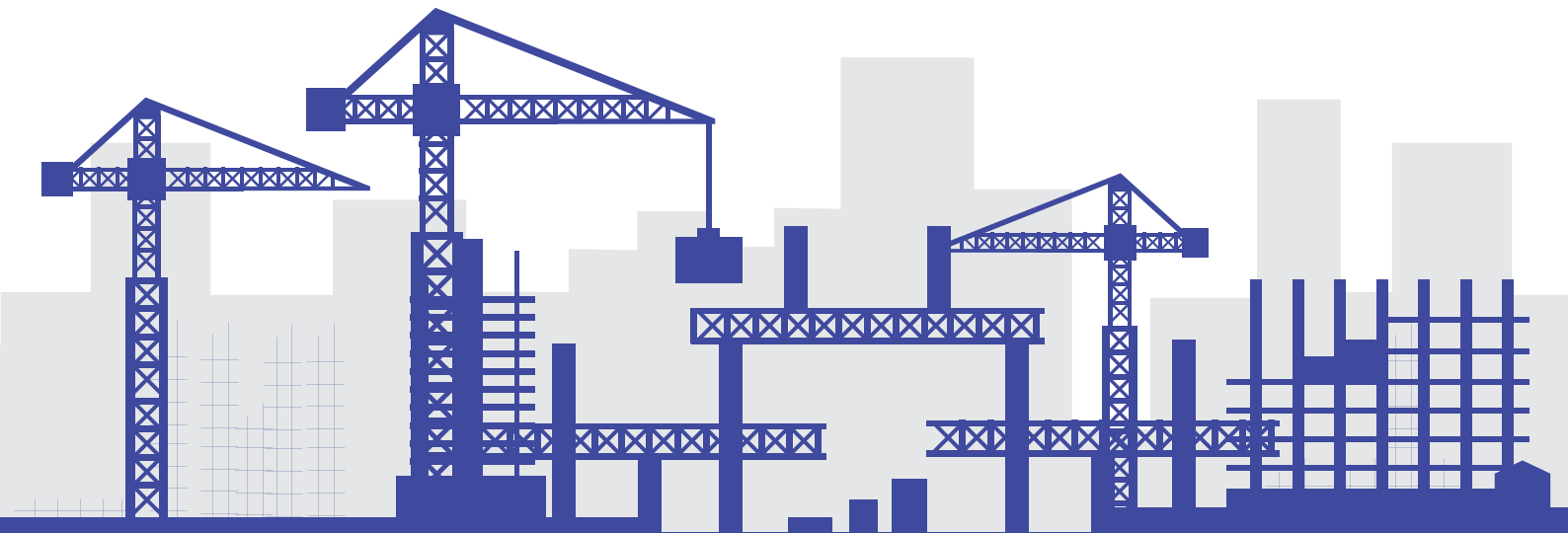




Institute of Policy Analysis
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Improving Policy, Impacting Change.



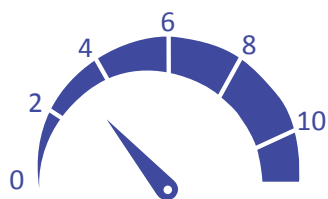
CONSTRUCTION SECTOR BAROMETER



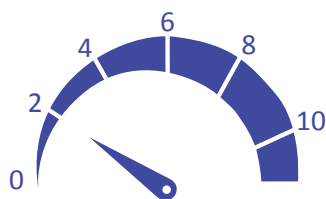
Quarter #4
December, 2017



IPAR CONSTRUCTION INDICATOR



This quarter **(3%)**



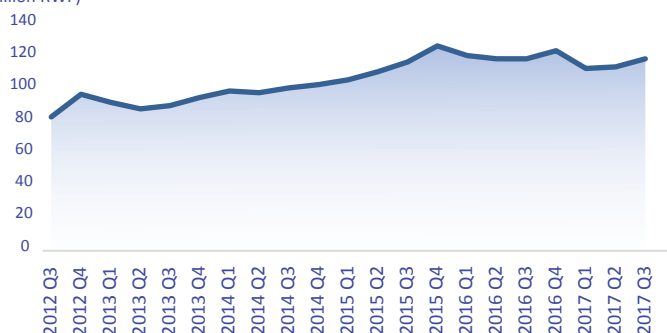
Next quarter **(2%)**

The construction activity is expected to have increased by around 3% in the fourth quarter of 2017. The forecasting indicator suggest also a modest increase (2.1%) of the construction activity for the first quarter of 2018.



VALUE ADDED IN CONSTRUCTION

(In Billion RWF)



The construction sector performed better over the previous quarter (increased by 4%) and has reached the same level as during the same period the previous year.



