

REPUBLIC OF CAMEROON

Peace – Work – Fatherland



REPUBLIQUE DU CAMEROUN

Paix – Travail – Patrie

Economic and Financial Situation of Enterprises in 2021

21st Edition

Briefing note



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Summary: This note presents the global economic and financial situation of enterprises, particularly by branch of activity in 2021. For this edition, the study is based on a series of statistical and tax declarations (STDs) from 1,049 representative enterprises.

In the context of the post-COVID-19 economic recovery, the rebound of economic activity in modern enterprises resulted in an 8.6% increase in turnover after the 4.1% contraction recorded in 2020.

Employment rose by 0.6% after a decrease of 2.8% in 2020. Investments increased in all sectors, with the highest increase (+51.5%) recorded in the secondary sector. With this increase, the obsolescence of productive capital improved (the rate of ageing of capital assets fell in 2021 from 45% in 2016, 62.6% in 2020 and 60.1% in 2021). Working capital remained negative with a low level of equity (only 13.0% of all enterprise resources) and debt was at high levels: The net debt-to-equity ratio, which accounts for the ratio of financial debt to equity, stood at 1.3;

Increased production and input supplies raised the level of value added by 15.3% compared to 2020. SONARA's production activity, structurally in deficit, impacted the profits of all modern enterprises in Cameroon. Between 2020 and 2021, the restriction of SONARA's activities to modelling allowed for a substantial improvement in its profits and consequently those of all modern entities. The net result of modern enterprises increased by 271.1%.

In conclusion, it can be said that, overall, enterprises have been able to increase their profitability (economic and financial) and, as a result, gained in competitiveness.

Macroeconomic environment in 2021

After the exogenous shock of the COVID-19 pandemic, the **global economy** rebounded strongly in 2021. According to the IMF's world economic outlook for April 2022, it was estimated to grow by 6.1% after a negative 3.1% in 2020. This rebound was largely due to fiscal stimulus measures in several countries; improved health indicators, linked to vaccination against COVID-19, particularly in developed countries; and the continued adjustment of economic activity to reduced mobility. However, this recovery was accompanied by an acceleration in global inflation, fuelled by rising demand, higher commodity prices and soaring ocean freight costs.

The economy of Sub-Saharan African countries also recovered with a growth rate of 4.5% after a decline of 1.7% in 2020, thanks to the rebound in commodity prices and the easing of social restrictions. Nevertheless, this remains insufficient to reduce poverty caused by COVID-19. In Nigeria, growth of 3.6% was driven by the recovery in the non-oil sectors. Oil production remained below pre-COVID-19 levels due to disruptions in maintenance work and a decline in investment in the extractive industries.

The economy in the countries of the Economic and Monetary Community of Central Africa (CEMAC) recorded a rebound of economic growth estimated at 1.9% in 2021 after the recession of -1.7% in 2020. This development was as a result of the decline in global uncertainty thanks to progress registered in the COVID-19 vaccination, combined with the gains from the structural reforms undertaken as part of the CEMAC Economic and Financial Reforms Programme (PREF-CEMAC) and the second-generation economic and financial programmes supported by the IMF.

The **national economy** recorded an upturn, with a growth rate of 3.5% in 2021 as against 0.5% in 2020. This positive development was as a result of the good performance of the industrial and export agriculture sectors, which benefited from the good performance of global prices and recovery of foreign demand, dynamism of the agri-food industry, construction, accommodation and catering, trade and financial services. Inflation remained moderate at 2.3% in 2021 after 2.5% in 2020, despite inflationary pressures on food prices (4.3% after 3.6% in 2020).

