AGENCIA MONETARIA DA
AFRICA DO OESTE

WEST AFRICAN
MONETARY AGENCY

AGENCE MONETAIRE
DE L'AFRIQUE DE L'OUEST

English Version

ECOWAS MACROECONOMIC CONVERGENCE REPORT FOR END YEAR 2023

Freetown, July 2024

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ABBREVIATIONS AND ACRONYMS

BCEAO	Central Bank of West African States
ECOWAS	Economic Community of West African States
EMCP	ECOWAS Monetary Cooperation Programme
IMF	International Monetary Fund
MCSP	Macroeconomic Convergence and Stability Pact
SSA	Sub-Saharan Africa
WAEMU	West African Economic and Monetary Union
WAMZ	West African Monetary Zone
WAMA	West African Monetary Agency
WAUA	West African Unit of Account

ACKNOWLEDGEMENTS

The ECOWAS Macroeconomic Convergence Report for 2023 was prepared by a team of economists and statisticians at the Multilateral Surveillance Department (MSD) with support from the staff of the Department of Research and Statistics (RSD) and the Financial Integration Department (FID), under the leadership and general direction of Mr. Momodou Bamba Saho, the Director-General. The project was directed by Dr. Mawuli Gaddah (Director of the MSD). Associate Editors were Dr. Andalla Dia, Chief Economist; Alhassane Mariame Diallo, Chief Economist; Paul Bruce, Principal Economist; Dr. Dominic Zaan Agba, Principal Economist; Kamaldeen Ajala, Economist and Eleazar Kabra Joel, Statistician, Salifou Nabelema, Economist; and Thomas Zogbo, Economist as well as Mrs Sylvia Carpenter, Bilingual Secretary who provided secretarial services to the team.

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The Report utilises data and other useful information provided by member central banks, Ministries, Departments and Agencies (MDAs), and other regional institutions, without which the analysis contained in the Report would have been impossible. We acknowledge the immense technical support of the Bank of Cabo Verde (BCV); Central Bank of West African States (BCEAO); Central Bank of the Republic of Guinea (BCRG); Central Bank of The Gambia (CBG); Bank of Ghana (BOG); Central Bank of Liberia (CBL); Central Bank of Nigeria (CBN); and Bank of Sierra Leone (BSL). Also in the list are Ministry of Economy and Finance, Benin; Ministry of Economy, Finance and Development, Burkina Faso; Ministry of Finance, Cabo Verde, Ministry of Economy and Finance, Côte d'Ivoire; Ministry of Finance and Economic Affairs, The Gambia; Ministry of Finance, Ghana; Ministry of Economy and Finance, Guinea; Ministry of Economy and Finance, Guinea Bissau; Ministry of Finance and Development Planning of Liberia; Ministry of Economy and Finance, Mali; Ministry of Economy and Finance, Niger; Federal Ministry of Finance, Nigeria; Ministry of Economy, Planning and Cooperation, Senegal; Ministry of Finance, Sierra Leone; and Ministry of Economy and Finance, Togo. The National Coordination Committees (NCC) made it possible to interface with other State Departments and Agencies while ECOWAS and WAEMU Commissions as well as the West African Monetary Institute (WAMI) provided a range of other technical and non-technical supports. The Report also benefitted from the World Economic Outlook (WEO) and the Regional Economic Outlook for Sub-Saharan Africa of the IMF.

We also want to acknowledge the tremendous contribution of Dr. Gradé Momèle Kipré, the Director of the Financial Integration Department of WAMA and currently, the Acting Director General, who led some of the joint surveillance missions to Member States. Finally, we appreciate the staff of the Finance and Administration units who have contributed in diverse ways to this report.

FOREWORD

The ECOWAS Macroeconomic Convergence Report for 2023 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 second 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.

The global economy remained remarkably resilient, as growth remained stable, amidst fears of stagflation and global recession, following the synchronised policy tightening by advanced economies which raised borrowing costs, particularly, for emerging market and developing economies. Data from the IMF showed that global growth was estimated at 3.2 percent in 2023 compared to 3.5 percent in 2022. Global inflation also declined from 8.7 percent in 2022 to 6.8 percent in 2023 and projected to decline further in the medium-term, but with the decline more pronounced in advanced economies.

ECOWAS Member States continued to grapple with major challenges, including fiscal and debt vulnerabilities, low growth, and rising inflation as well as currency depreciation. Financing constraints emanating from higher global interest rates weighed heavily on the economies of Member States. The heightened inflationary and foreign exchange market pressures have eroded household purchasing power, creating a cost-of-living crisis, disrupting economic activities and increasing debt vulnerabilities in the region. Overall, only one Member State (Cabo Verde) complied with all the four primary convergence criteria in 2023, reflecting the persistent inflationary and budgetary pressures being experienced in some Member States. This underscores the need 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 continues to make progress on other aspects of the Roadmap, including 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 capital of the ECOWAS Solidarity and Stabilisation Fund (ESSF), statistical harmonisation as well as 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 2023 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.

Dr. Gradé Momèle KIPRE
Acting Director General,
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EXECUTIVE SUMMARY

The macroeconomic policy thrust for ECOWAS in 2023 focused mainly on strengthening economic resilient and restoring fiscal and debt sustainability as well as ensuring price and exchange rate stability. However, financing constraints due to higher global interest rates weighed heavily on economic growth in the region. Available data showed that, real GDP growth in the region slowed to 3.7 percent in 2023 from 3.9 percent in 2022, attributed largely to sub-optimal growth in the agriculture and industry sectors. At the sub-regional level, growth in the WAMZ was estimated at 3.1 percent in 2023, down from 3.4 percent in 2022, reflecting downturns in Nigeria and Ghana. Similarly, in the WAEMU, growth slowed to 5.3 percent in 2023 from 5.5 percent in 2022, reflecting subdued growth in Burkina Faso and Niger.

On price developments, average annual inflation accelerated to 19.8 percent in 2023 from 17.1 percent in 2022, reflecting increased inflation in the WAMZ, largely due to the pass-through effect of exchange rate depreciation and withdrawal of fuel subsidies in some Member States. End-period inflation accelerated in the WAMZ to 27.1 percent in December 2023 from 25.0 percent in December 2022, while it declined in the WAEMU to 2.5 percent from to 7.0 percent, on the back of declining food and fuel prices supported by a strong CFA franc.

The budget deficit on commitment basis, both including and excluding grants declined to 5.1 percent of GDP and 5.4 percent of GDP in 2023 from 5.4 percent and 5.7 percent of GDP in 2022, respectively, mainly attributed to robust revenue mobilisation and the unwinding of the pandemic and subsidy-related expenditures. However, the stock of public debt increased significantly to 50.7 percent of GDP at end-December 2023 from 36.8 percent of GDP at end-December 2022, mainly due to exchange rate depreciation in the WAMZ and the securitisation of 'Ways and Means' Advances in Nigeria.

Developments in monetary aggregates showed that broad money supply expanded in the region by 34.4 percent in December 2023 compared to the growth rate of 17.6 percent recorded in the corresponding period of 2022, mainly due to the growth of both the Net Foreign Assets (NFA) and Net Domestic Assets (NDA), particularly, in the WAMZ.

The Community's current account deficit narrowed to 0.9 percent of GDP in 2023 from 1.7 percent of GDP in 2022, mainly due to improved trade balance in some Member States. Foreign exchange markets in the WAMZ have come under severe pressures in recent times, largely driven by external developments. This resulted in depletion of external reserves in some Member States as central banks resorted to their reserve buffers to finance imports and repay foreign debt.

Regarding macroeconomic convergence, only one Member State (Cabo Verde) satisfied all four (4) primary macroeconomic convergence criteria in 2023, reflecting the persistent inflation and fiscal pressures in the region

INTRODUCTION

1. This report was prepared by the West African Monetary Agency (WAMA). It evaluates the economic and financial performance of ECOWAS Member States for the year 2023 and the prospects for the year 2024. After an analysis of the global and regional macroeconomic situation, it examines the state of macroeconomic convergence during the period under review and proposes economic policy recommendations to the authorities of Member States with the aim of enabling them improve their macroeconomic performance. This work is done in accordance with the Protocol establishing the West African Monetary Agency (Decision A/Dec. 4/7/92 of the Conference of Heads of State and Government) as contained in its Articles 3, 4, and 9 and the provisions of Additional Act A/SA.01/12/15 amending Decision No. A/DEC.03/06/12 relating to the Macroeconomic Convergence and Stability Pact (MCSP) between the ECOWAS Member States.

2. It should be recalled that due to the macroeconomic difficulties and exceptional circumstances prevailing in Member States following the global pandemic, a new MCSP was developed and adopted by the Authority of Heads of State and Government on June 19, 2021, in order to guide the process of implementing the MCSP and creating the single currency in 2027. In addition to this decision, the years 2021 and 2020 were declared exceptional.

3. Thus, 2023 constitutes the second year in which Member States have the obligation to comply with the prescribed convergence criteria, in accordance with the MCSP towards the launch of the ECOWAS Single Currency. It is characterised by the strengthening and continuation of the recovery of the world economy, stable but slow and varying depending on the region.

4. Indeed, in the aftermath of the pandemic, supply chains are experiencing disruptions; an energy and food crisis arises following Russia's invasion of Ukraine; inflation is soaring and, in response, monetary policy is tightened in a synchronised manner around the world. Despite pessimistic forecasts, the resilience of the global economy remains remarkable: growth remains stable and inflation is falling faster than anticipated. However, the numerous challenges remain.

5. This report was prepared on the basis of information obtained during the joint surveillance missions of the ECOWAS Commission, WAMA and the West African Monetary Institute (WAMI) to Member States from April 9 to May 9, 2024. However, an update of certain data was made on the basis of the latest information received from Member States.

6. 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 2023. It has three sections. After the introduction, section 1 reviews the global economic environment, section 2 analyses the economic and financial performance at the regional level, section 3 provides an overview on the assessment of the state of macroeconomic convergence of ECOWAS in title of the year 2023. Part II of the report provides details on macroeconomic and financial developments as well as the state of convergence within individual Member States during the

year 2023 and the prospects for 2024. The report closes with the conclusion and the economic policy guidelines proposed to Member States for the short and medium term to strengthen their performance.

PART I: REGIONAL ANALYSIS

1. GLOBAL ECONOMIC DEVELOPMENTS

1.1. Introduction

7. The global economy remains surprisingly resilient, as growth remains stable in the face of the declining inflation trajectory. Several factors impacted the global economy including pandemic-induced supply-chain disruptions, the Russia-Ukraine conflict prompting a global energy and food crisis, and a marked increase in inflation. In a bid to curb inflationary pressures, most central banks globally tightened monetary policy. Despite all these negative factors, the global economy avoided a recession, with the banking system remaining largely stable and major emerging market economies did not suffer sudden stops.

8. Decisive monetary policy actions, as well as improved monetary policy frameworks, especially in emerging market economies, have helped anchor inflation expectations. As central banks began to exit the tight monetary policy stance, markets reacted exuberantly and financing conditions began to ease. Capital inflows to most emerging markets became buoyant and some low-income and frontier economies regained market access. However, while inflation trends are encouraging, core inflation is trending upwards, hence posing cautionary notes to global economies. Declines in energy prices were supported by easing supply-chain frictions, as well as by the decline in Chinese export prices, services inflation remains high and could derail the disinflation path.

9. Despite the disinflationary trends, real interest rates have increased, and sovereign debt dynamics have become less favourable in particular for highly indebted emerging markets.

1.2. Global Growth

10. According to the April 2024 edition of the World Economic Outlook, global growth was estimated at 3.2 percent in 2023 and initial projections are that it would remain unchanged in both 2024 and 2025. Although resilient, growth estimates remain below the historical (2000–19) annual average of 3.8 percent, mainly due to restrictive monetary policies and withdrawal of fiscal support, as well as low underlying productivity growth. Output was also impacted by the longer-term effects from the COVID-19 pandemic and Russia’s invasion of Ukraine; weak growth in productivity; and increasing geoeconomic fragmentation.

11. Growth in advanced economies was estimated at 1.6 percent in 2023 but projected to rise to 1.7 percent and 1.8 percent in 2024 and 2025, respectively, supported by increased growth in the United States despite the growth downgrade in the euro area. In the United States, growth is expected to strengthen from 2.5 percent in 2023 to 2.7 percent in 2024 but slowing down to 1.9 percent in 2025, attributed to the gradual fiscal tightening and slow aggregate demand. In the euro area, growth was estimated at 0.4 percent in 2023, influenced by the effects of the war in Ukraine. However, output is expected to recover to 0.8 percent in 2024, reaching 1.5 percent in 2025. The path to recovery is premised on stronger household consumption as the energy price shocks recede and inflationary pressures moderate. In the United Kingdom, growth is expected to rise from 0.1 percent in 2023 to 0.5 percent in 2024, supported by the waning of the lagged effects of the higher energy prices. Growth in Germany is expected to recover from the contraction of 0.3 percent

estimated in 2023 to 0.2 percent in 2024 before strengthening to 1.3 percent in 2025. In Japan, growth is projected to slow to 0.9 percent in 2024 from an estimated 1.9 percent in 2023, reflecting in part, the fading of the effects of the increased inbound tourism during 2023. However, output is expected to be slightly higher, at 1.0 percent in 2025.

12. In emerging market and developing economies, growth is expected to be relatively unchanged at 4.2 percent in 2024 and 2025, lower than the estimated 4.3 percent recorded in 2023. This development is anchored on the moderation of growth in China and Russia. In China, output is expected to slow from an estimated 5.2 percent in 2023 to 4.6 percent and 4.1 percent in 2024 and 2025, respectively due in part to easing of the post-pandemic aggregate demand and withdrawal of fiscal supports. The sluggishness in the property market is also expected to support the slowdown in economic activities in the medium term. Similarly, in Russia growth is projected to moderate from 3.6 percent in 2023 to 3.2 percent in 2024 and 1.8 percent in 2025, premised on the diminishing effects of high investment and robust private consumption, supported by wage growth in a tight labour market. In India, growth was estimated at 7.8 percent in 2023 and expected to remained resilient at 6.8 percent in 2024 and 6.5 percent in 2025, reflecting enhanced domestic demand and a rising working-age population.

13. In sub-Saharan Africa, growth is projected to rise from an estimated 3.4 percent in 2023 to 3.8 percent in 2024 and 4.0 percent in 2025, as the negative effects of earlier weather shocks subside and supply issues gradually improve. The projected growth trajectory is expected to be supported by continued upward trend in economic activities in Nigeria and South Africa, despite the lower growth projections for Angola arising from a contraction in the oil sector. In Nigeria, output is projected to be sustained at 3.3 percent in 2024 from 2.9 percent estimated in 2023, due in part to expected improvements in the oil sector. However, output is projected to moderate to 3.0 percent in 2025. Growth is project to rise in South Africa from the estimated 0.6 percent in 2023 to 0.9 percent in 2024 and further to 1.2 percent in 2025.

Table 1. 1: Real GDP Growth

Country/Group	**2019**	**2020**	**2021**	**2022**	**2023***	**2024****
	Percentage Change					
World	2.8	–2.7	6.5	3.5	3.2	3.2
Advanced Economies	1.8	–3.9	5.7	2.6	1.6	1.7
United States	2.5	–2.2	5.8	1.9	2.5	2.7
Euro Area	1.6	–6.1	5.9	3.4	0.4	0.8
Japan	–0.4	–4.1	2.6	1.0	1.9	0.9
United Kingdom	1.6	–10.4	8.7	4.3	0.1	0.5
Emerging Market and Development Economies	3.6	–1.8	7.0	4.1	4.3	4.2
China	6.0	2.2	8.4	3.0	5.2	4.6
India	3.9	–5.8	9.7	7.0	7.8	6.8
Russia	2.2	–2.7	6.0	–1.2	3.6	3.2
Brazil	1.2	–3.3	4.8	3.0	2.9	2.2
SSA	3.2	–1.6	4.7	4.0	3.4	3.8
Nigeria	2.2	–1.8	3.6	3.3	2.9	3.3
South Africa	0.3	–6.0	4.7	1.9	0.6	0.9

*Source: WEO April 2024 *estimates **projections*

1.3. Inflation

14. Global headline inflation is expected to moderate from an annual average of 6.8 percent in 2023 to 5.9 percent in 2024 and further to 4.5 percent in 2025. The decline in inflation is expected to be

more pronounced in advanced economies, where inflation is expected to return much earlier to rates near their pre-pandemic (2017–19) levels, reflecting the diminishing of relative price shocks, especially energy prices on account of increased global energy supply and effects of tight monetary policies.

15. Inflation in advanced economies is projected to moderate from 4.6 percent in 2023 to 2.6 percent in 2024 and further to 2.0 percent in 2025. However, in the emerging markets and developing economies, the decline in inflationary pressures is expected to be gradual, from 8.3 percent in 2023 and 2024 to 6.2 percent in 2025. Emerging market and developing economies are expected to return to their pre-pandemic average of close to 5.0 percent in 2026. However, inflation rates are projected to diverge significantly among emerging market and developing economies—from 2.4 percent for emerging and developing Asia, reflecting subdued inflation in China and Thailand, to 18.8 percent for emerging and developing Europe, reflecting elevated inflation in Turkey. In Sub-Saharan Africa, the trend in average inflation would mirror the speed of decline in emerging markets and developing economies. Declining from 16.2 percent in 2023 to 15.3 percent in 2024 and 12.4 percent in 2025. The decline is mainly influenced by price developments in major economies of the Zone. In Angola and South Africa, inflation is expected to have a downward trend in the medium term while in Nigeria, inflation would increase from 24.7 percent in 2023 to 26.3 percent in 2024 before moderating to 23.0 percent in 2025.

Table 1. 2: Average Inflation

Country/Group	**2019**	**2020**	**2021**	**2022**	**2023***	**2024****
	Percentage Change					
World Inflation	3.5	3.2	4.7	8.7	6.8	5.9
Advanced Economies	1.4	0.7	3.1	7.3	4.6	2.6
United States	1.8	1.2	4.7	8.0	4.1	2.9
Euro Area	1.2	0.3	2.6	8.4	5.4	2.4
Japan	0.5	0.0	–0.2	2.5	3.3	2.2
United Kingdom	1.8	0.9	2.6	9.1	7.3	2.5
Emerging Market and Development Economies	5.1	5.2	5.9	9.8	8.3	8.3
China	2.9	2.5	0.9	2.0	0.2	1.0
India	4.8	6.2	5.5	6.7	5.4	4.6
Russia	4.5	3.4	6.7	13.7	5.9	6.9
Brazil	3.7	3.2	8.3	9.3	4.6	4.1
Sub-Saharan Africa	8.1	10.2	11	14.5	16.2	15.3
Nigeria	11.4	13.2	17	18.8	24.7	26.3
South Africa	4.1	3.3	4.6	6.9	5.9	4.9

*Source: WEO April 2024 *estimates **projections*

1.4. Global Commodity Prices and Trade

16. Commodities prices broadly declined in 2023, with prices of fuel commodities declining by 12.3 percent compared to an increase of 17.9 percent. Oil prices declined by 16.4 percent to US$80.6 per barrel in 2023 from U$96.4 per barrel in 2022. Prices of fuel commodities are projected to fall in 2024 by, on average, 9.7 percent, with oil prices falling by about 2.5 percent to US$78.6 per barrel. This development reflects abundant spare capacity and strong non-OPEC+ supply growth.

17. Coal and natural gas prices are expected to continue to slide from their earlier peaks, by 25.1 percent and 32.6 percent for coal and natural gas, respectively, in 2024. New supply, subdued demand and higher storage levels is making the gas market more balanced. Metal prices are expected to fall further in 2024, but picking up in 2025 as China's property sector stabilises and

demand for metals such as copper and nickel used in the green transition increases. A greater-than-expected downturn in China's real estate sector is a key downside risk to prices.

18. Nonfuel commodity prices are expected to be broadly stable in 2024, with prices for base metals expected to fall by 1.8 percent, due to weaker industrial activity in Europe and China. Food commodity prices are predicted to decline by 2.2 percent in 2024, explained by expectations of abundant global supplies for wheat and maize.

19. Global trade remained fragile shaped by geopolitical tensions and growing geoeconomic fragmentation. World trade growth slowed significantly to 0.3 percent in 2023 from 5.6 percent in 2022 but projected to improve to 3.0 percent in 2024 and 3.3 percent in 2025. However, volumes are expected to remain below its historical (2000–19) annual average growth rate of 4.9 percent over the medium term. Despite world trade-to-GDP ratios remaining relatively stable, significant shifts in trade patterns are taking place, with increasing fractures along geopolitical lines, especially since the start of the Russia-Ukraine war.

1.5. Monetary Policy and Interest Rates

20. In order to combat heightened inflationary pressures, major central banks have raised interest rates in a more synchronised way to levels deemed as restrictive. Consequently, credit availability became generally tight, leading to difficulties for debt refinancing, rising bankruptcies and subdued investment in several economies. This has led to rising defaults and lower investments and valuations in some economies reflecting in part effects of higher borrowing costs.

21. However, despite initial concerns, a global economic downturn caused by a sharp rise in policy rates was avoided. Measures to soften the impact on households has declined in advanced economies, and with inflation expectations falling, real policy rates are rising even where central banks have not changed nominal rates. At the same time, with inflation moving toward targets, market expectations that policy rates will decline have generally contributed to a decline in long-term borrowing rates, rising equity markets and an easing in overall global financial conditions. However, funding remains more expensive than before the pandemic, with the impact of the financial crunch heavier on emerging market and developing economies. Global financing conditions are expected to improve, with inflation projected to continue declining toward targets and longer-term inflation expectations remaining anchored, and policy rates of central banks in major advanced economies are generally expected to start declining in the second half of 2024.

2. MACROECONOMIC AND FINANCIAL DEVELOPMENTS IN ECOWAS

2.1. Introduction

22. The macroeconomic policy thrust in ECOWAS in 2023 focused mainly on strengthening economic resilience and restoring fiscal and debt sustainability and ensuring price and exchange rate stability, following the economic challenges that characterised the region in 2022. Policy interventions were directed at strengthening fiscal consolidation through enhancing domestic revenue mobilisation and efficiency of public spending while protecting vulnerable households. Policy priorities also include economic diversification through increased investment in the agriculture value chain and infrastructure development, as well as improved security and good governance. Additionally, monetary policy was calibrated to respond effectively to the heightened inflationary pressures in the region.

23. However, financing constraints emanating from higher global interest rates weighed heavily on the economies of ECOWAS Member States. Heightened inflationary and foreign exchange market pressures have eroded household purchasing power, creating a cost-of-living crisis; disrupting economic activities and increasing debt vulnerabilities in the region.

24. Available data showed that, real GDP growth in ECOWAS slowed to 3.7 percent in 2023 from 3.9 percent in 2022, explained largely by lower output in the agriculture and industry sectors in some Member States. Tighter monetary policy stance and fiscal consolidation also weighed heavily on growth in the region. At the sub-regional level, growth in the WAMZ was estimated at 3.1 percent in 2023, down from 3.4 percent in 2022, reflecting downturns in Nigeria and Ghana. Similarly, in the WAEMU, growth slowed to 5.3 percent in 2023 from 5.5 percent in 2022, reflecting subdued growth in Burkina Faso and Niger. In Cabo Verde, growth decelerated to 5.1 percent in 2023 from 17.1 percent in 2022, reflecting a base effect and return of growth to its optimal growth path.

25. Despite the general decline in global food prices and central banks' efforts to curb inflation, inflationary pressures remained elevated in the ECOWAS region, largely due to the pass-through effect of exchange rate depreciation and withdrawal of fuel subsidies in some Member States. End period inflation stood at 19.9 percent in December 2023, slightly down from 20.9 percent in December 2022. However, average annual inflation accelerated to 19.8 percent in 2023 from 17.4 percent in 2022. In the WAMZ, end-period inflation accelerated to 27.1 percent in December 2023 from 25.0 percent in December 2022, while average inflation rose to 26.4 percent in 2023 from 20.1 percent in 2022, reflecting exchange rate passthrough and rising cost of food and energy. In the WAEMU, both end-period and annual average inflation declined to 2.5 percent and 3.7 percent in 2023 from to 7.0 percent in 7.4 percent, in 2022, respectively, on the back of declining food and fuel prices supported by a strong CFA franc.

26. Fiscal policy implementation focused on strengthening fiscal consolidation efforts which have been underway over the past years. Consequently, the budget deficit on commitment basis, excluding grants narrowed to 5.4 percent of GDP in the review period from 5.7 percent of GDP in 2022. Including grants, the budget deficit declined to 5.1 percent of GDP in 2023 from 5.4 percent in 2022. The moderation of the budget deficit was mainly attributed to robust revenue mobilisation

and the unwinding of the pandemic and subsidy-related expenditures. In the WAMZ, the budget deficit, excluding grants stood at 5.2 percent of GDP in 2023 compared to 5.1 percent of GDP in 2022, while the deficit including grants remained unchanged at 5.0 percent in 2023 and 2022. In the WAEMU, the budget deficit, excluding grants narrowed to 6.1 percent of GDP in 2023 from 7.9 percent of GDP in 2022, while deficit including grants improved to 5.2 percent from 6.9 percent of GDP in 2022, supported by improved domestic revenue mobilisation.

27. The stock of public debt increased significantly to 50.7 percent of GDP at end-December 2023 from 36.8 percent of GDP at end-December 2022, mainly due to exchange rate depreciation and the securitisation of 'Ways and Means' advances in Nigeria. In the WAMZ, the debt stock stood at 46.7 percent of GDP at end-December 2023 compared to 30.3 percent of GDP at end-December 2022, reflecting an 18.6 percentage points increase in Nigeria's public debt. In the WAEMU, the debt-to-GDP ratio increased to 59.1 percent at end-December 2023 from 57.6 percent in the previous year.

28. Monetary policy stance in the region was generally tight during the review period as most member central banks increased their monetary policy rates to curb the inflationary pressures. Developments in monetary aggregates showed that broad money supply expanded in the region by 34.4 percent in the 12-month period ended-December 2023 compared to the growth rate of 17.6 percent recorded in the corresponding period of 2022, mainly due to the growth of both the NFA and NDA, particularly, in the WAMZ.

29. External sector performance in the ECOWAS region was shaped by developments in the global economy. The Community's trade balance improved, supported by improved export earnings and import compression on the back of exchange rate depreciation. Consequently, the current account deficit in the ECOWAS region narrowed to 0.9 percent of GDP in 2023 from 1.7 percent of GDP in 2022. Similarly, the overall BOP deficit narrowed to 1.3 percent of GDP from 1.6 percent of GDP in 2022. In the WAMZ, the current account balance improved to a surplus of 1.8 percent of GDP in 2023 compared to 0.8 percent of GDP in 2022, reflecting improved current account surpluses in Nigeria, Ghana, and Guinea. In the WAEMU, the current account deficit narrowed to 7.5 percent of GDP in 2023 from 9.9 percent of GDP in 2022, reflecting improvements in the balances of goods and services in the Union.

30. Foreign exchange markets in the WAMZ have come under severe pressures in recent times, largely driven by external developments. Interest rate hikes in advanced economies to curb inflation and the flight to safety by investors led to significant decline in net foreign exchange flows into the region. However, the foreign exchange markets were fairly stable in WAEMU and Cabo Verde, where the exchange rates are pegged to the euro. The exchange rate pressures also manifested in the depletion of external reserves as central banks resorted to their reserve buffers to finance imports and repay foreign debt.

2.2. Real Sector

31. Real GDP growth in the ECOWAS declined to 3.7 percent in 2023 from 3.9 percent in 2022, largely due to subdued growth in agriculture (mainly in Niger, Ghana and Nigeria) and industry

(notably in Ghana and Nigeria) sectors. The tighter financing conditions due to increased monetary policy rates by most central banks to tame inflationary pressures and ongoing fiscal consolidation to improve fiscal space and restore debt sustainability also constrained growth in some Member States.

32. At the sub-regional level, growth in the WAEMU slowed to 5.3 percent in 2023 from 5.5 percent in 2022, reflecting subdued growth in Niger. Similarly, in the WAMZ, growth moderated to 3.1 percent in 2023 from 3.4 percent in 2022, on account of suboptimal growth in Nigeria and Ghana. However, growth in ECOWAS is projected to increase to 4.5 percent in 2024, on account of improved growth in both the WAEMU and WAMZ, with projected growth rates of 7.2 percent and 3.4 percent, respectively, premised on expected improvements in the global financing conditions and robust growth across the sectors, particularly, the expected recovery of the extractive sub-sector in some Member States.

33. Despite the overall slowdown, growth was observed to be uneven across Member States during the period. Real GDP growth in Côte d'Ivoire accelerated to 6.5 percent in 2023 from 6.2 percent a year earlier, showing the highest growth in the region in 2023, supported by robust growth in the industry (10.3%) and services (8.4%) sectors, despite the contraction of the primary sector. Growth also increased in Benin (6.4% from 6.3%) and Togo (6.4% from 5.8%) in 2023, on account of favourable agricultural season in Benin and improved trade related services in Togo. Growth in Senegal also edged up to 4.6 percent in 2023 from 3.8 percent in 2022, driven by growth across all sectors. Similarly, growth expanded in Mali (4.7% from 3.5), Guinea Bissau (5.1% from 4.5) and Burkina Faso (3.6% from 1.8%), on the back of improved agricultural production.

34. In the WAMZ, with the exception of Guinea, all the Member States recorded lower growth rates in 2023. Nigeria's growth declined to 2.9 percent in the review period from 3.3 percent in 2022, mainly reflecting lower output in the agriculture and industry sectors, arising from security threats in the farming communities and challenges in the petroleum sector. In Ghana, growth declined to 2.9 percent from 3.8 percent in 2022, on the back of contraction in the industrial sector due to declines in petroleum, electricity and construction activities. Ghana's services sector also slowed due to significant slowdown in information and communication and financial and insurance activities. The Gambia's growth slowed marginally to 4.7 percent from 4.9 percent in 2022 as a result of the contraction of education services, public administration and defence, professional, scientific and technical services as well as arts, entertainment, and recreation services. Similarly, growth in Liberia slowed (4.6% from 4.8%) due to slower growth in the primary and secondary sectors of the economy. In Sierra Leone, growth slowed (3.4% from 3.5%) in 2023 mainly attributed to sub-optimal output in agriculture and mining. However, in Guinea, growth increased to 5.9 percent from 4.0 percent in 2022, bolstered by reforms in the mining sector, favourable agricultural season and improved activity in the construction subsector.

35. In Cabo Verde, growth declined significantly to 5.1 percent in 2023 from 17.4 percent in 2022, reflecting base effects and return to its optimal growth path. The economy also witnessed significant slowdown in the industry sector due to contractions in the extractive and construction activities, and in the services sector due to contractions in trade and repair, education, and health

and social welfare. Transport and storage as well as hotels and restaurants also experienced significant slowdowns in 2023. The country's primary sector continued to contract for a second consecutive year, as a result of continuous declines in agriculture, livestock and forestry sub-sectors.

Table 2. 1: Trends in Real GDP Growth

YEAR	2010	2019	2020	2021	2022	2023	2024**
ECOWAS	**7.3**	**3.1**	**-0.8**	**4.3**	**3.9**	**3.7**	**4.5**
WAEMU	**4.2**	**5.6**	**1.8**	**5.9**	**5.5**	**5.3**	**7.2**
BENIN	2.1	6.9	3.8	7.2	6.3	6.4	6.5
BURKINA FASO	8.5	5.7	1.9	6.9	1.8	3.6	5.5
COTE D'IVOIRE	2.0	6.2	2.0	7.1	6.2	6.5	7.2
GUINEE BISSAU	4.6	4.5	1.5	6.5	4.5	5.1	5.9
MALI	5.4	4.8	-1.2	3.1	3.5	4.7	5.0
NIGER	8.4	5.9	3.6	1.4	11.9	4.4	13.0
SENEGAL	4.2	4.6	1.3	6.1	3.8	4.6	7.3
TOGO	4.0	5.5	2.0	6.0	5.8	6.4	6.6
WAMZ	**7.9**	**2.7**	**-1.4**	**3.8**	**3.4**	**3.1**	**3.4**
GAMBIA, THE	6.5	6.7	0.6	5.3	4.9	4.7	4.7
GHANA	7.9	6.5	0.5	5.1	3.8	2.9	3.1
GUINEE	1.9	5.6	7.0	4.9	4.0	5.9	4.2
LIBERIA	6.1	-2.5	-3.0	5.0	4.8	4.6	5.3
NIGERIA	8.0	2.3	-1.9	3.6	3.3	2.9	3.3
SIERRA LEONE	5.3	5.5	-1.3	5.9	5.3	5.7	4.7
CABO-VERDE	**1.5**	**5.7**	**-20.8**	**7.0**	**17.4**	**5.1**	**4.5**

*Source: Ministry of Finance of Member States, Bureau of statistics of Member States. WAMA; IMF; *Provisional **Projections*

Structure of ECOWAS Economies

36. The tertiary (services) sector remained the largest sector in the region's economy and increased its share to 56.3 percent from 55.5 percent of GDP in 2022. The primary sector, comprising largely of agriculture, forestry, livestock, and fisheries accounted for 23.8 percent of GDP in 2023 compared to 23.9 percent in 2022. The secondary (industry) sector, which includes mining, manufacturing and construction sub-sectors remained unchanged at 20.5 percent of GDP in both 2023 and 2022. In the WAEMU, the three sectors (primary, secondary and tertiary), constituted 21.2 percent, 21.8 percent and 57.1 percent in 2023 compared to 21.5 percent, 21.4 percent and 57.2 percent in 2022, respectively. In the WAMZ, they constituted 24.8 percent, 20.3 percent and 55.9 percent of GDP in 2023 compared to 24.9 percent, 20.1 percent and 54.8 percent of GDP in 2022, respectively. In Cabo Verde, primary, secondary and tertiary sectors constituted 3.5 percent, 10.2 percent and 86.3 percent in 2023 compared to 3.9 percent, 10.6 percent and 85.5 percent in 2022, respectively.

37. In terms of contribution to ECOWAS GDP growth rate of 3.7 percent in 2023, the primary, secondary, and tertiary sectors contributed 0.5 percentage point, 0.5 percentage point and 2.7 percentage points, compared to 0.8 percentage point, -0.4 percentage point, and 3.6 percentage points, respectively, in 2022.

Table 2. 2: Sector Share of GDP and Contribution to Growth

	2020	2021	2022	2023*	2020	2021	2022	2023*
	Sector Share of GDP				Sector Contribution to GDP			
ECOWAS					**-0.8**	**4.3**	**3.9**	**3.7**
Primary	24.6	24.2	23.9	23.8	0.7	0.7	0.8	0.5
Secondary	22.9	22.1	20.5	20.5	-0.8	0.2	-0.4	0.5
Tertiary	52.5	53.6	55.5	56.3	-0.8	3.3	3.6	2.7
WAEMU					**1.8**	**6.0**	**5.5**	**5.6**
Primary	21.5	20.4	21.5	21.2	0.9	0.4	1.5	0.5
Secondary	20.7	20.5	21.4	21.8	0.2	1.3	0.7	1.6
Tertiary	57.9	59.1	57.2	57.1	0.8	4.3	3.4	3.6
WAMZ					**-1.4**	**3.8**	**3.4**	**3.0**
Primary	25.6	25.5	24.9	24.8	0.7	0.8	0.6	0.4
Secondary	23.5	22.6	20.3	20.1	-1.0	-0.1	-0.7	0.2
Tertiary	50.9	51.9	54.8	55.9	-1.1	3.1	3.6	2.4
CABO VERDE					**-19.3**	**7.0**	**17.4**	**5.1**
Primary	6.1	5.3	3.9	3.5	0.4	-0.4	-0.7	-0.3
Secondary	12.3	11.5	10.6	10.2	-1.5	0.1	0.9	0.1
Tertiary	81.6	83.1	85.5	86.3	-14.9	7.4	17.2	5.3

Source: Member States/ WAMA **Provisional*

Inflation

38. In 2023, inflationary pressures remained elevated in the region, reflecting the pass-through effect of exchange rate depreciation and withdrawal of fuel subsidies in some Member States. Average inflation increased to 19.8 percent in the review period from 17.1 percent in 2022. End-period inflation stood at 19.9 percent in December 2023 compared to 20.9 percent in December 2022, a marginal decline reflecting the impact of the monetary policy and fiscal measures aimed at controlling inflation. However, price developments showed significant variations across the Zones as inflation declined significantly in the WAEMU but intensified in the WAMZ.

39. In the WAMZ, end period inflation rose to 27.1 percent in December 2023 from 25.0 percent in the corresponding period of 2022, despite monetary policy tightening by most central banks in the Zone. This increase was driven by diverse factors across countries within the Zone. In Nigeria, end period inflation rose to 28.9 percent in December 2023 from 21.3 percent in December 2022, reflecting increased energy cost emanating from the withdrawal of fuel subsidies, food prices, and exchange rate pass-through effects. Similarly, inflation accelerated in The Gambia (17.3 % from 13.7%), Liberia (10.0% from 9.2%), and Sierra Leone (52.2% from 37.1%), due largely to high fuel and energy prices, food prices and exchange rate pass through. However, in Ghana, end period inflation decelerated significantly to 23.2 percent in December 2023 from 54.1 percent in December 2022, attributed to moderations in both food and non-food prices, tight monetary policy stance, fiscal consolidation, and relative exchange rate stability. In contrast, average inflation rose sharply in Ghana to 40.3 percent in 2023 from 31.9 percent in 2022, reflecting persistent inflationary pressures. In Guinea, annual average inflation moderated to 7.8 percent from 10.5 percent in 2022, supported by stable transport costs and fiscal consolidation. However, end-period inflation edged-up slightly to 9.3 percent in December 2023 from 8.6 percent in December 2022, attributed to the explosion in the petroleum depot resulting in increased fuel prices.

40. In the WAEMU, end period inflation moderated to 2.5 percent in December 2023 from 7.0 percent in December 2022, aided by increased cereal production for the 2022/2023 agricultural season, fiscal measures instituted by governments to support purchasing power and a tighter monetary

policy stance by the BCEAO. Additionally, the decline in international prices of imported foodstuffs and crude oil along with the appreciation of the euro against the US dollar contributed to the deceleration of inflation in the union. In Cote d'Ivoire, end period inflation declined to 3.9 percent in December 2023 from 5.1 percent in December 2022, due to tax exemptions and price controls on some essential consumer goods in the country. In Senegal, inflation declined significantly to 0.8 percent in December 2023 from 12.8 in December 2022, as a result of a slowdown in the prices of consumer products (food products, fresh products, in particular meat, fish and cereal products).

41. Similarly, in Guinea Bissau, end period inflation declined to 3.1 percent in December 2023 from 9.5 percent in December 2022, aided by moderation in the prices of housing, water, gas, electricity and other fuels. Mali recorded a deflation of 0.5 percent in December 2023 compared to the inflation rate of 7.8 percent recorded in December 2022, mainly attributed to improved agriculture production which contributed to the drastic decline in food inflation. In Togo, inflation declined to 3.5 percent in December 2023 from 7.7 percent in December 2022, supported by moderation in prices of food and non-alcoholic beverages, and transport. Similarly, end period inflation in Benin declined to 0.4 percent in December 2023 from 2.8 percent in the corresponding period a year ago, influenced by the general decline in food and energy prices. However, in Niger, end period inflation increased to 7.2 percent in December 2023 from 3.1 percent a year ago, mainly driven by the ECOWAS sanctions that cut off Niger from many of its traditional trading partners, thereby leading to shortage of essential commodities including medicine, cereals, sugar, powdered milk, and vegetable oil.

42. In Cabo Verde, both end period and annual average inflation declined to 1.3 percent and 3.7 percent in December 2023 from 7.6 percent and 7.9 percent, respectively, in the corresponding a year earlier, mainly due to lower energy prices and moderation in international food prices.

Table 2. 3: Inflation (end-period)

	2019	**2020**	**2021**	**2022**	**2023***	**2024****
ECOWAS	**9.7**	**12.1**	**13.1**	**20.9**	**19.9**	**16.2**
WAEMU	**-0.5**	**2.2**	**6.0**	**7.0**	**2.5**	**2.7**
BENIN	0.3	1.1	5.0	2.8	0.4	1.7
BURKINA FASO	-2.6	2.3	8.0	9.6	1.0	4.0
CÔTE D'IVOIRE	1.6	2.3	5.6	5.1	3.9	2.1
GUINEA BISSAU	-0.1	1.5	5.8	9.5	3.1	3.5
MALI	-3.3	0.7	8.8	7.8	-0.5	3.2
NIGER	-2.3	3.1	4.9	3.1	7.2	1.3
SENEGAL	0.6	2.4	3.8	12.8	0.8	3.8
TOGO	-0.3	3.6	6.1	7.7	3.5	2.1
WAMZ	**11.7**	**14.9**	**15.1**	**25.0**	**27.1**	**21.8**
GAMBIA, THE	7.7	5.7	7.6	13.7	17.3	12.9
GHANA	7.9	10.4	12.6	54.1	23.2	15.0
GUINEA	9.1	10.6	12.2	8.6	9.3	12.1
LIBERIA	20.3	13.1	5.5	9.2	10.0	8.0
NIGERIA	12.0	15.8	15.6	21.3	28.9	24.0
SIERRA LEONE	13.9	10.4	17.9	37.1	52.2	22.9
CABO-VERDE	**1.9**	**-0.9**	**5.4**	**7.6**	**1.3**	**2.0**

*Source: Ministry of Finance of Member States, Bureau of statistics of Member States. WAMA; IMF; *Provisional **Projections*

2.3. Fiscal Sector

43. Fiscal operations in the region focused on fiscal consolidation, involving enhancing revenue mobilisation and improving efficiency of public spending, while safeguarding social spending. As

a result, the budget deficit excluding grants moderated to 5.4 percent of GDP in 2023 from 5.7 percent of GDP in 2022. Including grants, the deficit narrowed to 4.1 percent of GDP from 5.5 percent of GDP in 2022.

44. In the WAMZ, the budget deficit excluding grants edged up to 5.2 percent of GDP in 2023 from 5.1 percent of GDP in 2022, given the ongoing fiscal consolidation efforts in the Zone. The budget deficit including grants declined to 5.1 percent of GDP in 2023 from 6.9 percent of GDP in 2022. In Nigeria, the budget deficit (both including and excluding grants) increased to 5.6 percent of GDP in 2023 from 4.2 percent of GDP in 2022, attributed to the significant increase in both recurrent—partly due to the 2023 general elections—and capital expenditures. Similarly, in The Gambia, the deficit, excluding grants increased to 11.9 percent of GDP from 10.3 percent of GDP in 2022, mainly attributed to significant increase in capital expenditures for infrastructure projects related to the hosting of the OIC meetings in 2024. Including grants, the deficit moderated to 4.0 percent from 4.8 percent in 2022, reflecting significant inflows of projects grants.

45. In Guinea, the deficit excluding grants increased to 2.1 percent of GDP in 2023, from 0.9 percent of GDP in 2022 while the deficit including grants increased to 1.2 percent of GDP in 2023 from 0.4 percent of GDP in 2022, primarily due to significant increase in capital expenditures. In Ghana, the budget deficit, both excluding and including grants, declined to 4.0 percent of GDP and 3.7 percent of GDP, respectively, in 2023 from 11.9 percent of GDP and 11.8 percent of GDP in 2022, respectively, reflecting improved domestic revenue mobilisation and fiscal consolidation. In Sierra Leone, the deficit excluding grants was 7.7 percent of GDP in 2023 compared to 9.1 percent of GDP in 2022 while the deficit including grants was 5.0 percent of GDP against 5.3 percent of GDP) in 2022, driven by base drift effect from the recent GDP rebasing exercise and improvements in domestic revenue. In Liberia, the budget deficit excluding grants stood at 0.8 percent of GDP in 2023 compared with 0.1 percent of GDP in 2022, reflecting the authorities' commitment to the balance budget objectives.

Table 2. 4: Budget Deficit (excluding grants) (% of GDP)

YEAR	**2019**	**2020**	**2021**	**2022**	**2023**	**2024****
ECOWAS	**3.5**	**5.3**	**5.0**	**5.7**	**5.4**	**4.5**
WAEMU	**4.2**	**7.4**	**6.9**	**7.9**	**6.1**	**5.7**
BENIN	1.6	5.1	6.7	6.0	4.9	4.5
BURKINA FASO	4.8	8.1	8.3	11.1	8.0	8.2
COTE D'IVOIRE	3.1	6.0	5.3	7.3	5.9	4.5
GUINEA BISSAU	7.5	13.1	10.8	10.2	10.7	7.0
MALI	3.6	6.6	5.5	5.2	4.2	5.1
NIGER	10.4	12.1	13.4	11.5	6.5	9.2
SENEGAL	5.6	8.7	7.2	7.0	5.9	6.1
TOGO	1.6	9.5	6.5	10.8	9.7	6.5
WAMZ	**3.3**	**4.7**	**4.5**	**5.1**	**5.2**	**4.1**
GAMBIA, THE	8.2	12.1	10.0	10.3	11.9	8.1
GHANA	4.4	10.8	8.7	11.9	4.0	4.5
GUINEA	1.0	3.1	2.3	0.9	2.1	3.8
LIBERIA	0.9	-0.8	1.0	0.1	0.8	0.0

NIGERIA	3.3	3.8	3.9	4.2	5.6	3.8
SIERRA LEONE	6.3	7.0	7.0	9.1	7.7	8.7
CABO-VERDE	**5.0**	**11.5**	**9.6**	**4.9**	**1.6**	**3.4**

*Source: Ministry of Finance of Member States, Bureau of statistics of Member States. WAMA/ IMF *Provisional **Projections*

46. In the WAEMU, the fiscal situation improved significantly, with the budget deficit (including and excluding grants) moderating to 5.2 percent of GDP and 6.1 percent of GDP in 2023 from 6.9 percent of GDP and 7.9 percent of GDP in 2022, respectively, reflecting an increase in domestic revenues coupled with expenditure restraints. The deficit (excluding grants) declined in Benin (4.9% of GDP from 6.0% of GDP), Côte d'Ivoire (5.9% of GDP from 7.3% of GDP), Senegal (5.9% of GDP from to 7.0% of GDP), Niger (6.5% of GDP from 11.5% of GDP), and Mali (4.2% of GDP from 5.2% of GDP), on the back of improvements in revenue mobilisation. Similarly, the deficit declined in Togo (9.7% of GDP from 10.8% of GDP) and Burkina Faso (8.0% of GDP from 11.1% of GDP), due to improvements in revenue collection and moderation in expenditures. However, in Guinea Bissau, the deficit (both including and excluding grants) increased to 10.7 percent of GDP and 8.7 percent of GDP, respectively, in 2023 from 10.2 percent of GDP and 6.5 percent of GDP in 2022, reflecting persistent fiscal pressures.

47. In Cabo Verde, the budget deficit including grants declined significantly to 0.3 percent of GDP in 2023 from 4.0 percent of GDP in 2022, supported by improvements in domestic revenue mobilisation and spending restraints. Excluding grants, the deficit was 1.6 percent of GDP compared to 4.9 percent of GDP in 2022.

Public Debt Stock

48. The stock of public debt in the region increased to 50.7 percent of GDP at end-December 2023 from 36.8 percent of GDP at end-December 2022. The sharp rise in public debt was mainly due to exchange rate depreciation, additional borrowing in some Member States and the securitisation of the Federal Government of Nigeria's Ways and Means Advances.

49. In the WAEMU, total public debt increased to 59.7 percent of GDP at end-December 2023 compared to 57.4 percent of GDP at end-December 2023, explained by financing of infrastructure projects. The debt ratio increased in Mali (56.0% of GDP from 49.9% of GDP), Niger (54.9% of GDP from 50.7% of GDP), Senegal (73.6% of GDP from 68.4% of GDP), and Guinea Bissau (81.7% of GDP from 79.7% of GDP), reflecting persistent fiscal pressures. In Benin, Cote d'Ivoire, and Togo, the debt stock stood at 54.5 percent of GDP, 58.1 percent of GDP, and 66.6 percent of GDP at end-December 2023 compared to 54.0 percent of GDP, 56.6 percent of GDP, and 65.6 percent of GDP at end-December 2023, respectively while it moderated in Burkina Faso to 56.3 percent of GDP in December 2023 from 57.3 percent of GDP in December 2022. Total public debt in the Zone is, however, projected to moderate to 58.0 percent of GDP in 2024, reflecting moderation in fiscal pressures.

50. In the WAMZ, the stock of public debt rose by 16.4 percentage points to 46.7 percent of GDP at end-December 2023 from 30.3 percent of GDP at end December 2022, reflecting substantial increase in Nigeria's public debt stock to 41.5 percent of GDP from 22.9 percent of GDP end-December 2022, attributed to securitised Ways and Means advances. In Ghana, the debt ratio

declined to 72.3 percent of GDP in 2023 from 72.9 percent of GDP in 2022, reflecting fiscal reforms and the base drift effect. The debt ratio increased in Guinea and Liberia to 40.2 percent of GDP and 54.0 percent of GDP at end-December 2023, from 33.9 percent of GDP and 50.8 percent of GDP at end-December 2022, respectively, occasioned by increased domestic borrowing to finance ongoing infrastructure projects and make up for revenue shortfalls. The debt ratios declined in The Gambia and Sierra Leone to 76.7 percent of GDP and 42.7 percent of GDP at end-December 2023 from 81.4 percent of GDP and 51.7 percent of GDP at end- December 2023, respectively, as a result of fiscal consolidation in The Gambia and base drift effect in Sierra Leone. The debt stock is projected to moderate in the WAMZ to 40.8 percent of GDP at end-December 2024, on the back of ongoing fiscal reforms to restore debt sustainability in some Member States.

51. In Cabo Verde, the debt ratio significantly reduced to 116.2 percent of GDP at end-December 2023 from 122.2 percent of GDP at end-December 2022, reflecting remarkable progress on fiscal consolidation as evidenced by the low budget deficit recorded during the review period. The debt to GDP ratio in Cabo Verde is projected to decline to 109.7 percent of GDP in December 2024, premised on implementation of fiscal reforms aimed at reducing the debt burden.

Table 2. 5: Total Public Debt (% of GDP)

YEAR	2019	2020	2021	2022	2023	2024**
ECOWAS	**24.0**	**34.0**	**35.3**	**36.8**	**50.7**	**46.0**
WAEMU	**42.9**	**49.8**	**54.4**	**57.4**	**59.7**	**58.0**
BENIN	41.3	46.1	49.8	54.0	54.5	53.6
BURKINA FASO	42.1	45.8	55.1	57.3	56.3	63.3
COTE D'IVOIRE	37.6	46.3	50.2	56.6	58.1	53.6
GUINEA BISSAU	55.4	69.2	74.7	79.7	81.7	79.7
MALI	40.6	47.3	52.0	49.9	56.0	56.6
NIGER	39.1	45.0	50.8	50.7	54.9	53.1
SENEGAL	57.1	63.2	67.2	68.4	73.6	70.1
TOGO	53.6	60.1	63.0	65.5	66.7	66.4
WAMZ	**20.2**	**29.1**	**29.6**	**30.3**	**46.7**	**40.8**
GAMBIA, THE	80.3	85.1	84.2	81.4	76.7	65.2
GHANA	62.4	74.4	76.2	72.9	72.3	72.1
GUINEA	36.9	47.4	35.5	33.9	40.2	48.8
LIBERIA	42.0	52.6	49.4	50.8	54.0	52.7
NIGERIA	15.6	21.3	22.5	22.9	41.5	33.6
SIERRA LEONE	61.0	46.0	45.4	51.7	42.7	43.9
CABO-VERDE	**130.4**	**145.6**	**146.8**	**122.2**	**116.2**	**109.7**

*Source: Ministry of Finance of Member States, Bureau of statistics of Member States. WAMA; IMF; *Provisional   **Projections*

2.4. Monetary Sector

52. The monetary policy stance in the region was generally tight as most member central banks raised interest rates in response to the inflationary pressures. The Central Bank of Nigeria (CBN), Bank of Ghana (BOG), Bank of Sierra Leone (BSL), Bank of Cabo Verde (BCV), Central Bank of West African States (BCEAO), Central Bank of The Gambia (CBG) and Central Bank of Liberia (CBL) tightened the policy stance to curb inflationary pressures. Conversely, the Central Bank of the Republic of Guinea (BCRG) maintained the monetary policy rate at 11.5 percent for most part of

the year until September 2023 when the rate was reduced by 50 basis points to 11.0 percent, aimed at stimulating credit to the private sector and support economic growth.

53. In response to the heightened inflationary pressures, the CBN raised the policy rate cumulatively by 225 basis points to 18.75 percent in July 2023 from 16.5 percent in November 2022. Similarly, the BCEAO increased its policy rate cumulatively by 25 basis points in 2023, bringing the minimum bid rate and the marginal lending window rate to 3.5 percent and 5.5 percent respectively. However, the reserve requirement ratio for banks remained unchanged at 3.0 percent. The BOG raised its policy rate cumulatively by 300 basis points from 27.0 percent November 2022 to 30.0 percent in July 2023, maintaining this level for the remainder of the year. The BOG also increased the cash reserve requirement to mop up excess liquidity from the market. The CBL also increased its policy rate to 18.5 percent at end December 2023 from 16.5 percent in the corresponding period of 2022 alongside adjustments in commercial and treasury bills rates. The BCV also increased its policy rate to 1.0 percent in 2023 from 0.25 percent in 2022 while reducing savings and commercial rates. However, it maintained the 91-day treasury bills rate.

54. With regards to monetary aggregates, broad money supply expanded in ECOWAS by 34.4 percent at end-December 2023 compared to the growth of 17.6 percent in the corresponding period of 2022, supported by developments in both the NDA and NFA in the WAMZ. Growth in broad money accelerated to 47.6 percent in the WAMZ from 19.7 percent in the corresponding period a year earlier, reflecting significant growth in the NDA, driven by increases in both claims on the private sector and net claims on government. Growth in claims on the private sector accelerated to 48.4 percent in December 2023 from 12.7 percent in December 2022, reflecting the policy of stimulating private sector credit to bolster growth. Meanwhile, growth in net claims on government moderated significantly to 33.8 percent from 67.5 percent in December 2022, reflecting a base effect and reduction in deficit monetisation. The growth of net claims on government was supported by the on-lending of IMF resources to governments by central banks in the region. Similarly, the growth of NFA recovered strongly to 74.1 percent from a contraction of 81.2 percent in December 2022 on the back of significant increases in the NFA of the central banks of some countries of the Zone. For instance, the NFA of the BOG expanded by 119.2 percent in December 2023, following the 312.1 percent contraction in December 2022, supported by inflows from the gold for reserve programme, forex purchases, and proceeds from the IMF's Extended Credit Facility (ECF).

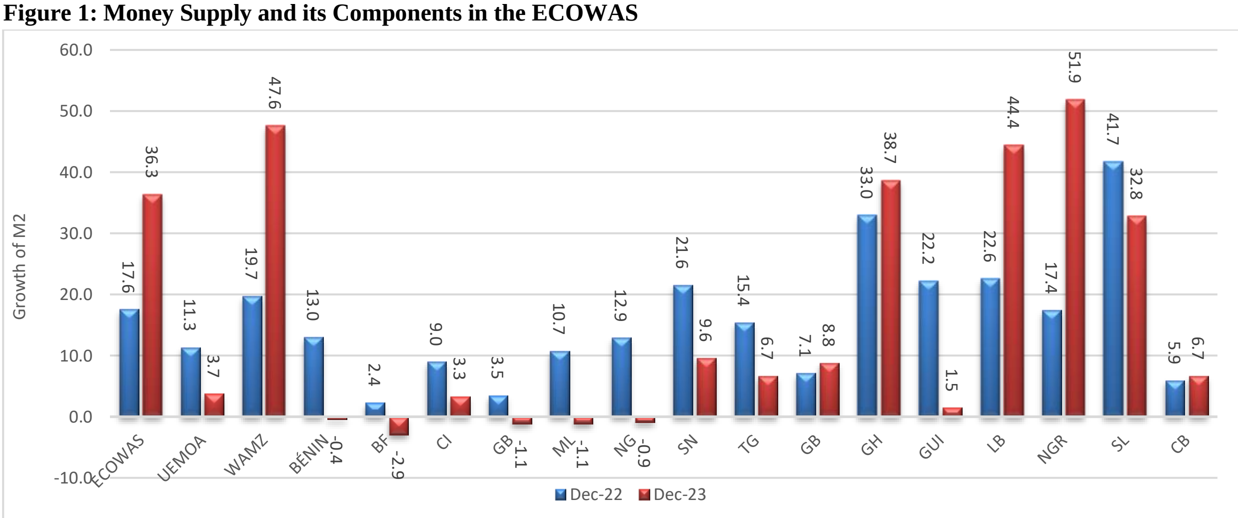
55. In the WAEMU, growth in broad money supply moderated to 3.5 percent at end-December 2023 from 11.3 percent in December 2022, mainly due to the contraction in the NFA of the BCEAO which offset the growth in the NDA. The NFA contracted by 74.2 percent in December 2023 compared to a contraction of 42.5 percent in the corresponding period of 2022. The dynamics in domestic claims was influenced by the growth in both net claims on government and claims on the private sector by 16.5 percent and 10.2 percent in December 2023 against 30.2 percent and 13.8 percent, respectively, in December 2022.

56. At the country level, broad money supply in Nigeria expanded by 51.9 percent at end-December 2023 compared to 17.4 percent in the corresponding period a year earlier, on the back of a strong

growth of 44.6 percent in the NDA in December 2023 compared to 37.8 percent in December 2022, supported by significant increases in both net claims on government and claims on the private sector. Similarly, in Ghana, broad money supply expanded by 38.7 percent in the review period from 33.0 percent in December 2022, driven largely by an expansion in the NFA, which grew by 303.8 percent in December 2023. In Cote d'Ivoire, growth in the money supply slowed to 3.3 percent in December 2023 from 9.0 percent in the corresponding period a year earlier, mainly attributed to the decline in the NFA. In Senegal, growth in broad money supply was 9.6 percent in December 2023 compared to 21.6 percent in the corresponding period of 2022, reflecting significant slowdown in the NDA. Growth in domestic claims slowed to 9.8 percent in December 2023 from 28.4 percent in 2022, reflecting moderation in net claims on government and claims on the economy.

57. In Cabo Verde, broad money increased by 6.7 percent at the end of December 2023 compared to growth of 5.9 percent recorded a year earlier, mainly due to the increase in NFA. The NFA increased by 30.1 percent compared to an expansion of 8.3 percent at the end of December 2022, mainly due to the increase in the net external position of commercial banks.

Figure 1: Money Supply and its Components in the ECOWAS



Source: Central Banks of Member States; WAMA; IMF;

Table 2. 6: Money Supply and its Components in the WAMZ

WAMZ		Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
		Percentage Change					Contribution to M2				
GAMBIA, THE	**Broad Money (M2)**	**27.1**	**22.0**	**19.5**	**7.0**	**9.0**	**27.1**	**22.0**	**19.5**	**7.1**	**8.8**
	Net Claims on Government	-0.3	12.3	21.5	13.2	-5.9	-0.2	6.5	10.4	6.5	-3.1
	Net Claims on Private Sector	35.7	0.8	20.7	25.1	11.7	6.0	0.1	3.1	3.8	2.1
	NFA	61.3	45.0	19.0	-9.7	11.4	18.9	17.6	8.8	-4.5	4.4
	Other items Net	-15.4	22.8	28.5	-10.6	-61.5	2.3	-2.3	-2.9	1.3	5.4
GHANA	**Broad Money (M2+)**	**21.4**	**29.7**	**12.5**	**33.0**	**38.7**	**21.4**	**29.7**	**12.5**	**33.0**	**38.7**
	Net Claims on Government	24.2	101.6	9.2	62.7	-5.6	8.7	37.4	5.3	34.8	-3.8
	Claims on Private Sector	23.7	-3.6	14.4	23.5	8.4	14.1	-2.2	6.5	10.8	3.6
	NFA	39.4	-9.7	-59.5	-261.1	-273.4	7.6	-2.1	-9.2	-14.5	18.4
	Other items Net	60.6	16.8	-55.5	-26.1	-524.6	-9.1	-3.3	9.9	1.8	20.5
GUINEA	**Broad Money (M2)**	**22.9**	**23.0**	**8.4**	**22.2**	**1.5**	**22.9**	**10.8**	**8.4**	**22.2**	**1.5**
	Net Claims on Government	9.2	37.5	-0.8	-5.6	19.2	5.1	18.4	-0.4	-2.8	7.4
	Net Claims on Private Sector	22.5	8.0	6.7	24.2	8.2	8.9	3.2	2.3	8.3	2.9
	NFA	37.3	27.3	13.1	47.6	-22.3	10.5	8.6	4.3	16.2	-9.2
	Other items Net	7.0	35.6	-10.2	-3.1	-2.6	-1.6	-7.1	2.3	0.6	0.4
LIBERIA	**Broad Money (M2)**	**19.8**	**5.2**	**-1.5**	**22.6**	**44.4**	**19.8**	**5.2**	**-1.5**	**22.6**	**44.4**
	Net Claims on Government	53.2	20.6	-21.8	25.1	48.0	30.1	14.8	-18.1	16.5	32.1
	Net Claims on Private Sector	11.6	-7.8	-11.4	21.1	63.0	9.6	-6.0	-7.8	12.9	38.0
	NFA	1.9	-4.1	104.4	-33.5	-9.8	0.2	-0.4	9.9	-6.6	-1.1

	Other items Net	38.7	5.3	-27.2	4.7	0.0	-20.1	-3.2	16.3	-2.1	-24.6
NIGERIA	**Broad Money (M2)**	**6.4**	**11.6**	**14.2**	**17.4**	**51.9**	**6.4**	**11.6**	**14.2**	**17.4**	**51.9**
	Net Claims on Government	105.4	13.8	20.4	71.2	41.6	15.8	4.0	6.0	22.2	18.9
	Claims on Private Sector	13.6	-24.4	26.8	10.5	57.8	9.0	-17.3	12.9	5.6	29.0
	NFA	-51.0	54.6	4.2	-58.9	143.0	-18.4	9.1	1.0	-12.4	10.5
	Other items Net	-0.1	-95.3	804.0	-36.9	219.2	0.0	15.9	-5.7	2.1	-6.6
SIERRA LEONE	**Broad Money (M2)**	**14.3**	**38.2**	**22.1**	**41.1**	**33.5**	**14.3**	**38.2**	**22.1**	**41.7**	**32.8**
	Net Claims on Government	16.2	36.8	19.6	34.3	40.6	11.8	27.4	-73.6	24.7	27.8
	Net Claims on Private Sector	28.4	3.1	26.6	18.0	32.5	6.4	0.8	-18.9	3.5	5.3
	NFA	10.5	49.4	8.7	50.8	21.7	2.7	12.4	-27.2	12.5	5.5
	Other items Net	30.6	9.7	-1.0	-3.1	48.7	-6.7	-2.4	19.8	1.0	-5.7
WAMZ	**Broad Money (M2)**	**8.4**	**13.8**	**13.9**	**19.7**	**47.6**	**8.4**	**13.6**	**13.9**	**19.7**	**47.6**
	Net Claims on Government	94.5	23.2	18.4	67.5	33.8	14.9	7.8	5.1	23.1	15.3
	Claims on Private Sector	14.9	-21.4	24.7	12.7	48.4	9.5	-15.2	11.5	6.4	24.1
	NFA	-39.5	47.4	-2.5	-81.2	74.1	-15.0	8.0	-0.3	-11.7	10.7
	Other items Net	6.4	-80.4	672.5	-34.1	99.6	-1.0	13.3	-3.3	2.0	-2.5
CABO VERDE	**Broad Money (M2)**	**8.1**	**4.1**	**2.4**	**5.9**	**6.7**	**8.1**	**4.1**	**2.4**	**5.9**	**6.7**
	Net Claims on Government	4.2	-25.6	-0.6	16.7	-0.2	0.9	-5.1	-0.1	2.3	0.0
	Claims on Private Sector	3.9	10.2	1.7	4.8	6.1	2.2	5.7	1.0	2.8	3.6
	NFA	24.8	-9.9	5.2	8.3	30.1	7.7	-3.6	1.6	2.7	9.9
	Other items Net	27.9	-60.5	1.9	42.1	113.1	-2.7	7.1	-0.1	-1.9	-6.7

Source: Central Banks of Member States; WAMA; IMF;

Table 2. 7: Money Supply and its Components in the WAEMU

		Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
WAEMU		**Percentage Change**					**Contribution to M2**				
BÉNIN	Money supply (M2)	**6.0**	**17.3**	**16.7**	**13.0**	**-0.4**	**6.0**	**17.3**	**16.7**	**13.0**	**-0.4**
	Claims on Government (net)	-285.8	125.2	236.3	-104.8	-807.4	-14.4	11.1	-4.5	2.3	-0.8
	Credit to the private sec	-38.0	-6.0	10.7	21.9	19.2	-41.2	-3.8	5.5	10.6	10.0
	NFA	3.8	24.9	38.8	0.5	-19.4	2.1	13.1	21.7	0.3	-11.5
	Other items (net)	88.9	-43.3	-70.1	1.4	-16.7	59.5	-3.0	-6.0	-0.2	1.9
BURKINA FASO	**Money supply (M2)**	**9.1**	**17.8**	**16.9**	**2.4**	**-2.9**	**9.1**	**17.8**	**16.9**	**2.4**	**-2.9**
	Claims on Government (net)	165.5	26.7	-134.6	-523.5	57.5	2.5	1.0	-5.4	6.2	2.8
	Credit to the private sec	11.1	9.7	10.1	16.3	6.1	7.2	6.4	6.2	9.4	4.0
	NFA	4.5	31.5	32.9	-25.2	-17.5	1.7	11.7	13.7	-11.9	-6.0
	Other items (net)	-49.4	-19.1	36.9	37.7	75.8	-2.4	-1.3	2.5	-1.4	-3.7
CÔTE D'IVOIRE	**Money supply (M2)**	**10.8**	**21.1**	**18.7**	**9.0**	**3.3**	**10.8**	**21.1**	**18.7**	**9.0**	**3.3**
	Claims on Government (net)	20.4	40.0	18.1	27.7	6.3	4.9	10.4	5.4	8.2	2.2
	Credit to the private sec	7.6	10.6	13.6	10.9	17.2	4.9	6.6	7.8	6.0	9.6
	NFA	22.9	25.7	34.0	-7.6	-32.2	4.8	6.0	8.2	-2.1	-7.4
	Other items (net)	-41.0	-16.1	-23.4	27.1	7.5	-3.8	-1.9	-2.6	-3.1	-1.0
GUINEA BISSAU	**Money supply (M2)**	**0.3**	**9.1**	**20.9**	**3.5**	**-1.1**	**0.3**	**9.1**	**20.9**	**3.5**	**-1.1**
	Claims on Government (net)	13.8	-19.7	55.4	32.7	27.7	2.0	-3.2	6.6	5.0	5.4
	Credit to the private sec	4.4	3.4	5.7	25.6	1.0	-97.5	1.2	1.9	7.2	0.4
	NFA	-6.6	24.2	22.4	-19.5	-8.3	-4.2	14.4	15.1	-13.3	-4.4
	Other items (net)	10.4	-34.7	-22.4	-38.6	34.5	121.8	-3.3	-2.7	4.6	-2.5
MALI	**Money supply (M2)**	**9.0**	**22.2**	**18.1**	**10.7**	**-1.1**	**9.0**	**22.2**	**18.1**	**10.7**	**-1.1**
	Claims on Government (net)	-37.1	72.0	32.8	78.6	-90.7	-7.1	7.9	5.1	13.6	-25.4
	Credit to the private sec	2.2	5.1	16.0	16.5	0.4	2.0	4.2	11.4	11.5	0.3
	NFA	84.3	78.1	-5.6	-47.6	-109.0	9.6	15.1	-1.6	-10.7	-11.6
	Other items (net)	23.8	-37.7	21.8	37.9	-290.2	4.5	-5.0	3.2	-3.7	35.6
NIGER	**Money supply (M2)**	**15.1**	**17.0**	**8.8**	**12.9**	**-0.9**	**15.1**	**17.0**	**8.8**	**12.9**	**-0.9**
	Claims on Government (net)	-90.4	636.5	-24.6	54.7	127.5	-22.1	12.9	-3.1	4.8	15.4
	Credit to the private sec	16.5	8.7	16.5	13.5	-7.2	10.6	5.7	10.0	8.8	-4.7
	NFA	98.2	-12.7	25.2	-0.2	-42.8	28.2	-6.3	9.3	-0.1	-16.1
	Other items (net)	-9.9	27.8	-71.0	3.8	-29.3	-1.7	4.7	-7.4	-0.6	4.4
SENEGAL	**Money supply (M2)**	**8.2**	**12.3**	**15.3**	**21.6**	**9.6**	**8.2**	**12.3**	**15.3**	**21.6**	**9.6**
	Claims on Government (net)	19.0	157.1	29.6	51.5	21.6	1.7	15.4	6.6	13.0	6.8
	Credit to the private sec	6.7	2.1	13.4	22.4	3.5	4.8	1.5	8.7	14.2	2.3
	NFA	8.0	-4.6	7.6	-3.1	4.1	2.8	-1.6	2.2	-0.8	0.9
	Other items (net)	-6.8	-19.1	-13.2	29.6	1.9	-1.1	-3.0	-2.2	-4.8	-0.3
TOGO	**Money supply (M2)**	**4.5**	**11.6**	**12.3**	**15.4**	**6.7**	**4.5**	**11.6**	**12.3**	**15.4**	**6.7**
	Claims on Government (net)	-78.7	-67.2	-50.5	2459.3	17.1	-9.5	-1.7	-0.4	7.8	1.2
	Credit to the private sec	4.1	2.2	10.6	17.0	8.1	2.6	1.4	6.1	9.6	4.6
	NFA	30.0	33.5	12.4	-1.7	4.9	9.8	13.6	6.0	-0.8	2.0
	Other items (net)	22.1	-30.5	8.3	23.2	20.8	1.7	-1.7	0.6	-1.2	-1.2
WAEMU	**Money supply (M2)**	**10.4**	**16.5**	**16.3**	**11.3**	**3.5**	**10.4**	**16.5**	**16.3**	**11.3**	**3.5**
	Claims on Government (net)	0.1	52.1	26.8	30.2	16.5	0.0	13.8	9.3	11.4	7.3
	Credit to the private sec	8.2	4.6	18.6	13.8	10.2	5.6	3.1	11.2	8.5	6.4
	NFA	35.2	2.9	8.5	-42.5	-74.2	6.5	0.6	1.7	-7.9	-7.2
	Other items (net)	-11.0	-6.4	-40.1	3.3	18.4	-1.8	-1.0	-5.9	-0.6	-3.0

*Source: Central Banks of Member States; WAMA; IMF; *Provisional*

2.5. External Sector

58. External sector developments in the ECOWAS showed improved performance in the review period, supported by favourable merchandise trade balance, particularly, in the WAMZ. Available data showed that the current account deficit narrowed to 0.9 percent of GDP in 2023 from 1.7 percent of GDP in 2022, reflecting improved regional trade. Consequently, the overall BOP yielded a lower deficit of 1.3 percent of GDP in 2023 compared to the deficit of 1.6 percent of GDP recorded in 2022.

