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REPORT ON THE EFFECTS OF MONETARY POLICY IN CAMEROON

An Analysis of the Contribution of BEAC’s Monetary Policy to Cameroonian Economic Resilience in 2020

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• Fiscal and Monetary Policy Subsection
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For several years now, Cameroon’s economy has been suffering from the adverse effects of the security crises in the Far North, North West, and South West regions. The humanitarian and economic costs associated with these conflicts have, over time, affected the production and marketing activities of the population, most of whom have been internally displaced, thus affecting overall tax collection and the balance of macroeconomic accounts.

In 2017 and 2019, respectively, these regions were declared economically disaster-stricken. Since March 2020, the country has been affected by the COVID-19 pandemic, whose health, economic, and social consequences have forced the authorities to take a series of measures to halt the disease’s spread, including social barriers and distancing measures and the cessation of activities in several sectors.

The authorities needed to multiply strategies and efforts to ensure a positive output gap and price stability as they faced such a challenging socio-economic context. In a monetary union such as the Central African Monetary Union (CAMU), where fiscal policies are decentralized at the national level, the single monetary policy would play a significant role in absorbing the effects of symmetrical shocks on aggregate demand and supply. This report analyses the contribution of the monetary policy conducted by the Bank of Central African States (BEAC) to strengthen the resilience of Cameroon’s economy in 2020.

From this analysis, it appears that the BEAC has endeavored to conduct an accommodative monetary policy to avoid a possible liquidity crisis in 2020. However, monetary aggregates’ contribution to growth remains low; the average annual percentage rate charged by banks has weakly reacted to the decline in the central bank’s key rate and has remained high, particularly for loans to individuals and SMEs. This should undoubtedly influence the volume of loans and deposits in a context marked by the economic slowdown.

The main reason for the weak contribution of monetary policy to strengthening economic resilience in 2020 is that most Cameroon banks remain over liquid. Instead, the central bank should favor actions to reduce excess
bank liquidity and inflation targeting policy rather than general price level targeting.

Founded in 2012, the Nkafu Policy Institute is a non-partisan think tank with its seat at the Denis & Lenora Foretia Foundation that works to catalyze the transformation of African countries by focusing on social entrepreneurship, science, technology, health, and the implementation of development policies that create economic opportunities for all. The Nkafu Policy Institute is a leading African research center whose mission is to independently make in-depth and insightful policy recommendations that will enable all Africans to prosper in free, fair, democratic, and sustainable economies.

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Interim Executive Director
Denis & Lenora Foretia Foundation
The Denis & Lenora Foretia Foundation was created to catalyze Africa’s economic transformation by focusing on social entrepreneurship, science and technology, innovation, public health, and progressive policies that make and expand economic opportunities for all.

The Nkafu Policy Institute is a Think Tank within the Foundation that focuses on using the independent analysis to inform public debate. Its mission is to advance public policies that help all Africans prosper in free, fair, and democratic economies. The Institute has distinguished itself as a leading research center in Cameroon, committed to promoting open debate that builds consensus toward a democratic future.

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All amounts for which the account’s unit is not specified are expressed in CFA Francs (Franc of Financial Cooperation in Central Africa) issued by the BEAC.

Disclaimer: The opinions expressed in this report are those of the authors. They do not necessarily represent the views of the Nkafu Policy Institute.
List of Abbreviations and Acronyms

AIBE  Other Banking Institutions Eligible for BEAC Refinancing
AIBNE  Other Banking Institutions Not Eligible for BEAC Refinancing
ODA  Official Development Assistance
BC  Central Bank
BCEAO  Central Bank of West African States
BCM  Money Creating Banks
BEAC  Bank of Central African States
BTA  Assimilable Treasury Bills
CEMAC  Economic and Monetary Community of Central Africa
CERBER  Collection System for Exploitation and Restitution and Regulatory State Banks
CNEF  National Economic and Financial Committee of Cameroon
COBAC  Central African Banking Commission
COVID–19  Coronavirus Virus Disease 2019
MPC  Monetary Policy Committee
CRCT  Securities Settlement and Holding Unit
CTD  Decentralized Territorial Collectivises
EMF  Microfinance institutions
NFPS  Non-Financial Public Institutions
CFA F  Franc of the Financial Cooperation in Central Africa
IMF  International Monetary Fund
LE  Large Enterprises
UNHCR  Office of the United Nations High Commissioner for Refugees
FDI  Foreign Direct Investment
IFNB  Non-Banking Financial Institutions
NMFI  Non-Monetary Financial Institutions
NIS  National Institute of Statistics
CPI  Consumer Price Index
LFR  Revised Budget Act
MINEPAT  Ministry of Economy, Planning and Regional Development
MINFI  Ministry of Finance
NPI  Nkafu Policy Institute
UNO  United Nations Organisation
OTA  Assimilable Treasury Bonds
GDP  Gross Domestic Product
PNG  Government Net Position
CAR  Central African Republic
SONARA  National Refining Company
APR  Annual Percentage Rate
TFPM  Marginal lending facility rate
TIAO  Tender Interest Rate
TIMP  Weighted Average Interbank Rate
TIPP  Repurchase Agreement Interest Rate
TISPP0  Interest rates on public investments under the Reserve Fund for Future Generations
TISPP1  Interest rates on public investments under the Revenue Stabilisation Mechanism
TISPP2  Interest rates on public investments in special deposits
CAMU  Central African Monetary Union
Executive Summary

The objective of this report is to analyse the contribution of the Bank of Central African states monetary policy in strengthening the resilience of Cameroonian economy in 2020. More specifically, it examines whether the monetary policy decisions taken by the Monetary Policy Committee (CPM) have influenced the general price level, the average overall effective rates charged by financial institutions and their deposit and lending operations, as well as the contribution of monetary aggregates to growth. The study uses secondary data from the databases of several national, supranational and international institutions as well as statistical analysis tools.

In terms of results, it appears globally that the actions carried out by the issuing institute have indeed contributed to the strengthening of macroeconomic resilience in Cameroon in the context of Covid–19 but weak. The main reason is that most Cameroonian banks are overliquid and therefore insensitive to any expansionary monetary policy of lowering the key rate. The contributions of monetary aggregates have had very little influence on the pace of growth; the evolution of the overall effective rates charged by money-creating banks as well as the demand, time and savings deposits of financial institutions have not evolved at the same pace as the key rate of the central bank, which penalizes consumption and accentuates inflationary pressures.

In view of these main findings, the study proposes the following recommendations:

1. **BEAC through COBAC should multiply efforts to encourage commercial banks to more easily grant credit to Cameroonian individuals and SMEs.** The monetary policy committee (CPM), in accordance with its remit, can demand more reserves to banks that would grant less credit to economic agents; reduce the rate of remuneration of their sight and time deposits with the central bank. It may also make their intervention in the interbank market, their participation in auctions and the granting of standing facilities conditional on strict compliance with this measure.

2. **BEAC should ensure that their lending and deposit rates from secondary banks reflect the Interest rate on Calls for Tenders (TIAO) in order to improve the functioning of the interest rate channel.** Such a measure, which facilitates access to finance for SMEs, would enhance the effectiveness of monetary policy, particularly in times of crisis.

3. **BEAC should instead consider a policy of inflation targeting to the detriment of price-level targeting.** By setting expectations on price developments, inflation targeting would make it easier for the BEAC to compel banks to facilitate access to credit and encourage consumers to spend, while guaranteeing financial and macroeconomic stability.
L’objectif de ce rapport est d’analyser la contribution de la politique monétaire menée par la Banque des Etats de l’Afrique Centrale au renforcement de la résilience de l’économie camerounaise en 2020. Plus spécifiquement, il est question de voir si les décisions de politique monétaire prises par le Comité de Politique Monétaire (CPM) ont influencé le niveau général des prix, les taux effectifs globaux moyens pratiqués par les institutions financières ainsi que les opérations de dépôts et de crédits de ces dernières ; sans oublier la contribution des agrégats monétaires à la croissance. L’étude utilise des données de sources secondaires issues des bases de données de plusieurs institutions nationales, supranationales et internationales ainsi que des outils de l’analyse statistique.

En termes de résultats, il apparaît globalement que les actions menées par l’institut d’émission ont certes contribué au renforcement de la résilience macroéconomique au Cameroun en contexte de Covid-19 mais très faiblement. La principale raison est que la plupart des banques camerounaises sont surliquides et par conséquent sont insensibles à toute politique monétaire expansionniste de baisse du taux directeur. Les contributions des agrégats monétaires ont très peu influencé le rythme de la croissance. L’évolution des taux effectifs globaux pratiqués par les banques créatrices de monnaie ainsi que des dépôts à vue, à terme et d’épargne des institutions financières n’ont pas évolué au même rythme que le taux directeur de la banque centrale, ce qui pénalise la consommation et accentue des tensions inflationnistes.

Au regard de ces résultats principaux, l’étude formule les recommandations suivantes :

1. La Banque des Etats de l’Afrique Centrale (BEAC) par le biais de la Commission Bancaire en Afrique Centrale (COBAC) devrait multiplier les efforts afin d’inciter les banques commerciales à octroyer plus facilement les crédits aux particuliers et aux Petites et Moyennes Entreprises (PME) camerounaises. Le CPM conformément à ses attributions peut exiger plus de réserves aux banques qui accorderaient moins de crédits aux agents économiques et réduire le taux de rémunération de leurs dépôts à vue et à terme auprès de la banque centrale. Elle peut également conditioner leur intervention au marché interbancaire, leur participation aux adjudications ainsi que l’octroi des facilités permanentes au strict respect de cette mesure.

2. La BEAC devrait contraindre les banques secondaires d’arrimer convenablement leurs taux débiteurs et créditeurs suivant l’évolution du TIAO afin de rendre le canal des taux d’intérêts plus fonctionnel. Une telle mesure qui facilite l’accès au financement des PME renforcerait l’efficacité de la politique monétaire notamment en période de crise.

3. La BEAC devrait envisager plutôt une politique de ciblage de l’inflation au détriment du ciblage du niveau des prix. En fixant les anticipations sur l’évolution des prix, le ciblage de l’inflation permettrait plus à la BEAC d’inciter les banques à faciliter l’accès au crédit, d’encourager les consommateurs à dépenser, tout en garantissant la stabilité financière et macroéconomique.
With an estimated population of about 26,709,663 in 2020, Cameroon is a Central African country bordering Nigeria, Chad, Central African Republic (CAR), Republic of Congo, Gabon, Equatorial Guinea, and the Gulf of Guinea. The country has 10 Regions, 58 Divisions and is populated by 283 ethnic groups. Because of its great climatological, mining, geographical, cultural, and human diversity, Cameroon is described as Africa in miniature. The economy of Cameroon accounts for more than 40% of CEMAC’s GDP and is the most diversified in the region. It is essentially based on the exploitation of various export products – oil, tropical woods, Arabica and Robusta coffee, cocoa, rubber, cotton, bananas, aluminum, palm oil, etc. Oil revenues represent, on an annual average, about 12% of the country’s total revenues (LFR, 2020).

