

ANALYTICAL NOTE:

# EXTERNAL STABILITY AND EXPORT COMPLEXITY



## KEY MESSAGES

**External stability** is currently strong but largely supported by inflows. Rwanda has maintained adequate reserves, strong growth, and stable macroeconomic conditions, but this stability is primarily sustained by foreign financing (FDI, concessional loans, remittances, and services exports) rather than a fully self-sustaining export base.

**The current account deficit** reflects a development-driven investment phase. A large external deficit (12–13% of GDP) is closely linked to high, growth-enhancing imports, particularly for infrastructure, energy, and industrial inputs, which are expected to strengthen future productive capacity.

**Export structure** remains narrow despite gradual improvements. Exports continue to be concentrated in minerals, coffee, and tea, with limited diversification and value addition. While services and regional trade are expanding, they have not yet transformed the overall export profile.

**External stability** is conditionally robust, not structurally anchored. Rwanda's external balance is stable under current conditions but remains sensitive to shifts in global financing, commodity prices, and tourism flows.

**Low export complexity** limits resilience and transformation. The dominance of primary commodities and low value-added products constrains productivity growth, technological upgrading, and the ability to generate stable foreign exchange earnings.

**Import growth** is not yet matched by export upgrading. As investment and growth accelerate imports, export earnings do not expand at the same pace or level of sophistication, sustaining the external gap.

**Export concentration** increases exposure to shocks. Dependence on a few commodities and markets (notably minerals and key trading partners) heightens vulnerability to price volatility, demand shifts, and trade disruptions.

**Realistic upgrading** lies in adjacent sectors, not leapfrogging. Rwanda's most viable path is gradual diversification into agro-processing, mineral beneficiation, light manufacturing, and digital services, building on existing capabilities.

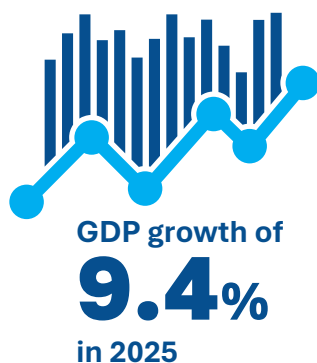
**Export transformation** requires coordinated industrial policy. Progress depends on aligning infrastructure, energy, logistics, finance, skills, and standards around priority value chains to deepen domestic capabilities and support firm-level upgrading.

**Long-term external stability** depends on exporting differently, not just more. Sustainable stability will come from a more diversified, complex, and value-added export base that reduces reliance on external financing and strengthens resilience.



## 1. INTRODUCTION

Rwanda's external position presents a nuanced picture of resilience alongside evolving structural dynamics. On the one hand, the country has demonstrated strong macroeconomic performance in recent years, with robust GDP growth, reaching around 9.4 percent in 2025 supported by expansion in services, construction, and a recovering industrial sector. This growth has been accompanied by sustained inflows of foreign private capital, including foreign direct investment (FDI), as well as continued access to concessional financing from development partners. These inflows have played a critical role in supporting the balance of payments and enabling Rwanda to maintain an adequate level of foreign exchange reserves, typically within the range of 4.5 to 5 months of import cover, which is above the commonly accepted adequacy threshold for low-income and developing economies.



Rwanda has demonstrated strong macroeconomic performance in recent years, with robust GDP growth, reaching around 9.4 percent in 2025 supported by expansion in services, construction, and a recovering industrial sector.

Rwanda's external position reflects a dynamic transition shaped by strong investment and structural transformation. The current account deficit, estimated at around 12–13 percent of GDP, largely mirrors the country's high level of development-oriented imports, including capital goods for infrastructure, intermediate inputs for emerging industries, energy products, and essential consumption items. These imports are closely aligned with Rwanda's growth strategy and are expected to support future productive capacity and competitiveness. At the same time, export performance continues to evolve, with gains observed in both traditional and emerging sectors. While the export base remains relatively concentrated, dominated by minerals, coffee, and tea, there are ongoing efforts to expand diversification and increase value addition. Export earnings are gradually being complemented by services such as tourism and regional trade, and new opportunities are emerging in agro-processing, light manufacturing, and other higher-value activities. This reflects a broader shift toward building a more diversified and resilient export structure over time.

