

CHAD

Table 1 **2021**

| | |
|--|-------|
| Population, million | 16.9 |
| GDP, current US\$ billion | 11.8 |
| GDP per capita, current US\$ | 696.8 |
| International poverty rate (\$2.15) ^a | 30.9 |
| Lower middle-income poverty rate (\$3.65) ^a | 64.6 |
| Upper middle-income poverty rate (\$6.85) ^a | 89.4 |
| Gini index ^a | 37.5 |
| School enrollment, primary (% gross) ^b | 89.2 |
| Life expectancy at birth, years ^b | 54.5 |
| Total GHG emissions (mtCO2e) | 111.8 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2020).

Chad's economy is projected to recover in 2022, with GDP growth reaching 3.1 percent driven by high oil prices. However, with virtually no growth in per capita GDP, 6 million people will be living in extreme poverty in 2022. Growth is expected to remain subdued with escalating food and general insecurity, climatic shocks, a sensitive political transition and dependency on volatile oil revenues presenting risks to sustained recovery.

Key conditions and challenges

Chad's economy has been on a weak growth path following 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 high population growth (3 percent on average), translated into an average annual decrease in per capita income of 4.1 percent. Growing political and security expenses and poor oil revenue management have constrained improvements in basic services and infrastructure delivery. Moreover, Chad's high dependency on a highly volatile oil market has threatened fiscal consolidation and debt sustainability.

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 cyclical insecurity, severe weather conditions, political unrest, institutional instability, weak governance – including oil revenues management –, poor trade networks, low human capital investment, and a lack of infrastructure.

Recent developments

Chad's economy is expected to recover in 2022, with GDP growing by 3.1 percent (0.1 percent in per capita terms), following

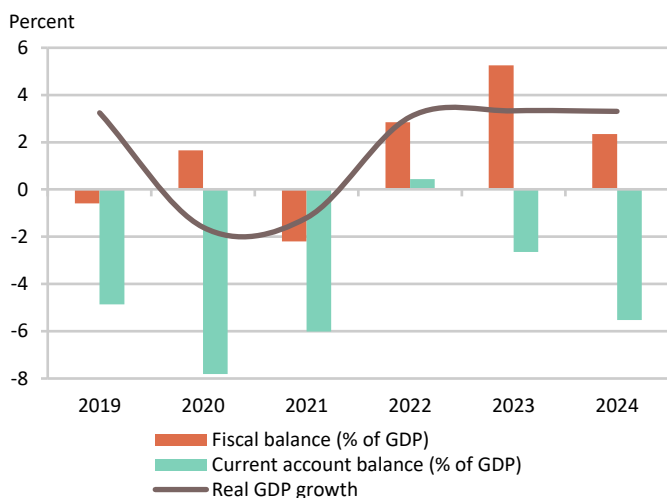
a 1.2 percent (4.1 percent in per capita terms) contraction in 2021. This recovery is driven by high oil prices (averaging \$100/bbl in 2022), as a result of the war in Ukraine. Despite weak cereal production after inadequate rainfall distribution and floods, agriculture (including livestock) will remain the main non-oil growth driver, contributing 1.3 percentage points (pp). Industry and services contribution to growth will turn positive by 1 pp and 0.7 pp respectively, thanks to the resumption of economic activities following a period of political instability. Exports value is projected to increase by 45.3 percent due to the increase in oil prices (by 44.8 percent), leading to a current account surplus of 0.4 percent of GDP in 2022, from a 6 percent deficit in 2021.

Inflation is projected to increase from 1.0 percent in 2021 to 5.3 percent in 2022, driven by high global prices in food and energy. Food inflation is projected to rise to 13 percent in 2022 due to the combined effects of high global food prices and weak domestic agricultural production.

Chad's monetary and exchange rate policies are managed by the regional Central Bank (BEAC), which is tightening monetary conditions to contain inflation and support the exchange rate. BEAC raised its policy rate from 3.5 to 4.0 percent and its marginal lending facility rate from 5.25 to 5.75 percent in March 2022. BEAC also decreased its weekly liquidity injections from CFAF 250 billion to CFAF 160 billion in April 2022.

With the 2021 increase in oil prices, the fiscal balance, including grants, is projected to reach a moderate surplus of 2.8 percent

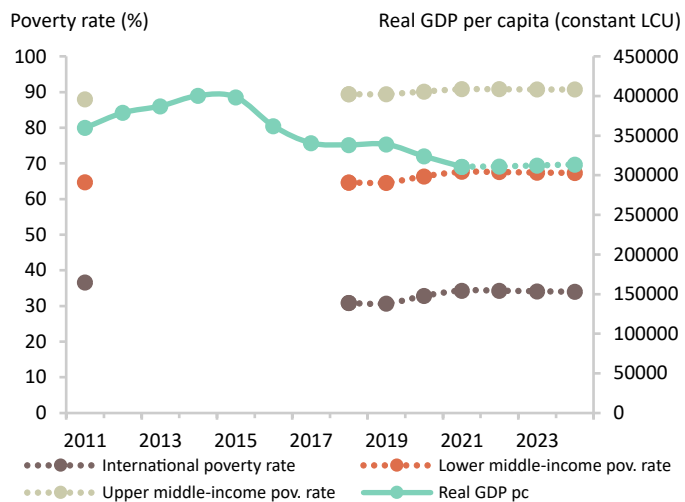
FIGURE 1 Chad / GDP growth, current account and fiscal balances



Source: World Bank.

