Centre d'Etudes pour Le Financement du Développement Local

Dr. Abdourahmane Sarr
and CEFDEL Team

SENEGAL Macroeconomic Performance and Perspectives

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-Years of state intervention and public expenditure to support the economy has not delivered progress to the Senegalese people. The size and scope of the central government needs to be reduced to empower the population to take more responsibility for their own lives. Sovereign risk will remain low provided the fiscal deficit is further reduced and an appropriate debt management policy put in place to lower foreign currency risk and develop the domestic financial market while taking costs into account.
-The exchange rate regime needs to be reformed to make it more supportive of domestic production to serve growing urban markets and allow for a more active monetary policy in support of financial sector development.
-Accelerating growth in the short to medium term will likely depend on private consumption demand in view of likely excess production capacities. This would in the medium term accelerate growth through private investment and productivity which easier access to credit would facilitate as well as a more efficient and decentralized state that fosters local accountability.

Almadies Zone 2 N.15 Dakar, Senegal www.cefdel.net; Tel : 221 820 64 54 ; email : contact@cefdel.net

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I. Introduction

Growth has been on a declining trend since the beginning of the millennium, coinciding with both government expansion and real exchange rate appreciation against the US dollar. After a 40 year rule of the ***socialist party*** and socially costly structural and macroeconomic adjustment programs, President Abdoulaye Wade took power in 2000. He ruled for 12 years and was replaced by President Macky Sall in 2012 following broad popular support for change. Under President Wade's ***social liberal regime***, government expenditures rose significantly while growth registered a trend decline from 2002 (Figure 1). Over the same period, the CFA Franc pegged to the euro experienced a trend appreciation against the US dollar (Figure 2). The coincidence of these developments raises a key question: *Is Senegal's problem the size and scope of government and the exchange rate regime?*

We believe so, and think it is time for Senegal to experience ***classical liberalism*** which for us means to empower its people and reduce the size and scope of the central government and create conditions for local development and responsibility. Implementing a more flexible exchange rate regime supportive of growth and financial sector development will also be necessary. Absent these key shifts in policy orientation, we believe it will be difficult for the authorities to meet their medium term growth ambitions. The country will however continue to enjoy a stable macroeconomic framework with limited sovereign risk of default if the authorities continue to reduce the fiscal deficit and maintain an appropriate debt management policy.

Figure 1: *Although volatile, growth has been on a declining trend even if the global crises of 2008 and 2009 are taken into account.*

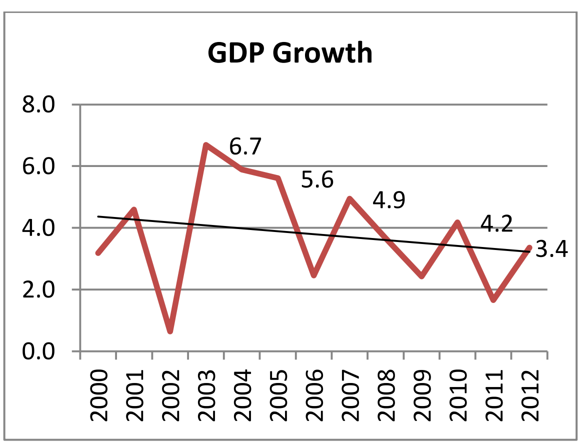
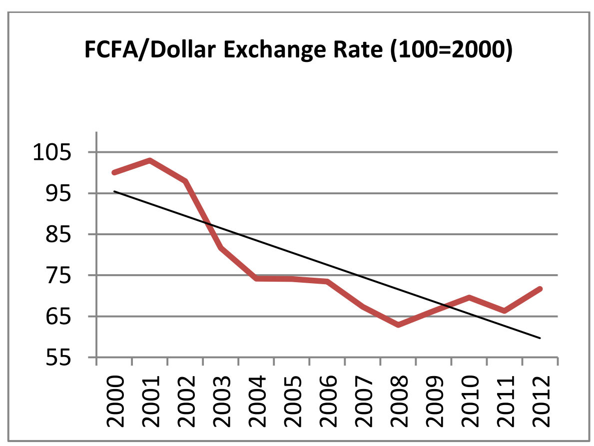


Figure 2: *The CFA Franc has appreciated by over 40 percent in nominal terms vis-à-vis the USD coinciding with the trend decline in growth.*



II. Historical and Recent Macroeconomic Developments

Senegal's fiscal position steadily deteriorated during the 2000-2011 period (Figure 3). The fiscal deficit (excluding grants) increased from 2 percent of GDP to about 9 percent in 2011 reflecting expansions of both current and capital expenditures. Although budgetary revenues rose by 3.5 percent of GDP, current expenditure increased by 5 percent of GDP and capital expenditure by over 5 percent of GDP, all without boosting growth raising serious doubts on the quality and pertinence of the expenditure. As a result, government debt increased steadily to over 43 percent in 2012 after dropping to 20 percent of GDP in 2006 when debt relief was granted (Figure 4). In this context, the average interest cost of debt also increased and is now close to GDP growth. This implies that maintaining debt sustainability (a constant debt-to-GDP ratio) will require a significant fiscal effort if growth does not pick up (Figure 5).

Figure 3: Determinants of the Fiscal Position: *Increased tax collection financed a higher wage bill and government transfers and subsidies. Government investment increased beyond the state's savings capacity resulting in a deterioration of the fiscal balance.*

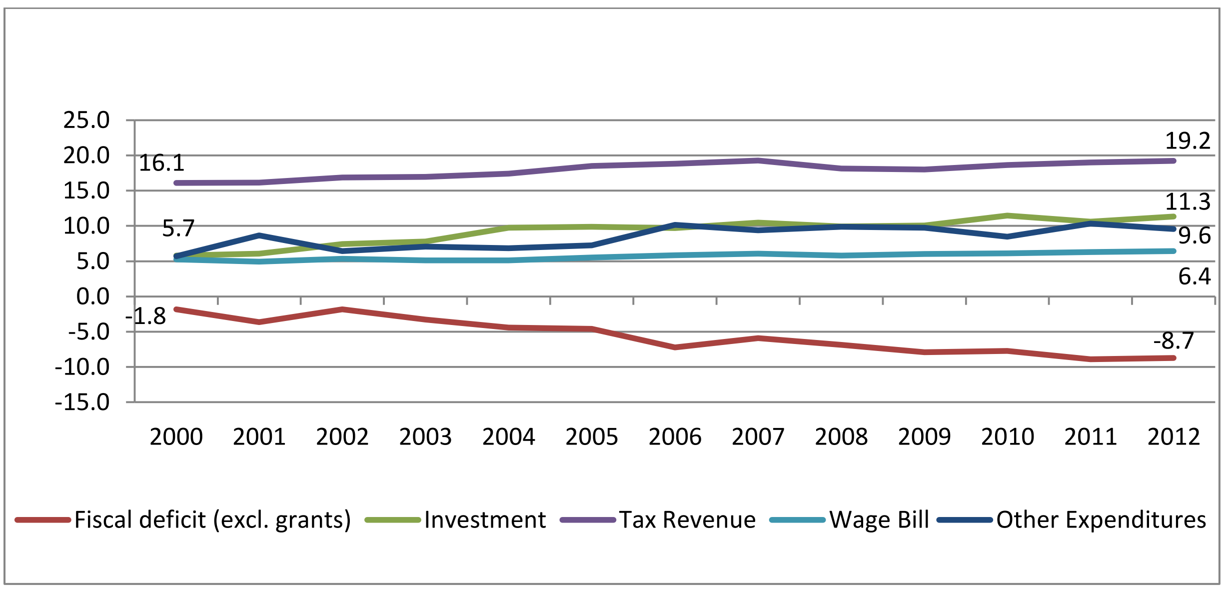


Figure 4: ***Debt to GDP Ratio***-*Senegal's debt to GDP ratio has increased in recent years and needs to be contained and foreign currency risk reduced.*

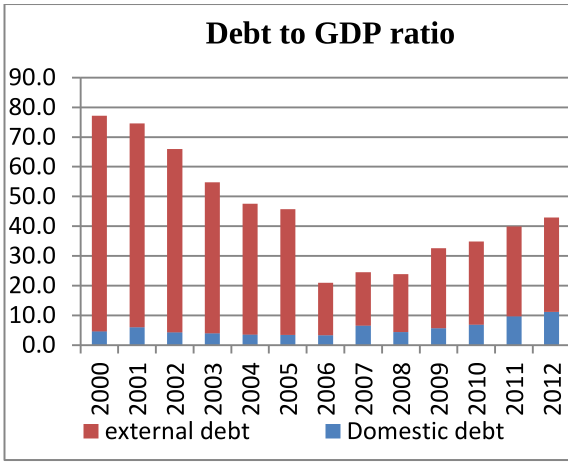
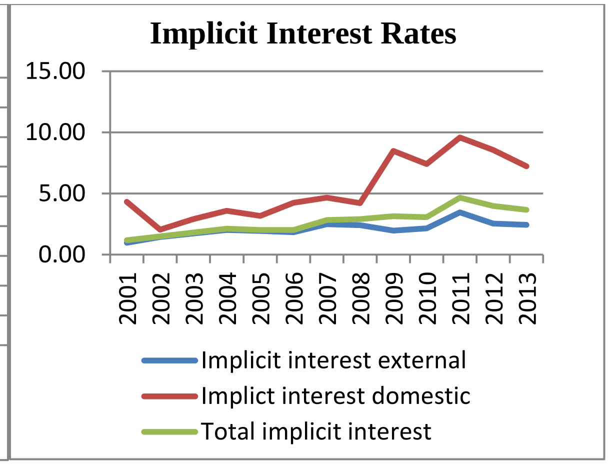


Figure 5: *The interest cost of debt has risen reflecting the cost of more domestic debt and increasingly scarce concessional resources.*



During the same period, the current account deficit deteriorated from 6 percent of GDP in 2000 to 11 percent in 2012 due in part to the saving investment gap of the government and a loss of price competitiveness. As the fiscal position deteriorated, the imports-to-GDP ratio rose significantly (Figure 6). Exchange rate developments also favored imports as the CFA Franc appreciated against the dollar with the euro. In this context, the share of the euro zone in imports declined steadily in favor of other trading partners as the nominal effective exchange rate appreciated (Figure 7). The appreciation was however more moderate on a real effective exchange rate basis thanks to a favorable inflation differential in line with low imported inflation from the anchor euro zone.

