



**BANQUE DE LA REPUBLIQUE  
DU BURUNDI**

**MONETARY POLICY  
COMMITTEE REPORT**

**Fourth Quarter 2017**

**April-2018**

<b>ACRONYMS.....</b>	<b>2</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>3</b>
<b>1. INTERNATIONAL ECONOMIC DEVELOPMENT .....</b>	<b>5</b>
1.1. Global GDP growth.....	5
1.2. World Trade .....	6
1.3. Prices evolution in the world .....	7
1.4. Monetary policy in developed countries .....	9
1.5. Main macroeconomic indicators in EAC countries .....	9
<b>II. DOMESTIC ECONOMIC AND FINANCIAL DEVELOPMENT.....</b>	<b>12</b>
2.1. Production and Prices .....	12
2.2. External sector .....	14
2.2.1. External trade .....	14
2.2.2. Balance of payments .....	16
2.2.3. Evolution of foreign assets .....	16
2.2.4. Operations on the Interbank Foreign Exchange Market (IFEM) .....	17
2.3. Government Financial Operations .....	18
2.4. Monetary sector.....	20
2.4.1. Bank reserves and interest rates .....	20
2.4.2. Reserve money .....	22
2.4.3. Broad money and its counterparts.....	23
2.5. Main indicators of banking sector and financial stability .....	25
2.5.1. Banking activity.....	25
2.5.2. Loans portfolio quality.....	26
2.5.3. Capital adequacy .....	28
2.5.4. Profitability of the banking sector .....	30
<b>CONCLUSION AND MONETARY POLICY MEASURES.....</b>	<b>31</b>
<b>ANNEXES .....</b>	<b>32</b>

## ACRONYMS

<b>NDA</b>	: Net Domestic Assets
<b>BOFI</b>	: Banks and Other Financial Institutions
<b>BIF</b>	: Burundi Franc
<b>BRARUDI</b>	: Brasseries et Limonaderies du Burundi
<b>BRB</b>	: Banque de la République du Burundi
<b>EAC</b>	: East African Community
<b>ECB</b>	: European Central Bank
<b>IFEM</b>	: Inter-bank Foreign Exchange Market
<b>GDP</b>	: Gross Domestic Product
<b>IMF</b>	: International Monetary Fund
<b>ISTEEBU</b>	: Institut des Statistiques et d'Etudes Economiques du Burundi
<b>KES</b>	: Kenyan Shilling
<b>M2, M3</b>	: Broad Money
<b>MFBP</b>	: Ministère des Finances du Budget et de la Privatisation
<b>MW</b>	: Megawatt
<b>NFA</b>	: Net Foreign Assets
<b>NPL</b>	: Non-performing loans
<b>OECD</b>	: Organization for Economic Co-operation and Development
<b>OPPC</b>	: Organization of Petroleum Producing Countries
<b>REGIDESO</b>	: Régie pour la Production de l'Eau et de l'Électricité
<b>ROA</b>	: Return On Assets
<b>ROE</b>	: Return On Equity
<b>RWF</b>	: Rwanda Franc
<b>SSA</b>	: Sub-Saharan Africa
<b>TZS</b>	: Tanzania Shilling
<b>UGX</b>	: Uganda Shilling
<b>USD</b>	: United State Dollar
<b>WTO</b>	: World Trade Organization

## EXECUTIVE SUMMARY

Economic growth in the fourth quarter of 2017 slowed in major advanced and emerging economies. It grew by 3.7% in 2017, 0.1 percentage point higher than expected in October 2017 and 0.5 percentage point higher than the growth recorded in 2016. Economic growth could improve further in 2018, the growth rate is expected to attain 3.9%, driven by strong growth in most advanced and emerging economies, as well as the expected effects of the new US tax policy.

The inflation in the fourth-quarter of 2017 increased in most advanced and emerging countries, linked to the rebound prices of major commodities.

In sub-Saharan Africa, economic activity accelerated by 2.7% in 2017, up from 1.4% in 2016 and is expected to attain 3.3% in 2018, especially linked to the rising price of commodities.

Economic growth in the EAC countries would vary between 2.5 and 6.5% and the average (5.4% as in 2016) who exceed that recorded in the sub-Saharan Africa (2.6%), due on the macroeconomic stability in most member countries, sustained public and private investment, foreign direct investment in the oil sector and telecommunications.

In Burundi, the main outputs of the primary, secondary and tertiary sectors increased in the fourth quarter of 2017. GDP growth is estimated at 2.8% in 2017 mainly driven by the improvement of the economic activity in the tertiary sector. Inflation stabilized in the fourth quarter of 2017, standing at 14.2 against 14.3% in the previous quarter. On the other hand, headline inflation rose by 16.1 against 5.6% recorded in 2016 due to the increase of food prices in the first half of 2017.

The balance of payments recorded a higher deficit (current account and capital account) compared to the same quarter of 2016 due to the increase of the current account deficit and the decrease of the capital account surplus. Official foreign exchange reserves increased by 6.0% at the end December 2017 compared to the previous quarter and by 11.0% compared to the same period of 2016. In terms of the months of import of goods and services, they covered 1.7 months against 1.5 recorded in the previous quarter.

The Government financial operations recorded a slightly lower fiscal deficit than in the corresponding quarter of 2016, standing at – BIF 101,541.9 against -102,295.5 million. This deficit was mainly financed by net domestic debt.

Reserves of commercial banks improved in the fourth quarter of 2017. Nevertheless, commercial banks continue to be refinance by the Central Bank. Money supply M3 grew by 25.7 percentage year –on- year basis and 4.7 percent quarter -on- quarter basis, mainly due to the increase of net domestic assets.

The banking sector remained sufficiently capitalized and the regulatory and prudential standards have been respected. Main profitability indicators for the sector improved during the same period.

## 1. INTERNATIONAL ECONOMIC DEVELOPMENT

### 1.1. Global GDP growth

World growth production<sup>1</sup> rose by 3.7%, 0.1 percentage point more than forecast in the October 2017 and 0.5 percentage point more than economic growth recorded in 2016. This acceleration of growth concerned both advanced countries (2.3 against 1.7% in 2016) and emerging and developing countries (4.7 against 4.4% in 2016) despite the slowdown activity recorded during the last quarter of 2017, in the main advanced countries.

**Table 1: Economic growth in main advanced and emerging countries (in percentage).**

	Quarter to Quarter		Year on Year	
	Q3-2017	Q4-2017	Q4-2016	Q4-2017
<b>China</b>	1.8	1.6	6.7	6.8
<b>USA</b>	0.8	0.6	1.8	2.5
<b>Japan</b>	0.6	0.1	1.5	1.6
<b>United-Kingdom</b>	0.4	0.5	1.8	1.5
<b>Euro Zone</b>	0.7	0.6	1.9	2.6
<b>OECD - Global</b>	<b>0.7</b>	<b>0.6</b>	<b>2.0</b>	<b>2.6</b>

Source : OECD Statistics, February 2018

In the United States, although GDP growth slightly slowed in the fourth quarter of 2017 (0.6 against 0.8 percentage in the previous quarter), it improved year-on-year basis, from 1.8 to 2.5 percentage, due to the increase of domestic demand following lower corporate income tax rates and higher exports.

In the euro area, economic growth was 0.6 compared to 0.7% in the third quarter of 2017. Year - on- year basis, GDP grew by 2.6% compared to 1.9%, due to the strengthening of domestic and external demand.

In Japan, despite the slowdown of the economic activity in fourth quarter 2017 (0.1 against 0.6 percentage recorded in the previous quarter), annual growth attained 1.6 against 1.5% in 2016, mainly driven by household consumption and capital expenditure.

<sup>1</sup> IMF, World economic outlook, update, January 2018

In the United Kingdom, GDP growth slightly accelerated (0.5 against 0.4% in the previous quarter), mainly due to the dynamism of the service sector and the improvement of industrial production. On a year-over-year basis, the economic growth declined by 1.5 from 1.8% in the same period of the previous year.

Economic growth in the emerging and developing countries would attain 4.7 against 4.4% recorded in 2016, mainly driven by the strengthening of domestic demand in China and the Indian economy.

In China, Gross Domestic Product increased by 1.6 compared to 1.8% in the previous quarter. On a year-over-year basis, it recorded a growth rate of 6.8 against 6.7 percentage recorded in the same period of 2016, due to the improvement of domestic and external demand, the strength of the service sector and the dynamism of the real estate construction.

In sub-Saharan Africa countries, economic growth accelerated in 2017 (2.7% compared to 1.4% in 2016) and would reach 3.3% in 2018 linked to the commodities prices rising.

According to the latest IMF growth estimates updated in January 2018, global economic activity is expected to continue to strengthen in 2018, mainly driven by stronger growth in advanced economies especially in United States due to the expected effects of the new US tax policy. The growth rate of global economic activity expected in 2018 to attain 3.9%.

## 1.2. World Trade

The World Trade Outlook Indicator (WTOI) showed an improvement of the global trade in 2017 and is expected to continue in 2018.

**Tab 2: World trade growth (change in points of index value)**

	Monthly change 2017			Annual change
	October	November	December	2017
WTOI	0.2	0.2	0.2	2.6
Exportation orders	0.3	0.3	0.3	2.5
Air Freight	-0.4	-0.4	-0.4	3.4
Containers shipped	0.7	0.7	0.7	5.0
Vehicles	0.2	0.0	0.0	-2.2
Electronic materials	-1.6	-1.5	-1.6	-1.7
Raw materials	1.5	1.4	1.1	1.6

*Source: World Trade Organization (WTO), February 2018*

The world trade indicator rose by 0.2 point each month in the fourth quarter, and was 2.6 points higher than the previous year, reflecting stable growth in merchandise trade. In 2017, world trade grew by 3.6 against 1.3% in 2016, as trade flows in Asia and improvement of import in the North America.

### 1.3. Prices evolution in the world

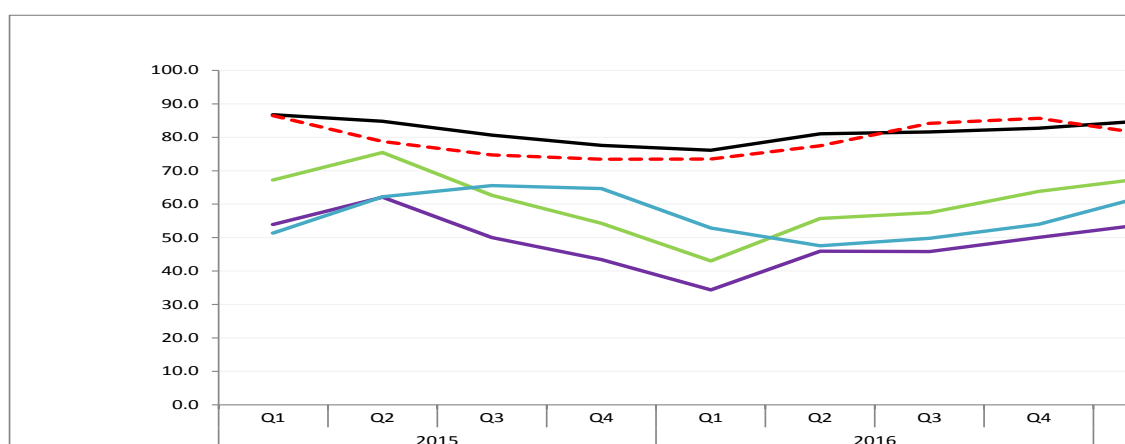
#### 1.3.1. Commodity prices

Commodity prices continued to rise in the fourth quarter of 2017 except for Arabica coffee and tea. Indeed, the price of crude oil (Brent) rose, from \$ 51.7 to \$ 61.5/bbl quarter –on- quarter basis. The price of Arabica coffee was \$ 3.08 against 3.28 \$/kg, and Mombasa auction tea was \$ 2.80 versus \$ 2.81 / kg.

On an annual average, the price of oil (Brent) reached \$ 54.4 against 44.0 \$/bbl, that of tea stood at \$ 3.10 against 2.64 \$/kg while the price of Arabica coffee fell at \$ 3.32 against \$ 3.61/kg in 2016.

