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CAMEROON CHAMBER OF COMMERCE, INDUSTRY, MINES AND CRAFTS

ECONOMIC OUTLOOK REPORT

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ECONOMIC OUTLOOK REPORT

ECONOMIC OUTLOOK

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ABBREVIATIONS AND ACRONYMS

NFA	:	Net Foreign Assets
AfDB	:	African Development Bank
BC-PME	:	Cameroonian Bank for Small and Medium Size Enterprises
BEAC	:	Bank of Central African States
BGFI	:	Banque Gabonaise et Française Internationale
BICEC	:	Banque Internationale du Cameroun pour l'Epargne et le Crédit
BTP	:	Construction and Public Works
BVMAC	:	Central African Unified Exchange
C2D	:	Debt-reduction and Development Contract
CCA	:	Crédit Communautaire d'Afrique
CCIMC	:	Cameroon Chamber of Commerce, Industry, Mines and Crafts
CIS	:	Community of Independent States
CEMAC	:	Central African Economic and Monetary Community
CMF	:	Finance and Procurement committee
UNCTAD	:	United Nations Conference on Trade and Development
COBAC	:	Central African Banking Commission
DP	:	Division de la Prévision
DSX	:	Douala Stock Exchange
ECMR	:	Emprunt obligataire du Cameroun
MFI	:	Microfinance Institution
CFA franc	:	Financial Cooperation in Central Africa Franc
Fintech	:	Finance technologique
IMF	:	International Monetary Fund
EOT	:	Exclusive of Tax
INS	:	National Institute of Statistics
INSEE	:	National Institute of Statistics and Economic Studies
MINFI	:	Ministry of Finance
NBS	:	National Bureau of Statistics
NFC-Bank	:	National Financial Credit Bank
WTO	:	World Trade Organization
GDP	:	Gross Domestic Product
SME	:	Small and Medium size Enterprises
GNFP	:	Government Net Financial Position
SCE	:	Société Camerounaise d'Equipement
SGC	:	Société Générale du Cameroun
Si	:	Hi
SODECOTON	:	Cameroon Cotton Development Corporation
SONORA	:	National Refining Company
Ti	:	Qi
VAT	:	Value Added Tax
UBA	:	United Bank of Africa
UEMOA	:	West African Economic and Monetary Union
UMAC	:	Union Monétaire d'Afrique Centrale
USA	:	United States of America

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EXECUTIVE SUMMARY

International and regional economic situation

In the second half of 2019, growth in the advanced countries slowed, as did growth in most emerging and developing countries.

On the other hand, growth in Africa is expected to stagnate in the second half of 2019 as a result of the slowdown in the Southern African economy, despite the significant improvement in activity in Central and West Africa and the dynamism of East and North Africa.

National situation

On a national level, the GDP growth rate dropped by 0.5 points compared to the same period in 2018 to 3.9%.

Prices increased in the ten regional capitals in the second half of 2019 in comparison to the first half of 2019 and year-on-year.

The Consumer Price Index (CPI) for households increased by 2.5% year-on-year and by 1.3% compared with the first half of 2019.

At the end of the second half of 2019, budget deficits worsened in comparison to the first half of 2019 and year-on-year. Budgetary resources and public expenditure amounted to 2,665.9 billion and 3,636.5 billion respectively, up 7.1% and 28.6% year-on-year over the period under review.

At the end of December 2019, the monetary situation was stable in terms of resources and employment at 6,502.3 billion that is up 6.4% in comparison with the end of June 2019 and 9.2% year-on-year. Bank deposits increased by 9.6% year on year to 4,870 billion. Outstanding loans amounted to 3,664.6 billion that is a 67.7 billion increase year-on-year and of 69.5 billion in comparison to the end of June 2019.

In the second half of 2019, the trade deficit worsened by 179.2 billion year-on-year and by 3.3 billion compared with the first half of 2019. Over the same period and compared to the first half of 2019, exports increased by 5.2% to 1,229.5 billion, resulting from the combined increase in non-oil exports (5.8%) and crude oil exports (2.5%).Similarly, imports increased by 3.3% (12.7% year-on-year) compared with the first half of 2019 to reach 2,005.1 billion as a result of the rise in imports of rice (+27.2%), fuels and lubricants (+26.3%) and electrical and mechanical machinery and equipment (+48.2%).

Opinion of business leaders on sectoral developments and prospects

According to business leaders, the overall activity was not satisfactory in the second half of 2019. They also believe that the business climate has been generally unfavourable to the activity of players in the various sectors, and anticipate a similar situation in the first half of 2020.

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I- METHODOLOGY

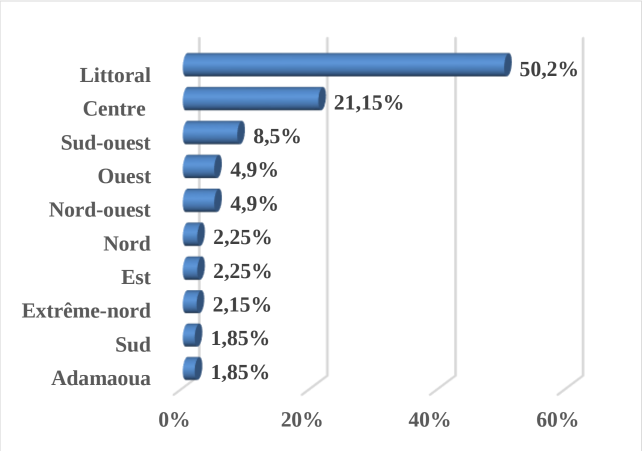
The following approach has been adopted for the drafting of this business review.

(i) For the first three parts, a literature review was carried out. This consisted in the use of texts, books and publications of the various national and international organizations which present the national, sub-regional and international situation.

(ii) As regards the fourth part, particularly the opinion of business leaders on sectoral developments and prospects, a survey was carried out among 300 Cameroonian enterprises. These companies were selected according to a stratified random survey. The sampling frame was taken from the Statistical and Fiscal Declarations of 2015.

Ten strata, corresponding to the 10 regions of Cameroon were constituted. Because the regions do not have the same weight in terms of number of enterprises and turnover, the sample size per region reflects its composite weight. Fig 1 below shows the distribution of the sample by region.

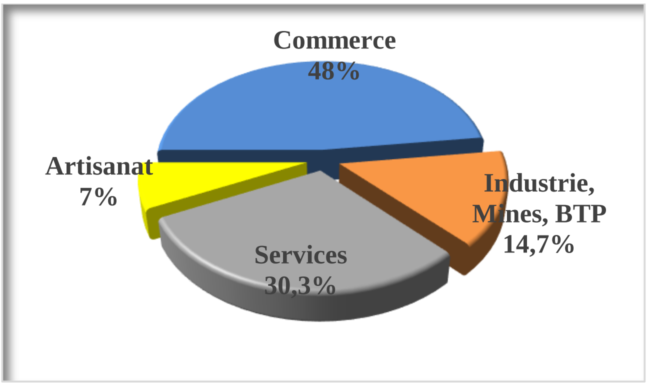
Figure 1: Distribution of the sample by region



Source : Source: INS General Enterprise Census, 2016 (Calculations ours)

The second stratification made in each region, was made up of 4 strata which are the 4 sectors of activity. Figure 2 below shows the distribution of the sample by sector of activity.

Figure 2: *Distribution of sample by sector of activity*



Source: Source: INS General Enterprise Census, 2016 (Calculations ours)

In each sector, companies were randomly selected according to their size and in proportion to the density of the sector, with the density of the sector corresponding to the number of companies in the sector.

Coverage rate

Of the 300 companies initially targeted, 236 actually responded to the questionnaires, a response rate of 78.7%.

Weighting

In order to return to the initially planned structure and to ensure the representativity of the results, the data obtained after the collection phase were re-weighted according to turnover for representativity and according to the weight of the regions and sectors of activity for the structure.

II- INTERNATIONAL AND REGIONAL ECONOMIC ENVIRONMENTS

II.1. INTERNATIONAL ECONOMIC ENVIRONMENT

In the second half of 2019, the global economic situation was marked by (i) a further slowdown in world growth, (ii) a decline in the volume of world trade as a result of subdued global demand, and (iii) moderate inflation rates.

According to the statistics reports[1], the slowdown in growth during the period under review from one half year to another was driven by a synchronous decline in GDP in both advanced, emerging and developing countries

World trade suffered from trade policy uncertainties arising from the trade war between the US and China on the one hand, and from sluggish global demand within the context of a weak global economy on the other. This was more pronounced in developed countries than in emerging countries.

In the same vein, inflation remained moderate, with energy prices falling in the second half of 2019 within a context of sluggish global demand and the implementation of tighter inflation targeting policies.

Price indices for the main commodity groups declined in the second half of 2019.

2.1.1. GROWTH

Year-on-year, global growth slowed again in the second half of 2019, as a result of a simultaneous decline in growth in both the group of developed countries and emerging and developing countries.

Growth in the advanced countries slowed again …

According to IMF statistics, growth in the group of advanced countries loses one percent year-on-year to an average of 1.6 per cent, mainly reflecting the decline in activity experienced by the majority of countries in this group in the second half of 2019.

As a matter of fact, in the United States, GDP growth fell to an average of 2.2% year-on-year, after 2.5% in the first half of the year. According to the U.S. Bureau of Statistical Analysis, this slight decline is attributable to slowdowns in private consumer spending, federal, state and local government spending and a larger decline in non-residential fixed investment.

In Japan, GDP growth averaged 0.6 percent in the second half of the year, up from 0.8 percent in the first half.

In the United Kingdom, growth also fell to around 1.1% in the second half of 2019, after 1.7% in the first half.

Canada experienced a similar decline, with GDP growth rates also falling by about 2 percent points from one half year to the next.

In the euro zone, the percentage increase in GDP declined from half year to half year to an average of 1.1%, after 1.3% in the first half of 2019.

In France in particular, the volume of business only increased by an average of 1.4% in the second half of the year, compared with a year-on-year increase of about 1.7% in the first half. In Germany, growth froze slightly from an average of 0.6% in the first half to 0.5% in the second half.

Same movement in Italy and Spain, where GDP growth was weaker from one half to the next.

In Belgium and Holland, on the other hand, activity grew steadily from the first half of the year to the second. However, while there were signs of a slowdown at the end of the year in the first country (in the second, this was not the case:

[1] OECD STATS (Quarterly National Accounts: Quarterly growth rate of actual GDP, compared to the previous quarter) and IMF (WEO of January 2020 and April 2020)

growth instead rebounded to the pace seen at the beginning of the year (1.7%).

…as was the case in the majority of emerging and developing countries.

Mis en relation avec le premier semestre de 2019, l'on note pareillement une perte de vigueur de l'activité économique au second semestre de 2019 dans les pays émergents et en développement.

Compared to the first half of 2019, there was similarly a loss of vigour in economic activity in the second half of 2019 in emerging and developing countries.

Economic activity in this group of countries is led mainly by the disappointing performance of India and some other countries such as Mexico and South Africa, where social crises have weighed on domestic demand.

In detail, economic growth in India lost about one percent of the 4.2 per cent average in the second half of 2019. This was caused by tensions in the non-banking sector as well as lower credit growth.

In China, growth dropped from an average of 6.3% in the first half of the year to 6% in the second half, despite the hope raised by an initial agreement with the United States which, according to the IMF, would still lead to a short-term cyclical downturn.

Among the South American countries, Argentina seems to be a little closer to coming out of recession since its GDP fell by only 0.4% on average, compared to a 3.8% drop six months earlier.

In Brazil, activity improved further in the second half of the year, with an average growth rate of 1.4% compared to about 0.8% in the first half of 2019.

In Europe, Turkey's growth rebounded in the second half of 2019 (+3.5%), after more than one year-on-year decline in GDP.

Russia continues to grow at a sustained pace, rising from an average of about 1.2% in the first half of the year to 1.5% in the second half of the year.

In sub-Saharan Africa and the Middle East, Performance on the other hand, was driven by that of certain major countries.

In the second half of 2019, economic activity slowed down in the group of countries that make up Sub-Saharan Africa and the Middle East.

As a matter of fact, in this group, some major countries, such as Saudi Arabia and South Africa in particular, have experienced a critical trend in their activities.

Saudi Arabia experienced recession in the second half of the year with a successive decline in economic activity (around 0.4%) in the last two quarters of the year.

South Africa equally experienced recession at the end of the year, after a sluggish first half.

Ghana, on the other hand, witnessed a slowdown in the second half of the year under review, but its growth remained strong, above 5%.

In Nigeria, growth remained strong: +2.1% on average in the first and second halves of 2019.

2.1.2. GLOBAL PRICES OF RAW MATERIALS

Inflation remains moderate in the second half of 2019…

As a result of continued inflation-targeting monetary policies, global inflation remained moderate throughout the year. However, it was weaker and also receded among developed countries. In emerging and developing countries, where inflation targeting is widely practiced, inflation was higher.

Under these conditions, it is estimated that the consumer price index could rise by 5% in 2019 against 4.8% in 2018 in emerging and developing countries, and by 1.4% in 2019 against 2% in 2018 in developed countries.

...and the prices major raw materials are on a downward trend...

The price indices of major raw materials fell in the second half of 2019.

