

Monetary Policy & Financial Stability Statement

March 2022

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





According to IMF, the World Economy is projected to moderate to



IMF WEO projections January 2022, do not reflect the economic consequences of the Russian-Ukraine War

Global Commodities



Global energy index

+82.0% **-31.7%**
2021 FROM 2020

+16.2%

Feb 2022 compared to Dec 2021

Non-energy price index

+32.3% **+3.0%**
2021 FROM 2020

+9.0%

Feb 2022 compared to Dec 2021

Food Index

+29.8% **6.3%**
2021 FROM 2020

+10.9%

Feb 2022 compared to Dec 2021



World Inflation projected to increase to around

4.8%

2022

FROM

4.3%

2021

Rwanda's Economic Performance



The Economy recorded a strong rebound of

10.9%

2021

FROM

-3.4%

2020

Rwanda's Economic Performance by sector



Industry Sector

+13.4%

2021

-4.2%

2020



Service Sector

+11.9%

2021

-5.5%

2020



Agriculture Sector

+6.4%

2021

FROM

0.9%

2020

Rwanda's External Performance



Rwanda's trade strongly rebound as domestic and global economic activities recover



Merchandise Exports grew by

53.4%

2021

FROM

-21.0%

2020

Driven by rising commodity prices on recovering global demand

Rwanda's External Performance



Merchandise Imports grew by

16.5%

2021

FROM

-3.8%

2020

Driven by recovering domestic economic activities.

Exchange Rate Developments



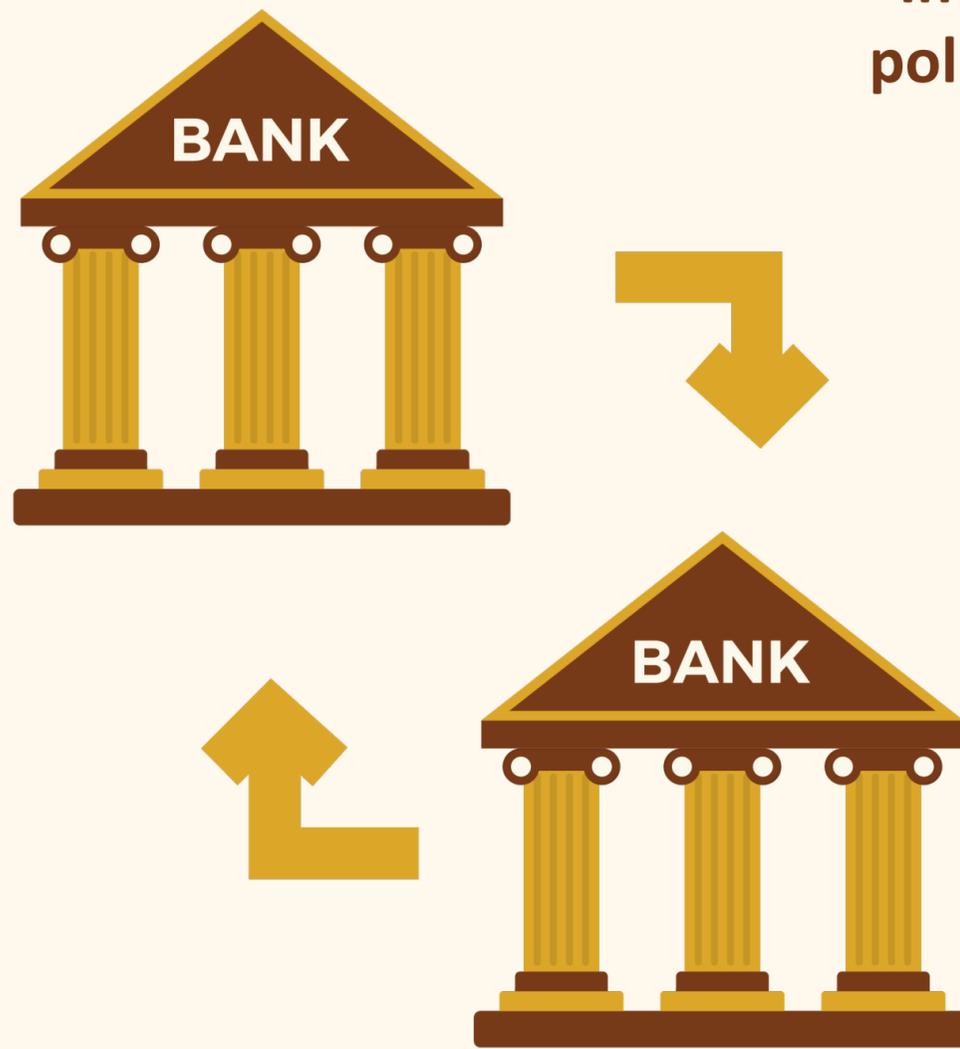
FRW depreciation against USD:



Monetary Policy Developments



In line with the accommodative monetary policy stance since April 2020, the interbank market rate slightly declined to



5.18%

2021

FROM

5.35%

2020

Following the increase in CBR from **4.5% to 5.0%** February 2022
The interbank rate increased to

5.51%

As of 25th March 2022

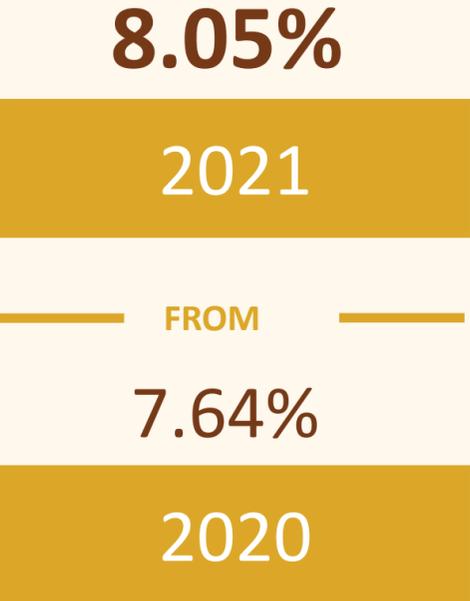


Monetary Policy Developments cont'd

Lending rate decreased to



Deposit rate increased to



Monetary Aggregates



**Broad Money (M3)
increased by**

17.8%

+ 18.0%

2021

FROM

2020



Credit to Private sector grew by

+14.7%

+21.8%

2021

FROM

2020

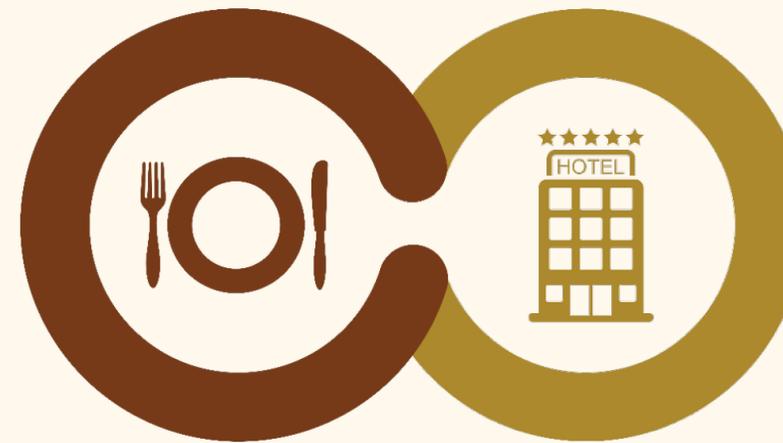
New Authorized Loans



The top four sectors that were financed in 2021 (% of total NALs)



