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SM/85/201
Correction 1

CONTAINS CONFIDENTIAL
INFORMATION

August 23, 1985

To: Members of the Executive Board

From: The Acting Secretary

Subject: Cameroon - Staff Report for the 1985 Article IV
Consultation

The following corrections have been made in SM/85/201 (7/10/85):

Page 3, Table 1, column 2, line 5: for "11.7" read "13.8"

column 3, line 5: for "-4.1" read "-5.9"

column 4, line 10: for "-50.7" read "50.7"

column 5, line 10: for "-32.2" read "32.2"

A corrected page is attached.

Att: (1)

Other Distribution:
Department Heads

Table 1. Cameroon: Selected Economic and Financial Indicators, 1980/81-1984/85

	1980/81	1981/82	1982/83	1983/84 Est.	1984/85 Proj.
	(Annual percentage change, unless otherwise specified)				
National income and prices					
GDP at current prices	27.4	20.9	20.5	20.9	19.8
GDP at constant prices	10.7	7.4	4.8	6.5	8.2
Oil sector ^{1/}	75.4	38.2	22.3	21.7	15.7
Non-oil sectors	4.8	3.3	2.2	4.0	6.9
Industrial production	12.6	13.8	-5.9	6.9	8.6
Consumer prices ^{2/}	9.9	13.1	12.2	14.4	9.4
Central government finance					
Total revenue and grants	93.7	20.1	31.5	1.6	18.3
Total expenditure and net lending	96.0	11.7	23.6	17.2	13.0
Money and credit					
Domestic credit	31.4	28.6	-1.7	35.5	4.6 ^{3/}
Government (net) ^{4/}	-38.5	-12.6	-164.3	50.7	32.2 ^{3/}
Private sector	32.6	25.9	23.6	7.4	-0.3 ^{3/}
Money and quasi-money	25.8	22.8	7.1	32.5	20.2 ^{3/}
Velocity of broad money ^{5/}	5.4	5.3	5.5	5.6	5.2
Interest rate (end of period) ^{6/}	8.5	8.5	9.0	9.0	9.0
External sector (in SDRs)					
Exports, f.o.b.	...	12.9	2.6	16.5	14.3
Of which: Petroleum	...	21.9	19.7	18.5	16.7
Imports, f.o.b.	...	-12.1	-4.8	8.0	11.2
Nominal trade-weighted effective exchange rate (depreciation -)	-4.1	-3.7	-5.7	-1.4	-0.6 ^{7/}
Real trade-weighted effective exchange rate (depreciation -)	-6.2	0.3	2.7	4.4	-3.9 ^{7/}
	(In percent of GDP, unless otherwise specified)				
Basic ratios					
Consumption	71.8	68.9	69.2	67.4	66.2
Gross investment	32.5	30.6	28.8	27.8	27.2
Gross domestic saving	28.2	31.1	30.8	32.6	33.8
Central government finance					
Total revenue and grants	24.9	24.7	27.0	22.7	22.4
Total expenditure and net lending	24.8	22.9	23.5	22.8	21.5
Overall fiscal surplus or deficit (-)	0.1	1.8	3.5	-0.1	0.9
External sector					
External current account balance	-6.6	-1.9	-1.4	0.6	1.5
Overall balance of payments	-1.5	-0.7	2.7	-1.7	1.3
External public debt (end of period)	29.1	28.5	27.0	25.2	22.0
External debt service (in percent of merchandise exports)	12.0	14.2	14.5	11.5	13.0
	(In millions of SDRs, unless otherwise specified)				
Petroleum export earnings	733.2	893.8	1,070.1	1,268.4	1,480.5
External current account balance	-400.6	-120.7	-96.9	41.6	118.6
Overall balance of payments	-91.4	-44.0	184.5	-126.8	105.7
Gross official foreign reserves (in weeks of next fiscal year's imports) (end of period)	2.7	1.7	8.7	2.7	...

Sources: Data provided by the Cameroonian authorities; and staff estimates and projections.

^{1/} Staff estimates based on unofficial sources of information.

^{2/} Based on the consumer price index for moderate-income Cameroonian families in Yaoundé.

^{3/} End-December 1983 to end-December 1984.

^{4/} Including some public sector agencies.

^{5/} GDP relative to the average end-of-quarter broad money stock.

^{6/} Basic rediscount rate.

^{7/} End-June 1984 to end-March 1985.

In recent years the oil sector has been growing at a substantially faster rate than the rest of the economy. According to staff estimates based on unofficial sources (but generally confirmed by the authorities), crude petroleum production rose from 5.7 million tons in 1982/83 to 7.0 million tons in 1983/84, and it is projected to have peaked at 8.1 million tons in 1984/85. The bulk of the crude is exported, with the balance being refined locally, mostly for domestic consumption. Petroleum export earnings (including receipts from exports of small amounts of refined products) are estimated to have increased from the equivalent of SDR 1.1 billion in 1982/83 to SDR 1.3 billion in 1983/84 and further to some SDR 1.5 billion in 1984/85, despite a continued softening of export prices.

With the rapid growth in oil resources, total government revenue has practically doubled since 1980/81, allowing for substantial increases in expenditure, but also yielding sizable overall fiscal surpluses. Oil revenue accrues to the Government from profit taxes and royalties paid by the foreign oil companies, as well as from production-sharing arrangements. Although only part of these resources is formally budgeted, it has provided the means to finance a rapidly growing government wage bill, an expansion of agricultural support programs, increased assistance to ailing industries, higher levels of public investment, and rising external debt service obligations, including the servicing of government-guaranteed debt of a number of financially troubled public enterprises. To avoid excessive budgetary dependence on what are considered to be temporary resources, the authorities, as a matter of policy, have kept the remaining oil revenue abroad; however, some of these resources have been transferred from time to time to an extrabudgetary account with the Treasury to finance selected projects in transportation, education, housing, and public health, as well as subsidies to agriculture and public enterprises. In 1982/83 the overall fiscal surplus increased sharply to about CFAF 92 billion (Table 2), equivalent to 3.5 percent of GDP, as the authorities repatriated unusually large amounts of oil revenue which were only partly spent on projects outside the budget. By contrast, in 1983/84, when oil resources were repatriated on a much smaller scale and were used almost entirely to cover extrabudgetary outlays, the overall fiscal position was in virtual equilibrium. On the basis of very partial returns, and barring unusually large variations in extrabudgetary transactions, it is estimated by the staff that total government revenue increased by 18 percent in 1984/85, while total expenditure and net lending rose by 13 percent, yielding an overall fiscal surplus of the order of CFAF 34 billion, equivalent to about 1 percent of the projected GDP.