According to the IMF, the price index for energy raw materials fell by about 6% in the second half of the year, while the price index for non-energy products fell by about 1%.

Energy commodity prices actually all declined in the second half of the year compared to the first half of 2019.

In the category of so-called non-energy products, the trend was mixed.

On the one hand, the prices of agricultural raw materials (with the exception of robusta coffee) and precious metals rose overall in the period under review.

On the other hand, the prices of cotton, rubber and most woods, excluding those traded on Asian markets, have fallen.

... consequently leading to a decline in the prices of the main products exported by Cameroon.

Apart from the Arabica coffee and cocoa, the average prices of the main raw materials exported by Cameroon decreased in the second half of 2019, compared to their levels in the first half of the year.

Energy commodities (oil and gas) have lost 5.3% and 13% respectively.

The decline, on average, of the said prices is mainly due to a sluggish global demand in a context of overproduction.

Prices for aluminium and wood (sawn and logs) fell by 3.7%, 2.6% and 1.8% respectively in the second half of the year. Food prices were fairly volatile during the period under review.

Table 1: ***Trend in the prices of main raw materials exported by Cameroon in 2019***

	Half-yearly average prices		Variation
	H1	**H2**	**H2/H1**
Cotton ($/kg)	1 828.5	1 760.5	-3.7%
Robusta coffee ($/kg)	1.7	1.6	-5.1%
Arabica coffee ($/kg)	2.8	3.0	8.3%
Cocoa ($/kg)	2.3	2.4	4.1%
Banana UE ($/kg)	0.91	0.86	-5.51%
Timber logs ($/m3)	395.5	388.4	-1.8%
Sawn timber ($/ m3)	619.9	603.7	-2.6%
Aluminium ($/tm)	1 828.5	1 760.5	-3.7%
Rubber ($/kg)	1.7	1.6	-10.1%
Oil ($/ barrel)	65.8	62.3	-5.3%
Natural gas Index (2010=100)	65.4	56.9	-13.0%

Sources: IMF

2.1.3. INTERNATIONAL TRADE

Year-on-year, World Trade stagnates in the second half of 2019...

As in 2018, world trade has been affected by the US-China trade war, combined with a decline in global demand in the second half of 2019. The level of trade had recovered at the beginning of the year, before stagnating towards the end of the year, despite the confidence that purchasing managers are showing since the negotiations between the US and China are progressing on the one hand, and the outcome of those between England and the EU on the other.

The evolution in the import and export trading volume of goods in the second half of the year under review illustrates this trend. Trading volumes recovered, year-on-year, towards the end of the year, reflecting, as mentioned above, the renewed confidence of purchasing managers.

Finally, in 2019, world trade is expected to grow more among developed countries than emerging and developing countries.
Among the former, the growth would be 1.5%, and in the latter it would stagnate at 0.1%, according to IMF forecasts.[2].

	H2_2018	H1_2019	H2_2019	H1/S2	H2/S1
Exports	9741000	9311000	9469000	-4.41%	1.70%
Imports	9958000	9486000	9662000	-4.74%	1.86%
Total	16699000	18797000	19131000	12.56%	1.78%

Source: WTO (data.wto.org)

Table 2*: Trend in world trade in goods between 2018 and 2019 (in thousands of Euros)*

Table 3*: Trends in GDP, world trade and commodity prices*

Actual GDP [1,2]	2016	2017	2018	2019e	2020 p	2021 p	2022 p	Differences in percentage points from June 2019 forecast: 2018	2019e	2020p	2021p
World	**2.6**	**3.2**	**3.0**	**2.4**	**2.5**	**2.6**	**2.7**	**0.0**	**-0.2**	**-0.2**	**-0.2**
Advanced economies	**1.7**	**2.4**	**2.2**	**1.6**	**1.4**	**1.5**	**1.5**	**0.1**	**-0.1**	**-0.1**	**0.0**
United States	1.6	2.4	2.9	2.3	1.8	1.7	1.7	0.0	-0.2	0.1	0.1
Euro Region	1.9	2.5	1.9	1.1	1.0	1.3	1.3	0.1	-0.1	-0.4	0.0
Japan	0.6	1.9	0.8	1.1	0.7	0.6	0.4	0.0	0.3	0.0	0.0
Emerging markets and developing economies (EMDE)	**4.2**	**4.5**	**4.3**	**3.5**	**4.1**	**4.3**	**4.4**	**-0.1**	**-0.5**	**-0.5**	**-0.3**
EMDEs exporters of basic commodities	1.6	2.2	2.0	1.5	2.6	2.9	3.0	-0.2	-0.6	-0.5	-0.1
Other EMDE	6.0	6.2	5.8	4.8	5.1	5.2	5.2	0.0	-0.4	-0.4	-0.3
Other EMDE excluding China	5.1	5.4	5.0	3.3	4.0	4.4	4.5	0.1	-0.9	-0.8	-0.6
East and Pacific Asia	6.4	6.5	6.3	5.8	5.7	5.6	5.6	0.0	-0.1	-0.2	-0.2
China	6.7	6.8	6.6	6.1	5.9	5.8	5.7	0.0	-0.1	-0.2	-0.2
Indonesia	5.0	5.1	5.2	5.0	5.1	5.2	5.2	0.0	-0.2	-0.2	-0.1
Thailand	3.4	4.0	4.1	2.5	2.7	2.8	2.9	0.0	-1.0	-0.9	-0.9
Europe and Central Asia	1.9	4.1	3.2	2.0	2.6	2.9	2.9	0.1	0.4	-0.1	0.0
Russia	0.3	1.6	2.3	1.2	1.6	1.8	1.8	0.0	0.0	-0.2	0.0
Turkey	3.2	7.5	2.8	0.0	3.0	4.0	4.0	0.2	1.0	0.0	0.0
Poland	3.1	4.9	5.1	4.3	3.6	3.3	3.1	0.0	0.3	0.0	0.0
Latin America and the Caribbean	-0.3	1.9	1.7	0.8	1.8	2.4	2.6	0.1	-0.9	-0.8	-0.3
Brazil	-3.3	1.3	1.3	1.1	2.0	2.5	2.4	0.2	-0.4	-0.5	0.2
Mexico	2.9	2.1	2.1	0.0	1.2	1.8	2.3	0.1	-1.7	-0.8	-0.6
Argentina	-2.1	2.7	-2.5	-3.1	-1.3	1.4	2.3	0.0	-1.9	-3.5	-1.8
Middle East and North Africa	5.3	1.1	0.8	0.1	2.4	2.7	2.8	-0.6	-1.2	-0.8	0.0
Saudi Arabia	1.7	-0.7	2.4	0.4	1.9	2.2	2.4	0.2	-1.3	-1.2	-0.1
Iran	13.4	3.8	-4.9	-8.7	0.0	1.0	1.0	-3.0	-4.2	-0.9	0.0
Égypt	4.3	4.2	5.3	5.6	5.8	6.0	6.0	0.0	0.1	0.0	0.0
South Asia	8.1	6.7	7.1	4.9	5.5	5.9	6.0	0.1	-2.0	-1.5	-1.2
India	8.2	7.2	6.8	5.0	5.8	6.1	6.1	-0.4	-2.5	-1.7	-1.4
Pakistan	4.6	5.2	5.5	3.3	2.4	3.0	3.9	-0.3	-0.1	-0.3	-1.0
Bangladesh	7.1	7.3	7.9	8.1	7.2	7.3	7.3	0.0	0.8	-0.2	0.0
Sub-Saharan Africa	1.3	2.7	2.6	2.4	2.9	3.1	3.3	0.1	-0.5	-0.4	-0.4
Nigeria	-1.6	0.8	1.9	2.0	2.1	2.1	2.1	0.0	-0.1	-0.1	-0.3
South-Africa	0.4	1.4	0.8	0.4	0.9	1.3	1.5	0.0	-0.7	-0.6	-0.4
Angola	-2.6	-0.1	-1.2	-0.7	1.5	2.4	3.0	0.5	-1.7	-1.4	-0.4
Other elements:											
Actual GDP[1]											
High-income countries	1.7	2.4	2.2	1.7	1.5	1.5	1.6	0.0	-0.1	-0.1	-0.1
Developing countries	4.3	4.8	4.4	3.7	4.3	4.5	4.5	-0.1	-0.4	-0.4	-0.3
Low-income countries	5.0	5.5	5.8	5.4	5.4	5.5	5.8	0.1	-0.3	-0.6	-0.6
BRICS	4.6	5.3	5.4	4.6	4.9	4.9	5.0	0.0	-0.5	-0.5	-0.4
World (weight PPP 2010)	3.4	3.9	3.7	2.9	3.2	3.3	3.4	0.0	-0.4	-0.3	-0.3
World trading volume	2.6	5.9	4.0	1.4	1.9	2.5	2.8	-0.1	-1.2	-1.3	-0.7
Prices of raw materials											
Price of oil	-15.6	23.3	29.4	-10.3	-5.4	1.9	1.9	0.0	-6.9	-3.9	1.2
Non-energy price index	-2.8	5.5	1.7	-4.7	0.1	1.7	1.7	0.0	-2.6	0.2	0.3

[2] FMI, PEM, juin 2020

Actual GDP [1,2]								Differences in percentage points from June 2019 forecast			
	2016	2017	2018	2019e	2020p	2021p	2022p	2018	2019e	2020p	2021p

Source: World Bank.

* e = estimate; p = forecast. World Bank forecasts are frequently updated according to new information and changing (global) circumstances. As a result, the projections presented here may differ from those contained in other Bank documents, even if the basic assessments of country prospects do not differ significantly at a given point in time.

1. Aggregate growth rates are calculated using the GDP weights in constant 2010 dollars.
2. 2. See the English version for technical descriptions.

II.2. REGIONAL ECONOMIC ENVIRONMENT

2.2.1. REGIONAL SITUATION

Africa's economic outlook deteriorated between the first and second half of 2019 due to the decline in commodity prices towards the end of the year, with most of its major countries being exporters.

Despite this unfavourable price environment during the period under review, the AfDB points to a substantial improvement in the region's growth fundamentals due to the increase in the share of investment, which for the first time exceeded consumption in GDP creation.

For 2019, Africa, which is preparing to implement its Continental Free Trade Area, is expected to experience almost stagnant growth in a context of falling inflation resulting from improved macroeconomic stability and monetary credibility.

Growth in Africa is expected to stagnate in 2019...

The decline in net volume of exports following the deterioration in commodity prices at the end of the year would have slackened the continent's growth in the second half of 2019, especially among raw material-exporting countries.

For 2019, African growth would stagnate at 3.4%, due to the lower than expected results of the continent's major countries such as South Africa, Algeria, Egypt, Morocco and Nigeria, whose average GDP only managed to grow by 3.1% against an average of 4% for the rest of the continent's economies.

This reveals significant disparities between the different regions.

... due to the economic slowdown in the Southern Africa region...

In Southern Africa, economic activity has suffered from severe climatic hazards (Hurricanes Idai and Kenneth) that have disrupted the livelihoods of Malawians, Mozambicans and Zambians. These factors, combined with the weak growth recorded in South Africa, Angola, Namibia and Zimbabwe, would cause growth in the zone to drop to 0.7% in 2019, after 1.7% in 2018.

...despite the net improvement in activity in Central and West Africa...

In West Africa, growth is expected to accelerate to 3.7% in 2019, after 3.4% a year earlier, driven by the good performance of activity in Ghana and Côte d'Ivoire. In the former country, growth is expected to rise from 6.3% to 7.1% thanks to the dynamism of the mining, particularly oil, and agricultural sectors.

On the other hand, despite the underperformance recorded in the DRC, which can be explained by the uncertainties surrounding the country's political transition, the Central African economy has also seen a marked improvement. It is estimated that GDP growth in the region will increase from 2.7% in 2018 to 3.2% in 2019.

...and the dynamism of East and North Africa.

According to a study by the African Development Bank, East Africa's economy is expected to remain the most dynamic by the end of 2019, with a growth rate of 5%. This performance would result in particular from the leap in growth recorded in Southern Sudan, following the peace agreement signed between the warring parties, which would have enabled the revival of oil production.

On the other hand, the deterioration of the security situation in Libya and the underperformance of the non-oil sector, which would result in a growth rate of 4% against 7.8 in 2018, slowed the average growth of North Africa, estimated at 4.1% in 2019.

2.2.2. SITUATION IN THE CEMAC REGION

CEMAC is expected to experience a slight increase in economic growth...

Taken as a whole, the countries of the CEMAC region should witness a slight increase in the level of activity in 2019.

According to forecasts by the Bank of Central African States (BEAC), CEMAC's GDP growth rate is expected to reach 2% in 2019 against 1.8% a year earlier, propelled by the growth of activities in the oil sector.

Indeed, the latter rose from 1.2% in 2018 to 2.1% in 2019, while that of the non-oil sector would have evolved by just 0.1% to reach 2%.

…Tirée principalement par la demande extérieure et le dynamisme du secteur primaire.

In terms of demand, growth in the region was driven by net external demand and private consumption, with contributions of 2 points and 1.2 points respectively, while on the supply side, the primary sector made the largest contribution to growth, with a contribution of 1.1 points.