NALs grew by



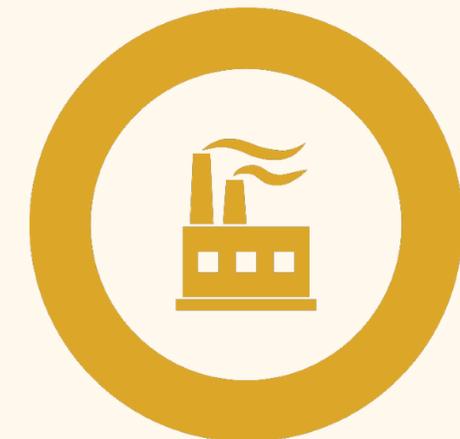
Commerce **25.7%**



Personal loans: **15.2%**



Public works & buildings: **21.6%**



Manufacturing activities: **9.8%**

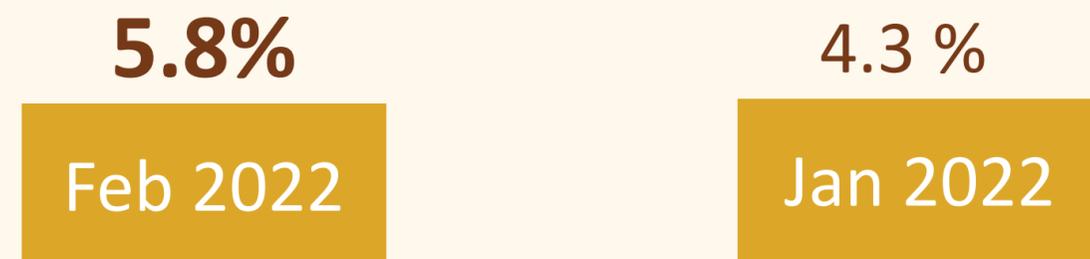
Inflation Developments



In 2021, average headline inflation decelerated to



Current status of headline inflation





Drivers of Headline Inflation



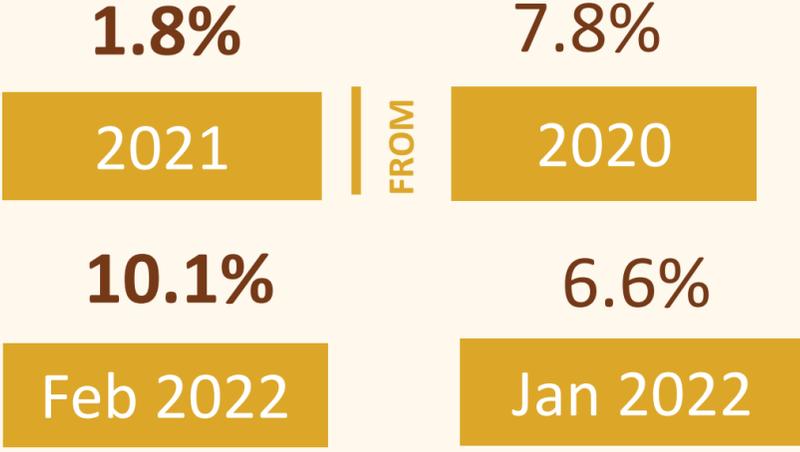
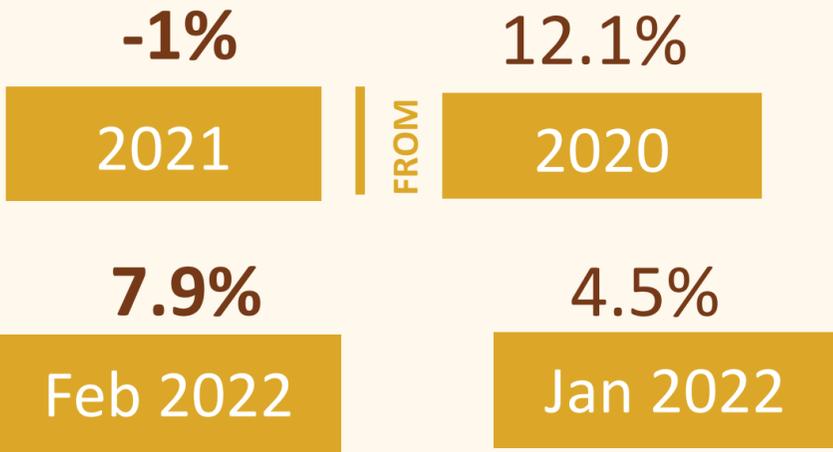
Core inflation



Food inflation



Energy inflation





Domestic economic recovery is expected to continue in 2022.

In February 2022, growing pressures on Rwanda's inflation were projected resulting from;

- Domestic and imported costs as global and domestic economies continue to recover
- Elevated projected global inflation resulting from pandemic induced supply-demand mismatch.

As a result, the MPC decided to increase the CBR by 50 bps in February 2022

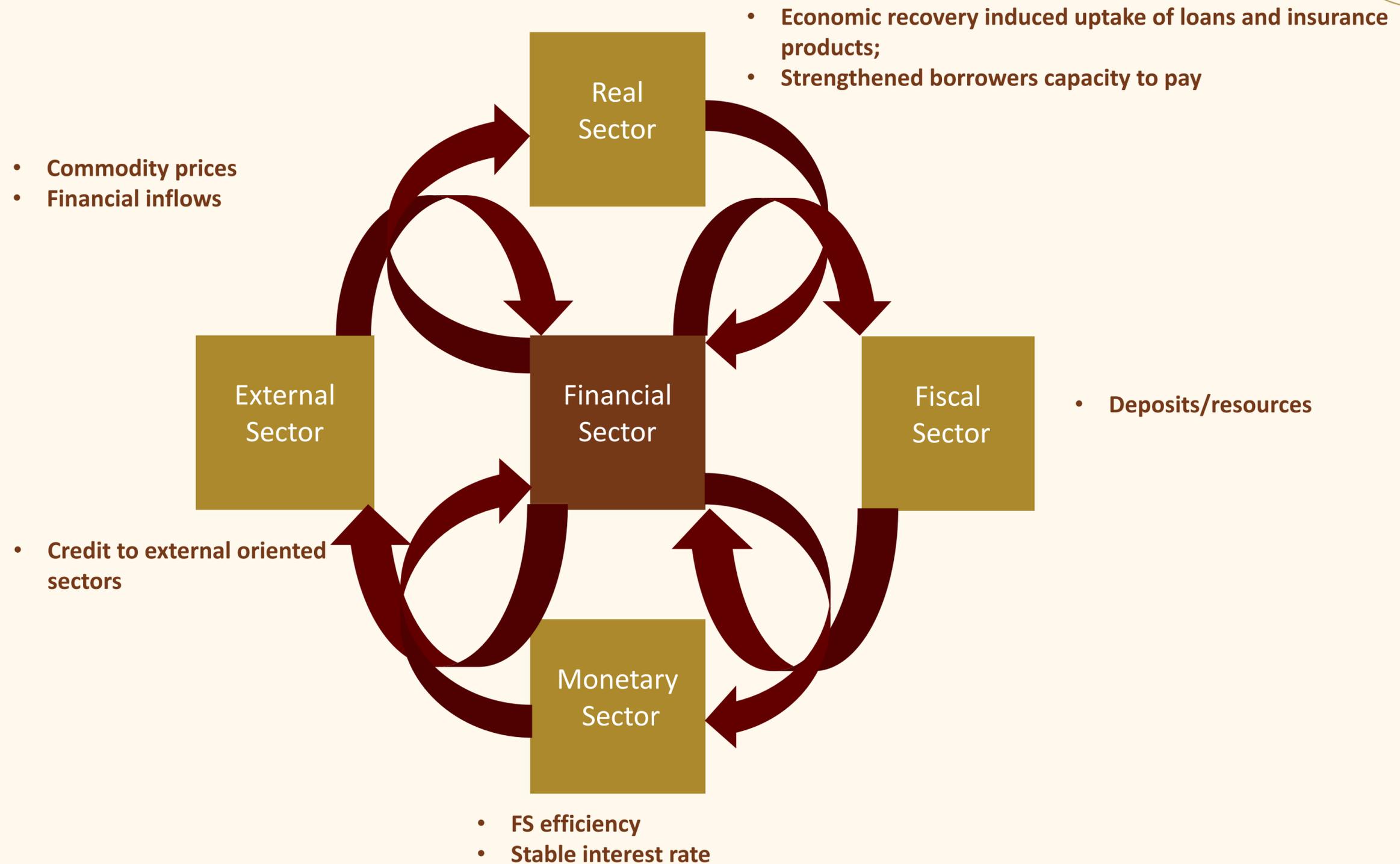
The Russia-Ukraine war is bringing more uncertainty, posing an upside risk for Rwanda's inflation, as well as additional pressures on the external sector.

