

CAMEROON

Recent developments

Table 1 2019

Population, million	25.3
GDP, current US\$ billion	38.8
GDP per capita, current US\$	1532.9
International poverty rate (\$ 1.9) ^a	26.0
Lower middle-income poverty rate (\$3.2) ^a	47.0
Upper middle-income poverty rate (\$5.5) ^a	71.1
Gini index ^a	46.6
School enrollment, primary (% gross) ^b	103.4
Life expectancy at birth, years ^b	58.9

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

Notes:

(a) Most recent value (2014), 2011 PPPs.

(b) Most recent WDI value (2018).

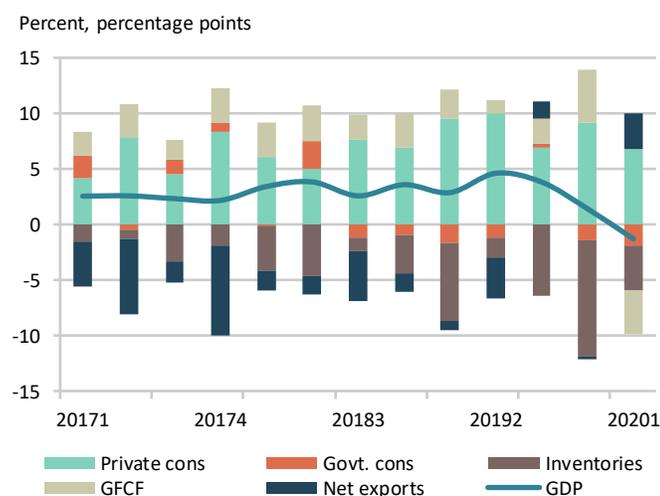
Economic growth decelerated to 3.7 percent in 2019. While the current account deficit widened, fiscal consolidation efforts narrowed the fiscal deficit in 2019. Poverty remains high at 24.4 percent. The COVID-19 pandemic introduced significant uncertainty to the outlook with risks tilted to the downside. Real GDP is projected to contract in 2020 with deteriorating external and fiscal accounts before recovering in the medium term.

Economic growth decelerated to 3.7 percent in 2019 compared to 4.1 percent in 2018. On the supply side, this performance accounts for reduced activity in agribusinesses and the adverse impact of the fire at the national refinery (SONARA) on both industry and services sectors. On the demand side, both lower external demand and investment explain growth developments. Owing to the ongoing anglophone crisis, inflation rose to 2.5 percent from 1.1 percent in 2018 but remained below the CEMAC regional target of 3 percent. The current account deficit slightly increased by 0.1 percentage point to 3.7 percent of GDP in 2019 reflecting higher import volume than export. The new regional regulation to limit capital and to ensure adequate repatriation of export proceeds helped Cameroon's imputed official reserves to reach 5.4 months of imports at the end of 2019 from 5.1 months of imports in 2018. Thanks to sustained efforts towards fiscal consolidation in the context of the three-year plan for 2017–19, the fiscal deficit narrowed from 2.5 percent in 2018 to 2.2 percent of GDP in 2019. The deficit was financed through budget support from donors, domestic financing, and accumulation of domestic arrears. Meanwhile, the risk of debt distress remained high, with the total debt stock increasing from 39.3 percent of GDP in 2018 to 43.0 percent of GDP at the end of 2019. The extreme

poverty rate (international poverty line US\$1.90 PPP) has remained broadly unchanged between 2018 and 2019, declining by only 0.2 percentage point over the two periods and stood at 24.4 percent in 2019. The contraction in the agriculture and services sectors has exacerbated poverty with stronger negative effects in the North West and Southwest regions where growing insecurity increases the vulnerability of the local population.

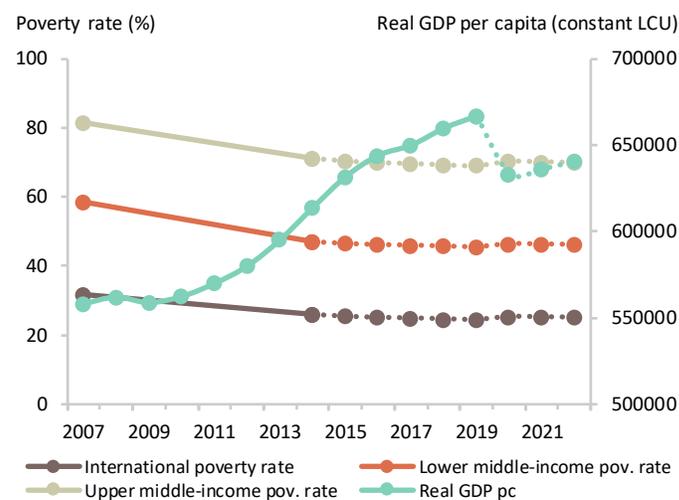
Since early 2020 and despite light containment measures, the COVID-19 pandemic and its spillover effects have negatively affected the country. Economic growth has decelerated in the first quarter as the agriculture and services sectors contracted. Despite inflationary pressures, inflation remained below the CEMAC threshold at 2.5 percent during the first semester of 2020. Meanwhile, the regional central bank (BEAC) has loosened its monetary policy stance to increase liquidity in the region with a package of measures including narrowing its interest rate corridor, increasing its liquidity provision while widening the range of private financial instruments used as collateral. Preliminary data indicate that the trade deficit has narrowed by 36.9 percent in the first semester of 2020, reflecting lower imports volume (-31.6 percent change year-on-year) than exports volume (-3.5 percent change year-on-year) due to lower capital goods imports. On the fiscal side, additional expenditures to mitigate the COVID-19 impact contributed to a budget deficit representing 3.5 percent of GDP in the first quarter of 2020.

