REPUBLIC OF CAMEROON
Peace – work - Fatherland

Ministry of Small and Medium-Sized Enterprises, Social Economy and Handicrafts
----

REPUBLIQUE DU CAMEROUN
Paix - Travail - Patrie

Ministère des Petites et Moyennes Entreprises, de l'Economie Sociale et de l'Artisanat
----

ECONOMIC FORECAST

« Inflationary pressures around the world; effects on the activities of SMESEHs in CAMEROON»

Nº 001/2023

MINPMEESA
P.O. Box 6096 YAOUNDE
Phone: (237) 222 23 23 88
Fax: (237) 222 22 41 58
Email: cabinet@minpmeesa.cm
Website: www.minpmeesa.cm

July 2023

CONTENTS

LIST OF TABLES

LIST OF GRAPHS

LIST OF APPENDICES

ACRONYMS AND ABBREVIATIONS

BEAC	Bank of Central African States
CEMAC	Economic and Monetary Community of Central Africa
CAM	Food and Agricultural Organization
IMF	International Monetary Fund
FCFA	Central African Financial Cooperation Franc
NSI	National Institute of Statistics
CPI	Consumer price index
MINPMEESA	Ministry of Small and Medium Enterprises, Social Economy and Handicrafts
GDP	Gross domestic product
TFP	Technical and Financial Partners
SMEs	Small and medium enterprises
PMEESA	Small and Medium Enterprises, Social Economy and Crafts
Minimum wage	Guaranteed Interprofessional Minimum Wage
SND30	National Development Strategy 2020-2030

INTRODUCTION

Since 2019, the world economy has been weakened by a health crisis, the Covid-19 pandemic, which has caused major disruptions in economic activities in most countries of the world. In 2021, disruptions in supply chains and fluctuations in the price of oil on a global scale favored an unexpected increase in food prices (CPI 125.7 in 2021 against 98.1 in 2020). In 2022, these disturbances were further accentuated by the appearance of the Russian-Ukrainian conflict, which led to a greater increase in the prices of cereals, energy and raw materials.

The global inflation rate reached a fairly high level in 2022 and stood at 8.8% against 4.7% in 2021 and 3.2% in 2020. These inflationary tensions generally affected all regions in the world, both advanced countries (7.3% in 2022 versus 3.1% in 2021) and emerging and developing countries (9.9% in 2022 versus 5.9% in 2021).

The combined effects of the various shocks recorded have favored a slowdown in global growth of 3.4% in 2022 against 6% in 2021. The countries of the euro zone have been the most affected and, moreover, the American and Chinese economies as well. The countries of the Economic and Monetary Community of Central Africa (CEMAC) have not been spared the fallout from this crisis. Indeed, it stood at 5.5% in 2022 against 1.5% in 2021.

In Cameroon, inflation reached, according to the National Institute of Statistics (INS), the bar of 6.3% in 2022, well above the community standard fixed at 3%. This is the highest inflation rate experienced by the country after that of 1995, set at 9%.

In general, the general increase in prices on most mass consumer products has also affected the sector of Small and Medium Enterprises, Social Economy Organizations and Artisanal Production Units (SMESEHs) engines of the device. Cameroonian producer. Indeed, most of their activities have undergone enormous changes which have favored the change of sector of activity for some and the drop in the level of production for others due in large part to an increase in production costs attributable to an increase in the cost of production inputs, most of which come from outside (fertilizers, production tools, seeds, etc.), but also the rise in energy and transport costs, which have had a significant effect on their level of production activities.

These main findings justify the relevance of the analysis of the effects of global inflationary pressures on the activity of SMESEHs.

It is first a question of presenting the situation of inflation in the world and in the CEMAC sub-region. Then, it is a question of carrying out a diagnostic study on the national territory around the sectors most affected by these inflationary tensions and to detect the ripple effects which emerge from them. Finally, it will be a question of analyzing the prudential provisions that the State has put in place in coherence with the support of the Technical and Financial Partners (PTF) to strengthen the resilience of the activity of SMESEHs.

I. INFLATIONARY SITUATION IN THE WORLD AND IN THE CEMAC SUB-REGION

1. Evolution of inflation in the world

The current global inflation is explained by several factors

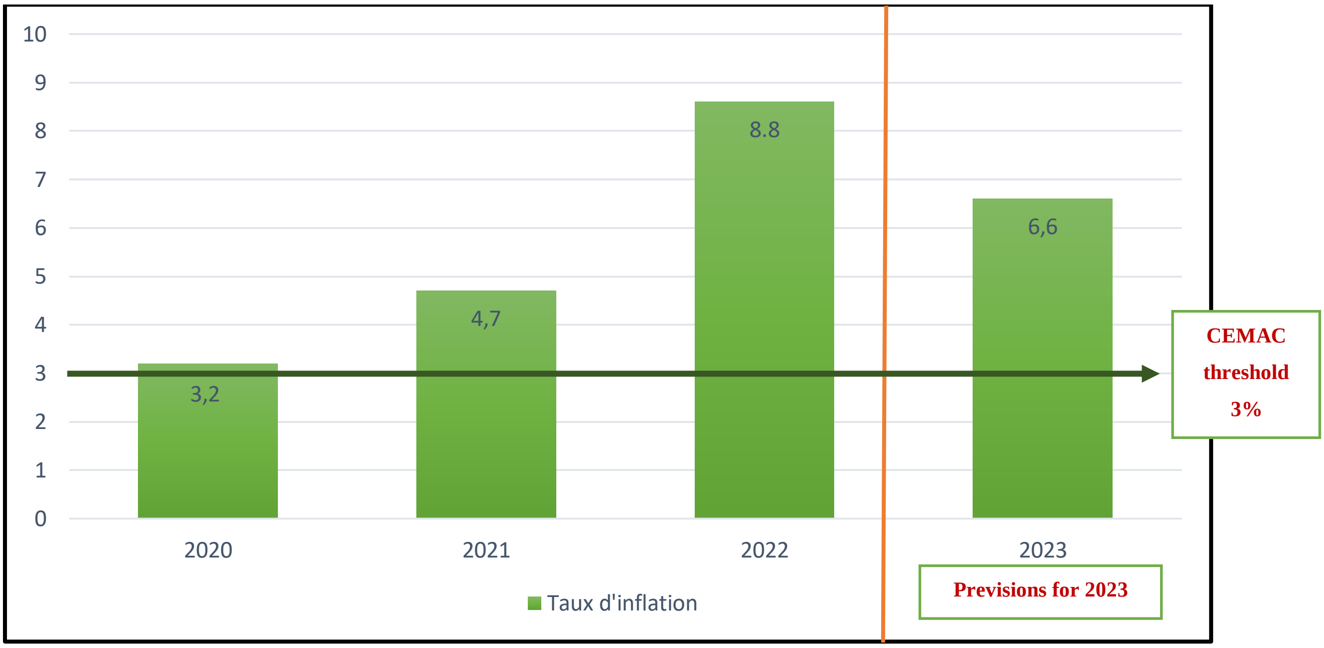
Since 2019, the world has been marked by a period of great instability; changes, whether economic, geopolitical or ecological, which influence the global outlook. Inflation reached levels not seen in several decades, which led the monetary authorities to restrict monetary policy to the detriment of households. Also, many low-income countries are facing serious budgetary difficulties. In 2022, the coming of the Russo-Ukrainian conflict favors major geopolitical upheavals, given the specificity of these two economies recognized as the largest producers and exporters of cereal, oil and gas products. Also, although the effects of the pandemic have subsided in most countries, and continue to disrupt economic activity, particularly in China, another positive effect on global inflation is linked to climate change. Intense heat waves and droughts across Europe and Central and South Asia have given a taste of a more inhospitable future clouded by global climate change.