The Monetary Policy Committee will continue to monitor economic developments and take appropriate actions to keep inflation within the band in the medium-term.

Financial Stability



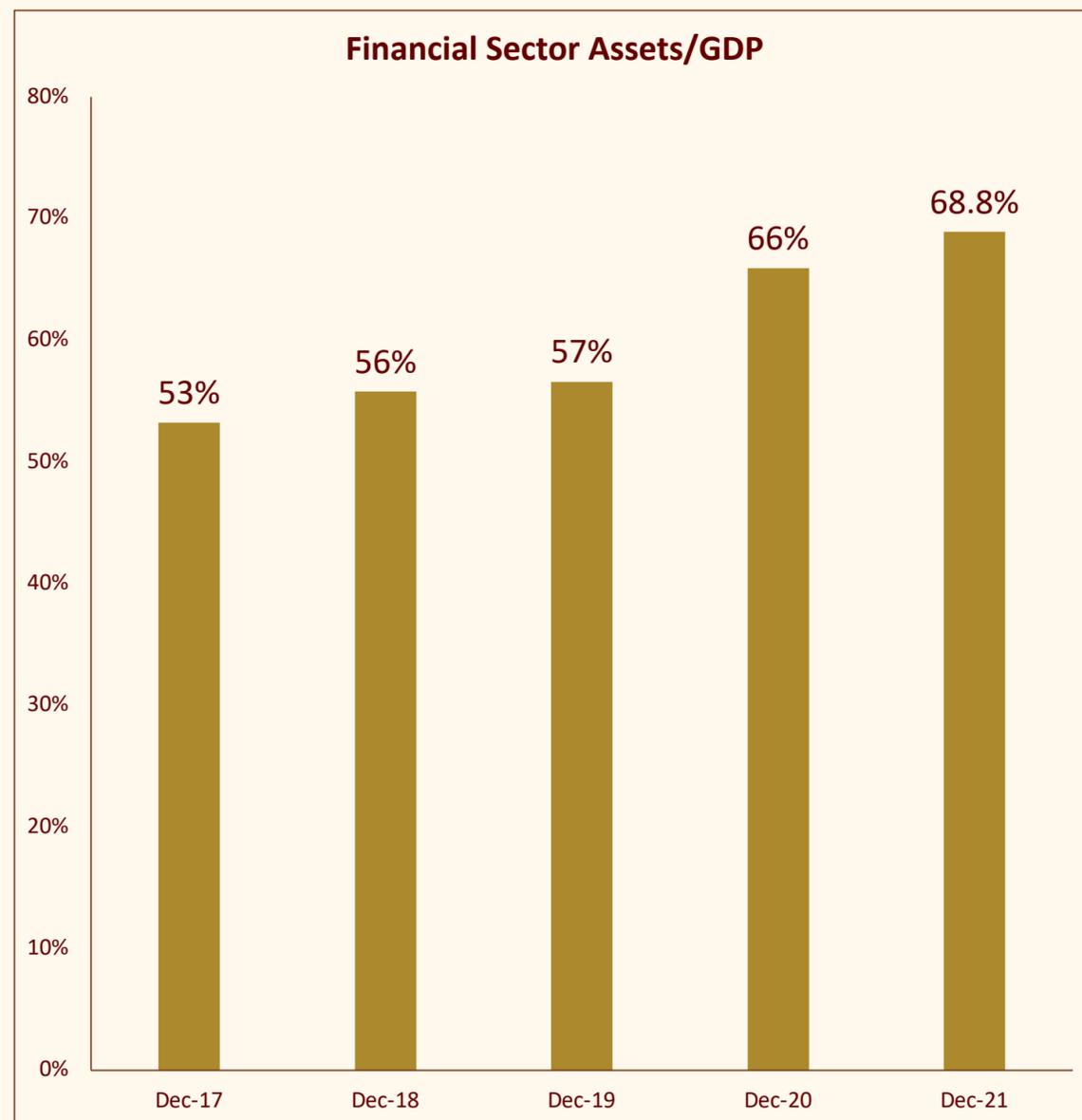
Rebound of the economy supported the Financial Sector



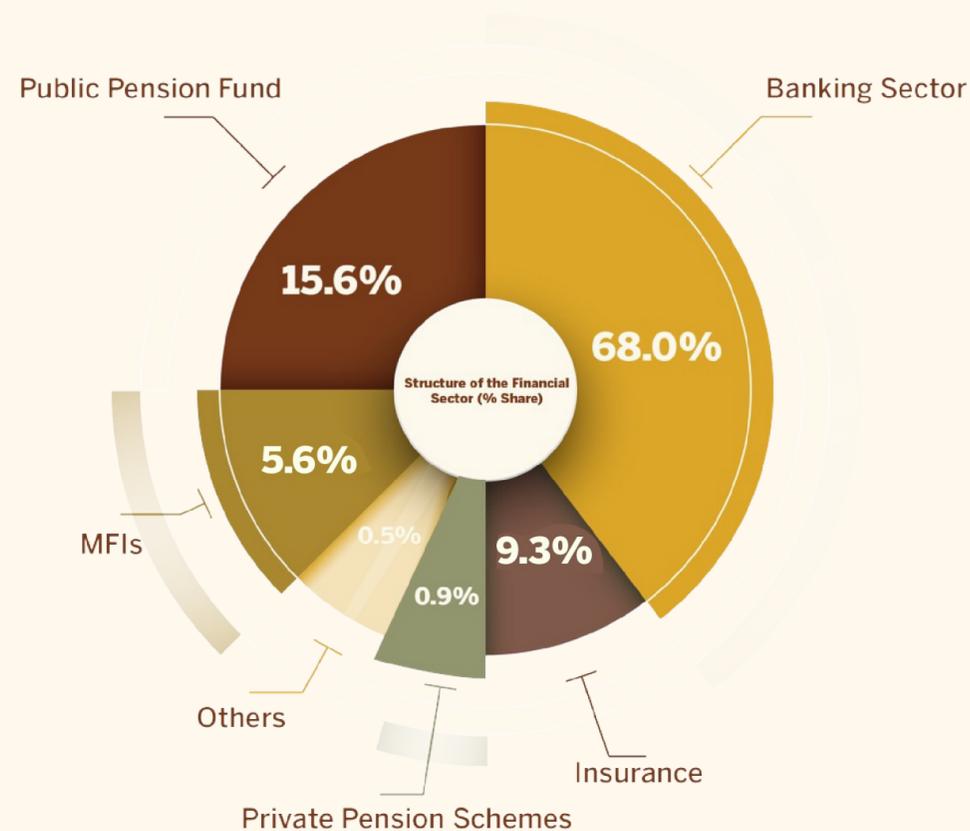
Structure & Growth of the Financial Sector



