

COVID-19 & LOCKDOWN 2.0 IN KIGALI Economic Implications for Rwanda

Digital Policy Breakfast
Friday, 29th of January 2021

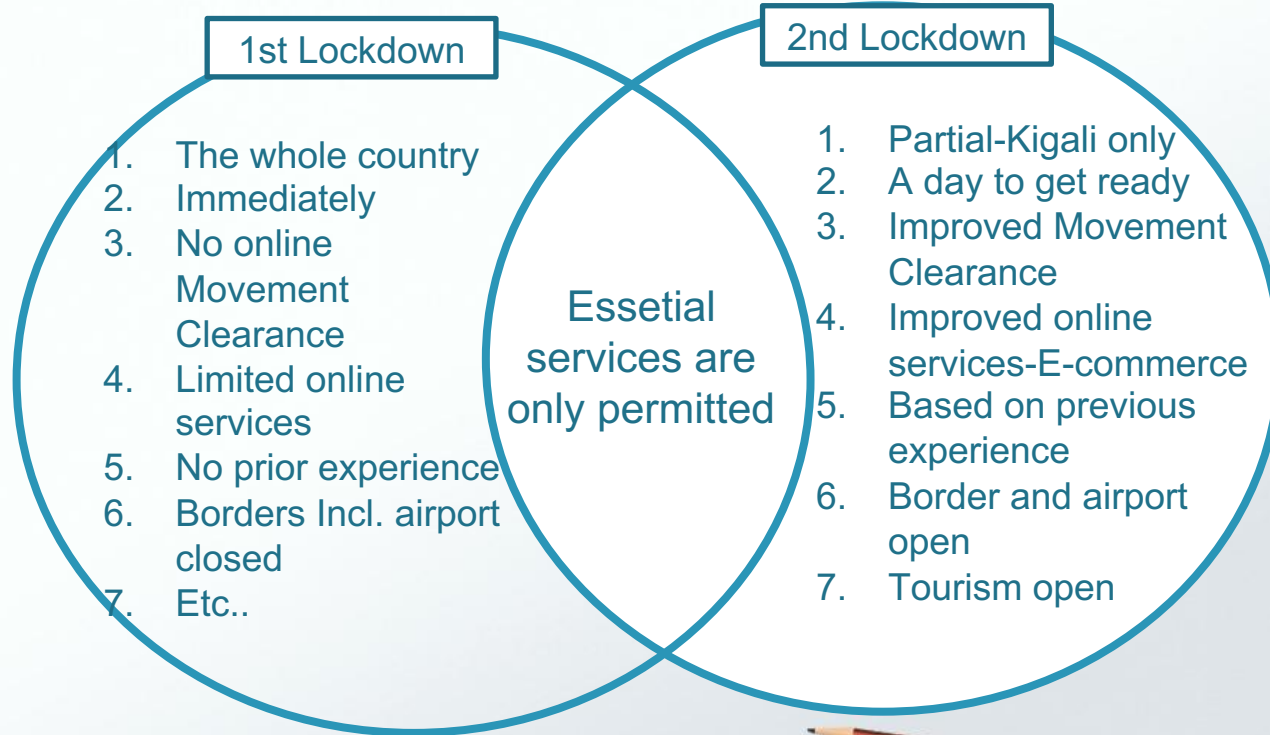
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Outline

1. Lockdown 1.0 versus lockdown 2.0
2. The economic importance of Kigali City
3. Potential economic implications of the lockdown 2.0
4. Conclusion