59. At the zonal level, the current account deficit, in the WAEMU, narrowed to 7.5 percent of GDP in 2023 from 9.9 percent of GDP in 2022, reflecting improvements in the trade balances across the Union. The deficit narrowed in Burkina Faso (6.4% of GDP from 7.5% of GDP), Côte d'Ivoire (5.8% of GDP from 7.7% of GDP), Guinea Bissau (7.7% of GDP from 8.2% of GDP), Mali (3.0% of GDP from 7.9% of GDP), Niger (14.5% of GDP from 18.4% of GDP), and Senegal (15.6% of GDP from 20.1% of GDP), due to improvements in merchandise trade. However, the deficit widened slightly in Togo (3.6% of GDP from 3.5% of GDP), due to deterioration in the trade balance in these countries.

60. In the WAMZ, the current account position improved to a surplus of 1.8 percent of GDP in 2023 from 0.8 percent of GDP in 2022, supported by improvements in the trade balance. In Nigeria and Guinea, the current account remained in surplus at 1.7 percent of GDP and 9.8 percent of GDP against 0.7 percent of GDP and 16.6 percent of GDP in 2022. In Ghana, the current account turned to a surplus of 1.4 percent of GDP in 2023 from a deficit of 2.1 percent of GDP in 2022, reflecting the combined effects of favourable trade balance, lower investment income outflows and the higher remittances inflows during the year. Sierra Leone's current account deficit narrowed to 5.5 percent of GDP from 5.8 percent of GDP in 2022, reflecting improvement in the trade balance occasioned by increased exports during the period. However, the current account deficits in The Gambia and Liberia widened to 8.5 percent of GDP and 10.7 percent of GDP in 2023 from the deficits of 5.0 percent of GDP and 8.4 percent of GDP, respectively, in 2022, explained by unfavourable trade balances.

61. In Cabo Verde, the current account deficit widened marginally to 3.2 percent of GDP in 2023 compared to 3.1 percent of GDP in 2022, reflecting the persistent trade deficit occasioned by an 11.7 percent decline in goods exports which reinforced a 4.8 percent increase in imports.

Table 2. 8: Current Account Balance (% of GDP)

YEAR	2019	2020	2021	2022	2023	2024**
ECOWAS	**-3.4**	**-3.5**	**-1.7**	**-1.7**	**-0.9**	**0.4**
WAEMU	**-4.9**	**-4.3**	**-5.9**	**-9.9**	**-7.5**	**-4.1**
BENIN	-4.0	-1.7	-4.2	-6.0	-6.0	-5.0
BURKINA FASO	-3.3	2.6	0.4	-7.5	-6.4	-4.5
COTE D'IVOIRE	-2.3	-3.1	-3.9	-7.7	-5.8	-1.9
GUINEA BISSAU	-8.0	-3.4	-0.8	-8.2	-7.7	-6.6
MALI	-7.5	-2.2	-7.6	-7.9	-3.0	-0.7
NIGER	-12.2	-14.0	-15.4	-18.4	-14.5	-3.9

SENEGAL	-8.1	-10.9	-12.0	-20.1	-15.6	-11.0
TOGO	-0.8	-0.3	-2.2	-3.5	-3.6	-5.4
WAMZ	**-3.0**	**-3.3**	**-0.5**	**0.8**	**1.8**	**2.3**
GAMBIA, THE	-2.0	-4.8	-4.6	-5.0	-8.5	-5.2
GHANA	-2.7	-3.0	-3.2	-2.1	1.4	1.9
GUINEE	-2.3	18.5	32.9	16.6	9.8	14.5
LIBERIA	-21.4	-17.9	-17.0	-8.4	-10.7	-11.9
NIGERIA	-2.9	-3.7	-0.8	0.7	1.7	2.0
SLEONE	-14.9	-6.1	-5.0	-5.9	-6.0	-7.0
CABO-VERDE	**-1.0**	**-15.5**	**-12.1**	**-3.1**	**-3.2**	**-5.0**

*Source: Central Banks of Member States; WAMA; IMF; *Provisional **Projections*

62. The overall BOP deficit of the region narrowed to 1.3 percent of GDP in 2023 from 1.6 percent of GDP in 2022. At the Zonal level, the BOP position in the WAMZ, showed a lower deficit of 0.7 percent of GDP in 2023 compared to 1.1 percent of GDP in 2022, explained by general improvements in trade balances. The overall BOP improved in Ghana, Liberia and Sierra Leone, indicating gradual return to normalcy, while the overall BOP positions in The Gambia, Guinea and Nigeria worsened.

63. In the WAEMU, the overall BOP deficit slightly narrowed to 2.9 percent of GDP in 2023 from 3.0 percent of GDP in 2022, reflecting lower inflows of foreign investment into the region. The overall BOP position worsened in Benin, Cote d'Ivoire, Mali, and Niger but improved in Burkina Faso, Guinea Bissau, Senegal and Togo.

64. In Cabo Verde, the overall BOP position recorded an improved surplus of 1.9 percent of GDP compared to 1.1 percent of GDP in 2022, largely due to increase in net capital inflows.

Table 2. 9: Overall Balance of Payments (% of GDP)

YEAR	2019	2020	2021	2022	2023	2024**
ECOWAS	**-0.1**	**-0.1**	**0.2**	**-1.6**	**-1.3**	**1.1**
WAEMU	**1.8**	**0.0**	**0.5**	**-3.0**	**-2.9**	**0.6**
BENIN	0.5	3.4	6.1	0.1	-3.5	1.6
BURKINA FASO	0.7	4.6	6.0	-5.7	-2.8	1.4
COTE D'IVOIRE	1.4	1.7	2.8	-0.7	-2.6	1.2
GUINEA BISSAU	-1.6	5.5	5.9	-5.7	-1.8	0.4
MALI	2.6	4.5	-0.5	-3.9	-4.4	4.7
NIGER	4.2	-1.1	1.8	0.0	-3.4	4.7
SENEGAL	1.1	-0.6	0.9	-0.4	0.4	0.3
TOGO	4.0	5.7	2.7	-0.4	0.9	1.5
WAMZ	**-0.6**	**-0.2**	**0.2**	**-1.1**	**-0.7**	**1.3**
GAMBIA, THE	-0.1	7.3	11.0	2.0	-5.8	-2.0
GHANA	2.0	0.5	0.6	-4.9	0.6	-2.2
GUINEE	5.3	5.3	0.6	2.6	-0.7	2.3
LIBERIA	1.0	-3.0	-10.4	-1.0	-0.9	1.5
NIGERIA	-0.9	-0.4	0.1	-0.7	-0.9	2.0
SLEONE	0.5	0.1	2.2	-4.5	-1.8	-1.5
CABO-VERDE	**-6.5**	**-4.7**	**0.6**	**1.1**	**1.9**	**1.6**

*Source: Central Banks of Member States; WAMA; IMF; *Provisional **Projections*

2.6. Prospects

65. Macroeconomic prospects for the region in 2024 appear favourable supported by the expected pickup in economic activity. Regional growth is projected to increase to 4.3 percent in 2024, from 3.7 percent in 2023, supported by a strong recovery in trade and ongoing fiscal reforms to create fiscal space for priority spending on growth-critical sectors. Inflationary pressures are also expected to moderate significantly, particularly, in the WAMZ as global commodity prices, including food and fuel trend downwards, coupled with internal policy actions to stabilise the foreign exchange market. Accordingly, end-period inflation in the region is projected at 16.2 percent in 2024, down from 19.9 percent in 2023.

66. The overall budget deficit (excluding grants) is expected to improve to 4.5 percent of GDP in 2024, anchored on ongoing fiscal consolidation and the unwinding of subsidy-related expenditures. The public debt ratio is projected to decline to 45.5 percent of GDP in 2024, down from 50.7 percent of GDP in 2023. However, debt vulnerabilities remain in some Member States due to additional borrowing and exchange rate depreciation.

67. The monetary policy stance of member central banks is expected to be mixed—loosening cautiously in the WAEMU where inflation is almost under control but remains relatively tight in the WAMZ where inflation and exchange rate depreciation remain challenging. However, on the external front, the current account deficit is anticipated to narrow on the back of expected improvements in the trade balance.

3. STATUS OF MACROECONOMIC CONVERGENCE IN ECOWAS

3.1 Introduction

68. The MCSP requires Member States to meet **all primary macroeconomic convergence criteria in a sustained manner over the last three years of the convergence phase, spanning from 1st January 2022 to 31st December 2026**. The convergence phase underscores the importance of achieving macroeconomic convergence prior to the launching of the ECOWAS single currency, the ECO. The primary convergence criteria focus on price stability, low budget deficit, adherence to the limits on central bank financing of the budget deficit and adequate level of gross external reserves. Additionally, the secondary criteria emphasise limits on public debt and nominal exchange rate variability.

69. This chapter reviews Member States' performance on the macroeconomic convergence criteria for the period ending December 2023 and outlines the prospects for 2024.

Table 3. 1: 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 the budget deficit	≤ 10% of previous year's tax revenue
Gross external reserves	≥ 3 months of imports of goods and services
Secondary Criteria	***Target***
Total Public Debt	≤ 70% of nominal GDP
Nominal exchange rate variation	±10% vis a vis the West African Unit of Account (WAUA)

Source: WAMA

3.2 Summary of the Macroeconomic Convergence

70. Assessment of Member States' compliance with the primary macroeconomic convergence criteria in 2023 revealed that **only one Member State, Cabo Verde, satisfied all four (4) primary criteria.** This outcome largely reflected the persistence of inflationary and fiscal pressures in the region. In 2023, only four (4) Member States met the budget deficit target, while five (5) satisfied the inflation criterion.

Table 3. 2: Number of Primary Criteria Met by Member States

	2019	**2020**	**2021**	**2022**	**2023***	**2024****
BENIN	4	3	3	3	3	3
BURKIN FASO	3	3	3	2	2	3
CABO VERDE	4	3	3	2	4	4
COTE D'IVOIRE	4	3	3	2	3	3
GAMBIA, THE	3	3	1	2	3	3
GHANA	2	2	3	1	1	3
GUINEA	3	1	3	3	3	3
GUINEA BISSAU	3	3	3	2	2	3
LIBERIA	1	2	3	3	2	3
MALI	4	3	3	2	2	3
NIGER	3	3	3	3	3	3
SENEGAL	3	3	3	2	2	3
TOGO	4	3	3	2	3	3
NIGERIA	1	1	1	2	1	2
SIERRA LEONE	3	1	1	1	2	3
Met all 4 primary criteria	**5**	**0**	**0**	**0**	**1**	**1**
Met at least 3 primary criteria	**12**	**10**	**11**	**4**	**7**	**14**

*Source: WAMA; * Provisional **Projection*

71. The number of Member States that met at least three (3) primary criteria increased to seven (Benin, Cabo Verde, Côte d'Ivoire, The Gambia, Guinea, Niger and Togo) from four (4) countries (Benin,

Guinea, Liberia and Niger) in 2022, reflecting largely improvements on the inflation and budget deficit criteria. Initial projections for 2024 indicate that only one Member State, Cabo Verde, is expected to meet all four primary criteria **This indicates that, only one Member State is likely to meet all four primary criteria on a sustainable basis over the period 2024-2026 as indicated in the Pact.** However, the number of Member States expected to meet at least three (3) primary criteria is projected to rise to thirteen (13) in 2024.

72. Overall, no Member State complied with all six macroeconomic convergence criteria in 2023. However, the number of Member States that satisfied at least five criteria increased to seven (7) in 2023 (Benin, Cabo Verde, Côte d'Ivoire, The Gambia, Guinea, Niger and Togo), up from only two (2) (Benin and Niger) in 2022.

Table 3. 3: Total Number of Criteria Met by Member States

	2019	2020	2021	2022	2023*
BENIN	6	5	5	5	5
BURKIN FASO	5	5	5	4	4
CABO VERDE	5	4	4	5	5
COTE D'IVOIRE	6	5	5	4	5
GAMBIA, THE	4	4	2	3	5
GHANA	4	2	3	0	0
GUINEA	5	3	5	4	5
GUINEA BISSAU	5	4	4	3	3
LIBERIA	2	4	4	4	3
MALI	6	5	5	4	4
NIGER	5	5	5	5	5
SENEGAL	5	5	5	4	4
TOGO	6	5	5	4	5
NIGERIA	3	3	3	4	2
SIERRA LEONE	5	2	2	1	2
Met both secondary convergence criteria	**13**	**9**	**9**	**9**	**8**
Met all six (6) criteria	**4**	**0**	**0**	**0**	**0**
Met at least five (5) criteria	**11**	**7**	**8**	**3**	**7**

*Source: WAMA; *Provisional*

73. On the primary convergence criteria, the number of Member States that satisfied the average inflation, budget deficit and central bank financing of the budget criteria improved in 2023 compared to 2022. However, the performance on gross external reserves remained unchanged. Regarding the secondary criteria, more Member States met the nominal exchange rate variation criterion, while the performance on the public debt criterion declined in 2023 compared to 2022.

Table 3. 4: Number of Countries that Met the Convergence Criteria

CRITERIA	TARGET	2020	2021	2022	2023*	2024**
Primary Criteria						
Budget deficit (commit. basis, including grants)	≤3%	3	2	2	3	4
Average annual inflation rate	≤5%	9	9	2	6	9
Central bank financing of the budget deficit	≤10%	11	12	11	12	15
Gross external reserves	≥3	13	15	14	13	15
Secondary Criteria						
Nominal exchange rate variation	≤±10%	15	13	11	11	13
Ratio of public debt to GDP	≤70%	12	11	11	10	11

*Sources: WAMA, *Provisional **Projections*

3.3 Analysis of Performance on the Primary Criteria

Budget Deficit (Including Grants and on Commitment basis) / GDP ≤ 3 percent

74. The number of Member States that met the budget deficit criterion improved to three (Cabo Verde, Guinea and Liberia) in 2023, up from two (Guinea and Liberia) in 2022. This improvement was

largely attributed to ongoing fiscal consolidation efforts, characterised by enhanced revenue mobilisation and the unwinding of pandemic and subsidy-related expenditures by Member States. Guinea and Liberia have consistently met this target since 2019, reflecting Liberia's commitment to the balanced budget rule and fiscal reforms in Guinea. In 2024, four Member States—namely, Cabo Verde, The Gambia, Liberia, and Sierra Leone—are projected to comply with this criterion.

Table 3. 5: Ratio of Budget Deficit to GDP

YEAR	2019	2020	2021	2022	2023	2024
ECOWAS	**2.0**	**4.7**	**4.7**	**5.5**	**4.1**	**3.2**
WAEMU	**0.6**	**5.6**	**5.6**	**6.9**	**5.1**	**4.0**
WAMZ	**2.4**	**4.5**	**4.4**	**5.1**	**3.8**	**2.9**
CABO VERDE	1.8	8.5	7.5	4.0	0.3	2.9
BENIN	0.5	3.8	5.7	5.5	4.1	3.7
BURKINA FASO	3.4	5.2	7.6	10.9	6.7	5.0
COTE D'IVOIRE	2.2	5.4	4.9	6.8	5.2	4.0
GUINEA BISSAU	3.6	9.3	7.5	6.5	8.7	3.3
MALI	1.7	**5.5**	**4.8**	**4.9**	**3.8**	**4.4**
NIGER	3.6	5.4	6.1	6.8	4.8	4.1
SENEGAL	3.9	6.4	6.3	6.1	4.9	3.9
TOGO	-1.7	7.1	4.7	8.3	6.7	4.5
GAMBIA, THE	3.3	2.2	5.8	4.8	4.0	2.0
GHANA	4.1	10.5	8.5	11.8	3.7	4.2
GUINEA	0.5	3.0	1.7	0.4	1.2	3.3
LIBERIA	0.9	**-2.2**	**0.8**	**0.0**	**0.8**	**0.0**
NIGERIA	3.3	3.8	3.9	4.2	5.6	3.8
SIERRA LEONE	3.1	3.4	3.9	5.3	5.0	2.7
No. that met criterion	7.0	3.0	2.0	2.0	3.0	4.0

*Source: Ministry of Finance, Member States; *Provisional **Projections*

Average Inflation Rate ≤ 5 percent

75. Despite some moderation in inflation in the region in 2023, inflationary pressures remained high, especially in the WAMZ. In the WAEMU, inflation moderated significantly on account of the effects of increased cereal production in the 2022/2023 agricultural season, measures introduced to support purchasing power, the tight monetary policy stance of the BCEAO, and the appreciation of the euro against the US dollar which strengthened the CFA franc. As a result, five WAEMU Member States—namely Benin, Burkina Faso, Côte d'Ivoire, Mali and Niger—met the inflation criterion. In contrast, no Member State in the WAMZ met the inflation criterion in 2023 as inflationary pressures persisted. These pressures reflected the pass-through effects of exchange rate depreciation, high fuel prices following the removal of fuel subsidies in Nigeria, and high food prices. Cabo Verde also achieved the target, reflecting a significant decline in inflation in the country in 2023 compared to the previous year.

76. Thus, the number of Member States that met the inflation criterion in 2023 increased to six (6), up from only two (2) in 2022. Benin and Niger have persistently met this criterion while all the WAMZ Member States have consistently missed it since 2019.

Table 3. 6: Average Inflation Rate

	Annual Average Inflation (≤5%)					
	2019	**2020**	**2021**	**2022**	**2023***	**2024****
ECOWAS	9.3	10.4	13.2	17.1	19.8	18.5
WAEMU	**-0.7**	**2.1**	**3.6**	**7.4**	**3.7**	**3.2**
WAMZ	**11.2**	**12.7**	**16.0**	**20.1**	**26.4**	**24.8**
BENIN	-0.9	3.0	1.7	1.4	2.7	2.3
BURKINA FASO	-3.2	1.9	3.9	14.1	0.7	2.6
CÔTE D'IVOIRE	0.8	2.4	4.2	5.2	4.4	2.9
GUINEA BISSAU	0.2	1.5	3.3	7.9	7.2	2.7
MALI	-3.0	0.5	3.9	9.7	2.1	2.1
NIGER	-2.5	2.9	3.8	4.2	3.7	4.0
SENEGAL	1.0	2.5	2.2	9.7	5.9	2.5
TOGO	0.7	1.8	4.5	7.6	5.3	2.3
GAMBIA, THE	7.3	5.6	5.6	11.5	16.9	15.9
GHANA	8.7	9.9	10.0	31.5	40.3	22.3
GUINEA	9.5	10.6	12.6	10.5	7.8	10.3
LIBERIA	26.9	17.4	7.9	7.6	10.1	9.9
NIGERIA	11.4	13.2	17.0	18.8	24.7	26.3
SIERRA LEONE	14.8	13.5	11.9	27.2	47.6	38.4
CABO VERDE	**1.1**	**0.6**	**1.9**	**7.9**	**3.7**	**2.0**
No. of Countries that met the criterion	**9**	**9**	**9**	**2**	**6**	**9**

*Sources: Member Central Banks; *Provisional **Projection*

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

77. The performance of Member States on the central bank financing of the budget deficit criterion improved in 2023, with twelve (12) meeting the target, up from eleven (11) countries in 2022. In 2023, only Liberia, Nigeria and Sierra Leone missed the target compared to The Gambia, Ghana, Nigeria and Sierra Leone missing the target in 2022. All WAEMU Member States have consistently met this target, reflecting a commitment to zero central bank financing within the Union. In 2024, nearly all Member States are projected to meet the criterion, partly due to the zero central bank financing arrangements agreed under various IMF supported ECF programmes in some Member States.

Table 3. 7: Central Bank Financing of Budget Deficit

	Central Bank Financing of Budget Deficit (≤ 10)					
	2019	**2020**	**2021**	**2022**	**2023***	**2024****
ECOWAS	50.4	32.6	13.7	70.9	21.9	0.0
WAEMU	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
WAMZ	**60.1**	**38.9**	**17.5**	**91.5**	**29.5**	**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
CÔTE 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	0.0	0.0	11.9	24.0	0.0	0.0
GHANA	0.0	54.2	0.0	75.2	0.0	0.0
GUINEA	3.0	10.6	1.6	0.0	9.2	0.0
LIBERIA	27.9	0.0	0.0	0.0	26.1	0.0
NIGERIA	67.4	38.5	20.5	98.0	48.7	0.0
SIERRA LEONE	0.7	21.9	20.0	52.2	37.5	5.3
CABO VERDE	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
No. of Countries that met the criterion	**13**	**11**	**12**	**11**	**12**	**15**

*Source: Member States Central Bank, *Provisional **Projection*

Gross External Reserves

78. In 2023, thirteen (13) Member States met the gross external reserves criterion, down from fourteen (14) in 2022. This criterion remains the most satisfactorily met, with all WAEMU countries, Cabo Verde, The Gambia, Nigeria and Sierra Leone consistently meeting this target since 2019. However, gross external reserves in months of import cover decreased significantly in most Member States in 2023, reflecting the impact of the foreign exchange market pressures. Gross external reserves averaged 4.3 months of imports in the region in 2023, down from 5.8 months of imports in 2022. In the WAEMU, reserves declined to 3.6 months of imports in 2023 from 4.2 months of imports in 2022, while in the WAMZ, reserves moderated to 4.5 months of imports in 2023 from 6.3 months of imports in 2022. Ghana missed the target for the second consecutive year in 2023 due to excessive foreign exchange demands for imports amidst recent economic challenges. Guinea also missed the target in 2023 due to transfers made abroad by the BCRG on behalf of some resident entities. In 2024, all Member States are projected to meet the criterion, supported by ongoing efforts by central banks to build buffers against external shocks, primarily through mining proceeds and BOP support from the IMF.

Table 3. 8: Gross External Reserves

	Gross External Reserves ≥3, in months of imports cover					
	2019	**2020**	**2021**	**2022**	**2023***	**2024****
ECOWAS	**4.8**	**6.2**	**6.4**	**5.8**	**4.3**	**4.4**
WAEMU	**5.2**	**6.5**	**5.3**	**4.2**	**3.6**	**4.4**
WAMZ	**4.7**	**6.1**	**6.7**	**6.3**	**4.5**	**4.4**
GAMBIA, THE	4.2	6.1	8.8	7.1	4.1	4.6
GHANA	3.8	4.2	4.0	2.7	2.7	3.0
GUINEA	3.1	2.8	4.9	4.7	2.8	3.2
LIBERIA	2.2	2.7	4.5	3.6	3.1	4.2
NIGERIA	4.8	6.4	7.2	6.9	6.8	6.6
SIERRA LEONE	3.2	5.1	4.3	3.3	3.4	3.2
CABO VERDE	**6.9**	**7.9**	**7.5**	**6.8**	**6.2**	**6.5**
No. of Countries that met the criterion	**14**	**13**	**15**	**14**	**13**	**15**

*Source: Member States Central Bank; *Provisional **Projections*

3.4 Analysis of Performance on the Secondary Criteria

Nominal Exchange Rate Variation

79. In 2023, the foreign exchange market remained stable and resilient in WAEMU and Cabo Verde, where the exchange rate is pegged to the euro. However, some WAMZ countries faced severe foreign exchange pressures in recent times, largely driven by external developments. Interest rate hikes in advanced economies to curb inflation and flight to safety by investors, seeking more profitable and less risky investments abroad, caused a significant decline in net foreign exchange flows into the region. Consequently, the local currencies of some Member States weakened significantly against the major international currencies. In Ghana, Nigeria, and Sierra Leone, the local currency depreciated against the West African Unit of Account (WAUA) by 24.4 percent, 34.5 percent and 34.6 percent, respectively, in 2023. The exchange rate pressures also manifested in the depletion of external reserves as central banks used their reserve buffers to finance imports and repay foreign debt. The problem was exacerbated by the exclusion of some Member States from international capital markets due to high borrowing costs and sovereign credit downgrades.

80. Regarding performance against the nominal exchange rate variation criterion in 2023, eleven (11) Member States met the target, the same as in 2022. All WAEMU countries and Cabo Verde met

the criterion due to the pegged exchange rate regimes. In the WAMZ Zone, Ghana, Nigeria, Liberia, and Sierra Leone missed this target in 2023.

Table 3. 9: Nominal Exchange Rate Variation

	Nominal Exchange Rate Variation (≤±10%), (Local currency against WAUA)					
	2019	**2020**	**2021**	**2022**	**2023***	**2024****
ECOWAS	**0.4**	**-7.7**	**-9.3**	**-5.5**	**-24.3**	**-6.0**
WAEMU	**-2.8**	**1.0**	**-1.5**	**-5.3**	**2.9**	**2.9**
WAMZ	**1.0**	**-9.4**	**-11.5**	**-5.5**	**-32.2**	**-9.0**
GAMBIA, THE	-1.8	-2.4	-1.3	-2.1	-8.4	-7.0
GHANA	-9.9	-6.9	-3.6	-30.2	-24.4	-11.9
GUINEA	-2.8	-4.8	-4.2	19.5	2.6	2.6
LIBERIA	-20.9	-4.1	12.5	15.8	-12.3	-7.5
NIGERIA	2.2	-9.7	-12.3	-3.4	-34.5	-13.0
SIERRA LEONE	-9.8	-9.2	-7.9	-20.1	-34.6	-9.8
CABO VERDE	-2.8	1.0	-1.5	-5.3	3.0	2.9
No. of Countries that met the criterion	**14**	**15**	**13**	**11**	**11**	**13**

*Source: Member States Central Banks; *Provisional **Projections*

Public Debt/GDP (≤ 70%)

81. The number of Member States that satisfied the public debt criterion decreased to ten (10) at end-December 2023, down from eleven (11) in December 2022. In the WAEMU, only Guinea Bissau and Senegal missed the target in 2023. In the WAMZ, Ghana and The Gambia missed the criterion due to increased borrowing to finance critical infrastructure, lower-than-expected domestic revenue performance, and exchange rate depreciation. In Nigeria, the debt ratio almost doubled in 2023 due to the inclusion of securitised ways and means advances in public debt but remained significantly below the threshold. Sierra Leone met the target in 2023 due to base drift effect arising from the recent GDP rebasing exercise. Cabo Verde continues to register the highest debt-to-GDP ratio in the region despite a significant decline in 2023. In 2024, ten (10) Member States are projected to meet the public debt criterion.

Table 3. 10: Public Debt-to-GDP Ratio

YEAR	2019	2020	2021	2022	2023	2024**
ECOWAS	**24.0**	**34.0**	**35.3**	**36.8**	**50.7**	**46.0**
WAEMU	**42.9**	**49.8**	**54.4**	**57.4**	**59.7**	**58.0**
BENIN	41.3	46.1	49.8	54.0	54.5	53.6
BURKINA FASO	42.1	45.8	55.1	57.3	56.3	63.3
COTE D'IVOIRE	37.6	46.3	50.2	56.6	58.1	53.6
GUINEA BISSAU	55.4	69.2	74.7	79.7	81.7	79.7
MALI	40.6	47.3	52.0	49.9	56.0	56.6
NIGER	39.1	45.0	50.8	50.7	54.9	53.1
SENEGAL	57.1	63.2	67.2	68.4	73.6	70.1
TOGO	53.6	60.1	63.0	65.5	66.7	66.4
WAMZ	**20.2**	**29.1**	**29.6**	**30.3**	**46.7**	**40.8**
GAMBIA, THE	80.3	85.1	84.2	81.4	76.7	65.2
GHANA	62.4	74.4	76.2	72.6	72.3	70.6
GUINEA	36.9	47.4	35.5	33.9	40.2	48.8
LIBERIA	42.0	52.6	49.4	50.8	54.0	52.7
NIGERIA	15.6	21.3	22.5	22.9	41.5	33.6
SIERRA LEONE	61.0	46.0	45.4	51.7	42.7	43.9
CABO-VERDE	**130.4**	**145.6**	**146.8**	**122.2**	**116.2**	**109.7**
No. of Countries that met the criterion	**13**	**12**	**11**	**11**	**10**	**10**

*Sources: Ministry of Economy & Finance of Member States, *provisional **projections*

3.5 Prospects

82. Compliance with all four (4) primary macroeconomic convergence criteria by Member States in 2024 remains challenging due to persistent inflationary and budgetary pressures in the region, despite the expected decline in food and fuel prices and ongoing fiscal consolidation efforts. **As a result, only one Member State (Cabo Verde) is likely to meet all four primary criteria on sustainable basis over the period 2024-2026, as indicated in the Pact.** However, fourteen (14) Member States are projected to meet at least three (3) primary criteria at end-December 2024.

83. On the budget deficit criterion, four (4) Member States (Cabo Verde, The Gambia, Liberia and Sierra Leone) are expected to comply by end-December 2024. This is attributed to spending restraints under the IMF's ECF programme in Cabo Verde and The Gambia, commitment to a balanced budget rule in Liberia, ongoing fiscal reforms and the base effect due to GDP rebasing in Sierra Leone. Performance on average inflation is expected to improve significantly, with nine (9) Member States (all WAEMU countries and Cabo Verde) expected to meet this criterion in 2024. Performance on central bank financing of the budget deficit is also expected to improve in 2024, with all Member States meeting the target. With regard to gross external reserves, fourteen (14) Member States are expected to meet the target in 2024, supported by the continued policy efforts by central banks of Member States to increase their reserve buffers.

84. Performance in the area of nominal exchange rate variation is expected to improve, with thirteen (13) countries expected to satisfy this target in 2024. On the public debt criterion, performance is projected to remain unchanged, with twelve (12) Member States meeting the target at the end of 2024.

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

1. BENIN

1.1. Introduction

85. The broad macroeconomic policy thrust of the Government of the Republic Benin in 2023 was anchored inter alia on: i) the strengthening of the industrial fabric through the continued installation of new large industrial units in the Glo-Djigbé Industrial Zone (GDIZ) and other industrial zones; ii) the opening of major socio-economic infrastructure construction projects planned under the Government Action Programme (PAG, 22021-2026); and iii) the continuation, acceleration and completion of the construction of the Benin-Niger pipeline. In line with above policy objectives, the macroeconomic targets for 2023 include the following:

    i. Real GDP growth of 6.5 percent;
    ii. Annual average inflation of 2.0 percent;
    iii. Overall fiscal deficit of 4.3 percent; and
    iv. Public debt-to-GDP ratio of 51.7 percent.

86. Available data showed that real GDP growth stood at 6.4 percent in 2023, compared to 6.3 percent in 2022, mainly supported by a favourable agricultural season and trade-related services. Regarding price developments, the annual average inflation rate was 2.7 percent in 2023 compared to 1.4 percent in 2022. The budget deficit (including grants) narrowed to 4.1 percent of GDP in 2023, from 5.5 percent of GDP in 2022, reflecting strong domestic revenue collections. Similarly, budget deficit (excluding grants) declined to 4.9 percent of GDP from 6.0 percent of GDP in 2022. The overall BOP recorded an overall deficit of 3.5 percent of GDP compared to a surplus of 0.1 percent of GDP in 2022, mainly reflecting net outflows from the capital and financial accounts. In terms of macroeconomic convergence performance at the end of 2023, Benin met all the convergence criteria except the budget deficit (commitment basis, including grants).

1.2. Sectoral Analysis

1.2.1. Real Sector

87. The economy grew by 6.4 percent in 2023 compared to 6.3 percent in the previous year. This growth was largely attributed to two factors, namely: i) a better-than-expected 2023/2024 agricultural season, and ii) a better-than-anticipated performance of the services sector, driven by trade, supported by the marketing of more abundant agricultural production and increased activity at the ports. The primary (Agriculture) sector expanded by 5.1 percent compared to 4.8 percent in 2022, mainly reflecting improved performance across all the key subsectors. The agriculture, breeding and hunting, and fishing, forestry and logging sub-sectors recorded growth rates of 4.8 percent, 7.6 percent, and 3.6 percent, in 2023, compared to 4.5 percent,7.4 percent, and 3.5 percent in 2022, respectively.

88. The secondary sector growth moderated to 7.3 percent in 2023 from 7.9 percent in 2022, reflecting slowdown in the Agrifoods industries (6.7% from 7.3%), electricity, gas and water (6.9% from 8.0%) and Construction (7.8% from 9.1%). The slowdown was due to eroded purchasing power coming from pressure on international oil and food prices. However, the extractive activities and

other manufacturing industries experienced modest improvements with growth rates of 6.7 percent and 7.6 percent compared to 5.9 percent and 7.3 percent in 2022, respectively.

89. The tertiary sector expanded by 6.7 percent in 2023 compared to 6.5 percent in 2022, reflecting improvements in restaurants and hotels (5.5% from 4.7%), banks and financial organisations (7.6% from 6.3%), public administration and social security (9.2% from 8.2%), Education (8.5% from 5.6%), Health and social action (6.5% from 4.9%) and other services, (5.7% from 4.8%). However, the following subsectors experienced a slowdown: Trade (4.8% from 5.0%) Transport (6.6% from 6.7%) and posts and telecommunication (9.2% from 10.0%), reflecting the intensification of regional conflicts which disrupted transit trade.

90. In terms of sectoral contribution to real GDP growth in 2023, the primary sector contributed 1.4 percentage points in the review period compared to 1.3 percentage points in 2022. The secondary sector contributed 1.2 percentage points compared with 1.3 percentage points in the previous year. The tertiary sector's contribution improved to 3.8 percentage points from 3.7 percentage points in 2022. In terms of sectoral shares, the tertiary sector remains the dominant sector with a share of 52.3 percent, followed by primary and secondary sectors with a share of 29.1 percent and 18.6 percent respectively.

Table 1: Trend 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	3.9	7.2	6.3	6.4	3.9	7.2	6.3	6.4
Primary sector	**1.8**	**5.2**	**4.8**	**5.1**	**0.5**	**1.4**	**1.3**	**1.4**
Agriculture	2.0	4.6	4.5	4.8	0.4	1.0	1.0	1.0
Breeding, hunting	(0.5)	9.9	7.4	7.6	-	0.3	0.3	0.3
Fishing, Forestry and logging	3.1	3.5	3.5	3.6	0.1	0.1	0.1	0.1
Secondary sector	**5.2**	**9.1**	**7.9**	**7.3**	**0.8**	**1.5**	**1.3**	**1.2**
Extractive activities	9.3	7.7	5.9	6.7	-	-	-	-
Agrifoods industries	2.4	3.3	7.3	6.7	0.2	0.2	0.4	0.4
Other Manufacturing Industries	5.2	8.1	7.3	7.6	0.2	0.3	0.3	0.3
Electricity, gas and water	14.4	7.9	8.0	6.9	0.1	0.1	0.1	0.1
Construction	7.1	17.4	9.1	7.8	0.3	0.9	0.5	0.4
Tertiary sector	**4.5**	**7.5**	**6.5**	**6.7**	**2.5**	**4.3**	**3.7**	**3.8**
Trade	0.8	5.8	5.0	4.8	0.1	0.7	0.6	0.6
Restaurants and hotels	(1.2)	9.9	4.7	5.5	-	0.3	0.1	0.2
Transportation	2.2	8.3	6.7	6.6	0.2	0.7	0.6	0.6
Posts and telecommunications	3.0	8.7	10.0	9.2	0.1	0.2	0.2	0.2
Banks and financial organisations	3.0	(5.3)	6.3	7.6	-	(0.1)	0.1	0.1
Public administration and social security	14.4	8.5	8.2	9.2	0.9	0.6	0.6	0.6
Education	14.6	5.1	5.6	8.5	0.6	0.2	0.3	0.4
Health and social action	15.4	13.4	4.9	6.5	0.1	0.1	0.1	0.1
Other services	3.3	5.3	4.8	5.7	0.3	0.4	0.4	0.5
Taxes net of Grants	2.7	12.5	8.8	6.9	0.2	1.1	0.8	0.7
Demand Side								
1. Final Consumption Expenditure	**4.7**	**5.3**	**4.7**	**3.5**	**3.7**	**4.2**	**3.7**	**2.7**
which: Private	3.2	4.8	5.0	4.0	2.2	3.3	3.3	2.6
Public	14.5	8.5	3.5	5.6	1.5	1.0	0.4	0.6
2. GFCF	2.1	17.8	13.0	15.9	0.6	4.7	3.7	4.9
Private	(7.1)	15.3	11.5	14.6	(1.7)	3.3	2.7	3.5
Public	88.4	29.6	19.0	21.1	2.3	1.4	1.1	1.3
3. Changes in inventories	(17.4)	21.0	0.3	9.3	(0.1)	0.1	-	-
4. Investment (2+3)	**1.9**	**17.9**	**12.8**	**15.9**	**0.5**	**4.7**	**3.7**	**4.9**
5. Net exports	6.3	31.9	16.9	16.4	(0.3)	1.8)	(1.2)	(1.2)
Memorandum Items								
Nominal GDP (in billion CFA francs)	9,009.0	9,810.0	10,855.0	11,935.0				
Exchange rate per US$	1.8	3.8	(11.1)	2.8				
Inflation								
Average	3.0	1.7	1.4	2.7				
End period	1.2	1.7	2.8	0.4				

*Source: National Institute of Statistics and Demography (INStaD -Benin), *Provisional*

91. Growth on the demand side was underpinned by a year-on-year increase in total investment by 15.9 percent compared to 12.8 percent in 2022, contributing 4.9 percentage points to the GDP for the year under review, driven by both private and public sector investment contributing 3.5 percentage points and 1.3 percentage points to GDP, respectively. Final consumption growth stood at 3.5 percent compared with 4.7 percent in the previous year, contributing 2.7 percentage points to GDP compared with 3.7 percentage points in 2022.

92. Regarding price developments, the annual average inflation increased to 2.7 percent from 1.4 percent in 2022, reflecting the effect of the increase in prices of gasoline following energy subsidy reforms in Nigeria, which has affected transport fares. Food inflation, however, moderated during the review period. However, end-period inflation declined to 0.4 percent in 2023 from 2.8 percent in 2022.

1.2.2. Fiscal Sector

93. Fiscal operations in 2023 resulted in an improved revenue mobilisation, mainly due to the strengthening of financial administrations and tax consolidation measures currently being implemented. The total revenue and grants amounted to CFAF 1,795.0 billion (15.0% of GDP), representing a growth of 15.6 percent over the CFAF 1,553.0 billion (14.3% of GDP) recorded in 2022. The improved revenue collection was driven by an increase in tax revenue amounting to CFAF 1,020.9 billion (8.8 % of GDP) compared with CFAF 891.0 billion (8.6 % of GDP) in 2022, reflecting improved performance in income tax revenue and customs and exercise duty. However, non-tax revenue declined by 8.1 percent to CFAF 163.4 billion (1.4% of GDP) compared with CFAF 177.8 billion (1.6% of GDP) in 2022.

94. Grants amounted to CFAF 93.8 billion (0.8% of GDP) compared to CFAF 54.6 billion (0.5% of GDP) in 2022, indicating an increase of 71.8 percent. The grants were mainly for projects.

95. Total expenditure and net lending amounted to CFAF 2,292.0 billion (19.2 % of GDP) for the year, representing a year-on-year increase of 6.6 percent over the CFAF 2,149.0 billion (19.8 % of GDP) recorded in 2022. The increase was mainly due to increase in both recurrent and capital expenditure. Current expenditure stood at CFAF 1,276.0 billion (10.7% of GDP), representing a growth of 6.5 percent in 2023 compared to an increase of 4.6 percent in 2022. Wages and salaries increased by 16.9 percent to CFAF 509.8 billion (4.3% of GDP) while interest payments on public debt increased by 6.5 percent to CFAF 190.2 billion (1.6% of GDP). However, other expenditure (operating) declined by 8.4 percent in 2023 to CFAF 155.6 billion (1.3% of GDP).

96. Capital expenditure stood at CFAF 1,013.8 billion (8.5% of GDP) in 2023 compared to CFAF 955.0 billion (8.8% of GDP) in 2022. This outturn represented a year-on-year growth of 6.2 percent, reflecting major expenditure on socio-economic infrastructure and construction projects planned under the 2021-2026 PAG. Domestically financed capital expenditure amounted to CFAF 584.3 billion (4.9% of GDP), accounting for 57.6 percent of the total capital expenditure.

97. Fiscal operations resulted in a budget deficit on commitment basis, including grants, of CFAF 494.7 billion (4.1% of GDP) in 2023 compared to CFAF 596.2 billion (5.5% of GDP) in 2022.

Excluding grants, the deficit stood at CFAF 590.4 billion (4.9% of GDP) compared to CFAF 651.0 billion (6.0% of GDP) in 2022.

98. The stock of public debt increased to CFAF 6,509.0 billion (54.5 % of GDP) as at end-December 2023, from CFAF 5,867.0 billion (54.0 % of GDP) at end-December 2022. The growth in the stock of public debt emanated from a 5.7 percent and 13.6 percent increases in domestic debt and external debt stocks, respectively. At end-December 2023, domestic and external debt stocks stood at CFAF 2,118.0 billion (17.7 % of GDP) and CFAF 4,390.0 billion (36.8 % of GDP), respectively.

Table 2: Trends in Key Fiscal Indicators in Benin

Outstanding in billions of CFA francs	**2020**	**2021**	**2022**	**2023***	**2024****	**2020**	**2021**	**2022**	**2023***	**2024****
	Percentage change					**Percent of GDP**				
Total Revenue and Grants	9.2	7.2	11.9	15.6	9.5	11.5	14.1	14.3	15.0	15.5
Total Revenue	5.0	13.5	15.6	13.5	10.3	10.1	13.2	13.8	14.3	14.8
Income Tax Revenue	15.1	11.1	30.1	14.6	9.0	5.5	7.0	8.2	8.6	8.8
Goods						0.0	0.0	0.0	0.0	0.0
Customs	-7.4	19.9	8.1	20.3	15.1	2.9	4.1	4.0	4.3	4.7
Tax Revenue	6.1	14.2	22.0	16.4	11.1	8.4	11.0	12.2	12.9	13.5
Property Income						0.0	0.0	0.0	0.0	0.0
Sale of Goods and Services						0.0	0.0	0.0	0.0	0.0
Fines and Other Penalties						0.0	0.0	0.0	0.0	0.0
Non-Tax Revenue	-0.3	9.9	-16.7	-8.1	2.6	1.7	2.2	1.6	1.4	1.3
Grants/Transfers	55.8	-39.6	-40.7	71.8	-4.4	1.4	0.9	0.5	0.8	0.7
Project	55.8	-39.6	-40.7	53.8	-20.6	1.4	0.9	0.5	0.7	0.5
Programme						0.0	0.0	0.0	0.1	0.2
Total Expenditure & Lending	40.3	13.3	10.3	6.6	6.6	15.3	19.9	19.8	19.2	19.3
Recurrent Expenditure	21.8	4.5	4.6	6.5	14.6	9.7	11.7	11.0	10.7	11.6
Primary expenditure	20.2	0.6	10.2	6.5	15.8	8.2	9.4	9.4	9.1	9.9
Staff costs (Wage bill)	7.3	-2.1	12.7	16.9	21.7	3.5	3.9	4.0	4.3	4.9
Pensions and scholarships	2.6	-2.5	2.6	4.4	27.3	0.8	0.9	0.9	0.8	1.0
Current transfers	28.8	11.2	23.7	89.3	22.6	2.1	2.6	3.0	5.1	5.9
Other expenditure (operating)	58.5	-4.9	-9.9	-8.4	5.9	1.8	1.9	1.6	1.3	1.3
Interest Payments	30.9	24.7	-18.7	6.5	7.8	1.6	2.2	1.6	1.6	1.6
Domestic debt	-1.0	44.8	-41.1	-2.9	-1.9	0.9	1.6	0.8	0.7	0.7
External debt	153.5	-5.3	32.5	16.1	16.0	0.6	0.7	0.8	0.9	0.9
Capital Expenditure/Investment	88.4	29.0	19.0	6.2	-3.2	5.5	8.2	8.8	8.5	7.8
Internal/budgetary contribution (BESA)	56.1	45.6	14.3	-1.5	-9.5	3.2	5.3	5.5	4.9	4.2
External financing	160.6	6.6	27.6	18.2	5.8	2.4	2.9	3.3	3.6	3.6
Net loans (- = repayment)	-145.8	-5.3	-309.7	-151.9	-100.0	0.0	0.0	0.0	0.0	0.0
Overall budget deficit (Commitment basis) including grants						**3.8**	**5.7**	**5.5**	**4.1**	**3.8**
Overall budget deficit (Commitment basis) excluding grants						**-5.1**	**-6.7**	**-6.0**	**4.9**	**4.5**
Overall deficit (cash basis)						-4.7	-6.5	-5.2	-4.9	-3.8
Total debt /GDP						**36.9**	**49.8**	**54.0**	**54.5**	**0.0**
Domestic debt/GDP						16.1	15.7	18.5	17.7	0.0
External debt/GDP						20.8	34.1	35.6	36.8	0.0

*Source: Ministry of Economy and Finance (Benin) *Provisional **Projections*

1.2.3. Monetary Sector

99. Growth in money supply declined by 0.4 percent in the period ended December 2023 compared to a growth of 13.0 percent in the same period of 2022, due to a decline of the NFA of the banking system. The NFA contracted by 19.4 percent at end-December 2023 compared with a growth of 0.5 percent in the previous period, reflecting a further contraction of the NFA of BCEAO by 228.5 percent. Growth in the NFA of deposit banks also slowed significantly to 1.1 percent at end-December 2023 from 16.3 percent in the corresponding period of 2022.

100. The decline in the NFA observed in 2023 can be attributed to the current global context. High global inflation, which has raised the prices of food and energy products to record levels, has increased the import bill. This situation therefore weighed on external assets. In addition, Benin made the strategic choice to postpone its participation in the international financial market during

the period. With the return of Benin to the international capital market and the issuance of Eurobonds in February 2024, the profile of NFA is expected to recover.

101. Growth in NDA accelerated to 27.2 percent in the 12-month period ended December 2023 from 38.0 percent in the previous period due to a significant increase in claims on the private sector. Claims on the private sector grew by 20.6 percent at end-December 2023 compared to 19.1 percent in the corresponding period a year ago.

102. Narrow money (M1) grew by 2.2 percent in the review period from 16.9 percent in the corresponding period of last year due to a 6.4 percent increase in transferrable during the review period. Currency in circulation and other deposits declined by 5.9 percent and 6.3 percent at end December 2023 compared to the growth of 13.7 percent and 4.9 percent in the corresponding period of 2022 respectively.

Table 3: Growth in Key Monetary Aggregates in Benin

Outstanding in billions of CFA francs	2020	2021	2022	2023*	2020	2021	2022	2023*
ASSETS	**Percentage Change**				**Contribution to Money Supply**			
NFA	**24.9**	**38.8**	**0.5**	**-19.4**	**13.1**	**21.7**	**0.3**	**-11.5**
BCEAO	-17.1	-44.6	-219.0	228.5	-2.3	-4.2	-9.8	-10.8
Banks	39.3	55.8	16.3	-1.1	15.4	25.9	10.1	-0.7
NDA	**8.9**	**-11.5**	**38.0**	**27.2**	**4.2**	**-5.0**	**12.7**	**11.1**
Net Domestic Credit	18.8	-0.5	24.2	19.3	11.6	-0.3	12.9	11.2
Government (Net)	-125.2	-236.2	-104.8	-807.4	11.1	-4.5	2.3	-0.8
Private Sector	0.7	6.9	19.1	20.6	0.5	4.2	10.6	12.0
Other Items (net)	52.2	26.0	0.9	0.8	7.3	4.7	0.2	0.1
Non-monetary Liabilities	17.3	19.1	14.0	11.5	2.9	3.2	2.4	2.0
Other Net Items	-166.1	103.2	-84.6	-513.2	4.4	1.6	-2.2	-1.8
LIABILITIES								
Broad Money (M2+)	**17.3**	**16.7**	**13.0**	**-0.4**	**17.3**	**16.7**	**13.0**	**-0.4**
Narrow Money (M_1)	21.1	23.0	16.9	2.2	13.1	14.7	11.4	1.5
Currency in Circulation	25.6	7.2	13.7	-5.9	6.2	1.8	3.2	-1.4
Transferable deposits	18.2	33.6	18.7	6.4	6.9	12.8	8.2	2.9
Other deposits included in the money supply (1)	11.1	5.5	4.9	-6.3	4.2	2.0	1.6	-1.9
BCEAO	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Banks	11.1	5.5	4.9	-6.3	4.2	2.0	1.6	-1.9
MEMORANDUM								
Nominal GDP in billions of CFA francs	11257.5	9809.7	10854.5	11934.9				
Velocity (GDP/M2+)	4.1	3.1	3.0	3.3				
Credit to Private Sector/GDP %	0.1	0.2	0.2	0.2				
NFA/M2	0.6	0.7	0.6	0.5				
NDA /M2	0.4	0.3	0.4	0.5				
Currency in Circulation/M2	0.3	0.2	0.2	0.2				

Source: BCEAO

1.2.4. External Sector

103. The external sector performance worsened as the overall BOP recorded a deficit of CFAF 417.1 billion (3.5% of GDP) in 2023 compared to a surplus of CFAF 12.7 billion (0.1% of GDP) in 2022, reflecting sustained current account deficit and lower net inflows to the financial account.

104. The current account deficit stood at CFAF 716.8 billion (6.0% of GDP) in 2023 from CFAF 651.4 billion (6.0% of GDP) due to the deterioration in the trade balance. Merchandise trade deficit widened to CFAF 461.5 billion (3.9% of GDP) in 2023 from CFAF 396.6 billion (3.9% of GDP) in 2022, largely explained by an increase in imports to CFAF 2,780.0 billion (23.3 % of GDP) compared to CFAF 2,713.3 billion (25.0% of GDP). On the other hand, merchandise exports also grew by 0.1 percent to CFAF 2318.5 billion (19.4% of GDP), primarily due to increases in receipts from key export commodities.

105. The services account deficit widened to CFAF 290.6billion (2.4% of GDP) from CFAF 241.6 billion (2.2% of GDP) in 2022, occasioned by increases in payments and receipts. The deficit of the primary income account widened to CFAF 126.3 billion (1.1% of GDP) in 2023 from CFAF 112.2 billion (1.0% of GDP) on the back of an increase in investment-related incomes. The surplus of the secondary income increased to CFAF 161.7 billion (1.4% of GDP), from CFAF 99.0 billion (0.9% of GDP) in 2022 on account of increases in personal and government transfers.

106. The capital account balance is projected at CFAF 128.8 billion (1.1% of GDP) in 2023 compared to CFAF 95.6 billion (0.9% of GDP) in 2022, reflecting an increase in capital transfer. The financial account is expected to register a net borrowing (inflows) of CFAF 170.9 billion (1.4% of GDP) in 2023 compared to CFAF 565.8 billion (5.2% of GDP) in 2022, occasioned by declines in direct investment, portfolio investment inflows and other investment.

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

	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	In billions of FCFA				Percent of GDP			
a- Current account (1+2+3)	-407.5	-651.4	-716.8	-657.7	-4.2	-6.0	-6.0	(5.1)
1- Goods and services	-428.0	-638.2	-752.2	-719.1	-4.4	-5.9	-6.3	(5.6)
Balance of goods	-195.4	-396.6	-461.5	-437.9	-2.0	-3.7	-3.9	(3.4)
FOB exports of goods	2019.9	2316.7	2318.5	2468.9	20.6	21.3	19.4	19.3
Imports of goods FOB	2215.4	2713.3	2780.0	2906.9	22.6	25.0	23.3	22.7
Balance of services	-232.6	-241.6	-290.6	-281.2	-2.4	-2.2	-2.4	(2.2)
Of which travel	92.2	149.9	160.6	172.3	0.9	1.4	1.3	1.3
Including freight and insurance	-285.0	-347.5	-386.3	-403.9	-2.9	-3.2	-3.2	(3.2)
2- Primary income	-105.0	-112.2	-126.3	-130.6	-1.1	-1.0	-1.1	(1.0)
Including interest on debt	-66.8	-88.5	-102.7	-105.4	-0.7	-0.8	-0.9	(0.8)
3- Secondary income	125.5	99.0	161.7	192.0	1.3	0.9	1.4	1.5
- Public administrations	48.9	-1.4	49.8	65.0	0.5	0.0	0.4	0.5
Including budgetary aid	37.4	0.0	9.8	20.8	0.4	0.0	0.1	0.2
Including remittances from migrants	116.0	141.9	152.8	159.9	1.2	1.3	1.3	1.2
b- Capital account (4+5)	143.8	95.6	128.8	114.7	1.5	0.9	1.1	0.9
4- Acquisition/disposal of non-financial assets	-2.8	-2.7	0.0	0.0	0.0	0.0	0.0	-
5- Capital transfers	146.7	98.3	128.8	114.7	1.5	0.9	1.1	0.9
- Public administrations	102.8	54.6	84.0	66.7	1.0	0.5	0.7	0.5
Other capital transfers	102.8	54.6	84.0	66.7	1.0	0.5	0.7	0.5
- Other sectors	43.93	43.7	44.8	48.0	0.4	0.4	0.4	0.4
c- Financial account	-858.3	-565.8	-170.9	-748.6	-8.7	-5.2	-1.4	(5.8)
6- Direct investment	-168.1	-205.2	-177.8	-199.5	-1.7	-1.9	-1.5	(1.6)
7- Portfolio investments	-503.8	-176.9	15.7	-495.1	-5.1	-1.6	0.1	(3.9)
8- Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
9- Other investments	-186.5	-183.6	-8.8	-54.0	-1.9	-1.7	-0.1	(0.4)
d- Errors and omissions	2.848	2.7	0.0	0.0	0.0	0.0	0.0	-
e- Overall balance	597.5	12.7	-417.1	205.6	6.1	0.1	-3.5	1.6
MEMORANDUM								
Nominal GDP in billions of CFA francs	9,810	10,855	11,935	12,800				
Gross Reserves (months of imports)	5	4.4	4.1					
Average Exchange Rate (CFA /WAUA)	1.5	-5.3	3.0					
Average Exchange Rate (CFA /US$)	3.8	-11.1	2.8					

*Source: BCEAO *Provisional **Projections*

1.3. Status of Macroeconomic Convergence

107. In terms of macroeconomic convergence, Benin met three out of the four primary convergence criteria in 2023, namely, annual average inflation, central bank financing of the budget deficit, gross external reserves but missed the budget deficit criterion. The country also satisfied both secondary criteria (nominal exchange rate variation and public debt ratio). The summary of the performance is presented below:

Primary Criteria

108. The budget deficit on a commitment basis, including grants, was 4.1 percent of GDP compared to 5.5 percent of GDP in 2022. The average annual inflation rate was to 2.7 percent compared to 1.4 percent in 2022. Gross external reserves were equivalent to 3.6 months of imports of goods and services in 2023 compared to 4.2 months of imports in 2022. No central bank financing of the budget deficit was recorded in 2023, thus meeting three out of four primary convergence criteria in 2023.

Secondary Criteria

109. The variation in the average nominal exchange rate of the CFA franc against the WAUA in 2023 was 2.9 percent, within the threshold of -/+10 percent. The public debt stock stood at 54.5 percent of GDP in 2023 compared to 54.1 percent of GDP in 2022, thus satisfying the 70 percent threshold set out in the MCSP.

Table 5:Status of Macroeconomic of Convergence in Benin

Criteria	Target	2021	2022	2023*	2024**
Primary Criteria		**3**	**3**	**3**	**3**
i. Budget Deficit / GDP	≤ 3 percent	5.7	5.5	4.1	3.8
ii. Annual Average Inflation	≤ 5 percent	1.7	1.4	2.7	3.0
iii. Central Bank Financing of Budget Deficit	≤ 10 percent	0.0	0.0	0.0	0.0
iv. Gross External Reserves	≥ 3 months	5.3	4.2	3.6	3.6
Secondary Criteria		**2**	**2**	**2**	**2**
i. Nominal Exchange Rate Stability	± 10 percent	1.5	-5.3	2.9	2.9
ii. Public Debt / GDP	≤ 70 percent	49.8	54.0	54.5	53.4
Total number of criteria met		**5**	**5**	**5**	**5**

*Source: BCEAO, WAMA; *Provisional **Projections*

1.4. Prospects

110. Real GDP growth is projected at 6.5 percent, 6.0 percent, and 6.0 percent in 2024, 2025 and 2026, respectively, premised on expected momentum in the primary, secondary, and tertiary sectors. The main risks to the outlook are unfavourable variations in global cotton and oil prices and the negative effects of climate change. Furthermore, the unfavourable evolution of Nigeria’s economic situation and the worsening security situation in Benin’s northern areas could compromise the economic outlook. Inflation is projected at 3.0 percent in 2024 as global oil prices stabilise. The budget deficit is projected to remain steady at 4.1 percent in 2024. The current account deficit is projected to narrow to 3.8 percent in 2024 due to the decline in raw material prices (food products).

1.5. Conclusion and Recommendations

111. In 2023, the Beninese economy remained resilient by maintaining almost the same growth as the previous year (6.4 % compared to 6.3 % in 2022) due to robust performance of the tertiary, primary and secondary sectors. The short-and medium - term outlook remains positive, with real GDP growth projected at 6.5 percent, 6.0 percent, and 6.0 percent, in 2024, 2025 and 2026, respectively. Inflation is expected to remain low and stable.

112. Based on the macroeconomic developments in 2023 and prospects for 2024, the following recommendations are proffered for the consideration of the Authorities.

i. Pursue tax and budgetary reforms favourable to controlling expenditure and increasing revenue by bringing the budget deficit within the limits of the convergence criterion by 2026;
ii. Consolidate achievements in tax reforms with a view to further improving the rate of tax pressure;
iii. Continue the prudent debt management policy including enforcing appropriate borrowing limits to ensure the sustainability of public debt; and
iv. To boost private sector participation in climate finance, the government needs to create a green investment bank that, for example, issues green bonds, provides debt relief for small and medium enterprise and startups. Moreover, to achieve green growth based on green industrialisation.

2. BURKINA FASO

2.1. Introduction

113. Burkina Faso's economic policy thrust for 2023 was broadly in line with the Transition Agenda which is aimed at fighting terrorism and restoring territorial integrity, addressing the humanitarian crisis, rebuilding the State, and improving economic and financial governance. The government also sought to create fiscal space to finance priority spending by improving revenue mobilisation, streamlining recurrent expenditure and increasing the efficiency of public investment. Consequently, the following macroeconomic targets were set for 2023:

i. Real GDP growth rate of 4.4 percent;
ii. Annual average inflation rate of 3.0 percent; and
iii. Budget deficit on commitment basis of 3.0 percent of GDP.

2.2. Sectoral Analysis

2.2.1. Real Sector

114. Provisional data showed that real GDP growth stood at 3.6 percent in 2023 compared to the growth rate of 1.8 percent recorded in 2022. Growth was supported by the secondary sector which stood at 2.5 percent in 2023 following a contraction of 8.7 percent in 2022. The tertiary sector also grew by 4.1 percent, down from 5.1 percent recorded in 2022, attributed to a significant slowdown in the trade sub-sector to 2.6 percent from 4.2 percent in 2022. Th primary sector also grew by 2.9 percent in 2023 from a higher growth of 10.7 percent in 2022.

115. Regarding contribution to GDP growth, the tertiary sector contributed 2.4 percentage points from a contribution of 2.4 percentage points in 2022. The secondary sector contributed 0.6 percentage point against a contribution of negative 2.5 percentage points in 2022. The primary sector also contributed 0.6 percentage point in 2023 compared to a contribution of 1.8 percentage points in 2022.

116. Data on price developments showed that, inflationary pressures eased significantly during the review period compared to the previous year. End-of-period inflation fell to 1.0 percent in December 2023 from 9.6 percent in December 2022, reflecting improved agriculture production 2022/2023 harvest season, improved security in the agriculture production areas, removal of taxes on essential imports (mainly rice and fuel). Similarly, average annual inflation moderated significantly to 0.7 percent in 2023 from 14.1 percent in 2022.

