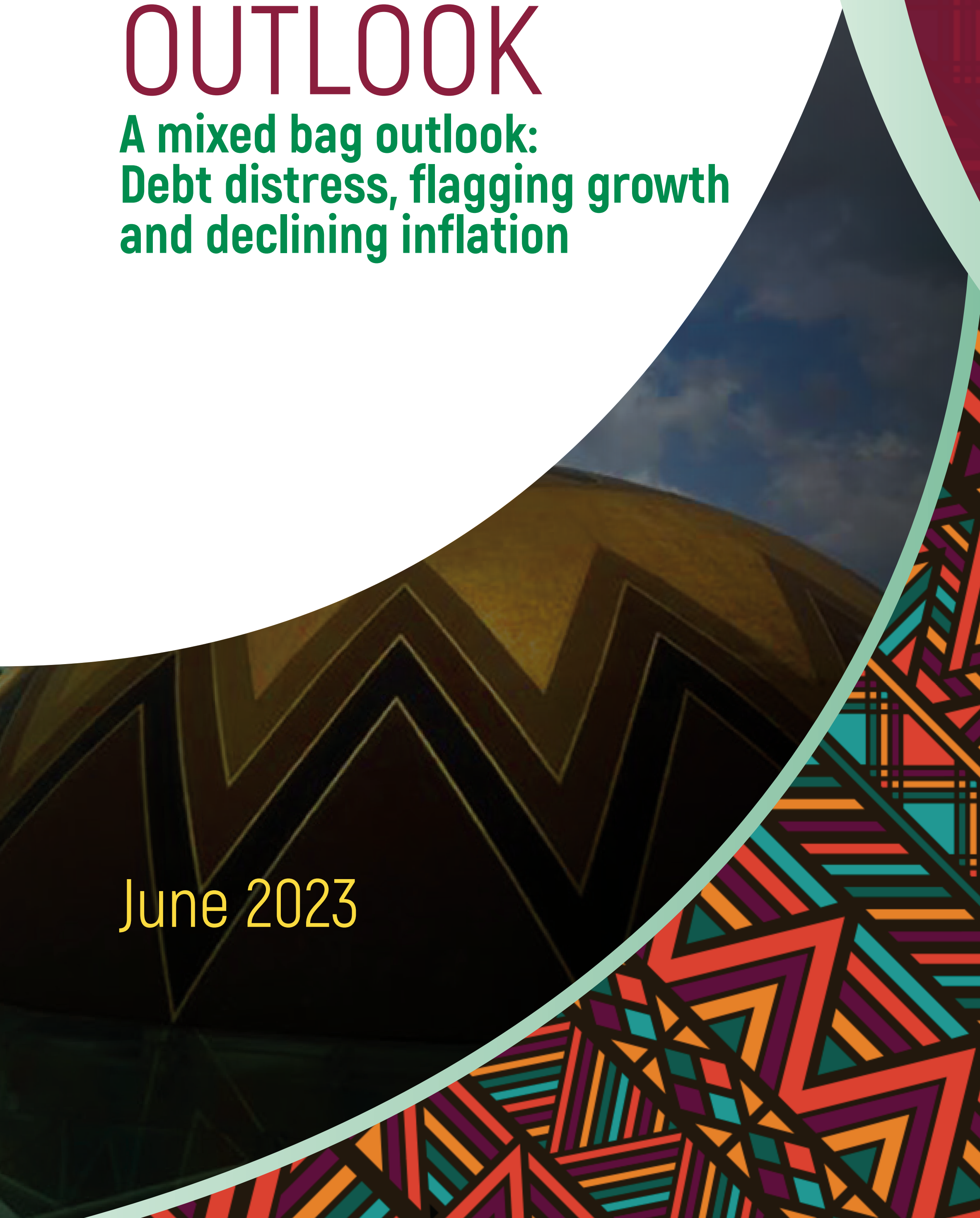
BANQUE D'INVESTISSEMENT ET DE DEVELOPPEMENT DE LA CEDEAO
ECOWAS BANK FOR INVESTMENT AND DEVELOPMENT
BANCO DE INVESTIMENTO E DE DESENVOLVIMENTO DA CEDEAO

WEST AFRICAN DEVELOPMENT OUTLOOK

A mixed bag outlook: Debt distress, flagging growth and declining inflation



June 2023

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ECOWAS Bank for Investment and Development

128, Boulevard du 13 janvier

BP 2704, Lomé - Togo

Tel: (+228) 22 21 68 64

Fax: (+228) 22 21 86 84

www.bidc-ebid.org

ABBREVIATIONS

AfCFTA	African Continental Free Trade Area
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest (WAEMU central bank)
BRICS	Brazil, Russia, India, China and South Africa
EAC	East African Community, excluding South Sudan
ECOWAS	Economic Community of West African States
EBID	ECOWAS Bank for Investment and Development
FAO	Food and Agriculture Organisation of the United Nations
GDP	Gross Domestic Product
IMF	International Monetary Fund
ILO	International Labour Organisation
PAPSS	Pan-African Payment and Settlement System
RoE	Rest of ECOWAS
SACU	Southern African Customs Union
SADC	Southern African Development Community
SSA	Sub-Saharan Africa
UNCTAD	United Nations Conference on Trade and Development
UN	United Nations
US	United States
WADO	West African Development Outlook
WAEMU	West African Economic and Monetary Union
WAMZ	West African Monetary Zone
WAMZ+	WAMZ plus Cabo Verde
WEO	World Economic Outlook

FOREWORD

The global financial architecture is beset with a funding squeeze occasioned by interest rate hikes and heightened risk aversion. The interest rate hikes were on the back of an unprecedented high global inflation, triggered by supply chain challenges which commenced in 2020 through to 2022. With inflation remaining elevated, the probability of an extended funding squeeze remains high, given the likelihood of further interest rate increases to contain inflation. The war in Ukraine, crude oil output cuts and factors that could adversely impact food and oil prices remain a threat to a return to a low global inflation dispensation. The lingering inflationary pressures connote that monetary policy will remain tight in the foreseeable future.

A tight monetary policy has implications for the health of the global financial sector (whose stability has already been tested) and the growth in economic activity. The high inflation and subsequent interest rate hikes were partly responsible for the failure of Silicon Valley Bank in the United States. The subsequent failures of Signature Bank, First Republic Bank and Credit Suisse sent jitters to the markets. While the risk of contagion was high when it all started, the good news is that it has not festered beyond the jurisdictions within which the bank failures occurred – the United States and Switzerland.

With these bank failures and recent sovereign debt defaults, regulation will be tightened to reduce the probability of a recurrence (at least in the short-term), while financial institutions will become extremely critical of loan applications. These will adversely impact process efficiency, as speed will be compromised, leaving clients even more frustrated.

The West African sub-region is not immune to the effects of the inflation surge. Apart from the apparent impacts that have come by way of increased prices, interest rate hikes, currency depreciation, slow growth in economic activity and increased poverty, the sub-region is also faced with a choppy financial market that makes it difficult to borrow at pre-2020 rates. The restricted flow of finance and the increased cost of borrowing threaten to derail developmental programmes across the sub-region, aggravating the plight of those very much in need of critical interventions.

Furthermore, the threat of currency depreciation, which could further intensify the risk of fiscal slippages and move more countries on the brink of debt distress, remains on the horizon for many Member States, particularly in the West African Monetary Zone. This will result in an increase in domestic borrowing, leading to crowding out effects on the private sector, as well as the further utilisation of the already insufficient revenue for debt servicing.

The theme of the 2023 edition of the West African Development Outlook, **"A mixed bag outlook: debt distress, flagging growth and declining inflation"**, underscores the mixed fortunes that confront the

West African economy in the year. Member States face increased fiscal pressures as inflation remains elevated and growth stutters, indicating that revenue generation could continue to suffer. The financial markets offer near-prohibitive rates, imposing medium-to-long-term fiscal costs on the fiscal authority and constraining the growth in overall economic activity. The slowdown in the growth in economic activity will lead to job losses and increased poverty.

Against this backdrop, there is the need for a conscious effort towards addressing the challenges that affect the macroeconomic fundamentals of the sub-region, while mitigating the impact of macroeconomic misalignments on the most vulnerable in society. There is a greater need for fiscal consolidation, as a way of narrowing deficits and keeping the rise in public debt in check. There is also the need to emphasise intra-regional trade, one based on local currencies, as a way of improving the commonality of shocks in the sub-region and reducing the pressure on the current account balance and the reserves position.

The volatile nature of the financial markets presents a very good case for development finance institutions to partner with countries to address key infrastructure and developmental issues that confront them, as a way of regaining some of the grounds lost to the events of the past couple of years.

George Agyekum Donkor, PhD, DBA
President and Chairman of the Board of Directors

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Performance

The year 2022 will go down in history as one characterised by a high global inflation, which orchestrated coordinated hikes in interest rates in an attempt to stabilise prices. The rate hikes, particularly in the United States, led to the strengthening of the United States dollar and triggered currency depreciations across most of the global economy, including West Africa. The food and energy crisis as well as the local currency depreciation led to an erosion of the purchasing power of households and jettisoned poverty eradication efforts in poor countries. Poverty worsened in West Africa, with the number of the working poor increasing by approximately 3.9 per cent (or 5.4 million persons) to 142.3 million persons in 2022.

At end-2022, the ECOWAS economy grew by 3.9 per cent, down from 4.4 per cent in 2021. In the WAEMU, economic activity grew by 5.8 per cent, down from 5.9 per cent in 2021, while the WAMZ+'s economy grew by 3.3 per cent, down from 3.9 per cent in 2021. Inflation averaged 17.0 per cent in the ECOWAS, up from 10.2 per cent in 2021, 7.1 per cent in the WAEMU in 2022, up from 3.5 per cent in 2021, and 20.1 per cent in 2022, up from 15.6 per cent in 2021 in the WAMZ+. Fiscal balance in ECOWAS narrowed marginally from -6.4 per cent of GDP in 2021 to -6.1 of GDP in 2022. In the WAEMU, however, fiscal balance increased quite markedly from -5.5 per cent of GDP in 2021 to -6.7 per cent of GDP in 2022, while it improved to -5.9 per cent of GDP, from -6.7 per cent of GDP in 2021, in the WAMZ+. Finally, the debt-to-GDP ratio and current account balance as a percentage of GDP worsened across the WAEMU, WAMZ+ and the ECOWAS in general, underscoring what a difficult year it was.

Outlook

In terms of outlook, economic activity in the ECOWAS Region is projected to slow to a growth of 3.8 per cent in 2023, rebounding to 4.1 per cent in 2024, on account of more stable prices. The WAEMU is projected to record an uptick in economic activity, growing at 6.1 per cent in 2023 and further to 6.5 per cent in 2024. GDP growth in the WAMZ+, on the other hand, is projected to slow to 3.1 per cent in 2023 before picking up to 3.4 per cent in 2024. Inflation is projected to ease marginally to 16.7 per cent in 2023 and further to 14. 1 per cent in 2024 in the ECOWAS Region. The WAEMU inflation is also projected to be on a downward trajectory, declining to 5.4 percent and 3.6 per cent in 2023 and 2024, respectively. Finally, the WAMZ+ is projected to register a marginal decline in inflation to 20.0 per cent in 2023 and record a significant decline to 17.1 per cent in 2024.

Fiscal balance in the ECOWAS is projected to improve to -5.4 per cent of GDP in 2023 and further to -5.3 per cent of GDP in 2024. Similarly, fiscal balance is projected to narrow to -5.3 per cent of GDP in 2023 in the WAEMU, improving further to -4.4 per cent of GDP in 2024, while the WAMZ+'s fiscal balance as a percentage of GDP is projected to improve to -5.4 in 2023 but worsen to -5.6 in 2024. The debt-to-GDP ratio is projected to increase to 50.0 per cent in the ECOWAS sub-region before declining marginally to 48.9 per cent in 2024. For the WAEMU, the debt-to-GDP ratio is projected to increase to 61.7 per cent in 2023 and decline to 60.1 per cent in 2024. The WAMZ+ is projected to register a 46.1 per cent debt-to-GDP ratio in 2023, declining to 45.2 per cent in 2024.

The rising debt level will worsen the debt service problem that Member States were confronted with in 2022, with most countries spending 25 per cent or more of their revenues on debt service alone.

Average unemployment across the sub-region is projected to increase marginally to 4.42 per cent in 2023, in line with the projected decline in real incomes and standards of living.

Downside risks

The West African economy faces some probable headwinds, which, if not contained, could derail prospects and worsen risks. These are:

- Oil production cuts and implications for the price of the commodity;
- An extended war in Ukraine;
- Food price increases;
- Monetary policy hikes;
- Currency depreciation; and
- Insecurity.

Policy options

From the foregoing, the sub-region will continue to experience a slowing but still high inflation in 2023, posing a monetary policy dilemma to fiscal and monetary authorities. The following are a few policy options that are discussed in the 2023 WADO to help mitigate the impact of the high inflation environment and other socio-economic challenges going forward:

- Moving towards a local currency-backed trade;
- Rethinking intra-regional trade;
- Improving labour productivity; and
- Increasing electricity coverage.

A PROTRACTED WAR, DECLINING GROWTH, INCREASED RISK OF POVERTY

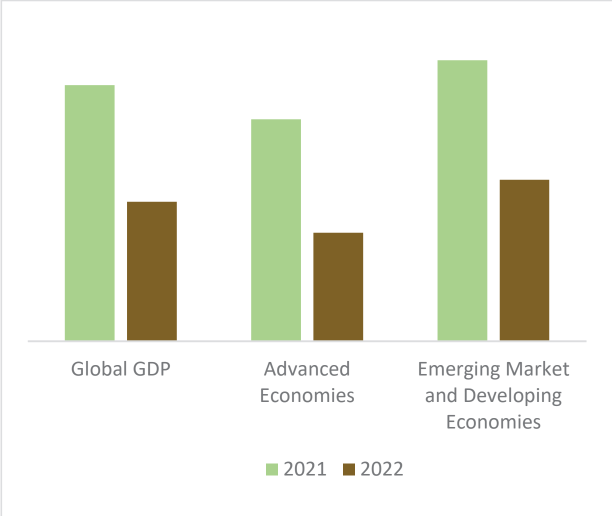
The global economy was buffeted by a myriad of shocks in 2022, leading to a slowdown in growth. While events of the latter part of 2021 raised concerns about a possible resurgence in the COVID-19 pandemic in 2022, the invasion in Ukraine by Russia on 24 February 2022 introduced an economic setback that has lingered on into 2023. The protracted war has further exposed the vulnerabilities of the global economy, just as the COVID-19 pandemic did in 2020.

Over the past three years, the pandemic, the war, climate change and astronomical hikes in freight charges, have conspired to slow down the growth in economic activity, owing to their respective roles in disrupting supply chains, which affected productivity and threatened to unwind efforts to ensure food security across the world.

Global GDP growth slowed to 3.4 per cent in 2022, from 6.3 per cent in 2021, on account of the factors enumerated above, particularly the war, and the slow growth in China (Figure 1). China's economy grew by 3.0 per cent in 2022, compared to 8.5 per cent in 2021, due to its decision to maintain the zero COVID-19 policy until late last year. This policy undoubtedly adversely affected not just China's economic performance, but that of the world as well.

Advanced Economies' growth slowed to 2.7 per cent in 2022, down from 5.4 per cent in 2021, while Emerging Market and Developing Economies grew by 4.0 per cent, down from 6.9 per cent in 2021.

Figure 1: Global GDP Growth

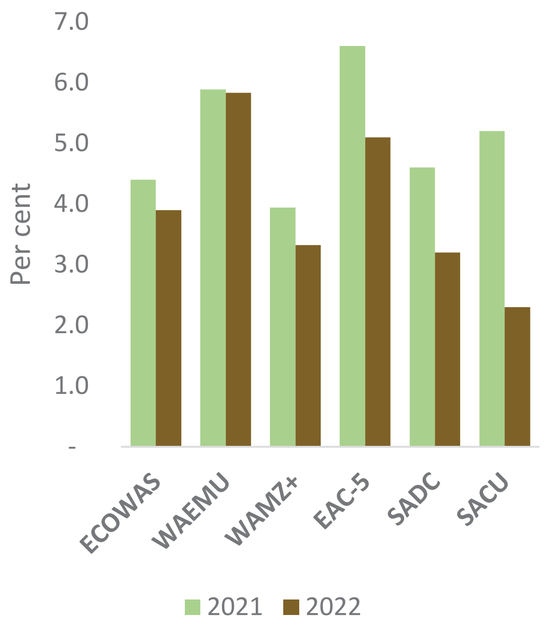


Source: IMF's World Economic Outlook database

Likewise, Sub-Saharan Africa's (SSA) growth was tepid, with economic activity growing by 3.9 per cent in 2022, compared to 4.8 per cent in 2021. The slowdown in economic growth was reflective of the low growth in the various economic blocs in the continent, with the Economic Community of West African States (ECOWAS) growing by 3.9 per cent in 2022, down from 4.4 per cent in 2021. The Southern African Development Community (SADC) grew by 3.2 per cent, compared to 4.6 per cent in 2021, while the Southern African Customs Union (SACU) also grew by 2.3 per cent, compared to 5.2 per cent in 2021.

