

TOGO

Table 1

2019

| | |
|---|-------|
| Population, million | 8.2 |
| GDP, current US\$ billion | 5.5 |
| GDP per capita, current US\$ | 666.3 |
| International poverty rate (\$ 19) ^a | 51.1 |
| Lower middle-income poverty rate (\$3.2) ^a | 74.2 |
| Upper middle-income poverty rate (\$5.5) ^a | 90.8 |
| Gini index ^a | 43.1 |
| School enrollment, primary (% gross) ^b | 123.8 |
| Life expectancy at birth, years ^b | 60.8 |

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

Notes:

(a) Most recent value (2015), 2011 PPPs.

(b) Most recent WDI value (2018).

Following a pick-up in 2019 there is expected to be zero growth in 2020, because of COVID-19, with declines in private consumption and services. In 2020, external and fiscal balances will worsen, and poverty will rise. Growth and poverty reduction are expected to gradually recover over the medium term. Downside risks to the outlook include larger-than-expected COVID-19 effects, political uncertainty, heightened insecurity in neighboring countries, and banking sector vulnerability.

Recent developments

Following a growth pick-up from 4.9 percent in 2018 to 5.3 percent in 2019 (2.7 in per capita terms), economic activity decelerated in early 2020 because of COVID-19. On the supply side, all sectors have slowed, especially services, because of the negative impacts of travel restrictions and border closings on transportation and tourism and disruptions to retail supply chains. On the demand side, private consumption has dropped substantially as incomes fell as a result of containment measures. Inflation, which averaged 0.7 percent in 2019, accelerated in the first half of 2020, reaching 1.5 percent (y-o-y) in July, driven by an increase in food prices related to supply disruptions.

The current account deficit rose from 3.5 percent in 2018 to 4.3 percent of GDP in 2019, with an increase in capital goods imports and a slight fall in phosphate and coffee exports because of a decline in production during the last quarter. The current account deficit was financed through external concessional borrowing.

The tight fiscal stance continued to loosen in 2019. The deficit increased from 0.8 percent of GDP in 2018 to 1.2 percent of GDP in 2019, reflecting an increase in public investment and a slight decrease in government revenues. Public debt declined from 75.4 percent of GDP in 2018 to 70.9 percent in 2019, driven by the clearing of domestic arrears and nominal GDP growth. In the first half of 2020, as the Government fought the spread of the COVID-19 pandemic,

public expenditures increased by 20 percent, while revenues declined by 15 percent as the economy contracted.

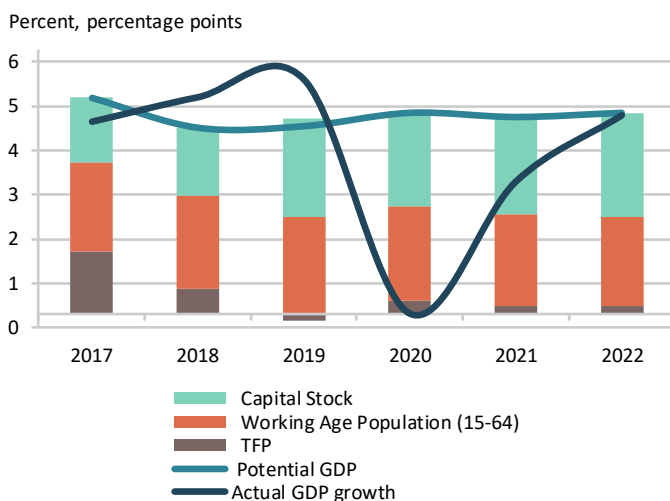
Togo's monetary and exchange rate policies are managed by the Central Bank of West African States (BCEAO), which maintains a fixed peg between the CFA Franc and the Euro. Its reserves reached 5.4 months of imports in 2019, driven by fiscal consolidation in member states and higher net capital inflows. To support the regional economy and COVID-19 related extra spending, the BCEAO has implemented a set of monetary and macroprudential measures since March 2020. These include lowering its policy rate to a fixed 2.5 percent and extending refinancing operations of 3-month "Covid-19 T-Bills" at 2.5 percent for limited amounts.

The 2018-19 WAEMU harmonized households survey confirms that poverty and vulnerability remain high and geographically concentrated in rural and remote areas. Although poverty has declined in recent years, more than two fifth of the population still live in poverty. The poverty rate (using the national poverty line of 743.2 CFAF per day) was 45.5 percent in 2018-19, suggesting a continued decrease. The extreme poverty rate (at US\$1.9 PPP per day) is estimated to have declined to 45.3 percent in 2019 compared to 46.4 percent in 2018.

Outlook

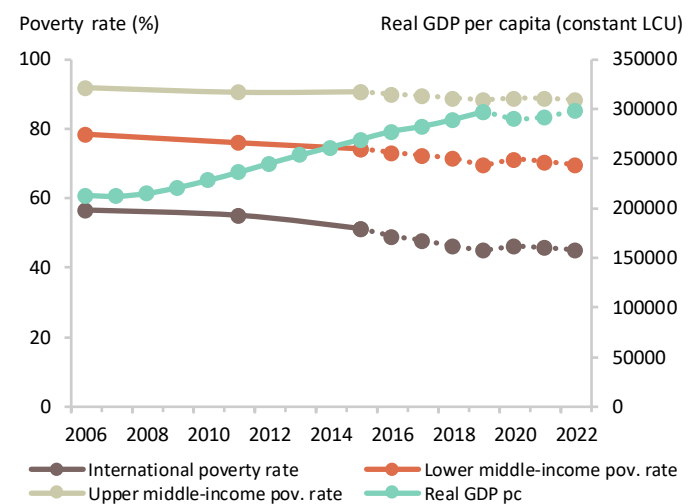
COVID-19 has significantly deteriorated Togo's economic outlook, lowering exports

