

THE ECONOMIC and FINANCIAL IMPACT of COVID-19 IN CAMEROON

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1 | Transmission routes

At the moment it is difficult to do an accurate assessment of the economic and financial consequences of **COVID-19** in Cameroon in view of the uncertainty about the duration of the crisis and the speed at which the pandemic is spreading.

The effects of the crisis will probably spread to almost all countries in Africa through trade in goods and services, and will impact the entire economy. This will have a knock-on effect on numerous macroeconomic indicators:



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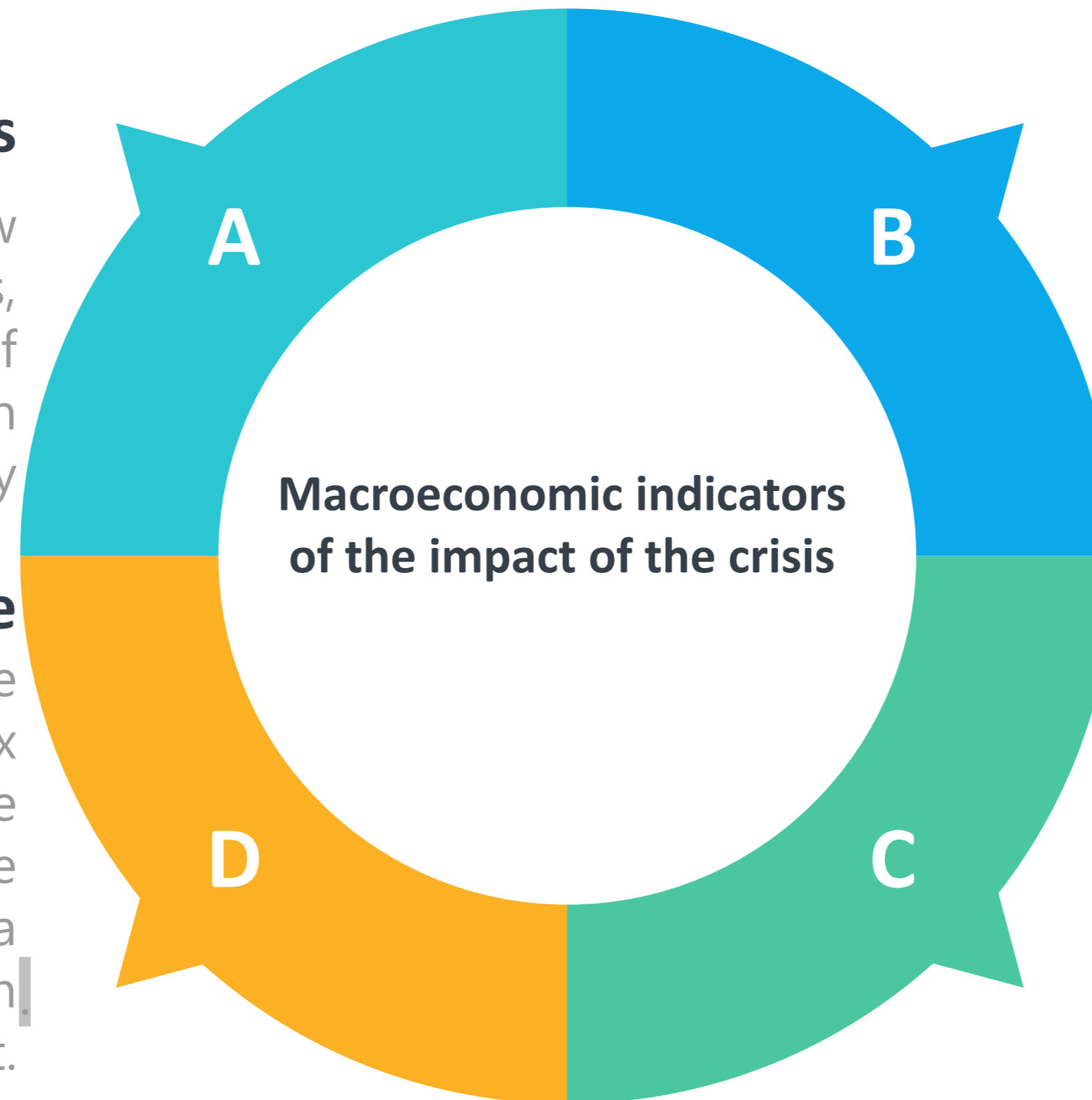
Transmission routes (next)

The collapse in exchange rates

owing mainly to the decline in the prices of raw materials (crude oil, wood, cocoa, cotton, bananas, rubber etc.) leading to a drop in the export of goods and consequently to a fall in foreign currency holdings, thus reducing import capacity

Budget imbalance

lockdown measures will lead to a drop in revenue in the economy and consequently to a fall in tax revenues. In terms of expenditure, preventive measures will lead to an increase in expenditure on health and social security This will lead to a deterioration in the fiscal situation and to an increase in debt.



