

Congo, Dem. Republic

Political fractionalization weighs on the economy



General Information

GDP	USD35.24bn (World Ranking 93, World Bank 2015)
Population	77.27mn (World Ranking 19, World Bank 2015)
Form of state	Republic
Head of government	Joseph Kabila
Next elections	Early 2018, general elections (postponed from 2016)



Strengths

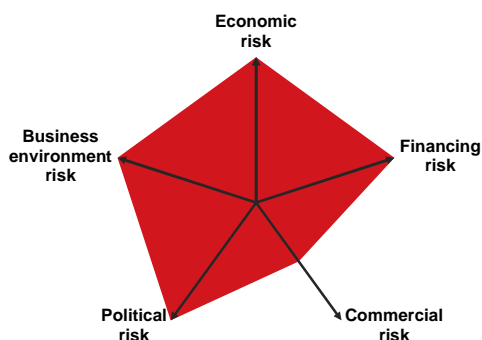
- Extensive natural resource base, including copper, cobalt, gold, diamonds, oil, forestry products and hydroelectric power potential (the Inga III dam project, with support from the World Bank, could boost power supply in the longer term).
- Attempts to maintain domestic and regional stability are assisted by the presence of a large UN mission force.

Weaknesses

- The government in Kinshasa in the west has limited control over other parts of the country, particularly in the east where there is armed conflict involving local rebel forces and militias from neighbouring countries.
- Difficult relations with neighbours, particularly Rwanda.
- The key mining sector is subject to contractual uncertainty and state intervention and output is vulnerable to security risks.
- Current account deficits.
- Infrastructure in Africa's second largest country is weak, increasing supply chain costs.
- Very weak structural business environment.

Country Rating

D4



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports	Rank	Imports
China	38% 1	19% South Africa
Zambia	24% 2	17% Zambia
Saudi Arabia	8% 3	13% China
Italy	7% 4	7% Belgium
Belgium	4% 5	4% France

By product (% of total)

Exports	Rank	Imports
Non-ferrous metals	50% 1	8% Road vehicles
Metalliferous ores and metal scrap	26% 2	6% Indus. machinery (other and parts)
Petroleum (and related products)	12% 3	6% Specialised machinery
Non metallic mineral manufactures	3% 4	6% Manufactures of metal
Inorganic chemicals	3% 5	5% Inorganic chemicals

Source: UNCTAD 2015

Economic Overview

Feels like it only go backwards

In 2016, the Democratic Republic of Congo's GDP per capita stood at \$773, about the same as in 1983 (PPP measured). While the nineteen-nineties were a lost decade, the following decade was not a strong as hoped. The country needed 15 years to recover its 1983's income level.

Poor governance is one of the key aspects of this poor economic performance by a country rich with natural resources where metals account for 76% of exports. The country is not ascending the value chain. Political instability eased during the last 15 years, but policymaking did not deliver on the promise of more growth.

The country is ranked 184th out of 190 countries in World Bank's Doing Business 2017 survey. As a result, the catch-up with African average standards of living is not materializing. Congo DR's GDP per capita was 60% of the regional average in 1983. It now stands at a meagre 20%.

The ties that bind: Politics

Investment is lacklustre and volatile. After reaching an exceptional 20% of GDP in 2015, it plummeted to 11% in 2016. Its dependency on cycles is a key feature of countries with poor institutions. The bottlenecks engineered by poor infrastructure (e.g. power rationing) imply sudden inflation surges, as happened in 2016 (to +22.4% from +1% in 2015).

When President Kabila unilaterally decided to postpone the general elections planned for December 2016, Congo's financial vulnerability increased, and the Congolese Franc plummeted by -60%. The Central Bank was unable to stick with the fixed exchange rate regime and had to allow depreciation. Foreign-exchange reserves now cover one month's worth of imports.

Moreover, it seems that the political situation has worsened in 2016. Civilian conflicts are still recurrent. During The last flare up in the Kasai Central province more than 1.2 M were displaced, according to United Nations reports. This region supports Félix Tshisekedi, one of the main opposition figures.

The uncertainty surrounding Kabila's potential plans to change the constitution to run for a third term as president is also fuelling the discontent.

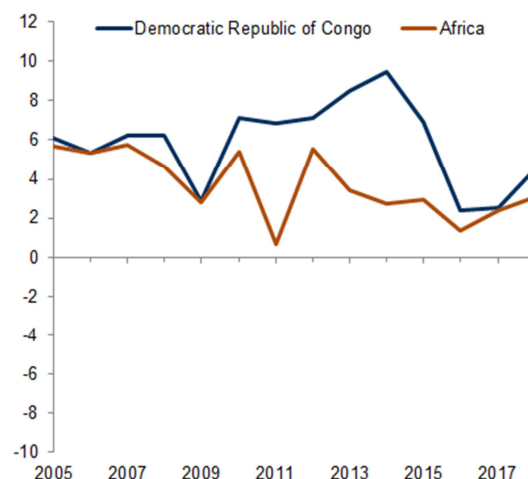
In this context, quite good public finance indicators are the result of poor spending implementation and past debt restructurings. The political situation and the low level of foreign currency reserves might necessitate financial aid. But given the current situation, an IMF program is improbable.

Key Economic Forecasts

	2015	2016	2017f	2018f
GDP growth (% change)	6.9	2.4	2.5	4.5
Inflation (%)	1.0	22.4	15.0	10.0
Fiscal balance (% of GDP)	0.0	-0.8	-1.0	0.5
Public debt (% of GDP)	18.9	20.0	23.0	26.0
Current account (% of GDP)	-4.0	-4.5	-4.0	-3.0
External debt (% of GDP)	15.2	17.0	20.0	21.0

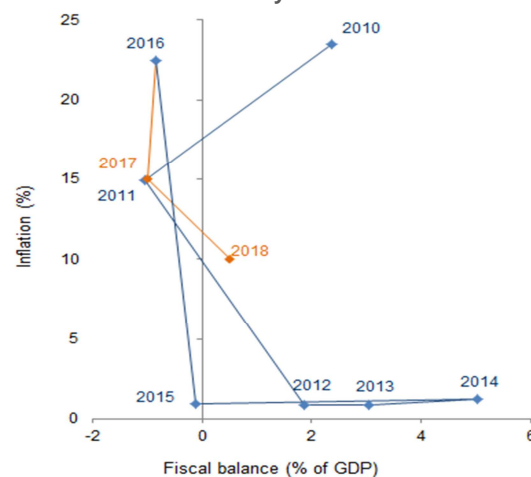
Sources: National Sources, IHS, Euler Hermes

GDP Growth (%)



Sources: National sources, IHS, Euler Hermes

Policy-mix



Sources: National sources, IHS, Euler Hermes

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