



**European
Investment
Bank**

The EU bank

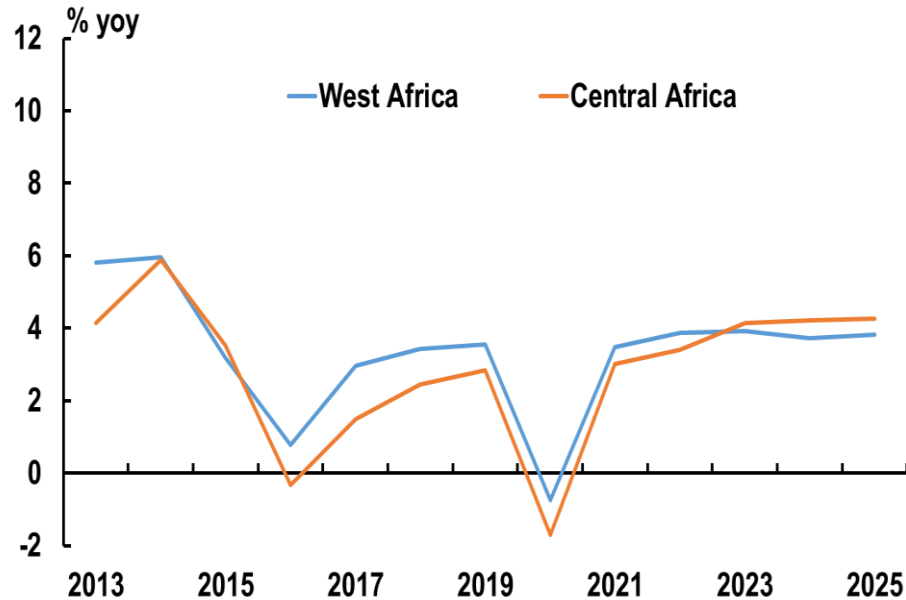
A circular arrangement of twelve blue stars, representing the European Union flag, positioned to the right of the text 'The EU bank'.

