percent against a contraction of 9.0 percent in 2021. This performance was mainly attributable to food crop agriculture (14.2%) and "cotton yield" (5.7%), which benefitted from sufficient rainfall and general government supports to the agricultural sector. On the other hand, cash crop agriculture maintained its downward trend with a 5.5 percent contraction in 2022, after the 21.6 percent contraction in the previous year. With regard to animal husbandry and related activities, it achieved a 1.7 percent growth rate, as against 2.8 percent recorded in 2021, following the improvement in livestock health coverage and the creation of an enabling environment for sustainable livestock production.

122. The secondary sector contracted by 6.1 percent, as against the growth rate of 8.3 percent recorded in 2021, attributable to the poor performance of the "construction" (-13.9%) and "extractive" sub-sectors (-13.6%). This performance was mitigated by the performance of the "Electricity-Water-Sanitation" (+12.3%) and "manufacturing" (+6.2%) sub-sectors. The performance of the extractive sub-sector was due, among other things, to the flooding and closure of the Nantou zinc mining company (Perkoa), the cessation of production activities, following terrorist attacks on gold mining sites in SOMITA (Taparko), BMC (Youga) and Nord Gold Samtenga (Samtenga) as well as the decline in output of the SOMISA Mines (Sanbrado), Wahgnion Gold Operation (Niankorodougou), Semafo Boungou (Boungou), Riverstone Karma (Karma) and Bissa Gold SA (Bissa). The poor performance of the construction sub-sector was attributable to the closure of the major construction and surfacing sites, particularly the Kongoussi-Djibo (96 km), Kantchari-Diapaga roads at the Benin border (145 km) batch 2, Fada – Bogandé (129 km), Gounghin - Fada N'Gourma - Piéga - Niger border (218 km) as well as the maintenance of rural roads in certain regions, due to the security and socio-political situations.

123. The tertiary sector posted a 6.6 percent growth rate after recording a 13.5 percent growth rate in 2021 supported by the business climate and domestic tourism. The sector also shows improved performance in "financial and insurance" (+13.4%), "professional, scientific, technical, support and office services" (+11.5%), "trade and warehouse" (+7.7%), "transport and storage" (+2.6%) and "hotels and restaurants" (+1.6%) sub-sectors. However, the sector was negatively impacted by the cancellation of events such as the National Culture Week (SNC), the Ouagadougou International Handicrafts Fair (SIAO), the Faso International Cycling Tour and the International Cotton and Textiles Trade Fair (SICOT).

124. In terms of contribution to the GDP growth, the primary sector accounted for 1.8 percentage points, as against -2.0 percentage points in 2021 and its share in GDP stood at 25.0 percent, as against 20.5 percent in 2021. The secondary sector accounted for -1.7 percentage points, as against 2.4 percentage points in 2021 and its share in GDP stood at 23.5 percent, as against 27.6 percent in 2021. The tertiary sector's contribution to GDP growth declined from 6.1 percentage

points in 2021 to 2.9 percentage points in 2022 and its share in GDP accounted for 51.5 percent, as against 51.9 percent in 2021.

Table 2. 6: Trends in GDP and its Components in Burkina Faso

	2019	2020	2021	2022	2023*	2019	2020	2021	2022	2023*
	Percentage Change					Contribution to Growth				
GDP at Constant Prices	5.7	1.9	6.5	3.0	5.8	5.7	1.9	6.5	3.0	5.8
Primary Sector	1.7	6.5	-9.0	8.7	4.4	0.4	1.3	-2.0	1.8	1.1
Food crop Farming	2.0	5.0	-10.5	14.2	4.3	0.3	0.5	-1.3	1.8	0.8
Cash crop farming	2.1	20.6	-21.6	-5.5	11.6	0.1	0.8	-0.8	-0.2	0.4
Cotton vintage	-2.5	6.3	4.7	5.7	-16.8	-0.0	0.0	0.0	0.0	-0.1
Livestock	1.0	2.0	2.8	1.7	0.9	0.0	0.1	0.1	0.0	0.0
Secondary Sector	2.3	6.4	8.3	-6.1	5.4	0.6	1.6	2.4	-1.7	1.3
Gold Mining	-1.2	21.0	7.1	-5.5	8.8	-0.1	2.2	1.0	-1.6	1.0
Production and Distribution of Electricity, Gas and Water	16.2	3.3	9.7	12.3	-3.3	0.1	0.0	0.2	0.2	-0.0
Construction, Commencement and end of Projects	4.2	-5.7	7.9	-13.9	0.8	0.1	-0.2	0.3	-0.5	0.0
Tertiary Sector	8.4	-3.1	13.5	6.6	7.3	3.6	-1.4	5.5	2.8	3.1
Trade	6.4	2.2	21.2	7.7	5.4	0.6	0.2	1.7	0.7	0.5
Transport	0.4	2.6	27.1	2.6	1.6	0.0	0.0	0.4	0.0	0.0
Hotels and Catering	0.4	-29.8	17.6	1.6	9.1	0.0	-0.6	0.2	0.0	0.1
Post and Telecommunication	4.0	1.6	10.2	1.3	4.9	0.1	0.0	0.2	0.0	0.1
Financial and Insurance Activities	20.1	-6.3	6.1	13.4	0.1	0.4	-0.1	0.1	0.3	0.0
Personal, Repairs and Maintenance Services	3.6	-8.4	10.0	11.5	25.6	0.1	-0.2	0.2	0.3	0.5
General Administrative Activities	13.3	-0.5	12.1	3.5	6.1	1.3	-0.1	1.3	0.4	0.7
Net Taxes and Duties on Products	11.8	3.5	6.7	1.2	4.2	1.2	0.3	0.6	0.1	0.4
End-user Consumption	7.5	0.2	5.3	7.4	7.9	6.1	0.2	4.2	5.8	6.4
Private End-user Consumption (Household)	5.8	0.9	3.9	7.9	3.1					
Public End-user Consumption	14.0	-2.0	12.8	5.1	10.7	2.4	0.4	2.2	0.9	2.0
Gross Capital Formation	19.4	-1.3	13.8	-11.4	-13.8	4.4	-0.3	2.8	-2.6	-3.2
Gross Fixed Capital Formation (GFCF)	17.2	0.1	9.1	7.0	-0.8	3.4	0.0	1.8	1.4	-0.2
Private	25.0	-3.5	-2.0	3.1	2.8					
Stock Variances	34.7	-12.8	136.8	-186.8	-216.0	1.0	-0.3	1.0	-4.0	-3.0
Export of Goods and Services	-5.5	14.1	3.0	-1.7	15.4	-1.6	3.6	0.9	-0.5	4.2
Import of Goods and Services	10.1	5.0	4.7	-1.1	5.2	3.2	1.6	1.4	-0.3	1.6
Recap										
Inflation										
Annual Average	-3.2	1.9	3.9	14.1	5.5					
End of period	-2.3	3.2	8.0	9.6	6.1					

Source: Ministry of Economy and Finance *Projections

125. With regard to demand, economic growth was driven by final consumption and gross fixed capital formation (GFCF). Final consumption increased by 7.4 percent, against 5.3 percent in 2021, supported by its two components. GFCF recorded a 7.0 percent improvement against 9.1 percent in 2021, resulting from the improvement in public GFCF (10.3%) and private GFCF (3.4%) against 22.2 percent and -2.2 percent in 2021 respectively. Exports of goods and services declined by 1.7 percent, against a 3.0 percent increase in 2021. This decline was attributable primarily to the 13.2 percent drop in exports of non-monetary gold. Imports, on their part, dropped in real terms by 1.1 percent, as against a 4.7 percent improvement in 2021, consistent with the 5.4 percent and 5.3 percent decline in imports of capital goods and food products, respectively.

126. In 2022, inflationary pressures in Burkina Faso were high due to the poor performance of the 2021/2022 agricultural season and the supply challenges caused by the security crisis, which reduced the local supply of foodstuffs on the markets, and the soaring prices of imported food. Rising transportation costs stemming from higher fuel prices also contributed to the rise in the inflation rate. The year-on-year inflation rate stood at 9.6 percent against 8.0 percent in December 2021. Annual average inflation stood at 14.1 percent in 2022 against 3.9 percent in 2021.

2.2.2. Fiscal Sector

127. Fiscal operations were underpinned by the implementation of innovative measures to shore up domestic revenue mobilisation. Key measures implemented include the following:

i. operationalising the Medium-Scale Enterprise Department of Centre No. 4 (DME-CIV), which has improved the taxpayers" contribution to the so-called *"undetermined"* regime;
ii. enhancing the monitoring of mining companies by establishing a tax-base Agency and a Specialised Verification Brigade within the Large-Scale Enterprise Department;
iii. an expansion in the tax audit scope;
iv. the continued implementation of measures designed to monitor and clear tax arrears, generalisation of the obligation to issue standardised invoices and the gradual computerisation of tax procedures;
v. the upward readjustment of hydrocarbon prices, reintegration of VAT collection on mining companies' disclosures and improvement in the handling of goods by unloading cargoes with more than one item;
vi. strengthening the fight against fraud in all its forms, particularly the fight against fuel smuggling and the integration of the "EXO" module in the SYDONIA WORLD;
vii. efforts deployed by customs offices in the assessment of imported goods; and
viii. the meticulous monitoring of goods in transit to the destination departments.

128. Total revenue and grants mobilised in 2022 amounted to CFAF 2,551.94 billion (20.4% of GDP), up by 14.8 percent compared to CFAF 2,223.83 billion (19.8% of GDP) mobilised in 2021. This increase was entirely driven by tax revenue (+21.6%); with non-tax revenue and grants declining by 9.0 percent and 4.9 percent, respectively, when compared to 2021.

129. Total revenue amounted to CFAF 2,288.30 billion (18.3% of GDP) as against CFAF 1,946.60 billion (17.3% of GDP) in 2021, showing an increase of 17.6 percent, exclusively attributable to tax revenue (+21.6%), which had declined by 9.0 percent over the same period. Against the backdrop of the slowdown in certain economic activities due to the security crisis, this taxation level in the economy reflects sustained efforts deployed by revenue authorities.

130. Tax revenue stood at CFAF 2,052.4 billion (16.4% of GDP) in 2022, as against CFAF 1,687.5 billion (15.0% of GDP) in 2021, representing an increase of CFAF 364.9 billion over the one-year period. The improvement in tax revenue mobilisation was mainly attributable to income, capital profits and gains taxes (CFAF +1 50.6), taxes on goods and services (CFAF +128.1 billion) and taxes on external trade and international transactions (CFAF +49.5 billion).

131. Non-tax revenue stood at CFAF 235.81 billion (1.9% of GDP) in 2022, as against CFAF 259.07 billion recorded previously (2.3% of GDP), down by 9.0%. This decline is mainly attributable to a decrease in the collection of rents in connection with the exceptional collection of the 4G mobile telephone license recorded between 2021 (CFAF 32.5 billion) and 2022 (CFAF 8.0 billion).

132. Grants stood at CFAF 263.7 billion (2.1% of GDP) in 2022, as against CFAF 277.24 billion (2.5% of GDP) in 2021, recorded previously, down by 4.9 percent. These developments were attributable to programme grants, which dropped by CFAF 20.6 billion in 2022 compared to 2021; project grants increased by CFAF 7.1 billion compared to the previous year.

133. Total expenditure and net lending amounted to CFAF 3,617.8 billion (28.9% of GDP) in 2022, as against CFAF 2,867.2 billion recorded previously (25.5% of GDP), representing a 26.2 percent increase. These developments were attributable to both recurrent expenditure (24.7%) and capital expenditure (31.4%).

134. Recurrent expenditure amounted to CFAF 2,353.6 billion (18.8% of GDP) in 2022 as against CFAF 1,887.5 billion (16.8% of GDP) in 2021. This increase was attributable to wages and salaries (6.3%), current transfers (65.1%), operating expenses (6.5%) as well as debt interest payments (19.2 %).

135. The wage bill stood at CFAF 1009.1 billion (8.1% of GDP) against CFAF 949.5 billion (8.4% of GDP) in 2021, representing a 6.3 percent increase. Expenditure on goods and services stood at CFAF 210.3 billion (1.7% of GDP) in 2022, against CFAF 197.5 billion (1.8% of GDP). Interest payments rose from CFAF 192.6 billion (1.7% of GDP) in 2021 to CFAF 229.6 (1.8% of GDP) billion in 2022, up by 19.2 percent, mainly attributable to the interests accrued on domestic debt of CFAF 32.3 billion, particularly those related to public securities (Treasury bills and bonds).

136. Transfers and subsidies increased by 65.1 percent to CFAF 904.5 billion (7.2% of GDP) against CFAF 547.9 billion (4.9% GDP) in 2021. This increase was mainly related to the incorporation of SONABHY securities (Securitisation of SONABHY 2021 capital losses) amounting to CFAF 275.5 billion and credit on subsidy to cotton growers amounting to CFAF 72.8 billion.

137. Capital expenditure increased by 31.4 percent to CFAF 1,273.8 billion (10.2% of GDP) in 2022, against CFAF 969.5 billion (8.6% of GDP) in 2021. Domestically financed capital expenditure increased by 65.9 percent while the external component declined by 9.9 percent in 2022.

138. Outstanding public debt stood at CFAF 6,737.2 billion (53.9% of GDP) as at end-December 2022, compared to CFAF 5,998.3 billion (53.3% of GDP) at end-December 2021, representing a 12.3 percent increase. The increase in external debt was mainly attributable to acquisition of additional loans amounting to CFAF 266.5 billion in 2022 while the rise in domestic debt was linked to the consolidation of government commitments to SONABHY (CFAF 204.5 billion) and cotton producers (CFAF 72.8 billion), as well as the increase in the volume of direct loans from local commercial banks.

139. In terms of structure, public debt was dominated by domestic debt, representing 55.0 percent of total debt. This mainly consisted of public securities (75.4%). Treasury bills, with a weighted average interest rate of 6.2 percent, representing 96.8 percent of government securities. External debt, representing 45.0 percent of the total debt, mainly consisted of concessional multilateral loans (89.0%).

140. Public debt servicing for 2022 was estimated at CFAF 1,039.6 billion (8.3% of GDP), including CFAF 356.5 billion for repayment on Treasury bills. Domestic debt servicing stood at CFAF 911.0 billion (87.6%).

Table 2. 7: Trends in Key Fiscal Indicators in Burkina Faso

	2019	2020	2021	2022	2019	2020	2021	2022
	Percentage Change				As a percentage of GDP			
Total Revenue and Grants	7.8	5.0	12.6	14.8	20.1	19.2	19.8	20.4
Total Revenue	14.2	-5.1	17.3	17.6	18.7	16.1	17.3	18.3
Tax Revenue	5.2	-3.4	22.5	21.6	15.2	13.4	15.0	16.4
Tax on Income, Profits and Capital Gains	19.5	1.9	25.3	26.3	4.8	4.4	5.1	5.8
Tax on Paid Salaries and other Emoluments	6.4	10.5	11.1	NA	0.1	0.1	0.1	0.0
Domestic Taxes & Duties on Goods & Services	0.3	-6.1	17.3	15.6	8.0	6.8	7.3	7.6
Import Duties and Taxes (excluding Customs VAT)	9.3	-6.2	16.7	NA	1.9	1.6	1.7	0.0
Export Duties and Taxes	-7.0	-18.4	-8.6	NA	0.0	0.0	0.0	0.0
Non- Tax Revenue	82.8	-12.6	-8.1	-9.0	3.4	2.7	2.3	1.9
Grants	-37.6	135.3	-12.3	-4.9	1.4	3.1	2.5	2.1
Project Grants	-62.5	240.5	25.6	3.6	0.5	1.5	1.7	1.6
Programme Grants	-4.7	80.7	-49.3	-25.5	0.9	1.5	0.7	0.5
Total Expenditure and Net Lendings	2.3	14.8	14.7	26.2	23.2	24.2	25.5	28.9
Total Expenditure	3.0	13.8	14.1	27.0	23.5	24.3	25.4	29.0
Current Expenditure	18.9	4.9	9.5	24.7	17.6	16.7	16.8	18.8
Wage Bill Expenditure	19.8	6.3	5.8	6.3	9.0	8.7	8.4	8.1
Expenditure on Goods and Services	1.1	-11.2	12.1	6.5	2.1	1.7	1.8	1.7
Transfers and Subsidies Expenditures	25.9	5.3	7.4	65.1	5.2	4.9	4.9	7.2
Outstanding Interest	20.4	20.1	37.0	19.2	1.2	1.4	1.7	1.8
Including on External Debt	313.7	-75.4	21.5	16.4	1.0	0.2	0.3	0.3
Capital Expenditure	-26.2	40.1	24.3	31.4	5.9	7.6	8.6	10.2
From Domestic Resources	-20.6	17.7	6.8	65.9	4.5	4.8	4.7	7.0
From External Resources	-39.4	109.1	54.6	-9.9	1.5	2.8	3.9	3.2
Overall Balance	-22.6	77.6	22.6	65.7	-3.2	-5.1	-5.7	-8.5
Overall Balance Excluding Grants	-28.0	95.6	9.5	44.4	-4.6	-8.2	-8.2	-10.6
	In millions of CFAF				Percent of GDP			
Stock of Public Debt	3,952,288	4,765,455	5,998,333	6,737,205.2	42.2	46.2	53.3	53.9
o/w External Debt	2,031,449	2,452,030	2,643,676	2,848,254.5	21.7	23.8	23.5	22.8
o/w Domestic Debt	1,920,839	2,313,425	3,354,657	3,888,950.7	20.5	22.4	29.8	31.1

Source: Ministry of Finance

2.2.3. Monetary Sector

141. The money market was active in 2022. Bids for liquidity auction, with weekly and monthly maturities published by the BCEAO, were followed by requests for advances amounting to CFAF 227,376.1 billion and CFAF 21,197.0 billion, respectively, fully met for these two types of liquidity auction. These auction exercises had no ceiling. The interest rate applied to these auctions rose to a fixed level of 2.25 percent on 12th July 2022, to 2.50 percent on 4th October 2022, and further to 2.75 percent on 20th December 2022 for both the weekly and monthly maturities.

142. Burkina Faso's participants in these liquidity auction operations received a total amount of CFAF 32,186.3 for the weekly auctions and CFAF 4,065.1 billion for the monthly auctions, totalling CFAF 36,251.3 billion in 2022.

143. The average monthly money market rate dropped from 2.0000 percent since July 2020 to 2.0833 percent in June 2022, to 2.2500 percent in July 2022, to 2.3750 percent in September 2022, to 2.5000 percent in October 2022 to stand at 2.6290 percent in December 2022.

144. The total volume of new loans granted amounted to CFAF 2,449.3 billion in 2022, representing an increase of CFAF 84.9 billion (3.6%) over a one-year period. The average rate applied to loans in 2022 stood at 7.53 percent as against 7.57 percent in 2021, representing a decline of 0.04 percentage point.

145. The volume of deposits collected by the banking system during 2022 stood at FCFA 826.8 billion, against FCFA 979.7 billion collected the previous year, a decrease of FCFA 149.9 billion (-

15.3%). The average interest rate on these deposits stood at 5.5342% in 2022, as against 5.7216% in 2021, representing a decline of 0.1874 percentage point.

146. Growth in broad money supply slowed to 2.4 percent from 16.9 percent at end-December 2021, reflecting the contraction in the NFA. The NFA declined by 25.2 percent against the growth rate of 32.9 percent in the same period of 2021, occasioned by the decline in the NFA of BCEAO.

147. The BCEAO's NFA dropped sharply by 233.5 percent, after a 127.5 percent consolidation by end-December 2021, mainly due to operations undertaken to control currency in circulation. On the other hand, the NFA of deposit money banks strengthened by 19.7 percent after posting a 22.0 percent improvement at end-December 2021, particularly driven by their subscriptions to government securities issued by the other member states of the Union (263.5 billion) and loans granted to private corporate entities in the other member countries of the Union (+227.1 billion), within the framework of economic recovery.

148. Domestic claims increased by 26.1 percent as against 3.2 percent by end-December 2021, driven by claims on the economy and net claims of the banking system on the State. Claims on the economy rose by 15.8 percent, against 11.5 percent by end-December 2021. This increase was attributable to loans granted to private non-financial corporate entities (12.2%), households and ISBLSM (17.0%), public non-financial corporate entities (29.5%) and the non-bank financial sector (+35.3%). The net claims of the banking system recorded a 523.5 percent increase at end-December 2022, after declining by 134.8 percent during the same period of the previous year, attributable to the net claims of the BCEAO (163.5%) and banks (665.1%).

149. With regard to money supply components, currency in circulation contracted by 0.6 percent at end-December 2022, against a 19.5 percent increase in the previous year while transferable deposits slowed to 1.1 percent, from 21.0 percent at end-December 2021. Other deposits increased by 5.4 percent, against 10.5 percent at end-December 2021.

Table 2. 8: Growth in Key Monetary Aggregates in Burkina Faso

	2019	2020	2021	2022	2019	2020	2021	2022
	Percentage Change				Contribution to M2 Growth			
Net Foreign Assets	4.5	31.5	32.9	-25.2	1.7	11.7	13.7	-11.9
Central Bank	-75.3	167.8	127.5	-233.5	-6.3	3.2	5.5	-19.5
Commercial Banks	26.4	24.2	22.0	19.7	8.0	8.5	8.2	7.6
Domestic Claims	12.7	10.2	3.2	26.1	9.3	7.7	2.3	16.3
Net Claims on the State	165.3	25.9	-134.8	-523.5	2.5	1.0	-5.4	6.2
Claims on the Economy	9.4	9.3	11.5	15.8	6.8	6.7	7.6	10.0
Other Net Items	16.3	12.3	-7.7	20.8	-2.0	-1.6	0.9	-2.0
Money Supply	**9.1**	**17.8**	**16.9**	**2.4**	**9.1**	**17.8**	**16.9**	**2.4**
Cash Circulation	13.5	6.4	19.5	-0.6				
Transferable Deposits	6.9	25.8	21.0	1.1				
Other deposits included in M2	10.0	13.3	10.5	5.4				
Memo								
(GDP/M2) Money Supply Ratio	2.3	2.2	2.0	2.2				
AEN/M2	37.2	41.5	47.2	34.5				
AIN/M2	75.6	70.7	62.4	76.9				
CSP/GDP	31.1	30.9	31.6	32.9				
CF/M2	16.2	14.6	14.9	14.5				

Source: BCEAO Burkina Faso Agency

150. In 2022, the total assets of the banking sector increased by 20.3 percent, while total liabilities rose by 7.8 percent. The improvement in total assets was mainly on account of increase in customer loans (22.3%), driven by medium-and-long-term loans (21.5%) and short-term loans

(27.9%). On the other hand, the liabilities of the sector were driven mainly by deposits and term loans (6.2%). The gross NPLs of the banking sector declined by 1.64 percentage points to 5.81 percent in 2022. Provision for bad debts amounted to 77.8 percent in 2022, up by 6.6 percentage points compared to 2021.

2.2.4. External Sector

151. External sector developments worsened in 2022 as the overall balance of payments position recorded a deficit of CFAF 664.68 billion (5.3% of GDP), against the surplus of CFAF 648.74 billion (5.8% of GDP) in 2021.

152. The current account deficit widened to CFAF 663.68 billion (5.3% of GDP), from CFAF 42.84 billion (0.4% of GDP) in 2021, resulting from the worsening balance of the trade balance and the balance of primary income account.

153. The surplus in the goods account decreased to CFAF 10.47 billion (0.1% of GDP) from CFAF 698.18 billion (6.2% of GDP) in 2021, mainly due to the increase in imports. Imports rose by 30.7 percent, from CFAF 2,450.6 billion (21.8% of GDP) to CFAF 3,203.5 billion (25.6% of GDP), reflecting the increase in the petroleum products bill (76.7%) and that of foodstuffs (25.2%). Exports stood at CFAF 3,214.0 billion (25.7% of GDP) against CFAF 3,148.8 billion (28.0% of GDP) in 2021, representing a 2.1 percent improvement, mainly induced by agricultural products (CFAF 78.7 billion), including cotton lint (CFAF 35.5 billion).

154. The deficit in the service balance worsened by 5.5% to CFAF 503.30 billion (4.0% of GDP) against a deficit of CFAF 477.04 billion (4. 2% of GDP) in 2021. This situation was mainly due to the worsening balance in the "transport" and "other services" items.

155. The primary income account balance revealed a deficit of CFAF 491.83 billion (3.9% of GDP), as against a CFAF 512.02 billion deficit (4.6% of GDP) in 2021, reflecting the net decline in payments of investment revenue by non-residents amounting to CFAF 23.2 billion.

156. The surplus in the secondary income account balance dropped by 3.8 percent to CFAF 320.99 billion (2.6% of GDP) as against CFAF 333.72 billion (3.0% of GDP) in 2021. This decline was mainly driven by the decrease in current transfers in favour of the government (12.4%). Disbursements made in respect of budgetary aid in favour of the State declined by CFAF 20.7 billion.

157. The capital account surplus increased from CFAF 235.72 billion (2.1% of GDP) in 2021 to CFAF 260.33 billion (2.1% of GDP) in 2022, reflecting improvement in the capital transfers to the public sector (CFAF 23.5 billion).

158. The net flows resulting from net acquisitions of financial assets and liabilities resulted in net outflows of financial resources amounting to CFAF 256.77 billion (2.1% of GDP), against net financial resource inflows amounting to CFAF 374.50 billion (3.3% of GDP) in 2021. These developments resulted from net financial resource outflows under “other investments” amounting to CFAF 734.6 billion and not counterbalanced by net financial resource inflows under “portfolio

investments" amounting to CFAF 432.0 billion as well as direct investments amounting to CFAF45.8 billion.

Table 2. 9: Trends in Key Balance of Payments Indicators in Burkina Faso

Item	2019	2020	2021	2022	2023*	2019	2020	2021	2022	2023*
	In billions of FCFA					Percent of GDP				
Current Transactions Account	-306.92	269.29	42.84	-663.68	-435.03	-3.3	2.6	0.4	-5.3	-3.2
Goods and Services	-325.46	184.63	221.14	-492.83	-307.54	-3.5	1.8	2.0	-3.9	-2.3
Goods	214.32	618.13	698.18	10.47	218.33	2.3	6.0	6.2	0.1	1.6
General Merchandise	-1476.08	-1665.83	-1707.11	-2339.00	-2328.18	-15.8	-16.2	-15.2	-18.7	-17.2
Non- monetary Gold	1685.77	2279.28	2400.55	2344.68	2541.67	18.0	22.1	21.3	18.7	18.8
Services	-539.78	-433.50	-477.04	-503.30	-525.88	-5.8	-4.2	-4.2	-4.0	-3.9
Transportation	-357.25	-253.36	-287.86	-305.08	-318.21	-3.8	-2.5	-2.6	-2.4	-2.4
Travel	1.10	1.08	1.10	1.58	2.12	0.0	0.0	0.0	0.0	0.0
Other Services	-183.63	-181.22	-190.28	-199.79	-209.78	-2.0	-1.8	-1.7	-1.6	-1.6
Primary Revenue	-299.46	-319.85	-512.02	-491.83	-419.76	-3.2	-3.1	-4.6	-3.9	-3.1
Employees' Wage Bill	8.20	13.39	13.65	14.75	-10.77	0.1	0.1	0.1	0.1	-0.1
Investment Revenue	-288.24	-313.58	-503.62	-480.38	-383.20	-3.1	-3.0	-4.5	-3.8	-2.8
Others Primary Revenue	-19.42	-19.66	-22.05	-26.20	-25.79	-0.2	-0.2	-0.2	-0.2	-0.2
Secondary Revenue	318.00	404.50	333.72	320.99	292.28	3.4	3.9	3.0	2.6	2.2
Government	169.28	235.02	146.18	127.68	90.89	1.8	2.3	1.3	1.0	0.7
Budget Support	88.46	159.68	80.93	60.27	43.87	0.9	1.5	0.7	0.5	0.3
Others Sectors	148.72	169.48	187.54	193.31	201.39	1.6	1.6	1.7	1.5	1.5
Including: Workers' Remittances	150.41	172.44	190.62	196.51	204.79	1.6	1.7	1.7	1.6	1.5
Capital Account	125.93	197.27	235.72	260.33	298.27	1.3	1.9	2.1	2.1	2.2
Acquisitions/disposals of unfinished and unproductive assets.	0.13	0.23	0.23	0.24	0.24	0.0	0.0	0.0	0.0	0.0
Capital Transfer	125.80	197.04	235.49	260.09	298.02	1.3	1.9	2.1	2.1	2.2
Government	71.77	141.93	179.30	202.80	239.59	0.8	1.4	1.6	1.6	1.8
Financial Account	-252.60	-8.47	-374.50	256.77	-484.88	-2.7	-0.1	-3.3	2.1	-3.6
Direct Investments	-85.86	52.75	20.43	-45.82	-78.24	-0.9	0.5	0.2	-0.4	-0.6
Portfolio Investments	-119.99	-105.78	-440.50	-432.01	-418.92	-1.3	-1.0	-3.9	-3.5	-3.1
Financial Derivatives	0.00	0.00	0.00	0.00	0.00	0.0	0.0	0.0	0.0	0.0
Other investments	-46.75	44.56	45.57	734.60	12.28	-0.5	0.4	0.4	5.9	0.1
Net errors and omissions	-4.20	-4.28	-4.32	-4.57	0.00	0.0	0.0	0.0	0.0	0.0
Overall Balance	67.41	470.75	648.74	-664.68	348.12	0.7	4.6	5.8	-5.3	2.6

Source: BCEAO Burkina Faso; *Projections

2.3. Status of Macroeconomic Convergence

159. With regard to macroeconomic convergence, performance remained unchanged in 2022. The country met four (04) criteria; two primary criteria (central bank financing of the budget deficit and gross external reserves) and both secondary criteria.

Table 2. 10: Status of Macroeconomic Convergence in Burkina Faso

Criteria	Target	2019	2020	2021	2022	2023*
Primary Criteria		**03**	**03**	**03**	**02**	**02**
Budget deficit (on commitment basis, including grants)	**≤3 %**	3.2	5.2	6.1	8.5	6.3
Annual average inflation rate	≤5%	-3.2	1.9	3.9	14.1	5.5
Budget Deficit Financing by Central Bank	≤ 10%	0.0	0.0	0.0	0.0	0.0
Gross External Reserves	≥ 3	5.2	6.5	6.6	4.2	4.4
Secondary Criteria		**02**	**02**	**2.0**	**02**	**02**
Nominal Exchange Rate Variance	±10%	-2.8	1.0	-1.5	-5.3	2.4
Debt/GDP Ratio	≤ 70%	42.2	46.2	53.3	53.9	60.0
Total Convergence Criteria Met		**05**	**05**	**05**	**04**	**04**

Source: WAMA/Ministries of Finance/ BCEAO *Projections

2.4. Prospects

160. In 2023, economic growth is expected to be resilient, growing at 4.9 percent, premised on the reclaiming of lost territory and prospects for a favourable agro-pastoral campaign, in spite of geopolitical tensions, supply chain disruptions, and terrorist threats. Inflationary pressures are expected to moderate at 5.5 percent. With regard to public finance, the budget deficit is expected to moderate to 6.3 percent of GDP but remain outside the Community threshold. The external sector is anticipated to improve, supported by developments in the trade balance.

2.5. Conclusion and Recommendations

161. Economic activity was characterised in 2022 by a slowdown in economic growth, largely attributable to the poor performance of the secondary sector against the backdrop of heightened

inflationary pressures. Public finance recorded a worsening budget deficit in 2022, mainly reflecting increased expenditure. On the monetary front, trends in monetary aggregates revealed a sharp decline in foreign assets moderated by an increase in domestic claims. The current account of the balance of payment worsened in 2022. In terms of convergence, Burkina Faso met four (4) out of the six (6) convergence criteria, comprising two primary criteria and both secondary criteria.

162. To improve performance on the convergence criteria, the following recommendations were made for the consideration of the authorities:

i. pursue the development of quality transport infrastructure to facilitate the cost-effective transportation of agricultural commodities from production areas to consumption areas;
ii. pursue the process of computerising tax collection procedures, including customs agencies (offices, mobile brigades, posts) and strengthen the capacity of auditors to monitor corporate entities;
iii. pursue reforms to modernise and improve the efficiency of tax and customs departments in order to sustainably improve revenue and promote tax compliance;
iv. strengthen the escort and satellite monitoring systems of merchandise goods in transit by involving more officers in the installation of beacons at border checkpoints and mobile brigades positioned along the highways for the tracking of vehicles in transit;
v. continue and strengthen the interconnection of Burkina Faso's computerised customs system with neighbouring countries in order to improve the fluidity of cross-border trade and reduce the risk of fraud linked to community transit; and
vi. pursue efforts to combat terrorism by strengthening the security of the populace and their property nationwide, particularly in areas with high production and service potential.

3. CABO VERDE

3.1. Introduction

163. Cabo Verde's economic and financial situation in 2022 was characterised by the continued improvement from 2021 after the country suffered a recession in 2020 during the COVID-19 pandemic. The reopening of the economy and the strong rebound of tourism and related services boosted the economy.

164. The Cabo Verdean economy recorded significant growth of 17.7 percent, compared with 6.8 percent in 2021, supported by the service and secondary sectors. This growth was achieved against a backdrop of heightened inflationary pressures, with average annual inflation reaching 7.9 percent in 2022, from 1.9 percent in 2021.

165. Government fiscal performance in 2022 resulted in an improvement in the overall deficit (4.0% of GDP compared with 7.4% of GDP the previous year), in line with the performance of the revenue administration.

166. Growth in money supply was 5.9 percent in the 12-month period ended December 2022, mainly influenced by NFA. External sector performance in 2022 recorded a surplus on the overall balance of payments, reflecting the surplus on the financial and capital accounts far exceeding the deficit on the current account.

167. With respect to macroeconomic convergence, the country met two (2) primary and one secondary criteria in 2022 against three (3) primary and one (1) secondary in the previous year.

3.2. Sectoral Analysis

3.2.1. Real Sector

168. Real GDP growth accelerated to 17.7 percent, from 6.8 percent in 2021 and the contraction of19.3 percent in 2020. Performance was essentially driven by the services and secondary sectors, while the primary sector showed a decline.

169. Value addition in the primary sector contracted by 13.7 percent in 2022, after the growth rate of 3.9 percent the previous year, attributed to contractions in value added of agriculture (-8.3%) and fishing (-30.2%) sub-sectors.

170. The secondary sector, for its part, recorded a 6.8 percent growth in value added in 2022, compared with 19.0 percent in 2021, mainly as a result of improvements in "water, electricity and gas", "manufacturing", "mining and quarrying" and "construction" sub-sectors, which recorded growth of 29.9 percent, 3.3 percent, 2.6 percent and 2.6 percent respectively.

171. Value addition in the service sector grew by 20.0 percent, compared with 3.7 percent in 2021. This development was particularly linked to the performance of the hotel and restaurants (+264.4%), transport and storage (+45.8%) and trade and repair (+34.2%) sub-sectors, driven by the recovery in tourism. Growth in non-market services was negative (-8.4%).

172. In terms of contribution to real GDP growth, the primary sector contributed negative 0.7 percentage point in 2022 compared with 0.2 percentage point in 2021. The secondary sector's

contribution was 1.0 percentage point compared to 2.5 percentage points in 2021 while the tertiary sector contributed 13.2 percentage points compared to 2.5 percentage points in 2021.

173. Growth on the demand side was underpinned by final consumption and net foreign demand. Final consumption increased by 18.7 percent, compared with 6.3 percent in 2021, as household consumption rose by 28.3 percent, compared with 6.6 percent in 2021. By contrast, public consumption contracted by 7.0 percent, after rising by 5.4 percent the previous year. Investment also contracted by 31.8 percent, compared with an increase of 12.0 percent in 2021.

174. In terms of consumer price trends, average annual inflation rose to 7.9 percent in 2022 from 1.9 percent in the previous year. This increase was mainly due to higher prices for local and petroleum products on the international market, the effects of the Russia-Ukraine war and supply chain constraints. The rise in local food prices was particularly noticeable in 'Food and non-alcoholic beverages' (15.7%), 'Alcoholic beverages, tobacco and narcotics' (11.9%), 'Transport' (11.1%), and 'Health' (8.0%), "Leisure, recreation and culture" (5.0%).

Table 2. 11: Trends in GDP and its Components in Cabo Verde

	2020	2021	2022	2020	2021	2022
	Percentage Change			Percent of GDP		
Growth Rate	**-19.3**	**6.8**	**17.7**			
Primary sector	**9.9**	**3.9**	**-13.7**	5.1	4.9	3.6
Farming, livestock and forestry	8.9	1.7	-8.3	3.9	3.7	2.9
Fisheries and aquaculture	13.3	11.6	-30.2	1.2	1.2	0.7
Secondary Sector	**-12.3**	**19.0**	**6.8**	13.1	14.6	13.3
mining	-5.8	32.8	2.6	0.3	0.4	0.3
manufacturing	-13.3	10.0	3.3	5.3	5.5	4.8
water and electricity	-24.6	5.1	29.9	2.1	2.1	2.3
Construction	-5.4	32.8	2.6	5.4	6.7	5.8
Service Sector	**-21.4**	**3.7**	**20.0**	68.0	66.0	67.3
trade and reparation	-34.6	15.7	34.2	8.9	9.6	11.0
Transport and storage	-46.9	-0.8	45.8	8.7	8.1	10.0
hotels and restaurants	-61.0	-21.4	264.4	2.5	1.9	5.8
Information and communication activities	1.4	1.7	3.7	2.6	2.4	2.2
Financial and insurance activities	-12.3	-7.7	11.5	7.9	6.8	6.4
real estate activities	5.5	8.1	6.8	11.9	12.0	10.9
Business services	-53.3	6.6	53.0	1.7	1.7	2.2
Public administration and social security	0.7	5.4	-8.4	13.1	12.9	10.1
Education	-0.5	2.9	-1.4	5.3	5.1	4.3
Health and social action	18.6	8.3	-9.2	2.8	2.9	2.2
Other service activities	-10.0	5.2	5.2	2.7	2.7	2.4
Taxes net of subsidies on products	-25.0	5.0	29.4	14.2	13.9	15.3
Demand side						
Final consumption	-17.0	6.3	18.7	86.8	86.3	87.0
private	-22.7	6.6	28.3	63.1	62.9	68.6
public	3.0	5.4	-7.0	23.5	23.2	18.3
Investment	46.3	12.0	-31.8	52.0	54.5	31.6
Exports	-58.9	3.1	100.7	25.5	24.6	42.0
Imports	-17.3	8.6	13.1	64.5	65.6	63.0
Net external demand	144.5	12.2	-39.5	-39.0	-41.0	-21.1
Memorandum						
GDP (constant prices) in millions of Escudos	170,798.6	182,432.0	214,748.3			
GDP (current prices) in millions of Escudos	181,809.2	194,988.2	244,284.4			
Annual average inflation (%)	0.6	1.9	7.9			
End-period inflation	3.9	5.4	2.5			

Sources: INE

3.2.2. Fiscal Sector

175. The government's fiscal operations in 2022 showed a deficit of CVE 9,677.0 million (4.0% of GDP) compared with CVE 1,4371.0 million (7.4% of GDP) in 2021. This performance was due to a greater increase in revenue and grants (+8,138 million CVE) than in expenditure and net lending (+3,604 million CVE).

176. Total revenue and grants rose by 18.3 percent to CVE 52,663 million (21.6% of GDP) in 2022 from CVE 44,525 million (22.8% of GDP) the previous year, due mainly to improvements in tax revenue in the face of a decline in non-tax revenue and grants during the period. Tax revenue rose by 31.6 percent to CVE 44,146 million (18.1% of GDP) in 2022, from CVE 33,537 million (17.2% of GDP) in 2021, explained by improvements in income tax, corporate tax, value-added tax and special consumption tax. Non-tax revenue, on the other hand, fell by 9.0 percent to CVE 6,304 million (2.6% of GDP) from CVE 6,924 million (3.6% of GDP) in 2021, reflecting the decline in resources raised from property income and the sale of state-owned goods and services. Similarly, grants fell by 46.5 percent to CVE 2,131.0 million (0.9% of GDP) in 2022, from CVE 3,985.0 million (2.0%) in 2021, reflecting the decline in grants received from both foreign governments and international bodies.

177. Total expenditure and net lending rose by 5.8 percent to CVE 62,340 million (25.5% of GDP) in 2022, from CVE 58,896 million (30.2% of GDP) in 2021, driven by recurrent expenditure, while capital expenditure declined. Recurrent expenditure rose by 6.6 percent to CVE 58,146 million (23.8% of GDP) in 2022, compared with CVE 54,542 million (28.0% of GDP) the previous year. This change was due to the increase in spending on transfers and subsidies (+6.4%), the acquisition of goods and services (4.4%) and servicing the public debt (+26.3%); spending on wages and salaries fell slightly by 0.7 percent. Capital expenditure fell by 8.0 percent in 2022 to CVE 4,631 million (1.9% of GDP), compared with CVE 5,037 million (2.6% of GDP) a year earlier.

Table 2. 12: Trends in Key Fiscal Indicators in Cabo Verde

In millions of escudos (millions of CVE)	2020	2021	2022	2023*	2020	2021	2022	2023*
	Percentage Change				**Percent of GDP**			
Total Revenue and Grants	**-22.2**	**-0.2**	**18.3**	**4.1**	**24.5**	**22.8**	**21.6**	
Domestic Revenue	**-24.2**	**13.1**	**18.7**	**2.9**	**21.3**	**22.5**	**21.3**	
Tax Revenue	**-21.7**	**1.9**	**31.6**	**12.7**	**18.1**	**17.2**	**18.1**	
Income Tax Revenue	-22.8	-6.4	11.2		5.4	4.7	4.2	
Goods	-26.4	4.1	46.2		8.4	8.1	9.5	
Customs	-17.7	19.7	27.0		3.6	4.0	4.1	
Property Income	-50.8	7.4	-72.4		0.6	0.6	0.1	
Sale of Goods and Services	-39.4	16.9	24.4		2.0	2.2	2.2	
Fines and Other Penalties	-51.4	-16.0	59.0		0.1	0.1	0.1	
Non-Tax Revenue	**-31.2**	**11.1**	**-9.0**		**3.4**	**3.6**	**2.6**	
Grants	**-6.3**	**-31.8**	**-46.5**		**3.2**	**2.0**	**0.9**	
Total Expenditure & Lending	-1.9	-0.9	5.4		33.1	30.6	25.7	
Recurrent Expenditure	4.1	-1.8	6.6	2.0	30.5	28.0	23.8	
Wages & Salaries	6.1	1.4	-0.7		12.0	11.4	9.0	
Goods & Services	38.9	-10.2	4.4		6.1	5.1	4.3	
Subs & Transfers	-10.1	2.3	12.1		9.8	9.3	8.3	
Total Int payment	-3.3	-11.8	26.3		2.7	2.2	2.2	
Domestic Interest	-5.2	11.9	1.7		1.6	1.7	1.4	
Foreign Interest	0.0	-49.5	112.9		1.0	0.5	0.8	
Capital Expenditure/Investment	-42.4	9.7	-8.0	-1.8	2.5	2.6	1.9	
Budget Deficit (incl. Grants)					-8.3	-7.4	-4.0	-5.3
Budget Deficit (excl. Grants)					-11.1	-9.4	-4.8	
Primary Current Balance					-8.1	-5.5	-2.3	
Total debt /GDP					140.8	143.7	120.9	126.2
Domestic debt/GDP					101.5	101.9	37.1	40.8
External debt/GDP					39.3	41.8	83.7	85.4

Sources: Ministry of Finance/ WAMA *Projections

178. Consequently, the overall budget deficit on a commitment basis stood at CVE 9,677 million (4.0% of GDP) in 2022, compared with a deficit of CVE 14,371 million (7.4% of GDP) the previous year. Excluding grants, the overall commitment-based deficit was CVE 11,808 million (4.8% of GDP), compared with CVE 18,356 million (9.4% of GDP) in 2021.

179. Cabo Verde's public debt stood at CVE 295.2 billion (120.9% of GDP) in 2022, compared to CVE 280.2 billion (144.0% of GDP) the previous year. The fall in the ratio was caused by the rebasing of the GDP. The increase in total outstanding debt was linked to the rise in both external and domestic components.

3.2.3. Monetary Sector

180. Cabo Verde's monetary authorities maintained an accommodative monetary policy stance since April 2020. Thus, the policy rate was maintained at 0.25 percent, the standing liquidity facility rate at 0.5 percent, the standing liquidity absorption facility rate at 0.05 percent, the long-term monetary financing operation rate at 0.75 percent, the rediscount rate at 1.0 percent and the minimum reserve ratio at 10 percent.

181. Money supply increased by 5.9 percent in 2022 compared with 2.4 percent in 2021, driven by NFA and domestic claims. NFA rose by 8.3 percent in 2022 compared to 5.2 percent at the end of December 2021. This increase was due to a 5.6 percent rise in the central bank's external assets and a 166.4 percent rise in the external assets of primary banks, compared with 3.0 percent and -608.1 percent, respectively in 2021. NDA increased to 4.8 percent from 1.2 percent in 2021, reflecting 7.4 percent increase in domestic claims in 2022, compared to 4.8 percent at the end of December 2021. This follows a 16.7 percent increase in claims on government and a 5.3 percent increase in credit to the economy. The increase in credit to the public sector is linked to the 13.9 percent rise in credit to central government. The increase in credit to the economy is explained in particular by the 4.8 percent rise in credit to the private sector.

182. The growth in money supply was reflected in the increase in all its components. Currency in circulation, transferable deposits and quasi-money rose by 7.2 percent, 11.9 percent and 1.6 percent, from 2.7 percent, 2.8 percent and 3.1 percent, respectively, at end-2021.

Table 2. 13: Growth in Key Monetary Aggregates in Cabo Verde

In millions of escudos (millions of CVE)	2020	2021	2022	2020	2021	2022
ASSETS	**Percentage Change**			**Contribution to M2 Growth**		
Net Foreign Assets (NFA)	**-9.9**	**5.2**	**8.3**	**-3.6**	**1.6**	**2.7**
Central bank (BCV)	-12.2	3.0	5.6	-4.5	1.0	1.8
Commercial banks	-89.2	-608.1	166.4	1.0	0.7	0.9
Net Domestic Assets (NDA)	**12.0**	**1.2**	**4.8**	**7.7**	**0.8**	**3.3**
Net Domestic Credit	6.7	4.8	7.4	4.8	3.5	5.6
Government (Net)	15.1	-0.6	16.7	1.9	-0.1	2.3
Private Sector	4.8	6.1	5.3	2.8	3.6	3.3
Other Items (net)	-38.9	61.6	32.8	2.9	-2.7	-2.3
LIABILITIES						
Broad Money (M2)	**4.1**	**2.4**	**5.9**	**4.1**	**2.4**	**5.9**
Narrow Money (M1)	19.4	-8.1	11.3	8.7	-4.2	5.2
Currency in Circulation	11.4	2.7	7.2	0.6	0.1	0.4
Transferable deposits	20.4	-9.4	11.9	8.1	-4.3	4.8
Quasi Money	1.0	3.1	1.3	0.6	1.7	0.7
Savings Deposits	11.4	11.3	10.0	0.4	0.4	0.4
Time Deposits in National Currency	4.3	4.9	-4.7	0.9	1.0	-1.0
Resident Currency Deposits	-17.6	3.6	23.9	-0.4	0.1	0.5
Emigrant Deposits	0.1	1.6	3.0	0.0	0.4	0.8
MEMORANDUM ITEMS						
Nominal GDP (millions of CVE)	181,809	194,988	244,284			
Reserve Money (millions of CVE)	54,642	66,904	69,922			
Money Multiplier (M2/RM)	3.7	3.1	3.2			
Velocity (GDP/M2)	0.9	0.9	1.1			
Credit to Private Sector/GDP %	0.7	0.7	0.6			
Net Foreign assets/M2	0.3	0.3	0.3			
Net Domestic Assets /M2	0.7	0.7	0.7			
Currency in Circulation/M2	0.1	0.1	0.1			

Sources: BCV/WAMA

3.2.4. External Sector

183. In 2022, Cabo Verde's transactions with the rest of the world recorded a balance of payments surplus, reflecting improvements in the current account supported by the financial and capital accounts. The balance of payments surplus improved to 1.1 percent of GDP in 2022, from 0.6 percent of GDP a year earlier, due to a greater reduction in financing requirements (CVE 14,480.4 million) than in net capital flows (CVE 10,765.4 million).

184. The current account recorded a deficit of CVE 8,240.20 million (3.4% of GDP) in 2022, compared with a deficit of CVE 23,083.40 million (11.8% of GDP) in 2021, mainly reflecting significant improvement in the services account. The surplus on the balance of services was estimated at CVE 34,830.08 million (14.4% of GDP), compared to a surplus of CVE 5,633.11 million (2.9% of GDP) in 2021, due to the increase in passenger flights and air transport services, as the tourism sector rebounded. Similarly, the surplus on the secondary income account consolidated at CVE 41,975.88 million (17.2% of GDP) in 2022 against CVE 40,295.05 million (20.7% of GDP) in 2021, as remittances increased by 13.1 percent, notwithstanding the 29.9 percent fall in official transfers.

