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ECOWAS BANK FOR INVESTMENT AND DEVELOPMENT
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WEST AFRICAN DEVELOPMENT OUTLOOK

Navigating Global Shocks through Structural Transformation and Trade

June 2022

The West African Development Outlook (WADO) is an annual publication by the staff of the ECOWAS Bank for Investment and Development (EBID). The views, projections and policy recommendations expressed in the WADO are not necessarily those of EBID, its Board of Governors or the countries they represent. These opinions are exclusively those of the staff of the Bank.

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ABBREVIATIONS

AfCFTA	African Continental Free Trade Area
BRIC	Brazil, Russia, India, China
EAC	East African Community, excluding South Sudan
ECOWAS	Economic Community of West African States
EBID	ECOWAS Bank for Investment and Development
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IMF	International Monetary Fund
ILO	International Labour Organisation
MPC	Monetary Policy Committee
PCI	Productive Capacity Index
REC	Regional Economic Community
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
WAEMU	West African Economic and Monetary Union
WAMZ	West African Monetary Zone
WAMZ+	WAMZ plus Cabo Verde

FOREWORD

The global economy is at cross-roads. The threat of a widespread stagflation has raised a policy quagmire of whether interest rate hikes is the most appropriate policy tool to dealing with rising inflation and if it is, how it should be deployed in such a manner that does not lead to growth repression. These discussions have resulted from the fact that the global inflation elevation is supply-side-driven. The war in Ukraine has heightened the increase in food and energy prices experienced in the fourth quarter of 2021, thus, threatening to push many borderline poor into abject poverty, while compounding the woes of the poor.

This is because even though the cost of general goods and services has increased astronomically, there has not been a commensurate increase in wages in many countries, leading to a decline in real wages for most people.

For many countries in the West African sub-region, there is an increasing threat of hunger as fertiliser shortages and subsequent price increases have led to less acreage being cultivated and/or less fertilisers being applied to cultivated acreages. Furthermore, the astronomical increase in fuel prices has added to the burden of food crop farmers, given the pass-through impact on transportation costs and the cost of tilling the land mechanically. This has increased fears that 2023 might be more difficult, given that there will be very minimal food stocks to carry over from 2022, unlike the level of stock that was carried over from 2021 to 2022.

This, obviously, brings the issue of food security to the front burner, given the potential for social unrests, if not effectively tackled. Governments will be compelled to subsidise not only fertiliser prices but also certain food prices to mitigate the impact of the price escalation episode on the populace. There is already enough evidence to suggest that fuel prices are being subsidised in the sub-region, a situation that portends a difficult fiscal situation for many governments. If domestic revenues do not match the level of expenditure, countries will experience wide fiscal deficits that could lead to the accumulation of new debt.

The elevated prices, while increasing the cost of living for the masses, will also jettison the plan of narrowing the current account deficit across the sub-region. Given that most of these countries are import-dependent, high prices will lead to a high import bill, which will eclipse the level of exports. This could undermine the international reserves position of these countries, putting an upward pressure on the exchange rate, particularly in the West African Monetary Zone.

The back-to-back shocks, which have ravaged economies, present an opportunity for ECOWAS countries to re-orient themselves by considering transforming their economies, leading to the processing of raw

material exports into finished and semi-finished goods. Furthermore, there is the need to create inter-dependencies among Member States to stimulate intra-regional trade, which still remains below 10%. Structural transformation and trade are necessary for growth and development, thus, the theme for the 2022 West African Development Outlook, **Navigating Global Shocks through Structural Transformation and Trade**.

Given that small and medium scale enterprises (SMEs) form the bulk of the industrial nerve centre of the ECOWAS Region, the Bank will continue to prioritise its support to SMEs, particularly those within the manufacturing sub-sector, in line with Strategy 2025, as its contribution towards the structural transformation of economies within the sub-region. The Bank will also work with all stakeholders to provide the necessary support towards fighting food insecurity by investing in the provision of the requisite chemicals and fertilisers to facilitate food production.

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

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Performance

The West African economy recovered from the economic decline in 2020 to a growth of 4.6% in 2021, consistent with global trends. This was mainly because the pandemic had largely receded, and economic activity had rebounded. For example, global trade was 13% higher than that of 2019, before the pandemic surfaced.

That notwithstanding, according to the World Health Organisation, about 6.2 million persons had lost their lives as a result of the virus, with a total infection of 505.82 million by 23 April 2022. Even though some of these deaths could have been avoided, vaccine hesitancy and nationalism led to low vaccine coverage in many parts of the world, particularly in Africa, where case management was not as effective as the rest of the world. The pandemic continued to adversely affect livelihoods as some persons lost working hours due to the pandemic containment measures.

The supply chains disruptions that accompanied the pandemic led to price increases in 2021. In the ECOWAS, average inflation was 11.1% in 2021, from 10.2% in 2020. Fiscal balance improved marginally to -6.5% of GDP in 2021, from -6.6% of GDP in 2020, while public debt deteriorated to 46.8% of GDP in 2021, from 43.8% of GDP in 2020. The current account balance, however, narrowed to -2.6% of GDP in 2021, from -4.3% of GDP in 2020.

Outlook

The ECOWAS Region's GDP is projected to grow at 4.4% in 2022 and 4.6% in 2023. The slow growth in 2022 is attributed to the repressive impact of the high inflation, which has resulted mainly from the Russia-Ukraine war, on the growth in economic activity. As earlier indicated, prices will remain elevated, due to the war in Ukraine, with average inflation projected to increase to 12.2% in 2022 before tapering to 10.4% in 2023. Fiscal balance is projected to continue to improve to -6.2% of GDP in 2022 and further to -5.5% in 2023. Consistent with the projected decline in fiscal deficit, the debt-to-GDP ratio is projected to improve to 46.2% in 2022 before rising marginally to 46.6% in 2023. The current account position, however, is projected to deteriorate to -3.2% of GDP in 2022 and improve to -2.8% in 2023, in line with price forecasts for the period.

Recommendations

The twin-shocks (the pandemic and the war) have invoked a policy quagmire. There is uncertainty about the extent to which interest rate hikes should go in a bid to contain the rising inflation without compromising growth. The world is also faced with a potential food crisis, with the West African Region at the centre of it. The 2022 WADO recommends the following:

- The deployment of an aggressive but accommodative monetary policy;
- Working towards achieving food self-sufficiency, through the provision of fertilisers and a focus on the production of staples;
- Working towards achieving energy self-sufficiency by improving refining capacities to reduce the import bill;
- Emphasising trade within the sub-region and on the African continent;
- Ensuring human capital development;
- Improving productive capacities; and
- Promoting structural transformation.

Downside Risks

The following downside risks can undermine the growth of economic activity in ECOWAS:

- A protracted war;
- A looming hyperinflation;
- Insecurity;
- Unfavourable weather conditions; and
- A resurgent pandemic.

SOCIO-ECONOMIC PERFORMANCE AND OUTLOOK

Growth rebounds, virus largely contained

There was optimism that the vaccine would help conquer COVID-19, in addition to the protocols that were deployed to contain same. The challenge was how quickly the vaccine would be deployed and how to deal with the apprehension that had been created by conspiracy theories that had spread through the power of social media.

When the vaccines got deployed, mostly in the developed world, and the case count eased for a period, so did the lockdown in various countries. In addition to easing the pressure on medical staff and medical facilities, the lifting of lockdowns also triggered a rebound in economic activity, which immediately led to a mismatch between the demand-supply dynamics, leading to abrupt price increases, notably freight charges and commodity prices.

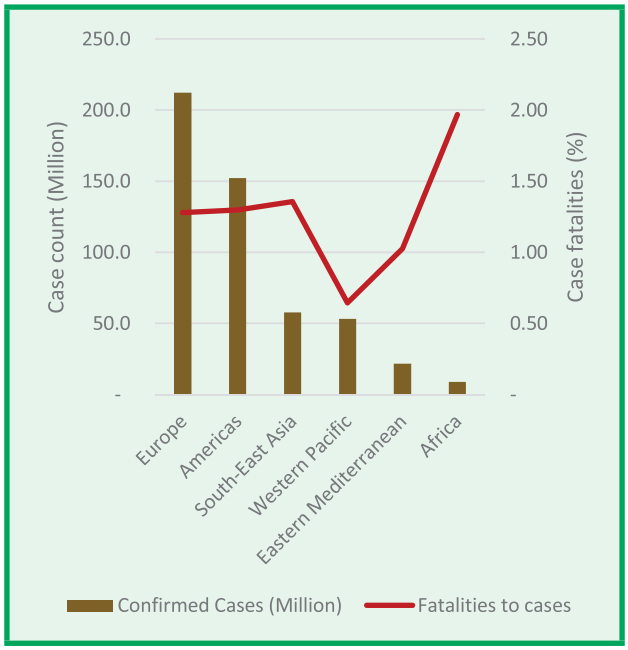
While good progress was made in 2021, the pandemic has brought about a litany of socio-economic challenges that will haunt policymakers for a long time to come. While still contemplating the available policy options to mitigate these challenges, the war in Ukraine broke, which impact has brought about further price increases and decimated real incomes across the world, including West Africa.

COVID-19 in numbers

While the number of new cases has dropped since the beginning of 2022, the pandemic did not abate sharply in 2021. The vaccine deployment had a few challenges – vaccine nationalism and hesitancy – which affected the pace at which the vaccine was rolled out.

The World Health Organisation (WHO) indicates that by 23 April 2022, a total of 505,817,953 cases had been confirmed, with case fatalities standing at 6,213,876, representing a case fatality rate of 1.2%. Europe recorded the highest number of cases (212.39 million), with Africa recording the least number of cases (8.7 million), as shown in Figure 1.

Figure 1: COVID-19 case count, fatalities



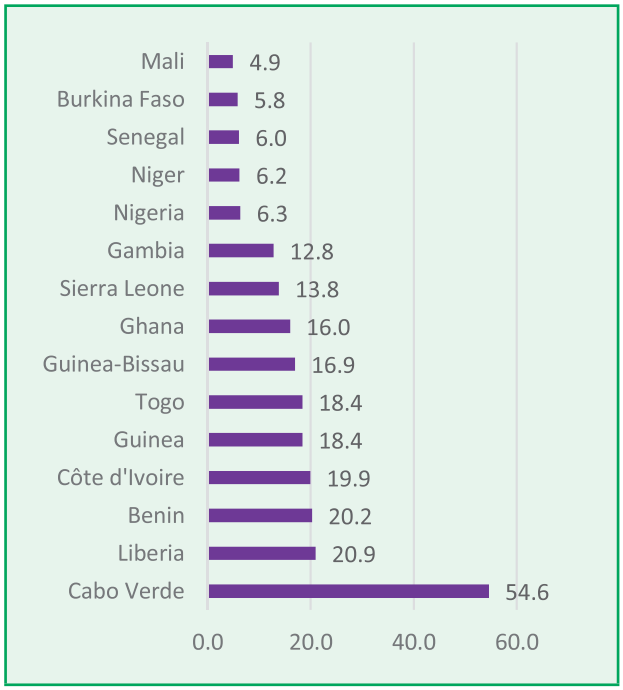
Source: WHO (Accessed on 23 April 2022)

The same trend was recorded by way of fatalities, with Europe recording 2.7 million deaths, while Africa recorded 0.17 million deaths. That notwithstanding, while the case fatalities were just around 1% for all regions, that of Africa stood at 2%, an indication that overall case management was slightly less effective in Africa than in the other parts of the world. This could be attributed to the non-availability of adequate health personnel and health facilities to tackle pandemics of this nature.

In West Africa, vaccination coverage continues to lag behind the rest of the world. While the total number of persons that had been vaccinated stood around 14% of the total population as at 24 April 2022, those that were fully vaccinated constituted less than 10% of the total population. This compares with approximately 67% in developing Asia, 73% in the European Union and 65% in the United States.

Most countries in the sub-region have less than 20 per every 100 persons vaccinated, as shown in Figure 2.

Figure 2: Fully Vaccinated Persons per every 100 Persons



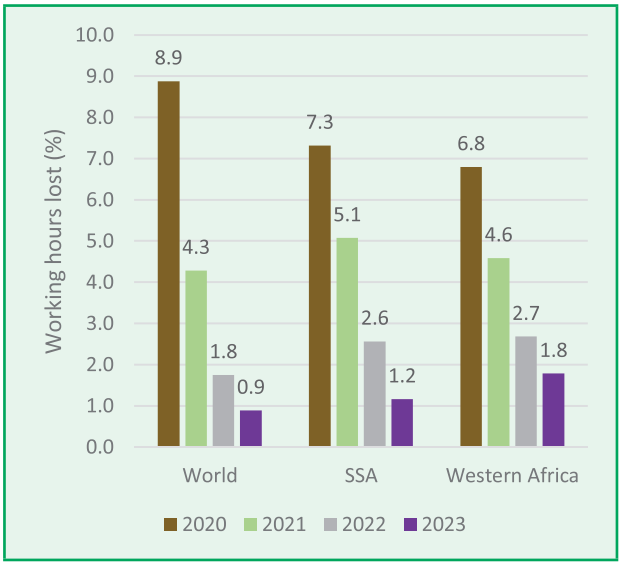
Source: Our World in Data (Accessed 24 April 2022)

As earlier alluded to, the low vaccination uptake is due to the slow supply of the vaccines, owing to the initial vaccine nationalism, and vaccine hesitancy, which became heightened when the long periods of vaccine non-availability coincided with vaccine protestations in the West.

Job losses, declining real incomes

The International Labour Organisation (ILO) estimates that about 8.9% of working hours was lost globally in 2020 as a result of the COVID-19 pandemic. This declined to 4.3% in 2021 and is projected to decline further to 1.8% and 0.9% in 2022 and 2023, respectively. In Sub-Saharan Africa, 7.3% of working hours was lost in 2020, declining to 5.1% in 2021. COVID-19-related working hours losses constituted 6.8% in 2020 and 4.6% in 2021 in Western Africa and is projected to decline to 2.7% and 1.8% in 2022 and 2023, respectively (Figure 3).

Figure 3: Working Hours Lost due to COVID-19



Source: ILO, ILOSTAT (Accessed: 8 May 2022)
Western Africa: ECOWAS plus Mauritania and Saint Helena

The lost hours and high prices in the last quarter of 2020 conspired to drive many workers below the poverty line. Data from the ILO show that apart from Guinea, which bucked the trend, all the 14 other Economic Community of West African States (ECOWAS) countries recorded a deterioration of the ratio of employed persons living in poverty. Liberia's ratio worsened by 3.2 percentage points to reach 51.2%, while Côte d'Ivoire recorded a marginal decline of 0.1% to reach 21%. Overall, Guinea Bissau (61.4%) recorded the highest number of workers that live below the poverty line, with Cabo Verde (1.1%) having the lowest (Figure 4).

Box 1: The Twin Shocks: A Reversal of Poverty Reduction Gains

The Millenium Development Goals (MDGs) and its successor programme, the Sustainable Development Goals (SDGs), have helped put an unprecedented focus on poverty reduction, leading to sustained reduction in the poverty headcount over the years. However, the global war on poverty was adversely impacted in 2020 when the COVID-19 pandemic reared its ugly head. The widespread recession led to a significant drop in jobs and income levels, while households had to contend with inflationary pressures and deteriorating social conditions.

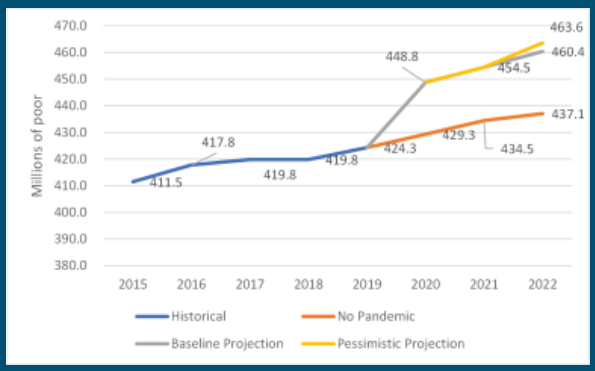
Even though great strides have been made towards poverty reduction, the World Bank (2021) posits that the pace of progress decelerated after 2012, well before the pandemic struck. The annual decline in extreme poverty, which stood at one percentage point between 1990 to 2015, declined to 0.6 percentage points from 2013 to 2015 and further to 0.5 percentage points from 2015 to 2017.

The World Bank (2021) maintains that poverty, measured against the international poverty line, is expected to decline in 2020 for the first time in 22 years. The projected reversal in progress is due mainly to the grave impact of the COVID-19 pandemic on economic and social conditions the world over. Mahler et al (2022) also argue that the COVID-19 pandemic, inflationary pressures and the war in Ukraine will most likely push between 75 million and 90 million people into poverty in 2022, making the year the second worst (only behind 2020) with regard to progress towards reducing extreme poverty. The situation is made worse by the fact that both food and non-food prices have escalated in the year 2022, particularly. The challenge is that while there is an intrinsic upsurge in food prices, the pass-through effects of the marked increase in fuel prices have worsened the livelihoods of the poor.

This is because, as Mahler et al (2022) put it, persons that live in extreme poverty spend about two-thirds of their resources on food, which is a necessity for survival. Given the level of increase in general price levels and an unlikely commensurate increase in wages, real incomes will be heavily impacted in 2022, affecting not only low-income earners but also borderline middle-income earners, particularly in SSA.

Mahler et al (2022) posit that persons living in extreme poverty (i.e. those living on less than US$1.90 per day) in SSA could reach as high as 463.6 million in 2022 as a result of the effects of COVID-19, escalating prices and the war in Ukraine. The baseline scenario pegs persons living in extreme poverty at 460.4 million (Figure 1.1).

Figure 1.1: Extreme poverty, 2015-2022

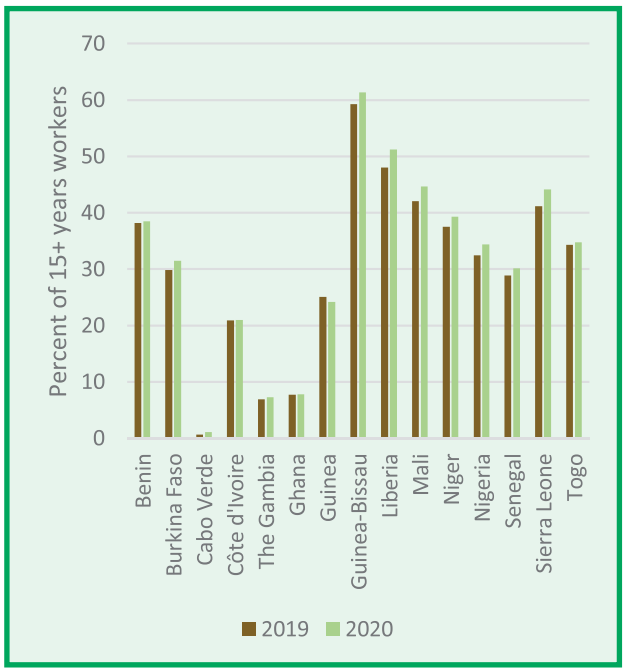


Source: Mahler et al (2022)

This compares to a "No Pandemic" scenario projection of 437.1 million persons living in extreme poverty by 2022, which is testament to the adverse impact of the pandemic and the war on the war on poverty alleviation in SSA.

