

Recent macroeconomic and financial developments

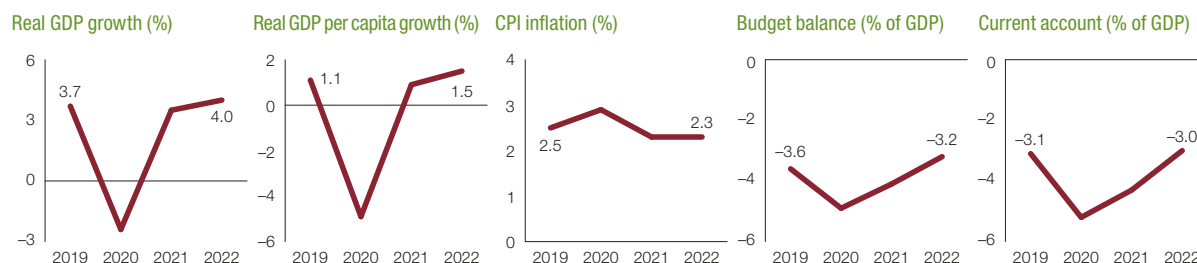
In 2020, the Cameroonian economy was strongly impacted by the combined effects of the COVID-19 pandemic, the persistence of security and political crises and the decline in world oil prices. Among Central African countries, Cameroon was the hardest hit by the COVID-19 pandemic in 2020, from a health and economic perspective. Real GDP contracted by 2.4% in 2020, compared with growth of 3.7% in 2019. This 6.1 percentage point decline in economic activity is largely explained by the fall in world oil prices. The contraction in global demand inherent in the COVID-19 pandemic and the effects of the barrier measures taken in managing the pandemic at the national level have affected the nonoil sector. The activities of the services, manufacturing, and agro-industrial export sectors, particularly trade, have thus experienced a sharp slowdown. Growth has also been affected by the persistence of the security and sociopolitical crises that the country is experiencing and the underperformance of public enterprises, particularly the National Refining Company (SONARA). Inflation has been kept below the Central Africa Economic and Monetary Community 3% convergence threshold (2.9% in 2020, compared with 2.5% in 2019). The Central Bank of Central African States took various measures in 2020 to support the economies of its member states. Thus, the interest rate (TIAO), the main instrument of monetary regulation within this monetary cooperation zone, was lowered by 25 basis points, from 3.50% to 3.25%, in March 2020. New foreign exchange regulations that took effect on 1 March 2019, made it possible to increase the country's foreign exchange reserves, which at the end of 2020 could cover 7.5 of imports, compared with 6.3 months at the end of 2019. The budget deficit increased from 3.6% of GDP in 2019 to 4.9% GDP in 2020, while the current account deficit rose to 5.2% of GDP in 2020, compared with 3.1% in 2019, mainly because oil exports and remittances declined.

Outlook and risks

Subject to the availability of a vaccine at the beginning of 2021 and the gradual extinction of the COVID-19 pandemic from the second half of 2021, the Cameroonian economy, buoyed by the recovery of the world economy and international trade, could return to prepandemic growth levels as early as 2021. Growth should reach 3.5% in 2021 and 4% in 2022. The external and internal account balances would also improve substantially. Inflation will be 2.3% in both 2021 and 2022, below the 3% standard established by Central African Economic and Monetary Community. This optimistic scenario could be undermined by a worsening of the security and sociopolitical crises at its borders and in two of its English-speaking regions, or if the pandemic does not subside by the middle of 2021, which would cripple the restart of global growth.

Financing issues and options

Cameroon's level of public debt is worrying. As a beneficiary country of the Highly Indebted Poor Countries initiative, Cameroon significantly reduced its public debt in 2006. But since then it has taken on substantial debt. The stock of public debt rose from 12% of GDP in 2007 to 45.8% of GDP (about two-third external and one-third domestic) by September 2020. Cameroon has the characteristics of a country at high risk of debt distress. China has 61.3% of Cameroon's bilateral debt, or 27.4% of its total debt, and the African Development Bank holds 30.1% of the multilateral debt, or 12.3% of its external debt. Overindebtedness could be problematic because of the need to support economic recovery in 2021 and to carry out the major structuring projects envisioned in its new national development strategy for 2020 to 2030. Cameroon is eligible for the G20 Debt Service Suspension Initiative (DSSI) announced in 2020 and benefits from a moratorium on noncommercial debt service until 30 June 2021.



Source: Data are as of December 2020 and are from domestic authorities; figures for 2020 are estimates and figures for 2021 and 2022 are projections by the African Economic Outlook team.