

Monetary Policy and Financial Stability Statement

September 2021

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



Global Economy



According to IMF, World Economy is projected to recover from

-3.2%
2020

and grow by

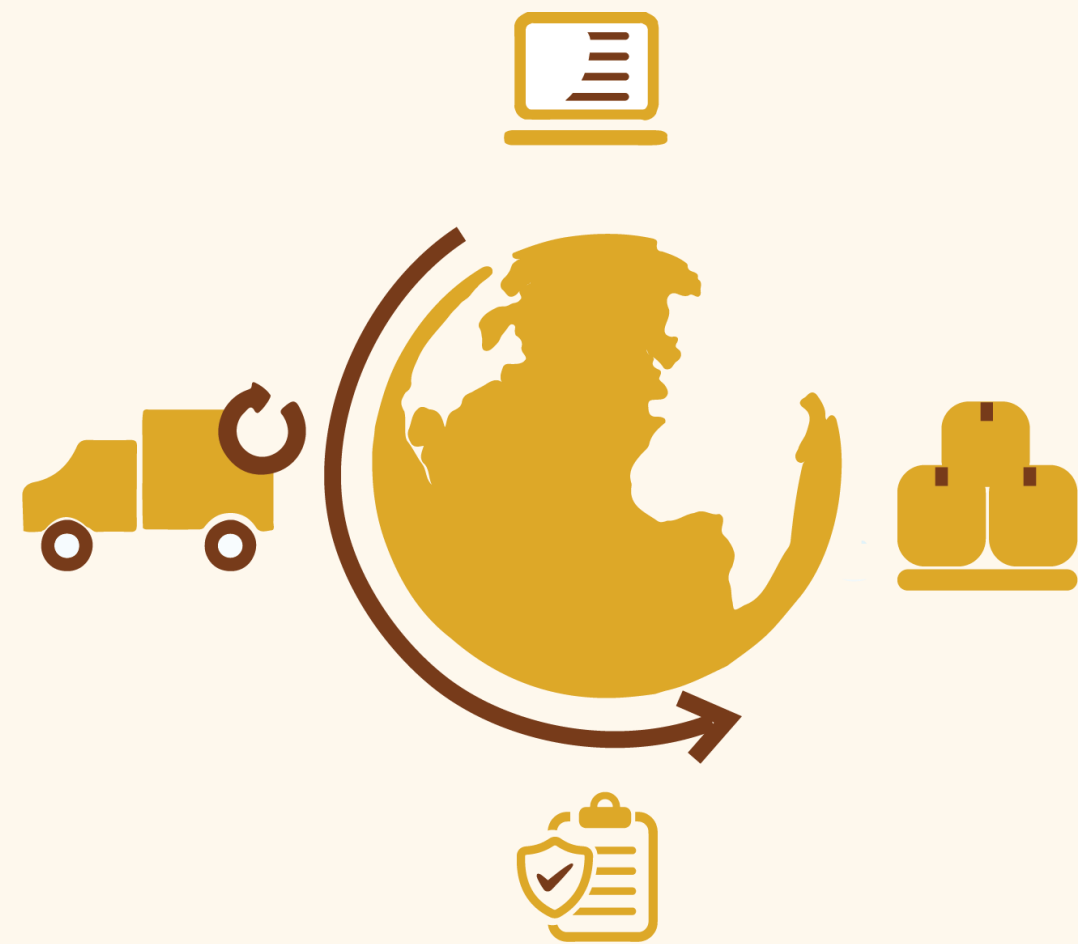
6.0% & **4.9%**
2021 2022



Global Trade



Global Trade in goods and services
has been volatile due to



- Subdued global demand
- Disruptions in global supply chains

Negative impact on commodity prices

Global Commodity Prices



Journey



Most commodity prices have started to recover reflecting a rebound in global demand