185. The primary income account deficit widened to CVE 2,991.9 million (1.2% of GDP), compared with a deficit of CVE 2,643.44 million (1.4% of GDP) a year earlier. This trend was due to the 29.0 percent increase (CVE 906.22 million) in the repatriation of income from foreign investments, which was greater than the increase in net labour income received (CVE +558.01 million).

186. However, the impact of these trends was mitigated by the widening trade deficit, which showed a deficit of CVE 82,054.18 million (33.6% of GDP) in 2022, following a deficit of CVE 66,368.09 million (34.0% of GDP) the previous year. The trade deficit worsened due to a greater increase in imports (+ CVE 28,712.7 million) than in exports (CVE 13,026.5 million).

187. The capital account surplus fell from CVE 2,671.65 million (1.4% of GDP) in 2021 to CVE 2,308.87 million (0.9% of GDP) in 2022, mainly as a result of the decline in capital transfers by migrants.

188. These developments triggered a financing requirement of CVE 5,931.3 million in 2022 compared with CVE 20,411.7 million the previous year. This financing requirement was covered by capital flows on the financial account, bringing the surplus to CVE 8,667.1 million (3.5% of GDP) compared with CVE 19,432.5 million (10.0% of GDP) in 2021. The fall in capital flows was due to the outflow of capital to repay private debt in the context of reduced disbursement of resources for external public debt. However, it is worth highlighting the continuing recovery in foreign direct investment (FDI) flows, which were up 34.9 percent on their value in 2021 (CVE 8,570.13 million).

189. In line with these developments, gross external reserves rose to CVE 68,994.5 million (6.8 months of imports cover) in 2022 from CVE 65,630.0 million (7.5 months of imports cover) in 2021.

Table 2. 14: Trends in Key Balance of Payments Indicators in Cabo Verde

	2020	2021	2022	2020	2021	2022
	In billions of FCFA			Percent of GDP		
Current balance	**-27,896.43**	**-23,083.36**	**-8,240.18**	-15.3	-11.8	-3.4
Balance of goods	***-63,832.20***	***-66,368.09***	***-82,054.24***	-35.1	-34.0	-33.6
Exports	12,495.59	16,624.07	29,650.60	6.9	8.5	12.1
Imports	76,327.80	82,992.16	111,704.84	42.0	42.6	45.7
Balance of services	***7,749.36***	***5,633.11***	***34,830.08***	4.3	2.9	14.3
Exports	28,960.88	26,981.98	60,762.45	15.9	13.8	24.9
Imports	21,211.52	21,348.87	25,932.37	11.7	10.9	10.6
Primary income	***-3,718.91***	***-2,643.44***	***-2,991.90***	-2.0	-1.4	-1.2
Secondary income	***31,905.32***	***40,295.05***	***41,975.88***	17.5	20.7	17.2
official transfers	4,745.38	4,582.38	3,212.12	2.6	2.4	1.3
Migrant remittances				0.0	0.0	0.0
remittances from emigrants	21,348.38	28,174.90	31,442.04	11.7	14.4	12.9
Capital account	**2,243.10**	**2,671.65**	**2,308.87**	1.2	1.4	0.9
official transfers	1,118.86	792.05	944.30	0.6	0.4	0.4
private transfers	1,118.75	1,739.13	1,342.96	0.6	0.9	0.5
Financial balance	**-22,688.38**	**-18,344.54**	**-6,064.06**	-12.5	-9.4	-2.5
foreign direct investment	***-6,158.09***	***-8,570.13***	***-11,559.16***	-3.4	-4.4	-4.7
FDI in Cape Verde (equity investments + reinvested earnings)	*5,743.23*	*8,889.86*	*13,422.30*	3.2	4.6	5.5
Portfolio investment	***-22.72***	***77.61***	***70.55***	0.0	0.0	0.0
Other investments	***-8,224.93***	***-10,939.96***	***2,821.52***	-4.5	-5.6	1.2
Reserve assets (Overall balance)	**-8,282.64**	**1,087.95**	**2,603.03**	-4.6	0.6	1.1
GDP at current price	***181,809.2***	***194,988.2***	***244,284.4***			
Gross External Reserves (in millions of CVE)	***63,887.3***	***65,629.9***	***68,994.5***			
Gross External Reserves (in months of imports)	**7.9**	**7.5**	**6.8**			

Source. BCV/WAMA

3.3. Status of Macroeconomic Convergence

190. On macroeconomic convergence, Cabo Verde met three (3) out of the six (6) convergence criteria in 2022; two primary (central bank financing of the budget deficit and gross external reserves) and one (1) secondary criterion (nominal exchange rate variation).

Table 2. 15: Status of Macroeconomic Convergence in Cabo Verde

Criteria	Target	2018	2019	2020	2021	2022
Primary criteria		***4***	***3***	***3***	***3***	***2***
Budget deficit (commitment basis, including grants)	≤ 3%	2.3	2.5	9.0	7.4	4.0
Average annual inflation	≤ 5%	1.3	1.1	0.6	1.9	7.9
Central bank financing of the budget deficit	≥ 10%	0	0	0	0	0
Gross external Reserves (months of imports)	≥ 3	5.6	6.9	7.9	7.5	6.8
Secondary criteria		***1***	***1***	***1***	***1***	***1***
Nominal exchange rate variation	± 10%	2.6	-2.8	1.0	1.7	-4.9
Public debt to GDP	≤ 70%	117.1	108.5	141.2	144.0	120.9
Total number of criteria met		**5**	**4**	**4**	**4**	**3**

Sources: Cabo Verde authorities and WAMA

3.4. Prospects

191. In 2023, Cabo Verde's economy is expected to grow by 4.4 percent, premised on continued improvements in the services sector, with tourism, accommodation, restaurants, trade, repairs and transport all contributing significantly. Economic activity is expected to take place against a backdrop of lower prices compared to 2022, with inflation declining to 5.0 percent.

3.5. Conclusion and Recommendations

192. The recovery of the Cabo Verde economy, which began in 2021 (6.8 percent) after an unprecedented contraction of 19.3 percent in 2020, has strengthened with a growth rate of 17.7 percent in 2022. Unlike in previous years, economic growth will be achieved against a backdrop of rising inflationary pressures occasioned by global economic developments, including the increase in the international prices of petroleum products and supply chain disruptions caused by the Russia-Ukraine war. Despite efforts to consolidate public finances, the country's budget deficit and public debt ratio remain high. In terms of macroeconomic convergence, Cabo Verde met three (3) of the criteria.

193. To maintain the growth momentum and improve the country's convergence profile, the authorities are urged to:

i. implement measures to support the agricultural sector through mechanisation and inputs supply in order to increase the supply of local products;

ii. take steps to stabilise consumer prices and minimise the impact of inflation on the population's standard of living;

iii. strengthen debt management strategies to ensure a gradual reduction of public debt to sustainable levels; and

iv. pursue effective collaboration between fiscal and monetary policies to ensure well anchoring of inflationary expectations.

4. CÔTE D'IVOIRE

4.1. Introduction

194. Côte d'Ivoire's broad economic policy guidelines for 2022 focussed on sound fiscal management, inflation control and public debt sustainability. The policy was anchored on achieving improved investment in infrastructure in line with the implementation of reforms set out in the 2021-2025 National Development Plan (NDP). These measures aimed to enhance good governance, ensure a stable macroeconomic environment, and diversify and transform the economy.

195. The government sought to consolidate its efforts in improving the business climate. With regard to the structural transformation of the economy, the government of Côte d'Ivoire, through the Competitive Value Chains for Employment and Economic Transformation (PCCET) project, valued at CFAF 108.62 billion, plans to improve the competitiveness of agricultural value chains.

196. Accordingly, the government announced a number of measures on 9 March 2022 to tackle the inflationary pressures caused by the war in Ukraine, as well as shocks to the domestic supply of food products. The three-month-long raft of measures includes exempting certain taxes, capping the prices of consumer goods and controlling prices to preserve household purchasing power.

197. The fiscal policy guidelines for 2022 was geared towards improving domestic revenue collection, particularly tax revenue, ensuring efficient management of recurrent expenditure, accelerating investment in growth-generating sectors and ensuring public debt sustainability. Consequently, the following macroeconomic targets were set for 2022:

- real GDP growth rate of 6.8 percent;
- overall budget deficit of 6.0 percent of GDP;
- average and end-period inflation of 4.1 percent and 4.4 percent, respectively; and
- public debt-to-GDP ratio of 60.0 percent.

4.2. Sectoral Analysis

4.2.1. Real Sector

198. Growth stood at 6.7 percent in 2022, following the 7.4 percent recorded in 2021, reflecting the underperformance of the tertiary sector. However, the primary and secondary sectors improved.

199. Growth in the primary sector stood at 5.1 percent in 2022, compared with 2.7 percent in 2021, mainly due to added value in export and food crops. Benefiting from good prices, the start of production of new high-yielding varieties and good rainfall, agricultural exports improved by 6.5 percent, after recording a 4.9 percent growth in 2021. Food crops production also increased by 3.5 percent, after contracting by 0.4 percent in 2021, due to the improved yields combined with good farming practices, through the support of the government's social programme, PS-Gouv/Agriculture. However, performance in the fishing sub-sector slowed to 0.5 percent, from 0.7 percent in 2021.

200. Growth in the secondary sector accelerated to 11.1 percent in 2022, from 4.7 percent in 2021, driven mainly by the energy, construction and public works as well as the mining and agri-food

industries. The energy sector grew by 20.3 percent, after contracting by 2.5 percent in 2021, explained by the combined effects of increased production of hydraulic and thermal energy (gas-based). Taking advantage of the increased energy supply, the agri-food industries recorded growth of 7.2 percent, compared with a fall of 2.5 percent in 2021. Construction and public works increased by 18.2 percent, down from 8.3 percent in 2021, due to the acceleration and commencement of construction projects, such as the 4th bridge in Abidjan, the ‘tour-F’ in the Plateau administrative district, the Gribo Popoli dam, and the development and asphalting of the Yamoussoukro-Bouaké motorway. Mining increased by 10.8 percent, compared with 3.2 percent in 2021, thanks to improved production of crude oil (+6.0%), gold (+13.4%), gas (+7.8%) and nickel (+4.3%).

201. The services sector slowed to 6.0 percent, from 11.5 percent in 2021, reflecting the decline in the growth of transport, trade and telecommunications activities. Transport activities declined, with sectoral growth of 7.1 percent, compared to 15.1 percent in 2021. However, the sector benefited from the opening of new routes by Air Côte d'Ivoire and the construction of a ro-ro terminal, a second container terminal, a cereal terminal and a mineral terminal. Despite the effective recovery in economic activity, growth in trade, and telecommunications performed below their 2021 level from 10.8 percent and 11.8 percent to 5.2 percent and 6.6 percent, respectively, in 2022.

202. In terms of contribution to growth, the primary, secondary and services sectors contributed 0.9 percentage point, 2.3 percentage points and 3.5 percentage points, in 2022, compared to 0.5 percentage point, 1.0 percentage points and 5.9 percentage points, respectively, in 2021.

203. Growth on the demand side was driven mainly by the strengthening of final consumption (up by 4.5%, after 4.6% in 2021) and the consolidation of investment (up by 19.4%, compared with 8.6% in 2021). The rise in final consumption was linked to the consolidation of public consumption (+5.7% after +8.6% in 2021) and household consumption (+4.3% compared with +4.0% in 2021), which benefited from increased income and job creation. The rise in investment was driven by both private and public sector investment, supported by the continued implementation of major infrastructure projects, taking the overall investment rate to 26.4 percent of GDP from 24.0 percent in 2021. Foreign trade also contributed to growth, with exports of goods and services rising by 10.2 percent compared with 10.6 percent in 2021, thanks to the good performance of processed products and cash crops. Imports of goods and services rose by 7.2 percent, compared with 14.2 percent in 2021, driven by a dynamic economy.

204. The economy faced rising inflation as a result of disruptions to supply chains caused by various crises, notably the Russia-Ukraine crisis, high energy prices and the shortfall in local supply of agricultural production during the 2021/2022 season. Average annual inflation, therefore, rose to 5.2 percent in 2022 from 4.2 percent in 2021, while end-period inflation was 5.1 percent, compared with 4.2 percent a year earlier.

Table 2. 16: Trends in GDP and its Components in Côte d 'Ivoire

	2019	2020	2021	2022	2023*	2019	2020	2021	2022	2023*
	Percent Change					Contribution to Growth				
GDP at constant prices	**6.5**	**1.7**	**7.4**	**6.7**	**7.2**	**6.5**	**1.7**	**7.4**	**6.7**	**7.2**
Primary sector	**2.4**	**8.9**	**2.7**	**5.1**	**-0.4**	**0.4**	**1.5**	**0.5**	**0.9**	**-0.1**
Livestock and subsistence farming	-5.1	-1.7	-0.4	3.5	2.0	-0.3	-0.1	0.0	0.2	0.1
Export farming	4.9	14.0	4.9	6.5	-1.5	0.6	1.6	0.6	0.8	-0.2
Forestry	0.7	49.0	-23.7	-16.4	0.4	0.0	0.2	-0.1	-0.1	0.0
Fisheries	32.0	-31.0	0.7	0.5	0.7	0.1	-0.1	0.0	0.0	0.0
Secondary sector	**22.7**	**-0.6**	**4.7**	**11.1**	**12.2**	**4.3**	**-0.1**	**1.0**	**2.3**	**2.7**
Mining	2.3	-4.9	3.2	10.8	1.8	0.1	-0.1	0.1	0.2	0.0
Food processing industries	10.0	-2.5	-2.5	7.2	7.8	0.6	-0.1	-0.1	0.4	0.4
Petroleum	21.6	-6.1	9.8	10.0	7.0	0.2	-0.1	0.1	0.1	0.1
Energy (gas pipeline)	32.9	5.4	-2.5	20.3	23.9	0.4	0.1	0.0	0.3	0.4
CONSTRUCTION	31.5	-7.9	8.3	18.2	21.9	1.3	-0.4	0.4	0.9	1.3
Other manuf. Industries	41.0	10.7	10.2	6.1	7.8	1.7	0.6	0.6	0.4	0.4
Services sector	**-12.4**	**-2.3**	**11.5**	**6.0**	**8.3**	**1.8**	**0.3**	**5.9**	**3.5**	**4.6**
Transports	-1.9	-3.9	15.1	7.1	9.5	-0.2	-0.3	1.3	0.6	0.9
Telecommunication	-10.9	9.7	11.8	6.6	9.0	-0.2	0.2	0.2	0.1	0.2
Trade	-1.7	1.2	10.8	5.2	7.8	-0.3	0.2	1.6	0.8	1.2
Other services	-26.4	-6.3	9.8	6.2	8.1	-5.3	-0.9	1.3	0.8	1.1
FBCF	2.1	14.1	8.6	19.4	12.8					
Private investment	0.3	9.0	9.1	13.2	14.6					
Public investment	7.1	24.6	7.7	30.7	9.6					
Final consumption	5.2	4.4	4.6	4.5	5.3					
Household consumption	3.4	4.7	4.0	4.3	5.6					
Public consumption	17.5	2.5	8.6	5.7	3.3					
Export of goods	9.2	-7.2	10.7	10.1	8.2					
Importation of goods	0.7	15.0	14.2	7.2	7.0					
Memorandum										
Inflation										
Average annual	0.8	2.4	4.2	5.2	4.1					
End-period	-0.6	2.4	4.2	5.1	4.4					

Source: BCEAO *Projections

4.2.2. Fiscal Sector

205. Despite the strong fiscal performance, characterised by increased revenue mobilisation, the budget deficit worsened to 6.8 percent of GDP in 2022 from 4.9 percent of GDP in 2021. This development was due to a sharp rise in public spending, driven by an acceleration in the implementation of road and sports infrastructure projects in the run-up to the African Cup of Nations, subsidies, the acquisition of security equipment and measures to increase civil servants' salaries.

206. Total revenue and grants (including earmarked revenue) reached CFAF 6,385.90 billion (14.6% of GDP) compared with CFAF 6,140.24 billion (15.4% of GDP) in 2021, an increase of 4.0 percent. This performance was due to tax revenue, which amounted to CFAF 5,318.24 billion (12.2% of GDP), compared with CFAF 5,096.01 billion (12.8% of GDP) in 2021, an increase of 4.4 percent. This change results from a recovery in economic activity, following the slowdown observed since 2020 due to the health crisis, and also of policy and tax administration measures. The increase in tax revenue was driven by its domestic component, which rose by 13.2 percent, while customs revenue fell by 6.3 percent to CFAF 2,097.1 billion from CFAF 2,239.7 billion a year earlier. This decline was mainly due to taxes on petroleum products, which fell by CFAF 379.9 billion. Taxes, excluding petroleum products, increased by CFAF 219.9 billion to reach CFAF 1,381.8 billion, reflecting the sharp rise in import prices (+19.0%) as a result of higher

international prices. On the other hand, non-tax revenue fell by 3.0 percent to CFAF 834.00 billion (1.9% of GDP), compared with CFAF 859.63 billion (2.2% of GDP) the previous year.

207. Grants increased by 26.6 percent to CFAF 233.65 billion (0.5% of GDP), compared with CFAF 184.60 billion (0.5% of GDP) in 2021, driven by programme grants (+109.9%). However, project grants declined by 56.8 percent to CFAF 39.85 billion (0.1% of GDP) in 2022.

208. Government expenditure increased in 2022 as a result of measures taken by the government to deal with the impact of the crises on economic activity, particularly those aimed at supporting certain sectors of activity, such as the agricultural sector and millers. Total expenditure and net lending amounted to CFAF 9,367.85 billion (21.4% of GDP), up from CFAF 8,102.04 billion (20.3% of GDP), an increase of 15.6 percent.

209. Recurrent expenditure stood at CFAF 4,764.71 billion (10.9% of GDP) against CFAF 4,654.64 billion (11.7% of GDP) in 2021, an increase of 2.4 percent. This increase was due to personnel costs and operating expenses.

210. Expenditure on wages and salaries rose from CFAF 1,859.57 billion (4.7% of GDP) to CFAF 2,007.20 billion (4.6% of GDP), an increase of 7.9 percent, in line with the revaluation of civil servants' salaries in August 2022. Expenditure of use of goods and services rose to CFAF 1,593.00 billion (3.6% of GDP), compared with CFAF 1,510.02 billion (3.8% of GDP) in 2021. Subsidies and transfers, on the other hand, fell by 15.3 percent to CFAF 767.74 billion (1.8% of GDP), compared with CFAF 906.80 billion (2.3% of GDP) in 2021.

Table 2. 17: Trends in Key Fiscal Indicators in Côte d'Ivoire

	2019	2020	2021	2022	2023*	2019	2020	2021	2022	2023*
In billions of CFAF	**Percentage Change**					**Percent of Growth**				
Total Revenue and Grants	8,3	2,5	16,1	4,0	19,4	14,7	14,6	15,4	14,6	15,9
Domestic Revenue	8,1	4.3	16,9	3,3	18,7	13,9	14,1	15,0	14,1	15,2
Tax revenue	8,3	3,6	17,0	4,4	20,8	12,0	12,0	12,8	12.2	13,4
Direct taxes	4,2	4,2	18,3	16,4	12,3	3.2	3.2	3.5	3,7	3,8
Taxes on goods and services	14,2	2,6	23,6	9,7	14,9	2,8	2,8	3,1	3,1	3,3
Direct taxes	7,5	-17,3	16,6	9,6	0.1	0.0	0.0	0.0	0.0	0.0
Taxes on goods and services	6,1	30,2	-12,7	-6,1	-12,4	0.0	0.0	0.0	0.0	0.0
Import duties & taxes	10,1	11,0	16,7	-9,3	27,7	3,8	4,1	4.3	3,6	4,2
Export duties & taxes	7.2	-8,5	2.4	-2,0	24,8	1,2	1,1	1.0	0.9	1.0
Non-tax revenue	6,7	9,1	16,2	-3,0	5,2	1,9	2.0	2,2	1,9	1.8
Grants	11.7	-29.7	-4.5	26.6	37.7	0.8	0.5	0.5	0.5	0.7
Project grants	22.9	-5.6	-9.0	-56.8	199.4	0.3	0.3	0.2	0.1	0.2
Programme grants	5.5	-45.1	0.5	109.9	4.4	0.5	0.3	0.2	0.4	0.4
Total Expenditure and Net Lending	4.1	22.1	11.7	15.6	8.2	16.9	20.0	20.3	21.4	21.2
Current expenditure	6.0	17.1	9.5	2.4	3.0	10.3	11.7	11.7	10.9	10.2
Wages and salaries	5.0	7.3	1.7	7.9	11.7	4.9	5.0	4.7	4.6	4.7
Social benefits	11.8	6.5	5.2	5.0	8.2	0.9	1.0	0.9	0.9	0.9
Subsidies and other transfers	6.8	54.6	36.1	-15.3	-19.2	1.2	1.8	2.3	1.8	1.3
Goods and services	5.1	21.1	8.3	5.5	1.5	3.3	3.8	3.8	3.6	3.4
Capital expenditure	-3.1	27.7	13.4	36.9	9.6	4.3	5.3	5.5	6.8	6.8
Domestic financing	9.3	27.5	-1.3	23.5	1.2	2.7	3.3	3.0	3.4	3.1
External financing	-20.4	29.4	38.1	58.0	13.8	1.5	1.9	2.3	3.4	3.5
Interest on public debt	20.0	27.4	18.2	23.7	25.6	1.5	1.8	2.0	2.2	2.5
Domestic debt	7.5	23.4	20.5	35.8	23.2	0.6	0.8	0.8	1.0	1.2
External debt	31.2	30.4	16.6	14.9	27.6	0.9	1.1	1.1	1.2	1.4
Fiscal balance (including grants)	-16.8	150.3	-0.2	52.0	-15.7	-2.2	-5.4	-4.9	-6.8	-5.2
Fiscal balance (excluding grants)	-10.9	103.6	-0.6	49.8	-11.8	-3.0	-6.0	-5.4	-7.4	-5.9
	In billions of CFAF					***Percent of GDP***				
Debt	13,300.2	16,802.3	2,026.80	24,774.4	29,091.00	37.9	46.3	50.9	56.7	51.4
Domestic	4,432.7	6,045.6	7,959.2	9,705.30	11,306.60	12.6	16.7	20.0	22.2	19.9
External	8,867.5	10,756.7	12,311	15,069.10	17,784.40	25.3	29.7	30.9	34.5	31.5

Source: Ministry of Finance *Projected

211. Capital expenditure increased by 36.9 percent to reach CFAF 2,974.20 billion (6.8% of GDP) in 2022, compared with CFAF 2,171.90 billion (5.5% of GDP) the previous year. This increase was due to an acceleration in the execution of roads and sports infrastructure projects in the run-up to

the African Cup of Nations scheduled for 2023. This investment expenditure was financed by CFAF 1,501.4 billion (3.4% of GDP) from internal resources and CFAF 1,472.8 billion (3.4% of GDP) from external resources.

212. Interest payments stood at CFAF 970.31 billion (2.2% of GDP), compared with CFAF 784.5 billion (2.0% of GDP) a year earlier. By component, it is made up of CFAF 447.50 billion (1.0% of GDP) interest on domestic debt and CFAF 522.84 billion (1.2% of GDP) interest on external debt.

213. The public debt stock stood at CFAF 24,774.40 billion (56.7% of GDP) at end-December 2022, compared with CFAF 2,069.80 billion (50.9% of GDP) in 2021. This amount comprises CFAF 15,069.10 billion (34.5% of GDP) in external debt and CFAF 9,705.30 billion (22.2% of GDP) in domestic debt, reflecting the financing of the various public investment programmes in the National Development Plans (PND).

4.2.3. Monetary Sector

214. Monetary aggregates at the end of December 2022 showed a rise in money supply compared with the end-December 2021, a fall in NFA, an increase in domestic credit and an increase in the BCEAO's interventions in favour of banks and the Ivorian government. Broad money supply (M2) grew by 9.0 percent at end-December 2022, compared with 18.7 percent a year earlier, reflecting the increase in NDA offset by the fall in the NFA.

215. NFA decelerated by 7.6 percent at end-December 2022, after rising by 34.0 percent at end-December 2021. The NFA of BCEAO contracted by 21.8 percent at end-December 2022 compared to an increase of 23.2 percent at end-December 2021. In contrast, the NFA of deposit money banks rose by 25.4 percent in December 2021, compared with a larger increase of 68.1 percent a year earlier.

Table 2. 18: Growth in Key Monetary Aggregates in Côte d'Ivoire

	2019	2020	2021	2022	2019	2020	2021	2022
	Percentage Change				Contribution to M2 Growth			
Assets								
Net foreign assets	23.0	25.6	34.0	-7.6	4.8	5.9	8.2	-2.1
Central bank	23.6	13.5	23.2	-21.8	4.1	2.6	4.3	-4.1
Deposit banks	19.8	90.0	68.1	25.4	0.7	3.3	3.9	2.1
Net foreign assets	**7.5**	**19.7**	**13.9**	**15.2**	**6.0**	**15.2**	**10.6**	**11.1**
Net receivables from central government	20.4	40.0	18.1	27.7	4.9	10.4	5.4	8.2
Central bank	35.7	37.7	92.0	-3.1	1.5	2.0	5.5	-0.3
Deposit banks	17.1	40.6	-0.5	42.5	3.3	8.4	-0.1	8.5
Claims on the economy	6.1	9.2	12.5	7.3	4.4	6.4	7.8	4.3
Liabilities								
Money supply (M2)	10.8	21.1	18.7	9.0	10.8	21.1	18.7	9.0
Money supply (M1)	9.4	25.0	19.5	11.5	6.5	17.0	13.7	8.1
Monetary base	22.0	22.1	23.4	4.6	7.4	8.2	8.8	1.8
Cash in circulation	10.3	22.2	13.1	6.8	2.6	5.5	3.3	1.6
Demand deposits	8.9	26.7	23.1	14.0	3.9	11.4	10.3	6.5
Term deposits	13.7	12.8	17.0	3.0	4.3	4.1	5.1	0.9
Memorandum								
Money multiplier (M2/BM)	2.7	2.7	2,6	2.7				
Velocity of money (GDP/M2)	3,3	2,8	2,6	2,6				
CSP/PIB	21,2	22,4	23,0	22,5				
NFA/M2	23,2	24,1	27,2	23,0				

Source: BCEAO

216. NDA rose by 15.2 percent at the end-December 2022, compared with 13.9 percent at end-December of 2021, due to the increase in claims on the economy and claims on government.

Claims on the economy, as at end-December 2022 had consolidated at 7.3 percent, after 12.5 percent at end-December 2021. Net lending to government increased by 27.7 percent, compared with 18.1 percent at end-December 2021.

217. The increase in money supply on the liabilities side is explained by the consolidation of transferable deposits and the rise in currency in circulation. The reserve money grew by 4.6 percent at end-December 2022, after increasing by 23.4 percent at end-December 2021. Currency in circulation rose by 6.8 percent, compared with 13.1 percent at the end-December 2021, while transferable deposits increased by 14.0 percent, compared with 23.1 percent at end-December 2021. The increase in other deposits included in the money supply was smaller (+3.0%) than that recorded in 2021 (+17.0%).

4.2.4. External Sector

218. The current account deficit widened to CFAF 3,005.21 billion (6.9% of GDP) in 2022, from CFAF 1,593.82 billion (4.0% of GDP) recorded a year earlier, reflecting the reduction of 58.4 percent in the merchandise trade surplus, and the worsening of the balance of services and income deficit.

219. The merchandise trade balance posted a surplus of CFAF 704.57 billion (1.6% of GDP) in 2022, compared to CFAF 1,693.21 billion (4.3% of GDP) in 2021. This trend was due to a rise in the value of goods imports as a result of higher prices for food products, intermediate and capital goods, and petroleum products.

220. Exports of goods rose by 19.3 percent to CFAF 10,138.61 billion (23.2% of GDP) in 2022 from CFAF 8,495.61 billion (21.3% of GDP) in 2021. This increase was due to the rise in the value of sales of palm oil (+60.8%), processed cocoa (+16.9%), coffee (+190.2%), processed petroleum products (+123.2%), rubber (+35.9%), cashew nuts (+6.7%) and crude oil (+63.4%).

221. Imports of goods (fob) increased by 38.7 percent to reach CFAF 9,434.04 billion (21.6% of GDP) from CFAF 6,802.40 billion (17.1% of GDP) in 2021. This rise in imports was driven by 126.2 percent increase in petroleum imports, 21.0 percent in food products, 12.4 percent of other consumer goods, 29.9 percent of intermediate goods and 29.1 percent of capital goods.

222. The services account deficit widened by 26.0 percent to CFAF 2,105.70 billion (4.8% of GDP), from CFAF 1,671.20 billion (4.2% of GDP) in 2021. This significant increase was due to the rise in the cost of freight for goods and the higher value of imports of goods.

223. The primary income deficit widened to CFAF 1,362.35 billion (3.1% of GDP), from CFAF 1,240.70 billion (3.1% of GDP) in 2021, mainly as a result of the increase in interest payments on public debt (+522.8 billion).

224. The secondary income deficit also widened to CFAF 241.74 billion (0.6% of GDP) from CFAF 375.13 billion (0.9% of GDP) in 2021, reflecting the increase in workers' remittances (+300 billion).

225. The capital account surplus fell by 55.6 percent to stand at CFAF 40.65 billion (0.1% of GDP) from a surplus of CFAF 91.56 billion (0.2% of GDP) in 2021, reflecting a decline in capital transfers to the country.

226. The financial account recorded a net inflow of CFAF 2,644.25 billion (6.1% of GDP) into the Ivorian economy in 2022, higher than in 2021 (CFAF 2,595.56 billion, or 6.5% of GDP). This improvement was driven by an increase in foreign direct investment, portfolio investment and drawings on project loans. This increase was, however, not enough to offset the widening current account and capital account deficits. As a result, the overall balance showed a deficit of CFAF 320.3 billion (-0.7% of GDP), against the surplus of CFAF1,095.6 billion (2.8% of GDP) in 2021.

Table 2. 19: Trends in Key Balance of Payments Indicators in Côte d'Ivoire

	2019	2020	2021	2022	2023*	2019	2020	2021	2022	2023*
	In billions of CFAF					Percent of GDP				
a- Current account	-790.315	-1,136.38	-1593.82	-3005.21	-2932.06	-2.3	-3.1	-4.0	-6.9	-6.1
1- Goods and services	533.1996	329.0016	22.01157	-1401.13	-1291.96	1.5	0.9	0.1	-3.2	-2.7
Balance of goods	1846.374	1716.49	1693.212	704.5708	750.0161	5.3	4.7	4.3	1.6	1.6
Exports of goods fob, incl:	7399.174	7194.821	8495.612	10138.61	10153.31	21.1	19.8	21.3	23.2	21.2
COCOA BEANS	2094.868	2085.475	2379.508	1994.875	2178.921	6.0	5.8	6.0	4.6	4.5
PROCESS COCOA	804.8101	885.9883	934.5947	1092.34	1173.061	2.3	2.4	2.3	2.5	2.4
COFFEE (Beans and processed)	133.2284	90.41227	64.84306	108.3403	86.6855	0.4	0.2	0.2	0.2	0.2
COTTON in bulk	211.874	164.8696	235.9305	232.8742	212.5946	0.6	0.5	0.6	0.5	0.4
OIL CRUDE	528.3636	256.4218	316.4056	517.0199	441.5798	1.5	0.7	0.8	1.2	0.9
Importations of goods, fob	-5552.8	-5478.33	6802.4	9434.044	-9403.29	-15.8	-15.1	17.1	21.6	-19.6
FOOD PRODUCTS	-1230.21	-1251.09	-1596.58	-1932.4	-2023.49	-3.5	-3.5	-4.0	-4.4	-4.2
PETROLEUM PRODUCTS	-1315.27	-1184.83	-1335.47	-3020.2	-2621.84	-3.7	-3.3	-3.4	-6.9	-5.5
INTERMEDIATE GOODS	-1124.49	-1075.03	-1436.36	-1865.38	-1833.26	-3.2	-3.0	-3.6	-4.3	-3.8
CAPITAL GOODS	-1094.15	-1116.23	-1405.6	-1814.63	-1939.28	-3.1	-3.1	-3.5	-4.2	-4.0
Balance of services	-1313.17	-1387.49	-1671.2	-2105.7	-2041.97	-3.7	-3.8	-4.2	-4.8	-4.3
Incl. Travels	262.773	95.61607	140.7	175.8473	262.7734	0.7	0.3	0.4	0.4	0.5
Incl. freight and insurance	-948.036	-974.669	-1260.09	-1663.98	-1626.12	-2.7	-2.7	-3.2	-3.8	-3.4
2- Primary income	-985.758	-1062.77	-1240.7	-1362.35	-1459.1	-2.8	-2.9	-3.1	-3.1	-3.0
Incl. interest on public debt	-299	-390.256	-455	-522.841	-596.598	-0.9	-1.1	-1.1	-1.2	-1.2
3- Secondary income	-337.757	-402.619	-375.13	-241.742	-181.003	-1.0	-1.1	-0.9	-0.6	-0.4
- Public administration	94.381	22.56301	10.52	92.54709	109.5291	0.3	0.1	0.0	0.2	0.2
Incl. budget grants received	167.5	91.86855	92.32	190.2	202.3291	0.5	0.3	0.2	0.4	0.4
- Other sectors	-432.138	-425.182	-385.65	-334.29	-290.532	-1.2	-1.2	-1.0	-0.8	-0.6
Incl. workers' remittances	-373.46	-384.04	-351.7	-300	-255.9	-1.1	-1.1	-0.9	-0.7	-0.5
b- Capital account	105.273	100.3713	91.558	40.653	119.4266	0.3	0.3	0.2	0.1	0.2
Capital transfers	107.533	101.4	92.458	40.653	119.4266	0.3	0.3	0.2	0.1	0.2
- Public administration	107.4	101.4	92.258	39.853	119.3266	0.3	0.3	0.2	0.1	0.2
- Other sectors	0.133	0	0.2	0.8	0.1	0.0	0.0	0.0	0.0	0.0
c. Current and capital account balances	-685.042	-1036.01	-1502.26	-2964.56	-2812.64	-2.0	-2.9	-3.8	-6.8	-5.9
d- Financial account	-1164.17	-1641.8	-2595.44	-2644.25	-1981.62	-3.3	-4.5	-6.5	-6.1	-4.1
6- Direct investment	-433.377	-409.58	-614	-626.54	-644.256	-1.2	-1.1	-1.5	-1.4	-1.3
7- Portfolio investment	-9.57577	-531.747	-751.54	-276.3	-229.287	0.0	-1.5	-1.9	-0.6	-0.5
8- Financial derivatives	0.146	0	0.81	0	0	0.0	0.0	0.0	0.0	0.0
9- Other investments	-721.368	-700.469	-1230.71	-1741.41	-1108.08	-2.1	-1.9	-3.1	-4.0	-2.3
e- Errors and omissions, net	-1.496	1.161807	2.44	0	0	0.0	0.0	0.0	0.0	0.0
f- Overall balance	477.6363	607	1095.616	-320.309	-831.017	1.4	1.7	2.8	-0.7	-1.7

Source: BCEAO *Projections

4.3. Status of Macroeconomic Convergence

227. On macroeconomic convergence, the country met four (4) out of the six (6) convergence criteria in 2022; two primary (central bank financing of the budget deficit and gross external reserves) and both secondary criteria (nominal exchange rate variation and public debt).

Table 2. 20: Status of Macroeconomic Convergence in Côte d'Ivoire

CRITERIA	TARGET	2019	2020	2021	2022	2023*
Primary criteria		**4**	**3**	**3**	**2**	**3**
Budget deficit/GDP	≤3 %	2.3	5.6	4.9	6.8	5.2
Annual inflation	≤5 %	0.8	2.4	4.2	5.2	4.1
Central bank financing of budget deficit	≥10 %	0.00	0.00	0.0	0.00	0.0
Gross external reserves	≥3	5.2	6.5	6.6	4.2	4.4
Secondary criteria		**2**	**2**	**2**	**2**	**2**
Nominal exchange rate stability	±10 %	-2.8	1.0	-1.5	-5.3	2.4
Public debt to GDP	≤70 %	38.8	47.6	51.7	54.7	51.4
Total number of criteria met		**6**	**5**	**5**	**4**	**5**

Source: WAMA, *Projections

4.4. Prospects

228. Growth is projected at 7.2 percent in 2023, averaging 7.0 percent over the period 2024-2027, in line with the continued implementation of the NDP (2021-2025). Growth would be supported by the secondary sector, notably construction and public works, energy, and manufacturing, as well as the services sector, mainly transport, telecommunications, and trade subsectors. Inflation is also projected to moderate in 2023 and in the medium term. On macroeconomic convergence, the country is expected to meet five (5) convergence criteria; three (3) primary and two (2) secondary.

4.5. Conclusion and Recommendations

229. The economy remained resilient in 2022. Growth remained strong against a backdrop of controlled inflation, thanks to the policy measures deployed by the government to manage commodity price volatility. Inflation stood at 5.2 percent, combined with economic growth of 6.7 percent reflecting the good performance of the secondary and service sectors, as well as the primary sector to a lesser extent.

230. Fiscal performance deteriorated, with the budget deficit widening to 6.8 percent of GDP from 4.9 percent of GDP in 2021, reflecting a sharp rise in expenditure. Côte d'Ivoire is continuing its rational debt policy, characterised by the mobilisation of resources at concessional rates and with long maturities. The country's debt situation was sustainable at the end of December 2022, with a moderate risk profile and the conclusion of an economic and financial programme with the IMF. However, the debt-to-GDP rose steadily. This rising trend calls for increased surveillance and prudence in order to keep the ratio below 70 percent by 2027.

231. The overall balance of payments worsened as the increase in net foreign capital inflows into the Ivorian economy in 2022 (due to the rise in foreign direct investment, portfolio investment and drawings on project loans), was insufficient to offset the worsening of the current and capital account deficits.

232. In view of developments in the Ivorian economy, the following recommendations are made for the consideration of the authorities:

i. pursue fiscal and budgetary reforms to control expenditure and increase revenue in order to bring down the budget deficit to sustainable levels;

ii. accelerate digitalisation reforms in the revenue institutions (customs and tax) in order to reduce tax evasion, broaden the tax base and increase the mobilisation of tax revenues;

iii. ensure efficiency in investment spending through the implementation of reforms proposed by the Public Investment Management Assessment (PIMA); and

iv. promote agro-processing to improve the agricultural value chain, thereby ensuring macroeconomic resilience.

5. THE GAMBIA

5.1. Introduction

233. The Gambia's macroeconomic policy thrust for 2022 was anchored on the National Development Plan (NDP) 2018-2021. The vision and overall goal of the NDP are to be realised through the following strategic priorities:

    i. restoring good governance, respect for human rights, the rule of law, empowering citizens through decentralisation and local governance;
    ii. Stabilising the economy, stimulating growth, and transforming the economy;
    iii. Modernising agriculture and fisheries for sustained economic growth, food and nutritional security and poverty reduction;
    iv. Investing in the people through improved education and health services and building a caring society;
    v. Building infrastructure and restoring energy services to power the economy;
    vi. Promoting inclusive and culture-centred tourism for sustainable growth;
    vii. Reaping the demographic dividends through an empowered youth; and
    viii. making the private sector the engine of growth, transformation, and job creation.

234. In the medium term, the government is committed to strengthening fiscal consolidation, improving domestic revenue mobilisation and promoting sustainable and inclusive growth. Accordingly, the macroeconomic targets for the 2022 fiscal year were as follows:
    - Real GDP growth of 6.8 percent;
    - Overall fiscal deficit of 4.6 percent of GDP; and
    - Average inflation of 8.0 percent.

235. The Gambian economy continued to show signs of resilience as growth stood at 4.9 percent in 2022 as compared to 5.3 percent in 2021, despite the disruption of the global economy from the Russia-Ukraine crisis and the lingering effects of the COVID-19 pandemic. Growth was mainly supported by the services sector, especially tourism, which rebounded significantly during the period. Economic activity was conducted within an atmosphere of increased inflationary pressures as end-period inflation accelerated to 13.7 percent in 2022 from 7.6 percent in 2021 while average inflation rose to 11.5 percent from 5.6 percent in 2021.

236. The overall fiscal deficit on commitment basis (including grants) narrowed to 4.8 percent of GDP in 2022 from 5.8 percent of GDP in 2021, mainly reflecting improved grants disbursements during the review period. Excluding grants, the fiscal deficit stood at 10.3 percent of GDP in 2022 compared to 10.0 percent of GDP in 2021. The stock of public debt also remained high at 80.8 percent of GDP at end-December 2022, despite declining from 84.3 percent of GDP at end-December 2021.

237. The monetary policy stance was tight in response to rising inflationary pressures. Consequently, the monetary policy rate was increased cumulatively by 300 basis points to 13.0 percent at end-December 2022. Growth in broad money supply (M2) slowed to 7.1 percent in the 12-month

period ended December 2022 from 19.5 percent in the corresponding period of 2021, mainly attributed to the contraction of NFA of the banking system.

238. Performance in the external sector moderated as the overall balance of payment surplus declined to US$43.6 million in 2022 from US$226.0 million in 2021, mainly reflecting deterioration in the current account balance. Gross external reserves in months of import cover declined to 7.1 from 8.8 in 2021. However, the domestic currency was fairly stable against the major foreign currencies traded in the interbank forex market.

239. In terms of macroeconomic convergence, The Gambia satisfied two (2) out of the six (6) macroeconomic convergence criteria in 2022; one (1) primary (gross external reserves) and one (1) secondary (nominal exchange rate variation).

5.2. Sectoral Analysis

5.2.1. Real Sector

240. The economy grew by 4.9 percent in 2022 compared to 5.3 percent in the previous year. This slowdown was largely attributed to the significant underperformance in the agricultural sector, especially fishing and aquaculture. In terms of sectoral performance, growth in the primary (agriculture) sector slowed to 3.6 percent from 13.7 percent in 2021, mainly due to the 6.3 percent contraction in the fishing and aquaculture sub-sectors. Similarly, the performance of crop production moderated to 7.8 percent from 8.7 percent in 2021, due mainly to high input costs, including herbicides, pesticides and fertilisers.

241. The industry sector recorded a growth rate of 3.1 percent compared to 2.9 percent in 2021. The electricity, gas, steam and air conditioning supply grew by 17.4 percent against the growth rate of 7.0 percent recorded in 2021. The manufacturing sub-sector also registered a growth rate of 1.1 percent compared to the contraction of 28.2 percent in 2021.

242. Growth in the services sector strengthened to 6.0 percent in 2022 from the 2.7 percent recorded in 2021. This performance was largely due to improvements in wholesale & retail trade and information & communication which grew by 5.8 percent and 18.2 percent against 4.3 percent and 2.0 percent, respectively, in 2021. Similarly, growth in real estate activities accelerated to 3.5 percent from 1.0 percent in 2021, reflecting the rebound in general economic activities.

243. In terms of contribution to GDP growth, the agricultural sector posted a reduced contribution of 0.8 percentage point compared with 2.8 percentage points in the previous year. The industrial sector’s contribution marginally improved to 0.6 percentage point from 0.5 percentage point in 2021. The services sector contributed 3.0 percentage points in the review period, higher than 1.4 percentage points contributed in 2021. This shows that the services sector is top in terms of its contribution to GDP growth compared to other sectors, followed by the agricultural sector then industry.

244. Economic activities were conducted within an atmosphere of increasing inflationary pressures, mainly emanating from higher food and fuel prices during the period. Average inflation rose to 11.5 percent from 5.6 percent in 2021, while end-period inflation accelerated to 13.7 percent from

7.6 percent in 2021. This increase in prices is due largely to the supply disruptions due to the ongoing geo-political tensions and the congestion at the seaport.

Table 2. 21: Trends in GDP and its Components in The Gambia

Narration	2020	2021	2022	2023*	2020	2021	2022
	Percentage Change			Contribution to Growth			
Gross Domestic Product (GDP) market price	**0.6**	**5.3**	**4.9**	**5.8**	**0.6**	**5.3**	**4.9**
Agriculture, forestry and fishing	10.6	13.7	3.6		2.0	2.8	0.8
Industry	8.2	2.9	3.1		1.4	0.5	0.6
Services	-5.0	2.7	6.0		-2.8	1.5	3.2
Taxes less subsidies on products (+)					0.0	0.5	0.3
Memorandum Items							
GDP (Constant prices) billions of Dalasi	62.1	65.4	68.6				
GDP (Current prices) billions of Dalasi	93.3	105.4	122.5				
Inflation							
Average	5.6	5.6	11.5				
End Period	5.7	7.6	13.7				

Source: GBoS, WAMA ***Projection**

5.2.2. Fiscal Sector

245. Despite improvements in the overall fiscal position, fiscal operations continued to grapple with domestic revenue mobilisation. Total revenue and grants amounted to D21.29 billion (17.4% of GDP) from D19.76 billion (18.7% of GDP) in 2021, mainly reflecting the improvements in the receipt of grants.

246. Domestic revenue declined to D14.50 billion (11.8% of GDP) in 2022 from D15.33 billion (14.5% of GDP) in 2021, reflecting a 25.8 percent contraction in non-tax revenue. Tax revenue rose by 3.0 percent to D11.16 billion (9.1% of GDP), explained by increased taxes on income and wealth. Indirect taxes amounted to D7.26 billion (5.9% of GDP) in 2021 compared to D7.58 billion (7.2% of GDP) in 2021, reflecting the underperformance of international trade tax, which contracted by 8.2 percent. This development was due to the contraction in excise duty and import VAT.

247. Grants amounted D6.79 billion (5.5% of GDP) in 2022 from D4.43 billion (4.2% of GDP) in 2021, representing an increase of 53.3 percent, occasioned by increased disbursements in programme grants.

248. Total expenditure & net lending was equivalent to D27.17 billion (22.2% of GDP) compared to D25.86 billion (24.5% of GDP) in 2021, reflecting a 5.1 percent increase in both recurrent and capital expenditures.

249. Recurrent expenditure amounted to D17.03 billion (13.9% of GDP) in 2022 compared to D16.18 billion (15.3% of GDP) in 2021, mainly due to personnel emoluments and transfers and subsidies. Personnel emoluments and transfers and subsidies amounted to D5.63 billion (4.6% of GDP) and D4.73 billion (3.9% of GDP) compared to D4.59 billion (4.4% of GDP) and D4.35 billion (4.2% of GDP), respectively in 2021. However, interest payments amounted to D2.62 billion (2.1% of GDP) compared to D3.22 billion (3.1% of GDP) in 2021, representing a decline of 18.7 percent.

250. Capital expenditure amounted to D10.14 billion (8.3% of GDP) compared to D9.68 billion (9.2% of GDP) in 2021. The foreign financed capital expenditure amounted to D7.52 billion (6.1% of GDP) compared to D6.51 billion (6.2% of GDP) while the domestically financed component amounted to D2.62 billion (2.1% of GDP) compared to D3.17 billion (3.0% of GDP) in 2021.

251. Consequently, the overall fiscal deficit (including grants) narrowed to D5.89 billion (4.8% of GDP) in 2022 from D6.09 billion (5.8% of GDP) in 2021. Excluding grants, the deficit was equivalent to D12.68 billion (10.3% of GDP) against D10.53 billion (10.0%of GDP) in 2021.

252. The public debt stock stood at D99.08 billion (80.8% of GDP) at end-December 2022 compared to D88.93 billion (84.3% of GDP) at end-December 2021. Similarly, domestic debt amounted to D 38.11 billion (31.1% of GDP) at end-December 2022, from D37.19 billion (35.5% GDP) at end-December 2021. The external debt stood at D60.96 billion (49.7% of GDP) at end-December 2022 compared to D51.74 billion (49.1% of GDP) at end-December 2021.