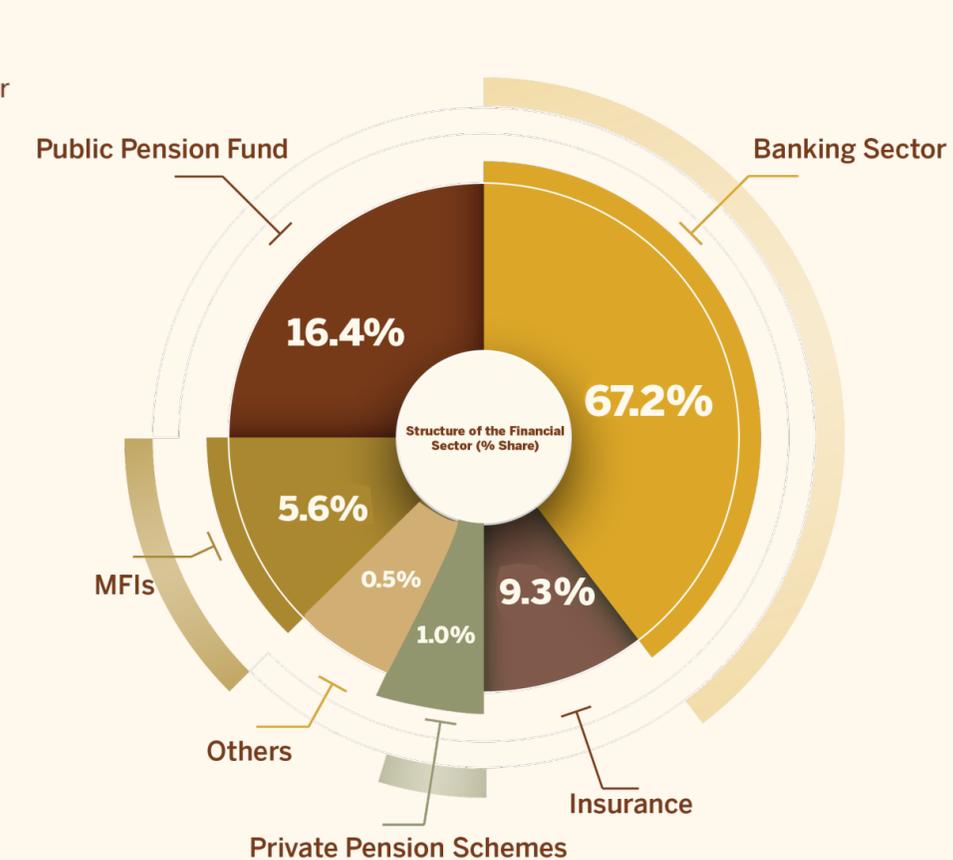
The financial sector continues to expand: Assets grew by 19% to 7,531 Billion in Dec-2021



**Structure of the Financial Sector
(% share)
December 2020**



**Structure of the Financial Sector
(% share)
December 2021**



Growth of the Financial Sector



Banking sector expanded by

17.5% to 5,064Bn

2021

FROM

4,311 Bn

2020



MFI sector expanded by

18.3 % to 421Bn

2021

FROM

357Bn

2020

Growth in both the Banking sector and MFI was driven mainly by:

- Growth of deposits;
- Capital injections and profits

Growth of the Financial Sector, Cont'd



Pension sector expanded by

25.5% to **1,313Bn**

2021

FROM

1,046 Bn

2020

Driven mainly by contributions and investment income



Insurance sector expanded by

18% to **701Bn**

2021

FROM

593 Bn

2020

Driven mainly by investment income and capitalization

BNR RESTRICTED



Other Non Bank Institutions expanded by

3% to **32Bn**

2021

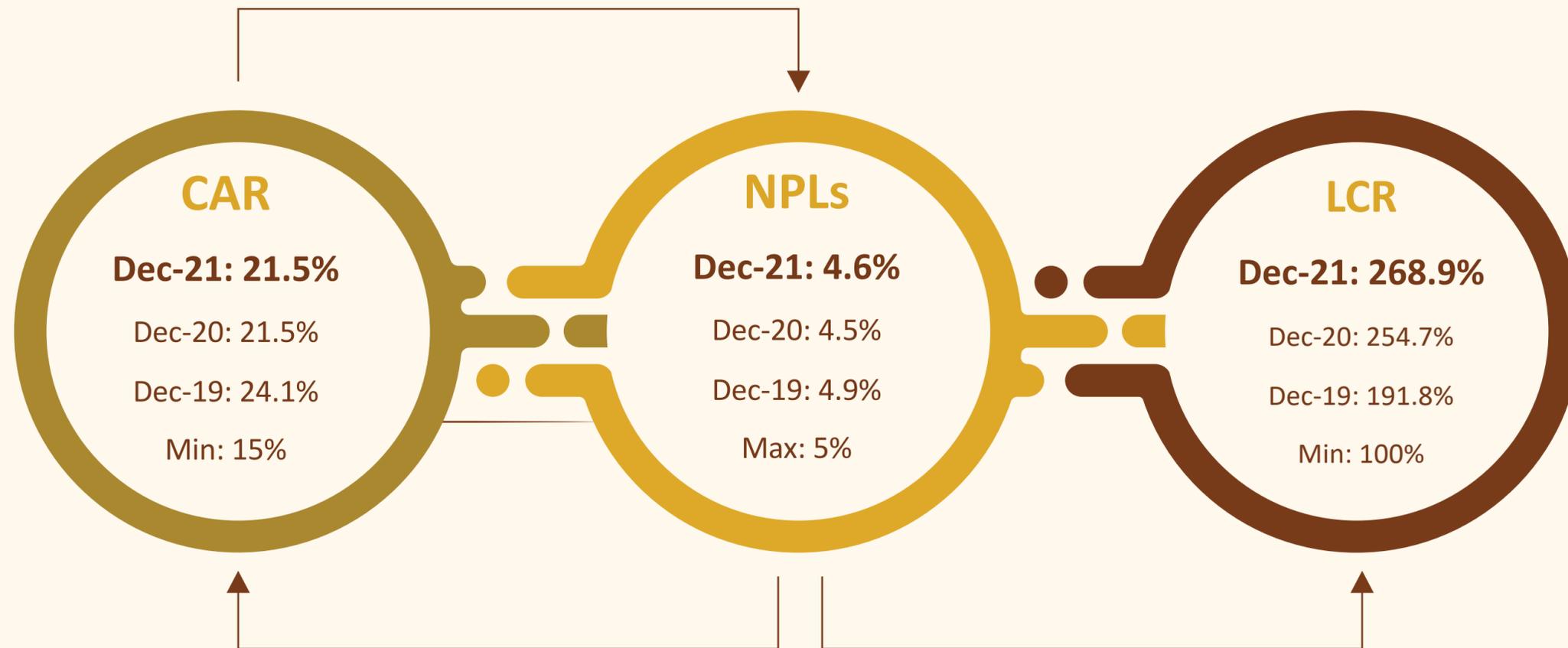
FROM

31Bn

2020



The banking sector remains sound and stable



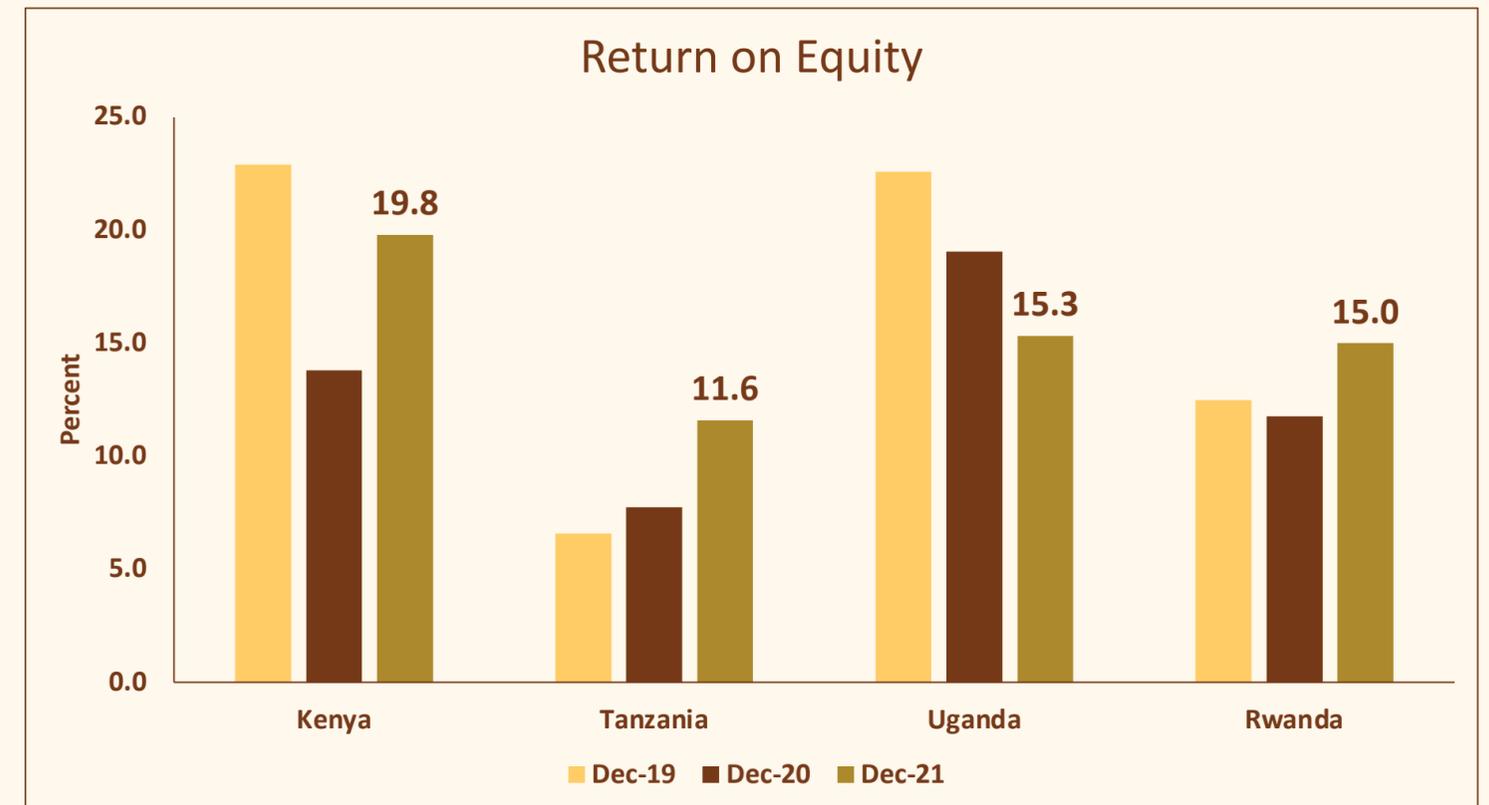
	Dec-19	Dec-20	Dec-21
Tier 1 Capital	22.6%	20.3%	20.6%
Leverage ratio	14.4%	12.6%	13.8%



