

Inflation trends in 2022

A retrospective analysis over the period 2017-2022 shows that the national economy tends to enter an inflationary spiral. The general price level has increased by 15.3% over the past five years. For the year 2022, the inflation rate stood at 6.3% as against 2.3% in 2021, thus exceeding the 3% threshold retained by CEMAC in its multilateral surveillance mechanism. The main determinant of this inflationary surge is the acceleration in the prices of food products (+12.9%), as a result of the increase in the prices of oils and fats (27.0%), breads and cereals (16.3 %) as well as fishes and seafood (14.4%).

The 5.0% increase in the prices of imported products in one year, like those of local products by 6.4%, is accounted for, externally, both by the adverse effects of Covid-19 which has been raging since 2020 and especially by the Russian-Ukrainian war, which have further contributed to the increase, on the international market, of the prices of cereals, oilseeds, raw materials, agricultural inputs, energy, building materials, and sea freight. On the internal level, inflationary pressures persisted despite the tightening, by the Bank of Central African States, of its monetary policy and the measures taken by the public authorities to relieve the population and preserve household purchasing power.

Inflation outlook is influenced by the tightening of financial conditions in most regions, conflict between Ukraine and Russia, lingering effects of the Covid-19 pandemic, depreciation of the CFA francs to the Dollar, readjustment of fuel prices at the pump and the new tax provisions of the Finance Law 2023. Ultimately, considering the readjustment of 15.9% of the price per litre of super and per litre of diesel and assuming that the current monthly pace of price change is maintained, inflation rate in 2023 could be above 6%.

1. Trends in 2022

Inflationary pressures persist and spread to all cities

The general price level increased by 6.3% in 2022, after 2.3% in 2021, 2.5% in 2020, 2.5% in 2019, 1.1% in 2018 and 0.6% in 2017. This is the highest inflation rate after 9.0% in 1995.

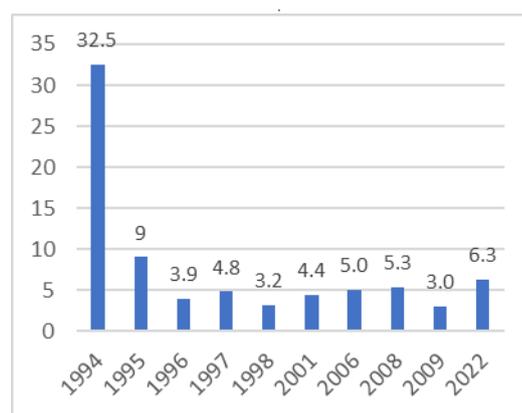
The highest inflation rate is recorded in Ngaoundere and the lowest in Garoua

In 2022, the community threshold of 3% was exceeded in all cities, namely: Ngaoundere (+7.4% after +1.0% in 2021), Bafoussam (+7.3% after 2.4% in 2021), Buea (+7.1% after +1.7% in 2021), Bamenda (+6.8% after +3.8% in 2021), Maroua (+6.4% after +3.2% in 2021), Yaounde (+6.2% after +1.8% in 2021), Douala (+5.7% after +1.9% in 2021), Bertoua (+5.5% after 4.4% in 2021), Ebolowa (+5.7% after +3.7% in 2021) and Garoua (+5.4% after +2.1% in 2021).

Inflation feeds on soaring food prices

In 2022, the general price level was largely supported by the 12.9% increase in food product prices and 6.3% increase in restaurant and hotel service prices. The main increases in food prices concerned oils and fats (27.0%), breads and cereals (16.3%), fishes and seafood (14.4%), meats (12.2%), milk, cheese and eggs (10.7%) and vegetables (7.6%). The increase in prices for restaurants and hotels was mainly due to the 10.1% increase in the price of restaurant services. In addition, certain building materials usually used by households for their minor construction or rehabilitation/repair work were subject to soaring prices. These include cement, sheet metal, PVC pipes, wall tiles and rebar.

Figure 1: Years with inflation rate above 3%

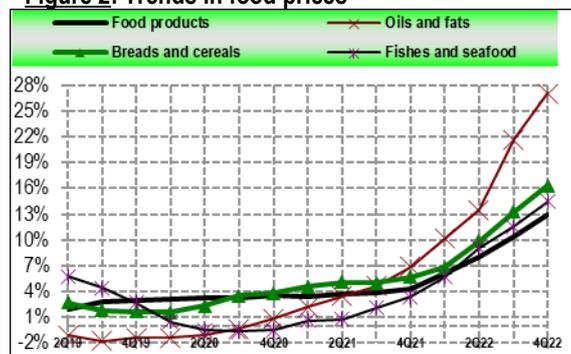


2. Trends in food prices

Food prices have soared by 12.9% in 2022.

