# MONETARY POLICY AND FINANCIAL STABILITY STATEMENT

MARCH 2024

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# CONTENTS

## LIST OF ACRONYMS AND ABBREVIATIONS

ACH : Automated Clearing House
ATM : Automated Teller Machine
BIF : Burundian Franc
BOP : Balance of Payments
CAD : Current Account Deficit
CAR : Capital Adequacy Ratio
CBR : Central Bank Rate
CO : Cash-Out
COPS : Complementary Occupational Pension Schemes
CPI : Consumer Price Index
DAP : Di-ammonium Phosphate
DC : Defined Contribution
DGF : Deposit Guarantee Fund
DSIBs : Domestic Systemically Important Banks
EAC : East African Community
ECB : European Central Bank
ECL : Expected Credit Losses
ERF : Economic Recovery Fund
EUR : Euro
FCD : Foreign Currency Deposits
FDI : Foreign Direct Invesment
FOB : Freight on Board (or Free on Board)
FOREX : Foreign Exchange
FRW : Franc Rwandais
FSC : Financial Stability Committee
FSCC : Financial Sector Coordination Committee
FX : Foreign Exchange
GBP : Great British Pound
GDP : Gross Domestic Product
GWP : Gross Written Premium
G7 : Group of Seven

| | |
|---|---|
| H1 | : Half 1 |
| H2 | : Half 2 |
| ICBT | : Informal Cross Border Trade |
| IMF | : International Monetary Fund |
| JPY | : Japanese Yen |
| KES | : Kenyan Shilling |
| KG | : Kilogram |
| LCR | : Liquidity Coverage Ratio |
| MFIs | : Microfinance Institutions |
| MMI | : Military Medical Insurance |
| MNOs | : Mobile Network Operators |
| MPC | : Monetary Policy Committee |
| MPFSS | : Monetary Policy and Financial Stability Statement |
| MSMEs | : Micro, Medium and Small Enterprises |
| NALs | : New Authorized Loans |
| NBR | : National Bank of Rwanda |
| NBFI | : Non-Bank Financial Institutions |
| NCG | : Net Credit to Government |
| NDA | : Net Domestic Assets |
| NDFIs | : Non-Deposit Taking Lending Financial Institutions |
| NEER | : Nominal Effective Exchange Rate |
| NFA | : Net Foreign Assets |
| NISR | : National Institute of Statistics of Rwanda |
| NPLs | : Non-Performing Loans |
| NSFR | : Net Stable Funding Ratio |
| P.A | : Per Annum |
| PCA | : Prompt Corrective Actions |
| Proj. | : Projections |
| PSPs | : Payment Service Providers |
| PLCs | : Public Limited Companies |
| POS | : Point of Sale |
| PPS | : Personal Pension Scheme |

| | |
|---|---|
| Q1 | : Quarter one |
| Q2 | : Quarter two |
| Q3 | : Quarter three |
| Q4 | : Quarter four |
| REER | : Real Effective Exchange Rate |
| REPO | : Repurchase Agreement |
| RIPPS | : Rwanda Integrated Payment Processing System |
| ROA | : Return on Assets |
| ROE | : Return on Equity |
| RTGS | : Real Time Gross Settlement |
| RSSB | : Rwanda Social Security Board |
| RWA | : Rwanda |
| SMEs | : Small and Medium Enterprises |
| SSA | : Sub-Saharan Africa |
| SU | : Seasonal unadjusted |
| T- Bills | : Treasury Bills |
| TL | : Total Liabilities |
| TZS | : Tanzanian Shilling |
| UGS | : Ugandan Shilling |
| UK | : United Kingdom |
| U-SACCOs | : Umurenge SACCOs |
| USD | : United States Dollar |
| WEO | : World Economic Outlook |
| Y-o-Y | : Year-on-Year |

## EXECUTIVE SUMMARY

*The objective of this March 2024 Monetary Policy and Financial Stability Statement (MPFSS) is to assess economic and financial developments of the year 2023 and give an outlook for the year 2024 and beyond. This statement first presents the global economic developments to contextualize the domestic economic and financial performance and stability before concluding with the outlook.*

*According to the International Monetary Fund (IMF) World Economic Outlook (WEO) update published in January 2024, the world economic growth is expected to stabilize at 3.1 percent in 2023 and 2024, reflecting restrictive monetary policies and withdrawal of fiscal support, before increasing to 3.2 percent in 2025.*

*In 2023, the global commodity price index dropped and is projected to further decline in 2024, due to weaker global growth amid tight financial conditions. Energy prices decreased by 29.9 percent after increasing by 60.0 percent in 2022, attributed mainly to the drop in crude oil and natural gas. Non-energy commodity prices reduced by 9.8 percent in 2023, after increasing by 9.0 percent in 2022, owing mainly to lower prices for all non-energy components.*

*World annual average inflation is projected to ease to 5.8 percent in 2024 from 6.8 percent in 2023, reflecting lower core inflation due to tight monetary policies, a related softening in labor markets, and a pass-through effect from earlier and ongoing declines in related energy prices.*

*Rwanda's economy had a remarkable performance in 2023. The real GDP grew by 8.2 percent, surpassing the initial projection of 6.2 percent. The main drivers of this robust growth were the industry and services sectors, showcasing their resilience and contribution to the country's economic expansion. However, the agriculture sector underperformed due to unfavorable weather conditions. In 2024, the agriculture sector is expected to perform better, and the positive factors which propelled the economic* *growth in 2023, including a flourishing tourism sector, are anticipated to persist and sustain the growth momentum.*

*Rwanda's trade deficit widened by 10.2 percent. Merchandise exports slightly rose by 1.7 percent in 2023, supported by the good performance of domestic manufacturing exports. On the other hand, merchandise imports also increased by 6.9 percent, mainly driven by the increased demand for imported goods and services to support the continued economic recovery.*

*The widening external trade deficit and the strong USD resulting from tight financial conditions in the USA put pressure on the Rwandan franc. As of the end of December 2023, the Rwandan franc depreciated by 18.05 percent year-on-year compared to the US dollar. Nonetheless, gross official foreign exchange reserves remained sufficient, covering an estimated 4.4 months of prospective imports of goods and services by the end of 2023.*

*Since the beginning of 2023, headline inflation continuously decreased, dropping from 20.7 percent in January 2023, to 6.4 percent in December 2023, and further to 4.9 percent in February 2024, on year-on-year basis. This decline reflects a reduction in all components, namely core, fresh foods, and energy inflation. This is a result of domestic agricultural supply linked to good weather conditions for 2024 Season A, NBR's monetary policy tightening, and an easing trend in some international food price pressures.*

*In 2023, the National Bank of Rwanda continued the monetary policy tightening cycle to curb inflationary pressures. The CBR was increased by an additional 100 basis points to reach 7.5 percent, resulting in a cumulative increase of 300 basis points since February 2022. As a result, money market rates were steered around the central bank rate, with the average interbank rate increasing by 192 basis points to 7.84 percent in 2023. Similarly, deposit rate rose by 202 basis points to 9.68 percent in 2023, while lending rate fell by 32 basis points to 16.06 percent in 2023.*

*The economic growth in Rwanda has continued to support the performance and stability of the financial sector. As of December 2023, the total assets of* *the financial sector grew by 20.0 percent to FRW 10,687 billion from FRW 8,909 billion in December 2022. The banking sector-the largest sector, which accounts for 63.8 percent of total assets, grew by 22 percent driven by increase in deposits, operational efficiencies and retained earnings. The pension sector's assets increased by 13.7 percent, driven by growth in contributions and investment income. The insurance sector's assets grew by 17 percent, supported by investment income and premiums, while the microfinance sector expanded by 23.6 percent due to increased deposits and equity.*

*Despite challenging economic conditions marked by high inflation, banks continued to support the economy by providing a steady flow of credit to the private sector. New lending expanded by 38.7 percent to FRW 1,927 billion in 2023, and the value of loan applications grew by 25.7 percent. The volume of loan applications increased by 28.6 percent, reflecting increased use of digital lending channels. In the period under review, Premiums written grew by 27 percent in December 2023, with non-life insurance showing more growth than life insurance.*

*The financial sector remains well-capitalized and liquid. As of December 2023, the banking sector's aggregate Tier 1 and total capital adequacy ratios stood at 20.3 percent and 21.5 percent respectively, Microfinance institutions also maintained a capital adequacy ratio of 33.8 percent. The insurance sector remained solvent, with private insurers' solvency ratio at 296 percent in December 2023. All the sectors are well capitalized and liquid, exceeding minimum requirements.*

*In terms of credit risk, in the banking sector, the NPL ratio slightly increased to 4.1 percent, and in the microfinance sector, the NPL ratio increased to 4.3 percent. Despite the slight increase, both NPL ratios are still below the maximum threshold of 5 percent.*

*The payment sector has witnessed remarkable growth, fueled by the rise of peer-to-peer (P2P) transactions, peer-to-business (P2B) models, and* *increasing interoperability among various payment instruments. Contributing about 199.9% to the GDP. Moreover, P2B transactions have gained traction, enabling seamless payments between consumers and businesses, revolutionizing the way people interact with merchants and service providers. Furthermore, interoperability among different payment instruments is emerging as a key driver of growth in the payment sector.*

# I. GLOBAL ECONOMIC ENVIRONMENT

## 1.1 ECONOMIC GROWTH AND OUTLOOK

According to the International Monetary Fund (IMF) World Economic Outlook (WEO) update published in January 2024, the world economic growth is projected to remain at 3.1 percent in 2024 before increasing to 3.2 percent in 2025, remaining well below the 2000-2019 historical annual average of 3.8 percent, reflecting restrictive monetary policies and withdrawal of fiscal support.

Table 1: Global GDP Growth (%)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 est | 2024 proj |
|---|---|---|---|---|---|---|---|---|---|---|
| **World** | **3.4** | **3.2** | **3.8** | **3.6** | **2.8** | **-2.8** | **6.3** | **3.5** | **3.1** | **3.1** |
| **Advanced economies** | **2.3** | **1.8** | **2.5** | **2.3** | **1.7** | **-4.2** | **5.6** | **2.6** | **1.6** | **1.5** |
| United States | 2.7 | 1.7 | 2.2 | 2.9 | 2.3 | -2.8 | 5.9 | 1.9 | 2.5 | 2.1 |
| Euro area | 2.0 | 1.9 | 2.6 | 1.8 | 1.6 | -6.1 | 5.3 | 3.4 | 0.5 | 0.9 |
| Germany | 1.5 | 2.2 | 2.7 | 1.0 | 1.1 | -3.7 | 2.6 | 1.8 | -0.3 | 0.5 |
| France | 1.1 | 1.0 | 2.4 | 1.8 | 1.9 | -7.9 | 6.4 | 2.5 | 0.8 | 1.0 |
| Japan | 1.6 | 0.8 | 1.7 | 0.6 | -0.4 | -4.3 | 2.2 | 1.0 | 1.9 | 0.9 |
| United Kingdom | 2.4 | 2.2 | 2.4 | 1.7 | 1.6 | --11.0 | 7.6 | 4.3 | 0.5 | 0.6 |
| **Emerging & developing economies** | **4.4** | **4.4** | **4.7** | **4.7** | **3.6** | **-1.8** | **6.8** | **4.1** | **4.1** | **4.1** |
| China | 7.0 | 6.9 | 6.9 | 6.8 | 6.0 | 2.2 | 8.4 | 3.0 | 5.2 | 4.6 |
| India | 8.0 | 8.3 | 6.8 | 6.5 | 3.9 | -5.8 | 9.1 | 7.2 | 6.7 | 6.5 |
| **Sub-Saharan Africa** | **3.2** | **1.5** | **2.9** | **3.2** | **3.3** | **-1.7** | **4.7** | **4.0** | **3.3** | **3.8** |

Source: IMF WEO update, January 2024

Economic growth in advanced economies is projected to slightly decline from 1.6 percent in 2023 to 1.5 percent in 2024. This upward revision of 0.1 percentage point for 2024 relative to October 2023 projections, reflects stronger-than-expected US growth, partly offset by weaker-than-expected growth in the Euro area.

In the US, growth is projected to slow to 2.1 percent in 2024 after an estimated growth of 2.5 percent in 2023, with lagged effects of monetary policy tightening, gradual fiscal tightening, a softening in labor markets and slowing aggregate demand.

Growth in the Euro Area is projected to recover from an estimated 0.5 percent in 2023 to 0.9 percent in 2024, reflecting relatively higher exposure to the war in Ukraine. Relative to October 2023 WEO projections, growth is revised downward by 0.3 percentage point, due to carryover from the weaker-than-expected outcome for 2023.

Emerging markets and developing economies are projected to remain broadly stable in 2024 with a growth of 4.1 percent, reflecting an upward revision of 0.1 percentage point higher than the October 2023 projections, following upgrades for several regions.

China's economy is projected to grow by 4.6 percent in 2024, with an upward revision of 0.4 percentage point relative to the October 2023 projections, reflecting carryover from stronger-than-expected growth in 2023 and increased government spending on capacity building against natural disasters.

The Sub-Saharan African (SSA) economy is projected to improve from an estimated 3.3 percent in 2023 to 3.8 percent in 2024, but with growth remaining below the historical average of 4.8 percent, as the negative effects of earlier weather shocks subside, and supply issues gradually improve. The downward revision of 0.2 percentage point for SSA relative to the October 2023 projections mainly reflects a weaker projection for South Africa on account of increasing logistical constraints on economic activity, mainly from the transportation sector.

The economic performance in the East African Community (EAC[1]-5) countries is projected at 5.7 percent in 2024, from estimated 5.0 percent in 2023, following projected upward revisions for most member countries compared to the previous year. Rwanda's economic growth is projected at 6.6 percent in 2024 after a growth of 8.2 percent in 2023.

[1] EAC-5 members are Burundi, Kenya, Rwanda, Tanzania and Uganda

Table 2: Real GDP Growth in EAC (%)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2010 | 2021 | 2022 | 2023 est | 2024 proj |
|---|---|---|---|---|---|---|---|---|---|---|
| EAC | 6.1 | 5.4 | 5.7 | 6.1 | 6.4 | 0.9 | 6.6 | 5.2 | 5.0 | 5.7 |
| Burundi | -3.9 | -0.6 | 0.5 | 1.6 | 1.8 | 0.3 | 3.1 | 1.8 | 3.3 | 6.0 |
| Kenya | 5.0 | 4.2 | 3.8 | 5.7 | 5.1 | -0.3 | 7.6 | 4.8 | 5.0 | 5.3 |
| Rwanda | 8.9 | 6.0 | 4.0 | 8.6 | 9.5 | -3.4 | 10.9 | 8.2 | 8.2 | 6.6* |
| Tanzania | 6.2 | 6.9 | 6.8 | 7.0 | 7.0 | 4.8 | 4.9 | 4.7 | 5.2 | 6.1 |
| Uganda | 8.0 | 0.2 | 6.8 | 5.5 | 7.8 | -1.3 | 5.7 | 6.4 | 4.6 | 5.7 |
| South Sudan | -0.2 | -13.5 | -5.8 | -2.1 | 0.9 | -6.5 | 5.3 | 0.5 | 3.5 | 4.2 |
| DRC | 6.9 | 2.4 | 3.7 | 4.8 | 4.5 | 1.7 | 6.2 | 8.9 | 6.7 | 4.7 |

Source: IMF, Regional Economic Outlook October 2023

*Rwanda-IMF country report December 2023

## 1.2 INFLATION AND COMMODITY PRICES

### 1.2.1 Inflation

World annual average inflation is projected to ease to 5.8 percent in 2024 from 6.8 percent in 2023 but remains above pre-pandemic levels of about 3.5 percent (2017-19). The forecast for 2024 was not changed relative to the October 2023 projections, reflecting higher-than-expected core inflation. About 80 percent of the world's economies are expected to have lower annual average headline and core inflation in 2024. The drivers of declining inflation differ by country but generally reflect lower core inflation because of still-tight monetary policies, a related softening in the labor markets, and a pass-through effect from earlier and ongoing declines in related energy prices.

Table 3: Annual Average Inflation Developments (%)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 est | 2024 proj |
|---|---|---|---|---|---|---|---|---|---|---|
| World | 2.7 | 2.7 | 3.2 | 3.6 | 3.5 | 3.2 | 4.7 | 8.7 | 6.8 | 5.8 |
| Advanced economies | 0.3 | 0.7 | 1.7 | 2.0 | 1.4 | 0.7 | 3.1 | 7.3 | 4.6 | 2.6 |
| United States | 0.1 | 1.3 | 2.1 | 2.4 | 1.8 | 1.3 | 4.7 | 8.0 | 4.1 | 2.8 |
| Euro area | 0.2 | 0.2 | 1.5 | 1.8 | 1.2 | 0.3 | 2.6 | 8.4 | 5.5 | 3.3 |
| Japan | 0.8 | -0.1 | 0.5 | 1.0 | 0.5 | 0.0 | -0.2 | 2.5 | 3.3 | 2.9 |
| United Kingdom | 0.0 | 0.7 | 2.7 | 2.5 | 1.8 | 0.9 | 2.6 | 9.1 | 7.4 | 3.7 |
| Emerging and dev. economies | 4.8 | 4.4 | 4.5 | 4.9 | 5.1 | 5.2 | 5.9 | 9.8 | 8.4 | 8.1 |
| China | 1.5 | 2.1 | 1.5 | 1.9 | 2.9 | 2.5 | 0.9 | 1.9 | 0.2 | 1.7 |
| India | 4.9 | 4.5 | 3.6 | 3.4 | 4.8 | 6.2 | 5.5 | 6.7 | 5.7 | 4.6 |
| Sub-Saharan Africa | 6.7 | 10.1 | 10.5 | 8.3 | 8.1 | 10.1 | 11.0 | 14.5 | 15.8 | 13.1 |

Source: IMF WEO update, January 2024, October 2023 & Official numbers from countries

In emerging market and developing economies, annual headline inflation is expected to ease to 8.1 percent in 2024 from 8.4 percent in 2023, reflecting falling energy and easing food prices. China's headline inflation is projected at 1.7 percent in 2024 after 0.2 percent in 2023, and headline inflation for India is projected to ease to 4.6 percent in 2024 from 5.7 percent in 2023.

In Sub-Saharan Africa, annual headline inflation is projected to remain in double digits but on a decelerating trend from 15.8 percent in 2023 to 13.1 percent in 2024, following the projected higher inflation rates in Zimbabwe (222.4 percent), Sierra Leone (29.8 percent), Ghana (23.2 percent), Nigeria (23.0 percent), Angola (22.3 percent), and Ethiopia (20.7 percent). In some Sub-Saharan African countries, food prices have increased significantly, amid local shortages and the rise in global food prices.

In the East African Community (EAC-5 countries), the annual average inflation is projected to ease to 5.6 percent in 2024, down from an estimated 6.8 percent in 2023. This decrease is due to lower food prices and falling fuel prices for all the EAC-5 countries.

Table 4: Annual Average Inflation in EAC Countries (%)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 est | 2024 proj |
|---|---|---|---|---|---|---|---|---|---|---|
| EAC -5 | 5.7 | 5.7 | 6.7 | 3.6 | 3.9 | 4.4 | 4.4 | 7.1 | 6.8 | 5.6 |
| Burundi | 5.6 | 5.5 | 16.6 | -2.8 | -0.7 | 7.3 | 8.3 | 18.9 | 27.2* | 16.1 |
| Kenya | 6.6 | 6.3 | 8.0 | 4.7 | 5.2 | 5.3 | 6.1 | 7.6 | 7.7* | 6.6 |
| Rwanda | 2.5 | 5.7 | 4.8 | 1.4 | 2.4 | 7.7 | 0.8 | 13.9 | 14.0* | 5.0** |
| Tanzania | 5.6 | 5.2 | 5.3 | 3.5 | 3.4 | 3.3 | 3.7 | 4.4 | 3.8* | 4.0 |
| Uganda | 3.7 | 5.2 | 5.6 | 2.5 | 2.1 | 2.8 | 2.2 | 7.2 | 5.5* | 4.7 |
| S. Sudan | 53.0 | 346.1 | 213.0 | 83.4 | 49.3 | 24.0 | 30.2 | -3.2 | 16.3 | 13.6 |
| DRC | 0.7 | 3.2 | 35.7 | 29.3 | 4.7 | 11.4 | 9.0 | 9.3 | 19.1 | 10.6 |

Source: IMF, October 2023 & Official numbers from countries

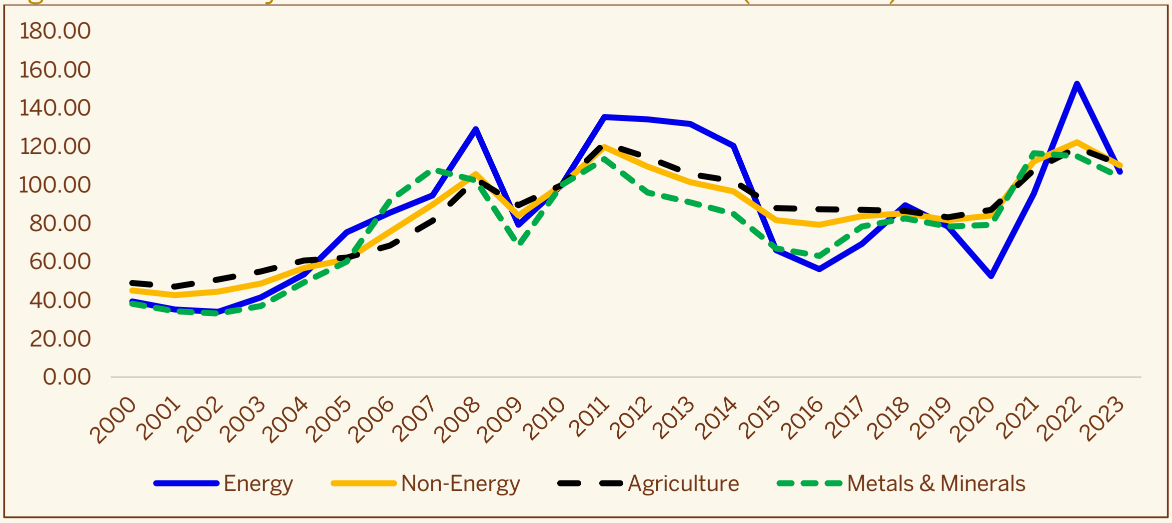
*Annual average estimates using official numbers from countries for all EAC-5 countries
**Rwanda-IMF country report December 2023

### 1.2.2 Commodity Prices

In 2023, the global commodity price index dropped by 24.2 percent after increasing by 41.3 percent in 2022 and is projected to drop further by 4.1 percent in 2024, due to weaker global growth amid tight financial conditions.

Energy prices decreased by 29.9 percent after increasing by 60.0 percent in 2022, attributed mainly to the decline in crude oil and natural gas prices. Global energy prices are projected to drop by 4.5 percent in 2024 attributed mainly to the projected fall in prices of crude oil and natural gas.

Figure 1: Commodity Prices Index in Nominal US Dollar (2010=100)




Source: World Bank Commodity prices, January 2024

In 2023, crude oil average prices dropped by 16.8 percent after increasing by 40.6 percent in 2022, amid slowing global growth. In January 2024, IMF projects crude oil prices to drop by 2.3 percent in 2024, to USD 78.46/barrel from USD 80.31/barrel in 2023, and drop further by 4.8 percent in 2025, amid slowing global growth.

Non-energy commodity prices dropped by 9.8 percent in 2023, after increasing by 9.0 percent in 2022, owing largely to lower prices for fertilizers, agricultural commodities and minerals and metals. Non-energy prices are projected to drop by 3.1 percent, following the projected fall for all non-energy components.