Stability of the Banking Sector | Capitalization, cont'd

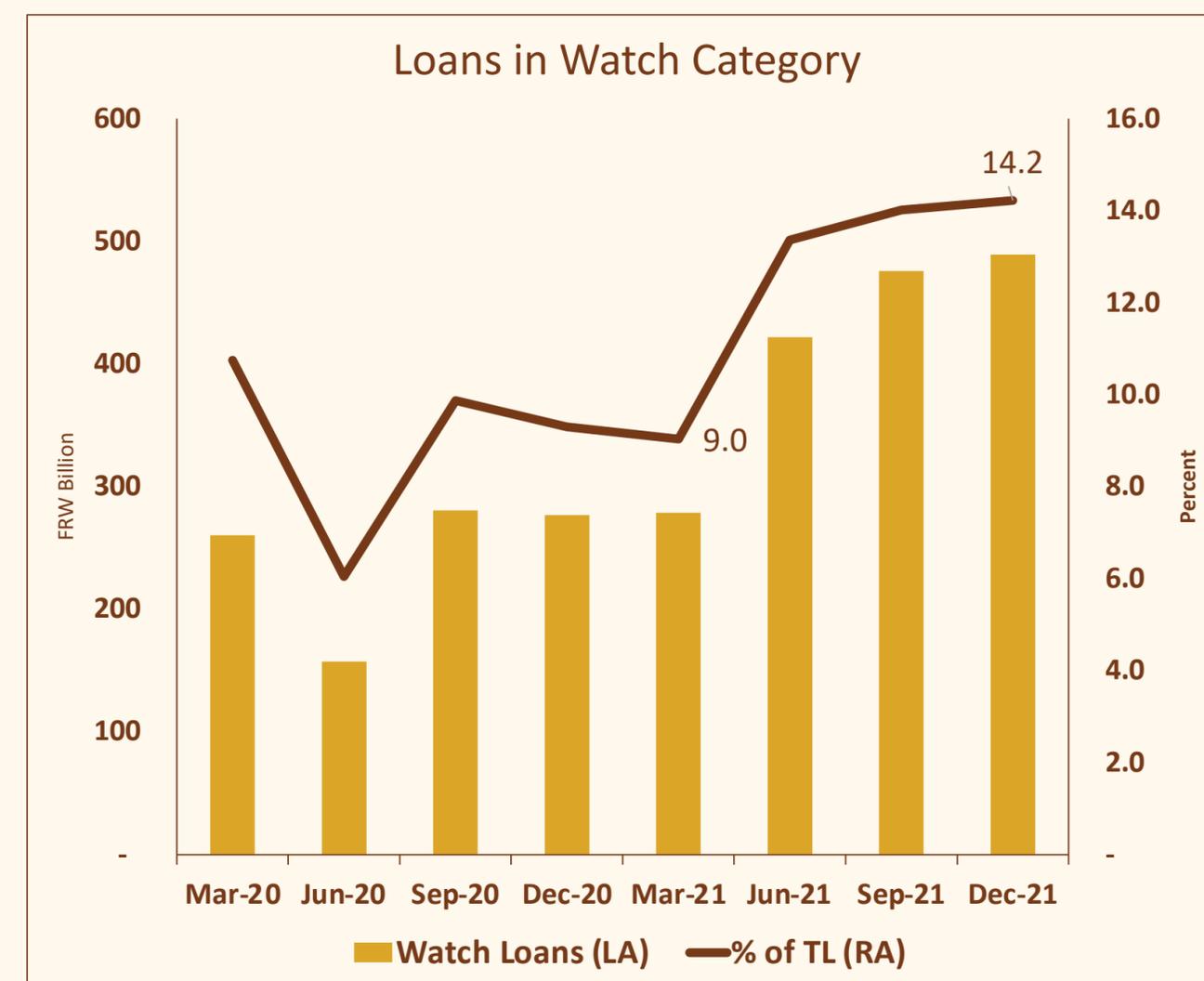
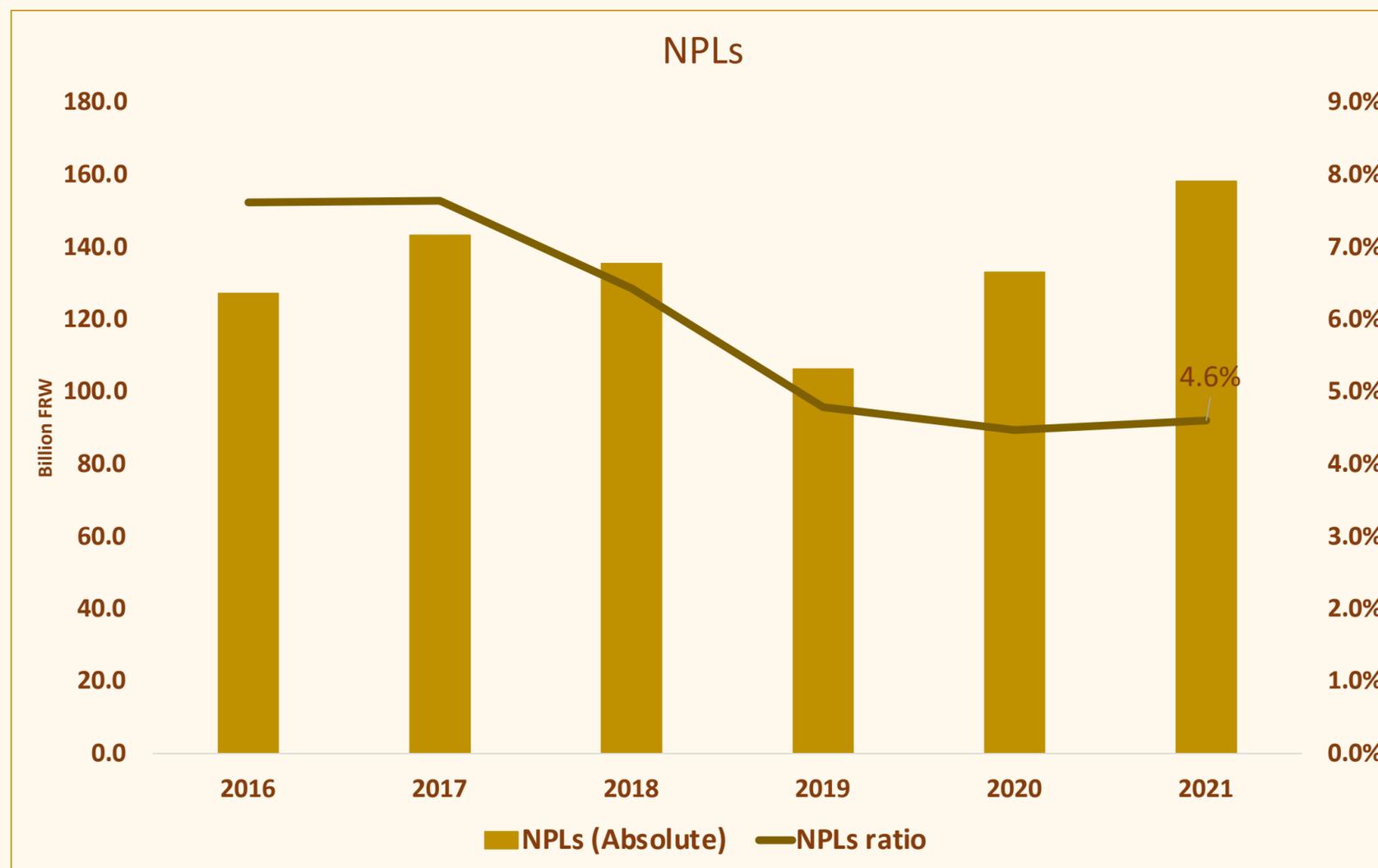
Banks Profits were driven by interest income and other income (commissions, recoveries from previous write offs)