Trends in activity and profits in 2021

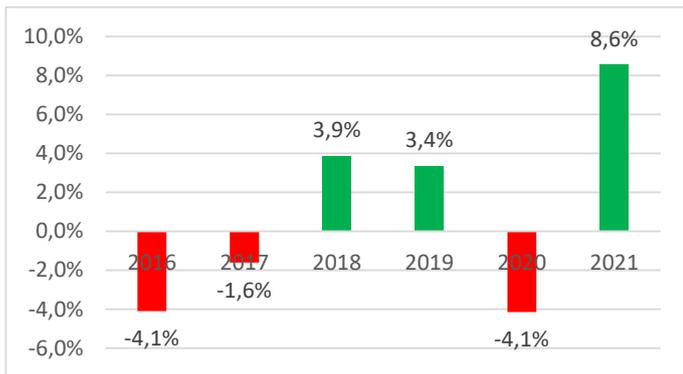
Within this macroeconomic framework, there was a rebound in the activity of enterprises in the modern sector of the economy. Thus, the **turnover increased by 8.6%** after the contraction recorded in 2020. This development was attributable, in particular, to export performance, rebound of production and inflation.

With the easing of the COVID-19 lockdown measures, and recovery of international trade in goods and services, export sales were back on the rise in 2021. They increased in value by 32.7% and returned to their 2019 level.

Industrial production rose again in all quarters compared to 2020, with a more significant increase in the second quarter of 2021. This increase was also noticeable in the tertiary sector, where the turnover index of service enterprises was up on average per year between 2020 and 2021.

After the decline in 2020, industrial producer prices increased and this development was more noticeable in the fourth quarter of 2021 due to the increase in the price of raw materials and sea freight on international markets.

Graph 1: Trends in turnover between 2015 and 2021 (in %)



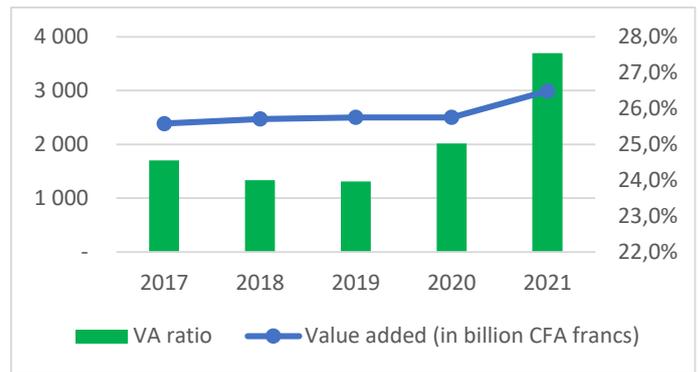
Source: NIS/STDs database

The upturn in turnover was also felt at the level of the **branches of activities**. Turnover increased in 25 sectors in 2021, whereas it had only increased in 16 in 2020. The value added created by modern enterprises rose by 15.3% in connection with the increase in their production and the control of some operating costs.

The value added rate, which relates value added to turnover excluding taxes, improved by 1.8 percentage points compared to 2020. In other words, the activity generated by enterprises enabled them to create more wealth in 2021.

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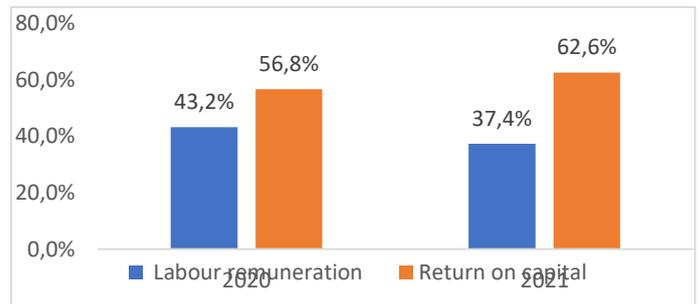
Graph 2: Trends in value added (in billion CFA francs)



Despite the 3.7% increase in staff costs, the level of value added created by enterprises enabled them to continue consolidating their operating profits. The **gross operating surplus**, which is the balance between value added and staff costs, grew by 24.5%.

