CHAD

Table 1	2020
Population, million	16.4
GDP, current US$ billion	9.9
GDP per capita, current US$	603.6
International poverty rate ($1.9)[a]	38.1
Lower middle-income poverty rate ($3.2)[a]	66.3
Upper middle-income poverty rate ($5.5)[a]	86.2
Gini index[a]	43.3
School enrollment, primary (% gross)[b]	89.2
Life expectancy at birth, years[b]	54.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2011), 2011PPPs.
(b) WDI for school enrollment (2019); life expectancy (2018).

The COVID-19 pandemic has significantly altered Chad's economic recovery, started in 2018. GDP contracted by 0.9 percent in 2020, and the poverty rate increased by 1 percentage point to 41.7 percent. Both the fiscal and current account balances deteriorated substantially, and difficulties in financing fiscal deficit could lead to domestic arrears' buildup. The pandemic has highlighted Chad's oil dependence and vulnerability to shocks. Recovery will be fragile and subject to significant downside risks such as regional conflicts and climate shocks.

Key conditions and challenges

Chad's economic performance has been below potential for most of the 2010s, keeping the country in the bottom part of most development rankings. Growth averaged negative 0.2 percent over the past five years, about negative 3.2 percent in per capita terms. Living conditions and access to essential services remain poor, due in part to cyclical insecurity, to exogenous constraints such as being landlocked and without good trade networks, experiencing severe weather conditions, and endogenous constraints related to a weak governance, including in the management of oil revenues, low human capital investment despite a rapidly growing population, and lack of infrastructure.

COVID-19 has highlighted the economic weaknesses related to the dependency on the oil sector. The combination of the global recession, disruptions in global and domestic supply chains, measures to flatten the contagion curve, and investment risk aversion have taken a heavy toll on the economy. This underscored Chad's fragility due to low levels of regional integration, poor quality health care and education, and the lack of access to electricity and digital technology. The uncertain nature of the depth and duration of the pandemic coupled with fiscal liquidity constraints exacerbate an economic context already witnessing several downside risks. Regional conflicts may further disrupt bilateral trade and stretch government finances as the flow of refugees from neighboring countries increases. Presidential and legislative elections scheduled for April and October 2021 respectively could increase uncertainty.

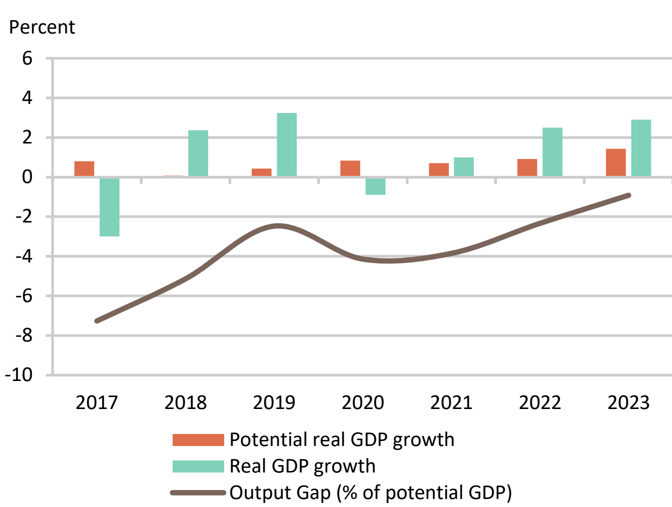
Recent developments

The dual effect of the persistent COVID-19 pandemic and the sharp collapse of oil prices have plunged Chad into recession. The economy contracted by 0.9 percent in 2020 and the negative output gap widened to 4.1 percent. Agriculture and the oil sector remained the main drivers of growth, contributing 1.1 percentage point, while services contributed negatively (-2.0 percent). The impact of containment measures on domestic supply chains pushed up prices and inflation rose from -1.0 percent in 2019, to 3.5 percent.

The current account deficit widened from 4.9 percent of GDP in 2019, to 9.3 percent. The value of exports decreased by 21.9 percent driven by a sharp drop in oil prices (-35.1 percent); although in real terms, export growth increased by 1.1 percent (as oil exports grew by 2.4 percent). Import growth did not adjust in the same proportion as the government imported goods needed to control the pandemic. The fiscal deficit was financed by a significant increase in external grants.

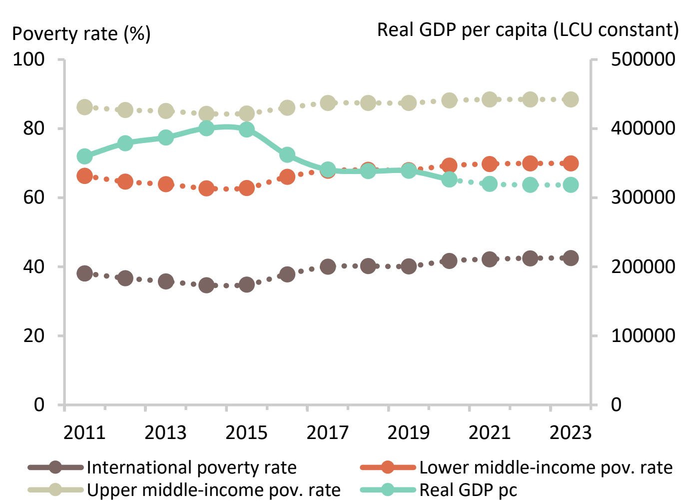
Chad's monetary and exchange rate policies are managed by the regional Bank of Central African States (BEAC). BEAC relaxed the monetary stance by cutting the policy interest rate from 3.5 percent, to 3.25 percent in March 2020, to cushion the

FIGURE 1 Chad / Real GDP and potential GDP growth, output gap



Source: World Bank.

