

MONETARY POLICY AND FINANCIAL STABILITY STATEMENT

February 25, 2020

CORE VALUES: Integrity, Mutual Respect & Team Work, Accountability and Excellence





Global economy



Domestic economy

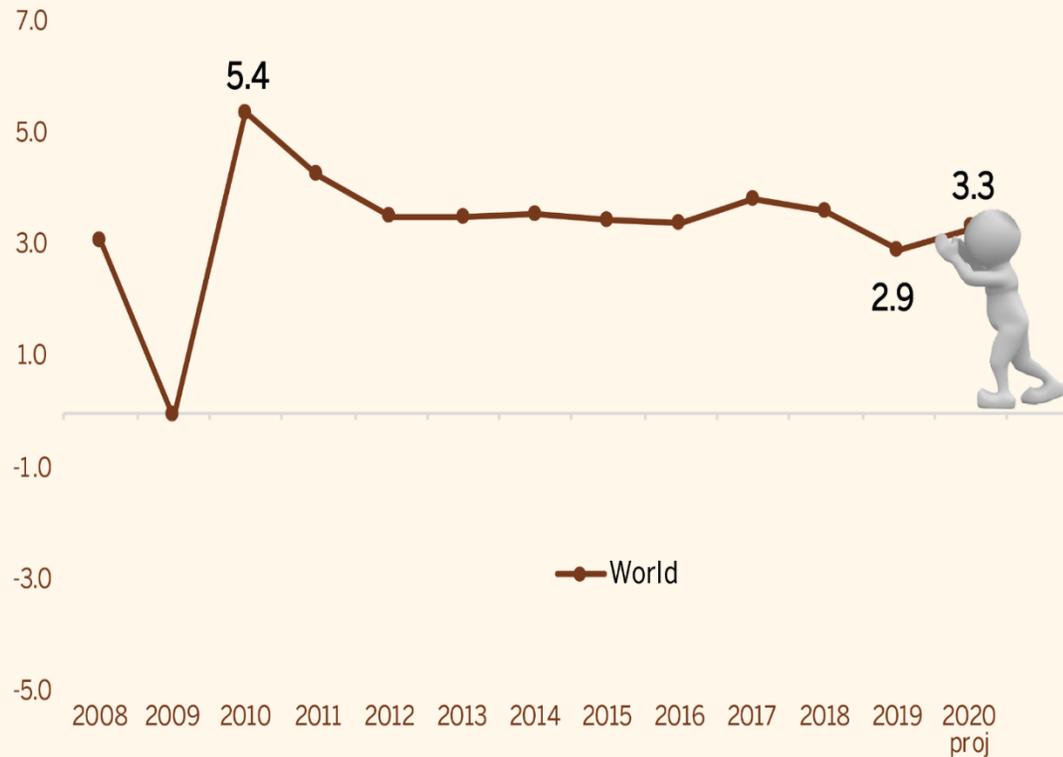


Financial sector stability



Outlook

Global Economic Developments



GDP to rebound to 3.3% in 2020



**World inflation: 3.4% (2019)
from 3.6 in (2018)**

- In line with falling commodity prices and softening global demand

Expected at 3.6% in 2020

Monetary policies in major advanced economies remained accommodative in 2019 -in line with:

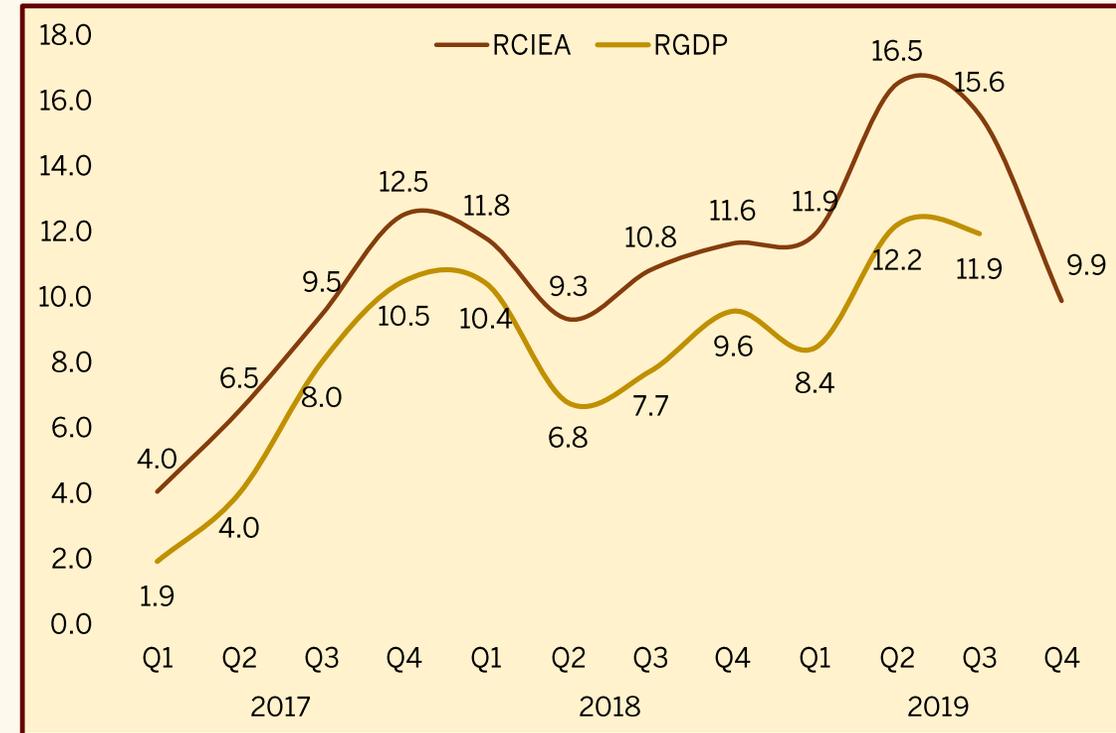
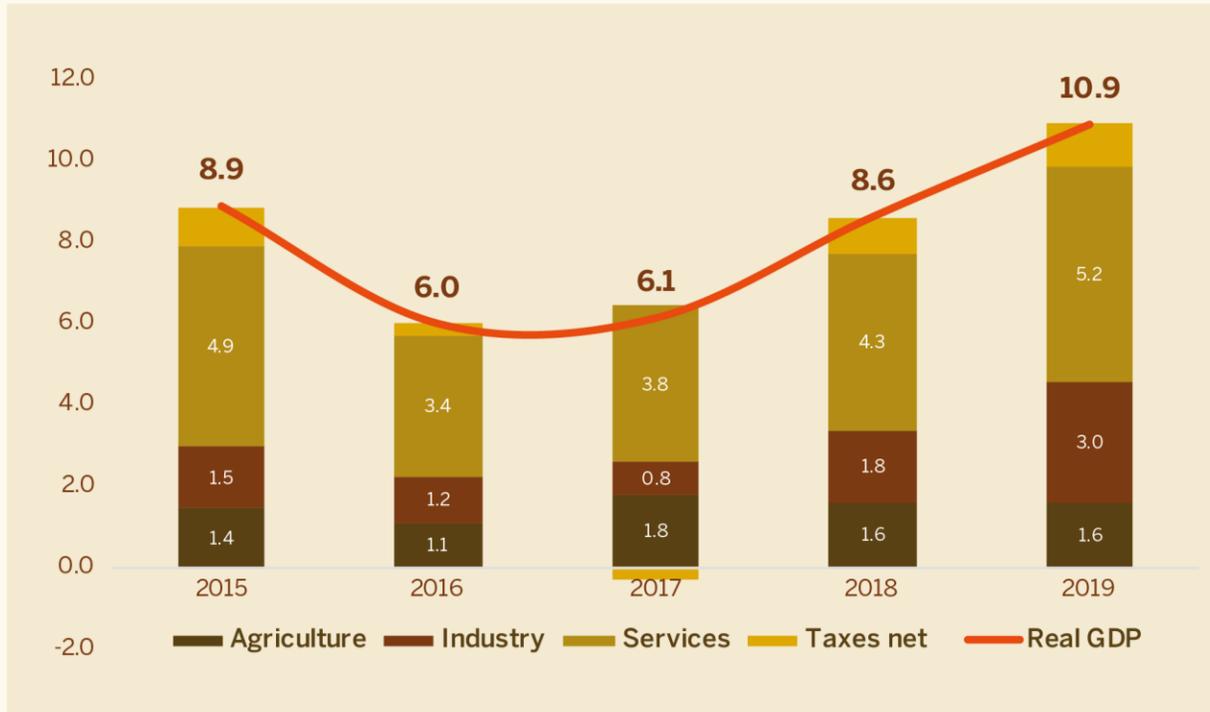
- Slowing global demand
- Weakening economic activities (Investment)



