

# MONETARY POLICY REVIEW & MACROECONOMIC UPDATE 2024/2025



**STONESHED**  
ASSET MANAGEMENT



**Cameroon Economic Policy Institute**

— **THE ESSENCE OF CHANGE** —

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### Who is CEPI?

**Mission:** The Cameroon Economic Policy Institute (CEPI) is an independent non-partisan think tank of the Henri Kouam Foundation who is accelerating economic development through fact-based research, policy advocacy and trainings to boost entrepreneurship and free market ideas.

**Vision:** Our vision is for a *free and prosperous society* driven by *Free Market Ideas* to Improve the Livelihoods of Cameroonians

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## List of Abbreviations

Bank of Central African States .....	BEAC
GDP Gross Domestic Product .....	GDP
Institute of National Statistics .....	INS
Composite Index of Commodity Prices .....	ICCPB
Tender Interest Rate .....	TIAO
Economic and Monetary Community of Central African States .....	CEMAC
International Monetary Fund .....	IMF
World Bank .....	WB
European Central Bank .....	ECB
Ministry of Economy, Planning and Regional Development.....	MINEPAT
Ministry of Finance.....	MINFI
Weighted Average Interbank Rate.....	TIMP
Foreign Direct Investment.....	FDI
Non-Banking Financial Institutions.....	IFNB
Bank of Central African States.....	CEMAC
Cameroon Economic Policy Institute (CEPI) .....	IMF
Central African Banking Commission.....	COBAC
Monetary Policy Committee.....	MPC

## EXECUTIVE SUMMARY

Cameroon's monetary and economic environment in 2025 presents a nuanced picture of stability amidst structural challenges. Within the framework of the Central African Economic and Monetary Community (CEMAC), the Banque des États de l'Afrique Centrale (BEAC) has maintained a prudent monetary stance, prioritizing [price stability](#) while supporting selective economic growth. Core inflation is projected to remain below the community target of 3%, reflecting effective liquidity management, disciplined monetary policy, and resilience in the banking system (BEAC forecasts inflation below 3% for 2025). The recent 25 basis point increase in the main policy rate from 4.50% to 4.75% illustrates a need to strengthen the currency, prevent capital outflows and reduce inflationary pressures.

Cameroon has emerged as the [regional growth engine](#), with projected GDP growth above the CEMAC average, driven by strong performance in non-oil sectors such as industry and services (BEAC inflation and growth projections). However, the oil sector continues to experience structural decline, underscoring the importance of diversification and investment in high value-added sectors. Employment creation remains challenged by the predominance of the informal economy and skill mismatches, highlighting the need for targeted vocational training and gradual formalization (structural financial inclusion challenges) ([Kouam H., 2025](#)). Financially, the [banking sector exhibits resilience](#), with capital adequacy ratios above regulatory standards and manageable risk metrics (BEAC operations and credit trends). The stability of the CFA franc, [backed by sufficient foreign exchange reserves](#), mitigates exposure to external shocks, particularly fluctuations in oil prices and import costs (CEMAC external forecasts). Nonetheless, credit remains [concentrated among larger firms](#), and access for SMEs and low-income households is limited, emphasizing the need for deeper financial inclusion and diversified lending instruments (credit growth concentrated in larger segments).

Overall, monetary policy in Cameroon and the wider CEMAC area functions as a stabilization tool that supports price stability and selectively supports growth. However, to maximize its impact on investment, inclusive credit expansion, and economic dynamism, it should be complemented by structural and fiscal reforms that address credit market imperfections, broaden financial access, and deepen overall financial intermediation (BEAC projections and structural needs).

## *Key Recommendations*

### **For the Government of Cameroon:**

- Strengthen fiscal discipline and revenue mobilization to support long-term investment and macro stability.
- Promote economic diversification and value addition in agriculture, forestry, and renewable energy, reducing dependence on external shocks.
- Enhance human capital through vocational programs and gradual formalization of the informal economy.
- Expand financial inclusion and access to credit for underserved populations, including SMEs.

### **For the BEAC:**

- Maintain a flexible and prudent monetary policy, adjusting the TIAO and liquidity operations based on evolving inflation and credit conditions, as indicated by recent easing measures and inflation outlooks.
- Strengthen the monetary transmission mechanism by fostering bank competition and promoting innovative financial instruments to diversify the sources of private sector financing.
- Monitor systemic risks through macroprudential oversight and liquidity management to address emerging financial vulnerabilities.

### **For the Private Sector and Investors:**

- Leverage opportunities in non-oil sectors and digital services, aligning investment strategies with structural growth patterns.
- Engage in partnerships to facilitate SME financing and support inclusive economic growth.

## CHAPTER 1: GLOBAL, REGIONAL, AND DOMESTIC ECONOMIC CONTEXT

The global and regional economy faces several major challenges: moderate growth, inflationary pressures, volatile commodity prices, and geopolitical uncertainties. This situation creates a complex environment for economic and monetary policy. This chapter analyzes these constraints at the global, regional (CEMAC), and national levels in order to provide a framework for assessing their impact on stability and growth.

### 1.1. Global Economic Environment: A Decoupling of Dynamics

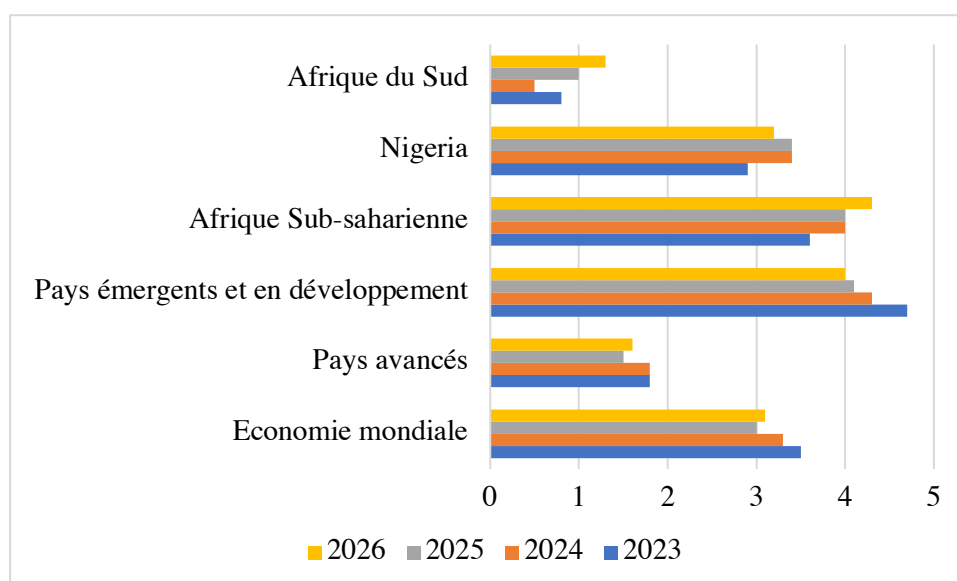
Global growth is showing signs of slowing, with gradual but persistent disinflation. Major economies are facing geopolitical tensions, trade uncertainties, and shocks to energy and commodity prices. These factors are weakening international trade and widening divergences between sectors and regions. This section analyzes these dynamics and their implications for global financial stability.

#### 1.1.1. Actions by Major Central Banks (Fed, ECB) and the Disinflationary Cycle

The second quarter of 2025 crystallized a notable divergence in the monetary policy stances of the major central banks, marking a turning point in the cycle of widespread tightening. The US Federal Reserve (Fed) initiated a subtle pivot, proceeding with [its first cut in its key interest rate](#). This move was interpreted by the markets as anticipating a soft landing for the US economy, despite persistent [tensions in the labor market](#). This signal of easing marginally alleviated the pressure on emerging countries' external debt servicing. In contrast, the European Central Bank (ECB) maintained a [resolutely cautious stance](#), favoring keeping its key rates at a high level. This caution is aimed at consolidating the disinflationary process in the eurozone, where second-round effects on wages remain a major concern.

Globally, structural disinflation is continuing. The global inflation rate is projected to be 4.2% in 2025 ([IMF, 2025](#)), a sharp decline after the peaks of 2023. This deceleration, driven mainly by the normalization of energy and logistics prices, creates a more favorable environment for CEMAC by reducing imported inflationary pressures. This is despite the actions of banks, geopolitical tensions, trade wars, and uncertainty related to climate change and artificial intelligence (AI). Figure 1 illustrates GDP forecasts for these advanced countries.