West and Central Africa perspectives

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EIB SG/ECON/CFSA

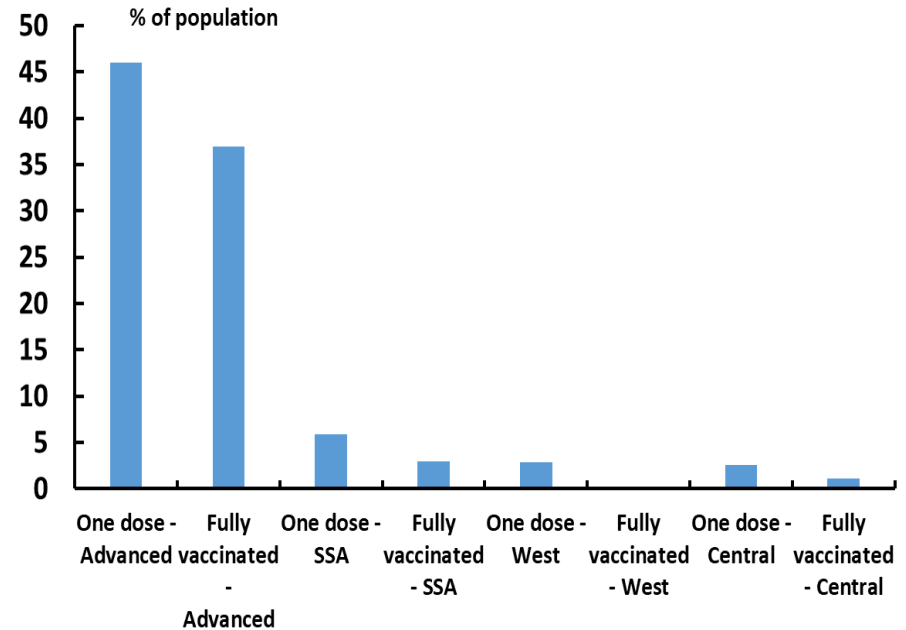
Macro outlook

Real GDP annual growth



Source: IMF and author calculations

Percent COVID-19 vaccinated

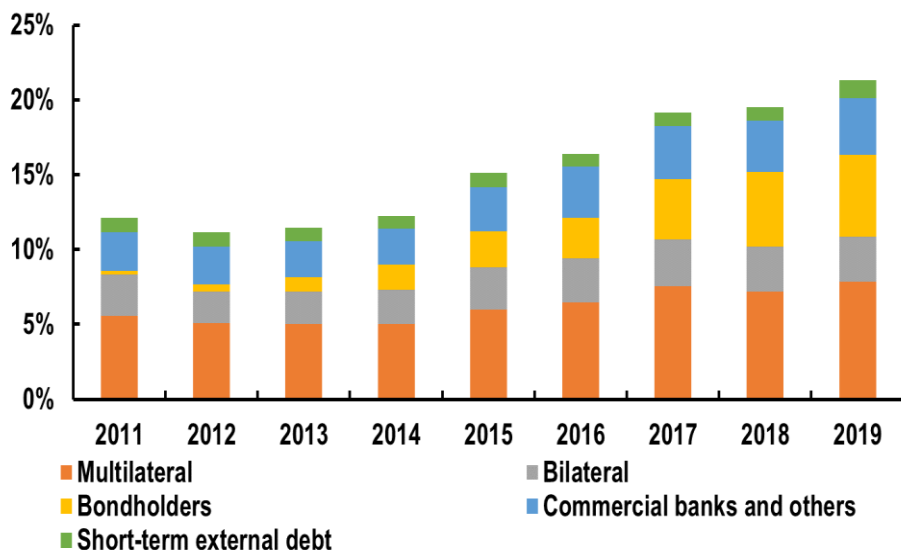


Source: Financial Times and author calculations

- ▶ Real GDP growth is expected to recover amidst ample uncertainty
- ▶ Two-speed COVID-19 vaccination roll out is challenging economic recovery

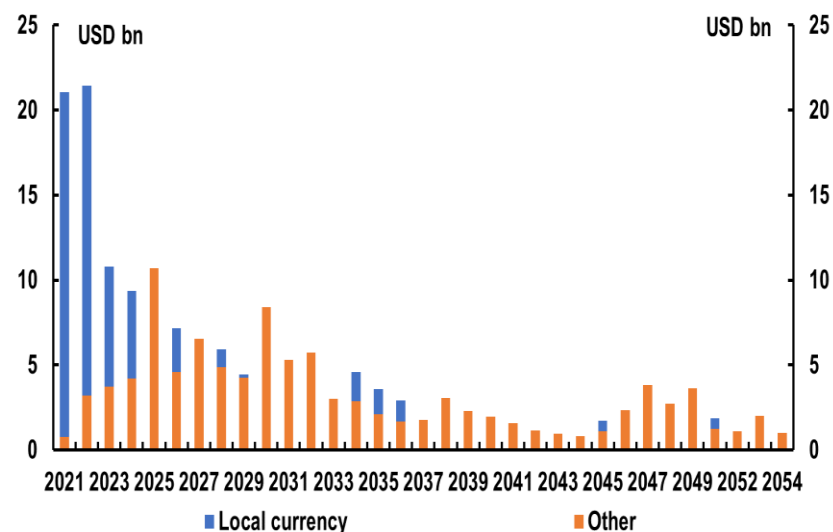
West Africa – debt build pre COVID-19

West Africa, Gross external debt by creditor (% of GDP)



