

Monetary Policy & Financial Stability Statement

September 2023



Global Economy

The World economic growth projected to slow to

3.0%

2023 & 2024

FROM

3.5%

2022

Sub-Saharan Africa to slow to

3.5%

2023

AND

4.1%

Proj. (2024)

FROM

3.9%

2022

Due to:

- ▶ Tight financial conditions
- ▶ Geopolitical tensions
- ▶ Tight fiscal space
- ▶ Climate change

Global Commodity Prices



Slowing global commodity prices on weak demand



Global energy index

-30.4%

2023H1

-25.8%

Proj. (2023)



Non-energy index

-14.0%

2023H1

-9.6%

Proj. (2023)





Global Inflation

Global Inflation projected to fall to

6.8%	AND	5.2%	FROM	8.7%
2023		2024		2022

Sub Saharan Africa inflation projected to ease to

14.0%	AND	10.5%	FROM	14.5%
2023		2024		2022

- ▶ Cooling effect of tight monetary policy
- ▶ Easing international energy and food prices
- ▶ Easing supply disruptions



Rwanda's Economic Performance

Despite global economic challenges and adverse weather conditions, Rwanda's economy remained resilient.

+7.7% (2023H1)



Service Sector
+11.3% (2023H1)



Industry Sector
+7.5% (2023H1)



Agriculture Sector
+0.3% (2023H1)



Rwanda's External Sector Performance

Merchandise exports

+11.2%
2023 H1

*Due to the good performance of manufacturing exports and ICBT.

Merchandise Trade Deficit

+23.3%
2023 H1

Merchandise imports

+18.5%
2023 H1

*In line with improving domestic economic activities

Exchange Rate Depreciation

+8.8%
2023 H1



Rwanda's External Sector Performance

The pressures from trade deficit were lessened by continued good performance of other private flows