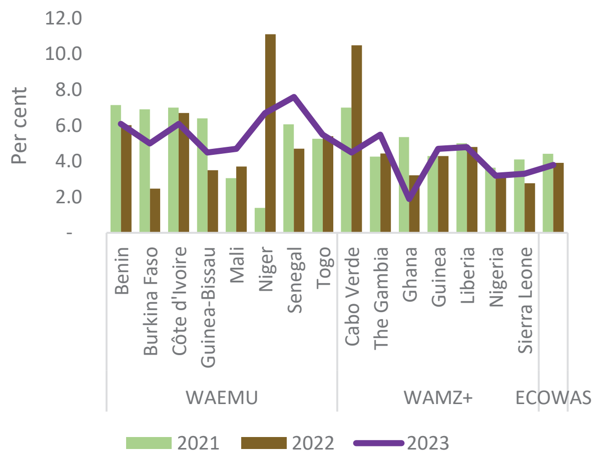
Economic activity in the West African Economic and Monetary Union (WAEMU) grew by 5.8 per cent in 2022, compared to 5.9 per cent in 2021, while the West African Monetary Zone (WAMZ) plus Cabo Verde (WAMZ+) recorded a growth of 3.3 per cent in 2022, compared to 3.9 per cent in 2021 (Figure 2).

Figure 2: SSA and Sub-regional Growth



Source: EBID staff calculations based on IMF's World Economic Outlook

Figure 3: ECOWAS Growth



Source: West African Development Outlook database

Tepid growth, but recession averted

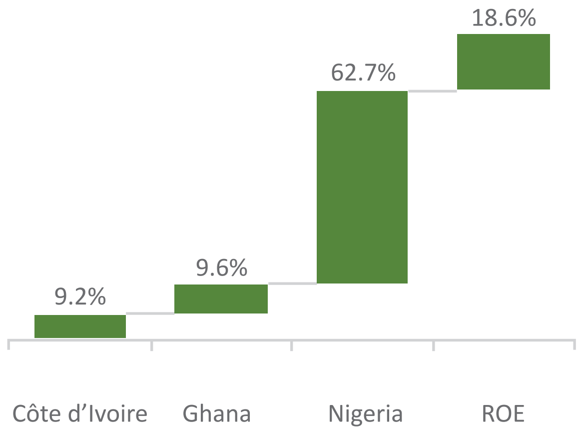
The lower growth in ECOWAS was in line with the general economic performance of Member States, most of which recorded lower growth in 2022, relative to 2021. Growth was uneven among the fifteen (15) Member States, with Niger recording the highest growth of 11.1 per cent in 2022, compared to 1.4 per cent in 2021, and Burkina Faso recording the lowest growth of 2.5 per cent, down from 6.9 per cent in 2021 (Figure 3).

The remarkable growth in Niger's economic activity was spurred by a bumper agricultural harvest, which was made possible by a favourable rainfall season and a resurgent services sector, amongst others. For Burkina Faso, the low growth was occasioned by a decline in exports, particularly mining exports, due primarily to the closure of some mines over security concerns.

On a more positive note, no ECOWAS Member State recorded a negative growth in 2022, in spite of the very turbulent socio-economic environment. Liberia continued on a path of positive growth, which began in 2021, after two consecutive years of economic downturn. Five countries (Mali, Niger, Togo, Cabo Verde and The Gambia) recorded superior growth in 2022, compared to 2021, with Guinea maintaining its 2021 growth in 2022. Furthermore, Nigeria, which accounts for approximately 62.7 per cent of the sub-region's nominal GDP (Figure 4), recorded back-to-back growth in 2022, after its economy plunged into negative territory in 2020.

Nigeria increased its share of the sub-regional GDP to 62.7 per cent in 2022 (from 60.6% in 2021) at the expense of Côte d'Ivoire, Ghana and the Rest of ECOWAS (ROE), with Ghana being the biggest loser (from 10.9% in 2021 to 9.6% in 2022). Ghana's loss is attributable mainly to a weak growth in economic activity and a weak domestic currency, which fuelled an inflation spiral.

Figure 4: Distribution of ECOWAS GDP



Source: West African Development Outlook database

Extraordinary price events

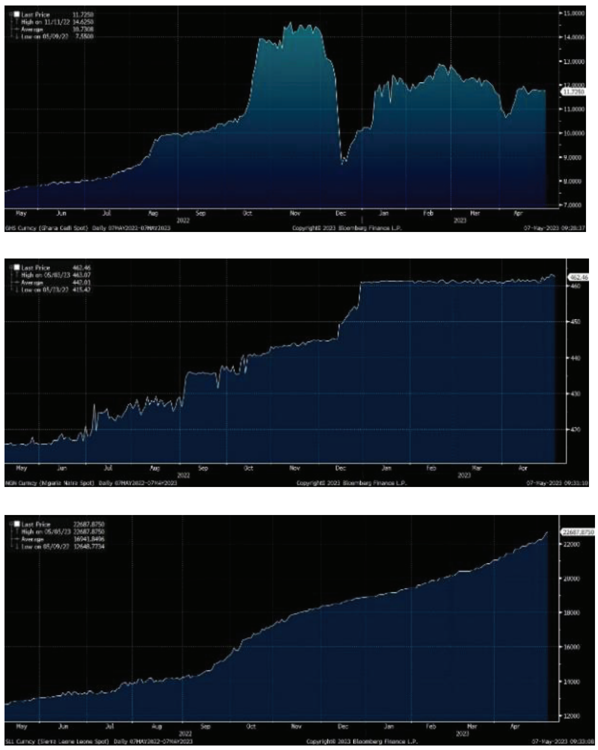
The war and its attendant supply chain disruptions stymied the economic recovery efforts that commenced in 2021, after COVID-19 wreaked economic hardships on many. Given Russia and Ukraine's stake in the global food and energy supplies architecture, the export restrictions, occasioned by Russia's obstruction of Ukrainian exports and the West's sanctions on Russia, triggered a food and energy price crisis, which sparked food security concerns, increased production costs and increased the cost of living for many, particularly in the Global South.

Global end-of-period inflation reached 8.9 per cent in December 2022, with average inflation increasing to 8.7 per cent, compared to 4.7 per cent in 2021. This was consistent with the inflation spiral amongst the various economic groupings: Advanced Economies (7.4%, compared to 3.1% in 2021), Euro Area (8.4%, compared to 2.6% in 2021), Emerging Market and Developing Economies (9.8%, compared to 5.9% in 2021) and SSA (14.5%, compared to 11.0% in 2021).

For West Africa, in addition to the supply-side factors that drove inflation, most countries, particularly in the WAMZ, experienced currency depreciation, which led to a deterioration in the general price levels. The Ghana Cedi depreciated by approximately 30.0 per cent between December 2021 and December 2022, while the Nigerian Naira depreciated by 7.8 per cent and the Sierra Leonean Leone depreciated by 40.6 per cent over the same period.

At end-April 2023, Ghana's currency had further depreciated by 27.2 per cent, with the Leone depreciating by 14.7 per cent, while the Naira had depreciated by less than one per cent. For Ghana and Nigeria, the rate of depreciation appears to have stabilised in the first four months of 2023, while the Leone has continued to lose value (Figure 5).

Figure 5: Exchange Rate Movements in Ghana, Nigeria and Sierra Leone

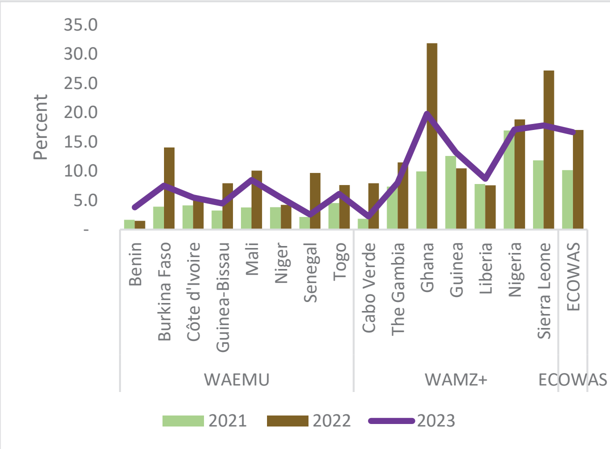


Source: Bloomberg

In effect, 2022 was an extraordinary year in terms of inflation for all countries in the sub-region. The WAEMU, which typifies price stability in the sub-region, did not escape from this global trend, as inflation spiralled to an average of 7.1 per cent (up from 3.5% in 2021), above the WAEMU threshold of 3 per cent. The WAMZ+ recorded an average inflation of 20.1 per cent, up from 15.6 per cent in 2021.

Ghana recorded the highest average inflation of 31.9 per cent, with end-year inflation at 54.1 per cent. Benin recorded the lowest average inflation of 1.5 per cent (from 1.7% in 2021), making it the only other country apart from Liberia to record a lower average inflation rate in 2022 (Figure 6).

Figure 6: ECOWAS Average Inflation



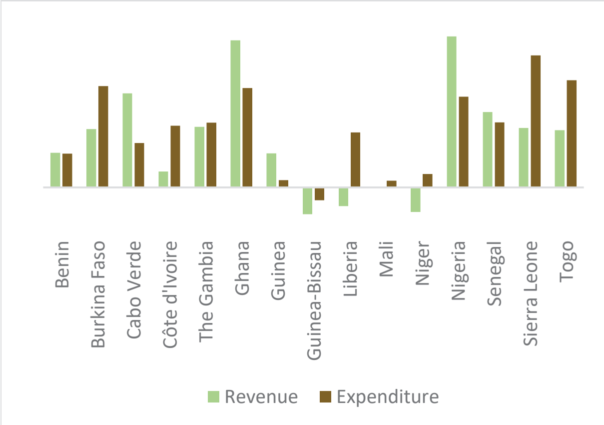
Source: West African Development Outlook database

A slight improvement in the fiscal balance

The sub-region experienced a slight improvement in the fiscal balance-to-GDP ratio of -6.1 per cent in 2022, compared to -6.4 per cent in 2021. The WAEMU, however, experienced a deterioration in the ratio, registering a fiscal balance-to-GDP of -6.7 per cent, compared to -5.5 per cent in 2021, while the WAMZ+ achieved -5.9 per cent, compared to -6.7 per cent in 2021.

The sub-regional trend masks large differences across countries. Fiscal balance performance was mixed in 2022, with many Member States recording moderate improvements over 2021, while others experienced a worsening of the variable, as they worked towards mitigating the impact of the rising costs of fuel and energy. Seven out of the 15 Member States experienced higher growth rates in expenditure than in revenue, while another seven recorded the reverse. Guinea-Bissau recorded both revenue and expenditure declines, with revenue contracting much faster than expenditure (Figure 7).

Figure 7: Growth in Revenue and Expenditure in 2022



Source: IMF's World Economic Outlook database

Box 1: Monetary Policy Rate Hikes – Mixed Impacts

The persistent inflationary pressures of 2022 were problematic for all governments. Just coming out of a very difficult phase of the COVID-19 pandemic in 2020 and 2021, the thrust of public policy was to continue with the efforts towards economic recovery by consolidating the gains made in 2021. However, the food and energy price crisis presented a monetary policy quagmire: to pursue a growth accommodating monetary policy at the expense of a galloping inflation or to rein in inflation, with the inadvertent effect of subduing economic growth. For many monetary authorities, the latter was preferred.

As has been already explained, the key factors that triggered inflation in the sub-region between 2020 and 2022 were:

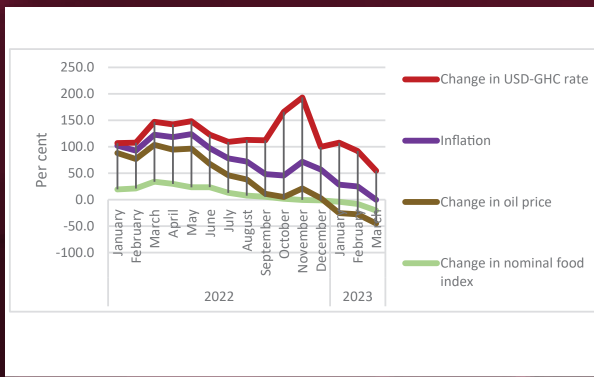
- Supply chains disruptions due to the COVID-19 containment measures and the Russia-Ukraine war;
- Hikes in freight charges; and
- Exchange rate appreciation due to a strengthening dollar.

While the latter is the only one that could be said to be monetary in nature, it is instructive to note that the phenomenon was an external, rather than an internal, shock. There was an intrinsic strengthening of the US dollar due to the Fed's interest rate hikes. In effect, the depreciation of local currencies did not result from unbridled demand for the dollar for which reason excess liquidity had to be mopped up, unless there was genuine reason to do so. Secondly, the argument has been made of core inflation (i.e. inflation exclusive of food and energy inflation) rising, the reason for monetary tightening. The reality is that apart from the effects of the general price increases, there was also the pass-through effect of the exchange rate on non-food and non-energy prices.

In effect, in addition to the supply-side factors, the local currency depreciation played a pivotal role in the price escalation that was witnessed in 2022, including the stubborn rise in core inflation. While the monetary authorities had to intervene somewhat to control the menacing trend of inflation, in some jurisdictions, the interventions were rather aggressive and were made at the expense of real sector growth.

Inflation trends in high inflation countries in 2022 (e.g. Ghana, Sierra Leone and Nigeria) confirm the commodity prices-inflation-exchange rate nexus (Figure 1.1). In effect, the interest rate hikes, though useful, also served to crowd out the private sector and constrain the growth in economic activity.

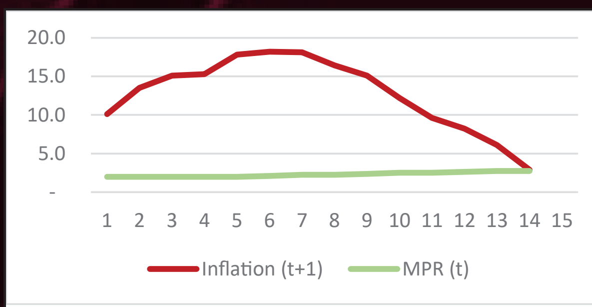
Figure 1.1: Rate Change in Key Variables



Source: EBID staff calculations based on FAO, Bloomberg and country data

That said, the inflation rates of some Member States seem to have responded positively to the policy rate hikes, particularly in the WAEMU. Burkina Faso, which had the highest inflation rate in the WAEMU, experienced a decline in inflation when the policy rate was adjusted upwards (Figure 1.2). While this is true, it is worth noting that the decline in inflation also occurred at the time crude oil and food prices had started to decline markedly.

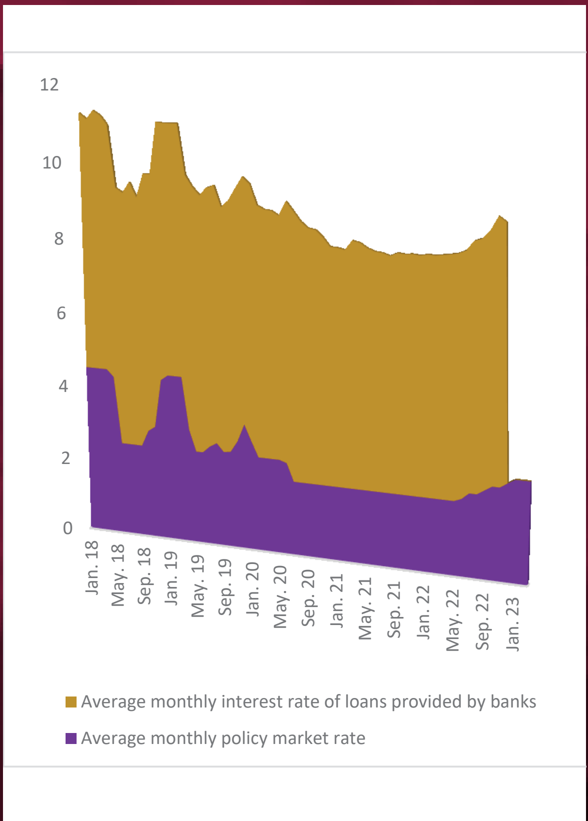
Figure 1.2: Inflation and Monetary Policy Adjustments



Source: EBID staff calculations based on FAO, Bloomberg

In the WAEMU, for example, the monetary policy rate was at 2.0 per cent until June 2022 when it was increased marginally to 2.08 per cent. The rate was increased consistently until it reached 2.75 per cent in January 2023 (Figure 1.3).

