REPUBLIC OF CONGO

Table 1	2021
Population, million	5.7
GDP, current US$ billion	13.3
GDP per capita, current US$	2357.1
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]	93.7
Life expectancy at birth, years[b]	64.8
Total GHG emissions (mtCO2e)	31.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2011), 2017 PPPs.
b/ WDI for School enrollment (2018); Life expectancy (2020).

After contracting by an estimated 2.2 percent in 2021, economic activity in the Republic of Congo (ROC) is gradually picking up. Higher commodity prices stemming from the war in Ukraine are improving ROC's fiscal and external positions, but households and businesses are facing rising inflation and fuel shortages. Growth is expected to strengthen in 2023-2024. Uncertainties related to oil prices and production, and spillovers from the war in Ukraine are key risks to the outlook.

Key conditions and challenges

The Congolese economy has been contracting since 2015, triggered by the 2014-16 collapse in oil prices that led to a massive cut in public spending and investment and the accumulation of domestic arrears to private sector firms, impacting private investment. The multi-year economic recession led to a cumulative decline of real GDP by 27 percent and of GDP per capita by 37 percent during 2014-2020.

The country's reliance on volatile oil revenue and weak governance, reflected in high levels of non-concessional borrowing, led Congo's debt to be classified as "in distress" and unsustainable in 2017, as the country became unable to meet its contractual obligations. Higher oil prices, improved debt management, and debt restructuring agreements helped restore debt sustainability in the second half of 2021, but ROC remains in debt distress.

The prolonged economic recession has reversed previous progress in poverty reduction, with the proportion of the population living below the international extreme poverty line of US$2.15 PPP per day increasing from 34.9 percent in 2015 to 50.2 percent in 2020. Furthermore, human capital development lags that of peer countries.

The impact of the war in Ukraine is exacerbating socio-economic challenges, including food insecurity because of ROC's high dependence on food imports. Despite being the third largest oil producer in Sub-Saharan Africa, fuel shortages have become more frequent since the start of the war in Ukraine as the country heavily relies on imported refined oil. The pandemic continues to be a risk to ROC's economic outlook, particularly since only about 12 percent of the population was fully vaccinated as of August 2022.

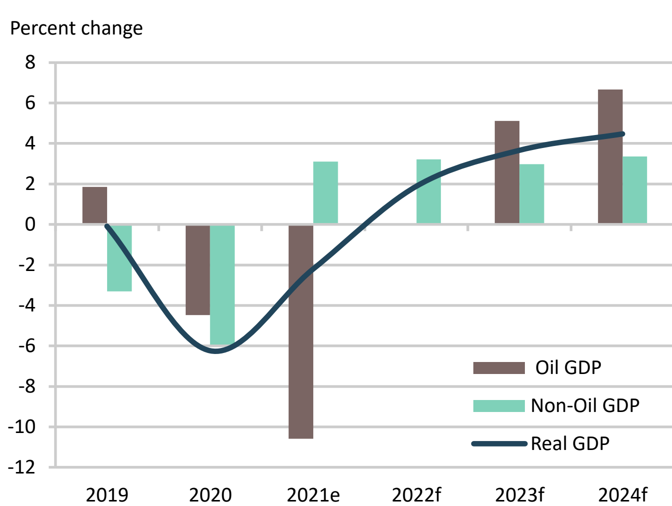
Reviving economic growth and diversifying the economy away from oil remain key challenges. The new National Development Plan for 2022-2024 offers a good opportunity to transform ROC's economy and boost inclusive and sustainable development to reduce the country's vulnerability to volatile oil prices and unsteady production.

Recent developments

After contracting by 2.2 percent in 2021 owing to the underperformance of the oil sector, economic activity is gradually picking up in 2022, driven by the non-oil sector. Non-oil sector growth in 2022H1 was spurred by the removal of COVID-19 restrictions, and clearance of government domestic arrears which provided liquidity to domestic banks and firms. Despite higher oil prices and global demand, oil production further declined in 2022H1 (by 4.2 percent y-o-y) due to postponed investments, maturing oil fields, and technical challenges.

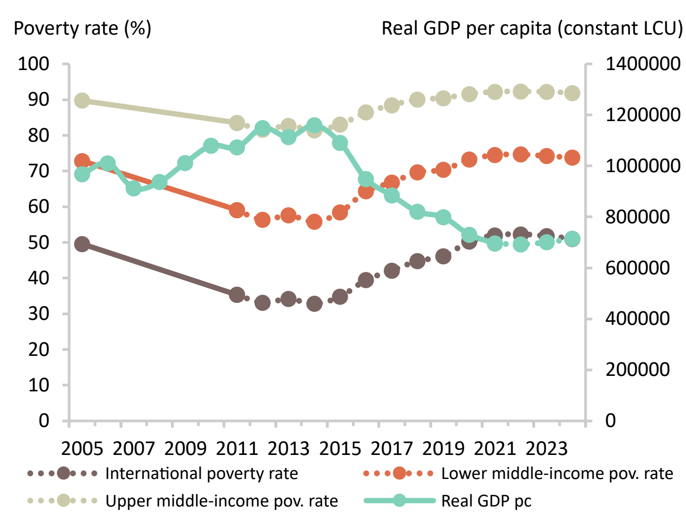
Both the fiscal and external positions improved thanks to higher oil prices, and the

FIGURE 1 Republic of Congo / Real GDP growth



Source: World Bank.
Note: The growth rate of oil GDP in 2022 is projected to be zero.

