MPC & FSC

Press conference

Q1 2022 | May 2022

Global Economy Continues to Recover

Global Economy Projected to continue to grow by

3.6% **2022** & **3.6%** **2023**

After recovering by

6.1% **2021**

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Regional Economy Continues to Recover

Sub Saharan Economy projected to continue to grow by

3.8% **2022** & **4.0%** **2023**

Following a growth of

4.5% **2021**

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Global Commodity Prices Developments 2022Q1 (y-o-y)

Global Energy Index

+79.9%
2022 Q1

FROM

+25.8%
2021 Q1

Projected to arise by

+50.5%
2022

Non- Energy Index

+25.1%
2022 Q1

FROM

+28.4 %
2021 Q1

Projected to drop by

+19.2 %
2022

Crude Oil

+62.9%
2022 Q1

FROM

+20.9%
2021 Q1

Agriculture Commodities

+20.5%
2022 Q1

FROM

+21.1%
2021 Q1

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Global Inflation Developments

Inflation is expected to remain elevated for longer than in the previous forecast

World Inflation is projected to increase to around

7.4% in **2022** FROM **4.7%** in **2021**

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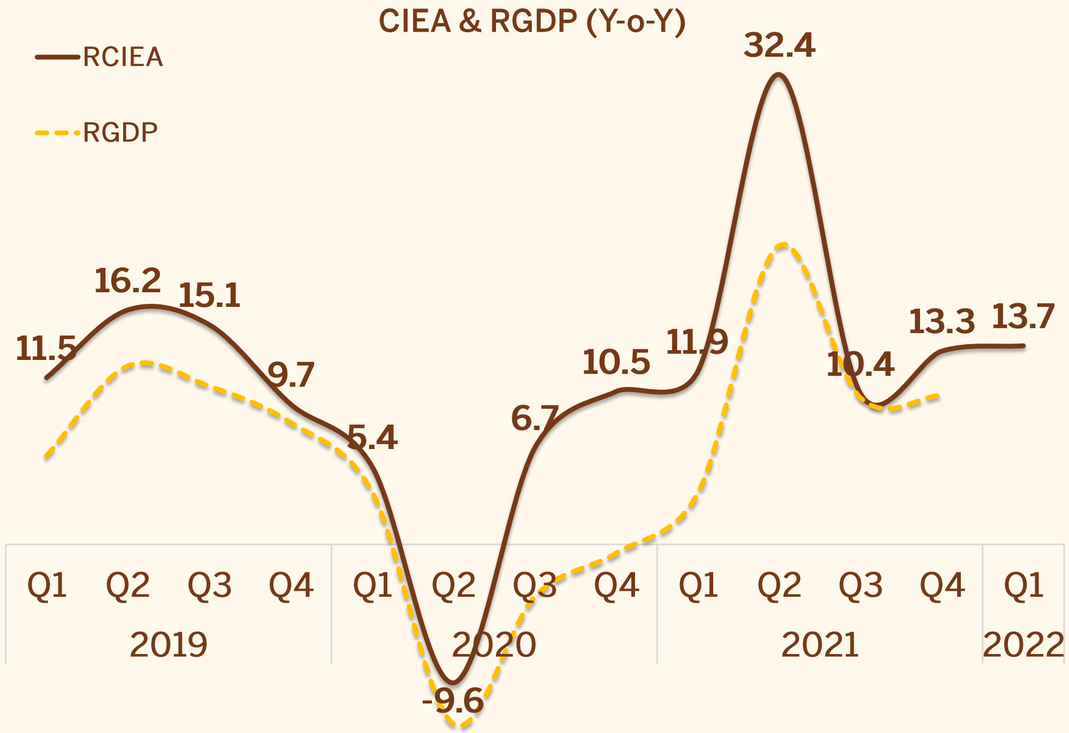
Rwanda's Economy Continues to Recover

Composite Index of Economic Activities grew by **13.7 % in 2022Q1**



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The strong pace of economic recovery, observed in 2021, continued in 2022Q1

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Rwanda's Economy is expected to Continue to Recover in 2022

Sustained economic recovery supported by

Government Economic Policies

On going infrastructure projects; boosting Manufacturing and Construction sectors

Continuous recovery of services sector

However, persisting uncertainties linked to COVID-19 and Russia – Ukraine war could slowdown the pace of recovery

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External Sector Performance

Merchandise export improved

+44.6%

2022 Q1

- This growth is attributed to rising global commodity prices.
- Value addition in minerals
- Good performance of domestic manufacturing activities and agriculture sector (Milling).

Merchandise Trade Deficit reduced by

2.6%

2022 Q1

Driven by higher exports growth

Merchandise imports rose by

14.2%

2022 Q1

- Recovery of domestic economic activities
- Higher international commodity and oil prices

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Monetary Policy Developments

Interbank rate increased to

5.29% **2022 Q1** FROM 5.18% **2021 Q1**

Lending rate increased by

+71bps TO **16.53%** **2022 Q1** FROM 15.82% **2021 Q1**

Deposit rate reduced by

- 80bps TO **7.37%** **2022 Q1** FROM 8.17% **2021 Q1**

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Inflation Developments

Headline inflation rose to

5.9% (2022 Q1) FROM **1.2%** (2021 Q4)

Imported inflation surged to

10.1% (2022 Q1) FROM **7.3 %** (2021 Q4)

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Inflation Developments

Core Inflation increased to

5.9% (2022Q4) FROM 3.5% (2021Q4)

Energy Inflation picked to

10.8% (2022Q1) FROM 3.4% (2021Q4)

Fresh food Inflation accelerated to

4.1% (2022Q1) FROM -8.6% (2021Q4)

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Inflation Projections

Currently Inflation is at 5.9%

May 2022

New projections indicate that headline inflation will be slightly above the **8%** upper bound in 2022, from **0.8%** in 2021.

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Outlook

- Reflecting the current global economic conditions that include the effects of the Russia-Ukraine war, projections suggest higher inflation in 2022 compared to previous MPC projections

- Current forecasts indicate inflation exceeding the upper bound for 2022 (9.2 percent)
- However, this year's inflation is more driven by imported costs in line with international commodity prices and global inflation.
- Pressures from imported costs are expected to reduce as international commodity prices go down.
- In addition, domestic economic growth is expected to slow down, creating less pressures on domestic costs.

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Monetary Policy Decision

CBR maintained at

5.0%

- The CBR was already increased in Feb in anticipation of higher prices
- Uncertainties remain and pressures are mostly from external factors
- NBR is working with other Government stakeholders to ensure a coordinated response to limit the impact on Rwandans' purchasing power
- The MPC shall continue to monitor domestic and global economic developments to inform future decisions

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FSC Presentation

Q1 2022 | February 2022

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

Structure & Growth of the Financial Sector

Depth of the financial sector continues to expand.