Energy Commodities Prices increased by

63.1%

2021 H1

—FROM—

-36.6%

2020 H1

Non-energy Commodities Prices increased by

36.5%

2021 H1

—FROM—

-3.4%

2020 H1

World Inflation

Journey



World inflation is
expected to slightly increase to

3.5%

2021

—FROM—

3.2%

2020

3.2%

2022

Sub-Saharan Economic Performance



In Sub-Saharan Africa, the economy is projected to recover from



-1.8%
2020

and grow by

3.4% & **4.1%**
2021 2022

Rwanda's Economic Performance



Contracted by

3.4%

2020

Rwanda's Economy grew by

3.5%

2021 Q1

Projected to grow by

5.1%

2021

Rwanda's Economic Performance



Agricultural Sector



Industrial Sector

Sector Performance



Growth in Agriculture

6.8%

2021 Q1

FROM

-0.5%

2020 Q1



Food crop production

7.0%

2021 Q1

FROM

-1.8%

2020 Q1



Industrial Production grew

9.7%

2021 Q1

FROM

1.9%

2020 Q1



Mining and quarrying

3.3%

2021 Q1

FROM

-26.3%

2020 Q1



Construction

14.4%

2021 Q1

FROM

5.3%

2020 Q1

Service Sector Performance



Air transport
-54.6% in 2021 Q1



Hotels & Restaurants
-43.3% in 2021 Q1



Travel & Travel agencies
-34.4 in 2021 Q1

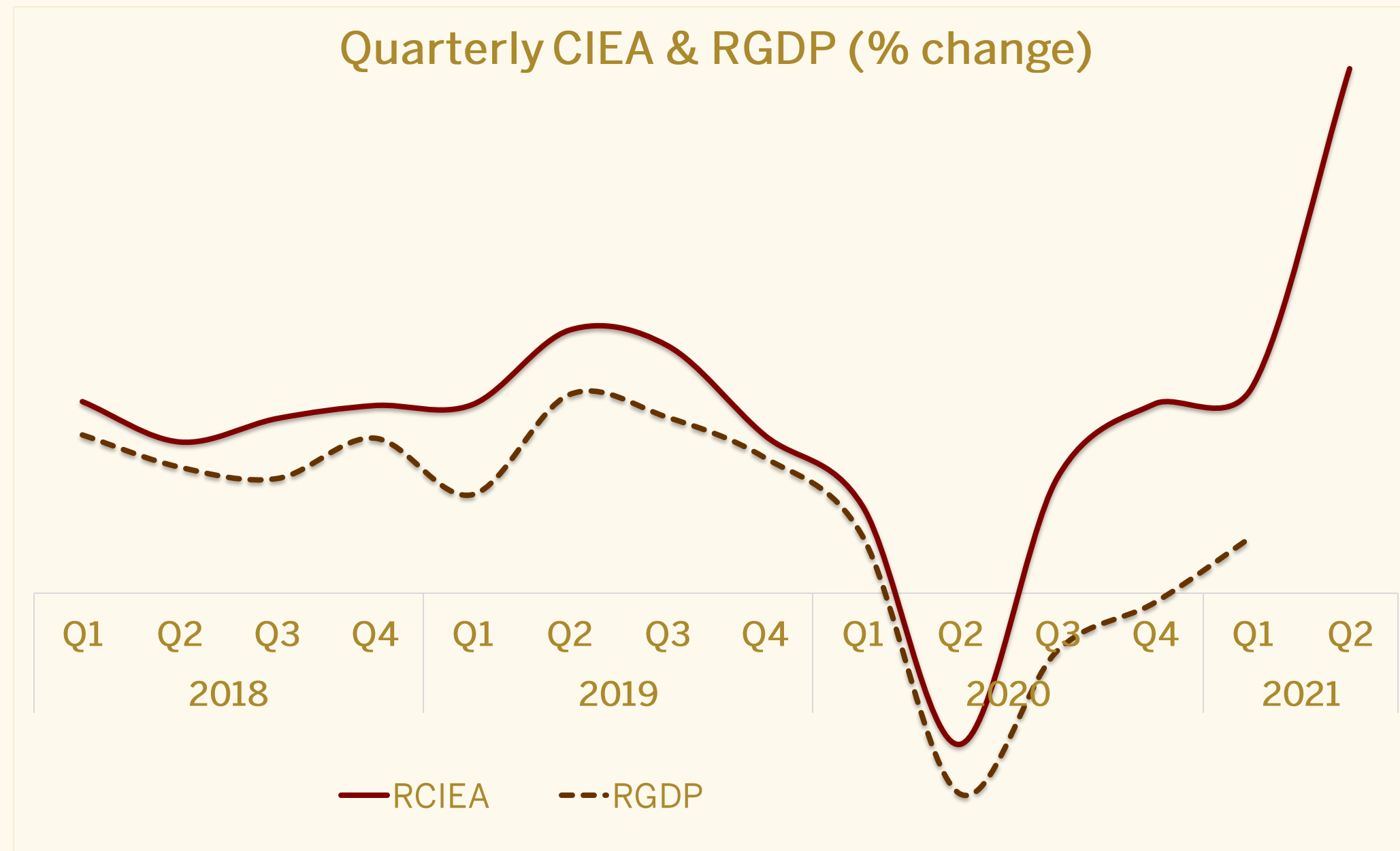


Information & Communication
18.2% in 2021 Q1



Financial services
10.4 in 2021 Q1

High Frequency Indicators



Vaccine Rollout



Monetary & Fiscal Policy Intervention

- High-frequency economic indicators suggest overall good economic performance for the first half of 2021 as evidenced by an increase of **22.1%**

External Sector Performance

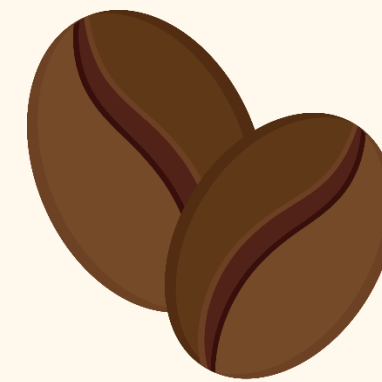


Rwanda's exports increased by

16.0%

IN 2021-H1

Increase of traditional exports (30.2 %)