Profitability of Banks (FRW Billion)	Dec-19	Dec-20	Dec-21
Net Profits	75.7	81.7	125.5
ROA (%)	2.2	2	2.5
ROE (%)	12.5	11.8	15





Credit risk remain the major risk facing the banking sector



Soundness of Microfinance Sector | Key FSIs



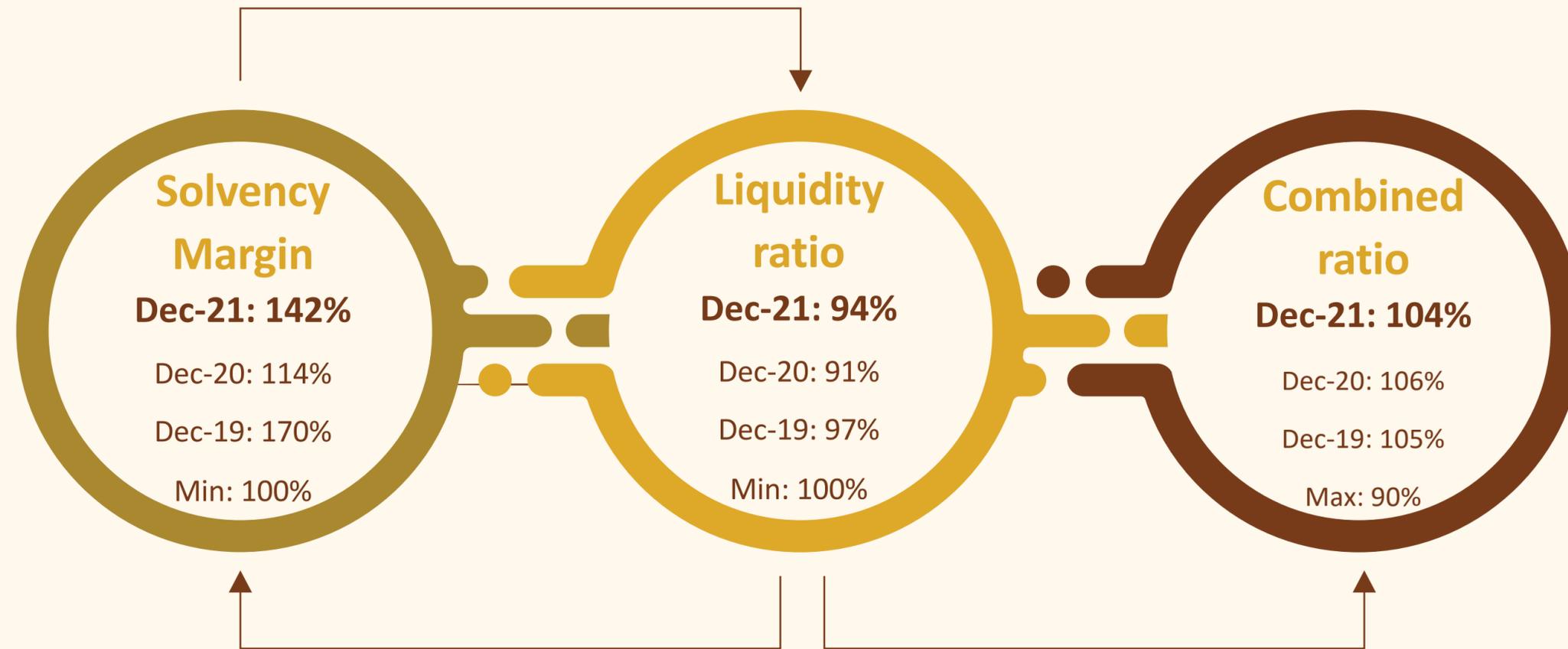
***MFIs sector remains capitalized, liquid and profitable
in line with improved assets quality***

Selected Financial Soundness Indicators	U-SACCOs		PLs		Other SACCOs		Overall	
	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21
CAR (%)	35.1	36.1	25.2	26.6	48.0	43.9	36.0	35.8
Liquidity Ratio (%)	105.8	104.3	76.6	82.1	143.0	210.4	101.5	112.3
NPL Ratio (%)	12.4	9.2	4.0	3.1	5.0	2.9	6.7	4.8
Net Profit (FRW Billion)	4.1	7.3	1.1	2.8	5.1	7.9	10.3	18.1
ROA (%)	2.8	4.5	1.1	2.4	5.0	6.2	3.0	4.4
ROE (%)	8.2	12.8	4.3	8.9	10.2	13.8	8.2	12.4

Soundness of Private Insurance | Key FSIs



The solvency position strengthened in 2021 due to efficient assets allocation, some capital injection and income



	Dec-19	Dec-20	Dec-21
ROE (Min.16%)	11%	14%	14%
ROA (Min.4%)	4%	4%	5%

Structure and Performance of Pension Funds



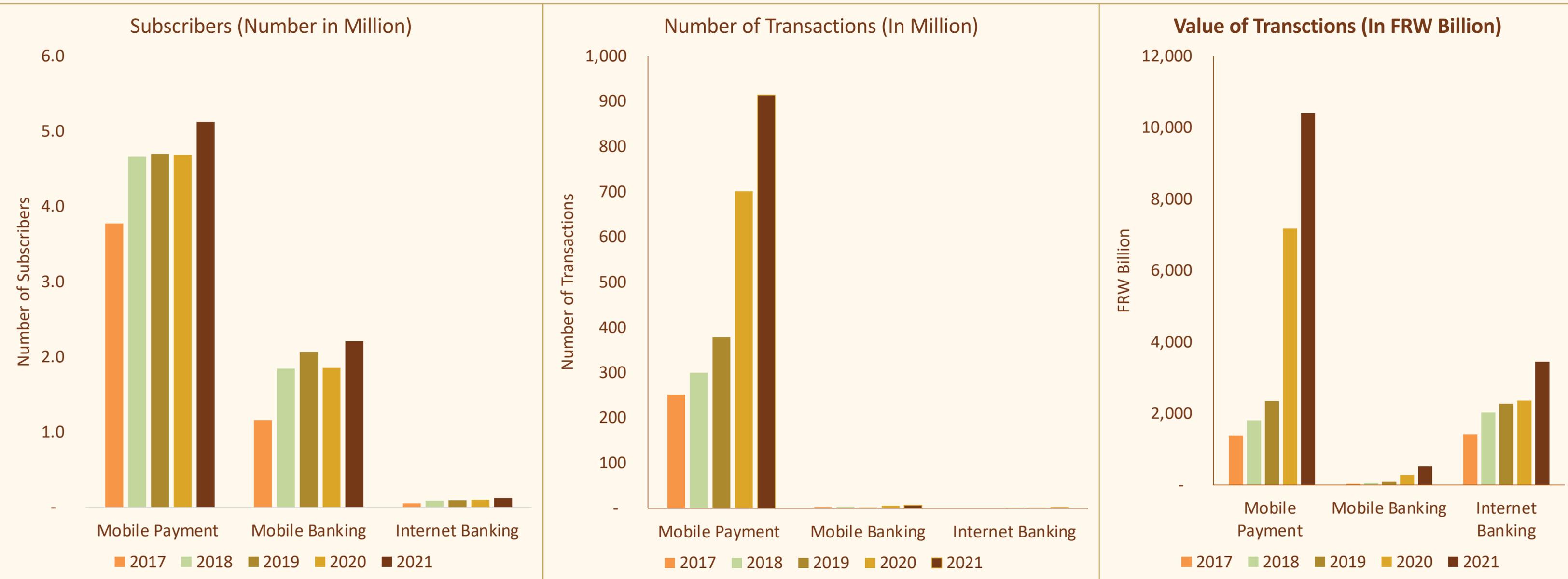
Category	Number
 Public	1
 Private	12
 Ejo Heza	1
Pension Schemes	14

