



PRESS RELEASE

2010 franc zone report

The 2010 annual report for the franc zone¹ has just been published. Drawn up by the Secretariat of the Monetary Committee of the franc zone, which is provided by the Banque de France, in close cooperation with the three central banks² of the member countries, this report outlines the economic and financial developments of member countries during the past year and presents the outlook for the current year.

Against the backdrop of a global economic recovery, in 2010 sub-Saharan Africa returned to its pre-crisis sustained growth rate of 5.1% in real terms.

Economic growth in franc zone countries accelerated sharply

Displaying identical trends to those observed in other countries of Sub-Saharan Africa (SSA), franc zone countries benefited from the world economic recovery, thanks to the rise in global demand and trade volumes and the improvement in the terms of trade, which was more significant for CEMAC countries (30.0%) than WAEMU countries (7.2%).

In this context, franc zone countries recorded solid growth in 2010. This was notably the case for Niger (8.0%), Burkina Faso (7.9%) and Mali (5.8%) in the WAEMU, and Chad (15.5%), the Congo (9.5%) and Gabon (6.6%) in the CEMAC.

Economic growth in WAEMU countries was underpinned by stronger crop production and spillover effects from the implementation of public investment programmes

In West Africa, the increase in economic growth (4.3% after 3.0% in 2009) can mainly be ascribed to the good performance of agricultural sectors, both subsistence farming and cash crops, including cotton, in most countries. Activity was also supported by ongoing public investment drives in infrastructures. By contrast, extractive industries displayed mixed trends: while, overall, gold and uranium production were up sharply, buoyed by high international prices, oil and natural gas extraction in Côte d'Ivoire declined substantially.

Economic growth in CEMAC countries increased markedly, thanks to the increase in oil production and the strength of the non-oil sector

In the CEMAC region, economic growth rose from 1.8% in 2009 to 4.3% in 2010 in real terms. This acceleration can be attributed to both the strength of the oil sector, on the back of the slight increase in oil

¹ The franc zone is made up of France and 15 African states. Eight of them make up the West African Economic and Monetary Union (WAEMU): Benin, Burkina-Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. Six others make up the Central African Economic and Monetary Community (CEMAC): Cameroon, Central Africa, Congo, Gabon, Equatorial Guinea and Chad. The franc area also includes the Comoros.

² The Central Bank of West African States (BCEAO), the Bank of Central African States (BEAC) and the Central Bank of the Comoros (BCC). The franc zone report is drawn up using data collected from the three central banks, the two banking commissions of the area and the national authorities.

production (up 1%), and above all to the robustness of the non-oil sector, underpinned by vigorous private and public investment. Non-oil sector growth reached 4.5% in real terms, after 2.4% in 2009.

Economic growth in the Comoros rebounded slightly

Real GDP grew by 2.2%, after 1.9% in 2009, driven by stronger crop production and the robustness of the public works sector, against the backdrop of the sharp rise in external funding.

In franc zone countries as a whole, the sustained increase in the level of potential growth nevertheless remains constrained by a number of factors, notably stubborn difficulties in certain agricultural sectors, the underdevelopment of financial sectors and inadequate infrastructure, in particular in energy production. In West Africa, the Regional Initiative for Sustainable Energy (IREDE), presented by the BCEAO in Part 4 of this year's Annual Report, sets out to remove the main obstacles to the sub-region's energy supply.

Inflation remained moderate and significantly lower than that observed in other Sub-Saharan African countries

In 2010, inflation remained contained in almost all franc zone countries thanks to abundant crop production. In West Africa, the annual average increase in the general level of prices stood at 1.4%, after 0.4% in 2009, while it reached 1.5% in the CEMAC (after 4.2% in 2009) and 3.8% in the Comoros.

In 2010, the franc zone continued to achieve better results in terms of fighting inflation than Sub-Saharan Africa. Owing to the stabilising effects of the exchange-rate system and the euro peg, disinflation was more rapid in the franc zone than in the rest of Sub-Saharan Africa, bringing the inflation differential in favour of the WAEMU and the CEMAC to around 6 percentage points.