The index of the main product groups increased. In fact, the energy index increased from one quarter to another, from 65.26 to 74.9, and the non-energy index from 83.8 to 84.7. In 2017, the overall energy product index was 73.0 against 58.7 and the non-energy index was 86.5 against 85.7 in 2016.

**Chart 1: Commodity prices**



Source: World Bank, commodity prices, October 2017



Compared to the previous quarter, inflation slightly increased in all OECD countries, from 2.18 to 2.31% in the fourth quarter of 2017. It increased in the United States (2.12 against 1.97%) while it slightly fell in the euro area (1.42 against 1.45%). Inflation slightly increased in the main emerging countries, particularly in China (from 1.6 to 1.8%).

### 1.3.2. Inflation development

Compared with the previous quarter, inflation increased slightly in all OECD countries, from 2.18 to 2.31% in the fourth quarter of 2017. It increased in the United States (2.12 against 1.97%) while it fell slightly in the euro zone (1.42 against 1.45%). Inflation also increased in the main emerging countries, particularly in China, where it went from 1.6 to 1.8%.

**Table 3: Inflation in main advanced and emerging countries (in percentage)**

	Q4-2016	Q3-2017	Q4-2017
<b>China</b>	2.17	1.60	1.80
<b>USA</b>	1.80	1.97	2.12
<b>Japan</b>	0.33	0.60	0.60
<b>Euro zone</b>	0.74	1.45	1.42
<b>OECD - Average</b>	<b>1.55</b>	<b>2.18</b>	<b>2.31</b>

*Source: www.OECD. Stat, February 2018*

Headline inflation<sup>2</sup> is expected to accelerate to 1.7 percentage in 2017 compared to 0.8 percentage in 2016 in advanced economies due to commodity prices rising.

In emerging and developing countries (excluding Argentina and Venezuela), headline inflation would remain more or less stable (4.1 against 4.3 percentage in 2016), mainly due to lower food prices and the appreciation of their currencies.

<sup>2</sup> IMF, World economic outlook, update, January 2018

#### 1.4. Monetary policy in developed countries

In the fourth quarter of 2017, central banks in advanced economies maintained their accommodative monetary policies as in the previous quarter to further stimulate economic recovery.

The US Federal Reserve maintained the key rate within a range of 1.00% and 1.25% in order to support the improvement of labor market conditions and a sustainable return to an inflation target of 2%.

The ECB maintained the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility at 0.00%, 0.25% and - 0.40%, respectively.

The Bank of Japan (BoJ) maintained its accommodative monetary policy in order to stimulate economic growth and to meet the target of inflation of 2% is far from being achieved. The Bank renewed its negative deposit rates (-0.1%) and its extensive assets purchase program.

#### 1.5. Main macroeconomic indicators in EAC countries

According to the IMF's October 2017 forecast, economic growth in EAC member countries would improve by 5.4% in both 2017 and 2016. Growth rates could be between 2.8% and 6.5% with an average (5.4%) largely above that of sub-Saharan Africa (2.6%). This improvement was a result of macroeconomic stability in all member states, and sustained public and private investment, particularly foreign direct investment in the oil sector and telecommunications.

**Table 4 : GDP growth in EAC countries (in percentage)**

	2014	2015	2016	2017 (proj.)
<b>Burundi*</b>	4.2	-0.4	2.8	2.8
<b>Rwanda</b>	7.6	8.9	5.9	6.2
<b>Tanzania</b>	7.0	7.0	7.0	6.5
<b>Uganda</b>	4.6	5.7	2.3	4.4
<b>Kenya</b>	5.4	5.7	5.8	5.0
<b>CEA</b>	5.9	6.1	5.4	5.4
<b>SSA</b>	5.1	3.4	1.4	2.6

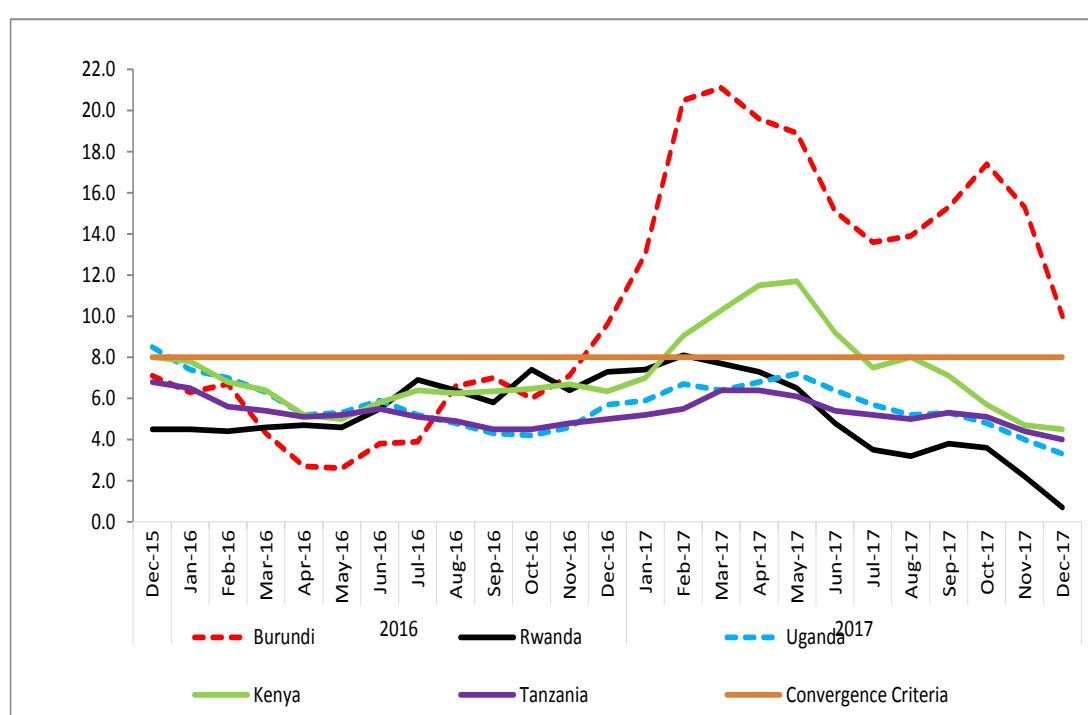
Source: IMF, *Regional economic outlook: Sub-Saharan Africa, October 2017*

\* For Burundi, the data provide from the *Macroeconomic Framework, March 2018*

The declining of inflation observed since June 2017 continued in the fourth quarter in all EAC countries. This declining is mainly attributable to lower food prices, linked to good harvest combined with stable exchange rates.

Compared to the previous quarter, headline inflation declined in the fourth quarter of 2017, from 7.5 to 5.0% in Kenya, from 5.4 to 4.0 % in Uganda, from 5.1 to 4.5% in Tanzania, from 3.9 to 2.2% in Rwanda and from 14.3 to 14.2% in Burundi.

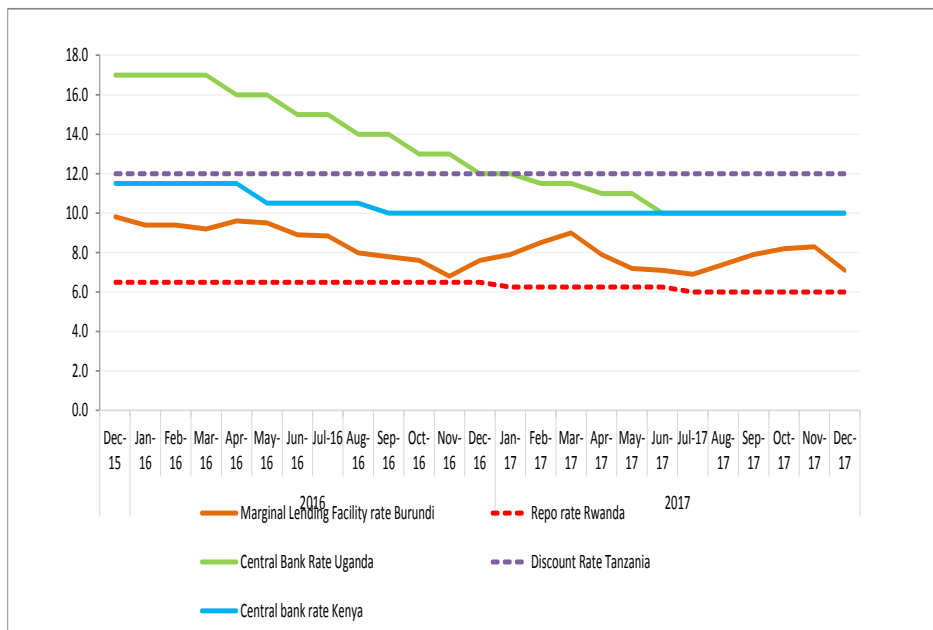
**Chart 2: Inflation in EAC countries (in percentage)**



Source: EAC Central Banks web sites

Annual headline inflation stood below the convergence criteria (8%) except in Burundi. Headline inflation stood at 4.9% in Rwanda, 5.3% in Tanzania, 5.6% in Uganda, 8.0% in Kenya and 16.1% in Burundi. Due to the moderate inflation, all EAC central banks maintained their accommodative monetary policies in the objective of improving economic growth.

**Chart 3 : Central bank interest rates (in percentage)**



**Source: EAC Central banks websites**

Central banks of Rwanda, Kenya, Tanzania and Uganda maintained their policy rates at 6.0%, 10%, 12% and 10% respectively in the fourth quarter 2017. In Burundi, the marginal lending facility (MLF) rate on average stood at 7.86 against 7.45 % recorded in the previous quarter.

Quarter-on-quarter basis, the exchange rates of the EAC countries' currencies against US Dollar broadly stabilized, mainly as a result of the slowdown of the current account deficits due to improved export earnings and low food imports.

**Table 5: EAC exchange rate currencies against USD (at the end of period)**

	USD/TZS	USD/RWF	USD/UGX	USD/KSH	USD/BIF
<b>dec-16</b>	2, 186.20	811.67	3, 610.50	102.48	1, 688.60
<b>sept-17</b>	2, 237.77	837,71	3, 603.10	103.15	1, 750.79
<b>dec-17</b>	2, 230.10	844,99	3, 635.08	103.13	1, 766.70
<b>Annual change (%)</b>	<b>2.0</b>	<b>4.1</b>	<b>0.7</b>	<b>0.6</b>	<b>4.6</b>
<b>Quarterly change (%)</b>	<b>-0.3</b>	<b>0.9</b>	<b>0.9</b>	<b>0.0</b>	<b>0.9</b>

*Source: EAC Central Banks websites*

On a year-on-year basis, the Burundi Franc (+4.6%), the Rwandan Franc (+4.1%) and the Tanzanian Shilling (+2.0%) slightly depreciated against the US dollar while the Kenyan (+0.6%) and Uganda Shillings (+0.7%) stabilized.

## II. DOMESTIC ECONOMIC AND FINANCIAL DEVELOPMENT

### 2.1. *Production and Prices*

The main productions of the primary, secondary and tertiary sectors improved in the fourth quarter of 2017. The production of green coffee reached 10,794 against 1,384 T in the same period of the previous season. The Arabica coffee production for the 2017/2018 season stood at 21,717.5 T at the end of December 2017 compared to 17,906T recorded in the same period of the previous season, an increase of 21.3%.

In the same period, the dry tea production increased by 25.2% compared to the same quarter of 2016, standing at 2,284 against 1,824 T. Cumulated tea production fell by 10.9% in 2017, 41,105 against 46,134 T in 2016, following a low rainfall that prevailed in the first quarter of 2017.

In the secondary sector, industrial production slightly increased compared with the corresponding quarter of the previous year, index of industrial production rose by 9.7%, mainly linked to the increase of production in the branches of the food (+ 9.8%) and chemical (+ 13.3%) industries. On the other hand, compared to the previous quarter, the index fell by 15.3% from 177.9 to 150.7 due to the decrease of the production of food industries (-17.6%), mainly BRARUDI beverages (-18.3%) and sugar (-29.7%) and building materials (-37.6%) mainly PVC pipes (-42.2%).

