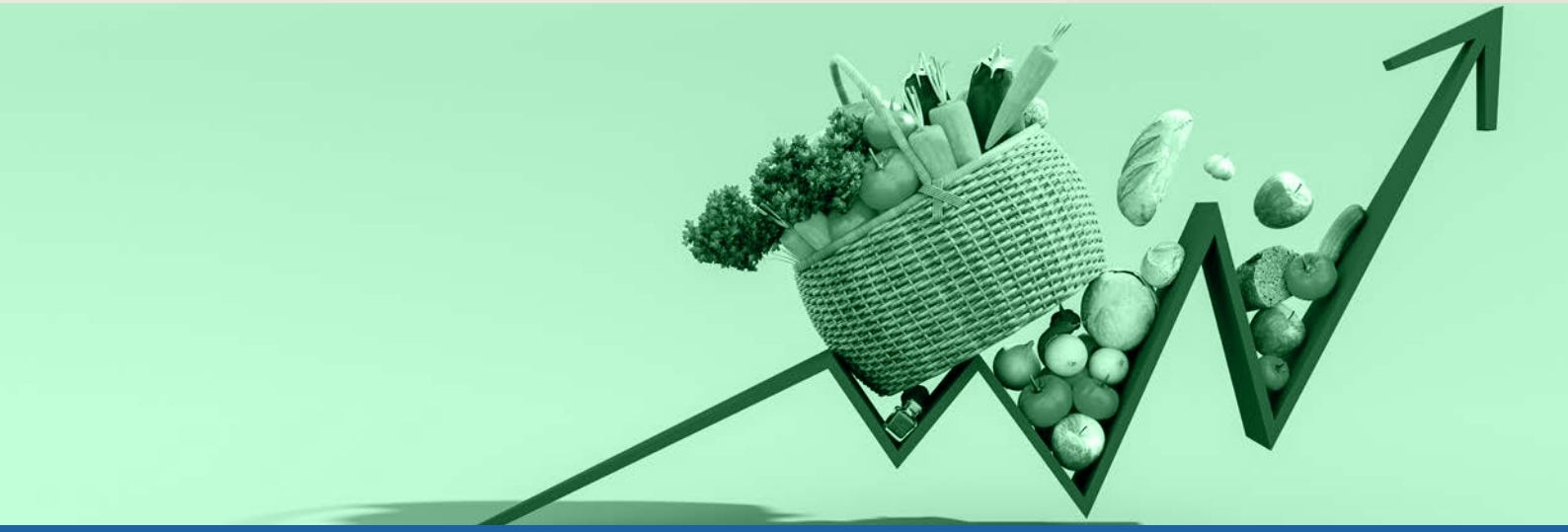
ECONOMIC
AND MONETARY
COMMUNITY
OF CENTRAL AFRICA



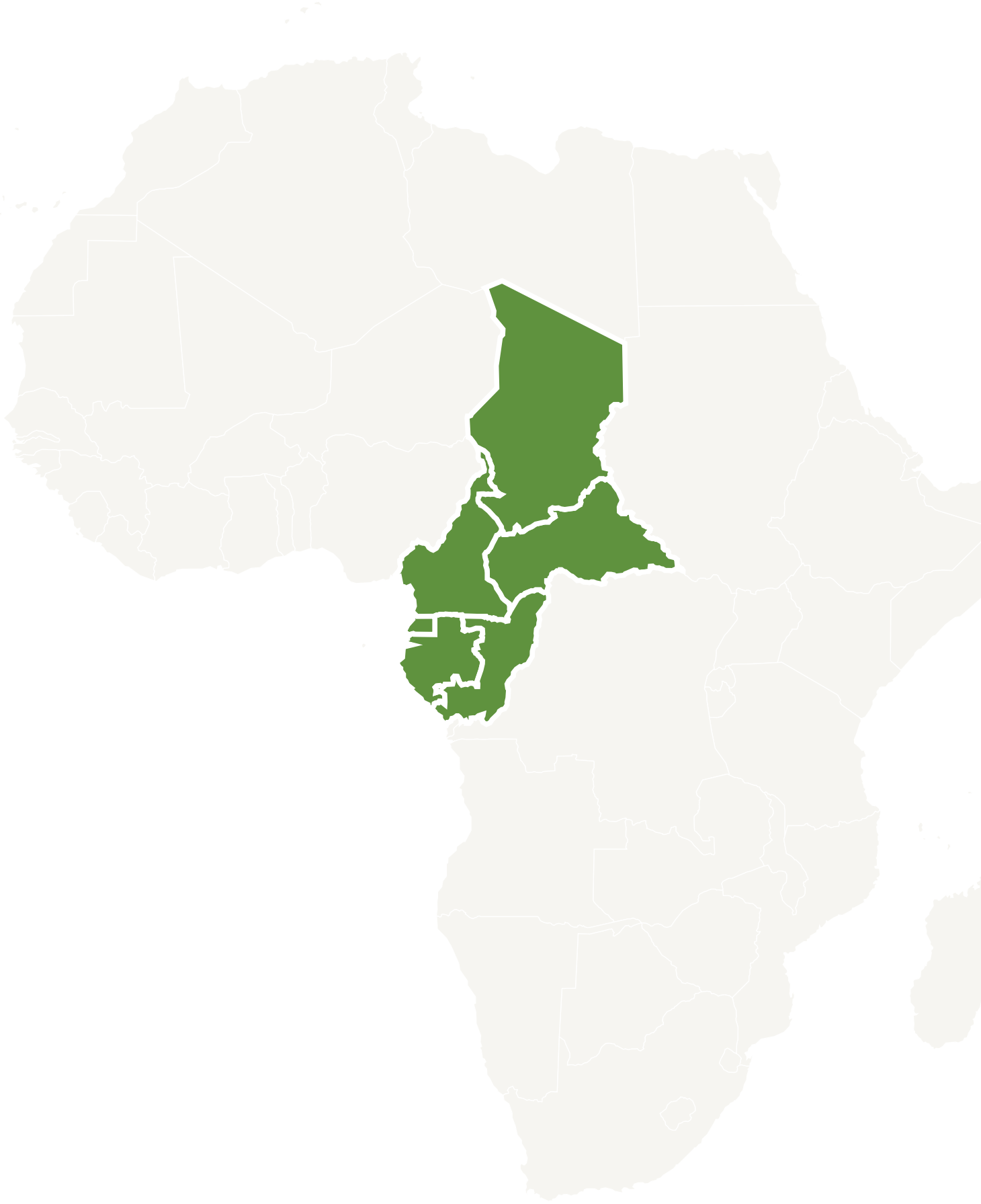
NOTE ON INFLATION IN CEMAC MEMBER COUNTRIES

Year 2022

Implementation of STAT-CEMAC
FODEC funding

N° : 0002

August 2023



Foreword

Aware of the importance of setting up an efficient statistical information system to strengthen the convergence of policies and macroeconomic performance of CEMAC countries, the Heads of State of the Economic and Monetary Community of Central Africa (CEMAC), at their Extraordinary Summit on 18 August 2021, adopted the CEMAC Sub-regional Statistical Program (CEMAC STAT), which constitutes the reference framework for the Community's statistical activities over the period 2021-2030.

This program is linked to the African Union's Strategy for the Harmonization of Statistics in Africa (SHaSA 2). Its vision is to put in place «an efficient statistical system that generates reliable, harmonized and timely statistical information covering all dimensions of development and of the political, economic, social, environmental and cultural integration of the CEMAC».

Significant progress has been made in implementing this program with internal funding from the CEMAC Commission, the Community Development Fund (FODEC) and financial support from our Technical and Financial Partners, in particular the World Bank and AFRISTAT.

The activities relating to the production of the price index, which enable us to assess the level of inflation in the CEMAC countries and in the zone, form part of the implementation of this program. Inflation is a leading indicator of economic health. Its regular production at the level of member states and the sub-region will enable us to regularly inform our decision-makers on the economic policy measures to be implemented.

The President of the CEMAC Commission
Baltasar ENGONGA EDJO'O

CONTENTS

List of tables and graphs

I. INFORMATION NOTE FOR USERS

The CEMAC Harmonized Index of Consumer Prices

Inflation in the CEMAC is measured by the rate of increase in the CEMAC Harmonized Index of Consumer Prices (HICP) (base 100, 2019). By Regulation N° 03/21-CEMAC-UEAC-CM-36 on 27 January 2021 on the modalities for the elaboration, calculation, and publication of the Harmonized Index of Consumer Prices within the CEMAC Member States, the CEMAC Commission has made the regular publication and dissemination of the HICP compulsory from 2022. To this end, a methodological guide to the HICP has been annexed to the Regulation. This guide essentially aims to harmonize the methodological points for calculating national CPIs within the CEMAC Member States: consumption nomenclature (consumption function level and harmonization of labels, headings, aggregated levels of consumption nomenclature, definition of underlying inflation), product description methods, calculation formulas, data clearance methods, etc. This harmonization aims to minimize the bias of calculating an inflation rate at Community level directly from national CPIs. In addition, with a view to developing and regularly producing harmonized and reliable statistical data for the purposes of coordinating economic, monetary, and socio-demographic policies in the sub-region, the CEMAC Commission has adopted Regulation No. 04/21-UEAC-115-CM-36 on the modalities for compiling, calculating, and disseminating core inflation within Member States. This complementary inflation indicator should facilitate analyses and prepare the way for the various possible uses of the index.