In 2022, food prices will soared by 12.9% mainly as a result of higher prices for oils and fats (+27.0%), breads and cereals (+16.3%) as well as fishes and seafood (+14.4%). Prices of meat (+12.2%), milk, cheese and eggs (+10.7%), vegetables (+7.6%) of "sugar, jam, honey, chocolate and confectionery" (+4.8%) also increased. Conversely, fruit prices fell by 3.0%.

Figure 2: Trends in food prices



- ✓ The 27.0% increase in the prices of oils and fats was largely due to the increase in the prices of crude oils, refined oils and other fats (local peanut paste, palm nuts).
- ✓ Prices of breads and cereals were up by 16.3% as a result of the increase in the prices of pastries, cakes, biscuits and viennoiserie, breads, flours, semolinas and groats (wheat flour, corn flour, millet flour, pastry flour), unprocessed cereals (dry corn grain, rice, dry millet grain) and pasta.
- ✓ The 14.4% increase in fish and seafood prices stemmed from higher prices for fresh fishes, frozen fishes and other seafood products, dried or smoked fishes and other fish products and other canned fishes (sardines in vegetable oil, sardines in sauce).
- ✓ The 12.2% increase in meat prices was mainly driven by higher prices for poultry, beef, pork, mutton and goat meat.
- ✓ The prices of "milk, cheese and eggs" increased by 10.7% as a result of the rise in milk prices and, to a lesser extent, dairy products and eggs.
- ✓ Vegetable prices rose by 7.6% mainly due to higher prices for fresh fruit or root vegetables (fresh onions, French beans, carrots, bell peppers, cucumbers), pulses and oilseeds (shelled peanuts, dry beans), fresh leafy vegetables, tubers, plantains and other products made from tubers and plantains.
- ✓ Prices of "sugars, jams, honey, chocolates and confectionery" increased by 4.8% under the effect of the increase in the prices of sugar and those of jams, honey, chocolates and confectionery.

Fruit prices fell by 3.0%, mainly due to lower citrus prices.

The upward trend in food prices in Cameroon remained in line with the change in the FAO food price index, which tracks the monthly evolution of the international prices of the most commonly traded basic foodstuffs. This FAO index has indeed increased by 14.3% in 2022, under the effect of the rise in the prices of vegetable oils, cereals and dairy products.

Local food prices are rising as a result of (i) insufficient national production as a result of the low capacity of the national production system, unfavourable weather conditions (which directly results in increased poor harvests, loss of livestock, degradation of pastures and drying up of watering points, and reduced availability of fish, aquaculture and forestry products), security crisis in the North-West and South-West regions, which, on the one hand, limits production and, on the other hand, hinders the transportation of foodstuffs, (ii) limited supply to major consumption centres as a result of the deterioration of certain roads and railways, (iii) speculative practices by certain traders, (iv) passing on, albeit partial, of pressures on costs (particularly raw materials and agricultural inputs), consumer prices, (v) supply difficulties, low security stocks and shortages of certain products.

As for imported products, tighter financial conditions in most world regions, the conflict between Ukraine and Russia, persistence of the Covid-19 pandemic, restrictions on exports imposed by several producing countries, repeated lock downs in China in application of the zero Covid policy are all factors that have created supply shocks. In addition, the depreciation of the CFA franc to the dollar has resulted in an increase in the cost of importing raw materials and food products. As a consequence, importing products such as rice, wheat, other grains, fuel and domestic gas has been expensive and difficult. Rising prices of agricultural inputs and other raw materials on the international market have also resulted in increased local production costs for many goods and services.

In response to this international economic situation, which has remained conducive to inflation, the Government has endeavoured to stabilise the price of petroleum products at the pump and domestic gas, to implement measures to combat speculation and to organise a few promotional sales to relieve households. Added to these measures are the exemption from tax and customs duties on the import of certain products, suspension of port fees, reduced freight cost to be included in the customs value, suspension of advance payments for the purchase of several products and dismantling of illegal roadblocks to reduce the cost of transporting agricultural products to markets.

3. Other sources of inflation

In 2022, the general price level was up mainly as a result of the 12.9% increase in food prices. "Clothing and footwear" as well as "restaurants and hotels" service prices rose by 4.0% and 6.3% respectively. In the case of the "restaurants and hotels" component, the rise in prices was as a result of the increase in the prices of restaurant services. As for the "clothing and footwear" function, the surge recorded was as a result of the rise in prices of other clothing and clothing accessories and clothing fabrics.

