

Inflation trends in the first nine months of 2023

At the end of September 2023, inflation rate in Cameroon reached an annual average of 7.8%. This increase was mainly as a result of the rise in food prices and transport costs, with inflation rates of 12.8% and 11.5% respectively.

The increase in food prices may be explained mainly by the increase in the prices of vegetables, breads and cereals, fish and seafood, milk, cheese and eggs, fruit, sugar, jam, honey, chocolate and confectionery as well as oils and fats. This inflationary trend was the result of a combination of both domestic and global factors. The price increase was more significant for local products (+8.5%) than for imported products (+6.0%).

At the national level, the reduction of subsidies on hydrocarbon prices, climate disruptions and security challenges particularly in the North-West and South-West regions have contributed to fuelling inflation.

Internationally, inflation was mainly driven by tensions stemming from the Russian-Ukrainian conflict and residual impacts of the COVID-19 pandemic.

However, global inflation is falling, international supply chains are normalizing, global commodity prices are down compared to 2022 and most central banks have adopted restrictive monetary policy. In anticipation and taking into account the shocks facing the country, inflation rate at the end of 2023 could exceed the initial forecast to stand around 7.3%.

1. Inflation trends in the first nine months of 2023

Inflationary pressures persist and affect all cities: In the first nine months of 2023, household final consumption prices recorded an increase of 7.8% year-on-year. Overall inflation, which has increased steadily since the start of the year, stands at 7.75%, falling from a peak of 7.82% in August 2023. One year ago, the increase was 5%.

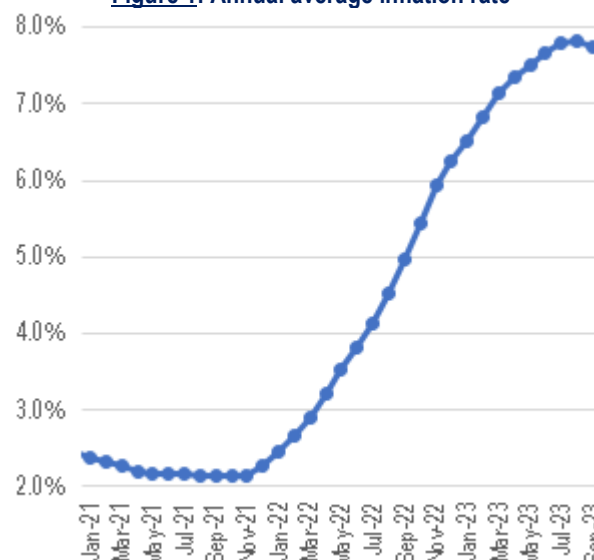
Over a year, prices slowed for the fourth consecutive month (+6.9% in September, after +7.8% in June).

The highest inflation rate is recorded in Bertoua and the lowest in Bamenda:

At the end of September 2023, an acceleration in price increase was observed compared to the end of September 2022: Bertoua recorded an increase of +10.2% after +3.2% a year ago, Ngaoundere +8.2% after +5.3%, Bafoussam +8.0% after +5.8%, Ebolowa +8.0% after +4.4%, Yaounde +7.8% after +4.8%, Douala +7.7% after +4.4%, Maroua +7.7% after +5.4%, Buea +7.4% after +5.8%, Garoua +6.9% after +4.6%, and Bamenda +6.7% after +6.2%.

Inflation is driven by soaring food prices and transport costs: On average, inflationary pressures persisted over the past 12 months, fuelled mainly by the "food products" component, with an increase of 12.8%. To a lesser extent, the "transport" component also contributed to this trend, with price increase of 11.5%. The increase in food prices may be mainly attributed to the rise in prices, although increases have receded, of products such as breads and cereals, fish and seafood, as well as oils and fats. In transport, lingering inflationary pressures follows the increase in road transport costs as a result of the increase in fuel prices at the pump, which recorded an increase. The price of a litre of premium gasoline increased from 630 CFA francs to 730 CFA francs as of 1 February 2023, meanwhile the price of gas oil increased from 575 CFA francs to 720 CFA francs.