Table 2. 22: Trends in Key Fiscal Indicators in The Gambia

	2020	2021	2022	2020	2021	2022
	Percentage Change			Percent of GDP		
Revenue and Grants	**21.5**	**-2.5**	**7.7**	**21.7**	**18.7**	**17.4**
Domestic Revenue	**4.3**	**24.0**	**-5.4**	**13.2**	**14.5**	**11.8**
Tax Revenue	3.7	4.9	3.0	11.1	10.3	9.1
Taxes on income and wealth	6.8	16.1	19.7	3.0	3.1	3.2
Personal	-2.0	16.0	24.5	1.0	1.0	1.1
Corporate	13.7	12.2	22.7	1.8	1.8	1.9
Indirect Tax	2.5	0.8	-4.2	8.1	7.2	5.9
Domestic Tax on goods & services	-5.4	-3.0	4.7	2.6	2.3	2.0
Excise Duties	-15.6	3.9	-21.0	1.0	0.9	0.6
Value Added Tax	4.1	-6.9	19.7	1.5	1.3	1.3
Tax on International Trade	6.8	2.6	-8.2	5.4	4.9	3.9
Duty	3.6	8.3	-7.4	2.8	2.7	2.1
VAT on imports	10.4	-3.4	-9.2	2.7	2.3	1.8
Nontax Revenue	7.7	121.2	-25.8	2.2	4.3	2.7
Government	111.2	148.9	-49.9	1.6	3.5	1.5
GRA	-38.6	45.7	49.8	0.6	0.8	1.0
Grants	**63.6**	**-44.0**	**53.3**	**8.5**	**4.2**	**5.5**
Programme	89.4	-90.4	355.7	5.7	0.5	1.9
Projects	28.4	49.7	14.4	2.8	3.7	3.7
Total Expenditure and Net Lending	**22.3**	**9.4**	**5.1**	**25.3**	**24.5**	**22.2**
Current Expenditure	**32.7**	**-5.0**	**5.3**	**18.3**	**15.3**	**13.9**
Personnel Emoluments	2.5	13.3	22.5	4.3	4.4	4.6
Goods and services	48.6	-20.5	1.8	5.4	3.8	3.3
Subsidies and transfers	87.4	-12.4	8.0	5.4	4.2	3.9
Interest	4.4	8.5	-18.7	3.2	3.1	2.1
External	47.9	29.4	-22.1	0.6	0.7	0.5
Domestic	-2.2	3.7	-17.7	2.6	2.4	1.7
Capital Expenditure	**1.9**	**46.7**	**4.8**	**7.1**	**9.2**	**8.3**
Externally Financed	-12.1	34.5	15.6	5.2	6.2	6.1
GLF Capital	79.9	80.1	-17.5	1.9	3.0	2.1
(Over-all Balance) Excluding grants	**50.9**	**-6.7**	**20.5**	**-12.1**	**-10.0**	**-10.3**
(Over-all Balance) Including grants	**27.8**	**80.9**	**-3.4**	**-3.6**	**-5.8**	**-4.8**
Basic balance	226.8	-37.6	28.3	-6.9	-3.8	-4.2
Stock of Public Debt				84.9	84.3	80.8
Domestic Debt				37.0	35.3	31.1
External Debt				47.9	49.1	49.7

Source: MOFEA

5.2.3. Monetary Sector

253. The Central Bank of The Gambia tightened its monetary policy stance in 2022 in response to the persistent rise in inflationary pressures brought about by rising food and fuel prices as well as the exchange rate pressures. The monetary policy rate was increased by 3.0 basis points to 13.0 percent at end-December 2022.

254. Growth in broad money supply (M2) moderated to 7.1 percent in the 12-month period ended December 2022 from 19.5 percent in the corresponding period of 2021, mainly attributed to the NFA of the banking sector which contracted by 9.7 percent at end-December 2022 against the growth of 19.0 percent recorded in the corresponding period of 2021. The NFA of the Central Bank contracted by 19.2 percent at end-December 2022 compared with the growth of 24.1 percent

recorded in the corresponding period of 2021. Similarly, the NFA of deposit money banks also slowed to 4.1 percent at end-December 2022 from 12.3 percent in the corresponding period of 2021, reflecting the 1.8 percent contraction in foreign assets.

255. The NDA grew by 21.6 percent in the period ended December 2022 against the growth rate of 20.0 percent in 2021, largely attributed to net claims on government which grew by 13.2 percent compared to the growth rate of 21.5 percent in 2021.

256. Reserve money recorded a negative growth rate of 0.9 percent in the 12-month period ended December 2022 compared to the growth rate of 13.6 percent at end-December 2021. This development was due to the 20.0 percent decline in reserves of deposit money banks. However, currency in circulation grew by 12.3 percent against 13.3 percent at end-December 2021.

257. The banking system continued to be well-capitalised, highly liquid and profitable. Total assets expanded by 7.6 percent to D78.6 billion, largely attributed to investments in government securities. The risk-weighted capital adequacy ratio stood at 24.8 percent at end-December 2022, higher than the regulatory minimum of 10.0 percent. Similarly, the liquidity ratio was 63.7 percent, above the prudential requirement of 30.0 percent, while the ratio of NPLs to gross loans improved to 4.6 percent in December 2022 from 5.2 percent in December 2021.

Table 2. 23: Growth in Key Monetary Aggregates in The Gambia

	2020	2021	2022	2020	2021	2022
	Growth Rates			Contributions to M2 growth		
NET FOREIGN ASSETS	**45.0**	**19.0**	**-9.7**	**17.6**	**8.8**	**-4.5**
Monetary Authorities	62.6	24.1	-19.2	12.4	6.4	-5.3
Foreign assets	53.0	52.1	-0.2	15.5	19.1	-0.1
Foreign liabilities	32.8	124.5	27.1	-3.1	-12.7	-5.2
Commercial banks	26.9	12.3	4.1	5.2	2.5	0.8
NET DOMESTIC ASSETS	**7.2**	**20.0**	**21.6**	**4.4**	**10.7**	**11.6**
Domestic Claims	5.0	21.9	22.2	3.7	13.9	14.4
Claims on Government, net	6.5	21.5	13.2	3.6	10.4	6.5
Claims on Public Entities	-25.4	313.7	922.4	-0.1	0.4	4.1
Claims on Private Sector	0.8	20.7	25.0	0.1	3.1	3.8
Other items, net	-5.1	32.1	25.5	0.7	-3.3	-2.9
o/w: Revaluation account	-29.2	22.1	17.6	-0.6	0.3	0.2
BROAD MONEY	**22.0**	**19.5**	**7.1**	**22.0**	**19.5**	**7.1**
Narrow Money	20.4	20.4	9.3	11.5	11.3	5.2
Quasi-money	23.9	18.5	4.3	10.4	8.2	1.9

Source: CBG

5.2.4. External Sector

258. Assessment of the external sector in the Gambia indicated that the current account deficit widened to US$112.5 million (4.9% of GDP) in 2022 from US$94.8 million (4.6% of GDP) in 2021. The trade deficit stood at US$ 591.6 million (27.2% of GDP) compared to US$ 575.7 million (28.5% of GDP) in 2021, reflecting an increase in the value of imports (including food and fuel).

259. The value of total imports (fob) increased by 6.2 percent to US$645.3 million (27.2% of GDP) in 2022, compared to US$607.4 million (28.1% of GDP) in 2021, explained by high commodity prices, especially food and fuel. Export of goods grew significantly but remained below the pre-pandemic level. Total exports (fob) of goods increased to US$53.7 million (2.3% of GDP) in 2022 from US$31.7 million (1.5% of GDP) in 2021.

260. The net balance of the services account strengthened to a surplus of US$25.6 million (1.1% of GDP) from a deficit of US$15.1 million (0.7% of GDP) in 2021 on the back of increase in tourist

arrivals. Tourism activity is gradually picking up, with tourist arrivals estimated at 185,728 tourists in 2022, significantly higher than 102,460 tourists recorded in 2021 but remained below the pre-pandemic level of 235,711 in 2019.

261. Similarly, the net primary income deficit narrowed to US$33.9 million (1.5% of GDP) in 2022 from US$50.5 million (2.5% of GDP) in 2021. On the other hand, the net secondary income balance narrowed to US$ 487.4 million (21.2% of GDP) in 2022 from US$547.2 million (26.7% of GDP) a year ago, on the back of a reduction in remittances in the year under review.

262. The capital account surplus strengthened to US$41.6 million (1.8% of GDP) in 2022 from US$22.2 million (1.1% of GDP) in 2021, reflecting increased inflows. Similarly, the net inflows in the financial account were US$280.7 million (12.2% of GDP) I 2022compared to US$299.4 million (14.6% of GDP) in 2021, mainly reflecting higher foreign direct investments and other investments (trade credits, loans, currency and deposit components).

263. Consequently, the overall balance of payment surplus narrowed to US$43.6 million (1.9% of GDP) in 2022 from US$226.0 million (11.0% of GDP) in 2021.

264. The stock of gross external reserves as at end-December 2022 stood at US$454.7 million (7.1 months of import cover) compared to US$530.4 million (8.8 months of import cover) at end-2021.

265. The Gambian dalasi remained fairly stable in 2022 as it depreciated by 1.1 percent against the WAUA compared to the depreciation of 1.27 percent in 2021. Against the US dollar, the dalasi depreciated by 7.6 percent in 2022 compared to 0.46 percent in 2021.

Table 2. 24: Trends in Key Balance of Payments Indicators in The Gambia

	2020	2021	2022	2023*	2020	2021	2022	2023*
	US$ (Million)				Percent of GDP			
Current Account Balance	**-86.6**	**-94.1**	**-112.5**	**-117.8**	**-4.8**	**-4.6**	**-4.9**	**-5.1**
Goods Balance (net)	**-511.8**	**-575.7**	**-591.6**	**-605.2**	**-28.2**	**-28.1**	**-25.7**	**-25.9**
Merchandise Exports (fob)	70.1	31.7	53.7	54.9	3.9	1.5	2.3	2.4
Merchandise Imports (fob)	581.8	607.4	645.3	660.1	32.1	29.6	28.0	28.3
Services Balance (Net)	-3.5	-15.1	25.6	27.7	-0.2	-0.7	1.1	1.2
Primary Income Balance (Net)	-26.2	-50.5	-33.9	-36.9	-1.4	-2.5	-1.5	-1.6
Secondary Income Balance (Net)	455.0	547.2	487.4	496.5	25.1	26.7	21.2	21.3
Capital Account (Net)	**95.2**	**22.2**	**41.6**	**53.0**	**5.3**	**1.1**	**1.8**	**2.3**
Net Lending / Borrowing (+/-)	-121.3	-277.3	-239.1	-64.9	-6.7	-13.5	-10.4	-2.8
Financial Account (Net)	**-216.5**	**-299.4**	**-280.7**	**-265.5**	**-11.9**	**-14.6**	**-12.2**	**-11.4**
Financial Account - NAFA (Net)	22.5	28.1	-38.9	3.9	1.2	1.4	-1.7	0.2
Financial Account - NIL (Net)	239.0	327.5	241.7	269.4	13.2	16.0	10.5	11.5
Direct Investment (Net)	-186.1	-248.4	-213.4	-218.3	-10.3	-12.1	-9.3	-9.4
Direct Investment - liabilities	189.6	251.8	213.4	218.3	10.5	12.3	9.3	9.4
Other Investment (Net)	-30.4	-51.0	-67.3	-49.6	-1.7	-2.5	-2.9	-2.1
Errors and Omissions	34.8	183.2	126.7	0.0	1.9	8.9	5.5	0.0
Over-all Balance	131.9	226.0	43.6	-63.9	7.3	11.0	1.9	-2.7
FINANCING	128.0	184.7	1.1	84.4	7.1	9.0	0.0	3.6
Special Drawing Rights (SDRs -Allocation)	2.1	83.0	-14.0	23.7	0.1	4.1	-0.6	1.0
Currency & Deposits (Change in GIR; -=increase)	-102.5	-58.5	-15.1	-58.7	-5.7	-2.9	-0.7	-2.5
Exceptional Financing	23.3	43.2	0.0	2.0	1.3	2.1	0.0	0.1
Transfers	23.3	43.2	0.0	2.0	1.3	2.1	0.0	0.1
Gross External Reserves (in millions of US$)	352.0	530.4	454.7	482.7	19.4	25.9	19.7	20.7
Memorandum Items								
Gross external reserves (Months of Import Cover)	6.1	8.8	7.1	7.3				
GDP (Dalasi)	93,329	105,487	122,564					
Exchange Rate	51.5	51.48	53.19					
GDP (Millions USD)	1812.21	2049.09	2304.27	2333				

Source: CBG ***Projections**

5.3. Status of Macroeconomic Convergence

266. On macroeconomic convergence, the country satisfied two (2) out of the six (6) convergence criteria; one (1) primary (gross external reserves) and one (1) secondary (nominal exchange rate variation).

Table 2. 25: Status of Macroeconomic Convergence in The Gambia

Criteria	Target	2020	2021	2022	2023*
Primary Criteria		**3**	**2**	**1**	**2**
Budget deficit (commitment basis, including grants)	≤3%	2.9	5.8	4.8	2.8
Average annual inflation rate	≤ 5%	5.6	5.6	11.5	8.9
Central Bank financing of Budget Deficit	≤10%	0.0	11.9	24.0	11.0
Gross external reserves (3 months of import cover)	≥3	6.1	8.8	7.1	7.3
Secondary Criteria		**1**	**1**	**1**	**1**
Nominal exchange rate variation	±10%	-2.4	-1.3	-1.1	-1.2
Public debt to GDP Ratio	≤70%	80.1	84.3	80.8	84.0
Total Convergence Criteria Met		**4**	**3**	**2**	**3**

Source: CBG, MOFEA and WAMA *Projections

5.4. Prospects

267. The Gambian economy remained resilient, with a GDP growth of 4.9 percent in 2022 despite the impact of the Russia-Ukraine war. Real GDP growth is projected at 5.8 percent in 2023, premised on improved performance of the tourism and construction sub-sectors. Inflation is also expected to moderate in 2023. The fiscal deficit is projected to moderate to 2.8 percent in 2023 premised on improved domestic revenue mobilisation and expenditure rationalisation.

268. On macroeconomic convergence, The Gambia is expected to meet two (2) of the four primary criteria (budget deficit and gross external reserves) and the secondary criterion on nominal exchange rate variation in 2023.

5.5. Conclusion and Recommendations

269. The analysis shows that agriculture underperformed in 2022 due largely to a sluggish performance of fishing and aquaculture sub-sector. Government needs to prioritise fishing and aquaculture to improve performance in the Sub-sector. The contractionary monetary policy adopted by the monetary authorities to contain inflationary pressures must be implemented cautiously so as not to affect the growth trajectory negatively. Consequently, the authorities are urged to:

i. adopt innovative ways of stimulating the fishing and aquaculture sub-sector to boost production and employment generation in the agricultural sector;
ii. pursue fiscal discipline by consolidating public finances while introducing innovative ways of increasing government revenue, including reducing revenue leakages;
iii. implement more stringent expenditure rationalisation measures while prioritising growth-enhancing expenditures; and
iv. implement debt management strategies to ensure sustainability of public debt.

6. GHANA

6.1. Introduction

270. Ghana's macroeconomic policy thrust for 2022 was anchored on the new Medium-Term National Development Policy Framework (MTNDPF, 2022-2025), which provides the blueprint for the recovery and transformation of the Ghanaian economy. The broad macroeconomic agenda for 2022 was themed: "Building a Sustainable Entrepreneurial Nation: Fiscal Consolidation and Job Creation". Against this background, the 2022 macroeconomic policy thrust was designed to get the country back on a path of debt sustainability and increased growth.

271. Consistent with these macroeconomic policy objectives and based on the developments of the first six months, the revised macroeconomic targets for 2022 were as follows:
    - real GDP growth of 3.7 percent;
    - non-oil GDP growth rate of 4.3 percent;
    - end period inflation of 28.5 percent;
    - overall fiscal deficit of 6.6 percent of GDP;
    - primary surplus of 0.4 percent of GDP; and
    - gross international reserves of not less than 3.5 months imports.

272. The macroeconomic situation in Ghana was quite challenging in 2022; notwithstanding, the economy remained resilient in the year. Real GDP growth stood at 3.1 percent compared to 5.1 percent in 2021, underpinned by a slowdown in the tertiary and primary sectors. Inflation reached its all-time high, recording 54.1 percent at end-December 2022.

273. Fiscal operations were marked by strong financing pressures to meet the growing development and infrastructure needs as well as external and domestic debt service commitments. The fiscal deficit (commitment basis) exceeded its revised target of 6.6 percent of GDP to reach 11.8 percent of GDP in the year.

274. The monetary policy rate was raised cumulatively to stand at 27.0 percent at end-December 2022, from 14.5 percent at end-December 2021 to contain the soaring inflationary pressures. Growth in broad money (M2+) in the 12-month period ended December 2022 accelerated to 33.0 percent from 12.5 percent in the corresponding period of 2021, influenced by significant expansion in NDA.

275. External sector performance declined in 2022, shaped by developments in the global economy. The overall balance of payments recorded a deficit of 4.9 percent of GDP compared to a surplus of 0.6 percent of GDP in 2021, mainly reflecting significant net outflows from the capital and financial accounts.

276. On the convergence front, the country missed all six (6) macroeconomic convergence criteria in 2022 compared to the situation in 2021, reflecting the weak macroeconomic fundamentals and global economic headwinds.

6.2. Sectoral Analysis

6.2.1. Real Sector

277. Overall real GDP growth in 2022 stood at 3.1 percent, 2.0 percentage points lower than the 5.1 percent growth rate recorded in 2021. Non-oil GDP grew by 3.8 percent compared to 6.6 percent in 2021. The moderation in the real GDP growth was due to a slowdown in the services and agricultural sectors. The services sector continues to dominate GDP growth, contributing 44.9 percent, followed by industry (34.2%) and Agriculture with a share of 20.9 percent.

278. The primary (agriculture) sector grew by 4.2 percent in 2022, compared to 8.5 percent in 2021. The slowdown in the sector's growth is attributed mainly to deceleration in the crops (particularly cocoa), Fishing and 'Forestry & Logging' sub-sectors. Crops grew by 3.8 percent compared to the 8.9 percent growth recorded in the previous year, owing mainly to a slowdown in cocoa output (0.9% from 10.4%). Similarly, 'Forestry & Logging' and Fishing also recorded reduced growth of 1.7 percent and 8.8 percent, from 4.4 percent and 14.2 percent in 2021, respectively. The Livestock sub-sector remained flat in 2022 at 5.5 percent.

279. Total value added in the secondary (industry) sector recorded a growth rate of 0.9 percent in 2022 against the contraction of 0.5 percent in 2021, mainly supported by a significant increase in gold production of 32.3 percent, following the contraction of 31.2 percent. The Oil & Gas sub-sector contracted by 6.7 percent against the contractions of 12.6 percent recorded in 2021 and 4.6 percent in 2020, largely attributed to ageing wells and limited investments in drilling of new ones. Economic activities related to manufacturing and construction contracted by 2.5 percent and 4.0 percent against growth rates of 8.1 percent and 6.0 percent, respectively, in 2021. Similarly, the production of electricity and 'water supply & waste management' contracted by 3.3 percent and 4.9 percent, following growth rates of 7.9 percent and 26.0 percent, respectively, recorded in 2021.

280. The Tertiary (Services) sector recorded a growth of 5.5 percent, lower than the 9.4 percent recorded in 2021, reflecting a slowdown in information & communication (19.7% from 31.7%), trade (1.3% from 6.3%), transport & storage (4.7% from 7.2%) and public administration & defence (6.1% from 25.5%). 'hotel and restaurant' and 'real estate' contracted by 1.0 percent and 7.6 percent compared to the growth rates of 4.7 percent and 8.9 percent, respectively, in 2021. Similarly, 'professional and administrative & support activities' contracted by 10.9 percent against the growth rate of 10.8 percent in 2021. However, the performance of the sector was supported by financial & insurance activity (5.7% from 2.4%), education (10.2% from -3.9%) and health & social work (9.2% from 7.6%).

281. Inflationary pressures heightened in the reporting period, as end-period inflation accelerated to 54.1 percent in December 2022 from 12.6 percent in the corresponding period of 2021. Similarly, average annual inflation rose to 31.5 percent from 10.0 percent in 2021, mainly explained by the rising food and fuel prices, amplified by exchange rate pressures.

Table 2. 26: Trends in GDP and its Components in Ghana

Item	2020	2021	2022	2023*	2020	2021	2022	2023*
SUPPLY	Percentage Change				Contribution to Growth			
RGDP (Oil & Non-Oil)	**0.5**	**5.1**	**3.1**	**1.5**				
RGDP (Non-Oil)	***1.0***	***6.6***	***3.8***	***1.5***				
Primary	7.3	8.5	4.2	1.8	1.4	1.7	0.9	-
Secondary	-2.5	-0.5	0.9	1.4	-0.9	-0.2	0.3	-
Tertiary	0.7	9.4	5.5	1.4	0.3	3.7	2.2	-
Taxes net of subsidy	-4.0	-2.3	-7.8	-	-0.2	-0.1	-0.3	-
DEMAND								
Consumption	0.03	8.8	na	na				
Private	-1.0	0.8	na	na				
Public	10.1	82.1	na	na				
Investment	1.9	15.3	na	na				
o/w Gross Fixed capital Formation	1.8	5.8	na	na				
Net External Demand	1.5	-203.0	na	na				
Exports of goods and services	-50.7	69.1	na	na				
Imports of goods and services	-54.5	113.8	na	na				
Real GDP, Demand	0.5	5.1	na	na				
MEMORANDUM								
GDP (Oil & Non-oil, current prices) Millions GHc	395,043.4	461,694.9	610,222.3	854,834.0				
GDP (Oil & Non-oil, constant prices) Millions GHc	166,157.2	174,592.1	179,965.6	182,699.0				
Inflation								
Average	9.9	10.0	31.5	44.0				
End period	10.4	12.6	54.1	31.3				

Source: GSS: *Projections

6.2.2. Fiscal Sector

282. Fiscal operations in 2022 was challenging, characterised by budget financing pressures to meet the growing development and infrastructure needs as well as external and domestic debt service commitments. This situation was exacerbated by the multiple sovereign downgrades and the loss of access to the international capital market.

283. The total revenue & grants amounted to GH¢96,651.2 million (15.8% of GDP), representing a growth of 37.9 percent over the GH¢70,096.5 million (15.2% of GDP) recorded in 2021. The improved revenue collection was driven by increases in both tax and non-tax revenues. Tax revenues amounted to GH¢75,548.2 million (12.4% of GDP) compared to GH¢56,533.1 million (12.2% of GDP) in 2021, reflecting improved performance in all tax types, namely, taxes on income and property, goods and services and international trade.

284. Non-tax revenue recorded a growth of 84.1 percent to GH¢14,561 million (2.4% of GDP) from GH¢7,908.9 million (1.7% of GDP) in 2021, due mainly to a 234.8 percent increase in 'dividend, interest & profits' from oil (GH¢6,082.4 million from GH¢1,816.6 million in 2021). Despite the huge increase in non-tax revenue, it fell short of its target (GH¢15,960.7 million) by 8.8 percent.

285. Grants was GH¢1,118.6 million (0.2% of GDP) compared to GH¢1,182.2 million (0.3% of GDP) in 2021, a decline of 5.4 percent and comprised mainly of project grants.

286. Total expenditure and net lending amounted to GH¢ 165,057.0 million (27.0% of GDP) for the year, representing a year-on-year growth of 50.7 percent over the GH¢109,535.0 million (23.9% of GDP) recorded in 2021. The increase was mainly due to growth in recurrent expenditure (compensation of employees, interest payments, and transfers & subsidies).

287. Capital expenditures was GH¢24,135.0 million (4.0% of GDP) for the review period, higher than the envisaged target of GH¢13,700 million (2.2% of GDP) and the outturn of GH¢16,967 million (3.7% of GDP) recorded in 2021. This outturn represented a year-on-year growth of 42.2 percent,

reflecting expenditure on the Agenda-111 Projects and other critical infrastructure spending. Domestically financed capital expenditure amounted to GH¢11,780 million (1.9% of GDP), accounting for 43.0 percent of the total.

288. Consequently, the overall fiscal deficit on commitment basis (including grants) amounted to GH¢72,197.0 million (11.8% of GDP) compared to GH¢38,617.0 million (8.4% of GDP) in 2021. Excluding grant, the deficit was GH¢73,315.0 million (12.0% of GDP) compared to GH¢39,799.0 million (8.7% of GDP) in 2021.

289. The stock of public debt remained elevated at the end of the review year. It rose by 23.5 percent, mainly reflecting exchange rate dynamics. The debt stock stood at GH¢434,306.45 million at end-December 2022, compared to GH¢351,787.0 million at end-December 2021. As a percent of GDP, the total public debt was 71.3 percent, compared to 76.2 percent at end-December 2021, broadly reflecting a base-drift effect.

Table 2. 27: Trends in Key Fiscal Indicators in Ghana

	2020	2021	2022	2023*	2020	2021	2022	2023*
	Percentage Change				Percent of GDP			
Total Rev and Grants	**3.3**	**27.1**	**37.9**	**51.7**	**14.0**	**15.2**	**15.8**	**15.8**
Domestic Revenue	2.9	27.8	38.6	51.4	13.6	14.9	15.6	15.5
Tax Revenue	**3.9**	**27.2**	**33.6**	**61.5**	**11.3**	**12.2**	**12.4**	**12.7**
Taxes on income & Property	4.6	17.9	37.4	45.9	6.0	6.1	6.3	6.2
Taxes on domestic goods & services	3.7	39.0	26.9	58.6	4.5	5.4	5.1	5.6
International trade taxes	1.9	26.0	41.8	63.9	1.4	1.5	1.6	1.7
Tax Refunds	4.7	20.5	32.1	-	-0.7	-0.7	-0.7	-
Non-tax Revenue	**-11.9**	**18.6**	**84.1**	**50.9**	**1.7**	**1.7**	**2.4**	**2.1**
Other Revenue	44.8	46.4	26.1	-	0.7	0.9	0.8	-
Social Contribution	-70.2	880.7	-21.9	94.6	0.0	0.1	0.1	0.6
Grants	**24.6**	**-3.8**	**-5.4**	**72.0**	**0.3**	**0.3**	**0.2**	**0.3**
Project Grants	24.6	-3.8	-5.4	72.0	0.3	0.3	0.2	0.2
Total Expenditure and net lending	**42.1**	**13.3**	**33.9**	**44.9**	**24.4**	**23.7**	**27.0**	**22.2**
Total Expenditure	42.1	13.3	33.3	26.1	24.4	23.7	23.9	21.5
Recurrent Expenditure	36.6	9.5	35.9	-100.0	21.3	20.0	20.6	19.1
Wages and salaries	28.6	17.0	20.8	44.8	6.3	6.3	5.8	5.3
Social Benefits	17.6	-27.0	71.7	-85.9	0.8	0.5	0.7	0.1
Use of good and services	19.8	-3.1	-21.1	87.1	1.9	1.6	0.9	1,0
Interest Payments	24.4	36.3	36.3	33.1	6.2	7.3	7.5	5.3
Domestic	20.7	44.0	28.2	21.5	4.6	5.7	5.6	3.3
External	37.0	13.7	66.3	66.5	1.6	1.5	1.9	2.0
Transfers, Subsidies and others	77.6	-17.0	73.5	74.4	6.1	4.3	5.7	6.8
Capital Expenditure	96.4	40.4	19.2	40.3	3.1	3.7	3.3	2.4
Domestically Financed	90.3	10.8	63.1	229.8	1.2	1.2	1.4	1.2
Externally Financed	100.7	60.0	-0.8	-50.6	1.8	2.5	1.9	1.2
Net Lending					0.0	0.0	0.0	0.0
Overall balance (Commit basis Excl. Grants)					-10.8	-8.7	12.0	-5.7
Overall balance (Commit basis Incl. Grants)					-10.4	-8.4	-11.8	-6.0
Primary balance					-4.5	-1.5	-3.2	-0.5
Public Debt					74.4	76.2	71.3	72.5
External					36.2	36.8	39.5	
Domestic					38.2	39.4	31.8	

Source: Ministry of Finance, Ghana; *Projections

6.2.3. Monetary Sector

290. The Bank of Ghana hiked its monetary policy rate (MPR) cumulatively to 27.0 percent at end-December 2022 from 14.5 percent end-December 2021 to tighten liquidity conditions in the banking system to rein in inflationary pressures.

291. Interest rates broadly trended upward across the various segments of the market, influenced by the tight monetary policy stance. The 91-day and 182-day Treasury bills increased to 35.48 percent and 36.23 percent in December 2022, from 12.49 percent and 13.19 percent, respectively,

in the same period of 2021. Similarly, the rate on the 364-day instrument increased to 36.06 percent in December 2022 from 16.46 percent in December 2021. Rates on the 2-year, 3-year, 5-year and 6-year bonds increased to 21.50 percent, 29.85 percent, 22.30 percent, and 21.75 percent, from 19.75 percent, 19.00 percent, 21.00 percent and 18.80 percent, respectively, in December 2021. However, rates on the long-dated bonds (7-year, 10-year, 5-year, and 20-year GoG Bonds), remained broadly unchanged during the review period.

292. The interbank weighted average rate increased to 25.51 percent in December 2022 from 12.68 percent in December 2021, consistent with the increases in the policy rate and the systematic increases in the Cash Reserve Ratio. Similarly, the average lending rates of banks increased to 35.58 percent in December 2022 from 20.04 percent in the same period of 2021. The Ghana Reference Rate, which serves as the base rate of commercial banks, also rose steadily to 32.83 percent in December 2022 from 13.89 percent a year earlier.

293. Developments in monetary aggregates indicated that broad money supply (M2+), grew by 33.0 percent in the 12-month period ended December 2022, compared to 12.5 percent in the same period of 2021, influenced by significant growth in NDA.

294. NDA grew by 50.3 percent at end-December 2022 from a growth of 25.6 percent in the corresponding period of 2021, reflecting a significant increase in net claims on government (62.7% from 9.2%) and net claims on private sector (23.5% from 14.4%). Growth in credit to the private sector picked up, partly reflecting continued portfolio rebalancing by banks and revaluation effects on foreign currency-denominated credit. In nominal terms, credit to the private sector increased by 31.8 percent in December 2022, compared with 11.2 percent in December 2021. However, credit to the private sector contracted sharply by 14.5 percent in real terms, compared with a 1.3 percent contraction over the review period, reflecting sustained price pressures.

295. NFA of the banking system contracted by 261.1 percent, mainly on the back of decline in BOG's assets held abroad and an increase in its holding of foreign liabilities. However, commercial banks' foreign assets increased by 42.6 percent at end-December 2022.

296. The dynamics in M2+ were explained by narrow money supply (M1), which expanded by 27.5 percent, supported by growths in demand deposits (19.8% from 19.2%) and currency outside banks (44.3% from 4.2%). Similarly, time and foreign currency deposits grew by 28.4 percent and 51.3 percent from 8.0 percent and 14.6 percent, respectively, at end-December 2021.

297. Developments in the banking industry were broadly reflective of the general macroeconomic challenges, characterised by the rising cost of credit due to inflationary pressures, revaluation-driven balance sheet performance, and the implementation of the Domestic Debt Exchange Programme (DDEP), which saw all 23 universal banks participating. The BOG's preliminary assessment of the impact of the DDEP on the banking sector indicates significant losses on account of impairment of banks' holdings in Government of Ghana (GoG) bonds. Consequently, the performance of the sector moderated in 2022 compared with 2021, with some key financial soundness indicators recording significant declines.

298. Total assets of the industry increased to GH¢221.0 billion, representing an annual growth of 22.9 percent in December 2022, compared to a growth of 20.4 percent a year earlier, reflecting sustained growth in deposits and exchange rate variations on banks' balance sheets. Total investments declined significantly to GH¢64.8 billion in December 2022 from GH¢83.1 billion in December 2021, indicating a contraction of 22.1 percent, compared with the 29.0 percent growth in the corresponding period in 2021. Conversely, total credit increased by 28.5 percent to GH¢69.1 billion in December 2022 from GH¢53.8 billion in December 2021. Of the total liabilities of the banking system, total deposits stood at GH¢157.9 billion, representing an increase of 30.4 percent year-on-year, compared with 16.6 percent recorded during the same period in 2021.

299. The industry's financial soundness indicators were mixed, reflecting heightened risks faced by the industry. The Capital Adequacy Ratio (CAR) declined to 16.6 percent, in 2022 from 19.6 percent in December 2021. This reduction in the CAR was attributed to mark-to-market losses on investments, increase in risk-weighted banks' assets from the high growth in actual credit, and the balance sheet revaluation arising from exchange rate depreciation of the foreign currency-denominated loans. Nevertheless, the industry remained solvent, with the CAR well above the statutory 13.0 percent threshold. Profitability levels in the banking sector have declined, driven by mark-to-market losses on investments, higher impairments on loans, and rising operating costs. Profit-after-tax contracted by 18.9 percent to GH¢3.9 billion at end-December 2022, compared to the 12.3 percent annual growth recorded in 2021. Similarly, profit before tax declined by 13.5 percent to GH¢6.4 billion in December 2022, compared with an annual growth of 22.1 percent a year earlier.

Table 2. 28: Growth in Key Monetary Aggregates in Ghana

	2020	2021	2022	2020	2021	2022
	Percentage Change			Contribution to M2+ Growth		
ASSETS						
Net Foreign Assets, NFA	-9.7	-59.5	-261.1	-2.1	-9.2	-14.5
Net Domestic Assets, NDA	40.9	25.6	50.3	31.8	21.7	47.5
Net Claims on Government, NCG	101.6	9.2	62.7	37.4	5.3	34.8
Claims on private Sector	10.2	14.4	23.5	5.4	6.5	10.8
Other Items Net (OIN)	-91.1	55.5	173.9	-11.0	9.9	12.3
LIABILITIES						
Broad Money (M2+)	29.7	12.5	33.0			
Broad Money (M2)	35.1	11.9	27.8			
Narrow Money (M1)	39.9	14.1	27.5			
Currency outside banks	45.7	4.2	44.3			
Demand deposits	37.1	19.2	19.8			
Savings &Time deposits	27.1	8.0	28.4			
Foreign currency deposits	13.2	14.6	51.3			
MEMORANDUM ITEMs						
Reserve money growth	25.0	19.7	57.5			
Money Multiplier (M2+/RM)	3.3	3.1	2.6			
Velocity (GDP/M2+)	3.3	3.4	3.4			
Credit to private sector/GDP	13.9	13.5	12.6			
NFA/M2+	15.4	5.6	-6.7			
NDA/M2+	84.6	94.4	106.7			
Currency in circulation/M2	17.3	16.1	17.4			

Source: Bank of Ghana

300. Other profitability indicators, namely, the return on equity (ROE) and the return-on-assets (ROA), also declined during the period, in line with declining profit-after-tax and profit-before-tax. The ROE) and ROA dipped from 20.6 percent and 4.5 percent to 14.6 percent and 3.1 percent, respectively, in 2022. Asset quality, however, improved as the NPLs ratio declined to 14.8

percent in December 2022 from 15.2 percent in December 2021, reflecting high credit growth relative to the increased stock of NPLs between the two periods. However, this ratio remains above the prudential requirement of 10.0 percent.

6.2.4. External Sector

301. External sector performance deteriorated in 2022, shaped by developments in the global economy. The overall balance of payments recorded a deficit of US$3,639.5 million (4.9% of GDP) compared to a surplus of US$510.1 million (0.6% of GDP) in 2021, mainly reflecting significant net outflows from the capital and financial accounts, despite the improvements in the current account.

302. The current account deficit narrowed to US$1,516.9 million (2.1% of GDP) in 2022 from US$2,541.4 million (3.2%) in 2021, largely attributed to the improvement in the surplus on the merchandise trade balance. The trade balance improved to a surplus of US$2,873.1 million (3.9% of GDP) from a surplus of US$1,098.8 million (1.4% of GDP) in 2021, mainly driven by higher growth in merchandise exports relative to imports. Merchandise exports (fob) increased by 18.8 percent to US$17,494.36 million (23.7% of GDP) from US$14,727.46 million (18.5% of GDP) in 2021, on account of crude oil, gold, and other exports (including non-traditional) earnings which grew by 37.5 percent, 30.0 percent and 11.1 percent, respectively. Merchandise imports (fob) stood at US$14,621.23 million (19.8% of GDP) compared to US$13,628.65 million (17.1% of GDP) in the previous year.

303. The deficit on services (net) account widened to US$3,457.9 million (4.7% of GDP) from US$3,164.5 million (4.0% of GDP) in 2021 due to a decline in service inflows. On the primary income account (net), the deficit widened to US$4,505.1 million (6.1% of GDP) in 2022 compared to US$3,830.6 million (4.8% of GDP) in 2021. The development was mainly due to an increased public debt service as well as increased profits and dividends repatriations. However, the secondary income account surplus improved to US$3,572.9 million (4.8% of GDP) from US$3,354.9 million (4.2% of GDP), occasioned by an improvement in inflows of private transfers.

304. The capital account surplus declined to US$142.1 million (0.2% of GDP) in 2022 from US$204.0 million (0.3% of GDP) in 2021, mainly reflecting the significant slowdown in official inflows. The financial account recorded a net borrowing of US$511.5 million from a net lending of US$3,100.0 million (3.9% of GDP) due to a reversal in portfolio investments, lower foreign direct investments and other investments.

305. The stock of gross external reserves at end-December 2022 stood at US$6,238.2 million (2.7 months of import cover), compared to US$9,695.2 million (4.4 months of import cover) in the corresponding period of 2021. The 35.7 percent decline in gross external reserves was due to outflows from the capital and financial accounts, as well as portfolio reversals in 2022.

306. The foreign exchange market was highly volatile in 2022 as the local currency came under intense pressure for the most part of the year, reflecting portfolio reversals and lower FDI inflows as well as seasonal demand pressures. The Ghanaian cedi depreciated by 30.0 percent (year-to-date)

against the US dollar at end-December 2022 compared to a depreciation of 4.1 percent a year ago. On an annual average basis, the cedi depreciated by 29.8 percent against the US dollar in 2022, compared to an average depreciation of 3.6 percent in 2021. Against the WAUA, the cedi depreciated on average by 24.6 percent in 2022 compared to the 5.7 percent depreciation recorded in 2021.

Table 2. 29: Trends in Key Balance of Payments Indicators in Ghana

	2019	2020	2021	2022	2019	2020	2021	2022
	US$ (Million)				Percent of GDP			
Current Account	-1864.0	-2134.0	-2541.4	-1516.9	-2.7	-3.0	-3.2	-2.1
Goods	2256.8	2043.0	1098.8	2873.1	3.3	2.9	1.4	3.9
Exports (fob)	15667.5	14471.5	14727.5	17494.4	22.9	20.7	18.5	23.7
Oil and Gas	4493.1	2910.6	3947.7	5428.6	6.6	4.2	5.0	7.4
Non-Oil	11174.5	11560.9	10779.7	12065.7	16.4	16.5	13.6	16.4
Imports (fob)	-13410.7	-12428.6	-13628.7	-14621.2	-19.6	-17.7	-17.1	-19.8
Oil and Gas	-2420.3	-1890.5	-2719.2	-4626.6	-3.5	-2.7	-3.4	-6.3
Non-Oil	-10990.4	-10538.0	-10909.5	-9994.6	-16.1	-15.0	-13.7	-13.5
Services (net)	-3572.7	-4511.3	-3164.5	-3457.9	-5.2	-6.4	-4.0	-4.7
Inflows	9924.8	7605.5	9173.7	8249.7	14.5	10.9	11.5	11.2
Outflows	-13497.6	-12116.8	-12338.2	-11707.6	-19.8	-17.3	-15.5	-15.9
Primary Income (net)	-3952.1	-3399.5	-3830.6	-4505.1	-5.8	-4.9	-4.8	-6.1
Inflows	482.9	738.5	719.1	849.5	0.7	1.1	0.9	1.2
Outflows	-4435.1	-4137.0	-4549.7	-5354.6	-6.5	-5.9	-5.7	-7.3
Secondary Income (net)	3404.1	3,732.9	3,354.9	3,572.9	5.0	5.3	4.2	4.8
Private (net)	3,386.4	3,564.8	3,354.9	3,572.7	5.0	5.1	4.2	4.8
Official (net)	17.7	168.1	0.0	0.2	0.0	0.2	0.0	0.0
Capital and Financial Account	3,067.6	2,887.2	3304.0	-369.4	4.5	4.1	4.2	-0.5
Capital Account (Net)	257.1	250.1	204.0	142.1	0.4	0.4	0.3	0.2
Capital Transfers (net)	257.1	250.1	204.0	142.1	0.4	0.4	0.3	0.2
Financial Account	2,810.5	2,637.1	3,100.0	-511.5	4.1	3.8	3.9	-0.7
Direct Investment (net)	3,292.1	1,333.4	2,413.9	1,472.6	4.8	1.9	3.0	2.0
Portfolio Investment (net)	0.0	1561.2	0.0	0.0	0.0	2.2	0.0	0.0
Financial Derivatives (net)	0.0	329.7	0.0	0.0	0.0	0.5	0.0	0.0
Other Investment (net)	-481.5	-587.2	686.1	-1,984.1	-0.7	-0.8	0.9	-2.7
Net Errors and Omissions	137.3	-375.8	-252.4	18.7	0.2	-0.5	-0.3	0.0
Overall Balance	1,341.0	377.5	510.1	-3,639.5	2.0	0.5	0.6	-4.9
MEMORANDUM								
Ave. exchange rate variation (US $)[1]	-12.1	-6.8	-3.6	-29.8				
Ave. exchange rate variation (WAUA)[2]	-9.9	-7.6	-5.7	-24.6				
Stock of External Reserves Billions (US $)	8,418.1	8,624.4	9,695.2	6,238.2				
Stock of Ext. Reserves (months of imports)	3.8	4.0	4.4	2.8				
GDP at Current Prices, Millions of USD	68,337.5	70,029	79,524	73,769				

Source: Bank of Ghana

6.3. Status of Macroeconomic Convergence

307. Regarding performance against the convergence criteria, the country missed all six (6) macroeconomic convergence criteria in 2022 compared to the situation in 2021, when it complied with three: two (2) primary criteria and one (1) secondary criterion. This performance reflects the challenging macro-fiscal situation in the country.

Table 2. 30: Status of Macroeconomic Convergence in Ghana

CRITERIA	TARGET	2018	2019	2020	2021	2022	2023*
Primary Criteria		***2***	***2***	***1***	***2***	***0***	***2***
Budget deficit (commitment basis, including grants)	≤ 3%	3.1	4.1	10.5	8.4	11.8	5.7
Average annual inflation rate	≤ 5%	9.9	8.7	9.9	10.1	31.5	31.3
Central Bank financing of Budget Deficit	≥ 10%	12.9	0.0	54.2	0.0	75.2	0.0
Gross external reserves	≥ 3	3.6	3.8	4.0	4.0	2.7	3.0
Secondary Criteria		***2***	***2***	***1***	***1***	***0***	***0***
Nominal exchange rate variation	± 10%	-7	-9.9	-7.6	-8.3	-24.6	-23.6
Public debt to GDP ratio	≤ 70%	56	61.2	74.4	76.2	71.3	72.5
Total Convergence Criteria Met		**4**	**4**	**2**	**3**	**0**	**2**

Source: WAMA; *Projections

6.4. Prospects

308. Real GDP is projected to slow down further due to the uncertainty brewed by the debt crisis and planned fiscal consolidation, but it is expected to remain positive at 1.5 percent in 2023. Growth

is expected to average 3.5 percent over the period 2024-2026, anchored on the government's post-COVID-19 Programme for Economic Growth (PC-PEG), which serves as the blueprint for addressing the economic challenges. The Government negotiated a US$3 billion IMF-ECF programme, which was approved on 17th May, 2023 to support the implementation of the PC-PEG.

309. Inflation is projected to remain high, averaging 40.0 percent in 2023 with an end-period inflation rate of 29.0 percent in December 2023 due to pressures in the foreign exchange market and elevating fuel and food prices. The resolution of the debt crisis and the expected reforms under the IMF ECF programme would foster a recovery that should reduce the inflationary pressures over the medium term. However, major downside risks include slippages in the ECF programme, delays in restructuring of external debt and potential fiscal pressures due to the 2024 general elections.

310. The fiscal policy stance, including revenue mobilisation measures (the revised Exemption Bill; the restoration of the benchmark values of imports by suspending the 50.0 percent discount on selected goods and the imposition of an electronic transaction levy, among others) coupled with expenditure rationalisation measures, are expected to lead to a moderation in the overall fiscal deficit in the medium term.

311. With regards to macroeconomic convergence, the country is expected to meet two (2) out of the six (6) convergence criteria in 2023 (central bank financing of the budget deficit and gross external reserves), missing the budget deficit and inflation criteria due to the persistent fiscal pressures and upside risk to inflation previously mentioned.

6.5. Conclusion and Recommendations

312. The fundamentals of the Ghanaian economy remain fairly resilient bolstered by ongoing recovery measures despite the macroeconomic challenges. Growth was recorded at 3.1 percent in 2022 and is projected to remain positive in 2023, mainly supported by the agriculture and services sectors and improvement in the industry sector. Inflation heightened but expected to moderate with the ongoing recovery and planned fiscal consolidation measures to be reinforced by the IMF ECF programme.

313. Fiscal deficit remains high, coupled with elevated public debt vulnerabilities, leading to rising debt service costs. Developments in the external sector was challenging in 2022, with the overall balance of payments recording a deficit from a surplus position in 2021. However, with the implementation of IMF's supported ECF programme, investors' confidence is expected to be restored, and the internal and external imbalances are anticipated to be addressed.

314. Considering the above macroeconomic developments in 2022 and prospects for 2023, the authorities are encouraged to:

   i. prioritise macroeconomic stability to help contain inflationary pressures. To restore the economy to the path of stability and fast track the disinflation process, it is imperative to continue to cautiously tighten the monetary policy stance and further anchor inflationary expectations;

ii. implement policy measures to increase productivity in the agricultural sector and develop the value chain of the agro-processing sector;

iii. intensify efforts in the industrialisation drive by giving incentives to the local industries to offer them a competitive advantage;

iv. continue to deepen private sector participation through the promotion of local content and targeted support to small and medium-scale enterprises (SMEs) and other start-ups;

v. adhere to the implementation of the fiscal consolidation measures outlined in the IMF supported ECF programme. The debt exchange programme and structural fiscal reforms would ensure a systematic debt service reduction and help create fiscal space for priority spending.

vi. adopt innovative revenue mobilisation measures while rationalising expenditures to ensure fiscal and debt sustainability in the medium to long term; and

vii. enhance fiscal-monetary policy coordination by strengthening existing structures, including the Economic Policy Coordination Committee (EPCC).

7. GUINEA

7.1. Introduction

315. The Guinean economy, in 2022, adopted measures to maintain macroeconomic stability in an attempt to strengthen the country's resilience and improve the business climate through the implementation of the Programme de Référence Interimaire (PRI) 2022-2025, as well as the continuation of the reforms undertaken in the mining sector. The economy also benefited from the implementation of the Economic Recovery Plan (ERP, 2022-2024), which helped to consolidate the economic recovery through labour-intensive projects identified by the Development Strategy Offices (BSD).

316. Accordingly, the key macroeconomic targets for 2022 were as follows:
    - real GDP growth of 5.7 percent of GDP,
    - budget deficit of 3.0 percent of GDP;
    - average inflation rate at 10.1 percent; and
    - gross external reserves of at least 3.5 months of imports.

317. To achieve these objectives, fiscal policy targeted prudent management of the budget by aligning expenditure commitments with revenue levels to guarantee budgetary sustainability, rationalising expenditure through a reduction in government spending and support to sectors that would help revamp the economy, in particular through the repayment of a significant proportion of the domestic debt. The public debt management strategy involved mobilising the financing needed by the government to carry out structural development projects at the lowest possible cost while minimising risks. With this in mind, the Guinean authorities undertook reforms aimed at improving and modernising public debt management with the support of technical and financial partners.

318. On monetary policy, the BCRG maintained its MPR at 11.5 percent, while the minimum reserve ratio was reduced to 15.0 percent. Consequently, the money supply expanded to 22.2 percent from 8.4 percent in 2021.

7.2. Sectoral Analysis

7.2.1. Real Sector

319. In 2022, the real GDP growth rate was 5.5 percent, compared with growth of 4.9 percent in 2021, driven by the contribution of all sectors, mainly the secondary and service sectors. This performance largely gained from the implementation of the 2022-2025 Interim Reference Programme (PRI), the Economic Recovery Programme (ERP), improvement in the business climate and the performance of the mining sector.

320. The primary sector sustained a growth rate of 4.8 percent in 2022, explained by the sustained performance of the agriculture, fisheries and livestock sub-sectors. Growth in agriculture remained resilient at 6.1 percent compared to the 6.3 percent recorded in 2021, despite the difficulties in supplying inputs and rising production costs. The outbreak of avian flu in Greater Conakry, which led to the slaughter of thousands of chickens and the closure of some poultry

farms, had a negative impact on the performance of the livestock sub-sector, which posted a growth rate of 5.9 percent, compared to 9.7 percent in 2021. Fishing grew by 4.6 percent, the same as in 2021, due to the effects of measures to combat illegal practices in this sub-sector and the reduction in the number of licences granted per type of semi-industrial fishing vessel. On the other hand, forestry continued the downward trend that began in 2020, with a smaller contraction (-1.2%) than that recorded in 2021 (-3.6%), thanks to the easing of measures taken by the authorities to limit abusive logging.

321. Growth in the secondary sector slowed to 6.6 percent, from 8.8 percent in 2021, mainly explained by the lower growth rates in the mining and quarrying sub-sector as well as in the production and distribution of water and electricity. The mining and quarrying sub-sector grew by 8.6 percent in 2022, compared with 12.4 percent in 2021, due to the decline in artisanal gold production, alumina production (FRIGUIA) and iron production. The water, electricity and gas production sub-sector posted growth of 4.2 percent in 2022, compared to 11.3 percent in 2021, as a result of difficulties in paying bills accumulated by customers since the start of the COVID-19 pandemic, despite government subsidies. The construction sub-sector grew by 4.8 percent in 2022, compared to 4.4 percent in 2021, reflecting mainly the government road construction projects, including the Coyah-Mamou-Dabola highways, the construction of the Conakry urban road network, and the construction of the Kagbélen, Km 36 and Bambéto interchanges. Manufacturing activities grew by 3.4 percent in 2022, compared to 2.8 percent in 2021, due to the increase in demand and the general improvement in supply chains.