**Figure 1: Growth Faces External Risks in 2025**



*Source: Monetary Policy Report*

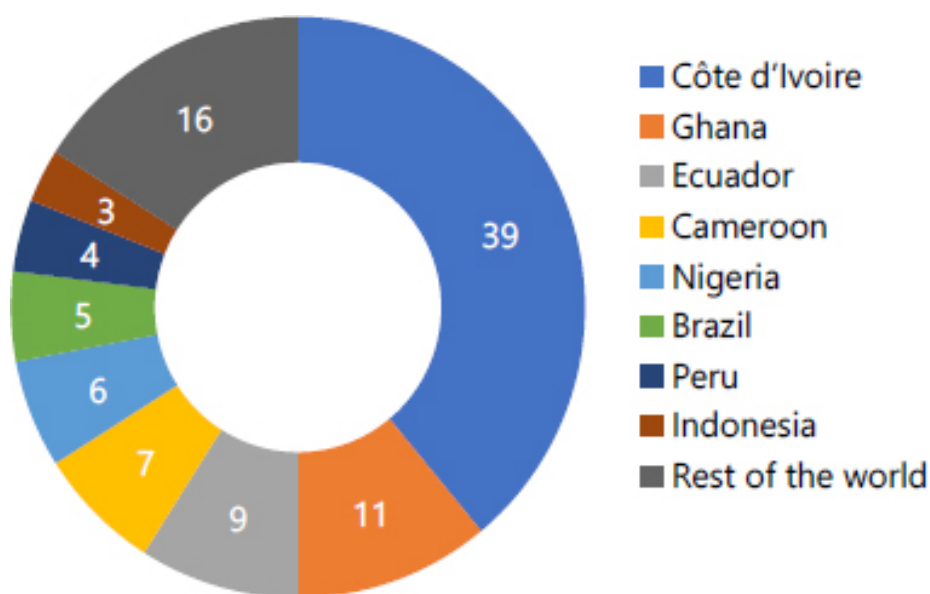
### 1.1.2. Changes in Commodity Prices: The Terms of Trade Divide

The Composite Index of Commodity Prices (ICCPB) for goods exported by CEMAC fell significantly in the second quarter of 2025. However, this aggregate performance masks a divide in the valuation of different sectors:

- *Crude oil: The average price per barrel was revised downward for 2025, hovering around USD 67.0, heavily penalizing the budgets of CEMAC producer countries ([BEAC, 2025](#)).*
- *Cocoa: Cameroon's flagship product, cocoa stood out for its exceptional resilience, reaching historic highs. The craze for this commodity, exacerbated by structural shortages, has helped consolidate the incomes of Cameroonian exporters and support the non-oil economy.*
- *Wood (Forestry): The wood sector, supported by local processing policies, is showing moderate resilience. However, the analysis calls for vigilance in the face of the challenges of natural capital valuation.*

The [primary sector](#) accounts for 17.1% of GDP and contributes 0.4 percentage points to real GDP growth. In 2025, the CFA franc, which is pegged to the euro, protected domestic prices from fluctuations thanks to its stability. Energy and agricultural commodity prices fell in 2025, but precious metal prices rose. However, as a major exporter of cocoa, coffee, crude oil, and natural gas, Cameroon nevertheless saw its current account balance improve.

**Figure 2: Africa Major Cocoa Producers**



Source: INS

**Cocoa is Cameroon's second largest export commodity after oil and natural gas.** The global commodity accounted for a third of exports in 2023 and more than 50% of exports after prices rose in end-2024. Cameroon produces about 7% of the world's cocoa and ranks fourth after Côte d'Ivoire, Ghana, and Ecuador.

### 1.1.3. Global Trade and Geopolitical Risks: The Stagnation of Multilateralism

The volume of global trade is sluggish, with growth expected to reach only 2.6% in 2025 ([WTO, 2025](#)). This weak momentum is due to rising geopolitical tensions, latent protectionism (especially between the US and China), and the fragmentation of value chains.

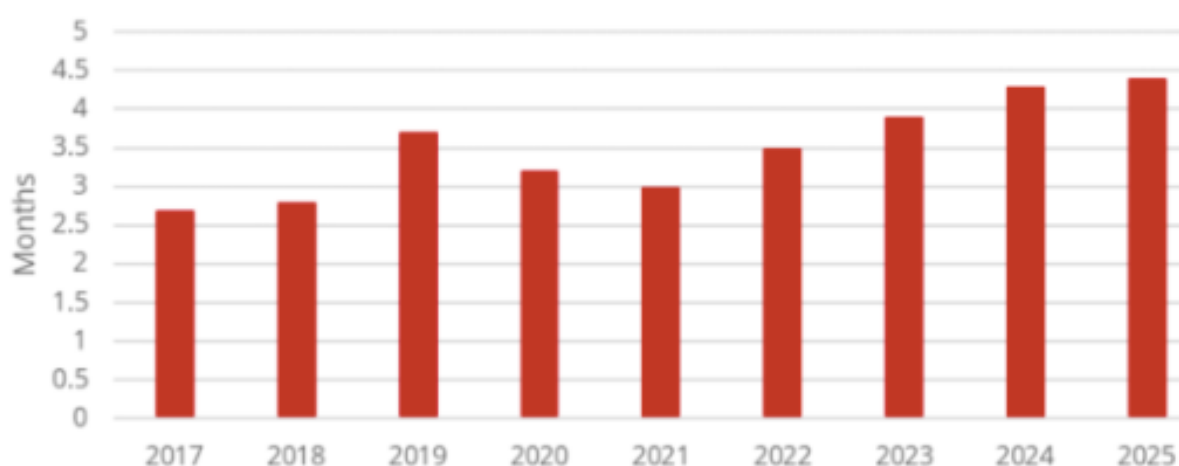
The main external risks identified remain:

- Geo-economic fragmentation: The risk of trade blocs becoming disconnected exacerbates uncertainty and weighs on CEMAC's non-oil exports.
- Climate vulnerability: Extreme weather events pose a direct threat to agricultural crops and infrastructure, impacting the subregion's economic performance. Cameroon has fallen in the University of Notre Dame ranking to [161st out of more than 180 countries](#).
- Slow implementation of the African Continental Free Trade Area (AfCFTA).

## 1.2. The Regional Context of CEMAC: Monetary Consolidation, Moderate Growth

The CEMAC zone faces specific constraints: structural decline in oil production, volatility in exports, and pressures on growth and inflation. The stability of the CFA franc and foreign reserves provide some cushioning, but the region remains vulnerable to external shocks. This section presents the BEAC's monetary policy, regional economic performance, and the reserve situation to assess CEMAC's resilience.

**Figure 3: Cameroon FX Reserves expressed as the number of months of import cover.**



Source: BEAC

### 1.2.1. BEAC Monetary Policy: Staying the Course of Stability

At its meetings in the third quarter of 2025, the Monetary Policy Committee (MPC) of the Bank of Central African States (BEAC) reaffirmed its commitment to monetary stability.

- **Key Rates:** Key rates were raised by 25 basis points to 4.75% and the marginal lending rate to 6.25% to combat falling foreign exchange reserves and support the Franc CFA. This reverses the brief monetary policy easing trend. Interest rates were **kept unchanged (TIAO at 4.50%)**, signaling an approach of continuity in the face of inflation now perceived as under control ([BEAC, 2025](#)). The MPC considers that liquidity conditions are appropriate to support economic activity without generating excessive inflationary pressures.

- **Reserve Requirements:** Coefficients remained stable, maintaining pressure at a level deemed prudent. This policy aims to ensure the liquidity of interbank markets while ensuring that banks maintain sound balance sheet management in the face of sovereign risk.

### 1.2.2. CEMAC Regional Growth and Inflation Performance

Regional economic activity is facing headwinds, tempering the enthusiasm generated by the upturn in the non-oil sector.

- **Regional Growth:** Revised projections from the BEAC and the IMF point to a slowdown in aggregate growth in the CEMAC, which is expected to [reach 2.6% in 2025](#) (compared to 2.7% in 2024). This decline is directly attributable to the structural decline in oil production. Nevertheless, it is worth noting the resilience, even dynamism, of non-oil activities (projected growth of 3.2%), supported mainly by services and, in some countries, mining and forestry. Growth also has an impact on financial and socioeconomic indicators (Figure 2). These indicators must be gradually improved in order to have a positive impact on GDP.

**Figure 4: Overview of factors impacting growth**

	Accessibilité des données	Couverture de l'instrument	Couverture du secteur	Informations sur les prêts extérieurs récents	Périodicité	Décalage	Stratégie de gestion de la dette	Plan d'emprunt annuel
Cameroun	1	1	1	4	1	1	4	2
RCA	4	3	3	1	4	3	1	1
Tchad	4	3	2	4	3	2	4	2
Congo	4	4	3	4	4	4	2	1

Source: [World Bank](#)

- **Inflation control:** The BEAC's goal of bringing inflation below the community threshold of 3% appears to be on track. Regional inflation continued to slow, averaging 3.5% annually in mid-2025. This decline is mainly the result of improved agricultural

campaigns in several member countries, as well as moderation in the prices of imported products (see 2.1.1). Inflation is expected to reach 2.6% by the end of the fiscal year, which would confirm the effectiveness of the monetary tools used.

### **1.2.3. Changes in Foreign Reserves and Stability of the CFA Franc**

The credibility of regional monetary policy is fundamentally based on the BEAC's ability to defend the fixed parity of the CFA franc. The accumulation of foreign reserves continued, albeit at a moderate pace. As of July 31, 2025, foreign exchange reserves stood at a comfortable level, covering approximately 4.59 months of imports of goods and services, well above the prudential standard of three months.

The key indicator of the currency's external coverage remains high, [at over 70%](#). This performance is crucial. It demonstrates the effectiveness of the regional roadmap for repatriating export earnings and the budgetary discipline observed, particularly in the context of IMF programs. The stability of the CFA franc is thus considered robust, although risks remain related to oil price volatility and continued dependence on external financing.

## **1.3. Performance of Cameroon's Real Sector: The Regional Engine**

Cameroon, which accounts for almost [50% of CEMAC's GDP](#), plays an anchoring role. Its performance is therefore analyzed in depth.

### **1.3.1. Overview of GDP Growth by Sector (Primary, Secondary, Tertiary)**

The Cameroonian economy is characterized by stronger growth than the regional average. Projections for 2025 place Cameroon on a growth trajectory of between 3.9% and 4.2%, but growth could improve in 2026. The non-oil sector remains the main pillar, illustrating the partial fruits of diversification efforts. Domestic demand, boosted by non-oil exports and public investment spending, remains the main driver.

