

**NATIONAL BANK OF RWANDA**

**BANKI NKURU Y’U RWANDA**

**QUARTERLY CREDIT SURVEY REPORT**

**FIRST QUARTER, 2020**



**BNR IDENTITY STATEMENT**

The National Bank of Rwanda strives to become a world class Central Bank that contributes to the economic growth and development by using robust monetary policy tools to maintain stable market prices. The bank embraces innovation, diversity and inclusiveness, economic integration and ensures financial stability in a free market economy.

**VISION, MISSION AND VALUES**

**Vision of the Bank**

The Vision of the Bank is to become a World-Class Central Bank

**Mission of the Bank**

The mission of the Bank is to ensure price stability and a sound financial system

**The Bank’s Core Values**

**Integrity**

We uphold high moral, ethical and professional standards for our people, systems and data

**Accountability**

We are results-focused and transparent, and we reward according to performance

**Mutual-respect and Team-work**

We keep ourselves in high spirit, committed to each other for success

**Excellence**

We passionately strive to deliver quality services in a timely and cost effective manner

**1. Introduction**

The NBR conducts the lending survey on quarterly basis to capture information about developments in the credit market and underlines banks’ perceptions on credit conditions. The lending survey conducted by BNR captures past and prospective developments in the credit market. The main objectives of the survey are to: i) Understand the drivers and constraints influencing credit growth, ii) Enhance the understanding of the lending behavior and loan financing conditions among banks, and iii) Get an insight into the loan supply and demand factors from the banks’ perspective.

The current survey has come at the time the financial sector faces the unprecedented COVID-19 crisis that derails the economic activities and ultimately affect the credit delivery to the real sector. In this regards, banks were asked about the potential impact of emergence of COVID-19 on changes in credit market conditions in the first quarter of 2020 and their expectations for the second quarter ending June 2020. The qualitative information contained in the survey are based on lenders’ own responses to the survey, and do not necessarily reflect the NBR’s views on credit conditions.

2. Findings

2.1 The Demand and Supply of Credit

In face of weak credit demand, the demand for credit[[1]](#footnote-1) contracted during the period to March 2020. During the first quarter of 2020, credit demand in value declined by 18.2 percent (to FRW 266.7 billion in first quarter of 2020 from FRW 326.1 billion in the first quarter of 2019) compared to the growth of 23.3 percent that was registered during the first quarter of 2019. During the same period, credit demand in volume declined by 6.5 percent (from 118,935 loans application in first quarter of 2019 to 111,228 loans applications during the first quarter of 2020) against the increase of 17.6 percent that was recorded during the first quarter of 2019. The contraction of credit demand is mainly linked to subdued economic activities arising from the emergence of COVID-19 pandemic.

From the supply side perspective, the new authorized loans by banks declined by 10.6 percent compared to the growth of 24.9 percent that was registered during the first quarter of 2019. During the first quarter of 2020, banks approved loans worthy FRW 221.1 billion, compared to loans worthy FRW 247.2 billion that were approved during the corresponding period in 2019. The contraction of new lending is mainly attributed to weak demand for loans in light of COVID 19.

Looking ahead, the majority of banks expect lending to moderate in the second quarter of 2020. Thirteen banks expect a decrease of lending in the next three months to June 2020. The expectations of banks hinges on: i) Disruption of businesses due to lockdown imposed to contain the spread of the pandemic, ii) The perceived credit risks and cash flow shortages that could follow the outbreak of COVID-19 in line with payments reliefs offered to banks’ clients.