The deterioration of the current account deficit would have been larger had it not been for private remittances. Senegal's exports performance has not improved following the 1994 CFAF devaluation and the share of exports to GDP has remained stable if not declining (Figure 7). On the other hand, remittances have been rising, increasing from about 6 percent of GDP in 2000 to about 12 percent in 2012. Senegalese have therefore emigrated, enhanced their family support, and partly helped sustain imports in the context of the country's poor export capacity. These developments suggest there may be scope to reduce the current account deficit through efficient import substitution in view of the limited elasticity of exports to exchange rate developments.

Figure 7- External Current account determinants (% of GDP)

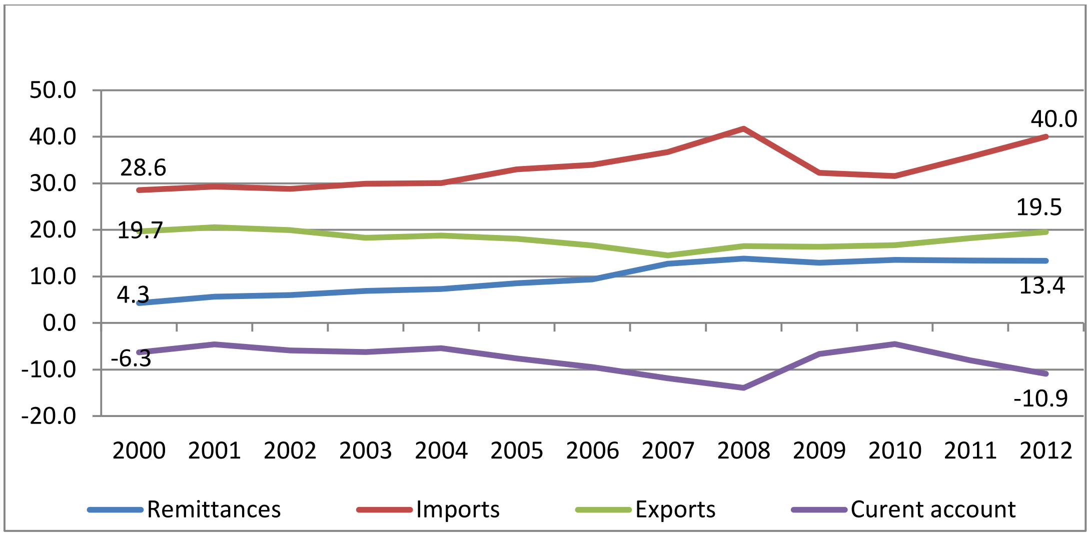


Figure 8: **Exchange Rate Developments**

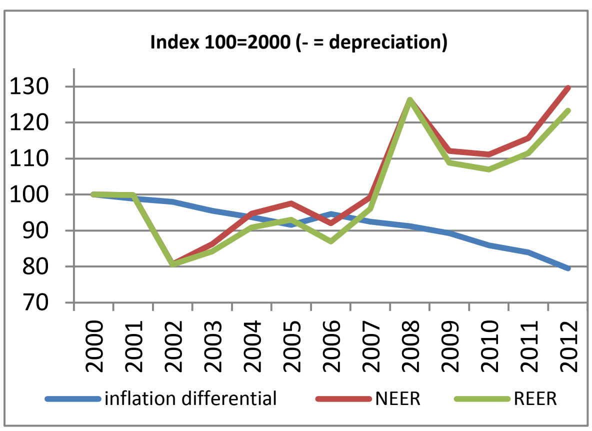
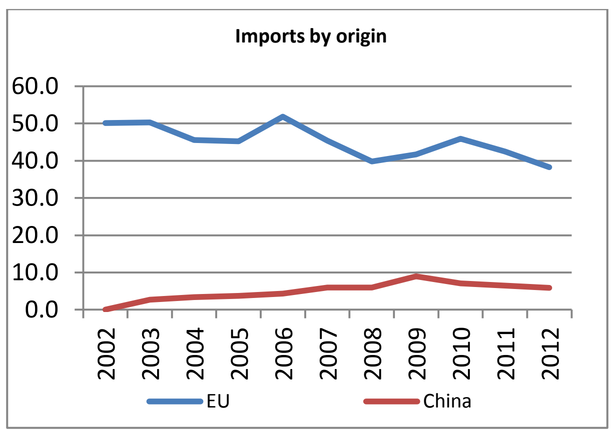


Figure 9: **Origin of Imports (in %)**



In addition to the appreciation of the exchange rate, rising wage costs may have affected the performance of the tradable sector contributing to external imbalances. Indeed, there is evidence to suggest that wages increased significantly in the private sector because the ratio of individual income tax receipts to the government wage bill has been increasing (Figures 10 and 11). Since there is no evidence to suggest that private sector employment has been accelerating, it can be argued that wage levels in the private sector have increased faster than in the public sector. Furthermore, since total factor productivity has been declining over the period (derived from a growth accounting exercise), wage increases must have resulted from other factors. One hypothesis is that wage levels have risen as corporations shared with labor the benefits of the reduction in the corporate income tax from 35 percent to 25 percent during the period. If so, the competitiveness of the tradable sector may have been affected and further damaged as the FCFA appreciated and imports rose. This hypothesis seems plausible given the continued decline inthe share of the industrial sector in GDP, a trend also mirroring the appreciation of the CFAF against the dollar (Figure 12).

Figure 10: *Personal income tax revenues have been a key contributing factor to the increase in tax revenues.*

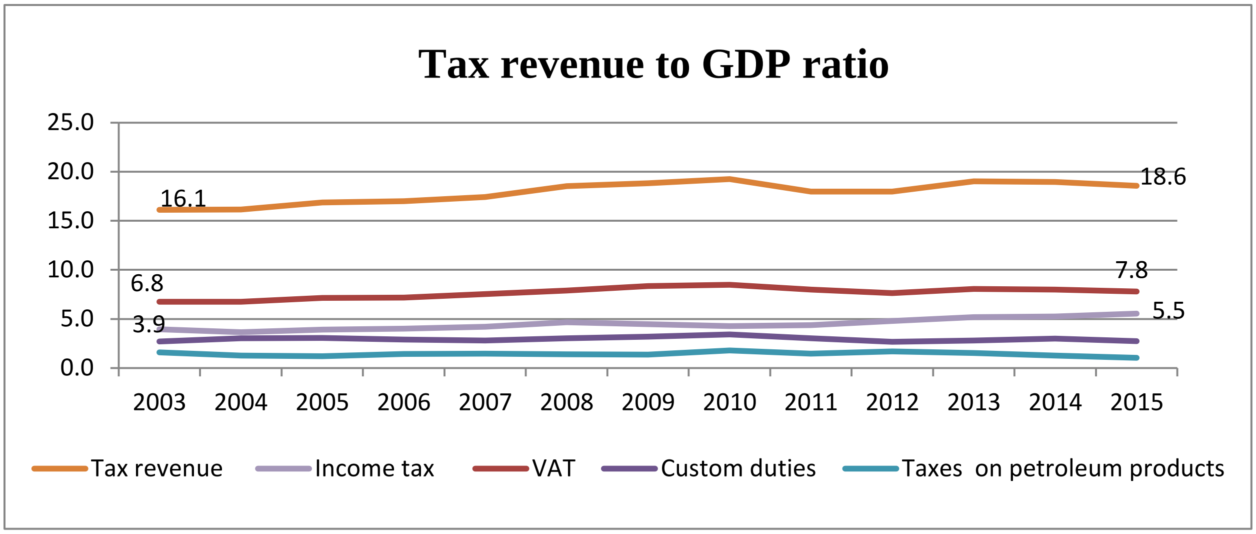


Figure 11-Personal income taxes: *The private sector wage bill is the main contributor to the increase in personal income tax revenues which has been increasing as a ratio of the government wage bill.*