Galloping inflation

Indeed, global inflation stood at 8.8% in 2022 against 4.7% in 2021 (see Graph 1). These inflationary pressures are present in all regions of the world. For advanced countries, the inflation rate stood at 7.3% in 2022 against 3.1% in 2021, while for emerging and developing countries, it stood at 9.9% in 2022, compared to 5.9% in 2021.

This evolution of prices at both international and national level was notably supported by: (i) the tightening of financial conditions by central banks in most regions of the world with the exception of China, with consequences for rising interest rates and the cost of imported products; (ii) the continuation of the zero Covid-19 policy of the Chinese authorities which imposed significant constraints at the national level, all of which further disrupted the already strained global supply chains; (iii) advanced country sanctions imposed on Russia as a result of the Russian-Ukrainian conflict, and worsening gas supply disruptions to Europe; (iv) the drop in cereal production in Ukraine. This situation has amplified, on the one hand, the pre-existing tensions on the world commodity markets, and on the other hand, has pushed up the prices of natural gas and electrical energy, particularly in European countries; (iv) the depreciation of the euro against the dollar, with consequences for the rise in the price of products imported by European countries and those in the franc zone which were specifically affected by the rise in the price of hydrocarbons and the rise production input costs (fertilizer, etc.).

Graph 1: Evolution of inflation in the world



***Source:** IMF, 2023*

- **Highly variable inflation rates from one country to another or from one zone to another.**

Since 2020, inflation has increased sharply. In 2022, in the advanced countries, it reached its highest rate since 1982. The example of the United States and the United Kingdom presents us with variable results. Despite a slight decline in the consumer price index (CPI) in July and August 2022, inflation in the United States reached one of its highest levels in about 40 years, prices August 2022 being 8.3% higher compared to a year earlier. The Eurozone saw inflation hit 10% in September 2022, while the UK recorded annual inflation of 9.9%.

Although inflation is a general phenomenon affecting most countries in the world, its consequences are most severe in developing countries, among the lowest income groups. In these countries, households spend up to half of their income on food consumption, which means that inflation can have a particularly pronounced effect on their living standards. Emerging and developing countries are estimated to have experienced inflation of 10.1% in the second quarter of 2022 and 11.0% in the third quarter, the highest rate since 1999.

- **Crisis in Ukraine has global implications for food prices**

Despite the recent Black Sea Agreement on grain exports, world food prices remain high. Developments in commodity markets and drivers of food price inflation show that supply-side factors dominate current food price dynamics and are compounded by export restrictions imposed by several countries. Overall, international inflation rose, fueled by further increases in consumer prices for energy and food, while the crisis in Ukraine increased inflationary pressures. Countries whose diets rely heavily on foods that have risen in price the most, particularly wheat and maize, countries that are most dependent on food imports, and those whose diets include significant amounts of foods that suffered strong repercussions of world prices on local prices were the most affected.

countries whose citizens were already suffering from acute malnutrition and excess mortality before the war have been particularly affected, with the consequences having been particularly severe in sub-Saharan Africa, where food represents on average around 40% of the consumption basket, and where the rate of pass-through from world food prices to domestic food prices is relatively high, at 30% [1].

Food products contribute strongly to global inflation. These are mostly vegetable oils, cereals, dairy products, sugar and meat. The general level of vegetable oil prices (187.8 in 2022 against 164.9 in 2021) and cereals (154.7 in 2022 against 131.2 in 2021) remain the highest.

In the first half of 2023, the Food Product Price Index fell slightly (126.8 in 2023* compared to 143.7 in 2022). Only the general sugar price level is on the rise (138 in 2023* against 114.5 in 2022).

Table 1: Evolution of the Food Price Index from 2018 to June 2023 worldwide.

Periods	2018	2019	2020	2021	2022	2023*
Food price index	**95.9**	**95.1**	**98.1**	**125.7**	**143.7**	**126.8**
Meat	94.9	100	95.5	107.7	118.8	115.3
Dairy products	107.3	102.8	101.8	119.1	142.4	124.6
Cereals	100.8	96.6	103.1	131.2	154.7	137.5

[1]Regional Economic Outlook: Sub-Saharan Africa, IMF, 2022.

Vegetal oils	87.8	83.2	99.4	164.9	187.8	128.8
Sugar	77.4	78.6	79.5	109.3	114.5	138

Source: *FAO, 2022, (*) Arithmetic average over the first 6 months.*

An analysis of the evolution of the food price index during the year 2022, shows a continuous rise from January to March and a slight drop from May to October, of meat, dairy and cereal products and even vegetable oils are on the rise month after month, this increase is more accentuated from March to June, due to disruptions in the supply chains of these consumer goods due to the Ukrainian crisis which began in February 2022. From July 2022, certain measures taken by States to limit the effects of the crisis are beginning to bear fruit.

Inflation peaked in June. After the month of July the level of inflation began to fall while remaining well above the acceptable threshold.

Table 2: Evolution of the Food Product Price Index during the year 2022

Period	Jan	Feb	March	April	May	June	Jul	August	Seven	Oct	Nov	Dec
CPI food products	**135.6**	**141.1**	**159.7**	**158.4**	**157.9**	**154.2**	**140.6**	**137.6**	**136**	**135.9**	**134.7**	**131.8**
Meat	112.1	113.4	119.3	121.9	122.7	124.7	124.1	121.1	120.1	118.4	114.6	112.4
Dairy products	132.6	141.5	145.8	146.7	143.9	149.8	146.1	143.4	142.6	140.1	137.4	138.2
Cereals	140.6	145.3	170.1	169.9	173.5	166.3	147.3	145.6	147.9	152.3	150.1	147.3
Vegetal oils	185.9	201.7	251.8	237.5	229.2	211.8	168.8	163.3	152.6	150.1	154.7	144.6
Sugar	112.7	110.5	117.9	121.5	120.4	117.3	112.8	110.5	109.7	109	114.4	117.2

