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RÉPUBLIQUE DU CAMEROUN

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# **Economic and Financial Survey of Enterprises in 2022**

**22<sup>nd</sup> edition**

*Briefing note*



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**Summary:** *This economic and financial survey note reports on the global economic and financial situation of enterprises, particularly by branch of activity in 2022. The study is based on a series of statistical and tax returns (STRs) from 1,069 representative enterprises classified by branch of activity.*

*The socio-economic environment in 2022 was marked by inflationary pressures exacerbated by the conflict between Russia and Ukraine, with the main repercussions on the national economy being the disruption of global supply chains, soaring oil prices, worsening of the trade deficit due to higher import prices and dollar appreciation.*

*In this rather unfavourable environment, enterprises in the modern sector of the economy showed resilience. **After a 9.6% increase in 2021, overall turnover excluding taxes rose by 17.4% in value terms in 2022.** This momentum was mainly fuelled by five branches of activity that performed particularly well during the year. Compared to 2021 prices, the turnover increased by 10.5%, slightly above the previous year's performance.*

*With the increase in the prices of raw materials, energy and maritime transport costs due to the long distance from supply points, **enterprises had difficulty increasing their value added and, consequently, making profits.** Nevertheless, the outstanding performance of hydrocarbon extraction activities, on the one hand, and financial intermediation activities on the other, had a positive impact on overall value added and profits.*

***The number of permanent jobs increased by 2.8% in 2022,** allowing enterprises to catch up with the level of employment before the covid-19 pandemic. This positive trend also generated productivity gains (+2.2 million CFA francs per employee compared to 2021).*

***The pace of investment was less sustained (-2.6% compared to 2021),** as a result of the sluggishness of the primary sector and manufacturing industry. Thus, productive capital continued to deteriorate, with the rate of aging of fixed assets rising from 55.2% in 2021 to 58.1% in 2022.*

***As in 2021, enterprises' working capital was positive for the second time,** contributing to the improvement in their net cash position. However, the net debt-to-equity ratio, which represents the ratio of financial debt to equity, stood at 1.1, slightly above the sustainable limit of 1.*

***In a nutshell, enterprises were able to consolidate their post-Covid-19 level of activity,** though without generating more value added and profits; with the exception of enterprises in the branches of activity of extraction, agricultural export and financial intermediation, which were able to take advantage of the decline in the effects of Covid-19 and the repercussions of the conflict between Russia and Ukraine.*

## Macroeconomic environment in 2022

In 2022, the **global economy** suffered a series of shocks that occurred concurrently. These included: the COVID-19 pandemic which resumed, notably in China, resulting in the lock down of some major cities for several weeks; the war between Russia and Ukraine and the resulting food and energy crises as well as runaway inflation. According to the January 2023 World Economic Outlook published by the International Monetary Fund (IMF), global growth slowed down to 3.1% after the strong recovery of 2021 (6.2%). This decline in growth was observed in most of the major economic blocs, with the exception of the Middle East and Central Asia, which took advantage of the rise in oil prices exacerbated by the conflict between Russia and Ukraine. Growth in this region rose from 4.5% to 5.3% in 2022.

After recovery in 2021, the **economies of sub-Saharan Africa** also slowed down. The growth rate fell from 4.7% to 3.8%; this slowdown was attributable to strong inflationary pressures which increased as a result of climatic hazards, disruptions in supply chains

exacerbated by the conflict in Ukraine in particular; low external demand (particularly in China and Europe); tightening of financing conditions marked by the increase in debt servicing costs. In the region's two largest economies, Nigeria and South Africa, growth also contracted. It fell from 3.6% in 2021 to 3.0% in 2022 for Nigeria. The decrease in growth in Nigeria was a result of production difficulties in the oil industry as well as high inflation, which was set to rise above 21% in 2022. Regarding South Africa, the growth rate fell from 4.9% in 2021 to 2.6% in 2022. Growth in South Africa was constrained by electricity supply difficulties and stringent policies to reduce inflation.

**The economies of the Economic and Monetary Community of Central Africa (CEMAC)** were expected to recover in 2022. The growth rate of the sub-region's economy was due to reach 3.4% after 1.5% in 2021. This dynamism was as a result of the lifting of the measures to control the COVID-19 pandemic, but was also of the fact that the sub-region was able to take advantage of the consequences of the conflict between

Russia and Ukraine, characterized in particular by the rise in oil prices on the global market, as well as the prudent management of resulting resources as part of development programmes.

