BURUNDI

Table 1	2019
Population, million	11.6
GDP, current US$ billion	3.0
GDP per capita, current US$	260.7
International poverty rate ($1.9)[a]	72.8
Lower middle-income poverty rate ($3.2)[a]	89.6
Upper middle-income poverty rate ($5.5)[a]	96.9
Gini index[a]	38.6
School enrollment, primary (% gross)[b]	121.4
Life expectancy at birth, years[b]	61.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2013), 2011 PPPs.
(b) Most recent WDI value (2018).

Economic growth is projected to fall to 0.3 percent in 2020 from 1.8 percent in 2019 due to the COVID-19 outbreak. Macroeconomic challenges include a large external imbalance and fiscal pressures. With rapid population growth, per capita GDP is contracting while poverty is expected to reach 85.9 percent in 2022. The medium-term growth outlook is clouded by downside risks weighed down by the uncertainty around the magnitude of impact of COVID-19.

Recent developments

The COVID-19 shock is interrupting Burundi's fragile economic recovery. Real GDP growth has been revised to 0.3 percent in 2020, which is 1.7 percentage points lower than the pre-COVID projection and a sharp decline from growth of 1.8 percent in 2019. Although Burundi has fewer confirmed COVID-19 cases—508 cases with only one death officially reported to September 29—the global crisis has hit Burundi through trade. The economy is facing a twin demand and supply shock while Burundi has limited fiscal, monetary and financial buffers.

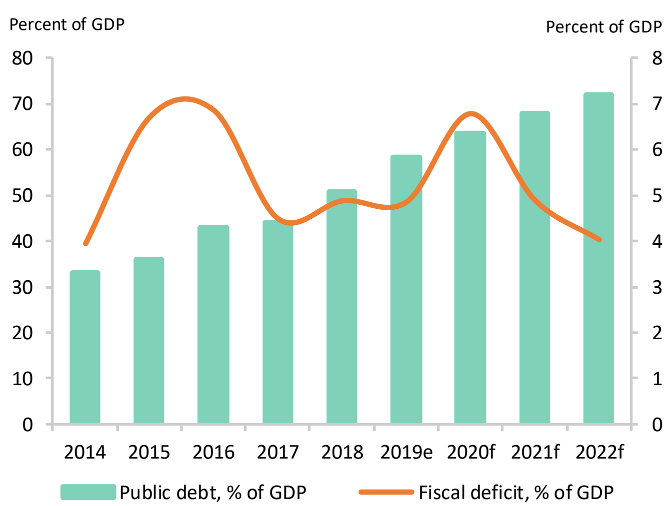
Since March 2020, the government has introduced measures to mitigate health risks stemming from the movement of goods and people. These include the quarantine of passengers and the suspension of international commercial flights, international official missions and of granting entry visas. Services are projected to contract as a result of these containment measures. The small GDP growth would be supported by food crops production in agriculture and beverages in industry. Higher government consumption is expected to support growth from the demand side. Public and private investments are projected to be weaker due to economic slowdown and fiscal constraints.

The fiscal deficit is projected to widen to 6.8 percent of GDP in 2020 from 4.9 percent of GDP in 2019, due to a fall in fiscal revenues and higher spending on health. The COVID-19 contingency plan includes actions such as coordination, laboratory, etc. Available data show a nominal decline of 1.2 percent in revenues and 17 percent in spending in 2020 Q1 year on year and a fiscal balance in deficit. As a result, public debt is expected to increase to 63.7 percent of GDP in 2020 from 58.5 percent in 2019. The deficit is mostly financed by borrowing from the banking system, sharply exposing commercial banks to the public sector. Inflation is expected to rise to nearly 8 percent in 2020, mainly due to rising food prices and disruption to imported consumer goods. Nonetheless, the central bank will likely pursue an expansionary monetary policy to finance the fiscal deficit.

The current account deficit (CAD) is projected to remain large in 2020 at 13 percent of GDP. Prices for coffee and tea exports declined by 4.4 percent and 10.4 percent, respectively, by the end of May 2020 compared to end of 2019. Exports declined by 51 percent in 2020Q2, year on year. An overvalued real exchange rate contributes to higher external imbalance and persistence of parallel market. As of March 2020, the parallel market premium averaged 60 percent while the depreciation of the official exchange rate was limited to 3.9 percent year-on-year owing to central bank interventions. International reserves remained low covering 0.9 months of imports.

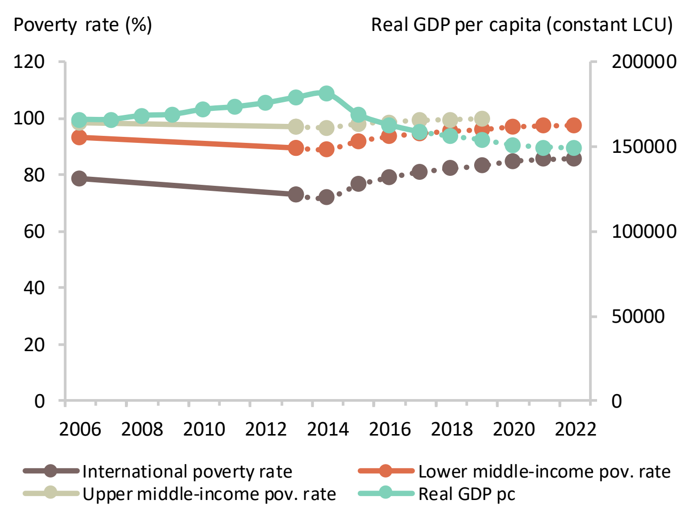
GDP growth per capita remains negative. Poverty incidence has been estimated at 83.4 percent in 2019 (based on an international poverty line of $1.90/capita/ day, in 2011 PPP), up from 72.8 percent in 2013 (last year with data availability). Progress

FIGURE 1 Burundi / Public debt and fiscal deficit



Sources: Official statistics and World Bank calculations.