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

Year	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	Percentage change				Contribution to GDP growth			
GDP at market prices	**6.9**	**1.8**	**3.6**	**5.5**	**6.9**	**1.8**	**3.6**	**5.5**
Primary sector	**-7.3**	**10.7**	**2.9**	**5.9**	**-1.3**	**1.8**	**0.6**	**1.3**
Subsistence agriculture	-11.4	15.2	1.2	8.3				
Cash crop farming	-8.2	5.8	13.8	-2.7				
Cotton ginning	2.1	5.7	-22	0.7				
Breeding and activities related to breeding	2.4	3.8	2.3	4.7				
Forestry - Hunting – Fishing	1.5	1.1	0.5	5.2				
Secondary sector	**6.9**	**-8.7**	**2.5**	**4.6**	**2**	**-2.5**	**0.6**	**1.2**
Gold Mining	10.5	-12.2	-1	4.1				
Extractions of other metal ores	6.8	-69	-92.9	0				
Manufacture of drinks and tobacco	5.7	1.5	9.5	4.9				
Manufacture of textiles and clothing articles	3.2	-0.2	7	4.1				
Other manufacturing industries	2.3	-4.6	4.6	5.3				
Production and Distribution of Electricity, Gas and Water	7.7	1	7.7	6.2				
Construction, installation and finishing works	2.6	-19.1	17.8	4.8				
Tertiary sector	**12.2**	**5.1**	**4.1**	**6**	**6.2**	**2.4**	**2.4**	**3**
Trade	4.3	4.2	2.6	4.7				
Transport and transport aids	26.5	10	6.9	5.4				
hotel and catering industry	4.6	6	2.6	5.7				
Postal and telecommunications activities	11.7	5.5	3.6	4.8				
Financial and insurance activities	21.9	5.2	3.3	4.5				
General administration, economic, social and public prerogative activities	19.2	4	5.8	5.3				
Request								
Final consumption	7	0.5	3.1	5.9				
Household final consumption	2.9	-2.3	3.4	4.8				
Final consumption of Administrations	17	7.5	2.4	8.6				
Gross fixed capital formation (GFCF)	3.2	18.4	1.2	3.1				
Households and EI	4.2	-1.8	-2	1.8				
SQS and IF	3.6	-6.2	-3.6	-1.8				
Administrations	2.5	45.5	4.5	5.7				
Stock variations	257.2	52.7	1499.4	-24.3				
Exports of non-factor goods and services	13.4	0.1	-8.7	8.5				
Imports of non-factor goods and services	6.5	2.5	2.4	4.4				
Memorandum Items								
GDP Constant (in billions of FCFA)	9,693.7	9,866.9	10,226.1	10,784.6				
GDP Current (in billions of FCFA)	10,892.7	11,752.8	12,425.7	13,385.4				
Inflation								
Average	3.9	14.1	0.7	3				
End of the period	8	9.6	1	4				

Source: BCEAO **Provisional* ***Projections*

2.2.2. Fiscal Sector

117. Fiscal operations in 2023 showed that total revenue and grants amounted to CFAF2,694.42 billion (21.7% of GDP) in 2023 compared to CFAF2,505.65 billion (21.3% of GDP) in 2022, influenced by improvements in tax revenue which amounted to CFAF2,220.46 billion (17.9% of

GDP) in 2023 compared to CFAF2,038.99 billion (17.3% of GDP) in 2022. Grants on the other hand declined by 22.6 percent to CFAF203.5 billion (1.6% of GDP) in 2023 from CFAF263.7 billion (2.2% of GDP) in 2022.

118. Total expenditure was CFAF3,526.81 billion (28.4% of GDP) in 2023 compared to CFAF3,788.34 billion (32.2% of GDP) in 2022, explained by a decline in recurrent expenditure. However, capital expenditure increased by 0.3 percent in 2023, reflecting mainly an increase in the externally financed component.

119. Consequently, the overall budget deficit on commitment basis, including grants amounted to CFAF832.40 billion (6.7% of GDP) in 2023 compared to CFAF1,282.68 billion (10.9% of GDP) in 2022. Excluding grants, the budget deficit on commitment basis was CFAF1,035.90 billion (8.3% of GDP) in 2023 compared to CFAF1,545.75 billion (13.2% of GDP).

120. The total outstanding public debt stood at CFAF6,962.02 billion (56.0% of GDP) at end-December 2023 compared to CFAF6,737.21 billion (57.3% of GDP) at end-December 2022, an increase of 3.3 percent, attributable to both domestic and external components.

Table 7: Trends in Key Fiscal Indicators in Burkina Faso

Public finances (in billions of FCFA)	**2021**	**2022**	**2023***	**2024****	**2021**	**2022**	**2023***	**2024****
	Percentage change				**As a percentage of GDP**			
Revenue	12.9	14.5	7.5	15.0	20.1	21.3	21.7	23.2
revenue excluding grant	17.9	16.3	11.1	15.3	17.7	19.1	20.0	21.5
Tax revenues	24.5	19.5	8.9	17.3	15.7	17.3	17.9	19.5
Other Revenue	-16.0	-8.7	32.8	-0.9	2.0	1.7	2.2	2.0
Grant	-14.2	1.1	-22.6	11.7	2.4	2.2	1.6	1.7
Currents	-49.8	-25.5	-100.0	-	0.7	0.5	0.0	0.4
In capital	26.3	13.1	0.3	-11.7	1.6	1.7	1.6	1.3
Expenditure	22.1	25.6	-6.9	5.0	27.7	32.2	28.4	27.7
Charges	17.4	25.3	-12.1	2.1	18.9	21.9	18.2	17.3
Employee remuneration	5.8	-0.5	3.3	22.8	8.7	8.0	7.8	8.9
Use of goods and services	11.4	30.0	-9.2	13.6	1.8	2.2	1.8	1.9
Interests	37.6	15.3	28.4	-6.8	1.8	1.9	2.3	2.0
Other expenses	46.8	-73.1	41.4	115.8	1.6	0.4	0.5	1.1
Net acquisitions of non-financial assets	33.4	26.2	4.2	10.1	8.8	10.3	10.1	10.4
Fixed assets	33.9	26.4	1.3	10.6	8.7	10.2	9.8	10.0
Stocks	-89.4	149.2	94.8	36.5	0.0	0.0	0.0	0.0
Budget balance based on commitment including donations	55.6	55.2	-35.1	-27.5	-7.6	-10.9	-6.7	-4.5
Budget balance based on commitment excluding donations	30.3	42.2	-33.0	-19.8	-10.0	-13.2	-8.3	-6.2
Public debt	**2021**	**2022**	**2023**	**2024**				
	As a percentage of GDP							
Total public debt	55.1	57.3	56.0	61.4				
Domestic debt	30.8	31.5	30.4	35.5				
External debt	24.3	25.8	25.6	26.0				

Source: BCEAO **Provisional* ***Projections*

2.2.3. Monetary Sector

121. The developments in monetary aggregates in 2023 showed that growth in broad money supply (M2) declined by 2.9 percent compared to a growth of 2.4 percent in 2022, reflecting a decline in the NFA. The NFA declined by 17.5 percent in 2023 compared to a decline of 25.2 percent in 2022, reflecting significant declines in the NFA of both the BCEAO and deposit banks. Growth in NDA also slowed down significantly to 4.8 percent in 2023 from a growth of 27.0 percent in 2022, explained by significant contraction in claims on local authorities and claims on public enterprises. Net claims on the central government, however, expanded by 57.5 percent in 2023

following a contraction of 523.5 percent in 2022. Growth in claim on the economy slowed to 5.0 percent in 2023 from 15.8 percent in 2022.

Table 8: Growth in Key Monetary Aggregates in Burkina Faso

	2021	2022	2023	2024*	2021	2022	2023	2024*
	Percentage change				Contribution to M2 growth			
NFA	**32.9**	**-25.2**	**-17.5**	**21.4**	**13.7**	**-11.9**	**-6.0**	**6.3**
BCEAO	127.5	-233.5	-40.3		5.5	-19.5	4.4	
Banks	22.0	19.7	-23.0		8.2	7.6	-10.4	
Domestic claims	**3.2**	**26.1**	**8.4**	**19.8**	**2.2**	**16.3**	**6.4**	**17.0**
Net claims on the Central Administration	-134.6	-523.5	57.5	90.5	-5.4	6.2	2.8	7.2
BCEAO	-544.8	-163.5	229.8		-2.4	2.8	2.4	
Banks	-83.1	665.1	10.2		-3.0	3.4	0.4	
Claims on the economy	11.5	15.8	5.0	12.5	7.6	10.0	3.6	9.7
Other net items (3)	**-7.9**	**20.8**	**28.8**	**57.7**	**1.0**	**-2.0**	**-3.3**	**-8.7**
Passive								
Money supply (M2)	**16.9**	**2.4**	**-2.9**	**14.5**				
M1	20.6	0.7	-4.5					
Fiduciary circulation	19.5	-0.6	19.0	16.5				
Transferable deposits	21.0	1.1	-11.4	4.4				
Other deposits included in the money supply (1)	10.5	5.4	0.0					

Source: BCEAO **Projections*

2.2.4. External Sector

122. The current account deficit narrowed to CFAF801.3 billion (6.4% of GDP) in 2023 from CFAF875.7 billion (7.5% of GDP) in 2022, reflecting improvement in both the primary account despite the slight deterioration in the secondary income account. The primary income account deficit narrowed to CFAF587.0 billion (4.7% of GDP) in 2023 from CFAF647.8 billion (5.5% of GDP) in 2022. The secondary income account balance also recorded a lower surplus of CFAF265.2 billion (2.1% of GDP) compared to CFAF362.8 billion (3.1% of GDP) in 2022.

123. The capital balance recorded a higher surplus of CFAF263.0 billion (2.1% of GDP) in 2023 compared to CFAF261.0 billion (2.2% of GDP) in 2022, reflecting modest increase in capital transfers. The financial account recorded a net capital inflow of CFAF192.6 billion (1.5% of GDP) in 2023, compared to a net outflow of CFAF47.5 billion (0.4% of GDP) recorded in 2022, reflecting higher inflows from portfolio investment and lower portfolio reversals in the other investments. Both direct and portfolio investments showed net inflows of CFAF173.6 billion (1.4% of GDP) and CFAF291.1 billion (2.3% of GDP) compared to net inflows of CFAF403.1 billion (3.4% of GDP) and CFAF41.6 billion (0.4% of GDP), respectively, in 2023. Other investments also recorded a lower outflow of CFAF 272.1 billion (2.2% of GDP) compared to CFAF 492.1 billion (4.2% of GDP) in 2022. These developments resulted in an overall BOP deficit of CFAF345.8 billion (2.8% of GDP) in 2023, significantly lower than the CFAF666.7 billion (5.7% of GDP) recorded in 2022.

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

	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	In billions of FCFA				As a percentage of GDP			
a- Current transactions account (1+2+3)	42.8	-875.7	-801.3	-609.0	0.4	-7.5	-6.4	-4.5
1- Goods and services	221.1	-590.7	-479.6	-322.3	2.0	-5.0	-3.9	-2.4
Balance of goods	698.2	-3.9	102.1	320.6	6.4	0.0	0.8	2.4
FOB exports of goods	3148.8	3312.2	3322.3	3772.9	28.9	28.2	26.7	28.2
Imports of goods FOB	2450.6	3316.1	3220.2	3452.3	22.5	28.2	25.9	25.8
Balance of services	-477.0	-586.9	-581.7	-642.8	-4.4	-5.0	-4.7	-4.8
Of which travel	45.3	47.1	49.4	51.4	0.4	0.4	0.4	0.4
Including freight and insurance	-161.9	-645.8	-627.1	-672.3	-1.5	-5.5	-5.0	-5.0

2- Primary income	-512.0	-647.8	-586.9	-589.6	-4.7	-5.5	-4.7	-4.4
Including interest on debt	-28.6	-33.3	-42.3	-31.7	-0.3	-0.3	-0.3	-0.2
3- Secondary income	333.7	362.8	265.2	302.9	3.1	3.1	2.1	2.3
- Public administrations	146.2	169.5	54.6	101.7	1.3	1.4	0.4	0.8
Including budgetary aid	80.9	60.3	0.0	47.7	0.7	0.5	0.0	0.4
Including remittances from migrants	236.0	290.7	308.1	328.6	2.2	2.5	2.5	2.5
b- Capital account	235.7	261.0	263.0	241.5	2.2	2.2	2.1	1.8
5- Capital transfers	235.5	260.7	261.8	240.3	2.2	2.2	2.1	1.8
- Public administrations	179.3	203.4	203.5	179.6	1.6	1.7	1.6	1.3
- Other sectors	56.2	57.3	58.3	60.7	0.5	0.5	0.5	0.5
c- Financial account	-374.5	47.5	-192.6	-555.4	-3.4	0.4	-1.5	-4.1
6- Direct investment	20.4	-403.1	-173.6	-188.8	0.2	-3.4	-1.4	-1.4
7- Portfolio investments	-440.5	-41.6	-291.0	-221.2	-4.0	-0.4	-2.3	-1.7
8- Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9- Other investments	45.6	492.1	272.1	-145.4	0.4	4.2	2.2	-1.1
d- Clear errors and omissions	-4.3	-4.4	0.0	0.0	0.0	0.0	0.0	0.0
e- Overall balance	648.7	-666.7	-345.8	187.9	6.0	-5.7	-2.8	1.4

Source: BCEAO **Provisional* ***Projections*

2.3. Status of Macroeconomic Convergence

124. In terms of macroeconomic convergence, the country met three (3) of the four (4) primary criteria (average annual inflation, central bank financing of the budget deficit, and gross external reserves in months of imports) and both secondary criteria (variation in the nominal exchange rate in relation to the WAUA and the ratio of public debt to GDP) by the end of 2023. Compared with 2022, the country's performance improved, as it had only met four (4) criteria, including two primary criteria (central bank financing of budget deficit and gross external reserves in months of imports). The summary of the performance is presented below:

Primary criteria

125. The budget deficit on a commitment basis, including grants, was 6.7 percent of GDP compared to 10.9 percent of GDP in 2022. The average annual inflation rate declined to 0.7 percent from 14.1 percent in 2022, thus complying with the 5 percent threshold set in the MCSP. Gross external reserves were estimated at 3.6 months of imports of goods and services in 2023 compared to 4.2 months of imports in 2022, satisfying the minimum threshold of 3 months. No central bank financing of the budget deficit was recorded in 2023.

Secondary criteria

126. The variation in the average nominal exchange rate of the CFA franc against the WAUA in 2023 was 2.9 percent, below the threshold of -/+10 percent. The public debt stock stood at 56.0 percent of GDP in 2023 compared to 57.3 percent of GDP in 2022, thus satisfying the 70 percent threshold set out in the MCSP.

Table 10: Status of Macroeconomic Convergence in Burkina Faso

Criteria	Target	2020	2021	2022	2023*	2024**
Primary Criteria		**3**	**3**	**2**	**3**	**3**
i. Budget Deficit / GDP	≤ 3 percent	5.2	7.6	10.9	6.7	4.5
ii. Annual Average Inflation	≤ 5 percent	1.9	3.9	14.1	0.7	3.0
iii. Central Bank Financing of Budget Deficit	≤ 10 percent	0.0	0.0	0.0	0.0	0.0
iv. Gross External Reserves	≥ 3 mths Imp	6.5	5.3	4.2	3.6	4.4
Secondary Criteria		**2**	**2**	**2**	**2**	**2**
i. Nominal Exchange Rate Stability	± 10 percent	1.0	1.5	-5.3	2.9	2.9
ii. Public Debt / GDP	≤ 70 percent	45.8	55.1	57.3	56.0	61.4
Total number of convergence criteria met		**5**	**5**	**4**	**5**	**5**

*Sources: BCEAO, WAMA; *Provisional* ***Projections*

2.4. Prospects

127. Real GDP growth is projected at 5.5 percent in 2024, supported mainly by the tertiary sector. Inflation is projected to remain low, albeit rising marginally to 3.0 percent in 2024.

2.5. Conclusion and Recommendations

128. Burkina Faso continues to grapple with a difficult socio-political situation marked by a security environment weakened by terrorist attacks and the domestic political tensions. Real GDP growth stood at 3.6 percent in 2023, up from 1.8 percent in 2022. Average annual inflation rate moderated significantly to 0.7 percent from 14.1 percent in 2022.

129. To economic performance on the convergence scale, the authorities are encouraged to consider the following recommendations:

   i. Pursue reforms to diversify the economy, particularly through the development of agricultural value chains;
   ii. Enhance domestic revenue mobilisation through digitisation of revenue management procedures;
   iii. Implement fiscal reforms to bring down the budget deficit and ensure fiscal and debt sustainability;
   iv. Implement measures to ensure adequate supply of essential consumer goods cushion households against the price hikes; and
   v. Step up the fight against terrorism.

3. CABO VERDE

3.1. Introduction

130. The economic and financial situation in Cabo Verde in 2023 was characterised by the slowdown in economic growth, the easing of inflationary pressures, fiscal consolidation, the deterioration in the BOP, and the tightening of monetary policy and financing conditions.

131. During this period, the economy grew by 5.1 percent compared with the 17.4 percent growth recorded in 2022, mainly due to the performance of the services (+6.2) and secondary (+1.2%) sectors. This growth was achieved against a backdrop of a slowdown in the rise in consumer prices, bringing average annual inflation down to 3.7 percent from 7.9 percent at the end of 2022.

132. The government's fiscal operations for 2023 resulted in an overall budget deficit of 0.3 percent of GDP compared with 4.0 percent of GDP the previous year.

133. External trade in 2023 resulted in an overall BOP surplus as net capital flows improved, exceeding current account and capital account deficits. The monetary situation was characterised by a 6.7 percent increase in the money supply, mainly due to the rise in NFA.

134. In terms of convergence, Cabo Verde met all the convergence criteria in 2023, with the exception of the criterion on public debt-to-GDP ratio.

3.2. Sectoral Analysis

3.2.1. Real Sector

135. The economy grew by 5.1 percent in 2023, compared with 17.4 percent in 2022, reflecting a return to its optimal growth path after a sharp rise in 2022, due to the base effect, following the sharp fall recorded in 2020. The economy was driven mainly by the service sector, supported by the secondary sector, with the primary sector showing a slowdown.

136. Value added in the service sector rose by 6.2 percent, contributing 5.3 percentage points to growth, compared with 17.2 percentage points the previous year. This development is particularly linked to the effects of the recovery in tourism on the transport and accommodation and catering sub-sectors, which contributed 1.5 percentage points and 0.9 percentage point, respectively to GDP growth. Similarly, the 9.2 percent rise in the value added of public administration contributed 0.9 percentage point to growth.

137. Value added in the secondary sector rose slightly by 1.2 percent in 2023, contributing 0.1 percentage point to growth. This was mainly due to an 11.3 percent increase in the value added of the manufacturing industry and a 6.9 percent rise in that of water and electricity. On the other hand, value added in the construction and quarrying subsectors fell by 15.5 percent and 17.1 percent, respectively.

138. The primary sector's contribution to GDP growth was negative, at -0.3 percentage point, following a 7.1 percent fall in its value added. This was due to the poor performance of the agriculture sub-sector (-0.4 percentage point), which was insufficiently offset by the performance of the fisheries and aquaculture sub-sector (0.1 percentage point).

139. On the demand side, the evolution of economic activity was due to the reduction in investment (-34.1% in 2023) and the more moderate contribution of net foreign demand, with private and public consumption increasing by 7.7 percent and 1.3 percent, respectively. In fact, the negative contribution of investment to GDP growth was due to weak demand attributable to the rise in production and construction costs and the slightly more restrictive credit criteria over the period, affecting the search for financing, as well as the financial difficulties experienced by certain companies.

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

In millions of escudos (millions of CVE)	2020	2021	2022	2023	2020	2021	2022	2023
Supply Side	**Percentage Change**				**Contribution to GDP growth**			
Real GDP	**-20.8**	**7.0**	**17.4**	**5.1**	**-20.8**	**7.0**	**17.4**	**5.1**
Primary	**13.8**	**-7.0**	**-13.4**	**-7.1**	**0.6**	**-0.4**	**-0.7**	**-0.3**
Agriculture, livestock and forestry	20.4	-6.4	-8.1	-11.5	0.6	-0.3	-0.3	-0.4
Fishing and aquaculture	-2.5	-8.7	-29.9	11.2	0.0	-0.1	-0.4	0.1
Secondary	**-17.8**	**0.4**	**8.0**	**1.2**	**-2.1**	**0.0**	**0.9**	**0.1**
Extractive industries	-17.9	8.3	4.1	-17.1	0.0	0.0	0.0	0.0
Manufacturing industries	-19.7	14.3	3.4	11.3	-1.0	0.7	0.2	0.5
Electricity and water	-14.3	12.8	26.8	6.9	-0.3	0.3	0.6	0.2
Construction	-17.3	-19.0	4.0	-15.5	-0.8	-0.9	*0.2*	-0.5
Tertiary	**-23.0**	**9.1**	**20.7**	**6.2**	**-19.3**	**7.4**	**17.2**	**5.3**
Commerce and repair	-27.1	8.9	34.5	-3.7	-3.0	0.9	3.6	-0.5
Transport and storage	-36.9	46.5	40.9	9.5	-4.4	4.4	5.3	1.5
Accommodation and catering	-70.9	-25.0	287.9	18.0	-4.0	-0.5	4.1	0.9
Information and communication activity	-4.2	7.8	9.7	20.9	-0.1	0.2	0.2	0.5
Financial and insurance activities	-8.2	-8.9	2.4	8.7	-0.6	-0.7	0.2	0.5
Real estate activities	-10.6	6.0	3.4	7.0	-1.0	0.6	0.3	0.6
Business service activities	-49.3	34.1	30.3	16.9	-1.5	0.7	0.7	0.4
Public administration and social security	-3.2	0.3	-8.3	9.2	-0.4	0.0	-1.0	0.9
Education	-4.7	17.7	-1.4	-5.7	-0.2	0.9	-0.1	-0.3
Health and social action	13.0	25.8	-9.2	-11.6	0.2	0.7	-0.3	-0.3
Other service activities	-50.1	40.6	26.4	24.5	-1.2	0.6	0.5	0.5
Taxes net of subsidies on products	-22.8	-2.8	27.9	3.4	-3.3	-0.4	3.6	0.5
Demand Side								
1. Final Consumption Expense	**-10.1**	**10.1**	**8.3**	**6.3**	**-8.9**	**10.1**	**8.6**	**6.0**
Private	-13.8	10.1	13.7	7.7	-9.5	7.5	10.5	5.8
Public	2.4	10.0	-6.9	1.3	0.5	2.5	-1.8	0.3
2. Investment	**0.1**	**2.4**	**-27.4**	**-34.1**	**0.0**	**0.8**	**-8.8**	**-6.8**
3. Net Exports	**79.7**	**11.4**	**-50.0**	**-39.4**	**-11.9**	**-3.9**	**17.7**	**5.9**
Memorandum Items								
GDP (Current Prices, in millions of escudos)	176,320	191,269	241,577	263,814				
GDP (Constant Prices, in millions of escudos)	166,547	178,261	209,348	220,128				
Exchange rate per US$	96.8	93.2	104.9	102.0				
Inflation								
Average	0.6	1.9	7.9	3.7				
End-Period	-0.9	5.4	7.6	1.3				

*Sources: INE/WAMA * estimations ** forecast*

140. Economic activity took place in an environment characterised by a slowdown in the rise in consumer prices, bringing average annual inflation down to 3.7 percent from 7.9 percent at the end of 2022. The decline in inflation was due to lower energy prices, lower food prices on the international market and the appreciation of the local currency. Year-on-year, the inflation rate was 1.3 percent in 2023, compared with 7.6 percent in 2022.

3.2.2. Fiscal Sector

141. In 2023, the government's financial operations resulted in a deficit of CVE 709.1 million (0.3% of GDP) compared with a deficit of CVE 9,678.3 million (4.0% of GDP) in 2022. Excluding grants, the deficit was CVE 4,169.9 million (1.6% of GDP) in 2023, compared to CVE 11,809.3

million (4.9% of GDP) in 2022, attributed to improved domestic revenue and grants coupled with expenditure restraints.

142. Total revenue and grants rose by 23.1 percent to CVE 64,823 million (24.6% of GDP) in 2023, compared with CVE 52,663 million (21.8% of GDP) the previous year, in line with the increase in tax and non-tax revenue. Tax revenues rose by 12.6 percent to CVE 49,698 million (18.8% of GDP) in 2023, after CVE 44,146 million (18.3% of GDP) in 2022. This follows higher revenues from income tax, corporate tax, value added tax and the special consumption tax. Non-tax revenue rose by 83.8 percent to CVE 11,590 million, from CVE 6,304 million in 2022. Similarly, grants rose by 62.4 percent to CVE 3461.0 million (1.3% of GDP) from CVE 2,131 million (0.9% of GDP) in 2022, in line with the increase in transfers to general government.

Table 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	**-23.8**	**1.8**	**18.3**	**23.1**	**24.8**	**23.3**	**42.4**	**24.6**
Domestic Revenue	**-24.7**	**5.2**	**24.6**	**21.4**	**21.8**	**21.2**	**20.9**	**23.3**
Income Taxes	-22.8	-10.3	9.8	24.4	5.5	4.6	4.0	4.5
Other direct taxes (Unified Special Tax)			44.5	21.9	0.0	0.2	0.2	0.2
Value-added tax	-24.7	3.1	37.8	13.0	7.1	6.8	7.4	7.7
Consumption Taxes	-22.4	18.1	75.7	1.1	1.0	1.1	1.5	1.4
Miscellaneous Taxes on Services	-70.1	-51.1	407.0	75.2	0.2	0.1	0.3	0.5
Ecological Tax	-19.8	13.9	1.5	1.1	0.3	0.4	0.3	0.3
Taxes on International Transactions	-17.7	19.7	27.0	1.3	3.7	4.1	4.2	3.8
Other taxes	-0.4	0.1	21.1	2.2	0.4	0.4	0.3	0.3
Tax Revenue	**-23.3**	**4.0**	**31.6**	**12.6**	**18.3**	**17.5**	**18.3**	**18.8**
Property Income	-50.8	7.4	-72.4	1398.0	0.6	0.6	0.1	1.9
Sale of Goods and Services	-39.4	16.9	24.4	7.5	2.1	2.2	2.2	2.2
Fines and Other Penalties	-51.4	-16.0	59.0	60.8	0.1	0.1	0.1	0.2
Other Transfers	-66.9	56.2	83.7	90.6	0.0	0.0	0.1	0.1
Other unspecified Miscellaneous Income	428.2	0.2	-75.6	-24.8	0.7	0.6	0.1	0.1
Non-Tax Revenue	**-31.2**	**11.1**	**-9.0**	**83.8**	**3.5**	**3.6**	**2.6**	**4.4**
Social Security Contributions	-25.8	38.1	3.3	-8.5	0.0	0.0	0.0	0.0
Grants/Transfers	-16.3	-23.7	-46.5	62.4	3.0	2.1	0.9	1.3
From Foreign Governments	-14.9	-38.9	-56.4	110.4	2.9	1.6	0.6	1.1
From International Organisations	81.1	307.7	-17.9	-35.7	0.1	0.3	0.2	0.1
Of Public Administrations	-72.5	500.2	-8.2	-1.8	0.0	0.2	0.2	0.1
Total Expenditure & Lending	**-3.6**	**0.2**	**5.8**	**5.1**	**33.3**	**30.8**	**25.8**	**24.9**
Recurrent Expenditure	1.8	0.5	6.6	5.1	30.8	28.5	24.1	23.2
Wages & Salaries	4.7	2.7	-0.7	1.7	12.2	11.6	9.1	8.5
Goods & Services	26.8	-1.6	4.4	14.9	5.8	5.2	4.3	4.5
Subsidies & Transfers	-10.1	2.3	12.1	2.6	10.1	9.5	8.4	7.9
Current interest	-3.7	-11.5	26.3	9.1	2.7	2.2	2.2	2.2
External Debt	-14.1	-41.3	112.9	24.9	0.9	0.5	0.8	0.9
Internal Debt	2.4	2.5	2.9	-1.4	1.8	1.7	1.4	1.2
Other charges	15.9	63.9	-48.9	93.7	0.0	0.0	0.0	0.0
Capital Expenditure/Investment in Non-financial assets	-41.1	-3.1	-3.7	5.7	2.5	2.3	1.7	1.7
Budget Deficit (incl. Grants)					**-8.5**	**-7.5**	**-4.0**	**-0.3**
Budget Deficit (excl. Grants)					**-11.5**	**-9.6**	**-4.9**	**-1.6**
Primary Current Balance					-5.7	-3.4	-0.1	3.5
Total debt /GDP					**145.6**	**146.8**	**122.2**	**116.2**
Domestic debt/GDP					40.5	42.6	37.5	37.6
External debt/GDP					105.1	104.2	84.7	78.6

Source: Ministry of Finance and Business Development Praia, Cabo Verde

143. Total expenditure and net lending increased by 5.1 percent to CVE 65,532.0 million (24.8% of GDP) from CVE 62,340 million (25.8% of GDP) in 2022, driven by recurrent expenditure (5.1%), expenditure on goods and services (14.9%) and interest payments (9.1%). By contrast, spending on transfers and subsidies, social benefit and other current expense rose by 2.6 percent to CVE 20,903.0 million, from CVE 20,365.0 million in 2022.

144. Cabo Verde's public debt stood at CVE306,514.0 billion (116.2% of GDP) at end-December 2023, compared with CVE 296,617.0 billion (122.8% of GDP) the previous year. The decline in the debt ratio can be explained by the effects of the rebasing of GDP and appreciation of the local currency.

3.2.3. Monetary Sector

145. The BCV's monetary policy stance in 2023 was aimed at reducing inflation and strengthening the escudo. The monetary policy rate stood at 1.00 percent at end-December 2023, up 75 basis points from 0.25 percent at end-December 2022.

146. Changes in monetary aggregates were marked by a 6.7 percent increase in broad money supply at the end of December 2023, compared with 5.9 percent growth a year earlier, due to the rise in the NFA.

Table 13: Growth in Key Monetary Aggregates in Cabo Verde

	2020	2021	2022	2023	2020	2021	2022	2023
ASSETS	**Percentage Change**				**Contribution to Money Supply**			
NFA	**-9.88**	**5.23**	**8.28**	**30.10**	**-3.6**	**1.6**	**2.7**	**9.9**
Central bank (BCV)	-12.21	3.05	5.58	9.41	-4.5	1.0	1.8	3.0
Commercial banks	-90.60	-699.39	158.93	499.83	1.0	0.7	0.9	6.9
NDA	**11.20**	**1.95**	**4.80**	**-4.69**	**7.2**	**1.3**	**3.3**	**-3.2**
Net Domestic Credit	6.69	4.82	7.41	5.00	4.8	3.6	5.6	3.8
Government (Net)	15.19	-0.63	16.75	-0.19	1.9	-0.1	2.3	0.0
Credit to the Economy	4.84	6.13	5.32	6.29	2.8	3.6	3.3	3.8
Other Items (net)	-31.63	44.50	32.83	79.45	2.4	-2.2	-2.3	-7.0
LIABILITIES								
Broad Money (M2)	3.61	2.97	5.92	6.70	3.6	3.0	5.9	6.7
Narrow Money (M_1)	6.79	2.79	11.19	9.98	3.0	1.3	5.2	4.8
Currency in Circulation	11.65	2.76	6.90	8.73	0.6	0.2	0.4	0.5
Transferrable deposit	6.17	2.80	11.77	10.14	2.5	1.1	4.8	4.4
Other deposit	1.01	3.13	1.40	3.62	0.6	1.7	0.8	1.9
Savings Deposits	11.40	11.35	10.05	6.70	0.4	0.4	0.4	0.3
Term Deposits in National Currency	4.29	4.90	-4.70	3.87	0.9	1.0	-1.0	0.8
Residents' Foreign Exchange Deposits	-17.60	3.61	27.28	20.08	-0.4	0.1	0.5	0.5
Emigrant Deposits	0.10	1.63	2.92	1.31	0.0	0.4	0.8	0.3
Checks and Payable Orders	-58.24	121.15	106.72	-50.98	-0.1	0.0	0.1	-0.1
Security Deposits	0.14	33.72	-0.40	91.47	0.0	0.0	0.0	0.0
Securities Repurchase Agreements	-48.84	-100.00	0.00	0.00	-0.3	-0.3	0.0	0.0
Other Quasi-Deposits	7.96	-21.54	-9.13	134.43	0.0	0.0	0.0	0.1
MEMORANDUM ITEMS								
Nominal GDP in millions of escudos	176319.8	191268.9	241577.0	263814.3				
International Reserves (gross) in millions of escudos	63886.7	65628.7	68993.1	75509.1				
Money Multiplier(M2+/RM)	3.2	3.2	3.2	3.1				
Velocity (GDP/M2+)	0.9	0.9	1.1	1.1				
Credit to the Economy/GDP %	0.7	0.7	0.6	0.5				
NFA/M2	0.3	0.3	0.3	0.4				
NDA /M2	0.7	0.7	0.7	0.6				
Currency in Circulation/M2	0.1	0.1	0.1	0.1				

Sources: BCV/WAMA

147. NFA grew by 30.1 percent compared to the growth of 8.3 percent recorded at the end of December 2022, due mainly to the increase in the net international investment position of commercial banks from CVE 3,062.9 million to CVE 18,372.2 million, and, to a lesser extent, the increase in the Central Bank's foreign exchange reserves. Conversely, NDA fell by 4.7 percent at end-December 2023, compared with an increase of 4.8 percent during the corresponding period in 2022, due to the improvement in the government's net position in the banking system.

148. The expansion of broad money was reflected in the increase in currency in circulation (+8.7%), transferable deposits (+10.1%) and other deposit (+3.6%).

3.2.4. External Sector

149. Cabo Verde's external sector developments showed that the overall BOP surplus improved significantly to CVE 5,113.9 million (1.9% of GDP) from CVE 2603.0 million (1.1% of GDP) in 2022, on account of improved net financial inflows.

150. The current account deficit deteriorated to CVE 8,332.0 million (3.2% of GDP) from CVE 7,438.8 million (3.1% of GDP) in 2022, mainly due to the deterioration in the trade balance and the primary income account. The trade deficit widened to CVE 90,902 million (34.5% of GDP) from CVE 82,054 million (34.0% of GDP) in 2022, attributed to a decrease in exports and an increase in imports.

151. Exports (FOB) declined by 11.7 percent to stand at CVE 26191.3 million (9.9% of GDP) compared with CVE 29650.6 million (12.3% of GDP) in 2022. Imports (FOB), on the other hand, increased by 4.8 percent during the period under review, to CVE 117,093.5 million (44.4% of GDP) compared with CVE 111704.8 million (46.2% of GDP) in 2022.

152. The surplus on the services account increased by 22.9 percent to CVE 42,729.2 million (16.2% of GDP) during the year under review, compared with a surplus of CVE 34,760.0 million (14.4% of GDP) in 2022. The primary income account deficit widened by 1.8 percent to CVE 3038.7 million (1.2% of GDP) in 2023, compared with CVE 2986.3 million (1.2% of GDP) at the end of 2022. In 2023, the surplus on secondary income increased slightly by 0.1 percent to CVE 42,879.2 million (16.3% of GDP), compared with CVE 42,842.0 million (17.7% of GDP) in 2022, explained by an increase in official transfers to government against a backdrop of falling net transfers from emigrants.

153. The capital account showed a surplus of CVE 1,903.6 million (0.7% of GDP), compared with a surplus of CVE 2,308.9 million (1.0% of GDP) in 2022, a decline of 17.36 percent, due to the fall in capital transfers both by migrants and to the government.

154. As a result of these developments, a financing requirement of CVE 6,428.0 million (2.4% of GDP) arose in 2023 compared with a financing requirement of CVE 5,129.9 million (2.1% of GDP) at the end of 2022.

155. This borrowing requirement was covered by capital inflows to the financial account, bringing the surplus to CVE 13,752.0 million (5.2% of GDP) compared with CVE 10,373.2 million (4.3% of GDP) at the end of 2022. This trend is explained by the increase in foreign direct investment (FDI), portfolio investment and debt disbursements in favour of the government and the private sector, which more than offset the outflow of capital by the banking sector.

156. BCV's gross external reserves stood at CVE 75,509.1 million at the end of 2023, compared with CVE 68,993.1 million at the end of 2022, covering 6.2 months of imports of goods and services.

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

	2019	2020	2021	2022	2023	2020	2021	2022	2023
	In millions of CVE					Percent of GDP			
a- Current account (1+2+3)	**-2185**	**-27344**	**-23190**	**-7439**	**-8332**	**-15.5**	**-12.1**	**-3.1**	**-3.2**
1- Goods and services	-27782	-56080	-60735	-47294	-48173	-31.8	-31.8	-19.6	-18.3
Balance of goods	**-65623**	**-63832**	**-66368**	**-82054**	**-90902**	**-36.2**	**-34.7**	**-34.0**	**-34.5**
Credit	26175	12496	16624	29651	26191	7.1	8.7	12.3	9.9
Debt	91798	76328	82992	111705	117094	43.3	43.4	46.2	44.4
Balance of services	37841	7752	5633	34760	42729	4.4	2.9	14.4	16.2
Inflows (Credit)	72856	28960	26982	60760	70867	16.4	14.1	25.2	26.9
Outflows (Debit)	35016	21208	21349	26000	28138	12.0	11.2	10.8	10.7
2- Primary income	**-4177**	**-3719**	**-2643**	**-2986**	**-3039**	**-2.1**	**-1.4**	**-1.2**	**-1.2**
Primary Income - Credit	1046	429	462	970	1257	0.2	0.2	0.4	0.5
Primary Income - Debit	-5212	-4147	-3106	-3957	-4296	-2.4	-1.6	-1.6	-1.6
3- Secondary income	**29775**	**32455**	**40189**	**42842**	**42879**	**18.4**	**21.0**	**17.7**	**16.3**
Official Transfers	5860	5295	4476	3100	4127	3.0	2.3	1.3	1.6
Remittances from Emigrants	16487	18537	25602	28950	27908	10.5	13.4	12.0	10.6
Other Private Transfers	7428	8623	10111	10792	10844	4.9	5.3	4.5	4.1
b- Capital account (4+5)	**1240**	**2243**	**2672**	**2309**	**1904**	**1.3**	**1.4**	**1.0**	**0.7**
Official Transfers	686	1119	792	944	364	0.6	0.4	0.4	0.1
Remittances from Emigrants	256	238	301	192	127	0.1	0.2	0.1	0.0
c. Current account and capital balances (Net Lending/Borrowing (+/-) (a+b)	**-945**	**-25101**	**-20518**	**-5130**	**-6429**	**-14.2**	**-10.7**	**-2.1**	**-2.4**
d- Financial account (6+7+8)	**-17087**	**-14402**	**-19416**	**-10373**	**-13752**	**-8.2**	**-10.2**	**-4.3**	**-5.2**
6- Direct investment	-10547	-6154	-8554	-10962	-11301	-3.5	-4.5	-4.5	-4.3
7- Portfolio Investments	10	-23	78	14	-1	0.0	0.0	0.0	0.0
8- Other investments	-6551	-8225	-10940	576	-2450	-4.7	-5.7	0.2	-0.9
e- Net errors and omissions	**-1590**	**2416**	**2189**	**-2640**	**-2209**	**1.4**	**1.1**	**-1.1**	**-0.8**
	-	-	-		-	-	-		-
Overall balance	14552	-8283	1088	2603	5114	-4.7	0.6	1.1	1.9
MEMORANDUM Items									
Nominal GDP in millions of escudos	221829	176320	191269	241577	263814				
Nominal GDP in millions of US$	2252	1821	2052	2303	2586				
Average Exchange Rate (CVE /US$)	98.5	96.8	93.2	104.9	102.0				
Gross Reserves (months of imports)	6.9	7.9	7.5	6.8	6.2				
Reserves in millions of escudos	72911.6	63886.7	65628.7	68993.1	75509.1				

Source. BCV/WAMA

3.3. Status of Macroeconomic Convergence

157. Regarding macroeconomic convergence, Cabo Verde met all four primary convergence criteria in 2023 compared to only two (central bank financing of the budget deficit and gross external reserves) in 2022. With regards to the secondary criteria, the country met nominal exchange rate variation but missed the debt-to-GDP ratio. Overall, the country met five (5) convergence criteria in 2023 compared with three (3) in the previous year. In 2024, the country is expected to meet all primary criteria and one secondary criteria (nominal exchange rate variation). The summary of the performance is presented below:

Primary criteria

158. The budget deficit on a commitment basis, including grants, declined to 0.3 percent of GDP from 5.2 percent of GDP in 2022. The average annual inflation rate also fell to 3.7 percent from 7.9 percent in 2022. Gross external reserves were equivalent to 6.2 months of imports of goods and services in 2023 compared to 6.8 months of imports in 2022. No central bank financing of the budget deficit was recorded in 2023, thus complying with all four primary convergence criteria in 2023.

Secondary criteria

159. The variation in the average nominal exchange rate of the escudo against the WAUA in 2023 was 3.0 percent, below the threshold of -/+10 percent. However, the public debt stock stood at 116.2 percent of GDP in 2023 compared to 122.3 percent of GDP in 2022, thus missing the 70 percent threshold set out in the MCSP.

Table 15: Status of Macroeconomic Convergence in Cabo Verde

	Target	*2021*	*2022*	*2023**	*2024***
Primary criteria		***3***	***2***	***4***	***4***
i) Budget deficit/GDP (incl. grants)	≤ 3%	8.30	4 .0	0.3	2.9
ii) Average annual inflation	≤ 5%	1.9	7.9	3.7	2.0
iii) Central bank financing of deficit	≤ 10% RFn-1	0.0	0.0	0.0	0.0
iv) Gross foreign exchange reserves	≥ 3 mths import	7.9	6.8	6.2	6.6
Secondary criteria		***1***	***1***	***1***	***1***
vi) Nominal exchange rate stability	± 10%	1.5	-5.3	3.0	3,0
vii) Total debt stock as % of GDP	≤ 70%	155.3	122.3	**116.2**	113.2
Number of criteria met		**4**	**3**	**5**	**5**

*Sources: Cabo Verde authorities and WAMA, * Provisional ** Projections*

3.4. Prospects

160. The Cabo Verde authorities are forecasting an economic growth rate of 4.9 percent in 2024, driven mainly by the service sector, under the impetus of activities linked to tourism, housing, catering, trade and repairs, and transport. With regard to prices, given the weight of imported inflation in the country, the significant fall in energy prices on the international market, expectations of a solution to supply bottlenecks and pressure on production costs, and the tightening of monetary and financial conditions, support the possibility of a reduction in inflation at national level, which could lead to a gradual fall in average inflation rates in 2023 and 2024. A reduction in inflationary pressures in the country will contribute to some recovery in real income, particularly for businesses and households, and the gradual dissipation of uncertainty factors will improve the economic climate and confidence, favouring investment and consumption decisions. However, the tightening of monetary and financial conditions could, to some extent, affect lending criteria and conditions.

161. In terms of fiscal performance, the overall deficit is expected to continue to fall, on a commitment basis including grants, to 2.9 percent in 2024, in line with the increase in revenue and the control of public spending, particularly on the wage bill and current interest payments. The public debt is expected to stand at 113.2 percent of GDP in 2024.

162. In terms of convergence, the country would meet the same number of criteria in 2024, in line with the recovery in economic activity, the improvement in the BOP and the continued reduction in the budget deficit.

3.5. Conclusion and Recommendations

163. The gradual return of the Cabo-Verde economy to normal dynamics, with growth of 5.1 percent by the end of 2023 after 17.4 percent in 2022, in a context marked by the easing of inflationary pressures. The budget deficit has improved thanks to efforts to consolidate public finances. However, the current account has deteriorated, mainly as a result of the deterioration in the trade balance.

164. In terms of macroeconomic convergence, Cabo Verde has met all the convergence criteria with the exception of the criterion on the debt to GDP ratio.

165. To maintain Cabo Verde's growth momentum and improve its convergence profile, the authorities should:

i. Maintain the growth momentum by focusing on the development of the agricultural sector;
ii. Increase public investment to sustain economic growth while keeping the budget deficit under control;
iii. Continue to implement measures aimed at reducing public debt to contain it within 70 percent, in accordance with the provisions of the MCSP between ECOWAS Member States.

4. COTE D’IVOIRE

4.1. Introduction

166. The broad economic policy objective set out in the National Development Plan (NDP 2021-2025) include (i) strengthening the quality of institutions and good governance, (ii) maintaining a stable macroeconomic framework, (iii) diversifying and structurally transforming the economy, and (iv) speeding up structural and sectoral reforms.

167. On the fiscal front, the government intends to continue with fiscal sector reforms, particularly in terms of tax administration and policy to improve revenue collection and public spending. In line with this approach, the following macroeconomic objectives were set for 2023:

    i. Real GDP growth rate of 7.0 percent;
    ii. Budget deficit of less than 4.8 percent of GDP;
    iii. Average inflation rate of 3.5 percent; and
    iv. Public debt ratio of 60.0 percent of GDP.

168. To achieve these objectives, the Ivorian Government intends to scale up support to sectors in difficulty, in order to consolidate growth, and preserve the purchasing power of the population. In this respect, the Government took a raft of measures to contain the general rise in prices and thus preserve household purchasing power. These include exemptions from certain taxes, price caps on consumer goods and price controls. The BCEAO also tightened its monetary policy to bring inflation down in line with the objective of price stability.

169. The government has continued to implement its Social Programme (PSGouv 2) through the rehabilitation of roads, the construction of health and school infrastructure, electrification and improving access to drinking water.

170. Following the successful implementation of two IMF programmes, the government concluded another economic and financial programme amounting to US$3.5 billion, or SDR 2,601.6 million, to be implemented over a 40-month period, starting in June 2023. Furthermore, the authorities have made a request under the IMF Resilience and Sustainability Facility (RSF), as part of measures to improve the country's economic resilience in the face of climate change. This facility will help Côte d’Ivoire support the future stability of its BOP to address longer-term structural challenges related to the economic consequences of climate change

4.2. Sectoral Analysis

4.2.1. Real Sector

171. Notwithstanding the external challenges occasioned by the Russia-Ukraine conflict, persistent inflationary pressures and increasingly stringent financial conditions, the Ivorian economy showed resilience in 2023. Real GDP growth rate reached 6.5 percent in 2023, surpassing the 6.2 percent growth recorded in 2022, supported by the continuation of reforms and a proactive policy of investment in key sectors, in line with the NDP (2021-2025).

172. After rebounding by 4.3 percent in 2022, the primary sector contracted by 4.1 percent in 2023, due to the 11.8 percent decline in agricultural exports, compared with an increase of 5.3 percent

in 2022, resulting from the fall in cocoa (-22.7%), coffee (-50.6%) and cottonseed (-49.9%) production. This situation can be explained, among other things, by unfavourable climatic conditions, the measures taken by the government to rationalise the exploitation of forestry resources, and the invasion of the cotton basin by insect pests in 2022. However, food crops and livestock grew by 8.5 percent, exceeding the 4.1 percent recorded in 2022, as a result of increased production, particularly of tubers and plantains (+6.5%) and cereals (+13.1%). These products have benefited from the provision of 120 ha of developed plots equipped with irrigation systems, and the development of three (03) packaging platforms with easy marketing facilities.

173. Growth in the secondary sector accelerated to 10.3 percent in 2023 from 8.1 percent in 2022, driven by all its sub-sectors, particularly, public works (+8.6%), energy (+19.8%), agri-food (+7.6%), mining (+7.5%) and petroleum products (+20.0%). The resilience of these sub-sectors was underpinned by the acceleration of a number of major investment projects planned in the construction and public works and energy sectors, the impact of investments in the oil branch and the start of production at the Gregbeu mine in the Zoukougbeu department.

174. The service sector grew by 8.4 percent in 2023 compared to 6.3 percent in 2022, driven mainly by transport (+9.3%), telecommunications (+8.7%), trade (+7.4%) and other services (+8.6%). The robust performance of the telecommunications sector was occasioned by continued investment, particularly, the roll-out of fibre optics and the digitalisation exercise. Transport activity remained on an upward trend overall, supported by favourable trends in all its components, with the exception of rail transport, which recorded a decline in goods traffic.

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

	2021	2022	2023	2024*	2021	2022	2023	2024*
	Percentage change				Contribution to growth			
GDP at constant prices	7,1	6,2	6,5	7,2	7,1	6,2	6,5	7,2
Primary sector	7.5	4.3	-4.1	8.3	1.3	0.7	-0.7	1.2
Food crops and livestock	5.3	4.1	8.5	6.3				
Agricultura1 exportation	9.1	5.3	-11.8	10.4				
Forestry	2.0	-16.4	0.4	0.0				
Fisheries	3.9	0.5	0.7	0.2				
Secondary sector	4.9	8.1	10.3	6.6	1,0	1,8	2,4	1.6
Mining	5.0	4.3	7.5	5.1				
Agribusiness	-10.8	3.4	7.6	6.8				
Petroleum products	21.8	12.1	20.0	1.6				
Energy (gas pipeline)	16.2	5.5	19.8	9.2				
BTP	4.6	23.6	8.6	10.1				
Manufacturing (1)	16.1	1.5	7.6	7.0				
Service Sector	4.9	6.3	8.4	7.3	4,8	3,7	4,8	4,4
Transports	16,9	4,7	9,3	7,1				
Telecommunication	12,2	1,8	8,7	6,8				
Trade	1,1	14,2	7,4	6,7				
Other services	2,3	1,2	8,6	8,0				
Demand side								
Final consumption	5,4	5,3	4,5	4,4				
Households	5,3	4,4	4,7	4,8				
Public	6,1	11,1	3,5	2,0				
Investments	14,9	13,9	9,3	14,3				
private	14,3	7,9	11,9	12,3				
Public	16,6	30,2	2,7	19,9				
Export of goods and services	16,9	47,9	2,5	8,8				
Import of goods and services	15,9	58,3	8,4	6,9				
PIB à prix constants (en milliards CFAF)	37613,5	39952,2	42563,5	45618,1				
GDP at current prices (in billions of CFAF)	40366,9	43771,2	47790,9	52391,3				
Inflation								
Annual average	4,2	5,2	4,4	2.9				
End period	5,6	5,1	3,9	2,1				

*Source: Ministry of Economy and Finance, * Forecast*

175. The service sector contributed the largest to growth, with 4.8 percentage points, followed by the secondary sector with 2.4 percentage points, while the primary sector contributed negatively to growth with -0.7 percentage point.

176. On the demand side, economic growth was driven dynamism of investment and final consumption. Final consumption grew by 4.5 percent in 2023, but less than the 5.3 percent recorded in 2022. The increase in consumption was due to the strengthening of public consumption (+3.5% after +11.1% in 2022) and household consumption (+4.7% after +4.4% in 2022), benefiting from the rise in income and job creation in both the private and public sectors. Capital expenditure was up by 9.3 percent, but at a slower rate than in 2022 (+13.9%), with the start-up and continuation of numerous public infrastructure construction projects.

177. Inflationary pressures eased slightly, induced by measures taken by the government to contain inflation. These include exemptions from certain taxes, price caps on consumer goods and price controls. Average annual inflation rate declined to 4.4 percent in 2023, from the 5.2 percent recorded in 2022. End-period inflation was 3.9 percent, compared with 5.1 percent in 2022.

4.2.2. Fiscal Sector

178. Fiscal operations in 2023 was characterised consolidating public finances through sustained increase in revenues and expenditure restraints. The boost to domestic revenue mobilisation was supported by the implementation of key revenue reforms in the various revenue agencies. Key reforms included continued efforts to digitise procedures, the increase in the rate of coffee and cocoa registration duty from 3 percent to 4 percent in April 2023, then from 4 percent to 5 percent in October 2023, and the improvement in the governance framework. The improvement in tax revenue was mainly driven by taxes on petroleum products, following gradual resumption of taxation on petroleum products, which had been suspended from April to December 2022, and export duties and taxes, due to the excess volume of exports of food products.

179. Subsequently, the governments financial operations resulted in a narrowing of the budget deficit, from CFAF 2,981.9 billion (6.8% of GDP) in 2022 to CFAF 2,508.2 billion (5.2% of GDP) in 2023. At the same time, the budget deficit excluding grants declined to CFAF 2,824.9 billion (5.9% of GDP), compared with CFAF 3,215.6 billion (7.3% of GDP) in 2022.

180. Total revenue and grants rose by 16.3 percent to CFAF 7,771.7 billion (16.3% of GDP) from CFAF 6,684.4 billion (15.3% of GDP) in 2022, due to the increase in both tax and non-tax revenue.

181. Tax revenue increased by 15.9 percent to CFAF 6,508.0 billion (13.6% of GDP) in 2023 from CFAF 5,616.7 billion (12.8% of GDP) in 2022, driven by direct taxes (+19.4%) and taxes on goods and services (+11.4%). Non-tax revenue rose by 13.5 percent to CFAF 946.9 billion, from CFAF 834.0 billion in 2022, due to the improved social contributions (+69.5 billion) and service revenue (+11.2 billion).

182. Grants increased by 35.6 percent to CFAF 316.77 billion (0.7% of GDP) in 2023, from CFAF 233.65 billion (0.5% of GDP) in 2022, driven by the disbursement of CFAF 199.70 billion in programme grants.

183. Total expenditure and net lending stood at CFAF 10,279.81 billion (21.5% of GDP) in 2023 compared to CFAF 9,666.34 billion (22.1% of GDP) in 2022, an increase of 6.3 percent, attributable to both current and investment expenditure. Recurrent expenditure stood at CFAF 4992.61 billion (10.4% of GDP) against CFAF 4764.71 billion (10.9% of GDP) in 2022, an increase of 4.8 percent attributable mainly to personnel and operating expenditure.

184. The wage bill increased by 11.9 percent to CFAF 2 246.38 billion (4.7% of GDP) in 2023, from CFAF 2 007.20 billion (4.6% of GDP) in 2022, reflecting the effects of the measures taken in August 2022 to increase the salaries of civil servants. Expenditure on goods and services was estimated at CFAF 1,634.5 billion (3.4% of GDP), compared with CFAF 1,792.3 billion (3.6% of GDP) in 2022. Social benefits amounted to CFAF 409.7 billion (0.9% of GDP) compared with CFAF 389.9 billion (0.9% of GDP) in 2022, an increase of 5.1 percent. Transfers and subsidies fell by 9.4 percent to CFAF 695.20 billion (1.5% of GDP) from CFAF 767.74 billion (1.8% of GDP) in 2022.

185. Interest payments on domestic and external debt rose by 27.7 percent to CFAF 1,239.26 billion (2.6% of GDP) in 2023, from CFAF 970.31 billion (2.2% of GDP) a year earlier, following the rise in variable interest rates (Euribor) and the tightening of monetary conditions. Interest payment on domestic debt amounted to CFAF 527.04 billion (1.1% of GDP), while the external component was CFAF 712.22 billion (1.5% of GDP).

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

	2021	2022	2023	2024*	2021	2022	2023	2024*
	Percentage change				As % of GDP			
Receipts and grants	16,1	8,9	16,3	14,6	15,2	15,3	16,3	17,0
Receipts	16,9	8,3	15,6	16,0	14,8	14,7	15,6	16,5
Tax revenue	17,0	10,2	15,9	15,8	12,6	12,8	13,6	14,4
Non-tax revenue	16,2	-3,0	13,5	17,7	2,1	1,9	2,0	2,1
Grants	-4,5	26,6	35,6	-19,5	0,5	0,5	0,7	0,5
Incl. projects	-9,0	-56,8	193,8	-57,4	0,2	0,1	0,2	0,1
Incl. programmes	0,5	109,9	3,0	2,7	0,2	0,4	0,4	0,4
Total expenditure and net lending)	11,7	19,3	6,3	7,2	20,1	22,1	21,5	21,0
Recurrent expenditure	10,2	-15,6	4,8	7,2	14,0	10,9	10,4	10,2
Personnel	1,7	7,9	11,9	4,2	4,6	4,6	4,7	4,5
Subsidies and other transfers	36,1	-15,3	-9,4	-13,4	2,2	1,8	1,5	1,1
Goods and Services	7,1	-7,7	2,6	20,0	4,3	3,6	3,4	3,7
Interests on public debt	18,2	23,7	27,7	2,2	1,9	2,2	2,6	2,4
Domestic financing	20,5	35,8	17,8	1,0	0,8	1,0	1,1	1,0
External financing	16,6	14,9	36,2	3,2	1,1	1,2	1,5	1,4
Investment expenditure	13,4	44,6	3,7	17,1	5,4	7,2	6,8	7,3
Financed internally	0,0	32,8	4,5	55,7	3,1	3,8	3,6	5,1
Financed with loans and project grants	38,1	58,0	4,4	-29,6	2,3	3,4	3,2	2,1
Budget balance (incl. grants)	-20,6	52,0	-15,9	-15,5	-4,9	-6,8	-5,2	-4,0
Budget balance (excl. grants)	-59,0	49,8	-12,1	-15,9	-5,3	-7,3	-5,9	-4,5
	2021	**2022**	**2023**	**2024**	**2021**	**2022**	**2023**	**2024**
	In billions of CFAF				As % of GDP			
As % of GDP	20269,8	23335,7	27782,6		50,2	53,3	58,1	
Domestic	7959,2	8646,0	10626,3		19,7	19,8	22,2	
External	12310,6	14689,7	17156,3		30,5	33,6	35,9	

*Source: Ministry of Finance, * Forecast*

186. Capital expenditure amounted to CFAF 3,257.51 billion (6.8% of GDP) in 2023, compared to CFAF 3,140.64 billion (7.2% of GDP) in 2022, reflecting the completion of road and sports infrastructure projects for the hosting of the African Cup of Nations Capital expenditure was financed by internal resources to the tune of CFAF 1,719.20 billion (3.5% of GDP) and by project loans and grants to the tune of CFAF 1,538.30 billion (3.2% of GDP).

187. The public debt stock stood at CFAF 27,782.60 billion (58.1% of GDP) at the end of 2023, compared with CFAF 2,335.70 billion (53.3% of GDP) a year earlier. This outstanding public debt in 2023 was made up of CFAF 10,626.3 billion (22.2% of GDP) in domestic debt and CFAF 17,156.3 billion (35.9% of GDP) in foreign debt.

188. Debt service in 2023 was estimated at CFAF 3,879.1 billion compared with CFAF 3,225.2 billion for the corresponding period in 2022. This included CFAF 2,123.6 billion in domestic debt and CFAF 1,755.5 billion in external debt compared to CFAF 1,907.2 billion in 2022 and CFAF 1,318.0 billion in 2022, respectively.

4.2.3. Monetary Sector

189. Growth in money supply at the end of 2023 slowed to 3.3 percent, from 9.0 percent at the end of 2022, due to the decline in NFA moderated by the increase in NDA.

190. NFA contracted further by 32.2 percent at end-December 2023 compared to the contraction of 7.6 percent recorded at the end of December 2022, due to the deterioration in the foreign assets of the Central Bank by 28.7 percent and deposit banks by 37.3 percent. This situation was due to the reduced mobilisation of external resources as a result of the tightening of global financing conditions.

191. NDA rose by 14.4 percent at the end of 2023, compared with 15.2 percent a year earlier, reflecting the increase in claims on the economy and claims on government. Claims on the economy consolidated by 16.2 percent at the end of December 2023, exceeding the 7.3 percent increase recorded at the end of December 2022, in line with the good dynamism of economic activities. On the other hand, the increase in net loans to government slowed from 27.7 percent at the end of December 2022 to 6.3 percent at the end of December 2023.

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

	2021	2022	2023	2021	2022	2023
ASSETS	Percentage change			Contribution to growth in M2		
Net foreign asset	34,0	-7,6	-32,2	8,2	-2,1	-7,4
Central bank	23,2	-21,8	-28,7	4,3	-4,1	-3,9
Deposit banks	68,1	25,4	-37,3	3,9	2,1	-3,5
NDA	13,9	15,2	14,0	10,6	11,1	10,7
Net claims on government	18,1	27,7	6,3	5,4	8,2	2,2
Central bank	92,0	-3,1	27,7	5,5	-0,3	2,4
Deposit banks	-0,5	42,5	-0,8	-0,1	8,5	-0,2
Receivables from the economy	12,5	7,3	16,2	7,8	4,3	9,4
PASSIF						
Money supply (M2)	18,7	9,0	3,3	18,7	9,0	3,3
Currency in circulation(M1)	19,5	11,5	1,6	13,7	8,1	1,2
Currency in circulation	13,1	6,8	1,1	3,3	1,6	0,3
Demand deposits	23,1	14,0	1,8	10,3	6,5	0,9
Term deposits	17,0	3,0	7,8	5,1	0,9	2,2

Source: BCEAO

192. Growth in money supply was reflected in the slight increase in currency in circulation to 1.1 percent at the end of December 2023 against 6.8 percent in the same period of the previous year. Similarly, growth in transferable deposits slowed to 1.8 percent, following an increase of 14.0 percent at the end of 2022. On the other hand, term deposits increased by 7.8 percent, after rising by 3.0 percent at the end of 2022.

4.2.4. External Sector

193. Developments in the external sector showed that the current account deficit widened to CFAF 3,889.75 billion (8.1% of GDP) in 2023 from CFAF 3,364.45 billion (7.7% of GDP) in 2022, driven by imports of technical services related to private investment in the oil and mining sectors. This was due to the services and primary income account deficits, despite the improvement in the surplus on the goods account.

194. The balance of goods showed a surplus of CFAF 987.58 billion (2.1% of GDP) in 2023 compared with CFAF 670.29 billion (1.5% of GDP) in 2022, reflecting an increase of 47.3 percent, as exports rose and imports declined.

195. Exports reached CFAF 10341.55 billion (21.6% of GDP) compared with CFAF 10166.12 billion (23.2% of GDP) in 2022. Exports remains dominated by processed products, which accounted for 43.6 percent of total exports, compared with 38.9 percent for primary products and 17.5 percent for mining products. Imports stood at CFAF 9,353.97 billion (19.6% of GDP), compared with CFAF 9,495.83 billion (215% of GDP) in 2022.

196. The services account deficit widened by 16.8 percent to CFAF 2,777.82 billion (5.8% of GDP) in 2023 compared with CFAF 2,377.90 billion (5.4% of GDP) the previous year, due to payments for technical services in the oil and mining sectors.

197. The primary income deficit was higher than that recorded in 2022, at CFAF 1,930.54 billion (4.0% of GDP) in 2023, compared with CFAF 1,434.01 billion (3.3% of GDP) in 2022, due to the increase in investment income paid, in particular interest on external public debt. The secondary income account deficit narrowed to CFAF168.97 billion (0.4% of GDP) compared with CFAF 222.84 billion (0.5% of GDP) in 2022, reflecting a fall in remittances from migrants

198. The capital account surplus increased to CFAF 117.17 billion (0.2% of GDP) from CFAF 39.18 billion (0.1% of GDP) in 2022, as a result of the increase in project grants received by the Public Administration.

199. The financial account was characterised by a net inflow of foreign capital of CFAF 2 536.57 billion (5.3% of GDP) in 2023, compared to the net outflow of CFAF 3024.06 billion (6.9% of GDP) recorded the previous year, due to the decline in net inflows of portfolio investments and other investments, reflecting reduction in the mobilisation of external financial resources by the public administration.

200. As a result, the overall BOP deficit widened to CFAF 1, 236.01 billion (2.6% of GDP) from CFAF 304.87 billion (0.7% of GDP) in 2022.

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

	2021	2022	2023	2024*	2021	2022	2023	2024*
	In billions of CFAF				As % of GDP			
a- Current account transactions	-1593.82	-3364.45	-3889.75	-3541.60	-3.9	-7.7	-8.1	-6.8
Balance of goods	1693.21	670.29	987.58	2263.33	4.2	1.5	2.1	4.3
Export of goods FOB	8495.61	10166.12	10341.55	12063.83	21.0	23.2	21.6	23.0
Import of goods FOB	6802.40	9495.83	9353.97	9800.49	16.9	21.7	19.6	18.7
Balance of services	-1671.20	-2377.90	-2777.82	-3480.64	-4.1	-5.4	-5.8	-6.6
Primary income	-1240.70	-1434.01	-1930.54	-2160.54	-3.1	-3.3	-4.0	-4.1
incl. interest on public debt	-455.00	-522.84	-827.35	-836.36	-1.1	-1.2	-1.7	-1.6
Secondary income	-375.13	-222.84	-168.96	-163.76	-0.9	-0.5	-0.4	-0.3
Incl. budget aid received	92.32	193.80	199.73	205.01	0.2	0.4	0.4	0.4
Incl. remittances	-351.70	-277.62	-219.15	-214.77	-0.9	-0.6	-0.5	-0.4
b- Capital account	91.56	39.18	117.17	43.25	0.2	0.1	0.2	0.1
Capital transfers	92.46	39.88	117.17	43.25	0.2	0.1	0.2	0.1
d- Financial account	-2595.44	-3024.06	-2536.57	-3127.16	-6.4	-6.9	-5.3	-6.0
- Direct investment	-614.00	-892.99	-1018.00	-2164.60	-1.5	-2.0	-2.1	-4.1
Portfolio investment	-751.54	-187.80	-19.60	-1150.14	-1.9	-0.4	0.0	-2.2
Financial derivatives	0.81	0.00	0.00	0.00	0.0	0.0	0.0	0.0
Other investments	-1230.71	-1943.27	-1498.97	187.58	-3.0	-4.4	-3.1	0.4
e- Errors and omissions net	2.44	-3.59	0.00	0.00	0.0	0.0	0.0	0.0
f- Overall balance	1095.62	-304.87	-1,236.01	-371.19	2.7	-0.7	-2.6	-0.7

*Source: BCEAO, *Forecast*

4.3. Status of Macroeconomic Convergence

201. In terms of macroeconomic convergence, the country met three (3) of the four (4) primary criteria (average annual inflation, central bank financing of the budget deficit, gross external reserves in months of imports) and the both secondary criteria (variation in the nominal exchange rate in relation to the WAUA and the ratio of public debt to GDP) at the end of 2023. The reflects an improved performance compared to 2022, when the country met only two primary criteria (central bank financing of budget deficit and gross external reserves). The summary of the performance is presented below:

Primary criteria

202. The budget deficit on a commitment basis, including grants, was 5.2 percent of GDP compared to 6.8 percent of GDP in 2022. The average annual inflation rate declined to 4.4 percent from 5.2 percent in 2022, thus complying with the 5 percent threshold set in the MCSP. Gross external reserves were estimated at 3.6 months of imports of goods and services in 2023 compared to 4.2 months of imports in 2022, satisfying the minimum threshold of 3 months. No central bank financing of the budget deficit was recorded in 2023.

Secondary criteria

203. The variation in the average nominal exchange rate of the CFA franc against the WAUA in 2023 was 2.9 percent, below the threshold of -/+10 percent. The public debt stock stood at 58.1 percent of GDP in 2023 compared to 56.7 percent of GDP in 2022, thus satisfying the 70 percent threshold set out in the MCSP.