Food prices dropped by 9.2 percent in 2023 - of which, cereals (-11.5 percent), and oils and meals (-18.1 percent)- after increasing by 14.2 percent in 2022, of which, cereals (-11.5 percent), and oils and meals (-18.1 percent). Global food prices are projected to drop slightly by 1.5 percent, as cereals price index is projected to fall by 2.8 percent in 2024, amid ample supplies and adequate stock levels. However, rice prices will remain high in 2024, assuming India maintains its export restrictions.

Prices for fertilizers dropped by 34.9 percent in 2023 after increasing by 54.8 percent in 2022. The World Bank projected fertilizers to drop by 15.4 percent in 2024, as supply disruptions ease gradually.

Table 5: Commodity Prices (%)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 proj. |
|---|---|---|---|---|---|---|---|---|---|---|
| Energy | -45.1 | -15.2 | 23.8 | 28.8 | -12.4 | -32.7 | 81.0 | 60.0 | -29.9 | -4.5 |
| Crude oil, average | -47.3 | -15.7 | 23.3 | 29.4 | -10.2 | -32.8 | 67.4 | 40.6 | -16.8 | -2.3* |
| Natural gas | -35.9 | -20.4 | 21.1 | 19.1 | -25.5 | -25.6 | 187.2 | 115.5 | -63.5 | -3.0 |
| Non energy | -15.4 | -2.8 | 5.5 | 1.7 | -4.2 | 3.1 | 33.2 | 9.0 | -9.8 | -3.1 |
| Agricultural comm. | -13.8 | -0.5 | -0.6 | -0.5 | -4.0 | 4.8 | 23.7 | 10.8 | -7.2 | -2.0 |
| Beverages | -7.7 | -2.8 | -9.0 | -4.8 | -3.7 | 5.6 | 16.3 | 13.7 | 1.4 | -3.4 |
| Coffee, Arabica | -20.3 | 2.4 | -8.0 | -12.0 | -1.6 | 15.4 | 35.8 | 24.8 | -19.4 | -4.2 |
| Coffee, Robusta | -12.4 | 0.6 | 14.0 | -16.0 | -13.2 | -6.5 | 30.7 | 15.3 | 15.0 | -7.7 |
| Tea Mombasa | 45.0 | -18.3 | 22.7 | -13.2 | -14.2 | -9.2 | 5.2 | 15.9 | -8.8 | 1.9 |
| Food | -16.6 | 1.3 | 0.6 | 0.3 | -3.8 | 7.1 | 29.9 | 14.2 | -9.2 | -2.8 |
| Cereals | -16.4 | -7.3 | -0.2 | 10.2 | 0.2 | 7.2 | 29.9 | 21.4 | -11.5 | -7.7 |
| Oils & meals | -20.7 | 4.6 | -0.8 | -2.9 | -8.9 | 15.9 | 41.6 | 14.2 | -18.1 | -1.8 |
| Metals & Minerals | -21.1 | -5.9 | 24.2 | 5.5 | -5.0 | 1.0 | 47.1 | -1.2 | -9.6 | -3.3 |
| Tin | -26.6 | 11.6 | 11.9 | 0.4 | -7.4 | -8.2 | 89.1 | -3.2 | -17.2 | -3.8 |
| Precious metals | -10.4 | 7.5 | 0.4 | -0.7 | 8.5 | 26.6 | 5.0 | -2.4 | 7.7 | -7.1 |
| Gold | -8.3 | 7.6 | 0.7 | 0.9 | 9.7 | 27.1 | 1.7 | 0.1 | 7.9 | -7.9 |
| Fertilizers | -3.0 | -21.0 | -4.4 | 11.1 | -1.4 | -8.3 | 104.1 | 54.8 | -34.9 | -15.4 |

Source: World Bank

*IMF, January 2024 WEO projections

## 1.3 MONETARY POLICY AND FINANCIAL MARKETS

Despite easing inflationary pressures, some central banks in advanced economies are still pointing to tight policy response to help inflation return to targets. The US Federal Reserve paused interest rate hike for the third time in December 2023 and maintained the target range from 5.25 to 5.50

percent. The Bank of England also maintained the bank rate for the third time to 5.25 percent in December 2023, while the European Central Bank maintained the three key ECB interest rates for the $2^{nd}$ time. The main refinancing rate remained unchanged at 4.50 percent on 14th December 2023.

In December 2023, the 10 Year government bond rate increased in the United States, and Japan to 3.879 percent and 0.608 percent, from 3.875 percent, and 0.413 percent in December 2022, but decreased in the United Kingdom, and Eurozone to 3.537 percent and 2.024 percent, from 3.672 percent, and 2.571 percent in December 2022, respectively.

## II. NATIONAL ECONOMIC PERFORMANCE

This section provides an overview of the latest updates in the Rwandan economy. The focus will be on the factors that drove economic growth in 2023 and the outlook for 2024. Despite facing external and internal negative shocks, Rwanda maintained robust economic growth. In 2023, the real GDP grew by 8.2 percent, surpassing the initial projection of 6.2 percent. The main drivers of this robust growth were the industry and services sectors, showcasing their resilience and contribution to the country's economic expansion. In 2024, the agriculture sector is also expected to perform well, and the positive factors which propelled the economic growth in 2023, including a flourishing tourism sector, are anticipated to persist and sustain the growth momentum.

### 2.1 ECONOMIC GROWTH

Rwanda's economy maintained a strong growth momentum in 2023, expanding by 8.2 percent, above the initial projection of 6.2 percent. This growth was spurred by the strong performance of the services and industry sectors.

The services sector, with a growth of 11.2 percent, drove the overall economic growth of 2023. The remarkable performance of the service sector was mainly driven by the excellent performance of trade services, tourism, education, information and communication as well as financial services.

Table 6: Rwanda's real GDP growth (%)

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **GDP** | 9.4 | -3.4 | 10.9 | 8.2 | 8.2 |
| **Agriculture** | 5.0 | 0.9 | 6.4 | 1.6 | 1.7 |
| Food crops | 4.0 | 0.3 | 6.7 | -0.9 | 0.0 |
| Export crops | 4.5 | -9.4 | -0.5 | 3.5 | -4.4 |
| Livestock & livestock products | 11.2 | 8.2 | 8.1 | 8.7 | 6.5 |
| Forestry | 5.6 | 3.7 | 5.4 | 4.8 | 5.7 |
| Fishing | 3.7 | -15.5 | 24.0 | 3.3 | 3.5 |
| **Industry** | 16.5 | -4.2 | 13.3 | 5.0 | 10.2 |
| Mining & quarrying | -0.3 | -31.2 | 26.6 | 14.1 | 9.1 |
| Manufacturing | 11.2 | 2.0 | 10.6 | 11.0 | 10.5 |
| Electricity | 7.2 | 1.9 | 11.7 | 14.0 | 5.0 |
| Water & waste management | 2.1 | 2.4 | 4.6 | 3.6 | 2.5 |
| Construction | 32.7 | -5.6 | 15.0 | -5.8 | 11.6 |
| **Services** | 8.3 | -5.5 | 11.9 | 12.2 | 11.2 |
| Trade & transport | 14.1 | -10.6 | 13.5 | 15.9 | 9.9 |
| Maintenance and repair of motors | 6.9 | -3.1 | 35.3 | 5.1 | 2.4 |
| Wholesale & retail trade | 15.7 | -3.4 | 11.7 | 13.9 | 8.7 |
| Transport services | 12.4 | -23.7 | 14.6 | 21.7 | 13.4 |
| Other services | 5.9 | -3.3 | 11.2 | 10.6 | 11.7 |
| Hotels & restaurants | 9.7 | -40.2 | 20.4 | 86.9 | 18.0 |
| Information & communication | 9.1 | 29.2 | 18.8 | 19.7 | 34.7 |
| Financial services | 8.4 | -2.4 | 18.0 | 10.3 | 8.5 |
| Real estate activities | 3.9 | 0.3 | 4.1 | 1.5 | 4.7 |
| Professional, scientific and technical activities | 9.8 | -0.8 | 13.2 | 1.0 | 4.0 |
| Administrative and support services | 4.7 | -6.8 | 5.8 | 1.4 | 2.3 |
| Public administration and defense | 4.8 | 2.7 | 2.4 | 9.6 | 10.8 |
| Education | 2.2 | -37.5 | 58.6 | 17.4 | 17.8 |
| Human health and social work activities | 3.4 | 15.9 | 8.9 | 8.1 | -1.2 |
| Cultural, domestic & other services | 8.2 | -1.2 | 9.5 | 8.2 | 17.9 |
| **Taxes less subsidies on products** | 15.0 | -1.7 | 13.4 | 11.8 | 5.3 |

Source: MINECOFIN & NISR (2023)

The industry sector recorded a growth of 10.2 percent, with all of its subsectors performing well. The expansion of manufacturing activities was the largest contributor. The most significant expansion was observed in the sub-sectors of cereal processing, textiles, wood-paper-printing, chemicals and metals production. Mining and quarrying activities, were supported on one hand by construction activities and on the other hand by minerals prices on the international market that remained high, though decelerating.

Regarding the construction industry, one of the main drivers of growth; it has expanded strongly underpinned by on-going infrastructure projects.

The agriculture sector recorded a marginal growth of 1.7 percent, constrained by adverse weather conditions that significantly hampered the production of both food and export crops.

Going forward, Rwanda's economy is expected to continue its growth trajectory, driven by rising investments in the services sectors, especially sport and culture tourism and MICE. These investments are anticipated to yield positive spillover effects on other sub-sectors. Furthermore, the agriculture sector is expected to recover from the setbacks caused by climate change in the previous years, thanks to improving weather conditions, especially in season 2024 A.

## 2.2 EXTERNAL TRADE PERFORMANCE

Rwanda's merchandise[2] exports earnings increased by 1.7 percent in 2023, totaling USD 1,582.3 million, compared to USD 1,556.0 million in the previous year. This growth was primarily due to the good performance of domestic manufacturing exports that offset the decline in traditional exports following the decrease in global commodity prices.

Similarly, in 2023, merchandise imports[3] rose by 6.9 percent, amounting to USD 4,300.5 million from USD 4,021.6 million in 2022. This increase is attributed to the growing demand of capital and intermediate goods, as well as imported food products.

As a result, Rwanda's merchandise trade deficit widened by 10.2 percent in 2023, amounting to USD 2,718.2 million from USD 2,465.6 million in 2022. Including gold, total exports increased by 16.2 percent, whereas imports rose

[2] Merchandise exports/imports refer to total exports/imports excluding gold.
[3] Imports are valued at c.i.f basis.

by 15.4 percent, leading to a 14.2 percent expansion in the trade deficit. The coverage of total imports by total exports[4] increased to 47.2 percent in 2023 from 46.6 percent in 2022.

Table 7: Developments in Trade Balance (Value in millions of USD, Volume in 000' tons)

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | % Change |
|---|---|---|---|---|---|---|---|---|
| **Total exports** | Value | 1,121.8 | 1,240.1 | 1,408.9 | 1,530.9 | 2,111.7 | 2,465.9 | **16.8** |
| | Volume | 973.9 | 1,127.5 | 859.4 | 1,026.0 | 1,237.7 | 1,426.4 | **15.2** |
| **Merchandise exports** | Value | 1,048.2 | 963.9 | 761.3 | 1,167.8 | 1,556.0 | 1,582.3 | **1.7** |
| | Volume | 973.9 | 1,127.5 | 859.4 | 1,026.0 | 1,237.7 | 1,426.4 | **15.2** |
| **Total imports** | Value | 2,636.2 | 3,094.1 | 3,421.5 | 3,569.3 | 4,531.6 | 5,229.9 | **15.4** |
| | Volume | 3,026.8 | 3,117.9 | 3,264.6 | 3,247.7 | 3,805.3 | 4,520.1 | **18.8** |
| **Merchandise imports** | Value | 2,636.2 | 2,854.9 | 2,746.7 | 3,201.0 | 4,021.6 | 4,300.5 | **6.9** |
| | Volume | 3,026.8 | 3,112.7 | 3,264.6 | 3,247.7 | 3,805.3 | 4,520.0 | **18.8** |
| **Trade balance** | **Total trade** | **-1,514.3** | **-1,854.0** | **-2,012.6** | **-2,038.4** | **-2,419.9** | **-2,763.9** | **-14.2** |
| | **Merchandise trade** | **-1,588.0** | **-1,891.0** | **-1,985.3** | **-2,033.2** | **-2,465.6** | **-2,718.2** | **-10.2** |
| **Exports/Imports** | **%** | **42.6** | **40.1** | **41.2** | **42.9** | **46.6** | **47.2** | **1.2** |

Source: National Bank of Rwanda

### 2.2.1 Merchandise Exports Developments

Merchandise exports registered a moderate improvement, primarily due to decreased revenues from traditional exports as global prices went down in 2023 compared to the previous year. However, this decline was offset by the strong performance of non-traditional exports.

[4] Total exports/imports refer to formal trade plus informal cross border trade and gold.

Table 8: Exports Developments (Value FOB in USD millions, Volume 000' tons)

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | % change |
|---|---|---|---|---|---|---|---|
| I. Traditional exports | | | | | | | |
| - Value | 310.9 | 265.6 | 233.9 | 329.7 | 421.0 | 403.8 | **-4.1** |
| - Volume | 66.2 | 65.7 | 57.2 | 63.1 | 66.7 | 68.2 | **2.3** |
| Coffee | | | | | | | |
| - Value | 69.6 | 69.8 | 53.9 | 78.3 | 105.0 | 87.8 | **-16.4** |
| - Volume | 21.3 | 23.4 | 16.0 | 17.5 | 17.8 | 17.5 | **-1.8** |
| - Price USD/KG | 3.3 | 3.0 | 3.4 | 4.5 | 5.9 | 5.0 | **-14.9** |
| Tea | | | | | | | |
| - Value | 90.5 | 86.9 | 90.3 | 96.8 | 106.7 | 106.3 | **-0.4** |
| - Volume | 30.9 | 31.2 | 32.7 | 35.4 | 36.5 | 38.2 | **4.6** |
| - Price USD/KG | 2.9 | 2.8 | 2.8 | 2.7 | 2.9 | 2.8 | **-4.8** |
| Minerals (3Ts) | | | | | | | |
| - Value | 143.0 | 100.3 | 83.1 | 149.5 | 203.8 | 201.4 | **-1.2** |
| - Volume | 8.4 | 7.1 | 5.7 | 7.0 | 8.7 | 9.2 | **5.3** |
| Cassiterite | | | | | | | |
| - Value | 49.9 | 37.9 | 31.4 | 56.8 | 85.6 | 74.3 | **-13.2** |
| - Volume | 4.8 | 3.8 | 2.8 | 3.1 | 4.5 | 4.6 | **3.1** |
| - Price USD/KG | 10.4 | 9.9 | 11.1 | 18.1 | 19.2 | 16.2 | **-15.8** |
| Coltan | | | | | | | |
| - Value | 71.6 | 45.6 | 34.0 | 42.1 | 63.7 | 94.3 | **48.1** |
| - Volume | 1.6 | 1.4 | 1.0 | 1.0 | 1.3 | 2.1 | **58.7** |
| - Price USD/KG | 43.6 | 33.7 | 33.1 | 40.2 | 48.8 | 45.6 | **-6.7** |
| Wolfram | | | | | | | |
| - Value | 21.5 | 16.8 | 17.8 | 50.6 | 54.5 | 32.8 | **-39.9** |
| - Volume | 2.0 | 1.9 | 1.8 | 2.8 | 2.9 | 2.5 | **-15.0** |
| - Price USD/KG | 10.9 | 8.9 | 9.8 | 17.9 | 18.5 | 13.1 | **-29.3** |
| Hides and Skin | | | | | | | |
| - Value | 3.1 | 2.5 | 1.5 | 1.8 | 1.5 | 0.5 | **-68.2** |
| - Volume | 5.5 | 3.9 | 2.8 | 3.2 | 3.7 | 3.3 | **-8.5** |
| - Price USD/KG | 0.6 | 0.6 | 0.5 | 0.6 | 0.4 | 0.1 | **-65.2** |
| Pyrethrum | | | | | | | |
| - Value | 4.7 | 6.2 | 5.0 | 3.4 | 4.0 | 7.8 | **95.7** |
| - Volume | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | **78.9** |
| - Price USD/KG | 54.5 | 64.4 | 149.3 | 201.7 | 211.0 | 230.7 | **9.3** |
| II. Re-exports | | | | | | | |
| - Value | 313.4 | 351.9 | 314.8 | 469.53 | 654.23 | 652.92 | **-0.2** |
| - Volume | 350.8 | 412.2 | 395.8 | 508.80 | 557.23 | 649.77 | **16.6** |
| III. Non-traditional exports | | | | | | | |
| - Value | 298.6 | 237.5 | 176.0 | 275.98 | 350.04 | 371.32 | **6.1** |
| - Volume | 298.4 | 329.4 | 303.8 | 454.19 | 613.76 | 708.34 | **15.4** |
| IV. Non-monetary gold | | | | | | | |
| - Value | 73.6 | 276.3 | 647.6 | 363.18 | 555.74 | 883.61 | **59.0** |
| - Volume | 0.002 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | **47.1** |
| V. Informal cross-border trade | | | | | | | |
| - Value | 125.3 | 108.9 | 36.6 | 92.53 | 130.65 | 154.31 | **18.1** |
| Merchandise exports | | | | | | | |
| - Value | 1,048.2 | 963.9 | 761.3 | 1167.8 | 1556.0 | 1582.3 | **1.7** |
| - Volume | 973.9 | 1,127.5 | 859.4 | 1026.0 | 1237.7 | 1426.4 | **15.2** |

Source: National Bank of Rwanda

Regarding the composition of Rwanda's merchandise exports revenues in the period under review, re-exports leads with a share of 41.3 percent from 42.0 percent in 2022, followed by traditional exports (25.5 percent from 27.1 percent), non-traditional exports (23.5 percent from 22.5 percent) and informal cross border trade (9.8 percent from 8.4 percent).

Revenues from traditional exports fell by 4.1 percent in 2023 to USD 403.8 million in 2023 from USD 421.0 million in 2022, on the account of lower receipts from coffee (-16.4 percent), tea (-0.4 percent), minerals (-1.2 percent) and hides & skin (-68.2 percent). This poor performance reflects the declining global commodity prices, and adverse weather conditions.

Non-traditional exports, which are mainly constitued of locally manufactured products, agro-processed food, and horticulture products like flowers, fruits and vegetables, increased by 6.1 percent, amounting to USD 371.3 million in 2023 from USD 350.0 million in 2022. The rise in non-traditional exports is attributed to a high volume exports of food products and construction materials, reflecting the good performance of manufacturing activities.

Finally, earnings from re-exports mainly composed of petroleum products, foodstuffs, vehicles, machinery, and electronics, fell slightly by 0.2 percent to USD 652.9 million in 2023, down from USD 654.2 million registered in 2022, largerly owing to decrease in revenues from fuel products. Specifically, receipts from fuel re-exports declined by 26.4 percent mainly due to reduced global prices of oil products. In contrast, annual non-oil re-exports rose by 11.1 percent in 2023 and 28.5 percent in volume, reflecting steady demand from the region.

### 2.2.2 Merchandise Imports Developments

Rwanda's merchandise imports bill rose by 6.9 percent, standing at USD 4,300.5 million in 2023 from USD 4,021.6 million in 2022, reflecting a higher domestic demand for imported food products following adverse weather conditions, as well as capital and intermediate goods to support the strong domestic economic activities.

The table below illustrates the change in the value and volume of imported goods by category. The imports value of consumer goods, capital goods and intermediary goods increased by 14.4 percent, 23.2 percent, and 0.2 percent respectively. In terms of volume, the increase was 51.5 percent for consumer goods , 18.9 percent for capital goods and 8.8 percent for intermediate goods. Conversely, the imports bill of energy & lubricants decreased by 10.9 percent in value and 3.7 percent in volume.

Table 9: Formal imports developments (Value in millions of USD, Volume in thousands of tons)

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | % change |
|---|---|---|---|---|---|---|---|---|
| **Total imports** | **Value** | **2,636.3** | **3,094.1** | **3,421.5** | **3,569.3** | **4,531.6** | **5,229.9** | **15.4** |
| | **Volume** | **2,992.3** | **3,094.2** | **3,264.6** | **3,247.7** | **3,805.3** | **4,520.1** | **18.8** |
| **Merchandise Imports** | **Value** | **2,636.3** | **2,854.8** | **2,746.7** | **3,201.0** | **4,021.6** | **4,300.5** | **6.9** |
| | **Volume** | **2,992.3** | **3,094.2** | **3,264.6** | **3,247.7** | **3,805.3** | **4,520.0** | **18.8** |
| Consumer goods | Value | 690.0 | 714.6 | 771.0 | 880.0 | 1,070.5 | 1,225.0 | 14.4 |
| | Volume | 843.6 | 715.2 | 821.3 | 802.1 | 955.0 | 1,447.3 | 51.5 |
| Capital goods | Value | 583.7 | 692.5 | 660.0 | 736.6 | 735.0 | 905.9 | 23.2 |
| | Volume | 67.9 | 88.0 | 84.2 | 102.4 | 92.4 | 109.8 | 18.9 |
| Intermediary goods | Value | 628.5 | 730.6 | 761.9 | 881.1 | 1,044.2 | 1,046.5 | 0.2 |
| | Volume | 1,023.9 | 1,175.1 | 1,428.0 | 1,347.9 | 1,537.9 | 1,673.8 | 8.8 |
| Energy and lubricants | Value | 562.3 | 521.5 | 348.7 | 397.3 | 763.1 | 680.0 | -10.9 |
| | Volume | 881.8 | 902.3 | 691.4 | 679.4 | 865.3 | 833.3 | -3.7 |
| Non-monetary gold | Value | - | 239.3 | 674.9 | 368.3 | 510.0 | 929.4 | 82.2 |
| | Volume | - | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 66.8 |
| Imports of non-fuel re-exports | Value | 151.5 | 183.8 | 202.5 | 301.8 | 402.2 | 431.3 | 7.2 |
| | Volume | 175.1 | 213.6 | 235.8 | 315.9 | 354.6 | 455.8 | 28.5 |
| Informal cross-border trade | Value | 20.3 | 11.8 | 2.5 | 4.1 | 6.6 | 11.8 | 78.2 |

Source: National Bank of Rwanda

The above-mentioned increase in the imported consumer goods was mainly due to the rise in food products. Specifically, imports of food products grew by 38.6 percent in value and 63.7 percent in volume. In contrast, imports of non-food products decreased by 6.2 percent in value while their volume rose by 2.5 percent, largerly due to the decline in clothing products (-24.7 percent) and domestic articles (-34.7 percent).

Imports of intermediate goods increased by 8.8 percent in volume and 0.2 percent in value, to reach USD 1,046.5 million in 2023 from USD 1,044.2 million in 2022. The growth is attributed to the rise in imports of construction materials and industrial products, reflecting the good performance of domestic construction and manufacturing subsectors.

The imports of construction materials soared by 9.3 percent in volume and 23.3 percent in value. Cement imports increased by 10.3 percent in volume and 15.7 percent in value, while local cement production rose by 17.2 percent, reflecting the good performance of the construction subsector.

Table 10: Domestic production and trade of cement (in tons)

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | % change |
|---|---|---|---|---|---|---|---|
| Domestic production | **364,864** | **415,371** | **506,778** | **630,439** | **715,229** | **838,223** | **17.2** |
| Imports of cement | 318,854 | 377,897 | 575,116 | 427,306 | 525,212 | 579,515 | **10.3** |
| Exports of cement | 43,263 | 48,120 | 66,005 | 134,802 | 229,081 | 256,901 | **12.1** |
| Domestic demand | **640,455** | **745,148** | **1,015,889** | **922,943** | **1,011,360** | **1,160,837** | **14.8** |

Source: National Bank of Rwanda

Imports of industrial products decreased by 5.8 percent in value, while they volume rose by 9.2 percent, reflecting the increased demand of raw materials by local industries. Lastly, imports volume of fertilizers fell by 23.9 percent while their value rose by 0.2 percent.