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



Source: World Bank. Notes: see Table 2.

budget registered a surplus in 2022H1 (expected to reach 4.8 percent of GDP by end-2022). In August, ROC revised its 2022 Budget Law to finance the government's plan for the food crisis and the higher oil and gas subsidy bill, which increased from CFAF 80 billion in the initial law to CFAF 251 billion (2.7 percent of GDP). Higher export receipts are projected to strengthen the current account surplus to 18.1 percent of GDP in 2022.

Improvements in banking system solvency and liquidity are strengthening financial sector stability. Bank deposits and credit to the private sector were up in 2022H1 and non-performing loans have continued to decline. Monetary conditions have continued to be tightened to contain inflationary pressures and support the external viability of the exchange rate arrangement. Following a 25-basis point increase in November 2021, the Bank of Central African States (BEAC) further increased the policy rate by 50 basis points to 4.0 percent in March 2022. The BEAC also decreased its weekly liquidity injections from CFAF 250 billion to CFAF 160 billion in April 2022.

Socio-economic challenges are worsening, with the poverty rate estimated to have increased from 50.2 percent in 2020 to 52.0 percent in 2021. Existing supply chain disruptions and the effects of the war in Ukraine are pushing up food prices in ROC, with food inflation averaging 6.3 percent (y-o-y) in 2022H1, which is likely to affect the poorer segments of the population more as they typically spend a higher share of their household budget on food.

Outlook

ROC's GDP is expected to grow at 1.9 percent in 2022, driven by the non-oil sector as oil production is projected to remain unchanged. The economy is expected to then rebound, with GDP growth projected to average 4.1 percent in 2023-24. Oil sector growth (expected to average 5.9 percent in 2023-24) would be driven primarily by the resumption of investments by oil companies which will increase oil production. Non-oil sector growth is expected to average 3.2 percent in 2023-24 owing to growth in agriculture and services and the implementation of structural reforms on the supply side, and continued clearance of domestic arrears and increased social and public investment spending on the demand side.

Inflation is projected to remain above BEAC's 3.0 percent target over the medium term. Food inflation is expected to remain elevated, worsening food insecurity. The poverty rate is expected to reach 52.2 percent in 2022 and decline slightly to an average of 51.4 percent in 2023–24, consistent with projected growth in GDP per capita.

The fiscal balance is expected to remain positive at 3.4 percent, on average, in 2023–24, fueled by higher oil receipts and improved non-oil revenue mobilization resulting from tax administration reforms such as e-filing and e-payments and the launch of taxpayer service centers. Although debt vulnerabilities remain elevated (with a high level of non-concessional debt stock and domestic arrears), ROC's debt-to-GDP ratio will decline to 76.3 percent by 2024 (from 102.2 percent at end-2021) due to improved debt management, fiscal discipline, and significant oil revenues. The current account surplus will decline in 2023-24 as investments in new oil fields will lead to an increase in equipment imports.

Downside risks include uncertainties related to the pandemic, oil prices and production, a protracted war in Ukraine and related spillovers (including food price increases and refined oil shortages in ROC), tighter conditions in regional financial markets, and adverse weather conditions.

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

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	-0.1	-6.2	-2.2	1.9	3.7	4.5
Private Consumption	1.6	-6.9	8.5	8.8	6.7	5.8
Government Consumption	-18.7	-33.1	16.9	10.1	4.9	5.7
Gross Fixed Capital Investment	-2.3	-45.0	9.5	8.9	9.7	9.3
Exports, Goods and Services	7.4	-11.1	-12.2	0.1	5.0	6.1
Imports, Goods and Services	3.2	-36.3	2.5	10.1	11.0	10.3
Real GDP growth, at constant factor prices	-0.6	-5.1	-2.2	1.9	3.7	4.5
Agriculture	0.2	4.5	1.5	3.0	3.1	3.5
Industry	0.2	-3.7	-7.9	0.6	4.6	5.9
Services	-1.8	-9.2	3.9	3.4	3.0	3.4
Inflation (Consumer Price Index)	2.2	1.4	2.0	3.8	3.7	3.4
Current Account Balance (% of GDP)	-0.8	0.9	10.9	18.1	11.8	7.7
Net Foreign Direct Investment Inflow (% of GDP)	3.4	2.4	3.8	3.8	4.7	5.4
Fiscal Balance (% of GDP)	3.4	-2.4	1.4	4.8	4.3	2.6
Debt (% of GDP)	81.9	113.2	102.2	84.0	80.6	76.3
Primary Balance (% of GDP)	8.0	-0.6	3.4	7.1	6.5	4.9
International poverty rate ($2.15 in 2017 PPP)[a,b]	46.1	50.2	52.0	52.2	51.8	51.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	70.4	73.3	74.5	74.7	74.2	73.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	90.4	91.6	92.2	92.3	92.2	91.9
GHG emissions growth (mtCO2e)	3.9	2.4	2.5	3.2	3.6	3.9
Energy related GHG emissions (% of total)	13.7	14.0	14.1	14.4	14.7	15.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.
a/ Calculations based on 2011-ECOM. Actual data: 2011. Nowcast: 2012-2021. Forecasts are from 2022 to 2024.
b/ Projection using neutral distribution (2011) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.