CHAD

Table 1	2019
Population, million	15.8
GDP, current US$ billion	11.3
GDP per capita, current US$	715.5
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]	86.8
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 (2016); Life expectancy (2018)

Chad's gradual macroeconomic recovery started in 2018, but the impacts of the COVID-19 pandemic are likely to result in GDP contracting by 0.8 percent in 2020. The poverty rate may well increase by about 1 percentage point, and the fiscal and current account deficits both widen substantially in 2020. Meanwhile, COVID-19 has highlighted sustainability issues arising from Chad's reliance on the oil sector. The recovery will remain fragile and subject to significant downside risks.

Key Conditions and Challenges

Chad's economic performance has been subpar for most of the 2010s, keeping the country in the bottom part of many development rankings. Notwithstanding an economic recovery during 2018-2019, annual GDP growth averaged negative 0.1 percent over the past five years or about minus 3.1 percent in per capita terms. As a result, living conditions and access to essential services have remained poor. This situation is due in part to exogenous constraints such as climatic shocks to agriculture, and endogenous constraints like the sub-optimal management of volatile oil revenues, underinvestment in human capital, cyclical insecurity and fragility, and poor-quality infrastructure.

The COVID-19 pandemic has highlighted sustainability issues related to oil sector dependency. The combination of the global recession, disruptions in global and domestic supply chains, measures to flatten the contagion curve, financial disruptions, and investment risk aversion have taken a heavy toll on the economy. This combination exacerbates the already fragile situation of the country with weak regional integration, a slow economic transformation, poor quality health care and education, and the lack of access to electricity and digital technology. Regional conflicts may also disrupt bilateral trade and stretch government finances as the flow of refugees from neighboring countries increases. General elections tentatively scheduled for the second quarter of 2021 could increase uncertainty or trigger conflicts.

Recent Developments

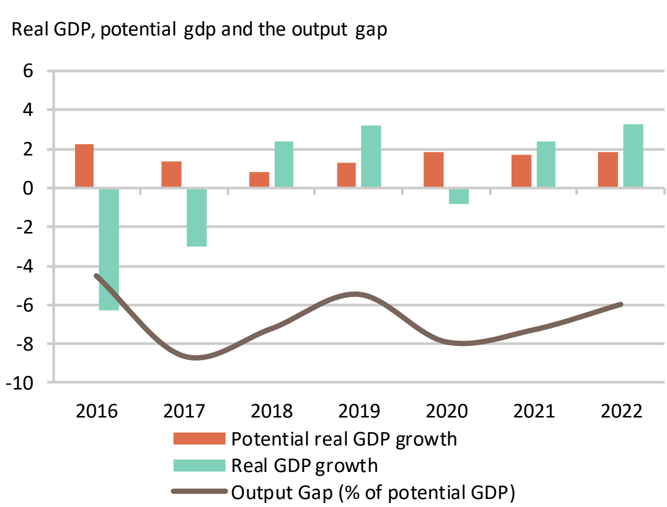
Due to higher oil production and agricultural output, growth recovered to 3.2 percent in 2019. Although the negative output gap narrowed, inflation declined from 4.0 percent in 2018 to -1.0 percent in 2019, reflecting subdued transportation and food prices. Agriculture and the oil sector remained the main driving forces contributing together about two-third of the 2019 growth rate.

The current account deficit widened from 4.7 percent in 2018 to 4.9 percent in 2019, due to an increase in imports needed for oil fields under development. In real terms, export growth reached 6 percent, with imports growing at 4 percent. The deficit was financed by project grants and FDI, which increased to 6.2 percent of GDP in 2019.

Chad's monetary and exchange rate policies are managed by the regional Bank of Central African States (BEAC). In 2019, BEAC maintained a tighter monetary policy to rebuild its reserves and to ensure financial sector stability. The policy interest rate remained at 3.5 percent while regional reserves reached 3.3 months in 2019, up from 2.7 months in 2018.

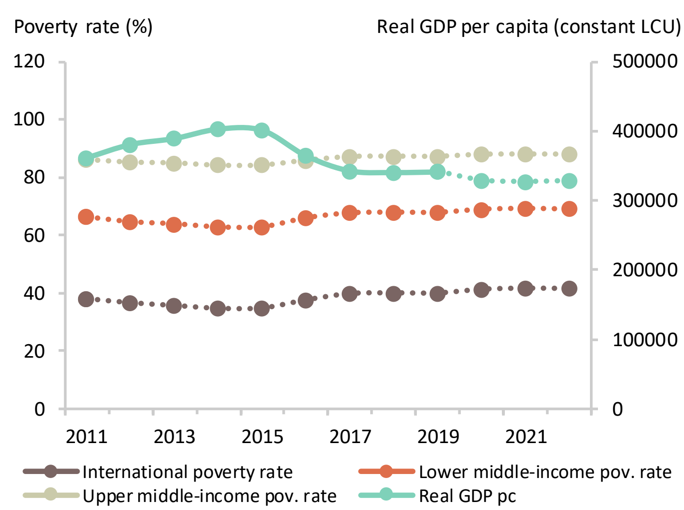
The overall fiscal balance (including grants) deteriorated from a surplus of 1.5 percent of GDP in 2018 to a deficit of 0.6

FIGURE 1 Chad / GDP growth, potential growth and 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.

percent in 2019. Total revenues did not increase significantly because of a decline in budget support grants and oil revenues. Meanwhile, total expenditure increased by about 2 percent of GDP owing to a 12 percent growth in the wage bill and higher security spending. Chad remains at a high risk of debt distress, although a significant decline in the debt ratio to GDP.