The franc zone countries have an excellent long-term record of keeping inflation under control: between 2004 and 2010, the average annual inflation rate stood at 2.7% in the WAEMU and 3.2% in CEMAC countries, compared with 8.6% Sub-Saharan Africa as a whole. The stability of franc zone currencies, thanks to their euro peg, makes it possible to contain imported inflation, as well as domestic demand pressures and thus contributes to price stability.

Monetary policies remained accommodative

Since the adjustments made in 2009 to address the crisis, the monetary policies of franc zone central banks, which had eased credit institutions' refinancing conditions, remain accommodative.

For its part, the BCEAO continued its weekly liquidity-providing operations and organised, as of the second half of 2009, fixed-rate tenders with full allotment at a maturity of one month. Its main policy rates, reduced by 50 basis points in June 2009, have remained unchanged since then.

In Central Africa, after lowering its key rates by 150 basis points between December 2008 and July 2010 to counter slowing economic activity and inflation, the BEAC left the refinancing conditions of banks and credit institutions unchanged.

A salient feature of 2010 was the improvement in the budget balances of most member countries. This allows them to increase their leeway, which is essential in the event of an economic downturn.

In the WAEMU, the moderate increase in public expenditures and the improvement in tax revenues brought down the deficit (on a commitment basis excluding grants) from 6.7% of GDP in 2009 to 5.6% in 2010.

In the CEMAC, the sharp rise in oil revenues together with restrained fiscal spending resulted in a return to positive territory with a surplus of 1.7% of GDP (on an commitment basis, excluding grants).

In the Comoros, the fiscal deficit (on a commitment basis, excluding grants) also narrowed from 9.2% of GDP in 2009 to 7.7% in 2010.

Despite the slowdown in economic activity worldwide and depending on developments in the Côte d'Ivoire's particular situation, franc zone countries should continue to grow strongly in 2011

Against the uncertain background of weakening global growth, the countries of SSA, and in particular those of the franc zone, should benefit from commodity prices that have remained high since the start of the year.

CEMAC countries should therefore see a further acceleration in growth in 2011 (5.2% in GDP in real terms according to BEAC forecasts), thanks to the robustness of the non-oil sector and the extractive industries. While upward pressures on prices remain contained, they are likely to strengthen slightly, with average inflation reaching 2.1% over the year.

In the WAEMU, however, growth is expected to slow sharply. According to BCEAO forecasts, real GDP growth is expected to stand at just 1.0% in 2011. This deceleration appears mainly attributable to the impact of the crisis in Côte d'Ivoire, which affected all the country's economic sectors and should result in negative growth of 6.3%. In other countries, growth, despite being affected by the Côte d'Ivoire crisis to varying degrees, should remain strong thanks to the good performance of agricultural sectors, the strength of the extractive sector and the boom in the services sector. Inflationary pressures are expected to intensify, with an annual average inflation rate reaching 3.5%. The 2010 franc zone annual report contains a box drafted by the BCEAO in which the impact of the political crisis in Côte d'Ivoire on WAEMU countries is analysed.

In the Comoros, real GDP growth should be slightly over 2%, driven by higher subsistence and cash crop production and stronger FDI inflows. The average annual inflation rate should reach 4%.

An overview of the report is available at:

For further information:

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APPENDIX

Key economic indicators

(%)