### **1.3.2. Labor Market Conditions and Employment Trends**

The Cameroonian labor market remains characterized by a paradox: significant economic growth coexists with structural unemployment and an overwhelming predominance of the informal sector.

- **Employment Dynamics:** Although the manufacturing and construction sectors are creating formal jobs, the impact on the unemployment rate is slow. Data from national surveys (comparable to reports from organizations such as CAMERAPI) indicate a slowdown in the pace of formal job creation in Q1 2025 compared to the previous year.
- **The Role of the Informal Sector:** Most of the labor force is absorbed by informal services and trade. Increased revenues in non-oil export sectors (cocoa, gold) have injected liquidity into rural and peri-urban areas, stimulating activity and low-skilled employment in these segments.
- **The Skills Challenge:** The main challenge remains the mismatch between training and the needs of growth sectors. The low level of targeted human capital is an obstacle to genuine industrialization.

### 1.3.3. In-Depth Sector Analysis

#### *Oil and Gas Production: The Need for Transition*

Cameroon's oil production continues its structural decline, in line with the regional trend, due to the depletion of mature fields and the low volume of new discoveries. While natural gas offers prospects (particularly for electricity generation), dependence on hydrocarbons in terms of export revenues remains a critical vulnerability.

#### *Infrastructure and Construction: Public Leverage*

The construction sector is booming, driven by the execution of major infrastructure projects (roads, dams, social housing) and the dynamism of private projects. The sector is stimulated by:

1. ***Strong local production of materials (cement plants, steel mills).***
2. ***Continued financial support from multilateral institutions.***

#### *Digital Economy and Telecommunications*

The digital economy is emerging as a powerful driver of modernization. The telecommunications and mobile financial services sector are expanding rapidly. This growth, supported by the widespread adoption of mobile money services and investment in fiber

optics, is a key element in the resilience of the tertiary sector and provides a platform for the emergence of innovative SMEs.

## **Conclusion**

The economic situation at the end of 2025 is complex, characterized by a clear dichotomy between regional monetary performance and domestic economic realities. Internationally, the CEMAC zone has benefited from widespread global disinflation, although persistent tensions on commodity prices, notably the decline in oil offset by the surge in cocoa, have generated differentiated budgetary impacts. Faced with this volatile environment, the Bank of Central African States (BEAC) maintained a cautious and consistent monetary policy ([TIAO stable at 4.50%](#)), successfully meeting the imperative of stability. This approach has brought regional inflation below the statutory threshold of 3% and ensured robust coverage of foreign reserves, confirming the credibility and strength of the CFA franc parity.

Despite this monetary resilience, the real sector in the subregion continues to face moderate aggregate growth ([2.6%](#)), hampered by structural inertia in the oil sector. In this context, Cameroon has distinguished itself as the regional engine, posting more sustained growth ([projected between 3.9% and 4.2%](#)), mainly driven by the dynamism of its non-oil sector. This performance is based on the inflow of export revenues from agricultural products, the construction sector, and the expansion of services (telecommunications). The main challenge is therefore to sustain this momentum by addressing underlying weaknesses: the challenge lies in translating this macroeconomic stability into inclusive growth capable of effectively addressing structural unemployment and reducing dependence on exogenous shocks linked to commodity markets.

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## CHAPTER 2: INFLATION DYNAMICS AND MONETARY TRANSMISSION

Price stability remains a major challenge for the Cameroonian economy and the CEMAC zone. Inflation, influenced by internal and external factors, affects purchasing power and investment decisions. This chapter analyzes the dynamics of national inflation, the instruments and mechanisms of the BEAC's monetary policy, and how this policy is transmitted to the real economy in Cameroon.

### 2.1. Analysis of National Inflation

The Cameroonian economy is experiencing moderate but persistent inflation, characterized by occasional tensions on certain food products and imported pressures linked to fluctuations in world prices. This section examines headline and core inflation, identifies the main determinants (supply, demand, imported prices), and compares changes in consumer price indices with those of other countries in the region.

#### 2.1.1. Headline Inflation vs. Core Inflation (Excluding Food and Energy)

##### Headline Inflation

Recent statistics indicate a gradual [deceleration in headline inflation](#) in Cameroon after strong post-pandemic and post-exogenous shock inflationary pressures (e.g., higher logistics costs and global food prices). For example, the annual inflation rate fell to around [3.3% in June 2025](#), marking a historic low for several years, compared to peaks of over 7% observed in 2023. These figures reflect a significant improvement over recent levels, while remaining above or close to the 3% convergence threshold set by CEMAC.

Headline inflation is also influenced by domestic factors, notably changes in food prices, which have historically contributed disproportionately to CPI increases. For example, in 2024, rising food and transport prices largely explained the persistence of inflationary pressures prior to the recent period of deceleration ([INS, 2025](#)).

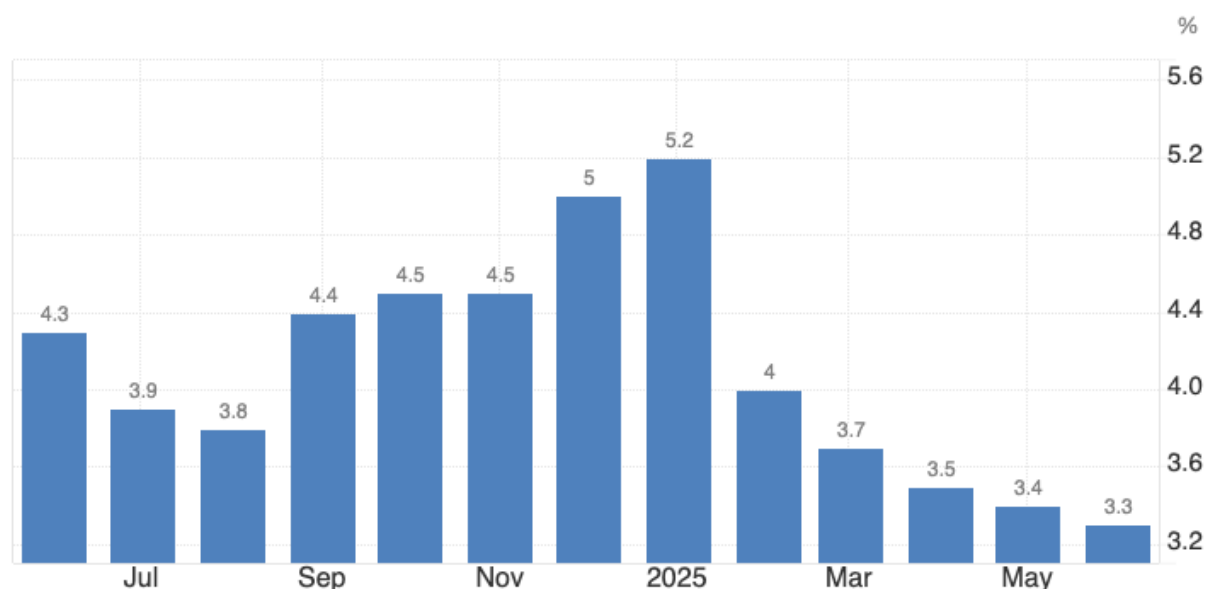
##### Core Inflation

Unlike headline inflation, core inflation excludes food and energy components in order to better capture structural price dynamics. This measure is essential for monetary authorities

because it detects persistent inflationary pressures that are not simply the result of seasonal fluctuations or temporary shocks to commodity prices.

In the case of Cameroon, even though core inflation data are not always published separately in the same formats as headline inflation, a comparative analysis of CPI variations with and without the food/energy basket reveals a trend: the non-food and energy component tend to be more stable and less prone to sharp spikes, a sign that headline inflation is still largely driven by volatile goods rather than a generalized compression of purchasing power. This distinction is crucial for policymakers, as moderate core inflation may justify a gradual monetary approach, while volatile headline inflation may require more specific policy adjustments.

**Figure 5: Evolution of Inflation (July 2024 – May 2025)**



*Source: [Trading Economics](#)*

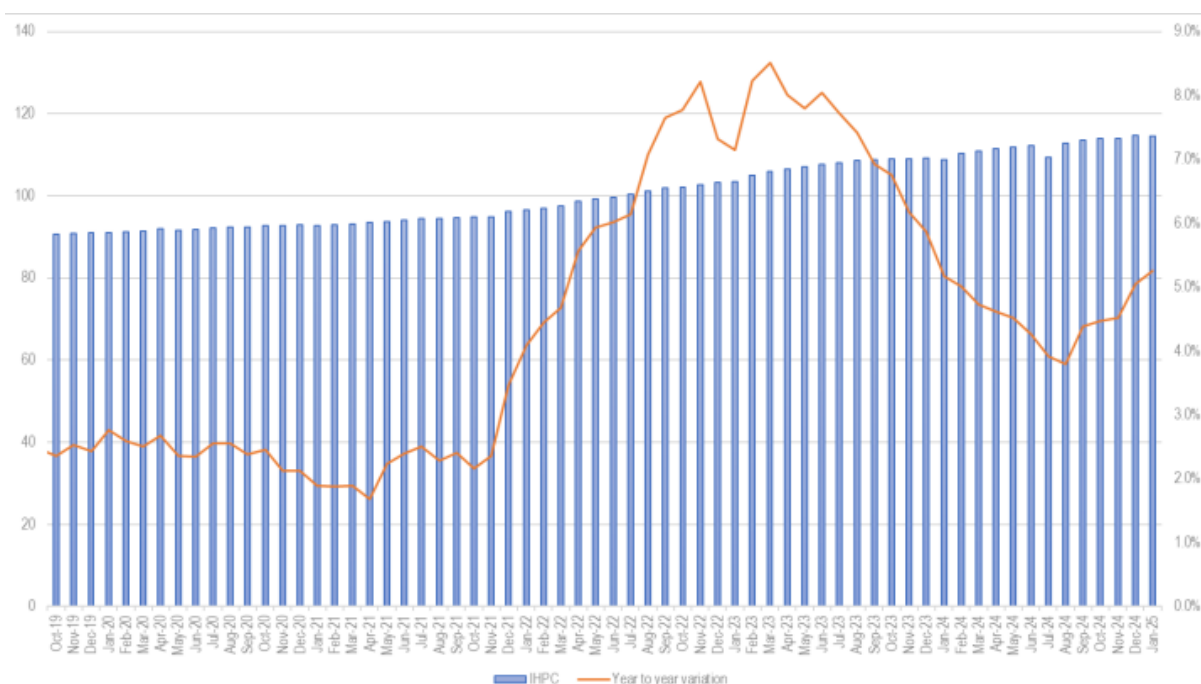
### **Implications for Monetary Policy**