FIGURE 1 Cameroon / GDP growth and contribution to GDP growth



Sources: National Authorities, World Bank.

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



Source: World Bank. Notes: see table 2.

Outlook

The COVID-19 pandemic has sharply deteriorated the medium-term outlook. Real GDP growth should contract by 2.5 percent in 2020, representing a deviation of 6 percentage points from the Pre-COVID estimates. From the supply side, channels include a slowdown of oil and non-oil sectors, and reduced activity by enterprises and the informal sector, notably in agriculture. From the demand side, disruptions in global value chains, and tighter external financial conditions, transmit the shock through the economy. In the medium-term, real GDP growth would recover and reach 3.4 percent in 2022, sustained by more robust domestic demand and external demand recovery. Despite potential inflationary pressures, inflation would remain below 3 percent in 2020-2022.

The external position is expected to worsen in 2020 before gradually improving from 2021 onward. The current account deficit is projected to widen to 5.5 percent of GDP in 2020, reflecting lower export volumes and terms of trade deterioration. In response to the COVID-19 pandemic, the fiscal deficit is projected to deteriorate, driven by the drop of revenue in combination with additional

health and social expenditures. Revenues losses are estimated to 2.5 percentage points of GDP reflecting the combination of lower external demand as well as tax measures to mitigate the impact of the pandemic on businesses and households. Reduced burden from both lower fuel subsidies and staff and other administrative expenditure will only partly offset the combined adverse effect of lower oil prices and the COVID-19 fiscal impact. As a result, the overall fiscal deficit is projected to reach 4.4 percent of GDP in 2020 but would converge to 2.2 percent over the medium-term. The stock of public debt is expected to converge to 45 percent of GDP in the medium term.

The extreme poverty rate is projected to increase to 25.3 percent in 2020 in line with expected negative per capita GDP growth, and remain flat through 2022 (25.1 percent) reflecting the slow recovery over the medium term. However, the combination of slow recovery and population growth may increase poverty. The persistence of conflicts is likely to widen regional disparities and then inequality in the country.

Risks and challenges

A second wave of contagion would lead the economy to contract further by 3.5 percent

in 2020, with a more gradual U-shaped recovery than in the baseline. Hence, a major threat to the outlook is a sharper deterioration of the economic activity in the Euro Area and China. Domestically, with the informal sector and small businesses being the hardest hit by the outbreak, the livelihoods of the poor may be hampered due to earning losses. Socioeconomic risks are intensifying across the country as the Covid-19 pandemic increases stress on overstretched national health systems. This is exacerbating pre-existing challenges, including the ongoing conflict in the South-West and North-West regions and weak safety nets. With the potential adverse effects of the COVID-19 pandemic and the regional disparities, poverty reduction will require an inclusive growth through structural reforms, increased opportunities in the informal sector, and increased agricultural productivity. Lastly, tighter external financial conditions could also weigh on debt sustainability. On fiscal management, risks associated with contingent liabilities related to state-owned enterprises and infrastructure projects are also potential sources of vulnerabilities. Finally, delays in public financial management reforms could pose risks for fiscal and debt sustainability.

TABLE 2 Cameroon / 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	3.5	4.1	3.7	-2.5	3.0	3.4
Private Consumption	3.3	5.7	4.5	2.3	4.2	4.3
Government Consumption	2.5	-0.2	1.8	2.3	2.0	-1.8
Gross Fixed Capital Investment	4.2	7.9	8.1	-3.6	7.0	5.6
Exports, Goods and Services	-1.6	1.8	5.1	-13.2	-0.5	2.6
Imports, Goods and Services	-0.6	8.1	10.5	2.4	7.0	5.0
Real GDP growth, at constant factor prices	3.3	4.1	3.6	-2.5	3.0	3.4
Agriculture	3.2	5.1	2.8	-0.2	4.1	4.2
Industry	1.3	3.1	3.6	-3.6	2.6	3.1
Services	4.3	4.4	3.9	-2.5	3.0	3.3
Inflation (Consumer Price Index)	0.6	1.1	2.5	2.5	2.5	2.5
Current Account Balance (% of GDP)	-2.7	-3.6	-3.7	-5.5	-4.0	-3.0
Fiscal Balance (% of GDP)	-4.9	-2.5	-2.2	-4.4	-3.3	-2.2
Debt (% of GDP)	37.6	39.3	43.0	50.7	47.6	45.1
Primary Balance (% of GDP)	-4.0	-1.6	-1.3	-3.4	-2.1	-1.1
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	24.9	24.6	24.4	25.3	25.2	25.1
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	46.1	45.8	45.7	46.4	46.4	46.3
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	69.7	69.4	69.1	70.3	70.2	70.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Notes: e = estimate, f = forecast.

(a) Calculations based on 2011-, 2017-, and 2014-ECAM-IV. Actual data: 2014. Nowcast: 2015-2019. Forecast are from 2020 to 2022.

(b) Projection using point to point elasticity at regional level with pass-through = 1 based on GDP per capita in constant LCU.