REPUBLIC OF CONGO

Table 1	2023
Population, million	6.1
GDP, current US$ billion	15.3
GDP per capita, current US$	2506.0
International poverty rate ($2.15)[a]	35.4
Lower middle-income poverty rate ($3.65)[a]	59.1
Upper middle-income poverty rate ($6.85)[a]	83.5
Gini index[a]	48.9
School enrollment, primary (% gross)[b]	87.7
Life expectancy at birth, years[b]	63.5
Total GHG emissions (mtCO2e)	34.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2011), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2021).

The economy is gradually recovering, but growth remained modest at an estimated 1.9 percent in 2023, driven by non-oil activities. The ongoing fuel subsidies reform is helping to maintain fiscal surpluses but has also contributed to a temporary increase in inflation, which is projected to return to the 3.0 percent target by 2025. Growth prospects, albeit improved, remain vulnerable to unsteady oil production, volatile oil prices, delayed structural reform implementation, and adverse weather conditions.

Key conditions and challenges

Between 2015 and 2023 the Republic of Congo's (ROC) real GDP annual growth averaged -1.9 percent, while its GDP per capita contracted by a cumulative 32.3 percent. The 2014-16 collapse in oil prices plunged the economy into a prolonged recession as a result of a massive cut in public spending and the accumulation of domestic arrears to private sector firms, which impacted private investment. The COVID-19 crisis further exacerbated the economic recession. GDP per capita has now regressed to levels of the early 1970s, just a decade after gaining independence. The decline in per capita income levels since 2015 have resulted in extreme poverty incidence (less than US$2.15 PPP per day) increasing from 33.5 percent in 2015 to 46.6 percent in 2022.

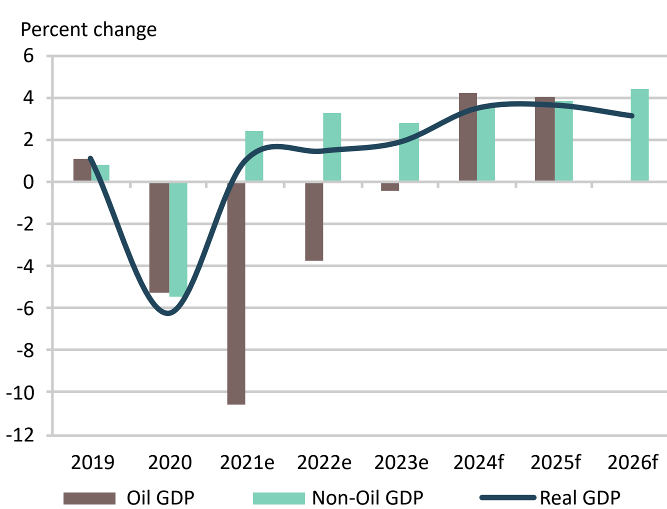
The country's high levels of non-concessional borrowing in a context of reliance on volatile oil revenue and weak governance, led its debt to be classified as "in distress" and unsustainable in 2017, with its debt-to-GDP ratio increasing from 42.3 percent in 2014 to 103.5 percent in 2020. Higher oil prices, improved debt management, and debt restructuring agreements helped restore debt sustainability in the second half of 2021, but Congo remains in debt distress due to the ongoing restructuring and audit of domestic arrears as well as the recurrent accumulation of temporary external arrears.

The enduring reliance on oil revenues has left the economy vulnerable to oil price volatility and weakened long-term growth prospects. Attaining sustainable development in Congo urgently requires efforts to diversify national assets, focusing on stronger institutions, development of human and physical capital, and a more balanced exploitation of natural capital.

Recent developments

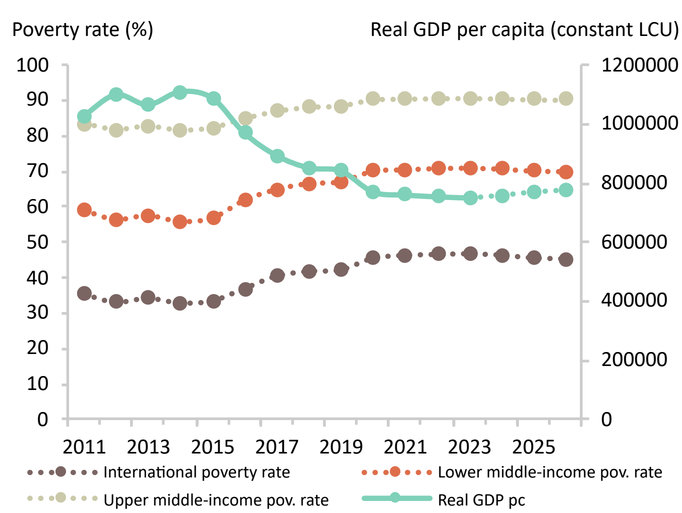
Driven by the non-oil sector, economic activity in Congo is estimated to have increased by 1.9 percent in 2023, compared to an estimated 1.5 percent in 2022. Non-oil growth, estimated at 2.8 percent in 2023, was broad-based, spurred by agriculture, manufacturing (including beverages, sugar, and cement), and services (including restaurants and hotels, transport, and post and electronic communications). The oil sector, on the other hand, underperformed with production declining for the fourth consecutive year in 2023 by 0.5 percent, due to technical challenges and maturing oil fields. Despite a drop in oil revenues due to lower oil prices and oil production, the budget posted a surplus in 2023. Fiscal discipline and strong reforms such as the 30 percent increase in gasoline retail prices since January 2023 and a new requirement on dividends payment from state-owned enterprises helped sustain the budget surplus estimated at 3.6 percent in 2023. Lower export receipts and increased imports reduced the current account surplus to an estimated 2.1 percent of GDP in 2023.