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

In 2022, inflation was more sustained by the rise in the prices of local products. Local product inflation stood at 6.4% and contributed 5.0 percentage points to total inflation. Meanwhile, inflation of imported products was 5.0% and contributed 1.3 percentage point to total inflation. The risk of aggravation of imported inflation still remains as a result of a difficult international economic situation, marked in particular by the general rise in the prices of raw materials and energy. Moreover, inflation of local products was also due to the increase in the cost of inputs that are imported.

Inflation is still largely fuelled by the prices of goods in the primary sector

In 2022, prices of goods in the primary sector increased by 11.0%. Prices of goods in the secondary sector and those of services were up by 5.6% and 2.9% respectively. Underlying inflation, calculated by excluding products with more volatile prices (excluding fresh products and energy), continued to accelerate, and reaching 5.6% in 2022, as against 1.8% in 2021. Prices of fresh products soared by 10.2%. Energy prices, meanwhile, rose by 0.8%. This increase in energy prices would have been greater had it not been for the price subsidy for fuel and domestic gas.

4. Conclusion and outlook for 2023

The pace of inflation has increased, with a rate of 6.3% in 2022, driven by the 12.9% surge in food prices. In a context where global economic activity continues to be weakened by the uncertainties relating to the war between Russia and Ukraine, the tightening of financial conditions, inflationary pressures, as well as tensions in supply chains, the national economy shows good resilience, compared to other countries. This resilience is justified both by the diversity and quantity of the supply of local products on the market, and the policy of stabilising the price of petroleum products at the pump through subsidies which cost the State in about 775 billion FCFA (including 700 billion for petroleum products and 75 billion for domestic gas) in 2022. Due to the upward revision of the prices of petroleum products, the new taxation in the Finance Law 2023 and the difficult situation that the global economy is going through, the inflation rate in 2023 could be above 6%.

In 2022, the inflation rate of 6.3% was above the CEMAC community standard of 3.0%. Inflationary pressures were maintained mainly by the prices of food products, in particular those of oils and fats, breads and cereals, fishes and seafood, meats, milk, cheese and eggs, and vegetables.

Mismatches between production capacities and high demands, fuelled by the combination of several exogenous shocks (health, geopolitics, climate), have pushed inflation to high levels worldwide. Each country has had to adjust its economic policies, in particular tax and budget policies, in order to contain the level of inflation on certain goods and services with a very significant potential impact on populations. It is in this context that the Government has, among other measures to mitigate the social and economic impact, opted to maintain the prices of petroleum products and domestic gas through a pump price subsidy mechanism. For the year 2022, the amount of this subsidy amounted to nearly 775 billion CFA francs. Given the unsustainable burden of these subsidies, the increase in fuel prices had become inevitable. Thus, from 1 February 2023, the litre of premium gasoline was up from 630 CFA francs to 730 CFA francs and that of gas oil increased from 575 CFA francs to 720 CFA francs. The price of kerosene, largely consumed by the underprivileged social classes, remains stable at 350 CFA francs per litre, as well as the price of the 12.5 kg cylinder of domestic

Figure 3: Trends in the prices of some other consumption functions

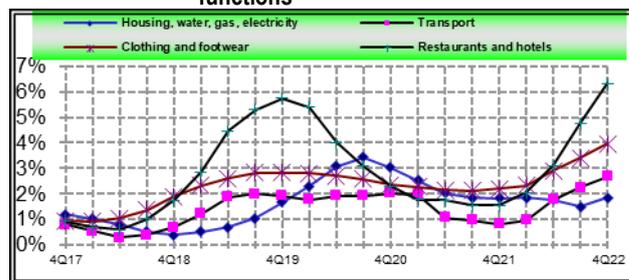


Figure 4: Trends in prices according to origin

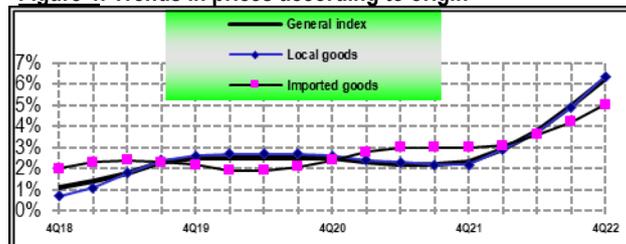


Figure 5: Trends in prices by sector

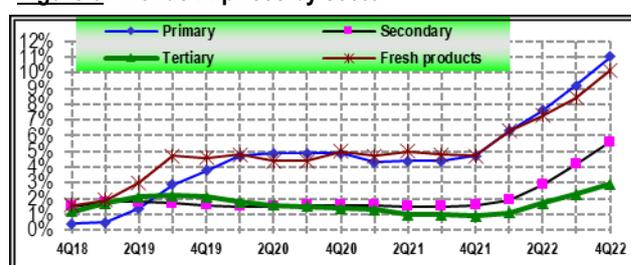


Table 1: Changes in the index (base 100 Year 2011) of prices of the various consumption functions in 2022

