

Recent macroeconomic and financial developments

As other countries, Congo is facing a third year of COVID-19, which is disrupting socioeconomic patterns already badly damaged by five years of recession. Added to the negative effects of the pandemic were floods in the northern part of the country in November 2021. Increased output and prices of oil were not enough to offset the effects of the pandemic and floods. Though smaller than its contraction of 6.2% in 2020, the economy shrunk by 0.2% in 2021. In 2020, unemployment was estimated at 10.3% and the poverty rate at 46.1%, exacerbated by job losses after COVID-19 hit. Central government operations resulted in a budget surplus of 1.4% of GDP, after a deficit of 1.7% in 2020. The debt ratio fell to 84.7% of GDP in 2021 from 101% in 2020.

Inflation was moderate at 2.0% in 2021, within CEMAC's criterion. Credit to the economy grew by only 1.6% in 2021, reflecting weak demand for credit in a period of uncertainty. NPLs declined to 17%, helping to reduce vulnerabilities in the banking system. In 2021, supported by oil prices, the current account showed a surplus of 15.5% of GDP, after a deficit of 0.2% in 2020. Foreign exchange reserves strengthened from 2 months to 2.7 months of imports from 2020 to 2021.

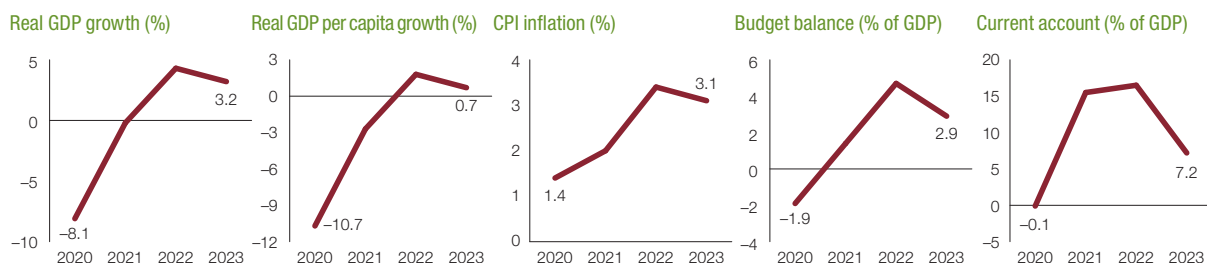
Outlook and risks

The outlook is favorable but remains fragile in a context marked by the persistence of the COVID-19 pandemic and the global consequences of the Russia–Ukraine conflict. GDP growth is projected at 4.3% in 2022 and 3.2% in 2023, driven by the accelerated vaccination campaign, higher oil production, and dynamics in the agricultural and mining sectors, allowing growth of the nonoil sector (building and public works, wood, mining, and services) to pick up to 3.3%. Oil output is forecast

to rise by 1.0% with the resumption of investment by the largest producers, with a forecast average price per barrel of \$70. Inflation is projected to rise to 3.4% in 2022 and to 3.1% in 2023. Medium-term fiscal consolidation, combined with strong oil revenues, should lead to budget surpluses of 4.7% and 2.9% of GDP in 2022 and 2023. Public debt is expected to continue declining marginally, to 83.6% of GDP in 2023. The current account should remain in surplus at 16.5% of GDP in 2022 and 7.2% in 2023, driven by the trade balance. Prospects also remain dependent on the implementation of structural reforms launched with the IMF and on the duration of the Russia–Ukraine conflict.

Climate change issues and policy options

Congo is 109 on the 2021 GCRI. It is experiencing an increase in intensity and frequency of extreme events caused by climate change. They are more pronounced in urban areas, where 70% of the population lives and where the ability to be resilient and adapt is still lacking. Indeed, infrastructure (including housing, roads, and drainage and sanitation) is either weak or destroyed. The country is ranked 165 on the Country Index of the Notre Dame Global Adaptation Initiative 2020. The government's NDC provides for a reduction in national emissions of 48% and 55%, by 2025 and 2035. The country has also started planting 40,000 ha of forest to sequester more than 10 Mt of carbon, thus protecting the Congo Basin peatlands, which serve as an important carbon sink. On the energy transition, the country is improving its energy supply, based on RE including natural gas. To this end, 300 MW of electricity production capacity has been installed in addition to that from four hydropower stations. The drinking water access rate is 66% in urban areas and 47% in rural areas, for a 56% national average.



Source: Data are as of April 2022 and are from domestic authorities; figures for 2021 are estimates and figures for 2022 and 2023 are projections by the African Economic Outlook team.