

BEST'S COUNTRY RISK REPORT

Cameroon CRT-5

August 22, 2019

Region: Sub-Saharan Africa

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects AM Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Cameroon, a CRT-5 country, has high levels of economic risk and very high levels of political and financial system risk.
- The country's GDP grew 4.0% in 2018 and is projected to grow by over 4% over the medium term, supported by rising domestic demand. Cameroon benefits from low short-term external debt and a healthy relationship with creditors.
- Inflation has been subdued, falling below the central bank's target of 3%. Inflation is projected to be between 1.0% and 2.0%.
- The majority of countries in Sub-Saharan Africa are categorized as CRT-5, the exceptions being Mauritius at a CRT-3, and South Africa at a CRT-4.



- **Country Risk Tier 1 (CRT-1)** Very Low Level of Country Risk
- **Country Risk Tier 2 (CRT-2)** Low Level of Country Risk
- **Country Risk Tier 3 (CRT-3)** Moderate Level of Country Risk
- **Country Risk Tier 4 (CRT-4)** High Level of Country Risk
- **Country Risk Tier 5 (CRT-5)** Very High Level of Country Risk

Regional Summary: Sub-Saharan Africa

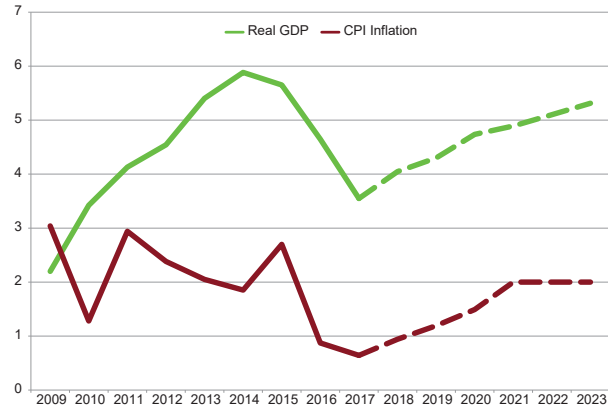
- Growth is expected to pick up, driven by public investment in the region's more diversified economies. However, the largest economies in Sub-Saharan Africa are likely to lag the regional growth average due to changing oil dynamics and depressed business confidence linked to corruption fallout. Growth in the region's two largest economies—Nigeria and South Africa (which account for two thirds of the region's population)—is expected to be anemic.
- The region faces several headwinds that limit potential, including entrenched poverty, pervasive corruption, heightened global trade tensions, inadequate infrastructure, an unstable security environment, and a vulnerability to natural disasters.
- The region's sovereign debt increased from a median 31% of GDP in 2013 to 56% in 2018. Given the region's development challenges, the pace of the increase is unsustainable.
- The African Continental Free Trade Agreement (AfCFTA) went into force in May 2019. AfCFTA seeks to bolster continental African trade by reducing tariffs by 90%, harmonizing trade rules, and establishing a single market for goods and labor.

| Vital Statistics 2018 | | |
|-------------------------------|--|-------------------|
| Nominal GDP | USD bn | 38.52 |
| Population | mil | 24.9 |
| GDP Per Capita | USD | 1,548 |
| Real GDP Growth | % | 4.0 |
| Inflation Rate | % | 0.9 |
| United Nations Estimates | | |
| Literacy Rate | % | 71.3 |
| Urbanization | % | 55.8 |
| Dependency Ratio | % | 84.8 |
| Life Expectancy | Years | 58.6 |
| Median Age | Years | 18.3 |
| Insurance Statistics | | |
| Insurance Regulator | Conference Interfricaine des Marches Assurances (CIMA) | |
| Premiums Written (Life) | USD mil | 103 |
| Premiums Written (Non-Life) | USD mil | 236 |
| Premiums Growth (2017 - 2018) | % | 9.8 |
| Regional Comparison | | |
| | | Country Risk Tier |
| Cameroon | | CRT-5 |
| Mozambique | | CRT-5 |
| Senegal | | CRT-5 |
| Togo | | CRT-5 |
| Ethiopia | | CRT-5 |
| Gabon | | CRT-5 |