In the index calculation methodology, Individual Household Consumption Expenditure (IHCE) from the 2017 International Comparison Program was used as the country weight for aggregating the Community index.

The average annual inflation rate is used for the analyses.

Table 1Statistics on the IHPC databases based on 2019 for CEMAC countries

Country	Number of varieties	Number of points of sale	Number of elementary products	Number of statements	Number of sites	Number of observation centres** (%)
CAMEROON	721	3 656	20 807	24 207	10	19
RCA	748	3 407	11 653	13 000	06	06
CONGO	635	2 332	8 162	36 156	05	05
GABON	750	2 670	22 768	27 452	04	16
EQUATORIAL GUINEA	500	637	5 302	10 787	05	05
CHAD	332	1 000	8 964	12 000	05	05
CEMAC	///	13 702	///		35	56

*the sites represent the economic zones for which the index is calculated

**The observation centers represent the collection zones (sub-strata of the sites).

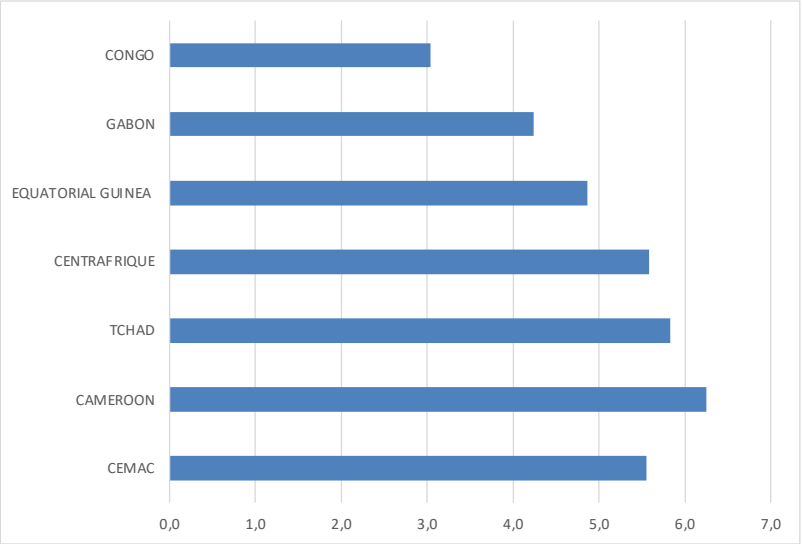
Source: Member States' NSIs

II. SUMMARY

Over the year 2022, the Harmonized Index of Household Consumer Prices (HICP) in the CEMAC recorded an increase above the CEMAC community standard. The inflation rate rose to an annual average of 5.6%, compared with 1.4% a year earlier.

This situation was observed in all Community countries in 2022. The different inflation rates recorded as an annual average, compared with 2021, in descending order, are as follows: Cameroon (6.3%, compared with 2.3%), Chad (5.8%, compared with -0.8%), Central African Republic (5.6%, compared with 2.8%), Equatorial Guinea (4.9%, compared with -0.1%), Gabon (4.2 %, compared with 1.1%), and Congo (3.0%, compared with 2.0%).

Graphic 1 Average annual change in the overall indices of the Community countries in 2022

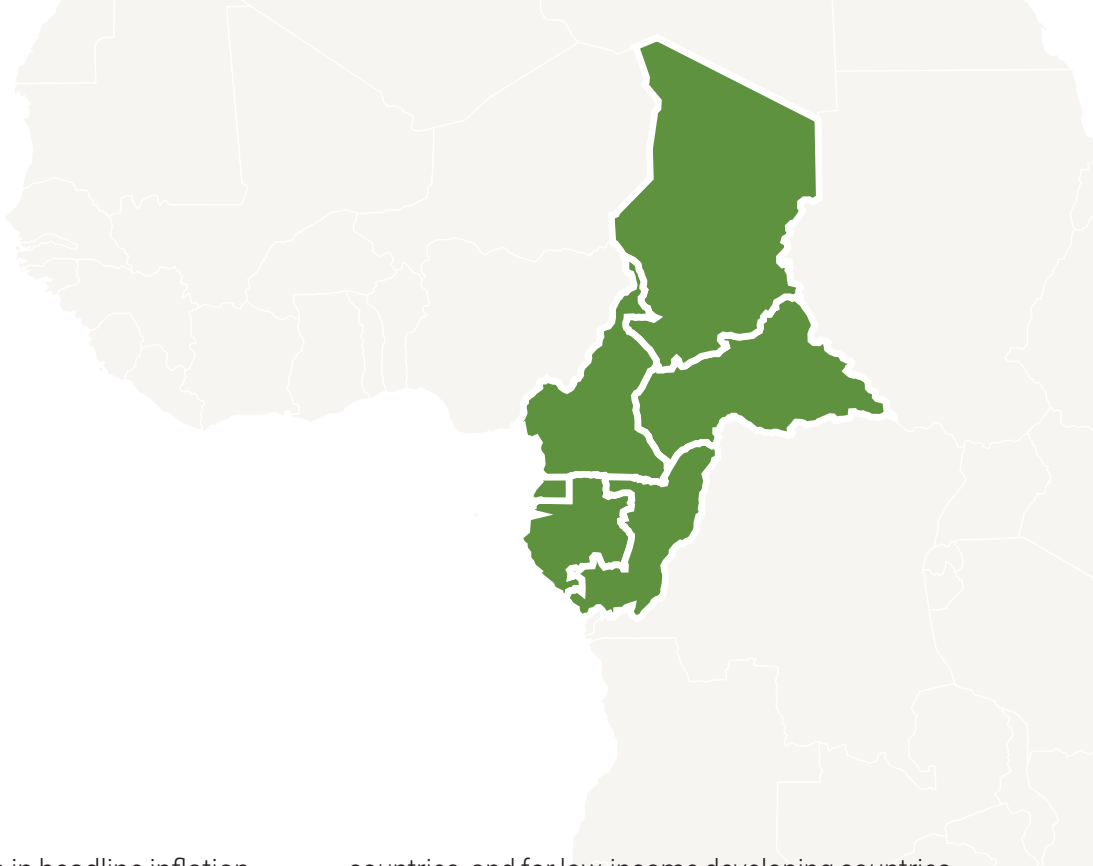


III. GENERAL INTRODUCTION

The COVID-19 pandemic triggered an unprecedented economic crisis, causing recession in most countries around the world and increasing poverty for the first time in a generation. Government responses mitigated the immediate negative economic effects of the crisis, but exposed economies to other dangers, including rising inflationary pressures.

Disruptions to key supply chains because of travel restrictions contributed to supply bottlenecks at a time when demand was increasing exponentially as a result of the Post Covid stimulus packages. The resulting imbalance between supply and demand contributed to the surge in prices. In addition, the Russo-Ukrainian conflict has exacerbated inflationary tensions, and the uncertainty surrounding the end of this war is helping to lengthen the period over which inflation can be absorbed. Over time, and depending on the economy, inflation is constantly changing, putting to the test the traditional mechanisms that are supposed to contain it rapidly.

On average in 2022, headline inflation measured by consumer prices and core inflation (excluding food and energy) stood at 8.8% and 6.5% respectively, well above the targets set by most central banks. Although inflation began to fall in most economies in the fourth quarter of 2022, underlying inflation



remains high, with the decline in headline inflation being linked mainly to the fall in energy and certain food prices.

In the European Union (EU), annual inflation reached its highest level ever measured at 9.2%, with wide disparities depending on the strength of the economies. It stood at around 6.1% in France, compared with 8.2% in Germany. It was much higher in Lithuania (22.5%) and much lower in Luxembourg (5.4%). In European countries, the rise in prices is mainly linked to the surge in energy prices, particularly gas prices.

In the United States, inflation is expected to average 8.7% in 2022, compared with 2.5% in Japan and 2.0% in China. China's low inflation can be partly explained by the sluggishness of economic activity in 2022. The «zero Covid» policy, pursued by the authorities until December 2022, has slowed investment and consumption, notably by imposing new confinements on the population. Moreover, China has been largely spared by the sharp rise in energy prices because of its privileged trade relations with Russia and Iran.

In the UK, the inflation rate is expected to average 9.2% in 2022, driven by energy prices as in other European countries.

This inflationary surge in the world's largest economies has been partly transmitted to other regions of the world. Average annual inflation rates in 2022 were relatively high in emerging and developing countries. It averaged 9.9% in 2022 in emerging countries, and for low-income developing countries, overall inflation was 14.2%. In India, inflation in 2022 will be 6.7%, fueled by rising commodity prices, particularly oil, from which the country imports over 80% of its crude oil requirements. India also imports edible oils, the price of which has hit record highs since the start of the Russo-Ukrainian conflict.