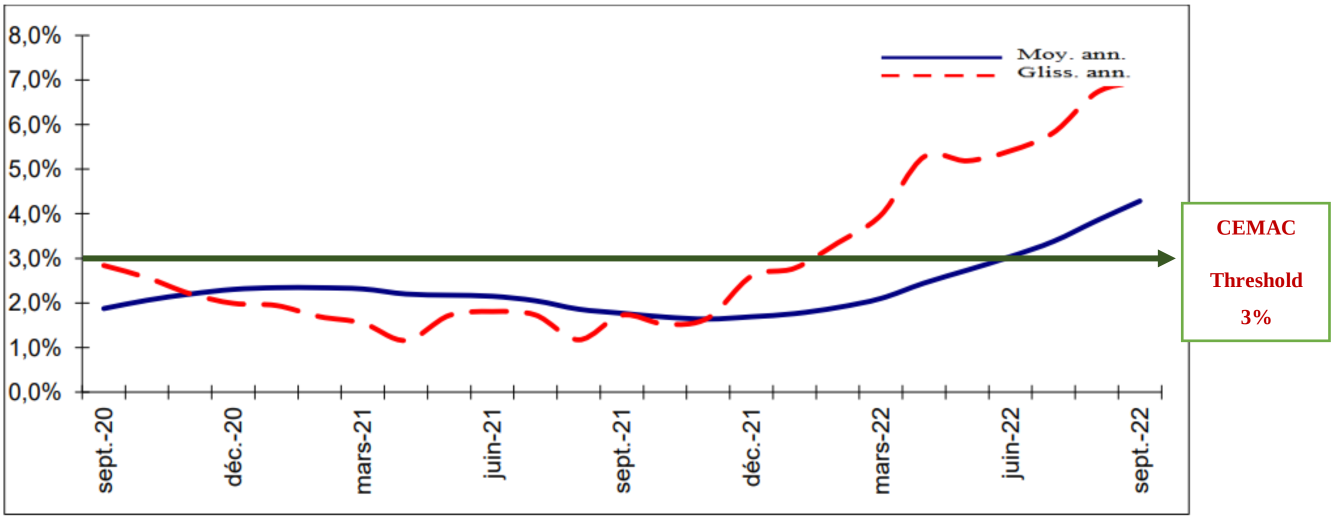
Source: *FAO, 2022*

2. Inflationary pressures in the CEMAC zone

According to data from the Bank of Central African States (BEAC), the inflation rate in CEMAC stood at 5.5% in 2022 against 1.5% in 2021. In the CEMAC sub-region, the countries contribute in unequal proportion to the dynamics of this inflation. The six (06) CEMAC economies are working to fight against soaring prices caused on the one hand by exogenous shocks with the outbreak of the Russo-Ukrainian conflict which has been added to the health context marked by Covid-19. On the other hand, by internal shocks due to climatic vagaries which significantly disrupt the domestic food supply. Fertilizer costs remain high, putting pressure on agricultural production costs in the sub-region.

In terms of the evolution of inflation over the period from September 2020 to September 2022, the peak stood at 7% in September 2022 year-on-year.

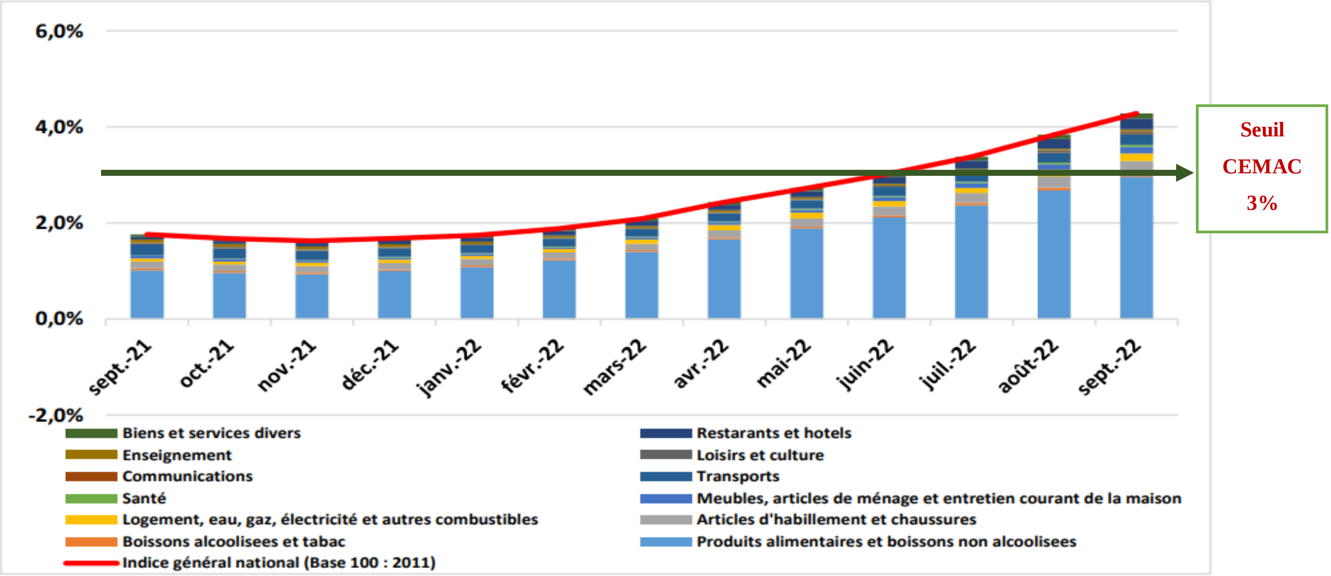
Graph 2: Evolution of inflation in CEMAC from September 2020 to September 2022



Source: *BEAC, 2022*

The dynamics of the consumer price index in the CEMAC sub-region was mainly impacted in the short term over the period by an upward contribution from the “food *products and non-alcoholic beverages” function* (3 points on annual average in September 2022, compared to 1 point a year earlier). Other functions such as *"restaurants and hotels", "furniture, household items and routine home maintenance", "transport"* and *"clothing and footwear"* have weakly favored inflation.

<u>Graph</u> 3: Contributions of consumption functions to the CEMAC CPI between September 2021 and September 2022. (Annual average)



Source: *BEAC, 2022*

In the third quarter of 2022, inflationary pressures increased in CEMAC. This persistence of inflation takes place in a context of still high global inflation, a depreciation of the euro, high world food prices and disruptions in international supply circuits.