322. The service sector grew by 5.1 percent, compared with 2.2 percent in 2021, reflecting the performance of all service sub-sectors. Commercial activities improved by 5.7 percent, compared with a contraction of 3.8 percent in 2021, while output of the hotels and restaurants sub-sector rose by 3.2 percent in 2022, compared with 2.5 percent a year earlier, due to the resumption of activities in hotels, bars, amusement parks and other gathering places. The transport sub-sector grew by 3.3 percent in 2022, compared with 2.7 percent in 2021, reflecting, among other things, the effects of the easing of travel restrictions imposed by Member States, the removal of the roadblocks erected in the interior of the country by the new authorities and the reopening of the Conakry Express train. Postal and telecommunications activities lost momentum, growing at 13.0 percent in 2022 compared to 18.2 percent in 2021, due to the fall in the number of subscribers to certain mobile telephone operators and the rise in teleworking. Similarly, growth in public administration slowed to 5.1 percent in 2022 from 8.0 percent in 2021 as a large proportion of civil servants retired.

323. In terms of contribution to GDP growth, the primary, secondary and tertiary sectors contributed 1.1, 2.5 and 1.9 percentage points, compared with 1.1, 3.2 and 0.6 percentage points, respectively, in 2021.

324. On the demand side, final consumption fell by 2.6 percent in 2022, compared with an increase of 12.1 percent a year earlier. This decline was driven by public consumption, which had fallen by 25.0 percent, due to the measures taken by the authorities to combat corruption and financial mismanagement. Private final consumption, on the other hand, rose by 6.2 percent, but by a much

smaller margin than in 2021 (+19.2%). Gross fixed capital formation (GFCF) increased by 15.9 percent, compared with 8.7 percent in 2021, driven by private GFCF, which grew by 26.1 percent in 2022. In contrast, public GFCF contracted by 22.0 percent, compared with an increase of 8.2 percent in 2021. Imports of goods and services declined by half in 2022, from 19.6 percent in 2021 to 9.8 percent in 2022. Exports of goods and services will rise by 2.1 percent in 2022, compared with a fall of the same proportion in 2021.

325. Inflationary pressures eased, with the year-on-year end-period inflation standing at 8.6 percent, compared with 12.5 percent in 2021. This decline was due to efforts to improve power supply, the completion of infrastructure works, the implementation of a plan to boost fisheries products (fish supplies to markets) and the monetary policy stance of the BCRG (appreciation of the domestic currency). It was also noted that the methodology for the calculation of inflation was updated, involving the inclusion of new commodities and extension of the exercise to the regional capitals.

Table 2. 31: Trends in GDP and its Components in Guinea

	2019	2020	2021	2022	2023*	2019	2020	2021	2022	2023*
	Percentage Change					Contribution to Growth				
GDP at constant prices	5.6	7.0	4.9	5.5	6.1	5.6	7.0	4.9	5.5	6.1
Primary sector	19.8	7.8	4.8	4.8	6.1	4.0	1.8	1.1	1.1	1.4
Agriculture	8.3	5.5	6.3	6.1	6.4	0.7	0.5	0.5	0.5	0.5
Livestock, hunting, ancillary services	-23.6	7.8	9.7	5.9	6.2	-0.4	0.1	0.1	0.1	0.1
Forestry	1.8	-1.8	-3.6	-1.2	1.6	0.0	0.0	-0.1	0.0	0.0
Fisheries and aquaculture	46.5	11.5	4.6	4.6	6.6	3.6	1.2	0.5	0.5	0.7
Secondary sector	1.0	22.1	8.8	6.6	7.5	0.3	7.1	3.2	2.5	2.9
Extractive industries	3.5	38.0	12.4	8.6	9.7	0.6	6.3	2.7	2.0	2.3
Manufacture of food products and beverages	-0.1	2.9	3.1	4.3	4.4	0.0	0.1	0.1	0.1	0.1
Manufacture of food products and beverages	0.7	2.2	2.4	2.5	2.6	0.1	0.2	0.2	0.2	0.2
Production and distribution of electricity, gas and water	2.9	36.3	11.3	4.2	6.3	0.0	0.4	0.2	0.1	0.1
Construction	-7.0	4.3	4.4	4.8	4.9	-0.3	0.2	0.2	0.2	0.2
Services sector	3.4	-3.1	2.2	5.1	5.0	1.3	-1.9	0.6	1.9	1.8
Trade	4.5	-12.6	-3.8	5.7	5.2	0.8	-2.1	-0.5	0.7	0.7
Hotels and restaurants	1.7	-4.4	2.5	3.2	3.5	0.0	0.0	0.0	0.0	0.0
Transports	-1.4	-1.9	2.7	3.3	3.4	-0.1	-0.1	0.1	0.1	0.1
Post and telecommunications	18.1	16.8	18.2	13.0	13.6	0.2	0.2	0.2	0.2	0.2
Other market services	0.6	3.5	3.7	3.9	4.3	0.0	0.2	0.2	0.2	0.2
Administration activities	2.7	6.1	8.0	5.1	5.1	0.2	0.5	0.7	0.5	0.5
Demand										
Final consumption	4.9	-2.5	12.1	-2.6	3.5					
Public	4.8	-7.4	-2.5	-25.0	-19.6					
Private	5.0	0.1	19.1	6.2	9.9					
FBCF	5.9	1.5	8.7	15.9	-11.1					
Administration	8.6	19.6	8.2	-22.0	-6.7					
Private	-2.5	-58.3	8.8	26.1	-11.9					
Mines	-4.6	-64.6	-2.5	124.3	-18.9					
Other companies	21.1	49.2	16.4	15.9	-19.9					
Households	2.7	2.1	-0.2	10.2	10.8					
Stock variation	3.6	72.5	-35.9	34.9	39.3					
Exports	-1.9	4.7	-2.1	2.1	5.5					
Imports	-8.9	-0.5	-19.7	-9.8	2.8					
Memorandum items										
GDP at constant price	125081	138995.34	160928.08	184180.71	213205.39					
GDP at constant prices	67454.47	72145.742	75694.393	79894.902	84760.114					
Inflation										
Average annual	9.5	10.6	12.6	10.5	9.2					
End period	9.1	10.6	12.5	8.6	8.4					

Source: Ministry of Economy and Finance, Guinea; *Projections

7.2.2. Fiscal Sector

326. The fiscal policy stance was characterised by the implementation of performance contracts with heads of public institutions and financial sector regulators, the continuation of taxpayer

identification, the introduction of an online payment portal for collecting taxes and duties (e-tax), and the rationalisation of public expenditure.

327. Total revenue and grants stood at GNF 23,153.96 billion (12.6% of GDP), compared with GNF 21,344.29 billion (13.3% of GDP) in 2021 due to the increase in total revenues. Total revenues increased to GNF 22,322.51 billion (12.1% of GDP) in 2022, from GNF 20,373.63 billion (12.7% of GDP) in 2021, driven by both tax and non-tax revenues. Tax revenue was GNF 19,101.92 billion (10.4% of GDP), compared with GNF 18,296.03 billion (11.4% of GDP) in 2021, an increase of 4.4 percent in nominal terms, reflecting the structural reforms undertaken at the level of the fiscal authorities (fight against fraud and embezzlement, capacity building, computerisation, etc.). Non-tax revenue increased by 84.9 percent to GNF 2,519.48 billion (1.4% of GDP), compared with GNF 1,362.46 billion (0.8% of GDP) in 2021.

328. Grants fell by 14.3 percent to GNF 831.44 billion (0.5% of GDP) in 2022, from GNF 970.66 billion (0.6% of GDP) in 2021, largely due to non-disbursement of programme grants and lower disbursements of project grants from development partners.

329. Total expenditure and net lending stood at GNF 24, 464.42 billion (13.3% of GDP) in 2022, compared with GNF 24, 055.38 billion (14.9% of GDP) in 2021, up 1.7 percent, mainly due to the increase in capital expenditure.

330. Capital expenditure increased by 62.2 percent to GNF 5,829.94 billion (3.2% of GDP), from GNF 3,593.62 billion (2.2% of GDP) in 2021. The increase was driven by the resumption of major road infrastructure projects across the country. External and domestic financing of the capital expenditure rose by 23.5 percent and 125.4 percent, respectively, during the period.

331. Recurrent expenditure fell to GNF 17,996.55 billion (9.8% of GDP) in 2022 from GNF 20,355.03 billion (12.6% of GDP) in the previous year. This decline was mainly due to a fall in wages and salaries, goods and services, subsidies and transfers. Wages and salaries fell by 0.7 percent to GNF 6,270.46 billion (3.4% of GDP) from GNF 6,314.98 billion (3.9% of GDP) in 2021, while expenditure on goods and services fell by 30.0 percent to GNF 3,821.50 billion (2.1% of GDP), from GNF 5,460.31 billion (2.1% of GDP) in 2021. Transfers and subsidies fell to GNF 7,123.82 billion (3.9% of GDP) from GNF 7,801.12 billion (4.8% of GDP) a year earlier. Interest payments on public debt rose by 0.5 percent to GNF 780.77 billion (0.4% of GDP), from GNF 778.62 billion (0.5% of GDP) in 2021, underpinned by a 16.4 percent increase in interest payments on external debt, while interest payments on domestic debt fell by 9.4 percent.

332. Consequently, fiscal operations resulted in a deficit (including grants) of GNF 1,310.47 billion (0.7% of GDP), compared with a deficit of GNF 2,711.09 billion (1.7% of GDP) in 2021. The budget deficit (excluding grants) reached GNF 2,141.92 billion (1.2% of GDP), compared with a deficit of GNF 3,681.75 billion (2.3% of GDP) over the same period.

333. During the period under review, the public debt reached USD 7,376.00 million (34.8% of GDP) at end-December 2022, compared with USD 7,007.00 million (42.5% of GDP) for the corresponding period in 2021, an increase of 5.3 percent. This evolution in public debt is

explained by the prudent management of public debt, which favours the use of concessional loans. Public debt remains dominated by the external component, which amounted to US$4,070.00 million (19.2% of GDP), while the domestic component was valued at US$3,306.00 million (15.6% of GDP).

Table 2. 32: Trends in Key Fiscal Indicators in in Guinea

	2019	2020	2021	2022	2023*	2019	2020	2021	2022	2023*
	Percentage Change					Percent of Growth				
Receipt and grants	6.9	5.1	13.4	8.5	20.5	17.1	13.5	13.3	12.6	13.1
Receipts	8.3	0.1	17.6	9.6	19.3	16.5	12.5	12.7	12.1	12.5
Tax revenue	6.9	4.0	13.7	4.4	24.3	14.8	11.6	11.4	10.4	11.1
Mining sector	-28.3	-3.3	44.3	18.2	na	2.3	1.7	2.1	2.1	0.0
Non-mining sector	17.2	0.6	13.6	7.9	na	14.3	10.8	10.6	10.0	0.0
Direct contributions	227.5	14.6	3.9	33.9	na	2.4	2.1	1.9	2.2	0.0
Goods and services	393.7	8.6	6.6	-3.1	na	7.2	5.9	5.5	4.6	0.0
o/w TSPP	na	83.5	-51.3	-19.3	na	0.9	1.2	0.5	0.3	0.0
International trade	na	-6.8	23.9	-14.7	na	3.2	2.2	2.4	1.8	0.0
Non-tax receipts	na	-49.0	85.8	84.9	-36.8	1.4	0.5	0.8	1.4	0.7
Grants	19.3	152.4	-35.2	-14.3	54.6	0.6	1.1	0.6	0.5	0.6
projects	na	34.1	84.1	-10.6	na	0.4	0.4	0.6	0.5	0.0
programme	na	358.6	-95.9	na	na	0.2	0.7	0.0	0.0	0.0
Total expenditure	20.5	16.9	11.3	1.7	47.6	17.7	15.6	14.9	13.3	16.9
Recurrent expenditure	48.8	30.8	12.5	-11.6	15.7	13.2	13.0	12.6	9.8	9.8
Salaries & wages	83.2	37.4	3.8	-0.7	17.4	4.2	4.4	3.9	3.4	3.5
Other goods and services	49.2	18.3	8.5	-30.0	4.1	4.1	3.6	3.4	2.1	1.9
Subsidies & transfers	73.0	30.3	31.0	-8.7	15.6	4.4	4.3	4.8	3.9	3.9
Debt interest payments	3.3	75.6	-23.2	0.3	59.5	0.6	0.7	0.5	0.4	0.6
Interest on external debt	-33.1	21.1	29.2	16.4	66.6	0.2	0.2	0.2	0.2	0.3
Interests on domestic debt	24.3	101.7	-38.2	-9.4	54.0	0.4	0.6	0.3	0.2	0.3
Capital expenditure	-39.3	-23.9	3.9	62.2	140.2	4.3	2.5	2.2	3.2	6.6
External financing	-45.3	16.0	8.0	23.5	152.6	1.7	1.5	1.4	1.5	3.3
Domestic financing	-29.9	-49.5	-2.1	125.4	75.7	2.6	1.0	0.8	1.7	2.5
Overall balance (excl. grants)	85.3	260.8	-14.3	-41.8	342.7	-1.1	-3.1	-2.3	-1.2	-4.4
Overall balance (incl. grants)	200.8	371.2	-3.2	-51.7	525.4	-0.6	-2.0	-1.7	-0.7	-3.8
	2 019	**2020**	**2021**	**2022**	**2023**	**2 019**	**2020**	**2021**	**2022**	**2023**
		In millions of USD					Percent of GDP			
Debt	5,019.0	6,335.0	7,007.0	7,376.0	na	36.9	43.6	42.5	34.8	40.2
Domestic	2,622.0	3,800.0	3,982.0	4,070.0	na	19.3	26.2	24.2	19.2	
External	2,397.0	2,535.0	3,025.0	3,306.0	na	17.6	17.4	18.4	15.6	

Source: Ministry of the Budget/Ministry of the Economy and Finance/WAMA *Projections

7.2.3. Monetary Sector

334. The monetary policy stance was partially modified, marked by the reduction in the minimum reserve ratio to 15.0 percent in April 2022 and the maintenance of the central bank's key rate at 11.5 percent.

335. Despite the stability of the key rate, the average bank lending rate continued its upward trend, reaching 18.5 percent in December 2022, a fall of 0.19 percentage points compared with the end of December 2021, while the average lending rate on term deposits stood at 5.87 percent compared with 5.69 percent in December 2021. Treasury bill rates, across all maturities, followed an upward trend. The 91-day Treasury bill rate reached 13.26 percent at the end of December 2022 compared with 13.25 percent a year earlier. Similarly, the 182-day and 364-day Treasury bill rates also followed an upward trend, rising from 13.20 percent and 13.71 percent, respectively, in December 2021 to 13.46 percent and 14.48 percent in December 2022.

336. During the period under review, bank resources were channelled more towards the public sector, through subscriptions to Treasury bills and government bonds. Outstanding Treasury bills and government bonds totalled GNF 8,225.8 billion, down 5.25 percent at end-December 2021.

Similarly, financial institutions mobilised GNF 2,058.3 billion for treasury bonds, GNF 461.12 billion for bonds and GNF 4,242.23 billion for government securities.

337. Money supply (M2) increased by 22.2 percent at the end of 2022, compared with 8.4 percent a year earlier, mainly driven by NFA.

338. The NFA increased by 47.6 percent at the end of December 2022, compared with 13.1 percent in the same period of the previous year. The growth in NFA was mainly due to the increase in the BCRG's foreign assets, as a result of the improvement in mining revenues and the effective repatriation of revenues from the export of artisanal gold. After declining by 1.1 percent at end-2021, the BCRG's net foreign assets consolidated by 40.8 percent at end-December 2022. Net foreign assets of deposit banks held up well, rising by 59.1 percent, after increasing by 49.4 percent at end-2021.

339. The NDA increased by 9.1 percent at end-December 2022, compared with 6.2 percent at end-December 2021, driven by the improvement in claims on the private sector which rose by 24.2 percent compared to 6.7 percent at end-2021, occasioned by new loans granted to customers operating mainly in the trade, energy, hydrocarbons and construction sub-sectors. Net claims on the government decreased by 5.6 percent, after falling by 0.8 percent at the end of December 2021, in line with the rationalisation of public spending and the implementation of a policy of reducing the government's debt to the banking system.

340. The increase in money supply was marked by a rise in sight deposits, term deposits and foreign currency deposits. Demand deposits rose by 24.6 percent, compared with 8.7 percent at end-2021, while time deposits rose by 34.9 percent, compared with 17.6 percent at the end of 2021. Foreign currency deposits rose by 51.7 percent, following a 10.0 percent increase a year earlier. Conversely, currency in circulation fell by 6.3 percent, compared with an increase of 4.6 percent at the end of December 2021, as a result of the reduction in net claims on the government and the improvement in currency in circulation.

341. Total industry assets rose by 33.6 percent to GNF 47,941 billion, compared with GNF 35,878 billion for the same period in 2021. This was due to increased banks' subscriptions to Treasury bills of 7.0 percent to GNF 8,890 billion, money market operations of 42.0 percent to GNF 8,736 billion and domestic credit of 32.6 percent to GNF 16,730 billion. On the liabilities side, the increase was due to a 35.5 percent rise in deposits and a 28.9 percent rise in short-term resources to GNF 10,123 billion and GNF 756 billion, respectively.

342. In terms of industry profitability, profit after tax increased by 39.0 percent to GNF 1,080 billion, from GNF 775 billion at the end of 2021. This increase is due to the performance of banking activities. ROA increased to 2.0 percent in December 2022, compared to 1.0 percent for the same period in 2021. Similarly, ROE increased to 25.0 percent from 14.0 percent a year ago. NPLs improved to 9.7 percent from 11.6 percent in December 2021.

Table 2. 33: Growth in Key Monetary Aggregates in Guinea

	2019	2020	2021	2022	2019	2020	2021	2022
	Percentage Change				Contribution to M2 Growth			
NET FOREIGN ASSETS	37.3	**27.3**	**13.1**	**47.6**	10.5	**8.6**	**4.3**	**16.2**
Central bank	51.4	12.4	-1.1	40.8	10.7	3.2	-0.3	8.7
Deposit banks	-2.3	92.5	49.4	59.1	-0.2	5.4	4.5	7.5
NET DOMESTIC ASSETS	17.3	**21.1**	**6.2**	**9.1**	12.4	**14.4**	**4.2**	**6.0**
Net domestic credit	14.8	24.3	2.8	8.2	14.0	21.5	2.5	7.0
Claims on the public sector	9.2	37.5	0.3	-2.6	5.1	18.4	0.2	-1.3
Net claims on the government*	9.2	37.5	-0.8	-5.6	5.1	18.4	-0.4	-2.8
Banks	27.7	64.7	-2.4	10.4	4.7	11.5	-0.6	2.2
Claims on the private sector	22.5	8.0	6.7	24.2	8.9	3.2	2.3	8.3
Other items, net	6.9	35.6	-7.5	4.8	-1.6	-7.1	1.6	-0.9
MONEY SUPPLY	22.9	23.0	**8.4**	22.2	22.9	23.0	8.4	22.2
Money supply	16.6	19.2	6.1	6.1	7.9	8.7	2.7	2.6
Currency in circulation	21.7	30.9	4.6	-6.3	6.4	9.0	1.4	-1.9
Demand deposits	22.9	13.6	8.7	24.6	9.8	5.8	3.4	9.7
Term deposits in GNF	14.2	38.7	17.6	34.9	1.2	2.9	1.5	3.2
Currency deposits	28.3	25.7	10.0	51.7	5.6	5.4	2.1	11.2
Memorandum items								
Money multiplier (M2/BM)	2.2	2.3	2.3	2.7				
Money velocity (GDP/M2)	4.1	3.7	4.0	3.7				
NFA/M2	31.5	32.6	34.0	41.0				
NDA/M2	68.5	67.4	66.0	59.0				
Claims on the private sector/GDP	9.6	9.4	8.6	9.4				
Currency in circulation/M2M2	29.0	30.8	29.7	22.8				

Source: BCRG/WAMA

7.2.4. External Sector

343. The country's external transactions were characterised by an improvement in the overall balance of payments, resulting from improvements in the capital and the financial accounts.

344. The current account balance showed a surplus of US$ 3,332.62 million (15.7% of GDP) in 2022, compared with a surplus of US$ 5,062.83 million (30.7% of GDP) a year earlier, explained by a deterioration in the trade balance by 35.7 percent to US$3,892.44 million (18.2% of GDP) in 2022, compared with US$6,051.49 million (36.7% of GDP) in 2021.

345. Exports fell by 14.7 percent to US$8,734.95 million (41.2% of GDP) from US$10,238.88 million (62.1% of GDP) in 2021, driven by mining products, which will account for around 94.0 percent of total merchandise exports in 2022. However, imports rose by 15.7 percent to US$4,842.51 million (22.8% of GDP) from US$4,187.39 million (25.4% of GDP), dominated by petroleum products (28.8% of the total).

346. The services balance worsened to a deficit of US$ 760.50 million (3.6% of GDP) in 2022, compared with a deficit of US$ 714.62 million (4.3% of GDP) the previous year. This was largely due to an increase in payments for shipping, telecommunications and other services provided by resident companies to non-residents.

347. The primary income balance improved from a deficit of US$ 663.71 million (4.0% of GDP) in 2021 to a deficit of US$ 336.59 million (1.6% of GDP) in 2022, mainly due to a fall in investment income paid to non-residents.

348. The surplus on the secondary income account also improved, reaching a surplus of US$ 537.27 million (2.5% of GDP), compared with a surplus of US$ 389.67 million (2.4% of GDP) in 2021, supported by increased transfers received in the country.

349. Likewise, the capital account balance improved by 33.9 percent to a surplus of US$ 212.76 million (1.0% of GDP), compared with US$ 158.95 million (1.0% of GDP) in 2021, boosted by the increase in project grants by the country's external partners during the period under review. Guinea's external transactions in 2022 showed a financing capacity of US$3,545.4 million (16.7% of GDP), compared to US$5,221.78 million (31.7% of GDP) in 2021, driven by trade.

350. The financial account recorded a net acquisition of assets of US$ 3,029.31 million (14.3% of GDP) in 2022, compared with US$ 5,167.5 million (31.1% of GDP) in 2021, due to the increase in the "other investments" component.

351. The country's overall balance showed a surplus of US$516.15 million (2.4% of GDP) in 2022, compared to a surplus of US$96.10 million (0.6% of GDP) in 2021.

352. Gross external reserves increased by 17.2 percent to US$2,238 million (4.7 months of import cover) at the end of December 2022, compared with US$1,909.50 million (4.6 months of import cover) at the end of December 2021. This change results from the repatriation of mining revenues from gold and bauxite exports.

353. On the foreign exchange market, the Guinean franc traded on the official market at GNF 8,553.28 to the US dollar, an appreciation of 6.6 percent. This result was due to the setting up of the trading room, the deliberate policy of ensuring the repatriation of proceeds from gold and bauxite exports, the digitisation of taxation and customs duties, and the rationalisation of public spending by the country's new authorities.

Table 2. 34: Trends in Key Balance of Payments Indicators in Guinea

Item	2019	2020	2021	2022	2019	2020	2021	2022
	In millions of USD				Percent of GDP			
A. Current account	-314.57	2,684.75	5,062.83	3,332.62	-2.3	18.5	30.7	15.7
1. Trade balance	475.36	5,203.76	6,051.49	3,892.44	3.5	35.8	36.7	18.3
Exports	3,945.36	8,931.20	10,238.88	8,734.95	29.0	61.5	62.1	41.2
Imports	3,470.00	3,727.44	4,187.39	4,842.51	25.5	25.7	25.4	22.8
2. Balance of services	-754.70	-2,521.25	-714.62	-760.50	-5.5	-17.4	-4.3	-3.6
3. Primary income	-114.09	-144.78	-663.71	-336.59	-0.8	-1.0	-4.0	-1.6
4. Secondary income	78.86	147.02	389.67	537.27	0.6	1.0	2.4	2.5
B. Capital account n.i.a	40.69	147.12	158.95	212.76	0.3	1.0	1.0	1.0
C. Capacity (+) or need (-) for financing	-273.88	2,831.87	5,221.78	3,545.38	-2.0	19.5	31.7	16.7
D. Financial account	-997.56	2,063.06	5,126.57	3,029.31	-7.3	14.2	31.1	14.3
1. Direct investment n.i.a	-43.37	-173.99	-200.74	-590.11	-0.3	-1.2	-1.2	-2.8
2. Portfolio investments n.i.a	-5.54	12.03	19.62	72.19	0.0	0.1	0.1	0.3
3. Financial derivatives n.i.a	0.00	0.00	0.00	0.00	0.0	0.0	0.0	0.0
4. Other investments n.i.a	-948.65	2,225.02	5,307.68	3,547.22	-7.0	15.3	32.2	16.7
E. Errors and omissions, net	1.26	-0.03	0.88	0.08	0.0	0.0	0.0	0.0
F. Total balance to be financed	724.94	768.78	96.10	516.15	5.3	5.3	0.6	2.4
Memorandum item								
USD exchange rate	9,184.40	9,565.07	9,757.74	8,693.17				
Gross foreign exchange reserves (in millions of US dollars)	1,441.99	1,503.33	1,909.47	2,337.99				
Foreign exchange reserves in months of imports	4.0	2.9	4.9	4.7				
GDP at current prices in millions of USD	13,619.68	14,531.55	16,483.44	21,218.98				

Source: BCRG

7.3. Status of Macroeconomic Convergence

354. On macroeconomic convergence, Guinea met four (4) out of the six (6) convergence criteria; three (3) primary (budget deficit, central bank financing of the budget deficit, and gross external reserves) and one (1) secondary (public debt). It missed the nominal exchange rate variation against the WAUA due to over appreciation.

Table 2. 35: Status of Macroeconomic Convergence in Guinea

CRITERIA	TARGET	2019	2020	2021	2022	2023*
Primary criteria		**3**	**3**	**3**	**3**	**2**
Budget balance (commitment basis, including grants)	≤3 %	0.6	-3.0	-1.7	-0.7	-3.8
Average annual inflation rate	≤5 %	9.5	10.7	9.3	10.5	9.2
Central bank financing of the budget deficit	≥10 %	3.0	1.8	1.6	0.0	0.0
Gross external reserves in months of imports	≥ 3	4.0	2.9	4.9	4.7	5.1
Secondary criteria		**2**	**2**	**2**	**1**	**2**
nominal exchange rate variation	±10 %	-2.8	-4.8	-4.2	19.5	4.8
Public debt to GDP ratio	≤70 %	30.6	46.0	42.5	34.8	40.2
Total number of criteria met		**5**	**5**	**5**	**4**	**4**

Source: WAMA; *Projections

7.4. Prospects

355. Economic growth is expected to reach 6.1 percent in 2023, driven by the implementation of the 2022-2025 Interim Reference Programme (PRI) and the 2022-2024 Economic Recovery Plan (PRE). Growth will be supported by activity in all sectors. The primary sector is expected to grow at a rate of 6.1 percent in 2023, premised on favourable agricultural season and continued public investment to support production in rural areas. The secondary sector would be supported by mining and quarrying, agro-food, other manufacturing, energy and construction while the service sector would be supported by growth in all its sub-sectors. Inflation is expected to be contained at 9.2 percent in 2023, premised on expected increase food supply, better market access as well as the strengthening of measures to combat the high cost of living.

356. In terms of macroeconomic convergence, the country is expected to meet four (4) convergence criteria; two (2) primary criteria (central bank financing of the budget deficit and gross external reserves) and both secondary criteria.

7.5. Conclusion and Recommendations

357. The Guinean economy remained resilient in 2022 despite the tightening of global financial conditions, the Russia-Ukraine crisis and the lingering effects of the COVID-19 pandemic. Economic growth remained robust, supported by all economic sectors. Inflationary pressures eased due to ongoing road infrastructure development work, which facilitated the transportation of agricultural products from production areas to distribution centres.

358. In terms of macroeconomic convergence, the country met four (4) convergence criteria compared with five (5) in 2021.

359. To strengthen macroeconomic performance, the authorities are encouraged to consider the following recommendations:

    i. pursue the structural transformation of the country through better diversification of sources of growth in order to reduce the country's dependence on mining activities;

    ii. accelerate the development and modernisation of transport infrastructure to reduce the cost of transporting agricultural produce to distribution areas so as to bring down the cost of agricultural products on the market;

iii. broaden the tax base by identifying and geolocating taxpayers, making the taxpayer register more reliable by allocating a Tax Identification Number (TIN) and formalising medium-sized businesses;

iv. take steps to rationalise public spending, particularly, by limiting transfers and subsidies; and

v. take steps to improve private sector access credit.

8. GUINEA BISSAU

8.1. Introduction

360. The macroeconomic policy thrust of Guinea Bissau for 2022 was anchored on the National Development Plan (NDP, 2015-2025), which is underpinned by four growth areas, namely, agriculture and agro-industry, fishing, tourism and mining. The plan also aims to stabilise the economy, strengthen governance, and ensure effective policy implementation. To this end, economic policy in 2022 focused on fiscal consolidation and reform programmes aimed at ensuring fiscal and debt sustainability, creating fiscal space to address developmental needs, supported by the IMF's Staff Monitored Programme (SMP).

361. Consistent with these macroeconomic policy objectives, the following targets were set for 2022:
    - Real GDP growth rate of 5.0 percent;
    - Average inflation of 3.0 percent; and
    - Public debt-to-GDP ratio of below 70.0 percent.

362. In line with the policy directions and actions set out in the NDP, the government has embarked on an ambitious programme of tax administration and public financial management reforms aimed at supporting effective and transparent management of public resources supported under the IMF programme.

363. Despite the repercussions from the global economy and other domestic constraints, particularly, the difficulties in transporting cashew nuts to markets (both domestic and exports), the economy remained relatively resilient. Real GDP growth was estimated at 4.7 percent, compared to 6.4 percent in 2021, reflecting slowdown in both the secondary and tertiary sectors. Inflationary pressures increased during the year, driven by higher food and fuel prices as well as other domestic commodities.

364. Fiscal operations in 2022 resulted in an overall fiscal deficit on commitment basis (including grants) of 6.6 percent of GDP, down from the deficit of 7.7 percent of GDP recorded in 2021.

365. Broad money supply expanded reflecting significant growth in NDA. However, NFA contracted during the year due to declines in the foreign assets of the BCEAO.

366. In the external sector, the overall balance of payment registered a deficit of 5.4 percent of GDP in 2022, compared to a surplus of 6.1 percent in 2021, reflecting a worsening of the current account deficit (7.4% of GDP from 0.8% of GDP in 2021).

367. On the macroeconomic convergence front, Guinea Bissau met three (3) out of the six (6) macroeconomic convergence criteria; two (2) primary and one (1) secondary.

8.2. Sectoral Analysis

8.2.1. Real Sector

368. Real GDP growth was estimated at 4.7 percent in the review year, from 6.4 percent in 2021, moderated by a slowdown in the tertiary and secondary sectors.

369. The primary sector grew by 6.1 percent compared to the growth of 5.4 percent recorded in 2021, occasioned mainly by expansion in agricultural production. The agriculture sub-sector's growth increased to 6.9 percent from 4.1 percent in 2021, driven by the increase in cashew nut and cereal production. The livestock production, however, slowed significantly to 2.1 percent in 2022 from 19.4 percent in 2021. Regarding contribution to GDP growth, the primary sector contributed 2.2 percentage points and accounted for 36.3 percent share of the economy.

370. The secondary sector grew by 4.8 percent, compared to the 5.6 percent recorded in 2021, mainly reflecting strong performance from the manufacturing and electricity, gas & water Supply sub-sectors, which grew at 5.5 percent and 10.0 percent, respectively. The construction sub-sector also recovered with a modest growth of 0.7 percent in 2022 compared with the 4.3 percent contraction recorded in 2021. In terms of the contribution to GDP growth, the secondary sector contributed 0.5 percentage point and accounted for a share of 13.2 percent in 2022.

371. Growth in the tertiary sector moderated to 3.7 percent in 2022 from 7.3 percent in 2021, broadly reflecting the significant slowdown in the trade sub-sector, which grew at 2.1 percent from 14.2 percent in 2021. The other subs-sectors also experienced a moderation in growth rates in 2022. The tertiary sector remains the most prominent sector, with a share of 45.7 percent and contributed 1.7 percent to real GDP growth in 2022.

Table 2. 36: Trends in GDP and its Components in Guinea Bissau

	2020	2021	2022	2023*	2020	2021	2022	2023*
	Percentage Change				Contribution to Growth			
Real GDP	**1.5**	**6.4**	**4.7**	**5.7**	**1.5**	**6.4**	**4.7**	**5.7**
Primary Sector	3.2	5.4	6.1	5.1	1.1	1.9	2.2	1.9
Agriculture	5	4.1	6.9	5.6	1.4	1.2	2	1.7
Animal Husbandry	2.2	19.4	2.1	2.2	0.1	0.6	0.1	0.1
Secondary Sector	1.1	5.6	4.8	6.6	0.1	0.7	0.6	0.9
Manufacturing	-1.5	8.3	5.5	4.9	-0.1	0.7	0.5	0.4
Constructions	5.6	-4.3	0.7	11.2	0.2	-0.1	0	0.3
Electricity, Gas &Water Supply	10.7	12.7	10	8.4	0.1	0.2	0.1	0.1
Tertiary Sector	1.4	7.3	3.7	5.3	0.6	3.4	1.7	2.4
Trade	-4.3	14.2	2.1	12	-0.7	2.1	0.3	1.8
Hotels & restaurant services	2	5	2.4	5.3	0.2	0.6	0.3	0.6
Transportation & Communication	72.1	4.4	4.3	3.8	3.8	0.4	0.4	0.3
Indirect Taxes (net)	-7.9	7.8	4	11.7	-0.4	0.4	0.2	0.6
Memorandum (In billions of CFA franc)								
GDP (Current Prices)	915.67	997.02	1115.34	1182.35				
GDP (Constant Prices, 2018=100)	824.29	877.16	918.43	970.94				
GDP (Basic Prices)	784.26	834.02	873.47	920.82				
Inflation (in percent)								
Average	1.5	3.6	7.9	5.6				
End-Period	1.5	5.8	5.9	5.0*				

Source: BCEAO and Ministry of Finance; *Projections

372. Inflationary pressures in Guinea Bissau rose significantly during the review period. Average inflation increased to 7.9 percent, from 3.6 percent in the preceding year, reflecting 3.7 percentage points rise in all major groups in the inflation basket, except furniture, transport and education. The surge in inflationary pressures was explained by higher prices of imported food and fuel. Similarly, end-period inflation stood at 5.9 percent in December 2022, compared to 5.8 percent in December 2021.

8.2.2. Fiscal Sector

373. Fiscal operations for January-December 2022 showed a moderate improvement in the overall fiscal performance. Total revenue and grants amounted to CFAF164.0 billion (14.7% of GDP) compared to CFAF143.1 billion (14.4% of GDP) in 2021, representing an increase of 14.6 percent, largely reflecting improved domestic revenue mobilisation and grants receipts.

374. Tax revenue increased by 6.0 percent to CFAF98.0 billion (8.8% of GDP) in 2022 from CFAF92.4. billion (9.3% of GDP) in 2021, mainly due to improved revenue mobilisation from taxes on income, profit and capital gains, as well as domestic taxes on goods and services. Similarly, non-tax revenue rose by 77.3 percent to CFAF25.4 billion (2.3% of GDP) compared to CFAF14.3 billion (1.4% of GDP) in 2021, attributed to improved collections from other administrative fees and fines.

375. Grants amounted to CFAF40.6 billion (3.6% of GDP) in 2022, compared to CFAF36.4 billion (3.6% of GDP) in 2021, mainly from project grants.

376. Total expenditure and net lending amounted to CFAF237.4 billion (21.3% of GDP) in 2022, compared to CFAF 219.6 billion (22.0% of GDP) in 2021, reflecting 8.1 percent increase in both recurrent and capital expenditures.

377. Recurrent expenditure, which accounted for 70.3 percent of total expenditures, amounted to CFAF166.9 billion (15.0% of GDP) in 2022, compared to the CFAF155.0 billion (15.5% of GDP) recorded in the previous year. Wages and salaries stood at CFAF 65.1 billion (5.8% of GDP), compared with CFAF 57.9 billion (5.8% of GDP). Interest payments amounted to CFAF14.4 billion (1.3% of GDP) compared with CFAF13.9 billion (1.4% of GDP) in 2021, an increase of 3.6 percent. The domestic component, which accounted for 90.0 percent of the total, amounted to CFAF 12.9 billion (1.2% of GDP) in 2022 compare to CFAF8.7 billion (0.9% of GDP) percent in 2021.

378. Capital expenditure amounted to CFAF70.4 billion (6.3% of GDP) in 2022, compared to CFAF 64.6 billion (6.5% of GDP) in 2021, a nominal increase of 8.9 percent, mainly from domestic sources. Domestic capital expenditure rose by 112.5 percent while the external component declined by 3.9 percent.

379. Fiscal operations resulted in an overall fiscal deficit on a commitment basis (including grants) of CFAF 73.3 billion (6.6% of GDP) in 2022, compared to CFAF 76.5 billion (7.7% of GDP) in 2021. Excluding grants, the overall fiscal deficit amounted to CFAF113.9 billion (10.2% of GDP) in 2022 compared to CFAF 112.9 billion (11.3% of GDP) in 2021.

380. The stock of public debt stood at CFAF908.1 billion (78.5% of GDP) at end-December 2022, compared to CFAF761.5 billion (78.1% of GDP) at end-December 2021, reflecting an increase in both domestic and external debts. The stock of domestic debt, which constituted about 53.0 percent of the total public debt stock stood at 42.8 percent of GDP at end-December 2022 compared to 39.9 percent of GDP in the corresponding period of 2021.

Table 2. 37: Trends in Key Fiscal Indicators in Guinea Bissau

	2020	2021	2022	2023*	2020	2021	2022	2023*
	Percentage Change				Percent of GDP			
Total Revenue and Grants	3.4	6.4	14.6	12.6	14.7	14.4	14.7	15.6
Total Revenue	-5.5	7.0	15.6	14.1	10.9	10.7	11.1	11.9
Tax Revenue	-14.4	36.4	6.0	15.1	7.4	9.3	8.8	9.5
Taxes on income, profits and capital gains	-20.4	28.2	65.3	-17.0	2.0	2.3	3.5	2.7
Taxes on wages and salaries		46.5	14.2		0.7	1.0	1.0	
Domestic and taxes on goods and services	-18.1	35.0	4.7	-6.5	2.7	3.3	3.1	2.7
Import duties (excl. VAT at the border)	3.3	62.1	-4.7	10.1	1.4	2.2	1.8	1.9
Non-Tax Revenue	21.0	-55.3	77.3	10.3	3.5	1.4	2.3	2.4
Grants	41.6	4.9	11.7	8.1	3.8	3.6	3.6	3.7
Total Expenditure and net lending	35.8	-0.1	8.1	-0.1	24.0	22.0	21.3	20.0
Total Expenditure	35.8	-0.1	8.1	-0.1	24.0	22.0	21.3	20.0
Recurrent Expenditure	20.3	4.2	7.7	-10.4	16.2	15.5	15.0	12.7
Salaries and wages	16.4	9.3	12.4	-9.3	5.8	5.8	5.8	5.0
Goods and services	15.6	62.2	-10.1	-8.6	2.2	3.2	2.6	2.2
Interest Payments	51.2	11.4	3.6	45.8	1.4	1.4	1.3	1.8
Domestic	41.7	28.4	48.6	22.1	0.7	0.9	1.2	1.3
External	64.3	-8.9	-72.1	258.4	0.6	0.5	0.1	0.4
Capital Expenditure	86.1	-9.0	8.9	24.2	7.8	6.5	6.3	7.4
Domestically financed	453.0	-28.0	112.5	58.3	1.1	0.7	1.4	2.0
Externally financed	68.0	-5.9	-3.9	14.8	6.7	5.8	5.0	5.4
Overall Bal (incl grants) on commitment basis					-9.3	-7.7	-6.6	-4.4
Overall Bal (excl grants) on commitment basis					-13.1	-11.3	-10.2	-8.1
Primary Balance					-7.9	-6.3	-5.3	-2.6
DEBT	**2020**	**2021**	**2022**	**2023***	**2020**	**2021**	**2022**	**2023***
	Stock (In billion CFAF)				Percent of GDP			
Public Debt	654.02	761.53	908.10	-	71.6	78.1	78.5	76.7
Domestic	307.56	367.89	481.40	-	30.9	39.9	42.8	43.6
External	346.46	393.64	426.70	-	40.7	38.2	36.7	33.1

Source: Ministry of Finance; *Projections

8.2.3. Monetary Sector

381. Growth in broad money supply (M2) on a year-on-year basis moderated to 3.1 percent at end-December 2022 from 20.9 percent a year ago, driven by expansion in NDA on account of increase in claims on the government. The NFA of the banking system, however, declined by 18.4 percent at end-December 2022, following an expansion of 22.4 percent in the corresponding period in 2021, reflecting contraction in both the NFA of the BCEAO (-23.7%) and commercial banks (-8.1%). On the liability side, the growth in M2 was reflected in expansions in banks' transferable deposits and quasi-money (savings and term deposits) by 13.4 percent and 12.1 percent, respectively, in the review year.

382. Narrow money supply (M1) grew by 1.6 percent at end-December 2022, compared to 22.4 percent in the corresponding period of 2021, attributed to expansion in transferable deposits of commercial banks. M1 accounted for about 83.8 percent of the broad money supply at end-December 2022 compared to 85.0 percent in the same period in 2021.

383. Quasi-money, which comprises savings and time deposits, accounted for 16.2 percent of the broad money supply during the year under review. It also grew by 12.1 percent in 2022 compared to 13.0 percent in 2021, on account of an increase in deposits of commercial banks, with loans and advances to the private sector (or claims on the private sector).

Table 2. 38: Growth in Key Monetary Aggregates in Guinea Bissau

	2020	2021	2022	2023*	2020	2021	2022	2023*
	Percentage Change				Contribution to M2 Growth			
ASSETS								
Net Foreign Assets (NFA)	**24.2**	**22.4**	**-18.4**	**1.3**	***14.4***	***15.1***	***-12.6***	***0.7***
BCEAO	-10.7	33.5	-23.7	2.1	-5.3	13.7	-10.7	0.7
Commercial banks	205.4	5.5	-8.1	0.0	19.7	1.5	-1.9	0.0
Net Domestic Assets (NDA)	**-13.1**	**17.8**	**50.0**	**11.2**	**-5.3**	**5.8**	**15.7**	**5.1**
Net Domestic claims	-1.7	17.2	25.6	5.8	*-0.9*	*8.4*	*12.1*	*3.3*
Net claims on general government	-19.7	55.3	23.9	5.9	-3.2	6.5	3.6	1.1
Loans and advances to the private sector	5.9	5.0	26.4	5.7	2.3	1.8	8.5	2.2
Other Items Net (OIN)	32.7	16.0	-23.2	-15.3	*4.4*	*2.6*	*-3.6*	*-1.8*
LIABILITIES								
Broad Money Supply (M2)	**9.1**	**20.9**	**3.1**	**5.8**				
Narrow Money Supply (M1)	8.3	22.4	1.6	6.3				
Currency in circulation (CIC)	4.8	23.8	-2.5	7.1				
Transferable deposits	19.6	18.5	13.4	4.5				
Quasi Money (savings and Time deposits)	13.2	13.0	12.1	3.1				
MEMORANDUM								
Net Foreign assets / GDP (%)	*29.5*	*33.2*	*24.2*	*23.1*				
Net Domestic Assets / GDP (%)	*14.1*	*15.2*	*20.4*	*21.4*				
Net claims on general government */ GDP (%)*	5.2	7.4	8.2	8.1				
Credit to Private Sector/GDP (%)	16.1	15.5	17.5	17.5				
Broad Money Supply / GDP (%)	*43.6*	*48.4*	*44.6*	*44.6*				
Narrow Money Supply /GDP (%)	*36.6*	*41.2*	*37.4*	*37.5*				
Currency in Circulation /GDP (%)	26.9	30.6	26.7	27.0				

Source : BCEAO; *Projections

8.2.4. External Sector

384. Developments in the external sector were mixed in 2022. The overall balance of payments recorded a deficit of CFAF 60.8 billion (5.4% of GDP) in 2022 compared to a surplus of CFAF 60.4 billion (6.1% of GDP) in 2021, mainly reflecting a deterioration in the current account. The current account deficit widened to CFAF 83.1 billion (7.4% of GDP) during the review year from CFAF 7.8 billion (0.8% of GDP) in 2021, largely due to the worsening trade balance.

385. Merchandise trade recorded a deficit of CFAF 87.3 billion (7.8% of GDP) in 2021, higher than the CFAF 27.7 billion (2.8% of GDP) recorded in 2021. The widening in the trade deficit was occasioned by an increase in import payments and a drop in merchandise exports. Merchandise imports (fob) rose during the review period to CFAF 241.4 billion (21.6% of GDP) from CFAF 194.0 billion (19.5% of GDP) in the preceding year due to a rise in payments for petroleum products, food and basic capital goods. In contrast, earnings from merchandise exports fell slightly to CFAF 154.0 billion (13.8% of GDP) during the review year, from CFAF 166.3 billion (16.7% of GDP), reflecting a decrease in receipts from the main export commodity, notably cashew nuts, which faced some challenges in transporting the commodity.

386. The deficit on the services accounts widened to CFAF 88.9 billion (8.0% of GDP) in the review year from a deficit of CFAF 73.9 billion (7.4% of GDP) in 2021, reflecting the 33.3 percent rise in payments for transport and insurance services. On the primary income account, the surplus narrowed to CFAF 5.2 billion (0.5% of GDP) in 2022 from CFAF9.4 billion (0.9% of GDP) in 2021, on the back of interest payment on public debt, which outweighed the increase in investment income through plowback of investors' income. Similarly, the secondary income account recorded an increased surplus of CFAF 88.0 billion (7.9% of GDP), compared to a surplus of CFAF 84.4 billion (8.5% of GDP) in 2021, occasioned by a sharp increase in remittances and a slight rise in foreign aid flows to the government.

387. The capital account surplus declined to CFAF 11.6 billion (1.0% of GDP) in the review year, from CFAF 12.6 billion (1.3% of GDP) in 2021, driven largely by a slowdown in inflows of grants. The net borrowing of the financial account (net financial liabilities), however, narrowed to CFAF 13.7 billion (1.2% of GDP) in 2022 from CFAF 49.7 billion (5.0% of GDP) in 2021, reflecting increases in the allocation of IMF SDRs.

Table 2. 39: Trends in Key Balance of Payments Indicators in Guinea Bissau

	2020	2021	2022	2023*	2020	2021	2022	2023*
	In billions CFAF				Percent of GDP			
Current Account	-22.39	-7.85	-83.08	-69.57	2.4	0.8	7.4	5.9
Goods	-53.78	-27.73	-87.34	-87.91	5.9	2.8	7.8	7.4
Exports (fob)	123.06	166.30	154.04	162.77	13.4	16.7	13.8	13.8
Cashew nuts	109.21	154.45	147.54	156.77	11.9	15.5	13.2	13.3
Fish and shrimps	0.80	0.66	1.20	0.80	0.1	0.1	0.1	0.1
Other exports	13.05	11.20	5.30	5.20	1.4	1.1	0.5	0.4
Imports (fob)	-176.84	-194.03	-241.37	-250.68	19.3	19.5	21.6	21.2
Oil products	-30.95	-36.13	-55.26	-55.82	3.4	3.6	5.0	4.7
Non-Oil products	-145.89	-157.90	-186.11	-194.87	15.9	15.8	16.7	16.5
O/w: intermediate goods	-15.05	-16.26	-22.79	-24.06	1.6	1.6	2.0	2.0
Services (net)	-65.30	-73.90	-88.90	-86.39	7.1	7.4	8.0	7.3
Credits	10.70	19.40	24.00	24.30	1.2	1.9	2.2	2.1
Debits	-76.00	-93.30	-112.90	-110.69	8.3	9.4	10.1	9.4
Primary Income (net)	14.54	9.40	5.20	15.30	1.6	0.9	0.5	1.3
Credits								
Debits								
O/w: public interest payments	-5.50	-5.83	-4.80	-4.60	0.6	0.6	0.4	0.4
Secondary Income	82.16	84.38	87.95	89.42	9.0	8.5	7.9	7.6
Official transfer (net)	27.81	24.90	25.95	28.12	3.0	2.5	2.3	2.4
Private transfer (net)	54.35	59.48	62.00	61.30	5.9	6.0	5.6	5.2
Capital Account	9.02	12.61	11.64	32.40	1.0	1.3	1.0	2.7
Acquisition/disposal of non-financial assets	0.00	0.00	0.00	0.00	0.0	0.0	0.0	0.0
Capital transfer	9.02	12.61	11.64	32.40	1.0	1.3	1.0	2.7
Current & Capital Accounts balance [net lending (+) / net borrowing (-)]	-13.37	4.76	-71.44	-37.17	1.5	0.5	6.4	3.1
Financial Account	-71.41	-49.66	-13.67	-40.66	7.8	5.0	1.2	3.4
Direct Investment (net)	-11.90	-9.75	-9.60	-15.60	1.3	1.0	0.9	1.3
Portfolio Investment (net)	-52.21	-50.81	-52.30	-52.70	5.7	5.1	4.7	4.5
Other Investment (net)	-7.30	10.90	48.23	27.64	0.8	1.1	4.3	2.3
Reserve Assets	-52.75	-60.44	60.76	-3.48	5.8	6.1	5.4	0.3
Errors and Omissions	-5.29	6.03	-2.99	0.00	0.6	0.6	0.3	0.0
OVERALL BALANCE	52.75	60.44	-60.76	3.48	5.8	6.1	5.4	0.3
GDP (In billions of CFA franc)	**915.67**	**997.02**	**1,115.34**	**1,182.35**				
MEMORANDUM ITEMS								
Avg. Exchange Rate Variation (CFAF/WAUA)	**1.0**	**1.5**	**-5.3**	**2.4***				
Avg. Exchange Rate Variation (CFAF/USD)	**1.8**	**3.8**	**-11.1**	**2.6**				
Gross Reserves in Month of Imports Cover	**6.5**	**6.6**	**4.2**	**4.4**				

Source: BCEAO; *Projections

8.3. Status of Macroeconomic Convergence

388. On macroeconomic convergence, Guinea Bissau complied with three (3) out of the six (6) convergence criteria; two (2) primary (central bank financing of budget deficit and gross external reserves) and one (1) secondary (nominal exchange rate variation).