Figure 1: Annual average inflation rate



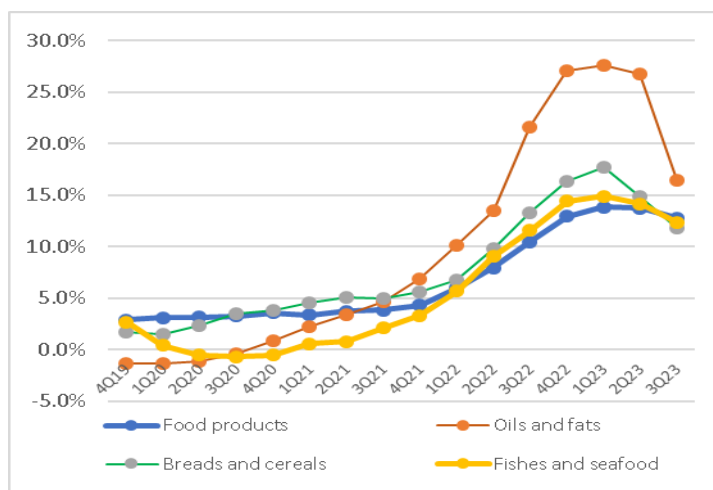
2. Trends in food prices

On an annual average, food prices increased by 12.8% at the end of September 2023

Compared to the first nine months of 2022, food prices recorded an increase of 12% in the first nine months of 2023.

At the end of September 2023, food prices experienced an annual average increase of 12.8%, mainly as a result of the significant increase in the prices of breads and cereals (+11.9%), oils and fats (+16.4%) as well as fishes and seafood (+12.4%). Also, the prices of vegetables (+18.0%), meats (+6.5%), dairy products, cheeses and eggs (+12.4%), items such as sugar, jam, honey, chocolate and confectionery (+8.3%) as well as fruits (+11.0%) increased. It should be noted that inflation for these product groups is decreasing.

Figure 2: Annual average trends in food prices



The 16.4% increase in oils and fats prices was mainly due to the increase in prices of crude oils, refined oils and other fats such as local groundnut paste and palm nut oil.

The prices of breads and cereals increased by 11.9% due to the increase in the prices of products such as breads, pastries, cakes, biscuits, pastries, as well as flour, semolina and groats.

The 12.4% increase in fish and seafood prices resulted from the increase in the prices of fresh fish, frozen fish and other seafood products, dried or smoked fish and other seafood products, as well as than other canned fish.

The 6.5% increase in meat prices was mainly attributable to the increase in prices of poultry, beef, pork, mutton and goat meat.

The prices of "milk, cheese and eggs" recorded an increase of 12.4%, mainly as a result of the increase in the prices of milk and, to a lesser extent, other dairy products.

Vegetable prices increased by 18.0%, mainly due to the increase in prices of fresh fruit or root vegetables (including products such as fresh onion, green bean, carrot, pepper, cucumber, squash), dried and oilseed vegetables (such as shelled peanuts and dried beans), fresh leafy vegetables and tubers such as plantains.

Prices of products under the "sugars, jams, honeys, chocolates and confectionery" category increased by 8.3%, mainly as a result of the increase in sugar prices, as well as the prices of jams, honeys, chocolates, and confectionery.

Despite the lingering food price increase, it should be noted that the increase, which had gained speed until March 2023, began to decline from April 2023.

On the international level, there was some kind of decline in food prices on international markets.

The FAO Food Price Index, which tracks the monthly trends in international prices of the most commonly traded basic food products, fell by 11.2% at the end of September 2023¹. This drop was due to the decline in prices of vegetable oils, cereals, dairy products and meats.

At the local level, food prices have risen for various reasons: (i) low national production due to reduced production capacities, unfavourable weather conditions resulting in poor harvests and livestock losses, scarcity of fishery, aquaculture and forestry products, and security crisis in the North-West and South-West regions, which weights down on the production and distribution of products; (ii) supply difficulties to the main consumption centres due to the deterioration of certain roads and railways; (iii) speculative practices of certain traders, taking advantage of inflation to increase prices without relevant justification; (iv) partial impact of cost increases, such as raw materials and agricultural inputs, on consumer sales prices; (v) supply difficulties, insufficient safety stocks and shortages of some products.

