MONETARY POLICY AND FINANCIAL STABILITY STATEMENT

SEPTEMBER 2024

MONETARY POLICY AND FINANCIAL STABILITY STATEMENT

September 2024

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 Investment
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 September 2024 Monetary Policy and Financial Stability Statement (MPFSS) is to provide an assessment of economic and financial developments during the first half of 2024 and provide an outlook for the rest of the year.

According to the International Monetary Fund's (IMF) July 2024 World Economic Outlook (WEO) update, global economic growth is projected to slow to 3.2 percent in 2024 form 3.3 percent in 2023, and significantly below the historical annual average of 3.8 percent between 2000 and 2019 due to long-term effects of recent shocks on global economy.

During the first half of 2024, global commodity prices continued their downward trend, reflecting the anticipated deceleration in global economic growth. The global commodity index declined by 1.3 percent year-on-year, a far milder drop than the 25.6 percent contraction seen in the first half of 2023. Both energy and non-energy commodity prices contributed to this trend.

Global inflation is projected to moderate, declining to 5.9 percent in 2024 and further to 4.4 percent in 2025, down from 6.7 percent in 2023. This reflects a broad-based reduction in core inflation. However, inflation remains above the historical annual average inflation of 3.9 percent observed between 2000 and 2019. Emerging markets and developing economies are expected to face higher inflation rates than advanced economies, in line with earlier IMF forecasts.

Rwanda's economy continued its robust growth trajectory in 2024, following a strong performance in 2023. Real GDP expanded by 9.8 percent in the first half of 2024, driven by strong contributions across all sectors. The services sector saw significant gains, supported by growth in trade, transport, accommodation, education, and ICT—bolstered by initiatives such as the Connect Rwanda program. The *industrial sector also expanded, with the construction subsector benefiting from infrastructure projects. Meanwhile, mining growth was sustained by stable international mineral prices, while the manufacturing sector was bolstered by strong performance in food processing, textiles, wood, paper, and printing, as well as construction material production. In agriculture, favorable weather conditions and government initiatives like the Smart Nkunganire program supported a robust recovery, resulting in a bumper harvest during Season A of 2024.*

Rwanda's trade deficit widened by 9.6 percent in the first half of 2024 compared to the same period in 2023 amid high imports and declining export growth. Merchandise exports contracted by 0.9 percent, largely due to weaker performance in domestic manufacturing exports and weak coffee exports. In contrast, merchandise imports rose by 5.7 percent, driven by increased demand for goods and services as the economy strengthened.

The increase in the goods trade deficit contributed to the widening of the Current Account Deficit (CAD), despite ongoing improvements in services exports and diaspora remittances. Rwanda continues to attract sufficient financial inflows to finance the CAD, particularly through Foreign Direct Investment (FDI) and government borrowings, which have bolstered its reserve assets. At the end of the first half of 2024, reserve coverage stood at 4.7 months of prospective imports of goods and services, exceeding the benchmark level of 4 months.

The widening current account deficit and a stronger US dollar, resulting from tight financial conditions in the United States, exerted pressure on the Rwandan franc. However, the pace of depreciation was slower than the previous year. By the end of June 2024, the Rwandan franc had depreciated by 3.73 percent, compared to a depreciation of 8.80 percent in the same period of 2023.

Headline inflation moderated to 4.9 percent in the first half of 2024, down from 17.7 percent recorded in the first half of 2023. This deceleration was driven by declines in both core and fresh food inflation, which offset an increase in energy inflation. Core inflation eased due to falling global food prices, while fresh food inflation declined due to increased supply following a strong agricultural harvest in Season A of 2024. However, energy inflation rose in response to higher international oil prices, influencing domestic energy costs over the same period.

In 2022 and 2023, the National Bank of Rwanda tightened its monetary policy to address inflationary pressures, which helped bring inflation down to the desired level by December 2023. Given these developments and the projection of stable inflation at around 5 percent in 2024 and 2025, the Monetary Policy Committee reduced the Central Bank Rate (CBR) by 50 basis points to 7.0 percent in May 2024.

As a result of the policy tightening in 2023, the interbank rate rose by 66 basis points in the first half of 2024, averaging 8.21 percent compared to an average of 7.55 percent in the same period of 2023. These changes were reflected in deposit rates, which increased to 10.24 percent in the first half of 2024 from 9.48 percent in the same period of 2023. In contrast, the average lending rate saw a slight decrease of 3 basis points, moving to 15.68 percent in the first half of 2024 from 15.71 percent in the corresponding period of 2023.

The economic growth in Rwanda has continued to support the performance and stability of the financial sector. As of June 2024, total financial sector assets grew by 20.8% to FRW 11.6 trillion, driven by improved efficiency, higher deposits, increased contributions, and rising investment income.

The banking sector-the largest sector, which accounts for 67.5 percent of total assets, grew by 21.2%. The pension sector's assets increased *by 16.0 percent, the insurance sector's assets grew by 17 percent, while the microfinance sector expanded by 36.3 percent.*

Despite facing inflationary and exchange rate pressures, lending institutions and Non-Deposit Financial Service Providers (NDFSPs) have continued to support the economy with a steady flow of credit to the private sector. The rise in new lending reflects improved economic conditions, greater use of digital lending channels, and the impact of various government initiatives aimed at enhancing financing. The growth in lending among NDFSPs is also largely attributed to the influx of new NDFSPs into the market.

Regarding financial stability, banks and microfinance institutions-maintained Capital Adequacy Ratios (CAR) of 21.5% and 30.5%, respectively, exceeding regulatory requirements. Private insurers' solvency ratio improved to 269%. While liquidity positions remain strong, with banks' Liquidity Coverage Ratio (LCR) at 305.9% and Net Stable Funding Ratio (NSFR) at 135.6%. Microfinance institutions and private insurers also showed strong liquidity ratios.

In terms of credit risk, the quality of loans has remained strong, with the non-performing loan ratio in the banking sector holding steady at around 5%, and the microfinance sector maintaining a stable ratio of 3.8%. Developments in the Credit Reporting System have improved access to accurate credit information, further supporting the lending market.

In the payment systems sector, significant growth has been recorded, with the Rwanda National Digital Payment Interoperability achieving substantial progress, reflected in a doubling of daily transaction value and volume as of June 2024. This expansion is mirrored by significant growth in retail e-payments as a percentage of GDP, highlighting the increasing reliance on digital payment methods as both individuals and businesses embrace electronic transactions.

In light of the rapidly evolving technological landscape and the increasing challenges posed by climate change, the National Bank of Rwanda remains proactive in addressing these risks. By implementing regulations and closely monitoring both cyber and climate-related threats, the sector can enhance its resilience, protect critical data and infrastructure, and ensure operational continuity. Adopting recommended measures and international best practices will further strengthen defenses against emerging risks and safeguard long-term stability.

I. GLOBAL ECONOMIC ENVIRONMENT

1.1 ECONOMIC GROWTH AND OUTLOOK

According to the July 2024 World Economic Outlook (WEO) update of the International Monetary Fund (IMF)'s, global economic growth is expected to decelerate to 3.2 percent in 2024, down from 3.3 percent in 2023, significantly below the historical annual average of 3.8 percent recorded between 2000 and 2019. A slowdown of economic growth compared to the historical annual average growth is due to the long-term effects of recent shocks such as covid-19, Russia-Ukraine war as well as climate change on global economy.

Table 1: Global GDP Growth (p.a)

	2023				2024		IMF WEO		
	Q1	Q2	Q3	Q4	Q1	Q2	2023	2024 proj	2025 proj
World	-	-	-	-	-	-	3.3	3.2	3.3
Advanced economies	-	-	-	-	-	-	1.7	1.7	1.8
United States (y-o-y)	1.7	2.4	2.9	3.1	2.9	3.1	2.5	2.6	1.9
Euro area	1.3	0.5	0.1	0.2	0.5	0.6	0.5	0.9	1.5
Japan	2.5	2.0	1.3	0.9	-0.9	-0.8	1.9	0.7	1.0
United Kingdom	0.3	0.2	0.2	-0.2	0.3	0.9	0.1	0.7	1.5
Emerging market & developing economies	-	-	-	-	-	-	4.4	4.3	4.3
China	4.5	6.3	4.9	5.2	5.3	4.7	5.2	5.0	4.5
India	6.1	7.8	7.6	8.4	7.8	6.9	8.2	7.0	6.5
Sub-Saharan Africa	-	-	-	-	-	-	3.4	3.7	4.1

Source: IMF, July 2024 WEO update, Country Bureau of Statistics, and OECD Aug. 2024

Economic growth in advanced economies is projected to remain unchanged at 1.7 percent in 2024, mirroring the growth rate of 2023. This stability reflects ongoing weakness in the manufacturing sector, particularly in some Euro area countries like Germany.

Emerging markets and developing economies are projected to remain broadly stable at 4.3 percent in 2024, reflecting an upward revision of 0.1 percentage points compared to April 2024 projections. This change is driven by stronger activity in emerging markets and developing Asia, particularly China and India.

The Sub-Saharan African economy is projected to rise from 3.4 percent in 2023 to 3.7 percent in 2024, with a 0.1 percentage point downward revision relative to the April 2024 projections. This adjustment is mainly due to a downward revision in Nigeria's growth outlook, following weaker-than-expected activity in Q1 2024. The Sub-Saharan African economy is expected to grow by 4.1 percent in 2025.

Table 2: Growth in Oil Exporting African Countries (p.a)

	2016	2017	2018	2019	2020	2021	2022	2023	2024 proj	2025 proj
Sub-Saharan Africa	1.5	2.9	3.3	3.2	-1.6	4.7	4.0	3.4	3.7	4.1
Angola	-2.6	-0.2	-1.3	-0.7	-5.6	1.2	3.0	0.5	2.6	3.1
Nigeria	-1.6	0.8	1.9	2.2	-1.8	3.6	3.3	2.9	3.1	3.0
South Africa	0.7	1.2	1.6	0.3	-6.0	4.7	1.9	0.7	0.9	1.2
South Sudan	-13.3	-5.8	-2.1	0.9	-6.5	5.3	-5.2	-0.1	5.6	6.8
Egypt	4.3	4.2	5.3	5.5	3.6	3.3	6.7	3.8	3.0	4.4
Libya	-1.5	32.5	7.9	-11.2	-29.5	28.3	-8.3	10.2	7.8	6.9

Source: IMF, April 2024 projections and July 2024 update

The economic performance in the East African Community (EAC-5)[1] countries is projected grow by 5.4 percent in 2024 and by 5.9 percent in 2025, up from 5.3 percent in 2023, following projected upward revisions for most member countries compared to the previous year. This slight improvement is driven by projected upgrades for most member countries, supported by favorable weather conditions in the first quarter of 2024 across the region.

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

Table 3: Real GDP Growth in EAC (p.a)

	2023				2024				
	Q1	Q2	Q3	Q4	Q1	Q2	2023	2024 proj	2025 proj
EAC	-	-	-	-	-	-	5.3	5.4	5.9
Burundi	-	-	-	-	-	-	2.7	4.3	5.4
Kenya	5.5	5.6	6.0	5.1	5.0	-	5.5	5.0	5.3
Rwanda	9.2	6.3	7.5	10.0	9.7	9.8	8.3	6.6	6.5
Tanzania	5.4	5.2	5.3	6.4	5.1	-	5.0	5.5	6.0
Uganda	2.1	6.8	5.3	5.5	6.6	-	4.8	5.6	6.5

Source: IMF, Regional Economic Outlook April 2024 & Country Bureau of statistics

1.2 INFLATION AND COMMODITY PRICES

1.2.1 Inflation

Global annual average inflation is projected to ease to 5.9 percent in 2024 and further to 4.4 percent in 2025, down from 6.7 percent in 2023. This trend reflects a broad-based decline in global core inflation, though inflation levels are expected to remain above the historical annual average inflation of 3.9 percent observed between 2000 and 2019.

The 2024 forecast remains consistent with the April 2024 WEO projections, marked by an upward revision for advanced economies and a downward revision for emerging markets and developing economies. Inflation is anticipated to be higher in emerging markets and developing economies compared to advanced economies.

In advanced economies, consumer price inflation is expected to decrease to 2.7 percent in 2024 and further to 2.1 percent in 2025, down from 4.6 percent in 2023. This decline will be supported by stronger monetary policy frameworks and effective communication, although inflation is likely to remain above target in most advanced economies. The gradual cooling of labor markets, coupled with an anticipated decline in energy prices, is expected to bring headline inflation back to target by the end of 2025.

Table 4: Annual Average Inflation Developments (p.a)

	2023 (Y-o-Y)				2024 (Y-o-Y)			Annual		
	Mar	Jun	Sep	Dec	Mar	May	Jun	2023	2024 proj	2025 proj
World	-	-	-	-	-	-	-	6.7	5.9	4.4
Advanced economies	-	-	-	-	-	-	-	4.6	2.7	2.1
United States	5.0	3.0	3.7	3.4	3.5	3.3	3.0	4.1	2.9	2.0
Euro area	6.9	5.5	4.3	2.9	2.4	2.6	2.5	5.4	2.4	2.1
Japan	3.3	3.3	3.0	2.6	2.7	2.9	2.9	3.3	2.2	2.1
United Kingdom	10.1	7.9	6.7	4.0	3.2	2.0	2.0	7.3	2.5	2.0
Emerging and dev. economies	-	-	-	-	-	-	-	8.3	8.2	6.0
China	0.7	0.0	0.0	-0.3	0.1	0.3	0.2	0.2	1.0	2.0
India	5.7	4.9	5.0	5.7	4.9	4.8	5.1	5.4	4.6	4.2
Sub-Saharan Africa	-	-	-	-	-	-	-	16.2	15.3	12.4

Source: IMF, April project. & July WEO 2024 update and official numbers from countries

In emerging markets and developing economies, annual headline inflation is expected to slightly ease to 8.2 percent in 2024 and further to 6.0 percent in 2025, down from 8.3 percent in 2023. This decline reflects falling energy and easing food prices, bringing inflation close to pre-pandemic levels for many countries.

In Sub-Saharan Africa, annual headline inflation is projected to remain in double digits but on a declining trend, from 16.2 percent in 2023 to 15.3 percent in 2024. This trend is influenced by high inflation rates in countries such as Zimbabwe, South Sudan, Sierra Leone, Malawi, Nigeria, Ethiopia, and Angola, where food prices have risen sharply due to local shortages and the impact of global food prices driven by exchange rate pressures.

In the East African Community (EAC-5) countries, annual average inflation is projected to ease to 5.5 percent in 2024 and further to 5.1 percent in 2025, down from 6.8 percent in 2023. This improvement is expected across all EAC-5 member states.

Table 5: Annual Average Inflation in EAC Countries (p.a)

	2023 (Y-oY)				2024 (Y-o-Y)				Annual Average			
	Mar	Jun	Sep	Dec	Mar	Jun	July	Aug	2022	2023	2024 proj	2025 proj
EAC -5	-	-	-	-	-	-	-	-	7.1	6.8	5.5	5.1
Burundi	32.6	27.1	26.8	20.0	14.0	15.9	18.7	18.2	18.9	27.2	22.0	20.0
Kenya	9.2	7.9	6.8	6.6	5.7	4.6	4.3	4.4	7.6	7.7	6.6	5.5
Rwanda	19.3	13.7	13.9	6.4	4.2	5.0	4.9	5.0	13.9	14.3	5.0	5.0
Tanzania	4.7	3.6	3.3	3.0	3.0	3.1	3.0	3.1	4.4	3.8	4.0	4.0
Uganda	9.0	4.9	2.7	2.6	3.3	3.9	4.0	3.5	7.2	5.5	3.8	4.9

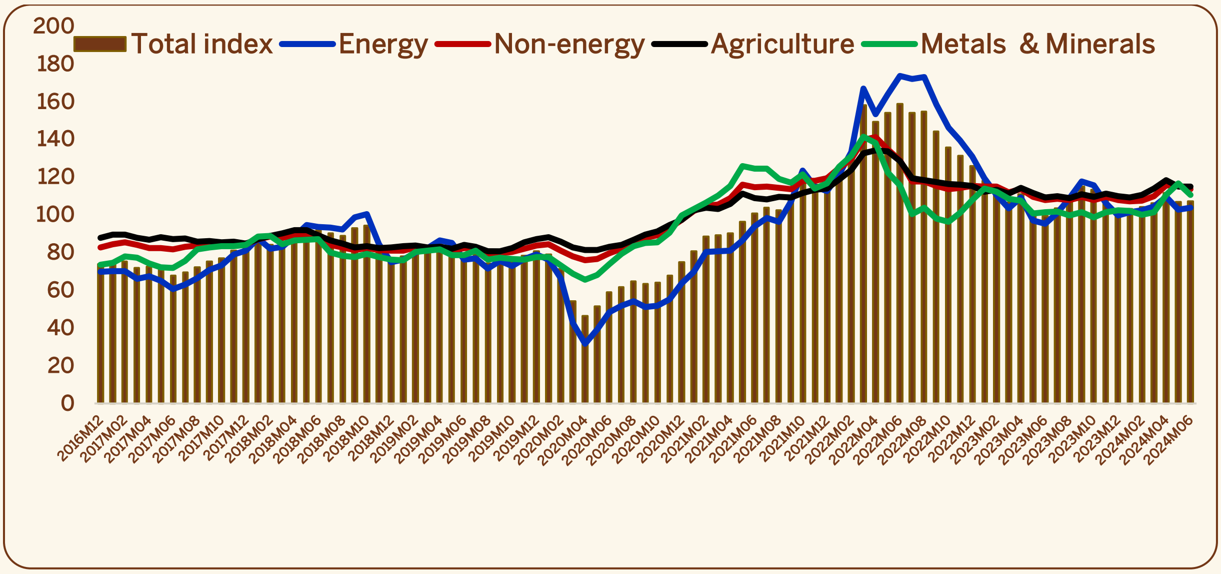
Source: IMF, April 2024 WEO projections & Official numbers from countries

1.2.2 Commodity Prices

In the first half of 2024 (year-on-year), global commodity prices continued to decline, aligning with the anticipated slowdown in global economic growth. The global commodity index fell by 1.3 percent, a significantly smaller drop compared to the 25.6 percent decrease observed in the first half of 2023. This decline was driven by falling prices in both energy and non-energy commodities.

Energy commodity prices decreased by 1.7 percent in 2024H1, a marked improvement from the 30.4 percent drop in 2023H1. This decrease was primarily due to falling natural gas prices, despite an increase in crude oil prices. For the entire year 2024, energy prices are projected to decline by 2.8 percent, following a steep 29.9 percent drop in 2023. This ongoing decline reflects elevated oil prices resulting from significant production cuts by OPEC+ (which includes Russia and other non-OPEC oil exporters) and the continued, though diminished, price pressures from ongoing conflicts in the Middle East.

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



Source: world Bank, July 2024

In the first half of 2024, crude oil prices increased by an average of 5.4 percent, a stark contrast to the 24.7 percent decline seen in the same period of 2023. This rise reflects a complex interplay of slowing global growth amid tight financial conditions. According to the IMF's July 2024 projections, oil prices are expected to see a modest increase of 0.8 percent for the year, rising from USD 80.62 per barrel in 2023 to USD 81.27 per barrel in 2024, before declining by 6.0 percent in 2025.

Meanwhile, natural gas prices dropped by 26.2 percent in the first half of 2024, following a substantial 54.8 percent decrease in 2023H1. This continued decline was largely due to a mild winter in Europe, which helped keep energy prices low. The World Bank projects that natural gas prices will decrease by an average of 19.0 percent in 2024, following a significant 53.9 percent drop in 2023. These forecasts are based on the assumption of relatively mild weather conditions in the northern hemisphere and stable supply conditions without major disruptions.

In the first half of 2024, non-energy commodity prices decreased slightly by 0.3 percent, a much smaller decline compared to the 14.4 percent drop observed in the same period of 2023. This trend was largely driven by falling prices across nearly all non-energy commodities. The World Bank projects that non-energy commodity prices will continue to decline, with a 2.1 percent drop expected in 2024, following a 9.8 percent decrease in 2023, and a further 2.8 percent decline projected for 2025.

For agricultural commodities, average prices increased by 1.5 percent in 2024H1, partly reversing the 10.5 percent decrease recorded in 2023H1. This rise was primarily due to increasing prices for beverages, which offset declining food prices, due to improved food supply resulting from increased production. Globally, food prices are projected to decrease by 5.5 percent in 2024, following a 9.2 percent decline in 2023.

In the metals and minerals sector, prices experienced a slight decrease of 0.3 percent in 2024H1, compared to a sharper 16.8 percent drop in 2023H1, reflecting a slowdown in global demand. However, tin prices rose by 11.3 percent in the first half of 2024, reversing the 34.4 percent decline from 2023H1, driven by heightened demand from the electronics sector. The World Bank forecasts a 4.1 percent increase in tin prices for 2024, following a 17.2 percent drop in 2023.

Fertilizer prices continued to decline, falling by 26.9 percent in 2024H1, following a 37.9 percent decrease in 2023H1. This decrease was largely due to easing supply disruptions. The World Bank projects that fertilizer prices will drop by 21.7 percent in 2024, following a 34.9 percent decline in 2023, as supply disruptions gradually resolve.