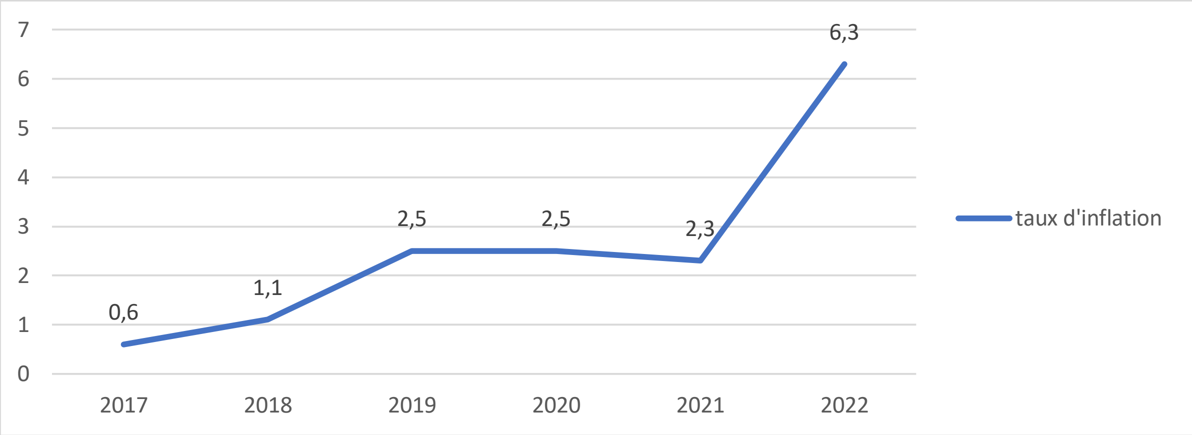
II. NATIONAL DIAGNOSIS AND RIPPLE EFFECTS

1. Evolution and causes of inflation at the national level

In Cameroon, the general price level increased by 15.3% from 2017 to 2022. For the year 2022, the inflation rate stood at 6.3% against 2.3% in 2021, thus exceeding the 3% threshold retained by CEMAC in its multilateral surveillance system. According to INS data, the main determinant of this inflationary surge is the acceleration in food prices (+12.9%), linked to the increase in the prices of oils and fats (27.0%), breads and cereals (16.3%) as well as fish and seafood (14.4%). This inflation can be explained externally, both by the harmful effects of Covid-19 which has been raging since 2020 and above all by the Russian-Ukrainian conflict, which have further contributed to the increase in prices on the international market grains, oilseeds, raw materials, agricultural inputs, energy, building materials, and ocean freight. Internally, inflationary pressures persist despite the BEAC's tightening of its monetary policy and the measures taken by the public authorities to improve household purchasing power.

➢ **Evolution of the inflation rate in Cameroon between 2017 and 2022.**

Graph 4: Evolution of inflation in Cameroon over the period 2017-2022

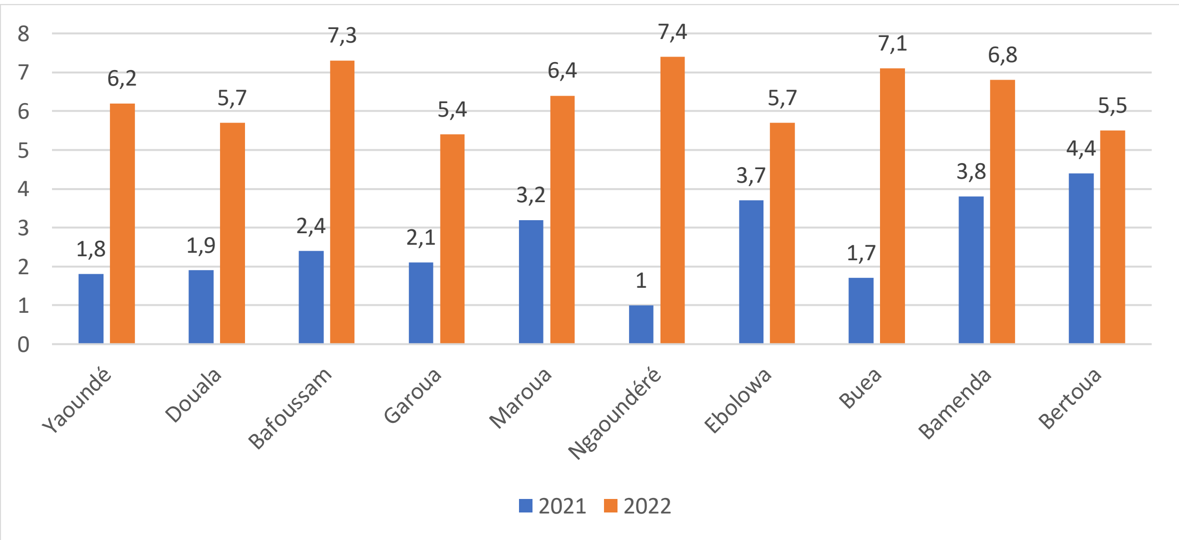


Source: INS, 2022

➢ **Inflation covers all cities in Cameroon and is influenced by difficult global conditions**

In 2022, the inflation rate at the national level is carried by 03 regions, including Adamawa (7.4%), the West (7.3%) and the South-West (7.1%). The regions experiencing a low level of inflation are the North (5.4%), the East (5.5 %), the South (5.7%) and the Littoral (5.7%). The regions which recorded a very strong change in the inflation rate between 2021 and 2022 are Adamawa (6.4%), the South-West (5.4%) and the West (4.9%) respectively.

Graph 5: Level of inflation (in %) in the regional capitals in 2021 and 202 2.



***Source:** INS 2022*

According to INS statistics, in 2022, the general price level is largely supported by the 12.9% increase in food prices and 6.3% in restaurant and service prices hotels. The main increases in the price of food products concerned oils and fats (27.0%), breads and cereals (16.3%), fish and seafood (14.4%), meats (12. 2%), milk, cheese and eggs (10.7%) and vegetables (7.6%). In addition, certain building materials usually used by households for their minor construction or rehabilitation/repair work are also suffering from soaring prices. These include cement, sheet metal, PVC pipes, wall tiles and rebar.

- **The main causes**

✓ The 27.0% rise in the prices of oils and fats results in big part of the increase of the price of theoils raw, of the oils refined and of the others materials greasy (dough peanut local, nut of webbed).

✓ Bread and cereal prices are up 16.3% in connection with the increase in the prices of pastries, cakes, cookies and pastries, of the breads, of the flours,semolina And groats (flour of wheat, flour of but, flourof millet, flour pastry chef), of the cereals No transformed(dry corn kernels, rice, dry millet kernels), and pasta food.

✓ The increase of 14.4% of the price of the Pisces And fruitsof the sea stems from the rise in the price of fresh fish,frozen fish and other seafood, fish and other dried or smoked products and other canned fish (sardines in vegetable oil, sardine sauce).