CONSUMPTION FUNCTION	Year-2020	Year-2021	Jan-22	Feb-22	March -22	April-22	May-22	June-22	July-22	Aug-22	Sept-22	Oct-22	Nov-22	Dec-22	Year-2022	Year-2022/Year-2021	Year-2021/Year-2020
Food products and non-alcoholic beverages	119.7	124.8	131.6	132.9	134.1	137.4	138.7	139.5	141.8	144.1	145.6	146.0	147.7	148.7	140.7	12.7%	4.3%
<i>Food products</i>	119.7	124.9	131.8	133.1	134.4	137.7	139.0	139.8	142.2	144.5	146.1	146.4	148.2	149.1	141.0	12.9%	4.3%
<i>Non-alcoholic beverages</i>	116.8	119.1	120.9	121.9	122.7	123.1	123.6	123.9	124.5	125.2	125.3	125.3	125.9	126.5	124.1	4.2%	1.9%
Alcoholic beverages and tobacco	133.5	136.3	139.6	139.6	139.7	140.4	141.0	141.7	142.4	143.0	143.2	143.8	144.6	144.3	141.9	4.1%	2.1%
Clothing and footwear	114.0	116.5	118.3	119.0	119.3	120.4	121.0	121.7	121.2	121.7	122.4	122.6	122.7	123.3	121.1	4.0%	2.2%
Housing, water, gas, electricity and other fuels	120.3	122.4	123.7	123.5	124.4	124.5	124.9	124.0	123.9	124.3	124.5	126.0	126.2	126.7	124.7	1.9%	1.8%
Furniture, household items and routine household maintenance items	111.1	112.7	113.6	114.5	115.3	116.5	117.7	118.8	120.0	120.5	121.4	122.2	123.5	124.3	119.0	5.6%	1.4%
Health	103.3	103.5	103.6	103.6	103.7	103.8	103.8	103.9	104.0	104.0	104.0	104.1	104.2	104.2	103.9	0.4%	0.2%
Transport	126.5	127.5	129.1	129.3	129.7	130.0	130.3	131.4	131.3	131.9	131.8	132.0	132.1	132.1	130.9	2.7%	0.8%
Communications	91.1	91.5	91.6	91.6	91.7	91.8	91.9	92.3	92.3	92.6	92.5	92.5	92.5	92.6	92.2	0.8%	0.4%
Leisure and culture	107.5	108.5	109.6	109.6	109.7	110.0	110.2	110.3	110.6	110.3	110.6	110.6	111.0	111.4	110.3	1.7%	1.0%
Education	117.5	118.9	120.1	120.2	120.2	120.2	120.3	120.3	120.9	123.1	124.2	124.3	124.4	124.4	121.9	2.5%	1.2%
Restaurants and hotels	131.7	133.7	137.2	137.2	137.7	139.5	141.6	142.2	143.3	143.8	145.7	145.6	146.0	146.5	142.2	6.3%	1.5%
Miscellaneous goods and services	116.3	117.5	118.7	119.1	119.8	120.6	121.3	121.6	122.7	123.6	124.1	124.9	125.1	125.7	122.2	4.0%	1.1%
GENERAL INDEX	117.7	120.3	123.5	124.0	124.7	126.1	126.9	127.4	128.3	129.4	130.2	130.6	131.3	131.9	127.9	6.3%	2.3%

Table 2: Changes in the index (base 100 Year 2011) of prices by secondary groups of products in 2022