**The national economy** was affected, mainly by general inflationary pressures as a result of the conflict between Russia and Ukraine and the increase in maritime freight, soaring prices for the main raw materials, particularly crude oil, the appreciation of the dollar. In this context, the economy was expected to record almost the same growth rate as in 2021 (3.6%).

According to national accounts data, on the supply side, over the first nine months of the year, the economy

### Trends in turnover and profits in 2022

Within this macroeconomic framework, enterprises in the modern sector of the national economy showed resilience, consolidating the post-Covid19 economic recovery. **The turnover increased by 17.4% after 9.6% in 2021. This trend was mainly attributable to the outstanding performance of five (05) branches of activity.** These are: “wholesale and retail trade, repair of vehicles”; “extraction of hydrocarbons and other energy products”; “financial and insurance activities”; “information and telecommunication activities”; “cocoa, coffee, tea and sugar industry”.

Trade turnover increased by 16.6% in 2022, mainly as a result of the marketing of hydrocarbons.

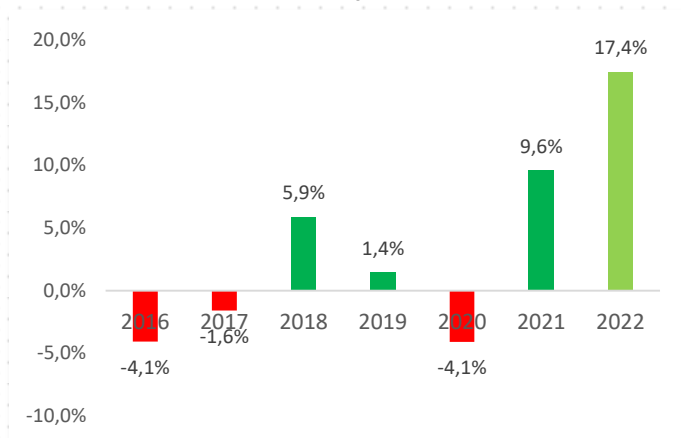
In the case of hydrocarbon extraction activities, turnover rose by 69.8%. This positive development was attributable to the cumulative effect of the appreciation of the dollar and the surge in oil prices on the international markets, as a result of the economic effects of the conflict between Russia and Ukraine.

Financial and insurance activities recorded a 39.3% growth in turnover. This increase was as a result of the increase in the volume of public securities, repayment of domestic debt and financing and densification of foreign trade operations (purchase and sale of foreign currency).

recorded a growth rate of 3.6% compared to the first nine months of 2021. This positive development was as a result of the good performance of the following sectors: “Financial services” (14.8%); “Silviculture and forest exploration” (10.4%); “Information and communication” (10.1%). On the demand side, growth was driven by final consumption, which varied by 3.2% over the first nine months compared to the same period the previous year.

The inflation rate stood at 6.3% in 2022. It was above the CEMAC community standard of 3.0%. Inflationary pressures were mainly sustained by food prices, notably the prices of oils and fats, breads and cereals, fish and seafood, milk, cheese and eggs, as well as vegetables.

Figure 1: Trends in turnover between 2016 and 2022 (as a %)



Source: NIS/STRs database

Global inflation also impacted the turnover of enterprises as it spread across the national level. Since 2021, industrial producer prices rose steadily and were even higher in 2022. As a result, business turnover increased by 10.5% while maintaining the previous price level, slightly higher than in 2021 (9.6%).

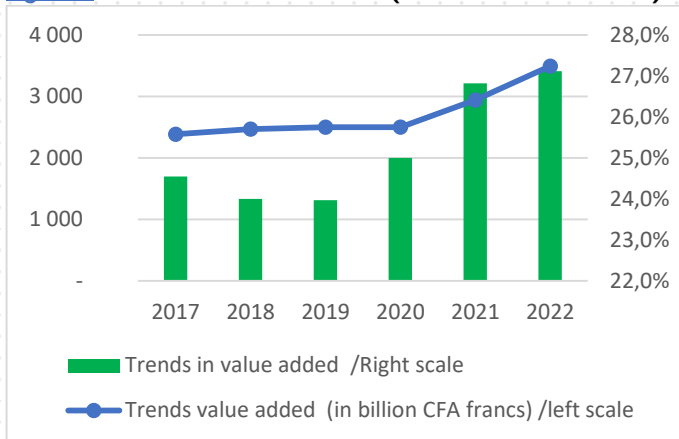
The increase in the level of activity in 2022 was marked by its wider economic spectrum, with thirty (30) branches of activity being concerned by the increase in turnover compared to 25 in 2021.