In sub-Saharan Africa, average inflation reached 13.8% in 2022 compared with 12.9% in 2021. In the West African Economic and Monetary Union (WAEMU), the inflation rate was 7.4% in 2022, compared with 3.6% in 2021, mainly due to persistent pressure on food and oil prices, as well as on housing and transport items. In South Africa, inflation has risen from 4.5% in 2021 to 6.9% in 2022, due to higher food and fuel prices. In Nigeria, inflation has peaked at 18.8%, its highest level for two decades, fueled by rising energy and food prices and the effects of exchange rate depreciation. According to estimates by the African Development Bank (ADB), inflation in the DRC stood at 9.1% due to imported food and energy prices, as in most other countries in sub-Saharan Africa. In Sudan, inflation has fallen from 359.1% in 2021 to 139% in 2022, largely thanks to the unification of the exchange rate and the reduction in the monetization of the budget deficit.

Rising prices in the main economic partners of CEMAC member countries are likely to push up sub-regional inflation through the imported inflation component.

IV. ANNUAL INFLATION

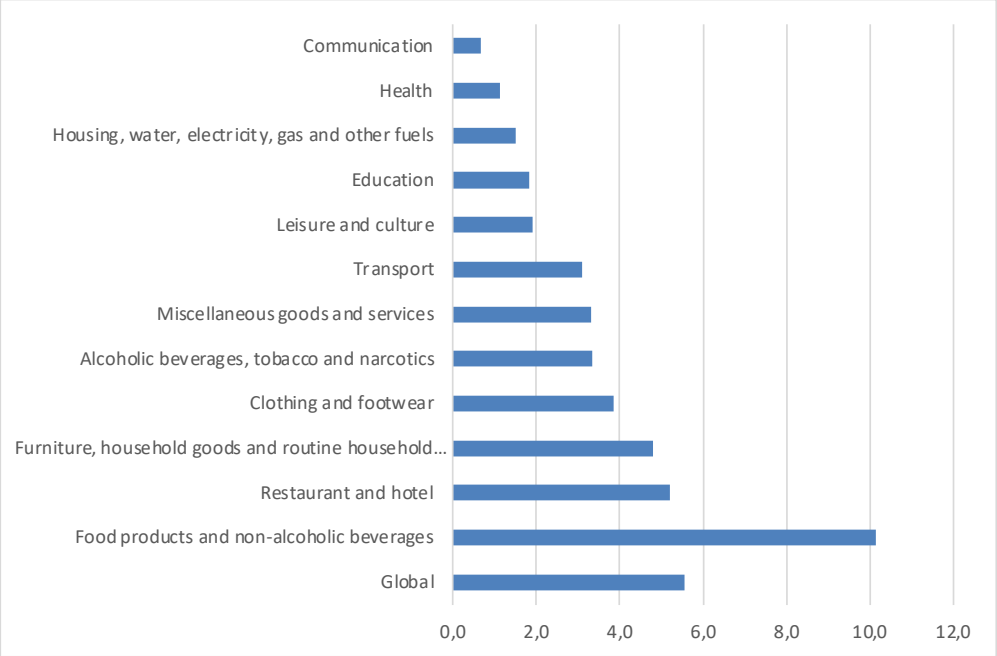
Over the year 2022, the Harmonized Index of Household Consumer Prices (HICP) in the CEMAC recorded an increase above the CEMAC community standard. The inflation rate rose to an annual average of 5.6% in 2022, compared with 1.4% a year earlier.

This situation was observed in all Community countries in 2022. The different inflation rates recorded as an annual average, compared with 2021, in descending order, are as follows: Cameroon (6.3% compared with 2.3%), Chad (5.8% compared with -0.8%), Central African Republic (5.6% compared with 2.8%), Equatorial Guinea (4.9% compared with -0.1%), Gabon (4.2% compared with 1.1%), and Congo (3.0% compared with 2.0%) (see Appendix 1, Table 5).

Inflation in 2022 will be driven mainly by higher prices for «food and non-alcoholic beverages» (10.1%, compared with 2.6% in 2021), followed by «restaurants and hotels» (5.2%, after 1.4% in 2021) and «furniture, household goods and routine household maintenance» (4.8%, compared with 0.8% in 2021) (see Appendix 1, Table 3).

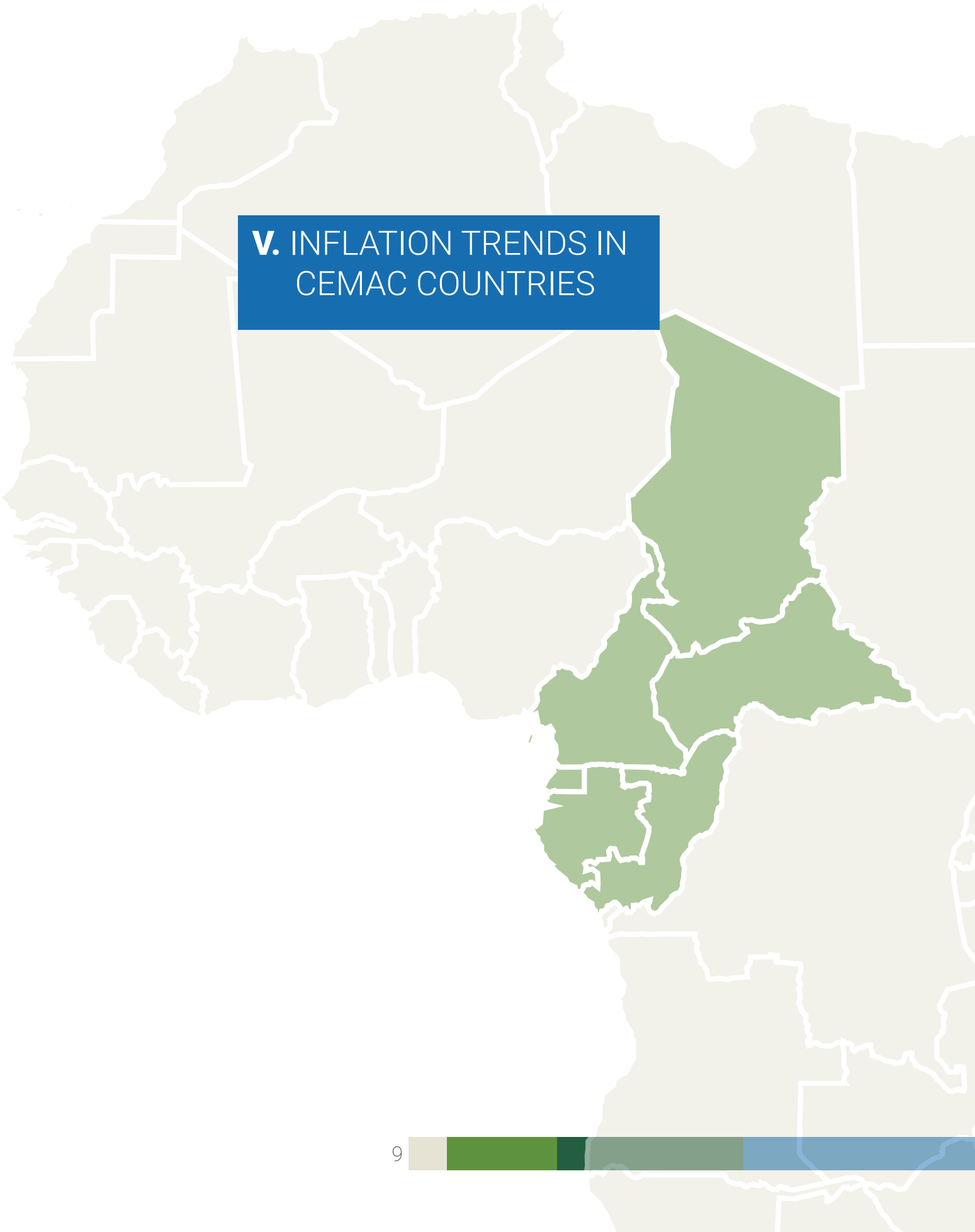
The other components showed price increases of 3.9% for «clothing and footwear», 3.3% for «miscellaneous goods and services», 3.3% for «alcoholic beverages, tobacco and narcotics», 3,1% for 'transport', 1.9% for 'leisure and culture', 1.8% for 'education', 1.5% for 'housing, water, gas, electricity and other fuels', 1.1% for 'health' and 0.7% for 'communications'.

Graphic 2 Average annual change in the overall index and its components in 2022



A multi-dimensional analysis of the main sources of inflation in the sub-region shows that it is more likely to come from local sources (5.6%, compared with 1.5% in 2021) than from imports (4.9%, compared with 2.3% in 2021). The most volatile products driving inflation upwards is fresh produce, with a variation of 8.2%. On the other hand, prices of products excluding energy and fresh produce rose by 4.2%. In all sectors of production of goods and services, prices soared: 10.4% for the primary sector, 4.7% for the secondary sector and 2.6% of the tertiary sector. Depending on the durability of the goods, prices of non-durable goods rose the most (7.9%), followed by prices of durable goods (4.1%) and semi-durable goods (2.8%). (see table 4).