FIGURE 2 Burundi / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

has been made in education and health, yet Burundi's Human Capital Index remains low—with children in Burundi today living up to only 38 percent of their productive potential—compared to the counterfactual if they had enjoyed full health, including adequate nutrition, and education. Literacy rates remain particularly low among women and rural residents. Food insecurity remains alarming, with 56 percent of children under 5 stunted, with malnutrition rates even higher outside of the capital city.

Outlook

Growth is projected to rebound to 2.5 percent in 2022, supported by increased activity in all sectors, assuming the COVID-19 pandemic is brought under control. The fiscal deficit will narrow in 2021 and 2022 to pre-COVID levels, driven by efforts to bolster revenue collection. A sharp increase is expected in mining revenue due to the launch of a new coltan mine. Computerization and other tax administration reforms should also increase tax revenue. The government projects a cut in current spending to favor capital spending. Despite narrower deficits, total public debt is expected to increase to about 72 percent of GDP by 2022 and will remain mostly composed of domestic debt. Inflation is projected at around 6 percent under persistent forex shortages and fiscal deficit monetization. The CAD is expected to remain at around 13 percent of GDP in 2021–22. Real growth in imports is expected to outstrip the projected return of export growth, which should be driven by minerals. The CAD will continue to be primarily financed through external aid, hopefully with a gradual revival in external support in the aftermath of the 2020 elections.

With demographic pressures, environmental shocks and degradation, as well as limited diversification at the backdrop of COVID-19, poverty is expected to continue rising to 85.9 percent in 2022—in line with current growth projections. The full impact of the pandemic is still unknown due to the absence of a high-frequency survey thus far. Yet, indirect effects of COVID-19 are likely to have materialized already into higher unemployment rates, especially in the capital city, as services, hospitality and tourism as well as commercial services (transportation, travel, insurance) are likely to have seen important cutbacks due to aggregate demand shocks and imposed travel restrictions in the country.

Risks and challenges

A much deeper than expected global recession may lower Burundi's exports beyond what is anticipated in the outlook. Internal fiscal risks include even weaker than expected growth and, therefore, less tax revenue. External fiscal risks include a further deterioration in grants revenue. Unanticipated drought or political uncertainty add to the downside risks. On the upside, the recent elections and a new administration could bring about improved donor relations and resumption of aid.

COVID-19 presents additional risks to livelihoods for households across the income distribution, through both direct and indirect effects. Particularly for the poor this may entail long-lasting repercussions on human capital, being forced to adopt harmful coping strategies, such as selling productive assets or reducing expenditures on education and food. This comes on top of other long-standing risks, such as the heavy reliance on rainfed agriculture that keeps Burundi's vulnerability to adverse weather and climate change elevated.

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

	2017	2018	2019	2020 e	2021 f	2022 f
Real GDP growth, at constant market prices	0.5	1.6	1.8	0.3	2.0	2.5
Private Consumption	0.2	3.5	3.1	0.3	3.0	3.4
Government Consumption	8.8	6.7	8.3	11.6	0.8	1.0
Gross Fixed Capital Investment	-2.5	24.9	32.9	-2.8	12.8	9.8
Exports, Goods and Services	32.2	11.0	-0.5	-4.0	4.6	4.7
Imports, Goods and Services	13.0	19.0	17.1	5.6	6.7	6.0
Real GDP growth, at constant factor prices	0.5	1.7	1.8	0.3	2.0	2.5
Agriculture	0.3	3.0	3.1	2.8	3.1	3.2
Industry	0.7	2.4	2.1	1.8	2.0	2.0
Services	0.6	0.7	0.9	-1.8	1.2	2.1
Inflation (Consumer Price Index)	16.1	-2.6	-0.8	8.1	6.5	6.0
Current Account Balance (% of GDP)	-11.3	-11.9	-13.4	-13.0	-13.2	-13.4
Net Foreign Direct Investment (% of GDP)	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Balance (% of GDP)	-4.5	-4.9	-4.9	-6.8	-4.9	-4.0
Debt (% of GDP)	44.2	50.9	58.5	63.7	67.9	72.0
Primary Balance (% of GDP)	-3.5	-4.5	-4.3	-6.2	-4.2	-3.3
International poverty rate ($1.9 in 2011 PPP)[a,b]	81.1	82.3	83.4	85.0	85.6	85.9
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	94.8	95.5	96.1	97.0	97.4	97.6
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	99.2	99.5	99.7			

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2006-QUIBB and 2013-ECVMB. Actual data: 2013. Nowcast: 2014-2019. Forecast are from 2020 to 2022.
(b) Projection using point-to-point elasticity (2006-2013) with pass-through = 1based on GDP per capita in constant LCU.