As for imported products, the conflict between Ukraine and Russia has led to supply disruptions. The costs of local production of many goods and services have increased due to the increase in prices of agricultural inputs and other raw materials on the international market.

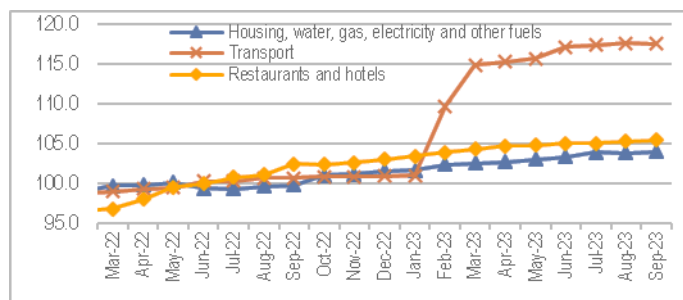
Faced with this international situation exerting pressure on prices, the Government maintained existing measures and introduced new measures to counter imported inflation and boost local production. Thus, in the Finance Law 2023, seeds, fertilizers and agricultural products are now exempt from import taxes. Additionally, drinks using local ingredients receive a 30% reduction in excise duty. In addition to subsidies and exemptions, the Government is strengthening price controls, holding promotional sales of everyday consumer products and expanding the list of products subject to regulated prices.

¹ Typically, when international food prices fall, it takes 6 to 12 months for food inflation to fall within countries, and the drop in prices is almost completely passed on to the prices of imported foods.

3. Other inflation sources

The general price level recorded an increase of 7.8%, largely due to the sharp rise in food prices, which saw a double-digit increase of 12.8%. Transport related costs as well as those relating to "furniture, household and routine household maintenance items" experienced respective price increase of 11.5% and 8.4%. The increase in transport costs was mainly attributable to the increase in the prices of transport services, in particular road transport and, to a lesser extent, air transport.

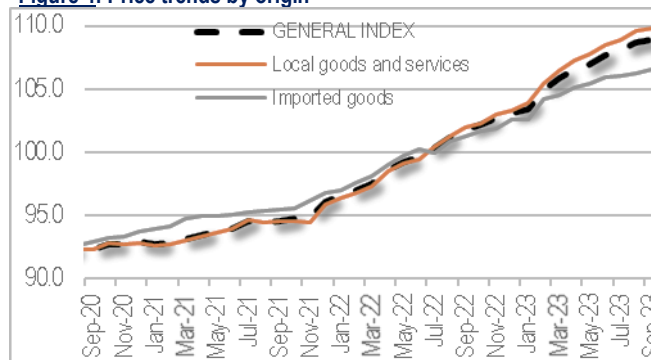
Figure 3: Trends in the prices of some other consumption functions



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

On average over the last twelve months, inflation was fuelled by the rise in prices of local products. Inflation for local products stood at 8.5%, mainly due to the lingering pressure on the prices of food and petroleum products, fluctuations in exchange rates as well as weather variations. Despite the lifting of the state of health emergency relating to the Covid-19 in May 2023 by the World Health Organization (WHO), the drop in international energy prices and reduction of disruptions in energy chains supply, inflation of imported products remains high (+6.0%).

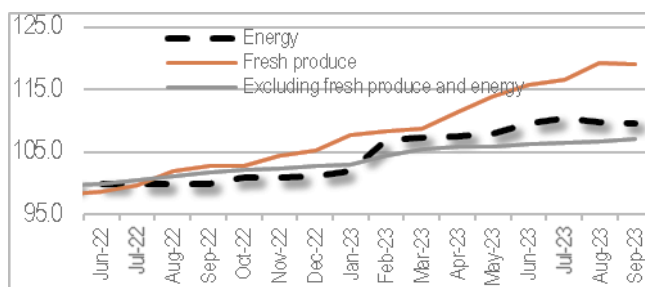
Figure 4: Price trends by origin



Inflation remains largely sustained by prices of fresh produce

Prices of fresh produce increased by 14.3%. Underlying inflation, calculated by excluding products with more volatile prices to highlight fundamental inflationary trends, also recorded a significant increase, from 4.4% at the end of September 2022 to 6.6% at the end of September 2023. For their part, energy prices increased by 6.5%, as a result of the increase in fuel prices.