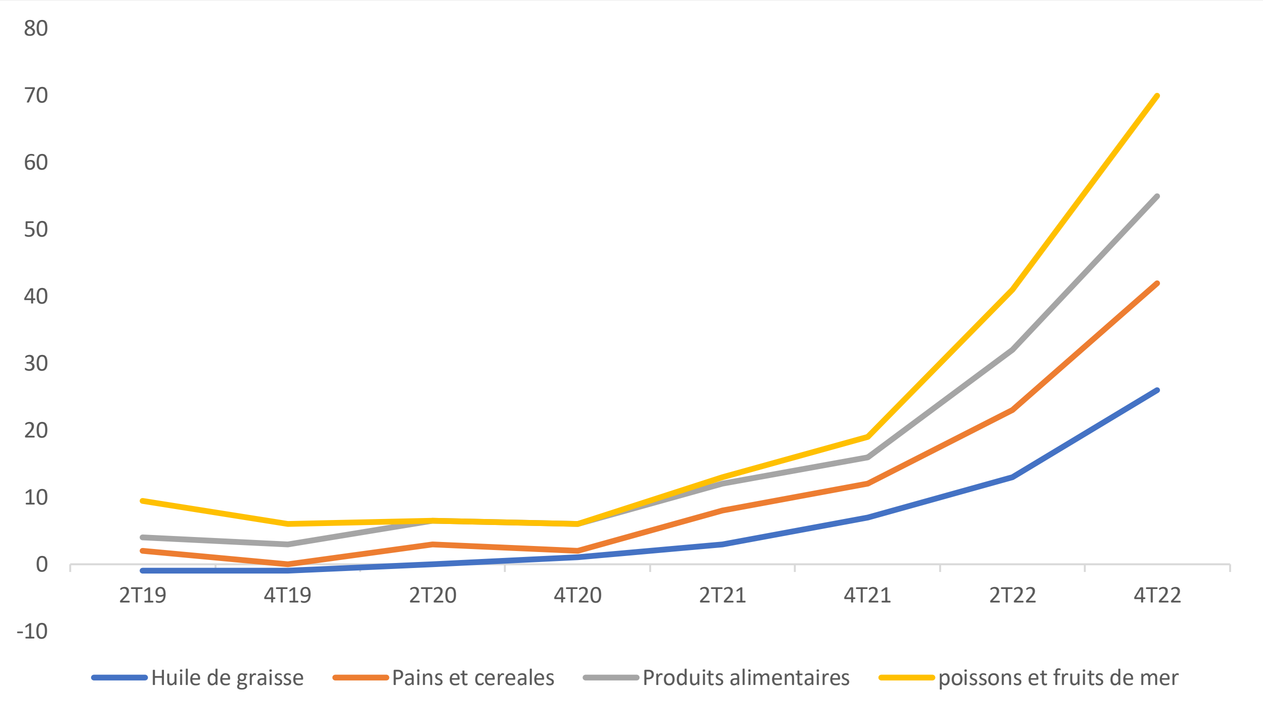
✓ The 12.2% increase in meat prices stems mainly from higher poultry prices, beef, pork, beef sheep And of the meat of goat.

✓ The prices of "milk, cheese and eggs" increase by10.7% in connection with the rise in milk prices and in a lesser measure of the products dairy and of the eggs.

✓ THE price of the vegetables have climb of 7.6% of do especially from price increase of the vegetables costs in fruit Or root(onion costs, bean Green, carrot, pepper, cucumber),of the vegetables dry And oilseeds (peanuts shelled,bean dry), of the vegetables costs in sheet, of the tubers, plantains Thus that of the others products To baseof tubers And plantains.

The prices of "sugars, jams, honeys, chocolates and confectionery" increased by 4.8% due to the increase sugar prices as well as those of jams, honeys, chocolates And confectionery.

<u>Graph 6:</u> Evolution of food product prices in Cameroon (in %)



<u>Source:</u> *INS, 2022*

- The pressure caused by rising oil prices

With inflation already projected at 6% during the year 2023 by the IMF, i.e. double the threshold tolerated in the CEMAC zone, Cameroon under pressure from the international situation marked by the rise in the price of crude oil, finished petroleum products and maritime freight, had to break the lock around petroleum products at the pump.

In order to create budgetary space to finance productive investments and social expenditure, Cameroon has since February 2023 lifted the subsidy of nearly 700 billion FCFA in 2022 on super, diesel and kerosene. Thus, the liter of super in the country's service stations went from 630 FCFA to 730 FCFA (+ 15.87%); the liter of diesel rose from 575 FCFA to 720 FCFA (+25.21%).

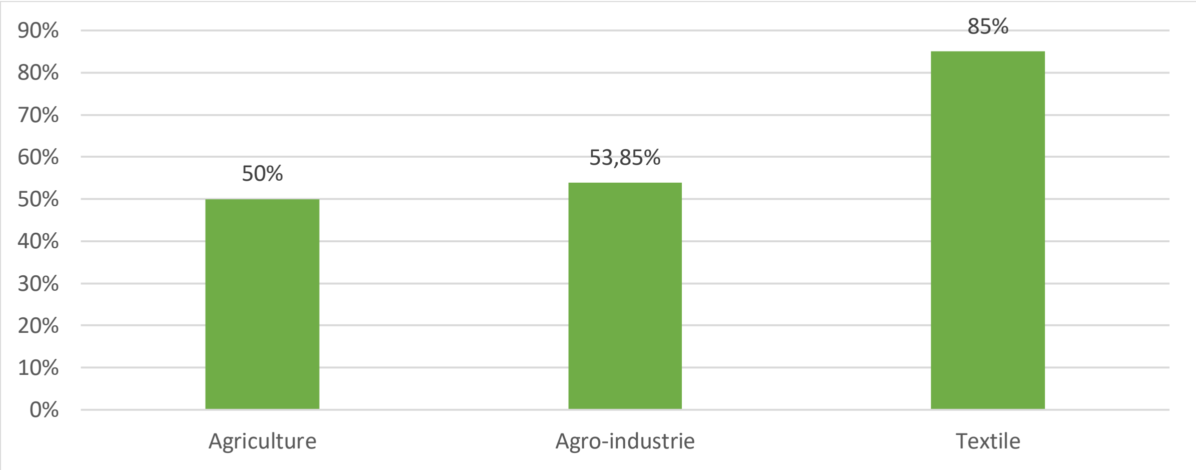
The consequences of these increases mainly concern:

- **Businesses**

Inflation hits record high. Cameroonian companies have felt this. In 2022, the high price of raw materials is the major reason for the increase in production costs (36.83%) and transport costs (29.71%).

The persistence of the effects of Covid-19 also explains this change in costs according to 14.36% business leaders. All sectors are affected by the surge in prices (see graph 7).

Graph 7 Proportion of businesses impacted by inflation by branch of activity in Cameroon (in %)



Source: *MINPMEESA, 2022*

Companies in the agriculture, agro-industry and textile branch were particularly impacted by the cost of raw materials[2]. The fall in the level of sales is explained by the fall in household purchasing power.

