Chad

Recent macroeconomic and financial developments

Although Chad has had relatively few COVID–19 cases, its economy has been hurt by the global consequences of the pandemic. In 2020 real GDP contracted by 0.6%, compared with growth of 3% in 2019 and 2.4% in 2018. The recession is mainly the result of a temporary suspension of oil production, the main engine of the economy, and the closure of borders to contain the pandemic, which caused a slowdown in trade. Inflation, which had fallen in 2019 to 1%, rose to 2.7% in 2020, following the disruption of supply chains for some basic products. The provision of budgetary grants made it possible to contain the budget deficit, despite higher spending to mitigate the pandemic. The budget deficit was 0.8% of GDP in 2020 compared with 0.3% in 2019. The current account deficit worsened from –4.9% of GDP in 2019 to –13.3% in 2020, mainly due to the suspension of oil production and exports in a period of declining oil prices. There are no recent data on poverty, but it is expected to have risen as a result of the pandemic, which disproportionately affected the most vulnerable. In the latest data, from 2018, 42.3% of the population was in poverty, of whom 49.7% were in rural areas.

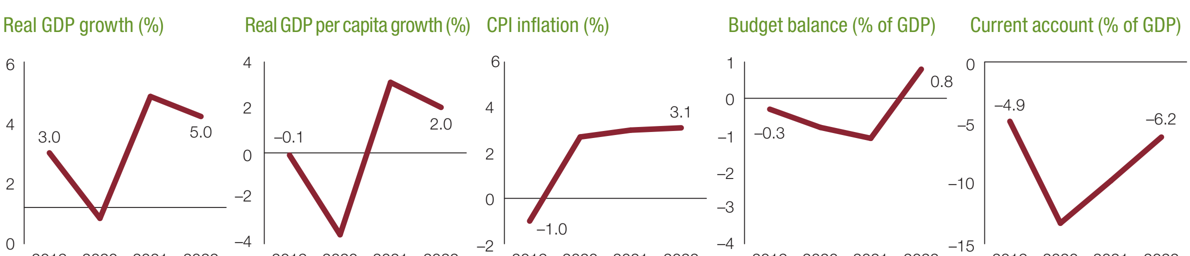
Outlook and risks

The Chadian economy should resume growth in 2021 and 2022 if the pandemic subsides to allow a global economic recovery, with increasing demand for raw materials. Growth is expected to reach 6.1% in 2021 and 5% in 2022, driven by a resumption of industrial activities—particularly in cotton ginning, oil production, and the textile industry. If the government continues to clear domestic arrears, there should be a pickup in investment and private consumption. Inflation will average 3% over the next two years.

The budget deficit is expected to worsen slightly to 1.1% of GDP in 2021, due to an increase in public investment and wage spending linked to the opening of 20,000 civil service positions and the upcoming election. However, a return to budgetary balance is expected in 2022. The current account deficit is expected to gradually narrow to 9.8% of GDP in 2021 and 6.2% in 2022 because of the resumption of oil and cotton exports.

Financing issues and options

The decline in oil prices between July 2014 and February 2016 put Chad into a debt crisis. In 2018 its main component of commercial debt (Glencore) was restructured—extending average maturity to 12 years, and reducing the interest rate from 7.5% to 2%, which, coupled with a resumption or refinery production, led to a clear improvement in debt indicators. The outstanding public debt was estimated at $4.89 million in 2019, of which 56% was external. Total debt accounted for 44.2% of GDP in 2019. About 45% of external debt was commercial, 28% multilateral, and 27% bilateral in 2018. Domestic debt was the equivalent of 19.7% of GDP in 2019, compared with 24.7% in 2017 and 8.8% in 2011. The government adopted in January 2020 a domestic debt clearance plan of $878.8 million to revive the economy.



Source: Data are as of December 2020 and are from domestic authorities; figures for 2020 are estimates and figures for 2021 and 2022 are projections by the African Economic Outlook team.