



NATIONS UNIES  
TCHAD



## **NOTE ON THE IMPACT OF THE INCREASE IN PUMP PRICES OF PETROLEUM PRODUCTS ON THE CHADIAN ECONOMY**

*Février 2024*



The Chadian government increased the prices of petroleum products at the pump on February 13, 2024. This decision, which aims to reduce fuel price subsidies and generate additional tax revenue for the government, could have significant impacts on the Chadian economy. This increase will affect different economic sectors differently. While waiting for in-depth impact studies to be conducted to better understand the effects of this increase on different segments of the population and the economy, this preliminary analysis aims to provide an overview of the possible impacts of this price increase on the Chadian population and economy.

## Prices of petroleum products at the pump in Chad, February 16, 2024\*

Petroleum products	Price since the decision of February 13, 2024	Old prices	Increase rate
Essence	730 FCFA	518 FCFA	+40,92%
Gasoil	828 FCFA	700 FCFA	+18,28%
Jet A1	580 FCFA	550 FCFA	+5,45

\*These prices are those practiced in the city of N'Djamena. In the provinces, prices are increased by the absolute value of transport costs.

Source: Data provided by the Ministry of Commerce and the Ministry of Finance.

# 1. On the macroeconomic level



**Inflation:** The increase in oil prices is likely to fuel inflation, as it increases the costs of transportation and energy. The increase in the cost of transportation and energy will impact the cost of production factors for businesses, reducing their margins and slowing down investment. The cost of transportation will increase, impacting the movement of people and the transportation of goods.

For households, the increase in the cost of transportation and energy will lead to a decrease in purchasing power, which could lead to a decrease in consumption. For goods, the increase in transportation costs will impact supply chains and freight, given that Chad is a landlocked country that depends on transportation for its supplies. This means that all imported products will experience an increase, including food products, which constitute a significant portion of the country's imports. Inflation could reach 8% in 2024, compared to 6.54% in 2023.

**Economic growth:** At this stage, the impact

on economic growth is uncertain and will depend on the government's ability to use the additional tax revenue efficiently and productively. However, it can already be estimated that the increase in oil prices could slow down economic growth, as it will reduce the purchasing power of households and businesses. The increase in oil prices could also slow down some economic activities, especially those that are heavily dependent on transportation. GDP growth could slow to 3% in 2024, compared to 3.7% initially forecast.

**Tax revenue:** The increase in oil prices is expected to generate additional tax revenue for the government. Thanks to the combined effect of the increase in revenue generated by taxes on petroleum products and the reduction of the government's subsidy on the price of petroleum products (Gasoline, Gasoil, and Jet A1 in this case). This revenue could be used to finance development programs and reduce the budget deficit.

## 2. On the socio-economic level



**Poverty:** The increase in oil prices could increase poverty, as it will reduce the purchasing power of the poorest households, who spend a significant portion of their budget on energy and transportation. The increase in poverty could further limit access to basic services such as education, health, and food.

**Purchasing power:** The increase in oil prices will affect the purchasing power of households, especially for basic products and transportation. The decrease in purchasing power could lead to a decrease in household consumption. The increase in food prices can expose vulnerable populations to a risk of malnutrition. It should be noted that, aware of this risk, the government signed a decree on February 15, 2024, declaring a state of food and nutritional emergency throughout the national territory in order to help populations identified as being in a "crisis phase" and those in an "emergency phase".

**Inequality:** The increase in oil prices could widen inequalities, as the richest households are better able to afford the price increase, which is not the case for the poorest households. The impact of the price increase will be unevenly distributed, with rural populations and low-income workers being the most vulnerable. This is especially true since in the provinces, the prices of petroleum products are increased by transportation costs. Inequality can create social tensions and weaken social cohesion.

**Social risks:** The surge in prices could lead to discontent and social tensions. This risk is all the more important since Chad is in an election year with legislative and presidential elections scheduled for 2024. Popular frustration could thus weaken the government and threaten political stability if mitigation measures are not taken.

### 3. Suggested mitigation measures:



- ❑ **Targeted subsidies:** The government could implement targeted subsidies for the poorest households to protect them from the impact of rising oil prices. Different mechanisms can be used, such as direct cash subsidies, vouchers for basic food products, or subsidies on oil prices for the poorest households.
- ❑ **Social transfers:** The government could also increase social transfers, such as family allowances, to support the most vulnerable households. These programs can provide cash transfers to poor households in exchange for their participation in education, health, or nutrition programs. The government can also expand existing social protection programs to cover a larger number of vulnerable people.
- ❑ **Support for businesses:** Support measures for businesses can be put in place to help them absorb the shock of rising oil prices and maintain their competitiveness. For example, the government could reduce taxes and duties on businesses to help them absorb the rising cost of oil. The government can also subsidize certain key inputs, such as electricity or fuel, for businesses most affected by the rise in oil prices. Finally, the government could set up job creation support programs for businesses that hire

young people or people in precarious situations.