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

Criteria	TARGET	2021	2022	2023	2024*
Primary criteria		**03**	**02**	**03**	**03**
i. Budget deficit/ GDP	≤3 %	4.9	6.8	5.2	4.0
ii. annual inflation	≤5 %	4.2	5.2	4.4	3.4
iii. Central bank financing of the budget deficit	≤10 %	0.0	0.0	0.0	0.0
iv. Gross external reserves	≥3	6.5	4.2	3.6	4.4
Secondary criteria		**02**	**02**	**02**	02
i. Nominal exchange rate stability	±10 %	1.5	-5.3	2.9	2.9
ii. Debt to GDP ratio	≤70 %	51.7	56.7	58.1	58.3
Total number of criteria met		**05**	**04**	**05**	**05**

*Source: WAMA, BCEAO, * Forecast*

4.4. Prospects

204. Despite an unfavourable global economic context, Côte d'Ivoire's economic outlook remains positive, supported by a stable socio-political and security environment, continued implementation of the NDP 2021-2025, and on-going structural reforms. Real GDP growth is expected to strengthen at 7.2 percent in 2024, driven by growth in all sectors. The BCEAO's restrictive monetary policy stance would make it possible to contain inflation at an annual average of 3.4 percent in 2024, below the maximum Community threshold of 5 percent over the period 2024-2028.

205. In terms of fiscal performance, the budget deficit would be gradually reduced from 4.0 percent of GDP in 2024 to 3.0 percent of GDP between 2025 and 2028, due to an improvement in revenue mobilisation and control of expenditure, particularly personnel costs. The public debt stock would remain within the Community limit. Moreover, as Côte d'Ivoire is exposed and vulnerable to climate change, it has benefited from a reform programme with the IMF to combat climate change, supported by the Resilience and Sustainability Facility (RSF) to the tune of SDR 975.6 million, or around US$ 1.3 billion.

206. On the monetary front, the money supply is expected to grow by 11.6 percent between 2024 and 2028, in line with the increase in domestic claims contained by the fall in NFA. With regard to transactions with the rest of the world, the current account balance should improve, showing a deficit falling to 6.8 percent of GDP in 2024, supported by the increase in the surplus on the balance of goods and services.

207. In terms of macroeconomic convergence, the country would meet three of the four primary criteria and the two secondary criteria by the end of 2024. The main challenge will therefore be to meet the budget deficit criterion of 4.0 percent by the end of 2024.

4.5. Conclusion and Recommendations

208. Despite a difficult global environment, characterised high cost of borrowing due to the tight monetary, the Ivorian economy remained resilient in 2023, with all sectors posting robust growth rates, reflecting the continued implementation of the 2021-2025 NDP, characterised by maintenance of socio-political stability, the pursuit of the reforms needed to provide effective support for the economy and the continuation of the proactive policy of investment in growth-inducing sectors. Real GDP growth accelerated to 6.5 percent in 2023, from 6.2 percent in 2022. Inflationary pressures have eased. The inflation rate has slowed to 4.4 percent in 2023, after 5.2 percent in 2022.

209. Fiscal performance continued to improve, occasioned by an improvement in the budget deficit, which stood at 5.2 percent of GDP in 2023, compared to 6.8 percent of GDP a year earlier, mainly attributable to a remarkable performance in tax revenues coupled with expenditure restraints. Outstanding public debt rose to 58.2 percent of nominal GDP at the end of December 2023. However, the risk of debt distress remained moderate.

210. The monetary situation was characterised by a 3.3 percent increase in the money supply. Despite the tightening of monetary conditions, credit remained buoyant, in line with the increase in outstanding loans to the economy.

211. In terms of convergence in 2023, Côte d'Ivoire has met five (5) of the six (6) macroeconomic convergence criteria, including three primary criteria and two secondary criteria. It therefore failed to meet the criterion relating to the budget deficit.

212. To strengthen the resilience of the economy, the Ivorian authorities are urged to take the following measures:

i. Pursue the policy of structural transformation of the economy, in particular by strengthening the link between production and processing and by creating new centres for the development of industrial sectors;
ii. Further improve the business environment to attract national and international private investment to strengthen the role of the private sector in the economy;
iii. Intensify energy sector reforms by continuing to implement the energy sector development and network maintenance plan, reducing operating costs and combating fraud;
iv. Accelerate the digitisation of revenue agencies in order to reduce tax fraud, broaden the tax base and increase the mobilisation of tax revenues;
v. Broaden the tax base by strengthening property taxation, increasing the rate of excise duty on certain products such as tobacco and alcoholic beverages, and rationalising tax exemptions; and
vi. Accelerate the development of the integrated electronic control system for unloading bulk goods, strengthen the assessment of new vehicles and introduce selectivity systems based on Artificial Intelligence (AI) and video-surveillance techniques.

5. THE GAMBIA

5.1. Introduction

213. In 2023, The Gambia's economic policy thrust concentrated on delivering good governance and accountability, social cohesion, national reconciliation, and a revitalised and transformed economy for the general wellbeing of the people. The administration is dedicated to firming up fiscal consolidation, improving domestic resource mobilisation, and promoting sustainable and inclusive growth. Hence, the macroeconomic goals in 2023 fiscal year were as follows:

i. Real GDP growth of 5.6 percent;
ii. Over-all fiscal deficit of 2.7 percent of GDP;
iii. Average inflation of 5.0 percent; and
iv. Gross external reserves of at least 3 months of imports.

214. The economy continues to demonstrate resilience despite the numerous shocks that have disrupted economic activity. Real GDP growth stood at 4.8 percent in 2023 compared to 4.9 percent in 2022. End-period inflation accelerated to 17.3 percent in December 2023 from 13.7 percent in the corresponding period of 2022.

215. Fiscal operations indicated that the budget deficit (including grants) narrowed to D5.9 billion (4.0% of GDP) in 2023 from D5.8 billion (4.8% of GDP) a year ago occasioned by improved revenue mobilisation.

216. The Central Bank of The Gambia (CBG) maintained a tight monetary policy stance in 2023 in response to the rising inflationary pressures. The monetary policy rate was raised by 400 basis points, ending the year at 17.0 percent. Growth of broad money increased to 8.8 percent in the 12-month period ended December 2023 from 7.1 percent in the corresponding period of 2022, attributed to developments in both the NFA and NDA.

217. The overall BOP position recorded a deficit of US$139.77 million (5.79 percent of GDP) in 2023 as against surplus of US$43.59 million (1.95 percent of GDP) in 2022, reflecting the widening of the current account deficit to US$204.1million (8.5% of GDP) in 2023 from US$90.3 million (5.0 percent of GDP) in the corresponding period a year ago.

218. In the area of macroeconomic convergence, the country satisfied two of the four primary convergence criteria (central bank financing of budget deficit and gross external reserves). It also met one secondary criterion (nominal exchange rate variation).

5.2. Sectoral Analysis

5.2.1. Real Sector

219. In the review period 2023, real GDP growth stood at 4.7 percent from the 4.9 percent in the previous year, reflecting a decline in performance in the tertiary sector.

220. Growth in the primary sector declined to 3.3 percent from3.6 percent in 2022, attributed to a decline in fishing and aquaculture during the period. Similarly, output in the industry sector increased to 10.9 percent in 2023 from 3.1 percent in 2022, supported by improved activity in

the mining and quarrying, construction, and "water supply, sewerage, waste management and remediation" sub-sectors. However, growth in the services sector, slowed significantly to 3.3 percent in 2023 from 5.9 percent last year, due to the contraction of education services, public administration and defence, professional, scientific and technical services as well as arts, entertainment, and recreation services. It is expected that growth will remain unchanged at 4.7 percent in 2024, reflecting the offsetting effect of the expected decline in industry and services sectors and the significant expected improvement in the agricultural sector.

221. Inflationary pressures intensified during the reviewed period as annual average inflation accelerated to 16.9 percent in 2023 from 11.5 percent in the corresponding period 2022, a record high in the past three decades. Similarly, end period inflation rose to 17.3 percent in December 2023 from 13.7 percent in the corresponding period 2022. The main drivers were increasing global food and energy prices, strong domestic demand, and the exchange rate depreciation.

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

Narration/Year	**2021**	**2022**	**2023**	**2024**	**2021**	**2022**	**2023**	**2024**
	% Change				**Contribution to Growth**			
Real GDP	**5.3**	**4.9**	**4.7**	**4.7**	**5.3**	**4.9**	**4.7**	**4.7**
SUPPLY								
Agriculture, forestry and fishing	13.7	3.6	3.3	12.3	2.8	0.8	0.7	2.7
Industry	2.9	3.1	10.9	2.8	0.5	0.6	1.9	0.5
Services	3.1	5.9	3.3	2.5	1.9	3.5	2.0	1.5
Memorandum Items								
GDP (Current prices) in millions of dalasi	105.5	122.6	147.0	165.3				
GDP (Constant prices) in millions of dalasi	65.4	68.6	71.8	75.2				
Inflation								
Period Average	7.4	11.5	16.9	15.9				
End Period	7.6	13.7	17.3	12.9				

*Source: MOFEA *Provisional **Projections*

5.2.2. Fiscal Sector

222. Fiscal performance was mixed in 2023, reflecting marked increase in capital expenditures in the face of noticeable improvements in domestic revenue and grants. Provisional data indicate that total revenue and grants rose by 38.2 percent to D29.41 billion (20.0% of GDP) from D21.29 billion (17.4% of GDP) in 2022. This performance was mainly influenced by grants received during the period.

223. Domestic revenue rose by 23.1 percent to D17.84 billion (12.1% of GDP) in 2023 from D14.50 billion (11.8% of GDP) in 2022, supported by both tax and non-tax revenues. Tax revenues increased to D13.92 billion (9.5% of GDP) from D11.16 billion (9.1% of GDP) in 2022, mainly reflecting improvements in indirect taxes. Indirect taxes amounted to D9.60 billion (6.5% of GDP) compared to D7.26 billion (5.9% of GDP) in 2022, occasioned by enhanced customs revenue collection and taxes on domestic goods and services. Taxes on domestic goods and services rose to D2.78 billion (1.9% of GDP) from D2.49 billion (2.0% of GDP) while taxes on

international trade and transactions increased by 43.0 percent to D6.82 billion (4.6% of GDP) from D4.77 billion (3.9% of GDP) in 2022.

224. Direct taxes were equivalent to D4.31 billion (2.9%of GDP) against D3.90 billion (3.2%of GDP) in 2022, influenced by both personal and corporate taxes. Personal income tax and corporate tax rose to D1.63 billion (1.1% of GDP) and D2.47 billion (1.7% of GDP) from D1.36 billion (1.1% of GDP) and D2.36 (1.9% of GD), respectively, in 2022.

225. Non-tax revenue rose by 17.7 percent to D3.92 billion (2.7% of GDP) against D3.22 billion (2.7% of GDP) in 2022, influenced partly by the dividend payments by CBG. Grants rose by 70.4 percent to D11.57 billion (7.9% of GDP) from D6.79 billion (5.5% of GDP), explained by the significant increase in both programme and project grants for budget support during the period. Project grants increased to D7.49 billion (5.1% of GDP) from D4.49 billion (3.7% of GDP) while programme grants amounted to D4.08 billion (2.8% of GDP) against D2.30 billion (1.9% of GDP) in 2022.

226. Total expenditure and net lending increased significantly by 30.0 percent to D35.33 billion (24.0% of GDP) from D27.17 billion (22.2% of GDP) in 2022. This development was mainly attributed to capital expenditures which rose by 65.7 percent to D16.81 billion (11.4% of GDP) from D10.14 billion (8.3% of GDP) in 2022. Expenditures on the necessary infrastructure for the hosting of the OIC meetings slated for the second quarter of 2024 accounted for a good part of the increase during the period.

227. Financing of the capital expenditures were mainly sourced externally to the tune of D14.14 billion (9.6% of GDP), representing a significant 88.1 percent. The rise in domestic financing of the capital expenditure was modest at 1.8 percent in 2023 compared to the contraction of 17.5 percent in 2022.

228. Recurrent expenditure rose by 8.7 percent to D18.52 billion (12.6% of GDP) from D17.03 billion (13.9% of GDP) in 2022, mainly explained by the rise in wages and salaries as well as interest payments. Wages and salaries rose to D6.80 billion (4.6% of GDP) from D5.63 billion (4.6% of GDP) in 2022 while transfers and subsidies increased to D4.79 billion (3.2% of GDP) from D4.73 billion (3.9% of GDP) in 2022. However, expenditure on goods and services moderated to D3.90 billion (2.7% of GDP) from D4.06 billion (3.3% of GDP).

229. Interest payments increased to D3.02 billion (2.1% of GDP) from D2.62 billion (2.1% of GDP), reflecting an increase of 15.5 percent in 2023 in contrast to the contraction of 18.7 percent in 2022, explained by the expiry of the grace period for some of the external debt. The interest on domestic debt increased to D2.35 billion (1.6% of GDP) from D2.06 billion (1.7% of GDP) while interest on external debt rose to D0.68 billion (0.5% of GDP) from D0.55 billion (0.5% of GDP).

230. Given the more than proportionate increase in total expenditure, overall fiscal deficit (including grants) worsened to D5.91 billion in 2023 from D5.89 billion in 2022. However, as a percentage of GDP, the deficit moderated to 4.0 percent from 4.8 percent in 2022. Excluding grants, the deficit was equivalent to D17.48 billion (11.9% of GDP) against D12.68 billion (10.3% of GDP)

in 2022. However, the primary balance recorded an increased surplus of D2.35 billion (1.6% of GDP) in 2023 compared to D0.01 billion (0.1% of GDP) in 2022. Transfers and subsidies were estimated at 3.3 percent of GDP compared to 3.9 percent of GDP in 2022, reflecting a reduction in fuel subsidies.

231. The total stock of public debt declined to D112.7 billion (76.7% of GDP) at end-December 2023 from D99.7 billion (81.4% of GDP) at end-December 2022, due largely to an improvement in domestic revenue mobilisation hence an improved GDP during the period. The domestic and external components of debt as a percentage of GDP moderated from D38.1billion 31.1% of GDP and D61.6 billion (50.3% of GDP) at end December 2022 to D41.3 billion (28.1% of GDP) and D71.3 billion (48.6% of GDP) respectively.

Table 22: Trends in Key Fiscal Indicators in The Gambia

	% Changes			% of GDP		
NARRATION/YEAR	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Total Revenue (Including Grants)	-2.5	7.7	38.2	18.7	17.4	20.0
Total Revenue (Excluding Grants)	24.0	-5.4	23.1	14.5	11.8	12.1
Tax Revenue	4.9	3.0	24.7	10.3	9.1	9.5
Direct Taxes	16.1	19.7	10.6	3.1	3.2	2.9
personal tax	16.0	24.5	19.8	1.0	1.1	1.1
corporate tax	12.2	22.7	4.9	1.8	1.9	1.7
others	62.1	-26.2	17.1	0.2	0.1	0.1
Indirect Taxes	0.8	-4.2	32.2	7.2	5.9	6.5
Taxes on domestic goods and services	-3.0	4.7	11.7	2.3	2.0	1.9
Taxes on international trade and transactions	2.6	-8.2	43.0	4.9	3.9	4.6
Non-Tax Revenue	121.2	-25.8	17.7	4.3	2.7	2.7
Grants	-44.0	53.3	70.4	4.2	5.5	7.9
Project grants	49.7	14.4	66.8	3.7	3.7	5.1
Programme grants	-90.4	355.7	77.5	0.5	1.9	2.8
Total expenditure and Net lending	9.4	5.1	30.0	24.5	22.2	24.0
Total Expenditure	9.4	5.1	30.0	24.5	22.2	24.0
Recurrent Expenditure	-5.0	5.3	8.7	15.3	13.9	12.6
Non-interest Payment	-7.9	11.3	7.5	12.3	11.8	10.5
Wages and Salaries	13.3	22.5	20.9	4.4	4.6	4.6
Goods and Services	-20.5	1.8	-3.8	3.8	3.3	2.7
Transfers and Subsidies	-12.4	8.0	1.2	4.2	3.9	3.3
Interest Payment	8.5	-18.7	15.5	3.1	2.1	2.1
Domestic	3.7	-17.7	13.7	2.4	1.7	1.6
External	29.4	-22.1	22.6	0.7	0.5	0.5
Capital Expenditure	46.7	4.8	65.7	9.2	8.3	11.4
Domestically Financed	80.1	-17.5	1.6	3.0	2.1	1.8
Externally Financed	34.5	15.6	88.1	6.2	6.1	9.6
Primary balance (deficit/surplus)	-238.7	-96.7	2871.7	2.2	0.1	1.6
Fiscal Balance Commitment Basis (Excluding grants)	-6.7	20.5	37.9	-10.0	-10.3	-11.9
Fiscal Balance Commitment Basis (Including grants)	80.9	-3.4	0.4	-5.8	-4.8	-4.0
Overall Fiscal balance (Commitment basis)	80.9	-3.4	0.4	-5.8	-4.8	-4.0

External Sources (net)	89.3	4.9	21.1	3.8	3.4	3.4
Borrowing	42.9	15.2	23.0	4.5	4.4	4.5
Deposit Money Banks	206.0	-60.9	-228.4	4.2	1.4	-1.5
Domestic Amortisation	-40.0	66.6	68.6	-0.3	-0.5	-0.7
	In millions of Dalasi			**% of GDP**		
Total Debt (in Local Currency)	88804.3	99756.0	112726.7	84.2	81.4	76.7
Total Domestic Debt (in Local Currency)	37186.0	38119.6	41334.6	35.3	31.1	28.1
Total External Debt (in Local Currency)	51618.3	61636.4	71392.0	48.9	50.3	48.6

*Source: Ministry of Finance and Economic Affairs *Provisional*

5.2.3. Monetary Sector

232. Price stability remained the primary goal of monetary policy. The Central Bank maintained a tight monetary policy stance in 2023 as a response to the rising inflationary pressures. The monetary policy rate was raised by 400 basis points, ending the year at 17.0 percent.

233. Growth in broad money (M2) supply accelerated to 8.8 percent in the 12-month period ended December 2023 from 7.1 percent in the corresponding period of 2022, supported by both NFA and NDA during the period. NFA grew by 11.4 percent at end-December 2023 against the contraction of 9.7 percent recorded in the same period of 2022. This development was mainly occasioned by the increase in the foreign assets of the banking system especially the Central Bank in 2023 following the contraction recorded in the previous period. Furthermore, the contribution to M2 was equal for NFA and NDA at 4.4 percentage point in the reviewed period compared with the previous year where the contribution of NFA contracted at 4.5 percentage point while that of NDA stood at 11.6 percentage point.

234. NDA grew by 7.2 percent in the period ended December 2023 compared to the growth rate of 21.6 percent recorded in the corresponding period of 2022. This slowdown is mainly explained by net claims on government which contracted by 5.9 percent during the period compared to the growth rate of 13.2 percent at end-December 2022. Growth in claims to the private sector moderated to 11.7 percent from 25.0 percent at end-December 2022. Following the significant increase in the claims on the public entities recorded in 2022, growth slowed to 40.3 percent at end-December 2023. These advances largely represented commercial banks' claims on the public entities.

235. Reserve money grew by 14.1 percent in the 12-month period ended December 2023 in contrast to the contraction of 0.9 percent recorded in the same period of 2022, supported by both currency in circulation and reserves of commercial banks during the period. Currency in circulation grew by 10.7 percent in the period ended-December 2023 compared to the growth rate of 12.3 percent in the same period of 2022. Reserves of commercial banks expanded by 21.1 percent against the contraction of 20.0 percent at end-December 2022.

236. The banking industry remained sound and resilient. Total assets increased by 10.0 percent to stand at D86.5 billion from D78.6 billion in 2022, largely attributed to investments in government securities. Total deposits increased by 8.7 percent in the period ended December 2023 compared to 5.9 percent increase recorded in 2022. This development was influenced by demand and savings deposits which rose by 14.8 percent and 5.1 percent, respectively. However, time

deposits contracted by 5.3 percent in the period ended December 2023 compared to the growth rate of 8.9 percent registered in the same period of 2022.

Table 23: Growth in Key Monetary Aggregates in The Gambia

NARRATION/YEAR	Growth Rates			Contributions		
	2021	**2022**	**2023***	**2021**	**2022**	**2023***
NFA	**19.0**	**-9.7**	**11.4**	**8.8**	**-4.5**	**4.4**
Monetary Authorities	24.1	-19.2	18.0	6.4	-5.3	3.7
Foreign assets	52.1	-0.2	10.2	19.1	-0.1	4.4
Foreign liabilities	124.5	27.1	3.1	-12.7	-5.2	-0.7
Commercial banks	12.3	4.1	3.9	2.5	0.8	0.7
NDA	**20.0**	**21.6**	**7.2**	**10.7**	**11.6**	**4.4**
Domestic Credit	21.9	22.2	1.0	13.9	14.4	0.7
Claims on Government, net	21.5	13.2	-5.9	10.4	6.5	-3.1
Claims on Public Entities	313.7	922.4	40.3	0.4	4.1	1.7
Claims on Private Sector	20.7	25.0	11.7	3.1	3.8	2.1
Other items, net	32.1	25.5	-28.0	-3.3	-2.9	3.7
o/w: Revaluation account	22.1	17.6	194.9	0.3	0.2	2.7
BROAD MONEY	**19.5**	**7.1**	**8.8**	**19.5**	**7.1**	**8.8**
Narrow Money	20.4	9.3	13.0	11.3	5.2	7.4
Quasi-money	18.5	4.3	3.3	8.2	1.9	1.4
RESERVE MONEY	**13.6**	**-0.9**	**14.1**	**13.6**	**-0.9**	**14.1**
Currency in circulation (i.e. issued)	13.3	12.3	10.7	13.3	12.3	10.7
Reserves of commercial banks	14.1	-20.0	21.1	14.1	-20.0	21.1
Total deposit liabilities	**20.8**	**5.9**	**8.7**	**20.8**	**5.9**	**8.7**
Demand deposits	23.7	7.8	14.8	10.7	3.6	7.0
Savings deposits	25.6	3.3	5.1	11.0	1.5	2.2
Time deposits	-7.6	8.9	-5.3	-0.9	0.8	-0.5

*Source: Central Bank of The Gambia *Provisional*

237. The industry was solvent with the capital adequacy (CAR) ratio averaging 28.6 percent, higher than the minimum CAR of 10.0 percent. Return on assets (ROA) and return on equity (ROE) improved to 2.5 percent and 21.7 percent in 2023 from 2.2 percent and 20.8 percent, respectively at end-December 2022. Non-Performing Loans (NPLs) improved to 3.3 percent from 4.6 percent at end-December 2022, on account of loan write-off and better loan recovery measures.

5.2.4. External Sector

238. Preliminary data on the external sector indicated that the current account deficit widened to US$204.1 million (8.5% of GDP) in 2023, from US$90.3 million (5.0% of GDP) in 2022, due to the unfavourable trade balance of the goods account.

239. The goods account balance widened to an estimated deficit of US$940.4 million (39.1% of GDP) in 2023, compared to a deficit of US$591.6 million (26.5% of GDP) in 2022. The worsening of the deficit in the goods account is mainly due to the increase in imports of oil and gas. Total imports amounted to US$1226.9 million (51.1% of GDP) in 2023, compared to US$645.3 million (28.9% of GDP) in 2022. The major imported items during the year were mainly electricity, minerals and fuels, vehicles, and cereals. Total exports surged to US$286.6 million (11.9% of GDP) in 2023, from US$53.7 million (2.4% of GDP) in 2022. Major products exported during the review period were edible fruits, fish and crustaceans, salt, iron and steel.

240. The services account balance is estimated to have registered a surplus of US$204.2 million (8.5% of GDP) in 2023, from US$25.6 million (1.1% of GDP) a year ago, on the back of an increase in tourist arrivals.

241. The primary income balance recorded a deficit of US$ 21.9 million (0.9% of GDP) compared to US$ 33.9 million (1.5% of GDP) in 2022. Similarly, the secondary income balance recorded an improved surplus of US$553.9 million (23.1% of GDP) from US$487.4 million (21.8% of GDP) in 2022. This increase is associated with seasonality of remittance inflows, and significant inflow of grants in the latter part of 2023.

242. The capital account balance stood at US$147.9 million (6.1% of GDP), up from US$41.6 million (1.9% of GDP) in 2022, attributed to a substantial amount of project funds disbursed during the last quarter. On the other hand, the financial account recorded a net borrowing (inflows) of US$301.9 million (12.6% of GDP) compared with US$280.7 million (12.6% of GDP) recorded in 2022, reflecting an increase in non-resident investment inflows during the period under review.

243. These developments resulted in an overall BOP deficit of US$139.8 million (5.8% of GDP) as against a surplus of US$43.6 million (2.0% of GDP) in 2022.

244. The gross external reserves, at end-December 2023, stood at US$476.1 million, representing (4.1 months of imports) compared to US$454.7 million (7.1 months of imports) at end-December 2022.

245. The Gambian dalasi remained relatively stable in 2023. Against the WAUA, the dalasi depreciated by 8.4 percent in the review period, compared to 2.1 percent in 2022. Similarly, the dalasi depreciated against the US dollar by 8.6 percent in 2022, as compared with 7.6 percent in 2022.

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

YEAR	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
	Values in US $			**Percent of GDP**		
Current Account Balance	-94.1	-112.5	-204.1	-4.6	-5.0	-8.5
Goods Balance (net)	-575.7	-591.6	-940.4	-28.1	-26.5	-39.1
Merchandise Exports (FOB)	31.7	53.7	286.6	1.5	2.4	11.9
Merchandise Imports (FOB)	607.4	645.3	1226.9	29.6	28.9	51.1
Oil and Gas		645.3	645.3	0.0	28.9	26.9
Non-Oil and Electricity		645.3	645.3	0.0	28.9	26.9
Services Balance (Net)	-15.1	25.6	204.2	-0.7	1.1	8.5
Primary Income Balance (Net)	-50.5	-33.9	-21.9	-2.5	-1.5	-0.9
Secondary Income Balance (Net)	547.2	487.4	553.9	26.7	21.8	23.1
Capital Account (Net)	**22.2**	**41.6**	**148.0**	**1.1**	**1.9**	**6.2**
Capital Transfer - Credit	22.2	41.6	148.0	1.1	1.9	6.2
Net Lending / Borrowing (+/-)	-277.3	-239.1	-153.9	-13.5	-10.7	-6.4
Financial Account (Net)	**-299.4**	**-280.7**	**-301.9**	**-14.6**	**-12.6**	**-12.6**
Direct Investment (Net)	**-248.4**	**-213.4**	**-208.4**	**-12.1**	**-9.6**	**-8.7**
Other Investment (Net)	-51.0	-67.3	-50.9	-2.5	-3.0	-2.1
Errors and Omissions	**183.2**	**126.7**	**-50.2**	**8.9**	**5.7**	**-2.1**
Overall Balance	**226.0**	**43.6**	**-139.8**	**11.0**	**2.0**	**-5.8**
Financing	184.7	1.1	58.4	9.0	0.1	2.4
Special Drawing Rights (SDRs -Allocation)	83.0	-14.0	15.7	4.0	-0.6	0.7

Currency & Deposits (Change in GIR; -=increase)	-58.5	-15.1	-42.7	-2.9	-0.7	-1.8
Adjustment / statistical discrepancy	-414.2	-268.5	-268.5	-20.2	-12.0	-11.2
Memorandum Items	**410.7**	**44.7**	**-81.4**			
Gross International Reserves (in million US$)	530.4	454.7	476.1			
GIR in Months of Import Cover	8.8	7.1	4.1			
Nominal GDP (in millions of US$)	2052.3	2232.5	2402.1			
GDP in Millions of Dalasi	105487.0	122564.1	147009.1			
Exchange Rate	51.4	54.9	61.2			

Source: CBG **Provisional*

5.3. Status of Macroeconomic Convergence

246. In terms of macroeconomic convergence, the country satisfied two out of the four primary convergence criteria in 2023, namely, central bank financing of budget deficit and gross external reserves, but missed inflation and budget deficit targets. The country also met only one secondary criterion (exchange rate variation) but missed the criterion on debt to GDP ratio in the review period. The summary of the performance is presented below:

Primary criteria

247. The budget deficit on a commitment basis, including grants, was 4.0 percent of GDP compared with 4.8 percent of GDP in 2022. The average annual inflation rate was 16.9 percent compared with 11.5 percent in 2022, which is above the 5 percent threshold set in the MCSP. Gross external reserves were estimated at 4.2 against 7.1 months of imports of goods and services in 2022, thus complying with the minimum of 3 months. No central bank financing of the budget deficit was recorded during the review period.

Secondary criteria

248. The variation in the average nominal exchange rate of the dalasi against the WAUA in 2023 stood at 8.4 percent, within the threshold of +10 percent. However, the public debt stock stood at 76.4 percent of GDP, compared with 81.4 percent of GDP in 2022, thus missing the 70 percent threshold set out in the MCSP.

Table 25: Status of Macroeconomic Convergence in The Gambia

Criteria	Target	2020	2021	2022	2023	2024*
Primary Criteria		**3**	**1**	**1**	**2**	**3**
i. Budget Deficit / GDP	≤ 3 percent	2.2	5.8	4.8	4.0	2.0
ii. Annual Average Inflation	≤ 5 percent	5.6	5.6	11.5	16.9	15.9
iii. Central Bank Financing of Budget Deficit	≤ 10 percent	0	11.9	24	0	0
iv. Gross External Reserves	≥ 3 mths Imp	6.1	8.8	7.1	4.1	4.6
Secondary Criteria		**1**	**1**	**1**	**1**	**2**
i. Nominal Exchange Rate Variation	± 10 percent	-2.4	-1.3	-2.1	-8.4	-7.0
ii. Public Debt / GDP	≤ 70 percent	85.1	84.2	81.4	76.4	65.2
Total number of convergence criteria met		**4**	**2**	**2**	**3**	**4**

Source: CBG, MOFEA, and WAMA **Provisional* ***Projections*

5.4. Prospects

249. The economy exhibited resilience despite the impact of the Russia-Ukraine War with a GDP growth rate at 4.8 percent in 2023, which is expected to stand above 5.0 percent in 2024, premised

on the gradual recovery in economic activity as tourism and construction rebound. Average inflation is expected to moderate to 15.9 percent in 2024 from 16.9 percent in 2023.

250. Execution of the government fiscal plan remains challenging as the debt burden continues to undesirably affect the country's ability to invest in key sectors of the economy. Nevertheless, the fiscal deficit is projected to moderate further in 2024 as more revenue improvement is expected. The external sector is also expected to experience a rebound in 2024 on account of favourable exports.

251. On macroeconomic convergence, the country is, expected to improve performance on the convergence scale at the end of 2024, meeting three primary criteria (budget deficit, central bank financing of budget deficit and gross external reserves) and both of the secondary criteria (nominal exchange rate variation and public debt to GDP ratio).

5.5. Conclusion and Recommendations

252. The economy of The Gambia remains resilient despite the lingering effects of the COVID-19 pandemic and global geo-political tensions impacting supply chains. Inflation remains a major setback, principally due to increasing food, energy and utility prices during the review period. Implementation of monetary policy continues to focus on curbing inflationary pressures, as the monetary policy rate was increased 2023. Fiscal outturn improved as domestic revenue mobilisation improved while recurrent expenditure moderated, despite the increase in the review period. External sector performance deteriorated as the current account worsened, reflecting the worsening of the trade balance. Similarly, the overall BOP weakened, mainly supported by performances in the capital and financial accounts.

253. As regards performance under the macroeconomic convergence, the out-turn improved as it met (2) primary criteria and one secondary criterion in 2023, which is an improvement over the performance in 2022.

254. To improve economic performance and sustainability on the convergence criteria, the authorities are urged to consider the recommendations as listed below:

i. Espouse innovative ways of motivating the services sector, especially as regards hotel and restaurant services via targeted supports in order to increase service delivery and enhance employment generation;

ii. Implement measures that will promote fiscal discipline by consolidating public finances while suggesting innovative ways of growing government revenue, as well as preventing revenue leakages;

iii. Device more stringent expenditure rationalisation actions while prioritising growth-enhancing expenditures;

iv. Execute prudent debt management policies to ensure sustainability of public debt; and

v. Continue with the implementation of prudent monetary policy and appropriate fiscal measures to tame inflationary pressures while preserving economic growth.

6. GHANA

6.1. Introduction

255. Global shocks, coupled with existing domestic vulnerabilities, plunged the Ghanaian economy into severe economic crisis in 2022, characterised inter-alia by low growth rates, unsustainable debt burden, high exchange rate depreciation, credit rating downgrades, loss of access to the international capital market and a rising financing gap. In response, the government launched the Post COVID-19 Programme for Economic Growth (PC-PEG) as the blueprint to mitigate the impact of the crisis and propel the Ghanaian economy unto a higher growth path over the medium-term. The main objective of PC-PEG is to restore macroeconomic stability and debt sustainability, build resilience through the implementation of wide-ranging and strong structural reforms, and lay the foundations for stronger and more inclusive growth. Subsequently, the government entered into a 3-year US$3 billion Extended Credit Facility (ECF) programme with the IMF in May 2023 to support the PC-PEG.

256. The IMF programme involves among others, large and frontloaded fiscal consolidation to bring public finances back on a sustainable path. As part of this programme, the authorities also launched the debt operations to restore sustainability of public debt—both domestic and external debts. The Domestic Debt Exchange Programme (DDEP) was successfully completed in 2023. Subsequently, the authorities have reached an agreement with its official creditors under the G20 Common Framework, on a comprehensive external debt restructuring. In line with the macroeconomic objectives, the following macroeconomic targets (revised) were set for 2023:

    i. Overall real GDP growth rate of 2.8 percent, revised downwards to 1.5 percent;
    ii. Non-oil real GDP growth rate of 3.0 percent, revised downwards to 1.5 percent;
    iii. End-period headline inflation of 31.3 percent, revised downwards to 18.9 percent;
    iv. Overall budget deficit on commitment basis of 7.7 percent of GDP, revised downwards to 5.7 percent of GDP;
    v. Primary balance on commitment basis of 0.7 percent of GDP, revised to -0.5 percent of GDP; and
    vi. Gross external reserves sufficient to cover at least 0.8 months of imports of goods and services.

257. Despite these challenges, provisional data on the performance of the Ghanaian economy for the period January to December 2023 show that real GDP growth slowed to 2.9 percent in 2023 from 3.8 percent in 2022, occasioned by the contraction in the industry sector despite the robust growth in the services and agriculture sectors.

258. Price developments indicate that inflation is on a declining path as end-period inflation fell to 23.2 percent in December 2023, down from 54.1 percent in December 2022, reflecting the ongoing fiscal consolidation, appropriate tightening of monetary policy, and relative stability in the exchange rate.

259. The overall budget deficit on commitment basis including grants was 3.7 percent of GDP in December 2023 compared to 11.8 percent of GDP in the preceding period, showing a remarkable

fiscal adjustment of 8.1 percentage points in just one fiscal year. The outturn for 2023, which is significantly lower than the targeted deficit of 4.6 percent of GDP, largely reflects improvement in revenue mobilisation and slower execution of expenditures.

260. Public debt accumulation has stabilised and declining, as total public debt stood at 72.3 percent of GDP at the end of 2023, compared with 72.9 percent of GDP in 2022, reflecting the impact of the domestic debt exchange programme, and the ongoing external debt restructuring.

261. Gross external reserves stood at US$5,906.6 billion, equivalent to 2.7 months import of goods and services at end December 2023, compared to US$6.3 billion (2.7 months of import cover) at end-December 2022.

262. The Ghana cedi came under intense pressure against the US dollar in January 2023 but the volatilities dissipated and the Ghana cedi remained relatively stable throughout the rest of the year, on the back of improved inflows from the IMF ECF first tranche, the domestic gold purchase programme, remittances, and FX purchases from mining and oil companies, amid monetary policy tightening. The cedi depreciated cumulatively by 27.8 percent in December 2023 against the US dollar in 2023, compared to the depreciation of 30.0 percent in 2022.

263. The current account balance recorded a surplus of 1.8 percent of GDP at end-December 2023, a significant improvement from a deficit of 2.3 percent of GDP at end-December 2022, reflecting improvements in the trade balance to a surplus of 3.5 percent of GDP, from 3.2 percent of GDP surplus at end-December 2022.

6.2. Sectoral Analysis

6.2.1. Real Sector

264. The overall real GDP growth rate for 2023 was 2.9 percent compared to 3.8 percent in 2022. Similarly, non-oil GDP slowed to 3.3 percent in 2023 from 4.7 percent in 2022. The slowdown in real GDP reflected the contraction in the industrial sector as well as suboptimal growth in the services sector.

265. Growth in the primary (agriculture) sector expanded to 4.5 percent in 2023 from 4.2 percent in 2022, driven mainly by the crops and livestock production. The cocoa subsector recorded a contraction of 0.3 percent in 2023, down from 0.9 percent in 2022, attributed to unfavourable weather conditions and the cocoa swollen shoot disease. Despite the contraction in cocoa production, the output in crops subsector expanded by 4.8 percent in 2023 compared to 3.8 percent in 2022. Similarly, growth in livestock expanded by 6.5 percent in 2023 compared to 5.5 percent in 2022. However, growth in the fisheries subsector slowed significantly to 4.1 percent in 2023 from 8.8 percent in 2022 while forestry and logging contracted by 5.0 percent from a growth of 5.5 percent in 2022.

266. The secondary (industry) sector contracted by 1.2 percent in 2023, down from a modest growth of 0.6 percent in 2022, attributed to contractions in all subsectors except mining and quarrying, and manufacturing. Growth in mining and quarrying output slowed to 2.5 percent in 2023 from 8.9 percent in 2022, reflecting a slowdown of activity in the sector, particularly, oil and gas which

has been declining since 2020. The oil and gas subsector, however, recorded a lower contraction of 3.3 percent in 2023 compared to 8.5 percent and 12.6 percent in 2022 and 2021, respectively. Growth in manufacturing recovered with a modest growth rate of 0.9 percent in 2023, following a contraction of 2.5 percent in 2022, despite the challenges with electricity supply. However, electricity, water and sewage, and construction activities, contracted further in 2023 by 10.9 percent, 0.4 percent, and 9.9 percent, compared to 3.5 percent, 4.8 percent and 6.8 percent, respectively, in 2022, reflecting technical challenges with electricity production and distribution.

267. Growth in the tertiary (services) sector stood at 5.5 percent in 2023, compared to 6.3 percent in 2022, supported by performances across the subsectors. The information and communication subsector recorded the highest growth rate over the period at 18.0 percent, albeit lower than the 21.2 percent recorded in 2022, reflecting a base effect. Other subsectors with impressive growth rates in 2023 include health and social work (8.3% from 9.2% in 2022), transport and storage (5.6% from 4.4% in 2022), and accommodation and food service (4.1% from 0.0% in 2022). Real estate, professional, administrative and social support services activities, and other services activities have all recovered with positive growth rates of 4.1 percent, 4.2 percent, and 3.9 percent, respectively, after contracting in 2022.

268. In terms of sectoral contributions to real GDP growth in 2023, the primary sector contributed 0.9 percentage point, the secondary sector negative 0.4 percentage point, and the tertiary sector 2.3 percentage point compared to 0.9 percentage point, 0.2 percentage point, and 2.5 percentage points, respectively, in 2022. With regards to sectoral shares of GDP, the services sector remained the dominant sector maintaining a share of 45.6 percent in 2023, followed by industry with 31.7 percent, down from 33.6 percent in 2022. The agriculture sector increased its share to 22.7 percent, from 20.8 percent in 2022.

Table 26: Trends in GDP and its Components in Ghana

Item	2021	2022	2023*	2024**	2021	2022	2023*
SUPPLY	**Percentage change**				**Contribution to growth rate**		
RGDP (Oil & Non-Oil)	5.1	3.8	2.9	3.1			
RGDP (Non-Oil)	6.6	4.7	3.3	2.8			
Agriculture	8.5	4.2	4.5	2.7	1.7	0.9	0.9
Industry	-0.5	0.6	-1.2	3.4	-0.2	0.2	-0.4
Services	9.4	6.3	5.5	3.2	3.7	2.5	2.3
Taxes net of subsidy	-2.3	4.7	2.8	2.4	-0.1	0.2	0.1
DEMAND							
Consumption	7.6	5.1	7.1	na			
o/w Private	6.2	5.7	7.8	na			
Public	12.7	0	0.5	na			
Investment/Gross Capital formation	5.6	0.7	-14.4	na			
Net External Demand	-264.5	29.1	-25.9	na			
Exports of goods and services	-1.2	0.2	0.1	na			
Imports of goods and services	5.8	-201.4	-1.2	na			
Gross Domestic Expenditure	5.1	3.8	2.9	na			

MEMORANDUM					
Overall GDP, current prices) Millions GHc	461,695	614,336	841,633	1,020,180	
Overall GDP, constant prices) Millions GHc	174,592	181,257	186,595	192,425	
Inflation					
Average	10	31.9	40.3	22.3	
End period	12.6	54.1	23.2	15	

*Source: Ghana Statistical Service *Provisional **Projections*

269. Price developments for 2023 indicate that headline inflation (year-on-year) moderated to 23.2 percent in December 2023, from 54.1 percent in December 2022, attributed to moderations in both food and non-food prices. It also reflected fiscal consolidation, the tight monetary policy stance, relative exchange rate stability and favourable base drifts. However, annual average inflation remained high at 40.3 percent in 2023 compared to 31.9 percent in 2022.

6.2.2. Fiscal Sector

270. Fiscal policy implementation was impacted by the credit crunch due to the tightening of global financing conditions, loss of access to the international capital market, less than expected performance of petroleum revenues and the depreciation of the cedi which continues to amplify public debt vulnerabilities.

271. Nevertheless, provisional data on fiscal operations for 2023 indicate significant progress with fiscal consolidation, characterised by improvement in domestic revenue mobilisation and slower pace of expenditure execution. Total revenue and grants for 2023 increased by 40.7 percent to GH¢136.0 billion (16.2% of GDP) from GH¢96,651.2 million (15.7% of GDP) in 2022.

272. Domestic revenue amounted to GH¢133.4 billion (15.8% of GDP) compared to GH¢95.5 billion (15.67% of GDP) in 2022, reflecting significant increases in both tax and non-tax revenues. Tax revenue rose by 45.6 percent in nominal terms to GH¢110.0 billion (13.1% of GDP) in 2023 from GH¢75.5 billion (12.3 % of GDP), reflecting improvements in all tax types, except communication services tax.

273. Non-tax revenue amounted to GH¢17.6 billion (2.1% of GDP) in 2023, up from GH¢14.6 billion (2.4% of GDP) in 2022. Grants more than doubled to GH¢2.7 billion (0.3% of GDP) in 2023, up from GH¢1.1 billion (0.2% of GDP) in 2022, exclusively from project grants.

274. Total expenditure (commitment) amounted to GH¢167.5 billion (19.9% of GDP) in 2023 compared to GH¢168.8 billion (27.5% of GDP) in 2022, a decline of 0.8 percent, mainly reflecting a decline in interest payments. Interest payments declined by 32.0 percent, occasioned by the suspension of external debt service obligations and the extension of maturities on domestic debt as part of government’s debt restructuring programme. Wages and salaries amounted to GH¢45.4 billion (5.4% of GDP) from GH¢35.4 billion (5.8% of GDP) in 2022. Capital Expenditure was GH¢21.1 billion (2.5% of GDP) compared to GH¢18.7 billion (3.0% of GDP) in 2022, financed from both domestic (1.4% of GDP) and external (1.0% of GDP) sources.

275. Consequently, fiscal operations resulted in an overall budget deficit on commitment basis of GH¢31.5 billion (3.7% of GDP), compared to the target of GH¢48.9 billion (5.7% of GDP) and

a deficit of GH¢72.2 billion (11.8% of GDP) in 2022. The corresponding primary balance (on commitment basis) was a surplus of GH¢10.7 billion (1.3% of GDP), a significant improvement from the primary deficit of 4.3 percent of GDP recorded in 2022. Excluding grants, the deficit also narrowed to 4.1 percent of GDP from 11.9 percent of GDP) in 2022. The deficit was financed from both domestic and external sources.

276. The stock of public debt remained elevated throughout the review year, broadly reflecting exchange rate dynamics. The public debt stock stood at GH¢611.2 billion at end-December 2023, up from GH¢446.3 billion at end-December 2022. As a percentage of GDP, the total public debt remained unchanged at 72.3 percent at end December 2023. The public debt stock at end-December 2023 was made up of external debt of GH¢351.1 billion (41.4% of GDP) and domestic debt of GH¢260.2 billion (30.9% of GDP) compared to GH¢240.9 billion (39.2% of GDP) and GH¢205.4 billion (33.4% of GDP) in 2022, respectively.

Table 27: Trends in Key Fiscal Indicators in Ghana

	2019	2020	2021	2022	2023*	2024**	2019	2020	2021	2022	2023*	2024**
	Percentage Change						Percent of GDP					
Total Revenue and Grants	**12.1**	**3.3**	**27.1**	**37.9**	**40.7**	**29.7**	**15.0**	**14.1**	**15.2**	**15.7**	**16.2**	**17.4**
Domestic Revenue	12.7	2.9	27.8	38.6	39.6	29.9	14.7	13.8	14.9	15.6	15.8	17.1
Tax Revenue	**13.2**	**3.9**	**27.2**	**33.6**	**45.6**	30.1	**12.0**	**11.3**	**12.2**	**12.3**	**13.1**	**14.0**
Taxes on income & Property	20.8	4.6	17.9	37.4	47.1	16.4	6.4	6.1	6.1	6.3	6.7	6.3
Taxes on goods & services	14.1	3.7	39.0	26.9	45.7	50.8	4.8	4.5	5.4	5.1	5.4	6.6
International trade taxes	-11.3	1.9	26.0	41.8	41.5	32.8	1.5	1.4	1.5	1.6	1.7	1.8
Tax Refunds	16.3	4.7	20.5	32.1	49.7	63.5	-0.7	-0.7	-0.7	-0.7	-0.7	-1.0
Social Contribution	-59.4	-70.2	880.7	-21.9	81.4	44.9	0.0	0.0	0.1	0.1	0.1	0.1
Non-tax Revenue	**16.0**	**-11.9**	**18.6**	**84.1**	**21.2**	**27.9**	**2.1**	**1.7**	**1.7**	**2.4**	2.1	2.1
Other Revenue	4.5	44.8	46.4	26.1	-0.3	31.3	0.5	0.7	0.9	0.8	0.6	0.6
Grants	**-13.1**	**24.6**	**-3.8**	**-5.4**	**137.1**	**17.5**	**0.3**	**0.3**	**0.3**	**0.2**	0.3	0.3
o/w Project Grants		24.6	-3.8	-5.4	137.1	-9.9	0.3	0.3	0.3	0.2	0.3	0.2
Total Expenditure (incl. discrepancy)	**16.6**	**42.1**	**13.3**	**54.5**	**-0.8**	**35.3**	**19.0**	**24.6**	**23.7**	**27.5**	**19.9**	**21.6**
Total Expenditure	**16.6**	**42.1**	**13.3**	**33.9**	**5.7**	**46.6**	**19.0**	**24.6**	**23.7**	**23.8**	**18.4**	**21.6**
Recurrent Expenditure	15.4	36.6	9.5	47.2	-1.7	48.2	17.3	21.5	20.0	22.1	15.9	18.8
Wages and salaries	13.2	28.6	17.0	20.8	28.1	25.7	5.5	6.4	6.3	5.8	5.4	5.4
Social Contribution	14.2	17.6	-27.0	1,404.4	-84.6	22.4	0.8	0.8	0.5	5.8	0.6	0.6
Use of good and services	20.3	19.8	-3.1	10.7	6.6	31.0	1.7	1.9	1.6	1.3	1.0	1.1
Interest Payments	24.9	24.4	36.3	36.3	-35.8	90.6	5.5	6.3	7.3	7.4	3.5	5.3
Domestic	21.7	20.7	44.0	28.2	-18.6	33.8	4.3	4.7	5.7	5.5	3.3	3.5
External	37.0	37.0	13.7	66.3	-85.0	972.7	1.3	1.6	1.5	1.9	0.2	1.8
Transfers, Subsidies and others	5.0	77.6	-17.0	-42.4	291.0	49.7	3.8	6.1	4.3	1.9	5.3	6.4
Capital Expenditure	29.8	96.4	40.4	10.1	13.0	36.0	1.7	3.1	3.7	3.0	2.5	2.7
Domestically Financed	50.3	90.3	10.8	18.8	44.4	99.4	0.7	1.2	1.2	1.0	1.1	1.7
Externally Financed	18.6	100.7	60.0	6.2	-3.2	-12.4	1.0	1.9	2.5	2.0	1.4	1.0
Net Lending/							0.0	0.0	0.0	0.0	0.0	0.0
Overall balance including discrepancy (Commit basis Incl Grants)							-4.1	-10.5	-8.5	-11.8	-3.7	-4.2
Overall balance including discrepancy (Commit basis Excl Grants)							-4.3	-10.8	-8.7	-11.9	-4.0	-4.5
primary balance							1.5	-4.3	-1.2	-4.3	1.3	0.5
Total Public Debt (Million GHc)	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Public Debt	18,229	291,631	351,787	446,300	611,250	693,888	61.2	74.4	76.2	72.9	72.3	72.1.
External	112,748	141,797	170,010	240,900	351,100		31.6	36.2	36.8	39.2	41.7	-
Domestic	105,481	149,834	181,777	205,400	260,150		29.6	38.2	39.4	33.4	30.9	-

*Source: Ministry of Finance, Ghana *Provisional **Projections*

6.2.3. Monetary Sector

277. In response to the heightened inflationary pressures, the BOG raised its monetary policy rate cumulatively by 300 basis points from 27.0 percent November 2022 to 30.0 percent in July 2023, which was maintained for the rest of the year. This was complemented by an increase in the cash reserve requirement to mop up excess liquidity from the market. The money market rates, however, trended downwards. The 91-day treasury bills rate declined to 29.39 percent at end-December 2023 from 35.48 percent in the same period of 2022. Savings rate declined to 5.00 percent in December 2023 from 7.63 percent in December 2022. Similarly, rates on the 1-month, 3-month and 6-month time deposits declined to 8.38 percent, 10.50 percent, and 11.00 percent in December 2023 from 11.75 percent, 14.00 percent and 14.25 percent, respectively, in the

corresponding period of 2022. However, the weighted average rate increased to 30.19 percent in December 2023 from 25.51 percent in December 2022, in line with the monetary policy rate and supported by adjustments made in the cash reserve ratio. The average lending rates of banks eased marginally to 33.75 percent in December 2023 from 35.58 percent a year earlier

278. Developments in monetary aggregates showed a higher pace of growth in broad money supply (M2+) in December 2023, relative to December 2022. Growth in M2+ accelerated to 38.7 percent in the 12-month period ended December 2023 relative to 33.0 percent in December 2022, driven largely by an expansion in the NFA, which grew by 303.8 percent in December 2023, compared to a contraction of 237.0 percent in December 2022, supported by significant increases in the NFA of BOG and deposit money banks. The NFA of BOG expanded by 119.2 percent in December 2023, following the 312.1 percent contraction in December 2022, on the back of inflows from the gold for reserve programme, forex purchases, and proceeds from the IMF ECF programme. Growth in the NDA, however, moderated to 20.1 percent in December 2023 from the 48.9 percent expansion recorded in December 2022, reflecting OMO sterilisation in line with the tight monetary policy stance of the BOG. Net claims on Government contracted by 9.3 percent in December 2023 compared to a growth of 69.3 percent in December 2022, reflecting strict adherence to zero financing agreed under the IMF supported ECF programme.

279. In terms of the contributions to M2+ growth of 38.7 percent at end-December 2023, NDA contributed 21.3 percentage points, lower than the contribution of 46.2 percentage points recorded in the same period of 2022. Similarly, the contribution of NFA was positive at 17.4 percentage points against the negative contribution of 13.2 percentage points at end-December 2022.

280. Growth in reserve money declined to 29.2 percent in December 2023, from a growth of 57.5 percent in December 2022. The significant decline in the growth of reserve money was partly due to the sustained sterilisation of excess liquidity, the impact of the DDEP, and the implementation of the zero financing of the budget by BOG.

281. Growth in total outstanding credit to both private and public sectors on a year-on-year basis moderated significantly to 8.4 percent at end-December 2023 from 23.5 percent at end-December 2022, reflecting tight monetary policy stance, challenging macroeconomic conditions, and the perception of credit default risk and weaker capital position of banks, induced by the impact of the DDEP. Growth in nominal credit to the private sector slowed to 10.7 percent in December 2023, compared with 31.8 percent in 2022. In real terms, the annual growth of outstanding credit to the private sector was negative 10.2 percent in December 2023, compared with a growth of 14.5 percent in December 2022

282. The banking sector’s profitability improved at end-December 2023 despite the lingering effects of the DDEP. The total assets increased by 24.4 percent in 2023 compared to 22.9 percent in 2022. Total deposits also grew by 35.8 percent at end-December 2023, compared to 30.4 percent at end-December 2022. The industry’s profitability measured by return on equity (ROE) and return on asset (ROA) before tax rose to 54.9 percent and 5.4 percent at end-December 2023

from 24.2 percent and 3.1 percent at end-December 2022, respectively. Similarly, the ROE and ROA after tax increased to 34.2 percent and 3.3 percent at end-December 2023 from 14.6 and 1.9 percent at end-December 2022, respectively.

283. The key financial soundness indicators remained broadly sound, supported by the temporary regulatory reliefs extended to the banks in the wake of the DDEP. The CAR stood at 13.9 percent at end-December 2023, higher than the revised prudential minimum of 10 percent, but lower than the 16.6 percent recorded at end-December 2022. The decline in the CAR is explained by the losses on mark-to-market investments from the DDEP as well as the increase in the risk-weighted assets of banks. The industry's NPL to total gross loan ratio deteriorated to 20.6 percent at end-December 2023 from 14.8 percent at end-December 2022, reflecting higher loan impairments and elevated credit risks. On the other hand, the industry's liquidity indicators improved during the period under review as broad liquidity assets to both total assets and short-term liabilities rose to 65.7 percent and 79.4 percent at end-December 2023 from 61.7 and 71.5 percent at end-December 2022, respectively.

Table 28 : Growth in Key Monetary Aggregates in Ghana

	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	Percentage change				Contribution to M2+ growth			
ASSETs								
NFA	-59.5	-237.0	-303.8	-128.7	-9.2	-13.2	17.4	-10.8
NDA	25.6	48.9	20.1	16.1	21.7	46.2	21.3	14.8
Net Claims on Government	9.2	69.3	-9.3	-0.9				
Claims on private Sector	14.4	23.5	8.4	13.4				
Other Items Net (OIN)	-55.5	44.8	-316.7	84.9				
LIABILITIES								
Broad Money (M2+)	12.5	33.0	38.7	3.9				
Broad Money (M2)	11.9	27.8	37.2	5.1				
Narrow Money (M1)	14.1	27.5	37.6	na				
Currency outside banks	4.2	44.3	19.7	na				
Demand deposits	19.2	19.8	47.5	na				
Savings & Time deposits	8.0	28.4	36.4	na				
Foreign currency deposits	14.6	51.3	43.1	0.7				
MEMORANDUM ITEMS								
Reserve money growth	-19.7	-57.5	-29.2	3.7				
Money Multiplier (M2+/RM)	3.1	2.6	2.8	3.1				
Velocity (GDP/M2+)	3.4	3.4	3.4	4.1				
Credit to private sector/GDP	13.5	12.5	9.9	8.8				
NFA/M2+	5.6	-5.7	8.4	-2.3				
NDA/M2+	94.4	105.7	91.6	102.3				
Currency in circulation/M2	16.1	17.4	15.0	0.0				

*Source: Bank of Ghana *Provisional **Projections*

6.2.4. External Sector

284. Performance in the external sector improved substantially in 2023, as the current account balance and the overall BOP recorded surpluses. The current account saw an improvement, with a surplus of US$1,105.5 million (1.4% of GDP) in 2023 compared to a deficit of US$1,516.9 million (2.1% of GDP) in 2022, reflecting the combined effects of the trade surplus and the lower outflows in the investment income from lower external debt service payments due to the suspension of external debt payments. The outcome can also be attributed to the higher remittances' inflows during the year. However, the merchandise trade surplus declined to US$2,6474.3 million (3.5% of GDP) from US$2,873.1 million (3.9% of GDP) in 2022, mainly on account of the 4.8 percent decline in exports which outweighed the 4.2 percent drop in import earnings.

285. The capital and financial accounts recorded a net outflow of US$756.3 million (1.0% of GDP) in 2023, compared to net outflow of US$2,141.3 million (2.9% of GDP) in 2022, mainly reflecting a decline in capital outflows during the period. The capital account surplus increased

to US$148.3 million (0.2% of GDP) in 2023 from US$142.1 million (0.2% of GDP) in 2022, mainly reflecting improved project grants from development partners. The financial account, on the other hand, recorded a lower net outflow of US$904.58 million (1.2% of GDP) in 2023, compared to the net outflows of US$2,283.4 million (3.1% of GDP) recorded in 2022, attributed mainly to lower portfolio reversals. Direct investments recorded a net outflow of US$1,298.64 million (1.7% of GDP), lower than US$1,472.57 million (2.0% of GDP) recorded in 2022. However, other investments recorded a net inflow of US$2,203.22 million (2.9% of GDP) compared to US$3,755.95 million (5.1% of GDP) in 2022. Consequently, the overall BOP recorded a surplus of US$461.6 million (0.6% of GDP), a notable improvement from a deficit of US$3,639.52 million (4.9% of GDP) in 2022.

286. Despite the effort to build-up reserves through the gold for reserves programme and inflows from oil and mining companies, the stock of gross external reserves declined to US$5,906.6 million (2.7 months of import cover), at end-December 2023 from US$6,252.7 million (2.7 months of import cover) in the corresponding period of 2022. However, in terms of import cover, it remained relatively unchanged.

287. The foreign exchange market has remained relatively stable for most part of 2023, supported by inflows from the mining and oil companies, the first tranche of the IMF ECF support, the Gold for reserves programme, which helped shore up reserves. The cedi depreciated cumulatively by 27.8 percent against the US dollar in 2023, compared to the depreciation of 30.0 percent in 2022. Against the WAUA, it also depreciated on average by 24.4 percent in 2023 compared to 30.2 percent depreciation in 2022.

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

	2020	2021	2022	2023*	2024**	2020	2021	2022	2023**	2024**
	US $ (Million)					Percent of GDP				
Current Account	**- 2,134.0**	**- 2,541.4**	**- 1,516.9**	**1,105.0**	**1,393.0**	**- 3.0**	**- 3.2**	**- 2.0**	**1.4**	**1.9**
Goods	2,043.0	1,098.8	2,873.1	2,647.3	3,280.0	2.9	1.4	3.9	3.5	4.4
Exports (fob)	14,471.5	14,727.5	17,494.4	16,657.7	17,405.0	20.7	18.5	23.6	21.8	23.1
Oil and Gas	2,910.6	3,947.7	5,428.6	3,837.3	4,009.5	4.2	5.0	7.3	5.0	5.3
Non-Oil	11,560.9	10,779.7	12,065.7	12,820.4	13,395.5	16.5	13.6	16.2	16.8	17.8
Imports (fob)	- 12,428.6	- 13,628.7	- 14,621.2	- 14,010.5	- 14,206.0	- 17.7	- 17.1	- 19.7	- 18.3	- 18.9
Oil and Gas	- 1,890.5	- 2,719.2	- 4,626.6	- 4,475.3	- 4,537.7	- 2.7	- 3.4	- 6.2	- 5.9	- 6.0
Non-Oil	-10,538.0	- 10,909.5	- 9,994.6	- 9,535.2	- 9,668.3	- 15.0	-13.7	- 13.5	- 12.5	- 12.9
Services (net)	- 4,511.3	- 3,164.5	-3,457.9	- 3,397.2	- 3,733.0	- 6.4	- 4.0	- 4.7	- 4.4	- 5.0
Inflows	7,605.5	9,173.7	8,249.7	8,672.5	9,529.9	10.9	11.5	11.1	11.4	12.7
Outflows	- 12,116.8	- 12,338.2	- 11,707.6	- 12,069.7	- 13,262.9	- 17.3	- 15.5	- 15.8	- 15.8	- 17.6
Primary Income (net)	- 3,399.5	- 3,830.6	- 4,505.1	- 2,079.1	- 4,879.0	-4.9	-4.8	- 6.1	-2.7	- 6.5
Inflows	738.5	719.1	849.5	761.2	1,786.4	1.1	0.9	1.1	1.0	2.4
Outflows	- 4,137.0	- 4,549.7	- 5,354.6	- 2,840.4	- 6,665.4	- 5.9	-5.7	-7.2	- 3.7	- 8.9
Secondary Income (net)	3,732.9	3,354.9	3,572.9	3,934.1	3,939.0	5.3	4.2	4.8	5.2	5.2
Private (net)	3,564.8	3,354.9	3,572.7	3,934.1	3,939.0	5.1	4.2	4.8	5.2	5.2
Official (net)	168.1	-	-	-	-	0.2	-	-	-	-
Capital and Financial Account	**2,887.2**	**3,304.0**	**- 2,141.3**	**- 756.2**	**- 296.0**	**4.1**	**4.2**	**- 2.9**	**- 1.0**	**- 0.4**
Capital Account (net)	**250.1**	**204.0**	**142.1**	**148.3**	**179.0**	**0.4**	**0.3**	**0.2**	**0.2**	**0.2**
Capital Transfers (net)	250.1	204.0	142.1	148.3	179.0	0.4	0.3	0.2	0.2	0.2
Financial Account	**2,637.1**	**3,100.0**	**- 2,283.4**	**- 904.6**	**- 475.0**	**3.8**	**3.9**	**- 3.1**	**- 1.2**	**- 0.6**
Direct Investment (net)	1,333.4	2,413.9	1,472.6	1,298.6	1,861.0	1.9	3.0	2.0	1.7	2.5
Portfolio Investment (net)	1,561.2	-	-	-	- 336.0	2.2	-	-	-	- 0.4
Financial Derivatives (net)	329.7	-	-	-	-	0.5	-	-	-	-
Other Investment (net)	- 587.2	686.1	- 3,755.9	- 2,203.2	-2,000.0	-0.8	0.9	-5.1	-2.9	-2.7
Net Errors and Omissions	- 375.8	-252.4	18.7	112.8	na	- 0.5	- 0.3	-	0.1	-
Overall Balance	377.5	510.1	- 3,639.5	461.6	- 1,689.0	0.5	0.6	- 4.9	0.6	- 2.2
MEMORANDUM										
Ave. exchange rate variation (US $)[1]	-6.8	-3.6	-29.8	-24.9	-23.2					
Ave. exchange rate variation (WAUA)[2]	-7.7	-5.7	-24.6	-25.2	-35.3					
Stock of External Reserves Billions (US $)	8,624.4	9,695.2	6,252.7	5,906.6	-					
Stock of Ext. Reserves (months of imports)	4	4.3	2.7	2.7	3.0					
GDP at Current Prices, Millions of US$	70,029	79,524	74,266	76,370	80,844					

*Source: Bank of Ghana *Provisional **Projections*

6.3. Status of Macroeconomic Convergence

288. In terms of macroeconomic convergence, Ghana met only one of the six convergence criteria in 2023. On primary, the country met only the central bank financing of budget deficit criterion, but missed the budget deficit, average inflation, and gross external reserves criteria. The country also missed both secondary criteria on nominal exchange variation and public debt ratio. The summary of the performance is presented below:

Primary criteria

289. The budget deficit on a commitment basis, including grants, was 3.7 percent of GDP compared with 11.8 percent of GDP in 2022. The average annual inflation rate rose to 40.3 percent from 31.5 percent in 2022, well above the 5 percent threshold set in the MCSP. Gross external reserves remained unchanged at 2.7 months of imports of goods and services in both 2023 and 2022, thus missing the minimum of 3 months. No central bank financing of the budget deficit was recorded during the review period.

Secondary criteria

290. The variation in the average nominal exchange rate of the cedi against the WAUA in 2023 was 25.2 percent, exceeding the threshold of -/+10 percent. Also, the public debt stock remained elevated at 72.3 percent of GDP in 2023, though a slight decline from the 72.6 percent recorded in 2022, thus missing the 70 percent threshold set out in the MCSP.

Table 30: Status of Macroeconomic Convergence in Ghana

CRITERIA	TARGET	*2020*	2021	2022	2023*	2024**
Primary Criteria		*1*	*2*	*0*	*1*	*2*
Budget deficit (commitment basis, including grants)	≤ 3%	10.5	8.5	11.8	3.7	4.5
Average annual inflation rate	≤ 5%	9.9	10.0	31.5	40.3	22.3
Central Bank financing of Budget Deficit	≤ 10%	54.2	0.0	75.2	0.0	0.0
Gross external reserves	≥ 3	4.2	4.0	2.7	2.7	3.0
Secondary Criteria		*1*	*1*	*0*	*0*	*0*
Nominal exchange rate variation	± 10%	-6.9	-3.6	-30.2	-24.4	-11.9
Public debt to GDP ratio	≤ 70%	74.4	76.2	72.6	72.3	72.1
Total Convergence Criteria Met		**2**	**3**	**0**	**1**	**2**

*Source: BOG, MoF, GSS; *Provisional **Projections*

6.4. Prospects

291. The fiscal consolidation and debt restructuring programme, coupled with global economic dynamics characterised by tight financing conditions and elevated inflation, had had noticeable impacts on the Ghanaian economy in 2023. The country successfully secured the 3-year US$3 billion IMF ECF in May 2023 to support its home-grown PC-PEG, the government’s blueprint for restoring the Ghanaian economy. Given the progress with the implementation of the IMF ECF programme in 2023, prospects for 2024 and medium-term are positive, bolstered by growing investor confidence.

