

DEMOCRATIC REP. OF CONGO

Key conditions and challenges

Table 1 2023

Population, million	102.3
GDP, current US\$ billion	64.4
GDP per capita, current US\$	629.5
International poverty rate (\$2.15) ^a	78.9
Lower middle-income poverty rate (\$3.65) ^a	92.1
Upper middle-income poverty rate (\$6.85) ^a	97.7
Gini index ^a	44.7
School enrollment, primary (% gross) ^b	122.4
Life expectancy at birth, years ^b	59.2
Total GHG emissions (mtCO2e)	691.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2020), 2017 PPPs.
b/ Most recent WDI value (2021).

Following a strong recovery at 8.9 percent in 2022, the DRC's economy is estimated to have slowed down in 2023 but remained resilient. The terms-of-trade deterioration and higher imports would maintain high current account and fiscal deficits and put pressure on the domestic currency with strong pass-through to inflation. Prospects for growth and poverty reduction are favorable, but subject to downside risks related to commodity price shocks and geopolitical conflicts.

The Democratic Republic of the Congo (DRC), home to the second largest rainforest in the world and vast metal deposits, has yet to leverage its natural wealth to spur economic development. DRC's exports are highly concentrated with copper and cobalt accounting for 80 percent of the total (40 percent of which headed to China). With its agricultural potential untapped, DRC is a net food importer, increasing vulnerabilities to external shocks. Political instability, weak institutional capacity, poor governance, and frequent bouts of violence have all contributed to undermining DRC's foundations of a robust and diversified economy. These issues have not only deterred the creation of economic opportunities but also contributed to escalating poverty levels, particularly with a rapidly growing population. Persistent structural constraints result in an underdeveloped private sector and a large informal economy. Climate-related shocks, including floods and droughts, and the associated infrastructure damage add to these challenges.

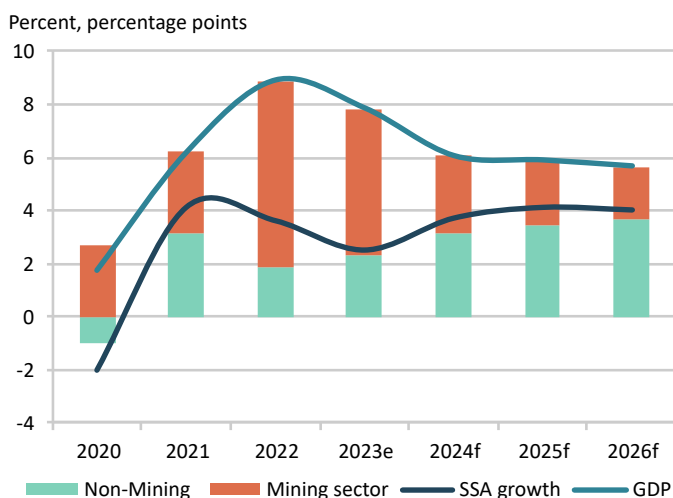
Poverty remains widespread, with the bulk of the poor living in extreme poverty. Significant geographical disparities in poverty exist, with extreme poverty concentrated in the central and northwestern areas and the largest number of poor in Eastern provinces. DRC remains second in

Sub-Saharan Africa after Nigeria in terms of the number of extreme poor despite some improvements in the past decades. The December 2023 elections have led to a second 5-year term for incumbent President Tshisekedi, but a majority is yet to be negotiated in Parliament to form a government. Reaching political consensus and increasing the presence and credibility of the state, including through improved governance, are key to maintaining stability and peace, and advancing structural reforms that will attract investments and create jobs. The imperative for the state to enhance service delivery to citizens, alongside preserving macroeconomic stability, underscores the importance of boosting domestic revenue mobilization to expand fiscal space.

Recent developments

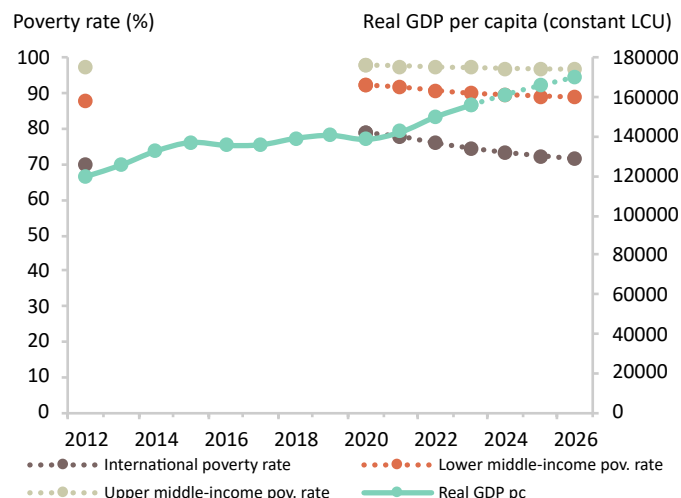
The DRC economy expanded by 7.8 percent in 2023 (2022: 8.9 percent), supported by a strong mining sector, which grew by 15.4 percent, contributing around 70 percent to overall growth in 2023. DRC copper and cobalt production increased by 18.7 and 21.2 percent, respectively, in 2023 (2022: 33.2 and 24.0 percent, respectively), reflecting ongoing expansions of production at relevant mines. Non-mining GDP grew by 3.6 percent in 2023, led by the construction and services sectors. Agriculture production slowed to 2.2 percent in 2023 (from 2.4 percent in 2022). On the demand

FIGURE 1 Democratic Republic of Congo / Real GDP growth and contributions to real GDP growth



Sources: Democratic Republic of Congo statistical authorities and World Bank.

