

# Economic Snapshot H1, 2017

**Inflation overview** – Headline inflation was recorded at 0.5% year-on-year (y-o-y) in December 2016. The euro-pegged CFA franc has aided in keeping the inflation rate low and stable in relation to its Sub-Saharan African peers. The International Monetary Fund (IMF) projects that inflation will increase from an average of 0.9% in 2016 to 1.4% in 2018, though remaining below the ceiling set by the regional central bank.

**Growth summary** – A public investment programme will spur on overall fixed capital formation, supporting economic growth over the next two years. Economic growth will also be helped on by strong government consumption and a stable currency. Real GDP growth is projected to decline from 4.4% in 2016 to 3.7% in 2017, where after it is expected to recover to 4.3% in 2018.

**Economic policy** – The Growth and Employment Strategy Paper (GESP) 2010-2020 is the reference framework of government policy and state actions. The scheme is aimed at achieving the country’s Millennium Development Goals (MDGs), with evident successes: the country succeeded in achieving the first MDG - reducing the proportion of people afflicted by hunger - before the target of 2015.

Trade & Investment SWOT	
Strengths	Weaknesses
Cameroon's wealth of natural resources attracts significant foreign investment.	Cameroon is one of the most corrupt countries in the world, driving up business costs in the form of bribery.
Slow but steady expansion of financial markets, including the country's stock market, opens up Cameroon to credit.	Reliance on oil and agriculture exports leaves it vulnerable to external price shocks.
A strong presence of international banks provides greater access to credit for consumers.	An inefficient, weak and biased legal system creates uncertainty for businesses.
Cameroon's government has made efforts to simplify the process for registering a business.	The poor quality of roads causes delays and increase transport costs, while long trade lead times compared to the rest of the region make import and export times uncompetitive.
Opportunities	Threats
The implementation of the 2002 Investment Charter could facilitate foreign investment.	A lack of reform in the judicial system undermines investor rights and provides little intellectual property protection.
The country's coordination with the United Nations University on e-governance initiatives will improve government transparency and accountability and facilitate bureaucratic processes.	High graduate unemployment lowers consumer demand and drives discontent, leading to potentially unstable situations in the medium to long term.
The government's fight against corruption will significantly increase the attractiveness of Cameroon for foreign investors.	The continued immunity of politically influential individuals lowers the attractiveness of Cameroon as a foreign investment hub.
The recovery of the air transport market will open up new supply chain options.	Corruption, inefficiencies in the tax administration and the registering of property drive up costs for businesses.

Source: Business Monitor International (BMI)

Mega trends		
<b>Population</b>	2017	Total: 24.51 million; female: 12.25 million; male: 12.26 million; age 0-14: 42.1% of total; age 15 +: 57.9% of total; age 65+: 3.21% of total
<b>Population growth rate</b>	2015	2.48%
<b>Life expectancy at birth</b>	2014	Total: 55.49 years; female: 56.68 years; male: 54.36 years
<b>HIV/AIDS</b>	2015	Total number of people living with HIV: 0.62 million; total adult prevalence: 4.5%; HIV/AIDS orphans (age 0-17): 0.31 million
<b>Adult literacy rate</b>	2015	Total population: 74.99%; female: 68.88%; male: 54.36%
<b>Urbanisation</b>	2015	Urban population: 54.38% of total; annual urban population growth: 3.52%; rural population: 45.62% of total
<b>Population below \$1.90 per day poverty line</b>	2014	7.65%
<b>Unemployment rate</b>	2017	Total: 4.6%; female: 5.4%; male: 3.9%; youth (15 - 24): 7.1%
<b>Employment</b>	2001	Agriculture: 70% of total; industry: 13% of total; services: 17% of total
<b>Labour participation rate</b>	2017	Total (ages 15+): 76.16% of total population
<b>Business languages</b>	n/a	English, French
<b>Telephone &amp; Internet users</b>	2006	Fixed telephone subscriptions: 1.05 million; wired internet subscriptions: 0.03 million; cell phone subscriptions: 16.81 million (2015)
Sources: UNESCO Institute for Statistics, World Telecommunication/ICT indicator database, World Development Indicators, UNAIDS, International Labour Organisation		

