



NATIONAL BANK OF RWANDA
BANKI NKURU Y'U RWANDA

Monetary Policy & Financial Stability Statement

SEPT 2022

Outline



Outlines

1. Global economy
2. Real sector
3. External sector
4. Monetary sector
5. Inflation
6. Financial Sector Performance

Global Economy



According to IMF, the World economic growth is projected to moderate to

3.2%

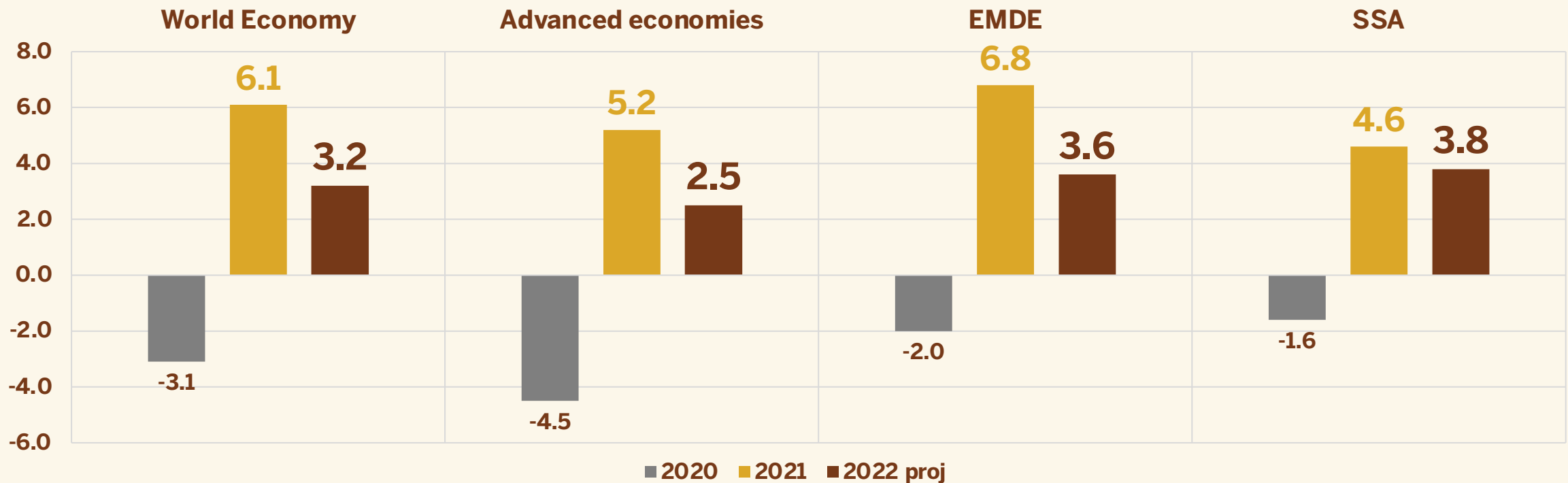
2022

FROM

6.1%

2021

GDP performance (in % changes)



Global Commodity Prices



Global Energy
Index

Projected to

+83.1%

2022 H1

FROM

+61.6%

2021 H1

+50.6%

2022



Crude Oil

+63.6%

2022 H1

FROM

+59.2%

2021 H1

Projected to

+50.4%

2022



Gas Price
Index

Projected to

+194.3%

2022 H1

+101.0%

2021 H1

+88.3%

2022

Global Commodity Prices



Non-Energy
Index

+21.5%

2022 H1

FROM

+37.0%

2021 H1

Projected to

+19.2%

2022



Metals &
mineral price
index

+13.0%

2022 H1

FROM

+60.5%

2021 H1

Projected to

+15.8%

2022



Agriculture
Commodities

+21.0%

2022 H1

FROM

+26.9%

2021 H1

Projected to

+17.2%

2022



Fertilizers
price
index

+111.6%

2022 H1

FROM

+45.2%

2021 H1

Projected to

+69.2%

2022

World Inflation



World Inflation
Projected to increase to

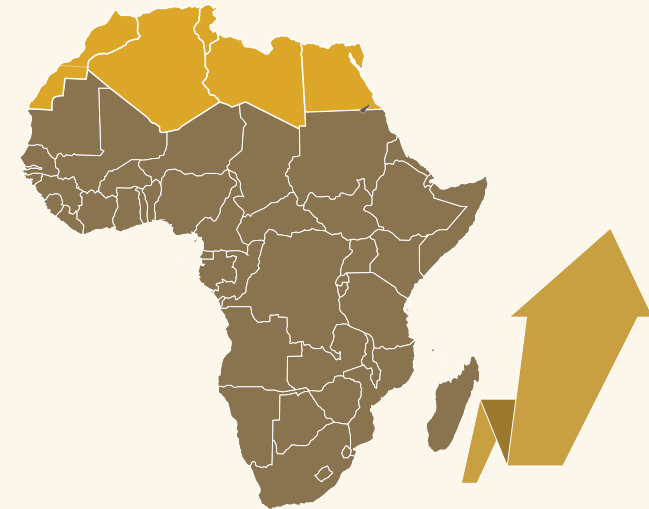
8.3%

2022

FROM

4.7%

2021



Sub Saharan inflation
projected to increase to

12.2%

2022

FROM

11.0%

2021

Rwanda's Economic Performance



Rwanda's
Economy grew by

7.7%
2022 H1

Projected at
6.0%
2022

Service Sector Performance



Service sector grew by

11.4%

2022 H1

10.8%

2021 H1



TRANSPORT

23.5%

2022 H1

9.8%

2021 H1



HOTELS & RESTAURANTS

129.1%

2022 H1

-15.9%

2021 H1



TRADE SERVICES

12.0%

2022 H1

14.7%

2021 H1

Industry Sector Performance



Industry sector grew by

8.1%

2022 H1

19.2%

2021 H1



MINING

12.1%

2022 H1

38.5%

2021 H1



MANUFACTURING

10.4%

2022 H1

15.3%

2021 H1



CONSTRUCTION

3.2%

2022 H1

22.7%

2021 H1

Agriculture Sector Performance



AGRICULTURE SECTOR

1.3%

2022H1

FROM

7.0%

2021H1

Due to unfavorable weather conditions on one hand, as well as less use of inputs like fertilizers linked to the global shocks.



FOOD CROP PRODUCTION

-1.2%

2022H1

FROM

7.0%

2021H1

Rwanda's External Performance



Merchandise
Exports grew by

37.2%

2022H1

FROM

46.4%

2021H1

Attributed to:

- good performance of domestic manufacturing for exports;
- rising global commodity prices, and
- continued strong demand for re-exports.

Rwanda's External Performance



Merchandise
Imports grew by

22.5%

2022H1

FROM

13.8%

2021H1

Due to:

- Recovery of the domestic economy,
- Rising international commodity prices, mostly oil and food prices.

Exchange Rate Developments



0% ↑ 0

Franc depreciation
against USD (y-o-y)

3.8%

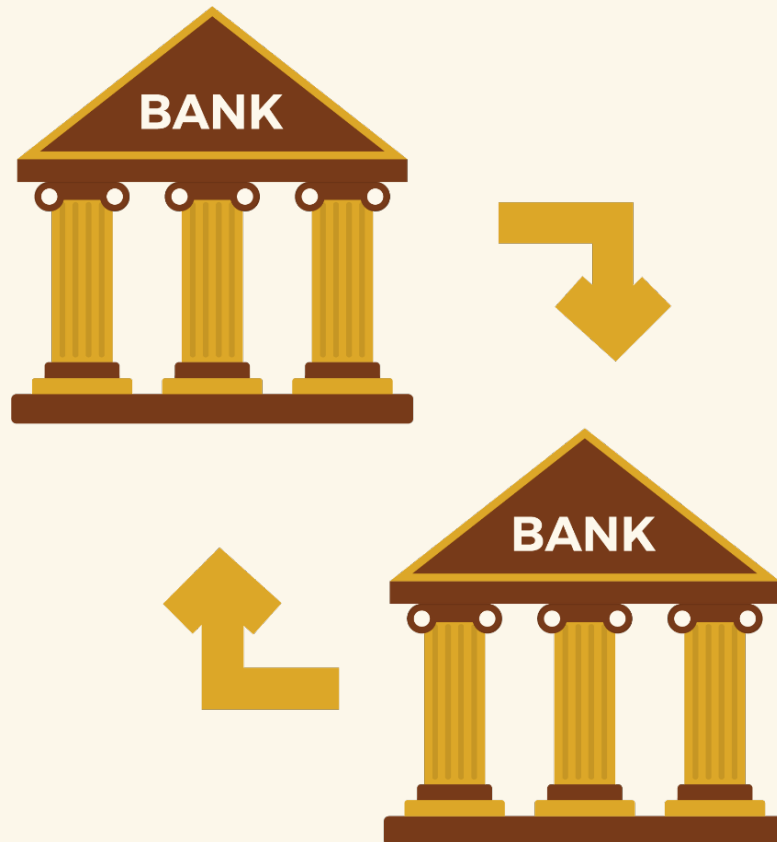
2022H1

— COMPARED TO —

5.3%

2021H1

Monetary Policy Developments



After the 50 bps increase in CBR in Feb 2022, the interbank market rate increased to

5.40%

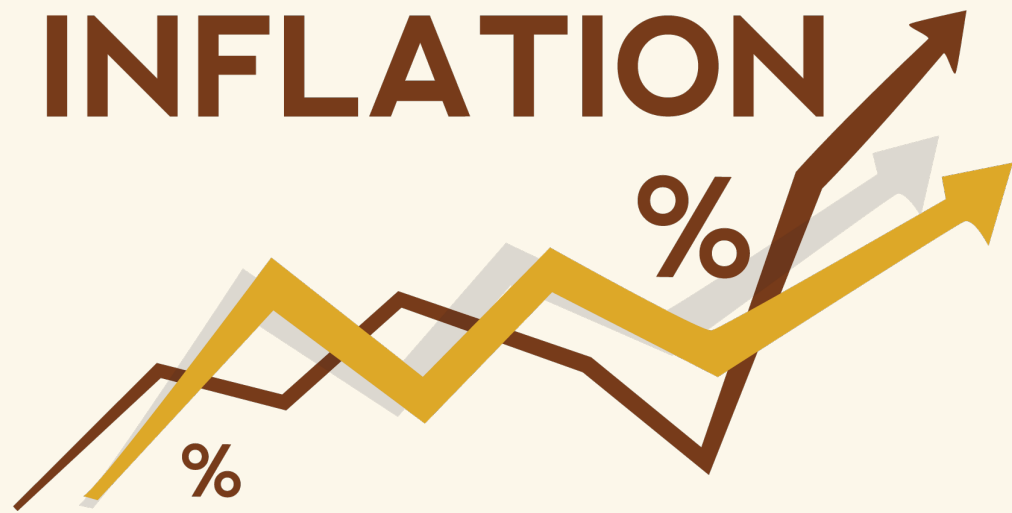
2022H1

FROM

5.19%

2021H1

Inflation Developments



Headline
Inflation

9.0%

2022H1

FROM

1.4%

2021H1

15.9%

Aug 2022

Inflation Developments



Core inflation

+8.1%

2022H1

FROM

+2.2%

2021H1



Fresh Food inflation

+10.2%

2022H1

FROM

-1.1%

2021H1



Energy inflation

+14.8%

2022H1

FROM

-0.1%

2021H1

Monetary Policy Stance



In August 2022, the CBR was increased by 100 basis points to

6.0%

Outlook



- International commodity prices are expected to remain high in 2022 H2.
- Upward pressures from domestic food production will maintain pressures on food inflation in 2022H2 but fade away afterward.
- Headline inflation is projected to evolve at around 12.1 percent on average in 2022, before falling back to the benchmark band (2-8%) in the second half of 2023,
 - Following Central Bank's and other economic policy actions,
 - Subject to lower international commodity prices and better agriculture performance next year.
- Global economic conditions remain uncertain, tied to the war in Ukraine, the pandemic, and other possible disruptions.