Imports of capital goods increased significantly in 2023 compared to 2022, worth USD 905.9 million, a 23.2 percent increase in value compared to USD 735.0 million in 2022. The volume of imports also increased by 18.9 percent. The rise in imports of capital goods was partially due to a significant increase in imports of transportation materials (+36.6 percent increase in volume), primarily driven by the acquisition of public transport buses. Moreover, imports of industrial machinery, also increased in volume by 7.0 percent and in value by 13.1 percent.

Lastly, imports of energy and lubricants, which are dominated by petroleum products, fell in volume by 3.7 percent and in value by 10.9 percent.

### 2.2.3 FORMAL TRADE WITH OTHER EAC COUNTRIES

Rwanda's exports to all EAC member countries, representing 10.3 percent of the total exports in 2023, rose by 20.6 percent in value, standing at USD 254.1 million from USD 210.7 million in 2022. The growth in exports to EAC is due to increasing domestic supply and improvement in regional demand. On the other hand, imports from EAC rose by 30.5 percent, standing at USD 865.7 million from USD 663.3 million in 2022, primarily driven by imports of food and construction materials. As a result, Rwanda's trade deficit with EAC widened by 35.1 percent standing at USD 611.6 million in 2023, from USD 452.6 million in 2022.

Table 11: Trade flows with EAC[5] (in USD million)

| | | 2022 | 2023 | % change |
|---|---|---|---|---|
| Exports to EAC | Value in USD millions | 210.7 | 254.1 | 20.6 |
| | Share to total exports | 10.0 | 10.3 | 0.3 |
| Imports from EAC | Value in USD millions | 663.3 | 865.7 | 30.5 |
| | Share to total imports | 14.6 | 16.6 | 2.0 |
| TRADE BALANCE | | -452.6 | -611.6 | 35.1 |

Source: National Bank of Rwanda

### 2.2.4 Informal Cross Border Trade

Rwanda remains a net exporter in informal (small scale) cross border trade (ICBT), recording a surplus of USD 142.5 million in 2023, an increase of 14.9 percent higher than USD 124.0 million recorded in 2022. During the period under review, ICBT exports and imports accounted for 6.3 percent and 0.2 percent share of total exports and imports, respectively.

[5] The data for exports exclude re-exports as the corresponding imports for re-exports are not recorded as well.

In 2023, ICBT exports and imports increased by 18.1 percent and 78.2 percent, respectively, reflecting the continued improvement on cross-border movements.

Table 12: Rwanda informal cross border trade (USD million)

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|
| Exports | Value in USD millions | 125.3 | 108.9 | 36.6 | 92.5 | 130.7 | 154.3 |
| | *Percent change* | *27.3* | -13.1 | -66.4 | 152.7 | 41.2 | 18.1 |
| | Share of total exports | 11.2 | 8.8 | 2.6 | 6.0 | 6.2 | 6.3 |
| Imports | Value in USD millions | 20.3 | 11.8 | 2.5 | 4.1 | 6.6 | 11.8 |
| | *Percent change* | *-12.8* | -41.7 | -79.2 | 67.9 | 60.9 | 78.2 |
| | Share of total imports | 0.8 | 0.4 | 0.1 | 0.1 | 0.1 | 0.2 |
| Trade balance | | 105 | 97.1 | 34.2 | 88.4 | 124.0 | 142.5 |

Source: National Bank of Rwanda

### 2.2.5 Balance of Payments

The current account deficit (CAD) widened to USD 1,654 million, equivalent to 11.7 percent of GDP in 2023, from USD 1,246 million or 9.4 percent of GDP in the previous year. This was mainly due to the increase in goods and primary income deficits as well as a decrease in secondary income surplus. The expansion of goods deficit was driven by the above-mentioned higher import bill that outpaced exports receipts.

The surplus from the secondary income dropped by 6.6 percent driven by decreased inflows from government budgetary grants (-28.0 percent) that outweighed the good performance of remittances (10.3 percent). Lastly, the primary income balance rose by 14.6 percent, driven by higher outflows from dividends and reinvested earnings (50.0 percent). In contrast, the service balance improved significantly on strong recovery of the travel and tourism sector. Specifically, service exports went up by 18.2 percent, amounting to USD 1.043 million in 2023, from USD 881 million a year earlier.

Table 13: Balance of payments (USD million)

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| **A. Current account balance** | **-975** | **-1231** | **-1228** | **-1203** | **-1246** | **-1654** |
| **Goods and services, balance** | **-1298** | **-1482** | **-1649** | **-1783** | **-1985** | **-2274** |
| **A.1. Goods balance** | **-1155** | **-1465** | **-1650** | **-1659** | **-1989** | **-2369** |
| Credit | 1130 | 1240 | 1408 | 1531 | 2112 | 2466 |
| Debit | 2284 | 2705 | 3058 | 3190 | 4100 | 4835 |
| | | | | | | |
| **A.2. Services balance** | **-144** | **-18** | **2** | **-124** | **4** | **95** |
| Credit | 914 | 1015 | 521 | 576 | 881 | 1043 |
| o/w Transport | 184 | 213 | 107 | 146 | 235 | 170 |
| Travel | 392 | 458 | 120 | 150 | 400 | 564 |
| Debit | 1057 | 1033 | 520 | 701 | 878 | 948 |
| ow/ Freight | 393 | 344 | 233 | 287 | 397 | 334 |
| Travel | 345 | 336 | 104 | 189 | 272 | 356 |
| | | | | | | |
| **A.4. Primary income balance** | **-344** | **-330** | **-200** | **-176** | **-242** | **-278** |
| Credit | 19 | 16 | 12 | 21 | 42 | 51 |
| Debit | 363 | 345 | 211 | 197 | 284 | 328 |
| o/w dividends and reinvested earnings | -144 | -124 | -41 | 53 | 88 | 132 |
| interest | 179 | 191 | 150 | 108 | 151 | 149 |
| **A.5. Secondary income balance** | **668** | **581** | **621** | **756** | **981** | **898** |
| Credit | 752 | 658 | 683 | 840 | 1061 | 960 |
| o/w remittances | 253 | 252 | 274 | 379 | 461 | 505 |
| Debit | 85 | 76 | 63 | 83 | 80 | 62 |
| | | | | | | |
| **Capital account and Financial account** | | | | | | |
| **B. Capital account** | **245** | **260** | **313** | **422** | **322** | **398** |
| **C. Financial account** | **811** | **926** | **1115** | **1110** | **705** | **1318** |
| C.1. Direct investment | 348 | 258 | 153 | 233 | 305 | 459 |
| C.2. Portfolio investment | -15 | -30 | 26 | 273 | -60 | -71 |
| C.3. Other investment | 477 | 698 | 936 | 604 | 460 | 929 |
| **D. Reserves (+ deficit)** | **96** | **112** | **328** | **-154** | **129** | **-107** |
| **E. NEO** | **15** | **157** | **128** | **-175** | **91** | **45** |

Source: National Bank of Rwanda

On the financing side, the financial account surplus excluding reserves increased by 87.1 percent in 2023, reaching USD 1,318 million, up from USD 705 million in 2022. This growth was supported by significant disbursements from government budget and project loans, as well as private capital flows, especially foreign direct investment (FDI). In the period under review, FDI net inflows were estimated at USD 459 million, up from USD 305 million registered in 2022, which is an increase of 50.5 percent. The continued uptick in FDI reflects the ongoing supportive economic policies, such as the "Manufacture and Build to Recover Program (MBRP)", and continued investments in the energy sector. Consequently, in the period under review, the balance of payments recorded a surplus of USD 107 million compared to a deficit of USD 129 million recorded in the same period of last year. The international gross official reserves increased to 4.4 months of prospective imports cover of goods and services in 2023, from 4.2 months in 2022.

The current account deficit is projected to widen in 2024 in line with global economic developments, before improving in the following years reflecting the country's macroeconomic policies and focus to boost exports.

The deterioration of the trade deficit will continue to be the major driver of the CAD. Imports are expected to remain high to support the growing investments, but this will be partially offset by an increase in export revenues boosted by government policies to increase and diversify Rwanda exports base as well as an increase of intra-African trade. Additionally, increases in exports of services buoyed by strong recovery in travel and transport services as well as persistent inflows from diaspora remittances will contribute further to the improvement in the CAD. This CAD is projected to be financed by private inflows notably FDI.

## III. MONETARY SECTOR AND INFLATION DEVELOPMENTS

### 3.1 INFLATION DEVELOPMENTS

On average, in 2023H2, the year-on-year headline inflation decelerated to 10.8 percent from the 17.7 percent recorded in 2023H1. The deceleration in headline inflation reflects the decreases in all its components. Food and non-alcoholic beverages inflation decreased to 21.5 percent from 35.5 percent, core inflation reduced to 7.5 percent from 11.8 percent, while energy inflation dropped to 2.8 percent from 9.4 percent. The downward trend in headline inflation in the second half of 2023 is due to sufficient domestic agricultural supply that is linked to favorable weather conditions for the 2024 Season A, previous monetary policy decisions, an easing trend in some international food price pressures, coupled with reduced costs of production for core items.

Table 14: Inflation developments for key items (annual average, percent change)

| | 2021 | | 2022 | | 2023 | | Annual average | | |
|---|---|---|---|---|---|---|---|---|---|
| | H1 | H2 | H1 | H2 | H1 | H2 | 2021 | 2022 | 2023 |
| Headline | 1.4 | 0.3 | 9.0 | 18.7 | 17.7 | 10.8 | 0.8 | 13.9 | 14.0 |
| Domestic | 0.1 | -1.6 | 7.8 | 18.5 | 19.2 | 11.5 | -0.8 | 13.2 | 15.2 |
| Food: | 0.1 | -2.1 | 14.6 | 36.7 | 35.5 | 21.5 | -1.0 | 25.7 | 28.2 |
| -Vegetables | -7.0 | -14.2 | 10.6 | 55.9 | 69.5 | 36.4 | -10.6 | 33.3 | 52.3 |
| -Meat | 4.4 | 5.2 | 9.7 | 16.7 | 15.5 | 11.3 | 4.8 | 13.2 | 13.4 |
| -Fruits | 6.0 | -0.9 | 13.1 | 30.3 | 30.4 | 26.3 | 2.6 | 21.7 | 28.6 |
| -Bread & Cereal | -2.9 | -1.4 | 12.0 | 36.0 | 28.2 | 5.2 | -2.1 | 24.0 | 16.3 |
| Housing | 1.9 | 1.6 | 6.7 | 8.3 | 4.8 | 2.6 | 1.8 | 7.5 | 3.7 |
| Transport | -1.9 | -5.5 | 6.6 | 13.3 | 9.6 | 7.0 | -3.7 | 9.9 | 8.3 |
| Imported | 5.8 | 6.3 | 12.8 | 19.4 | 13.4 | 8.8 | 6.1 | 16.1 | 11.0 |
| Core | 2.2 | 1.9 | 8.1 | 13.9 | 11.8 | 7.5 | 2.1 | 11.0 | 9.6 |
| Energy | -0.1 | 3.7 | 14.8 | 20.1 | 9.4 | 2.8 | 1.8 | 17.4 | 5.9 |

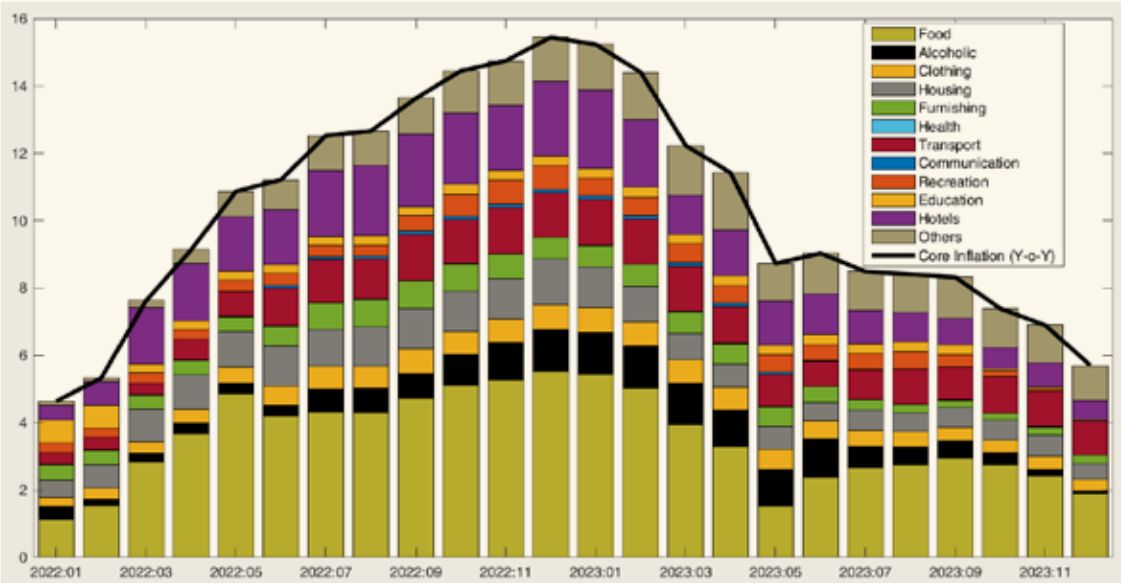
Source: National Bank of Rwanda

### 3.1.1 Contributors to Headline Inflation

#### a. Core inflation

In the second half of 2023, the year-on-year core inflation slowed down to 7.5 percent, from 11.8 percent in the first half of 2023. This decline was mainly due to a decrease in core food inflation (to 15.6 percent from 21.9 percent) and core housing inflation (to 2.8 percent from 4.1 percent). The reduction in core food inflation can be attributed to a decrease in the price of some processed food items like cereals, sugar, and cooking oil, resulting from a decline in global demand and better weather conditions in Rwanda. The decline in core housing inflation reflects the easing trend in the costs of renting.

Figure 2: Developments in monthly core inflation (% change, y-o-y)

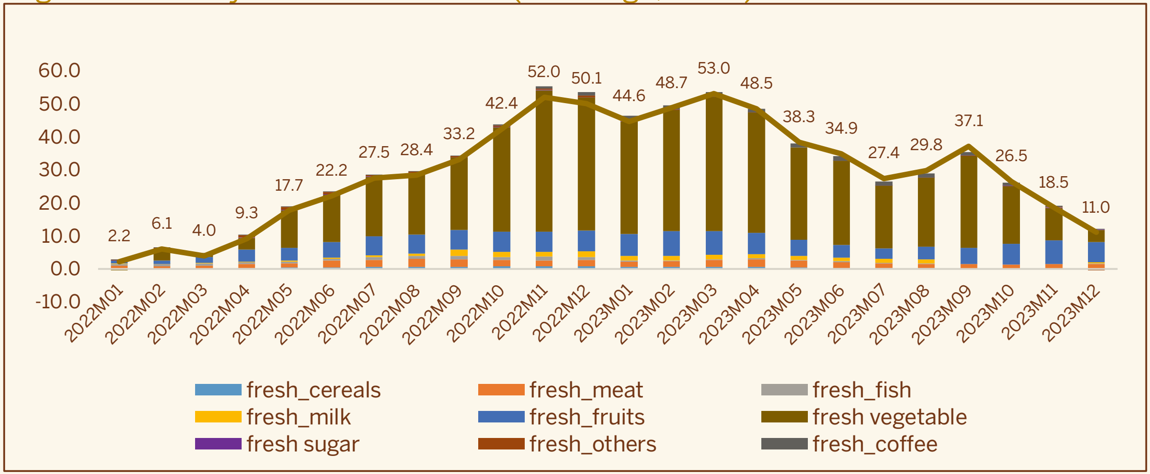



Source: National Bank of Rwanda

#### b. Food and non-alcoholic beverages inflation

In the second half of 2023, year-on-year inflation for fresh food decreased to 25.1 percent from 44.7 percent in the first half of the year. This decrease was mainly driven by a sharp fall in the inflation of vegetables, which fell to 36.4 percent from 69.5 percent. The trend reflects a good harvest of vegetables such as Irish potatoes, beans, tomatoes, carrots, and onions.

Figure 3: Monthly fresh food inflation (% change, Y-o-Y)

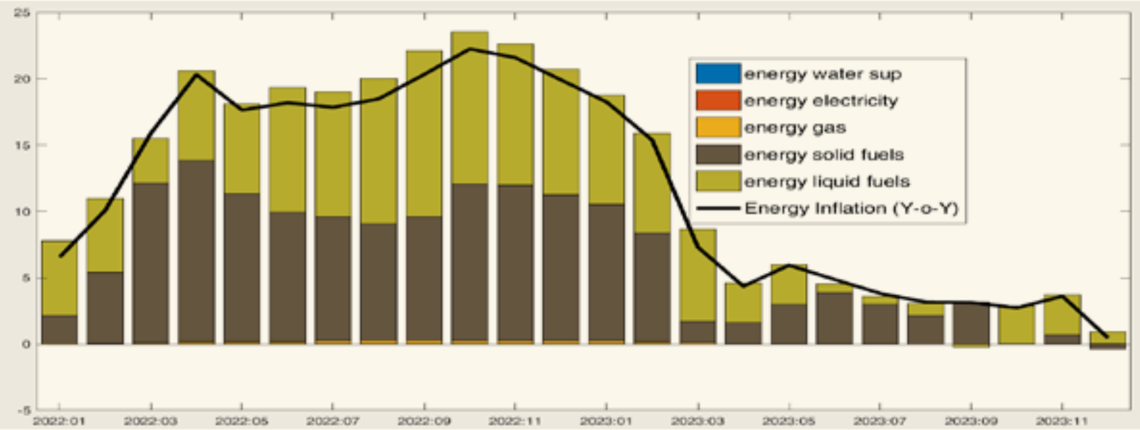



Source: National Bank of Rwanda

### c. Energy inflation

Energy inflation decreased to 2.8 percent in 2023H2, which is a significant drop from 9.1 percent recorded in 2023H1. This decrease reflects reductions in both solid and liquid fuel inflation over the same period. Solid fuels inflation fell to 2.8 percent from 9.2 percent, which can be attributed to the favorable weather condition that were conducive to the production processes of charcoal and firewood. Similarly, during the same period, liquid fuels inflation dropped to 5.3 percent from 19.0 percent, which was consistent with the trend observed in the global oil prices.

Figure 4: Monthly Energy inflation (% change, Y-o-Y)



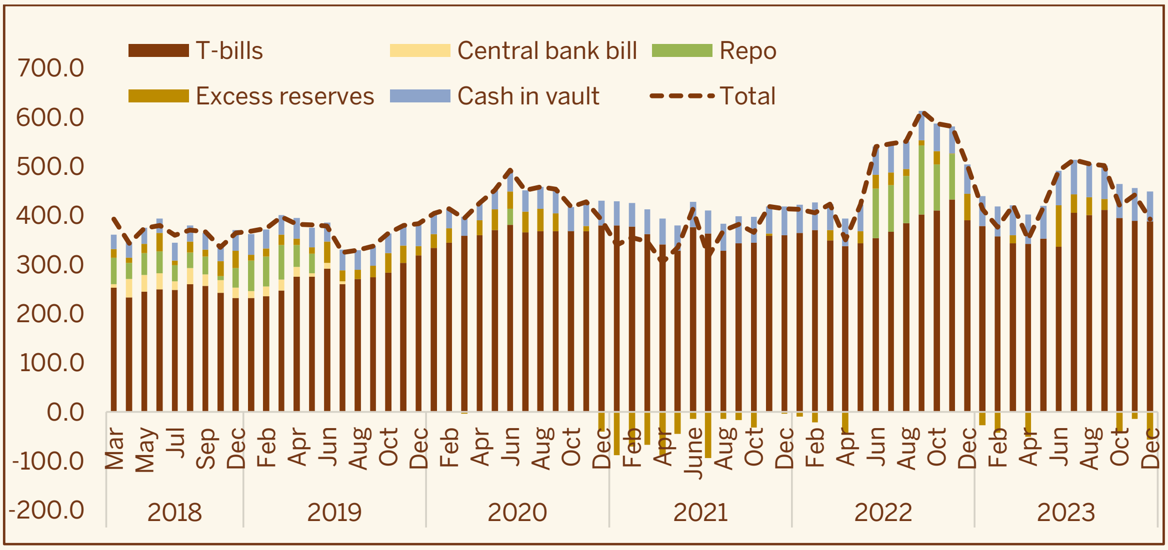

Source: National Bank of Rwanda

## 3.2 MONETARY SECTOR DEVELOPMENTS

### 3.2.1 Banking System Liquidity Conditions

In 2023, the most liquid assets of banks reduced by 22.2 percent, contrasting with a growth of 21.9 percent recorded in 2022. This decline mainly resulted from lower excess reserves and a shift observed within banks' asset portfolios, characterized by a transition from short-term to long-term government securities.

Figure 5: Most liquid assets of commercial banks (FRW Billion)



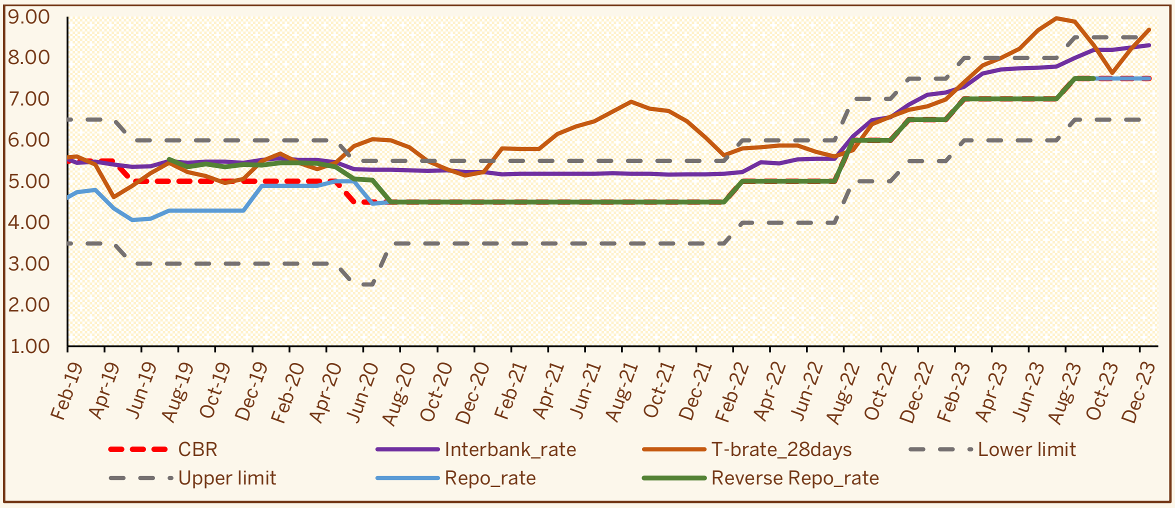

Source: National Bank of Rwanda

### 3.2.2 Monetary Policy and Interest Rates

In 2023, the National Bank of Rwanda continued a tight monetary policy with the aim of mitigating inflationary pressures and restore headline inflation within the target band of 2 to 8 percent. The Central Bank Rate (CBR) increased twice throughout the year, totaling 100 basis points, and reaching 7.5 percent. Looking back to 2022, the CBR underwent three hikes, accumulating to a total of 200 basis points. Thus, the combined increase over the two-year tightening cycle reached 300 basis points.