Table 1: Credit Demand and Supply

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Loan application** | **Mar- 18** | **Mar-19** | **Mar-20** | **% change 18/19** | **% change 19/20** |
| **Value (FRW billion)** | **264.5** | **326.1** | **266.7** | **23.2** | **-18.2** |
| **Volume** | **101,080** | **118,935** | **111,228** | **17.6** | **-6.5** |
| **Loan approved** | **Mar- 18** | **Mar-19** | **Mar-20** | **% change 18/19** | **% change 19/20** |
| **Value (FRW billion)** | **197.9** | **247.2** | **221.1** | **24.9** | **-10.6** |
| **Volume** | **79,289** | **98,993** | **106,468** | **24.8** | **7.6** |
| **Loan rejection rate**  **(Percent)** | **Mar- 18** | **Mar-19** | **Mar-20** | **% Points change 19/18** | **% Points change 19/18** |
| **Value** | **25.1** | **24.1** | **17.1** | **-1.0** | **-7.0** |
| **Volume** | **21.5** | **16.7** | **4.3** | **-4.8** | **-12.4** |

**Source:** Credit Survey Findings

2.2 COVID-19 Policy Measures

Recognizant of the impact of COVID-19 on credit delivery, the NBR implemented a number of policy actions to mitigate the impact of COVID 19 on lending by encouraging banks to maintain the flow of credit to the economy. The new policy measures that were instituted by the NBR include: i) Putting in place an extended lending facility of FRW 50 billion that banks with liquidity challenges can borrow from at the Central Bank Rate with extended tenor from overnight, to 3, 6 and 12 months; ii) Reviewing the existing treasury bond discount window. For 6 months, the central bank offered to buy back bonds at the prevailing market rate and the prevailing period if one fails to get the buyer on the secondary market was reduced from 30 days to 15 days; and iii) Reducing the reserve requirement ratio 100 basis point, from 5 percent to 4 percent, in order to allow banks more liquidity to finance businesses. These measures are expected to boost the funding and lending capacity of banks and thus the provision of credit is expected to be maintained in periods ahead.

2.3 Developments in Credit Terms and Conditions

Regarding credit terms and conditions[[2]](#footnote-2), the majority of banks (11 out of 16) indicated that terms and conditions remained unchanged, while 3 banks indicated that their credit terms and conditions tightened, and 2 banks indicated that the credit terms and conditions eased. From banks’ perspective, operating costs and the perception of risk were the main reasons for tightening credit terms and conditions while the competition, cost of funds and liquidity position were the main factors that contributed to easing of credit terms and conditions. In context of this survey, the easing of credit terms and conditions mainly embodies the reduction of lending interest rate and the extension of maturity of loans.

In a move to understand how banks would respond to the emergence of COVID-19 shock, banks were asked to indicate how they intended to review their interest charges on new loans cutting across corporates and individuals. The results of the survey depicted that majority of the banks (11 banks out of 16 banks) expect their lending rates to remain unchanged over the next quarter to June 2019. Banks’ expectation on lending interest rate hinge on the liquidity conditions in banking sector, support measures implemented by the NBR and the competition for the clients, especially large borrowers.

**3. List of Participants**

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| 1. | AB BANK RWANDA Plc |
| 2. | ACCESS BANK RWANDA Plc |
| 3. | BANK OF AFRICA RWANDA Plc |
| 4. | BANK OF KIGALI Plc |
| 5. | BANQUE POPULAIRE DU RWANDA Plc |
| 6. | NCBA BANK RWANDA Plc |
| 7. | COGEBANQUE Plc |
| 8. | DEVELOPMENT BANK OF RWANDA Plc |
| 9. | ECOBANK RWANDA Plc |
| 10. | EQUITY BANK RWANDA Plc |
| 11. | GUARANTEE TRUST BANK RWANDA Plc |
| 12. | I&M BANK RWANDA Plc |
| 13. | KCB BANK RWANDA Plc |
| 14. | URWEGO BANK Plc |
| 15. | UNGUKA BANK Plc |
| 16. | ZIGAMA CSS |



1. Demand for credit refers to the demand for new loans by borrowers as indicated by the volume and value of applications received. [↑](#footnote-ref-1)
2. Credit terms and conditions are the terms on which a bank provides credit to a customer after it has been approved. They mainly include the interest rate, maturity and frequency of payment. [↑](#footnote-ref-2)