RWANDA

Table 1	2023
Population, million	14.1
GDP, current US$ billion	13.7
GDP per capita, current US$	974.4
International poverty rate ($2.15)[a]	52.0
Lower middle-income poverty rate ($3.65)[a]	78.0
Upper middle-income poverty rate ($6.85)[a]	92.2
Gini index[a]	43.7
School enrollment, primary (% gross)[b]	134.9
Life expectancy at birth, years[b]	66.1
Total GHG emissions (mtCO2e)	8.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2016), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Rwanda's strong economic momentum continued in 2023, with 8.2 percent growth in 2023—led by services, manufacturing, and construction. Inflationary pressures have eased due to improvements in domestic food production, lower commodity prices, and the tight monetary policy stance by the central bank. Real GDP growth is projected at 7.6 percent on average in 2024–2025.

Key conditions and challenges

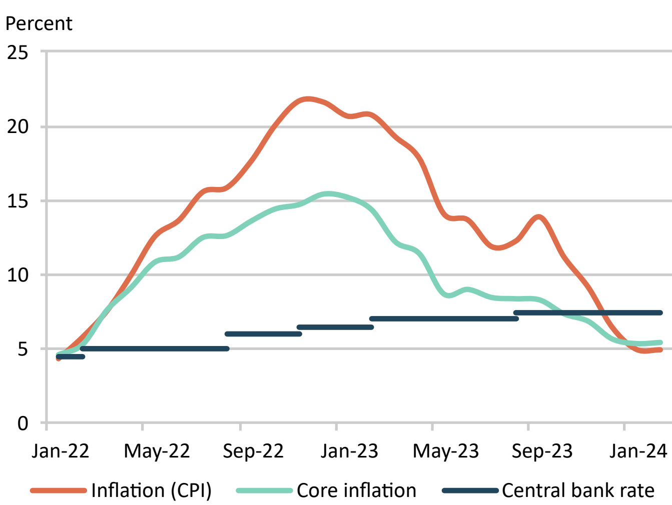
In the decade up to 2019, Rwanda's GDP per capita increased steadily at a rate of 4.5 percent per year, surpassed only by Ethiopia among SSA economies. Rwanda has also achieved substantial gains in poverty reduction, educational attainment, health services delivery, and access to basic services. However, the economy faces severe constraints. The heavy emphasis on public investment has neither generated sufficient jobs nor resulted in rapid gains in productivity. The Human Capital Index places Rwanda at 160th out of 174 countries. High public debt levels, vulnerability to climate change, and the accelerating degradation of natural assets will hinder the achievement of Rwanda's targets of becoming an upper middle-income country by 2035 and a high-income country by 2050. The highest food inflation in 15 years (63 percent in March 2023) triggered by insufficient rainfall, highlighted the importance of increasing the persistently low productivity in agriculture to increase incomes of rural households and to improve food security and availability. Overcoming these challenges will require greater reliance on private sector investment to enhance productivity growth, raise incomes, and provide the necessary financing needed to address infrastructure shortfalls. Critical areas, which would need to progress faster and drive rapid private sector investment growth in Rwanda, include enhancing competition, building firms' capabilities, increasing access to finance, fostering development and diffusion of information and communication technologies, and innovation.

Recent developments

Rwanda's economy achieved significant growth in 2023, estimated at 8.2 percent, despite lower global prices for its main exports and flooding that disrupted crop production. This performance was supported by stronger services sector and robust domestic demand, fueled by sizable investment projects. The information and communications industry made the largest contribution to GDP growth, benefiting from increased internet and mobile subscriptions, followed by manufacturing, transport services, and construction.

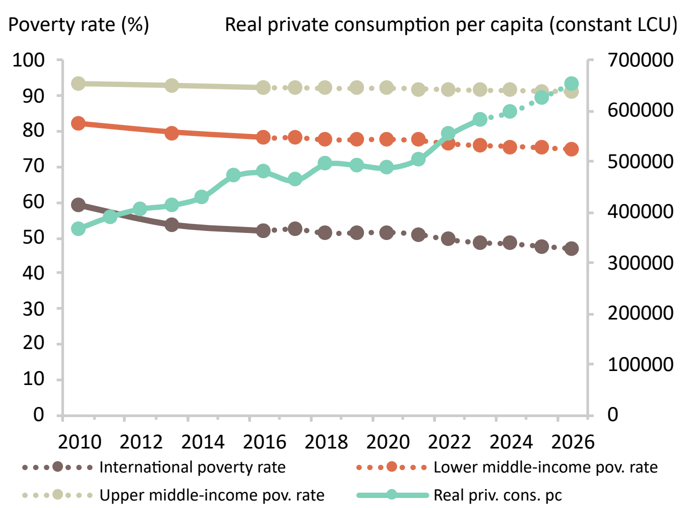
The National Bank of Rwanda's tighter monetary stance, along with improvements in domestic food production and lower commodity prices, have contained inflationary pressures. NBR hiked the policy rate by an additional 50 basis points in August 2023 to 7.5 percent (Figure 1). Inflation fell gradually to 4.9 percent in February 2024 from the peak of 22.7 percent in November 2022. After experiencing 18 months of the highest monthly food inflation in the last 15 years starting in May 2022, much lower food inflation at 6.3 percent in February 2024 eased the pressure on household budgets, especially for poor households. To counteract the effect of a sharp depreciation of the franc against the

FIGURE 1 Rwanda / Headline and core inflation and central bank rate



Source: World Bank staff estimates.