Source: World Bank and author calculations

West Africa debt distribution by maturity and currency

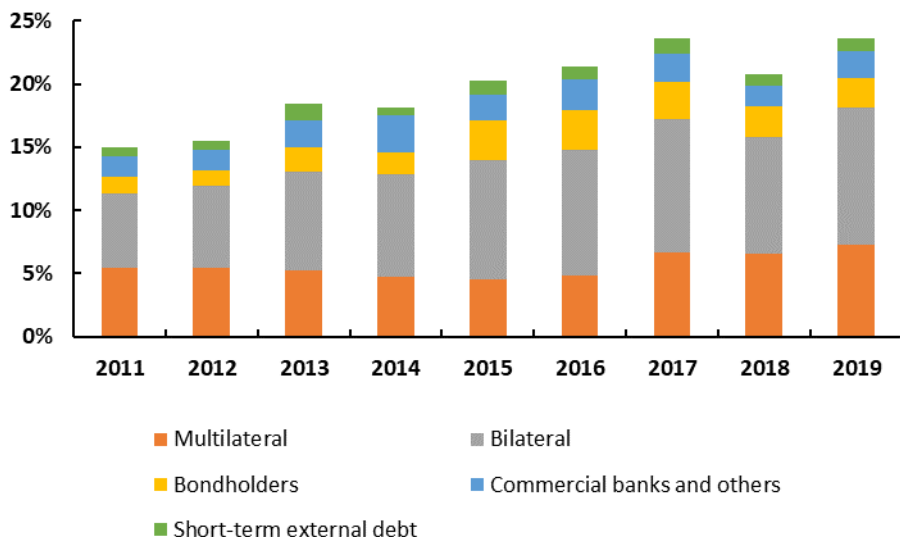


Source: Bloomberg and author calculations

- ▶ Significant debt build up before the COVID-19 pandemic
- ▶ Increased exposure of West Africa to global risk repricing
- ▶ Non-negligible debt redemptions in the next two years, mostly of local currency

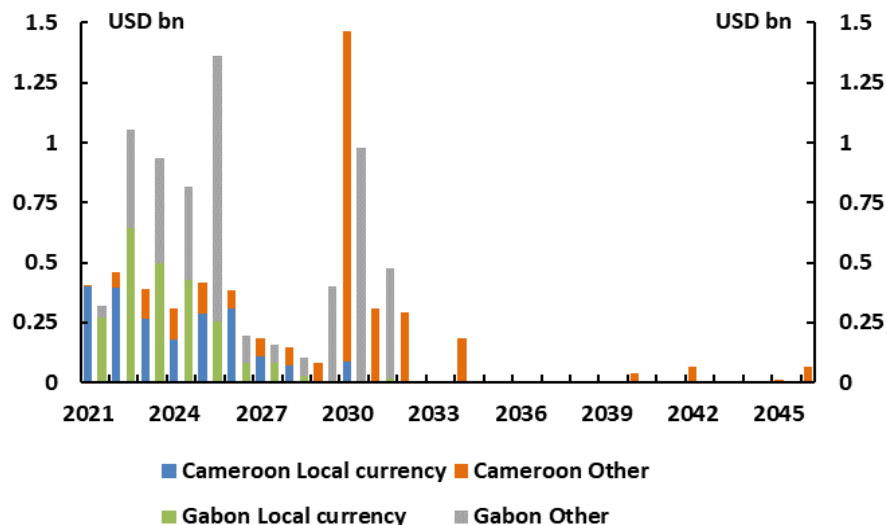
Central Africa – rising debt levels

Central Africa, Gross external debt by creditor (% of GDP)



