

**REPUBLIC OF CAMEROON**

*Peace - Work - Fatherland*

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**Ministry of Small and Medium-Sized  
Enterprises, Social Economy and  
Handicrafts**  
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**REPUBLIQUE DU CAMEROUN**

*Paix - Travail - Patrie*

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**Ministère des Petites et Moyennes  
Entreprises, de l'Économie Sociale et de  
l'Artisanat**  
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# Economic outlook

2<sup>nd</sup> half of 2020

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## INTRODUCTION

The surveys carried out by MINPMEESA among some SMEs from **15 January to 15 February 2021**, as well as the high-frequency statistical data available in administrations, made it possible to describe the economic situation of SMEs in the second half of 2020. It should be noted that the situation in the first half of the year was strongly influenced by the effects of the Coronavirus health crisis at the beginning of the first quarter of 2020. The effects of this health crisis continued in the second half of 2020.

The data collection carried out by the Division of Studies, Projects and Forecasts focused on the activities of SMEs, the evolution of their turnover, the job situation, the level of production and sales, the cash flow situation and investments made, and finally on the effects of the Covid-19 pandemic. In this economic outlook, the analysed data come from 274 companies that responded to the questionnaire within the deadline, with a response rate of 55%.

This economic outlook for the second half of 2020 focuses on: (I) the analysis of the level of activity of SMEs, as well as the job situation; (II) their cash flow situation; and (III) the impact of the Covid-19 pandemic on Small and Medium-sized Enterprises.

## Chapter 1: Activity and Employment

This chapter focuses on the analysis of the volume of activity, the level of production and sales achieved by SMEs and the job situation in the second half of 2020.

### 1. Activity level

The activity of SMEs in the second half of 2020 decreased compared to the first half of the same year. 71.30% of the entrepreneurs declare a decrease in turnover and 13.10% a stable situation. This drop in activity does not comfort the forecasts made by business managers during the first half of the year, for which, 45.60% of them expected an increase in turnover during the second half of the year. This underperformance could be explained by the persistence of the health crisis.

Moreover, a situation of overall decline in activities was observed during the year 2020, although some branches experienced a growth in their activities due to opportunities brought by the health crisis, in particular the clothing sector (face masks), the chemical-pharmaceutical sector (hydro alcoholic gels, soaps and disinfectants), and the digital economy and telecommunication sector (teleworking, video-conferencing).

For 84.80% of business leaders, the decline in activity is mainly due to a lack of financing. 79.1% blame the Covid-19 pandemic; strong competition is cited by 58.9% of the interviewed business leaders.

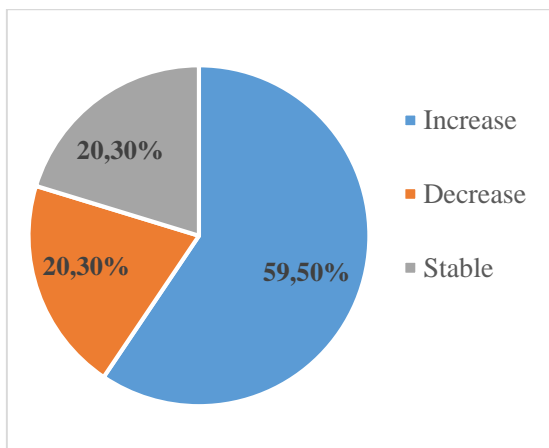
Also, the delay in the timely provision of support resources from the Special National Solidarity Fund for the fight against Covid-19 and its economic and social

consequences did not enable business leaders to curb the effects of the health crisis experienced during the first half of 2020.

However, the overall turnover during the third quarter experienced an increase compared to the situation observed in the previous quarter.

The surveyed companies remain optimistic about business recovery. Nearly 59 out of 100 companies expect their business to recover in the first quarter of 2021.

