

## Inflation trends in the first half of 2022

In the first half of 2022, household final consumption prices rose by 5.1% year-on-year. On average over the past twelve months, inflation stood at 3.8% in June 2022 as against 2.2% for the same period in 2021. This inflation surge was mainly driven by an 8.0% increase in food prices, as a result of a drastic increase, i.e. by 9.8% in bread and cereal prices, 9.2% in meat prices, 9.1% in fish and seafood prices and 13.5% in oil and fat prices.

The 3.6% increase in the prices of imported products over the past twelve months, as well as those of local products by 3.8%, was mainly as a result of both the adverse effects of Covid-19, which has been raging since 2020, and the conflict between Russia and Ukraine, which has further contributed to the increase in the prices of grains, oilseeds, raw materials, agricultural inputs, energy, construction materials and sea freight on the global market.

Despite recent interventions by the Bank of Central African States on its key interest rate and measures taken by the authorities to relieve the population and preserve household purchasing power, the national economy is still affected by soaring global prices. This situation could last longer given the persistence and consequences of the conflict between Ukraine and Russia. In addition, the disruptions in supply chains caused by the Covid-19 pandemic and exacerbated by the conflict could further accelerate inflationary pressures on imported and local goods. It is to be hoped that the recent agreements signed by the Russians and Ukrainians through the mediation of Turkey and the UN will somehow ease the international environment, resulting in a price decrease, particularly for oil products and wheat.

If the current pace of inflation is maintained, the inflation rate would rise beyond 4% by the end of December 2022 in the absence of additional measures to be taken by the Government as people are looking forward to a more conducive international environment. It should be noted that, in the absence of the stabilisation of petroleum product prices at the pump, inflation would already have spiked. This stabilisation through State's budget support stood at approximately 317 billion CFA francs at the end of June 2022. Maintaining this stabilisation policy raises the issue of budget sustainability, without the risk of this support crowding out other priority public expenditure of the State.

### 1. Inflation trends in the first half of 2022

#### Soaring consumption price continues

In June 2022, consumption prices rose by 6.0% compared to June 2021. Compared to the 2nd half of 2021, the price index increased by 3.4% in the 1st half of 2022.

In the first half of 2022, the year-on-year price increase was 5.1%. On average over the past twelve months, the rise in the general price level was 3.8%. This change was 2.2% a year ago, 2.4% in January 2022, 2.7% in February and 2.9% in March 2022.

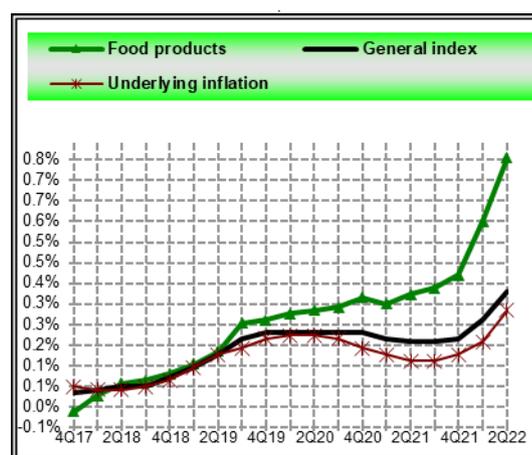
#### The fastest growth pace over the past twelve months was recorded in Bamenda and Maroua, i.e. 5.0%.

On average over the past twelve months, the community threshold of 3% was exceeded in nine cities, namely Bamenda (+5.0%), Maroua (+5.0%), Bafoussam (+4.5%), Ebolowa (+4.4%), Buea (+4.2%), Garoua (+3.8%), Yaounde (+3.5%), Douala (+3.3%), and Ngaoundere (+3.1%). Year-on-year, prices rose by at least 5% in Maroua (6.2%), Ngaoundere (6.1%), Buea (6.1%), Bafoussam (6.0%), Bamenda (5.9%), Ebolowa (5.0%) and Garoua (5.0%).

#### Inflation is fuelled by soaring food prices

On average over the past 12 months, inflation trends were sustained by food prices, despite the measures implemented by the Government to preserve the purchasing power of the population. Price increases were mainly recorded for meat, bread, cereals, flour, fish, oils and vegetables. Prices of some building materials usually used by households for small-scale construction or rehabilitation/repair work also increased. These include cement, sheet metal, PVC pipes, wall tiles and rebar.

