

## Cameroon: growth is here, but you could have it so much better

### General Information



<b>GDP</b>	USD 29.198bn (World ranking 98, World Bank 2015)
<b>Population</b>	23.344 million (World ranking 54, World Bank 2015)
<b>Form of state</b>	Multiparty Presidential Republic
<b>Head of government</b>	Paul BIYA
<b>Next elections</b>	Presidential October 2018, legislative September 2018



### Strengths

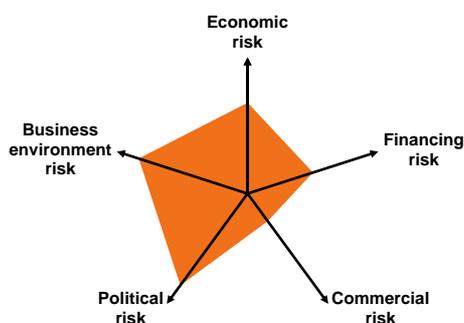
- A degree of political stability has been recorded under the lengthy rule of the current leadership, although this may mask some infringements on liberties.
- Relatively good relations with donors and IFIs.
- Membership of the CFA franc zone provides a relatively stable background of monetary policy .It also reduces exchange rate and transfer risk to a large extent.
- An ever more diversified export basket has boosted economic resilience.

### Weaknesses

- Underdeveloped infrastructure and lack of decentralization limit service provision.
- Cameroon's business environment ranks among the worst in the world.
- Relations with Nigeria and the Economic Community of Central African states remain uneasy due to border and trade disputes.
- President Biya's health has been a concern and there are associated uncertainties over succession.
- Increased risk of social unrest because of rising public frustration with perceptions of weak improvement in living standards.

### Country Rating

**C3**



Source: Euler Hermes

### Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
Spain	13% 1	24% China
China	11% 2	14% Nigeria
India	9% 3	11% France
Italy	8% 4	4% Belgium
Netherlands	8% 5	4% United States

By product (% of total)

Exports	Rank	Imports
Petroleum, petroleum products and related materials	54% 1	21% Petroleum, petroleum products and related materials
Coffee, tea, cocoa, spices, and manufactures thereof	12% 2	7% Cereals and cereal preparations
Cork and wood	11% 3	5% Road vehicles

Source: UNCTAD (2014)

## Economic Overview

### Growth is steady

Cameroon's long-term rate of economic growth has been below the African average. Yet more diversification in the non-oil sector enabled steadier growth than in other oil exporting countries such as Nigeria or Angola. This is primarily driven by the construction sector, but also by the agriculture and forestry sector, which now forms a significant component of Cameroon's exporting basket. The two main agriculture sub-sectors, cocoa and coffee, are recipients of state support meant to increase production. EH expects GDP growth to reach +5% in 2016 and 2017.

Cameroon's business environment needs to improve for performance to rise above current levels. The country is ranked 172 out of 189 countries in the 2016 Doing Business ranking. Its record on property registration and contract enforcement is poor.

### Current Account, Debt, and Liquidity

The non-oil sectors are boosted by large public investment programmes such as transport networks, water supply, dams and electrification. These are partly driven by inward investment necessitating capital goods and other imports. This results in a current account deficit, forecasted at -5% in 2016 and -3.5% in 2017. Cameroon has a structural twin deficit, which partly relies on Foreign Direct Investment (FDI) which accounts for 30.8% of the current account deficit and long-term borrowing. Cameroon's membership in the Economic and Monetary Community of Central Africa, a currency union with a single central bank, allows it an additional degree of support when it comes to external liquidity. The country might require help to counter fiscal deficits, projected to reach -5.5% (2016) and -5% (2017), which are exacerbated by continued fuel and consumer subsidies. Cameroon's import cover remains comfortable at 8 months in 2016, but liquidity issues could arise if FDI dries up. Though the country has benefitted from strong FDI flows from Asia - the Sino-Cameroonian agriculture initiative Inko is an example - it will have to improve its business environment. This is crucial to attract increasingly risk adverse investors.