Journey

Financial Sector Performance

Structure & Growth of the Financial Sector



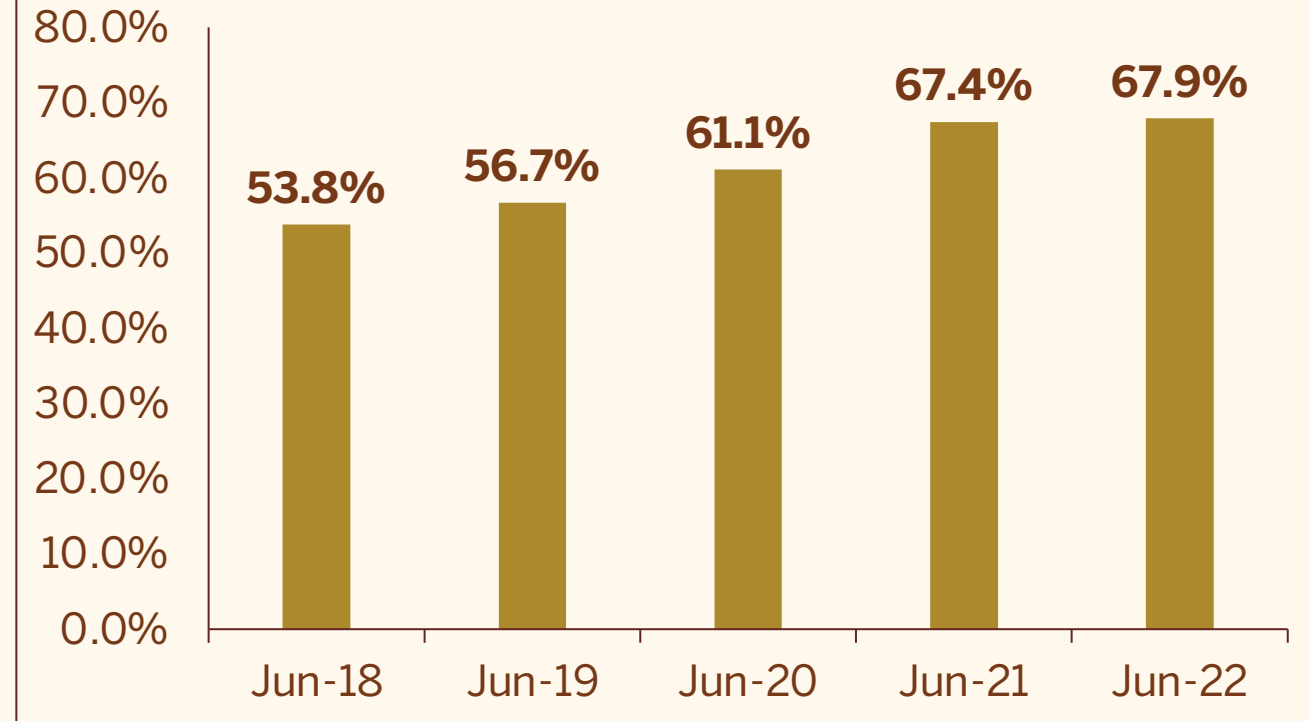
17.5% ↑
Assets of the
Financial Institutions

FRW 8,145 BN

JUNE 2022



FS Assets to GDP(%)



Structure of the Financial Sector



Banks still dominate the Financial Sector
(Jun 2022: 67.8% of total assets)



Banks
67.8%
FROM 66.9%
June 2021



MFIs
5.8%
FROM 5.6%
June 2021



Insurance
9.2%
Maintained 9.2%
June 2021



Public Pension
15.7%
FROM 17.0%
June 2021



Private Pension
1.0%
FROM 0.9%
June 2021



NDFIs
0.4%
Maintained 0.4%
June 2021

Structure of the Financial Sector

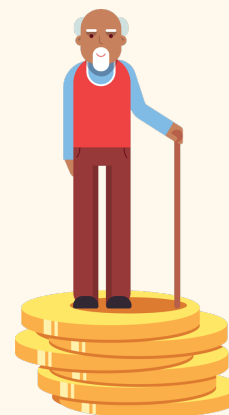


Assets of **Insurers** held in Banks (Deposit & Equities)

76.6%
JUNE 2022

EQUIVALENT TO

FRW 572.6 Bn



Assets of **Public Pension** held in Banks (Deposit & Equities)

34.0%
JUNE 2022

EQUIVALENT TO

FRW 433.3 Bn

Assets of **Private Pension** held in Banks (Deposit & Equities)

9.1%
JUNE 2022

EQUIVALENT TO

FRW 8.4 Bn



Assets of **MFI**s held in Banks (Deposit)

35.5%
JUNE 2022

EQUIVALENT TO

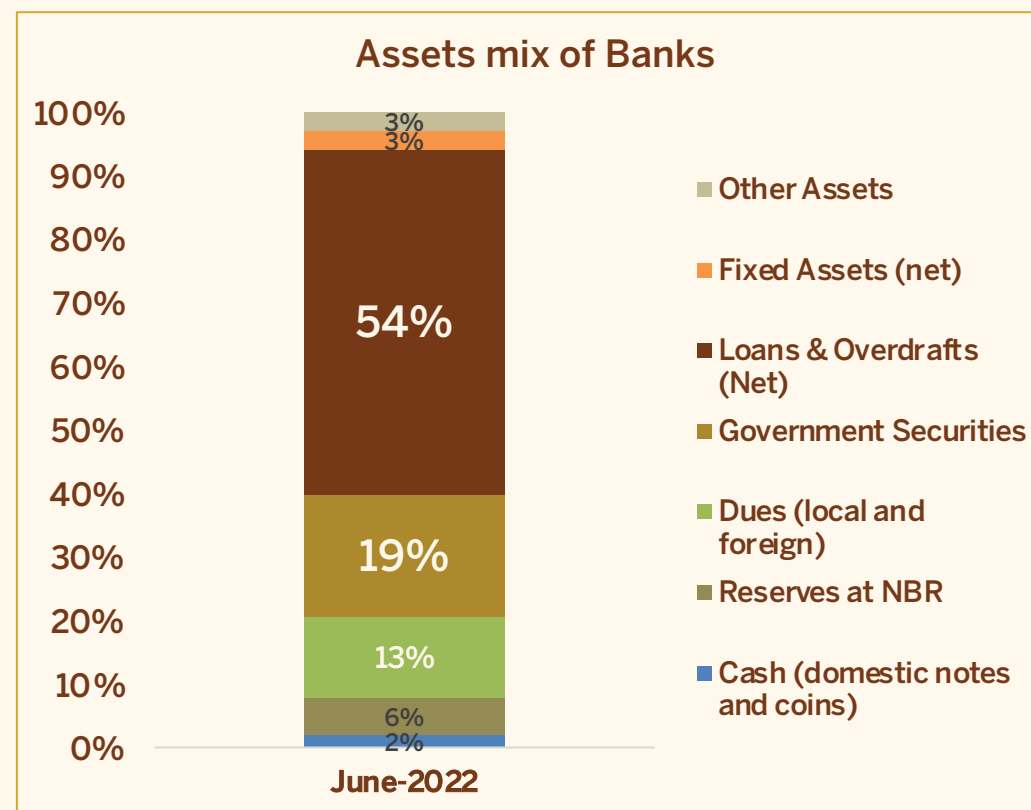
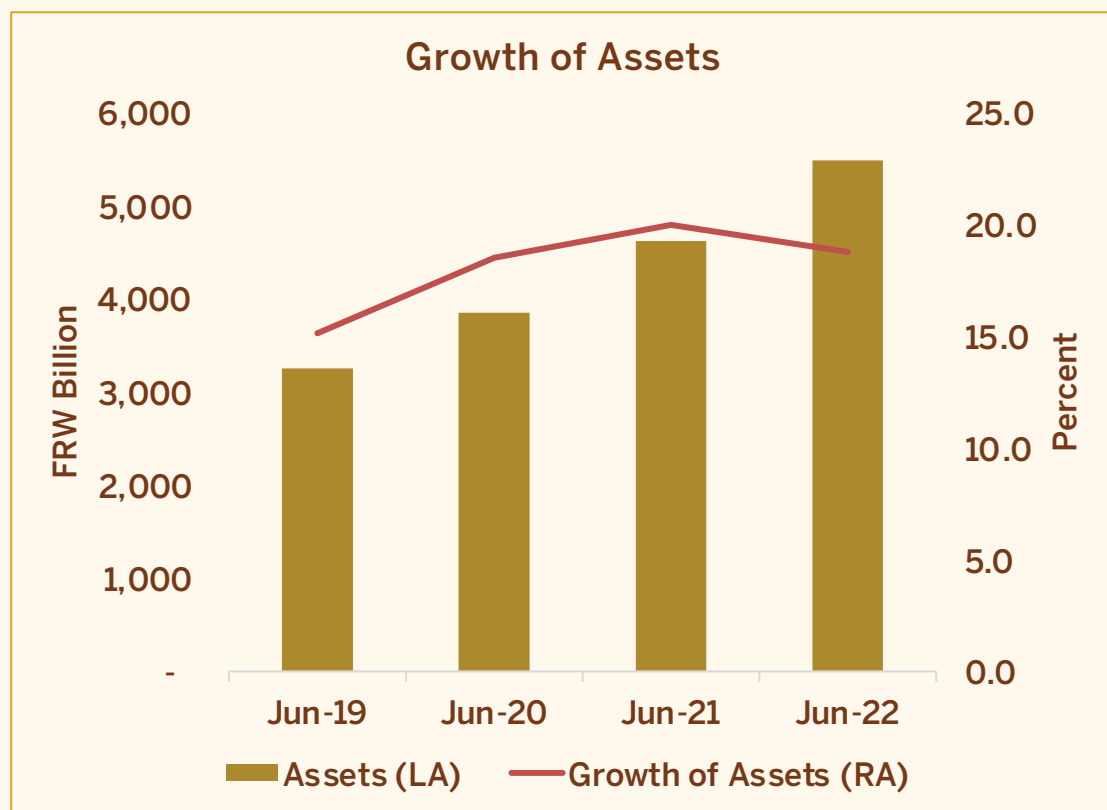
FRW 168.0 Bn

Monitoring the interlinkages is very important to the stability of the Financial Sector.

