BURUNDI

Table 1	2023
Population, million	13.2
GDP, current US$ billion	3.5
GDP per capita, current US$	267.3
International poverty rate ($2.15)[a]	62.1
Lower middle-income poverty rate ($3.65)[a]	86.2
Gini index[a]	37.5
School enrollment, primary (% gross)[b]	103.9
Life expectancy at birth, years[b]	61.7
Total GHG emissions (mtCO2e)	9.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2020), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

In 2023, economic growth rebounded to 2.7 percent from 1.8 percent in 2022, spurred by robust agricultural production. However, inflation spiked, then moderated late in the year. Poverty rate would remain stable in 2024, due to the combination of insufficient growth, projected to improve to 3.8 percent, and rapid population expansion. Risks include regional turmoil, closure of the Burundi-Rwanda border, delayed exchange rate unification, and limited external financing.

Key conditions and challenges

Burundi's economic landscape is marred by a fragility trap, with entrenched poverty. Political instability, weak institutions, rapid population increase, and environmental degradation are persistent vulnerabilities. Economic challenges include low productivity, high dependence on foreign aid, inadequate infrastructure, and limited diversification. Agriculture contributes 40 percent to GDP and engages over 90 percent of the workforce. Industrialization is minimal, and exports are confined largely to coffee and tea. Despite possessing significant reserves of minerals critical for the energy transition, the mining sector is stunted, stifled by uncompetitive business environment, thus making an insignificant contribution of less than 1 percent to GDP. The export-to-import coverage hovers between 15-20 percent, signaling structural external imbalances. Environmental issues, including land degradation and deforestation, threaten to keep agricultural production low. High population growth strains resources and infrastructure, exacerbating conflicts amongst local communities while impeding sustainable development.

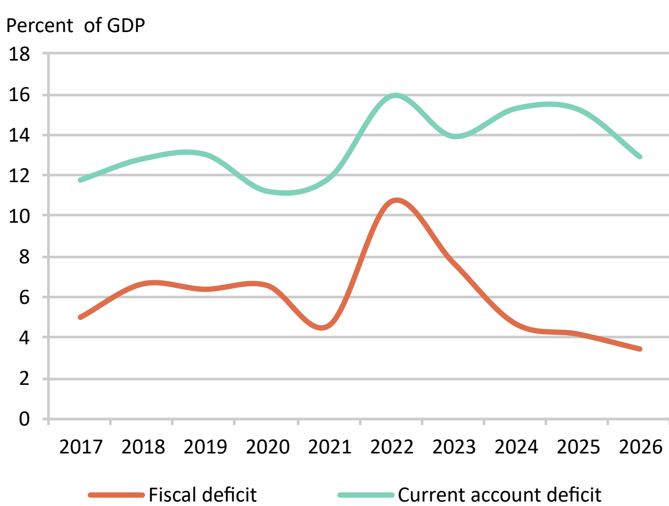
Since the 2015 political crisis, macroeconomic imbalances have persisted, ranging from high fiscal and current account deficits, and inflated currency value to limited external financing and fiscal dominance of monetary policy, compounded by soaring public debt and scant investment in infrastructure and human capital. The provision of basic public services needs to keep pace with rapid population growth. Secondary school enrollment is a mere 48 percent, and 30 percent of adolescent girls are not in school. Chronic malnutrition is widespread, with stunting affecting 55.8 percent of children under five, a figure likely to have worsened by recent food inflation. As of 2023, poverty afflicts 62 percent of the population (at US$ 2.15 per capita/day in 2017PPP).

Continued re-engagement with the international community and the government's commitment to reforms, through the completion of the exchange rate unification reforms, modernization of the monetary policy framework, fiscal consolidation, governance reforms, and growth-enabling structural reforms, would help change the country's growth trajectory while boosting social spending and productive investments.

Recent developments

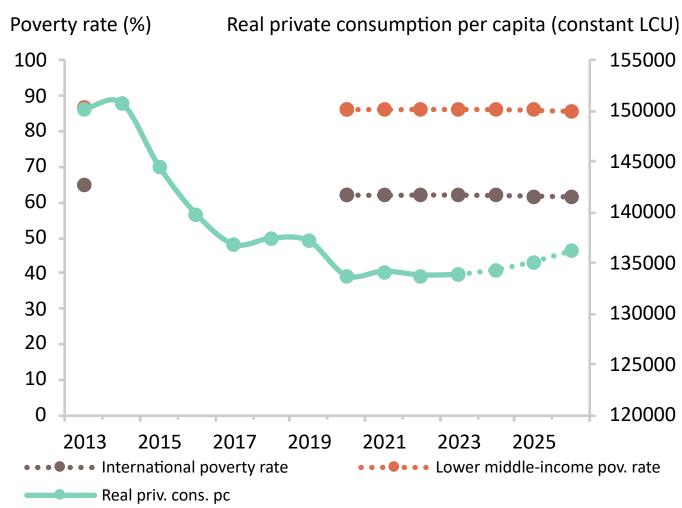
Economic growth picked up in 2023 against a backdrop of high inflation and widening fiscal and current account deficits. Growth accelerated to 2.7 percent, up from 1.8 percent in 2022, buoyed by favorable rains and robust public investment. Industry and services felt the pinch of high inflation, fuel shortages, and flaring premium on the forex parallel market. On the demand side, growth was underpinned by government and private sector spending.