Note: The windfall from high oil prices will be mostly used to service private sector debt, to Glencore.

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



Source: World Bank. Notes: see Table 2.

of GDP in 2022, due to the one-year lag in the main component of oil-revenue tax collection. Total public debt will accordingly drop to 44.9 percent of GDP, while the debt service to revenue ratio will remain above the high-risk threshold. The Government requested a debt restructuring under the G20 Common Framework in 2021 to help restore debt sustainability. The extreme poverty rate (US\$2.15/ day per capita, 2017 PPP) is estimated to remain unchanged between 2021 and 2022, at 34.3 percent. However, the number of extreme poor is projected to increase from 5.8 to 6 million. The rising number of poor households plus high food inflation will exacerbate food insecurity. Chad declared a national food emergency in June 2022 as 2.1 million people are projected to be severely food insecure during the lean season, from June to September. The situation is worsened by unprecedented floods during this lean season, which has affected over 340,000 people and destroyed 2,700 hectares of crops and farming land.

Outlook

Under a projected average oil price of \$86/ bbl in 2023-24, and assuming ongoing global recovery in international trade and increased government investment, the economy is expected to grow by an average 3.3 percent in 2023-24 (0.4 percent in per capita terms). Inflation will moderate slightly to 4.8 percent and 3.8 percent respectively in 2023 and 2024.

The current account is projected to turn negative in 2023-24 (4.1 percent of GDP on average), driven by lower oil prices and increased imports to support activities in the service sectors. The fiscal balance (including grants) is expected to increase to 5.3 percent of GDP in 2023, due to significantly higher oil revenues in 2023, based on the 2022 oil prices, and more controlled security spending, and then drop to 2.3 percent of GDP in 2024. Total public debt is projected to drop to 34 percent of GDP by end-2024,

although the debt service to revenue ratio will remain high.

The extreme poverty rate is expected to decline only slightly, by 0.1 ppt between 2023 and 2024, due to the positive GDP per capita growth, particularly in the agriculture sector where the majority of households earn their livelihoods. However, with rapid population growth, an additional 150,000 individuals will fall into poverty, and the number of poor is expected to reach 6.3 million. High food inflation exacerbated by the increase in transportation costs in remote areas, security restrictions negatively impacting household incomes, and low coverage of social protection programs will limit the pace of poverty reduction.

This outlook is subject to high uncertainty and multiple downside risks, including: dampening oil prices; increased political instability as the political transition enters its final phase with the preparation and the organization of elections; intensified security risks; further climate-related shocks; continuing food security challenges and related social discontent.

TABLE 2 Chad / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

| | 2019 | 2020 | 2021 | 2022e | 2023f | 2024f |
|--|------|-------|------|-------|-------|-------|
| Real GDP growth, at constant market prices | 3.2 | -1.6 | -1.2 | 3.1 | 3.3 | 3.3 |
| Private Consumption | 1.4 | 0.5 | 1.6 | 1.7 | 2.0 | 2.5 |
| Government Consumption | 1.7 | 11.1 | 3.7 | -0.1 | -1.2 | -3.5 |
| Gross Fixed Capital Investment | 6.6 | -14.7 | -4.5 | 6.5 | 7.8 | 8.1 |
| Exports, Goods and Services | 6.0 | 1.1 | -0.4 | 4.9 | 5.2 | 3.9 |
| Imports, Goods and Services | 4.0 | 1.8 | 5.1 | 3.3 | 4.2 | 3.5 |
| Real GDP growth, at constant factor prices | 3.3 | -1.6 | -1.2 | 3.1 | 3.3 | 3.3 |
| Agriculture | 0.1 | 3.9 | 6.2 | 4.0 | 3.2 | 3.0 |
| Industry | 7.3 | -0.1 | -4.6 | 3.2 | 3.3 | 1.2 |
| Services | 2.5 | -7.0 | -4.4 | 2.1 | 3.5 | 5.4 |
| Inflation (Consumer Price Index) | -1.0 | 3.5 | 1.0 | 5.3 | 4.8 | 3.8 |
| Current Account Balance (% of GDP) | -4.9 | -7.8 | -6.0 | 0.4 | -2.6 | -5.5 |
| Fiscal Balance (% of GDP) | -0.6 | 1.7 | -2.2 | 2.8 | 5.3 | 2.3 |
| Debt (% of GDP) | 51.1 | 49.9 | 52.1 | 44.9 | 38.7 | 34.0 |
| Primary Balance (% of GDP) | 1.0 | 3.4 | -0.6 | 4.3 | 6.5 | 3.3 |
| International poverty rate (\$2.15 in 2017 PPP)^{a,b} | 30.7 | 32.8 | 34.3 | 34.3 | 34.1 | 34.0 |
| Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b} | 64.6 | 66.4 | 67.6 | 67.6 | 67.4 | 67.4 |
| Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b} | 89.4 | 90.2 | 90.8 | 90.8 | 90.8 | 90.7 |
| GHG emissions growth (mtCO₂e) | 2.4 | 2.8 | 2.9 | 3.2 | 3.3 | 3.4 |
| Energy related GHG emissions (% of total) | 2.2 | 2.2 | 2.1 | 2.1 | 2.0 | 2.0 |

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

Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.

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 (Low (0.7)) based on GDP per capita in constant LCU.