

CAMEROON

Key conditions and challenges

Table 1 2020

Population, million	26.5
GDP, current US\$ billion	39.7
GDP per capita, current US\$	1494.5
International poverty rate (\$ 19) ^a	26.0
Lower middle-income poverty rate (\$3.2) ^a	47.0
Upper middle-income poverty rate (\$5.5) ^a	71.0
Gini index ^a	46.6
School enrollment, primary (% gross) ^b	105.7
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) WDI for school enrollment (2019); life expectancy (2018).

The COVID-19 pandemic resulted in the contraction of Cameroon's economy in 2020, and additional 400,000 people fell into extreme poverty. The pandemic has mainly affected service sectors and those linked to global value chains, hampering manufacturing sectors. Despite expenditure controls, the drop in domestic revenue has worsened the fiscal situation. Moreover, the country remains at high risk of debt distress. The outlook is favorable, with the economy recovering gradually and returning to pre-COVID 19 growth rates in 2023.

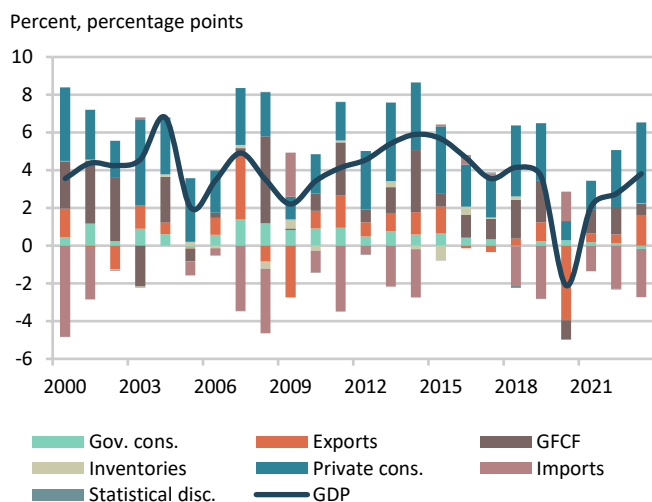
Cameroon is a lower-middle-income country playing a leading role in the Central African Economic and Monetary Community (CEMAC), holding 41.6 percent of the community's GDP in 2019. The country is richly endowed with natural mineral resources, including oil, natural gas, gold, iron, and manganese. The country has shown a relatively strong macroeconomic performance in recent years, with growth reaching 3.7 percent in 2019. Government's expenditures increased continuously in the past decade due to the security crises. Concomitantly, non-oil revenues increased on the back of improved tax collection. Hence, the fiscal deficit reduced significantly and represented 3.3 percent of GDP in 2019, compared to 4.5 percent of GDP in 2014. Over the last decade, the pace of economic growth has not been high enough to lead to a significant poverty reduction because of the lack of redistributive policies and population growth. The COVID-19 pandemic has compounded the cyclical and long-term risks faced by the country (exposure to external shocks, high risk of debt distress, security issues and political turmoil). Both the drop in production of goods and services, reduced exports, and disruptive global value chains translated into financing needs and daunting socio-economic challenges. The main sources of vulnerabilities that could weigh on debt sustainability

include tighter financial conditions, SOEs' contingent liabilities and committed but non-disbursed debt resulting, inter alia, from delays in infrastructure projects. On the social side, a prolonged health crisis together with the weak safety nets have further overstretched the health system. Moreover, ongoing civils conflicts in the South-West and the North-West notably are adding to the challenge of recovering from the pandemic.

Recent developments

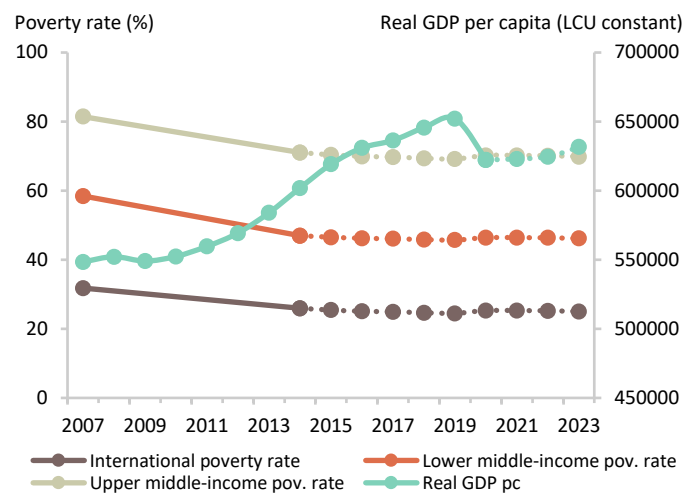
The COVID-19 has hit the economy hard, with the tertiary sector being the most impacted. Branches such as hotels and catering, transport, and public administration services experienced a significant drop in their activities. Consumption and investment fell as income decreased and uncertainty spread as a result of containment measures. As a result, Q2 output contracted by 1.1 percent (y-o-y) from a 4.4 percent growth (y-o-y) in Q2 2019. Global trade weakness entailed a lower demand from Cameroon's main trading partners, but the sharp drop of imports supported the trade account balance to narrow by 6.1 percent in 2020, compared to 2019. Despite a drop in net current transfers (by 18.2 percent between 2019 and 2020), the current account deficit narrowed to 4.6 percent of GDP in 2020, from 5.0 percent of GDP in 2019. At the end of December 2020, inflation has surged by 2.5 percent mainly driven by clothing and footwear items. Food prices also increased

FIGURE 1 Cameroon / Real GDP growth and contributions to real GDP growth



Source: World Bank.

