

## Recent macroeconomic and financial developments

The economy made a good recovery in 2021, with GDP growth estimated at 4.8% and up from 1.8% in 2020, driven primarily by extractive industries and manufacturing on the supply side, and by private consumption and investment on the demand side. Higher tax revenues of 0.7% led to a drop of 1 percentage point in the budget deficit, despite 0.4% greater expenditure, though it remains far worse than the pre-COVID-19 surplus and requires heavy financing. Public debt grew to 61% of GDP in 2021 from 58.6% in 2020. Inflation rose from 1.8% to 2.6% between 2020 and 2021, primarily because of rising food prices due to pandemic-related supply constraints. The quality of the bank loan portfolio improved with a slight fall in overdue credit from 6.0% to 5.6% between 2019 and 2020.

The SDR 140.7 million allocation came to about \$200.3 million, which could help to revitalize the economy. The current account deficit is estimated higher in 2021, at 2.6% of GDP, than in 2020 (1.4%), due to the trade deficit, which widened to 9.7% from 8.6%. Gross international reserves mutualized in ECOWAS averaged 5.25 months of imports in 2020–21. The national poverty rate was estimated at 45.5% in the 2018–2019 Household Survey.

## Outlook and risks

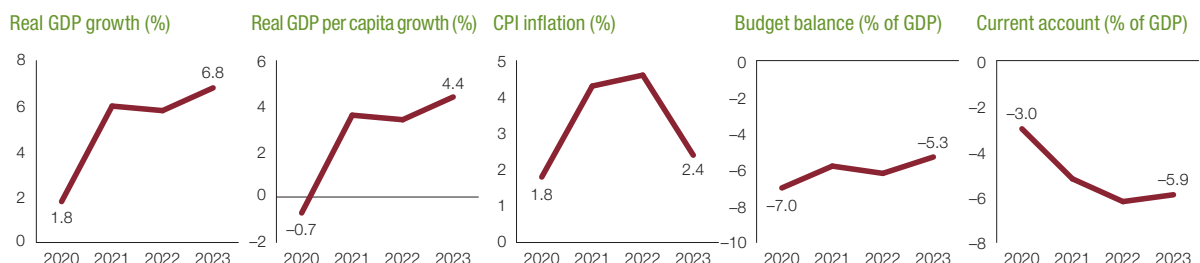
For 2022, the outlook for the economy seemed favorable. However, Russia's invasion of Ukraine could slow the recovery Togo initiated in 2021 (6% versus 1.8% in 2020), with GDP growth expected at 5.8% versus an initial forecast of 6.2% at the beginning of February 2022. Inflation should be at 4.6% versus an initial estimate of

2.4%. Togo could be affected because of its trade relationships with both Russia and Ukraine. About 40% of Togo's wheat imports in 2020 were from Russia, which suggests a strong probability of a negative effect on the cereal's availability and price. The country could also be affected by the conflict's negative effects on partner countries, such as those in the Euro zone and Asia. In addition, there is the COVID-19 health crisis, and new variants in particular. Realizing the above risks would make it necessary to amplify stimulus measures such as the NOVISSI Program in order to alleviate the burden of soaring prices on households already hard hit by the effects of the health crisis.

## Climate change issues and policy options

The effect of climate change on Togo is conspicuous in agriculture, contributing to the sector's share of GDP contracting from 37.3% in 2008 to 24.7% in 2021. Temperatures could rise by 2.15–2.75°C in 2100 from 2020 (RCP 6.0), but could be lower, at 1.53–1.96°C, in 2100 if GHGs were contained. In 2021, the outlook for achieving SDG 13 on climate action was favorable, linked to control of CO<sub>2</sub> emissions. In 2021, Togo strengthened its institutional mechanism by adopting the REDD+ strategy, and the Coastal Law. Further, the Blitta 50 MW solar power plant is set to help take national access to electricity to 60% in 2022, from 45% in 2018.

According to 2021's revised NDC, the financial resources required to achieve the GHG emissions reduction goals are about \$5.5 billion, 78% of which is for conditional measures. The country intends to mobilize public and private domestic funds and foreign support to finance planned actions.



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.