The performances of the various countries in the region, shown in the table below, indicate that the decline in economic activity in Cameroon, Congo and Equatorial Guinea would be offset by the strength of the Central African, Gabonese and Chadian economies.

Table 4***: Growth estimate of CEMAC countries***

	GDP 2018 (%)	GDP 2019 (%)
Chad	1.9	3
CAR	3.8	4.3
Gabon	0.4	3.7
Equatorial Guinea	-3.1	-4
Congo	1.1	0.3
Cameroon	4.1	3.3

Source: BEAC

III- DOMESTIC ECONOMIC ENVIRONMENT

III.1. ACTIVITY

3.1.1. PRODUCTION

In the second half of 2019, the GDP growth rate fell by 0.5 points compared with the same half of 2018 to stand at 3.9%. This underperformance was due to the poor level of activities in the primary and secondary sectors, with growth rates of 2.6% and 4.8% respectively in the first half of 2019 compared with 7.3% and 5.7 year-on-year).

This drop in activity observed in the primary sector stems from production in the "Industrial and export agriculture" sectors (3.3% against 18% in the second half of 2018, a loss of 14.7 points), "Forestry and logging" (-2.3% against 7.8% in the second half of 2018, that is, a 10.1 points loss).

Also, the underperformance of the secondary sector in the second half of 2019, on its part, is mainly as result of the decrease in production in the "Agro-food industry" (2.3% against 3.8% year-on-year).

However, in the tertiary sector, growth improved significantly with a 1.8 point increase in the growth rate to 3.4% in the second half of 2019. This increase in activity in the tertiary sector is due to the increase in production in the "Transport" sector (4.7% compared with 2.7% in the second half of 2018).

3.1.2. CONSUMER PRICE INDEX

The Consumer Price Index (CPI) rose by 2.5% year-on-year in the second half of 2019. The increase was 1.3% compared with the first half of 2019. The change in consumer prices is largely attributable to the rise in the price of food and non-alcoholic beverages (2.9%), and to the increase in prices of clothing and footwear (+2.8%) as well as prices charged in restaurants and hotels (+5.4%).

This inflation is also supported by local products, particularly fresh produce (+15.6%) and primary sector products (+9.2%).

3.1.2.1 VARIATION BY COMPONENTS

Considered according to consumption items, the prices of the twelve main components increased both relative in the first half of 2019 and year-on-year. (see table 6)

Compared with the first half of 2019, the 1.3% rise in prices is sustained by that of "housing, water, gas, electricity and other fuels" (+2%), the rise in the prices of alcoholic beverages and tobacco (+1.9%) and that of food products and non-alcoholic beverages (+1.8%), as well as by those charged in restaurants and hotels (+1.6%).

Compared with both the first half of 2019 and year-on-year, prices in the "education", "health", "leisure and culture" and "communications" domains are relatively under control.

Table 5: ***Price index trends according to consumption items (base 100, 2011)***

Consumption item	H2 2018 a	H1. 2019 b	H2 2019 c	Variation (in %) c/b	c/a
Food products and non-alcoholic drinks	113.1	114.5	116.6	1.8	3.1
Food products	113.1	114.6	116.6	1.8	3.1
Non-alcoholic drinks	110.4	112.9	114.9	1.8	4.1
Alcoholic drinks and tobacco	124.7	128.4	130.9	1.9	5.0
Dressing and footwear items	109.1	110.6	112.2	1.5	2.9
Lodging, water, gas, electricity and other fuels	115.2	115.6	117.9	2.0	2.3
Furniture, household items for routine household maintenance	107.9	109.1	109.8	0.6	1.8
Health	102.8	103.0	103.1	0.1	0.3
Transport	122.4	123.6	124.3	0.6	1.6
Communications	90.3	90.4	90.6	0.3	0.4
Leisure and culture	104.8	105.3	106.3	0.9	1.4
Education	115.9	116.5	116.9	0.4	0.9
Restaurants and hotels	123.1	127.7	129.8	1.6	5.4
Other goods and services	112.6	114.2	115.3	1.0	2.4

Source: INS

According to the secondary product group, with the exception of energy prices and petroleum products in particular, the price index of the main components increased compared with the first half of 2019. However, the rise in prices is supported by fresh produce (+2.2%), products from the primary sector (+2.9%) and local product prices (+1.5%).

Year-on-year, there is a decline in energy prices (-3.1%), prices of goods excluding fresh produce and energy (-4.8%), prices of products from the secondary sector (-6.6%), and prices of durable (-4.4%) and semi-durable products (-1.3%).

The rise in the consumer price index is attributable to fresh produce (+15.6%), products from the tertiary (+9.5%) and primary sectors (+9.2%) and the rise in the price of services (+8.7%).

Table 6: ***Secondary product group price index trends***

Secondary products group	2e sem.2018 a	1er Sem. 2019 b	2e sem 2019 c	variation (en %) c/b	c/a
Local products	114.2	115.5	117.2	1.5	2.6
Imported products	108.5	109.9	110.6	0.6	1.9
Energy	108.3	106.0	104.9	-1.0	-3.1
Petroleum products	108.7	108.7	108.7	0.0	0.0
Fresh products	108.7	123.0	125.7	2.2	15.6
Excluding fresh and energy products	120.0	112.7	114.2	1.3	-4.8
Primary	111.6	118.4	121.9	2.9	9.2
Secondary	116.3	107.9	108.7	0.8	-6.6
Tertiary	107.1	116.6	117.4	0.6	9.5
Durable	115.4	109.4	110.4	0.9	-4.4
Non-durable	108.1	109.4	110.4	0.9	2.1
Semi-durable	112.1	109.2	110.7	1.4	-1.3
Services	108.1	116.8	117.5	0.6	8.7

Source: INS

3.1.2.2 SPATIAL DISTRIBUTION OF INFLATION

Spatially, prices increased in the second half of 2019 in the ten regional capitals both compared to the first half of 2019 and year-on-year.

Compared with the first half of 2019, the price increase is higher than the national average (1.3%) in Buea and Ebolowa (+1.5%), Bafoussam (+2%) and Garoua and Maroua (+2.1%).

Year-on-year, the price increase is relatively high in Ebolowa (+4.9%), Bamenda (+4.2%), Maroua (+3%) and Buea (+3.3%).

Table 7*: Price index trends (base 100, 2011) in the various regional capitals*

	H2.2018 **a**	H1 2019 **b**	H2 2019 **c**	Variation (in %) **c/b**	 **c/a**
Yaounde	112.5	113.9	115.2	1.1	2.4
Douala	112.5	113.7	115.1	1.2	2.3
Bafoussam	112.3	113.3	115.6	2.0	2.9
Bamenda	113.1	116.3	117.8	1.3	4.2
Garoua	112.6	112.3	114.7	2.1	1.8
Maroua	111.4	112.3	114.7	2.1	3.0
Ngaoundere	110.4	111.9	113.1	1.0	2.4
Bertoua	116.1	117.7	118.3	0.5	1.9
Buea	115.9	117.9	119.7	1.5	3.3
Ebolowa	114.1	117.9	119.7	1.5	4.9
National	112.8	114.1	115.6	1.3	2.5

Source: INS

Table 8: ***Quarterly production trends according to sectors and main activity branches***

Heading	Distribution of quarterly real GDP according to activity sectors (base 100 = 2005) (in billions of FCFA)						Variation in quarterly real GDP according to activity sectors (Q/Q-4) (%)						Year_2019/ Year_2018 (%)
	Q3_2018	Q4_2018	Q1_2019	Q2_2019	Q3_2019	Q4_2019	Q3_2018	Q4_2018	Q1_2019	Q2_2019	Q3_2019	Q4_2019	
Primary sector	**650.5**	**576.9**	**425.9**	**601.1**	**668.5**	**590.7**	**11.9**	**3.1**	**3.4**	**3.2**	**2.8**	**2.4**	**2.9**
Foodstuff farming	314.8	225.1	213.5	344.7	322.3	233.7	5.0	4.8	4.5	3.4	2.4	3.8	3.4
Industrial and export-oriented agriculture	166.7	187.4	46.9	79.3	171.1	195.1	38.4	-2.3	-3.2	13.4	2.7	4	4.2
Livestock, hunting and fishing	76.7	77.8	79.1	80.1	80.8	81.1	4.0	4.5	5.5	5.8	5.4	4.3	5.2
Forestry and forest exploitation	92.3	86.6	86.4	96.9	94.3	80.8	5.7	10.7	2.7	-6.2	2.1	-6.7	-2.2
Secondary sector	**1083.6**	**1000.9**	**1112.9**	**1169.2**	**1132.0**	**1051.9**	**4.7**	**6.9**	**6.2**	**5.1**	**4.5**	**5.1**	**5.2**
Extractive industries	218.1	216.1	222.5	217.9	228.7	236.0	5.8	6.2	14.2	4.7	4.9	9.2	8.1
……including hydrocarbons	214.2	212.8	219.0	213.9	224.6	232.6	5.9	6.2	14.4	4.7	4.8	9.3	8.2
Agro-industries	245.8	247.4	277.4	271.0	248.8	257.1	7.4	1.8	3.8	2.0	1.2	3.9	2.7
Other manufacturing industries	297.3	272.4	326.5	352.5	316.5	279.9	1.2	8.3	4.1	8.5	6.5	2.8	5.6
Electricity	27.0	27.5	28.4	27.2	26.0	27.3	5.5	-2.6	8.1	-1.6	-3.8	-0.7	0.5
Water and sanitation	27.2	27.9	26.9	27.5	27.5	28.7	1.6	4.6	2.3	2.9	1.0	2.8	2.3
Construction	268.2	209.6	231.1	273.2	284.6	222.9	5.8	14.4	5.3	5.5	6.1	6.4	5.8
Tertiary sector	**2254.9**	**2180.5**	**2041.9**	**2301.9**	**2336.4**	**2257.1**	**9.5**	**-0.3**	**2.7**	**5.1**	**3.6**	**3.5**	**3.8**
Commerce and repairs	720.4	682.0	674.1	765.0	753.7	711.4	4.2	4.9	6.2	5.6	4.6	4.3	5.2
Transport	238.1	225.3	224.1	256.0	249.7	235.6	2.3	3.1	5.8	6.6	4.9	4.6	5.5
Information and communication	88.6	92.6	94.6	88.0	93.4	97.8	-5.1	1.7	3.1	-1.0	5.4	5.6	3.3
Hospitality and catering	68.7	73.4	71.5	70.3	71.4	76.7	4.1	5.3	3.1	2.8	3.8	4.5	3.6
Financial services	118.3	123.4	120.0	121.0	121.3	123.7	11.8	13.8	7.5	4.3	2.6	0.3	3.6
Public administration	547.4	512.7	391.7	518.0	557.0	520.5	29.9	-12.9	-6.8	6.2	1.8	1.5	1.0
Other market services	473.3	471.2	465.8	483.4	489.8	491.3	5.5	2.5	4.0	4.1	3.5	4.3	3.9
TOTAL ADDED VALUE	**3989.0**	**3758.3**	**3580.7**	**4072.2**	**4136.8**	**3899.7**	**8.5**	**2.1**	**3.9**	**4.8**	**3.7**	**3.8**	**4.0**
Net taxes and duties on goods	310.8	297.4	271.3	304.3	317.6	308.3	0.2	2.2	-0.2	-0.1	2.2	3.6	1.4
GDP	**4 299.8**	**4 055.8**	**3 852.0**	**4 376.5**	**4 454.4**	**4 208.0**	**7.9**	**2.1**	**3.6**	**4.5**	**3.6**	**3.8**	**3.9**

Source: Source: Quarterly National Accounts, NIS (Q4 2019)

III.2. PUBLIC FINANCE

The implementation of the 2019 budget takes place in a context marked by: (i) the adoption of an amending finance law; (ii) the reviews of the economic and financial programme, concluded with the approval of Cameroon's file by the IMF Board of Directors, thus guaranteeing budgetary support; (iii) the persistence of security problems that negatively influence socio-economic activities in the North-West, South-West and Far North regions.

3.2.1- SUPPLEMENTARY BUDGET

By Order No. 2019/001 of 29 May 2019 amending and supplementing certain provisions of Law No. 2018/022 of 11 December 2018 on the Finance Law of the Republic of Cameroon for the 2019 financial year was adopted.

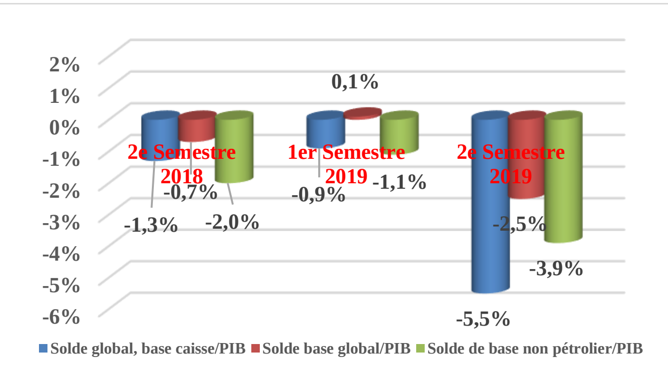
This order increased the State budget from an initial amount of 4 850.5 billion to 5 212 billion.