Figure 1.3: BCEAO's Average Monthly Policy Rate and Average Monthly Interest Rate of Banks in WAEMU

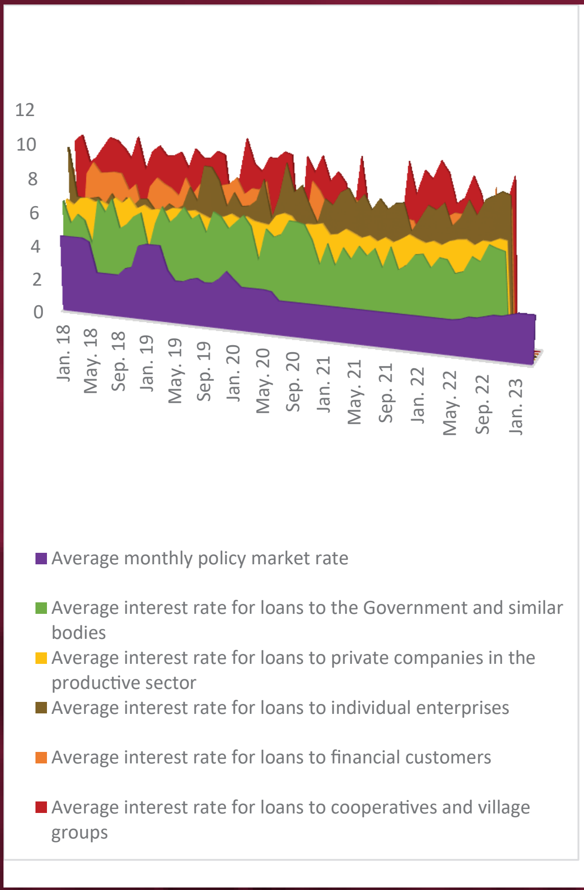


Source: EBID staff based on BCEAO data

Policy rate hikes have a real impact on households and businesses. Over the past five years, for example, cooperatives and village groups have paid the highest price for rate hikes, with an average credit cost of 8.7 per cent, followed by sole proprietors, which have borne an average credit cost of 7.4 per cent. Financial sector clients have paid an average credit of 7 per cent. The government and its agencies bore an average credit cost of 5.6 per cent over the period.

Given the incidence of rate hikes, which is disproportionately skewed against cooperatives and village groups, it is important to ensure that this option is exercised with circumspect, in order to protect the poor and vulnerable in society.

Figure 1.4: Cost of Credit in WAEMU



Source: EBID staff based on BCEAO data

In 2023, Benin is the only WAEMU Member States which is projected to experience an increase in inflation, with all others experiencing a decline. In effect, 2023 should see less monetary tightening than 2022 did. Hopefully, this will lead to lower interest costs in the Zone.

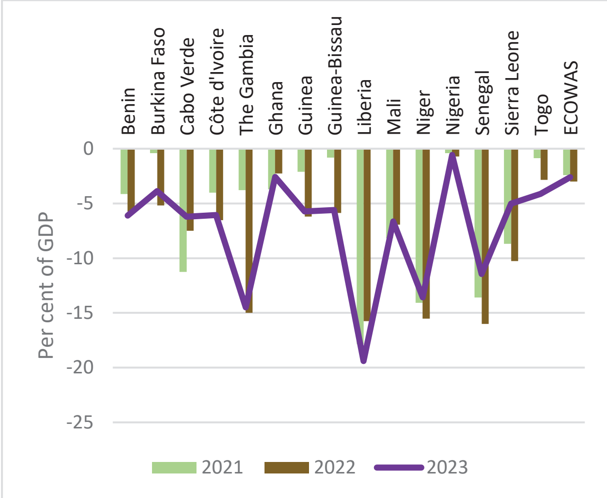
Sierra Leone recorded the widest fiscal deficit of 10.9 per cent of GDP, up from 7.3 per cent in 2021, with Guinea registering the lowest fiscal deficit of 0.7 per cent of GDP in 2022. The inflationary pressures witnessed in 2022 had both revenue and expenditure effects. For commodity exporters, the high inflation led to windfall revenues, while they (together with all others) experienced higher expenditure outcomes than was anticipated when they were preparing their 2022 budgets in the last quarter of 2021.

A deteriorating current account balance

The current account balance in most ECOWAS Member States deteriorated in 2022, as the cost of imports, particularly of food and energy, ratcheted. Eleven out of the 15 Member States experienced a worsening of the current account balance in nominal terms and as a percentage of GDP, with Burkina Faso experiencing a twelve-fold increase in nominal terms, relative to 2021. As a percentage of GDP, The Gambia's current account deteriorated from -3.8 per cent to -15.0 per cent in 2022, the widest in the sub-region. Overall, ECOWAS's current account balance deteriorated to -3.0 per cent in 2022, from -2.4 per cent in 2021 (Figure 8).

The rate at which the current account balance is deteriorating is a cause of concern regarding currency stability for the WAMZ. It also raises questions about the real value of the CFA and the Cabo Verdean Escudo, relative to the Euro. This is due to the substantial resources that would be required to defend the peg, as well as the implications for competitiveness of goods and services from the WAEMU and Cabo Verde.

Figure 8: Current Account Balance



Source: West African Development Outlook database

Debt distress

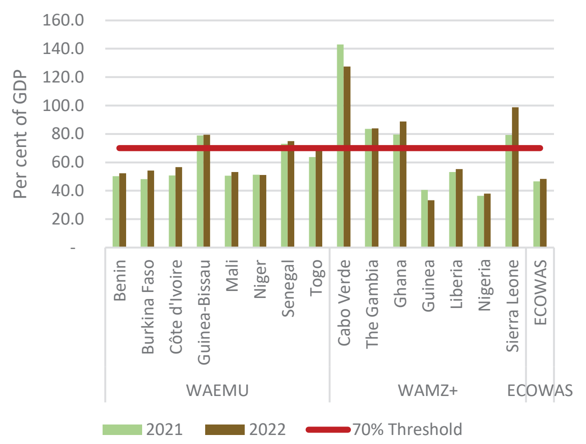
West African countries borrowed extensively to finance gaping fiscal deficits in 2020-2021 in order to keep pace with the socio-economic challenges that had been unleashed by the pandemic. This was because revenues floundered, as a result of the impact of COVID-19 containment measures, while expenditures increased in many countries. The war in Ukraine presented another justification for increased borrowing, given the need to mitigate the impact of the food and energy price escalation on the citizenry.

Countries that experienced significant depreciation of the local currency (e.g. Ghana and Sierra Leone), saw a sharp increase in their external debt without necessarily accumulating new external debt. Furthermore, the countries that had an appreciable growth in economic activity (for example, Niger) experienced a decline in their debt-to-GDP ratio, even though their total debt inched up slightly.

The gross public debt levels within the WAEMU continued to trend upwards in 2022, increasing to 58.7 per cent of GDP, from 54.8 per cent in 2021, with Togo, for example, reaching 68 per cent debt-to-GDP ratio. Côte d'Ivoire's debt-to-GDP ratio increased to 56.8 per cent (from 50.9 Per cent in 2021), in spite of a healthy 6.7 per cent growth in economic activity. This indicates that there was quite a marked increase in new debt accumulation.

Two (2) countries in the WAEMU and four (4) in the WAMZ+ had exceeded the ECOWAS debt-to-GDP threshold of 70 per cent at the end of 2022. These were Guinea-Bissau, Senegal, Cabo Verde, The Gambia, Ghana and Sierra Leone (Figure 9, Annex 2).

Figure 9: Public Debt in ECOWAS



Source: West African Development Outlook database

Poverty on the increase

The escalating debt situation notwithstanding, poverty has remained endemic. This is partly because the socio-economic shocks of the times have led to a worsening of the unemployment situation in the sub-region, with most countries experiencing an increase in the rate of unemployment in 2020, 2021 and 2022. Average unemployment across the sub-region stood at 4.32 per cent at the end of 2022. Niger (0.5%) had the lowest unemployment rate of persons that are 15 years and above, with Cabo Verde (13.6%) having the highest rate of unemployment in 2022. The International Labour Organisation (ILO) forecasts that the situation will worsen in 2023, as countries work towards navigating the rather harsh socio-economic challenges. Average unemployment across the sub-region is projected to increase marginally to 4.42 per cent in 2023. Niger is projected to maintain its position as the country with the least unemployment rate, with a projected rate of 0.7 per cent, while Cabo Verde retains the highest unemployment rate of 13.9 per cent (Figure 10).

Figure 10: Unemployment Rate in ECOWAS (15+ years)

Source: ILO Modelled Estimates (Accessed 16 April 2023)

Box 2: The Journey to Debt Distress

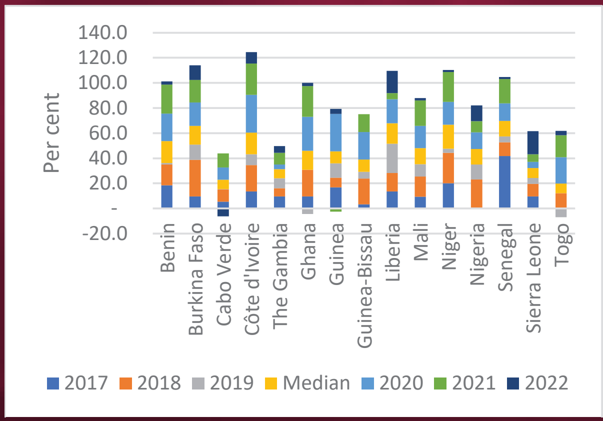
The macroeconomic fundamentals of ECOWAS Member States have been greatly affected by the COVID-19 pandemic and the war in Ukraine. For one, high inflation (which increased the cost of public service) and low growth (which increased the potential revenue gap) helped to trigger an increase in the rate of debt accumulation.

While many countries in the sub-region were already on a path to debt distress, borrowing massively in pre-COVID-19 years, what is not in doubt is the fact that the rate of increase in debt accumulation between 2020 and 2022 surpasses the three years prior. The growth in debt accumulation for all the countries averaged 11.5 per cent between 2017 and 2019, reaching 13.7 per cent in 2020 and 2022. While the rate of debt accumulation in the sub-region grew by an astonishing 20.3 per cent in 2018, it declined to 7.3 per cent in 2019 before picking up again to 17.9 per cent in 2020, 14.8 per cent in 2021 and 8.4 per cent in 2022.

For Member States, a clear consistent trend with the sub-regional data emerges, with most countries increasing their borrowing rate post-2019 than in 2019 or the two years prior, with notable exceptions being Senegal (2017), Nigeria (2018), Liberia (2019) and Burkina Faso (2018), which recorded the highest growth rate in debt accumulation between 2017 and 2019 (Figure 2.1). Côte d'Ivoire, Guinea and Ghana increased their borrowing by 27 per cent or more in 2020, with almost all others increasing their borrowing by double-digit.

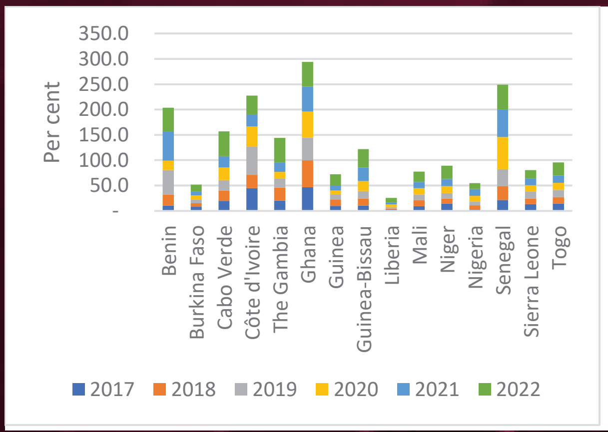
The spate of debt accumulation has resulted in an increase in debt service costs over the years, with many countries dedicating a significant portion of their revenues to meet such obligations. In 2022, nine countries spent 25 per cent or more of their revenue on debt service alone, with about five of them spending close to half of their revenues on debt service (Figure 2.2). This is obviously not sustainable, posing a potential fiscal crisis and default risks, which is inimical to long-term economic management.

Figure 2.1: Growth rate in Debt Accumulation in ECOWAS



Source: EBID staff calculations based on WEO

Figure 2.2: Debt Service-Revenue Ratio



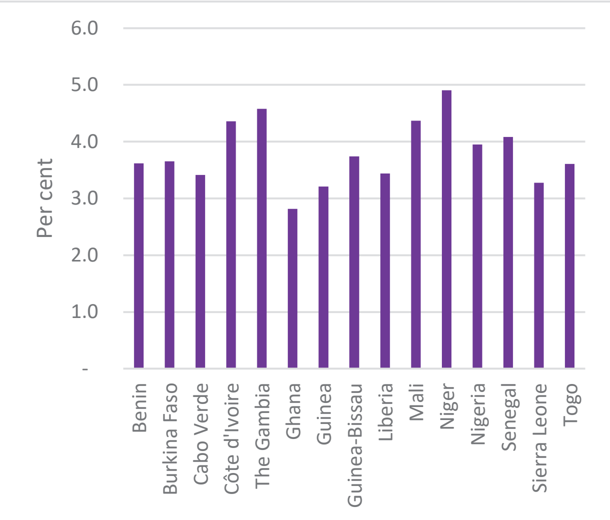
Source: EBID staff calculations based on World Bank's International Debt Statistics and IMF's World Economic Outlook

Countries must work towards moving their primary balance from negative territory by cutting down on expenditure and narrowing the fiscal gap to ensure that they wouldn't have to spend a greater part of their revenues servicing debts. It is important to explore ways of restructuring existing debt, either by way of refinancing or seeking longer term debt in the medium-term to buy them time to put themselves in order. On the latter, the choppy nature of the markets currently makes it quite unlikely that they would be able to access cheaper financing. This strategy must be approached with a lot of caution.

The high cost of living and the attendant decline in real incomes also led to an increase in the size of the working poor across the West African sub-region. Data from ILO indicate that the size of the working poor increased by 3.9 per cent (or 5.4 million persons) to 142.3 million persons in 2022. Niger (4.9%) recorded the highest increase, with Ghana (2.8%) recording the lowest increase in the size of the working poor (Figure 11).

The projected low sub-regional GDP growth for 2023 and the still elevated price levels are expected to lead to a further deterioration in the size of the working poor and overall poverty.

Figure 11: Growth in the Working Poor in ECOWAS, 2022

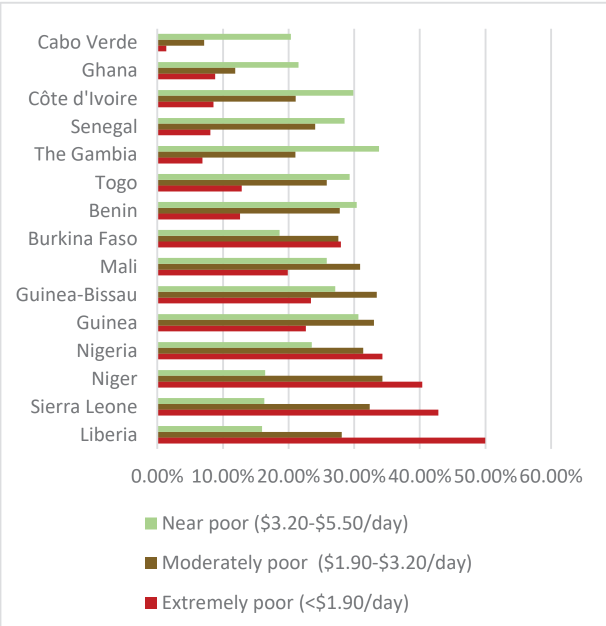


Source: EBID staff calculations based on ILO Modelled Estimates (Accessed 16 April 2023)

The rise in Niger's overall working poor size was on account of an increase in the number of the extremely poor, moderately poor and near poor levels by 3.4 per cent, 5.5 per cent and 6.6 per cent, respectively. Nine out of the 15 countries experienced a deterioration in their extreme poverty levels, with six experiencing slight to moderate improvements in same. Furthermore, all countries, except three (Cabo Verde, Ghana and Côte d'Ivoire), experienced a deterioration in the moderately poor category among workers. Finally, all 15 countries experienced a deterioration in the number of the near poor category, with Côte d'Ivoire (7.1%) recording the highest deterioration and Ghana recording the least (4.1%).

Almost half the working population of Liberia (49.97%) is classified as extremely poor, living below US$1.90 per day, while Cabo Verde has the least share of extremely poor working population (1.36%). Niger (34.3%) has the highest share of moderately poor workers in the total working population, with Cabo Verde (7.1%) again recording the least. Finally, The Gambia (33.8%) has the highest share of the near poor in total working population, with Liberia recording the least (15.9%), as shown in Figure 12.