The story is not expected to be any different for West Africa, which accounts for approximately 35% of the SSA population. According to the World Bank (2022), 5 million persons could be pushed into poverty in Nigeria alone, which accounts for more than half of the West African population, by 2022. The country already had 4 in 10 persons living in poverty. The impact of the war in Ukraine, which has resulted in price escalation in food and non-food items, will lead to a worsening of this statistic in Nigeria, just as for the rest of the sub-region.

Figure 4: Percent of Workers Living below the Poverty Line (US$1.90 per day)

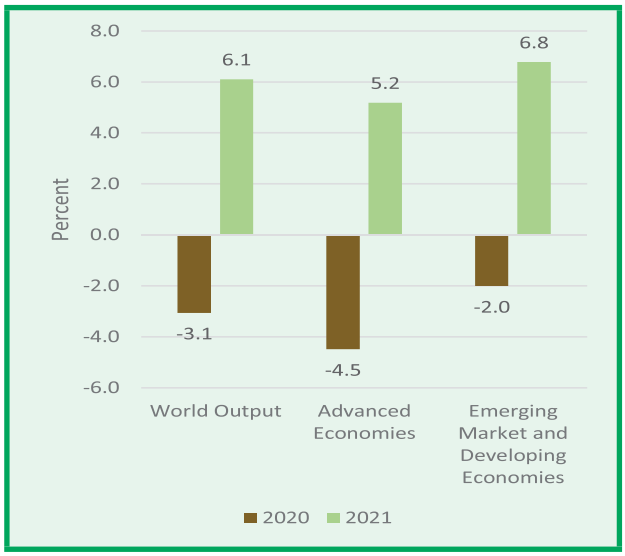


Source: ILO, ILOSTAT (Accessed: 8 May 2022)

A near-uniform economic recovery

The global economy rebounded strongly in 2021, in line with V-shaped forecasts, after the recession experienced in 2020. Global GDP grew by 6.1% in 2021, compared with a decline of 3.1% in 2020. According to the United Nations Conference on Trade and Development (UNCTAD, 2022), global trade recovered from the slump in 2020 to reach a record high of US$28.5 trillion, which was 13% higher than the 2019 level.

Figure 5: GDP Growth

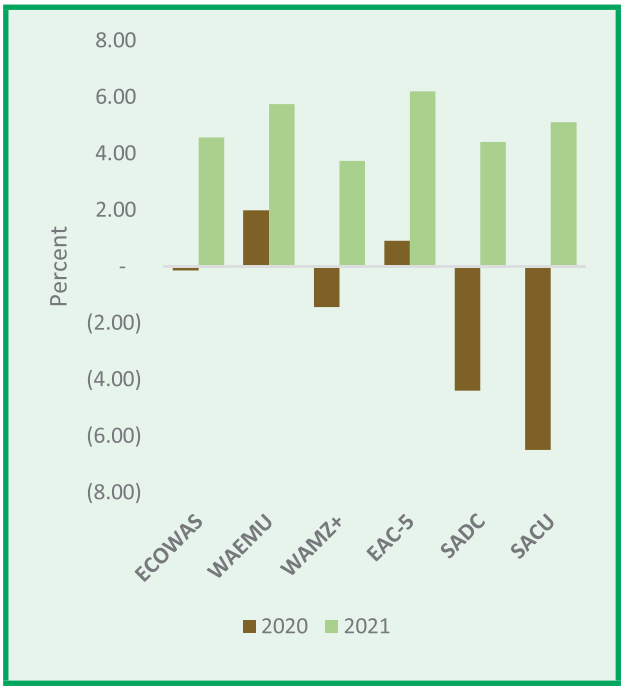


Source: IMF

This is reflective of the overall growth in economic activity in 2021. Global economic groupings also recorded significant growth, with Advanced Economies (5.1%) and Emerging Market and Developing Economies (6.8%) recording quite appreciable growth rates (Figure 5).

Sub-Saharan Africa (SSA) recorded a growth of 4.5%, up from -1.7% in 2020, with Nigeria and South Africa recording growth rates of 3.4% and 4.9%, respectively. The SSA growth was the lowest across all geographical groupings. All regions in SSA achieved improved GDP growth, relative to 2020, with the EAC-5 leading with a growth of 6.2%, as shown in Figure 6.

Figure 6: Sub-regional Growth in SSA



Source: IMF, EBID staff calculations for ECOWAS, WAEMU and WAMZ+, based on WADO database
WAMZ+ is WAMZ plus Cabo Verde

ECOWAS recorded a growth of 4.6%, with Burkina Faso and Cabo Verde each recording a 6.9% growth and Niger recording the least growth (1.3%), as shown in Figure 7. Cabo Verde's growth comes on the back of a double-digit contraction in 2020 (-14.8%), occasioned by the impact of the pandemic.

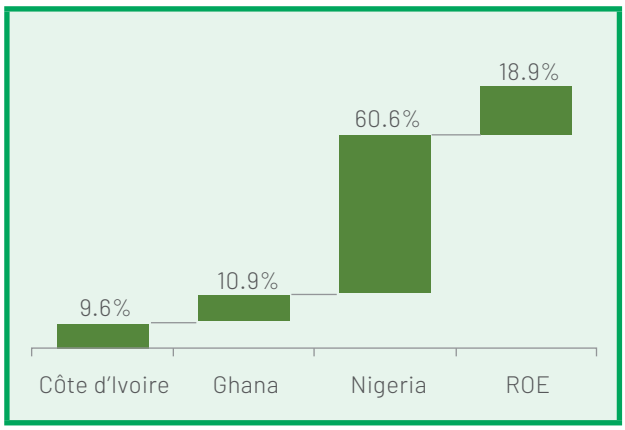
The West African Economic and Monetary Union (WAEMU) recorded a 5.7% growth in 2021, while the West African Monetary Zone (WAMZ) and Cabo Verde recorded a 3.7% growth. The Southern African Development Community (SADC) region recorded a 4.4% growth in GDP, with the Southern African Customs Union (SACU) recording a 5.1% growth.

Figure 7: ECOWAS Growth

Source: WADO Database

Notably, Liberia recorded a positive growth of 4.2%, after two successive years of negative growth. Nigeria continued to dominate the West African economy in 2021. The country accounted for 60.6% of the sub-regional GDP in nominal terms, having declined by approximately 2.1 percentage points from the 2020 position (Figure 8).

Figure 8: Distribution of ECOWAS GDP



Source: WADO Database
ROE is Rest of ECOWAS

A spiralling inflation

The pandemic led to price escalation in most ECOWAS Member States in 2020 as supply chains became clogged, affecting the availability of intermediate and final goods across countries. The trend persisted in 2021 as the low economic activity of the previous year as well as the intermittent localised lockdowns cut supplies.

With the exception of four (4) countries – Benin, Liberia, Senegal and Sierra Leone –the ECOWAS Region experienced elevated prices in 2021, relative to 2020, with a high of 17% (Nigeria) and a low of 1.7% (Benin), as shown in Figure 9 and Annex 1.

Figure 9: Average Inflation

Source: WADO Database

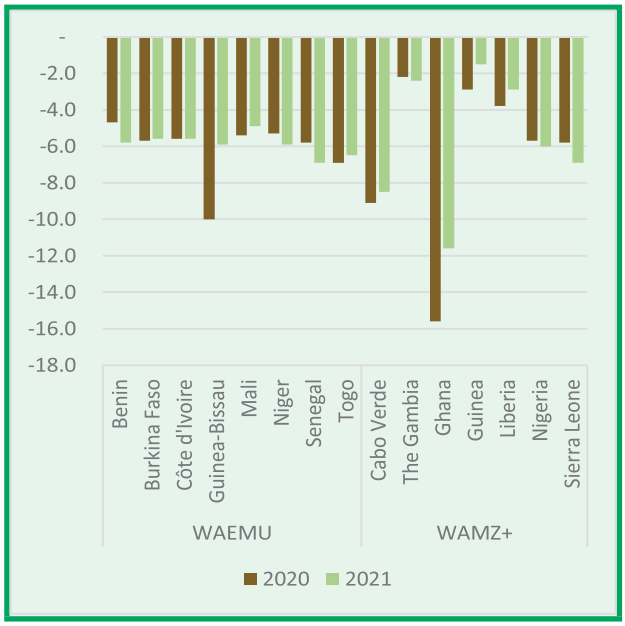
Liberia's average inflation declined markedly from 17% in 2020 to 7.8% in 2021, with Nigeria's inflation increasing by almost 4 percentage points to end the year at 17%. Average inflation in the WAEMU increased by approximately 1.1 percentage points in 2021, while that of the WAMZ declined by 0.6 percentage points. Yet, prices in the WAMZ remained elevated, compared to that of the WAEMU and Cabo Verde.

A divergent path to fiscal recovery

Fiscal balance in ECOWAS improved from -6.6% in 2020 to -6.4% in 2021, on account of a general increase in revenue collections and expenditure controls, relative to 2020, at the height of the pandemic. However, Benin, The Gambia, Niger, Nigeria, and Sierra Leone witnessed slight increases in the ratio, relative to 2020, with the rest of the countries recording improvements.

Ghana recorded the highest fiscal deficit of 12.6% of GDP, with Guinea recording the lowest deficit of 2.2%. Fiscal deficits in the WAEMU appear to be more uniform than in the WAMZ+, as shown in Figure 10. On average, the WAEMU's fiscal balance stood at -5.9% in 2021, compared with -5.7% in the WAMZ+.

Figure 10: Fiscal Balance



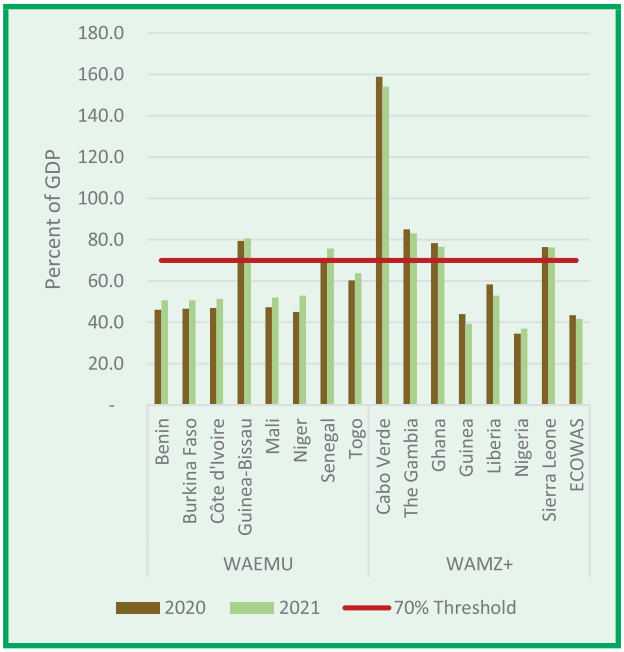
Source: IMF

Increasing risk of debt distress

ECOWAS public debt reached 47.2% of GDP in 2021, compared to 43.8% in 2020. Nine (9) countries experienced a deterioration in their debt-to-GDP ratios, with six (6) countries breaching the 70% threshold of the debt-to-GDP criterion of the ECOWAS Convergence Criteria. These countries were Cabo Verde (154.1%), The Gambia (83%), Ghana (76.4%), Guinea Bissau (80.7%), Senegal (75.7%) and Sierra Leone (76.2%), as shown in Figure 11.

In effect, two (2) countries in the WAEMU and four (4) in the WAMZ+ had breached the debt-to-GDP ratio threshold of 70% at end-2021. There is a looming risk of debt distress within the Community with all the WAEMU countries now having their debt-to-GDP ratios above 50%. Five (5) new countries – Benin (50.6%), Burkina Faso (50.7%), Côte d'Ivoire (51.4%), Mali (52.1%) and Niger (52.9%) – exited the 40% range in 2021, with Togo (63.8%) having already reached 60.3% in 2020. This situation threatens the sub-region's overall debt sustainability efforts, given that the WAEMU has been more conservative in debt contraction, owing to the relatively low fiscal deficit over the years, compared to the WAMZ+.

Figure 11: Public Debt



Source: WADO Database

War induces a fragile growth outlook

Initial forecasts in 2020 for 2021 and 2022 showed a robust growth in economic activity in 2022, after the recovery in 2021. This was under the assumption that the pandemic would have been successfully contained and economic life would have normalised. While a recovery occurred in 2021, no one anticipated a second global shock – the war in Ukraine.

The war has disrupted the trajectory of the post-COVID-19 economic recovery. It has led to a downgrade of initial GDP growth forecasts, with the war-aggravated supply chains disruptions and attendant price hikes expected to stifle growth in 2022. Economic activity since the war has been adversely affected by the incessant supply chains disruptions and price hikes witnessed over the period. The price hikes in fertilisers have led to some farmers reducing the acreage under cultivation, given that they can barely afford to fertilise large areas. This portends a probable shortage of food beyond 2022 as the stocks from 2021 will largely be used to make up for shortages in 2022, with very minimal possibilities of replenishment.

Furthermore, Russia and Ukraine are considered Europe's food basket in light of their significant export of vegetable oils and cereals. With production having been significantly impacted and export possibilities having been undermined by the sanctions on Russia and damaged ports in Ukraine, the outlook for cereals and vegetable oils supplies from these two countries is rather bleak and will remain so for as long as the war lasts.

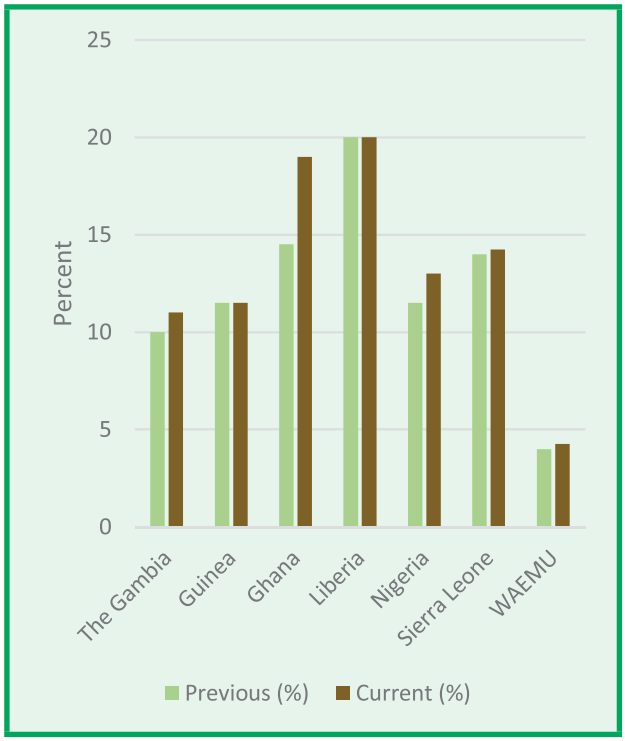
High input costs and the high cost of living are expected to have an adverse impact on economic activity in West Africa, reining in initial growth forecasts. This is in spite of the fact that a couple of countries will benefit from the high commodity prices, particularly crude oil. However, given the size of the petroleum sector in these economies, the petroleum price hikes are rather expected to hurt private consumption at a faster rate than it will benefit government revenue.

Furthermore, the possibility of a slower growth in 2022 has been exacerbated by the hikes in key central bank interest rates across the world. The United States Federal Reserve unleashed a 22-year high hike in its benchmark interest rate in May 2022. The 0.5 percentage points increase follows from a 0.25 percentage points raise in March 2022. This is in a bid to counter domestic inflationary pressures, with inflation having hit a 40-year high. The United Kingdom also hiked its key rate by 25 basis points on 6 May 2022, in an effort to curb inflation, which had hit a 13-year high.

While these monetary policy interventions are aimed at suppressing a persistent inflationary trend to bring relief to households, they also run the risk of further dousing the growth in economic activity, given the hikes in the cost of business credit lines and low household expenditure, which this measure seeks to remedy. This is because the cause of this episode of inflation spiral is structural, rather than monetary.

In West Africa, central bank Monetary Policy Committees (MPCs) have met and taken a view of how to contain the recent trend of price escalation. While some are of the view that rate hikes are necessary for a successful containment action, others have adopted a wait-and-see posture, given that they considered the price escalation to have been caused by structural factors rather than monetary. Ghana and Sierra Leone's MPCs were the only ones that hiked their key interest rates in the first quarter of 2022, with the view to reining in inflation, which had breached its medium-term target band as a result of both external and internal factors (Figure 12). However, other MPCs hiked interest rates in May 2022 in a bid to contain rising prices.

Figure 12: MPC Interest Rate Decisions



Source: WADO database

Given the impact of the war and the fallouts from the pandemic, ECOWAS GDP is expected to grow at 4.4% in 2022, slightly lower than what was recorded in 2021. Economic activity is projected to grow by 4.6% in 2023, on the back of a waning pandemic and an end to the war in Ukraine. Benin's economy is projected to expand by 6.1% in real terms, the highest in the sub-region, with Mali's growing at 2.7% in real terms. The WAEMU's GDP is projected to grow by 5.3%, with the WAMZ+ growing by 3.8%. In 2023, the WAEMU and WAMZ+ GDP are projected to expand by 5.6% and 3.8%, respectively (Annex 1).

Bracing for an inflation spiral

The spread of the highly transmissible Omicron variant of the coronavirus led to fears of heightened supply chains disruptions in the last quarter of 2021 and into the first quarter of 2022. There were fears that the rate of spread would trigger renewed localised and cross-border restrictions, putting an upward pressure on prices. While that did not happen in the scale projected, travel restrictions were re-introduced in certain parts of the world, with mostly Southern African countries at the receiving end of it.

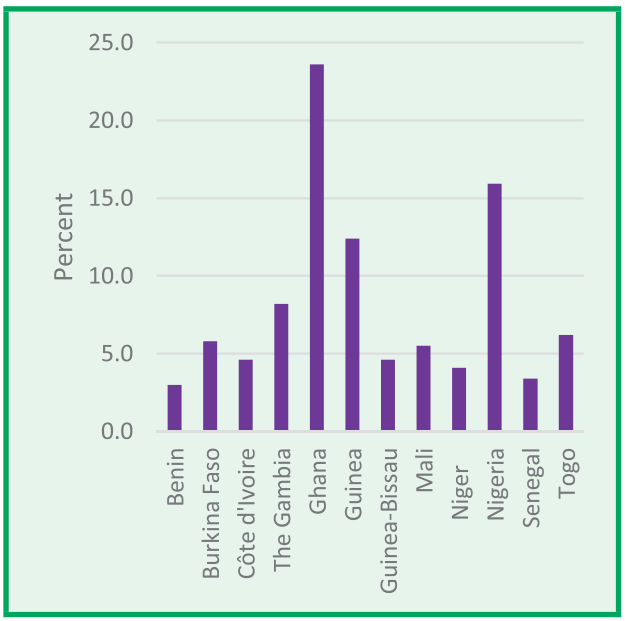
These restrictions, coupled with the increased cautious approach to the then new variant, helped to bring Brent crude oil price down from an average of US$83.92 per barrel in October to an average of US$69.75 per barrel in November 2021, with a projected fall in demand underlying the price decline. However, the build-up of Russian troops along the Eastern Ukrainian border increased fears of a possible invasion, leading to astronomical increases in crude oil prices in the months that followed, as shown in Figure 13.