Banking Sector | Growth of Balance Sheet



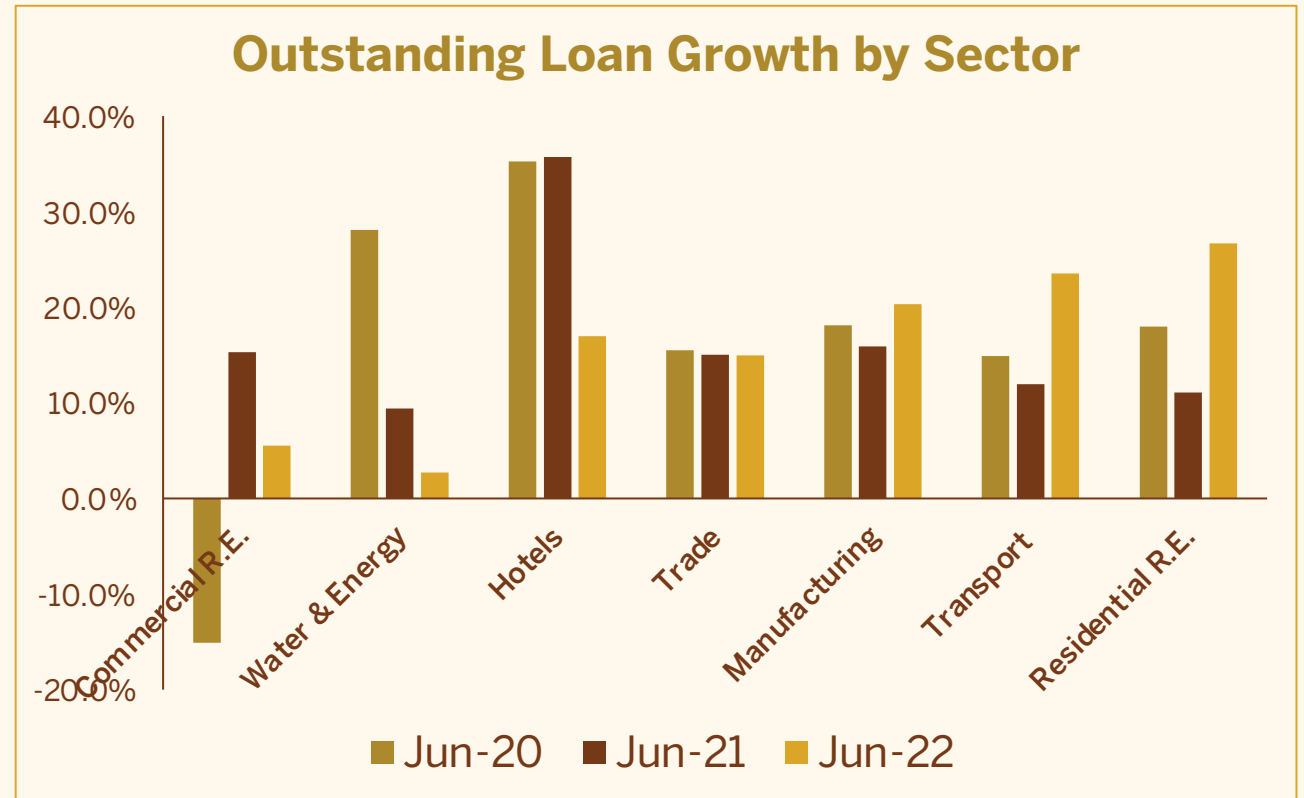
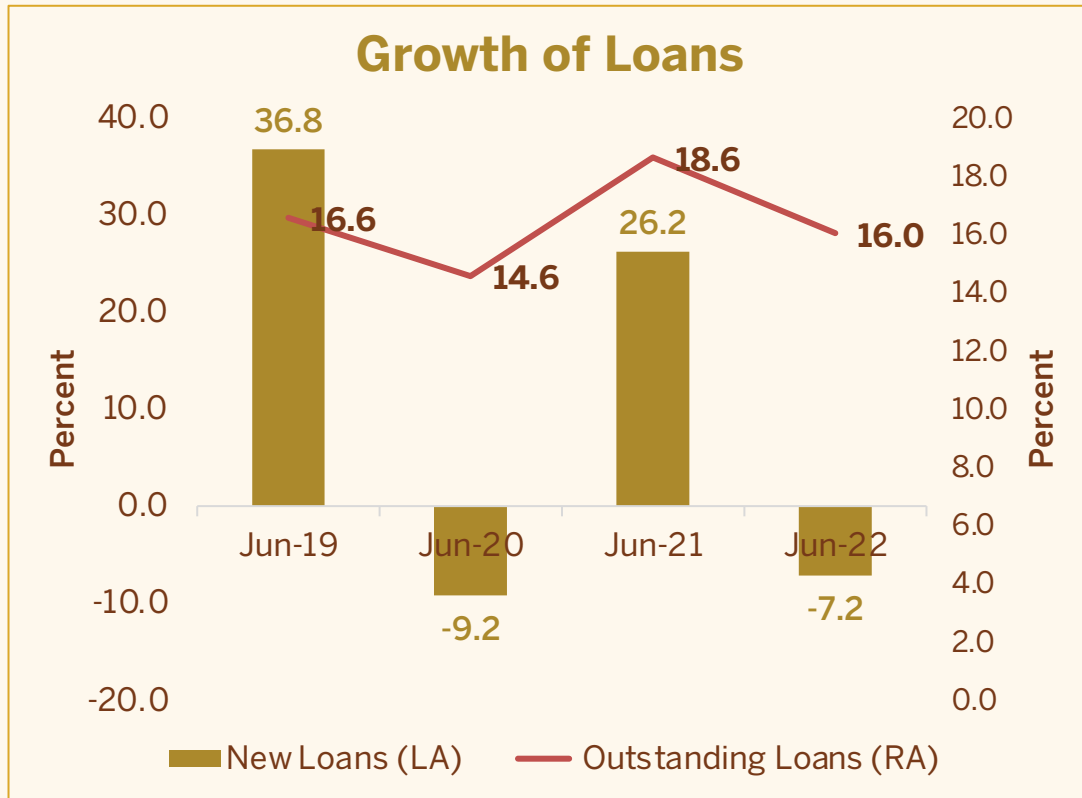
Banks' investments in Government securities continued to increase (approaching the EAC average of 20%)



Banking Sector | Lending



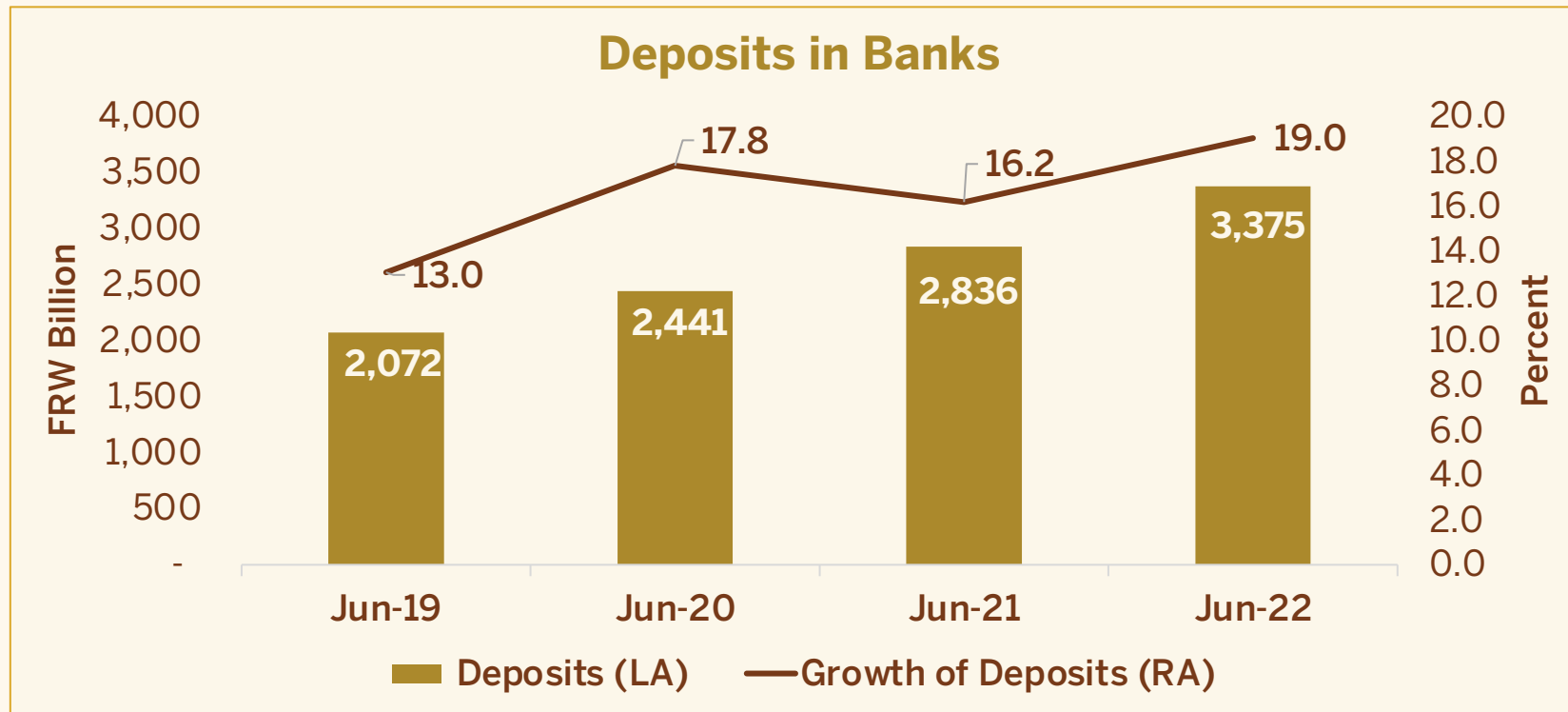
The growth of outstanding loans moderated in line with decline of new loans