V. INFLATION TRENDS IN CEMAC COUNTRIES



Cameroon: ***A retrospective analysis covering the period 2017-2022 reveals that the national economy is on an inflationary trajectory. The general price level has risen by 15.3% over the past five years. For 2022, the inflation rate has been set at 6.3%, compared with 2.3% in 2021, thus exceeding the 3% threshold set by CEMAC as part of its multilateral surveillance mechanism.***

In 2022, the rise in the general price level will be driven mainly by a 12.9% increase in food prices and a 6.3% rise in restaurant and hotel service prices. The main increases concern oils and fats (+27.0%), breads and cereals (+16.3%), fish and seafood (+14.4%), meat (+12.2%), milk, cheese, and eggs (+10.7%) and vegetables (+7.6%).

The rise in food prices is the result of (i) insufficient national production, due to the low capacity of the national production system, unfavorable weather conditions (with the direct consequence of increased crop failure, loss of livestock, the deterioration of pastures and the drying up of watering points, and the reduced availability of fishery, aquaculture and forestry products), the security crisis in the North-West and South-West regions which, on the one hand, limit production and, on the other, hinders the transport of products; (ii) limited supplies to major consumer centers due to the deterioration of certain road and rail links, (iii) speculative practices by certain traders, (iv) the passing on, albeit partial, of cost pressures (particularly raw materials and agricultural inputs) to consumer prices, (v) supply difficulties, low security stocks and shortages of certain products.

In addition, the prices of certain building materials commonly used by households for small-scale construction or renovation/repair work have soared. These include cement, sheet metal, PVC pipes, wall tiles and concrete reinforcing bars.

Analysis by product origin shows that inflation is being driven more by the rise in prices of local products, which rose by 6.4%, contributing 5.0 percentage points to overall inflation. At the same time, inflation in imported products was 5.0%, contributing 1.3 percentage points to overall inflation.

By production sector, prices of goods in the primary sector rose by 11.0%, while prices of goods in the secondary sector and services rose by 5.6% and 2.9% respectively.

With regard to price volatility, core inflation, which excludes products with more volatile prices such as fresh produce and energy, has continued to accelerate, reaching 5.6% in 2022, compared with 1.8% in 2021. Prices for fresh produce soared by 10.2%, while energy prices rose by 0.8%. This increase would have been more pronounced if fuel and domestic gas prices had not been subsidized.

Measures taken to contain inflation.

Faced with an international environment favorable to inflation, the public authorities have endeavored to stabilize the prices of petroleum products at the pump and of domestic gas, to implement measures to combat speculation, and to organize a number of promotional sales to relieve households. For the year 2022, the amount of this subsidy is nearly 775 billion FCFA.

In addition, other measures have been taken, such as the exemption from tax and customs duties on imports of certain products, the suspension of port charges, the reduction in the cost of freight to be included in the customs value, the suspension of withholding tax on purchases of several products, and the dismantling of illegal roadblocks to reduce the cost of transporting agricultural products to market.

Central African Republic: ***In 2022, the general price level rose by 7.6% year-on-year (December 2022 compared with December 2021).***

For 2022, the inflation rate stood at 5.6%, compared with 2.8% a year earlier, exceeding the 3% threshold set by CEMAC as part of its multilateral surveillance mechanism.

The rise in the general price level was mainly driven by the «Food and non-alcoholic beverages» (+7.1%), «Housing, water, electricity, gas and other fuels» (+8.8%), «Transport» (+8.2%) and «Education» (+6.7%) functions.

In terms of product volatility, national inflation was driven by energy (+11.0%), «excluding energy and fresh produce» (+5.6%) and fresh produce (+3.9%).

Depending on the origin of the products, national inflation is more of local origin (+6.0%) than imported (+3.8%).

An analysis by sector of production of goods and services shows that prices rose at all levels: 5.2% for the primary sector, 6.4% for the secondary sector and 6.1% of the tertiary sector.

According to the durability of goods, non-durable goods are the biggest inflation drivers, with a rise of 6.1%, followed by durable goods (+4.1%) and semi-durable goods (+3.0%).

Measures taken to contain inflation

The government continues to subsidize the price of fuel at the pump and to approve the prices of basic necessities.

Congo: ***In 2022, the inflation rate has been set at 3.0%, compared with 2.0% in 2021, thus remaining at the threshold set by the CEMAC as part of its multilateral surveillance mechanism.***

An analysis of inflation according to the different consumption functions on an annual average basis show that, over the period under review, the change in the general price level resulted from the increase in prices of «food and non-alcoholic beverages» (+6.2%). Conversely, prices for «alcoholic beverages, tobacco and narcotics» (-0.3%) and transport (-0.4%) fell.

Underlying inflationrose by 5.3% in the case of fresh produce, and by 2.1% in the case of products excluding energy and fresh produce. Energy prices rose by 1.8%.

Depending on the origin of the products, prices of local products rose by 1.9% and those of imported products by 5.5%.

Depending on the production sector, prices rose by 6.2% in the primary sector, 3.5% in the secondary sector and remained virtually stable in the tertiary sector (+0.1%).

According to the durability of goods, prices of durable goods rose by 0.2%, those of semi-durable goods by 0.6% and those of non-durable goods by 5.5%.

Measures taken to contain inflation

- In June 2022, the Government of the Congo signed and published Decree No. 2022-370 of 29 June 2022 approving the 2022-2023 food crisis resilience plan. This plan was drawn up to implement targeted measures and actions to counter the inflationary pressures observed on the markets and the rise in prices of imported products. The plan should make it possible to optimize the level of food supplies and alleviate the negative effects of the crisis on the household food basket;

Circular Note No 0021/MEF- CAB on 30 September 2022, relating to the exemption from customs duties, IT fees and value-added tax of certain basic food products (wheat, refined vegetable oil, frozen meat and edible offal, sea fish, rice, etc.) and agro-pastoral and fisheries inputs (fertilizers, livestock feed, breeding animals, eggs for incubation, seeds and other inputs, etc.), where applicable with the exception of Community taxes, for a period of one (1) year.

Pricing measures to facilitate the transport of agri-foodstuffs and basic foodstuffs from production centers to major marketing centers.

In Gabon: ***Year-on-year (December 2022 compared with December 2021), the general price level rose by 5.4%. The inflation rate stands at 4.2% compared with 1.1% in 2021, thus exceeding the convergence threshold (3%) of the Central African Economic and Monetary Community (CEMAC).***

The rise in the general level of prices is closely linked to the increase in prices for food and non-alcoholic beverages (+6.0%), on the one hand, and for housing, water, electricity, gas and other fuels (+3.0%), on the other. The main increases were for poultry (+14.2%), refined oils (+10.4%), fresh fruit and root vegetables (+7.8%) and fresh fish (+6.4%).

An analysis based on product volatility reveals strong growth in the prices of fresh produce (5.4% compared with 1.6% in 2021) and of products excluding energy and fresh produce (4.7% compared with 0.9%). Prices of energy products (0.1% vs. 0.9% in 2021) have remained almost stable.

In terms of product origin, the year 2022 will see a sharp rise in the price of imported products, reaching 5.3% compared with 1.1% in 2021. Local products will rise to 4.1%, compared with 1.0% in 2021.

Depending on the production sector, an increase in prices in the primary (+5.2%), secondary (+4.8%) and tertiary (+2.5%) sectors has been forecast for 2022.

Measures taken to contain inflation

Over the course of 2022, the Gabonese Government has taken measures to combat the high cost of living in the face of soaring prices for consumer goods, in particular:

The creation of an Inter-ministerial Committee to monitor the fight against high prices, under the authority of the Prime Minister, Head of Government, with the participation of consumer associations, traders, transporters, and producers. The Government has reached an agreement with economic operators on the application of a price list covering 48 essential products.

Subsidizing wheat and petroleum products. Regarding wheat, the main ingredient used to make bread, the Government has negotiated with operators in the sector to maintain the price of a baguette at CFAF 125. The Amending Finance Act of 2022 also provides for a subsidy of seven (7) billion CFA francs to the milling sector. With regard to fuels, the government has kept the pump prices of diesel fixed (CFAF 585 instead of CFAF 800), petrol (CFAF 605 instead of CFAF 760) and paraffin (CFAF 450 instead of CFAF 605);

The maintenance of the tax exemption for products covered by the «high cost of living» scheme and the free urban transport measure adopted as part of the anti-covid 19 response. In the case of basic necessities, the government has granted an exemption from import duties and taxes. This exemption has resulted in a loss of nearly 340 billion CFA francs over 10 years, or an annual average of 34 billion CFA francs.