Table 6: Commodity prices (in percent change)

			2023			2024			Forecast, % changes	
	2022	2023	Q1 (YoY)	Q2 (YoY)	H1 (YoY)	Q1 (YoY)	Q2 (YoY)	H1 (YoY)	2024	2025
Global commodity	41.2	-24.2	-18.1	-32.3	-25.6	-6.9	4.6	-1.3	-2.5	-3.5
Energy	60.0	-29.9	-20.9	-38.5	-30.4	-7.7	4.9	-1.7	-2.8	-3.8
Crude oil, average	40.6	-16.8	-18.2	-30.4	-24.7	2.0	9.1	5.4	0.8*	-6.0*
Natural gas, index	110.7	-53.9	-43.8	-64.6	-53.9	-38.3	-9.2	-26.2	-19.0	11.1
Non-energy	9.0	-9.8	-12.0	-16.8	-14.4	-5.4	4.1	-0.3	-2.1	-2.8
Agriculture commodities	10.8	-7.2	-7.9	-13.0	-10.5	-1.6	3.9	1.5	-1.4	-4.2
Beverages	13.7	1.4	-7.3	-0.5	-3.9	39.2	73.8	57.1	22.4	-12.2
Arabica coffee	24.8	-19.4	-18.6	-17.8	-18.2	-5.8	9.3	1.7	-3.1	-1.1
Robusta coffee	15.3	15.0	-5.2	19.2	6.7	52.5	56.5	54.7	23.1	-20.0
Tea, Mombasa	15.9	-8.8	-11.7	-4.9	-8.5	-6.2	-0.6	-3.5	0.4	0.7
Food	14.2	-9.2	-6.9	-15.7	-11.5	-9.5	-8.0	-8.6	-5.5	-3.9
Cereals	21.4	-11.5	-0.1	-15.8	-8.5	-18.1	-15.7	-17.0	-11.3	-3.7
Oils and Meals	14.2	-18.1	-17.8	-28.1	-23.1	-16.7	-9.3	-13.2	-7.3	-4.8
Metals & Minerals	-1.2	-9.6	-15.9	-17.8	-16.8	-15.9	9.3	-0.3	-0.6	0.7
Tin	-3.2	-17.2	-39.1	-28.8	-34.4	-0.5	23.2	11.3	4.1	3.7
Precious metals	-2.4	7.7	-0.4	5.8	2.7	8.6	17.9	13.4	7.9	-1.3
Gold	0.1	7.9	0.8	5.6	3.2	9.7	18.1	14.0	8.1	-2.4
Fertilizers	54.8	-34.9	-30.4	-44.6	-37.9	-29.7	-23.8	-26.9	-21.7	-6.1

Source: World Bank April 2024 projections
*IMF July 2024 update

1.3 MONETARY POLICY AND FINANCIAL MARKETS

Monetary policy rates among major central banks are anticipated to decline during the second half of 2024, with varying rates of normalization reflective of diverse inflation scenarios.

As of mid-2024, several major central banks have maintained steady interest rates. The US Federal Reserve paused interest rate hikes for the fifth time since January, keeping the target range at 5.25-5.50 percent on July 31, 2024. In June 2024, the Bank of England held its bank rate steady at 5.25 percent, continuing its unchanged stance for eight consecutive meetings. Conversely, the European Central Bank (ECB) kept its key rates stable in July 2024, but after a small rate cut of

0.25 percent in the previous month, marking the first major central bank to cut rates. Japan, meanwhile, continued with negative deposit rates at -0.010 percent. The 10-year government bond rates in the US, Eurozone, and Japan rose during the first half of 2024, indicating tighter financial conditions globally.

In the foreign exchange market, the Federal Reserve's delay in cutting the federal fund rate has made the US dollar stronger compared to other currencies. As of the end of June 2024, the US dollar had strengthened by 14.07 percent year-on-year against the Japanese yen, by 2.98 percent against the euro, by 2.35 percent against the Chinese yuan, and by 0.64 percent against the British pound.

II. NATIONAL ECONOMIC PERFORMANCE

This section analyzes Rwanda's economic performance in the first half of 2024 and the outlook for the entire year. The economy demonstrated robust performance during this period, continuing the strong growth trajectory established in 2023.

2.1 ECONOMIC GROWTH

Rwanda's economy recorded a robust performance in 2023 and this momentum continued in 2024.

2.1.1 GDP Growth in 2024H1

In the first half of 2024, Rwanda's real GDP growth reached 9.8 percent, fueled by strong performance across all economic sectors.

The growth in the services sector was driven by booming trade services, transport, accommodation, education, and information and communication sectors. The Connect Rwanda program, which aims to bridge Rwanda's digital divide, significantly contributed to the success of the information and communication sector. Since its launch in 2019, mobile phone penetration has surged by 40.0 percent to 98.7 percent of the population as of June 2024, while internet penetration increased by 19.0 percent, reaching 71.9 percent of the population by the end of March 2024.

The program targets one smartphone to one household in every village across the countrywith priority to female farmers, persons with disabilities as well as individuals in category 1 and 2 of ubudehe. Furthermore, the beneficiaries were equipped with basic digital skills to utilize the smart phones and benefit from digital service through the digital ambassadors program.

Table 7: Rwanda's real GDP growth (%)

	2021	2022	2023	2023						2024		
				Q1	Q2	H1	Q3	Q4	H2	Q1	Q2	H1
GDP	**10.9**	**8.2**	**8.2**	**9.2**	**6.3**	**7.7**	**7.5**	**10.0**	**8.7**	**9.7**	**9.8**	**9.8**
Agriculture	6.4	1.6	1.7	0.8	-0.1	0.3	2.9	3.1	3.0	7.4	7.0	7.2
Food crops	6.7	-0.9	0.0	-3.2	-3.2	-3.1	3.4	3.4	3.2	8.0	8.0	8.3
Export crops	-0.5	3.5	-4.4	24.7	2.1	15.4	-15.2	-13.4	-14.3	0.3	-6.4	-3.3
Livestock & livestock products	8.1	8.7	6.5	6.5	5.5	5.6	6.4	7.7	6.8	7.1	7.3	7.2
Forestry	5.4	4.8	5.7	5.2	5.8	6.0	6.0	5.8	5.8	6.2	6.0	6.0
Fishing	24.0	3.3	3.5	3.8	3.8	12.5	3.2	3.2	5.9	3.2	3.3	0.0
Industry	13.3	5.0	10.2	8.7	6.1	7.5	13.5	12.5	13.1	10.5	15.4	12.9
Mining & quarrying	26.6	14.1	9.1	14.7	7.1	10.0	14.4	2.0	8.0	22.1	-2.3	10.2
Manufacturing	10.6	11.0	10.5	15.5	7.6	11.5	8.3	10.7	9.3	4.7	17.0	10.7
Electricity	11.7	14.0	5.0	1.9	6.7	4.8	7.0	4.3	4.5	14.1	18.3	15.4
Water & waste management	4.6	3.6	2.5	2.6	2.0	0.0	2.7	2.6	11.1	1.9	3.7	11.1
Construction	15.0	-5.8	11.6	0.7	3.9	2.0	23.6	20.6	22.0	15.9	18.0	16.9
Services	11.9	12.2	11.2	12.9	10.0	11.4	8.8	13.1	10.9	10.8	9.6	10.2
Trade & transport	13.5	15.9	9.9	17.2	6.7	11.6	9.9	7.1	8.5	17.6	8.9	13.2
Maintenance & repair of motors	35.3	5.1	2.4	3.4	3.2	0.0	2.3	0.7	0.0	-0.5	-1.6	0.0
Wholesale & retail trade	11.7	13.9	8.7	17.1	6.3	11.3	7.5	5.2	6.4	21.0	9.6	15.0
Transport services	14.6	21.7	13.4	19.4	7.9	13.1	15.5	11.4	13.6	13.2	8.8	10.9
Other services	11.2	10.6	11.7	11.1	11.5	11.3	8.3	15.9	12.0	7.9	9.9	8.9
Hotels & restaurants	20.4	86.9	18.0	42.4	7.4	23.8	5.1	22.1	13.8	12.9	20.1	16.2
Information & communication	18.8	19.7	34.7	42.8	36.7	40.3	20.1	42.9	31.1	28.3	33.1	30.3
Financial services	18.0	10.3	8.5	12.6	7.2	9.7	16.1	1.1	7.7	6.1	9.7	8.2
Real estate activities	4.1	1.5	4.7	9.4	1.7	5.6	3.3	4.3	3.7	-5.4	2.9	-1.8
Professional, scientific & technical activities	13.2	1.0	4.0	-5.6	0.5	-1.8	13.5	7.8	10.8	4.5	5.5	4.5
Administrative & support service	5.8	1.4	2.3	-0.2	0.0	-0.7	1.7	7.6	4.6	1.3	14.5	8.1
Public admin. & defense; compulsory social security	2.4	9.6	10.8	6.5	21.2	13.7	2.3	15.6	8.3	5.3	-1.3	1.7
Education	58.6	17.4	17.8	13.2	27.9	19.7	15.6	15.6	15.2	12.9	2.3	7.9
Human health & social work activities	8.9	8.1	-1.2	-3.0	7.3	2.6	-1.5	-8.4	-5.5	14.3	0.2	5.8
Cultural, domestic & other services	9.5	8.2	17.9	9.0	9.5	9.6	12.8	38.4	26.2	12.2	17.2	14.7
Taxes less subsidies	13.4	11.8	5.3	12.9	3.7	8.2	0.6	5.8	3.0	8.5	6.8	7.8

Source: National Bank of Rwanda

The industry sector's expansion was led by the construction subsector, which accelerated due to the rapid implementation of key infrastructure projects, including roads in Kigali city, sports facilities, hospitals, and commercial buildings. Furthermore, stable mineral prices on the international market aided the growth of the mining and quarrying sectors, while the robust performance of manufacturing industries was bolstered by strong performance in food processing, textiles, wood, paper, and printing, as well as construction material production.

In the agriculture sector, favorable weather conditions during the 2024 Agricultural Season A, along with a government campaign promoting full utilization of arable land and the increased availability and affordability of fertilizers through the Smart Nkunganire program, led to a bumper harvest of food crops. This recovery in agriculture significantly contributed to the robust growth experienced during the period.

Looking ahead, the positive momentum is expected to continue in the second half of the year, driven by steadily growing aggregate demand and robust outputs from the 2024 agricultural season B. As a result, the initial growth forecast of 6.6 percent for the year is likely to be exceeded.

2.2 EXTERNAL TRADE PERFORMANCE

In the first half of 2024, Rwanda's merchandise[2] export earnings decreased by 0.9 percent, totaling USD 777.7 million, compared to USD 785.0 million in the previous year. This decline was primarily due to the underperformance of domestic manufacturing exports and weak coffee exports, despite an increase in mineral and tea exports as global commodity prices remain high

Conversely, merchandise imports[3] in the first half of 2024 rose by 5.7 percent, amounting to USD 2,214.0 million, from USD 2,095.2 million in the first half of 2023. This increase is attributed to the growing demand for imported goods and services, which has been vital in supporting the recovery of economic activities.

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

As a result of these trends, Rwanda's merchandise trade deficit widened by 9.6 percent in the first half of 2024, reaching USD 1,436.3 million, up from USD 1,310.2 million in the first half of 2023.

Table 8: Developments in Trade Balance (Value in millions of USD, Volume in 000' tons)

		2020	2021	2022	2023	2023H1	2024H1	% Change
Total exports	Value	1,408.9	1,530.9	2,111.7	2,465.9	1,278.0	1,382.7	8.2
	Volume	859.4	1,026.0	1,237.7	1,426.4	688.7	800.5	16.2
Merchandise exports	Value	761.3	1,167.8	1,556.0	1,582.3	785.0	777.7	-0.9
	Volume	859.4	1,026.0	1,237.7	1,426.4	688.7	800.4	16.2
Total imports	Value	3,421.5	3,569.3	4,531.6	5,229.9	2,611.5	2,816.7	7.9
	Volume	3,264.6	3,247.7	3,805.3	4,520.1	2,098.5	2,215.3	5.6
Merchandise imports	Value	2,746.7	3,201.0	4,021.6	4,300.5	2,095.2	2,214.0	5.7
	Volume	3,264.6	3,247.7	3,805.3	4,520.0	2,098.5	2,215.3	5.6
Trade balance	Total trade	-2,012.6	-2,038.4	-2,419.9	-2,763.9	-1,333.5	-1,434.0	-7.5
	Merchandise trade	-1,985.3	-2,033.2	-2,465.6	-2,718.2	-1,310.2	-1,436.3	-9.6
Exports/Imports	Total exports (%)	41.2	42.9	46.6	47.2	48.9	49.1	0.3
	Merchandise trade (%)	27.7	36.5	38.7	36.8	37.5	35.1	-2.4

Source: National Bank of Rwanda

2.2.1 Merchandise Exports Developments

Merchandise exports saw a modest decline, primarily due to decreased revenues from non-traditional exports, while re-exports and traditional exports increased in line with still relatively high global prices.

Regarding the composition of Rwanda's merchandise export revenues during the period under review, re-exports lead, accounting for 43.3 percent followed by traditional exports with 25.2 percent, non-traditional exports (22.2 percent), and informal cross-border trade (9.2 percent).

In the first half of 2024, Rwanda's traditional export revenues increased by 2.3 percent, reaching USD 196.2 million, up from USD 191.8 million in the same period of 2023. This growth was primarily fueled by increases in receipts from tea, which rose by 14.8 percent and minerals by 4.8 percent. This good performance can be attributed to higher global commodity prices and favorable weather conditions. Conversely, coffee exports faced a significant downturn, plunging by 35.9 percent due to reductions in both exported volume and prices by 21.5 percent and 18.4 percent, respectively.

Non-traditional exports, which include locally manufactured products, agro-processed foods, and horticulture products such as flowers, fruits, and vegetables, decreased by 12.1 percent to USD 173.0 million in 2024H1 from USD 196.7 million in 2023H1. The fall in non-traditional exports can be partly attributed to a fall in regional demand for milling products and construction materials.

Table 9: Exports Developments (Value FOB in USD millions, Volume 000' tons)

	2020	2021	2022	2023	2023H1	2024H1	% change
I. Traditional exports							
- Value	233.9	329.7	421.0	403.8	191.8	196.2	2.3
- Volume	57.2	63.1	66.7	68.2	32.9	32.6	-1.0
Coffee							
- Value	53.9	78.3	105.0	87.8	25.3	16.2	-35.9
- Volume	16.0	17.5	17.8	17.5	4.9	3.9	-21.5
- Price USD/KG	3.4	4.5	5.9	5.0	5.1	4.2	-18.4
Tea							
- Value	90.3	96.8	106.7	106.3	58.6	67.2	14.8
- Volume	32.7	35.4	36.5	38.2	21.9	22.2	1.5
- Price USD/KG	2.8	2.7	2.9	2.8	2.7	3.0	13.1
Minerals (3Ts)							
- Value	83.1	149.5	203.8	201.4	104.1	109.1	4.8
- Volume	5.7	7.0	8.7	9.2	4.4	4.8	9.3
Cassiterite							
- Value	31.4	56.8	85.6	74.3	35.6	44.0	23.7
- Volume	2.8	3.1	4.5	4.6	2.1	2.3	7.4
- Price USD/KG	11.1	18.1	19.2	16.2	16.6	19.1	15.2
Coltan							
- Value	34.0	42.1	63.7	94.3	52.1	48.8	-6.3
- Volume	1.0	1.0	1.3	2.1	1.1	1.2	12.7
- Price USD/KG	33.1	40.2	48.8	45.6	49.0	40.8	-16.9
Wolfram							
- Value	17.8	50.6	54.5	32.8	16.4	16.3	-0.8
- Volume	1.8	2.8	2.9	2.5	1.2	1.3	9.7
- Price USD/KG	9.8	17.9	18.5	13.1	13.6	12.3	-9.5
Hides and Skin							
- Value	1.5	1.8	1.5	0.5	0.3	0.3	18.4
- Volume	2.8	3.2	3.7	3.3	1.7	1.7	-0.5
- Price USD/KG	0.5	0.6	0.4	0.1	0.2	0.2	19.0
Pyrethrum							
- Value	5.0	3.4	4.0	7.8	3.6	3.3	-7.4
- Volume	0.0	0.0	0.0	0.0	0.0	0.0	-9.8
- Price USD/KG	149.3	201.7	211.0	230.7	222.5	228.5	2.7
II. Re-exports							
- Value	314.8	469.5	654.2	652.9	320.5	336.9	5.1
- Volume	395.8	508.8	557.2	649.8	320.6	320.3	-0.1
III. Non-traditional exports							
- Value	176.0	276.0	350.0	371.3	196.7	173.0	-12.1
- Volume	303.8	454.2	613.8	708.3	335.1	447.5	33.5
IV. Non-monetary gold							
- Value	647.6	363.2	555.7	883.6	493.0	604.9	22.7
- Volume	0.0	0.0	0.0	0.0	0.0	0.0	8.2
V. Informal cross-border trade							
- Value	36.6	92.5	130.7	154.3	76.0	71.7	-5.7
Merchandise exports							
- Value	761.3	1167.8	1556.0	1582.3	785.0	777.7	-0.9
- Volume	859.4	1026.0	1237.7	1426.4	688.7	800.4	16.2
Total exports							
- Value	1408.9	1530.9	2111.7	2465.9	1278.0	1382.7	8.2
- Volume	859.4	1026.0	1237.7	1426.4	688.7	800.5	16.2

Source: National Bank of Rwanda

Moreover, earnings from re-exports, primarily consisting of petroleum products, foodstuffs, vehicles, machinery, and electronics, increased by 5.1 percent to USD 336.9 million in 2024H1, up from USD 320.5 million in the first half of 2023.

2.2.2 Merchandise Imports Developments

Rwanda's merchandise imports bill rose by 5.7 percent in the first half of 2024, reaching USD 2,214.2 million up from USD 2,094.9 million in the first half of 2023. This increase was driven by heightened domestic demand for imported food products like rice and sugar, as well as capital and intermediate goods, to support the continued robust economic activities.

Table 10: Formal import developments (Value in millions of USD, Volume in thousands of tons)

		2020	2021	2022	2023	2023H1	2024H1	% change
Total imports	**Value**	3,421.5	3,569.3	4,531.6	5,229.9	2,611.1	2,816.9	7.9
	Volume	3,264.6	3,247.7	3,805.3	4,520.1	2,098.5	2,215.3	5.6
Merchandise Imports	**Value**	2,746.7	3,201.0	4,021.6	4,300.5	2,094.9	2,214.2	5.7
	Volume	3,264.6	3,247.7	3,805.3	4,520.0	2,098.5	2,215.3	5.6
Consumer goods	Value	771.0	880.0	1,070.5	1,225.0	566.8	601.3	6.1
	Volume	821.3	802.1	955.0	1,447.3	578.4	621.8	7.5
Capital goods	Value	660.0	736.6	735.0	905.9	451.6	515.8	14.2
	Volume	84.2	102.4	92.4	109.8	54.2	59.6	10.0
Intermediary goods	Value	761.9	881.1	1,044.2	1,046.5	505.8	508.9	0.6
	Volume	1,428.0	1,347.9	1,537.9	1,673.8	810.6	839.3	3.5
Energy and lubricants	Value	348.7	397.3	763.1	680.0	351.5	365.4	4.0
	Volume	691.4	679.4	865.3	833.3	427.7	437.3	2.2
Non-monetary gold	Value	674.9	368.3	510.0	929.4	516.3	602.7	16.7
	Volume	0.0	0.0	0.0	0.0	0.0	0.0	2.5
Imports of non-fuel re-exports	Value	202.5	301.8	402.2	431.3	214.8	218.3	1.6
	Volume	235.8	315.9	354.6	455.8	227.6	257.2	13.0
Informal cross-border trade	Value	2.5	4.1	6.6	11.8	4.3	4.5	5.0

Source: National Bank of Rwanda

The import bill on consumer, capital , intermediate, and energy products rose by 6.1 percent, 14.2 percent, 0.6 percent, and 4.0

percent, respectively. In terms of volume, consumer goods increased by 5.7 percent, capital goods by 10.0 percent, intermediate goods by 3.5 percent, and energy & lubricants by 2.2 percent. These figures reflect arobust demand for various types of goods necessary for sustaining and expanding economic operations across the country.

Regarding the composition of Rwanda's merchandise imports by category, consumer goods lead, representing 27.2 percent of total, followed by capital goods with 23.3 percent, intermediate goods 23.0 percent, while energy and lubricants with 16.5 percent. Imports designated for re-exports constituted 9.9 percent, and informal cross-border trade remained stable at 0.2 percent.

The increase in imported consumer goods was primarily due to a rise in both food and non-food products. Specifically, imports of food products grew by 7.0 percent in value and 7.7 percent in volume. Non-food product imports also increased by 5.1 percent in value and 6.4 percent in volume, largely driven by higher imports of beverages and tobacco and health and care products.

Furthermore, imports of intermediate goods rose by 3.5 percent increase in volume and 0.6 percent in value, totalling USD 508.9 million in 2024H1, up from USD 505.8 million in 2023H1. The growth of intermediate goods imports is largely driven by industrial products, reflecting increased demand for raw materials by local industries. However, the imports of construction materials, including cement, experienced a decrease, falling by 8.5 percent in volume and 9.4 percent in value as domestic production expanded.

Moreover, import bill on capital goods 2024H1, amounted to USD 515.8 million, up from USD 451.6 milliona year earlier, representing an increase of 14.2 percent, . Similarly, the volume of these imports also rose by 10.0 percent during the same period. The significant rise in imports of capital goods imports was largerly driven by increased of import of transport materials and electronics, as the government works to enhance public transportation and connectivity. Similarly,imports of industrial machinery registered a 15.0 percent rise in value, despite a 1.8 percent decrease in volume.

Lastly, imports of energy and lubricants, predominantly petroleum products, rose by 2.2 percent in volume and 4.0 percent in value as global oil prices increase compared to a similar period of last year.

2.2.3 FORMAL TRADE WITH OTHER EAC COUNTRIES

Rwanda's exports to East African Community (EAC) member countries, which accounted for 8.6 percent of total exports in 2024H1, experienced a decline of 9.0 percent, amounting to USD 118.9 million compared to USD 130.6 million in 2023H1. This decrease in exports to the EAC was largely due to significant reductions in exports to Uganda (down 82.5 percent) and South Sudan (down 82.8 percent), primarily attributable to a temporary decline in demand for milling products supplied to refugee camps in these countries.

Table 11: Trade flows with EAC-6[4] (in USD million)

		2020	2021	2022	2023	2023H1	2024H1
Exports to EAC	Value in USD millions	46.9	60.2	210.7	254.1	130.6	118.9
	percent change	-59.7	28.3	250.3	20.6	35.0	-9.0
	Share to total exports	3.3	3.9	10	10.3	10.2	8.6
Imports from EAC	Value in USD millions	490	521.5	663.3	865.7	384.8	431.8
	percent change	3.7	6.4	27.2	30.5	36.6	12.2
	Share to total imports	14.3	14.6	14.6	16.6	18.4	19.5
TRADE BALANCE		**-443.1**	**-461.4**	**-452.6**	**-611.6**	**-254.2**	**-312.9**

Source: National Bank of Rwanda

Conversely, Rwanda's imports from EAC member countries increased by 12.2 percent, rising to USD 431.8 million in the first half of 2024 from

[4] EAC-6: Burundi, DRC, Kenya, South Soudan, Tanzania and Uganda. The large increase in exports to EAC from 2022 is due to inclusion of DRC.

USD 384.8 million in the same period of 2023. This increase was primarily driven by growth in imports from Tanzania (+16.9 percent), due to higher rice imports and from Uganda (+35.9 percent) on increased imports of sugar, maize corn and flour.

As a result, Rwanda's trade deficit with the EAC widened by 23.1 percent, standing at USD 312.9 million in the first half of 2024, up from USD 254.2 million in 2023H1.