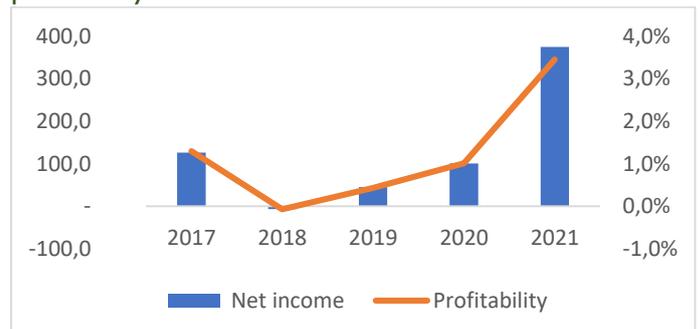
Consequently, in terms of the distribution of value added between capital and labour, it turned out that value added benefited more the capital factor with 61.2% of value added, after 56.8% in 2019, than the labour factor which was 38.7%.

Graph 3: Distribution trend of value added in 2020 and 2021



The **net result, which is the difference between all income and all expenses**, increased by 271.1% compared to 2020. This growth was partly attributable to SONARA, which improved its result since 2020 as a result of better control of its expenses with the shutdown of production activity.

Graph 4: Trends in net income (in billion CFA francs) and profitability rate



Enterprise profitability

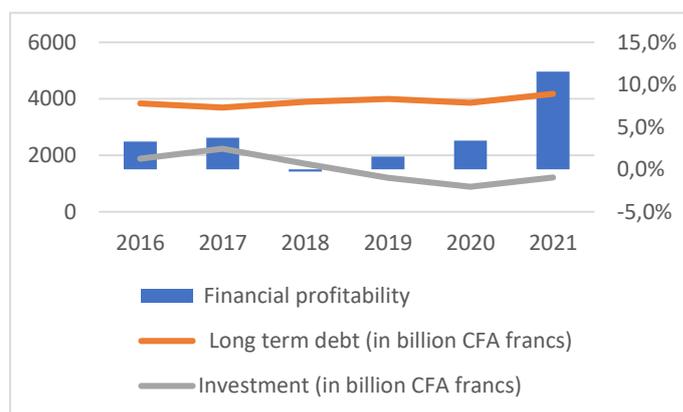
The **economic performance** (*Gross Operating Surplus (GOS) to gross fixed assets*) was set at 9.6% in 2021 compared as against 8.2% in 2020. This increase was as a result of the increase in the gross operating margin (+20.2 percentage points) coupled with the increase in the turnover rate of gross fixed assets (from 0.579 in 2020 to 0.762 in 2021).

The **rate of return on stable resources** (*Gross operating surplus (GOS) to net stable resources of financial fixed assets*) stood at 28.0%. This was an increase of 4.0 percentage points compared to 2020. This situation reflected the fact that the production tool generated more operating profit in 2021 than in 2020.

The **financial rate of return** (financial profitability establishes the capacity of capital invested by shareholders (equity) to generate profit) rose sharply by 8.2 points to stand at 11.6%, thanks to the increase in investments (37.3% after -26.3% in 2020) and an increase in long-term indebtedness (4.2% as against -3.5% in 2020).

Economic profitability, i.e. the ratio of gross operating surplus to economic assets (sum of gross fixed assets and working capital requirements), increased from 8.2% in 2020 to 12.4% in 2021, due to the operating profit gains made as a result of the post-COVID-19 recovery.