FIGURE 2 Rwanda / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

U.S. dollar—about 18. percent in 2023—on inflation, the NBR has doubled its dollar sales to commercial banks to US$10 million per week from US$5 million.

The FY24 budget envisages a temporary fiscal expansion to cushion the effects of recent floods. Total reconstruction spending is estimated at around 3 percent of GDP over the next five years, of which two-thirds will be disbursed in FY24–FY25. The resulting creation of jobs in construction is expected to benefit lower-income households. Despite this, the government remains committed to fiscal prudence through improved domestic revenue mobilization, spending rationalization, and increased transparency and efficiency. Relying largely on concessional loans to finance the deficit, Rwandan's public debt is sustainable despite increases in the stock, which is estimated at 71.6 percent of GDP in 2023.

Outlook

Rwanda's GDP is projected to grow at 7.6 percent on average in 2024–26. After weak performance in the last two years, agriculture is expected to rebound due to favorable weather. Growth will also be supported by continued growth in global tourism demand, construction, and manufacturing activities supported by the Manufacture and Build to Recover Program. Driven by growth in private consumption of 4.5 percent a year in 2024-2026, poverty is projected to decline from 48.4 percent in 2024 to 47 percent in 2026. The current account deficit is projected to remain wider in 2024 due to increased imports required for the post-flood reconstruction and the large airport construction project. Sustained strong FDI inflows and concessional financing will cover external financing needs. Inflation is expected to gradually return within NBR's target of 5±3 percent.

The government is committed to prudent fiscal management. In the FY24–FY26 budget framework, the government projects spending cuts largely through streamlining and gradually reducing subsidies particularly those related to energy and fuel. It is critical to reduce energy subsidies in a way that keeps electricity affordable for low-income households. The authorities are also planning to strengthen the oversight, governance, and risk management of state-owned enterprises while safeguarding fiscal space for human capital spending. The government also intends to improve revenue administration and cut tax rates while broadening the tax base through measures in the Medium-Term Revenue Strategy. Under this baseline, public debt would peak at 78 percent of GDP in 2024 before gradually improving over the medium term.

The outlook is subject to substantial downside risks. Even though Rwanda has limited direct trade and financial links to the Middle East, an intensification of the conflict in the region could lead to further disruptions to the global trade and economy, thus affecting Rwanda mainly through a reduced global demand for its main export products. Limited access to concessional resources and lower external demand fueled by monetary tightening in advanced economies pose further downside risks. The main risk on the domestic front is linked to the increasing frequency of weather and climate shocks, which could disrupt agricultural output again negatively affecting incomes and food security for rural households, and reigniting inflationary pressures on food.

TABLE 2 Rwanda / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	10.9	8.2	8.2	7.6	7.8	7.5
Private consumption	6.0	12.1	8.0	4.5	6.8	6.8
Government consumption	13.7	10.6	3.1	14.6	10.1	8.1
Gross fixed capital investment	9.6	-12.6	4.5	15.0	10.7	7.2
Exports, goods and services	2.4	29.4	25.8	13.1	11.2	11.2
Imports, goods and services	2.7	17.9	14.4	12.6	10.9	8.9
Real GDP growth, at constant factor prices	10.6	7.8	8.6	7.6	7.8	7.5
Agriculture	6.4	1.6	1.7	6.6	5.5	5.4
Industry	13.3	5.0	10.2	9.5	9.3	9.0
Services	11.9	12.2	11.2	7.3	8.3	7.9
Inflation (consumer price index)	1.1	12.1	15.4	6.8	5.0	5.0
Current account balance (% of GDP)	-11.1	-9.7	-11.9	-11.3	-10.1	-10.2
Net foreign direct investment inflow (% of GDP)	2.1	2.4	3.3	3.9	4.4	4.5
Fiscal balance (% of GDP)	-9.8	-9.2	-8.5	-6.8	-5.6	-5.9
Revenues (% of GDP)	24.8	23.5	22.9	23.1	23.3	23.2
Debt (% of GDP)	74.4	69.9	73.0	78.0	77.6	75.2
Primary balance (% of GDP)	-8.0	-7.3	-6.3	-4.9	-4.0	-4.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	51.1	49.6	48.7	48.4	47.7	47.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	77.5	76.5	76.0	75.8	75.3	74.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	92.0	91.7	91.6	91.5	91.4	91.2
GHG emissions growth (mtCO2e)	6.4	2.5	1.4	2.4	2.9	3.2
Energy related GHG emissions (% of total)	31.1	30.7	29.8	30.0	30.2	30.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on 2010-EICV-III and 2016-EICV-V. Actual data: 2016. Nowcast: 2017-2023. Forecasts are from 2024 to 2026.
b/ Projection using average elasticity (2010-2016) with pass-through = 0.25 based on private consumption per capita in constant LCU.