Figure 13: Evolution of Brent Crude Price

Source: Bloomberg (accessed on 4 May 2022)

The first quarter of 2022 witnessed one of the steepest price increases in recent history, particularly in the West, as the Russian invasion of Ukraine finally happened on 24 February, triggering a persistent increase in crude oil prices with Brent crude reaching almost US$130 per barrel in the week of 6 March 2022, the highest since 2008. The West African sub-region has not been spared either, as the pass-through effects of high oil prices and food price increases have resulted in rising inflation, as shown in Figure 14.

Figure 14: 2022 Inflation (Year-on-Year)



Source: Country statistical offices

Note: All data relate to March 2022, except for Ghana's (April 2022)

The sanctions that followed after the invasion led to further inflation spiral, even though Brent price declined in March 2022, partly because the United States had announced to release 180 million barrels of its strategic crude oil reserves at the end of March over a six-month period in a bid to push down oil prices. However, the US government announced in early May that it was going to restock its strategic reserves in autumn. This, together with supply concerns, helped oil prices to rally to a near 3-week high.

The persistent rise in general price levels and the fear of a recession have increased fears of stagflation in 2022 in some Western countries as US GDP in the first quarter contracted by 1.4% and France's stagnated. Even though Germany recorded a healthy growth of 4%, relative to the first quarter of 2021, the government has slashed GDP forecast from 4.6% to 1.8%, in light of the conflict in Ukraine. Things could take a turn for the worst, if the conflict extends beyond expectation.

War fuels supply challenges, price hikes

According to the International Energy Agency (IEA), Russia is the third largest producer of crude oil and the second largest exporter of the commodity in the world. Russia produced a total of 11.3 million barrels of oil per day in January 2022, compared to the United States' 17.6 million barrels per day and Saudi Arabia's 12 million barrels per day.

While the war has not led to a drastic decline in oil output in Russia, the apprehension has resulted in price hikes and that does not seem likely to go away anytime soon, so long as the war persists. This has been fuelled by cargo cancellations elsewhere in the world as the economic sanctions on Russia have resulted in many vessels declining to lift Russian oil, a situation that could have led to the marginal decline in production in March 2022.

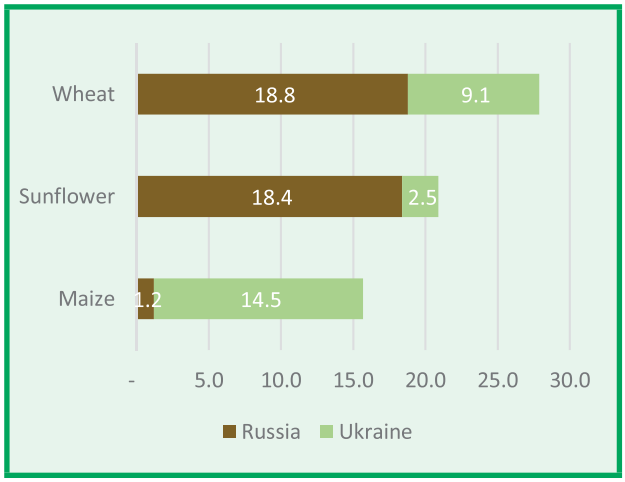
With the West looking for alternative sources of fuel other than Russia, the likelihood of Russia cutting production in the medium-to-long-term looks increasingly plausible, unless China and India step up demand. Italy, for example, has recently signed agreements with Algeria, Egypt, Angola and Congo for the supply of natural gas as it seeks to diversify away from Russian gas.

Away from crude oil, the war could unleash a food security crisis in 2022 and 2023. Russia supplies 15-20% of global non-organic fertilisers and the sanctions have limited the country's ability to export most of its output, leading to the closure of some its production plants. The supply shortfall has led to price increases for the commodity, with many farmers scaling back on cultivation, while others apply less fertilisers in order to cut costs.

While food prices have increased in the short-term, partly due to the increase in input costs, the likely decline in food production in 2022 could result in further price escalation going forward.

Russia and Ukraine are net exporters of essential food items. They both accounted for approximately 21% of sunflower seeds (more than 75% of sunflower oil), 28% of wheat and 16% of maize exports in 2020 (Figure 15). While the conflict has cut production in both countries (particularly so for Ukraine), the sanctions on Russia have limited supplies to global markets, leading to shortages and a surge in prices.

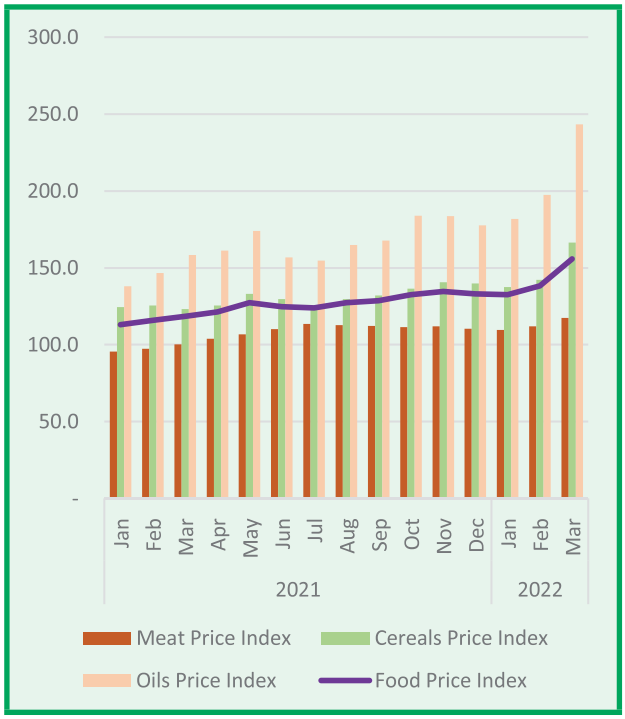
Figure 15: Russia-Ukraine Exports, 2020



Source: EBID staff calculations, based on UN FAO data

The United Nations (UN) Food and Agriculture Organisation (FAO) asserts that global food prices were at their highest in March 2022 since records started in 1990. The UN FAO Food Price Index rose by 12.6% to 159.3 points (155.9 points in real terms) in March, notably on account of a 17.3% increase in the UN FAO Cereal Price Index and a 23.2% in the UN FAO Vegetable Oil Price Index (Figure 16).

Figure 16: Rising Food Prices



Source: UN FAO

The construction industry has also been adversely affected by the rising costs of materials, with cement, aluminium, iron rods and copper prices experiencing sharp increases over a short period of time. Russia is a major exporter of raw aluminium and copper, accounting for about 10% of global exports. The sanctions on Russia mean that a great portion of these metals will not make it to the market, leading to price hikes after the war broke in late February 2022 (Figure 17).

Figure 17: Aluminium Price Trend

Source: Bloomberg

The impact of the high global food and non-food prices will continue to be felt in the West African sub-region. Inflation is expected to remain elevated, at an average of 12.2% in 2022, moderating to 10.4% in 2023. For the WAEMU, prices will continue to rise to 5.3% in 2022 before declining marginally to 4.9% in 2023. The WAMZ+ will continue to exhibit high inflation tendencies, with an average inflation of 17% in 2022 and 14.2% in 2023. Ghana is projected to record the sub-region's highest average inflation of 19.8% in 2022, with Cabo Verde recording the lowest sub-regional inflation of 2.3% in 2022 (Annex 1).

Moderating fiscal deficit...

Fiscal deficit is projected to moderate in 2022 but is not expected to drop fast enough, given the continuous intervention by many countries to mitigate the rising cost of living. Quite a number of countries have either subsidised petroleum prices or reduced/removed some taxes on petroleum

products in a bid to regulate the rate of petroleum price increases. The same goes for fertilisers, given the shortage on the market and the need to support the farmer and pre-empt further steep increases in food prices.

This has led to revenue losses and/or expenditure increases and portend higher fiscal deficits than originally anticipated, even though they are still expected to be lower than what happened in 2021.

ECOWAS fiscal balance-to-GDP is forecast at -6.2% and -5.5% in 2022 and 2023, respectively, as shown in Annex 2. The WAEMU's fiscal balance is projected to improve to -4.9% of GDP in 2022 and further to -3.9% in 2023. Fiscal balance in the WAMZ+ will improve slightly to -6.6% in 2022 and further to -6% in 2023.

... but a firm increase in public debt

The race to provide infrastructure and mitigate the impact of price hikes on the citizenry will continue to exert an upward pressure on debt accumulation in 2022 and 2023.

This comes at a time when interest rate hikes have been invoked in credit feeder regions across the globe. The rate hikes mean increased external borrowing costs for West African countries, as evidenced by the widening bond spreads. This will put a further strain on the already tight fiscal positions of most of these countries.

Another worrying trend for many countries in the sub-region is the rising levels of commercial debt, which offer very little room for manoeuvring, unlike Paris Club credit. Commercial lenders are unlikely to forgive debt, typical of what the Paris Club members offered in the early 2000s in the form of the Heavily Indebted Poor Countries (HIPC) initiative.

Finally, a lot of the credit facilities that have been taken by some of these countries involve variable interest rates. The risk associated with this interest rate is that it can fluctuate when the benchmark interest rate or index fluctuates. This could mean higher debt service obligations for countries in the sub-region, if the market moves against them.

ECOWAS debt-to-GDP ratio is projected to end 2022 at 46.2%, rising to 46.6% in 2023. The WAEMU's debt-to-GDP ratio is projected to increase marginally to 56.5% in 2022 before declining to 55.4% in 2023. The WAMZ+'s ratio is projected to decline to 42.6% in 2022, increasing to 43.5% in 2023 (Annex 2).

Worsening current account balance

The sharp increase in prices will have an adverse effect on ECOWAS economies as the import bill will outweigh exports. Even for Nigeria, which is set for windfall crude oil revenues, the increasing cost of imported essentials will be greater than the gains from petroleum revenues.

The current account balance in ECOWAS is projected to worsen to -3.2% of GDP in 2022 before declining to -2.8% in 2023. For the WAEMU, the ratio is projected to end 2022 at -7.3%, improving to -6.2% in 2023. The WAMZ+'s current account balance is projected to reach -2% in 2022 and improve marginally to -1.9% in 2023.

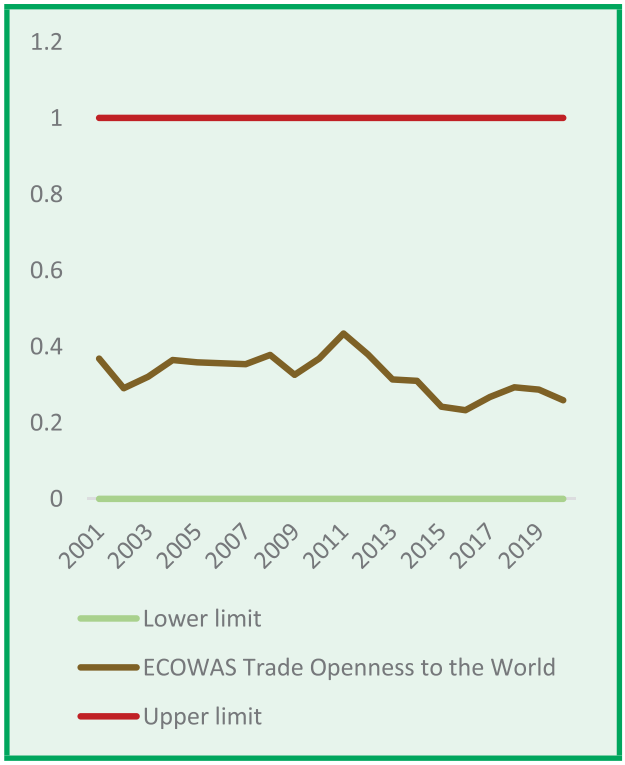
THE TWIN-SHOCKS, TRADE AND FOOD SECURITY

Like all economies in the world, Africa's Regional Economic Communities (RECs) have suffered shocks with impacts that vary from one REC to the other. ECOWAS has suffered, in addition to the twin-shocks, a series of military coups in three of its Member States, forcing the Authority of Heads of State and Government of the sub-region to impose economic and financial sanctions on the countries that suffered these coups.

Whether it is the COVID-19 pandemic, the sanctions that followed the military coups, or the Russia-Ukraine conflict, each shock has contributed to the deterioration of the sub-region's trade indices.

Over the last two decades, ECOWAS's average trade openness to the world market has averaged 0.3, while its trade openness to Africa averages only 0.02 (Figure 18).

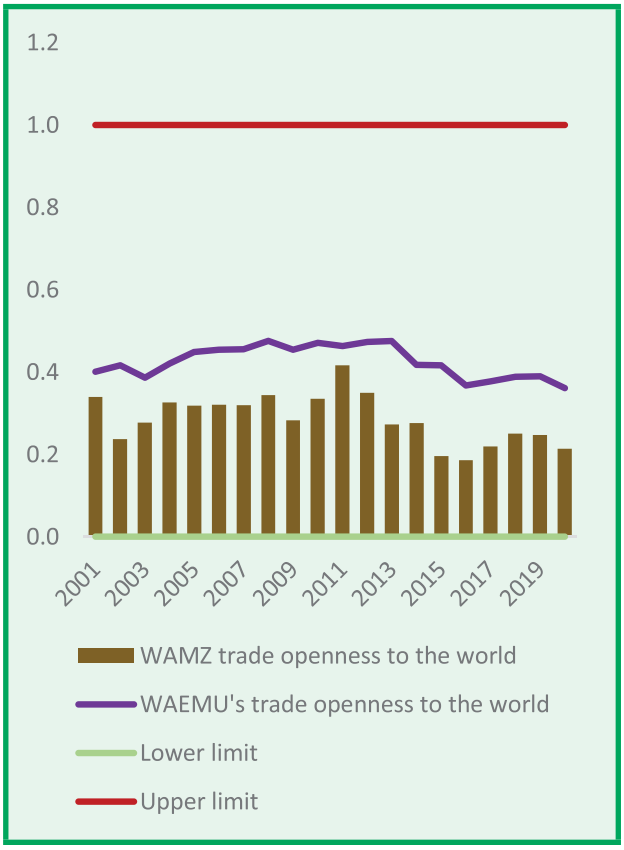
Figure 18: Trend in the Degree of ECOWAS's Trade Openness to the World



Source: EBID staff based on UNCTAD data

As worrying as the low ECOWAS trade openness index to the world is, what is even more worrying is the low index to Africa, an indication that ECOWAS countries have not prioritised trade with the continent. This has implications for the sub-region's ability to capitalize on the advantages the African Continental Free Trade Area (AfCFTA) brings to intra-regional trade on the continent.

Figure 19: Trade Openness of WAEMU and WAMZ on the World Market



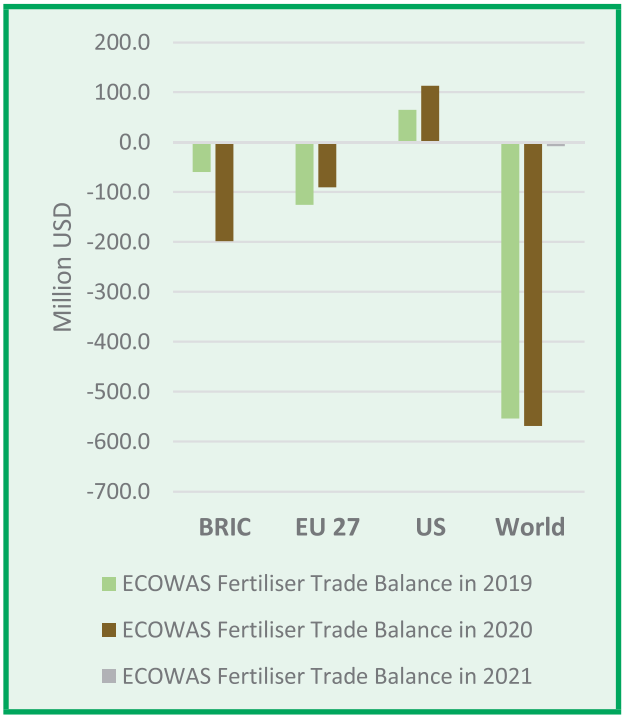
Source: EBID staff based on UNCTAD data

Within ECOWAS, WAEMU Member States have had the propensity to trade more on the world market (0.4) than WAMZ Member States (0.3), as shown in Figure 19.

War heightens a food crisis in ECOWAS

ECOWAS is a net importer of fertiliser. In 2019, the Community's trade deficit in fertiliser amounted to USD 553.5 million, reaching USD 568.8 million in 2020. The breakdown of ECOWAS's trade balance from fertiliser trade across specific markets shows that the sub-region is a net importer of fertiliser with the Brazil, Russia, India, China (BRIC) bloc and the European Union (EU) markets. However, in 2019 and 2020, the region was a net exporter of fertiliser to the US market (Figure 20).

Figure 20: ECOWAS Trade Balance from Fertiliser Trade through Specific Markets



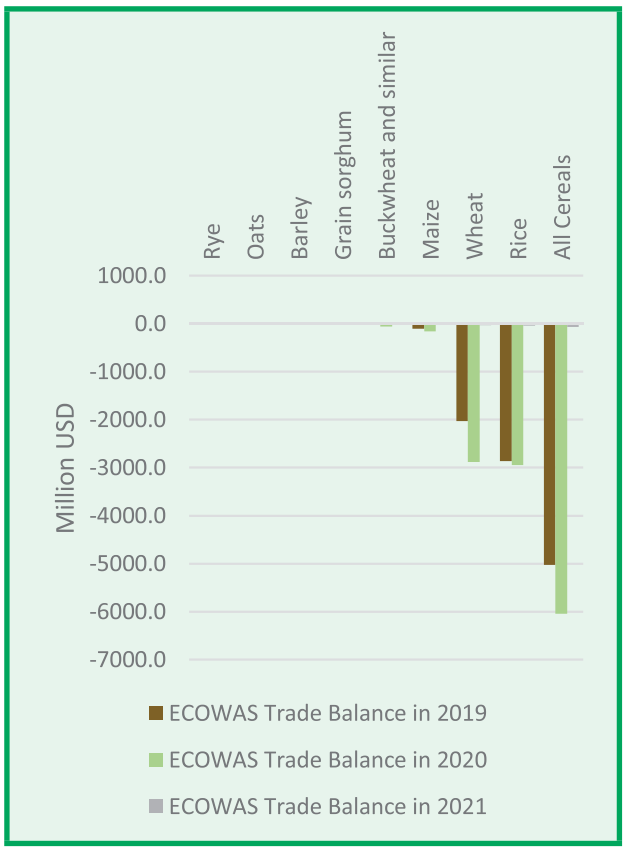
Source: EBID staff based on International Trade Centre data

This is an indication of how the war in Ukraine will affect both supplies and fertiliser expenditure, if ECOWAS Member States manage to get access to the commodity, given that Russia is an important market player.