However, since 2009, the country has been facing a major security crisis caused by incursions by the Boko Haram terrorist sect in the Far North. They have also been facing socio-political unrest in the English-speaking regions of the North West and South West, whose security situation has deteriorated since the end of 2016. The situation remains volatile in these regions despite the holding of the first-ever regional elections. After a deceleration phase following the 2014 commodity crisis, growth in the economy of Cameroon slightly strengthened in 2018 (4.1 percent compared to 3.5 percent in 2017) before decreasing in 2019 (3.7 percent).

In addition to these major security crises, the economy of Cameroon has been suffering for several months, the effects of the pandemic related to the spread of the new coronavirus (COVID-19). The economic and social impacts recorded since the outbreak of the pandemic in March 2020 include, among others the slowdown in economic activity due to the containment measures put in place to curb the spread of the disease, the drop in internal and external demand, the depreciation of the US dollar by 2.1% to 573.8 FCFA/dollar, the collapse of prices on the commodities market, particularly crude oil ($41.69 per barrel, compared to $61.39 per barrel in 2019, a drop of 32.1%), the consequent drop in export and tax revenues (sharp deterioration in the terms of trade of nearly 22.4%), the revision of the state budget (set at 4,409 billion CFA francs as of June 3, 2020 compared to 4,951.7 billion CFA francs in the Finance Law adopted on December 24, 2019, a decrease of 542.7 billion CFA francs), the revision of growth forecasts from 3.8% to -3.5% in 2020 by the IMF (2020), the budget deficit to 4.5% according to the Amending Finance Law adopted on June 3, 2020 against 1.5% initially forecast), the balance of payments deficit at 5.7%, not to mention the increase in public debt (estimated at CFAF 10164 billion, or 45.8% of GDP against CFAF 8,384 billion, or 37.4% of GDP in 2019). The government had presented a socio-economic response plan estimated at FCFA 479 billion over three years, including FCFA 180 billion in 2020.

With a similar impact on aggregate demand and/or aggregate supply in the various countries of the Economic and Monetary
Community of Central African (CEMAC), the health crisis linked to the coronavirus pandemic is similar to asymmetrical shock. In a monetary union such as the Monetary Union of Central African (CAMU), the stabilization of this type of shock is the responsibility of the monetary policy, which is unique and implemented by the Bank of Central African States (BEAC). However, the effectiveness of the monetary policy decisions taken by the central bank should be reinforced by the states’ orientations in terms of fiscal policy. In this case, better coordination of fiscal policies would make it possible to internalize the externality and place the aggregate deficit of the zone at an optimal level, taking into account the endogenous response of the interest rate.

**Box 1: BEAC’s Monetary Policy Strategy**

Monetary policy is the action by which the monetary authority, usually the Central Bank, acts on the supply of money in order to achieve its threefold stability objective: interest rate stability, exchange rate stability, and price stability. In CEMAC, monetary policy is unique and placed under the authority of the Bank of Central African States (BEAC). As stipulated in Article 1 of its statutes, the ultimate objective of the BEAC’s monetary policy is to guarantee monetary stability. Without prejudice to this objective, the BEAC supports the general economic policies formulated by member states.

From an operational point of view, the BEAC conducts its monetary policy by adjusting the supply of money through interventions on the money market (open market). This allows the central bank to purchase public debt securities from commercial banks and increase the supply of money. These operations are carried out with a view to steering short-term interest rates so as to influence longer-term interest rates. Indeed, any change in the central bank’s interest rate affects the interest rates of commercial banks and therefore influences the decisions of economic agents regarding the demand for goods and services. In this sense, the ultimate goal of the BEAC is to maximize the welfare of economic agents. The best response that monetary policy can therefore bring to a productive economy is to ensure low and stable inflation on the one hand and to contribute to the management of economic fluctuations on the other hand.

The Monetary Policy Committee (MPC) is the BEAC’s decision-making body in matters of monetary policy and management of foreign exchange reserves. To achieve the ultimate objective of monetary stability, the MPC uses indirect means of control (rediscounting, open market, key rates), direct means of control (credit framework), and the imposition of reserve requirements. In a monetary union with a fixed exchange rate regime such as the Central African Monetary Union (CAMU), monetary policy would influence the economy through several transmission channels, namely: the money channel, the interest rate channel, the bank credit channel, the expectations channel and the balance sheet channel.

**Source: Author’s reading**

This study aims to analyze the contribution of the monetary policy conducted by the Bank of Central African States to strengthening the resilience of the economy of Cameroon in 2020. More specifically, it examines whether the monetary policy decisions taken by the Monetary Policy Committee (MPC) have influenced the general price level, the average annual percentage rate charged by financial institutions and their deposit and lending operations, as well as the contribution of monetary aggregates to growth.
This report thus examines the socio-economic situation in Cameroon before the Coronavirus 2019 health crisis (I), evaluates the economic and social repercussions of the coronavirus health crisis on the economic situation in Cameroon in 2020 (II), presents the responses of the Bank of Central African States to the economic situation in Cameroon in 2020 (III), analyses the reactions of the economy of Cameroon to the monetary policy decisions of the BEAC in 2020 (IV) and finally formulates some monetary policy recommendations (V).

**Box 2: The Channels of Transmission of Monetary Policy in an Economy**

In theory, monetary policy decisions taken by the central bank affect economic activity and the general price level through several channels. For example, when the central bank lowers its policy rate and encourages banks to create more money, one of the direct consequences in the economy is an increase in available liquidity (the money channel). Economic agents will adjust the level of their cash balances to the level they want. Cash deemed surplus will be spent, increasing overall demand. As interest rate changes affect the price of securities, the balance sheet channel indicates that when rates fall, the price of securities rises and with it the value of the collateral that companies are able to provide in this form to obtain credit from banks.

As for the interest rate channel, the central bank pursues its mandate by either lowering (raising) its key rate when economic conditions are unfavorable (favorable) and inflation is falling (rising). However, when the central bank changes short-term nominal money market interest rates (via its key interest rate changes), agents do not immediately adjust their inflation expectations. Since inflation expectations, and therefore prices, do not adjust instantaneously, a fall (rise) in the short-term nominal rate causes the real interest rate (nominal rate - expected inflation) to fall (rise) in the short term. If the real interest rate falls, households will reduce their savings and consume more, while firms will invest more. The increase in aggregate demand will then boost growth, as long as prices are not adjusted.

According to proponents of the expectations channel, monetary policy decisions on medium- to long-term real interest rates depend on agents’ expectations of future developments in short-term interest rates. If the action of central banks is sufficiently clear and predictable, then rate changes are anticipated by agents. In the event of a fall in short-term interest rates, agents could anticipate a fall in medium- or long-term interest rates that will accompany or even precede the fall in short-term rates. If agents have not anticipated and are therefore surprised by the change in key rates, then everything will depend on the expectations they form regarding the continuation of monetary policy.

Through the credit channel, the monetary policy creates specific redistributive effects, and small and medium-sized enterprises, because of their dependence on commercial banks, are much more sensitive to the inflections given to monetary policy. Considering the credit channel, it is clear that monetary policy can have a significant role in growth without much change in interest rates on the money and financial markets. Through the channel of bank credit, the central bank, therefore, expects its interventions to have an impact on both the demand for and the supply of bank credit.

**Source: Author’s reading**
Cameroon is a small, open, and extroverted economy that is highly dependent on the terms of trade. As a price taker, its export earnings have been permanently affected by regular price fluctuations on international markets. In addition to the exogenous external shocks affecting the economy of Cameroon, the country’s high vulnerability is reflected in the multiple attacks perpetrated by the Boko Haram terrorist sect in the Northern region of the country since 2009, combined with the socio-political crisis that has been raging in the North West and South West since 2016, with more than 500,000 internally displaced persons to its credit, according to the United Nations High Commissioner for Refugees (UNHCR, 2018).

Alongside these security problems, the economic activity took place against a backdrop of a global economic slowdown with the growth of 2.9% in 2019 after 3.6% in 2018, continued recovery in CEMAC with an estimated growth rate of 1.8% in 2019 compared to 1.7% in 2018, and a deceleration in national growth estimated at 3.7% in 2019, after 4.1% in 2018.

1. The Real Sector and Inflation

Economic growth went from 5.9% in 2014 (date of the intensification of the security crisis in the Far North) to 4.5% in 2016 (date of the bogging down of the crisis in the English-speaking regions) to 4.1% in 2019 (before the health crisis linked to the COVID-19 pandemic). This slowdown in activity is mainly due to the underperformance of the non-oil sector, which fell by 0.9 points. Despite this underperformance, the government of Cameroon continues to pursue an expansionary fiscal policy with the objective of completing and ensuring the commissioning of major infrastructure projects. The conclusion of an economic and financial program with the International Monetary Fund (IMF), together with the budget support provided by other technical and financial partners, led to a certain improvement in the primary balance excluding oil, which rose from 7.5% in 2016 to 3.7% in 2019, thus helping to reduce the overall CEMAC Fiscal balance from a deficit of 7.3% of GDP in 2016 to a surplus of 0.7% in 2019.
Inflation remains below the community standard of 3%. Measured by the harmonized index of household consumer prices, it stood at 2.5% in 2019 compared to 0.9% in 2016, mainly due to higher food prices. Non-oil tax revenues rose from CFAF 1,387.1 billion in 2014 to CFAF 1,944 billion in 2019, an increase of nearly 29% over the period.

Figure 1: Composition of Growth Between 2013 and 2019
(Percentage, year-over-year)

2. The External Sector

Between 2014 and 2019, the trade balance deficit improved by 0.81 points from 5.19% in 2014 to 4.38% of GDP in 2019. This performance is mainly the result of the improvement in the balance of services as well as the increase in exports of wood and wood products, cotton, and products of manufacturing industries over the period. There was also a sharp increase in imports of fuels and lubricants due to the prolonged shut-down of production at the national refinery and the decline in agricultural exports linked to the disruption of activities in the production areas of the North West and South West regions. Public debt remained sustainable. Between 2014 and 2019, it rose from CFAF 3,730 billion to CFAF 8,424 billion, to 37.3% of GDP, well below the community standard of 70% of GDP (multilateral surveillance rules of CEMAC).

The main reasons for this public debt over the period relate mainly to the financing of major infrastructure works, security spending, and the reconstruction of the North West and South West regions.