2.2.4 INFORMAL CROSS BORDER TRADE

Rwanda continues to be a net exporter in Informal Cross-Border Trade (ICBT), despite aa slight decrease in its trade surplus in 2024H1. The ICBT trade surplus stood at USD 67.2 million, down from USD 71.7 million recorded in 2023H1, representing a decline of 6.3 percent. During the period under review, exports in ICBT decreased by 5.7 percent while imports grew by 5.0 percent. ICBT exports and imports accounted for 5.2 percent and 0.2 percent share of total exports and imports, respectively.

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

		2020	2021	2022	2023	2023H1	2024H1
Exports	Value in USD millions	36.6	92.5	130.7	154.3	76.0	71.7
	Percent change	-66.4	152.7	41.2	18.1	29.0	-5.7
	Share of total exports	2.6	6	6.2	6.3	5.9	5.2
Imports	Value in USD millions	2.5	4.1	6.6	11.8	4.3	4.5
	Percent change	-79.2	67.9	60.9	78.2	30.6	5.0
	Share of total imports	0.1	0.1	0.1	0.2	0.2	0.2
Trade balance		34.2	88.4	124	142.5	71.7	67.2

Source: National Bank of Rwanda

2.2.5 Balance of Payments

The current account deficit (CAD) widened as the trade deficit in goods expanded. The CAD increased by 25.3 percent, rising from USD 758 million or 11.0 percent of GDP to USD 950 million or 13.6 percent of GDP in the first half of 2024. This deterioration was primarily driven by a growing goods trade deficit, as import growth outpaced export growth. Additionally, the CAD was impacted by a widening primary income deficit, attributed to higher government interest payments and private income payments on FDI liabilities in the form of dividends and retained earnings.

Moreover, the surplus from secondary income declined by 0.1 percent, mainly due to a significant drop in government budgetary grants (-40.4 percent), which outweighed the positive performance of remittances (5.3 percent growth). On the other hand, trade services recorded a surplus of USD 9.7 million, recovering from a deficit of USD 12.3 million. This improvement was driven by the continued strong recovery in the tourism and air transport sectors, which offset the deficit in transport services caused by the high transportation costs of the country's imports.

On the financing side, the financial account surplus (excluding reserves) increased by 44.9 percent in the first half of 2024, reaching USD 933 million, up from USD 644 million in the same period in 2023. This growth was driven by substantial disbursements from government budget and project loans, alongside strong private capital flows, particularly foreign direct investment (FDI). During the period under review, net FDI inflows were estimated at USD 289 million, a 63.5 percent increase from the USD 177 million recorded in the first half of 2023, reflecting improving business confidence fueled by robust domestic economic activity.The financial sector remains the largest recipient of FDI, driven by foreign banks acquiring domestic banks and the sector's high profitability. Besides, FDI inflows into the ICT and energy sectors have grown due to government initiatives aimed at enhancing the country's connectivity and ensuring universal access to electricity, respectively. Finally, the manufacturing and tourism sectors record steady FDI inflows as the country seeks to boost its domestic industry and enhance Rwanda's competitiveness in hosting international events to improve the country's trade imbalances.

Table 13: Balance of Payments (USD million)

	2020	2021	2022	2023	2023H1	2024H1
A. Current account balance	-1228	-1203	-1246	-1654	-758	-950
Goods and services, balance	-1649	-1783	-1985	-2274	-1134	-1190
A.1. Goods balance	-1650	-1659	-1989	-2369	-1122	-1200
Credit	1408	1531	2112	2466	1278	1383
Debit	3058	3190	4100	4835	2400	2583
A.2. Services balance	2	-124	4	95	-12	10
Credit	521	576	881	1043	439	469
o/w Transport	107	146	235	170	77	78
Travel	120	150	400	564	236	268
Debit	520	701	878	948	451	459
ow/ Freight	233	287	397	334	178	181
Travel	104	189	272	356	147	169
A.4. Primary income balance	-200	-176	-242	-278	-124	-185
Credit	12	21	42	51	24	17
Debit	211	197	284	328	148	202
o/w dividends and reinvested earnings	-41	53	88	132	68	75
interest	150	108	151	149	20	17
A.5. Secondary income balance	621	756	981	898	500	425
Credit	683	840	1061	960	530	456
o/w remittances	274	379	461	505	246	261
Debit	63	83	80	62	30	31
Capital account and Financial account						
B. Capital account	313	422	322	398	205	209
C. Financial account	1115	1110	705	1318	644	933
C.1. Direct investment	153	233	305	459	177	289
C.2. Portfolio investment	26	273	-60	-71	-65	-12
C.3. Other investment	936	604	460	929	532	656
D. Reserves (+ deficit)	328	-154	129	-107	6	116
E. NEO	128	-175	91	45	-85	-76

Source: National Bank of Rwanda

As a result, the balance of payments registered a surplus of USD 116 million, compared to a deficit of USD 6 million in the same period last year. Consequently, international gross official reserves improved, covering 4.7 months of prospective imports of goods and services in the first half of 2024, up from 4.1 months in the first half of 2023.

III. FOREIGN EXCHANGE MARKET DEVELOPMENTS

This section analyzes the exchange rate developments during the first half of 2024. Compared to the same period last year, the Rwandan Franc (FRW) experienced a lower depreciation rate in 2024H1, despite a widening current account deficit driven by higher imports and reduced export receipts.

3.1 EXCHANGE RATE DEVELOPMENTS

In the first half of 2024, the FRW depreciated at a slower rate compared to the same period last year. By the end of June 2024, the FRW had weakened by 3.73 percent against the US dollar, a significantly lower depreciation than the 8.80 percent recorded during the same period in 2023.

Table 14: FRW Exchange rate (in % change compared to Dec. previous year)

	FRW/USD	FRW/GBP	FRW/EUR	FRW/JPY	FRW/KES	FRW/TZS	FRW/UGX	FRW/BIF
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
Jun-23	**8.8**	**13.90**	**10.70**	**-0.40**	**-4.47**	**5.01**	**10.00**	**-20.20**
Jun-24	**3.73**	**2.53**	**0.13**	**-9.02**	**25.61**	**-0.82**	**5.70**	**2.70**

Source: National Bank of Rwanda

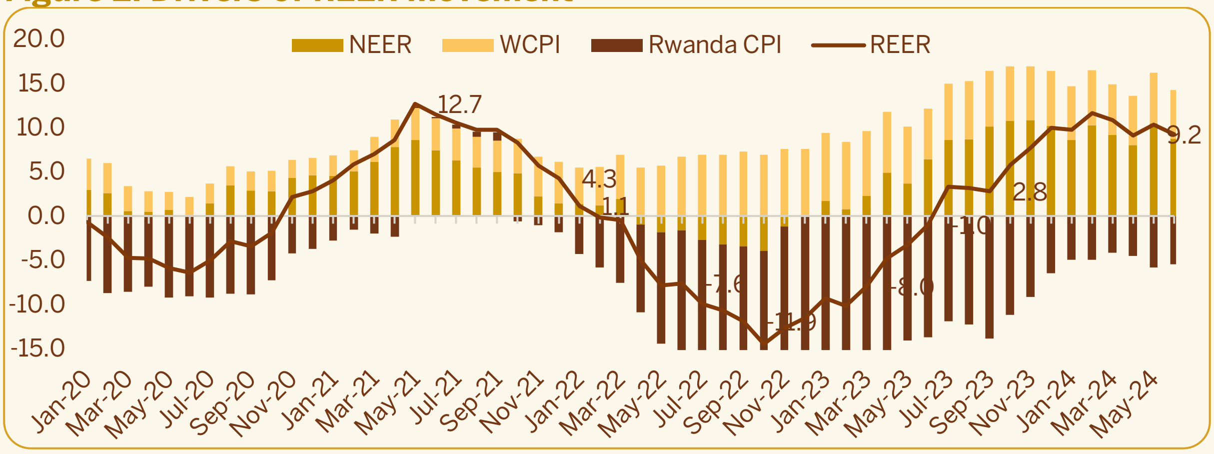
The FRW also depreciated by 2.5 percent against the British pound, a much milder decline than the sharper 13.90 percent depreciation seen in the first half of 2023. Similarly, the FRW saw only a slight depreciation of 0.13 percent against the Euro, in contrast to the more substantial 10.70 percent depreciation recorded by the end of June 2023. On the other hand, the Rwandan franc appreciated by 9.02 percent against the

Japanese yen, a notable improvement compared to the modest 0.40 percent appreciation during the same period in 2023.

Relative to regional currencies, the FRW appreciated against the Tanzanian shilling by 0.82 percent, marking a reversal from the 5.01 percent depreciation recorded during the same period last year. However, the FRW depreciated against the Kenyan shilling, Ugandan shilling, and Burundian franc by 25.61 percent, 5.70 percent, and 2.78 percent, respectively. This contrasts with the gains of 4.47 percent against the Kenyan shilling and 20.20 percent against the Burundian franc, as well as the 10.00 percent depreciation against the Ugandan shilling recorded during the same period in 2023. Notably, these depreciations were generally smaller than those recorded in 2023, except for the Kenyan shilling, which strengthened following the issuance of a $1.5 billion Eurobond.

In nominal effective terms, the FRW weakened against a trade-weighted average of currencies from Rwanda's main trading partners, depreciating by 8.8 percent by the end of June 2024, compared to a 6.4 percent depreciation by the end of June 2023. In real effective terms, the FRW depreciated by 9.2 percent, in contrast to the 1.0 percent appreciation seen during the same period last year. This decline was primarily driven by decreasing domestic inflation and faster nominal depreciation.

Figure 2: Drivers of REER movement



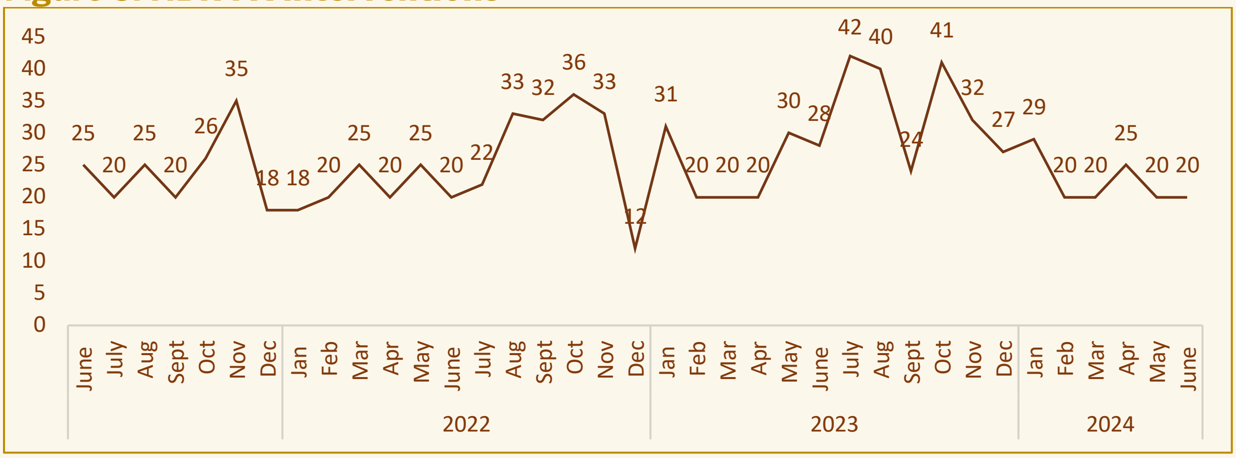
Source: National Bank of Rwanda

3.2 FOREIGN EXCHANGE MARKET DEVELOPMENTS

As of the end of June 2024, the net foreign assets of commercial banks in Rwanda had significantly increased to FRW 430.63 billion, up from FRW 294.42 billion in June 2023. This growth was driven by a 35.48 percent increase in foreign assets, outpacing the 25.08 percent rise in foreign liabilities over the same period. However, the gap between the supply and demand for dollars widened due to higher import bills outstripping export receipts.

To mitigate high volatility and curb speculation in the foreign exchange markets, the National Bank of Rwanda intervened by selling foreign exchange to banks. Between January and June 2024, the NBR's foreign exchange sales to banks totalled $134 million, slightly down from the $149 million sold during the same period the previous year.

Figure 3: NBR FX interventions



Source: National Bank of Rwanda

As of the end of June 2024, international reserves had reached a level equivalent to 4.7 months of expected imports of goods and services, exceeding NBR's benchmark of 4 months.

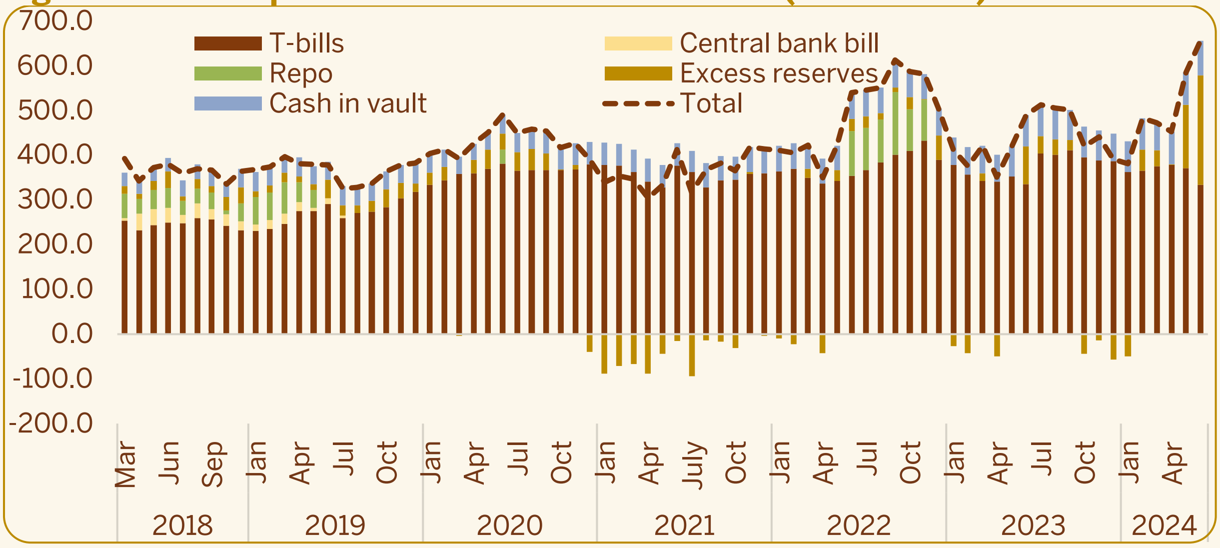
IV. MONETARY SECTOR AND INFLATION DEVELOPMENTS

4.1 MONETARY SECTOR DEVELOPMENTS

4.1.1 Banking System Liquidity Conditions

In June 2024, the bank's most liquid assets saw a substantial increase of 67.6 percent, reaching 656.8 billion, up from 391.9 billion recorded in December 2023. This significant growth was primarily attributed to the retirement of government securities and a high fiscal injection during the period under review.

Figure 4: Most liquid assets of commercial banks (FRW Billion)



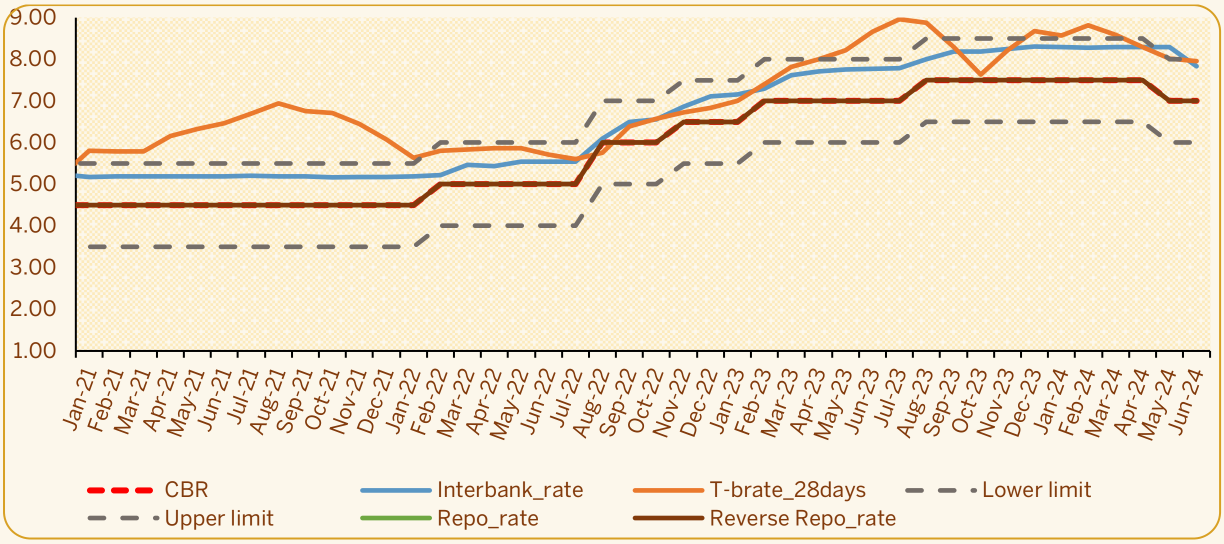
Source: NBR, Monetary Policy and Research Directorate

4.1.2 Monetary Policy and Interest Rates

During its meeting on May 28, 2024, the Monetary Policy Committee (MPC) of NBR decided to reduce the Central Bank Rate (CBR) to 7.0 percent. This decision came after the CBR had been maintained at 7.5 percent since November 2023, following a cumulative increase of 300 basis points since February 2022. Forecasts projecting stable inflation of around 5 percent over the policy horizon influenced the decision to lower the rate. At a subsequent meeting on August 20, 2024, the MPC opted to further reduce the CBR by 50 basis points to 6.5 percent.

As a result of the policy tightening in 2023, the interbank rate rose by 66 basis points in the first half of 2024, averaging 8.21 percent compared to 7.55 percent in the same period of 2023.

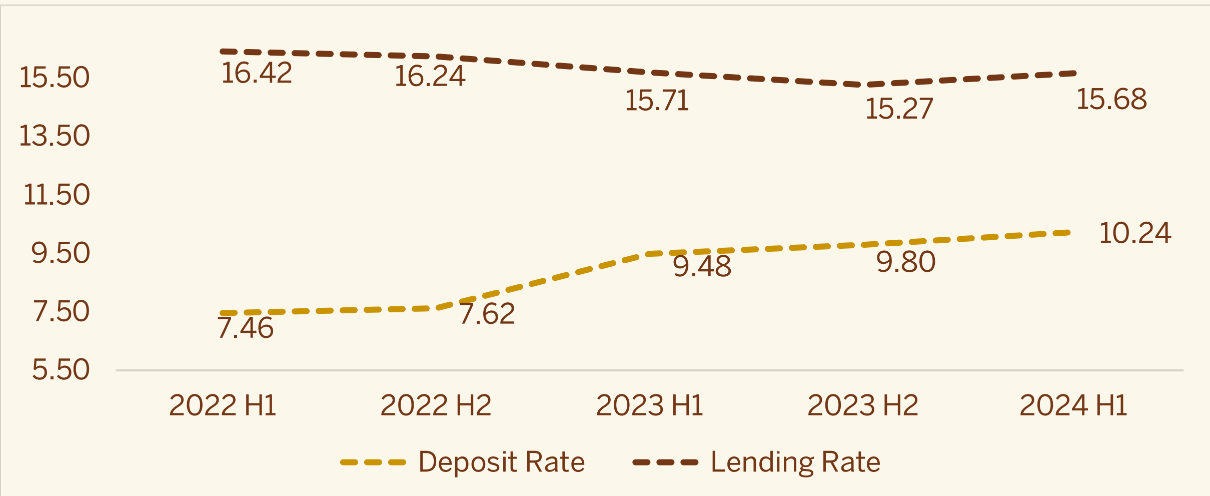
Figure 5: Money market rates developments (p.a)



Source: NBR, Monetary Policy and Research Directorate

In the first half of 2024, the average lending rate saw a slight decrease of 3 basis points, moving to 15.68 percent from 15.71 percent in the first half of 2023. This minor reduction was primarily driven by a greater proportion of short-term, large corporate loans in the lending mix. These types of loans generally have lower interest rates, which contributed to the overall reduction in the average lending rate.

Figure 6: Market interest rates (p.a, average)



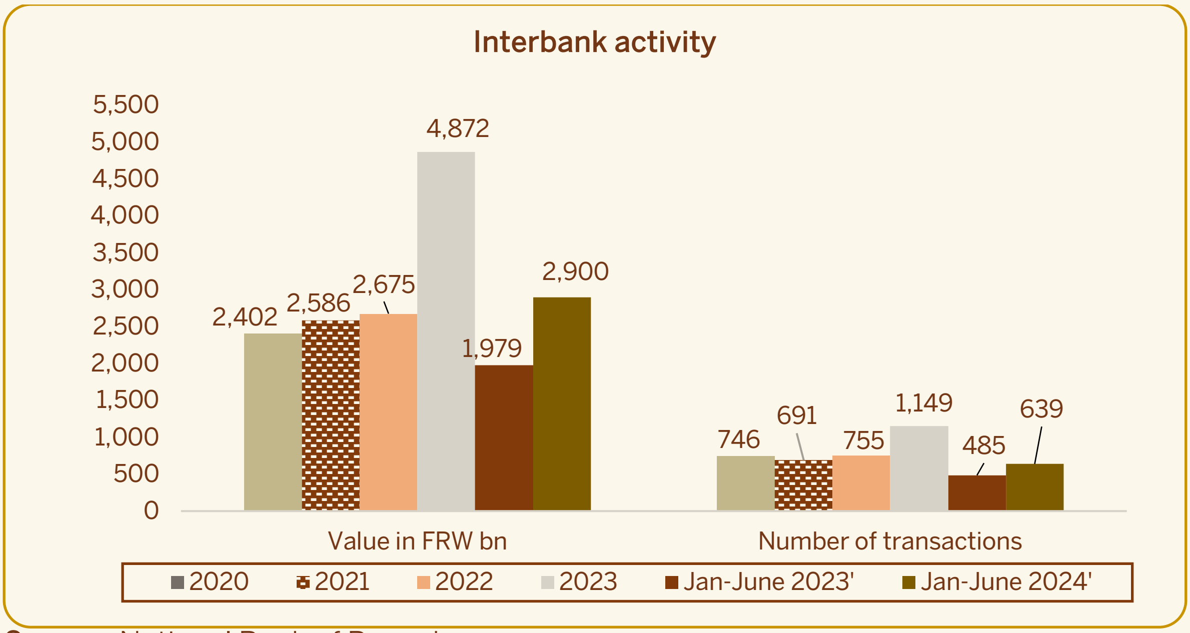
Source: NBR, Monetary Policy and Research Directorate

4.1.3 Interbank Market Developments

In June 2024, the interbank market in Rwanda experienced a notable surge in activity compared to the previous year, characterized by increases in both the frequency of transactions and the volume exchanged. The number of transactions rose by 31.8 percent, from 485 in June 2023 to 639 in June 2024. Concurrently, the volume transacted in the interbank market saw a significant increase of 46.5 percent, rising from FRW 1,979 billion to FRW 2,900 billion.