Graph 1: General price trend over the past twelve months

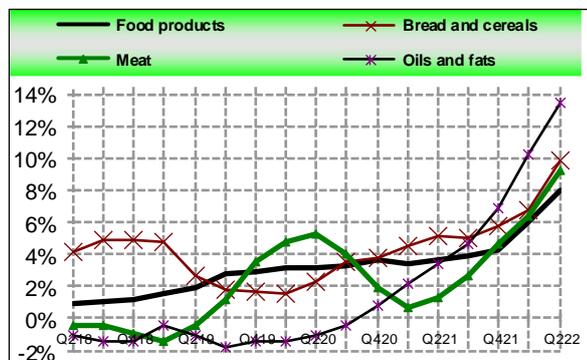


## 2. Trends in food prices

### Soaring food prices, up 10.9% year-on-year in the first half of 2022

By the end of June 2022, food prices had risen by 8.0% over the past twelve months, mainly as a result of a 9.8% increase in the prices of bread and cereals, 9.2% for meat, 9.1% for fish and seafood, and 13.5% for oils and fats. The prices of vegetables, "sugar, jam, honey, chocolate and confectionery" and "milk, cheese and eggs" had also risen by 5.1%, 2.2% and 1.7% respectively.

Graph 2: Trends in food prices



- ✓ The 9.8 percent increase in bread and cereal prices was mainly a result of higher prices for unprocessed cereals (dried corn grains, rice), flour, semolina and groats (wheat flour, corn flour, millet flour), breads, as well as pastries, cakes, biscuits and pastries.
- ✓ The 9.2% increase in meat prices was mainly as a result of higher prices for poultry, beef and pork.
- ✓ Prices of oils and fats rose by 13.5% as a result of higher prices for crude palm oil, refined palm oil and local groundnut paste.
- ✓ Vegetable prices rose by 5.1% mainly as a result of higher prices for pulses and oilseeds (cowpeas, shelled peanuts, dried beans), other tuber and plantain products (cassava flour, gari/tapioca and dehydrated cassava in balls or pieces), and fresh leafy vegetables (lettuce, "okok", "keleng keleng", red cabbage, cassava leaves).
- ✓ The 9.1% rise in fish and seafood prices was as a result of higher prices for fresh fish (carp, freshwater catfish, cod, sea bass), frozen fish and other frozen seafood (fried fish, catfish, mackerel, sea bass, hogfish) and sardines.
- ✓ The prices of sugar, jam, honey, chocolate and confectionery increased by 2.2% as a result of the rise in sugar prices as well as those of jam, honey, chocolate and confectionery.
- ✓ Prices of milk, cheese and eggs rose by 1.7%. This increase was mainly as a result of the rise in prices for eggs, dairy products and, to a lesser extent, milk.
- ✓ Fruit prices decreased by 1.8%, as a result of lower prices for lemons and oranges. Conversely, prices of other fresh fruits ("saah", watermelon, sweet banana, ripe pear, canarium fruits) and coconuts increased.

Compared to the first half of 2021, the food price index increased by 10.9% in the first half of 2022. This upward trend in food prices in Cameroon is in line with the change in the FAO food price index, which monitors the monthly trends in international prices of the most commonly traded basic food products. The FAO index increased by 25% in the first half of 2022 compared to the corresponding period of 2021, as a result of the rise in prices of vegetable oil, cereals and dairy products. Local food prices spiked as a result of (i) insufficient national production due to the low capacity of the national production system, less conducive weather conditions and security crisis in the North-West and South-West regions, which dampens production and hinders transportation of goods, (ii) limited supplies to major consumption centres due to the deterioration of certain road and rail networks, (iii) speculative practices of certain traders, (iv) passing on, albeit partial, of sharp increases in production costs (particularly raw materials and agricultural inputs) to consumer prices, (v) supply difficulties, low security stocks and shortages of certain products.

As for imported products, the main culprit for inflation remains Covid-19. Global business slowed down and production collapsed for two years and yet, China does not produce enough as some provinces are still locked down (due to the zero Covid strategy adopted by its Government). Inflation has subsequently worsened as a result of the restrictions imposed on international trade by many countries, which prohibit or limit exports of finished products and certain raw materials in order to control the surge in domestic prices. The Covid shock was further exacerbated by the conflict between Russia and Ukraine, both of which are major suppliers of grains, gas, oil, fertilisers and metals to international markets. As a result of the conflict, production or export capacity for these products has collapsed.