Source: World Bank and author calculations

Cameroon and Gabon - debt distribution by maturity and currency

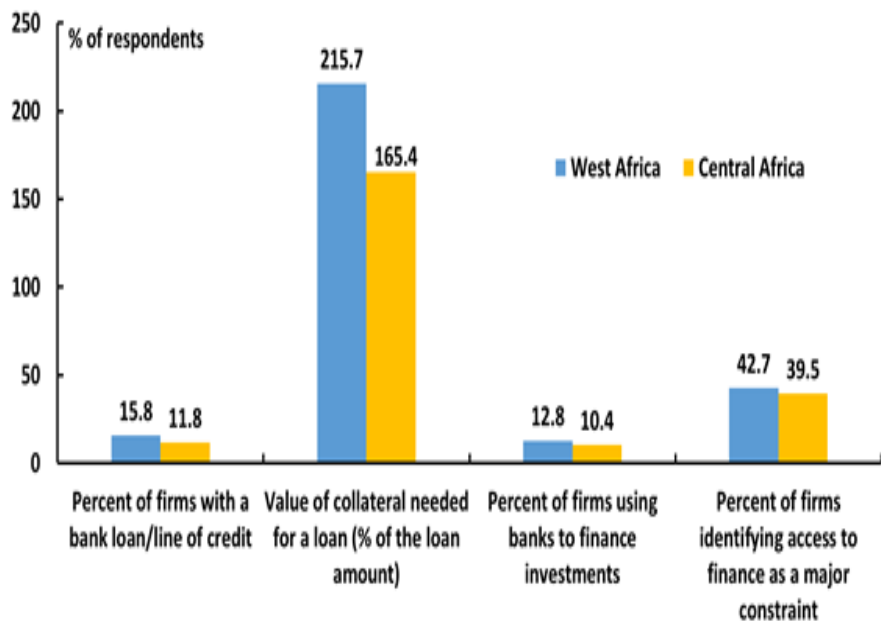


Source: Bloomberg and author calculations

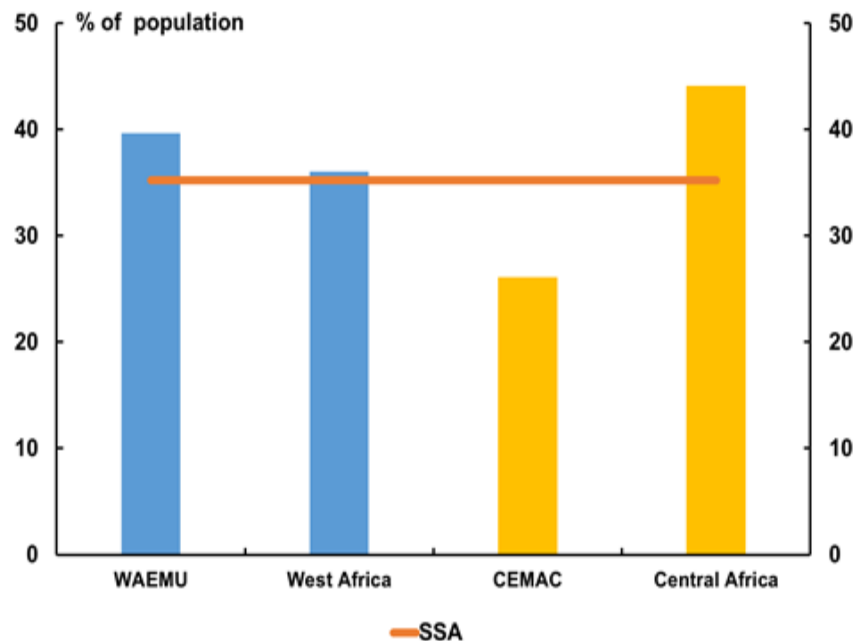
- ▶ Steady increase of external debt levels before the COVID-19 crisis
- ▶ 4/5th of external debt owed to multi- and bilateral lenders
- ▶ Exposure to global bond markets in parts of the region

Weak access to finance and elevated poverty

West and Central Africa, access to finance



Percentage of population earning less than USD 1.90 a day (in PPP)



Source: EBRD/EIB/World Bank Enterprise Survey and author calculations

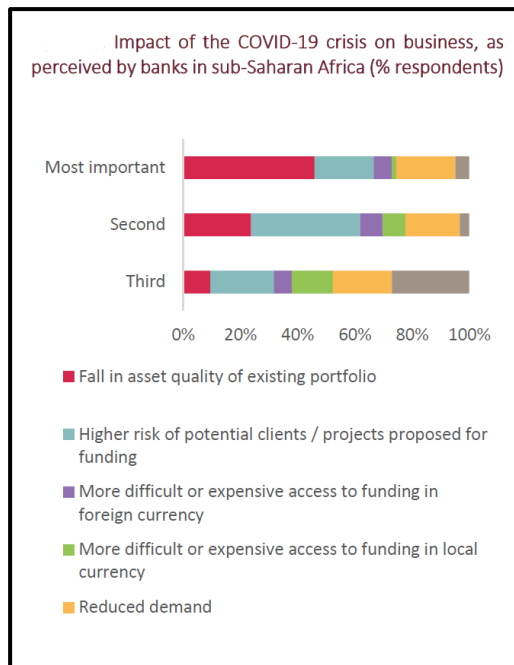
Source: World Bank and author calculations