Coffee



Tea



Minerals



Manufacturing activities

Boosted exports of non-traditional exports by **63.6 %**

External Sector Performance

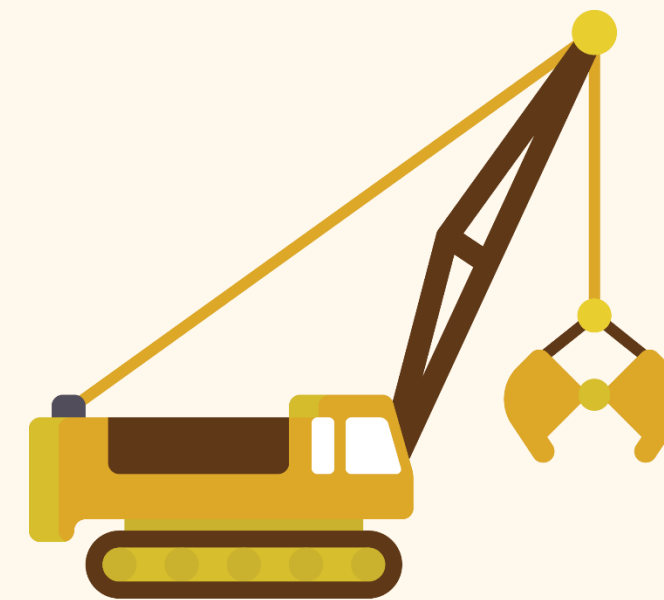


Imports of goods increased by

6.1%

IN 2021-H1

Mainly driven by an increase in demand of



Capital goods

22.4%



Intermediate goods

16.5%

External Sector Performance



Rwanda's trade
deficit widened by

0.1%

IN 2021-H1

AMOUNTING TO

\$946.0m

FROM

\$945.10m

IN 2020-H1

External Sector Performance



Reflecting a sluggish recovery in key service sectors notably travel and tourism, coupled with growing imports



Current Account Deficit

(% of GDP)

