

REPUBLIC OF CONGO

Table 1 **2020**

Population, million	5.5
GDP, current US\$ billion	10.7
GDP per capita, current US\$	1938.3
International poverty rate (\$19) ^a	39.6
Lower middle-income poverty rate (\$3.2) ^a	64.1
Upper middle-income poverty rate (\$5.5) ^a	83.9
Gini index ^a	48.9
School enrollment, primary (% gross) ^b	106.6
Life expectancy at birth, years ^b	64.3

Source: WDI, Macro Poverty Outlook, and official data.

Notes:

(a) Most recent value (2011), 2011 PPPs.

(b) WDI for school enrollment (2012); life expectancy (2018).

The Congolese economy contracted by an estimated 7.9 percent in 2020, driven by the underperformance of the oil sector and a slowdown in non-oil activities. The extreme poverty rate increased sharply by 4 percentage points, reaching 52.5 in 2020. The debt level has worsened, maintaining Congo in debt distress. Although the economy is set to return to positive growth in 2022, the poverty rate is expected to further increase by 0.7 percentage point between 2020 and 2023.

Key conditions and challenges

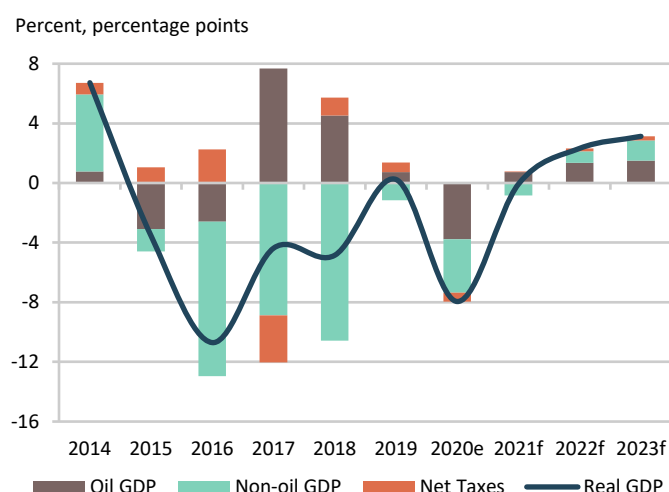
Congo experienced a negative average real growth rate of -5.2 percent over 2015-2020. This contraction in the economy is primarily a result of the country's high dependency on oil. The decline in oil prices observed in recent years and weak governance reflected in high levels of non-concessional borrowing have led Congo into debt distress; its debt-to-GDP ratio has more than doubled from 47.4 percent in 2014 to an estimated 103 percent in 2020. Moreover, weak governance in key sectors has prevented revenues from natural resources from translating into higher growth and investment in human capital. The COVID-19 pandemic has exacerbated these issues striking a particularly severe blow on the poor. The proportion of the population living below the international extreme poverty line of \$1.90 PPP per day has risen by about a third from 39.1 percent in 2015 to 52.5 percent in 2020. The risks to Congo's economic stability stem not only from the spread of the COVID-19 pandemic in the country but also from its international repercussions. The country is overwhelmingly reliant on the hydrocarbon sector. On average, it contributed 78 percent of Congo's exports and 30 percent of its GDP between 2015 and 2020. This makes the Congolese economy extremely vulnerable to volatile oil prices. Congo's ability to reduce its debt through the successful clearance of

arrears and the restructuring of private commercial claims, among other channels, will determine how soon the country can return to a sustainable debt level. Furthermore, as Congo is already a country affected by FCV, potential internal social unrest due to falling incomes and post-elections security concerns could also impact macro-economic stability and sustainable growth.

Recent developments

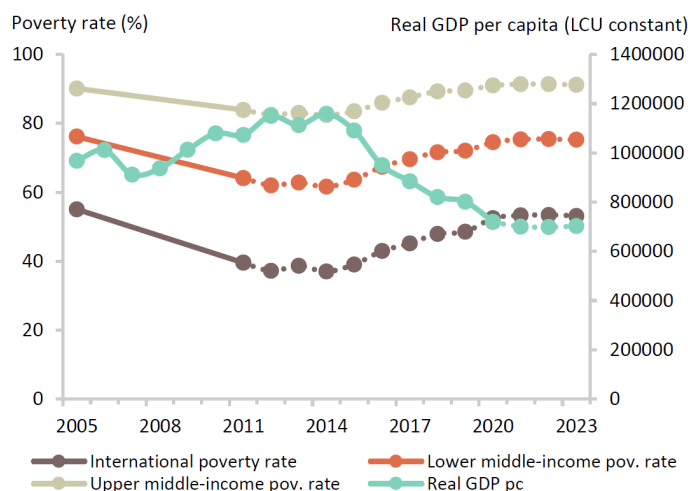
The COVID-19 pandemic and associated oil price shocks are placing an unprecedented strain on the Congolese economy. GDP is estimated to have contracted by 7.9 percent in 2020. Hydrocarbon production shrank by 7.7 percent due to a contraction in global demand for oil and technical difficulties in some oil fields. The overall budget deficit in 2020 is estimated at 1.3 percent of GDP, in contrast to a surplus of 3.5 percent in the preceding year. However, the fiscal deficit for 2020 is estimated to be less than the earlier (October) World Bank forecast of 13.4 percent of GDP, owing to better than expected oil revenues in the second half of 2020 combined with lower than anticipated government spending. Driven by a decrease in exports and a collapse in commodity prices, Congo is expected to record a current account deficit of 2.8 percent in 2020, wider than the 0.8 percent registered in 2019. Meanwhile, the debt-to-GDP ratio increased from 82.3 percent in 2019 to 103 percent of GDP at the end of 2020. Negotiations

