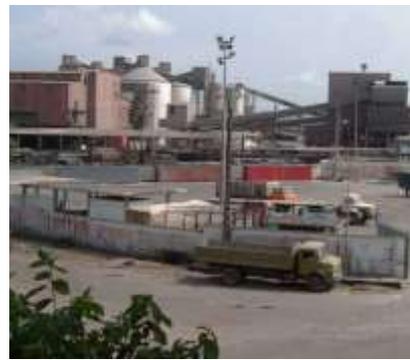


Economic and financial study of enterprises in 2018

Briefing note

- Resumption of economic activity in 2018 (+4.1%)
- Increase in corporate turnover excluding tax, +3.5%
- Increase in global value added, +12.8%.
- Increase in enterprise economic performance, +1.7 point
- Slight decline in financial profitability, -1.1 point
- Increase in capital productivity (+2.2 points) and investment (+30.9%)
- Slow pace in the renewal of the productive equipment fleet, +3.7 points
- High and steadily rising debt ratio, 5.2 times shareholders' equity.



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BRIEFING NOTE

The economic and financial study makes it possible to draw up a diagnosis of the global economic and financial situation of enterprises, particularly by branch of activity. For this edition, the study is based on a series of statistical and tax declarations from a representative sample of 1,259 enterprises. (Appendix ii).

The year 2018 is the year in which the new accounting plan applicable to member countries of the OHADA space including Cameroon came into force. Indicators in this report are calculated using information from the new SYSCOHADA. As a result, changes or breaks in trend will be observed for certain indicators, especially those that take fixed assets into account.

Resumption of economic activity in 2018

The domestic economy continued to show resilience in 2018, a year marked by a global economic slowdown. The growth rate was 4.1% after 3.5% in 2017. The most contributing sectors were primary and secondary, particularly through the "agriculture" and "extractive industries" branches of activity. This increased economic production took place in a context of an increase in the general price level of around 1.1% as against an inflation rate of 0.7% in 2017.

Trends in the activity and profits of enterprises

In 2018, modern enterprise tax-free turnover increased by +3.48% after declining in the previous two years, from -4% to -2%. This performance is attributable to revenues from the sale of goods (+10.0%), while sales of manufactured goods and sales of works and services were down.

The global value added of modern enterprises increased substantially by +12.8% in 2018, after a slight decline in 2017 (-1.5%). This upturn was mainly due to the dynamic performance of Construction (+50.3%), Electricity, gas and air conditioning production and distribution (+32.7%), Beverage industry (+19.8%) and Financial and insurance activities (+11.0%). It was also the result of the performance of the "Extraction of hydrocarbon and other energy products" branch of activity which, with the entry into operation of a new natural gas production platform, recorded a growth in value added of +39.7% after a fall of -25.0% in 2017. In contrast, a contraction in value added was observed in various branches, namely Wholesale and retail trade and Repair of vehicles (-0.8%), Transportation and warehousing (-2.4%) and Information and telecommunication activities (-8.4%).

This shows a global value added rate of 25.1% in 2018, i.e. a gain of 2.2 percentage points compared to 2017. The Extraction of hydrocarbon and other energy products (72.2%), Real estate activities (69.8%) and Transportation and warehousing (44.5%) branches of activity stand out with their very high rate of value added. In contrast, the branches of activity of Oil refining and Coking, Leather industries and Shoe manufacturing had very low or even negative value added rates.

Economic and financial profitability of enterprises

Increase in enterprise economic performance

In 2018, the economic return stood at 7.6%, i.e. an increase of more than one percentage point over 2017 and 2016. This increase was attributable to a decrease in gross fixed assets, mainly as a result of the application of the new provisions of the accounting plan, the implications of which were strongly observed in certain sectors in which the State holds equity interests. This was

particularly the case for transportation and warehousing, water, electricity and gas production. The improvement in the economic performance of enterprises also resulted from the improvement in their profit margin as a result of higher value added. The financial and insurance branch of activity (23.7%) as well as those of wholesale and retail trade, repair of vehicles (12.7%) recorded high economic rates of return, which have been rising steadily since 2016.

Slight decline in the financial profitability of enterprises

In 2018, the financial rate of return was 2.7%, i.e. one point lower than in 2017. This slight decline was the result of a drop in the net profit margin to 0.8%, despite an improvement in asset turnover, partly due to the reduction in fixed assets following the application of the new accounting plan. It should also be noted that, since 2015, this profitability has been driven by corporate debt, which on average represents more than five times equity, which is insufficient to finance investments.

Productive capital of enterprises

Increase in capital productivity and investment

Average capital productivity (Value Added/Gross Fixed Assets) was 13.7% in 2018 as against 11.6% in 2017 and 11.2% in 2016. This increase of over 2 points in productivity is mainly due to the improvement in the value added of enterprises and, to a lesser extent, to the effect of the application of the new accounting plan, which led to a significant reduction in fixed assets in some of the above-mentioned branches of activity.

Enterprises in "Financial and insurance activities" continued to improve their capital productivity, which globally reached 34.0% in 2018. In contrast, oil refining and coking, leather and shoe manufacturing were still among the branches with very low capital productivity.

Gross enterprise investment increased in 2018 over the previous year. Gross enterprise investment grew by +30.9%, as a result of the increase in investment in the industrial sector (+61.8%) and tertiary sector (+16.6%), despite the decline in the primary sector (-73.9%).

Slow pace in the renewal of the productive equipment fleet

The ageing index stood at 61.2% in 2018 as against 64.9% in 2017 and 57.4% in 2016. The renewal rate at that time was 38.8%, after 35.1% and 42.6% respectively for the previous two years. Thus the magnitude of the speed of renewal of productive equipment has been a cause for concern for several years. Among the branches of activity where this index was lower, reflecting the rapid renewal of equipment, were "Water production and distribution, Sanitation and waste treatment" (19.4%), and "Activities supplied mainly to enterprises" (29.5%). In contrast, productive equipment was fully depreciated in several branches including "financial activities and insurance", "repairs and installation of machinery".

Corporate debt analysis

High and rising debt ratio

The debt ratio ("Total Debt / Equity") stood at 5.2 in 2018. This corporate debt has increased steadily since 2014 when the rate stood at 3.7%, a very high level compared to the threshold of 1 deemed sustainable. Among the branches with a high debt level were "Information and telecommunications activities" (79.6) and "Financial and insurance activities" (14.6), whose debt

has increased steadily over the past three years. In contrast, as in 2017, branches with the least debt in 2018 were "Meat and fish industry" (0.3), "Educational activities" (0.7), "Oilseeds and animal feed industry" (0.7) and "Real estate activities" (0.9).