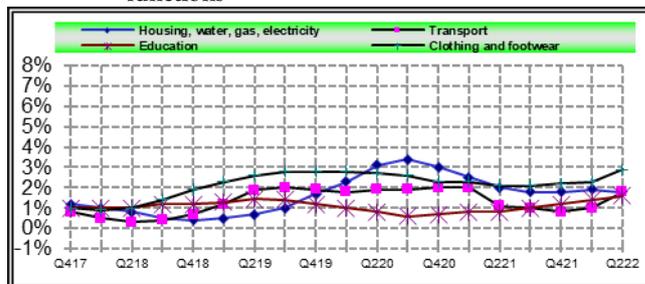
In addition, depreciation of the CFA franc against the dollar has increased the cost of importing raw materials and food products. As a consequence, importing products such as rice, wheat, other cereals, fuel and domestic gas is becoming increasingly expensive and difficult. Rising prices for agricultural inputs and other raw materials on the international market have also led to an increase in the cost of local production of many goods and services.

In response to this international economic situation, which is still conducive to inflation, authorities have endeavoured to stabilise the price of petroleum products at the pump, implement measures to combat speculation and organise a few promotional sales to relieve households. In addition to these, there are other measures such as the exemption from fiscal and customs duties on the import of certain products, suspension of port fees, reduction in the freight costs to be included in the customs value, suspension of the purchase levy on several products and dismantling of illegal roadblocks to reduce the cost of transportation of agricultural products to markets.

### 3. Other sources of inflation

On average over the past twelve months, the general price level rose mainly as a result of an 8% increase in food prices. Prices of "clothing and footwear" and "housing, water, gas, electricity and other fuels" increased by 2.9% and 1.8% respectively. Soaring prices for "housing, water, gas, electricity and other fuels" is as result of the rise in prices of products for routine maintenance and repair, effective rents paid by tenants and products for routine maintenance and repair of housing including cement, sheet metals, wall tiles and rebar in particular). Restaurant and hotel prices rose by 3.1%.

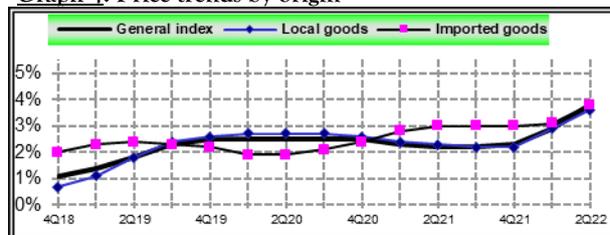
**Graph 3: Trends in the prices of some other consumption functions**



#### *Local goods/imported goods: inflation is more of local origin than imported*

On average over the past twelve months, inflation was fuelled by the increase in prices of local goods. Inflation of local goods amounted to 3.8% and contributes 2.9 percentage points to total inflation. Meanwhile, inflation of imported goods was 3.6% and contributed 0.9 percentage points to total inflation. The risk of worsening imported inflation remains, as deregulation of global supply chains persists, energy prices continue to soar, and CFA franc zone countries are suffering from the decline of the euro to the US dollar. Similarly, inflation in local goods is also as a result of the rising cost of imported intermediate inputs.

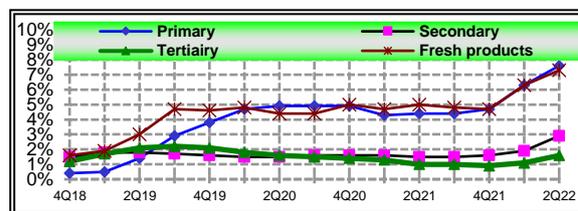
**Graph 4: Price trends by origin**



#### *Inflation is still largely driven by prices of primary sector goods*

On average over the past twelve months, prices of primary sector goods increased by 7.6%. Secondary sector goods and services prices rose by 2.9% and 1.7%, respectively. Underlying inflation, excluding energy and fresh food prices, continued to grow rapidly, reaching 3.2% in June 2022 as against 2.2% in March 2022. Prices of fresh products soared by 7.3%. Energy prices remained almost stable at around 0.1%, thanks to subsidised fuel and domestic gas prices.

**Graph 5: Price trends by sector**



### 4. Conclusion and outlook for 2022

*With inflation at 3.8% in the first half of the year, driven by an 8.0% rise in food prices, in an overall unfavorable international economic environment, the national economy is resilient compared to other countries. This resilience is not only as a result of the diversity and quantity of local goods on the market, but also of the policy of stabilising the price of petroleum products at the pump thanks to subsidies that have already cost the State approximately 317 billion CFA francs by the end of June 2022. The budget sustainability of this stabilisation policy could, in the short or medium term, be questioned in view of the possible risk of this subsidy crowding out other priority public expenditure.*

In June 2022, the consumer price index rose by 6.0% year-on-year. Compared to the first half of 2021, final consumer prices rose by 5.1% in the first half of 2022.

On average over the past twelve months, the inflation rate was above the Central African Economic and Monetary Community standard of 3.0% at the end of June 2022 (+3.8%) and has already reached 5% in Bamenda and Maroua.