This structural configuration implies that Rwanda's external stability is not yet anchored in a self-sustaining export system. Instead, it is supported by external inflows that compensate for the persistent trade imbalance. Concessional loans and grants, FDI inflows, remittances from the diaspora, and growing service exports, especially tourism and conference-related activities, collectively finance the external gap and help stabilize reserves. While this model has proven effective in maintaining short-term stability and supporting growth, it also introduces a degree of dependence on external conditions, including global financial flows, donor support, commodity prices, and regional stability.

The core analytical insight, therefore, is that Rwanda's short-term external stability is stronger than the structural foundations that underpin it. Macroeconomic policy, particularly prudent fiscal management, active monetary policy, and exchange rate flexibility, has played a crucial role in maintaining stability, absorbing shocks, and preventing the emergence of acute balance-



of-payments pressures. Yet, these policy tools primarily manage the symptoms rather than address the root causes of the external imbalance. The underlying challenge lies in the structure of production and trade: Rwanda imports a wide range of goods necessary for its development, but exports a relatively limited set of products with low levels of value addition and technological sophistication.

This gap is most clearly reflected in three interrelated features of Rwanda's external sector. First, the economy exhibits high import dependence, not only for consumption goods but, more importantly, for capital goods, energy, and intermediate inputs required for production and infrastructure development. Second, export earnings remain concentrated in a few commodities that are vulnerable to price volatility and external demand shocks, limiting the stability and predictability of foreign exchange inflows. Third, Rwanda's export complexity remains low, indicating limited diversification into higher-value and knowledge-intensive products. Compared to countries that have successfully transitioned toward more diversified and complex export structures, Rwanda's current export profile provides fewer opportunities for productivity gains, technological learning, and resilience to external shocks.

Taken together, these dynamics highlight a central development challenge: sustaining high growth while progressively transforming the structure of the economy toward greater export diversification and complexity. Without such transformation, the external sector will continue to rely on financing inflows to offset structural deficits, leaving Rwanda exposed to shifts in the global economic environment. Strengthening external stability over the long term will therefore require a deliberate and coordinated strategy to expand and upgrade the export base, deepen domestic productive capabilities, and reduce structural import dependence—thereby aligning Rwanda's external performance more closely with its ambitious growth and development objectives under NST2 and Vision 2050.

## 2. EXTERNAL STABILITY: CURRENT POSITION

Rwanda's external position, as reflected in the most recent macroeconomic assessments, continues to be characterized by a combination of strong macroeconomic management and persistent structural imbalances. The International Monetary Fund (2025) highlights that the current account deficit remained elevated at approximately 12.1 percent of GDP in 2024, even after the GDP rebasing exercise, and is projected to widen further to around 13.4 percent of GDP in the near term. This projected deterioration is largely driven by import-intensive public and private investments, particularly large-scale infrastructure projects such as the development of the Bugesera International Airport and associated logistics and urban infrastructure. These investments are strategically important for long-term growth and competitiveness, but in the short to medium term, they significantly increase demand for foreign exchange through imports of capital goods, construction materials, and specialized services.

At the same time, Rwanda has maintained a relatively comfortable level of foreign exchange reserves, estimated at about 4.8 months of import cover by mid-2025. This level remains above the commonly accepted adequacy threshold of four months, providing an important buffer against external shocks. However, the sustainability of this buffer is closely tied to continued inflows of external financing. The IMF assessment underscores a critical structural issue: Rwanda's external balance is not adjusting primarily through export expansion or import substitution, but rather through financing inflows that compensate for the persistent deficit. In other words, the external sector remains stable not because it is structurally balanced, but because it is effectively financed.

According to National Bank of Rwanda(2025), the current account deficit widened in absolute terms to approximately USD 1.81 billion in 2024, up from USD 1.65 billion in 2023, reflecting



both strong import demand and only moderate growth in export earnings. Gross official reserves remained relatively strong at 5.4 months of prospective imports at end-2024, before declining slightly to 4.7 months by end-March 2025, indicating gradual pressure on external buffers. The financing structure of the deficit also reveals important dynamics: it is largely supported by foreign direct investment, external borrowing (both concessional and, increasingly, semi-concessional), and to a lesser extent by remittances and service exports. Tourism, particularly conference tourism under the MICE (Meetings, Incentives, Conferences, and Exhibitions) strategy, continues to play a growing role in generating foreign exchange, partially offsetting the merchandise trade deficit.