Financial Sector Assets/GDP

69% ↑ MAY- 2022

FROM

66% MAY- 2020

&

40% MAY- 2011

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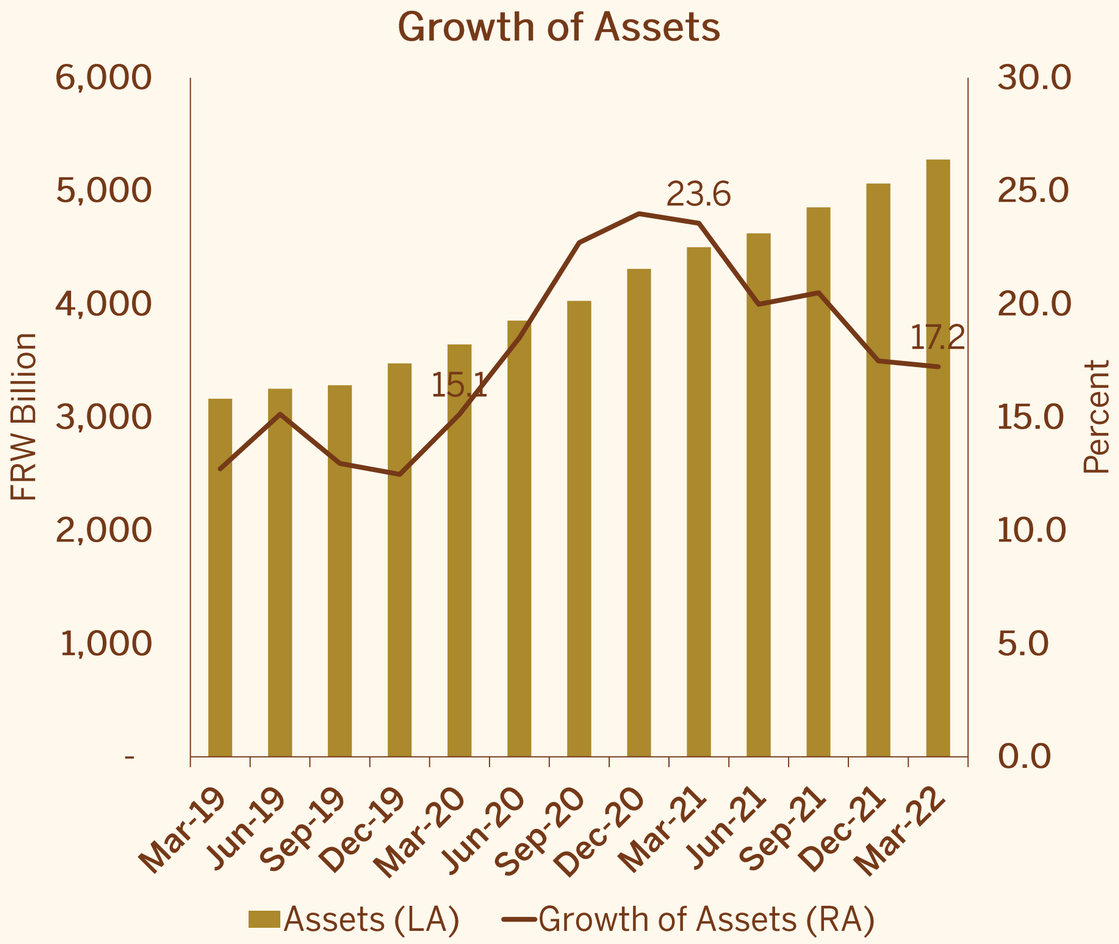
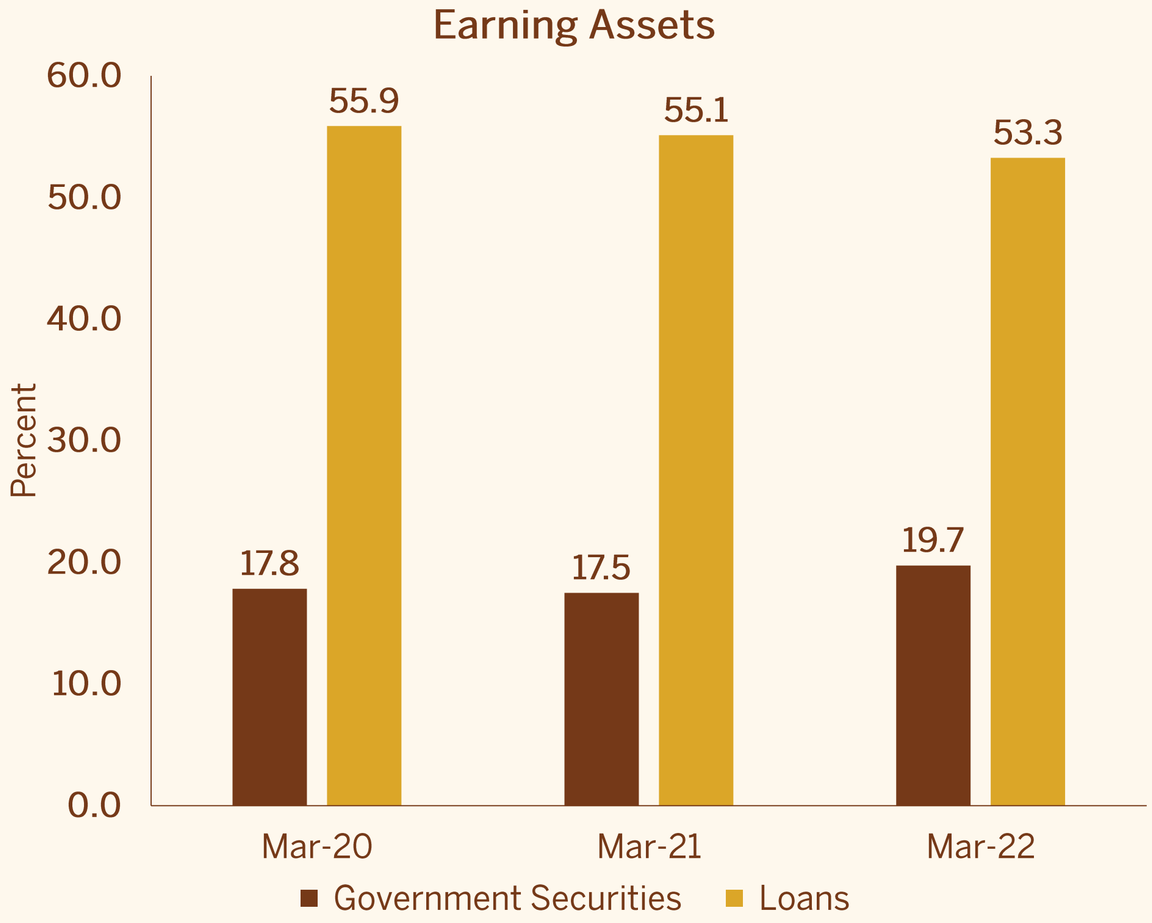
Performance of the Banking Sector | Assets

Banks' investments in earning assets continue to increase especially in Government securities





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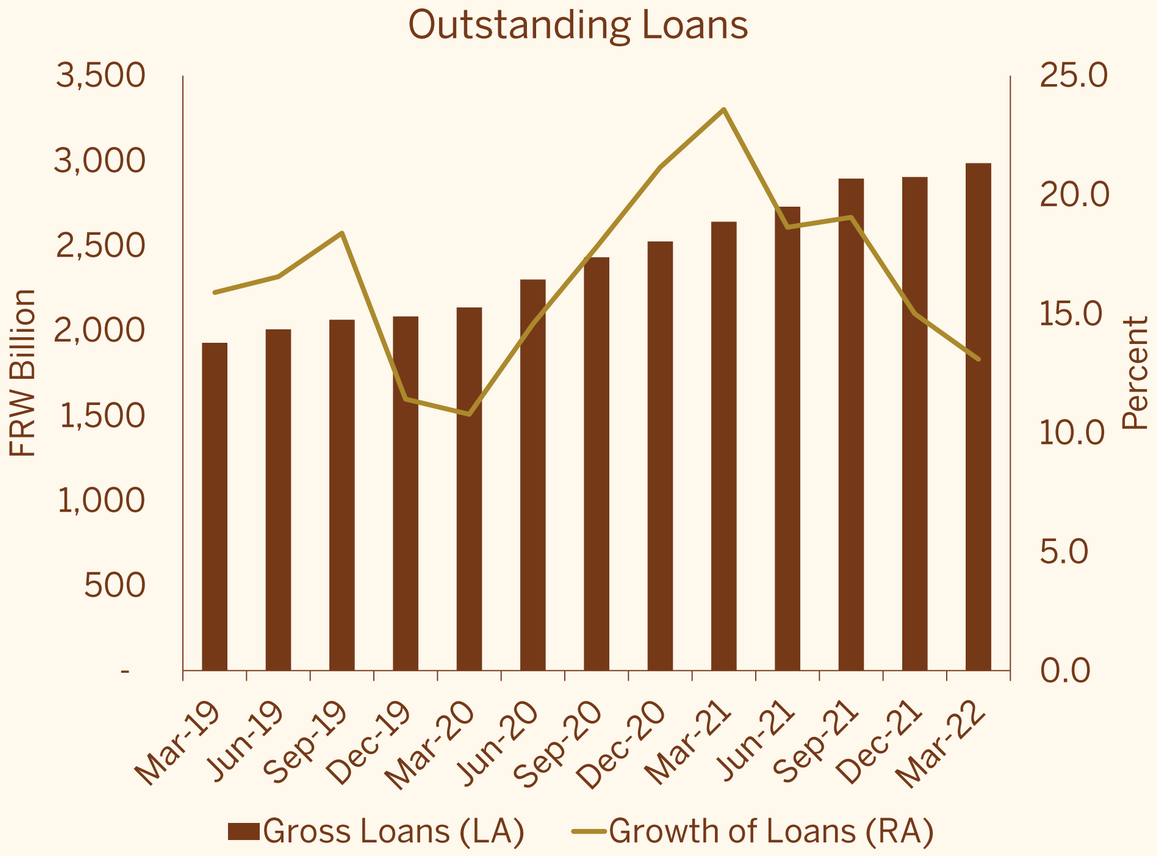
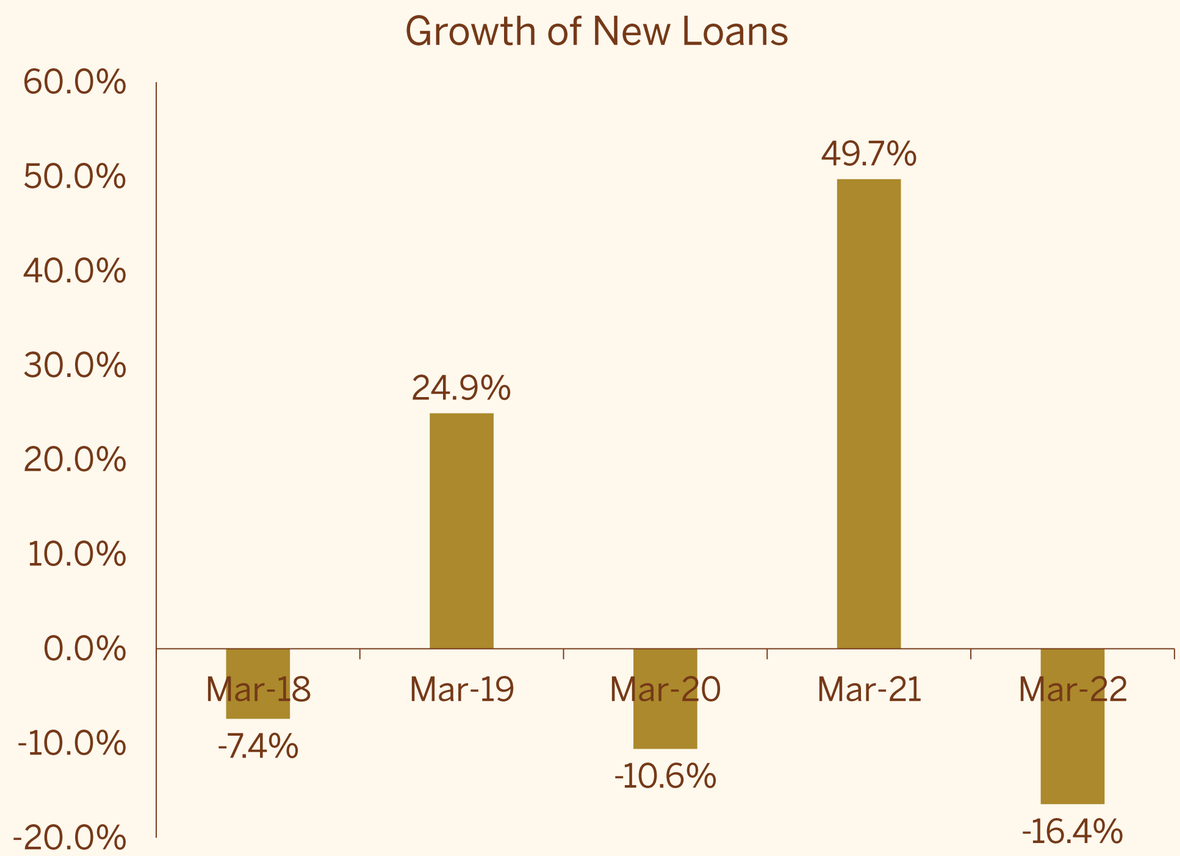
Performance of the Banking Sector | Lending