REGIDESO's electricity production grew by 25.9 percentage on year-on-year basis, from 42,562 to 53,581 megawatts and 33.5 percent quarter –on- quarter basis.

The volume of goods transiting by Bujumbura port significantly rose (+ 54.3%) year-on-year basis, due to the increase of cement imports especially clinker and corn. Compared to the previous quarter, the volume of goods increased by 15.2%.

Passenger traffic at International Airport of Bujumbura increased by 39.4% year-over-year and 9.2% quarter on quarter, and aircraft traffic rose 33.9% year-over-year and 9.2% compared to the previous quarter.

The growth rate of GDP is estimated at 2.5% in 2017 against 1.7% in 2016 due to the improvement activity in the tertiary sector.

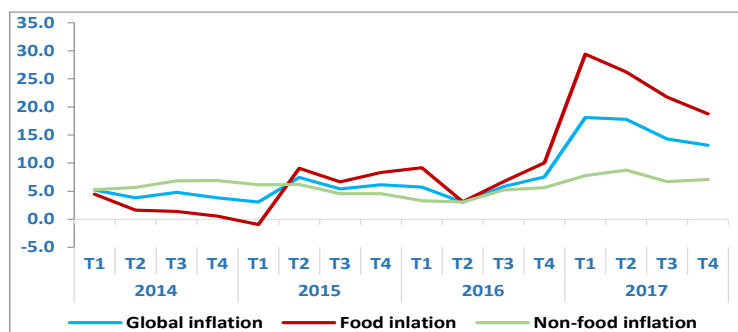
**Table 6 : Real GDP growth and inflation (in percentage)**

	2013	2014	2015	2016	2017
<b>Real GDP growth</b>	<b>4.9</b>	<b>4.2</b>	<b>-0.4</b>	<b>2.8</b>	<b>2.8</b>
Primary Sector	8.4	-3.6	0.3	-2.0	-0.3
Secondary Sector	2.4	6.2	-2.7	-1.4	-1.9
Tertiary Sector	2.8	8.8	2.4	4.6	3.6
<b>2. Inflation</b>	<b>7.9</b>	<b>4.4</b>	<b>5.5</b>	<b>5.6</b>	<b>16.1</b>

*Source: Macroeconomic framework for Burundi, June 2017*

Inflation stabilized in the fourth quarter compared to the previous (14.2 against 14.3%) following the food inflation (19.5 against 21.7%). %) and moderate increase of non-food inflation (8.4 against 6.7%).

**Chart 4: Inflation by major components (in %)**



*Source: ISTEERU*

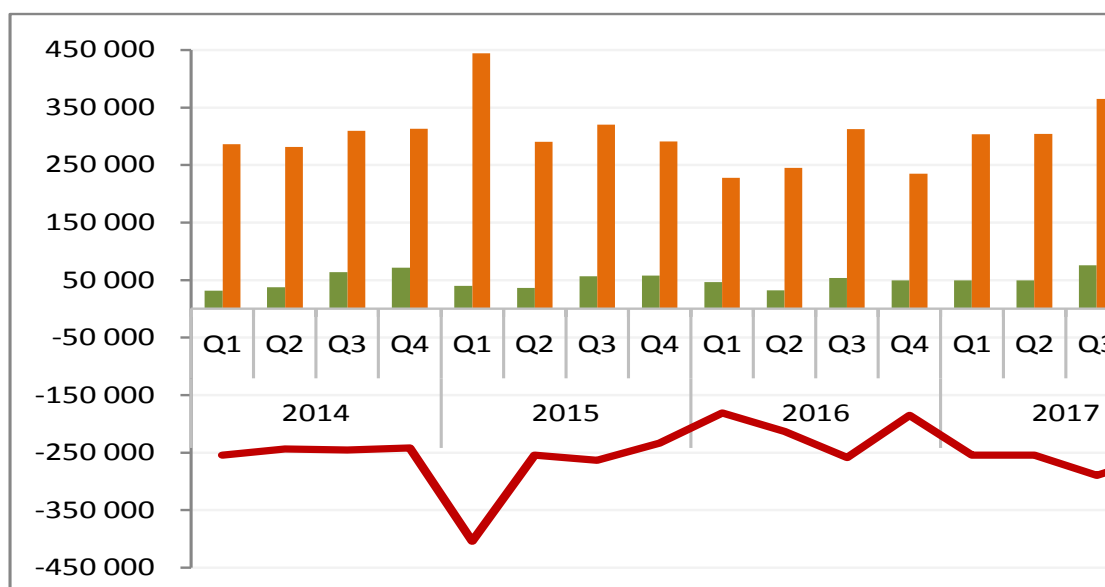
Headline inflation stood at 16.1 in 2017 against 5.6% in 2016, linked to the increase of food inflation (24.1 against 7.2%) and non-food inflation (7.9 against 4.3%).

## 2.2. External sector

### 2.2.1. External trade

The trade deficit widened in the fourth quarter of 2017 (-BIF 254, 888.8 million) compared to the corresponding period of 2016 (- BIF 185,372.1 million), following an increase of imports (+BIF 106,974.0 million) than exports (+BIF 37,277.3 million).

**Chart 5: Trade balance (in BIF million)**



Source: BRB

Imports increased by 45,5%, amounted to BIF 341,478.0 million in the fourth quarter of 2017 from BIF 234,684.0 million recorded in the corresponding quarter of 2016. This increase concerned all categories of goods: intermediate goods (BIF169, 330 million against BIF100, 771 million, or 68 percentage), capital goods (BIF 48,446 million against BIF 39,862 million, or 21.5 percentage) and consumer goods (BIF 123,702 million against BIF 94,051 million, 31.5 percentage).

The increase of intermediate goods concerned imports of minerals oil (+BIF 33,494 million), food goods (+BIF 17,143 million) and goods for agriculture and livestock (+BIF 7,942 million).

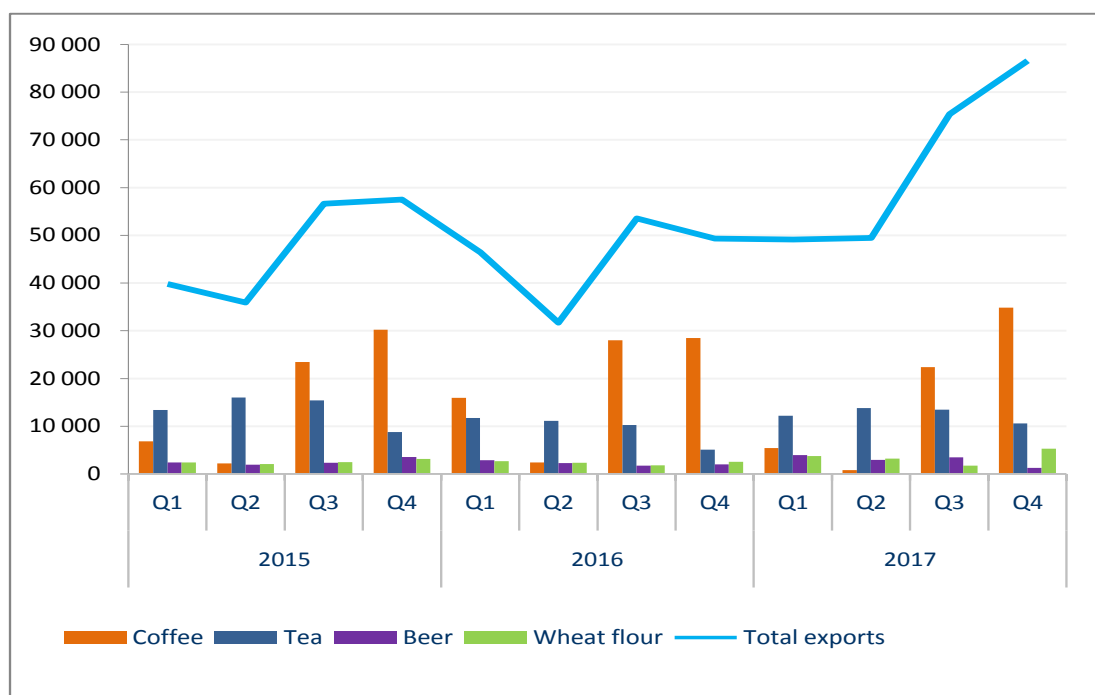
The increase of capital goods imports resulted on electrical equipment (+BIF 5,694 million) and tractors, vehicles and transport equipment (+ BIF 4,104 million).

Consumer goods imports rising mainly concerned food goods (+BIF 21,095 million), vehicles (+BIF 5,317million) and textiles (+ BIF 4,509 million).

Exports rose by 75.6% in the fourth quarter of 2017, amounted to BIF 86,589.2 million against 49,311.9 in the same quarter of 2016. This increase concerned both primary products (BIF 70,844.6 against 38,209.7 million, or 85.4%) and manufactured products (BIF 15,744.6 against 11,102.2 million, or 41.8%).

The increase of exports of primary products mainly concerned non-monetary gold (+BIF 20,435.3 million), coffee (+BIF 6,365.7 million) and tea (+BIF 5,464.5 million). Manufactured goods exports rising mainly reflected in wheat flour (+BIF 2,737.1 million), cigarettes (+BIF 1,549.6 million) and dark glass bottles (+BIF 1,106.7 MBIF).

**Chart 6: Major export products (in BIF million)**



**Source: BRB**

Year -on –year basis, the trade deficit widened , amounted to - BIF 1,053.5 against -838.5 billion in 2016 due to the imports rising (BIF 1,314.1 against 1,019.6 billion) higher than exports (BIF 260.6 against BIF 181.0 billion).



### 2.2.2. Balance of payments

The balance of payments recorded a net borrowing (balance of the current and capital account) of BIF 116,379.4 million in the fourth quarter 2017 against BIF 81,564.8 million in the same period the previous year. This worsening concerned the current account deficit (-BIF 152.512,3 against - BIF 131.558,7 million) and the decreasing of the capital account surplus (BIF 36.124,3 against BIF 49.993,9 million).

**Chart 7: Balance of payments in the fourth quarter 2017 (in BIF million)**

	<b>Q4-2016</b>	<b>Q3-2017</b>	<b>Q4-2017</b>
<b>Current account</b>	<b>-131,558.7</b>	<b>-206,516.0</b>	<b>-152,512.7</b>
Goods	-189,445.5	-213,985.7	-183,858.7
Services	-58,464.0	-71,138.5	-77,714.1
Primary incomes	226.5	-635.6	-256.3
Secondary incomes	116,124.3	79,243.8	109,316.4
<b>Capital account</b>	<b>49,993.9</b>	<b>19,501.8</b>	<b>36,124.3</b>
<b>Net borrowing</b>	<b>-81,564.8</b>	<b>-187,014.2</b>	<b>-116,379.4</b>
<b>Financial account</b>	<b>-83,534.0</b>	<b>-179,042.8</b>	<b>-35,837.9</b>
<b>Errors and Omissions</b>	<b>-1,969.2</b>	<b>7,971.4</b>	<b>80,541.6</b>

Source: BRB

The widening of current account deficit concerned service account (-BIF 77,714.1 against -BIF 58,464.0 million) and the decrease of the surplus of secondary incomes (BIF 109,316.4 against BIF 116,124.3 million), the goods account deficit slightly decreased (-BIF 183,858.7 against -BIF 189,445.5 million).

The financial account deficit improved in the same period, standing at -BIF 35,837.9 million from – BIF 83,534.0 million, largely reflected in the other investment balance (-BIF 48,043.0 against -BIF 91,715.6 million).

The balance of payments recorded a net borrowing of BIF 524,912.2 million in 2017 against BIF 470,514.5 million in 2016 due to the high deficit of the current account (-BIF 652,382.7 against –BIF 587,097.4 million). In other hand, the capital account surplus increased (BIF 127,470.5 against BIF 116,582.9 million).

### 2.2.3. Evolution of foreign assets

At the end of the fourth quarter 2017, the foreign assets increased by 0.6% compared to the previous quarter (USD 195.6 against 194.48 million), and by 13.1% on year-on-year basis.