**Chart 1:** Turnover forecast

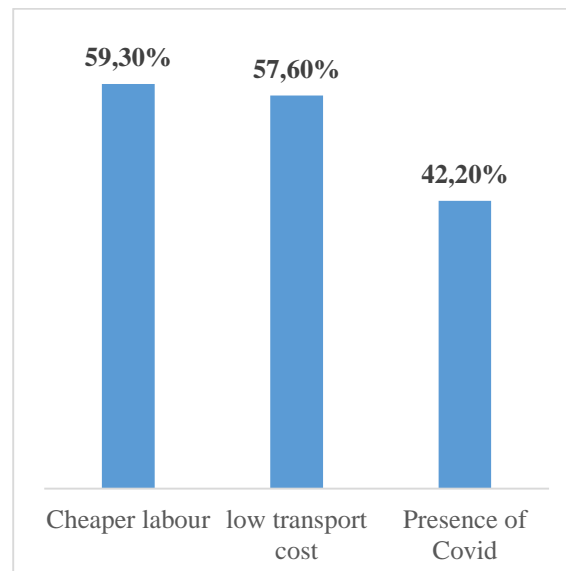


## 2. Production level

Production costs decreased compared to the first half of 2020 for almost half of the surveyed business leaders. This decrease can be explained by the level of labour costs (59.30% of enterprises concerned) and by the low cost of the raw materials transport (57.60% of enterprises). This downward trend in production costs had been anticipated in the first half of the year by the leaders of the surveyed companies. There was also a drop in the number of employees due to the fact that permanent jobs were replaced by non-permanent ones which financial charge on the company is reduced. This measure taken by business leaders to keep their companies in balance enabled them to use less expensive labour.

As such, the decrease in production costs during the second half of the year was also influenced by the downward trend in raw material prices over the same period (see MINFI's 3rd quarter economic outlook).

**Chart 2:** Main reasons for the decline in the main activity in the second half of 2020



Despite the relatively low production cost, 50% of the surveyed companies use between 30 and 60% of their installed production capacity, 25% of SMEs use less than 30% of their production capacity and only 25% use more than 60% of their installed capacity. This low level of use of installed production capacity is explained, according to the surveyed entrepreneurs, by the reduction in the number of employees, permanent power shortages and cash flow pressures. The apathy observed on SMEs, particularly those in the agri-food, wood processing and textile/clothing/leather sectors, with regard to the real potential and opportunities, does not contribute to the increase in manufacturing added value and the reduction of imports.

In terms of forecasts, the surveyed companies continue to be less optimistic for the first quarter of 2021. Indeed, 42.8% of

the companies forecast an increase in production costs during this period. These forecasts can be justified by the gradual increase in raw material costs.

### 3. Sales level

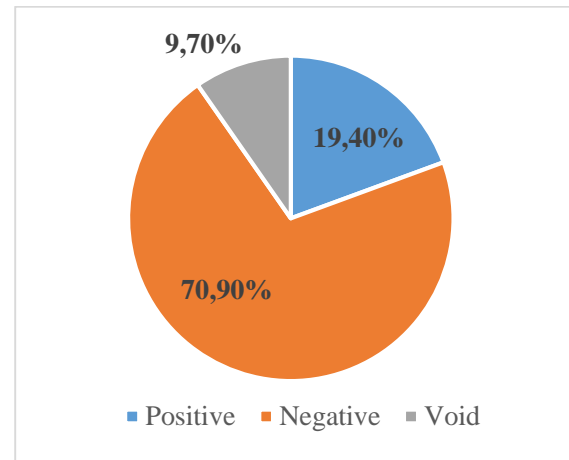
The surveyed companies state that the selling price of their production is lower in the second half of 2020 than in the first half of the same year. According to the opinions of the surveyed companies' leaders, this decline can be explained by strong competition (93.60%), the decline in purchasing power (70.80%) and the Covid-19 pandemic (71%). It could also be explained by the fall in production costs which enter into the monetary value of the sales product.

With regard to the decline in purchasing power cited by 70.80% of business leaders, it should be noted that during the first three months of the second half of 2020, the household consumer price index rose, particularly in food products.

For 36.80% of managers, the selling price is expected to increase in the first quarter of 2021.

Furthermore, the net result of the surveyed companies in the second half of 2020 was negative. For 70.9%, the economic activity was unprofitable despite lower production costs. However, weak demand and the drop in the level of activity could explain the unprofitability for almost 95% of the business leaders.

**Chart 3:** Net result of enterprises in the 2nd half of 2020



### 4. Job situation

The majority (92.50%) of surveyed business leaders in the second half of the year did not recruit any new employees. The few jobs that were created were mainly in the field of sewing, trade and services. The combined effects of the fall in domestic demand, difficulties in selling products and financing have led to a fall in production and, consequently, a reduction in the volume of work and therefore in the number of employees.