Growth of outstanding credit moderating due to increased write offs and slowdown of new lending





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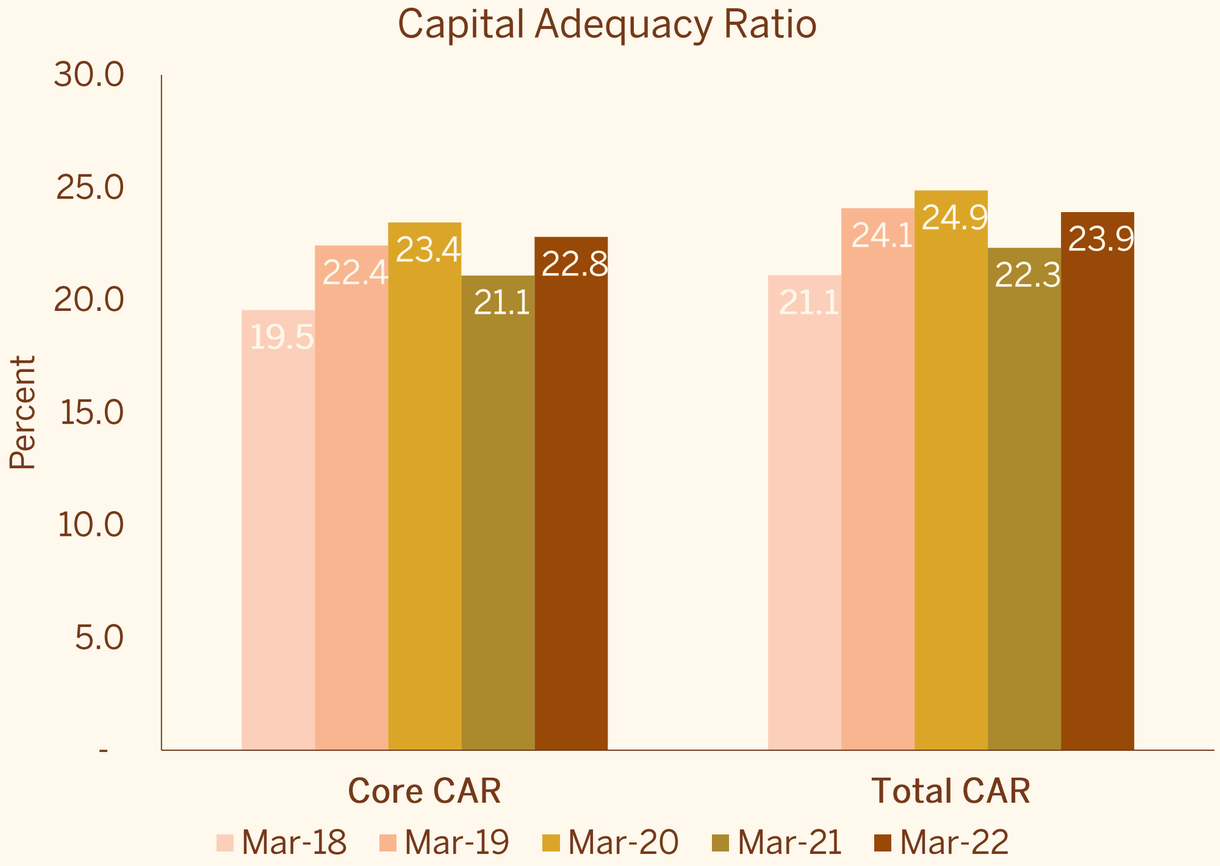
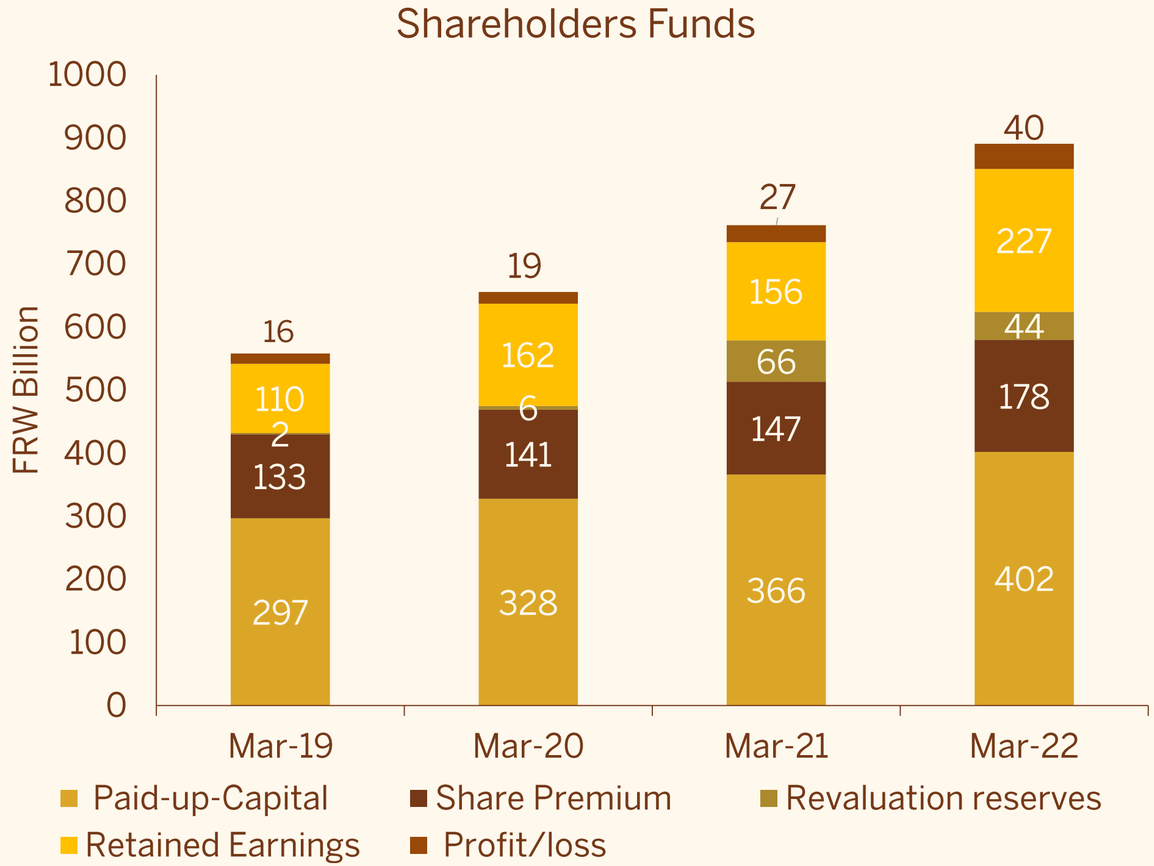
Stability of the Banking Sector | Capitalization