FIGURE 1 Republic of Congo / Real GDP growth



Source: World Bank.
Note: Oil GDP growth rate in 2026 is projected at -0.1.

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



Source: World Bank. Notes: see Table 2.

The banking sector remains solvent, but vulnerability to non-performing loans (NPLs) remains high. Bank deposits and credit to the private sector were up as of end-August 2023 (y-o-y), and while the NPL to gross loan ratio has improved to 17 percent at end-August2023 (compared to 19 percent a year ago), it remains elevated. The Bank of Central African States (BEAC) maintained its tight monetary policy stance during 2023 to contain inflationary pressures and support the external viability of the exchange rate arrangement. The BEAC policy rate was maintained at five percent following a cumulative increase by 175 basis points between November 2021 and March 2023.

Real GDP per capita growth remained negative in 2023 and the poverty incidence consequently increased slightly to an estimated 46.8 percent. The fuel price adjustment and increased domestic demand pushed up inflation to 4.3 percent in 2023. Food inflation decelerated in 2023 but remains elevated at 4.3 percent, which is likely to continue to affect the poorer segments of the population more as they typically spend a higher share of their household budget on food.

Outlook

The Congolese economy is expected to continue its gradual recovery. GDP is expected to grow at 3.5 percent in 2024 and to average 3.4 percent in 2025-26. Oil sector growth (expected to average 2.7 percent in 2024-26) will be driven primarily by increased investments by oil companies, including in asset maintenance, and by new oil fields. Non-oil sector growth (expected to average 3.9 percent in 2024-26) will be spurred by growth in agriculture, non-oil industry and services, supported by the continued clearance of government arrears, gradual increase in social spending and public investment, and the implementation of reforms in governance and the business environment. Growth will be further supported by the development of the gas sector, with commercial production and exportation of liquefied natural gas expected to start in 2024. Inflation is expected to ease to 3.8 percent in 2024 and to return to BEAC's 3.0 percent target by 2025.

The poverty rate is expected to marginally decrease to 46.4 percent in 2024 and to an average of 45.5 percent in 2025-26, consistent with projected growth in GDP per capita. The fiscal balance is expected to remain positive, fueled by high oil prices, increased oil production, the commercialization of natural gas, the reduction in direct oil subsidies to energy SOEs, and fiscal discipline. Although debt vulnerabilities remain elevated (with a high level of non-concessional debt stock and domestic arrears), the debt-to-GDP ratio is projected to decline to 81 percent by 2026 thanks to improved debt management and fiscal discipline. The current account surplus is projected to decline, and to turn into a deficit by 2026, due to lower oil export receipts and increased imports to support investment, including for growing non-oil economic activities.

The economic recovery remains fragile as risks are tilted to the downside. Risks include volatile global oil prices and unsteady oil production, persistent high food inflation or refined oil shortages in Congo as part of spillover from conflicts elsewhere, weaker-than-expected global demand, further tightening of global or regional financial conditions, adverse weather conditions and delayed structural reforms implementation.

TABLE 2 Republic of Congo / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021e	2022e	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	1.0	1.5	1.9	3.5	3.7	3.2
Private consumption	11.5	5.0	4.9	4.9	5.0	5.1
Government consumption	2.1	-5.0	0.6	1.8	1.6	1.6
Gross fixed capital investment	14.0	10.0	8.6	8.6	5.6	5.4
Exports, goods and services	-1.0	-0.7	1.0	4.2	4.5	1.9
Imports, goods and services	25.0	5.9	8.9	8.5	7.0	5.0
Real GDP growth, at constant factor prices	1.0	1.5	1.9	3.5	3.7	3.2
Agriculture	1.9	3.0	2.8	3.2	3.4	3.7
Industry	-3.3	-0.6	0.7	4.5	4.8	3.2
Services	2.0	3.1	2.9	3.1	3.2	3.4
Inflation (consumer price index)	2.0	3.0	4.3	3.8	3.0	3.0
Current account balance (% of GDP)	8.9	18.7	2.1	1.5	0.4	-0.7
Net foreign direct investment inflow (% of GDP)	0.3	0.5	4.1	4.5	4.7	4.8
Fiscal balance (% of GDP)	1.2	7.9	3.6	3.9	3.2	3.1
Revenues (% of GDP)	21.1	28.6	24.3	25.5	25.2	24.8
Debt (% of GDP)	92.1	86.6	96.0	91.3	85.9	81.0
Primary balance (% of GDP)	3.1	10.2	6.4	6.6	5.8	5.7
International poverty rate ($2.15 in 2017 PPP)[a,b]	46.4	46.6	46.8	46.4	45.6	45.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	70.6	70.9	71.0	70.7	70.2	70.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	90.6	90.7	90.8	90.6	90.4	90.3
GHG emissions growth (mtCO2e)	3.2	3.2	3.3	3.4	3.4	3.3
Energy related GHG emissions (% of total)	14.0	14.7	14.8	15.1	15.4	15.2

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 2011-ECOM. Actual data: 2011. Nowcast: 2012-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2011) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.