BANQUE DE FRANCE

EUROSYSTÈME

PRESS RELEASE

2011 franc zone report

The 2011 annual report for the franc zone[1] 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 banks[2] concerned, this report presents the main economic and financial developments in member countries during the year under review and the outlook for the current year.

In 2011, economic activity remained sustained in most franc zone countries

Displaying identical trends to those observed in other countries of Sub-Saharan Africa (SSA), where growth reached 5.2% in 2011, franc zone countries benefited in particular from continued high commodity prices and an improvement in the terms of trade.

CEMAC countries and the Comoros consolidated their growth (5.1% and 2.6% respectively), while growth in the WAEMU (0.6%) was greatly affected by the political crisis in Côte d'Ivoire and the resulting recession (-4.7%).

Economic activity in WAEMU countries slowed down sharply in 2011, due mainly to the post-electoral crisis in Côte d'Ivoire

The growth rate of real GDP at the regional level stood at just 0.6% after 4.4% in 2010. The crisis in Côte d'Ivoire resulted in a 4.7% decline in GDP and spilled over to the economies of other WAEMU countries, in particular the landlocked countries of the region (Burkina Faso, Mali and Niger). In Senegal, real GDP growth was limited to 2.6%, after 4.1% in 2010, due mainly to poor crop yields. In 2011, GDP growth was lower than in 2010 in most WAEMU countries, except for Benin (3.1% against 2.6% in 2010), Guinea-Bissau (5.3% against 4.5%) and Togo (4.8% against 4.0%), thanks to robust subsistence crop production in these countries.

CEMAC countries saw a further acceleration in economic growth, thanks to the robustness of the non-oil sector

The real GDP growth of this region stood at 5.1% in 2011 after 4.0% in 2010. Growth, driven by the increase in foreign direct investment and the implementation of ambitious public investment programmes, in particular in infrastructure, was particularly robust in Equatorial Guinea (7.7%), Gabon (6.8%), the Congo (5.8%) and Cameroon (4.7%). Non-oil sector growth reached 5.9% in real terms.

[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.

In the Comoros, economic growth continued to recover

Real GDP growth stood at 2.6%, after 2.2% in 2010. Economic growth was mainly underpinned by good crop yields and strong private sector domestic demand.

In franc zone countries as a whole, the increase in the level of potential growth nevertheless remains constrained by a number of factors, notably stubborn difficulties in certain agricultural sectors, underdevelopment of financial sectors and inadequate infrastructure, in particular in energy production. With regard to the financial system in particular, the sharp growth in remote banking in the WAEMU and the first issuance of government securities in the CEMAC are innovations that should promote the financial development of franc zone countries and are presented in detail in this year's franc zone annual report by the BCEAO and the BEAC.

Despite renewed inflationary pressures, inflation in the franc zone was contained and significantly lower than that observed in Sub-Saharan African

In 2011, there was a strong renewal of inflationary pressures in most franc zone countries. In West Africa, the annual average increase in the general level of prices stood at 3.9%, after 1.4% in 2010, while it reached 2.7% in the CEMAC (after 1.6 % in 2009). In the Comoros, however, inflation slowed down sharply to 1.8%, against 3.8% in 2010.

In 2011, the franc zone continued to achieve better results in terms of fighting inflation than Sub-Saharan Africa. Owing to the stabilising effects of the euro peg, inflation was significantly lower in the franc zone than in the rest of Sub–Saharan Africa, bringing the inflation differential to over 4.3 percentage points in favour of the WAEMU and 5.5 percentage points in favour of the CEMAC.

The franc zone countries have an excellent long-term record of price stability: between 2001 and 2010, the average annual inflation rate stood at 2.8% in the WAEMU and 3.3% in the CEMAC, compared with 9.7% for 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 strongly 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, have remained accommodative.

The BCEAO continued its weekly liquidity-providing operations and organised fixed-rate tenders with full allotment at a maturity of one month. It reduced its main policy rates, unchanged since June 2009, by 25 basis points in June 2012.

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

In 2011, fiscal policies generally remained expansionary, but this stance was offset in Central Africa by a further rise in oil-related revenues

In the WAEMU, the moderate increase in tax revenues, together with the sharp rise in public expenditures resulted in a worsening of the fiscal deficit, which reached 6.5% in 2011, against 5.4% the previous year.

Despite an 18% increase in investment spending, the sharp rise in oil revenues (26.0%), allowed the CEMAC to consolidate its budget surplus (on an accrual basis excl. grants), which rose from 1.5% of GDP in 2010 to 3.2% in 2011.

In the Comoros, the fiscal deficit (on an accrual basis, excluding grants) narrowed from 8.0% of GDP in 2010 to 6.3% in 2011.

Despite the expected slowdown in economic activity at the global level, franc zone countries should continue to grow strongly in 2012

Against the uncertain background of weakening global growth, ongoing high commodity prices, in particular oil, should enable franc zone countries to achieve growth similar to that of the African continent.

In the WAEMU, growth should rebound sharply in 2012. According to the BCEAO, real GDP should rise to 5.3%, thanks to the strong recovery expected in Côte d'Ivoire (8.0%) and Niger (11.3%). These forecasts are nevertheless subject to uncertainty, due to developments in the political crisis in Mali and climatic factors in Sahelian countries. In the other countries, economic activity should benefit from the strong expansion of the mining and agricultural sectors. Inflationary pressures are expected to ease, with annual inflation set to average 2.5 % in 2012, after 3.9% in 2011.