The current divergence between headline and core inflation suggests that sustained inflationary pressures in Cameroon are not solely driven by volatile shocks (food and energy), but that there are also signs of more structural pressures. This has direct implications for the BEAC, which, by stabilizing the policy rate and closely monitoring underlying price developments, can anticipate and mitigate latent inflationary risks without excessively restricting economic growth.

## 2.1.2. Determinants of Inflation (Factors Related to Supply, Demand, Imported Inflation)

Recent inflation in Cameroon is multifactorial. On the supply side, logistical disruptions and temporary increases in agricultural input prices (fertilizers, fuel) fueled the food component of the CPI in 2023–2024; however, the partial recovery of exports and improved transport routes reduced these pressures in 2025 (INS, 2025). On the demand side, moderation in domestic demand linked to continued modest growth ( $\approx 3\text{--}4\%$  projected in 2025) and relatively constrained fiscal policy limited underlying inflationary pressures. Nevertheless, increased social transfers and current expenditure in 2025 created pockets of stronger demand in certain urban segments, explaining occasional increases in services and rents (IMF, 2025).

**Figure 6: Underlying inflation is restrained but at Risk of Rising**



Source: INS & Authors

Imported inflation remains a crucial channel: dependence on imports of fuel, processed food products, and capital goods makes Cameroon sensitive to fluctuations in the dollar and global prices. Fluctuations in the real exchange rate and the impact of international oil prices explain the significant share of international transmission observed in 2024–2025. Regional monetary policy (BEAC) and adequate reserve coverage of imports have mitigated, but not eliminated, these channels (BEAC, 2025).

Finally, structural factors market inefficiencies, high transport costs, and regional market segmentation amplify the transmission of supply shocks to consumer prices. Supply-side policies (improved infrastructure, temporary targeted subsidies, reduction of logistical barriers), complemented by monetary vigilance, will remain necessary to stabilize prices in the long term ([World Bank, 2025](#)).

### **2.1.3. Regional Comparison of Consumer Price Indices (CPI)**

Cameroon's inflationary trajectory has been at the lower end of the range compared to several major countries in West and Central Africa in the recent period. In 2024–2025, Cameroon recorded average inflation lower than that of Nigeria and several Sahelian economies, but higher than some of its CEMAC peers, where the regional average felt close to the community target of 3% (BEAC). This favorable position is the result of a combination of controlled underlying inflation and a lower nominal depreciation of the XAF compared to regional floating currencies ([BEAC, 2025](#)).

At the CEMAC level, the BEAC projected a decline in average inflation below 3% in 2025, but national disparities persist: countries that are heavily dependent on food imports or experiencing monetary turmoil show higher rates. Cameroon benefits from a diversified import structure and macro-financial support (IMF/World Bank) that stabilize relative prices ([BEAC, 2025](#)). Metric comparisons: Cameroon's CPI fluctuated around 3–5% in 2025 (monthly readings), compared to >20% for extreme cases in sub-Saharan Africa affected by currency depreciation (e.g., certain countries outside the franc zone); intra-regional variance highlights the importance of exchange channels and food shocks. ([INS, 2025](#)).

## **2.2. Monetary Policy Implementation (BEAC Perspective)**

The Bank of Central African States uses several instruments to regulate liquidity and guide interest rates. This section presents the interest rate corridor, liquidity operations, the repo rate, and analyzes trends in bank liquidity. The objective is to show how monetary policy is calibrated to contain inflation while supporting economic growth.

### **2.2.1. BEAC Interest Rate Corridor and Liquidity Operations**

The monetary policy of the Bank of Central African States (BEAC) is based on an interest rate corridor structured around three levels:

- (i) the Tender Interest Rate (TIAO), which serves as the key interest rate;*
- (ii) the marginal lending facility rate for short-term refinancing;*
- (iii) the deposit rate, which regulates banks' excess liquidity. This corridor structures overall liquidity in the CEMAC monetary union and determines price signals for financial institutions (BEAC) ([BEAC, 2025](#)).*

Historically, the TIAO underwent adjustments between 2021 and 2024 in a context of high inflation and liquidity contraction: it rose from 3.5% at the end of 2021 to 5% in 2023 to curb inflationary pressure ([Minfi Cameroon](#)). From 2024 and especially in 2025, with underlying inflation easing, the BEAC initiated a more accommodative policy: the TIAO was lowered from 5% to 4.5% in [March 2025](#) to stimulate credit and support economic activity.

Weekly liquidity operations are a key channel for implementing the corridor: the BEAC offers refinancing packages through fixed-rate “tender” operations (TIAO). After a prolonged suspension of injections to drain excess liquidity in 2023–2024, these operations resumed and intensified in volume from June 2024. Initially in the range of CFAF 50 to 250 billion per week, bids continued to increase in 2025, reaching up to CFAF 800 billion in recent operations to meet strong demand from banks ([Business in Cameroon, 2025](#)).

This dynamic reflects [strong tension in the interbank money markets](#): commercial banks are expressing increased demand for liquidity to finance their loan portfolios, signaling a recovery in credit demand after the period of monetary tightening. The BEAC corridor does not function solely as a pricing instrument: it is also a tool for signaling market conditions. A lower policy rate and generous liquidity operations indicate a willingness to facilitate financing for the real economy. However, these interventions must be carefully calibrated to avoid side effects on inflation or the efficiency of money markets.

### **2.2.2. Analysis of the Repo Rate and its Signaling Function**

The repo rate (or tender interest rate, TIAO) is the cornerstone of the BEAC's monetary policy: it represents the cost of bank refinancing with the central bank and serves as the main reference for credit pricing in the economy. This rate has a dual function: mechanical, by directly influencing banks' refinancing costs, and symbolic, by signaling the general direction of monetary policy ([BEA, 2025](#)).

The reduction of the TIAO [to 4.5% in March 2025](#), the first decrease in several years, is a strong signal of monetary easing in a context where inflation in the CEMAC zone is heading towards the community threshold of <3% in 2025 (BEAC/IMF projections). This change reflects not only the domestic situation (moderate inflation), but also a desire to support economic recovery after external shocks (COVID-19, global food tensions). The repo rate therefore acts as an anchor of confidence for financial actors: [its decline lowers the cost of central bank money](#), potentially reducing short-term interest rates on the interbank market and, in turn, on bank credit.

The [signaling function of the TIAO](#) is also evident in market participants' expectations: a decrease in this rate is interpreted as an encouragement to invest and lend, while an increase, as observed in 2021–2023, is perceived as a means of controlling inflation. In an environment of moderate underlying inflation, a more accommodative repo rate helps to boost credit demand while certainly mitigating inflationary risk.

Nevertheless, the transmission of the TIAO to bank lending rates is not automatic. Structural rigidities in financial markets or high-risk premiums can dilute the impact of this monetary signal on the rates applied to end borrowers. These frictions partly explain why, despite the adjustment in the key interest rate, certain segments of credit remain expensive or inaccessible, especially for SMEs and low-income households. An effective repo rate as a signaling instrument therefore depends both on its ability to influence interbank rates and on the effectiveness of the monetary transmission channel as a whole.

### **2.2.3. Trends in Commercial Bank Liquidity and Access to Central Bank Facilities**

The liquidity dynamics of commercial banks in the CEMAC zone, including Cameroon, are a key indicator of monetary policy effectiveness in 2024–2025. After a [period of liquidity withdrawal and monetary tightening in 2023](#), the BEAC resumed regular injections from June 2024, responding to increased pressure from banks to refinance their needs and support lending to the economy.

*These operations took several forms:*

- **Increasing weekly injections**, initially of CFAF 50–250 billion, then regularly exceeding CFAF 400 billion;

- [Exceptional offers reaching up to CFAF 800 billion in](#) certain operations at the end of 2025 in response to strong demand for liquidity from the banking sector.

These figures reflect persistent pressure on bank liquidity, despite the easing of the TIAO. Banks have regularly exceeded the liquidity supply offered by the BEAC, with demand often exceeding the amounts made available during operations, a sign that the economy's financing needs remain strong, but that the central liquidity supply must adapt ([StopBlablaCam, 2025](#)).

Banks' access to central bank facilities is also indicative of the confidence and health of the banking sector. The high demand for BEAC refinancing lines indicates that a significant proportion of banks depend on central liquidity to carry out their daily operations and meet credit demand. This dependence may reflect both a strategy of expanding the loan portfolio and a [shortage of internal liquidity](#) in the banking system due to low domestic savings or an asset-liability imbalance.

