DEMOCRATIC REP. OF CONGO

Table 1	2022
Population, million	99.0
GDP, current US$ billion	63.1
GDP per capita, current US$	637.8
International poverty rate ($2.15)[a]	69.7
Lower middle-income poverty rate ($3.65)[a]	87.7
Upper middle-income poverty rate ($6.85)[a]	97.4
Gini index[a]	42.1
School enrollment, primary (% gross)[b]	123.9
Life expectancy at birth, years[b]	59.7
Total GHG emissions (mtCO2e)	681.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2012), 2017 PPPs.
b/ Most recent WDI value (2020).

DRC's economy grew by 8.6 percent in 2022 as mining production expanded. Elevated prices of imported food and oil led to higher inflation and a wider current account deficit despite rising exports. Capital inflows added to foreign reserves and supported currency stability. Government revenues improved, but the fiscal deficit widened with increased security and infrastructure spending. Prospects for growth and poverty reduction are favorable, but vulnerable to commodity price shocks.

Key conditions and challenges

The Democratic Republic of the Congo (DRC), home to the second-largest rainforest in the world and vast metal deposits, has yet to leverage its natural wealth into economic development. The economy is highly concentrated in the extraction of copper and cobalt, which constitute over 80 percent of exports (40 percent of which headed to China). With its agricultural potential untapped, DRC is a net food importer, increasing vulnerabilities to external shocks. Political instability, weak institutional capacity, poor governance, and recurring episodes of violence have prevented DRC from building the foundations of a diversified and resilient economy capable of generating economic opportunities for a rapidly growing population, leading to high levels of poverty. Persistent structural constraints result in an underdeveloped private sector and large informal economy. Climate change adds to these challenges.

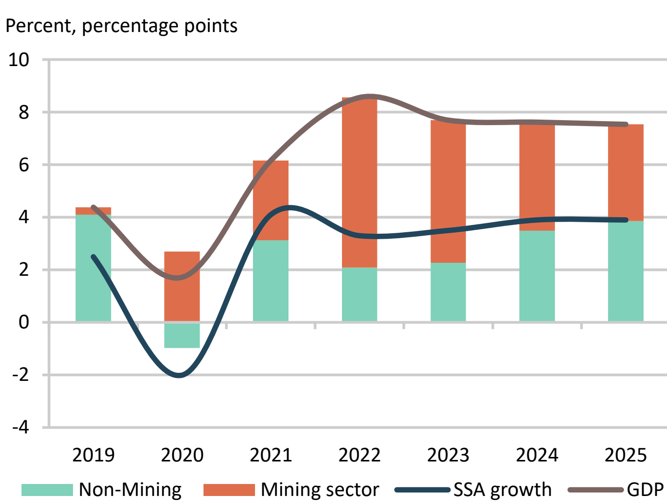
The fragile political context is fueled by the complex dynamics of political coalitions. Reaching political consensus – mainly ahead of the 2023 presidential elections - and increasing the presence and credibility of the state, including through improved governance, are key to maintaining stability, peace and advancing structural reforms that will attract investments and create jobs. The need for the state to deliver more and better services to citizens while maintaining hard-earned macroeconomic stability highlights the crucial role of improving domestic revenue mobilization to widen fiscal space.

Poverty remains widespread in the country, with the bulk of the poor living in extreme poverty. While there are significant geographical disparities between provinces, with the poorest living along two densely populated corridors running from West (Kongo Central) to East (Haut Katanga), and North (Ituri) to South (Tanganyika), poverty exceeds 50 percent even in the wealthier provinces. DRC remains second in Sub-Saharan Africa after Nigeria in terms of the number of extreme poor despite some improvements in the past decades.

Recent developments

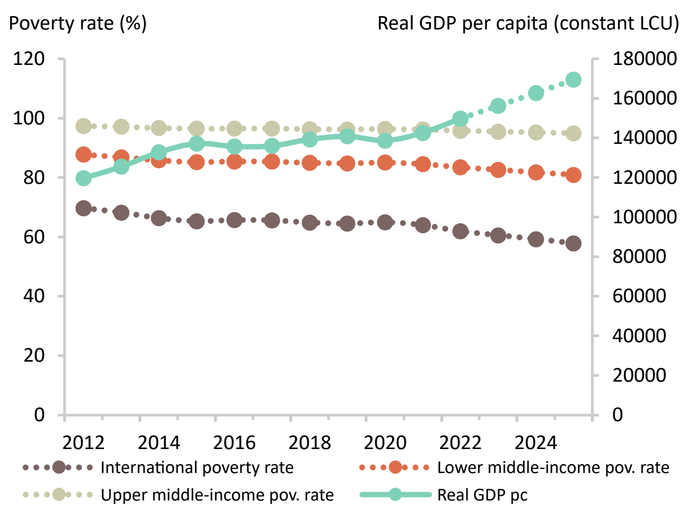
GDP growth picked up to 8.6 percent in 2022 driven by a strong mining sector, which expanded by 20.8 percent, owing to capacity expansion and recovery in global demand. Copper and cobalt production increased by 33.3 and 24.0 percent, respectively, in 2022. However, DRC faced an overall negative terms-of-trade shock due to the Russia's invasion of Ukraine, and growth in non-mining sectors was modest, slowing down to 3.0 percent in 2022 (2021: 4.5 percent). On the demand side, growth was led by public investment and exports, while private consumption was constrained by higher inflation.