The banking sector continues to be adequately capitalized to absorb losses





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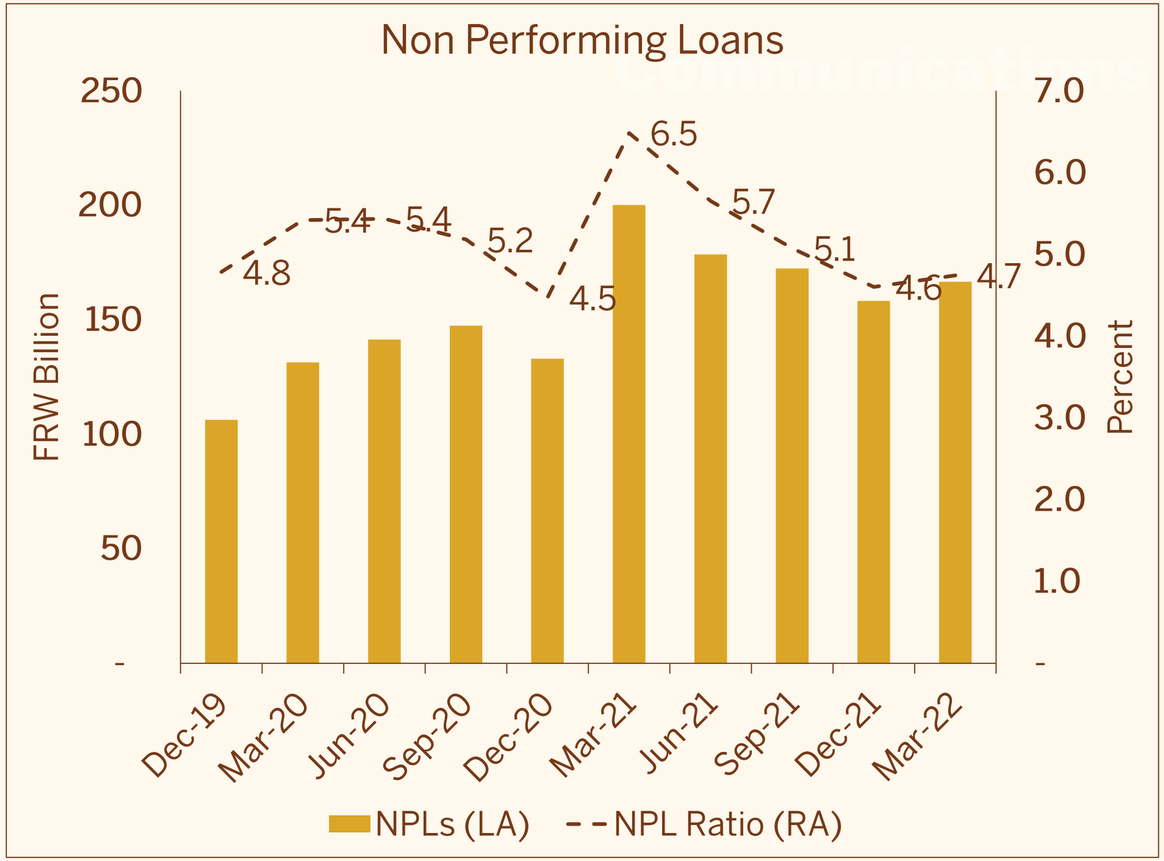
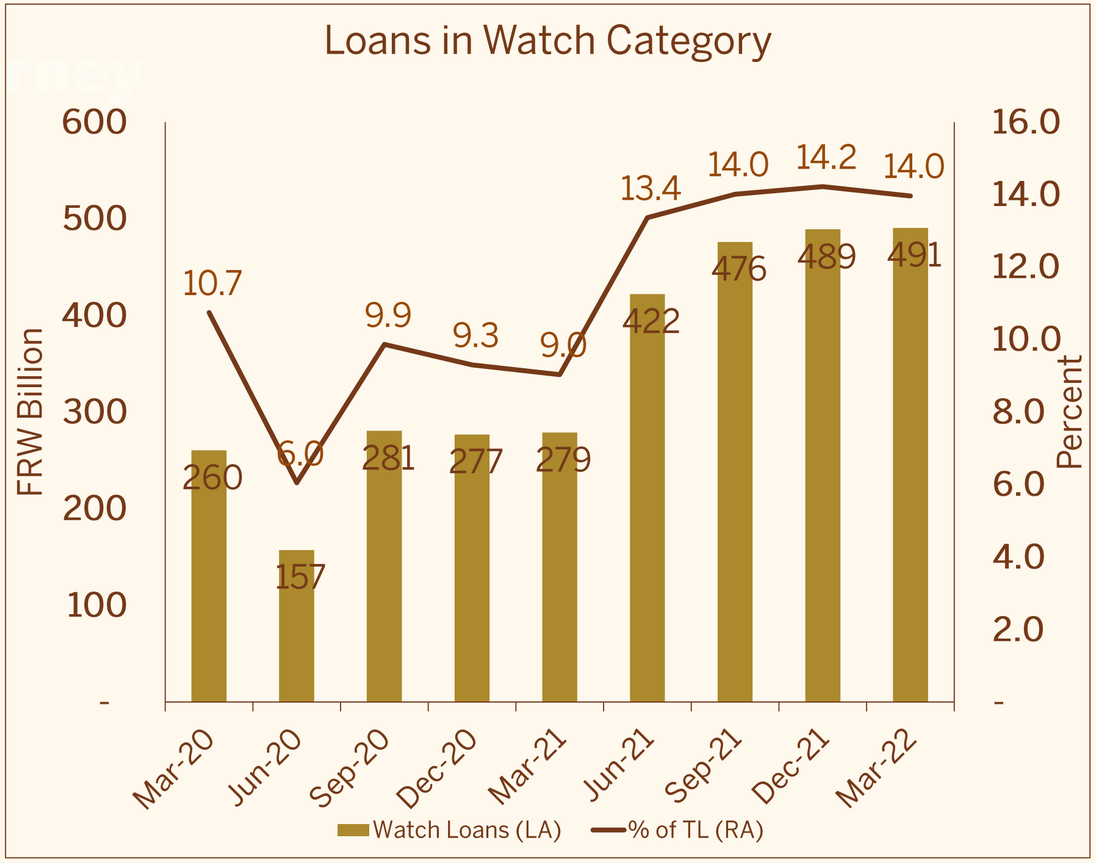
Stability of the Banking Sector | Assets Quality