**Chart 8: Foreign assets evolution (in USD million)**

	End of period in USD million			Change in %	
	déc.-16	Sep-17	Dec-17	Quarterly	Annual
Foreign assets held by BRB	98.56	113.50	112.90	-0.5	14.5
o/w: official Reserves	95.35	99.80	105.80	6.0	11.0
Foreign assets held by commercial banks	74.31	80.97	82.70	2.1	11.3
Total foreign assets	<b>172.87</b>	<b>194.48</b>	<b>195.60</b>	<b>0.6</b>	<b>13.1</b>

*Source: BRB*

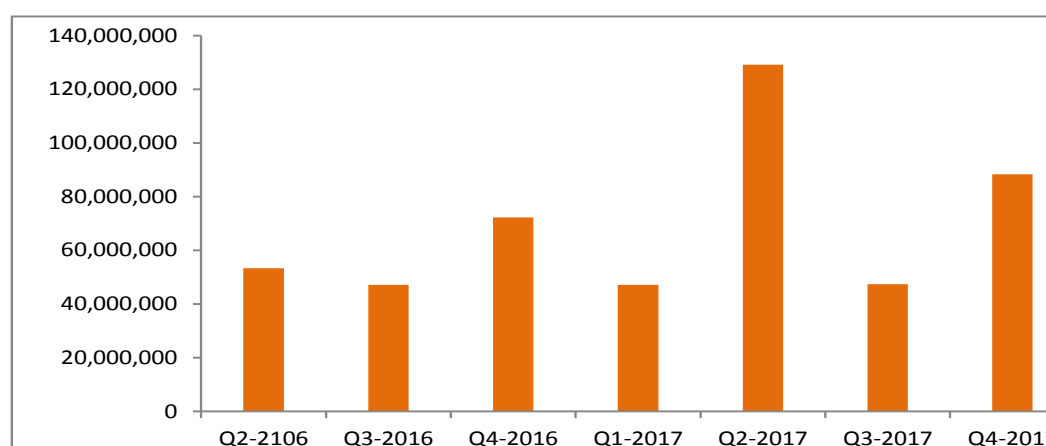
The BRB's foreign assets declined by 0.5%, amounted to USD 112.9 million at the end of December 2017, while they increased by 14.5% on year-on-year basis. Foreign assets held by commercial banks increased by 2.1% quarter to quarter, from USD 80.97 million to USD 82.7 million and grew by 11.3 % compared to the same period in 2016.

The official exchange reserves fell by 6.0% compared to the previous quarter, standing at USD 105.8 from 99.8 million. By contrast, they grew by 11.0% compared to the same quarter of 2016 and covered 1.7 month of imports of goods and services against 1.5 month in the same period in 2016.

#### **2.2.4. Operations on the Interbank Foreign Exchange Market (IFEM)**

The central bank interventions on Interbank Foreign Exchange Market amounted to USD 88.5 million in the fourth quarter 2017 against USD 47.4 million in the previous quarter. In the same period of 2016, the BRB's interventions reached amount of USD 72.2 million.

**Chart 7: Transactions on IFEM (in USD)**



Source: BRB

### 2.3. Government Financial Operations

Fiscal revenue in the fourth quarter of 2017, increased in the same proportions as expenditure resulting a budget deficit almost equal to that recorded in the same period of 2016.

**Table 9: Government Financial Operations (in BIF Million)**

	2016	2017	
	4th Quarter	3th Quarter	4th Quarter
<b>A. REVENUE AND GRANT</b>	<b>212,174.16</b>	<b>238,330.5</b>	<b>233,102.10</b>
a. Revenue	162,161.93	209,504.6	195,533.90
Tax revenue	162,160.76	209,504.6	195,533.90
Non tax revenue	1.17	-	-
b. Grants	50,012.23	28,852.9	37,568.20
current	-	-	-
in capital	50,012.23	28,825.9	37,568.20
<b>B. EXPENDITURE</b>	<b>314,469.65</b>	<b>283,568.6</b>	<b>334,644.00</b>
a. Current Expenditure	198,429.56	227,061.5	232,914.80
Salaries	90,021.88	96,271.4	96,262.30
b. Capital Expenditure	116,040.09	56,507.1	101,729.20
on local resources	65,915.46	24,965.6	64,161.00
on External borrowing and grant	50,124.63	31,541.6	37,568.20
<b>OVERALL BALANCE AFTER GRANTS (Commitment basis)</b>	<b>-102,295.5</b>	<b>-45,238.1</b>	<b>-101,541.9</b>
<b>C. FINANCING</b>	<b>102,296.66</b>	<b>45,238.1</b>	<b>101,542.00</b>
1. External borrowing, net	<b>-1,712.9</b>	-190.5	<b>-7,612.0</b>
2. Local financing, net	97,862.40	56,078.6	100,233.40
<b>D. Error and omission</b>	<b>6,147.1</b>	<b>-10,650.0</b>	<b>8,920.6</b>

Source : MFBP

Source: MFBP

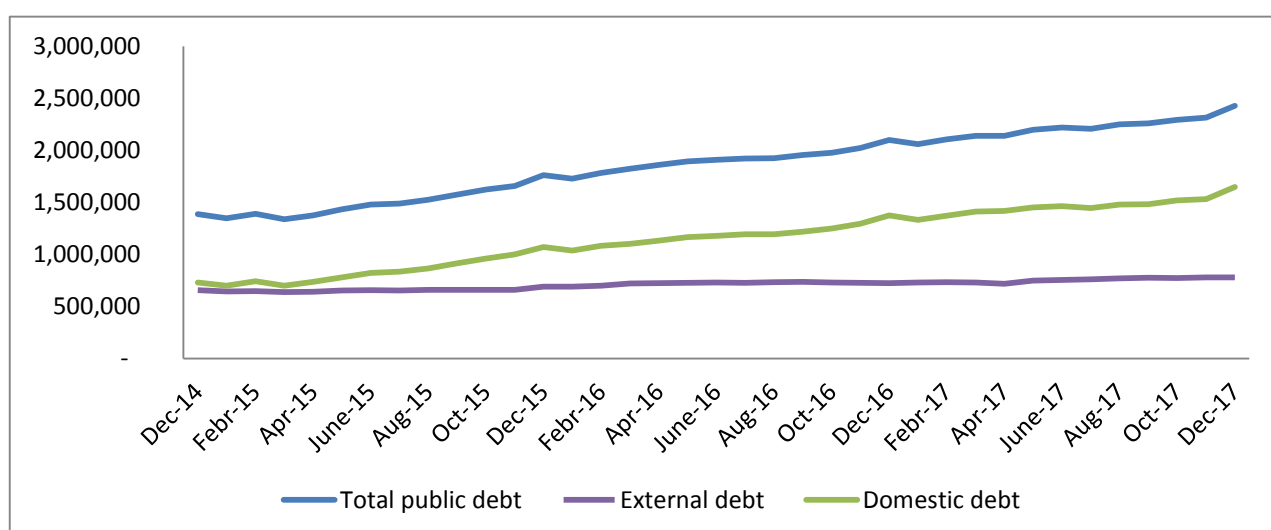
Fiscal revenue in the fourth 2017 increased by 20.6% amounted to BIF 195,533.9 million against BIF 162,161.9 million recorded in the same period in 2016. Compared to the previous quarter, they decreased by 6.7%. Year-on-year basis, capital grants decreased by 24.9%, standing at BIF 37,568.2 against BIF 50,012.2 million, while they increased by 30.3% compared to the previous quarter.

On year-on-year basis, the Government expenditures increased by 6.4%, amounted to BIF 334,644.0 against BIF 314,469.7 million, due to the rising of the current expenditures (+ 17.4%); development expenditures declined by 12.3%. Compared to the previous quarter, they increased by 18.0%.

The government's financial operations recorded a budget deficit almost equal to that of the corresponding quarter of 2016, amounted to - BIF 101,541.9 against - BIF 102,295.5 million. This deficit was mainly financed by a net domestic debt, amounted to BIF 100,233.4 million.

Year -on- year basis, public debt rose by 15.7 percentage, from BIF 2,098.8 to BIF 2,427.9 billion, and increased by 7.5 percent compared to the previous quarter. Domestic debt outstanding grew by 20 percentage year-on-year basis, from BIF 1,374.1 to BIF 1,649.3 billion, and increased by 11.2 percentage quarter-on-quarter. By component, the domestic debt represented 67.9% of the total and is mainly constituted by Treasury securities and advances from the Central Bank.

**Chart 8: Public Debt by Component (in BIF million)**



Source: BRB

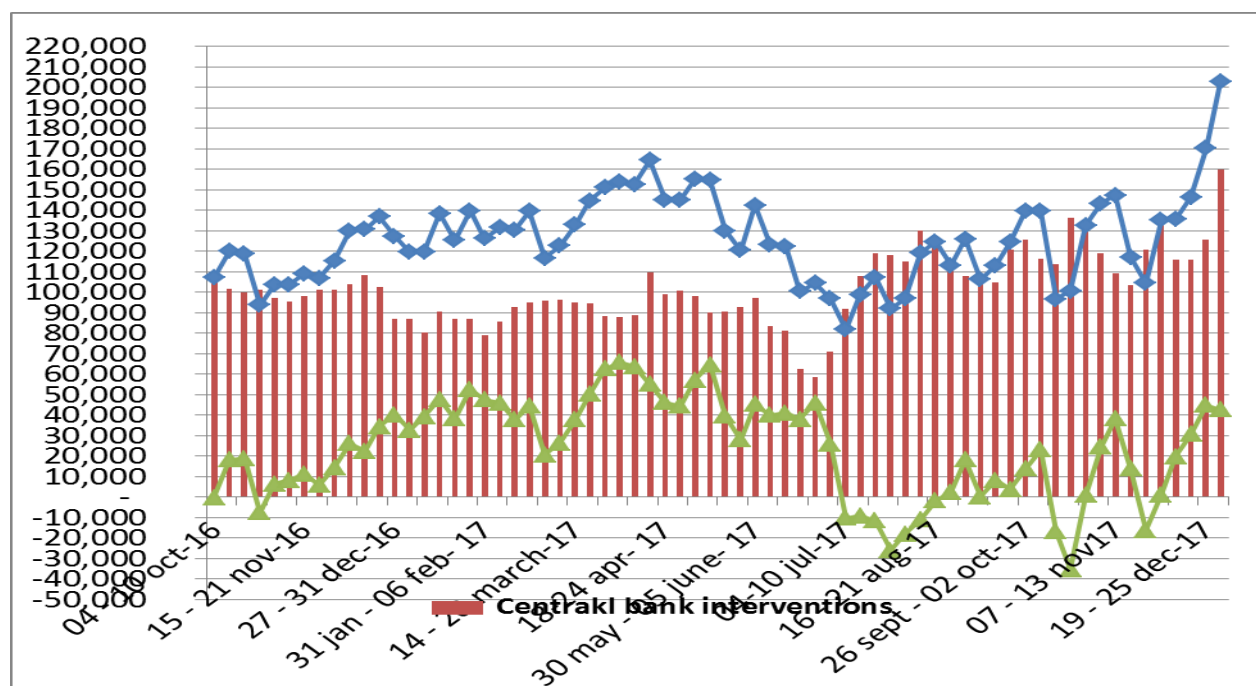
Year –on- year basis, external debt increased by 7.5%, from BIF 724.6 to BIF 778.6 billion. Multilateral debt represented 77.3%, bilateral represented 3.4% and other creditors represented 9.3% of the external debt.

## 2.4. Monetary sector

### 2.4.1. Bank reserves and interest rates

Bank reserves increased in the fourth quarter 2017 compared to the third quarter 2017. Without Central Bank interventions, they increased from BIF 111 to 14,033 MBIF in weekly average and amounted to 13,504 MBIF in the same quarter of 2016.