**The value added** created by modern enterprises increased by 18.7%. However, it should be noted that this increase was mainly attributable to the activities of extraction of hydrocarbons and financial intermediation which both supported the value added growth (contributions of 13.6% and 5.0% respectively). For the rest, enterprises were exposed to the surge in raw material and energy prices, to the increase in maritime transport costs induced by the long distance from the supply points. These factors contributed to an increase in operating costs and thus slowed down the production

of enterprises.

With this level of value added, the **value added rate**, which relates value added to turnover excluding taxes, increased slightly from 26.8% to 27.1%.

**Figure 2: Trends in value added (in billion CFA francs)**

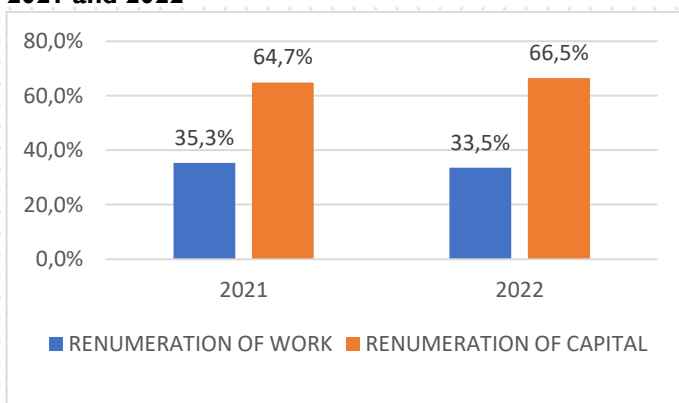


Source: NIS/STRs database

Despite the 0.5% increase in staff costs, the level of value added generated made it possible to consolidate operating profits. The **gross operating surplus**, which is the balance between value added and staff costs, rose by 21.9%. As with value added, the growth of this operating profit was mainly attributable to hydrocarbon extraction (16.3%) and financial intermediation activities (8.0%).

Consequently, in terms of the distribution of value added between capital and labour, it was observed that value added benefited more the capital factor with 66.5% of value added, after 64.7% in 2021, than the labour factor (33.5%).

**Figure 3: Trends in the distribution of value added in 2021 and 2022**



Source: NIS/STRs database

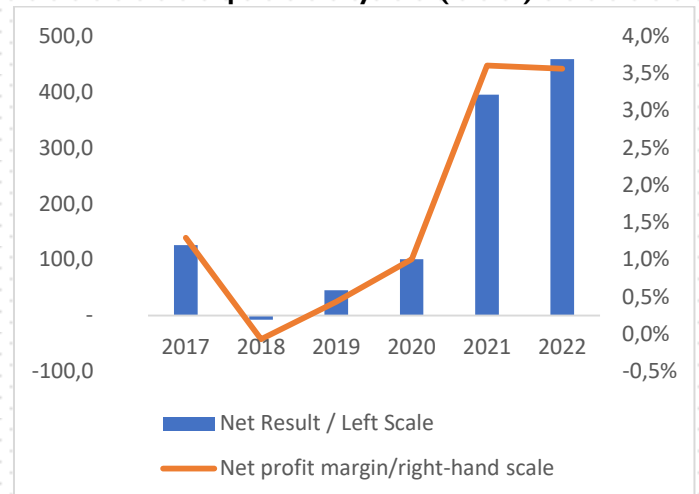
### Enterprise profitability

Considered as a whole, production and investment activity of enterprises resulted in some improvement in profitability. Both operating and financial profitability were up compared to 2021.

The **net result**, which is the difference between all income and all expenses, was in surplus and increased by 16.1%. This improvement was, however, not as strong as that recorded in 2021. Scrutiny of the net result by branch of activity showed 22 out of 38 branches in deficit, 19 of which were in the same situation in 2021. In contrast, some industries recorded an increase in their net results in 2022. They include: “Electricity, gas and air conditioning supply”; “Information and communication activities”; “Sylviculture and logging”.