Figure 12: Disaggregation of the Working Poor

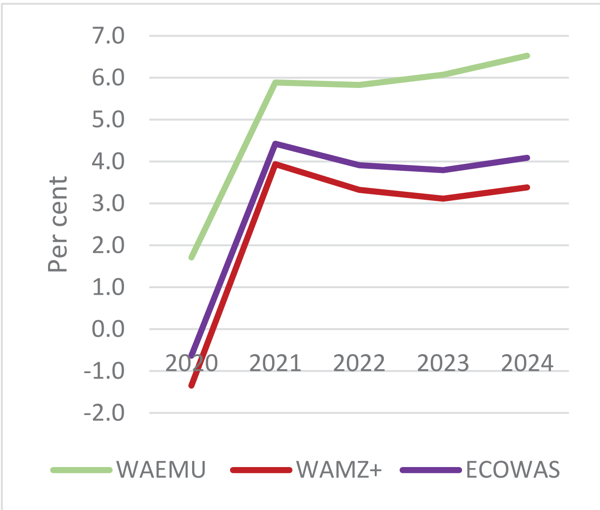


Source: ILO Modelled Estimates (Accessed 16 April 2023)

Flagging, uneven growth

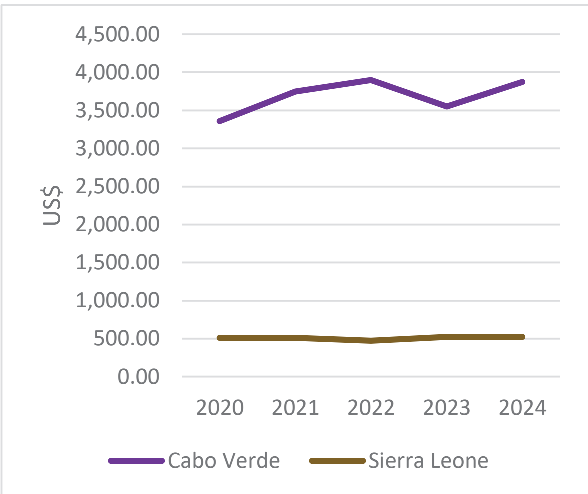
Economic activity in ECOWAS is projected to grow by 3.8 per cent in 2023, down from 3.9 per cent in 2022, with the WAEMU and WAMZ+ growing by 6.1 per cent and 3.1 per cent, respectively. ECOWAS GDP growth is projected to reach 4.1 per cent in 2024, with that of the WAEMU and WAMZ+ growing by 6.5 per cent and 3.4 per cent, respectively (Figure 13). The growth path of the ECOWAS sub-groups portends a divergence between the two. Furthermore, the income gap is projected to widen between Cabo Verde, the country with the highest per capita GDP, and Sierra Leone, the country with the lowest per capita GDP (Figure 14). There is the need to work towards growth convergence and address the income inequalities within and across countries.

Figure 13: A Divergent Growth Trajectory in ECOWAS



Source: West African Development Outlook database

Figure 14: Widening Income Gap

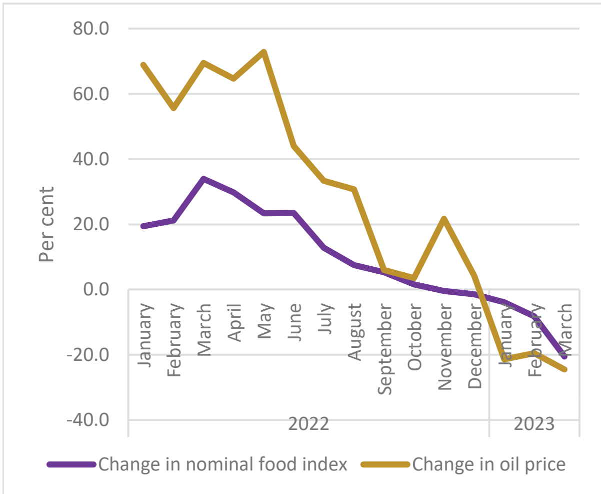


Source: West African Development Outlook database

Inflation on the decline, but still a risk for the fight against poverty

For many Member States, inflation peaked during the second half of 2022, with the rate tapering thereafter into the first quarter of 2023. That notwithstanding, inflation remains elevated, even though there are prospects for further disinflation. The decline in inflation was bolstered by a decline in food and energy prices as well as exchange rate gains against the major currencies. Data from FAO indicate that both nominal and real food price indices have declined markedly since the peak of March 2022, with the easing of supply-side restrictions overtime. Evidently, crude oil price has also trended downward since it peaked in May 2022, buttressing the decline in inflation in many countries in ECOWAS (Figure 15).

Figure 15: Changes in Food Index and Oil Price (year-on-year)

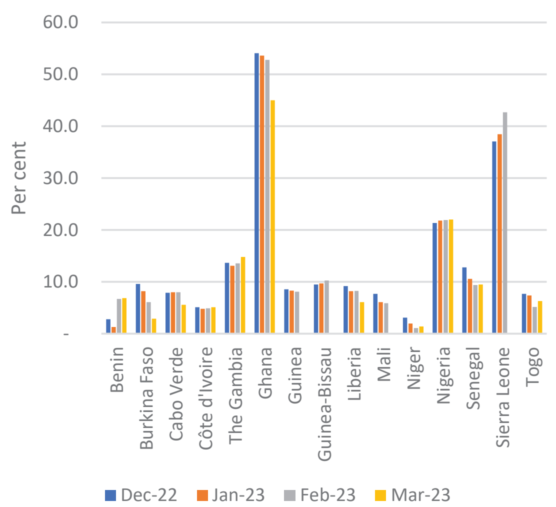


Source: Calculated based on FAO and Bloomberg data (accessed on April 15, 2023)

The nominal food price index declined by 3.2 per cent, 8.2 per cent and 20.5 per cent year-on-year in January, February and March 2023, respectively. Crude oil price also declined by 21.4 per cent, 19.5 per cent and 24.5 per cent year-on-year in January, February and March 2023, respectively. These factors helped to drive a general decline in inflation in the first quarter of 2023, with Ghana, for example, recording an end-of-period inflation of 45 per cent in March 2023, down from the peak of 54.1 per cent in December 2022. That said, a few countries like Benin, Nigeria and Sierra Leone buck the trend, with March 2023 inflation being higher than that of December 2022 (Figure 16).

In 2023, average inflation is projected to ease to 16.7 per cent in the ECOWAS Region, with that of the WAEMU at 5.4 per cent and WAMZ+ at 20.0 per cent (Annex 1).

Figure 16: Inflation in the First Quarter of 2023



Source: Country data

A semblance of fiscal consolidation

The debt overhang, funding squeeze and high debt service costs make a strong case for fiscal consolidation in 2023. Almost all Member States are projected to register a lower fiscal deficit than what obtained in 2021, as the fiscal space narrows across the sub-region.

The overall ECOWAS fiscal balance is projected to narrow to -5.4 per cent of GDP in 2023 and further to -5.3 per cent in 2024. The WAEMU, which registered a wider deficit in 2022 than in 2021, is projected to record an improved fiscal balance of -5.3 to GDP in 2023, improving further to -4.4 per cent of GDP in 2024. The WAMZ+, on the other hand, is projected to improve its fiscal balance-to GDP to -5.4 per cent in 2023 but is projected to record a slight deterioration of -5.6 per cent in 2024 (Annex 2).

Member States' projected fiscal balance reflect the narrowing of the revenue gap across the board, which is necessary to slow down the pace of debt accumulation, given the high cost debt environment 2023 and 2024 threaten to be.

Current account balance on the rebound

The current account balance is projected to improve for most countries in 2023, and continue on that trajectory in 2024, under the assumption that the war would have abated by then. In 2023, ECOWAS's current account balance is projected to reach -2.6 per cent of GDP, improving to -1.9 per cent of GDP in 2024, as declining inflation leads to lower import costs. The WAEMU is projected to end 2023 with a current account balance of -7.3 per cent of GDP, ending 2024 at -5.3 per cent of GDP. Similarly, the WAMZ+'s current account balance is projected to improve to -1.2 per cent in 2023 and improve marginally to -0.9 per cent in 2024 (Annex 3).

Raging debt levels

Public debt is projected to increase in 2023, given the persistence (though narrower) of fiscal deficits across the sub-region. That said, most of the new debt are expected to be sourced from domestic sources, given that the International Capital Market rates are prohibitive to many. This raises questions about crowding out effects and currency stability, given the continuous hard currency supply challenges.

The debt-to-GDP ratio is projected to increase to 50 per cent in 2023, compared to 48.4 per cent in 2022, before declining to 48.9 per cent in 2024. For the WAEMU, the debt-to-GDP ratio is projected at 61.7 per cent in 2023, up from 58.7 per cent in 2021. This is expected to decline marginally to 60.1 per cent in 2024. The WAMZ+'s debt-to-GDP ratio is projected at 46.1 per cent in 2023, declining marginally to 45.2 per cent in 2024 (Annex 2).

Barring any debt restructuring, most countries will experience an uptick in the debt-to-GDP ratio in 2023, unless there is a deliberate policy to pay down existing debt, which could have implications for fiscal deficit. If nothing is done to address the debt problem, more countries will breach the 70 per cent debt-to-GDP threshold in the next 3-5 years.

Financial sector turmoil, a funding squeeze and developmental priorities

The global financial sector has been battered by a high inflation regime, policy rate hikes, debt elevation and the general funding squeeze that has emanated mainly from these events. The collapse and/or forceful takeovers of three (3) financial institutions in the United States – Silicon Valley Bank, Signature Bank and First Republic Bank – and Credit Suisse of Switzerland sent shockwaves to the financial sector in those countries, even though it has not yet had a contagion effect on the global financial architecture.

These events have led to increased risk aversion, leading to a contraction in financial resources for lending. The contraction of financial resources for development has hit developing economies even harder, given the erosion of socio-economic gains, which started in 2020. Most banks in the sub-region are worse off today than they were a couple of years ago because of the confluence of shocks, with interest rate spreads tightening.

At the same time, banks in Member States that experienced wide sovereign interest rate spreads had the unpleasant experience of a funding squeeze, as government bonds became more attractive. The long-term impacts of this phenomenon will hit both the public and private sectors at the same time. While both sectors face higher borrowing costs, there are obvious threats to medium-to-long-term growth in economic activity, as the funding squeeze will lead to a suppression of growth-enhancing activities, triggering a lengthy period of macroeconomic imbalances.

DOWNSIDE RISKS

The growth in economic activity is forecast to rebound in most ECOWAS countries over the next two (2) years, while Inflation is expected to decelerate, leading to improved conditions compared to 2022. That notwithstanding, there are obvious headwinds, which if they materialise, could derail the projects.

Oil production cuts

Crude oil prices played a momentous role in initiating the inflation spiral in 2022, just as it did in bringing it down. On 2 April 2023, the Organisation of the Petroleum Exporting Countries plus others (OPEC+) announced their intention to cut crude oil output by 1.16 million barrels per day, in addition to a pre-existing production cut of 2 million barrels per day. This triggered an almost US$5 increase in crude oil price on 4 April 2023 to US$80.42 per barrel, with the price remaining in the US$80 range before declining back into the US$70 range. This is one risk factor to the projected downward trend in inflation and its impact on the growth in economic activity in 2023. If crude oil prices remain elevated, chances are that inflation will remain doggedly high in the sub-region and the growth targets will not be achieved. This will have further adverse impact on poverty targets in the short-to-medium-term.

A protracted war

The war in Ukraine continues to pose risks for macroeconomic stability. Depending on what the next phase of the war will be, there could be negative implications for food security, inflation and economic growth, given the stake of the two warring countries in global trade. An end to the war will have an upside potential on global output. The longer the war persists, the more the risk of an adverse impact will linger.

Food price increases

If, for one reason or the other, food supplies fall short of expectation, it will trigger another bout of persistent inflation in 2023. Apart from favourable weather patterns, there is the need to unclog food supply chains to ensure that what befell the world in the first half of 2022 does not recur. The major threat here is the possibility of Russia abandoning the UN-backed Black Sea Grain Initiative, which makes it possible for Ukrainian grains to be exported from Russia-controlled Ukrainian ports via the Black Sea. Jettisoning this agreement will send food prices back up, unleashing a fiscal policy nightmare onto countries that have already struggled massively under these three years of exceptional trepidation and increasing poverty.

Furthermore, fertilisers and chemicals must be readily available to guarantee year-round farming to replenish depleted stocks over the past three years.

Monetary policy rate hikes

With high prices still prevalent, there is the possibility that central banks will continue to consider policy hikes as a means to curb inflation. However, this option, as witnessed in 2022, increased the cost of business. Policy rate hikes in the United States, in particular, fuelled capital flight and local currency depreciation, leading to a funding squeeze, from which ECOWAS is yet to recover. If the United States continues on this path, it will exacerbate the funding squeeze, depriving businesses of needed funds for expansion. It will also have an adverse impact on domestic currency stability. As UNCTAD (2022) observes, the currencies of about 90 developing countries weakened in 2022, on account of interest rate hikes by advanced economies.

Currency depreciation

As has been amply demonstrated, exchange rate stability is crucial for several macroeconomic variables in the sub-region. A stable exchange rate will guarantee a steady inflation, reduce debt service obligations and reduce the risk of expenditure overruns. This will ensure that fiscal authorities are better able to maintain the path to fiscal consolidation and debt sustainability. Anything short of that could lead to fiscal slippages and a greater risk of debt unsustainability.

Given that six Member States have eclipsed the debt-to-GDP ratio, it is important to keep all variables in check, particularly the exchange rate, given that in some countries, a one percent depreciation in the local currency leads to a one per cent increase in the debt-to-GDP ratio.

Insecurity

The sub-region continues to grapple with insecurity, particularly in the Sahel region, with spill over risks for coastal West Africa. This has affected agricultural activity, with implications for medium-to-long-term food security. The security issues have led to internal population displacements, depriving many of their livelihood. Given that these insurgencies start from the rural areas, with occasional strikes in major towns and cities, farmers, who are the poorest in the sub-region are pushed further below the extreme poverty line.

Apart from the risk to economic growth and inflation targets, there is a greater risk of aggravating poverty in the sub-region if this menace is not contained. For example, as a major producer of tomatoes, Burkina Faso's insecurity challenges have led to an increase in the price of the commodity.

The displacement of population, both within the country and across borders, poses a threat to security. It could provide an opportunity for unscrupulous individuals to blend in with law-abiding citizens and potentially instigate trouble in other areas.

The movement of Sahelian populations down south could trigger human rights violations by host countries, increased urban poverty and insecurity in the host communities of countries.

POLICY OPTIONS

Moving towards local currency-backed trade

The hawkish monetary policy stance of the United States Federal Reserve in 2022, in a bid to fight inflation, has inadvertently led to an increase in the cost of funds and a funding squeeze across the globe. Reeling under this pressure are developing countries, who trade predominantly in the US dollar, even when they are not trading with the US. The interest rate hikes, amid the supply-side constraints, led to a shortage of the green back in many developing countries, sparking a bout of local currency depreciation particularly in the WAMZ.

Finding an alternative currency to the dollar for non-US trade has been on the lips of many policy makers for years. However, 2022 and 2023 seem to have moved the world closer to this reality. That said, the dollar will remain the global reserve currency for many years to come, even though the BRICS (Brazil, Russia, India, China and South Africa) have announced their intention of taking practical steps to use a common currency (whether existing or new) to trade amongst themselves and other countries are exploring the possibility.

It is important for ECOWAS countries to work towards using local currencies in intra-regional and intra-Africa trade by taking advantage of the Pan-African Payment and Settlement System (PAPSS) platform, as envisaged under the African Continental Free Trade Area (AfCFTA) framework. This will help bring more stability to local currencies, given that it will lead to a reduction in the demand for the dollar, giving them a better handle on inflation.

Rethinking intra-regional trade

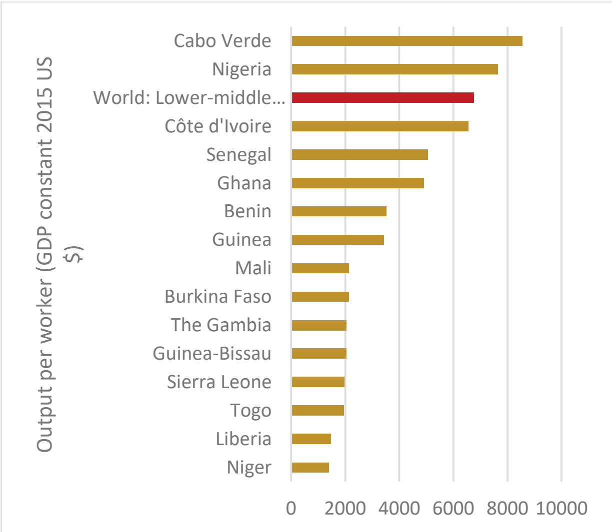
The sub-region is dependent on raw commodity exports. There are real opportunities for increased intra-regional trade, given the new industries that have sprung up and the scope for additional ones in the future. Ghana and Nigeria have become vehicle assembly hubs for some of the biggest names in the industry: Volkswagen, Nissan, Toyota-Suzuki, Sinotruck, Kia, Peugeot, in addition to local automotive companies. Through AfCFTA and PAPSS, these vehicles could be purchased in the buyer's local currency, bringing relief to the local currency.