**Chart 9: Bank Reserves and BRB interventions (in MBIF)**



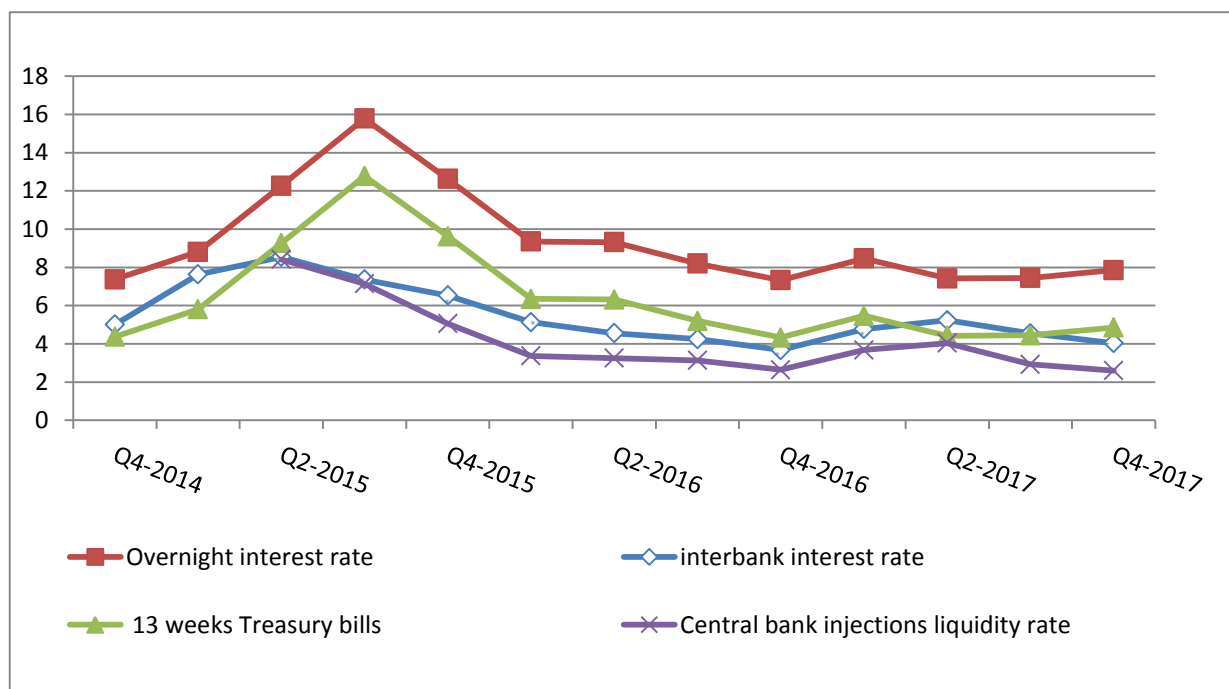
Source: BRB

Even though the reserves of commercial banks improved, the Central Bank interventions continue to increase. Indeed, the outstanding refinancing amounted to BIF 123,628 million, in weekly average against BIF 110,889 million recorded in the previous quarter 2017 and BIF 101,619 million in the same period 2016.

Money market interest rates slowdown in the fourth quarter 2017, Interest rate on liquidity injections stood at 2.60 against 2.93 % recorded in the previous quarter.

The interbank interest rate decreased, from 4.55 to 4.04% whereas the interest rate on the overnight lending facility went up, from 7.45 to 7.86, following a 13-Treasury Bill rate which is indexed (4.86 against 4.45%).

**Chart 11: Money market interest rate (in percentage)**

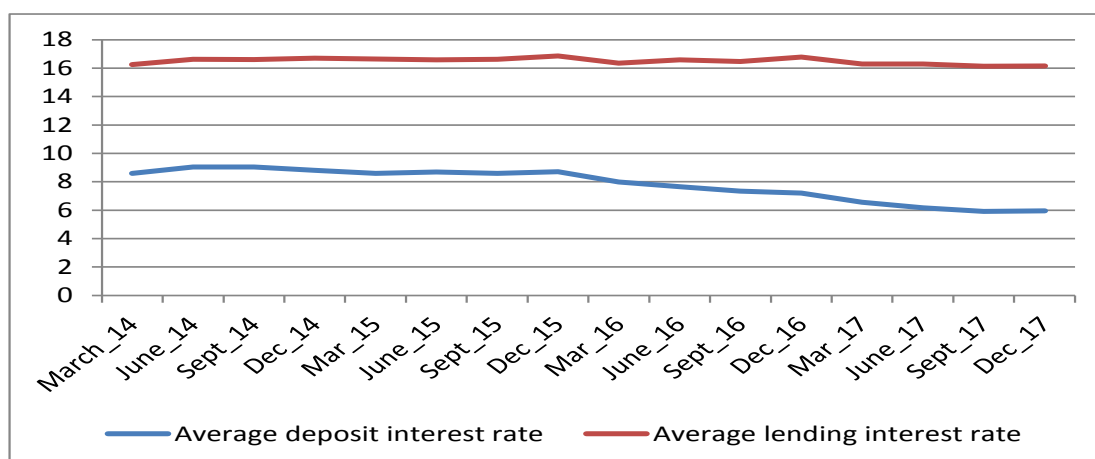


Source: BRB

In the fourth quarter 2017, the lending interest rate on outstanding loans slightly increased, standing at 16.16% from 16.13% quarter -on- quarter and 16.77% recorded in the same quarter 2016.

On the other hand, the interest rate on new loans during the fourth quarter 2017 slightly decreased, from 17.17% against 16.34% on quarter –on- quarter basis. This rate was 17.14% in the same quarter 2016.

**Chart 12: Lending and deposit interest rate (in percentage)**



Source: BRB

On a quarter-on-quarter basis, the deposit rate slightly increased (5.96 against 5.92%), following the slight increase of interest rates both on term deposits (6.94 against 6.85%), short term deposits (3.18 against 3.09%) and on passbook saving accounts (5.48 against 5.45%). On year-on-year basis, the deposit interest rate fell, reaching 5.96 from 7.21%.

#### 2.4.2. Reserve money

Compared to the previous quarter, the reserve money rose by 11.3% in the fourth quarter, from BIF 523,365.7 million to BIF 582,685,1 million, as a result of the rise in net domestic assets (+9.8%), while net foreign assets declined (-3.8%).

Regarding the components, the increase of reserve money concerned deposits of banks and microfinances (+BIF 58,152.5 million) and currency in circulation (+BIF 10,463.4 million). On the other hand, deposits of other financial institutions (- BIF 320.8 million) and those classified as other deposits (- BIF 8,975.8 million) decreased.

**Table 10: Reserve money and its counterparts (in BIF million)**

	Dec_16	Sept_17	Dec_17	change (in %)	
				Quarterly	Annual
Currency in circulation	267,512.5	297,683.1	308,146.5	3.5	15.2
Bank and microfinance deposits	140,298.6	165,693.0	223,845.5	35.1	59.5
Other financial corporation deposits	3,575.7	2,490.4	2,169.6	-12.9	-39.3
Othr deposits	7,837.2	57,499.3	48,523.5	-15.6	519.1
<b>Total</b>	<b>419,224.0</b>	<b>523,365.8</b>	<b>582,685.1</b>	<b>11.3</b>	<b>39.0</b>
Net foreign assets	-162,073.8	-134,023.8	-139,165.8	-3.8	14.1
Net domestic assets	581,297.8	657,389.6	721,850.9	9.8	24.2
Net claims on the Government	509,226.2	509,123.6	530,450.4	4.2	4.2
Other items , net	72,071.6	148,266.0	191,400.5	29.1	165.6

**Source: BRB**

On a year-over-year basis, the reserve money rose by 39.0%, following the net domestic assets (+ 24.2%) and net foreign assets increasing (+ 14.1%).

The analysis in terms of contribution to the change of reserve money indicated that the growth was mainly attributed to net domestic assets (+12.3 percentage points) on quarter on quarter basis. The growth of reserve money was both internal (+33.5 percentage points) and external sources (+5.5 percentage points) on a year-over-year basis.

**Table 11: Source of change of reserve money at the end December 2017**

	Change from September 2017	Change from December 2017
NFA	<b>12.2</b>	<b>0.4</b>
NDA	<b>22.1</b>	<b>21.3</b>
Net claims on the Government	13.1	2.0
Other items , net	9.0	19.3
Base money	<b>34.3</b>	<b>21.7</b>

**Source : BRB**

### 2.4.3. Broad money and its counterparts

Compared to the previous quarter, the money supply (M3) slightly rose by 4.7% at the end of December 2017, standing at BIF 1,483.6 billion compared with BIF 1,416.6 billion. This increase concerned sight deposits (+2.4%), time and savings deposits (+5.9%), deposits of resident in foreign currency (+12.9%) and currency outside banks (+ 5.2%).



The rising of M3 resulted from the increase both in net domestic assets (+2.5%) and net foreign assets (+15.5%). The growth of net domestic assets was driven by claims on government (+7.9%), whilst claims on the economy (-4.1%) and other items net (-1.1%) declined.

**Table 12: Quarterly change of broad money and its counterparts (in BIF million).**

	Dec_16	Sept_17	Dec_17	change (in %)	
				Quarterly	Annual
M3	1,180,019.4	1,416,645.0	1,483,583.6	4.7	25.7
NFA	-176,523.1	-176,379.5	-149,085.4	15.5	15.5
NDA	1,356,542.5	1,593,024.5	1,632,669.0	2.5	20.4
Domestic credit	1,773,610.2	1,964,908.2	2,008,666.8	2.2	13.3
Net claims on the Government	906,486.1	1,035,187.7	1,117,180.0	7.9	23.2
Claims on the economy	867,124.1	929,720.5	891,486.8	-4.1	2.8
Other items , net	-417,067.7	-371,883.7	-375,997.8	-1.1	9.8

Source: BRB

On a year-on-year basis, the money supply rose by 25.7% due to the increase of domestic credit (+ 13.3%) and net foreign assets (+15.5%).

The increase of the money supply concerned all its components: fiduciary circulation outside bank (+13.8%), demand deposits (+25.8%), term and savings deposits (+20.4%) and the resident foreign currency deposits (+70.8%).

**Table 13: Source of change of broad money at the end December 2017**

	change from Dec. 2016	Change from Sept 2017
<b>Net foreign assets (NFA)</b>	<b>2.3</b>	<b>0.4</b>
<b>Net domestic assets (NDA)</b>	<b>23.4</b>	<b>4.3</b>
o/w: - Domestic credit	19.9	3.6
- Other Items net	3.5	0.7
<b>Broad money (M3)</b>	<b>25.7</b>	<b>4.7</b>

Source: BRB

The quarterly increase of money supply was of internal origin (+4.3 percentage points). Likewise, the annual growth of M3 was mainly of domestic origin (+23.4 percentage points).

## 2.5. Main indicators of banking sector and financial stability

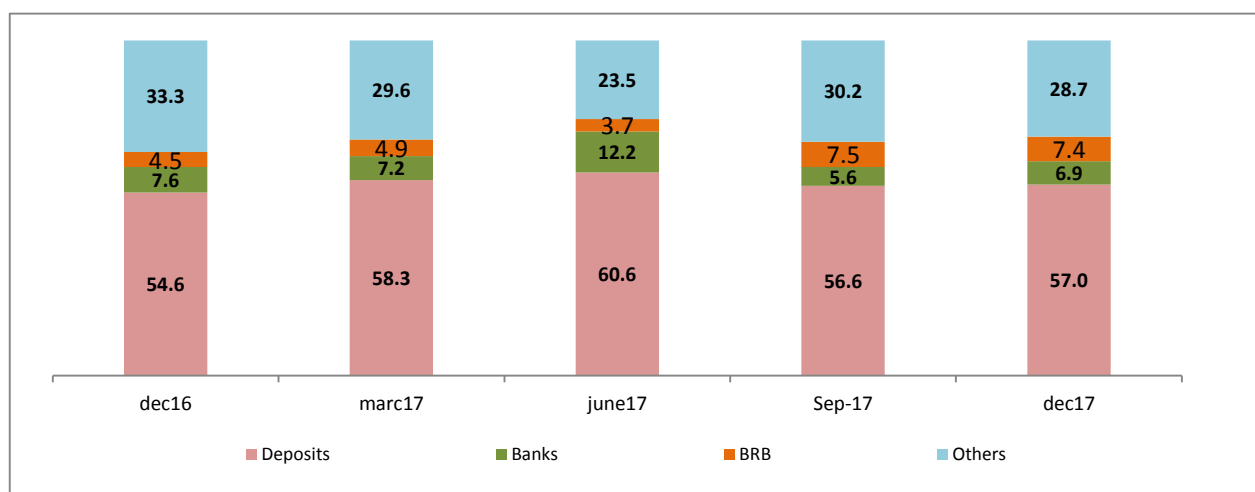
### 2.5.1. Banking activity

At the end of December 2017, the total balance sheet of banking sector rose by 5.6% compared to the previous quarter. Compared to the same period of 2016, the balance sheet increased by 18.0%. The amount of deposits and private credit to the economy increased. The banking sector is adequately capitalized and complied with all regulatory and prudential requirements. Likewise, the banking sector profitability increased.