3.2.2- BUDGETARY OUTCOMES

At the end of the second half of 2019, budget deficits have worsened both compared to the first half of 2019 and year-on-year. YoY, the cash-based deficit worsens by 1 047.4 billion and the overall balance by 588 billion.

The ratio of the overall balance to GDP (gross domestic product) fell from -2% in the second half of 2018 to -3.9% in the second half of 2019.

Figure 3: ***Half-yearly budgetary balance trends***



Source: MINFI

The cash-based deficit of 1 250.8 billion, recorded in the second half of 2019, was mainly financed by the printing of 641.9 billion and by the banking system.

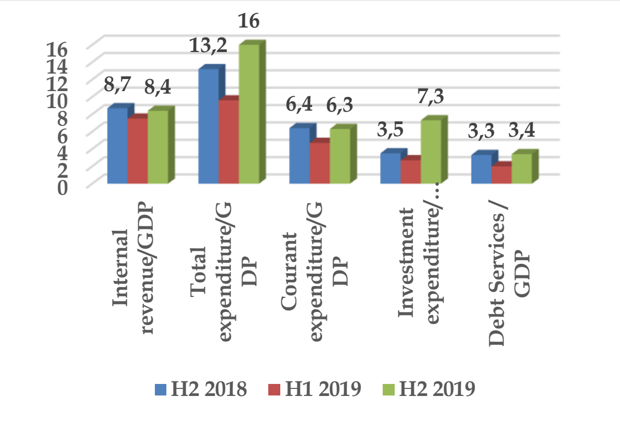
Table 9: ***Budgetary performance (in billions)***

	2ème semestre 2018	1er semestre 2019	2ème semestre 2019
Cash-based balance	-277.7	-203.4	-1 250.8
Overall basic balance	-145.1	19.0	-569.0
Non-oil basic balance	-425.2	-257.4	-877.1

Source: MINFI/DP

At the end of the second half of 2019, the ratio of domestic revenue to GDP was 8.4% compared with 8.7% in the second half of 2018. The ratio of total expenditure to GDP deteriorated by 2.8 percentage points to 16%. However, it is worth noting the good performance of current expenditure as a percentage of GDP, which dropped from 6.4% to 6.3% (indicating relative control of this type of expenditure) and that of the capital expenditure ratio, which rose from 3.5% in the second half of 2018 to 7.3%.

Figure 4: ***Half-yearly Trend in some public finance indicators (as percentages of the GDP)***)



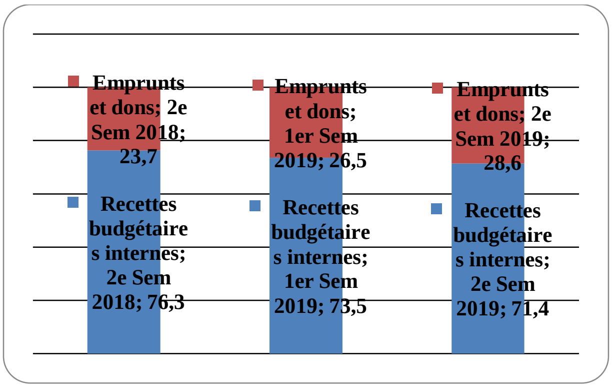
Source: MINFI

Thereafter, and taking into account the seasonal nature of both expenditure and revenue, our analysis will be made on a year-on-year basis (compared to the second half of 2018).

3.2.2.1.BUDGETARY REVENUE

At the end of the second half of 2019, budgetary resources totalled 2 944.9 billion, up 18.3 % year-on-year. The weight of domestic budget revenue dropped when compared both with the 1st half of 2019 (11.5 percentage points) and year-on-year (9.9 points).

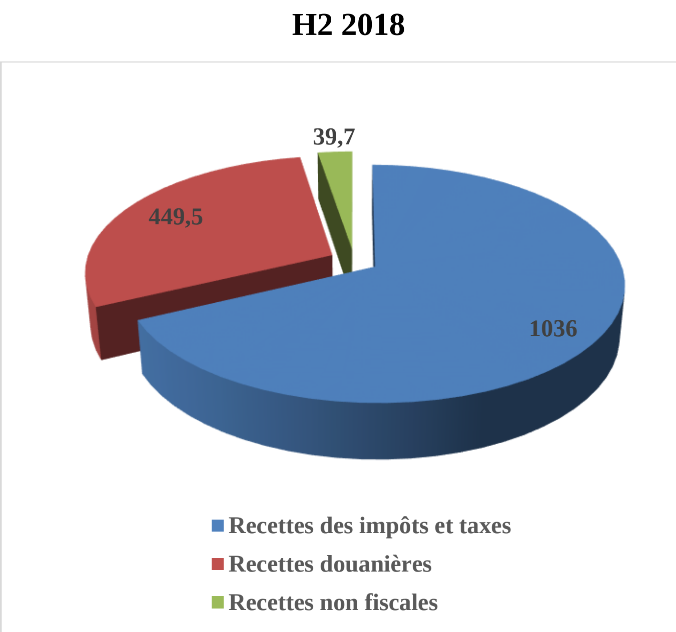
Figure 5: ***Structure of budgetary revenue (in %)***

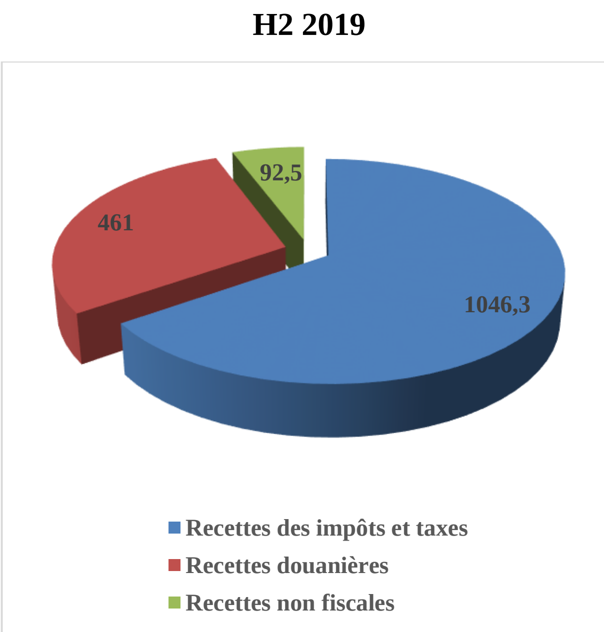


Domestic budgetary revenue collected amounted to 1 907.8 billion, up 5.7 % compared with the second half of 2018. These revenues benefited from the continued improvement in world crude oil prices, which led to a 10% increase in the mobilisation of oil revenues. Oil revenues thus amounted to 308 billion.

Non-oil revenues rose from 1 525.2 billion in the second half of 2018 to 1 595 billion. This 4.9% year-on-year increase is explained by a good mobilisation of customs and non-tax revenues

Figure 6: ***Year-on-year trend in the components of non-oil revenues***





Taxes and duties revenues increased by CFAF 10.3 billion compared to the second half of 2018 and stood at CFAF 1046.3 billion in the second half of 2019. The good mobilisation of personal income tax and tax on non-oil companies was hampered by the collection of VAT revenues (which fell by more than CFAF 168.6 billion). Customs revenue increased by CFAF 11.5 billion to CFAF 461 billion.

Non-fiscal revenue increased from CFAF 39.7 billion in the second half of 2018 to CFAF 92.5 billion.

Table 10: ***Trend in budgetary revenues structure***

Period	H22018	H12019	H22019	variation (%)	
Category	a	b	c	c/b	c/a
A-Internal budget revenue	**1 805.3**	**1 609.3**	**1 907.8**	18.5	***5.7***
I-Oil revenues	280.1	276.5	308	11.4	***10.0***
II- Non-oil revenues	**1 525.2**	**1332.8**	**1599.8**	20.0	***4.9***
a- Tax revenues	1 036.0	901.4	1 046.3	16.1	***1.0***
of which - Personal Income Tax	97.0	79.7	150.3	88.6	***54.9***
Tax on non-oil companies	159.9	208.2	208.1	0.0	***30.1***
VAT	452.2	282.1	283.6	0.5	***-37.3***
Excise duties	85.1	101.9	101.9	0.0	***19.7***
Special tax on petroleum products	60.9	65.6	65.6	0.0	***7.7***
Registration fees and stamps	59.5	53.5	51.2	-4.3	***-13.9***
b- Customs revenue	449.5	359.4	461	28.3	***2.6***
of which - import duty	194.7	151.2	194.1	28.4	***-0.3***
Import VAT	218.5	163.4	230.5	41.1	***5.5***
c- Non-tax revenues	39.7	72.0	92.5	28.5	***133.0***
B-Borrowing and donations	**611.6**	**500.6**	**1037.1**	107.2	***69.6***
- Project loans	308.3	319.5	452.7	41.7	***46.8***
- Donations	39.7	60	73.3	22.2	***84.6***
- IMF loans	44.8	0	44.7	NC	***-0.2***
- Budgetary support	166.3	0	183.3	NC	***10.2***
- Issuance of public securities	52.5	121.1	213.1	76.0	***305.9***
- Bank loans	44.3	0	70	NC	***58.0***
Total budgetary resources	**2 489.4**	**2 109.9**	**2 944.9**	39.6	***18.3***

Source : DP/MINFI, Report on the implementation of the 2019 budget, published in July 2020

3.2.2.2.BUDGET EXPENDITURE

Public expenditure amounted to CFAF 3 041.7 billion at the end of the second half of 2019, up 7.6% year-on-year. This is mainly the result of a 44.4% increase in capital expenditure and a 9% increase in current expenditure.

At FCFA 1491.3 billion, current expenditure was driven by expenditure on transfers and pensions (+36.9%). Expenditure on goods and services increased by 21.8% to CFAF 441.7 billion. Capital expenditure increased by CFAF 284.9 billion year-on-year to CFAF 926.7 billion. The public debt servicing dropped from FCFA 709.8 billion in the second half of 2018 to FCFA 618.8 billion.

Table 11: ***Trend in public expenditure***

Periode	H22018	H12019	H22019	variation (%)	
Category	a	b	c	c/b	c/a
I-Current expenditure (excluding interest)	1 368.1	1 144.9	1 491.3	30.3	***9.0***
Staff expenditure	517.6	485.6	531.3	9.4	***2.6***
Expenditure on goods and services	425.1	376.9	517.6	37.3	***21.8***
Transfers and pensions	322.7	282.4	441.7	56.4	***36.9***
II- Investment expenditure	641.8	580	926.7	59.8	***44.4***
On external funding	362.9	343	472.7	37.8	***30.3***
From own resources	278.7	223.6	424.1	89.7	***52.2***
III- Servicing of the public debt	709.8	417.9	618.8	48.1	***-12.8***
Total budget expenditure	**2 827.6**	**2 147.8**	**3 041.7**	41.6	***7.6***

Source : DP/MINFI, Report on the implementation of the 2019 budget, published in July 2020

III.3. MONETARY AND FINANCIAL CONDITIONS

The implementation of the three-year economic and financial programme agreed with the IMF in June 2017 continued in the second half of 2019 and is aimed at preserving monetary and financial stability and strengthening the resilience of the financial sector. Remedial measures taken to address the shortfall in net foreign assets are bearing fruit.

MONETARY SITUATION

At the end of the second half of the year (at the end of December) 2019, the monetary situation is balanced in terms of resources and employment at 6 502.3 billion, up 6.4% compared with the end of June 2019, and up 9.2% year-on-year.

3.1.1. MONETARY AGGREGATE TRENDS

At the end of the second half of 2019 and year-on-year, the money supply increased by 6.9% to 5 389.1 billion. Compared with 30 June 2019, the money supply increased by 4.4%.

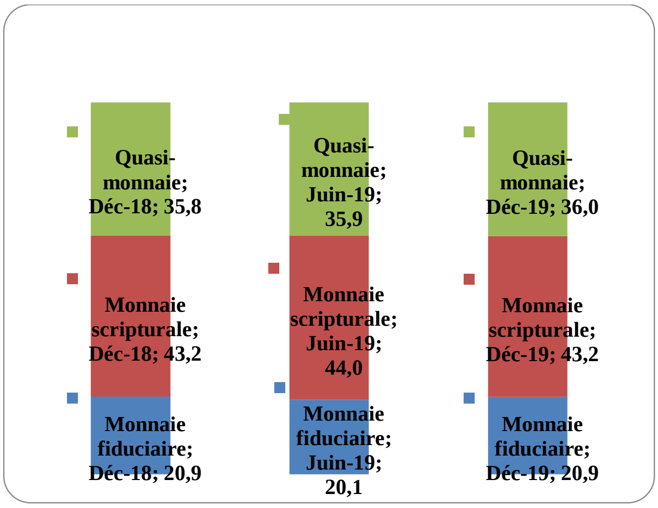
Year-on-year, the increase in the money supply was driven by the rise in its three components: bank money (or sight deposits), near money (or term or savings deposits) and fiat money (banknotes and coins in circulation).

Compared with 30 June 2019, the increase in the money supply is driven by fiat money (1.7 point contribution to growth in the money supply) and near money (1.6 point contribution to growth).