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



Source: World Bank. Notes: see Table 2.

pandemic's impact. Regional reserves stayed at their 2019 level of 3.5 months of imports in 2020.

Despite a significant increase in oil revenue (thanks to a one-year lagged in oil-revenue taxation), Chad posted a fiscal deficit (excluding grants) of 3.7 percent of GDP, as it increased its spending to mitigate the impact of the pandemic. An increase in grants, which stood at 4.8 percent of GDP, led to an overall fiscal surplus (including grants) of 1.1 percent of GDP. Public debt reached 47.3 percent of GDP, and the risk of debt distress remained high.

Chad's poverty rate remains high, with about four out of ten Chadians (41.7 percent) leaving below the international poverty line of US$1.90 a day in 2011 Purchasing Power Parity (PPP), while 53 percent of Chadian households are vulnerable. Poverty is estimated to have increased by 1.6 percentage points between 2019 and 2020, and the number of poor to have increased by about four hundred thousand people bringing the total of poor from 6.4 million to 6.8 million. Based on the 2020 high frequency survey, i) two third of Chadian households reported a loss in their total income, and ii) 57 percent of transfer receivers reported a decline in this source of income. The combined effect of the loss of income, a reduction of domestic transfers and remittances, and increased market prices due to the pandemic increased the national poverty rate by 5.5 percent. Income inequality remains high with a Gini coefficient of 43.3.

Outlook

The economy is projected to slowly recover, thanks to the global oil markets resumption that would boost international trade, in 2021 with growth reaching 1 percent, and a decrease in per capita growth contraction to -1.9 percent of GDP, from -3.8 percent of GDP in 2020. With the rollout of COVID-19 vaccines in the second half of 2021, the recovery is expected to gain momentum in 2022-23 with economic growth reaching 2.7 percent on average. Inflation should decelerate to 3 percent and remain below the CEMAC convergence criteria as the effects of supply chain disruptions subsides and GDP growth converges towards its potential.

The current account deficit is expected to decrease slightly in 2021; export growth is expected to reach 4.8 percent, driven by crude oil exports. Still, the current account deficit will remain substantial, averaging 8.5 percent of GDP over 2021-23. Foreign direct investment and financial support from donors should help finance the current account deficit. CEMAC regional reserves are projected to remain below 5 months of imports by 2023.

The fiscal balance will turn into a deficit of 1.1 percent of GDP (including grants and 5.6 percent of GDP (excluding grants) in 2021. Fiscal revenues are projected to decrease by 14.3 percent, due to a 39.1 percent fall in oil revenue. Public expenditures are also expected to decrease by 4.2 percent as the COVID-19 related spending engaged is gradually removed. By 2022, the fiscal deficit should narrow to 0.8 percent of GDP with the government's efforts to mobilize more domestic revenues outside the oil sector and a slight decrease in government's expenditures. Although public debt will remain at around 47 percent of GDP, difficulties to pay debt services will lead the country in debt distress.

The adverse effects of the COVID-19 crisis on poor and vulnerable households are expected to last for several years, with the poverty rate expected to increase to 42.5 percent by 2023. The weakness of redistribution programs or structural economic transformation limit the space for poverty reduction. In particular, poor and vulnerable households who earn a part of their livelihood from transfers and family enterprises that have been closed because of the pandemic, are in risk of remaining or falling into poverty.

TABLE 2 Chad / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.4	3.2	-0.9	1.0	2.5	2.9
Private Consumption	0.7	1.4	0.3	0.6	2.5	2.5
Government Consumption	-11.8	1.7	18.1	-4.4	3.4	2.8
Gross Fixed Capital Investment	5.4	6.6	-9.8	-0.6	13.3	15.8
Exports, Goods and Services	4.6	6.0	1.1	4.8	0.7	0.4
Imports, Goods and Services	1.4	4.0	2.0	4.0	4.1	4.1
Real GDP growth, at constant factor prices	2.3	3.3	-0.9	1.0	2.4	2.8
Agriculture	4.0	4.6	2.4	5.8	3.2	2.8
Industry	0.6	0.9	-0.2	0.8	1.6	1.6
Services	1.0	2.5	-5.2	-5.4	1.6	3.3
Inflation (Consumer Price Index)	4.0	-1.0	3.5	3.0	3.0	3.0
Current Account Balance (% of GDP)	-4.7	-4.9	-9.3	-7.8	-8.7	-9.3
Fiscal Balance (% of GDP)	1.5	-0.6	1.1	-1.1	-0.8	2.2
Debt (% of GDP)	48.3	44.4	47.3	46.9	47.0	47.0
Primary Balance (% of GDP)	3.0	1.0	2.9	0.4	0.3	3.3
International poverty rate ($1.9 in 2011 PPP)[a,b]	40.2	40.1	41.7	42.2	42.4	42.5
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	68.0	68.0	69.3	69.8	69.9	69.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	87.4	87.4	88.2	88.4	88.5	88.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.
(a) Calculations based on 2011-ECOSIT-III. Actual data: 2011. Nowcast: 2012-2020. Forecast are from 2021 to 2023.
(b) Projection using neutral distribution (2011) with pass-through = 0.7 based on GDP per capita in constant LCU.