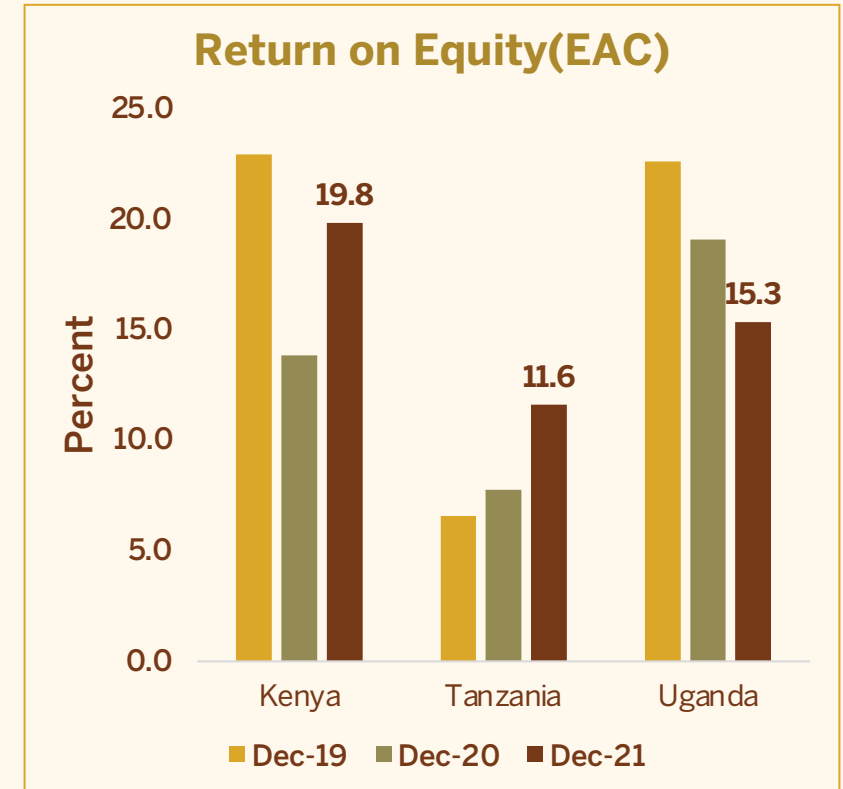
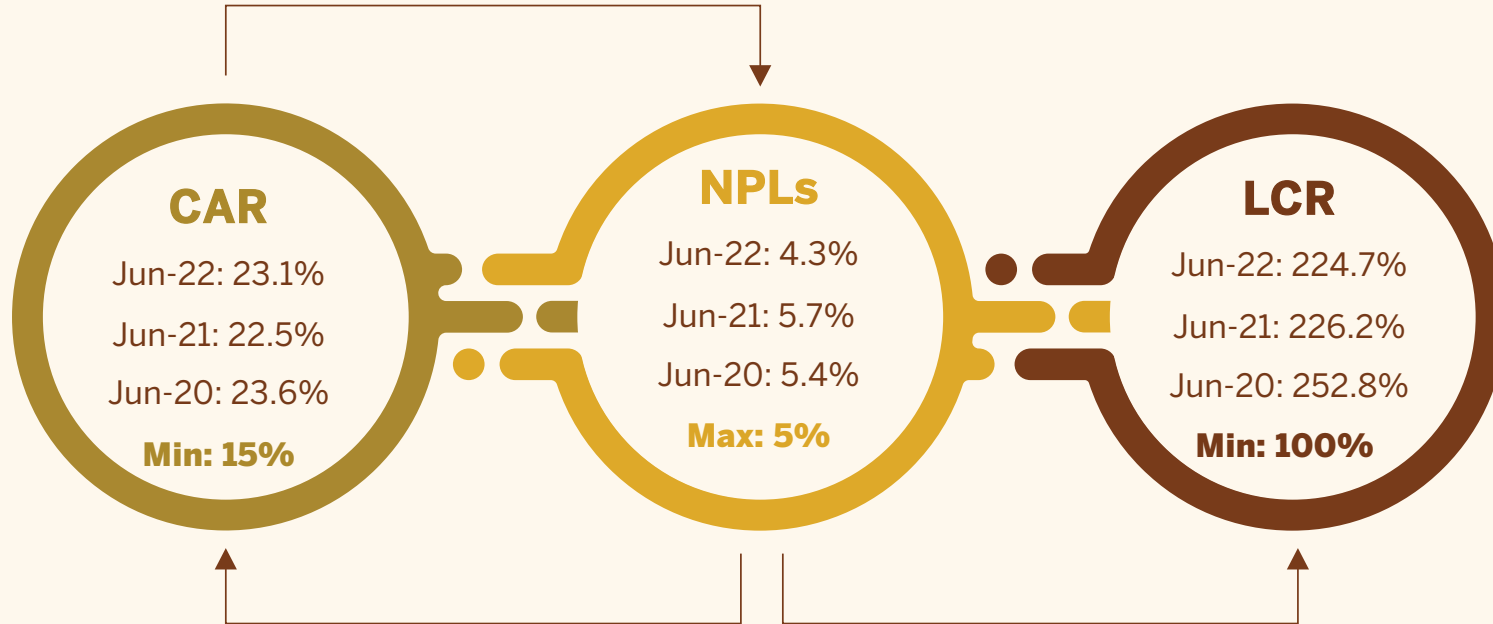
Banking Sector | Funding



The growth of deposits improved owing to increased fiscal injections and increased deposits of institutional investors



Banking Sector | Key stability indicators



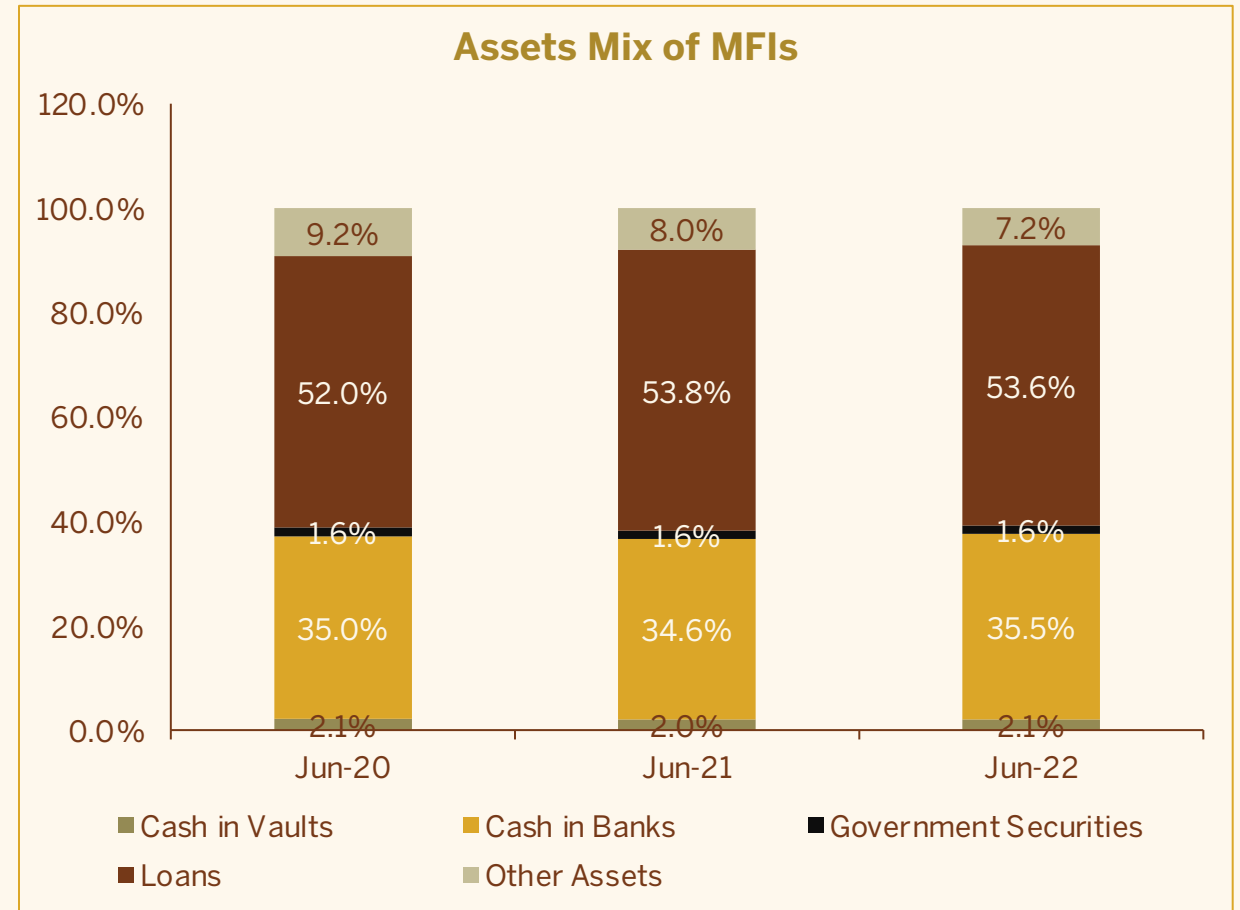
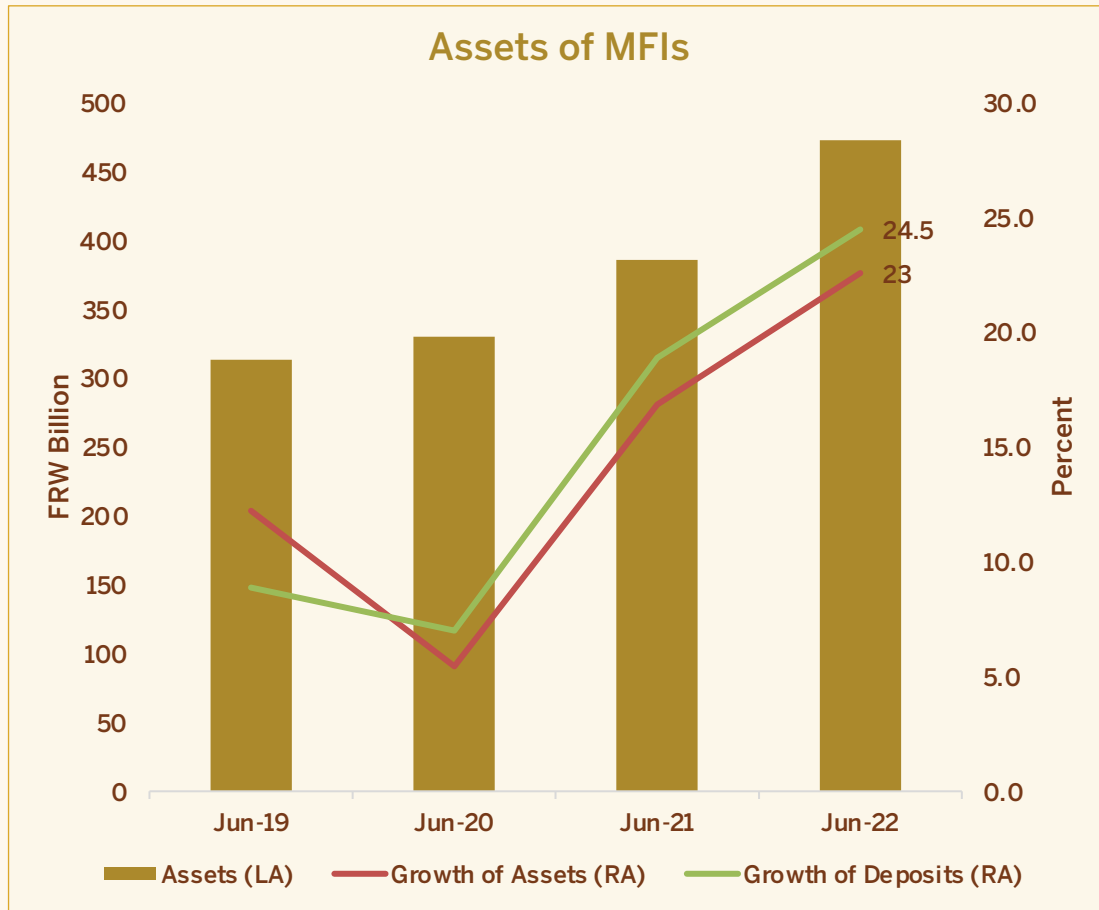
	Jun-20	Jun-21	Jun-22
ROA (%)	1.8%	2.5%	2.8%
ROE (%)	9.9%	14.4%	16.5%

