

Recent macroeconomic and financial developments

With no economic sanctions in 2021 after the coup d'état in May that year, Mali saw an economic recovery with growth of 3.2% after a contraction of 1.2% in 2020, caused by COVID-19 and a previous coup d'état in August 2020. On the supply side, expansion in 2021 was based on agriculture (growing by 2.4%) and services (5.3%). On the demand side, private (up 5.2%) and public (up 4.0%) investment, with household consumption (up 3.0%) enabled this outcome. The continuing rise in prices (4.1% in 2021 versus 0.5% in 2020) can be attributed to high food product prices, propelled by surging fuel and transport costs and a 10.5% drop in national grain production. The Central Bank of West African States (BCEAO) has maintained an accommodating stance on monetary policy.

The banking system NPL ratio was 4.8% in September 2021. The budget deficit improved to 4.7% of GDP in 2021. The financing gap (11.2% of GDP in 2021) is covered mainly by domestic financing—77.6% of total financing. Public debt, however, is still buoyed primarily by foreign debt, which was 30.6% of GDP versus 21.44% for domestic debt. Although public debt increased to 52.0% of GDP in 2021 from 47.3% in 2020, the risk of debt distress remains moderate. The current account deficit widened to 4.5% of GDP in 2021 from 2.3% in 2020 owing to high domestic demand and declining terms of trade. The recovery in economic activity in 2021 translated into a slight drop in the poverty rate—44.2%, versus 44.9% in 2020. Unemployment was 7.4% in 2021.

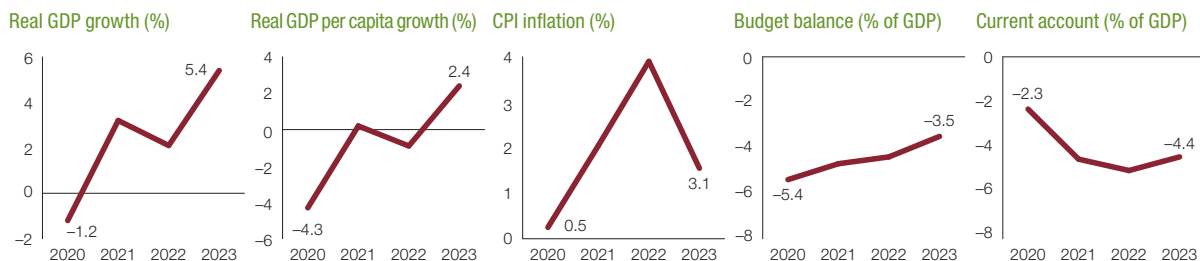
Outlook and risks

GDP growth is expected to fall to 2.1% in 2022 due to the effects of the West African Economic and Monetary Union (WAEMU) and the Economic Community of West African States (ECOWAS) sanctions in association with the impact of Russia–Ukraine conflict, which would reduce services and interior demand by 4.2% (3.4% versus 4.5% in 2021). However, growth should bounce back to 5.4% in 2023, sustained by recoveries in cotton output (25.5%), in cereals (5.5%) and in gold (5.6%), combined with favorable global prices. A strong pickup

in the industrial sector (6.1% versus 2.3% in 2022) and services (5.5%) and increased domestic demand of 5.5% will also support strong economic performance in 2023. Inflation is expected to strongly rise to 7.8% in 2022 due to the embargo and the Russia–Ukraine conflict but should fall to 3.1% in 2023, alongside an increase in cereal production, a fall in petroleum-product prices, a drop in the taxable base of 50% on imported foodstuffs, and the setting of maximum price limits. Budget consolidation will allow for a decline in the deficit to 4.4% of GDP in 2022 and 3.5% in 2023, driven by tax reforms and spending rationalization. Public debt is expected to slightly grow to 52.9% of GDP in 2022 and 53.0% in 2023. From 2023, domestic debt is expected to surpass foreign debt, raising concerns about sustainability and a potential crowding-out effect on business access to credit. The embargo imposed on the country, political instability, worsening security, the Russia–Ukraine conflict, and pandemic surges are major risks to the outlook.

Climate change issues and policy options

Mali is the country eighth most susceptible to climate risks. The rainfall shortage brought about a 10.5% drop in grain production in 2021. Drought caused the loss of 225,000 acres of crops, affecting 3 million Malians. Given these and earlier events, Mali has established climate resilience as one of its focuses in its Strategic Framework for Economic Recovery and Sustainable Development (2019–2023) and prepared its NDC committing to reduce GHGs by 2030—31% in energy, 29% in agriculture, and 21% in land and forest use changes. Public policy options should first be focused on strengthening climate resilience via optimal water management and hydro-agricultural development. Second, Mali should modify its public investment program to prioritize RE to transition to green energy growth by 2030 in compliance with the Desert to Power initiative of the African Development Bank. Mali is endowed with one of the largest potential solar sources in the world: electricity supply was underpinned by an energy mix of 61.5% thermal power stations and 38.5% RE in 2020. Finally, Mali should increase its funding for environmental protection, which was just 1.9% of the budget in 2021.



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.