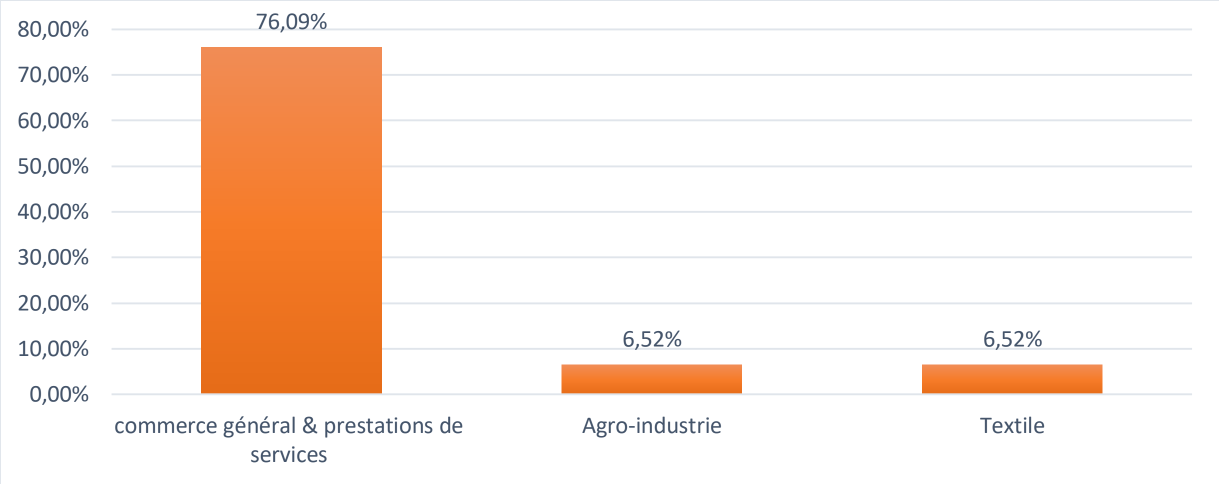
The low propensity of business leaders to recruit new staff seems to be linked to the general level of their activity, which rationally pushes these business leaders to keep the factors of production constant for the most part.

In addition to high production costs, there is a decline in business activity. The proportion of business leaders whose level of sales fell in 2022 compared to 2021 is 50.3%. One of the main reasons for the rise in production costs is that linked to the rise in the price of raw materials, particularly in the agro-industrial sub-sector, where most of these goods are becoming scarce due to the strong sub-market demand regional market that offers the producer a more competitive price than that offered on the local market.

Inflation also affects the employment level of Cameroonian Small and Medium Enterprises (SMEs); consequently affects total production. 85.15% of business leaders surveyed say they have not recruited additional salaried staff in 2022. Nevertheless, the few jobs created during this quarter mainly concern the general trade & services, agro- industry and textiles.

[2] Fourth quarter economic note, MINPMEESA 2022

Graph 8: Proportion of business leaders who created new jobs in the 4th quarter of 2022 by branch of activity



Source: *MINPMEESA, 2022*

The cash flow of SMEs is negatively affected. 54.9% of business leaders surveyed said they had a difficult cash flow in 2022. The business leaders surveyed whose cash flow situation was not easy mainly mentioned the decline in purchasing power (75%) and poor sales (67.6%).

The level of investment is relatively low. The tendency to make new investments is down in 2022 compared to 2021. Indeed, only 12.17% of the business leaders surveyed made new investments compared to only 8.90% in the 1st quarter of 2022

- **Households**: with the soaring food prices already observed since 2022 following the Russo-Ukrainian conflict, companies are passing on the compensation for high production costs to the prices of products on the national market. The products mainly affected are agricultural products.

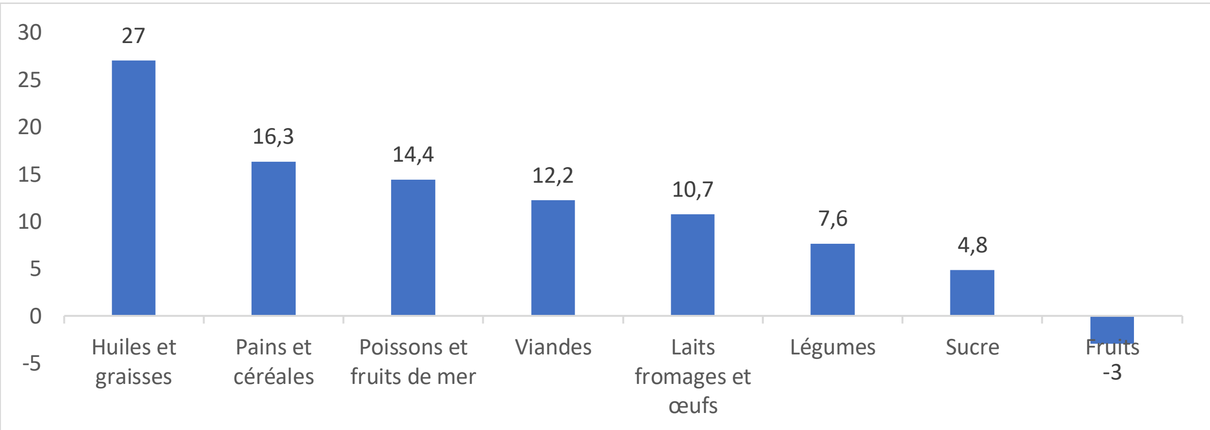
2. Main products affected by the Russo-Ukrainian conflict

a. The rise in food prices

The war is causing a scarcity of cereals, inputs and other food products (wheat, sunflower oil, soybean oil, etc.) for which Russia and Ukraine are among the largest exporters to Africa[3]. According to the United Nations for Food and Agriculture Index (FAO), after a record peak in the FAO Food Commodity Index in March 2022, it resumed its downward trend since January 2023 to average 124.3 points in May 2023, a drop of 3.4 points compared to April and of 35.4 points compared to its record level reached in March 2022. The drop recorded in May is explained by the significant decline price indices for vegetable oils, cereals and dairy products, which was partially offset by the increase in the price indices for sugar and meat.

In Cameroon, the evolution of the prices of food products is in close correlation with the variation of the FAO index. Indeed, in 2022, the prices of food products in Cameroon rose by 12.9% (INS, 2022) mainly catapulted by the increase in the prices of oils and fats (+27.0%) , breads and cereals (16 .3%) and fish and seafood (+14.4%). The prices of meat (+12.2%), *"milk, cheese and eggs"* (+10.7%), vegetables (+7.6%) and *"sugar, jam, honey, chocolate and confectionery"* (+4.8%) also experienced an upward trend while a drop in fruit prices was recorded (3%).

