ASSOCIATION DES BANQUES CENTRALES AFRICAINES

ASSOCIATION OF AFRICAN CENTRAL BANKS

Annex 4

ASSOCIATION OF AFRICAN CENTRAL BANKS (AACB)

40th ORDINARY MEETING OF THE ASSEMBLY OF GOVERNORS

(Pretoria, South Africa, 16 August 2017)

PROGRESS REPORT ON THE IMPLEMENTATION OF THE AFRICAN MONETARY CO-OPERATION PROGRAMME (AMCP) IN 2016

I – International business environment

The year 2016 was marked by moderate growth in economic activity on a global scale. According to the IMF's latest growth forecasts in April 2017, economic growth is projected to be 3.1 per cent in 2016 against 3.4 per cent in 2015, mainly due to a slowdown in growth in most industrialized countries.

In advanced economies, economic growth increased by 1.7% in 2016, down by 0.4 percentage point from the previous year. This poor performance was mainly due to a slowdown in growth in the United States and the euro area. In the United States, the economic growth rate stood at 1.6% in 2016 against 2.6% a year earlier, in connection with the weakness of business investment and the decline in inventories of goods. In the euro area, growth has decreased from 2.0% in 2015 to 1.7% in 2016. In Great Britain, it decreased to 1.8% in 2016 from 2.2% in 2015, mainly related to concerns connected to the consequences of BREXIT. In Japan, GDP growth stood at 1.0% in 2016, down by 0.2 percentage point compared to 2015.

In emerging and developing countries, economic activity also slowed. The economic growth rate stood at 4.1% in 2016 compared to 4.2% in 2015. This development is mainly due to the deterioration of the situation in countries that experienced difficulties such as India and China. In India, the growth rate decreased from 7.9% in 2015 to 6.8% in 2016. In China, it fell by 0.2 percentage point from one year to the next, to stand at 6.7% in 2016, despite the expansion of credit and the new turnover of industry activity towards services. In contrast, GDP increased by 2.6 and 0.2 percentage points, repectively in Russia and Brazil, notwithstanding their negative levels of -0.2% and -3.6% in 2016.

The global economic outlook will continue to be affected, in particular, by the effects of the persistent stagnation of economic activity in the Eurozone, the slowdown in China and the moderation of energy and other commodities prices as well as a gradual tightening of monetary policy expected in the United States in the context of an economic recovery. To support economic growth, central banks in most other major advanced economies could maintain their accommodative monetary policy.

Inflation has seen contrasting developments. In advanced economies, the inflation rate has slightly increased, but has remained below the targets of central banks. In fact, it has increased from 0.3% in 2015 to 0.8% in 2016, in connection with rising wages and the easing of the fall in oil prices. In emerging and developing countries, consumer prices rose by 4.4% in 2016, after a rate of 4.7% in 2015, in particular as a result of lower commodity prices.

On the foreign exchange market, the euro depreciated by 3.2% against the United States dollar. It was worth 1.0541 dollars in December 2016 against 1.0887 at the same period a year earlier. This development is mainly due to differences in the monetary policies of the Federal Reserve (Fed) and the European Central Bank (ECB).

In Africa, the real GDP growth rate is estimated at 2.2% in 2016 and projected at 3.4% in 2017, after that of 3.4% in 2015. This deceleration is partly due to the slowdown in the economies Of its main partners, including China. It could also be explained by the difficult macroeconomic conditions in some African countries, faced with declining export earnings from oil and commodities and inadequate supplies of electricity. Economic growth in several countries is driven mainly by domestic demand, in a context of improved business environment and increased public investment, particularly in infrastructure. With regard to external trade, unfavorable global economic conditions have led to moderate external demand in 2016, particularly in advanced economies and, to a lesser extent, in emerging economies. The value of exports of goods also suffered from the negative impact of falling export prices. African exports recovered in 2016, due to the moderate economic recovery on a global scale. On the supply side, the projections remain generally favorable, but strongly dependent on the evolution of the international economic environment in most countries. In addition, the uncertainties associated with instability (political and security) in some countries could be the main risk factors for growth in Africa.

n Africa, the real GDP growth rate is estimated at 2.2% in 2016 and projected at 3.4% in 2017, after that of 3.4% n 2015. This deceleration is partly due to a slowdown in the economies of its main partners, notably China. It could also be explained by the difficult macroeconomic conditions in some African countries, which are facing declining export earnings from oil and commodities and electricity supplies. Economic growth in several countries is driven mainly by domestic demand, in a context of improved business environment and increased public investment, particularly in infrastructure. With regard to external trade, unfavorable global economic conditions may have led to moderate external demand in 2016, particularly in advanced economies and to a lesser extent in emerging economies. The value of exports of goods also suffered from the negative impact of falling export prices. African exports recovered in 2016, due to the moderate economic recovery on a global scale. On the supply side, the projections remain generally favorable, but strongly dependent on the evolution of the international business environment in most countries. In addition, the uncertainties associated with instability (political and security) in some countries could be the main risk factors for growth in Africa.

