BURKINA FASO

Table 1	2019
Population, million	20.3
GDP, current US$ billion	15.2
GDP per capita, current US$	746.6
International poverty rate ($1.9)[a]	43.8
Lower middle-income poverty rate ($3.2)[a]	76.7
Upper middle-income poverty rate ($5.5)[a]	92.3
Gini index[a]	35.3
School enrollment, primary (% gross)[b]	96.1
Life expectancy at birth, years[b]	61.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011 PPPs.
(b) Most recent WDI value (2018).

Following 5.7 percent growth in 2019, the economy is projected to contract by 2 percent and the fiscal deficit to double to 6 percent of GDP in 2020, mainly due to the COVID-19 shock. Reversing a long-term trend, poverty will also increase. Over the medium term, growth and poverty reduction are expected to gradually recover, although this outlook is subject to uncertainty related to the speed of the global recovery, the trajectory of domestic COVID-19 infections, and insecurity.

Recent developments

The country's real GDP growth decelerated to 5.7 percent in 2019 from 6.8 percent in 2018, due to moderating growth in agriculture – driven by a 30 percent fall in cotton production – and a worsening security situation that affected an important gold mine towards the end of 2019. The impact of the COVID-19 pandemic in the first six months of 2020 was also stronger than anticipated. Real output contracted by 1.4 percent and 8.6 percent (y/y) in the first two quarters, respectively. The contraction was broad-based with significant losses in hotels and restaurants (-32 percent), commerce (-25 percent), and real estate activities (-13 percent).

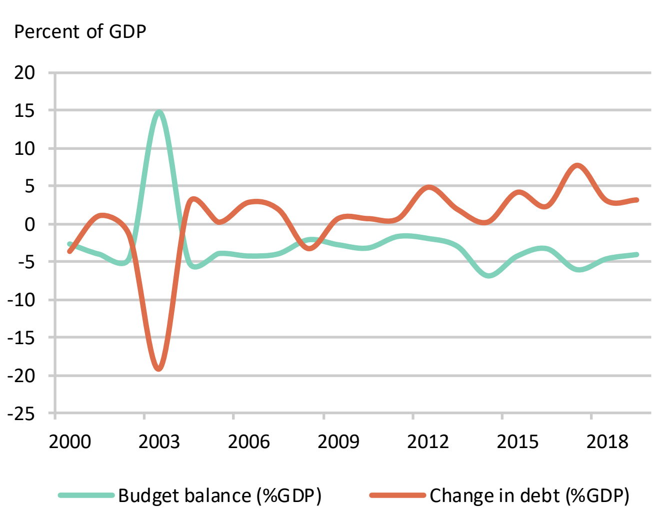
The current account deficit (CAD) widened to 4.8 percent of GDP in 2019, driven by the decline in cotton production combined with lower cotton prices. With FDI inflows hardly covering a quarter of the CAD, the bulk of the deficit was financed through debt-creating portfolio flows and concessional loans. In the first six months of 2020, the CAD narrowed by one percentage point of GDP due to lower imports of oil and higher prices of gold. With COVID-19, FDI coverage of the CAD is projected to decline in 2020.

The 2019 fiscal deficit narrowed by one percentage point (to 3.2 percent of GDP) mainly driven by a one-off revenue windfall from 4G-license sales, combined with significant cuts in public investments. The fiscal deficit is expected to more than double in 2020, compared to 2019. As of end-May 2020, only 35 percent of the revenue projected under the post-COVID revised budget had been collected, while 42 percent of total spending had materialized. In 2019, public debt has increased for the fourth consecutive year, to 40.0 percent of GDP and is projected to reach 47.7 percent in 2020, with a further compositional shift towards more expensive domestic borrowing. The country remains at moderate risk of external and overall debt distress, as assessed by the latest joint Bank-Fund debt sustainability analysis from August 2020.

Burkina Faso's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached 5.4 months of imports in 2019, driven by fiscal consolidation in member states and higher net capital inflows. To support the regional economy and COVID-19 related spending, in March the BCEAO implemented a set of monetary and macroprudential measures. These include lowering its policy rate to a fixed 2.5 percent and extending refinancing operations of the 3-month "Covid-19 T-Bills" at 2.5 percent for limited amounts.

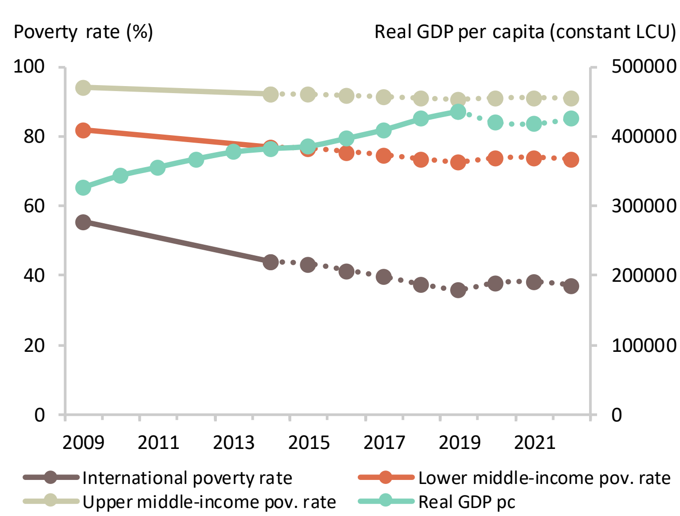
The latest household poverty survey, carried out in 2014, indicated that 40.1 percent of the population lived below the international poverty line of US$ 1.9 PPP per person per day. Subsequent calculations suggest a consistent decline, with 36.0 percent estimated in 2019. The Covid-19 pandemic has partially reversed this progress. High-frequency data collected in the second quarter of

FIGURE 1 Burkina Faso / Fiscal Outlook (present)



Source: World Bank

FIGURE 2 Burkina Faso / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

2020 reveal that poverty has been increasing for the first time in over a decade, driven by direct income losses due to layoffs, the economic slowdown, or a reduction in remittances inflows.