Lockdown 1.0 vs. 2.0

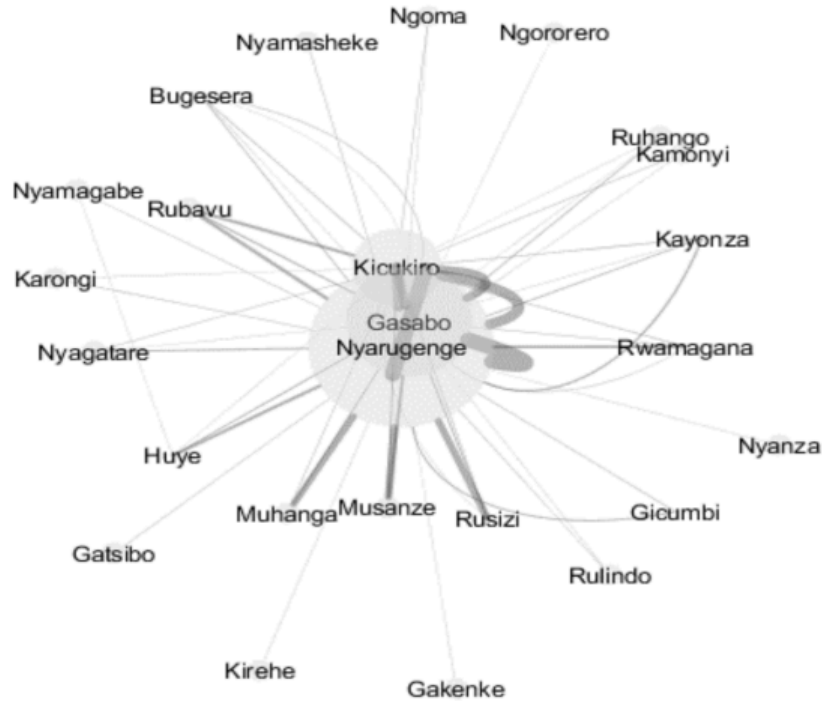


Economic importance of Kigali City

- A large proportion of firms in urban areas are concentrated in Kigali.
 - About 50% of micro-enterprises located in urban areas are located in Kigali; 63% of small firms; 70% of medium firms and 86% of large firms.
- Kigali city accounts for 85% of sales and 80% of transactions.
- Five sectors contribute to about 60% of domestic EBM sales in the country (2017).
 - An estimated 31% of domestic sales originate in Nyarugenge Sector, followed by Remera Sector (11%), Muhima (8%), Kicukiro (6%) and Kacyiru (4%).

Source: IGC study on economic geography of Rwanda

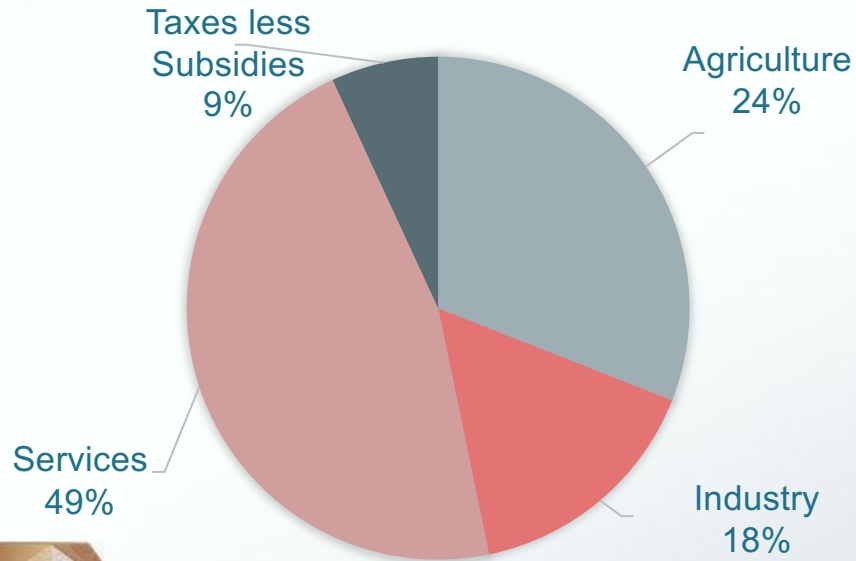
Rwanda's internal trade system using a network visualization



- Kigali is at the very centre of Rwanda's internal trade system
- There are few connections linking other parts of the country together directly
- All districts have a negative trade balance with Nyarugenge

Economic implications of the first Lockdown (Q2)

2019 GDP Composition



Impact of Covid-19 during Q2 2020

- Rwanda's GDP dropped by 12.4% following Covid-19 pandemic outbreak
 - Agriculture dropped by 2%,
 - Industry dropped by 19% while
 - Services dropped by 16%.

Economic implications of the first Lockdown (Q2)

- Mostly affected economic activities:
 - Education -67%, hotels and restaurants-62%, transport activities -41% where air transport dropped by 96% and land transport decreased by 18%.
 - Trade dropped by 22%, construction dropped by 20%, financial services dropped by 8% and public administration dropped by 3%.
- The only economic sectors that experienced growth are:
 - Information and communication sector that grew by 33%,
 - The health sector due to investments in the sector to deal with COVID-19 grew by 5%

Potential economic implications of the lockdown 2.0

- Agriculture activities contribute for 24% to GDP and accounts 66.7% of working population according to the 2016-2017 EICV 5 survey,
 - Agriculture accounts for only 14% of the working population in Kigali and it is an essential activity which is still open during the lockdown-We expect minor neg. impact
- We expect continued negative impact on the service sectors such as: hotels and restaurants, arts, entertainment & recreation and education etc../especially in Kigali.
- Implications on Industry sector is expected to be proportional to the weight of closed sectors under this category such as non agro-processing and the level of capacity utilization;
- We also expect negative implications to jobs, government revenues, informal sector in Kigali and flow of goods due re-adjustment of logistical services.

Conclusion

- Strengthening health system and putting in place measures that could help stop the spread of the virus is number one priority for Rwanda
- Government has put in place measures to mitigate the economic impact of COVID-19, which are embedded in the Economic Recovery Plan to:
 - Support for Businesses and Protect jobs;
 - Ensure Food Self-Sufficiency and availability of essential products;
 - Scale up Social Protection;
 - Coordinated Multi-sectoral response of Government to quick start and boost economic activities

**Thank
you**