Domestic Economy



Rwanda continues to enjoy high economic growth



Real GDP growth mainly driven by industry(17.7%) and service(10.6%) sectors

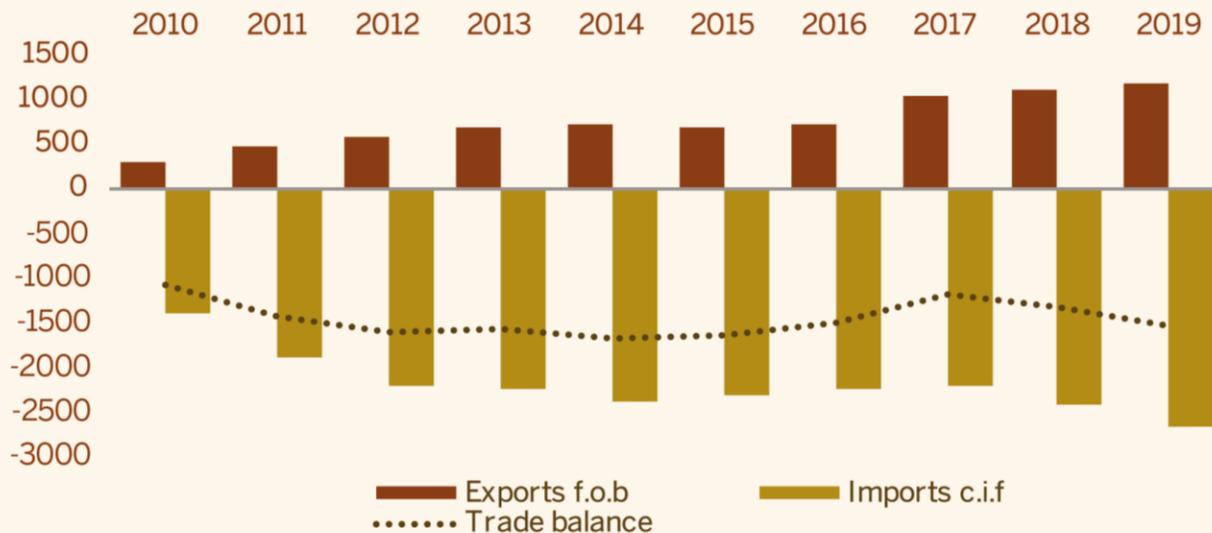


GDP growth projected to end strong in 2019

External sector developments



TRADE BALANCE: USD MILLION, 2010-2019



FRW depreciated by

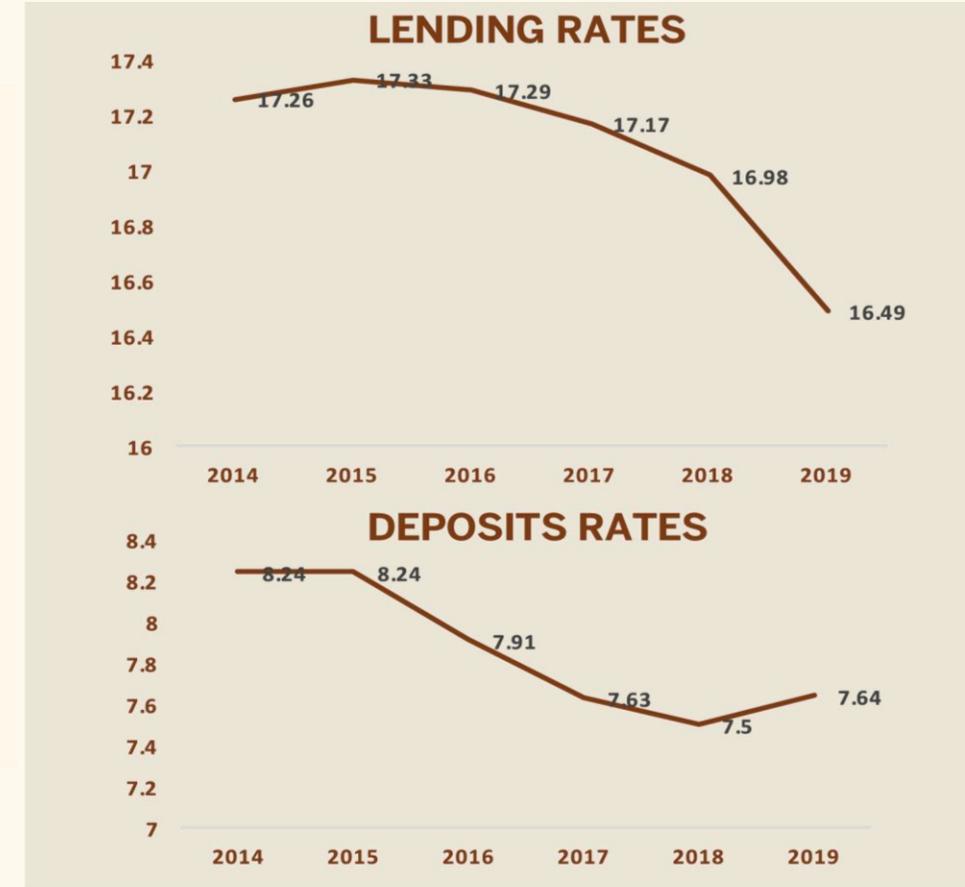
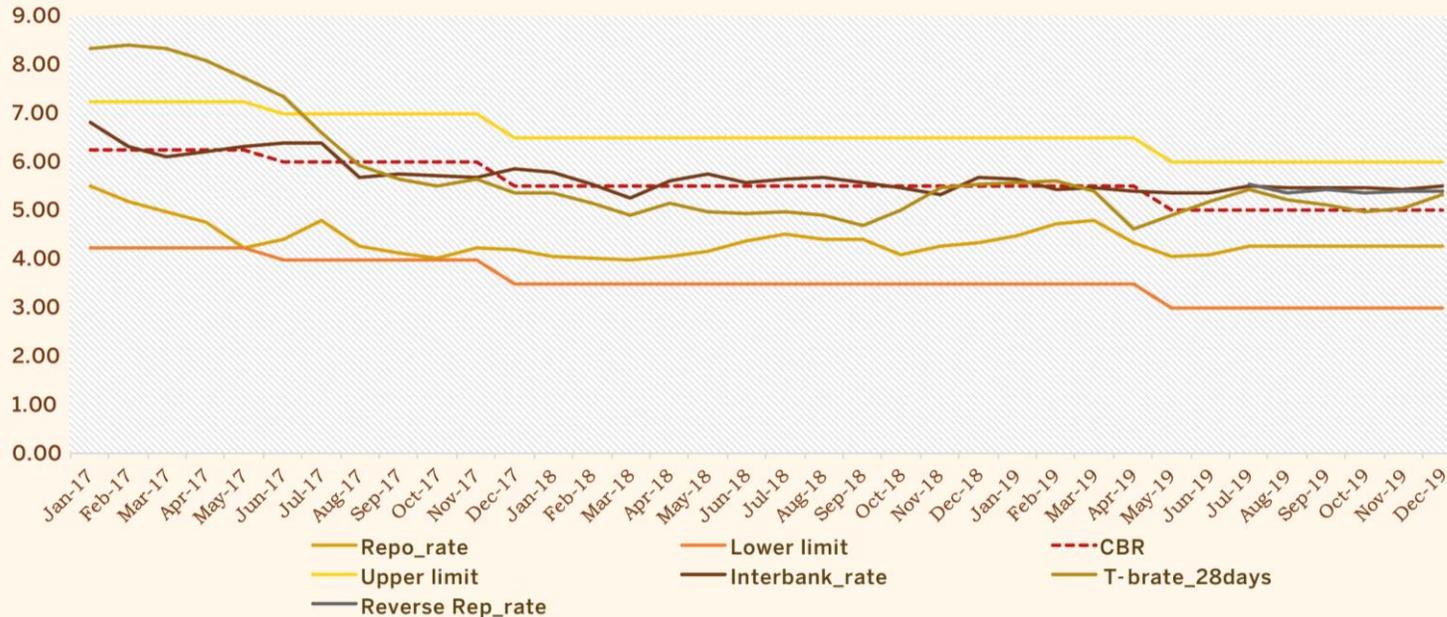
4.9%

