

Democratic Republic of Congo

Recent macroeconomic and financial developments

After a year of moderate, 1.7% growth in 2020, the economy recorded 5.7% expansion in 2021, on the back of solid mining output and high world prices for export commodities such as copper and cobalt. Growth of nonextractive sectors went from a 1.3% contraction in 2020 to 3.3% growth in 2021, owing to telecommunications, energy, and noncommercial services. The country's growth is driven by strong exports of raw material (11.5%) and private investment (9.8%). Despite high current spending (salaries were exceeded by 10.9%), the 39.3% increase in tax revenues, reflecting tax audits and penalties, lowered the budget deficit from 2.1% of GDP in 2020 to 1.6% in 2021. Public debt remains moderate at 22.8% of GDP, however.

Inflation was better controlled, falling from 11.4% in 2020 to 9.3% in 2021, with a 7% target, enabling the central bank to lower its prime rate from 18.5% to 8.5% in 2021. The NPL ratio to total gross loans declined from 9.2% to 8.8% between 2020 and August 2021. Foreign exchange reserves increased from \$709 million in 2020 to \$3.344 billion in 2021, partly due to receipt of 50% of the \$1.52 billion SDR allocation, with the remainder being allocated to priority investments. As mining exports increased, the current account deficit fell from 2.2% of GDP in 2020 to 0.5% in 2021. Unemployment, as defined by the ILO, went down from 4.7% in 2012 to 3.0% in 2020. Monetary poverty decreased from 63.4% in 2012 to 56.2% in 2020—a period of solid economic growth.

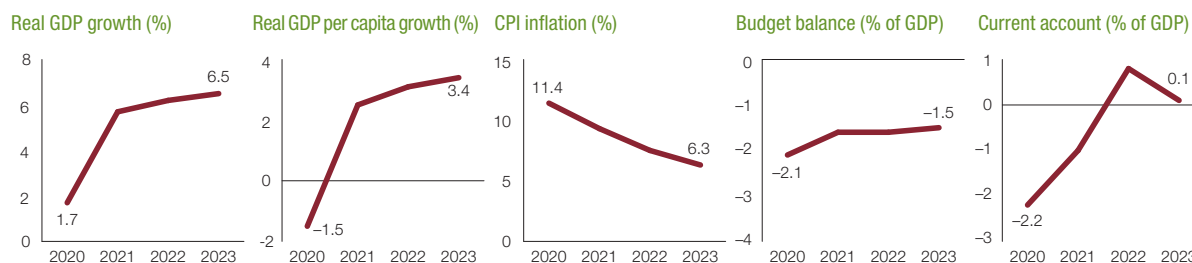
Outlook and risks

The economic outlook is encouraging despite the Russia–Ukraine conflict, with GDP growth in 2022–23 reaching 6.4%, driven by mining and recovery of non-extractives. Priority investments should continue to support internal demand. Improvements to transport and logistical infrastructure are set to support resumption of nonextractive activities, services, and industries,

stimulating export and tax revenue. The 2023 elections are forecast to increase public spending and slightly widen the budget deficit from 1.6% in 2022 to 1.5% in 2023. Public debt is projected to be 22.5% in 2023. Coordination of public finance and monetary reforms should maintain inflation at around 6.9% in 2022–23 and assure exchange rate stability. The current account surplus is projected to reach 0.8% in 2022 and 0.1% in 2023, with foreign exchange reserves at \$3.860 billion in 2022 and \$4.606 billion in 2023, for 3 months of imports. The decline in commodity prices, global demand for minerals, the Russia–Ukraine conflict, and security issues could undermine the outlook.

Climate change issues and policy options

Democratic Republic of Congo is 51 on the 2021 GCRI. The country has great vulnerability to climate change, characterized by a rise in temperature, long dry seasons, violent rains causing flooding, soil degradation, and agriculture losses. Thus, first, in 2020 the Ministry of the Environment revised the Climate Change Policy, Strategy and Action Plan and developed its National Adaptation Plan (2020–2024) to reinforce resilience. Funding also relies on the production and monetization of carbon credits, knowing that the large tropical peatland is managed according to REDD+ (Reducing Emissions from Deforestation and Forest Degradation) mechanisms. On the energy transition, the government favors modern and sustainable use of “eco-energy” models, enabling a 21% decrease in GHG emissions by 2030. The measures for mitigation concern primarily the agriculture, forestry, land use, energy, and waste management sectors. Specific measures for adaptation affect forest, agriculture, energy, health, water resources, and sewerage systems, as well as coastal zones and waste management. According to the NDC, the cost of both measures will be \$48.68 billion, to be financed by resources from the state budget, the carbon market, REDD+ resources, and international climate funds.



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.