As a result, money market rates were steered around the central bank rate, with the average interbank rate increasing by 192 basis points to 7.84 percent in 2023, from 5.92 percent in 2022.

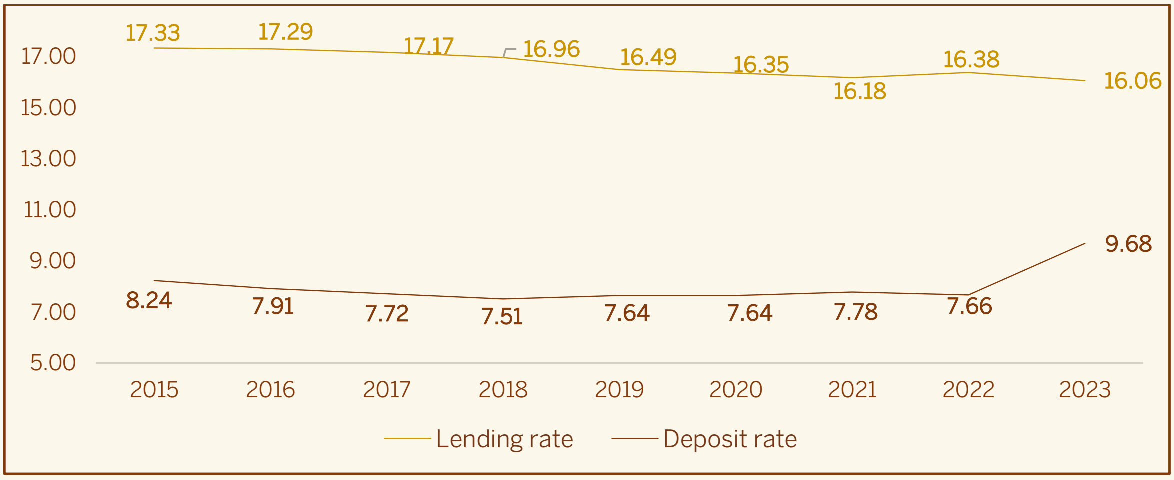
Figure 6: Money market rates developments (%)




Source: National Bank of Rwanda

The annual average lending rate fell by 32 basis points to 16.06 percent in 2023 from 16.38 percent in 2022, on the back of increased share of big loans with short-term maturity, which were priced at relatively lower rates. During the same period, annual average deposit rate rose by 202 basis points to 9.68 percent in 2023 from 7.66 percent in 2022, resulting from increased share of long-term deposits. As a result, the spread between the lending rate and the deposit rate narrowed by 235 basis points, to 6.37 percent in 2023 from 8.72 percent in 2022.

Figure 7: Market interest rates (%, average)



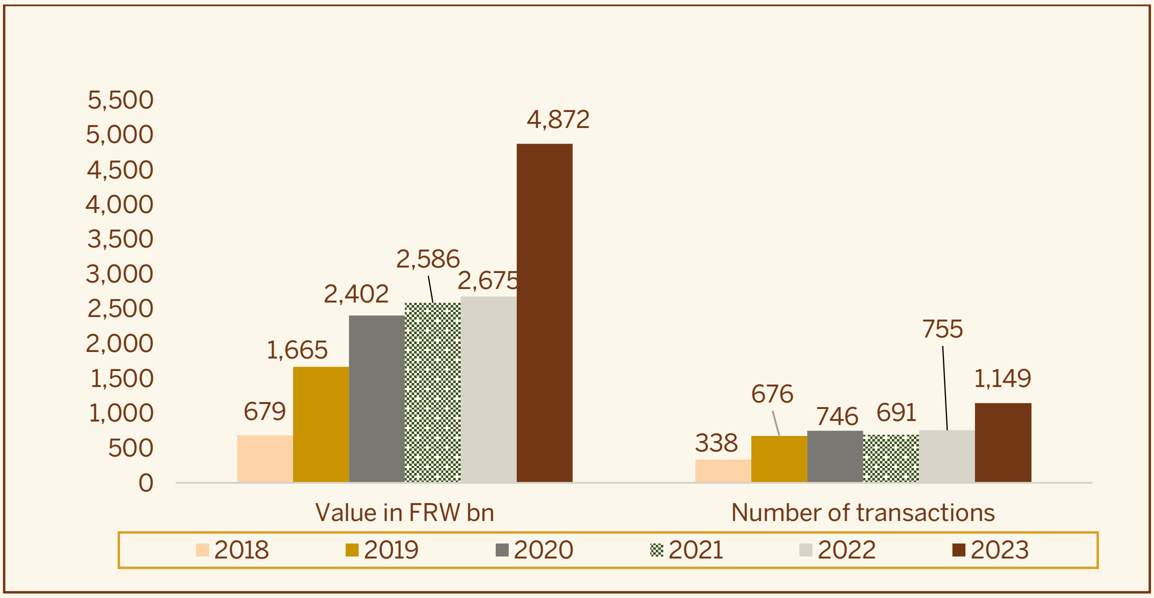

Source: National Bank of Rwanda

### 3.2.3 Interbank Market Developments

In 2023, the interbank market was vibrant compared to the previous year, with an increase in both transaction frequency and exchanged volume. The number of transactions increased by 52.2 percent, reaching 1,149 in 2023 from 755 recorded in 2022. Simultaneously, the exchanged amount increased by 82.1 percent to FRW 4,872 billion from FRW 2,675 billion.

The increase in the number and volume of transactions on the interbank market is generally attributed to the increasing trust among commercial banks, improvement in banks' liquidity management skills, and the judicious implementation of the monetary policy by the National Bank of Rwanda. The latter ensured adequate liquidity throughout the period, proving instrumental for the efficient functioning of the interbank market.

Figure 8: Interbank activity

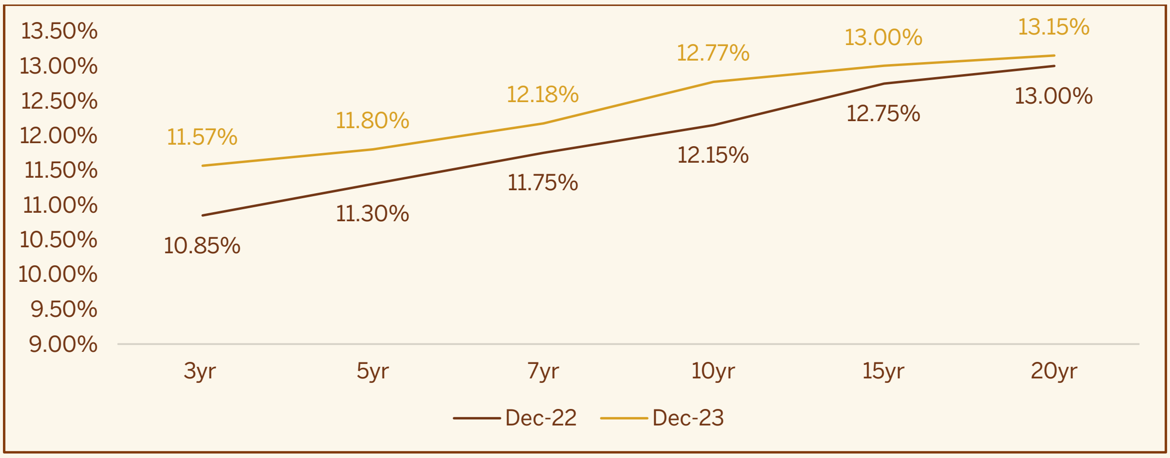



Source: National Bank of Rwanda

### 3.2.4 Primary Market Development

In 2023, the National Bank of Rwanda, acting on behalf of the Government, has successfully issued six new bonds and reopened eight existing bonds, with an average subscription rate of 118.6 percent. Despite the oversubscription, the yield curve shifted upward, in line with the tight monetary policy stance in the period under review.

Figure 9: Yields of Treasury Bonds (%)

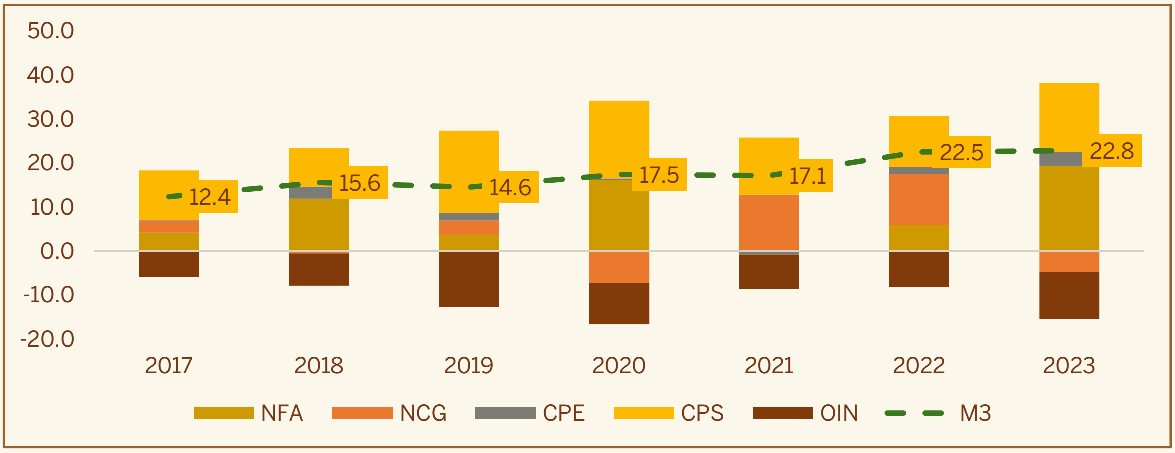



Source: National Bank of Rwanda

### 3.2.6 Money supply

In 2023, broad money (M3) grew by 22.8 percent, mainly driven by a 75.1 percent rise in credit extended to public enterprise (CPE), a 19.9 percent increase in credit to the private sector (CPS), and a 46.8 percent surge in net foreign assets (NFA).

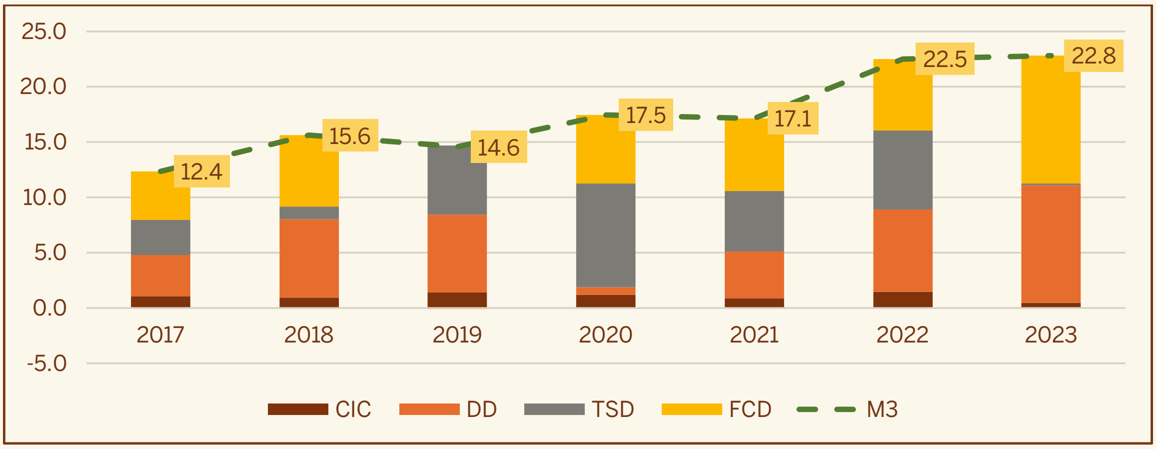
**Figure 10: Contributors to M3 growth on the asset side (% change)**




Source: National Bank of Rwanda

On the liability side, the main contributors to M3 growth were Demand Deposits (DD) with a growth of 32.68 percent, and Foreign Currency Deposits (FCD) with a growth of 43.90 percent.

**Figure 11: Contributors to M3 growth on liability side (% change)**



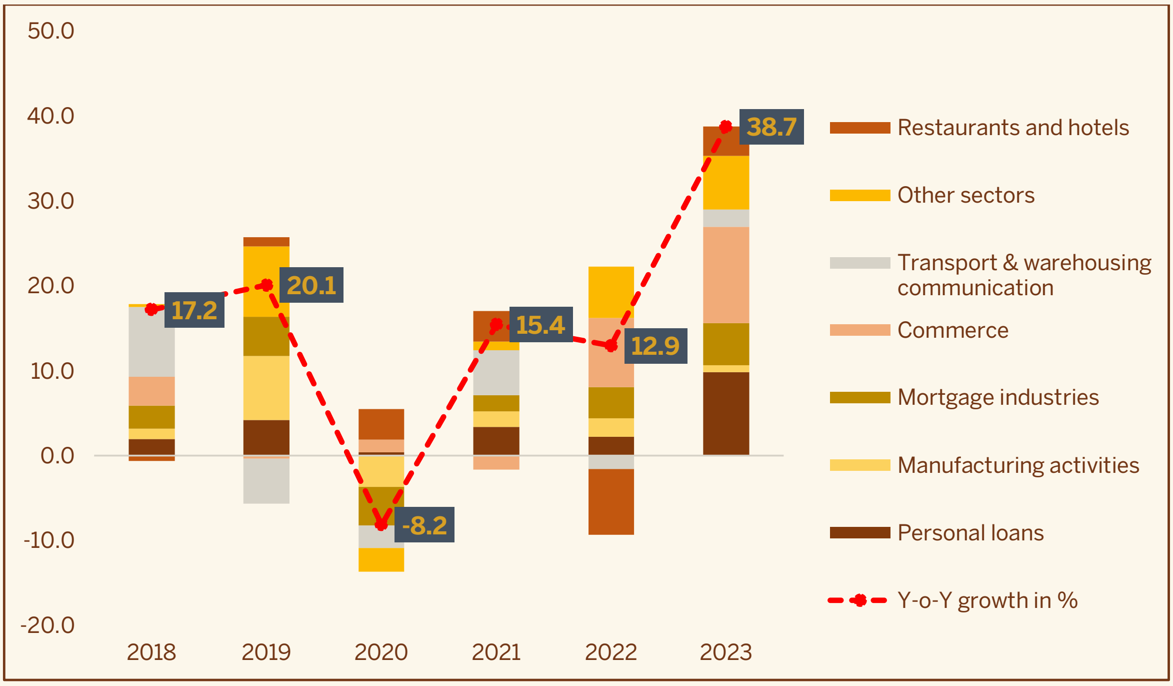

Source: National Bank of Rwanda

### 3.2.7 Credit

In 2023, New Authorized Loans (NALs) increased by 38.7 percent, compared to a 12.9 percent growth recorded in 2022. Four industries have contributed the most to the increase: commerce contributed by 11.3 percent, personal loans by 9.8 percent, mortgage industries by 4.9 percent, and restaurants & hotels by 3.4 percent. The good economic performance has contributed to the increase in NALs.

Short-term debts outweighed other types of loans, particularly for the commerce sector in the form of working capital and overdrafts. In 2023, short-term debts accounted for 41.2 percent of the total NAL, while medium-term and long-term loans made up 33.5 percent and 25.3 percent, respectively.

Figure 12: Contributions of Sectors to the Change in New Authorized Loans (%, Y-o-Y)




Source: National Bank of Rwanda

# IV. FOREIGN EXCHANGE MARKET DEVELOPMENTS

This section provides an analysis for the foreign exchange rate and foreign exchange market in the year 2023. Linked to the widening of the current account deficit and the strength of the US dollar following US monetary policy tightening, the franc has been losing its strength. This reflects the mismatch between the demand and supply of foreign exchange on the domestic market.

## 4.1 EXCHANGE RATE DEVELOPMENTS

As of the end of December 2023, the Rwandan Franc (FRW) depreciated by 18.05 percent (y-o-y) compared to the US dollar, which is higher than the 6.05 percent depreciation rate recorded in December 2022. A wider trade deficit and the strengthening of the US dollar, following US monetary policy tightening, mainly drove this higher depreciation rate.

The FRW also weakened against other major currencies including the pound (25.07 percent end December 2023), the Euro (22.50 percent) and the Japanese Yen (10.78 percent). Relative to regional currencies, the FRW continued to gain value against both the Kenyan Shilling and Burundian Franc, appreciating by 6.89 percent and 14.13 percent respectively. However, the FRW remained weak against both the Tanzanian and the Ugandan shillings, depreciating by 9.78 percent and 15.86 percent respectively.

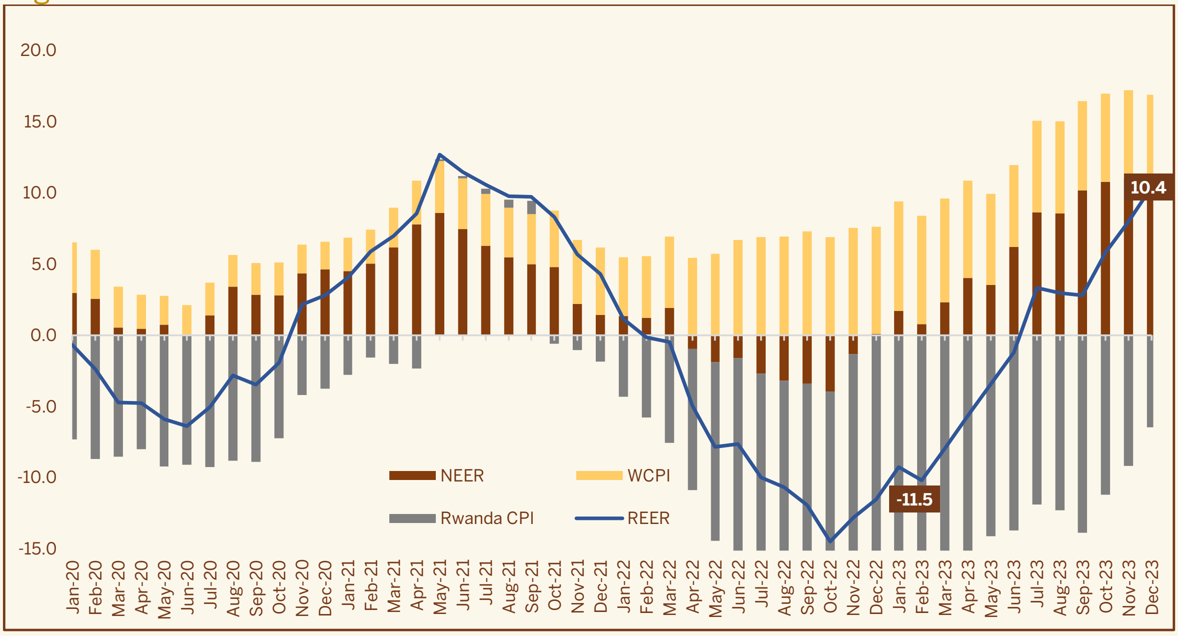
Table 15: Appreciation (-) /Depreciation (+) rate of FRW against selected currencies (y-o-y)

| | FRW/USD | FRW/GBP | FRW/EUR | FRW/JPY | FRW/KES | FRW/TZS | FRW/UGX | FRW/BIF |
|---|---|---|---|---|---|---|---|---|
| Dec-13 | 6.1 | 8.0 | 10.2 | -13.4 | 5.3 | 6.2 | 11.7 | 4.9 |
| Dec-14 | 3.6 | -2.4 | -8.5 | -9.7 | -2.8 | -7.0 | -6.7 | 1.0 |
| Dec-15 | 7.6 | 2.8 | -3.2 | 7.8 | -4.6 | -13.5 | -11.6 | 10.0 |
| Dec-16 | 9.7 | -9.2 | 5.3 | 13.4 | 9.6 | 8.6 | 2.3 | -0.2 |
| Dec-17 | 3.1 | 13.2 | 16.9 | 6.6 | 2.3 | 0.4 | 2.7 | -1.0 |
| Dec-18 | 4.04 | -1.96 | -0.07 | 6.20 | 5.46 | 1.24 | 1.77 | 1.93 |
| Dec-19 | 4.94 | 8.48 | 2.81 | 6.25 | 4.53 | 3.73 | 5.13 | -0.24 |
| Dec-20 | 5.42 | 9.42 | 15.71 | 11.43 | -1.34 | 5.66 | 7.17 | 2.53 |
| Dec-21 | 3.82 | 2.94 | -4.39 | -6.96 | 0.24 | 4.78 | 6.85 | 1.00 |
| Dec-22 | 6.05 | -5.30 | -0.04 | -7.90 | -2.80 | 4.47 | 1.17 | 2.03 |
| Dec-23 | 18.05 | 25.07 | 22.50 | 10.78 | -6.89 | 9.78 | 15.86 | -14.13 |

Source: National Bank of Rwanda

The nominal value of the FRW decreased compared to a weighted average of 31 currencies of the main trading partners. As of the end of December 2023, it depreciated by 10.6 percent, which is a significant drop compared to the 0.1 percent depreciation in December 2022. In terms of real effective value, the FRW depreciated by 10.4 percent, as a sharp drop in domestic inflation offsets the weighted foreign inflation of trade partners.

Figure 13: Drivers of REER movement



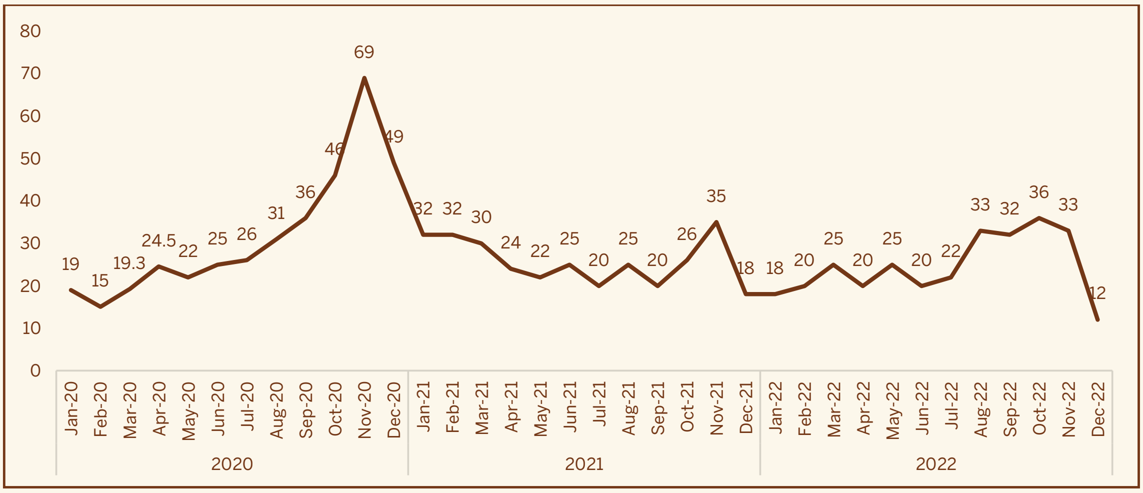

Source: National Bank of Rwanda

## 4.2 FOREIGN EXCHANGE MARKET DEVELOPMENTS

As of the end of December 2023, the net foreign assets of commercial banks had increased significantly by 420.9 percent, year-on-year, to FRW 421.14 billion, reflecting a faster increase in foreign assets (120.0 percent) than in the foreign liabilities (35.6 percent).

However, the FRW was under pressure in 2023 due to increased mismatch between high imports bill and low export earnings, and the strenghening of the US dollar stemming from the tight monetary policy implemented by the Fed. Nevertheless, gross foreign reserves covered 4.4 months of imports of goods as of end December 2023, and are expected continue covering more than 4 months of imports in the medium-term.

