

BURKINA FASO

Table 1 2021

Population, million	21.5
GDP, current US\$ billion	18.0
GDP per capita, current US\$	839.4
International poverty rate (\$1.9) ^a	33.7
Lower middle-income poverty rate (\$3.2) ^a	61.8
Upper middle-income poverty rate (\$5.5) ^a	80.0
Gini index ^a	47.3
School enrollment, primary (% gross) ^b	92.6
Life expectancy at birth, years ^b	61.6
Total GHG Emissions (mtCO ₂ e)	62.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2011 PPPs.
b/ WDI for School enrollment (2020); Life expectancy (2019).

The economy grew by an estimated 7.0 percent in 2021 (4.2 percent in per-capita terms), with investment-led growth in services, gold mining, and manufacturing. Due to supply bottlenecks in the agricultural sector, food insecurity remains high, and inflation approached a 10-year peak. The transition government, in place since the January 2022 coup d'état, faces significant challenges in addressing the multifaceted security, humanitarian, and food crises.

Key conditions and challenges

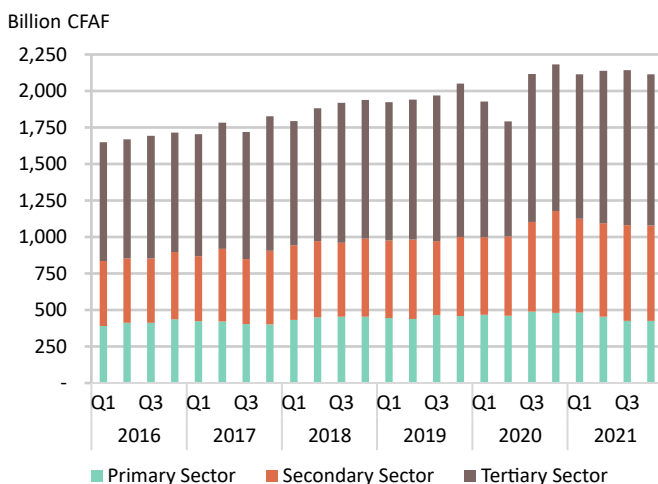
Over the past decade, the primary (mainly agriculture) sector has declined in importance, now contributing less than 20 percent to the economy, with a booming gold industry generating almost 20 percent of GDP and 85 percent of exports. Services account for nearly half of GDP, with the public and retail sectors creating most jobs and output. With an increasingly violent security context outside the capital, about a quarter of schools have closed in the two most affected regions, and the number of internally displaced persons reached 1.8 million as of March 2022.

Economic prospects are uncertain after the recent unconstitutional regime change, combined with growing insecurity, the impact of climatic change, and the lingering effects of COVID-19. On January 24, 2022, a military junta seized power in response to the worsening security situation, which reduced international community financial support and could prompt economic sanctions by ECOWAS, the regional bloc from which the country got suspended. The primarily rain-fed agriculture and livestock sectors remain highly vulnerable to climatic shocks and natural disasters, particularly droughts, floods, and locust invasion. A resurgence of COVID-19, with less than 20 percent of the population vaccinated, could also subdue domestic demand and hurt the services sector.

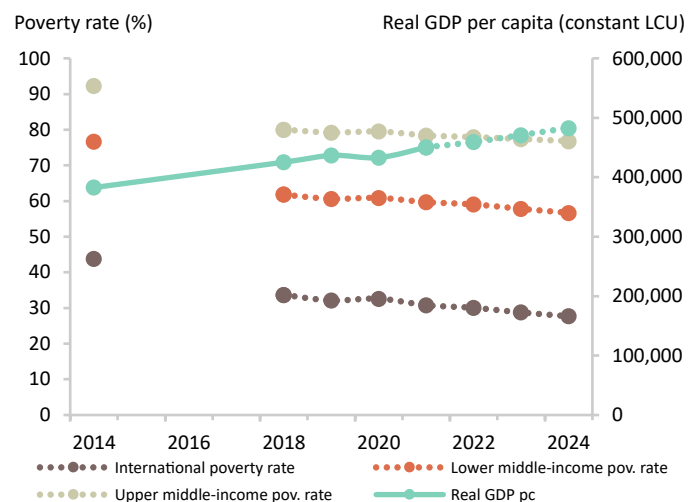
Recent developments

Following a sharp recovery in the second half of 2020, GDP growth remained strong in 2021, estimated at 7.0 percent. This reflected a strong rebound in services and robust gold production and was supported by private investment, mainly into mines, air transport, and beverages. The fiscal deficit remained above 5 percent as the government implemented the Economic Recovery Plan in response to COVID-19 while enacting additional security spending. Despite robust gold production, the trade deficit deteriorated, with imports rising faster than exports. With lower donor grants, the current account deficit is estimated to have widened to 3.0 percent of GDP.