Banking sector remains adequately capitalized, liquid and profitable

Performance of Microfinance Sector | Growth



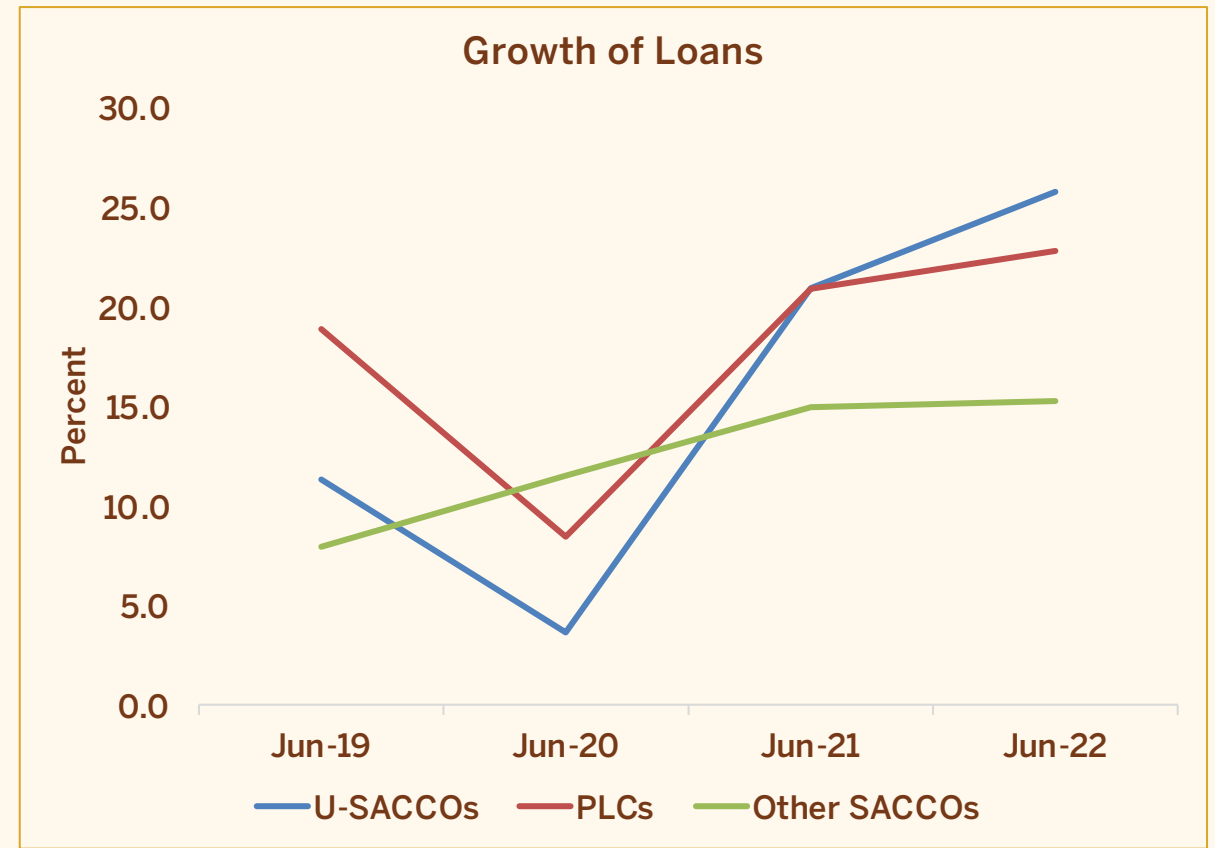
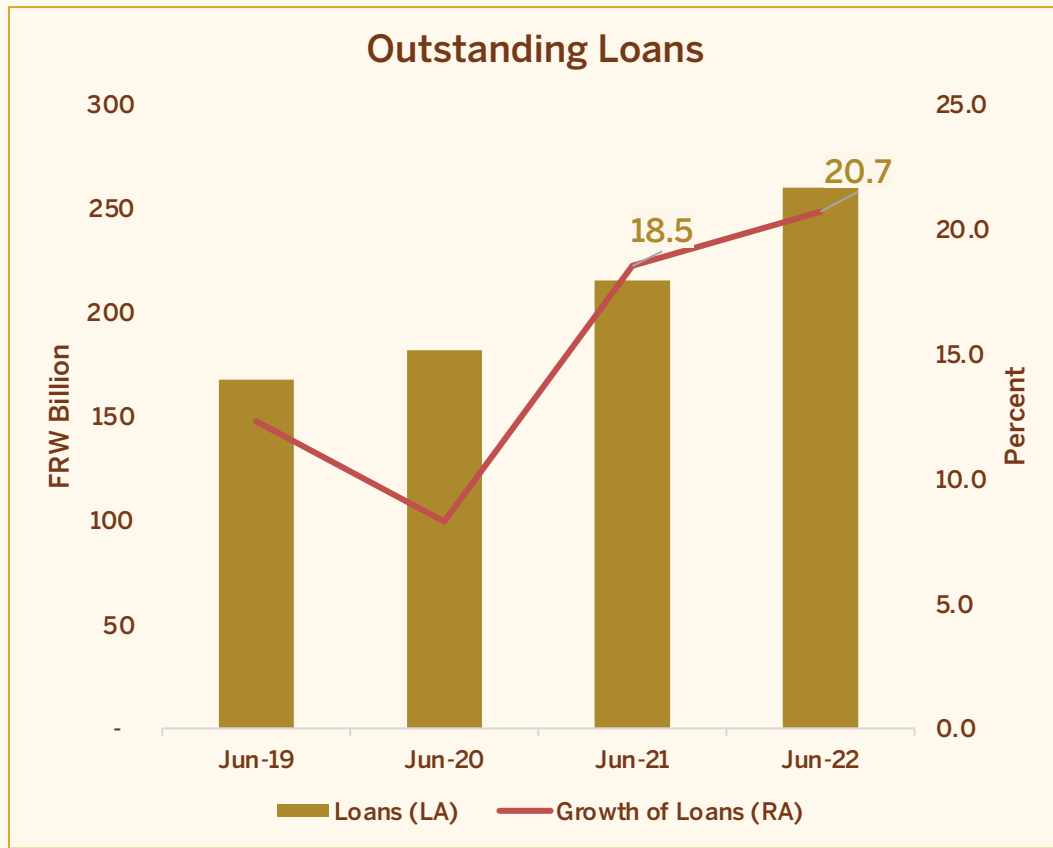
Microfinance sector assets increased, supported by deposits and equity



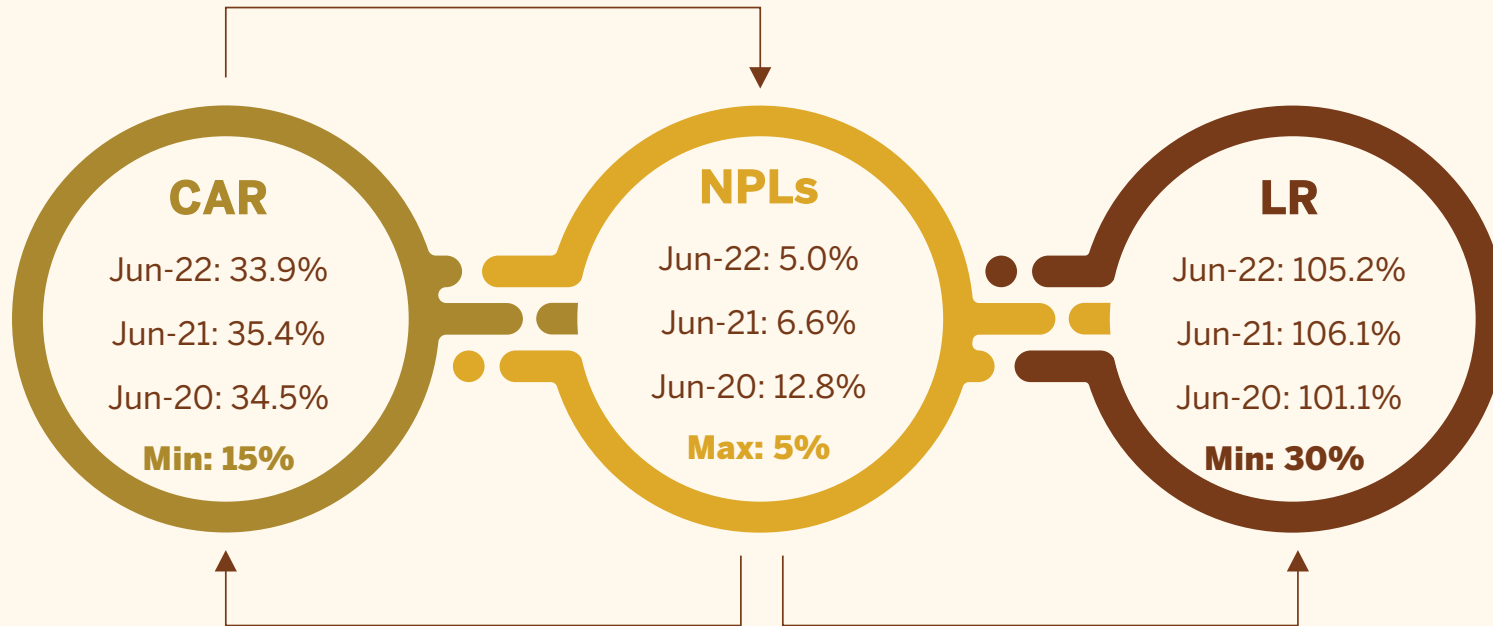
Performance of Microfinance Sector | Lending