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



Source: World Bank.

amid heightened tensions in the North, the Far North, and the South-West regions.

The fiscal accounts deteriorated, albeit less than anticipated, as the two major revenue components performed well (oil and VAT). For instance, the unexpected recovery in oil prices coupled with a good VAT collection helped government revenues to reach 10.3 percent of GDP cumulatively in Q1-Q3 2020, compared to 10.6 percent of GDP in the corresponding period in 2019. Meanwhile, the revised budget law involved expenditures reprioritization, which led the overall fiscal deficit to an estimated 3.9 percent of GDP in 2020, compared to 3.3 percent of GDP in 2019. Public debt increased driven by external debt increase and reached 43.4 percent of GDP at the end of December 2020, compared to 42.8 percent of GDP at the corresponding period in 2019.

The COVID-19 pandemic has reversed parts of progress in poverty reduction. Poverty simulations suggest that the economic downturn in 2020 could have increased extreme poverty incidence to 25.3 percent in 2020, pushing an additional 400,000 people to live with less than PPP \$1.90 a day. Containment measures implemented between April and June reduced production levels leading to non-essential staff's lay-off, a drop in remunerations,

and lower enterprise turnover in the formal and informal sectors. Also, food insecurity issues increased primarily in conflict-affected areas.

Outlook

Cameroon's economic activity is expected to recover gradually from 2021 onwards on the back of dynamic secondary and tertiary sectors. Higher oil production and prices, services supply, and improved external demand would translate into stronger private consumption and investment. The major upside risk is a rapid vaccine release in the developed part of the world. Real GDP would grow by 2.1 percent in 2021 (0.1 percent in per capita terms), and the country is projected to return to its pre-COVID growth rate (3.8 percent) in 2023. The trade balance is expected to improve, reflecting higher export volumes and improved terms of trade. Hence, the current account deficit should narrow to 3.4 percent of GDP in 2021, from 4.6 percent in 2020, before reaching 2.3 percent of GDP in 2023. Similarly, Cameroon's fiscal position would improve steadily over 2021-23, on the back of fiscal consolidation efforts. The partial elimination of temporary tax incentives

and measures to broaden the tax base will support revenue mobilization in 2021, while the postponement of non-priority goods and services and capital expenditures will stabilize government's expenditures. Therefore, the fiscal deficit will narrow to an estimated 3.5 percent of GDP in 2021, contrary to 3.9 percent of GDP in 2020.

The US\$ PPP 1.9 poverty rate is expected to remain the same, at 25.3 percent 2021, drawing an additional 166,000 people into extreme poverty. If the COVID-19 pandemic persists till 2022, an additional 166,000 people could move into extreme poverty. Poverty reduction would resume in the medium term as economic growth gradually returns to its pre-COVID path. Downside risks include renewed restrictions due to the recent surge in COVID-19 cases, delayed deployment of the vaccine, and a prolonged closure of borders in major economies, which would affect Cameroon's economy. Should such risks materialize, Cameroon's oil and commodity exports would grow more modestly than in the baseline scenario, affecting both the fiscal and external accounts.

TABLE 2 Cameroon / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	4.1	3.7	-2.1	2.1	2.7	3.8
Private Consumption	5.7	4.5	1.5	2.2	4.3	6.0
Government Consumption	-0.2	1.8	2.3	1.4	1.1	-1.4
Gross Fixed Capital Investment	7.9	8.1	-3.6	4.5	5.1	2.1
Exports, Goods and Services	1.8	5.1	-19.7	2.8	2.8	9.8
Imports, Goods and Services	8.1	10.5	-5.4	4.9	8.1	8.6
Real GDP growth, at constant factor prices	4.1	3.6	-2.1	2.1	2.7	3.8
Agriculture	5.1	2.8	-0.2	4.1	4.8	5.6
Industry	3.1	3.6	-3.6	4.3	4.6	4.7
Services	4.4	3.9	-1.8	0.5	1.3	2.8
Inflation (Consumer Price Index)	1.1	2.5	2.5	2.5	2.5	2.5
Current Account Balance (% of GDP)	-3.6	-5.0	-4.6	-3.4	-2.8	-2.4
Fiscal Balance (% of GDP)	-2.3	-3.3	-3.8	-3.5	-2.9	-2.0
Debt (% of GDP)	39.3	42.8	43.4	43.6	43.2	42.9
Primary Balance (% of GDP)	-1.4	-2.3	-2.9	-2.5	-1.9	-1.2
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	24.7	24.5	25.3	25.3	25.2	25.0
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	45.9	45.7	46.4	46.4	46.3	46.2
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	69.4	69.1	70.2	70.2	70.1	69.9

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

Notes: e = estimate, f = forecast.

(a) Calculations based on 2009- and 2014-ECAM-IV. Actual data: 2014. Nowcast: 2015-2020. Forecast are from 2021 to 2023.

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