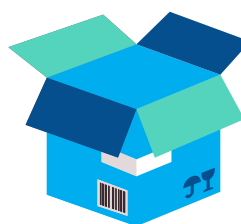


In 2025, Rwanda's formal external trade in goods showed consistently high import levels across all quarters: approximately **US\$1.995 billion** in Q1, **US\$1.736 billion** in Q2, **US\$1.933 billion** in Q3, and **US\$2.142 billion** in Q4.

An analysis of high-frequency trade data from the National Institute of Statistics of Rwanda illustrates the structural nature of the external imbalance. In 2025, Rwanda's formal external trade in goods showed consistently high import levels across all quarters: approximately US\$1.995 billion in Q1, US\$1.736 billion in Q2, US\$1.933 billion in Q3, and US\$2.142 billion in Q4. Over the same period, domestic exports amounted to about US\$1.59 billion, while re-exports contributed an additional US\$0.68 billion. Imports, however, totaled approximately US\$5.54 billion, resulting in a formal goods trade deficit of roughly US\$3.27 billion for the year. Even when accounting for re-exports and service exports, this gap remains substantial and underscores the scale of Rwanda's dependence on external financing.



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**US\$1.59 billion**



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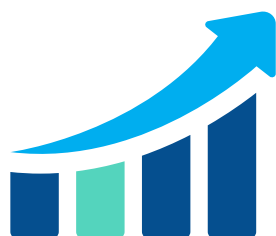
It is important to note that the merchandise trade deficit does not translate one-to-one into the current account deficit, as the latter also includes services, income flows, and transfers. Rwanda benefits from inflows such as tourism receipts, remittances, and official transfers, which help narrow the overall current account gap. Nonetheless, the magnitude and persistence of the goods deficit point to a deeper structural issue: the domestic economy has not yet developed sufficient productive and export capacity to match its import needs. This imbalance is partly a reflection of

Rwanda’s development trajectory, where rapid investment and structural transformation require significant imports, but it also highlights the slow pace of export diversification and value addition.

In this context, Rwanda’s external stability can be understood as being conditionally robust. It is robust in the sense that macroeconomic policy, reserve buffers, and access to external financing have so far prevented acute balance-of-payments stress. Any significant disruption, such as a slowdown in FDI, tightening of global financial conditions, decline in tourism, or reduction in concessional financing, could quickly translate into pressure on reserves, exchange rates, and macroeconomic stability. Overall, the current position reflects a transitional phase in Rwanda’s development: the country is investing heavily in future growth and competitiveness, but the external sector has not yet structurally adjusted to support that growth through a diversified and resilient export base. This underscores the importance of linking infrastructure investment, industrial policy, and trade strategy more closely, so that today’s import-intensive investments translate into tomorrow’s export capacity and reduced external vulnerability.

### 3. EXTERNAL STABILITY: SOURCES OF RESILIENCE AND UNDERLYING CHALLENGES

Rwanda’s external stability is underpinned by a set of reinforcing stabilizers that have, thus far, enabled the country to sustain a large current account deficit without triggering acute balance-of-payments stress. At the same time, these stabilizers coexist with structural challenges that continue to expose the external sector to medium- and long-term risks. Understanding this duality, resilience supported by inflows, alongside persistent structural weaknesses, is central to assessing Rwanda’s external outlook.



Total foreign private capital inflows increased significantly by 23.9% to approximately

**US\$1.10 billion** in 2024

The first and most important stabilizer is sustained external financing, particularly in the form of foreign direct investment and broader private capital inflows. According to the 2025 Foreign Private Capital Survey, total foreign private capital inflows increased significantly by 23.9 percent to approximately US\$1.10 billion in 2024, with FDI inflows alone rising by 21.8 percent to about US\$872.9 million. These inflows have been directed toward key sectors such as finance, manufacturing, construction, real estate, and agriculture, sectors that are central to Rwanda’s structural transformation agenda. For an economy with a persistent current account deficit, such inflows are not merely supplementary; they are essential. They provide the foreign exchange required to finance imports, support investment, and stabilize the balance of payments. However, this reliance also implies that external stability is contingent on Rwanda’s continued ability to attract and sustain investor confidence, which in turn depends on global financial conditions, domestic policy credibility, and the performance of key sectors.