### Table 1: Cameroon’s Budgetary Situation Between 2014 and 2019

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</thead>
<tbody>
<tr>
<td>GDP (in billions of CFA francs)</td>
<td>15,718.2</td>
<td>18,279</td>
<td>17,966</td>
<td>20,309</td>
<td>21,409</td>
<td>22,584</td>
</tr>
<tr>
<td>Outstanding public debt (in billions of CFA francs)</td>
<td>3,730</td>
<td>4,844</td>
<td>4,725</td>
<td>6,255</td>
<td>7,331</td>
<td>8,424</td>
</tr>
<tr>
<td>Outstanding external debt (in billions of CFA francs)</td>
<td>2,530</td>
<td>3,492</td>
<td>3,961</td>
<td>4,625</td>
<td>5,476</td>
<td>6,650</td>
</tr>
<tr>
<td>Exports (in billions of CFA francs)</td>
<td>3,919.5</td>
<td>2,400</td>
<td>1,959.7</td>
<td>1,881.9</td>
<td>1,966.9</td>
<td>2,222</td>
</tr>
<tr>
<td>Non-oil tax revenues (in billions of CFA francs)</td>
<td>1,387.1</td>
<td>1,588.9</td>
<td>1,615.6</td>
<td>1,790.4</td>
<td>1,940.9</td>
<td>1,944</td>
</tr>
<tr>
<td>Budgetary revenues (in billions of CFA francs)</td>
<td>2,530.6</td>
<td>3,022.483</td>
<td>2,986.5</td>
<td>3,143.3</td>
<td>3,175</td>
<td>3,508.5</td>
</tr>
<tr>
<td>External debt service (in billions of CFA francs)</td>
<td>436.7</td>
<td>109.5</td>
<td>335</td>
<td>324.6</td>
<td>373</td>
<td>461</td>
</tr>
<tr>
<td>Outstanding public debt/GDP (%)</td>
<td>23.73</td>
<td>26.50</td>
<td>26.30</td>
<td>30.80</td>
<td>34.24</td>
<td>37.30</td>
</tr>
</tbody>
</table>

*Source: NPI from Cameroon’s LFR 2020 data*
3. The Situation of the Money and Banking Market

In monetary terms, outstanding loans to the economy have increased from 16.34% of GDP in 2016 to 20.61% in 2019. Such a development confirms the IMF’s June 2018 analysis, which indicates that the economy of Cameroon is affected by a high level of debt. The evolution of credit to the economy of Cameroon is largely due to increased commitments by the non-financial private sector and non-bank financial institutions. Table 2 below shows the evolution of the monetary situation of the State of Cameroon between 2014 and 2019.

Table 2: Monetary Situation of the State of Cameroon Between 2014 and 2019

(Consolidated situation of the BEAC, Banks, CCP, AIBE)

<table>
<thead>
<tr>
<th>End of periods</th>
<th>Ext. net assets</th>
<th>Net claims on the State</th>
<th>Domestic credit</th>
<th>Claims on the economy</th>
<th>Total Domestic Credit</th>
<th>Total Counterparts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PNG</td>
<td>Other net claims</td>
<td>Total net claims on the State</td>
<td>NMFI</td>
<td>NFPI</td>
<td>Private Sector</td>
</tr>
<tr>
<td>2,014</td>
<td>1,668,554</td>
<td>-49,716</td>
<td>-203,385</td>
<td>35,774</td>
<td>128,132</td>
<td>2,313,161</td>
</tr>
<tr>
<td>2,015</td>
<td>2,283,246</td>
<td>-102,267</td>
<td>-593,230</td>
<td>32,544</td>
<td>196,327</td>
<td>2,597,054</td>
</tr>
<tr>
<td>2,016</td>
<td>1,438,004</td>
<td>206,478</td>
<td>122,597</td>
<td>39,961</td>
<td>210,760</td>
<td>2,781,190</td>
</tr>
<tr>
<td>2,017</td>
<td>1,970,136</td>
<td>195,857</td>
<td>136,771</td>
<td>67,918</td>
<td>146,147</td>
<td>2,834,414</td>
</tr>
<tr>
<td>2,018</td>
<td>2,069,769</td>
<td>514,007</td>
<td>470,817</td>
<td>60,549</td>
<td>242,766</td>
<td>3,113,616</td>
</tr>
<tr>
<td>2,019</td>
<td>2,361,159</td>
<td>744,982</td>
<td>745,748</td>
<td>53,519</td>
<td>230,024</td>
<td>3,139,219</td>
</tr>
</tbody>
</table>

Source: BEAC (billions of CFA Francs)

Table 3 above shows the evolution of the Net Foreign Assets of the State of Cameroon between 2014 and 2016. An examination of the various amounts shows that as of December 31, 2016, and compared to the same date in 2015, Cameroon’s net foreign assets contracted by 22.5% to 1,706.4 billion. This trend is explained, among other things, by the use of resources raised through the Eurobond and housed in the operations account and the low repatriation of export earnings. Between 2016 and 2019, net foreign assets increased by 17.45%, from CAF 1,706.4
billion as of December 31, 2016, to CFA 2,067 billion as of December 31, 2019. The increase in these external assets is mainly the result of budget support obtained from the World Bank, the French Development Agency, and the European Union following the conclusion of the 2017–2019 economic and financial program with the IMF.

**Table 3: Net Foreign Assets (2014–2019)**
*(In billions of CFA francs)*

<table>
<thead>
<tr>
<th>End of periods</th>
<th>Gross external assets of the BEAC</th>
<th>Gross external registration of the BEAC</th>
<th>External registration of banks</th>
<th>Net foreign assets of the Monetary System</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>End of period</td>
<td>D.T.S.</td>
<td>IMF reserve position</td>
<td>Option account (Credit balance)</td>
</tr>
<tr>
<td></td>
<td>Or</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,014</td>
<td>19.5</td>
<td>11.9</td>
<td>755</td>
<td>768.4</td>
</tr>
<tr>
<td>2,015</td>
<td>19.2</td>
<td>12.6</td>
<td>839</td>
<td>1117.2</td>
</tr>
<tr>
<td>2,016</td>
<td>21.3</td>
<td>12.7</td>
<td>861</td>
<td>356.1</td>
</tr>
<tr>
<td>2,017</td>
<td>21.1</td>
<td>11.8</td>
<td>826</td>
<td>1579.5</td>
</tr>
<tr>
<td>2,018</td>
<td>22</td>
<td>12.2</td>
<td>855</td>
<td>1,945.2</td>
</tr>
<tr>
<td>2,019</td>
<td>26.5</td>
<td>12.4</td>
<td>870</td>
<td>2070</td>
</tr>
</tbody>
</table>

*Source: BEAC*

The government’s net position vis-à-vis the monetary system increased by more than 120.67 percent between 2014 and 2019, from a credit position of CFA francs -154 billion to a debit balance of CFA francs 745 billion. The government’s net position vis-à-vis the B.E.A.C. changed from CFA francs -281 billion in 2014 to nearly CFA francs 119 billion in 2016 as a result of the implementation of infrastructure development and production modernization programs. Claims on the State by money-creating banks increased by nearly 43% over the period, from CFA 480.46 billion to CFA 839.131 billion.
The volume of Cameroon’s money supply rose from CFA francs 3,462.53 billion in 2014 to CFA francs 4,751.9 billion in 2019, an increase of 27.13%. As of December 31, 2019, the balance sheet total of active banks amounted to CFA francs 6,472.40 billion. According to the MINFI (2019), this performance is reflected in the net income recorded and realized by the various players in the banking sector, consisting of 15 banks and 418 microfinance institutions. Total deposits are estimated at nearly CFAF 4,870 billion compared to CFAF 4,175.4 billion in 2018, an increase of 14.26%. Loans granted to customers increased by 4.13% compared to 2018, from CFA F 3,512.9 billion to CFA F 3,664.4 billion. For microfinance institutions (MFIs), the balance sheet total was 32.80% of that of commercial banks. In 2019, the deposits and loans of these MFIs represented 18.50 percent and 22.90 percent of bank deposits and loans, respectively.

Table 4: Government’s Net Position vis-à-vis the Monetary System (2014 - 2019)  
(In billions of CFA francs)

<table>
<thead>
<tr>
<th>End of periods</th>
<th>Government Net Position vis-à-vis the B.E.A.C.</th>
<th>Government Net Position vis-à-vis the IMF</th>
<th>Government Net Position towards banks (BCM &amp; AIBE)</th>
<th>PNG</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Claims</td>
<td>Commitments</td>
<td>PNG to BEAC</td>
<td>IMF Credits</td>
</tr>
<tr>
<td></td>
<td>Advances in C/C (art. 21)</td>
<td>Advances on bills at MT</td>
<td>Consol. Credits on the State</td>
<td>Total</td>
</tr>
<tr>
<td>2014</td>
<td>216</td>
<td>0</td>
<td>0</td>
<td>216</td>
</tr>
<tr>
<td>2015</td>
<td>138</td>
<td>0</td>
<td>0</td>
<td>139</td>
</tr>
<tr>
<td>2016</td>
<td>231</td>
<td>0</td>
<td>0</td>
<td>232</td>
</tr>
<tr>
<td>2017</td>
<td>497</td>
<td>0</td>
<td>577</td>
<td>395</td>
</tr>
<tr>
<td>2018</td>
<td>0</td>
<td>0</td>
<td>577</td>
<td>578</td>
</tr>
<tr>
<td>2019</td>
<td>0</td>
<td>0</td>
<td>577</td>
<td>577</td>
</tr>
</tbody>
</table>

Source: BEAC
During 2019, the BEAC pursued a restrictive monetary policy by keeping its main policy rate unchanged (Tender Interest Rate), as well as the marginal lending facility rate, the marginal deposit facility rate, and the penalty rate for banks. The banking system experienced a 10.6 percent increase in activity as measured by total assets, thanks to the expansion of the banking network to 15 banks in 2019 versus 14 in 2018. The broadly defined banking rate of the labor force reached 45.1 percent in 2019 compared to 44.6 percent in 2018, after 26.8 percent in 2011. The number of Automated Teller Machines (ATMs) increased from 678 in 2018 to 720 in 2019, an increase of 6.2%.

In 2019, Cameroon will have fifteen (15) banks and three hundred and twenty-two (322) branches for a balance sheet total of 6,472.2 billion.

The amount of deposits is 4,890.5 billion for a credit amount of 3,242.5 billion. The central bank’s tender interest rate was 3.5%, and the amount of money in circulation in Cameroon was estimated at CFAF 6,520 billion. The central bank's bidding interest rate was 3.5%, and the quantity of money in circulation in Cameroon was estimated at CFAF 6520 billion.
Figure 2 below shows the evolution of deposits and credits made within banks between 2016 and 2019. It shows that the volume of loans granted to customers rose from 2,865 to 6,472.2 billion between 2016 and 2019 (+1.3%) and deposits collected by banks, an increase of 24.85%. The bank cash position increased by 12% between 2018 and 2019, which explains the very low level of use of advance facilities on December 31, 2019 (BEAC open market operations).