Human Development Index (HDI) 2015		Index of Economic Freedom 2016		Global Competitiveness Index (GCI) 2016		Doing Business 2017		Corruption Perceptions Index 2016	
153rd	out of 188 countries	130th	out of 179 countries	119th	out of 148 countries	166th	out of 189 countries	145th	out of 177 countries

Source: Transparency International, Doing Business, World Economic Forum, UN Human Development Report, The Heritage Foundation

Sovereign Risk Ratings		
S&P Global Ratings	Fitch Ratings	Moody's Investors Service
B/Stable	B/Stable	B2/Stable

**S&P Global Ratings** affirmed their "B" long-term foreign sovereign credit rating for Cameroon in April 2016. This rating had a stable outlook, since it was expected that the country's "robust economic growth and external and government debt burdens" will not significantly deviate from S&P's initial assumptions. Political risk pertaining to presidential succession, low income per capita and higher external and fiscal deficits in the future constrains the ratings to a certain extent. The "B" rating could be raised if Cameroon's institutions improve significantly and if the "economy is boosted by the further investment and structural improvement without creating additional imbalances". The ratings could however also be lowered if higher political instability or other shocks occur.

**Fitch Ratings** affirmed Cameroon's long-term foreign currency issuer default ratings at "B" with a stable outlook in November 2016. A low GDP per capita and weak governance are balanced by sustained economic growth and macroeconomic stability provided by membership of the franc zone of the Central African Economic and Monetary Community (CEMAC). Some of the risk factors that could trigger negative rating action are a devaluation of the CFA franc against the euro, a widening of the current account deficit, and political events triggered around the succession to President Paul Biya. Some of the factors that could trigger positive rating action are: improved management of public finances, effective measures to improve the business climate and growth, and an increase in hydrocarbons production related to new discoveries coming on-stream.

**Moody's Investors Services** assigned, for the first time, local and foreign Issuer Default Ratings (IDR) for Cameroon in August 2016. Moody's gave the country a long-term foreign sovereign credit rating of "B2" with a stable outlook. According to Moody's, this "B2" rating balances positive economic growth prospects with diminishing oil reserves, low income levels and a lack of competitiveness. The country's membership of the franc zone and the CEMAC has had a beneficial impact on its ratings. On the other hand, Moody's noted that Cameroon's rating is constrained by its weak institutional strength – especially related to corruption levels.

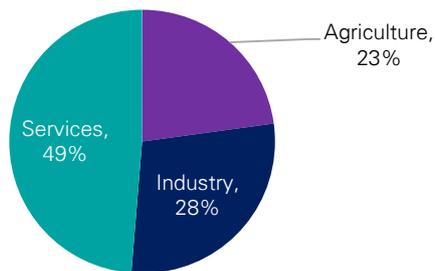
Quality of infrastructure	Economic diversity	Banking sector	Continuity of economic policy	GDP growth	Fiscal / current account balances	Foreign investment	Socio-economic development	Forex reserves
Some improvement but still limited	Oil and agriculture dominate	Small and under-developed	Long-term guidance from GESP 2010-2020	Recent decline	Twin deficits	Somewhat volatile	Low	Relatively healthy over past decade

Stock market	Listed companies	Liquidity	Market capitalisation	Largest sector	Weekly trading volume
Douala Stock Exchange	3	Very limited	\$242 million	N/A	N/A
Capital market	Level of development	Liquidity	Maturity range	Municipal bonds	Corporate bonds
Yes	Low	Low	12 weeks to 2 years	Yes	Yes