These inflationary pressures were fuelled mainly by the prices of food products, particularly meat, bread, cereals, flour, fish, oils and vegetables. Soaring global food and energy prices are currently posing a double threat of inflation. Local enterprises are likely to face more difficulties in sourcing inputs, which could raise producer prices and thus accelerate inflation in local manufactures and agricultural products. Under these conditions, it is likely that the inflation rate will remain well above the 3% threshold retained by the Central African Economic and Monetary Community in its multilateral surveillance framework.

As the Government continues to prioritise the health crisis, it should further promote the consumption of substitutable local goods, accelerate the rehabilitation of SONARA and intensify aquaculture to reduce the country's dependence on imports.

The development of production and distribution units for agricultural inputs (chemical fertilisers, herbicides, seeds, etc.) as well as infrastructure such as roads, energy and water are other levers that could improve supply and facilitate the transportation of agricultural products from production basins to markets for marketing intended for consumption or, failing that, for agro-industrial processing.

In its desire to stabilise the general level of prices, if it cannot reverse the trend, the Government should identify additional measures to be implemented to support enterprises and households.

For this purpose, the implementation of the policy of structural transformation of the economy and diversification of the supply of goods and services needs to be speeded up, in particular the operationalisation of import-substitution measures for consumer goods that are increasing foreign trade deficit, especially since the budget sustainability of the stabilisation of petroleum product prices at the pump, as well as import subsidies for certain food products, are weighing more and more heavily on public finances.

**Table 1: Trend in (base 100 Year 2011) price index of the different consumption functions in the first half of 2022**

CONSUMPTION FUNCTION	1 <sup>st</sup> half 21	2 <sup>nd</sup> half 21	Jan-22	Feb-22	March-22	Apr-22	May-22	June-22	1 <sup>st</sup> half 22	1 <sup>st</sup> half 22/2 <sup>nd</sup> half 21	1 <sup>st</sup> half 22/21 <sup>st</sup> half 21	July 21 to June 22/July 20 to June 21
Food products and non-alcoholic beverages	122.5	127.0	131.6	132.9	134.1	137.4	138.7	139.5	135.7	6.8%	10.8%	7.9%
<i>Food products</i>	122.6	127.2	131.8	133.1	134.4	137.7	139.0	139.8	136.0	6.9%	10.9%	8.0%
<i>Non-alcoholic drinks</i>	118.3	119.9	120.9	121.9	122.7	123.1	123.6	123.9	122.7	2.4%	3.7%	2.9%
Alcoholic drinks, tobacco and drugs	135.4	137.2	139.6	139.6	139.7	140.4	141.0	141.7	140.3	2.3%	3.6%	2.9%
Clothing and footwear	115.8	117.2	118.3	119.0	119.3	120.4	121.0	121.7	120.0	2.3%	3.6%	2.9%
Housing, water, gas, electricity and other fuels	122.1	122.8	123.7	123.5	124.4	124.5	124.9	124.0	124.2	1.1%	1.7%	1.8%
Furniture, household and routine household maintenance items	112.4	113.0	113.6	114.5	115.3	116.5	117.7	118.8	116.0	2.7%	3.3%	2.2%
Health	103.4	103.5	103.6	103.6	103.7	103.8	103.8	103.9	103.7	0.2%	0.3%	0.2%
Transport	127.0	128.0	129.1	129.3	129.7	130.0	130.3	131.4	130.0	1.5%	2.4%	1.8%
Communications	91.4	91.5	91.6	91.6	91.7	91.8	91.9	92.3	91.8	0.3%	0.5%	0.4%
Leisure and culture	108.1	108.8	109.6	109.6	109.7	110.0	110.2	110.3	109.9	1.0%	1.6%	1.3%
Education	118.3	119.5	120.1	120.2	120.2	120.2	120.3	120.3	120.2	0.6%	1.7%	1.6%
Restaurants and hotels	133.1	134.4	137.2	137.2	137.7	139.5	141.6	142.2	139.2	3.6%	4.6%	3.1%
Miscellaneous goods and services	117.2	117.8	118.7	119.1	119.8	120.6	121.3	121.6	120.2	2.0%	2.5%	1.7%
<b>GENERAL INDEX</b>	<b>119.3</b>	<b>121.4</b>	<b>123.5</b>	<b>124.0</b>	<b>124.7</b>	<b>126.1</b>	<b>126.9</b>	<b>127.4</b>	<b>125.4</b>	<b>3.4%</b>	<b>5.1%</b>	<b>3.8%</b>