Equatorial Guinea: ***The average annual inflation rate for 2022 is 4.9%, compared with -0.1% in 2021, exceeding the 3% threshold set by the CEMAC as part of its multilateral surveillance mechanism.***

In 2022, the rise in the general price level will be driven mainly by the increase in prices in the Food and non-alcoholic beverages function (5.8%), on the one hand, and by the increase in prices in the Transport (+ 10.4 %) and Alcoholic beverages, tobacco and narcotics (+ 3.6 %) functions, on the other. The rise in food prices can be explained mainly by the increase in the prices of bread (+17.7%), fats (+16.7%), oils (+12.9%) and bakery products (+10.3%).

The increase in transport costs was mainly due to higher prices for transport services, particularly maritime transport (+24.4%), air transport (+13.2%), miscellaneous vehicle-related services (+5.0%) and, to a lesser extent, road transport (+2.9%).

As for the alcoholic beverages, tobacco and narcotics component, the rise in prices is due in particular to higher prices for imported wines and fermented beverages (+6.8%) and imported beers (+4.5%).

Measures taken to contain inflation

The Equatoguinean government has taken measures to contain inflation. These measures consisted in particular of :

A partnership agreement with Serbia established for the import of food products for sale to households at reasonable or moderate prices.

An agreement signed with Serbia to establish its food production companies in the country.

The elimination of various tariff rates in the country's various ports.

In Chad: ***The general level of household consumer price has risen by 5.8% in 2022 compared with 2021.***

The 5.8% rise in the inflation rate in 2022 is mainly explained by the increase in the price level of «Food products and non-alcoholic beverages» (+12.2%), «Clothing and footwear» (+4.4%) and transport (+4.1%).

The rise in the price level of «food products and non-alcoholic beverages» was mainly due to higher prices for bread and cereals (+13.8%), vegetables and tubers (+19.9%), oils and fats (+28.8%) and «milk, cheese and eggs» (+15.5%). In 2022, vegetable prices soared as a result of flooding, which destroyed market garden crops, and the Russian-Ukrainian crisis caused prices of cereal products (bread, flour and pasta) to soar.

For the «Clothing and footwear» function, the increase is mainly due to higher prices for Clothing (+4.4%), Cleaning, repair and hire of clothing (+4.0%) and Clothing fabrics (+1.3%).

Depending on product volatility, prices of fresh produce, energy and products excluding fresh produce and energy rose by 9.5%, 0.9% and 8.3% respectively.

Depending on the production sector, the prices of products in the Primary, Secondary and Tertiary sectors rose by 13.6%, 3.5% and 1.3% respectively.

By product origin, prices of local and imported products rose by 5.4% and 6.6% respectively over the year.

Measures taken to contain inflation.

To contain inflation, the Chadian government has taken a number of measures since 2020

- Exemption from import duties and taxes on food and medical products and medical equipment by Order No 076/PR/MFB/DGSDDI/2020 of 24April 2020;
- The declaration of a food emergency by Decree No. 1520/PCMT/PMT/2022 of 11 June 2022

VI. THE CAUSES OF INFLATION IN THE CEMAC ZONE

Price trends over 2022 as a whole in the CEMAC region will be marked by the impact of both external and internal factors.

On the external front, imported food inflation has risen in the wake of persistent global tensions in the wake of the Russian-Ukrainian conflict, and despite some moderation in the cost of sea freight since June 2022. The depreciation of the CFAF against the dollar has added to inflationary pressures via imports, in conjunction with continuing disruptions to international supply channels, particularly with regard to oil imports.

On the domestic front, climatic shocks have had a negative impact on the domestic food supply. This deterioration in yields has been exacerbated by the high cost of fertilizers in international markets, and has helped to atrophy crop yields in the sub-region. Financial speculation also contributed to the rise in prices in 2022. Price control measures, tighter monetary conditions and sluggish demand were certainly factors in moderating inflationary pressures, but these measures were not enough to contain the sharpest rise in prices recorded in the CEMAC since 2008.

VII. GENERAL CONCLUSION

The inflation rate in the CEMAC has risen to an annual average of 5.6% in 2022, driven mainly by the increase in prices of «food products and non-alcoholic beverages». Despite price control measures, the tightening of monetary conditions by the Central Bank and sluggish demand, prices are continuing to rise, driven among other things by climatic shocks, higher fertilizer prices, the depreciation of the euro against the US dollar and the negative effects of the war between Russia and Ukraine.

APPENDIX **1**

Table 2 Trends in the overall price level of consumer goods and services in CEMAC countries (CEMAC index base 100=2019)

CEMAC index base 100=2019		Indices for the months of					Change (%) since			Contributions (%)	
COUNTRY	PONDERATIONS	Dec. 21	sept-22	Oct-22	Nov-22	Dec 22	1 month	3 months	12 months	Monthly	Annual
CAMEROON	52,4	107,0	113,3	113,7	114,3	114,8	0,4	1,3	7,3	130,9	57,6
RCA	3,4	104,4	110,6	111,1	112,2	112,3	0,1	1,5	7,6	2,1	3,8
CONGO	9,3	102,4	105,0	105,4	105,7	105,7	0,0	0,7	3,3	1,9	4,3
GABON	8,8	103,7	108,7	108,7	109,0	109,3	0,2	0,5	5,4	11,4	6,9
EQUATORIAL GUINEA	9,5	106,5	111,4	111,3	111,9	111,8	-0,1	0,4	5,0	-2,9	7,2
CHAD	16,5	104,1	112,4	112,4	113,3	112,8	-0,4	0,3	8,3	-43,4	20,2
CEMAC	100,0	105,7	111,7	112,0	112,6	112,8	0,2	1,0	6,7	100,0	100,0

Source : Member States and our calculations (CEMAC)

Table 3 Average annual variation in 2022 of the various consumption functions in the CEMAC countries (in %)

FUNCTIONS	Cameroon	RCA	Congo	Gabon	Equatorial Guinea	Chad	CEMAC
Food products and non-alcoholic beverages	12,7	7,1	6,2	6,0	5,7	12,2	10,1
Alcoholic beverages, tobacco and narcotics	4,1	1,5	-0,3	1,1	3,5	3,8	3,3
Clothing and footwear	4,0	2,7	0,3	6,4	2,5	4,4	3,9
Housing, water, gas, electricity and other fuels	1,9	8,8	0,6	3,0	2,5	0,2	1,5
Furniture, household items and routine household maintenance	5,6	2,9	1,8	4,4	3,7	4,7	4,8
Health	0,4	3,1	1,1	2,7	4,3	0,9	1,1
Transport	2,7	8,2	-0,4	0,7	10,2	4,1	3,1
Communication	0,8	0,1	0,1	1,2	1,2	0,0	0,7
Leisure and culture	1,7	1,6	0,8	1,7	2,3	4,9	1,9
Teaching	2,5	6,7	0,3	1,4	0,8	0,2	1,8
Restaurants and hotels	6,3	4,9	1,2	5,1	1,6	4,2	5,2
Miscellaneous goods and services	4,0	3,7	0,2	4,6	1,5	0,1	3,3
Global	6,3	5,6	3,0	4,2	4,9	5,8	5,6

Source : Our calculations (CEMAC)

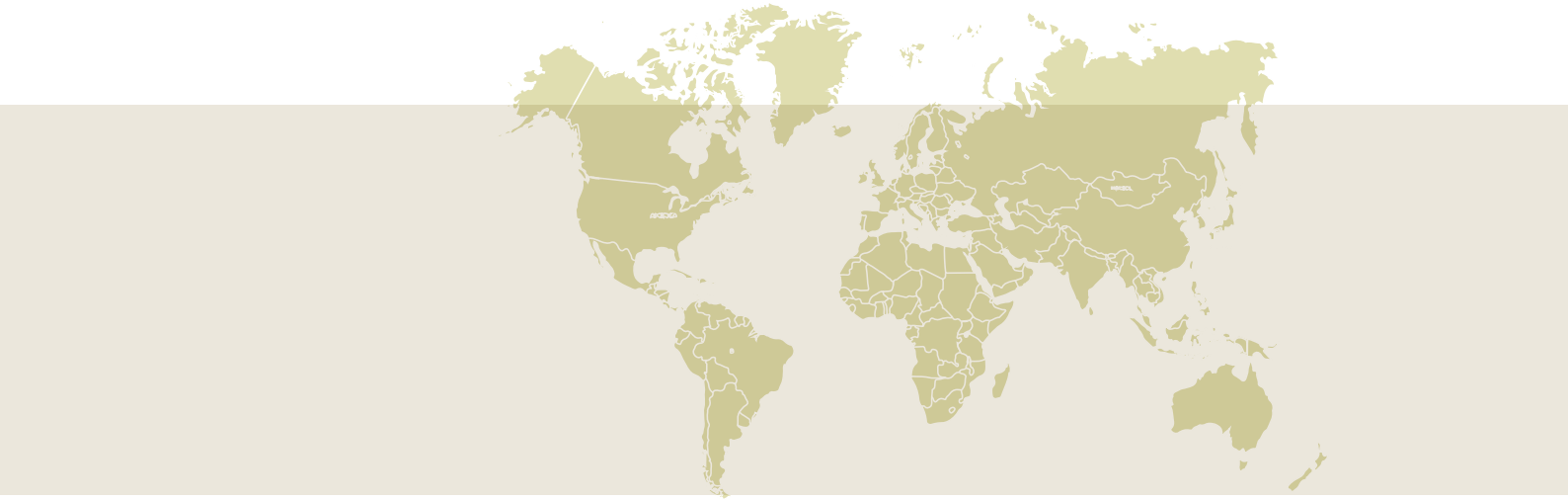


Table 4 Average annual change in the price level of products by secondary classification by country in 2022 (%)