- ▶ Access to finance improved over the years, amidst high poverty before the crisis
- ▶ Poverty and access to finance are expected to have deteriorated because of the pandemic, dictating action by development partners

Finance in Africa Report – Key findings

African Banks have been remarkably resilient during the crisis, but concerns about asset quality and risk are likely to constrain new lending

40% of banks surveyed by EIB and MFW4A felt that the crisis has had a larger negative impact on the attractiveness of SME clients compared to larger firms



To cope, 80% of banks relied more on moratoriums and restructuring, 70% tightened credit standards and more than half used guarantees from government or IFIs

Banks were expecting a recovery in demand from both SMEs and corporates, strongest in LCY

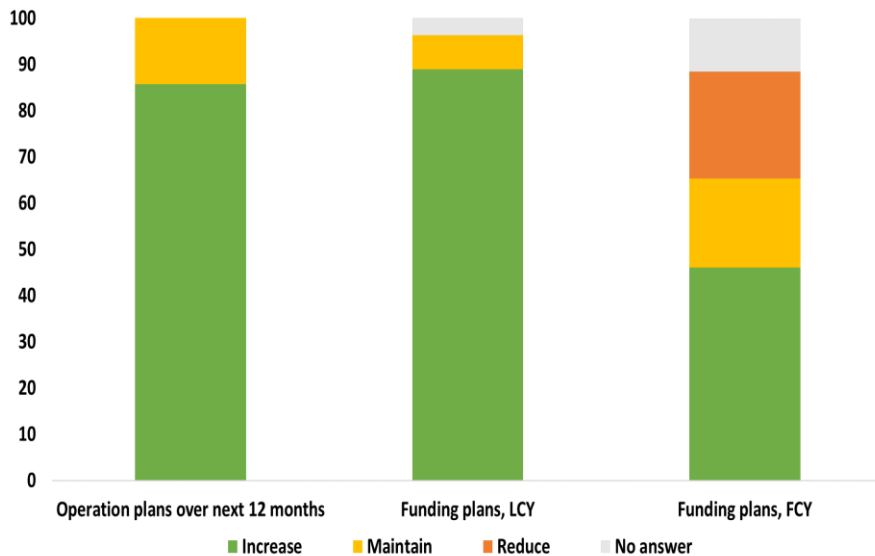


- ▶ Africa's **microfinance** sectors avoided a liquidity crisis thanks to existing capital buffers, proactive responses and some support from policymakers
- ▶ The pandemic reversed an upward trend in fundraising for African **private equity**, which suggests that activity in this sector might be constrained in the medium-term even if deal volumes held up during 2020

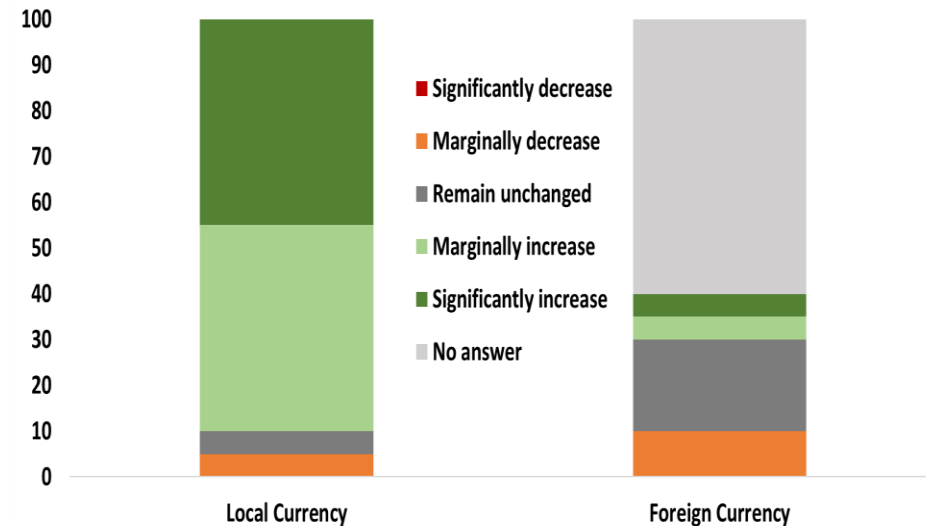
- ▶ 54% of surveyed banks were already viewing **climate** as a strategic issue, and just over 40% had staff working on green finance opportunities
- ▶ Non-bank institutions pioneered **digital finance** services in Africa. Now, banks are increasing engaging. Most reported that the pandemic has led them to increase the pace of digital transformation, and that this shift will be permanent. Regulation will need to develop to address risks