This uptick in interbank activity can be largely attributed to several key factors. First, it reflects a significant increase in trust among commercial banks, which likely encouraged more frequent and larger transactions. Second, improvements in banks' liquidity management skills enabled them to engage more effectively in the market. Moreover, NBR ensured adequate liquidity in the financial system throughout the period, which was instrumental in supporting the efficient functioning of the interbank market. These developments collectively contributed to a more vibrant and robust interbank market environment in Rwanda.

Figure 7: Interbank activity



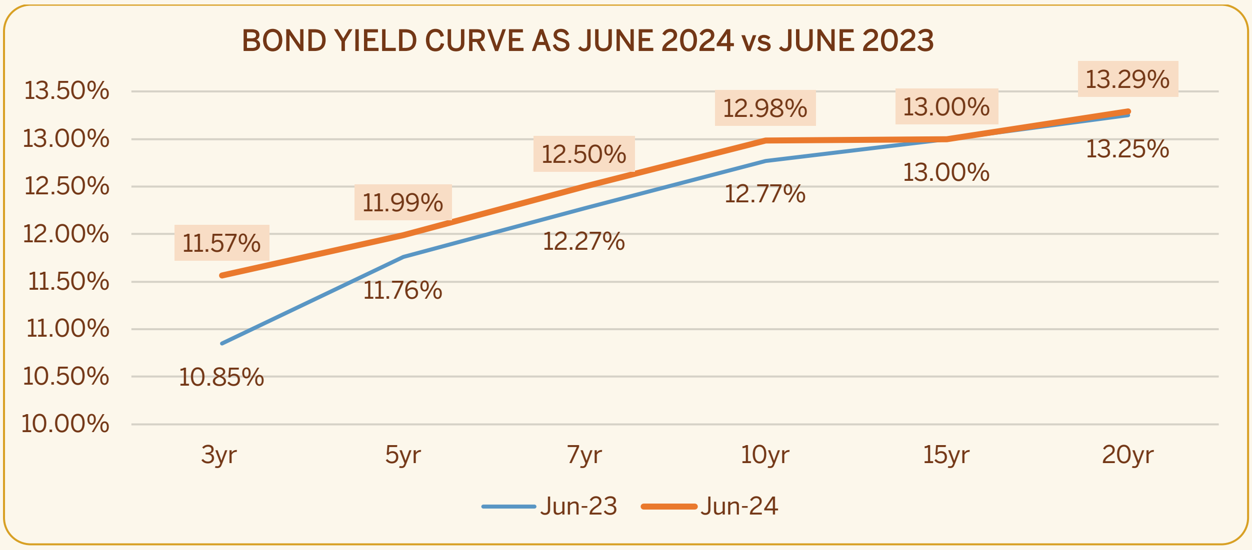
Source: National Bank of Rwanda

4.1.4 Primary Market Developments

On behalf of the Government of Rwanda, the National Bank of Rwanda successfully issued six new bonds and reopened seven existing bonds with an average subscription of 154.0% from 125.6% the previous year.

Bond yields curve marginally flattened reflecting liquidity conditions and investor preference for relatively short-term bonds.

Figure 8: Yields of Treasury Bonds (%)

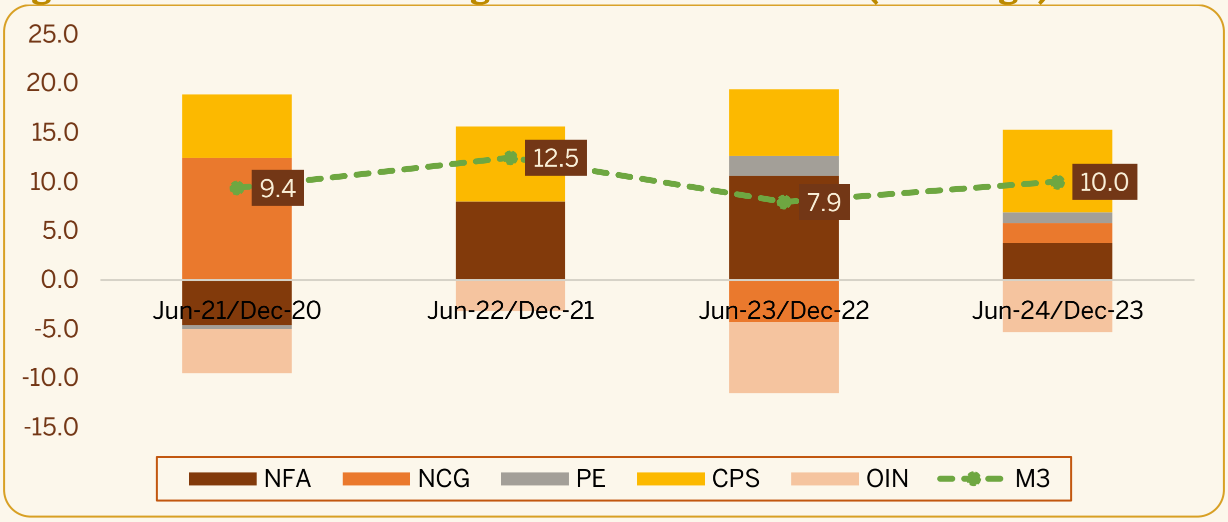


Source: National Bank of Rwanda

4.1.5 Money supply

From December 2023 to June 2024, broad money (M3) expanded by 10.0 percent, up from the 7.9 percent increase observed between December 2022 and June 2023. This growth in M3 was primarily driven by increases in credit to the private sector (CPS) and net foreign assets (NFA).

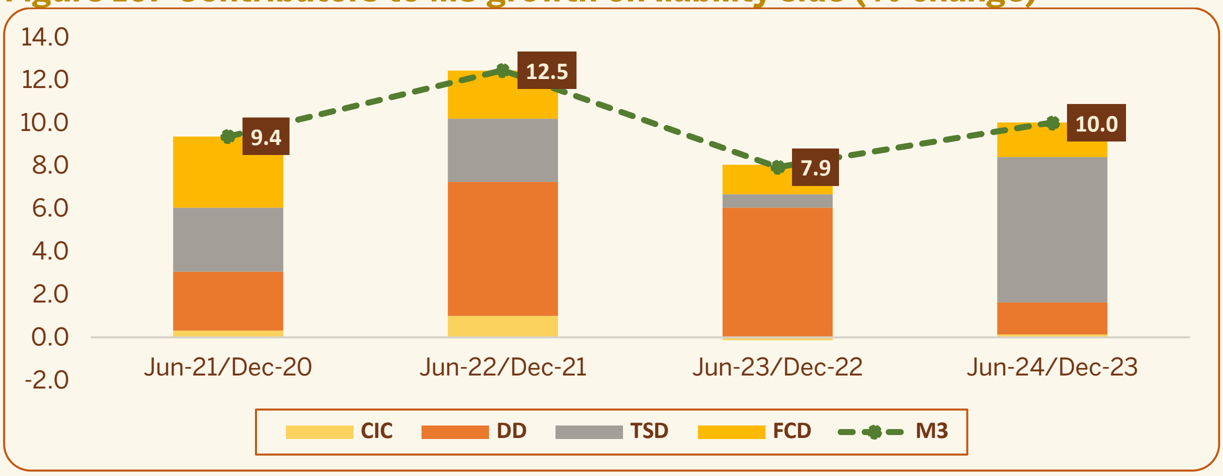
Figure 9: Contributors to M3 growth on the asset side (% change)



Source: National Bank of Rwanda

From a liability perspective, the main contributors to M3 growth were Time and Savings Deposits (TSD), which increased by 24.7 percent; Foreign Currency Deposits (FCD), which grew by 5.2 percent; and Demand Deposits (DD), which rose by 4.3 percent.

Figure 10: Contributors to M3 growth on liability side (% change)



Source: National Bank of Rwanda

4.1.6 Credit

In the first half of 2024, New Authorized Loans (NALs) by banks increased by 31.2 percent, compared to a 41.5 percent growth in the same period of 2023. This growth in 2024H1 can be attributed to the continued strong performance of the economy, which improved the banking sector's asset quality, allowing banks to extend more loans with reduced risk.

A significant portion of these loans were short-term, representing the largest share of total NALs at 51.5 percent, primarily allocated to the commerce sector in the form of working capital and overdrafts. Long-term and medium-term loans followed, accounting for 24.6 percent and 23.9 percent of the total, respectively.

4.2 INFLATION DEVELOPMENTS

In the first half of 2024, Rwanda experienced a significant decrease in headline inflation, which dropped to 4.9 percent from the 17.7 percent recorded in the first half of 2023. This substantial reduction was primarily driven by decreases in both core and fresh food inflation, which helped counterbalance the rising energy prices. The continued decline in headline inflation during this period can be attributed to several key factors: a bumper harvest during the 2024 Agricultural Season A, reduced international prices for key imported food items, and the impact of previous monetary policy decisions implemented by the National Bank of Rwanda (NBR), alongside other government measures. These elements collectively contributed to a more stable and lower inflation environment.

Table 15: Inflation developments for key items (annual average, percent change)

	2021		2022		2023		2024	Annual average			
	H1	H2	H1	H2	H1	H2	H1	2021	2022	2023	2024 (Jan-July)
Headline	1.4	0.3	9.0	18.7	17.7	10.8	4.9	0.8	13.9	14.0	4.9
Domestic	0.1	-1.6	7.8	18.5	19.2	11.5	3.6	-0.8	13.2	15.2	3.6
Food:	0.1	-2.1	14.6	36.7	35.5	21.5	4.3	-1.0	25.7	28.2	3.9
- Vegetables	-7.0	-14.2	10.6	55.9	69.5	36.4	-3.8	-10.6	33.3	52.3	-3.6
- Meat	4.4	5.2	9.7	16.7	15.5	11.3	13.3	4.8	13.2	13.4	12.9
- Fruits	6.0	-0.9	13.1	30.3	30.4	26.3	15.2	2.6	21.7	28.6	13.9
- Bread and cereals	-2.9	-1.4	12.0	36.0	28.2	5.2	0.5	-2.1	24.0	16.3	0.3
Housing	1.9	1.6	6.7	8.3	4.8	2.6	2.3	1.8	7.5	3.7	2.6
Transport	-1.9	-5.5	6.6	13.3	9.6	7.0	16.9	-3.7	9.9	8.3	17.6
Imported	5.8	6.3	12.8	19.4	13.4	8.8	9.1	6.1	16.1	11.0	8.9
Core	2.2	1.9	8.1	13.9	11.8	7.5	6.0	2.1	11.0	9.6	5.9
Energy	-0.1	3.7	14.8	20.1	9.4	2.8	3.6	1.8	17.4	5.9	4.0

Source: National Bank of Rwanda

4.2.1 Contributors to Headline Inflation

a. Core inflation

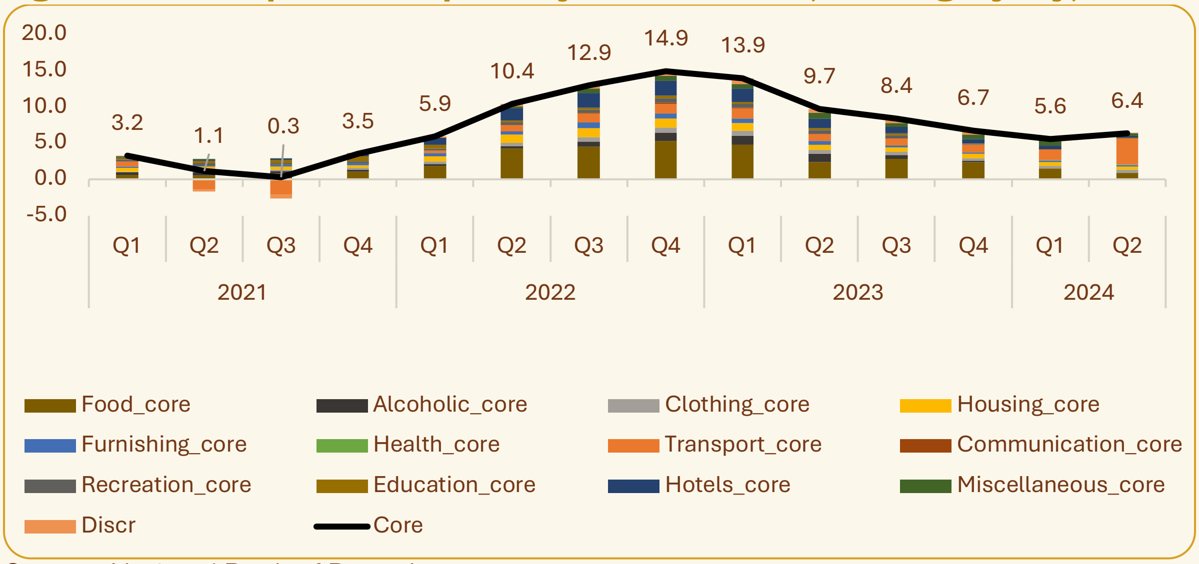
In the first half of 2024, Rwanda saw a notable easing in core inflation, which decreased to 6.0 percent from 7.5 percent recorded in the second half of 2023. This deceleration was primarily driven by significant reductions in several key categories:

- **Core Food Inflation** dropped to 7.1 percent from 15.6 percent, driven by lower prices for processed food items such as cereals, sugar, and cooking oils. This decline was facilitated by improved supply conditions, bolstered by favorable weather both locally and globally.
- **Core Housing Inflation** eased to 2.3 percent from 2.8 percent, reflecting decreased costs associated with housing materials and maintenance services.
- **Core Inflation for Restaurants and Hotels** reduced to 3.5 percent from 6.6 percent, indicating a stabilization in the costs related to these services.

However, these decreases were somewhat offset by a significant increase in core transport inflation, which surged to 18.3 percent from 7.3 percent. This rise was mainly due to increased pressures from higher vehicle purchase costs and elevated import expenses.

The overall trend in core inflation reflects a complex interplay of global and local market dynamics, including supply chain adjustments and monetary policy impacts.

Figure 11: Developments in quarterly core inflation (% change, y-o-y)



Source: National Bank of Rwanda

b. Fresh food inflation

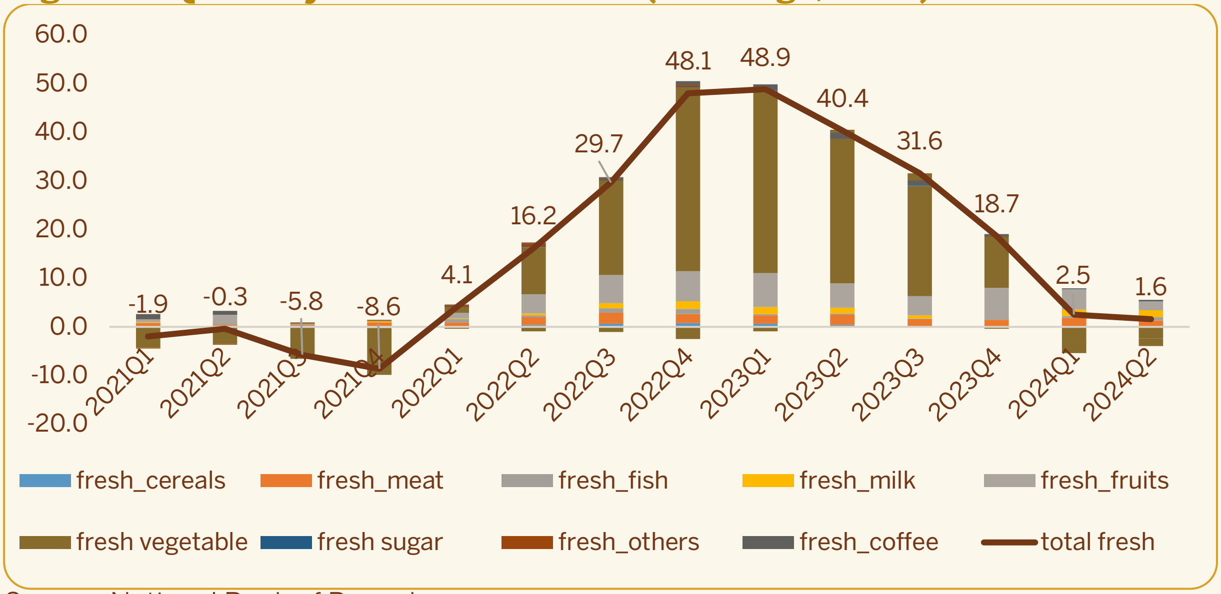
In the first half of 2024, Rwanda experienced a significant reduction in fresh food inflation, which dropped to 2.1 percent from 25.1 percent in the second half of 2023. This marked decrease was primarily driven by two factors:

- **Fresh Vegetable Inflation** saw a significant decline, moving to -3.8 percent from 36.4 percent. This substantial decrease was fueled by improved supply of key vegetables such as sweet potatoes, cassava roots, and tomatoes, which benefited from the Season B 2024 harvests. Additionally, the carryover from the bumper harvest of Season A 2024 contributed to the availability of these products.

- **Fresh Fruit Inflation** also decreased to 15.2 percent from 26.3 percent. The moderation in fruit prices was similarly due to enhanced supplies of fruits like green peas and green bananas, supported by the recent harvests and remaining stocks from the previous productive season.

These developments reflect the positive impact of successful agricultural seasons and stock management, which together have helped stabilize prices and reduce inflationary pressures in the fresh food sector.

Figure 12: Quarterly fresh food inflation (% change, Y-o-Y)

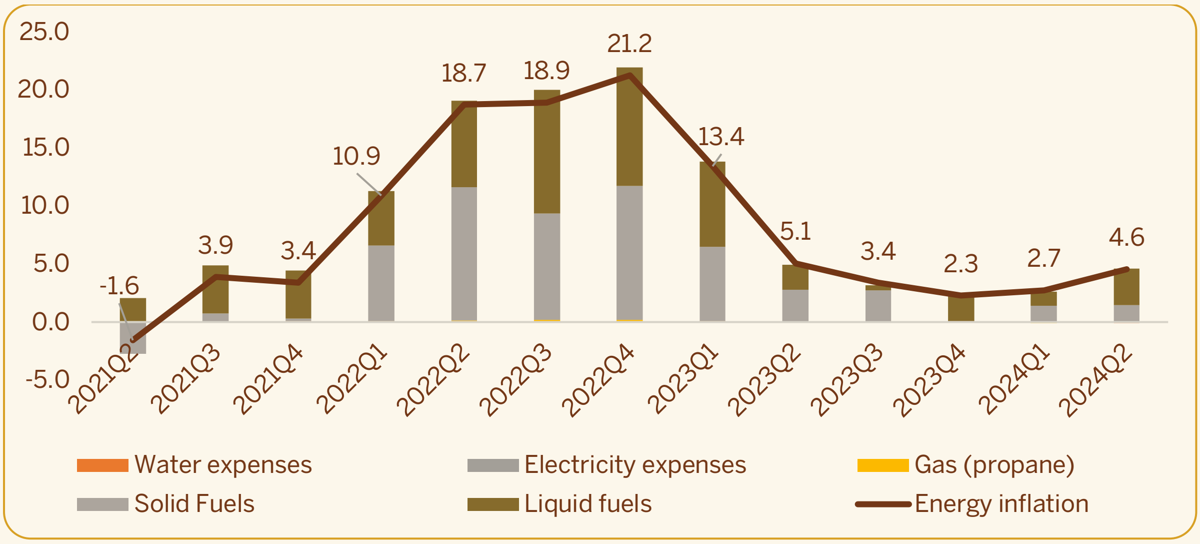


Source: National Bank of Rwanda

c. Energy Inflation

In the first half of 2024, energy inflation in Rwanda rose to 3.6 percent from 2.8 percent recorded in the second half of 2023. This increase was primarily influenced by a noticeable uptick in liquid fuel inflation, which was driven by changes in international oil prices. During the same period, solid fuel inflation remained stable at 2.8 percent. This stability can be attributed to favorable weather conditions that facilitated a consistent supply of charcoal and firewood in the local markets. These conditions helped maintain steady prices for solid fuels, which are crucial energy sources for many households in the country.

Figure 13 : Quarterly Energy Inflation (% change, Y-o-Y)



Source: National Bank of Rwanda

V. FINANCIAL SECTOR STABILITY

5.1 INTRODUCTION

The financial sector continues to expand despite challenging economic performance marked by inflationary and exchange rate pressures. As of the end of June 2024, total financial sector assets had grown by 20.8%, reaching FRW 11,6 trillion. This growth was driven by improved efficiency, higher deposits, increased contributions, and rising investment income.

Assets of the banking sector- the largest sub sector grew by 21.2%, largely due to growing deposits, efficiencies and increased capital, aimed at supporting business expansion. Pension sector assets grew by 16.0%, supported by rising contributions and investment income. The insurance sector's assets increased by 17.6%, driven by growth in premiums, investment income, and increase in capital. Microfinance institutions experienced the highest asset growth at 36.4%, mainly driven by the shift of three Banks[5] to MFI. Deposits in the MFI sector, grew by 137 billion, with 16 percent of this increase attributed to deposits from the three banks. that Consequently, the asset-to-GDP ratio of the financial sector increased to 65.6% in June 2024, underscoring its expanding role in the economy.

Lending remains a core activity for banks and microfinance institutions, with net outstanding loans comprising 52% and 65% of their total assets, respectively, as of end June 2024. The 25% growth in new authorized loans in banks during the first half of 2024 reflects improved economic performance. This increase in lending was supported by other initiatives such as the Export Growth Fund (EGF), which was established by the Government of Rwanda to address common challenges faced by exporters and facilitate increase in lending.

[5] Three Banks that transitioned to MFIs: AB Bank, Unguka Bank, Urwego Bank

Additionally, Hatana – ERF2, a fund aimed at offering affordable long-term financing for commercially viable projects in manufacturing value chains, is currently accessible through several banks, enabling further support for economic growth and development in these key sectors.