Wording	Cameroon	RCA	Congo	Gabon	Equatorial Guinea	Chad	CEMAC
Fresh produce index	10,2	3,9	5,3	5,4	4,4	9,5	8,2
Energy Index	0,6	11,0	1,8	0,1	5,6	0,9	1,1
Excluding fresh produce and energy	5,6	5,6	2,1	4,7	4,9	8,3	4,2
Local	6,4	6,0	1,9	4,1	5,6	5,4	5,6
Imported	5,0	3,8	5,5	5,3	3,5	6,6	4,9
Primary	11,0	5,2	6,2	5,2	6,9	13,6	10,4
Secondary	5,6	6,4	3,5	4,8	4,3	3,5	4,7
Tertiary (services)	2,9	6,1	0,1	2,5	2,9	1,3	2,6
Not sustainable	9,6	6,1	5,5	5,0	6,4	6,7	7,9
Semi-sustainable	3,9	3,0	0,6	6,1	2,2	4,2	2,8
Durable	4,6	4,1	0,2	6,4	5,3	1,5	4,1
Services	2,9	6,1	0,1	2,5	2,9	1,3	2,6

Source : Member States and our calculations (CEMAC)

Table 5 Average annual change in the overall index in each of the Community countries in 2022 (%)

COUNTRY	Weighting	Jan-22	Feb-22	March 22	Apr-22	May 22	June-22	Jul-22	au-gust-22	sept-22	Oct-22	nov-22	Dec. 22
CAMEROON	52,4	2,4	2,7	2,9	3,2	3,5	3,8	4,1	4,5	5,0	5,4	5,9	6,3
RCA	3,4	2,5	2,3	2,2	2,8	2,9	3,1	3,4	3,8	4,0	4,5	5,0	5,6
CONGO	9,3	1,9	1,8	2,1	2,3	2,6	2,6	2,6	2,7	2,7	2,8	2,9	3,0
GABON	8,8	1,1	1,2	1,3	1,4	1,6	1,9	2,3	2,7	3,2	3,6	3,9	4,2
EQUATORIAL GUINEA	9,5	0,2	0,5	1,0	1,5	2,0	2,7	3,2	3,7	4,2	4,4	4,7	4,9
CHAD	16,5	-0,8	-0,5	-0,2	0,3	0,7	1,2	1,8	2,7	3,4	4,2	5,2	5,8
CEMAC	100,0	1,5	1,7	2,0	2,3	2,6	3,0	3,3	3,8	4,2	4,7	5,2	5,6

Source : Member States and our calculations (CEMAC)

Table 6 Average annual change in 2022 in the Community's consumption function indices (in %)

CONSUMPTION FUNCTION	Weighting	Jan-22	Feb-22	March 22	Apr-22	May 22	June 22	Jul-22	august-22	sept-22	Oct-22	nov-22	Dec. 22
Food products and non-alcoholic beverages	3860,3	2,3	2,8	3,4	4,1	4,8	5,5	6,1	7,0	7,7	8,6	9,6	10,1
Alcoholic beverages, tobacco and narcotics	296,3	0,5	0,6	0,8	1,0	1,3	1,6	2,0	2,4	2,7	2,9	3,1	3,3
Clothing and footwear	795,7	1,7	1,6	1,7	1,8	2,0	2,3	2,5	2,8	3,1	3,4	3,6	3,9
Housing, water, electricity, gas and other fuels	1385,2	0,8	0,8	0,8	1,0	1,0	0,9	0,8	1,0	1,1	1,2	1,4	1,5
Furniture, household goods and routine household maintenance	463,0	0,9	0,9	0,9	1,1	1,4	1,8	2,2	2,6	3,2	3,7	4,3	4,8
Health	394,5	0,6	0,6	0,6	0,6	0,7	0,7	0,8	0,9	0,9	1,0	1,1	1,1
Transport	961,8	1,1	1,1	1,1	1,4	1,5	1,7	1,9	2,1	2,4	2,6	2,9	3,1
Communication	380,9	0,5	0,4	0,3	0,3	0,3	0,4	0,4	0,4	0,5	0,5	0,7	0,7
Leisure and culture	271,3	0,8	0,7	0,8	0,8	1,0	1,2	1,3	1,4	1,6	1,7	1,8	1,9
Teaching	263,6	1,6	1,6	1,5	1,5	1,4	1,4	1,3	1,3	1,5	1,6	1,7	1,8
Restaurant and hotel	534,5	1,7	1,9	2,1	2,3	2,6	2,9	3,3	3,7	4,1	4,5	4,9	5,2
Miscellaneous goods and services	392,9	1,2	1,2	1,3	1,4	1,5	1,7	1,9	2,1	2,4	2,7	3,0	3,3
CEMAC	**10000,0**	**1,5**	**1,7**	**2,0**	**2,3**	**2,6**	**3,0**	**3,3**	**3,8**	**4,2**	**4,7**	**5,2**	**5,6**

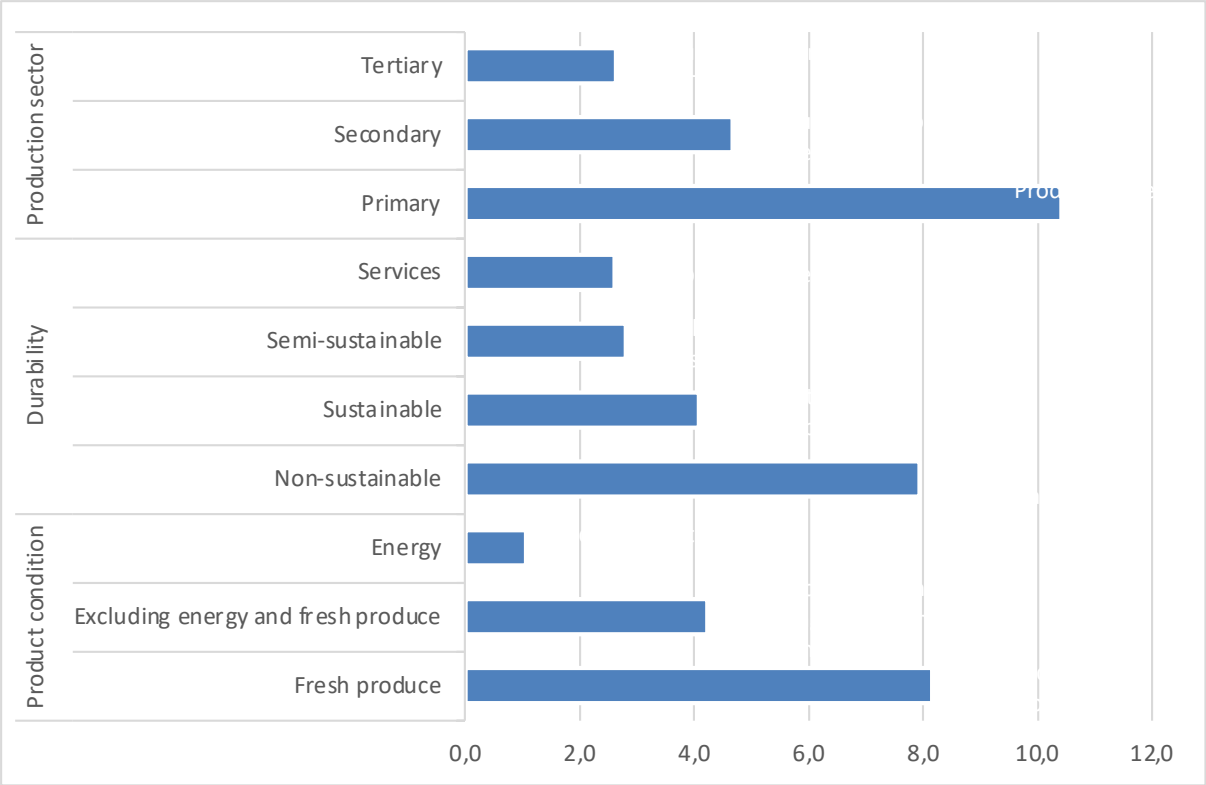
Source : Our calculations (CEMAC)

Table 7 Average annual change in secondary nomenclature indices in 2022 (%)