**Figure 2: Operations with Customers (Evolution of Deposits and Loans) of Banks**

(In CFA francs billions)

As for microfinance institutions, the volume of credit granted to clients increased by 2.4 percent between 2018 and 2019 (from CFA francs 385.17 billion to 394.35 billion). Deposits collected from customers increased slightly (0.76%) to CFA francs 518.12 billion in 2019 from 514.22 billion in 2018. The delinquency rate remained unchanged at 18.6% on December 31, 2019. Thanks to its network of 1,670 branches, the sector achieved a financialization rate of 45.1% in 2019. As for the insurance sector, it recorded an appreciable increase in its overall production, with a 4.6% increase in the property and casualty branch and a 6.5% increase in the life branch. As for the financial market, it was marked by the completion of the first phase of the merger of subregional financial market bodies and a renewed dynamism in 2019 on the bond market following this merger.
Figure 3: EMF Customer Transactions (Evolution of Deposits and Loans)

(In billions of CFA Francs)

![Graph showing EMF customer transactions](image)

Source: CERBER States

Figure 4 below shows the change in rates for the different categories of loans granted by banks and financial institutions between 2014 and 2019.

These loans are broken down by type of beneficiary as follows: (i) loans to individuals, (ii) loans to SME, (iii) loans to large enterprise, (iv) loans to legal entities other than SME and Large Enterprises (GE), and (v) loans to public administrations and Decentralized Territorial Communities (CTD).

For banks, the cost of credit to SME, legal entities other than SME and large enterprises, and public administrations and Decentralized territorial communities increased slightly between 2018 and 2019. The average APR for loans granted to SMEs in 2019 was 11.09% compared to 10.26% in 2018, an increase of 0.83 points. For public administrations, the cost of their credits rose from 6.21% to 7.64% between 2018 and 2019, an increase of 1.43 points. Legal entities other than SME and Large Enterprises also see the cost of their credits increase by 0.22 points, from 6.88% in 2018 to 7.10% in 2019.

However, compared to the year 2018, the average APR of credits granted to individuals decreased by 0.83-point in 2019, from 14.62% to 13.79%. The cost of credit granted
to Large Enterprises also decreased from 6.77% to 6.46% between 2018 and 2019, a decrease of 0.31 percentage points. Overall, this analysis shows that the cost of credit granted to individuals was the highest on the market in 2019. The cost of credit for large enterprises, public administrations, as well as legal entities other than SME and large enterprises, remained relatively low during 2019.

Figure 4: TEG Means Practiced by Banks Between 2014 and 2019

![Graph showing changes in rates for various categories of loans granted by financial institutions between 2014 and 2019.]

Source: CNEF

Figure 5 below shows the change in rates for the various categories of loans granted by financial institutions between 2014 and 2019.

These loans are broken down by type of beneficiary: (i) individuals, (ii) SMEs, (iii) large enterprises, (iv) legal entities other than SME and large enterprises (GE), and (v) public administrations and decentralized territorial communities (CTD).

In 2019, the cost of credit granted by financial institutions increased for all types of customers. The most significant increases were recorded for loans granted to individuals (+7.96 points) and
to legal entities other than SME and large enterprises (6.73 points). For individuals, the increase recorded is explained by the rise in the cost of consumer loans other than overdrafts (+4.28 points), medium-term loans (+2.78 points), and real estate loans (+1.66 points).

For legal entities other than SMEs and large enterprises, the increase in the cost of credit granted to them in 2019 results from the granting by financial institutions of guarantees priced at 13.21% compared with leasing priced at 6.48% in 2018.

The average APR for loans to SMEs and large enterprises rose by 1.05 and 1.22 points, respectively. As in 2014, financial institutions did not grant any credit to public administrations, and decentralized territorial communities in 2019.

_Figure 5: Evolution in the Annual Percentage Rate Charged by Financial Institutions Between 2014 and 2019_

_Source: CNEF_
The Money Supply and its Components

Regarding the money supply, it recorded an increase of 34.89%, rising from CFA 3,645.2 billion FCFA in December 2014 to 5,598.7 billion FCFA in February 2019 (+1,953.5 billion FCFA). In terms of the components of M2, bank deposits and currency circulation increased by 25% and 43%, respectively. For its part, quasi-money increased from CFAF 1,312.4 billion in December 2014 to CFAF 1,866.6 billion in December 2018, an increase of 29.69% in February 2019.

Figure 6: Evolution of the money supply and its components (In CFA F billions)

Source: BEAC

4. The Public Securities Market

Medium- and long-term securities (OTA) issuance is particularly buoyant, with a total amount of 240.2 billion raised in 2019, a 95.8% increase over the CFA F 10 billion issued in 2014.

Issues of Assimilable Treasury Bills (BTA) rose from CFAF 145 billion in 2014 to CFAF 403.01 billion in 2019, an increase of 64.02%.

Issuance on the auction market remained concentrated on instruments with short maturities, mainly 26-week BTA.
Figure 7: Evolution of Issues by Auction of BTA and OTA
(in billions of CFA francs)

Source: BEAC & CRCT

Figure 8 below shows the change in outstanding public securities in 2018 and 2019 (in billions of CFA F). It shows that outstanding debt on the public securities market (BTA and OTA) of the government of Cameroon recorded a sharp increase in 2019. It reached CFAF 436.2 billion, an increase of 76.61 percent year-on-year (from CFAF 102 billion in December 2018 to CFAF 436.2 billion in December 2019).
Observing the distribution of outstanding securities by country of residence of final holders in CEMAC, it appears that investors based in Cameroon are the most committed to public securities, with an outstanding amount at the end of 2019 of FCFA 1,011.3 billion, or 48.5% of total outstanding securities.
The total amount of repayment made by the Treasury during 2019 amounts to CFA F 309 billion, on behalf of the BTA. This repayment is higher than the amount recorded in 2018, which amounted to FCFA 246 billion. As a result of the increase in demand, the weighted average interest rate of the BTA stood at 2.49% (against 2.26% in 2016), below the bidding interest rate (TIAO) set at 3.50%. The average yield on OTA in 2019 is estimated at 4.62%, 1.12 points above the TIAO.

Overall, prior to the coronavirus health crisis, Cameroon’s macroeconomic performance in 2019 was rather favorable, although the country is facing many difficulties related to security problems in the far North, North–West, and South–West; the late implementation of new fiscal measures and the financial difficulties of the National Refinery Company (SONARA), whose suspension of production in June 2019 has significantly impacted short-term growth prospects.

The observed slowdown in economic growth (3.7% in 2019 compared with 4.1% in 2018) is mainly due to the underperformance of the non–oil sector, which recorded a 0.9-point decline compared to 2018. As for public debt, it rose from 28.8 percent of GDP in 2014 to
38.3 percent, an equivalent increase of more than 10 percentage points. This debt remains sustainable, but the risk of debt distress remains high, according to the IMF (2019).

Moreover, according to the statistics of the Collection, Operation and Restitution System and to the Banks of the Regulatory States (CERBER) in 2019, the banking system’s activity has evolved appropriately, with a 10.6 percent increase in banks’ balance sheet total, a 9.6 percent increase in customer deposits, and a slight increase of 1.7 percent in bank loans.

The quality of the banks’ loan portfolio also improved, resulting in a 13.1 percent reduction in net delinquent loans. The activity of financial institutions was characterized by a slight 0.4% decline in total assets, a 5.4% increase in loan volume, a 10.3% increase in deposits, and an improvement in the quality of the loan portfolio; non-performing loans declined by 7.7%. Off-balance sheet activity improved under all headings, with the exception of foreign currency transactions, which are structurally zero.

In the microfinance sector, the balance sheet total for all institutions declined by 7.1 percent. In contrast, deposits increased by 0.8 percent and loans by 2.4 percent.
Table 6: Trends in some Key Indicators in the Cameroonian Economy (2016 - 2019)

Source: NPI from MINFI data
The health crisis due to the spread of COVID-19 has affected the economy of Cameroon for several reasons, including the decline in government transfers to households; the reduction in government public orders to businesses; the difficulties of economic agents (households & businesses) in paying their tax obligations; difficulties in repaying loans to the banking sector; and the postponement of investments due to the decline in savings.

This slowdown in economic activity, which can be explained by the containment measures enacted by the government and the World Health Organization (WHO) to curb the spread of the disease, has resulted in the disruption of intra-community, continental, and global trade; the deterioration of macroeconomic accounts; rising inflationary pressures; a decline in external financing and the weakening of external and financial stability.

Faced with the economic and social repercussions of the pandemic, the Cameroon government was forced to revise its 2020 Finance Law by reducing its overall budget by nearly CFA F 542.6 billion (-11%).

This follows a 5.1% decline in growth prospects for the fiscal year 2020 (-1.1% as of June 3, 2020, compared to the 4% initially forecast). More specifically, the underperformance of the economy of Cameroon was the result of the downward revision of domestic revenue mobilization targets by CFAF 768.65 billion (from the initially planned CFAF 3,719.2 billion to CFAF 2,950.54 billion, a decrease of 21.2%). The drop in budget revenue was linked to the sharp fall in oil prices, which led to a reduction of about 14.3% on the initial oil revenue forecasts, as well as the drop in tax revenue of nearly CFAF 587.35 billion due to the closure of borders and the slowdown in business activity.

The overall fiscal balance had thus deteriorated to 4.5% in 2020 compared to 1.5% initially.
According to MINEPAT (2020), nearly 90% of companies believe they are negatively affected by the containment measures put in place to slow the spread of the disease. These restrictive measures have led to a drop in demand of more than 94.2% due in particular to supply difficulties (76%) and external financing difficulties (72%), as well as a drop in production of nearly 82.6% due to a 95.5% drop in company sales and a 52.8% reduction in the number of private-sector employees. As for households, 65% were affected by a decline in their activity, and 75% saw a drop in their income.

According to INS (2020), the health crisis related to COVID–19 did not have a significant impact on the general price level in the first quarter of 2020 in Cameroon. Consumer prices changed by only 0.5% between the 4th quarter of 2019 and the 1st quarter of 2020. On average, over the last twelve months, inflation in the city of Yaoundé stood at 2.3% in September 2020 against 2.4% in Douala. This increase on average over the last twelve months was also felt in other cities in the country; the largest increases were observed in Bamenda (4.3%), Buea (3.8%), and Bafoussam (3.0%). The cities of Garoua (2.1%), Ngaoundere (2.1%), Bertoua (1.8%), Ebolowa (1.8%), and Maroua (1.7%) recorded an increase below the national level.
Between August and September 2020, the household CPI in the cities of Yaounde and Douala would have increased by 0.2%. Year-on-year inflation in Yaounde was estimated at 2% in September 2020 and 2.3% in Douala. The NIS attributes this price increase to the rise in prices of food products and non-alcoholic beverages (3.1%), restaurants and hotels (5.4%), clothing (2.8%), fruits (7.8%), vegetables (2.7%), bread and cereals (2.7%) to name but a few.

