REPUBLIC OF CONGO: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE

As of May 30, 2012

	Date of latest observation	Date received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of publication[7]
Exchange Rates	Current	Current	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	January 2012	April 2012	M	M	M
Reserve/Base Money	January 2012	April 2012	M	M	M
Broad Money	January 2012	April 2012	M	M	M
Central Bank Balance Sheet	March 2012	May 2012	M	M	M
Consolidated Balance Sheet of the Banking System	January 2012	April 2012	M	M	M
Interest Rates[2]	December 2011	January 2012	M	M	M
Consumer Price Index	April 2011	May 2012	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	N/A	N/A	N/A	N/A	N/A
Revenue, Expenditure, Balance and Composition of Financing[3] – Central Government	March 2012	May 2012	Q	Q	Q
Stocks of Central Government and Central Government-Guaranteed Debt[5]	March 2012	May 2012	Q	Q	Q
External Current Account Balance	December 2011	May 2012	A	A	A
Exports and Imports of Goods and Services	December 2011	May 2012	A	A	A
GDP/GNP	December 2011	April 2012	A	A	A
Gross External Debt	March 2012	May 2012	Q	Q	Q
International Investment Position[6]	...	...	NA	NA	NA

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic non-bank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability positions vis-à-vis nonresidents.
[7] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A); Irregular (I); Not Available (NA).

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700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes Article IV Consultation with Republic of Congo

On June 27, 2012, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Republic of Congo.[1]

Background

Economic performance strengthened in 2011. While production in maturing oil fields declined, non-oil growth accelerated, buoyed by strong activity in the construction, telecommunications and transport sectors. The scaling up of public investment provided a further boost to activity through improvements to the road system, which facilitated transport of goods between the port and the capital city. Inflation declined to below the Central African Economic and Monerary Community (CEMAC) convergence criteria of 3 percent as supply bottlenecks eased and school tuition fees were eliminated.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

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The external position remained strong, with the sustained large fiscal surplus raising official foreign assets. At end 2011, net external debt turned negative, with assets exceeding debt by about 30 percent of Gross Domestic Product (GDP). Despite high oil prices, the current account registered only a small surplus reflecting high imports associated with the scaling up of public investment and strong profit remittances by oil companies. The terms of trade improved, but the real effective exchange rate moved sideways, ending the year broadly unchanged.

The overall fiscal cash balance registered a double-digit surplus, despite the significant scaling up of investment. Revenue was supported by high oil prices and improvements in non-oil revenue collection, while additional fiscal space was provided through rationalization of current expenditure. However, these efforts were insufficient to offset the higher capital spending, and as a result, the 2011 basic non-oil primary deficit (BNOPD) widened by over ten percentage points of non-oil GDP.

In March 2012, a munitions depot exploded in Brazzaville causing widespread destruction and loss of life. Reconstruction efforts are underway, and a very large supplemental budget was approved in April. Despite the high import content, the additional spending is expected to boost growth, while the low level of economic diversification and limited domestic capacity for a supply response will push inflation higher. The overall fiscal cash balance is expected to remain in surplus, but the BNOPD would deteriorate significantly, to over 70 percent of non-oil GDP. Higher imports would reduce the current account surplus to near balance.

Beyond 2012, the outlook is favorable. Public investment is laying a foundation of basic infrastructure and the government has started to implement their action plan to improve the business climate. Non-oil growth is expected to remain robust as economic diversification moves forward, with new investments beginning over the medium term in mining and agroindustry.

As production in mature oil fields continues to taper off, the current account will remain in slight surplus before turning sharply negative in 2015–17 reflecting imported investment

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goods related to a huge mine expected to come on stream in late 2017. External risks appear manageable, as inward spillovers from a worsening of the situation in Europe are relatively limited due to weak trade and financial linkages. The risk of a large negative shock to the oil price is partially attenuated by ample regional reserve holdings and sizable fiscal buffers held offshore. Domestic risks surround uncertainties regarding the ability of public investment and structural reform to raise future growth and deliver poverty reduction. Maintaining reform momentum for strong policy implementation will help mitigate these risks.

Executive Board Assessment

Executive Directors commended the authorities for achieving macroeconomic stability. Despite robust growth, poverty nevertheless remains widespread and unemployment is high. Directors urged the authorities to use the favorable environment to pursue ambitious reforms in order to broaden the economic base and make growth more inclusive.

Directors agreed that fiscal policy appropriately focuses on scaling up investment, while saving a portion of oil revenue. They recognized the pressing capital expenditure needs, especially in response to the devastating arms depot explosion in Brazzaville, but underscored the importance of project prioritization to ensure that the level of investment is consistent with absorptive and implementation capacity. Directors emphasized that improving public financial management is critical to enhancing expenditure quality. They welcomed efforts to strengthen accountability through adoption of a results-based management framework and expenditure control measures. Directors also called for efforts to contain non-priority current spending and increase non-oil revenue collection. They saw merit in a simple fiscal rule to help anchor spending and savings objectives.

Directors welcomed the new National Development Plan. They noted that unlocking the country’s sizable economic potential requires coordinated efforts to improve the business climate, develop the financial sector, and address the labor skills mismatch and high youth unemployment. Directors emphasized the importance of creating a stable business environment governed by the rule of law and adequate investor protection. They urged a

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cautious approach to the use of special economic zones given the risks these entail in creating a dual tax system. Directors also encouraged the authorities to conduct a skills assessment to inform labor policies and to work with the private sector regarding training needs.

Directors noted that Congo's membership in CEMAC and the region's common fixed exchange rate regime has anchored macroeconomic stability. They urged the authorities to comply with all CEMAC obligations, including the repatriation and reserve pooling requirements. In addition, Directors encouraged timely compliance with the Extractive Industries Transparency Initiative and stronger efforts to improve national accounts and balance-of-payments data.

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