Burkina Faso

Recent macroeconomic and financial developments

Burkina Faso's real GDP contracted by 0.2% in 2020, compared with an increase of 5.7% in 2019, caused mainly by a slowdown in activity in trade, transport, tourism, and hotels, much of it the result of measures taken to contain the spread of COVID–19. The inflation rate rose to 1.4% in 2020, mainly due to higher food prices, after falling to –3.2% in 2019. An increase in public spending, combined with lower revenue, led to a deterioration in the budget deficit of 5.4% of GDP in 2020 after a deficit of 3.5% of GDP in 2019. The current account balance recorded a surplus of 1.2% of GDP in 2020 after being in a deficit of 3.4% of GDP in 2019. This performance is the result of an increase of 21% in the value of gold exports and 13% in cotton exports while the import value of petroleum products fell by 20% because of the drop in economic activity.

Outlook and risks

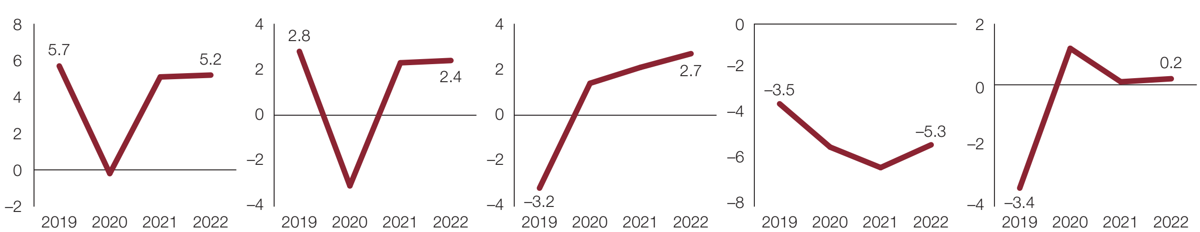
If the pandemic is brought under control by the beginning of the second half of 2021, permitting the global economy to restart, real GDP would grow by 5.1% in 2021 and 5.2% in 2022, as the service sector recovers and public investments increase. The inflation rate is expected to increase to 2.1% in 2021 and 2.7% in 2022 due to an increase in food prices. The budget deficit would continue to deteriorate, to 6.3% of GDP in 2021, because of an increase in public investment to stimulate post-COVID–19 economic recovery and security spending, before decreasing to 5.3% in 2022.

An expected recovery in imports would worsen the current account balance, but the balance would remain in surplus in 2021 and 2022. The two main risk factors to this optimistic scenario are a deterioration in the security situation—there is terrorist activity in the country—as well as a continuation of the pandemic into the second half of 2021, which would retard a global economic recovery.

Financing issues and options

Burkina Faso continues to present a moderate risk of debt distress. The financial resources needed to deal with current economic, health, and security issues will increase total public debt to 50.1% of GDP by the end of 2021, compared with 46.4% of GDP in 2019. External debt would increase from 22.0 % of GDP in 2017 to 25.0% of GDP in 2020. Domestic debt will grow to 25.1% of GDP in 2020 from 15.5% of GDP in 2017 due to increased issuances of treasury bonds. Public debt service stood at CFAF 345.1 billion in 2019, up 34.8% from 2018. Domestic debt service represents 76.7% of total debt service. About 30.4% of the debt portfolio is denominated in floating currencies, particularly the US dollar, which exposes Burkina Faso to the risk of exchange rate volatility. Debt sustainability indicators are likely to deteriorate if the country does not urgently adopt a strategy to extend the average maturity of its domestic debt. Moreover, with a tax-to-GDP ratio of only 15.5% of GDP in 2020, increased mobilization of domestic resources remains a central issue for the country, if it is to finance the infrastructure of development. Finally, reforms to contain and put the wage bill on a sustainable path are very important. The upward trend in the wage bill, which was estimated at 62.4% of tax revenue in 2020, risks considerably reducing the fiscal space needed to finance domestically investments.

Real GDP growth (%) | Real GDP per capita growth (%) | CPI inflation (%) | Budget balance (% of GDP) | Current account (% of GDP)



Source: Data are as of December 2020 and are from domestic authorities; figures for 2020 are estimates and figures for 2021 and 2022 are projections by the African Economic Outlook team.