The second stabilizing factor is the growing contribution of services exports, particularly tourism and travel-related receipts. The National Bank of Rwanda reports that tourism exports increased by 8.1 percent in 2024, reflecting continued recovery and expansion of the sector. Complementary estimates from the World Bank indicate that travel earnings grew even more strongly, by about



40.8 percent, and accounted for approximately 16.1 percent of total export earnings. Overall tourism receipts were estimated at around US\$647 million in 2024. This performance underscores the importance of Rwanda's strategic focus on high-value tourism, including conference and business travel under the MICE framework. These service exports play a critical role in offsetting the merchandise trade deficit by generating foreign exchange inflows that are less volatile than commodity exports. Nonetheless, the sector remains sensitive to global economic conditions, geopolitical risks, and shifts in international travel patterns, which can quickly affect inflows.

The third stabilizer lies in prudent macroeconomic and exchange-rate management. Both the International Monetary Fund and the National Bank of Rwanda note that foreign exchange reserves have remained above the four-month import adequacy threshold through 2024 and into 2025, providing a key buffer against external shocks. At the same time, the exchange rate has been allowed to adjust gradually, with the Rwandan franc depreciating by about 3 percent against the U.S. dollar by mid-2025. This controlled and orderly depreciation supports external competitiveness and helps absorb external imbalances without triggering destabilizing inflationary pressures. However, exchange-rate adjustment alone cannot resolve deeper structural imbalances; it can only mitigate them at the margin.

Despite these stabilizing factors, Rwanda's external position remains subject to several structural vulnerabilities. The most significant of these is the fundamentally goods-driven nature of the external deficit. The economy continues to import large volumes of capital goods, fuel, fertilizers, machinery, transport equipment, and construction materials. While these imports are essential for supporting infrastructure development and economic transformation, they also mean that periods of strong growth are often accompanied by a widening external deficit. In the absence of a commensurate expansion in export capacity, growth itself can exacerbate external imbalances. This dynamic reflects a structural gap between Rwanda's investment needs and its current productive and export capabilities.

A second major vulnerability is the high concentration of exports in a limited number of commodities. IMF analysis highlights that Rwanda's export earnings remain heavily dependent on minerals, coffee, and tea, with gold alone accounting for a substantial share, often close to one-third, of total goods exports in recent years. This concentration exposes the economy to fluctuations in global commodity prices, changes in demand from a small number of trading partners, and potential disruptions in trade logistics or regional stability. It also limits the scope for stable and predictable foreign exchange earnings, which are essential for long-term external sustainability.

A third structural concern relates to valuation and competitiveness pressures in the external sector. IMF external sector assessments suggest that the real effective exchange rate may have remained overvalued in 2024 under EBA-lite methodologies, with estimates indicating a potential overvaluation of around 25 percent. While such estimates are subject to methodological uncertainty, they point to a broader issue: price competitiveness alone has not adjusted sufficiently to close the external gap. This reflects deeper structural constraints, including high production costs (notably energy and logistics), limited industrial depth, and gaps in productivity and firm-level capabilities.

Rwanda's external position can be described as stable and stability is currently maintained through a combination of strong capital inflows, growing service exports, and prudent macroeconomic management. However, this stability is not yet anchored in a diversified and high-value export base. As a result, the external sector remains exposed to both external shocks, such as tightening global financial conditions or commodity price volatility, and domestic structural constraints. Strengthening long-term external resilience will therefore require a strategic shift from reliance on financing inflows toward building a more diversified, competitive, and complex export economy that can sustainably narrow the external gap.