In line with the increase in lending activities, the quality of loans remains healthy. As of June 2024, the non-performing loan ratio in the banking sector was 5%, aligning with the NBR benchmark, while the microfinance sector maintained a stable ratio of 3.8%. To further support the lending market, the Credit Reporting System has enhanced the access to accurate credit information. The National Bank of Rwanda and TransUnion Rwanda have advanced automation efforts, integrating many institutions and expanding data coverage, to ensure that the credit reporting system is effective.

As of June 2024, the number of licensed Non-Deposit Financial Service Providers (NDFSPs) had significantly increased. Total assets and gross loans of NDFSPs grew, with a notable rise in loans to women. Supported by a growing network of financial institutions and enhanced financial inclusion measures, access to finance continues to improve.

Financial institutions maintained robust capital buffers well above regulatory requirements. As of June 2024, the Capital Adequacy Ratio (CAR) for banks and microfinance institutions was 21.5% and 30.5%, respectively, surpassing the 15% minimum requirement. The solvency ratio for private insurers improved to 269% from 256% in the previous year, reflecting the increased capital injection and operational efficiencies.

Liquidity positions also remained strong. Banks' Liquidity Coverage Ratio (LCR) stood at 305.9% and a Net Stable Funding Ratio (NSFR) at 135.6%, both exceeding the 100% minimum requirement. Microfinance institutions maintained an average liquidity ratio of 87.5%, well above the 30% minimum. Private insurers improved their liquidity ratio to 119% in June 2024, up from 110% a year earlier.

To ensure safety of deposits, the Deposit Guarantee Fund (DGF) continues to play a crucial role, enhancing the stability and resilience of financial institutions.

Payment systems registered notable growth in both wholesale and retail systems functioning without major disruptions. The Rwanda National Digital Payment Interoperability has made substantial progress, with daily transaction value and volume more than doubling in 2024.

The following sections offer a detailed overview of the financial sector's performance and stability as of June 2024, highlighting regulatory measures and providing insights into the sector's projected outlook.

5.2 STRUCTURE OF THE FINANCIAL SECTOR

The financial system continues to expand, supported by favourable regulatory and economic conditions. As of June 2024, the total number of regulated financial institutions increased to 687 from 647 in June 2023. This increase was mainly driven by new licenses for Non-Deposit Taking Financial Institutions (NDFIs) and new players in the payment industry. The number of banks decreased from 15 to 11 due to the reclassification of three Banks to microfinance institutions and a merger between Cogebanque and Equity Bank, forming Equity Bank Rwanda Plc. The number of microfinance institutions slightly decreased to 457 from 458, primarily due to the merger of five SACCOs in Rulindo district. However, this decline was almost offset by the addition of three microfinance banks that joined the sector. The insurance sector saw growth, with the number of insurers increasing to 18 from 17 due to a new licensed mutual insurer. The number of payment service providers also rose to 36 from 30, due to the licensing of five payment initiators and one money transfer company.

Notably, the number of Non-Deposit Taking Lending Only Financial Institutions nearly doubled, reaching 74 in June 2024 from 37 in June 2023. This growth aligns with the National Bank of Rwanda's (NBR) objective to modernize the financial system and extend regulatory boundaries to improve access to finance. New licenses were granted to 25 lending-related companies, seven trust and company service providers, two debt collection companies, and two digital savings facilitators.

The financial sector's total assets grew by 20.8% to FRW 11.6641 Trillion in June 2024 from FRW 9.6 Trillion in June 2023, driven by efficiencies, capital increases, and deposit growth. Asset growth was observed across all sub-sectors: the banking industry (the largest sub-sector) saw a 21.2% increase, the pension sector grew by 16%, the insurance sector by 17.6%, and microfinance institutions by 36.4%. The financial sector remains concentrated, with the banking sector holding 67.5% of total assets, followed by the pension sector (15.7%), insurance (8.9%), and microfinance (7.0%). Other financial institutions hold a relatively small share, accounting for only 1.0% of total assets.

The banking sub-sector continues to be closely interconnected with other sub-sectors. As of June 2024, the value of MFI placements in banks increased to FRW 188 billion from FRW 153 billion. Insurance placements and investments in banks rose to FRW 433.6 billion from FRW 339.2 billion in June 2023, while pension sector placements and investments reached FRW 358.7 billion in June 2024.

Table 16: Structure of the Financial System

Regulated Financial Institutions	June 2023			June 2024		
(Assets in FRW Billion)	Number	Assets	% of TA	Number	Assets	% of TA
Banks	**15**	**6,485**	**67.3**	**11**	**7,860.6**	**67.5**
Commercial Banks	10	5,153	53.5	9	6.313.2	54.2
Microfinance Banks	3	85	0.9	-	-	-
Development Banks	1	543	5.6	1	681.7	5.9
Cooperative Banks	1	704	7.3	1	865.7	7.4
Pension Schemes	**11**	**1,576**	**16.4**	**12**	**1,829**	**15.7**
Public	1	1,495	15.5	1	1,734	14.9
Private	10	81	0.9	11	95	0.8
Insurers	**17**	**877**	**9.1**	**18**	**1,031**	**8.9**
Life	3	92.4	0.9	3	107.7	0.9
Non-Life	11	772.1	8.0	11	904.1	7.8
Micro insurers	1	6.2	0.1	1	7.4	0.1
Captive Insurers	1	5.6	0.1	1	8.3	0.1
HMO	1	0.5	0.0	1	2.4	0.0
Mutual Insurers	0			1	1.1	0.0
Microfinances	**458**	**598**	**6.2**	**457**	**815.5**	**7.0**
U-SACCOs	416	221	2.3	416	240.6	2.1
Other SACCOs	23	199	2.1	19	242.7	2.1
Limited Companies	19	178	1.8	22	332.2	2.8
Foreign Currency Dealers	**78**	**9.7**	**0.1**	**78**	**12.1**	**0.1**
Forex Bureau	78	9.7	0.1	78	**12.1**	0.1
Payment Services Providers (PSPs)	**30**	-	-	**36**	-	-
Money Transfer & Remittance Companies	8	-	-	9	-	-
Payment Initiation Services Providers	14	-	-	19	-	-
E-Money Issuers	7	-	-	7	-	-
Payment Systems Operators	1	-	-	1	-	-
Non-Deposits Taking Financial Institutions	**37**	**89**	**0.9**	**74**	**95.6**	**0.8**
Lending related companies	13	25.8	0.3	**38**	**42**	**0.4**
Trust & company service providers	7	0.1	0.0	**16**	**-**	**-**
Guarantees scheme	1	63	0.6	**1**	**53.4**	**0.4**
Debt Collection companies	15	0.1	0.0	**17**	**-**	**-**
Digital saving facilitators				**2**	**-**	**-**
Credit Reference Bureaus	**1**	**-**	**-**	**1**	**-**	**-**
Grand Total	**647**	**9,635**	**100%**	**687**	**11,644**	**100%**

Source: National Bank of Rwanda

5.3 BANKING SECTOR

5.3.1 Structure of the Banking Sector

The number of participants in the banking sector has decreased by four, resulting in a total of 11 banks. This reduction was a result of three microfinance banks transitioning to the microfinance sector following changes in licensing requirements, and to better align their business models with evolving market conditions. Also, the merger between Cogebanque and Equity Bank, forming Equity Bank Rwanda Plc. The recent mergers in the banking industry, has brought several benefits; Enhanced capacity to lend, better technology, improved services as well as increased competition that encourages local banks to enhance their offerings. Additionally, access to foreign banks' networks creates cross-border business opportunities and supports financial inclusion by expanding services to underserved populations.

The eleven Banks consist of nine commercial banks, one development bank, and one cooperative bank. Ten of these banks are deposit takers, with their business models primarily focused on using deposits to provide credit to the private sector. While development bank specializes in offering investment loans targeted at strategic sectors of the Rwandan economy.

5.3.2 Banking Sector Performance

Total bank assets increased by 21% to FRW 7,861 billion by June 2024, up from FRW 6,485 billion in June 2023. This growth was primarily driven by a 23.1% rise in customer deposits and a 28.9% increase in equity. The banking sector's balance sheet remains dominated by loans, which make up 52% of total assets, followed by investments in government securities at 17.7%, and placements in other banks at 17.1%. The remaining assets include reserves at the Central Bank (7.4%), other assets (4.2%), and cash (1.7%).

The banking sector continues to play a key role in channelling financial resources to the real economy. Stable credit conditions and increased investment opportunities have driven a rise in credit demand, with new loan volumes increasing by 25% to FRW 1,030 billion, up from FRW 823 billion by June 2023. According to the May 2024 quarterly survey, in which all banks participated, they plan to increase lending while maintaining current interest rates, supported by an improving economic outlook and greater lending capacity.

Table 17: Balance Sheet of the Banking Sector

Assets (FRW Billion)	Jun-22	Jun-23	Jun-24	%Share to total Assets(As of June 2024
Cash and Bank Balances	1,122	1,438	2,068	26.3%
Government Securities	1,064	1,184	1,391	17.7%
Net Loans	2,977	3,518	4,071	51.8%
Fixed Assets	168	170	179	2.3%
Other Assets	161	176	151	1.9%
Total Assets	5,492	6,485	7,861	100%
Liabilities (FRW Billion)	**Jun-22**	**Jun-23**	**Jun-24**	**% Share to total liabilities (As of June 2024**
Due to Domestic FIs	923	1,120	1,393	21.3%
Due to FIs Abroad	37	38	32	0.5%
Deposits and Borrowings	3,375	3,915	4,803	73.6%
Other Liabilities	241	379	301	4.6%
Total Liabilities	4,576	5,452	6,529	100%
Capital (FRW Billion)	**Jun-22**	**Jun-23**	**Jun-24**	**% Share to total Capital (As of June 2024)**
Paid up Capital	421	471	462	34.6%
Share Premium	181	181	196	14.7%
Reserves	240	284	542	40.7%
Profit of the Period	74	97	133	10.0%
Total Capital	916	1,033	1,332	100%

Source: National Bank of Rwanda

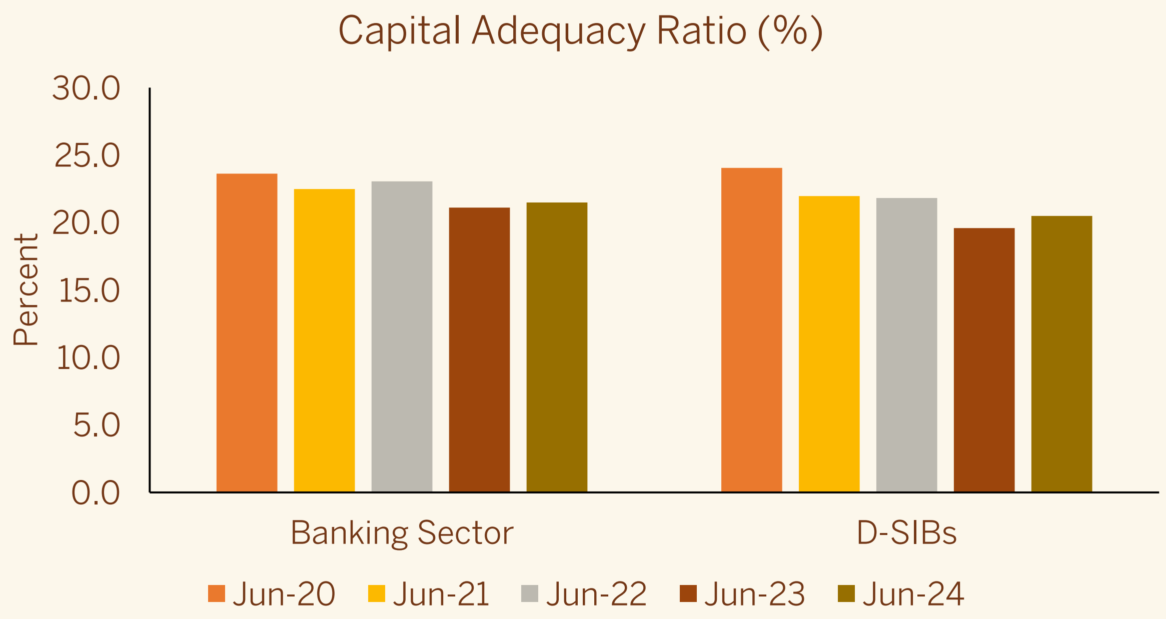
The banking sector continues to benefit from a favourable funding environment. Funding and liquidity risks remain moderate, as banks predominantly rely on customer deposits to finance their lending activities. As of June 2024, customer deposits made up 78.5% of banks' total liabilities, majority of which are domestic. This makes stability of banks' funding sources less vulnerable to flight risk. This structure provides banks with strong funding conditions and protects them from volatility and disruptions in international funding markets.

5.3.3 The Soundness of the Banking Sector

The capital position of the banking sector remains stable, with capital buffers well above regulatory requirements. Banks' resilience is supported by both the quantity and quality of their capital. As of the end of June 2024, the Common Equity Tier 1 ratio—a measure of the highest quality of capital measured as a share of risk-weighted assets —stood at 20.3%, above the minimum regulatory requirement of 12.5%. Similarly, the consolidated Total Capital Adequacy Ratio (CAR) was 21.5%, exceeding the minimum requirement of 15%.

All Domestic Systemically Important Banks (D-SIBs) maintain adequate capital buffers. D-SIBs are banks whose distress or failure could significantly impact the financial system and the wider economy due to their size, complexity, cross-border activities, interconnectedness, and irreplaceable products and services. The consolidated CAR of systemic banks improved to 20.5% in June 2024, up from 19.6% in June 2023. Beyond D-SIBs, all banks have capital levels well above the minimum regulatory requirements, indicating their ability to continue financing the economy without disruptions.

Figure 14: The Capital Adequacy of Banks



Source: National Bank of Rwanda

Generally, banks are expected to remain adequately capitalized. Stress testing based on June 2024 data indicates that banks can withstand the adverse macro-financial shock. The assumptions for the test are geopolitical-induced vulnerabilities leading to income challenges for corporates, affecting their ability to repay loans and impacting bank asset quality. The stress test scenarios considered that 5.9% of performing loans would become non-performing in a baseline scenario, 11.8% in a moderate scenario, and 14.4% in a severe scenario. The results indicate that banks are generally resilient to these credit shocks. Even in the worst-case scenario, the industry's capital adequacy ratio would only slightly decline to 21.1%, which is still above regulatory requirements.

Liquidity risk remains low for both short-term and long-term outlook. In the short term, banks must hold enough liquid assets to meet customer demands during stress periods. As of June 2024, the aggregate Liquidity Coverage Ratio (LCR) for banks was 305.9%, significantly higher than the 100% minimum requirement, indicating sufficient high-quality liquid assets (HQLA) to meet short-term obligations. The Net

Stable Funding Ratio (NSFR), which assesses long-term liquidity, stood at 135.6%, also above the minimum requirement.

However, there are some risks to liquidity, such as the short maturity of funds and deposit concentration. This structure exposes banks to maturity transformation risks, potentially limiting their ability to provide long-term credit. Despite these risks, banks are expected to remain liquid due to easing inflation and exchange rate pressures, stable cash flows from loan repayments, and orderly funding conditions in interbank and repo markets.

Loan impairments in the banking sector have remained moderate. As of June 2024, the non-performing loan ratio was around the NBR benchmark of 5%. Loans overdue for less than 90 days (watch category)—a leading indicator of defaults—declined to FRW 303 billion (5.7% of gross loans) from FRW 362 billion (7.8% of gross loans) in June 2023. Moving forward, credit defaults are expected to stay moderate, with risks from credit exposure likely to decrease amid easing financial conditions and a favorable macroeconomic outlook.

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

Indicators (%)	Jun-21	Jun-22	Jun-23	Jun-24
Total CAR (min 15 %)	22.5	23.1	21.1	21.5
Tier 1 CAR (Core CAR)	21.4	22.1	20.2	20.3
NPLs Ratio	5.7	4.3	3.6	5.0
Provisions to NPLs	99.0	114.4	120.9	84.0
Return on Average Assets	2.5	2.8	3.1	4.9
Return on Average Equity	14.4	16.5	19.0	21.8
LCR (min 100%)	226.2	224.7	274.1	305.9
NSFR (min 100%)	157.4	130.9	129.8	135.6
FX Exposure/Core Capital (± 20%)	-4.7	-4.4	-5.5	0.2

Source: National Bank of Rwanda

The improved performance of the banking sector in the first half of 2024, led to better profitability metrics for the industry, with Return on Assets (ROA) increasing to 4.9% from 3.1%, and Return on Equity (ROE) rising to 21.8% from 19.0% over the same period. The increase in profitability is linked to higher revenues, driven by increased investments in earning assets like loans and government securities, reduction in the cost of funding, as well as improved operational efficiency.

Banks' revenues grew by 21.4% to FRW 500 billion in the first half of 2024, compared to a 16.4% increase during the same period in 2023. Expenses rose by 14.8% to FRW 317 billion, slightly higher than the 12% increase recorded by the end of the first half of 2023. Efficiency improvements are reflected in the overhead cost-to-income ratio, which dropped to 33.4% in June 2024 from 37.5% in June 2023, and the total cost-to-total income ratio, which moved to 63.4% from 67.0% over the same period.

From a stability perspective, the improved profitability enhances the resilience of banks by boosting internally generated capital buffers through retained earnings, while also supporting their funding capabilities.

Table 19: Income and Expenses Structure of Banks

Interest Structure (FRW Billion)	Jun-22	Jun-23	Jun-24	% Change 22/23	% Change 23/24
Interest Income	266.8	315.4	377.7	18.2	19.7
Fees & Commissions	39.6	46.5	48.5	17.5	4.2
Foreign Exchange Income	20.3	17.0	26.6	-16.3	56.4
Other Income	27.3	33.1	47.4	21.2	42.9
Total Income	354.0	412.1	500.1	16.4	21.4
Expenses Structure (FRW Billion)	Jun-22	Jun-23	Jun-24	% Change 22/23	% Change 23/24
Interest Expenses	78.2	87.6	103.1	12.0	17.6
Provisions for Bad Debts	35.1	33.9	47.1	-3.5	39.1
Staff Costs	49.9	63.4	63.6	27.0	0.5
Other Expenses	82.8	91.4	103.4	10.4	13.2
Total Expenses	246.7	276.2	317.2	12.0	14.8
Profits (FRW Billion)	Jun-22	Jun-23	Jun-24	% Change 22/23	% Change 23/24
Profits before Tax	107.3	135.9	182.9	26.6	34.6
Profits after Tax	74.4	96.9	132.5	30.2	36.7
Return on Assets (%)	2.8	3.1	4.9	-	-
Return on Equity (%)	16.5	19.0	21.8	-	-

Source: National Bank of Rwanda

5.4 THE MICROFINANCE SECTOR

5.4.1 Structure of the Microfinance Sector

Microfinance sector is composed of a wide array of institutions spread across the country. These include 416 Umurenge SACCOs (U-SACCOs), 19 non-Umurenge SACCOs, and 22 PLCs bringing the total number of microfinance institutions to 457. In January 2024, three microfinance banks transitioned to Public Limited Companies (PLCs) in the MFIs in response to regulatory changes and to better align their business models with evolving market conditions. Additionally, five non-Umurenge SACCOs merged to form Ikirenga SACCO. Although the microfinance sector remains relatively small compared to other financial intermediaries, the sector plays a crucial role in promoting financial inclusion, particularly for the unbanked rural population, due to their widespread presence across the country.

5.4.2 Performance of the Microfinance Sector

As of June 2024, the microfinance sector's balance sheet grew significantly, with total assets rising by 36% to FRW 861 billion from FRW 598 billion in June 2023. This growth was primarily driven by the shift of the three microfinance banks to MFIs, an increase in deposits, enhanced efficiencies and capital injections to support business expansion.

Customer deposits increased by 43%, reaching FRW 454 billion in June 2024, compared to FRW 316 billion in June 2023. This surge in deposits is partly due to the transition of three banks which accounted for 16% of the sector’s deposits. Additionally, the nominal capital of the microfinance sector grew by 31% to FRW 248 billion, supported by a 57.9% increase in capital injections, a 40.5% rise in profits, and a 34.5% increase in other forms of equity.

Financial intermediation remains central to MFIs, with net loans making up 64.7% of total assets by June 2024, up from 63.9% in June 2023. Other significant asset components include placements in banks (23% of total assets), cash in vault (2%), government securities (3%), and other assets, including fixed assets (8%).

Lending activities expanded notably during the reviewed period. Outstanding credit grew by 40.7% to FRW 544 billion in June 2024, up from FRW 387 billion in June 2023. This growth was seen across all microfinance categories: U-SACCOs' credit rose by 11% to FRW 116 billion, Public Limited Companies' credit increased by 89.2%, and non-Umurenge SACCOs' credit grew by 24.6% to FRW 204 billion. The robust credit growth is generally attributed to increased credit demand in line with the improved business environment, and better asset quality which boosted lending appetite. Additionally, this period experienced a statistical shift due to the inclusion of three transitioned banks, each bringing substantial loan portfolios.

Microfinance institutions, particularly U-SACCOs, play a crucial role in enhancing financial inclusion, especially for rural and low-income populations. Data shows high penetration among various demographics: rural areas account for 73% of usage, urban areas 27%, males 52%, females 48%, youth 28%, and seniors 72%, demonstrating the significant reach of U-SACCOs in the microfinance sector.

5.4.3 Soundness of the Microfinance Sector

As of June 2024, the microfinance sector's capitalization remains stable, with an aggregate Capital Adequacy Ratio (CAR) of 30.5%, well above the 15% minimum regulatory requirement. All categories of microfinance institutions (MFIs) maintain sufficient capital buffers: U-SACCOs have a CAR of 34.5%, PLCs have 21.3%, and other SACCOs stand at 39.3%. The capital position has been strengthened by equity injections, with total equity rising by 31.4% to FRW 248.3 billion, supported by paid-up capital (57.9%), subsidies (34.5%), and current period profits (40.5%).

Liquidity in the microfinance sector is robust, with a consolidated liquidity ratio of 87.5%, surpassing the 30% minimum requirement. U-SACCOs have a liquidity ratio of 87.7%, PLCs at 81.2%, and other SACCOs at 107.1%. This stability is due to increased deposits, capital growth, improved asset quality, and profitability aligned with economic recovery.

Credit defaults remain moderate, with more visibility resulting from full automation of Umurenge SACCOs. As at end June 2024, the NPL ratio slightly increased to 3.8% from 3.7% recorded in June 2023.

