

COUNTRY PROFILE:**REPUBLIC OF THE CONGO****DATED:****FEBRUARY 2009****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	3C	No Restriction

Recent Political Highlights

- ❑ Chief of state since October 1997 - after the civil war in which he toppled the then elected President Pascal Lissouba - has been President Sassou-Nguesso.
- ❑ The president is elected for a seven-year term and is eligible for a second term. The next election is due in July 2009.

Recent Economic Highlights

- ❑ Congo has a population of 3.9m with an estimated growth rate of 2.7% in 2008.
- ❑ Congo is one of sub-Saharan Africa's main oil producers, though 70% of the population lives in poverty. Oil is the mainstay of the economy and in recent years the country has tried to improve financial transparency in the sector. Oil accounts for 75% of GDP.
- ❑ Economic growth was expected to be 7.6% in 2008 on the back of a successful effort to promote growth in the non-oil sector. Growth is forecast to be even stronger in 2009 although lower oil prices may thwart this. The country does not expect the global economic crisis to have a severe effect on its economy. The IMF recently gave an analysis of the economy where it approved a modest economic support programme and a disbursement of \$1.79m. It noted that strong growth in the non-oil sector in 2008 strengthened the country's balance of payments considerably. GDP growth contracted by 1.6% in 2007 due to a sharp decrease in oil production. The IMF forecasts growth of 12.7% in 2009 and 12.3% in 2010, but warned of the impact of the global crisis. It stated that Congo's challenges to accelerate growth to alleviate poverty include the need to improve international competitiveness, raise output growth through diversification and consolidate the fiscal position. The IMF encouraged Congo to be prudent in public spending and foreign exchange reserve management in case of emergency.
- ❑ The timber industry has been affected by the crisis, as timber workers in the Pointe-Noire in the south of the country were informed last November of the possibility of job cuts. The forestry sector in Congo is the second-biggest earner of foreign currency after oil. The sector has created over 10,000 jobs in the decade after the civil war and employs over 30% of the working population. The crisis is making it difficult for wood producers to find markets for their goods and are cutting prices and thus not able to pay timber taxes and other duties. They fear that if the crisis is prolonged, thousands of workers will lose their jobs.
- ❑ After negotiating with its main creditors, Government was able to cancel \$643m and rescheduled \$119m in debt in December 2008. Congo's remaining debt burden is still significant at \$2.8bn. Congolese authorities struck a deal with several single creditors, pledging that they were willing to grant additional debt relief for the country on a bilateral basis beyond the terms of the Paris Club agreement.
- ❑ Government's attempts aimed at reducing the cost of staple commodities, where salaries have remained unchanged for years, have failed to stem food inflation. Many people have been forced to change their diets, adversely impacting on their health. Nearly all commodities experienced sharp price increases in the second half of last year. According to UNICEF, Congo suffers a 'silent hunger' underlined by a high prevalence of anaemia due to a lack of iron in diets. At least 400,000 children under five years of age have anaemia.

Latest Trade Developments

- ❑ Main export commodities: Petroleum, lumber, plywood, sugar, cocoa and diamonds.
- ❑ Main import commodities: capital equipment, construction materials and food.
- ❑ Major trading partners: France, South Korea, China, Italy, India, US and Taiwan.
- ❑ SA's exports to Congo totaled R427m in 2007 from R371m in 2006 and R101m in the year to March 2008. Imports from Congo totaled R24m in 2007 from R17m in 2006 and R2m in the year to March 2008.

Lily Maharaj – Economic Services