II – Developments in the economic and financial situation in the Sub-regions

2.1 – North Africa Sub-region

2.1.1. Economic growth

The macroeconomic performance of the North Africa sub-region is mixed, due to the difficult international context, characterized by a slowdown in the world economy and the persistence of low commodity prices, notably oil. With the exception of Libya and Mauritania which recorded an increase in their GDP, the others countries of the sub-region experienced a slow down in the economic activity. In Sudan, Algeria and Tunisia, the economic growth rate were 3.0%, 3.5% and 1.0% respectively in 2016, down by 1.9, 0.3 and 0.2 percentage point compared to 2015. In Egypt, the economic growth deseased from 4.4% in 2015 to 4.3% in 2016.

This decline was mainly due to oil resources' loss due to low oil prices, particularly in Sudan and Egypt. It is also explained by the security requirements and the difficulties linked to the social climate, especially in Tunisia. Mauritania, on the other hand, posted growth rate of 1.8% in 2016 compared with 0.9% a year earlier. This acceleration of growth was driven mainly by the sound orientation and output of the agriculture and fisheries sectors as well as the structural reforms undertaken to consolidate macroeconomic stability and diversify the economy with a view to reducing its vulnerability to external shocks. Economic activity in Libya continues to be affected by persistent political and security instability. GDP grew by 30.6 percentage points, from -43.3% in 2015 to -12.7% in 2016. This reflects the improvement in oil production, mainly related to the exemption Of OPEC's supply ceiling and the resumption of the ports in the eastern part of the country and the reopening of certain oil wells.

2.1.2. Inflation

Apart from Tunisia, inflation increased in all the countries of the sub-region in 2016. It was higher in Libya, reaching 25.9% in 2016 compared with 9.8% the year before. In Egypt, the inflation rate stood at 13.8% in 2016 against 10.4% in 2015. The increase in inflation in these two countries is mainly due to the depreciation of their currencies relative to other currencies. In Algeria, Mauritania and Sudan, between 2015 and 2016, the inflation rate rose respectively from 4.8% to 6.4%, from 0.5% to 1.5%, and from 16.9% to 17.6%, particularly in connection with rising food prices. On the other hand, the inflation rate stood at 3.7% in 2016 in Tunisia, down by 1.2 percentage points compared with 2015.

2.1.3. Public finance

The economic reform programs adopted in the sub-region contributed to a shift in the budget deficit to GDP ratio in some countries, reflecting an improvement in the public finance situation. In Libya, the budget deficit stood at 95.3% of GDP in 2016, after the deficit of 128.3% in the previous year. This improvement is a reflection of the impact of the government's action plan to contain operating expenses, notably through the reduction of the public sector wage bill and the reform of the subsidy policy public. In Mauritania and Algeria, the budget deficit in relation to GDP was respectively 0.1% and 13.7% in 2016, compared with 3.4% and 15.4% in 2015. On the other hand, the budget deficit in Tunisia and Egypt, reaching 2.1 per cent, 5.7 per cent and 12.5 per cent of GDP in 2016, compared to 1.2 per cent, 4.8 per cent and 11.5 per cent respectively in 2015. This is mainly due to an increase in spending in most of these countries, particularly capital spending in Egypt.

2.1.4. External sector

Gross reserves of the countries of sub-region rose, between 2015 and 2016, from 27.2 months of imports to 22.2 months in Algeria, from 3.3 months of imports to 3.1 months in Egypt, from 22.1 months to 18.1 months in Libya, from 2.0 months to 1.0 month in Sudan and from 4.2 months to 3.7 months in Tunisia. This deterioration in the current account in most of these countries is mainly due to low oil prices. In Mauritania, gross reserves remained at 3.9 months of imports in 2016.

2.2 – West Africa Sub-region

2.2.1. Economic growth

Economic performance has been weak in the Economic Community of West African States (ECOWAS), due to a decline in economic activity, particularly in Nigeria. Gross domestic product of the sub-region grew by 0.1% in 2016 compared to 3.3% a year earlier. This is mainly due to low commodity prices, falling oil prices and insecurity in some countries of this sub-region.

GDP growth was stronger in most WAEMU states (6.8% in 2016 compared to 6.6% in 2015), notably in Côte d'Ivoire (9.3% in 2016 compared with 9.2% in 2015), in Senegal (6.6% in 2016 compared to 6.5% in 2015), in Burkina (5.9% in 2016 compared to 4.0% in 2015), in Niger (4.6% compared with 3.5% in 2015), and in Guinea Bissau (5.6% in 2016 compared with 5.1% in 2015). This was mainly due to the significant investments made in the secondary and tertiary sectors in Côte d'Ivoire, the dynamism of the mining, construction, and transport sectors as well as financial services in Senegal, the improvement of the political climate in Burkina, the resumption of oil production in Niger, and the improvement of agricultural production and the socio-political environment in Guinea-Bissau. In Benin, economic activity remained stable at 5.0% in 2016. By contrast, GDP fell in Mali and Togo by 0.6 and 0.3 percentage points to 5.4% and 5.0% respectively in 2016.