Fueled by an accommodative monetary stance and rising food prices (+14.7 percent) on account of a sharp contraction in agricultural output, inflation (CPI) reached 3.9 percent in 2021, a 10-year high. Food inflation is a particular concern for the poor, as food accounts for 48 percent of their total consumption. The Central Bank of West African States (BCEAO) manages the monetary and exchange rate policies, which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached 5.8 months of imports of goods and services in 2021 due to increased exports, the August 2021 SDR allocation, and portfolio inflows linked to Eurobond issuances in the region (by Benin, Côte d'Ivoire, Senegal, and BOAD).

FIGURE 1 Burkina Faso / Real GDP and sectoral decomposition of real GDP


Source: World Bank staff estimates based on the national statistical institute (INSD) data.

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


Source: World Bank. Notes: see Table 2.

The international extreme poverty rate (US\$1.9/day per capita, 2011 PPP) increased by about half a percentage point to 32.6 percent in 2020, resulting in an additional 290,000 extreme poor. In 2021, poverty projections based on per-capita GDP growth estimated a decline to 30.8 percent. Food insecurity (as measured by the FIES) has followed the same pattern, rising from 44 percent in 2018 to 53 percent in June 2020 and then falling to 37 percent by June 2021 (phone surveys). However, the decline in poverty may be overestimated as mining and services growth is unlikely to quickly translate into increased incomes for poor and rural households, and the same surveys find that almost half of households had lower incomes in 2021, compared to 2020, with only 28 percent reported an increase.

Outlook

Over the medium term, the economy is expected to continue slightly below its pre-pandemic growth path amidst heightened uncertainty. Real GDP growth is projected

at 4.8 percent in 2022, assuming that there continue to be no significant sanctions from the international community in response to the January coup d'état and transition arrangements. Growth is expected to be driven by private consumption and a rebound in agriculture, while the current account deficit may widen further due to high oil prices and a decline in donor grants after the coup.

The fiscal deficit is projected to worsen in 2022 due to increased security spending and lower grants before gradually converging toward the WAEMU fiscal target of 3 percent of GDP by 2025. Over the medium term, further tax reforms and wage bill controls could significantly lower the fiscal deficit. Burkina Faso remains at moderate risk of external and overall public debt distress, with some space to absorb shocks on external debt.

WAEMU regional foreign exchange reserves are expected to fall to around 5.3 months of imports by 2024, reflecting faster growth in imports and a reduction in net capital inflows (as a percent of GDP), as the environment for Eurobond issuances remains uncertain. Growth-friendly fiscal consolidation and structural

reforms are crucial to maintaining reserves at an optimal level.

The extreme poverty rate is projected to continue to fall by about one percentage point a year over the medium term. The number of poor is also projected to decrease. Still, with high population growth, this means only 50,000 to 100,000 would escape poverty each year, and over 6 million Burkinabe will remain poor for the foreseeable future. Food insecurity is expected to deteriorate due to poor harvests in 2021 and rising food prices, with the situation particularly severe in the north.

There are significant downside risks to the economic outlook with multiple domestic risks, including further political instability, climate shocks, local COVID outbreaks, and widespread social discontent from high food inflation and insecurity. The economic consequences of the Russia-Ukraine war would primarily be through higher global food (grains and fertilizer) and energy prices. The projections already reflect recent sharp price increases of oil, gas, metals, minerals, and agricultural commodities since January 2022, including gold, which benefits Burkina Faso.

TABLE 2 Burkina Faso / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	5.7	1.9	7.0	4.8	5.4	5.3
Private Consumption	3.5	8.6	3.4	9.9	3.4	5.4
Government Consumption	13.4	8.0	6.6	13.7	12.5	3.2
Gross Fixed Capital Investment	3.0	-4.0	29.1	-9.2	6.2	8.0
Exports, Goods and Services	-0.3	-3.6	6.5	9.7	4.5	3.4
Imports, Goods and Services	-2.8	10.0	15.5	10.7	5.1	4.8
Real GDP growth, at constant factor prices	5.9	2.6	7.0	4.8	5.4	5.3
Agriculture	2.1	6.3	-4.1	6.3	4.6	6.2
Industry	2.7	15.6	11.0	4.8	5.9	6.9
Services	9.8	-6.0	10.6	4.1	5.5	3.9
Inflation (Consumer Price Index)	-3.2	1.9	3.9	5.0	3.5	3.0
Current Account Balance (% of GDP)	-3.3	-0.2	-3.0	-4.8	-4.7	-4.9
Net Foreign Direct Investment (% of GDP)	0.9	0.6	0.5	0.5	0.6	0.6
Fiscal Balance (% of GDP)	-3.3	-5.5	-5.5	-6.6	-5.1	-3.8
Debt (% of GDP)	42.0	46.3	55.0	59.3	58.4	56.4
Primary Balance (% of GDP)	-2.1	-4.2	-4.0	-4.4	-2.9	-1.8
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	32.1	32.6	30.8	30.1	28.8	27.7
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	60.6	60.9	59.7	59.0	57.8	56.7
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	79.2	79.5	78.4	77.9	77.4	76.8
GHG emissions growth (mtCO₂e)	4.3	4.7	4.4	5.1	5.0	4.9
Energy related GHG emissions (% of total)	10.5	10.9	10.7	11.2	11.7	12.1

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

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 based on GDP per capita in constant LCU.