In relation to the turnover, the activity in 2022 generated as much profit as in the previous year. Despite the increase in turnover, the **net profit margin**, which relates net profit to turnover excluding taxes, remained stable at 3.6%.

**Figure 4: Trends in net income (in billion CFA francs) and profitability rate (as a %)**



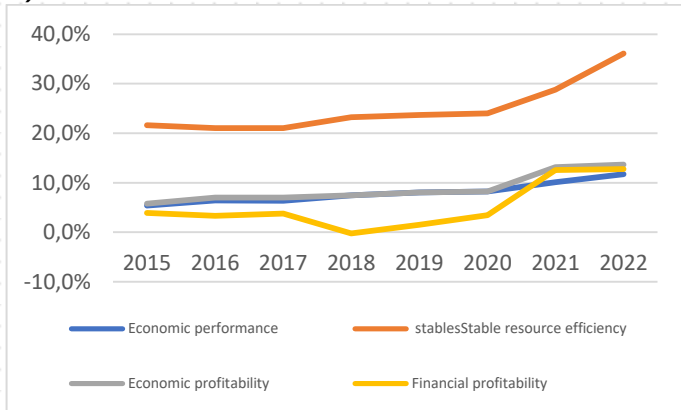
Source: NIS/STRs database

The **economic performance** (*Gross operating surplus [GOS] to Gross Fixed Assets*) was 11.7% in 2022 compared to 10.1% in 2021 due to an increase in the turnover ratio of gross fixed assets from 0.58 in 2021 to 0.63 in 2022.

The rate of return on stable resources (Gross operating surplus [GOS] to net stable resources of financial fixed) stood at 31.4%. It increased by 2.6 percentage points compared to 2021. This situation testified to the fact that the production tool generated more operating profit in 2022 than in 2021.

The Economic profitability, which is the ratio of gross operating surplus to economic assets (sum of gross fixed assets and working capital requirement), rose to 13.9%, up 0.9 percentage point.

Figure 5: Trends in modern enterprise profitability (as a %)



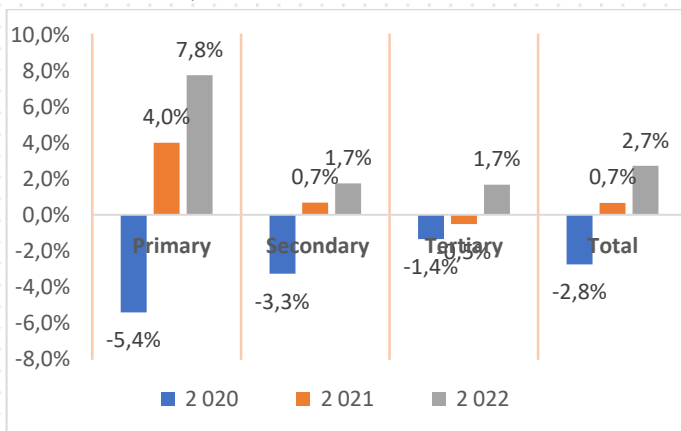
Source: NIS/STRs database

The financial profitability ratio (financial profitability establishes the capacity of capital invested by shareholders to

### Employment in modern enterprises

The number of permanent jobs in enterprises recorded increased by 2.8% in 2022, reflecting a recovery from the pre-Covid-19 pandemic level. This increase was observed in all sectors of activity, but the trend was more visible in the primary sector with 7.5% growth. Trends in the secondary and tertiary sectors were similar.

Figure 7: Trends in jobs by sector of activity in the modern sector, from 2020 to 2022