Table 2. 40: Status of Macroeconomic Convergence in Guinea Bissau

Criteria	Target	2020	2021	2022	2023*
Primary Criteria		**3**	**3**	**2**	**2**
Budget deficit (commitment basis, including grants)	≤ 3%	9.3	7.7	6.6	3.3
Average annual inflation rate	≤ 5%	2.1	3.6	7.9	5.6
Central Bank financing of Budget Deficit	≥ 10%	0.0	0.0	0.0	0.0
Gross external reserves	≥ 3	6.5	6.6	4.2	4.4
Secondary Criteria		**1**	**1**	**1**	**1**
Nominal exchange rate variation	± 10%	1.0	-1.5	-5.3	2.4*
Public debt to GDP ratio	≤ 70%	71.6	78.1	78.5	76.7
Total Convergence Criteria Met		**4**	**4**	**3**	**3**

Source: WAMA; *Projections

8.4. Prospects

389. The Guinea Bissau economy has shown strong signs of recovery despite the lingering effects of the COVID-19 pandemic and the Russia-Ukraine war. Economic recovery is expected to continue

in 2023 with a real GDP growth of 5.7 percent compared to 4.7 percent in 2022, premised on sustained performance in all sectors, particularly, the tertiary sector. However, the consolidation of the recovery of economic activity will depend on the evolution of the socio-political stability of the country and the Russia-Ukraine war, as well as logistical difficulties in shipping cashew nuts, the country's main exports.

390. Inflation is projected to average 5.6 percent in 2023 with the end-period inflation expected at 5.0 percent, driven by high prices of imported food and non-food items.

8.5. Conclusion and Recommendations

391. The Guinea-Bissau economy remains fragile despite the impressive growth recorded in the last two years. In 2022, the economic and financial situation was marked by the satisfactory implementation of the IMF ECF programme. Amidst other challenges, the country experienced difficulties in cashew exports due to logistical problems and disagreements on export prices between exporters and their partners. Inflationary pressures heightened despite the relatively tight monetary policy stance of the BCEAO.

392. Although the fiscal deficit slightly improved in 2022 compared to the preceding year, the stock of public debt remains a challenge as the debt stock remained high at 81.4 percent of GDP in 2022.

393. On macroeconomic convergence, the country met two (2) primary criteria (central bank financing of budget deficit and gross external reserves) and one (1) secondary criterion (nominal exchange rate variation).

394. In light of the above, the following recommendations are made for the consideration of the authorities:

i. consolidate socio-political stability and create the conditions for successful economic reforms, with a view to restoring investor confidence to support economic recovery efforts;

ii. pursue appropriate tax reforms in order to make the cashew exports sector more competitive;

iii. resolve, in the short-term, the logistical issues (such as scanner, weighing points and dredging at the port) that are impeding the normal flow of marketing operations of the country's major export (cashew).

iv. fast-track efforts to broaden the tax base, ensure prudent public financial management, harmonise the institutional framework with those of the Community and prioritise migration to ASYCUDA World and SIGMA, allowing interconnection with other countries and administrations with a view to creating synergy among the various revenue agencies;

v. take steps to strengthen the public sector payroll management by accelerating the rollout of payroll management tools such as the payroll Blockchain in order to ensure a sustainable and reliable solution to the identification of civil servants; and

vi. continue the campaign to promote financial inclusion, given the growing signs of confidence in the banking sector.

9. LIBERIA

9.1. Introduction

395. The broad macroeconomic policy thrust of the government of Liberia is anchored on the Pro-poor Agenda for Prosperity and Development (PAPD) 2018-2023, as enshrined in the 2022 budget framework and consistent with the Liberia Economic Recovery Plan (LERP) (2021-2023). The primary objective is ensuring macroeconomic stability, broadening the domestic tax base and increasing investments. The pro-poor strategies focused on interventions in priority sectors, including investments in health care, agriculture, energy, and infrastructural projects.

396. In line with these macroeconomic policy objectives, the following key macroeconomic targets were set for 2022:
   - Real GDP growth of 4.7 percent;
   - Gross external reserves of at least 3.5 months of imports;
   - End-period inflation of 13.3 percent; and
   - Overall fiscal balance of 0.0 percent of GDP (i.e., a balance budget).

397. Real GDP growth in 2022 moderated to 4.8 percent, from 5.0 percent in 2021, driven mainly by a slowdown in the primary and secondary sectors. End-period inflation accelerated to 9.2 percent from 5.5 percent in December 2021, while average inflation moderated to 7.6 percent from 7.9 percent in 2021.

398. Fiscal operations were marked by higher government expenditure, reflecting mainly investments and transfer payments, coupled with domestic revenue underperformance. These developments resulted in an increase in the overall fiscal deficit to 2.1 percent of GDP in 2022, from 0.8 percent of GDP in 2021.

399. The Central Bank of Liberia (CBL) continued its focus on the implementation of policy measures aimed at containing inflationary pressures and promoting financial stability. In that direction, the CBL maintained a relatively tight monetary policy stance in 2022, notwithstanding the 500-basis point reduction in the monetary policy rate (MPR) to 15.0 percent in August 2022, mainly aimed at improving Liberian dollar liquidity in the banking system. External sector performance was generally challenging in 2022, as the current account deficit widened by 5.7 percent, largely occasioned by an increase in the trade deficit.

400. On the macroeconomic convergence front, Liberia met four (4) out of the six (6) convergence criteria; three (3) primary (budget deficit, central bank financing and gross external reserves) and one (1) secondary (public debt-to-GDP ratio).

9.2. Sectoral Analysis

9.2.1. Real Sector

401. Real GDP growth slowed to 4.8 percent in 2022 from 5.8 percent in 2021, mainly driven by developments in agriculture and mining. Notwithstanding, growth remained strong in all sectors underpinned by the government's scale-up of public investment, and the implementation of

structural reforms, including in key enabling sectors (such as road infrastructure, energy, trade, transportation, and financial services).

402. The Primary (agriculture & forestry) sector recorded a growth of 1.3 percent, down from 3.3 percent in 2021, due to the performance of agriculture (1.2% from 4.0%), which was explained by the drop in crops output (0.9% from 6.2%). However, the performance of forestry improved to 1.6 percent, from 1.0 percent in 2021, occasioned by increased charcoal, log and timber productions.

403. Growth in the Secondary (Industry) sector also moderated to 10.1 percent in 2022 from 11.6 percent in 2021, on account of a slowdown in Mining and Manufacturing activities as well as a contraction of 'Electricity, Gas & Water Supply'. Output of the Mining sub-sector moderated to 14.0 percent from 17.6 percent in 2021, occasioned by a decline in the production of diamonds. Similarly, growth in the Manufacturing sub-sector slowed to 2.2 percent from 4.7 percent, largely occasioned by low production of non-alcoholic beverages. The output of 'Electricity, Gas & Supply' contracted by 4.0 percent in 2022 against the growth rate of 3.8 percent in 2021, partly due to the load shedding by the Liberia Electricity Corporation (LEC)[1]. However, Construction activity improved significantly in the period under review, growing by 8.0 percent from 2.5 percent in 2021, largely explained by road reconstruction and other infrastructure projects.

Table 2. 41: Trends in GDP and its Components in Liberia

Item	2020	2021	2022	2023*	2020	2021	2022	2023*
	Percentage Change				Contribution to Growth			
Real GDP	**-3.0**	**5.0**	**4.8**	**4.3**	**-3.0**	**5.0**	**4.8**	**4.3**
Primary Sector	**5.9**	**3.3**	**1.3**	**2.9**	**2.2**	**1.3**	**0.5**	**1.1**
Agriculture & Fisheries	6.4	4.0	1.2	3.3	1.8	1.2	0.4	1.0
o/w: crops	7.2	6.2	0.9	4.5	1.5	1.4	0.2	1.0
Forestry	4.6	1.0	1.6	1.2	0.4	0.1	0.1	0.1
Log & timber	4.0	1.0	3.5	4.0	0.0	0.0	0.0	0.0
Char coal	4.6	1.0	1.5	1.0	0.4	0.1	0.1	0.1
Secondary Sector	**-1.1**	**11.6**	**10.1**	**4.5**	**-0.3**	**3.1**	**2.8**	**1.3**
Mining	2.0	17.6	14.0	4.6	0.3	2.6	2.4	0.8
Manufacturing	0.0	4.7	2.2	4.9	0.0	0.3	0.1	0.3
Electricity, Gas &Water Supply	-9.0	3.8	-4.0	3.0	-0.1	0.0	0.0	0.0
Constructions	-10.0	2.5	8.0	4.0	-0.5	0.1	0.4	0.2
Tertiary Sector	**-13.1**	**1.8**	**4.5**	**5.9**	**-4.9**	**0.6**	**1.5**	**1.9**
Trade (Including. Hotels & Restaurant)	-21.0	2.0	9.0	8.0	-3.1	0.2	1.1	1.0
Transport, storage, communication	-12.0	4.0	5.0	3.0	-0.6	0.2	0.2	0.1
Finance and Insurance	-9.0	2.0	4.0	5.0	-0.3	0.1	0.1	0.2
Real estate, renting and business	1.4	1.4	-2.3	8.0	0.1	0.1	-0.1	0.3
Government Services	-9.0	0.0	1.0	3.0	-0.4	0.0	0.0	0.1
Others Services	-10.0	1.0	2.5	4.5	-0.5	0.0	0.1	0.2
Memorandum								
GDP (Current Prices)	3,037.2	3,508.9	3,992.1	4,345.4				
GDP (Constant Prices, 2018=100)	3,087.7	3,242.4	3,398.4	3,546.2				
GDP Deflator	98.4	108.2	117.5	122.5				
Inflation								
Average	17.4	7.9	7.6	8.7				
End-Period	13.1	5.5	9.2	6.5				

Source: CBL; LISGIS; IMF; *Projections

404. Activity in the Tertiary (Services) sector expanded by 4.5 percent in 2022, from 1.8 percent in 2021, reflecting improvements across all the sub-sectors except Real Estate, which contracted by 2.3 percent following the growth rate of 1.4 percent in 2021. The output of Trade, Hotel & Restaurant improved by 9.0 percent from 2.0 percent; Transport, Storage & Communication

[1] https://african.business/2022/06/energy-resources/businesses-suffer-as-liberia-struggles-with-power-woes

(5.0% from 4.0%); Financial Services (4.0% from 2.0%), Government Services (1.0% from 0.0%), and Other Services (2.5%t from 1.0%).

405. In terms of contribution to the growth rate of 4.8 percent in 2022, the secondary sector contributed the most at 2.8 percentage points, with a share of 29.5 percent of GDP. The tertiary sector contributed 1.5 percentage points and a share of 32.2 percent of GDP, while the primary sector contributed the least at 0.5 percentage points with a share of 38.3 percent of GDP.

406. There was a resurgence of inflationary pressures in 2022, as end-period inflation increased to 9.2 percent in December 2022 from 5.5 percent in December 2021. This was mainly driven by escalating prices of food and fuel due to the impact of the Russia-Ukraine War. However, average inflation was 7.6 percent in 2022, down from 7.9 percent in the preceding year.

9.2.2. Fiscal Sector

407. Government fiscal operations in 2022 resulted in an increased deficit, mainly reflecting increased capital expenditure and transfers. Overall fiscal deficit including grants increased to 2.1 percent of GDP in 2022 from 0.8 percent of GDP in 2021. Excluding grants, the deficit stood at 2.2 percent of GDP compared to 0.9 percent of GDP in 2021.

408. Total revenue and grants stood at US$694.3 million (17.4% of GDP) compared to US$702.8 million (20.0% of GDP) in 2021, explained by declines in taxes on income and profits and non-tax revenue by 2.1 percent and 4.7 percent, respectively Domestic revenue amounted to US$690.1 million (17.3% of GDP) compared to US$698.6 million (17.5% of GDP) in 2021, a decline of 1.2 percent

409. Tax revenue amounted to US$484.9 million (12.1% of GDP) in 2022, compared to US$483.3 million (13.3% of GDP) in 2021. It fell short of its target by US$7.3 million, occasioned by underperformance of international trade taxes. Non-tax revenue stood at US$205.2 million (5.1% of GDP) in 2022 against US$215.3 million (5.4% of GDP) in 2022, exceeding its target by US$55.8 million due to increased collections. Grants remained unchanged at US$4.2 million (0.1% of GDP) in 2022 from 2021.

410. Total Expenditure amounted to US$778.7 million (19.5% of GDP) in 2022, compared to US$735.4 million (21.0% of GDP) in 2021, reflecting a nominal increase of 5.9 percent, mainly attributed to the significant rise in capital expenditure (243.2%). However, total expenditure was within its target of US$786.6 million. Current expenditure stood at US$750.6 million (18.8% of GDP), representing a growth of 3.2 percent in 2022 compared to an increase of 45.3 percent in 2021. Wages and Salaries slowed down by 0.8 percent to US$298.7 million (7.5% of GDP) while interest payments on public debt contracted by 23.7 percent to US$79.3 million (2.0% of GDP). However, payments on 'goods and services and transfers' rose by 14.0 percent in 2022 to $372.6 million (9.3% of GDP).

411. Capital expenditure stood at US$28.1 million (0.7% of GDP) in 2022 compared to US$8.2 million (0.2% of GDP) in 2021. The nearly threefold increase in capital expenditure, which

came entirely from domestic sources coupled with slow growth in current expenditure is consistent with the government's priority to rationalise expenditure.

412. The stock of public debt increased to US$2,018.6 million (50.6% of GDP) at end-December 2022, from US$1,735.1 million (49.4% of GDP) at end-December 2021. The growth in the stock of public debt emanated from a 24.8 percent and 10.5 percent increase in domestic and external debt stock, respectively. At end-December 2022, domestic and external debt stock stood at US$884.4 million (22.2% of GDP) and US$1,134.2 million (28.4% of GDP), respectively.

Table 2. 42: Trends in Key Fiscal Indicators in Liberia

	2020	2021	2022	2023*	2020	2021	2022	2023*
	Percentage Change				Percent of GDP			
Total Revenue and Grants	**31.2**	**12.6**	**-1.2**	**12.0**	**20.5**	**17.6**	**17.4**	**17.9**
Domestic Revenue	***22.5***	***20.0***	***-1.2***	***12.7***	***19.2***	***17.5***	***17.3***	***17.9***
Tax Revenue	***11.3***	***22.4***	***0.3***	***14.0***	***13.0***	***12.1***	***12.1***	***12.7***
Taxes on Income & Profits	26.6	19.5	-2.1	14.8	5.9	5.4	5.3	5.6
International Trade Taxes	4.3	26.0	-70.9	12.5	5.5	5.2	1.5	5.4
taxes on goods and services	-3.5	22.2	10.6	12.6	1.5	1.4	1.5	1.6
other tax revenue	-45.1	-3.9	0.0	78.9	0.1	0.1	0.1	0.1
Non-Tax Revenue	***55.4***	***14.9***	***-4.7***	***9.8***	***6.2***	***5.4***	***5.1***	***5.2***
Property Income	20.2	-2.5	2.1	25.1	2.5	1.9	1.9	2.2
Administrative fees & fines	-17.4	24.2	0.5	13.2	0.5	0.4	0.4	0.5
other receipts & carry forward	142.3	-33.0	72.0	-1.2	3.2	3.1	2.8	2.5
Grants	-	***-89.9***	***0.0***	-	***1.4***	***0.1***	***0.1***	-
Total Expenditure and net lending	**19.4**	**31.8**	**5.9**	**-0.1**	**18.4**	**18.4**	**19.5**	**17.9**
Total Expenditure	***19.4***	***31.8***	***5.9***	***-0.1***	***18.4***	***18.4***	***19.5***	***17.9***
Recurrent Expenditure	***8.3***	***45.3***	***3.2***	***-18.0***	***16.5***	***18.2***	***18.8***	***14.2***
wages and Salaries	8.1	8.2	0.8	-1.0	9.0	7.4	7.5	6.8
Interest Payments	78.8	107.1	-23.7	15.5	1.7	2.6	2.0	2.1
Domestic	63.5	139.7	-52.0	-1.5	1.0	1.9	0.9	0.8
External	110.5	54.5	47.2	29.3	0.6	0.7	1.1	1.3
Expenses on goods & service and transfers	-2.4	85.4	14.0	-38.8	5.8	8.2	9.3	5.2
Capital Expenditure	***1048.0***	***-85.8***	***243.2***	***479.4***	***1.9***	***0.2***	***0.7***	***3.7***
Domestically financed	1048.2	-85.8	243.2	479.4	1.9	0.2	0.7	3.7
Externally financed	-	-	-	-	-	-	-	-
Net lending	-	-	-	-	-	-	-	-
Overall Bal (Commit Basis, Incl. Grants)					2.2	-0.8	-2.1	0.0
Overall Bal (Commit Basis, Excl. Grants)					0.8	-0.9	-2.2	0.0
Primary Balance					2.5	1.7	-0.2	2.1
Memorandum item								
Public Debt					**52.6**	**49.4**	**50.6**	**55.3**
External					31.4	29.3	28.4	40.3
Domestic					21.2	20.2	22.2	15.0

Source: Ministry of Finance and Development Planning, MFDP; *Projections

9.2.3. Monetary Sector

413. The CBL maintained a relatively tight monetary policy stance for most part of the year, notwithstanding the 500-basis point reduction in the MPR to 15.0 percent in August 2022, mainly aimed at improving Liberian dollar liquidity in the banking system.

414. The banking industry was generally stable in 2022, recording improvements in key balance sheet indicators, mainly due to increased economic activity. At end-December 2022, total Assets (net) of the industry rose to L$206.8 billion, from L$168.9 billion; reported capital net of provision was L$33.7 billion compared to L$32.8 billion, a growth 2.8 percent; and deposits rose by 18.5 percent to L$135.5 billion, from L$114.4 billion in 2021.

415. The industry's CAR was 25.3 percent above the 10.0 percent minimum regulatory threshold, while the liquidity ratio (LR) rose by 0.9 percentage points to 43.5 percent in 2022. The NPL

ratio reduced to 17.5 percent, from 22.7 percent recorded in 2021, indicating the policy focus of the CBL to strengthen asset quality; however, it remained above the 10.0 percent limit.

416. Trends in interest rates were generally stable in the year under review. The average lending, mortgage and savings rates remained unchanged, relative to 2021, at 12.44 percent, 13.38 percent and 2.10 percent in 2022, respectively. Similarly, the average rates on personal loans, time deposits and certificate of deposits remained unchanged at 12.78 percent, 3.53 percent and 3.25 percent, respectively.

417. The stock of commercial banks' credit to the private sector at end-December 2022 stood at L$75,834.5 million (12.3% of GDP) from L$65,438.1 million (12.8% of GDP), representing a growth of 15.9 percent. This development in the private sector's credit was mainly on the back of credit to trade, manufacturing, services and oil & gas sub-sectors.

418. Growth in money supply (M2) accelerated to 22.6 percent in the 12-month period ended December 2022 from the contraction of 1.5 percent in the corresponding period of 2021, mainly supported by NDA. NDA grew by 36.4 percent following the contraction of 12.6 percent in 2021, largely influenced by NCG, which expanded by 25.1 percent against the contraction of 24.1 percent in 2021. Claims on the private sector grew by 21.0 percent in the period ended December 2022 against the negative growth rate of 11.4 percent in 2021. However, NFA contracted by 33.6 percent compared to the growth rate of 104.4 percent in the period ended December 2021.

419. Narrow money (M1) expanded by 25.5 percent against the contraction of 1.3 percent in 2021, occasioned by growth in both currency outside the banking system (6.4% from -1.6%) and demand deposits (32.2% from -1.1%). Reserve Money grew by 9.3 percent at end-December 2022 compared to a growth rate of 4.4 percent at end-December 2021. The growth in reserve money was mainly triggered by increases in banks' reserves and currency in circulation outside banks.

Table 2. 43: Growth in Key Monetary Aggregates in Liberia

	2019	2020	2021	2022	2019	2020	2021	2022
	Percentage Change				Contribution to M2 Growth			
ASSETS								
Net Foreign Assets (NFA)	**1.9**	**-4.1**	**104.4**	-33.6	0.2	-0.4	9.9	-6.6
Net Domestic Assets (NDA)	**22.3**	**6.3**	**-12.6**	36.4	19.6	5.6	-11.4	29.2
Domestic Claims	28.4	5.9	-18.4	23.1	39.7	8.8	-27.7	29.3
Net Claims on Government (NCG)	53.2	20.6	-24.1	25.1	30.1	14.8	-20.0	16.5
Claims on Private Sector	11.6	-7.8	-11.4	21.0	9.6	-6.0	-7.8	12.8
Other Items Net (OIN)	-38.7	-5.3	16.6	0.2	-20.1	-3.2	16.3	-0.1
LIABILITIES								
Broad Money (M2)	**19.8**	**5.2**	**-1.5**	22.6				
Narrow Money (M1)	14.0	11.6	-1.3	25.5				
Currency in Circulation	13.1	10.0	-1.6	6.4				
Demand Deposits	14.3	12.1	-1.1	32.2				
Quasi Money (savings and term deposits)	31.7	-7.0	-0.8	16.5				
MEMORANDUM								
Reserve Money (Growth) (%)	*9.6*	*5.8*	*4.4*	9.3				
Money Multiplier (M2/RM)	*3.0*	*3.0*	*2.8*	3.1				
Velocity (GDP/M2)	*4.7*	*4.6*	*4.9*	4.5				
Credit to Private Sector/GDP (%)	*16.4*	*14.8*	*12.4*	13.5				
Net Foreign assets/M2 (%)	*10.4*	*9.5*	*19.7*	10.7				
Net Domestic Assets /M2 (%)	*89.6*	*90.5*	*80.3*	89.3				
Currency in Circulation/M2 (%)	*17.0*	*17.7*	*17.7*	15.4				

Source: Central Bank of Liberia

9.2.4. External Sector

420. Developments in the external sector indicate that performance of the sector was generally challenging in 2022. The deficit in the current account balance widened by 5.7 percent to US$629.0 million (15.8% of GDP) in 2022, from US$595.1 million (17.0% of GDP) in the preceding year. The deterioration was largely occasioned by the reduction in the secondary income surplus and the increase in the merchandise trade deficit during the period.

421. Merchandise trade deficit widened to US$469.8 million (11.8% of GDP) in 2022 from US$456.6 (13.0% of GDP) in 2021, largely explained by an increase in import payments. Imports was US$1,527.8 million (38.3% of GDP) compared to US$1,337.7 (38.1% of GDP), driven by the increase in import of fuel & lubricants. On the other hand, merchandise exports also grew by 20.1 percent to US$1,058.0 million (26.5% of GDP), primarily due to increases in receipts from key export commodities, including gold, and timber, among others.

422. The services account deficit narrowed to US$274.7 million (6.9% of GDP) from US$285.6 million (8.1% of GDP) in 2021, supported by decreases in payments for 'maintenance & repairs', other business services, and government-related services. The deficit of the primary income account widened to US$106.1 million (2.7% of GDP) in 2022 from US$103.5 million (2.9% of GDP) on the back of an increase in dividend payments and other investment-related incomes. The surplus of the secondary income reduced to US$221.6 million (5.6% of GDP), from US$250.5 million (7.1% of GDP) in 2021 on account of a decline in personal and other current transfers.

423. The capital account balance during the reporting period recorded a surplus of US$474.3 million (11.9% of GDP) compared to US$215.6 million (6.1% of GDP) in 2021, supported mainly by growth in investment grants from development partners.

424. The financial accounts recorded a net borrowing of US$177.6 million (4.4% of GDP) in 2022, compared to a net borrowing of US$383.6 million (10.9% of GDP) in 2021, mainly driven by a reduction in net incurrence of liabilities on other investments.

425. Net FDI outflows were reported at US$12.7 million (0.3% of GDP) compared to inflows of US$31.8 million (0.9% of GDP) in 2021. On the other hand, other investment inflows (net incurrence of liabilities) fell to US$190.3 million (4.8% of GDP) from US$351.8 million (10.0% of GDP) in 2021, due largely to a fall in trade credits and advances.

426. Consequently, the overall balance of payments worsened to a deficit of US$0.4 million (0.01% of GDP) during the review year, from a surplus of US$365.8 million (10.4% of GDP) in 2021, mainly on account of the widening of the current account deficit and reduction in the inflows (net borrowing) of the financial accounts.

427. Gross external reserves position declined to US$600.1 million (3.6 months of import cover) at end-December 2022 from US$661.4 million (4.5 months of imports cover) at end-December 2021, reflecting the drawdown of SDR, which was on-lent to the government.

428. The exchange rate development in 2022 was favourable on average, mainly on the back of an increase in remittance inflows and the monetary policy stance of the CBL. The Liberian dollar appreciated against the US dollar by 8.0 percent to L$152.93/US$1, from L$ L$166.16/US$1 in 2021. It also appreciated by 15.8 percent against the WAUA.

Table 2. 44: Trends in Key Balance of Payments Indicators in Liberia

	2020	2021	2022	2020	2021	2022
	Millions of US$			Percent of GDP		
a- Current account (1+2+3)	-545.1	-595.1	-629.0	-17.9	-17.0	-15.8
1- Goods and services	*-693.3*	*-742.1*	*-744.5*	*-22.8*	*-21.2*	*-18.6*
Goods	-390.3	-456.6	-469.8	-12.9	-13.0	-11.8
Exports fob:	607.7	881.2	1,058.0	20.0	25.1	26.5
Imports fob	998.0	1,337.7	1,527.8	32.9	38.1	38.3
Services	-303.1	-285.6	-274.7	-10.0	-8.1	-6.9
Credits	11.7	5.0	13.8	0.4	0.1	0.3
Debits	314.7	290.6	288.5	10.4	8.3	7.2
2- Primary income	*-99.5*	*-103.5*	*-106.1*	*-3.3*	*-2.9*	*-2.7*
Credits	21.0	21.8	20.6	0.7	0.6	0.5
Debits	120.4	125.3	126.7	4.0	3.6	3.2
3- Secondary income	*247.8*	*250.5*	*221.6*	*8.2*	*7.1*	*5.6*
Credits	367.4	357.6	352.2	12.1	10.2	8.8
Debits	119.6	107.1	130.6	3.9	3.1	3.3
b- Capital account (4+5)	390.5	215.6	474.3	12.9	6.1	11.9
4- Capital transfers (credits)	343.2	164.6	251.2	11.3	4.7	6.3
5- Capital Transfers (debits)	0.0	0.0	0.0	0.0	0.0	0.0
c. Net lending (+)/Net borrowing (-) (balance of current and capital accounts) (a+b)	-154.5	-379.5	-1,547.0	-5.1	-10.8	-38.8
d- Financial account (6+7+8+9)	-100.4	-383.6	-177.6	-3.3	-10.9	-4.4
6- Direct investment	-18.4	-31.8	12.7	-0.6	-0.9	0.3
7-Portfolio investment	0.0	0.0	0.0	0.0	0.0	0.0
8-Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0
9- Other investment	-82.0	-351.8	-190.3	-2.7	-10.0	-4.8
e- Net errors and omissions	-35.9	-369.9	-22.4	-1.2	-10.5	-0.6
f- Overall balance (a+b-d+e)	90.0	365.8	-0.4	3.0	10.4	-0.01
h- Change in net external assets	-90.0	-365.8	0.4			
MEMORANDUM ITEMS						
Ave. Exchange Rate Variation (L$/WAUA)	*-3.5*	*12.5*	*15.8*			
Ave. Exchange Rate Variation(L$/USD)	*-2.7*	*15.3*	*8.6*			
Stock of Gross Reserves	*294.8*	*666.3*	*600.1*			
Gross Reserves in Month of Imports Cover	*2.5*	*4.5*	*3.6*			

Source: Central Bank of Liberia

9.3. Status of Macroeconomic Convergence

429. On macroeconomic convergence, Liberia met four (4) out of the six (6) convergence criteria in 2022; three (3) primary (budget deficit, central bank financing and gross external reserves), and one (1) secondary (public debt to GDP ratio).

Table 2. 45: Status of Macroeconomic Convergence in Liberia

CRITERIA	Target	2018	2019	2020	2021	2022	2023*
Primary Criteria		***1***	***1***	***2***	***3***	***3***	***3***
Budget deficit (commitment basis, including grants)	≤ 3%	0.3	0.9	-2.2	0.8	2.1	0.0
Average annual inflation rate	≤ 5%	23.4	26.9	17.4	7.9	7.6	8.7
Central Bank financing of Budget Deficit	≥ 10%	33.9	27.9	0	0	0.0	4.1
Gross external reserves	≥ 3	2.3	2.2	2.5	4.5	3.6	4.2
Secondary Criteria		***1***	***1***	***2***	***1***	***1***	***2***
Nominal exchange rate variation	± 10%	-22.6	-21.4	-4.1	12.5	15.8	-5.1
Public debt to GDP ratio	≤ 70%	28.8	40.3	52.1	49.4	50.6	55.3
Total Convergence Criteria Met		**2**	**2**	**4**	**4**	**4**	**5**

Source: WAMA; *Projections

9.4. Prospects

430. With the global uncertainty caused by the war in Ukraine and the negative price shock of Liberia's key export commodities, mainly iron ore and rubber, in 2022, real GDP growth is projected to slow down to 4.3 percent in 2023, averaging 5.1 percent in the medium term, premised on expansions across sectors. Inflation is projected to average 8.7 percent in 2023,

with the end-period expected at 6.5 percent, mainly driven by the monetary policy stance of the CBL. In the medium term, headline inflation is projected to average 6.3 percent.

431. The medium-term outlook for the economy is predicated on sustaining the performance under the IMF ECF programme in the remaining phase and ensuring the consolidation in fiscal operation. However, key risks to the outlook include rising fuel and food prices, which could pose a significant pass-through effect and further heighten inflationary pressures in the medium term. Also, the global economic headwinds and uncertainty from the Russia-Ukraine war may have adverse economic impacts on the growth outlook for the economy.

9.5. Conclusion and Recommendations

432. In 2022, real GDP growth stood at 4.8 percent, down from 5.0 percent in 2021. Inflationary pressures surged at the end of the year but are projected to remain in single digits over the medium-term. Fiscal operations were marked by a decline in domestic revenue and increased capital expenditure, transfer payments and subsidies. The public debt stock continued to rise on account of increases in both external and domestic debts, though it is still within target. The monetary policy stance was largely contractionary, as reflected by the continual issuance of the CBL instruments, though the MPR was reduced in the review period. On the external front, the current account deficit deteriorated, coupled with a decline in inflows of the financial account, resulting in a deficit of the overall balance of payments, notwithstanding the increase in the capital account surplus. On the convergence scale, Liberia met three of the four primary convergence criteria and one secondary criterion.

433. Based on the macroeconomic developments in 2022 and prospects for 2023, the following recommendations are being proposed for consideration by the Liberian authorities:

i. the CBL is encouraged, on the resurgence of inflationary pressures, to take steps to reduce currency outside the banking system;

ii. the fiscal authority should adopt a medium-term strategy to gradually phase out the subsidy regime and free fiscal space for critical infrastructural projects and investments;

iii. expedite the passage of the VAT bill, supported by increased public awareness and education to ensure its acceptability;

iv. intensify efforts to develop and deepen the domestic debt market by issuing more domestic bonds and treasury instruments to raise the necessary funds for infrastructure development;

v. enhance medium-term debt management strategy, including enforcing appropriate borrowing limits to ensure the sustainability of public debt;

vi. take steps to address the challenges of loan delinquency and high NPLs by putting in place adequate prudential and regulatory infrastructure for the banking sector, including the deployment of a biometric system and digitalisation.; and

vii. enhance support to the agriculture sector in the form of low-interest loans, as part of the planned government investment priorities, to promote domestic food production including the production of the country's staple food, rice, to reduce excessive reliance on imported food products, which have a draw-down effect on the already inadequate foreign exchange reserves.

10. MALI

10.1. Introduction

434. Mali's broad economic policy thrust is set out in the Economic Recovery and Sustainable Development Framework (CREDD, 2019-2023). This CREDD provides a comprehensive diagnosis of the structural weaknesses of the economy and prescribes appropriate responses to the country's development problems.

435. However, the key economic policy guidelines for 2022 were heavily influenced by the security and health crises, the unfavourable international economic climate and Mali's difficult socio-political situation. Consequently, the government's short-term priority was to manage the humanitarian and economic repercussions of the economic and financial sanctions imposed while preserving macroeconomic stability.

436. The macroeconomic policy objectives for the period 2019-2023 are as follows:
    - average growth rate of 6.5 percent;
    - average inflation of below 3.0 percent; and
    - budget deficit of below 3.0 percent of GDP.

10.2. Sectoral Analysis

10.2.1. Real Sector

437. Real GDP growth accelerated to 3.7 percent from 3.1 percent in 2021, largely driven by strong performances in the primary and secondary sectors, despite the closure of borders with neighbours, suspension from international financial transactions and the Russia-Ukraine crisis

438. The primary sector grew by 5.4 percent in 2022, after 1.5 percent in 2021, thanks to relatively abundant rainfall across the country, as well as efforts to support the agricultural sector, particularly cotton sector reforms and the positive effects of the Agricultural Orientation Law. The crop sub-sector improved by 16.9 percent, following a contraction of 15.0 percent in 2021, due to a gradual improvement in security and abundant rainfall, as well as the intensification of off-season farming, particularly in the ‘Office du Niger zone. Export agriculture (cash crops) contracted by 32.1 percent, following strong growth of 393.1 percent in 2021. Livestock farming and hunting grew by 3.2 percent, compared to 2.6 percent in 2021, reflecting a favourable environment for grazing due to the good rainfall. Forestry and fruit gathering also increased by 4.2 percent, compared to 3.8 percent in 2021. Fishing maintained its 2021 performance, with a growth rate of 3.8 percent in 2022.

439. The secondary sector, after posting lacklustre growth of 0.4 percent in 2021, recovered slightly to 0.8 percent in 2022, following the lifting of sanctions imposed by ECOWAS and the WAEMU and the rehabilitation of the Conakry-Bamako and Nouakchott-Bamako corridors. The textile manufacturing sub-sector grew by 28.5 percent, following a contraction of 8.5 percent in 2021 due to strong cotton production. Similarly, metallurgy and casting (gold) rebounded by 4.0 percent, after contracting by 2.5 percent in 2021. Water and electricity, however, slowed to 5.8 percent, from 10.6 percent in 2021, due to the implications of the border closures.

440. The service sector slowed to 5.0 percent in 2022, from 6.0 percent in 2021, partly reflecting the impact of the ECOWAS sanctions as well as the repercussions of the Russia-Ukraine crisis. Trade and, transport & telecommunications also slowed to 6.2 percent, and 6.0 percent from 6.5 percent and 7.5 percent, respectively, in 2021, occasioned by the disruption to the country's supply chain and suspension from international financial transactions. Financial activities also slowed to 4.5 percent from 5.5 percent in 2021, reflecting the suspension from international financial transactions. On the other hand, government operations improved by 6.5 percent, compared with 5.8 percent in 2021.

441. The primary sector accounted for the largest share of GDP (36.2%), followed by the secondary sector (35.8%) and the service sector (20.0%) in 2022. In terms of contribution to the economic growth of 3.7 percent in 2022, the primary sector accounted for 1.9 percentage points, the secondary sector 0.2 percentage points, and the service sector 1.6 percentage points.

Table 2. 46: Trends in GDP and its Components in Mali

	2019	2020	2021	2022	2023*	2019	2020	2021	2022	2023*
	Percentage Change					Contribution to Growth				
Gross domestic product at market prices	4.8	-1.2	3.1	3.7	5.1	4.8	-1.2	3.1	3.7	5.1
Primary sector	4.0	-4.3	1.5	5.4	5.6	1.5	-1.6	0.5	1.9	2.0
Food crops	2.9	-1.0	-15.0	16.9	5.5	0.5	-0.1	-2.3	2.2	0.8
Export farming	7.2	-77.7	393.1	-32.1	27.6	0.2	-1.9	2.3	-0.9	0.5
Livestock and hunting (livestock growth rate)	4.9	3.0	2.6	3.2	3.5	0.7	0.4	0.4	0.5	0.5
Logging and harvesting	3.5	2.5	3.8	4.2	4.5	0.1	0.1	0.1	0.1	0.1
Fisheries	3.8	2.5	3.8	3.8	4.0	0.1	0.1	0.1	0.1	0.1
Extractive industries	5.5	-3.0	4.0	-4.6	4.5	0.0	0.0	0.0	0.0	0.0
Secondary sector	4.9	-0.1	0.4	0.8	2.4	1.0	0.0	0.1	0.2	0.5
Agribusiness	5.5	4.1	6.5	-6.5	4.3	0.2	0.1	0.2	-0.3	0.2
Textiles	-4.6	-5.6	-8.5	28.5	-8.1	-0.1	-0.1	-0.1	0.3	-0.1
Metal casting (Gold)	6.5	0.1	-2.5	4.0	2.1	0.6	0.0	-0.2	0.4	0.2
Other industries	-1.5	-0.8	-1.5	-3.5	2.1	0.0	0.0	0.0	-0.1	0.0
Electricity and water	10.3	8.0	10.6	5.8	7.5	0.0	0.0	0.0	0.0	0.0
Construction	5.5	-3.0	4.0	-4.6	4.5	0.2	-0.1	0.2	-0.2	0.2
Services sector	0.0	1.6	6.0	5.0	6.1	2.3	0.4	2.4	1.6	2.6
Trade	4.5	-3.6	6.5	6.2	7.0	0.0	-0.4	0.6	0.6	0.7
Hotels and restaurants	1.6	-12.0	2.5	-2.5	2.7	0.4	-0.1	0.0	0.0	0.0
Transport and communications	7.6	4.5	7.5	6.0	7.5	0.1	0.2	0.4	0.3	0.4
Financial activities	5.5	0.5	5.5	4.5	4.5	0.2	0.0	0.1	0.1	0.1
Business services	4.7	2.1	5.2	-2.4	4.8	0.4	0.1	0.2	-0.1	0.2
Public administration activity	4.1	4.5	5.8	6.5	5.7	0.2	0.4	0.6	0.7	0.6
Demand										
Household final consumption	3.8	1.9	3.0	4.0	4.1					
General government consumption	4.0	4.5	5.8	6.5	5.7					
Gross fixed capital formation	6.3	-1.2	4.8	-4.6	3.5					
Private	6.8	-0.2	5.2	-3.7	2.8					
Public	5.5	-3.0	4.0	-6.6	5.2					
Stock variation	0.0	0.0	0.0	0.0	0.0					
Exports of goods and services	2.3	0.5	-1,5	8,5	2,5					
Imports of goods and services	5.9	-2.9	12.1	2.5	1.0					
Memorandum item										
Inflation										
(Average annual)	-3.0	0.5	3.9	9.7	5.5					
End period	-3.3	0.7	6.3	8.6	3.0					

Source: Ministry of Economy; *Projections

442. Household consumption grew by 4.0 percent in 2022, compared with 3.0 percent in 2021. Similarly, consumption by general government rose by 6.5 percent, after 5.8 percent in 2021. Public gross fixed capital formation contracted by 6.6 percent, compared with growth of 4.0 percent in 2021. Private gross fixed capital formation also contracted by 3.7 percent in 2022, compared with a growth of 5.2 percent in 2021, broadly in line with public gross capital formation.

443. The economic recovery was characterised by a sharp rise in inflation, with average annual inflation rising to 9.7 percent from 3.9 percent in 2021. End-period inflation also rose to 8.6 percent in December 2022, from 6.3 percent in 2021, mainly reflecting the rise in food prices, insecurity, coupled with the Russia-Ukraine conflict.

10.2.2. Fiscal Sector

444. Total revenue and grants amounted to CFAF 2,360.85 billion (20.1% of GDP), against CFAF 2,347.60 billion (21.9% of GDP) in 2021. Domestic revenue stood at CFAF 2,317.75 billion (19.7% of GDP), compared to CFAF 2,281.70 billion (21.3% of GDP) in 2021, an increase of 1.6 percent thanks to an improvement in non-tax revenue. Non-tax revenue increased by 1.2 percent to CFAF 95.18 billion (0.8% of GDP) from CFAF 94.10 billion (0.9% of GDP) in 2021. However, tax revenue declined to CFAF 1,706.62 billion (14.5% of GDP), from CFAF 1,721.20 billion (15.3% of GDP) in 2021, reflecting the performance of indirect taxes (particularly on imports of petroleum products), which fell by 3.2 percent.

445. Grants declined by 35.1 percent to CFAF 43.10 billion (0.4% of GDP) in 2022, from CFAF 66.40 billion (0.6% of GDP) in 2021. This decline was due to the breakdown in financial cooperation with the country's partners following sanctions by ECOWAS and the WAEMU Commission.

446. Total expenditure and net lending increased by 2.2 percent to CFAF 2,931.54 billion (25.0% of GDP) in 2022 from CFAF 2,868.40 billion (26.8% of GDP) in 2021. Recurrent expenditure rose by 9.4 percent to CFAF 1,846.20 billion (15.7% of GDP), from CFAF 1,686.80 billion (15.8% of GDP) in 2021, mainly as a result of increases in wages and salaries, transfers and subsidies, and interest payments. Wages and salaries amounted to CFAF 878.00 billion (7.5% of GDP) against CFAF 775.40 billion (7.2% of GDP) in 2021, an increase of 13.2 percent. Transfers and subsidies rose to CFAF 365.14 billion (3.1% of GDP) from CFAF 328.40 billion (3.1% of GDP) in 2021, an increase of 11.2 percent. Interest payments increased by 20.7 percent to CFAF 177.0 billion (1.5% of GDP) from CFAF 146.7 billion (1.4% of GDP) in 2021. On the other hand, spending on goods and services fell by 2.3 percent to CFAF 426.10 billion (3.6% of GDP), from CFAF 436.30 billion (4.1% of GDP) in 2021.

447. Capital expenditure declined by 28.4 percent to CFAF 459.82 billion (3.9% of GDP) in 2022, from CFAF 642.20 billion (6.0% of GDP) in 2021, reflecting contractions of both domestic capital expenditure (26.2%) and external capital expenditure (35.6%).

448. Consequently, fiscal operations resulted in an overall budget deficit on commitment basis (including grants) of CFAF 570.7 billion (5.3% of GDP) compared to CFAF 520.8 billion (4.9% of GDP) in 2021. Excluding grants, the deficit was CFAF 613.8 billion (6.1% of GDP) compared to CFAF 587.2 billion (5.5% of GDP) in 2021.

449. Outstanding public debt stood at CFAF 5,860.32 billion (52.5% of GDP), compared with CFAF 5,521.70 billion (50.7% of GDP) at end-December 2021, representing an increase of 6.1 percent, reflecting developments in the domestic and external components. The domestic component, which accounted for 43.8 percent of total public debt, rose to CFAF 2,567.20

billion (25.0% of GDP) from CFAF 2,272.2 billion (21.3% of GDP), while the external component rose to CFAF 3,293.10 billion (27.6% of GDP) from CFAF 3,249.5 (29.3% of GDP) in 2021.

Table 2. 47: Trends in Key Fiscal Indicators in Mali

	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023*
	Percentage change					**Percent of GDP**				
Total revenue and grants	47.2	-4.6	13.3	0.6	17.5	21.5	20.6	21.9	20.1	21.4
Total receipts	45.8	-1.2	16.5	1.6	16.1	19.6	19.5	21.3	19.7	20.8
Tax revenue	32.8	-3.6	19.3	-0.8	16.9	14.8	14.3	16.1	14.5	15.4
Non-tax revenue	20.5	-1.3	41.9	1.2	-2.4	0.7	0.7	0.9	0.8	0.7
Grants	63.4	-40.7	-41.5	-35.1	94.7	1.9	1.1	0.6	0.4	0.6
Total expenditure and net lending	21.7	12.0	9.3	2.2	15.9	23.2	26.1	26.8	25.0	26.2
Total expenditure	21.6	12.0	9.2	2.2	-7.8	23.2	26.2	26.8	25.0	20.9
Recurrent expenditure	12.3	22.6	7.5	9.4	11.4	12.6	15.6	15.8	15.7	15.9
Salaries and emoluments	9.7	20.0	25.1	13.2	11.5	5.1	6.2	7.2	7.5	7.6
goods and services	7.7	-37.2	136.9	-2.3	12.9	2.9	1.8	4.1	3.6	3.7
Transfers and subsidies	17.1	38.0	-35.0	11.2	8.5	3.6	5.0	3.1	3.1	3.1
Interest payments	24.0	18.8	18.7	20.6	12.9	1.0	1.2	1.4	1.5	1.5
Domestic	28.4	27.8	20.5	25.6	21.7	0.7	0.9	1.0	1.2	1.3
External	15.6	-0.3	13.8	6.5	-16.7	0.3	0.3	0.4	0.3	0.3
Capital expenditure	7.0	-6.7	4.6	-28.4	41.8	6.5	6.1	6.0	3.9	5.0
Domestic	-0.5	0.6	5.7	-26.2	31.4	4.6	4.7	4.6	3.1	3.7
External	31.2	-24.4	1.0	-35.6	82.0	1.9	1.4	1.4	0.8	1.3
Net lending	-15.8	21.0	-27.5	-1.0	-1.2	-0.1	-0.1	0.0	0.0	0.0
Overall balance (excl. grants)	-36.1	84.0	-11.9	4.5	15.0	-3.6	-6.6	-5.5	-6.1	-5.6
Overall balance (incl. grants)	-62.0	223.6	-5.8	9.6	8.9	-1.7	-5.5	-4.9	-5.3	5.0
	In billions of CFAF					**Percent of GDP**				
Debt	4106.01	4756.96	5521.71	5860.32	6915.70	40.6	47.3	50.7	52.5	52.7
External	2681.61	2993.66	3249.51	3293.10	3340.00	26.5	29.8	29.3	27.6	25.1
Domestic	1424.40	1763.30	2272.20	2567.22	3575.70	14.1	17.5	21.3	25.0	27.5

Source: Ministry of Finance *Projections

10.2.3. Monetary Sector

450. Growth in money supply grew by 10.7 percent in the period ended December 2022 compared to 18.1 percent in the same period of 2021. This increase was supported by the increase in NDA.

451. NFA continued its downward trend since 2019, declining by 47.6 percent, compared with a contraction of 5.6 percent a year earlier, reflecting a sharp fall in NFA at the BCEAO. NFA at the BCEAO contracted by 98.4 percent compared with an improvement of 9.0 percent at end-December 2021 due to the low mobilisation of external resources and the decline in official reserve assets. Net external assets of deposit banks improved by 12.1 percent, after falling by 18.5 percent at the end of December 2021.

452. Domestic claims increased by 27.7 percent, after rising by 18.0 percent at end-December2021, reflecting a simultaneous increase in claims on the economy and net claims on central government. Claims on the economy grew by 16.0 percent, compared with 15.0 percent a year earlier. This increase reflects the provision of credit by banks to key sectors of the economy.

453. Net claims on government increased by 78.5 percent, compared with 32.8 percent at end-December 2021, mainly as a result of the low level of government funding, which led to an increase in bank subscriptions to government securities and a fall in government deposits at the BCEAO.

454. In terms of its components, growth in currency in circulation is relatively stable compared with 2021, standing at 12.4 percent, following the 12.2 percent increase at end-December 2021. The

growth in transferable deposits fell to 12.0 percent, from 22.3 percent at end-December 2021. Time deposits grew by 7.1 percent, compared to 17.0 percent at end-December 2021.