At the same time, access to marginal lending facilities, which are often more expensive provides a safety net for banks facing temporary cash flow pressures. The use of these facilities (at a higher rate than the TIAO) reflects a segmentation of the money market, with some institutions preferring to secure their position rather than expose their own funds.

Finally, changes in bank liquidity are intrinsically linked to [financial inclusion](#): better access to central liquidity enhances banks' ability to grant [more diversified loans](#), particularly to SMEs and segments traditionally excluded from the formal financial system. Increased liquidity availability, coupled with an accommodative monetary policy, can reduce financing costs and improve credit accessibility to a wider range of economic actors, thereby contributing to more inclusive growth.

### **2.3. Monetary Policy Transmission Mechanism in Cameroon**

The effectiveness of monetary policy depends on its transmission to the real economy. This section examines the main transmission channels in Cameroon: the interest rate channel and the credit channel, analyzing their effects on commercial lending rates and credit growth to the private sector. It also highlights the challenges that limit this transmission, such as financial market segmentation and the crowding-out effect of public debt.

**Figure 7: Bank Exposure to Governments**



Source: [IMF](#)

### 2.3.1. The Interest Rate Channel (Impact on Commercial Lending Rates)

The interest rate channel is one of the fundamental mechanisms through which monetary policy influences the real economy in Cameroon. Through this channel, adjustments to key interest rates by the BEAC, [particularly the Tender Interest Rate \(TIAO\)](#), should be transmitted to the lending rates charged by commercial banks, thereby affecting the cost of credit for businesses and households.

In March 2025, the BEAC reduced its key interest rate from [5.00% to 4.50%](#), while lowering the marginal lending facility rate from 6.75% to 6.00%. This change was justified by moderating inflationary pressures and the need to support economic growth. Through the interest rate channel, such a cut should, in theory, lead to a corresponding reduction in bank lending rates, making credit less expensive and stimulating private investment.

However, the effectiveness of this transmission is not neutral: it depends on structural and behavioral factors within the financial system. For example, despite the decline in the TIAO, some banks may be reluctant to reduce their lending rates due to high-risk premiums, persistent intermediation costs, or limited competition in the market. These rigidities hinder the adjustment of credit rates and dilute the expected impact of monetary policy ([Investir au Cameroun, 2025](#)).

**Figure 8: Cameroon Government Spreads in basis points**



Available data show that, in the recent period, [bank lending has continued to grow](#) despite monetary policy adjustments: during 2024, bank lending in the CEMAC zone recorded significant growth ( $\approx +19.6\%$ ), despite a prior tightening of monetary policy. This phenomenon indicates that bank rates do not immediately follow policy movements and that other factors (credit demand, risk premiums) moderate the impact.

The interest rate channel is also affected by the influence of the interbank rate (TIMP): even though the TIAO serves as a benchmark, the rates at which banks lend to each other determine in practice the transmission to lending rates. A persistent divergence between these rates can reduce the impact of monetary policy adjustments. Furthermore, in a context of moderate but still uncertain inflation, [banks maintain high interest rate margins](#) to cover operational risks and expected volatility, thereby slowing the pass-through of key interest rates to commercial rates.

In this context, effective monetary policy via the interest rate channel requires not only adjustments to the BEAC's key interest rate, but also a competitive and transparent banking market, better risk management, and incentives to reduce credit costs. This comprehensive approach would bring the BEAC's key interest rates closer to actual lending rates more effectively, stimulating economic activity without compromising financial stability.

### 2.3.2. The Credit Channel (Credit Growth in the Private Sector)

The credit channel is one of the main vectors for monetary policy transmission in Cameroon. It is based on the idea that changes in monetary conditions, particularly through BEAC policy rates and liquidity injections or withdrawals, directly influence banks' ability to grant loans to businesses and households. An accommodative monetary policy should theoretically increase the volume of credit to the private sector, stimulate investment and consumption, and support real economic growth ([BEAC, 2025](#)).

Since 2021, the dynamics of bank credit in Cameroon have been mixed. After relative monetary tightening in 2023 to contain inflationary pressures, the volume of loans to the private sector recovered significantly in 2024, with annual growth of 19.6%, driven mainly by financing for industrial enterprises and urban services (Investir au Cameroun, 2024). This recovery indicates that demand for credit remains robust despite relatively high policy rates, suggesting [some short-term inelasticity of credit](#) in response to monetary policy signals.

However, the credit channel is limited by several structural factors. On the one hand, weak financial intermediation persists: credit to the private sector accounts for less than 25% of GDP, a low proportion compared to other similar African economies. This situation reflects the caution of banks in the face of default risks and the high costs of assessing the creditworthiness of SMEs. On the other hand, credit growth remains concentrated in large companies or state-guaranteed loans, limiting the channel's reach to the most dynamic and high value-added segments of the economy ([Kouam & Kouam, 2023](#)).

Furthermore, the composition of bank credit shows a clear preference for low-risk sectors, leaving SMEs and microenterprises behind. Effective interest rates on SME loans fluctuated between 11% and 23% in 2025, reflecting perceived risk and financial market segmentation ([Business in Cameroon, 2025](#)).

To improve the effectiveness of the credit channel, it is essential to increase the country's financial depth: develop diversified financial instruments, strengthen credit guarantees, and promote financial inclusion. The rise of digital solutions and mobile banking offers an additional opportunity to expand access to credit to historically excluded segments, while facilitating the transmission of monetary policy.

### 2.3.3. Transmission Challenges (e.g., Financial Market Segmentation, Public Debt Crowding-Out Effect)

The transmission of monetary policy in Cameroon faces structural challenges that limit the effectiveness of traditional channels. The first challenge is the segmentation of financial markets: banks favor less risky segments, such as large companies or government securities, at the expense of SMEs and households. This segmentation is accentuated by the shallow financial market and the high costs of credit risk assessment, reducing the impact of key rate adjustments on lending rates applied to the real economy ([BEAC, 2025](#)).

The second major challenge is the crowding-out effect of public debt. Faced with liquid and profitable government securities, banks are directing their resources towards the purchase of government bonds rather than towards financing the private sector. In 2024, the preference for public debt reduced the proportion of loans granted to SMEs and households, limiting the ability of monetary policy to stimulate productive investment ([Investir au Cameroun, 2024](#)).

Another obstacle is low financial inclusion. A significant portion of the population and SMEs remain excluded from the formal banking system due to insufficient collateral, lack of reliable credit history, and high transaction costs. This exclusion limits the diffusion of monetary impulses, as part of the productive economy does not respond to changes in key interest rates or bank liquidity (Kouam, 2021).

Finally, the lack of diversification of financial instruments and the inadequacy of secondary markets for private loans exacerbate rigidities. Banks cannot easily transfer or securitize their loans, which reduces their ability to extend credit despite accommodative monetary policy.

## Conclusion

This chapter highlights the complexity of inflation dynamics and monetary transmission in Cameroon within the CEMAC framework. The recent moderation of headline inflation, after the pronounced post-pandemic surge, reflects a combination of easing external pressures and improved domestic supply conditions. However, the persistent gap between headline and core inflation underscores the structural nature of certain price rigidities, particularly those related to market inefficiencies, transport costs, and imported inputs. For monetary authorities, this distinction remains critical: while volatile food and energy prices drive short-term

fluctuations, underlying inflation trends provide the most relevant signal for medium-term policy calibration.

From a monetary policy perspective, the BEAC's gradual shift toward a more accommodative stance in 2024–2025 demonstrates a pragmatic response to declining inflationary risks and the need to support economic recovery. The adjustment of the TIAO, combined with sizeable liquidity injections, has reinforced the signaling role of monetary policy and improved banks' access to central liquidity. Nevertheless, the transmission of these measures to the real economy remains partial and uneven.

The analysis of transmission channels reveals persistent structural constraints. The interest rate channel is weakened by high-risk premiums, limited competition, and rigid lending practices, while the credit channel is constrained by low financial depth, market segmentation, and banks' preference for public securities. As a result, SMEs and households benefit only marginally from monetary easing, reducing the overall effectiveness of policy actions.

In this context, price stability and inclusive growth cannot rely on monetary policy alone. Strengthening monetary transmission requires complementary structural reforms: deepening financial markets, improving credit information and guarantee mechanisms, reducing the crowding-out effect of public debt, and enhancing financial inclusion. Only through such a coordinated approach can monetary policy fully contribute to durable price stability and sustained economic development in Cameroon.

## CHAPTER 3: FINANCIAL STABILITY, BUDGETARY BALANCE AND OUTLOOK

Financial stability and fiscal balance are essential pillars of economic sustainability. Examining these elements helps to better understand the interactions between the financial sector, the management of public resources, and external economic flows. It is crucial to assess the performance of the banking sector, the management of public debt, and the effectiveness of fiscal policies in order to ensure sustainable growth. Moreover, external competitiveness, shaped by trade relations and financial flows, plays a decisive role in strengthening economic resilience in the face of global challenges.

### 3.1. Strength of the financial sector

#### 3.1.1. Banking System Performance (Profitability, Solvency Ratio)

The Cameroonian banking system remains the largest in the CEMAC zone in terms of size and number of players, with around 17 commercial banks, 7 financial institutions, and 27 insurance companies at the beginning of 2022, highlighting a relatively diversified configuration despite its concentration around a few large banks such as Afriland First Bank and Société Générale (BEAC/CAHF) ([Centre for Affordable Housing Finance in Africa, 2025](#)).