The structure of the money supply continues to be dominated by bank money, the weight of which has increased both compared with end-June 2019 and year-on-year.

Near money recorded a slight decline from 44% at the end of June 2019 to 43.2%. On the other hand, the weight of fiat money increased over the same period, from 20.1% to 20.9%.

Figure 7: ***Money supply components (in percentages)***



Source: BEAC

3.1.2. SOURCES OF MONEY CREATION

3.1.2.1. Net Foreign Assets (NFAs)

In the second half of 2019, net foreign assets (NFAs) standing at 2 361.1 billion were up both year-on-year (+13.9%) and compared with the end of June 2019 (+6.6%). This increase is attributable to the good reconstitution of net foreign assets by the Money-Creating Banks and can be explained by a better repatriation of export earnings.

3.1.2.2. Domestic credit

At 31 December 2019, domestic credit amounted to 4 141.1 billion, up 6.7% year-on-year and 6.2% compared with end-June 2019. This increase was driven by net claims on the State.

3.1.2.2.1. Net claims on the State

At FCFA 547.9 billion at 31 December 2019, net claims increased by 17.8% compared to 31 December 2018 and 43.8% compared to the end of June 2019. The Government's Net Financial Position (GNFP), an essential component of the monetary system's net claims on the State, remains in debt of FCFA 717.6 billion, up both compared to the end of December 2018 and year-on-year. This is explained by the increase in commitments to the IMF, money-creating banks and the BEAC.

3.1.2.2.2. Credits to the economy

At the end of the second half of 2019, credits to the economy amounted to 3 422.8 billion, up 1.8% compared with the end of June 2019. This slight increase was mainly due to the decrease in credits granted to non-financial public companies.

Credit to the non-financial private sector, at 2 969.8 billion, is up 1.4% year-on-year. In terms of maturity, short-term credits represent 55% of outstanding credits, 43.3% for medium-term and 1.7% for long-term credits.

Table 121: *Consolidated financial position at the end of December 2019 (in billions of FCFA)*

	Dec.-18	June-19	Dec.-19	Variations (in %)	
	a	b	c	c/b	c/a
Money supply COUNTERPARTS	**5 954.8**	**6 113.5**	**6 502.3**	6.4	**9.2**
Net Foreign Assets	2 072.7	2 214.5	2 361.1	6.6	**13.9**
BEAC Net Foreign Assets	1 477.2	1 701.6	1 643.3	-3.4	**11.2**
MCB Net Foreign Assets	595.5	512.9	717.8	39.9	**20.5**
Domestic credit	3 882.1	3 898.9	4 141.1	6.2	**6.7**
Net claims on the State	465.2	381.0	547.9	43.8	**80.8**
GNFP	303.1	549.6	717.6	30.6	**41.2**
Credit to the economy	3 231.9	3 361.5	3 422.8	1.8	**0.2**
Credit to the non-financial private sector	2 928.9	2 892.9	2 969.8	2.7	**1.4**
Credit to non-financial public enterprises	242.8	247.1	229.9	-7.0	**-5.3**
RESOURCES	**5 954.8**	**6 113.5**	**6 502.3**	6.4	**9.2**
Money supply (M2)	5 043.1	5 162.9	5 389.1	4.4	**6.9**
Banknotes and coins in circulation	1 056.3	1 035.8	1 124.1	8.5	**6.4**
Sight deposits	2 179.8	2 273.0	2 326.6	2.4	**6.7**
Term and savings deposits	1 807.0	1 854.1	1 938.4	4.5	**7.3**
Other net items	911.6	950.6	1 113.2	17.1	**22.1**

Source: BEAC

3.2. BANKING AND FINANCIAL SECTOR

The banking and financial sector includes 15 banks, 8 financial institutions, about 411 microfinance institutions (MFIs), 27 insurance companies and a stock exchange (DSX). The densification of financial institutions, combined with the progress of "Fintech" technological finance, has contributed to the improvement of financial inclusion.

3.2.1. BANKING SECTOR

3.2.1.1. Customer deposits

At the end of the second half of 2019, deposits increased by 9.6% year-on-year and stands at 4 870 billion.

The increase in deposits was driven by deposits from private individuals (3.3% contribution to deposit growth) and private companies (2.5 point contribution to growth). Deposits from private administrations (which fell by 22.6%) slowed the growth in deposits.

By customer type, individuals held the largest share of deposits collected at 31 December 2019, amounting to 2 002.9 billion. This represents 41.1% of total deposits compared with 41.8% at end-December 2018. They are followed by private companies (22.8%), central public administration (9.5%), sole proprietorships (4.8%), public companies (4.5%), public bodies (3.6%) and insurance and capital companies (3.3%).

Table 13*: Distribution of deposits according to customer types (in billions of FCFA)*

Heading	Dec.-18	June-19	Dec.-19	Variations (%)		Weight in Dec. 2019
	(a)	(b)	(c)	(c/b)	(c/a)	(%)
Central public administration	409.1	428.1	461.2	7.7	**12.7**	9.5
Local public administration	20.6	46.9	20.9	-55.4	**1.5**	0.4
Public bodies	164.6	167.0	174.4	4.4	**6.0**	3.6
Private administrations	167.2	107.1	129.4	20.8	**-22.6**	2.7
Public companies	215.2	244.0	218.0	-10.7	**1.3**	4.5
Private companies	1 001.6	1 133.1	1 111.9	-1.9	**11.0**	22.8
Insurance and capital companies	149.5	152.5	161.0	5.6	**7.7**	3.3
Sole proprietorships	189.2	174.5	233.2	33.6	**23.3**	4.8
Individuals	1 855.3	1 946.9	2 002.9	2.9	**8.0**	41.1
Others	270.0	278.6	357.2	28.2	**32.3**	7.3
Total	**4 442.3**	**4 678.7**	**4 870.0**	**4.1**	**9.6**	

Source: BEAC

At 31 December 2019, all types of term deposits were up both compared with end-June 2019 and year-on-year. Sight deposits accounted for 78.9% of total deposits, while time deposits accounted for 13.4% of the total and special deposits for 7.7%.

Table 14*: Deposits by maturity (in billions)*

Titles	Dec-18	June-19	Dec-19	Variation (%)		Weight in.-2019
	a	**b**	**c**	**c/b**	**c/a**	**(%)**
Special regime deposits	342.0	361.2	375.3	3.9	9.7	7.7
Term deposits	614.7	603.1	652.9	8.3	6.2	13.4
Demand deposits	3 485.5	3 714.3	3 841.9	3.4	10.2	78.9
TOTAL	4 442.3	4 678.7	4 870.0	4.1	9.6	**100**

Source : BEAC

2.1.1.1. Outstanding loans

At the end of the second half of 2019, outstanding loans amounted to 3 664.6 billion, up 67.7 billion year-on-year and 69.5 billion compared with the end of June 2019.

Compared with 31 December 2018, the increase in loans was mainly driven by loans to individuals (+21.7%), central public administration (+14.5%) and sole proprietorships (+6.4%). This increase was curbed by loans to insurance and capital companies, public bodies, private companies and public enterprises.

By type of customer, 60.8% of outstanding loans were to private companies, 16.9% to individuals, 8.1% to central public administration and 6.5% to public companies.

Table 15*: Distribution of loans by type of customers (in billions of FCFA)*

Titles	Dec.-18	June-19	Dec.-19	Variations (%)		Weight in Dec. 2019
	(a)	(b)	(c)	(c/b)	(c/a)	(%)
Central public administration	258.3	315.4	295.7	-6.2	14.5	8.1
Local public administration	1.4	1.0	1.0	0.0	-28.6	0.0
Public bodies	7.5	0.0	0.2	NC	-97.3	0.0
Private administrations	53.8	11.9	11.4	-4.2	-78.8	0.3
Public companies	251.1	247.1	237.2	-4.0	-5.5	6.5
Private companies	2 321.0	2 256.2	2 227.3	-1.3	-4.0	60.8
Insurance and capital companies	3.8	5.2	2.5	-51.9	-34.2	0.1
Sole proprietorships	182.3	160.2	194.0	21.1	6.4	5.3
Individuals	509.5	560.1	620.2	10.7	21.7	16.9
Miscellaneous	8.2	38.1	75.3	97.6	818.3	2.1
Total	**3 596.9**	**3 595.1**	**3 664.6**	**1.93**	**1.88**	100

Source: BEAC

Regarding the market shares, the distribution of the credit during the second half of 2019 remains, like the first half of 2019, dominated by BICEC with 28.74% of the market share. It is followed by the Société Générale Cameroun with 19.95% market share. CBC (14.44%) and Afriland First Bank (9.52%). Ecobank recorded a drop in its market share to 3.53% against 10.78% in the first half of 2019.

According to the breakdown by type of beneficiary, the supply of credit remains concentrated on companies in the productive sector, which account for approximately 82.61% of total loans, distributed as follows: 69.36% for large companies and 13.25% for SMEs.

As for loans to individuals, although they account for the largest number of applications (565 857 out of the 588 421 registered), their share in value, although up on the previous half year, represents only 16.12% of the total amount of loans. This increase can be explained by the high number of loans granted to individuals for the back-to-school period (school loans) and the end-of-year holidays.

The breakdown of new loans according to their initial maturity reveals a predominance of short-term loans, which account for 86.02% of total bank loans. Medium- and long-term loans, essentially dedicated to investment financing, account for only 13.15% and 0.33% of total loans. Leasing operations, for their part, remain marginal, with 0.48% of the total volume of loans.

2.1.1.2. Structure of lending rates in Cameroon

Overall, lending rates increased by 26 basis points this half year, averaging 8.10% compared with 7.84% in the first half of 2019.

The upward trend in lending rates observed during the period under review is due to the rise in the number of customers whose credit weighting is very significant in the general loan book. Thus, at the level of the banks, the average APRs recorded a fall of : i) 3.39 basis points for individuals (from 16.20% to 12.81%), ii) for SMEs, rates rose by 0.62 basis points (from 10.80 to 11.42%), iii) on the other hand, for large companies, the upward trend in average APRs was consolidated with a 0.19 basis point drop (from 6.49 to 6.30%), iv) a decrease of 0.23 basis points for the "Public administration and local authorities" category (from 7.99% to 7.76%) and, v) for legal entities other than SMEs and large companies, lending rates increased by 2.45 points (from 5.21 to 7.66%).

Table 16*: Trend in bank lending rates by type of beneficiary (in %)*

Type of beneficiaries	H2 2018	H1 2019	H2 2019
Individuals	**15.47**	**16.20**	**12.81**
Depreciable loans and overdrafts	15.51	16.20	12.81
Commitments by signatures	1.98	/	3.29
SMES	**10.69**	**10.80**	**11.42**
Depreciable loans and overdrafts	11.75	11.68	12.10
Commitments by signatures	2.07	2.47	3.69
Large companies	**7.86**	**6.49**	**6.30**
Depreciable loans and overdrafts	9.29	7.42	6.74
Commitments by signatures	0.68	2.02	6.75
Other legal entities	**6.87**	**5.21**	**7.66**
Depreciable loans and overdrafts	12.70	6.39	**10.13**
Commitments by signatures	3.35	1.50	1.79
Public administration	**11.35**	**7.99**	**7.76**
Depreciable loans and overdrafts	11.33	8.00	4.77
Commitments by signatures	/	5.40	10.36

Source : DSFABFE, from the reports of the APRs of banking institutions

An examination of the structure of lending rates according to the initial maturity of the loans indicates that, on average, short-term loans have the highest final rates, while the lending rates for long-term loans are, in general, lower.

Table 17*: Structure of bank lending rates by loan maturity (in %)*

Type of beneficiaries	Individuals	SMEs	LEs	Legal persons other than LEs/SMEs	Local public administrations
Depreciable loans and overdrafts	**12.87**	**12.38**	**7.15**	**10.17**	**8.45**
Short term	13.04	12.74	7.18	10.81	8.45
Medium term	12.64	10.22/	6.72	7.78	
Long term	11.27	6.44	6.44	4.82	
Commitments by signatures	3.26	2.28	2.20	5.24	1.26

Source : DSFABFE, from the reports of the APRs of banking institutions

III.4. FOREIGN TRADE

Disappointing results of Cameroon's foreign trade in the second half of 2019

At the end of the second half of 2019, the value of Cameroon's trade with its partners, amounting to 3 234.6 billion, increased by 4.0% compared to the first half of 2019 and by 9.2% year-on-year. This increase is the result of the rise in exports combined with the rise in imports.

4.1. Trade balance: Widening trade deficits

At 775.6 billion in the second half of 2019, the trade deficit deteriorated by 179.2 billion year-on-year and by 3.3 billion compared with the first half of 2019.

The worsening of the trade deficit is the result of a more than proportional increase in the value of imports relative to that of exports.

The coverage rate, at 61.3%, improves by 1.1 percentage points year-on-year. On the other hand, it deteriorates by 5.2 points compared with the first half of 2019.

The cover rate excluding crude oil is less than 40% over the entire analysis period, suggesting an abyssal trade deficit excluding crude oil: it is more than 1 000 billion over the entire analysis period..