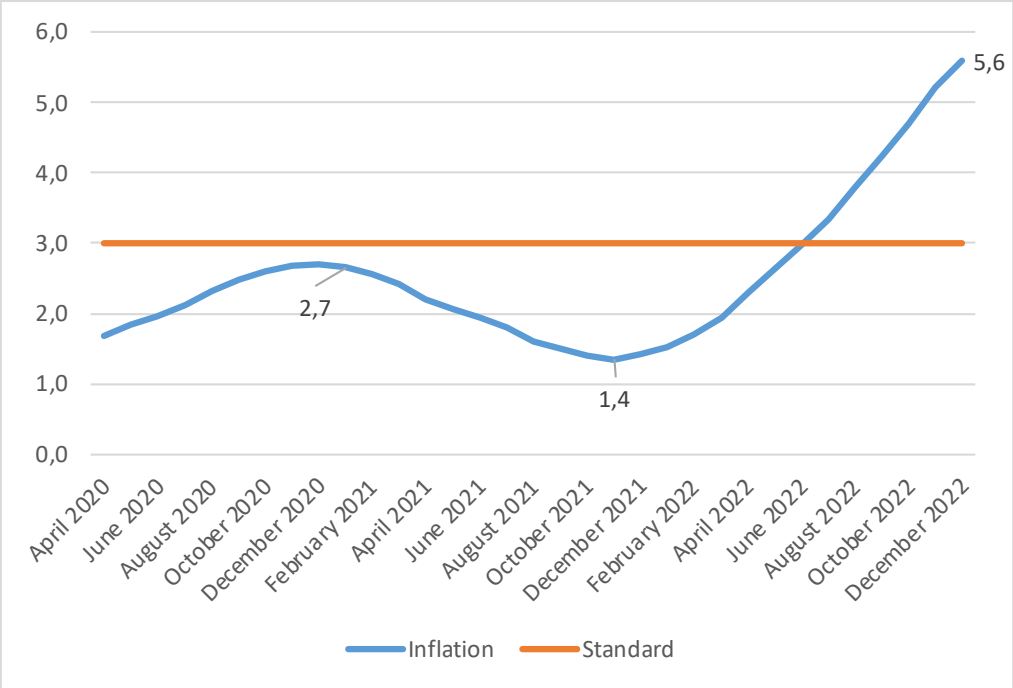
Wording	Weighting	Jan-22	Feb-22	March 22	Apr-22	May 22	June 22	Jul-22	au-gust-22	sept-22	Oct-22	nov-22	Dec. 22
Fresh produce index	1774,2	2,5	3,1	3,7	4,4	5,0	5,3	5,7	6,2	6,7	7,4	8,0	8,2
Energy Index	923,2	-0,4	-0,4	-0,3	0,0	0,0	-0,1	0,0	0,1	0,3	0,6	0,9	1,1
Excluding fresh produce and energy	7303,4	1,3	1,5	1,7	2,0	2,3	2,5	2,8	3,2	3,5	3,7	4,0	4,2
Primary	2489,7	3,7	4,2	4,8	5,4	5,9	6,4	6,9	7,6	8,3	9,1	10,0	10,4
Secondary	4588,0	0,8	1,0	1,3	1,7	2,1	2,4	2,8	3,3	3,6	4,0	4,4	4,7
Tertiary (services)	2922,3	1,1	1,1	1,2	1,4	1,5	1,6	1,8	2,0	2,2	2,3	2,5	2,6
Not sustainable	4866,2	2,2	2,5	2,9	3,4	3,8	4,2	4,7	5,4	6,0	6,7	7,5	7,9
Semi-sustainable	1815,1	1,4	1,5	1,9	2,6	3,1	3,2	3,2	3,2	3,1	3,0	2,9	2,8
Durable	396,3	2,0	2,0	2,0	2,0	2,2	2,5	2,7	3,0	3,3	3,6	3,9	4,1
Services	2922,3	1,1	1,1	1,2	1,4	1,5	1,6	1,8	2,0	2,2	2,3	2,5	2,6

Source : Our calculations (CEMAC)

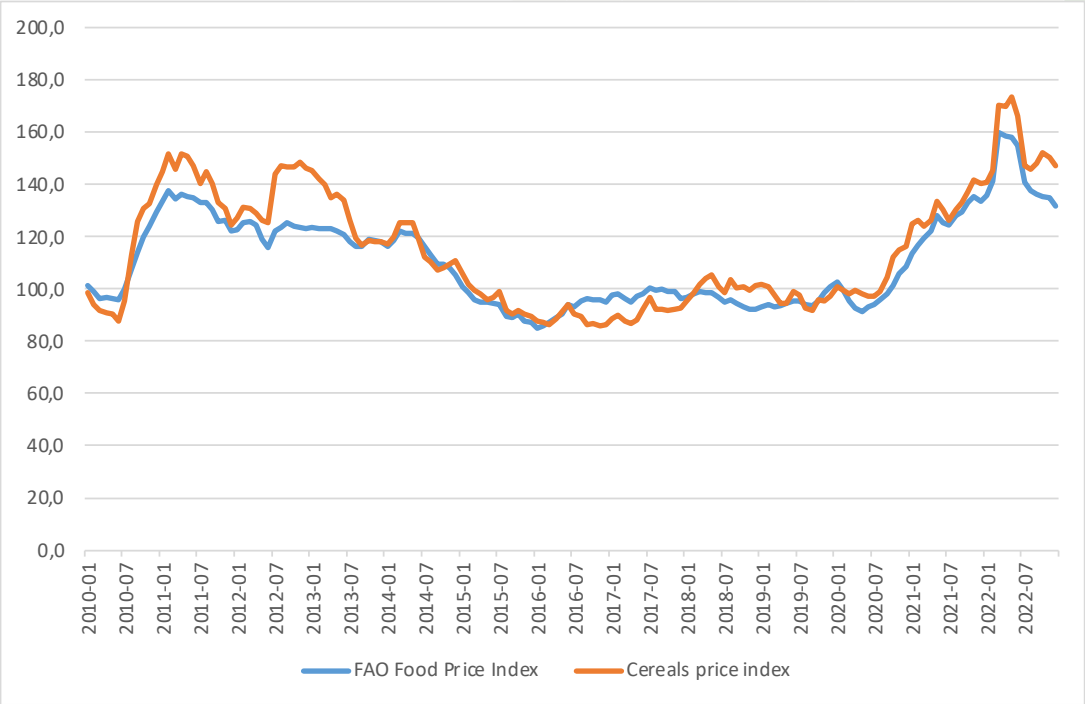
Graphic 3 : **Average annual change in secondary nomenclature indices in 2022**



Graphic 4 : **Average annual inflation in the CEMAC (%)**

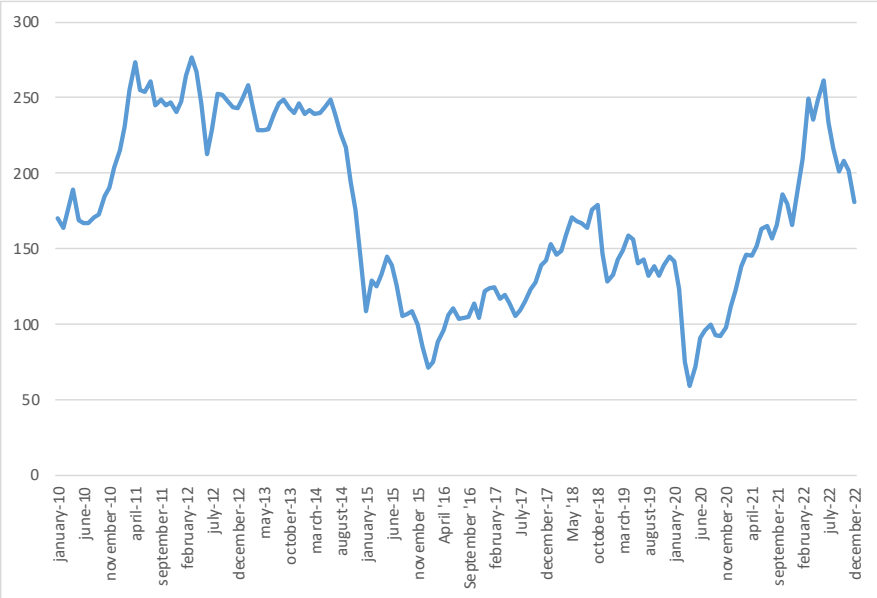


Graphic 5 : **Trends in the FAO food price index and the cereal index**



The FAO food price index is a measure of the monthly variation in international prices for a basket of basic food products. It is the average of the indices for the five commodity groups, weighted according to the respective average export share of each group for the period 2014-2016.
Source : FAO

Graphic 6 : **Crude oil price index on the international market**



Source : IMF data

APPENDIX **2**: FRAMEWORK ON REFINING MARGINS

Sidebar 1 : **Dynamics of refining margins worldwide and their implications for fuel prices in net refined product importing countries**

The COVID-19 health crisis has had a negative impact on the refined products markets, where refinery suppliers were already experiencing difficulties, mainly due to the environmental requirements that were increasingly imposed on them, such as the need to comply with specific pollution-related requirements for fuels. This situation has led to a reduction in refinery capacity and low profitability. In addition, significant advances in alternative sources of clean energy (wind, solar, etc.) and the upheavals in global supply and demand have exacerbated the difficulties faced by refineries. This situation has substantially reduced refining margins, which can be defined as the difference between the market value of the refined product and the purchase cost of crude oil.

