Casa África – Business Opportunities

Togolese Republic

The arrival of COVID-19 threatens the growth trajectory of the Togolese economy. Compared to initial projections, it is likely that the country will register a growth loss of between 4.6% and 6.8% by 2020, growing only 0.9% if the pandemic does not last, and entering recession if it does. The fiscal deficit could widen to 6.4% of GDP in 2020 due to increased health spending and falling tax revenues caused by the drop in the overall level of economic activity. The current account deficit is expected to follow a similar trajectory, standing at between 5.7% and 7% of GDP in 2020 due to the effect of lower exports, migrant remittances and foreign direct investment in the main economic sectors (phosphate, cotton, infrastructure, coffee and cocoa). It is forecast that inflation will remain contained at an average of 1.5% for 2020, favored by the fall in oil prices. Growth could rebound in 2021, but without reaching the levels prior to COVID-19.

Before the crisis, the economic outlook was encouraging, driven by good performance in agriculture and good monetary management. In recent years, public investment has helped to improve basic infrastructure and road and energy connections. Under the auspices of the Economic Community of West African States (ECOWAS), political dialogue led to the organization of legislative elections in 2018 and local elections in 2019, the first in more than 30 years. In addition, public finance reforms and improvement of the business environment helped the country to advance several positions in the Doing Business 2019 report. The current crisis will worsen the outlook and could interrupt the implementation of the 2018-2022 national development plan.

Traditionally, Togo's main trading partner was the European Union with almost half of its exports; however, with the boom in regional trade with ECOWAS (Economic Community of West African States) members and other countries such as China, European imports have decreased. Imports are mainly composed of oil, vehicles, plastics and pharmaceuticals, with China supplying almost 20% (2017 data), followed by Belgium, South Korea and Nigeria. Exports are mostly composed of phosphates, followed by oil, cotton and beverages. These exports are mainly to African countries, although the United Arab Emirates ranked first in 2017. It was followed by Cameroon, Benin and Ivory Coast.

The disparity between available training and education programmes and employment opportunities puts great pressure on the labour market, especially for higher education graduates. In addition, the economy is not diversified; the industrial structure is limited and manufacturing value added is low, agriculture employs most people and credit in the agro-industrial sector is low. Institutional inaction and slow project structuring impede change, and structural weaknesses reduce the efficiency of public investments. The key challenges would be to increase fiscal space and bank financing for the sectors that drive growth, which requires a systematic dialogue with public and private actors.

AEO: https://www.afdb.org/en/documents/african-economic-outlook-2020

AEO (Suplemento COVID-19): https://www.afdb.org/en/documents/african-economic-outlook-2020-supplement

MAEC: http://www.exteriores.gob.es/Documents/FichasPais/TOGO_FICHA%20PAIS.pdf

ANNEX: Economic tables

Table 1: Macroeconomic indicators

	2017	2018	2019	2020 (p)
Real GDP growth	4,4	4,9	5,1	5,3
Real per capita GDP growth	1,9	2,4	2,6	2,8
Inflation	-0,7	0,9	1,4	1,7
Budget balance (% GDP)	-0,3	-0,8	-2,7	-2,1
Current account (% GDP)	-2,0	-3,0	-6,0	-5,2

Source: African Development Bank, (p) predictions before the COVID-19