In the WAMZ, growth decelerated from 2.7% in 2015 to 0.7% in 2016, largely due to the contraction in economic activity, particularly in Nigeria, where the rate of growth stated at -1.5% in 2016 against 2.8% a year earlier. This economic counter performance in Nigeria is mainly due to constraints related to fuel distribution and currency availability as well as the business climate. This was also the result of delays in the adoption and implementation of the 2016 budget. Growth in GDP also slowed in the Gambia, Liberia and Ghana to stand at 2.2%, -0.5% and 3.5% in 2016, compared with 4.3%, 0% and 3.8% in 2015. On the other hand, the growth rate increased in Sierra Leone (6.1%) and Guinea (5.2%) in 2016, an increase of 26.6 points and 0.7 percentage points respectively. This good performance is mainly due to the resumption of iron ore mining in Sierra Leone, the improvement recorded in the mining, electricity and trade sectors in Guinea.

In Cape Verde, the economic growth rate increased from 1.1% in 2015 to 3.3% in 2016, mainly as a result of progress in agriculture and tourism.

2.2.2. Inflation

In ECOWAS, the inflation rate increased by 5.1 percentage points from one year to the next, to an average of 13.5% in 2016. Inflationary pressures are mainly the transmission of the effects of the depreciation of national currencies and the rise in energy and fuel prices following the removal of subsidies in some states. They were stronger in the WAMZ countries, particularly in Nigeria, where the inflation rate rose from 9.0% in 2015 to 15.7% in 2016. In this area, all countries experienced a rise in the inflation rate where the highest is observed in Sierra Leone (+2.7 percentage points) and Liberia (+0.9 percentage points).

In Cape Verde, the inflation rate stood at -1.4% in 2016 against 0.1% in 2015.

In WAEMU economies, consumer prices fell from 1.0% in 2015 to 0.3% in 2016, due to the cumulative effect of lower fuel prices and an increase of the supply, notably cereal production through the implementation of appropriate agricultural policies by some States. Inflation was low, below the community average. The important decrease were experienced in Mali (-2.8 percentage points), Burkina (-1.2 percentage points) and Benin (-1.1 percentage points). In contrast, inflation rose slightly by 0.7 percentage points and 0.4 percentage points, respectively, in Senegal and Guinea-Bissau.

2.2.3. Public finances

In the ECOWAS area, the budget deficit excluding grants has deteriorated from 2.9% of GDP in 2015 to 3.5% of GDP in 2016, in connection with large investments in infrastructure projects and Public spending related to social demand, and declining oil revenues in some major oil-exporting countries. The budget deficit in Ghana grew from 4.8 per cent of GDP in 2015 to 10.4 per cent in 2016, in Sierra Leone from 4.3 per cent in 2015 to 7.7 per cent in 2016, in The Gambia, from 6.3 per cent to 9.5 per cent in 2016, and in Nigeria from 1.7% to 2.2% in 2016. In the other WAMZ countries, the public finance situation has improved. In Guinea, the fiscal deficit is projected at 0.2% of GDP in 2016, against 6.9% of GDP in 2015. Liberia has a budgetary surplus of 2.2% of GDP in 2016 against a deficit of 1.2 % Of GDP one year earlier. In the other WAMZ countries, the public finance situation has improved. In Guinea, the budget deficit is projected at 0.2% of GDP in 2016, against 6.9% of GDP in 2015. Liberia has a budgetary surplus of 2.2% of GDP in 2016 against a deficit of 1.2 % of GDP one year earlier. In the other countries of the area, the budget déficit has improved.

In Cape Verde, the budget deficit decreased from 3.9% in 2015 of GDP to 3.6% in 2016.

In WAEMU, the budget deficit excluding grants improved slightly to 6.3% of GDP in 2016, compared to 6.5% in 2015. The improvement in the public finances situation in this zone is attributable to the decline in oil import spending, as a result of lower prices of this raw material and rationalization of spending in most countries. The most significant improvements were observed in Togo (2.0% of GDP in 2016 versus 6.2% in 2015), in Benin (3.9% of GDP in 2016 versus 7.9% in 2015), in Guinea-Bissau (4.0% of GDP in 2016 versus

7.9% in 2015), and in Niger (6.0% of GDP in 2016 versus 9.20% in 2015). In contrast, a deterioration in a public finance situation is recorded in Mali (4.3% of GDP in 2016 against 1.8% in 2015), Burkina Faso (3.1% of GDP in 2016 against 2.0% in 2015) and Côte d'Ivoire (4.0% of GDP in 2016 compared with 2.9% in 2015).

2.2.4. External Sector

The ECOWAS current account deficit is expected to improve to 1.1% of GDP in 2016, following a 4.2% a year earlier, thanks to the development of the external sector in some countries, notably in Nigeria. In the WAMZ, the current account deficit is projected at 0.5% of GDP in 2016, compared with 3.9% in 2015, in connection with the improvement in current transactions expected in all economies in the zone, with the exception of Guinea. The current account deficit rose from 3.2% in 2015 to 0.7% in 2016 in Nigeria, from 7.6% to 6.6% in Ghana, from 14.0% to 10.3% in The Gambia, from 41.6% to 15.5% in Liberia, and from 17.6% to 11.3% in Sierra Leone. In contrast, the current account deficit widened to 20.7% in 2016 in Guinea, compared to 13.9% in 2015.

