

# MONETARY POLICY AND FINANCIAL STABILITY STATEMENT

February 25, 2020

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





Global economy



Domestic economy

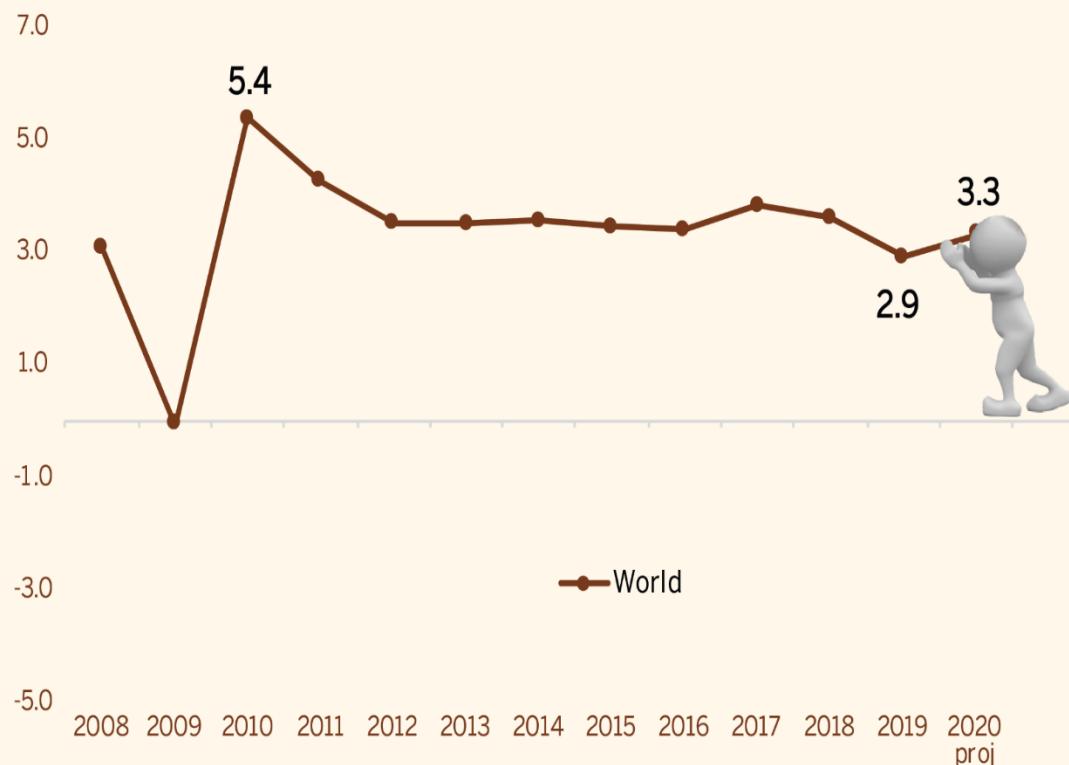


Financial sector stability