Credit risk remain the major risk facing the banking sector





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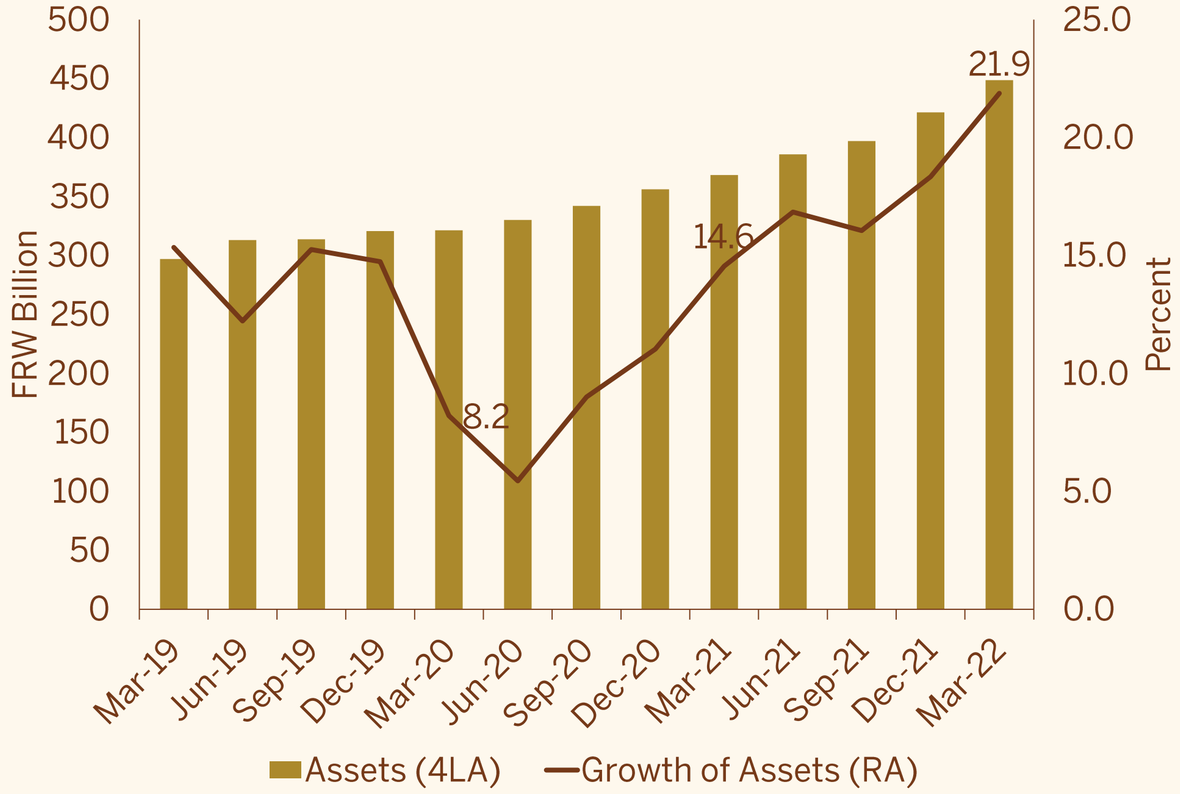
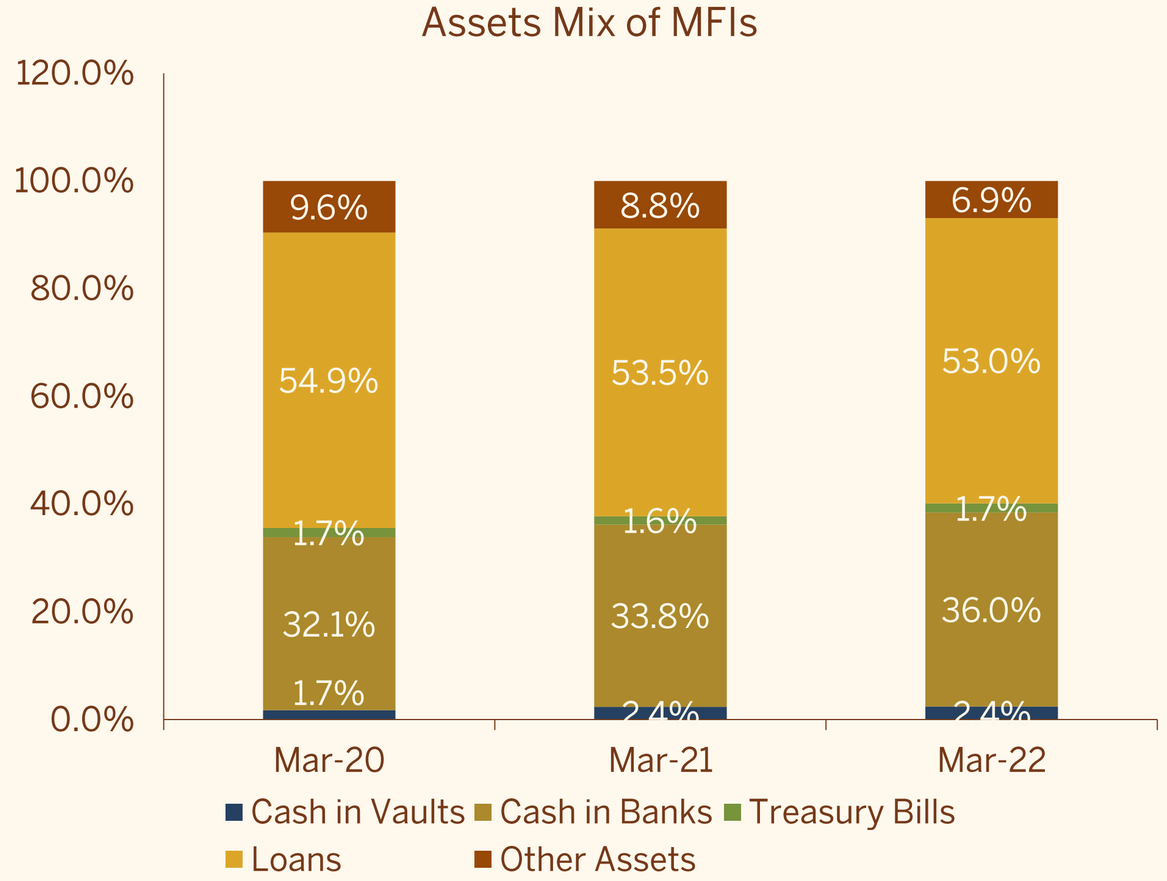
Performance of Microfinance Sector | Growth

MFIs sector expanded supported by increase of deposits and equity





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Performance of Microfinance Sector | Funding

MFIs sector expanded supported by increase of deposits and equity

Deposits grew by

22.2%

FROM

18.7%

&

Equity grew by

18.6%

FROM

14.0%

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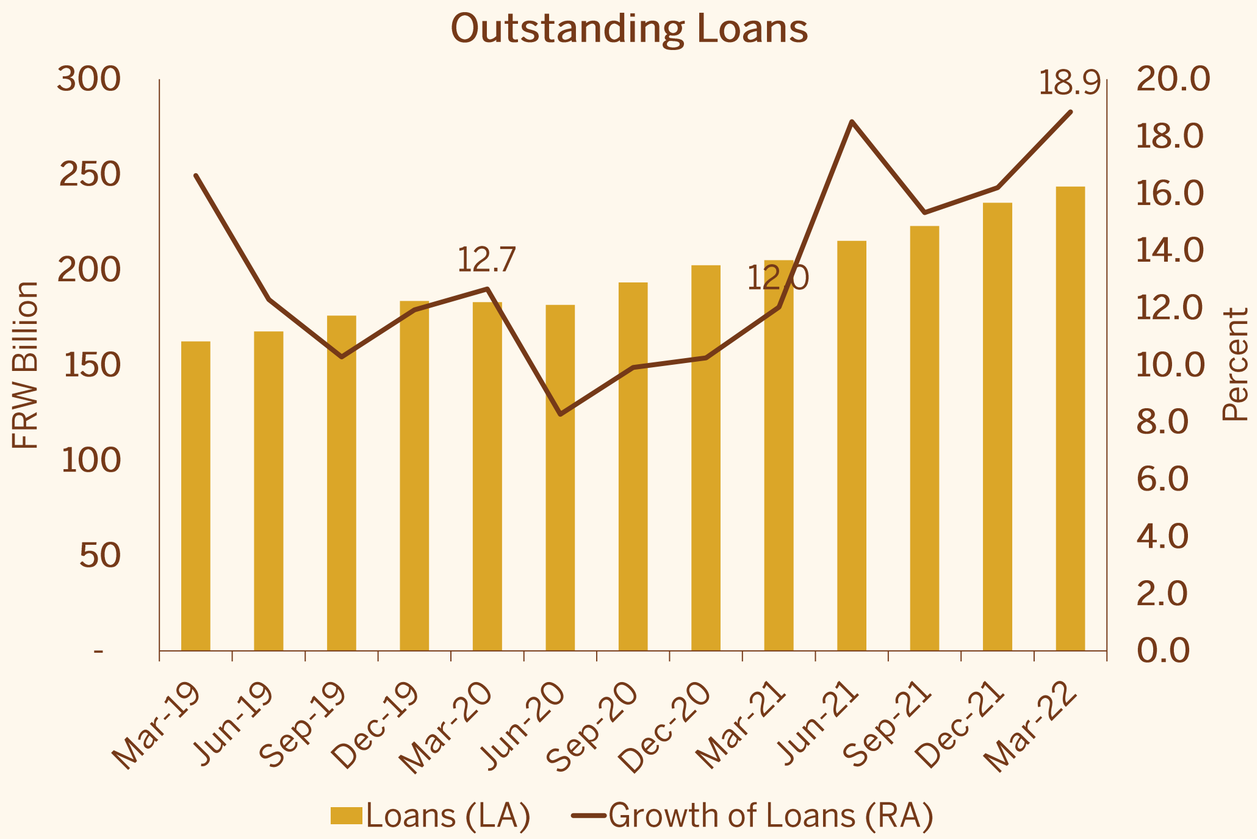
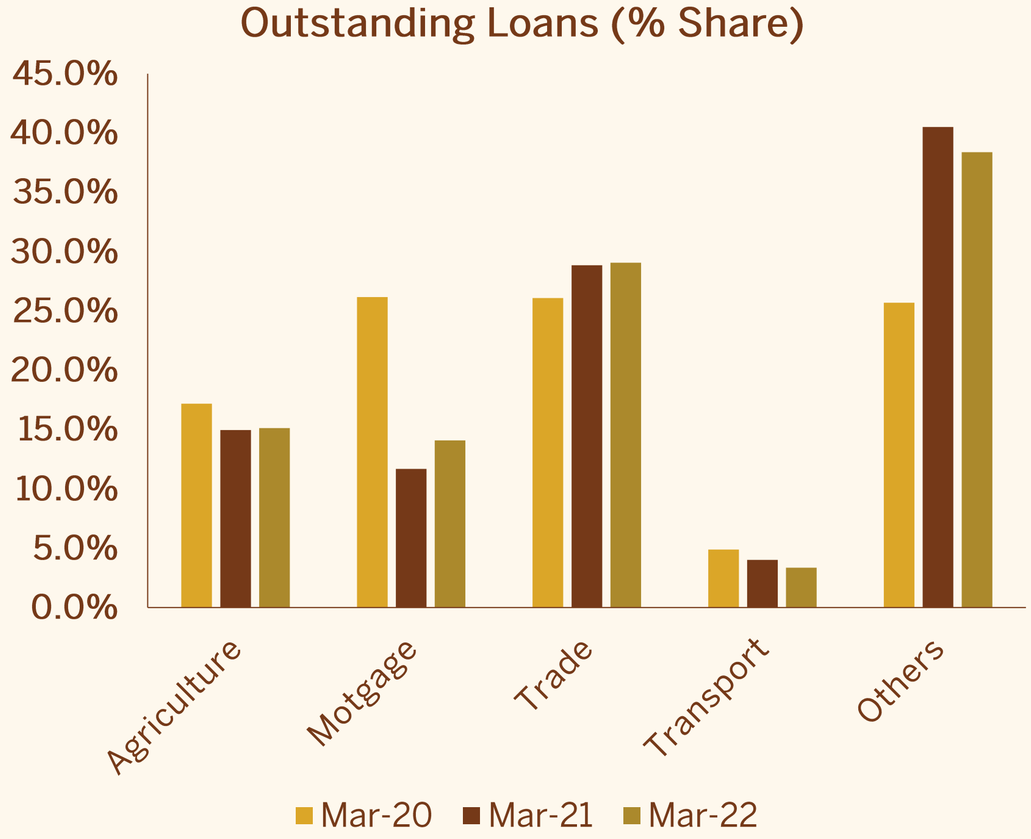
Performance of Microfinance Sector | Lending