Travel
+44.3%
2023 H1



Foreign Direct Investment
+11.2%
2023 H1



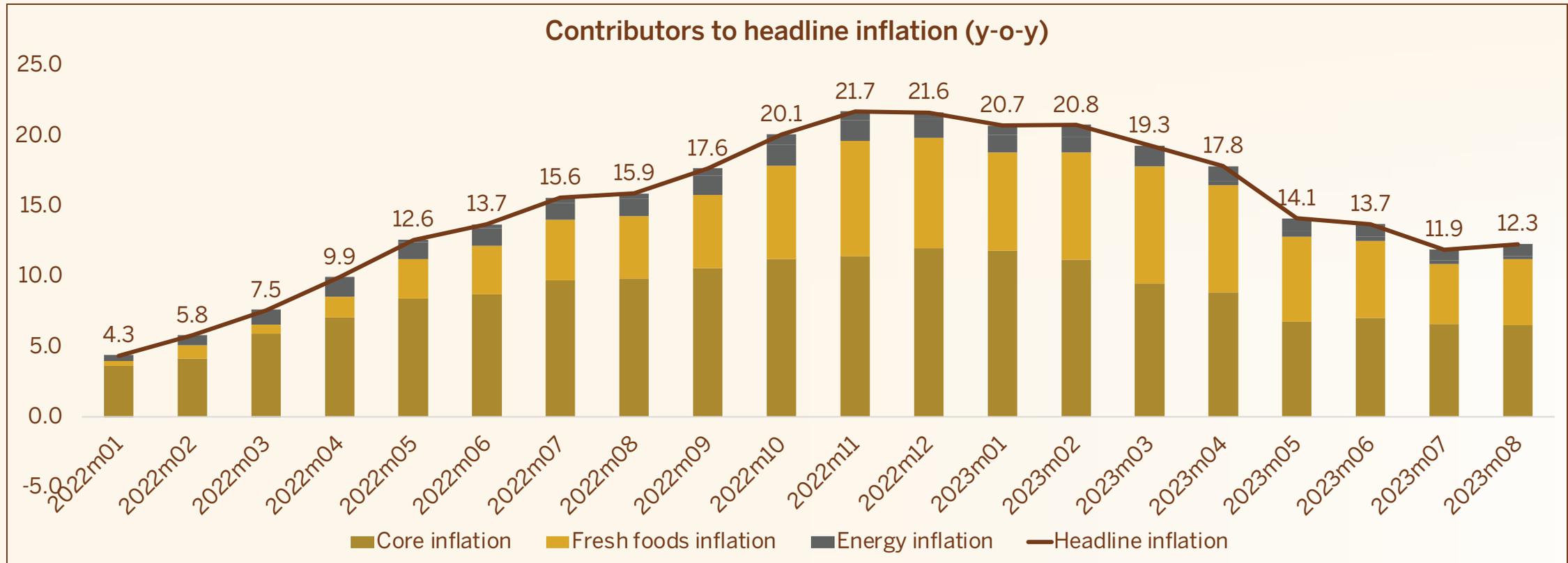
Remittances
+11.3%
2023 H1



Foreign Reserves
4.4 Month of Imports
(End June 2023)



Inflation Developments



Headline inflation: 12.3% (Aug 2023) from 21.6%(Dec 2022)

- » Alleviated pressures on core inflation from international food prices (processed food items).
- » Easing trend recorded from global energy prices.
- » Improved fresh food supply resulting from domestic and imports.

Core inflation: 8.4%(Aug-2023) from 15.4%(Dec 2022)

Energy inflation: 3.2% (Aug-2023) from 19.9%(Dec 2022)

Fresh food inflation: 29.8%(Aug-2023) against 50.1%(Dec 2022)



Monetary Policy Developments

Tight monetary policy to curb high inflation pressures



Central Bank Rate

7.0%

June 2023



The interbank
market rate

7.55%

2023 H1

5.40% | 2022 H1



Lending rate

16.26%

2023 H1

16.42% | 2022 H1



Deposit rate

9.55%

2023 H1

7.48% | 2022 H1

- > CBR: 7.5% (Aug 2023)
- > Interbank rate: 8.1% (Aug 2023)



Inflation Outlook

➔ Headline inflation (y-o-y) is projected to **drop** and **fall within the target bounds towards the end of 2023** and around 5.0% in 2024.

Driven by:

- NBR's monetary policy decisions
- Government policy measures

Potential risks:

- Geopolitical tensions
- Oil supply cuts
- Climate change.

The image features a warm, golden-brown color palette. In the foreground, there are four stacks of coins of varying heights, increasing from left to right. Behind the coins, a semi-transparent bar chart with several vertical bars is visible. Overlaid on the entire scene is a network of white lines connecting circular nodes, resembling a data visualization or a financial network. The text 'Financial Sector Stability' is centered in a bold, dark brown font.

Financial Sector Stability

Growth of the Financial Sector



Financial Sector Assets relative to GDP **grew to 63.0 percent** by June 2023, above the five-year average of 61.4 percent.

