

Cameroon: Eurobond issuance improves near-term fiscal and external debt outlook | Credendo

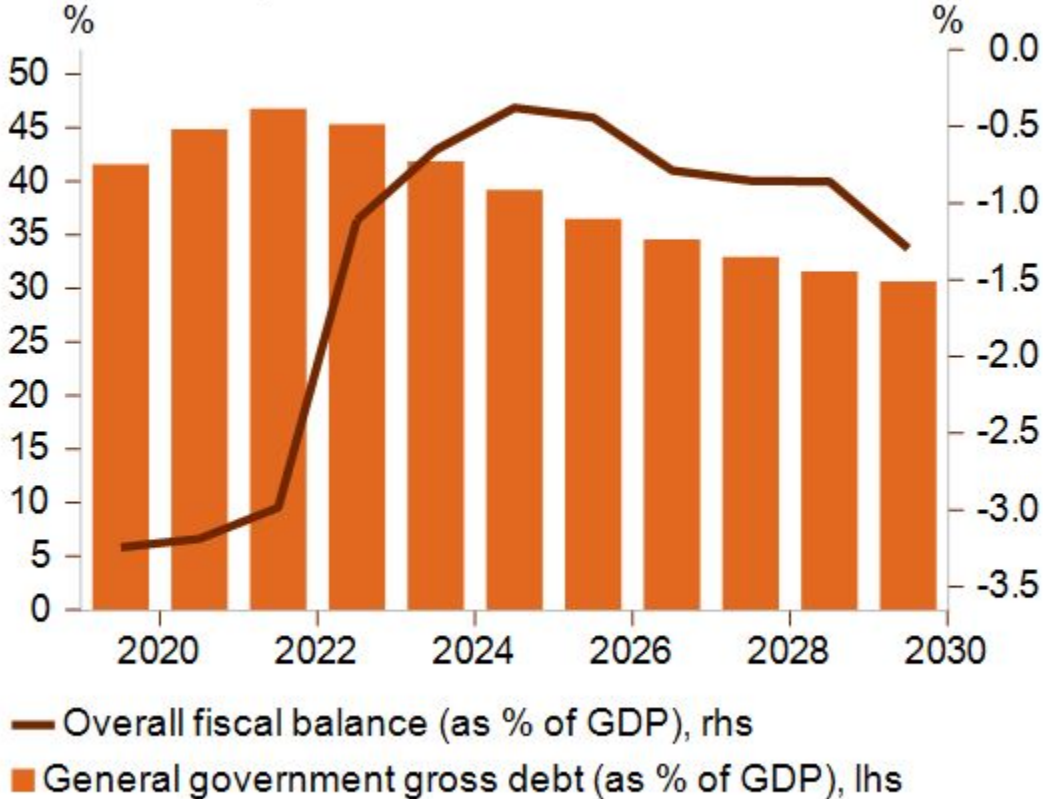
Event

On 23 July, Cameroon issued a seven-year USD 550 million Eurobond with a 10.75% yield. The financing aims to free up public money to clear domestic arrears and support the increase in public expenditures, notably in infrastructure projects.

Impact

Cameroon is the latest in a series of sub-Saharan African countries to raise money on the international markets, following long-term issuances in Kenya, Senegal, Benin and Côte d'Ivoire. This is positive as the issuance should ease fiscal pressures in the short term. This said, in spite of improved market conditions, the interest rate is still high, making the operation costly and indicating persisting investor concerns about the country's external debt and fiscal sustainability. The domestic debt arrears reflect fiscal and debt management capacity issues. Leaving out this weakness, Cameroon presents a relatively moderate public debt level. This year, public debt is expected to reach about 40% of GDP or 250% of government revenues and the fiscal deficit should barely amount to a small 0.4% of GDP.

Cameroon: public finances



Source: IMF

However, while Cameroon's economy continues to recover and benefits from IMF support (including the implementation of reforms), other risks are to be taken into consideration, particularly on the security and political side. Cameroon remains plagued by insecurity and violence in the north due to Islamist terrorism, and by a continuing armed conflict in the anglophone southwest regions. On top of that, a possible political crisis is to be feared in the coming years. Indeed, long-serving President Biya has recently announced his candidacy for another seven-year term at the October 2025 elections. His old age (91) means he is very unlikely to serve a full term this time, which will probably pave the way to a period of political and economic uncertainty (given the absence of a successor), possibly leading to high instability.

Analyst: Raphaël Cecchi – r.cecchi@credendo.com