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**

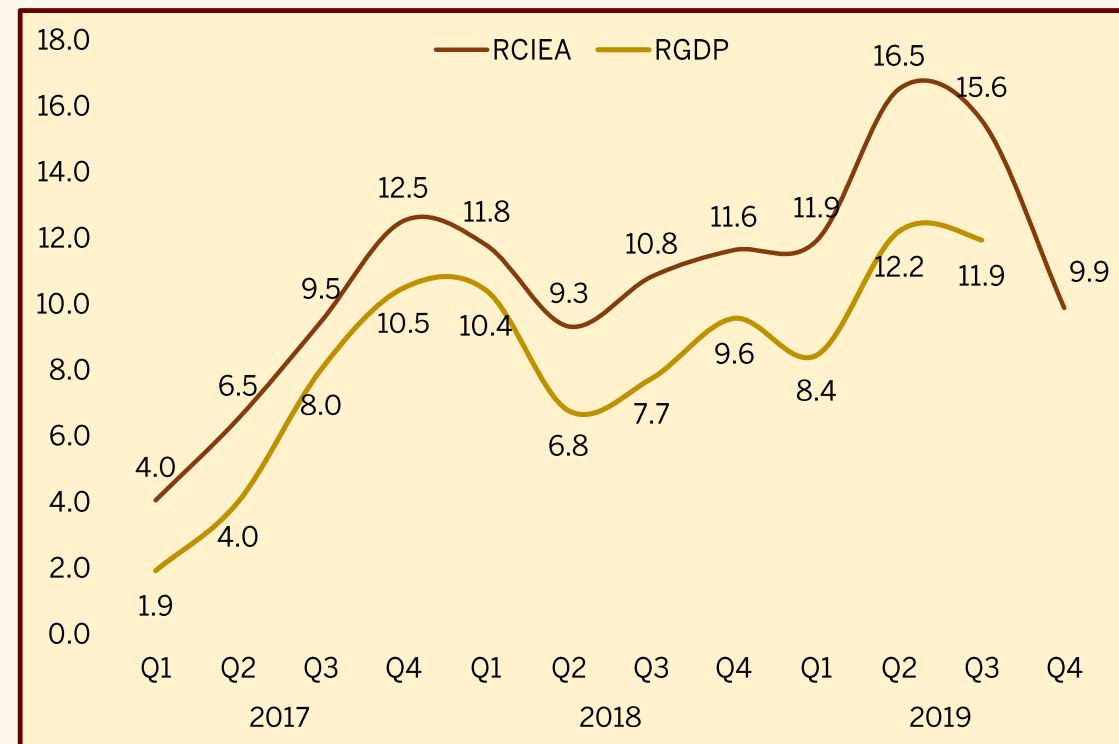
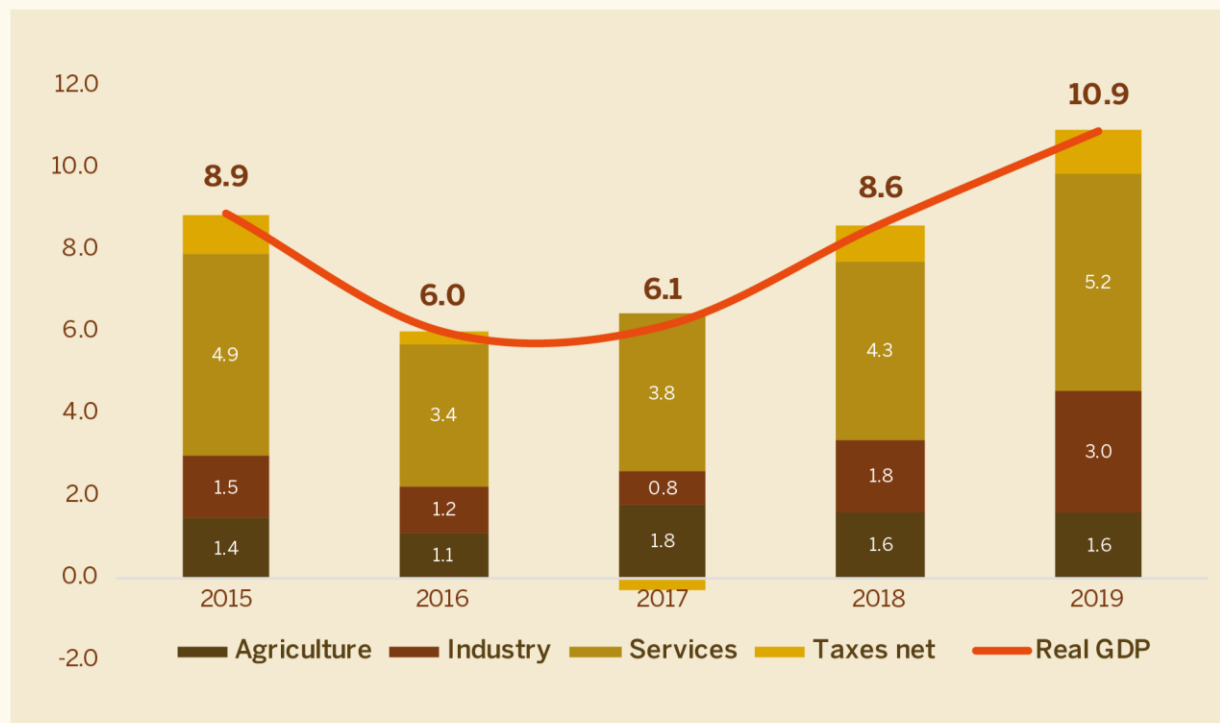
**Monetary policies in major advanced economies remained accommodative in 2019 -in line with:**