BUSINESS CLIMATE

Next Quarter



Bigger



Medium



Small

This Quarter



Bigger



Medium



Small

The current situation is challenging for small companies and medium companies but good for bigger companies. Business expectation are expected to remain the same for medium and big companies while some small companies even expect it to be better.



EMPLOYMENT

10.3%

employed labor force



February 2017

240,000



August 2017

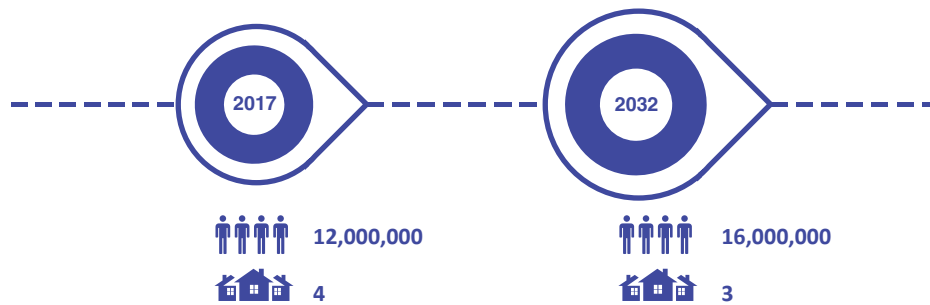
304,473



The sector was employing around **304,473 people in August 2017**, which represent 10.3%. It ranks 26.86% higher than the **February 2017** figure which was only **240,000 people** employed in the sector. Thus, points to an increase of employment in the sector.



LONG-RUN HOUSING DEMAND



Housing demand is expected to remain strong as population grows **(from 12 to 16 million over the next 15-years)** and household size decreases **(from 4 to 3)**. Demand will be especially strong in urban areas where the number of household is expected to double over the next 15-years.



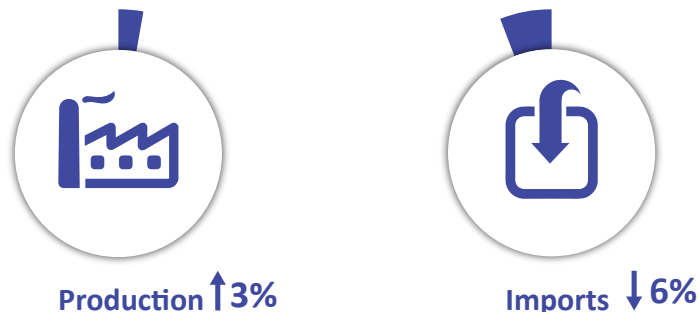
PRICES FOR HOUSING



Prices for “Housing, water, electricity, gas and other fuels” increased by 2.3% in the last quarter 2017 compared to Q3 2017. And inflation decreased to 1.4%.



CONSTRUCTION MATERIALS



The production of construction materials has **increased by 3%** in the fourth quarter 2017 compared to the third quarter 2017 a lower increase compared to the previous quarter. For imports however, they **decreased by 6%** compared to the third quarter 2017. Moreover, the cement imports continue to be substituted by cement production.

Background

In Rwanda the data on economic activity is available officially in national accounts; however national accounts data are not well suited to reliably assess economic activity in real-time. Albeit, it is important for policy making and evaluation to have timely information to be able to react on its trends or even better be able to anticipate them in advance, this at least for the data on the production of important branches of activity. It is thus against this background that the macroeconomic programme of GIZ in collaboration with the Ministry of Finance and Economic Planning MINECOFIN commissioned IPAR with the cooperation of RWI located in Germany to construct a single comprehensive business cycle indicator for the construction sector in Rwanda. The calculation of this indicator is expected to serve as a benchmark for future business cycle indicators in other activities, namely in the areas of: agriculture, tourism and trade.


Approach

This indicator was constructed using data compiled from national data and as well quantitative data from construction companies. The reference variable selected was the value added in the construction sector because of its accuracy and low volatility. Dependent variables were selected based on their fit to the value added of the construction sector, their economic relevance and timeliness. Accordingly, the relevant variables retained were: credit to the private sector, loans for the construction sector, import prices of construction materials, and the evolution of rents. Furthermore, we weighted these variables based on their forecast performance measured by the root-mean-square error (RMSE) and by giving more weight to longer time series. Thus, we end up with two indicators: a “Plain” bridge model and an “Autoregressive” bridge model. Moreover, given the importance and fit of cement to the construction sector we also considered the cement indicator. The three indicators were then averaged to one single comprehensive indicator.

The Institute of Policy Analysis and Research (IPAR-Rwanda)

 Kimihurura, KG 627 St, Building No.4

 P.O Box 6005 Kigali-Rwanda

 Tel: (+250) 789099704

 E-mail: info@ipar-rwanda.org |  Website: www.ipar-rwanda.org

Find us on Social Media

 Facebook: IPAR Rwanda |  Twitter: @iparrwanda