In the second quarter of 2020, the NIS indicates that consumer prices rose by 0.6%, reaching an annual average of 2.5% compared to 2.4% in 2019.

**Figure 11: Increase in Consumer Prices in the First Quarter of 2020 in Cameroon’s Main Cities**

Several other factors explain the vulnerability of the economy of Cameroon in 2020. These are the decline in global demand estimated at about -4.9%, the fall in oil prices to US$37 per barrel; the strengthening of external financing constraints, Official Development Assistance (ODA), and transfers from non-residents. Indeed, Cameroon is a small open economy, extroverted, and highly dependent on the terms of trade. Consequently, it is a price taker and cannot influence prices on world markets. As endogenous factors, we mainly cite the decline in domestic demand as well as the decline in the supply and productivity of companies.
For the BEAC, whose ultimate objective is to guarantee monetary stability, it is essential to provide a coherent response to the unfavorable economic situation caused by the pandemic on activity and prices. It generally supports the general economic policies drawn up by the Member States and announces (on a periodic basis of three months or less) what it will do with regard to the evolution of the main macroeconomic accounts and the international economic environment.

1. Decisions of the Monetary Policy Committee

1.1. The Decisions of March 25, 2020

On March 25, 2020, BEAC announces that it will not intervene in the money market as part of its main operation from March 26 to April 2, 2020 (one week). The central bank also indicated that there was the possibility for credit institutions in need of financing to satisfy their requests by presenting themselves at the marginal lending facility window under the usual conditions below:

- Tender Interest Rate (TIAO): 3.5%

1.2. The Decisions of March 27, 2020

At the end of the March 27, 2020 PMC meeting, the BEAC announced a series of monetary and macro-financial measures aimed at reducing the extent of the crisis on the CEMAC economies. In a context marked by the slowdown in economic activity in relation to the health crisis and the poor performance of the oil sector, the central bank decided to ease monetary policy by softening the conditions of access to liquidity for credit institutions. These easing measures, which

- Marginal lending facility rate (TFPM): 6%
- Weighted average interbank rate (TIMP): 3.56%

In addition, under the supervision of the BEAC, the Central African Banking Commission (COBAC) informed banks in the subregion that they could use their 2.5% capital conservation cushions to absorb losses related to the pandemic but asked banks to adopt a restrictive policy on dividend distribution.

IV. Bank of Central African States Response to the Economic Situation in Cameroon in 2020
are aimed primarily at credit institutions in a situation of refinancing dependency, mainly concern:

- The suspension of the liquidity resumption operation decided on February 7 by the Monetary Market Committee, and the consequent increase in the volume auctioned
- The 52% increase in the weekly liquidity that can be granted to banks (from CFA francs 240 billion to CFA francs 500 billion)
- The decrease in the Tender Interest Rate (TIAO) by 25 basis points to 3.25%
- The decrease in the marginal lending facility (TFPM) rate by 100 basis points to 5%
- Suspension of absorption operations
- The increase of the liquidity provision from CFA Francs 240 to CFA Francs 500 billion
- Broadening the range of private instruments accepted as collateral in monetary transactions

In addition, the BEAC has decided to suspend cash sterilization operations in favor of refinancing the banking system in order to anticipate the effects of this crisis on the CEMAC economies. At the same time, it decided to increase the amount of the overall envelope that could be made available to credit institutions, all facilities combined, to 500 billion. In April 2020, after the liquidity withdrawal parenthesis, the average volume of liquidity injected by the Issuing Institute into the banking system was 266.4 billion compared to 361.2 billion a year earlier. However, these operations resulted in low subscription rates by commercial banks, whose overall amount varied between CFA francs 32 and CFA francs 71 billion, mainly due to the excess liquidity of some of these banks at the time of the outbreak of the crisis.

1.3. The Decisions of June 23, 2020

In a press release issued at the end of its meeting of June 24, 2020, the BEAC Monetary Policy Committee decided to keep the following the same: The Tender Interest Rate (at 3.25%), the marginal lending facility rate (at 5%), the deposit facility rate at (0.00%), and the reserve requirement ratios (at 7%) for demand liabilities and 4.50% on term liabilities. The bank has also adopted the modalities for the implementation of its decision taken in March 2020 to ease the conditions for private and public collateral to BEAC refinancing operations in order to facilitate bank financing of the economy.

1.4. The Decisions of July 22, 2020

On July 22, 2020, the Central Bank announces a set of measures relating to the repurchase
of state debt over the next six months. The Monetary Policy Committee (MPC) has set the maximum overall envelope of this program at CFAF 600 billion for the entire CEMAC region and the maturity of government securities at a maximum of 10 years. The challenge is to ensure full coverage of government securities issues in the second half of 2020 while complying with the BEAC charter, which prohibits direct monetary financing.

In addition, the MPC has supported the intention to reduce the haircuts applicable to private instruments accepted as collateral for refinancing operations and postponing by one year the repayment of principal on consolidated central bank credits to member states, but these possible additional measures are not yet effective. Effective measures include interest rate policy, which through higher intermediation volumes and lower credit risk for borrowers, would be associated with somewhat more favorable macroeconomic developments. The MPC also decided to resume long-term liquidity operations in order to provide credit institutions with the stable resources they need to cover their medium- and long-term uses.

1.5. The Decisions of September 10 and 30, 2020

On September 10, 2020, the BEAC launched a liquidity injection operation on the money market in the amount of CFA Francs 250 billion. The main objective of this one-week liquidity injection operation on the money market was to provide support to economic agents with a view to stimulating investment and boosting consumption, given the difficult economic situation linked to the COVID-19 pandemic.

On September 30, 2020, the BEAC’s Monetary Policy Committee announced that it is maintaining the accommodative stance of its monetary policy by renewing the following intervention conditions: The TIAO (at 3.25%), the marginal lending rate (at 5%), the deposit facility rate (at 0.00%), and the reserve requirement ratios (at 7%) for demand liabilities and 4.50% on term liabilities. The BEAC is thus trying to come to the rescue of economic agents seeking financing in order to mitigate the adverse effects of the Coronavirus pandemic by conducting an accommodative monetary policy.
2. The Evolution of the Cameroon Money Market

Depuis en avril 2020, tous les principaux taux des opérations hebdomadaires de l’Institut d’Émission ont connu une tendance baissière par rapport à leur niveau à la même période un an auparavant. En particulier, le taux minimum des soumissions est revenu d’une moyenne de 4,93 % en avril 2019 à 3,25 % correspondant au principal taux directeur, le TIAO, une année plus tard. De même, le taux maximum a baissé de 5,60 % en avril 2019 à 4,31 % en avril 2020 et le taux marginal, de 5,39 % jusqu’à atteindre le TIAO, soit 3,25 % au cours de la même période.

S’agissant des taux moyens pondérés, celui des montants adjugés s’est situé à une moyenne de 3,61 % en 2020 contre 5,52% en 2019, tandis que celui des soumissions est revenu de 5,38 % en 2019 à 3,61 % en 2020. Sur le marché interbancaire, les principaux taux d’intérêts pratiqués ont oscillé entre 2,75 % et 6,50 % pour les opérations en blanc et entre 3,00 % et 9,00 % pour les opérations de pension-livrée. Le taux interbancaire moyen pondéré de référence (TIMP à 7 jours) des opérations en blanc s’est établi à 3,56 % contre 4,85 % un an plus tôt, tandis que celui des opérations de pension-livrée s’est situé à 5,00 % en fin avril 2020 contre 4,25 % l’année précédente.

Le dynamisme du compartiment primaire du marché des valeurs du Trésor public camerounais s’est consolide au cours de la période. Sur le segment BTA, les taux ont légèrement baissé passant de 2,66 % à 2,56 % entre avril et septembre 2020. S’agissant des OTA, le taux a augmenté de 3,76 % à 5,1 % sur la période. Le montant global de l’enveloppe sollicité par l’État du Cameroun sur le marché monétaire au lendemain de la survenue de la crise sanitaire c’est-à-dire le 08 avril 2020, se chiffre à 220 milliards de F.CFA. La première tranche de cette intervention de l’État du Cameroun sur le marché monétaire d’un montant de 170 milliards s’est déroulée en trois émissions. La première émission a permis de mobiliser 50 milliards de FCFA, remboursables en cinq (5) ans, avec un taux d’intérêt de 5,7%. Les deux autres émissions de l’ordre de 70 et 50 milliards ont respectivement été programmées pour les 15 et 29 avril 2020 pour des maturités respectives de 3 et 5 ans. En ce qui concerne les 50 milliards restants, leur émission est prévue pour le quatrième (4ème) trimestre de l’année 2020.

Les titres y relatifs se présentent sous la forme d’obligation du Trésor Assimilables (OTA) dématérialisés d’une valeur de 10.000 FCFA de diverses maturités (2 ans, 3 ans et 5 ans), remboursables in fine en (2022, 2023 et 2025). Les intérêts sont payables annuellement sur la base du taux exprimé.

1. The BEAC relies on monetary programming to set the growth targets for monetary aggregates and refinancing compatible with the economy’s financing needs. It determines the volume of liquidity to be injected into or withdrawn from each State, under the constraint of preserving the major macroeconomic balances by using two instruments: interest rate policy and refinancing objectives.
In a context marked by the persistent health crisis linked to the COVID-19 pandemic, the Cameroon market for government securities issued by auction is characterized by continued dynamic operations on the primary and secondary markets, lower emission coverage rates, and an increase emission costs, mainly long instruments, which were particularly in demand during this period.

Daily liquidity injections into the economy of Cameroon rose from CFAF 34.5 billion on September 3, 2019, to CFAF 36.4 billion on September 3, 2020, representing a 5.34% year-on-year increase. This increase is due to increased refinancing requests from certain credit institutions in need of liquidity. The 7-day weighted average interbank rate (TIMP) for unsecured and collateralized operations/repurchase transactions decreased between March and August 2020 from 4.85% to 3.50%, while the 7-day weighted average interbank rate (TIMP) for collateralized operations/repurchase transactions increased from 4% to 4.50%. This development reflects the weak integration of national banking systems into the central bank’s policy in a context increasingly marked by significant fluctuations in economic activity.
Figure 12: Evolution of the Money Market in Cameroon in 2020

**Figure 12**

**EVOLUTION OF THE 7-DAY WEIGHTED AVERAGE INTERBANK RATES**
(Between January and August 2020)

**DAILY CHANGES IN LIQUIDITY INJECTIONS OF BEAC**
(In percentage of deviation, year-on-year)

**Interbank transactions (January to February 2020)**

**Volume of BEAC intervention on the money market**
(In millions)

Source: BEAC
Box 3: BEAC’s money market interest rate structure

The interest rate structure on the CEMAC money market is as follows:

- **Interbank market rates** (TIMP) are completely free and are determined by the law of supply and demand, without intervention by the BEAC.