Furthermore, the crude oil refining as well as the fertiliser industries in Nigeria are areas the sub-region can capitalise on to improve on intra-regional trade, cut the cost of trade and reduce the pressures on local currencies. The sub-region has a unique opportunity to intensify food security and intra-regional trade efforts through these huge industries in Nigeria, a situation that could lead to the co-movement of shocks and provide enough justification for the single currency programme.

Improving labour productivity

Countries in the ECOWAS region have some of the lowest labour productivity in the world. Thirteen out of the fifteen countries in the sub-region have a lower labour productivity than the average of all lower-middle income countries, which is about US$6,761 (Figure 17).

Figure 17: Labour productivity in ECOWAS (in 2015 constant GDP terms)



Source: ILO modelled estimates, Nov. 2022

There is the need for the sub-region to work towards improving the productivity of labour by addressing issues regarding the quality and efficiency of labour. Regarding the quality of labour, the educational system will have to be structured to emphasise innovation and practical technical solution skills that meet the needs of industry. Concerning efficiency, it is important for both the educational system and the field of work to equip students or workers with the necessary tools (tangible and intangible) to optimise efficiency.

Increasing electricity coverage

One factor that can impact labour productivity positively is electricity provision. West Africa has struggled to provide electricity access to its population, despite efforts towards improving on generation, transmission and distribution capacities over the years. The IEA (2022) notes that apart from Ghana and Côte d'Ivoire, electricity access rate is below 75 per cent of the population in all of ECOWAS. Furthermore, while estimates of 2021 electricity coverage, relative to 2015, show that quite an appreciable progress has been made in some countries, it also notes that the rapidly growing population in the sub-region could lead to a worsening of the electricity supply deficit, if countries do not invest in the electricity sector.

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COUNTRY BRIEFS

BENIN

Macroeconomic Performance

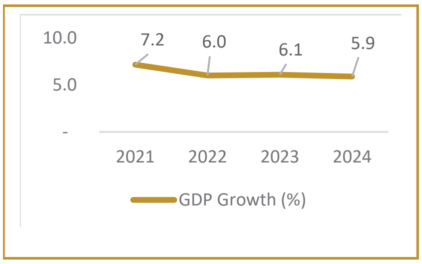
Benin's economic activity grew by 6.0 per cent in 2022, compared to 7.2 per cent a year earlier. This growth was supported by the growth in agriculture production, especially cotton, and the services sector. Inflation in 2022 was significantly lower than the global and sub-regional average. The average inflation rate fell slightly to 1.5 per cent in 2022 from 1.7 per cent in 2021, made possible by temporary fiscal interventions and a successful agricultural season, including good food crop harvests. The fiscal deficit as a percentage of GDP fell slightly but remained above the 3 per cent threshold. Fiscal deficit increased to 5.6 per cent of GDP in 2022 from 5.7 per cent of GDP in 2021. Despite an increase in debt from 50.3 per cent of GDP in 2021 to 52.4 per cent in 2022, the country is not debt distressed. The current account deficit deteriorated further to 5.7 per cent of GDP in 2022 from 4.2 per cent of GDP in 2021.

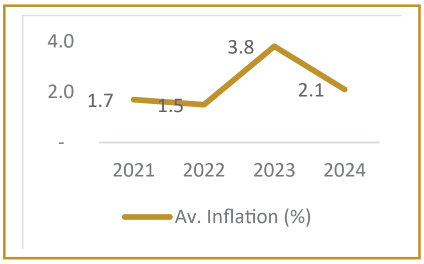
Outlook

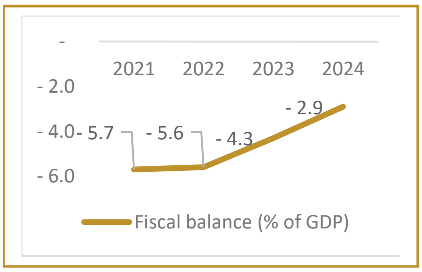
Economic growth rate is expected to rise slightly to 6.1 per cent in 2023 before falling to 5.9 per cent in 2024. Having successfully contained inflation over the past two years, Benin is projected to record an inflation of 3.8 per cent in 2023, falling to 2.1 per cent in 2024. The fiscal deficit is expected to decline in 2023 and 2024 to 4.3 per cent and 2.9 per cent of GDP, respectively. Gross debt is projected to reach 52.8 per cent of GDP in 2023 before declining slightly to 51.6 per cent of GDP in 2024. The current account deficit is expected to worsen further in 2023 to 6.1 per cent of GDP before declining to 5.2 per cent of GDP in 2024.

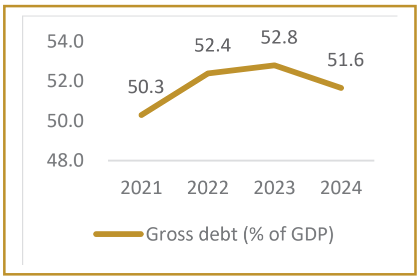
Probable Headwinds

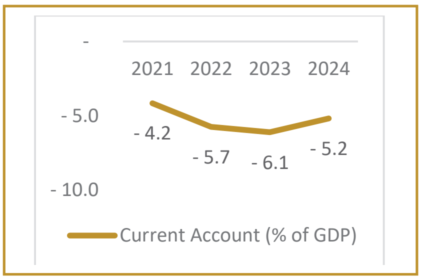
Benin, like other countries in the sub-region, continues to face the negative impact of global inflationary trends that were initially fuelled by COVID-19 and then by the energy crisis induced by the Russia-Ukraine war. Unless the global inflationary expectations abate, the country will face higher financing costs both domestically and in regional financial markets. In addition, the terrorist attacks that occurred in the north of the country in 2022 constitutes a real security risk, the persistence of which could have a negative impact on the economic activity, particularly agriculture.











BURKINA FASO

Macroeconomic Performance

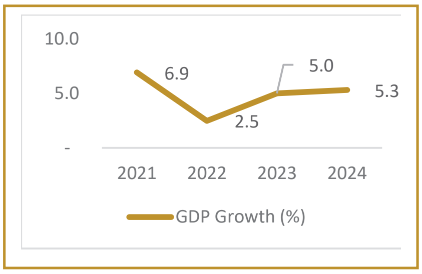
Burkina Faso's economic activity grew by 2.5 per cent in 2022, compared to 6.9 per cent in 2021. The low growth is partly explained by the effects of the back-to-back overthrow of government in eight months and the subsequent closure of borders with neighbouring countries, which has had a negative impact on the country's trade, Furthermore, the Russia-Ukraine conflict triggered inflation, with the country's a decade-high of 14.1 per cent in 2022, compared to 3.9 per cent in 2021. The fiscal deficit reached 10.4 per cent of GDP in 2022, compared to 7.4 per cent of GDP in 2021. The gross debt increased but remained below the 70 per cent of GDP threshold, i.e., 54.3 per cent of GDP in 2022, compared to 48.2 per cent of GDP in 2021. The current account deficit deteriorated further to 5.2 per cent of GDP in 2022, from 0.4 per cent of GDP in 2021.

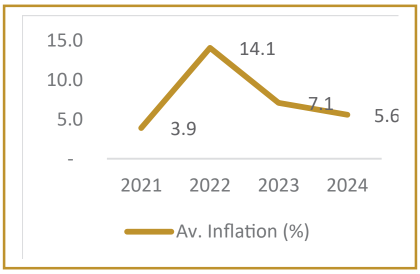
Outlook

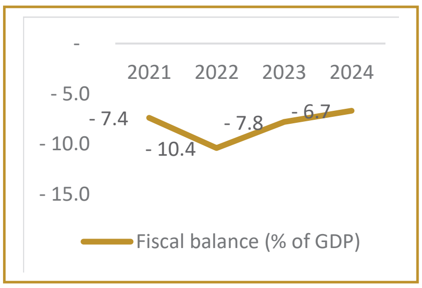
Burkina Faso's economy is projected to grow at 5 per cent in 2023 and 5.3 per cent in 2024. Inflation is projected to fall but remain above the 3 per cent threshold in the WAEMU. The inflation rate is expected to fall from 7.1 per cent in 2023 to 5.6 per cent in 2024. The fiscal deficit is expected to narrow from 7.8 per cent of GDP in 2023 to 6.7 per cent in 2024. In contrast, gross debt is expected to continue its upward trend from 58 per cent of GDP in 2023 to 60.2 per cent of GDP in 2024. The current account deficit will decline from 3.9 per cent of GDP in 2023 to 2.9 per cent of GDP in 2024.

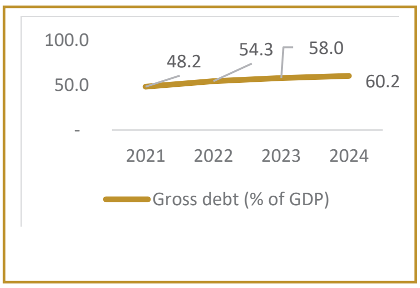
Probable Headwinds

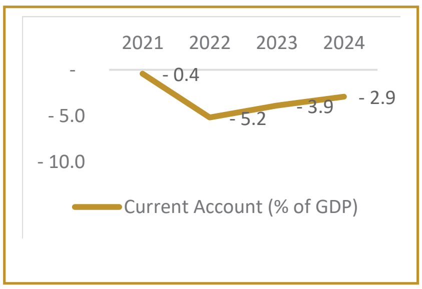
The growing insecurity, due to terrorist attacks in the north, is a distraction to the growth in economic activity. Burkina Faso, like other countries in the sub-region, continues to be confronted with the threat of inflation. A resurgence in inflation will adversely affect the growth in economic activity. The country will face increased financing costs both domestically and in regional financial markets. Additionally, a poor rainfall pattern could deal a severe blow to the agriculture sector, which remains predominantly rain-fed. These factors could lead to a credit rating downgrade, which will further increase the cost of financing.











CABO VERDE

Macroeconomic Performance

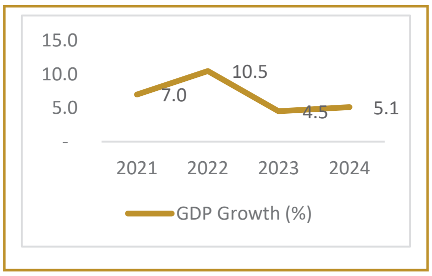
The Cabo Verdean economy grew by 10.5 per cent in 2022, up from a 7.0 per cent in 2021, as the tourism industry continued to recover from the COVID-19-induced shut-down. Average inflation in Cabo Verde jumped to 7.9 per cent in 2022, from 1.9 per cent in 2021. Fiscal balance improved to -4.5 per cent of GDP, from -7.3 per cent of GDP, while debt-to-GDP declined substantially to 127.4 per cent in 2022, compared with 142.9 per cent in 2021. Current account balance also improved markedly to -7.5 per cent of GDP, compared to -11.3 per cent of GDP in 2021.

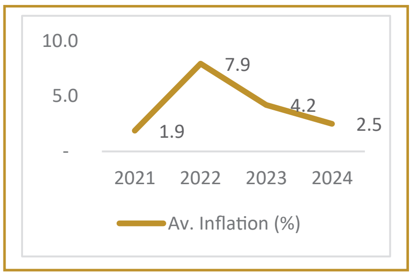
Outlook

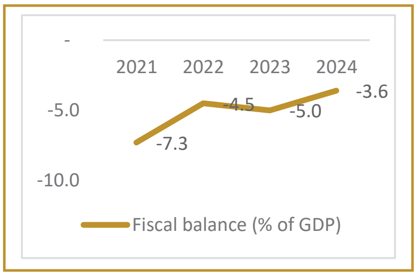
GDP growth in Cabo Verde is projected to slow to 4.5 per cent and 5.1 per cent in 2023 and 2024, respectively, as a result of the base effect of the 2022 growth. This growth projection is subject to the tourism sector maintaining its recovery from the ashes of the pandemic. Average inflation is projected to decline to 4.2 per cent and 2.5 per cent in 2023 and 2024, respectively, in line with the decline in inflationary expectations. Fiscal balance is projected to worsen to -5.0 per cent of GDP in 2023, improving to -3.6 per cent of GDP in 2024. In the same vein, public debt is projected to decline further to 120.2 per cent of GDP in 2023 and further to 117.9 per cent of GDP in 2024. The projected recovery of the tourism sector is expected to lead to an improvement in the current account balance, with the current account balance-to-GDP ratio improving to -6.2 per cent in 2023 and -4.8 per cent in 2024.

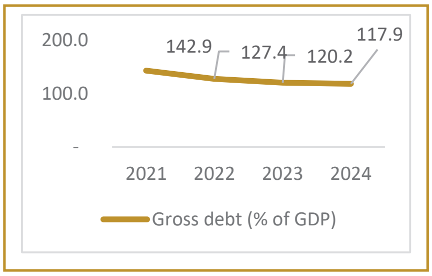
Probable Headwinds

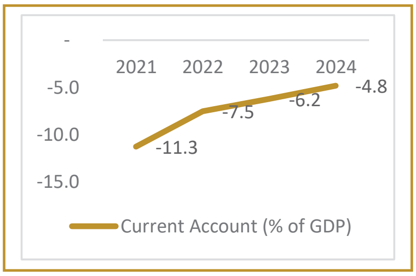
The biggest hurdle the Cabo Verdean economy faces could be a derailing of the tourism sector growth by factors that could lead to forced shutdowns or drive prices beyond reasonable levels. High prices will dampen value addition in the tourism sector. The country has experienced a drought over the past five years, which has worsened food inflation. The persistence of this trend will adversely affect agricultural output and increase fears of food insecurity.











CÔTE D'IVOIRE

Macroeconomic Performance

Despite a slight loss of growth of 0.3 percentage points compared to 2021, Côte d'Ivoire recorded a healthy growth rate of 6.7 per cent in 2022, making this the third highest in ECOWAS. This performance was driven by private consumption, public investment and wage increases in the civil service.

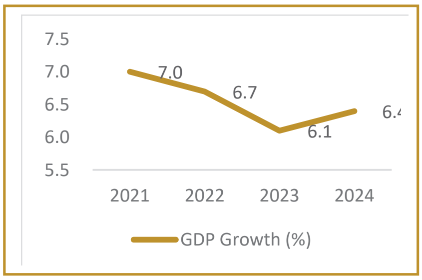
In 2022, inflation averaged 5.2 per cent, representing an increase from 4.2 per cent in 2021. This rise in inflation can be attributed to higher prices in essential sectors such as food, transport and energy. Fiscal deficit deteriorated to 6.7 per cent of GDP in 2022, from 4.8 per cent of GDP in 2021. Although gross debt increased from 50.9 per cent of GDP in 2021 to 56.8 per cent of GDP in 2022, debt is within sustainable limits. The current account deficit deteriorated further to 6.5 per cent of GDP in 2022 from 4 per cent of GDP in 2021.

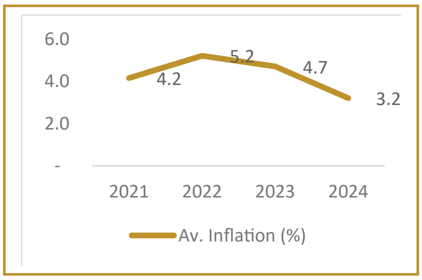
Outlook

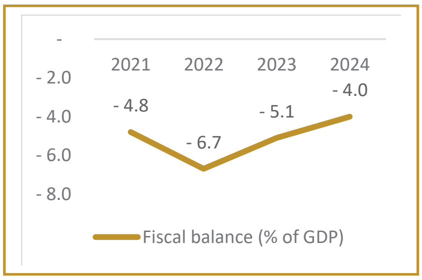
GDP growth is expected to decline slightly to 6.1 per cent in 2023 before rising slightly to 6.4 per cent in 2024. Economic growth over the next few years is expected to be driven by the construction, agribusiness, oil and gas extraction from the recent discoveries in 2021, other manufacturing and services (telecommunications and transport). Inflation is expected to fall to 4.7 per cent in 2023 and 3.2 per cent in 2024. The fiscal deficit is expected to decline gradually to 5.1 per cent of GDP in 2023 and 4 per cent of GDP in 2024. Debt is expected to continue to rise, reaching 63.3 per cent of GDP in 2023 and 60.6 per cent of GDP in 2024. The current account deficit is expected to gradually decline from 6.1 per cent of GDP in 2023 to 5.5 per cent of GDP in 2024.