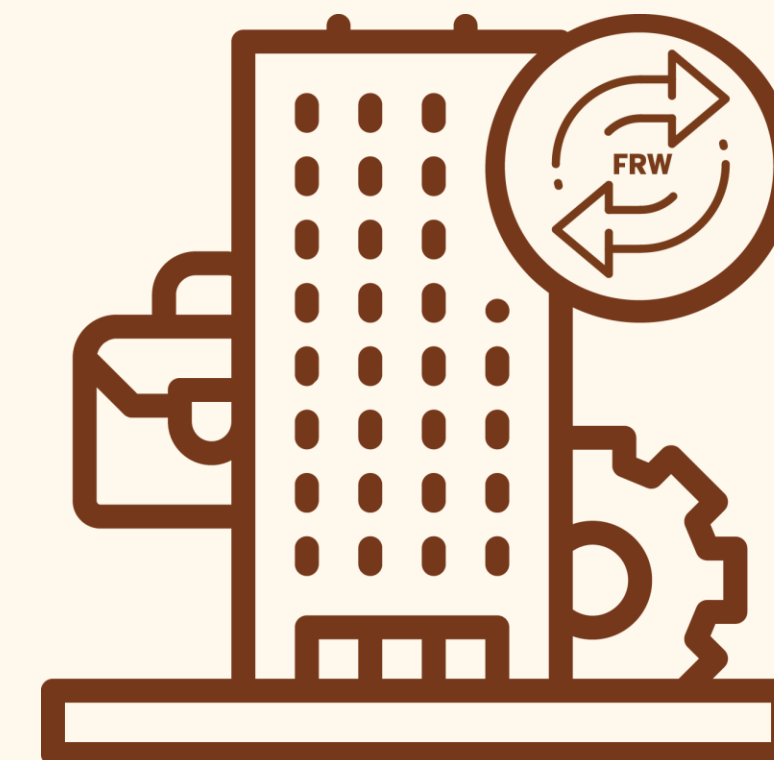
13.4%

2021

HIGHER THAN

11.9%

2020



Remittance and Government inflows

Foreign Exchange Market Developments



1.51%

JUNE 2021

lower than

1.58%

JUNE 2020

Inflation Developments



Headline inflation ↓ **1.4%**
2021 H1

COMPARED TO

8.5% & **7.0%**
2020 H1 2020 H2



Fresh food inflation ↓ **-1.1%**
2021 H1

FROM

21.4%
2020 H1



Energy Inflation ↓ **-0.1%**
2021 H1

FROM

10.2%
2020 H1

Headline inflation is projected at

0.7%
2021

Before picking up to

5.6%
2022

Monetary Policy Stance



Central Bank Rate
4.5%

Monetary Policy Developments



Interbank rates

5.19%

2021 H1



CBR

4.5%



Lending rates

15.9%

2021 H1

— FROM —

16.25%

2020 H1



Deposit rates

7.73%

2021 H1

— FROM —

7.61%

2020 H1

Money Supply



Broad money M3
grew by

9.8%

— AGAINST —

10.4%

YEAR ON YEAR

2021 H1

2020 H1



Credit to Private Sector



NALs

26.0%

2021 H1

compared
to

-9.2%

2020 H1



Financial Sector Performance

Financial Sector Performance



Total assets of the financial sector
expanded

20.3%

— TO —

FRW6,914Bn

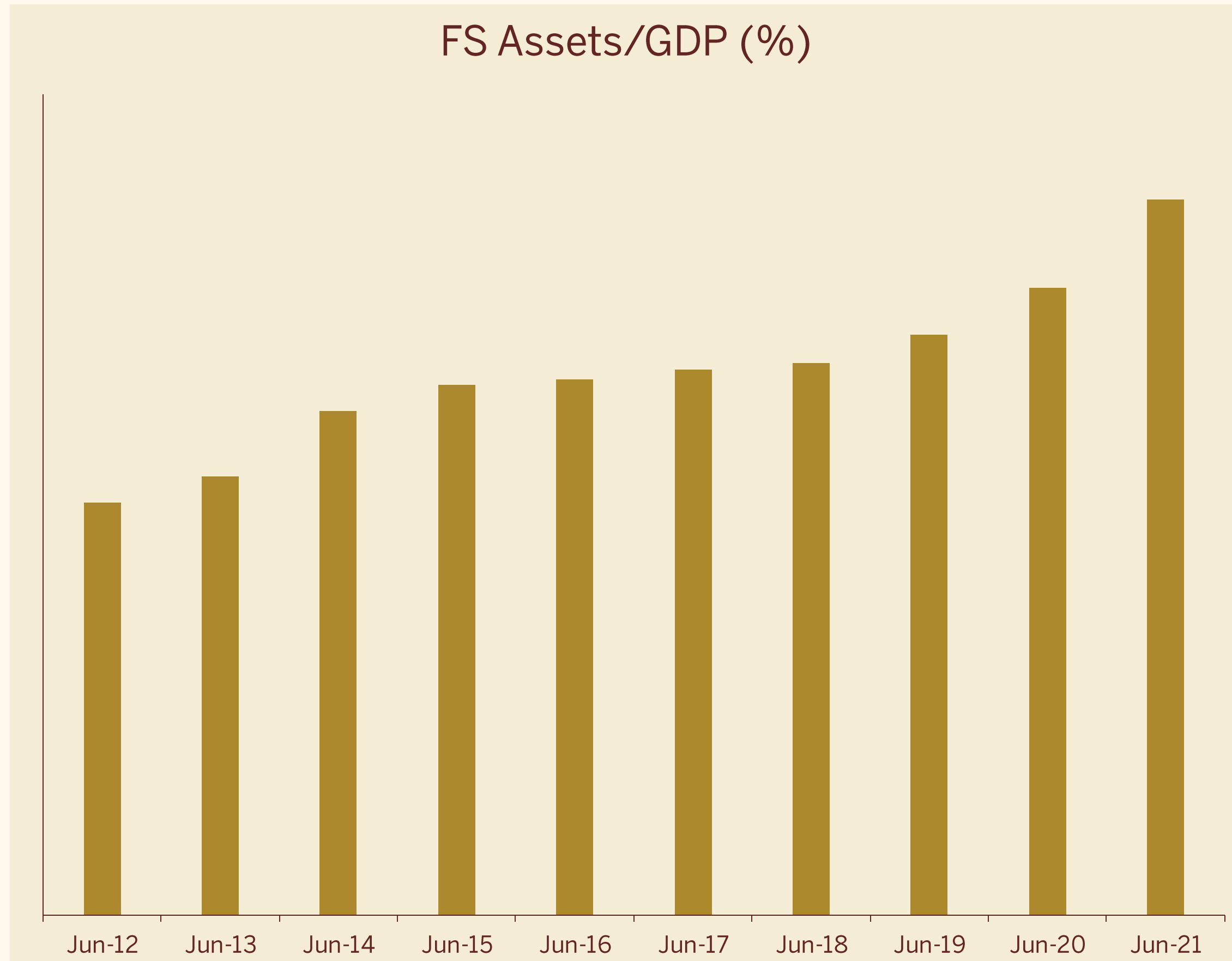
JUNE 2021

Financial Sector Performance



Journey

FS Assets/GDP (%)