(2019) from 4.0%(2018)



Imports grew by 10.6% : ↑ in capital and intermediate goods
 Exports grew by 3.8% : driven by re-exports and non-traditional exports
 Trade deficit increased by 16.3%

In May 2019, NBR cut the policy rate to 5% from 5.5%



Money market rates continued to stabilize around the CBR



Decrease in the spread between lending and deposit rates

Monetary Aggregates Developments



M3 grew by



15.4%
vs 15.6%

CPS grew by



12.6%
vs +10.8%

Deposits



15.3%
vs 15.9%

NALs

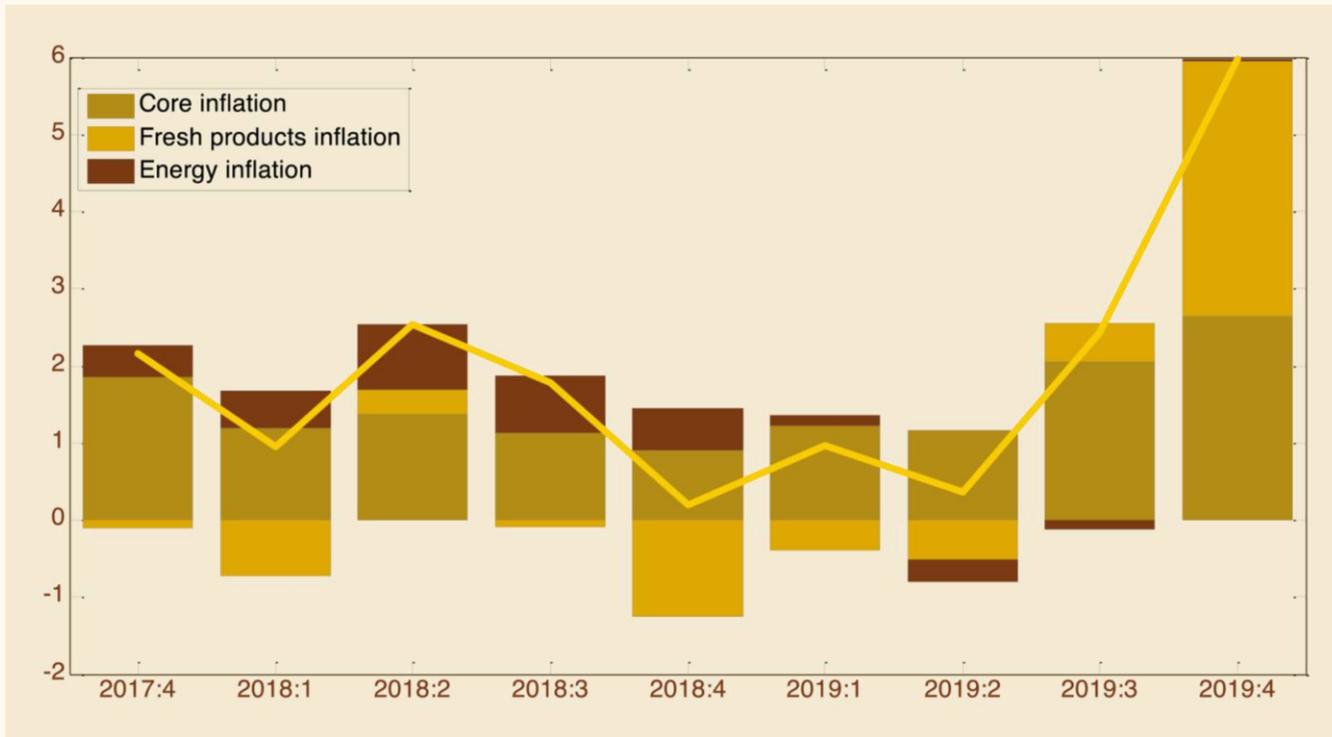


+20.1 %
in 2019
from 17.2 % in 2018

Major borrowing sectors:

- Manufacturing: 103% vs 17.2%
- Public works & Building: 17.7% vs 9.6%
- Water & energy: 286.7% vs -23.4%
- Personal loans: 37.8% vs 17.6%