## 4. EXPORT COMPLEXITY AND STRUCTURAL TRANSFORMATION: CURRENT STATUS AND CONSTRAINTS

The latest internationally comparable evidence continues to confirm that Rwanda's export basket remains characterized by low complexity, limited diversification, and constrained structural depth. According to the Harvard Growth Lab, Rwanda's position in the global economic complexity ranking reflects a production structure that has not yet transitioned into higher-value, knowledge-intensive activities. The Atlas of Economic Complexity indicates that Rwanda's export complexity has either stagnated or declined in recent years, largely due to insufficient diversification into new and more sophisticated product spaces. In practical terms, this means that the country's current productive capabilities, skills, technology, institutions, and firm-level capacities, only allow it to competitively produce a relatively narrow set of goods, limiting its ability to upgrade into more complex exports without targeted capability-building efforts.

A key insight from the product space analysis is that Rwanda's "adjacent possible", that is, the set of new products it can realistically diversify into given its current capabilities, remains relatively limited. This reflects the thinness of Rwanda's industrial and technological base, where existing capabilities are not yet dense or interconnected enough to support rapid movement into more complex manufacturing sectors. As a result, export diversification tends to occur incrementally and within closely related product categories, rather than through transformative jumps into high-value industries. The 2024 export basket, as reflected in the Atlas data, remains narrow and dominated by products that require relatively low levels of embedded knowledge and technological sophistication.



Rwanda's top export products included **niobium, tantalum, vanadium, and zirconium ores**

**US\$118million**

Coffee  
**US\$94.5million**

Tin ores  
**US\$78.6million**

Tea  
**US\$60million**

Data from the Observatory of Economic Complexity further illustrate this structural pattern. In 2024, Rwanda's top export products included niobium, tantalum, vanadium, and zirconium ores (approximately US\$118 million), coffee (about US\$94.5 million), tin ores (around US\$78.6 million), and tea (approximately US\$60 million). This composition underscores a heavy reliance on primary commodities and minimally processed goods. While these sectors are important sources of foreign exchange and rural livelihoods, they typically generate limited domestic value addition and have weaker forward and backward linkages compared to more complex manufacturing or services sectors. In particular, mineral exports, although high in value, often involve limited domestic processing, meaning that much of the value chain remains externalized. Even where export earnings have increased, the nature of this growth raises important structural concerns. Expansion



in commodity exports does not necessarily translate into broad-based industrial development or technological upgrading. Without deliberate policies to promote beneficiation, local processing, and supplier development, these sectors generate limited spillovers into the wider economy. For example, the absence of strong linkages between mining and domestic manufacturing reduces opportunities for developing downstream industries such as metal fabrication, electronics components, or specialized machinery. Similarly, while coffee and tea sectors have made progress in branding and quality upgrading, their transformation into high-value agro-industrial value chains remains incomplete.

Another important dimension of Rwanda's export structure is the concentration of export destinations. Trade data indicate that export markets are heavily skewed toward a small number of countries. In 2024, the United Arab Emirates accounted for a dominant share, estimated at around 63.9 percent of Rwanda's goods exports, largely driven by mineral shipments, particularly gold. More recent quarterly data for 2025 show some diversification in destination markets, with key partners including the Democratic Republic of the Congo, China, the UAE, Egypt, and Uganda. While this shift toward regional and emerging markets is positive, the overall export structure remains vulnerable due to the high concentration in a few destinations and commodities. This concentration creates multiple layers of risk. First, dependence on a limited number of markets exposes Rwanda to demand shocks, regulatory changes, or geopolitical developments affecting those markets. For instance, shifts in gold trading regulations, sanctions, or regional instability could significantly disrupt export flows. Second, reliance on a few trade corridors increases logistical vulnerability, particularly for a landlocked country where transport costs and border processes already present challenges. Third, concentration reduces bargaining power and limits the ability to stabilize export earnings through diversification across markets and products.

From a structural transformation perspective, the low level of export complexity implies that Rwanda has not yet fully harnessed the potential of exports as an engine of productivity growth, innovation, and resilience. More complex exports tend to embody higher levels of knowledge, support better-paying jobs, and create stronger linkages across sectors. In contrast, a commodity-dominated export structure tends to generate more volatile revenues and fewer opportunities for sustained capability accumulation. This helps explain why, despite strong macroeconomic performance, Rwanda's external sector remains structurally vulnerable. Rwanda's export complexity challenge is not simply about increasing export volumes, but about transforming the composition of exports toward higher value-added, more diversified, and knowledge-intensive products. Achieving this will require a coordinated strategy that goes beyond trade policy to include industrial development, skills upgrading, innovation systems, infrastructure (especially energy and logistics), and targeted support for firms to move up value chains. Without such a transformation, the country's export base will remain narrow, limiting its ability to achieve long-term external stability and resilient growth.