Structure of the Financial Sector



Bank Sub-sector



66.9%

Pension Sub-sector



17.9%

Insurance Sub-sector



9.2%

MicroFinance Sub-sector



5.6%

Performance of the Banking sub-Sector



Journey



Assets of banks

20%

YEAR ON YEAR

— TO —

FRW **4,624Bn**

JUNE 2021

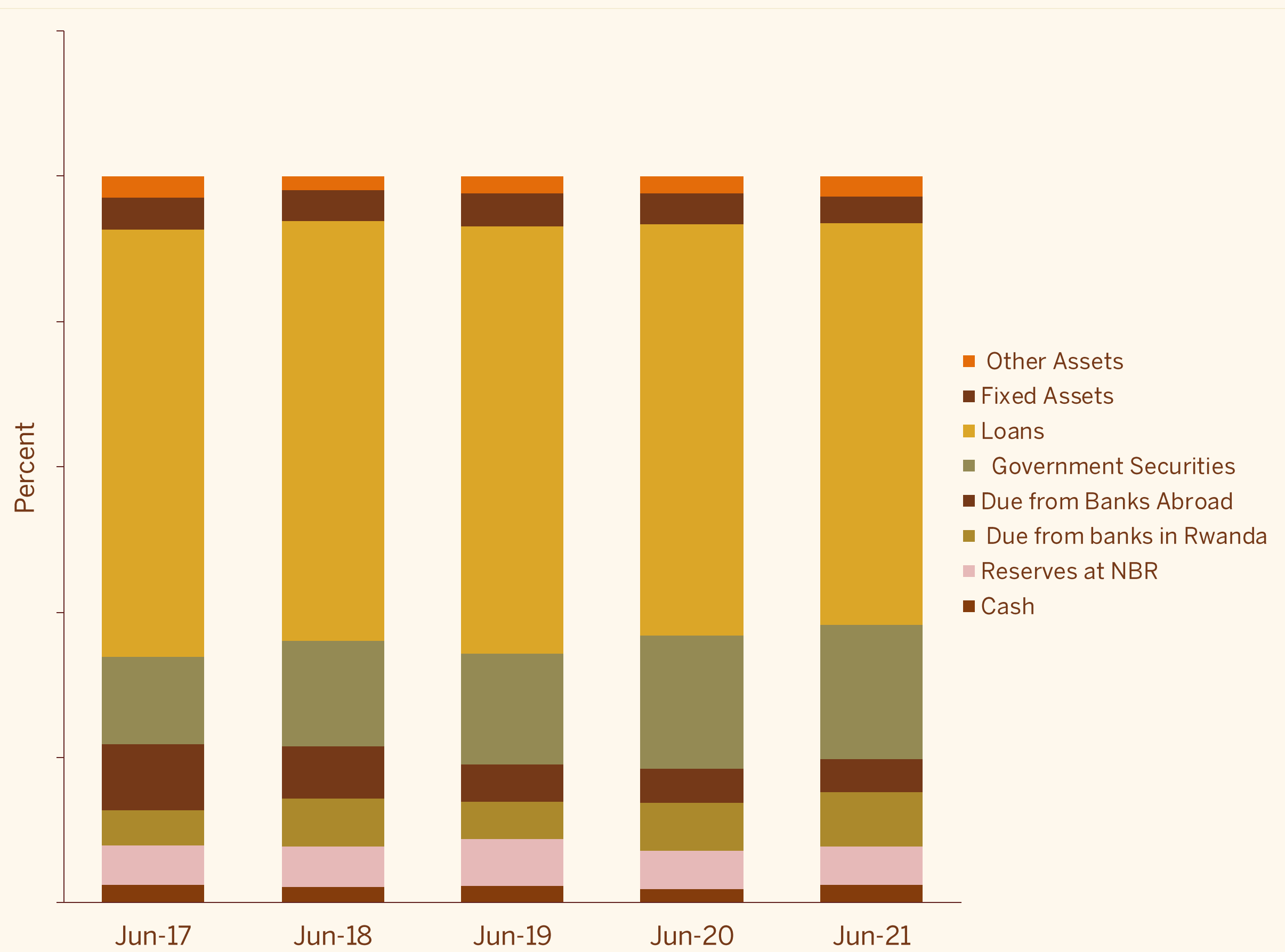
— HIGHER THAN —

18.5%

JUNE 2020

Mainly supported by growth of deposits,