### Political Uncertainty

President Paul Biya, aged 83, has ruled Cameroon since 1982. Elite infighting over succession might take place, as Cameroon's institutions are intertwined with the president himself and patrimonial networks. Regional geo-politics also pose substantial risks to the economy. Cameroon views the ratification of an economic partnership agreement with Europe - its main destination for exports - as vital. Yet other countries in the Economic Community of Central African States, the region's customs union, deem it as a hindrance to the development of local industry. The continued threat by the terrorist group Boko Haram in northern Cameroon is weighing on the agriculture and tourism sectors.

#### DISCLAIMER

These assessments are, as always, subject to the disclaimer provided below.

This material is published by Euler Hermes SA, a Company of Allianz, for information purposes only and should not be regarded as providing any specific advice. Recipients should make their own independent evaluation of this information and no action should be taken, solely relying on it. This material should not be reproduced or disclosed without our consent. It is not intended for distribution in any jurisdiction in which this would be prohibited. Whilst this information is believed to be reliable, it has not been independently verified by Euler Hermes and Euler Hermes makes no representation or warranty (express or implied) of any kind, as regards the accuracy or completeness of this information, nor does it accept any responsibility or liability for any loss or damage arising in any way from any use made of or reliance placed on, this information. Unless otherwise stated, any views, forecasts, or estimates are solely those of the Euler Hermes Economics Department, as of this date and are subject to change without notice. Euler Hermes SA is authorised and regulated by the Financial Markets Authority of France.

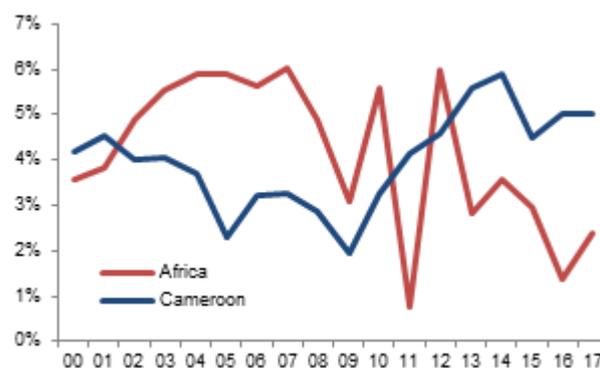
© Copyright 2016 Euler Hermes. All rights reserved.

### Key economic forecasts

	2014	2015	2016f	2017f
GDP growth (% change)	5.9	4.5	5	5
Inflation (% end-year)	3.9	1.1	1.4	1.75
Fiscal balance (% of GDP)	-5.9	-6.1	-5.5	-5
Public debt (% of GDP)	23.2	28	31	33.5
Current account (% of GDP)	-3.7	-7.6	-5	-3.5
External debt (% of GDP)	18.3	16.9	12.7	9.3

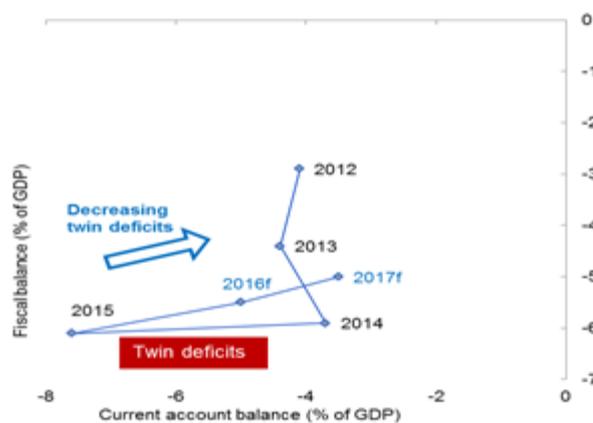
Sources: National statistics, IHS, Euler Hermes

### GDP Profile (%growth)



Sources: National sources, IHS, Euler Hermes

### Twin Deficits



Sources: National sources, IHS, Euler Hermes