

**NATIONAL BANK OF RWANDA**

**BANKI NKURU Y’U RWANDA**

**QUARTERLY CREDIT SURVEY REPORT**

**FOURTH QUARTER 2019**



**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 National bank of Rwanda conducts the bank’s credit survey since March 2017. Since its introduction, the banks’ lending survey has become an important tool for analyzing the banks’ lending conditions on Rwandan credit market. The credit survey is carried out to provide information about developments in the credit market and underlines banks’ perceptions on credit conditions. The survey is conducted four times a year and published in January, April, July and October.

The current survey was conducted from 14th January 2020 to 17th January 2020 and all banks participated. In line with the above-mentioned objective, banks were asked about trends and developments in credit conditions in 2019 relative to 2018, and prospects for the first quarter of 2020 ending March 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. The Survey Findings**

**2.1 The Demand and Supply of Credit**

During the year ended December 2019, the demand for credit[[1]](#footnote-1) continued to increase consistent with increased economic performance. The demand for loans in value increased by 20.4 percent from FRW 1,237 billion in 2018 to FRW 1,490 billion in 2019, higher than the growth of 3.4 percent registered during the previous year. During the same period, the demand for loans in volume increased by 66,343, from 376,383 to 442,726, more than the increment of 58,217 registered in 2018. The acceleration of demand for loans was mainly supported by three factors: (i) expansion of economic activities that induced more business opportunities and, (ii) the increased lending appetite and (iii) the reduction of cost of borrowing. With regards to the cost of borrowing, the weighted average lending rate declined from 16.82 percent in 2018 to 16.45 percent in 2019. Lending rates gradually continued to reduce in line the accommodative monetary policy and improved efficiency.

**Table 1: Loan Applications in Value and Volume**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  Loans Applications  | Dec-17 | Dec-18 | Dec-19 | % Change17/18 | % Change18/19 |
| Value (FRW billion) | 1,196 | 1,237 | 1,490 | 3.4 | 20.4 |
| Volume | 318,166 | 376,383 | 442,726 | 18.3 | 17.6 |

**Source:** Credit Survey Findings

In response to increased credit demand, banks approved 425,248 new loans worthy FRW 1,160 billion in 2019 compared to 349,393 new loans worthy FRW 966 billion that were approved in 2018, representing an increase of 20.1 in value and 21,7 percent in volume. In term of maturity, short-term loans dominated the composition of new loans with a share of 40.3 percent of total new loans. Additionally, medium term loans accounted for 31.4 percent while long-term loans constituted 28.3 percent of total new loans. The maturity structure of new loans reflects the funding structure of banks as deposits, the main sources of banks funds, are dominated by demand deposits, therefore constraining banks from lending in long term given that they have to effectively manage their assets and liability mismatches.

Sector wise, banks continue to diversify their loans portfolio by increasing lending to other key sectors including manufacturing, water and energy, hotels and in other services[[2]](#footnote-2) sector. New lending to water and energy sector increased by 286.7 percent, from FRW 15 billion in 2018 to FRW 60 billion in 2019 mainly on account of 2 new facilities worth FRW 40 billion. In similar fashion, new lending to hotels increased by 66 percent, from FRW 16 billion in 2018 to FRW 26 billion in 2019 largely supported by 2 new facilities worth FRW 7.5 billion. During the same period, new lending to other services increased by 75.7 percent, from FRW 30 billion to FRW 52 billion. In particular, new lending to manufacturing was more broad based as banks continue to finance made in Rwanda projects. In 2019, banks approved 419 new loans worth FRW 144 billion compared to 311 new loans worth FRW 71 billion that were approved in 2018.

**Figure 1: New Authorized Loans by Banks**

 

**Source:** Credit Survey Findings

**2.2 The Assets Quality of Banks**

The asset quality of the banking sector improved during the period under review. The Non-Performing Loan (NPLs) ratio, the main indicator of asset quality, dropped from 6.4 percent in December 2018 to 4.9 percent in December 2019. In absolute amount, the stock of NPLs shrunk by FRW 26 billion to FRW 109 billion in December 2019 from FRW 135 billion in December 2018. Improved asset quality is largely attributed to the improved economic performance and the write offs of bad loans performed by banks. The improved economic performance bolster the disposable income and ultimately the ability of borrowers to service their obligations.