Figure 14: NBR forex sales to banks (in million USD)




Source: National Bank of Rwanda

# V. FINANCIAL SECTOR STABILITY

## 5.1 INTRODUCTION

The financial sector demonstrated resilience and maintained its growth trajectory, despite the challenges caused by global and domestic macroeconomic challenges, volatile weather patterns, and the strengthening of the US dollar. As of December 2023, the total assets within the financial sector grew by 20.0 percent, to FRW 10,687 billion from FRW 8,909 billion in December 2022. Measuring the size of financial sector assets relative to Gross Domestic Product (GDP), the depth of the financial sector reached 66.7 percent in December 2023 from 64.9 percent in December 2022. This portrays the expanding role the financial sector continues to play in financing the economy.

Lending institutions have remained resilient to potential adverse shocks, largely due to their robust capitalization and improved efficiency in their operations. Banks and Microfinance Institutions (MFIs) have maintained their average Capital Adequacy Ratios (CAR) at 21.5 percent and 33.8 percent, respectively, exceeding the 15 percent regulatory requirement. The lending institutions' capitalization is attributed to their ongoing efforts to strengthen capital through retained earnings, capital injection, and the enhancement of asset quality. These measures have strengthened the institutions ability to weather external shocks, ensuring continued provision of financial services to the real economy.

Additionally, private insurance solvency notably improved to 296 percent in December 2023 from 221 percent in December 2022, indicating enhanced efficiencies and asset quality, thus reinforcing the sector's resilience against risks.

The liquidity position of financial institutions remains strong, Banks continue to hold adequate liquidity buffers both in the short and long-term perspective. As at end December 2023, the Liquidity Coverage Ratio (LCR) stood at 234 percent, while Net Stable Funding Ratio (NSFR) stood at 114.6 percent above minimum requirement of 100 percent. On the other hand, the average liquidity ratio of microfinance institutions (MFIs) stood at 86 percent above the 30 percent minimum prudential requirement. The liquidity ratio of private insurers also improved to 117 percent in December 2023 from 98 percent in December 2022.

In the medium term, the financial sector is expected to remain stable and Sound despite global and domestic macroeconomic challenges. This resilience is backed by ample capital and liquidity reserves, strengthened risk management practices and overall good economic performance.

To safeguard the financial sector against various emerging risks, the NBR will continue monitoring potential threats stemming from macroeconomic conditions, climate-related influences, and disruptions in global supply chains. Additionally, supervision of the financial sector will be conducted to ensure that financial institutions maintain sufficient capital buffers to withstand adverse economic shocks, uphold ample liquidity to meet financial obligations, and ensure the security of payment systems to preserve stability within the financial system.

The following sections provide an overview of the performance and stability of the financial sector as of December 2023. They highlight the regulatory measures implemented to strengthen stability and offer insights into the sector's projected outlook in the medium term.

## 5.2. STRUCTURE OF THE FINANCIAL SYSTEM

The financial system continued to grow in number and size supported by a conducive regulatory and economic environment. The sector comprises of diverse institutions and infrastructures that play pivotal roles in promoting financial inclusion, fostering investments, generating employment, and enhancing overall well-being.

As of December 2023, the number of regulated financial institutions grew to 664 from 634 in December 2022. This growth was propelled by various factors including the entrance of a new Sacco, a mutual insurance company entering into the insurance industry, and the licensing of 12 new lending-only institutions and 6 Trust and Company Service Providers (TCSPs). Additionally, there were 3 new money transfer & remittance companies, 6 payment aggregation service providers, and 2 E-money issuers, along with 2 newly licensed private pension schemes. However, amidst this growth, there were declines in certain institutions. Notably, the number of banks reduced due to the merger and acquisition of Cogebanque by Equity Bank Rwanda. Furthermore, in the private pension sector, Heifer private pension was acquired by Sonarwa Life pension scheme, while SANLAM Vie private pension scheme was suspended.

The expansion in the financial system is aligned with the NBR's objectives of modernizing and extending its regulatory boundaries to enhance financial access and promote effectiveness and efficiency of the financial system. Despite challenging global and domestic economic conditions, the financial sector continued to expand in terms of size. The total assets of the financial sector increased by 20.0 percent to FRW 10,687 billion in December 2023 from FRW 8,909 billion in December 2022, supported by improved efficiencies and deposits.

The growth of assets was observed across all sub-sectors. In the banking industry, the largest sub-sector, growth in total assets was driven by the growth of deposits and capital. The assets of the pension sector, the second largest sub-sector expanded on account of the growth of contributions and investment income. In the insurance sub-sector, total assets expanded owing to improved underwriting returns, capital injection, and investment income. Similarly, the assets of microfinance institutions grew significantly due to increased deposits and equity capital.

Despite this expansion, the financial sector remains characterized by high concentration and dominance by banks, constituting around 68.3 percent of the total financial sector assets.

### Table 16: Structure of Financial Sector

| Regulated Financial Institutions | Dec 2022 | | | Dec- 2023 | | |
|---|---|---|---|---|---|---|
| (Assets in FRW Billion) | Number | Assets | % of TA | Number | Assets | % of TA |
| **Banks** | **15** | **5,993** | **67.3** | **14** | **7,304** | **68.3** |
| Commercial Banks | 10 | 4,814 | 54.3 | 9 | 5,797 | 54.2 |
| Microfinance Banks | 3 | 78 | 0.9 | 3 | 93 | 0.9 |
| Development Banks | 1 | 478 | 5.4 | 1 | 638 | 5.9 |
| Cooperative Banks | 1 | 622 | 7.0 | 1 | 776 | 7.3 |
| **Pension Schemes** | **13** | **1,480** | **16.6** | **12** | **1,683** | **15.8** |
| Public | 1 | 1,401 | 15.7 | 1 | 1,591 | 14.9 |
| Private | 12 | 79 | 0.9 | 11 | 92 | 0.9 |
| **Insurers** | **17** | **829** | **9.3** | **18** | **963** | **9.0** |
| Life | 3 | 85 | 1 | 3 | 98 | 0.9 |
| Non-Life | 11 | 733 | 8.2 | 11 | 850 | 7.9 |
| Micro insurer | 1 | 5. | 0.1 | 1 | 7 | 0.1 |
| Captive insurer | 1 | 6 | 0.1 | 1 | 8 | 0.1 |
| HMO | 1 | - | - | 1 | - | - |
| Mutual Insurance | - | - | - | 1 | - | - |
| **Microfinances** | **457** | **512** | **5.7** | **458** | **633** | **5.9** |
| U-SACCOs | 416 | 192 | 2.2 | 416 | 205 | 1.9 |
| Other SACCOs | 22 | 158 | 1.8 | 23 | 219 | 2.0 |
| Limited Companies | 19 | 162 | 1.8 | 19 | 209 | 2.0 |
| **Foreign Currency Dealers** | **78** | **9** | **0.1** | **78** | **10** | **0.1** |
| Forex Bureau | 78 | 9 | 0.1 | 78 | 10 | 0.1 |
| **Payment Services Providers (PSPs)** | **22** | **-** | **-** | **33** | **-** | **-** |
| Money Transfer & Remittance Companies | 6 | - | - | 9 | - | - |
| Payment Aggregation Services Providers | 9 | - | - | 15 | - | - |
| E-Money Issuers | 5 | - | - | 7 | - | - |

| Regulated Financial Institutions | Dec 2022 | | | Dec- 2023 | | |
|---|---|---|---|---|---|---|
| (Assets in FRW Billion) | Number | Assets | % of TA | Number | Assets | % of TA |
| Payment Systems Operators | 2 | - | - | 2 | - | - |
| **Non-Deposits Taking Financial Institutions** | **32** | **86** | **1.0** | **50** | **94** | **0.9** |
| Lending only | 10 | - | - | 22 | - | - |
| Factoring | 2 | - | - | 2 | - | - |
| Guarantees | 1 | - | - | 1 | - | - |
| Debt Collection | 15 | - | - | 15 | - | - |
| TCSPs | 3 | - | - | 9 | - | - |
| Leasing | 1 | - | - | 1 | - | - |
| **Credit Reference Bureaus** | **1** | - | - | **1** | - | - |
| **Grand Total** | **635** | **8,909** | **100 %** | **664** | **10,687** | **100 %** |

Source: National Bank of Rwanda

## 5.3. BANKING SECTOR

### 5.3.1 Structure of the Banking Sector

Since the publication of the previous edition of MPFSS in September 2023, the number of participants in the banking sector has decreased by one to 14 banks. This change occurred due to the merger and acquisition of Cogebanque PLC by Equity Bank Rwanda PLC in September 2023. As of end December 2023, the banking sector comprised of 9 commercial banks, 3 microfinance banks, 1 development bank and 1 cooperative bank. This number is further expected to reduce this year, given that the three microfinance banks will transition from the bank category to the microfinance institutions category in compliance with the capital requirement of the new banking law and regulations. Most banks (12 out 13) are deposit takers, and their banking model remains predominantly centred on intermediation of deposits for credit provision mainly to the private sector. The banking sector is expected to remain stable and resilient to adverse shocks in medium term on account of stable economic outlook and the enough capital and liquidity buffers that banks currently hold to absorb any emerging shocks.

### 5.3.2 Banking Sector Performance

The growth of the balance sheet of banks has improved during the period under review. The total assets of banks expanded by 22 percent to FRW 7,304 billion in December 2023 from FRW 5,993 billion in December 2022, higher than the growth of 18.3 percent that was registered during the previous year. This growth of assets of banks was mainly supported by the growth of customers' deposits (+ 32.5 percent) and equity (+ 13.3 percent). The banking sector balance sheet structure continued to be dominated by loans which constituted 51.1 percent of total assets, followed by investments in Government securities at 17.8 percent. The remainder of bank's assets is made of placements in other Banks (16.4 percent), reserves at the Central Bank (8.4 percent), other assets (4.4 percent) and cash (1.9 percent).

The banking sector has maintained its predominance in intermediating financial resources to the real economy. Despite tight monetary conditions, lending activities of banks have not been interrupted by the pass-through of the central bank rate to funding rates (the deposit rate and interbank rate). So far, the increased funding rates have not led to a broad-based tightening of credit conditions. In fact, the weighted average lending rate on new loans marginally reduced to 16.0 percent in 2023, from 16.4 percent in 2022.

Underpinned by stable credit conditions along with increased investment opportunities, the pace of credit demand increased. For instance, the demand for credit in value increased by 47.2 percent to FRW 2,497 billion in 2023 from FRW 1,696 billion in 2022, compared to the growth of 10.9 percent in 2022. During the same period, the demand for loans in volume increased by 25.7 percent to 883,219 from 702,538. Looking ahead, banks have indicated no sign of tightening credit standards, and credit delivery is expected to remain uninterrupted, consistent with an improving economic outlook and increased capacity to supply loans.

Funding wise, the banking sector continued to operate in a favourable environment. Funding and liquidity risks remain moderate as banks rely mostly on deposits from customers rather than borrowings to finance their core lending business. Deposits from customers remain the most important component of banks' funding, representing 77.4 percent of total liabilities of banks as at end December 2023 compared with 72.2 percent as at end December 2022. Banks' funding sources are relatively stable, with a large share of domestic deposits, which are less susceptible to flight risk. This structure of balance sheet places banks in good funding conditions and insulates them to funding risks arising from volatility and disruptions to international funding market conditions as in these days of tight global financial conditions.

## Table 17: Balance Sheet of the Banking Sector

| Assets (FRW Billion) | Dec-21 | Dec-22 | Dec-23 | % Change 21/22 | % Change 22/23 |
|---|---|---|---|---|---|
| Cash and Bank Balances | 1,078 | 1,295 | 1,951 | 20.1 | 50.7 |
| Government Securities | 954 | 1,262 | 1,300 | 32.3 | 3.0 |
| Net Loans | 2,714 | 3,126 | 3,735 | 15.2 | 19.5 |
| Fixed Assets | 173 | 171 | 170 | -1.2 | -0.4 |
| Other Assets | 145 | 139 | 148 | -4.0 | 6.6 |
| **Total Assets** | 5,064 | 5,993 | 7,304 | 18.3 | 21.9 |
| **Liabilities (FRW Billion)** | **Dec-21** | **Dec-22** | **Dec-23** | **% Change 21/22** | **% Change 22/23** |
| Due to Domestic FIs | 792 | 1,100 | 999 | 38.8 | -9.2 |
| Due to FIs Abroad | 62 | 35 | 75 | -43.4 | 113.3 |
| Customer Deposits | 3,087 | 3,600 | 4,770 | 16.6 | 32.5 |
| Other Liabilities | 273 | 251 | 321 | -7.8 | 27.8 |
| **Capital (FRW Billion)** | **Dec-21** | **Dec-22** | **Dec-23** | **% Change 21/22** | **% Change 22/23** |
| Total Shareholders Fund | 849 | 1,006 | 1,139 | 18.4 | 13.3 |
| Paid up Capital | 403 | 456 | 502 | 13.3 | 10.0 |
| Share Premium | 176 | 181 | 181 | 2.8 | 0.0 |
| Reserves | 145 | 193 | 237 | 33.1 | 22.9 |
| Profit of the Period | 126 | 176 | 219 | 40.0 | 24.6 |
| Total Liabilities and Equity | 5,064 | 5,993 | 7,304 | 18.3 | 21.9 |

Source: National Bank of Rwanda.

### 5.3.3 Soundness of the Banking Sector

Strengthening the financial and operational resilience of banks against external threats remains a key regulatory focus. There are ongoing risks to financial stability originating from sources outside the financial system, such as the increasing threat of cyber-attacks on financial institutions and the impacts and responses to climate change. These risks may interact with each other, contributing to uncertainty regarding their transmission through the financial system.

In response to these escalating threats, the NBR has intensified its supervision of operational resilience among banks and bolstered the regulatory framework to address these risks. For instance, in November 2023, the NBR enacted guidelines (no 2600/2023-0036) on climate-related and environmental financial risk management for financial institutions. These guidelines offer guidance to financial institutions on managing and mitigating climate-related risks throughout the risk management cycle and provide instructions on disclosing climate-related and environmental financial risks.

Additionally, in July 2023, the NBR issued directive (no 2600/2023-00033) on the treatment of shared services by financial institutions. This directive aims to ensure that financial institutions utilizing shared services appropriately identify and manage associated risks, including cyber risks, and establishes operational standards for financial institutions in alignment with best practices.

The level of capitalization of the banking sector remained strong, with sizeable headroom over the regulatory limit, which is a positive sign of the resilience of the sector. As at end December 2023, the total Capital Adequacy Ratio (CAR) stood at 21.5 percent higher than the regulatory minimum of 15 percent. Similarly, the core CAR stood at 20.3 percent against 12.5 percent minimum regulatory requirement. Capital buffers in excess of regulatory minima stood at FRW 315 billion in December 2023.

The banking sector-maintained capital mainly in the form of Common Equity Tier 1 (CET1), representing 94 percent of total regulatory capital, which is of high quality and permanent nature. The CET1 capital buffer was FRW 379 billion as at end-December 2023, up from FRW 332 billion as at end December 2022. The sufficient capitalization of banks is also evident in the leverage ratio, which serves as a crucial solvency indicator. This ratio measures capital resilience regardless of risk-weighted assets, thereby eliminating potential distortions in risk weight estimates. As of the end of December 2023, the consolidated leverage ratio of the banking sector reached 12.6 percent, surpassing the minimum regulatory requirement of 6 percent.

The stable capitalization of banks persisted, primarily driven by retained earnings and operational efficiencies. Banks have been proactive in adhering to the statutory increase in minimum paid-up capital, which took effect in December 2018. The robust levels of capitalization continue to bolster banks' ability to withstand unforeseen losses and fulfill the financing needs of the economy, even during economic downturns.

Looking ahead, banks are anticipated to maintain adequate capitalization. The perceived reduction in market risks, coupled with improving retained earnings, will further fortify banks' capacity to facilitate intermediation and absorb unexpected losses.

Banks hold significant buffers of liquid assets above regulatory requirements, enhancing their resilience to adverse liquidity conditions. The consolidated Liquidity Coverage Ratio (LCR) of the banking sector was 234 percent as at end-December 2023 well above the regulatory minimum of 100 percent. The LCR indicates the capacity of banks to withstand any liquidity withdrawal within a 30-day period, and the buffers maintained by banks indicate they are well positioned to withstand such drawdowns. From long term perspective, the Net Stable Funding Ratio (NSFR) that measures the proportion of funds available to finance banks' activity over a one-year horizon remained stable around 114.6 percent compared to the 100 percent minimum prudential requirement. This liquidity levels are supported by large amounts of High-Quality Liquid Assets (HQLA) held by banks (FRW 1,784 billion in December 2023 against FRW 1,523 billion in December 2022), mostly in central bank placements and government securities which can be pledged in the interbank market or with the Central Bank for additional liquidity during times of stress.

To reinforce sound standards of liquidity management across all banks, the NBR published in July 2023 the stress testing guidelines capturing stress testing procedures, responsibilities of board and senior management of banks, methodology, techniques, infrastructure, disclosure and reporting requirements. The guidelines require banks to continually assess their exposures to liquidity risk and ensure that robust and comprehensive liquidity management frameworks, including contingency funding plans, are in place to manage liquidity needs under a range of stress scenarios.

Downside risks to liquidity of banks remains the deposit concentration and decreasing maturity of funding. As at end-December 2023, demand deposits accounted for 65 percent of total deposits of banks whilst time deposits, which represent a more stable long-term source of funding, accounted for the remaining 35 percent of total deposits. Nevertheless, the liquidity risk is expected to remain minimal. Banks hold enough liquid assets that they can pledge to secure additional liquidity and continue to have access to the emergency liquidity facility with the NBR to meet liquidity needs. The NBR will also ensure that banks maintain their contingency funding plans to meet funding mismatches and stressed liquidity situations in line with their Internal Liquidity Adequacy Assessment Process (ILAAP).

Assets quality of banks slightly deteriorated but remains healthy during the year to end December 2023. Non-performing loans increased by FRW 82 billion to FRW 209 billion in December 2023 from FRW 127 billion in December 2022. Consequently, NPL ratio[6] increased to 4.1 percent in

[6] NPL ratio includes all exposures (on and off-balance sheet) exposures. NPL in consideration of on balance sheet exposures alone increased to 5.2 percent.

December 2023 from 3.1 percent in December 2022. The increase of non-performing loans was largely due to the default of one large credit facility. Otherwise, credit defaults were not broad-based as most households and businesses have been largely resilient to inflationary and exchange rate pressures. Banks prudently managed credit risk by increasing provisioning levels. The provisions increased by FRW 27 billion to FRW 207 billion as at end-December 2023, up from FRW 180 billion as at end-December 2022. The coverage ratio, measured as the ratio of provisions to gross NPL, also remained adequate around 99 percent over the same period. Banks are in a strong position to raise provisions and absorb loan losses if the credit risk outlook worsens more than expected.

Going forward, credit risk is expected to remain moderate. Banks do not expect widespread vulnerabilities and they remain vigilant in monitoring their higher risk borrowers. On positive note, forward looking indicator of assets quality indicates that credit risk could ease after the share of loans in watch category dropped to 5.2 percent in December 2023 from the pick of 14.2 percent in December 2021 during COVID periods, and this move further protects banks against credit losses.

Table 18: Key Financial Soundness Indicators for Banks (Percent)

| Indicators | Dec-19 | Dec-20 | Dec-21 | Dec-22 | Dec-23 |
|---|---|---|---|---|---|
| Total CAR (min 15 %) | 24.1 | 21.5 | 21.5 | 21.7 | 21.5 |
| Core Capital Tier 1 (min 12.5%) | 22.6 | 20.3 | 20.6 | 20.9 | 20.3 |
| NPLs Ratio | 4.9 | 4.5 | 4.6 | 3.1 | 4.1 |
| Provisions / NPLs | 81.5 | 106.3 | 119.8 | 141.9 | 99.1 |
| LCR (min 100%) | 215 | 254.7 | 268.9 | 215.9 | 234.0 |
| NSFR (min 100%) | 111 | 161.4 | 147.1 | 136.8 | 114.6 |
| FX Exposure/Core Capital (± 20%) | -4.8 | -4.4 | -3.7 | -0.6 | 1.0 |

Source: National Bank of Rwanda

Domestic banks' exposure to foreign exchange risks remains limited and poses minimal threat to overall stability of the banking sector. This is reflected in the overall net foreign exchange position that improved to FRW 8.7 billion in December 2023 from FRW -4.3 billion in December 2022. Relative to core capital, net open position improved to 1 percent in December 2023 from -0.6 percent in December 2022 and remains significantly lower than the prudential limit of ± 20 percent.

The banking sector remains profitable, and its profitability improved in line with increased investment in earning assets and prudent risks management. The aggregate net profits of banks increased by 24.6 percent to FRW 219 billion in 2023 from FRW 176 billion in 2022. As results, the Return on Assets (ROA) that measures how efficient banks' managements are in making profits from their assets on their balance sheet, increased to 4.8 percent in 2023 from 4.3 percent in 2022. During the same period, the Return on Equity (ROE), that gauges banks' ability to turn equity into profits, increased to 20.7 percent from 17.8 percent. The improved profitability of banks continued to be mainly underpinned by lending activities, trading and investment income.

Looking ahead, the profitability of banks is expected to remain stable on account of increasing investment in earning assets, improvement in assets quality and efficiency of banks.

Table 19: Income and Expenses Structure of Banks

| Interest Structure (FRW Billion) | Dec-21 | Dec-22 | Dec-23 | % Change 21/22 | % Change 22/23 |
|---|---|---|---|---|---|
| Interest Income | 496 | 572 | 686 | 15.2 | 20.0 |
| Fees & Commissions | 63 | 82 | 89 | 30.3 | 7.8 |
| Foreign Exchange Income | 47 | 45 | 64 | -4.8 | 43.0 |
| Other Income | 56 | 64 | 72 | 12.8 | 13.0 |
| **Total Income** | **663** | **763** | **911** | **15.0** | **19.4** |

| Expenses Structure (FRW Billion) | Dec-21 | Dec-22 | Dec-23 | % Change 21/22 | % Change 22/23 |
|---|---|---|---|---|---|
| Interest Expenses | 136 | 164 | 187 | 20.8 | 14.0 |
| Provisions for Bad Debts | 102 | 56 | 79 | -45.1 | 40.4 |
| Staff Costs | 97 | 113 | 133 | 15.9 | 17.6 |
| Other Expenses | 146 | 176 | 201 | 20.0 | 14.3 |
| **Total Expenses** | **482** | **509** | **599** | **5.6** | **17.8** |
| Profits (FRW Billion) | Dec-21 | Dec-22 | Dec-23 | % Change 21/22 | % Change 22/23 |
| Profits before Tax | 181 | 254 | 312 | 40.2 | 22.7 |
| Profits after Tax | 126 | 176 | 219 | 40.0 | 24.6 |
| Return on Assets (%) | 3.7 | 4.3 | 4.8 | | |
| Return on Equity (%) | 15.0 | 17.8 | 20.7 | | |

Source: National Bank of Rwanda

## 5.4 THE MICROFINANCE SECTOR

### 5.4.1. Structure of the Microfinance Sector

The Microfinance sector continues to exhibit stability since the previous MPFSS report. The sector consists of 458 institutions, including 416 Umurenge SACCOs, 23 non-Umurenge SACCOs, and 20 Public Limited Companies. Despite its modest reach compared to other financial intermediaries, the sector has shown growth, with MFIs' share of assets to total financial sectors' assets increasing from 5.7 percent in December 2022 to 5.9 percent in December 2023. Moreover, MFIs play a crucial role in extending financial inclusion to underserved populations due to their widespread reach. For example, the number of account holders in MFIs surged to 6,029,471 by December 2023 from 5,204,981 in December 2022, with U-SACCOs accounting for the majority at 67 percent. The subsequent section will delve into the performance of the Microfinance sector in December 2023 and the key factors contributing to its stability.