borrowings and capital

Performance of the Banking sub-Sector



Gross outstanding loans

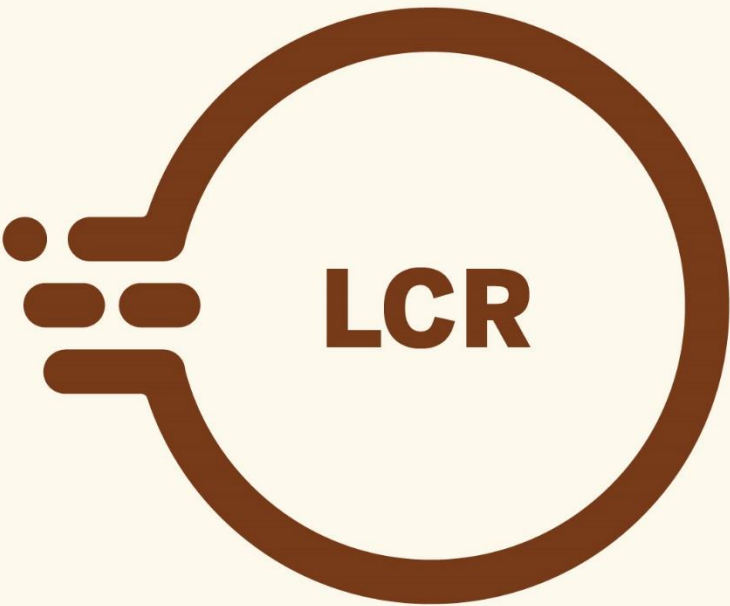


18.6 % in June 2021

from

14.6 in June 2020

Key Stability Indicators-Banks





Key Stability Indicators-Banks



Performance of MFIs sub-Sector



Total assets increased

16.8%

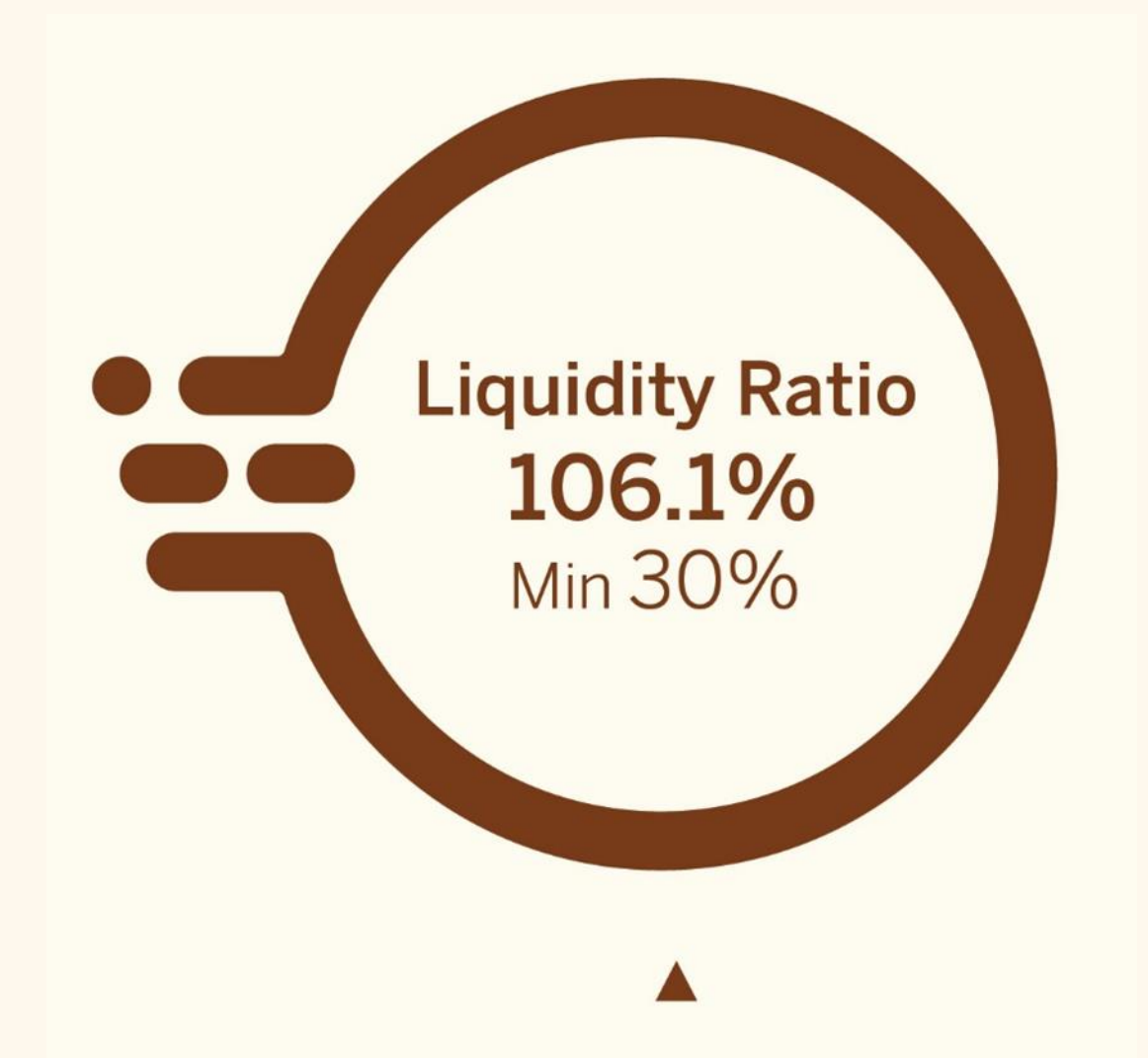
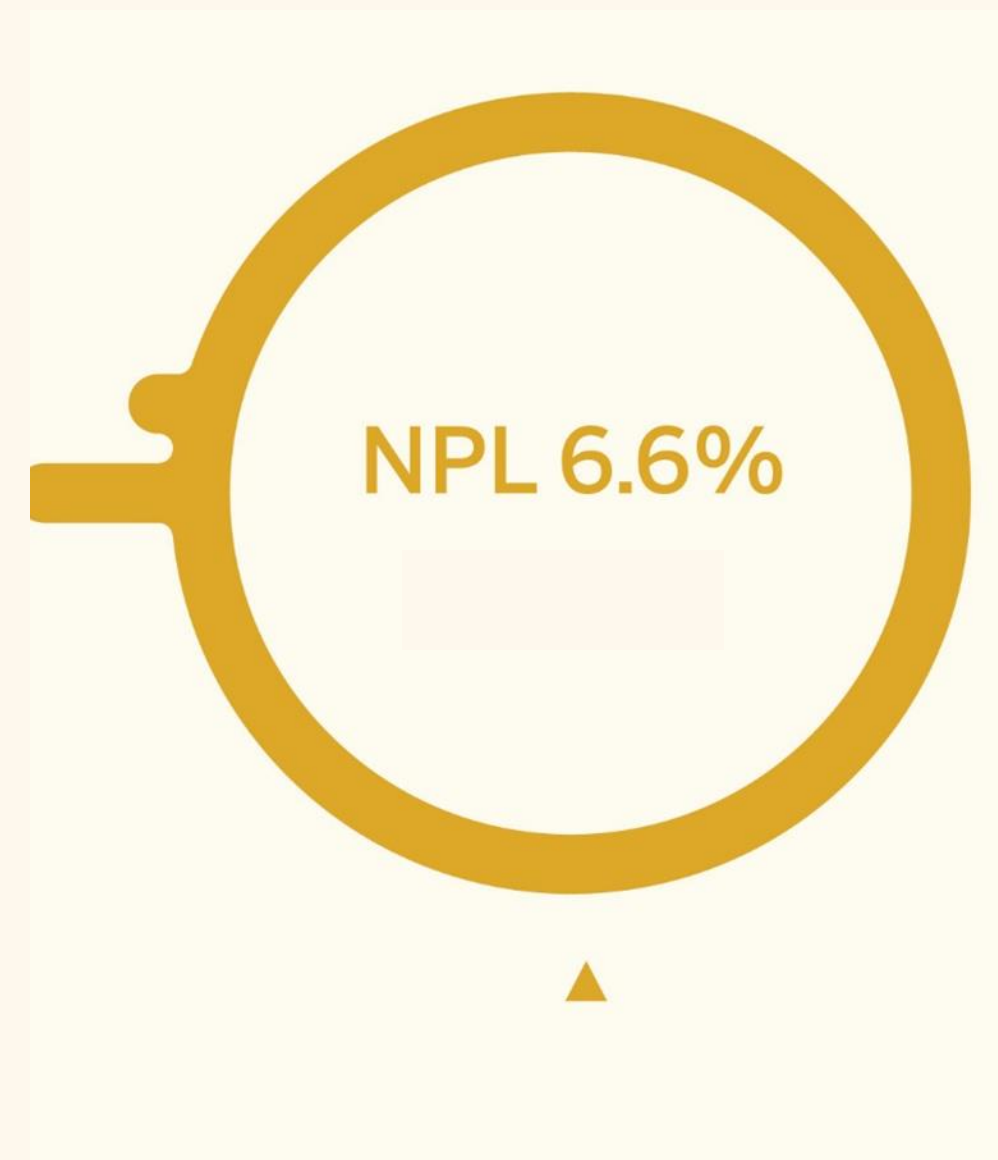
— TO —