CEMAC countries should see a further acceleration in economic growth, with an expected rise in real GDP of 5.7% in 2012 according to BEAC forecasts, after 5.1% in 2011. Growth is likely to be mainly driven by the hydrocarbon sector, which should see a recovery in oil production. The average annual inflation rate is expected to reach 3.2% (compared with 2.7% in 2011), due in particular to the buoyancy of domestic demand.

In the Comoros, real GDP growth should come out at around 2.5% in 2012, close to the level observed in 2011 (2.6%), thanks notably to the strength of the agricultural sector.

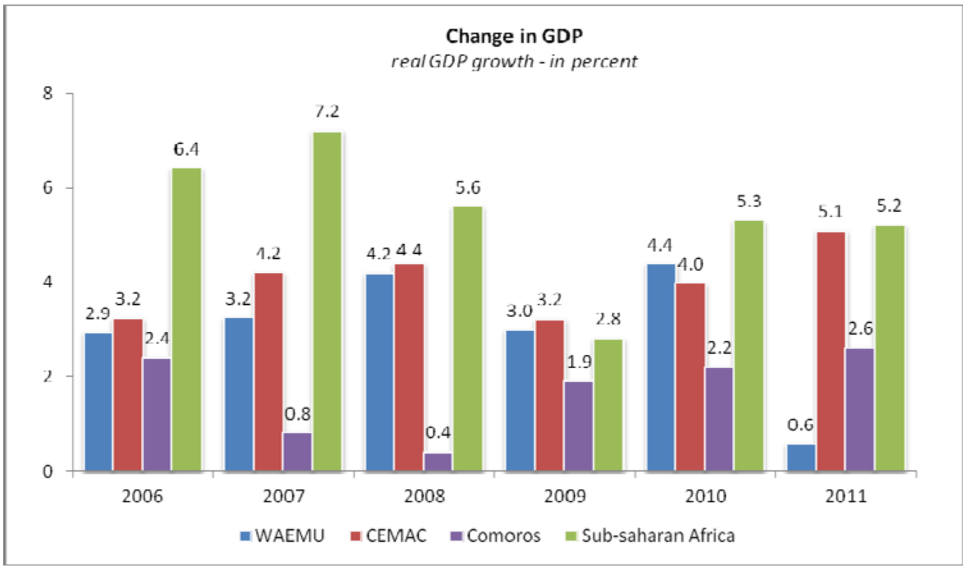
An overview of the report is available at :
http://www.banque-france.fr/en/eurosystem-international/franc-zone-and-development-financing/annual-reports-for-the-franc-zone.html

For further information:
Communication Directorate, Press Office (+0033 1 42 92 39 00).

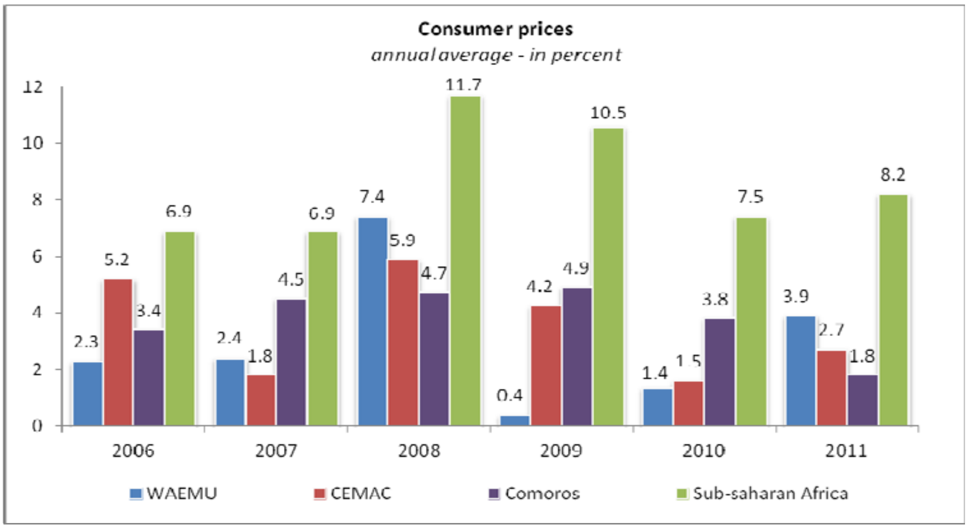
APPENDIX

Key economic indicators *(%)*						
	Real GDP growth		Inflation (a) *		Fiscal position (% of GDP) (b)	
	2010	2011 (c)	2010	2011 (c)	2010	2011 (c)
WAEMU	4.4	0.6	1.4	3.9	-5.4	-6.5
CEMAC	4.0	5.1	1.6	2.7	1.5	3.2
Comoros	2.2	2.6	3.8	1.8	-8.0	-6.3
Sub-Saharan Africa	5.3	5.2	7.4	8.2	-4.9 (d)	-2.4 (d)

(a) Change in consumer prices, as a yearly average
(b) On an accrual basis, excluding grants
(c) Provisional figures
(d) Overall fiscal balance, excluding grants
Sources: BCEAO, BEAC, BCC, IMF (Regional Economic Outlooks, April 2012, World Economic Outlook, updated July 2012) for Sub-Saharan Africa



Sources: Central Banks; IMF (World Economic Outlook, April 2012, updated July 2012)



Sources: Central Banks; IMF (World Economic Outlook, April 2012, updated July 2012)