Inflation



In 2019, Headline inflation

2.4%

from 1.4% in 2018



2019Q4, inflation ↑ 6% from 2.4% in 2019Q3



Core inflation
from 2.7% to
3.3%



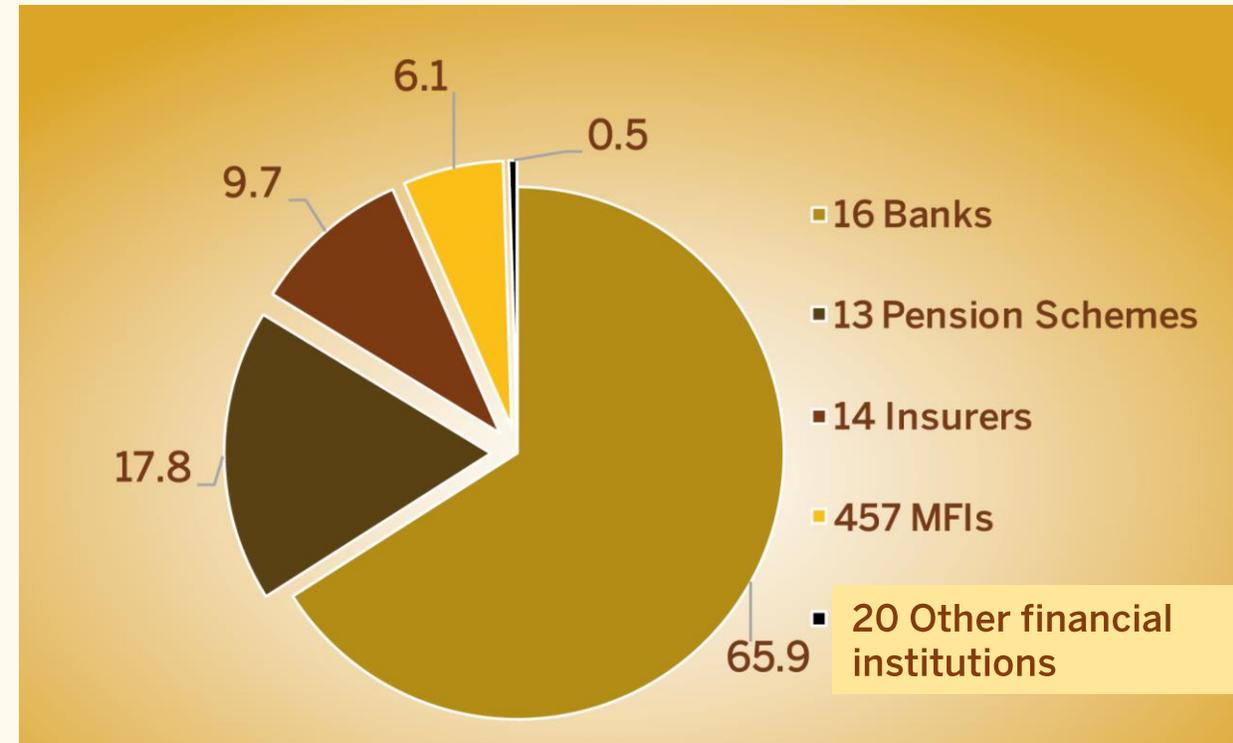
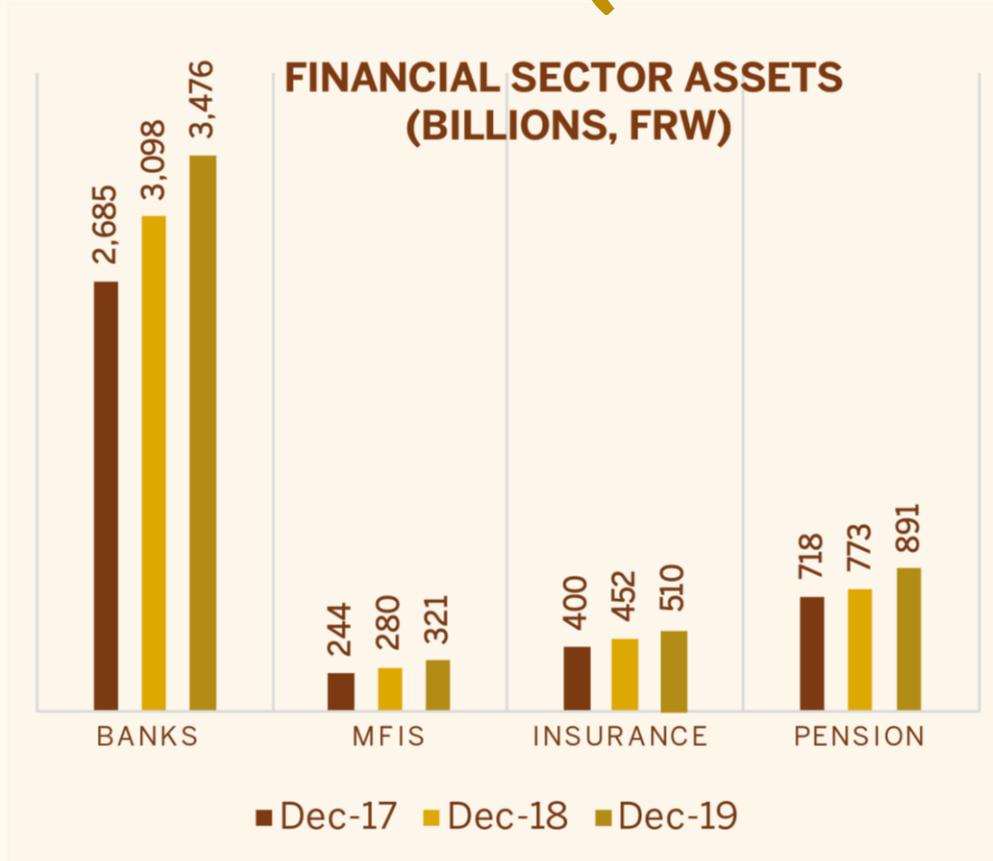
Fresh Food Inflation

from 3.2% to
20%



Financial Sector

The Financial Sector (Structure & Growth)