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



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

to restructure external commercial debt have intensified recently. However, Congo has not been able to finalize the debt restructuring negotiations with oil traders. Although Congo is benefitting from the Debt Service Suspension Initiative (DSSI), the restructuring of the external commercial debt will be critical to ensure debt sustainability.

The economic crisis and the COVID-19 pandemic have worsened poverty rates and living conditions. Poverty rates have risen by more than four percentage points in just one year: 48.5 in 2019 to 52.5 in 2020. Recent household surveys also reveal that about 75 percent of households experienced a reduction in their ability to pay rent and 69 percent in their ability to meet food needs, highlighting the need to allocate more resources for social spending.

Outlook

Congo needs to strengthen its macro-fiscal situation, bolster institutions to foster greater non-oil economic activities, while improving the scope and quality of service delivery to build the country's human capital and basic infrastructure.

The economy is not expected to recover fully in 2021 as the outlook is subject to heightened risks including the duration and severity of the COVID-19 pandemic, the COVID-19 vaccine rollout, potential internal social unrest due to falling incomes, as well as the government's ability to put in place fiscal consolidation measures to address its debt situation.

The economy is expected to contract by 0.1 percent in 2021. Economic activity is projected to rebound gradually over 2022-2023, with GDP growth averaging 2.7 percent as the oil sector starts to recover and life returns to a new normal. However, the proportion of people living below the international poverty line is set to rise from a level of 52.5 percent in 2020 to 53.2 percent in 2023 despite the gradual recovery of the economy. Furthermore, the recent flooding disaster that started in late 2020 and has continued in early 2021 presents an additional challenge that could impact the most vulnerable and add further stress to the weak fiscal situation. It also calls for Congo's readiness to address climate change vulnerabilities and mitigate disaster risks.

While fiscal consolidation is expected to resume in 2021, its success remains uncertain given the reliance on the hydrocarbon sector, the volatility of oil prices and a

procyclical fiscal policy stance. Macroeconomic stabilization would require restoring fiscal sustainability through continued public debt restructuring and public financial management reforms.

TABLE 2 Republic of Congo / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	-4.8	0.2	-7.9	-0.1	2.3	3.1
Private Consumption	4.5	2.5	-4.2	2.0	2.5	3.5
Government Consumption	-4.7	-18.7	13.8	-1.2	-0.5	0.9
Gross Fixed Capital Investment	-24.9	-2.4	-20.5	-1.5	5.0	6.0
Exports, Goods and Services	11.4	7.4	-8.5	2.0	3.6	3.9
Imports, Goods and Services	5.1	3.2	-10.4	4.5	6.0	6.5
Real GDP growth, at constant factor prices	-6.4	-0.4	-8.0	-0.1	2.3	3.1
Agriculture	-1.0	0.7	-6.0	-1.5	1.5	2.0
Industry	-8.5	0.3	-7.7	1.5	2.7	3.0
Services	-4.3	-1.7	-8.7	-2.0	1.9	3.4
Inflation (Consumer Price Index)	1.2	2.2	1.4	2.0	2.2	2.5
Current Account Balance (% of GDP)	8.5	-0.8	-2.8	1.5	3.2	3.8
Net Foreign Direct Investment (% of GDP)	3.0	3.4	1.8	2.0	2.5	2.3
Fiscal Balance (% of GDP)	5.7	3.5	-1.3	0.8	2.4	1.8
Debt (% of GDP)	77.2	82.3	103.0	94.6	86.0	81.7
Primary Balance (% of GDP)	7.6	8.0	0.0	2.4	3.9	3.7
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	47.9	48.5	52.5	53.3	53.4	53.2
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	71.6	72.1	74.5	75.3	75.4	75.2
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	89.3	89.6	91.0	91.3	91.4	91.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Notes: e = estimate, f = forecast.

(a) Calculations based on 2011-ECOM. Actual data: 2011 Nowcast: 2012-2020. Forecast are from 2021 to 2023.

(b) Projection using neutral distribution (2011) with pass-through = 0.7 based on GDP per capita in constant LCU.