FIGURE 1 Togo / Real GDP and potential output growth, with a decomposition of contributions to potential output growth



Sources: INSEED and World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

and producing domestic supply and demand shortfalls. As a result, growth is currently projected to decline to 0 percent in 2020 (-2.4 percent in per capita terms). Assuming a temporary shock with limited delayed effects, growth is expected to recover to 3.0 percent in 2021, as exports and domestic activities increase and infrastructure projects (mainly in the transport and energy sectors) gradually resume. In the medium-term, growth is expected to recover and reach 4.5 percent in 2022, driven by the continuous upgrading of public infrastructure and improvements to the business climate. The current account deficit is projected to increase to 6.3 percent of GDP in 2020, reflecting a substantial drop in exports as economic growth declines for key trading partners. The deficit is expected to stabilize at around 4.5 percent of GDP in the medium-term, following a slight recovery of both exports and imports as containment measures are lifted globally. The current account deficit will remain financed by grants and concessional loans. WAEMU reserves are expected to decline to 4.5 months of imports in 2020 as deficits in member countries increase as they respond to the COVID-19 crisis.

The fiscal deficit is expected to increase to 7.1 percent of GDP in 2020, driven by higher current spending and lower tax and non-tax revenues. Tax revenues will

fall, reflecting a significant decline in customs revenues and VAT receipts as economic activity contracts. At the same time, current expenditures are forecast to rise, driven by an increase in health expenditures to curb the spread of the virus and increased transfers to protect households and firms. Public debt as a percent of GDP is expected to increase from 70.9 percent of GDP in 2019 to 73.6 percent of GDP in 2020, but to decline over the medium-term as the fiscal deficit is gradually reduced. The risk of external debt distress will remain moderate, while the overall risk of debt distress will remain high.

Extreme poverty is projected to rise to 46.2 percent in 2020 as a result of price increases for basic goods and services and lower incomes for the poorest and most vulnerable, particularly those working in agriculture and tourism. Government programs, such as cash transfers to the poorest and most vulnerable, are expected to slow the rise in poverty and to help maintain poverty reduction over the medium-term, with extreme poverty expected to decline to 45.3 percent in 2022.

and domestic risks are tilted to the downside and depend on the depth and duration of the COVID-19 pandemic. A protracted and deeper crisis could cause real GDP to shrink by 1.5 percent in 2020, as lower external and domestic demand and supply chain disruptions further reduce economic activity. In addition, rising security risks in neighboring countries could weigh on investment, trade, and public finances. Internally, unfavorable weather conditions and the unavailability of inputs could negatively affect agricultural productivity, while the relative weakness of administrative capacity could limit the implementation of reforms and private investment. Finally, contingent liabilities associated with a delay in restructuring two state-owned banks could pose a risk to financial stability and fiscal sustainability.

Risks and challenges

Though economic prospects in the medium term remain positive, both external

TABLE 2 Togo / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

| | 2017 | 2018 | 2019 | 2020 e | 2021 f | 2022 f |
|---|-------|------|------|--------|--------|--------|
| Real GDP growth, at constant market prices | 4.4 | 4.9 | 5.3 | 0.0 | 3.0 | 4.5 |
| Private Consumption | -5.9 | 7.6 | 3.4 | -1.0 | 1.8 | 3.6 |
| Government Consumption | 17.7 | 13.7 | -6.5 | -12.4 | 18.6 | -1.5 |
| Gross Fixed Capital Investment | -19.1 | 7.1 | 28.7 | 23.2 | -6.4 | 11.8 |
| Exports, Goods and Services | -2.2 | 0.8 | 3.4 | -10.1 | 7.3 | 8.9 |
| Imports, Goods and Services | -15.5 | 4.9 | 5.1 | -1.9 | 4.7 | 7.7 |
| Real GDP growth, at constant factor prices | 4.9 | 6.7 | 4.4 | 0.0 | 3.0 | 4.5 |
| Agriculture | 3.4 | 3.4 | 5.2 | 1.2 | 3.3 | 5.9 |
| Industry | -4.4 | 1.7 | 4.2 | 0.6 | 2.2 | 4.6 |
| Services | 9.4 | 9.9 | 4.1 | -0.6 | 3.1 | 3.9 |
| Inflation (Consumer Price Index) | -0.2 | 0.9 | 0.7 | 1.4 | 1.5 | 2.2 |
| Current Account Balance (% of GDP) | -2.0 | -3.5 | -4.3 | -6.3 | -4.4 | -4.6 |
| Fiscal Balance (% of GDP) | -0.3 | -0.8 | -1.2 | -7.1 | -3.5 | -3.0 |
| Debt (% of GDP) | 75.6 | 75.4 | 70.9 | 73.6 | 71.1 | 68.9 |
| Primary Balance (% of GDP) | 1.5 | 1.7 | 1.6 | -4.1 | -1.1 | -0.6 |
| International poverty rate (\$1.9 in 2011 PPP)^{a,b} | 47.9 | 46.4 | 45.3 | 46.2 | 45.9 | 45.3 |
| Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b} | 72.3 | 71.5 | 69.6 | 71.1 | 70.5 | 69.5 |
| Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b} | 89.5 | 88.8 | 88.3 | 88.8 | 88.7 | 88.3 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Notes: e = estimate, f = forecast.

(a) Calculations based on 2015-QUIBB. Actual data: 2015. Nowcast: 2016-2019. Forecast are from 2020 to 2022.

(b) Projection using neutral distribution (2015) with pass-through = 1 based on GDP per capita in constant LCU.