Graph 9: Evolution of food product prices (in %)



Source: *INS, 2022.*

The price increases are various on mass consumption products, among others and in order of importance we can mention:

[3] Russia and Ukraine supply 30% (FAO) of the world's wheat

- The increase in the prices of crude oils, refined oils, local peanut paste and palm nuts with regard to the increase in the prices of oils and fats;
- The increase in the prices of pasta, unprocessed cereals (rice, dry millet grain, etc.), pastries and cakes with regard to the rise in the prices of breads and cereals;
- The upward trend in the prices of dried or smoked products, fresh fish, other frozen seafood products and other canned fish (sardines in vegetable oil, sardines in sauce) with regard to the increase in fish prices and seafood;
- The upward valuation of beef, poultry, pork, mutton and goat meat prices in relation to rising meat prices;
- The increase in the prices of milk, dairy products and eggs with regard to the increase in the prices of *"milk, cheese and eggs"* ;
- The increase in the cost of fresh fruit or root vegetables, pulses and oilseeds, fresh leaf vegetables, tubers, plantains and other products made from tubers and plantains, with regard to the increase in vegetable prices;
- And finally the rise in the prices of sugar, jams, honeys, chocolates and confectionery as a tributary of the rise in the prices of *"sugar, jam, honey, chocolate and confectionery".*

All of these elements highlight the country's level of food vulnerability and suggests a loss in points on its economic growth.

b. Rising prices for construction materials, raw materials and energy

During the year 2022, as true as headline inflation is of local origin (raised to 5 percentage points by the rise in the prices of local products), imported inflation still contributes 1.3 percentage points to total inflation. However, this imported inflation is dependent on the evolution of the prices of certain building materials usually used by households for their minor construction or rehabilitation/repair work, which are subject to soaring prices (cement, sheet metal, PVC pipes, wall tiles and rebar), raw material and energy prices.

c. The main reasons

From these observations, several reasons can favor the observed increase in the prices of mass consumption products:

(i) **insufficiency of the national production** , in raison of the weak ability of system productive national, of theterms weather unfavorable (with For result direct the increase of bad crops, ofloss of cattle, there degradation of the pastures And THEdrying up of watering points, and availability reduced in products fisheries, aquaculture And forestry), ofthe crisis safe In THE regions of North West And of South-West which, on the one hand, limits production and on the other hand, hinders the delivery of products,

(ii) **Supply limited from major consumption centers** because of the degradation of some axes of network road or railway,

(iii) **The speculative practices of certain traders**,

(iv) **The impact, albeit partial, cost pressures** (including raw materials and agricultural inputs)on consumer selling prices,

(v) **Difficulties supply**, there weakness of the inventory of security and the shortage from some products.

With regard to imported products, the tightening of the conditions financial institutions in most parts of the world, the conflict pitting Ukraine against Russia, the persistence of the pandemic of Covid-19, export restrictions imposed by several producing countries, are as many of factors who have created of the shocks related to the offer. In besides, thereloss of value of FCFA face at dollar to trained an increase in the cost of imports of raw materials and of foodstuffs food. So, the imports of the products as THE rice, THE wheat, THE others cereals, THE fuel And THE domestic gas have been very expensive.

III. IDENTIFICATION OF MITIGATION MEASURES

1. Some measures adopted by the State

First of all, it is important to go back to the fundamentals set by the National Development Strategy 2020-2030 (SND30) which, in a sense that directs the economy towards a recovery of its activities. In general, it provides:

(i) *Support for the production and processing of consumer products;*

(ii) *The implementation of adapted and dedicated systems for the financing of companies;*

(iii) *The revitalization of growth branches/sectors;*

(iv) *Strengthening business competitiveness.*

Then, in order *to "guarantee the purchasing power of consumers* " thanks to these measures aimed " *to preserve budgetary balances, in the face of soaring prices of petroleum products on the international market* ", the salaries of public officials are increased by 5 .2%, while after “

concerted examination with the social partners ", the Guaranteed Interprofessional Minimum Wage (SMIG) now goes from 38,000 to 41,875 FCFA.

Specifically concerning the year 2023, the government intends to implement incentive measures included in the 2023 finance law. These are:

(i) Exemption from fiscal and customs taxes on the importation of certain products;

(ii) Suspension of the port fee;

(iii) Reduction in the cost of freight to be included in the customs value;

(iv) The suspension of the prepayment of the purchase on several products;

(v) The dismantling of illegal roadblocks to reduce the cost of transporting agricultural products to markets.

In addition to these measures, the following topics can be discussed:

- It is imperative for the State to become aware of the products most in demand by domestic demand, then analyze the priority import products that weigh down the trade balance in order to identify those that it can produce locally and those that can be substituted with a view to limiting imports according to the characteristics of comparative advantage analysis available to it.
- It is important to forge more technical and financial partnerships for the acquisition of production equipment, modern technology in the development of agro-industry, a priority sub-sector which abounds most of the local workforce. . The surplus production resulting from this agricultural industrialization will allow the State in the medium and long term to invest in the most promising sectors such as oil refining which would promote significant growth gains in Cameroon to establish its economic emergence in the future. horizon 2035;

- the interest of defining the measures necessary to direct domestic consumption towards local products is imperative for the State because the quantitative and qualitative increase in mass consumer products does not guarantee their domestic consumption a priori, the example of " Giffen goods" which, whatever the price, have an interest in always directing its consumption towards common food habits which are already denser for imported products which carry national inflation;

- The State must set up a system of preventive adaptation capable of anticipating external and internal shocks by defining a special fund for risks in order to mitigate the effects of any crisis.
- As a lesson learned from the health crisis, to mitigate the effects of this new exogenous shock, Cameroon could implement a more expansionary and sufficiently accommodating fiscal policy (Tax relief for the benefit of key private companies, bring out national champions responsible for boosting the production).

2. Outlook on the evolution of inflation.

➢ A future of global uncertainties

The International Monetary Fund is counting on a forecast for global inflation of around 6.5% in 2023 compared to 8.8% obtained in 2022. The outlook for most economies has been revised slightly upwards since July. 2022, but are significantly higher than forecasts made earlier in the year. On a fourth quarter-to-quarter basis, global headline inflation peaks at 9.5% in the third quarter of 2022 before declining to 4.7% by the fourth quarter of 2023 according to IMF forecasts. The projected disinflation in 2023 is occurring in virtually all economies, but is more pronounced in advanced economies. Disinflation will be faster in advanced countries. It will be higher in 2023 for a given level of inflation in 2022 compared to emerging countries. The most plausible reason has to do with the fact that stronger economies enjoy increased credibility from existing monetary frameworks.

➢ The rise in the adverse effects of imported inflation and climate change in the CEMAC zone

The short and medium-term outlook for inflation in the zone shows that it should well exceed the 3.0% mark until 2024.