Table 20: Performance Indicators of Microfinance Sector

Microfinance sector	Jun-20	Jun-21	Jun-22	Jun-23	Jun-24
Assets (FRW billions)	330.2	385.8	472.9	598.3	815.5
Loans (FRW billions)	181.5	215.1	259.6	386.5	543.9
Deposits (FRW billions)	178.9	212.7	264.7	316.3	453.9
Equity (FRW billions)	113.8	136.7	160.2	188.9	248.3
Net profit (FRW billions)	1.1	9.0	10.6	13.9	19.7
Capital adequacy ratio	34.5%	35.4%	33.9%	31.6%	30.5%
NPL ratio	12.8%	6.6%	4.7%	3.7%	3.8%
Liquidity ratio	110.1%	106.1%	105.8%	90.2%	87.5%
U-SACCOs	**Jun-20**	**Jun-21**	**Jun-22**	**Jun-23**	**Jun-24**
Assets (FRW billions)	139.3	161.1	190.5	221.5	240.6
Loans (FRW billions)	48.9	59.1	74.4	104.4	115.9
Deposits (FRW billions)	77.7	92.3	111.5	123.7	135.9
Equity (FRW billions)	44.1	54.1	62.7	72.4	82.2
Net profit (FRW billions)	0.2	3.9	4.7	5.9	5.4
Capital adequacy ratio	32.8%	33.6%	32.9%	32.7%	34.2%
NPL ratio	21.8%	10.6%	7.8%	7.0%	9.6%
Liquidity ratio	113.2%	106.9%	101.6%	92.9%	87.7%
Public limited companies	**Jun-20**	**Jun-21**	**Jun-22**	**Jun-23**	**Jun-24**
Assets (FRW billions)	93.4	110.6	141.1	177.6	332.2
Loans (FRW billions)	59.7	72.1	88.6	118.4	224.14
Deposits (FRW billions)	56.9	67.8	83.0	99.9	196.68
Equity (FRW billions)	20.7	27.6	34.8	42.1	70.70
Net profit (FRW billions)	- 1.1	0.7	1.5	1.8	4.16
Capital adequacy ratio	22.2%	24.9%	24.7%	23.7%	21.3%
NPL ratio	12.4%	6.0%	4.6%	3.7%	3.1%
Liquidity ratio	82.1%	78.6%	88.0%	78.3%	81.2%
Other SACCOs	**Jun-20**	**Jun-21**	**Jun-22**	**Jun-23**	**Jun-24**
Assets (FRW billions)	97.4	113.9	141.2	199.1	242.72
Loans (FRW billions)	72.8	83.7	96.5	163.6	203.9
Deposits (FRW billions)	44.1	52.5	70.2	92.6	121.3
Equity (FRW billions)	47.4	54.9	62.6	74.4	95.50
Net profit (FRW billions)	1.9	1.9	4.3	6.2	10.08
Capital adequacy ratio	48.7%	48.2%	44.4%	37.4%	39.3%
NPL ratio	7.1%	4.3%	2.4%	1.6%	1.4%
Liquidity ratio	157.8%	165.7%	152.8%	101.8%	107.1%

Source: National Bank of Rwanda

Following the completion of automation for 416 U-SACCOs, the focus is now on consolidating them into D-SACCOs nationwide, by July 2025. Additionally, mobile banking systems are being deployed across branches, with 37 U-SACCOs already integrated into push and pull payment systems. This initiative aims to enhance accessibility and convenience for members, enabling transactions anytime and anywhere. Future plans include D-SACCOs purchasing shares in a yet to be established Cooperative Bank to offer advanced financial services.

The microfinance sector remains profitable, with consolidated net profits increasing by 40.5% to FRW 19.7 billion as of June 2024. The Return on Assets (ROA) improved to 5.4% from 4.8%, and Return on Equity (ROE) increased to 16.7% from 15.1%. Profit growth is driven by higher revenues from increased lending and reduced provisions for bad debts, reflecting lower credit impairments. Total revenues grew by 59.9% to FRW 75.5 billion, while provisions for bad debts decreased significantly

5.5 INSURANCE SECTOR

5.5.1 Structure of the Insurance Sector

Insurance is vital to the economy, offering financial protection and risk mitigation for individuals and businesses. Its main function is to manage and transfer risks by providing compensation for unforeseen events. In exchange for premiums, insurance companies assume risks from policyholders, pooling funds to cover potential future claims.

The insurance sector is categorized into two main types: Non-life insurance and Life insurance. Additionally, there are four specialized areas: Micro insurance, Captive insurance, Health Maintenance Organizations (HMO), and Mutual Insurance. The private insurance market includes 16 companies—9 offering non-life insurance, 3 providing life insurance, and four specializing in micro insurance, captive insurance, HMO, and mutual insurance. The sector also has two public health insurers: RSSB Medical and MMI. As of June 2024, there are 15 active insurance brokers, 12 bancassurance providers, 1,324 insurance agents, and 30 loss adjusters.

Public medical insurers remain the largest sector players, holding 61.4% of total assets. These insurers also account for 39.8% of Gross Written Premiums (GWP). The sector is a reliable source of liquidity for financial institutions, with insurers placing 41.6% of their total assets (FRW 428.9 billion) in financial institutions, 8.2% of total customer deposits. Additionally, insurers have invested FRW 68.5 billion in local equities (6.6% of total assets) and FRW 325.9 billion in government securities (31.6% of total assets). The increase in investments is driven by high interest rates on government securities and placements as a preference for secure investments.

As of June 2024, general (non-life) insurance, a short-term business, is the largest contributor to private insurance premiums, making up 77.0% of private insurers' gross written premiums and 46.2% of the total sector's GWP. This segment is mainly driven by motor and medical insurance, which together represent 52.7% of private insurers' gross premiums and 31.6% of the industry's total premiums. In contrast, life insurance, which provides financial compensation upon policy maturity or the policyholder’s death, is primarily driven by ordinary life and credit protection products, accounting for 49.2% of the gross premiums in the life insurance sector.

Table 21: Product performance for Non-Life Insurance

Product Description (In FRW Million)		June -23				June-24		
	GWP	Net earned premium	Claims	Claims ratio	GWP	Net earned premium	Claims	Claims ratio
Motor	23,789	21,023.7	12,059.6	57%	32,760	28,857.5	16,096.0	56%
Property	8,447	3,136.4	763.9	24%	9,032	3,496.0	404.2	12%
Liability	1,426	726.9	318.6	44%	1,772	657.4	260.1	40%
Transportation	752	295.9	37.5	13%	1,016	393.0	313.7	80%
Accident& Health	1,693	857.9	271.0	32%	1,439	1,008.3	198.3	20%
Engineering	3,623	950.1	209.3	22%	4,496	1,372.2	612.3	45%
Guarantee	2,138	884.3	196.5	22%	2,338	1,125.1	1,678.5	149%
Medical	17,039	13,763.9	7,682.1	56%	19,923	13,756.3	9,745.4	71%
Miscellaneous	4,149	(110.5)	282.6	-256%	4,209	1,112.0	466.2	42%

Source: National Bank of Rwanda

Table 22: Product performance for Life Insurance

Product description (In FRW Million)	June-23				June-2024			
	GWP	Net earned premium	Claims	Claims ratio	GWP	Net earned premium	Claims	Claim s ratio
Ordinary life	5,987	5,268	3,544	67%	4,400	4,023	2,448	61%
Traditional life	1,409	1,013	1,466	145%	767	685	245	36%
Term life	920	204	596	293%	3,741	2,627	3,575	136%
Credit life	4,202	2,626	1,636	62%	3,663	2,191	886	40%
Funeral and others	1,896	1,390	852	61%	3,825.3	3,546.1	2,406.3	68%

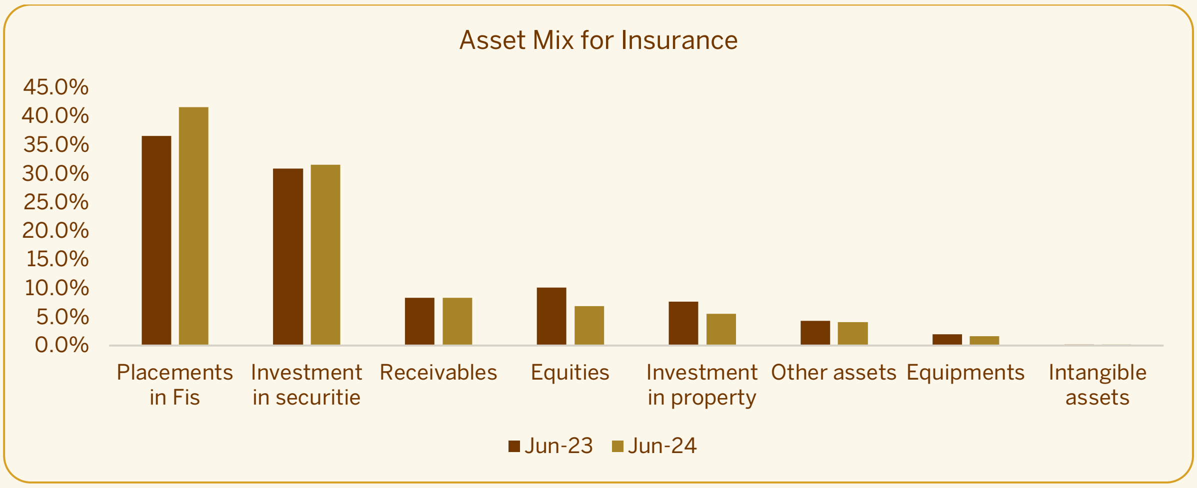
Source: National Bank of Rwanda

5.5.2 Performance of the Insurance industry

During the review period, the insurance sector's total assets increased by 17.6%, rising from FRW 876.7 billion to FRW 1,031.3 billion. This growth, observed across all insurance categories, was driven by higher investment income and improved underwriting performance, which strengthened the sector’s stability and its capacity to fulfill policyholder obligations.

The asset composition of insurance companies is crucial for maintaining financial stability and meeting obligations. Insurers diversify their asset portfolios to balance investment returns with the liquidity needed for claims settlement and other commitments. As of June 2024, the sector's assets were allocated as follows: 41.6% in financial institution placements, 31.6% in government securities, 6.9% in equity investments, 8.4% in receivables, 5.6% in property investments, and 4.1% in other assets. This diversified allocation helps manage concentration risk and optimize returns. (Figure 1).

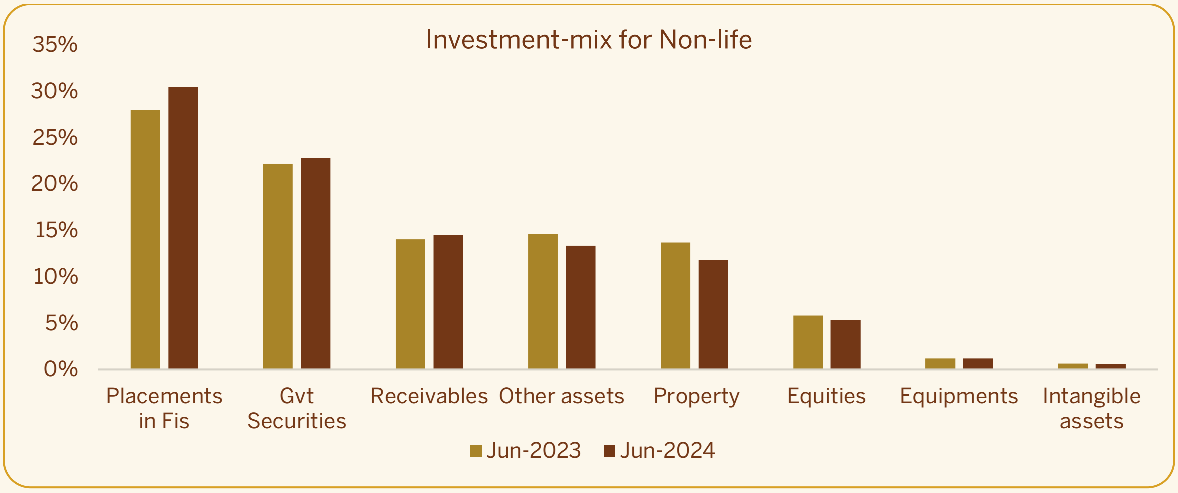
Figure 15: Asset mix for Insurance



Source: National Bank of Rwanda.

Private non-life insurers, also known as short-term insurers, allocated their assets primarily to short-term investments to meet immediate obligations. They invested 30.4% of their assets in financial institutions, typically with an average maturity of one year, and 22.8% in government securities for stability and returns. Additionally, 11.8% of their assets were in property investments, 13.6% in receivables, and 13.3% in other assets. This diverse asset allocation, with a focus on short-term and liquid investments, allows non-life insurers to effectively manage liabilities and maintain the flexibility needed to address short-term policyholder obligations.

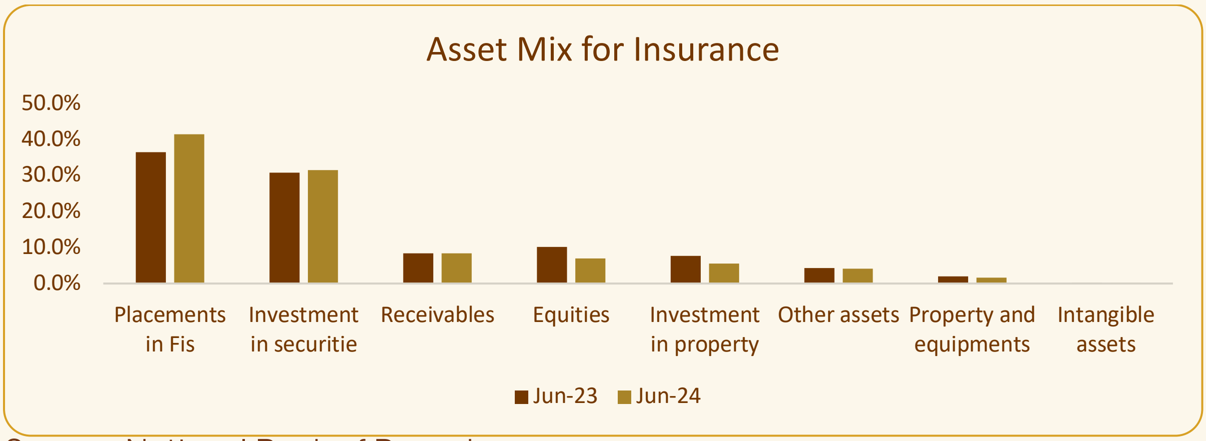
Figure 16: Asset mix for Non-Life Insurance



Source: National Bank of Rwanda

The asset structure of life insurers is vital for their stability and ability to meet long-term obligations. To ensure financial stability and the fulfillment of future commitments, life insurers must align their assets with their liabilities, matching the maturity of assets with long-term obligations.

Figure 17: Asset mix for Life Insurance



Source: National Bank of Rwanda

Private insurance companies maintain technical provisions—reserves set aside to cover future insurance obligations. These reserves are crucial for ensuring insurers can meet their commitments and remain financially stable. By June 2024, technical provisions for private insurance grew by 17.7 percent to FRW 184.6 billion, surpassing the 15.5 percent increase recorded in June 2023.

Non-life insurers allocate 52.4 percent of their technical provisions to unearned premiums (0.6 percent), outstanding reported claims (36.3 percent), and incurred but not reported claims (10.6 percent). In contrast, life insurers' technical provisions are predominantly actuarial, making up 87.3 percent of their total reserves, based on actuarial assumptions for future policyholder expenses.

By June 2024, gross written premiums had grown by 19.0 percent from June 2023, rising from FRW 139.8 billion to FRW 166.4 billion. The increase was more significant in the non-life insurance sector, with private non-life premiums up 19.3 percent to FRW 76.9 billion, compared to a 20.8 percent rise in June 2023.

Table 23: Financial Performance Highlights of the Insurance sector

Description (In FRW billion)	Public Insurers			Private Insurers			Insurance sector		
	June-22	June-23	June-24	June-22	June-23	June-24	June-22	June-23	June-24
Gross written premiums	48.1	58.3	66.5	67.1	81.5	99.9	115.2	139.8	166.4
Net premiums written	48.1	58.3	66.5	49.4	61.2	77.5	97.6	119.6	144.1
Net Premiums earned	48.1	58.3	66.5	45.8	53.4	69.3	94.0	111.7	135.9
Total Claims	23.5	31.2	39.1	29.5	30.4	40.8	53.0	61.6	79.9
Underwriting expenses	-	-	-	2.0	2.3	2.7	2.0	2.3	2.7
Management Expenses	9.5	14.4	16.0	14.7	18.7	23.1	24.2	33.1	39.1
Underwriting performance	15.2	12.8	11.5	-0.4	1.9	2.7	14.8	14.7	14.2
Investment Income	15.1	22.3	28.8	8.8	9.5	12.8	23.8	31.8	41.6
Other Income	-0.5	1.5	-2.6	1.8	4.0	2.5	1.4	5.5	(0.0)
Net profit after taxes	29.8	36.6	37.7	7.4	12.1	14.3	37.2	48.7	52.0

Source: National Bank of Rwanda

Claims incurred in the private insurance sector increased by 33.9 percent to FRW 40.7 billion by June 2024. The claims ratio—claims incurred relative to net premiums earned—rose slightly from 57.0 percent to 58.8 percent. This increase was mainly due to higher claims in the medical insurance segment, following an increase in the cost of services rendered, although motor claims ratio decreased, partly due to higher motor premiums, improved risk management, and government efforts to reduce accidents.

5.5.3 Financial soundness of the Insurance Sector

The insurance sector demonstrated strong solvency and liquidity throughout the reviewed period. Insurers are required to maintain a solvency ratio of at least 100 percent to mitigate insolvency risks, ensuring they have sufficient capital buffers for both growth and resilience against financial shocks. The sector's solvency ratio remained well above this threshold, with private insurers achieving a ratio of 269 percent by June 2024, up from 221 percent a year earlier. This improvement was driven by enhanced asset quality and strategic investment portfolio adjustments.

Private insurers also maintained robust liquidity, as evidenced by their liquidity ratio, which compares liquid assets to current liabilities. As of June 2024, the liquidity ratio stood at 119 percent, exceeding the 100 percent minimum requirement and up from 110 percent in June 2023. This increase was due to greater investments in liquid assets and a more favorable asset composition. Additionally, private insurers improved their underwriting performance, achieving underwriting profits and reducing insurance risk through effective risk management.

Table 24: Financial Soundness of the Insurance Sector

Description (Ratios %)	Public Insurers			Private Insurers			Insurance sector		
	June-22	June-23	June-24	June-22	June-23	June-24	June-22	June-23	June-24
Solvency margin (Min. 100%)	2393	2559	2440	180	256	269	1327	1450	1391
Claims ratio (max.60%)	49	53	59	64.4	57.0	58.8	56.4	55.1	58.8
Expenses ratio (max. 30%)	20	25	24	36.5	39.4	37.2	27.8	31.7	30.8
Combined ratio (max.90%)	68	78	83	100.9	96.4	96.0	84.3	86.8	89.5
ROE (Min.16%)	13	14	13	15.4	19.1	19.6	13.4	14.6	13.9
ROA (Min.4%)	13	13	12	5.2	7.3	9.4	9.9%	11.1	11.1
Current Ratio (min. 120%)	3630	3328	2066	89.6	93.5	106.8	249.1	230.7	248.8
Liquidity ratio (min. 100%)	4796	5456	3344	99.2	110.2	119.1	310.7	336.9	355.7

Source: National Bank of Rwanda

5.6 PENSION SECTOR

5.6.1.1 Structure of Pension Sector

The pension sector is predominantly driven by the mandatory RSSB scheme for salaried workers, which operates on a defined benefit model. Pension benefits are calculated based on contribution years, total contribution period, and retirement age. Workers can retire early at age 60 or at the mandatory age of 65, provided they have contributed for at least 15 years for a full pension. Those with fewer than 15 years receive a lump sum payment. The fund also includes the Long-Term Savings Scheme (LTSS) Ejo-Heza, aimed at extending coverage to informal sector workers. As of June 2024, the mandatory pension scheme represents 91.5% of the sector's assets, with Ejo-Heza holding 3.3% and voluntary pension schemes making up the remaining 5.2%.

The 2015 Pension Law allowed for the creation of voluntary pension schemes, which operate as Defined Contribution (DC) plans. In DC schemes, benefits depend on contributions and investment performance. By June 2024, 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 employees, while PPS are managed by financial institutions offering retirement savings accounts.

5.6.1.2 Performance of Public Pension Fund (RSSB)

The public pension fund's assets experienced moderate growth, increasing by 16% from FRW 1,448 billion in June 2023 to FRW 1,673 billion in June 2024. This rise was driven by a notable increase in both contributions and investment income. Contributions grew by 24.3%, rising from FRW 148 billion to FRW 184 billion, while investment income surged by 39.5%, from FRW 76 billion to FRW 106 billion, largely due to higher returns from treasury bills, bonds, corporate papers, and bank deposits.

By June 2024, the RSSB pension scheme's investment portfolio reached FRW 1,606.5 billion, up by 12.1% from FRW 1,432.8 billion in June 2023. The portfolio is diversified across various asset classes to ensure stability and meet future obligations. The composition includes: 19.8% in local unquoted equities (FRW 317.9 billion), 21.8% in government securities (FRW 350.3 billion), 13.2% in properties (FRW 212 billion), 8.1% in local listed equities (FRW 130 billion), 14.4% in placements with financial institutions (FRW 232 billion), 11.3% in commercial papers and corporate bonds (FRW 181.5 billion), and 11.3% in offshore listed and unlisted equities (FRW 181.7 billion).

Table 25: RSSB Investment Mix

Investment Mix-Description (FRW Billion)	June -23	June-24	Portfolio Share
Treasury Bills	9.1	36.4	2.3%
Treasury Bonds	329.8	313.9	19.5%
Local equity investment	411.6	448.2	27.9%
Offshore-equity Investment	145.3	181.7	11.3%
Investment in Properties	241.9	212.1	13.2%
Placements in Financial Institutions	182.9	232.0	14.4%
Commercial papers & Corporates bonds	112.0	181.5	11.3%
TOTAL	1432.8	1606.0	100.0%

Source: National Bank of Rwanda

5.6.2 Performance of the Long-Term Saving Scheme (LTSS) Ejo-Heza

The Government of Rwanda established the Long-Term Savings Scheme (LTSS) Ejo Heza under Law N° 29/2017 to expand pension coverage in the informal sector. This Defined Contribution (DC) scheme operates on a voluntary basis, enabling participants to open savings accounts with authorized financial intermediaries. It aims to address the low pension coverage, as less than 6% of the workforce is covered by formal programs. The scheme was transferred to RSSB on December 14, 2018, and began collecting savings in January 2019.

