

Recent macroeconomic and financial developments

Despite a difficult security situation, economic growth recovered to 6.7% in 2021 from 1.9% in 2020. On the supply side, it was bolstered by the secondary sector (up 8.2% in 2021 from 5.8% expansion in 2020), especially manufacturing and mining, and by the tertiary sector (up 12.7% in 2021 against a contraction of 2.7% in 2020), largely on improved accommodation–restaurant activities and commerce. The primary sector contracted by 6.4% in 2021, after 6.5% growth in 2020, due to poor rainfall and crop areas reduced by the security situation. On the demand side, growth was driven by final consumption and net exports. Inflation was 3.9% in 2021, reflecting increased food prices.

NPLs accounted for 7.8% of all loans in 2020. The budget deficit widened to 5.6% of GDP in 2021, reflecting increased expenditure (25.3% of GDP in 2021 against 24.3% in 2020), especially for payroll and capital expenditure, while tax revenues (13.5% of GDP in 2020 and 15.5% in 2021) remain low. With a public debt ratio of 51.4% of GDP in 2021, Burkina Faso faces moderate risk of debt distress. The current account, which is usually in deficit, was in surplus at 3.8% of GDP in 2020 and 5.2% in 2021, owing to the increased value of gold and cotton exports. COVID-19 increased the poverty rate to 37.1% in 2020, from 36.0% in 2019. The SDR allocation of \$163 million was used primarily to strengthen the health system and support vulnerable households.

Outlook and risks

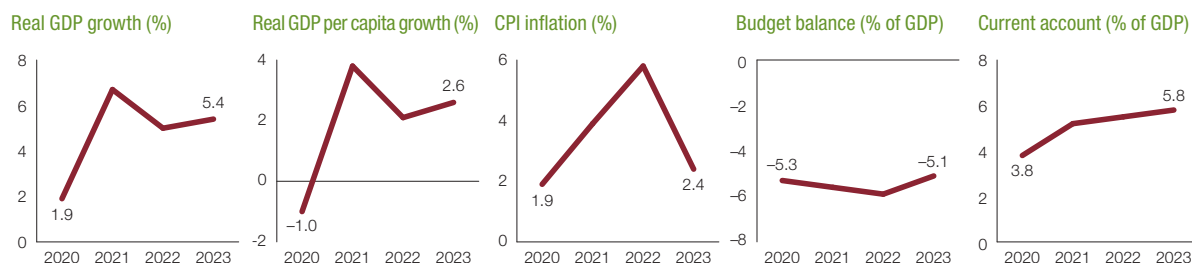
Prospects for economic growth are expected to be undermined by sociopolitical instability, after the coup d'état of January 24, 2022, and the worsening of the security situation. Economic activity is forecast to slow, to 5.0% in 2022 and 5.4% in 2023. The main growth drivers—trade and gold mining—should support growth in the short term. Inflation is expected to rise to 5.8% in 2022, due to higher cereal prices and the impact of the Russia–Ukraine conflict on the prices of imported

goods. The budget deficit is projected to remain high, at 5.9% of GDP in 2022 and at 5.1% in 2023, reflecting increased expenditure in order to respond to security and humanitarian challenges. The debt ratio is projected to rise to 52.2% on average over the two years (2022–23), due to the increased use of government securities (Treasury bonds). The current account balance should remain in surplus, owing to the rising value of gold and cotton exports. These forecasts are exposed to major risks, particularly delayed reestablishment of the constitutional order, a pronounced worsening in security, inflationary pressure, a drop in gold and cotton prices, slowing of global economic growth owing to the Russia–Ukraine conflict, and a COVID-19 resurgence.

Climate change issues and policy options

Burkina Faso is 130 on the 2021 GCRI and remains very vulnerable to climate variations. Socioeconomic costs stem from the loss of crops, decreases in agricultural yields and water resources, and land degradation. The government implemented its 2015–2020 National Climate Change Adaptation Plan and 2015–2020 NDC. The amount of sequestered carbon increased from 1.52 million tons (Mt) in 2018 to 3.9 Mt in 2020, and 149,295 ha of degraded land was rehabilitated from 2016 to 2020. The country initiated an energy transition with the development of solar power plants as part of its Desert-to-Power initiative.

Climate funding remains low, however. Financial needs for the 2021–2025 NDC amount to \$4.12 billion, and only 39% of this has been acquired. The country is on track to achieve SDG 13 on climate action by 2030 as it has already accomplished about 90% of that goal. More widely, medium-term options involve increasing the amount of sequestered carbon to 10 Mt in 2023, monitoring and assessing the reduction of GHGs, increasing the share of RE to 50% of the energy mix by 2025, and mobilizing green climate funds.



Source: Data are as of April 2022 and are from domestic authorities; figures for 2021 are estimates and figures for 2022 and 2023 are projections by the African Economic Outlook team.