292. Overall real GDP is projected at 3.1 percent in 2024. The real GDP is expected to pick up steadily and average 4.1 percent over the period 2024-2026, supported by the implementation of the PC-GET. Growth is expected to be broad-based, with improved activity across the three sectors. Growth in industry will be supported by the expected recovery of the petroleum sector in 2024. Headline inflation generally moderated to 23.2 percent in December 2023 and is projected to decline further to 15.0 percent in December 2024, reaching the BOG’s medium-term inflation

target of 8.0 percent in December 2025, supported by the sustained tight monetary policy stance and continuous fiscal consolidation efforts in the medium term. With the implementation of IMF-supported ECF programme, investors' confidence is expected to be restored, and the internal and external imbalances addressed.

293. On the macroeconomic convergence scale, the country is expected to meet at least two primary criteria in 2024, namely, the central bank financing of the budget deficit and gross external reserves, on account of zero financing under the IMF-supported ECF programme. However, the country is projected to miss both secondary criteria in 2024, on account of the elevated debt situation and exchange rate pressures. Overall, the country is projected to meet at least two out of the six (6) convergence criteria in 2024.

6.5. Conclusion and Recommendations

294. The year witnessed significant progress with fiscal consolidation. Real GDP growth was stronger than expected but slowed to 2.9 percent in 2023 compared to 3.8 percent in 2022, supported by the services (5.5 percent) and agriculture (4.5 percent) sectors. Inflationary pressures remained elevated in 2023, notwithstanding the drastic downward trends, having moderated to 23.2 percent in December 2023, after peaking at 54.1 percent in December 2022. The fiscal deficit declined significantly with the primary balance recording a surplus. Substantial progress has been made in reducing debt service costs through the DDEP. However, public debt sustainability remains challenging amidst the slow progress with external debt restructuring negotiations. The monetary authority was proactive with policy response to rising inflation by raising the policy rate by 300 basis points during the year. The interbank interest rate also trended upward in line with the policy rate while money market interest rates generally trended downwards. The authority adhered to the zero central bank financing in the year which is capable of anchoring inflationary expectations. The limited foreign exchange buffers exposed the economy to vulnerability in the face of external shocks and currency fluctuations. However, the improved external sector performance, driven by lower investment income outflows (payments) and higher remittances inflow masked underlying weaknesses in the current account.

295. To ensure effective implementation of the economic recovery programme, the authorities are encouraged to consider the following recommendations:

i. Intensify industrialisation efforts such as the one-district-one-factory (1D1F) programme by addressing challenges of bottlenecks to the programme;
ii. Leverage on the existing measures in boosting output in the agricultural sector, such as the PFJ 2.0 by facilitating market access, affordable agro-input as well as improve the agro-processing value chain;
iii. Continue to strengthen fiscal consolidation efforts to align expenditures with revenue targets to control the deficit. Enhance expenditure management and implement measures for revenue mobilisation, including broadening the tax base, improving tax compliance, leveraging technology for efficient tax administration, and enhancing transparency and accountability;

iv. Take steps to fast-track the public debt restructuring, especially external debt and maintain effective communication with stakeholders to bolster investor confidence and mitigate exchange rate volatility;
v. Continue to prioritise comprehensive debt management strategies, including actively managing debt levels, diversifying funding sources, and implementing measures to mitigate refinancing risks, while closely monitoring market conditions to capitalise on favourable refinancing opportunities;
vi. Prioritise macroeconomic growth and stability to contain inflationary pressures by continuing to tighten monetary policy to anchor inflationary expectations.
vii. Sustain the tight monetary policy stance and the sterilisation of excess liquidity in order to effectively anchor inflationary expectations;
viii. Continue implementing supervisory measures and financial sector reforms to address liquidity and capital constraints to safeguard financial sector stability;
ix. Strengthen monetary and fiscal policy coordination to enforce the zero central bank financing policy to enhance monetary policy effectiveness in reducing inflation;
x. Enforce compliance with good credit risk management guidelines to reduce the NPLs. Improve on the effectiveness of the credit referencing bureaux and fast track the adjudication of loan default cases;
xi. Prioritise diversifying the export base by promoting value-added non-traditional products and services, such as agro-processing, and ICT-enabled services; and
xii. Prioritise measures to effectively manage foreign exchange reserves by diversifying reserve assets, boosting export earnings, attracting foreign investment, and implementing structural reforms to promote economic diversification and reduce reliance on imports and build buffers.

7. GUINEA

7.1. Introduction

296. The economic policy objectives for 2023 focussed on strengthening the macroeconomic framework and resilience of the national economy, through the implementation of the Interim Reference Programme (2022-2025), improving the business climate and continuing the reforms undertaken to build and improve public financial management. Against this background, the broad macroeconomic policy objectives for 2023were as follows:

   i. Real GDP growth rate of 6.1 percent;
   ii. Average inflation rate at 9.2 percent;
   iii. Budget deficit of less than 3 percent of GDP;
   iv. Tax-to-GDP ratio of 12 percent; and
   v. Gross external reserves to cover at least 3 months of imports.

297. Fiscal policy focused on resource allocation to strategic sectors (education, health, agriculture and infrastructure) and booting domestic revenue mobilisation by strengthening tax compliance, continuing tax administration reforms and improving the productivity of the revenue agencies.

298. The government adopted an expansionary monetary policy stance to support its efforts at achieving strong and inclusive growth. To this end, the BCRG revised its policy rate downwards in September 2023 to 11.0 percent, compared with 11.5 percent previously. The reserve requirement rate was also reduced to 13.0 percent, from the previous 15.0 percent.

299. Furthermore, in response to the socio-economic challenges, the government intends to consolidate economic recovery through labour-intensive projects to develop pro-poor sectors.

300. However, in December 2023, the Guinean economy was affected by an explosion at the main fuel depot in Coronthie (Conakry). This resulted in a slowdown in economic activity in 2024, due to inflation caused by the resulting fuel shortage. To contain the effects of the disaster, the authorities took urgent measures to limit the impact of the explosion on the well-being of the population and to facilitate the supply of fuel to the country, while continuing its programme to support economic growth through major public investment.

7.2. Sectoral Analysis

7.2.1. Real Sector

301. In a difficult international environment, characterised by tighter financial conditions and the ongoing war between Russia and Ukraine, the Guinean economy continued to perform well. The economy grew by 5.9 percent in 2023, down from 4.0 percent in 2022, due mainly due to the continuation of the reforms undertaken in the mining sector, favourable farming season, the dynamic activity in the construction sub-sector and the good momentum of activity at the Port of Conakry (PAC) and its knock-on effects on service activities. On the demand side, this momentum was underpinned by final consumption and investment.

302. The primary sector grew by 6.1 percent in 2023, up from 4.8 percent in 2022, on the back of strong performances of the fisheries and livestock sub-sectors. Fishing activities improved

significantly, growing by 8.8 percent, compared to 2.9 percent in 2022, due to the measures taken by the authorities to improve the supply of fish products to local markets, through the stocking of water bodies, ponds and dam reservoirs, and the acquisition and supply of fishing inputs. Livestock farming increased by 6.4 percent compared with 4.1 percent in 2022, due mainly to the provision of 300 young graduates in breeding centres for a herd of 15,300 head/categories (sheep and goats), and the construction of 100 livestock sheds with a 50 head capacity. By contrast, the agriculture sub-sector slowed from 6.6 percent in 2022 to 4.6 percent in 2023, due to the delayed onset of the 2023-2024 farming season. The forestry sector also slowed to 1.6 percent from the 3.0 percent recorded in 2022, as a result of government actions to reduce indiscriminate logging.

303. The secondary sector remained resilient, growing by 9.4 percent, compared to the 5.7 percent recorded in 2022, driven mainly by the dynamism of mining activities, which benefited from the extension of production and transport infrastructures by certain mining companies, as well as increased gold production. The mining sub-sector grew by 12.8 percent, compared with 6.8 percent in 2022, as bauxite production increased. The construction sub-sector grew by 4.6 percent in 2023, compared with 2.9 percent in 2022, due to the expansion of public works. Electricity and water production and distribution improved by 8.7 percent, compared with 8.8 percent in 2022, as a result of continued construction work on source substations, transmission and distribution lines, and network densification.

304. The services sector grew by 3.8 percent in 2023, after it had recorded a 2.5 percent increase in 2022, reflecting the performance of all sub-sectors. Trade grew by 2.1 percent, up from 1.5 percent in 2022, supported by stronger domestic demand. Hotel services grew by 3.5 percent, compared with 3.3 percent in 2022, reflecting the upgrading and development of many of the country's tourist sites. Similarly, the transport sub-sector grew by 4.6 percent in 2023 compared to 4.5 percent in 2022, due mainly to improvements in the road network and the improved efficiency of operations at the Port of Conakry. Post and telecommunications however slowed to 6.4 percent in 2023, following a 9.0 percent increase in 2022, due to a decline in the number of subscribers with certain operators.

305. The primary, secondary and service sectors contributed 1.2, 3.2 and 1.5 percentage points to the overall 5.9 percent growth recorded in 2023, compared with 1.0, 1.9 and 1.1 percentage points contributed in 2022. The service sector remained the largest contributor to GDP, with 42.5 percent, followed by the secondary sector with 36.5 percent, while the primary sector contributed 21.0 percent to GDP.

306. On the demand side, growth was driven by all its components in 2023. Final consumption grew by 3.9 percent in 2023 compared to 4.4 percent in 2022. Similarly, the rate of growth in investment fell from 12.9 percent in 2022 to 5.5 percent in 2023, due to the delay in the start-up of infrastructure construction work under the Interim Reference Programme. However, public sector investment remained strong, rising by 6.1 percent compared to 2.8 percent recorded in 2022, while private sector investment fell to 5.3 percent in 2023, compared with 15.8 percent in 2022.

307. Inflationary pressures eased in 2023 as average annual inflation fell to 7.8 percent in 2023 from 10.5 percent in 2022, due to improved infrastructure to facilitate the transport of agricultural products from farming areas to sales outlets. However, year-on-year inflation rose to 9.3 percent in 2023 from 8,6 percent in 2022, due mainly the fuel shortage caused by the explosion at the country's main fuel depot.

Table 31: Trends in GDP and its Components in Guinea

	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	Percentage change				Contribution to growth			
GDP at constant prices	5,6	4,0	5,9	4,2	5,6	4,0	5,9	4,2
Primary sector	**9,9**	**4,8**	**6,1**	**2,5**	**1,9**	**1,0**	**1,2**	**0,5**
Farming	10,3	6,6	4,6	3,0	0,9	0,6	0,4	0,3
Livestock, hunting, related services	5,9	4,1	6,4	2,6	0,2	0,1	0,2	0,1
Forestry	-7,5	3,0	1,6	-1,7	-0,1	0,0	0,0	0,0
Fishery, fish farming and aquaculture	14,3	2,9	8,8	2,3	0,9	0,2	0,6	0,2
Secondary Sector	**4,5**	**5,7**	**9,4**	**6,4**	**1,5**	**1,9**	**3,2**	**2,2**
Extractive industries	2,9	6,8	12,8	8,1	0,6	1,3	2,6	1,7
Manufacture of food products and beverages	13,9	5,8	6,2	4,5	0,4	0,2	0,2	0,1
Electricity, gas, water production and distribution	12,2	8,8	8,7	6,6	0,1	0,1	0,1	0,1
Construction	5,5	2,9	4,6	4,2	0,1	0,1	0,1	0,1
Service Sector	**4,9**	**2,5**	**3,8**	**3,2**	**2,2**	**1,1**	**1,5**	**1,5**
Trade	4,1	1,5	2,1	1,9	0,7	0,3	0,4	0,3
Hotels and restaurants	4,3	3,3	3,5	3,2	0,0	0,0	0,0	0,0
Transports	3,8	4,5	4,6	3,3	0,1	0,2	0,2	0,1
Posts and telecommunications	3,0	9,0	6,4	5,3	0,0	0,1	0,1	0,0
Demand side								
Final consumption	9,9	4,4	3,9	3,4	5,9	2,7	2,4	2,1
public	-3,1	4,2	4,9	4,5	-0,6	0,8	0,9	0,8
private	16,2	4,4	3,5	2,9	6,5	2,0	1,5	1,2
Investment	4,5	12,9	5,5	3,5	0,7	1,9	0,9	0,6
Public sector	8,3	2,8	6,1	3,5	0,3	0,1	0,2	0,1
Private sector	3,4	15,8	5,3	3,5	0,4	1,8	0,7	0,4
Exports	13,5	5,3	6,1	6,8	2,9	1,2	1,4	1,6
Imports	4,9	4,8	6,9	6,2	0,6	0,6	0,9	0,8
GDP at constant prices (in billions of GNF)	74571,82	77534,12	82134,91	85603,17				
PIB à prix courants (en milliards de GNF)	159336,6	170314	197973,9	238036,7				
Inflation								
Annual average	12,6	10,5	7,8	10,3				
End period	12,2	8,6	9,3	12,1				

*Source: Ministry of Planning and International Cooperation, WAMA, *Provisional **Projections*

7.2.2. Fiscal Sector

308. Fiscal policy implementation focussed on the continuation and strengthening of performance contracts with the State's financial agencies. The government continued the implementation of other public financial management reforms, including the digitisation of revenue agencies, the broadening of the tax base, the rationalisation of public spending.

309. Despite these reforms, the government's fiscal operations showed a slight increase in the budget deficit. The deficit, including grants, widened to GNF 2 379.99 billion (1.2% of GDP) in 2023, compared to GNF 639.57 billion (0.4% of GDP) in 2022. Similarly, the budget deficit, excluding grants, increased to GNF 4,156.63 billion (2.1% of GDP), compared with a deficit of GNF 1,471.41 billion (0.9% of GDP) in 2022.

310. Total revenue and grants increased by 15.6 percent, from the GNF 23 430.89 billion (13.8% of GDP) recorded in 2022, to stand at GNF 27 079.02 billion (13.7% of GDP) in 2023, as domestic revenue increased. Domestic revenue was estimated at GNF 25,302.4 billion (13.7% of GDP), compared with GNF 22,599.05 billion (13.8% of GDP) in 2022, driven mainly by tax revenue. Tax revenues stood at GNF 23,265.59 billion (11.8% of GDP) compared with GNF 21,019.93 billion (12.3% of GDP) in 2022, representing an increase of 10.7 percent, driven by revenues

from the non-mining sector. Revenue from the mining sector, which accounts for 17.5 percent of tax revenue, fell by 4.6 percent to stand at GNF 4,075.72 billion (2.2% of GDP). Non-tax revenue improved by 29.0 percent to reach GNF 2,036.79 billion (1.0% of GDP) from GNF 1,579.12 billion (0.9% of GDP) in 2022. Grants stood at GNF 1,776.64 billion (0.9% of GDP), compared with GNF 831.84 billion (0.5% of GDP) the previous year.

311. Total expenditure and net lending increased by 22.4 percent to reach GNF 29 459.01 billion (14.9% of GDP) in 2023 from GNF 24 070.46 billion (14.1% of GDP) in 2022, attributable to both current and capital expenditure.

312. Recurrent expenditure rose by 9.7 percent to GNF 20 621.91 billion (10.4% of GDP) in 2023, compared with GNF 18 803.79 billion (11.0% of GDP) the previous year, reflecting increases in wages and salaries (+6.4%) and goods and services (+5.0%). Wages and salaries increased moderately to GNF 6,724.67 billion (3.4% of GDP), from GNF 6,322.02 billion (3.7% of GDP) in 2022. Expenditure on goods and services rose from GNF 3,777.45 billion (2.2% of GDP) in 2022 to GNF 3,965.89 billion (2.0% of GDP) in 2023, an increase of 5.0 percent. Transfers and subsidies, on the other hand, fell by 7.4 percent to stand at GNF 6,594.75 billion (3.3% of GDP), compared with GNF 7,123.82 billion (4.2% of GDP) in 2022, as government reduced subsidies to national electricity company, Electricité de Guinée (EDG). Interest payments fell by 10. 8 percent to stand at GNF 627.44 billion (0.3% of GDP), compared with GNF 703.17 billion (0.4% of GDP) in 2022. This was due to lower interest payments on external debt (-3.7%) and domestic debt (-14.1%), following the postponement of payment deadlines.

313. Capital expenditure increased by 67.8 percent to reach GNF 8,837.1 billion (4.5% of GDP) in 2023, compared with GNF 5,266.67 billion (3.1% of GDP) in 2022. The increase was driven by the construction and improvement of urban and interurban roads. The financing of capital expenditure from external resources increased by 79.7 percent, from GNF 2,751.68 billion (1.6% of GDP) in 2022 to GNF 4,944.4 billion (2.5% of GDP) in 2023. The financing of capital expenditure from domestic sources increased by 54.8 percent to reach GNF 3,892.7 billion (2.0% of GDP) in 2023, compared with GNF 2,514.99 billion (1.5% of GDP) in 2022.

314. During the review period, public debt increased by 38.3 percent and amounted to US$ 9,351,1 million (40.2% of GDP), compared to US$ 6651,7 million (33.9% of GDP) in 2022, due the signing of new loan agreements (GNF 4.1146 billion) and new instruments through the Obligations de Trésor (ODT) which enabled the mobilisation of GNF 6,000 billion from the main players on the local market with maturities of 5 and 10 years. Unlike in previous years, when the external component dominated the debt, in 2023 the trend was reversed, with the domestic component dominating, at US$4,745.3 million (20.4% of GDP), while the external component stood at US$4,605.8 million (19.8% of GDP). This situation was due to the constraints in mobilising external resources, combined with the authorities' desire to focus on mobilising internal resources to finance infrastructure development.

Table 32: Trends in Key Fiscal Indicators in Guinea

	2020	2021	2022	2023	2024*	2020	2021	2022	2023	2024*
	Percentage change					As % of GDP				
Receipts and grants	5,1	13,4	9,8	15,6	10,6	14,0	13,4	13,8	13,7	12,6
Receipts	0,1	17,6	15,0	15,6	13,5	12,9	12,8	13,8	13,7	12,1
Tax revenue	4,0	13,7	14,9	10,7	12,5	11,9	11,5	12,3	11,8	11,0
Mining sector	-3,3	44,3	29,1	-4,6	27,3	1,7	2,1	2,5	2,1	2,2
Non-mining sector	0,6	13,6	-1,9	14,6	9,4	11,2	10,7	9,8	9,7	8,8
Non-tax revenue	-49,0	85,8	15,9	29,0	24,9	0,5	0,9	0,9	1,0	1,1
Grants	152,4	-35,2	-14,3	113,6	-31,6	1,1	0,6	0,5	0,9	0,5
Capital	34,1	84,1	-10,6	104,4	-36,0	0,4	0,6	0,5	0,9	0,5
Recurrent	358,6	-95,9	-100,0	-0,3	64,6	0,7	0,0	0,0	0,0	0,1
Total expenditure	16,9	11,3	0,1	22,4	27,9	16,0	15,1	14,1	14,9	15,8
Recurrent expenditure	30,8	12,5	-7,6	9,7	-100,0	13,4	12,8	11,0	10,4	0,0
Salaries and emoluments	37,4	3,8	0,1	6,4	27,1	4,5	4,0	3,7	3,4	3,6
Goods and services	18,3	8,5	-30,8	5,0	20,3	3,7	3,4	2,2	2,0	2,0
Subsidies & transfers	30,3	31,0	-8,7	-7,4	24,5	4,4	4,9	4,2	3,3	2,3
Paiements des intérêts de la dette	75,6	-23,2	-9,7	-10,8	124,1	0,8	0,5	0,4	0,3	0,6
Interests on external debts	21,1	29,2	-23,8	-3,7	178,0	0,2	0,2	0,1	0,1	0,3
Interests on domestic debts	101,7	-38,2	-1,2	-14,1	96,2	0,6	0,3	0,3	0,2	0,3
Capital expenditure	-23,9	3,9	46,6	67,8	58,4	2,6	2,3	3,1	4,5	5,9
External financing	16,0	8,0	23,5	79,7	51,3	1,5	1,4	1,6	2,5	3,1
Domestic financing	-49,5	-2,1	84,2	54,8	67,4	1,0	0,9	1,5	2,0	2,7
Overall budget balance (incl. grants)	371,2	-3,2	-76,4	272,1	225,2	-2,1	-1,7	-0,4	-1,2	-3,3
Overall budget balance (excl. grants)	260,8	-14,3	-60,0	182,5	115,4	-3,2	-2,3	-0,9	-2,1	-3,8
	2020	**2021**	**2022**	**2023**	**2024**	**2020**	**2021**	**2022**	**2023**	**2024**
	In millions of US$					**As % of GDP**				
Debt	6,678,0	5,793,8	6,651,7	9,351,1	13,625,5	47,4	35,5	33,9	40,2	48,8
Domestic	2,705,0	2,415,4	2,962,8	4,745,3	3,657,7	19,2	14,9	15,2	20,4	12,5
External	3,973,0	3,378,3	3,688,8	4,605,8	9967,8	28,2	20,7	18,8	19,8	35,7

*Source: Ministry of Budget; Ministry of Economy and Finance; *Projections*

7.2.3. Monetary Sector

315. The central bank's monetary policy stance was expansionary. To this end, the BCRG revised its policy rate downwards in September 2023 to 11.0 percent, from 11.5 percent previously. The reserve requirement rate was also reduced to 13.0 percent, from 15.0 percent previously. Interest rates on refinancing windows eased as a result. The weighted average rate on liquidity injection operations was 10.87 percent at end-December 2023 compared with 11.82 percent at end-December 2022. Over the same period, the weighted average rate on interbank transactions was 9.08 percent compared with 9.71 percent, the previous year.

316. On the Treasury bill market, the weighted average rates for all maturities (91 days, 182 days and 364 days) rose. The weighted average rate for 91-day Treasury bills rose from 13.23 percent at end-December 2022 to 13.56 percent at end-December 2023. The weighted average rate on 182-day Treasury bills rose from 13.19 percent at the end of December 2022 to 14.28 percent at the end of December 2023, and the weighted average rate on 364-day Treasury bills was 14.75 percent, compared with 13.71 percent in December 2022.

317. Developments in monetary aggregates showed that growth in broad money supply (M2) decelerated significantly to1.5 percent at end-December 2023, following a 22.2 percent increase in the same period of 2022, due mainly to the significant fall in NFA.

318. NFA fell by 22.3 percent at end-2023, compared with the 47.6 percent increase recorded a year earlier, due to the decline in the foreign assets of the BCRG and commercial banks. This decline in foreign assets was caused by transfers made by the Central Bank on behalf of resident banks, payment of recurrent government expenditure, payments on external debt and expenditure on behalf of state-owned enterprises during the period under review. The Central Bank's NFA fell by 21.7 percent compared with the 40.8 percent increase recorded at end-December 2022. The

NFA of deposit banks also fell by 22.3 percent compared with an increase of 59.1 percent over the same period.

319. However, NDA, increased by 18.1 percent at end-December 2023, compared with 9.1 percent for the same period in 2022, reflecting the deterioration in the government's net position with the banking system. Net claims on the government grew by 19.2 percent, following a contraction of 5.6 percent at the end of 2022. The increase in net claims on government was mainly due to repayments of government securities (bonds and Treasury bills) by the central bank on behalf of the government. Claims on the private sector increased by 8.2 percent, below the 24.2 percent recorded at the end of 2022, due mainly to loans granted to operators in the trade, energy, hydrocarbons and construction sub-sectors.

320. On the liabilities side, the increase in the money supply was marked by a 12.4 percent rise in currency in circulation and a 12.5 percent rise in demand deposits, compared with falls of 6.3 percent and 24.6 percent respectively at end-2022. Term deposits and foreign currency deposits fell by 5.6 percent and 21.6 percent respectively, compared with increases of 34.9 percent and 51.7 percent respectively at end-2022.

Table 33: Growth in Key Monetary Aggregates in Guinea

	2020	2021	2022	2023	2020	2021	2022	2023
	Percentage change				Contribution to growth in M2			
Net foreign asset	27,3	13,1	47,6	-22,3	8,6	4,3	16,2	-9,2
Central bank	12,4	-1,1	40,8	-21,7	3,2	-0,3	8,7	-5,3
Deposit banks	92,5	49,4	59,1	-23,2	5,4	4,5	7,5	-3,8
NDA	21,1	6,2	9,1	18,1	14,4	4,2	6,0	10,6
Claims on the public sector	37,5	0,3	-2,6	16,9	18,4	0,2	-1,3	6,8
Net claims on government	37,5	-0,8	-5,6	19,2	18,4	-0,4	-2,8	7,4
Claims on the private sector	8,0	6,7	24,2	8,2	3,2	2,3	8,3	2,9
Other items, net	35,6	-7,5	4,8	-6,1	-7,1	1,6	-0,9	1,0
Money supply	23,0	8,4	22,2	1,5	23,0	8,4	22,2	1,5
Monetary base	19,2	6,1	6,1	3,0	8,7	2,7	2,6	1,1
Currency in circulation	30,9	4,6	-6,3	12,4	9,0	1,4	-1,9	2,8
Demand deposits	13,6	8,7	24,6	12,5	5,8	3,4	9,7	5,0
Term deposits	38,7	17,6	34,9	-5,6	2,9	1,5	3,2	-0,6
Deposits in forex	25,7	10,0	51,7	-21,6	5,4	2,1	11,2	-5,8

Source: Central Bank of the Republic of Guinea

321. The banking sector was generally robust in 2023, registering improvements in key balance sheet indicators, mainly due to the buoyant economic activities. At the end of December 2023, the sector's total assets increased to GNF 51273.82 billion in 2023, compared with GNF 47941.19 billion in 2022. The CAR of the Guinean banking sector was 16.09 percent, above the minimum regulatory threshold of 10 percent. The liquidity ratio increased by 3.7 percentage points compared with 2022, reaching 62.06 percent in 2023. The NPL ratio fell to 13.87 percent in 2023, compared with 18.54 percent in 2022, thanks to BCRG's prudential supervision efforts to strengthen the quality of the banking system's assets. However, this ratio remains above the maximum threshold of 10 percent.

7.2.4. External Sector

322. External transactions saw a deficit in the overall BOP of US$ 172.26 million (0.7% of GDP) in 2023, compared with a surplus of US$ 516.15 million (2.6% of GDP) in 2022, largely reflecting the fall in the current account surplus.

323. The current account surplus fell from US$3,350.24 million (17.1% of GDP) in 2022 to US$2,288.8 million (9.8% of GDP) in 2023, reflecting increased deficits in the services and primary income balances. However, the trade balance recorded a higher surplus of US$6,784.03 million (29.9% of GDP), compared to US$3,910.06 million (19.9% of GDP) in 2022, an increase of 74.3 percent, due to a significant increase in exports compared with imports. Exports rose by 35.5 percent to stand at US$11,862.02 million (51.0% of GDP), compared with US$8,752.57 million (44.6% of GDP) in 2022. Imports rose by 4.9 percent to reach US$5,077.99 million (21.8% of GDP), compared with US$4,842.51 million (24.7% of GDP) in 2022. Exports continued to be driven by the mining sector, which accounted for 94.7 percent of total exports of goods in 2023. Imports, on the other hand, remain dominated by petroleum products (24.6% of the total), followed by food products (22.4% of the total) and construction materials (19.7% of the total).

324. The balance of services recorded a deficit of US$ 3,140.50 million (13.5% of GDP) in 2023, compared with a deficit of US$ 760.5 million (3.9% of GDP) a year earlier, due to the increase in expenditure paid abroad by residents for sea freight services, specialised services and management consultancy services provided by non-residents.

325. Similarly, the primary income balance deteriorated to a deficit of US$ 1,931.66 million (8.3% of GDP) in 2023 from a deficit of US$ 336.59 million (1.7% of GDP) in 2022, due to an increase in investment income paid to non-residents. In contrast, the secondary income account improved slightly to a surplus of US$ 576.51 million (2.5% of GDP), compared with a surplus of US$ 537.27 million (2.7% of GDP) in 2022, due to an increase in foreign remittances.

326. The capital account increased to US$ 223.79 million (1.0% of GDP) in 2023, compared with a surplus of US$ 212.76 million (1.1% of GDP) a year earlier, as a result of the improvement in official transfers and other support from technical and financial partners.

327. The financial account recorded a slowdown in net asset acquisition to US$ 2 685.07 million (11.5% of GDP) in 2023, compared with net asset acquisition of US$ 3 046.93 million (15.5% of GDP) in 2022, mainly due to the other investments component. As a result, the country maintained a net lending position of US$ 2,512.18 million in 2023, compared with a net lending position of US$ 3,563.0 million in 2022.

328. Gross external reserves declined to US$ 1,972.8 million (2.8 months of import cover) at end-December 2023, compared with US$ 2,238.0 million (4.7 months of import cover) in December 2022, due to transfers made abroad by the Central Bank on behalf of certain resident entities. On the foreign exchange market, the Guinean franc on the official market stood at GNF 8,511.4 against 1 US dollar at end-December 2023, corresponding to a year-on-year appreciation of 0.5%. The Guinean franc also appreciated by 0.1 percent against the WAUA, compared with 13.9% in 2022.

Table 34: Trends in Key Balance of Payment Indicators of Guinea

	2020	2021	2022	2023	2020	2021	2022	2023
	In millions of US$				As % of GDP			
A. Current account transactions n.i.a	2684,75	5062,832	3350,244	2288,39	19,1	31,0	17,1	9,8
1. Balance of goods	5203.762	6051.492	3910.062	6784.03	36.9	37.1	19.9	29.2
Exportations f.o b.	8,931.20	10,238.88	8,752.57	11,862.02	63,4	62,7	44,6	51,03
Importations f.o.b	3727.439	4187.385	4842.506	5077.99	26.5	25.7	24.7	21.8
2. Balance of services	-2521.25	-714.618	-760.503	-3140.50	-17.9	-4.4	-3.9	-13.5
Transports	1070.889	465.5862	566.6028	615.67	7.6	2.9	2.9	2.6
3. Primary income	-144.784	-663.711	-336.587	-1931.66	-1.0	-4.1	-1.7	-8.3
4. Secondary income	147.0186	389.6693	537.2728	576.51	1.0	2.4	2.7	2.5
B. Capital account	147.1249	158.9508	212.7606	223.79	1.0	1.0	1.1	1.0
D. Financial account	2063.055	5126.569	3046.93	2685.07	14.6	31.4	15.5	11.5
1. - Direct investment	-173.99	-200.738	-650.097	-1288.15	-1.2	-1.2	-3.3	-5.5
2. Portfolio investment	12.02631	19.62321	72.19051	-78.66	0.1	0.1	0.4	-0.3
3. Financial derivatives	0	0	0	0.00	0.0	0.0	0.0	0.0
4. Other investments	2225.019	5307.684	3624.837	4051.88	15.8	32.5	18.5	17.4
E. Errors and omissions net	-0.0315	0.883275	0.079514	0.63	0.0	0.0	0.0	0.0
F. Overall balance	768.7847	96.09642	516.154	-172.26	5.5	0.6	2.6	-0.7

Source: BCRG

7.3. Status of Macroeconomic Convergence

329. In terms of macroeconomic convergence, the country met four (4) of the six (6) convergence criteria, including two (2) Primary, namely, the budget deficit, including grants, and the financing of the budget deficit by the Central Bank. The two most important criteria that the country failed to meet were inflation and gross reserves in months of imports. The summary of the performance is presented below:

Primary criteria

330. The budget deficit on a commitment basis, including grants, was 1.2 percent of GDP compared to 0.4 percent of GDP in 2022. The average annual inflation rate declined to 8.6 percent from 11.9 percent in 2022, thus meeting the 5 percent target set in the MCSP. Gross external reserves declined to 2.8 months of imports of goods and services in 2023 from 4.7 months of imports in 2022, thus missing the minimum threshold of 3 months. Central bank financing of the budget deficit was estimated at 7.3 percent of previous year's tax revenue, within the threshold of 10 percent.

Secondary criteria

331. The variation in the average nominal exchange rate of the Guinean franc against the WAUA in 2023 was 2.6 percent, below the threshold of -/+10 percent. The public debt stock stood at 40.2 percent of GDP in 2023 compared to 34.4 percent of GDP in 2022, thus satisfying the 70 percent threshold set out in the MCSP.

Table 35: Status of Macroeconomic Convergence in Guinea

Criteria	TARGET	2021	2022	2023	2024*
Primary criteria		**3**	**3**	**2**	**2**
i. Budget deficit/ GDP	≤3 %	1.7	0.4	1.2	3.3
ii. annual inflation	≤5 %	12.6	10.5	7.8	10.3
iii. Central bank financing of the budget deficit	≤10 %	1.6	0.0	7.3	1.2
iv. Gross external reserves	≥3	4.9	4.7	2.8	3.2
Secondary criteria		**2**	**1**	**2**	**2**
i. Nominal exchange rate stability	±10 %	-4.2	19.5	2.6	2.6
ii. Debt to GDP ratio	≤70 %	35.5	33.9	40.2	48.8
Total number of criteria met		**5**	**4**	**4**	**4**

*Source: BCRG, WAMA, * Projection*

7.4. Prospects

332. Guinea's short-term macroeconomic outlook is mixed due to the effects of the explosion at the Conakry fuel depot and the expected fall in the prices of the main mining products on the international market. Against this backdrop, economic growth is expected to slow to 4.2 percent in 2024, reflecting sluggish activity across all sectors.

333. With regards to price developments, inflationary pressures are expected to increase, due to the increase in domestic food prices and housing costs and the shortage of petroleum products in the country. Thus, the annual average inflation rate is projected at 10.3 percent in 2024 with the end-of-period inflation rate rising to 12.1 percent in December 2024.

334. Fiscal operations in 2024 will focus on enhancing domestic revenue mobilisation through tighter controls on tax departments, a broadening of the tax base, the securing of revenues and the digitisation of revenue agencies. At the same time, expenditure management will be enhanced. As a result, the budget deficit, including grants, is projected at 3.3 percent of GDP in 2024. The outstanding public debt, is expected to increase to 48.8 percent of GDP in 2024.

335. On the external account, the overall BOP deficit is expected to widen by US$ 342.0 million (1.2% of GDP) in 2024, as a result of the fall in the current account surplus to US$ 1 631.2 million (5.8% of GDP) in 2024.

336. On the monetary front, money supply is expected to increase by 11.2 percent by the end of 2024, driven by growth in NDA (+7.3% contribution) and NFA (+9.1% contribution).

337. In terms of macroeconomic convergence, the country would maintain the same performance by meeting four (4) of the six (6) convergence criteria, including two (2) of the primary criteria. The criteria relating to average annual inflation and budget deficit would not be met.

7.5. Conclusion and Recommendations

338. Despite a difficult international environment characterised by tighter financial conditions and the continuing Russia-Ukraine and Israeli-Palestinian conflicts, the Guinean economy remained resilient, growing by 5.9 percent, driven mainly by extractive activities. The average annual inflation rate also fell to 7.8 percent in 2023, from 10.59 percent in 2022.

339. In the area of public finances, despite the increase, efforts to mobilise revenue have made it possible to contain the budget deficit, including grants, at 1.2 percent of GDP, compared with 0.4 percent of GDP in 2022. In terms of public debt management, the government continued to implement a prudent debt management policy that enables investment plans to be financed while ensuring debt sustainability. As a result, outstanding public debt stood at 40.2 percent of GDP, compared with 33.9percent of GDP at the end of 2022.

340. In terms of macroeconomic convergence, the country met four (4) of the six (6) macroeconomic convergence criteria, including two (2) of the primary criteria. It failed to meet the criteria on average annual inflation and gross external reserves in months of imports.

341. However, the national economy continues to face a number of challenges, including extreme dependence on mining revenue infrastructure deficit and low credit availability (low bank financing) to support the productive sector. Furthermore, the persistence of geopolitical tensions, in particular the ongoing Russia-Ukraine conflict and the intensification of the war between Hamas and Israel, coupled with the domestic socio-political crises and institutional instability, which hamper investment, could undermine the country's short-term economic prospects.

342. On the basis of macroeconomic developments in 2023 and the outlook for 2024, the following recommendations are made to the Guinean authorities:

i. Accelerate efforts to improve the water and power supply by strengthening energy transmission and distribution to reduce the energy supply deficit;
ii. Accelerate the development of national road infrastructure to reduce transport and production costs, particularly in the agricultural sector;
iii. Diversify growth sources by implementing policies to promote the development of other growth sectors, such as agribusiness and tourism, in order to reduce the national economy's dependence on the mining sector;
iv. Accelerate the implementation of reforms to modernise tax and customs administrations, digitise procedures, formalise informal sector businesses and combat fraud and tax evasion, and ensure controlled management of expenditure, with particular emphasis on qualifying investment expenditure;
v. Strengthen rigorous monitoring of public debt management, particularly the domestic component;
vi. Facilitate access to bank loans for small and medium-sised enterprises (SMEs) and speed up implementation of the project to create stock exchanges to raise sufficient funds for long-term financing of the national economy;
vii. Pursue dialogue between socio-political players to consolidate peace and the social climate in order to improve the business environment and reassure investors.

8. GUINEA BISSAU

8.1. Introduction

343. The Guinea Bissau's economic policy thrust for 2023 was in line with the 2015-2025 Development Programme, which is underpinned by agriculture and agro-industry, fishing, tourism, and mining sectors. During the review year, the government embarked on programmes mostly in the energy sector. The programme on tax administration and public financial management reforms aimed at supporting effective and transparent management of the IMF supported public resources. Against this background, the key macroeconomic targets for 2023 were as follows:

    i. Real GDP growth rate of at least 5.0 percent;
    ii. Overall budget deficit of 5.5 percent of GDP
    iii. Average annual inflation rate of 5.6 percent; and
    iv. Public debt-to-GDP ratio of below 70.0 percent of GDP.

344. Provisional data indicated that real GDP growth inched to 5.1 percent in 2023, from 4.5 percent in 2022, owing to improvements across all sectors, except the tertiary sector. Inflationary pressures also moderated during the review year as end-period declined to 3.1 percent in December 2023 from 9.5 percent in December 2022. However, average annual inflation remained elevated at 7.2 percent, down from 7.9 percent in 2022.

345. Fiscal operations showed increased fiscal pressures during the review year due to expenditures pressure arising from interest payments on public debt. The budget deficit (including grants) increased to 8.7 percent of GDP in 2023 from 6.5 percent of GDP in 2022. The debt-to-GDP ratio, also increased to 81.7 percent at end-December 2023, from 79.2 percent of GDP at end-December 2022, explained by an increase in external debt.

346. On the monetary front, growth in broad money supply, declined by 1.1 percent in the review year compared to a growth of 3.5 percent in December 2022, due to a significant decline in both NDA and NFA. On the external front, the current account deficit narrowed to 7.7 percent of GDP from 8.2 percent of GDP in 2022, on account of improvements in the primary income accounts.

347. Under macroeconomic convergence, the country complied with two out of the four primary criteria (the deficit financing and gross external reserves in months of import cover) and one of the secondary criteria (the nominal exchange rate stability).

8.2. Sectoral Analysis

8.2.1. Real Sector

348. Guinea Bissau economy remained vibrant in 2023 despite the shock experienced on the price of its main commodity, cashew nut, which ultimately affected exports earnings. However, the value addition measures initiated by the government and other stakeholders helped moderated the effect of commodity price shock. Real GDP growth stood at 5.1 percent in 2023 compared to 4.5 percent in 2022; reflecting improved performances in the primary and secondary sub-sectors.

349. The primary sector expanded to 7.0 percent in 2023 from 1.2 percent in 2022, reflecting an increase in the production of cashew nuts and other food commodities as well as the value added of the fishing, fish farming, and aquaculture.

350. Similarly, growth in the secondary sector expanded to 11.6 percent in 2023, from 1.4 percent in 2022, due to the improved performance of the construction and electricity, water, and gas sub-sectors. The review period saw a robust performance in the construction sub-sector, supported by the execution of public projects, particularly the rehabilitation of roads and the extension of the main electricity network to the capital city.

351. However, growth in the tertiary sector slowed to 1.4 percent in 2023, from 7.9 percent in 2022, explained by the expected slowdown in key activities including, trade and financial services as well as in telecommunication and transport. The trade sub-sector contracted sharply to 0.7 percent in 2023, compared to the growth of 15.2 percent recorded in 2022. Similarly, public administration experienced a slowdown due to a relative decline in employee remuneration.

352. In terms of contribution to GDP growth in 2023, the primary sector contributed 2.4 percent compared to 0.4 percent in 2022. The secondary sector contributed 1.7 percent compared to 0.2 percent in 2022. The tertiary sector contributed 1.0 percent to growth in 2023 compared to 3.9 percent in 2022.

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

	2021	2022	2023	2024	2021	2022	2023	2024
SUPPLY	**Real GDP Growth Rate**				**Contribution to Real GDP Growth Rate**			
GDP AT FACTOR COSTS	5.4	4.4	5.0	6.0	5.4	4.4	5.0	6.0
TAXES ON PRODUCTS	28.9	7.6	6.1	3.7	1.1	0.2	0.1	-0.1
GDP AT MARKET PRICES	6.5	4.5	5.1	5.9	6.5	4.5	5.1	5.9
PRIMARY SECTOR	10.1	1.2	7.0	5.8	3.6	0.5	2.5	2.1
SECONDARY SECTOR	0.6	1.4	11.6	5.3	0.1	0.2	1.8	0.9
Extractive activities (mines, oil, quarry, etc.)	-3.0	4.6	5.1	6.6	0.0	0.0	0.0	0.0
Manufacturing activities	5.3	1.0	9.5	5.0	0.6	0.1	1.0	0.6
Construction	-14.2	3.0	16.5	1.6	-0.6	0.1	0.5	0.1
TERTIARY SECTOR	3.6	7.9	1.4	6.6	1.7	3.7	0.7	3.0
Trade and repairs	15.0	15.2	-0.7	12.6	2.4	2.7	-0.1	2.3
Transport and communications	4.6	3.5	4.0	1.9	0.2	0.1	0.2	0.1
Financial activities	2.0	4.0	-4.7	2.5	0.1	0.1	-0.1	0.1
Other services	-4.0	4.0	3.0	6.3	-0.4	0.4	0.3	0.6
Non-market services	-2.6	4.5	2.6	2.4	-0.3	0.5	0.3	0.3
DEMAND								
FINAL CONSUMPTION EXPENDITURE	9.6	6.3	-1.6	10.1				
Private	11.1	8.1	-1.3	11.0				
Public	3.3	-1.6	-2.6	5.6				
GROSS CAPITAL FORMATION/INVESTMENT	-32.0	38.4	44.9	-29.6				
Gross fixed capital formation	-13.5	3.2	7.1	2.7				
Private	-14.0	5.6	6.6	-5.0				
Public	-12.4	-1.6	8.2	19.5				
EXPORTS OF GOODS AND SERVICES	20.1	-12.5	-3.1	11.8				
MEMORANDUM								
GDP at current prices (CFAF billion)	1,028.0	1,120.7	1,242.5	1,320.1				
GDP at constant prices (CFAF billion)	893.53	934.17	981.85	1,039.92				
Inflation								
Annual average	3.3	7.9	7.2	2.7				
End-period	5.8	9.5	3.1	3.5				

*Sources: ……….; *Provisional **projection*

353. On the demand side, final consumption contracted to 1.6 percent from the 6.3 percent expansion recorded in 2022, as both private and public consumption fell by 1.3 percent and 2.6 percent, respectively. Investments grew by 44.9 percent, up from 38.4 percent in 2022. After a contraction of 12.5 percent in 2022, exports remained in contraction at 3.1 percent in 2023

354. In terms of price developments, the rate of inflation moderated during the review period to an average of 7.2 percent, compared to 7.9 percent in 2022, as a result of moderation in the prices of housing, water, gas, electricity and other fuels. The end-period inflation stood at 3.1 percent in December 2023, compared to 9.5 percent in December 2022.

8.2.2. Fiscal Sector

355. The fiscal policy implementation was characterised by fiscal consolidation with focus on improving domestic revenue mobilisation to meet social and infrastructural needs. Consequently, domestic revenue increased on the strength of tax and customs administrations reforms. However, total expenditure increased due to higher interest payments. Thus, the budget deficit (including grants) worsened to 8.7 percent of GDP in 2023, down from 6.5 percent of GDP in 2022. Similarly, the budget deficit (excluding grants) increased to 10.7 percent of GDP from 10.2 percent of GDP in 2022.

356. Total revenue and grants amounted to CFAF164.77 billion (13.3% of GDP) in 2023 compared to CFAF164.0 billion (14.6% of GDP) in 2022. Domestic revenue increased by 13.4 percent to CFAF139.91 billion (11.3% of GDP) from CFAF123.40 billion (11.0% of GDP) in 2022, occasioned by improvements in both tax and non-tax revenue mobilisation. Tax revenue increased by 11.8 percent to CFAF109.56 billion (8.8% of GDP) in 2023, from CFAF97.99 billion (8.7% of GDP) in 2022, occasioned by the uptick in mainly taxes on goods and services as well as taxes on income, profit and capital gains linked to receipt of arrears. Similarly, non-tax revenue increased by 19.5 percent to CFAF30.36 billion (2.4% of GDP) in 2023, compared to CFAF25.41 billion (2.3% of GDP) in 2022 attributed to the compensation from the European Union (EU) for the fishing agreement. On the other hand, grants declined from CFAF40.63 billion (3.6% of GDP) in 2022 to CFAF24.86 billion (2.0% of GDP) in 2022, due to lower receipts for projects support. Essentially, the entire grants accessed in 2023 was tied to projects only.

357. Total expenditure and net lending in 2023 increased by 15.2 percent to CFAF273.41 billion (22.0% of GDP) in 2023, from CFAF237.36 billion (21.2% of GDP) in 2022, due to the decline in capital expenditure. in recurrent expenditure. Recurrent expenditure amounted to CFAF195.67 billion (15.7% of GDP), reflecting a 17.2 percent increase from CFAF166.95 billion (14.9% of GDP) in 2022, occasioned by payment of interest due on public debt and other recurrent expenses. Other recurrent expenses increased as result of the expenditure on legislative election, hosting of the ECOWAS heads of states conference and the participation at the African Cup of Nations Championship.

358. Capital expenditure amounted to CFAF77.74 billion (6.3% of GDP) in 2023, compared to CFAF70.41 billion (6.3% of GDP) in the previous year, reflecting an increase in capital projects financed from external source.

359. The stock of public debt stood at CFAF1,015.7 billion (81.7% of GDP) at end-December 2023, compared to CFAF887.0 billion (79.2% of GDP) at end-December 2022, occasioned by an increase in domestic debt to CFAF563.5 billion (45.4% of GDP), from 42.2% of GDP in 2022.

Table 37: Trends in Key Fiscal Indicators in Guinea Bissau

	2021	2022	2023	2024	2021	2022	2023	2024
	Percentage change				% of GDP			
TOTAL REVENUE AND GRANTS	7.5	13.5	0.5	35.0	14.1	14.6	13.3	16.8
DOMESTIC REVENUE	8.4	14.1	13.4	19.5	10.5	11.0	11.3	12.7
Tax Revenue	36.4	6.0	11.8	11.8	9.0	8.7	8.8	9.3
Non-tax revenue	-50.7	61.1	19.5	47.5	1.5	2.3	2.4	3.4
GRANTS	4.9	11.7	-38.8	121.8	3.5	3.6	2.0	4.2
Projects	41.6	1.7	-27.0	59.1	3.3	3.0	2.0	3.0
Programs (Budget aid)	-74.0	129.0	-100.0	NA	0.3	0.6	0.0	1.2
TOTAL EXPENDITURE AND NET LENDING	-0.1	8.1	15.2	-5.0	21.4	21.2	22.0	19.7
TOTAL EXPENDITURE	-0.1	8.1	15.2	-5.0	21.4	21.2	22.0	19.7
RECURRENT EXPENDITURE	4.2	7.7	17.2	-7.6	15.1	14.9	15.7	13.7
Wages and Salaries	9.3	12.4	-9.0	1.7	5.6	5.8	4.8	4.6
Goods and services	62.2	-10.1	-13.7	4.3	3.1	2.6	2.0	2.0
INTEREST PAYMENTS	11.4	3.6	103.1	7.5	1.4	1.3	2.4	2.4
Domestic	28.4	48.6	89.0	7.7	0.8	1.2	2.0	2.0
External	-8.9	-72.1	229.1	6.4	0.5	0.1	0.4	0.4
TRANSFERS	19.1	-8.3	-9.8	15.6	3.2	2.7	2.2	2.4
OTHER CURRENT CHARGES	-49.0	55.5	93.1	-42.2	1.8	2.6	4.4	2.4
CAPITAL EXPENDITURES	-9.0	8.9	10.4	1.5	6.3	6.3	6.3	6.0
Domestic Sources	-28.0	112.5	-6.7	70.0	0.7	1.4	1.1	1.8
External Sources	-5.9	-3.9	15.1	-13.7	5.6	4.9	5.1	4.2
Net Lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OVERALL BALANCE (commitment basis, excluding grant)	-7.1	2.2	17.1	-30.7	-10.8	-10.2	-10.7	-7.0
OVERALL BALANCE (commitment basis, including grant)	-12.0	-2.3	48.1	-65.6	-7.3	-6.5	-8.7	-2.8
	In billions of CFAf				% of GDP			
PUBLIC DEBT	804.2	887.0	1015.7	1087.2	78.2	79.2	81.7	82.4
Domestic	410.2	472.9	563.5	610.6	39.9	42.2	45.4	46.3
External	394.0	414.1	452.2	476.6	38.3	37.0	36.4	36.1

*Sources: BCEAO, WAMA; *Provisional **projection*

8.2.3. Monetary Sector

360. Developments in monetary aggregates indicated that broad money supply (M2) contracted by 1.1 percent at end-December 2023, compared to a growth of 3.5 percent recorded for the corresponding period in 2022, occasioned by the contraction of the NFA of the banking system by 8.3 percent at end-December 2023. NFA of the BCEAO and deposit banks contracted for the second consecutive year by 9.5 and 6.3 percent at end-December 2023 compared to 23.7 percent and 11.3 percent, respectively, at end-December 2022.

361. Growth in the NDA slowed significantly to 7.1 percent at end-December 2023 from 53.6 percent in the corresponding period of 2022, reflecting the moderation in domestic claims. Growth in net claims on central government, which are mainly IMF facilities to the State disbursed through BCEAO, slowed to 27.7 percent at end-December 2023 from 32.8 percent at end-December 2022. On the other hand, claims on the economy contracted by 1.8 percent, at end-December 2023 following a growth of 23.5 percent at end-December 2022, reflecting a decline in credits extended to public and private companies by deposit banks.

362. In terms of the contributions to M2 growth of -1.1 percent at end-December 2023, NDA contributed 3.3 percentage points, lower than the contribution of 16.9 percentage points recorded in the same period of 2022. However, the contribution of NFA was negative at -4.4 percentage points against the contribution of -13.4 percentage points at end-December 2022.

363. On the liabilities side, the contraction in M2 was driven by both narrow money (M1) and term deposits. The narrow money supply (M1) declined marginally by 0.3 percent to CFAF 417.7 billion from CFAF 418.8 billion at end-December 2022, reflecting a decline in currency in circulation. Time deposits also declined by 5.5 percent to CFAF 76.3 billion from CFAF 80.8 billion in the corresponding period of 2022. The components of M1 indicated that growth in

currency in circulation declined by 3.5 percent to CFAF 287.6 billion from CFAF 298.0 billion at end-December 2022. However, transferable deposits rose by 7.6 percent to CFAF 130.0 billion at end-December 2023 from CFAF 120.8 billion in the same period a year earlier.

364. Growth in reserve money remained contracted at 4.0 percent in the 12-month period ended December 2023, but slightly above the contraction of 7.5 percent recorded in the same period of 2022. This development was largely attributed to reserve requirements and currency in circulation which contracted by 8.4 percent and 3.8 percent, respectively, relative to end-December 2022.

Table 38: Growth in Key Monetary Aggregates in Guinea Bissau

Monetary Aggregates	2021	2022	2023*	2021	2022	2023*
	Annual Percentage change			Contribution to growth in M2		
A. ASSETS						
NFA	**22.4**	**-19.5**	**-8.3**	**15.1**	**-13.4**	**-4.4**
BCEAO	33.5	-23.7	-9.5	13.7	-10.7	-3.1
Banks	5.5	-11.3	-6.3	1.5	-2.7	-1.3
NDA	**17.8**	**53.6**	**7.1**	**5.8**	**16.9**	**3.3**
Domestic claims	17.2	26.5	8.2			
Net claims on government	55.3	32.8	27.7			
Claims on the economy	5.0	23.5	-1.8			
Other items net	16.0	-27.7	12.8			
B. LIABILITIES						
Broad Money supply (M2)	**20.9**	**3.5**	**-1.1**			
Narrow Money Supply (M1)	22.4	2.0	-0.3			
Currency in circulation	23.8	-2.4	-3.5			
Transferable deposits	18.5	14.8	7.6			
Term deposits	13.0	11.9	-5.5			
MEMORANDUM						
Reserve Money Growth	**27.6**	**-7.5**	**-4.0**			
Growth of money supply (M2)	**20.9**	**3.5**	**-1.1**			
Money multiplier (M2/M1)	**1.2**	**1.2**	**1.2**			
Private sector credit/GDP	**15.0**	**17.0**	**15.1**			
NFA/M2	**68.5**	**53.5**	**49.4**			
Domestic claims/M2	**47.2**	**57.7**	**63.1**			
Currency in circulation/M2	**63.2**	**59.6**	**58.2**			

*Sources: BCEAO, WAMA; *Provisional **projection*

8.2.4. External Sector

365. External sector performance showed that the overall BOP deficit narrowed to CFAF22.1 billion (1.8% of GDP), from a deficit of CFAF63.8 billion in 2022 (5.7% of GDP). The improvement in the overall BOP was a result of the favourable performance in the financial account.

366. The current account deficit worsened to CFAF95.3 billion (7.7% of GDP), from a deficit of CFAF91.8 billion (8.2% of GDP) in 2022, due to the deterioration in trade balances. The trade balance (goods and services) worsened to a deficit of CFAF189.1 billion (15.2% of GDP) in 2023 from CFAF185.8 billion (16.6% of GDP) in 2022 explained by the widening deficit of the merchandise trade and services. The merchandise trade balance worsened to a deficit of US$99.3 billion (8.0% of GDP) compared to US$95.8 billion (8.5% of GDP) relative to 2022. The balance on services was in deficit of US$89.8 billion (7.2% of GDP) in 2023, relative to US$89.9 billion (8.0% of GDP) in 2022, resulting from lower receipts for freight as merchandise import decreased.

367. The balance of the primary income account amounted to a surplus of CFAF10.5 billion (0.8% of GDP), compared to CFAF5.8 billion (0.5% of GDP) in 2022, reflecting a rise in investment and

other primary income. The secondary income account surplus lowered to CFAF83.3 billion (6.7% of GDP), from a surplus of CFAF88.2 billion (7.9% of GDP), due to the decrease in budgetary support and other transfers to government.

368. The capital account balance declined to a surplus of CFAF25.7 billion (2.1% of GDP) in 2023, against CFAF36.0 billion (3.2% of GDP) in 2022, occasioned by lower resources received for the financing of other strategic sectors of the economy.

369. The financial account recorded a net borrowing with a net incurrence of liabilities of CFAF47.5 billion (3.8% of GDP) in 2023 compared to a net lending position with a net acquisition of assets of CFAF0.6 billion (0.1% of GDP) in 2022. The sharp rise in net inflows in 2023, was reflective of the increase in direct investment, indicating an expansion in external revenue mobilisation. Direct investments increased to CFAF13.9 billion (1.1% of GDP) in 2023, from CFAF13.2 billion (1.2% of GDP) in 2022.

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

	2021	2022	2023	2024	2021	2022	2023	2024
	In billions of FCFA				As a percentage of GDP			
A- Current account	**-8.1**	**-91.8**	**-95.3**	**-87.7**	**-0.8**	**-8.2**	**-7.7**	**-6.6**
1- Trade Balance (Goods and services)	-101.6	-185.8	-189.1	-195.7	-9.9	-16.6	-15.2	-14.8
Merchandise Trade	-27.7	-95.8	-99.3	-109.1	-2.7	-8.5	-8.0	-8.3
FOB exports of goods	166.3	152.9	142.6	146.1	16.2	13.6	11.5	11.1
Imports of goods FOB	194.0	248.8	241.9	255.2	18.9	22.2	19.5	19.3
Balance of services	-73.9	-89.9	-89.8	-86.7	-7.2	-8.0	-7.2	-6.6
Of which travel	2.9	13.6	15.6	16.8	0.3	1.2	1.3	1.3
Including freight and insurance	-34.2	-43.8	-42.6	-45.0	-3.3	-3.9	-3.4	-3.4
2- Primary income	9.4	5.8	10.5	11.2	0.9	0.5	0.8	0.9
Including interest on debt	-5.9	-1.5	-5.1	-5.1	-0.6	-0.1	-0.4	-0.4
3- Secondary income	84.1	88.2	83.3	96.8	8.2	7.9	6.7	7.3
Public administrations	24.6	25.6	17.3	23.6	2.4	2.3	1.4	1.8
budgetary aid	2.6	6.6	0.0	3.5	0.3	0.6	0.0	0.3
remittances from migrants	91.0	94.0	95.5	101.3	8.9	8.4	7.7	7.7
B. Capital and Financial Account	**54.6**	**36.6**	**-21.8**	**-6.8**	**5.3**	**3.3**	**-1.8**	**-0.5**
B1- Capital account	**58.6**	**36.0**	**25.7**	**42.9**	**5.7**	**3.2**	**2.1**	**3.3**
4- Capital transfers	58.6	36.0	25.7	42.9	5.7	3.2	2.1	3.3
Public administrations	57.5	34.0	24.9	42.0	5.6	3.0	2.0	3.2
Other capital transfers	57.5	34.0	24.9	42.0	5.6	3.0	2.0	3.2
B2- Financial account	**-4.0**	**0.6**	**-47.5**	**-49.7**	**-0.4**	**0.1**	**-3.8**	**-3.8**
5- Direct investment	-9.8	-13.2	-13.9	-16.5	-0.9	-1.2	-1.1	-1.2
6- Portfolio investments	-50.8	-52.3	-10.5	-10.2	-4.9	-4.7	-0.8	-0.8
7- Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8- Other investments	56.6	66.0	-23.2	-23.0	5.5	5.9	-1.9	-1.7
D- Clear errors and omissions	**6.3**	**-7.5**	**0.0**	**0.0**	**0.6**	**-0.7**	**0.0**	**0.0**
E- Overall balance	**60.7**	**-63.8**	**-22.1**	**5.0**	**5.9**	**-5.7**	**-1.8**	**0.4**
MEMORANDUM ITEM								
GDP at current prices (in billions of FCFA)	1,028.0	1,120.7	1,242.5	1,320.1				

*Sources: BCEAO, WAMA; *Provisional **projection*

8.3. Status of Macroeconomic Convergence

370. With regards to macroeconomic convergence, Guinea Bissau met two out of the four primary convergence criteria. The country met the central bank financing of government budget deficit and the gross external reserves criteria but missed the budget deficit and annual average inflation targets. Under the secondary criteria, the country complied with the criterion on nominal exchange rate variation against the WAUA, but missed the public debt-to-GDP target. Overall, the country met four out of the six macroeconomic convergence criteria. The summary of the performance is presented below:

Primary criteria

371. The budget deficit on a commitment basis, including grants, was 8.7 percent of GDP compared to 6.5 percent of GDP in 2022. The average annual inflation rate was 7.2 percent compared to 7.9 percent in 2022. Gross external reserves stood at 3.6 months of imports of goods and services in 2023 compared to 4.2 months of imports in 2022. No central bank financing of the budget deficit was recorded in 2023, thus meeting with two out of four primary convergence criteria in 2023.

Secondary criteria

372. The variation in the average nominal exchange rate of the CFA franc against the WAUA in 2023 was 2.9 percent, well above the threshold of -/+10 percent. The public debt stock stood at 80.7 percent of GDP in 2023 compared to 81.5 percent of GDP in 2022, thus missing the 70 percent threshold set out in the MCSP.

Table 40: Status of Macroeconomic Convergence in Guinea Bissau

Criteria	Target	2021	2022	2023**	2024**
Primary Criteria		***3***	***2***	***2***	***3***
Budget deficit/GDP (including grants)	≤ 3%	6.7	6.5	8.7	3.3
Inflation rate (annual average)	≤ 5%	3.2	7.9	7.2	4.3
Deficit financing by Central Banks	≤ 10%	0.0	0.0	0.0	0.0
Gross foreign exchange reserves	≥ 3 months	5.3	4.2	3.6	4.4
Secondary Criteria		***1***	***1***	***1***	***1***
Stability of the nominal exchange rate	±10%	**-1.5**	**-5.3**	**2.9**	**2.9**
Total debt outstanding in % GDP	≤70%	78.2	81.5	80.7	82.4
Number of criteria met		***4***	***3***	***3***	***4***

*Sources: BCEAO, WAMA; *Provisional **projections*

8.4. Prospects

373. Guinea-Bissau's medium-term economic outlook remains favourable premised on the continued implementation of the 2015-2025 Development Programme, socio-political stability, the mobilisation of external resources and the conduct of structural reforms, particularly in the administration, defence and security sectors. The downside risks to the outlook include commodity price shocks, persistent bottlenecks and difficulty in shipment of main export commodities, and increasing geoeconomic fragmentation.

374. Real GDP growth is projected to 5.9 percent in 2024 with inflationary pressure expected to ease significantly in the medium term, especially food inflation, given the expected improved cereal production.

375. Fiscal policy reforms are anticipated in the medium term to strengthen public financial management and maintain fiscal consolidation. Total government expenditures are expected to increase at a higher rate than revenue/grants thereby maintaining a high fiscal deficit in the medium term. However, the overall deficit/grants (on commitment basis) is expected to narrow to 3.3 percent of GDP in 2024, from a high level of 5.4 percent of GDP in 2023. The public debt-to-GDP will remain a challenge given that the debt ratio will remain high above the 70.0 percent threshold of the EMCP despite the planned reduction in the budget deficit

376. On the monetary side, it is expected that the continued assistance to the fishing, fish farming, and the aquaculture sub-sector will improve NFA with positive implications for its domestic counterparts.

377. Prospects in the external sector is expected to be favourable. The overall balance is expected to record a surplus of 0.4 percent of GDP in 2024, from a deficit of 1.8 percent of GDP in 2023 premised on the expected reduction in the current account deficit.

378. On macroeconomic convergence, the country is expected to comply with three primary convergence criteria and one secondary criteria.

8.5. Conclusion and Recommendations

379. Economic activity remained resilient in 2023 with a growth rate of 5.1 percent over the 4.5 percent recorded in 2022. Inflationary pressures moderated to 3.1 percent in December 2023, from 9.5 percent in December 2022, while average inflation declined from 7.9 percent in 2022 to 7.2 percent in 2023, which is significantly above the zone's average. The budget deficit, however, remained elevated while public debt remains high. The country's performance against the convergence criteria remained unchanged in 2023 relative to 2022 as it met two (2) primary criteria and one (1) secondary criterion.

380. To improve the country's macroeconomic performance, the following recommendations are made to the authorities of Guinea Bissau:

i. Ensure the consolidation of socio-political stability and the creation of conditions for sustainable economic reforms, with a view to increasing the confidence of foreign and national investors to support economic recovery efforts;

ii. Promote the diversification of the productive base and the export structure, with a view to reducing the country's dependence on cashew exports. This involves:
   - developing and modernising agriculture in order to reduce the heavy reliance on food imports;
   - developing value chains for cashew nuts to be able to take advantage of the opportunities offered by the continental free trade area, while seeking to resolve the problems that hinder the profitability of the cashew nuts sales.

iii. Pursue the implementation of reforms in financial administration; particularly
   - seeking to resolve the logistics concerns at major ports of entry, with a view to optimising the frameworks for collecting legitimate state revenues;
   - the digitalisation of tax operations to broaden the tax base by accelerating the transition from sales tax to value added tax (VAT) while putting in place support measures to mitigate its impact on inflation; but
   - performs a deep analysis of the implication of the removal of food subsidies and its accompanying measures in relation to the government's desire to reduce inflationary pressure; but
   - accelerates the finalisation of the national accounts' statistics for 2019-2021 and the provisional 2022 and 2023 series.

iv. Pursue fiscal consolidation to bring the budget deficit down to the community threshold. In this regard, the rationalisation of exemptions is necessary to ensure control of the budgetary deficit and the public debt rate within the limits set by the MCSP between ECOWAS Member States; and
v. Continue the campaign to promote financial inclusion, given the growing signs of confidence in the banking sector.

9. LIBERIA

9.1. Introduction

381. The broad macroeconomic policy stance of the Government of Liberia in 2023 was anchored on the National Development Agenda - the Pro-poor Agenda for Prosperity and Development (PAPD) 2018 - 2023. The specific objectives include safeguarding macroeconomic stability, broadening the domestic tax base, and boosting public investments. The Pro-poor strategies were focus on interventions in priority sectors, including investments in health care, education, agriculture, energy, and infrastructural projects. The 2023 fiscal operation was envisioned to concentrate primarily on reducing recurrent expenditure while increasing expenditure on capital projects. In line with the above policy objectives, the broad macroeconomic targets for 2023 were as follows:

    i. Real GDP growth of 4.7 percent;
    ii. Average annual inflation of 8.7 percent;
    iii. End-period inflation of 6.9 percent;
    iv. Overall fiscal balance of 0.0 percent of GDP (i.e., a balance budget); and
    v. Gross external reserves to cover at least 3 months of imports of goods and services.

382. Available data indicated that real GDP growth slowed to 4.6 percent in 2023 from 4.8 percent in 2022, mainly on account of slower growth in the primary (mainly in the agriculture and forestry subsectors) and the industry (induced by the mining and construction subsector) sectors. The fiscal operations in 2023 were characterised by revenue underperformance as domestic revenue declined by 5.8 percent. Total expenditure also declined marginally by 1.6 percent. The resurgence of inflationary pressures prompted the CBL to raise the policy rate by 500 basis points to 20.0 percent in 2023. Preliminary statistics revealed that the performance of the external sector was challenged as deficits in the current account and overall BOP widened in 2023. On the convergence front, Liberia met one primary (budget deficit) and one secondary (public debt-to-GDP ratio) criteria during the review period.