In Cape Verde, the current account has improved. The current account deficit decreased from 5.0% in 2015 to 3.8% in 2016.

In WAEMU, the current account deficit is projected to be 4.9% in 2016, compared to 3.8% in 2015. All countries in the zone experienced current account deficits, with the exception of Guinea-Bissau, where the current account rose from +2.1% in 2015 of GDP to +0.1% of GDP in 2016. In the others, the current account deficit improved, with the exception of Côte d'Ivoire and Niger. It rose from 8.8% in 2015 to 6.9% in 2016 in Benin, from 8.0% in 2015 to 7.4% in 2016 in Burkina, from 3.6% in 2015 to 2.9% in 2016 in Mali, from 6.9% in 2015 to 5.7% in 2016 in Senegal and from 10.8% in 2015 to 7.0% in 2016 in Togo. In Côte d'Ivoire, it remained stable at 0.6% of GDP in 2016. In contrast, in Niger, the deficit widened, reaching 20.7% of GDP in 2016, compared to 13.9% of GD in 2015.

2.3 – Central Africa sub-region

2.3.1. Economic growth

The economic situation in Central Africa was characterized in 2016 by a slowdown in economic activity in the Central African Economic and Monetary Community (CEMAC) and the Democratic Republic of Congo (DRC), as well as in the Democratic Republic of São Tome e Principe.

CEMAC's real gross domestic product (GDP) growth rate is estimated at 0.2% in 2016, compared with 1.6% in 2015. This is mainly due to the decline in oil sector activities. Growth in 2016 was driven notably by the strength of the tertiary sector, with a contribution of 1.2 points compared to 1.0 point in 2015. Growth in 2016 was driven in particular by the strength of the tertiary sector, with a contribution of 1.2 points compared to 1.0 point in 2015. By country, the growth rate would increase in Central African Republic (+ 5.1% in 2016 against + 4.9% in 2015). Despite of the recession in Equatorial Guinea, economic activity improved (-5.9% in 2016 compared to -9.5% in 2015). On the other hand, a slowdown in economic activity was recorded in the other states, notably in Cameroon (+ 4.7% in 2016 against + 5.8% in 2015) and Gabon (+ 2.1% in 2016 against + 2.9% in 2015). Congo (-2.8% vs. + 2.6% in 2015) and Chad (-4.2% in 2016 compared to + 2.5% in 2015) would also be in recession. The poor economic performance in these countries reflects, in particular, the fall in prices of petroleum products.

In the DRC, the estimates expect a growth rate of 2.4% in 2016 compared to 6.9% in 2015, particularly in relation to the underperformance of the primary sector, resulting from the combined effect of the decline in production mining and the low level of commodity prices in the international market. The main driver of growth was the tertiary sector and the secondary sector, mainly as a result of good activity in the food, beverage and tobacco industries.

In São Tomé and Príncipe, the economic growth rate stood at 5.0% in 2016 against 5.3% in 2015. Growth was supported by services exports, particularly tourism, and by the dynamism of the sectors fisheries and agriculture.

2.3.2. Inflation

In the CEMAC, consumer prices fell to 1.1% in 2016 from 2.5% a year earlier. The inflation rate stood at 0.9% in 2016 against 2.9% in 2015 in Cameroon, 1.4% in 2016 against 1.7% in 2015 in Equatorial Guinea and -1.6 % in 2016 compared to 3.7% in 2016 in Chad. On the other hand, inflationary pressures have increased in other countries. In the Central African Republic, the inflation rate rose from 2.0% in 2016 to 2.7% in 2015, in Congo, from 2.7% in 2016 to 4.6% in 2015, and in Gabon from - 0.3% in 2016 to 2.1% in 2015.

In the DRC, the inflation rate increased by 17.5 percentage points to 18.2% in 2016. This development is mainly due to the depreciation of the currency in a context of monetary aggregates, resulting from the persistent deterioration of the state's financial situation.

In São Tomé and Príncipe, the inflation rate stood at 5.1% in 2016, compared with 4.0% in 2015, largely in connection with changes in the prices of food and non-alcoholic beverages.

2.3.3. Public finances

Overall, the financial situation deteriorated in 2016 in the sub-region. In the CEMAC, the budget deficit, at a commitment basis, excluding grants, was at 8.4% of GDP in 2016, deteriorating by 4.2 percentage points compared to the previous year. As in 2015, all CEMAC countries would register a deficit in 2016. Apart from Central African Republic, the budget deficit has worsened in all countries. The largest are recorded in Equatorial Guinea (from 3.8% of GDP in 2015 to 14.8% of GDP in 2016), in Gabon (from 1.1% in 2015 to 5.1% in 2016), in Cameroon (from 2.0% in 2015 to 5.9% in 2016), and in Congo (from 18.6% in 2015 to 21.4% in 2016). In Chad, the budget deficit as a percentage of GDP rose from 1.8% to 4.2% the year to next year. On the other hand, in the Central African Republic, it improved, rising to 4.9% in 2016 against 8.1% in 2015. Major public finance trends in the CEMAC in 2016 were marked in particular by a fall in budgetary revenues (-40.2%) and non-oil resources (-9.9%). These developments could not be mitigated by a contraction in budgetary expenditure (-2.3%).

