

CHAD

Table 1 **2021**

Population, million	16.9
GDP, current US\$ billion	11.4
GDP per capita, current US\$	672.8
International poverty rate (\$1.9) ^a	33.2
Lower middle-income poverty rate (\$3.2) ^a	66.4
Upper middle-income poverty rate (\$5.5) ^a	87.9
Gini index ^a	37.5
School enrollment, primary (% gross) ^b	89.2
Life expectancy at birth, years ^b	54.2
Total GHG Emissions (mtCO2e)	118.2

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2018), 2011 PPPs.

b/ Most recent WDI value (2019).

GDP contracted by 1.2 percent in 2021 (4.2 percent per capita) - the second consecutive year of recession – due to a temporary suspension of oil production, socio-political insecurity, and liquidity constraints. This situation likely increased extreme poverty by 2 percentage points. Growing food and general insecurity, climatic shocks, and continued dependency on volatile oil revenues heightens the risks to the fragile recovery during a sensitive political transition.

Key conditions and challenges

Chad's economy has performed below potential since the 2014-15 oil price shock. Notwithstanding the 2018-19 recovery, annual GDP growth contracted by 1.1 percent on average over the past six years, which, given the rapidly growing population, translated into an annual decrease in per capita income of 4.1 percent. Oil constitutes about 20 percent of GDP, 35 percent of revenue, and 75 percent of exports. Chad ranked 187th out of 189 countries on the Human Development Index in 2020. Living conditions and access to essential services remain poor due to severe weather conditions, cyclical insecurity, political unrest, weak governance, including oil revenues management, poor trade networks, low human capital investment, and a lack of infrastructure.

Chad has not strengthened regional integration, economic transformation, or access to electricity and digital technologies. Growing political and security expenses and high levels of debt service relative to domestic revenue have constrained Chad's ability to improve basic services and infrastructure delivery.

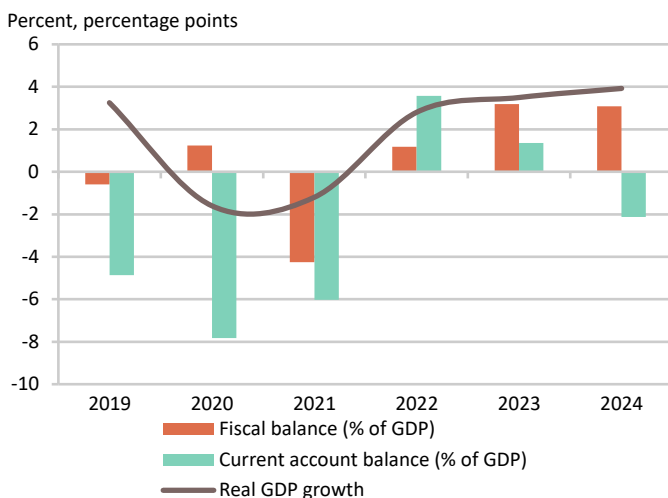
Recent developments

Chad's GDP contracted by 1.2 percent (4.2 percent per capita) in 2021, following a 1.6

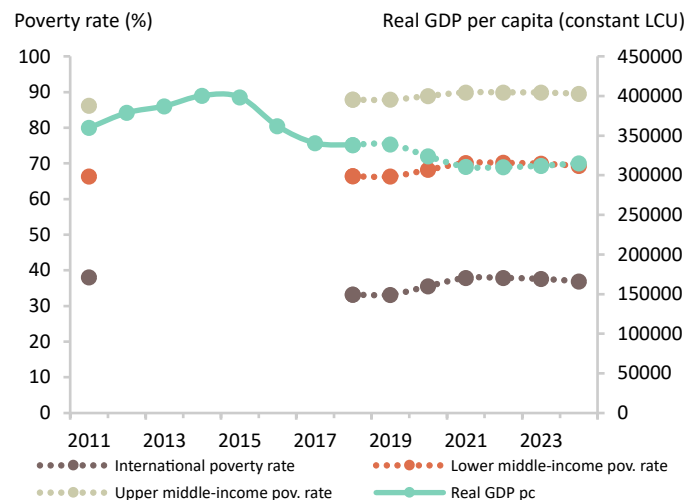
percent (4.6 percent per capita) contraction in 2020. The passing of President Deby led to economic disruptions in the second quarter of 2021 as the new authorities consolidated power. Workers' strikes led to the suspension of oil production on Esso plants (one-fourth of Chad's production), driving a decline in oil production of 8.2 percent over the year. Although the country suffered from food insecurity, due partly to weak cereal production after poor rains, agriculture remained the main non-oil growth driver, contributing 1.9 percentage points (pp), while services contracted 4.4 pp. Export value increased by 55.3 percent due to the increase in oil prices (66.4 percent), helping the current account deficit narrow from 7.8 percent of GDP to 5.6 percent in 2021.