Total assets of the financial sector

↑18.3%

JUNE 2023

— AMOUNTING TO —
FRW9,635bn

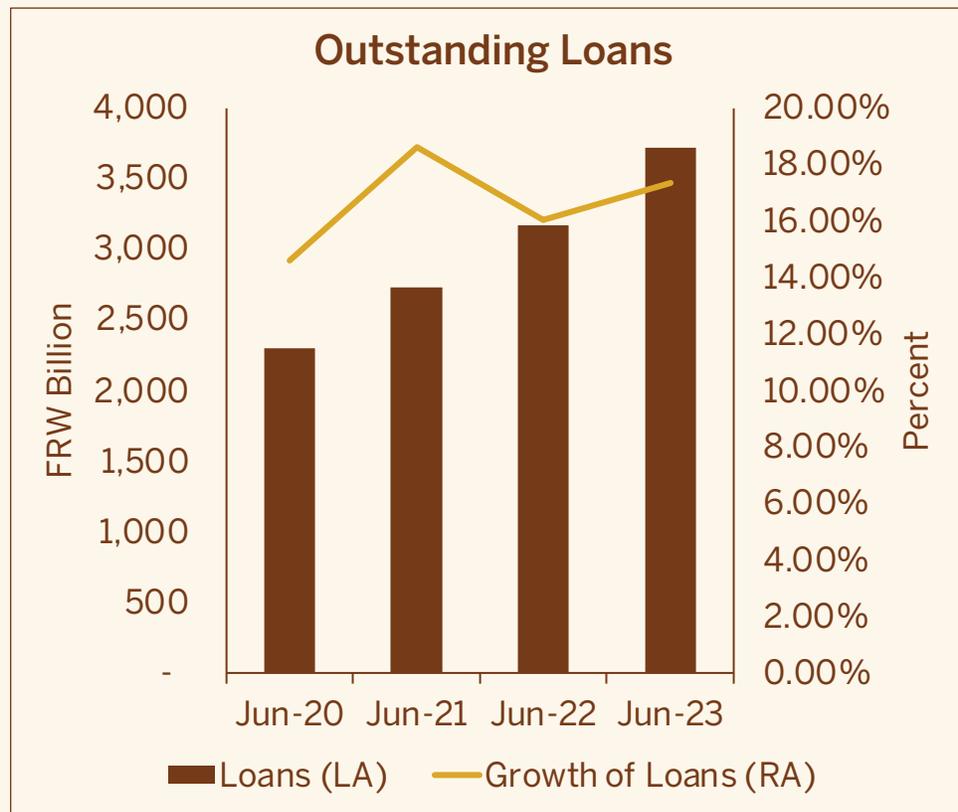
— COMPARED TO —
FRW8,145bn

IN JUNE 2022

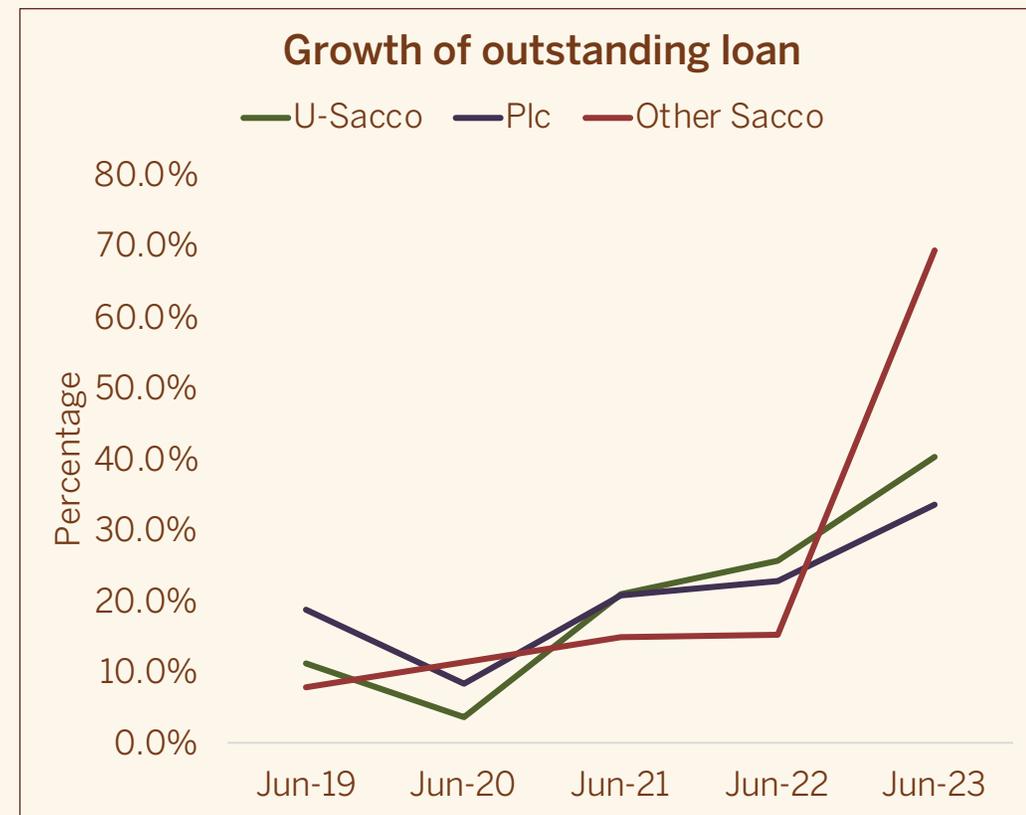


Lending remains the key business of Banks & MFIs

→ Outstanding loans increased by 17.3 percent explained by the growth in new loans.



