

# Republic of Congo

## Recent macroeconomic and financial developments

The Republic of Congo continues to experience an economic recession as a result of the underperformance of the oil sector due to the decline in production and world oil prices. In 2020, the Congolese economy contracted again by 6.8% after a 0.6% contraction in 2019. Indeed, following the fall in oil prices, Congo, like the OPEC countries, lowered its annual production goal to 110 million barrels from 140 million barrels. The nonoil sector contracted by 11%—with construction (–9.9%); trade, catering, and hotels (–18.2%); manufacturing industries (–8.2%); and other services (–15.7%) all registering serious declines in output. Domestic demand, investment, and exports also fell. Inflation remained under control at 2.4%, compared with 2.2% in 2019. Financing health response plans and providing support to the economy resulted in a drop of the budget surplus from 4.8% of GDP in 2019 to 0.6% in 2020. Declining oil exports pushed the current account into a deficit of 4.2% of GDP in 2020 after being in a surplus of 2.3% of GDP in 2019.

## Outlook and risks

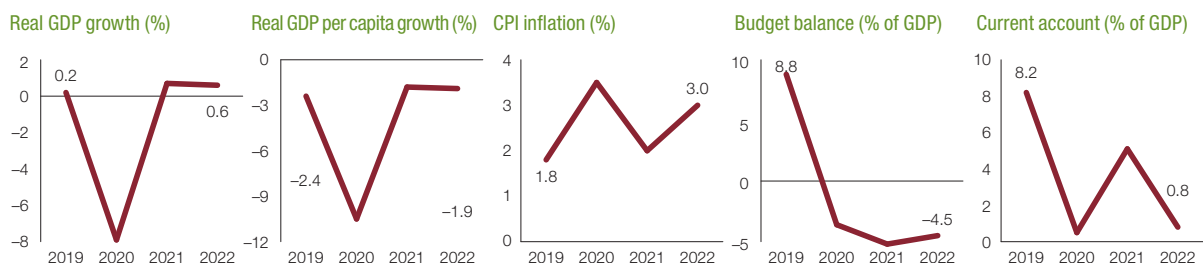
The Congolese economy is expected to rebound in 2021 and 2022 if the world economy does, which assumes a subdued pandemic. Real GDP should grow 1.2% in 2021 and 1.5% in 2022. This rebound will be driven by the increase in oil production, growth in services, and the revival of investment. Inflation is expected to be 2.6% in 2021 and 2.8% in 2022. The budget balance should show a surplus of 0.4% of GDP in 2021

and 0.7% of GDP in 2022. The current account deficit should be contained at 3.0% of GDP in 2021 and 3.5% in 2022. But a continuation of the pandemic beyond the first half of 2021 would derail this scenario by keeping oil prices down, increasing pressure on budgetary and external accounts as well as on the Congolese financial sector, which depends heavily on oil revenues.

## Financing issues and options

Congo's public debt situation is worrying. The stock of public debt increased by an average of 25% a year between 2014 and 2018, in connection with public investment program initiated to accelerate municipalization of the national territory. The outstanding debt, which was 83.3% of GDP at the end of 2019, is expected to increase to 104.2% of GDP in 2020.

Because it could not agree with commercial creditors, Congo was unable to relaunch its economic and financial reform program with the International Monetary Fund, and it was suspended in 2019. As a result, Congo could not receive external financing expected from development partners. The debt ratio is expected to reach 99.8% of GDP in 2021 and slip to 94% in 2022. Debt restructuring should prove essential in the short to medium term to restore Congo's fiscal space for economic development. Economic development should be accompanied by an increased mobilization of domestic resources by broadening the tax base, rationalization of public expenditure, and implementation of the domestic debt clearance program supported by the "Brazzaville Club."



Source: Data are as of December 2020 and are from domestic authorities; figures for 2020 are estimates and figures for 2021 and 2022 are projections by the African Economic Outlook team.