Lending improved consistent with recovering economic activities and improved assets quality





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Soundness of Microfinance Sector | Soundness

MFIs sector remains profitable and profitability improved in line with improved assets quality

Soundness Indicators	Mar-19	Mar-20	Mar-21	Mar-22
CAR (%)	34.1	35.8	35.6	34.7
Liquidity Ratio (%)	108.4	103.4	104.9	110.7
NPL Ratio (%)	7.3	8.0	7.7	5.0
Net Profit (FRW Billion)	3.5	2.2	3.8	6.2
ROA (%)	4.8	2.8	4.2	5.7
ROE (%)	14.2	7.8	11.9	16.1

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Performance of Insurance Sector | Assets Growth

Assets of insurers grew by

18.0% 2022 Q1

FROM

15.0% 2021 Q1

- ✓ Placements in bank increased in all categories of insurers
- ✓ Investment in property increased in life insurers.
- ✓ Investment in government securities increased mostly in Public insurers.

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Performance of Insurance Sector | Growth of Premiums

Premiums of insurers increased by **23 %** in 2022 Q1 compared to **20 %** observed in 2021 Q1

- ✓ Premiums by product grew mostly in motor and medical.
- ✓ In life insurance growth in Premiums was much in ordinary life and Credit life
- ✓ The growth of premiums was much driven by the full reopening of the economy.

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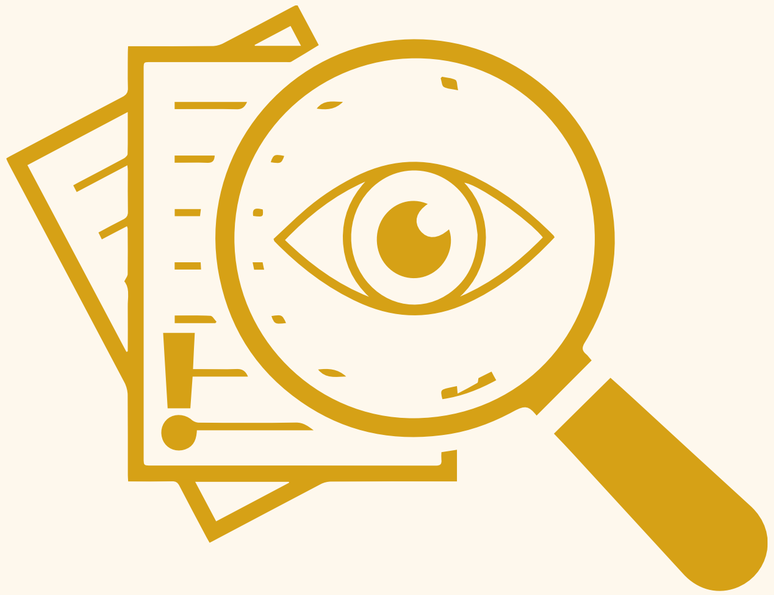
Performance of Insurance Sector | Claims

Claims of insurers increased by **22.1 %** from **9.3 %**



- ✓ Claims ratio reduced in period under review from 69% to 66% in private insurance.
- ✓ Claims are still high in Motor and Medical
- ✓ Increased claims in motor with likely associated with increase in price of spare parts and accidents

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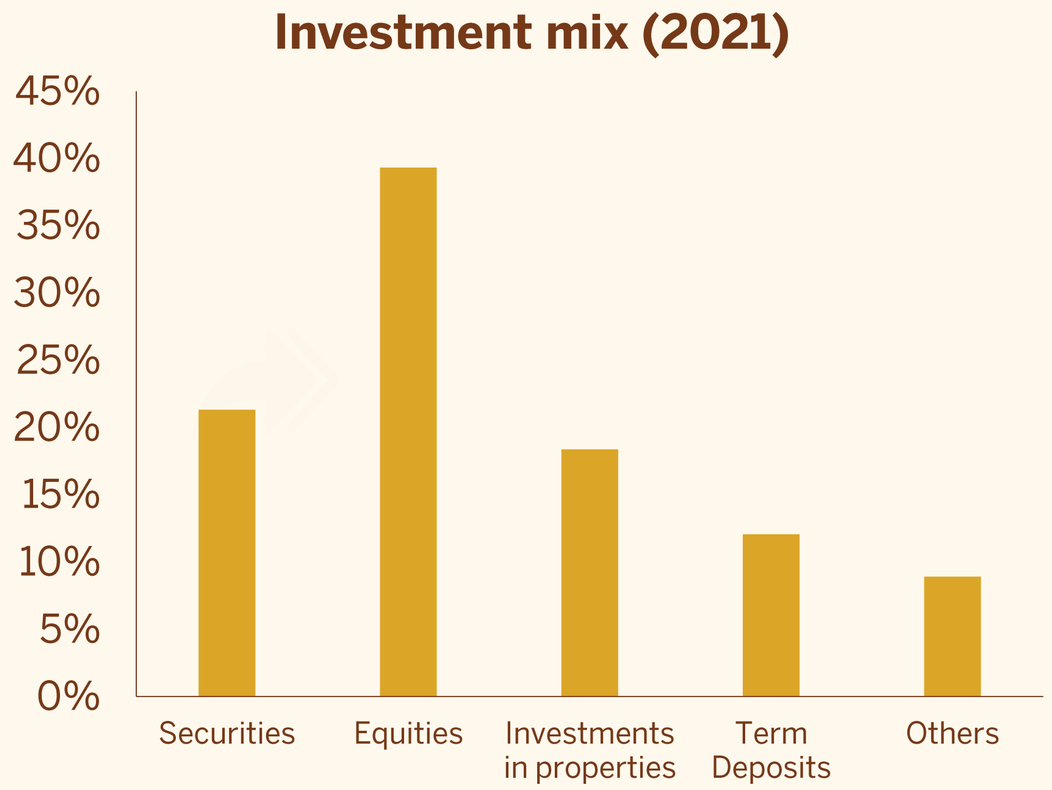
Public Pension Fund

- Assets for RSSB increased at 8% in period under view.

DESCRIPTION (FRW in Billion)	Mar-21	Mar-22	%change
Total assets	1117	1206	8%
Liabilities (payables)	2	0.90	-63%
Total Capital & Reserves	1114	1205	8%
Total Liabilities & Reserves	1117	1206	8%
Total contributions received	78	93	21%
Total benefits paid	26	30	18%
Total Investment income	26	40	52%
Total expenses	6	7	15%
Contributing employers	15934	22276	40%
Contributing employees	643282	638548	-1%



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Private Pension Schemes

- The assets of private pension scheme continued to grow, supported by growing contributions.
- Contributors continued to increase to 64,121 in march 2022 against 51,847 observed in march 2021
- Number of pension schemes remained 12.
- People who benefited from the Funds stood at 3203 in march 2022 against 3176 observed in march 2021