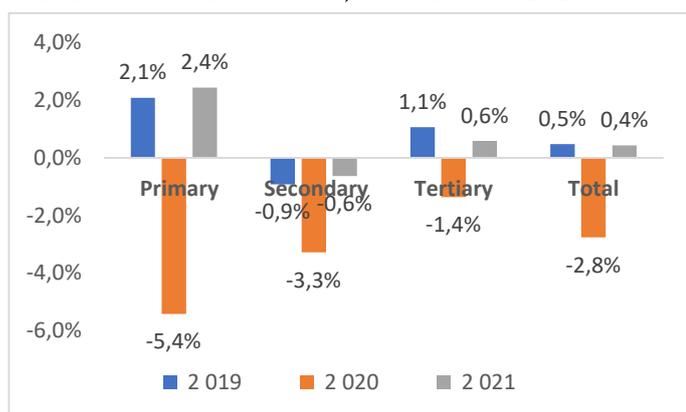
Graph 5: Trends in financial profitability (in %), debt stock and investments



Employment in modern enterprises

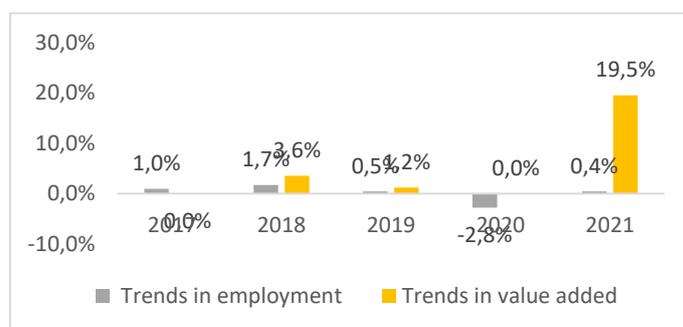
The number of permanent jobs in enterprises recorded a slight increase of 0.6% in 2021 after a fall of 2.8% in 2020. This growth was attributable to the primary sector with 2.4% of creation and to the tertiary sector with 0.6% of creation. There was a continued destruction of jobs in the secondary sector with -1.0%.

Graph 6: Comparative trends of employment and value added in the modern sector, from 2019 to 2021



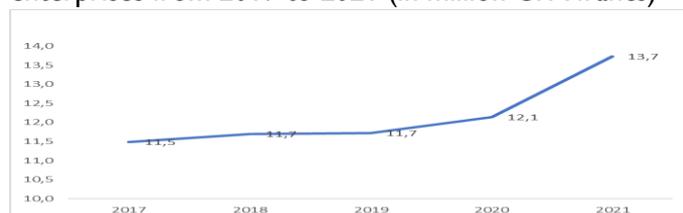
Source: NIS/STDs database

Graph 7: Trends in ratio of permanent jobs in modern enterprises by branch of activity, from 2018 to 2020



Trends in permanent jobs, in relation to that of value added, led to productivity growth. Productivity per capita for all enterprises stood at 13.8 million CFA francs as against 12.1 million CFA francs in 2020.

Graph 8: Trends in productivity per capita in modern enterprises from 2017 to 2021 (in million CFA francs)



Source: NIS/STDs database

In relative terms, this turned out into a growth of +13.1%. The following branches of activities recorded the highest productivity per capita:

“Extraction of hydrocarbon products and other energy products” (161.8 million CFA francs); “Manufacture of non-metallic mineral products” (58.7 million CFA francs); “Financial and insurance activities” (50.2 million CFA francs), “Production and distribution of electricity, gas and conditioned air” (46.0 million CFA francs).

Productive capital of enterprises

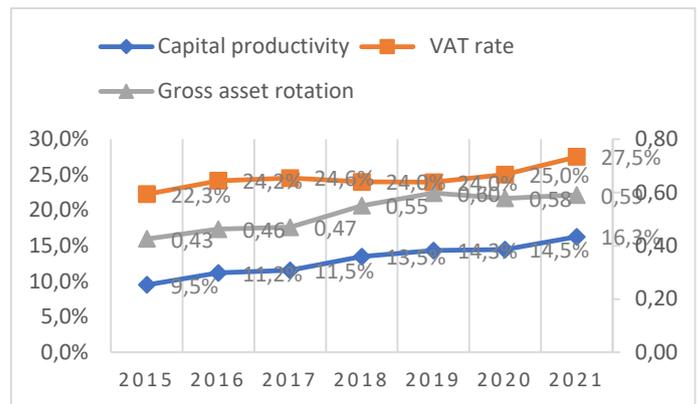
Capital productivity continued to increase in 2021, reaching 15.7% after 14.5% in 2020. This performance was as a result of the increase in the value added rate of +1.6 percentage points coupled with an increase from 0.57 to 0.76 in the gross fixed assets turnover ratio.