Source: IMF, UN, Swiss Re, Axco and AM Best



Economic Growth (%)



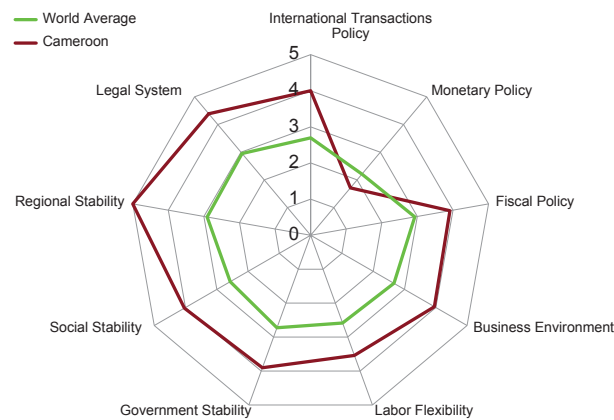
Source: IMF World Economic Outlook and AM Best

Economic Risk: High

- Cameroon depends heavily on the oil industry, exposing it to fluctuations in global demand. Cameroon has made efforts to diversify its economy into the mining industry, as it has a wealth of untouched mineral deposits.
- Agricultural production of coffee and cocoa (concentrated in the Anglophone regions), is expected to decline due to the continued insurgency. Additionally, oil exports are expected to decrease as Cameroon's oil wells mature.
- Cameroon is supported by the IMF's Extended Credit Facility program, which gives the country access to USD 681 million and is aimed at restoring fiscal sustainability. Despite falling oil revenues, the country expects to lower the government deficit to 2.2% of GDP by fiscal year end of 2019.
- Cameroon ranks 166th out of 190 countries on the World Bank's Ease of Doing Business survey, indicating the country's challenging business environment.

Political Risk Summary

Score 1 (best) to 5 (worst)

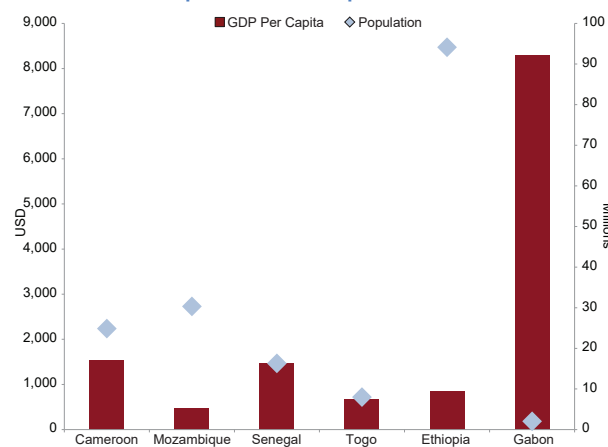


Source: AM Best

Political Risk: Very High

- Cameroon is currently ruled by President Paul Biya, a member of the Cameroon People's Democratic Movement Party. Biya has served as president for 37 years and will continue to serve until at least 2025. The election system is opaque as it is impossible for the opposition party to verify the vote's credibility and the electoral commission is chosen by the president.
- In 2017, separatists declared areas in northwest and southwest Cameroon to be independent of the government, starting an insurgency that continues to this day. The Cameroon government has responded to the insurgency with military force, which has been criticized by the international community.
- Large-scale protests headed by the opposition party, Movement for the Renaissance of Cameroon, erupted in major cities across Cameroon in January 2019. The government responded to the protests with widespread arrests and violence. Currently, the opposition's leader, Maurice Kamto, is imprisoned on the charge of rebellion. Should Kamto be released, additional protests will likely ensue.

GDP Per Capita and Population



Source: IMF and AM Best

Financial System Risk: Very High

- The insurance industry is regulated by the Conférence Interafricaine des Marchés d'Assurances (CIMA), a regional body that oversees the insurance industries of 15 African countries.
- Cameroon has consistently run a current account deficit for the past four years, a trend that is projected to continue for at least the medium term.
- To ensure long-term growth, the IMF recommends that the country improve the efficiency of public spending, and address high non-performing loans.