Chad

Recent macroeconomic and financial developments

In 2021, the economy grew by 0.6% after contracting by 2.2% in 2020, with expansion led by recovery in oil and agriculture. On the demand side, growth came primarily from private consumption, public investment, and exports. The budget balance moved from a surplus of 2.1% in 2020 to a deficit of 1.1% in 2021 due to the net effect of more public expenditure and less tax revenue. Renewed growth has helped to lower public debt from 51.5% of GDP in 2020 to 48.2% in 2021, though the risk of debt distress remains high. With lower food prices, inflation was –0.9% in 2021 after hitting 4.5% in 2020.

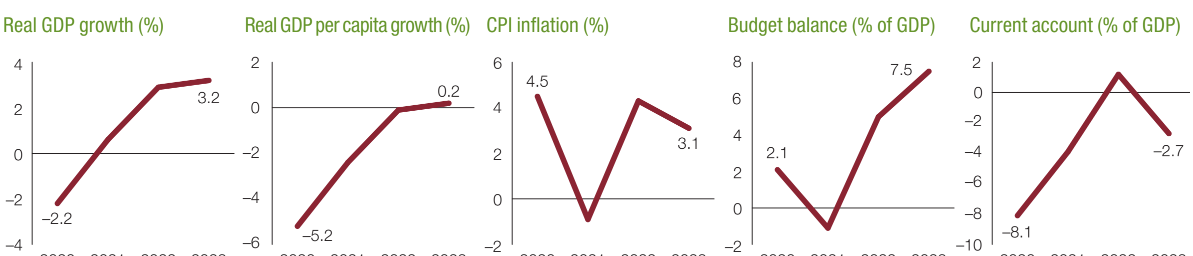
In March 2022, the BEAC adopted measures to strengthen CEMAC's foreign exchange reserves (raising its Interest Rate on Tenders and Marginal Lending Facility Rate). The current account deficit narrowed from 8.1% in 2020 to 3.9% in 2021 on good export performance. Foreign exchange reserves averaged 3.4 months of imports in 2021/22. The ratio of NPLs remained high at 25% in 2021, against 26% in 2020. The poor capitalization of Chad's banks led to a steep drop in their solvency ratio. In the context of the plan to clear domestic arrears, since April 2020 the government has been paying back direct debt to two banks and has made a commitment to recapitalize the Commercial Bank of Chad to CFAF 4.5 billion. The pandemic has probably exacerbated the poverty rate, which was 42% in 2018, particularly affecting workers in the informal sector in urban and peri-urban areas.

Outlook and risks

With a new IMF program of $570 million concluded in December 2021, prospects are favorable for 2022–23. Real GDP is forecast to average about 2.9% in 2022 and 3.2% in 2023, led by recovery in oil output and in agriculture and livestock farming. Combined with the second debt restructuring with the trading company Glencore, this should create fiscal space for public investment. This environment is projected to lead to a budget surplus of 5.0% of GDP in 2022 and 7.5%. The debt ratio is forecast to remain below 50% of GDP in both years. Inflation is projected to increase to 4.3% in 2022 and 3.1% in 2023. Key rates set by the BEAC in March 2022 are likely to ensure internal and external monetary stability. The current account balance is forecast to improve and result in a surplus of 1.2% of GDP in 2022, due to a greater volume of exports and a higher oil price, but to revert again to deficit of -2.7% in 2023. This outlook remains dependent on the pandemic's trajectory and the duration of the Russia–Ukraine conflict.

Climate change issues and policy options

Chad is 130 on the 2021 GCRI. The reduction in Lake Chad's surface area due to climate change has led to lower fisheries production, degradation of land and pastures, lower capacity in agricultural output and availability of forage, and a reduction in livestock and biodiversity. Climate vulnerability leads to considerable human pressure on natural resources and fertile lands, causing community conflict. The agropastoral sector (about 30% of GDP) is where 80% of Chad's population makes its living. Adaptation is a key concern of the government, which in addition to the National Strategy to Combat Climate Change has adopted a National Environmental Action Plan, a National Action Program to Combat Desertification, and a National Program for Climate Change Adaptation. Further, aware of energy challenges, in August 2018 it adopted a 2018–2030 policy letter and an RE development blueprint. Exemption from duties and taxes on all imports of solar components was granted in 2020.



Source: Data are as of April 2022 and are from domestic authorities; figures for 2021 are estimates and figures for 2022 and 2023 are projections by the African Economic Outlook team.