

REPUBLIC OF CAMEROON

Peace – Work – Fatherland



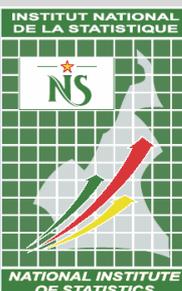
RÉPUBLIQUE DU CAMEROUN

Paix – Travail – Patrie

Economic and financial survey of enterprises 2019

19th edition

Executive summary



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The economic and financial survey 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 1,191 representative enterprises.

Macroeconomic environment in 2019

In the wake of global economic developments, the national economy slowed down slightly in 2019. The growth rate stood at +3.7% after +4.1% in 2018. This deceleration is rooted internally in the continuing security crisis in the North-West and South-West regions, combined with the fire at the National Refining Company (SONARA) in 2019. In terms of supply, production slowed down in the primary sector by +2.8% in 2019 after

+5.1% in 2018, and in the tertiary sector by +3.0% in 2019 as against +4.4% in 2018. In terms of demand however, imports of goods accelerated from +9.3% to +12.6%. In terms of prices, the increase in production was accompanied by an acceleration of inflation to 2.5% in 2019 after 1.1% in 2018.

Trends in activity and profits

In this context, the turnover before tax of modern enterprises increased by +0.8% only, i.e. a significant deceleration compared to 2018 when this rate was at +3.9%. This underperformance, attributable to the drop in retail activity (-2.1%); financial intermediation activities (-7.9%) and ancillary products (-7.1%) was mitigated by the recovery observed in services (+5.9%), as well as agricultural and industrial activity (+2.2%).

The good performance of agricultural and industrial activity is mainly due to refining and hydrocarbon activities; agriculture; cement production, and the food and beverage industries. In the hydrocarbon refining activity, the upturn in production has made it possible to reduce imports of these products for more than 200 billion CFA francs. However, this performance was hampered by the fire at SONARA in 2019, which despite a drop in turnover remains the leader in this area.

Value added remained dynamic, at +5.9% after +3.6% in 2018. However, certain

important branches of activity recorded a drop in value added, in particular the "Extraction of hydrocarbon products and other energy products" with -13.2%; and including the enterprise PERENCO RIO DEL REY, always ranked first in terms of added value.

With staff costs more under control, enterprises continued to consolidate their operating profits. The GOP increased by +9.2% after +3.6% in 2018, making it possible to remunerate more the capital factor up to 56.9% as against 55.2% in 2018. In this wake, the Gross operating margin rate improved +1.1 percentage point to 14.6%.

After a loss recorded in 2018, the overall net income for all enterprises was positive in 2019, despite the fact that most branches of activity, i.e. twenty-two (22) in total, recorded losses. Thus, the net margin rate recovered to 0.6% after -0.1% in 2018.

Enterprise profitability

In 2019, the economic return stood at 8.1% as against 7.4% in 2018. This increase follows the increase in the gross operating margin rate while the turnover of fixed assets remained stable. The economic performance of enterprises has been increasing continuously since 2015. Likewise, the profitability of stable resources has increased by two points to 25.1%.

The financial rate of return recovered to 2.1%, as a result of the increase in the net profit margin. This performance was mitigated by the decline in total asset turnover, already characterized by its structurally low level, and combined with high corporate debt. Economic profitability, for its part, fell slightly, due to the decrease in the turnover rate of economic assets, i.e. 0.553 in 2019 as against 0.648 in 2018, despite profits made.

Employment in modern enterprises

In 2019, permanent jobs in the modern sector grew by +1.4%, i.e. a deceleration of -0.3 percentage point compared to the previous year. Put into perspective over several years, the dynamics of employment do not always seem to follow that of wealth creation.

By sector of activity, employment increased in the primary sector by +2.1% and in the secondary sector by +6.9%, while in the tertiary sector there was rather a loss of jobs of -1.1%. The contributions of the various branches of activity to this overall employment dynamic are quite mixed.

Evolution in permanent jobs, in relation to those of added value, resulted in productivity gains. Per capita productivity,

for all enterprises, crossed the 12 million mark in 2019. In relative terms, per capita productivity accelerated to +6.6% after +2.1% in 2018. All sectors of activity experienced this improvement, especially in the primary sector where per capita productivity growth rose from -27.1% in 2018 to +31.5% in 2019.

Despite productivity gains of +4.3%, enterprises have, on average, controlled their staff costs which, up slightly by +0.3%, tended to stabilize at 5.3 million CFA francs in 2019, after the continuous increase observed since 2015. Staff costs remain higher in the secondary sector with 7.5 million CFA francs and the tertiary sector with 6.1 million CFA francs.

Productive capital of enterprises

Capital productivity continued to increase in 2019, approaching the 14% mark. This performance is the result of the increase in the value added rate of +1.2 percentage point while the gross fixed assets turnover ratio has stabilized. This increase in capital productivity can be observed in all sectors of activity, especially in the primary sector where the increase difference is +3 points compared to 2018.

As a result of the evolution of the corporate debt ratio and cyclical factors, gross corporate investment for the 2019

financial year overall fell by -23.6% compared to the previous year. This decline in investments, despite the increase in the primary sector, was evident in the secondary and tertiary sectors, with a more significant rate in the latter, i.e. -35.8%. In this wake, the investment rate, which relates investments to value added, fell to 56.7%, i.e. -21.9 points compared to 2018. In the tertiary sector, the drop in the investment rate was more significant, i.e. -37.1 points.

Capital intensity stood at 35.0 million CFA francs per capita in 2019.

Compared to 2018, this value reflects an increase, which however remains below the level of 2017 and before.

The productive capital of enterprises is characterized by a deterioration in the rate of renewal of equipment. The aging

rate of fixed assets, which relates the cumulative depreciation to gross fixed assets, continued to increase in 2019, now crossing the 60% bar. It was only 36.5% four years earlier.

Corporate debt

The analysis of the major balances of enterprises' balance sheets shows negative net cash in 2019, following a surplus cash flow in 2018 and an increase of +70.3% compared to 2017. With negative working capital requirements, coupled with negative working capital, the overall situation of enterprises is worrying because it reflects their inability to finance their capital expenditure solely from their own financial resources, as well as medium and long-term borrowing.

To fill these deficits, they not only resort to short-term bank financing, the payment of the related financial costs of which reduces their net results, but also to supplier credits in order to make their operating cycle profitable.

Corporate debt, assessed by the financial independence ratio, which is the ratio of financial debt to equity, represented 1.3 times equity in 2019, as in 2018. Since then 2016, enterprises as a whole are

weakened by the weight of their increasingly unsustainable debt. The situation is less rosy for certain branches which for the past three years have been recording negative equity. These are mainly branches of activity in the secondary sector.

The widened debt ratio, which relates total debt to equity, fell slightly to 5.7 as against 6.4 in 2018. Over 70% of corporate debt is comprised of short-term debts.

The indebtedness and profitability of enterprises deserve special attention at a time when entrepreneurial renewal is being discussed with a code of governance for enterprises in the making, vector of value added and reduction of the financial risks of investors and lenders.

The upcoming 2020 report will discuss the impact of Covid19.