Table 2. 48: Growth in Key Monetary Aggregates in Mali

	2019	2020	2021	2022	2019	2020	2021	2022
	Percentage Change				Contribution to M2 Growth			
Net foreign assets	84.4	**78.0**	**-5.6**	**-47.6**	9.6	**15.1**	**-1.6**	**-10.7**
BCEAO	169.7	67.2	9.0	-98.4	6.6	6.5	1.2	-12.0
Banks	40.3	88.7	-18.5	12.1	3.0	8.6	-2.8	1.2
Domestic receivables	-2.9	**12.8**	**18.0**	**27.7**	-3.2	**12.8**	**16.6**	**25.6**
Net receivables from central government	-37.1	72.0	32.8	78.5	-7.1	7.9	5.1	13.6
Claims on the economy	4.1	5.5	15.0	16.0	3.9	4.9	11.5	11.9
Other items, net	-10.9	29.1	-15.3	28.3	2.6	-5.6	3.1	-4.1
Money supply (M2)	**9.0**	**22.2**	**18.1**	**10.7**	**9.0**	**22.2**	**18.1**	**10.7**
M1	8.7	23.9	18.6	12.1	6.2	16.9	13.3	8.7
Monetary base	17.4	43.0	16.3	4.0	5.4	14.3	6.3	1.5
Cash in circulation	24.2	51.1	12.2	12.4	4.5	10.8	3.2	3.1
Banknotes and coins in circulation	20.8	42.6	12.8	10.2	4.7	10.7	3.8	2.8
Transferable deposits	3.2	12.3	22.3	12.0	1.7	6.1	10.1	5.6
Other deposits included in money supply	9.7	18.2	17.0	7.1	2.8	5.4	4.8	2.0
Memorandum item								
Money multiplier (M2/RM)	3.0	2.6	2.6	2.8				
Velocity of money (GDP/M2)	3.4	2.7	2.5	2.5				
CSP/GDP	26.3	27.9	30.2	31.9				
NFA/M2	19.3	28.1	22.5	10.6				
CF/M2	21.2	26.2	24.8	25.2				

Source: BCEAO

10.2.4. External Sector

455. The overall balance of payments deficit in Mali widened to CFAF 462.5 billion (3.9% of GDP) from CFAF 57.8 billion (0.5% of GDP) in 2021. This outcome was mainly due to the widening of the current account deficit.

456. The current account deficit widened to CFAF 822.1 billion (7.0% of GDP) in 2022 from CFAF 819.7 billion (7.7% of GDP) in 2021 due to the deterioration in the trade balance.

457. The merchandise trade balance deficit widened by 13.5 percent to CFAF 192.0 billion (1.6% of GDP), from CFAF 169.2 billion (1.6% of GDP) in 2021, due to the greater increase in imports than exports. Exports rose by 17.5 percent to CFAF 3,164.0 billion (26.9% of GDP), benefiting from higher cotton and gold prices, and the appreciation of the dollar against the CFAF. Exports of cotton fibre rose to CFAF 363.0 billion, from CFAF 156.8 billion. Gold exports rose by 13.8 percent to CFAF 2,422.7 billion in 2021, benefiting from increases in both export volumes and prices.

458. Imports increased by 17.2 percent to reach CFAF 3,355.98 billion (28.6% of GDP), from CFAF 2,863.0 billion (26.7% of GDP) in 2021, on account of a significant rise in the international prices of oil and food.

459. The services balance (net) increased to CFAF 1,064.98 billion (9.1% of GDP) from CFAF 1,059.6 billion (9.9% of GDP) in 2021 as a result of the increase in freight costs (+105.1 billion) induced by the rise in imports of goods.

460. The deficit on the primary income account narrowed by 1.9 percent to CFAF 458.33 billion (3.9% of GDP) in 2022, from CFAF 461.68 billion (4.3% of GDP) a year earlier, attributable mainly to the fall in the investment income deficit, linked to income from direct investors, which makes up the bulk of this item.

461. The surplus on the secondary income account improved by 1.9 percent to CFAF 893.22 billion (7.6% of GDP), from CFAF 870.76 billion (8.1% of GDP) in 2021, reflecting in particular transfers to other sectors (workers' remittances received).

462. The capital account showed a surplus of CFAF 64.59 billion (0.6% of GDP) from CFAF 76.53 billion (0.7% of GDP) in 2021, a fall of 15.6%, attributable to the fall in capital transfers (project grants and sectoral budget support).

Table 2. 49: Trends in Key Balance of Payments Indicators in Mali

	2019	2020	2021	2022	2019	2020	2021	2022
	In billions of CFAF				Percent of GDP			
1 -CURRENT ACCOUNT TRANSACTIONS	-755.00	-218.53	-819.70	-822.05	-7.5	-2.2	-7.7	-7.0
1.1. GOODS	-373.57	290.12	-169.17	-191.96	-3.7	2.9	-1.6	-1.6
Exports	2153.37	2759.39	2693.83	3164.02	21.3	27.4	25.2	26.9
Imports	2526.94	2469.28	2863.00	3355.98	25.0	24.6	26.7	28.6
1.2. SERVICES	-866.52	-948.33	-1059.61	-1064.98	-8.6	-9.4	-9.9	-9.1
1.2.1. Transports	-509.44	-475.16	-655.86	-743.82	-5.0	-4.7	-6.1	-6.3
1.2.2. Travels	23.37	-25.15	14.67	1.19	0.2	-0.3	0.1	0.0
1.2.3. Other services	-380.44	-448.02	-418.42	-322.34	-3.8	-4.5	-3.9	-2.7
1.3. PRIMARY INCOME	-407.47	-425.23	-461.68	-458.33	-4.0	-4.2	-4.3	-3.9
1.3.1. Employee remuneration	15.34	14.66	16.53	16.04	0.2	0.1	0.2	0.1
1.3.2. Investment income	-426.71	-443.77	-482.10	-478.25	-4.2	-4.4	-4.5	-4.1
1.3.3. Other primary income	3.90	3.88	3.88	3.88	0.0	0.0	0.0	0.0
1.4. SECONDARY INCOME	892.55	864.91	870.76	893.22	8.8	8.6	8.1	7.6
1.4.1. - Public administration	441.87	372.84	336.51	330.38	4.4	3.7	3.1	2.8
incl. budget aid (budget grants)	104.20	35.60	17.40	6.30	1.0	0.4	0.2	0.1
1.4.2. Other sectors	450.68	492.07	534.25	562.84	4.5	4.9	5.0	4.8
1.4.2.1 Personal transfers	433.11	441.06	480.38	507.57	4.3	4.4	4.5	4.3
1.4.2.2 Other current transfers	17.57	51.02	53.87	55.28	0.2	0.5	0.5	0.5
2- CAPITAL ACCOUNT	113.93	126.48	76.53	64.59	1.1	1.3	0.7	0.6
2.1. Non-financial assets	-5.37	-2.69	-1.93	0.00	-0.1	0.0	0.0	0.0
2.2. Capital transfers	119.30	129.17	78.46	64.59	1.2	1.3	0.7	0.6
2.2.1. Public administration	106.57	97.80	57.10	46.10	1.1	1.0	0.5	0.4
- Debt forgiveness	17.60	20.00	8.10	9.30	0.2	0.2	0.1	0.1
2.2.2. Other sectors	12.73	31.37	21.36	18.49	0.1	0.3	0.2	0.2
Net lending (+) / net borrowing (-)	-641.18	-92.15	-743.27	-757.56	-6.3	-0.9	-6.9	-6.5
3 - FINANCIAL ACCOUNT	-871.25	-510.31	-658.32	-294.94	-8.6	-5.1	-6.1	-2.5
3.1. Direct investments	-502.76	-308.34	-323.88	-303.17	-5.0	-3.1	-3.0	-2.6
3.2. Portfolio investments	-152.61	-191.21	-392.94	-118.10	-1.5	-1.9	-3.7	-1.0
3.3. Financial derivatives	0.00	0.00	0.00	0.00	0.0	0.0	0.0	0.0
3.4. Other investments	-215.89	-10.75	58.50	126.33	-2.1	-0.1	0.5	1.1
3.4.1. - Public administration	-286.00	-51.20	-10.20	70.90	-2.8	-0.5	-0.1	0.6
5- ERRORS AND OMISSIONS, NET	33.82	32.55	27.06	0	0.3	0.3	0.3	0.0
6- OVERALL BALANCE	263.99	450.80	-57.79	-462.52	2.6	4.5	-0.5	-3.9
Memorandum items								
Foreign exchange reserves in months of imports	5.2	6.5	6.6	4.2				
GDP at current prices (in billions of CFAF)	10,124.69	10,052.84	10,707.69	11,743.63				

Source: BCEAO

463. The balance of the financial account (net inflows) was estimated at CFAF 294.94 billion (2.5% of GDP), from CFAF 658.30 billion (6.1% of GDP) in 2021, due to the low mobilisation of external resources as a result of sanctions, especially the suspension of financial transactions between Mali and other ECOWAS Member States.

10.3. Status of Macroeconomic Convergence

464. On macroeconomic convergence, the country met four (4) out of the six (6) convergence criteria; two (2) primary (central bank financing of budget deficit and gross external reserves) and both secondary criteria.

Table 2. 50: Status of Macroeconomic Convergence in Mali

CRITERIA	Target	2019	2020	2021	2022	2023*
Primary criteria		**4**	**3**	**3**	**2**	**2**
Budget deficit/GDP	≤3 %	1.7	5.5	4.9	5.3	5.0
Annual inflation	≤5 %	-3.0	0.5	3.9	9.7	5.5
Central bank financing of budget deficit	≥10 %	0.00	0.00	0.0	0.0	0.0
Gross external reserves	≥3	5.2	6.5	6.6	4.2	4.4
Secondary criteria		**2**	**2**	**2**	**2**	**2**
Nominal exchange rate stability	±10 %	-2.8	1.0	-1.5	-5.3	2.4
Public debt/ GDP	≤70 %	40.6	47.3	50.7	52.5	52.7
Total number of criteria met		**6**	**5**	**5**	**4**	**4**

Source: WAMA *Projections

10.4. Prospects

465. Real GDP growth is expected to reach 5.1 percent in 2023 premised on the improvement in the socio-political climate and the beneficial effects of the ongoing reforms. Growth would also be supported by the primary and service sectors. Inflation is expected to moderate to 5.5 percent in 2023 and further downwards in the medium term.

466. In terms of macroeconomic convergence, the country is expected to meet four (4) criteria in 2023; two (2) primary and both secondary.

10.5. Conclusion and Recommendations

467. Mali's economy remained resilient, performing better than expected, supported by the 'gold and cereal' sub-sectors. Inflationary pressures, however, remained elevated, linked to the bottlenecks resulting from the food and fuel price shocks. The budget deficit remained broadly stable, reflecting the containment of expenditure pressures linked to budget rationalisation, which led to a choice in favour of security expenditure and other priority expenditures.

468. On macroeconomic convergence, the country's performance worsened as the number of criteria met fell from five (5) in 2021 to four (4) in 2022.

469. To strengthen the resilience of the economy and improve performance in the context of macroeconomic convergence, the authorities are urged to:

i. intensify efforts to improve security, particularly in areas with high agricultural production potential;

ii. accelerate the completion of ongoing infrastructure projects (roads, transport, telecommunications, hydro-agricultural, bridge-building and social and health) etc.;

iii. pursue reforms to improve the efficiency of tax and customs administration, with the aim of promoting tax compliance and achieving sustainable increase in revenue;

iv. take steps to broaden the tax base by extending taxes to untaxed products (mobile phones and tablets) while minimising tax exemptions, particularly in the petroleum sector; and

v. ensure more rational management of the wage bill and improve the quality of expenditure planning by introducing sectoral and central commitment plans to ensure smooth implementation of the State budget.

11. NIGER

11.1. Introduction

470. Niger's 2022 economic policy thrust was anchored on its second Economic and Social Development Plan (PDES 2022-2026), which aims to strengthen the country's economic and social resilience. PDES was broadly consistent with the Renaissance Programme Act III, which is geared towards consolidating key achievements of the government, the continued implementation of the 3N Initiative and completing major infrastructure works. The new PDES is built around seven main pillars: (i) security and social tranquillity, (ii) good governance and consolidation of republican institutions, (iii) the development of human capital, (iv) the modernisation of the rural world, (v) the development of economic infrastructure, (vi) exploitation of economic potential and (vii) solidarity and socio-economic inclusion of vulnerable groups. At the economic and financial level, the PDES aims in particular to consolidate economic and financial governance through:
    - the mobilisation of the necessary resources to finance essential expenditures in the areas of security, basic social infrastructure and development;
    - improving the quality and efficiency of expenditure;
    - the transformation of the economy.

471. The broad fiscal policy objectives for 2022 were focused on consolidating and strengthening the macroeconomic and financial framework. Specifically, the fiscal policy stance targets the expansion of fiscal space through the control and improvement of the quality of public spending and the mobilisation of domestic revenue. Financing policy will remain anchored primarily on prudent debt management through concessional resources and public-private partnerships.

472. Niger's economic growth rebounded strongly to 11.5 percent in 2022 from to 1.4 percent in 2021, driven mainly by contributions in primary and tertiary sectors and supported by the government focused on private sector development through the improvement of the business climate and the strengthening of human capital, as well as the reduction of costs of factors of production, transport and energy in particular. The annual average inflation rate stood at 4.2 percent against 3.8 percent in 2021, with the inflationary pressures explained by the increase in the prices of imported goods due to the Russia-Ukraine war.

473. The overall budget deficit on commitment basis (excluding grants) narrowed to 11.5 percent of GDP from 13.4 percent of GDP in 2021 due to an increase in tax and non-tax revenues. At the end of December 2022, the broad money supply grew by 11.9 percent compared to 9.7 percent at end-December 2021. On transactions with the rest of the world, the current account deficit widened to 15.6 percent of GDP in the year under review from 14.1 percent of GDP in 2021.

11.2. Sectoral Analysis

11.2.1. Real Sector

474. The Real GDP grew by 11.9 percent in 2022 compared to 1.4 percent in 2021, mainly on account of strong growth in the primary sector and the sustained performance of the tertiary

sector. The primary sector recovered as growth rebounded strongly to 27.0 percent in 2022 from a contraction of 5.1 percent in 2021 on account of 37.5 percent growth in agriculture following the 9.0 percent contraction in 2021. The livestock sub-sector grew by 4.7 percent compared to the 4.6 percent growth in 2021. Similarly, growth in the fishing sub-sector accelerated to 6.5 percent in 2022 from 5.2 percent in 2021. However, growth in forestry and hunting remained unchanged at 3.7 percent in 2022.

475. The Secondary sector contracted by 0.9 percent in 2022 compared with a growth of 4.1 percent recorded in 2021, mainly due to contraction in extractive activities and manufacturing, including food and other products. The extractive sub-sector contracted by 2.4 percent compared to a growth of 0.2 percent in 2021. Similarly, manufacturing activities, food manufacturing, and manufacture of other products contracted by 3.8 percent, 6.5 percent, and 4.6 percent, in 2022, compared to the growth of 4.7 percent, 3.0 percent, and 7.3 percent in 2021, respectively.

476. The tertiary sector recorded a growth of 5.4 percent in 2022, compared to a growth of 5.7 percent in 2021, on account of growth in all its sub-sectors. Transport and communications, other market services, non-profit institutions serving households, and domestic services recorded improved growth rates in 2022 compared to performance in 2021.

477. In terms of contribution to the 11.9 percent growth rate recorded in 2022, the primary sector contributed 9.3 percentage points, and the tertiary sector contributed 2.8 percentage points, while the secondary sector made a negative contribution of 0.2 percentage points. This performance compares favourably to performance in 2021 (-1.9 percentage points, -1.4 percentage points, and -0.9 percentage points, respectively). In terms of shares of GDP, the primary sector remained the biggest sector, with a share of 44.6 percent, followed by tertiary (36.8%) and secondary (18.6%).

478. On the demand side, final consumption increased to 7.9 percent in 2022 from 2.6 percent in 2021, attributed mainly to both private and public consumption, which grew by 7.3 percent and 13.4 percent in 2022 compared to 2.8 percent and 5.2 percent, respectively, in 2021. The contribution of final consumption to GDP growth was 9.1 percentage points in 2022 compared to 2.9 percentage points in 2021. Trade and investment grew by 5.5 percent in 2022, from a contraction of 0.7 percent in 2021, contributing 1.5 percentage points to the GDP growth.

479. Regarding price developments, end-period inflation increased to 5.2 percent in December 2022 from 4.9 percent in the corresponding period of 2021, partly due to the Russia-Ukraine war, which affected prices of imported goods, mostly food items and non-alcoholic beverages (that constituted 46.0 percent of the consumption basket) and unfavourable previous year’s farming season, which pushed domestic food prices up.

Table 2. 51: Trends in GDP and its Components in Niger

(In millions of CFA francs)	2020	2021	2022	2020	2021	2022
Supply Side	Percentage Change			Contribution to Growth		
RGDP	**3.6**	**1.4**	**11.9**	**3.6**	**1.4**	**11.9**
Primary sector	**7.7**	**-5.1**	**27**	**2.7**	**-1.9**	**9.3**
Agriculture	9.5	-9	37.5	2.4	-2.4	8.8
Livestock	4.5	4.6	4.7	0.4	0.4	0.4
Forestry and Hunting	3.8	3.7	3.7	0.1	0.1	0.1
Fishing	-3.2	5.2	6.5	0	0	0.1
Secondary sector	**1.9**	**4.1**	**-0.9**	**0.4**	**0.9**	**-0.2**
Extractive activities (mining, oil, quarrying...)	-1.1	0.2	-2.4	-0.1	0	-0.2
Manufacturing activities	3.7	4.7	-3.8	0.3	0.4	-0.3
Food manufacturing	2	3	-6.5	0.1	0.1	-0.2
Manufacture of textiles, clothing and leather	0.8	2.3	1.5	0	0	0
Chemical manufacturing	3.3	3.4	3.4	0	0	0
Manufacture other products	6.8	7.3	-4.6	0.2	0.2	-0.2
Production and distribution of electricity, gas and water	4.7	7.3	6.9	0.1	0.1	0.1
Construction	3.3	8.7	3.4	0.1	0.4	0.2
Tertiary sector	**0.9**	**5.7**	**5.4**	**0.4**	**2.4**	**2.8**
Trade and repairs of vehicles and household goods	4.4	5.6	4.6	0.5	0.7	0.6
Transport and communications	2.3	7.9	8.6	0.1	0.4	0.4
Financial activities	3.3	3.4	3	0	0	0
Accommodation and food services	-1.3	6.5	6	0	0.1	0.1
Other market services	0.3	1.7	3.2	0	0.1	0.1
Non-market services	0.7	5.5	5	0.1	0.7	0.6
administration activities	-0.1	8.3	5.1	0	0.6	0.4
Non-profit institutions serving households	1.6	3.5	5.8	0	0	0
Imputed rent services	3.1	4.5	3.2	0	0	0
Domestic services	4.8	1.7	4.1	0	0	0
Other non-market services	0.9	1.1	5.3	0	0	0.2
Taxes on product	-6.8	8.3	8	-0.4	0.4	0.4
Demand Side						
FINAL CONSUMPTION EXPENDITURE	3.8	2.6	7.9	4.4	2.9	9.1
Household final consumption expenditure	5.3	2.8	7.3	3.7	2	5.2
Government final consumption expenditure	5.3	5.2	13.4	0.8	0.8	2.2
CAPITAL FORMATION/INVESTMENT	0.6	-0.7	5.5	0.2	-0.2	1.5
Gross fixed capital formation	-0.3	0.5	6.2	-0.1	0.1	1.8
Gross private fixed capital formation	-0.2	0.3	10.7	0	0	2
Government gross fixed capital formation	-0.4	0.9	-2.7	0	0.1	-0.3
Change in inventories	93	-61.4	-100	0.3	-0.3	-0.2
IMPORTS OF GOODS AND SERVICES	2.7	6.4	-11	0.7	1.7	-3.1
Merchandise imports	4	5	-11.1	1	1.2	-2.8
Imports of non-factor services	-8.5	20.7	-10	-0.2	0.5	-0.3
EXPORTS OF GOODS AND SERVICES	*-3.8*	*4.1*	*-5.5*	-0.4	0.4	-0.6
Merchandise exports	-2	2.7	-9.7	-0.2	0.2	-0.9
export of goods and services	-12.8	12.3	15.5	-0.2	0.2	0.3
Memorandum Items						
Nominal GDP (In million CFA francs)	7,910,955	8,270,826	9,569,922			
Exchange rate per USD	1.0	1.5	-5.3			
Inflation						
Average	2.9	3.8	4.2			
End period	3.1	4.9	5.2			

Source: Institut National de la statistique du Niger, IMF

11.2.2. Fiscal Sector

480. Fiscal operations resulted in an overall budget deficit on commitment basis (including grants) of CFAF 651.6 billion (6.8% of GDP) in 2022, compared with CFAF 488.7 billion (5.9% of GDP) in 2021, reflecting lower receipts of grants from Development Partners coupled with more than programmed expenditures. Excluding grants, the overall fiscal deficit on commitment basis was CFAF 1,103.9 billion (11.5% of GDP) in 2022, compared to CFAF 1,109.8 billion (13.4% of GDP) recorded in 2021. The corresponding primary balance was a deficit of CFAF 532.4 billion (5.6% of GDP), compared to CFAF 395.1 billion (4.8% of GDP) recorded in 2021.

481. Total revenue and grants declined by 6.2 percent to CFAF 1,424.1 billion (14.9% of GDP) from CFAF 1,518.1 billion (18.4% of GDP) in 2021. Total revenue rose by 8.3 percent to CFAF

971.8 billion (10.2% of GDP) from CFAF 897.0 billion (10.8% of GDP) in 2021, reflecting increases in both tax and non-tax revenues.

482. Tax revenue strengthened to CFAF 905.0 billion (9.5% of GDP) in 2022 from CFAF 831.2 billion (10.0% of GDP) in 2021, representing an 8.9 percent increase, reflecting improvements in all major components of tax revenue. Specifically, taxes on income, profits and capital gains; taxes on wages paid and other remuneration; taxes on wealth; and internal taxes on goods and services to amounted to 1.2 percent of GDP, 0.8 percent of GDP, 0.5 percent of GDP and 4.8 percent of GDP, from 1.4 percent of GDP, 0.8 percent of GDP, 0.4 percent of GDP and 5.1 percent of GDP, respectively, in 2021. Non-tax revenue grew by 5.5 percent to CFAF 53.6 billion (0.6% of GDP) in 2022 from CFAF 50.8 billion (0.6% of GDP) in 2021.

483. Total grants received during the year declined by 27.2 percent to CFAF 452.3 billion (4.7% of GDP) in 2022, from CFAF 621.1 billion (7.5% of GDP) in 2021, on account of significant declines in project and programme grants of 15.2 percent and 57.8 percent, respectively, in 2022.

484. Total expenditure increased by 1.8 percent in 2022 to CFAF 2,002.2 billion (20.9% of GDP) from CFAF 1,966.8 billion (23.8% of GDP), mainly due to an increase in recurrent expenditure by 9.5 percent to CFAF 951.3 billion (9.9% of GDP) from CFAF 868.9 billion (10.5% of GDP) in 2021.

Table 2. 52: Trends in Key Fiscal Indicators in Niger

millions of CFA francs	2020	2021	2022	2020	2021	2022
	Percentage Change			Percent of GDP		
Total Revenue and Grants	1.9	9.3	-6.2	17.5	18.4	14.9
Total Revenue	0.5	5.2	8.3	10.8	10.8	10.2
Tax Revenue	-3.0	9.4	8.9	9.6	10.0	9.5
Taxes on income, profits and capital gains	0.9	8.3	5.2	1.3	1.4	1.2
Taxes on wages paid and other remuneration	0.6	10.9	21.8	0.7	0.8	0.8
Taxes on wealth	5.4	6.4	46.1	0.4	0.4	0.5
Internal taxes on goods and services	-10.0	15.4	9.1	4.6	5.1	4.8
Import Duties and Taxes	5.8	17.7	-8.1	1.0	1.1	0.9
Export Duties and Taxes	-9.6	-34.4	32.9	0.5	0.3	0.4
Other tax revenue	20.4	-0.7	-0.3	1.0	1.0	0.9
Tax Revenue	-3.0	9.4	8.9	9.6	10.0	9.5
Non-Tax Revenue	45.5	-31.5	5.5	0.9	0.6	0.6
Other revenue	31.1	-17.6	-12.4	0.2	0.2	0.1
Grants/Donations	4.3	15.9	-27.2	6.8	7.5	4.7
Programme donation	-15.2	6.9	-57.8	2.1	2.1	0.8
Project donation	16.0	19.8	-15.2	4.7	5.4	4.0
Total Expenditure & Lending	11.0	10.8	3.4	22.9	24.3	21.7
Total expenditure	8.4	11.2	1.8	22.4	23.8	20.9
Recurrent Expenditure	12.8	11.5	9.5	9.9	10.5	9.9
Current primary expenditure	13.1	11.2	7.3	8.8	9.4	8.7
Wages, salaries and allowances	5.4	6.7	8.9	3.8	3.8	3.6
Use of goods and services	20.1	3.4	-1.7	1.7	1.6	1.4
Transfers and subsidies	19.2	20.0	9.5	3.4	3.9	3.7
Interest Payments	10.7	13.2	27.4	1.0	1.1	1.2
Domestic debt	3.4	2.6	36.8	0.7	0.7	0.8
External debt	27.9	33.3	13.7	0.4	0.5	0.4
Capital expenditures	5.3	12.9	-3.7	12.1	13.0	10.9
On domestic resources	1.5	13.2	1.2	5.0	5.5	4.8
on external resources	8.1	12.7	-7.1	7.0	7.6	6.1
Other expenses	4.0	-44.7	-39.9	0.4	0.2	0.1
Overall deficit (ordering basis) including grants				-5.3	-5.9	-6.8
Overall deficit (ordering basis) excluding grants				-12.1	-13.4	-11.5
Primary balance				-4.3	-4.8	-5.6
Total debt /GDP				45.0	50.8	50.8
Domestic debt/GDP				13.4	17.7	18.1
External debt/GDP				31.6	33.1	32.7

Source: Ministry of Finance

485. The capital expenditure decreased by 3.7 percent to CFAF1,039.8 billion (10.9% of GDP), from the outturn of CFAF 1,079.3 billion (13.0% of GDP) recorded in 2021. Foreign-financed capital expenditure accounted for 56.1 percent of the total, with domestically financed capital expenditure making up the remaining 43.9 percent.

486. The stock of public debt at end-December 2022 rose in nominal terms by 15.5 percent to CFAF 4,858.4 billion (50.8% of GDP) from CFAF 4,205.7 billion (50.8%GDP) at end-December 2021, the domestic and external components stood at CFAF1,730.1 billion (18.1% of GDP) and CFAF 3,128.3 billion (32.7% of GDP) as at end-December 2022, respectively.

11.2.3. Monetary Sector

487. Developments in the monetary aggregates show that growth in broad money supply increased to 11.9 percent at end-December 2022 from 9.7 percent in the corresponding period of 2021, attributed to the consolidation of the domestic claims. The NDA grew by 20.7 percent compared with a growth of 0.7 percent at end-December 2021, supported by net claims on government which expanded by 54.7 percent compared to a contraction of 24.6 percent at end-December 2021. With regards to claims on the private sector, growth slowed by 12.6 percent during the period, compared to 15.4 percent at end-December 2021.

488. The NFA of the banking sector contracted by 0.2 percent at end-December 2022, compared to a growth of 25.2 percent recorded at end-December 2021, broadly reflecting the NFA of BCEAO, which contracted by 12.2 percent, offsetting the 27.7 percent growth of the NFA of deposit money banks.

489. Regarding contributions to the growth of broad money, NDA contributed 12.0 percentage points compared to 0.4 percentage point recorded at end-December 2021. The contribution of the NDA is largely influenced by net claims on government. The NFA of the banking system contributed negatively (-0.1 percentage point) to broad money growth at end-December 2022 compared with 9.3 percentage points growth at end-December 2021, influenced by the NFA of the BCEAO. The growth in broad money mainly reflected the growth rate of demand deposits (13.9% from 19.3% in 2021) and currency in circulation (17.7% from -3.4% in 2021). The evolution of the components of the money supply is reflective of the revival of economic activities, in connection with the pace of the major infrastructural project on the Kandadji pipeline and dam. It was also influenced by the relatively satisfactory results of the agricultural campaign, thus inducing a vigour in the trade of food products on the markets largely focused on the use of cash.

490. The average lending interest rate increased from 8.60 percent in 2021 to 8.70 percent in 2022, an increase of 0.1 percentage point.

491. Banking activity in Niger has shown positive momentum in recent years. The assets of the banking sector increased from CFAF 1,517.5 billion in 2019 to CFAF 2,098.0 billion at end-December 2022, an average annual increase of 12.11 percent. This evolution is underpinned by those of resources, which increased on average annually by 8.83 percent, from CFAF 1,334.5 billion in 2019 to CFAF 1,832.8 billion at the end of December 2022.

Table 2. 53: Growth in Key Monetary Aggregates in Niger

In billions of CFA francs	2020	2021	2022	2020	2021	2022
ASSETS	**Percentage Change**			**Contribution to M2 Growth**		
Net Foreign Assets (NFA)	**-12.7**	**25.2**	**-0.2**	**-6.3**	**9.3**	**-0.1**
BCEAO	-15.0	5.7	-12.2	-5.4	1.5	-3.1
Banks	-6.4	72.5	17.6	-0.9	7.8	3.0
Net Domestic Assets (NDA)	**46.1**	**0.7**	**20.7**	**23.3**	**0.4**	**12.0**
Net Domestic Credit	25.3	9.2	17.1	19.3	7.5	13.9
Government (Net)	635.8	-24.6	54.7	12.9	-3.1	4.8
Private Sector	8.6	15.4	12.6	6.4	10.6	9.1
Other Items (net)	-15.5	38.1	8.2	-4.0	7.1	1.9
LIABILITIES						
Broad Money (M2)	**17.0**	**9.7**	**11.9**	**17.0**	**9.7**	**11.9**
Narrow Money (M_1)	15.3	8.3	15.5	12.1	6.4	12.0
Currency in Circulation	9.9	-3.4	17.7	4.0	-1.3	5.9
Transferable deposits	20.9	19.3	13.9	8.1	7.7	6.1
Other deposits included in the money supply (1)	23.7	15.0	-0.2	4.9	3.3	-0.1
MEMORANDUM						
Nominal GDP (In billions CFA francs)	7,911.0	8,271.0	9,570.0			
Velocity (GDP/M2)	5.2	5.0	5.1			
Credit to Private Sector/GDP (%)	13.2	14.6	14.2			
Net Foreign assets/M2 (%)	37.0	42.0	38.0			
Net Domestic Assets /M2 (%)	63.0	58.0	62.0			
Currency in Circulation/M2 (%)	38.0	33.0	35.0			

Source: BCEAO

11.2.4. External Sector

492. External sector performance in 2022 deteriorated, as the overall balance of payments recorded a deficit of CFAF 1.4 billion (0.02% of GDP) following the surplus of CFAF 140.2 billion (1.7% of GDP) recorded in 2021, reflecting the widening of the current account deficit by 28.6 percent to CFAF 1,497.0 billion (15.6% of GDP) and contraction in capital account balance by 11.1 percent, while financial flows increased by 29.0 percent.

493. The deficit in the goods account worsened to CFAF 1,160.4 billion (12.1% of GDP) in 2022 from CFAF 893.3 billion (10.8% of GDP) in 2021, mainly due to a 15.1 percent increase in imports of capital and intermediate goods used for major public infrastructure projects and private investment projects (construction of the crude oil transport pipeline and mining projects) and food. Exports of goods (fob) fell by 4.5 percent to CFAF 641.8 billion (6.7% of GDP) in 2022 from CFAF 671.9 billion (8.1% of GDP) in 2021 as a result of the suspension of diesel shipments in 2022 and the cessation of COMINAK's activities.

494. The deficit in services (net) account widened to CFAF 545.0 billion (5.7% of GDP) in 2022 from CFAF 515.1 billion (6.2% of GDP) in 2021 due to a decline in service inflows, representing an increase of 5.8 percent, mainly reflecting increases in freight cost, despite a recovery in travel and telecommunications revenues.

495. The deficit in the primary income account widened by 4.4 percent to CFAF 137.1 billion (1.4% of GDP) in 2022 from CFAF 131.3 billion (1.6% of GDP) in 2021, attributed to the debt service payments, remittances from expatriate workers and oil profits, as well as dividends from mining, oil and telecommunications companies. The secondary income account surplus narrowed to CFAF 345.5 billion (3.6% of GDP) in 2022 from CFAF 375.7 billion (4.5% of GDP) in 2021, reflecting the decline in budget support received by the government due to the change in resource allocation by the World Bank under IDA 20.

496. The capital account surplus declined to CFAF 435.0 billion (4.5% of GDP) in the year under review from CFAF 489.3 billion (5.9% of GDP) in 2021, reflecting capital transfers (portfolio

reversals). Net inflows on the financial account increased to CFAF 1,060.5 billion (11.1% of GDP) from CFAF 822.4 billion (9.9% of GDP) in 2021, mainly due to increased inflows from FDI (net), which stood at CFAF 592.5 billion (6.2% of GDP) at end-December 2022 compared to CFAF 308.1 billion (3.7% of GDP) at end-December 2021.

Table 2. 54: Trends in Key Balance of Payments Indicators in Niger

	2019	2020	2021	2022	2019	2020	2021	2022
	In billions of CFAF francs				Percent of GDP			
A. Current Account (1+2+3+4)	-921.3	-1045.1	-1164.0	-1497.0	-12.2	-13.2	-14.1	-15.6
1. Goods	-703.2	-777.5	-893.3	-1160.4	-9.3	-9.8	-10.8	-12.1
Exports	659.7	642.3	671.9	641.8	8.7	8.1	8.1	6.7
Imports	-1362.9	-1419.9	-1565.2	-1802.2	-18.0	-17.9	-18.9	-18.8
2. Services	-473.6	-491.2	-515.1	-545.0	-6.3	-6.2	-6.2	-5.7
3. Primary Income	-113.0	-119.7	-131.3	-137.1	-1.5	-1.5	-1.6	-1.4
4., Secondary Performance	368.4	343.4	375.7	345.5	4.9	4.3	4.5	3.6
Government	219.2	191.5	196.3	125.2	2.9	2.4	2.4	1.3
Other sectors	149.3	151.8	179.4	220.2	2.0	1.9	2.2	2.3
B. Capital account (5+6)	369.8	406.0	489.3	435.0	4.9	5.1	5.9	4.5
5- Acquisition/disposal of non-financial assets	-0.7	1.3	0.1	0.0	0.0	0.0	0.0	0.0
6- Capital transfers	370.5	404.6	489.2	435.0	4.9	5.1	5.9	4.5
C. Financial account (7+8+9+10)	-873.9	-563.6	-822.4	-1060.5	-11.5	-7.1	-9.9	-11.1
7. Direct investment	-401.4	-199.0	-308.1	-592.5	-5.3	-2.5	-3.7	-6.2
8. Portfolio investments	-155.7	-9.8	-382.4	-157.9	-2.1	-0.1	-4.6	-1.7
9. Financial derivatives	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
10. Other investments	-316.8	-354.9	-131.9	-310.1	-4.2	-4.5	-1.6	-3.2
D. Net errors and omissions	-4.5	-4.5	-7.5	0.0	-0.1	-0.1	-0.1	0.0
E- Overall balance	317.9	-80.0	140.2	-1.4	4.2	-1.0	1.7	-0.02
Memorandum items	0.0	0.0	0.0	0.0				
GDP at current prices (In millions of CFA francs)	7567.9	7911.0	8270.8	9569.9				

Source: BCEAO

11.3. Status of Macroeconomic Convergence

497. With respect to macroeconomic convergence, the country met five (5) out of the six convergence criteria in 2022 (same as in 2021); three (3) primary (average annual inflation, central bank financing of the budget deficit and the gross external reserves) and both secondary criteria (nominal exchange rate variation and public debt).

Table 2. 55: Status of Macroeconomic Convergence in Niger

CRITERIA	TARGET	2020	2021	2022	2023*
Primary Criteria		**3**	**3**	**3**	**3**
Budget deficit (commitment basis, including grants)	≤ 3%	5.3	5.9	6.8	5.3
Average annual inflation rate	≤ 5%	2.9	3.8	4.2	2.3
Central Bank financing of Budget Deficit	≥ 10%	0.0	0.0	0.0	0.0
Gross external reserves	≥ 3	6.5	6.6	4.2	4.4
Secondary Criteria		**2**	**2**	**2**	**2**
Nominal exchange rate variation	± 10%	1.0	-1.5	-5.3	2.4
Public debt to GDP ratio	≤ 70%	45.0	50.8	50.8	54.9
Total Convergence Criteria Met		**5**	**5**	**5**	**5**

Source: BCEAO, Authorities of Niger: *Projections

11.4. Prospects

498. Niger's medium-term economic outlook would be broadly marked by the implementation of the 2022-2026 PDES, which is aimed at, among other things, fostering a structural transformation of the economy through strengthening governance, education and the health situation and accelerating structural transformation. Real GDP is projected at 7.0 percent in 2023 and 11.8 percent in 2024, with all sectors growing by at least 5.0 percent. Inflation is expected to moderate to around 3.0 percent. In terms of public finances projection, tax revenue would be driven mainly by the mobilisation of revenue from import duties and axes (excluding VAT at the customs cordon) and revenue to be collected from taxes on profits and capital gains. Public

debt is projected to remain sustainable, with most external borrowing contracted on concessional terms.

Conclusion and Recommendations

499. Niger's economy remained resilient in 2022 with a growth rate of 11.5 percent, supported by favourable agricultural season and the measures taken by the government in terms of agricultural production. Inflation remained broadly under control despite the global supply chain disruptions. To sustain economic growth and keep inflation under control, there is a need for effective policy coordination amidst the global challenges as well as domestic security and economic conditions.

500. In light of this, the authorities are encouraged to:

i. increase investment in the agriculture sector to ensure food security and sustainable growth of the economy;
ii. take steps to complete pipeline projects, especially Kandadji Dam and the oil transport pipeline, within the agreed timeframe in order to spur economic activity;
iii. enhance domestic revenue mobilisation through the broadening of the tax base and prioritise expenditures, in order to ensure the sustainability of public finances; and
iv. diversify the export base in order to significantly reduce the current account deficit and improve the overall balance of payment.

12. NIGERIA

12.1. Introduction

501. Nigeria's 2022 macroeconomic policy thrust was aimed at sustaining economic recovery and resilience in consonance with the Medium-Term National Development Plan 2021-2025, which builds on the gains of the National Economic Sustainability Plan (NESP). It focuses on inclusive growth, macroeconomic stability, improved resource allocation and diversification into the non-oil sector to cushion the effects of the volatility in the oil market.

502. Against this background, the macroeconomic targets for 2022 are as follows:
   - Real GDP growth of 3.6 percent;
   - An average inflation rate of 16.1 percent;
   - Fiscal deficit of 3.4 percent of GDP; and
   - Gross external reserves of not less than 5.0 months of imports.

503. Analysis of performance in 2022 showed that:
   - Real GDP growth was 3.3 percent compared to 3.6 percent in 2021, while headline inflation (year-on-year) surged to 21.3 percent from 15.6 percent in 2021;
   - Fiscal operations of the federal government resulted in a deficit of 4.2 percent of GDP, while the consolidated public debt stood at 22.9 percent of GDP at end-December 2022;
   - The monetary policy stance was tightened as the monetary policy rate (MPR) was cumulatively increased to 16.50 percent at end-December 2022 from 11.50 percent at end-December 2021 in response to the heightened inflationary pressures;
   - External sector performance in 2022 was mixed as the overall balance recorded a deficit of 0.7 percent of GDP against a surplus of 0.1 percent of GDP in 2021, while the current account posted a surplus of 0.2 percent of GDP. The Nigerian naira depreciated against the US dollar by 5.4 percent at end-December 2022 but, against the WAUA, on average, it strengthened marginally; and
   - With regards to performance on the macroeconomic convergence, Nigeria satisfied one (1) out of the four (4) primary criteria but met the two (2) secondary criteria in 2022.

12.2. Sectoral Analysis

12.2.1. Real Sector

504. The real GDP growth slowed to 3.3 percent in 2022 from 3.6 percent in 2021, mainly due to a further contraction of 4.6 percent in the industry sector, particularly the oil sub-sector, which contracted by 19.2 percent. The growth momentum was sustained due to the broad-based expansion in the non-oil sector, notably in the services (6.7%) and agriculture (1.9%) sub-sectors.

505. The secondary (industry) sector contracted by 4.6 percent, compared with 0.5 percent in 2021, due to continued production and technical challenges in the oil sub-sector and intermittent

disruptions in electricity supply. The oil sub-sector, contracted further by 19.3 percent relative to 8.3 percent in 2021 due to the prevailing historical oil theft and pipeline vandalism, which hampered production. Similarly, the Manufacturing sub-sector recorded a lower growth rate of 2.5 percent compared to 11.2 percent in 2021, on account of the increasing cost of raw materials and electricity. However, the construction sub-sector grew by 4.5 percent in 2022 compared with 3.1 percent in 2021, largely on account of increased infrastructure projects.

506. Growth in the tertiary (services) sector accelerated to 6.7 percent from 5.6 percent in 2021 and the contraction of 2.2 percent in 2020, mainly explained by improvements in information and communications, trade, financial and insurance as well as real estate. This sector benefited from sustained improvements in demand since the removal of COVID-induced restrictions amid investments by public and private sectors to improve the business environment.

507. The primary sector (agriculture) recorded a growth rate of 1.9 percent in 2022 compared with 2.1 percent in 2021, reflecting the lower performance in the fishing sub-sector, which slowed to 0.5 percent from 1.2 percent in 2021, arising from flooding.

508. In terms of sectoral shares, the tertiary sector remained the dominant sector, accounting for 55.4 percent of GDP, followed by secondary (25.6%) and primary (19.0%). Regarding the contribution to GDP growth of 3.3 percent in 2022, the tertiary and the primary sectors contributed 3.6 and 0.5 percentage points, respectively, while the secondary sector contributed -1.0 percentage points.

Table 2. 56: Trends in GDP and its Components in Nigeria

Economic Activity	**2020**	**2021**	**2022**	**2023***	**2020**	**2021**	**2022**	**2023***
	Percentage Change				**Contribution to Growth**			
Real GDP Growth Rate	**-1.9**	**3.6**	**3.3**	**3.2**	**-1.9**	**3.6**	**3.3**	**3.2**
SUPPLY								
Agriculture	**2.2**	**2.1**	**1.9**	**1.8**	**0.5**	**0.6**	**0.5**	**0.5**
Industry	**-5.8**	**-0.5**	**-4.6**	**-4.8**	**-1.3**	**-0.1**	**-1.0**	**-0.9**
o/w Mining and Quarrying	-8.5	-7.8	-18.2	-8.5	-0.8	-0.6	-1.3	0.2
o/w Crude Petroleum	-8.9	-8.3	-19.2	-8.3	-0.8	-0.7	-1.4	0.2
Manufacturing	-2.8	11.2	2.5	11.2	-0.2	1.0	0.2	0.3
Construction	-7.7	3.1	4.5	3.2	-0.3	0.1	0.2	0.1
Services	**-2.2**	**5.6**	**6.7**	**6.6**	**-1.2**	**2.9**	**3.6**	**3.7**
o/w Trade	-8.5	8.6	5.1	8.6	-1.4	1.3	0.8	0.5
Net Indirect Tax	na	25.8	14.2	24.5	0.1	0.2	0.1	0.0
GDP at Constant 2010 market prices (N' Billion)	70,800.54	73,382.77	75,768.95	78,193.55				
GDP at current market prices (N' billion)	154,252.32	176,075.50	202,365.03	231,100.86				
Inflation								
Average	13.2	17.0	18.8	18.1				
End-Period	15.8	15.6	21.3	20.1				

Source: National Bureau of Statistics (NBS), Nigeria: (*) Projections

509. Nigeria witnessed higher price levels in 2022 as the annual average inflation rose to 18.8 percent from 17.0 percent in 2021, while end-period inflation accelerated to 21.3 percent in December 2022 from 15.6 percent in the corresponding period of 2021. The increase in inflationary pressures was mainly driven by food and energy prices during the period. The continued security challenges, floods, and higher fertiliser costs, owing to supply disruptions from the Russia-Ukraine war, also created a dearth in farm produce, resulting in the consistent rise in food inflation to 23.8 percent in December 2022.

12.2.2. Fiscal Sector

510. Fiscal policy in 2022 was influenced largely, by the Russia-Ukraine war leading to a rise in crude oil prices, which boosted Federation revenue outcomes due to increased earnings from crude-oil exports. Total revenue increased to ₦11.7 trillion (5.8% of GDP) from ₦11.0 trillion (6.2% of GDP) in 2021, due to improvements in tax revenue, which grew by 23.3 percent to ₦10.38 trillion (5.1% of GDP) in 2022, from ₦8.42 trillion (4.8% of GDP) in 2021. Non-tax revenue, on the other hand, moderated to ₦1.33 trillion (0.7% of GDP) from ₦2.57 trillion (1.5% of GDP) in 2021. Similarly, retained revenue of the Federal Government increased in the period, amounting to ₦4.98 trillion (2.5% of GDP) compared to ₦4.79 trillion (2.7% of GDP), representing a 3.9 percent increment.

511. Total expenditure rose by 14.5 percent to ₦13.4 trillion (6.6% of GDP) from ₦11.70 trillion (6.6% of GDP) in 2021, due mainly to recurrent expenditure. Recurrent expenditure rose to ₦11.5 trillion (5.7% of GDP), from ₦9.2 trillion (5.2% of GDP) in 2021, attributable to increases in both non-debt (including salaries and wages and overheads) and interest payments. Interest payments amounted to ₦5.7 trillion (2.8% of GDP) from ₦4.2 trillion (2.4% of GDP) in 2021, and non-debt payments amounted to ₦5.8 trillion (2.9% of GDP) in 2022. Both non-debt and interest payments accounted for nearly 50.0 percent each of total recurrent expenditure. However, capital expenditure declined by 24.9 percent to ₦1.9 trillion (0.9% of GDP) from ₦2.5 trillion (1.4% of GDP) in 2021.

Table 2. 57: Trends in Key Fiscal Indicators in Nigeria

Fiscal Operations	2020	2021	2022	2023*	2020	2021	2022	2023*
	Percentage Change				Percent of GDP			
Total Revenue and Grants	-5.3	18.1	6.6	44.10	6.0	6.2	5.8	7.3
Retained revenue available for Fed Govt	-19.4	26.6	3.9	40.15	2.5	2.7	2.5	3.0
Total Revenue	-5.3	18.1	6.6	44.10	6.0	6.2	5.8	7.3
Tax Revenue	-5.4	22.8	23.3	12.30	4.4	4.8	5.1	5.0
Non-tax revenue	-4.9	4.9	-48.2	292.50	1.6	1.5	0.7	2.3
Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure and Net Lending	2.4	20.8	14.5	38.16	6.3	6.6	6.6	8.0
Total Expenditure	2.4	20.8	14.5	38.16	6.3	6.6	6.6	8.0
Recurrent Expenditure	17.4	9.0	25.3	21.66	5.5	5.2	5.7	6.1
Non-Debt	8.5	-4.0	14.4	33.22	3.0	2.5	2.5	2.9
Wages & Salaries	23.6	7.7	15.2	34.40	1.8	1.7	1.7	2.0
Pension	17.0	-1.0	8.8	na	0.2	0.2	0.2	0.0
Overhead	-13.6	-27.6	14.0	72.68	0.9	0.6	0.6	0.9
Interest Payment	36.2	26.3	34.0	1.14	2.2	2.4	2.8	2.5
Domestic	39.1	17.4	36.3	1.14	1.8	1.9	2.2	2.0
External	23.3	71.1	25.9	1.14	0.4	0.5	0.6	0.5
Transfers	-0.1	16.0	50.1	98.24	0.3	0.3	0.4	0.6
Capital/Investment Expenditure	-44.6	98.8	-24.9	138.39	0.8	1.4	0.9	2.0
Domestically Financed	-44.6	98.8	-24.9	138.39	0.8	1.4	0.9	2.0
Externally Financed	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Budget deficit/surplus (Incl. grants, commitment basis	23.9	17.1	8.6	36.98	-3.8	-3.9	-4.2	-5.0
Budget deficit/surplus (Excl. grants, Commitment basis)	23.9	17.1	8.6	36.98	-3.8	-3.9	-4.2	-5.0
Primary balance (deficit/surplus excl. grants)	10.8	5.0	42.1	110.36	-1.7	-1.5	-1.4	-2.5
	N' Billion							
Total Public Debt Stock	32,915.50	39,556.00	46,250.40	50,524.7	21.3	22.5	22.9	21.9
Domestic	20,209.90	23,700.80	27,548.10	30,234.9	13.1	13.5	13.6	13.1
External	12,705.60	15,855.20	18,425.20	20,289.7	8.2	9.0	9.2	8.8

Source: Federal Ministry of Finance, Nigeria; *Projections

512. Expenditure reflected the government's expansionary fiscal stance, necessitating a supplementary budget and new borrowings to bridge the financing gap. Thus, fiscal operations resulted in an overall fiscal deficit on commitment basis of ₦8.42 trillion (4.2% of GDP) in 2022, compared to ₦6.9 trillion (3.9% of GDP) in 2021.