### 5.4.2. Performance of the Microfinance Sector

In December 2023, the total assets of the microfinance sector grew by 23.6 percent to FRW 633 billion from FRW 512 billion in December 2022, fueled by increased deposits and equity. Savings mobilization drove a 17.2 percent growth in deposits, reaching FRW 322 billion in December 2023 from FRW 274 billion in December 2022. Additionally, the nominal capital of the microfinance sector increased by 21.3 percent from FRW 176.5 billion in December 2022 to FRW 214.1 billion in December 2023. This growth was propelled by increases in capital injections (18.2 percent), retained earnings (16.2 percent), profits of the current period (9.7 percent), and other equity, largely composed of subsidies (31.9 percent).

During the review period, lending activities increased by 34.9 percent to FRW 438.2 billion in December 2023 from FRW 324.7 billion. This growth was observed across all microfinance categories. Outstanding credit in U-SACCOs grew by 21.0 percent in December 2023. Similarly, outstanding credit in Public Limited Companies (PLCs) expanded by 35.7 percent, while outstanding credit in non-Umurenge SACCOs (O-SACCOs) grew by 44.6 percent in December 2023.

### 5.4.3. Soundness of the Microfinance Sector

The capitalization of the microfinance sector remains stable due to increased capital injections. As at end Dec 2023, the aggregate CAR of MFIs stood at 31.6 percent, higher than the 15 percent minimum regulatory requirement. All categories of MFIs hold adequate capital buffers. The CAR of U-SACCOs stood at 33.8 percent as at end December 2023. During the same period, the CAR of PLCs stood at 24.6 percent, while the CAR of O-SACCOs stood at 39.0 percent.

Similarly, total equity of MFIs expanded by 21.3 percent to FRW 214.1 billion as at end December 2023 from FRW 176.5 billion as at end December 2022. This comprises of paid-up capital of FRW 71.6 billion (18.2 percent), subsidies

FRW 78.4 billion (31.9 percent), retained earnings FRW 38.8 billion (16.2 percent), and profit from the current period FRW 25.2 billion (9.7 percent). MFIs' robust capital positions instill confidence in their ability to withstand unexpected losses stemming from the diverse shocks.

The microfinance sector maintains high liquidity, standing at 86 percent, significantly exceeding the minimum prudential requirement of 30 percent for the sector. Specifically, the liquidity ratio for U-SACCOs stood at 80.6 percent as of December 2023, while Public Limited Companies (PLCs) and O-SACCOs recorded ratios of 75.3 percent and 140.9 percent, respectively. This stability in MFIs' liquidity is attributed to the growth of deposits and capital infusions.

Credit defaults remained manageable despite increased loan volumes. NPLs accounted for FRW 18.6 billion in December 2023, up from FRW 11.2 billion in December 2022.NPLs ratio slightly increased to 4.3 percent as at end December 2023, from 3.5 percent in December 2022. Similarly, the NPL ratio increased to 11.0 percent from 6.6 percent in U-SACCOs, However, both O-SACCOs and PLCs underscored the reduction in NPL ratios (1.4 percent,2.7 percent) respectively, mainly on account of the improved growth of outstanding loans.

The microfinance sector continues to be profitable, with its net profits increasing by 9.7 percent to FRW 25.2 billion as of December 2023, compared to FRW 23 billion recorded at the end of December 2022. The growth in profits is attributed to increased lending activities, resulting in a faster growth in assets compared to the growth in equity. This was funded by the growth in deposits. Consequently, the Return on Assets (ROA) decreased to 4.1 percent in December 2023 from 4.6 percent in December 2022, while the Return on Equity (ROE) decreased to 12.2 percent in December 2023 from 13.3 percent in December 2022.

During the year ending December 2023, 63 percent (260 out of 416) of Umurenge SACCOs (U-SACCOs) were automated, marking a significant increase from 66 in December 2022. This initiative aims to improve efficiency in the core banking system of the microfinance sector.

Table 20: Performance Indicators of Microfinance Sector

| Microfinance sector | Dec-19 | Dec-20 | Dec-21 | Dec-22 | Dec-23 |
|---|---|---|---|---|---|
| Assets (FRW billions) | 320.7 | 356.1 | 421.4 | 512.4 | 633.2 |
| Loans (FRW billions) | 183.6 | 202.4 | 235.2 | 324.8 | 438.3 |
| Deposits (FRW billions) | 170.2 | 192.2 | 220.2 | 274.3 | 321.6 |
| Equity (FRW billions) | 114.4 | 128.0 | 150.7 | 176.5 | 214.2 |
| Net profit (FRW billions) | 12.0 | 10.3 | 18.1 | 23.0 | 25.3 |
| Capital adequacy ratio | 35.7% | 36.0% | 35.8% | 34.5% | 33.8% |
| NPL ratio | 5.7% | 6.7% | 4.8% | 3.5% | 4.3% |
| Liquidity ratio | 100.6% | 101.5% | 112.3% | 90.9% | 85.9% |
| U-SACCOs | Dec-19 | Dec-20 | Dec-21 | Dec-22 | Dec-23 |
| Assets (FRW billions) | 134.33 | 143.52 | 162.97 | 192.49 | 204.94 |
| Loans (FRW billions) | 51.90 | 54.96 | 67.34 | 92.69 | 112.11 |
| Deposits (FRW billions) | 73.56 | 80.80 | 88.45 | 105.41 | 108.85 |
| Equity (FRW billions) | 46.1 | 50.4 | 58.8 | 67.8 | 77.2 |
| Net profit (FRW billions) | 4.3 | 4.1 | 7.4 | 9.1 | 8.2 |
| Capital adequacy ratio | 34.3% | 35.1% | 36.1% | 35.2% | 37.7% |
| NPL ratio | 11.3% | 12.4% | 9.2% | 6.6% | 11.0% |
| Liquidity ratio | 117.5% | 113.2% | 106.9% | 101.6% | 92.9% |
| Public limited companies | Dec-19 | Dec-20 | Dec-21 | Dec-22 | Dec-23 |
| Assets (FRW billions) | 94.1 | 106.8 | 124.7 | 162.1 | 208.6 |
| Loans (FRW billions) | 62.4 | 68.3 | 79.5 | 105.2 | 143.0 |
| Deposits (FRW billions) | 56.7 | 63.6 | 72.9 | 91.8 | 111.2 |
| Equity (FRW billions) | 22.8 | 26.9 | 33.2 | 38.5 | 51.3 |
| Net profit (FRW billions) | 2.4 | 1.1 | 2.8 | 3.4 | 3.8 |
| Capital adequacy ratio | 24.2% | 25.2% | 26.6% | 23.7% | 24.6% |
| NPL ratio | 3.6% | 4.0% | 3.1% | 2.9% | 2.7% |
| Liquidity ratio | 70.8% | 76.6% | 82.1% | 83.5% | 75.3% |
| O-SACCOs | Dec-19 | Dec-20 | Dec-21 | Dec-22 | Dec-23 |
| Assets (FRW billions) | 92.3 | 105.8 | 133.7 | 157.8 | 219.6 |
| Loans (FRW billions) | 69.3 | 79.1 | 88.3 | 126.7 | 183.2 |
| Deposits (FRW billions) | 39.9 | 47.8 | 58.8 | 77.1 | 101.5 |
| Equity (FRW billions) | 45.5 | 50.8 | 58.7 | 70.2 | 85.7 |
| Net profit (FRW billions) | 5.2 | 5.1 | 8.0 | 10.5 | 13.2 |
| Capital adequacy ratio | 49.3% | 48.0% | 43.9% | 44.5% | 39.0% |
| NPL ratio | 3.4% | 5.0% | 2.9% | 1.7% | 1.4% |
| Liquidity ratio | 160.0% | 143.0% | 210.4% | 105.1% | 140.9% |

Source: National Bank of Rwanda

## 5.5 INSURANCE SECTOR

### 5.5.1 Structure of the Insurance Sector

Insurance is essential across different sectors of the economy, offering vital financial protection and risk management for individuals, businesses, and other entities. Its core purpose is to assist in the management and transfer of risks by providing financial compensation for unforeseen event. Insurance operations entail transferring risk from individuals or entities (the insured) to insurance companies (insurers) in return for premium payments. Insurers collect funds from numerous policyholders to cover potential future claims costs.

Insurance is categorized into two main types: Non-life insurance and Life insurance. Additionally, the insurance sector includes four special categories: Micro insurance, Captive insurance, Health Maintenance Organization (HMO), and Mutual Insurance. The Private insurance is composed of 15 insurance companies, of which 9 offer non-life insurance products, 3 offer life insurance, 1 micro insurance business, 1 Captive Insurance, 1 Health maintenance Organization and 1 mutual Insurance. Apart from private insurers, the sector includes two public health insurers (RSSB Medical and MMI). In terms of intermediation, there are 15 active insurance brokers, 12 bancassurance providers, 1324 insurance agents, and 30 loss adjusters as of December 2023.

The insurance sector has shown steady growth, with the industry's asset base increasing by 16.9 percent to FRW 963.2 billion in December 2023 from FRW 824 billion in December 2022. Public medical insurers continue to dominate in size, accounting for 61.7 percent of the total assets of the insurance sub-sector as of December 2023, compared to 61.9 percent in December 2022. In terms of Gross Written Premiums (GWP), the two public medical insurers represent 40.7 percent of the sector's total written premiums. The insurance sector in Rwanda remains a key source of liquidity for financial institutions. As of December 2023, insurers held total placements in financial institutions amounting to FRW 372.8 billion, equivalent to 38.7 percent of the total assets of the insurance sector and 7.3 percent of total customer deposits in financial institutions. The increase in placements was driven by higher interest rates and insurers' interest in investing in secure investment avenues. Insurers also invested in local equities, totaling FRW 79.9 billion, which represents 8.2 percent of their total assets, and in government securities, amounting to FRW 311.2 billion, equivalent to 32 percent of their total assets.

General insurance (Non-life) business, classified as short term, continued to be the largest contributor to private insurance premiums, accounting for 78.8 percent of private insurers' premiums and 46.8 percent of the sector's total Gross Written Premiums (GWP) as of December 2023. The general insurance business is predominantly led by motor and medical insurance classes, which together represent 63 percent of total gross written premiums of General Insurance and 29 percent of the total Gross written premiums of the entire insurance industry.

Table 21: Product performance for Non-Life Insurance

| Product Description (In FRW Million) | Dec -22 | | | | Dec-23 | | | |
|---|---|---|---|---|---|---|---|---|
| | GWP | Net earned premium | Claims | Claims ratio | GWP | Net earned premium | Claims | Claims ratio |
| Motor | 42,036 | 37,471 | 24,977 | 67% | 53,608 | 44,687 | 28,062 | 63% |
| Property | 15,099 | 4,816 | 822 | 17% | 19,899 | 6,036 | 1,055 | 17% |
| Liability | 3,401 | 1,104 | 913 | 83% | 4,425 | 1,649 | 540 | 33% |
| Transportation | 1,381 | 657 | 326 | 50% | 1,549 | 659 | 73 | 11% |
| Accident& Health | 2,732 | 1,652 | 388 | 23% | 3,627 | 1,836 | 404 | 22% |
| Engineering | 9,034 | 1,530 | 359 | 23% | 11,611 | 2,294 | 508 | 22% |
| Guarantee | 4,631 | 1,535 | 110 | 7% | 5,698 | 1,903 | 347 | 18% |
| Medical | 29,701 | 21,939 | 14,923 | 68% | 32,847 | 26,363 | 16,593 | 63% |
| Miscellaneous | 6,323 | 1,998 | 526 | 26% | 6,366 | 2,418 | 624 | 26% |

Source: National Bank of Rwanda

Life insurance on the other hand, is a form of long-term insurance that offers financial compensation in the form of the assured amount upon maturity or in the event of the policyholder's death. The life insurance business encompasses various products, including ordinary life, traditional life, term life, and credit life products. As of December 2023, ordinary life and credit protection products dominated, accounting for 66.8 percent of the gross premiums collected by the life insurance sector.

Table 22: Product performance for Life Insurance

| Product description (In FRW Million) | Dec-22 | | | | Dec-2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | GWP | Net earned premium | Claims | Claims ratio | GWP | Net earned premium | Claims | Claims ratio |
| Ordinary life | 12,019 | 10,903 | 7,810 | 72% | 12,050 | 10,855 | 7,216 | 66% |
| Traditional life | 2,623 | 2,169 | 2,899 | 134% | 2,834 | 2,040 | 2,326 | 114% |
| Term life | 6,368 | 3,642 | 1,521 | 42% | 4,018 | 2,499 | 2,709 | 108% |
| Credit life | 7,036 | 3,532 | 3,171 | 90% | 9,086 | 6,236 | 3,944 | 63% |
| Funeral and others | 1,669 | 1,540 | 1,047 | 68% | 868 | 790 | 518 | 66% |

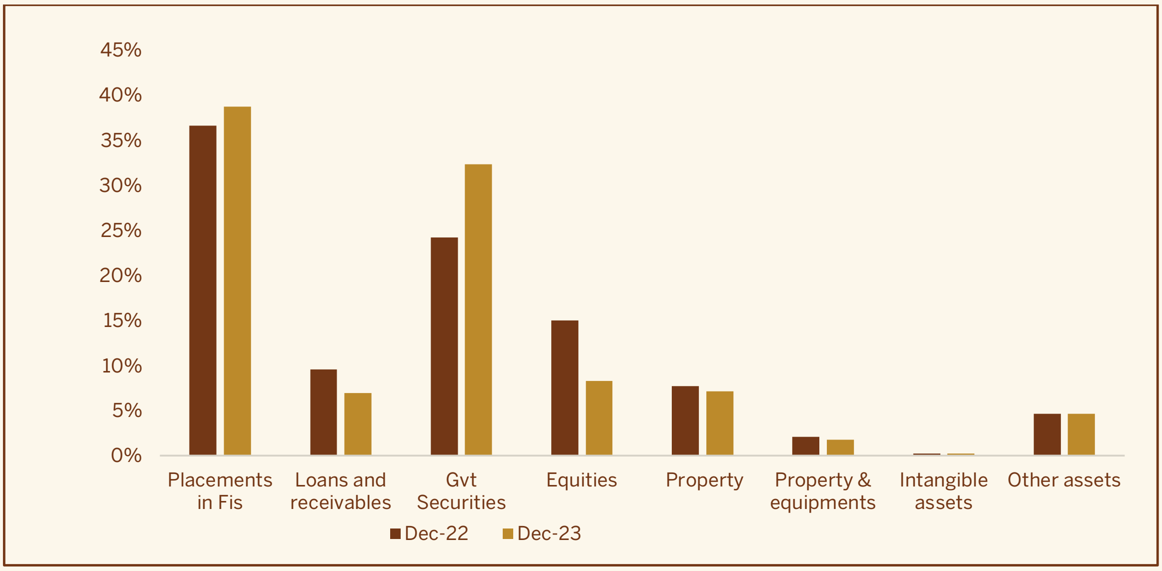
Source: Financial Stability Directorate

### 5.5.2 Performance of the Insurance Industry

During the period under review, the balance sheet of the insurance sector showed continued growth. Total sector assets increased by 16.9 percent, rising from FRW 824 billion to FRW 963 billion. All categories of insurers experienced double-digit growth between December 2022 and December 2023, indicating improved risk assessment, higher returns on investment income and improved underwriting performance.

The asset composition of insurance companies is crucial for their financial stability and capacity to meet policyholder obligations. These companies maintain a diversified asset portfolio to strike a balance between generating investment returns and maintaining enough liquidity to cover policyholder claims and other commitments. The asset allocation of insurance companies can differ depending on the type of insurance, regulatory demands, risk tolerance, and market conditions. Generally, insurers are increasingly drawn to safer investments. As of December 2023, the industry's assets were primarily allocated to placements in financial institutions (38.7 percent of total assets), followed by government securities (32.2 percent), equity investments (8.3 percent), receivables (6.9 percent), investments in property (7.1 percent), and other assets (4.7 percent). This diversified approach to asset allocation minimizes concentration risk and aims to strike a balance between potential returns and risk exposure (Figure 15).

Figure 15: Asset mix for Insurance

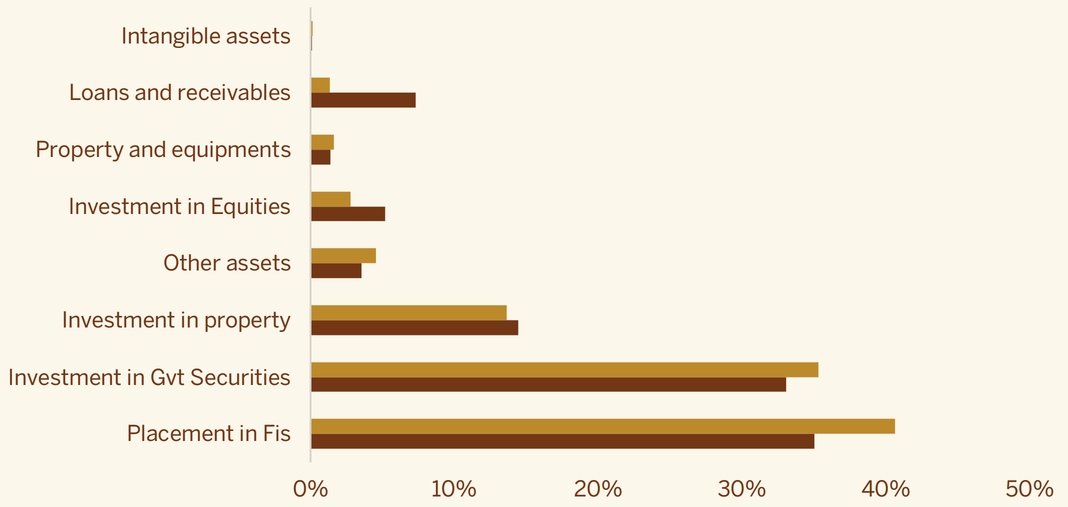



Source: National Bank of Rwanda.

The composition of assets in a life insurance company is a critical factor that directly influences its stability and its ability to fulfill its long-term commitments to policyholders. Asset-liability matching is crucial because life insurers have long-term policy obligations that must be aligned with similarly long-term assets. The maturity of life insurance policies tends to be short-term, with 59 percent of all policies having a maturity below five years and which matches the nature of the asset maturity of 64 percent below five years

This explains the asset mix of life insurance. Life insurers reduced their exposure in properties to match their liability and asset and increased investment in Government securities and placements in Financial Institutions Figure (16).

Figure 16: Asset mix for Life Insurance




Source: National Bank of Rwanda.

Private non-life insurers, also known as short-term insurers, primarily maintained their assets in short-term investments to meet their short-term obligations. These investments included placements in Financial institutions with an average maturity of one year, accounting for 29 percent of total assets, and government securities making up 22.4 percent. Additionally, they allocated 12.7 percent to properties, 13.6 percent to loans and receivables, and 15.2 percent to other assets.

Private Insurance companies maintain technical provisions, which are financial reserves set aside to meet future insurance obligations. These reserves ensure that insurers can fulfil their commitments to policyholders and operate in a stable and solvent manner. As of December 2023, technical provisions in private insurance grew by 13.4 percent to reach FRW 169.8 billion, compared to the 9.9 percent growth seen in December 2022.

Non-life insurers primarily held 55 percent of technical provisions in forms such as unearned premiums (0.4 percent), outstanding reported claims (34 percent), and incurred but not reported claims (11 percent). In contrast, life insurers' technical provisions mainly comprised actuarial provisions, making up 84.2 percent of their total. These provisions are based on actuarial assumptions and determine the periodic payments insurers must make to cover policyholders' expenses.

The gross written premium showed a 14 percent growth in December 2023, increasing from FRW 262 billion to FRW 298 billion. This growth was more significant in the non-life insurance sector than in life insurance. Specifically, gross premiums in private non-life insurance increased by 22.1 percent to FRW 140 billion, a slightly higher growth rate than the 20 percent recorded in December 2022.

Table 23: Financial Performance Highlights of the Insurance sector

| Description (In FRW billion) | Public Insurers | | | Private Insurers | | | Insurance sector | | |
|---|---|---|---|---|---|---|---|---|---|
| | Dec-21 | Dec-22 | Dec-23 | Dec-21 | Dec-22 | Dec-23 | Dec-21 | Dec-22 | Dec-23 |
| Gross written premiums | 86.4 | 114.1 | 121.5 | 119.5 | 148.2 | 177.1 | 205.9 | 262.3 | 298.6 |
| Net premiums written | 86.4 | 114.1 | 121.5 | 90.8 | 106.5 | 126.1 | 177.2 | 220.6 | 247.6 |
| Net Premiums earned | 86.4 | 114.1 | 121.5 | 82.2 | 97.0 | 116.2 | 168.6 | 211.1 | 237.7 |
| Total Claims | 45.8 | 58.1 | 71.2 | 55.4 | 60.4 | 67.8 | 101.1 | 118.6 | 139.0 |
| Underwriting expenses | 0.0 | 0.0 | 0.0 | 4.1 | 2.9 | 5.1 | 4.1 | 2.9 | 5.1 |
| Management Expenses | 12.3 | 13.4 | 17.8 | 26.3 | 33.7 | 39.9 | 38.6 | 47.1 | 57.6 |
| Underwriting performance | 28.3 | 42.6 | 32.5 | -3.7 | -0.004 | 3.4 | 24.7 | 42.6 | 36.0 |
| Investment Income | 21.8 | 30.0 | 43.6 | 15.1 | 17.9 | 19.8 | 36.9 | 47.9 | 63.5 |
| Other Income | 1.5 | 0.5 | 5.3 | 4.6 | 3.7 | 11.8 | 6.1 | 4.2 | 17.1 |
| Net profit after taxes | 51.6 | 73.1 | 81.5 | 11.9 | 14.8 | 26.0 | 63.6 | 87.9 | 107.4 |

Source: National Bank of Rwanda

Claims in private insurance increased moderately, with a 12.3 percent rise to FRW 67.8 billion as of December 2023. The claims ratio, which indicates the ratio of claims incurred to net premium earned, decreased from 62 percent to 58 percent during the period under review. This reduction in the claims ratio was driven by the strong performance of motor and medical insurance categories in non-life private insurance. The decrease in motor claims was partly due to an increase in motor premiums and an overall improvement in risk management in insurance.

### 5.5.3 Financial soundness of the Insurance Sector

The insurance sector remained solvent and liquid during the period under review. Insurance companies typically need to uphold a 100 percent solvency ratio to mitigate the risk of bankruptcy. This ratio indicates they have enough capital buffers to foster the growth of their businesses and endure adverse shocks. Hence, it is a good indicator for an insurance company's financial capacity to meet both its short-term and long-term liabilities. During the period under review, the solvency position remained above prudential requirements. Private insurer's solvency ratio stood at 296 percent as at end December 2023, compared to 221 percent in December 2022, driven by increased quality of assets due to changes in the investment mix of insurers.

Table 24: Financial Soundness of the Insurance Sector

| Description (Ratios %) | Public Insurers | | | Private Insurers | | | Insurance sector | | |
|---|---|---|---|---|---|---|---|---|---|
| | Dec-21 | Dec-22 | Dec-23 | Dec-21 | Dec-22 | Dec-23 | Dec-21 | Dec-22 | Dec-23 |
| Solvency margin (Min. 100%) | 2879% | 2379% | 2284% | 142% | 221% | 296% | 1477% | 1375% | 1422% |
| ROA (Min.4%) | 11.7% | 14.3% | 13.7% | 5% | 5% | 7% | 9% | 11% | 11% |
| Current Ratio (min. 120%) | 3837% | 3711% | 2057% | 85% | 92% | 97% | 244% | 224% | 229% |
| Liquidity ratio (min. 100%) | 4922% | 5238% | 3530% | 94% | 98% | 117% | 299% | 286% | 347% |

Source: National Bank of Rwanda

Private insurers maintained sufficient liquid assets, as indicated by their liquidity ratio, which compares liquid assets to current liabilities. As of December 2023, private insurers had a liquidity ratio of 117 percent, exceeding the prudential requirement of 100 percent and up from 98 percent in December 2022. This improvement was driven by increased investments in more liquid assets and an enhanced composition of asset liquidity. During the same period, private insurers significantly improved their underwriting performance, leading to an underwriting profit and indicating a decrease in insurance risk due to good risk management.