Supply constraints

Lockdown measures increase the cost of transactions and weigh heavily on financial conditions consequently disrupting the activities of companies, in particular those in the following sectors: trade, the hospitality and restaurant industries, tourism, transport, as well as migrant travel

Demand constraints

a decline in activity caused by consumer fear would cause a decline in revenue and in the purchasing power of households thus leading to increased poverty and the loss of jobs by many employees.

IMPACT OF THE CORONAVIRUS ON THE ECONOMY OF CAMEROON

CAMEROON UNDER THREAT OF RECESSION IN 2020

there are two cumulative factors (which are not completely indissociable because of the fact that numerous sectors such as tourism and transport are simultaneously impacted by both factors) which will therefore cause a more severe effect on growth than that of the 2009 financial crisis (where there were only exogenous effects which then led to a slow-down in growth of 3,2% in 2008 and 1,9% in 2009). This dual impact (a more severe worldwide recession than in 2009 and a slowdown in domestic activity due to lockdown) will therefore be an even heavier blow to our current growth trajectory.

Impact of the Coronavirus on the economy of Cameroon:

In terms of Cameroon, with the first appearance of the virus in the country in March and the increase in the number of people infected, the economy is suffering the effects of this health crisis. Even if the public health emergency were to be rapidly eliminated, with a more or less quick end to the epidemic sometime during the year, the damage and disruption suffered by the economy will extend at least throughout 2020. The impact of the pandemic on the economy of Cameroon will be dual in nature:

2

the first impact may be described as exogenous

it will come via trade with the outside world, in particular our trading partners, i.e. there will be a decrease in activity in our partner countries in particular and in the world in general which will lead to a lower demand for our exports, combined with a fall in the prices of raw materials. The impact here is therefore similar to that suffered by the economy of Cameroon during the 2009 financial crisis which plunged the entire world into a recession.



3

the second impact may be described as endogenous

this is related to the appearance and progression of the disease in Cameroon which is forcing the Government to institute a lockdown which in turn automatically leads to a slowdown in domestic activity.

Evolution of the disease

Slowdown in domestic activity

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Analysis of the impact via foreign trade (exogenous)

Because of trade (and exports in particular) between Cameroon and other countries, that is, its foothold in the world economy and its integration into global value chains, when economic activity slows down somewhere else in the world, and particularly in our partner countries, the repercussions are automatically felt in our country.

Therefore, the fall in global demand for raw materials which has caused prices to drop will have a negative impact on our exports and consequently on our production of raw materials, especially oil, copper, iron ore, aluminium, palm oil, coffee and rubber. In particular the price of crude oil dropped from 62,50 dollars per barrel on 3 January 2020 to less than 25 dollars at the moment, i.e. a drop of more than 60%.

Moreover, direct trade in goods and services between regions affected by the disease and Cameroon is under pressure because of health restrictions. Passenger air transport between Cameroon and affected areas (mainly the EU) has been severely impacted.

With regard to imports, difficulties in obtaining supplies will compromise production because of the fact that Cameroon imports not only pharmaceutical products but also production equipment (mechanical equipment, machinery, electrical goods, etc.) from affected countries such as France. Businesses are currently facing supply problems, in particular in the maintenance of their production equipment which could compromise output.



3

Analysis of the impact of lockdown measures

The growing number of cases of Coronavirus in various countries has prompted many governments to introduce unprecedented measures to try to contain the epidemic. The public health situation necessitates the institution of priority measures as it leaves few other options given that health should always remain the primary concern. These measures have led to the partial closure of many firms, generalised restrictions on travel and mobility, as well as an erosion of confidence and greater uncertainty.

In Cameroon, over and above the current unfortunate worldwide situation which also involves our European partners, the second threat to growth is now the lockdown of our inhabitants as a result of the spread of the disease. On 18 March 2020 the Government enacted a number of lockdown measures ranging from the closing of borders to limiting domestic travel, and including the closure of schools, the prohibition on gatherings of more than 50 persons, the regulation of market flows and a slowdown in certain commercial activities (restaurants, liquor outlets, all closed from 18h00, the requisition of hotels and accommodation facilities etc.).

These measures, although they are a response to the gravity of the situation, in particular limiting the spread of the virus, will inevitably lead to a slump in economic activity, in particular through a decrease in household consumption. Furthermore, the fear of infection and uncertainty about the future will be a heavy blow to production as well as to household expenditure. Sectors such as brewing, because of the closure of liquor outlets at 18h00, will experience a sharp decline in their activities.



3

Analysis of the impact of lockdown measures (next)

The contraction in global demand will therefore have a negative impact on global economic activity throughout numerous sectors of the economy, in particular those mentioned above, some of which have already suffered a serious impact such as tourism and passenger air transport because of the fall in trade with the rest of the world.