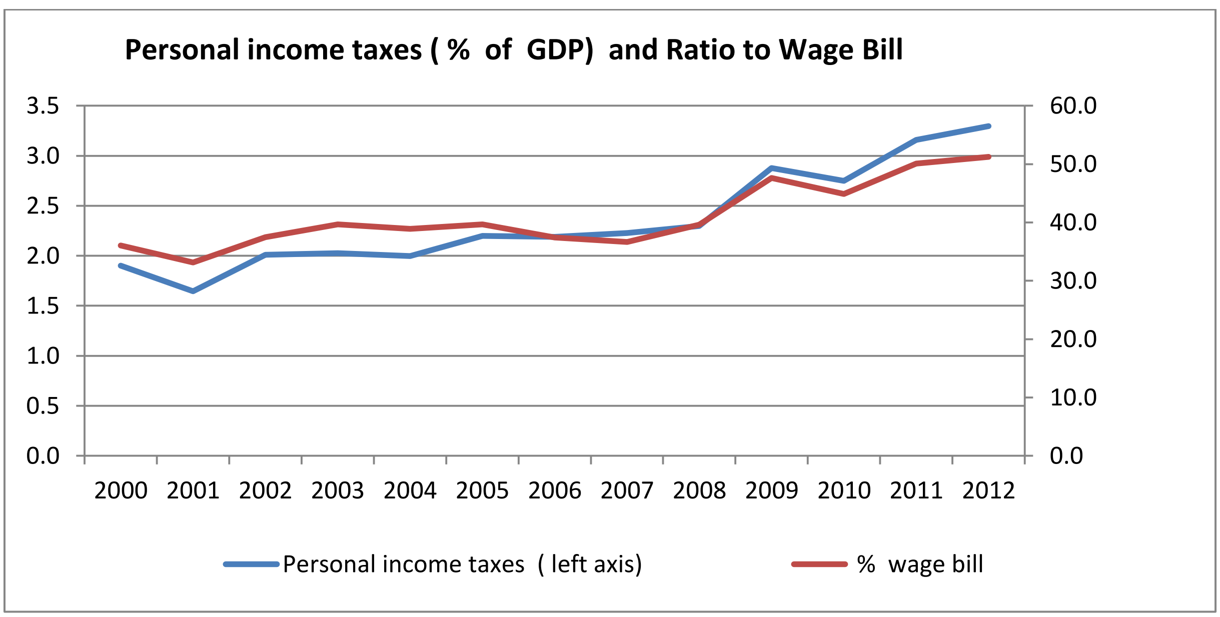
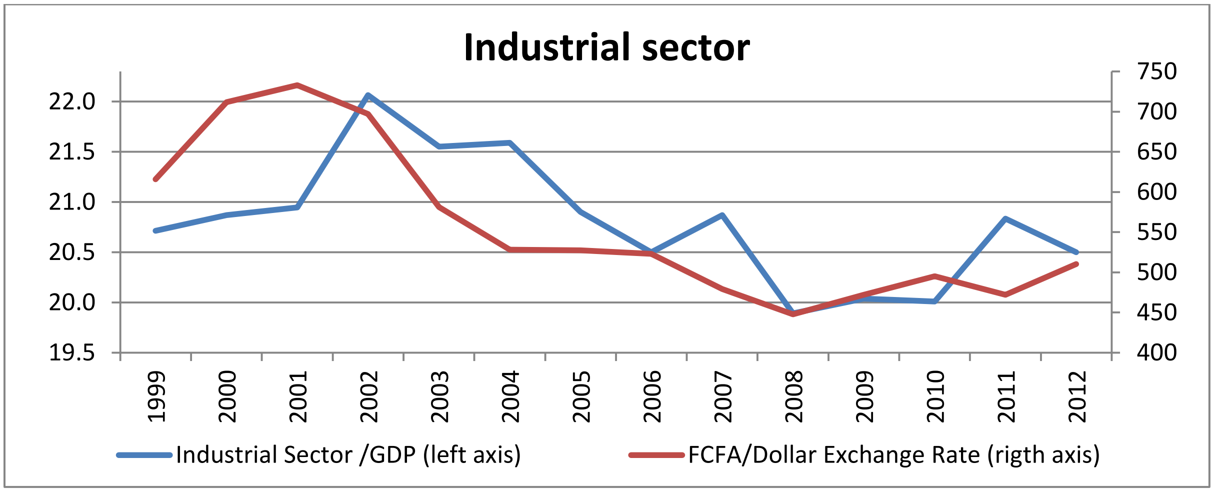


Figure 12-Industrial Sector: *The share of the industrial sector in GDP has been declining mirroring the trend appreciation of the FCFA*



Adding to the list, foreign exchange reserves by several measures have also been on a declining trend over the last 10 years and confirm that domestic demand has increasingly been oriented towards imports. Except in 2009 when the International Monetary Fund allocated special drawing rights to help countries cushion the crisis, both gross reserve coverage of imports and broad money have been declining (Figure 13).[1] This decline could have been considered insignificant if credit to the economy, the contribution of which to money growth has been increasing, supported a growing economy. This has however not been the case. The trend increase in credit-to-GDP coincided with a trend decline in growth and a trend increase in nonperforming loans and imports (Figure 14). These developments, in a low inflation environment, suggest that domestic demand has increasingly been oriented towards imports instead of domestic sectors that could sustainably support growth.

[1] Since Senegal is part of a monetary union, it can theoretically be argued that it has access to union reserves and that the relevant measure of reserve adequacy is at the union level. Nevertheless, country measures of reserves adequacy show Senegal's contribution to covering its own balance of payments needs.

Figure 13: *Foreign exchange reserves coverage has exhibited declining trends after taking exceptional factors on imports and reserves in 2008 and 2009 into account.*

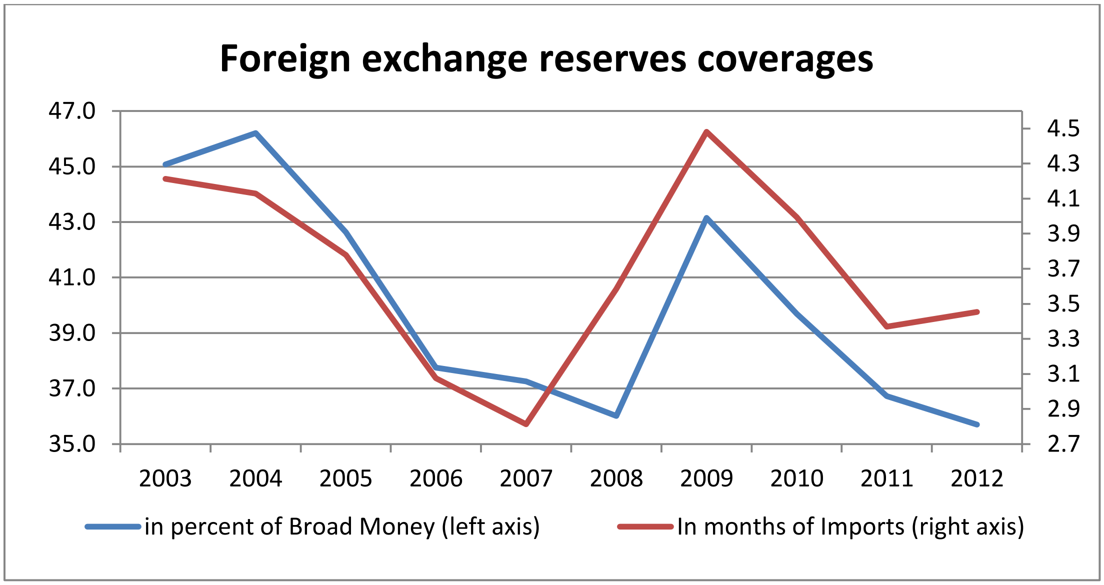
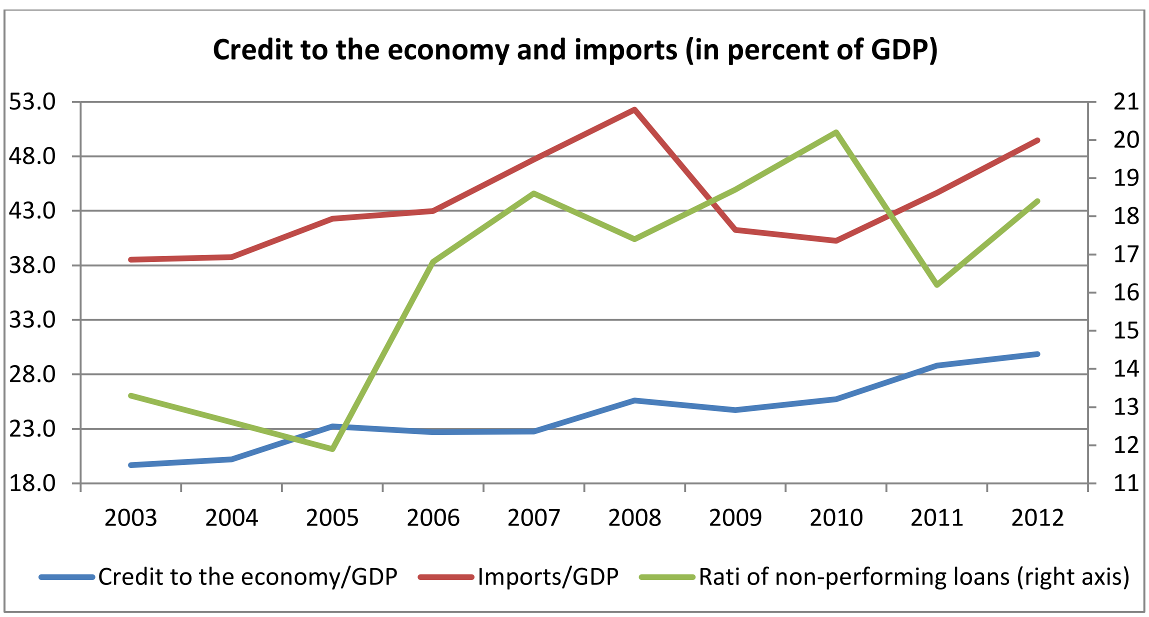


Figure 14: *The trend decline in reserves coverage coincided with a trend increase in credit to the economy, imports to GDP and nonperforming loans.*



In this context, monetary management seems to have been significantly influenced by balance of payments developments if Senegal's case influenced BCEAO wide monetary policy. Indeed, the BCEAO has not systematically followed the European Central Bank (ECB)'s interest rate policy as would be expected from a monetary policy point of view (Figure 15). In view of the relatively open capital account of the West Africa Economic and Monetary Union (WAEMU) vis-à-vis France, and therefore via France with the euro zone, policy rates could be expected to be systematically correlated, unless other considerations constraint BCEAO actions.