## 5.6 PENSION SECTOR

### 5.6.1 Public Pension Fund

#### 5.6.1.1 Structure of Pension Sector

The pension sector, constituting 15.8 percent of the financial sector's total assets as of December 2023, is the second-largest sub-sector. It is primarily led by the mandatory pension scheme (RSSB) for all salaried workers, operating on a defined benefit scheme. A defined benefit scheme is a pension plan where the benefits are determined by a formula specified in pension legislation or contracts. These benefits are based on factors such as the number of years of contributions, the period of contribution, and the age of the insured individual. The scheme guarantees pension benefits to retirees, allowing for early retirement at 60 years and mandatory retirement at 65 years, provided they have contributed for at least 15 years. Retirees who have contributed for less than 15 years receive a lump sum payment instead.

Additionally, the fund administers the Long-Term Savings Scheme (LTSS) Ejo-Heza, which aims to increase pension coverage for workers in the informal sector who are not covered by the mandatory pension scheme. As of December 2023, the mandatory pension scheme holds 91.3 percent of total pension sector assets. The 2015 Pension Law enabled the licensing of voluntary pension schemes, which operate as Defined Contribution (DC) schemes. In DC schemes, pension benefits are based on the contributions collected and the performance of the investments made with those contributions. As of December 2023, there were 11 registered voluntary pension schemes, including 6 Complementary Occupational Pension Schemes (COPS) and 5 Personal Pension Schemes (PPS). COPS are established through agreements between employers and their employees, while PPS are operated by financial institutions that offer retirement savings accounts to their clients.

### 5.6.1.2 Performance of Public Pension Fund (RSSB)

The public pension fund's assets grew moderately during the period under review, with total assets increasing by 13 percent from FRW 1360.7 billion in December 2022 to FRW 1536.80 billion in December 2023. This growth was driven by increased contributions and investment income. Contributions rose by 22 percent in December 2023, from FRW 73.5 billion to FRW 90.01 billion. Additionally, total investment income increased by 16 percent from FRW 40.7 billion in December 2022 to FRW 47.1 billion in December 2023. This increase was attributed to higher interest income from treasury bills, bonds, corporate papers, and bank deposits.

Table 25: RSSB Investment Mix

| Investment Mix-Description (FRW Billion) | December -22 | December-23 | Portfolio Share |
|---|---|---|---|
| Treasury Bills | 18.8 | 8.8 | 1% |
| Treasury Bonds | 276.1 | 335.9 | 22% |
| Equity investments | 553.1 | 582.9 | 39% |
| Investment in properties | 220.9 | 250 | 17% |
| Term Deposits | 106.6 | 131.8 | 9% |
| Cash (Current accounts) | 60.5 | 88.6 | 6% |
| Commercial papers & Corporate bonds | 106 | 114 | 8% |
| TOTAL | 1342 | 1512 | 13% |

Source: National Bank of Rwanda

As of the end of December 2023, the investment portfolio of the RSSB pension scheme reached FRW 1,512 billion, showing diversification across various investment classes, with a focus on long-term options with high returns. The portfolio breakdown was as follows: 20.2 percent in local unquoted equities (worth FRW 307.2 billion), 22.8 percent in Government securities (FRW 344.7 billion), 17 percent in properties (FRW 250 billion), 8.9

percent in local listed equities (FRW 134.9 billion), 14.6 percent in placements in financial institutions (FRW 220.4 billion), 8 percent in commercial papers and corporate bonds (FRW 114 billion), and 9.3 percent in offshore listed and unlisted equities (FRW 140.7 billion).

### 5.6.2 Long-Term Saving Scheme (LTSS) Ejo-Heza

The Government of Rwanda through the Ministry of Finance and Economic Planning established the Long-Term Savings Scheme (LTSS) Ejo Heza under Law N° 29/2017 of 29th June 2017, aiming to enhance pension participation in the informal sector. LTSS-Ejo Heza, a Defined Contribution (DC) scheme, operates on a voluntary basis, where subscribers' open savings accounts with authorized financial intermediaries (Banks or Mobile Network Operators). This scheme addresses the pension and social security coverage gap issue, as less than 6 percent of the Rwandan workforce was covered by formal pension and social security programs. The LTSS-Ejo Heza was transferred to RSSB on 14th December 2018, under the Prime Minister's Order No. 58/03 of 04/04/2018, and began collecting savings from January 2019.

Assets of the Ejo-Heza Fund continued to grow with a 46 percent increase from FRW 39.7 billion in December 2022 to FRW 54.3 billion in December 2023, supported by increased investment income. Total investment income increased by 37 percent to FRW 3.4 Billion in December 2023 from FRW 2.5 billion in December 2022.

**Table 26: Key Financial Highlights of LTSS Ejo Heza**

| Description (In Million FRW) | Dec-2022 | Dec-2023 | % change |
|---|---|---|---|
| Assets | 39.7 | 54.3 | 36.6% |
| Investment income | 2.5 | 3.4 | 37% |
| Expenses | 0.5 | 0.45 | -11% |

Source: National Bank of Rwanda

### 5.6.3 Voluntary Pension Schemes

The assets of voluntary pension schemes experienced a slight reduction due to the suspension of a license by one of the Complementary Occupational Pension Schemes, which shifted focus to its life insurance business. As of the end of December 2023, the assets of the voluntary pension scheme amounted to FRW 91.4 billion, from FRW 78.8 billion in December 2022, reflecting a 16.1 percent increase. The investments in the voluntary pension scheme are primarily in Government bonds and Treasury bills, accounting for 84 percent of the total investment portfolio. Investments in real estate comprised 9 percent of the sub-sector's portfolio as of December 2023.

Table 27 Key financial highlights of Voluntary Pension Scheme

| Description (In Billion FRW) | December 2022 | December 2023 | % Change |
|---|---|---|---|
| Assets | 78.8 | 91.4 | 16.1% |
| Contributions received | 11.72 | 8.76 | -25% |
| Benefits paid | 7.07 | 6.17 | -13% |
| Investment income | 7.46 | 9 | 17% |

Source: National Bank of Rwanda

## 5.7 NON-DEPOSIT TAKING FINANCIAL SERVICE PROVIDERS (NDFSPs)

### 5.7.1 Structure of NDFSPs

In a bid to position Rwanda to become a leading financial center for global investors, there is high a petite of investment in this sub-sector for both local and foreign investors.  The demand for this investment is mainly in institutions under category II and III where the minimum capital requirement is FRW 50,000,000 and 30,000,000 respectively.  In addition, the number of Trust and Company service providers is increasing hence creating opportunities for foreign investor willing to establish their operations in Rwanda.

From December 2022, the number of all authorized NDFSPs increased from 32 to 50 in December 2023. Amongst the licensed companies, 22 are lending only institutions, 15 debt collection companies, 2 factoring companies, 1 leasing company, 1 credit guarantee scheme and 9 Trust and Company Service Providers.

### 5.7.2. Performance of NDFSPs

The total assets of NDFSPs increased by 9% from 86 Billion December 2022 to 93.8 Billion December 2023. The increase in total asset and loans is attributed to the increase in number of new licensed and reporting institutions from 13 to 21 as at the end December 2023. Some NDFSPs have reported data on assets but haven't resumed the lending process.

Gross loans have reduced by 4% from 33.2 billion to 29.2 billion. This is attributed to 1 institution that has suspended lending activities and embarked on recovery of outstanding loans.

Table (28) highlights the growth of assets for 21 reporting NDFSPs as at end December 2023.

Table 28: Value of NDFIs Assets and Loans

| Details (Billion FRW) | Dec-22 | Dec-23 | % change |
|---|---|---|---|
| Total Assets | 86.0 | 93.8 | 9 |
| Total loans (value) | 33.2 | 29.2 | -4 |

Source: National Bank of Rwanda

Increase in number of loans is attributed to the following factors:

- Increase in number of student loans.
- Increase in number of motorcycles financed under lease finance by one of the leasing companies.
- Increase in number of float financing to MOMO and bank agents.

Table 29: Number of outstanding loans by gender

| CATEGORY | Dec-2022 | Dec-2023 | % change |
|---|---|---|---|
| Men | 2,082 | 5,808 | 179.0 |
| Women | 1,769 | 4,129 | 133.4 |
| Group/entities | 933 | 271 | -71.0 |
| TOTAL | 4,784 | 10,208 | 113.4 |

Source: National Bank of Rwanda

## 5.8 CREDIT REPORTING SYSTEM

During the reporting period, the Credit Reporting System expanded its database by engaging with new data providers, both mandatory and voluntary, to share credit information with the credit bureau.

There was notable improvement in the utilization of credit information by both credit providers and customers, particularly through mobile phones via the Menyesha Platform. According to statistics from TransUnion Rwanda, the rate of accessing necessary information compared to data inquiries increased to 97.09% in December 2023 from 94.43% in December 2022 and 93% in December 2021.

The data coverage ratio, which measures the percentage of the adult population reported to the credit bureau versus the total adult population, increased, reaching 38.5% in December 2023, up from 37.11% in December 2022 and 33.1% in December 2021.

To enhance awareness of the credit reporting system and address customer complaints related to credit information, the NBR organized a one-week campaign in November 2023. Financial institutions, other credit providers in Kigali City, and TransUnion Rwanda were involved in supporting this initiative. The NBR invited individuals with credit information issues to participate, providing them with information about their rights and the benefits of sharing credit information with the bureau. Throughout the week-long campaign, 1,020 individuals received education on their rights regarding credit information and the advantages of sharing this information with the credit bureau. Concerned data providers addressed their issues by updating their credit status with the bureau.

## 5.9. DEPOSIT INSURANCE, CRISIS MANAGEMENT AND RESOLUTION ARRANGEMENTS

Depositor protection is a key element of crisis management. It helps foster public's confidence in the system, reducing the risk of bank runs. In Rwanda, the Deposit Guarantee Fund (DGF) was established by Law N° 31/2015 of 05/06/2015 to determine the organization and functions of a DGF for banks and microfinance institutions. This law was revised, and Parliament adopted the new law on February 7, 2024.

The key functions of this Fund are to collect premiums from contributing institutions, investment of collected revenues, and payout to eligible depositors, in case any of the contributing member is liquidated. Under the revised law, DGF is moving from a pay box mandate (only in charge of reimbursing depositors if a deposit-taking financial institution is declared bankrupt) to a pay box plus mandate (with the new mandate to assist banks or deposit-taking microfinance in financial distress).

Premiums from deposit-taking financial institutions are collected on a quarterly basis computed at 0.1 per cent per annum (0.025 per cent quarterly) on eligible deposits. Currently, DGF protects eligible deposits up to the coverage limit of FRW 500,000 per depositor and per member bank and microfinance institution.

As of December 2023, total collections amounted to FRW 20.4 billion, a 36 percent increase from FRW 15.0 billion collected in December 2022. The amounts collected are invested in various investments – largely Government securities to earn returns and grow the fund. The DGF also undertook the strategic initiative to automate all its operating processes/ functions: Premiums declaration & payment, investment of premiums collected, as well as reimbursement/ pay out of insured deposits in case of failure. The project is at its final stage where the "user acceptance tests" were finalized and stakeholders trained. The system is Live, and stakeholders used the system to declare premiums for the quarter ended December 2023.

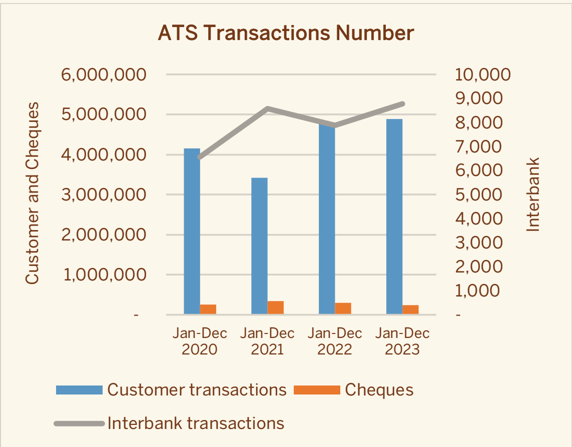
## 5.10. NATIONAL PAYMENT SYSTEMS

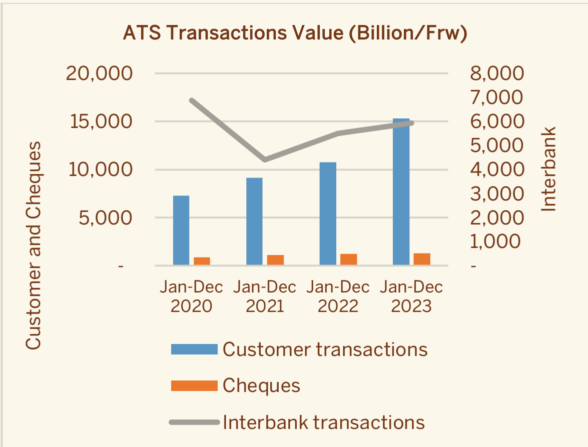
Rwanda's payment system, overseen by the National Bank of Rwanda, uses various channels and institutions to enable secure and efficient financial transactions between individuals and businesses.

### 5.10.1 Performance of the ATS

RIPPS continued to process financial transactions smoothly. In terms of transactions, customers' transfers increased by 2 percent in volume from 4,7 million in 2022 to 4,8 million in 2023, and the amount of transactions involved increased by 43 percent from FRW 10,725 billion in 2022, to FRW 15,302 billion in June 2023. During the same period, cheque transfers decreased by 21 percent in volume (from 301,079 to 237,983), however increased in value by 8 percent (from FRW 1,211 billion to FRW 1,303 billion). Conversely, banks' transfers increased by 11 percent in volume from 7,877 to 8,776 and by 8 percent in value from FRW 5,491 billion to FRW 5,928 billion.

Figure 17: The ATS Transactions



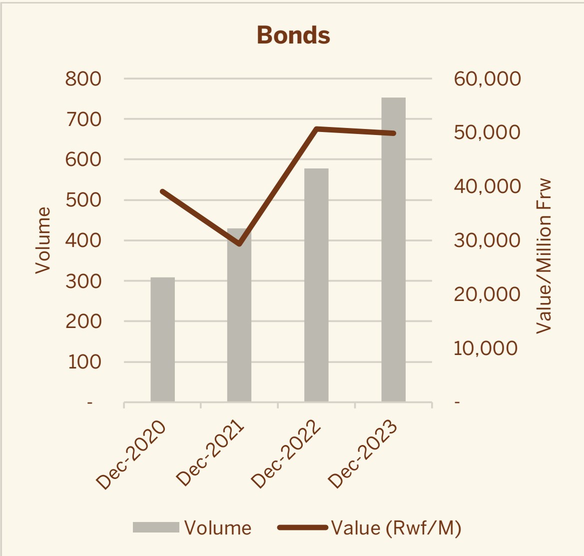



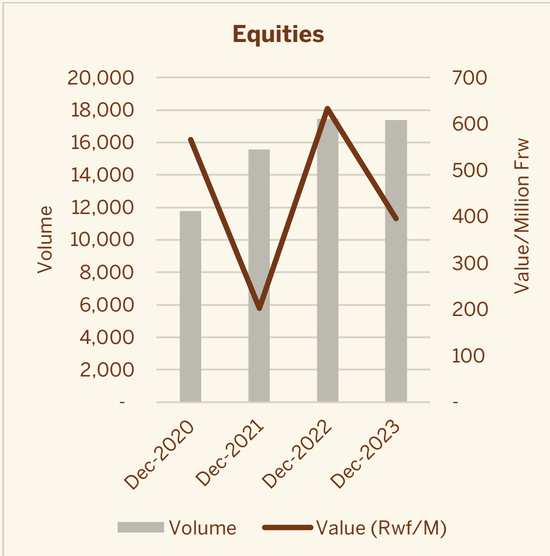

Source: National Bank of Rwanda

### 5.10.2 Performance of Central Securities Depository (CSD)

During the period under review, the Central Securities Depository (CSD) played a vital role in facilitating the trading and ownership of financial instruments like stocks, bonds, and securities. In the secondary market, the volume of treasury bonds traded surged by 30 percent, rising from 578 to 753 trades. However, the value of these trades decreased slightly by 2 percent, dropping from FRW 50 billion to FRW 49 billion. Conversely, for equities, there was a slight decrease in both volume and value. The volume of equity trades decreased by 0.5 percent, from 611 to 608 trades, while the value decreased by 37 percent, falling from FRW 18 billion to FRW 11 billion.

Figure 18: Central Securities Depository Performance




Source: National Bank of Rwanda

### 5.10.3 Performance of retail payment system

#### 5.10.3.1 Payment Acceptance Points

Payment access points facilitate transactions by enabling the flow of money into and out of the payment ecosystem. Over the review period, there was significant growth in card-based POS terminals, which increased by 28 percent from 4,835 in December 2022 to 6,211 in December 2023. Modern

POS terminals, including Virtual POSs (0.1 percent) and Mobile POSs (99.9 percent), experienced a substantial 130 percent increase from 146,705 to 337,211 during the same timeframe. However, there was a decline in the number of mobile payment agents, decreasing by 7 percent from 150,767 to 140,899. Additionally, the number of agents offering banking services saw a decrease of 9 percent, declining from 10,228 to 9,335.

Table 30: Payment Access Points

| Access Points | Penetration rates of payment access Points | Dec-22 | Dec-23 |
|---|---|---|---|
| **ATM** | Number of devices | 347 | 345 |
| | Penetration rate of ATMs per 100,000 adult population | 4.4 | 4.3 |
| **Traditional POS** | Number of devices | 4,835 | 6,211 |
| | Penetration rate of Traditional POS per 100,000 adult population | 60.6 | 77.87 |
| **Modern POS (Mobile and Virtual)** | Number of devices | 146,705 | 337,211 |
| | Penetration rate of Modern POS per 100,000 adult population | 1,839 | 4,228 |
| **Banking Agents** | Number of bank agents | 10,228 | 9,335 |
| | Penetration rate of agents per 100,000 adult population | 128.2 | 117 |
| **Mobile Agents** | Number of Mobile agents | 150,767 | 140,899 |
| | Penetration rate of Bank agents per 100,000 adult population | 1,890.2 | 1,817 |

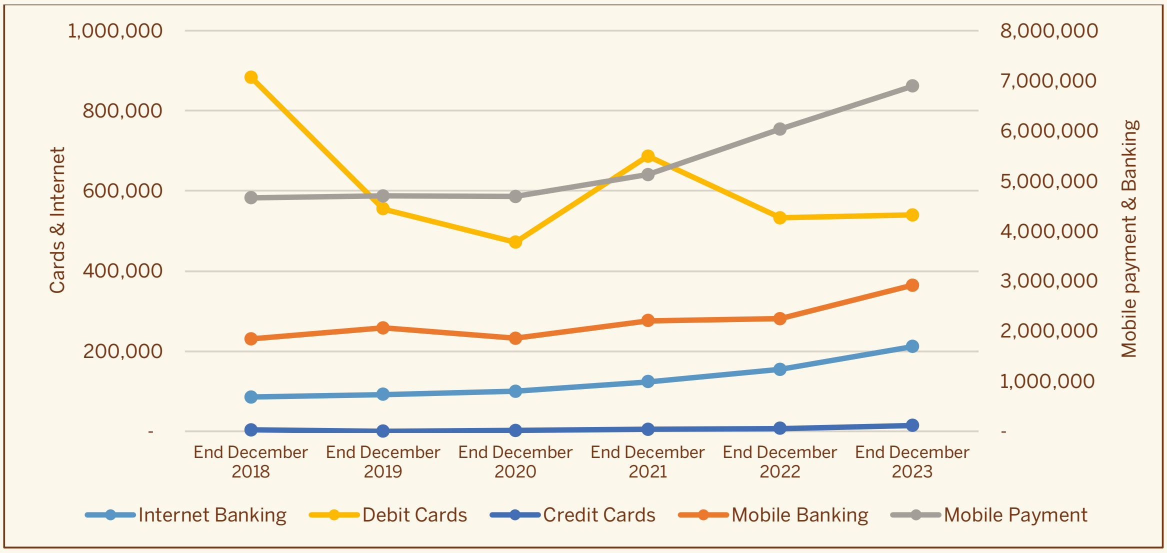
Source: National Bank of Rwanda

### 5.10.3.2 Payment Instruments Issuance

The number of active mobile payment subscribers rose by 14 percent, to 6,890,768 in December 2023, which accounted for 37 percent of total subscribers by the end of that year. Likewise, mobile banking subscribers increased by 30 percent, from 2,248,588 to 2,918,225, and internet banking subscribers grew by 37 percent, from 154,156 to 211,355. However, the increased adoption of mobile payment impacted the usage of payment cards.

Between December 2023 and December 2022, the number of payment debit cards experienced only a slight increase of 1 percent, rising to 532,564 from 540,081.

Figure 19: Subscribers

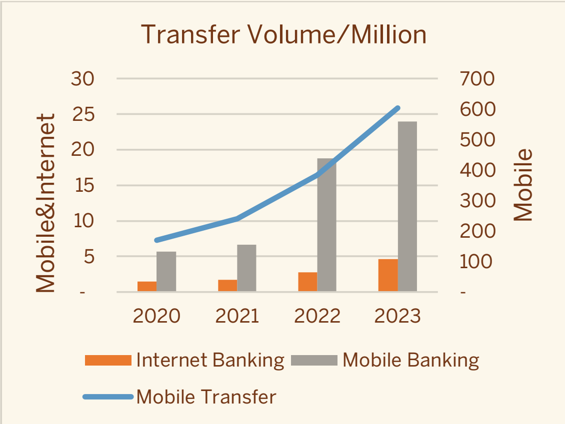


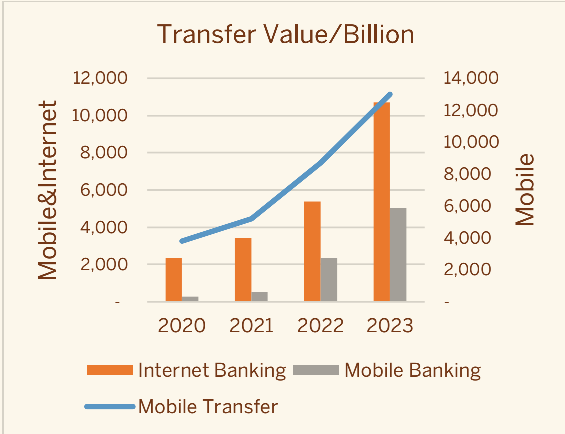

Source: National Bank of Rwanda

### 5.10.3.3. Retail Payment Transfers

Payment transfers continued to grow during the period under review. The number of funds transfers through mobile payments increased by 57 percent to 603 million. In value, transfers through mobile payments increased by 49 percent to FRW 13,001 billion. Transfers through mobile banking increased by 28 percent in volume (from 19 million to 24 million) and by 115 percent in value (from FRW 2,347 to 5,039 billion). Similarly, transfers through internet banking increased by 68 percent in volume (from 3 million to 5 million) and by 99 percent in value (from FRW 5,378 billion to 10,697 billion).