FIGURE 2 Democratic Republic of Congo / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

side, growth was led by private investment and exports, while inflationary pressures caused private consumption to contract, potentially impacting poverty reduction. Extreme poverty is estimated at 74.6 percent in 2023, a 1.4 percentage points decrease compared to 2022.

The current account deficit (CAD) further deteriorated to 6.3 percent of GDP in 2023, from 4.9 percent in 2022, owing to higher imports. Nevertheless, FDI and external financing contributed to build up foreign reserves, reaching 8.9 weeks of imports in 2023 (2022: 7.7 weeks). However, the exchange rate depreciated by 21.6 percent in 2023 and inflation accelerated to 19.9 percent on average in 2023 (up from 9.2 percent in 2022) despite the central bank's intervention in FX market and its contractionary monetary policy during the second half of the year (raising the policy rate from 11 to 25 percent).

The security and elections spendings caused the fiscal deficit to widen to 1.7 percent of GDP in 2023 (from 0.3 percent in 2022), amid softening domestic revenues, due to lower cobalt prices and declining windfall taxes. The fiscal deficit was partly funded by treasury bills/bonds and external concessional borrowing.

Outlook

GDP growth is expected to moderate to 6.0 percent in 2024 and to stabilize around 5.8 percent over 2025-26. The mining sector will continue to drive growth. Moreover, non-mining sectors (mainly services and manufacturing) will gradually support growth in the medium term with a growth rate of 5.5 percent by 2026. On the demand side, government consumption and investment and, to a lesser extent, private consumption shall support growth in the medium term.

The fiscal deficit is projected at 2.0 percent of GDP in 2024, driven by security-related spending, before narrowing to 0.2 percent in 2026. Gross fixed capital investment is expected to drop in 2024 as lower domestic revenue and higher expenditures -attributed to outgoing and incoming administrations- leave a narrow scope for relevant budget allocation. Despite rising imports of capital goods, the current account deficit will narrow to 3.5 percent of GDP in 2024-26 thanks to improved terms of trade associated with favorable commodity prices. Furthermore, FDI inflows will contribute to building up reserves and maintaining exchange rate

stability while the inflation rate (end-of-period) is expected to decline towards its 7 percent medium-term target.

Extreme poverty is projected to further decrease reaching 72.4 percent by 2025 given favorable economic prospects, despite the lasting negative effects of the pandemic, high population growth, and war in Ukraine.

DRC's economy remains subject to downside risks given its vulnerability to commodity price swings and growth performance of major trading partners which might be disturbed by geopolitical conflicts. The continued economic consequences of the war in Ukraine, through rising global commodity prices, could exert stronger pressure on the fiscal deficit, inflation, and households' consumption, thus, exacerbating poverty and inequality.

In addition, with the agriculture sector employing over 60 percent of the working force, the vulnerability to climate change-related risks (floods, droughts) is substantial. Finally, an escalating war in the East and continued political volatility could undermine the ability to advance with ambitious structural reforms efforts. To mitigate these risks, DRC's immediate challenge is to strengthen security and maintain political and macro-economic stability.

TABLE 2 Democratic Republic of Congo / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.2	8.9	7.8	6.0	5.9	5.7
Private consumption	1.6	10.1	-1.6	8.6	5.5	6.5
Government consumption	11.8	25.1	-9.2	4.0	8.9	4.6
Gross fixed capital investment	7.7	5.7	17.8	0.3	4.6	4.0
Exports, goods and services	11.7	25.0	24.9	8.9	3.7	2.5
Imports, goods and services	5.4	18.0	13.1	5.3	3.4	3.0
Real GDP growth, at constant factor prices	6.2	8.9	7.8	6.0	5.9	5.6
Agriculture	2.4	2.4	2.2	2.5	2.5	2.5
Industry	7.8	16.1	13.0	7.2	6.4	5.3
Services	5.8	2.7	2.9	5.6	6.4	7.3
Inflation (consumer price index)	9.0	9.3	19.9	17.2	14.5	10.5
Current account balance (% of GDP)	-0.4	-4.9	-6.3	-4.3	-3.3	-2.9
Fiscal balance (% of GDP)	-1.7	-0.3	-1.7	-2.0	-0.7	-0.2
Revenues (% of GDP)	12.1	16.9	14.2	13.4	13.9	14.6
Debt (% of GDP)	24.0	24.0	23.7	22.8	21.5	19.8
Primary balance (% of GDP)	-1.4	0.0	-1.4	-1.7	-0.4	0.1
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	77.9	76.0	74.6	73.4	72.4	71.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	91.6	90.6	89.8	89.5	89.1	88.8
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	97.6	97.2	97.1	96.9	96.8	96.7
GHG emissions growth (mtCO₂e)	0.3	0.1	0.1	0.1	0.2	0.2
Energy related GHG emissions (% of total)	1.4	1.4	1.4	1.4	1.4	1.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2020-EGI-ODD. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.

b/ Projection using neutral distribution (2020) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.