Conversely, the post-COVID-19 recovery and the Russo-Ukrainian war have led to an unprecedented rise in demand for refined products under the supply conditions described above, resulting in a market imbalance in favour of demand. Sanctions against Russia, which is a major player on the supply side of refined products, have exacerbated the situation and strengthened the bargaining power of refineries, at least those that have held out so far. As a result, refining margins reached record levels in 2022. By way of illustration, during the first half of 2022, the WTI 3-2-1 crack spread (WTI refining margin) reached a three-month high of 42 dollars a barrel, a sign that petrol, diesel, jet fuel and other petroleum products have become more expensive. In France, the refining margin fell from 23 euros/tonne in January 2018 to virtually zero between June and July 2020, before jumping to 121 euros/tonne in September 2022. These trends clearly reflect the tensions in the market, where suppliers are raising prices to meet strong demand, thereby fuelling inflationary pressures by keeping fuel prices high despite the fall in crude oil prices.

By way of illustration, in Nigeria, the authorities, in implementing their policy of indexing pump prices to market rates for the whole of 2022, have allowed petrol prices to rise by more than 50%. This upward trend is similar in most countries that have decided to reduce pump price subsidies, given the unsustainability of maintaining them on public finances due to market conditions for refined products.

Central banks and governments should keep a close eye on this phenomenon, as it is a leading indicator of the permanent rise in fuel prices that has impacted on production costs and hence inflation in 2022 or even 2023. Indeed, even between 2004 and 2008, during the so-called golden age of refining, the refining margin never exceeded $30 a barrel.

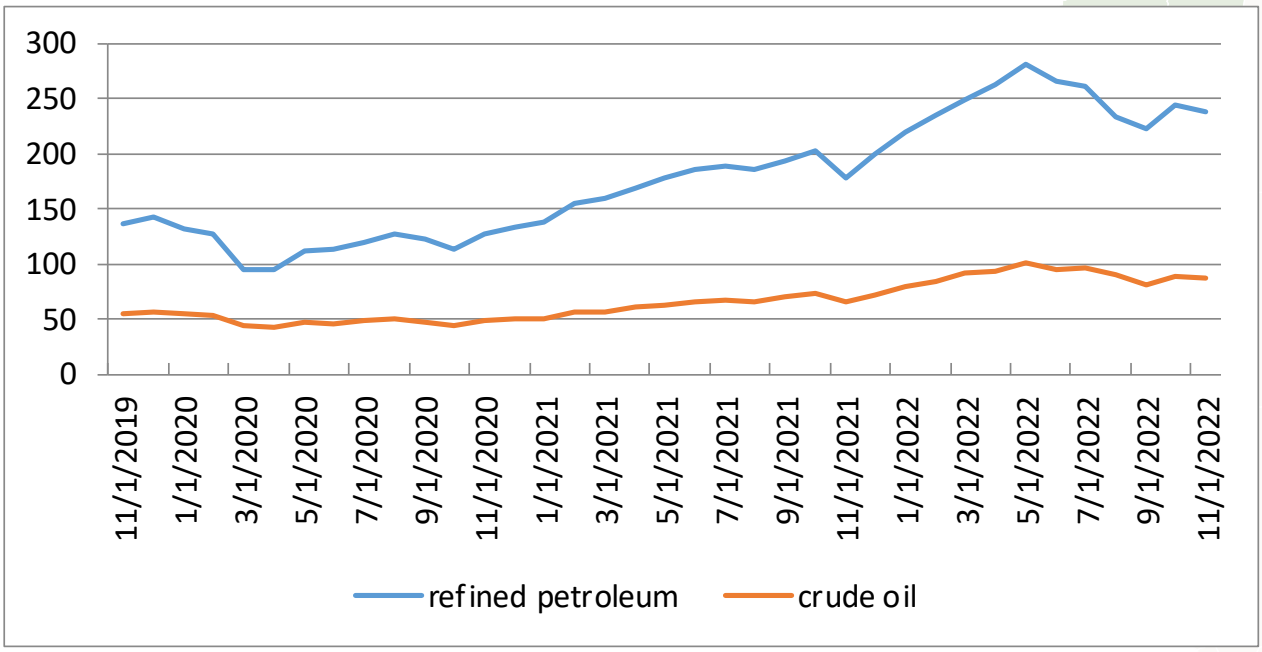
The purpose of this box is to focus on refining margins as one of the determinants of rising fuel prices by first reviewing the recent dynamics of refining margins and their explanatory factors (i), their implications for fuel pump prices in net oil importing countries (iii), and concluding with economic policy recommendations for governments.

Recent trends in refining margins and explanatory factors

In this box, the refining margin is the difference between the price of refined oil and the price of crude oil [1] . The graph below shows that since COVID-19 in 2020, the spread has widened to reach record levels in May 2022. This trend has continued through to the end of 2022, albeit at a slower pace but still above the levels seen during the golden age of refining activity between 2004 and 2008. This trend in refining margins is consistent with the unprecedented rise in fuel prices worldwide in 2022, which has penalised net importers and benefited net exporters.

1 The crude oil purchase cost curve, which includes all the costs involved in getting the crude oil to the refinery, is higher than the crude oil price curve, and would therefore reduce the gap in the graph while continuing to show the upward trend in margins from mid-2020.

Graphic 7 : **Recent trends in refining margins (in US dollars per barrel)**



Source : ***BEAC dealing room.***

This situation is essentially due to the post-COVID-19 recovery, which has led to greater demand, putting pressure on supply. In addition, the Russian-Ukrainian war has exacerbated the pressure on demand due to the additional increase in demand for refined products in the highly constrained supply conditions described above. In addition, the sanctions imposed on Russia, which is a major player in the supply of refined products, through the embargo on its petroleum products, have accentuated the situation and provided even greater bargaining power to refineries, which have had to face up to Western (European) demand for refining (of petroleum products) to make up for Russian supply.
For 2023, this situation on refining margins and consequently on fuel prices at the pump could continue, due to several factors, in particular :

- Global oil demand is set to rise by 1.9 million barrels per day in 2023, according to the International Energy Agency, driven in part by the reopening of China, despite concerns about the impact of slowing economic growth in the United States and Europe ;
- The American refining system, which is the largest in the world, was recently hit by a storm, reducing operating capacity and, consequently, the production of petroleum products;
- Refiners around the world are likely to do more maintenance this year than they did last year, when they delayed it in order to cash in on record margins in 2022 ;
- Inventories of refined products, particularly middle distillates, remain low.

Implications for net importers of refined products such as CEMAC

Net importers of refined petroleum products such as those in the CEMAC region must be prepared to continue to obtain supplies at high prices, which are only weakly correlated with the price of crude oil they export. As a result, with the bill remaining unchanged, prices at the pump are likely to continue to rise, should net importing countries decide to continue their policy of reducing subsidies on prices at the pump. In this case, inflation is likely to remain above the EU norm in 2023, or even 2024.

This situation poses a major risk to economic growth, public finances and the external balance, as fuel is a major input for the productive sector, and its high cost would only be bad news and a threat to the margins of operators who have not yet fully recovered from the COVID-19 crisis. On the current account, the increased cost of petroleum product imports could weaken monetary stability by putting pressure on the level of reserves.

Economic policy recommendations :

Faced with this situation, CEMAC member countries should work in the short term to index prices at the pump to market prices for refined products in order to free up substantial budget margins to enable governments to finance compensation measures for the productive sector and households.

In the medium term, the other countries should accelerate their progress towards energy independence, following the example of Chad, which is sheltered from the vagaries of the international environment, since it produces fuels at the Société de Raffinage de N'Djamena (SRN) located in Djermaya from Chadian crude oil (around 10% of production). This is therefore an opportunity to put back into orbit the project to set up a sub-regional refinery and/or expand national refineries, with a view to filling the sub-regional supply of refined products, reducing the erosion of reserves and even considering reversing the trend by becoming a net exporter of refined products /-.

CONTRIBUTION TO THE PRODUCTION OF THE NOTE

GENERAL COORDINATION :
Nicolas BEYEME NGUEMA,
Commissioner responsible for Economic, Monetary and Financial Policy

TECHNICAL SUPERVISION
Roland Marc LONTCHI T.
Director of Statistics

COUNTRY :

- INS- Cameroon
- ICASEES - Central African Republic
- INS-Congo Brazzaville
- Directorate General of Statistics - Gabon
- INEGE - Equatorial Guinea
- INSEED - Chad

INSTITUTIONS :

- Comisión CEMAC
- Banco de los Estados de África Central (BEAC)
- Banco de Desarrollo del África Central (BDEAC)
- AFRISTAT
- AFRITAC-Centro
- PREF-CEMAC

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Community Development Fund

INFORMATION AND CONTACT
CEMAC Commission
Economic, Monetary and Financial Policy Department
Statistics Department

Tel : 00237 657 10 40 94
00237 555 001 694
Email : lontchir@cemac.int
www.cemac.int

ECONOMIC AND MONETARY COMMUNITY OF CENTRAL AFRICA

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