

Congo Republic

Congo registered 10.2% growth in 2010 thanks to an increase in oil production and debt relief obtained under the Heavily Indebted Poor Countries (HIPC) Initiative.

Congo maintains strong and diversified relations with numerous emerging partners in Asia (China and India), the Middle East and South America.

Only two Millennium Development Goals (MDGs) will be achieved in 2015: education for all and gender equality.

Congo's economic performance in 2010 owes a great deal to the increase in its oil production. The latter reached a record level, estimated at 115 million barrels compared to 99 million in 2009. Fiscal reform and debt relief obtained under the Heavily Indebted Poor Countries (HIPC) Initiative also consolidated fundamental indicators and improved the budgetary balance. The result was a strong 10.2% growth rate in 2010, with 8.4% expected in 2011. These growth rates nevertheless remain fragile. They depend too heavily on the international oil market and maintenance of a high level of oil production. Medium-term forecasts show that oil production will gradually diminish unless new reserves are discovered. Diversification of the economy remains a crucial issue. Construction, public works and telecommunications continue to thrive. The forestry sector seems to be recovering after having been penalised by the global crisis. Increased demand from Asian countries, particularly China, which is the leading buyer of Congolese timber, is ensuring the industry's survival.

The budgetary balance improved markedly in 2010 to reach 13.9% of gross domestic product (GDP) and is forecast to reach 16.5% in 2011. This is the result of a budgetary policy based on improving the quality of expenditure and implementation of the public contracts code and the public investment management system in line with the Medium-Term Expenditure Framework (MTEF). Revenue should increase 12% in 2011, with oil revenue up 74.3% and fiscal revenue up 17.8%. The Republic of Congo should benefit from XAF 50 billion (CFA Franc BEAC) in 2011 in HIPC resources. Grants should reach XAF 45 billion and state borrowing XAF 115 billion.

Congo's external position progressed in 2010 thanks to good oil price levels, improved productivity from certain reserves and a recovery in timber exports. The current account deficit fell to 2.6% of GDP in 2010 thanks to the increase in exports.

The inflation rate stood at 4.8% in 2010 under the impact of strong domestic demand and an increase in international prices for food products.

Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	6.8	10.2	8.4	3.1
CPI inflation	3.8	4.8	5.2	3.3
Budget balance % GDP	5.4	13.9	16.5	15.6
Current account % GDP	-20.8	-2.6	0.3	-8.4

Source: National authorities' data; estimates and projections based on authors' calculations.

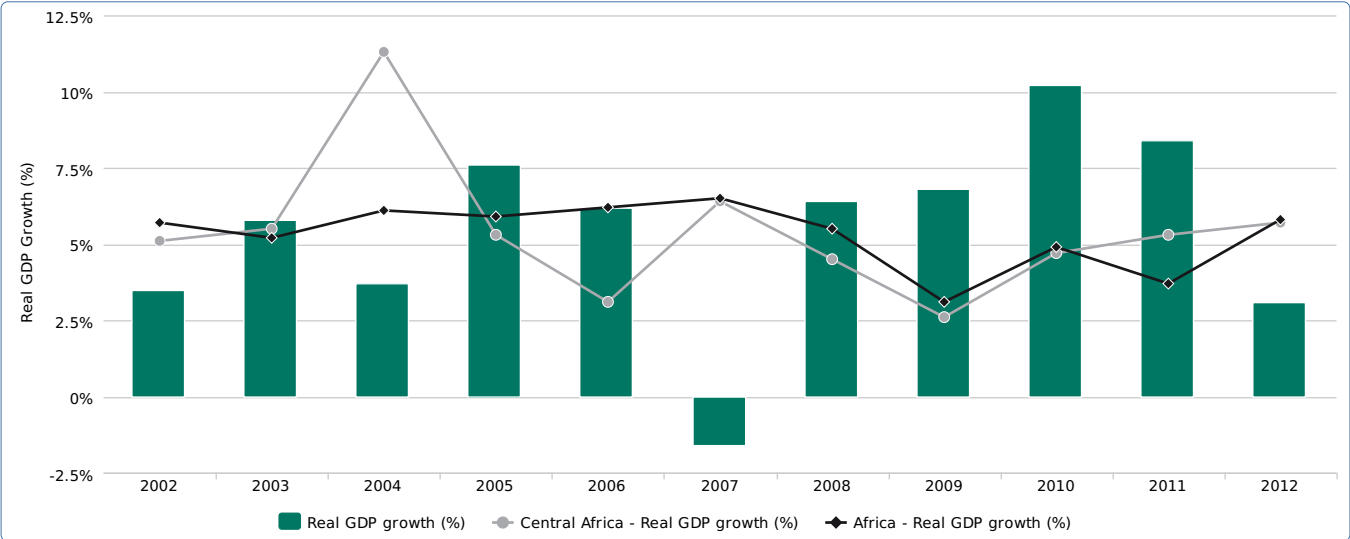
Figures for 2010 are estimates; for 2011 and later are projections.

Relations with emerging countries, notably India and China, go back to Congo's independence in 1960. More recently, relations have been forged with other Asian countries, such as Malaysia and Korea, Middle Eastern countries, such as Saudi Arabia and the United Arab Emirates, and Latin American countries, such as Brazil and Argentina.

Asia is Congo's biggest client. It accounted for 56% of total exports in 2009, ahead of Latin America, where Mexico, Brazil and Argentina absorb 20% of Congolese exports. China is the country's leading Asian partner, accounting for 40% of Congo's export sales, principally in the form of oil and timber, compared with 10% for Chinese Taipei. Imports from Asia nevertheless remain at a low level. They take the form mainly of food products and capital equipment but represent less than 8% of the country's total foreign purchases.

Congo is lagging way behind on the Millennium Development Goals (MDGs). It will probably attain only two objectives by 2015 - universal education and sexual equality. Poverty has only slightly diminished, according to the latest study, carried out in 2009. The health situation remains worrying with high levels of infant and maternal mortality and still limited access to drinking water and sanitation. Unemployment remains high, especially among the young, and the average monthly salary level in the public sector does not exceed EUR 100.

Figure 1: Real GDP growth (C)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.