#### 2.5.1.1. Liabilities

At the end of December 2017, the amount of deposits decreased by 6.3% from BIF 1,160.7 to BIF 1,234.1 billion recorded in the previous quarter. Compared to the same period of the previous year, total deposit rose by 23.2%. Unless this increasing, the Central Bank refinancing increased by 37.4% on quarter –on- quarter basis, from BIF 116,470.7 to BIF 160,080.4 million at the end of December 2017. Year on Year basis, the Central Bank refinancing rose by 93.9%.

**Chart 13: Breakdown of resources (in % of total)**



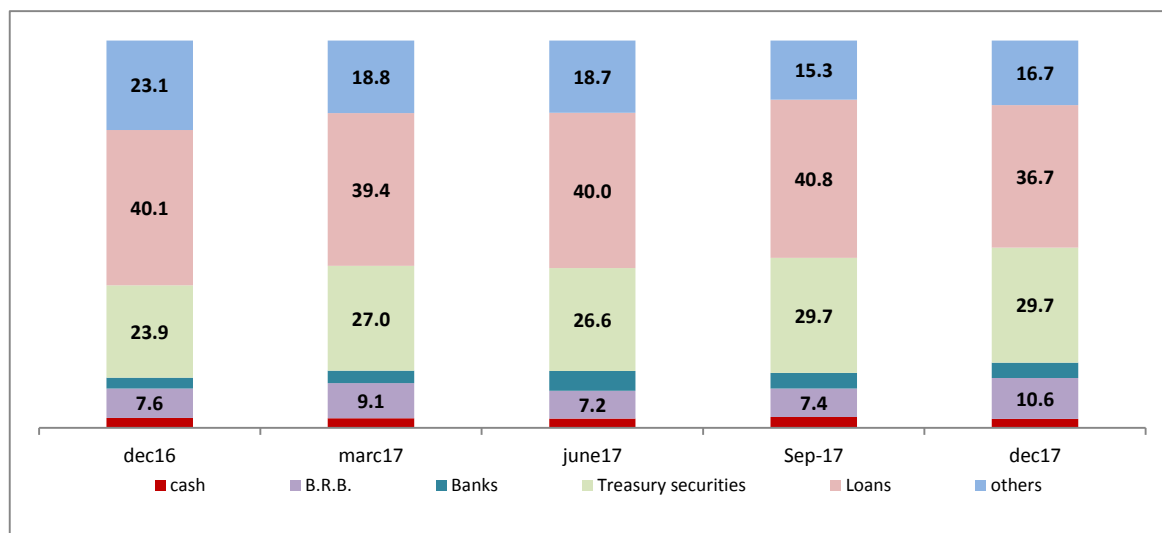
Source : BRB

#### 2.5.1.2. Assets

The banking sector assets were mainly made by loans to the economy and Treasury securities with 36.8 and 29.7% shares respectively of the total balance sheet. Treasury Securities held by banks increased by 5.8% on quarter on quarter basis and 46.9% year –on- year basis.

In the same time, loans to the economy decreased by 4.9% from a quarter to another while they increased by 8.2% compared to the same period of 2016.

**Chart 14 : Breakdown of Assets (in % of total)**

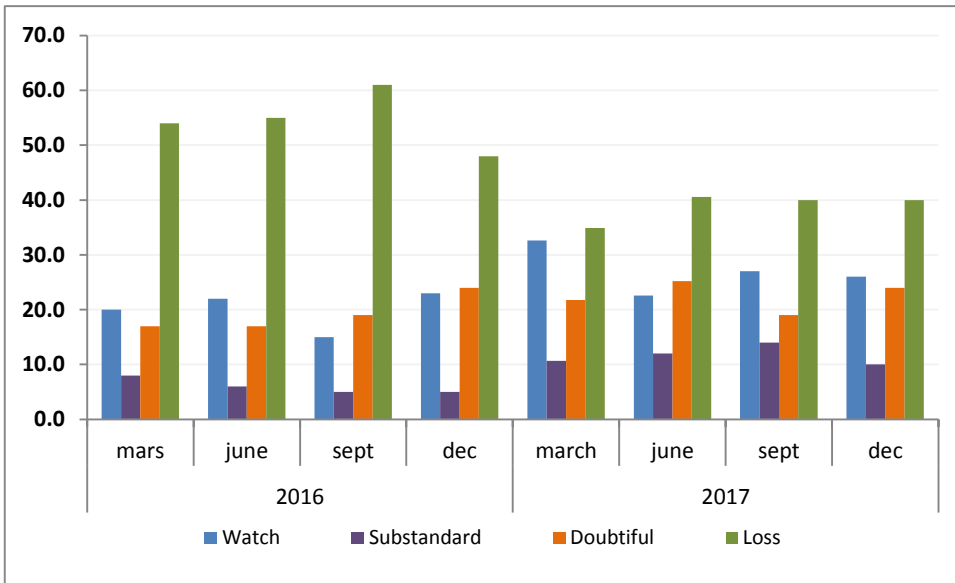


Source : BRB

### 2.5.2. Loans portfolio quality

On year to year basis, overdue loans increased from 18.9% to 19.8% while it was 19.6% at the end of the previous quarter. The increase of overdue loans in fourth quarter 2017 is linked to the rising of the watch loans and the loss loans.

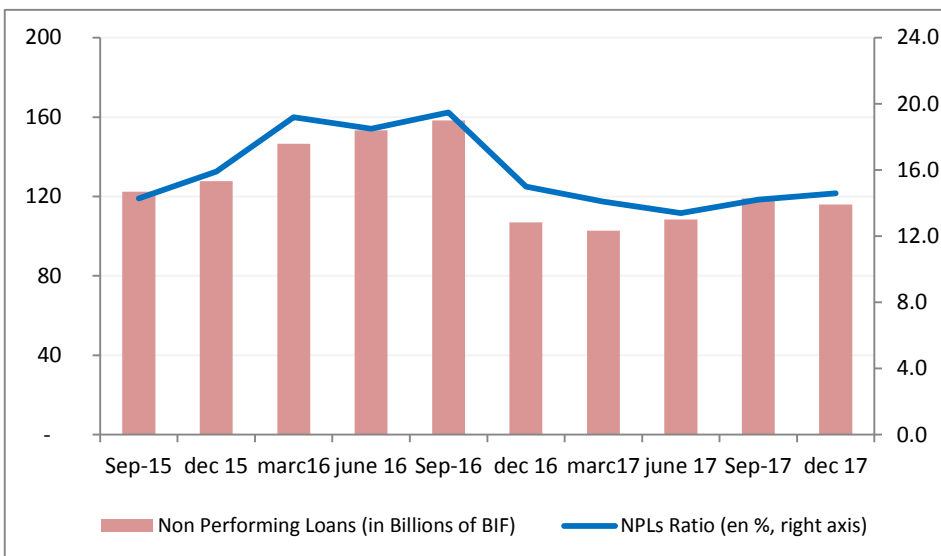
**Chart 15: Non-performing loans by categories (in percentage)**



Source: BRB

The analysis of loans by categories at the end of December 2017 indicated that watch class loans and loss loans hold respectively 26% and 40% of overdue loans against 23% and 48% in the same period of 2016, while at the end of September 2017, they represented respectively 27% and 40% of overdue loans. The banks continued to white-off the loss loans in the banking assets as stipulated in the budget law 2017. Consequently, the Non-Performing Loans ratio stabilized at the same level as in the same period of 2016 (14.6 against 14.5).

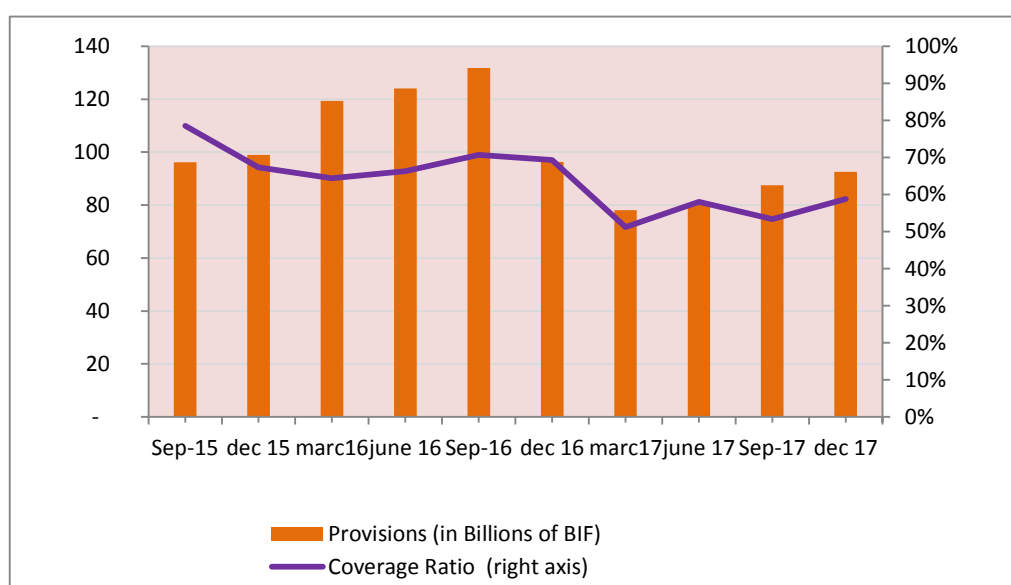
**Chart 16: Evolution of non-performing loans**



Source: BRB

On year -on- year basis, provisions of loans depreciation declined by 3.9%; from BIF 96,337.0 to BIF 96,337.0 million and increased by 5.8% compared to the previous quarter. The decrease of provisions resulted of the declining of overdue loans and the different measures taken by Central Bank relating to provisioning non-performing loans.

**Chart 17: Evolution of provisions (in BIF billion) and coverage rate (in percentage)**



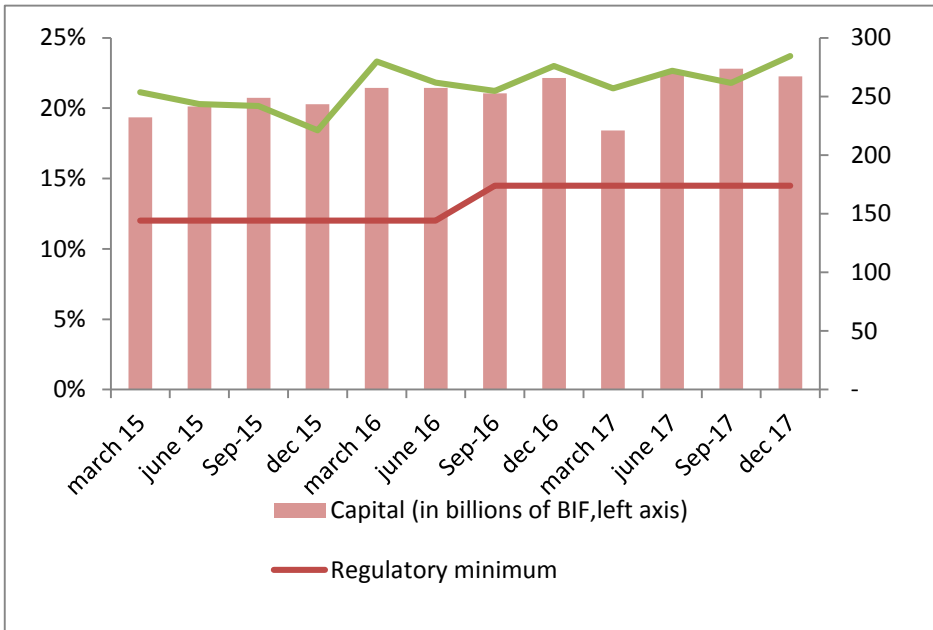
**Source: BRB**

The coverage ratio of overdue loans was 58.8% against 69.3% in the same period of 2016 and was 53.4% at the end of September 2017. The decline of this rate is mainly due to the write off of loss loans in some sectors with high impairment rate (tourism and hostels).