In addition to being a net importer of fertilisers, ECOWAS is also a net importer of cereals. In 2019, the sub-region recorded a deficit of USD 5.03 billion in cereals trade on the global market. In 2020, despite restrictions on the movement of goods and services due to lockdowns, this deficit increased to USD 6.04 billion (Figure 21).

In 2019, ECOWAS's average trade deficit in cereals with the BRIC bloc, America and the EU accounted for 70% of the Community's global trade deficit in cereals. On the average, 36% of the Community's overall cereals trade deficit was in favour of the BRIC block, 24% in favour of America and 9% in favour of the EU.

Figure 21: ECOWAS Trade Balance by Cereal Type



Source: EBID staff based on International Trade Centre data

In 2020, ECOWAS's average trade deficit in cereals with these three blocs grew to 78%. On the average, 35% of the overall ECOWAS cereals trade deficit was in favour of the BRIC bloc, 23% in favour of America and 19% in favour of the EU.

India initially promised to increase exports to fill the gap left by the war, which has affected cereals supplies by Russia and Ukraine. However, the country placed a ban on wheat exports, in particular, in May 2022, to cater for the domestic market as a result of rising temperatures in the growing areas, which has affected output.

In effect, the threat of inadequate supply of fertilisers is compounded by anticipated low supply of cereals, which presents a looming food crisis for the ECOWAS Region, not just in 2022 but also in the medium term.

POLICY OPTIONS

The sub-region is faced with a possible food crisis, rising inflation and slowing growth. Policymakers are faced with the challenge of containing inflation without repressing growth.

However, these same challenges present opportunities for policy re-orientation in a way that makes it effective and efficient.

A hawkish but accommodative monetary policy

The twin shocks – the pandemic and the war – have upset the global demand-supply dynamics for commodities and brought in their wake the risk of a structural inflation episode that presents a policy conundrum. Given that the source of inflation is supply-side-driven, there must be a careful blend of monetary and fiscal policies in a way that addresses the inflation challenge without suppressing the growth in economic activity.

Raising the monetary policy rate too high, in a bid to rein in inflation, will increase the cost of business, leading to heightened prices and growth suppression.

What we know is that the pandemic and war have led to supply challenges, eliciting food, fertiliser and energy price increases. The weight of food and non-alcoholic beverages in most ECOWAS Member States' consumer price index basket exceeds 45%, with cereals being a major part of this number. Furthermore, energy price increases translate into higher transportation costs and further leads to increases in the prices of food and non-food commodities.

Given this background, monetary policy alone will not be able to address all the challenges with inflation, the reason why monetary policy rate hikes must proceed with caution.

Achieving food self-sufficiency

Fertiliser

As already indicated, ECOWAS is dependent on fertiliser imports. The Community should aim at developing local production of fertiliser both as a matter of food security and to reduce its trade deficit with the rest of the world. Nigeria, Senegal and Togo have rich deposits of phosphate, potassium, ammonia and gas to facilitate local production. Consideration should also be given to the development of industrial production of organic fertilisers in the sub-region.

Thankfully, in March 2022, the Dangote fertiliser plant (urea and ammonia) was commissioned in Nigeria, paving the way for the production of about 3 million metric tons of urea annually. The plant is the largest in Africa and the second largest in the world, with a projected annual turnover of about US$5 billion. This foreign exchange can help shore up the naira. Alternatively, if the Nigerian government decides to substitute its fertiliser import bill of around US$260 million with local production, that could serve the same purpose of shoring up the local currency.

The advantages of this plant can extend to the sub-region, if countries can establish robust trade credit lines that will ensure that they receive supplies from Nigeria. There is a multiplicity of benefits to this effect. It will increase intra-regional trade, provide guaranteed shorter distance travel time for deliveries and take advantage of the low tariffs sub-regional production benefits from through the AfCFTA initiative. In effect, transportation and tariff costs will be lower for fertiliser imports from Nigeria, leading to lower overall costs to the local farmer.

Food

As already discussed, between 70% and 78% of ECOWAS net cereal imports come from the BRIC, US and the EU. Supplies from these regions have reduced due mainly to the Russia-Ukraine conflict, sparking potential food shortages in 2022 and beyond.

It is, therefore, imperative that countries within the sub-region embark on an aggressive cultivation of staples like maize, rice, wheat, cassava, yam, soybeans, beans, sorghum and millet, among others, to avert a probable food crisis in the medium term.

There is the need to invest to increase the yield per acreage in the sub-region, given that the sub-region has one of the lowest yields per acreage in the world. Investment in improved seeds, fertilisers, appropriate chemicals, irrigation infrastructure and mechanisation will go a long way to avert a food crisis in the medium term. Mid-year budget reviews should focus on prioritising food production as a way of making up for the imminent supply shortages.

Data from the FAO available for ten of the fifteen ECOWAS Member States show that in 2020, credit allocated to the agriculture sector amounted to USD 29 million. The sub-region should aim at increasing this by between 20% and 40%, emphasising the production of staples, some of which have been enumerated.

Achieving energy self-sufficiency

Petroleum producers in West Africa like Nigeria and Ghana export crude oil and import products, due to limited and largely inefficient refining capacities. Nigeria has struggled to reach 1.7 million barrels per day production for quite some time now and its refining capacity has hovered around 461 thousand barrels per day. In effect, like in all other sectors, the sub-region has failed to take advantage of a large segment of the energy value chain overtime.

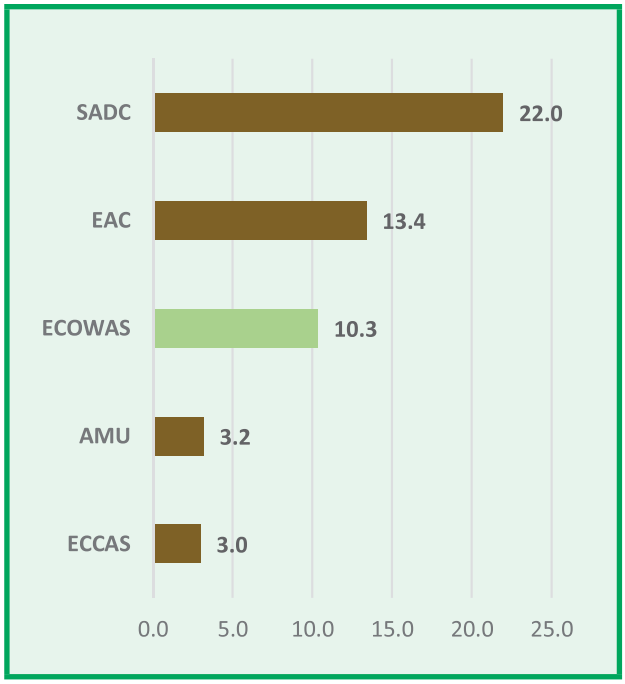
Increasing refining capacities in the sub-region will not only promote intra-regional trade but also provide an avenue for the countries in the sub-region to source cheaper products, given the short distance travel and tariff considerations (via AfCFTA). This makes it necessary for a country like Nigeria, given its production size, to work towards increasing its refining capacity.

The 650,000 barrels per day Dangote Group oil refinery plant, which is expected to come online by 2023, will help bridge the gap a bit. The plant is said to be the largest of its kind in Africa. This is another avenue for Nigeria to reduce its import bill and boost external reserves. To the countries in the sub-region, it is an opportunity to make savings on petroleum imports and further develop the transportation infrastructure needed to facilitate the petroleum trade.

Overcoming shocks through trade

Intra-regional trade in ECOWAS has averaged 10.3% over the past two decades, compared to 22% in the SADC and 13.4% in the EAC (Figure 22).

Figure 22: Average intra-regional trade of African RECs over the period 2001-2020



Source: EBID staff based on UNCTAD data

A lot remains to be done to bring the sub-region to the levels that would insulate it from supply risks associated with essential commodities. In addition to guaranteeing lower costs of imports, intra-regional trade will also foster the co-movement of ECOWAS shocks, one of the triggers for the creation of monetary unification, which the sub-region aspires to.

In addition to petroleum and fertiliser trade, as mentioned above, there is scope for increased

intra-regional trade in the sub-region, particularly in basic manufactures.

Human capital development

Eight (8) of the bottom 20 countries on the Human Development Index come from the West African sub-region. There is the need, therefore, to work to improve Member States' score on the assessment indicators, which include life expectancy, literacy rate, rural populations' access to electricity, GDP per capita, exports and imports, homicide rate, multidimensional poverty index, income inequality and internet availability.

The COVID-19 pandemic has confirmed the sub-region's lack of preparedness for major health crises. While confirmed cases are rather low, the case fatality ratio for SSA is the worst anywhere in the world. Access to quality health care remains a challenge in many West African cities, towns and villages due primarily to the lack of adequate health professionals, health infrastructure or both.

Data from ILO show that poverty is most prevalent amongst the uneducated in SSA. In effect, only few of the educated suffer the levels of poverty the uneducated are faced with. It is important to encourage education among young children and the youth to help address this canker. Emphasis must also be placed on the education of girls in equal measure as boys.

Improving productive capacities

ECOWAS exports are composed mainly of natural resources and a few light manufactured products. The sub-region has low productive capacity, requiring the need for a major structural transformation. The sub-region will need to improve its productive capacities in order to improve its competitiveness in Africa and globally.

To assess Member States' productive capacities, we employ UNCTAD's Productive Capacity Index (PCI), which is a composite index of eight categories of productive capacities: natural capital, human capital, energy, information and communications technology (ICT), transport, private sector, institutions and structural change. The values of the average PCI and its components over the period 2000-2018 for ECOWAS Member States are summarised in Annex 3.

On a scale of 0 to 100, the PCI of ECOWAS Member States is below 30, which is quite low. Cabo Verde has the highest average index (29.6), with Niger having the lowest average index (17.9). With the exception of one, the private sector composite for all countries is the highest performing, with a score of more than 60%, revealing the relevance of the sector in the economic structure and potential for growth.

The PCI confirms the importance of the natural resource sector, which places second to the private sector in all Member States, except Niger where it places first. In terms of prospects, the improvement of the PCI in each ECOWAS Member State over the next few years is expected to come through improvements in ICT, the energy sector, the transport sector, human capital and structural change.

Thereafter, there should be a shift from the current fragmented interventions focused on nationalistic projects that obscure the existence of the Community to more coherent approaches at the Community level. It is imperative for Member States to focus on the production of goods for which they have comparative advantage.

This will help with economic diversification and boost intra-regional trade. Furthermore, it will help create a certain level of inter-dependencies and integration through the production of complementary goods and services by one country that enter the value chains of the other countries. It will also help the sub-region take advantage of the AfCFTA tariffs and lower the overall cost of goods and services.

Achieving structural transformation

The decline in the share of agriculture in the GDP

of ECOWAS Member States has been accompanied by a considerable increase in the share of the services sector, while the manufacturing sector has more or less stagnated. This clearly shows that the industrial sector is the one that needs to be developed within ECOWAS to consolidate the structural transformation process.

ECOWAS Member States need to develop value chains around the raw materials in which they have comparative advantages. This involves identifying manufactured products that are close to the primary products they export.

Based on Hausmann and Klinger (2006), we choose a pair of products consisting of a primary product and another low- or medium-tech manufactured product and then calculate the proximity of each product pair. The proximity between one product and the other measures the distance between the two products. When two products are close, it suggests a certain similarity between them and, therefore, a possibility of transferring the skills and knowledge required for the manufacture of one to the other. Furthermore, this proximity sheds light on products that require an increase in comparative advantages in order to commence production.

The distance measuring the proximity between a pair of products is calculated as follows:

$$\varphi_{i,j,t} = \min\left\{P(x_{i,t}\,|\,x_{j,t}), P(x_{j,t}\,|\,x_{i,t})\right\}$$

With $P(x_{i,t}\,|\,x_{j,t})$ being the probability of producing the known good $x_{i,t}$ and $P(x_{j,t}\,|\,x_{i,t})$ being the probability of producing the known good $x_{i,t}$.

Annex 4 shows the proximity between the selected product pairs. The higher the conditional probability between a pair of products, the less distance there is between them. It shows low levels of proximity between cotton and the various low-tech manufactured products in the textile sector. These low levels of proximity show that the knowledge and capacities used in cotton production are not sufficient to allow a country to start producing low-tech manufactures in the textile sector.

This requires the acquisition of the necessary and appropriate capital (physical, technical and human). Nevertheless, we note that the proximity index between cotton and cotton fabrics, on the one hand, and the proximity index between cotton and women's knitwear, on the other hand, are relatively higher than the others. As a result, the textile sector is an area for further development within ECOWAS. Benin, Burkina Faso and Mali are the three countries that have high comparative advantages in the production of cotton.

ECOWAS countries have the possibility of transforming leather and raw hides into leather products such as shoes. Cabo Verde has a comparative advantage in the manufacture of shoes. Countries like Togo, Senegal, Nigeria, etc., can do same (Annex 5).

The low value of the proximity index between cocoa and chocolate (Annex 6) shows that the production of chocolate and other cocoa products requires knowledge and infrastructure beyond that used in cocoa production. But it should be noted that Côte d'Ivoire and Ghana produce and export chocolate and other cocoa products with a comparative advantage.

In addition to cocoa, countries like Liberia, Côte d'Ivoire and Guinea can transform their rubber into tyre and other rubber products by establishing the appropriate factories (Annex 7).

The steel industry is a sector that can also be developed in ECOWAS in view of the comparative advantage that some countries such as Sierra Leone, Senegal, Ghana, Burkina Faso and Liberia have (Annex 8). Benin, Senegal and Sierra Leone already export iron and steel bars and profiles with a comparative advantage. What remains is for them

to increase capacities in the production of these products to benefit from scale advantages.

DOWNSIDE RISKS

There are quite a number of factors that could affect the macroeconomic projections for the subregion, as discussed below.

Hyperinflation looming

The impact of supply chains disruptions on prices has been telling over the past two years – first with COVID-19 and now, the Russia-Ukraine war. A longer-than-expected war (the war has lasted much longer than originally anticipated) will only worsen the inflationary trend experienced so far since the war broke on 24 February 2022.

There is an imminent risk of a hyperinflation, if the war does not end before the third quarter.

Security concerns

The security situation in the Sahel region has overflowed to other neighbourhoods in the sub-region. Cross-border attacks have been experienced in Côte d'Ivoire, Burkina Faso, Benin and Togo in recent times. This raises questions about security in the sub-region, with its concomitant adverse impact on economic activity and the eradication of poverty.

Mali, Burkina Faso, Niger and Nigeria seem to be the epicentre of the attacks in the sub-region. The sanctions on Mali seem to have limited coordinated efforts towards fending off further attacks. If it gets out of control, things will unravel quickly.

Threats of sanctions

The Community's ability to achieve the projected targets depends on its handling of the political situations in Mali, Guinea and Burkina Faso. The longer it takes for the sanctions to be lifted off of Mali, the longer it will be cut off from the economic architecture of the sub-region. Sanctions against Guinea and Burkina Faso will further worsen the possibility of a sustained recovery.

Health

So far, the pandemic has been contained quite well in 2022. However, vaccine hesitancy still looms large and many people have not had the requisite vaccination. A resurgence will have detrimental impacts on lives and livelihoods and erode the economic gains in 2021.

Unfavourable weather patterns

A few countries are at risk of a drought in the medium term. Niger and Cabo Verde are particularly on high alert. Agriculture would be affected by an unfavourable rainfall pattern, contributing to food insecurity and poverty.

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COUNTRY BRIEFS

BENIN

Macroeconomic Performance

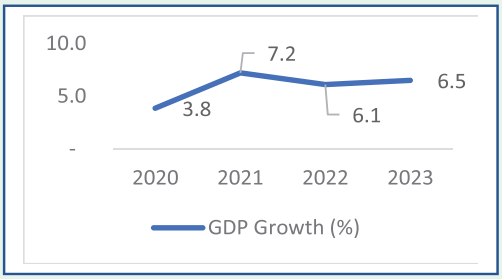
Benin recorded the fastest growth in economic activity in the West African sub-region in 2021, growing at 7.2%, from 3.8% in 2020. The remarkable growth is on account of a 9.1% growth of the industry sector, spurred primarily by heightened activities in construction and industrial activities. Average inflation slowed to 1.7% in 2021, from 3% in 2020. Fiscal balance deteriorated to -5.8% of GDP at end-2021, from -4.7% of GDP in 2020, as a result of the expansionary fiscal policy in favour of capital and social interventions expenditure. Likewise, the public debt breached the 50% of GDP mark for the first time in a long while, reaching 50.6% of GDP, from 46.1% of GDP in 2020. Current account balance weakened to -4.5% of GDP, from -1.7% of GDP in 2020. It is instructive to note that in recent years, Benin has undertaken to improve economic infrastructure as a way of ensuring economic competitiveness.

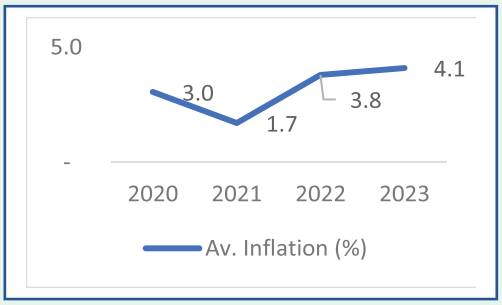
Outlook

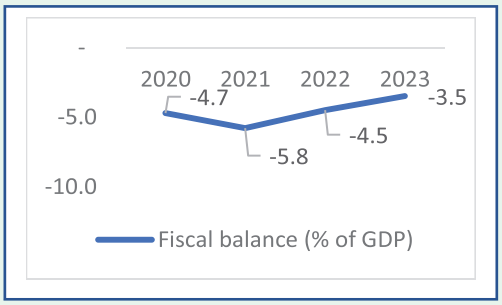
Benin is expected to continue on a path of high growth, growing at 6.1% in 2022 and further to 6.5% in 2023. This performance is expected to be driven by construction activities and the fairly robust services sector. Inflation in projected to remain elevated, more than doubling to 3.8% in 2022, from 1.7% in 2021, and increasing further to 4.1% in 2023. Fiscal balance is expected to improve to -4.5% of GDP in 2022 and further to -3.5% of GDP in 2023, as fiscal consolidation measures kick in. The debt-to-GDP ratio is also expected to decline to 49.3% in 2022 and 48.7% in 2023. Current account balance is expected to deteriorate further to -5.8% in 2022 before improving to -5.5% in 2023.

