

DR Congo Perspectives on Financial Crisis

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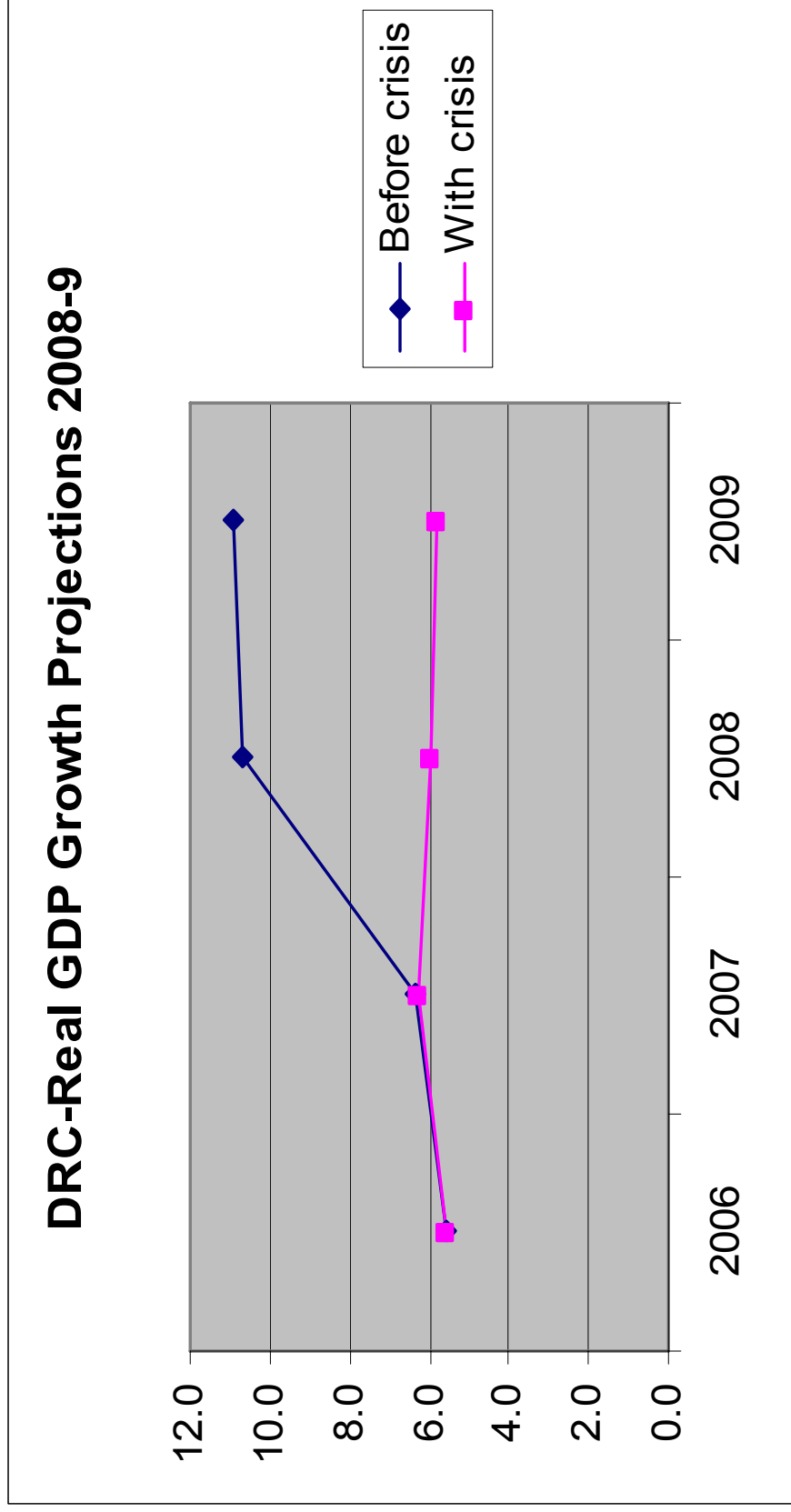
Main Impact of the Crisis

Slowdown in Overall Economic Growth.

GDP Growth Projections for 2008-2009:

- **Before Crisis: 11% Projected. Expected to be driven mainly by Mining and Infrastructure Sectors.**
- **With Crisis : From 9% (early November projections) to 6% (recent projections)**
- **With Crisis Going On : Situation likely to deteriorate even more.**

DRC Real GDP Growth Before & With Crisis



Expected Sources of Growth

Being Affected

- DRC economic growth for next coming years was expected to be boosted by 2 major sectors : Mining & Infrastructure/ Construction.
- Mining sector is severely affected by exogenous shocks, from world markets.
- Infrastructure sector activity, most to be financed through the Chinese deal, is expected to slowdown.

Critical Impact on the Mining

- **At the origine : fall in prices on international markets for key DRC commodity exports, including copper which prices reduced considerably.**
- **As a result : a number of DRC mining companies are scaling down their activities, and closing or delaying work until global financial crisis and commodity markets stabilize.**
- **Mining investment flows are expected to decrease significantly .**

Expectations in Infrastructure also to be Revised Downward

- **Most of infrastructure/ construction investment in DRC for the coming years are expected to be financed through the Chinese Deal.**
- **Since the deal is “Infrastructure against Mining”, it is suggested that Chinese infrastructure investment will no longer materialize in the proportion expected or will be postponed due to the impact of sharp reductions in mineral prices.**

Implications on External Sector

- **As a result of the fall in mining and oil prices, export revenues will be reduced considerably .The estimated reduction for 2009 is about \$US 1.6 billion.**
- **The current account surplus, sustained by booming mining product prices in 2007-early 2008, is projected to turn to a deficit in 2009-10.**
- **International reserves are expected to decrease significantly, and debt service payments to be delayed.**
- **Foreign aid may as well be affected**

Other Implications to the Economy

- **Risk for lowering of banks deposits and credits, in particular for most affected sectors like mining.**
- **A number of companies are expected to reduce or delay activities or to close .**
- **A real threat for employment.**

Another Crisis – More Negative Effect to the Economy

- **Beside the financial crisis, the DRC is facing an important humanitarian and security crisis in the East, caused by armed conflict.**
- **Economic implications : Reduction in fiscal revenue; Increasing pressure for government expenditure/ higher defense and security spending; Slowdown in production activity including in agriculture, and decrease in investment flows, etc. particularly in affected areas.**

Harmful Impact also to Populations/ Social Sectors

- **Armed conflicts, at the origine of the current humanitarian crisis, force populations to mass movements leading to food safety issues including malnutrition for children, diseases, violence particularly against women, risk for child enrollement by armed militia, as well as difficult access to basic social services.**

DRC Response to the Financial Crisis

To address the crisis issue, the DRC Govt :

- Is working to preserve macroeconomic stability by prudent monetary and fiscal policies, in particular in the current context of higher humanitarian and military spending.**
- Is discussing with donor community to get an emergency financial support. The WB and the IMF have launched respectively the process to provide such an assistance to DRC. In the meantime, dialogue is going on for a PRGF which should lead to the HIPC Completion Point.**

Thank you