- 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

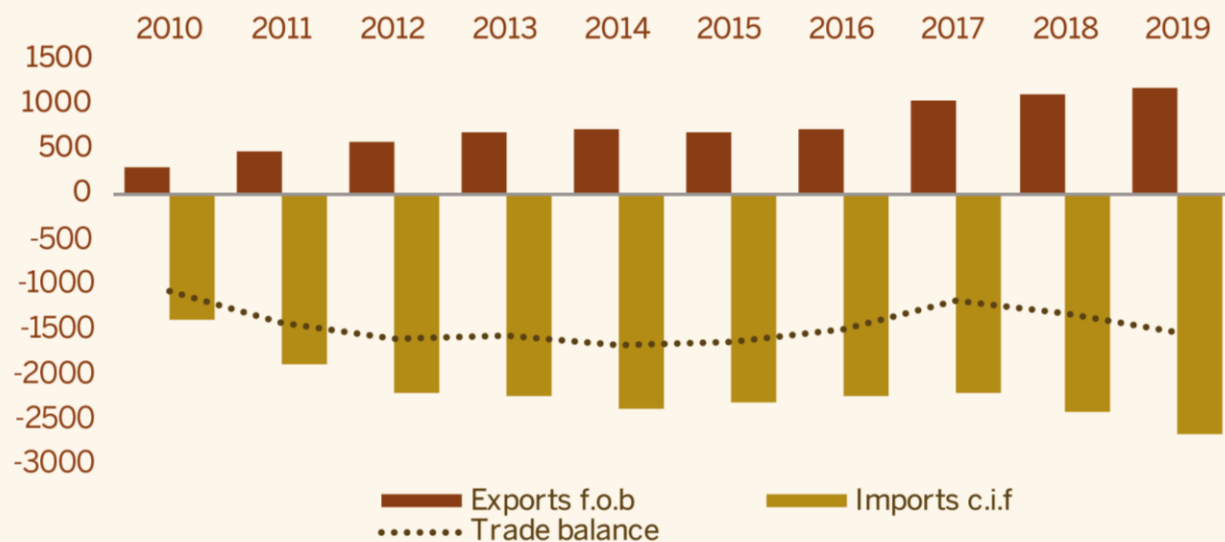


GDP growth projected to end strong in 2019

# External sector developments



TRADE BALANCE: USD MILLION, 2010-2019



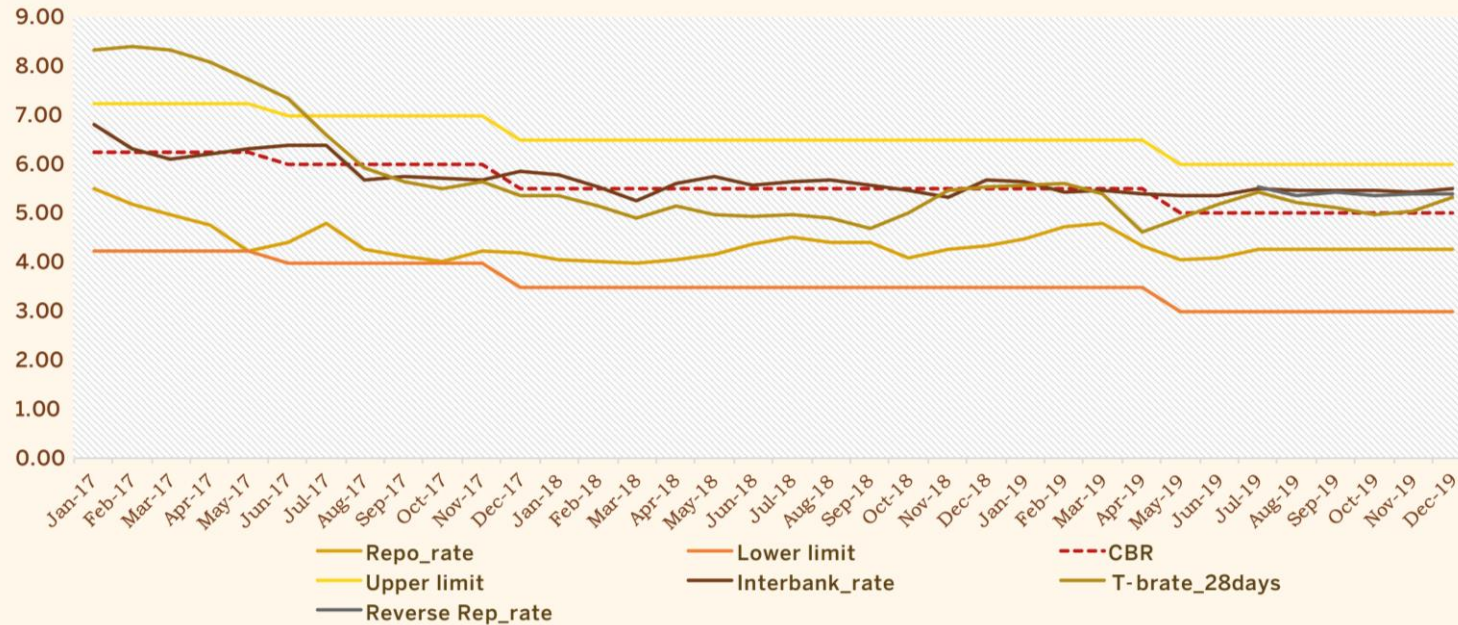
FRW depreciated by  
**4.9%**  
(2019) from 4.0%(2018)



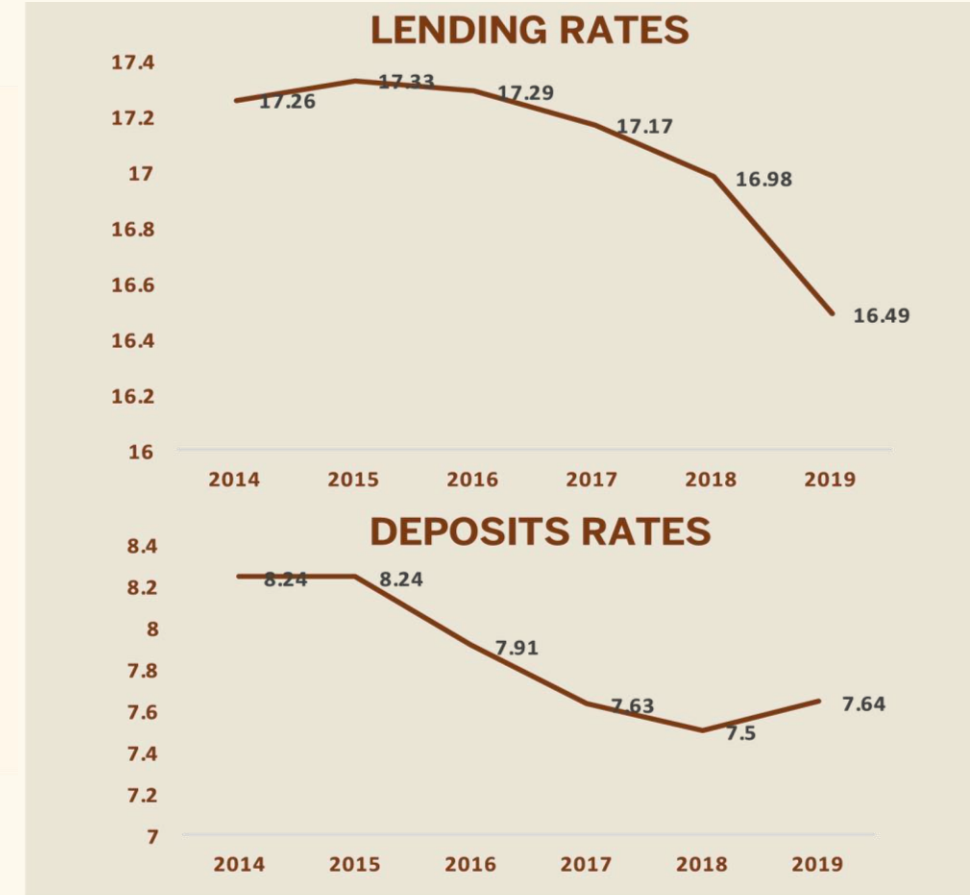
Imports grew by 10.6% : ↑ in capital and intermediate goods  
Exports grew by 3.8% : driven by re-exports and non-traditional exports  
Trade deficit increased by 16.3%