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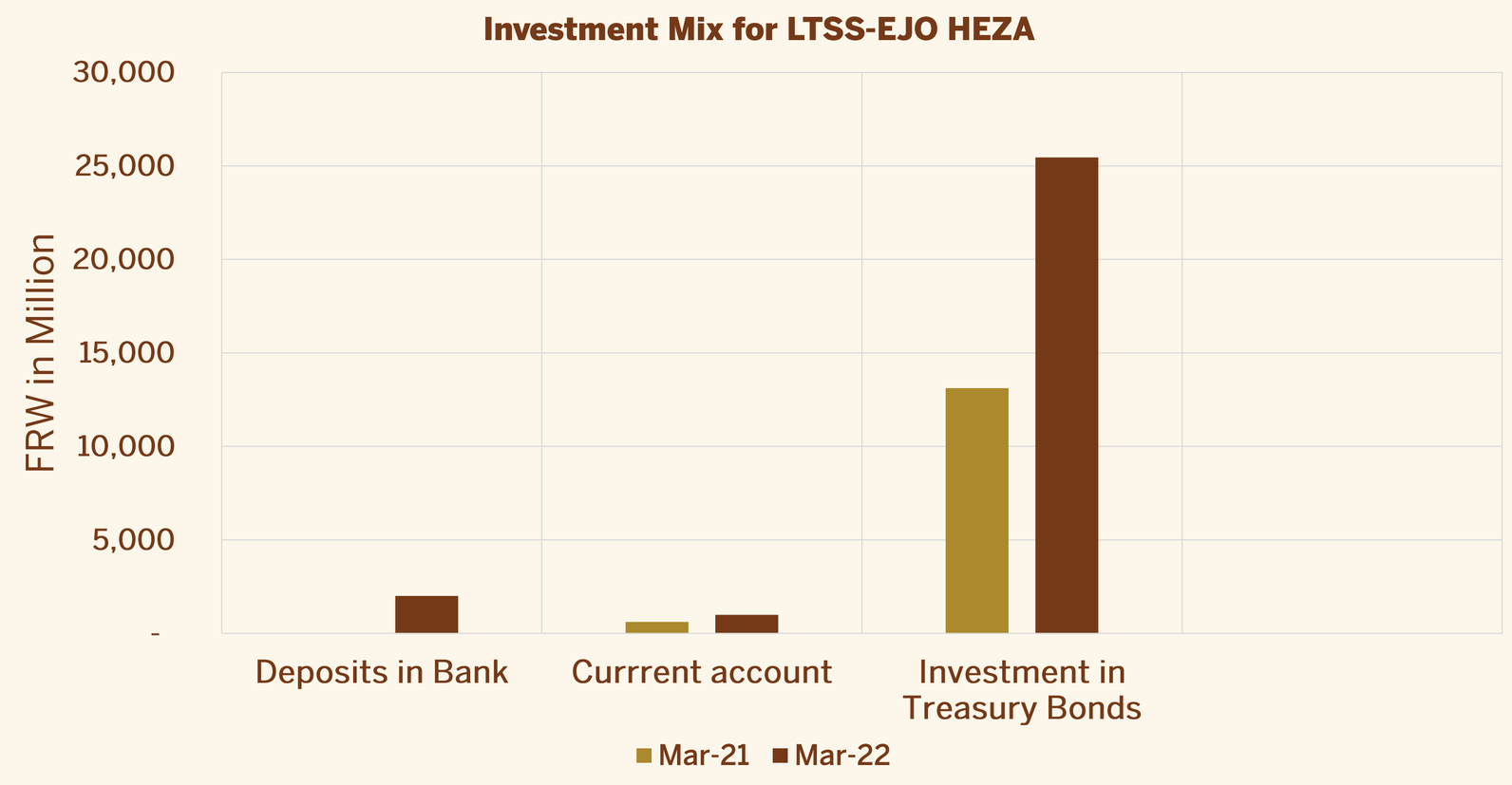
UPDATES ON LTSS - EJO HEZA

LTSS-EJO HEZA invested much in treasury bonds at 89 percent of total investment portfolio.



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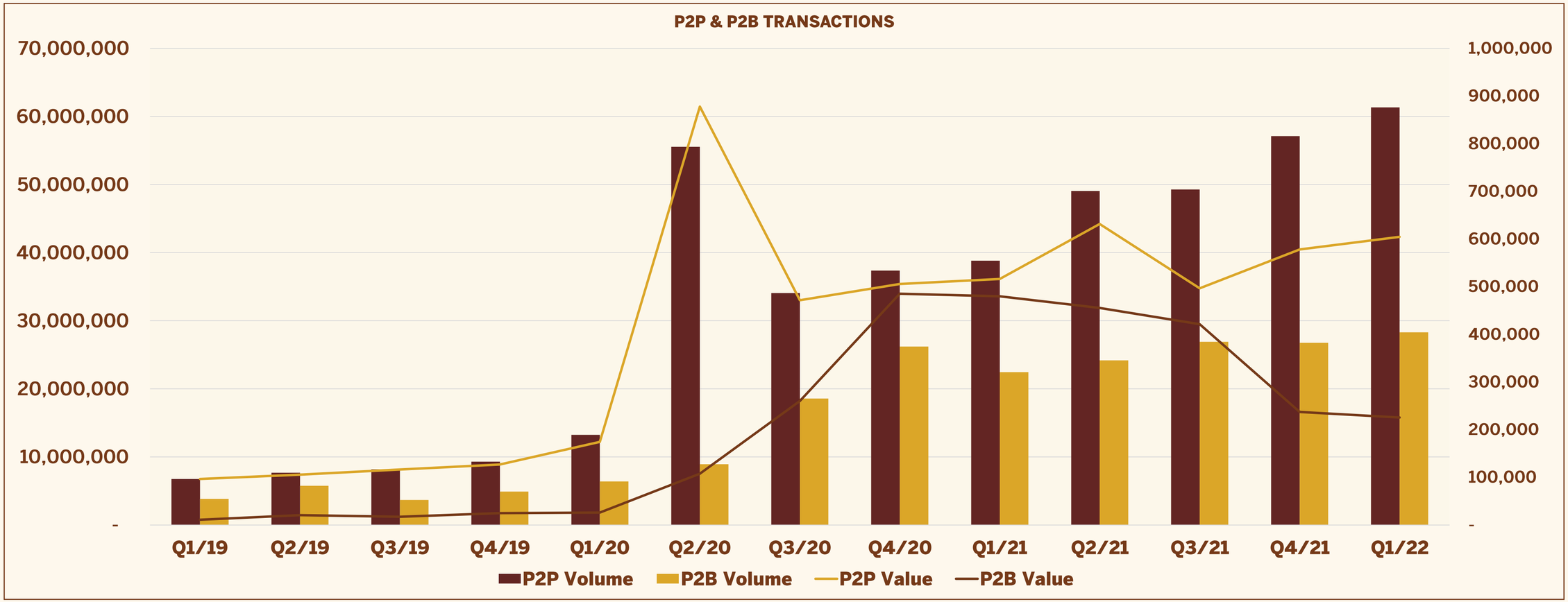
Payment Systems | Impact of Policy Change on Mobile Payment

- ✓ Q1/22 Vs Q1/21, P2P transactions volume and value increased by 58% and 17% respectively as merchant payment alternative;
- ✓ P2B transactions volume increased by 26% in Q1 22 Vs Q1 21 while transactions value decreased by 53% due to fee reinstatement;



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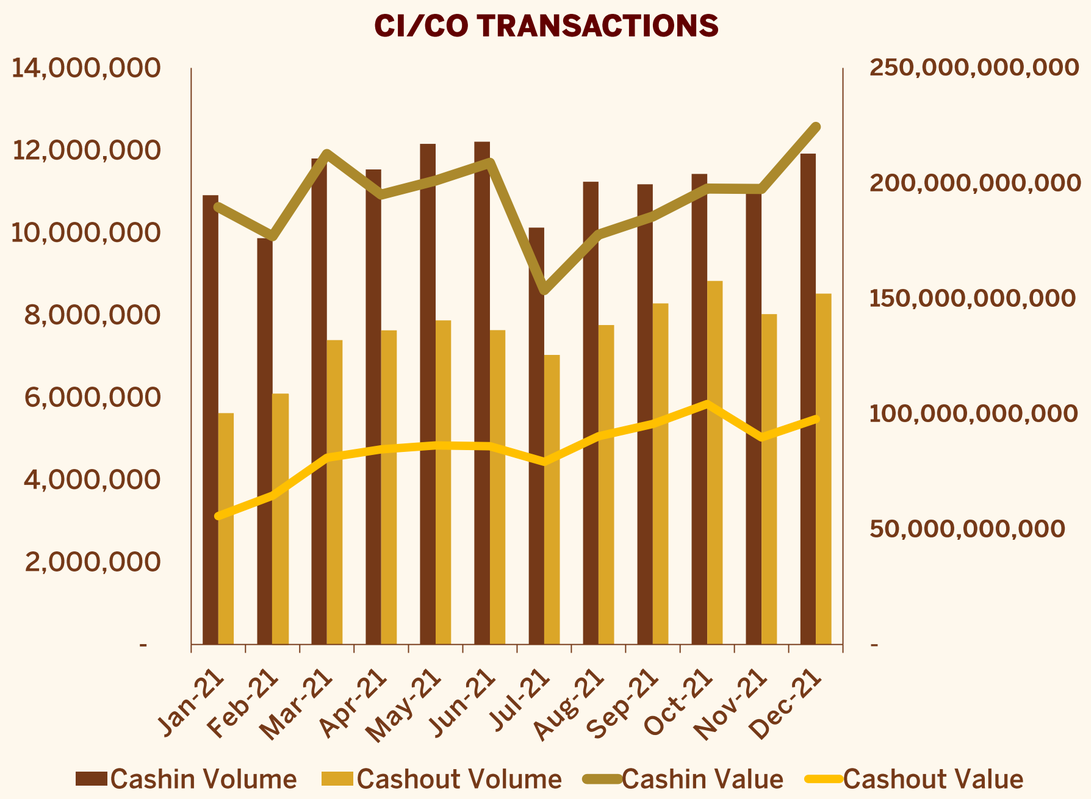
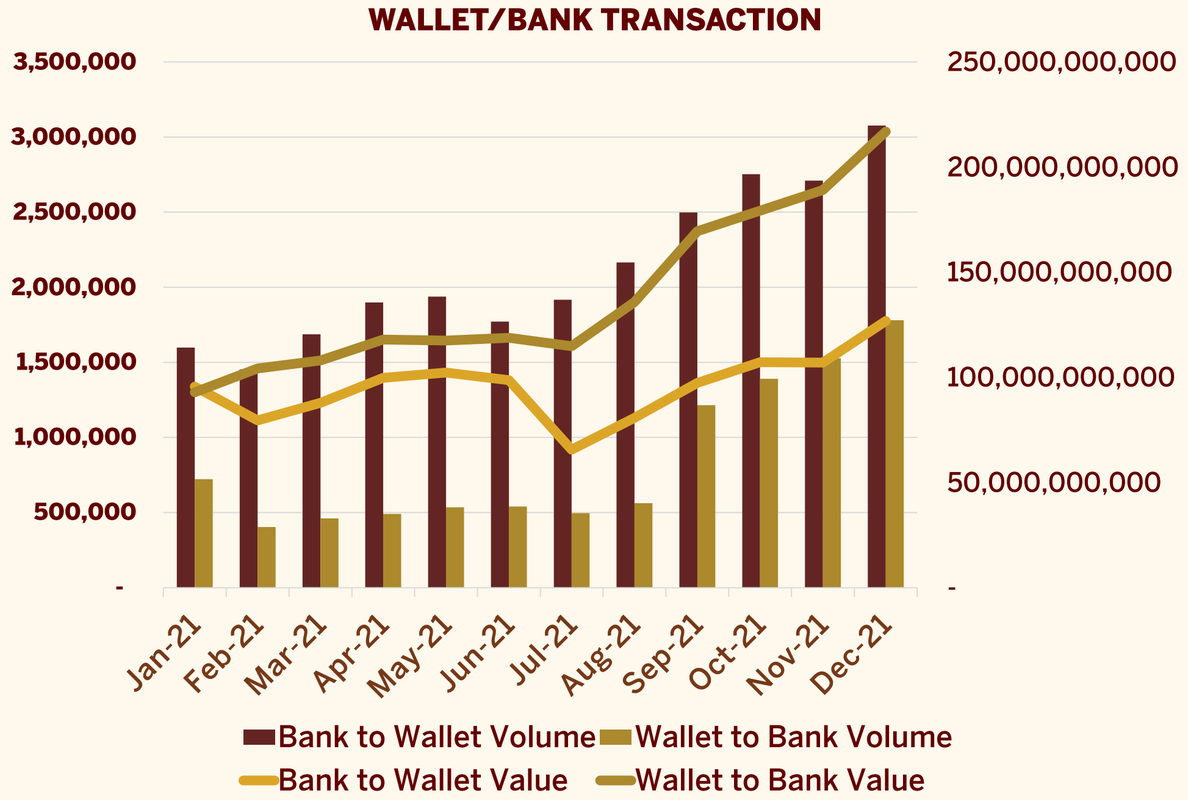
Payment Systems | Impact of Policy Change on Mobile Payment