## Macroeconomic overview

**Economic structure** - The primary sector contributes a large component to domestic economic activity. Coffee, sugar and tobacco are important cash crops grown on the plateau in the south, with the climate at the coast allowing for the growing of export crops like cocoa, cotton, bananas, palm oil, rubber and tea. Cocoa is the industry's largest export commodity by value and Cameroon is the world's fifth-largest producer of the crop after Ivory Coast, Ghana, Indonesia and Nigeria. The secondary sector includes oil production and refining, food processing and the making of light consumer goods like textiles. Oil is the country's largest export earner (45% of exports during 2016) and Cameroon is Sub-Saharan Africa's sixth-largest crude oil producer. The tertiary sector contributes almost half of GDP, with retail and hospitality activity representing 20% of GDP. Grocery retailers are the largest component of the retail sector as strong household income growth and expansion in the population drives sales in an industry where formal retail still accounts for only 2% of overall retail sales.

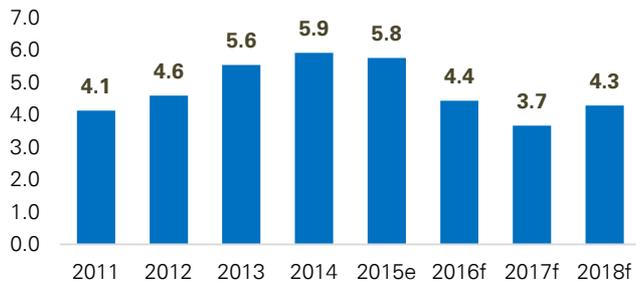
## Economic structure as % of GDP 2015



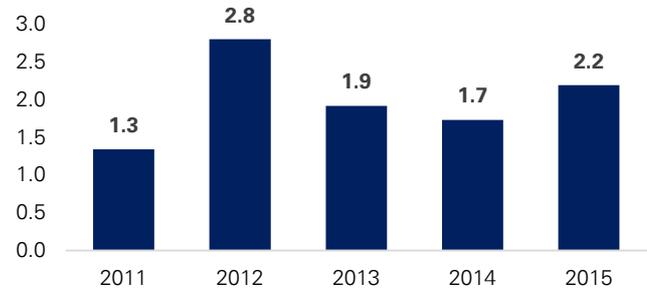
Source: World Bank: World Development Indicators

**Economic growth** – A public investment programme, which is expected to expand electricity supply and transport infrastructure, will spur on overall fixed capital formation, supporting economic growth over the next two years. Economic growth will also be helped on by strong government consumption and a stable currency (which is pegged to the euro). The prolonged weakness of the oil sector will however weigh on economic growth over the next five years. The IMF expects GDP growth to drop from 4.4% in 2016 to 3.7% in 2017, where after it is expected to recover to 4.3% in 2018.

### Real GDP growth (%)

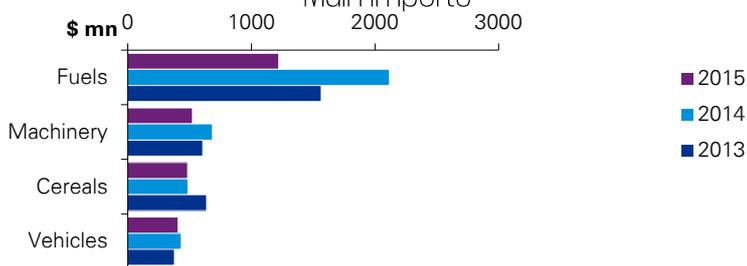


### FDI inflows (% of GDP)

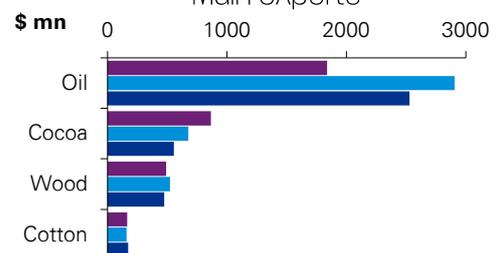


**Foreign investment** – The main risks to foreign investors in Cameroon stem from the prevalence of corruption, high levels of political risk and the country's inefficient bureaucracy, making setting up operations in the country costly and highly time-consuming. Comparatively burdensome trade barriers and hefty tax burdens continue to raise operating costs across all sectors and inhibit trade and economic diversification efforts. The Heritage Foundation's Index of Economic Freedom 2017 adjudicated the country's trade freedom as "mostly unfree". Despite these risks, going forward we expect that Cameroon's wealth of natural resources combined with steadily increasing support to logistical upgrades and investment openness will continue to attract investment.

