

BURKINA FASO

Key conditions and challenges

Recent developments

Table 1 2021

Population, million	21.5
GDP, current US\$ billion	20.0
GDP per capita, current US\$	931.9
International poverty rate (\$2.15) ^a	30.5
Lower middle-income poverty rate (\$3.65) ^a	59.8
Upper middle-income poverty rate (\$6.85) ^a	81.1
Gini index ^a	47.3
School enrollment, primary (% gross) ^b	92.6
Life expectancy at birth, years ^b	62.0
Total GHG emissions (mtCO2e)	46.9

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2018), 2017 PPPs.

b/ Most recent WDI value (2020).

The economy grew by an estimated 6.9 percent in 2021 (4.0 percent in per capita terms), aided by a post-COVID-19 rebound in services. Due to political instability, domestic insecurity, and the impact of the war in Ukraine, growth is projected to slow to 4.3 percent, and inflation to reach double digits. This will exacerbate food insecurity and delay returning to a pre-COVID poverty reduction trajectory. The medium-term outlook is clouded by significant downside risks related to the political transition and insecurity.

Over the past decade, the primary sector has declined in importance, now contributing less than 20 percent of GDP. Aided by a boom in the gold mining industry, the contribution of the secondary sector rose to nearly 20 percent of GDP and 85 percent of exports. Services account for almost half of GDP, with the public and retail sectors generating most jobs and output. However, almost 1 in 3 people continue to live in extreme poverty, and since 2016 strong growth (6.2 percent on average until COVID-19) has contrasted with increasing insecurity. About a quarter of schools are currently closed in the two most affected regions, and the number of internally displaced persons reached 2 million in mid-2022. Unfinished decentralization reforms and growing political instability, combined with substantial defense spending and a high public wage bill, have constrained the delivery of public services and limited growth-enabling public investments.

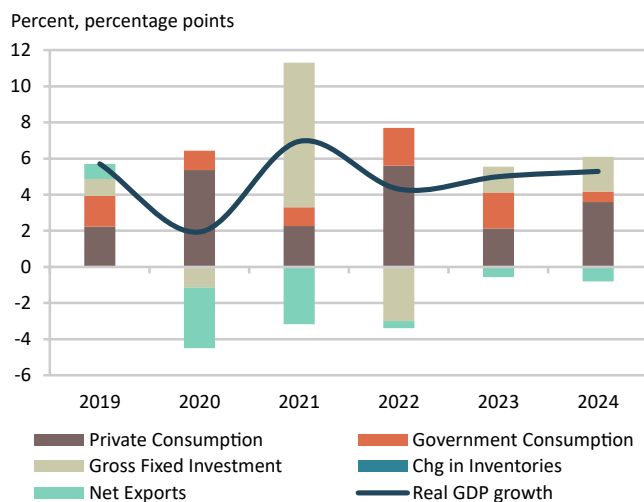
Economic prospects are even more uncertain after the January 2022 unconstitutional regime change. The coup triggered a reduction in the international community's financial support while heightening the country's risk profile, negatively affecting private investment and FDI. The primarily rain-fed agriculture and livestock sectors remain highly vulnerable to climate shocks and natural disasters.

Following a strong 2021 post-COVID-19 economic recovery, supported by a rebound in services and the opening of new gold mines, GDP growth slowed sharply in the first half of 2022 as insecurity spread to some mining and farming areas, combined with the impact of the war in Ukraine on global commodity prices. Higher import prices (especially for foodstuffs, fertilizers, and fuel), global market access challenges, and lower investment (including FDI) contributed to a fall of quarterly GDP in Q1-2022 of 1.9 percent, with extractives (-10.3 percent) and the construction sector (-18.9 percent) showing the most significant contractions. Over the year, real growth is projected at 4.3 percent (1.5 percent in per capita terms), driven by consumption and exports. With reduced donor grants and FDI inflows following the coup, combined with high oil prices, the CAD could deteriorate to 6 percent by the end of the year.

While the rise in import prices has fed into domestic inflation, the bigger drivers of price increases are supply-side shocks from domestic agriculture production, namely a bad harvest in late 2021 and the security situation driving more farmers off their lands. As of August 2022, year-on-year inflation stood at 18.1 percent, driven by food (+29.8 percent).