Table 18*: Main half-yearly foreign trade statistics (in billions of francs)*

	H2 018	H1 019	H2 019	Variations	
	a	b	c	c/a	c/b
Exports	1 182.9	1 168.3	1 229.5	3.9%	*5.2%*
excluding crude oil	707.5	674.7	723.6	2.3%	*7.2%*
Imports	1 779.3	1 940.7	2 005.1	12.7%	*3.3%*
excluding crude oil	1 779.3	1 720.8	2 005.1	12.7%	*16.5%*
Trade balance	-596.4	-772.3	-775.6	-179.2	-3.3
excluding crude oil	-1 071.8	-1 046.0	-1 281.5	-209.7	-235.4
Coverage rate (in %)	66.5	60.2	61.3	1.1	-5.2
excluding crude oil (in %)	39.8	39.2	36.1	1.1	-3.7

Sources: MINFI/DGD

4.2. EXPORTS

Liquefied natural gas weighs heavier than wood and wooden items

In the second half of 2019 and compared to the first half of 2019, exports increased by 5.2% reaching 1 229.5 billion. This was the result of a 5.8% increase in exports excluding crude oil combined with a 2.5% rise in crude oil sales. The increase in crude oil exports is explained by the good performance of world prices and a slight increase in production. The increase in non-oil exports is mainly due to sales of raw cocoa beans (+67.5%), sawn timber (+4.6%), liquefied natural gas (4.4%), cocoa butter (+7.6%), and household soap pieces (+20.4%). The weight of non-oil exports rose from 57.8% in the first half of 2019 to 58.9%.

Year-on-year, exports grew by 3.9%. This increase is the result of strong sales of crude oil (+6.4%), combined with a 2.3% increase in the value of non-oil exports.

The rise in non-oil exports was driven by sales of raw cocoa beans (+27.7%), sawn timber (+6.4%) and raw cotton (+13.1%). However, the weight of non-oil exports increased from 59.8% in the second half of 2018 to 58.9%.

The main products exported in the second half of 2018 are: crude petroleum oils (41.15% of total exports by value); raw cocoa beans (14.7%); liquefied natural gas (10.99%); sawn timber (6.97%); raw cotton (4.3%); timber logs (3%); raw aluminium (2.2%); cocoa paste (1.7%).

Table 19: *Major export trends, quantity (Q) in millions of tons and value (V) in billions of FCFA*

Periods	H2 2018		H1 2019		H2 2019		Variation (in %)			
Headings	**Q**	**V**	**Q**	**V**	**Q**	**V**	**Q**	**V**	**Q**	**V**
	a		b		c		c/a		c/b	
Bananas (including plantains)	98.6	18.5	94.1	12.4	90.2	11.9	-8.5	-35.7	-4.2	-4.0
Coffee	9.2	8.9	7.8	6.4	10.3	8.1	11.9	-8.5	32.9	27.2
of which Robusta coffee	8.4	7.7	7.4	5.9	9.8	7.4	16.7	-4.5	31.7	24.9
Raw cocoa beans	123.1	141.6	89.3	108.0	128.7	180.9	4.6	27.7	44.1	67.5
Cocoa paste	13.0	20.7	14.3	22.7	13.3	21.5	2.4	3.7	-7.2	-5.6
Cocoa butter	9.2	14.7	10.0	16.5	9.6	17.7	4.1	20.3	-4.3	7.6
Preparations for soups and soups	1.8	2.6	2.2	3.3	2.8	4.0	52.7	51.4	24.6	18.7
Soft drinks	3.1	1.5	4.4	2.1	4.7	2.3	50.3	57.4	8.3	12.7
Cements	10.1	0.9	22.1	1.0	2.3	0.6	-77.0	-38.8	-89.5	-40.4
Crude petroleum oils	1 411.1	475.4	1 862.1	493.6	1 949.0	505.9	38.1	6.4	4.7	2.5
Fuels and lubricants	113.3	35.2	42.4	18.2	32.7	14.1	-71.1	-59.8	-22.8	-22.2
Liquefied natural gas	590.3	105.5	599.5	129.4	625.1	135.1	5.9	28.0	4.3	4.4
Household soap pieces	24.1	11.8	24.4	12.7	31.1	15.2	29.4	29.3	27.9	20.4
Raw rubber	22.9	16.0	13.9	9.4	20.2	14.2	-11.6	-11.2	45.5	51.2
Wood and wooden articles	805.3	147.7	804.8	145.1	707.5	134.9	-12.1	-8.6	-12.1	-7.0
Raw wood (logs)	494.8	53.9	489.0	48.9	388.9	36.9	-21.4	-31.6	-20.5	-24.6
Sawn timber	380.6	80.6	384.1	81.9	401.0	85.7	5.4	6.4	4.4	4.6
Wood veneer sheets	23.0	11.5	25.4	12.8	25.2	10.7	9.6	-6.9	-0.9	-16.1
Plywood, veneered wood	2.5	0.8	2.5	0.8	3.3	1.0	29.0	19.1	29.1	27.4
Raw cotton	46.8	46.4	74.9	75.6	53.2	52.5	13.7	13.1	-29.0	-30.6
Bottles and flasks	6.5	2.2	4.3	1.7	5.1	2.1	-21.3	-3.3	17.8	27.5
Bars of iron or non-alloy steel	10.2	4.2	13.6	5.7	14.9	6.3	45.3	51.3	9.6	10.5
Raw aluminium	36.2	42.2	25.9	29.9	22.9	26.6	-36.6	-37.1	-11.6	-11.1
Aluminium sheets	1.4	2.3	1.3	1.8	2.1	2.8	55.2	24.1	66.9	55.5
Non-oil exports		1 115.5		1 113.6		1 178.1		5.6		5.8
Total Exports		1 182.9		1 168.3		1 229.5		3.9		5.2

Sources: MINFI/DGD-DP

4.3. IMPORTS

The weight of rice in imports is higher than that of common metals and articles in the 2nd half of 2019.

In the second half of 2019, imports totalled 2 005.1 billion, up 12.7% compared with the second half of 2018. This increase is due to purchases of fuels and lubricants (+26.9%), machinery and mechanical equipment (+20.9%) and imports of plant-based products, particularly cereals (+55.2%, including 78.1% of rice imports).

Compared with the first half of 2019, imports increased by 3.3%. Imports of cereals (+22.6% including 27.2% for rice), fuels and lubricants (+26.3%) and electrical and mechanical machinery and equipment (+48.2%) supported this increase.

The main products imported in the second half of 2019 are as follows: mineral products (27% of all imports in value, of which 23.4% for hydrocarbons); mechanical or electrical machinery and appliances (15% of which 8.9% for machinery and mechanical appliances); products of the chemical industries (8.9%); vegetable products (11.8% of which 10.4% for cereals and 6.5% for rice); base metals and their articles (5.4%).

Table 20*: Major import trends, quantity (Q) in millions of tons and value (V) in billions of FCFA*

Period	H2 018		H1 019		H2 019		Variation (in %)			
Headings	**Q**	**V**	**Q**	**V**	**Q**	**V**	**Q**	**V**	**Q**	**V**
	a		**b**		**c**		**c/a**		**c/b**	
Animals and their products	136.2	108.6	100.2	83.8	104.1	84.2	-23.5	-22.4	4.0	0.5
Frozen sea fish	125.5	90.2	89.6	65.0	96.2	67.8	-23.4	-24.7	7.4	4.4
Vegetable products	709.1	157.2	860.3	198.4	065.8	237.1	50.3	50.9	23.9	19.5
Cereals	651.0	134.6	787.0	170.3	990.0	208.8	52.1	55.2	25.8	22.6
Wheat and meslin	360.1	58.0	383.6	67.7	474.4	75.2	31.7	29.7	23.7	11.1
Rice	283.3	72.9	401.3	102.0	493.1	129.8	74.1	78.1	22.9	27.2
Animal or vegetable fats and oils	33.9	15.5	23.2	12.0	48.6	21.6	43.2	39.9	109.6	79.6
Industrial food products	170.5	85.6	123.6	70.9	89.0	101.4	10.8	18.4	52.8	43.0
Refined cane or beet sugars	41.8	9.8	9.4	2.5	2.4	16.7	49.4	71.2	562.2	573.6
Beverages; alcoholic liquids	26.0	20.9	23.9	15.9	3.4	25.9	28.2	23.8	39.8	62.6
Mineral products	2 052.3	438.6	3 070.0	660.3	650.2	541.4	29.1	23.4	-13.7	-18.0
Clinkers	964.1	40.0	1 245.4	52.9	310.9	54.2	36.0	35.3	5.3	2.5
Hydrocarbons	844.8	383.6	1 627.2	598.9	113.6	474.5	31.8	23.7	-31.6	-20.8
Crude petroleum oils	NA	NA	719.5	219.9	NA	NA	NC	NC	NC	NC
Fuels and lubricants	727.6	345.5	812.1	347.1	99.1	438.4	37.3	26.9	23.0	26.3
Liquefied butanes	36.9	16.6	35.9	12.6	2.0	21.0	68.0	26.8	72.6	66.8
Products of the chemical industries	265.2	200.5	344.2	213.4	12.3	178.7	-19.9	-10.9	-38.3	-16.3
Inorganic chemicals	140.3	51.0	141.8	37.7	2.4	27.2	-34.1	-46.5	-34.8	-27.6
Aluminium oxide	106.3	39.0	103.3	24.9	0.7	11.2	-52.3	-71.4	-50.9	-55.2
Organic chemicals	7.5	9.3	7.8	8.4	.8	9.4	4.1	0.5	0.1	11.2
Pharmaceutical products	7.3	65.5	9.2	63.7	.7	64.9	32.7	-0.9	5.4	1.9
Fertilizers	68.5	14.1	142.7	29.1	0.7	12.0	-11.4	-15.0	-57.5	-58.8
Plastics and rubber	69.7	77.7	69.5	73.0	9.9	90.0	29.0	15.9	29.3	23.3
Wood pulp; paper and its applications	45.0	37.5	50.3	32.0	5.2	32.8	0.4	-12.5	-10.2	2.7
Paper and cardboard	41.4	27.0	48.4	28.6	2.5	27.2	2.7	0.9	-12.0	-5.0
Textile materials and articles thereof	61.9	51.4	56.9	49.1	5.2	52.7	5.2	2.5	14.5	7.5
Thrift wears	38.8	22.6	34.2	18.7	9.0	20.8	0.4	-8.2	14.0	10.9
Base metals and their articles…	152.1	127.6	159.5	134.9	21.6	116.1	-20	-9.0	-23.8	-14.0
Articles of iron and steel	39.5	54.7	42.6	55.3	0.0	51.4	-24	-6.1	-29.5	-7.0
Machines and mechanical or electrical equipment	67.1	290.3	55.8	203.4	2.0	301.5	7.3	3.8	28.9	48.2
Machines and mechanical appliances	39.3	146.9	32.2	112.3	3.6	177.6	10.9	20.9	35.4	58.1
Electrical machines and appliances	27.8	143.3	23.6	91.0	8.4	123.9	2.1	-13.6	20.1	36.0
Transport equipment	56.7	103.6	56.8	110.6	0.5	111.4	6.8	7.6	6.4	0.7
Motor vehicles; tractors	51.7	95.5	52.1	101.1	5.3	98.6	6.9	3.3	6.3	-2.5
Non-oil imports		1 779.3		1 720.8		2 005.1		12.7		16.5
Total imports		1 779.3		1 940.7		2 005.1		12.7		3.3

Sources: MINFI/DGD-DP

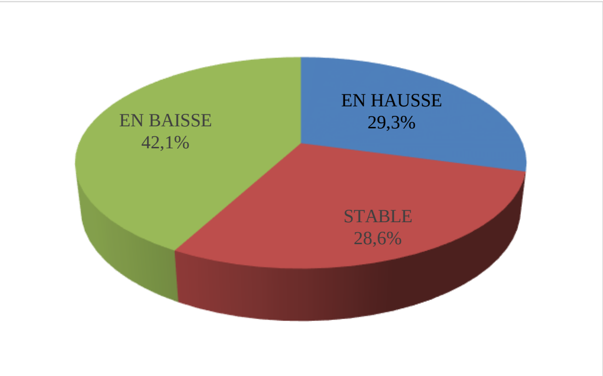
IV- ENTREPRENEUR PERSPECTIVES ON SECTOR TRENDS AND PROSPECTS

IV.1. OVERALL SITUATION

The findings presented here are those of the business survey carried out by the CCIMC during the months of March and April of 2020 in 236 businesses under Cameroonian law..

In the second half of 2019, turnover of businesses declined by 12.8%. While for more than half (50.7%) of entrepreneurs, business activity was stable, for 39.8% it was not sustained. These businesses export much more to French-speaking Africa (for 68.5% of respondents).