As of June 2024, the Ejo-Heza Fund's assets grew significantly by 29.8%, increasing from FRW 47 billion in June 2023 to FRW 61 billion. This growth was supported by a 14.7% rise in investment income, which reached FRW 7.0 billion, up from FRW 6.1 billion the previous year.

Table 26: Key Financial Highlights of LTSS Ejo Heza

Description (In Million FRW)	June-2023	June-2024	% change
Assets	47	61	29.8%
Investment income	6.1	7.0	14.7%
Expenses	0.98	1.07	9%

Source: National Bank of Rwanda

5.6.3 Voluntary Pension Schemes

As of June 2024, the assets of voluntary pension schemes increased by 17.3%, reaching FRW 95 billion, up from FRW 81 billion in June 2023. This growth was driven by higher investment income and increased contributions. The majority of the portfolio, 89.6%, is invested in government bonds and treasury bills, while real estate investments make up 5% of the portfolio.

Table 27: Key financial highlights of Voluntary Pension Scheme

Description (In Billion FRW)	June 2023	Junre-2024	% Change
Assets	81	95	17.3%
Contributions received	3.97	5.18	30.5%
Benefits paid	2.4	3.8	57%
Investment income	3.96	5.06	27.9%

Source: National Bank of Rwanda

5.7 NON-DEPOSIT TAKING FINANCIAL SERVICE PROVIDERS (NDFSPs)

Non-Deposit Taking Financial Service Providers (NDFSPs) are crucial for offering alternative financial services in Rwanda. The introduction of Regulation n° 52/2022 in November 2022 allowed new entrants into the market, while Regulation No. 2100/2018 expanded the National Bank of Rwanda's supervisory role to include Non-Deposit Taking Financial Institutions (NDFIs), such as credit services, mortgage finance, credit guarantees, refinancing services, factoring services, debt collection services and other financial services with potential systemic risks.

As of June 2024, the number of licensed Non-Deposit Financial Service Providers (NDFSPs) had increased to 74, up from 37 in June 2023. This growth was mainly driven by the addition of 25 lending institutions, 9 Trust & company service providers, and 1 debt collection company. The increased demand for money lending services from local investors was largely due to the flexible licensing requirements. As of June 2024, the total assets of NDFSPs had grown by 7.3%, rising from FRW 89.1 billion to FRW 95.6 billion. Additionally, total gross loans increased by 11.2%, to FRW 40.7 billion, primarily due to the entry of new NDFSPs into the market. Notably, loans to women increased by 49.3%.

Table 28: Key financial highlights of NDFSPs

Names	Jun -23	Jun-24	% change
Total Assets(FRW Billion)	89.1	95.6	7.3
Gross loans (FRW Billion)	36.6	40.7	11.2

Source: National Bank of Rwanda

Table 29: Value of outstanding loan by gender (FRW)

	Jun-23	Jun-24	% change
Men (FRW Billion)	14.2	19.4	35.8
Women (FRW Billion)	5.4	8.1	49.3
Groups/entities(FRW Billion)	16.9	13.1	(22.0)
TOTAL Gross loans(FRW Billion)	**36.6**	**40.7**	11.2

Source: National Bank of Rwanda

Due to the diverse range of services offered by NDFSPs and the growing number of new institutions, three associations for service providers were established: The Association of Lending Institutions, the Association of Debt Collectors and Other Intermediaries, and the Association of Trust and Corporate Service Providers (TCSPs).

5.8 CREDIT REPORTING SYSTEM

The Credit Reporting System continued to support the financial sector by providing credit information for informed lending decisions. The National Bank of Rwanda (NBR), responsible for supervising the credit reporting system, to enhance the credit information managed by TransUnion Rwanda-the operating credit bureau.

For the credit reporting system to be effective, it must adhere to core principles, such as sharing accurate, complete, and timely credit information, both positive and negative, from all mandatory and voluntary sources. To improve data quality and ensure timely updates, the automation of reporting processes has been adopted. This aims to expand access to finance, benefiting both borrowers and lenders.

As of June 2024, 15 institutions are automated and, and the rest are still non automated, however the process to have all institutions automated is ongoing.

The NBR, through the Advisory Credit Reporting Council, is actively monitoring and engaging with all data providers to complete the automation, recognizing it as essential for a robust credit reporting system.

In November 2023, the NBR and TransUnion Rwanda organized a credit reporting awareness campaign called "CRB Grace Week" in Kigali. This event aimed to educate the public about their right to access credit information via the Menyesha (*707#) service. Attendees checked their credit information and corrected inaccuracies, if any.

Statistics from TransUnion Rwanda indicate that the use of credit information by financial institutions remains high, with a usage rate of 93.21% in June 2024. The coverage ratio, which reflects the percentage of the adult population reported to the credit bureau, increased to 39.4% in June 2024, up from 38.0% in June 2023 and 35.7% in June 2022.

The NBR will continue to collaborate with stakeholders to monitor compliance with reporting requirements and educate the public on the benefits of credit information sharing. Awareness campaigns will also be extended to other provinces over the current financial year.

5.9 DEPOSIT INSURANCE, CRISIS MANAGEMENT AND RESOLUTION ARRANGEMENTS

Depositors' protection is a key element of crisis management, as it helps to build public confidence in the financial system and reduces the risk of bank runs. In Rwanda, the Deposit Guarantee Fund (DGF) was established by Law No. 31/2015 of 05/06/2015 to protect depositors in banks and microfinance institutions. This law was updated and replaced by Law No. 039/2024, effective March 22, 2024. The main objectives of the DGF are to protect insured depositors by providing insurance against the loss of their deposits, contribute to financial stability by ensuring prompt access to insured deposits if a bank or microfinance institution fails, and provide financial assistance to banks and microfinance institutions in distress. The DGF is managed by the National Bank of Rwanda (NBR) and is funded by contributions from banks and microfinance institutions.

The DGF performs several key functions: collecting premiums from contributing institutions, investing collected funds, paying out to eligible depositors in case any of the contributing member is liquidated and providing financial assistance to distressed members. Premiums are collected quarterly from deposit-taking institutions at a rate of 0.1% per annum on eligible deposits (0.025% each quarter). Eligible deposits refer to a deposit taking institution's total deposits less deposits held for peer banks, microfinance institutions, insurance companies, pension funds, collective investment schemes and Government or public agencies.

As of June 2024, the DGF had a balance of around FRW 25 billion, up from FRW 18 billion in June 2023, reflecting a 39% increase. The funds collected are primarily invested in government securities to generate returns and enhance the DGF's capacity to compensate insured depositors in case of a financial institution's failure.

The DGF aims to cover insured deposits at each member bank and microfinance institution, including the principal and any accrued interest, up to the coverage limit, until the date of the institution's closure. Currently, the DGF protects eligible deposits up to a limit of FRW 500,000 per depositor, per member bank, and per microfinance institution. As of June 2024, insured deposits in banks amounted to FRW 214 billion, equivalent to 4% of total bank deposits, while insured deposits in MFIs totaled FRW 194 billion, or 42 % of total deposits in these institutions. Therefore, using the total portfolio of FRW 24 billion, the DGF can cover 6 % of Insured deposit in both banks and Microfinances.

Table 30: DGF Premium and Investment Performance Overview

Description	June /2020 (in Million FRW)	June /2021 (in Million FRW)	June /2022 (in Million FRW)	June /2023 (in Million FRW)	June /2024 (in Million FRW)
Opening Balance	3,911	6,287	9,390	13,234	18,213
Total premiums collected	1,821	2,197	2,546	2,973	3,771
Total (Interest income+ other income)	555	906	1,298	2,005	2,791
Penalty charges	1	4	-	4	6
Income received (T-Bond)	425	685	1,044	1,576	2,264
Income received (T-Bill)	1	6	-	-	-
Accrued Interest (T-Bond)	128	212	254	425	521
TOTAL	**6,287**	**9,390**	**13,234**	**18,213**	**24,774**

Source: National Bank of Rwanda

The National Bank of Rwanda (NBR) is responsible for ensuring financial stability and prevention of systemic risks. Maintaining a stable financial system is crucial for Rwanda's economic growth, requiring resilient financial institutions capable of delivering critical services. As the supervisory authority, NBR enhances resilience by implementing measures to protect deposit-taking institutions from potential shocks.

Despite robust supervision, some financial institutions may face severe stress, risking non-viability. As the resolution authority, NBR addresses these situations in the most feasible way that allows orderly failures without disrupting the financial system or economy while minimizing clients' and taxpayer losses.

Resolution involves administrative processes that enable authorities to manage institutional failures with minimal adverse effects. The NBR's role as the resolution authority is outlined in Law No. 044/2024 for banks and Law No. 072/2021 for deposit-taking microfinance institutions. The framework for Deposit-Taking Financial Institutions (DTFIs) was also approved during the 2023-2024 financial year.

Over the past year, NBR strengthened its crisis management and resolution framework. In June 2023, banks submitted their first recovery plans, adhering to NBR's directive on minimum recovery plan requirements issued in November 2022. NBR also developed various legal instruments, including drafting the resolution law and guidelines for resolvability assessments.

5.10. NATIONAL PAYMENT SYSTEMS

Payment systems facilitate the settlement of financial transactions by channeling payments between parties. In Rwanda, the National Payments System, overseen by the National Bank of Rwanda (NBR), includes wholesale and retail payment systems, instruments, and Payment Service Providers (PSPs).

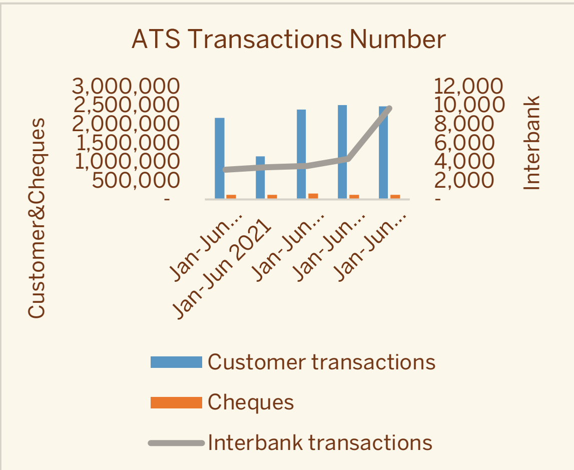
The wholesale system features the Rwanda Integrated Payment Processing System (RIPPS), which is an Automated Transfer System (ATS) operated by the NBR and is composed of; the Real Time Gross Settlement (RTGS) and Automated Clearing House (ACH). RIPPS handles interbank payments, including credit transfers and cheques, as well as retail payments like Visa, MasterCard, and Smartcash. The RTGS is linked to the Central Securities Depository (CSD) for securities settlement using a delivery vs payment (DVP) model.

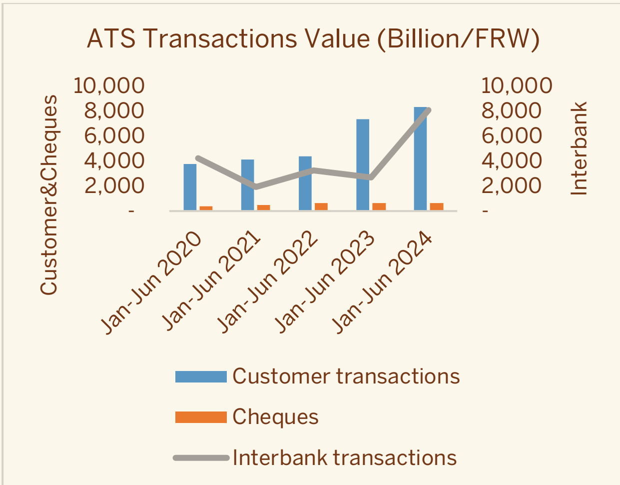
5.10.1 Performance of the ATS

RIPPS maintained efficient financial transaction processing throughout the year. The volume of customer transfers was at 2.4 million in the first half of 2024, with an overall transaction value rise by 13%, reaching FRW 8,303 billion in June 2024, up from FRW 7,366 billion in 2023.

Cheque transfers also saw growth, with a 7% increase in volume and a 6% increase in value over the same period. Bank transfers experienced a surge, with a 125% increase in volume and a 199% increase in value.

Figure 18: The ATS Transactions



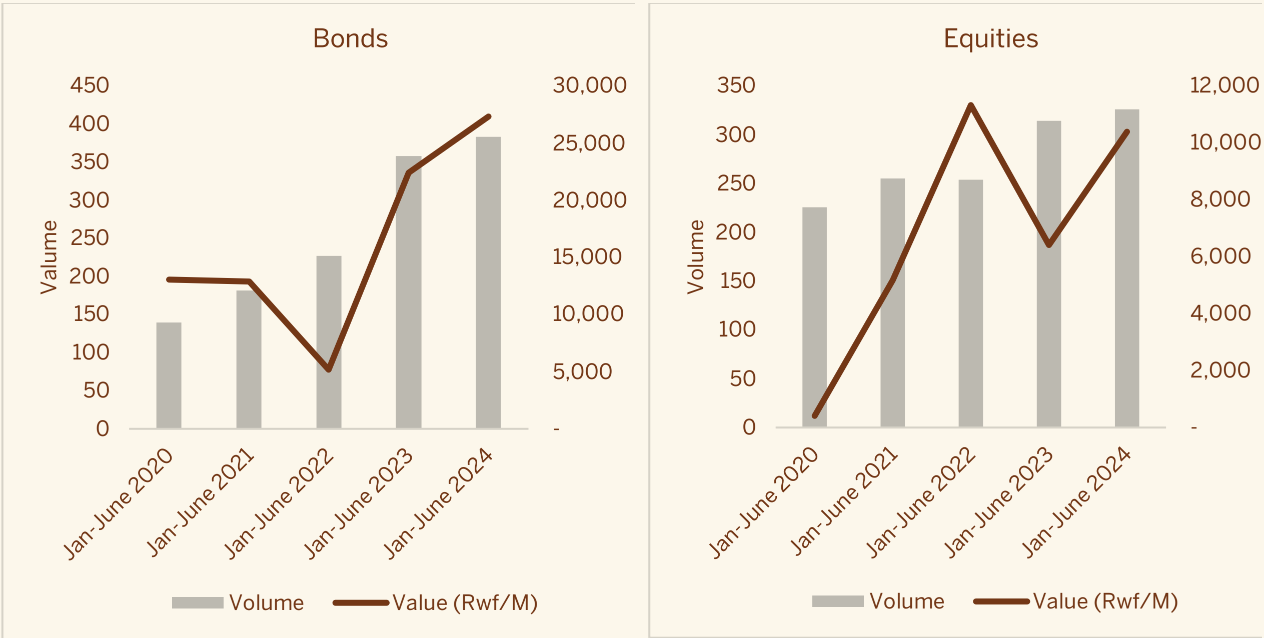


Source: National Bank of Rwanda

5.10.2 Performance of Central Securities Depository (CSD)

A Central Securities Depository (CSD) plays a crucial role in streamlining the trading and ownership of financial assets such as stocks and bonds, evidenced by a 7% increase in secondary market trading by volume for treasury bond which rose from 358 to 383 trades. The value of these bonds increased by 22%, growing to FRW 27 billion. Equities also showed growth, with a 4% rise in trading volume from 314 to 326 trades, and a more significant 62% increase in traded value, expanding to FRW 10 billion.

Figure 19: Central Securities Depository



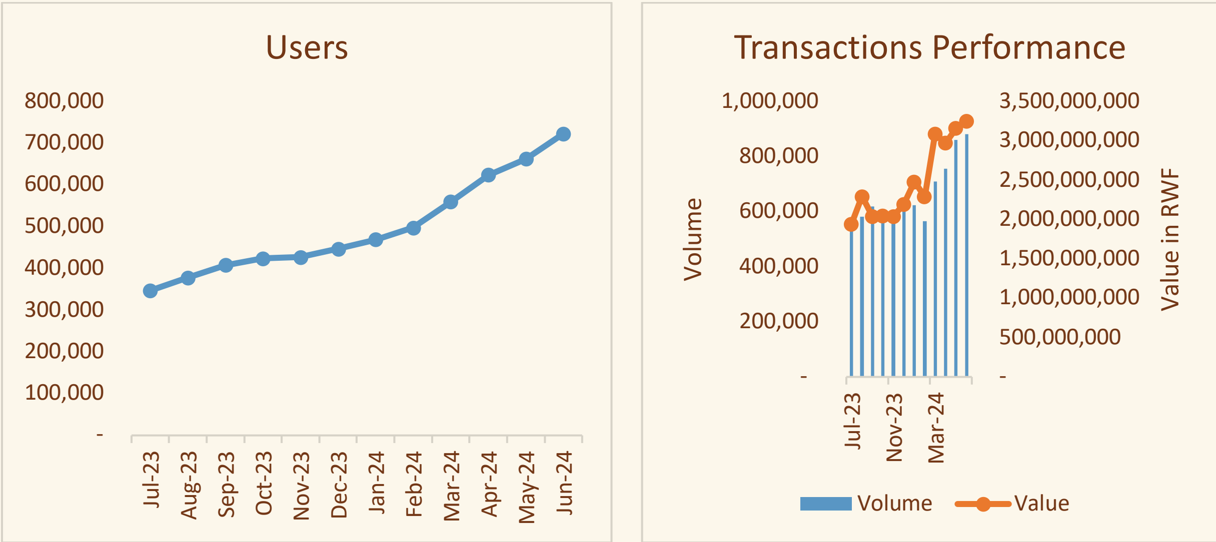
Source: National Bank of Rwanda

5.10.3 Performance of retail payment system

5.10.3.1 Performance of eKash/instant payments

Rwanda National digital payment system's eKash services continues to grow since their inception. As of June 2024, there were 722,878 active users. Similarly, transaction volume also surged, reaching a cumulative total of 11 million transactions valued at FRW 47 billion.

Figure 20: eKash/instant payments



Source: National Bank of Rwanda

5.10.3.2 Payment Acceptance Points

Payment access points are essential for facilitating transactions by allowing money to flow in and out of the payment ecosystem. During the period under review, the number of card-based POSs increased by 21.4%, rising to 6,846 in June 2024. The number of modern POSs saw a substantial 75% increase, growing 440,771. Modern POSs include Virtual POSs (0.1% of the total) and Mobile POSs (99.9%). Additionally, the number of mobile payment agents grew by 19.6%, to 209,599, while the number of agents providing banking services decreased by 16%, to 7,983.

Table 31: Payment Access Points

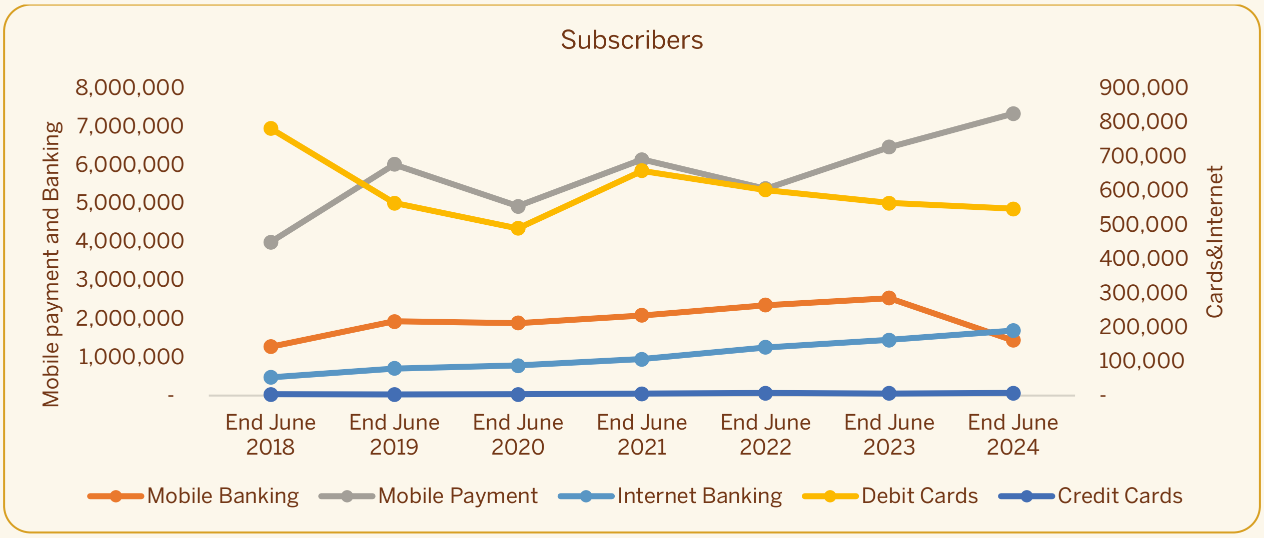
Access Points	Penetration rates of payment access Points	Jun-23	Jun-24
ATM	Number of devices	349	348
	Penetration rate of ATMs per 100,000 adult population	4.38	4.36
Traditional POS	Number of devices	5641	6,846
	Penetration rate of Traditional POS per 100,000 adult population	70.72	85.83
Modern POS (Mobile and Virtual)	Number of devices	251,767	440,771
	Penetration rate of Modern POS per 100,000 adult population	3,156.50	5,526.12
Banking Agents	Number of bank agents	9,501	7,983
	Penetration rate of agents per 100,000 adult population	119	100.1
Mobile Agents	Number of Mobile agents	175,204	209,599
	Penetration rate of Bank agents per 100,000 adult population	2,197	2,638

Source: National Bank of Rwanda

5.10.3.3. Payment Instruments Issuance

Regarding the issuance of payment instruments, active mobile payment subscribers grew by 13%, increasing to 7,322,881 in June 2024. Internet banking subscribers saw a 17% increase, rising from to 189,809 in June 2024. However, the growing adoption of mobile payments has impacted the use of payment cards, with the number of payment debit cards declining by 3%.