9.2. Sectoral Analysis

9.2.1. Real Sector

383. Real GDP growth slowed to 4.6 percent in 2023 from the growth rate of 4.8 percent in 2022, driven by slowdown in the primary and secondary sectors. The growth in 2023 was primarily supported by the tertiary sector which was constrained by lower growth in both the primary and industry sectors. This moderate growth was driven by slower growth in the primary sector (mainly influenced by contracted growth in agriculture and forestry) and the industry sector (primarily due to lower growths in the mining and construction subsectors). However, growth remained resilient, supported by the services sector.

384. The primary (agriculture and fisheries and forestry) sector grew at 0.8 percent, down from 1.3 percent in 2022, occasioned by slowdown in forestry and logging (1.2% from 1.6%), which witnessed a slowdown in charcoal production despite the improvement in log and timber production.

385. The secondary (industry) sector growth moderated to 7.9 percent in 2023 from 10.1 percent in 2022, occasioned by slowdown in mining (7.0% from 14.0%) and construction (6.0% from 8.0%). The significant drag on the mining sub-sector was induced by sluggish gold production triggered by base effect. However, manufacturing activities and 'electricity and water supply' improved during the period, growing by 6.4 percent and 70.0 percent in 2023 from 2.2 percent and negative 4.0 percent, respectively, in 2022. These expansions were reflective of improvements in finished water production and other services.

386. Activity in the tertiary (services) sector expanded by 6.0 percent in 2023 compared to 4.5 percent in 2022, supported by improved performance across subsectors, particularly, real estate, renting and business activities which registered a growth of 8.0 percent, after contracting by 2.3 percent in 2022. Growth was also supported by finance and insurance (5.0% from 4.0%) and other services (4.5% from 2.5%).

387. In terms of sectoral shares, the primary sector remained the dominant sector, accounting for 36.2 percent of GDP in 2023, followed by the tertiary sector with 34.6 percent, and the industry sector with 29.2 percent compared to 38.9 percent, 33.2 percent, and 27.9 percent, respectively, in 2022. Regarding contribution to GDP growth in 2023, the industry sector made the highest contribution of 2.3 percent, followed by the services sector with 1.9 percent, and the primary sector with 0.3 percent compared to 2.8 percent, 1.5 percent, and 0.5 percent, respectively, in 2022.

388. Inflationary pressures re-emerged in 2023, as average inflation accelerated to 10.1 percent, from 7.6 percent in 2022, mainly driven by exchange rate depreciation and rising prices of imported food. Also, end-period inflation increased to 10.0 percent in December 2023 from 9.2 percent in the same period of 2022.

Table 41: Trends in GDP and its Components in Liberia

Item	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	% Change				*Contribution to Growth*			
Real GDP	**5.0**	**4.8**	**4.6**	**5.3**	**5.0**	**4.8**	**4.6**	**5.3**
PRIMARY SECTOR (Agriculture)	**3.3**	**1.3**	**0.8**	**4.8**	**1.3**	**0.5**	**0.3**	**1.8**
Agriculture & fisheries	4.0	1.2	0.7	5.9	1.2	0.4	0.2	1.7
o/w: crops	4.7	-1.2	1.5	7.4	0.9	-0.2	0.3	1.3
Forestry & Logging	1.0	1.6	1.2	1.2	0.1	0.1	0.1	0.1
Log & timber	1.0	3.5	4.0	3.5	0.0	0.0	0.0	0.0
Charcoal	1.0	1.5	1.0	1.0	0.1	0.1	0.1	0.1
SECONDARY SECTOR (Industry)	**11.6**	**10.1**	**7.9**	**5.5**	**3.1**	**2.8**	**2.3**	**1.7**
Mining & Panning	17.6	14.0	7.0	5.2	2.6	2.4	1.3	1.0
Manufacturing	4.7	2.2	6.4	4.8	0.3	0.1	0.4	0.3
Electricity &Water	3.8	-4.0	70.0	10.0	0.0	0.0	0.4	0.1
Constructions	2.5	8.0	6.0	7.0	0.1	0.4	0.3	0.3
TERTIARY SECTOR (Services)	**1.8**	**4.5**	**6.0**	**5.6**	**0.6**	**1.5**	**1.9**	**1.8**
Trade (Including. Hotels & Restaurant)	2.0	9.0	8.0	2.7	0.1	-0.1	0.3	0.1
Transport & communication	4.0	5.0	5.0	5.0	0.2	0.2	0.2	0.2
Finance and Insurance	2.0	4.0	5.0	4.0	0.1	0.1	0.2	0.1
Real estate, renting and business activities	1.4	-2.3	8.0	8.0	0.2	1.1	1.0	1.0
Government Services	0.0	1.0	1.0	5.0	0.0	0.0	0.0	0.2
Others Services	1.0	2.5	4.5	4.0	0.0	0.1	0.2	0.2
Memorandum (Million US$)	**2021**	**2022**	**2023**	**2024***				
GDP (Current Prices)	3,508.9	3,974.4	4,331.6	4,557.6				
GDP (Constant Prices, 2018=100)	3,242.4	3,398.4	3,553.2	3,741.4				
GDP Deflator	108.2	117.0	121.9	121.8				
Inflation								
Average	7.9	7.6	10.1	9.9				
End-Period	5.5	9.2	10.0	8.0				

Source: CBL; LISGIS; IMF **Provisional **Projections*

9.2.2. Fiscal Sector

389. Fiscal operations in 2023 were mainly marked by revenue under performance. Domestic revenue stood at US$589.0 million (13.6% of GDP) compared to US$613.5 million (15.4% of GDP) in 2022, mainly induced by decline in non-tax revenue. Non-tax revenue slowed in the review period to US$82.7 million (1.9% of GDP) from US$127.6 million (3.2% of GDP) in 2022, occasioned by significant decrease in income from enterprises and sale of assets which offset the 22.6 percent growth in administrative charges and duties. However, tax revenue expanded to US$506.3 million (11.7% of GDP) in 2023 from US$485.9 million (12.2% of GDP) reported in 2022, primarily triggered by growth in internal levies (including taxes on goods and services), taxes on income (including tax on profits and capital gains). Taxes on imported goods and services also slowed in the review period by 9.3 percent to US$183.9 million (4.3% of GDP), from the US$202.8 million (5.1% of GDP) recorded in 2022.

390. Total expenditure declined by 6.2 percent to US$757.7 million (17.5% of GDP) during the review period, from US$808.1 million (20.3% of GDP) in 2022, mainly on account of declines in recurrent expenditure by 8.4 percent to US$716.8 million (16.6% of GDP), from US$782.8 million (19.7% of GDP) recorded in 2022. The fall in recurrent expenditure reflected declines in interest payment by 26.7 percent and expenditure on 'goods and services and transfer payments' by 17.4 percent. However, wage and salaries increased by 9.1 percent to US$325.4 million (7.5% of GDP) from US$298.3 million (7.5% of GDP).

391. Capital expenditure was recorded at US$40.9 million (0.9% of GDP) in 2023 from US$25.3 million (0.6% of GDP) in 2022. The increase in capital expenditure which was entirely from domestic sources coupled with decline in recurrent expenditure is consistent with the Government's priority to rationalise expenditure of the economy.

Table 42: Trends in Key Fiscal Indicators in Liberia

	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	% Change				% of GDP			
Total Revenue and Grants	**12.6**	**15.1**	**-1.9**	**-12.7**	**20.0**	**20.3**	**18.3**	**15.2**
Domestic Revenue	***20.0***	***15.3***	***-1.5***	***-12.7***	***19.9***	***20.3***	***18.3***	***15.2***
Tax Revenue	***22.4***	***0.5***	***21.2***	***10.4***	***13.8***	***12.2***	***13.6***	***14.3***
Taxes on Income & Profits	19.5	0.0	3.7	8.7	6.1	5.4	5.2	5.3
International Trade Taxes	26.0	-3.1	-6.3	5.3	6.0	5.1	4.4	4.4
taxes on goods and services	22.2	7.3	11.0	33.7	1.6	1.5	1.5	1.9
other tax revenue	-3.9	144.4	224.4	-65.8	0.1	0.2	0.6	0.2
Non-Tax Revenue	***14.9***	***-40.7***	***-35.2***	***32.8***	***6.1***	***3.2***	***1.9***	***2.4***
Property Income	-2.5	45.5	-45.3	43.6	2.1	2.7	1.4	1.9
Administrative fees & fines	24.1	9.8	22.6	5.1	0.5	0.5	0.5	0.5
other receipts & carry forward	27.3	55.6	6.5	-79.2	3.5	4.8	4.7	0.9
Grants	***-89.9***	***-20.8***	***-***	***-***	***0.1***	***0.1***	***0.0***	***0.0***
Total Expenditure and net lending	**31.8**	**9.9**	**-6.2**	**-8.6**	**21.0**	**20.3**	**17.5**	**15.2**
Total Expenditure	***31.8***	***9.9***	***-6.2***	***-8.6***	**24.2**	**23.0**	***19.1***	**16.0**
Recurrent Expenditure	***45.3***	***7.7***	***-8.4***	***-11.1***	***20.7***	***19.7***	***16.5***	***14.0***
wages and Salaries	8.2	0.7	9.1	-8.7	8.4	7.5	7.5	6.5
Interest Payments	107.1	-10.0	-26.7	88.1	3.0	2.4	1.6	2.8
Domestic	139.7	-52.7	-56.9	357.6	2.1	0.9	0.3	1.5
External	54.5	96.9	-8.5	11.9	0.8	1.5	1.2	1.3
Expenses on goods & service and transfers	85.4	19.6	-17.4	-34.5	9.3	9.8	7.5	4.6
Capital Expenditure	***-85.8***	***208.9***	***61.8***	***34.3***	***0.2***	***0.6***	***0.9***	***1.2***
Domestically financed	-85.8	208.9	60.6	35.3	0.2	0.6	0.9	1.2
Externally financed	-	-	-	-100	-	-	0.0	-
Net lending	-	-	-	-	-	-	0.0	-
Overall Bal (Commit Basis, Incl Grants)					-0.9	0.0	0.8	0.0
Overall Bal (Commit Basis, Excl Grants)					-1.0	-0.1	0.8	0.0
Primary Balance					1.9	2.3	2.4	2.8
MEMORANDUM ITEM					**2021**	**2022**	**2023**	**2024***
Public Debt					**49.4**	**50.8**	**54.0**	**NA**
External					29.3	28.5	30.4	NA
Domestic					20.2	22.3	23.6	NA

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

392. Accordingly, the overall budget deficit (including grants) stood at 0.8 percent of GDP in 2023 compared with 0.01percent of GDP in 2022. Excluding grants, the deficit stood at 0.8 percent of GDP compared to 0.1 percent of GDP reported for 2022.

393. The stock of public debt increased to US$2,209.8 million (51.0% of GDP) as at end-December 2023, from US$2,018.7 million (50.8% of GDP) at end-December 2022. The 7.4 percent annual growth in the stock of public debt emanated from a 7.6 percent increase in domestic debt and 7.3 percent increase in external debt stocks.

9.2.3. Monetary Sector

394. The CBL maintained a tight monetary policy stance during the review period thereby increasing the policy rate by 500 basis points to 20.0 percent in 2023, aimed at curbing the resurgence of inflationary pressures and promoting price stability.

395. Trends of interest rates in the banking industry generally trended upward in 2023. The average lending and savings rates were 13.44 percent and 3.10 percent in 2023, compared to 12.61 percent and 2.27 percent, respectively, in 2022. However, the average rates on mortgage, personal loans, time deposits, and certificate of deposits remained largely unchanged at 13.37 percent, 12.78 percent, 3.53 percent, and 3.25 percent, respectively.

396. Developments in monetary aggregates revealed that broad money (M2) expanded (year-on-year) by 44.4 percent for the 12 months period ended December 2023 compared to a growth of 15.2 percent recorded at end-December 2022. The expansion in M2 was mainly occasioned by a 51.1 percent growth in NDA. However, NFA contracted by 10.4 percent due to the liabilities of the CBL to non-residents. The NFA of the commercial bank grew by 76.2 percent at end-December 2023.

397. Narrow money supply (M1) grew significantly by 50.3 percent compared with a growth rate of 25.2 percent reported at end-December 2022, triggered by growth in both currency outside the banking system (24.7% from 6.3%) and demand deposits (57.7% from 31.9%). Quasi money grew by 31.2 percent, form 17.0 percent reported at end-December 2022. Reserve money expanded by 36.6 percent at end-December 2023 compared to a growth rate of 10.8 percent at the of corresponding period of 2022. The growth in reserve money was mainly triggered by increases in banks' reserves and currency in circulation outside banks.

398. The stock of commercial banks' credits to private sector at end-December 2023 stood at L$91,959.7 million (11.3% of GDP) compared to L$76,219.6 million (12.4% of GDP), representing a growth of 20.7 percent. The trade, construction, agriculture, services, and extractive subsectors were the main beneficiaries of private sector credits.

399. The banking industry in 2023, generally, remained stable and resilient, mainly due to improvements of key balance-sheet indicators supported by growth in financial intermediations. Total assets (net) of the industry increased by 42.0 percent to L$293.7 billion, from L$206.8 billion in 2022, induced significantly by exchange rate depreciation.

400. The industry's CAR was reported at 27.3 percent above the 10.0 percent minimum regulatory threshold. The liquidity ratio (LR) rose to 44.1 percent in 2023 from 43.5 percent recorded in the corresponding period of 2022. The NPL ratio rose to 18.1 percent, from the 16.4 percent recorded in 2022, indicating the challenges faced by the CBL in an effort to strengthen asset quality. Like in previous years, the NPL ratio remained above the 10.0 percent maximum limit.

401. In terms of profitability, the industry generally remained challenged driven largely by infrastructural deficits. In 2023, the ROA and ROE stood at 2.4 percent and 17.7 percent from 2.1 percent and 14.0 percent in the same period of 2022, respectively. However, the net operating profit rose significantly by 61.9 percent to L$6.8 billion from L$4.20 billion reported in 2022.

Table 43: Growth in Key Monetary Aggregates in Liberia

	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	Percentage Change (Y-o-Y)				**Contribution to M2 Growth**			
ASSETS								
NFA	**78.5**	**-23.4**	**-10.4**	**7.2**	7.5	-4.0	**-1.1**	0.5
NDA	**-9.9**	**32.1**	**51.1**	**18.1**	-8.9	26.6	**45.6**	16.9
Domestic Credit	-17.4	23.3	55.4	10.8	-26.3	29.4	70.4	14.8
Net Claims on Government	-22.4	26.0	48.0	6.5	-18.5	17.0	32.1	4.4
Claims on Private Sector	-11.4	20.4	63.7	15.3	-7.7	12.5	38.2	10.4
Other Items Net (OIN)	-28.8	6.6	-65.7	-21.4	17.3	-2.9	-24.8	9.3
LIABILITIES								
Broad Money (M2)	**-1.5**	**22.6**	**44.4**	**17.4**				
Narrow Money (M1)	-1.3	25.2	50.3	20.1				
Currency in Circulation	6.6	8.7	19.9	10.0				
Demand Deposits	-1.1	31.9	57.7	22.4				
Quasi Money (savings and term deposits)	-1.9	17.0	31.2	10.4				
MEMORANDUM								
Reserve Money (Growth) (%)	*7.3*	*10.8*	36.6	*13.7*				
Money Multiplier (M2/RM)	*2.8*	*3.1*	3.3	*3.4*				
Velocity (GDP/M2)	*4.1*	*4.0*	3.7	*3.6*				
Credit to Private Sector/GDP (%)	*0.2*	*0.2*	0.2	*0.2*				
NFA/M2 (%)	*17.2*	*10.8*	6.7	*6.1*				
NDA /M2 (%)	*82.8*	*89.2*	93.3	*93.9*				
Currency in Circulation/M2 (%)	*19.2*	*17.0*	14.1	*13.2*				

*Source: Central Bank of Liberia, *Provisional **Projection*

9.2.4. External Sector

402. Liberia's external sector was largely challenged in 2023 as the deficits of the current account widened while the overall BOP remained relatively stable. The current account deficit widened to US$465.0 million (10.7% of GDP) in 2023 from US$334.7 million (8.4% of GDP) in 2022, mainly due to an increase in the merchandise trade deficit which outweighed the rise in secondary income inflows. The trade deficit worsened to US$799.0 million (18.4% of GDP) from US$501.2 million (12.6% of GDP) in 2022, on account of a 25.2 percent increase in import payments which offset the 8.5 percent growth in export earnings.

403. The capital account surplus increased in the review period to US$299.7 million (6.9% of GDP) from US$265.1 million (6.7% of GDP) in 2022, mainly induced by growth in capital transfers.

404. The financial accounts recorded a net borrowing (inflows) of US$404.7 million (9.3% of GDP) in 2023, compared to a higher net borrowing of US$500.4 million (12.6% of GDP) in 2022. This performance was mainly induced by a decrease in FDI inflows which stood at US$366.7 million (8.5% of GDP) compared to inflows of US$595.9 million (15.0% of GDP) in 2022. On the other

hand, other investments recorded an outflow of US$2.9 million (0.1% of GDP) compared to an outflow of US$55.5 million (1.4% of GDP) recorded in 2022.

405. As a result of developments in current, capital, and financial accounts, the overall BOP recorded a deficit of US$40.9 million (0.9% of GDP) in 2023, compared to an overall BOP surplus of US$40.1 million (1.0% of GDP) reported in 2022.

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

	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	Millions of US$				Percent of GDP			
a- Current account (1+2+3)	**- 374.8**	**- 334.8**	**-465.1**	**- 541.0**	**- 10.7**	**-8.4**	**-10.7**	**-11.9**
1- Goods and services	*- 683.5*	*-791.6*	*-1,051.5*	*-1,270.4*	*-19.5*	*-19.9*	*-24.3*	*-27.9*
Goods	-456.5	-501.2	-799.0	-995.2	- 13.0	-12.6	-18.4	-21.8
Exports FOB:	881.2	1,026.6	1,113.9	1,299.4	25.1	25.8	25.7	28.5
Imports FOB	1,337.7	1,527.8	1,912.9	2,294.6	38.1	38.4	44.2	50.3
Services	-227.0	-290.4	-252.5	- 275.2	-6.5	-7.3	-5.8	-6.0
Credits	11.7	13.8	16.6	20.8	0.3	0.3	0.4	0.5
Debits	238.7	304.2	269.1	296.0	6.8	7.7	6.2	6.5
2- Primary income	*-106.9*	*-111.8*	*-113.1*	*-122.4*	*-3.0*	*-2.8*	*-2.6*	*-2.7*
Credits	21.8	20.6	20.5	24.6	0.6	0.5	0.5	0.5
Debits	128.7	132.4	133.6	147.0	3.7	3.3	3.1	3.2
3- Secondary income	*415.6*	*568.6*	*699.5*	*851.8*	*11.8*	*14.3*	*16.1*	*18.7*
Credits	516.9	676.4	822.9	987.5	14.7	17.0	19.0	21.7
Debits	101.3	107.8	123.4	135.7	2.9	2.7	2.8	3.0
b- Capital account (4+5)	**215.6**	**265.1**	**299.7**	**359.6**	**6.1**	**6.7**	**6.9**	**7.9**
4- Capital transfers (credits)	215.6	265.1	299.7	359.6	6.1	6.7	6.9	7.9
5- Capital Transfers (debits)	-	-	-	-	-	-	-	-
c. Net lending (+)/Net borrowing (-) (balance of current and capital accounts) (a+b)	**-159.2**	**-69.7**	**-165.4**	**-181.4**	**-4.5**	**-1.8**	**-3.8**	**-4.0**
d- Financial account (6+7+8+9)	**-489.0**	**- 500.3**	**-404.7**	**-500.2**	**-13.9**	**-12.6**	**-9.3**	**-11.0**
6- Direct investment	-604.6	-595.9	-366.7	-458.4	-17.2	-15.0	-8.5	-10.1
7-Portfolio investment	-	-	-	-	-	-	-	-
8-Financial derivatives	-	-	-	-	-	-	-	-
9- Other investment	-239.4	55.5	2.9	3.2	- 6.8	1.4	0.1	0.1
e- Net errors and omissions	**-329.8**	**-430.8**	**-239.4**	**-318.8**	**-9.4**	**-10.8**	**-5.5**	**-7.0**
f- Overall balance (a+b-d+e)	**355.0**	**40.1**	**- 40.9**	**- 45.0**	**10.1**	**1.0**	**- 0.9**	**- 1.0**
h- Change in net external assets	**355.0**	**40.1**	**-40.9**	**-45.0**				
MEMORANDUM ITEMS	**2021**	**2022**	**2023**	**2024***				
Ave. Exchange Rate Variation (L$/WAUA)	*12.5*	*15.8*	*-12.3*	*-7.5*				
Ave. Exchange Rate Variation(L$/US$)	*-13.2*	*8.6*	*14.4*	*NA*				
Stock of Gross Reserves	*666.3*	*598.5*	*451.0*	*NA*				
Gross Reserves in Month of Imports Cover	*4.7*	*3.5*	*2.3*	*NA*				

*Source: Central Bank of Liberia, *Provisional **Projection*

406. The gross external reserves position declined to US$451.0 million (2.3 months of imports) at end-December 2023 from US$598.5 million (3.5 months of imports) recorded at end-December 2022. This was due to reduction in foreign liquid assets including SDR holdings and reserves coupled with an increase in the CBL's net liquid US dollar denominated liabilities.

407. The average exchange rate of the Liberian dollar depreciated by 22.0 percent against the US dollar in 2023 to L$174.96/US$1.00, from L$152.93/US$1.00 recorded in 2022. Against the WAUA, the Liberian dollar also depreciated by 12.3 percent. The exchange rate development was mainly on the back of an increase in demand for foreign exchange to service import payments.

9.3. Status of Macroeconomic Convergence

408. During the review period, Liberia met one (1) out of the four (4) primary convergence criteria, the criterion on budget deficit, indicating a decline from three (3) in the corresponding period of

2022. The country also met one (1) of the secondary criteria (the criterion on public debt ratio). Overall, the country met two (2) out of the six (6) macroeconomic convergence criteria, compared to four (4) in 2022. The country is expected to improve this performance in 2024, meeting two (2) primary (budget deficit and central bank financing) and both secondary criteria. The summary of the performance is presented below:

Primary criteria

409. The budget deficit on a commitment basis, including grants, was 1.9 percent of GDP compared with 0.6 percent of GDP in 2022. The average annual inflation rate rose to 10.1 percent from 7.6 percent in 2022, missing the 5 percent threshold set in the MCSP. Gross external reserves fell to 2.3 months of imports of goods and services in 2023 from 3.6 months of imports in 2022, thus missing the minimum of 3 months. Central bank financing of the budget deficit was estimated at 26.1 percent of previous year's tax revenue, this missing the target of 10 percent.

Secondary criteria

410. The variation in the average nominal exchange rate of the Liberian dollar against the WAUA in 2023 was 12.3 percent, exceeding the threshold of -/+10 percent. However, the public debt stock stood at 54.0 percent of GDP in 2023 compared to 50.8 percent of GDP in 2022, thus satisfying the 70 percent threshold set out in the MCSP.

Table 45: Status of Macroeconomic Convergence in Liberia

Criteria	Target	2020	2021	2022	2023*	2024**
Primary Criteria		**2**	**3**	**3**	**1**	**2**
i. Budget Deficit / GDP	≤ 3%	-2.2	0.9	-0.6	-1.9	0.0
ii. Annual Average Inflation	≤ 5%	17.4	7.9	7.6	10.1	8.0
iii. Central Bank Financing of Budget Deficit	≤ 10%	0.0	0.0	0.0	26.1	0.0
iv. Gross External Reserves	≥ 3 mths Imp	2.5	4.5	3.6	2.3	2.1
Secondary Criteria		**2**	**1**	**1**	**1**	**2**
i. Nominal Exchange Rate Variation	± 10%	-4.1	12.5	15.8	-12.3	-7.5
ii. Public Debt / GDP	≤ 70%	52.6	49.5	50.8	54.0	52.7
Total number of convergence criteria met		**4**	**5**	**4**	**2**	**4**

*Source: WAMA, *Provisional **Projections*

9.4. Prospects

411. Real GDP growth is projected to improve to 5.3 percent in 2024, 0.7 percentage point above the growth in 2023. In the medium-term (2025 - 2026), growth is expected average to 6.4 percent, on account of expansions in investment in mining and structural reforms in sectors such as energy, trade, transportation, and financial services. Inflationary pressures which have generally heightened in 2023 are expected to moderate to 8.0 percent with a +/-2% bandwidth in December 2024. The medium-term fiscal operation is projected to result in a balanced budget (budget balance of 0.0) premised on fiscal consolidation and expenditure restraints under the new ECF programme. Key risks to the outlook, however, include the continuation of the geopolitical tensions involving Russia -Ukraine and Israel -Hamas wars, which could keep fuel and food prices up, and the deterioration of terms of trade on commodity exports with significant pass-through effect to domestic prices.

9.5. Conclusion and Recommendations

412. In 2023, real GDP growth was 4.6 percent compared with 4.8 percent in 2022. Inflationary pressures resurged in the review period. Growth is anticipated to remained positive and driven

by the agriculture sector. The Government's commitment to increase investment in agriculture, and other social protection programs are expected to underpin growth in 2024. Fiscal operations were marked by revenue under performance and a rise in capital expenditure. The public debt stock continued to rise on account of the increases in both external and domestic debts, though it is still safely within the Community threshold. The monetary policy environment reflected a contractionary policy stance as the CBL continued to increase the policy rate. However, growth in money supply grew significantly, primarily on account of expansion in NDA during the period. Despite the tight policy stance, money supply significantly expanded in 2023. External sector developments worsen evidenced by the widening of the deficits in the current account and overall BOP position. On the convergence scale, Liberia met one of the four primary convergence criteria and one of the secondary criteria.

413. Based on the macroeconomic developments in 2023 and prospects for the medium term, the following recommendations are proffered for consideration by the relevant Liberian authorities:

i. Proactively take necessary steps to tackle inflation, including further tightening of monetary policy stance and addressing the infrastructural challenges including energy and roads;

ii. Improve the ongoing assets management strategy in light of the increase in the NPL ratio. The CBL should leverage on unique bank identifier (UBI) project to enhance borrowers' identification system and deter predatory borrowers to help address the rising NPL ratio. The bank is encouraged to explore the licensing of private credit reference bureaus to enable creditors share the loan repayment history (debt profile) of customers. There is also the need for the monetary authorities to engage the legal system on ensuring speedy adjudication of loan default cases and collateral enforcement procedures;

iii. Support to the agriculture sector in the form of low-interest loans and provision of inputs 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;

iv. Adopt a medium-term strategy to gradually improve domestic revenue mobilisation which gives more fiscal space for critical infrastructural projects and investments. The government is encouraged to make the Liberia revenue authority a full autonomous entity and link its financing to revenue generation based on realistic targets thereby incentivising the authority;

v. Develop and deepen the domestic capital market by issuing more domestic bonds and treasury instruments to raise the necessary funds for infrastructure development; and

vi. Implement credible medium-term debt management strategy, including enforcing appropriate borrowing limits to ensure the sustainability of public debt.

10. MALI

10.1. Introduction

414. Mali’s economic policy thrust for 2023 was in line with its Strategic Framework for Rebuilding the State (CSRE 2022-2031) and its 2022-2026 action plan. The government' short-term priority was to manage the humanitarian and economic repercussions of the economic and financial sanctions imposed by ECOWAS and other partners, while maintaining macroeconomic stability. In order to achieve these objectives, the authorities focussed on ensuring good public financial management, controlling public spending and securing and stabilising the national territory. Accordingly, the following macroeconomic targets were set for 2023:

i. Real GDP growth rate of 5.2 percent;
ii. Average inflation of 3 percent; and
iii. Overall budget deficit, including grants of 3 percent of GDP.

10.2. Sectoral Analysis

10.2.1. Real Sector

415. Real GDP growth rate stood at 4.7 percent in 2023, compared to 3.5 percent in 2022, supported by the good performance of the primary and tertiary sectors. The primary sector grew by 3.7 percent in 2023, up from 3.4 percent in 2022, attributed to abundant rainfall which helped boost food and cotton production. The services sector also expanded by 6.6 percent in 2023 compared to 6.3 percent in 2022, supported by the improved performance of hospitality and catering as well as a slow but strong growth in transport and communications sub-sectors, as well as public administration activity and financial activities. The secondary sector, however, grew at a slower rate by 0.7 percent in 2023 following a growth of 1.6 percent in 2022, mainly due to significant contraction in textile activity by 18.2 percent compared to a growth of 38.5 percent in 2022.

416. In terms of contribution to GDP growth, the tertiary sector contributed 2.4 percentage points in 2023 compared to 2.2 percentage points in 2022. The primary sector contributed 1.3 percentage points compared with 1.2 percentage points in 2022 while the secondary sector contributed 0.1 percentage point to GDP growth in 2023, compared with 0.3 percentage points in 2022.

417. With regards to price developments, inflationary pressures eased significantly in 2023. The annual average inflation stood at 2.1 percent in 2023, compared with 9.7 percent in 2022. End-period inflation also fell significantly during the reviewed period, registering a deflation of 0.5 percent in December 2023 compared to an inflation rate of 7.8 percent in December 2022. The decline in inflation can be attributed to improved agricultural production which aided the decline in food inflation.

Table 46: Trends in GDP and its Components in Mali

YEAR/ NARRATION	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	Percentage change				Contribution to GDP growth			
Gross domestic product at market price	**3.1**	**3.5**	**4.7**	**5.0**	**3.1**	**3.5**	**4.7**	**5.0**
Primary sector	**1.5**	**3.4**	**3.7**	**6.8**	**0.5**	**1.2**	**1.3**	**2.4**
Subsistence agriculture	-15.0	14.5	-1.2	6.8				
Export agriculture	393.1	-49.9	49.5	31.3				
Breeding and hunting (herd growth rate)	2.6	3.8	4.1	4.5				
Logging and gathering	3.8	4.2	4.2	4.3				
Fishing	3.8	3.8	4.1	4.2				
Extractive activities	4.0	-3.5	3.2	6.5				
Secondary sector	**0.4**	**1.6**	**0.7**	**-1.2**	**0.1**	**0.3**	**0.1**	**-0.2**
Agrifoods industries	6.5	-6.5	6.9	7.6				
Textiles	-8.5	38.5	-18.2	16.3				
Foundry Metallurgy (Gold)	-2.5	4.0	0.5	-11.5				
Other industries	-1.5	-3.5	-2.3	3.8				
Electricity and water	10.6	5.8	0.7	4.5				
Construction	4.0	-3.5	3.2	6.5				
	0.0	0.0	0.0	0.0				
Tertiary sector	**6.0**	**6.3**	**6.6**	**6.2**	**2.1**	**2.2**	**2.4**	**2.3**
Trade	6.5	9.0	6.8	7.2				
Hospitality and catering	2.5	-2.5	7.7	5.7				
Transport and communications	7.5	6.0	6.5	8.7				
Financial activities	5.5	4.5	1.1	3.1				
Public administration activity	5.8	7.6	7.3	4.2				
Net taxes on products	4.5	-3.3	10.3	6.0	0.4	-0.3	0.8	0.5
Request								
Household final consumption	3.0	4.0	4.1	4.0				
Public administration consumption	5.8	7.6	7.3	4.2				
Gross fixed capital formation	4.8	-0.2	3.0	4.5				
Private	5.2	1.3	2.9	3.9				
Public	4.0	-3.5	3.2	6.5				
Stock variation	0.0	0.0	0.0	0.0				
Exports of goods and services	-1.5	18.7	0.9	-0.8				
Imports of goods and services	12.1	6.8	1.8	-1.6				
Real gross domestic product (in billions of FCFA)	10359.71	11080	12260	13155.9				
Nominal gross domestic product (in billions of FCFA)	10707.69	11714	12533	13408				
inflation								
On annual average	3.9	9.7	2.1	2.1				
End of period	8.8	7.8	-0.5	3.2				

Sources: BCEAO **Provisional* ***Projections*

10.2.2. Fiscal Sector

418. Total revenue and grants increased by 14.0 percent to CFAF2670 billion (21.5% of GDP) in 2023 from CFAF2,360.8 billion (20.2% of GDP) in 2022, mainly influenced by improvements in domestic revenue mobilisation and grants. Tax revenue increased by 19.6 percent to CFAF1,904.0 billion (15.2% of GDP) in 2023 from CFAF1,590.7 billion (13.6% of GDP) in 2022. Non-tax revenue and grants also increased by 15.7 percent and 15.8 percent in 2023, compared to 1.2 percent and a contraction of 35.1 percent, respectively, in 2022.

419. Total expenditure amounted to CFAF3197.3 billion (25.5% of GDP) in 2023 compared to CFAF2936.6billion (23.9% of GDP) in 2022, an increase of 8.9 percent on the back of increases in both recurrent expenditure and capital expenditure. Consequently, the fiscal operations in 2023 resulted in an overall budget deficit on commitment basis (including grants) of CFAF501.0billion (4.0% of GDP) compared to a budget deficit of CFAF570.8 billion (4.9% of GDP) in 2022. As regards excluding grants, the budget deficit amounted to CFAF546.6billion (4.4% of GDP) in 2023 compared with a deficit of CFAF613.8 billion (5.2 of GDP) in the same period in 2022.

420. The stock of public debt stood at CFAF6,565.7 billion (56.0% of GDP) at end-December 2023, compared to CFAF5,918.9 billion (50.5% of GDP) at end-December 2022. The stock of domestic debt stood at CFAF2,996.7 billion (25.6% of GDP) at end-December 2023 compared to CFAF2,567.2 billion (21.9% of GDP) at end-December 2022. The stock of external debt was

CFAF3,569.0 billion (30.4% of GDP) compared to CFAF3,351.7 billion (28.6% of GDP) at end-December 2022.

Table 47: Trends in Key Fiscal indicators in Mali

Year/ Narration	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	Percentage change				As a percentage of GDP			
Total revenue and grant	13.3	0.6	14.0	10.5	21.9	20.2	21.5	22.2
Total revenue	16.5	1.6	14.1	9.2	21.3	19.8	21.1	21.5
current revenue	16.5	1.6	-13.1	43.4	21.3	19.8	16.1	21.5
Tax revenues	13.8	-3.1	19.6	8.5	15.3	13.6	15.2	15.4
Non-tax revenue	41.9	1.2	15.7	-6.9	0.9	0.8	0.9	0.8
Other unclassified recipes	21.3	15.7	4.1	9.8	5.1	5.4	5.2	5.4
Grand	-41.4	-35.1	5.8	89.3	0.6	0.4	0.4	0.6
Projects				126.5	0.0	0.0	0.3	0.6
Programme				-9.4	0.0	0.0	0.1	0.1
Total expenses and net lending	9.3	2.2	8.9	12.3	26.8	25.0	25.5	26.7
Total Expenditure	9.2	2.2	8.9	12.2	26.8	25.1	25.5	26.8
Current expenditure	7.5	9.4	13.7	8.2	15.8	15.8	16.7	16.9
Salaries and treatments	25.1	13.2	7.4	11.8	7.2	7.5	7.5	7.9
Purchases of goods and services	36.1	-2.3	46.4	-13.0	4.1	3.6	5.0	4.0
Transfers and subsidies	-35.0	11.2	-9.3	35.7	3.1	3.1	2.6	3.4
Interest due	18.7	20.7	13.3	11.2	1.4	1.5	1.6	1.7
Interest due on domestic public debt	20.5	25.6	26.6	6.1	1.0	1.2	1.4	1.4
Interest due on external public debt	13.8	6.6	-31.4	43.2	0.4	0.3	0.2	0.3
Capital expenditures	4.6	-28.4	1.5	30.7	6.0	3.9	3.7	4.5
Financed from internal resources	5.7	-26.3	-3.2	23.8	4.6	3.1	2.8	3.3
Financed from external resources	1.0	-35.6	19.8	52.2	1.4	0.8	0.9	1.3
Net loans	-27.1	-2.0	8.1	-27.3	0.0	0.0	0.0	0.0
OVERALL BALANCE (commitment basis) (excluding donations)	-11.9	4.5	-11.0	27.1	-5.5	-5.2	-4.4	-5.2
OVERALL BALANCE (commitment basis) (including donations)	-5.8	9.6	-12.2	21.5	-4.9	-4.9	-4.0	-4.5

Sources: BCEAO **Provisional* ***Projections*

10.2.3. Monetary Sector

421. Developments in monetary aggregates showed that growth in broad money supply fell to 1.1 percent in 2023 from10.7 percent in 2022, due to the significant contraction in the NFA. The NFA contracted by 109.0 percent in 2023, following a decline of 47.6 percent at in 2022, reflecting the deterioration in the NFA of both the BCEAO and deposit banks. The NFA of BCEAO contracted by 3,761.5 percent in 2023 compared to a contraction of 98.4 percent in 2022. The NFA of deposit banks also contracted by 47.2 percent in 2023 compared a growth of 12.1 percent in 2022. The NDA grew by 10.0 percent at the end of December 2023, compared with 27.7 percent at end-December 2022, due to a sharp fall in the net claims on government and claims on the economy.

Table 48: Growth in Key Monetary Aggregates in Mali

Year/Narration	2021	2022	2023	2024*	2021	2022	2023	2024*
	Percentage change				Contribution to M2 growth			
NFA	**285.2**	**-47.6**	**-109.0**	**-1592.4**	**22.7**	**-10.7**	**-11.6**	**15.5**
BCEAO	-278.1	-98.4	-3761.5		25.9	-12.0	-6.7	
Banks	-18.5	12.1	-47.2		-3.2	1.2	-4.9	
Domestic claims	**18.9**	**27.7**	**10.0**	**15.0**	**20.0**	**25.6**	**10.6**	**17.8**
Net claims on the Central Administration	39.1	78.5	35.0	25.4	6.7	13.6	9.8	9.7
BCEAO	269.4	15.1	-4.3		8.7	1.3	-0.4	
Banks	-14.8	143.0	53.9		-2.0	12.3	10.2	
Claims on the economy	15.0	16.0	1.1	10.1	13.3	11.9	0.8	8.1
Other net items (3)	45.7	28.3	1.1	154.2	-6.3	-4.1	-0.2	-26.7
Money supply (M2)	**36.4**	**10.7**	**-1.1**	**6.5**				
M1	45.9	12.1	-4.2					
Fiduciary circulation	130.1	12.4	-14.4	-11.2				
Transferable deposits	22.3	12.0	1.1	11.3				
Term deposits	17.0	7.1	7.2					

*Sources: BCEAO *Projections*

10.2.4. External Sector

422. The current account deficit narrowed to CFAF377.4 billion (3.0% of GDP) in 2023 from CFAF920.3 billion (7.9% of GDP) recorded in 2022, reflecting improvement in the trade balance. The capital account surplus also increased to CFA82.26 billion (0.65% of GDP) in 2023 from CFAF71.70 billion (0.63% of GDP) in 2022, reflecting increase in capital transfers to the country. However, the financial account witnessed significant net outflows of CFAF259.26 billion (2.0% of GDP) in 2023, compared to net inflows of CFAF406.9 billion (0.3% of GDP) in 2022. The developments in the financial account reflected a significant outflow from the other investment account in 2023. Consequently, the external sector performance worsened as the overall BOP deficit widened to of CFAF554.3 billion (4.4% of GDP) in 2023, compared with a deficit of CFAF459.20 billion (3.9% of GDP) in the previous year due largely to the deterioration of the goods and services account and the primary income account.

Table 49: Trends in Balance of Payments Indicators in Mali

Year/Narration	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	In billions of FCFA				As a percentage of GDP			
a- Current transactions account (1+2+3)	-814.34	-920.30	-377.37	-87.98	-7.6	-7.9	-3.0	-0.7
1- Goods and services	-1228.42	-1501.50	-700.85	-412.30	-11.5	-12.8	-5.6	-3.1
Balance of goods	-169.24	-298.70	215.79	387.52	-1.6	-2.5	1.7	2.9
FOB exports of goods	2693.84	3353.60	3443.82	3957.45	25.2	28.6	27.5	29.5
Imports of goods FOB	-2863.08	-3652.30	-3228.03	-3569.94	-26.7	-31.2	-25.8	-26.6
Balance of services	-1059.18	-1202.80	-916.64	-799.82	-9.9	-10.3	-7.3	-6.0
Of which travel	105.48	88.80	98.00	103.00	1.0	0.8	0.8	0.8
Including freight and insurance	-628.48	-801.70	-708.59	-783.64	-5.9	-6.8	-5.7	-5.8
2- Primary income	-456.48	-488.10	-465.82	-491.02	-4.3	-4.2	-3.7	-3.7
Including interest on debt	-38.00	-40.50	-27.80	-39.80	-0.4	-0.3	-0.2	-0.3
3- Secondary income	870.55	1069.30	789.30	815.34	8.1	9.1	6.3	6.1
- Public administrations	336.30	504.90	188.81	180.30	3.1	4.3	1.5	1.3
Including budgetary aid	18.00	10.10	12.50	11.30	0.2	0.1	0.1	0.1
Including remittances from migrants	586.10	639.70	661.05	695.58	5.5	5.5	5.3	5.2
b- Capital account (4+5)	76.60	71.70	82.26	116.28	0.7	0.6	0.7	0.9
5- Capital transfers	78.53	73.80	82.26	116.28	0.7	0.6	0.7	0.9
- Public administrations	57.17	42.30	48.30	80.20	0.5	0.4	0.4	0.6
Debt forgiveness	8.79	9.30	5.10	5.20	0.1	0.1	0.0	0.0
Other capital transfers	48.38	33.00	43.20	75.00	0.5	0.3	0.3	0.6
c- Financial account	-657.88	-406.90	259.26	-602.56	-6.1	-3.5	2.1	-4.5
6- Direct investment	-323.88	-419.10	-369.28	-409.80	-3.0	-3.6	-2.9	-3.1
7- Portfolio investments	-392.94	-121.70	12.22	-435.63	-3.7	-1.0	0.1	-3.2
8- Financial derivatives	0.00	0.00	0.00	0.00	0.0	0.0	0.0	0.0
9- Other investments	58.95	133.90	616.32	242.87	0.6	1.1	4.9	1.8
- Public administrations	-15.20	70.90	39.40	76.60	-0.1	0.6	0.3	0.6
d- Clear errors and omissions	22.06	-17.40	0.00	0.00	0.2	-0.1	0.0	0.0
e- Overall balance	-57.80	-459.20	-554.37	630.86	-0.5	-3.9	-4.4	4.7

Sources: BCEAO **Provisional* ***Projections*

10.3. Status of Macroeconomic Convergence

423. With regards to macroeconomic convergence, Mali met three out of the four primary macroeconomic convergence criteria in 2023 (namely annual average inflation, central bank financing of the budget deficit, and foreign exchange reserves) but missed the budget deficit criterion. In terms of the secondary criteria, the country met both the nominal exchange rate variation and public debt-to-GDP targets. Overall, the country met five out of the six convergence criteria. The summary of the performance is presented below:

Primary criteria

424. The budget deficit on a commitment basis, including grants, was 4.0 percent of GDP compared to 4.9 percent of GDP in 2022. The average annual inflation rate declined to 2.1 percent from 9.7 percent in 2022, thus complying with the 5 percent threshold set in the MCSP. Gross external

reserves was estimated at 3.6 months of imports of goods and services in 2023 compared to 4.2 months of imports in 2022, satisfying the minimum threshold of 3 months. No central bank financing of the budget deficit was recorded in 2023.

Secondary criteria

425. The variation in the average nominal exchange rate of the CFA franc against the WAUA in 2023 was 2.9 percent, below the threshold of -/+10 percent. The public debt stock stood at 53.4 percent of GDP in 2023 compared to 49.9 percent of GDP in 2022, thus satisfying the 70 percent threshold set out in the MCSP.

Table 50: Status of Macroeconomic Convergence in Mali

Criteria	Target	2021	2022	2023*	2024**
Primary Criteria		***3***	***2***	***3***	***3***
i. Budget Deficit / GDP	≤ 3 percent	4.8	4.9	4.0	4.4
ii. Annual Average Inflation	≤ 5 percent	3.9	9.7	2.1	2.1
iii. Central Bank Financing of Budget Deficit	≤ 10 percent	0.0	0.0	0.0	0.0
iv. Gross External Reserves	≥ 3 mths Imp	6.5	4.2	3.6	4.4
Secondary Criteria		***3***	***2***	***3***	***3***
i. Nominal Exchange Rate Stability	± 10 percent	1.5	-5.3	2.9	2.9
ii. Public Debt / GDP	≤ 70 percent	52.0	49.9	53.4	51.6
Total number of convergence criteria met		***5***	***4***	***5***	***5***

Source: WAMA, BCEAO **Provisional* ***Projections*

10.4. Prospects

426. GDP growth is expected to strengthen slightly to 5.0 percent in 2024, supported by both primary and tertiary sectors. Inflationary pressures are expected to moderate to 2.1 percent in both 2023 and 2024. The fiscal operations would benefit from improved revenue mobilisation and expenditure restraints. The overall deficit (including grants) is projected at 4.5 percent of GDP in 2024 while the public debt stock is expected to reach 51.6 percent of GDP at the end of 2024.

10.5. Conclusion and Recommendations

427. In spite of the difficult security situation and the less favourable international environment, the country's economy performed well in 2023, with growth reaching 4.7 percent. The growth dynamics were underpinned by the good performance of the primary and service sectors. Inflationary pressures eased, due to improved food production which led to decrease in food prices. In terms of macroeconomic convergence, the country met three primary criteria (annual average inflation, central bank financing of the budget deficit, and gross foreign exchange reserves). The country also met both secondary criteria in 2023.

428. To strengthen economic resilience and improve performance on the macroeconomic convergence scale, the following policy recommendations have been made:

i. Reinforce policies to support the agricultural sector, in particular by subsidising agricultural inputs and promoting mechanisation;
ii. Accelerate the implementation of the National Fiscal Transition Programme (PNTF) and improve fiscal management;
iii. Pursue reforms to improve the efficiency of tax and customs administration through the promotion of tax compliance and broadening of the tax base by extending taxes to untaxed

products (mobile phones and tablets) while minimising tax exemptions, particularly in the petroleum sector;

iv. 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; and

v. Intensify efforts to improve security, particularly in areas with high agricultural production potential.

11. NIGER

11.1. Introduction

429. Niger's economic policy thrust for 2023 was anchored on its second Economic and Social Development Plan (PDES 2022-2026), which aims to strengthen the country's economic and social resilience by consolidating key achievements of the government and continued implementation of the 3N Initiative as well as completing major infrastructure works. However, Niger's economic programme for 2023 was severely disrupted following the heavy sanctions imposed on the country at both the regional and international levels. With around 40.0 percent of the national budget expected to be financed from donor sources, the sanctions led to a significant downwards revision of revenue targets. Key macroeconomic targets for 2023 were as follows:

i. Real GDP growth of at least 4.4 percent in 2023;
ii. Budget deficit of 4,2 percent of GDP; and
iii. Annual average inflation rate of 4.0 percent.

11.2. Sectoral Analysis

11.2.1. Real Sector

430. Real GDP growth slowed markedly to 2.5 percent in 2023, from 11.9 percent in 2022, mainly attributed to the decline in the growth of the primary and tertiary sectors, despite the projected increase in the growth of the secondary sector. The primary sector growth slowed to 4.5 percent in 2023, from 25.5 percent in 2022, explained by the slowdown in the value added of agriculture as well as the base effect. The secondary sector recorded 2.9 percent growth during the period under review against 2.5 percent in 2022, reflecting significant growth in the extractive industries. The tertiary sector grew by 1.7 percent in 2023 compared to 5.5 percent in 2022, mainly due to significant contraction in the banking, insurance and other market services despite the impressive performance of the trade sub-sector.

431. In terms of contribution to GDP growth, the primary sector contributed 1.7 percentage points in 2023 compared to a contribution of 8.8 percentage points in 2022. The secondary sector contributed 0.6 percentage point to growth against the contribution of 0.5 percentage point in 2022 while the tertiary sector contributed 0.2 percentage point to GDP growth in 2023 compared to 2.5 percentage points in 2022.

432. With regards to price developments, inflation generally declined in the review period, with average annual inflation recorded at 3.7 percent in 2023 compared to 4.2 percent in 2022. End-period inflation, however, accelerated in the second half of 2023 to 7.2 percent in December 2023 from 3.1 percent in December 2022. The increased inflationary pressures experienced in the second half were mainly driven by the ECOWAS sanctions that cut off Niger from many of its traditional trading partners, thereby worsening food insecurity among vulnerable groups, shortage of medicine, cereals, and imported foodstuffs like sugar, powdered milk, and vegetable oil.

Table 51: Trends in GDP and its Components in Niger

	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	Percentage change				Contribution to growth			
Real GDP at market prices	**1.4**	**11.9**	**2.5**	**10.6**	**1.4**	**11.9**	**2.5**	**10.6**
Primary sector	**-5.1**	**25.5**	**4.5**	**8.1**	**-1.9**	**8.8**	**1.7**	**3.2**
Agriculture	-12.0	38.0	3.1	9.1				
Subsistence agriculture	-12.7	35.3	7.3	9.6				
Agriculture d'exportation	2.5	35.3	-3.6	8.0				
Breeding, Hunting	4.6	4.7	4.9	5.0				
Logging	3.7	3.8	3.8	3.8				
Fishing	5.2	6.8	6.6	6.2				
Secondary sector	**4.1**	**2.5**	**2.9**	**19.9**	**0.9**	**0.5**	**0.6**	**4.0**
Mining and quarrying	0.2	-0.1	-1.5	49.6				
Crude oil	2.4	1.3	12.7	121.7				
Food, Beverages, Tobacco	4.5	4.5	-4.1	6.0				
Electricity generation/distribution, gas	7.7	6.8	6.7	4.2				
Constructions	8.9	5.0	4.6	8.1				
Tertiary sector	**5.4**	**5.5**	**1.7**	**5.7**	**2.4**	**2.5**	**0.2**	**3.5**
Commerce	3.9	5.5	2.0	3.6				
Transports	8.6	6.5	4.3	20.9				
Hotels and Restaurants	6.5	4.7	-0.5	4.7				
Communications	7.3	7.1	9.8	7.8				
Other market services	4.1	8.8	-0.8	4.0				
Demand								
Final consumption expenditure	3.3	4.2	4.2	8.3				
Private	2.9	3.5	1.5	7.9				
Public	5.2	7.1	14.7	9.4				
Gross capital formation (Investment)	-0.7	32.3	-5.3	-4.4				
Gross fixed capital formation	0.5	6.5	-0.2	13.6				
Public	0.9	-0.3	-31.2	14.6				
Private	0.3	9.9	14.6	14.0				
Exports of goods and services	4.1	0.3	9.8	75.1				
Imports of goods and services	6.4	3.8	0.5	6.9				
Inflation								
Annual average	3.8	4.2	3.7	4.3				
At the end of the period	4.9	3.1	7.2	1.3				

Sources: BCEAO **Provisional **Projections*

11.2.2. Fiscal Sector

433. Total revenue and grants amounted to CFAF1,063.1 billion (10.4% of GDP) in 2023 compared CFAF1,430.1billion (14.9% of GDP) in 2022, arising from drastic decline in tax revenue mobilisation and grants. Tax revenue declined by 9.9 percent to CFAF821.0 billion (8.0% of GDP) in 2023, from the CFAF910.8 billion (9.5% of GDP) recorded in 2022, due to decline in collection of tax arrears by state-owned enterprises, telecommunication companies, as well as from other private sector entities. Grants also declined by 61.3 percent to CFAF175.0 billion (1.7% of GDP) in 2023, from CFAF452.3 billion (4.7% of GDP) recorded in 2022.

434. Total expenditure and net lending amounted to CFAF1,611.0 billion (15.8% of GDP) in 2023 relative to CFAF2,075.7 billion (21.6% of GDP) in 2022, reflecting increase in recurrent expenditure (1.5%). However, capital expenditure declines (-44.8%). The increase in recurrent expenditure is reflecting the increase in salaries and wages (5.9%) and interest payments (18.3%), Consequently, the overall budget deficit on commitment basis (including grants) stood at CFAF547.9 billion (5.4% of GDP) in 2023 compared to CFAF645.5 billion (6.7% of GDP) in 2022. Excluding grants, the deficit was CFAF722.9 billion (7.1% of GDP) compared to CFAF1097.8 billion (11.4% of GDP) in 2022.

435. The stock of public debt stood at CFAF5,676.8 billion (54.9% of GDP) at end-December 2023, compared to CFAF4,880.2 billion (50.7% of GDP) at end-December 2022. The 16.3 percent year-on-year growth in the stock of public debt emanated from a 23.7 percent increase in domestic debt and 12.2 percent increase in external debt stocks. The stock of domestic debt was

CFAF2,142.1 billion (20.7% of GDP) at end-December 2023 compared to CFAF1,731.1 billion (18.0% of GDP) at end-December 2022. The stock of external debt stood at CFAF3,534.7 billion (34.2% of GDP) compared to CFAF3,149.1 billion (32.7% of GDP) at end-December 2022.

Table 52: Trends in Key Fiscal Indicators in Niger

	2021	2022	2023	2024	2021	2022	2023*	2024**
	Percentage Change				Percent of GDP			
Total Receipts and Donations	9.4	-5.8	-25.7	36.8	18.4	14.9	10.4	12.4
Total Revenue (TOFE)	7.1	7.1	-9.2	24.1	11.0	10.2	8.7	9.4
Tax revenue	9.4	9.5	-9.9	19.3	10.1	9.5	8.0	8.3
Taxes on income, profits and capital gains	8.8	16.2	14.3	19.6	2.5	2.5	2.7	2.8
Income Tax from Securities (IRVM)	23.9	39.2	-1.0	4.2	0.1	0.1	0.1	0.1
Taxes on salaries paid and other remuneration	20.6	-2.3	6.3	0.2	0.9	0.7	0.7	0.6
Wealth and other taxes	8.3	22.1	-7.1	30.2	0.2	0.2	0.2	0.2
Taxes on goods and services	17.8	9.3	-12.8	20.9	3.9	3.6	3.0	3.1
VAT	1.8	8.0	-7.8	-17.2	2.0	1.8	1.6	1.1
Non-tax revenue	-9.4	-19.6	-9.6	119.3	0.8	0.6	0.5	0.9
Donations	12.9	-25.3	-61.3	101.7	7.3	4.7	1.7	3.0
Budget support (Budget aid + other funds conc.)	-2.9	-53.6	-37.7	32.7	1.9	0.8	0.5	0.5
Project donations	19.9	-15.2	-65.9	126.3	5.4	3.9	1.3	2.5
Total Expenditures	10.9	3.4	-22.4	21.0	24.3	21.6	15.8	16.6
Current expenditure	9.2	8.4	1.5	16.5	10.7	10.0	9.6	9.7
Salaries and wages	6.7	8.9	5.9	8.3	3.8	3.6	3.6	3.4
Procurement of goods and services	3.5	-1.7	-12.9	34.1	1.6	1.4	1.1	1.3
Grants and transfers	20.4	9.5	-10.5	13.9	3.9	3.7	3.1	3.1
Interest payable	13.3	27.3	18.3	36.6	1.1	1.2	1.4	1.6
Domestic debt	2.7	36.8	31.3	57.6	0.7	0.8	1.0	1.3
External debt	33.6	13.5	-4.7	-14.4	0.5	0.4	0.4	0.3
Capital expenditures	12.9	-3.7	-44.8	34.7	13.0	10.8	5.6	6.6
From budgetary resources	13.2	1.2	-50.1	10.8	5.5	4.7	2.2	2.1
On external resources	12.7	-7.1	-40.6	50.5	7.6	6.1	3.4	4.4
Net lending	-2.7	83.6	-19.0	-37.8	0.5	0.8	0.6	0.3
Budgetary balance on the basis of commitments including grants	16.0	32.2	-15.1	-9.7	-5.9	-6.7	-5.4	-4.2
Budgetary balance on the basis of commitments excluding grants	14.2	0.4	-34.2	17.3	-13.2	-11.4	-7.1	-7.2

Sources: BCEAO **Provisional **Projections*

11.2.3. Monetary Sector

436. Developments in monetary aggregates showed that growth in broad money supply (M2) fell by 0.9 percent in December 2023 compared to a growth of 11.9 percent in December 2022, due to the contraction in the NFA of the banking system. NFA contracted by 42.8 percent in 2023 compared to a small contraction of 0.2 percent in a year ago, owing to the significant contraction of the NFA of the BCEAO (76.9%) during the period. The NDA grew by 24.3 percent in December 2023 compared to 20.7 percent in December 2022, reflecting an increase in net claims on government, which grew by 127.3 percent during the period. Claims on the private sector fell 7.6 percent at end-December 2023 against a growth of 12.6 percent at end-December 2022.

Table 53: Growth in Key Monetary Aggregates in Niger

	2021	2022	2023	2021	2022	2023
Assets	Percentage change			Contribution to M2 growth		
NFA	25.2	-0.2	-42.8	9.3	-0.1	-16.1
Central bank	5.7	-12.2	-76.9	1.5	-3.1	-15.2
Deposit banks	72.5	17.6	-4.9	7.8	3.0	-0.9
NDA	0.7	20.7	24.3	0.4	12.0	15.1
Net claims on central government	-24.6	54.7	127.5	-3.1	4.8	15.4
Central bank	-123.2	-571.3	228.0	-5.2	5.1	8.6
Deposit banks	24.2	-3.2	82.3	2.1	-0.3	6.9
Claims on the economy	15.4	12.6	-7.6	10.6	9.1	-5.6
Claims on local authorities	-75.6	639.6	-13.9	-0.8	1.5	-0.2
Central bank	0.0	0.0	0.0	0.0	0.0	0.0
Deposit banks	-75.6	639.6	-13.9	-0.8	1.5	-0.2
Claims on public enterprises	18.6	0.8	-10.8	1.1	0.1	-0.6
Central bank				0.0	0.0	0.0
Deposit banks	18.6	0.8	-10.8	1.1	0.1	-0.6
Claims on the private sector	16.7	11.5	-7.2	10.3	7.6	-4.7
Claims on non-financial private sector	-9.9	-9.9	0.3	0.0	0.0	0.0
Liabilities						
Money supply (M2)	9.7	11.9	-0.9	9.7	11.9	-0.9
Money supply (M1)	8.3	15.5	0.3	6.4	12.0	0.2
Banknote circulation	-3.4	17.7	9.1	-1.3	5.9	3.2
Demand deposits	19.3	13.9	-6.7	7.7	6.1	-3.0
Time deposits	15.0	-0.2	-5.7	3.3	-0.1	-1.2
Non-monetary liabilities	13.9	19.1	-21.7	2.6	3.7	-4.4

Sources: BCEAO

11.2.4. External Sector

437. The current account deficit narrowed to CFAF 1,256.7billion (12.3% of GDP) in 2023 from CFAF1,559.5 billion (16.2% of GDP) in 2022, driven by improvement in the trade balance. However, the surplus on the capital account declined, due to declining inflow of capital transfers. The financial account recorded a net borrowing (inflows) of CFAF 769.0 billion (7.5% of GDP) in 2023, from a net borrowing of CFAF 1,116.2 billion (11.6% of GDP) in 2022, mainly driven by declines in FDI, portfolio investment, and other investments inflows. Consequently, overall BOP recorded a higher deficit of CFAF 299.3 billion (2.9% of GDP) in 2023 compared to CFAF1.7 billion (0.0% of GDP) in 2022.

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

	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	In billions of FCFA				Percent of GDP			
a- Current account (1+2+3)	-1164.01	-1559.50	-1256.70	-376.98	-14.1	-16.2	-12.3	-3.2
1- Goods and services	-1408.41	-1907.50	-1421.99	-630.83	-17.0	-19.8	-13.9	-5.4
Balance of goods	-893.28	-1288.90	-920.32	-217.11	-10.8	-13.4	-9.0	-1.8
FOB exports of goods	671.90	652.60	609.29	1193.91	8.1	6.8	6.0	10.2
Imports of goods FOB	-1565.18	-1941.50	-1529.61	-1411.02	-18.9	-20.2	-15.0	-12.0
Balance of services	-515.13	-618.60	-501.67	-413.72	-6.2	-6.4	-4.9	-3.5
Of which travel	66.36	73.40	58.99	83.48	0.8	0.8	0.6	0.7
Including freight and insurance	-407.32	-505.20	-398.02	-368.32	-4.9	-5.3	-3.9	-3.1
2- Primary income	-131.28	-140.00	-94.41	-86.57	-1.6	-1.5	-0.9	-0.7
Including interest on debt	-37.90	-43.00	-41.40	-6.60	-0.5	-0.4	-0.4	-0.1
3- Secondary income	375.68	488.00	259.70	340.42	4.5	5.1	2.5	2.9
Including budgetary aid	158.99	73.80	46.00	78.40	1.9	0.8	0.5	0.7
Including remittances from migrants	143.35	384.60	327.82	347.90	1.7	4.0	3.2	3.0
b- Capital account	489.31	435.00	188.38	438.01	5.9	4.5	1.8	3.7
5- Capital transfers	489.22	435.00	188.38	438.01	5.9	4.5	1.8	3.7
- Public administrations	446.15	378.50	129.00	375.30	5.4	3.9	1.3	3.2
Other capital transfers	446.15	378.50	129.00	375.30	5.4	3.9	1.3	3.2
- Other sectors	43.07	56.50	59.38	62.71	0.5	0.6	0.6	0.5
c- Financial account (6+7+8+9)	-822.40	-1116.20	-769.00	-395.28	-9.9	-11.6	-7.5	-3.4
6- Direct investment	-308.08	-597.10	-391.47	-109.08	-3.7	-6.2	-3.8	-0.9
7- Portfolio investments	-382.42	-157.50	-195.30	-67.14	-4.6	-1.6	-1.9	-0.6
8- Financial derivatives	-0.07	0.00	0.00	0.00	0.0	0.0	0.0	0.0
9- Other investments	-131.84	-361.60	-182.23	-219.06	-1.6	-3.8	-1.8	-1.9
d- errors and omissions	-7.49	6.60	0.00	0.00	-0.1	0.1	0.0	0.0
e- Overall balance	140.22	-1.70	-299.32	456.31	1.7	0.0	-2.9	3.9
Memorandum Items								
Nominal GDP in billions of CFA francs	8,271	9,621	10,202	11,744				
Current account/GDP (%)	-14.07	-16.20	-12.32	-3.40				
FDI growth rate (%)	54.85	93.80	-34.44	-72.14				
Coverage rate: Export b&s/Import b&s (%)	36.98	31.00	34.78	68.76				

*Source: BCEAO *Provisional **Projections*

11.3. Status of Macroeconomic Convergence

438. With regards to macroeconomic convergence, Niger met two out of the four primary convergence criteria (central banking financing and gross external reserves) but missed the annual average inflation and he budget deficit criteria. On the secondary convergence scale, the country met both the nominal exchange rate variation and public debt to GDP ratio criteria. Overall, the country met four out of the six convergence criteria. The summary of the performance is presented below:

Primary criteria

439. The budget deficit on a commitment basis, including grants, was 4.8 percent of GDP compared to 6.8 percent of GDP in 2022. The average annual inflation rate was to 3.7 percent compared to 4.2 percent in 2022. Gross external reserves were equivalent to 3.6 months of imports of goods and services in 2023 compared to 4.2 months of imports in 2022. No central bank financing of the budget deficit was recorded in 2023, thus meeting two out of four primary convergence criteria in 2023.

Secondary criteria

440. The variation in the average nominal exchange rate of the CFA franc against the WAUA in 2023 was 2.9 percent, within the threshold of -/+10 percent. The public debt stock stood at 54.9 percent of GDP in 2023 compared to 50.7 percent of GDP in 2022, thus satisfying the 70 percent threshold set out in the MCSP.

Table 55: Status of Macroeconomic Convergence in Niger

Criteria	Target	2021	2022	2023*	2024**
Primary Criteria		**3**	**3**	**2**	**3**
i. Budget Deficit / GDP	≤ 3 percent	6.1	6.8	4.8	4.2
ii. Annual Average Inflation	≤ 5 percent	3.8	4.2	3.7	4.0
iii. Central Bank Financing of Budget Deficit	≤ 10 percent	0.0	0.0	0.0	0.0
iv. Gross External Reserves	≥ 3 mths Imp	6.5	4.2	4.0	4.5
Secondary Criteria		**2**	**2**	**2**	**1**
i. Nominal Exchange Rate Stability	± 10 percent	1.5	-5.3	2.9	2.9
ii. Public Debt / GDP	≤ 70 percent	50.8	50.7	54.9	52.4
Total number of convergence criteria met		**5**	**5**	**4**	**4**

Source: Nigerien Authorities **Provisional* ***Projections*

11.4. Prospects

441. Growth is expected to rebound to 13.0 percent in 2024 before easing to 7.4 percent in 2025, premised on the lifting of sanctions by the international community and the subsequent inflow of foreign aid, commencement of commercial oil production and exports, and the revitalisation of the agricultural sector. Inflation is expected to remain at around 4.0 percent in 2024, declining to 3.0 percent in 2025 premised on the lifting of sanctions by the international community and the moderation of food inflation anchored on the expected positive performance of the agricultural sector.

11.5. Conclusion and Recommendations

442. In 2023, real GDP growth slowed significantly to 4.4 percent from 11.9 percent in 2022, mainly due to slowdowns in the primary and tertiary sectors. The fiscal situation also improved as the budget deficit narrowed 4.8 percent in 2023 compared to 6.8 percent in 2022. End-period inflation, however, accelerated in the second half of the year to 7.2 percent in December2023. On the macroeconomic convergence scale, the country met two primary convergence criteria and both secondary criteria in 2023.

443. The enhance Niger’s macroeconomic performance, the authorities are urged to consider the following recommendations:

i. Adopt a prudent oil revenue management strategy to ensure judicious use of oil resources following the commencement of crude oil exports;
ii. strengthen water management policy through the "3N" Initiative to boost irrigation for crop production and the promotion of export products in order to accelerate economic growth;
iii. Enhance domestic revenue mobilisation by broadening the tax base and limiting tax exemptions in order to create fiscal space for priority spending;
iv. Prioritise digitisation of tax and customs administrations with a view to enhancing efficiency in revenue administration;

v. Intensify efforts at curbing insecurity and protecting lives and property to create an enabling environment for businesses to thrive; and
vi. Strengthen water management policy through the "3N" Initiative to boost irrigation for crop production and the promotion of export products in order to accelerate economic growth.