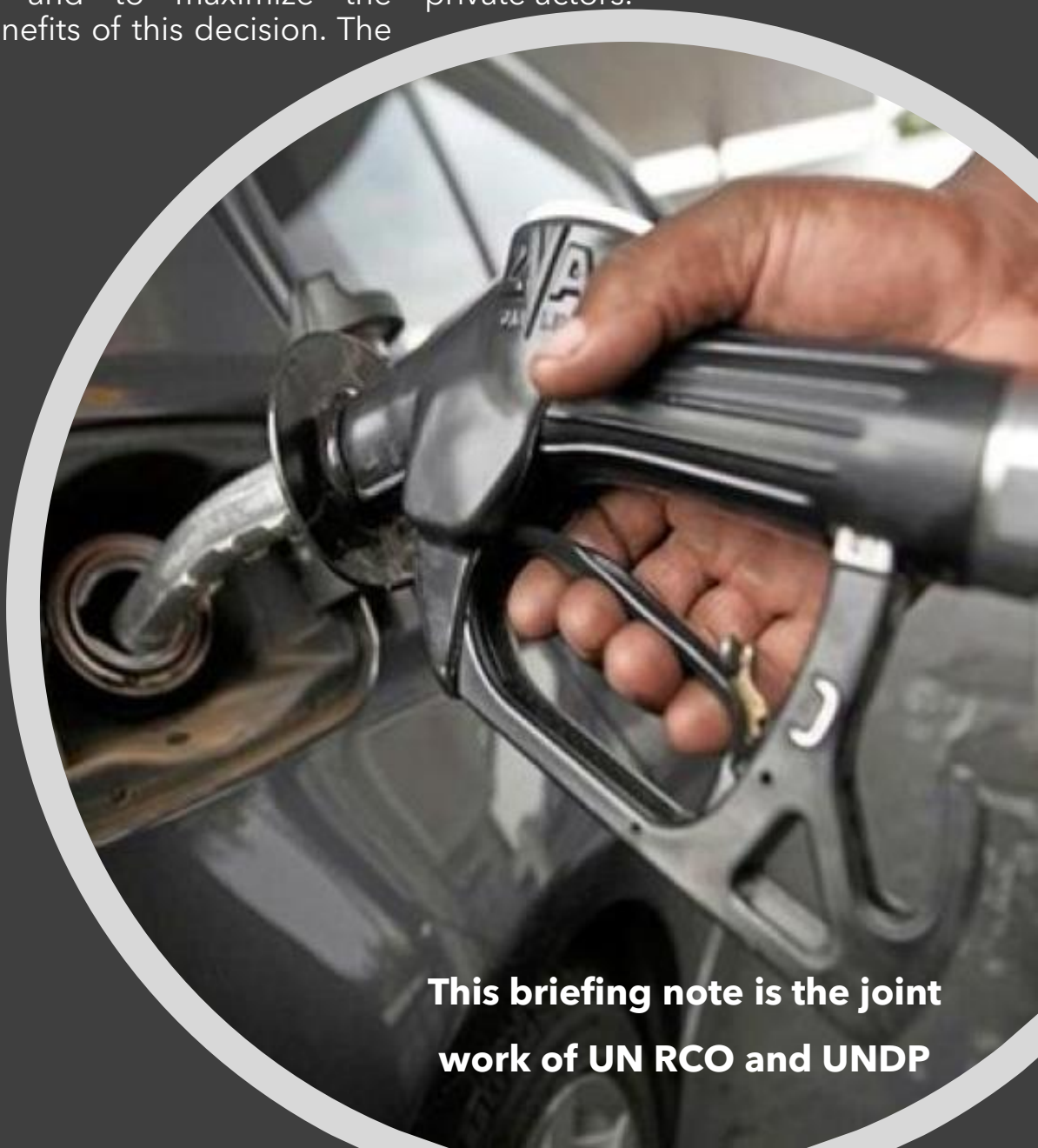
- ❑ **Investments in infrastructure:** The government can invest in transport infrastructure to reduce transport costs and improve connectivity. The government can invest in the construction and development of alternative transport infrastructure, such as public transport infrastructure.
- ❑ **Investment in renewable energy:** The government could invest in renewable energy to reduce dependence on petroleum products. The government can invest in renewable energy, such as solar or wind power, to reduce dependence on petroleum products.
- ❑ **Social dialogue:** The government and social partners must engage in dialogue to identify the best solutions to limit the impact of the price increase on the population. The decision to increase prices was taken without prior consultation with social partners, yet consultation with social and economic actors is essential to ensure better understanding and acceptance of the government's decision.



## 4. Conclusion:

The increase in the prices of petroleum products will have a significant impact on the Chadian economy. The magnitude of the impact will depend on several factors, including the evolution of oil prices on the international market and the government's ability to implement effective support measures. It is crucial that the government take measures to mitigate the negative effects of this decision on households and businesses and to maximize the positive benefits of this decision. The

suggested measures aim to mitigate the initial impacts of the pump price increase and to establish a basis for sustainable socio-economic development of the country. However, it is important to identify the most vulnerable sectors and groups and to put in place specific support measures. It should be noted that the implementation of these measures requires rigorous planning, adequate financing, and coordination between the various government and private actors.



**This briefing note is the joint  
work of UN RCO and UNDP**