In the DRC, the public finance situation deteriorated slightly in a context of drastic fall in government revenues, which resulted in an adjustment of public spending. The government's budget deficit stood at 1.2% of GDP in 2016, against 0.7% in 2015.

In São Tomé and Príncipe, the public finance situation improved in 2016 compared to the previous year, despite the fall in total revenue (-7%). The Government's good performance in spending reduced the budget deficit to 5.0% of GDP in 2016, compared to 8.8% in 2015.

2.3.4. External sector

At the level of external trade, the current account deficit of the CEMAC improved slightly from year to year, rising to 15.2% of GDP in 2016 against 15.8% of GDP in 2015. The balance of the current account would appear to be in deficit in all countries. With the exception of Congo and Gabon, where GDP grew to 68.6% and 6.4% of GDP in 2016, compared with 46.8% and 0.6% of GDP in 2015, the current account is improved in all States. From 2015 to 2016, the current account deficit rose from 18.2% of GDP to 9.4% of GDP in Equatorial Guinea, from 30.4% to 23.4% of GDP in Chad, from 9.1% to 3.4% of GDP in the Central African Republic and from 4.1% to 3.7% of GDP in Cameroon.

In the DRC, the current account deficit fell to stand at 3.3% of GDP in 2016 against 3.9% of GDP in 2015, in connection with the decline in imports of goods and services.

In São Tome e Principe, the current account deficit is expected to improve in 2016, in connection with an increase in exports of goods and services.

2.4. Southern Africa sub-region[1]

2.4.1. Economic growth

Economic performance in the Southern Africa sub-region has been mixed. The growth rate increased from one year to the next by 6.0 percentage points, 1.0 percentage points, 0.5 percentage points, and 0.2 percentage points in Botswana, Madagascar, Zambia and Angola to stand at 4.3%, 4.1%, 3.4% and 1.1% respectively in 2016. By contrast, the rate of economic growth has declined in other countries. The GDP growth decreased from 5.6% in 2015 to 0% in 2016 in Lesotho, from 5.3% to 0.2% in 2016 in Namibia, from 6.3% to 3.5% in 2016 in Mozambique, From 1.5% to 0.6% in 2016 in Swaziland, from 1.3% to 0.4% in South Africa and from 3.3% to 2.7% in Malawi. These poor economic performances were due mainly to the fall in commodity prices and the decline in activity in the energy and construction sectors. In addition, the drought effects in some countries have contributed to a negative impact on economic activity.

2.4.2. Inflation

Except for Madagascar, Botswana, and Malawi, all countries in the sub-region have experienced an increase in inflation. The highest rates were in Angola (+27.7 percentage points), Mozambique (+16.9 percentage points) and Zambia (+8.2 percentage points) where the inflation rate stood at 42.0%, 19.3% and 18.2% respectively in 2016. In Lesotho, Namibia, Swaziland and South Africa, the inflation rate rose from one year to the next, from 3.2% in 2015 to 6.6% in 2016, from 3.4% to 6.7% in 2016, from 5.0% to 7.8% in 2016, and from 4.6% to 6.4% 3% in 2016.

In contrast, the rate of inflation in Madagascar, Botswana, and Malawi decreased from 6.7% in 2015 to 7.4% in 2016, from 21.9% to 21.7%, and from 3.0% to 2.8% in 2016. This development was mainly linked to the easing of monetary conditions in relation to the appreciation of the national currency in Madagascar and the decline in key rates in Botswana.

2.4.3. Public finances

1 / The evaluation was made in 10 out of the 11 countries in the sub-region, with data from Zimbabwe not being received.

The situation of public finances has been mixed in the sub-region. Declines in the fiscal balance were noted in 2016 in some countries, the largest in Lesotho (-7.5% of GDP in 2016 versus + 1.5% of GDP in 2015), Botswana (-4,7% in 2016 against + 3.6% in 2015) and Swaziland (-12.3% in 2016 compared with -4.8% in 2015). Angola and Malawi experienced a deterioration in their fiscal balance, with a deficit rising from 3.3% in 2015 to 5.9% in 2016 and from 2.8% to 4.7% in 2016.
On the other hand, in other countries, the situation of public finances improved. In Zambia, Namibia and Mozambique, the budget deficit stood at 5.8%, 6.3% and 5.7% of GDP respectively in 2016, compared with 9.4%, 8.3% and 7.4% of GDP one year earlier. It rose from 3.7% to 2.2%, and from 4.5% to 4.2%, respectively, in Madagascar and South Africa.
With the exception of Madagascar, no country in the sub-region was able to meet the budget deficit criterion of less than 3% of GDP over the period 2015-2016.