Lending continue to grow in line with improved economic prospects and improved assets quality



Soundness of Microfinance Sector | Soundness



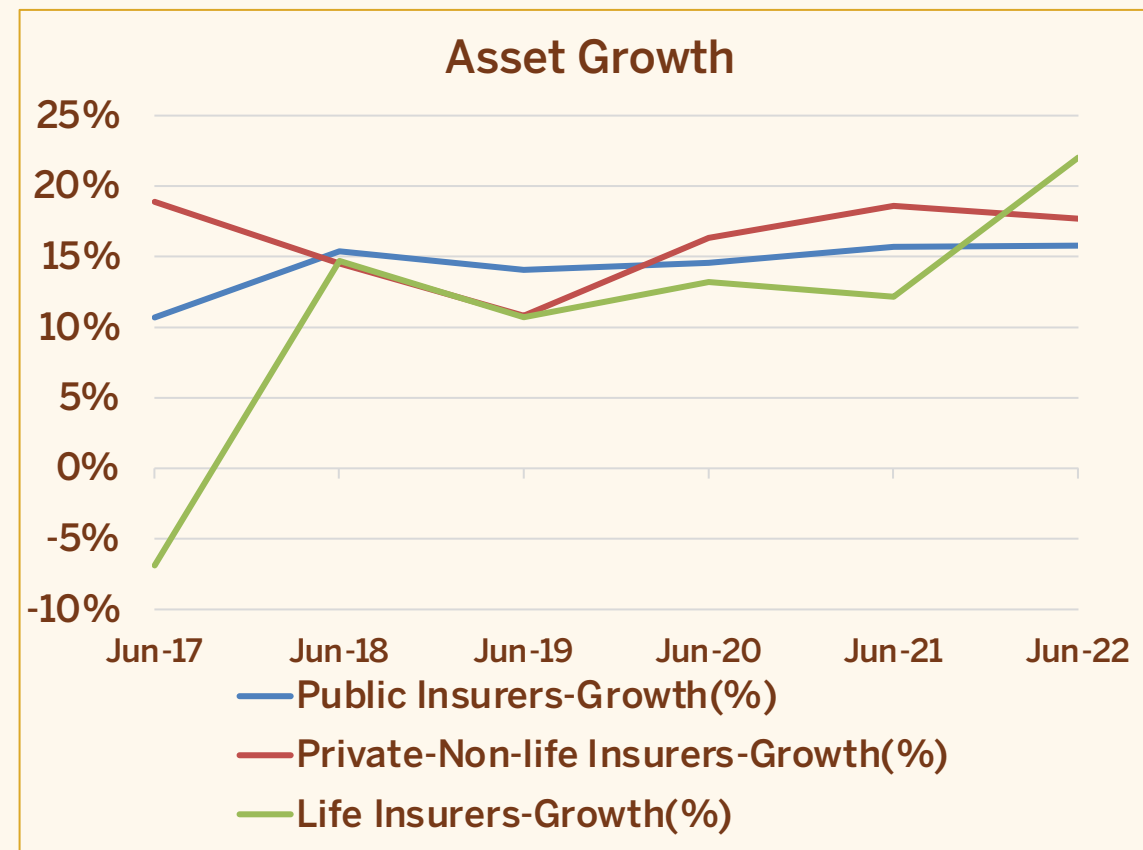
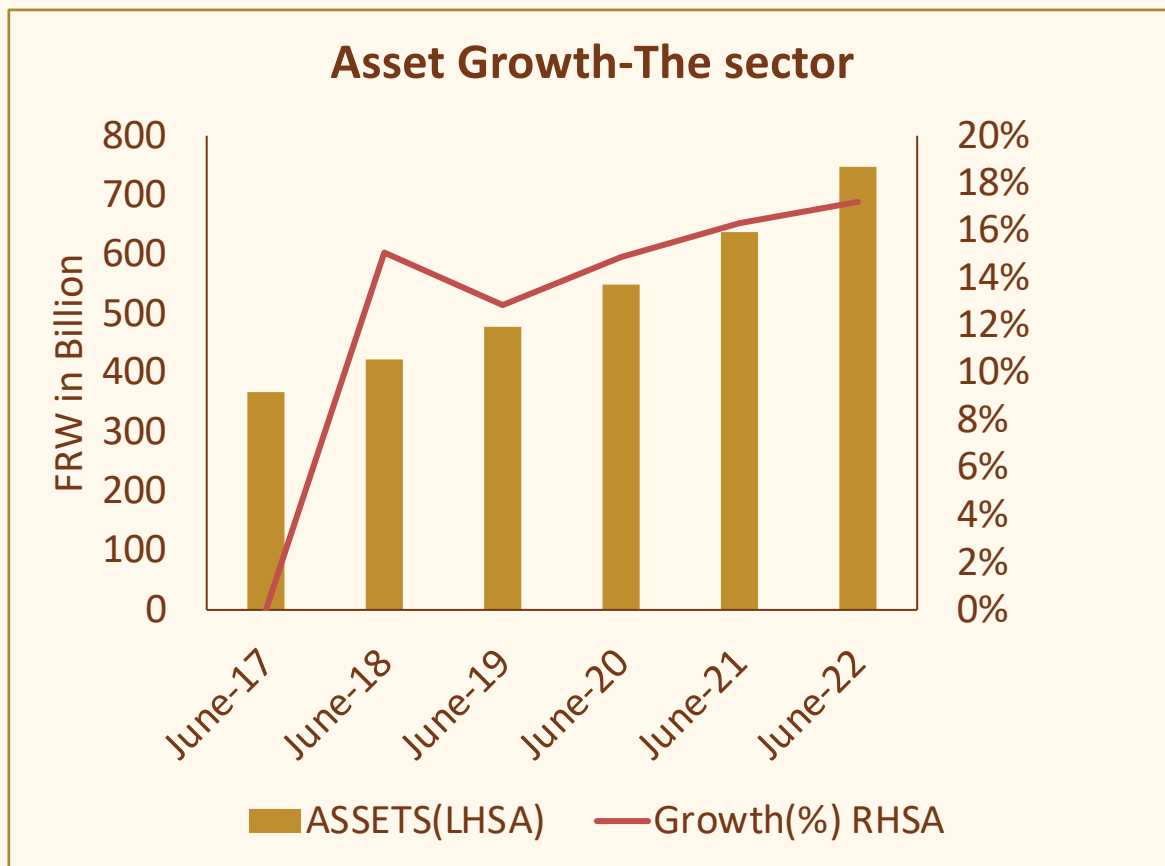
MFIs sector remains adequately capitalized, liquid and profitable

	Jun-20	Jun-21	Jun-22
ROA (%)	0.7	4.8	4.6
ROE (%)	1.9	13.5	13.5



Insurance sub sector| Assets

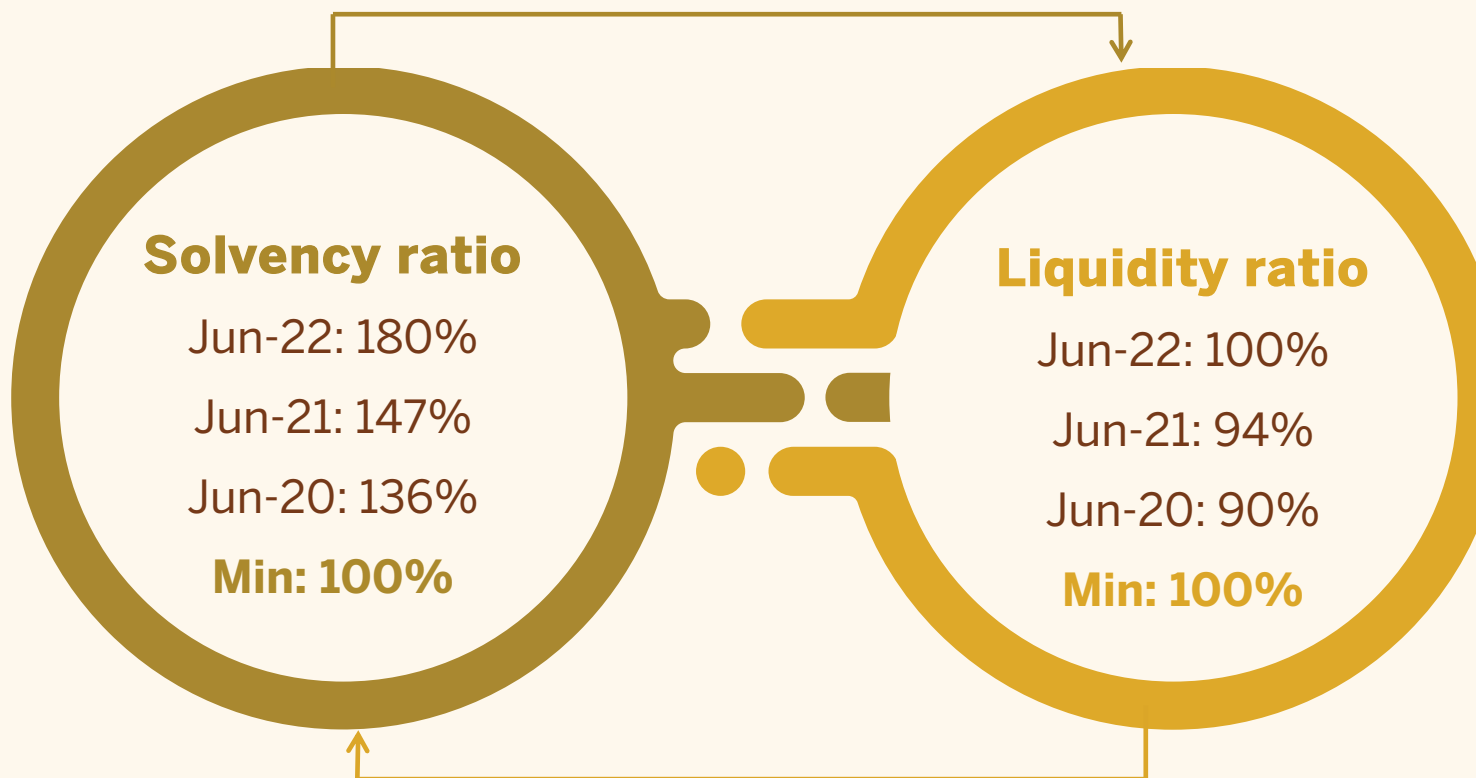
Asset of sector grew by **17%** in Q2 2022 compared to **16%** in Q2 of 2021.