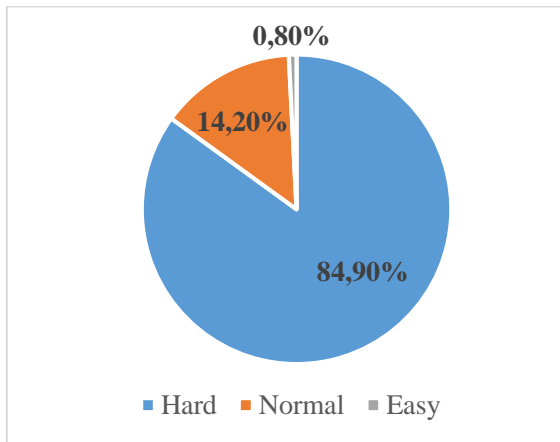
## Chapter 2: Situation of the cash flow

This chapter focuses mainly on the situation of SMEs' cash flow and their investment level during the 2<sup>nd</sup> half of 2020.

### 1. Current cash flow

The situation of the cash flow during the 2nd half of 2020 as compared to the 1st semester was harsh for 84.9% of enterprise leaders.

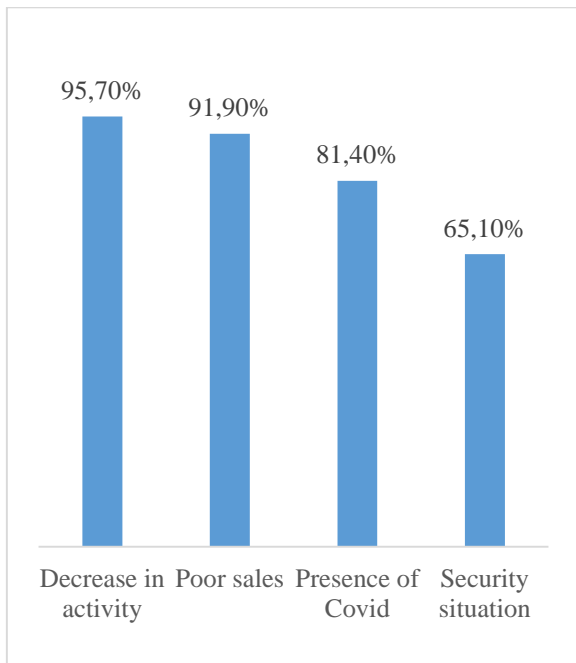
**Chart 4:** Understanding of the cash flow situation during the 2nd half of 2020 as compared to the 1st semester 2020



The negative net balance registered during this period explains this situation.

For 91.70% of enterprises, the poor sales (main cause of reduction in business activities) explains the cash difficulties observed during the 2nd semester of 2020.

**Chart 5:** Main reasons that explain the poor state of the cash flow



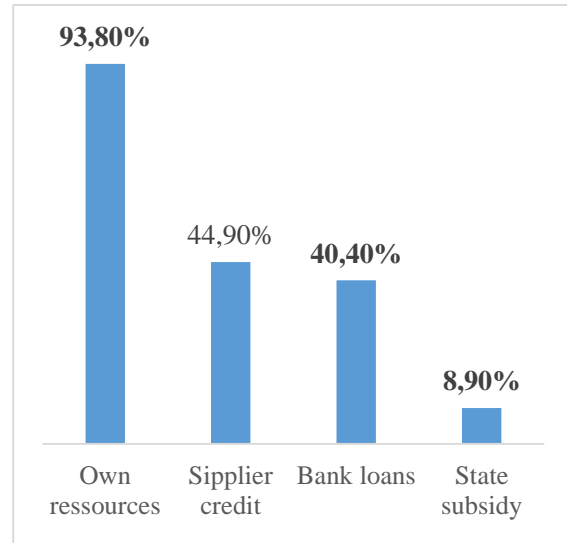
## 2. Investment Financing

The cash flow situation of the SMEs surveyed did not facilitate new investments in the second half of 2020. Indeed, ¾ of

business leaders did not undertake any new investment.

For SMEs who invested, nearly 96% used their own resources to finance this investment. Credit suppliers and banks contributed to this investment, but at a low level.

**Chart 6:** Main investment financing sources



These investments were mainly carried out in the trade and service suppliers sub-sector.