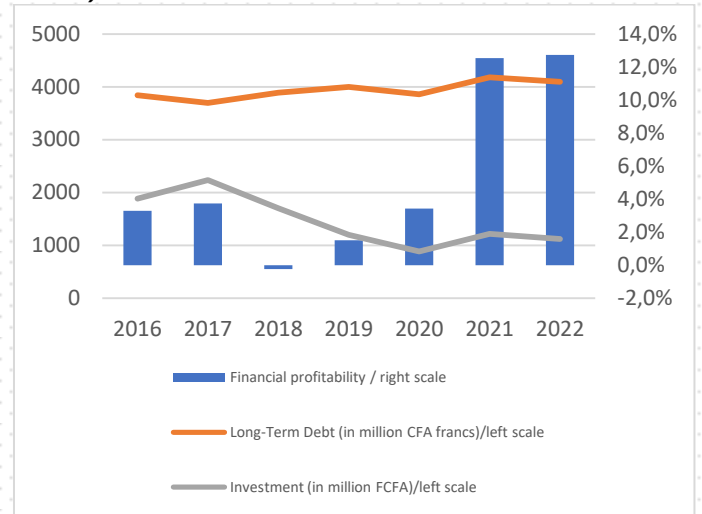


Source: NIS/STRs database

Trends in permanent jobs, in relation to that of value added, resulted in productivity growth.

generate income) was 12.7% in 2022, i.e. 0.2 percentage point higher than in 2021. This positive development was as a result of the combined decline in financial or long-term debt (-11.0%) and investments (-2.6%).

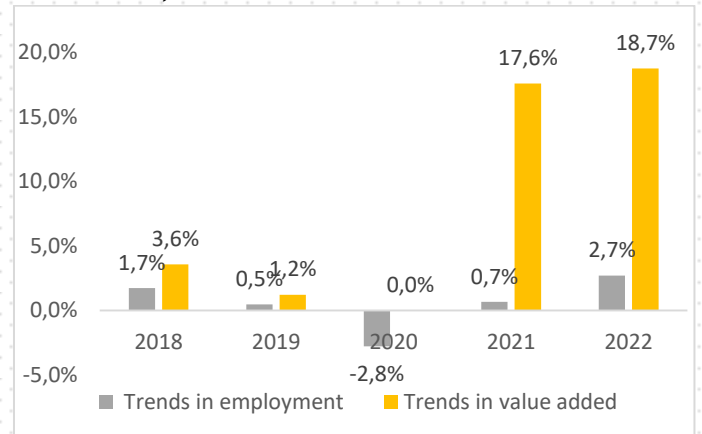
Figure 6: Trends in financial profitability (as a %), investments and long-term debt (in million CFA francs)



Source: NIS/STRs database

Productivity per capita for all enterprises stood at 16.4 million CFA francs as against 14.2 million CFA francs in 2021.

Figure 8: Trends in the ratio of permanent jobs and value added, from 2018 to 2022

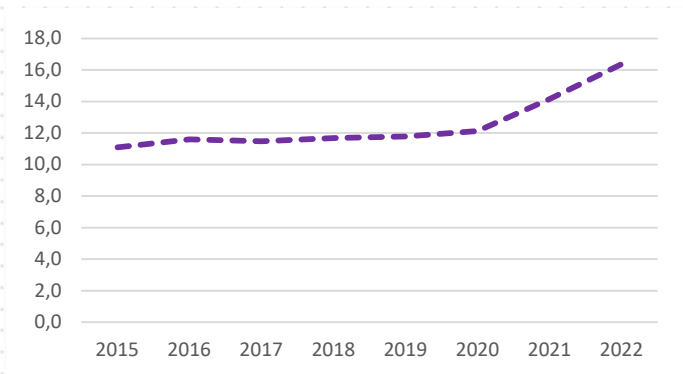


Source: NIS/STRs database

In relative terms, this positive development was translated into a growth of +15.6%. Industries with the highest per capita productivity in the economy were the following: "Extraction of hydrocarbons and other energy products" (563.8 million CFA francs); "Financial and insurance activities" (61.5 million CFA francs);

“Manufacturing of non-metallic mineral products” (51.2 million CFA francs); “Production and distribution of electricity, gas and air conditioning” (46.7 million CFA francs).

**Figure 9:** Trends in productivity per capita in modern enterprises from 2017 to 2022 (in million CFA francs)



Source: NIS/STRs database

**Staff costs were further controlled by modern enterprises.** They increased slightly in 2022, by 1.8%. As a result, **average staff costs dropped slightly** from 5.5 million CFA francs in 2021 to 5.4 million in 2022. The ‘extraction of hydrocarbon and other energy products’ branch of activity stood out with the highest average staff costs (45.8 million CFA francs).

