

CAMEROON

Table 1 **2021**

Population, million	27.2
GDP, current US\$ billion	42.1
GDP per capita, current US\$	1544.7
International poverty rate (\$2.15) ^a	25.7
Lower middle-income poverty rate (\$3.65) ^a	47.0
Upper middle-income poverty rate (\$6.85) ^a	74.8
Gini index ^a	46.6
School enrollment, primary (% gross) ^b	105.7
Life expectancy at birth, years ^b	59.6
Total GHG emissions (mtCO2e)	125.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2020).

Despite the adverse consequences of the war in Ukraine, Cameroon's real GDP is expected to expand in 2022 and extreme poverty incidence to decline. Driven by higher oil prices, the fiscal deficit is projected to narrow in the medium term while the current account deficit would decline gradually. Inflation is expected to rise above the regional target of 3 percent in 2022. The outlook remains positive, but is subject to several risks, hence the need to accelerate structural reforms.

Key conditions and challenges

Cameroon is the largest economy in the Economic and Monetary Community of Central Africa (CEMAC), accounting for over 40 percent of the region's GDP and over 60 percent of regional foreign exchange reserves. It is exposed to commodity and oil price shocks, with the oil sector accounting for 4 percent of the country's GDP and 14 percent of its fiscal revenues in 2021. Public debt has been rising since 2016, calling for improved debt management.

The current development model is running out of steam, as governance indicators have deteriorated, human capital remains weak, the business environment is unfavorable, and climate change represents a growing threat. High market concentration and state ownership of commercial enterprises also limit domestic competition. The country has become more fragile since conflicts affecting 6 out of 10 of its regions have displaced people, increased violence, and led to a collapse in social services. The country is struggling to meaningfully lower poverty in the face of conflicts and other shocks.

growth estimated at 3.6 percent in 2021. This economic recovery is, however, threatened by the war in Ukraine, heightened inflation pressures and the mentioned domestic structural vulnerabilities. The war in Ukraine has caused supply chain disruptions, resulting in increased import costs. Staple food prices and administratively controlled prices of selected mass consumption products have increased accordingly. In the primary sector, cotton production dropped by 9 percent y-o-y by end-August 2022. The output of food crops has also dropped because of higher farm input prices. In the secondary sector, oil production declined 2.6 percent y-o-y in end-April 2022, even as LNG production, supported the primary sector activity, went up by 13.5 percent. A higher supply of services, including financial services and communications, has driven the activities in the tertiary sector.

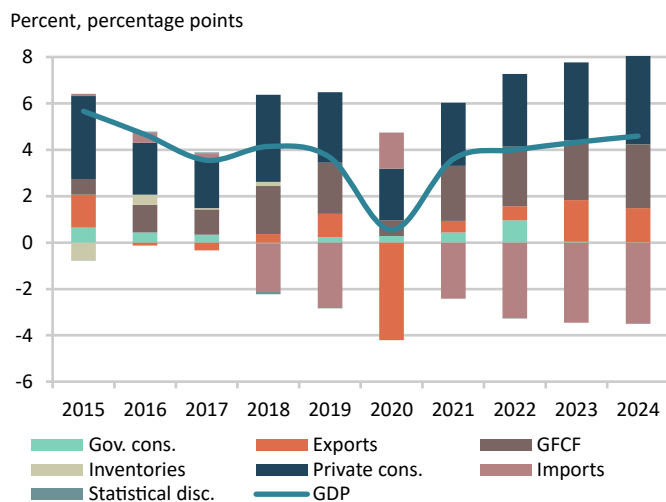
Higher export and oil prices and private transfers from abroad improved Cameroon's current account balance in 2022Q1. Imports increased moderately compared to the same period in 2021, as the government stepped up efforts to improve the competitiveness of locally produced mass consumed items, including rice, wheat, maize, fish, and sugar.

The fiscal balance was in surplus, representing 0.5 percent of GDP at the end-June 2022, owing to improved revenue collection amid high oil and non-oil commodities prices and delays in expenditure commitments. On the expenditure side, higher international prices have led to an increase in fuel subsidies (reaching USD 500 million in 2022H1, compared to

Recent developments

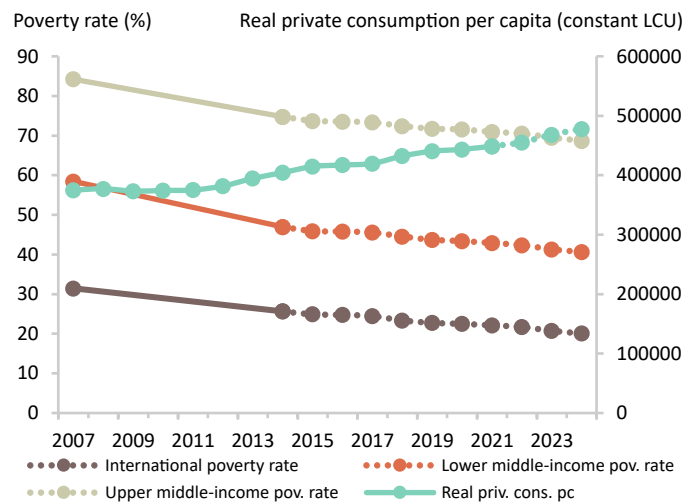
Cameroon had started to recover from the COVID-19 shock with real GDP

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 private consumption per capita



Source: World Bank. Notes: see Table 2.