### 2.5.3. Capital adequacy

At the end of December 2017, the banking sector remained well capitalized and has sufficient capital compared to the regulatory requirement. The total capital adequacy ratio increased by 23.7% at the end of December 2017 against 21.8% at the end of September 2017, but is largely above the regulatory minimum of 14.5%.

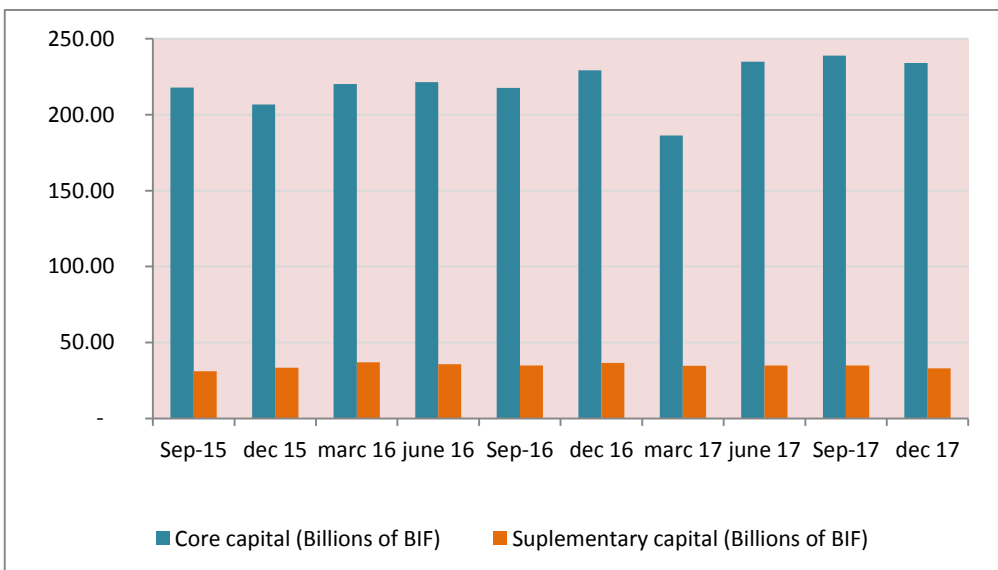
**Chart 18: Evolution of capital (BIF billion and regulatory minimum in percentage)**



Source: BRB

Year –on- year basis, capital rose by 0.5%, amounted to BIF 265.7 to 267.1 billion due to the increase of profits in some banks. However, compared to the previous quarter 2017, capital declined by 2.5%.

**Chart 19: Composition of capital (in BIF billion)**



Source: BRB

Quarter- on- quarter basis, the capital adequacy ratio increased by 1.8 percent point, but remained above the regulatory standard of 14.5 % with 20.8 % at the end of December 2017 against 19.0% at the end of September 2017. On year -on- year basis, the capital adequacy ratio rose by 1.0 percentage points. The increasing of core capital resulted of constitution of reserves by some banks.

#### **2.5.4. Profitability of the banking sector**

On year-on- year basis, the net banking margin rose; from BIF 153,662.1 to 179,672.5 million at the end of December 2017, following to the increasing of banking commissions. At the same time, the net benefit of banks rose mainly linked to the decrease of provisions combined of the increasing of commissions, standing at BIF 39,461.7 against 24,700.3 million in the same period of 2016. The return on assets (ROA) and the return on equity (ROE) increased, from 1.6% to 2.1% and from 11.1 to 16.6% from December 2016 to December 2017 respectively.

## CONCLUSION AND MONETARY POLICY MEASURES

Global economic activity slowdown in the fourth quarter 2017 in major advanced and emerging economies. Inflation increased due to the commodity prices rising. Likewise, world merchandise trade grew due to the trade flows in Asia and imports increasing in North America. In the East African Community, the main macroeconomic indicators improved. Inflation slowdown in most EAC countries due to the good harvest and the exchange rate stability. This moderate inflation allowed the central banks to maintain unchanged their monetary policy rates.

Domestic economic activity was marked in the fourth quarter 2017 by improvement of the main productions of the primary, secondary and tertiary sectors. Nevertheless, the overall inflation rose mainly due to the increase of the food inflation linked to the drought that has prevailed in some parts of the country.

In the banking sector, the total balance sheet increased. Deposits rose while private credit to the economy declined. In terms of the main indicators of financial stability, the banking sector remained sufficiently capitalized and profitable.

In the fourth quarter 2017, the BRB continued easing refinancing conditions to the commercial banks to encourage them to further finance economic activity.

For the coming period, measures expected by the Central Bank will consist of:

1. Continue to provide banks the liquidity necessary to finance economic activity ;
2. Maintain maturities of 7, 14 and 28 days for liquidity injections;
3. Maintain interventions on the Interbank Foreign Exchange Market to facilitate imports of strategic products.



## ANNEXES

### ANNEX 1: GDP BY BRANCH (At price of 2005) in BIF billion

	2012	2013	2014	2015	2016	2017
<b>Primary Sector</b>	<b>476.3</b>	<b>516.4</b>	<b>497.9</b>	<b>488.0</b>	<b>495.5</b>	<b>489.8</b>
- Subsistence agriculture	404.2	465.7	442.2	427.4	435.0	424.1
- Export Agriculture	19.3	16.6	18.4	21.3	18.0	17.7
- Coffee	9.8	2.6	3.2	4.9	4.0	5.5
- The	7.7	13.0	14.2	15.4	13.2	11.4
-Other export agriculture	1.8	1.0	1.0	1.0	0.8	0.8
- Forest	10.2	11.2	11.9	13.4	15.1	16.7
- Livestock	39.0	20.2	22.4	22.5	23.4	26.9
- Fishing	3.6	2.6	3.0	3.4	3.9	4.3
<b>Secondary sector</b>	<b>290.2</b>	<b>297.3</b>	<b>315.7</b>	<b>290.2</b>	<b>295.5</b>	<b>290.0</b>
-Mining	9.0	9.5	8.4	7.9	7.8	8.5
- Industries	183.5	187.5	211.9	192.3	191.6	188.1
- Food Industries	131.6	134.5	155.7	143.1	141.4	142.8
- Manufacturing	51.9	53.0	56.2	49.2	50.2	45.3
- Textile Industries	4.7	5.8	4.3	3.9	3.7	3.5
- Other monifaturing industries	47.2	47.3	51.9	45.3	46.5	41.8
- Water, gas and electricity	7.3	7.7	7.9	7.5	7.3	7.1
- Construction	90.4	92.5	87.5	82.5	88.9	86.3
<b>Tertiary sector</b>	<b>701.3</b>	<b>721.1</b>	<b>784.4</b>	<b>829.2</b>	<b>867.1</b>	<b>899.8</b>
- Trade	85.9	71.2	79.4	68.5	67.8	69.2
- Transport and communication	54.4	51.4	67.6	73.4	62.3	66.0
- Transport	17.7	14.4	15.6	16.8	13.1	13.4
- Postes, Telecommunication and inti	36.7	36.9	52.0	56.6	49.2	52.6
- Banks and insurance	85.1	85.9	98.2	100.0	104.0	111.2
- Accommodation, Food and other M	136.2	138.0	124.9	114.0	117.5	118.3
- Public Administration	200.9	228.2	272.9	298.9	346.2	372.2
- Education	187.2	188.1	195.6	209.1	219.5	230.4
- Health and social services	12.3	12.8	13.4	14.0	17.8	21.0
- Activities of a collective or personal	26.7	33.0	47.1	54.4	56.4	58.4
- Domestic services	5.1	4.8	4.7	5.4	6.2	7.1
- SIFIM	-92.5	-92.4	-119.4	-108.7	-130.5	-154.0
<b>GDP at cost of factors(1+2+3)</b>	<b>1467.8</b>	<b>1534.7</b>	<b>1598.0</b>	<b>1607.4</b>	<b>1658.1</b>	<b>1679.6</b>
Indirect taxes minus subsidies	170.7	184.4	194.0	177.5	176.4	205.4
<b>GDP at market price</b>	<b>1638.4</b>	<b>1719.1</b>	<b>1792.0</b>	<b>1784.9</b>	<b>1834.5</b>	<b>1885.0</b>

Source : MBGP

**ANNEXE 2: INFLATION BY MAIN COMPONENTS (in %)**

<b>Period</b>	<b>Headline Inflation</b>	<b>Food inflation</b>	<b>Non-food inflation</b>
Dec-15	7.14	12.10	3.45
Jan-16	6.36	9.96	3.80
Feb-16	6.67	11.13	3.59
Mar-16	4.24	6.51	2.64
Apr-16	2.66	2.41	2.81
May-16	2.64	2.83	2.64
Jun-16	3.80	4.04	3.73
Jul-16	3.96	4.48	3.52
Aug-16	6.63	7.71	5.84
Sep-16	6.99	8.09	6.28
Oct-16	5.95	7.02	5.26
Nov-16	7.09	9.10	5.64
Dec-16	9.54	13.94	6.03
Jan-17	12.86	20.42	7.38
Feb-17	20.46	33.34	7.38
Mar-17	21.07	34.42	8.55
Apr-17	13.60	18.80	7.50
May-17	18.87	27.81	9.09
Jun-17	15.10	20.80	8.40
Jul-17	13.60	18.80	7.10
Aug-17	13.90	22.60	5.60
Sep-17	15.40	23.90	7.40
Oct-17	17.60	28.10	9.00
Nov-17	15.40	22.20	7.80
Dec-17	10.00	9.50	8.40

*Source: BRB based on data of ISTEERU*

**ANNEXE 3: GOVERNMENT FINANCIAL OPERATIONS (in BIF million)**

Period	Revenue and			Expenditure	Overall balance
	Revenue	Grants	grants		
Dec-15	69,311.4	11,254.8	80,566.2	56,764.8	23,801.4
Jan-16	47,235.2	5,895.7	53,130.9	64,664.0	-11,533.1
Feb-16	43,956.0	4,688.2	48,644.1	62,680.5	-14,036.4
Mar-16	58,603.8	10,580.4	69,184.2	97,762.6	-28,578.4
Apr-16	50,478.8	5,930.5	56,409.3	94,594.0	-38,184.8
May-16	45,205.0	12,366.3	57,571.3	86,441.6	-28,870.3
Jun-16	60,148.7	11,341.8	71,490.5	76,846.7	-5,356.2
Jul-16	50,971.9	3,203.4	54,175.2	71,991.2	-17,815.9
Aug-16	55,808.9	4,202.5	60,011.4	73,289.7	-13,278.4
Sep-16	63,489.3	10,797.4	74,286.7	101,298.7	-27,012.0
Oct-16	47,249.9	12,755.9	60,005.8	102,470.2	-42,464.4
Nov-16	55,678.3	15,941.6	71,619.8	101,647.3	-30,027.5
Dec-16	59,232.6	21,314.8	80,547.4	110,352.1	-29,804.7
Jan-17	53,627.7	7,058.3	60,686.0	64,415.6	-3,729.6
Feb-17	51,656.9	10,991.7	62,648.5	84,274.1	-21,625.6
Mar-17	73,064.8	13,243.6	86,308.4	87,906.1	-1,597.8
Apr-17	51,144.7	9,769.6	60,914.3	98,016.5	-37,102.2
May-17	54,415.7	8,886.7	63,302.4	87,125.3	-23,822.9
Jun-17	65,194.3	22,169.0	87,363.3	88,592.8	-1,229.5
Jul-17	67,742.9	11,005.5	78,748.4	87,554.4	-8,806.0
Aug-17	72,246.7	9,317.2	81,563.9	113,343.3	-31,779.4
Sep-17	69,515.0	8,503.2	78,018.2	82,670.9	-4,652.7
Oct-17	60,683.3	16,279.2	76,962.5	124,142.8	-47,180.3
Nov-17	65,298.0	8,264.8	73,562.8	79,101.3	-5,538.5
Dec-17	69,552.5	13,024.2	82,576.7	131,400.0	-48,823.3