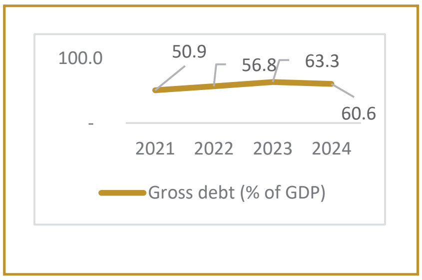
Probable Headwinds

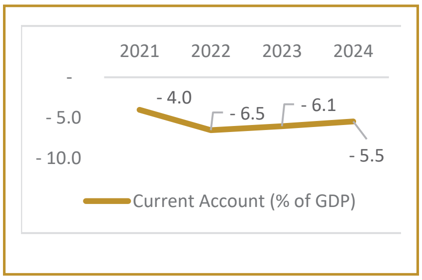
Inflation remains a risk in the sub-region and Côte d'Ivoire is no exception. Unless this global inflationary pressure subsides, the country will face higher financing costs both domestically and in regional financial markets. A tightening of global financial conditions would increase the country's borrowing costs and debt vulnerability. In addition, a steady rise in domestic inflation could foster food insecurity and exacerbate poverty levels. Any deterioration in the political situation in the Sahel could negatively affect demand for Ivorian exports and intensify security pressures on public spending. Electoral violence should be kept under control during the October 2023 municipal and regional elections to pre-empt a reversal of recent political and economic gains.











THE GAMBIA

Macroeconomic Performance

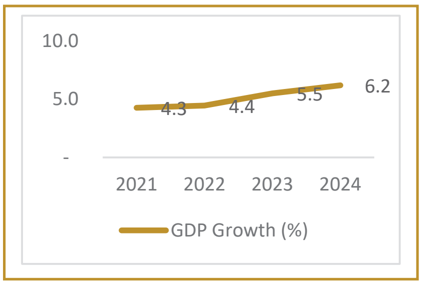
The Gambia's economy grew by 4.4 per cent, up from 4.3 per cent in 2021. The growth in economic activity was spurred by increased agriculture activity, on the back of an improved rainfall pattern, as well as increased government capital and recurrent expenditures. Average inflation inched up to 11.5 per cent, from 7.4 per cent in 2021, on account of increased upward pressures on food and non-food prices. The current account balance deteriorated sharply to -15.0 per cent of GDP, from -3.8 per cent of GDP in 2021. Fiscal balance improved markedly to -4.8 per cent of GDP, from -4.6 per cent of GDP in 2021. The debt-to-GDP ratio increased slightly to 84.0 per cent in 2022, compared to 83.5 per cent in 2021.

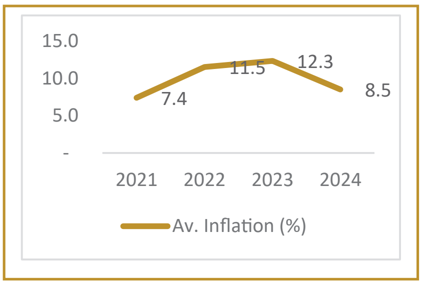
Outlook

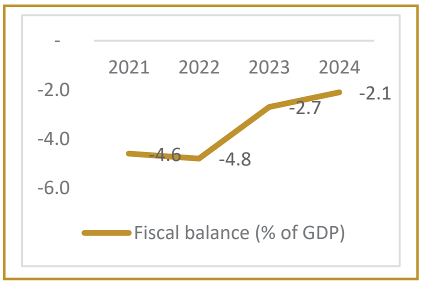
Economic activity is projected to grow by 5.5 per cent in 2023, rising to 6.2 per cent in 2024. Average inflation is projected to increase to 12.3 per cent in 2023 before declining to 8.5 per cent in 2024. Fiscal deficit is projected to improve to 2.7 per cent of GDP in 2023 and further to 2.1 per cent of GDP in 2024, with current account balance improving marginally to -14.5 per cent in 2023 and further to -11.2 per cent in 2024. Public debt is projected to decline to 73 per cent of GDP in 2023 and further to 68.6 per cent in 2024.

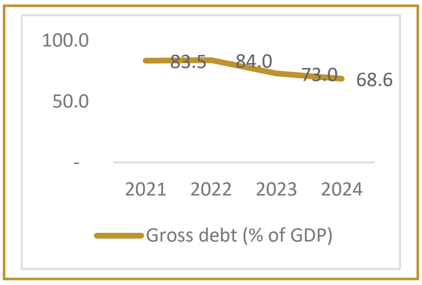
Probable Headwinds

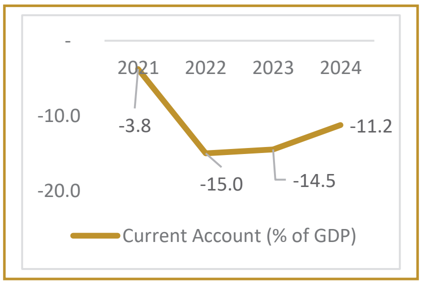
An unfavourable rainfall pattern will lead to a poor performance in the agriculture sector. Furthermore, given the price sensitivity of the tourism and reexports sectors, a resurgence in inflation will adversely affect output in those sectors. Given the huge size of household consumption, high prices will dampen economic growth.











GHANA

Macroeconomic Performance

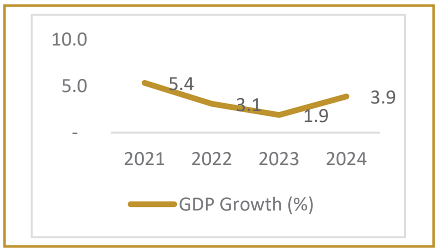
Ghana's economy grew by 3.1 per cent, down from 5.4 per cent in 2021. The growth of 3.1 per cent was spurred by the services sector, which grew by 5.5 per cent, even though it was lower than the growth in 2021. The industry sector recovered from consecutive declines to a 0.9 per cent growth, buoyed by a 32.3 per cent growth in gold production. Inflation averaged 31.9 per cent, up from 10.0 per cent in 2021, as the cedi depreciated, and food and energy prices escalated. Fiscal balance improved to -9.9 per cent of GDP, while debt-to-GDP widened to 88.8 per cent, with the current account balance improving to -2.3 per cent of GDP.

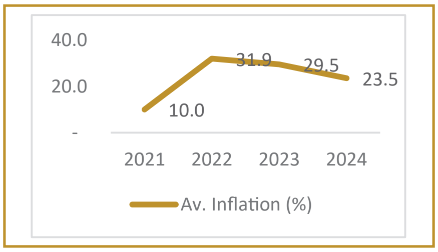
Outlook

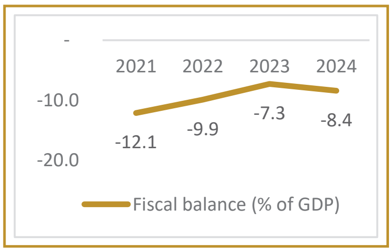
GDP growth is projected to decline further to 1.9 per cent in 2023, before increasing to 3.9 per cent in 2024. The decline in GDP growth rate is attributable to a projected decline in the financial services subsector, owing to the debt restructuring, an increase in the cost of production in key industries, owing to the introduction of new taxes, and the contractionary fiscal policy stance, among others. Average inflation is projected to decelerate to 29.5 per cent and 23.5 per cent in 2023 and 2024, respectively. Fiscal balance is projected to improve to -7.3 per cent of GDP, on account of new revenue enhancing measures and expenditure cuts. However, the presidential and parliamentary elections in 2024 and the payment of interest on external debt are expected to drive fiscal balance up to -8.4 per cent of GDP. Ghana's debt position is projected to reach 98.7 per cent of GDP in 2023 and decline to 92.8 per cent in 2024. The current account balance is projected to improve to -2.6 per cent of GDP and -1.7 per cent of GDP in 2023 and 2024, respectively.

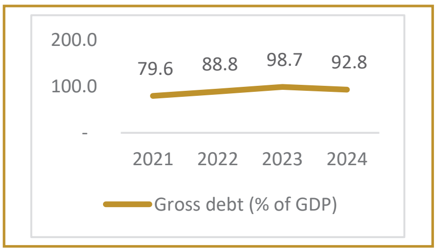
Probable Headwinds

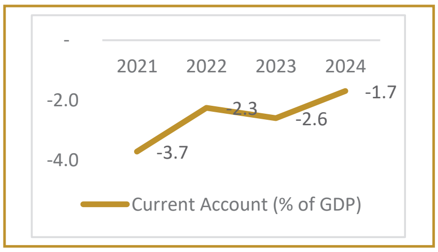
Having secured the IMF Board approval for the Extended Credit Facility programme, with an initial disbursement of just over US$600 million, Ghana is set to reduce its debt to within sustainable limits, through the restructuring of the external debt and fiscal consolidation. That said, headwinds related with currency stability, fiscal slippages and labour unrests continue to loom large. The payment of matured coupons and principals for debts outside of the Domestic Debt Exchange programme will have adverse implications for fiscal balance, while the country's ability to settle foreign currency related debt service costs will be put to the test.











GUINEA

Macroeconomic Performance

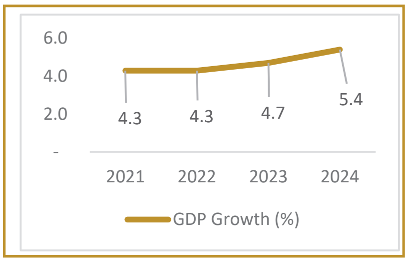
Guinea recorded a growth of 4.3 per cent in 2022 same as in 2021. The economic performance in 2022 was driven by mining production, notably increased bauxite and gold production. Although inflation remains high in the country, the inflation rate fell to 8.3 per cent in 2022 from 10.5 per cent in 2021. This decline in the inflation rate was made possible by the 15 per cent appreciation of the Guinean franc against the dollar between February 2021 and August 2022 and government subsidies in the downstream petroleum sector. Fiscal policy reforms undertaken by the transitional government reduced the fiscal deficit to 0.7 per cent of GDP in 2022 from 1.7 per cent of GDP in 2021. Guinea is one of the few ECOWAS member states to achieve a reduction in the debt-to-GDP ratio in 2022. The debt-to-GDP ratio declined to 33.4 per cent in 2022 from 40.6 per cent in 2021. The current account deficit deteriorated further to 6.2 per cent in 2022 from 2.1 per cent in 2021.

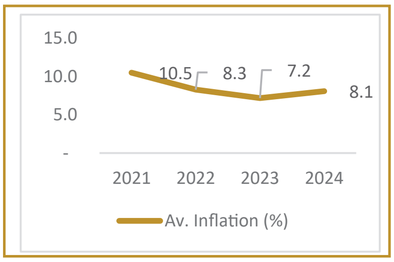
Outlook

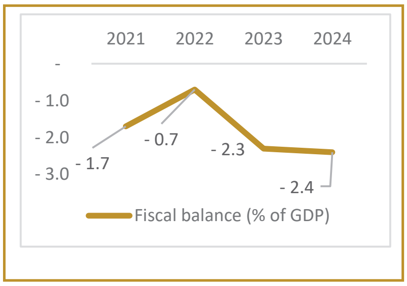
Guinea's economy is expected to continue its recovery from the COVID-19 shock and the disruption created by the September 2021 coup. Growth is expected to reach 4.7 per cent in 2023 and 5.4 per cent in 2024. This is expected to be driven by strong growth in the mining sector due to increased production, investment in new mines, and a strong Chinese demand for bauxite. Inflation is expected to fall slightly to 7.2 per cent in 2023 before rising to 8.1 per cent in 2024. The fiscal deficit is expected to deteriorate slightly to 2.3 per cent of GDP in 2023 and 2.4 per cent of GDP in 2024. The debt-to-GDP ratio is projected to continue to decline, reaching 30 per cent of GDP in 2023 and 30.1 per cent of GDP in 2024. The current account deficit is projected to decline slightly from 5.7 per cent of GDP in 2023 to 5.1 per cent of GDP in 2024.

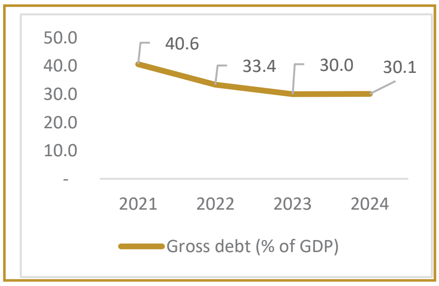
Probable Headwinds

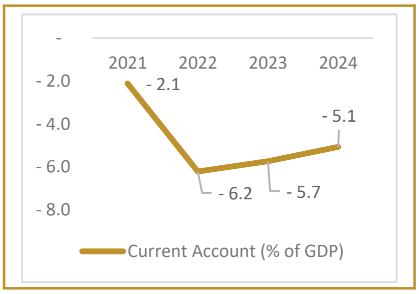
The persistence of the Russia-Ukraine war, and the possible occurrence of new shocks, could sustain inflationary pressure. This inflationary pressure, combined with the risk of a tightening of global financial conditions, could reduce demand for bauxite, which would reduce exports and the revenues that should flow from them. A return to constitutional order remains a key factor on which the economic performance of the coming years depends.











GUINEA-BISSAU

Macroeconomic Performance

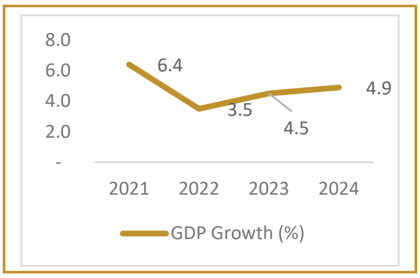
Guinea-Bissau's economy grew by 3.5 per cent in 2022, from 6.4 per cent in 2021. This was partly caused by a reduction in cashew exports. However, a strong overall agriculture growth and increased private sector investment helped spur the growth in economic activity. The country recorded an inflation rate of 7.9 per cent in 2022, compared to 3.3 per cent in 2021. This inflation was mainly caused by the war in Ukraine, which triggered rising energy and food prices. Fiscal deficit fell slightly to 5.5 per cent of GDP in 2022 from 5.6 per cent in 2021. This was against the backdrop of higher-than-expected revenue mobilisation and wage overruns. Debt deteriorated to 79.5 per cent of GDP in 2022, from 78.9 per cent of GDP in 2021. The country, thus, faces both a high risk of global and external debt distress. The current account deficit deteriorated further to 5.9 per cent of GDP from 0.8 per cent of GDP in 2021.

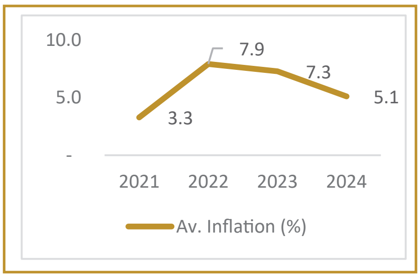
Outlook

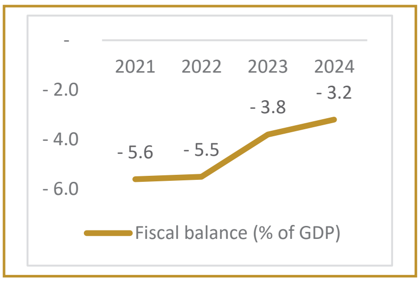
Economic growth is expected to reach 4.5 per cent in 2023 and 4.9 per cent in 2024. This is expected to be driven by increased cashew exports and private sector investment. Inflation is expected to fall slightly from 7.3 per cent in 2023 to 5.1 per cent in 2024. Fiscal deficit is expected to continue its downward trend, reaching 3.8 per cent of GDP in 2023 and 3.2 per cent of GDP in 2024. The debt-to-GDP ratio is also expected to decline from 76.5 per cent in 2023 to 74.7 per cent in 2024. The current account deficit is projected to decline to 5.6 per cent of GDP in 2023 and 5.3 per cent of GDP in 2024.

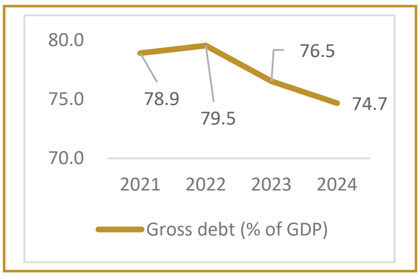
Probable Headwinds

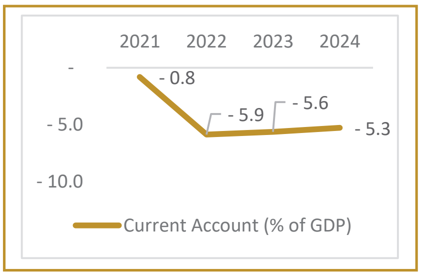
Guinea-Bissau is known to have a pronounced exposure to the vagaries of the climate. This affects agriculture adversely and a less than favourable weather pattern will dampen GDP growth. The country continues to face the negative impact of global inflationary trends. Unless this global inflationary trend subsides, the country will face higher financing costs both domestically and in regional financial markets. The risk of debt distress in the context of the risk of rising interest rates is a challenge to be taken seriously. Internal political tensions are threats for which structural solutions must be found.