12. NIGERIA

12.1. Introduction

444. Nigeria's 2023 macroeconomic policy thrust aims to accentuate the implementation of the National Development Plan 2021–2025, which focuses on implementing policies and programmes aimed at unlocking the potential in all sectors of the economy for a sustainable, holistic, and inclusive national development. The key objectives include achieving economic diversification, increased investment in infrastructure, improved security and good governance as well as investment in education, health and social investment to alleviate poverty.

445. Consequent to the above, the macroeconomic targets for 2023 are set as follows:

    i. Real GDP growth of 3.8 percent;
    ii. Annual average inflation rate of 17.2 percent;
    iii. Overall budget deficit of 5.1 percent of GDP (revised); and
    iv. Gross external reserves of at least 5.0 months of imports of goods and services

446. The Nigerian economy witnessed low but positive growth across the three main sectors in 2023, mainly supported by the activities in the non-oil sector. Provisional data for 2023 showed that:

- Real GDP growth slowed to 2.9 percent in 2023 from 3.3 percent in 2022;
- Inflationary pressures surged as end-period inflation (year-on-year) rose to 28.9 percent in 2023 from 21.3 percent in 2022;
- The monetary policy rate was increased cumulatively in 2023 by 225 basis points to 18.75 percent from 16.5 percent in November 2022;
- External sector performance in 2023 was unfavourable as the overall BOP deficit worsened to US$3,335.92 million (0.9% of GDP) in 2023, against US$3,323.17 million (0.7% of GDP) in 2022;
- The naira on average depreciated by 34.5 percent to an average of ₦645.79/WAUA in 2023 from ₦425.54/WAUA in 2022; and
- With regards to macroeconomic convergence, Nigeria satisfied one (1) each of the primary and secondary criteria in 2023.

12.2. Sectoral Analysis

12.2.1. Real Sector

447. Real GDP growth slowed to 2.9 percent in 2023 from 3.3 percent in 2022, mainly reflecting lower output in the agriculture and services sectors arising from global and domestic headwinds. Despite the hike in fuel prices following the deregulation of the downstream petroleum sector, gains from the fight against oil theft moderated its impact, leading to the recovery in industrial growth. The contraction of the petroleum sector which started in 2020 persisted in 2023, but at a declining rate. The non-oil sector on the other hand remained resilient, maintaining a positive contribution to growth.

448. The secondary sector recovered, with a modest growth rate of 0.7 percent in 2023 against the contraction of 4.6 percent in 2022, mainly supported by the manufacturing sub-sector. Growth

in the oil sub-sector remained negative, but recorded a lower contraction of 2.2 percent compared to a decline of 19.2 percent recorded in 2022, reflecting the gradual progress in the fight against pipeline vandalism and oil leakages. However, poor infrastructure and low investment still constitute the bane of industrial development.

449. Growth in the primary and tertiary sectors slowed to 1.1 percent and 4.2 percent in 2023 from 1.9 percent and 6.7 percent in 2022, respectively. The tertiary sector's performance slowed due to subdued growth in the trade and real estate subsectors while the performance of the primary sector was mainly influenced by low crop production and livestock activities as a result of the upsurge in prices of herbicides and other inputs used in crop production and hike in animal feeds, which affected livestock production.

450. With regards to the contributions to real GDP growth, agriculture (primary sector) contributed 0.3 percentage point, lower that the contribution of 0.5 percentage point in 2022. Industry (secondary sector) contributed 0.1 percentage point in 2023 against the negative contribution of 1.0 percentage point realised in 2022. The services sector (tertiary) contributed the highest at 2.3 percentage points in 2023 compared to the 3.6 percentage points contributed in 2022.

451. In terms of sectoral distribution, the services sector continues to dominate economic activities. The services sector accounted for 56.2 percent compared to 55.4 percent in 2022 while the agriculture and industry sectors account for 25.2 percent and 18.6 percent in 2023 compared to 25.6 percent and 19.0 percent, respectively, in 2022.

452. Despite the tight monetary policy stance for the most part of 2023, inflationary pressures persisted, mainly reflecting increased energy and food prices, and exchange rate pass-through. Annual average inflation rose to 24.7 percent in 2023 from 18.8 percent in 2022 while end-period inflation (year-on-year) rose to 28.9 percent in 2023 from 21.3 percent in 2022.

Table 56: Trends in GDP and its Components in Nigeria

Economic Activity	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	Percentage Change				Contribution to Growth Rate			
Real GDP Growth Rate	3.6	3.3	2.9	3.3	3.6	3.3	2.9	3.3
SUPPLY								
Agriculture	2.1	1.9	1.1	1.1	0.6	0.5	0.3	0.9
Industry	-0.5	-4.6	0.7	2.9	-0.1	-1.0	0.1	0.7
o/w Mining and Quarrying	-7.8	-18.2	-2.8	6.6	-0.6	-1.3	-0.2	0.2
o/w Crude Petroleum	-8.3	-19.2	-2.2	5.9	-0.7	-1.4	-0.1	0.2
Manufacturing	11.2	2.5	1.9	1.7	1	0.2	0.2	0.3
Construction	3.1	4.5	3.6	0.0	0.1	0.2	0.1	0.1
Services	5.6	6.7	4.2	4.1	2.9	3.6	2.3	1.9
o/w Trade	8.6	5.1	1.7	0.0	1.3	0.8	0.3	0.6
Net Indirect Taxes	25.8	14.2	10.8	21.2	0.2	0.2	0.2	-0.3
GDP at Constant 2010 prices (N' Billion)	72,393.67	75,768.95	77,936.10	80,507.99				
GDP at current market prices (N' Billion)	176,075.50	202,365.03	234,425.91	236,305.20				
Inflation Rates								
Annual Average	17.0	18.8	24.7	26.3				
End-Period	15.6	21.34	28.9	24.0				

*Source: National Bureau of Statistics (NBS): *Provisional **Projections*

12.2.2. Fiscal Sector

453. Fiscal policy in 2023 was underpinned by fiscal consolidation with the implementation of broad reforms under the Strategic Revenue Growth Initiative (SRGI) to increase the fiscal space and

ensure fiscal sustainability. Key reforms were implemented in tax administration, public expenditure management and public debt management. Given these policy actions, non-oil revenue improved tremendously while oil revenue was slightly enhanced.

454. The Federation revenue (gross) in 2023 rose by 16.7 percent to ₦15,616.8 billion (6.7% of GDP) from ₦13,383.7 billion (6.6% of GDP) in 2022, occasioned by improvement in tax collections. In terms of share in total federally collected revenue, the tax and non-tax revenue accounted for 79.1 percent and 20.9 percent, respectively.

455. Tax revenue stood at ₦12,348.9 billion (5.3 % of GDP) in 2023 compared to ₦10,179.4 billion (5.0% of GDP) in 2022, mainly reflecting increased Petroleum Profit Tax (PPT) & royalties and corporate tax receipts. Similarly, non-tax revenue was recorded at ₦3,267.9 billion (1.4% of GDP) in 2023 against ₦3,204.4 billion (1.6% of GDP) in 2022, reflecting an increase in internally generated fund by Ministries, Departments and Agencies of government in the period under consideration. Of the total Federation revenue (net), the Federal Government retained 2.6 percent of GDP (₦5,998.3 billion) in 2023 compared to 2.5 percent of GDP (₦4,975.3 billion) in 2022, exceeding receipts in the preceding corresponding period by 20.6 percent.

456. The total expenditure increased markedly by 41.9 percent to ₦19,012.1 billion (8.1% of GDP) in 2023 from ₦13,394.9 billion (6.6% of GDP) in 2022. The increase was mainly due to recurrent spending, which rose by 26.3 percent to ₦14,525.9 billion (6.2% of GDP) from the ₦11,501.3 billion (5.7% of GDP) recorded in 2022, reflecting, mainly expenditures on wages and salaries, interest payments and transfers to households. The wage bill rose to ₦3,965.9 billion (1.7% of GDP) from ₦3,509.0 billion (1.7% of GDP). Similarly, interest payments, and transfers increased to ₦8,068.4 billion (3.4% of GDP) and ₦1,034.7 billion (0.4% of GDP) from ₦5,656.6 billion (2.8% of GDP) and ₦745.1 billion (0.4% of GDP), respectively.

457. Capital expenditure rose significantly by 136.9 percent to ₦4,486.2 billion (1.9% of GDP) in 2023 from ₦1,893.5 billion (0.9% of GDP) in 2022, which was financed mainly from domestic sources. This development was influenced by the 2022 capital budget released in 2023, accounting for 55.7 percent of the cumulative capital expenditure in 2023.

458. Consequent to the above developments, fiscal operations resulted in an overall budget deficit on a commitment basis of ₦13,013.8 billion (5.6% of GDP) compared to ₦8,419.5 billion (4.2% of GDP) in 2022. The corresponding primary balance was ₦4,945.4 billion (2.1% of GDP) relative to ₦2,762.9 billion (1.4% of GDP) in 2022.

459. The Federal government debt, including the contingent liabilities of State governments at end-December 2023, amounted to ₦97,340.7 billion (41.5% of GDP) compared to ₦46,250.4 billion (22.9% of GDP) at end-December 2022. The 110.5 percent increase in public debt mainly reflected the securitisation of Federal Government of Nigeria (FGN) Ways and Means Advances as well as new borrowings - additional disbursements from both multilateral and bilateral sources. External debt which accounts for 39.3 percent of the total debt stock was largely influenced by the exchange rate depreciation during the period while domestic debt which accounted for 60.7 percent of the total debt stock increased due to new bond issue.

Table 57: Trends in Key Fiscal Indicators in Nigeria

Fiscal Operations	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	Percentage Change				Percent of GDP			
Total Revenue and Grants	18.1	21.8	16.7	57.1	6.2	6.6	6.7	10.4
Retained Revenue available for Fed Govt	26.6	3.9	20.6	182.7	2.7	2.5	2.6	7.2
Total Revenue	18.1	21.8	16.7	57.1	6.2	6.6	6.7	10.4
Tax Revenue	22.8	20.9	21.3	(100.0)	4.8	5.0	5.3	0.0
Non-tax revenue	4.9	24.9	2.0	(100.0)	1.5	1.6	1.4	0.0
Grants	0.0	0.0	0.0	na	0.0	0.0	0.0	0.0
Total Expenditure and Net Lending	20.8	14.5	41.9	36.8	6.6	6.6	8.1	11.0
Total Expenditure	20.8	14.5	41.9	41.6	6.6	6.6	8.1	11.4
Recurrent Expenditure	9.0	25.3	26.3	38.0	5.2	5.7	6.2	8.5
Non-Debt	(4.0)	14.4	6.3	89.1	2.5	2.5	2.3	4.3
Wages & Salaries	7.7	15.2	13.0	38.9	1.7	1.7	1.7	2.3
Pension	(1.0)	8.8	13.1	188.7	0.2	0.2	0.2	0.0
Overhead	(27.6)	14.0	(15.4)	241.8	0.6	0.6	0.4	1.5
Interest Payment	26.3	34.0	42.6	5.2	2.4	2.8	3.4	3.6
Domestic	17.4	36.3	47.8	1.6	1.9	2.2	2.8	2.8
External	71.1	25.9	23.3	21.7	0.5	0.6	0.6	0.8
Transfers	16.0	50.1	38.9	25.3	0.3	0.4	0.4	0.5
Capital/Investment Expenditure	98.8	(24.9)	136.9	53.2	1.4	0.9	1.9	2.9
Domestically Financed	98.8	(24.9)	136.9	53.2	1.4	0.9	1.9	2.9
Externally Financed	0.0	0.0	0.0	na	0.0	0.0	0.0	0.0
Net Lending	0.0	0.0	0.0	na	0.0	0.0	0.0	0.0
Primary balance (deficit/surplus excl. grants)	5.0	2.8	79.0	(88.7)	(1.5)	(1.4)	(2.1)	(0.2)
Budget deficits/surplus (Including grants)	17.1	21.8	54.6	(30.5)	(3.9)	(4.2)	(5.6)	(3.8)
Budget deficits/surplus (Excluding grants)	17.1	21.8	54.6	(30.5)	(3.9)	(4.2)	(5.6)	(3.8)
	N' Billion				Percent of GDP			
Total Public Debt Stock	39,556.03	46,250.37	97,340.71	79,289.00	22.5	22.9	41.5	33.6
Domestic	23,700.80	27,548.12	59,120.86	59,866.00	13.5	13.6	25.2	25.3
External	15,855.23	18,702.25	38,219.85	19,423.00	9.0	9.2	16.3	8.2

Source: Federal Ministry of Finance, Nigeria **Provisional* ***Projections*

12.2.3. Monetary Sector

460. The CBN continued to tighten its policy stance in a bid to tame inflationary pressures by raising the policy rate four times in 2023 to 17.5 percent, 18.0 percent, 18.5 percent and 18.75 percent in January, February, May and July, respectively, accumulating to 225 basis points increase from 16.5 percent in November 2022. However, it maintained the asymmetric corridor at +100/-700 basis points around the MPR, until July when it was adjusted to +100/-300 basis points around the MPR. The cash reserve requirement (CRR) and liquidity ratio were left unchanged at 32.5 percent and 30.0 percent, respectively.

461. The trend in key short-term interest rates was influenced by both the hike in the MPR and the relative decline in liquidity. Banking system liquidity moderated, leading to reduced Nigeria Treasury Bills (NTBs) and FGN bond subscriptions. Except for the maximum lending rate, other interest rates trended upward. The maximum lending rate averaged 27.73 percent at end-December 2023 compared to 28.53 percent at end-December 2022. However, the 91-day treasury bills, savings, time-deposit and prime lending rates rose to 7.35 percent, 5.27 percent, 9.20 percent and 14.20 percent at end-December 2023, from 5.78 percent, 3.94 percent, 7.88 percent and 13.25 percent, respectively, at end-December 2022.

462. Developments in monetary aggregates showed that growth in broad money supply (M3) accelerated to 51.9 percent at end-December 2023, from 17.4 percent at end-December 2022, owing mainly to developments in the NDA during the period. NDA grew by 44.6 percent compared to the growth rate of 37.8 percent in 2022, explained largely by net claims on

government and claims on the private sector. Growth in net claims on government slowed to 41.6 percent from 71.2 percent at end-December 2022, reflecting the increase in government deposits during the period. Claims on the private sector expanded by 57.8 percent at end-December 2023 from 10.5 percent at end-December 2022, mainly occasioned by credit extended by commercial and merchant banks during the period.

463. The NFA of the banking system grew by 143.0 percent in the 12-month period ended December 2023 against the contraction of 58.9 percent realised in the same period of 2022. This significant development mainly reflected the growth in the net external position of the CBN as well as the commercial and merchant banks during the period.

464. In terms of the contributions to M3 growth of 51.9 percent at end-December 2023, NDA contributed 41.3 percentage points, higher than the contribution of 29.8 percentage points recorded in the same period of 2022. Similarly, the contribution of NFA was positive at 10.5 percentage points against the negative contribution of 12.4 percentage points at end-December 2022.

465. Growth in reserve money accelerated to 54.3 percent in the 12-month period ended December 2023, significantly above the growth rate of 20.6 percent recorded in the same period of 2022. This development was largely attributed to reserve requirements which increased by 69.3 percent compared to the 21.7 percent increase at end-December 2022. Currency in circulation expanded by 21.3 percent at end-December 2023 against the contraction of 9.4 percent recorded in the corresponding period of 2022.

Table 58: Growth in Key Monetary Aggregates in Nigeria

	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	Percentage Change				Contribution to M3 Growth			
ASSETS								
NFA	4.2	-58.9	143.0	37.5	1.0	-12.4	10.5	4.4
NDA	17.2	37.8	44.6	10.3	13.3	29.8	41.3	9.1
Domestic Credit	17.8	35.6	45.3	na				
Net Claims on Government	20.4	71.2	41.6	10.6				
Claims on Private Sector	26.8	10.5	57.8	16.1				
Other Items Net (OIN)	39.8	41.1	-17.0	na				
LIABILITIES								
Broad Money Supply (M3)	14.2	17.4	51.9	13.5				
Currency in Circulation	14.3	-9.4	21.3	-2.5				
Demand Deposits	13.3	20.2	46.8	12.5				
Other Deposits	20.0	17.7	56.9	27.8				
MEMORANDUM ITEMS								
Reserve Money Growth	1.4	20.6	54.3	0.1				
Money Multiplier(M3/RM)	3.3	3.3	3.2	3.6				
The velocity of Money (GDP/M3)	4.0	3.9	3.0	2.6				
Credit to Private Sector/GDP (Percent)	15.4	13.0	17.6	20.3				
Currency in Circulation/M3 (Percent)	7.5	5.8	4.6	4.0				
Currency-to-Deposits (Percent)	8.0	6.1	4.8	3.9				
NFA/M3 (Percent)	21.0	7.4	11.8	14.3				
NDA/M3 (Percent)	79.0	92.6	88.2	85.7				

*Source: Central Bank of Nigeria (CBN) *Provisional **Projections*

12.2.4. External Sector

466. The external sector's performance in 2023 was mainly influenced by the global economic dynamics and uncertainties in the domestic economy. From the domestic side, a lull in economic activities, attributed to the uncertainties surrounding the general elections coupled with the

lingering security challenges constrained capital inflows. Consequently, the overall BOP recorded a wider deficit of US$3,335.92 million (0.9% of GDP) in 2023, against US$3,323.17 million (0.7% of GDP) in 2022.

467. The current account balance improved to a surplus of US$6,022.7 million (1.7% of GDP) in 2023 from a surplus of US$3,483.92 million (0.7% of GDP) in 2022 owing, majorly, to improved export receipts and higher workers' net remittances from abroad.

468. The trade deficit (goods and services) declined to US$5,161.40 billion (1.4% of GDP) compared to US$7,958.11 billion (1.7% of GDP) in 2022, explained by the merchandise trade balance which significantly improved to a surplus of US$8,075.02 billion (2.2% of GDP) compared to US$5,998.17 billion (1.3% of GDP) relative to 2022. However, the balance on services was in deficit of US$13,236.41 billion (3.6% of GDP) in 2023, relative to US$13,956.28 billion (2.9% of GDP) in 2022, resulting from lower payments for freight as merchandise import declined.

469. The secondary income account recorded a surplus of US$22,124.39 billion (6.1% of GDP) in 2023 relative to US$21,849.28 billion (4.6% of GDP) in 2022, mainly supported by higher inflow of personal transfers. However, the primary income account recorded a deficit of US$10,940.24 billion (3.0% of GDP) against US$10,407.25 billion (2.2% of GDP) in 2022, mainly attributed to lower investment income claims by non-resident investors, as some companies declared losses.

470. The financial account maintained a net borrowing position with a significant increase in net inflows of US$15,485.88 billion (4.3% of GDP), compared with the net inflows of US$3,132.73 billion (0.7% of GDP) recorded in 2022. The development was mainly due to the improved inflow of portfolio investment into the economy, especially from June, on account of favourable investor sentiments as uncertainties waned following the successful completion of the general elections, favourable returns on investments and ongoing reforms, especially, in the foreign exchange market.

471. Gross external reserves declined by 9.3 percent to US$33.2 billion at end-December 2023 from US$36.6 billion in the corresponding period of 2022. The decline in reserves was attributed to rising foreign exchange demand pressures and a further decline in oil receipts, which lowered accretion to reserves. The reserves could finance 7.6 months of import of goods and services in 2023 compared to 6.9 months in 2022.

472. The foreign exchange market came under intense pressure in the second half of 2023 following the CBN's significant reforms in the foreign exchange market to remove foreign exchange market distortions and enhance the efficiency of the foreign exchange market. It unified all existing official foreign exchange windows into the Nigerian Foreign Exchange Market (NFEM) window. Consequently, the average exchange rate of the naira (NFEM) to the US dollar was ₦643.95/US$ in 2023, relative to ₦425.54/US$ in 2022, depreciating by 33.9 percent, indicating the regime shift which commenced in June 2023. Against the WAUA, it depreciated by 34.5 percent to an average of ₦645.79/WAUA in 2023 from ₦425.54/WAUA in 2022.

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

External Sector Indicators	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	In Million US$				As Percent of GDP			
Current Account Balance	**-3,254.16**	**3,483.92**	**6,022.70**	**6,848.23**	**-0.8**	**0.7**	**1.7**	**2.0**
Trade Balance	**-16,622.24**	**-7,958.11**	**-5,161.40**	**-3,651.77**	**-3.9**	**-1.7**	**-1.4**	**-1.1**
Trade Balance on goods	**-4,561.50**	**5,998.17**	**8,075.02**	**12,048.23**	**-1.1**	**1.3**	**2.2**	**3.6**
Merchandise Exports (FOB)	**46,859.61**	**64,227.13**	**55,820.81**	**74,506.61**	**10.9**	**13.5**	**15.3**	**22.1**
Merchandise Imports (FOB)	**51,421.12**	**58,228.96**	**47,745.80**	**62,458.38**	**11.9**	**12.2**	**13.1**	**18.5**
Services (Net)	-12,060.74	-13,956.28	-13,236.41	-15,700.00	**-2.8**	**-2.9**	**-3.6**	**-4.7**
Primary income	-8,583.08	-10,407.25	-10,940.24	-14,096.47	**-2.0**	**-2.2**	**-3.0**	**-4.2**
Secondary income	21,951.16	21,849.28	22,124.33	24,596.46	**5.1**	**4.6**	**6.1**	**7.3**
Capital and Financial Account (Net)	**-6,349.98**	**-3,132.73**	**-15,485.88**	**-12,248.23**	**-1.5**	**-0.7**	**-4.3**	**-3.6**
Capital Account	0.00	0.00	0.00	0.0	**0.0**	**0.0**	**0.0**	**0.0**
Financial Account Net	**-6,349.98**	**-3,132.73**	**-15,485.88**	**-12,248.2**	**-1.5**	**-0.7**	**-4.3**	**-3.6**
Direct Investment (net)	-1,495.30	1,916.38	-1,616.68	3,400.00	**-0.3**	**0.4**	**-0.4**	**1.0**
Portfolio Investment (net)	-5,343.33	-3,864.71	-6,216.39	3,000.00	**-1.2**	**-0.8**	**-1.7**	**0.9**
Financial Derivatives	0.00	0.00	-83.93	0.0	**0.0**	**0.0**	**0.0**	**0.0**
Other Investment (net)	187.43	-1,184.40	5,007.84	4500	**0.0**	**-0.2**	**1.4**	**1.3**
Errors and Omissions	-3,095.81	-9,939.82	-24,844.49	na	**-0.7**	**-2.1**	**-6.8**	**na**
Overall Balance	**301.22**	**-3,323.17**	**-3,335.92**	**600.00**	**0.1**	**-0.7**	**-0.9**	**0.2**
Financing	**-301.22**	**3,323.17**	**3,335.92**	**-600.00**	**-0.1**	**0.7**	**0.9**	**-0.2**
MEMORANDUM ITEMS								
Import CIF	56,071.42	64,012.09	52,270.46	72,580.65				
Average Exchange Rate (₦/US$)	409.00	425.54	643.95	740.00				
End-period Exchange Rate (₦/US$)	435.00	459.50	899.39	747.00				
The stock of External Reserves (Millions of US$)	40,230.80	36,608.23	33,217.57	37,500.00				
The stock of External Reserves (Months of Import)	86	6.9	7.6	6.2				
GDP (Million ₦)	176,075,501.9	202,365,026.8	234,425,913.9	236,305,20.0				
GDP (Million US$)	430,502.5	475,554.2	364,043.3	337,578.9				

*Source: Central Bank of Nigeria (CBN); *Provisional **Projections*

12.3. Status of Macroeconomic Convergence

473. In terms of macroeconomic convergence, Nigeria satisfied one (1) out of the four (4) primary criteria (gross external reserves), but missed the inflation, budget deficit, and central bank financing of the budget deficit criteria in 2023. Also, the country met one (1) of the two (2) secondary criteria; the public debt criterion, but missed the nominal exchange rate variation criterion. This situation compares unfavourably with the out-turn in 2022 when the country met one (1) primary criterion and both secondary criteria. The summary of the performance is presented below:

Primary criteria

474. The budget deficit on a commitment basis, including grants, was 4.6 percent of GDP in 2023 compared to 4.2 percent of GDP in 2022. The average annual inflation rate rose to 24.,7 percent from 18.8 percent in 2022, thus missing the 5 percent threshold set in the MCSP. Gross external reserves increased to 7.6 months of imports of goods and services in 2023 from 6.9 months of imports in 2022, which complied with the minimum of 3 months. Central bank financing of the budget deficit was estimated at 48.7 percent of previous year's tax revenue, this missing the target of 10 percent.

Secondary criteria

475. The variation in the average nominal exchange rate of the naira against the WAUA in 2023 was 34.5 percent, exceeding the threshold of -/+10 percent. However, the public debt stock stood at 41.5 percent of GDP in 2023 compared to 22.9 percent of GDP in 2022, thus satisfying the 70 percent threshold set out in the MCSP.

Table 60: Status of Macroeconomic Convergence in Nigeria

Convergence Criteria	Target	2021	2022	2023*	2024**
Primary Criteria		**1**	**1**	**1**	**2**
i. Budget Deficit / GDP	≤ 3 percent	3.9	4.2	5.6	3.8
ii. Annual Average Inflation	≤ 5 percent	17.0	18.8	24.7	26.3
iii. Central Bank Financing of Budget Deficit	≤ 10 percent	20.5	98.0	48.7	0.0
iv. Gross External Reserves	≥ 3 mths Imp	8.6	6.9	7.6	6.2
Secondary Criteria		**1**	**2**	**1**	**1**
i. Nominal Exchange Rate Stability	± 10 percent	-12.3	-3.37	-34.5	-13.0
ii. Public Debt / GDP	≤ 70 percent	22.5	22.9	41.5	33.6
Total criteria met		**2**	**3**	**2**	**3**

*Sources: Federal Ministry of Finance, CBN, NBS, IMF & WAMA; * Provisional ** Projections*

12.4. Prospects

476. Despite some downside risks, Nigeria's economic growth prospects remain positive. Real GDP growth is projected at 3.3 percent in 2024, anchored on the anticipated increase in domestic oil refining capacity and the continued vibrancy of the non-oil sector. The introduction of dry-season agriculture will significantly improve agriculture output and food security whilst the expected commencement of new investment projects will boost oil output. However, the downside risk to growth can be transmitted through likely contraction in global demand, ongoing security issues, and subsisting infrastructural deficits.

477. Inflationary pressures may subsist in the near term on account of the removal of fuel subsidies and subsequent higher prices of premium motor spirit, and the depreciation of the naira. In addition, the anticipated upward revision of electricity tariffs, alongside the adverse effects of climate change on agricultural output, is likely to induce further inflationary pressures. Thus, inflation is projected to increase to 26.3 percent in 2024.

478. The fiscal deficit is projected at 3.8 percent of GDP in 2024, given the expected enhancement of revenue mobilisation measures through boosting tax enforcement and broadening the tax base. This outlook is in furtherance of the overall economic reforms embarked on by the government.

479. External sector developments are expected to improve, attributable to favourable terms of trade occasioned by a sustained rally in crude oil prices and an improvement in domestic crude oil production. Subsequently, overall BOP and current account balance are expected to end with surpluses of 0.2 percent of GDP, and 2.0 percent of GDP, respectively. However, a pessimistic scenario may play out in the accretion of external reserves premised on rising import bills and increased external debt servicing obligations, as depreciation is expected to widen owing to the shift in exchange rate regime to a market-determined regime from the investors and exporters' (I&E) window. Notwithstanding the higher depreciation in 2023 due to regime shift, exchange rate stability estimated to moderate to 13.0 percent in 2024, is expected to stabilise within regulatory range of +/-10 percent in 2025 presumed on the crystallisation of the exchange rate unification policy.

480. On the macroeconomic convergence front, Nigeria's performance in 2024 is expected to improve, meeting two (2) of the four (4) primary criteria (central bank financing of the budget deficit, and gross external reserves), and one (1) of the secondary criteria (public debt/GDP). The authorities have projected zero central bank financing of the budget deficit for 2024, reflecting the decision

to securitise existing Ways and Means Advances and government's commitment to fiscal discipline.

12.5. Conclusion and Recommendations

481. Economic performance in 2023 was mixed. Real GDP growth slowed in the face of sustained inflationary pressures while the exchange rate came under intense pressure. The CBN adjusted its monetary policy rate and cash reserve ratio upwards in response to rising inflation. Although the government's fiscal consolidation efforts and reforms resulted in higher revenue collection in the period, the high deficit remained a challenge. Broad money supply increased while the overall BOP position worsened. The removal of fuel subsidies and the unification of exchange rate windows have changed the economic fundamentals of Nigeria in the period under consideration, amplifying the existing challenges. Under macroeconomic convergence, Nigeria met one out of the four primary criteria (gross external reserves) and one criterion (public debt to GDP) out of the two secondary criteria.

482. To overcome the macroeconomic challenges and improve economic performance, the following policy recommendations are for consideration of the relevant authorities:

i. Adopt reform measures to boost production in the agriculture sector, accelerate climate change adoption measures to help increase food production;
ii. Intensify efforts to curb all forms of insecurity challenges in the country to help intensify crude oil and agricultural production;
iii. Adopt reform measures to help address structural bottlenecks through improved electricity generation and strengthening the distribution of agricultural inputs in remote farming areas to increase food production and agro-processing. This would go a long way to complement the efforts of the CBN in curbing inflationary pressure and reduce food inflation;
iv. Adopt measures to boost revenue mobilisation and rein in fiscal slippages to ensure fiscal consolidation. Restructure the budget implementation process to ensure that budgetary provisions for capital projects are released in tandem with other budgetary releases;
v. Although the current public debt level remained within the sustainability threshold, efforts should be put in place to help reduce the debt servicing levels;
vi. Boost revenue mobilisation through effective tax administration, effective legislation, and automation of tax collection processes;
vii. Sustain the ongoing reforms to gradually phase out the subsidy regime, whilst expediting the commencement of social safety net such as the revised conditional cash transfers to help cushion the most vulnerable of the society against the effects of the subsidy removal;
viii. Sustain the tight monetary policy stance to reduce the rising inflation and further anchor inflationary expectations. To this end, the CBN should enhance collaborations with the fiscal authorities to limit the financing of budget deficit within the allowable statutory threshold;

ix. Continue to assess the foreign exchange reforms and response of the market participants to restore confidence in the foreign exchange market. In addition, continue to monitor shadow crypto-asset trading platforms with innovative regulatory toolkits to mitigate risk to financial stability;

x. The eventual adoption of Inflation Targeting (IT) framework would help position the CBN to effectively implement monetary policies and further anchor inflationary expectations. To this end, the authorities are encouraged to fast-track the adoption process by putting in place all the necessary requirements of IT, including capacity building, for effective implementation; and

xi. Sustain the security measures put in place in the Niger Delta region to boost crude oil production and exports to help build foreign currency reserve buffers.

13. SENEGAL

13.1. Introduction

483. The objectives of the Senegalese authorities in 2023 were to maintain macroeconomic stability, improve public service delivery and strengthen inclusive growth. The new government reaffirmed its commitment to continuing the country's IMF programme, key pillars of which are aligned with their own strategic objectives, namely:

i. Improving fiscal resilience and reducing debt vulnerability;
ii. Strengthening governance;
iii. Promoting structural transformation of the economy; and
iv. Strengthening climate change resilience.

484. The Senegalese economy showed resilience in 2023 despite a challenging environment. Despite the political tensions surrounding the presidential election and external shocks, economic growth exceeded expectations (4.6%), reflecting a good farming season and a solid service sector. Inflation also fell, faster than expected, to 5.9 percent. High expenditure on energy subsidies (620 billion CFA francs, or 3.3% of GDP) and interest payments on debt were offset by reductions in capital expenditure, in an attempt to contain the budget deficit to 4.9 percent of GDP, in line with the programme target. The government also built-up cash reserves in the run up to the presidential election, which pushed public debt (73.4% of GDP) above the WAEMU debt ceiling. The current account deficit remained high (18.8% of GDP), reflecting the persistent weakness of goods exports.

485. Senegal met four (4) of the macroeconomic convergence criteria in 2023, including two (2) primary and two (2) secondary criteria.

13.2. Sectoral Analysis

13.2.1. Real Sector

486. Senegal's real GDP grew by 4.6 percent in 2023, compared with 3.8 percent in 2022, driven by all sectors of the economy. The primary, secondary and service sectors contributed 1.1, 0.8, and 2.4 percentage points to this growth, while taxes contributed 0.2 percentage point.

487. Value added in the primary sector rose by 7.7 percent in 2023, up from 0.3 percent in 2022, due to the good performance of the agricultural sub-sector (+8.6%), fisheries (+4.2%) and forestry (+2.2%). The improvement in farming activity was due to an increased yield in rain-fed crops. The fishing industry performed well, as artisanal fishing landings increased.

488. For its part, the value addition of the secondary sector recorded a 3.8 percent increase in 2023 compared with 2.6 percent in 2022. This development was mainly due explained by the 62.4 percent increase in the value added of the 'oil refining and coking' branch, under the base effect of the sharp decline in 2022, the 13.1 percent increase in building materials and the 9.0 percent increase in construction. On the other hand, value added in the mining and quarrying sub-sector fell by 11.2 percent, due to the drop in gold production (-14.6%).

489. The service sector grew by 4.2 percent compared to 5.1 percent in 2022, due to the rise in value added in office support activities (+9.1%), specialised, scientific and technical activities (+9.0%) and artistic, cultural, sporting and recreational activities (+6.9%), administrative activities (+5.0%), financial and insurance activities (4.9%), trade (4.4%) and transport (+3.6%).

Table 61: Trends in GDP and its Components in Senegal

Year	2020	2021	2022	2023 *	2024**	2020	2021	2022	2023 *	2024**
	Percentage Change (%)					Contribution to Growth (%)				
GDP growth	**1.3**	**6.5**	**3.8**	**4.6**	**7.3**	**1.3**	**6.5**	**3.8**	**4.6**	**7.3**
Supply										
Primary sector	**12.8**	**-1**	**0.3**	**7.7**	**4.8**	**1.9**	**-0.2**	**0.3**	**1.1**	**0.7**
Agriculture and activities an-	18.8	-2	-0.9	8.6	4.6	1.8	-0.2	0.1	0.8	0.5
Livestock and hunting	4.4	2.4	5.7	5	6.1	0.2	0.1	0.2	0.2	0.2
Secondary Sector	**-0.4**	**10.9**	**2.6**	**3.8**	**16.2**	**-0.1**	**2.5**	**-0.5**	**0.8**	**3.6**
Extractive activities	-1	25.3	-1.1	-11.2	131	0	0.6	-0.4	-0.3	2.5
Manufacturing	-1.2	8.6	4.4	1.7	5.4	-0.1	0.7	0.1	0.1	0.4
Construction	-7.2	15.6	-5.3	9	4	-0.2	0.4	-0.6	0.2	0.1
Service sector	**-0.1**	**5.7**	**5.1**	**4.2**	**4.9**	**-0.1**	**2.9**	**4**	**2.4**	**2.6**
Trade	-3.1	6.2	2.9	3	4.5	-0.4	0.8	0.5	0.4	0.6
Transports	-9.2	10.8	6	4.4	5	-0.3	0.4	0.1	0.1	0.2
Information and Com-	-3.4	11.6	4.9	5.3	7.4	-0.2	0.5	0.2	0.2	0.3
Real estate services	4.8	4.1	1.5	2.9	4.1	0.4	0.3	0.3	0.2	0.3
Goods and Services Taxes									0.2	0.4
Demand side										
Intermediate consumption	-3.2	9.3	3.2	16.7	7.3	-2.4	6.6	4.5	12.4	6.1
Final consumption	2.3	5.9	3.1	6.1	7.3	1.9	4.9	1.8	4.7	6.1
FGCF	4.3	10.7	11	12.8	7.3	1.3	3.4	6.4	4.8	3
Stock variation	110.3	-21.9	39.6	-152	7.3	4.3	-1.8	3.1	-13.3	-0.3
Net B&S exports	35.1	2.1	8.9	-1.4	-7.3	-6.2	-0.5	-7	1	1.9
Memorandum Items										
GDP Constant CFAF (in billions of CFAF	13,374.0	14,249.2	14,794.4	15,472.6	16,608.4					
GDP Current (in billions CFAF)		15,319.1	17,227.9	18,711.7	20,809.7					
Inflation										
Average	2.5	2.1	9.7	5.9	2.5					
End Period	2.4	3.8	12.8	0.8	3.8					

*Sources: Senegalese authorities; * Provisional **Projections*

490. Growth on the demand side was driven by intermediate consumption, gross fixed capital formation and final consumption, which went up by 16.7 percent, 12.8 percent and 6.1 percent respectively compared with 2022. Net foreign demand for goods and services (in volume terms) also increased. Exports of goods and services fell by 7.2 percent and imports of goods and services by 5.8 percent.

491. Economic activity was characterised by a decline in consumer prices, reducing average annual inflation to 5.9 percent compared with 9.7 percent at the end of 2022. This slowdown was due to declines in prices of consumer products, including foodstuffs, fresh produce, (especially meat and fish), and cereal products. Year-on-year in December, the inflation rate was 0.8 percent in 2023, compared with 12.8 percent in 2022.

13.2.2. Fiscal Sector

492. Fiscal management resulted in continued economic recovery, on the back of increased investment. The government's financial operations in 2023 saw an improvement in the overall budget balance (on a commitment basis, including grants), which stood at -4.9 percent compared with -6.1 percent of GDP in 2022.

493. Total revenue and grants increased by 10.2 percent to reach CFAF 3907.84 billion (20.9% of GDP) compared with CFAF 3545.75 billion (20.6% of GDP in 2022), as tax revenue and grants rose by 11.9 percent and 21.4 percent respectively. Compared with 2022, total revenue excluding grants rose by 9.7 percent to stand at CFAF 3,390.43 billion. This was due to the rise in tax revenue (CFAF 374.34 billion) to CFAF 3,509.88 billion, with an increase in revenue share of GDP between 2022 (18.2%) and 2023 (18.8%). This increase was due to increased collection of taxes on income, profits and capital gains (resulting from taxes on companies and personal income, etc.), taxes on goods and services (resulting from domestic VAT, import VAT, taxes on specific services, etc.), and taxes on assets. Non-tax revenue fell by CFAF 45.53 billion in 2023 to CFAF 209.37 billion, due to the sharp drop in unidentified miscellaneous revenue. Grants rose by 21.4 percent (CFAF +33.27 billion) to CFAF 188.59 billion in 2023, driven by an increase in budget grants.

494. Total expenditure and net lending rose by 4.9 percent to reach CFAF 4,825.72 billion (25.8% of GDP compared with 26.7% of GDP in 2022), as both recurrent and capital expenditure increased. Recurrent expenditure (CFAF 3,458.15 billion) rose by 4.4 percent, reflecting the contrasting effects of the rise in interest on the public debt (+48.1%) and wage remuneration (+14.9%), mitigated by the fall in transfers and subsidies (-17.0%). Capital expenditure (1367.57 billion CFAF) increased by 6.1 percent (+79.08 billion CFAF), driven by net acquisitions of non-financial assets up 48.8 percent (+205.84 billion CFAF), mitigated by the contraction in capital transfers (-126.76 billion CFAF).

Table 62: Trends in Key Fiscal Indicators in Senegal

	2020	**2021**	**2022**	**2023***	**2024****	**2020**	**20201**	**2022**	**2023***	**2024****
	Growth					**As % of GDP**				
Total Revenue and Grants	**1.9**	**4.8**	**19.0**	**10.2**	**20.7**	20.2	19.4	20.6	20.9	**25.1**
Tax revenue	-1.7	9.5	20.9	11.9	18.7	16.8	16.9	18.2	18.8	23.5
Income tax	0.9	7.6	31.1	13.9		5.1	5.0	5.9	6.2	
Payroll tax	-10.7	313.5	18.8	4.9		0.1	0.2	0.2	0.2	
Wealth tax	5.0	31.9	-5.1	23.7		0.3	0.4	0.3	0.3	
B&S tax	-1.5	5.3	16.0	15.4		8.7	8.4	8.7	9.3	
Impôts sur le commerce ext.	-7.6	16.2	24.4	-3.7		2.4	2.6	2.8	2.5	
Grants	44.7	-59.8	18.9	21.4	61.1	2.3	0.9	0.9	1.0	1.6
Total Expenditure	**16.7**	**2.6**	**29.9**	**0.5**		22.2	21.0	24.2	22.4	
Employee remuneration	9.7	10.2	24.5	14.9		5.7	5.8	6.4	6.8	
Utilisation des biens et services	1.6	32.0	-2.9	0.4		2.0	2.5	2.1	2.0	
Interests	6.8	5.9	25.3	48.1		2.1	2.0	2.2	3.0	
Subsidy	-54.7	-5.2	-48.5	47.2		0.7	0.6	0.3	0.4	

Grants	50.7	-7.7	56.0	-19.1		10.4	8.8	12.2	9.1	
Gross operating balance	-384.2	-18.5	165.8	-54.1		-2.1	-1.6	-3.7	-1.5	
Net acquisition of non-financial assets	-4.5	19.0	-42.0	48.8		4.3	4.7	2.5	3.4	
Capacity/financing need	**67.9**	**6.9**	**9.2**	**-12.9**	**-8.8**	**-6.4**	**-6.3**	**-6.1**	**-4.9**	-4.5
Cap/ financing needs excluding grants	**61.1**	**-10.7**	**10.4**	**-8.5**	**3.6**	**-8.7**	**-7.2**	**-7.0**	**-5.9**	-6.1
Net acquisition of non-financial assets	-15.3	83.9	-22.4	184.5		1.7	2.8	1.9	5.1	
Net accumulation of Liabilities	40.4	21.8	-0.3	34.7		1.7	2.8	1.9	5.1	
Public debt stock	8.2	15.7	14.4	16.9		63.2	67.2	68.4	73.6	
Incl. external debt	7.8	13.5	3.6			52.8	55.1	50.8	-0.3	

*Sources: Senegalese authorities; * Provisional **Projections*

495. Despite the fall in the budget deficit in 2023, the public debt stock was estimated at CFAF 13,772.9 billion (73.4% of GDP) at end-December 2023 (including the supplementary-financing of CFAF 604.8 billion agreed with the IMF), compared with CFAF 11,782.8 billion (68.4% of GDP) at end-2022, representing a 16.9 percent increase. This ratio was above the ECOWAS threshold of 70 percent under the multilateral surveillance mechanism.

13.2.3. Monetary Sector

496. During 2023, the BCEAO continued to tighten its monetary policy by raising its key rates to tame inflation in the WAEMU Zone. The Monetary Policy Committee raised the key BCEAO rates three times by 25 basis points, taking the minimum bid rate and the marginal lending rate to 3.5 percent and 5.5 percent respectively from 16 December 2023, compared with 2.75 percent and 4.75 percent at end-December 2022. The reserve requirement ratio for WAEMU banks remains unchanged at 3.0 percent.

497. On the money market, the weighted average interest rates for weekly and monthly liquidity injection operations were 3.98 percent and 4.0 percent respectively, compared with 2.25 percent and 2.25 percent in 2022. In terms of the total volume of refinancing granted, the average amount outstanding rose by 22 percent. The total amount allocated averaged CFAF 9,181 billion compared with CFAF 7,548 billion the previous year.

498. The average volume interbank market transactions reached 704 billion during the period under review, up from the 595 billion recorded in 2022. Transactions covered maturities ranging from one (1) day to twelve (12) months. One-week and overnight maturities were the most active, accounting for 62 percent and 28 percent respectively of the average volume of transactions in 2023, after 62 percent and 16 percent in 2022. Interest rates, across all maturities, have risen in line with the increases in key rates. The average rate was 5.37 percent in 2023 compared with 3.17 percent in 2022. The weighted average interest rate on the one-week segment was 5.37 percent in 2023 compared with 2.87 percent in 2022. The average volume of interbank transactions remained low, representing only 8.4 percent of the average amount of liquidity.

499. Against this backdrop, money supply at the end of 2023 increased by 9.6 percent to reach CFAF 9,827.6 billion, compared with CFAF 8,966.0 billion at end-December 2022, driven by the rise in NFA and the consolidation of net domestic debt.

500. The central bank's NFA rose by 4.1 percent to CFAF 2,041.3 billion in 2023, up from CFAF 1,960.3 billion at end-December 2022, due to the 16.7 percent rise in the NFA of primary banks. This impact was however, mitigated by the 5.7 percent fall in the NFA of the BCEAO.

Table 63: Growth in Key Monetary Aggregates in Senegal

	Growth (as %)					Contribution (%)		
Item	**2020**	**2021**	**2022**	**2023**	**2020**	**2021**	**2022**	**2023**
Currency in circulation	**17.5**	**21.3**	**15.8**	**11.7**	**4.0**	**5.1**	**4.0**	**2.8**
Transferable deposits	**11.9**	**13.6**	**31.3**	**11.8**	**5.6**	**6.4**	**14.4**	**5.9**
BCEAO	78.8	53.1	-8.7	95.2	0.0	0.0	0.0	0.0
Banks	11.9	13.7	31.4	11.8	5.6	6.4	14.4	5.9
M1	**13.7**	**16.2**	**25.9**	**11.8**	**9.6**	**11.5**	**18.4**	**8.7**
Other deposits	**9.2**	**13.2**	**11.0**	**3.5**	**2.8**	**3.9**	**3.2**	**0.9**
Money supply (M2)	**12.3**	**15.3**	**21.6**	**9.6**	**12.3**	**15.3**	**21.6**	**9.6**
NFA	**-4.6**	**7.6**	**-3.1**	**4.1**	**-1.6**	**2.2**	**-0.8**	**0.9**
BCEAO	-20.4	15.3	-18.3	-5.7	-5.3	2.8	-3.4	-0.7
Banks	41.8	-5.1	27.4	16.7	3.7	-0.6	2.5	1.6
Domestic receivables	**18.4**	**14.2**	**28.4**	**9.8**	**16.6**	**13.6**	**26.9**	**9.7**
Net claims on government	157.1	29.6	51.5	21.6	15.4	6.6	13.0	6.8
BCEAO	-136.7	353.8	127.1	43.9	4.7	3.9	5.6	3.6
Banks	81.2	12.7	35.5	13.7	10.7	2.7	7.4	3.2
Receivables from the economy	1.5	9.5	20.0	4.4	1.2	6.9	13.9	3.0
BCEAO	-6.1	-8.2	-3.9	8.4	0.0	0.0	0.0	0.0
Banks	1.6	9.5	20.1	4.3	1.3	7.0	13.9	3.0
Non-monetary liabilities	**15.6**	**9.7**	**19.6**	**1.7**	**3.3**	**2.1**	**4.0**	**0.3**
Shares and other equity	2.9	11.7	13.1	18.1	0.4	1.4	1.5	2.0
Non-monetary commitments in ID	37.0	7.3	28.1	-17.5	2.9	0.7	2.5	-1.6
Deposit not incl. in M2	33.3	2.8	60.6	-20.3	1.6	0.2	3.1	-1.4
Lending	49.0	15.6	-15.2	-7.4	1.3	0.5	-0.5	-0.2
Securities other than shares excluded from M2	0.0	0.0	-33.3	-50.0	0.0	0.0	-0.1	-0.1
Other items, net	**-14.0**	**-51.6**	**30.0**	**49.4**	**-0.6**	**-1.6**	**0.4**	**0.7**

Sources: BCEAO, Senegalese Authorities, WAMA

501. Net domestic receivables rose by 9.8 percent to reach CFAF 9,821.9 billion from CFAF 8,948.2 billion in 2022. The consolidation of domestic claims was thanks to the 21.6 percent increase (+606.7 billion) in net claims on central government, accompanied by the 4.4 percent increase (+267.0 billion) in loans to the economy. The increase in net claims on government was due to the subscription by commercial banks to public securities issued by the Treasury, as well as the credits set up by credit institutions in favour of the State. The increase in loans to the economy follows the rise in loans to households and businesses.

502. Changes in money supply (M2) were reflected in its components with (i) an 11.7 percent rise in currency in circulation to 24.4 percent of M2 compared with an increase of 15.8 percent in 2022; (ii) an 11.8 percent increase in transferable deposits, taking them to 50.8 percent of total liquidity, compared with the 31.3 percent increase in 2022; and (iii) a 3.5 percent increase in other deposits included in the money supply, to 24.8 percent of the money supply, compared with an 11.0 percent increase in 2022.

503. Overall, NDA contributed 9.7 percentage points to money supply growth in 2023 compared with 26.9 pp in 2022, while NFA made a small contribution of 0.9 pp in 2023 compared with -0.8% percentage point in 2022.

13.2.4. External Sector

504. Senegal's external transactions in 2023 resulted in an overall BOP surplus of CFAF 84.0 billion (0.4% of GDP), after a deficit of CFAF 62.1 billion (0.4% of GDP) a year earlier, attributable to capital flows in the financial account, which were more than sufficient to cover the financing requirement.

505. The current account balance showed a deficit of CFAF 2,961.1 billion (15.6% of GDP) against CFAF3,457.0 billion (20.0% of GDP) in 2022, attributable to deficits in trade (14.0% of GDP), services (7.3% of GDP) and primary income (3.8% of GDP) accounts, despite the surplus in the secondary income account (9.5% of GDP).

506. The merchandise trade deficit narrowed to CFAF 2,658.0 billion (14.0% of GDP) in 2023 from CFAF 3,010.1 billion (17.4% of GDP) in 2022, explained by a larger fall in imports (-600.5 billion) compared with exports (-248.41 billion). Imports of goods amounted to CFAF 6,140.9 billion (32.4% of GDP) while exports of goods amounted to CFAF 3,482.9 (18.4% of GDP). The decline in exports of goods could be explained by the decline in exports of phosphoric acid, fishery products, peanut products and gold, mitigated by the increase in sales of petroleum products and horticultural products. Regarding imports of goods, its decline was due largely to the fall in the value of imports of the main products with the exception of capital goods which recorded an increase. The decline in imports of other products, particularly food and petroleum products, would be linked to the relaxation of their prices on international markets.

507. The capital account balance showed a surplus of CFAF 118.8 billion (0.6% of GDP) in 2023 compared to CFAF 123.1 billion (0.7% of GDP) in 2022, due to the decline in acquisitions/disposals of non-financial assets and capital transfers to general government.

508. Based on current and capital account balances, a financing requirement of CFAF 2,842.4 billion (16.2% of GDP) emerged in 2023 compared to CFAF 3,333.9 billion (19.2% of GDP) in 2022. This financing needs was met by capital inflows to FDI of CFAF 11,482.6 billion (7.8% of GDP), portfolio investments of CFAF 463.2 billion (0.9% of GDP) and other investments of CFAF 1,536.6 (2.4% of GDP). As a result, the financial account balance showed a net borrowing (inflows) of CFAF 2,926.3 billion (15.4% of GDP) against CFAF 3,264.4 billion (18.9% of GDP) in 2022.

Table 64: Trends in Key Balance of Payments Indicators in Senegal

	2021	2022	2023	2024	2021	2022	2023*	2024**
	In billions of FCFA				As a percentage of GDP			
a- Current account balance	-1845.0	-3457.0	-2961.1	-2378.4	-12.0	-20.0	-15.6	-11.2
1- Goods and services	-3048.8	-4540.7	-4034.9	-3547.7	-19.9	-26.3	-21.3	-16.8
Balance of goods	-1662.5	-3010.1	-2658.0	-2344.7	-10.9	-17.4	-14.0	-11.1
FOB exports of goods	3044.7	3731.3	3482.9	3806.1	19.9	21.6	18.4	18.0
Imports of goods FOB	4707.2	6741.4	6140.9	6150.9	30.7	39.0	32.4	29.1
Balance of services	-1386.3	-1530.6	-1376.9	-1202.9	-9.0	-8.9	-7.3	-5.7
Of which travel	199.4	335.2	365.2	396.4	1.3	1.9	1.9	1.9
Including freight and insurance	-694.0	-824.7	-751.2	-777.5	-4.5	-4.8	-4.0	-3.7
2- Primary income	-367.6	-558.3	-729.9	-705.5	-2.4	-3.2	-3.8	-3.3
Including interest on debt	-254.1	-322.8	-489.9	-404.2	-1.7	-1.9	-2.6	-1.9
3- Secondary income	1571.4	1642.0	1803.7	1874.8	10.3	9.5	9.5	8.9
- Public administrations	-11.5	-26.4	44.8	23.4	-0.1	-0.2	0.2	0.1
Including budgetary aid	17.1	23.4	74.6	47.2	0.1	0.1	0.4	0.2
Including remittances from migrants	1622.9	1862.9	1927.4	2009.2	10.6	10.8	10.2	9.5
b- Capital account	122.3	123.1	118.8	261.7	0.8	0.7	0.6	1.2
4- Capital transfers	126.3	127.2	118.8	261.7	0.8	0.7	0.6	1.2
- Public administrations	113.5	122.4	114.0	256.6	0.7	0.7	0.6	1.2
Other capital transfers	113.5	122.4	114.0	256.6	0.7	0.7	0.6	1.2
- Other sectors	12.8	4.8	4.8	5.1	0.1	0.0	0.0	0.0
c- Financial account	-1860.9	-3264.4	-2926.3	-2177.7	-12.1	-18.9	-15.4	-10.3
5- Direct investment	-1406.5	-1783.1	-1482.6	-1386.2	-9.2	-10.3	-7.8	-6.6
6- Portfolio investments	-562.2	-528.3	-463.2	-242.6	-3.7	-3.1	-2.4	-1.1
7- Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8- Other investments	107.9	-953.0	-980.6	-548.9	0.7	-5.5	-5.2	-2.6
d- Clear errors and omissions	6.4	7.4	0.0	0.0	0.0	0.0	0.0	0.0
e- Overall balance	144.6	-62.1	84.0	61.0	0.9	-0.4	0.4	0.3

*Source: BCEAO, Senegalese authorities, WAMA; *Provisional **Projections*

13.3. Status of Macroeconomic Convergence

509. Senegal met two out of the four primary macroeconomic convergence criteria in 2023 (Central bank financing of deficit and gross foreign reserves) but missed those relating to the budget deficit and average annual inflation). The country also met one secondary criteria (nominal exchange rate variation) but missed the public debt as a percentage of GDP. The situation was as follows:

Primary criteria

510. The budget deficit on a commitment basis, including grants, was 4.9 percent of GDP compared with 6.1 percent of GDP in 2022. The average annual inflation rate was 5.9 percent compared with 9.7 percent in 2022, which is above the 5 percent threshold set in the MCSP. Foreign exchange reserves were estimated at 3.6 against 4.2 months of imports of goods and services in 2022, thus respecting the minimum of 3 months. No central bank financing of the budget deficit was recorded during the review period.

Secondary criteria

511. The variation in the average nominal exchange rate of the CFA franc against the WAUA in 2023 stood at 2.9 percent, within the threshold of +10 percent. However, the public debt stock had risen to 73.6 percent of GDP, compared with 68.4 percent in 2022, failing to meet the 70 percent threshold set out in the MCSP.

Table 65: Status of Macroeconomic Convergence in Senegal

Criteria	**Target**	**2020**	**2021**	**2022**	**2023***	**2024****
Primary criteria:		**3**	**3**	**2**	**2**	**3**
i) Budget deficit/GDP (incl. grants)	≤3%	6.4	6.3	6.1	4.9	4.5
ii) Inflation (average)	≤ 5%	2.5	2.2	9.7	5.9	2.6
iii) Central bank financing of deficit	≤10%	0.0	0.0	0.0	0.0	0.0
iv) Gross foreign reserves (WAEMU)	≥3	6.5	6.6	4.2	3.6	4.4
Secondary criteria		**2**	**1**	**2**	**1**	**1**
vi) Nominal exchange rate stability	±10%	1.0	-1.5	-5.3	.2.9	2.9
vii) Total debt stock as % of GDP	≤70%	63.2	67.4	68.2	73.6	70.1
Number of criteria met		**5**	**4**	**4**	**3**	**4**

*Sources: Senegalese authorities; WAMA * estimate ** forecast*

13.4. Prospects

512. Growth in the first quarter of 2024 was weaker than expected, due to the political uncertainties associated with the presidential election. Economic indicators show that growth in economic activity was moderate, with businesses postponing investment and consumers cutting back on spending. However, the start of exploitation of oil and gas resources is expected to strengthen the macroeconomic framework on the basis of strategic options for strong, sustainable and inclusive economic growth.

513. The economy is expected to grow by 7.3 percent in 2024, after such projection had been revised downwards from the initial 9.2 percent in the Finance Act (LFI). This will be driven by the secondary sector, whose value added is expected to increase by 16.2 percent, in line with the increase in mining and manufacturing output following the start-up of oil and gas production in Senegal. Value added in the tertiary sector is expected to increase by 4.9 percent, attributable in particular to commercial and transport activities. Finally, the primary sector is expected to grow

by 4.8 percent, compared with 7.7 percent in 2023. Inflation should come out at 2.6 percent in 2024, in line with the expected easing in the prices of imported goods and the increase in local production. In terms of convergence, Senegal would meet all the convergence criteria with the exception of the budget deficit ratio and possibly also the debt ratio.

13.5. Conclusion and Recommendations

514. An analysis of Senegal's economic and financial situation shows an acceleration in economic growth in 2023, driven by all sectors and linked to the good 2022/2023 farming season. Inflationary pressures also eased as a result of both internal and external factors, although inflation remained above the ECOWAS threshold. Public finance was characterised by:

i. Fiscal consolidation, with budget revenues rising faster than total expenditure and net lending;

ii. The continuation of fiscal measures to combat the high cost of living, which have led to a fall in revenue collected by the Directorate General of Taxes and Estates (DGID) and the Directorate General of Customs (DGD);

iii. The strengthening of mechanisms and resources to combat fraud through the continued establishment and operationalisation of special units, the electronic monitoring of goods movements, and the use of mobile scanners and drones to improve surveillance of the national territory;

iv. The considerable increase in the country's public debt and debt servicing costs, due in particular to the rising debt stock and the appreciation of the US dollar against the CFA franc, as well as the effects of variable rates such as in 2022. However, according to the latest Debt Sustainability Analysis (DSA) report published by the IMF in June 2023, Senegal's external and domestic debt are considered sustainable with a moderate risk of debt distress, but with limited scope for absorbing new shocks in the short term.

v. Efforts to tax the informal sector. However, the measures taken to implement regulations or to tax the informal economy, which is more vulnerable, require more thought if they are not to be arbitrary and fail to reconcile divergent interests fairly.

515. There has also been an effort to readjust the debt management strategy in the light of the risk of over-indebtedness, which has gone from low to moderate over the past 3 years, in particular the use of less and less frequent non-concessional financing, aimed solely at financing projects with high internal rates of return, and an increasing shift in market financing towards the domestic regional public securities market. And the mobilisation of revenue in the medium term, which would help to improve the mobilisation of internal resources with a view to reducing recourse to debt, such as the Adjusted and Accelerated Priority Action Plan (PAP2A), which provides for an increase in the contribution of the private sector to the financing of investment.

516. In the external sector, the overall BOP continued to deteriorate, with a current account deficit, mainly as a result of the fall in exports caused by the easing in international commodity prices, as well as payments for design services and construction work on oil and gas projects. In the

monetary sector, monetary policy continued to be tightened, with the key interest rates being continually raised in June 2022 to combat inflation. In terms of macroeconomic convergence, Senegal meets four (04) convergence criteria.

517. In order to improve the macroeconomic situation, the Senegalese authorities are urged to:

i. Continue to implement policies aimed at increasing the creation of processing plants for local products and/or commodities with a view to creating the value-added chain;
ii. Continue efforts to organise growth-generating agricultural sectors and put in place a specific mechanism for their adequate financing with a view to ensuring food sovereignty, reducing dependence on the outside world and ensuring the diversification and growth of exports in order, ultimately, to boost foreign exchange reserves and ensure price stability;
iii. Building the capacity of local economic players, facilitating access to information and support for small businesses and all other new and useful household initiatives;
iv. Continue revenue mobilisation efforts with a view to containing the budget deficit within the ECOWAS threshold of 3.0 percent of GDP;
v. To give further thought to the taxation of the informal sector, which employs mainly the poorest people, in order to distinguish clearly between the different types of players involved so as to guarantee a fair and coherent solution that takes account of poverty and inequality; and
vi. Initiate mechanisms to reduce outstanding debt, in particular by reprofiling debt, while giving priority to fixed-rate debt at the appropriate time and in local currency or in euros to avoid the exchange rate risk previously experienced.

14. SIERRA LEONE

14.1. Introduction

518. The macroeconomic policy thrust for Sierra Leone in 2023 reflected substantial fiscal and monetary tightening, along with structural reforms aimed at reducing vulnerabilities to restore macroeconomic stability, preserve debt sustainability, and enhance economic resilience. As part of this initiative, the government of Sierra Leone intensified efforts to boost agricultural productivity, develop human capital, and create jobs for the youth to promote sustainable growth and development. Given these policy objectives, the macroeconomic targets for 2023 were set as follows:

  i. Real GDP growth rate of 3.1 percent;
  ii. End-period inflation of 23.7 percent;
  iii. Overall budget deficit on commitment basis including grants of 6.8 percent of GDP;
  iv. Current account deficit, including official grants, of 8.0 percent of GDP; and
  v. Gross external reserves equivalent to at least 3.0 months of imports cover.

519. Despite the challenging global economic environment and domestic supply shocks, economic activity in Sierra Leone remained resilient in 2023. Real GDP growth improved to 5.7 percent from 5.3 percent in 2022, mainly attributed improvements in manufacturing & handicraft, electricity & water supply as well as mining & quarrying subsectors.

520. Inflationary pressures persisted in 2023, with annual average inflation accelerating to 47.6 percent from 27.2 percent in the previous year. This increase was driven by the combined effects of exchange rate pass-through, increases in fuel and food prices, deficit monetisation, and supply-side constraints. However, gains in monetary policy helped curb inflation. End-period inflation, which peaked at 54.6 percent in October 2023, moderated to 52.2 percent in December 2023, although higher than the 37.1 percent recorded in December 2022.

521. Fiscal operations continued to face challenges in 2023, both externally, due to rising global food and energy prices, and domestically, due to structural weaknesses in revenue generation, election-related uncertainties, security concerns, and delays in implementing key provisions of the 2023 Finance Act. The budget deficit (including grants and on a commitment basis) increased in nominal terms to NLe6.82 billion (5.0% of GDP) from NLe5.31 billion (5.3% of GDP) in the previous year. As a percentage of GDP, the deficit narrowed due to a base drift effect from the recent GDP rebasing exercise.

522. The monetary policy stance was relatively tight, aimed at sustainably reducing inflation. The Monetary Policy Rate (MPR) was raised by 400 basis points to 22.25 percent at the end of December 2023, up from 18.25 percent at the end of December 2022. Consequently, growth in the broad money supply (M2) moderated to 32.8 percent at the end of December 2023, down from 41.7 percent in the corresponding period of 2022.

523. Performance in the external sector improved in 2023, with the current account deficit narrowing to US$382.2 million (5.5% of GDP) from US$423.3 million (5.8 % of GDP) in 2022, and the

overall BOP deficit decreasing to US$118.9 million (1.7% of GDP) from US$298.6 million (4.1% of GDP), reflecting increases in exports and more stable capital flows.

524. Regarding macroeconomic convergence performance in 2023, the country missed all four primary criteria compared to the previous year when it met the criterion on gross external reserves. Performance on secondary criteria remained unchanged, with the country satisfying the public debt to GDP ratio criterion, while it missed the criterion on nominal exchange rate stability.

14.2. Sectoral Analysis

14.2.1. Real Sector

525. Real GDP growth improved to 5.7 percent in 2023 from 5.0 percent in 2022, reflecting favourable industrial output as evidenced by improvements in manufacturing and handicraft, electricity and water supply as well as mining and quarrying. However, the primary and tertiary sectors slowed on the back of subdued growth in the livestock, forestry & fishing and wholesale & retail trade, accommodation & food services, respectively.

526. Growth of the primary sector slowed by 2.4 percent in 2023 compared to 3.0 percent in 2022, mainly driven by a slowdown in activities in livestock, forestry & fishing. Growth in the livestock sector slowed by 2.4 percent, down from 3.0 percent in 2022, the ongoing supply chain disruptions impedes access to quality feed and climate-related vulnerabilities were challenging. The fishery sector therefore recorded slowdown in growth of 1.2 percent, down from 2.2 percent in 2022. The forestry sector also saw a decline in growth of 2.1 percent, compared to 3.4 percent in 2022, influenced by the negative impact of the ban on logging activities aimed at sustainable forest management and reforestation efforts.

527. Growth in the secondary sector stood at 14.4 percent in 2023 from 9.9 percent in 2022, driven largely by subdued growth in mining and quarrying. Mining and quarrying output grew substantially to 48.3 percent from 33.9 percent in 2022, primarily due to improved activity in the mining & quarrying at 48.3 percent from 33.9 percent as well as construction at 2.7 percent from 2.4 percent during the review period. However, activity in diamond, iron ore and other mineral like rutile, bauxite and Gold declined. Manufacturing activity also saw a slowdown in the review period while electricity & water supply contracted by 3.3 percent from 25.7 percent a year ago.

528. The tertiary sector was resilient, despite declining to 4.7 percent in 2023, from 5.4 percent in 2022. Output in wholesale & Retail trade slowed to 3.4 percent from 6.3 percent in the previous year. Similarly, accommodation & food services activity declined to 1.8 percent from 8.1 percent due largely to increased prices, transport & storage also slowed to 2.8 percent from 6.7 percent on the back of increase in fuel prices and cost spare parts. On the other hand, Information & Communication grew at 28.2 percent compared to 18.6 percent in 2022, Financial and Insurance activities (3.4% from 2.6%), Education (4.0% from -0.5%) human health (1.8% from 1.5%) while real estate activity remained unchanged at 2.5 percent in both 2023 and 2022.