2.4.4. External sector

The decline in exports, due to falling commodity prices and climatic conditions in some countries, led to a deterioration in the current account in the sub-region.
As a result, gross reserves have not been sufficient overall to cover imports at a satisfactory level. Notwithstanding the slight improvement in foreign exchange reserves, with the average increasing from 5.6 months to 5.7 months of imports, most countries were unable to meet the 6-month minimum import coverage criterion Exchange rates. Only Botswana (16.7 months of imports) and Angola (10.5 months) would meet this criterion against 3 countries (Botswana with 18.4 months of imports, Angola with 7.7 months and Lesotho with 6, 3 months) a year earlier.

2.5. Eastern African Sub-Region

2.5.1. Economic growth

The economic performance of the sub-region[2] in 2016 was mixed. In Burundi, real GDP growth accounted for 1.7% in 2016 against -0.3% in 2015, primarily in connection with the relative improvement of the socio-political situation. In Mauritius and Kenya, GDP grew by 0.5 and 0.1 percentage point to stand at 3.5% and 5.8% respectively in 2016. On the other hand, a slowdown in economic activity was noted in Uganda and Rwanda, where the economic growth rate stood at 4.7% and 6.5% respectively in 2016, compared with 5.0% and 7.3% a year earlier. This slowdown in economic activity is mainly due to poor performance in the industrial sector in Rwanda and unfavorable weather conditions in Uganda.

2.5.2. Inflation

Available data shows that, with the exception of Mauritius, no country of the sub-region has met the inflation criterion. However, inflationary pressures decreased in most countries, with the exception of Rwanda and Tanzania. The inflation rate was 5.5 per cent in Burundi, 6.3 per cent in Kenya, 5.2 per cent in Tanzania and 5.5 per cent in the Seychelles in 2016, compared with 5.6 per cent, 6.6 per cent, 5.6 per cent and 5.6 per cent in 2015. In contrast, in Rwanda, consumer prices increased from 2.5% in 2015 to 5.7% in 2016, as a result of a rise in food prices and cost of transport. In Uganda, the inflation rate stood at 5.5% in 2016, up 0.1 percentage point year on year.

2.5.3. Public finances

2 / 4 countries (out of the 11) of the sub-region haven't forwarded their report on the AMCP. These are Comoros, Djibouti, Ethiopia and Somalia.

Only Seychelles met the 2016 deficit criterion, with the budget deficit (excluding grants) in relation to GDP at 0.4% of GDP in 2016, compared with a surplus of 1.2% of GDP in 2015. Despite the other countries of the sub-region have not met this criterion, their public finances have improved, with the exception of Uganda and Mauritius, where the budget deficit grew from 5.5% in 2015 to 6.6% in 2016 and from 3.6% to 4.2% respectively. In Kenya, Rwanda and Burundi, the fiscal deficit was 8.1%, 9.5%, 8.5% of GDP in 2016, compared with 11.0%, 12.2% and 11.1%, respectively % Of GDP one year earlier. In Tanzania, it will be reduced from 4.3% of GDP in 2015 to 4.0% of GDP in 2016.

2.5.4. External sector

Despite the countries of the sub-region have not met the criterion relating to the coverage of imports with gross reserves (with the exception of Mauritius), the current accounts of some countries have improved. Gross reserves in Mauritius stood at 9.3 months of imports in 2016, compared with 7.7 months in 2015. In Kenya, Rwanda and Tanzania they rose from 5.1, 3.7 and 3,9 months imports in 2015 to 5.5, 3.9 and 4.2 months of imports in 2016, respectively.

On the other hand, weak commodity prices contributed to a deterioration in current accounts in other countries of the sub-region. In Burundi, gross reserves were 1.4 months of imports in 2016 compared to 2.3 months in 2015. In Uganda and Seychelles, they declined by 0.2 months of imports to 5.1 and 4.1 months of imports in 2016.

III – Implementation of AMCP in 2016

At its meeting held in Malabo in August 2015, the Assemby of Governors decided to extend phase III of the AMCP for an additional two years, following the persistent difficulties faced by member countries in general in filling the AMCP primary criteria, due to the negative impact of the international situation and the escalation of capital spending to address infrastructure gaps. The Governors also called for the set up of a Group of Experts of AACB Central Banks members of the Bureau, to refine the criteria for macroeconomic convergence in terms of definition and measurement and to ensure harmonization at the sub-regional and continental levels.

For this phase, the standards of the primary convergence criteria are as follows:

- Overall budget deficit/GDP ratio ≤ 3 %;
- Elimination of Central Bank financing of budget deficit;
- Inflation rate < 5 %;
- External reserves / Import cover ≥ 6 months.

At the end of the first year of the second phase III extension period for the implementation of the AMCP, the performance of the States in meeting the convergence criteria was still unsatisfactory, particularly in relation to negative effects of the international economic environment. Consequently, at their ordinary session held on 19th August 2016 in Abuja, the Governors decided to encourage the sub-regions to intensify efforts to implement structural reforms aimed at diversifying their economies, business environment and to promote intra-regional trade, with a view to strengthening the resilience of African economies to external shocks.