# 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



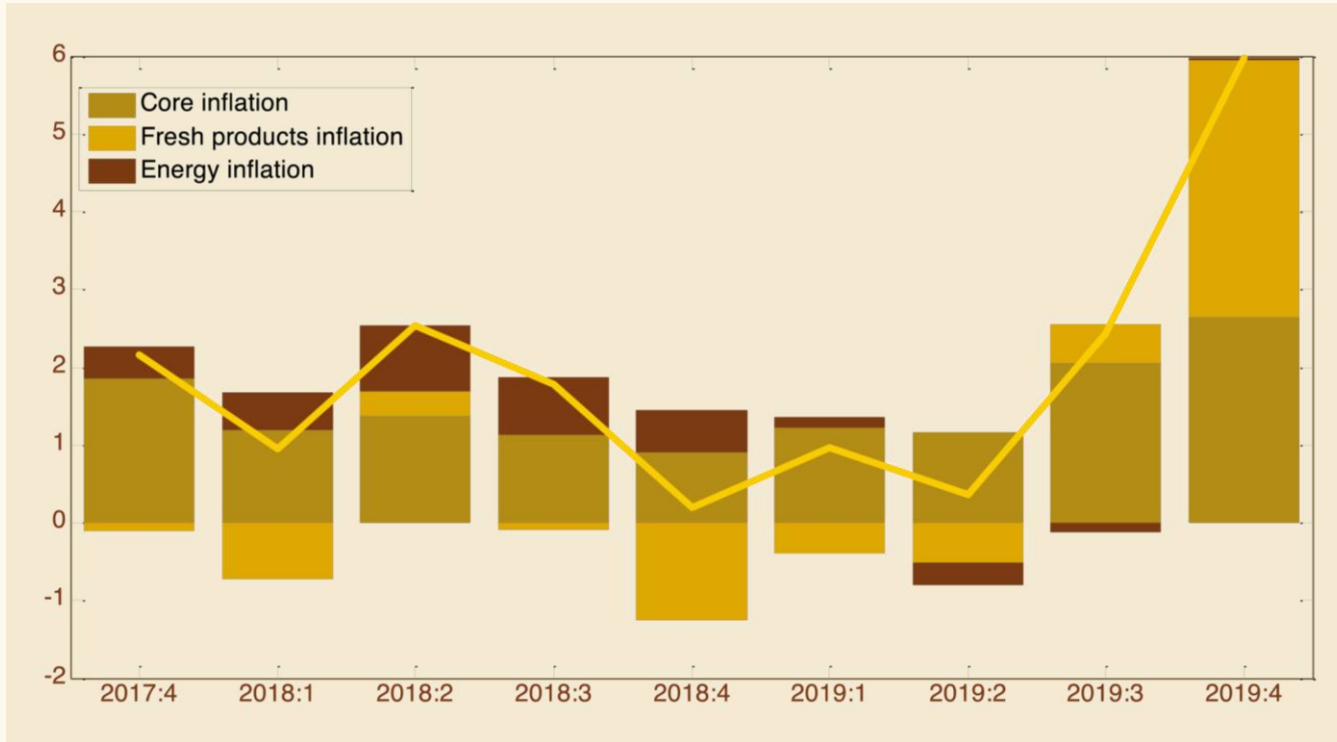
+20.1 %  
in 2019  
from 17.2 % in 2018

## 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%**