Figure 5: Price trends by volatility



4. Conclusion and outlook for 2023

Inflationary pressures, which mainly took shape during 2022, gained intensity in the first nine months of 2023. In a global context marked by the normalization of supply chains, fall in energy and food prices, announcement of the end of the pandemic by the World Health Organization, and tightening of monetary policy by Bank of Central African States, a reduction in inflation in the last quarter of this year may be envisaged, despite the festive season that is drawing closer. In the absence of new shocks, it is likely that the inflation rate for 2023 will be around 7.3%.

Faced with the lingering risk or likely acceleration of inflation in 2023, and with the aim of reducing Cameroon's external dependence, the policy of structural transformation of the economy, included in the National Development Strategy 2020-2030 (NDS30) which is being implemented, should be fast-tracked. This is all the more crucial if the conflict between Russia and Ukraine persists, with potentially lingering inflationary consequences.

The development of production and distribution units for agricultural inputs (such as chemical fertilizers, herbicides, seeds, etc.) is another lever to tap to increase the diversified supply of agricultural products.

On the energy front, by accelerating the restructuring of SONARA and valorization of hydroelectric energy produced in dams, the Government could also act to further improve transport and distribution to enterprises and households. In addition, the development of alternative energy sources, especially solar and wind, deserves increased attention.

Finally, controls on markets should be intensified to prevent abuses that could be induced by the increase in salaries.

Under all these assumptions, the average annual inflation rate could be around 7.3% at the end of 2023. /-

**Table 1: Trends in the Harmonized Consumer Price Index by functions and secondary groups in the first nine months of 2023
(Base 100 Year 2022)**

CONSUMPTION FUNCTION	Index									Changes		
	Jan-23	Feb-23	March-23	April-23	May-23	June-23	July-23	Aug-23	Sept-23	Sept-23/Aug-23	Sept-23/Sept-22	Oct-22 to Sept-23/ Oct-21 to Sept-22
Food products and non-alcoholic beverages	106.6	107.1	107.4	108.7	109.8	110.9	111.9	113.3	113.6	0.3%	9.7%	12.5%
Food products	106.7	107.3	107.6	108.9	110.0	111.2	112.2	113.6	113.9	0.3%	10.0%	12.8%
<i>Breads and cereals</i>	105.3	106.6	107.3	108.0	107.9	109.1	108.7	110.3	110.9	0.6%	6.1%	11.9%
<i>Meats</i>	103.5	104.0	104.4	104.8	105.0	105.2	105.8	106.5	105.5	-0.9%	2.9%	6.5%
<i>Fishes and seafood</i>	106.4	107.7	109.3	107.7	109.0	109.3	108.3	109.7	110.9	1.1%	7.0%	12.4%
<i>Milk, cheese and eggs</i>	104.8	105.6	106.5	106.5	106.9	107.0	107.7	107.9	108.4	0.5%	1.4%	12.4%
<i>Oils and fats</i>	111.2	110.0	108.5	106.3	104.8	105.3	104.9	104.2	103.9	-0.3%	-3.1%	16.4%
<i>Fruits</i>	109.3	110.9	112.0	113.0	112.5	115.0	117.0	117.1	113.2	-3.3%	16.3%	11.0%
<i>Vegetables</i>	108.9	108.7	108.6	114.7	119.2	121.9	125.2	129.3	130.4	0.9%	26.5%	18.0%
<i>Sugar and confectionery</i>	104.6	105.1	105.8	106.6	106.5	108.1	108.0	108.5	107.6	-0.9%	5.1%	8.3%
<i>Food products n.e.c.</i>	106.5	107.3	106.6	107.2	107.8	108.0	112.0	110.4	111.4	0.9%	11.0%	9.2%
Non-alcoholic beverages	101.9	102.3	102.5	102.7	102.7	102.8	102.9	103.0	103.1	0.1%	2.1%	3.6%
Alcoholic beverages, tobacco and narcotics	101.7	101.9	102.2	103.6	103.7	103.8	103.9	104.1	104.0	0.0%	3.1%	4.0%
Clothing and footwear	102.1	102.6	103.0	104.1	104.1	104.4	104.6	105.0	105.2	0.2%	4.1%	4.4%
Housing, water, gas, electricity and other fuels	101.7	102.4	102.6	102.7	103.1	103.4	103.9	103.8	104.0	0.1%	4.2%	3.3%
Furniture, household and routine maintenance items	105.2	105.7	106.3	107.0	107.3	107.5	107.5	107.6	107.7	0.1%	5.6%	8.4%
Health	100.5	100.6	100.7	100.8	100.8	100.8	100.9	101.0	101.0	0.0%	0.9%	0.8%
Transport	101.1	109.7	114.9	115.3	115.6	117.1	117.4	117.6	117.5	0.0%	16.7%	11.5%
Communications	100.3	100.4	100.4	100.4	100.4	100.4	100.3	100.4	100.4	0.0%	0.0%	0.7%
Leisure and culture	101.1	101.2	101.4	101.4	101.5	101.5	101.7	102.3	102.6	0.3%	2.4%	1.8%
Education	102.2	102.3	102.3	102.3	102.3	102.3	102.6	103.7	104.4	0.7%	2.5%	3.5%
Restaurants and hotels	103.4	103.9	104.3	104.7	104.8	105.0	105.0	105.3	105.5	0.2%	2.9%	6.2%
Miscellaneous goods and services	103.6	104.2	104.3	104.8	105.1	105.4	105.5	105.6	106.0	0.4%	4.4%	5.9%
GENERAL INDEX	103.5	105.0	105.8	106.6	107.0	107.7	108.1	108.7	108.9	0.2%	6.9%	7.8%
SECONDARY NOMENCLATURES												
Local goods and services	103.9	105.4	106.5	107.3	107.8	108.5	108.9	109.6	109.8	0.2%	7.6%	8.5%
Imported goods	102.6	104.2	104.5	105.1	105.5	106.0	106.1	106.3	106.5	0.2%	5.2%	6.0%
Energy	102.0	106.8	107.2	107.5	107.9	109.6	110.3	109.7	109.6	-0.1%	9.8%	6.5%
Fresh produce	107.8	108.2	108.7	111.3	114.0	115.7	116.5	119.3	119.0	-0.3%	15.8%	14.3%
Excluding fresh produce and energy	103.0	104.3	105.3	105.8	105.8	106.3	106.4	106.7	107.0	0.3%	5.2%	6.6%