FIGURE 1 Burundi / Fiscal and current account deficit



Sources: Official statistics and World Bank staff estimation.

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



Source: World Bank. Notes: see Table 2.

Aided by expenditure cutbacks, the fiscal deficit fell to 7.7 percent of GDP, down from 10.7 percent the previous year. The deficit was predominantly financed through domestic shorter-maturity higher-interest loans from banks and Central Bank advances, reflecting a reliance on domestic debt instruments. Subsequently, public debt climbed to 72.4 percent of GDP from 68.4 percent in 2022. The current account deficit (CAD) remained high at 13.9 percent of GDP in 2023, pressured by soaring oil prices and sluggish exports amid delayed mining contract negotiations. Remittances fell, reducing net current transfers, but capital account balances benefited from increased project grants. Trade credits are the mainstay of financing the current account deficit.

By December 2023, Burundi's international reserves could cover just 0.8 months of imports, a significant drop from 1.8 months the previous year. The foreign exchange market saw a parallel premium soaring to 75.0 percent in March 2023, up from 62.0 percent a year prior. Inflation peaked to an average of 27.1 percent in 2023 due to escalating food and fuel costs—but softened in the final quarter as food prices declined. Inflation's bite is sharpest for the poor, who allocate more budget to food. This trend may swell poverty rates in the short term and erode human capital long-term, as families cut meals, liquidate assets, or resort to child labor. International poverty rate ($2.15 in 2017 PPP) is estimated to remain elevated at 62 percent in 2023.

Outlook

Growth is forecasted to rise to 3.8 percent in 2024, and to accelerate to 4.6 percent on average in 2025-26, supported by robust agricultural season, mining upticks, and government spending. Favorable rainfall will sustain agricultural growth, while services and industry should rebound due to eased forex restrictions and increased power generation. High private consumption and public investment will likely continue, spurred by economic recovery.

The fiscal deficit is expected to narrow to 4.7 percent of GDP in 2024 and 3.2 percent by 2026, underpinned by the digitization of tax administration and a recalibration of non-essential spending, supported by the IMF ECF program. Public debt is projected to recede by 6 percentage points from its 2022 level, settling at 58.8 percent of GDP in 2026. The CAD will remain high over 2024–2025 before easing to 12.9 percent of GDP in 2026, due to mining exports resumption and positive impacts of foreign exchange reforms. Burundi's growth path is not matching high demographic growth, and population is set to double by 2050, further exacerbating existing pressures on limited land resources and services. Against the current trajectory, poverty is projected to remain unchanged at 61.9 percent in 2024. Substantial structural reforms are essential to expand the private nonfarm sector, boost agricultural output, and secure a well-educated, healthy population.

A favorable review of IMF's program along with reducing the misalignment between the official and parallel exchange rates could improve external accounts, with structural reforms likely enhancing exports, foreign investment, and revenues. Conversely, agricultural setbacks from adverse weather and a protracted closure of the border with Rwanda could cloud growth prospects. Failure to consolidate fiscal accounts or boost revenue collection could heighten fiscal risks and external vulnerabilities. A disruption to the IMF program might reduce access to crucially needed concessional financing and aid, and spur a further deterioration of external accounts.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	3.1	1.8	2.7	3.8	4.4	4.8
Private consumption	3.0	2.4	2.7	3.0	3.2	3.4
Government consumption	2.9	5.9	5.4	5.1	5.2	5.0
Gross fixed capital investment	3.9	4.0	8.1	10.5	12.3	13.2
Exports, goods and services	3.4	5.8	7.8	13.8	14.2	15.2
Imports, goods and services	3.2	7.0	7.0	7.1	7.3	7.5
Real GDP growth, at constant factor prices	3.1	1.8	2.7	3.8	4.3	4.8
Agriculture	3.4	-0.8	2.8	3.8	4.0	4.2
Industry	3.0	3.2	2.7	3.8	4.9	5.3
Services	2.9	3.1	2.6	3.8	4.3	4.9
Inflation (consumer price index)	8.3	18.8	27.1	22.8	20.4	16.2
Current account balance (% of GDP)	-11.9	-15.9	-13.9	-15.3	-15.2	-12.9
Net foreign direct investment inflow (% of GDP)	0.3	0.3	0.0	-0.1	-0.1	-0.1
Fiscal balance (% of GDP)	-4.6	-10.7	-7.7	-4.7	-4.2	-3.4
Revenues (% of GDP)	23.8	22.8	22.3	23.0	23.4	23.6
Debt (% of GDP)	66.6	68.4	72.4	69.9	64.8	58.8
Primary balance (% of GDP)	-1.6	-8.2	-4.8	-2.1	-1.4	-1.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	61.9	62.1	62.0	61.9	61.7	61.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	86.1	86.2	86.2	86.1	85.9	85.7
GHG emissions growth (mtCO2e)	3.9	4.0	3.9	3.9	3.7	3.7
Energy related GHG emissions (% of total)	8.7	8.6	8.6	8.7	8.9	9.2

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 2020-EICVMB. Actual data: 2020. Nowcast: 2021-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2020) with pass-through = 0.87 (Med (0.87)) based on private consumption per capita in constant LCU.