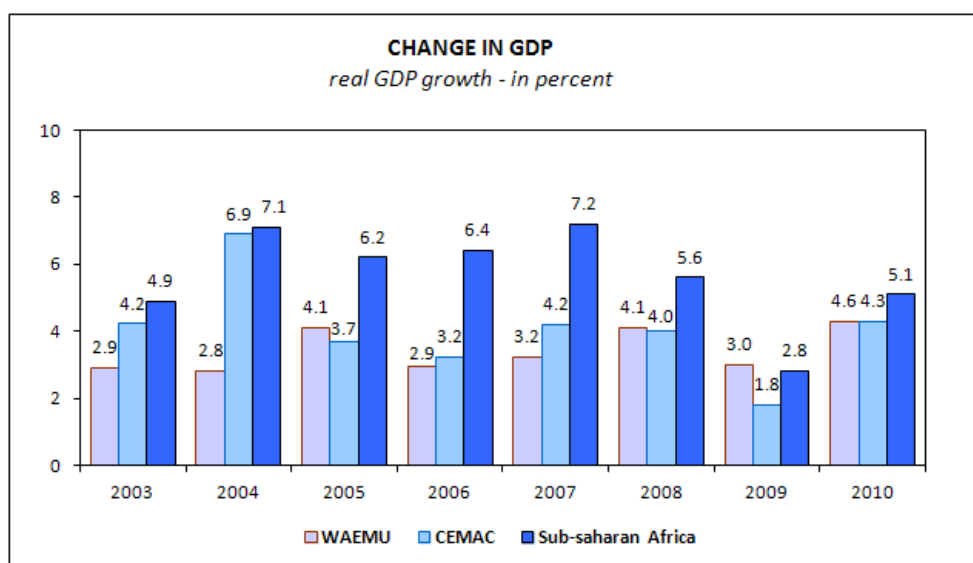
	Real GDP growth		Inflation (a) *		Fiscal position (% of GDP) (b)	
	2009	2010 (c)	2009	2010 (c)	2009	2010 (c)
WAEMU	3.0	4.3	0.4	1.4	-2.7	-3.0
CEMAC	1.8	4.3	4.2	1.5	1.0	6.0
Sub-Saharan Africa	2.8	5.1	10.5	7.5	-5.7	-4.2

(a) Change in consumer prices, as a yearly average

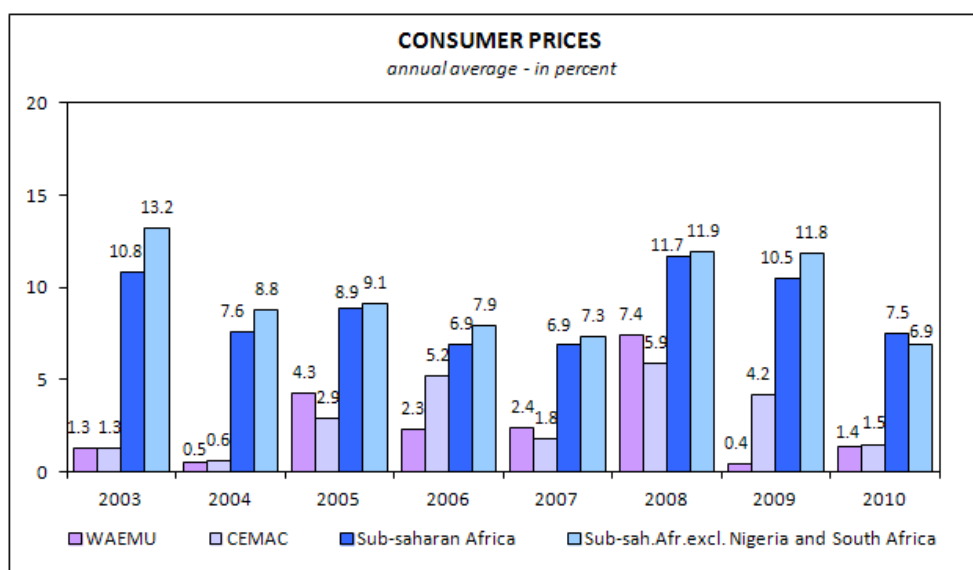
(b) On a commitment basis, including grants

(c) Provisional figures

Sources: BCEAO, BEAC, IMF (Regional Economic Outlooks, April 2011, World Economic Outlook, updated July 2011)



Sources : Central Banks , IMF Regional Economic Outlook April 2011 updated July 2011



Sources : Central banks , IMF World Economic Outlook April 2011 updated July 2011