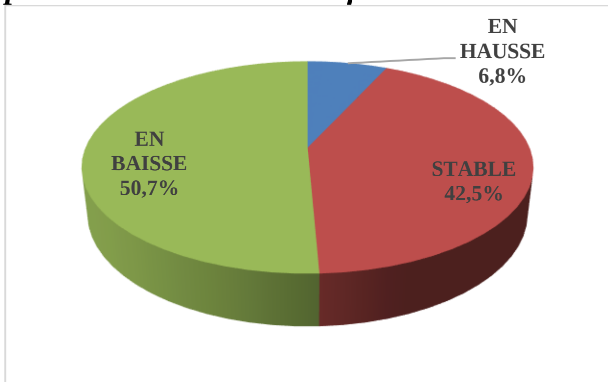
Figure 8: ***Entrepreneur perceptions on net-of-tax turnover trends in H2 of 2019***



Source: CCIMC/ Business survey data S2_2019

With a balance of opinion of 43.9%, production dropped in the second half of 2019. This decline could be explained in part by the rise in wages (with a balance of opinion of 40.1%), the rise in energy costs (balance of 32.2%), the increases in the costs of the main raw materials supplied on the external market (with a balance of opinion of 30.7%) and on the local market (with a balance of 12.5%). As a result, the level of inventories decreased with a balance of opinion of 24.2% over the same period.

Figure 9: ***Entrepreneur perceptions on production trends in H2 of 2019***



Source: CCIMC/ Business survey data S2_2019

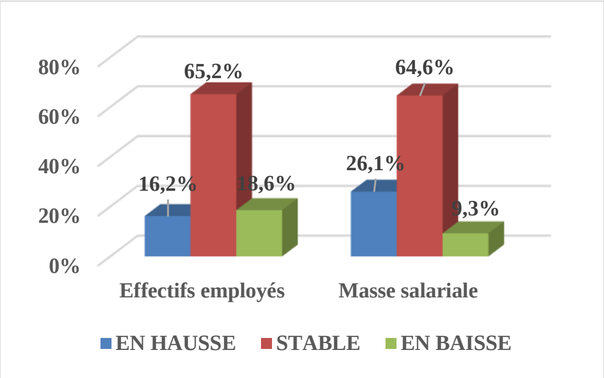
On the other hand, supply conditions remained stable for 58.4% of respondents and were difficult with a balance of opinion of 27.3%.

Entrepreneurs believe in the need to improve productivity (for 64.8% of respondents) and staff recruitment (25.6% of respondents), compared with only 9.6% who intend to use subcontracting.

With a balance of opinion of 14.5%, sales prices dropped in the second half of 2019. However, they were stable for 71.9% of respondents over the same period.

The level of hiring declined in the second half of 2019. With a balance of opinion of 2.4%, entrepreneurs report that their number of employees has decreased.

Figure 10: *Entrepreneur perceptions on manpower and wage bill trends in H2 of 2019*



Source: CCIMC/ Business survey data S2_2019

As for the wage bill, it increased overall with a balance of opinion of 16.8%. However, for 64.6% of respondents, the wage bill remained stable in the second half of 2019. Only 27.6% of entrepreneurs said they were experiencing difficulties in recruiting, especially non-managers (for 70.9% of respondents).

For the 36.8% of importing businesses surveyed, import conditions were poor in the second half of 2019, with a balance of opinion of 34.2%.

Activity and employment prospects for the second half of 2019

Balances of opinion on turnover and orders will increase by 25.7 and 10.9 points respectively to stand at -12.8% and -30.2% compared with the first half of 2019. The decline in production will remain broadly stable in the second half of 2019 (-43.2% in the first half of 2019 compared with -43.8% in the second half of 2019). However, with regard to the level of inventories in the first half of 2020, the balance of opinion for the decline would gain 16.8 points compared with the second half of 2019 to stand at 24.1%. Business leaders anticipate a fall in selling prices in the first half of 2020 (with a balance of opinion of 14.6% for the drop). The prospects for new hirings in businesses are not very different from those for redundancies (16% and 18.4% respectively). The wage bill could increase in the first half of 2020 with a balance of opinion of 16.8%. With a balance of opinion of 27.6%, supply conditions would be difficult in the first half of 2020.

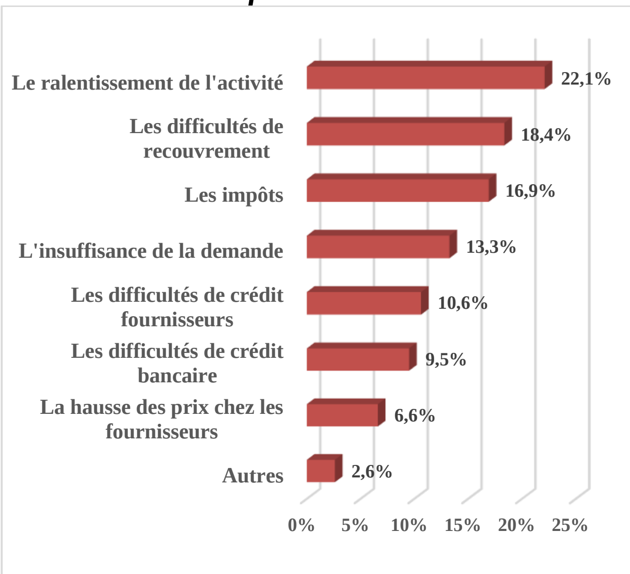
A poor financial situation...

Two thirds of the businesses would experience cash flow difficulties. The financial situation would have been poor with a balance of opinion of 55.8% in the second half of 2019.

... resulting from the slowdown in activity, debt collection difficulties and the high cost of taxes

Cash flow tensions are explained by the slowdown in activity (for 22.1% of respondents), recovery difficulties and taxes (for 18.4% and 16.9% respectively of respondents), insufficient demand (for 16.9% of respondents) and supplier lending difficulties (10.6%).

Figure 11: *Costs which affected the cash flow of businesses in H2 of 2019*



Source: CCIMC/ Business survey data S2_2019

Investment

40.1% of businesses did not invest in the second half of 2019. Among those that invested, while 50.5% stated that their investment expenditure had increased, 24.2% believed that this expenditure had decreased.

Businesses generally invest to diversify their activities (41%), to increase production capacity (32.3%) and to overcome equipment obsolescence (25.1%).

The majority of business leaders invest through self-financing (46.7%), bank loans (18.6%) and tontines (17.6%).

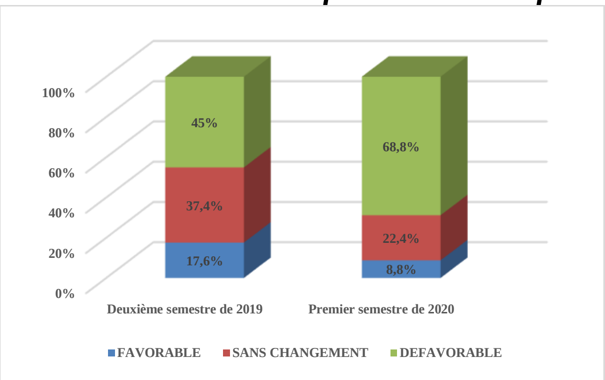
... mainly because of funding difficulties and the lack of a clear forecast

Several obstacles hampered investment in the second half of 2020. These include financing difficulties (for 53.7% of respondents) and lack of visibility of the future (31.9%).

Prospects for an improved business climate in the first half of 2020

With a balance of opinion of 27.5%, the business leaders interviewed stated that the business climate was unfavourable in the second half of 2020. Furthermore, with a balance of opinion of 57.9%, they foresee a situation that is broadly similar in the first half of 2020.

Figure 12: *Entrepreneur perceptions of the business climate in H2 of 2019 and H1 of 2020*



Source: CCIMC/ Business survey data S2_2019

IV.2. COMMERCIAL ACTIVITIES

Activity

Supply conditions have been difficult for 34.9% of commercial businesses, while 60.1% state that they have remained stable. They also state with a balance of opinion of 49.5%, 32.1% and 22.7% respectively that wages, energy costs and the cost of raw materials supplied on the external market have increased.

One of the consequences is that production in the commercial sector is reported to have fallen overall with a balance of opinion of 70.6%. On the other hand, the stock level would have increased (balance of opinion of 27.3%). This is partly explained by the fact that orders have fallen overall (balance of opinion of 19.2%).

In order to improve production, 84.9% of business leaders believe that productivity should be improved.

Despite the decline in production in the commercial sector, sales prices have fallen overall with a balance of opinion of 8.3% in the second half of 2019. However, they would have remained stable for 72.5% of respondents.

In view of the sluggish economic situation, 19.8% of business leaders have made staff redundant. 63.7%, on the other hand, have kept their workforce stable. The wage bill remained stable for 64.6% of respondents. Only 37.8% of business managers in the commercial sector stated that they were experiencing recruitment difficulties, especially for non-managerial staff (68.3% of respondents).

45.3% of import traders consider import conditions to be poor, with a balance of opinion of 30.3%.

Activity and employment prospects for the first half of 2020

Many business leaders have anticipated a sharp deterioration in activity in the first half of 2020. The balance of opinion on the trend in turnover is expected to fall by 32.1 points to -22.2%. The balance of opinion on orders is expected to fall by 6.5 points to -25.7%.

These managers are also forecasting a 46.8 point increase in the balance of opinion on production. The balance of opinion on the drop in production, according to traders, will be 23.8%.

They also anticipate an overall increase in selling prices in the first half of 2020. In fact, the balance of opinion on the increase in selling prices will gain 27.6 points compared with the second half of 2019 to stand at 19.3% over the period under review.

Although business leaders are predicting an overall decline in turnover in the first half of 2020 (with a balance of opinion of 22.2%), the outlook for hiring is clearly good. They plan to recruit with a balance of opinion of 9.4%.

A poor financial situation ...

63.3% of traders experienced financial difficulties. With an opinion balance of 60.9%, finances have been poor.

... resulting from the slowdown in activity, recovery difficulties and taxes

This deterioration in the financial situation is mainly due to the slowdown in activity (for 21.8% of respondents), recovery difficulties (for 18.4% of respondents) and taxes (for 18.3% of respondents), supplier credit difficulties (for 12.1% of respondents), insufficient demand (for 11.2% of respondents) and access to bank credit difficulties (for 10% of respondents). Also, with a balance of opinion of 21.7%, the decrease in profits would have contributed to this situation.

Two out of three businesses invested...

In the second half of 2019, 65.1% of traders invested. While 48.2% of traders who invested believe that their investment expenditure has increased, 23.1% on the other hand declare that it has decreased. To invest, business leaders do so through self-financing (for 46.7% of respondents), tontines (for 19.1% of respondents) and bank loans (for 15.2% of respondents). They generally invest to diversify their activities (for 37.2% of respondents), to make up for equipment obsolescence (for 33% of respondents) and to increase their production capacity (for 26.6% of respondents).

… despite the funding difficulties

Several obstacles have hindered investment by traders. They were mainly financing difficulties (for 47.4% of respondents), lack of visibility of the future (for 27.5% of respondents) and the fact that they had already invested enough (for 22.4% of respondents).

Prospects for the business climate in the first half of 2020

With a balance of opinion of 35.8%, traders believe that the business climate was unfavourable in the second half of 2019. They foresee an even more unfavourable situation in the first half of 2020, with the balance of opinion declining by 35.2 points compared with the second half of 2019, to reach 71%.

Table 21: *Trade sector entrepreneur perspectives on their activities*

	Balance sheet at 31-12-2019 (in %)			Projections for H1 of 2020 (in %)		
Perspectives on	rise	stable	drop	rise	stable	drop
Supply conditions	5.0	60.1	34.9	6.2	44.4	49.4
Production	2.4	24.6	73.0	3.1	70.0	26.9
Stocks	40.6	46.1	13.3	35.6	37.6	26.8
Selling price	9.6	72.5	17.9	39.0	41.4	19.6
Turnover	43.5	22.9	33.6	19.8	38.1	42.0
Benefits	24.7	28.9	46.4	17.3	26.7	56.0
Orders	27.1	26.6	46.3	13.6	47.1	39.3
Employment	16.5	63.7	19.8	27.4	54.6	18.0
Wage bill	10.2	64.6	25.2	16.6	56.9	26.5
Payment deadlines	14.5	46.1	39.4	8.5	33.7	57.8
Settlement deadlines	16.7	59.9	23.4	30.2	50.1	19.7

Source: CCIMC/ Business survey data S2_2019

IV.3. INDUSTRIAL ACTIVITIES

Sluggish economic conditions and job instability

As predicted in the first half of 2019, production fell in the second half of 2019, according business leaders in the industrial sector, with a balance of opinion of 9.7%. It was stable for 90.3% of industries. This is explained in part by the stability of energy costs (for 92.7%), the main raw materials supplied both externally (89.8%) and locally (89%) and salaries (for 88.1%).

As a result, supply conditions were stable overall (balance of opinion of 0.1%) in the second half of 2019.

In order to increase production, 51.7% of the business leaders in the industrial sector believe that productivity must be improved, while 42.7% plan to recruit, compared with 5.6% who believe they will resort to subcontracting.

The level of stocks has fallen overall according to the respondents, with a balance of opinion of 45.2%.

With a balance of opinion of 25.8%, turnover in the second half of 2019 would have fallen, in line with the lower than normal level of orders (balance of opinion of 54% for the fall).

The general trend in selling prices in the industrial sector is downward in the second half of 2019, with a balance of opinion of 16.5%. However, 77.4% of those interviewed believe that prices have not changed.

Driven by this dynamic, the number of employees has fallen overall with a balance of opinion of 26.3%. Only 4% of respondents say they are experiencing recruitment difficulties, especially for managers (for 63.3% of respondents).