West Africa – banks' perceptions

Expected banking activity change over next year (% of banks)



Expected change in credit demand from SMEs over next year (% of banks)

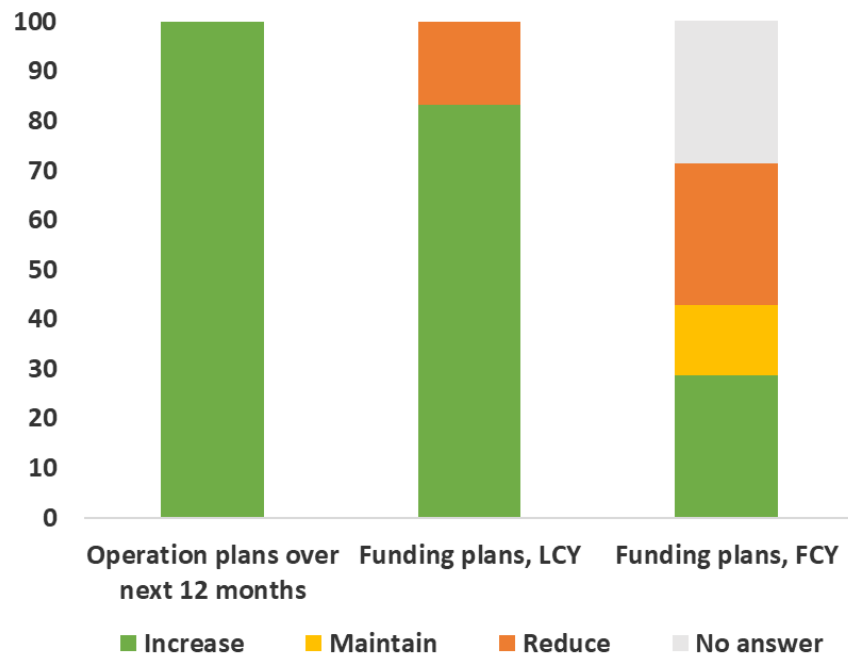


Source: EIB – Financing in Africa 2021 (forthcoming)

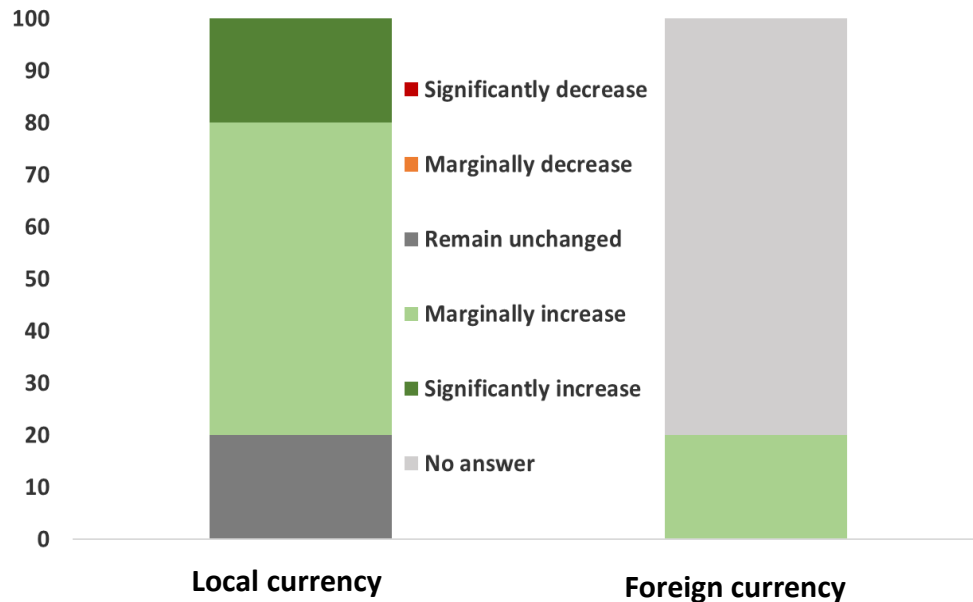
- ▶ There is significant demand for local currency
- ▶ Banks anticipate to increase their operational plans (especially funding plans in local currency)
- ▶ Credit demand for local currency loans by SMEs is expected to rise

