Euler Hermes Economic Research

Country Report

Congo, Dem. Republic

Security and stability concerns continue to limit commercial opportunities

General Information

GDP	USD38.8bn (2015, EH estimate)
Population	69.36mn (World ranking 19, World Bank 2014)
Form of state	Republic
Head of government	Joseph KABILA
Next elections	2016, presidential and legislative (National Assembly)

Strengths

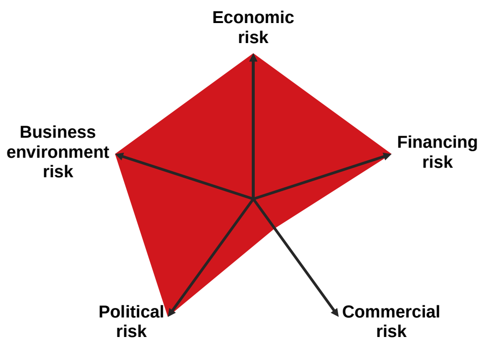
- Extensive natural resource base, including copper, cobalt, gold, diamonds, oil, forestry products and hydroelectric power potential (the Inga III dam project, with support from the World Bank, could boost power supply in the longer term).
- Attempts to maintain domestic and regional stability are assisted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

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.
- Fiscal and 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	50%	1	20%	South Africa
Zambia	19%	2	14%	Zambia
Saudi Arabia	9%	3	14%	China
Belgium	5%	4	7%	Belgium
Korea, Republic of	3%	5	5%	Zimbabwe

By product (% of total)

Exports		Rank		Imports
Non-ferrous metals	55%	1	7%	Road vehicles
Metalliferous ores and metal scrap	23%	2	7%	Manufactures of metal, n.e.s.
Petroleum, petroleum products and	11%	3	6%	Specialised machinery
Non metallic mineral manufactures, n.e.s.	3%	4	6%	Petroleum, petroleum products and related materials
Cork and wood	2%	5	6%	Other industrial machinery and parts

Source: UNCTAD

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Economic Overview

Considerable potential but significant challenges

Africa's second largest country (over four times the size of France) remains fractured, annual per capita incomes (around USD450) are among the lowest in the world and infrastructure is severely limited. Power rationing is a perennial impediment and inhibits mining sector investment and prevents economic growth from achieving its full potential. DRC is largely dependent on the mining sector and is vulnerable to oscillations in internationally-determined commodity prices; metals & ores account for 78% of exports. China is exerting an increasing influence in the country and it is estimated that around 90% of the minerals from Katanga province is shipped to the Asian country.

Annual GDP growth will remain high and above the African average

The country's natural resource base is substantial, with 80mn hectares of arable land, over 1,100 minerals and precious metals, large copper reserves and DRC is the world's leading producer of cobalt. Exploitation of the resource base permits high GDP growth (annual average +7.9% between 2012 and 2015), albeit from a low base. EH expects GDP growth will be +5% in 2016 and +6% in 2017, although there are significant upside and downside risks (particularly involving uncertain political and social developments).

Large current account deficits and external debt is increasing again

Export receipts derive principally from base metals (including copper and cobalt), metal ores, diamonds and crude oil (11%). China is the largest export market (50% of revenues) and South Africa is the main source of imported goods (20% of the total import bill). The diamond sector has been allegedly subject to considerable corruption and its management represents a key challenge to the government, which will rely on gem exports being channelled through official sources as a means of generating FX. Given its development needs, large annual trade and current account deficits will continue to be registered, requiring external financing. This aid dependence may encourage political sensibility, but this cannot be guaranteed.

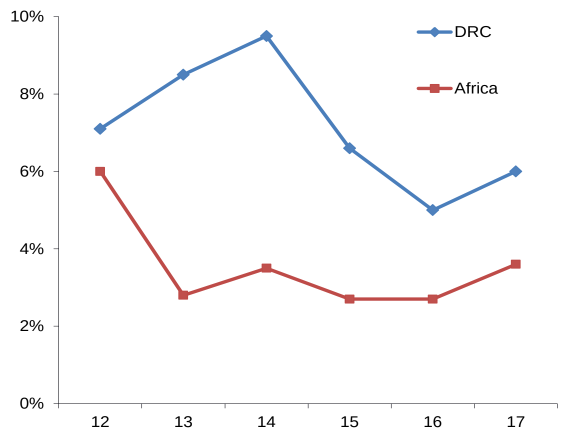
Hydrocarbons and mining codes are subject to revision. The government seeks to increase local content requirements, royalty fees and taxation and there is associated uncertainty in relation to investment terms and conditions. As a result, doing business with (or in) the country remains challenging. This uncertainty is compounded by currently weak internationally-determined commodity prices.

Key Economic Forecasts

	2014	2015	2016f	2017f
GDP growth (% change)	9.5	6.6	5.0	6.0
Inflation (%, end-year)	1.5	1.9	3.0	3.5
Fiscal balance (% of GDP)	0.6	-0.1	-1.0	-2.0
Public debt (% of GDP)	14.9	13.8	14.0	13.0
Current account (% of GDP)	-8.5	-9.9	-14.0	-15.0
External debt (% of GDP)	15.3	18.8	24.5	28.5

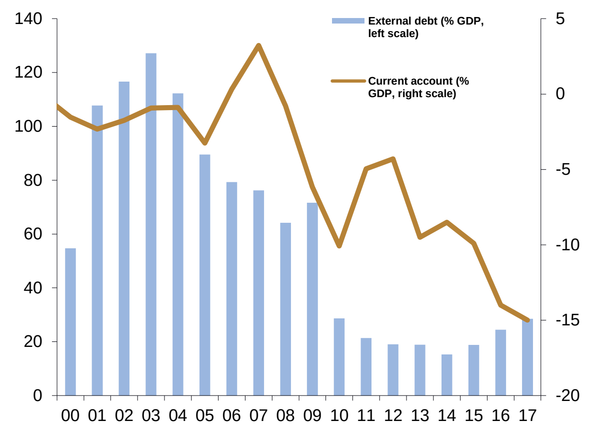
Sources: National Sources, IHS, Euler Hermes

GDP Growth (%)



Sources: National sources, IHS, Euler Hermes

Current Account Balance and External Debt (% of GDP)



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