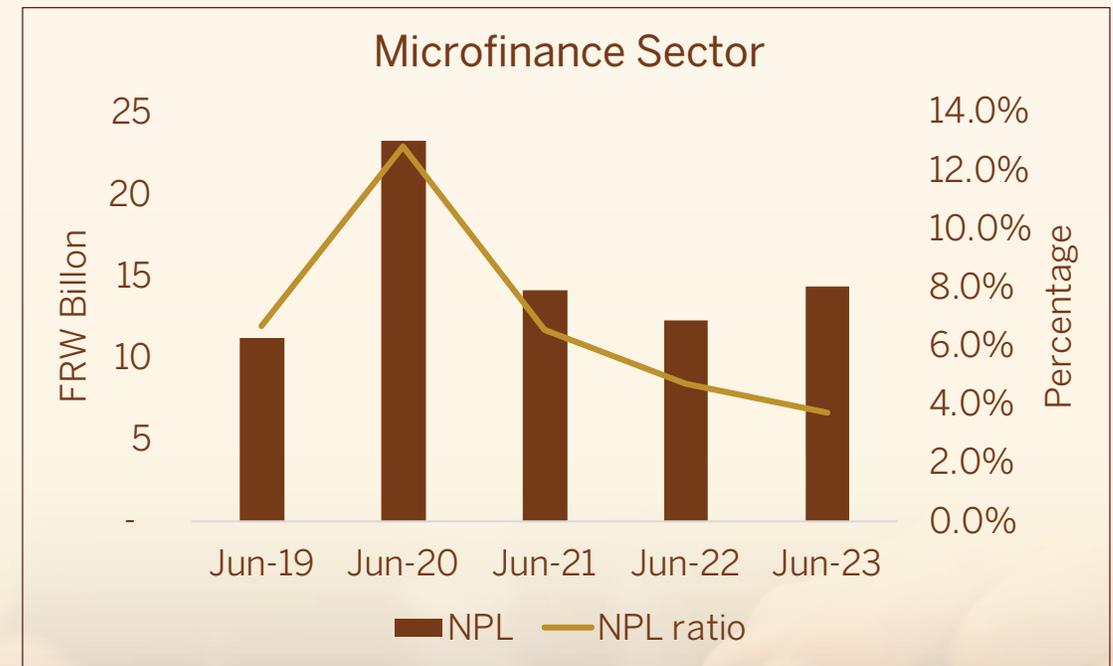
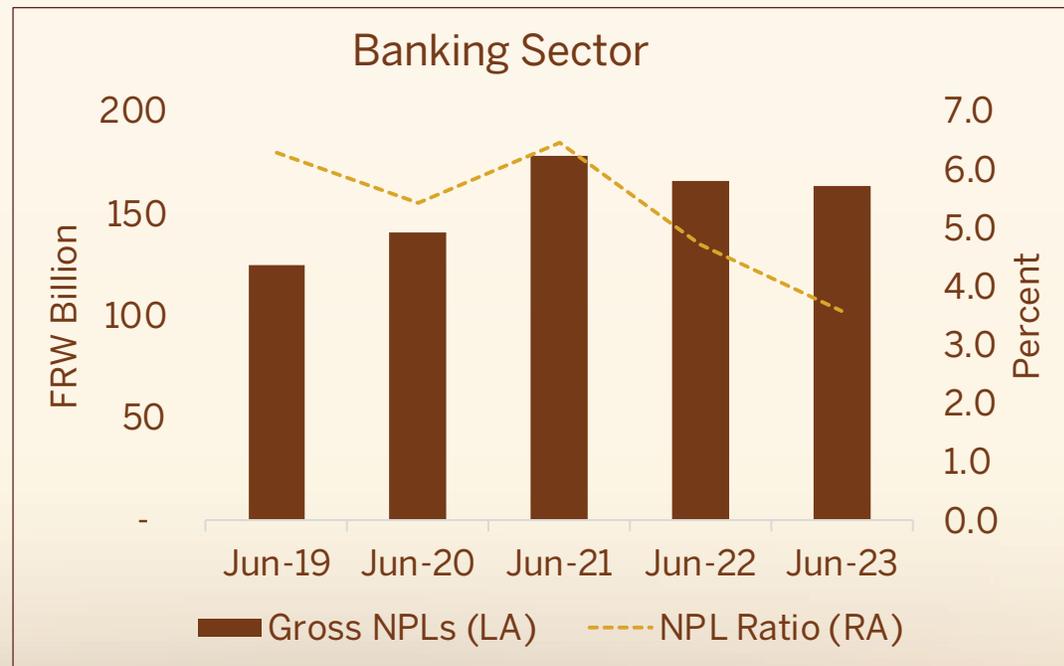
→ Lending appetite increased across all microfinance categories.
→ Personal loans and trade accounted for the majority of MFIs credit.