Balance of payments considerations seem to have played a key role in guiding monetary management. From a systemic point of view, the BCEAO has allowed commercial banks to enjoy excess liquidity reflected in excess reserves relative to requirements and little systemic need for central bank funds to expand credit (Figure 16). Even we take into account interbank market inefficiencies justifying central bank occasional liquidity injections, it can be argued that the central bank has been passive as far as overall liquidity conditions for monetary policy purposes are concerned. Instead, relatively high policy rates in the WAEMU compared to the anchor zone have provided incentives for banks to supply credit and justify maintaining higher lending rates than they otherwise would. As noted above, credit to the economy has been on a rising trend in percent of GDP and mostly to the services sector in line with import growth. This coincided with rising nonperforming loans and losses in foreign exchange reserves coverage indicators. It could therefore be argued that the central bank did not decrease policy rates systematically in line with euro zone rates as monetary management alone would have required to avoid fueling credit demand growth and further losses of reserves. Confirming this hypothesis would require data analysis for all WAEMU countries, but if the case of Senegal influenced decisions, monetary management seems to have mostly been influenced by balance of payments considerations.

Figure 15: *Management of policy interest rates has not always been consistent with that of the anchor zone most likely because of balance of payments considerations.*

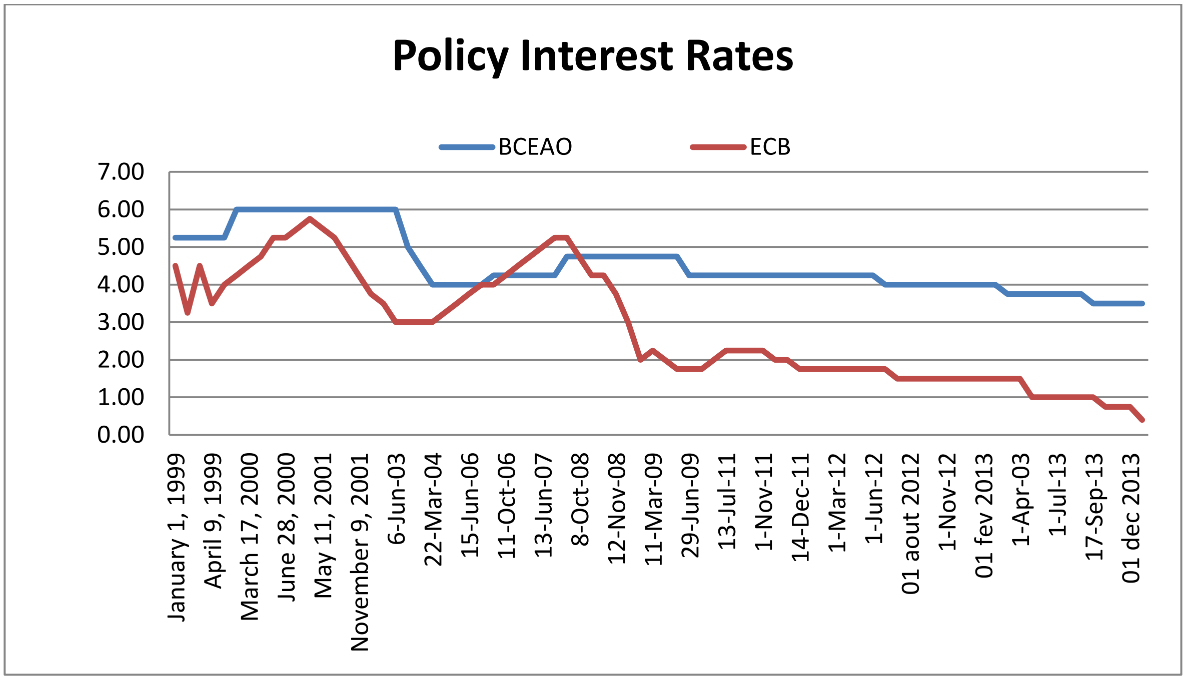
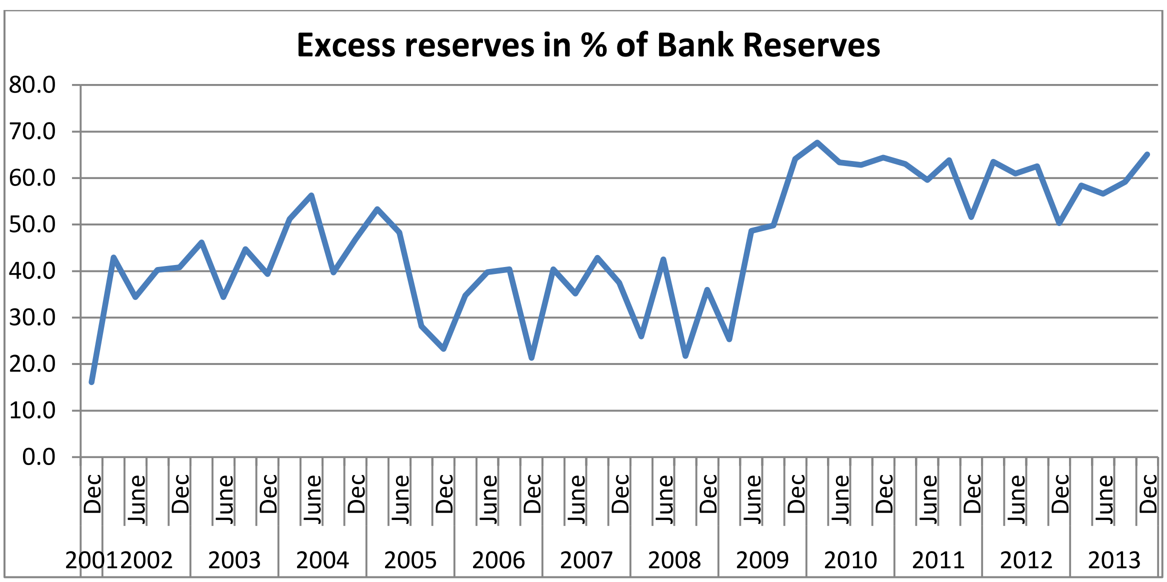


Figure 16: *Bank reserves in excess of requirements are now about 80% of total reserves, implying the banking system is not depend on the central bank policy for credit expansion.*



In view of fiscal and balance of payments financing needs, the Senegalese's economy continued to depend on foreign assistance, dependency that could be costly were there to be a need for an exchange rate adjustment. The current account deficit has been mainly financed by foreign official flows in support of the budget. As a result, the share of external debt in the government debt to GDP ratio has been rising again since the 2006 debt relief (Figure 4 above). In view of the macroeconomic stability Senegal enjoys, there should be interest in the local currency government securities market despite difficulties related to its liquidity and depth. Apart from two Eurobond issues in 2009 and 2011, the participation of foreign non-WAEMU private investors in financing the government has been negligent. It is therefore not impossible that this denotes a lack of confidence in the long term sustainability of the exchange rate regime not reflected in local government securities' proposed yields.

In view of these developments and analyses and abstracting from other non-price competitiveness factors, could it be argued that the CFA Franc has become overvalued as a result of government expansion and exchange rate appreciation? It is difficult to draw a definitive conclusion to this effect as economists are notably unreliable in statistically assessing exchange rate over or undervaluation. Nevertheless, in the case of Senegal, the coincidence of indicators pointing in this direction is troubling. Senegal shares a currency regime with 7 other countries and apart from 2 of them that have been politically unstable in recent years, all are growing faster. Many of them are rich in natural resources or neighbors to booming economies, but Senegal is not taking advantage of the common regional market by increasing the contribution of exports to its GDP.

III. Macroeconomic Perspectives

In our opinion, growth will remain low in the near future and unlikely to come from government demand since the Senegalese authorities will be reducing the fiscal deficit to preserve debt sustainability. The governments of President Macky Sall have rightfully been reducing budget expenditures since 2012 while trying to maintain capital expenditures hoping that growth would follow. Unfortunately, fiscal retrenchment (in percent of GDP, Figure 17) seems to have been contributing to constraining growth. Tax revenues (abstracting from tax reform) have systematically been lower than forecasted in government budgets during 2013-2014 suggesting that the contractionary impact of negative overall fiscal impulses outweighed the impact of changes in expenditure composition. This has led to reoccurring budget amendments in keeping with fiscal adjustment objectives and revenue underperformance (Figure 18). It is therefore prudent to assume that growth acceleration will not come from government demand over the 2014-2017 period.