Pension Scheme	Contributors Dec-20	Contributors Dec-21
RSSB	595,502	587,479
LTSS	531,344	1,423,377
Private- Pension	51,275	66,482
Total	1,178,121	2,077,338

Pension Scheme	Beneficiaries Dec-20	Beneficiaries Dec-21
RSSB	42,544	45,510
LTSS	0	561
Private- Pension	6,172	5,436
Total	48,716	51,507

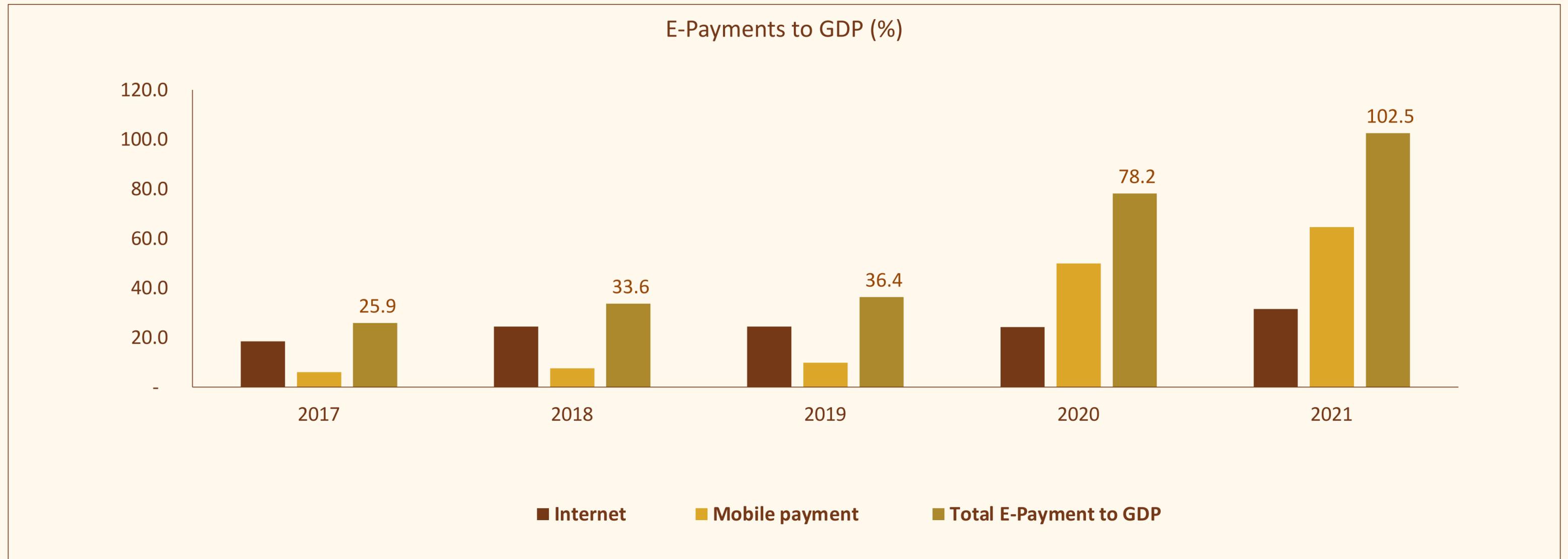


Expansion of electronic payment over the last 5 years driven by mobile payment technology