Figure 21: Instruments Issuance

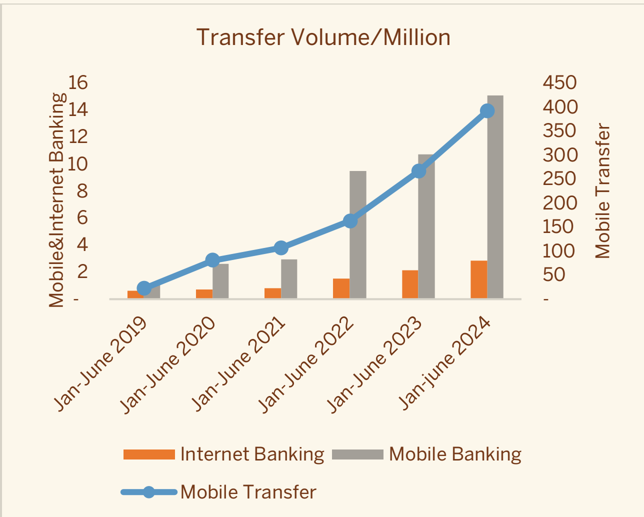


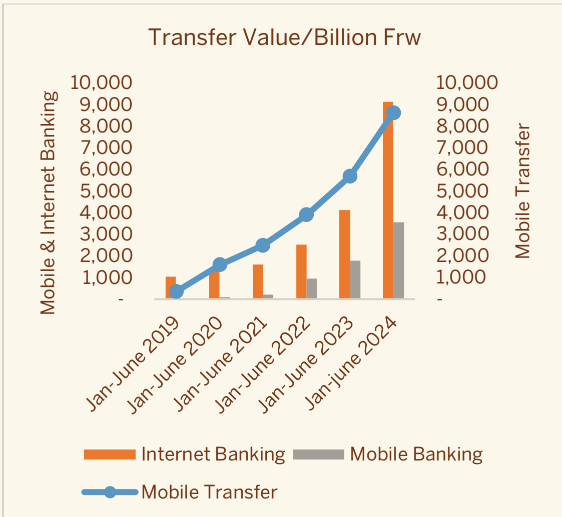
Source: National Bank of Rwanda

5.10.3.4 Retail Payment Transfers

Payment transfers have continued to grow during the period under review. Mobile payment transfers saw a 47% increase in volume, rising to 391 million. In value, these transfers grew by 52%, to FRW 8,622 billion. Mobile banking transfers increased by 41% in volume, to 15 million, and by 100% in value, to FRW 3,546 billion. Similarly, internet banking transfers grew by 32% in volume, to 3 million, and by 122% in value, to FRW 9,135 billion.

Figure 22: Payment Transfers



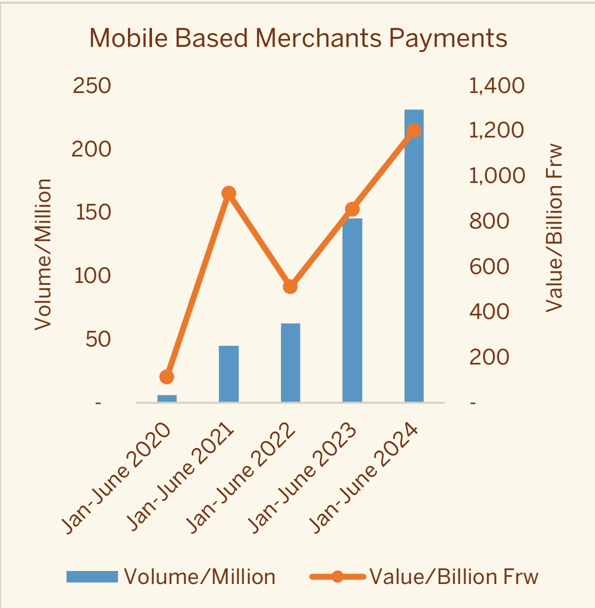


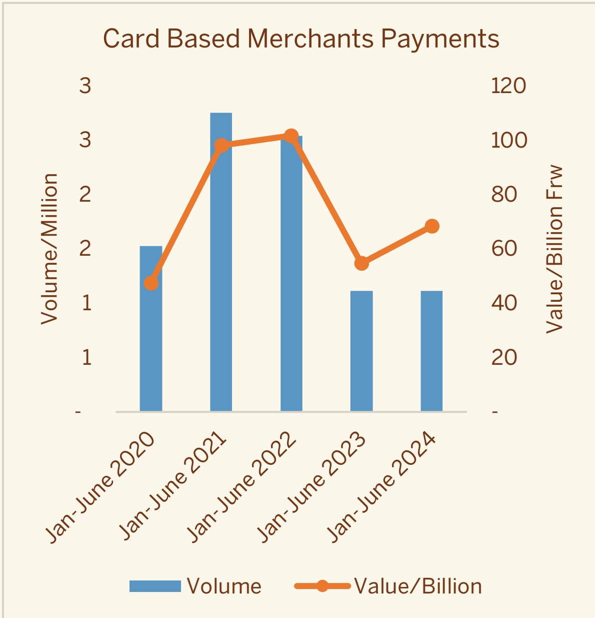
Source: National Bank of Rwanda

5.10.3.5 Impact of Policy Changes on Mobile Payments

In line with the policy zero rating on wallet and bank account transfers, Mobile payments continue to grow. This growth is notable in merchant mobile wallet payments, with a 59% increase in transaction volume, rising to 231 million, and a 40% increase in transaction value, growing to FRW 1,204 billion. In contrast, card-based merchant payments showed modest performance. Transaction volume increased slightly by 0.3 to 1.12 million, but transaction value declined by 24.9%, to FRW 41 billion. This decline is attributed to a shift in consumer preference toward mobile payment options for goods and services.

Figure 23: Mobile & Card Based Merchant Payment





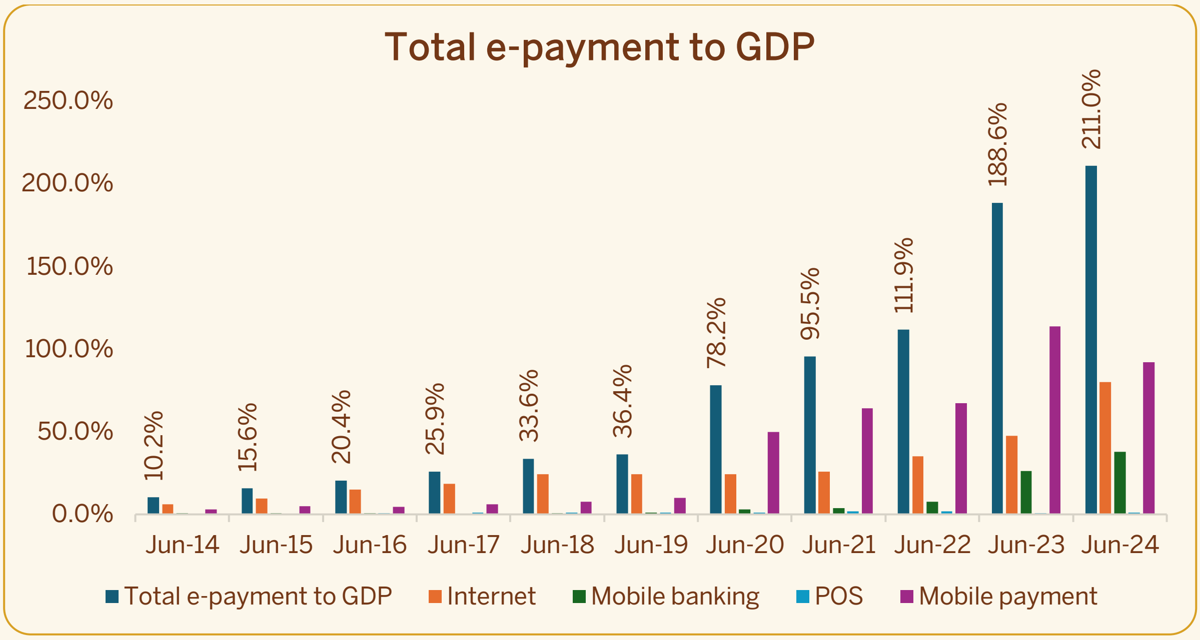
Source: National Bank of Rwanda

5.10.3.6 Overall Cashless Performance

Rwanda experienced a notable rise in retail e-payment adoption since 2011, with total e-payments reaching 211% of GDP by June 2024. This growth is supported by the Government's cashless agenda, through the expansion of internet and mobile banking infrastructure. Internet

38%. Mobile payments have surged to 92% of GDP, highlighting widespread adoption of services such as Merchants Pay. Although Point of Sale (POS) payments still represent a relatively small share at 1%, they have shown steady growth, indicating an increasing acceptance of card payments in retail settings.

Figure 24: Value of retail e-payment to GDP



Source: National Bank of Rwanda

5.10.3.7 Payment system development

Rwanda National Payment System: eKash services have seen steady growth, largely due to increased integration with Financial Service Providers (FSPs). Significant progress has been made in migrating to a system that allows revising pricing, and integrating RIPPS with the National switch. However, key tasks remain, including completing the core system development, implementing the new pricing strategy, and advancing Person-to-Merchant (P2M) use cases to ensure the systems continues to be robust.

5.11 UPTAKE AND USAGE OF FINANCIAL SERVICES

5.11.1 Financial Service Access Points

Between June 2023 and June 2024, the financial services access point landscape experienced a significant shift. The total number of access points decreased by 16%, mainly due to a 14% reduction in bank branches. Sub-branches and outlets also saw declines of 42% and 18%, respectively. This trend highlights a move towards efficiency through branchless banking.

Kigali City remains the leading region, with 35% of the total access points, followed by the Eastern Province at 19%. The Western, Southern, and Northern Provinces account for 18%, 17%, and 11%, respectively. The geographical distribution of access points should continue to inform policy decisions.

Table 32: Distribution Access Points per Province (June 2024)

Distribution	City of Kigali	Northern Province	Eastern Province	Western Province	Southern Province	Total
Number of Branches	105	34	56	48	37	280
Number of Sub branches	6	0	0	1	0	7
Number of Outlets	34	13	25	28	33	133

Source: National Bank of Rwanda

5.12 USAGE OF FORMAL FINANCIAL SERVICES

5.12.1 Usage of Bank, MFI and NDFSP financial services

Between June 2023 and June 2024, there was a significant improvement in lending. The number of borrowers across all sectors saw a significant growth, with the NDFSP sector experiencing the largest increase at 97%, of which 35% were female.

In banks and MFIs, borrowers continued to rise, with the proportion of female borrowers in MFIs remaining steady at 50%, reflecting improved credit access for traditionally underserved groups. This increase in borrowing reflects positive progress in financial inclusion, increased access to credit and reduction in poverty.

Regarding depositors, due to a categorization change that reclassified three banks as MFIs, the number of bank depositors decreased by 13%, from 4.1 million to 3.6 million, while MFI depositors increased by 11%, from 4.9 million to 5.4 million.

Table 33: Depositors and Borrowers in Banks, Microfinance Institutions and NDFSPs

Banks	June-23	June-24
Number of Depositors in Banks	4,099,866	3,561,371
Amount of Bank deposits (FRW billion)	3,874	4,768
Number of Borrowers in Banks	949,778	1,298,331
Amount of outstanding Loans (FRW billion) in Banks	3,716	4,313
Microfinance Institutions	**June-23**	**June-24**
Number of Depositors in MFIs and SACCOs	4,932,657	5,404,398
Number Borrowers in MFIs and SACCOs	306,186	386,585
Amount of outstanding Loans in MFIs and SACCOs (FRW billion)	387	544
NDFSPs	**June-23**	**June-24**
Number of Borrowers in NDFSPs	6,713	13,203
Amount of outstanding Loans (FRW billion) in NDFSPs	37	41

Source: National Bank of Rwanda

5.13 USAGE OF INSURANCE AND PENSION SERVICES

The number of insurance policies slightly increased, with a combined growth of 1% in both Life and Non-Life category (from 916,228 in June 2023 to 922,096 in June 2024). While, micro insurance policies, which are targeted at low-income earners, experienced a significant rise of 152% (from 50,178in June 2023 to 126,373in June 2024).

Contributors to both public and private pension schemes grew by 6%. Notably, female participation in public pension schemes rose by 13%, improving gender balance. However, the number of beneficiaries for both public and private pensions increased only slightly, by 6% overall, with a significant gender disparity remaining. This is especially evident in private pensions, where only 1% of beneficiaries are female.

Ejo Heza Long-Term Saving Scheme (LTSS) showed strong performance, with a 20% increase in contributors and a substantial 118% rise in beneficiaries. The scheme's gender balance is notable, with women representing 51% of both contributors and beneficiaries, showcasing its inclusivity. The success of this scheme underscores its role in promoting long-term savings and financial security.

Table 34: Access to Insurance and Pension

Insurance Policies and Pension Contributors and Beneficiaries	June-23	June-24
General (non-life) and Life Insurance policies	916,228	922,096
Micro Insurance policies	50,178	126,373
Number of contributors to Public and Private pensions	796,169	842,812
Number of beneficiaries of Public and Private pensions	58,455	62,242
Number of Contributors to EJOHEZA (LTSS)	2,713,434	3,244,483
Number of Beneficiaries of EJOHEZA (LTSS)	4,042	8,812

Source: National Bank of Rwanda

5.14 CENTRAL BANK DIGITAL CURRENCY (CBDC) PROJECT.

The National Bank of Rwanda embarked on a journey of exploring the feasibility of a CBDC in Rwanda. The journey was initiated with a research paper to assess the benefits and potential risks of a CBDC. The study analyzed twelve key benefits and fifteen potential risks; through a weighing mechanism, identified the four key sweets spots or use cases for a CBDC in Rwanda as being:

1. Increasing resilience against possible network outages, power failures and natural disasters;

2. Improving innovation and competition;

3. Contributing to achieving the cashless economy national initiative over time;

4. Developing faster, cheaper, more transparent, and more inclusive cross-border remittances.

The research also proposed key design features, technologies and distribution model of the CBDC in Rwanda. It outlined the necessary steps for further testing and confirming the feasibility of a CBDC, including the research phase, proof-of-concept phase, pilot phase, and eventual launch.

The National Bank of Rwanda is now building on these findings and has commenced the proof-of-concept phase to test the CBDC's design functionalities.

5.15 FOREX BUREAUS

As of June 2024, there were 78 Forex Bureaus in the sector. However, one bureau is currently under voluntary suspension due to the closure of the Kanyaru Haut and Nemba Borders.

As of June 2024, the total assets held by the Forex Bureau sector increased by 25%, rising to FRW 12.1 billion. The sector remains profitable, with a net profit after tax of FRW 436.9 million, marking a 30% increase since June 2023.

To assess the establishment, governance, and compliance of Forex Bureaus, the National Bank conducted 43 spot onsite inspections, which revealed key malpractices and led to penalties for the concerned bureaus. Additionally, the Bank performed onsite inspections at 2 Forex Bureaus to evaluate compliance with Anti-Money Laundering and Combatting Terrorism Financing (AML/CFT) regulations.

The Bank held five meetings with the Rwanda Forex Bureaus Association (RFBA) Executive Committee to discuss critical sector issues, including daily exchange rates, the black market's impact, and gaps in the regulatory framework. To address the challenges faced by Forex Bureaus, particularly the cash-based nature of transactions, the Bank is researching digitalization options in collaboration with the RFBA. This research aims to identify suitable tools for digitalizing Forex Bureau operations.

Table 35: The financial position of Forex Bureaus sector as of end June 2024

Number of Forex Bureaus	**78**	**78**	
1. Cash	4,200,054,564	5,180,232,842	23.3%
2. Balance at banks	4,901,152,930	5,922,968,405	20.8%
3. Fixed assets	302,219,587	524,675,405	73.6%
4. Other assets	285,022,794	479,157,318	68.1%
5. Total Assets	**9,688,449,875**	**12,107,033,970**	25.0%
6. Borrowing (local)	271,634,134	1,083,897,327	299.0%
7. Foreign liabilities	119,595	-	-100.0%
8. Other liabilities	999,160,707	850,172,335	-14.9%
Total Liabilities	**1,270,914,436**	**1,934,069,662**	52.2%
9. Paid up capital	6,360,677,937	7,327,897,053	15.2%
12. Retained Earnings & Reserves	1,720,845,104	2,408,145,005	39.9%
11. Profit & loss account	336,012,398	436,922,251	30.0%
Total Equity	**8,417,535,439**	**10,172,964,309**	20.9%
Total Equity and Liabilities	**9,688,449,875**	**12,107,033,970**	25.0%

Source: National Bank of Rwanda

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The Bank also conducted joint awareness campaigns on illegal foreign currency transactions in collaboration with MINALOC, BNR, RNP, NPPA, and RIB. These campaigns targeted local authorities, security organs, and the public in Kigali and several districts. Additional awareness efforts included educating the judiciary and law enforcement on foreign exchange market malpractices through media and direct communication.

Lastly, the Bank assessed the issue of pricing in foreign currencies on the local market and held a high-level meeting with stakeholders on December 7, 2023. The meeting resulted in a warning to practitioners, particularly landlords, against pricing rentals in foreign currencies.

5.16 POLICY REFORMS IMPLEMENTED

The National Bank of Rwanda (NBR) has recently implemented several legal and regulatory reforms to enhance the stability and resilience of the financial system. These reforms aim to promote effective risk management, uphold market integrity, mitigate systemic risks, and respond to emerging issues and stakeholder concerns.

In the first half of 2024, to new laws were published to address evolving market dynamics, protect financial service consumers, and align with international standards:

In the banking sector, the revised Banking Law was freshly aligned with international standards and best practices. The updated law includes provisions for establishing foreign bank branches and private banking services, and fosters a more favorable legal environment for financial investors.

Additionally, the Deposit Guarantee Fund Law was updated to close the identified gaps and align with international standards (IADI Core Principles). The revisions introduce, among others, a "pay box plus" mandate which allowed the DGF to provide financial assistance to banks or deposit-taking microfinance institutions in financial distress.

5.17. STATUS OF CYBERSECURITY INITIATIVES

In light of the rapidly evolving technological landscape, NBR conducted a sector-wide cyber risk assessment to evaluate the cybersecurity posture of banks in Rwanda. This assessment was prompted by the growing complexity of IT infrastructures and the financial sector's increasing exposure to cyber threats, given its critical economic role and the vast amounts of sensitive data it manages. The extensive cyber risk assessment evaluated the IT risk profiles of all banks, considering inherent risk factors such as digital footprint, payment systems, operational scope, and cybersecurity practices. Each bank's risk was categorized from Low to High according to NBR's methodology.

Additionally, the cyber maturity of each bank was assessed across five key domains: Cyber Risk Management and Oversight, Threat Intelligence and Collaboration, Cybersecurity Controls, External Dependency Management, and Cyber Incident Management and Resilience. This maturity matrix allowed for a comprehensive evaluation of each institution's resilience against cyber threats.

NBR also plays a vital role in enhancing the financial sector's cyber resilience through regulatory policies, such as the Cybersecurity Framework and Outsourcing Policy. To improve compliance and cyber defenses, NBR plans to educate financial institutions, implement maturity and compliance roadmaps, extend assessments to other financial institutions, and strengthen supervisory capacity. These measures aim to bolster the sector's cybersecurity and ensure stability.

By adopting the recommended measures and international best practices, the sector can strengthen its defenses against emerging threats, protect sensitive data, and ensure operational continuity.

5.18 CLIMATE RISK MANAGEMENT -STRATEGIES AND ACTIONS

The National Bank of Rwanda (NBR) acknowledges that sustainable development challenges pose significant threats to price stability and the soundness of the financial sector. To address these issues, the NBR introduced urgent policy reforms aimed at adapting regulatory frameworks and promoting green, stable, and inclusive growth.

In November 2023, NBR issued guidelines (no 2600/2023 – 00036) on managing climate-related and environmental financial risks, which include principles for risk management and aligning disclosures with international sustainability standards. Implementation of these guidelines will be phased, from 2023 to December 2027, with tier-one institutions required to submit their first climate-related risk assessments by October 2024.

NBR is also developing additional sustainability guidelines to be published in November 2024 and is engaged in creating the national green taxonomy phase II, development of data gathering framework, risk assessment, and development of climate scenario analysis and stress testing framework.

Additionally, the NBR is examining the impact of climate change on monetary policy through models that analyze the relationship between rainfall, food crops, and food inflation. The outputs from such analysis help to understand the drivers of food inflation, including rainfall dynamics, hence improving judgement made on the near-term and medium-term inflation forecasts and informing policy decisions.

The National Bank of Rwanda's initiatives have assisted financial institutions in managing sustainability risks and have strengthened government sustainable finance goals. The NBR will continue to promote sustainability by collaborating with both national and international partners.

VI. MONETARY POLICY AND FINANCIAL SECTOR OUTLOOK

6.1 MONETARY POLICY OUTLOOK

The global economy is projected to slightly slow down.

According to the IMF's July 2024 World Economic Outlook update, global economic growth is expected to decelerate to 3.2 percent in 2024, slightly down from 3.3 percent in 2023. This rate is significantly below the pre-pandemic average of 3.8 percent observed between 2000 and 2019. Global inflation is forecasted to decrease to 5.9 percent in 2024 and further to 4.4 percent in 2025, following a broad reduction in core inflation.

Domestic economic recovery is expected to continue.

The outstanding performance recorded in the first half of 2024 is expected to continue, suggesting that the initial growth forecast of 6.6 percent for the year will likely be surpassed.

Headline inflation is projected to remain stable, around 5.0 percent, both in 2024 and 2025.

The most recent inflation projections, as of August 2024, indicate that headline inflation (year-on-year) will stabilize around 5.0 percent in 2024 and 2025. This stability is expected to be driven primarily by an easing in food inflation as domestic agricultural production normalizes. Core inflation is also anticipated to decline in the second half of 2025, reflecting the expected easing in both domestic and imported cost of production, as international commodity prices are projected to decline These projections are influenced by the effects of past monetary policy decisions by the National Bank of Rwanda, supportive government policies, and a global economic environment that is projected to be non-inflationary.

However, these projections are subject to certain risks. Heightened global geopolitical tensions, particularly due to conflicts in the Middle East, as well as between Ukraine and Russia, could introduce uncertainties affecting international commodity prices. Additionally, adverse weather conditions could impact future agricultural supply and food prices, posing a risk to the inflation outlook.

The MPC remains committed to its objective of price stability.

The Monetary Policy Committee (MPC) will continue to monitor potential risks that could jeopardize the stable inflation outlook. Should these risks materialize and threaten price stability, the MPC is prepared to adjust the monetary policy stance accordingly.

6.2 THE FINANCIAL SECTOR STABILITY OUTLOOK

Looking ahead, financial institutions are expected to stay resilient, using their capital and liquidity buffers to support intermediation and absorb unforeseen losses. The NBR will keep a close watch on emerging risks to financial stability, focusing on vulnerabilities from supply chain disruptions, climate change, and cybersecurity. The bank is prepared to implement appropriate policy measures to address any potential shocks. In terms of operational resilience, the NBR will continue enhancing the Rwanda Integrated Payments Processing System (RIPPS) to ensure uninterrupted payment system operations. The ongoing alignment of the regulatory framework with international standards remains essential for a stable, resilient, and transparent sector. Consequently, the NBR remains steadfast in updating regulatory instruments to maintain their relevance and effectiveness in promoting sector stability.

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