Insurance sub sector | Assets

Private Insurance companies remained healthy with solvency and liquidity ratios within the prudential requirements



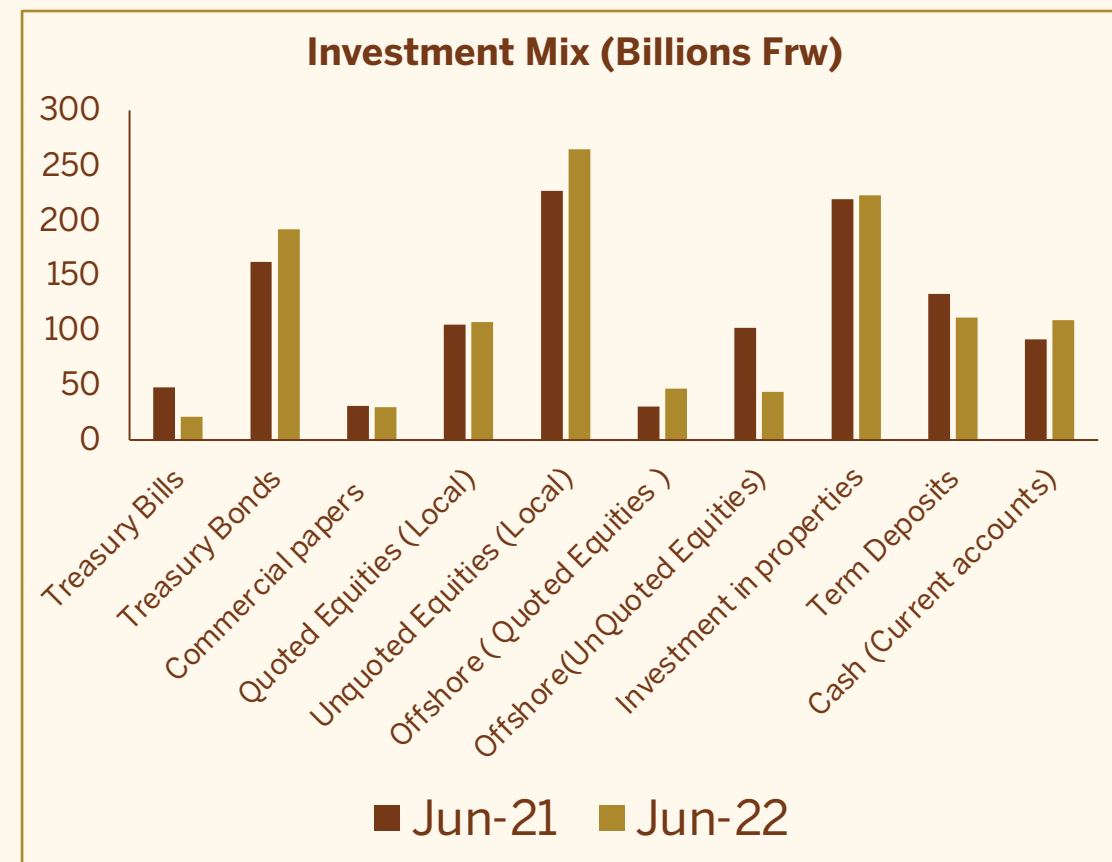
	Jun-20	Jun-21	Jun-22
ROA (%)	6	6	5
ROE (%)	18	18	16

Performance of Public Pension Funds



- ❖ Assets for Public Pension Funds increased at 6% driven by contributions (17%) and investment income (42%)
- ❖ Assets are well diversified to minimize risks

DESCRIPTION (in FRW Billion)	June-21	June-22	% change 2021/2022
Total assets	1,171	1,243	6%
Liabilities (payables)	3.8	0.91	-77%
Total Capital & Reserves	1,167	1,242.5	6%
Total Liabilities & Reserves	1,171	1,243.4	6%
Total contributions received	108.8	127.0	17%
Total benefits paid	34.7	40.4	17%
Total Investment income	38.94	55.3	42%
Total expenses	4.35	4.6	6%



UPDATES ON LTSS-EJO HEZA



- ❖ LTSS-EJO HEZA continued to grow supported by increased contributions



The assets of LTSS Ejo-Heza grew by

95%

Comm

Savers location	Jun-21	Jun-22	Variance
Northern	199,381	370,884	86%
Southern	357,932	575,364	61%
Diaspora	14	45	221%
Diaspora - A	130	214	65%
Eastern	217,388	348,412	60%
Western	297,322	555,565	87%
City of Kigali	62,932	104,286	66%
TOTAL	1,135,099	1,954,770	72%

Private Pension Scheme| Asset Growth & Allocation

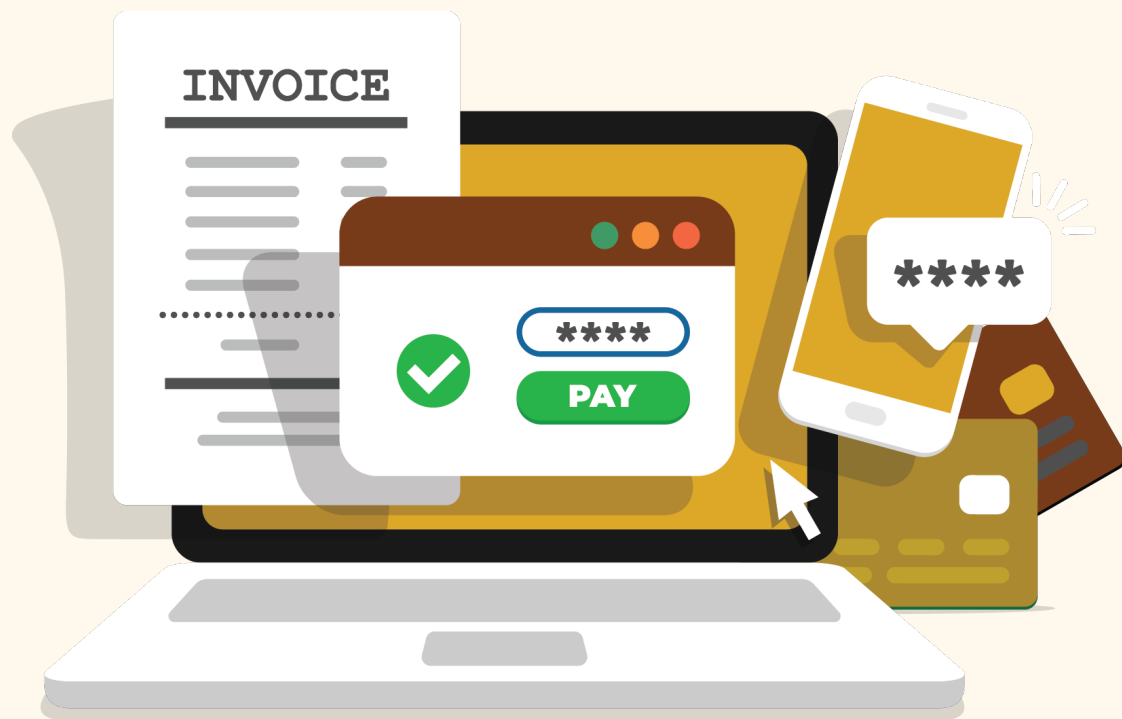


- The assets of private pension scheme continued to grow mainly due to increase in contributions and subsidies.
- Investment of private pension scheme is much allocated in Government bonds and T-bills.

Description("FRW in Billions")	June-21	June-22	% change
Assets	63.7	81.1	27%
Total number of contributors	63053	36996	-41%
Total number of pension beneficiaries	4208	5417	29%
Number of pension schemes	12	12	

	Investment(Billion)	% Share
Government bonds, T-bills	63.49	82%
Term deposits	7.14	9%
Real estate	5.65	7%
unlisted equities	1.09	1%
listed equities	0.15	0.19%
CIS(Aguka fund BK capital)	0.29	0.4%
Total	77.79	100

Payment Systems | Overall Cashless Performance



The value of e-payment to GDP increased due to

111.4%

IN JUNE 2022

FROM

95.5%

IN JUNE 2021

36.4%

IN JUNE 2019

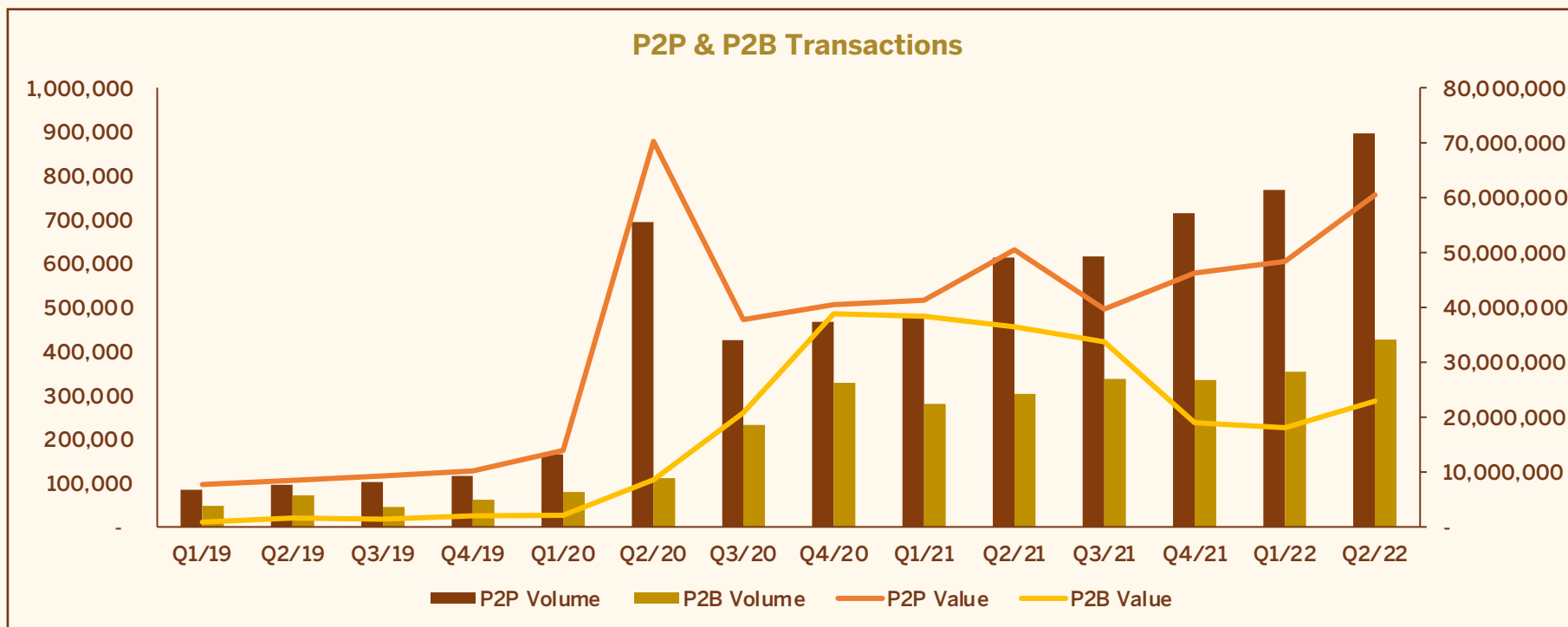
- The value of e-payment to GDP increased due to significant use of digital channels.
- The usage of digital channels remains dominated by mobile payment and internet banking services.