More specifically, annual average inflation in the CEMAC should peak at around 5.8% between the second and third quarters of 2023, before starting to decelerate to stand at 4.2% in 2024, before gradually fall back to the level of the community norm by 2025. The trajectory of prices in the CEMAC would be significantly influenced in the medium term by imported inflation, the diffusion of the effects of which are not instantaneous and should be spread over the next few quarters. Indeed, at the external level, the evolution of the world geopolitical situation, the rise in the prices of food goods (particularly wheat), the effects of disruptions in international supply chains, the rise in the cost of industrial and agricultural inputs as well as the dynamics of maritime freight costs should pose significant inflationary risks in the Zone. At the domestic level, domestic demand still sluggish in many countries, the low indexation of wages to inflation, the maintenance of administered prices for certain basic necessities and control of energy costs (prices at the pump in particular) are important levers for moderating inflationary dynamics in the CEMAC. However, the specter of climatic hazards in the Sahelian zones of the sub-region constitutes an internal inflationary risk factor, particularly for food items.

- Inflation above 3% in Cameroon

According to the INS, the inflation outlook is influenced by the tightening of financial conditions in most regions, the conflict between Ukraine and Russia, the lingering effects of the Covid-19 pandemic, the depreciation of the FCFA vis-à-vis the Dollar, the readjustment of fuel prices at the pump and the new tax provisions of the 2023 Finance Law. 2% of the price of a liter of diesel and assuming that the current monthly rate of price change is maintained, the inflation rate in 2023 could be above 6%.

CONCLUSION

The signs of timid growth in the world economy forecast for 2023 and perceptible on the international scene suggest a rebalancing of the world economy in favor of a drop in the level of inflation. In a context marked by stubbornly high inflation, disruption in the entire financial sector and the persistence of the perverse effects of the Russo-Ukrainian crisis, the risks of a deterioration in the outlook remain very high and the probability of witnessing a new imbalance remains.

Despite this unsatisfactory trajectory compared to the forecasts of economic growth in Cameroon and the pernicious effect of imported inflation on the achievement of the SND30 objectives, the Cameroonian economy has shown good resilience so far. . This resilience is mainly justified by the diversity of the supply of local products on the market and by the policy of stabilizing the prices of petroleum products at the pump thanks to State subsidies in 2022 of approximately 775 billion FCFA.

Moreover, although inflation on food products remains high, the Government, aware of the crucial role that PMEESA plays in the revitalization of the productive apparatus, does not skimp on the means in order to curb the current situation and achieve the objective of structural transformation of the economy. To do this, it intends to continue with the implementation of the Mix import-substitution policy in order to reduce external dependence and counteract the effects of imported inflation; the implementation of anti-speculation measures; promotional sales to relieve households and finally the incentive provisions of the 2023 Finance Law.

However, the needs of the economy for financing industrialization are intensifying more and more and plunging the latter into a spiral of indebtedness which, if not controlled, should considerably degrade its capacity to absorb crises. . A very attentive look is required in view of the definitions of preventive measures for mitigating crises, to identify the most profitable sectors on which the State should establish its industrial development policy for the benefit of economic growth.

To this end, certain specific actions may be put forward by the public authorities, in addition to the incentive measures of the 2023 Finance Law already in progress and favorable to significantly mitigating the effects of inflation on the economy, in order to guarantee food self-sufficiency and the convergence of the industrialization objectives that Cameroon has set itself for 2030. These include:

i. Identify consumer products for which the country has a comparative advantage in order to densify their production according to the standards provided by the local market,
ii. Categorize substitute products on the basis of specific imported products that weigh on the trade balance in order to produce local substitutes;
iii. Increase technical and financial partnerships to boost the acquisition by PMEESA of modern production/industrial processing techniques and tools;
iv. Highlight national champions operating priority sectors for industrialization in order to promote faster emergence of a plethora of local products on the markets;
v. Direct domestic consumption towards local products by defining specific measures to attract domestic consumption towards local products;
vi. Put in place a system of anticipatory measures on exogenous and endogenous shocks by defining a special fund to mitigate any risks to the economy.

BIBLIOGRAPHY

[1]. INS (2023). *Evolution of inflation during the year 2022;*

[2]. INS (2022). *Foreign trade: Trade between Cameroon, Ukraine and Russia;*

[3]. IMF (October 2022). *World Economic Outlook: Responding to the Cost of Living Crisis;*

[4]. World Bank (2021). *Commodity Markets Outlook: Urbanization and commodity demand;*

[5]. Policy Brief (2022). *The economic repercussions of the war in Ukraine for Africa and Morocco;*

[6]. BEAC (2022). *Note on the evolution of inflation in the CEMAC as of December 31, 2021 and short and medium term outlook;*

[7]. BEAC (2022). *Evolution of the prices of the main commodities exported by CEMAC in the 4th quarter of 2021;*

[8]. Elements on data collected from FAO

APPENDICES

Appendix 1 Conceptual reminders on inflation

Inflation is often defined as "the loss of purchasing power of money which results in a general and lasting increase in prices".

Measuring inflation in Cameroon

The inflation rate is currently assessed using the Final Consumption Price Index (CPI). This measure is partial, given that inflation covers a wider area than just household consumption.

The calculation of the consumer price index (CPI) is based on price readings carried out by collection agents each month at the same points of sale and for the same products and services. All the prices collected are then aggregated and then weighted according to the share that households spend on them on average. This standard household basket should in principle be updated every 5 years.

Source: INS, 2022 (in %)

Appendix 2 Main Ukrainian and Russian exports and their shares in world trade

Top 10 Ukrainian exports	Share in world imports (%)	Share in Ukrainian exports (%)	Top 10 Russian exports (%)	Share in world imports (%)	Share in Russian exports (%)
Vegetal oils	6.7	9.3	**Manufactured fertilizers**	12.5	20
Cereals	6	20	**Coal/coke/briquettes**	11.6	4
Oilseeds and fruit seeds	3.1	5	**Petroleum and petroleum products**	10.9	45.5
iron and steel	2.3	18.8	**Natural and manufactured gas**	8.7	6.8
Food for animals	1.8	3	**Cork and wood**	8.4	1.5
Ores and scrap metal	1.1	8.3	**Non-ferrous metals**	5.3	4.4
Meats and preparations	0.5	1.4	**Cereals**	5.2	2
Railway and tram equipment	0.2	1.5	**iron and steel**	4.7	4.5
Electrical equipment	0.1	4.8	**Metal ores/metal scrap**	1.7	1.5
Industrial equipment	0.1	1.4			
Total exports by country in billions of dollars		50.1			426.7

<u>Source</u>: WITS

Appendix 3: Writing and proofreading team

General supervision	General coordination	Technical coordinator	Technical writing team	Proofreading team
HE Mr. Achille BASSILEKIN III	Mr. TCHANA Joseph	Mr. BOBBO MAMOUDOU	Mrs. TCHANA Sylvie	Mrs IHOULI Francine
		Mrs. TCHANA Sylvie	Mr N'NOUH Samuel	Mrs MOCK Danielle
			Mr. NGAMENI Teddy	
			Mr. KWEBITEU Dimitri	