Central Africa – banks' perceptions

Expected banking activity change over next year (% of banks)



Expected change in credit demand from SMEs over next year (% of banks)



Source: EIB – Financing in Africa 2021 (forthcoming)

- ▶ Banks in Central Africa expect to expand their operations
- ▶ Funding plans mainly in local currency
- ▶ Credit demand from SMEs expected to increase moderately over the next year



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The EIB bank

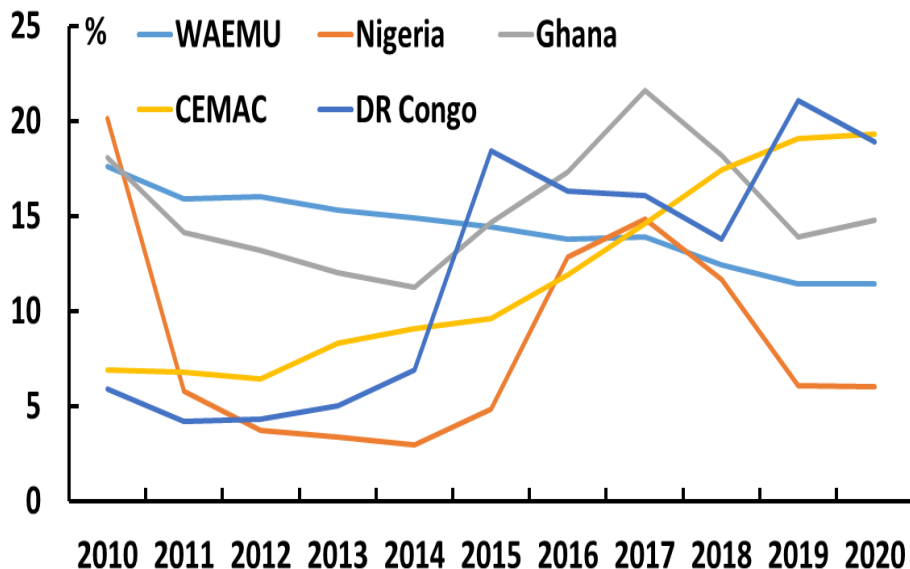


EUROPEAN
INVESTMENT
FUND

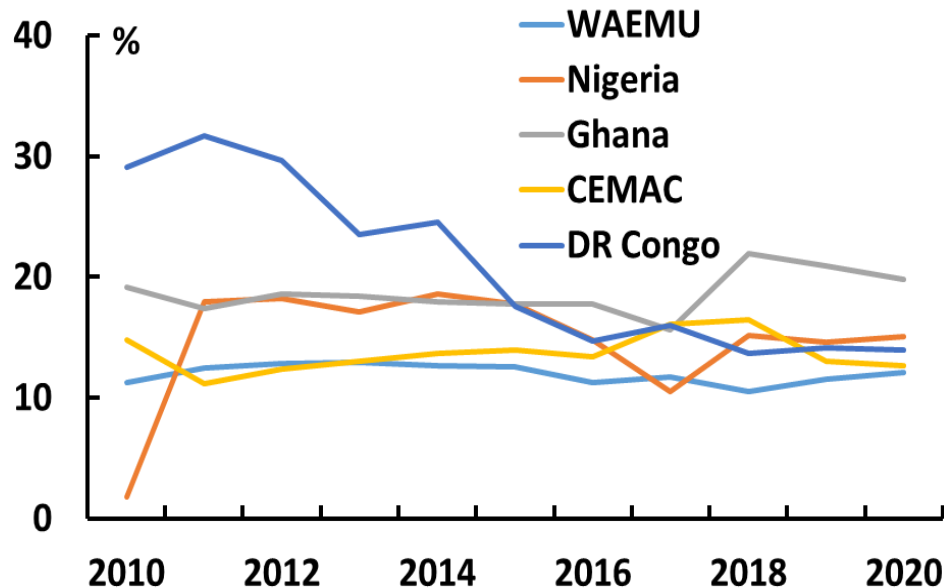
Thank you!