The financial sector has continued to expand at a moderate pace: the sector grew by an average of 6.5% per year between 2019 and 2024, although it still accounts for only about 2–3% of Cameroon's GDP, reflecting limited structural development rather than purely quantitative growth ([Business in Cameroon, 2019](#)).

Banks generally have solvency ratios above the regulatory minimums imposed by COBAC (Central African Banking Commission), supported by significant liquidity reserves. At the end of March 2025, Cameroon's banks' excess reserves amounted to more than CFAF 2,472 billion, or 2.25 times the minimum requirement, suggesting a strong buffer capacity in the event of financial stress ([Business in Cameroon, 2019](#)).

However, despite this abundant liquidity, profitability has not always been directed towards productive financing: a significant portion of loans has gone to consumption rather than productive investments, limiting the structural effect of finance on the economy.

### 3.1.2. Non-Performing Loans (NPLs) and Provisioning Rates

The quality of banking assets remains a major concern for the stability of the financial system in the CEMAC zone, particularly in Cameroon. According to the latest report from the Central African Banking Commission (COBAC), at the end of March 2025, more than 17% of gross bank loans in the CEMAC zone were classified as non-performing loans (NPLs), a level considered worrying by banking supervisory authorities given its implications for the solvency and profitability of banks. This high proportion of NPLs reflects a continuing deterioration in the quality of loan portfolios, which almost quadrupled in volume between 2012 and 2022, from CFAF 495 billion to nearly CFAF 1,918 billion, according to BEAC publications relayed by Cobac during the annual consultation of banking stakeholders in Bangui (NPLs exceed 17% in CEMAC) ([Cameroon Eco-Business, 2025](#)).

Such a concentration of impaired loans puts pressure on credit institutions' capital, as banks must strengthen their provisions to cover potential losses. Even if some banks maintain capital levels in line with prudential requirements, the increase in NPLs poses a risk both to bank liquidity and to the system's ability to support the financing of the real economy. The accumulation of non-performing loans can also increase the cost of credit for creditworthy borrowers, thereby reducing the effectiveness of financial intermediation in promoting private investment and productive activity.

In the microfinance segment, the situation is even more alarming, posing a systemic risk to both financial inclusion and the confidence of small depositors. In 2024, total non-performing loans of CEMAC microfinance institutions (MFIs) reached CFAF 178 billion, up 8.9% from 2023, with Cameroon accounting for approximately 81% of this outstanding amount due to its largely dominant microfinance network (384 institutions out of 521 in the zone) ([Business in Cameroon, 2023](#)). This concentration means that the deterioration of Cameroonian MFIs' portfolios disproportionately affects the stability of the regional microfinance sub-sector.

The combination of high NPL rates among commercial banks and in microfinance calls for stronger provisioning mechanisms, better credit risk governance, and the adoption of more effective collection strategies. Without such measures, the quality of bank assets will continue to weigh on the solvency of institutions and limit their ability to grant new loans, thereby slowing down economic growth and financial inclusion ([Cameroon Eco-Business, 2025](#)).

### **3.1.3. Development of the Microfinance Sector and Financial Inclusion Indicators**

Cameroon has one of the most developed microfinance networks in the CEMAC zone, with 384 institutions out of a total of 521, representing nearly 74% of the regional total, positioning the country as a key player in financial inclusion in Central Africa ([Business in Cameroon, 2025](#)). This concentration reflects the importance attached to local financing mechanisms for populations excluded from the traditional banking system, particularly small businesses and low-income households. Microfinance institutions play a complementary role to commercial banks by providing small loans tailored to the specific needs of the base of the economic pyramid.

Despite this institutional density, formal financial inclusion remains limited. In 2021, only 16% of adults had a bank account or an account with a microfinance institution, while the broader rate, including mobile money services, reached around 31% ([BEAC, 2025](#)). This contrast highlights considerable growth potential but also persistent barriers related to geographic access, collateral requirements, and the costs of formal financial services.

Electronic payment services, particularly mobile money, have seen rapid adoption, far exceeding the level of access to traditional bank accounts ([BEAC, 2025](#)). This phenomenon reflects the growing use of digital solutions to overcome exclusion from the traditional banking system, strengthen household resilience, and facilitate commercial transactions. The emergence of this complementary digital sector offers opportunities for development, particularly in microcredit, remittances, and savings management, and is a strategic lever for improving financial inclusion at the national level.

## **3.2. Fiscal Policy and Debt Sustainability**

### **3.2.1. Public Revenue Performance and Tax Mobilization Efforts**

Public revenue performance is a key factor in Cameroon's fiscal balance. In 2024, non-oil domestic tax revenues were mobilized at CFAF 2,910 billion, representing 100.2% of the targets set, marking a +10.7% increase in relative terms compared to 2023 (CFAF 2,629 billion), according to official sources. This result reflects the concerted efforts of the Ministry of Finance to strengthen tax collection despite a difficult economic environment marked by weak global growth and declining oil revenues, which traditionally weigh on the tax base ([Le Financier d'Afrique, 2024](#)).

These mobilization efforts are part of a [program to modernize the tax system](#) supported by multilateral partners, including the IMF, which aims to increase collection efficiency, reduce fraud, and broaden the tax base through dematerialization and transparency measures.

Although the revenue-to-GDP ratio is improving, it remains below continental averages and public policy expectations, which means that the government continues to have limited room for maneuver in financing current expenditure and public investment without resorting to borrowing or external aid. The low contribution of oil revenues, amplified by the volatility of hydrocarbon prices, highlights the need to further develop non-oil revenues (agriculture, services, industry) in order to reduce dependence on exceptional transfers ([World Bank, 2024](#)).

In this context, a more systematic improvement in [fiscal performance indicators](#), particularly net domestic revenue collection, corporate tax rates, the fight against tax evasion and unjustified exemptions, is essential. This requires ambitious structural reforms, improved tax services, and strengthened governance to optimize revenue yields while ensuring greater tax fairness.

### **3.2.2. Review of Public Expenditure and Budgetary Discipline**

Budgetary discipline in Cameroon is being exercised in a context of growing pressure on public expenditure, as the country seeks to reconcile the financing of public services and structural investments with the control of the budget deficit. The latest budget forecasts point to a significant increase in financing requirements in 2025-2026, with a projected budget for 2026 of CFAF 8,816.4 billion, an increase of +14% compared to 2025, due to costs related to operating expenses, payroll, and social transfers ([Reuters, 2025](#)).

This pressure on spending is partly explained by the need to meet social needs, invest in economic infrastructure (energy, roads, health), and support economic growth. However, it puts budgetary discipline to the test, especially when current expenditure grows faster than revenue. In this context, the overall budget deficit tends to widen. According to World Bank projections, Cameroon's budget deficit widened to around 1.5% of GDP in 2024, up from 0.7% of GDP in 2023, mainly due to higher current expenditure and lower-than-expected revenue performance ([World Bank, 2025](#)).

Debt service expenditures are also a significant constraint. In 2025, interest payments reached CFAF 82 billion in the first quarter, while total debt service expenditures for the period amounted to nearly CFAF 321.9 billion, absorbing a significant portion of the budget available for other priorities ([Business in Cameroon, 2023](#)).

Indeed, the increase in current expenditure, particularly on the civil service, social transfers, and infrastructure maintenance, combined with increased pressure to support public investment, represents a challenge for fiscal discipline. This highlights the need to continue rationalizing expenditure, particularly through targeted measures to reduce waste, optimize operating expenses, and prioritize the most productive investments in order to increase the efficiency of public spending.

### **3.2.3. Analysis of Outstanding Public Debt and Sustainability Indicators**

Public debt management is a central pillar of Cameroon's fiscal policy strategy, with a view to ensuring the sustainability of public finances as a whole. In September 2025, the country's total public debt stood at [around CFAF 14,591 trillion](#), or about 43.9% of GDP, confirming an upward trend but remaining below the CEMAC community threshold of 70% of GDP. This debt consists mainly of [obligations to external creditors](#), with the remainder denominated in the domestic market.

The relatively high external share implies significant exposure to international market fluctuations, although the fixed parity guarantee between the CFA franc and the euro reduces the exchange rate risk for components denominated in the European currency. Nevertheless, according to recent analyses, around 40% of external debt is effectively exposed to currency fluctuations, particularly due to the disconnect between certain creditors and the underlying foreign exchange positions, which may affect debt servicing in the event of external shocks ([Business in Cameroon, 2025](#)).

In terms of sustainability indicators, debt servicing [pressure remains high](#). In 2024, Cameroon spent approximately CFAF 1,058.9 billion to repay principal and interest, representing [64.9% of the annual repayment](#) target for the period, with approximately CFAF 250 billion devoted solely to interest payments.

The debt-to-GDP ratio, although rising, remains lower than that of many comparable economies and leaves [moderate fiscal space](#). Macroeconomic projections by multilateral

institutions anticipate a slight reduction in this ratio in the medium term (below 40% of GDP) if fiscal policies continue to be consolidated and economic growth is sustained.

The key to debt sustainability is to maintain a trajectory where economic growth rates exceed debt accumulation rates, while ensuring that public debt does not compromise the government's ability to meet its obligations without resorting to drastic fiscal adjustments.

This requires an integrated strategy combining prudent borrowing management (with a focus on concessional terms), increased revenue mobilization, and optimization of public expenditure allocation toward projects with high economic returns.