Analysis of member countries' performance on the basis of preliminary data shows that no country out of 463 (0%) met all the the primary criteria in 2016 compared to the only one country out of 48 (ie 2.1 %) In 2015. These results are mainly due to the persistence of poor performance with respect to the criteria for foreign exchange reserves in months of imports and the budget deficit, with a compliance ratio of 15.2% and 19.6% respectvely in 2016 compared to 14.6% and 31.9% respectively in 2015. As in the previous year, the criterion for eliminating the financing of the budget deficit by the central bank was better met (51.1% in 2016 compared to 55.3% in 2015).

Conclusion

On the basis of the first estimates of the macroeconomic data for 2016, it should be noted that in the second year of the second period of extension of phase III of the AMCP, most countries do not respect the four primary criteria.

Under these conditions, efforts to transform African economies and deepen the economic and monetary integration of sub-regions in the continent should be pursued.

In addition to the efforts of the States, the implementation of the conclusions and recommendations of the Working Group on the refinement of the convergence criteria of the AMCP should allow to improve the compliance rates with the convergence criteria.

3 / Some countries have not transmitted their macroeconomic data.

Performance for primary criteria

Sub-Regions	Overall budget deficit/GDP ≤ 3 %		Inflation ≤ 5.0%		Central Bank financing of budget deficit =0 (in billions)		External reserves / Import ≥ 6 months		Number of criteria met	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
NORTH AFRICA										
Algeria	-15.4	-13.7	4.8	6.4	0.0	10.0	27.2	22.2	3.0	1.0
Egypt	-11.5	-12.5	10.4	13.8			3.3	3.1	0.0	0.0
Libya	-128.3	-95.3	9.8	25.9	177.9	224.9	22.1	18.1	1.0	1.0
Mauritania	-3.4	-0.1	0.5	1.5	0.0	0.0	3.9	3.9	2.0	3.0
Sudan	-1.2	-2.1	16.9	17.6	5.5	6.5	2.0	1.0	1.0	1.0
Tunisia	-4.8	-5.7	4.9	3.7	0.0	0.0	4.2	3.7	2.0	2.0
Total of countries reporting	**6**	**6**	**6**	**6**	**5**	**5**	**6**	**6**		
Total of countries that met the criteria	**1**	**2**	**3**	**2**	**3**	**2**	**2**	**2**		
Pourcentage (%)	**16.7**	**33.3**	**50.0**	**33.3**	**60.0**	**40.0**	**33.3**	**33.3**		
WEST AFRICA	**-2.9**	**-3.5**	**8.4**	**13.5**	0.0	1.0	**6.1**	**6.0**		
UMOA	**-6.5**	**-6.3**	**1.0**	**0.3**	0.0	0.0	5.1	4.4		
Benin	-7.9	-3.9	0.3	-0.8	0.0	0.0	5.1	4.4	2.0	1.0
Burkina Faso	-2.0	-3.1	1.0	-0.2	0.0	0.0	5.1	4.4	3.0	1.0
Cabo Verde	-3.9	-3.6	0.1	-1.4	0.0	0.0	6.4	6.6	3.0	2.0
Cote d'Ivoire	-2.9	-4.0	1.3	0.7	0.0	0.0	5.1	4.4	3.0	2.0
The Gambia*	-6.3	-9.5	6.2	6.7	26.9	29.7	2.5	2.4	0.0	0.0
Ghana*	-4.8	-10.4	17.1	17.5	-2.4	10.1	3.6	4.2	0.0	0.0
Guinea	-6.9	0.2	8.2	8.2	19.9	0.0	2.3	1.5	0.0	2.0
Guinea-Bissau	-7.9	-4.0	1.4	1.8	0.0	0.0	5.1	4.4	2.0	2.0
Liberia	-1.2	2.2	7.9	8.8	0.0	0.0	2.3	3.3	2.0	2.0
Mali	-1.8	-4.3	1.4	-1.4	0.0	0.0	5.1	4.4	3.0	1.0
Niger	-9.2	-6.0	1.0	0.2	0.0	0.0	5.1	4.4	2.0	2.0
Nigeria	-1.7	-2.2	9.0	15.7	0.0	0.0	5.6	7.7	2.0	3.0
Senegal	-4.8	-4.3	0.1	0.8	0.0	0.0	5.1	4.4	2.0	2.0
Sierra Leone*	-4.3	-7.7	8.1	10.8	-2.2	33.4	4.6	5.3	0.0	0.0
Togo	-6.2	-2.0	1.8	0.9	0.0	0.0	5.1	4.4	2.0	3.0
Total of countries reporting	**15.0**	**15.0**	**15.0**	**15.0**	**15.0**	**15.0**	**15.0**	**15.0**		
Total of countries that met the criteria	**5.0**	**4.0**	**9.0**	**5.0**	**11.0**	**12.0**	**1.0**	**2.0**		
Pourcentage (%)	**33.3**	**26.7**	**60.0**	**33.3**	**73.3**	**80.0**	**6.7**	**13.3**		
CENTRAL AFRICA										
CEMAC	*-4.2*	*-8.4*	*2.5*	*1.1*						
Cameroon	-2.0	-5.9	2.7	0.9	6.2	9.7	5.6	3.4	2.0	1.0
Central Africa Republic	-8.1	-4.9	2.0	2.7	124.4	102.1	4.9	5.8	1.0	1.0
Congo	-18.6	-21.4	2.7	4.6	61.9	60.7	3.3	1.5	1.0	1.0
Gabon	-1.1	-5.1	-0.3	2.1	43.4	33.1	4.9	2.2	1.0	1.0
Equatorial Guinea	-3.8	-14.8	1.7	1.4	242.0	358.7	2.5	0.2	1.0	1.0
Chad	-1.8	-4.2	3.7	-1.6	103.9	114.1	1.0	0.1	2.0	0.0
DRC	-0.7	-1.2	0.7	18.2	0.0	0.1	1.3	0.9	3.0	1.0
São Tome and Principe	-8.8	-5.0	4.0	5.1	0.0	0.0	5.6	4.7	2.0	1.0
Total of countries reporting	**8**	**8**	**8**	**8**	**8**	**8**	**8**	**8**		
Total of countries that met the criteria	**4**	**1**	**7**	**5**	**2**	**1**	**0**	**0**		
Pourcentage (%)	**50.0**	**12.5**	**87.5**	**62.5**	**25.0**	**12.5**	**0.0**	**0.0**		