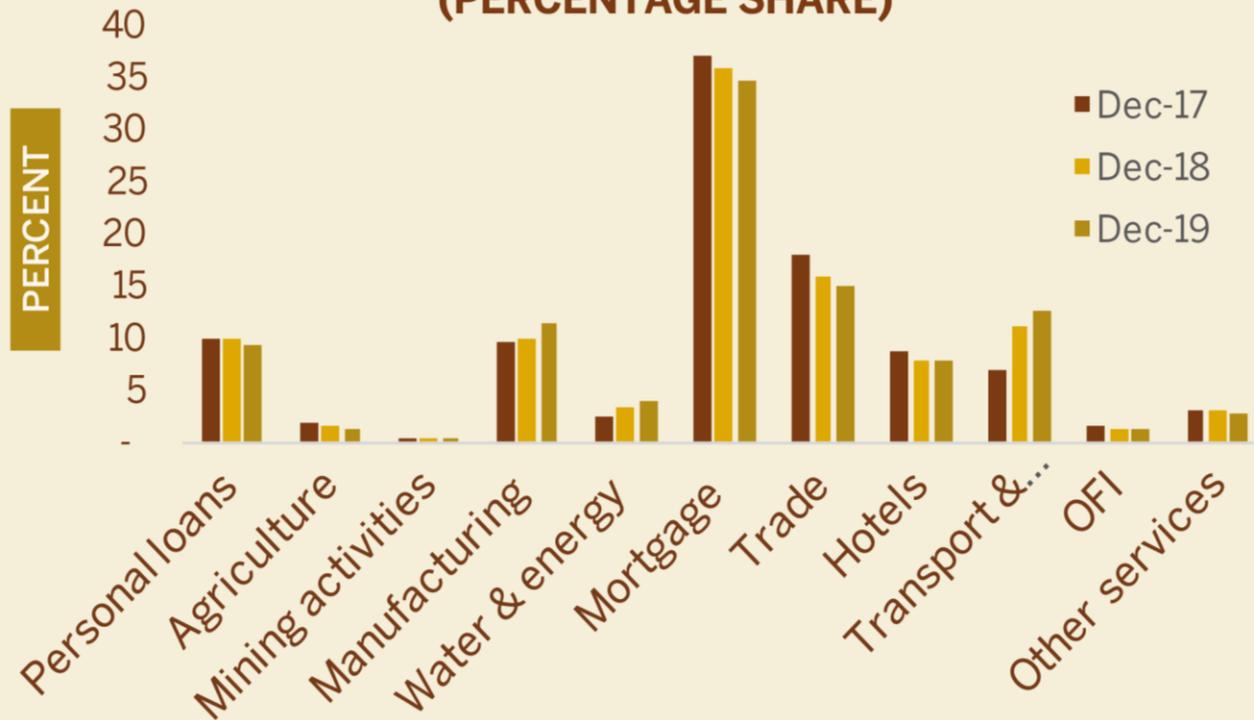


Total assets of the financial sector increased by **13.2%** to **FRW 5,271 billion**.

Banking Sector (Asset Structure)



**BANKING SECTOR LOAN STRUCTURE
(PERCENTAGE SHARE)**

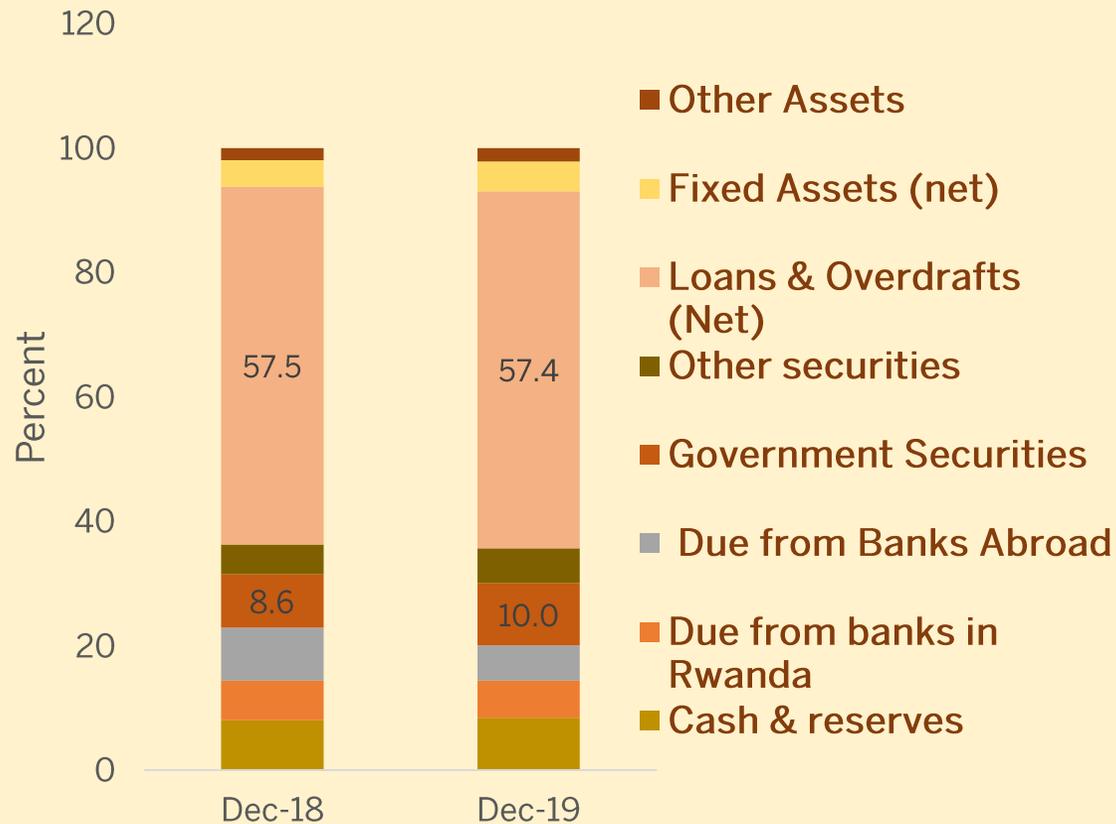


- Falling Banking exposure to mortgage sector
- Banks diversifying their new lending (manufacturing; water & transport)

Banking Sector (Asset Structure)



Structure of Banking Sector Assets



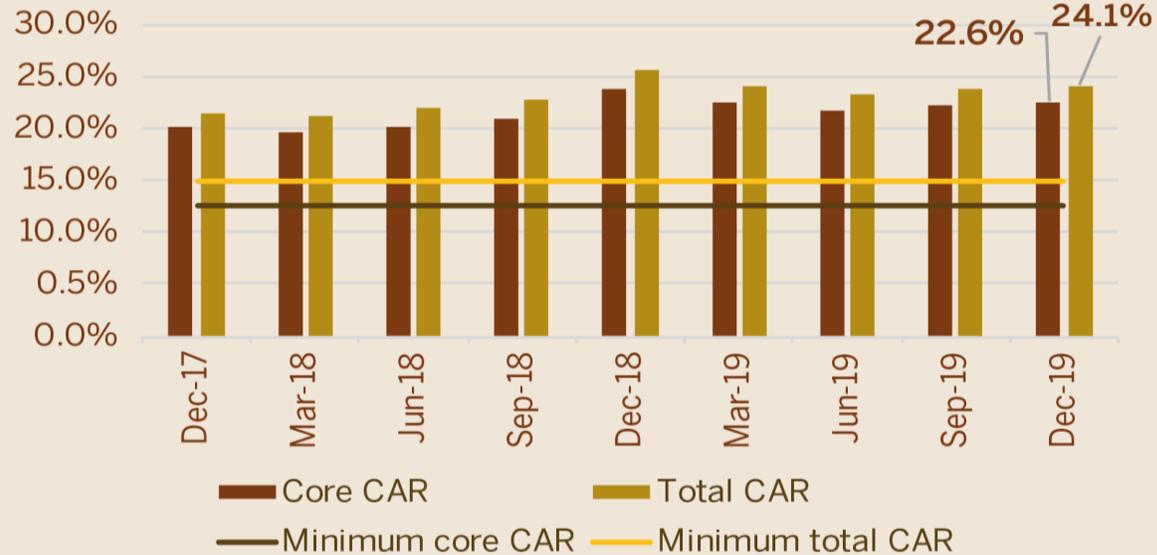
- Financial Intermediation the main business of banks
- Banking sector loans increased by **11.4 %** to **FRW 2,084 billion** (Dec 19/Dec 18)
- Banks rely on domestic funding (Deposits = **80%** of banks liabilities)