### 3.3. External Sector and Balance of Payments

#### 3.3.1. Current Account Balance and Determining Factors (Trade Balance, Services)

Cameroon's current account balance is a key indicator of the economy's external integration and competitiveness. In 2023, the current account posted a significant deficit of CFAF 1,221.1 billion, or about 4.1% of GDP, compared with a deficit of CFAF 941.2 billion (3.4% of GDP) in 2022, reflecting a widening of external imbalances ([MINFI, 2025](#)). This deterioration stems mainly from the worsening trade [deficit in goods](#), where imports of manufactured and consumer goods grew faster than exports, despite sectoral surpluses in hydrocarbons and agriculture.

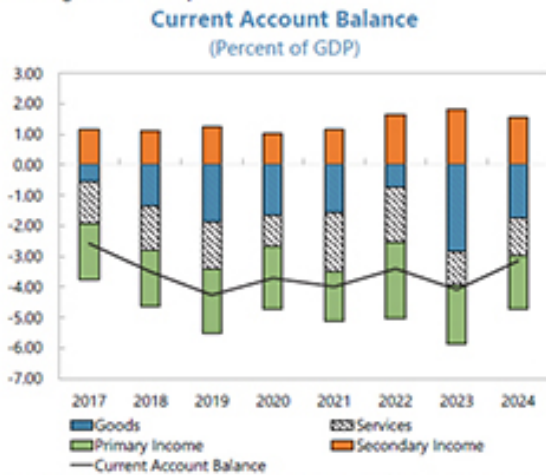
More specifically, the goods balance suffered a deficit of [843.9 billion CFA](#) francs in 2023, a sharp increase compared to the previous year, highlighting a structural dependence on imports and a weak capacity for local productive substitution. The balance of services and primary income also contributed, although this was partially offset by an improvement in secondary income (current transfers related to remittances and aid).

[Current transfers](#) (secondary income) were a stabilizing factor, helping to mitigate part of the current account deficit thanks to significant remittances from the diaspora and a relative improvement in the terms of trade in certain categories of services. This situation highlights the need for export diversification, modernization of productive sectors, and an import substitution strategy to reduce the vulnerability of the current account to external market fluctuations. The competitiveness of manufactured and agricultural products that can be exported to international markets remains a key factor in reducing persistent deficits,

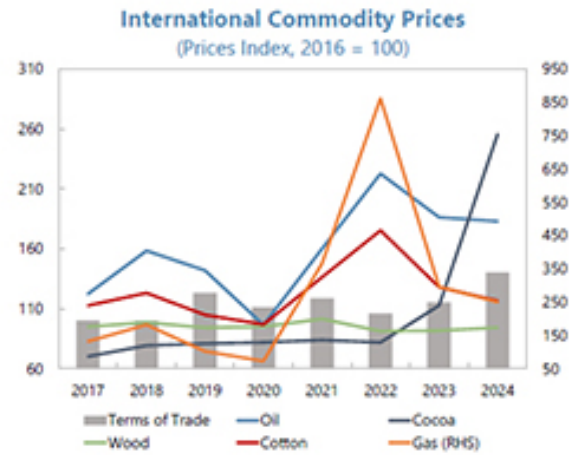
justifying policies to improve product quality, market access, and incentives for investment in high value-added value chains.

### Figure 9: Summary of Balance of Payments and Breakdown of Charts

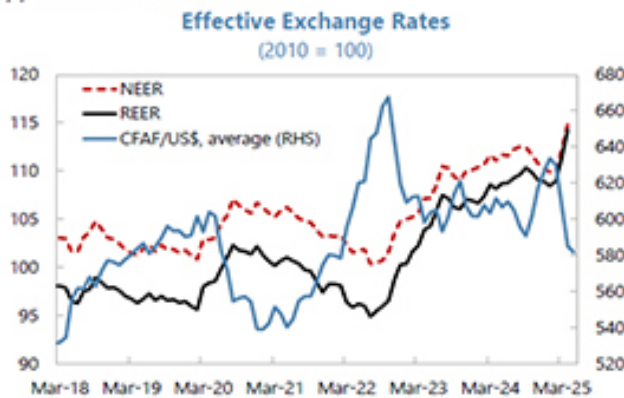
The current account improved in 2024 with lower imports and strong non-oil exports...



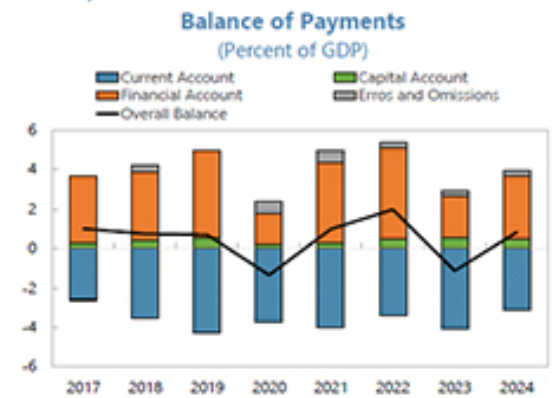
...supported by favorable commodity prices.



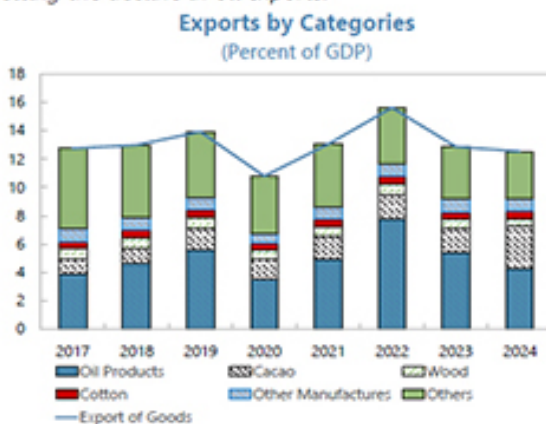
The national currency was stable against the U.S. dollar but appreciated in recent months.



The balance of payments improved with stronger trade and financial inflows.



Rising cocoa prices supported non-oil exports, more than offsetting the decline in oil exports.



Higher import volumes were offset by declining import prices, supporting the improvement in the trade balance.

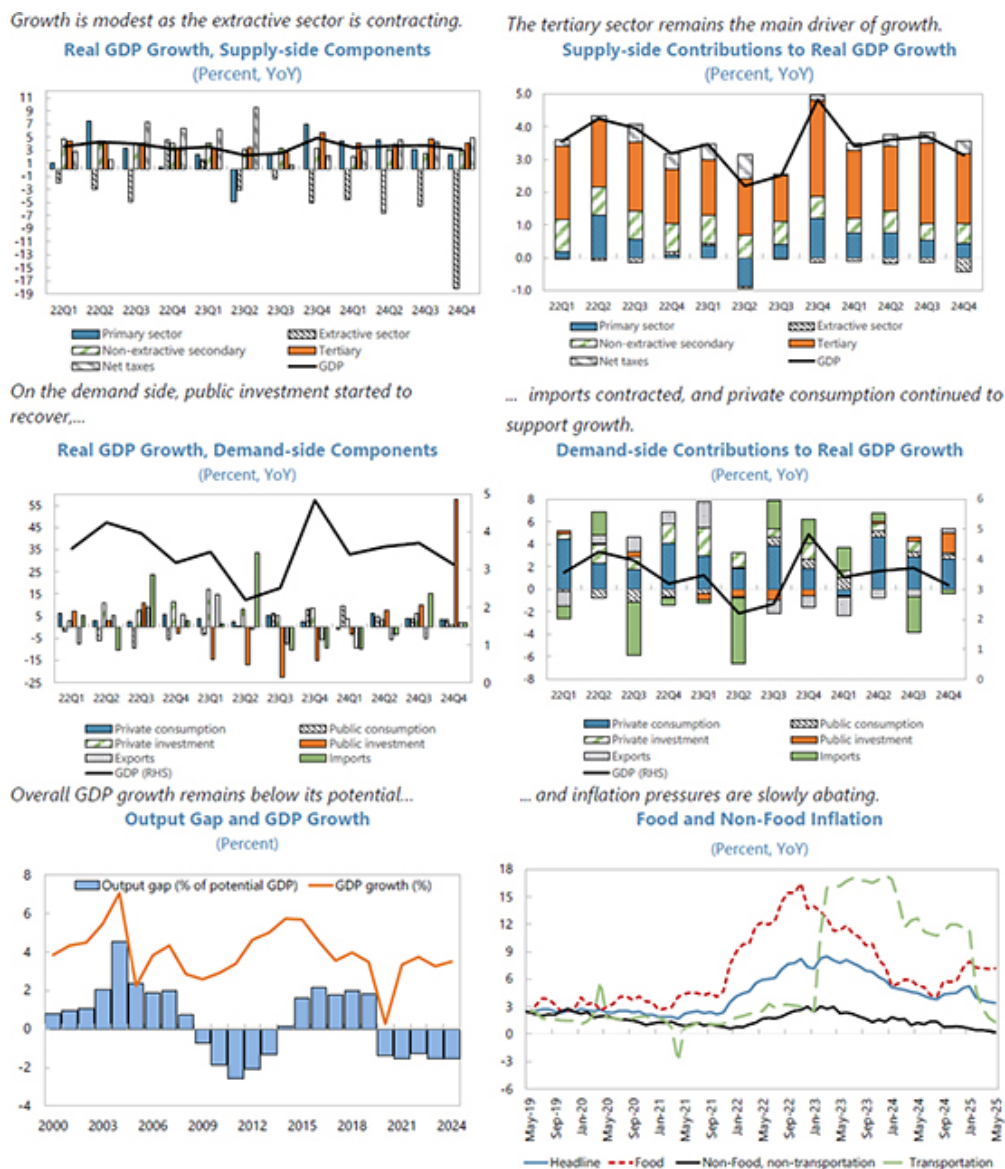


Source: INS, World Bank, IMF, Authors

### 3.3.2. Capital Account and Financial Operations Flows (FDI, Portfolio Investments)

In the balance of payments, the [capital account and financial](#) operations reflect inflows of foreign capital that partially finance the current account deficit of the Cameroonian economy. Foreign Direct Investment (FDI) flows, although declining, remain an essential channel for attracting productive capital. In 2023, net FDI for Cameroon was approximately 1.67% of GDP, slightly lower than the 2.09% observed in 2022, signaling a decline in relative attractiveness or investment opportunities compared to other emerging economies ([The Global Economy, 2024](#)).