FRW 386Bn

2021

Driven by: Deposits and Equity

MFIs Key Stability Indicators



Insurance Sector Performance



Total assets increased

16.3% In June 2021

— **HIGHER THAN** —

14.9% In June 2020

➤ Growth in business (premiums) and retained earnings.

Insurance – Key Stability Indicators



Description (Ratios %)	Private Insurers		Public Insurers		Insurance sector	
	Jun-20	Jun-21	Jun-20	Jun-21	Jun-20	Jun-21
Solvency margin (min. 100%)	156	147	2,463	2,765	1,228	1,374
Combined ratio (max.90%)	101	101	77	72	89	86
ROE (min.16%)	18	18	9	13	10	14
ROA (in.4%)	6	6	9	12	8	10
Liquidity ratio (min. 100%)	90	94	3,189	4,413	234	293

Public Pension Performance



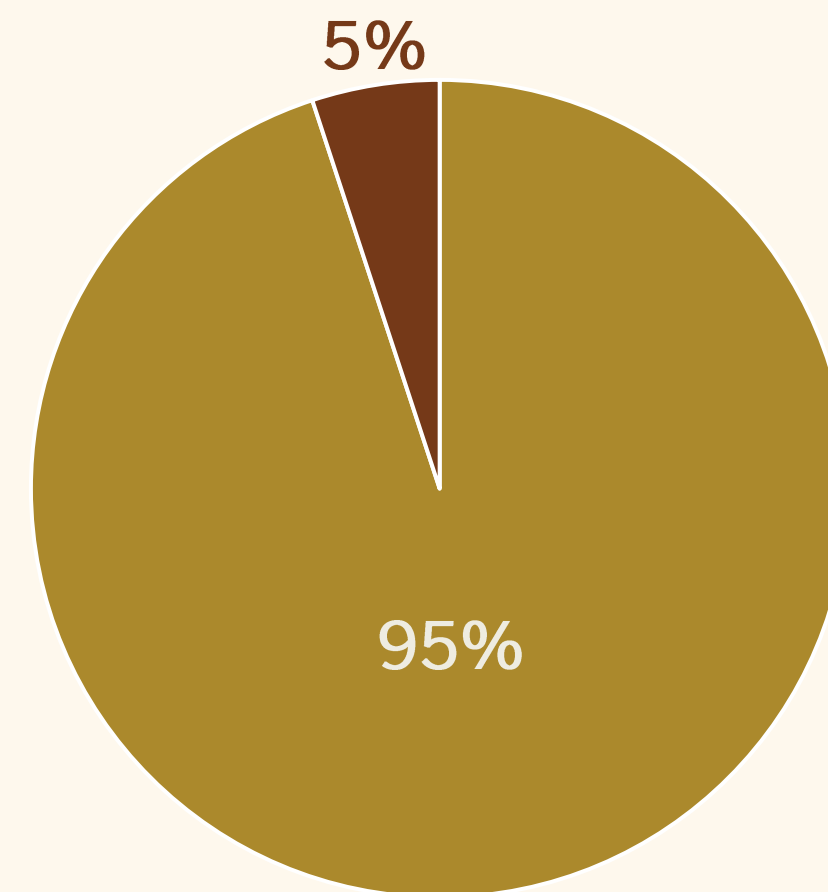
Total Assets increased by FRW 230.7 billion, a 25 percent increase to FRW 1,171.5Bn in June 2021

- Changes in market value of investments in quoted and unquoted equities,
- Land and property, government securities
- Bank deposits