Figure 20: Payment Transfers



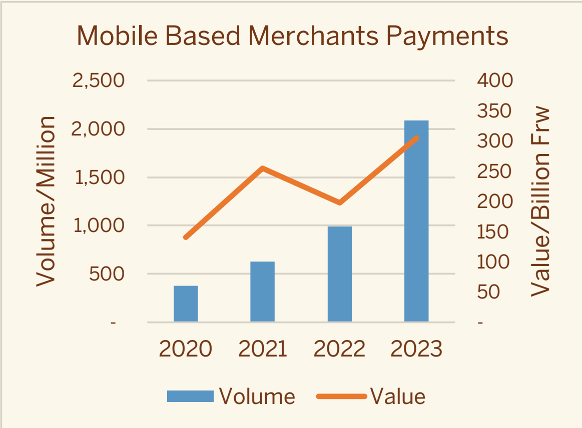

Source: National Bank of Rwanda

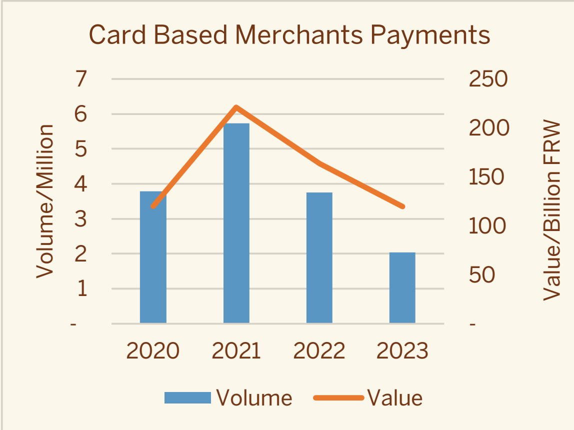
### 5.10.3.4. Impact of Policy Changes on Mobile Payments

Merchant payment transactions through mobile increased by 111 percent increase in volume, rising from 158 million to 334 million. The value of these transactions also saw a notable rise of 54 percent, from FRW 1,234 billion to FRW 1,906 billion.

In contrast, card-based merchant payments witnessed a decline. The volume of transactions decreased by 45 percent, dropping from 4 million to 2 million, and the value of transactions decreased by 27 percent, declining from FRW 164 billion to FRW 120 billion. This decline can be attributed to the shift in usage towards mobile payments for goods and services.

Figure 21: Mobile & Card Based Merchant Payment



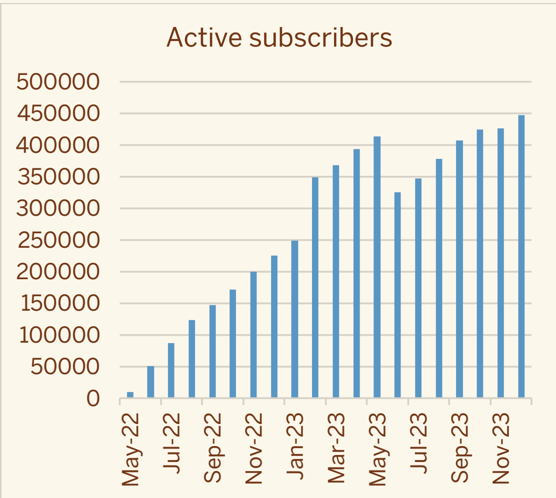



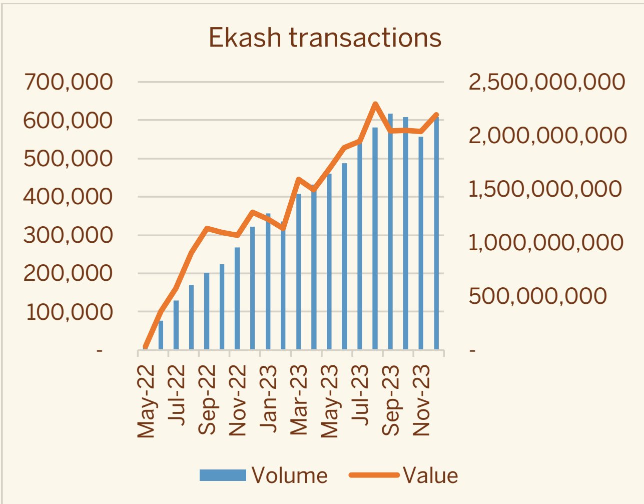

Source: National Bank of Rwanda

### 5.10.3.5. Performance of eKash/instant payments

eKash transaction with Phase 2 account-to-account P2P involving 7 banks, 2 MFIs, and 2 E-money issuers transacted 7 million transactions worth 28 Billion RWF with 447,223 active subscribers as of December 2023.

Figure 22: Active and Ekash subscribers



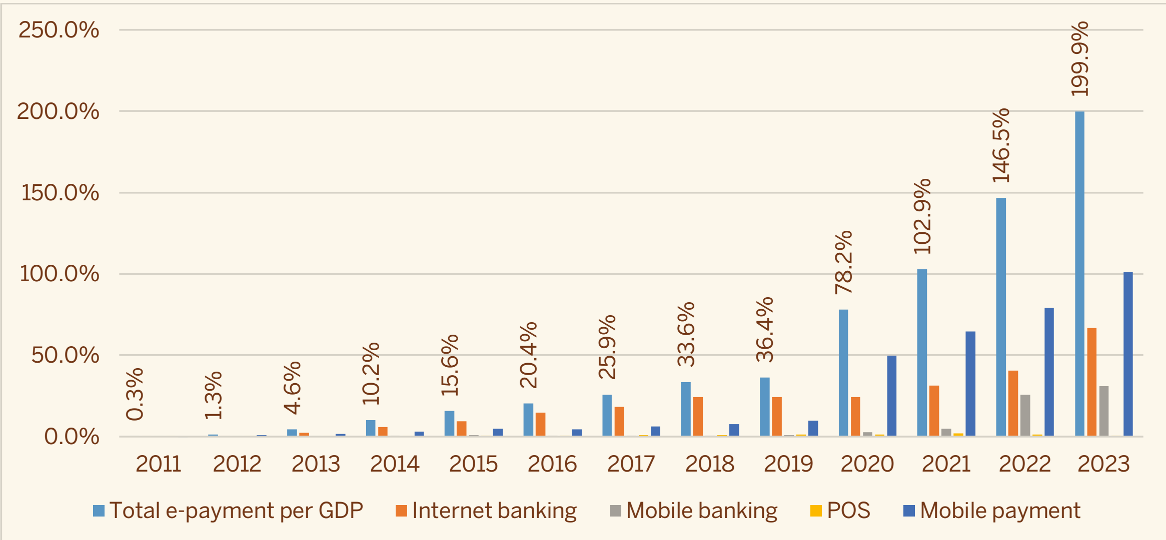

Source: National Bank of Rwanda

### 5.10.3.6. Overall Cashless Performance

During the review period, the overall value of retail e-payments to GDP[7] surged by 36 percent, reaching 199.9 percent. The predominant usage was driven by mobile payment services (for both transfers and acquiring), internet banking, and mobile banking, accounting for 101 percent, 67 percent, and 31 percent of GDP respectively.

In terms of the total number of cashless transactions, transfers through mobile payment channels held the largest share at 95.1 percent, followed by transfers via mobile banking at 3.8 percent. In value terms, transfers through mobile payment constituted 42.3 percent, followed by internet banking at 34.8 percent, and mobile banking at 16.4 percent.

Figure 23: Value of retail e-payment to GDP




Source: National Bank of Rwanda and National Institute of Statistics of Rwanda

[7] Projected Annual GDP: 16,018

## 5.11 UPTAKE AND USAGE OF FINANCIAL SERVICES

### 5.11.1 Financial Service Access Points

The overall number of financial access points grew between December 2022 and December 2023. This increase was primarily driven by a rise in the number of branches, notably a 14% increase in branches within Kigali City. Conversely, the number of outlets remained stable, while sub-branches saw a decline of 17%. Despite the modest uptick in bank branches, there is a sustained adoption of branchless banking solutions by banks.

Kigali City remains the focal point, hosting over a third of banking sector access points (34%), followed by the Western and Eastern provinces, each comprising 18% of the total access points. The Southern province accounts for 16%, while the Northern province has the smallest share of banking sector access points at 12%. The geographic distribution of these access points should continue to inform decisions for financial sector participants and policymakers regarding resource allocation.

Table 31: Distribution Access Points per Province (December 2023)

| Distribution | City of Kigali | Northern Province | Eastern Province | Western Province | Southern Province | Total |
|---|---|---|---|---|---|---|
| Number of Branches | 123 | 41 | 57 | 55 | 40 | 316 |
| Number of Sub-branches | 8 | - | - | 2 | - | 10 |
| Number of Outlets | 37 | 20 | 32 | 33 | 40 | 162 |

Source: National Bank of Rwanda

## 5.12 USAGE OF FORMAL FINANCIAL SERVICES

### 5.11.2 Usage of Bank, MFI and NDFSP financial services

During the period under review, access to credit expanded in all sectors: banking, microfinance, and non-deposit taking financial service providers (NDFSPs). The number of borrowers in NDFSPs doubled by 113%, while bank borrowers and microfinance borrowers increased by 104% and 48%, respectively, between December 2022 and December 2023. Notably, the number of loan accounts held by women and groups in microfinance grew by 50 percent and by 24 percent, respectively, indicating improved access to credit for these demographics. Similarly, the number of female borrowers in NDFSPs grew by 133 percent.

Both banks and microfinance institutions saw a rise in client accounts. Client accounts in banks surged by 49%, reaching 8.2 million in December 2023 up from 5.5 million in December 2022, while microfinance accounts grew by 18% during the same period. Furthermore, in the same period, the number of bank accounts held by women and groups in the microfinance industry climbed by 20% from 2.9 million 3.5 million and by 37% from 430,376 to 588,795, respectively. This data indicates that the high account ownership mentioned above does not translate into a high level of borrowing.

In terms of deposits, the number of bank depositors rose by 54% to 4.6 million in December 2023 from 2.9 million in December 2022. Concurrently, the number of deposit accounts in the microfinance sector increased by 10% from 5.2 million in December 2022 to 5.7 million in December 2023.

Table 32: Depositors and Borrowers in Banks, Microfinance Institutions and NDFSPs

| Banks | Dec-22 | Dec-23 |
|---|---|---|
| Number of Depositors in Banks | 2,948,793 | 4,553,086 |
| Amount of Bank deposits (FRW billion) | 3,600 | 4,770 |
| Number of Borrowers in Banks | 576,203 | 1,176,602 |
| Amount of outstanding Loans (FRW billion) in Banks | 3,306 | 3,735 |
| **Microfinance Institutions** | **Dec-22** | **Dec-23** |
| Number of Deposit accounts in MFIs and SACCOs | 6,787,682 | 8,041,514 |
| Number Loan accounts in MFIs and SACCOs | 546,822 | 808,079 |
| Amount of outstanding Loans in MFIs and SACCOs (FRW billion) | 650 | 876 |
| **NDFSPs** | **Dec-22** | **Dec-23** |
| Number of Borrowers in NDFSPs | 4,784 | 10,206 |
| Amount of outstanding Loans (FRW billion) in NDFSPs | 33 | 36 |

Source: National Bank of Rwanda

## 5.13 USAGE OF INSURANCE AND PENSION SERVICES

There total number of insured individuals increased significantly by 30% during the period under review. There was a notable growth in the number of micro insurance policies of 63%, from 125,675 in December 2022 to 204,818 in December 2023. Similarly, the total number of policyholders for general insurance climbed by 61% during this period, from 253,632 to 407,962. In addition, the number of people with life insurance policies rose by 11%, from 600,583 in December 2022 to 665,023 at the end of December 2023.

In terms of pension coverage, the total number of contributors to and beneficiaries of public, private and Ejo-Heza pension schemes grew by 18% and 25%, respectively, between December 2022 and December 2023. Concerning access to pension schemes by gender, Ejo Heza Long-Term

Saving Scheme (LTSS) continues to lead with women accounting for approximately 51 percent of all contributors.

While contributors to public pensions increased by 9% from 635,716 to 693,276, there was a fall of 3% in the number of beneficiaries from 21,770 to 21,220, mainly driven by an 18% reduction in the number of female contributors. A similar trend can be observed in private pension schemes in the period under review, with a sharp decline of 55% in the number of female beneficiaries against a 10% rise in their male counterparts. Comparatively, savings through the Ejo Heza Long-Term Saving Scheme (LTSS) continue to grow, with the total number of contributors increasing by 20% during the period under review. Similarly, the number of beneficiaries of this scheme significantly has more than tripled, demonstrating an increase of 244% in the same period.

Table 33: Access to Insurance and Pension

| Insurance Policies and Pension Contributors and Beneficiaries | December 2022 | December 2023 |
|---|---|---|
| General (non-life) and Life Insurance policies | 854,215 | 1,072,985 |
| Micro Insurance policies | 125,675 | 204,818 |
| Number of contributors to Public and Private pensions | 657,486 | 714,496 |
| Number of beneficiaries of Public and Private pensions | 49,079 | 58,851 |
| Number of Contributors to EJOHEZA (LTSS) | 1,953,249 | 2,713,434 |
| Number of Beneficiaries of EJOHEZA (LTSS) | 1,079 | 3,713 |

Source: National Bank of Rwanda

## 5.14. FOREX BUREAUS

The National Bank of Rwanda (NBR) is mandated with regulating Forex Bureaus. As of December 2023, there were a total of 78 licensed Forex Bureaus, including 3 remittance companies which offer forex services. The NBR has persisted in its oversight and supervision of these bureaus. By December 2023, the increase in total assets within the Forex Bureau sector was primarily driven by capital injections from certain bureaus aiming to strengthen their financial resilience. Moreover, during the period examined, the subsector-maintained profitability, as indicated in Table 34.

Table 34: The financial position of Forex Bureaus

| ASSETS | Dec-2019 | Dec-2020 | Dec-2021 | Dec-2022 | Dec-2023 |
|---|---|---|---|---|---|
| 1. Cash | 4.1 | 3.6 | 4.1 | 4.3 | 4.4 |
| 2. Balance at banks | 2.1 | 3.7 | 3.5 | 4.6 | 5.1 |
| 3. Fixed assets | 0.5 | 0.5 | 0.5 | 0.3 | 0.5 |
| 4. Other assets | 0.3 | 0.6 | 0.3 | 0.3 | 0.4 |
| **TOTAL ASSETS** | **7.0** | **8.4** | **8.4** | **9.5** | **10.4** |
| LIABILITIES | Dec-2019 | Dec-2020 | Dec-2021 | Dec-2022 | Dec-2023 |
| 6. Borrowing (local) | 0.4 | 0.2 | 0.6 | 0.4 | 0.2 |
| 7. Foreign liabilities | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| 8. Other liabilities | 1.0 | 1.3 | 0.5 | 1.0 | 1.2 |
| **TOTAL LIABILITIES** | **1.5** | **1.5** | **1.1** | **1.4** | **1.4** |
| EQUITY | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 9. Paid up capital | 5.6 | 5.6 | 5.7 | 6.4 | 6.5 |
| 10. Reserves | 0.6 | 1.0 | 1.3 | 1,3 | 1.7 |
| 11. Profit & loss account | 0.3 | 0.3 | 0.3 | 0.4 | 0.8 |
| **TOTAL EQUITY** | **6.6** | **6.9** | **7.2** | **8.1** | **9.0** |
| **TOTAL LIABILITIES+EQUITY** | **7.0** | **8.4** | **8.4** | **9.5** | **10.4** |

Source: National Bank of Rwanda

During the review period, the Forex Bureaus Division conducted 43 onsite inspections, applying supervisory sanctions to non-compliant bureaus, with 6 being suspended for 3 months and 24 facing pecuniary penalties. Off-site surveillance focused on ensuring stakeholder compliance via the Electronic Data Warehouse system, validating reports, and managing correspondence. As at end December, 2023, for the implementation of the Directive no 0520/2023-00041 [613.1.4] of 22/2/2023 on transactions in foreign currencies by non-residents, 28 files related to request for authorization to transact in foreign currencies were analyzed, with feedback provided to applicants and 9 institutions asked for more information.

Joint awareness campaigns on illegal foreign exchange transactions were held in various districts. Looking ahead, ongoing efforts include identifying gaps in current regulations in collaboration with the Rwanda Forex Bureaus Association, researching digitalization of bureau transactions, fighting Illegal Foreign Exchange transactions as well as trading in foreign currencies.

## 5.15. POLICY REFORMS IMPLEMENTED

### 5.15.1 Policy/ Regulatory Reforms Implemented

The NBR has recently enacted various policy and regulatory reforms aimed at bolstering the financial system's stability and resilience against potential shocks. These policy and reforms focus on promoting sound risk management practices, maintaining market integrity, mitigating systemic risks, and ensuring responsiveness to emerging issues and stakeholder concerns.

Additionally, regulations have been reviewed and initiated to address evolving market dynamics, combat emerging threats like money laundering and cyber-attacks, address climate change risks, manage credit concentration risks, implement stress testing requirements, foster positive innovations, safeguard financial service consumers, and align regulatory frameworks with international standards.

### 5.15.2 Regulations

In line with the above, throughout the months of September 2023 to February 2024, NBR reviewed and initiated Nine (09) regulations, signed Four (03) Directives, and Four (03) Guidelines.

In the payment systems sector, six regulations have been implemented in accordance with Law no 061/2021 of 14/10/2021, covering areas such as payment system designation, agent management, payment service provider governance, initiation and aggregation services, user protection, and administrative sanctions. These regulations aim to ensure proper conduct of payment services, consumer protection, and set remedial actions for non-compliance.

In the insurance sector, Following the previously enacted Law N° 030/2021 of 30/06/2021 governing insurance business, the regulation governing change in shareholding, amalgamation, and transfer of portfolio of insurers and reinsurers has been reviewed mainly to require the insurers to set standards for the effective use of reinsurance and other forms of risk transfer; to put in place a framework to select a reinsurer, adequately control reinsurance arrangements, and their risk transfer program.

In the banking sector, two regulations have been revised to address market needs and risks. These regulations pertain to major investments and placements of banks, as well as transactions with bank-related parties and management of credit concentration risk. The revisions aim to govern bank transactions with related parties, promote fair practices in credit extension, ensure public confidence by preventing favoritism, and establish requirements for bank investments to minimize concentration-related risks.

## 5.16 DIRECTIVES

In addition to the regulations mentioned above, NBR has put in place a directive concerning accepted collaterals and their management; change management of systems in regulated institutions; and incident management and response for regulated institutions. These directives have been issued to implement and supplement the regulatory reforms stated above by establishing the steps for effective monitoring and reporting incidents, ensuring the safety and security of systems, data, and customers, by establishing guidance on tracking changes to information processing facilities and controlled systems, as well as determining the acceptable collaterals and their effective management.

## 5.17 GUIDELINES

Furthermore, three guidelines have been issued: the guidelines on Anti-Money Laundering, Combating Terrorist Financing, and Counter Financing of Proliferation of Weapons of Mass Destruction for Regulated Institutions; guidelines on climate-related and environmental risk management; and guidelines on the implementation of International Financial Reporting Standard 17-insurance contracts. These guidelines primarily address emerging trends and aim to align our regulatory regime with international standards. Additionally, they are intended to assist the financial sector in improving market discipline, transparency, consistency, and compliance with international standards.

## 5.18 REFORMS IN SUSTAINABLE FINANCE

Our ultimate goal remains to create a resilient financial system that can effectively manage climate-related and environmental risks and capitalize on sustainable opportunities. Therefore, following the recently concluded comprehensive diagnostic review aimed at assessing the readiness of various financial sectors to address the challenges posed by climate change, and the recommendations thereof, NBR developed and published comprehensive guidelines on climate-related and environmental financial risk management by 11/2023. These guidelines provide clear directions on incorporating ESG factors into financial decision-making processes.

They are designed to equip financial service providers with the tools necessary to assess, mitigate, and manage climate-related risks effectively. Furthermore, NBR also intends to continue work on several other initiatives to address climate change, including to:

- Collaborate with other regulators on climate change through the Network for Greening the Financial System (NGFS),
- Collaborate with other stakeholders in the development of a national taxonomy, and climate data mapping,
- Develop disclosure guidelines on the implementation of IFRS S1 & S2
- Develop climate stress testing for the financial system, and enhance climate-related capacity building.

Additionally, in pursuit of enforcing its commitment to playing a leading role in adapting to and mitigating the effects of climate change, NBR has put in place a sustainable finance group to oversee the implementation of sustainable finance activities.

Generally, NBR will continue to strengthen the policy and regulatory reforms and enhance the supervision of the financial sector, by ensuring that regulated entities comply with the required standards for a stable, secure, and efficient financial system.

# VI. MONETARY POLICY AND FINANCIAL SECTOR OUTLOOK

## 6.1 MONETARY POLICY OUTLOOK

***The global economy is projected to stabilize.***

*According to the International Monetary Fund (IMF) World Economic Outlook (WEO) update published in January 2024, the world economic growth is projected to remain at 3.1 percent in 2024 before increasing to 3.2 percent in 2025, remaining well below the 2000-2019 historical annual average of 3.8 percent, reflecting restrictive monetary policies and withdrawal of fiscal support. World annual average inflation is projected to ease to 5.8 percent in 2024 from 6.8 percent in 2023, remaining above the pre-pandemic levels. The main drivers of declining inflation vary by country but generally reflect lower core inflation due to tight monetary policies, a related softening in labor markets, and a pass-through effect from earlier and ongoing declines in related energy prices.*

***Domestic economic recovery is expected to continue.***

*Rwanda's 2024 economic performance is expected to remain strong. The agriculture sector is also expected to recover and the positive factors which propelled the economic growth in 2023, including significant infrastructure projects and a flourishing tourism sector, are anticipated to persist and sustain the strong economic momentum.*

***Headline inflation is projected to stabilise close to the medium-term benchmark of 5 percent.***

*The inflation forecasts as of February 2024 indicate that year-on-year headline inflation will remain within the inflation target band, close to 5.0 percent over the medium term. The path in headline inflation reflects the impact of past monetary policy decisions by the National Bank of Rwanda*

*(NBR), other government policies, the ease in international commodity prices, and subdued global demand. However, headline inflation projections are prone to uncertainties. Domestic risks include weather-related challenges that may affect future agriculture performance and fresh food prices. On a global scale, the ongoing war in the Middle East and disruptions in the Red Sea may exert pressures on international trade and commodity prices (food and energy products), adding to the pre-existing threats posed by the war in Ukraine.*

***The MPC remains committed to its objective of price stability.***

*The MPC remains committed to maintaining inflation within the target band (2 to 8 percent) and will continue to monitor macroeconomic developments. If future economic developments materialize as expected, the MPC may consider gradually lowering the CBR, while ensuring that inflation stays within the target band.*

## 6.2 THE FINANCIAL SECTOR STABILITY OUTLOOK

*In the medium term, the financial sector is expected to remain stable and robust despite global macroeconomic challenges. This resilience will be supported by substantial capital and liquidity reserves, enhanced risk management practices, and favorable economic performance alongside decreasing inflationary pressures. The National Bank of Rwanda (NBR) will persist in monitoring potential risks and conducting regular supervision of the financial sector. This includes ensuring that financial institutions maintain adequate capital buffers to withstand adverse economic conditions, retain sufficient liquidity to fulfill financial commitments, and safeguard secure payment systems to preserve financial system stability.*

*In terms of operational resilience, the NBR will continue to improve the Rwanda Integrated Payments Processing System (RIPPS) and ensure smooth operation of payment systems without significant interruptions. The ongoing effort to align the regulatory framework with international standards is also crucial in promoting a stable, resilient, and transparent sector. Thus, the NBR will sustain efforts to revise regulatory instruments, ensuring their relevance and effectiveness in promoting sector stability.*

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