Renewed confidence among entrepreneurs in a post COVID-19 context allowed for a relaunch of the enterprise investment plan. After a 26.0% fall in 2020, investment expenditure by all modern enterprises rose by 37.3%.

Investments increased in all sectors, with the highest increase (+51.5%) in the secondary sector. Similarly, investment rates returned to growth after a downward trend in 2019 and 2020.

Staff costs increased by 5.4% after two consecutive years of decline in 2019 and 2020. This trend was as a result of the increase in employment of 0.4% in 2021. On average, staff costs amounted to 5.3 million CFA francs as against 5.1 million CFA francs in 2020. They remained higher in the secondary sector with 7.9 million CFA francs and the tertiary sector with 5.3 million CFA francs.

Graph 9: Trends in productivity per capita in modern enterprises from 2016 to 2020 (in million CFA francs)



The high level of growth in enterprise investment resulted in the rejuvenation of the production tool. The rate of ageing of fixed assets fell to 60.1% in 2021 after five years of increase between 2016 and 2020.

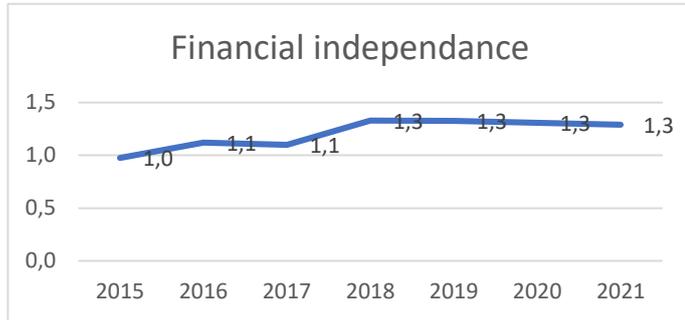
The increase in investments led to an increase in capital intensity, which rose after a decline in 2020. It stood at 35.6 million CFA francs per capita as against 33.9 million in 2020.

Corporate debt

Analysis of the major balances of enterprises’ balance sheets showed positive net cash, but in strong growth compared to 2020. This net cash was up 15% compared to the previous year. In contrast, the enterprise working capital was structurally negative. Thus, the overall situation of enterprises is worrying because it reflects their inability to finance their investment expenditure solely from their own financial resources as well as from medium and long-term loans. To make up these deficits, they resorted not only to short-term bank financing, the payment of the related financial fees of which reduced their net results, but also to supplier credits to make their operating cycle profitable.

The shortage of working capital was as a result of low equity capital, which only accounted for 13.0% of the total resources of enterprises as against 12.2% in 2020 and 13.3% in 2019. This low level of equity exposes enterprises to insolvency risk. To this end, the extended debt ratio, which relates total debt to equity capital (even though stable at 6.5) remained high, compared to the sustainable limit of 4. Similarly, the net debt ratio, which represents the ratio of financial debt to equity, stood at 1.37 times equity capital, well above the desired limit of 1, which meant that in the medium term the enterprise was at risk of not being able to service its debt.

Graph 10: Trends in the financial independence ratio of enterprises between 2016 and 2020



Source: NIS/STDs database

In 2022, the economic environment is still being impacted by the COVID-19 pandemic, particularly with its delta and omicron variants. During this year, the global economy was subject to both the continuation of barrier measures and strong recovery of activity as the pandemic began to be contained.

The 2022 report will make it possible to figure out the impact of these effects on modern enterprises in Cameroon.

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