Figure 17: *Fiscal impulse measured as the difference in annual fiscal deficits in percent of GDP has been negative in 2012 and 2013 in contrast to positive impulses in 9 out of the 11 years during 2001-2011.*

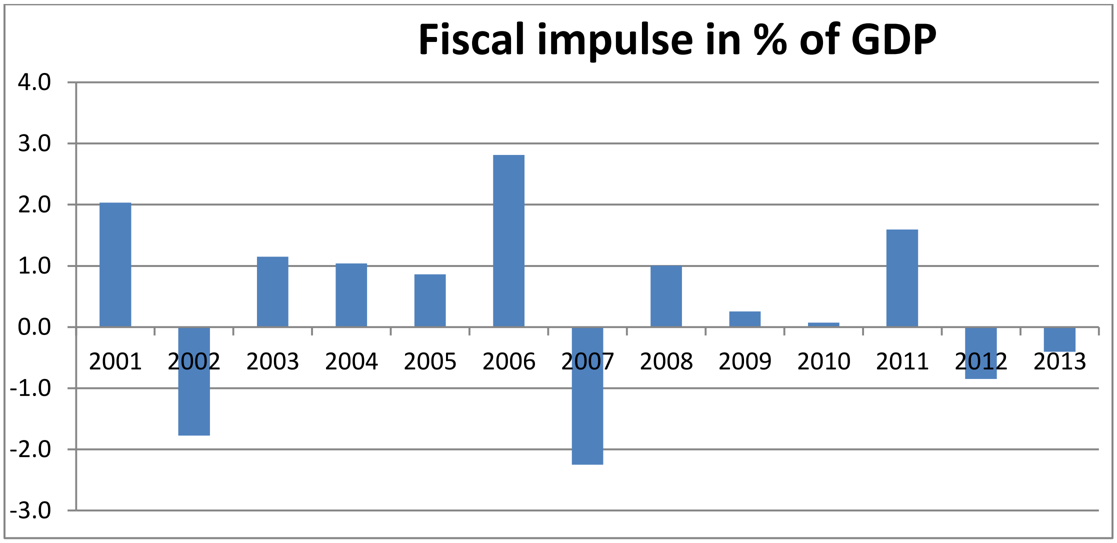
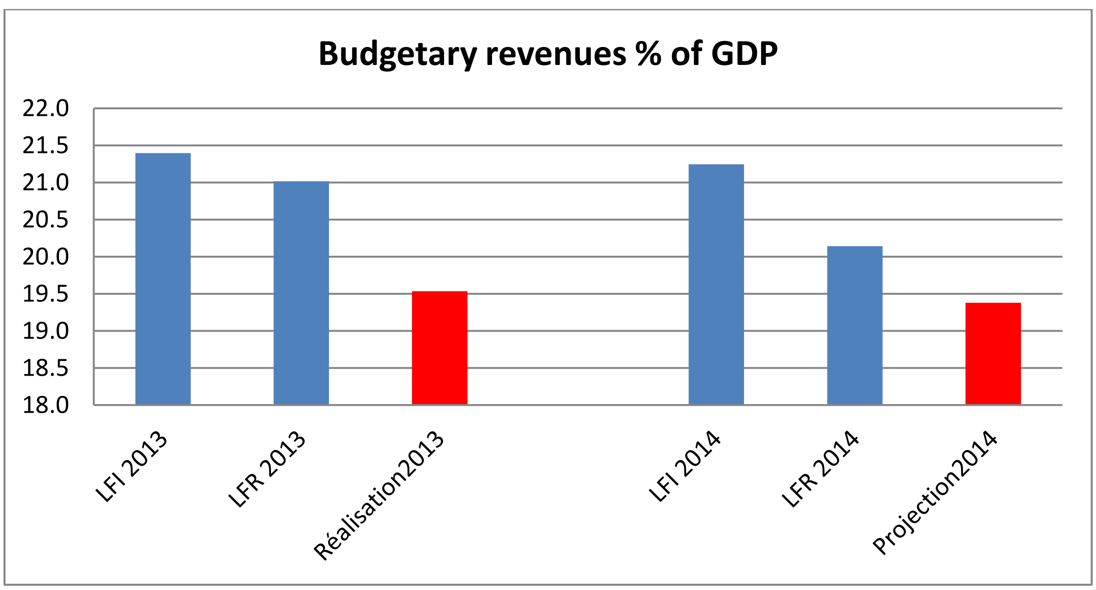


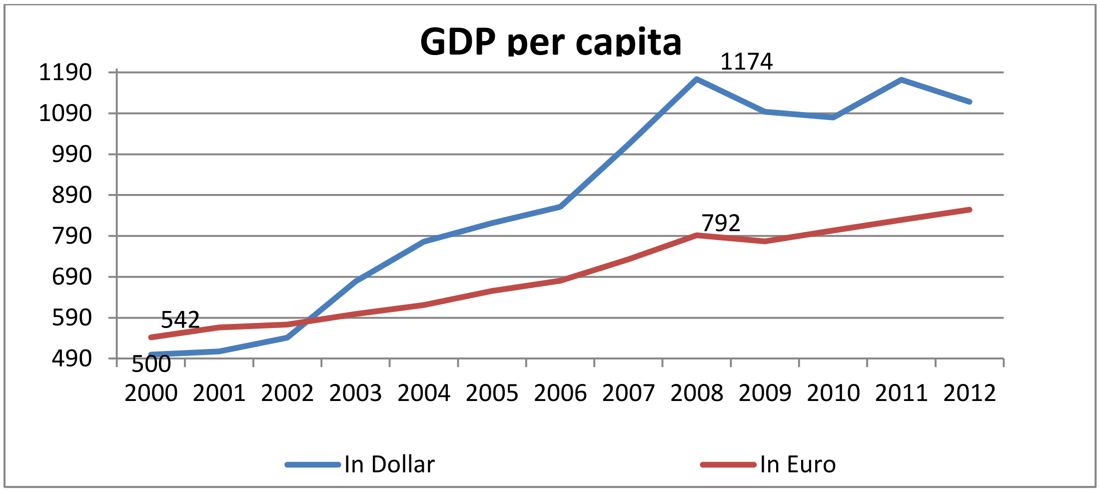
Figure 18: *The authorities expected revenues in budgets and budget amendments (LFI and LFR) have been too optimistic. This is likely to be the case in 2014 as well given projections.*



Since we do not expect growth to come from increased government spending, it is unlikely that donor support for scaled up government expenditures would be forthcoming in the medium term. President Sall presented his “Emerging Senegal Plan” to donors in February 2014 and obtained commitments for scaled up investment to support growth and transform the Senegalese economy. Even if promised resources materialize in the short term, we do not believe that further government expansion will deliver growth that the government expansion of the last ten years could not deliver. The government hopes to provide impetus for increased exports through direct interventions in the economy and government redistribution to support domestic demand. We are skeptical and expect donors to honor commitments to finance social sectors taking debt sustainability considerations into account so as to avoid repeating the mistakes of the past when foreign aid created excessive external debt and vulnerability. Donors are likely to view the “Emerging Senegal Plan” mainly as a normal medium term performance and budget expenditure framework in support of the authorities’ expenditure plans.

Senegal is in dire need to accelerate growth and increase the population’s income, but low income growth is likely to continue for some time absent a significant shift in policy orientation. GDP per capita in USD has risen over 2000-2012 due in part to the appreciation of the euro against the dollar (Figure 19). Population growth has been around 3 percent and if growth is to stagnate around its recent trend of 3 percent, poverty will persist. In view of the limited budget capacity of the government and overwhelming social needs coupled with the authorities’ commitment to fiscal adjustment, poverty is likely to persist if the performance of the economy does not improve. Indeed, the significantly social orientation of the government (universal health insurance, cash transfers, and aid to the rural population) will have limited impact since it will remain underfinanced. If not central government demand and impulse for structural transformation and social development then what?

Figure 19: *Nearly half of the doubling of GDP per capita in USD from 500 to over 1100 in the last ten years is due to the appreciation of the Euro relative to the USD.*



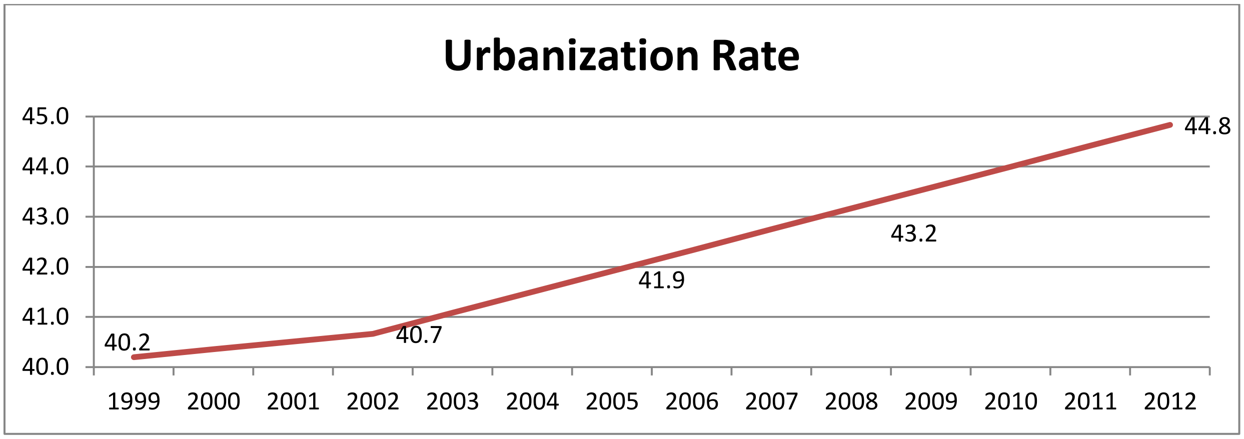
A. A Way Forward

We have observed three key trends which we believe provide clues on economic policies that could support Senegal's economic transformation. These trends are **(1) rising urbanization (2) declining industrialization and (3) increased importance of services.**

Urbanization is an opportunity to seize. Urbanization has been rising and has helped reduce poverty as the size of the agricultural sector in the economy declined (Figure 20)[2]. Whether the decline in the share of agriculture in Senegal's economy is the cause of urbanization or the result of more attractive urban life may not be the point. A key lesson may be that accompanying a trend that reduces poverty to make it successful may be an opportunity. Urbanization and the geographic market concentration that accompanies it may facilitate development by concentrating public intervention and private investment including in agriculture to service the urban market. Major cities of Senegal could thus be empowered to take more responsibility in public policies regardless of partisan politics. This would relieve the central government and empower the population.