LIBERIA

Macroeconomic Performance

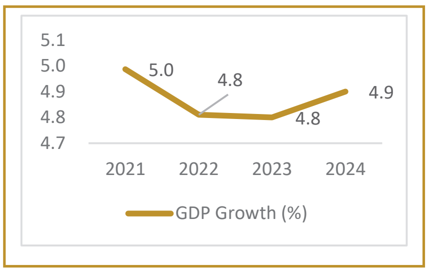
In 2022, Liberia experienced a 4.8 per cent expansion in economic activity, marking the second consecutive year of positive growth. This growth was primarily driven by the industry sector, particularly mining, and the agriculture sector. Liberia is one of two ECOWAS countries whose inflation in 2022 (7.6%) was lower than that of 2021 (7.8%). This was because the bumper harvest led to a decline in food prices, which counteracted the effects of non-food inflation on overall inflation. Fiscal balance worsened to -6.9 per cent of GDP, with the debt-to-GDP ratio increasing to 55.4 per cent of GDP in 2022. The current account balance, on the other hand, improved to -15.8 per cent of GDP.

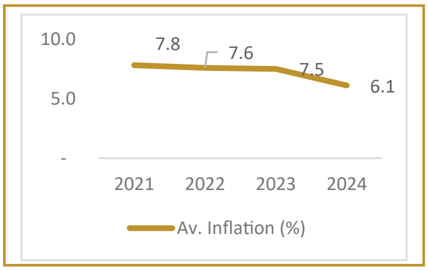
Outlook

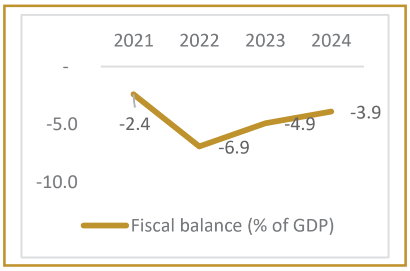
Liberia's economy is projected to grow by 4.8 per cent in 2023, driven by agriculture and mining growth, and further by 4.9 per cent in 2024. Average inflation is projected to decline marginally to 7.5 per cent in 2023 and further to 6.1 per cent in 2024. Fiscal balance is projected to narrow to -4.9 per cent of GDP and -3.9 per cent of GDP in 2023 and 2024, respectively, with debt-to-GDP increasing to 57.1 per cent of GDP in 2023 and declining to 56.1 per cent of GDP in 2024. The current account balance is projected to worsen to -19.4 per cent and further to -21.3 per cent in 2024.

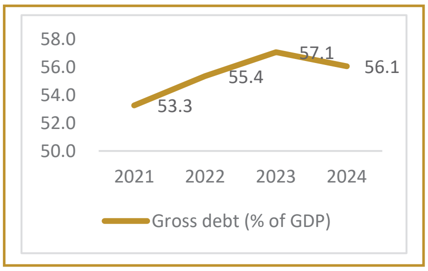
Probable Headwinds

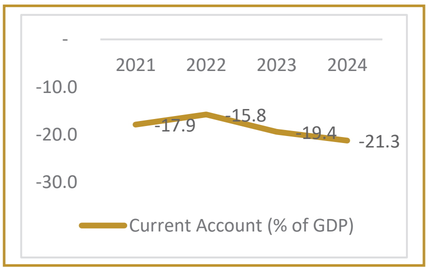
Commodity price declines could adversely affect Liberia's GDP growth on the export side. Furthermore, unfavourable weather patterns will drive prices up in Liberia, given that food prices (which helped keep inflation in check), will begin to climb up to drive up inflation. Again, the funding squeeze poses a problem for Liberia's ability to build critical infrastructure and expand key foreign exchange earners in the mining sector, for example.











MALI

Macroeconomic Performance

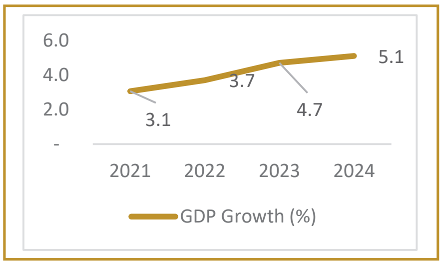
Mali's economy has been hampered by the economic sanctions imposed by ECOWAS. However, the economy grew by 3.7 per cent in 2022, up from 3.1 per cent in 2021. Th growth was supported by a healthy growth in agriculture (even though cotton production declined, as a result of parasite infestations) and services. Average inflation spiked to 10.1 per cent, up from 3.8 per cent in 2021, in line with global trends. Fiscal balance stabilised at -4.8 per cent of GDP, while debt increased to 53.2 per cent of GDP, from 50.7 per cent of GDP in 2021. The current account balance worsened to -6.9 per cent of GDP in 2022, up from -8.2 per cent of GDP in 2021.

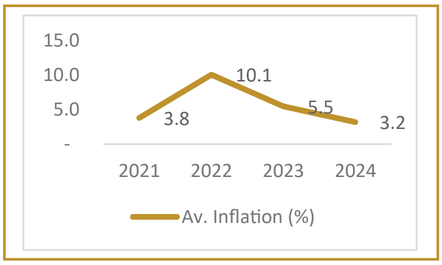
Outlook

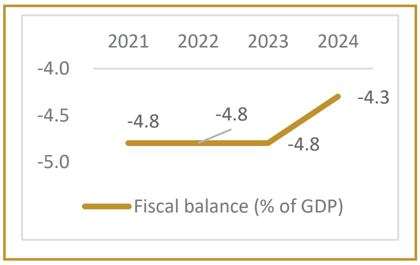
Mali's economy is expected to be driven by the agriculture and services sectors in the short-to-medium-term, with growth reaching 4.7 per cent in 2023 and further to 5.1 per cent in 2024. Average inflation is projected to ease to 5.5 per cent in 2023 and further 3.2 per cent in 2024. Fiscal balance is projected to remain at -4.8 per cent of GDP in 2023 and narrow to -4.3 per cent of GDP in 2024. Debt-to-GDP is projected to increase marginally to 54.1 per cent of GDP in 2023 and 54.9 per cent of GDP in 2024, while current account balance narrows to -6.6 per cent of GDP in 2023 and -5.8 per cent of GDP in 2024.

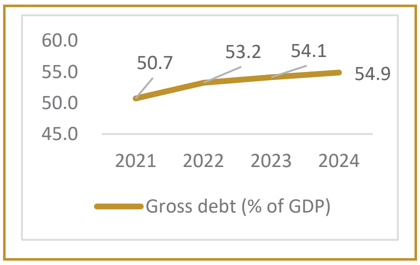
Probable Headwinds

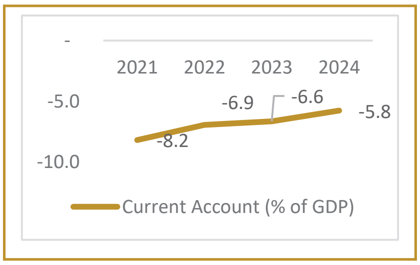
Insecurity remains Mali's biggest challenge, with the rebels controlling large swathes of land and making occasional incursions into areas they do not control. This remains a threat to food security and overall macroeconomic stability. The pests that attacked cotton seeds in 2022 still loom large. If not controlled, cotton production will be undermined further in 2023 and 2024. Inflation remains a threat to Mali's economy. A return to the levels of 2022 will push more people into poverty.











NIGER

Macroeconomic Performance

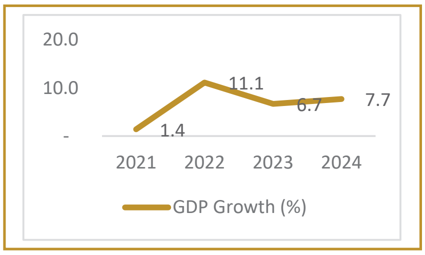
Niger's economy grew by 11.1 per cent in 2022, up from 1.4 per cent in 2021. This was on account of increased agriculture output and a healthy growth in the services sector. Average inflation inched up to 4.2 per cent (from 3.8% in 2021), one of the lowest in the sub-region, due to the increase in food and energy prices. Fiscal balance deteriorated to -6.9 per cent of GDP, from -5.9 per cent of GDP in 2021, with the debt-to-GDP ratio declining marginally to 51.1 per cent of GDP, from 51.3 per cent of GDP in 2021. The current account balance worsened to -15.5 per cent in 2022, from -14.1 per cent, as the value of imports increased as a result of the global inflation.

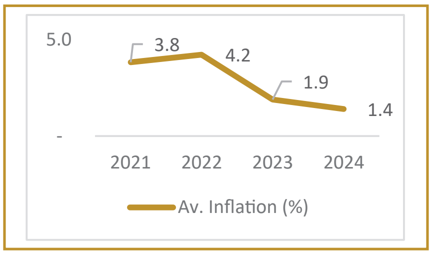
Outlook

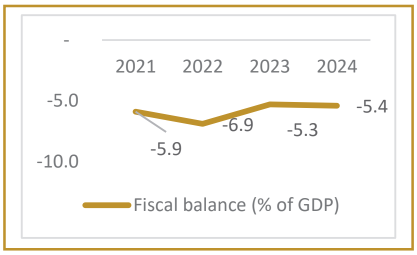
The Nigerien economy is projected to grow by 6.7 per cent in 2023 and 7.7 per cent in 2024. This growth will be supported by expected increased crude oil output from the Agadem oilfield, further buoyed by pipeline exports to Benin from late 2023 to early 2024. Average inflation is projected to ease to 1.9 per cent in 2023 and further to 1.4 per cent in 2024. The decline in inflation and expected oil-based revenue increases will facilitate an improvement in the fiscal balance to -5.3 per cent of GDP in 2023, before deteriorating to -5.4 per cent of GDP in 2024. The debt-to-GDP ratio is projected to increase to 52.5 per cent of GDP in 2023, before declining to 49.4 per cent of GDP in 2024, as a result of the base effect of GDP. The current account balance is projected to narrow to -13.6 per cent of GDP in 2023 and further to -8.9 per cent of GDP in 2024.

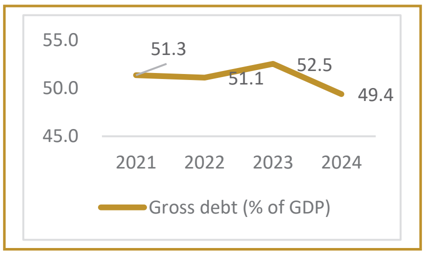
Probable Headwinds

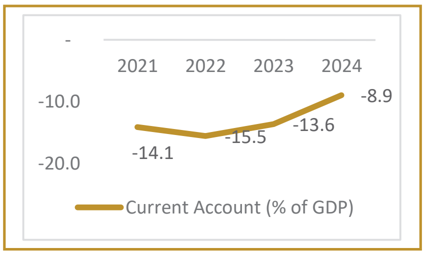
Insecurity is the key headwind that Niger faces in the short-to-medium-term. The situation threatens to adversely impact agricultural output. Furthermore, a less than favourable weather pattern could affect agricultural output and derail the gains made in 2022. A delay in the completion of the oil pipeline to Benin will impact crude oil production adversely, affecting GDP growth and resource rents.











NIGERIA

Macroeconomic Performance

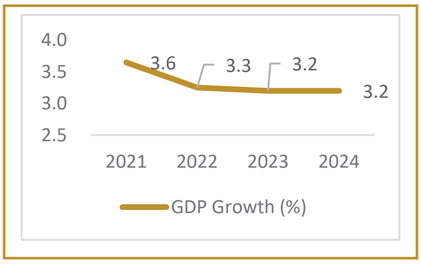
Nigeria's economy slowed to a growth of 3.3 per cent in 2022, down from 3.6 per cent in 2021, owing to a decline in the industry sector's value addition (due mainly to a 19.2% decline in upstream oil and gas production) and the slow growth in agriculture (1.9%). The services sector grew by 4.5 per cent to make up for the decline and slow growth in industry and agriculture, respectively. Average inflation in the year stood at 18.8 per cent, up from 17.0 per cent in 2021, in line with the global price elevation. Fiscal balance improved to -5.5 per cent of GDP, from -6.0 per cent of GDP in 2021, with public debt and current account balance worsening to 38.0 per cent of GDP and -0.7 per cent of GDP, respectively.

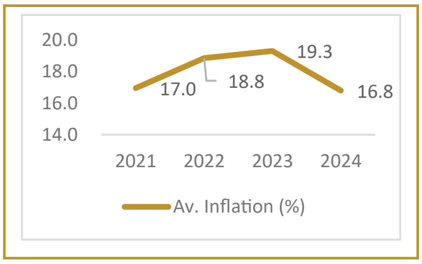
Outlook

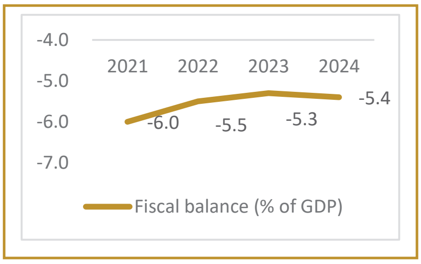
Nigeria's economy is projected to experience slow growth in 2023, on account of declining upstream oil and gas production, liquidity challenges and low agricultural value addition (which has been adversely impacted by insecurity). Growth is projected at 3.2 per cent in 2023 and 2024, because of the factors enumerated above. Nigeria is looking to cut downstream petroleum subsidies, in a bid to reduce its expenditure burden. At the same time, to cushion the citizenry from the impact of this policy, there is talk of a 40 per cent increase in civil service salaries. The net effect is a projected improvement in fiscal balance, which is set to improve marginally to -5.3 per cent of GDP in 2023, before deteriorating to -5.4 per cent of GDP in 2024 but the removal of subsidies will translate into increased overall prices, thus, leading to an average inflation of 19.3 per cent in 2023, before declining to 16.8 per cent in 2024. Public debt is projected to increase to 38.8 per cent of GDP and 39.0 per cent of GDP in 2023 and 2024, respectively, while current account balance improves to -0.6 per cent of GDP and -0.4 per cent of GDP in 2023 and 2024, respectively.

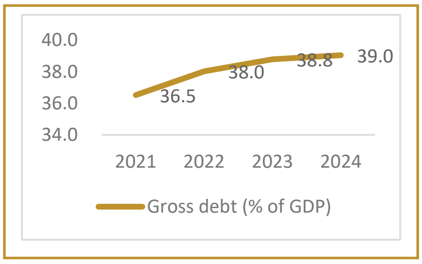
Probable Headwinds

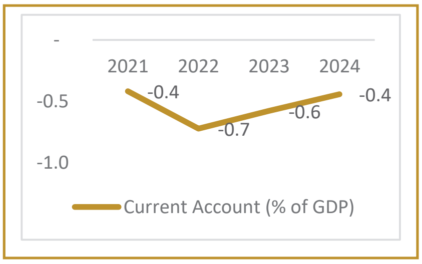
The still high inflation will keep interest rates high. This will crowd out the private sector and repress economic growth. The removal of subsidies on downstream petroleum products and the proposed salary increases need to be handled carefully, otherwise it could lead to civil unrests and additional fiscal costs. Nigeria must address upstream oil and gas production challenges to generate revenue to meet its expenditure and reduce the need for borrowing.











SENEGAL

Macroeconomic Performance

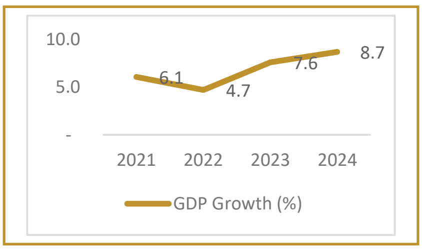
Senegal's economic growth slowed to 4.7 per cent in 2022, from 6.1 per cent in 2021, as production costs surged, on the back of an increase in general price levels. Average inflation increased to 9.7 per cent in 2022, up from 2.2 per cent in 2021. Fiscal balance improved slightly to -6.1 per cent of GDP, from -6.3 per cent of GDP, driving the debt-to-GDP ratio to 75.0 per cent, from 73.2 per cent in 2021. The current account balance worsened to -16.0 per cent of GDP, from -13.6 per cent of GDP in 2021, mainly as a result of an increased import bill.