Credit defaults continue to decline

→ The decline in NPLs was mainly driven by increased loans.



Regarding the recent floods, the assessment done indicated minimal disruptions to the financial sector.



Stability of the Banking Sector



Banks continue to hold enough liquidity buffers, remain adequately capitalized, and profitable



Microfinance Sector | Soundness of the Sector



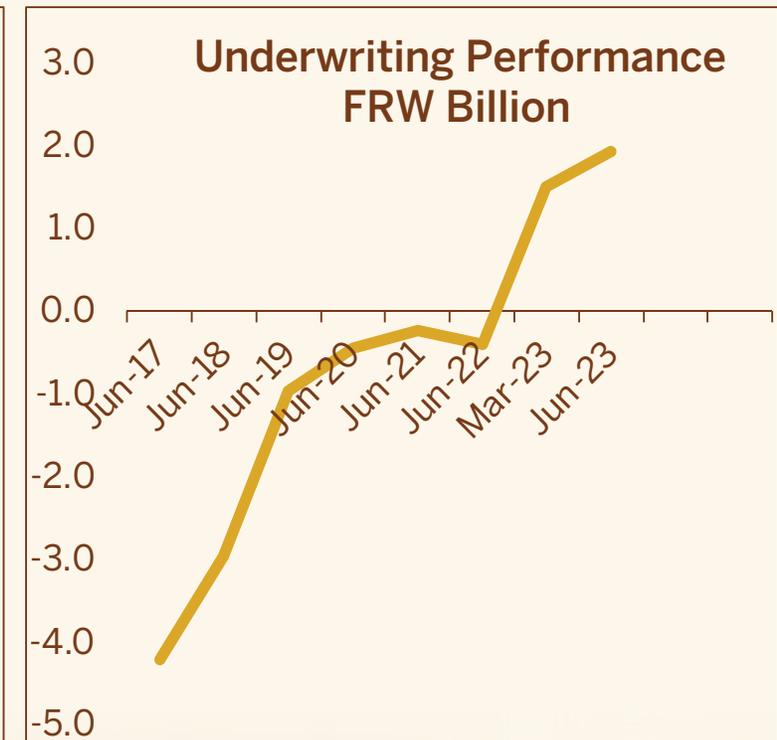
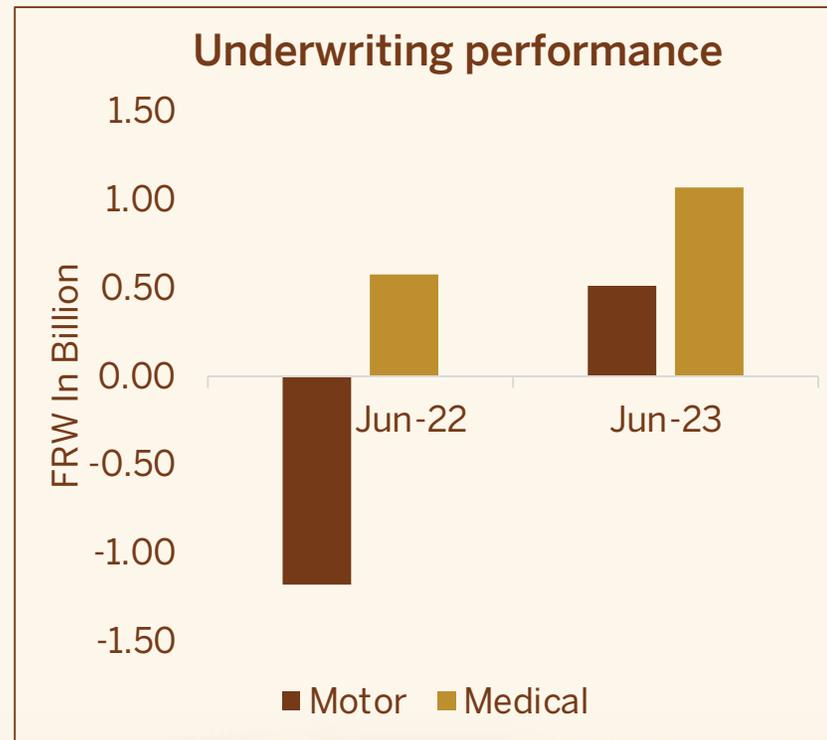
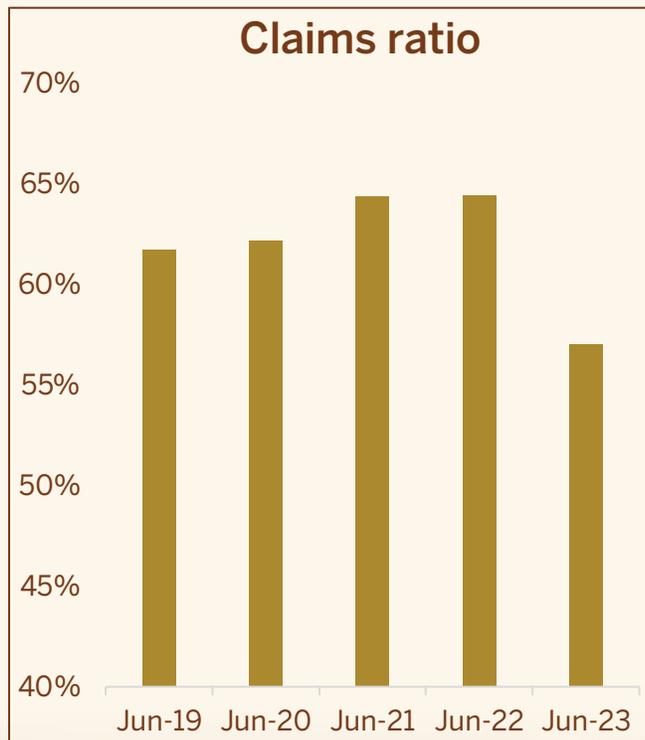
MFIs sector remains adequately capitalized, liquid and profitable