513. Nigeria's total public debt stock (consolidated) stood at ₦46.3 trillion (22.9% of GDP) at end-December 2022, compared to ₦39.6 trillion (22.5% of GDP) at end-December 2021, mainly driven by both the domestic and external debt stocks. The domestic debt stock increased to ₦27.5 trillion (13.6% of GDP), from ₦23.7 trillion (13.5% of GDP) in 2021. Similarly, external debt rose to ₦18.7 trillion (9.2% of GDP), from ₦15.9 trillion (9.0% of GDP) in 2021.

12.2.3. Monetary Sector

514. The monetary policy stance was largely directed at curbing inflation as the MPR was cumulatively increased to 16.50 percent at end-December 2022 from 11.50 percent at end-December 2021. In addition, the asymmetric corridor and liquidity ratio was retained at +100/-700 basis points around the policy rate and 30.0 percent, respectively, while the cash reserve ratio (CRR) was increased to 32.5 percent in 2022.

515. Movements in the money market rates largely reflected the upward trend in the policy rate during the period. The 91-day treasury bill rate more than doubled to 5.78 percent in Q4 2022 from 2.50 percent in Q4 2021. The prime lending rate rose to 28.53 percent from 27.30 percent at end-December 2021. However, the interbank rate declined to 7.94 percent in the fourth quarter of 2022 compared to 2021 from 8.27 percent in the corresponding period of 2021.

516. Broad money supply (M3) grew by 17.4 percent in the 12-month period ended December 2022 compared to the growth rate of 14.2 percent in the same period of 2021, mainly attributed to the NDA during the period. Growth in NDA accelerated to 36.5 percent at end-December 2022 from 21.9 percent in the corresponding period of 2021, largely explained by the expansion in net claims on government. This development resulted from the CBN's interventions to support inclusive growth and the government's spending on election-related activities.

517. In contrast to the above developments, the NFA of the banking system contracted by 54.5 percent in the 12-month period ended December 2022 against the growth rate of 4.2 percent in the corresponding period of 2021, mainly attributed to the contraction in the NFA of the CBN and deposit money banks.

518. Net claims on government grew by 78.2 percent in the period ended December 2022 against the growth rate of 20.4 percent at end-December 2021. Similarly, claims on other sectors, including state and local government, other financial corporations and public nonfinancial corporations, expanded during the period. However, claims on the private sector slowed, growing by 19.9 percent against the growth rate of 26.8 percent at end-December 2021, attributed to primary mortgage banks.

519. In terms of the contributions to the growth in M3 of 17.4 percent in 2022, NDA contributed 28.8 percentage points, while NFA of the banking systems contributed negative 11.5 percentage points.

520. Growth in Reserve Money (RM) increased to 20.6 percent in the period ended December 2022 from 1.4 percent in the same period of 2021, mainly reflecting a significant increase (30.6%) in the liabilities of other depository corporations. However, currency in circulation contracted by

9.4 percent at end-December 2022, following the growth rate of 14.3 percent in the same period of 2021.

Table 2. 58: Growth in Key Monetary Aggregates in Nigeria

Monetary Aggregates	2020	2021	2022	2023*	2020	2021	2022	2023*
	Percentage Change				Contribution to M3 Growth			
ASSETS								
NFA	51.0	4.2	(54.5)	(16.3)	8.7	1.0	(11.5)	7.9
Net Domestic Assets	3.5	17.2	36.5	32.8	2.9	13.3	28.8	15.8
Domestic Credit	12.7	17.8	36.2	30.0				
NCG	13.8	20.4	78.2	57.1				
Claims on Private Sector	15.2	26.8	19.9	25.6				
Other Items Net (OIN)	108.5	39.8	45.1	35.6				
LIABILITIES								
Broad Money Supply (M3)	11.6	14.2	17.4	23.7	11.6	14.2	17.4	23.7
Currency in Circulation	19.1	14.3	(9.4)	18.8				
Demand Deposits	54.7	13.3	20.1	28.0				
Quasi Money	20.6	20.0	17.6	25.0				
MEMORANDUM ITEMS								
Reserve Money Growth	51.0	1.4	20.6	12.4				
Money Multiplier(M3/RM)	3.0	3.3	3.3	3.5				
The velocity of Money (GDP/M3)	4.0	4.0	3.9	1.9				
Credit to Private Sector/GDP (Percent)	12.1	13.5	14.1	29.3				
Currency in Circulation/M3 (Percent)	7.5	7.5	5.8	6.7				
Currency-to-Deposits (Percent)	8.2	8.0	6.1	7.1				
NFA/M3 (Percent)	23.1	21.0	8.2	12.5				
NDA/M3 (Percent)	76.9	79.0	91.8	87.5				

Source: Central Bank of Nigeria; *Projections

12.2.4. External Sector

521. The external sector was shaped by developments in the global economy, which were fraught with headwinds arising mainly from the Russia-Ukraine war, which. exacerbated the supply chain disruptions, resulting particularly in high energy and food prices. Consequently, the overall balance resulted in a deficit, as against a surplus in 2021. However, the current account posted an impressive surplus position, buoyed by a positive 'balance of trade in goods' and sustained surplus in the secondary income account.

522. The balance of payments (BOP) recorded a deficit of 0.7 percent of GDP in 2022 against a surplus of 0.1 percent of GDP in 2021, mainly due to merchandise trade balance and primary income deficits. However, the current account balance improved significantly to a surplus of US$1.02 billion (0.2% of GDP) in 2022 from a deficit of US$3.25 billion (0.8 %of GDP in 2021). The impressive outcome was due to the positive 'balance of trade in goods' and sustained surplus in the secondary income account. Although the overall trade balance was in deficit of US$7.96 billion (1.7% of GDP), it improved relative to the US$16.62 billion (3.9% of GDP) recorded in 2021. The merchandise trade balance in goods rose to a surplus of 1.3 percent of GDP from a deficit of 1.1 percent of GDP in 2021, reflecting the sustained high crude oil prices, coupled with increased earnings from non-oil exports. However, trade balance in services was in deficit of 2.9 percent of GDP in 2022, compared to 2.8 percent of GDP in 2021.

523. The secondary income account recorded a surplus of 4.6 percent of GDP relative to 5.1 percent of GDP in 2021, reflecting the gains from CBN's remittance-enhancing policies, which positively influenced diaspora remittance inflows in the period under consideration. On the other hand, the primary income deficit widened to 2.7 percent of GDP from 2.0 percent of GDP in 2021, mainly due to increased repatriation of higher dividends by non-resident investors.

524. The financial account maintained a net borrowing position with a net incurrence of financial liabilities of 1.4 percent of GDP, compared to 1.5 percent of GDP in 2021. The development was attributed mainly to the tighter global financial conditions arising from the contractionary monetary policy stance of most central banks across the globe.

525. Gross external reserves declined to US$36.6 billion (5.7 months of imports) in 2022 from US$40.2 billion (7.2 months of imports) recorded in 2021. This decline was due largely to the continuous demand for foreign currency to meet trade requirements and the reduced oil export earnings.

526. Heightened demand pressures amid supply shortages led to the depreciation of the naira exchange rate at the Investors' and Exporters' (I&E) window foreign exchange market segments. Consequently, the Nigerian naira depreciated against the US dollar by 5.4 percent at end-December 2022 compared with 5.7 percent in the same period of 2021. However, against the WAUA, on average, the naira appreciated marginally by 0.01 percent in 2022 compared to a depreciation of 17.2 percent, in 2021.

Table 2. 59: Trends in Key Balance of Payments Indicators in Nigeria

External Sector Indicators	2020	2021	2022	2023*	2020	2021	2022	2023*
	In Million US$				Percent of GDP			
Current Account Balance	**-15,985.93**	**-3,254.16**	**1,018.60**	**1,848.23**	**(4.0)**	**(0.8)**	**0.2**	**0.6**
Trade Balance	**-32,241.26**	**-16,622.24**	**-7,958.11**	**-3,651.77**	**(8.0)**	**(3.9)**	**(1.7)**	**(1.2)**
Trade Balance on goods	**-16,401.76**	**-4,561.50**	**5,998.17**	**12,048.23**	**(4.1)**	**(1.1)**	**1.3**	**3.9**
Merchandise Exports (fob)	**35,944.16**	**46,859.61**	**64,227.13**	**74,506.61**	**8.9**	**10.9**	**13.5**	**23.9**
Merchandise Imports (fob)	**52,345.92**	**51,421.12**	**58,228.96**	**62,458.38**	**13.0**	**11.9**	**12.2**	**20.0**
Services (Net)	-15,839.50	-12,060.74	-13,956.28	-15,700.00	**(3.9)**	**(2.8)**	**(2.9)**	**(5.0)**
Primary income	-4,766.98	-8,583.08	-12,872.57	-24,096.47	**(1.2)**	**(2.0)**	**(2.7)**	**(7.7)**
Secondary income	21,022.32	21,951.16	21,849.28	29,596.46	**5.2**	**5.1**	**4.6**	**9.5**
Capital Account	0.00	0.00	0.00	0.00	**0.00**	**0.00**	**0.00**	**0.00**
Current and Capital Account Balance	**-15,985.93**	**-3,254.16**	**1,018.60**	**1,848.23**	**(4.0)**	**(0.8)**	**0.2**	**0.6**
Financial Account (Net)	**975.40**	**-6,349.98**	**-6,494.88**	**-1,248.23**	**0.2**	**(1.5)**	**(1.4)**	**(0.4)**
Errors and Omissions	16,961.33	-3,095.81	-7,513.48	na	**4.2**	**(0.7)**	**(1.6)**	**na**
Overall Balance	**-1,664.76**	**301.22**	**-3,323.17**	**600.00**	**(0.4)**	**0.1**	**(0.7)**	**0.2**
Financing	**1,664.80**	**-301.22**	**3,323.17**	**-600.00**	**0.4**	**(0.1)**	**0.7**	**(0.2)**
MEMORANDUM ITEMS								
Average Exchange Rate (₦/US$)	382.2	409.00	425.50	740.00				
End-period Exchange Rate (₦/US$)	394.9	435.00	459.50	747.00				
The stock of External Reserves (Millions of US$)	36,476.90	40,230.80	36,608.23	37,500.00				
The stock of External Reserves (Months of Import)	6.1	7.2	5.7	6.2				
GDP (Million ₦)	154,252,318.90	176,075,501.87	202,365,026.79	231,100,860.59				
GDP (Million US$)	403,590.58	430,502.45	475,588.34	312,298.46				

Source: Central Bank of Nigeria; *Projections

12.3. Status of Macroeconomic Convergence

527. With respect to macroeconomic convergence, Nigeria met three (3) out of six (6) convergence criteria; one (1) primary (gross external reserves) and both secondary criteria (public debt and nominal exchange rate variation).

Table 2. 60: Status of Macroeconomic Convergence in Nigeria

Convergence Criteria	Target	2020	2021	2022	2023*
Primary Criteria		**1**	**1**	**1**	**2**
i. Budget Deficit / GDP	≤ 3 percent	3.8	3.9	4.2	5.0
ii. Annual Average Inflation	≤ 5 percent	13.2	17.0	18.8	18.1
iii. Central Bank Financing of Budget Deficit	≤ 10 percent	38.5	20.5	98.0	0.0
iv. Gross External Reserves	≥ 3 mths Imp	6.1	7.2	5.7	6.2
Secondary Criteria		**2**	**2**	**2**	**2**
i. Nominal Exchange Rate Stability	± 10 percent	-9.7	-6.5	0.01	-2.8
ii. Public Debt / GDP	≤ 70 percent	21.3	22.5	22.9	21.9
Total number of criteria met		**3**	**3**	**3**	**4**

Sources: WAMA; * Projections

12.4. Prospects

528. The growth outlook in the medium term depends on the extent of the Russia-Ukraine war and other existing geo-political tensions, as well as the ability of the Nigerian government to curb insecurity. In addition, the peaceful conduct of the 2023 elections and the expected smooth transition of power will signal a positive outlook. The medium-term prospects remain positive with real GDP growth rate projected at 3.2 percent in 2023, bolstered by developments in the non-oil sector. End-period inflation is projected at 20.1 percent, averaging 18.1 percent in 2023, premised on the ability of the CBN to maintain a tight monetary policy stance to rein in inflation.

529. On the macroeconomic convergence front, Nigeria's performance in 2023 is expected to improve, meeting two (2) of the four (4) primary criteria (gross external reserves and central bank financing of budget) and both secondary criteria (nominal exchange rate stability and public debt).

12.5. Conclusion and Recommendation

530. The Nigerian economic outcomes in 2022 relative to 2021 were mixed. Growth remained resilient despite falling below pre-COVID levels, supported by the robust performance of the non-oil sector reflecting progress on economic diversification. Inflation remains elevated despite the successive increases in the monetary policy rate during 2022. The current account improved significantly on account of developments in the trade balance.

531. Given the preceding, the following are recommended for the consideration of the relevant authorities:

   i. sustain policies towards economic diversification through increased investments in agriculture and agro-processing;
   ii. Stimulate the economy through targeted spending in growth-efficient sectors that would boost growth and generate employment, while adopting strategies to curb insecurity;
   iii. pursue reforms targeted at expanding the revenue base by enhancing tax automation and streamlining discretion on tax exemptions;
   iv. enhance expenditure rationalisation and fiscal consolidation measures to promote efficiency in public finance management;
   v. Expedite the deregulation of the downstream petroleum sector;
   vi. Continue to tighten monetary policy by increasing the policy rate in addition to using other supporting tools to curb inflationary pressures;
   vii. Review the CBN interventions in the economy in line with the primary mandate of price stability;
   viii. harmonise exchange rate windows to ensure a unified market-clearing exchange rate; and
   ix. Sustain efforts at export diversification from oil dependence to build reserve buffers.

13. SENEGAL

13.1. Introduction

532. The main objective of the Senegalese government in 2022 was to maintain macroeconomic stability, improve public service delivery and strengthen inclusive growth. The authorities are committed to consolidating the recovery that began in 2021 despite the disruptive effects of the Russia-Ukraine war. Economic activity was supported by the implementation of priority projects included in the ‘Adjusted and Accelerated Priority Action Plans’ (PAP2A), particularly in the agricultural and pharmaceutical sectors. Additionally, the implementation of the third phase of reforms included in the ‘Business Environment and Competitiveness Reform Programme’ (PREAC III), as well as the second phase of the MCA-Senegal "Power compact" also contributed considerably to the revival of the economy.

533. The main macroeconomic objectives for 2022 include the strengthening of:
    - fiscal performance;
    - economic growth; and
    - the formal private sector.

534. In 2022, the economy grew by 4.2 percent, compared with 6.5 percent in 2021, mainly supported by the performance of the services sector. Inflationary pressures, however, remained elevated at 9.7 percent, compared to 2.2 percent in 2021. The fiscal situation was also characterised by a slight improvement in the budget deficit due to improved performance in revenue. The overall deficit, including grants, stood at 6.1 percent of GDP, compared to 6.3 percent in 2021. Growth in money supply accelerated to 21.6 percent from 15.3 percent in 2021, largely attributed to growth in NDA during the period. The external accounts showed an overall deficit of CFAF 62.2 billion (0.4% of GDP), compared to a surplus of CFAF 140.0 billion (0.9% of GDP) in 2021, due to the deficit on the current account.

535. In terms of macroeconomic convergence, Senegal met four (4); two (2) primary and two (2) secondary criteria in 2022.

13.2. Sectoral Analysis

13.2.1. Real Sector

536. In 2022, the economy grew by 4.2 percent, compared with 6.5 percent the previous year, mainly driven by the performance of the services sector.

537. In the primary sector, growth contracted by 1.4 percent in 2022, compared with the growth of 0.6 percent recorded in 2021, mainly reflecting the contraction in agricultural production (3.4%) and fishing activities (4.9%) linked to the decline in small-scale and industrial fishing. However, output of the livestock and forestry sub-sectors grew by 5.0 percent and 3.9 percent, respectively, in 2022.

538. Growth in the secondary sector slowed to 1.1 percent in 2022 from 7.8 percent in 2021. Performance was largely influenced by mining and quarrying, which contracted by 4.9 percent,

due to the fall in gold and phosphate production. The construction sector slowed sharply, with a growth of 2.2 percent compared to 8.1 percent in 2021. However, output of electricity and gas was more dynamic, recording a growth of 9.2 percent, compared with 6.5 percent in 2021.

539. Output of the services sector recorded a growth of 6.7 percent, against a 7.5 percent rise in 2021, sustained by the performance in information and communication services (+8.1%), trade (+6.2%), transport (+8.0%), accommodation and catering (+26.5%) and financial activities (+10.4%).

540. In terms of contribution to the growth rate of 4.2 percent, the services sector contributed 4.1 percentage points and the secondary sector contributed 0.3 percentage points, while the contribution of the primary sector stood at negative 0.2 percentage points.

Table 2. 61: Trends in GDP and its Components in Senegal

Item	**2020**	**2021**	**2022**	**2023***	**2020**	**2021**	**2022**	**2023***
	Percentage Change				**Contribution to Growth**			
Growth Rate	**1.3**	**6.5**	**4.2**	**8.8**	**1.3**	**6.5**	**4.2**	**8.8**
Supply side								
Primary sector	**12.2**	**0.6**	**-1.4**	**5.5**	**1.8**	**0.1**	**-0.2**	**0.8**
Farming and related activities	18	0.6	-3.4	6.6	1.7	0.1	0.4	0.6
Livestock and hunting	4.3	1.8	5.0	3.9	0.1	0.1	0.2	0.1
Forestry	2.3	4.3	3.9	3.5	0.0	0.0	0.0	0.0
Fishing and fish-farming	-10.2	-6.4	-4.9	0.2	-0.1	-0.1	- 0.0	0.0
Secondary Sector	**-1.5**	**7.8**	**1.1**	**16.4**	**-0.4**	**1.8**	**0.3**	**3.7**
incl. mining	-4.0	16.6	-4.9	116.1	-0.1	0.4	-0.1	2.6
Construction Materials	7.8	10.6	-0.7	4.3	0.1	0.1	- 0.0	0.0
Electricity & gas	8.0	6.5	9.2	7.9	0.1	0.1	0.1	0.1
Construction	-14.4	8.1	2.2	4.3	- 0.4	0.2	0.1	0.1
Service Sector	**0.6**	**7.5**	**6.7**	**6.7**	**0.3**	**3.8**	**3.5**	**3.5**
Incl. trade	-0.6	4.5	6.2	6.2	-0.1	0.6	0.8	0.8
Transports	-10.2	7.5	8.0	8.4	- 0.4	0.2	0.3	0.3
Hotels and restaurants	-14.9	9.8	26.5	5.2	- 0.2	0.1	0.3	0.1
Information and Communication	-2.3	8.8	8.1	7.7	-0.1	0.4	0.4	0.4
Financial and insurance services	-1.5	8.9	10.4	5.9	-0.0	0.2	0.2	0.1
Taxes on goods and services	-3.4	8.2	6.2	7.5	**-0.4**	**0.8**	**0.6**	**0.8**
Demand side								
Production of goods and services	0.5	8.0	7.0	10.0				
Import of goods and services	7.0	15.5	24.5	13.3				
Net taxes on products	-3.4	8.2	6.2	7.5				
TOTAL RESOURCES	1.6	9.5	**10.8**	10.7				
Intermediate consumption	-1.3	10.0	10.8	11.1				
Final consumption	2.1	4.8	**5.1**	8.1				
public	0.8	13.3	9.9	5.3				
private	2.3	3.1	4.0	8.8				
Fixed gross capital formation	7.2	16.5	**8.8**	10.2				
public	13.8	5.4	9.7	11.6				
private	5.4	19.7	8.5	9.9				
Stock variation	91.5	-9.0	106.5	15.9				
Acquisition of valuables	16.2	8.8	9.4	9.9				
Exports of goods and services	-13.2	22.6	**8.1**	15.5				
Memorandum								
Average inflation annual	2.5	2.2	9.7	9.9				
End-period inflation	1.2	2.5	3.3	9.7				

Sources: BCEAO, WAMA * Projections

541. On the demand side, economic growth was driven primarily by final consumption, which rose by 5.1 percent, driven by its two components: public (+9.9%) and private (+4.0%). On the other hand, gross fixed capital formation (GFCF) slowed in 2022 (+8.8%) given its high impact in 2021 (+16.5%). Exports of goods and services also slowed to 8.1 percent, compared with 22.6 percent in 2021. Imports rose by 24.5 percent, compared with 15.5 percent in 2021.

542. Economic activity evolved in a context marked by rising inflationary pressures. Average annual inflation in 2022 was 9.7 percent, compared with 2.2 percent in 2021. This development follows

the rise in the indices for all functions except "Communication", which fell by 1.9 percent. It was driven mainly by the rise in prices of (i) foodstuffs and non-alcoholic beverages, in particular cereal products and by-products, meat, fish, oil and butter, vegetables and tubers, (ii) clothing and footwear, (iii) housing, water, gas, electricity and other fuels, (iv) furniture, household goods and routine household maintenance.

13.2.2. Fiscal Sector

543. Fiscal operations resulted in a deficit of 6.1 percent of GDP compared with 6.3 percent of GDP in 2021. This improvement in the deficit was mainly attributable to performance in tax revenue during the period.

544. Total revenue and grants mobilised in 2022 stood at CFAF 3,536.30 billion (20.7% of GDP), compared to CFAF 2,979.4 billion (19.4% of GDP) in 2021, an increase of 18.7 percent in nominal terms, reflecting increased receipts of tax revenue and grants. Tax revenue stood at CFAF 3,135.50 billion (18.2% of GDP) in 2022, compared with CFAF 2,594.10 billion (16.9% of GDP) in 2021, representing a 20.9 percent increase, on the back of a massive mobilisation of direct taxes, taxes on goods and services and taxes on foreign trade. Non-tax revenue and other unclassified revenue rose by 1.5 percent. Grants increased to CFAF 145.9 billion (0.8% of GDP) from CFAF 130.61 billion (0.9% of GDP) in 2021, reflecting an increase in capital grants and a recovery in budget grants.

545. Total expenditure and net lending stood at CFAF 4,590.40 billion (24.2% of GDP) in 2022, compared with CFAF 3,943.60 billion (21.0% of GDP) in 2021, an increase of 16.4 percent, due to the rise in the wage bill and interest payments. The wage bill rose by 24.5 percent to CFAF 1,102.85 billion (6.4% of GDP) from CFAF 885.78 billion (5.8% of GDP) in 2021. Expenditure on goods and services was CFAF 366.16 billion (2.1% of GDP), after CFAF 377.00 billion (2.5% of GDP) the previous year. Subsidies fell by 48.5 percent to CFAF 46.83 billion (0.3% of GDP) from CFAF 91.03 billion (0.6% of GDP) in 2021. Other expenses fell by 19.5 percent to stand at CFAF 148.50 billion (0.9% of GDP) in 2022.

546. Interest payments on the debt amounted to CFAF 384.14 billion (2.2% of GDP) compared with CFAF 306.53 billion (2.0% of GDP) in 2021, an increase of 25.3 percent attributable to the increase in interest on domestic debt (+17.1%) and on foreign debt (+27.0%).

547. Overall deficit on commitment basis, including grants, stood at CFAF 1,054.2 billion (6.1% of GDP) in 2022, compared with a deficit of CFAF 964.3 billion (6.3% of GDP) the previous year. Overall deficit on a commitment basis, excluding grants was CFAF 1,200.0 billion (6.9% of GDP), compared with CFAF 1,094.9 billion (7.2% of GDP) in 2021.

548. Senegal's public debt stood at CFAF 1,782.8 billion (68.2% of GDP) at the end of 2022, compared with CFAF 1,0297.4 billion (67.4% of GDP) at the end of 2021, representing an increase of 14.4 percent year-on-year. The increase in total outstanding debt was due to the rise in both external and domestic public debt.

Table 2.62: Trends in Key Fiscal Indicators in Senegal

	2020	2021	2022	2023 *	2020	2021	2022	2023*
	Percentage Change				Percent of GDP			
Receipts	1.9	4.8	18.7	14.2	20.2	19.4	20.5	20.7
pm. Budget revenue excluding grants	-1.8	13.1	19.0	10.9	17.9	18.6	19.6	19.2
Tax revenue	-1.7	9.5	20.9	15.0	16.8	16.9	18.2	18.4
Taxes on income, profits and capital gains	0.9	7.6	31.1	3.0	5.1	5.0	5.9	5.3
Taxes on wages and labour	-10.7	313.4	18.8	-1.0	0.1	0.2	0.2	0.2
Taxes on goods and services (including FSIPP)	-1.5	5.3	16.0	22.9	8.7	8.4	8.7	9.4
Taxes on foreign trade and international transactions	-7.6	16.5	24.1	11.9	2.4	2.6	2.8	2.8
Other receipts	-2.9	69.8	0.1	-39.7	1.1	1.7	1.5	0.8
Grants	44.5	-59.8	11.7	91.3	2.3	0.9	0.8	1.4
Fiscal	1,066.2	-91.2	37.0	99.4	1.4	0.1	0.1	0.2
Capital	-37.6	-12.6	7.9	89.7	0.9	0.7	0.7	1.2
Expenditure	12.6	5.3	16.4	8.6	26.6	25.7	26.6	25.5
BUDGET EXPENDITURE								
Charges	16.7	2.6	29.9	-0.7	22.2	21.0	24.2	21.2
Wages and Salaries (excl. social transfers.)	9.7	10.2	24.5	12.0	5.7	5.8	6.4	6.3
Use of goods and services	1.6	32.0	-2.9	8.1	2.0	2.5	2.1	2.0
Interests	6.8	5.9	25.3	16.1	2.1	2.0	2.2	2.3
Subsidy	-17.4	-48.1	-48.5	424.5	1.2	0.6	0.3	1.3
Social interventions	51.3	-1.7	12.7	47.3	0.2	0.1	0.1	0.2
Other charges	-14.2	5.3	-19.5	67.3	1.2	1.2	0.9	1.3
Gross operating balance	-383.5	-18.8	170.9	-83.2	-2.1	-1.5	-3.7	-0.6
NON-FINANCIAL ASSET TRANSACTIONS								
Net acquisition of non-financial assets	-4.5	19.0	-43.3	103.3	4.3	4.7	2.4	4.3
Fixed assets	-4.6	18.4	-8.9	27.4	4.3	4.7	3.8	4.3
Investment financed/internal resources and carried out by the government	27.5	81.3	30.2	41.4	0.4	0.6	0.7	0.9
Financing capacity/need (surplus/deficit) incl. grants	**68.0**	**6.8**	**9.3**	**-10.2**	**-6.4**	**-6.3**	**-6.1**	**-5.3**
Financing capacity/need (surplus/deficit)	**61.1**	**-10.8**	**9.6**	**2.1**	**-8.7**	**-7.1**	**-6.9**	**-6.3**
TRANSFER OF FINANCIAL ASSETS AND LIABILITIES (/ FINANCING)								
Net acquisition of financial assets financiers	-13.5	83.9	-22.4	-100.0	1.7	2.8	1.9	0.0
Domestic	-13.5	83.9	-22.4	-100.0	1.7	2.8	1.9	0.0
Net accumulation of Liabilities	41.3	21.8	-0.3	-32.0	8.1	9.1	8.1	4.8
Domestic	-3,635.0	28.8	69.8	-12.3	2.0	2.4	3.6	2.8
Net accumulation of Liabilities	41.3	21.8	-0.3	-32.0	8.1	9.1	8.1	4.8
External	5.4	19.5	-25.1	-47.7	6.1	6.7	4.5	2.1
GDP	14,119.4	15,287.9	17,268.8	19,560.4				

Source: BCEAO, WAMA; *Projections

13.2.3. Monetary Sector

549. Growth in money supply increased to 21.6 percent in the 12-month period ended December 2022 from 15.3 percent in the same period of 2021. This development was mainly driven by net domestic claims, which mitigated the fall in net foreign assets.

550. Net domestic claims rose by 28.4 percent at the end of 2022 compared with 14.2 percent a year earlier, on the back of a 20.0 percent increase in credit to the economy and a 51.5 percent rise in net claims on government. The rise in credit to the economy followed the increase in loans to households and businesses, particularly those in the telecommunications and agro-food sectors. The increase in net claims on government was due to the Treasury's issuance of public securities and the credit granted by banks to the government.

551. The NFA of monetary institutions fell by 3.1 percent after rising by 7.6 percent at the end of December 2021, reflecting the decline in the BCEAO's net foreign assets. The BCEAO's NFA deteriorated by 18.3 percent compared with an increase of 15.3 percent a year earlier, reflecting the worsening current account deficit in the balance of payments over the period, which was insufficiently covered by net capital inflows. However, the impact of the decline in central bank assets was mitigated by the resilience of primary banks' external assets, which rose by 27.4 percent, compared with a fall of 5.1 percent at the end of 2021. This increase is linked to the

assistance granted to other WAMU Member States in the form of the listing of securities issued by them on the WAMU public securities market.

552. The trend in money supply (M2) was reflected in these components. Currency in circulation rose by 15.8 percent, compared to 21.3 percent at end-December 2021, while transferable deposits grew by 31.3 percent, after rising by 13.6 percent at end-December 2021. Other deposits rose by 11.0 percent compared to 26.3 percent in 2021.

553. With regards to the contribution to the growth in money supply, NDA contributed 22.4 percentage points, while NFA's contribution was negative 0.8 percentage points during the period.

Table 2.63: Growth in Key Monetary Aggregates in Senegal

Items	2020	2021	2022	2023*	2020	2021	2022	2023*
Assets	Percentage Change				Contribution to M2 Growth			
Net foreign assets	**-4.6**	**7.6**	**-3.1**	**2.7**	**-1.6**	**2.2**	**-0.8**	**0.6**
BCEAO	-20.4	15.3	-18.3	4.8	-5.3	2.8	-3.4	0.6
Banks	41.8	-5.1	27.4	0.0	3.7	-0.6	2.5	0.0
Net domestic assets	**21.3**	**18.6**	**30.9**	**16.4**	**13.9**	**13.1**	**22.4**	**12.9**
Non-monetary liabilities	15.6	9.7	19.6	0.0	-3.3	-2.1	-4.0	0.0
Other items, net	-14.0	-51.6	30.0	0.0	0.6	1.6	-0.4	0.0
Domestic receivables	18.4	14.2	28.4	12.9	**16.6**	**13.6**	**26.9**	**12.9**
Claims on government	157.1	29.6	51.5	19.8	15.4	6.6	13.0	6.2
BCEAO	-136.7	353.8	127.1	-6.0	4.7	3.9	5.6	-0.5
Banks	81.2	12.7	35.5	29.0	10.7	2.7	7.4	6.7
Receivables from the economy	1.5	9.5	20.0	9.7	1.2	6.9	13.9	6.6
LIABILITIES								
Money supply (M2)	**12.3**	**15.3**	**21.6**	**13.4**				
Currency in circulation	17.5	21.3	15.8	17.1				
Transferable deposits	11.9	13.6	31.3	7.8				
M1	13.7	16.2	25.9	10.8				

Source: BCEAO, Senegalese Authorities, WAMA; *Projections

13.2.4. External Sector

554. In 2022, Senegal's external sector performance showed an overall deficit of CFAF 62.2 billion (0.4% of GDP), compared to a surplus of CFAF 140.0 billion (0.9% of GDP) in 2021. This situation was linked to the deficit in the current account, which was insufficiently covered by net capital inflows in the financial account.

555. The current account deficit stood at CFAF 3,654.9 billion (21.2% of GDP) in 2022, compared with a deficit of CFAF 1,845.0 billion (12.0% of GDP) a year earlier. This was as a result of the trade balance and primary income accounts being larger than the surplus on the secondary income account (+9.6% of GDP).

556. The trade deficit stood at CFAF 2,962.30 billion (17.2% of GDP), compared with CFAF 1,662.40 billion (10.9% of GDP), due mainly to a 42.1 percent increase in imports. The rise in imports was mainly due to the increased importation of food products (+75.8%), intermediate goods (+38.5%) and capital goods (+26.5%). Apart from the volume effect, the rise in the import bill was linked to the surge in prices on international markets, exacerbated by the appreciation of the US dollar against the CFA franc. The rise in merchandise exports was due, in particular, to increased foreign sales of phosphoric acid (+77.9%), petroleum products (+44.7%) and fish products (16.0%).

557. The services account deficit widened further to CFAF 1,732.90 billion (10.0% of GDP) from a deficit of CFAF 1,386.40 billion (9.1% of GDP) in 2021. The primary income account deteriorated, with a deficit of CFAF 624.60 billion (3.6% of GDP) compared with a deficit of CFAF 367.60 billion (2.4% of GDP) in 2021. The secondary income account surplus, on the other hand, improved to CFAF 1,664.90 billion (9.6% of GDP) as against CFAF 1,571.40 billion (10.3% of GDP) in 2021, as remittances and budgetary support increased. The capital account balance recorded a surplus of CFAF 136.1 billion (0.8% of GDP) in 2022, compared with CFAF 122.3 billion (0.8% of GDP) in 2021 due to the increase in other capital transfers to the government.

558. Given the current and capital account balances recorded above, the government needed financing of CFAF 3,518.8 billion (20.4% of GDP) in 2022 compared with CFAF 1,722.7 billion (11.2% of GDP) a year earlier. This financing requirement was met by capital flows in the form of (i) FDI (CFAF 1447.6 billion), (ii) portfolio investment (CFAF 26.2 billion) and other investments (CFAF 1982.7 billion). As a result, the financial account balance was in surplus by CFAF 3,456.6 billion (20.0% of GDP) in 2022, after CFAF 1,856.3 billion (12.1% of GDP) in 2021.

Table 2.64: Trends in Key Balance of Payments Indicators in Senegal

Items	2020	2021	2022	2023*	2020	2021	2022	2023*
	In billions of CFA francs				Percent of GDP			
Current account transactions	**-1,532.3**	**-1,845.0**	**-3,654.9**	**-3,051.9**	-10.9	-12.0	-21.2	-15.6
Goods and Services	**-2,626.7**	**-3,048.8**	**-4,695.2**	**-4,233.5**	-18.6	-19.9	-27.2	-21.6
Balance of goods	**-1,609.5**	**-1,662.4**	**-2,962.3**	**-2,792.9**	-11.4	-10.9	-17.2	-14.3
Export of goods fob	2,410.8	3,044.7	3,724.8	4,041.5	17.1	19.9	21.6	20.7
Import of goods fob	-4,020.3	-4,707.1	-6,687.1	-6,834.4	-28.5	-30.7	-38.7	-34.9
Import of goods cif	-4,509.6	-5,401.2	-7,549.2	-7,697.2	-32.0	-35.3	-43.7	-39.4
Balance of services	**-1,017.2**	**-1,386.4**	**-1,732.9**	**-1,440.5**	-7.2	-9.1	-10.0	-7.4
Primary income	**-340.9**	**-367.6**	**-624.6**	**-623.8**	-2.4	-2.4	-3.6	-3.2
incl. interest on public debt	-251.8	-254.1	-322.8	-288.3	-1.8	-1.7	-1.9	-1.5
Secondary income	**1,435.4**	**1,571.4**	**1,664.9**	**1,805.3**	10.2	10.3	9.6	9.2
- Public administrations	167.9	-11.5	-34.5	-10.0	1.2	-0.1	-0.2	-0.1
incl. budget aid	194.7	17.1	23.4	46.7	1.4	0.1	0.1	0.2
- Other sectors	1,267.5	1,582.9	1,699.5	1,815.3	9.0	10.3	9.8	9.3
incl. migrant remittances	1,408.5	1,622.9	1,731.9	1,841.0	10.0	10.6	10.0	9.4
Capital account	**138.9**	**122.3**	**136.1**	**241.5**	1.0	0.8	0.8	1.2
Capital transfers	142.0	126.3	136.7	242.2	1.0	0.8	0.8	1.2
Current and capital account balance	**-1,393.4**	**-1,722.7**	**-3,518.8**	**-2,810.4**	-9.9	-11.2	-20.4	-14.4
Financial account	**-1,295.7**	**-1,856.3**	**-3,456.6**	**-2,863.6**	-9.2	-12.1	-20.0	-14.6
- Direct investment	-1,005.2	-1,406.5	-1,447.6	-1,155.0	-7.1	-9.2	-8.4	-5.9
- Portfolio investment	-298.9	-562.2	-26.2	-612.8	-2.1	-3.7	-0.2	-3.1
- Overall balance	**-91.3**	**140.0**	**-62.2**	**53.2**	-0.6	0.9	-0.4	0.3
h- Change in net foreign assets	92.1	-142.3	62.2	-53.2	0.7	-0.9	0.4	-0.3
Degree of openness: (Export b&s+ Import b&s)/(2*GDP) (%)			39.6	36.1	0.0	0.0	0.2	0.2
Current account/GDP % of GDP (base-2014)	**-10.9**	**-12.0**	**-21.2**	**-15.6**	-0.1	-0.1	-0.1	-0.1
Trade balance/GDP (%)	-11.4	-10.9	-17.2	-14.3	-0.1	-0.1	-0.1	-0.1

Source: BCEAO, Senegalese Authorities, WAMA; * projections

13.3. Status of Macroeconomic Convergence

559. The country met two (2) of the four (4) primary criteria, namely, central bank financing of the budget deficit and gross external reserves, which compared unfavourably with the performance in 2021, when the country met three (3) targets (average inflation, central bank financing of budget the deficit). With regards to the secondary criteria, Senegal met both, same as the outturn in 2021.

Table 2.65: Status of Macroeconomic Convergence in Senegal

Criteria	Target	2020	2021	2022	2023*
Primary criteria		**3**	**3**	**2**	**2**
i) Budget deficit/GDP (incl. grants)	≤3%	6.4	6.3	6.1	5.3
ii) Inflation (average)	≤ 5%	2.5	2.2	9.7	9.9
iii) Central bank financing of budget deficit	≤10%	0.0	0.0	0.0	0.0
iv) Gross external reserves (WAEMU)	≥3	6.5	6.6	4.2	4.4
Secondary criteria		**2.0**	**1.0**	**2.0**	**2.0**
vi) Nominal exchange rate stability	±10%	1.0	-1.5	-5.3	2.4
vii) Total debt stock as % of GDP	≤70%	63.2	67.4	68.2	65.1
Number of criteria met		**5**	**4**	**4**	**4**

Source: WAMA * projections

13.4. Prospects

560. Senegal's economy is expected to grow by 8.8 percent in 2023, after slowing to 4.2 percent in 2022, premised on performance in all the sectors. The primary sector is expected to contribute 5.5 percent, compared with a fall of 1.4 percent in 2022, explained by the increase in agricultural production, livestock, and forestry. In the secondary sector, value added is expected to rise by 16.4 percent, reflecting the increase in mining and manufacturing output, particularly to the start-up of oil and gas production in Senegal. Value added in the service sector should rise by 6.7 percent, attributable to commercial and service activities. Inflation, measured by the GDP deflator, is expected at 4.1 percent in 2023, in line with the easing of commodity prices and the increase in local production.

561. In terms of fiscal policy, the overall deficit on a commitment basis, including grants, is expected to fall by 0.6 percentage points (pp) to 5.5 percent of GDP as a result of the increased mobilisation of domestic revenue and the rationalisation of expenditure.

562. With regards to external sector developments, the overall balance of payments would show a surplus of CFAF 53.2 billion in 2023 (0.3% of GDP) as a result of a fall in the current account deficit of CFAF 603.0 billion, combined with a CFAF 105.4 billion improvement in the capital account. The improvement in the current account would be explained by the strengthening of exports and the significant decline in the services balance. Senegal's convergence situation would remain unchanged.

13.5. Conclusion and Recommendations

563. Economic activity slowed to 4.2 percent after rising by 6.5 percent in 2021, due to a less favourable agricultural campaign and a slowdown in secondary sector production. This slowdown has been accompanied by rising inflationary pressures throughout 2022, driven mainly by imported inflation. In terms of public finances, the budget deficit remains high due to an increase in current expenditure, which exceeded the target set as a result of the rise in the public administration wage bill. This increase in the deficit has had repercussions on the level of debt, which has risen considerably. In terms of macroeconomic convergence, Senegal met four (4) convergence criteria.

564. In order to improve the macroeconomic performance, the Senegalese authorities are urged to:

i. intensify efforts to maintain the growth momentum by focusing on improving the business climate and facilitating access to finance;

ii. assess the impact of measures taken to reduce the cost of certain products and services as part of the fight against inflation and review them, if necessary, taking into account the fall in the international prices of certain goods concerned;

iii. encourage the local supply of essential products by promoting the value addition and modernisation of agricultural and non-agricultural value chains; and

iv. consolidate public finances through innovative domestic revenue mobilisation and public expenditure rationalisation to ensure a consistent reduction in the budget deficit.

14. SIERRA LEONE

14.1. Introduction

565. The policy thrust for 2022 was aimed at ensuring economic stability and resilience to adverse shocks through the implementation of prudent fiscal, monetary, exchange rate, financial and debt management policies. These policies were also expected to encourage private investment and boost business and development partners' confidence. Consistent with these macroeconomic policy objectives, the following targets were set for 2022:
    - Real GDP growth of 3.1 percent;
    - End period inflation of 37.8 percent;
    - The overall fiscal deficit of 4.4 percent of GDP; and
    - Gross external reserves of not less than three (3) months of import cover.

566. Economic activity was relatively resilient despite the impact of the challenging global shocks during the period. Real GDP growth slowed marginally to 4.0 percent in 2022 from 4.1 percent a year ago, mainly due to the effects of the Russia-Ukraine war that worsened the supply-side challenges.

567. Government fiscal operations continued to be constrained by the increases in recurrent expenditure in the face of the modest increase in domestic revenue. Consequently, the budget deficit (including grants on commitment basis) widened to NLe5.31 billion (9.8% of GDP) from NLe2.95 billion (6.6% of GDP) in 2021, representing 80.0 percent increase in nominal terms during the period.

568. The monetary policy stance was fairly tight in an attempt to curb the sustained rise in inflationary pressures during the review period. The MPR was increased cumulatively by 275 basis points from December 2021 to settle at 17.0 percent at end-December 2022. Growth in broad money supply (M2) increased to 41.1 percent in the 12-month period ended-December 2022 from 22.1 percent in the corresponding period of 2021.

569. Performance in the external sector was mixed in 2022; the current account deficit narrowed to US$353.3 million (9.1% of GDP) while the overall balance of payment position recorded a deficit of US$298.5 million (7.7% of GDP) in 2022 following the surplus of US$148.9 million (3.5% of GDP) in 2021.

570. In terms of macroeconomic convergence, performance further worsened in 2022 compared to the out-turn in 2021. On the primary convergence scale, the country met the criterion on gross external reserves and missed those on budget deficit, average annual inflation and central bank financing of the budget deficit. With regard to the secondary criteria, the country missed both the nominal exchange rate stability and public debt-to-GDP ratio criteria in 2022.

14.2. Sectoral Analysis

14.2.1. Real Sector

571. Real GDP growth declined marginally to 4.0 percent in 2022 from 4.1 percent in 2021, mainly due to the effects of the Russia-Ukraine war that worsened the supply side challenges, especially the supply of inputs, including fertilisers. Despite these challenges, all the major sectors recorded positive growth rates during the period.

572. The primary sector grew by 3.0 percent in 2022 against the growth rate of 2.5 percent in 2021, mainly attributed to the improvements in crop production, which recorded a higher growth rate of 3.7 percent from 3.4 percent in 2021. Performance in crops was mainly the result of the government's implementation of post-COVID-19 policies to support farmers with seeds and other farming implements. In addition, policies were also directed at enhancing private sector participation by the Ministry of Agriculture and Forestry (MAF).

573. Performance in the secondary sector slowed significantly as growth was 8.2 percent against the growth rate of 17.4 percent in 2021, mainly reflecting the sub-optimal performance in the extractive sub-sector. Output in mining and quarrying grew by 11.0 percent, down from 30.5 percent in 2021, mainly due to operational challenges in diamond mining.

574. Activity in the tertiary sector grew by 4.7 percent compared to 2.9 percent in 2021due largely to improved performance in most sub-sectors. Output in trade and tourism, transport, storage and communication and finance, insurance and real estate accelerated to 4.0 percent, 4.6 percent, and 4.7 percent from 2.3 percent, 4.0 percent and 3.6 percent, respectively, in 2021. Similarly, activity in administration and public services improved, posting an impressive growth rate of 8.1 percent compared to 0.8 percent in 2021.

575. In terms of contribution to GDP growth, the primary sector contributed 1.5 percentage points compared to 1.3 percentage points in 2021, while the tertiary sector contributed 1.6 percentage points against 1.0 percentage points in 2021. In contrast, the secondary sector recorded a lower contribution of 0.8 percentage points compared to 1.5 percentage points in the previous year. In terms of the structure of the economy, the share of the primary sector declined to 52.4 percent in the review period compared to 53.1 percent in 2021. The tertiary sector accounted for 36.5 percent in 2022 compared to 36.2 percent in 2021. Finally, the secondary sector's share increased to 11.1 percent from 10.6 percent in 2021.

576. On the demand side, the growth in final consumption declined significantly to 1.7 percent from 24.7 percent in 2021, due largely to the slowdown in the growth of private final consumption, NPISH, and individual and collective consumptions. Capital formation grew by 12.9 percent compared with 1.0 percent in 2021.

577. Inflationary pressures remained elevated since the second half of 2021. End-period inflation accelerated to 37.1 percent in December 2022 from 17.9 percent in the corresponding period of 2021 while average inflation stood at 27.0 percent in 2022 up from 11.9 percent in 2021. The

increased inflationary pressures were mainly driven by the pass-through effects of the depreciation of the leone as well as the increases in fuel and food prices during the period.

Table 2. 66: Trends in GDP and its Components in Sierra Leone

	2020	2021	2022	2023*	2020	2021	2022	2023*
	GDP Growth Rates				Contributions to growth			
Gross Domestic Product	**-2.0**	**4.1**	**4.0**	**4.6**	**-2.0**	**4.1**	**4.0**	**4.6**
SUPPLY								
Primary (Agriculture, Forestry and Fishing)	1.6	2.5	3.0	3.2	0.8	1.3	1.5	1.7
Secondary (Industry)	-7.1	17.4	8.2	9.1	-0.7	1.5	0.8	0.9
Tertiary (Services)	-5.6	2.9	4.7	5.3	-2	1.0	1.6	1.9
Taxes less Subsidies on Products	-1.8	6.3	1.3	4.8	-0.1	0.3	0.1	0.2
DEMAND								
FINAL CONSUMPTION	**4.7**	**24.7**	**1.7**	**22.0**				
Private Final Consumption	1.1	18.5	6.6	24.3				
NPISH (From Prodn Accounts)	37.5	36.7	7.7	28.1				
Government Final Consumption	38.3	74.0	20.7	10				
Individual	13.0	45.8	10.1	1.0				
Collective	46.0	80.7	22.7	11.5				
CAPITAL FORMATION	**-9.3**	**1.0**	**12.9**	**32.6**				
Gross Fixed Capital Formation	-9.6	0.1	13.5	34.1				
Changes In Inventories	0.7	20.6	0.0	-1.9				
O/W: Government	-4.0	13.9	-0.5	55				
TOTAL EXPORTS OF GOODS AND SERVICES	**-9.8**	**1.9**	**-0.7**	**124.2**				
Total Goods (BSL_BOP_Export fob)	-9.7	-4.7	0.9	139.5				
Exports Of Services (BSL_BOP)	-11.6	105.1	-12.3	-4.5				
TOTAL IMPORTS OF GOODS AND SERVICES	**7.5**	**46.6**	**-0.3**	**72.5**				
Goods (BSL_BOP_Import cif)	9.1	42.3	0.1	79.6				
Import Services (BSL_BOP)	-12.6	113.2	-4.1	-5.1				
Memorandum Item								
GDP (Constant prices) million of New Leones	10,008	10,419	10,836	11,336				
GDP (Current prices) million of New Leones	39,938	44,360	54,300	68,682				
Inflation								
Average	13.5	11.9	27.0	37.8				
End Period	10.5	17.9	37.1	30.0				

Source: Statistics Sierra Leone; *Projections

14.2.2. Fiscal Sector

578. Fiscal operations continued to grapple with increased recurrent and capital expenditures in the face of modest improvement in domestic revenue mobilisation and grants in 2022. The non-implementation of some revenue-enhancing policies, concessionary petroleum excise facility, and timber export ban were some challenges to tax collection in 2022.

