

Oil economy, weak business environment

General Information



GDP	USD14.4bn (117e world ranking, World Bank 2011)
Population	4.14 millions (125e world ranking, World Bank 2011)
Form of state	Republic
Head of government	Denis SASSOU-Nguesso
Next elections	2016, presidential



Strengths

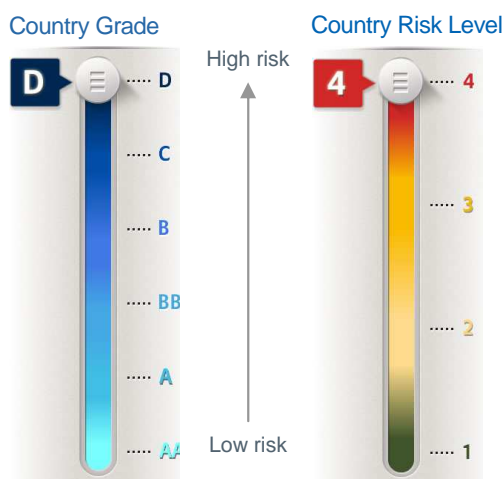
- Good natural resource base: oil, forestry and minerals.
- Large fiscal surpluses.
- Manageable external debt ratios.
- Membership of a regional economic bloc, with a common central bank and single currency.

Weaknesses

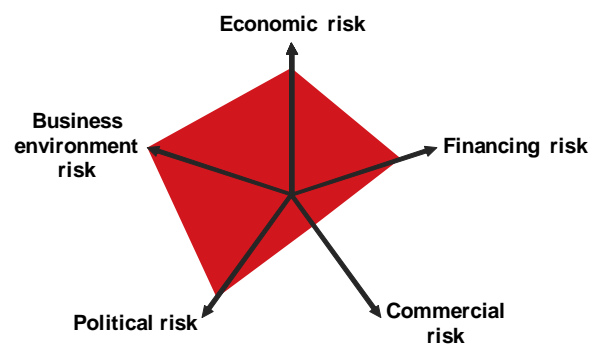
- History of political instability.
- Despite a new constitution and an electoral system, executive powers are effectively concentrated in one person, so there are inherent risks relating to autocracy and also to succession.
- Widespread poverty and high unemployment.
- Economic dependence on oil sector. Small manufacturing base.

Country Rating

D4

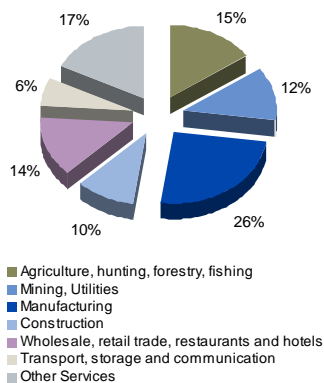


Risk Dimensions



Economic Structure

GDP breakdown (% of total, 2010)



Sources: Chelem, UnctadStat, IHS Global Insight, Euler Hermes

Trade structure (% of total, 2010)

By destination/origin

Exports	Rank	Imports
China	36%	16%
United States	22%	11%
France	7%	8%
China, Taiw an Province of	5%	7%
Australia	5%	7%

By product

Exports (% of total)	Rank	Imports (% of total)
Petroleum, petroleum products and related materials	83%	21%
Other transport equipment	6%	7%
Cork and wood	3%	7%
Non-ferrous metals	2%	5%
Metalliferous ores and metal scrap	2%	4%

Economic Forecasts

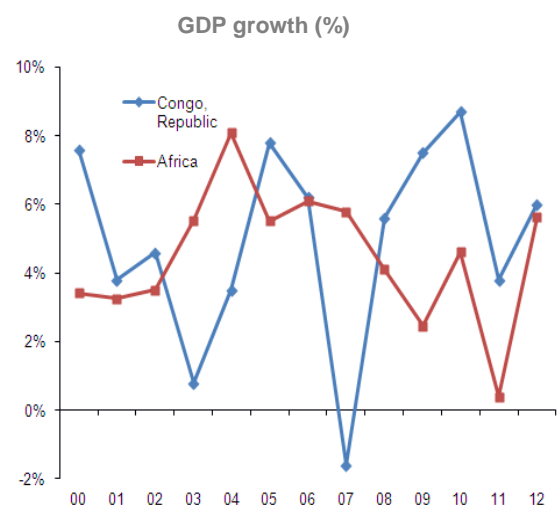
	Average 2000-08	2009	2010	2011	2012f	2013f	2014f
GDP growth (% change)	4.3	7.5	8.7	3.8	6.0	5.0	5.0
Inflation (% end-year)	3.4	2.5	5.4	1.8	4.3	3.8	3.2
Fiscal balance (% of GDP)	8.4	4.8	16.1	16.4	45.9	43.6	40.7
Public debt (% of GDP)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Current account (% of GDP)	1.2	-15.5	-14.0	-12.3	-11.7	2.2	3.7
External debt (% of GDP)	127.1	80.7	72.2	62.7	61.4	57.3	51.6

Sources: IHS Global Insight, National sources, Euler Hermes

Economic Overview

The key driver of economic activity and GDP growth is the hydrocarbons sector (over 80% of export revenues and accounting for around 50% of overall GDP) and, in this respect, oil exploration in recent years has resulted in new recoverable reserves and increased output. GDP growth was +6% in 2012, compared with a long-term annual average of around +4%.

EH forecasts GDP growth of around +5% in both 2013 and 2014 and it could be higher if some of the potential hydrocarbon projects come on stream earlier than initial projections. Growth in the non-oil sectors will be driven largely by activity in the construction, transport and telecommunication industries, with public expenditure levels the main supporting element. With the country's high dependence on oil, the growth outlook reflects key assumptions relating to international commodity markets and EH is not forecasting a marked collapse in energy demand or oil prices over the next two years.



Sources: IHS Global Insight, Euler Hermes

Economic Overview (continued)

As elsewhere in Sub-Saharan Africa, Chinese investment in infrastructure has been welcomed. Included in such investment is a project (USD1.2 billion) to rebuild the parts of the capital, Brazzaville, destroyed by an explosion in a munitions depot in March 2012. The government is also negotiating with Russia to construct a new power plant and improve existing facilities, as well as to enhance electricity supply in Brazzaville. German companies are involved in improving the telecommunications sector.

A key policy is to continue membership of the regional economic bloc, which has a common central bank and therefore the CFA franc will remain the country's currency. Developments in the external sector largely reflect oil output and internationally-determined oil prices. The current account registered annual average surpluses of 1.2% of GDP in 2000-08 but deficits were recorded in 2009-12. Small surpluses are forecast for 2013 and 2014 as oil projects come on stream. External debt obligations have been reduced, with debt/GDP in 2013 forecast at 61%, compared with an annual average 127% in 2000-08, and debt/export earnings at 53%. At such levels, external debt obligations still divert financial resources away from productive domestic requirements (including poverty alleviation). Import cover is forecast at over seven months in 2013, compared with an international benchmark of three months.

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