USD 170 million provisioned in the initial 2022 finance law). Capital spending stood at 1.7 percent of GDP in end-June 2022, same as in the corresponding period in 2021. The public debt stock only slightly reduced to 41.5 percent of GDP at the end-June 2022, compared to 42.8 percent at the end-June 2021.

Monetary conditions have continued to tighten to contain inflationary pressures and support the external viability of the exchange rate arrangement. Following a 25 basis points increase in November 2021, the Bank of Central African States (BEAC) further increased the policy rate by 50 basis points to 4 percent on March 28, 2022. The BEAC also decreased its weekly liquidity injections from CFAF 250 billion to CFAF 160 billion in April 2022.

Simulation results suggest that despite recent or ongoing shocks increasing inflation, poverty incidence will continue to decrease, although at a slower pace than in recent years. Between 2021 and 2022, the poverty headcount at \$2.15 PPP a day declined by 0.4 percentage points, from 22.1 to 21.7 percent. The slow pace of poverty reduction resulted in an increase in the number of poor by about 30,000 people due to population growth.

Outlook

Despite the global economic turmoil, economic recovery is expected to gradually gain momentum, with real GDP growth projected to reach 4.0 percent in 2022 and 4.6 percent by 2024. Economic growth would be supported by sustained activity in the secondary and tertiary sectors as the pandemic loses steam. The war in Ukraine has substantial implications for the outlook, including (i) increased food, fertilizers, and energy prices; (ii) supply chain disruptions and speculation in local markets; and (iii) higher costs of borrowing. Inflation is projected to rise to 4.6 percent in 2022 but remain below 3 percent in the medium term, reflecting the results of monetary policy tightening.

The current account balance should improve, owing to robust oil and non-oil commodity exports. The fiscal deficit is projected to narrow as non-oil revenues increase due to simplified administrative measures on property income and a new tax on mobile money transfers. Spending reprioritization, including the gradual reduction of subsidies for fuel and to SOEs, would contain expenditure in the medium term. Cameroon

remains at high risk of external and overall debt distress, although debt is assessed as sustainable, according to the July 2022 Debt Sustainability Analysis.

The outlook remains subject to risks associated with: (i) a sharp increase in global risk premia, (ii) a protracted war in Ukraine, and (iii) a persistent security crisis in the North-West, South-West, and the Far North regions. Should such risks materialize, real GDP would grow more modestly, adversely affecting fiscal and external accounts. A sharp rise in global risk premia following a monetary policy tightening in advanced economies would affect the economic outlook and debt sustainability. Higher oil and food prices would add to inflationary and fiscal pressures. Reducing fuel subsidies by gradually increasing retail fuel prices while protecting the most vulnerable would be a critical step.

As the country recovers from the various shocks, the pace of poverty reduction is expected to accelerate in 2023 and 2024. The number of extreme poor people is projected to decline by about 125,000, and 50,000 people respectively in 2023 and 2024. The ongoing security crisis will, however, hamper efforts to reduce poverty in parts of the country.

TABLE 2 Cameroon / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021	2022f	2023f	2024f
Real GDP growth, at constant market prices	3.7	0.5	3.6	4.0	4.3	4.6
Private Consumption	4.5	3.3	3.9	4.5	4.8	5.5
Government Consumption	1.8	2.3	3.4	7.6	0.2	0.1
Gross Fixed Capital Investment	8.1	2.4	8.2	8.5	8.1	8.4
Exports, Goods and Services	5.1	-21.0	3.2	3.9	11.5	8.8
Imports, Goods and Services	10.5	-5.4	9.0	11.5	11.4	10.8
Real GDP growth, at constant factor prices	3.6	0.5	3.6	4.0	4.3	4.6
Agriculture	2.8	0.1	4.1	4.3	5.6	5.6
Industry	3.6	1.3	4.1	4.4	4.5	4.5
Services	3.9	0.3	3.2	3.7	3.9	4.4
Inflation (Consumer Price Index)	2.5	2.5	2.5	4.6	3.0	2.5
Current Account Balance (% of GDP)	-4.4	-3.7	-4.0	-3.9	-3.7	-3.4
Fiscal Balance (% of GDP)	-3.3	-3.2	-3.2	-3.0	-3.0	-2.8
Debt (% of GDP)	43.0	45.8	47.1	43.9	40.8	37.9
Primary Balance (% of GDP)	-2.4	-2.3	-2.1	-2.0	-2.1	-2.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	22.7	22.5	22.1	21.7	20.7	20.1
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	43.7	43.4	42.9	42.4	41.3	40.7
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	71.7	71.6	70.9	70.5	69.5	68.7
GHG emissions growth (mtCO₂e)	0.5	0.0	0.2	0.6	0.8	0.9
Energy related GHG emissions (% of total)	7.0	6.7	6.7	6.9	7.0	7.1

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 2014-ECAM-IV. Actual data: 2014. Nowcast: 2015-2021. Forecasts are from 2022 to 2024.

b/ Projection using neutral distribution (2014) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.