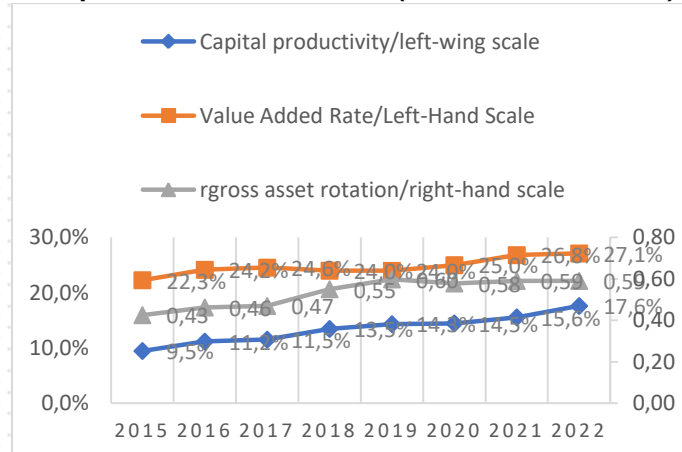
### Productive capital of enterprises

**Apparent capital productivity increased by 2.0 percentage points and stood at 17.6%.** This performance was attributable to the combined increase in the value added rate (+0.3 percentage point).

In the context of the post-Covid19 economic recovery, enterprises experienced a decline in investment (-2.6%). The primary (-2.6%) and secondary (-14.2%) sectors stood out with a decline in investment spending. This situation was reflected in the obsolescence rate of the production tool at 58.0%, which was higher than in 2021 (55.2%). In contrast, the tertiary sector recorded an increase in investment spending of 43.0%.

In addition, the decline in investment resulted in a fall in **capital intensity** (ratio of gross fixed assets to permanent staff). Thus, it stood at 27.8 million CFA francs per capita as against 34.7 million CFA francs in 2021.

**Figure 10:** Trends in productivity per capita in modern enterprises from 2015 to 2022 (in million CFA francs)



Source: NIS/STRs database

### Corporate debt

**Analysis of the major balances of enterprises’ balance sheets showed positive net cash, with a historic increase of 140.0% compared to 2021.** This overall solvency was boosted by the outstanding results of the financial intermediation activities sector, which recorded a net cash flow increase of 173.2%. There were disparities at the level of the branches of activity. Twenty (20) branches of activity were in an insolvency situation.

The most affected were: “Production of electricity, gas and air conditioning”; “Real estate”, “manufacture of basic metal products and metal structures”, as well as “wholesale and retail trade, and vehicles repair”, a sector that suffered in 2022 from the scarcity of foreign currency for its supplies.

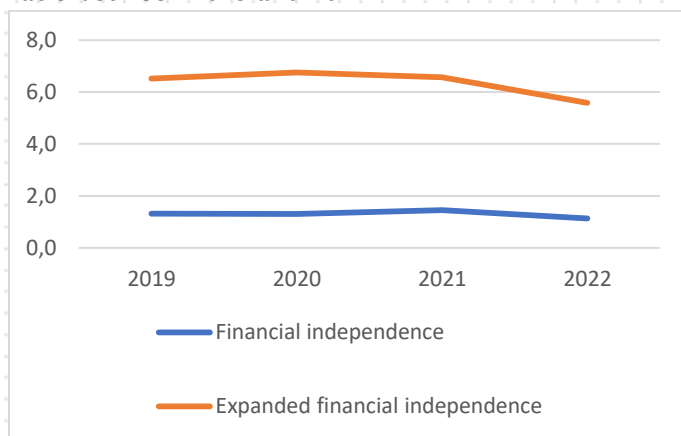
After a period marked by structurally negative working capital until 2020, the situation was reversed since 2021, and working capital was positive for the second time in

2022. Under these conditions, enterprises had the capacity to finance long-term investments, but also part of their operating cycle without resorting to cash loans.

**Insufficient equity exposed enterprises to insolvency risk.** Increase in equity (14.1%), and concurrently the decrease in long-term debt (-11.0%) made it possible to reduce the extended debt-to-equity ratio (ratio of total debt to equity) from 6.6 in 2021 to 5.6 in 2022. However, this ratio remained far above the sustainable limit of 4.

The net debt-to-equity ratio, which is the ratio of financial debt to equity, also dropped significantly. It fell from 1.5 times equity capital to 1.1. It also remained above the sustainable limit (corresponding to 1).

**Figure 11: Trends in enterprise financial independence ratio between 2015 and 2022**



**Source: NIS/STDs database.**

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