As containment measures on domestic supply chains were slowly lifted, inflation dropped from 3.5 percent to one percent in 2021. Food inflation was 3 percent, significantly lower than the rest of Sahel. Chad's monetary and exchange rate policies are managed by the regional Central Bank, which supported regional reserve accumulation by raising its policy rate to 3.5 percent and the marginal lending facility rate from 5 to 5.25 percent. As a result, regional reserves increased to 3.4 months of imports from 3.1 months in 2020, thanks also to regional fiscal consolidation policies and rising oil prices.

Despite a significant increase in oil prices, the fiscal deficit, excluding grants, stood at 6.7 percent of GDP (4.3 percent including grants) in 2021, due to the one-year lag in the main component of oil-revenue taxation as well as an increase in security and

FIGURE 1 Chad / GDP growth, current account and fiscal balance


Source: World Bank

FIGURE 2 Chad / Actual and projected poverty rates and real GDP per capita


Source: World Bank. Notes: see Table 2.

political transition spending. Total public debt slightly increased while debt services remained too high; the Government has requested a debt restructuring under the G20 Common Framework to help restore debt sustainability.

The extreme poverty rate (US\$1.9/ day per capita, 2011 PPP) is projected to have increased by more than 2 pp between 2020 and 2021, reaching 37.8 percent, with the number of extremely poor increasing from 5.8 to 6.2 million. The COVID-19 crisis further impacted the livelihoods of poor and vulnerable households. In high-frequency phone surveys in 2021, 76 percent of households reported a loss in their total household income and 21 percent of households seeking health care could not get access to it.

Outlook

Based on current projections for oil prices, the global recovery, and the Government's gradual fiscal consolidation program, the economy is expected to

grow by 2.8 percent in 2022 (-0.2 percent per capita). The positive outlook for the oil sector, services, and agriculture should strengthen over the medium-term, with growth averaging 3.7 percent per annum. Higher global energy and food prices due to the Russia-Ukraine war is projected to increase inflation in 2022.

The current account balance is projected to become positive, at 0.9 percent of GDP on average over 2022-24, driven by increased activity in the oil and services sectors. The fiscal balance is expected to stand at 1.2 percent of GDP in 2022 and further improve in 2023-24 due to significant increases in oil revenues, more controlled security spending and less political transition-related expenditures. However, Chad will still need a significant debt restructuring to service its debts while increasing social and investment spending needs, and to reduce oil price volatility risk.

The extreme poverty rate is expected to increase to 38 percent in 2022 due to negative GDP per capita growth. The number of poor will likely increase to 6.4 million. Continued high food inflation, low coverage of social protection programs,

and lack of structural economic transformation will limit the space for poverty reduction. The social protection system should be strengthened to extend its coverage and better target the poorest and most vulnerable.

This outlook is subject to high uncertainty and multiple downside risks, including increased political instability during a transition period, intensified security risks, further climate-related shocks, continuing food security challenges, uncontrolled local COVID outbreaks, and widespread social discontent from food and general insecurity. At least one of these risks will likely materialize, and concurrent shocks are a possibility. The economic consequences of the Russia-Ukraine war would primarily be through higher global food (grains/fertilizer) and energy prices. The projections already reflect recent sharp increases in oil and gas, agriculture and metal and mineral prices since January 2022. Chad should benefit from higher global oil prices and direct this benefit towards inclusive growth to reduce poverty.

TABLE 2 Chad / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	3.2	-1.6	-1.2	2.8	3.5	3.9
Private Consumption	1.4	0.5	1.6	2.8	2.9	3.3
Government Consumption	1.7	11.1	3.7	3.7	0.2	0.0
Gross Fixed Capital Investment	6.6	-14.7	-4.5	0.7	5.3	7.2
Exports, Goods and Services	6.0	1.1	-0.4	3.9	4.6	3.7
Imports, Goods and Services	4.0	1.8	5.1	3.5	4.0	3.0
Real GDP growth, at constant factor prices	3.3	-1.6	-1.2	2.8	3.5	3.9
Agriculture	0.1	3.9	6.2	5.0	4.3	4.3
Industry	7.3	-0.1	-4.6	1.3	2.8	1.6
Services	2.5	-7.0	-4.4	2.1	3.3	5.6
Inflation (Consumer Price Index)	-1.0	3.5	1.0	3.5	3.0	3.0
Current Account Balance (% of GDP)	-4.9	-7.8	-6.0	3.6	1.4	-2.1
Fiscal Balance (% of GDP)	-0.6	1.2	-4.3	1.2	3.2	3.1
Debt (% of GDP)	51.1	49.9	52.1	51.6	53.2	47.6
Primary Balance (% of GDP)	1.0	2.9	-2.7	2.8	4.8	4.7
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	33.1	35.5	37.8	37.9	37.6	36.9
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	66.4	68.2	70.1	70.2	69.9	69.3
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	87.9	88.9	89.9	89.9	89.8	89.5
GHG emissions growth (mtCO2e)	3.8	4.0	4.2	4.2	4.2	4.2
Energy related GHG emissions (% of total)	1.6	1.5	1.5	1.5	1.5	1.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

a/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2021. Forecasts are from 2022 to 2024.

b/ Projection using neutral distribution (2018) with pass-through = 0.7 based on GDP per capita in constant LCU.