**Table 2: Trends in the Harmonized Consumer Price Index of the various regions in the first nine months of 2023
(Base 100 Year 2022)**

CONSUMPTION FUNCTION	Index									Changes		
	Jan-23	Feb-23	March-23	April-23	May-23	June-23	July-23	Aug-23	Sept-23	Sept-23/Aug-23	Sept-23/Sept-22	Oct-22 to Sept-23/ Oct-21 to Sept-22
Yaounde	103.1	105.1	106.1	107.2	107.4	107.5	107.8	108.6	108.7	0.1%	6.6%	7.8%
Douala	104.0	105.0	105.8	106.6	107.2	107.8	108.2	109.0	109.4	0.3%	7.6%	7.7%
Maroua	103.0	103.7	104.8	105.7	106.6	108.8	108.4	109.4	110.1	0.7%	8.4%	7.7%
Bafoussam	104.2	105.8	105.9	106.1	106.3	106.9	107.4	108.0	108.2	0.1%	5.7%	8.0%
Buea	103.1	104.9	105.9	106.3	107.1	107.1	107.8	107.2	108.0	0.7%	5.2%	7.4%
Garoua	104.5	104.9	105.5	105.6	105.8	107.0	108.3	108.1	108.5	0.3%	7.3%	6.9%
Ebolowa	103.3	105.4	106.6	106.5	106.8	107.7	108.1	108.4	108.3	-0.1%	8.1%	8.0%
Ngaoundere	102.0	105.2	105.8	106.0	107.5	109.1	110.4	110.9	110.7	-0.2%	9.0%	8.2%
Bertoua	102.7	104.7	106.7	108.6	108.2	108.6	109.0	110.3	109.0	-1.2%	6.3%	10.2%
Bamenda	103.5	104.8	105.6	105.8	105.9	105.8	106.3	106.5	106.8	0.3%	5.0%	6.7%

Figure 6: Consumer price index and its percentage change over one year