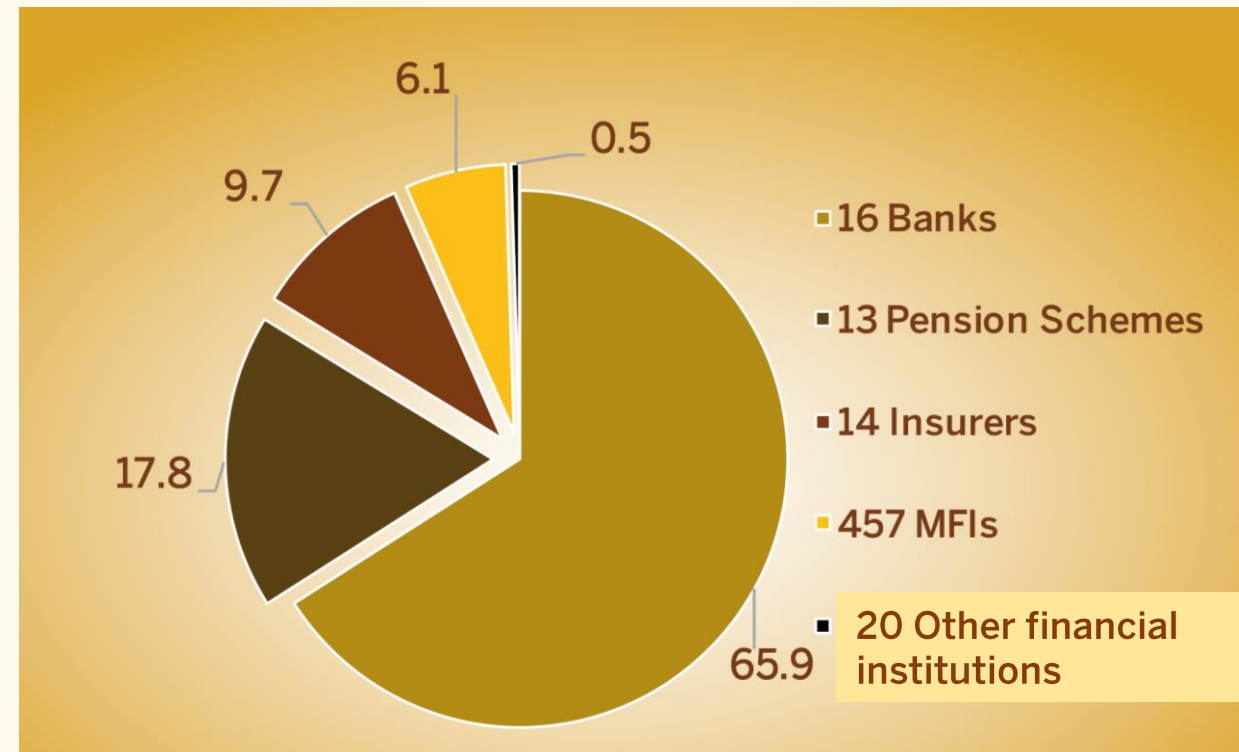
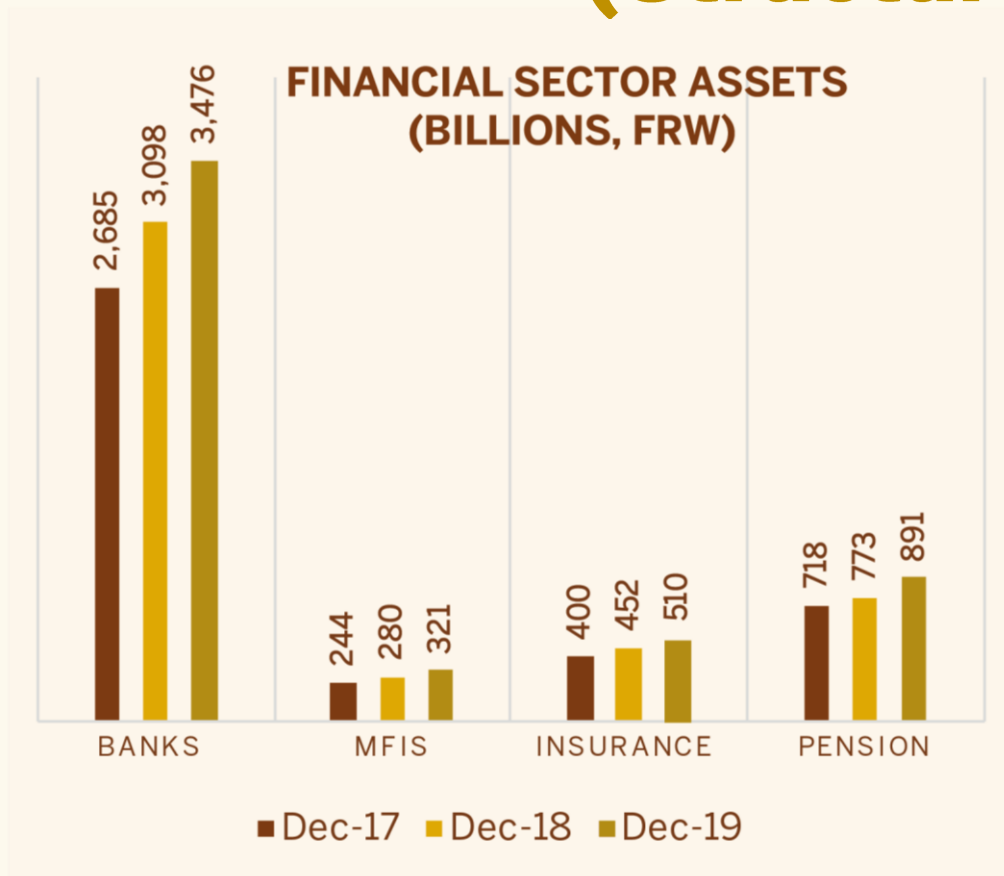
**Fresh Food Inflation**

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.