529. Regarding the contribution to GDP growth, the primary sector contributed 0.8 percentage points, down from 1.0 percentage points in 2022. Similarly, the tertiary sector's contribution declined to 2.0 percentage points from 2.3 percentage points in 2022. Conversely, the secondary sector's contribution improved to 2.6 percentage points from 1.7 percentage point in 2022.

530. Considering the demand side, persistent inflation, weaker household purchasing power, and associated cost-of-living difficulties weakened growth in final consumption to 1.6 percent from 4.3 percent in 2022. There was also modest growth in government final consumption due to continued fiscal consolidation efforts. Growth in capital formation increased significantly to 44.2 percent compared to 9.0 percent, reflecting the general improvements of the investment climate.

531. Inflationary pressures experienced since the second half of 2021 led to end-period inflation accelerating to 52.2 percent in December 2023, up from 37.1 percent in December 2022, reflecting the combined effects of exchange rate pass-through, imported inflation, and increases in fuel and food prices along with supply-side constraints.

Table 66: Trends in GDP and its Components in Sierra Leone

Year	**2020**	**2021**	**2022**	**2023**	**2020**	**2021**	**2022**	**2023**
Supply Side	**Percentage change**				**Contribution to growth**			
RGDP	**-1.3**	**5.9**	**5.3**	**5.7**	**-1.3**	**5.9**	**5.3**	**5.7**
Agriculture, Forestry and Fishing	2.7	2.2	3.0	2.4	0.9	0.8	1.0	0.8
Industry	-5.8	8.0	9.9	14.4	-1.0	1.4	1.7	2.6
Services	-2.5	8.2	5.4	4.7	-1.1	3.5	2.3	2.0
Taxes less Subsidies on Products	-1.3	5.9	5.3	5.7	0.0	0.2	0.2	0.2
Demand Side								
Final Consumption Expenditure	4.3	4.3	4.3	1.6	0.1	0.1	0.1	0.0
Capital Formation	-8.7	-9.9	9.0	44.2	-1.3	-1.4	1.1	5.4
Total Exports of Goods and Services	-0.5	69.8	9.0	7.0	-0.1	6.7	1.4	1.1
Total Imports of Goods and Services	-23.8	24.0	15.8	9.3	-6.3	4.9	3.8	2.5
Memorandum Items								
GDP (Current Prices, In millions NLe)	65.7	74.8	100.0	136.6				
GDP (Constant Prices, In millions NLe)	52.8	55.9	8.6	62.3				
Exchange rate per USD (depreciation)	-5.8	-25.7	-34.3	-15.6				
Inflation								
Average	13.4	11.9	27.2	47.6				
End-Period	10.4	17.9	37.1	52.2				

Source: Statistics Sierra Leone

14.2.2. Fiscal Sector

532. Fiscal operations in 2023 were constrained by structural weaknesses in domestic revenue mobilisation, delays in implementing key provisions of the 2023 Finance Act, uncertainty associated with the elections and security concerns, while heightened global food and energy prices strained government expenditures.

533. Total revenue and grants increased in nominal terms to NLe14.27 billion (10.4% of GDP) from NLe10.87 billion (10.9% of GDP) in 2022, driven by improvements in domestic revenue

mobilisation and grants. However, as a percentage of GDP, total revenue and grants decreased due to a base drift effect from the recent GDP rebasing. Domestic revenue rose by 43.3 percent in nominal terms to NLe10.10 billion (7.4% of GDP) from NLe7.05 billion (7.0% of GDP) the previous year, reflecting greater efficiency in tax administration and collection, notably in corporate tax, goods and services tax, and non-tax revenue. Tax revenue amounted to NL7.85 billion (5.7% of GDP) compared to NLe4.4 billion (5.4% of GDP) in 2022, supported by improved collections in income tax and taxes on goods and services. Income tax revenue increased to NLe5.74 billion (3.9% of GDP) from NLe4.10 billion (4.1% of GDP) in 2022. Revenue from taxes on goods and services rose to Le2.10 billion (1.4% of GDP) from NLe1.31 billion (1.3% of GDP) in 2022. Non-tax revenue reached NLe2.25 billion (1.5% of GDP) in 2023, up from NLe1.64 billion (1.6% of GDP) in 2022.

534. Grants increased in nominal terms to NLe4.17 billion (3.1% of GDP) in 2023 from NLe3.82 billion (3.8% of GDP) in 2022, due to increased budgetary support and the disbursement of project and other grants.

535. Total expenditure increased in nominal terms by 27.47 percent to NLe20.56 billion (15.0% of GDP) from NLe16.13 billion (16.1% of GDP), reflecting higher recurrent and capital expenditures. However, as a percentage of GDP, it declined due to base drift effect.

536. Recurrent expenditure increased to NLe13.83 billion (10.1% of GDP) from NLe11.06 billion (11.1% of GDP) in 2022, driven by higher interest payments and increased spending on wages and salaries, as well as goods and services. Wages and salaries rose to NLe5.31 billion (3.9% of GDP) from NLe4.35 billion (4.3% of GDP) due to the recruitment of government consultants and health workers, retirement payments to military personnel, and the exchange rate effect on payments to diplomatic missions abroad. Similarly, expenditure on goods and services increased to NLe2.70 billion (2.0% of GDP) from NLe2.45 billion (2.4% of GDP) in 2022, driven largely by increased spending in the security sector associated with the elections and other domestic security challenges. Transfers and subsidies rose to NLe2.62 billion (1.9% of GDP) from NLe2.44 billion (2.4% of GDP) in 2022, reflecting increased energy subsidies, and increased allocations to treasury single account agencies to improve financial oversight and reduce leakages. Additionally, interest payments on government debt surged by 74.6 percent to NLe3.20 billion (2.3% of GDP) from NLe1.83 billion (1.8% of GDP) in 2022, due to compounding domestic interest payments and exchange rate effects on external debt.

537. Capital expenditure totalled NLe6.73 billion (4.9% of GDP) in 2023, up from NLe5.06 billion (.5.1% of GDP) in 2022, funded from both domestic and external sources. This increase was mainly due to higher spending on infrastructure projects, including road rehabilitation and construction, energy, water, Free Quality Education, and strengthening chiefdom governance.

538. The domestic primary balance improved by 2.9 percentage points of GDP to a deficit of NLe3.26 billion (2.2% of GDP), down from NLe5.1 billion (5.0% of GDP) in 2022, reflecting improvements in revenue collection and tight spending restraint. However, despite continued fiscal consolidation efforts, the fiscal deficit (including grants and on a commitment basis)

remained high in 2023, widening in nominal terms to NLe6.82 billion (5.0% of GDP) from NLe5.31 billion (5.3% of GDP) in 2022. As a percentage of GDP, the deficit narrowed due to a base drift effect from the recent GDP rebasing exercise. Excluding grants, the deficit expanded to NLe10.46 billion (7.7% of GDP) from NLe9.08 billion (9.1 % of GDP) in 2022, primarily financed by domestic sources, especially the banking system.

539. The stock of public debt increased by 12.9 percent in nominal terms to NLe58.34 billion (39.5% of GDP) at end-December 2023 from NLe51.70 billion (51.7% of GDP) at end-December 2022. Relative to GDP, the public debt ratio declined, reflecting a lower primary deficit and base drift effects from GDP rebasing. While the reduction is a welcome development, debt financing concerns persist amidst potential fiscal vulnerabilities masked by the GDP rebasing.

Table 67: Trends in Key Fiscal Indicators in Sierra Leone

Year	2020	2021	2022	2023	2020	2021	2022	2023
(In millions of Leones)	Percentage Change				Percent of GDP			
Total Revenue and Grants	17.2	18.9	17.0	31.3	11.9	12.4	10.9	10.4
Domestic Revenue	1.6	25.6	1.9	43.3	8.4	9.2	7.0	7.4
Tax Revenue	0.8	17.1	8.6	45.2	6.5	6.7	5.4	5.7
Non-tax revenue	4.8	54.7	-15.4	37.3	1.9	2.6	1.6	1.6
Grants	84.8	2.8	61.2	9.1	3.5	3.2	3.8	3.1
Total Expenditure and Net Lending	30.3	20.4	32.7	27.5	15.4	16.2	16.1	15.0
Total Expenditure	30.3	20.4	32.7	27.5	15.4	16.2	16.1	15.0
Total Recurrent Expenditure	25.0	22.0	28.3	25.0	10.7	11.5	11.1	10.1
Non-interest Payment	25.5	25.5	25.6	15.1	8.9	9.8	9.2	7.8
Wages & Salaries	26.7	20.3	10.7	22.2	5.0	5.2	4.3	3.9
Overheads	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
goods & services	20.6	19.9	43.4	10.3	2.2	2.3	2.4	2.0
Subsidies and Transfers	28.5	47.0	41.8	7.3	1.8	2.3	2.4	1.9
Other non-interest payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest on gov't debt	22.7	4.9	44.3	74.7	1.8	1.7	1.8	2.3
Domestic	22.9	4.2	43.9	79.1	1.7	1.5	1.6	2.1
External	20.4	11.6	47.9	38.2	0.2	0.2	0.2	0.2
Capital/Investment Expenditure	44.4	16.6	43.5	32.9	4.6	4.7	5.1	4.9
Domestically Financed	36.6	28.4	70.4	-8.9	2.0	2.3	2.9	1.9
Externally Financed	51.0	7.4	18.7	88.3	2.6	2.5	2.2	3.0
Financing	100.6	28.0	80.0	-100.0	3.5	3.9	5.3	5.0
Fiscal Balance (incl. Grants) Commitment basis	100.6	28.0	80.0	20.4	-3.5	-3.9	-5.3	-5.0
Fiscal Balance (excl. Grants) Commitment basis	96.7	14.1	73.5	-100.0	-7.0	-7.0	-9.1	-7.7
Primary Domestic Balance	505.7	30.9	131.1	-100.0	-2.6	-3.0	-5.1	-2.4
Public debt					46.0	45.4	51.7	42.7
Domestic					15.5	15.9	16.1	13.4
External debt					30.5	29.6	35.6	29.3

Source: Ministry of Finance

14.2.3. Monetary Sector

540. In 2023, the BSL continued to maintain a tight monetary policy stance aimed at sustainably reducing inflation. The MPR was raised cumulatively by 400 basis points to 22.25 percent at end-December 2023 from 18.25 percent at end-December 2022. In tandem with the MPR, the average inter-bank rate and lending rates increased during the period.

541. Developments in monetary aggregates showed that growth in broad money supply (M2) moderated to 32.8 percent at end-December 2023 from 41.7 percent in the corresponding period of 2022, mainly on account of the lower growth in NFA. NFA expanded by 21.1 percent, lower than the growth rate of 51.6 percent recorded in December 2022, mainly reflecting the slowdown in the net external position of the BSL during the period.

542. Similarly, NDA expanded by 36.9 percent in 2023 compared to 38.6 percent in 2022, primarily induced by net claims on the government, which expanded by 40.6 percent compared to 34.3 percent in 2022. Claims on the economy grew by 27.8 percent in 2023 compared 5.6 percent in 2022. Credit growth to the private sector by commercial banks increased to 25.0 percent in 2023 from 11.9 percent in 2022, reflecting increased lending to the private sector.

543. Reserve money growth accelerated to 44.0 percent in 2023 from 31.5 percent in 2022, primarily due to an increase in both currency outside banks and excess bank reserves. Currency outside banks grew by 34.6 percent in the period ended-December 2023 compared to the growth rate of 31.9 percent in the same period of 2022. Reserves of commercial banks expanded to 53.3 percent at end-December 202 from 41.5 percent at end-December 2022.

544. Decomposing the growth rate of M2 according to its components, on the asset side, NFA contributed 5.5 percentage points, down from 12.5 percentage points in 2022, reflecting dwindling foreign exchange reserves to buffer against external vulnerabilities. NDA contributed significantly with 27.4 percentage points, indicating ongoing domestic credit expansion. Breaking down this contribution, claims on the general government contributed substantially with 27.8 percentage points from 24.7 percentage points in 2022, while claims to the private sector improved to 4.5 percentage points from 1.2 percentage points in 2022, and other assets (net) contributed -4.9 percentage points compared to 3.3 percentage points in 2022. The overwhelming credit extended to the government is an indication of the potential crowding out of the private sector, while the increasing share of credit to the private reflects ongoing credit expansion to support economic activities.

Table 68: Growth in Key Monetary Aggregates in Sierra Leone

	2020	2021	2022	2023	2020	2021	2022	2023
	Percentage Change				Contribution to M2 Growth			
NFA	**49.4**	**8.7**	**51.6**	**21.1**	**12.4**	**2.4**	**12.5**	**5.5**
NDA	**34.4**	**27.0**	**38.6**	**36.9**	**25.8**	**19.7**	**29.3**	**27.4**
Domestic Credit	28.2	24.1	27.6	38.1	28.2	22.3	26.0	32.3
Claims on Government (Net)	36.8	19.6	34.3	40.6	27.4	14.5	24.7	27.8
Claims on Private Sector	3.1	41.5	5.6	27.8	0.8	7.9	1.2	4.5
Other Items, net (Assets)	9.7	13.3	-18.0	46.4	-2.4	-2.6	3.3	-4.9
Broad Money (M2)	**38.2**	**22.1**	**41.7**	**32.8**	**38.2**	**22.1**	**41.7**	**32.8**
Reserve Money	5.7	8.7	31.5	44.0	2.7	4.3	17.0	31.2
Narrow Money	49.9	25.6	20.7	31.6	23.4	13.0	10.9	14.1
Currency with Public	37.6	24.0	31.9	34.6	9.0	5.7	7.7	7.8

Demand Deposits	62.6	27.0	11.1	28.5	14.4	7.3	3.1	6.3
Quasi Money	27.8	18.4	64.9	33.8	14.8	9.0	30.9	18.7
Time and Savings Deposits (DMBs)	29.7	7.4	26.1	18.7	8.7	2.0	6.3	4.0
Foreign Currency Deposits (DMBs)	24.7	33.2	104.7	43.3	5.9	7.1	24.6	14.7

Source: BSL

545. On the liability side, currency held with the public contributed 7.8 percentage points, up slightly from 7.7 percentage points in the previous year, indicating persistent cash-based transactions. Demand deposits contributed 6.3 percentage points, up from 3.1 percentage points, reflecting increasing confidence in the domestic banking system and expanding economic activities. Time and savings deposits showed a decrease in contribution to 4.0 percentage points from 6.3 percentage points. The contribution of foreign currency deposits to M2 growth in Sierra Leone decreased to 14.7 percentage points in 2023 from 24.6 percentage points in 2022, reflecting changing preference to hold the local currency, Leones, partly due to relative exchange rate stability.

546. The banking sector remained relatively stable, as all key financial soundness indicators were within the regulatory threshold during the review period, reflecting regulatory reforms being implemented by BSL to strengthen financial resilience and preserve stability as part of its policy priorities during the period through various regulatory and institutional reforms. The reforms included establishing the Financial Policy Committee, approving new Corporate Governance Guidelines for the banking sector, and creating a Deposit Protection Fund Unit, continuing the implementation of the risk-based supervision strategy and formed a Basel Steering Committee and Implementation Team to begin implementing Basel II and parts of Basel III by 2025. However, despite these interventions, one commercial bank did not meet the minimum paid-up capital requirement.

547. The CAR was 41.7 percent in December 2023, compared to 35.2 percent in 2022, exceeding the regulatory minimum of 15.0 percent. This implies that the banking sector is well capitalised and better positioned to absorb shocks. However, the high level of CAR is due to banks' large holdings of government securities that are considered risk-free. The overall liquidity ratio, measured as liquid assets to total assets, declined marginally to 77.0 percent from 78.3 percent in 2022. This liquidity position indicates strong capacity for banks to meet short-term obligations.

548. Asset quality in the banking sector improved, with the NPLs ratio decreasing by 2.8 percentage points to 8.8 percent in 2023, below the regulatory maximum of 10 percent. This improvement was mainly driven by write-offs and recoveries during the period. The Consumer Finance, Construction and Personal Loans categories continued to drive the NPLs during the period. Additionally, the banking sector saw strong earnings growth of 73 percent in the review period.

14.2.4. External Sector

549. Developments in the external sector improved in 2023 compared to 2022 as the deficit in both the current account and the overall BOP narrowed during the review period. The current account deficit narrowed to US$382.2 million (6.0% of GDP) from US$423.3 million (5.9% of GDP) in 2022, reflecting improvement in the trade balance occasioned by increased exports during the period.

550. The trade deficit reduced to US$481.40 million (7.5% of GDP) in 2023 from US$594.40 million (8.3% of GDP) in 2022, due largely to increased merchandise exports, which grew to US$1,210.20 million (18.9% of GDP) from US$1,154.40 million (16.2% of GDP), reflecting increased exports of non-oil products, especially iron ore. Meanwhile, merchandise imports (fob) decreased to US$1,691.60 million (26.5% of GDP) from US$1,748.80 million (24.6% of GDP) in 2022, mainly explained by the moderation in oil and gas import bills.

551. The balance of the services account (net) increased to a deficit of US$283.2 million (4.4% of GDP) from a deficit of US$264.0 million (3.7% of GDP) in 2022, primarily due to increased outflows during the period. However, the deficit in the primary income account (net) narrowed to US$63.2 million (1.0% of GDP) from US$67.0 million (0.9% of GDP) but remained unchanged relative to GDP during the period. The secondary income balance (net) moderated to US$445.6 million (7.0% of GDP) in 2023 from US$502.1 million (7.1% of GDP) in the preceding year.

552. The capital account balance improved to US$267.3 million (4.2% of GDP) from US$220.1 million (3.1% of GDP) in 2022 on the back of increased credit transfers during the review period.

553. The financial account recorded net incurrence of liabilities (inflows) of US$3.9 million (0.1% of GDP) in 2023 against net acquisition of financial assets of US$127.4 million (1.8% of GDP) in 2022, driven by a significant reduction in the direct investment position. Direct investments (net) notably decreased to US$10.0 million (0.2% of GDP) from US$186.2 million (2.6% of GDP) in 2022, while the deficit in other investments (net) narrowed to US$13.9 million (0.2% of GDP) compared to a deficit of US$58.8 million (0.8% of GDP) in the previous year.

554. Consequently, the deficit in the overall BOP narrowed to US$118.9 million (1.8% of GDP) from a deficit of US$298.6 million (4.5% of GDP) recorded in 2022, driven mainly by the capital account and improvement in current account transactions during the period.

555. Despite improvement in current account balances and overall BOP, gross external reserves decreased to US$468.3 million (2.6 months of import cover) in 2023 from US$610.4 million (3.3 months of import cover) in 2022, partly due to external debt servicing.

Table 69: Trends in Key Balance of Payments Indicators in Sierra Leone

Year	**2020**	**2021**	**2022**	**2023**	**2020**	**2021**	**2022**	**2023**
	BOP in Million USD				**% of GDP**			
a- Current account (1+2+3)	**-275.6**	**-360.5**	**-423.3**	**-382.2**	**-4.1**	**-5.0**	**-5.9**	**-6.0**
1- Goods and services	-716.8	-754.7	-858.4	-764.6	-10.7	-10.5	-12.1	-12.0
Balance of goods	-573.0	-584.7	-594.4	-481.4	-8.6	-8.2	-8.3	-7.5
Exports (FOB)	**648.0**	**1046.6**	**1154.4**	**1210.2**	**9.7**	**14.6**	**16.2**	**18.9**
Non-Oil and Electricity	648.0	1046.6	1154.4	1210.2	9.7	14.6	16.2	18.9
Imports (FOB)	**-1221.0**	**-1631.3**	**-1748.8**	**-1691.6**	**-18.3**	**-22.8**	**-24.6**	**-26.5**
Oil and Gas	-184.5	-269.3	-414.5	-372.9	-2.8	-3.8	-5.8	-5.8
Non-Oil and Electricity	-1036.5	-1362.0	-1334.3	-1318.7	-15.5	-19.0	-18.7	-20.6
Balance of services	-143.8	-170.0	-264.0	-283.2	-2.1	-2.4	-3.7	-4.4
Outflows (Debit)	-143.8	-170.0	-264.0	-283.2	-2.1	-2.4	-3.7	-4.4
2- Primary income	**-26.6**	**-72.3**	**-67.0**	**-63.2**	**-0.4**	**-1.0**	**-0.9**	**-1.0**
3- Secondary income	467.8	466.5	502.1	445.6	7.0	6.5	7.1	7.0
Secondary Income - Credit	467.8	466.5	502.1	445.6	7.0	6.5	7.1	7.0

Secondary Income - Debit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
b- Capital account (4+5)	**94.1**	**105.7**	**220.1**	**267.3**	**1.4**	**1.5**	**3.1**	4.2
Capital Transfers (credit)	94.1	105.7	220.1	267.3	1.4	1.5	3.1	4.2
Capital Transfers (debit)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
d- Financial account (6+7+8+9)	**198.6**	**483.3**	**127.4**	**-3.9**	**3.0**	**6.7**	**1.8**	**-0.1**
6- Direct investment	135.1	212.3	186.2	10.0	2.0	3.0	2.6	0.2
9- Other investments	63.5	271.0	-58.8	-13.9	0.9	3.8	-0.8	-0.2
e- Net errors and omissions	-12.6	-79.5	-222.8	-0.1	-0.2	-1.1	-3.1	0.0
f-Overall balance (a+b-d+e)	**4.5**	**149.0**	**-298.6**	**-118.9**	**0.1**	**2.2**	**-4.5**	**-1.8**
Financing	-4.5	-149.0	298.6	52.4	-0.1	-2.2	4.5	0.8
Reserve Assets	677.0	932.0	610.4	468.3	10.1	13.9	9.1	7.0
MEMORANDUM ITEMS								
Nominal GDP in millions of Leones	65,748,398	74,800,718	100,007,149	136,604,079				
Nominal GDP in millions of US$	6,689.2	7,165.3	7,119.3	6,392.7				
Average Exchange Rate (Leone /US$)	9,829.0	10,439.3	14,047.3	21,368.7				
Gross Reserves (months of imports)	5.3	5.5	3.3	2.6				
Reserves in millions of US$	677.0	932.0	610.4	468.3				

Source: BSL

556. Accordingly, the Leone experienced significant pressure in the early part of 2023 but showed some strengthening with a reduced depreciation rate in the second half of the year. During the period, the currency depreciated by an average of 34.3 percent against the US Dollar, compared to a 25.7 percent depreciation in 2022. Similarly, against the WAUA, the Leone depreciated by 34.6 percent in 2023, up from 20.1 percent in 2022.

14.3. Status of Macroeconomic Convergence

557. On macroeconomic convergence performance in 2023, the country missed all four primary convergence criteria, in contrast to 2022 when the criterion on gross external reserves was met. Regarding secondary convergence, the country satisfied the public debt to GDP ratio criterion. The summary of the performance is presented below:

Primary criteria

558. The budget deficit on a commitment basis, including grants, was 4.6 percent of GDP compared to 5.2 percent of GDP in 2022. The average annual inflation rate increased to 47.6 percent from 27.2 percent in 2022. Gross external reserves declined to 2.6 months of imports of goods and services in 2023 from 3.3 months of imports in 2022. Central bank financing of the budget deficit was estimated at 37.5 percent of previous year’s tax revenue, thus missing all four primary convergence criteria in 2023.

Secondary criteria

559. The variation in the average nominal exchange rate of the Leone against the WAUA in 2023 was 34.6 percent, well above the threshold of -/+10 percent. The public debt stock stood at 39.5 percent of GDP in 2023 compared to 50.8 percent of GDP in 2022, thus satisfying the 70 percent threshold set out in the MCSP.

Table 70: Status of Macroeconomic Convergence in Sierra Leone

Criteria	Target	2020	2021	2022	2023*	2024**
Primary Criteria		**1**	**1**	**1**	**0**	**1**
i. Budget Deficit / GDP	≤ 3 percent	3.4	3.9	5.3	5.0	2.7
ii. Annual Average Inflation	≤ 5 percent	13.5	11.9	27.2	47.6	38.4
iii. Central Bank Financing of Budget Deficit	≤ 10 percent	21.9	20.0	52.2	37.5	5.3
iv. Gross External Reserves	≥ 3 mths Imp	5.3	5.5	3.3	2.6	2.7
Secondary Criteria		**2**	**2**	**1**	**1**	**2**
i. Nominal Exchange Rate Stability	± 10 percent	-9.2	-7.9	-20.1	-34.6	-9.8
ii. Public Debt / GDP	≤ 70 percent	44.9	45.1	50.8	39.5	43.9
Total number of convergence criteria met		**3**	**3**	**2**	**1**	**3**

Source: WAMA **Provisional* ***Projections*

14.4. Prospects

560. Real GDP growth is projected to improve to 4.0 percent in 2024 and further to 4.5 percent in 2025, anticipated to be driven by strong activity in mining and recovery in agriculture, manufacturing, construction, and tourism. Consequently, growth is expected to average 4.4 percent over the medium term, with agricultural productivity likely to be enhanced through the Feed Salone initiative. However, high inflation and ongoing fiscal consolidation, coupled with uncertainties from global geopolitical fragmentation and the escalation of the Russia-Ukraine war, may pose downside risks to this outlook.

561. Inflation is expected to sustain its downward trajectory in the medium term, affected by developments in global commodity prices and the tightening of monetary policy. The anticipated increase in domestic revenue due to effective reform measures might be offset by higher recurrent expenditures, including the security sector. Despite this, the budget deficit, including grants, is expected to narrow to 2.7 percent of GDP in 2024, due to anticipated increases in tax revenue supported by reforms under the new Extended Credit Facility (ECF) programme negotiated with the IMF. Public debt is also projected to reach 43.9 percent of GDP in 2024 and remain on a sustainable path. Therefore, over the medium term (2024-2026), the country is expected to meet the criteria on the budget deficit and central bank financing of the fiscal deficit on the primary convergence front, and the public debt criterion on secondary convergence front in 2024 and 2025. All four criteria, including gross external reserves, are anticipated to be met in 2026.

14.5. Conclusion and Recommendations

562. Sierra Leone's GDP growth demonstrated resilience despite various challenges, with projections indicating medium-term improvements. The tight monetary policy stance in 2023 effectively moderated broad money supply growth, aiding in inflation control. On the external front, deficits in both the current account and overall BOP narrowed in 2023, reflecting an improved trade balance and more stable capital flows. Regarding macroeconomic convergence, the country met the public debt-to-GDP criterion but missed the inflation, budget deficit, central bank financing of the budget deficit, gross external reserves, and exchange rate variation criteria. Continued fiscal and monetary policy tightening, along with efforts to build external reserves, is crucial to ensure macroeconomic stability and maintain debt sustainability.

563. Considering the macroeconomic developments and challenges in 2023, the authorities are encouraged to consider the following recommendations:

    i. Continue tightening monetary policy and reduce fiscal dominance to help contain inflation.

ii. Adopt reforms to enhance economic diversification and resilience to external shocks by supporting the digital economy, developing non-traditional sectors such as tourism, manufacturing, and services, and promoting value addition in export industries.

iii. Ensure the effectiveness of the Agricultural Credit Facility to benefit smallholder farmers and other stakeholders to enhance agricultural productivity.

iv. Diversify sources of financing to ease the burden on the domestic banking system by increasing automation of informal businesses to broaden the tax base, exploring grant financing or concessional borrowing, and public-private partnerships.

v. Reprioritise spending and implement stricter budgetary controls to create fiscal space, and conduct regular reviews of expenditure patterns to identify areas for optimisation and efficiency improvements.

vi. Prioritise policies aimed at bolstering external reserves by accelerating efforts to facilitate the purchase of monetary gold. This should include strengthening the operational capacity of BSL, fostering strategic international partnerships, and leveraging local gold production to diversify reserve assets.

15. TOGO

15.1. Introduction

564. Togo's economic policy objectives for 2023 are set out in the government's roadmap, Togo 2025. This roadmap aims at strengthening social inclusion and harmony, consolidating peace, boosting job creation, and modernising the country and strengthening its economic and social structures.

565. The fiscal policy objective was to improve the budget balance through effective revenue mobilisation and expenditure control. In particular, it focuses on strengthening control of operating expenditure and consolidating the sustainability of public debt, in order create fiscal space to finance infrastructure investments and address social priorities.

566. Tax policy focuses primarily on continuing to broaden the tax base, strengthening control measures and the fight against tax fraud and evasion, reducing the tax burden and simplifying tax procedures. Tax policy is also focused on promoting investment.

567. In line with the country's medium-term macroeconomic policy objectives, the Government sought to achieve the following by 2023:

   i. Real GDP growth rate of 7.0 percent;
   ii. Average annual inflation rate of 5 percent;
   iii. Budget deficit of 4.7 percent of GDP, reaching 3 percent of GDP by 2025; and
   iv. Public debt-to-GDP ratio of 53.2 percent.

568. To achieve these objectives, and in particular to accelerate economic growth, greater emphasis will be placed on sectors with high potential for creating added value, jobs and innovation, such as agriculture, infrastructure, digital technology, manufacturing and mining. With this in mind, the Togolese government intends to step up the measures already under way to promote sectors with high potential for growth.

569. Similarly, the government will continue to work on the major infrastructure projects that have been launched to address the country's infrastructure deficit, notably transport, energy and sanitation infrastructure. The government also intends to continue implementing structural reforms and projects aimed at macroeconomic stability and financial inclusion. In addition, the government intends to strengthen the measures already taken to contain inflationary pressures, with a view to reinforcing the country's macroeconomic stability.

15.2. Sectoral Analysis

15.2.1. Real Sector

570. In 2023, Togo's economic activity consolidated, thanks to the effects of the various measures taken to support the national economy as part of the implementation of the priority projects in the Government's Roadmap (FdR). The real GDP growth rate was 6.4 percent, compared to 5.8 percent in 2022, mainly driven by the secondary and service sectors.

571. The primary sector grew by 4.2 percent in 2023, down from the 5.1 percent recorded in 2022. Growth was supported by the measures taken by the government to develop modern, sustainable

agriculture with high added value. Agriculture and livestock farming recorded growth rates of 4.0 percent and 5.9 percent respectively, compared with 5.1 percent and 5.9 percent in 2022. However, fishing and aquaculture contracted by 1.8 percent in 2023 after growing at 6.9 percent a year earlier.

572. The secondary sector grew by 6.7 percent in 2023 compared to 6.4 percent a year earlier, supported by growth in all sub-sectors. Mining and quarrying grew by 6.1 percent, compared with 8.6 percent in 2022. Manufacturing industries grew by 6.9 percent, exceeding the 5.6 percent recorded in 2022. Construction and public works grew by 7.6 percent, compared with 8.6 percent in 2022. Water, electricity and gas activities have strengthened, with growth of 6.0 percent, after 6.4 percent in 2022.

573. The services sector posted a growth rate of 7.5 percent in 2023, up from 6.8 percent in 2022, mainly due to the performance of trade (7.3% compared with 8.7 percent in 2022), transport and communications (6.6% compared with 5.4% in 2022), financial services (8.0% compared with 7.6% in 2022) and accommodation and food services (8.3% compared with 9.9% in 2022). Non-market services grew by 8.2 percent in 2023, compared with 6.4 percent a year earlier.

574. The services sector made the largest contribution to growth, at 4.1 points, compared with 3.4 percentage points in 2022. The secondary sector contributed 1.4 percentage points, compared with 1.3 percentage points in 2022. The primary sector's contribution to GDP growth was 0.9 percentage point, compared with 1.1 percentage points in 2022.

Table 71: Trends in GDP and its Components in Togo

	2021	2022	2023*	2024**	2021	2022	2023*	2024**
SUPPLY	**Percentage change**				**Contribution to growth**			
GDP AT CONSTANT PRICES	6.0	5.8	6.4	6.6	0.0	0.0	0.0	0.0
Primary sector	3.3	5.1	4.2	4.6	0.7	1.1	0.9	0.9
Agriculture	3.3	5.1	4.0	4.5	0.5	0.8	0.6	0.7
Livestock and hunting	5.0	5.9	5.9	6.3	0.2	0.2	0.2	0.2
Sylviculture, forestry	0.6	2.5	5.1	2.2	0.0	0.0	0.1	0.0
Fisheries and aquaculture	0.9	6.9	-1.8	3.5	0.0	0.0	0.0	0.0
Secondary sector	5.8	6.4	6.7	7.0	1.2	1.3	1.4	1.4
Extractive industries	5.2	8.6	6.1	7.8	0.1	0.1	0.1	0.1
Manufacturing	4.0	5.6	6.9	7.0	0.5	0.7	0.8	0.8
Energy	9.1	6.4	6.0	7.0	0.4	0.3	0.3	0.3
Public works and construction	9.9	8.6	7.6	6.4	0.2	0.2	0.2	0.2
Service sector	6.0	6.8	7.5	25.4	3.0	3.4	3.8	12.9
Trade	5.1	8.7	7.3	7.1	0.3	0.5	0.4	0.4
Hospitality and restaurants		9.9	8.3					
Transports and communications	8.5	5.4	6.6	7.7	1.2	0.8	0.9	1.1
Banks, insurance and other market services	5.2	7.6	8.0	7.4	0.9	1.4	1.5	1.4
Non-market services	5.0	6.4	8.2	6.6	0.6	0.8	1.0	0.8
DEMAND								
Final consumption	10.2	5.1	4.0	9.5	8.6	4.4	3.4	8.0
Private consumption	12.0	4.7	3.8	11.8	8.5	3.5	2.8	8.6
Fixed Gross Capital Formation	-0.4	11.3	14.1	-3.6	-0.1	2.5	3.3	-0.9
Private	3.2	3.8	8.8	10.6				
Public	-5.0	21.9	20.5	-18.9	-0.5	2.0	2.2	-2.3
Exports	8.8	2.8	6.8	6.4	2.2	0.7	1.7	1.6
Imports	14.3	5.3	5.8	6.1	4.7	1.9	2.1	2.1
Inflation	**2021**	**2022**	**2023**	**2024**				
Annual average	4.5	7.6	5.3	2.1				
End-period	6.1	7.7	3.5	2.3				

*Source: Ministry of Economy and Finance * Provisional**Projections*

575. On the demand side, real GDP growth in 2023 was driven by final consumption and investment. Final consumption expenditure rose by 4.0 percent in 2023 compared to 5.1 percent in 2022, driven by both private final consumption expenditure (3.8% compared to 4.7% in 2022) and public final consumption expenditure (5.1% compared to+7.2% in 2022). Investment, driven by the implementation of projects and programmes under the government's roadmap, increased by 14.1 percent in 2023 compared to the growth of 11.3 percent recorded in 2022.

576. In terms of contribution to real GDP growth in 2023, final consumption and investment have contributed 3.4 percentage points and 3.3 percentage points respectively, compared with 4.4 percentage points and 2.5 percentage points, respectively, in 2022.

577. Economic activity in 2023 took place against a backdrop of high prices, albeit lower than at the end of December 2022. End-period inflation fell to 3.5 percent in 2023 from 7.7 percent in December 2022, due to moderation in prices of food and non-alcoholic beverages transport, housing, water, electricity, gas and other fuels, and transportation. As a result, average annual inflation fell to 5.3 percent in 2023 from 7.6 percent a year earlier.

15.2.2. Fiscal Sector

578. The government's financial operations in 2023 resulted in a narrowing of the overall budget deficit, both including and excluding grants. The overall deficit including grants was CFAF 370.5 billion (6.7% of GDP) in 2023 compared to of CFAF 422.38 billion (8.3% of GDP) in 2022. Excluding grants, the deficit was CFAF 539.68 billion (9.7% of GDP) in 2023, compared to CFAF 549.8 billion (10.8% of GDP) in 2022, attributable to fiscal consolidation and improved revenue mobilisation.

579. Total revenue and grants rose by 22.2 percent to CFAF 1,093.0 billion (19.6% of GDP) in 2023, compared with CFAF 894.5 billion (17.6% of GDP) in the previous year. This increase was due to the level of mobilisation of total revenue, in particular the tax revenue component and, to a lesser extent, grants.

580. Tax revenues reached CFAF 812.3 billion (14.6% of GDP) in 2023 compared with CFAF 704.5 billion (13.8% of GDP) a year earlier, an increase of 15.3 percent, occasioned by to the increased mobilisation of taxes on income, profits and capital gains, domestic taxes on goods and services and taxes on foreign trade. This performance is essentially linked to the continued digitalisation of procedures, the strengthening of tariff specification codes, the intensification of taxpayer awareness of tax compliance, the strengthening of the fight against fraud, tax evasion and corruption, the internationalisation of the customs valuation function, the strengthening of territorial surveillance and the effective resumption of tax and customs audits which had been suspended due to COVID-19.

581. Non-tax revenue increased by 60.8 percent to CFAF 95.8 billion (1.7% of GDP) in 2023, compared with CFAF 59.6 billion (1.2% of GDP) in 2022, mainly attributable to the rise in revenue from financial holdings.

582. Grants rose by 32.8 percent to CFAF 169.1 billion (3.0% of GDP) in 2023 from CFAF 127.4 billion (2.5% of GDP) the previous year, attributable mainly to project grants, which rose by 63.2 percent to CFAF 159.0 billion (2.9% of GDP) from CFAF 97.4 billion (1.9% of GDP) in 2022. Programme grants, on the other hand, contracted by 66.3 percent to CFAF 10.1 billion (0.2% of GDP) from CFAF 30.0 billion (0.6% of GDP) in 2022.

583. Total expenditure and net loans stood at CFAF 1463.6 billion (26.3% of GDP) in 2023 compared with CFAF 1316.9 billion (25.8% of GDP) in 2022, an increase of 11.1 percent, resulting from the increase in current and capital expenditure.

584. Recurrent expenditure stood at CFAF 941.3 billion (19.6% of GDP) in 2023 compared with CFAF 820.3 billion (16.1% of GDP) in 2022, an increase of 14.8 percent, linked to the rise in wages and salaries (+18.2%), transfers and subsidies (+21.0%) and debt interest payments (+22.6%).

585. Wages and salaries increased from CFAF 255.3 billion (5.0% of GDP) in 2022 to CFAF 301.8 billion (5.4% of GDP) in 2023. The increase in commitments for wages and salaries was mainly due to new recruitments in certain sectors (security and education), increments in salaries of public sector workers and the granting of transportation allowances to public sector workers to curb the high cost of living. Subsidies and transfers reached CFAF 322.6 billion (5.8% of GDP) compared to CFAF 266.6 billion (5.2% of GDP) in 2022. Interest payments increased by 22.6 percent to CFAF 153.0 billion (2.8% of GDP) from CFAF 124.8 billion (2.4% of GDP) in 2022, reflecting the rise in interest payments on domestic and foreign debt of 21.1 percent and 31.2 percent, respectively. On the other hand, spending on goods and services fell by 5.8 percent to CFAF 161.8 billion (2.9% of GDP), compared to CFAF 171.8 billion (3.4% of GDP) in 2022.

Table 72: Trends in Key Fiscal Indicators in Togo

	2021	2022	2023*	2024**	2021	2022	2023*	2024**
	Percentage changes				As % of GDP			
Receipts and grants	12.5	13.1	22.2	13.2	17.1	17.6	19.6	20.4
Total receipts	17.1	8.5	20.4	21.0	15.3	15.1	16.6	18.4
Current receipts	17.5	8.4	18.9	23.1	15.2	15.0	16.3	18.4
Tax revenue	21.7	8.9	15.3	28.0	14.0	13.8	14.6	17.1
Non-tax revenue	-15.2	2.8	60.8	-18.4	1.3	1.2	1.7	1.3
Grants	-15.4	51.7	32.8	-29.2	1.8	2.5	3.0	2.0
Current grants	-97.3	2896.1	-66.3	-100.0	0.0	0.6	0.2	0.0
Incl. capital	33.8	17.4	63.2	-100.0	1.8	1.9	2.9	0.0
Total expenditure and net lending	-0.1	30.8	11.1	3.3	21.8	25.8	26.3	24.9
Total expenditure	-0.3	30.8	11.2	3.4	21.7	25.8	26.3	24.9
Recurrent expenditure	1.8	31.3	14.8	5.7	13.5	16.1	16.9	16.4
Salaries and emoluments	7.1	1.5	18.2	4.4	5.4	5.0	5.4	5.2
Procurement of goods and services	-0.4	30.6	-5.8	91.2	2.8	3.4	2.9	5.1
Transfers and subsidies	23.0	90.5	21.0	-35.0	3.0	5.2	5.8	3.4
Interests due	-0.3	25.1	22.6	5.0	2.2	2.4	2.8	2.6
Interests on domestic debt	-1.6	25.4	21.1	6.3	1.8	2.1	2.3	2.3
Interests on external debt	7.9	23.4	31.2	-2.0	0.3	0.4	0.4	0.4
Capital expenditure	-3.6	30.0	5.4	-1.5	8.2	9.7	9.4	8.4
Financed with domestic sources	5.5	34.9	-16.2	9.0	4.8	5.8	4.5	4.5
Financed with external sources	-13.9	23.1	38.2	-11.2	3.4	3.8	4.9	4.0
Net lending	48.7	18.2	-22.8	-184.3	1.0	1.1	0.8	-0.6
Overall balance incl. grants	-29.1	95.9	-12.3	-26.1	-4.7	-8.3	-6.7	-4.5
Overall balance excl. grants	-25.7	83.5	-1.8	-27.1	-6.5	-10.8	-9.7	-6.5
	2021	2022	2023	2024	2021	2022	2023	2024
	In billions of CFAF				As % of GDP			
Public debt	2,912.5	3,337.4	3,707.8	3,991.9	63.0	65.5	66.7	65.7
Domestic	1,848.5	2,041.2	2,276.2	2,570.7	40.0	40.1	40.9	42.3
External	1,064.0	1,296.1	1,431.7	1,421.2	23.0	25.4	25.7	23.4

*Source: Ministry of Finance, * Provisional   **Projections*

586. Capital expenditure rose by 5.4 percent to CFAF 520.3 billion (9.4% of GDP), from CFAF 493.6 billion (9.7% of GDP) in 2022, attributable to an increase in foreign financed capital expenditure (+38.2%) despite the decline in domestically financed capital expenditure by 16.2 percent.

587. The public debt stock stood at CFAF 3,707.8 billion (66.7% of GDP) at the end of 2023, compared with CFAF 3,337.4 billion (65.5% of GDP) a year earlier. This included CFAF 2,276.2 billion of domestic debt (40.9% of GDP) and CFAF 1,431.7 billion of external debt (25.7% of GDP).

15.2.3. Monetary Sector

588. In 2023, the monetary situation is characterised by a fall in the rate of growth of the money supply to 6.7 percent at the end of December 2023, compared with an increase of 15.4 percent in the same period of 2023. This change in the money supply is essentially explained by the reduction in the growth of domestic claims.

589. Domestic claims increased by 5.8 percent at the end of December 2023 compared with 29.0 percent a year earlier, attributable to net claims on central government and, to a lesser extent, loans to the economy. Net claims on the Central Government increased by 17.1 percent, but at a much slower rate than at the end of 2022, mainly due to the increase in the State's deposits with the BCEAO and the Central Bank's other commitments to the Togolese State, as well as the amortisation of IMF loans.

590. Claims on the economy increased by 4.5 percent at the end of December 2023, well below the 16.7 percent increase recorded at the end of 2022. This increase in loans to the economy was mainly due to the CFA 65.9 billion rise in banks' loans to the economy, following the increase in loans to private non-financial companies (+ CFA 69.8 billion), to households and non-profit institutions serving households (+ CFA 37.5 billion) and to outstanding securities other than shares of private non-financial companies (+ CFA 11.9 billion).

591. NFA slowed to 4.9 percent at the end of December 2023, after falling by 1.7 percent in the same period of the previous year, due to the simultaneous fall in the NFA of deposit banks and the Central Bank.

592. In terms of its components, the change in the money supply is reflected by an increase in currency in circulation of 15.7 percent at the end of December 2023 compared with 13.8 percent one year earlier. Term deposits rose by 15.0 percent, following an increase of 4.5 percent at the end of 2022. By contrast, transferable deposits fell by 3.6 percent, compared with an increase of 27.9 percent at the end of 2022.

593. The banking landscape is made up of fourteen (14) banks and three (3) banking-related financial institutions. In terms of business activity and profitability, the main trends are (i) an increase in outstanding deposits and loans; (ii) continued consolidation of the credit portfolio, with a gross deterioration rate of 7.7 percent at the end of December 2023, and (iii) maintenance of the sector's profitability.

594. Compared with bank conditions, the average lending rate rose by 10 basis points in one year to 7.4 percent in 2023, while the average deposit rate stood at 5.5 percent. However, the sector is still characterised by a high cash deficit (CFAF 452.2 billion at 31 December 2023), although this has improved by 23.1 percent compared with a year earlier. Against this backdrop, banks' refinancing with the Central Bank stood at CFAF 595.6 billion at the end of December 2023, compared with CFAF 701.4 billion a year earlier.

595. Some banks breached the prudential rules, which was detrimental to the sector as a whole. As at 31 December 2023, 10 of the 14 banks in operation had gross credit portfolio deterioration rates of more than 5.0 percent.

Table 73: Growth in Key Monetary Aggregates in Togo

	2020	2021	2022	2023	2024**	2020	2021	2022	2023	2024**
	Percentage changes					Contribution to M2 growth				
NFA	33.5	12.4	-1.7	4.9	5.0	13.6	6.0	-0.8	2.0	2.0
BCEAO	-71.7	-132.7	1679.3	-36.8	-	-9.9	-4.6	-17.1	5.8	
Banks	87.8	23.7	32.9	-6.6	-	23.4	10.7	16.3	-3.8	
Domestic receivables	-1.9	8.5	29.0	5.8	6.3	-1.4	5.6	18.4	4.1	4.4
Net claims on Government	-67.2	-50.8	2473.7	17.1	1.0	-1.7	-0.4	7.8	1.2	0.1
BCEAO	-62.7	-258.8	277.0	2.3	-	4.0	5.5	8.4	0.2	
Banks	-64.0	-206.3	19.7	-34.9	-	-5.7	-5.9	-0.5	1.0	
Claims on the economy	0.3	9.2	16.7	4.5	7.0	0.2	5.9	10.6	2.9	4.3
Other items net	3.6	-4.9	18.4	-4.5	-63.7	-0.5	0.7	-2.2	0.6	7.0
LIABILITY										
Money supply (M2)	11.6	12.3	15.4	6.7	13.4					
M1	12.8	14.9	24.2	1.0						
Currency in circulation	-3.5	-0.5	13.8	15.7	16.9					
Bills and coins in circulation	21.6	21.5	27.9	-3.6	11.7					
Transferable deposits	10.2	9.3	4.5	15.0						

*Source: BCEAO/WAMA **Projections*

15.2.4. External Sector

596. Developments in the external sector showed that the current account deficit widened slightly to CFAF 198.5 billion (3.6% of GDP) in 2023 compared to CFAF 176.80 billion (3.5% of GDP) in 2022, mainly attributable to the deterioration of the balance of goods and to a certain extent to the decline in the surplus of the secondary income account.

597. The deficit in the balance of goods amounted to CFAF 745.89 billion (13.4% of GDP) in 2023 compared to 716.80 billion (14.1% of GDP) in 2022, influenced by a greater increase in imports compared to exports. Exports increased by 1.9 percent to stand at CFAF 916.11 billion (16.5% of GDP) compared to CFAF 899.2 billion (17.6% of GDP) in 2022. Likewise, imports increased by 2.8 percent to stand at CFAF1662.00 billion (29.9% of GDP) against CFAF1616.0 billion (31.7% of GDP) in 2022.

598. The services account surplus stood at CFAF 99.6 billion (1.8% of GDP) compared to CFAF 96.0 billion (1.9% of GDP) in 2022. Similarly, the surplus of the primary income account strengthened at CFAF 11.8 billion (0.2% of GDP) in 2023 compared to CFAF 6.80 billion (0.1% of GDP) in 2022, mainly attributable to the significant decrease in external debt payments. On the other hand, the surplus of the secondary income account decreased to CFAF 435.9 billion (7.8% of GDP) in 2023 compared to CFAF 437.1 billion (8.6% of GDP) in 2022, due to a decrease in budgetary support by 26.3 percent.

599. The capital account surplus increased by 20.9 percent to CFAF 376.8 billion (6.8% of GDP) compared to CFAF 311.7 billion (6.8% of GDP) in 2022, driven by the improvement in project grants, which increased by 63.2 percent to stand at CFAF 159.0 billion in 2023.

600. The financial account recorded a smaller net outflow of CFAF 125, 8 billion (2.3% of GDP) in 2023 compared to CFAF 155.9 billion (3.1% of GDP) in 2022, reflecting a decline in net capital outflows for other investments. Net outflows in foreign direct investments increased by 51.1 percent to CFAF 112.3 billion (2.0% of GDP) compared to CFAF 74.3 billion (1.5% of GDP) in 2022. Portfolio investments achieved net capital inflows of CFAF 19.9 billion (0.4% of GDP) compared to CFAF 6.7 billion (0 .1% of GDP) in 2022. Other investments recorded a lower net capital outflow of CFAF 33.4 billion (0.6% of GDP) compared to CFAF 88.40 billion (1.7% of GDP) in 2022.

601. As a result, the overall BOP showed a surplus of CFAF 52.5 billion (0.9% of GDP) compared to a deficit of CFAF 19.0 billion (0.4% of GDP) in 2022.

Table 74: Trends in Key Balance of Payments Indicators in Togo

	2021	2022	2023	2024	2021	2022	2023	2024
	In Billion CFAF				In Percentage of GDP			
a- Current transactions account (1+2+3)	-103.6	-176.8	-198.5	-328.2	-2.2	-3.5	-3.6	-5.4
1- Goods and services	-477.7	-620.8	-646.3	-734.0	-10.3	-12.2	-11.6	-12.2
Balance of goods	-554.5	-716.8	-745.9	-776.6	-12.0	-14.1	-13.4	-12.9
FOB exports of goods including:	720.8	899.2	916.1	1011.4	15.6	17.6	16.5	16.8
Imports of goods FOB	1275.4	1616.0	1662.0	1788.0	27.6	31.7	29.9	29.7
Balance of services	76.9	96.0	99.6	42.6	1.7	1.9	1.8	0.7
Of which travel	66.5	91.7	74.8	100.0	1.4	1.8	1.3	1.7
2- Primary income	10.3	6.8	11.8	27.0	0.2	0.1	0.2	0.4
Including interest on debt	-15.0	-18.5	-24.3	-23.8	-0.3	-0.4	-0.4	-0.4
3- Secondary income	363.8	437.1	436.0	378.7	7.9	8.6	7.8	6.3
- Public administrations	19.2	33.3	21.2	18.5	0.4	0.7	0.4	0.3
Including budgetary aid	1.0	30.0	22.1	12.8	0.0	0.6	0.4	0.2
Including remittances from migrants	391.2	405.6	416.1	429.1	8.5	8.0	7.5	7.1
b- Capital account	264.8	311.7	376.8	336.0	5.7	6.1	6.8	5.6
4- Capital transfers	264.8	311.7	376.8	336.0	5.7	6.1	6.8	5.6
- Public administrations	83.0	97.4	159.0	107.0	1.8	1.9	2.9	1.8
- Other sectors	181.8	214.3	217.8	229.0	3.9	4.2	3.9	3.8
c- Financial account	39.5	155.9	125.8	-82.1	0.9	3.1	2.3	-1.4
5- Direct investment	36.2	74.3	112.3	85.8	0.8	1.5	2.0	1.4
6- Portfolio investments	-50.2	-6.7	-19.9	-131.6	-1.1	-0.1	-0.4	-2.2
7- Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8- Other investments	53.4	88.4	33.4	-36.3	1.2	1.7	0.6	-0.6
- Public administrations	-52.6	-55.8	-124.3	-74.2	-1.1	-1.1	-2.2	-1.2
d- Clear errors and omissions	2.3	2.0	0.0	0.0	0.0	0.0	0.0	0.0
e- Overall balance	124.1	-19.0	52.5	89.9	2.7	-0.4	0.9	1.5

Source: BCEAO/WAMA, Forecast

15.3. Status of Macroeconomic Convergence

602. At the end of 2023, Togo met two primary convergence criteria (financing of the budget deficit by the central bank and gross external reserves) and both secondary criteria (change in the nominal exchange rate and outstanding public debt). Overall, the country met four (4) out of the six macroeconomic convergence criteria. The criteria relating to the average annual inflation rate and the budget deficit have not been met. The summary of the performance is presented below:

Primary criteria

603. The budget deficit on a commitment basis, including grants, was 6.7 percent of GDP compared to 8.3 percent of GDP in 2022. The average annual inflation rate declined to 5.3 percent from 7.6

percent in 2022. Gross external reserves stood at 3.6 months of imports of goods and services in 2023 compared to 4.2 months of imports in 2022. No central bank financing of the budget deficit was recorded in 2023, thus meeting two out of the four primary convergence criteria in 2023.

Secondary criteria

604. The variation in the average nominal exchange rate of the CFA franc against the WAUA in 2023 was 2.9 percent, well within the threshold of -/+10 percent. The public debt stock stood at 66.7 percent of GDP in 2023 compared to 65.5 percent of GDP in 2022, thus satisfying the 70 percent threshold set out in the MCSP.

Table 75: Status of Macroeconomic Convergence in Togo

CRITÈRIA	TARGET	2021	2022	2023	2024*
Primary convergence		***3***	***2***	***2***	***3***
i. Budget deficit (commitment basis, incl. grants)	≤ 3 %	4.7	8.3	6.7	4.5
ii. Annual average inflation	≤ 5 %	4.5	7.6	5.3	2.3
iii. Central bank financing of the budget deficit	≤ 10 %	0.0	0.0	0.0	0.0
iv. Gross external reserves	≥ 3	6.5	4.2.	3.6.	4.4.
Secondary criteria		***2***	***2***	***2***	***2***
i. Changes in nominal exchange rate	± 10 %	1.5	-5.3	2.9	2.9
ii. Debt-GDP ratio	≤ 70 %	63.0	65.5	66.7	65.7
Total number of criteria met		**5**	**4**	**4**	**5**

*Source: WAMA, BCEAO; *Projections*

15.4. Prospects

605. The short- and medium-term outlook remains positive, with economic activity in 2024 expected to be buoyant, on the back of the expected effects of the various measures to support the national economy, coupled with the acceleration of the implementation of the infrastructure projects and structural reforms under the Togo 2025. The economy is expected to grow at a rate of 6.6 percent in 2024, driven mainly by the primary, services and secondary sectors. Economic activity would also benefit from the continued implementation of the projects and reforms set out in the government's 2020-2025 roadmap. The implementation of structural reforms of the economy and the establishment of an attractive business climate will continue in order to attract private investment and achieve the objectives of sustained and inclusive growth. Inflation is expected to decelerate further to 2.3 percent on average in 2024, supported by improved food supply and stable CFA franc.

606. However, fiscal operations will experience some elevated fiscal pressures as the overall budget deficit both including and excluding grants, is expected to remain above the Community threshold in 2024.

607. In terms of macroeconomic convergence, the country's performance is expected to improve, meeting at least five out of six criteria in 2024, compared with four (4) by the end of 2023. Indeed, the country would miss only the criterion relating to the budget deficit.

15.5. Conclusion and Recommendations

608. In 2023, the Togolese economy remained resilient, with a growth rate of 6.4 percent compared with 5.8 percent in 2022, thanks to the solid performance of the primary, secondary and service sectors. In terms of prices, the monetary authorities have remained proactive in the fight against inflationary pressures by normalising their less expansionary monetary policy in order to bring inflation under control, which stands at 5.3 percent in 2023 compared with 7.6 percent in 2022.

609. As regards public finances, the continued fiscal consolidation, driven mainly by better-than-expected revenue mobilisation in 2023, enabled the country to gradually reduce the budget deficit to 6.7 percent with a view to complying with the convergence criterion of a maximum of 3 percent of GDP by 2026. Public debt continued its upward trend, reaching 66.7 percent of GDP at the end of December 2023, compared with 65.5 percent of GDP in the same period of the previous year.

610. In terms of macroeconomic convergence, the country met four out of the six macroeconomic convergence criteria, including met two primary (financing of the budget deficit by the central bank and gross external reserves) and two both secondary criteria.

611. To consolidate the gains made and improve macroeconomic performance in order to comply with the convergence conditions, the Togolese authorities are invited to take the following measures:

i. Gradually reduce the country's import dependence by focusing on diversifying the economy and improving agricultural productivity by modernising the agricultural sector, reducing the infrastructure deficit and strengthening the capacity to produce, transport and distribute electricity in industrial areas;
ii. Continue efforts aimed at containing inflation within the Community threshold;
iii. Accelerate the implementation of reforms aimed at broadening the tax base through digitisation of revenue collection and the informal sector;
iv. Continue efforts to provide small tax-payers with mobile applications for their tax, levies and customs declarations;
v. Speed up the process of digitising customs, tax and land registration;
vi. Consolidate the gains made in tax reforms to improve fiscal performance;
vii. Continue efforts to restructure the current debt portfolio through effective and prudent debt management for better capital flows; and
viii. Continue efforts aimed at monitoring and streamlining tax and customs exemptions.

GENERAL CONCLUSION AND RECOMMENDATIONS

612. Growth in the region slowed to 3.7 percent in 2023 from 3.9 percent in 2022, due to lower output in the agriculture and industry sectors in some Member States. Average inflation rose to 20.5 percent from 17.2 percent in 2022, largely due to the pass-through effect of exchange rate depreciation and withdrawal of fuel subsidies in some Member States. Inflation moderated significantly in the WAEMU but remained elevated in the WAMZ. Fiscal policy implementation focused on strengthening fiscal consolidation efforts which have been underway over the past years. Consequently, the budget deficit on commitment basis, excluding grants narrowed to 5.5 percent of GDP in the review period from 5.7 percent of GDP in 2022. Including grants, the budget. The overall budget deficit, including grants, deficit declined to 5.1 percent of GDP in 2023 from 5.4 percent in 2022. However, the stock of public debt, increased significantly to 49.8 percent of GDP at end-December 2023 from 36.5 percent of GDP at end-December 2022, mainly due to exchange rate depreciation and the securitisation of 'Ways and Means' Advances in Nigeria.

613. Most member central banks increased their monetary policy rates to curb the inflationary pressures which has impacted money market rates. Growth in broad money supply in the region accelerated to 34.4 percent from 17.6 percent in December 2022, mainly due to the growth of both NFA and NDA, particularly, in the WAMZ. The Community's current account deficit also narrowed to 0.6 percent of GDP in 2023 from 1.8 percent of GDP in 2022, due to improved trade balance, supported by higher export earnings and import compression. Foreign exchange markets in the WAMZ came under severe pressures in recent times, while foreign exchange markets were fairly stable in WAEMU and Cabo Verde. **In terms of macroeconomic convergence, only one Member State, namely Cabo Verde achieved all four (4) primary criteria. The prospects for 2024 also show that only Cabo Verde is likely to meet all four (4) primary convergence criteria.**

614. Tight global financing conditions continue to weigh on economic growth while inflationary and foreign exchange market pressures continue to erode household purchasing power, creating a cost-of-living crisis and increasing debt vulnerabilities in the region

615. To overcome the macroeconomic challenges and improve economic performance, the authorities are urged to consider the following recommendations:

i. Implement urgent measures to stabilise consumer prices and minimise the impact of inflation on standard of living. In this context, it is important to strengthen coordination between fiscal and monetary policies in order to contain inflation without compromising economic growth;

ii. Strengthen fiscal consolidation efforts to align expenditures with revenues to control the deficit. Enhance expenditure management and implement measures for revenue mobilisation, including broadening the tax base, improving tax compliance, leveraging technology for efficient tax administration, and enhancing transparency and accountability;

iii. Intensify structural transformation and economic diversification through increased investment in the agriculture value chain and infrastructure development, and reduce Member States' reliance on exports of primary commodities.

iv. Prioritise measures to effectively manage foreign exchange reserves by diversifying reserve assets, boosting export earnings, attracting foreign investment, and implementing structural reforms to promote economic diversification and reduce reliance on imports and build buffers;

v. Take steps to improve the business environment to attract private investments with a view to strengthening the role of the private sector in the economy;

vi. Accelerate digitalisation reforms at the level of financial authorities in order to reduce tax fraud, broaden the tax base and increase the mobilisation of tax revenue; and

vii. Sustain the ongoing reforms to gradually phase out the subsidy regime, whilst expediting the commencement of social safety nets such as the revised conditional cash transfers to help cushion the most vulnerable of the society against the effect of the subsidy removal.

viii. Improve security and socio-political conditions to promote the development of economic activities and the pursuit of investments in growth-promoting sectors. In this context, it is necessary to improve democratic conditions in Member States in order to stem socio-political tensions;

ix. Implement measures aimed at reducing the budget deficit, with a view to containing it within the limit of the Community standard of 3.0 percent of GDP prescribed by the MCSP between ECOWAS Member States;

x. Prioritise comprehensive debt management strategies, including actively managing debt levels, diversifying funding sources, and implementing measures to mitigate refinancing risks, while closely monitoring market conditions to leverage on favourable refinancing opportunities; and

xi. Continue efforts in the repatriation of export revenues, the deepening of intra-community trade and the mobilisation of external financing, with a view to raising the level of gross reserves in months of imports.

APPENDICES

ANNEX 1: METHODOLOGY FOR CALCULATION OF INDICATORS USED IN THE MACROECONOMIC CONVERGENCE REPORT

I. Introduction

1. The ECOWAS Monetary Cooperation Program (ECMP) highlights the need for Member States to converge ahead of the launch of the ECOWAS single currency. Macroeconomic convergence focuses, in particular, on price stability, a low budget deficit, restrictions on central bank financing of the budget deficit and the maintenance of adequate levels of gross external reserves. It also emphasises debt sustainability and the stability of the nominal exchange rate.

2. As part of the assessment of the macroeconomic convergence of ECOWAS Member States, the ECOWAS authorities have defined the Primary and Secondary Macroeconomic Convergence Criteria and their common calculation methods with a view to facilitating the comparability of country performance. In addition, other calculation methods have been initiated by the Agency to aggregate macroeconomic indicators at the regional level.

3. This note provides a brief on the methods for calculating the macroeconomic convergence criteria defined by the ECOWAS authorities, and describes those used for the calculation of regional indicators.

II. Methods for calculating macroeconomic convergence criteria

4. As part of the MCSP, two categories of macroeconomic convergence criteria have been adopted by the Authorities of Heads of State and Government. These are made up of four (4) Primary criteria and two (2) secondary criteria. The methodology for calculating the convergence criteria is indicated as follows:

Table 1: Primary Convergence Criteria

Criteria	Threshold	Definition	Measurement
Inflation	≤ 5 percent	Percentage Change in Consumer Price Index during the year (12 months year-on-year).	Average Annual Inflation Rate (Headline Inflation), should be equal or less than 5 percent.
Overall Budget Deficit	≤ 3 percent	The difference between general government revenue (+grants) and expenditure on commitment basis in percentage of nominal GDP, in a fiscal year, should be equal or less than 3 percent of GDP	Ratio of budget deficit on commitment basis to nominal GDP
Central Bank Financing of	≤ 10 percent.	Central Bank advances to government including purchase of government debt	Variation in net claims on the government as reported in the central bank's monetary survey;

Budget Deficit		instruments in the current year. Represents the quantum of the budget deficit to be financed by the central bank on behalf of the State.	- ≤ 10% of the previous year's central government tax revenue. - Less IMF facilities Advanced to the central government through the central bank.
Gross External Reserves in Months of Imports of Goods and Services	≥ 3 months	The ratio of stock of gross external reserves to current imports of goods and services at CIF value.	Number of months of imports measured by the ratio of imports of goods and services including cost, insurance and freight (CIF) to stock of gross external reserves converted into months.

Table 2: Secondary Convergence Criteria

Criteria	Threshold	Definition	Measurement
Nominal Exchange Rate Stability	Variability ± 10 percent	The average official exchange rate of the country during the year relative to the West African Unit of Account (WAUA).	Depreciation/appreciation in the nominal exchange rate not exceeding 10%, relative the WAUA. The WAUA is the West African unit of account linked to Special Drawing Right (SDR).
Public Debt/Nominal GDP	≤ 70 percent	Total stock of outstanding public debt (domestic + external) as a ratio of nominal GDP.	Ratio of general government debt to nominal GDP.

III. Method for calculating regional indicators

5. The method of calculating regional indicators is based on the weighted arithmetic average defined as an average where each numerical value is assigned a coefficient called "weight". Each numerical value is multiplied by its weight. The results obtained are added and the sum obtained is then divided by the sum of the weights.

6. The weighted average of the numerical sequence of n values: x1, x2, ..., xn; whose respective weights are the values of: p1, p2, ..., pn; can be expressed in this form:

$$\text{Average} = [\, p1x1 + p2\,x2 + \ldots + pnxn] \div [\, p1 + p2 + \ldots + pn]$$

$$\bar{x} = \frac{p_1 x_1 + p_2 x_2 + \ldots + p_n x_n}{p_1 + p_2 + \ldots + p_n}$$

7. To determine the weight of ECOWAS economies, real GDP is used as the weight based on the average GDP over last three years. Thus, all the actual nominal GDP of the member countries are converted into a common monetary unit (the dollar in our case) in order to be able to aggregate them. To determine GDP in US dollars, the average annual official exchange rate is used.

Note:

8. Despite the use of the exchange rate, we know that GDP comparisons based on exchange rates do not reflect the actual volumes of goods and services making up the GDPs of the countries being compared. For many countries, the differences between GDP converted using exchange rates and actual GDP converted using PPPs are considerable. In general, the use of exchange rates leads to underestimating the real GDP of low-income countries and overestimating the real GDP of high-income countries. For these different reasons, work is underway to adopt the use purchasing power parities (PPP) with the aim of eliminating the effects of differences in price levels within the regional level. The latter are currency conversion rates that make it possible to equalise price levels between countries. This would also involve the use of current year GDP instead of the average GDP.