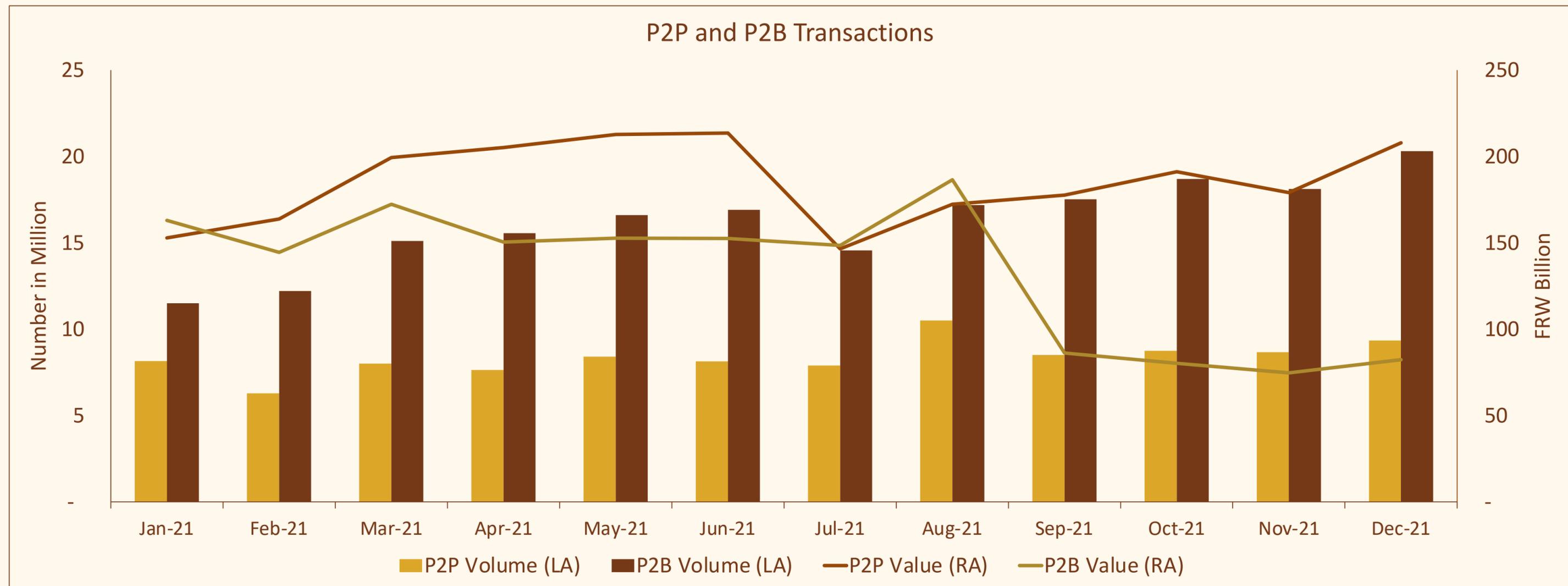


The level of retail e-payment continues to increase





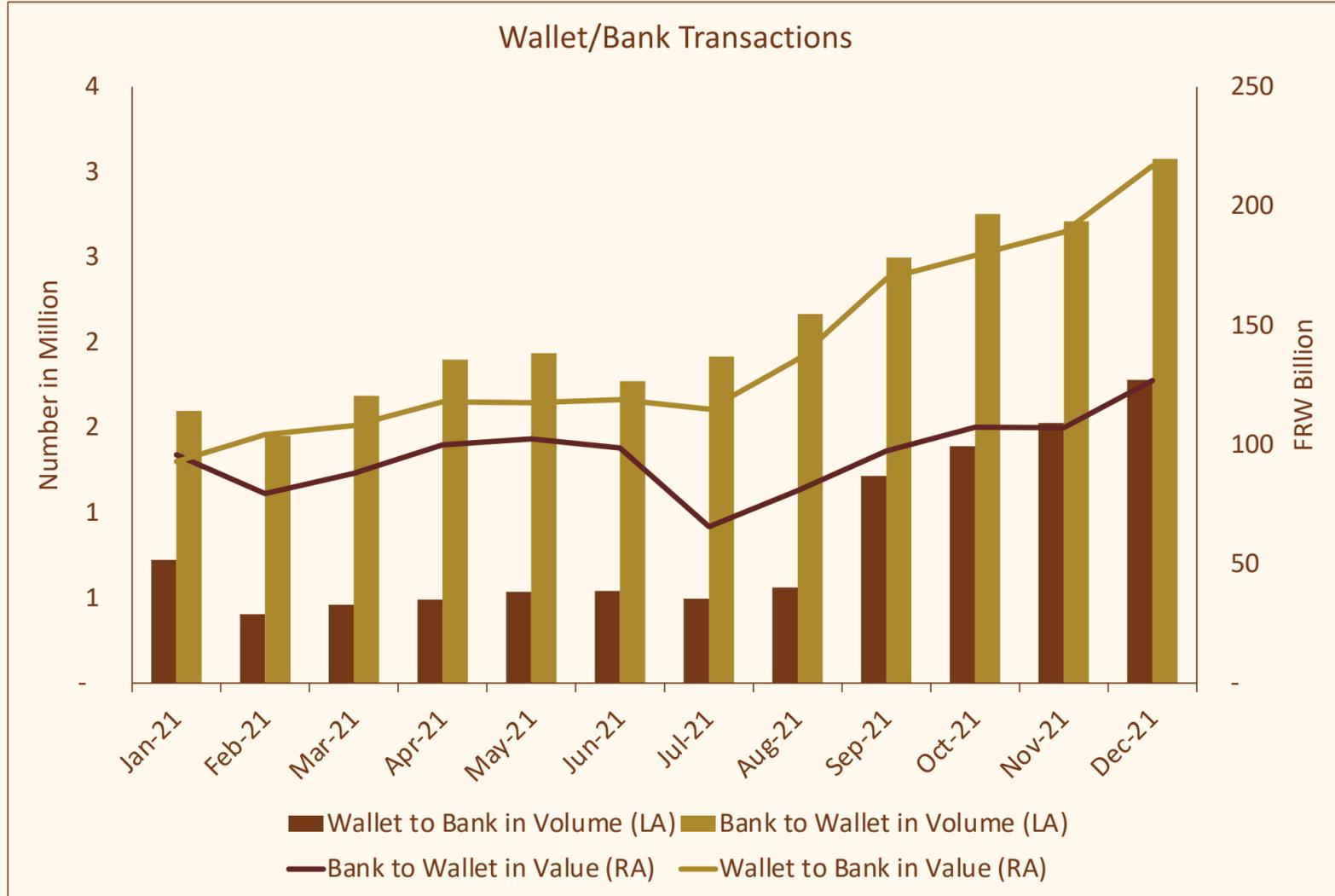
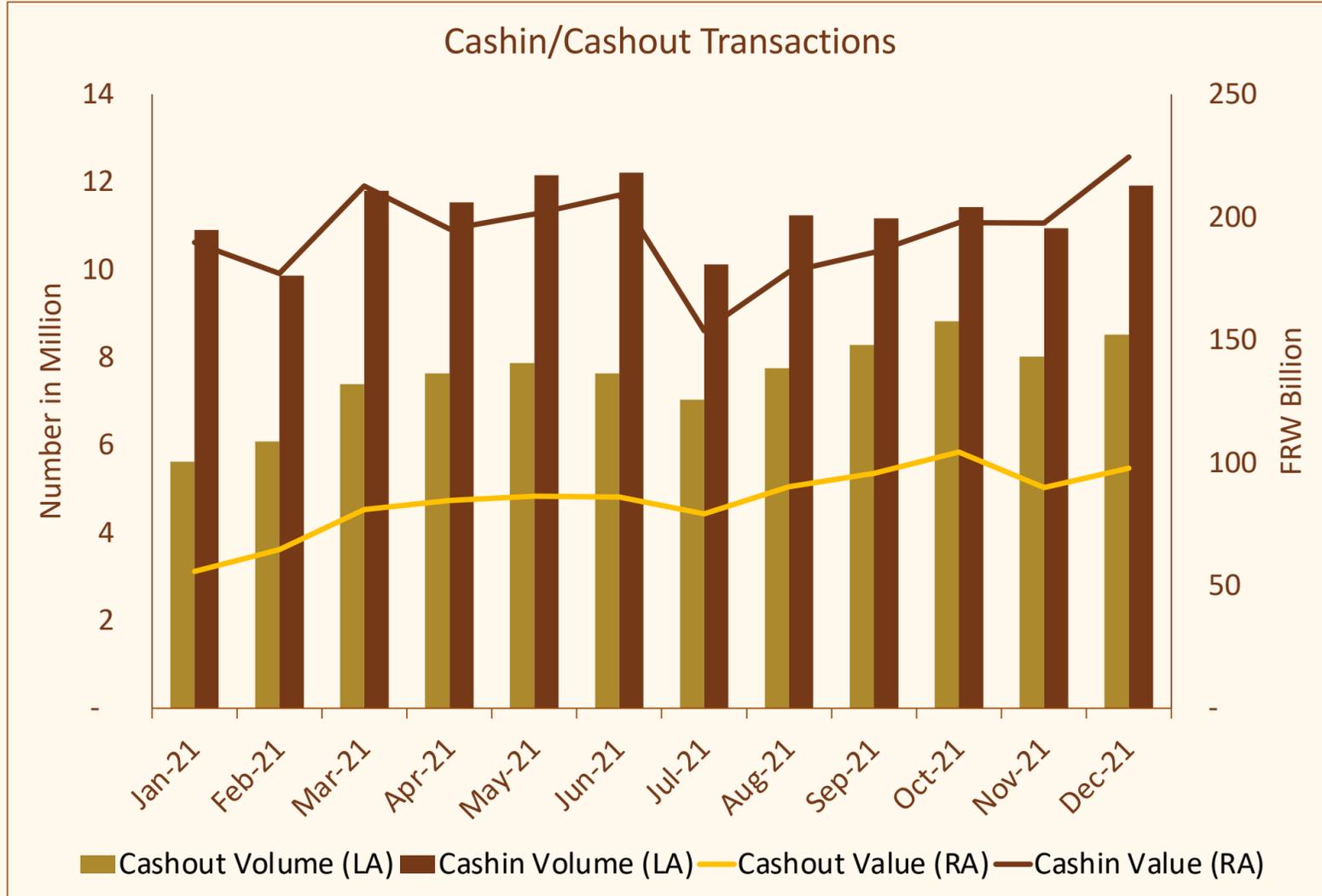
- P2B volume remained stable but the value significantly decreased (from 19,700 on average to FRW 10,121)
- P2P volume increased but the average value decreased FRW 13,000 to FRW 10.000 per transaction





Impact of Policy Change on Mobile Payment, Contd

- Cash in transactions remained stable (no major impact)
- Cash out slightly increased from September 2021 (+7%) but remained stable thereafter;
- The volume of Bank to wallet and wallet to Bank increased





- Supervised institutions are expected to continue holding sufficient capital and liquidity buffers supporting the sector's soundness and stability;
- Full reopening of the economy with the lifting of COVID 19 containment measures is expected to enhance performance of the sectors hardest hit by the pandemic and alleviate credit risks;
- NBR will continue to monitor emerging risks including the impact of Russia-Ukraine war and their likely impact on the financial sector and take regulatory and supervisory measures as will be deemed appropriate.

THANK YOU!