[2] Poverty levels are much lower in urban areas than in rural areas (33% versus 57%).

Figure 20: *Urbanization trend provides an opportunity for focused public interventions and economies of scale in private investment in support of growth*



Declining industrialization must be reversed. The tradable sector seems to have suffered from exchange rate appreciation, high wages, and government expansion besides other structural weaknesses such as high energy costs and poor interregional transport infrastructure. Reversing this may require reforming the exchange rate regime to make it more flexible because structural reforms to improve non price competitiveness may take too long to reverse industrial decline and capacity underutilization. In view of Senegal’s limited exports capacity, efficient import substitution to serve the rising urban population could derive from exchange rate flexibility. An alternative to unit labor cost competitiveness is also a competitive exchange rate if productivity is low. A supportive exchange rate regime may help orient demand financed by revenues from exports, remittances, and easier access to credit towards small manufacturing businesses instead of imports and foster private investment. Private investment in this context will have to be financed by a facilitated access to credit.

Senegal has once lived the scenario that we are describing. Indeed, before the 1994 devaluation, growth had been low, the exchange rate overvalued and total factor productivity negative (see Table 1). Following the devaluation, Senegal renewed with growth with a positive contribution of total factor productivity growth in a context also of significant structural reform efforts by the ending socialist regime. Since 2000, total factor productivity has been declining steadily during the key periods of President Abdoulaye Wade’s social liberal regime (2000-2004, 2005-2007, and 2008-2011) when public investment sored and coincided with the appreciation of the exchange rate.

Figure 21: *The Secondary sector declined while the services sector expanded.*

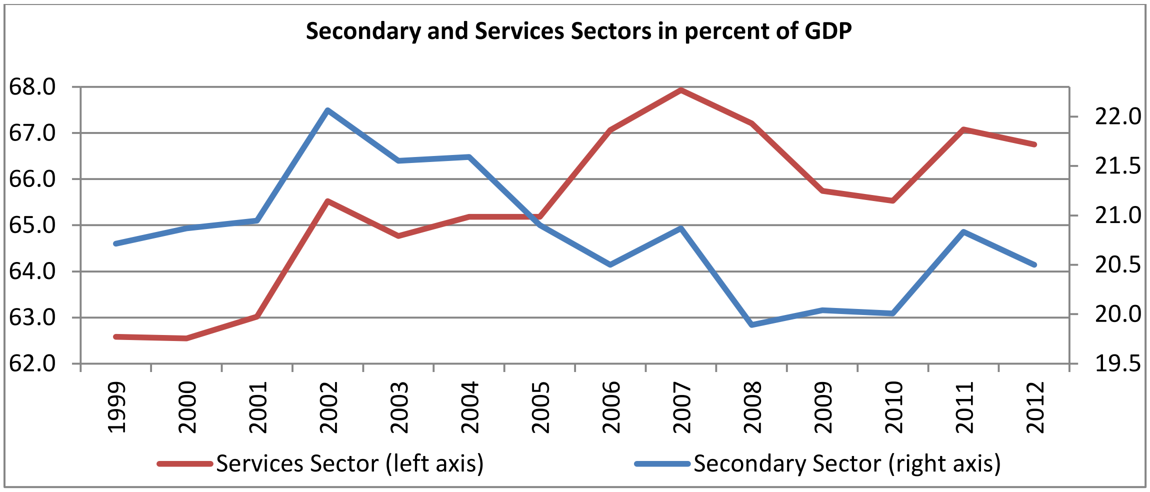


Table 1: Contributions to Growth 1991-2016

	91/94	95/00	00/04	05/07	08/11	12/13 (a)	14/16 (b)	Difference (b) - (a)
Real GDP growth	**1,3**	**4,3**	**4,2**	**4,3**	**3,0**	**3,3**	**4,0**	**0,7**
Total factor productivity	-1,6	1,6	1,0	0,7	-0,7	0,5	0,6	0,1
Physical capital	0,5	0,8	1,1	1,7	1,6	0,7	1,3	0,6
Labor force	2,3	1,9	2,1	2,0	2,1	2,1	2,2	0,0

Sources: ANSD, Federal Reserve Bank of St. Louis and World Bank Data and CEFDEL estimates and projections using a Cobb-Douglas production function with 2/3 labor share.

Finally, the increased importance of services in the Senegalese economy reinforces the need to improve the business environment and the efficiency of the economy. Identifying structural weaknesses and addressing them should be a priority. Improving electricity services and reducing their cost is a priority in this regard. The efficiency of government services should also be improved through adequate decentralization and reduction of the scope of the central government to its essential vocation, including its regulatory responsibilities. Combined with improved urban services and investment in urban centers, interregional transportation infrastructure deficiencies may be less constraining if small private investors find local markets.

B. Medium Term Scenario

We expect medium term growth to stabilize around 3-4 percent and inflation to remain low in line with inflation around 2 percent in the euro anchor zone and main trading partner (Table 2). Agriculture's contribution to GDP growth will continue to be low and mainly depend on weather conditions and government redistribution policies in favor of the rural population. We expect growth in the secondary sector to remain subdued as price and non-price competitiveness issues continue to constraint demand for domestic products unless the euro depreciates. In this context, we expect growth to mainly come from services. The sector will continue to be somewhat supported by government expenditures although declining in percent of GDP, remittances from abroad to some extent, and growth developments in other sectors. The government's overall fiscal impulse will be negative while the fiscal deficit is reduced in the medium term precluding growth acceleration from this source. Under these assumptions, we expect overall nonagricultural GDP growth to remain around 3-4 percent and mostly depend on consumer demand conditions. Indeed, we expect weak contribution to growth from investment and labor demand in the context of likely underutilized capacities particularly in the industrial sector. Government structural reform efforts could contribute to total factor productivity growth, but we expect consumer demand conditions to be more critical in increasing productivity from existing capacities.

The fiscal deficit is expected to fall over the medium term with current expenditure cuts and the debt to increase unless the authorities reduce the deficit further with capital expenditure cuts (see Annex Tables). The revenue to GDP ratio (including grants) is expected to remain broadly constant around 23 percent and expenditures to decline by 2 percent of GDP over 2014-2017. As a result, the fiscal deficit including grants could decline to around 4.6 percent of GDP in 2016. The debt ratio would increase to about 53 percent of GDP by 2016, while its currency composition will remain about the same reflecting Senegal's continued dependence on donors and external financing to cover its balance of payments needs and contribute to that of the union.

The current account deficit will fall mainly owing to the fiscal adjustment as the government savings investment gap falls. As a result, Senegal's contribution to BCEAO foreign exchange reserves could be maintained around their current level in months of imports and in ratio to broad money of the country. Under these conditions, we expect monetary management to continue to reflect balance of payments developments and the monetary policy of the European central bank.

There are two main risks to the macroeconomic scenario. First, the scenario assumes that Senegal's real exchange rate remains about the same and in particular that the euro does not appreciate further against the dollar. If the trend correlation that we observed between growth performance, imports developments, and the exchange rate reoccur, we expect growth performance to worsen further. Second, the authorities may want to press ahead with their interventionist approach to boosting growth and borrow form the domestic market to fund public projects if donors do not honor scaled up commitments. They may also use directed lending through public and publicly supported financial institutions to achieve their ambitions. This would increase government debt and its cost and create contingent liabilities that would undermine the macroeconomic framework and fiscal sustainability. We expect these risks to be contained if the authorities remain engaged in programs with international financial institutions such as the International Monetary Fund. However, the end of their program with the International Monetary Fund in June 2014 and the difficulties they had or will have to reach their deficit reduction objectives in 2013-2014 raise doubts. We hope Senegal has enough macroeconomic management experience not to jeopardize its framework.

We believe that the central and risk scenarios are dictated by policy constraints that Senegal has imposed on itself. If Senegal takes its destiny into its own hands, it could combine both monetary and fiscal policies to support its growth ambitions. In this regard, a more flexible exchange rate regime could absorb external shocks and domestic policy errors as opposed to reserve losses, nonperforming loans, and rising imports to GDP. Under such conditions, government use of its fiscal space to support specific sectors would be more likely to succeed under the President's "Emerging Senegal Plan". Nevertheless, reducing the size and scope of government could further empower the population and foster private initiative. The Centre for Local Development Financing is for reducing the size and scope of the central government. It has also proposed innovative monetary alternatives if a flexible exchange regime (in Senegal or at the Union level) and the possible devaluation that could follow is not politically feasible. The alternative is a national complementary currency to the CFAF that in turn would remain unchanged.