Banking Sector FSIs



The banking sector is well capitalised

CAPITAL ADEQUACY RATIO



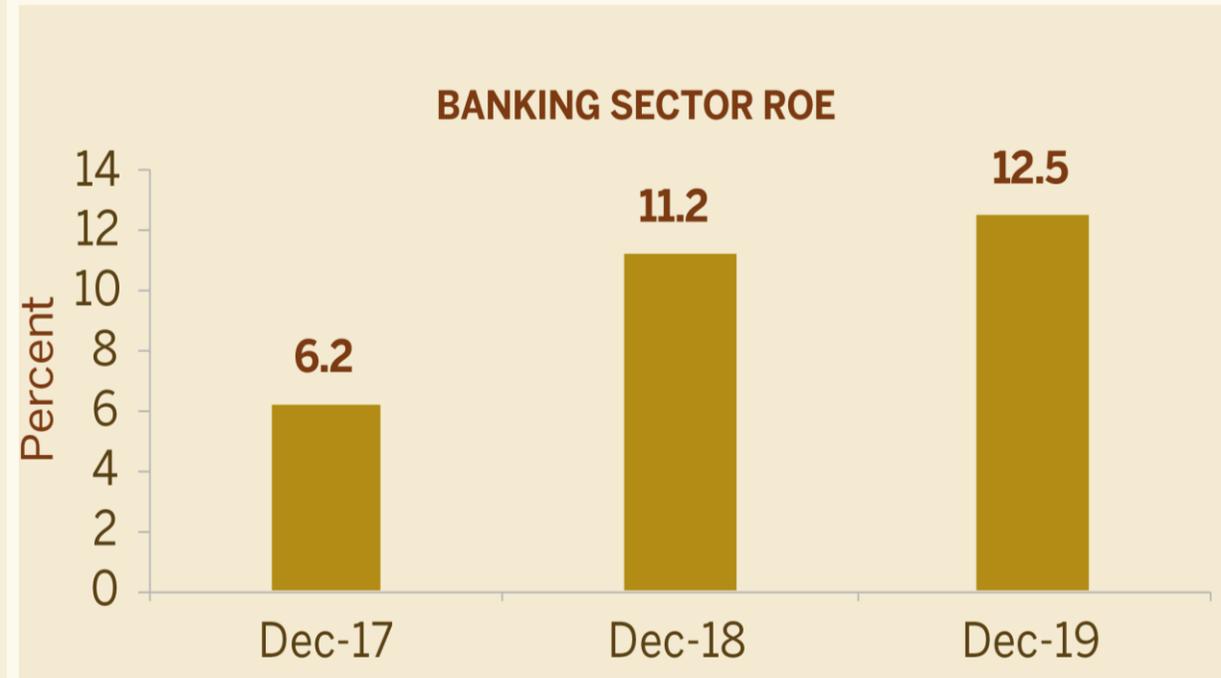
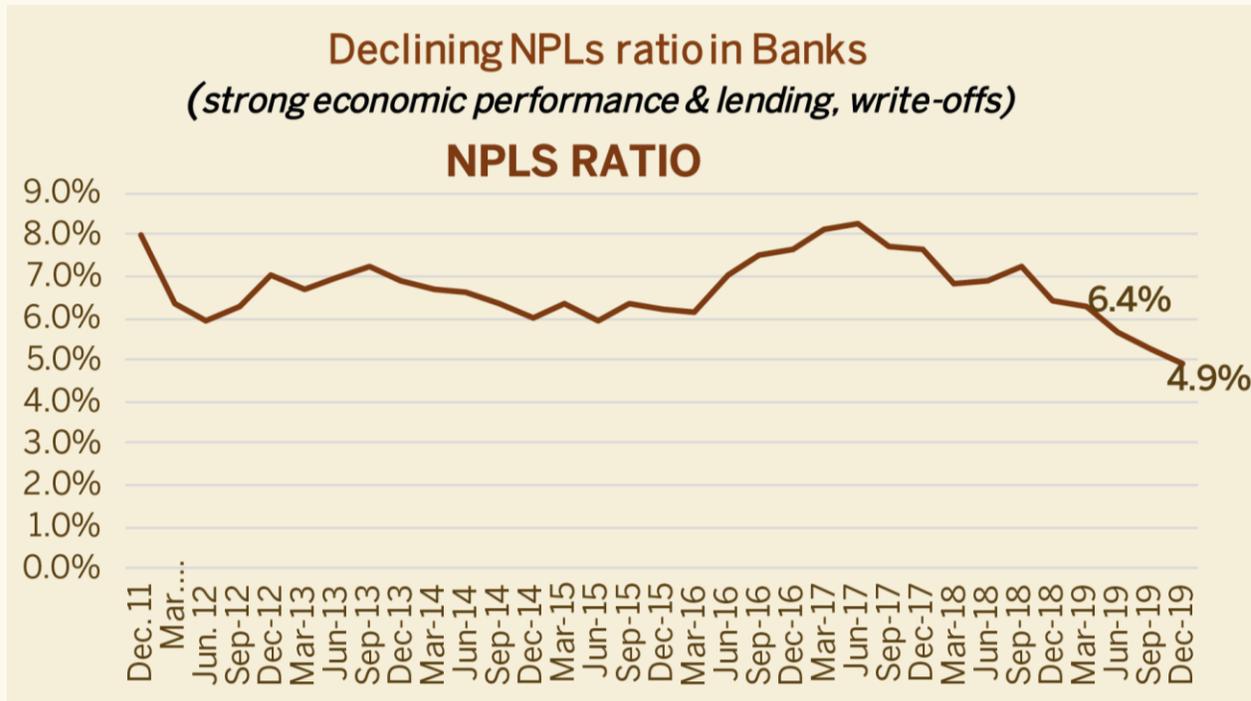
Banks hold adequate liquidity buffers

- Banking sector LCR at 215% (Prud. Min=100%)
- Banking sector NSFR at 111% (Prud. Min= 100%)