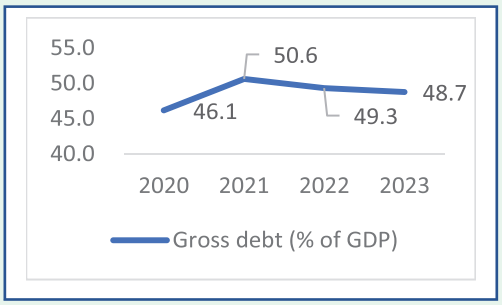
Probable Headwinds

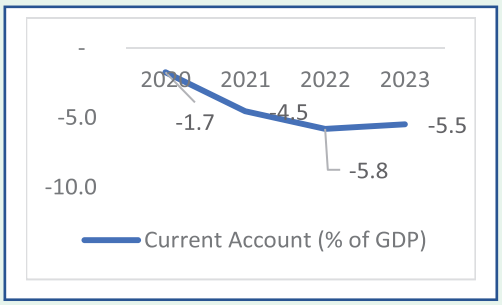
Benin is also exposed to the adverse impact of the global inflation trends that has been fuelled by food and energy price hikes. A longer-than-anticipated war in Ukraine will pose a nightmare to fiscal and monetary authorities and could undermine the growth in economic activity. Furthermore, the threat of terrorist strikes in the northern part of the country (a spill over effect of the Sahel insurgency) and the high cost of capital (owing to key rate hikes in the West) could undermine Benin's economic prospects in 2022.











BURKINA FASO

Macroeconomic Performance

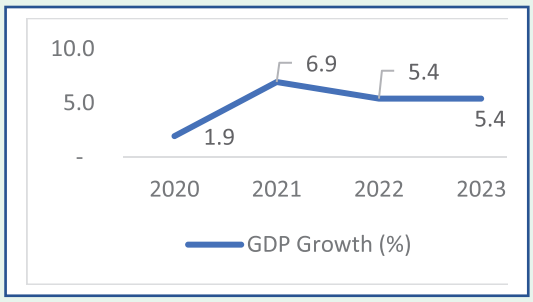
The Burkina Faso economy grew by 6.9% in 2021, from 1.9% in 2020, driven mainly by mining and manufacturing activities. Average inflation more than doubled to 3.9% in 2021, from 1.9% in 2020, as the increased commodity price hikes impacted the economy. Fiscal balance improved to -5.6% of GDP, from -5.7% of GDP in 2020, irrespective of the increased security and social spending. The country's debt-to-GDP ratio increased to 50.7%, from 46.5%, in line with the fiscal expansion. Current account balance grew markedly to -3.1%, from -0.1% in 2020, on the back of rising imports, which outstripped the strong gold exports.

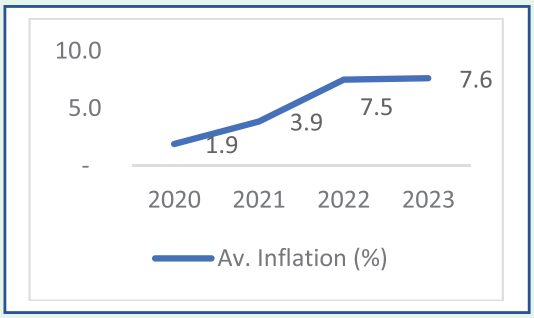
Outlook

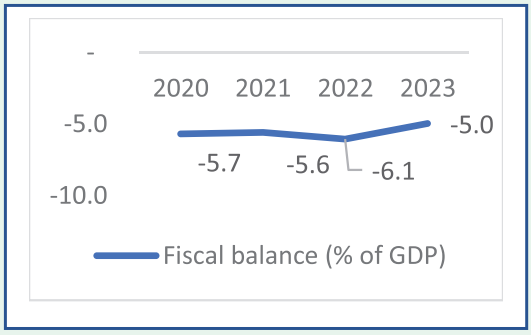
Burkina Faso is projected to grow by 5.4% in 2022 and 2023 on the back of increased gold exports, and an increase in domestic consumption. The slowdown in growth is partly on the back of a projected increase in general price levels, with average inflation expected to reach 7.5% in 2022 and further to 7.6% in 2023, on account of the current food and energy supply crisis. Fiscal deficit is projected to widen further to 6.1% of GDP in 2022 before declining to 5% of GDP in 2023. Public debt is also projected to continue to rise to 53.4% of GDP in 2022, declining marginally to 53.1% in 2023. Current account balance is projected to deteriorate to -5.7% in 2022 and decline to -5.3% in 2023, on account of an expected widening in the trade deficit.

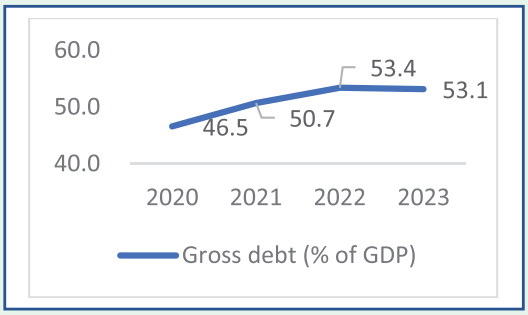
Probable Headwinds

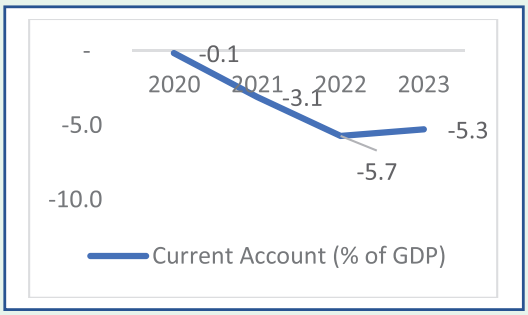
The growing insecurity poses a significant downward pressure point on the growth in economic activity. Furthermore, if the Authority of Heads of State and Government of the ECOWAS should impose economic and financial sanctions on the country, as a result of the military regime's unwillingness to hand over power to an elected government, the economy could suffer from the consequences of this action. Burkina Faso is also at the mercy of the rise in global food and energy prices and could suffer from persistent price increases, which could undermine economic performance.











CABO VERDE

Macroeconomic Performance

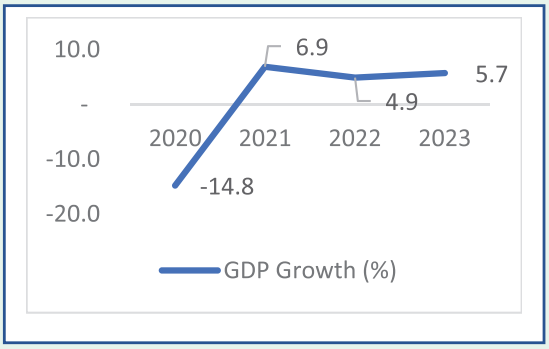
Cabo Verde's economy grew by 6.9% in 2021, up from a -14.8% growth in 2020, as the return to growth in economic activity globally impacted positively on the tourism sector. Average inflation inched up markedly to 1.9%, from 0.6% in 2020. Fiscal balance narrowed to -8.5% of GDP in 2021, from -9.1% of GDP in 2020, as revenue increased, relative to 2020. Public debt declined to 154.1% of GDP in 2021, compared to 158.8% of GDP in 2020, with the current account deficit declining to 12.5% of GDP, from 15.9% of GDP in 2020, as remittances, external financing and tourist receipts improved.

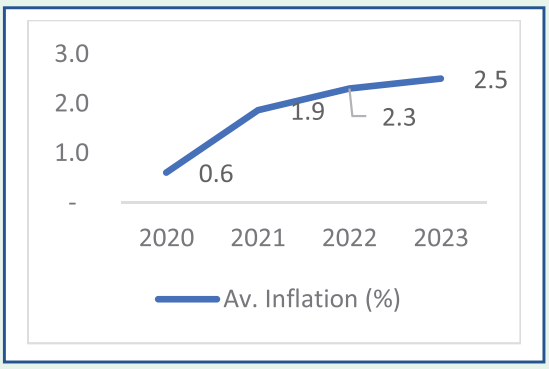
Outlook

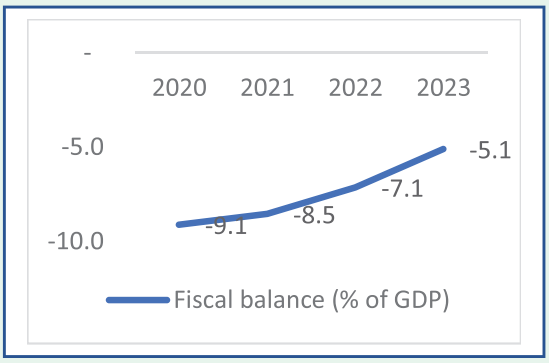
GDP growth is projected to decelerate to 4.9% in 2022, rising to 5.7% in 2023. This is due to an expected unfavourable climatic condition and the impact of the Russia-Ukraine war on general price levels. Average inflation is projected to continue to rise to 2.3% in 2022 before declining to 2.5% in 2023. Fiscal balance is expected to continue on a declining path to -7.1% of GDP in 2022 and -5.1% of GDP in 2023. Public debt is expected to rise to 159.2% of GDP in 2022 and further to 152.7% of GDP in 2023 to finance the fiscal deficit. Current account balance is projected at -11.5% of GDP in 2022 and -8.6% of GDP in 2023, based on a gradual rebound in tourist activities.

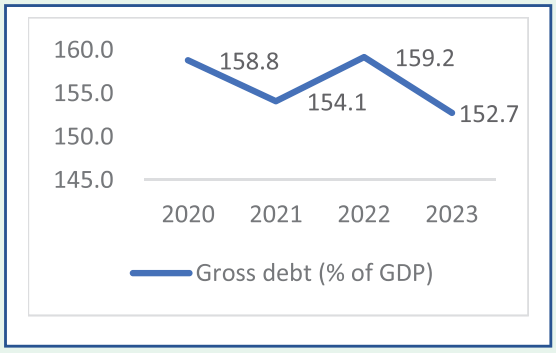
Probable Headwinds

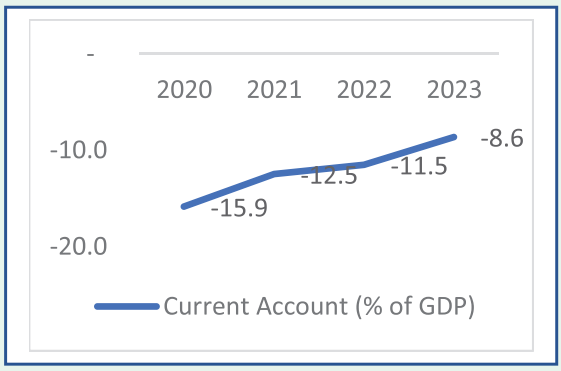
High prices will not bode well for the economy. High food and energy prices will result in impoverishing some of the population, given that wage adjustments may not be commensurate with inflation. A drought will adversely affect agriculture output and put more pressure on food prices. Any event, COVID-19 or otherwise, that affects a return to pre-pandemic levels of tourist activity will be detrimental to growth.











CÔTE D'IVOIRE

Macroeconomic Performance

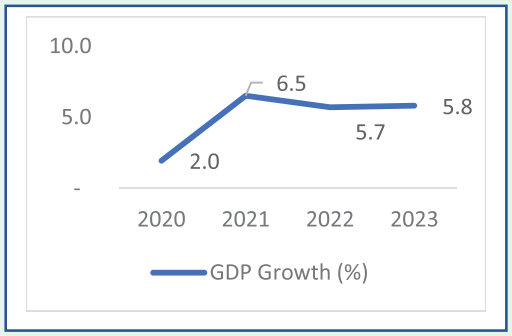
The Ivorian economy grew by 6.5% in 2021, from 2% in 2020, owing to a strong domestic demand. Average inflation almost doubled to 4.2%, from 2.4% in 2020, on the back of high commodity prices at the closing states of 2021. Fiscal consolidation efforts were pushed back owing to the need to support a recovery from the pandemic-induced low growth in economic activity. Fiscal deficit remained at 5.6% of GDP in 2021 (same as 2020), with public debt inching up markedly to 51.4% of GDP, from 47% of GDP in 2020. Current account deficit ended the year at 3.7% of GDP, up from 3.2% of GDP in 2020.

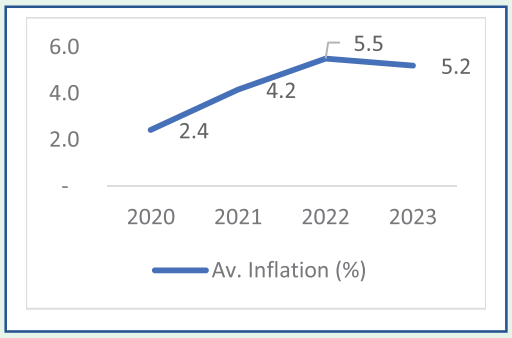
Outlook

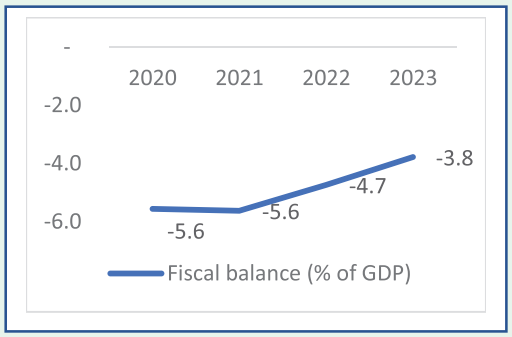
The country's economy is projected to continue on a path of high growth, albeit at a slower pace than recorded in 2021. The economy is expected to grow by 5.7% in 2022 and 5.8% in 2023. The deceleration in the growth in economic activity is mainly on account of the impact of rising prices. Average inflation is projected to increase to 5.5% in 2022 before declining to 5.2% in 2023. Fiscal deficit is projected to decline to 4.7% of GDP in 2022 and further to 3.8% in 2023. Public debt is projected to end 2022 at 51.8%, improving to 51.4% in 2023. Current account deficit is projected to worsen to 4.8% of GDP in 2022, improving marginally to 4.4% in 2023.

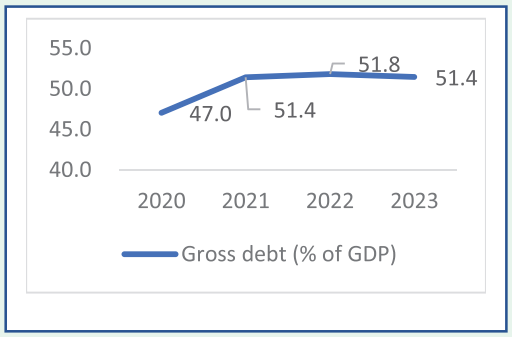
Probable Headwinds

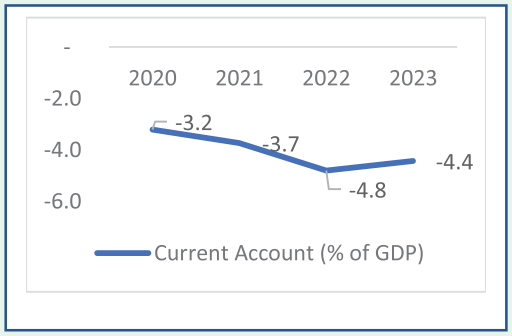
High commodity prices will not bode well for the Ivorian economy, due to the disruptive effects of inflation on GDP growth. The war in Ukraine will keep prices elevated, affecting crude oil and agriculture inputs, which could spark low agriculture output and fears of further price hikes. Like all West African countries, Cote d'Ivoire is exposed to the Sahel insurgents. The country's ability to prevent further attacks will go a long way in sustaining economic activity in the northern part of the country, which will help prevent an escalation of food prices.











THE GAMBIA

Macroeconomic Performance

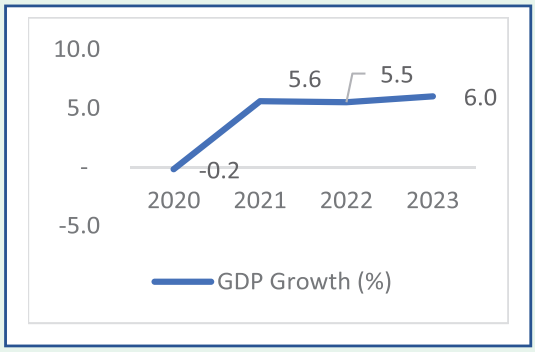
The Gambia's economy rebounded from a decline of 0.2% in economic activity in 2020 to a growth of 5.6% in 2021, on account of increased tourist arrivals and a favourable rainfall pattern. The country experienced price escalation in the year, with average inflation rising to 7.4%, from 5.9% in 2020, owing to rising food and crude oil prices. Fiscal deficit settled at 4.4% of GDP in 2021, fuelled by flagging revenues and expenditure expansion. The debt levels remained elevated, even though it declined to 83% of GDP, from 85% in the prior year. The current account balance spiked to -9.5 in 2021, from -3.2 in 2020.

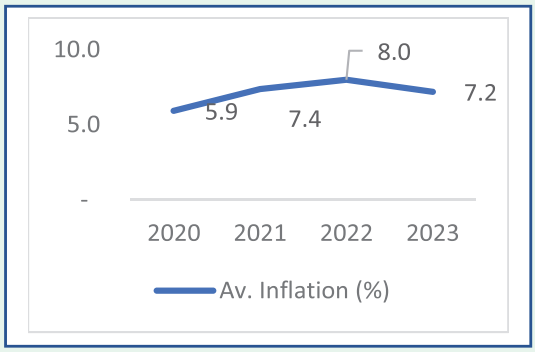
Outlook

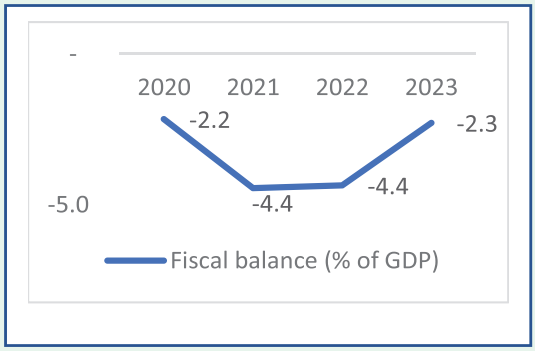
The Gambian economy is projected to remain in positive territory in 2022, even though growth is expected to decelerate marginally to 5.5%, from the 2021 position, rising to 6% in 2023. Inflation will remain elevated, as a result of high food and non-food prices, specifically, crude oil prices. Average inflation for the year will inch up to 8% in 2022, from 7.4% in 2021, before declining to 7.2% in 2023. Fiscal deficit will stabilise at 4.4% of GDP in 2022, on account of increased public expenditure to contain the inflationary trend, declining to 2.3% in 2023. The debt level is projected to decline further to 80.4% of GDP in 2022 and 75.5% in 2023, in line with measures towards achieving debt sustainability. The current account deficit is projected to increase markedly to 14.9% in 2022, declining to 11.8% in 2023.