IV. Politics and the Economy

President Macky Sall has now been in power for a little over 2 years and the general sentiment in Senegal is that the country has not changed much and perspective not clear despite the communication on the "Emerging Senegal Plan". Most people are of the view that the population wanted to get rid of President Wade and his entourage given his age then (85 years old) and the lack of economic progress despite government investments. By electing President Sall, Senegalese opted for some degree of continuity with one of Wade's former Prime Ministers instead of the other figures of the opposition who are mostly from the socialist party that ruled Senegal for 40 years. Besides the change that they achieved, Senegalese's hopes of economic improvement have not yet materialized. It could be argued that they are only partly disappointed so far to the extent that removing Wade was their primary objective and not candidates' programs. President Macky Sall seems to have understood it vowing to reduce his term from 7 to 5 years. He also quickly abandoned his campaign's economic program for the "Emerging Senegal Plan" he elaborated with the help of international consultants. He has now 2 years from the 2016 pre-election year to get a momentum going and communicate on the reality of the country's situation to the population.

In the meantime, local elections are due to take place June 29, 2014 and should provide a taste of the sentiment in the general population. Senegal has registered an unprecedented number of candidates for the upcoming elections reflecting the dispersion of the political class and the electorate's disillusion with traditional politicians. This is reflected in a large number of independent candidates seeking to be elected and some confusion on the part of the electorate on the choices which may lead to record low voter participation rate. In this context, we expect local elections to show that the coalition in power does not have the popular support that the results of the 2012 Presidential elections may have suggested. Nevertheless, the dispersion of the electorate could be an opportunity for the government to press ahead with its decentralization plans and make local governments more accountable for results. Economic policy could seize the opportunity and support this dynamic with the appropriate instruments.

However, this said, given our macroeconomic forecasts mainly driven by fiscal adjustment in the medium term, we expect Senegalese to continue to look for leadership as the government will have limited resources to make an impact. Senegalese do not know exactly in what direction the country should head. That direction is still to be formulated to their satisfaction by would be leaders and the current authorities following a correct diagnostic of the economic situation. Senegal's partners also have a role to play on this objective and clear diagnostic in order to define a macroeconomic path that goes beyond the medium term budget framework that the "Emerging Senegal Plan" represents. The end of the authorities program with the IMF and the potential negotiation of a new one could be an opportunity.

Table 2: Selected Economic and Financial Indicators, 2010-2016

	2010	2011	2012	2013e	2014p	2015p	2016p
	(Annual percentage change)						
National income and prices							
GDP at constant prices	4.2	1.7	3.4	3.3	3.7	4.1	4.4
Of which: nonagriculture GDP	4.1	4.4	2.5	4.1	3.6	4.1	4.3
GDP deflator	1.9	4.2	2.3	-0.9	1.0	1.4	1.6
Consumer prices	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Annual average	1.2	3.4	1.4	0.7	1.1	1.3	1.5
End of period	0.8	1.5	0.7	0.1	…	…	…
External sector							
Exports, f.o.b. (CFA francs)	8.3	15.4	13.4	-3.1	4.3	4.5	5.5
Imports, f.o.b. (CFA francs)	3.9	19.7	18.6	1.4	2.0	1.8	3.7
	(Changes in percent of beginning-of-year broad money)						
Broad money	13.9	6.8	6.8	7.9	9.4	10.4	11.2
Net domestic assets	8.0	11.6	6.3	8.6	9.1	9.6	10.6
Domestic credit	10.9	10.8	4.5	11.1	9.1	9.6	10.6
Credit to the government (net)	4.0	-1.3	-2.4	1.7	-0.9	-1.6	-1.2
Credit to the economy (percentage growth)	6.9	12.1	6.9	9.4	10.0	11.2	11.8
	(Percent of GDP, unless otherwise indicated)						
Government financial operations							
Revenue	19.3	20.3	20.4	20.1	19.9	20.1	20.4
Grants	2.5	2.2	2.9	2.6	2.8	2.7	2.6
Total expenditure and net lending	27.0	29.2	29.1	28.2	27.9	27.8	27.6
Overall fiscal balance	-5.1	-6.7	-5.9	-5.5	-5.2	-4.9	-4.6
Payment order basis, excluding grants	-7.7	-8.9	-8.7	-8.1	-8.0	-7.6	-7.2
Payment order basis, including grants	-5.2	-6.7	-5.9	-5.5	-5.2	-4.9	-4.6
Primary fiscal balance	-4.3	-5.2	-4.4	-4.0	-3.5	-3.0	-2.8
Savings and investment							
Current account balance (official transfers included)	-4.5	-8.0	-10.9	-11.7	-10.2	-9.3	-8.9
Current account balance (official transfers excluded)	-5.5	-8.9	-12.0	-12.4	-11.1	-10.1	-9.8
Gross domestic investment	22.1	25.8	29.8	28.9	28.3	27.3	26.7
Government	11.5	10.6	11.3	10.9	10.8	10.8	10.7
Nongovernment	10.6	15.2	18.5	18.0	17.4	16.6	16.0
Gross national savings	17.6	17.9	19.0	17.2	18.1	18.1	17.8
Government	6.3	4.3	5.9	5.4	5.6	5.9	6.1
Nongovernment	11.3	13.5	13.1	11.8	12.4	12.2	11.7
Total public debt	34.8	39.9	42.9	45.5	48.7	51.0	52.7
Domestic public debt	6.8	9.6	11.1	13.3	16.2	18.7	20.6
External public debt	28.0	30.2	31.8	32.3	32.5	32.4	32.1
External public debt service							
Percent of exports	4.5	13.3	6.7	6.8	21.5	7.9	7.7
Percent of government revenue	5.7	17.7	9.6	9.4	30.3	11.0	10.6
GDP (CFAF billions)	6402	6782	7172	7337	7687	8111	8602

Sources: ANSD, DPEE, BCEAO and estimates and projections CEFDEL

Table 3: National Accounts 2010-2016

	2010	2011	2012	2013e	2014p	2015p	2016p
	(Annual percentage change)						
Primary sector	6.0	-15.0	9.0	-2.7	4.1	3.9	3.9
Secondary sector	4.0	5.9	1.7	6.5	3.0	3.6	3.3
Tertiary sector	3.8	4.1	2.9	3.4	3.8	4.3	4.8
GDP	**4.2**	**1.7**	**3.4**	**3.3**	**3.7**	**4.1**	**4.4**
Nonagriculture GDP	4.1	4.4	2.5	4.1	3.6	4.1	4.3
GDP deflator	1.9	4.2	2.3	-0.9	1.0	1.4	1.6
Consumer price index (period average)	1.2	3.4	1.4	0.7	1.1	1.3	1.5
Consumer price index (end of period)	0.8	1.5	0.7	0.1	…	…	…
	(In percent of GDP)						
Gross domestic investment	22.1	25.8	29.8	28.9	28.3	27.3	26.7
Government	11.5	10.6	11.3	10.9	10.8	10.8	10.7
Nongovernment	10.6	15.2	18.5	18.0	17.4	16.6	16.0
Gross domestic savings	17.6	17.9	19.0	17.2	18.1	18.1	17.8
Government	6.3	4.3	5.9	5.4	5.6	5.9	6.1
Nongovernment	11.3	13.5	13.1	11.8	12.4	12.2	11.7
External current account balance	-4.5	-8.0	-10.9	-11.7	-10.2	-9.3	-8.9
GDP at current prices	6402	6782	7172	7337	7687	8111	8602

Sources: ANSD and estimates and projections CEFDEL

Table 4: Contributions to Growth 2006-2016

	2006-2013	2014-2016	Différence
Real GDP growth	3.2	4.0	0.8
Primary sector	0.2	0.5	0.3
Secondary sector	0.7	0.7	0.0
Tertiary sector	2.4	2.9	0.5
Consumption	3.0	4.2	1.2
Private	2.4	3.8	1.4
Public	0.6	0.4	-0.1
Gross fixed investment	0.4	0.5	0.0
Private	0.3	0.1	-0.2
Public	0.1	0.3	0.2
Exports	-0.1	0.8	0.9
Imports	-0.1	-1.5	-1.4
Total factor productivity	-0.2	0.6	0.8
Physical capital	1.4	1.3	-0.1
Labor force	2.1	2.2	0.1

Sources: ANSD and estimates and projections CEFDEL

Tableau 5 : Government Financial Operations, 2010 - 2016

	2010	2011	2012	2013	2014	2015	2016
					proj	Proj.	proj
			(Billions of FCFA)				
Total revenue and grants	1399	1527	1671	1659	1748	1856	1980
Revenue	1237	1377	1465	1472	1530	1633	1753
Tax revenue	1195	1288	1380	1343	1395	1491	1602
Income tax	339	346	405	389	407	442	480
Taxes on goods and services	693	729	784	760	786	854	927
Taxes on petroleum products	162	212	191	194	202	195	195
Nontax revenue	42	50	44	90	94	100	106
FSE	0	39	41	38	40	42	45
Grants	162	150	206	187	219	223	227
Budgetary	22	38	52	20	38	39	39
Budgeted and developpement projects	140	113	154	168	181	184	188
Total expenditure and net lending	1727	1981	2090	2066	2148	2253	2376
Current expenditure	995	1234	1257	1270	1314	1379	1454
Wadge and salaries	392	428	462	465	487	514	545
Interest due	60	104	108	113	128	151	170
of wich : external	35	62	52	55	58	61	61
Others current expenditure	543	702	688	692	700	714	739
Transfers and subsidies	242	335	355	336	352	372	394
Goods and services	300	356	321	314	329	304	303
Capital expenditure	736	719	814	801	833	874	922
Domestically and nonconcessionally financed	437	475	492	477	500	525	553
Externally concessionally financed	299	244	322	324	333	350	369
Net lending and others balance	-3	-8	-18	-16	0	0	0
Primary fiscal balance	-272	-350	-311	-294	-272	-247	-225
Overall fiscal balance (excluding grants)	-494	-604	-625	-594	-618	-620	-623
Overall fiscal balance (including grants)	-332	-454	-419	-407	-400	-397	-396
Financing	332	454	419	407	400	397	396
Exteranal financing	180	421	471	151	201	292	324
Drawings	190	175	323	220	208	224	243
Program loans	30	40	118	53	56	59	62
Projets loans	160	135	205	167	153	166	181
T- bills and bonds issued WAEMU (net)	8	184	211	-6	69	166	184
Non concessional loans	….	224	….	….	300	0	0
Amortization due	-36	-175	-84	-80	-393	-115	-120
Domesctic financing	156	33	-51	251	199	105	72
Banking system	155	12	-195	157	-27	-54	-47
Errors and omissions	-4	0	-1	5	0	0	0
Financing gap	0	0	0	0	0	0	0
Debt on public	2231	2704	3076	3342	3741	4139	4535
Domestic debt	438	653	799	974	1242	1513	1770
External debt	1792	2051	2278	2368	2499	2625	2765
Gross Domestic Product	6402	6782	7172	7337	7687	8111	8602