FIGURE 1 Democratic Republic of Congo / Real GDP growth and contributions to real GDP growth



Sources: Democratic Republic of Congo Statistical Authorities and World Bank.

FIGURE 2 Democratic Republic of Congo / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

The current account deficit deteriorated to 2.9 percent of GDP in 2022 as strong export earnings could not compensate rising food and fuel import bills. Average inflation accelerated to 9.2 percent in 2022 and the Central bank opted for a tight monetary policy to anchor inflation expectations. Nevertheless, FDI and external financing contributed to build up foreign reserves, reaching 7.9 weeks of imports in 2022 (2021: 5.4 weeks), and to exchange rate stability.

The fiscal deficit widened to 2.7 percent in 2022. Domestic revenues peaked at 15.6 percent of GDP in 2022, owing to favorable commodity prices and digitalization of revenue collection process. In turn, expenditures stood at 19.7 percent of GDP in 2022 due to exceptional security spending and arrears repayments, in addition to wage adjustments and fuel subsidies.

The latest World Bank projections put extreme poverty at 60.5 percent in 2023, a 1.4 percentage points decrease compared to 2022. This decrease is due to favorable economic performance, despite the negative effects of the war in Ukraine.

Outlook

GDP growth is projected to decelerate to 7.7 percent in 2023 and 7.5 percent in 2025 with the end of the Kamoa-Kakula mine expansion in 2024. The mining sector is expected to slightly decelerate, while growth in non-mining sectors (services, manufacturing) gradually picks up, doubling to 6.2 percent by 2025.

The fiscal deficit is expected at 2.1 percent of GDP in 2023, driven by election-related spending, before narrowing to 1.0 percent in 2025. Despite rising imports of capital goods, the current account deficit will narrow to a range of 1.0 percent of GDP in 2023-2025 given improved terms of trade associated with favorable commodity prices. Further FDI inflows will contribute to building-up reserves and maintaining exchange rate stability while the inflation rate is expected to be brought back down to its 7 percent medium-term target.

Extreme poverty is projected to further decrease by 2.7 percentage points by 2025 given favorable economic prospects, despite the lasting negative effects of the pandemic, the insecurity in the east of the country, and the war in Ukraine.

DRC's economy remains vulnerable to commodity price swings and growth performance of major trading partners which might be disturbed by geopolitical conflicts. The continued economic consequences of the war in Ukraine, through rising global food costs and higher oil prices, could exert stronger pressure on fiscal deficit, inflation and on households' consumption, thus, exacerbating poverty and inequality.

With the agriculture sector employing over 60 percent of the working age population, vulnerability to climate change related risks (floods, droughts) is substantial. Finally, an escalating war in the East and continued political uncertainty ahead of the planned 2023 presidential elections, might delay reform efforts, worsen fiscal imbalances and generate arrears. Given persistent conflicts in the East, DRC's immediate challenge is to strengthen security and maintain political and macroeconomic stability while stepping up ongoing reforms to ensure sustainable growth.

TABLE 2 Democratic Republic of Congo / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2020	2021	2022e	2023f	2024f	2025f
Real GDP growth, at constant market prices	1.7	6.2	8.6	7.7	7.6	7.5
Private Consumption	-8.0	1.6	0.8	4.2	3.8	2.5
Government Consumption	9.5	11.8	25.1	9.2	1.7	-2.2
Gross Fixed Capital Investment	37.8	21.8	25.5	7.8	10.9	11.8
Exports, Goods and Services	4.0	19.9	23.8	15.8	6.0	5.5
Imports, Goods and Services	15.1	21.7	24.5	9.1	6.0	5.0
Real GDP growth, at constant factor prices	2.3	6.2	8.6	7.7	7.6	7.5
Agriculture	2.5	2.4	2.7	2.8	2.9	3.1
Industry	4.2	7.9	15.1	12.4	9.8	9.0
Services	0.1	5.6	3.0	3.3	6.2	7.0
Inflation (Consumer Price Index)	11.4	9.1	9.2	8.5	7.2	6.8
Current Account Balance (% of GDP)	-2.3	-0.9	-2.9	-1.0	-0.9	-1.0
Fiscal Balance (% of GDP)	-1.2	-0.8	-2.7	-2.1	-1.0	-1.0
Revenues (% of GDP)	9.2	13.8	16.9	17.0	16.5	16.3
Debt (% of GDP)	22.9	23.9	25.1	23.3	23.1	23.1
Primary Balance (% of GDP)	-1.0	-0.7	-2.2	-1.5	-0.5	-0.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	64.9	64.0	61.9	60.5	59.3	57.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	85.0	84.5	83.4	82.6	81.7	80.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	96.4	96.1	95.8	95.5	95.2	94.9
GHG emissions growth (mtCO2e)	0.0	0.1	0.2	0.2	0.3	0.4
Energy related GHG emissions (% of total)	1.2	1.2	1.2	1.2	1.2	1.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2012-E123. Actual data: 2012. Nowcast: 2013-2022. Forecasts are from 2023 to 2025.
b/ Projection using neutral distribution (2012) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.