Private Insurance Sector

→ Claims ratio reduced in the period under review from 64 percent to 57 percent.

→ The underwriting profit/loss improved due to the good performance of General Insurance (Motor and Medical).





Private-Insurance | Soundness Indicators

Solvency Margin

June-23: 256 %
June-22: 180%
Min: 100%

Liquidity ratio

June-23: 113 %
June-22: 99 %
Min: 100%

Private insurers are well capitalized, and liquidity improved above the minimum requirement.



Public Pension Sector Performance



Assets of
the pension
sector

16%↑
June 2023
— AMOUNTING TO —
FRW1,448bn



Assets of LTSS
Ejo-Heza
46%↑



Number of
contributors
39%↑

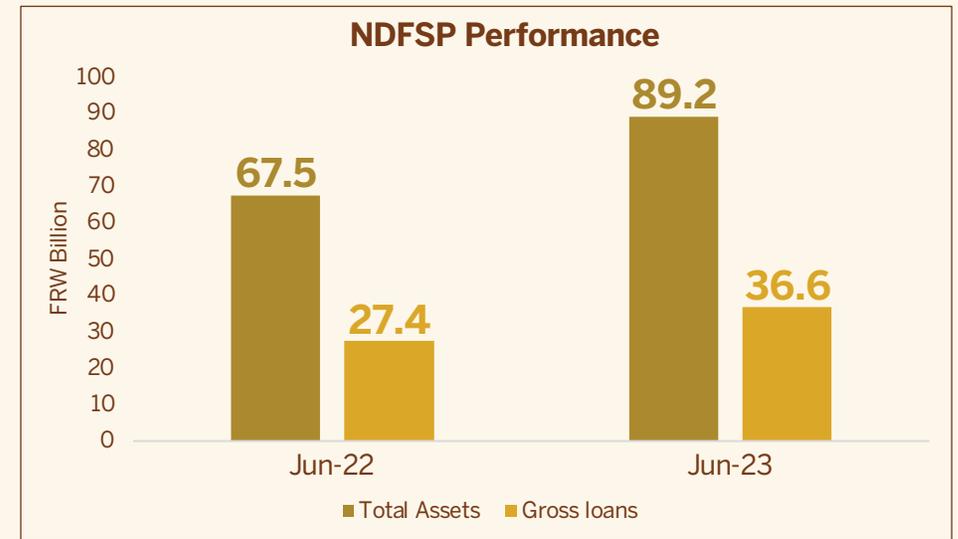
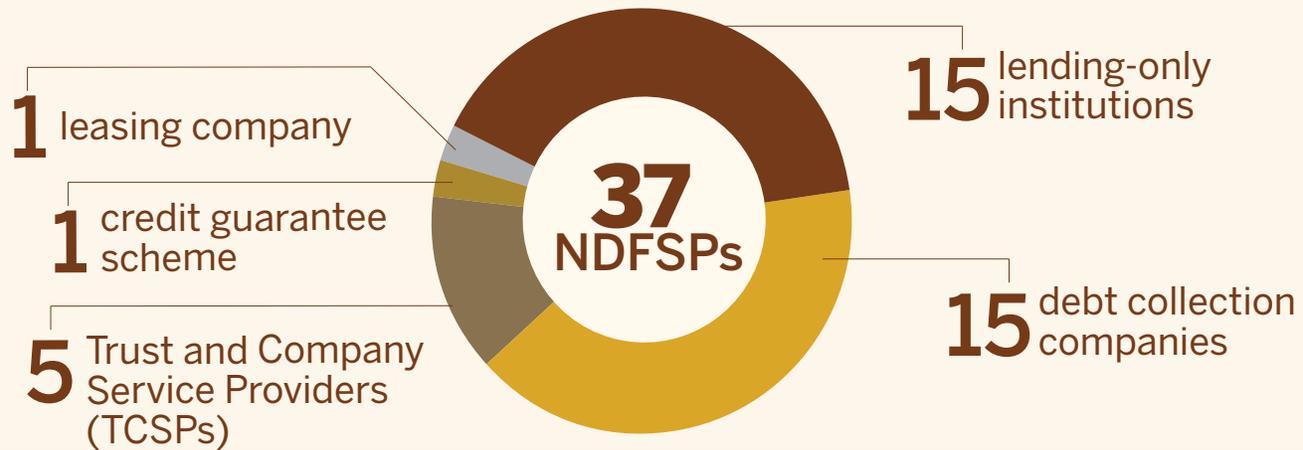
- ➔ Increased contributions and Investment income.
- ➔ Investment of public pension are well diversified.

- ➔ Growth in assets of Ejo-Heza was supported by increased contributions.
- ➔ This increase in contributions was driven by awareness campaigns.



Non-Deposit Taking Institutions

Non-Deposit Taking Financial Service Providers (NDFSPs) continued to expand in number and size.



Rwanda Payment System..



*has made a significant contribution to the performance of the financial sector



Active subscribers

↑16.3M

June 2023

5.4 M

June 2022



Number of transactions increased

Mobile Payment

- 66% | Value
- 57% | Volume

Mobile Banking

- 189% | Value
- 50% | Volume

Internet Banking

- 47% | Value
- 58% | Volume



10 new Fintechs
have been **licensed**



Active merchants

↑250,676

June 2023

52,012

June 2022



Retail e-payments to GDP

160.4%

June 2023

111.9%

June 2022



Key Cashless Payment Initiatives



The RIPPS system was enhanced to operate 24/7, more inclusive, addition 11 MFIs on board.



Enhanced awareness on products and benefits



RNDPS/eKash/
interoperability system
(1.8 million active users)



Free push/pull
service





Financial Sector Stability Outlook

- In the medium term, the financial sector is expected to maintain its stability and soundness.
- The NBR will continue monitoring potential risks arising from macroeconomic conditions, climate-related factors, and global supply chain disruptions.



*thank
you*