## Chapter 3: Effect of the Covid-19 pandemic

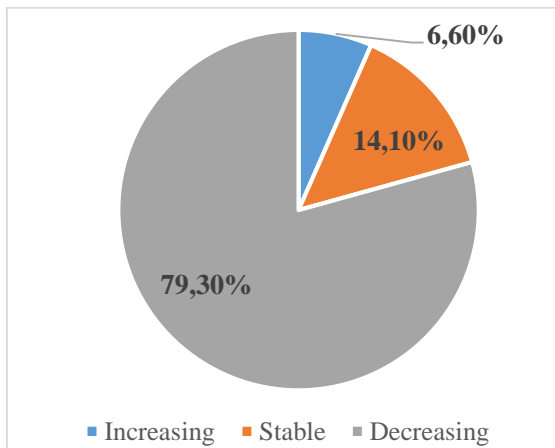
The coronavirus pandemic that occurred in Cameroon in March 2020 is ever changing, and health resilience measures are being reinforced. The implementation of these measures especially the limitation of the movement of goods and people, has a positive effect on reducing the spread of the disease, but also a negative effect on the main commercial activities of Cameroonian companies.

From the outbreak of the pandemic and the implementation of resilience healthcare measures, the activities of SMEs have

experienced great regression. In 2020, enterprises of the tertiary sector, notably in the domain of trade and service providers, represent 84.2% of local SMEs. The decrease in business turnover, which was more visible in this sector is mainly due to the reduction of import activities, which boost their activities.

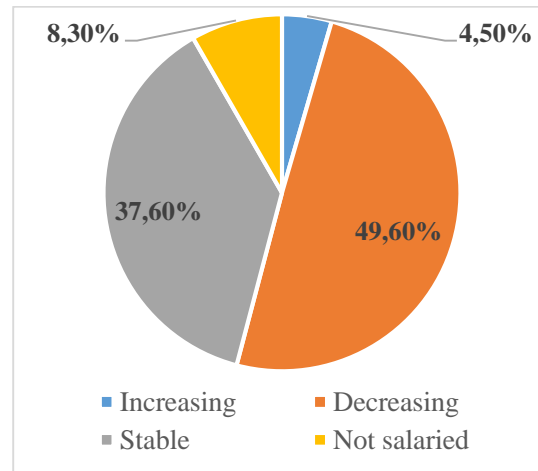
Since March 2020, the turnover has experienced a downward of 79.30% of enterprises surveyed. This situation falls in line with the forecasts of GICAM on the business situation during the year 2020.

**Chart 7** Evolution of the turnover since March 2020



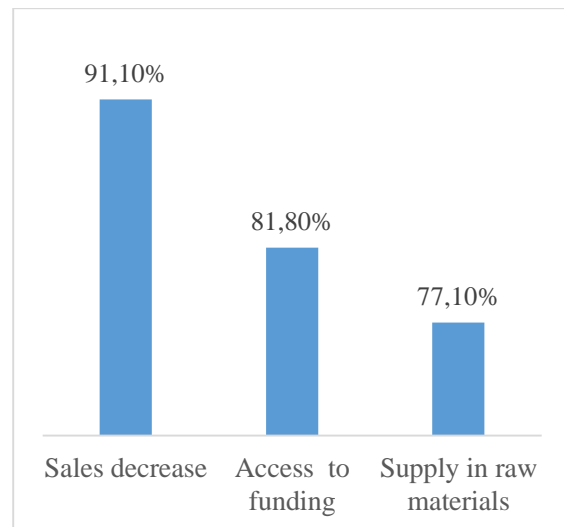
Concerning the salaried workforce, close to 50% of SMEs surveyed reported to have reduced their salaried workforce due to the pandemic. About 37% of enterprises have maintained their salaried workforce. 4.5% reported to have employed new workers. These new jobs were created mainly in the trade sector. This calls for questioning concerning the nature of such jobs (be they temporary or permanent).

**Chart 8:** Evolution of Salaried workforce since March 2020.



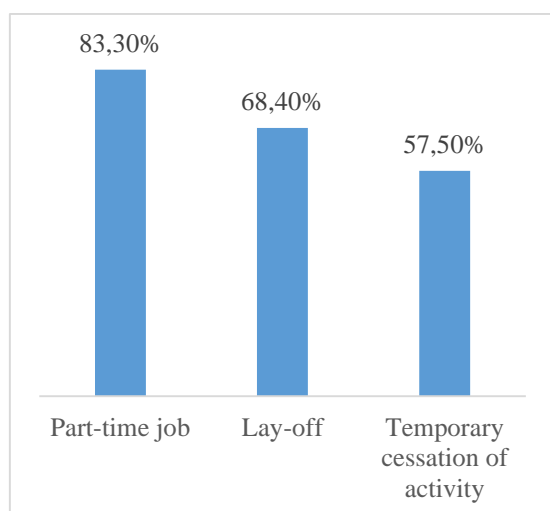
The survey carried out helped to outline a number of difficulties faced by enterprise leaders since the start of the pandemic.