## 5. THE LINK BETWEEN EXPORT COMPLEXITY AND EXTERNAL STABILITY

Export complexity for Rwanda, is not a peripheral or purely industrial-policy concern, it lies at the core of long-term external stability. The structure and sophistication of a country's exports fundamentally determine the quality, resilience, and sustainability of its foreign exchange earnings. Economies with more complex export baskets typically generate revenues from a broader range of products and markets, reducing dependence on a few commodities and mitigating exposure to price volatility. They also benefit from stronger domestic value chains, deeper supplier networks, and greater capacity to innovate and upgrade into higher-value activities over time. These features collectively enhance their ability to sustain external balance, even in the face of global shocks. In contrast, Rwanda's current export structure does not yet provide these



stabilizing advantages at sufficient scale. The export base remains concentrated in a limited set of primary commodities, particularly minerals, coffee, and tea, alongside a growing but still relatively narrow services sector. While these exports generate essential foreign exchange, they are inherently more volatile and less predictable, as they are highly sensitive to global price movements, weather conditions, and demand fluctuations in a small number of markets. Moreover, many of these exports involve limited domestic processing, which constrains value addition and reduces the potential for broader economic spillovers.

This structural limitation has direct implications for the external balance. As Rwanda continues to grow and invest, particularly in infrastructure, industrialization, and urban development, its demand for imports of capital goods, intermediate inputs, energy, and technology increases. In more diversified and complex economies, such import growth is often matched, or even exceeded, by a parallel expansion in exports of higher-value goods and services. However, in Rwanda's case, export earnings do not automatically expand in a similarly dynamic and diversified manner. The result is a persistent and structurally embedded gap between imports and exports, reflected in the large current account deficit. This dynamic explains why Rwanda can simultaneously exhibit strong macroeconomic stability and underlying external vulnerability. On the surface, the country has managed its external sector effectively: it has maintained adequate foreign exchange reserves, ensured exchange-rate flexibility, attracted sustained inflows of foreign capital, and expanded service exports such as tourism. These factors have prevented the emergence of acute balance-of-payments pressures and have supported overall economic stability. However, this stability is largely maintained through external financing rather than through a self-sustaining export system.

The reliance on inflows, whether in the form of foreign direct investment, concessional borrowing, remittances, or tourism receipts, introduces an element of conditionality into Rwanda's external stability. These inflows are influenced by external factors such as global financial conditions, investor sentiment, geopolitical developments, and international travel trends. A sudden tightening of global liquidity, a decline in commodity prices, or a disruption in tourism flows could quickly translate into reduced foreign exchange availability, putting pressure on reserves and the exchange rate. In this context, export complexity becomes a critical pathway toward reducing vulnerability and strengthening resilience. A more complex export structure would enable Rwanda to diversify its sources of foreign exchange, stabilize export revenues, and build stronger linkages between sectors of the economy. It would also support productivity growth, job creation, and technological upgrading, further reinforcing the country's development trajectory. Importantly, higher export complexity would allow Rwanda to gradually shift from a model where external stability depends on financing inflows to one where it is anchored in the productive capacity of the economy itself.

Ultimately, the link between export complexity and external stability highlights a central strategic challenge for Rwanda: aligning its rapid growth and investment-driven development model with a parallel transformation of its export base. Without such alignment, the economy risks remaining in a cycle where growth increases import demand faster than export capacity can respond, perpetuating external imbalances. Strengthening export complexity is therefore not only about diversification, it is about securing the foundations of long-term macroeconomic stability, resilience, and sustainable development under frameworks such as NST2 and Vision 2050.