One third of the businesses in the sector surveyed report importing. For almost all of these (98.5%), the import conditions are average.

Relatively good business prospects for the first half of 2020

Several entrepreneurs in the industrial sector have anticipated a clear improvement in activity in the first half of 2019. With a balance of opinion of 11.7%, they anticipate an increase in production.

Employment prospects in the first half of 2020 are relatively good. The balance of opinion on the number of employees in the first half of 2020 will increase by 55.2 points compared with the second half of 2019 to stand at 28.8%.

With an increase of 44.2 points compared to the second half of 2019, the balance of opinion regarding the trend in orders in the first half of 2020 will fall to 9.9%, according to the industry sector. Also, prices will remain stable for 75.7% of respondents. This will lead to a 12.8-point increase in the balance of opinion on turnover in the first half of the year compared with the second half of 2019, with a fall of 13%.

Supply conditions will be difficult overall over the period under review according to respondents (with a balance of opinion of 1.4%).

A poor financial situation…

64.5% of industrial entrepreneurs are experiencing financial difficulties. With a balance of opinion of 35.2%, cash flow was poor in the second half of 2019.

... due to difficulties related to loan access and high cost of taxes

The poor economic situation is mainly explained by supplier credit difficulties (for 20.8% of respondents), the high cost of taxes (20.8% of respondents), insufficient demand (for 17.6% of respondents), difficulties in accessing bank loans (for 15.6% of respondents) and the slowdown in activity (13.5% of respondents). Also, the extension of payment deadlines (balance of opinion of 38.3%) would also have contributed to this situation.

Four out of five businesses did not invest... Au In the second half of 2019, 83.4% of industrial entrepreneurs did not invest. While 57.9% of respondents who invested believe that their investment expenditure has remained unchanged, 18.7%, on the other hand, state that it has increased. In order to invest, industrial entrepreneurs do so through self-financing (for 52.9% of respondents), tontines (for 22.8% of respondents) and bank loans (for 18.1% of respondents). They generally invest to diversify their activities (for 45.7% of respondents), to increase their production capacity (for 41.1% of respondents), and to make up for the obsolescence of their equipment (for 13.2% of respondents).

... due to funding difficulties and lack of visibility of the future

Several investment obstacles have been identified by the entrepreneurs of businesses in the industrial sector. These were mainly related to financing difficulties (for 52.1% of respondents) and lack of visibility of the future (for 35.2% of respondents).

Prospects for an improved business climate

Business leaders declare with a balance of opinion of 42.3% that the business climate was favourable in the second half of 2019. However, they anticipate an unfavourable business climate in the first half of 2020 with a balance of opinion of 22.9%.

Table 22: *Perceptions of the industry sector entrepreneurs on their activity trends*

	Balance sheet at 31-12-2019 (in %)			**Projections for H1 of 2020 (in %)**		
Perspectives on	**rise**	**stable**	**drop**	**rise**	**stable**	**drop**
Supply conditions	6.5	86.9	6.6	5.0	88.6	6.4
Production		90.3	9.7	49.9	11.8	38.3
Stocks		54.8	45.2	35.6	17.4	47.0
Selling price	3.1	77.4	19.5	5.6	75.7	18.7
Turnover	11.0	52.2	36.8	31.1	24.8	44.1
Benefits	6.9	80.6	12.4	61.7	14.5	23.8
Orders	8.6	28.8	62.6	39.3	11.4	49.2
Employment	2.1	69.5	28.4	32.1	64.6	3.3
Wage bill	3.0	76.8	20.2	33.7	63.4	2.9
Payment deadlines		61.7	38.3		38.4	61.6
Settlement deadlines	51.2	44.6	4.2	50.2	24.5	25.3

Source: CCIMC/ Business survey data S2_2019

IV.4. SERVICE SECTOR ACTIVITIES

Slowdown in activity

Supply conditions were difficult in the second half of 2019 with a balance of opinion of 33.9%. The service sector entrepreneurs also state that energy costs (with a balance of opinion of 48.1%), salaries (with a balance of opinion of 42.8%), raw materials supplied both on the local market (with a balance of opinion of 33.1%) and on the external market (with a balance of opinion of 51.5%) have increased.

One of the consequences is that in the second half of 2019, production deteriorated with a balance of opinion of 35.4%, as stated by the craft respondents. Inventory levels increased overall with a balance of opinion of 9.1%.

In order to improve production, 50.9% of entrepreneurs in the service sector believe that productivity must be improved, compared with 31.8% who believe that recruitment is necessary and around 7.3% who are considering the idea of sub-contracting.

The balance of opinion on the evolution of turnover continues to lose points (6.4 points compared to the first half of 2019) and stands at 42.1% for the decline in the second half of 2019. According to the craftsmen, this decline in turnover is explained by the fall in orders (with a balance of opinion of 41.2%) on the one hand and by the fall in selling prices (with a balance of opinion of 23.7%) on the other.

In spite of this dynamic, recruitment increased with a balance of opinion of 9.4%. On the other hand, 66.2% of respondents in the sector said they have kept their staff numbers stable. Only 22% of managers in the service sector report experiencing recruitment difficulties, especially for non-managers (80.2%).

Business prospects for the first half of 2020 in sharp decline

Service sector entrepreneurs predict a worse situation than in the second half of 2019. In the first half of 2020, the balance of opinion on the trend in the level of production will lose more points (30.1 points) compared to the second half of 2019 and will fall to 73%, predict service sector leaders.

In the first half of 2020, they also predict an accentuation of the fall in production levels with a balance of opinion of 74.7%. According to the respondents, the situation of supply conditions in the first half of 2020 will be almost similar to that observed in the second half of 2019 (overall difficult with a balance of opinion of 34.2% in the first half of 2020 versus 33.9% in the second half of 2019).

With a balance of opinion of 80.9%, orders will continue to decline overall in the first half of 2020.

Driven by this trend, the prospects for hiring will be even worse (with a balance of opinion of 28%) in the first half of 2020.

A severe financial situation ...

About three-quarters of businesses in the service sector are experiencing financial difficulties. With a balance of opinion of 63.1%, the financial situation was bad in the second half of 2019.

... resulting from the slowdown in activity and recovery difficulties

Cash flow tensions are mainly explained by the slowdown in activity (for 24.9% of respondents), recovery difficulties (for 21.3% of respondents), insufficient demand (for 15.6% of respondents) and taxes (for 13% of respondents).

Despite the funding difficulties

There were several impediments to investment in the service sector over the period under review. These were mainly financing difficulties (for 60.9% of respondents) and lack of visibility of the future (for 36.2% of respondents).

... actors in the service sector invested

70.1% of businesses in the services sector invested in the second half of 2019. With a balance of opinion of 31.5%, investment spending increased in the second half of 2019. In order to invest, respondents do so mostly through self-financing (for 45% of respondents) and bank loans (for 23.6% of respondents). They generally invest to increase production capacity (for 44.1% of respondents) and to increase production capacity (for 36% of respondents).

Business climate

With a balance of opinion of 43.6%, the entrepreneurs in the services sector state that the business climate was unfavourable in the second half of 2019. They anticipate a more unfavourable situation in the first half of 2020 (balance of opinion of 55.8%)

Table 23*: Perceptions of entrepreneurs in the service sector on their activity trends*

	Balance sheet at 31-12-2019 (in %)			Projections for H1 2020 (in %)		
Perspectives on	rise	stable	drop	rise	stable	drop
Supply conditions	10.9	44.4	44.7	7.5	50.9	41.7
Production	13.0	38.7	48.3	10.4	4.5	85.1
Stocks	24.3	60.5	15.2	25.9	59.3	14.8
Selling price	2.7	70.8	26.5	9.0	58.1	32.9
Turnover	15.2	27.5	57.3	3.1	20.8	76.1
Benefits	9.4	31.1	59.5	13.0	11.0	76.0
Orders	18.7	21.4	59.9	1.4	16.3	82.3
Employment	21.6	66.2	12.2	15.6	40.8	43.6
Wage bill	8.9	60.7	30.5	45.1	28.1	26.7
Payment deadlines	9.3	17.8	72.9	9.3	24.2	66.5
Settlement deadlines	38.3	33.2	28.5	44.1	25.8	30.1

Source: CCIMC/ Business survey data S2_2019

IV.5. ACTIVITY IN THE CRAFTS SECTOR

Slowdown in activity

Craftspeople estimate that production fell in the second half of 2019 with a balance of opinion of 37.7%. In order to increase the level of production, 63.5% of artisan respondents believe that productivity needs to be improved compared to 36.5% who believe that they will need to recruit.

The level of inventories fell overall according to them, with a balance of opinion of 4.6%.

Supply conditions were difficult (with a balance of opinion of 85.2%) over the under-reviewed period among artisans.

The costs of energy and raw materials supplied on the local market would have risen in the second half of 2019, with a balance of opinion of 25.7% and 19.2% respectively, in the craft sector.

This slowdown in activity would have had an impact on the level of hiring. In fact, the number of employees would have dropped in the second half of 2019 (balance of opinion of 55.3%), which would have led to an increase in the wage bill (balance of opinion of 63.1%) over the same period.

Only 24.2% of entrepreneurs admit to encountering difficulties in recruiting, especially non-managers (80%).

With a balance of opinion of 38%, the entrepreneurs of craft businesses estimate that turnover fell in the second half of 2019, partly due to the fall in orders on the one hand (with a balance of opinion of 42.2%), and the overall fall in selling prices on the other hand (with a balance of opinion of 27.7%) over the same period.

Activity prospects for the first half of 2020

Several business entrepreneurs in the craft sector have anticipated a clear amelioration in activity in the first half of 2020.

According to craftsmen, the balance of opinion on the trend of supply conditions will increase by 31.3 points, compared with the second half of 2019, to stand at -53.8% over the period under review. This will lead in part to a net increase of 5.4 points and 5.2 points on the respective balances of opinion of the evolution of production and selling prices. Despite this, turnover will continue to decline overall, with the balance of opinion declining by 6.7 points compared with the second half of 2019 to 44.7% in the first half of 2020. This continued decline in turnover is partly explained by the continuous decline in orders in the first half of 2020 (the balance of opinion on the trend in orders will fall 34.2 points compared with the second half of 2019 to 76.3% for the decline).

Employment will follow this trend, with a 47.4-point increase in the balance of opinion, with the decline in the balance of opinion set at 7.9%.

A poor financial situation...

71.2% of craft businesses would experience financial difficulties in the second half of 2019. Cash flow was poor with a balance of opinion of 56.4%..

... resulting from the high cost of taxes and the slowdown in activity

This pessimistic situation is mainly due to the high cost of taxes (for 24.9% of respondents), the slowdown in activity (20.2%), insufficient demand (17.9%) and rising prices among suppliers (for 13.1% of respondents in the sector).

Investment is a concern for craftspeople...

To invest, entrepreneurs in this sector do so through self-financing (45.1% of respondents), tontines (34.9%) and bank loans (20.2%). They generally invest to increase their production capacity (54.5%), to diversify their activities (for 20.1% of respondents), and to compensate for the obsolescence of their equipment (14.6%). 39.6% of business managers in the craft sector did not invest in the second half of 2019. For those who did, while 38.5% believe that their investment expenditure increased, 30.8%, on the other hand, state that this expenditure has decreased.

… despite financing difficulties

Several obstacles have been denounced by leaders of the craft sector. These are essentially financing difficulties (67.9%) and the lack of visibility of the future (27%).

An arid business climate

While 37.9% of craft business entrepreneurs declare that the business climate was unfavourable in the second half of 2019, 24.1% on the other hand believe that it was favourable. Two out of three businesses surveyed anticipate a deterioration in the business climate in the first half of 2020.

Table 24: *Crafts sector entrepreneur perceptions of their activity trends*

	Balance sheet at 31-12-2019 (in %)			**Projections for H1 2020 (in %)**		
Perspectives on	**rise**	**stable**	**drop**	**rise**	**stable**	**drop**
supply	-	14.8	85.2	-	46.2	53.8
Production	21.5	19.3	59.2	29.0	9.7	61.3
Stocks	33.7	28.0	38.3	28.0	34.7	37.2
Selling price	24.1	24.1	51.8	38.0	4.6	57.4
Turnover	5.6	50.7	43.6	4.6	46.1	49.3
Profits	19.5	19.5	61.0	18.4	27.7	53.9
Orders	5.7	46.5	47.8	7.9	7.9	84.2
Employment	1.8	41.1	57.1	28.6	34.9	36.5
Wage bill	64.3	34.5	1.2	58.2	36.7	5.1
Payment deadlines	6.2	10.2	83.6	5.1	5.1	89.8
Settlement deadlines	50.9	37.8	11.3	56.0	32.7	11.3

Source: CCIMC/Business Survey Data S2_2019

In conclusion

Generally, activity in the second half of 2019 was not good. The business climate was generally unfavourable to the activity of actors in the various sectors, and business operators anticipate a similar situation in the first half of 2020. As a result, recruitment was not very dynamic. Turnover fell overall. Most business entrepreneurs consider the financial conditions to be difficult. The cash flow tensions are due to the slowdown in activity, rising prices from suppliers, insufficient demand, etc.

ECONOMIC OUTLOOK REPORT

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