Banking Sector FSIs



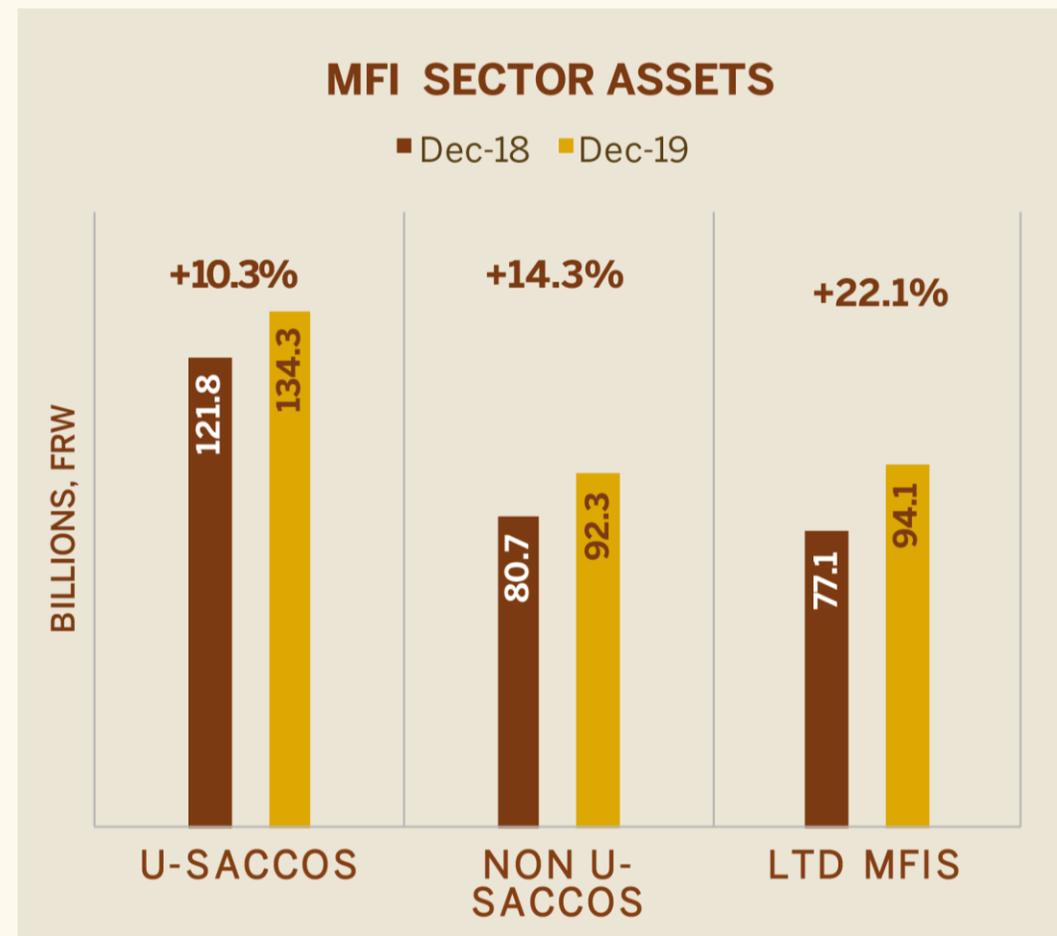
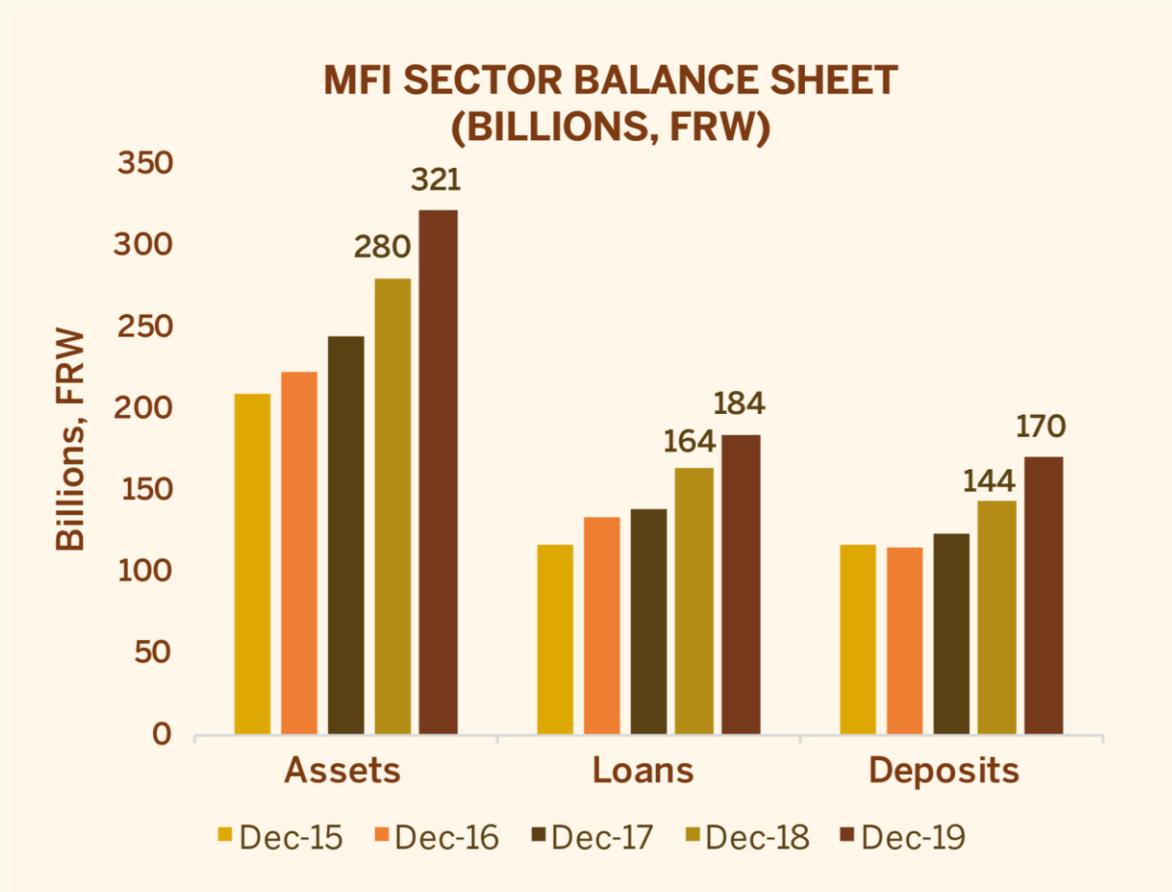
Banks profits picking up since Sept. 2017
(increased lending, loans recovery, economic performance)



Performance of the MFI Sector (Balance Sheet)



The balance sheet of MFIs continued to expand supported by:
Retained earnings and strong growth of Deposits



The Soundness of MFIs Sector



Profits of MFIs (Billion FRW)				
	Dec-16	Dec-17	Dec-18	Dec-19
All MFIs	9.8	2.4	7	12
U-SACCOs	5.1	3.7	2.8	4.3
LTD MFIs	1.2	(3.88)	0.06	2.4
Other SACCOs	3.4	2.5	4.4	5.2