- ✓ Cash in transactions remained stable (no major impact)
- ✓ Cash out slightly increased from September 2021 (by 7%) but remained stable thereafter;
- ✓ The volume of Wallet to bank transactions also increased much in the second half of 2021





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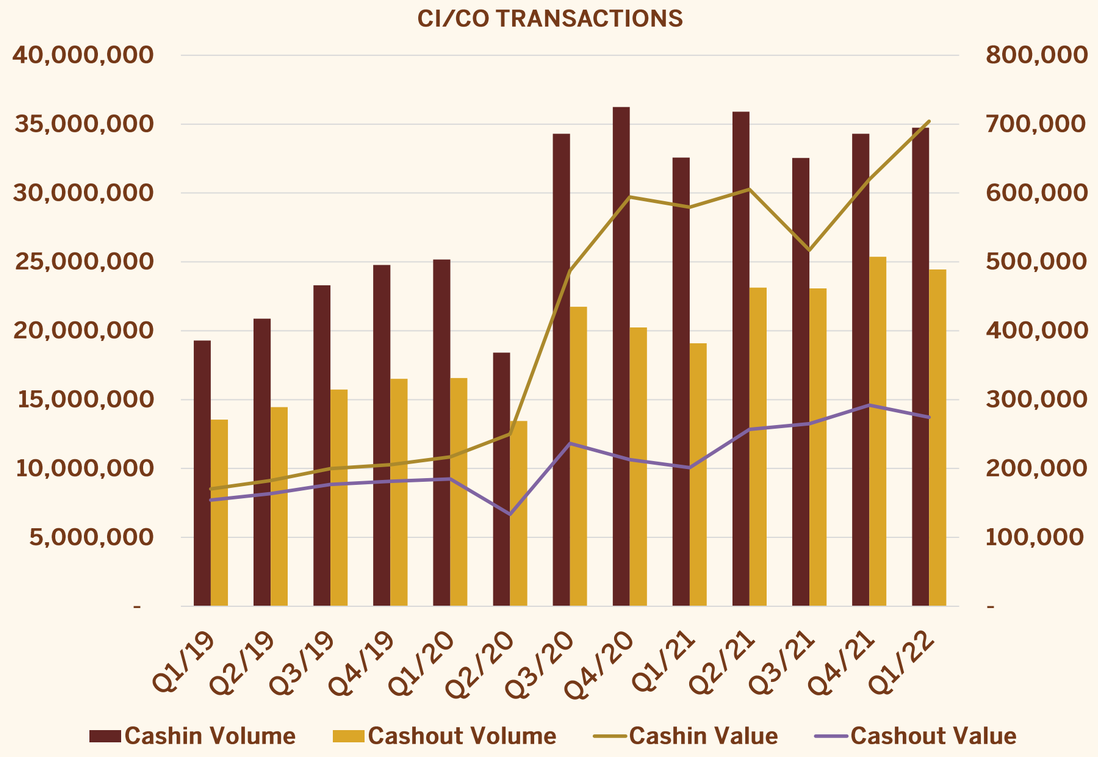
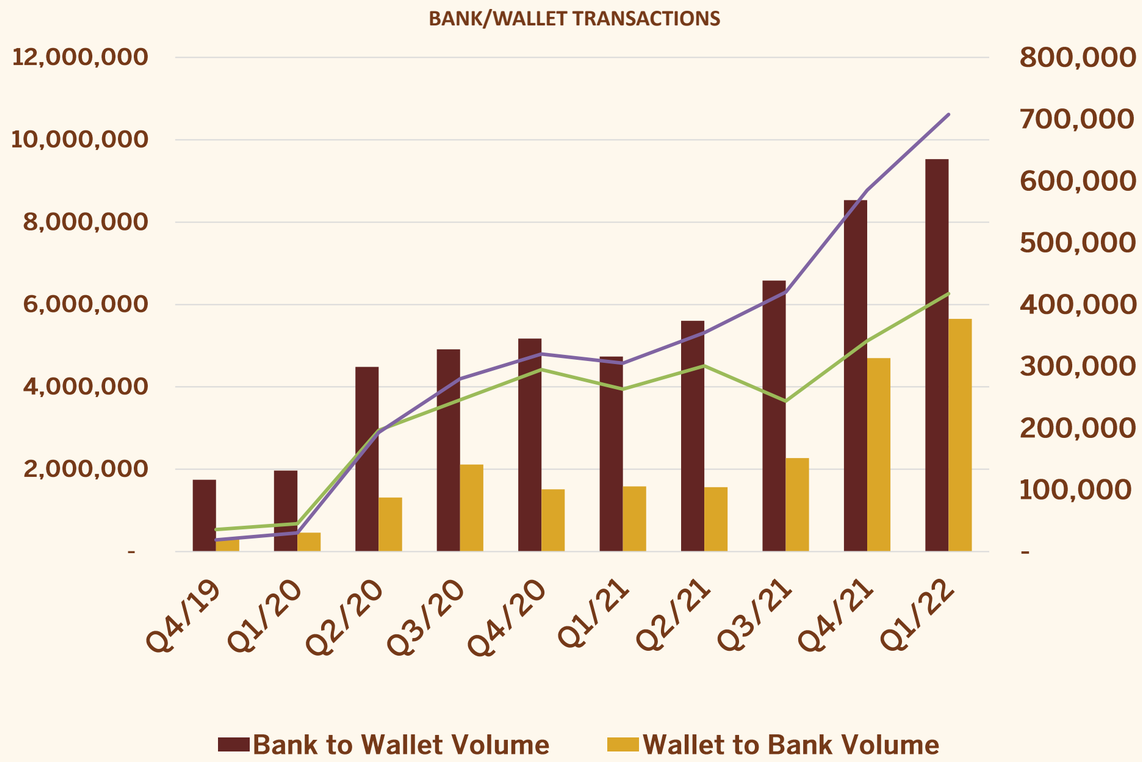
Payment Systems| Impact of Policy Change on Mobile Payment

Following the Fee waiver on B&W transfers:

- **In Q1/22 Vs Q1/21,B/W transactions volume increased by 101% and value by 58% due to the free service,**
- **W/B in Q1/22 Vs Q1/21,transactions volume increased by 256% and value by 132% due to free service and merchants push transactions;**
- **Cash in transactions volume increased by 7% and value by 22% in Q1/22 Vs Q1/21; after the fee waiver;**
- **Cash out transactions volume increased by 28% and value by 36% in Q1/22 Vs Q1/21;due to the resume of business activities;**
- **CICO&W/B transactions trend remain higher than before covid-19 pandemic period;**





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Financial Sector Stability Outlook

- The financial sector is expected to continue being sound and stable on the back of sufficient capital and liquidity buffers.

- The NBR will continue to monitor and assess potential sources of risks to the financial sector, as well as implement timely and adequate measures to preserve the stability of the financial sector.

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THANK YOU

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