Burundi

Recent macroeconomic and financial developments

After a contraction of 1% in 2020, the economy bounced back in 2021 with GDP growth of 2.2%, driven by agriculture and by investment in public infrastructure. The inflation surge of 2020 due to disruptions in global supply chains continued in 2021, with an inflation rate of 8.3%, up from 7.5% in 2020. The budget deficit narrowed to 4.5% of GDP from 7.8% in 2020 owing to an increase in public revenue that exceeded the increase in public expenditure. The deficit was financed by foreign grants and loans, and by domestic borrowing. Public debt grew to 71.9% of GDP in 2021 from 67% in 2020.

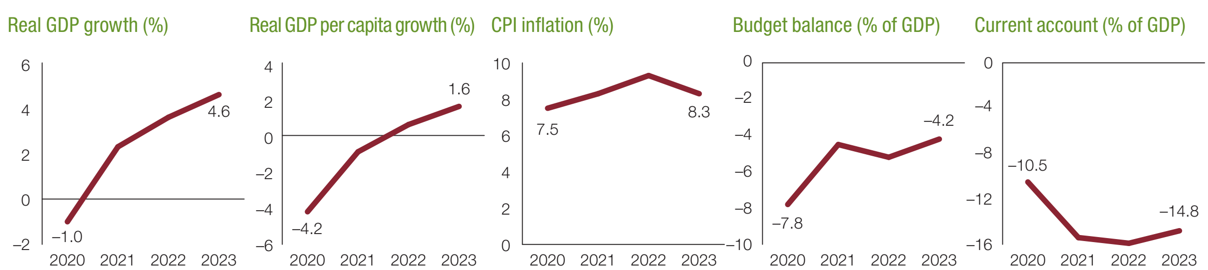
The decrease in exports (notably mining and coffee) with increased imports widened both the trade deficit —estimated at 25.7% of GDP in 2021—and the current account deficit—estimated at 15.4% of GDP in 2021, up from 10.5% in 2020. The current account deficit accentuated foreign exchange shortages, leading to a 3% depreciation in the Burundian franc against the US dollar. Reserves were estimated at 3.3 months of imports in late September 2021 against 0.9 months a year earlier. The financial sector was resilient, with NPLs decreasing by 12.6% from September 2020 to September 2021. The SDR 147.6 million ($211.2 million) allocation in August 2021 strengthened foreign reserves and supported public infrastructure financing. Income poverty climbed to 87.1% in 2021 from 85% in 2020.

Outlook and risks

Burundi's economic outlook is favorable, with projected GDP growth rates of 3.6% in 2022 and 4.6% in 2023 owing to the continuing recovery of agriculture and public investment. Global inflationary pressure intensified by the Russia–Ukraine conflict is expected to increase the inflation rate to 9.3% in 2022. But the rate will decrease in 2023 to 8.3%. The rising value of oil product imports will increase the commercial deficit and aggravate the current account deficit, which will increase from 15.4% of GDP in 2021 to 15.9% in 2022 before narrowing to 14.8% in 2023. This evolution should affect foreign exchange reserves, which will fall in 2022 but increase in 2023, to $430.8 million, covering 3 months of imports. Public debt is projected to fall to 70.2% of GDP in 2022 and 66.5% in 2023, from 71.9% in 2021, on budget consolidation. However, this outlook could be undermined by low rainfall that decreases agricultural yields, by sociopolitical instability, and by new COVID-19 variants. Strengthening security and COVID-19 vaccination rollout should mitigate these risks.

Climate change issues and policy options

Burundi is 57 on the 2021 GCRI but ranked 10 specifically on the number of climate-related fatalities per 100,000 inhabitants. Lake Tanganyika's flooding from April to July 2021 displaced more than 40,000 people and destroyed crops and homes. The country loses about 4% of GDP every year due to land degradation. It ratified the UNFCCC in 1997 and endorsed the Paris Agreement in 2017. The implementation of its NDC of 2015 allowed for afforesting 20,000 ha in five years and fostered the start of construction of four hydropower plants. The NDC, revised in 2020, helps Burundi strengthen its commitments to mitigation and adaptation with actions focusing on conserving carbon sinks, adopting climate-resilient seeds and crops, and developing nonmotorized transport infrastructure. Estimated at $3.2 billion, implementing the NDC will be financed by domestic ($430 million) and foreign resources ($2.77 billion, split into $1.32 billion for mitigation and $1.45 billion for adaptation), moving toward reaching SDG 13 on climate action.



Source: Data are as of April 2022 and are from domestic authorities; figures for 2021 are estimates and figures for 2022 and 2023 are projections by the African Economic Outlook team.