## 6. PATHWAYS FOR EXPORT UPGRADING AND STRUCTURAL TRANSFORMATION IN RWANDA

Rwanda's most realistic and impactful export upgrading opportunities lie not in attempting an immediate leap into highly complex, capital-intensive industries, but in strategically expanding into "adjacent" products and sectors that build on existing capabilities. This approach, grounded in the logic of gradual capability accumulation, recognizes that structural

transformation is a cumulative process. It requires leveraging current strengths in agriculture, mining, services, and emerging manufacturing to move incrementally toward higher-value and more sophisticated activities. Evidence from the International Monetary Fund and the International Trade Centre suggests that Rwanda has already demonstrated dynamism in several sectors, including agro-processing, light manufacturing, tourism, digital services, and regional trade integration. These sectors provide a practical foundation for scaling up export complexity in a way that is both feasible and sustainable.

A central pillar of this upgrading pathway is agro-industrial transformation. Rwanda has strong potential to move beyond raw agricultural exports into higher-value agro-processing and branded products. In coffee and tea, for instance, there is scope to deepen value addition through specialty processing, certification (e.g., organic, fair trade), and premium branding linked to Rwanda's reputation for quality. Similarly, horticulture, dairy, and emerging high-value crops can be developed into processed and packaged export products for regional and global markets. The objective is not only to increase export revenues but also to strengthen backward linkages to farmers and rural economies, thereby enhancing inclusiveness and resilience.

A second critical pathway lies in mineral beneficiation and traceability-linked processing. While Rwanda has benefited from rising mineral exports, particularly gold and the 3Ts (tin, tantalum, tungsten), much of this trade still involves limited domestic processing. There is significant potential to move up the value chain through local refining, processing, and integration into downstream manufacturing segments, especially where traceability and ethical sourcing create competitive advantages. Developing these capabilities would allow Rwanda to capture a greater share of value within global mineral supply chains while reducing vulnerability to raw commodity price fluctuations.

A third area of opportunity is light manufacturing and regional value chains. Rwanda is well positioned to expand into labor-intensive and medium-skill manufacturing activities that serve regional markets, particularly within the East African Community and the African Continental Free Trade Area. Sectors such as pharmaceuticals, basic consumer goods, construction materials, packaging, and agro-inputs (e.g., fertilizers, animal feed, chemicals) offer strong potential. These industries are closely linked to domestic demand and regional supply gaps, making them more accessible entry points into manufacturing exports. By participating in regional value chains, Rwandan firms can benefit from economies of scale, learning-by-exporting, and gradual technological upgrading. In parallel, digitally deliverable services represent an emerging frontier for export diversification. Rwanda's investments in digital infrastructure, innovation ecosystems, and skills development, combined with its strategic positioning as a regional services hub, create opportunities in ICT-enabled services, fintech, business process outsourcing, and creative industries. These sectors are particularly attractive because they are less constrained by geography and logistics, and they offer higher knowledge intensity and scalability. Expanding service exports can therefore complement goods exports and contribute to a more balanced and resilient external sector.

Underlying all these pathways is a common policy logic: shifting from exporting raw or minimally transformed goods toward products and services that embody higher domestic value addition, stronger quality standards, and embedded knowledge. Achieving this transition requires more than sector-specific interventions; it demands a coordinated, cross-cutting policy framework. Key enablers include improvements in trade logistics and transport infrastructure, reduction of energy and production costs, strengthening of standards and certification systems, and deepening of regional integration frameworks. Equally important is the need to build firm-level capabilities, through access to finance, technology adoption, skills development, and targeted industrial support, so that domestic enterprises can compete effectively in higher-value segments.

In this context, export upgrading in Rwanda should be understood as a strategic sequencing process rather than a one-off transformation. By focusing on realistic, capability-consistent opportunities and progressively moving into more complex activities, Rwanda can gradually expand its export base, increase resilience to external shocks, and align its external sector with its broader development ambitions under NST2 and Vision 2050.

## 7. POLICY IMPLICATIONS

First, Rwanda should continue protecting reserve adequacy and exchange-rate flexibility while avoiding the temptation to defend the currency too aggressively. The country's reserve buffer is still adequate, but large capital imports and current account pressures mean buffers should be rebuilt whenever inflows are strong. This argues for continued macro prudence and careful sequencing of non-concessional external borrowing.

Second, export policy should focus less on headline export growth and more on the composition of exports. A rise in mineral earnings can improve the trade balance quickly, but it does not necessarily strengthen resilience unless it leads to local processing, supplier development, skills formation, and better logistics. Rwanda needs to use current mineral and coffee earnings as a bridge toward more complex capabilities, not as a substitute for diversification.