Relatively resilient banks pre-COVID-19

Non-performing loans % total loans



Regulatory capital % of risk-weighted assets



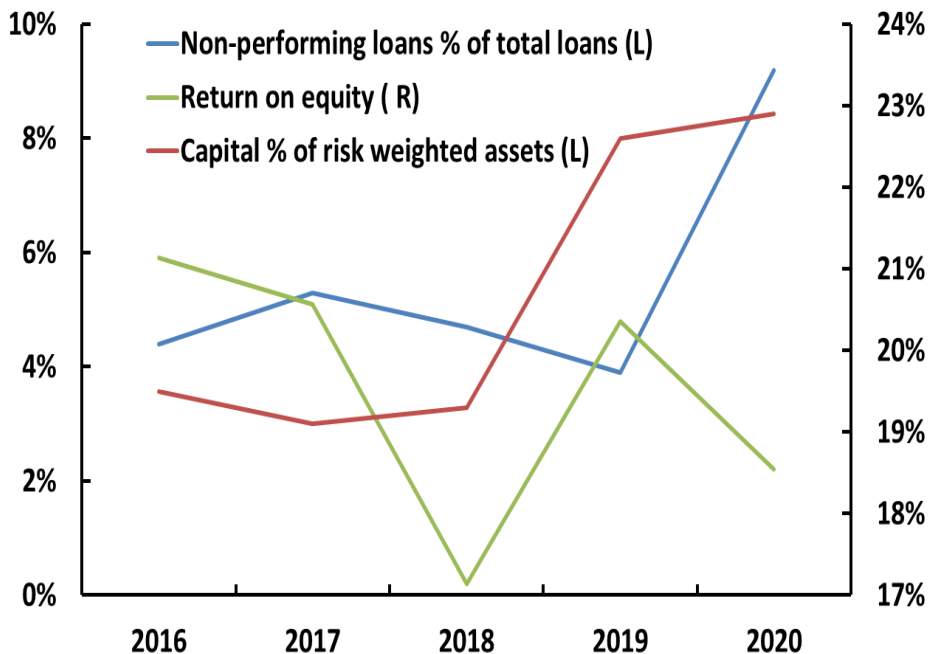
Source: IMF and author calculations

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- ▶ Banks' performance and capitalization differs across the region
- ▶ Significant policy support mitigated the deterioration in prudential indicators
- ▶ Significant correlation exists between GDP growth and NPLs (-0.3 in WAEMU)

West Africa – Microfinance sector in WAEMU

WAEMU microfinance, prudential indicators



Source: Commission Bancaire

WAEMU microfinance sector overview, 2020

	Total number of SFDs	WAEMU share	Non-performing loans % of total loans	Capital adequacy ratio (>15%)	Return on equity (>15%)
Benin	22	9.4%	3.5%	43.5%	2.6%
Burkina Faso	38	17.5%	8.4%	20.0%	6.5%
Ivory Coast	24	19.5%	6.8%	4.1%	-0.1%
Mali	4	8.7%	6.6%	11.0%	-10.1%
Niger	55	0.6%	21.5%	212.4%	6.6%
Senegal	55	33.9%	8.5%	31.2%	3.3%
Togo	28	10.4%	11.8%	16.1%	2.9%

Source: Commission Bancaire

- ▶ The profitability of the microfinance institutions (MFI) is volatile, but declining
- ▶ WAEMU MFIs improved capital adequacy amidst increasing NPLs
- ▶ There are significant discrepancies among countries