From a sectoral perspective, NPLs ratio dropped in most economic sectors (8 out 11). The NPLs ratio significantly dropped in manufacturing, hotels, agriculture, other services and in transport and communication sector. Generally, the reduction of NPLs mainly reflects the write offs of NPLs, increased lending and improved economic performance. In nominal value, NPLs reduced by FRW 19 billion (from FRW 21 billion to FRW 2 billion) in manufacturing, by FRW 9 billion (from FRW 13 to FRW 4 billion) in hotels and by FRW 8 billion (from FRW 11 billion to FRW 3 billion) in transport and communication. Additionally, the NPLs ratio marginally dropped in trade sector. In nominal value, NPLs in trade reduced by FRW 1 billion, from FRW 31 billion to FRW 30 billion. Nevertheless, credit risks in trade sector remained amongst the key risks facing the banking sector considering that trade accounts for 16 percent in total banking sector loans and 35.4 percent in total NPLs.

Banks’ asset quality deteriorated in mortgage and in mining (Table 2). The stock of NPLs in mortgage sector increased by FRW 5 billion, from FRW 25 billion in December 2018 to FRW 30 billion in December 2019. During the same period, the stock on NPLs in mining sector increased from FRW 40 million to FRW 2 billion. In mortgage sector, the deterioration of assets quality is associated with the underperformance of one big project that failed to service their loan. In mining, the deterioration of assets quality mirrors the moderation of mineral prices on international commodity market that affected the exports revenues of business operators in mining sector and later on their loan servicing abilities.

**Table 2: Non-Performing Loans Ratio by Activity Sector**

|  |  |  |
| --- | --- | --- |
| **Activity Sectors**  | **NPLs Ratio (Percent)** | **Percent share in total NPLs** |
| **Dec-16** | **Dec-17** | **Dec-18** | **Dec-19** |
| Personal loans | 6.6 | 5.7 | 6.3 | 6.9 | 11.9 |
| Agricultural & livestock | 22.1 | 10.0 | 6.6 | 4.4 | 1.2 |
| Mining  | - | 0.7 | 1.3 | 78.0 | 2.5 |
| Manufacturing | 9.6 | 13.8 | 11.7 | 0.8 | 2.2 |
| Water & energy | 0.2 | 0.0 | 1.3 | 0.0 | 0.0 |
| Mortgage  | 5.6 | 4.5 | 3.7 | 4.3 | 35.0 |
| Trade | 10.8 | 12.0 | 10.1 | 9.5 | 35.4 |
| Hotels | 7.8 | 12.1 | 9.9 | 2.8 | 4.7 |
| Transport & communication | 3.1 | 2.4 | 4.9 | 1.2 | 3.4 |
| Financial services | 0.4 | 0.2 | 4.1 | 0.7 | 0.2 |
| Other services | 10.3 | 11.3 | 10.2 | 5.3 | 3.5 |

**Source:** NBR, Financial Stability Directorate

**2. 3 Prospects for Q1 2020**

Overall, banks expect credit conditions to remain stable. During the quarter to end March 2020 2019, most banks (11 out of 16 banks) anticipate an overall increase in credit delivery that cuts across firms and individuals. The banks’ expectations are based on increased credit demand amidst higher economic growth, the high appetite for credit by Small and Medium Sized Enterprises (SMEs), stable interest rate and provision of free collateral loans to individuals. With regards to the lending interest rate, the survey results indicate that majority of the banks (13 banks out of 16 banks) expect their lending rates to remain unchanged over the next quarter to March 2020. Banks’ expectation on lending interest rate largely pivots on the competition on credit market especially for big clients and favorable funding conditions.

**3. List of Respondents**

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



1. For the purpose of this credit survey, the demand for credit is proxied by the loans applications in value and or in volume. [↑](#footnote-ref-1)
2. Other services include education, health, recreation and professional activities [↑](#footnote-ref-2)