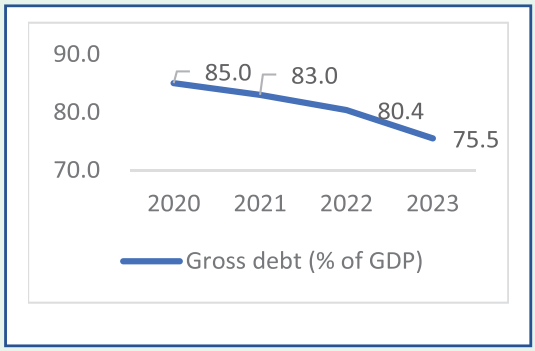
Probable Headwinds

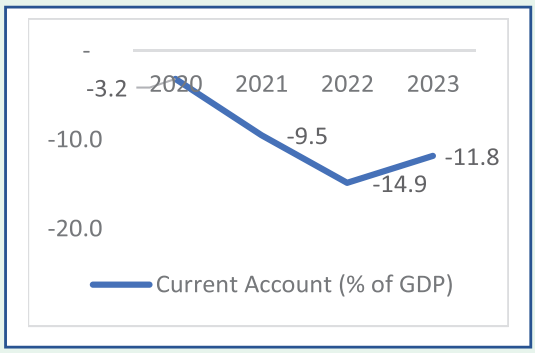
The size of public debt continues to pose risks to fiscal sustainability, given the associated debt service obligations. Inflation will continue to pose downside risks to the economy, eroding real incomes and pushing many into poverty. Government's intervention to improve the cost of living could result in a wider fiscal deficit than anticipated and put the debt consolidation path at an enormous risk.











GHANA

Macroeconomic Performance

Ghana's GDP grew by 5.4% in 2021, compared to 0.5% in 2020. Average inflation also inched up slightly from 9.9% in 2020 to 10% in 2021, in line with upward pressures on general prices. The unexpected growth in the real GDP and the relatively high prices (as also captured by the GDP deflator growth) led to an increase in the nominal GDP, leading to a decline in the overall debt-to-GDP ratio from 78.3% in 2020 to 76.6% in 2021, contrary to expectations that the ratio would breach the 80% mark. This was in spite of a wide fiscal deficit of 11.6% in 2021, even though it represents a climbdown from the 2020 ratio of 15.6%.

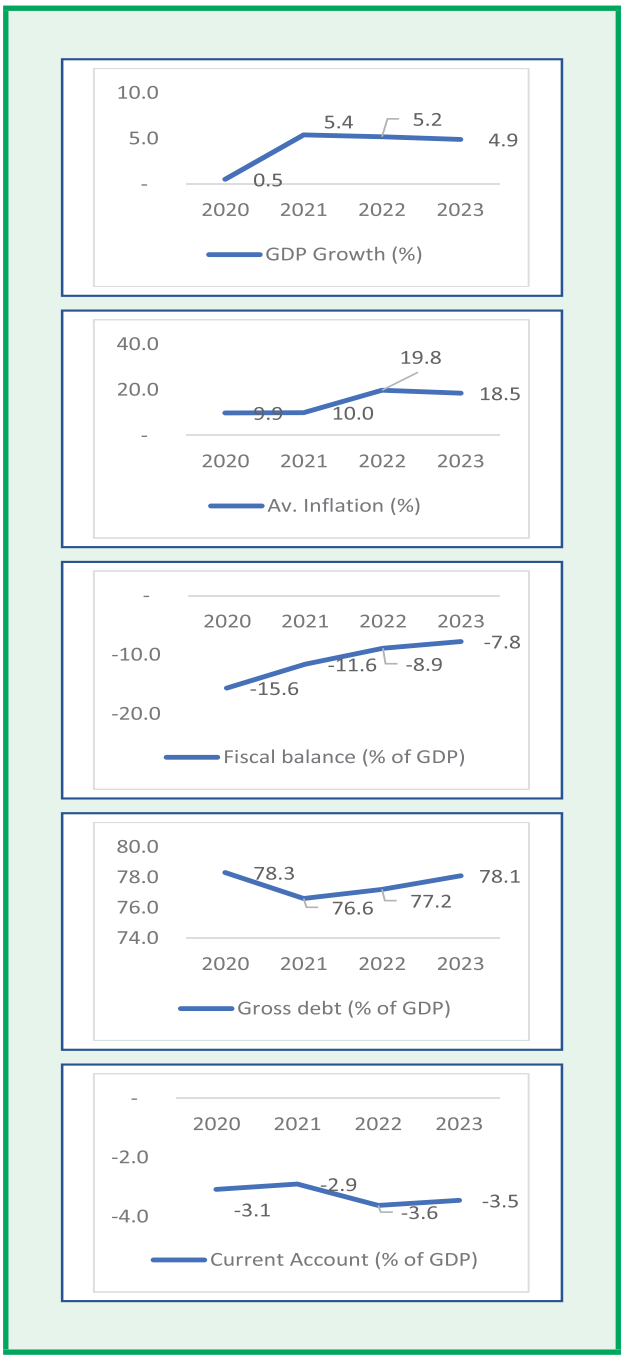
Outlook

Just like all other countries, Ghana has had to contend with the twin-challenge of COVID-19 and the war in Ukraine. Ghana has witnessed an episode of a galloping inflation in 2022, with the index increasing from 13.9% in January to 23.6% in May 2022 year-on-year. This has emanated from the high crude oil prices, which has resulted in high transportation costs, translating into high food and non-food inflation.

Ghana is expected to end 2022 with an average inflation of 19.8%, declining to 18.5% in 2023. The escalating prices will likely hurt growth in 2022, bringing it down to 5.2% and 4.9% in 2022 and 2023, respectively. The impact of rising prices is also expected to adversely affect the pace of fiscal consolidation, with 2022 ending with a deficit-to-GDP of 8.9% before reducing to 7.8% in 2023. Debt-to-GDP is expected to inch up to 77.2% and 78.1% in 2022 and 2023, respectively. The rebound in economic activity, coupled with high prices will drive current account deficit to 3.6% and 3.5% of GDP in 2022 and 2023, respectively.

Probable Headwinds

Ghana will have to contend with inflation without compromising growth. Inflation is expected to remain high despite the increase in the monetary policy rate in the first quarter of 2022. A 20% increase in transportation costs in May, an impending upward adjustment in electricity and water tariffs and possible labour agitations for salary increases will keep inflation expectations high. Furthermore, the cedi could depreciate further, given the high cost of key import commodities. This could exacerbate the cost of living.



GUINEA

Macroeconomic Performance

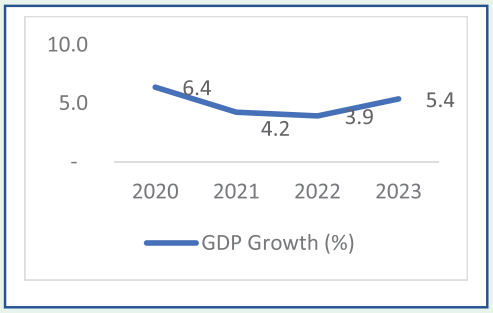
With economic growth at 6.4% in 2020, the fastest growth in the sub-region, expectations about growth in 2021 were quite high for Guinea. However, the economy grew by 4.2% on the back of a rather slow growth in bauxite exports, partly as a result of the military takeover in the country. Average inflation inched up by 2 percentage points to 12.6%, in light of rising prices in the fourth quarter of the year. Fiscal deficit narrowed to 1.5% of GDP, with low capital spending, while the debt-to-GDP ratio declined markedly to 39.3% in 2021, compared with 44% in 2020. Current account balance improved significantly to -4% of GDP, as imports waned on account of the political situation.

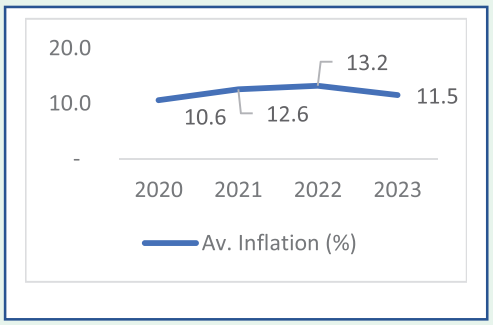
Outlook

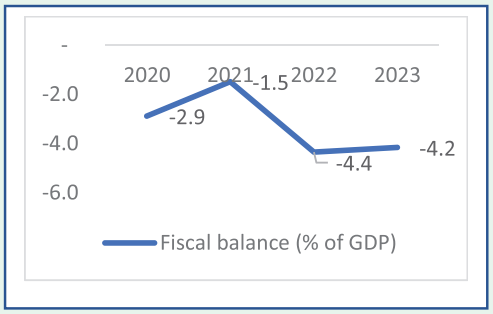
Economic activity is expected to expand by 3.9% in 2022, on account of difficulty to export the bauxite by Rusal, owners of one of the bauxite mines in Guinea. This has come about because the recipient plant in Ukraine is non-functional, and the Russian connection to Rusal could make it difficult for new buyers to be found quickly. However, growth is projected to rebound to 5.4% in 2023, if the war should end in 2022. Average inflation is expected to remain in double-digit trajectory, rising to 13.2% in 2022 and declining marginally to 11.5% in 2023. The return to normal economic activity is expected to lead to a widening of the fiscal deficit to 4.4% of GDP in 2022, declining to 4.2% in 2023. Public debt is projected to decline marginally to 39.1% in 2022 and 37.5% in 2023. Current account balance is projected to end 2022 at -9.6%, declining to -8.5% in 2023.

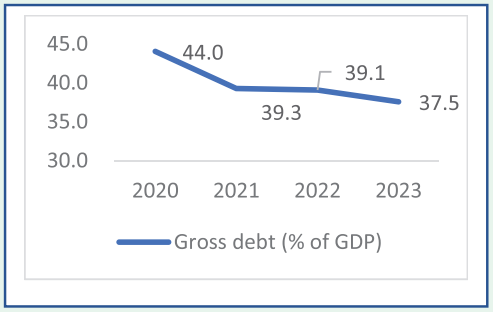
Probable Headwinds

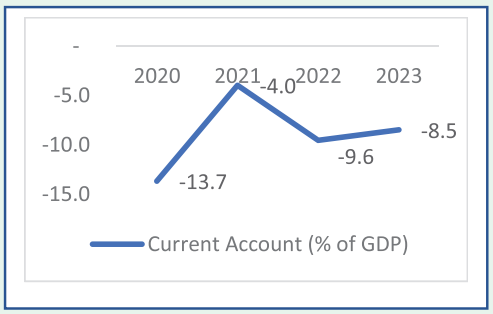
The war will pose short-term challenges to the Rusal mine and affect economic activity adversely. The imposition of economic and financial sanctions by ECOWAS, due to non-adherence to an acceptable timetable for a return to democratic governance, will pose challenges to the economy. High agricultural inputs will be detrimental to the growth in activity, exacerbating the food inflation situation in the country.











GUINEA-BISSAU

Macroeconomic Performance

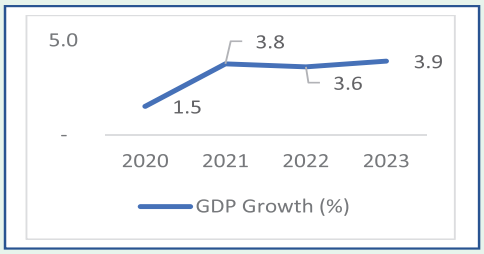
Guinea-Bissau recorded a GDP growth of 3.8% in 2021, up from 1.5% in 2020, spurred by the agriculture sector, particularly, cashew exports. Average inflation more than doubled to 3.3% in 2021, from 1.5% in 2020, on the back of high food and energy prices. Fiscal deficit declined markedly from 10% of GDP in 2020 to 5.9% of GDP in 2021, owing to an increase in domestic revenues and expenditure consolidation. That notwithstanding, debt inched up, albeit marginally, to 80.7% of GDP in 2021, from 79.4% of GDP in 2020. Current account balance stood at -3.1% of GDP, a deterioration from the 2020 level of -2.6% of GDP, even though cashew exports increased. Like many of its neighbours, high food and energy prices contributed to driving up the size of the import bill.

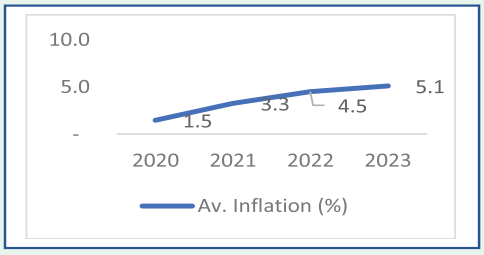
Outlook

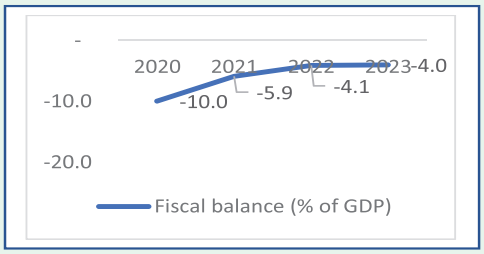
The economy is projected to grow by 3.6% in 2022. This is due to the impact of the high food and energy prices, which will repress public and private sector investments. Growth will however rebound to 3.9% in 2023. Average inflation is expected to continue in an upward trajectory, reaching 4.5% in 2022 and further to 5.1% in 2023 for the same reasons adduced earlier. Fiscal balance is projected to remain in negative territory in 2022 and 2023. However, the ratio will tighten to -4.1% of GDP in 2022 and further to -4% of GDP in 2023, in line with the fiscal policy objectives of the Government. Public debt is projected to decline marginally to 79.7% of GDP in 2022 and further to 77.7% in 2023, in line with efforts to reduce the primary deficit. Current account balance is projected at -5.6% of GDP, given the high cost of imports, relative to exports. The current account balance is projected to improve to -4.8% in 2023.

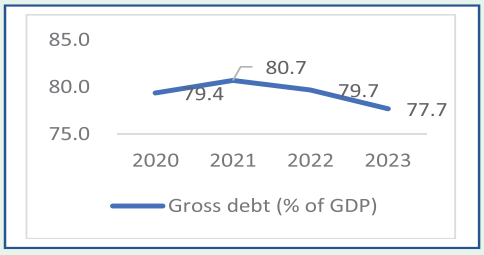
Probable Headwinds

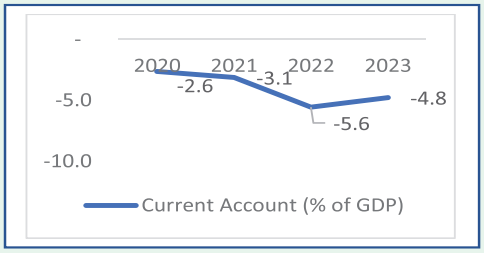
The country experienced an attempted coup d'état in February 2022, a reminder of the incessant threat of political instability in that country and the sub-region. This threat has held back development and continues to steer scarce resources away from development activity to security. It represents the single biggest threat to the economic fortunes of the country in 2022 and beyond. High commodity prices (particularly, food and energy) are another downside risk for the economy.











LIBERIA

Macroeconomic Performance

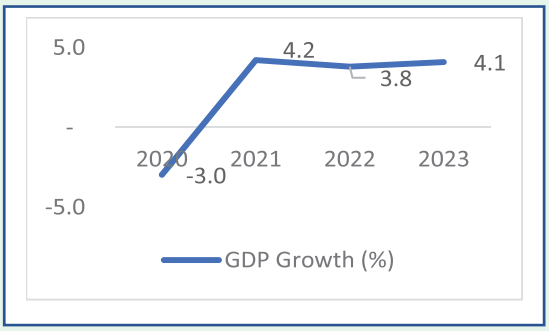
Liberia recovered from a 2-year negative growth to a 4.2% growth in 2021, with mining output driving the growth in economic activity. Agriculture output (rubber and palm oil, in particular) also grew significantly to spur overall GDP growth. Average inflation declined significantly to 7.8% in 2021, from 17% in 2020. Fiscal deficit declined to 2.9% of GDP in 2021, from 3.8% of GDP in 2022, owing to a strong revenue performance, with the debt-to-GDP ratio responding positively and declining to 52.9% in 2021, from 58.3% in 2020. Current account deficit worsened to 17.8% of GDP, from 16.3% of GDP, as imports outweighed exports in the year.

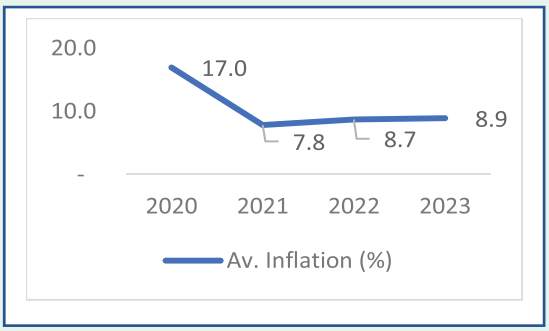
Outlook

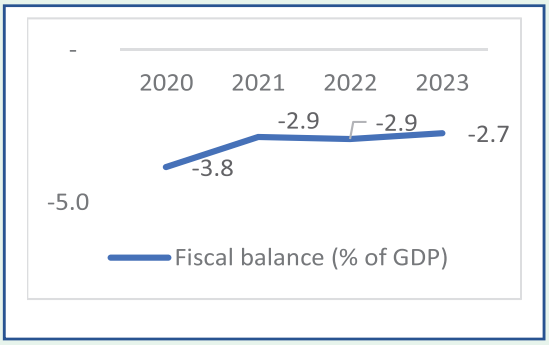
Economic growth is projected to remain in positive territory, even though it is projected to slow down to 3.8%, mainly as a result of the increase in input costs across sectors. GDP growth is projected at 4.1% in 2023. Average inflation is projected to continue in single-digit territory in 2022, even though it is projected to rise to 8.7% in 2022 and further to 8.9% in 2023. Liberia's fiscal consolidation efforts are expected to lead to stabilise fiscal balance at 2.9% of GDP in 2022, improving further to 2.7% of GDP in 2023. Debt is also projected to decline to 51.6% of GDP in 2022 and 2023. The current account balance is also projected to improve to -16.1% and -15.9% in 2022 and 2023, respectively.

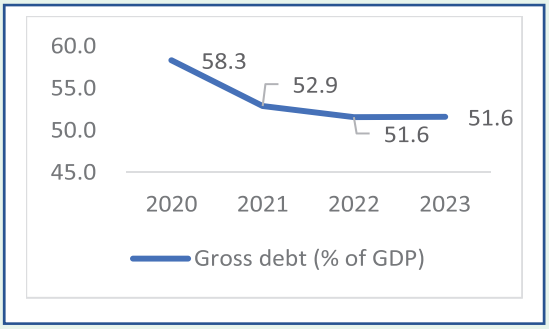
Probable Headwinds

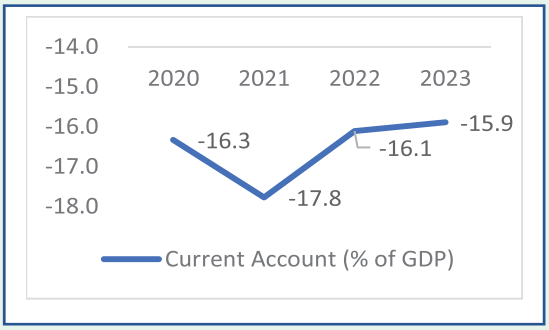
Escalating food and energy prices as well as food shortages remain the biggest threats to the Liberian economy. A massive decline in the value of the local currency will serve as fodder for an inflation spiral, wreaking havoc on the borderline poor and the very poor. While it remains a remote possibility, a re-emergence of the Ebola epidemic and a worsening COVID-19 pandemic could derail the economic gains in 2021 and set the country on a path of a difficult recovery.