Pension sector assets

■ Public Pension ■ Private Pension



Payment Systems Developments

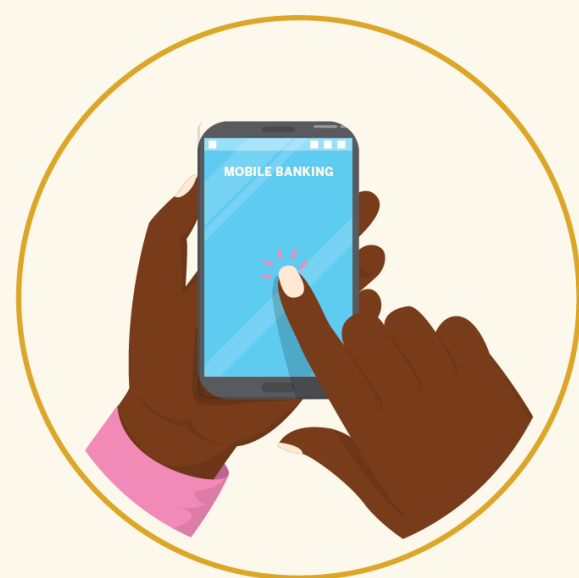


Journey



Mobile Banking Developments

Journey



Mobile banking subscribers
increased by

11%

TO

2,080,549

JUNE 2021

FROM

1,882,168

JUNE 2020



Mobile banking transactions
increased by

13%

TO

2,951,186

2021 H1

FROM

2,604,052

2020 H1



In value of transactions
increased by

98%

TO

FRW209.8Bn

2021 H1

FROM

FRW105.8Bn

2020 H1

Internet Banking Developments



Internet banking subscribers
increased by

21%

FROM

87,614

JUNE 2020

TO

106,312

JUNE 2021



Number of transactions
increased by

15%

FROM

712,430

2020 H1

TO

819,336

2021 H1



Value of transactions
increased by

24%

FROM

FRW1,295Bn

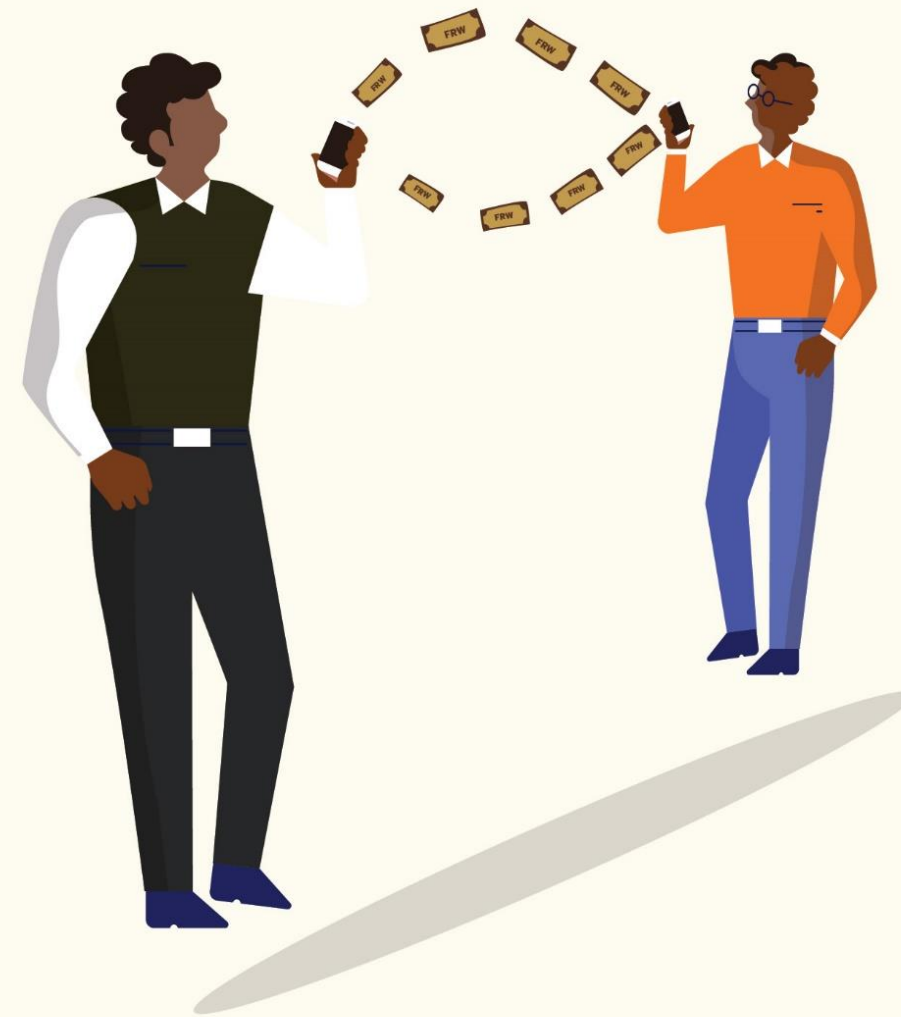
2020 H1

TO

FRW1,605Bn

2021 H1

Merchant Payment Developments



Value of merchant payments
increased to

FRW152Bn

JUNE 2021

—FROM—

FRW64Bn

JUNE 2020

Outlook



GDP growth is projected at 5.1% in 2021

- Vaccine rollout.
- Fiscal stimulus package
- Accommodative monetary policy stance
- Good agriculture performance



Inflation is projected at 0.7% in 2021 before picking up to around 5% in 2022

Outlook



The financial sector is expected to remain sound and stable.