SECONDARY GROUPS	Year-2020	Year-2021	Jan-22	Feb-22	March -22	April-22	May-22	June-22	July-22	Aug-22	Sept-22	Oct-22	Nov-22	Dec-22	Year-2022	Year-2022/Year-2021	Year-2021/Year-2020
Local	119.4	122.1	125.2	125.6	126.4	127.9	128.7	129.1	130.4	131.5	132.4	132.8	133.7	134.2	129.8	6.4%	2.2%
Imported	112.8	116.2	118.4	119.2	119.8	120.9	121.7	122.3	122.0	123.1	123.6	124.1	124.4	125.2	122.1	5.0%	3.0%
Energy	105.4	105.6	105.8	105.8	105.9	105.9	106.0	106.0	106.0	106.0	106.0	107.1	107.2	107.3	106.2	0.6%	0.2%
Oil products	109.4	109.7	109.9	109.9	110.0	110.1	110.2	110.2	110.2	110.2	110.2	111.8	111.8	112.0	110.5	0.8%	0.3%
Fresh products	130.5	136.6	143.5	145.2	145.4	147.8	147.7	148.5	150.0	153.4	154.7	154.5	157.2	158.4	150.5	10.2%	4.7%
Excluding fresh products and energy	115.7	117.8	120.3	120.6	121.5	122.8	123.9	124.3	125.1	125.7	126.5	127.0	127.3	127.8	124.4	5.6%	1.8%
Primary	126.0	132.0	139.1	140.0	140.7	143.5	144.5	144.7	147.0	149.2	150.7	151.3	153.2	154.3	146.5	11.0%	4.7%
Secondary	109.9	111.7	113.5	114.3	115.2	116.5	117.4	118.1	118.6	119.4	119.9	120.4	120.9	121.4	118.0	5.6%	1.6%
Tertiary	118.7	119.7	121.2	121.3	121.8	122.2	122.7	123.2	123.5	124.2	124.6	124.7	124.9	125.1	123.3	2.9%	0.9%
Durable	112.0	113.8	115.3	115.9	116.5	117.9	118.3	119.7	120.0	120.4	120.5	120.9	121.5	121.8	119.1	4.6%	1.6%
Non-durable	118.5	122.5	127.5	128.4	129.4	131.7	132.7	133.1	134.8	136.5	137.7	138.4	139.8	140.6	134.2	9.6%	3.4%
Semi-durable	112.4	114.8	116.5	116.9	117.3	118.3	119.0	119.6	119.6	120.1	120.6	120.8	120.9	121.4	119.3	3.9%	2.1%
Services	118.8	119.9	121.3	121.4	121.8	122.2	122.8	123.3	123.6	124.2	124.7	124.8	124.9	125.1	123.3	2.9%	0.9%

Table 3: Changes in the index (base 100 Year 2011) of prices of the various regions in 2022

Cities	Year-2020	Year-2021	Jan-22	Feb-22	March -22	April-22	May-22	June-22	July-22	Aug-22	Sept-22	Oct-22	Nov-22	Dec-22	Year-2022	Year-2022/Year-2021	Year-2021/Year-2020
Yaounde	116.8	118.9	121.2	121.8	122.8	124.3	125.4	126.3	127.3	128.2	128.7	129.2	129.5	130.3	126.3	6.2%	1.8%
Douala	117.0	119.2	121.5	122.0	122.9	124.5	125.3	125.9	126.7	127.4	128.0	128.4	128.9	129.6	125.9	5.7%	1.9%
Bafoussam	117.4	120.2	124.9	125.4	125.7	126.7	126.7	127.2	128.3	130.7	132.0	132.2	133.1	134.0	128.9	7.3%	2.4%
Bamenda	119.6	124.1	129.9	128.7	128.5	131.1	131.5	131.6	133.4	133.3	134.8	136.3	135.8	135.8	132.5	6.8%	3.8%
Garoua	116.5	119.0	122.8	123.0	122.8	123.5	124.4	125.2	126.2	127.2	126.8	127.6	127.7	127.9	125.4	5.4%	2.1%
Maroua	116.3	120.0	124.1	124.1	124.7	126.5	127.2	127.3	127.4	127.7	129.7	129.7	132.1	131.9	127.7	6.4%	3.2%
Ngaoundere	115.1	116.2	119.1	121.9	123.5	124.1	125.3	125.0	125.0	126.2	126.6	126.6	127.0	126.7	124.8	7.4%	1.0%
Bertoua	122.3	127.6	128.5	129.8	130.4	130.1	131.0	131.1	132.7	135.7	138.1	140.6	143.2	144.4	134.6	5.5%	4.4%
Buea	123.1	125.2	128.4	130.0	130.4	132.3	133.3	133.6	134.8	137.0	137.5	136.5	137.1	138.1	134.1	7.1%	1.7%
Ebolowa	117.6	122.0	126.3	125.9	128.3	127.8	127.9	127.0	127.1	128.3	129.2	130.6	134.3	134.3	128.9	5.7%	3.7%
National	117.7	120.3	123.5	124.0	124.7	126.1	126.9	127.4	128.3	129.4	130.2	130.6	131.3	131.9	127.9	6.3%	2.3%