Outlook

The COVID-19-related economic shutdown during the second quarter of 2020 will have a significant impact on growth in 2020. Economic activity is projected to contract by 2 percent. Only public consumption (3.1 percentage points) and agriculture (0.4 percentage points) are projected to positively contribute to growth, with COVID-19 related spending measures and a weather related rebound, respectively. Inflation is projected to rebound to 3.2 percent by end-2020 as food prices recover from 2019 deflationary pressures. A gradual recovery is projected in 2021, with inflation remaining above 2 percent.

The CAD is projected to narrow to 3.8 percent of GDP in 2020- 2021 mainly due to gold exports benefiting from record high prices and a lower oil import bill. FDI coverage of the CAD is projected to decline from 25 percent in 2019 to about 14 percent in 2020-2021. Over the medium term, the CAD is projected to increase moderately and stabilize slightly above 4.0 percent as oil prices rise and the services deficit remains high.

Compared to the initial 2020 budget, the fiscal deficit is expected to almost double to 6.0 percent of GDP and will be mostly financed through domestic borrowing (57 percent). Tax revenue collection is projected at 17.7 percent of GDP—2.9 percent lower than anticipated under the initial budget. On the expenditure side, compared to the initial budget, the wage bill will be kept unchanged and some non-priority spending will be cancelled (-0.4 percent of GPD) to accommodate COVID-19-related transfers and health expenditures (+1.1 percent of GDP). Moreover, non-urgent investments will be postponed (-1.2 percent of GDP) in favor of COVID-19-induced health investments (+1.7 percent of GDP). Public debt will rise to 47.7 percent of GDP in 2020 and remain on an upward trajectory over the medium term, although the country's debt rating is expected to remain at "moderate". On the monetary front, WAEMU reserves are expected to fall to about 4.5 months of imports in 2020 as member countries increase fiscal spending while also facing lower net capital inflows.

The US$ PPP 1.9 poverty rate is expected to rise by 2 percentage points from 2019 to 2020, drawing an additional 400,000 people into extreme poverty. In 2021, the effects of the COVID-19 shock will persist, and extreme poverty could affect 50,000 new people. Poverty reduction would resume in the medium term as economic growth gradually returns to its pre-COVID path.

Risks and challenges

The post-2020 outlook is clouded by uncertainty and exposed to downside risks. Firstly, subsequent waves of COVID-19 would increase pressure on firms and individuals and require stronger medium-term adjustment efforts to maintain fiscal sustainability. Second, the spreading security crisis—with over 1 million internally displaced persons—could affect gold exports, agricultural production and services output. Third, the country is constantly exposed to risks of locust attacks and extreme weather events such as the floods of September 2020 have shown.

TABLE 2 Burkina Faso / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	6.2	6.8	5.7	-2.0	2.4	4.7
Private Consumption	2.8	1.5	7.2	0.0	3.5	6.2
Government Consumption	-10.1	8.1	19.6	19.1	-2.4	-3.2
Gross Fixed Capital Investment	15.2	18.0	-6.4	-17.8	7.9	9.0
Exports, Goods and Services	15.9	6.0	-2.3	-7.1	4.6	5.2
Imports, Goods and Services	4.1	3.5	-1.6	-2.4	7.0	6.2
Real GDP growth, at constant factor prices	5.5	6.5	5.7	-2.0	2.4	4.7
Agriculture	-1.1	9.9	4.6	1.5	2.5	3.7
Industry	9.3	3.6	1.9	-3.1	1.3	3.1
Services	6.7	6.6	8.2	-3.0	2.9	5.9
Inflation (Consumer Price Index)	0.4	2.0	-3.2	3.2	2.1	2.4
Current Account Balance (% of GDP)	-5.0	-4.1	-4.8	-3.8	-3.8	-4.1
Net Foreign Direct Investment (% of GDP)	-0.1	1.2	1.3	0.9	0.9	0.7
Fiscal Balance (% of GDP)	-6.8	-4.2	-3.2	-6.0	-4.6	-4.0
Debt (% of GDP)	33.5	37.7	40.0	47.7	50.7	53.9
Primary Balance (% of GDP)	-6.0	-3.2	-1.9	-4.7	-2.9	-2.2
International poverty rate ($1.9 in 2011 PPP)[a,b]	39.6	37.4	36.0	37.9	38.2	37.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	74.6	73.5	72.7	73.7	73.9	73.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	91.5	91.0	90.7	91.1	91.2	91.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on 2009-ECVM and 2014-EMC. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.
(b) Projection using annualized elasticity (2009-2014) with pass-through = 1based on GDP per capita in constant LCU.