579. Total revenue and grants increased in nominal terms to NLe10.87 billion (19.7% of GDP) in 2022 from NLe9.29 billion (20.9% of GDP) in 2021, mainly arising from grants during the period. Domestic revenue increased marginally to NLe7.05 billion (13.0% of GDP) from NLe6.92 billion (15.6% of GDP) a year earlier, due largely to sustained performance in the collection of income tax revenues, especially corporate tax. Income tax revenue was NLe2.88 billion (5.3% of GDP) compared to NLe2.44 billion (5.5% of GDP) in 2021. Similarly, revenue from goods and services tax increased to NLe1.31 billion (2.4% of GDP) from NLe1.26 billion (2.8% of GDP), reflecting the increase in import GST.

580. However, customs and excise revenue and mines revenue fell to NLe1.22 billion (2.3% of GDP) and NLe0.41 billion (0.8% of GDP) from NLe1.29 billion (2.9% of GDP) and NLe0.52 billion (1.2% of GDP), respectively, in the previous year. This revenue underperformance was due to the decline in excise duties on petroleum products and royalty on rutile during the period. Similarly, revenues from other departments declined to NLe1.05 billion (1.9% of GDP) from NLe1.20 billion (2.7% of GDP), explained by the reduction in revenue from timber.

581. Grants rose to NLe3.82 billion (6.7% of GDP) in 2022 from NLe2.37 billion (5.3% of GDP) in 2021 due to the increase in both programme and project grants, including debt relief.

582. Total expenditure and net lending increased by 32.7 percent to NLe16.13 billion (29.7% of GDP) from NLe12.15 billion (27.4% of GDP) in 2021, reflecting the rise in both recurrent and capital expenditure.

583. Recurrent expenditure, which accounts for over two-thirds of total expenditure, rose to NLe11.06 billion (20.4% of GDP) in 2022 from NLe8.62 billion (19.4% of GDP) a year earlier. This increase was attributed to increase in interest payments and other components of recurrent expenditure.

584. Wages and salaries rose to NLe4.35 billion (8.0% of GDP) from NLe3.93 billion (8.8% of GDP), explained by the rise in both pensions, gratuities and other allowances as well as social security contributions. Similarly, expenditure on goods and services increase by 43.4 percent to NLe2.45 billion (4.5% of GDP) from NLe1.71 billion (3.8% of GDP) in 2021, mainly due to increased spending on the free secondary education programme as well as national defence and security during the period. Transfers and subsidies also increased significantly to NLe2.44 billion (4.5% of GDP) from NLe1.72 billion (3.9% of GDP) in 2021, largely explained by the rise in energy subsidies and the 2023 election-related activities. Similarly, expenditure on interest payments rose by 44.3 percent to NLe1.83 billion (3.4% of GDP) from NLe1.27 billion (2.9% of GDP) in 2021, mainly attributed to compounding domestic interest payments.

585. Capital expenditure in the period was funded from domestic and external sources, and amounted to NLe5.06 billion (9.3% of GDP) compared to NLe3.53 billion (8.0% of GDP) in 2021. The increase was mainly due to the rise in expenditures associated with the Free Quality Education Programmes.

586. Given the marked increase in total expenditure and the less-than-expected increase in revenue, the budget deficit (including grants on commitment basis) widened to NLe5.31 billion (9.8% of GDP) from NLe2.95 billion (6.6% of GDP) in 2021, reflecting 80.0 percent increase in nominal terms during the period. Excluding grants, the deficit worsened to NLe9.08 billion (16.7% of GDP) from NLe5.32 billion (12.0% of GDP) in 2021.

587. The stock of public debt rose by 46.0 percent to NLe51.67 billion (95.1% of GDP) at end-December 2022 from NLe35.4 billion (79.8% of GDP) in the corresponding period of 2021. The significant rise was mainly due to sustained domestic currency depreciation. The domestic component increased to NLe16.1 billion (29.6% of GDP) from NLe12.6 billion (28.5% of GDP) at end-December 2021. Similarly, the external component rose to NLe35.6 billion (65.5% of GDP) from NLe22.8 billion (51.3% of GDP).

Table 2.67: Trends in Key Fiscal Indicators in Sierra Leone

	2020	2021	2022	2020	2021	2022
	Percentage Change			Percent of GDP		
Total Revenue and Grants	17.2	18.9	17.0	19.6	20.9	19.7
Domestic Revenue	1.6	25.6	1.9	13.8	15.6	13.0
Income Tax Revenue	7.8	21.8	18.1	5.0	5.5	5.3
Goods and Services Tax	0.8	21.7	4.0	2.6	2.8	2.4
Customs and Excise Revenue	-7.6	5.4	-5.1	3.1	2.9	2.3
Mines Revenue	9.6	105.7	-20.6	0.6	1.2	0.8
Other Departments	2.5	36.7	-12.3	2.2	2.7	1.9
Road User Charges & Vehicle Licenses	-5.1	78.8	-19.8	0.3	0.5	0.3
Grants	84.8	2.8	61.2	5.8	5.3	6.7
Programme	127.6	-17.5	66.0	4.3	3.2	4.0
Project - Other Projects	20.0	60.9	54.1	1.5	2.2	2.7
Total Expenditure and Lending minus Repayments	45.3	27.3	32.7	23.9	27.4	29.7
Recurrent Expenditure	45.8	32.2	28.3	16.3	19.4	20.4
Wages & Salaries	26.7	20.3	10.7	8.2	8.8	8.0
Non-Salary, Non-Interest Recurrent Expenditure	124.6	67.4	42.6	5.1	7.7	9.0
Goods and Services	-	61.0	43.4	2.7	3.8	4.5
Subsidies and Transfers	8.4	74.3	41.8	2.5	3.9	4.5
Domestically financed	-15.9	214.5	130.9	0.3	0.7	1.4
Total interest payments	22.7	4.9	44.3	3.0	2.9	3.4
Capital Expenditure and Net Lending	44.4	16.6	43.5	7.6	8.0	9.3
Capital Expenditure	44.4	16.6	43.5	7.6	8.0	9.3
Foreign Loans and Grants	51.0	7.4	18.7	4.3	4.1	4.0
Loans	75.3	-21.2	-20.0	2.8	2.0	1.3
Grants	20.0	60.9	54.1	1.5	2.2	2.7
Domestic	36.6	28.4	70.4	3.3	3.8	5.3
Budget deficit (on commitment basis, including grants)	-5,507.8	67.9	80.0	-4.4	-6.6	-9.8
Excluding grants	250.9	31.6	70.8	-10.1	-12.0	-16.7
Domestic primary balance	-227.0	93.5	131.1	-2.9	-5.0	-9.4
TOTAL FINANCING	-5,507.8	67.9	80.0	4.4	6.6	9.8
Total public debt				78.9	79.8	95.1
External				50.3	51.3	65.5
Domestic				28.6	28.5	29.6

Source; Ministry of Finance

14.2.3. Monetary Sector

588. Monetary policy stance was tight in an attempt to curb the sustained rise in inflationary pressures during the review period. The MPR, which was largely unchanged at 14.0 percent in 2021 was increased cumulatively from 14.25 percent in December 2021 to settle at 17.0 percent at end-December 2022. Consequently, the average inter-bank and lending rates increased during the period.

589. Reserve money grew by 25.6 percent in 2022 compared to the growth rate of 8.7 percent in 2021, mainly explained by the growth in currency outside banks and bank reserves.

590. Growth in broad money (M2) accelerated to 41.1 percent in the 12-month period ended-December 2022 from 22.1 percent in the same period of 2021, mainly supported by the increase in NDA, which rose by 53.1 percent from 27.0 percent in 2021, largely explained by net claims on government which increased by 34.3 percent during the period. Growth in claims on the private sector was 18.0 percent, lower than the growth rate of 26.6 percent at end-December 2021, reflecting in part, the reduced utilisation of the agricultural credit facility extended by the BSL to purchase fertiliser during the pandemic.

591. The NFA of the banking sector grew by 3.2 percent against the growth rate of 8.7 percent in 2021. This slowdown was mainly due to an increase in the foreign liabilities of the banking sector, especially the Central Bank, during the period.

Table 2.68: Growth in Key Monetary Aggregates in Sierra Leone

	2020	2021	2022	2020	2021	2022
	Percentage Change			Contribution to M2 Growth		
Net Foreign Assets	**49.4**	**8.7**	**3.2**	**12.4**	**2.4**	**0.8**
Foreign Assets	37.7	46.5	41.4	32.2	39.6	42.3
Foreign Liabilities	32.8	64.3	53.3	-19.8	-37.2	-41.5
Net Domestic Assets	**34.4**	**27**	**53.1**	**25.8**	**19.7**	**40.3**
Domestic Credit	28.2	21.1	30.8	28.2	19.5	28.3
Claims on Government (Net)	36.8	19.6	34.3	27.4	14.5	24.7
Total Claims on Government	36.4	22.1	43	30.1	18	35.1
Treasury Bills	39	22.5	41.1	18	10.5	19.2
Stocks and Bonds	7.8	5.6	236.6	0.4	0.2	7.9
Claims on Private Sector	3.1	26.6	18	0.8	5	3.5
Other Items, Net (Assets)	9.7	-1	-74.8	-2.4	0.2	12
Broad Money (M2)	**38.2**	**22.1**	**41.1**	**38.2**	**22.1**	**41.1**
Reserve Money	54.8	8.7	25.6	17.6	3.1	8.2
Narrow Money	49.9	25.6	19.4	23.4	13	10.2
Currency with Public	37.6	24	29	9	5.7	7
Demand Deposits	62.6	27	11.1	14.4	7.3	3.1
Quasi Money	27.8	18.4	64.9	14.8	9	30.9
Time and Savings Deposits (DMBs)	29.7	7.4	26.1	8.7	2	6.3
Foreign Currency Deposits (DMBs)	24.7	33.2	104.7	5.9	7.1	24.6

Source; BSL

592. The policy priorities of the BSL in the financial sector were to strengthen resilience and maintain financial stability through the implementation of modern regulatory and institutional reforms so as to improve operational efficiency and effectiveness.

593. The banking sector remained relatively stable, as most of the key financial soundness indicators (FSI) remained above their minimum prudential requirement during the review period. Only one commercial bank met the minimum paid-up capital requirement during the review period.

594. The CAR of 15.00 percent was met by all but one (1) bank for the period under review. The industry's CAR position exceeded the regulatory minimum, indicating adequate capital of banks to absorb losses. However, the CAR dropped to 35.2 percent in 2022 from 39.9 percent in 2021, reflecting the negative capital base of one of the banks and the increase in the industry's Risk-Weighted Assets. Additionally, the shareholders fund for two (2) banks decreased in 2022. The industry's overall liquidity ratio (liquid assets to total assets) declined to 41.5 percent, from 50.0 percent recorded in 2021.

595. The NPLs ratio improved by 3.22 percentage points to 11.59 percent in 2022. However, the ratio remained above the 10.0 percent regulatory threshold, with commerce, finance, and construction constituting about three-fifth of the total NPLs. The banking industry's earnings remained robust during the period, with interest income to gross income improving from 69.1 percent in 2021 to 73.2 percent in 2022.

14.2.4. External Sector

596. External sector developments in 2022 were mixed. The current account strengthened while the overall balance of payments deteriorated during the period under review. The current account deficit narrowed to US$353.30 million (9.1% of GDP) in 2022 from US$360.50 million (8.5% of GDP) in 2021, mainly occasioned by improvements in the trade and secondary income balances.

597. The trade deficit narrowed to US$532.6 million (13.8% of GDP) in 2022 from US$584.7 million (13.8% of GDP) in 2021, due largely to improvement in merchandise exports, which strengthened to US$1,215.1 million (31.4% of GDP) from US$1,046.60 (24.6% of GDP), reflecting the increased exports of non-oil products. Similarly, merchandise import (fob)

increased to US$1,747.7 million (45.2% of GDP) from US$1,631.3 million (38.4% of GDP) in 2021, mainly explained by the increased importation of oil and gas.

598. The balance of the services account (net) widened to a deficit of US$255.0 million (6.6% of GDP) in 2022 from a deficit of US$ 170.0 million (4.0% of GDP) in 2021 due mainly to the increased outflows within the period. However, the deficit of the primary income (net) narrowed to US$63.1 million (1.6% of GDP) from US$72.3 million (1.7% of GDP). Similarly, the secondary income balance (net) improved to US$497.4 million (12.9% of GDP) in 2022 from US$466.5 million (11.0% of GDP) in the preceding year.

599. Capital account balance strengthened to US$107.2 million (2.8% of GDP) from US$105.7 million (2.5% OF GDP) in 2021 due to the increase in credit transfers in the review period.

600. The net position of the financial account worsened to US$52.4 million (1.4% of GDP) from US$483.3 million (11.4% of GDP) in 2021 due to the decline in the net direct investment position as well as reversals of other investments during the period. Direct investments (net) declined to US$52.3 million (1.4% of GDP) from US$212.3 million (5.0% of GDP) in 2021, while other investments recorded a deficit of US$104.7 million (2.7% of GDP) against a surplus of US$271 million (6.4% of GDP) in the previous year.

Table 2.69: Trends in Key Balance of Payments Indicators in Sierra Leone

Narrations	2020	2021	2022	2020	2021	2022
	US$ million			Percent of GDP		
Current Account	**(275.6)**	**(360.5)**	**(353.3)**	(6.8)	(8.5)	(9.1)
Trade Balance	**(573.0)**	**(584.7)**	**(532.6)**	**(14.1)**	**(13.8)**	**(13.8)**
Merchandise Exports (fob)	**648.0**	**1,046.6**	**1,215.1**	**15.9**	**24.6**	**31.4**
Non-Oil and Electricity	648.0	1,046.6	1,215.1	15.9	24.6	31.4
Merchandise Import (fob)	**(1,221.0)**	**(1,631.3)**	**(1,747.7)**	**(30.1)**	**(38.4)**	**(45.2)**
Oil and Gas	(184.5)	(269.3)	(414.5)	(4.5)	(6.3)	(10.7)
Non-Oil and Electricity	(1,036.5)	(1,362.0)	(1,333.2)	(25.5)	(32.1)	(34.5)
Services Balance (net)	**(143.8)**	**(170.0)**	**(255.0)**	**(3.5)**	**(4.0)**	**(6.6)**
Outflows (Debit)	(143.8)	(170.0)	(255.0)	(3.5)	(4.0)	(6.6)
Primary Income Balance (net)	**(26.6)**	**(72.3)**	**(63.1)**	(0.7)	(1.7)	(1.6)
Primary Income - Debit	(26.6)	(72.3)	(63.1)	(0.7)	(1.7)	(1.6)
Secondary Income Balance (Net)	**467.8**	**466.5**	**497.4**	**11.5**	**11.0**	**12.9**
Capital Account	**94.1**	**105.7**	**107.2**	**2.3**	**2.5**	**2.8**
Capital Transfers (credit)	94.1	105.7	107.2	2.3	2.5	2.8
Net Lending/Borrowing (+/-)	(181.5)	(254.8)	(246.1)	(4.5)	(6.0)	(6.4)
Financial Account	**198.6**	**483.3**	**(52.4)**	**4.9**	**11.4**	**(1.4)**
Direct Investment (Net)	135.1	212.3	52.3	3.3	5.0	1.4
Other Investment (Net)	63.5	271.0	(104.7)	1.6	6.4	(2.7)
Errors and Omissions	(12.6)	(79.6)	0.0	(0.3)	(1.9)	0.0
Overall Balance	**4.5**	**148.9**	**(298.5)**	**0.1**	**3.5**	**(7.7)**
FINANCING	**(4.5)**	**(148.9)**	**298.5**	(0.1)	(3.5)	7.7
Reserve Assets	(46.7)	(206.5)	301.2	(1.1)	(4.9)	7.8
Exceptional Financing	**-**	**57.6**	**(2.7)**	**-**	**1.4**	**(0.1)**
GDP	39,938,072.0	44,359,564.0	54,330,000.0			
EXCH RATE	9,829.2	10,439.2	14,047.5			
GDP (USD)	4,063.2	4,249.3	3,867.6			

Source: Bank of Sierra Leone

601. The overall balance of payment recorded a deficit of US$298.5 million (7.7% of GDP) in 2022, following a surplus of US$148.9 million (3.5% of GDP) in 2021, influenced mainly by the financial account during the period.

602. Gross external reserves declined to US$610.42 million (3.2 months of import cover) from US$931.76 million (5.4 months of import cover) in 2021, mainly due to foreign exchange

demands for the importation of essential commodities, interventions by BSL in the domestic foreign exchange market and debt service payments.

603. Accordingly, the leone came under pressure throughout 2022 as it depreciated by 20.5 percent against the WAUA compared with the depreciation of 7.9 percent in 2021. Similarly, against the US Dollar, the Leone depreciated by 26.1 percent in the review period compared to the 5.14 percent a year ago.

14.3. Status of Macroeconomic Convergence

604. Regarding macroeconomic convergence, performance worsened in 2022 compared to the out-turn in 2021. On the primary convergence scale, the country met the criterion on gross external reserves and missed those on the budget deficit, average annual inflation and central bank financing of the budget deficit. With regards to the secondary criteria, performance worsened as the country missed both targets (nominal exchange variation and public debt-to-GDP ratio) in 2022 while it satisfied the criterion on nominal exchange variation in 2021.

Table 2. 70: Status of Macroeconomic Convergence in Sierra Leone

Criteria	Target	2020	2021	2022	2023*
Primary Criteria		**1**	**1**	**1**	**1**
Budget Deficit (commitment basis, including grants)	≤3%	4.4	6.6	9.8	8.1
Average Annual Inflation	≤ 5%	13.5	11.9	27.0	37.8
Central Bank financing of Budget Deficit	≤10%	21.9	20.0	55.5	32.1
Gross External reserves (3 months of import cover)	≥3	5.1	5.4	3.2	3.5
Secondary Criteria		**1**	**1**	**0**	**0**
Nominal exchange rate variation	±10%	9.2	7.9	20.5	33.0
Public Debt to GDP Ratio	≤70%	76.0	79.8	95.1	92.2
Total Convergence Criteria Met		**2**	**2**	**1**	**1**

Source: WAMA, *Projections

14.4. Prospects

605. Real GDP growth is projected at 4.6 percent in 2023, premised on the expansion of mining, tourism and manufacturing before accelerating to 4.7 percent in 2024, on account of the expected recovery in global demand for primary exports, as well as increased inflows of FDI. However, uncertainties in the mining sector, disruptions to global trade due to geo-political tensions, and slower-than-expected implementation of reforms may present downside risks to the outlook. Inflationary pressures are expected to remain elevated in 2023 at 37.8 percent, anchored on rising domestic fuel and food prices.

606. The expected increase in domestic revenue may be offset by expected increase in recurrent expenditures due to increase prices. Budget deficit is expected to moderate somewhat in 2023 to 8.1 percent. Likewise, the high stock of public debt is expected at 92.2 percent of GDP in 2023.

14.5. Conclusion and Recommendations

607. Notwithstanding the resilience demonstrated in 2022, growth remained fragile and uneven across sectors. The growth dynamics include the resumption of mining activities and improvements in agriculture and services. Inflationary pressures remained high, reflecting the decline in the value of the domestic currency and rising domestic fuel and food prices. The monetary policy stance was mostly contractionary to reduce inflationary pressures on domestic

prices. External sector performance was mixed; the current account deficit improved while the overall balance of payment worsened in 2022.

608. On the macroeconomic convergence front, the country satisfied the gross external reserves but missed the criterion on the budget deficit, inflation, central bank financing of the budget deficit, public debt-to-GDP and exchange rate variation criteria.

609. Following the macroeconomic situation in the country in 2022, the authorities are urged to consider the following recommendations:

i. progressively diversify the economy and enhance agricultural production to improve food security and boost export earnings;
ii. sustain investments in the mining sector, especially in the area of value addition to mineral resources to enhance the value of exports;
iii. make stringent efforts to control and contain discretionary concessions and tax exemptions, especially in the mining sector, to enhance the supply of foreign currency in the domestic economy;
iv. enhance domestic revenue mobilisation by widening the tax base while enhancing tax-payer engagement, enhancing modernisation and digitalisation of tax payment and collection;
v. moderate interventions in the inter-bank foreign exchange market to avoid excessively drawing down on its foreign currency reserves and exposing the country to external vulnerabilities;
vi. the BSL is encouraged to consider the possibility of using monetary gold to strengthen the foreign reserves; and
vii. review the arrangements around the special credit facilities to make it more efficient with the involvement of private sector participation in the economy.

15. TOGO

15.1. Introduction

610. The macroeconomic policy thrust for Togo in 2022 was anchored on the Government Roadmap, Togo 2025 (FDR). This policy framework focuses on structural transformation of the economy for strong, sustainable and inclusive growth and creating decent jobs to improve the social well-being of the Togolese youths. Against this background, the 2022 budget of the Togolese government was formulated focusing on priority projects and reforms of the government Roadmap.

611. In line with the government's medium-term macroeconomic policy objectives, the following key macroeconomic targets were set for Togo in 2022:
    - real GDP growth of 6.1 percent;
    - average inflation of 2.2 percent;
    - overall fiscal deficit (including grants) of 5.1 percent of GDP; and
    - public debt-to-GDP ratio of 60.4 percent.

612. Economic activity was generally favourable in 2022 despite the Russia-Ukraine war and the resurgence of inflationary pressures. Economic growth stood at 5.8 percent in 2022, after an acceleration in 2021 to 6.0 percent, driven by the dynamics of all sectors of the economy. The structural transformation agenda for strong, sustainable and inclusive growth and the job creation positively impacted economic performance in 2022.

613. Budget execution in 2022 was marked by increases in both Total Revenue and Grants as well in Total Expenditure and Net Lending. However, the growth in Total Expenditure exceeded the increase in Total Revenue and Grants, worsening the budget deficit (8.3% of GDP from 4.7%) in the year under review.

614. In line with the BCEAO's broad monetary policy stance, developments in monetary aggregates in Togo indicated an expansion in broad money supply (M2) by 15.1 percent at end-December 2022 compared to a growth of 12.3 percent at end-December 2021.

615. Togo's balance of payments[2] recorded a deficit of CFAF 19.0 billion in 2022 (0.4% of GDP) following a widening of the current account deficit and outflows from the financial account. This situation was mitigated by net inflows of capital transfers, including budgetary support from Development Partners to the Togolese government.

616. In regards to the macroeconomic convergence, Togo met four (04) of the six (06) criteria, two primary and both secondary criteria (gross reserves in months of imports of goods and services, central bank financing, nominal exchange rate and the public debt-GDP ratio). However, due to the high fiscal outlays and rising inflationary pressures, the country breached compliance with the criteria on budget deficit as percent of GDP and average annual inflation.

[2] Balance of Payments data for 2022 is preliminary subject to change

15.2. Sectoral Analysis

15.2.1. Real Sector

617. Economic activity in Togo in 2022 was generally marked by resilience in the face of rising prices related to the Russia-Ukraine war. After an acceleration in 2021 to 6.0 percent, real GDP growth moderated slightly to 5.8 percent, driven by activities across sectors. The performance in 2022 was mainly sustained by activity in the Tertiary sector, which contributed 3.3 percent to GDP growth, supported by the secondary (1.5%) and Primary sector (1.0%). The tertiary sector continues to dominate economic activities with a share of 59.0 percent of GDP in 2022, followed by the Primary (20.6%) and Secondary sector (20.4%).

618. The Primary sector grew by 5.0 percent, compared to 3.4 percent in 2021, mainly attributed to growths in Agriculture (5.1% 2022 from 3.3% in 2021) and Livestock and Breeding' (6.0% from 5.0% in 2021). 'Forestry and Silviculture', as well as 'Fishery and Aquaculture' also recorded positive growth rates to support the value addition in the Primary Sector. The activity of the sector was bolstered by the government's provision of agricultural inputs and the execution of other agricultural projects.

619. In the secondary sector, the added value increased by 7.1 percent in 2022 compared to 5.5 percent, the previous year, driven by the performance of all sub-sectors, including "Extractive activity" (+9.3%), "Construction" (+9.2%), "manufacture of food products" (+8.5%), "manufacture of beverages" (+9.2). Public investments in the context of the rehabilitation of roads and the execution of major infrastructure works and construction of rural roads underpinned the sub-sectoral expansions.

620. The tertiary sector recorded a growth rate of 6.3 percent in 2022 compared to 6.0 percent in 2021. This reflects the good performance of all sub-sectors. Trade increased by 9.7 percent against 4.1 percent in 2021, driven by domestic demand. With the continued expansion of the road network and the commissioning of the PIA (Plateforme Industrielle d'Adetikope) Dry Port, growth in the "Transport and warehousing" sub-sector was recorded at 5.7 percent in 2022 compared to 11.4 percent in 2021. The Public Administration and Education remained dynamic at 7.0 percent and 7.5 percent, respectively.

621. On the demand side, GDP growth in 2022 was driven mainly by final consumption, which grew by 6.0 percent in 2022 compared to 10.4 percent in 2021 and accounted for 86.1 percent of GDP against 89.1 percent a year ago.

622. Gross fixed capital formation increased by 29.8 percent in 2022 compared to 1.2 percent in 2021, mainly driven by the recovery in public sector investment, which increased by 60.8 percent and accounted for 51.2 percent of total investment in 2022. Domestic demand stood at CFAF 5,154.5 billion, recording a growth rate of 7.2 percent in the year under review.

623. Conversely, net external demand (net exports) stood at a deficit of CFAF 487.7 billion. In terms of contribution to growth, Final Consumption contributed 1.8 percentage points, Investment 6.0 percentage points and net exports -2.0 percentage points.

624. Inflationary pressures increased in Togo in 2022, as average inflation increased to 7.6 percent from 4.5 percent in 2021. End-period inflation also rose to 7.9 percent in December 2022 from 5.8 percent in December 2021. The increase in inflationary pressures was mainly due to the accelerating food and fuel prices as well as growth in money supply

Table 2. 71: Trends in GDP and its Components in Togo

	2020	2021	2022	2023*	2020	2021	2022	2023*
	Percentage Change				Contribution to Growth			
Real GDP Growth	**2.0**	**6.0**	**5.8**	**6.6**	**2.0**	**6.0**	**5.8**	**6.6**
SUPPLY								
Primary sector	**3.3**	**3.4**	**5.0**	**5.6**	**0.7**	**0.7**	**1.0**	**1.2**
o/w Agriculture	-	3.3	5.1					
Secondary sector	**4.0**	**5.5**	**7.1**	**6.9**	**0.8**	**1.1**	**1.5**	**1.4**
o/w Extractive Industry	-	5.2	9.3	7.3				
o/w Construction & Public works	-	9.9	9.2	8.4				
Tertiary sector	**0.8**	**6.0**	**6.3**	**6.8**	**0.5**	**4.1**	**3.3**	**4.0**
o/w Trade	-	4.1	9.7	7.8				
DEMAND								
Final Consumption	-4.6	10.4	6.0	9.1				
Investments	27.1	1.2	29.8	2.7				
Net External Demand (Deficit)	-11.6	12.3	35.2	17.5				
MEMORANDUM ITEM								
GDP at Constant Prices (Billions CFAF)	**4,195.8**	**4,447.2**	**4,705.6**	**5,014.9**				
GDP at Current Prices (Billions CFAF)	**4,253.2**	**4,621.5**	**5,068.9**	**5,566.1**				
Inflation								
Average	1.8	4.5	7.6	6.8				
End-Period	2.9	5.8	7.9	3.7				

Source: MEF, Togo; BCEAO; * projections

15.2.2. Fiscal Sector

625. The fiscal operations in 2022 were characterised by increases in total revenue and grants as well as growth in total expenditure broadly consistent with the 2022 budget objectives of increasing revenue mobilisation, while promoting investments in infrastructure. However, the growth in total expenditure well exceeded the increase in total revenue and grants. Consequently, the budget deficit (including grants) worsened to 8.3 percent of GDP from the 4.7 percent GDP recorded in 2021.

626. Total revenue and grants amounted to CFAF 894.5 billion (17.6% of GDP) in 2022 from CFAF791.2 billion (17.1% of GDP) in 2021. This outturn represents an annual growth of 13.1 percent and was driven by increases in domestic revenue and grants. Total domestic revenue rose by 8.5 percent to CFAF767.1 billion (15.1% of GDP) from CFAF707.2 billion (15.3% of GDP) in 2021 due to the performance of Tax and non-tax revenues.

627. Tax revenue amounted to CFAF 704.5 billion (13.9% of GDP) compared to CFAF 646.9 billion (14.0% of GDP) in 2021. Non-tax revenue stood at CFAF 59.6 billion (1.2% of GDP) from CFAF 58.0 billion (1.3% of GDP) in 2021. Grants amounted to CFAF 127.4 billion (2.5% of GDP) against CFAF 84.0 billion (1.8% of GDP) in 2021, driven by partners' support.

628. Total expenditure and net lending in 2022 amounted to CFAF 1,316.9 billion (26.0% of GDP) compared to CFAF 1,006.8 billion (21.8% of GDP) in 2021. The 30.8 percent growth in total expenditure in the year was on account of increase in both recurrent and capital expenditures. Current expenditure increased by 31.3 percent in 2022 to CFAF 823.3 billion from CFAF 627.0 billion in 2021, attributed to growths in 'use of goods and services (+30.6%), transfers and subsidies (+89.2%) and interest payments on public debt (+25.1%).

629. Capital expenditures of CFAF 493.6 billion (9.7% of GDP) in 2022 was higher than its 2021 value of CFAF 379.8 billion (8.2% of GDP). This outturn represented an annual growth of 30.0 percent. Domestically-financed capital expenditure accounted for 60.3% of the total, while 39.7 percent was financed from foreign sources.

630. The stock of public debt stood at CFAF 3,337.4 billion at end-December 2022 from CFAF 2,912.5 billion at end-December 2021. The stock in 2022 represents an increase of 14.6 percent compared to an increase of 14.0 percent in 2021. As a percent of GDP, the stock of public debt stood at 65.8 percent of GDP compared to 63.0 percent of GDP in 2021. The domestic component was CFAF 2,041.3 billion (40.3% of GDP) compared to CFAF 1,848.5 billion (40.0% of GDP) in 2021. The external component was CFAF 1,296.1 billion (25.5% of GDP) in 2022 compared to CFAF 1,064.0 billion (23.0% of GDP) in 2021. The increase in the external debt component was partly influenced by fluctuation in the exchange rate: 18.6 percent and 16.5 percent of external debt are denominated in United States dollars (USD) and Chinese Renminbi (CNY), respectively.

Table 2. 72: Trends in Key Fiscal Indicators in Togo

	2020	2021	2022	2023*	2020	2021	2022	2023*
	Percentage Change				Percent of GDP			
Total Revenue and Grants	-5.8	12.5	13.1	33.2	16.5	17.1	17.6	21.4
Domestic revenue	-3.3	17.1	8.5	27.3	14.2	15.3	15.1	17.5
Tax revenues	-3.6	21.7	8.9	29.5	12.5	14.0	13.9	16.4
Non-tax revenue	-3.9	-15.2	2.8	-12.1	1.6	1.3	1.2	0.9
Other Recipes	120.5	-46.4	31.1	300.3	0.1	0.0	0.1	0.2
Grants	-19.0	-15.4	51.7	68.8	2.3	1.8	2.5	3.9
Total expenditure and net lending	33.7	-0.1	30.8	18.4	23.7	21.8	26.0	28.0
Total Expenditure	33.7	-0.1	30.8	18.4	23.7	21.8	26.0	28.0
Current expenditure	-1.5	2.4	31.3	14.8	14.4	13.6	16.2	17.0
Salaries and treatments	9.4	7.1	1.5	18.3	5.5	5.4	5.0	5.4
Purchases of goods and services	-33.5	-0.4	30.6	75.8	3.1	2.8	3.4	5.4
Transfers and Subsidies	18.8	-2.5	89.2	-26.1	3.4	3.1	5.3	3.6
Interest on public debt	16.6	-0.3	25.1	14.5	2.4	2.2	2.5	2.6
on domestic debt	12.0	-1.6	25.4	18.4	2.0	1.8	2.1	2.3
on external debt	56.9	7.9	23.4	-8.1	0.3	0.3	0.4	0.3
Capital expenditure	203.8	-3.6	30.0	23.5	9.3	8.2	9.7	11.0
Financed from internal resources	2783.0	5.5	34.9	-7.7	4.9	4.8	5.9	4.9
Financed from external resources	50.9	-13.9	23.1	70.9	4.3	3.4	3.9	6.0
Other expenditure	-49.3	132.1	31.1	45.6	0.0	0.0	0.1	0.1
Net loans	-0.1	-0.1	-0.1	0.0				
OVERALL BALANCE (commit. basis) (excl. grants)					-9.5	-6.5	-10.8	-10.5
OVERALL BALANCE (commit basis.) (incl. grants)					-7.2	-4.7	-8.3	-6.6
Primary Balance					-4.8	-2.5	-5.9	-4.0
Total public debt					60.1	63.0	65.8	60.8
Domestic					37.0	40.0	40.3	37.3
External					23.1	23.0	25.5	23.5

Source: BCEAO; MEF, Togo; * Projections

15.2.3. Monetary Sector

631. Developments in monetary aggregates in Togo indicated an expansion in broad money supply (M2) by 15.1 percent at end-December 2022 compared to a growth of 12.3 percent at end-December 2021. Growth in money supply was largely influenced by NDA, especially claims on the private sector.

632. NDA recorded a growth of 31.0 percent at end-December 2022 from a growth of 12.2 percent a year ago due to consolidations of claims on the economy (16.7% from 9.2%) and net claims

on central government (2,473.7% from -50.8%)[3]. The considerable increase in net claims on the central government was the result of a 277.2 percent increase in central bank's net claims on the central administration of Togo, which in turn was explained by the on-lending of IMF resources to the government. However, commercial bank's liability (net) to the government increased at the end of the review period by 19.7 percent.

633. On the other hand, the NFA of the banking system contracted by 1.7 percent compared to a growth of 12.4 percent at end-December 2021 occasioned by a contraction in central bank's foreign assets (-5.4%) and an increase in the central bank's foreign liabilities (22.4%) at end-December 2022. However, the NFA of commercial banks grew by 32.9 percent at end-December 2022 from a growth of 23.7 percent at end-December 2021. Claims on the private sector increased by 17.0 percent compared to a growth 8.9 percent at end-December 2021, occasioned by the investment policy of the government.

634. Growth in M2 was influenced largely by expansions in demand deposits (27.3% from 21.5% in 2021) and currency in circulation (13.8% from -0.5% in 2021). Savings and time deposits moderated to 4.5 percent in 2022 from 9.3 percent in 2021). Also, reserve money grew by 8.9 percent from a contraction of 8.6 percent at end-December 2021 supported by growth in currency in circulation, mitigated by a decline in commercial bank deposits at the central bank.

Table 2. 73: Growth in Key Monetary Aggregates in Togo

	2020	2021	2022	2020	2021	2022
	Percentage Change			Contribution to M2 Growth		
ASSETS						
Net Foreign Assets, NFA	33.4	12.4	-1.7	13.5	6.0	-0.9
Net Domestic Assets, NDA	-3.3	12.2	31.0	-1.9	6.3	16.0
Net Claims on Government, NCG	-67.2	-50.8	2,476.3	-1.7	-0.4	7.8
Claims on the Economy	0.3	9.2	16.7	0.2	5.9	10.6
Claims on private Sector	2.8	8.9	17.0	1.8	5.2	9.6
Claims on Public Enterprise	-17.6	11.4	14.3	-1.6	0.7	0.9
Other Items Net (OIN)	3.4	-4.9	20.3	-0.5	0.7	-2.4
LIABILITIES						
Broad Money (M2)	11.6	12.3	15.1			
Narrow Money (M1)	12.8	14.9	23.8			
Currency outside banks	-3.5	-0.5	13.8			
Demand deposits	21.6	21.5	27.3			
Savings & Time deposits	10.2	9.3	4.5			
MEMORANDUM ITEMS						
Reserve money growth	14.7	-8.6	8.9			
Money Multiplier (M2/RM)	3.6	4.5	4.7			
Velocity (GDP/M2)	2.3	2.2	2.1			
Credit to private sector/GDP	25.4	25.2	26.9			
NFA/M2	48.5	48.5	41.4			
NDA/M2	51.5	51.5	58.6			
Currency in circulation/M2	16.2	14.4	14.2			

Source: BCEAO

635. The banking industry remained resilient, marked by improvements in key balance sheet indicators of the industry. Total bank assets stood at CFAF 4,396.1 billion, growing by 20.2 percent on a year-on-year basis at end-December 2022, largely supported by growth in loans (+43.7%) and investment securities (+20.7%). Total Deposits grew by 18.6 percent to CFAF3,050.0 billion, influenced by a deliberate policy of mobilising deposits from major establishments. The NPLs declined to 8.1 percent from 12.0 percent in 2021, reflecting the improved quality of assets in the review period. However, the sector's total solvency ratio stood

[3] Net Claims on central Government in absolute terms was CFAF 184.5 billion at end-2022 from CFAF 7.4 billion at end-2021

at 4.37 percent, below the regulatory threshold of 11.25 percent. Excluding banks with negative equity, the sector's total solvency ratio was 14.26 percent at the end of December 2022.

636. In terms of profitability, the banking sector generated a net profit of CFAF 33.3 billion in 2022 compared to CFAF 36.0 billion in 2021. The decline in net profit led to a reduction in return on equity by 4.3 percentage points to 13.6 percent. The return on assets, however, fell by 0.2 percentage point to 0.8 percent.

15.2.4. External Sector

637. The overall balance of payments recorded a deficit of CFAF 19.0 billion (0.4% of GDP) in 2022, compared to a surplus of CFAF 121.1 billion (2.6% of GDP) in 2021, mainly due to the widening of the current account deficit coupled with increased net lending (or net outflows) of the financing account.

638. The current account deficit widened to 2.5 percent of GDP in 2022 from 0.9 percent of GDP in 2021, mainly due to deteriorations of the trade balance. Merchandise trade deficit widened to CFAF 544.3 billion (10.7% of GDP) from CFAF 464.0 billion (10.0% of GDP) owing to an increase in goods imports (CFAF 241.9 billion), which outweighed the increase in goods exports (CFAF 161.6 billion). Regarding the services account (net), the surplus declined to CFAF 29.9 (0.6% of GDP) from CFAF 49.9 billion (1.1% of GDP) in 2021 on the back of services payments on freight and insurance. The primary income surplus remained unchanged at CFAF 24.9 billion (0.5% of GDP) in 2022 from CFAF 24.8 billion (0.5% of GDP) in 2021. The surplus of the secondary income account rose by 4.5 percent to CFAF 364.0 billion (7.2% of GDP) in 2022 from CFAF 348.4 billion (7.5% of GDP) in 2021, influenced by growths of budgetary support and remittance inflows.

639. The capital account surplus increased in 2022 to CFAF 360.8 billion (7.1% of GDP) from CFAF 263.9 billion (5.1% of GDP) in 2021, reflecting capital transfer inflows, including inflows of budget supports.

640. The financial account recorded a net lending (net outflows) of CFAF 254.2 billion (5.0% of GDP) in 2022 from CFAF 102.0 billion (2.2% of GDP) in 2021, reflecting a reversal of capital (net outflows of direct and other investments). Direct investment outflow stood at CFAF 106.4 billion (2.1% of GDP) in 2022 compared to direct investment inflows of CFAF 14.5 billion (0.3% of GDP) in the previous year. The outflows of other investments increased to CFAF 253.8 billion (5.0% of GDP) from CFAF 131.1 billion (2.8% of GDP) in 2021. Portfolio investments recorded inflows that amounted to CFAF106.0 billion (2.1% of GDP) in 2022 from earlier inflows of CFAF 14.7 billion (0.3% of GDP) in 2021 due to an increase in the issuance of investment securities to finance domestic investments.

Table 2.74: Trends in Key Balance of Payments Indicators in Togo

	2020	2021	2022	2023*	2020	2021	2022	2023*
	Billions FCFA				Percent of GDP			
Current account	**-11.9**	**-40.8**	**-125.6**	**-65.4**	**-0.3**	**-0.9**	**-2.5**	**-1.2**
Goods and services	***-384.3***	***-414.1***	***-514.4***	***-448.4***	***-9.0***	***-9.0***	***-10.1***	***-8.1***
Balance of goods	***-408.2***	***-464.0***	***-544.3***	***-497.5***	***-9.6***	***-10.0***	***-10.7***	***-8.9***
Exports of goods fob	695.0	738.7	900.3	939.7	16.3	16.0	17.8	16.9
Imports of goods fob	-1,103.2	-1,202.7	-1,444.6	-1,437.1	-26	-26	-28.5	-25.8
Balance of services	***23.9***	***49.9***	***29.9***	***49.1***	***0.6***	***1.1***	***0.6***	***0.9***
Credit	295.9	316.9	342.9	369.9	7.0	6.9	6.8	6.6
Of which travel	38.6	59.3	79.3	89.3	0.9	1.3	1.6	1.6
Debit	-272.0	-267.0	-313.0	-320.8	-6.4	-5.8	-6.2	-5.8
Of which freight and insurance	-193.1	-181.6	-218.1	-217.0	-4.5	-3.9	-4.3	-3.9
Primary income	***24.6***	***24.8***	***24.9***	***25.9***	***0.6***	***0.5***	***0.5***	***0.5***
Credit	163.4	147.9	-	-	3.8	3.2	0.0	0.0
Of which employee compensation	23.6	32.9	-	-	0.6	0.7	0.0	0.0
Debit	138.8	123.1	-	-	3.3	2.7	0.0	0.0
Of which interest on debt	13.9	15.0	17.5	17.0	0.3	0.3	0.3	0.3
Secondary income	***347.7***	***348.4***	***364.0***	***357.1***	***8.2***	***7.5***	***7.2***	***6.4***
Public administration	54.3	13.5	33.6	26.0	1.3	0.3	0.7	0.5
Of which budgetary aid	37.2	1.0	30.0	12.0	0.9	0.0	0.6	0.2
Other sectors	293.5	334.9	330.4	331.1	6.9	7.2	6.5	5.9
Of which remittances from migrants	341.8	375.0	411.5	448.1	8.0	8.1	8.1	8.1
Capital account	**214.5**	**263.9**	**360.8**	**386.7**	**5.0**	**5.7**	**7.1**	**6.9**
Acquisition/sales of non-financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital transfers	214.5	263.9	360.8	386.7	5.0	5.7	7.1	6.9
Public administration	62.0	83.0	178.3	203.1	1.5	1.8	3.5	3.6
Debt forgiveness	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other capital transfers	62.0	83.0	178.3	203.1	1.5	1.8	3.5	3.6
Other sectors	152.5	180.9	182.5	183.6	3.6	3.9	3.6	3.3
Net lending (+)/net borrowing (-) of current and capital accounts balance	**202.6**	**223.1**	**235.2**	**321.4**	**4.8**	**4.8**	**4.6**	**5.8**
Financial account	**-36.0**	**102.0**	**254.2**	**120.2**	**-0.8**	**2.2**	**5.0**	**2.2**
Direct investment	-30.5	-14.5	106.4	113.1	-0.7	-0.3	2.1	2.0
Portfolio investments	48.1	-14.7	-106.0	4.5	1.1	-0.3	-2.1	0.1
Other investments	-53.5	131.1	253.8	2.6	-1.3	2.8	5.0	0.0
Errors and omissions	**2.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall balance	**240.7**	**121.1**	**-19.0**	**201.2**	**5.7**	**2.6**	**-0.4**	**3.6**
Change in net foreign assets	-240.7	-121.1	19.0	-201.2				

Source: BCEAO; WAMA; *Projection

15.3. Status of Macroeconomic Convergence

641. Togo met four (4) out of the six (6) macroeconomic convergence criteria: two (2) of the primary (central bank financing of the budget deficit and the gross external reserves) and both secondary criteria (public debt-to-GDP ratio and the exchange rate variation). However, the country missed the average inflation and budget deficit targets.

Table 2. 75: Status of Macroeconomic Convergence in Togo

Criteria	Target	2018	2019	2020	2021	2022	2023*
Primary Criteria		***4***	***4***	***3***	***3***	***2***	***2***
Budget deficit (commitment basis, including grants)	≤ 3%	0.6	1.3	7.0	4.7	8.3	6.6
Average annual inflation rate	≤ 5%	0.9	0.7	1.8	4.5	7.6	6.8
Central Bank financing of Budget Deficit	≥ 10%	0.0	0.0	0.0	0.0	0.0	0.0
Gross external reserves	≥ 3	4.6	5.2	6.5	6.6	4.2	4.4
Secondary Criteria		***2***	***2***	***2***	***2***	***2***	***2***
Nominal exchange rate variation	± 10%	2.6	-2.8	1.0	-1.5	-5.3	2.4
Public debt to GDP ratio	≤ 70%	55.5	51.9	58.6	63.0	65.8	60.8
Total Convergence Criteria Met		**6**	**6**	**5**	**5**	**4**	**4**

Source WAMA, *Projections

15.4. Prospects

642. In 2023, real GDP growth is projected at 6.6 percent, supported by growth across the three sectors: the primary (+5.6%), secondary (+6.9%) and tertiary (+6.8%) sectors. In addition, the macroeconomic programme (2023 – 25) indicates that the medium-term dynamics are expected to impact the real GDP, leading to an average growth of 6.8 percent. This medium-term outlook is premised on the Government's specified commitment to implement activities in its 'Roadmap 2025', including job creation and investment in the real economy. Annual average inflation is

expected at 6.8 percent in 2023, with the assumption that monetary policy will remain contractionary.

643. The fiscal deficit (excluding grants) remained high at 10.8 percent of GDP in 2022 but is expected to moderate to 10.5 percent of GDP, while including grants, the deficit is expected to be lower at 6.6 percent of GDP in 2023, premised on improvements in revenue generation.

644. The external sector developments are expected to improve in 2023, with a projected BOP surplus of 3.6 percent of GDP, premised on an anticipated improvement in the current account deficit and reduction of the financial outflows.

645. The prospects for performance under the macroeconomic convergence criteria in 2023 is expected to remain unchanged, attributed mainly to budget deficit and inflation, two critical macroeconomic challenges the country must grapple with. Togo is projected to miss the inflation and budget deficit targets in 2023 due to high prices of fuel and food as well as high expected outlays by the government.

15.5. Conclusion and Recommendations

646. The Togolese economy remained resilient in 2022, with growth recorded at 5.8 percent, despite the Russian-Ukrainian war and the security problems in the country's northern region. Inflationary pressures, however, increased in 2022 and is expected to remain high in 2023 due to high food and fuel prices as well as higher prices for agricultural products.

647. The implementation of the government roadmap – Togo 2025 – contains several significant projects and reforms that aim to ensure structural transformation of the Togolese economy. Achieving these development objectives is likely to result in higher government expenditure.

648. Based on the macroeconomic developments in 2022 and prospects for 2023, the following recommendations are being proposed for consideration by the Togolese authorities:

    i. sustain investments in infrastructure and continue the implementation of structural transformation policy of the Togolese economy. This is expected to strengthen the resilience of the economy against shocks.
    ii. ensure effective coordination between fiscal and monetary policies to rein in inflation;
    iii. sustain fiscal reforms to increase domestic revenue mobilisation, rationalise expenditure towards strategic investments and self-sustaining projects;
    iv. pursue proactive debt management strategies to slow the pace of debt accumulation; and
    v. diversify the export base to increase export earnings and reduce the economy's vulnerability to external shocks.

16. GENERAL CONCLUSION AND RECOMMENDATIONS

649. Growth in the region slowed to 4.0 percent in 2022 from 4.4 percent in 2021, while inflation rose to 21.2 percent in December 2022 from 12.8 percent in December 2021. The overall budget deficit, including grants, widened to 5.4 percent of GDP from 4.6 percent of GDP in 2021. The stock of public debt rose but still remained low at 36.6 percent of GDP at end-December 2022 compared 35.6 percent of GDP at end-December 2021, influenced largely by the relatively low ratio in Nigeria. Most of the member central banks tightened their key interest rates in 2022 in response to stubbornly high inflation. On the external sector, the overall balance of payments showed a deficit of 1.2 percent of GDP, compared with a surplus of 0.3 percent of GDP in 2021, mainly attributable to the deterioration of the balance of goods and services. Regarding macroeconomic convergence, no Member State met all four (4) primary criteria, broadly reflecting poor performance on inflation and budget deficit. The prospects for 2023 also show that no Member State would meet all four (4) primary criteria.

650. In view of the foregoing, the authorities are urged to consider the following recommendations:

i. intensify structural transformation through economic diversification and value addition in order to reduce Member States' reliance on exports of primary commodities;

ii. support investments in micro, small and medium-scale enterprises and other private investments, particularly, in agriculture and domestic food production, to reduce the excessive reliance on imported food and other essential products;

iii. consolidate public finances by rationalising expenditure through investment projects that are self-sustaining, including investment in energy infrastructures;

iv. reduce revenue leakages by adopting innovative ways to boost domestic revenue, including minimising tax evasion generally and tax exemptions in particular;

v. proactive in responding to the rising inflation and exchange rate pressures by adjusting policy rates appropriately and building adequate external buffers;

vi. enhance fiscal-monetary policy coordination in order to strike the right balance between promoting growth and reducing inflation; and

vii. intensify ongoing efforts to curb the growing insecurity, particularly, in the Sahel region.