

## Large relatively untapped potential hindered by security and stability concerns

### General Information



<b>GDP</b>	USD32.69 bn (World ranking 95, World Bank 2013)
<b>Population</b>	67.51 mn (World ranking 19, World Bank 2013)
<b>Form of state</b>	Republic
<b>Head of government</b>	Joseph KABILA
<b>Next elections</b>	2016, presidential and legislative (National Assembly)



### Strengths

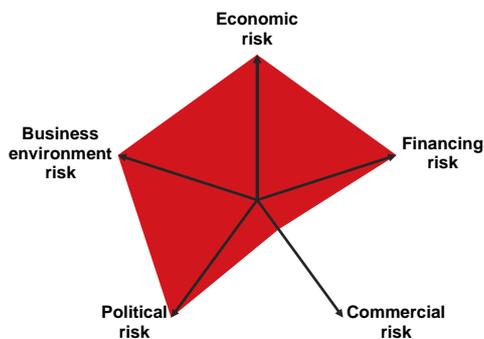
- Extensive natural resource base, including copper, cobalt, gold, diamonds, oil, forestry products and hydroelectric power potential (the Inga III dam project, with support from the World Bank, could boost power supply in the longer term).
- Attempts to maintain domestic and regional stability are assisted 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	
South Korea	3%	5	5%	Zimbabwe	

By product (% of total)

Exports		Rank		Imports	
Non Ferrous Metals	55%	1	7%	Road Vehicles	
Metalliferous Ores	23%	2	7%	Manufactures of Metal	
Petroleum	11%	3	6%	Machinery	
Non Metallic Mineral	3%	4	6%	Petroleum	

Source: UNCTAD



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## Economic Overview

### Annual GDP growth has been high for several years and the outlook is for further rapid expansion

Following an Article IV consultation in May-June 2015, the IMF issued an assessment that indicates that the DRC continues to enjoy one of the highest GDP growth rates in the world, driven by mining output, notably copper and gold, and an expanding services sector. The country's natural resource base is substantial, with 80 mn hectares of arable land, over 1,100 minerals and precious metals, large copper reserves and DRC is the world's leading producer of cobalt. The IMF indicates that these high growth rates are likely to continue, although the Fund acknowledges that the country faces substantial economic challenges.

Over a ten-year period to end-2014, annual average GDP growth was +5.7%, with +8.5% registered in 2013. EH expects GDP growth will be +6% in both 2015 and 2016, although there are significant upside (the IMF projects higher growth in the region of +9% and +8%) and downside risks (particularly involving uncertain political and social developments).

### External accounts depend largely on the strength of exports from the mining sector and therefore on commodity prices

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 subject to considerable corruption and its management represents a key challenge to any 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.

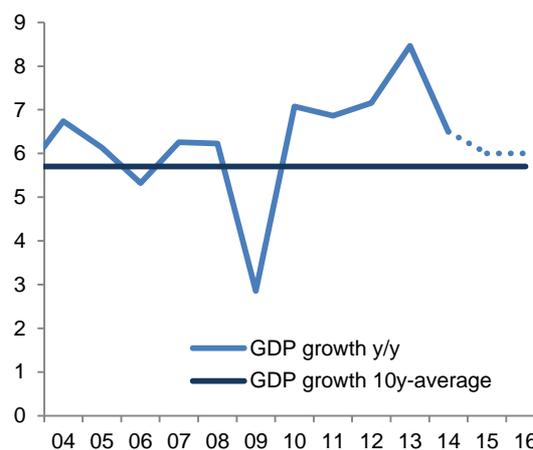
Hydrocarbons and mining codes are subject to revision. The government seeks to increase local content requirements, royalty fees and taxation and there is associated uncertainty in relation to investment terms and conditions. As a result, doing business with (or in) the country remains challenging. This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

### Key economic forecasts

	2013	2014f	2015f	2016f
GDP growth (% change)	8.5	6.5	6.0	6.0
Inflation (% end-year)	1.8	1.2	5.7	10.1
Fiscal balance (% of GDP)	-7.7	-9.1	-10.5	-11.7
Public debt (% of GDP)	n.a.	n.a.	n.a.	n.a.
Current account (% of GDP)	-8.8	-3.7	-2.2	-4.3
External debt (% of GDP)	80.8	77.0	80.2	94.3

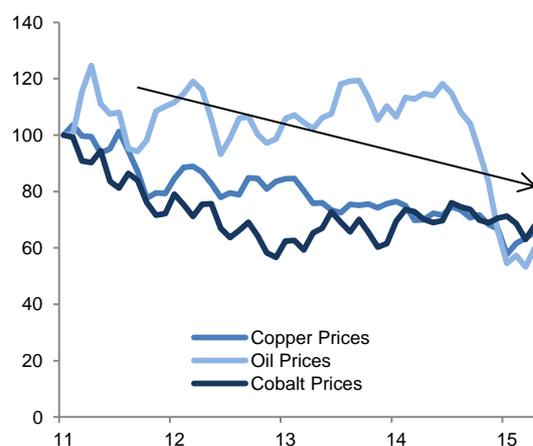
Sources: IHS, national sources, Euler Hermes

### Real GDP growth (%)



Sources: IHS, IMF, Euler Hermes

### Commodity Prices (Index 100=Jan 2011)



Sources: IHS, Bloomberg, Euler Hermes

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