**Figure 10: Real GDP Growth and Sector-Specific Charts**



Source: IMF, World Bank Authors

These FDI flows are explained by the continued interest of foreign investors in key sectors in Cameroon such as agribusiness, energy, telecommunications, and infrastructure, despite institutional and structural challenges. Portfolio investments, which are often more volatile, have been relatively low, reflecting the still limited maturity of local financial markets and investor preference for less speculative and longer-term forms of capital ([MINFI, 2025](#)).

Financial transactions in the broad sense, including flows related to external borrowing, public and private financing, and non-bank capital movements, also contributed to financing the current account deficit. However, these flows remain sensitive to country risk perceptions, global liquidity conditions, and external borrowing costs, which can influence the availability and cost of capital in the medium term ([MINFI, 2025](#)). In general, a strategy to attract FDI will require not only an improvement in the business climate, but also structural reforms focused on governance, transparency, and legal certainty for investments. This will make it possible to better exploit the potential of foreign investment flows as an engine for inclusive growth.

### **3.3.3. Assessment of the Real Effective Exchange Rate of the CFA Franc and Competitiveness**

Cameroon's external competitiveness is heavily dependent on the real effective [exchange rate \(REER\)](#) of the CFA franc, a measure that aggregates the impact of bilateral exchange rates with major trading partners weighted by trade. As part of the CFA franc's peg to the euro at a fixed parity, the currency enjoys [considerable monetary stability](#), reducing the risk of volatility relative to major currencies such as the euro and, in theory, improving investor confidence. Nevertheless, this exchange rate anchor implies dependence on European Union monetary policies and may limit the automatic competitive adjustment that floating rates could offer in the face of external shocks.

Regional studies indicate that movements in the EREER should be interpreted in light of relative movements in domestic prices, inflation, and terms of trade. An effective appreciation of the exchange rate, for example against the US dollar or the currencies of competing countries, may penalize the competitiveness of Cameroonian exports, particularly for manufactured goods and processed agricultural products, whose prices on international markets become less attractive ([BEAC, 2025](#)).

In 2025, projections by the Bank of Central African States (BEAC) suggest that the current account balance could deteriorate further to around 4.4% of GDP, partly due to a decline in exports and an increase in trade deficits, highlighting the pressure on external competitiveness despite the stability of the CFA franc ([BEAC, 2025](#)).

Thus, the assessment of the TCER and competitiveness must take into account both the structure of the Cameroonian economy (heavy dependence on imports) and the capacity of exports to diversify towards higher value-added products. Policies aimed at improving productivity, stimulating regional integration, and promoting local processing of raw materials are key levers for strengthening competitiveness under the fixed exchange rate regime.

## 4. CONCLUSION AND ECONOMIC POLICY RECOMMENDATIONS

### 4.1. Summary of Monetary Policy Orientation

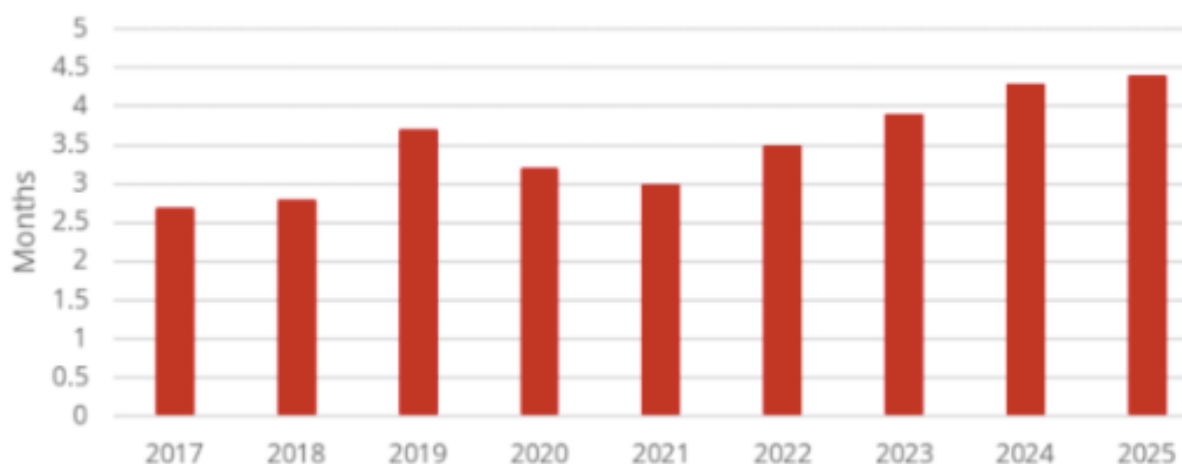
Cameroon's monetary policy, within the framework of the Central African Economic and Monetary Community (CEMAC), has maintained a prudent and price-stability-oriented stance, while also seeking to support economic growth. Adjustments to the BEAC's main refinancing rate (TIAO), the interest rate corridor, and liquidity operations have helped contain core inflation near the community target (below 3 %), while partially facilitating access to credit for both businesses and households ([BEAC Monetary Policy Reports](#)).

The interest rate and credit channels have shown [moderate effectiveness in transmitting monetary policy to the real economy](#). The BEAC cut its key policy rate from 5.0 % to 4.5 % in March 2025, reflecting an easing of monetary conditions in response to declining inflationary pressures (CEMAC inflation projected under 3 % in 2025). This adjustment aimed to reduce financing costs and support private sector lending. Indeed, bank lending in the CEMAC zone grew by [19.6 % in 2024](#), driven largely by Cameroon, highlighting sustained credit demand even in a period of previous monetary tightening.

However, the [credit expansion remained concentrated among larger firms and low-risk sectors](#), indicating limited reach to smaller enterprises and households. Structural rigidities, such as market segmentation, a crowding-out effect from government debt, and partial financial exclusion, continue to dampen the full transmission of monetary signals to all

economic agents. These structural obstacles limit how effectively lower policy rates and increased liquidity translate into broader private investment and consumption.

**Figure 11: Cameroon FX Reserves expressed as the number of months of import cover.**



Source: BEAC

At the same time, the [resilience of the banking system](#) provides a credible anchor for monetary policy. Banks in the CEMAC region generally maintain capital adequacy ratios above regulatory minimums and have strengthened risk management practices, contributing to financial stability. While banks are safe, the [CFA franc](#) is pegged to the Euro and the central bank has about 4 months' worth of reserves to cover imports. However, the FCFA is vulnerable to external shocks because Cameroon imports a lot of the commodities it consumes that range from petrol, food and pharmaceutical products to name a few. Cameroon's current account deficit of FCFA [639 billion in Q4 2025](#) puts pressure on a fragile currency that is supported by its peg to the Euro.

Monetary policy in Cameroon and the wider CEMAC area functions as a stabilization tool that supports price stability and economic growth. However, monetary policy cannot be designed to monitor and control money supply, when the links between money supply and inflation have grown increasingly weak over the last decade. The central bank should transition to inflation targeting and ensure monetary/financial stability that deepens financial intermediation.

## **4.2. Recommendations for the Government of Cameroon (Budgetary, Structural, and Regulatory Measures)**

### **i. Strengthen fiscal discipline and revenue mobilization:**

- Prioritize non-concessional lending to boost investment in infrastructure, energy and human capital.
- Digitize declaration and payment of taxes and social security to ensure that more citizens and business can pay without much hassle. The current platforms from DGI and CNPS must be updated urgently to ensure that payments can be made online.

### **ii. Promote Economic diversification:**

- Support high value-added sectors (agro-industry, telecommunications, renewable energy).
- Encourage local processing of export commodities, particularly cocoa and timber, to reduce vulnerability to external shocks.

### **iii. Improve human capital and employment:**

- Implement targeted vocational training programs aligned with the needs of key growth sectors such as manufacturing, technology and energy.
- Gradually formalize the informal economy to boost productivity and expand the tax base by providing long-term incentives and minimum stable taxes for actors of the sector.

### **iv. Enhance financial inclusion and credit access:**

- Facilitate SME access to credit through guarantee mechanisms and tax incentives.
- Support the development of microcredit and digital financial solutions to reach unbanked populations.

## **4.3. Suggestions for the BEAC (Monetary Policy or Liquidity Management)**

### **i. Maintain a prudent and flexible monetary policy:**

- Continue adjusting the TIAO based on inflation dynamics and liquidity pressures.

- Strengthen open market operations and refinancing facilities for private actors.
- ii. **Strengthen the monetary transmission mechanism:**
- Ensure bank rates match the central bank ceiling
  - Promote innovative financial instruments and the development of secondary markets to diversify private sector financing sources. The current 200 billion guarantee should be used to promote loans to SMEs.
- iii. **Macroprudential oversight and risk management:**
- Ensure banks reduce 10% of non-performing loans every year through rigorous and faster sterilization procedures.
  - Adjust reserve requirements and liquidity tools to respond quickly to temporary market tensions.

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