In a rapidly evolving environment it is extremely difficult to quantify the exact extent of the impact of these measures on the growth of the GDP, but it is clear that they entail a contraction of production levels, household expenditure, company investments and international trade.

Significant uncertainty continues to exist with regard to the duration and the magnitude of the lockdown measures because they depend on the evolution of the pandemic in our country. Even once these measures start being relaxed, the extent of any subsequent revival in production will depend on how effective the political measures are that have been taken to support workers and companies during the slowdown of activity, or even recession, and of the extent to which consumers and producers regain confidence.



4

Analysis of the impact on public finances

Before Covid-19, even though oil revenues showed an increase of **36,4 billion** compared to the initial forecast for 2020, non-oil related revenues fell by **106,9 billion** compared to the forecasts of the 2020 Finance Act. Consequently, budget resources are already showing an underrecovery of **70,5 billion** relative to the 2020 Finance Act.

Added to the **70,5 billion** mentioned above, which can be ascribed to a very narrow tax base, there is a drop in internal revenue of **357,2 billion** attributable to Covid-19, relative to the 2020 Finance Act, including a drop of **109,1 billion** in oil revenues and **247,4 billion** in non-oil related revenues. The significant decline in the activities of certain companies (cancellation of orders, drop in demand, shortage of inputs, staff in lockdown etc.) is forecast to produce a drop of **126,7 billion** in taxes and charges collected and **81,4 billion** in customs duties collected.



Non-oil related revenues show a drop of **106,9 billion**

Oil revenues are down by **70,5 billion**



Contribution to the economic response strategy following COVID-19

It is based on seven measures

Measure 1: Preserve the economic fabric of the country and maintain a minimum level of economic activity, particularly in strategic sectors

Measure 2: Start consultations on Government support with firms in sectors that will potentially be affected

Measure 3: Support households in the most severely affected and vulnerable population groups through direct aid in cash or in kind

Measure 4: Initiate exceptional budget measures to deal with the pandemic



Measure 5: Implement monetary measures in consultation with the BEAC (Bank of Central African States)

Measure 6: Continue negotiations with Technical and Financial Partners (IMF, World Bank, EU, AfDB with a view to making use of any aid mechanisms envisaged by these partners

Measure 7: Revive local production: the Coronavirus can provide opportunities



Outlook of the MINFI and the Government on this period of Covid-19

It is based on various measures and recommendations

— Measures taken

- 0 **Creating a special account**
to receive any funds relating to Covid-19
- 0 **Establishing a simplified procedure**
for the implementation of any relevant expenditure



- 0 **Mobilising funds**
this should be done by the Head of State, the people of Cameroon, the IMF, the AfDB etc.
- 0 **Debt cancellation**
the case for cancelling all debt owed by Cameroon to the IMF, the AfDB etc. should be put forward to the committee
- 0 **E-tax filing**
all tax returns should henceforth be filed on line

— Outlook

The supplementary budget is currently being drawn up



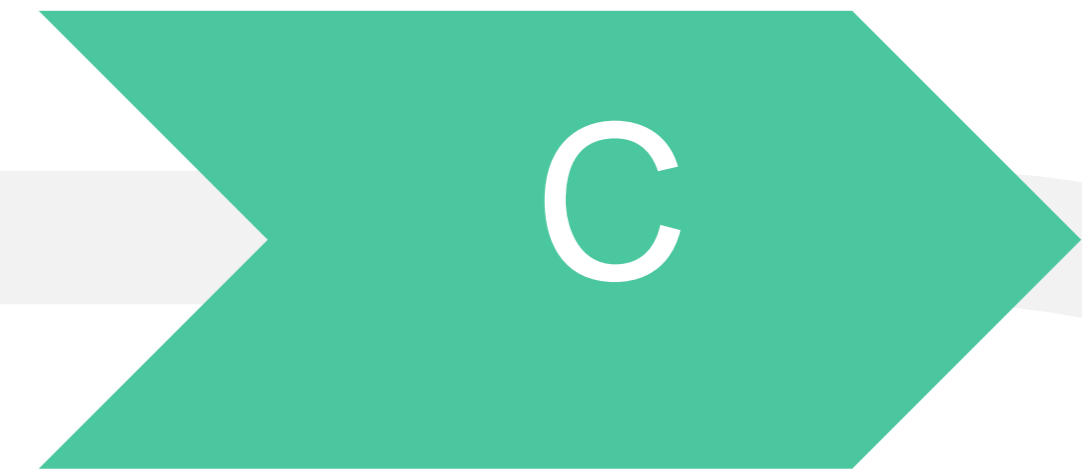
Supplementary budget

establishment of a special appropriations account to receive and manage all resources made available by funders and the State for Covid-19



Special appropriations account

establishment of sectoral units in all ministerial departments for the monitoring and management of funds



Establishment of sectoral units



Customs duties



all medical supplies should be exempt from any taxes or duties

Presidential circular



a Presidential circular/statement will provide details on operating procedures and functions