Source: DPEE , ANSD, estimations et projections CEFDEL

Tableau 6 Government Financial Operations 2010 - 2016							
	2010	2011	2012	2013	2014	2015	2016
					Proj.	Proj.	Proj.
			In percent of GDP				
Total revenues and grants	21.8	22.5	23.3	22.6	22.7	22.9	23.0
Revenues	19.3	20.3	20.4	20.1	19.9	20.1	20.4
Tax revenues	18.7	19.0	19.2	18.3	18.1	18.4	18.6
Income tax	5.3	5.1	5.6	5.3	5.3	5.5	5.6
Taxes on goods and services	10.8	10.8	10.9	10.4	10.2	10.5	10.8
Taxes on petroleum products	2.5	3.1	2.7	2.6	2.6	2.4	2.3
Nontax revenues	0.7	0.7	0.6	1.2	1.2	1.2	1.2
Grants	2.5	2.2	2.9	2.6	2.8	2.7	2.6
Total expenditures and net lending	27.0	29.2	29.1	28.2	27.9	27.8	27.6
Current Expenditure	15.5	18.2	17.5	17.3	17.1	17.0	16.9
Wages and Salaries	6.1	6.3	6.4	6.3	6.3	6.3	6.3
Interest due	0.9	1.5	1.5	1.5	1.7	1.9	2.0
Other current expenditure	8.5	10.3	9.6	9.4	9.1	8.8	8.6
Capital investment	11.5	10.6	11.3	10.9	10.8	10.8	10.7
Domestically and nonconcessionally financed	6.8	7.0	6.9	6.5	6.5	6.5	6.4
External concessionally financed	4.7	3.6	4.5	4.4	4.3	4.3	4.3
Net lending and other balances	-0.1	0.4	0.3	-0.1	0.0	0.0	0.0
Primary balance	-4.3	-5.2	-4.4	-4.0	-3.5	-3.0	-2.6
Overall balance							
Payment order basis, including grants	-7.7	-8.9	-8.7	-8.1	-8.0	-7.6	-7.2
Payment order basis, excluding grants	-5.2	-6.7	-5.9	-5.5	-5.2	-4.9	-4.6
Financing							
External financing	2.8	6.2	6.6	2.1	2.6	3.6	3.8
Domestic financing	2.4	0.5	-0.7	3.4	2.6	1.3	0.8
Errors and omissions	-0.1	0.0	0.0	0.1	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public debt	34.8	39.9	42.9	45.5	48.7	51.0	52.7
Domestic	6.8	9.6	11.1	13.3	16.2	18.7	20.6
External	28.0	30.2	31.8	32.3	32.5	32.4	32.1

Source: ANSD, DPEE, and CEFDEL estimates and projections

Tableau 7 : Balance of Payments 2010-2016

	2,010	2,011	2,012	2013e	2014p	2015p	2016p
	(In billions of CFA francs, unless otherwise indicated)						
Current account	-288	-541	-780	-860	-783	-750	-770
Balance of Goods	-950	-1183	-1468	-1553	-1555	-1544	-1574
Exports f.o.b	1072	1237	1402	1358	1416	1479	1561
Imports f.o.b	-2022	-2419	-2870	-2911	-2970	-3024	-3135
Services and incomes (net)	-106	-191	-209	-209	-204	-210	-222
Credits	623	677	747	769	821	871	924
Debits	-729	-868	-956	-978	-1025	-1081	-1147
Interest on the public debt	-35	-62	-52	-55	-61	-69	-73
Unrequited transfers (net)	768	833	897	902	976	1004	1026
Private (net)	734	772	822	858	912	939	960
Public (net)	33	61	75	44	64	65	66
budgetary grants	22	38	52	20	38	39	39
Capital and financial account	427	487	690	839	793	778	795
Capital account	151	121	163	178	190	194	197
Project grants	140	113	154	168	181	184	188
Financial Account	277	366	527	662	603	585	598
Direct investment	131	137	112	209	526	254	268
Portfolio investment	104	353	132	259	592	269	256
Public (net)	8	408	211	-6	369	166	184
Private (net)	97	-56	-79	265	222	102	72
Other Investment	42	-124	283	-212	109	-189	-207
Public sector (net)	154	0	239	-196	102	-193	-207
disbursements	208	188	344	220	208	224	243
loan program	30	40	118	53	56	59	62
project loans	160	135	205	167	153	166	181
Athers (HIPC assistance)	19	13	21	17	16	16	16
Depreciation	-55	-188	-105	-80	-393	-115	-120
Private sector (errors and omissions)	-112	-124	44	148	75	79	84
Errors and omissions	18	104	-26	77	0	0	0
Overall Balance	137	-55	-53	-21	10	28	25
Financing	-137	55	53	21	-10	-28	-25
Net foreign assets (BCEAO)	-16	6	-47	11	-6	-12	-9
Deposit money banks	-120	49	100	10	-4	-16	-16
Residual financing gap	0	0	0	0	0	0	0
Memorandum items:							
Current account balance							
Percentage of GDP (incl. current official transfers)	-4.5	-8.0	-10.9	-11.7	-10.2	-9.3	-9
Percentage of GDP (excl, current official transfers)	-5.5	-8.9	-12.0	-12.4	-11.1	-10.1	-10
Gross official reserves BCEAO (CFAF billions)	1436	1454	1482	1534	1541	1573	1601
Gross official reserves BCEAO (billions of dollars)	2.0	2.1	2.0	2.2	2.3	2.3	2
(percent of broad money)	40	37	36	34	31	29	26
(in months of imports)	4.0	3.4	3.4	3.5	3.4	3.3	3
Nominal GDP (in billions of CFA francs)	6402	6782	7172	7337	7687	8111	8602

Source: Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) and estimates and projections CEFDEL

Tableau 8: Monetary Survey 2010 à 2016

	2010	2011	2012	2013	2014	2015	2016
					proj	proj	proj
				(billions CFAF)			
Net Foreign Assets	988	930	879	859	869	897	922
BCEAO	734	726	776	764	771	782	792
Commercial Banks	253	204	104	94	99	115	131
Net Domestic Assets	1552	1847	2019	2269	2553	2882	3281
Net Domestic Credit	1847	2121	2244	2565	2850	3179	3578
Net Credit to Government	200	168	103	151	124	69	23
Central bank	202	106	-37	21	22	-16	-61
Commercial banks	0	58	130	124	95	79	78
Credit to the economy	1647	1953	2141	2414	2726	3109	3555
Other assets net	-295	-274	-225	-297	-297	-297	-297
Broad Money	2540	2713	2897	3127	3422	3779	4204
Money in circulation	561	589	587	620	643	672	706
Deposits	1979	2123	2310	2507	2779	3107	3497
Checking	988	1061	1192	1367	1516	1694	1907
Term deposits	991	1063	1118	1140	1263	1412	1590
	Variation in percent of end period previous year broad money						
Net Foreign Assets	5.8	-2.3	-1.9	-0.7	0.3	0.8	0.7
BCEAO	0.4	-0.3	1.8	-0.4	0.2	0.3	0.2
Commercial Banks	5.4	-1.9	-3.7	-0.3	0.1	0.5	0.4
Net domestic Assets	8.0	11.6	6.3	8.6	9.1	9.6	10.6
Net credit to government	4.0	-1.3	-2.4	1.7	-0.9	-1.6	-1.2
Credit to the economy	6.9	12.1	6.9	9.4	10.0	11.2	11.8
Other assets net	-2.9	0.8	1.8	-2.5	0.0	0.0	0.0
Broad Money	13.9	6.8	6.8	7.9	9.4	10.4	11.2
Money velocity (GDP/Broad Money)	2.5	2.5	2.5	2.3	2.2	2.1	2.0
Nominal GDP growth (%)	6.1	5.9	5.8	2.3	4.8	5.5	6.1
Credit to the economy (%)	10.4	18.6	9.6	12.8	12.9	14.1	14.4
Credit to the economy (% of GDP)	25.7	28.8	29.8	32.9	35.5	38.3	41.3
Net credit to government (annual flow, billions)	88.6	-32.0	-65.6	48.3	-27.3	-54.3	-46.7
Refinancing rate	4.3	4.3	4.0	3.5	3.5	….	….

Source: Banque Centrale des Etats de l'Afrique de L'Ouest and CEFDEL estimates and projections