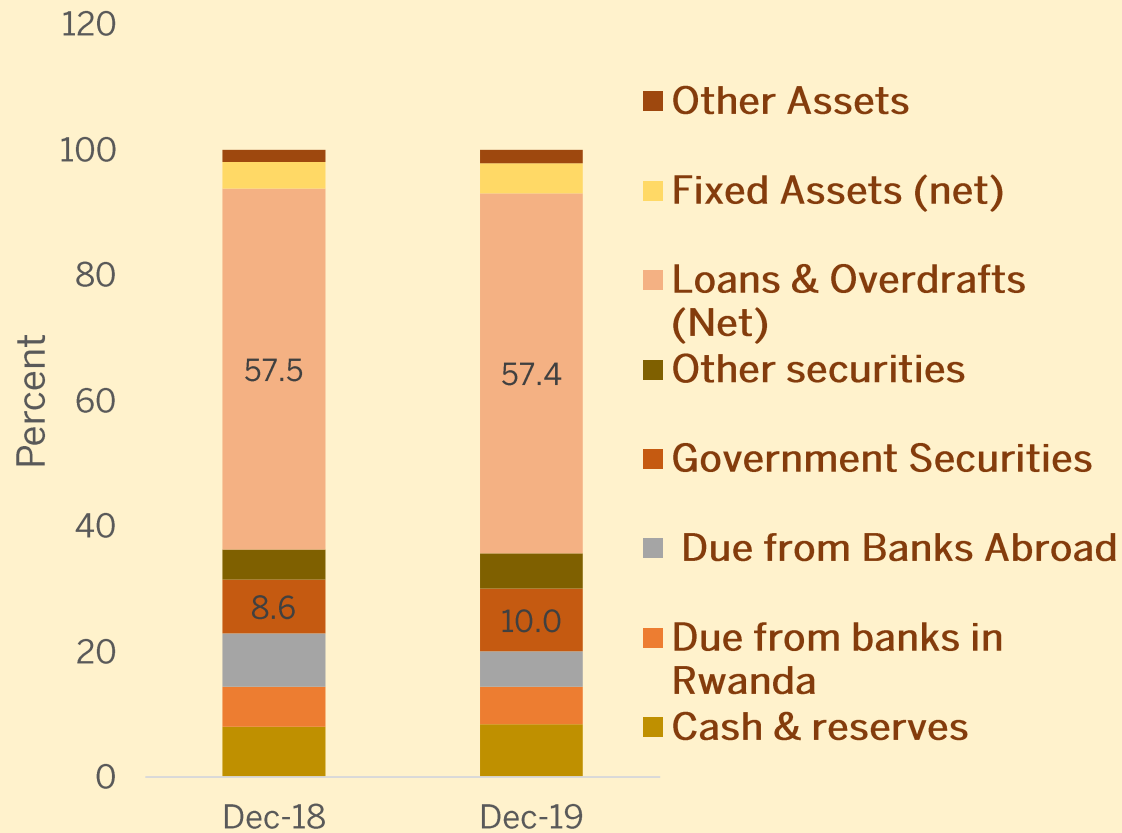


- National Bank of Rwanda-Restricted

# 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 domestics funding (Deposits = **80%** of banks liabilities)

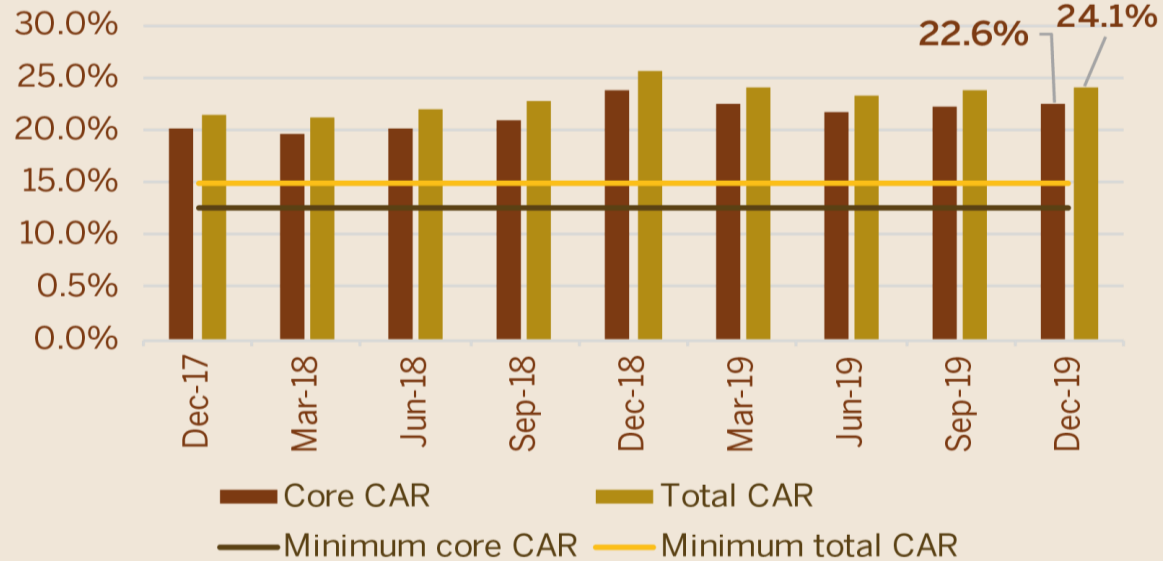


# Banking Sector FSIs



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%)