MALI

Macroeconomic Performance

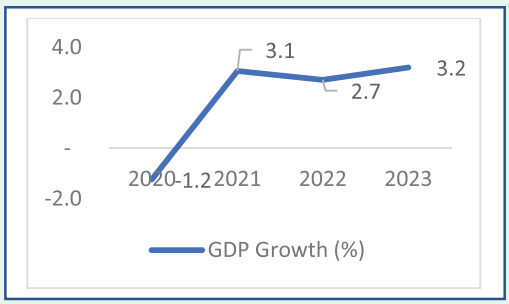
Mali recovered from a GDP growth of -1.2% in 2020 to a growth of 3.1% in 2021, with the agriculture (mainly cotton) and services sectors as the main drivers. The country's political instability and the accompanying uncertainties had an adverse effect on economic activity. Average inflation increased by 3.5 percentage points to 4% in 2021, from 0.5% In 2020, in response to increasing prices in the last quarter of the year. Fiscal deficit declined to 4.9% of GDP in 2021, from 5.4% of GDP in 2020, with the public debt increasing to 52.1% of GDP. Current account balance deteriorated to -4.5% of GDP, as exports declined, and imports increased.

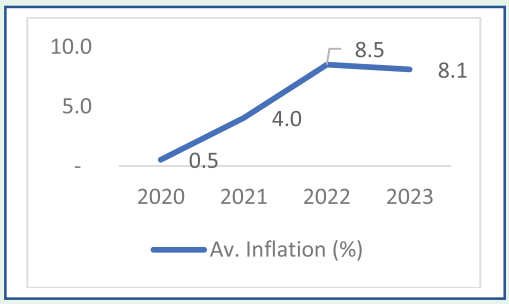
Outlook

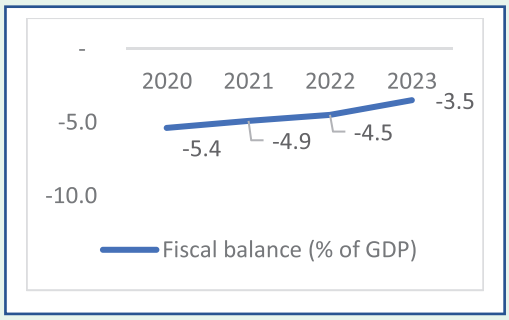
The economic and financial sanctions imposed by ECOWAS on the country are expected to have a heavy toll on the Malian economy. The Russia-Ukraine war also presents a second layer of adversity to the economy, with high input costs and final consumer prices likely to repress GDP growth. The economy is projected to grow by 2.7% in 2022 and further to 3.2% in 2023. Average inflation is projected to rise markedly to 8.5% and 8.1% in 2022 and 2023, respectively, in line with the rising food and energy prices. Fiscal deficit is expected to remain on a downward trajectory to 4.5% and 3.5% or GDP in 2022 and 2023, respectively, even though security expenditure is expected to rise. The debt-to-GDP ratio is projected to rise to 53.4% in 2022, declining to 52.1% in 2023. Current account balance is projected to reach -5.3% of GDP, as a result of the high cost of imports, declining to -4.9% of GDP in 2023.

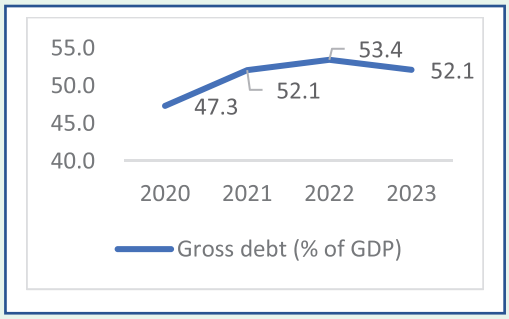
Probable Headwinds

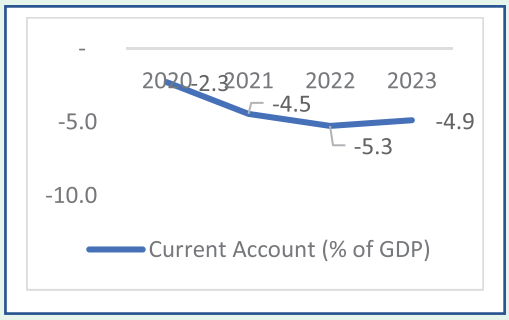
A purported coup attempt on 17 May 2022 is an indication of the constant threat to instability that the country faces going forward. This could embolden the Sahel insurgency and disrupt economic activity in the short -to-medium-term. A high inflation is quite alien to Mali's recent economic history and could set off a panic reaction across the country, given that there is little scope for commensurate adjustment in wages. These threats, if not addressed, could subdue the growth in economic activity.











NIGER

Macroeconomic Performance

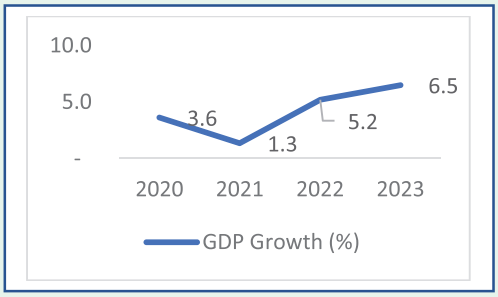
The Nigerien economy slowed to a growth of 1.3% in 2021, from 3.6% in 2020, making it the only country in the sub-region to have recorded a lower GDP growth in 2021, relative to 2020. Average inflation inched up to 3.8% in 2021, from 2.9% in 2020, in line with the global trend. Fiscal deficit continued to deteriorate (but at a slower pace) to 5.9% of GDP, from 5.3% of GDP in 2020, while public debt jumped to 52.9% of GDP, from 45% in 2020. The country's current account deficit deteriorated to 15.8% of GDP, from 13.4% of GDP in 2020.

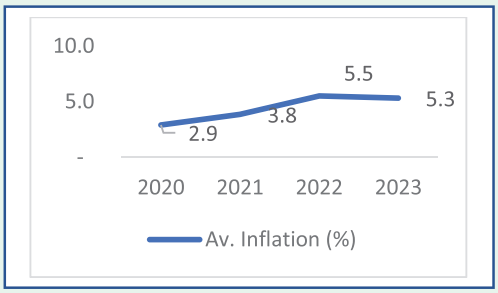
Outlook

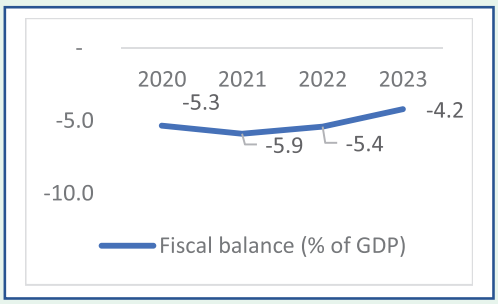
Niger's economy remains fragile, owing to heightened insecurity and an unfavourable rainfall pattern. The country's GDP is projected to rebound to a growth of 5.2% in 2022 and further to 6.5% in 2023. Inflation is expected to remain elevated, with average inflation rising to 5.5% in 2022 before declining to 5.3% in 2023. Fiscal deficit is projected to improve to 5.4% of GDP in 2022 and further to 4.2% of GDP in 2023. Public debt is projected to comove with fiscal deficit, rising to 53.8% of GDP in 2022 before declining to 53.1% in 2023. The current account balance is projected to stabilise at -15.8% of GDP in 2022 before declining to 13.8% of GDP in 2023.

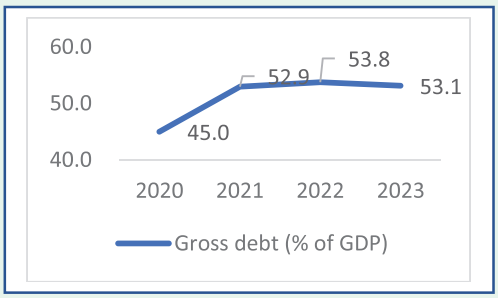
Probable Headwinds

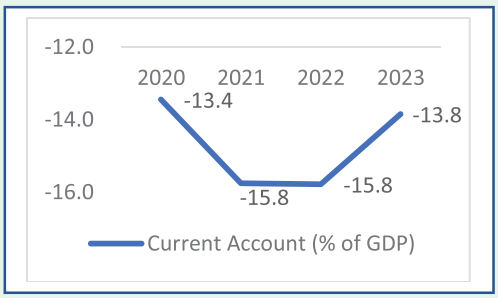
The heightened insecurity that erupted in 2021 will dampen the growth in economic activity, if it should recur in 2022. Other probable headwinds are droughts, a spike in COVID-19 cases, galloping inflation, food insecurity among others. The successful containment of all these possibilities and a return to agriculture and oil production should help return the country to a path of an appreciable growth in economic activity.











NIGERIA

Macroeconomic Performance

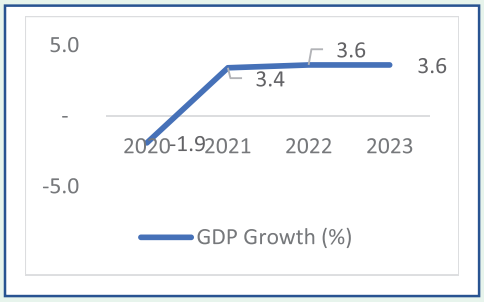
Nigeria's economy expanded by 3.4% in 2021, contrary to many forecasts placing it at below 3%. Inflation continued in double-digit territory in 2021, with average inflation rising to 17%, from 13.2% in 2020. Nigeria registered a record 6% fiscal deficit-to-GDP ratio in 2021, mainly on account of increasing capital and debt service expenditures, in line with its level of debt, which increased to 37% of GDP in the year, up from 34.5% in 2020.

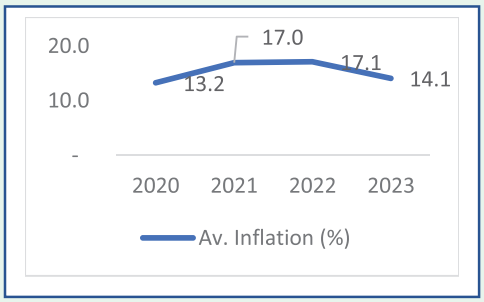
Outlook

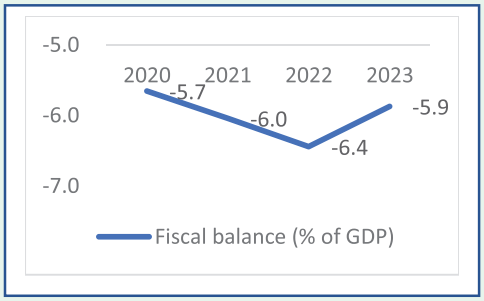
Nigeria's economy is projected to expand by 3.6% in 2022, on account of high crude oil prices, even if petroleum production does not reach the high levels in previous years. The manufacturing sector is expected to be boosted by the addition of the Dangote fertiliser plant, which, together with the Dangote refinery, will impact the economy significantly in 2023. The reduction in fertiliser and petroleum products imports will help boost the central bank's reserves, with its attendant positive impact on exchange rate stability. That said, inflation is expected to remain high at 17.1% in 2022, driven by food inflation and, to some extent, high petroleum prices. The elevated prices will mean that the government will have to pay more in petroleum price subsidies, which together with other expenditure items, will drive the fiscal deficit-to-GDP ratio 6.4% before moderating to 5.9% in 2023. The debt-to-GDP ratio is expected to rise to 37.4% and further to 38.8 percent in 2022 and 2023, respectively. The current account balance is projected to rise marginally to -1.1% of GDP in 2022 and remain same in 2023.

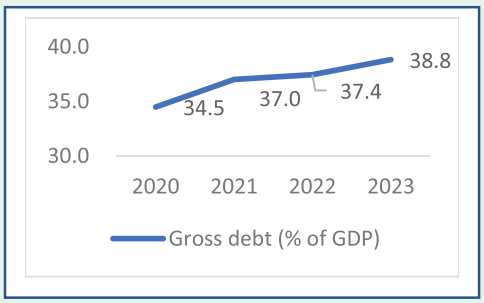
Probable Headwinds

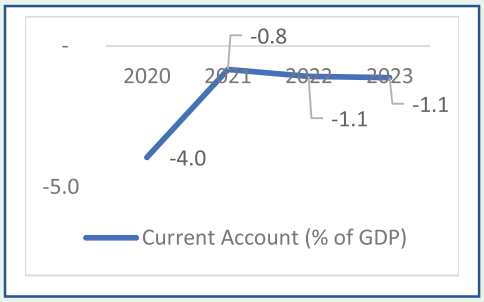
While high crude oil prices will benefit the economy, the government will have to spend more to stabilise ex-pump petroleum prices. Low crude oil production will affect GDP growth, government revenue and the reserves position. The high cost of living could lead to agitations for salary increases, which could lead to higher government expenditure and further widen the fiscal deficit.











SENEGAL

Macroeconomic Performance

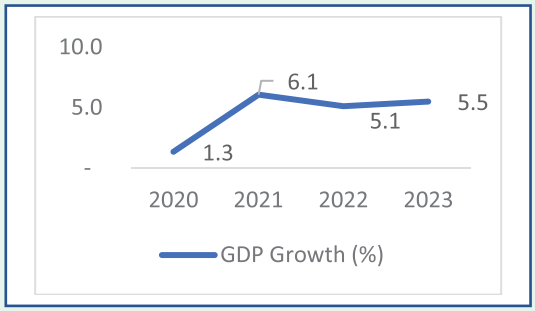
The Senegalese economy grew by 6.1% in 2021 as a result of increased domestic consumption and growth in industrial activity. Average inflation declined to 2.2%, from 2.5% in 2020, aided by the downward pressure the bumper harvest in 2020 and in the early part of 2021 exerted on food prices. Fiscal deficit declined marginally to 6.3% of GDP, from 6.4% of GDP in 2020, with the debt-to-GDP ratio increasing from 69.2% of GDP to 75.7% of GDP, thus, breaching the 70% debt-to-GDP threshold set for the Community's Member States. Current account balance widened to -11.8% of GDP, from -10.9% of GDP in 2020, as imports outweighed exports.

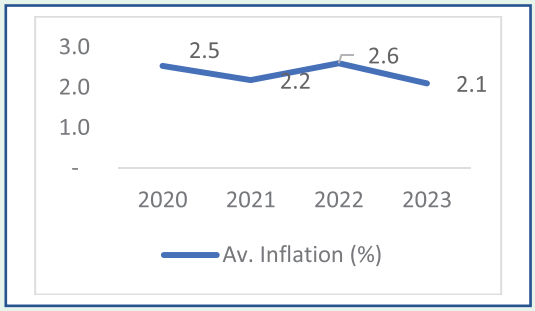
Outlook

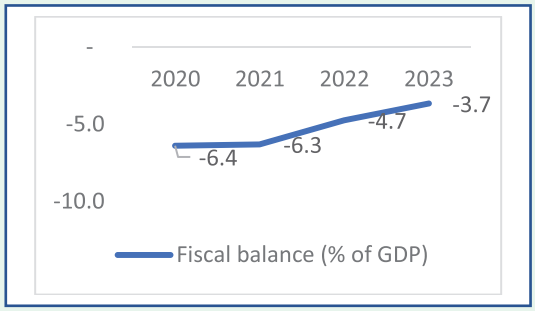
GDP growth is projected to decelerate to 5.1%, as the rising energy prices, which together with increased food prices, are projected to lead to an average inflation of 2.6% in 2022, thus, subduing growth. Growth will rebound to 5.5% in 2023, with average inflation having declined to 2.1% in 2023. Fiscal balance is projected to decline to -4.7% of GDP in 2022 and further to -3.7% of GDP in 2023. Public debt is projected to decline to 75.3% of GDP in 2022 and further to 71.3% in 2023. Current account balance is projected to worsen to -13% of GDP in 2022 before improving to -8.4% in 2023.

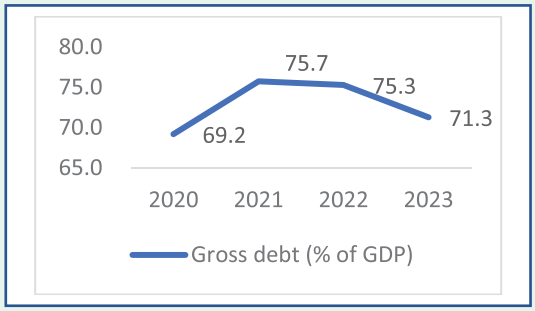
Probable Headwinds

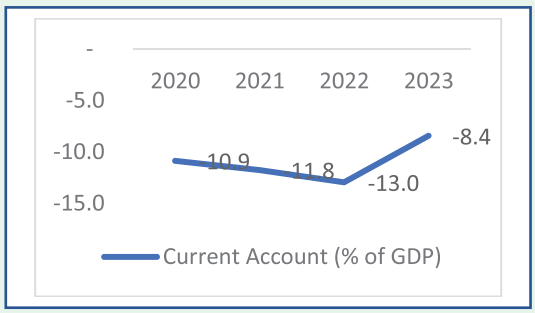
The biggest challenge for Senegal is the impact of an inflation spiral on the economy, stemming from high energy and food prices. The second threat has to do with a failure to contain the fiscal deficit for 2022 and 2023, which could lead to an increase in the debt profile and higher debt service costs in the medium-term.











SIERRA LEONE

Macroeconomic Performance

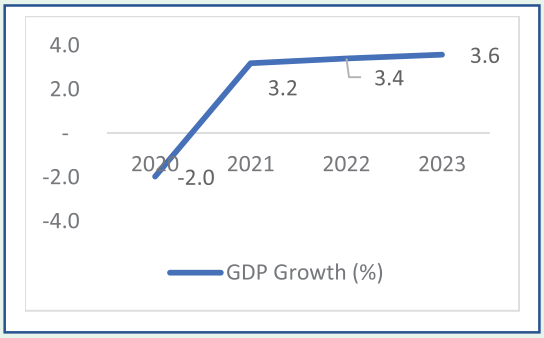
The Sierra Leonean economy grew by 3.2% in 2021, up from -2% in 2020, with the agriculture sector driving the overall growth in economic activity. Average inflation declined to 11.9% in 2021, from 13.4% in 2020, while fiscal balance worsened to -6.9% of GDP, from -5.8% in 2020. This resulted mainly from increased expenditure on electricity subsidies and public sector wages, with the improved revenue collection unable to contain the extra expenditure. Public debt declined marginally to 76.2% of GDP in 2021, from 76.3% of GDP in 2020. Current account deficit ended 2021 at 13% of GDP, almost double the 2020 rate of 6.8%.