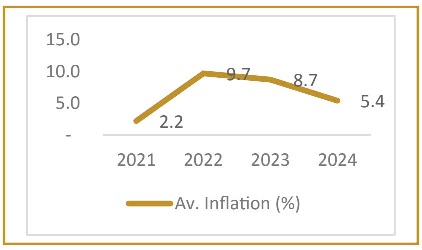
Outlook

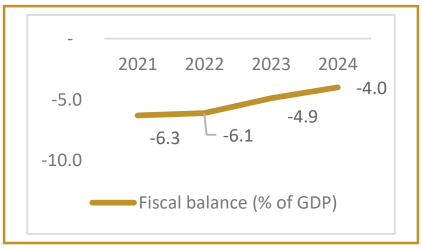
Senegal's economy is projected to grow by 7.6 per cent in 2023 and 8.7 per cent in 2024, boosted by the growth in the traditional sectors of the economy and also oil production, with first oil from the Sangomar oil field expected in 2023. The projected growth in GDP is forecast to drive down the debt-to-GDP ratio to 73.1 per cent of GDP in 2023 and further to 69.9 per cent in 2024. Inflation is projected to ease from the decades high of 2022 to 8.7 per cent and 5.4 per cent in 2023 and 2024, respectively, in line with the global trends. The additional revenue from the oil and gas sector will lead to a projected improvement in the fiscal balance to -4.9 per cent of GDP in 2023 and to -4.0 per cent of GDP in 2024. The increased use of domestic gas for energy production, among other factors, is expected to help reduce the import bill for petroleum products, leading to an improvement in the current account-to-GDP ratio of -11.4 per cent in 2023 and -5.0 per cent in 2024.

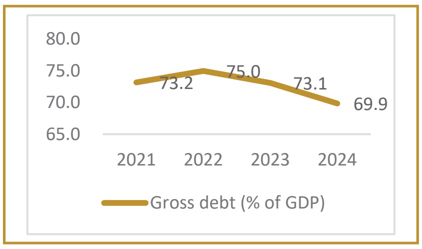
Probable Headwinds

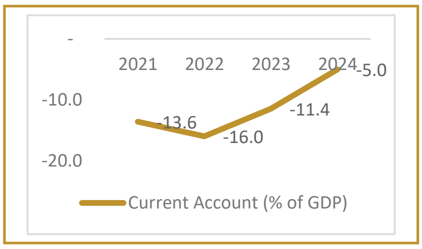
Failure to realise the projected revenues from the upstream petroleum sector would mean that Senegal would have to increase its borrowing on the domestic market, with its attendant impacts on private sector borrowing. The high cost of borrowing will further increase fiscal costs in 2024 and the debt-to-GDP ratio, which has already crossed the 70 per cent threshold. The return of inflationary pressures will adversely affect businesses, with implications for government revenue mobilisation. The authorities need to take steps to bring the recent socio-political tensions in the country under control to avert possible adverse effects on economic activity.











SIERRA LEONE

Macroeconomic Performance

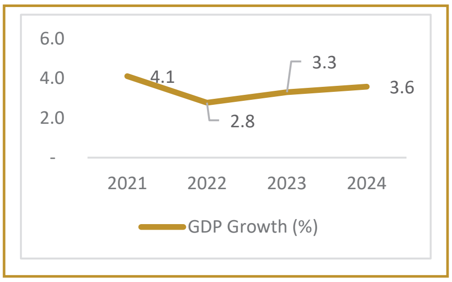
Economic activity in Sierra Leone grew by 2.8 per cent in 2022, down from 4.1 per cent in 2021. The slowdown in growth was partly due to a rather high average inflation, which eroded value addition in various sectors. Average inflation ended 2022 at 27.2 per cent (from 11.9 per cent in 2021), driven mainly by not only energy and food prices but also the aggressive depreciation of the local currency. Fiscal balance worsened to -10.9 per cent of GDP, from -7.3 per cent of GDP in 2021, with debt rising markedly to 98.8 per cent of GDP, on account of the wide fiscal deficit. Current account balance worsened to -10.3 per cent, in line with the high food and non-food inflation.

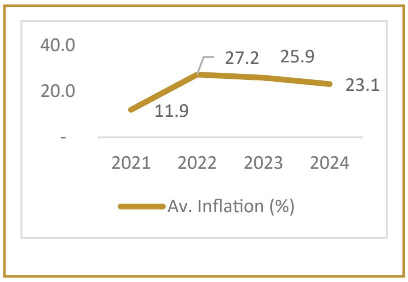
Outlook

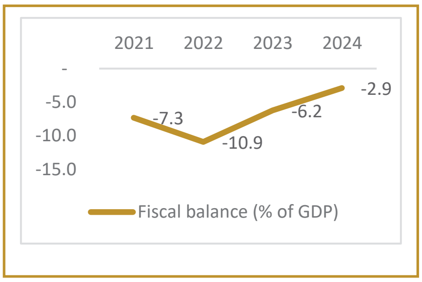
Sierra Leone's economy is projected to grow by 3.3 per cent in 2023 and further by 3.6 per cent in 2024. This projected growth will be supported by investments in mining operations and a projected reduction in production costs. Average inflation is projected to ease to 25.9 per cent and 23.1 per cent in 2023 and 2024, respectively. Fiscal balance is projected to continue on a path of consolidation, narrowing to -6.2 per cent of GDP in 2023 and further to -2.9 per cent of GDP in 2024, while the debt-to-GDP ratio declines consistently to 92.2 per cent and 84.9 per cent in 2023 and 2024, respectively. The current account balance is projected to narrow to -5.0 per cent in 2023 and further to -4.3 per cent in 2024.

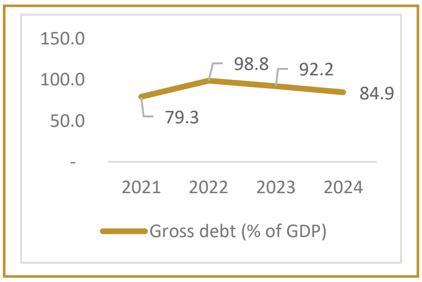
Probable Headwinds

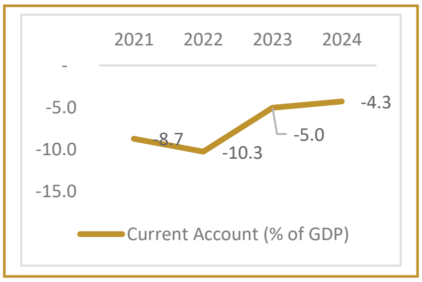
Low commodity prices will hurt the Sierra Leonean economy on the export side, just as high consumer prices will hurt domestic demand and the growth in overall economic activity. Failure of the planned iron ore investments will constrain economic growth in the short-to-medium-term.











TOGO

Macroeconomic Performance

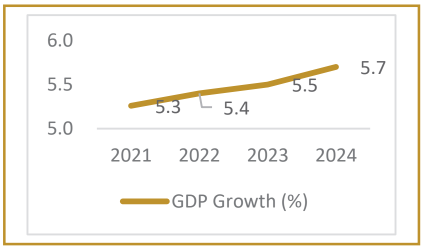
The Togolese economy grew by 5.4 per cent in 2022, up from 5.3 per cent in 2021, despite the rising inflation. Average inflation reached a 2-decade high of 7.6 per cent, up from 4.5 per cent in 2021, on account of rising food, fertiliser and energy prices. Fiscal deficit increased markedly to 7.3 per cent of GDP, up from 4.6 per cent of GDP, owing to the government's interventions in the downstream petroleum sector and other social expenditures to cushion the citizenry from the vagaries of the war in Ukraine. The widening fiscal deficit engendered a marked increase in the debt-to-GDP ratio, which reached 68.0 per cent of GDP, from 63.7 per cent of GDP in 2021. The current account balance also worsened to -2.8 per cent of GDP, from -0.9 per cent of GDP in 2021.

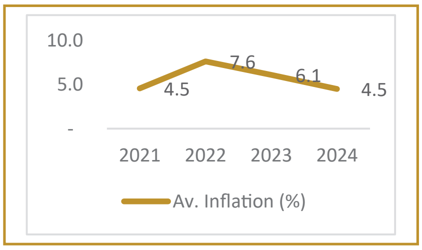
Outlook

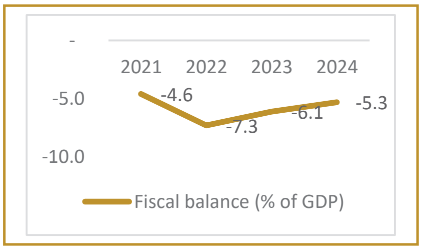
The Togolese economy is projected to grow by 5.5 per cent in 2023 and further to 5.7 per cent in 2024 as average inflation eases to 6.1 per cent and 4.5 per cent in 2023 and 2024, respectively. The decline in inflation is expected to create some fiscal space for the government, particularly since its pay-outs to subsidise fuel and fertiliser costs will reduce significantly. In effect, fiscal balance is projected to narrow to -6.1 per cent of GDP in 2023 and further to -5.3 per cent of GDP in 2024. This will slow the growth in public debt, with the debt-to-GDP ratio reaching 68.5 per cent in 2023 and 69.0 per cent in 2024. However, current account balance is projected to worsen to -4.1 per cent of GDP in 2023, before improving to -3.8 per cent in 2024.

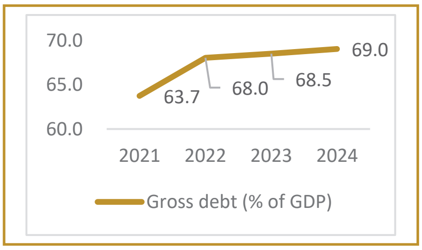
Probable Headwinds

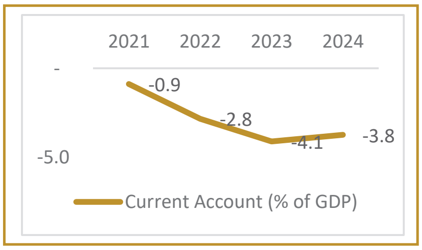
Togo's economy faces a myriad of down side risks, just like the rest of the countries in the sub-region. The insecurity in the Sahelian region resulted in sporadic attacks in some parts of Northern Togo in 2022. A recurrence in 2023 could adversely affect food production. Furthermore, the tight global financial conditions could adversely affect the country's ability to mobilise enough resources for its developmental programmes in 2023 and 2024. High interest costs could also derail the fiscal consolidation programme, with adverse implications for debt sustainability, given that the country is only a few percentage points away from the 70 per cent debt-to-GDP threshold.











ANNEXURES

ECOWAS Groupings

West African Monetary Zone (WAMZ)	West African Economic and Monetary Union (WAEMU)	WAMZ+
The Gambia	Benin	WAMZ Member States
Ghana	Burkina Faso	Cabo Verde
Guinea	Côte d'Ivoire	
Liberia	Guinea-Bissau	
Nigeria	Mali	
Sierra Leone	Niger	
	Senegal	
	Togo	

Annex 1: Real GDP Growth and Average Inflation

Country	Real GDP Growth (%)					Average Inflation (%)				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Benin	3.8	7.2	6.0	6.1	5.9	3.0	1.7	1.5	3.8	2.1
Burkina Faso	1.9	6.9	2.5	5.0	5.3	1.9	3.9	14.1	7.1	5.6
Cabo Verde	-14.8	7.0	10.5	4.5	5.1	0.6	1.9	7.9	4.2	2.5
Côte d'Ivoire	1.7	7.0	6.7	6.1	6.4	2.4	4.2	5.2	4.7	3.2
The Gambia	0.6	4.3	4.4	5.5	6.2	5.9	7.4	11.5	12.3	8.5
Ghana	0.5	5.4	3.1	1.9	3.9	9.9	10.0	31.9	29.5	23.5
Guinea	4.9	4.3	4.3	4.7	5.4	10.6	12.6	10.5	8.3	7.2
Guinea-Bissau	1.5	6.4	3.5	4.5	4.9	1.5	3.3	7.9	7.3	5.1
Liberia	-3.0	5.0	4.8	4.8	4.9	17.0	7.8	76	7.5	6.1
Mali	-1.2	3.1	3.7	4.7	5.1	0.5	3.8	10.1	5.5	3.2
Niger	3.5	1.4	11.1	6.7	7.7	2.9	3.8	4.2	1.9	1.4
Nigeria	-1.8	3.6	3.3	3.2	3.2	13.2	17.0	18.8	19.3	16.8
Senegal	1.3	6.1	4.7	7.6	8.7	2.5	2.2	9.7	8.7	5.4
Sierra Leone	-2.0	4.1	2.8	3.3	3.6	13.4	11.9	27.2	25.9	23.1
Togo	1.8	5.3	5.4	5.5	5.7	1.8	4.5	7.6	6.1	4.5
ECOWAS	-0.6	4.4	3.9	3.8	4.1	8.2	10.2	17.0	16.7	14.1
WAEMU	1.7	5.9	5.8	6.1	6.5	2.2	3.5	7.1	5.4	3.6
WAMZ+	-1.4	3.9	3.3	3.1	3.4	12.7	15.6	20.1	20.0	17.1

Annex 2: Fiscal Balance and Public Debt

Country	Fiscal Balance (% of GDP)					Public Debt (% of GDP)				
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
Benin	-4.7	-5.7	-5.6	-4.3	-2.9	46.1	50.3	52.4	52.8	51.6
Burkina Faso	-5.1	-7.4	-10.4	-7.8	-6.7	44.9	48.2	54.3	58.0	60.2
Cabo Verde	-9.1	-7.3	-4.5	-5.0	-3.6	145.1	142.9	127.4	120.2	117.9
Côte d'Ivoire	-5.4	-4.8	-6.7	-5.1	-4.0	46.3	50.9	56.8	63.3	60.6
The Gambia	-2.2	-4.6	-4.8	-2.7	-2.1	85.9	83.5	84.0	73.0	68.6
Ghana	-17.4	-12.1	-9.9	-7.3	-8.4	72.3	79.6	88.8	98.7	92.8
Guinea	-3.1	-1.7	-0.7	-2.3	-2.4	47.5	40.6	33.4	30.0	30.1
Guinea-Bissau	-9.6	-5.6	-5.5	-3.8	-3.2	78.2	78.9	79.5	76.5	74.7
Liberia	-3.8	-2.4	-6.9	-4.9	-3.9	58.7	53.3	55.4	57.1	56.1
Mali	-5.4	-4.8	-4.8	-4.8	-4.3	46.9	50.7	53.2	54.1	54.9
Niger	-4.8	-5.9	-6.9	-5.3	-5.4	45.0	51.3	51.1	52.5	49.4
Nigeria	5.6	-6.0	-5.5	-5.3	-5.4	34.5	36.5	38.0	38.8	39.0
Senegal	-6.4	-6.3	-6.1	-4.9	-4.0	69.2	73.2	75.0	73.1	69.9
Sierra Leone	-5.8	-7.3	-10.9	-6.2	-2.9	76.3	79.3	98.8	92.2	84.9
Togo	6.9	-4.6	-7.3	-6.1	-5.3	60.3	63.7	68.0	68.5	69.0
ECOWAS	-6.6	-6.4	-6.1	-5.4	-5.3	43.2	46.6	48.4	50.0	48.9
WAEMU	-4.9	-5.5	-6.7	-5.3	-4.4	50.5	54.8	58.7	61.7	60.1
WAMZ+	-7.1	-6.7	-5.9	-5.4	-5.6	40.4	43.3	44.7	46.1	45.2

Annex 3: Current Account Balance

Country	2020	2021	2022	2023	2024
	Current Account (% of GDP)				
Benin	-1.7	-4.2	-5.7	-6.1	-5.2
Burkina Faso	4.1	-0.4	-5.2	-3.9	-2.9
Cabo Verde	-15.0	-11.3	-7.5	-6.2	-4.8
Côte d'Ivoire	-3.1	-4.0	-6.5	-6.1	-5.5
The Gambia	-3.0	-3.8	-15.0	-14.5	-11.2
Ghana	-3.8	-3.7	-2.3	-2.6	-1.7
Guinea	-16.1	-2.1	-6.2	-5.7	-5.1
Guinea-Bissau	-2.6	-0.8	-5.9	-5.6	-5.3
Liberia	-16.4	-17.9	-15.8	-19.4	-21.3
Mali	-2.2	-8.2	-6.9	-6.6	-5.8
Niger	-13.2	-14.1	-15.5	-13.6	-8.9
Nigeria	-3.7	-0.4	-0.7	-0.6	-0.4
Senegal	-10.9	-13.6	-16.0	-11.4	-5.0
Sierra Leone	-7.1	-8.7	-10.3	-5.0	-4.3
Togo	-0.3	-0.9	-2.8	-4.1	-3.8
ECOWAS	-4.2	-2.4	-3.0	-2.6	-1.9
WAEMU	-4.0	-6.2	-8.4	-7.3	-5.3
WAMZ+	-4.2	-1.2	-1.4	-1.2	-0.9

ECOWAS Bank for Investment and Development (EBID)
128, Boulevard du 13 Janvier. B.P. 2704 Lomé – Togo

+228 22 21 68 64 +228 22 21 86 84
bidc@bidc-ebid.org www.bidc-ebid.org