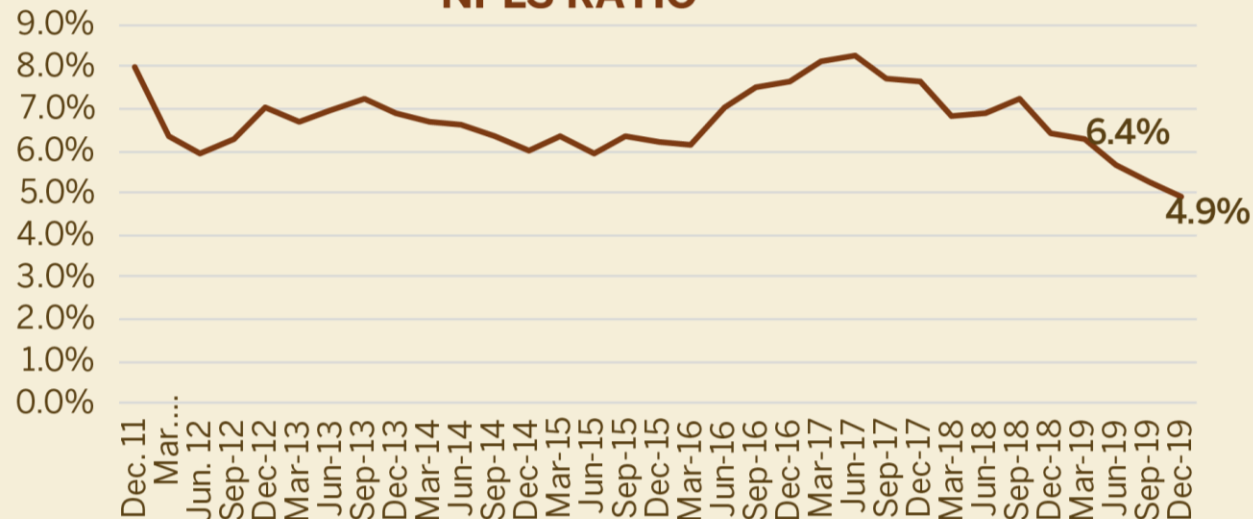
# Banking Sector FSIs



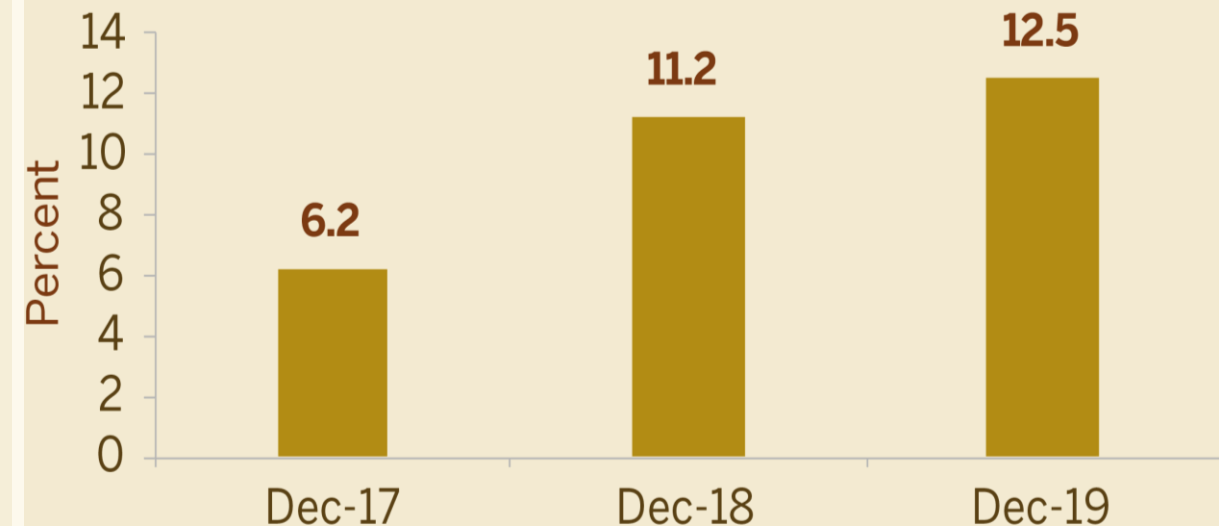
**Banks profits picking up since Sept. 2017**  
(increased lending, loans recovery, economic performance)