Third, the most important medium-term external-stability reform is an export-complexity strategy tied to industrial policy. That means aligning trade, infrastructure, energy reliability, logistics, standards, finance, and investment promotion around a small number of scalable product families. The objective should be to deepen domestic capability in sectors where Rwanda can move from raw export to processed export, and from isolated firms to clusters. That is where export complexity and external stability meet.

## CONCLUSION

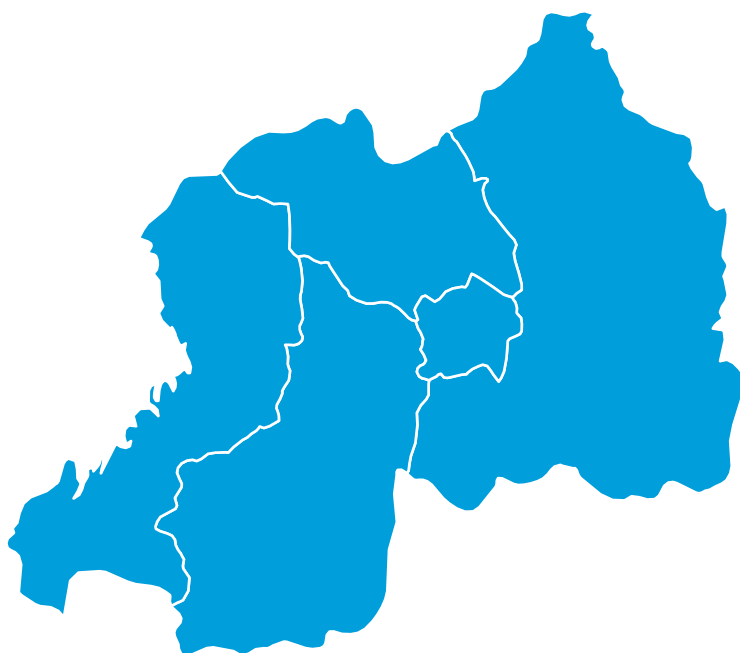
Rwanda's external position can be characterized as stable in the short term, yet structurally exposed over the medium to long term. The country has demonstrated strong macroeconomic management, maintaining foreign exchange reserves above adequacy thresholds, sustaining investor confidence, and continuing to attract foreign capital inflows. In addition, the expansion of services exports, particularly tourism and related activities, has provided an important buffer against the persistent merchandise trade deficit. These factors have collectively enabled Rwanda to finance its external imbalance without experiencing acute balance-of-payments stress.

However, this stability remains conditional rather than fully self-sustaining. The large and persistent current account deficit, driven primarily by a wide goods trade gap, reflects a structural mismatch between Rwanda's import-intensive growth model and its still narrow export base. Export earnings remain concentrated in a limited number of primary commodities and a small set of markets, exposing the economy to external shocks such as commodity price volatility, shifts in global demand, and disruptions in key trade corridors. As a result, the external sector continues to rely heavily on external financing inflows, FDI, concessional borrowing, remittances, and service exports, to maintain balance.

Looking forward, the central challenge for Rwanda is not simply to increase export volumes, but to fundamentally transform the structure of its exports. The strategic imperative is to move toward a more diversified and complex export basket characterized by higher domestic value addition, stronger technological content, and broader market reach. This transformation requires leveraging current inflows, infrastructure investments, and policy reforms as a foundation for building

productive capabilities, particularly in agro-processing, light manufacturing, mineral beneficiation, and knowledge-based services. The objective is to ensure that today's investment-driven growth translates into tomorrow's export capacity.

Ultimately, Rwanda's long-term external stability will depend on its ability to shift from a model sustained by external financing to one anchored in a competitive and resilient export economy. This means reducing dependence on a narrow set of commodities and markets, strengthening domestic value chains, and enhancing the economy's capacity to generate stable and diversified foreign exchange earnings. In this context, export complexity is not a secondary policy concern, it is the cornerstone of sustainable external balance, economic resilience, and the country's broader development ambitions under NST2 and Vision 2050.



**VISION 2050**  
The Rwanda we want. U Rwanda twifuzza.

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