

Executive Briefing

- Next presidential elections are due in 2021; although out of recession, IMF decision to delay part of its loan programme could cause some instability in the short term
- Economic growth likely in short-term but set to weaken as mature oil fields pass peak production
- Sales of crude oil account for 75% of Congo-Brazzaville's export revenue and 80% of all government revenue
- Government keen to develop mining sector and especially its largely untapped iron ore deposits

Macroeconomic Outlook

Congo-Brazzaville's offshore oil reserves means it is one of the top five oil producers in sub-Saharan Africa. Congo-Brazzaville also holds sizeable proven natural gas reserves. It is in this context that the Congolese economy is in the midst of temporary acceleration in terms of GDP growth, which is set to increase to 3.3% in 2020 from 2.5% in 2019 and less than 0.5% in 2018. The main driver for this acceleration in economic performance will be rising oil output with production at several fields set to rise to full capacity. The country's mining sector as well will support economic growth with production at Sapro's Mayoko project rising towards the target level of 12 million tonnes/year in 2022.

However, this economic bounce is threatened by the fact that oil production growth is likely to return to negative territory in 2021 as a number of mature fields begin to see production declines. Although growing iron output will continue to provide some positive impetus to headline growth, the outsized weighting of oil production, which makes up just under 50% of total economic output, means that headline growth will slow sharply in 2021. Consequently, real GDP growth will fall to the 2% per year range to 2028.

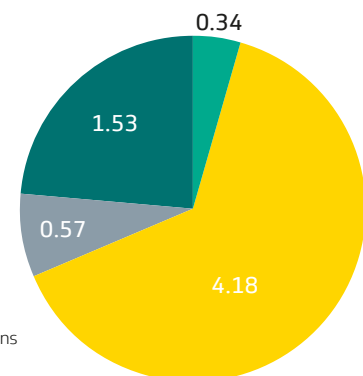
The euro-pegged CFA franc has helped keep inflation and interest rates low by regional standards. Inflation is expected to average 2.7% between 2019 and 2028. However, over-reliance on the oil industry has made the economy vulnerable to shifts in oil prices.

Political Climate

Presidential elections are scheduled for 2021 and President Denis Sassou Nguesso used his state of the nation address in December 2019 to comment that recession has been reversed. However, the current political climate has been dominated by the IMF's decision to delay payments of a loan programme. It is likely that payments will continue but could lead to some social tensions in the short term if any public debt issues were to emerge.

Congo Brazzaville – GDP by Output, USD billion (2020)

- Agriculture
- Mining
- Industry (ex mining)
- Services



Source: World Bank, Fitch Solutions

Government consumption will continue to play a significant role in the economy and is expected to rise to 16% of GDP by 2028. Fixed investment will contribute an average of 1.9 percentage points to real GDP growth between 2020 and 2028, primarily due to the dominance of the oil industry over other public and private sector actors as well as growing investment into the country's iron ore industry.

Key Macroeconomic Indicators	2017	2018	2019	2019-23 ave	2019-28 ave
Population, million	5.11	5.24	5.38	5.66	6.02
Real GDP Growth, % y-o-y	-4.59	0.36	2.47	1.52	2.01
Real GDP per capita, USD	2647.72	2589.64	2586.56	2536.77	2497.67
Inflation (%)	0.45	1.84	2.30	2.62	2.66
Fiscal balance, % of GDP	-8.72	10.23	12.56	-0.56	-3.04
Public debt, % of GDP	121.39	157.94	145.56	123.90	115.91
Current account balance, % of GDP	-9.95	1.60	3.32	0.73	-9.40
Exchange rate, XAF/USD, ave	546.40	570.40	601.80	582.82	574.15

Source: National Sources, Fitch Solutions

Business & Trade Climate

The government has ambitious plans to diversify the economy away from dependence on oil exports and aims to attract more foreign investment into mining, timber, construction and telecommunications sectors.

Weaker oil production will result in exports contracting by 2.6% in 2020.

Oil production is expected to decline at a rate of 1-2% per year over the next decade as mature fields pass peak production and oil reserves are expected to fall to under 0.3bbl by 2028, unless current exploration activities yield further discoveries. Sales of crude oil account for 75% of Congo-Brazzaville's export revenue and 80% of all government revenue. In 2018, China was the largest destination for Congolese crude, accounting for 82% of crude exports followed by Australia (4%), India (4%) and USA (4%).

Although mining exports only accounted for 2.7% of total exports in 2018, this grew from negligible levels in 2017. Recent years have seen a notable increase in the export of copper, tin and other metals to China. Capital inputs into the oil, mining and construction sectors account for the largest share of Congo-Brazzaville's imports (42%).

Congo-Brazzaville's relatively undiversified domestic economic base will continue to underpin import dependency.

Congo Brazzaville Exports & Imports (US billion), 2018



Source: ITC

Market Risk

Risk Factor	Impact on Business
Potential for political tension	IMF withholding payments from loan programme could dent investor confidence
Over reliance on oil industry	Economy vulnerable to shifts in oil prices and decline in production will impact economic performance
Levels of public debt growing as result of IMF withholding payments	Any failure to clear arrears around social payments and pensions could cause political tensions

Investment Opportunities



Mining

Numerous opportunities exist in the mining sector, with renewed interest and a number of significant investments in iron ore, tin and cobalt in particular. The country has large and untapped high-grade iron ore deposits, and the government is keen to develop the sector to reduce the economy's reliance on oil. The competitive landscape remains largely underdeveloped.



Oil and Gas

The successful development of several large offshore oil discoveries could buoy exploration interest in Congo-Brazzaville. Opportunities also exist in the implementation of enhanced oil recovery techniques in the country's more mature fields. Furthermore, the country has substantial oil sand reserves. The monetisation of the country's relatively large offshore gas reserves remains contingent on plans for an FLNG export terminal.



Forestry

The Congo Basin (a large part of which lies in Congo-Brazzaville) has huge forest and timber resources. The timber industry is the second-largest employer in the country and timber is an important export. In an effort to develop value-added wood production, the government has limited log exports, setting the minimum processing rate at 80%.



ICT

Minimal wireline infrastructure means there is significant opportunity to provide internet and data services via wireless infrastructures. Utilisation of submarine and terrestrial fibre should make broadband services cheaper by providing more reliable and affordable international bandwidth. The privatisation of Congo Telecom could encourage further sector development and provide a source of government income.

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