**Declining NPLs ratio in Banks**  
(strong economic performance & lending, write-offs)

## NPLS RATIO



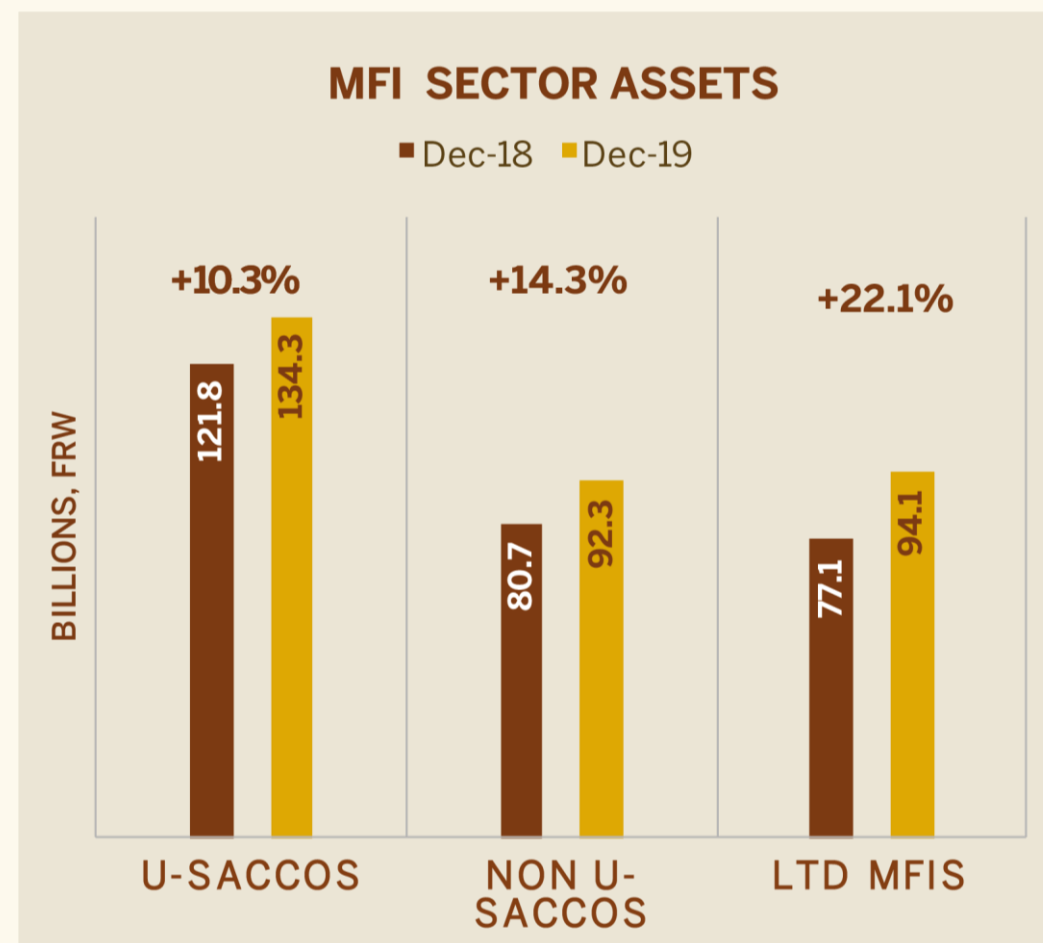
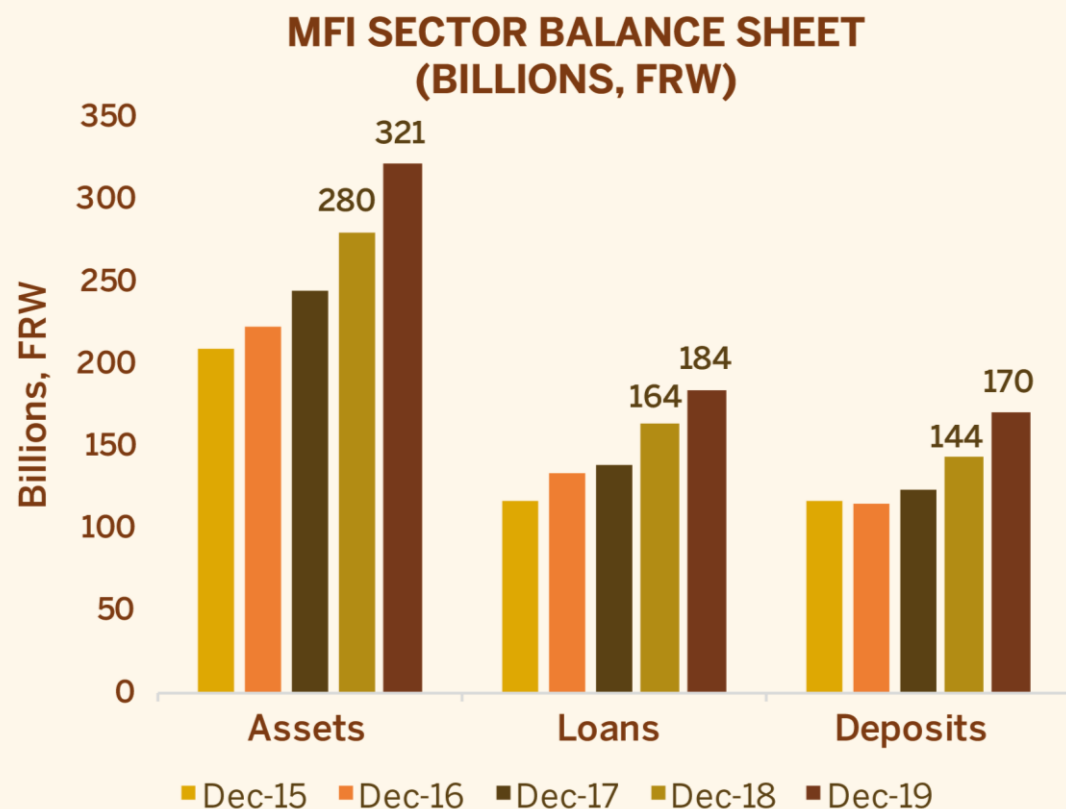
## BANKING SECTOR ROE



# 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



**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



# Payment systems (Retail Payment System)



The journey towards digitization of payment services

## MOBILE PAYMENT SUBSCRIBERS



**4,700,987**  
2019

**4,666,206**  
2018

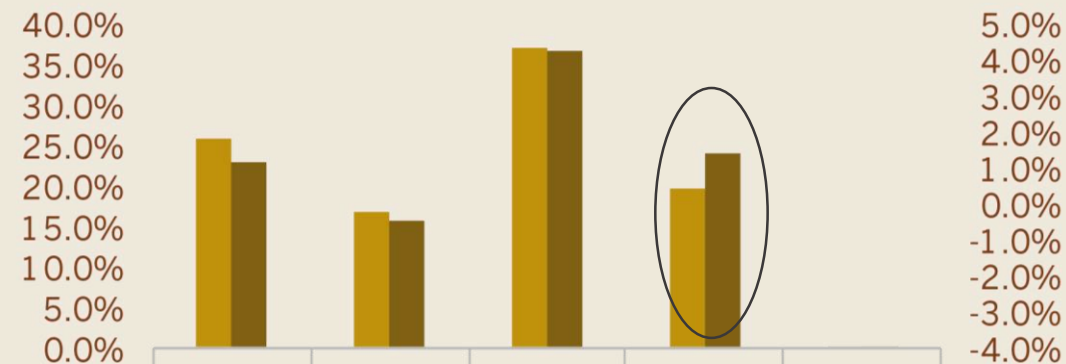
## MOBILE PAYMENT TRANSACTIONS



**378.8 Million**  
2019

**299.9 Million**  
2018

## MOBILE PAYMENT SERVICES COMPOSITION



- 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
<b>Number of Traditional(Physical) POS</b>	<b>1,152</b>	<b>1,718</b>	<b>1,885</b>	<b>2,104</b>	<b>2,801</b>	<b>3,477</b>
<b>Number of modern(Virtue &amp; Mobile) POS</b>					<b>11,537</b>	<b>19,770</b>
<b>Number of ATMs</b>	<b>354</b>	<b>380</b>	<b>400</b>	<b>406</b>	<b>383</b>	<b>383</b>

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

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

Target by 2024  
**324**

# 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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