- The **Tender Interest Rate** (TIAO) is set by the Monetary Policy Committee within the framework of “French-style” tender operations, taking into account both internal and external economic conditions. It is the Bank’s main key rate. Resulting from market forces, the interbank market interest rate is an informer for the public authorities on the monetary situation, and a guide for economic action. For this reason, the cost of the central bank money made available to the banking system should, as far as possible, take into account the rates charged on the interbank segment of the money market.

- The **Reverse Repurchase Agreement Interest Rate** (TIPP) is equal to the tender rate increased by 1.5 to 3 basis points.

- The **Penalty Rate** (TP) is borne by credit institutions in the event of serious breaches of banking regulations, credit distribution rules, and, exceptionally, in the event of an eligible paper default.

- The **interest rate on one-off interventions** (TISIP) is lower than the penalty rate (TP) and higher or equal to the interest rate on repurchase agreements (TIPP).

- The **interest rate on exceptional advances** guaranteed by the delivery of investment certificates is equal to the TIAO.

- The **Interest Rate on Investments** (TISP) of credit institutions set by the Monetary Policy Committee in the context of “French-style” negative tender operations, taking into account changes in both internal and external factors so as to limit capital outflows without creating a depression in interbank transactions. This rate varies according to the maturity dates (7, 28, and 84 days).

- **The rates for advances to the Treasuries** are handled under the same conditions as the rates for advances to credit institutions. There are three types of interest rates on assistance to States: The rate of advances to the Treasuries within statutory advances, which is equal to the TIAO supported by banks; the rate of advances in excess of statutory ceilings (penalty rate to the Treasuries); the interest rate applicable to consolidated assistance to the States.

Source: BEAC
V. The Reactions of the Economy of Cameroon to BEAC’s Monetary Policy Decisions in 2020

1. The Evolution of the General Price Level

Figure 13 below shows the year-over-year growth rate of inflation between August 2019 and September 2020, which compares the inflation growth rate in a given month to that of the same month in the previous year. Although the year-on-year inflation rate in 2020 remains below the community standard of 3%, the overall picture is that prices have not remained stable since March 2020. The consumer price index would have evolved by 8% year-on-year in April 2020, -4% in May 2020, 2.7% in June, 1.8% in July 2020, 1.9% in August 2020, and 2% in September 2020. The rise in the general price level observed in the third quarter of 2020 would result from the rise in oil prices, the relaxation of anti-COVID-19 measures (containment and restriction of movement), and the initial effects of the measures taken by the government and the central bank to support economic activity.

Despite the coronavirus 2019 health crisis, inflationary pressures are on the rise but remain contained below the community threshold of 3%. In September 2020, the year-on-year consumer price index would have risen by 2 percentage points.
Figure 13: Consumer Price Index (August 2019 - September 2020)
(Percentage, year-over-year)

Source: Author based on data from INS-Cameroon

2. Evolution in the Annual Percentage Rate Charged by Banks

Table 7 below shows the change in the annual percentage rate charged by banks between 2014 and 2020 (1st half and 2nd half of 2020). As a reminder, due to the pandemic linked to the spread of the new coronavirus and its economic and social repercussions in CEMAC, the BEAC has downgraded the level of its Tender Interest Rate from 3.5% to 3.25% since March 2020. This decrease has had repercussions on the annual percentage rate charged by banks and financial institutions during the second half of 2020. On average, the cost of credit granted by banks has changed slightly between the first and second halves of 2020 for SME, legal entities other than SMEs and large enterprises, and public administrations and decentralized territorial communities.

For the second half of 2020, in a press release signed by the MINFI on April 30, 2020, the average APR of loans granted to “individuals” for consumer credit (other than overdrafts) is set at 11.20% compared to 12.14% in the first half of 2020, a decrease of 0.94 percentage points.
The authorized rates for real estate loans decreased by 1.52 percentage points from 11.7% to 10.18% between the first and second half of 2020.

Medium- and long-term loans have been reduced by 0.76 percentage points. The overdrafts, on the other hand, experienced an increase, albeit a small one of 0.27 points.

Loans granted to SMEs generally increased in price between the first and second halves of 2020. The rates for cash loans (other than overdrafts) rose from 12.93% to 13.12%, an increase of 0.19 points; the overdraft rates were 11.47% in the second half of the year compared with 10.78% in the first half, an increase of 0.69 points. The cost of factoring has increased by 2.1 points, guarantees by 0.48 points. The most expensive is leasing (20.97% in the second half of the year versus 15.78% in the first half) and bill discounts (20.70% versus 7.43% in 2018). Only the rates granted for medium-term loans decreased by 5.32 points from 15.5% to 10.18%.

For Large Enterprises, the cost of cash credits (other than overdrafts) decreased from 12.93% to 6.16% between the first half of the year and the second half of 2020, a decrease of 6.77 percentage points.

Long-term credits have fallen sharply from 15.78% to 4.82%, a decrease of 10.96 percentage points. One of the objectives is to give greater flexibility to entrepreneurs who have been severely compromised by the crisis by encouraging them to invest in a context marked by the economic slowdown. The most significant increases were observed in leasing (7.02 points) and factoring (7.02 points). The rate of guarantees increased slightly from 1.83% to 2.20%, that is, by 0.37 points.

The costs of credits granted to individuals have decreased slightly between the first and second half of 2020, which could explain the increase in the household final consumer price index of nearly 0.4% in April 2020. These costs remained high overall compared to those of other categories of credit institution customers.

The cost of credit granted to SMEs increased between the first and second half of 2020, further penalizing the activities of companies deeply affected by the coronavirus health crisis.
For large enterprises, long-term credits have seen a very sharp drop from 15.78% to 4.82% between the first and second half of 2020, that is, a decrease of 10.96 percentage points. The cost of credit granted to companies, public administrations, as well as legal entities other than SME and large enterprises have globally experienced a downward trend between the 1st and 2nd semesters of 2020. However, this decrease remains very low to revive economic activity.

For legal entities other than SME and large enterprises, the cost of credit decreased on average between the two half-years, mainly due to a decrease: in the cost of consumer credit (other than overdrafts) by 6.66 points, in the overdraft rate by 1.66 points, and in the medium-term credit rate by 1.66 points. Easing the cost of credit granted to individuals will certainly be offset by the increase in the cost of guarantees (+2.32 points). Interest rates on loans to public administrations and Decentralised territorial communities remained virtually unchanged between the first and second halves of 2020. Only the rates for cash loans (other than overdrafts) and guarantees have changed. The cost of cash credits (other than overdrafts) dropped sharply from 15.68% in the first half of 2020 to 4.13% in the second half of 2020, a decrease of 11.55 percentage points.

The deposit rate decreased by 0.74-point over the period.
Table 7: Evolution of Average Annual Percentage Rates by Banks Between 2014 and 2020 (in percentage)

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Table 8 below shows the change in the annual percentage rate applied by financial institutions between 2014 and 2020 (first half and second half of 2020). The largest increases are noted on the rates for loans granted to large enterprises under the heading of cash loans (other than overdrafts), which rose from 10.52% to 25.30%, that is, an increase of 14.78 percentage points, followed by rates for housing loans to individuals, which rose from 7.37% to 16.25% (+8.88 points). In the category “loans to legal entities other than SME and large enterprises,” the rates for leasing increased by 4.77 points from 16.86% to 21.63% between the first and second half of 2020.

The largest decrease concerns medium-term loans in the category of SME, whose overall effective rate decreased from 18.02% to 13.89% between the first and second halves of 2020, that is, a decrease of 4.13 points. The other rates affected by these changes in the “loans to individuals” category are consumer loans (+0.18 points), medium-term loans (+2.77 points), and leasing (4.2 points). In the “Loans to SME” category, these changes concern: short-term loans (-1.91 points), medium-term loans (-3.3 points), leasing (-3.3 points).
Overall, changes in the average annual percentage rates charged by financial institutions in the second half of the year declined only for loans to SMEs, although they still remain very high given the current economic environment. Paradoxically, APR for loans to individuals, small and medium-sized enterprises, and large enterprises remain high in the banking market; this could question the impact of changes in the Central Bank Tender Interest Rate (TIAO) on financial institutions’ lending decisions.

**Table 8: Evolution of Average Annual Percentage Rate by Financial Institutions Between 2014 and 2020 (in percentage)**

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<td>12.65</td>
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### LOANS TO LEGAL PERSONS OTHER THAN SME AND LARGE ENTERPRISES

| Consumer credits, other than overdraft       | 19.26 |       |       |       |      |      |       |       |       |
| Découverts                                  |       |       |       |       |      |      |       |       |       |
| Medium-term credit                          |       |       |       |       |      |      |       |       |       |
| Long-term credit                            |       |       |       |       |      |      |       |       |       |
| Housing credit                              | 7.89  | 5.96  | 6.61  |       | 6.15 | 6.15 |       |       | 4.77  |
| Leasing                                     | 17.8  | 8.22  | 6.29  | 6.48  | 16.86| 21.63|       |       |       |
| Guarantees                                  |       |       |       |       |      |      | 13.2  |       |       |

### LOANS TO DECENTRALISED PUBLIC ADMINISTRATIONS AND TERRITORIAL COLLECTIVITIES

| Consumer credits, other than overdraft       |       |       |       |       |      |      |       |       |       |
| Overdraft                                   |       |       |       |       |      |      |       |       |       |
| Medium-term credit                          |       |       |       |       |      |      |       |       |       |
| Long-term credit                            | 2.2   | 2.2   | 2.2   |       |      |      |       |       |       |
| Leasing                                     | 19.18 | 14.58 | 14.58 | 14.58 |       |      |       |       |       |

Source: Calculation of the NPI from CNEF data. Empty cells indicate the credit categories for which credit institutions did not record transactions during the period.
Box 4: Definition and Calculation Formula of Annual Percentage Rate in Accordance with Article 4 of Regulation No. 1/CEMAC/UMAC/CM, on Various Provisions Relating to the Annual Percentage Rate and the Publication of the Bank Terms and Conditions of October 2, 2012

The Annual Percentage Rate of a loan or of any agreement establishing a loan of money, of any nature whatsoever, is an annual rate, proportional to the rate of the period calculated in arrears. It is expressed as a percentage, with an accuracy of two decimal places. The overall effective rate is obtained by applying the following formula:

$$\sum_{k=1}^{k=m} \frac{A_k}{(1 + i)^{tk}} = \sum_{p=1}^{p=n} \frac{A_p}{(1 + i)^{tp}}$$

With:

- $i$: the annual percentage rate of charge, which may be calculated (either by successive approximations or by a computer program) when the other terms of the equation are known by the contract or otherwise
- $k$: the serial number of a loan
- $m$: the serial number of the last loan
- $A_k$: the amount of the loan $k$
- $tk$: the interval of time, expressed in years and fractions of years, between the date of loan number 1 and those of subsequent loans number 2 to m
- $p$: the serial number of a maturity date and a payment of charges
- $n$: the serial number of the last maturity date or the last payment of charges
- $A_p$: the amount of the due date or payment of charges number $p$.
- $tk$: The time interval, expressed in years and fractions of years, between the first release and the due date or payment of charges number $p$.