**Chart 9:** Main difficulties encountered since March 2020



The level of difficulty remained the same at the end of June 2020.

To overcome those difficulties, company leaders surveyed used internal resilience measures. For 83.30% of managers, these measures mainly involved reducing working hours, and for 68.40% putting employees on lay-off. In addition, almost 58% of companies reported having temporarily stopped their activities.

**Chart 10:** Main measures taken to face difficulties.

After the first phase of the pandemic in Cameroon in March 2020 and its repercussions on the economy, the Government has put in place a recovery fund for socio-economic resilience. This fund was mainly meant for healthcare purposes, for companies affected by Covid-19 and for the vulnerable groups.

Thanks to this fund, MINPMEESA benefited the sum of CFAF 2 billion, that is 1.5 billion to assist high-potential SMEs greatly affected, and 500 million for craftspeople and social economy actors producing handicraft face masks and hand sanitizers.

Concerning affected SMEs, 291 enterprises have been selected mainly in the agro-industrial sector (51.2%), event (18.9), digital economy (9.3%) and other sectors (textile, cosmetics, wood production,). Resources allocated to SMEs in the agro-industry represent 56% of the total amount given to SMEs greatly affected, those of the event sector 17% and 8% for digital economy.

This allocation would boost activities of SMEs in order to meet the needs of the local

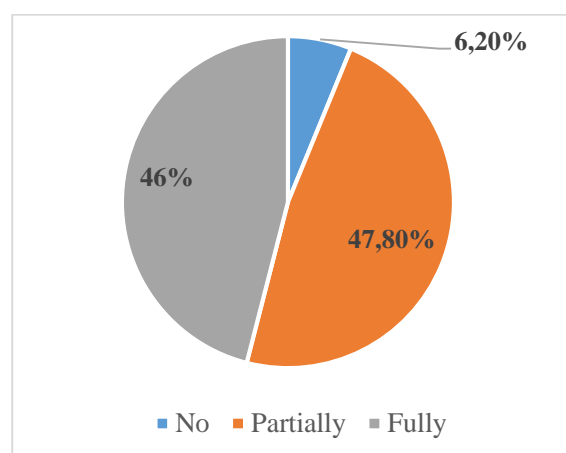
market which has been greatly affected by the closure of borders.

**Table 1** Support to SMEs greatly affected by other channels of activity

Speciality	% (worker)	% (sum allocated)
Agro-Industry	51.2%	56%
Event	18.9%	17%
Digital economy	9.3%	8%
Others (Textile, Cosmetic, wood production, ...)	17.5%	19%
<b>Total sum</b>	<b>100%</b>	<b>100%</b>

However, the provision of this fund was not effective during the year 2020.

This situation can justify the fact that government actions in the management of the health crisis were not appreciated by 46% of surveyed managers.

**Chart 11:** Appreciation of government actions regarding the management of the health crisis

Nevertheless, with the intervention of Government through the Special Fund for Economic Recovery, a business resumption could be envisaged at the beginning of the 1st quarter 2021.

## Conclusion

In a nutshell, the situation of SMEs surveyed during the 2nd semester 2020 is mainly characterised by a drop in the volume of activities, level of production, sales prices of goods in the market, workforce employed by SMEs, consequence of the persistence of the world health crisis which emerged at the beginning of the 1st quarter 2020. Hiring and investment projects were affected during this semester due to a crucial resumption of activities carried out by SMEs; jobs created were mainly temporary with a lower financial cost.

In addition, the cash flow of enterprises surveyed remained strained during the second semester. However, some enterprises in the trade and service providers sector realised many investments, mainly through personal funds.

Overall, during the year 2020, the activity of SMEs was in sharp decline due to the persistence of the health crisis. The Government's action has not been perceptible to SMEs due to the delay in making available the National Solidarity Fund for the fight against the Coronavirus and its economic and social repercussions, which was not effective during the second half of 2020. The effects of this fund, for which payments to beneficiaries started at the beginning of March 2021, may be felt during the first quarter of 2021.