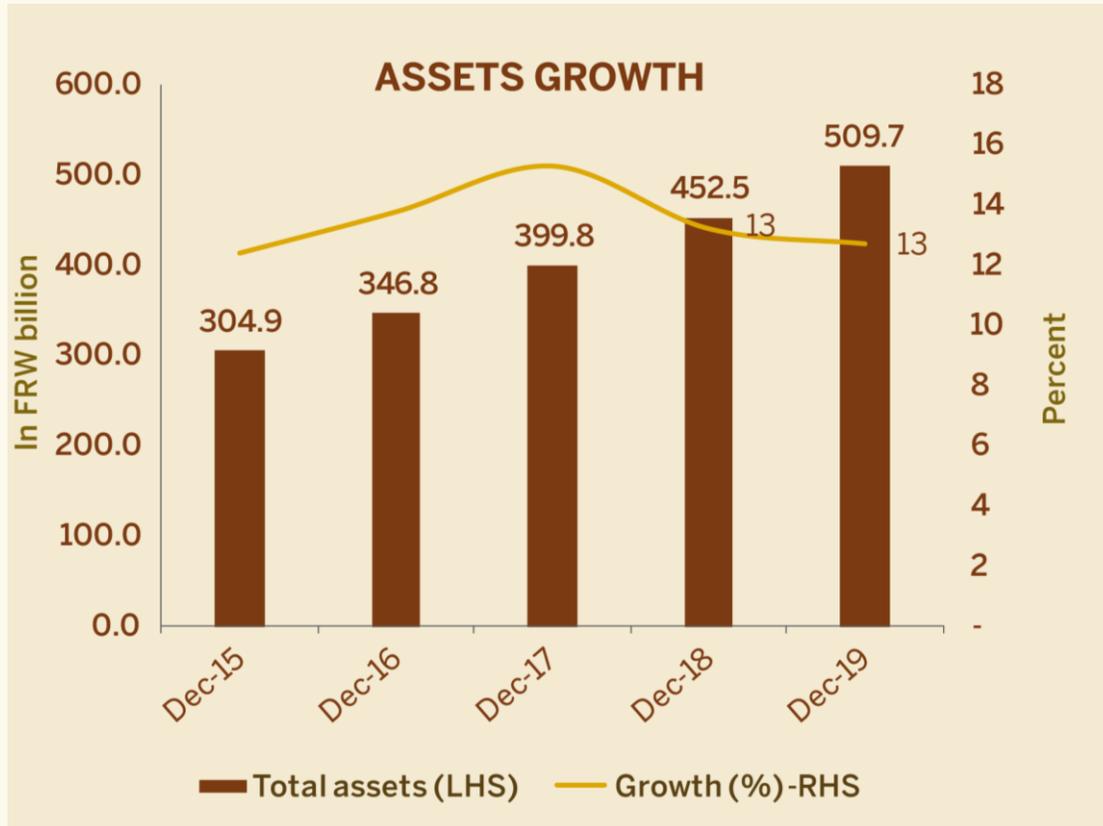
FSIs (%)				
	Dec-16	Dec-17	Dec-18	Dec-19
CAR (Min. 15%)	32.8	29.1	33.0	35.5
Liquidity ratio (Min. 30%)	88.8	102	100.3	100.4
NPLs ratio	9	8.2	6.5	5.7



Improved profits due to loan recoveries/ reduction of NPLs

The sector remain adequately capitalized and liquid

Performance of the Insurance Sector: Asset Growth and Structure



Insurance sector assets increased due to:

- Capital injection (FRW 4.3 billion),
- Retained earnings (FRW 46.6 billion).

Insurance sector's total premiums increased from FRW 134.6 billion (2018) to FRW 153.4 billion in (2019)

- General insurance accounts for 81 % of total premiums
- Life insurance represents 19% of the total premiums.
- Motor insurance accounted for 35.8% of total private insurers' premiums in 2019

Performance of the insurance sector : Key Financial Soundness Metrics



Private Insurers					
Selected FSIs (%)	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19
Solvency margin (Min. 100%)	116	78	193	165	170
Liquidity ratio (Min.120%)	71	88	157	134	130
Claimsratio (60%-70%)	68	67	65	59	62
Expenses ratio(Max.30%)	59	60	48	48	43

Performance of the Pension sector :



Pension Funds		Dec-17	Dec-18	Dec-19
RSSB	Total assets (Frw billion)	717.9	773.2	891.1
	Contributors (number)	374,330	478,578	500,607
Private Pension Schemes	Total assets (Frw billion)		35	45.3
	Contributors (number)		38,878	37,285
Ejo Heza	Total assets (Frw billion)		-	2.1
	Contributors (number)		32,549	244,182



Assets of the public pension fund increased

15%

to FRW 891.1 billion

Private Pension Schemes increased by

29.4%

to FRW 45.3 billion

Payment systems (Retail Payment System)



The journey towards digitization of payment services

MOBILE PAYMENT SUBSCRIBERS



4,700,987
2019

4,666,206
2018

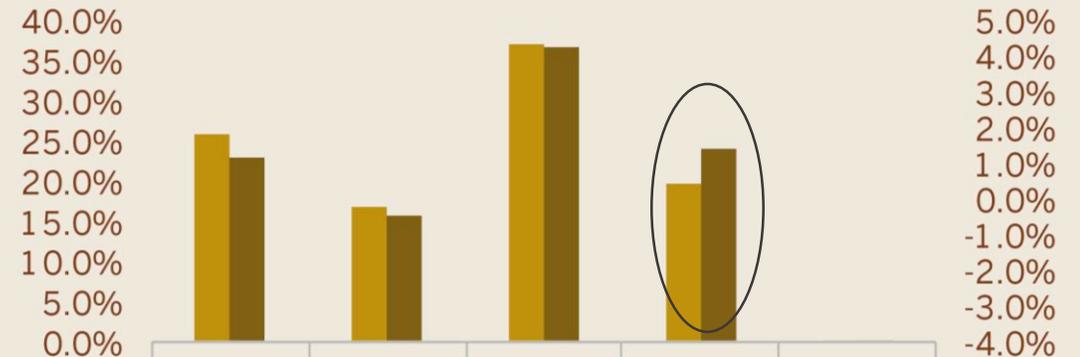
MOBILE PAYMENT TRANSACTIONS



378.8 Million
2019

299.9 Million
2018

MOBILE PAYMENT SERVICES COMPOSITION



	Cash-in	Cash-out	Airtime purchase	Digital payments	International remittance/transfers
2018	25.9%	17.0%	37.2%	19.9%	0.1%
2019	23.1%	15.8%	36.7%	24.2%	0.1%
Change	-2.8%	-1.2%	-0.4%	4.4%	0.0%



- Growth of digital payment (Merchant, Bill & Govt payment);
- Decreased portion of cash out

Payment systems (Retail Payment System)



	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19
Number of Traditional(Physical) POS	1,152	1,718	1,885	2,104	2,801	3,477
Number of modern(Virtue & Mobile) POS					11,537	19,770
Number of ATMs	354	380	400	406	383	383

Expansion of Payment footprints over the last 4 years driven by: mobile payment technology

Target by 2024
324

Penetration rates of POS .	Dec-16	Dec-17	Dec-18	Dec-19
Number of POS per 100,000 adult population	28.16	30.5	206.8	216
POS Penetration rate target	-	21.6	32	62

Outlook - Financial Sector Stability



- The financial sector is expected to remain sound and stable.
- NBR will continue ensuring that financial institutions hold enough capital relative to the risks they undertake as well as sufficient liquidity to meet financial obligations.
- Enhancement of the legal and regulatory framework will continue to strengthen the resilience of the financial sector.
- Implementation of Risk Based Capital (RBC) will be a key priority in insurance.
- NBR will work with insurers to ensure smooth transition from IFRS 4 to IFRS 17_ Insurance Contracts.
- The ongoing RPPS upgrade will provide real time payment, accelerated clearing and settlement to reduce settlement risk and expansion of operating hours.
- NBR will continue to enforce payment security and consumer protection requirements and in line with international best practices.

Outlook - Domestic Economy



- In 2020, Rwanda's economy expected to continue performing well (currently projected at around 8.1%):
- NBR will conduct prudent monetary policy;
 - ↳ Inflation is projected to evolve slightly above 5% in 2020
 - ↳ FRW depreciation vs USD projected around 4.7% in 2020
- Global economy projected to pick up
 - ↳ However, risks are posed by corona virus, rising geopolitical tensions and climate-induced disasters
- NBR stands ready to take appropriate actions as required, to maintain Rwanda's macroeconomic stability.



Thank You

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