### Main imports



### Main exports



Main Imports: % share of total	2013	2014	2015
Fuels	23.5%	28.0%	20.2%
Machinery	9.1%	9.0%	8.7%
Cereals	9.6%	6.5%	8.0%
Vehicles	5.7%	5.7%	6.7%

Main Exports: % share of total	2013	2014	2015
Oil	55.9%	56.3%	45.4%
Cocoa	12.3%	13.1%	21.3%
Wood	10.5%	10.2%	12.1%
Cotton	3.8%	3.1%	4.1%

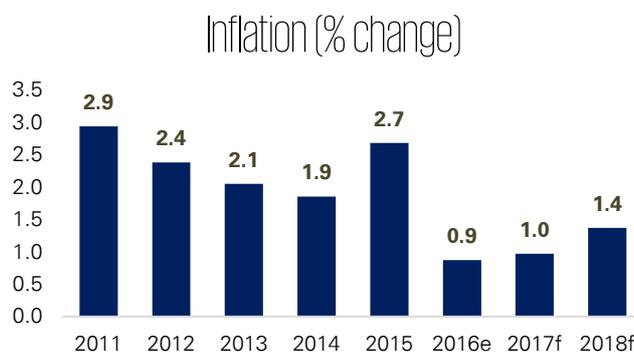
Source: Trade Map

**External trade** – Cameroon has recorded a consistent current account deficit in the recent past and is expected to remain as such for the foreseeable future. The country is commodity rich, but the underdeveloped manufacturing sector has made it dependent on imports – resulting in a historic trade deficit. The country’s main export is oil, but the overall export base is quite diverse when compared to other oil-exporting countries. Cameroon is also a major exporter of cocoa and wood. This diversity, as well as the fact that the CFA franc is pegged to the euro, allows Cameroon to be protected from global fluctuations such as changes in commodity prices. The largest recent current account deficit was recorded in 2014, though it has since then improved slightly, and the IMF expects the deficit to narrow to 3% of GDP in 2018.



Source: International Monetary Fund (IMF)

**Fiscal policy** – Cameroon’s consistent fiscal deficit will narrow in 2017 as revenues from oil exports are expected to pick up. The fiscal balance was last in a surplus in 2010, and is not expected to return to positive territory anytime soon, as infrastructure spending will remain elevated. The IMF projects the fiscal deficit to narrow to 2.6% of GDP in 2018 from the estimated 2016 deficit of 4.7% of GDP. The outlook for revenue is bright due to gas production coming on-stream in 2018. This positive outlook with regards to revenue is compounded by the fact that income tax collection from individuals and businesses is at a very low base.



Source: International Monetary Fund (IMF)

**Monetary policy** - Headline inflation did not change in December 2016, and remained at 0.5% year-on-year (y-o-y) as in November 2016. The euro-pegged CFA franc has aided in keeping the inflation rate in the country low and stable, in relation to its Sub-Saharan African peers. The regional central bank, Banque des Etats de l’Afrique Centrale (BEAC), that determines monetary policy across the Central African Economic and Monetary Community (CEMAC) states has a primary objective of price stability across this region and has set a convergence level of 3% y-o-y for inflation across the region. Since 2011, Cameroon’s inflation rate has not crossed the 3% y-o-y barrier, allowing for high real wage growth and private consumption growth. Cameroon’s inflation levels are slightly higher than that of other countries in the CEMAC, but remains well below other African countries outside of the franc zone. The IMF projects that inflation will increase from an average of 0.9% in 2016 to 1.4% in 2018 – i.e. remaining below the 3% y-o-y convergence ceiling set by the BEAC.

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