Performance of Mobile Payment

In Q2 22 vs Q2 21:

- P2P transactions volume and value increased by 46% and 20% respectively;
- P2B transactions volume increased by 41% while transactions value decreased by 37% due to fee reinstatement;

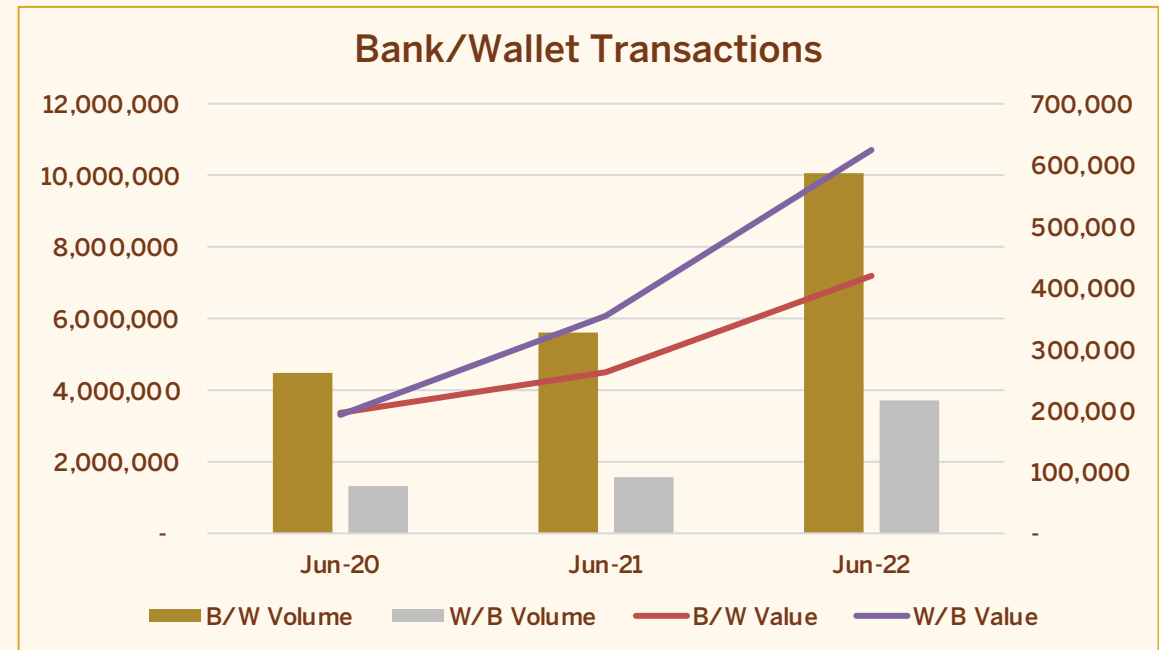
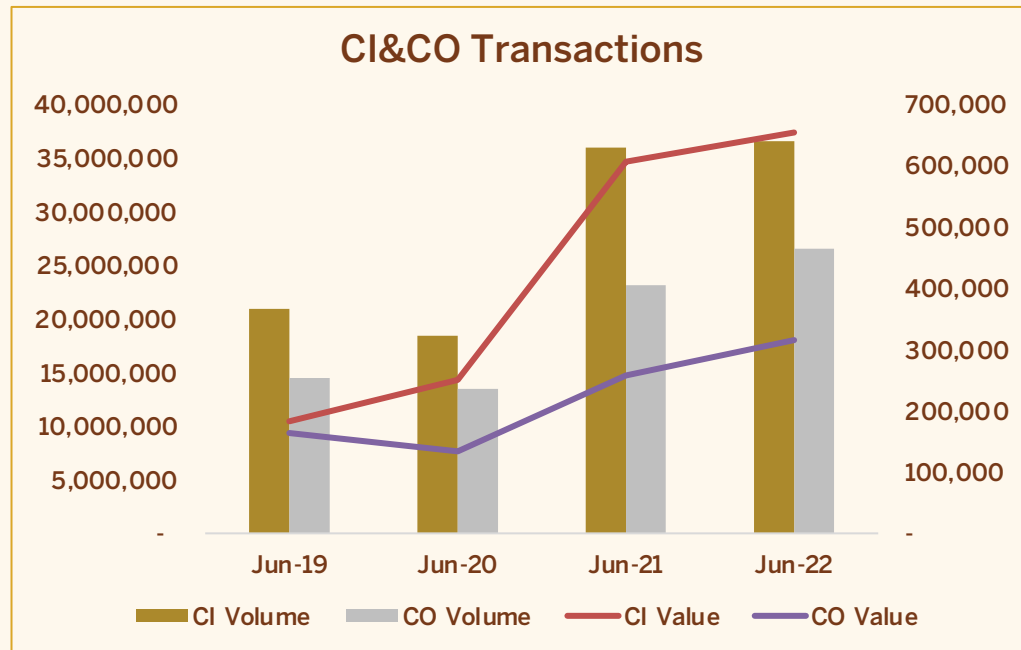


Performance of Mobile Payment, cont'd



In Q2/22 vs Q2/21:

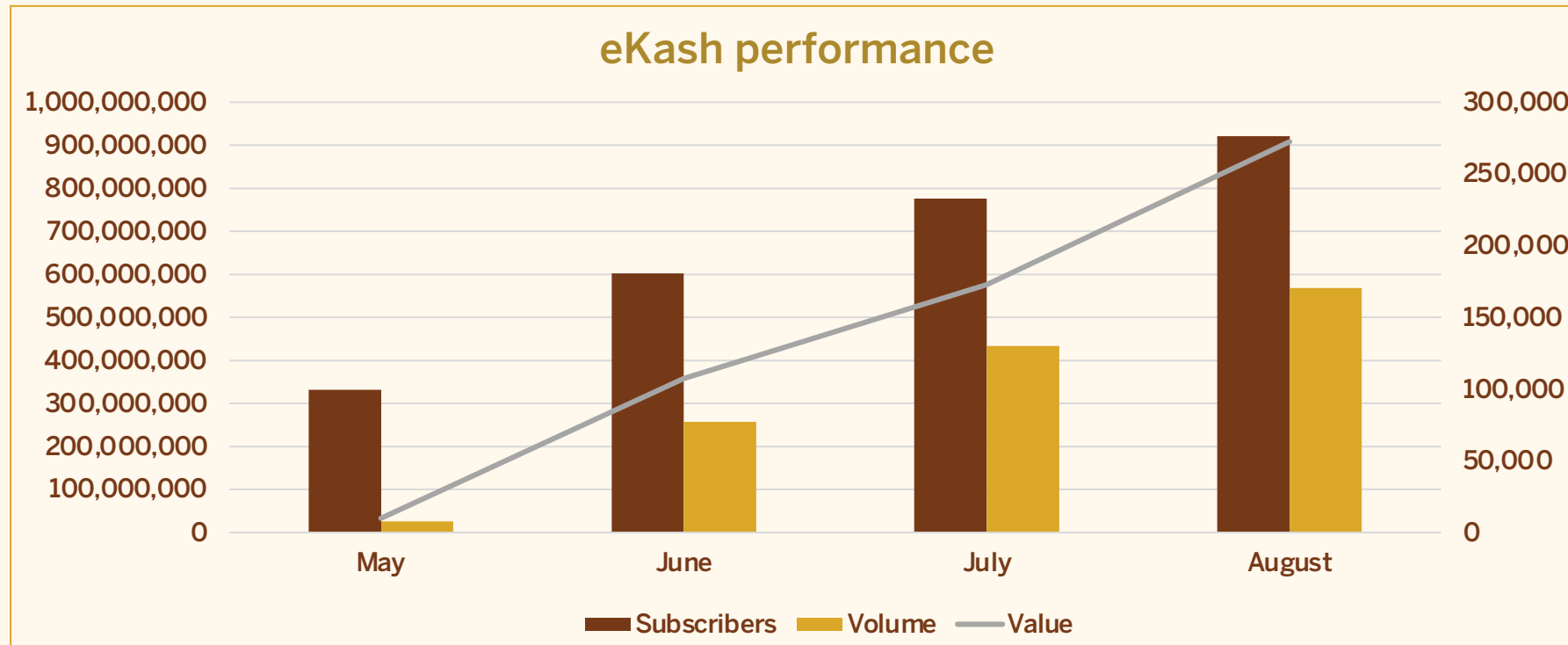
- B/W transactions volume increased by 80% and value by 60% due to the free service,
- W/B transactions volume increased by 137% and value by 76% due to free service and merchants push transactions;
- Cash in transactions volume increased by 2% and value by 8%;
- Cash out transactions volume increased by 15% and value by 23%; due to the resumption of business activities;
- CICO&W/B transactions trend remained higher than before covid-19 pandemic period;



New developments to support cashless drive



RNDPS Instant launched in May 2022



- RIPPS upgrade to operate 24/7
- Non-bank institutions to be granted access to RIPPS

Outlook



- The financial sector is expected to remain sound and stable on the back of sufficient capital and liquidity buffers. However, risks remain due to heightened uncertainties in global and domestic macro economic environment
- The NBR will continue to focus on supervisory interventions to ensure early detection of risks, and ensure that supervised institutions comply with prudential requirements.

thank
you