EAST AFRICA										
Burundi	-11.1	-8.5	5.6	5.5	36.9	134.9	2.3	1.4	0.0	0.0
Comoros									0.0	0.0
Kenya	-11.0	-8.1	6.6	6.3	0.6	0.7	5.1	5.5	0.0	0.0
Mauritius	-3.6	-4.2	1.3	1.0	0.0	0.0	7.7	9.3	3.0	3.0
Rwanda	-12.2	-9.5	2.5	5.7	0.0	0.0	3.7	3.9	2.0	1.0
Uganda	-5.5	-6.6	5.4	5.5	0.0	0.0	5.3	5.1	1.0	1.0
Tanzania	-4.3	-4.0	5.6	5.2	0.0	0.0	3.9	4.2	1.0	1.0
Djibouti									0.0	0.0
Ethiopia									0.0	0.0
Seychelles	1.2	-0.4	5.6	5.5	1185.1	1185.1	4.3	4.1	1.0	1.0
Somalia					0.0		3.0		1.0	0.0
Total of countries reporting	**7**	**7**	**7**	**7**	**8**	**7**	**8**	**7**		
Total of countries that met the criteria	**1**	**1**	**2**	**1**	**5**	**4**	**1**	**1**		
Pourcentage (%)	**14.3**	**14.3**	**28.6**	**14.3**	**62.5**	**57.1**	**12.5**	**14.3**		
SOUTHERN AFRICA										
Angola	-3.3	-5.9	14.3	42.0	1.8	3.1	7.7	10.5	1.0	1.0
Botswana	3.6	-4.7	3.0	2.8	0.0	0.0	18.4	16.7	4.0	3.0
Lesotho	1.5	-7.5	3.2	6.6	4.4	4.5	6.3	4.6	3.0	0.0
Madagascar	-3.7	-2.2	7.4	6.7	14.5	8.0	2.9	3.9	0.0	1.0
Malawi	-2.8	-4.7	21.9	21.7	6.5	8.8	3.2	2.9	1.0	0.0
Moçambique	-7.4	-5.7	2.4	19.3	0.0	0.0	2.0	3.1	2.0	1.0
Namibia	-8.3	-6.3	3.4	6.7	0.0	0.0	2.8	2.9	2.0	1.0
South Africa	-4.5	-4.2	4.6	6.3	0.0	0.0	4.9	5.4	2.0	1.0
Swaziland	-4.8	-12.3	5.0	7.8	0.0	2.0	3.8	3.6	1.0	0.0
Zambia	-9.4	-5.8	10.0	18.2	0.3	2.5	4.3	3.6	0.0	0.0
Zimbabwe	-1.0		-2.4		0.0		2.0		2.0	0.0
Total of countries reporting	**11**	**10**	**11**	**10**	**11**	**10**	**11**	**10**		
Total of countries that met the criteria	**4**	**1**	**6**	**1**	**5**	**4**	**3**	**2**		
Pourcentage (%)	**36.4**	**10.0**	**54.5**	**10.0**	**45.5**	**40.0**	**27.3**	**20.0**		
Total of countries reporting	**47**	**46**	**47**	**46**	**47**	**45**	**48**	**46**		
Total of countries that met the criteria	15	9	27	14	26	23	7	7		
Pourcentage (%)	31.9	19.6	57.4	30.4	55.3	51.1	14.6	15.2		

* Financing of the deficit by the Central Bank is in% of the tax revenue of the previous year