Loan intervals must be expressed in years and fractions of years.
Amounts paid on either side at different times are not necessarily equal and are not necessarily paid at equal intervals.

The initial date is that of the first loan.
The result of the calculation is expressed with an accuracy of two decimal places.

Source: COBAC
3. The Evolution of Monetary Aggregates in Cameroon

Between March 2020 and September 2020, the evolution of these monetary aggregates was characterized by (i) a decline in net foreign assets of 8.16%, from 2444.1 CFA francs billion to CFA francs 2259.6 billion; (ii) an increase in domestic credit of 15.01%, from 4066.1 CFA francs billion to CFA francs 4784.4 billion; and (iii) an increase in the money supply of 7.47%. The BEAC has maintained its bidding interest rate at 3.25% compared to 3.5% before the health crisis. Broad money and credit to the economy have thus increased since the beginning of the health crisis despite the slowdown in economic activity.

3.1. The Net Foreign Assets of the Monetary System

In September 2020, Cameroon’s net foreign assets stood at CFA 2259.58 billion or 10.24% of GDP. These net foreign assets are made up of the gross external assets of the BEAC, official external commitments, and the net external position of credit institutions. This decline would result from the fall in oil prices on international markets and the drop in export revenues following the closure of borders. At the level of BEAC, net foreign assets increased by 0.65%, from CFAF 2244.8 billion in March 2020 to CFAF 2259.6 billion in September 2020 (CFAF +14.8 billion). The official external commitments of the central bank recorded an increase in their net foreign assets of about 18.29%, with an outstanding amount of CFAF 603.816 billion in March 2020 against CFAF 739 billion in September 2020 (CFAF +135.2 billion). For primary banks, net foreign assets recorded a decline of about 15%, with an outstanding amount of CFAF 308.5 billion at the end of 2015 against CFAF 354.8 billion in September 2020 (CFAF 46.3 billion).

The increase in Cameroon’s net foreign assets vis-à-vis the monetary system between March and September 2020 is explained by the increase in the BEAC’s gross external assets (CFA francs +14.8 billion), combined with the increase in official external commitments (CFA francs +135.2 billion) and a decrease of nearly 15% in banks’ external assets. This increase would be explained by the important financial support received from international donors (ADB, World Bank, and IMF) and the slowdown of international trade following containment measures to contain the spread of the pandemic.
3.2. Domestic Credit

In September 2020, Cameroon’s domestic credit stood at CAF 4,784.4 billion or 21.68% of GDP. This domestic credit is made up of credits to the economy and net claims on the State. Claims on the economy rose to CAF 3,455.3 billion in March 2020 against CAF 3,553.9 billion in September 2020, an increase of 2.77%. The net credit position of the State vis-à-vis the banking system increased by 50.4% to CAF 610.7 billion at the end of March 2020 against CAF 1,230 billion at the end of September 2020, mainly due to the disbursement of budget support obtained within the framework of the economic and financial program in progress with the IMF; the mobilization of public securities of nearly 638 billion Treasury bonds; the financing of security crises as well as the health crisis; the acceleration of work on major infrastructure projects as well as drawdowns from the emergency funds to support the fight against COVID-19.

In 2020, the monetary situation remains dependent on the increase in credits to the economy and net claims on the State. The Government Net Position (PNG), a creditor vis-à-vis the monetary system in the broad sense, strengthened to CAF 1,204.7 billion at the end of September 2020 against CAF 931.5 billion at the end of March 2020, an increase of 22.67%. The Government Net Position vis-à-vis the BEAC also remains creditworthy, standing at CAF 109.7 billion in September 2020 against CAF 69.408 billion in March 2020. At the level of banks, gross outstanding loans stood at CAF 1,204.7 billion in September 2020 against CAF 931.5 billion in March 2020, an increase of 22.67%. The Government Net Position (PNG) towards the banks thus came out crediting CAF 273.2 billion.
Figure 14: Evolution of the Money Supply and its Components
(January and March 2020)

The money supply increased by 8.5%, from CFAF 6790.4 billion in March 2020 to CFAF 7052.3 billion in September 2020 (+ CFAF 261.9 billion). Year-on-year, the money supply recorded an increase of 1.14 points from 12.79% in March 2020 to 14.20% in September 2020. In terms of the components of the money supply (M2), currency in circulation (paper and coins) increased by 2.4%; the relative share of deposits in the money supply decreased by 6.31% from CFAF 3,522.6 billion to CFAF 3,759.8 billion. Quasi-money increased by 5.32 percent between March 2020 and September 2020, from CFAF 3522.6 billion. In 2020, bank liquidity thus improved between March and September, rising from 29.54% of GDP to 31.93%.

Source: BEAC
Table 9: Monetary Situation of Cameroon (December 2019 - September 2020)

| Month   | GDP       | NET FOREIGN ASSETS | DOMESTIC CREDIT | MONEY SUPPLY (in the broad sense) | Net claims on the State | Credit to the economy (any) | Money supply (% of GDP) | Money supply growth | Net foreign assets (in % of GDP) | Net foreign asset growth | Domestic credit (% of GDP) | Domestic credit growth | Total net claims on the State | Contribution to money supply growth | Contribution to net foreign assets growth | Contribution to the growth of domestic credit | Contribution to the growth in credits to the economy |
|---------|-----------|--------------------|-----------------|-------------------------------|-------------------------|----------------------------|--------------------------|----------------------|-------------------------------|--------------------------|--------------------------|-----------------------------|--------------------------------|----------------------------------|-------------------------------------|------------------------------------------------|
| Dec-18  | 21384.1   | 2069.8             | 2435.3          | 34972.2                       | 34470.0                 | 2149.0                     | 34470.0                  | 8.76                 | 3.04                           | 0.45                     | 19.42                    | 0.05                        | 2.53                           | -0.10                           | -0.11                                | 0.07                                           |
| Jan-19  | 21384.1   | 2069.8             | 2435.3          | 34972.2                       | 34470.0                 | 2149.0                     | 34470.0                  | 8.76                 | 3.04                           | 0.45                     | 19.42                    | 0.05                        | 2.53                           | -0.10                           | -0.11                                | 0.07                                           |
| Feb-20  | 21384.1   | 2069.8             | 2435.3          | 34972.2                       | 34470.0                 | 2149.0                     | 34470.0                  | 8.76                 | 3.04                           | 0.45                     | 19.42                    | 0.05                        | 2.53                           | -0.10                           | -0.11                                | 0.07                                           |
| Mar-20  | 21384.1   | 2069.8             | 2435.3          | 34972.2                       | 34470.0                 | 2149.0                     | 34470.0                  | 8.76                 | 3.04                           | 0.45                     | 19.42                    | 0.05                        | 2.53                           | -0.10                           | -0.11                                | 0.07                                           |
| Apr-20  | 21384.1   | 2069.8             | 2435.3          | 34972.2                       | 34470.0                 | 2149.0                     | 34470.0                  | 8.76                 | 3.04                           | 0.45                     | 19.42                    | 0.05                        | 2.53                           | -0.10                           | -0.11                                | 0.07                                           |
| May-20  | 21384.1   | 2069.8             | 2435.3          | 34972.2                       | 34470.0                 | 2149.0                     | 34470.0                  | 8.76                 | 3.04                           | 0.45                     | 19.42                    | 0.05                        | 2.53                           | -0.10                           | -0.11                                | 0.07                                           |
| Jun-20  | 21384.1   | 2069.8             | 2435.3          | 34972.2                       | 34470.0                 | 2149.0                     | 34470.0                  | 8.76                 | 3.04                           | 0.45                     | 19.42                    | 0.05                        | 2.53                           | -0.10                           | -0.11                                | 0.07                                           |
| Jul-20  | 21384.1   | 2069.8             | 2435.3          | 34972.2                       | 34470.0                 | 2149.0                     | 34470.0                  | 8.76                 | 3.04                           | 0.45                     | 19.42                    | 0.05                        | 2.53                           | -0.10                           | -0.11                                | 0.07                                           |
| Aug-20  | 21384.1   | 2069.8             | 2435.3          | 34972.2                       | 34470.0                 | 2149.0                     | 34470.0                  | 8.76                 | 3.04                           | 0.45                     | 19.42                    | 0.05                        | 2.53                           | -0.10                           | -0.11                                | 0.07                                           |
| Sep-20  | 21384.1   | 2069.8             | 2435.3          | 34972.2                       | 34470.0                 | 2149.0                     | 34470.0                  | 8.76                 | 3.04                           | 0.45                     | 19.42                    | 0.05                        | 2.53                           | -0.10                           | -0.11                                | 0.07                                           |
| Oct-20  | 21384.1   | 2069.8             | 2435.3          | 34972.2                       | 34470.0                 | 2149.0                     | 34470.0                  | 8.76                 | 3.04                           | 0.45                     | 19.42                    | 0.05                        | 2.53                           | -0.10                           | -0.11                                | 0.07                                           |
| Nov-20  | 21384.1   | 2069.8             | 2435.3          | 34972.2                       | 34470.0                 | 2149.0                     | 34470.0                  | 8.76                 | 3.04                           | 0.45                     | 19.42                    | 0.05                        | 2.53                           | -0.10                           | -0.11                                | 0.07                                           |
| Dec-20  | 21384.1   | 2069.8             | 2435.3          | 34972.2                       | 34470.0                 | 2149.0                     | 34470.0                  | 8.76                 | 3.04                           | 0.45                     | 19.42                    | 0.05                        | 2.53                           | -0.10                           | -0.11                                | 0.07                                           |

Source: BEAC, Calculations made by the NPI
Despite the accommodative policy implemented by the BEAC in 2020 to counter the effects of the COVID-19 health shock on the money market (lower refinancing rates), financial institutions in Cameroon have inevitably preferred to preserve their financing capacity rather than grant part of the savings collected to enterprises in need of liquidity. The annual percentage rate charged by these banks have remained very high, mainly for loans to individuals and SME; this has led to a situation of excess bank liquidity, which is reflected in the increase in deposits by the Money Creating Banks (BCM) and Other Banking Institutions Eligible for BEAC refinancing with the central bank.