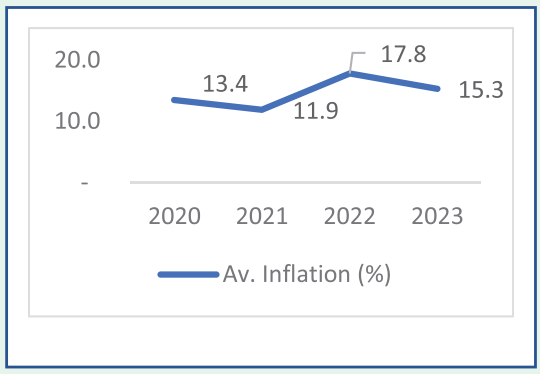
Outlook

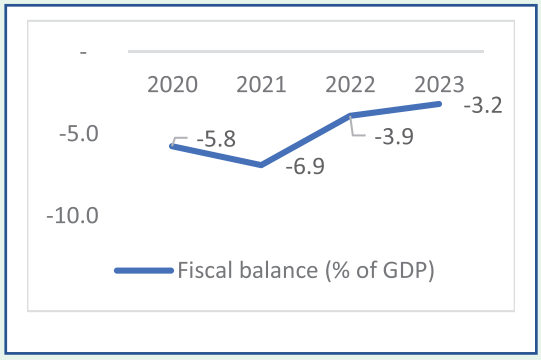
Economic activity is projected to grow in 2022 and 2023. The economy is projected to grow by 3.4% and 3.6% in 2022 and 2023, respectively, spurred by agriculture and mining activities. Average inflation is projected to climb up to 17.8% in 2022, on the back of high food and energy prices, before declining to 15.3% in 2023. Fiscal deficit is projected to narrow to 3.9% of GDP in 2022 and further to 3.2% of GDP in 2023, in line with the fiscal consolidation strategy. Overall debt is also expected to narrow to 75% of GDP in 2022 and 73.1% of GDP in 2023. The current account balance is projected to deteriorate to -17.2% of GDP in 2022 and decline to -13.7% of GDP in 2023.

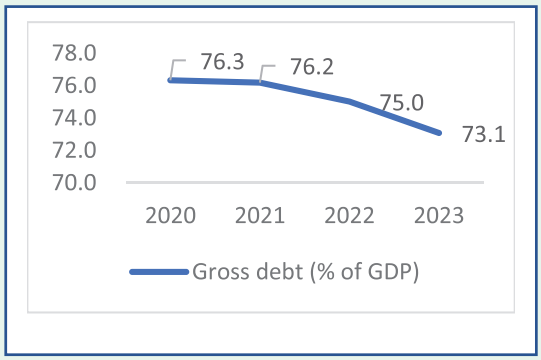
Probable Headwinds

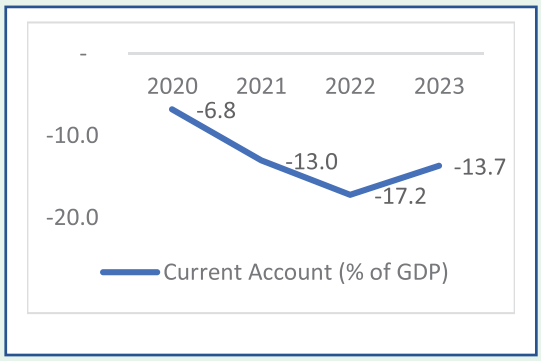
High food and energy prices will be inimical to growth in Sierra Leone. In effect, an end to the Russia-Ukraine war is necessary for the economy to achieve the projected growth. A resurgence in the COVID-19 pandemic or the Ebola epidemic will further dampen the prospects for growth in 2022 and the medium-term.











TOGO

Macroeconomic Performance

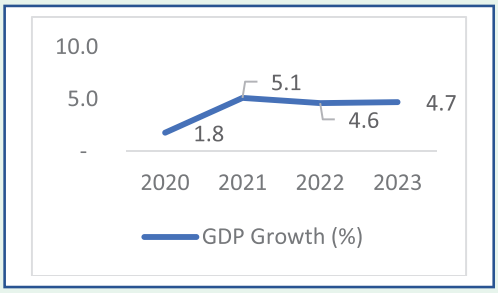
Togo's economy grew by 5.1% in 2021, from 1.8% in 2020, on account of increased domestic demand and exports. Average inflation ended 2021 at 4.3%, more than double the end-2020 rate of 1.8%, on account of sustained increases in food and energy prices, occasioned by the global supply chains disruptions. Fiscal deficit declined marginally to 6.5% of GDP, from 6.9% of GDP in 2020, on account of improved domestic revenue mobilisation and a still high expenditure profile. Public debt inched up to 63.8% of GDP in 2021, up from 60.3% in 2020, with current account balance worsening to -3.3% of GDP in 2021, from -1.5% of GDP in 2020.

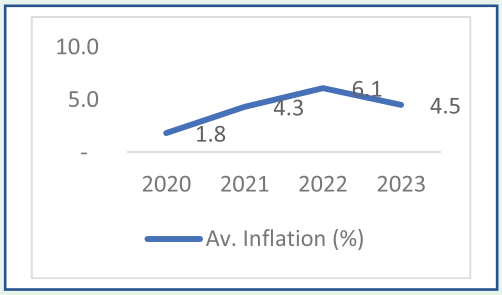
Outlook

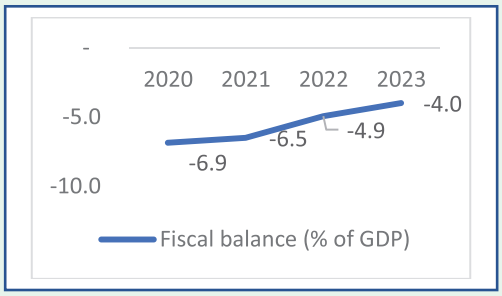
The economy is projected to decelerate to a growth of 4.6% in 2022, owing to the impact of the high food and energy prices, and grow by 4.7% in 2023. Average inflation is projected to end the year 2022 at 6.1% before declining to 4.5% in 2023. Fiscal deficit is projected to end 2022 at 4.9% of GDP, declining to 4% of GDP in 2023, owing to expected improvement in revenue mobilisation and expenditure rationalisation. The debt-to-GDP ratio is projected to decline marginally to 63.6% and 62.3% in 2022 and 2023, respectively. The current account balance is projected at -6% and -6.4% of GDP in 2022 and 2023, respectively.

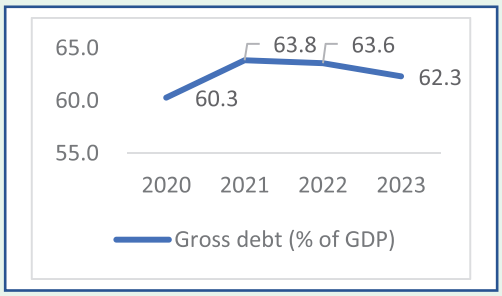
Probable Headwinds

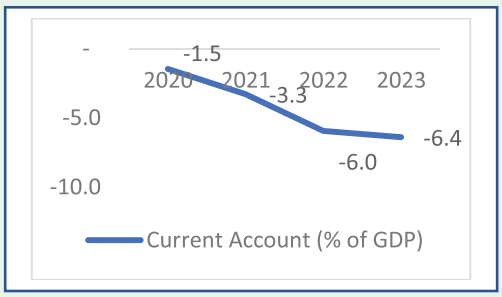
The Russia-Ukraine war is a key threat to Togo's economy in 2022 and 2023, owing to its impact on supply chains and inflation. High input costs will reduce value addition and overall GDP growth and increase the cost of living. Togo has also suffered from the spill over of the Sahel insurgency, raising security concerns in the northern part of the country. Heightened security risks could affect agricultural output and trigger increased security spending, which could adversely affect fiscal consolidation efforts.











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

	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Country	**Real GDP Growth (%)**					**Average Inflation (%)**				
Benin	6.9	3.8	7.2	6.1	6.5	0.9	3.0	1.7	3.8	4.1
Burkina Faso	5.7	1.9	6.9	5.4	5.4	-3.2	1.9	3.9	7.5	7.6
Cabo Verde	5.7	-14.8	6.9	4.9	5.7	1.1	0.6	1.9	2.3	2.5
Côte d'Ivoire	6.2	2.0	6.5	5.7	5.8	0.8	2.4	4.2	5.5	5.2
The Gambia	6.2	-0.2	5.6	5.5	6.0	7.1	5.9	7.4	8.0	7.2
Ghana	6.5	0.5	5.4	5.2	4.9	7.1	9.9	10.0	19.8	18.5
Guinea	5.6	6.4	4.2	3.9	5.4	9.5	10.6	12.6	13.2	11.5
Guinea-Bissau	4.5	1.5	3.8	3.6	3.9	0.3	1.5	3.3	4.5	5.1
Liberia	-2.5	-3.0	4.2	3.8	4.1	27.0	17.0	7.8	8.7	8.9
Mali	4.8	-1.2	3.1	2.7	3.2	-2.9	0.5	4.0	8.5	8.1
Niger	5.9	3.6	1.3	5.2	6.5	-2.5	2.9	3.8	5.5	5.3
Nigeria	2.2	-1.9	3.4	3.6	3.6	11.4	13.2	17.0	17.1	14.1
Senegal	4.6	1.3	6.1	5.1	5.5	1	2.5	2.2	2.6	2.1
Sierra Leone	5.3	-2.0	3.2	3.4	3.6	14.8	13.4	11.9	17.8	15.3
Togo	5.5	1.8	5.1	4.6	4.7	0.7	1.8	4.3	6.1	4.5
ECOWAS	3.5	-0.7	4.6	4.4	4.6	8.2	10.2	11.1	12.2	10.4
WAEMU	5.8	2.0	5.8	5.3	5.6	-0.3	2.3	3.5	5.3	4.9
WAMZ+	2.8	-1.4	3.7	3.8	3.8	11	12.7	15.6	17.0	14.2

Annex 2: Fiscal Balance, Public Debt and Current Account Balance

Country	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
	Fiscal Balance (% of GDP)					Public Debt (% of GDP)					Current Account (% of GDP)				
Benin	-0.5	-4.7	-5.8	-4.5	-3.5	42.5	46.1	50.6	49.3	48.7	-4.0	-1.7	-4.5	-5.8	-5.5
Burkina Faso	-3.4	-5.7	-5.6	-6.1	-5.0	42.0	46.5	50.7	53.4	53.1	-3.3	-0.1	-3.1	-5.7	-5.3
Cabo Verde	-1.8	-9.1	-8.5	-7.1	-5.1	124.9	158.8	154.1	159.2	152.7	-0.4	-15.9	-12.5	-11.5	-8.6
Côte d'Ivoire	-2.3	-5.6	-5.6	-4.7	-3.8	38.4	47.0	51.4	51.8	51.4	-2.3	-3.2	-3.7	-4.8	-4.4
The Gambia	-2.5	-2.2	-4.4	-4.4	-2.3	83.0	85.0	83.0	80.4	75.5	-6.1	-3.2	-9.5	-14.9	-11.8
Ghana	-7.3	-15.6	-11.6	-8.9	-7.8	62.7	78.3	76.6	77.2	78.1	-2.7	-3.1	-2.9	-3.6	-3.5
Guinea	-0.5	-2.9	-1.5	-4.4	-4.2	38.4	44.0	39.3	39.1	37.5	-11.5	-13.7	-4.0	-9.6	-8.5
Guinea-Bissau	-4.0	-10.0	-5.9	-4.1	-4.0	66.5	79.4	80.7	79.7	77.7	-8.8	-2.6	-3.1	-5.6	-4.8
Liberia	-4.8	-3.8	-2.9	-2.9	-2.7	48.9	58.3	52.9	51.6	51.6	-19.6	-16.3	-17.8	-16.1	-15.9
Mali	-1.7	-5.4	-4.9	-4.5	-3.5	40.7	47.3	52.1	53.4	52.1	-7.5	-2.3	-4.5	-5.3	-4.9
Niger	-3.6	-5.3	-5.9	-5.4	-4.2	39.8	45.0	52.9	53.8	53.1	-12.2	-13.4	-15.8	-15.8	-13.8
Nigeria	-4.7	-5.7	-6.0	-6.4	-5.9	29.2	34.5	37.0	37.4	38.8	-3.3	-4.0	-0.8	-1.1	-1.1
Senegal	-3.9	-6.4	-6.3	-4.7	-3.7	63.6	69.2	75.7	75.3	71.3	-7.9	-10.9	-11.8	-13.0	-8.4
Sierra Leone	-3.1	-5.8	-6.9	-3.9	-3.2	72.5	76.3	76.2	75.0	73.1	-14.3	-6.8	-13.0	-17.2	-13.7
Togo	1.6	-6.9	-6.5	-4.9	-4.0	52.4	60.3	63.8	63.6	62.3	-0.8	-1.5	-3.3	-6.0	-6.4
ECOWAS	**-4.3**	**-6.6**	**-6.5**	**-6.2**	**-5.5**	**36.7**	**43.8**	**46.8**	**46.2**	**46.6**	**-3.9**	**-4.3**	**-2.6**	**-3.2**	**-2.8**
WAEMU	**-2.4**	**-5.7**	**-5.7**	**-4.9**	**-3.9**	**44.4**	**51.1**	**56.1**	**56.5**	**55.4**	**-4.9**	**-4.6**	**-6.1**	**-7.3**	**-6.2**
WAMZ+	**-4.9**	**-6.9**	**-6.7**	**-6.6**	**-6.0**	**34.1**	**41.1**	**43.2**	**42.6**	**43.5**	**-3.6**	**-4.2**	**-1.5**	**-2.0**	**-1.9**

Annex 3: Average Productive Capacity Index of ECOWAS Member States

ECOWAS Member State	Index	Index Composites								Sparkline
	Productive Capacity Index (PCI)	Human capital	Natural capital	Energy	Transport	Information and Communication Technologies (ICT)	Institutions	Private sector	Structural change	
Benin	21.2	33.0	50.3	11.3	10.5	4.3	49.2	74.4	14.0	
Burkina Faso	19.5	27.0	58.7	13.2	8.7	4.0	47.1	65.9	9.8	
Cabo Verde	29.6	44.1	47.0	25.1	16.9	7.4	65.8	80.8	18.1	
Cote d'Ivoire	21.8	30.4	54.8	19.7	10.1	4.9	32.7	72.8	13.7	
Gambia	23.8	31.6	52.3	20.8	13.2	5.3	43.1	78.3	13.8	
Ghana	24.5	35.0	58.8	21.0	11.3	5.2	55.2	74.9	13.1	
Guinea	21.6	29.0	72.4	17.5	11.0	3.9	29.7	75.6	14.2	
Guinea-Bissau	18.0	30.3	52.5	16.7	12.0	3.4	32.6	63.1	5.1	
Liberia	19.5	35.6	60.8	14.2	11.1	3.8	31.3	73.4	8.1	
Mali	19.2	27.5	61.7	16.8	5.7	4.4	44.1	67.6	9.5	
Niger	17.9	22.8	68.0	15.5	5.2	3.4	41.3	60.0	10.7	
Nigeria	20.5	29.7	63.6	18.7	9.3	4.5	30.0	73.0	10.2	
Senegal	23.9	33.9	51.0	21.0	8.9	4.9	51.2	76.3	17.7	
Sierra Leone	20.2	34.1	59.3	15.1	10.7	3.9	36.3	75.5	8.5	
Togo	20.8	34.8	66.8	9.5	11.3	4.0	35.5	76.3	13.9	

Annex 4: Low-tech Manufactured Products in the Textile Sector that can be made from Cotton

Primary product	Low-technology manufactured articles in the textile sector	Proximity Index	Country
(263) cotton	(651) Textile yarn	0.2	Benin Burkina Faso Mali Togo Côte d'Ivoire Senegal Guinea-Bissau
	(652) Cotton fabrics, woven	0.3	
	(653) Fabrics, woven, of man-made fabrics	0.1	
	(654) Other textile fabrics, woven	0.07	
	(655) Knitted or crocheted fabrics	0.1	
	(656) Tulles, trimmings, lace, ribbons and other small wares	0.2	
	(657) Special yarn, special textile fabrics and related	0.2	
	(658) Made-up articles, of textile materials	0.2	
	(659) Floor coverings	0.2	
	(831) Travel goods, handbags and similar containers	0.05	
	(841) Men's clothing of textile fabrics, not knitted	0.2	
	(842) Women's clothing, of textile fabrics	0.2	
	(843) Men's or boy's clothing, of textile, knitted, croche	0.2	
	(844) Women's clothing, of textile, knitted or crocheted	0.3	
	(845) Articles of apparel, of textile fabrics	0.2	
	(846) Clothing accessories, of textile fabrics	0.2	

Source: EBID staff based on UNCTAD data

Annex 5: Low-tech Manufactured Products in the Textile Sector that can be made from Raw Hides and Skins

Primary product	Low-technology manufactured articles: textiles	Proximity Index	Country
(211) Hides and skins (except furskins), raw	(611) Leather	0.5	Togo, Senegal, Nigeria, Niger, Mali, Burkina Faso, Cabo Verde (already produces the footwear)
	(851) footwear	0.2	

Source: EBID staff based on UNCTAD data

Annex 6: Manufactured Products from Cocoa

Primary product	Manufactured articles	Proximity Index	Country
(072) cacao	(073) Chocolate, food preparations with cocoa	0.2	Ivory Coast, Ghana, Serra Leone, Liberia, Nigeria, Togo

Source: EBID staff based on UNCTAD data

Annex 7: Manufactured Goods that can be Made from Rubber

Primary product	Manufactured articles from natural resources	Proximity Index	Country
(231) Natural rubber and similar gums, in primary forms	(621) Materials of rubber (pastes, plates, sheets, etc.)	0.1	Libéria
	(625) Rubber tyres, tyre treads or flaps and inner tubes	0.1	Ivory Coast
	(629) Articles of rubber	0.09	Guinea
			Ghana
			Guinea Bissau
			Nigeria

Source: EBID staff based on UNCTAD data

Annex 8: Low and medium technology manufactured products that can be produced from metal ores

Manufactured articles from	Low and medium technology manufactured articles	Proximity Index	Country
(287) Ores and concentrates of base metals	**Low technology articles**		Serra Leone
	(676) Iron & steel bars, rods, angles, shapes & sections	0.3	Senegal
	(677) Rails & railway track construction mat., iron, steel	0.1	Ghana
	(678) Wire of iron or steel	0.2	Burkina Faso
	(693) Wire products (excluding electrical) and fencing grills (694) Nails, screws, nuts, bolts, rivets & the like, of metal	0.2	Nigeria
	(696) Cutlery	0.1	Ivory Coast
	(697) Household equipment of base metal	0.1	Gambie
	(699) Manufactures of base metal	0.1	
	Medium-technology articles		
	(784) Parts & accessories of vehicles	0.1	
	(785) Motorcycles and cycles	0.04	

Source: EBID staff based on UNCTAD data

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