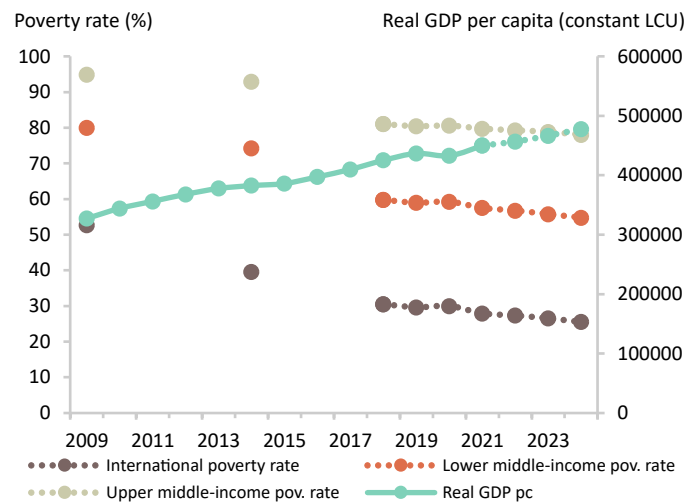
Monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO). Its reserves declined to 5.2 months of imports in June

FIGURE 1 Burkina Faso / Real GDP growth and contributions to real GDP growth (demand-side)



Source: World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

2022, from 5.5 months in 2021, due to higher energy prices and food imports caused by the Ukraine crisis. To counter inflation pressures, the BCEAO raised rates for liquidity calls (from 2 to 2.5 percent) and the marginal lending window (from 4 to 4.5 percent) in June and September 2022.

With a military-led transition in place since late January, defense spending has grown. Social spending has also grown to respond to the worsening humanitarian crisis and inflationary pressures. As a result, the fiscal deficit is projected at 7.4 percent of GDP in 2022. It will be largely financed through borrowing in the regional market, leading to an increase in overall public debt to about 61 percent of GDP at end-2022.

Extreme poverty incidence is projected to decrease by about half a percentage point to 27.4 percent in 2022, although with population growth, the number of extreme poor is projected to increase by 43,000. Food insecurity continues to be a major challenge, with the entire north-east half of

the country classified as food insecure. The rainy season arrived on time, and rainfall has been regular; however, insecurity and a lack of fertilizers are limiting production. Prices of cereals remain 73 to 85 percent higher than the five-year average and more than double in some of the most insecure areas in the north.

Outlook

In the medium-term, growth is projected to average slightly above 5 percent, driven by services and extractives on the supply side and consumption, private investment, and exports on the demand side. Continued improvements in domestic tax collection and lower outlays for the military and social transfers from improved security would help fiscal consolidation. However, the fiscal deficit is not expected to reach the 3 percent of GDP target of the West African Economic and Monetary Union (WAEMU)

before 2025. Mainly due to economic growth, public debt is projected to gradually decrease from 2023 onwards.

The extreme poverty rate is projected to fall by about one percentage point a year in 2023 and 2024. The number of poor is also projected to decrease, albeit modestly, due to high population growth, and about 6 million Burkinabe will remain poor over this timeframe. Although the food security situation is expected to improve after the upcoming harvest, the north will remain in an emergency or crisis state.

The outlook has significant downside risks, including persistent political instability, insecurity, climate shocks, food insecurity, and social discontent from high food inflation. Already faced with high inflation, a poor harvest in 2022 (similar to that in 2021) could drastically worsen the outlook for 2023 and beyond. The war in Ukraine and additional monetary tightening in the eurozone represent additional risks through elevated food and energy prices and regional debt refinancing costs.

TABLE 2 Burkina Faso / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	5.7	1.9	6.9	4.3	5.0	5.3
Private Consumption	3.5	8.6	3.4	8.7	3.2	5.4
Government Consumption	12.0	7.1	6.6	13.2	11.6	3.2
Gross Fixed Capital Investment	3.8	-4.6	34.8	-10.4	5.8	7.6
Exports, Goods and Services	-0.1	-7.1	6.5	10.0	4.5	3.4
Imports, Goods and Services	-2.7	5.3	15.5	8.4	5.0	4.8
Real GDP growth, at constant factor prices	5.7	1.9	6.9	4.3	5.0	5.3
Agriculture	1.7	5.2	-4.1	6.3	4.6	6.2
Industry	2.3	12.8	11.0	4.8	5.9	6.9
Services	9.5	-4.9	10.3	3.1	4.6	3.9
Inflation (Consumer Price Index)	-3.2	1.9	3.9	13.6	6.9	4.0
Current Account Balance (% of GDP)	-3.3	-0.1	-3.0	-6.0	-5.7	-4.9
Net Foreign Direct Investment Inflow (% of GDP)	-0.9	-0.6	-0.5	-0.5	-0.6	-0.5
Fiscal Balance (% of GDP)	-3.2	-5.7	-6.0	-7.4	-5.1	-4.2
Debt (% of GDP)	42.0	46.5	55.5	61.2	58.7	56.4
Primary Balance (% of GDP)	-2.0	-4.3	-4.5	-5.3	-2.9	-2.2
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	29.6	30.0	27.9	27.4	26.6	25.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	59.0	59.2	57.5	56.8	55.8	54.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	80.5	80.6	79.8	79.3	78.8	78.0
GHG emissions growth (mtCO₂e)	5.7	1.9	6.9	4.3	5.0	5.3
Energy related GHG emissions (% of total)	10.5	10.4	11.1	11.4	11.9	12.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.

a/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.

b/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.