Poverty remains pervasive in Chad with 40.1 percent living below the international poverty line of US$1.90 a day (at 2011 Purchasing Power Parity (PPP)). Although the poverty rate remained stable between 2018 and 2019, the number of poor people increased by about two hundred thousand individuals. In 2019, the number of poor people was estimated at 6.7 million, with a high level of income inequality (measured by a Gini of 43.3).

Outlook

The COVID-19 global pandemic is putting Chad back into a recession, with the economy expected to contract by 0.8 percent in 2020. Border closures and disruptions in the major economies have led to a reduction in private investments and weak exports on the demand side and a sharp contraction in services (mainly transport, hotels, and tourism) on the supply side, in the first three quarters. Over the medium term, growth is projected to average 2.9 percent, thanks to new oil fields production, higher oil prices, and the easing of COVID-19 restrictions. Inflation would remain below 3 percent in line with regional targets as GDP growth converges towards potential.

The current account deficit is expected to widen to 11.2 percent of GDP in 2020 as export growth slows down due to the impact of COVID-19 on trade. The COVID -19 impact is expected to diminish in 2021, with export growth reaching about 8 percent driven by crude oil exports. Also, import growth would increase by 4 percent as private consumption and investment gradually recover. Relative substantial FDI and financial support from donors will help finance this deficit. BEAC regional reserves are projected to remain below 5 months of imports by 2022.

In 2020, the fiscal deficit is expected to increase to 1.7 percent of GDP. Fiscal revenue is expected to increase by about 2.8 percent of GDP-- despite a decline in oil prices and a modest decline in oil production, oil tax is based on the prior year's performance. Public spending is expected to increase by 28.8 percent to account for COVID-19 related expenditures, and the restoration of wages benefits suspended during the 2015-17 crisis. This deficit is projected to widen to 3.5 percent in 2021 due to the lagged nature of oil revenues. Public debt will increase to finance the fiscal deficit and is expected to remain at a high risk of debt distress.

The COVID-19 crisis is hurting economic growth and has significant social impacts. The poverty rate (using the international poverty line) is projected to increase by 1.3 percentage points, reaching 41.4 percent in 2020, adding about 0.4 million people. This negative impact of COVID-19 will remain for several years, with the poverty rate expected to increase to 41.6 percent in 2022 and the number of poor will rise to reach 7.2 million people. Based on the results of the high frequency survey implemented in June-July 2020, two third of Chadian households reported a loss in their total income. In addition, 57 percent of transfer receivers reported a decline in this source of income.

TABLE 2 Chad / 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	-3.0	2.4	3.2	-0.8	2.4	3.3
Private Consumption	0.2	0.7	1.4	0.5	0.5	2.0
Government Consumption	9.5	-11.8	1.7	10.5	2.7	-1.7
Gross Fixed Capital Investment	-24.7	5.4	6.6	-9.8	-2.0	-3.4
Exports, Goods and Services	1.3	4.6	6.0	1.8	8.0	8.0
Imports, Goods and Services	-1.3	1.4	4.0	2.5	4.0	4.1
Real GDP growth, at constant factor prices	-3.0	2.3	3.3	-0.8	2.4	3.3
Agriculture	3.1	4.0	4.6	2.4	7.2	7.6
Industry	-1.7	0.6	0.9	-0.2	0.8	1.6
Services	-9.7	1.0	2.5	-4.9	-3.4	-2.4
Inflation (Consumer Price Index)	-0.9	4.0	-1.0	2.8	3.0	3.0
Current Account Balance (% of GDP)	-6.6	-4.7	-4.9	-11.2	-10.5	-10.2
Fiscal Balance (% of GDP)	-0.8	1.5	-0.6	-1.7	-3.5	0.1
Debt (% of GDP)	49.8	48.3	44.4	49.1	49.9	48.7
Primary Balance (% of GDP)	0.8	3.0	1.0	0.0	-1.7	1.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	39.9	40.1	40.1	41.4	41.8	41.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	67.7	68.0	67.9	69.0	69.3	69.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	87.3	87.4	87.4	88.1	88.2	88.1

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: 2012-2019. Forecast are from 2020 to 2022.
(b) Projection using neutral distribution (2011) with pass-through = 0.7 based on GDP per capita in constant LCU.