Figure 13 below shows the evolution of sight, time, and savings deposits as well as BEAC credits to the Money Creating Banks in 2020.

It shows that, between March and September 2020, the sight deposits of the Money Creating Banks recorded an increase of 8.14%. On March 31, 2020, these sight deposits of the Money Creating Banks were up 9.48% year-on-year. As of September 31, 2020, they increased by 12.24% to 2555.6 billion year-on-year, an increase of 2.76 percentage points between March and September 2020 year-on-year.

**Figure 15: Evolution of Sight, Term and Savings Deposits as well as BEAC Credits to the Money Creating Banks in 2020**

*Source: BEAC*
As for Money Creating Banks term deposits, they stood at 2064.9 billion in September 2020 (an 8.86% year-on-year increase), compared to 1991.3 billion in March 2020, an increase of 3.56% between March and September 2020. Between March 2020, BEAC credits to money-creating banks increased by 67.18% year-on-year (from 25.1 billion to 76.469 billion).

Between March and September 2020, these credits decreased by 28.9%, from 76.469 billion to 59.348 billion.

For Other Banking Institutions Eligible for BEAC Refinancing (AIBE), demand deposits increased from 15.764 billion in March 2020 to 16.43 billion in September 2020, an increase of 4.22%. As regards term deposits of AIBE, they are estimated at CFAF 24.7 billion as of March 2020, representing a 4.09% year-on-year increase. Between March 2020 and September 2020, these term deposits dropped from 24.6 billion to 24.9 billion, a decrease of 6.82% (0.3 billion).

Figure 16: Evolution des dépôts à vue, à terme et d’épargne et des crédits de la BEAC aux Autres Institutions Bancaires Eligibles au Refinancement de la BEAC en 2020

Source : Statistiques monétaires de la BEAC
**Box 5: Typologies of Financial Institutions in CEMAC**

The Bank of Central African States (BEAC) classifies the financial institutions making up the financial sector of the member countries of the Central African Monetary Union into four groups: the Central Bank, the Money-Creating Banks (BCM), Other Banking Institutions (AIB), and Non-Bank Financial Institutions (IFNB).

1. **The Money-Creating Banks (BCM):** Unlike Other Banking Institutions, BCM accepts demand deposits available by check and used as a means of payment. Commercial banks fall into this category.

2. **Other Banking Institutions (AIB):** They include all other banking institutions that, unlike BCM, do not accept demand deposits available by check. They can be grouped into two categories: Other Banking Institutions Eligible for BEAC Refinancing and Other Banking Institutions Not Eligible for BEAC Refinancing.
   - **The Other Banking Institutions Eligible for BEAC Refinancing (AIBE)** are made up of all the other banking institutions that are eligible for BEAC refinancing by the Central Bank and that receive savings and term deposits without, however, entering into commitments in the form of demand deposits transferable by checks. These are mainly certain development banks, social housing banking institutions (Mortgage Lending, etc.), etc.
   - **Other Banking Institutions Not Eligible for BEAC Refinancing.** They represent all banking institutions of the same nature as AIBE except that these institutions do not resort to the Issuing Institute refinancing. This category includes the Post Office Savings Banks and certain specialized banks.

3. **Non-Bank Financial Institutions** (IFNB) are institutions that do not collect deposits from the public but which participate in some way in the financing of the economy. They are essentially insurance and reinsurance companies, Credit and leasing institutions, financial and equity companies, etc.

**Source: BEAC**
The objective of this report was to analyze the contribution of BEAC’s monetary policy to strengthening the resilience of the economy of Cameroon in 2020; in a context marked by the coronavirus pandemic.

Indeed, faced with the economic and social repercussions of the crisis, the central bank, with a mandate to ensure monetary stability, has taken a series of measures to counter the effects of the shock on the CEMAC economies. Through several press releases from the Monetary Policy Committee, the BEAC has demonstrated its willingness to come to the rescue of secondary banks by unveiling an accommodative monetary policy.

Of the main measures taken by the issuing institution, we note the decrease in the Tender Interest Rate from 3.5% to 3.25%; setting the Marginal Lending Facility Rate at 5%; setting the minimum reserve requirement coefficient at 7.00% for demand liabilities and 4.50% on term liabilities; suspending the liquidity sterilization operations, which had started in February 2020, in favor of refinancing the banking system in order to anticipate the effects of the health crisis of the COVID-19; increasing the amount of the overall envelope that could be made available to credit institutions in CEMAC countries to 500 billion.

An analysis of the effects of monetary policy decisions on the economy of Cameroon, mainly the contribution of monetary aggregates to growth, the evolution of the annual percentage rate applied by money-creating banks, the evolution of demand, term and savings deposits of financial institutions, and the loans granted to them by the BEAC, generally shows that the actions taken by the Issuing Institute have made little contribution to strengthening macroeconomic resilience.

The main reason is that most Cameroon banks are in excess liquidity with more than 2,000 billion in excess reserves in February 2020, according to the International Monetary Fund (IMF). They, therefore, remain insensitive to any downward expansionary monetary policy aimed at lowering the key interest rate. By observing the evolution of demand, term, and savings deposits of BCM and AIBE in Cameroon between January and September 2020, they have maintained an upward trend despite the health crisis, which confirms the idea that most financial institutions in Cameroon do not need liquidity. Moreover, the percentage rate of charge practiced by
credit institutions remains relatively high, which confirms the idea that they prefer to preserve their financing capacity rather than grant part of the savings collected to companies in need of liquidity.

In view of these main findings, the study proposes the following recommendations:

(1) **BEAC, with the support of COBAC, should multiply efforts to encourage commercial banks to easily grant credit to individuals and SMEs in Cameroon.** Commercial banks generally operate in spite of the economic situation, with the objective of making more profit. Indeed, they ration credit by taking a much greater interest in bank management operations (magnetic cards, internet operations, etc.), which seem to be more profitable than credit (Cyrille Nanko, 2016). For the central bank, whose primary function is to issue money, it is important to ensure that each injection of liquidity into the economy contributes effectively and efficiently to growth without compromising monetary and financial stability. By monitoring the ability of second-tier banks to create scriptural money (granting of credits), the BEAC should force them to do so in light of economic conditions. An accommodative (restrictive) policy implemented by the issuing institute in response to a negative (positive) shock could thus be accompanied by a recovery (a slowdown) in the pace of growth.

Unfortunately, in a context such as ours, commercial banks have long been over liquid and are rationing credit to a greater extent, which is mainly illustrated by the high level of bank liquidity; the quantity of their deposits at the central bank; and the high level of the annual percentage rate applied. With the assistance of COBAC, we strongly recommend that BEAC multiply its efforts to encourage Cameroon secondary banks to effectively play their role by easily granting loans to individuals and companies. Such a response would make the credit channel more functional. To implement this recommendation, the monetary policy committee, in accordance with its terms of reference, may require more reserves from banks that would grant less credit to economic agents and reduce the rate of return on their demand and term deposits with the central bank. It may also make their intervention in the interbank market, their participation in auctions, and the granting of standing facilities conditional on strict compliance with this measure.

(2) **BEAC should ensure that their lending and deposit rates from secondary banks reflect the Interest rate on Calls for Tenders (TIAO) in order to improve the functioning of the interest rate channel.** Indeed, to regulate bank liquidity, the central bank generally implements its monetary policy by defining an operational target for its key interest rates. Depending on economic conditions, the central bank may thus decide to increase or decrease the price of the monetary base. When the economy experiences a
negative shock such as the one related to the COVID-19 pandemic, the central bank should try to stabilize prices by conducting an accommodative monetary policy (increase in the monetary base and decrease in the key rate); In the event of a positive shock (increase in the price of oil for example), monetary policy may become restrictive (decrease in the monetary base and increase in the key rate). However, such a measure would be more optimal if the interest rate transmission channel worked efficiently. Our analyses show that the effective rates charged by Cameroon commercial banks remain very high, which creates a selection among clients who come to the counters in advance; small and medium enterprises that use bank loans more often are less favored than large enterprises, whose level of risk is probably higher.

By maintaining high-interest rates after the central bank has lowered its policy rate to stimulate economic activity, banks further limit the effectiveness of the monetary policy. In Cameroon, SMEs, which play an important role in keeping growth on a dynamic path, saw their credit reduced by nearly 32 percent in 2019. As of September 30, 2020, loans to the economy had increased by approximately 3.7% compared to their December 2019 level, but this increase does not in any way guarantee an increase in loans granted to individuals and SMEs; lending rates remain very high.

With about 209,482 existing companies on Cameroon soil in 2020 against 93,969 companies in 2009, an increase of 55.14% in 10 years (NIS), the BEAC, in order to make the interest rate channel more functional, should force second-tier banks to peg their interest rates to the TIAO. Such a measure, which facilitates access to finance for SMEs, would enhance the effectiveness of a monetary policy, particularly in times of crisis.

(3) **BEAC should instead consider an inflation-targeting policy at the expense of price-targeting.** The BEAC monetary stability objective can be broken down into two essential points: sufficient currency coverage (external stability) and low inflation (internal stability). The latter refers to targeting the price level, which differs from inflation targeting, which allows price increases to be kept low, stable, and predictable. Because of the many fluctuations in economic activity and the repercussions on product costs, the choice of a price-level target rather than an inflation target is not without consequences for the evolution of the economy. In the face of the economic shock resulting from the health crisis and in an effort to protect the banking system from a liquidity crisis, the BEAC opted for an accommodative monetary policy based on lowering the key interest rate (TIAO) and liquidity injections into CEMAC savings. By choosing monetary aggregates as an intermediate target, the central bank wishes to anticipate rapid changes in the price level. Based on our results for Cameroon, the contribution of these monetary aggregates to production remains very low; this is sufficient
evidence that quantity actions cannot effectively influence prices. Net claims on governments, net foreign assets, and credits to the economy have a sometimes negative and zero influence on the evolution of growth to the extent of 0.0 point, −0.04 point, and 0.31 point respectively in September 2020 against 0.45 point, −0.01 point and 0.31 point respectively in March 2020. The strategy of targeting the monetary aggregate is effective only if it has clear and satisfactory properties in terms of stability, controllability, and information content. However, because of the dependence of the economy of Cameroon on the terms of trade, movements in commodity prices are sometimes large and persistent and directly affect the consumer price index via pump prices and other forms of energy. If the central bank credibly pursues an inflation target, it could circumvent such variations due to their temporary impact on inflation. With a price–level target, the Central Bank is forced to induce compensatory price changes in other sectors; and lead to increased overall volatility in an already exposed economy to many changes in relative prices. By setting expectations on price developments, inflation targeting would make it easier for the BEAC to compel banks to facilitate access to credit and encourage consumers to spend while guaranteeing financial and macroeconomic stability.

###
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