**Table 2: Trends in price index by secondary product groups in the first half of 2022**

SECONDARY PRODUCT GROUPS	1 <sup>st</sup> half 21	2 <sup>nd</sup> half 21	Jan-22	Feb-22	March-22	April-22	May-22	June-22	1 <sup>st</sup> half 22	1 <sup>st</sup> half 22/2 <sup>nd</sup> half 21	1 <sup>st</sup> half 22/21 <sup>st</sup> half 21	July 21 to June 22/July 20 to June 21
Local products	121.1	123.1	125.2	125.6	126.4	127.9	128.7	129.1	127.2	3.3%	5.0%	3.8%
Imported products	115.6	116.9	118.4	119.2	119.8	120.9	121.7	122.3	120.4	3.0%	4.2%	3.6%
Energy	105.6	105.7	105.8	105.8	105.9	105.9	106.0	106.0	105.9	0.2%	0.3%	0.1%
<i>Petroleum products</i>	109.6	109.7	109.9	109.9	110.0	110.1	110.2	110.2	110.0	0.3%	0.4%	0.2%
Fresh products	133.6	139.7	143.5	145.2	145.4	147.8	147.7	148.5	146.3	4.8%	9.5%	7.3%
Excluding fresh products and energy	117.2	118.4	120.3	120.6	121.5	122.8	123.9	124.3	122.2	3.2%	4.3%	3.2%
Primary	129.4	134.6	139.1	140.0	140.7	143.5	144.5	144.7	142.1	5.6%	9.8%	7.6%
Secondary	111.2	112.2	113.5	114.3	115.2	116.5	117.4	118.1	115.8	3.3%	4.2%	2.9%
Tertiary	119.4	120.1	121.2	121.3	121.8	122.2	122.7	123.2	122.1	1.6%	2.2%	1.7%
Durable	113.4	114.2	115.3	115.9	116.5	117.9	118.3	119.7	117.3	2.7%	3.5%	2.5%
Non-durable	120.8	124.2	127.5	128.4	129.4	131.7	132.7	133.1	130.5	5.1%	8.0%	5.9%
Semi-durable	114.1	115.5	116.5	116.9	117.3	118.3	119.0	119.6	117.9	2.1%	3.3%	2.7%
Services	119.5	120.2	121.3	121.4	121.8	122.2	122.8	123.3	122.1	1.6%	2.2%	1.6%

**Table 3: Trends in price index in different regions in the first half of 2022**

COLLECTION CENTRES	1 <sup>st</sup> half 21	2 <sup>nd</sup> half 21	Jan-22	Feb-22	March-22	April-22	May-22	June-22	1 <sup>st</sup> half 22	1 <sup>st</sup> half 22/2 <sup>nd</sup> half 21	1 <sup>st</sup> half 22/21 <sup>st</sup> half 21	July 21 to June 22/July 20 to June 21
Yaounde	118.1	119.8	121.2	121.8	122.8	124.3	125.4	126.3	123.7	3.2%	4.7%	3.5%
Douala	118.4	120.0	121.5	122.0	122.9	124.5	125.3	125.9	123.7	3.1%	4.5%	3.3%
Bafoussam	119.0	121.4	124.9	125.4	125.7	126.7	126.7	127.2	126.1	3.9%	6.0%	4.5%
Bamenda	123.0	125.3	129.9	128.7	128.5	131.1	131.5	131.6	130.2	4.0%	5.9%	5.0%
Garoua	117.7	120.2	122.8	123.0	122.8	123.5	124.4	125.2	123.6	2.8%	5.0%	3.8%
Maroua	118.3	121.7	124.1	124.1	124.7	126.5	127.2	127.3	125.7	3.2%	6.2%	5.0%
Ngaoundere	116.1	116.3	119.1	121.9	123.5	124.1	125.3	125.0	123.1	5.9%	6.1%	3.1%
Bertoua	126.7	128.5	128.5	129.8	130.4	130.1	131.0	131.1	130.2	1.3%	2.7%	2.9%
Buea	123.8	126.6	128.4	130.0	130.4	132.3	133.3	133.6	131.3	3.8%	6.1%	4.2%
Ebolowa	121.1	122.9	126.3	125.9	128.3	127.8	127.9	127.0	127.2	3.5%	5.0%	4.4%
<b>National</b>	<b>119.3</b>	<b>121.4</b>	<b>123.5</b>	<b>124.0</b>	<b>124.7</b>	<b>126.1</b>	<b>126.9</b>	<b>127.4</b>	<b>125.4</b>	<b>3.4%</b>	<b>5.1%</b>	<b>3.8%</b>