Source: MFBP

#### ANNEXE 4: GOVERNMENT DEBT (in BIF million)

Period	BRB	Tresury securities	Total domestic debt	External debt	Total Government debt
Dec-15	641,724.6	378,907.0	1,070,572.8	677,558.0	1,748,130.9
Jan-16	598,712.1	388,365.1	1,036,632.1	689,902.5	1,726,534.6
Feb-16	626,840.4	402,426.2	1,082,134.6	700,034.1	1,782,168.7
Mar-16	635,625.1	417,680.2	1,102,579.7	720,621.3	1,823,201.0
Apr-16	640,405.2	438,638.3	1,133,874.3	725,571.4	1,859,445.7
May-16	655,244.3	455,349.6	1,164,818.5	728,163.5	1,892,982.0
Jun-16	650,423.6	475,292.9	1,178,665.3	730,813.1	1,909,478.4
Jul-16	646,289.0	493,502.0	1,193,872.2	727,209.5	1,921,081.7
Aug-16	636,965.6	508,501.5	1,193,198.6	732,015.8	1,925,214.4
Sep-16	644,432.0	527,286.3	1,218,538.7	735,936.6	1,954,475.3
Oct-16	660,707.0	536,420.8	1,244,230.7	728,267.9	1,972,498.6
Nov-16	689,148.0	551,790.1	1,288,313.0	726,440.8	2,014,753.8
Dec-16	752,299.8	584,745.3	1,374,763.3	723,848.1	2,098,611.5
Jan-17	708,968.9	583,970.9	1,331,189.2	729,207.7	2,060,397.0
Feb-17	720,858.9	613,931.0	1,372,920.9	732,729.3	2,105,650.2
Mar-17	741,269.6	627,821.5	1,411,263.4	731,002.0	2,076,319.2
Apr-17	733,398.9	643,307.1	1,418,957.0	720,582.8	2,139,539.7
May-17	748,696.4	660,063.7	1,451,092.3	749,041.6	2,197,954.6
Jun-17	748,813.6	676,889.0	1,464,123.4	753,587.5	2,217,058.1
Jul-17	732,104.3	676,920.9	1,447,097.0	760,394.0	2,207,491.0
Aug-17	730,342.1	709,627.0	1,478,272.4	770,584.3	2,248,856.7
Sep-17	713,443.5	731,279.5	1,483,340.8	775,212.7	2,258,553.5
Oct-17	741,876.6	735,555.4	1,518,484.7	774,694.9	2,293,179.6
Nov-17	747,014.0	750,243.2	1,533,016.6	780,106.5	2,313,123.0
Dec-17	787,208.1	829,763.9	1,649,286.6	778,633.4	2,427,920.0

Source: BRB and MFBP

**ANNEXE 6: BANK RESERVES (in BIF million)**

<b>Period</b>	<b>Total banking sector reserves</b>	<b>Central Bank Interventions</b>
Dec-15	77,701	14,297
Jan-16	77,387	26,612
Feb-16	78,306	42,674
Mar-16	82,764	54,697
Apr-16	87,956	68,814
May-16	87,670	74,277
Jun-16	93,246	92,597
July-16	86,858	108,222
Aug-16	91,507	107,836
Sep-16	87,838	113,433
Oct-16	109,621	105,762
Nov-16	107,734	98,571
Dec-16	128,013	100,523
Jan-17	128,121	85,131
Feb-17	128,819	89,580
Marc-17	133,497	93,972
Apr-17	152,138	97,130
May-17	141,233	94,778
Jun-17	118,532	76,501
Jul-17	95,342	101,518
Aug-17	115,927	118,005
Sep-17	121,733	113,145
Oct-17	125,576	123,451
Nov-17	129,441	117,240
Dec-17	157,967	130,194

Source: BRB

**ANNEXE 7: MONEY MARKET INTEREST RATE (in %)**

<b>Month</b>	<b>Interbank market</b>	<b>Marginal lending facility</b>	<b>Liquidity providing</b>	<b>Tresury Bill at 13 weeks</b>
Dec-15	5.00	9.82	3.40	6.82
Jan-16	5.00	9.44	3.46	6.44
Feb-16	5.00	9.41	3.4	6.41
Mar-16	5.40	9.21	3.27	6.21
Apr-16	-	9.58	3.32	6.58
May-16	4.56	9.45	3.30	6.45
Jun-16	-	8.92	3.14	5.92
Jul-16	5.00	8.84	3.18	5.84
Aug-16	-	7.98	3.14	4.98
Sep-16	3.50	7.79	3.09	4.79
Oct-16	3.50	7.55	2.98	4.55
Nov-16	3.85	6.80	2.55	3.80
Dec-16	-	7.64	2.38	4.64
Jan-17	3.12	7.91	2.40	4.91
Feb-17	5.18	8.50	3.72	5.50
Mar-17	6.00	9.01	4.92	6.01
Apr-17	6.00	7.96	5.36	4.96
May-17	5.50	7.17	3.85	4.17
Jun-17	4.20	7.14	2.92	4.14
Jul-17	5.14	6.98	3.34	3.98
Aug-17	4.32	7.45	2.70	4.45
Sep-17	4.21	7.92	2.73	4.92
Oct-17	-	8.19	2.52	5.19
Nov-17	4.08	8.25	2.50	5.25
Dec-17	4.00	7.13	2.79	4.13

**Source: BRB**

**ANNEXE 8: MAIN INDICATORS OF THE BANKING SECTOR IN SEPTEMBER 2017 (in BIF Million)**

	Commercial Banks			Other Banking Institutions			Total banking sector		
	12/31/2016	12/31/2017	Variation in %	12/31/2016	12/31/2017	Variation in %	12/31/2016	12/31/2017	Variation in %
<b>I. ASSETS</b>	<b>1,693,285.7</b>	<b>2,009,942.1</b>	<b>18.7</b>	<b>141,670.9</b>	<b>154,753.5</b>	<b>9.2</b>	<b>1,834,956.6</b>	<b>2,164,695.6</b>	<b>18.0</b>
<b>Main ASSETS</b>	<b>1,379,888.1</b>	<b>1,687,271.6</b>	<b>22.3</b>	<b>107,967.9</b>	<b>115,700.3</b>	<b>7.2</b>	<b>1,487,856.0</b>	<b>1,802,971.9</b>	<b>21.2</b>
<b>A. Liquid Assets</b>	<b>670,770.8</b>	<b>1,002,189.9</b>	<b>49.4</b>	<b>5,307.6</b>	<b>5,301.4</b>	<b>(0.1)</b>	<b>676,078.4</b>	<b>1,007,491.3</b>	<b>49.0</b>
.Cash	48,061.1	49,762.4	3.5	9.8	9.3	-4.6	48,070.9	49,771.7	3.5
.B.R.B.	136,380.6	227,785.0	67.0	2,606.9	1,511.6	-42.0	138,987.5	229,296.6	65.0
.Banking sector	48,340.5	81,151.9	67.9	2,690.9	3,780.5	40.5	51,031.4	84,932.4	66.4
.Direct indebtedness of the Government	437,988.6	643,490.6	46.9	-	-	-	437,988.6	643,490.6	46.9
<b>B. Loans</b>	<b>709,117.3</b>	<b>685,081.7</b>	<b>(3.4)</b>	<b>102,660.3</b>	<b>110,398.9</b>	<b>7.5</b>	<b>811,777.6</b>	<b>795,480.6</b>	<b>(2.0)</b>
.Short term	457,321.9	424,199.5	-7.2	15,118.1	2,072.9	-86.3	472,440.0	426,272.4	-9.8
.Medium term	166,346.5	163,030.5	-2.0	46,532.4	53,144.7	14.2	212,878.9	216,175.2	1.5
.Long term	85,448.9	97,851.7	14.5	41,009.8	55,181.3	34.6	126,458.7	153,033.0	21.0
.Leasing	-	-	-	-	-	-	-	-	-
.Other loans	-	-	-	-	-	-	-	-	-
<b>C. Others</b>	<b>313,397.6</b>	<b>322,670.5</b>	<b>3.0</b>	<b>33,703.0</b>	<b>39,053.2</b>	<b>15.9</b>	<b>347,100.6</b>	<b>361,723.7</b>	<b>4.2</b>
<b>II. LIABILITIES</b>	<b>1,693,285.7</b>	<b>2,009,942.1</b>	<b>18.7</b>	<b>141,670.9</b>	<b>154,753.5</b>	<b>9.2</b>	<b>1,834,956.6</b>	<b>2,164,695.6</b>	<b>18.0</b>
<b>Main liabilities</b>	<b>1,171,066.2</b>	<b>1,473,003.8</b>	<b>25.8</b>	<b>53,147.8</b>	<b>70,656.3</b>	<b>32.9</b>	<b>1,224,214.0</b>	<b>1,543,660.1</b>	<b>26.1</b>
.Deposits	954,483.8	1,170,211.4	22.6	47,368.2	63,889.7	34.9	1,001,852.0	1,234,101.1	23.2
<i>among which ten large deposits</i>	265,501.0	425,099.9	60.1	7,470.3	6,384.2	0.0	272,971.3	431,484.1	58.1
.Refinancing from BRB	82,559.1	160,080.4	93.9	-	-	-	82,559.1	160,080.4	93.9
.Others	-	-	-	-	-	-	-	-	-
Banking sector	134,023.3	142,712.0	6.5	5,779.6	6,766.6	17.1	139,802.9	149,478.6	6.9
<i>among which residents</i>	71,253.1	84,133.8	18.1	5,779.6	6,766.6	17.1	77,032.7	90,900.4	18.0
<b>Others</b>	<b>522,219.5</b>	<b>536,938.3</b>	<b>2.8</b>	<b>88,523.1</b>	<b>84,097.2</b>	<b>(5.0)</b>	<b>610,742.6</b>	<b>621,035.5</b>	<b>1.7</b>
<b>IV. BANKING SECTOR INDICATORS</b>									
<b>Capital adequacy</b>									
.Core capital (in MBIF)	204,606.4	206,330.1	0.8	24,611.2	27,774.5	12.9	229,217.6	234,104.6	2.1
.Total capital (in MBIF)	230,423.0	228,388.0	-0.9	35,321.0	38,686.4	9.5	265,744.0	267,074.4	0.5
.Risk Weighted assets	1,029,369.0	980,336.5	-4.8	127,903.6	145,685.8	13.9	1,157,272.6	1,126,022.3	-2.7
.Core capital adequacy ratio (threshold 12,5%)	19.9	21.0		19.2	19.1		19.8	20.8	
.Total capital adequacy ratio (threshold 14,5%)	22.4	23.3		27.6	26.6		23.0	23.7	
.Leverage ratio (threshold 7%)	13.8	11.7		19.2	19.4		14.3	12.3	
<b>Quality and concentration of loan portfolio</b>									
.Large exposure	118,784.8	140,355.2	18.2	7,774.8	10,581.7	36.1	126,559.6	150,936.9	19.3
Watch loans	22,761.5	27,870.0	22.4	9,370.7	13,779.6	47.0	32,132.2	41,649.6	29.6
Non Performing loans	153,533.1	100,765.3	-34.4	13,406.4	15,017.2	12.0	166,939.5	115,782.5	-30.6
Overdue loans	176,294.6	128,635.3	-27.0	22,777.1	28,796.8	26.4	199,071.7	157,432.1	-20.9
Provisions	137,340.0	84,600.1	-38.4	9,915.2	7,974.2	-19.6	147,255.2	92,574.3	-37.1
Total gross loans/Total gross assets (in %)	41.9	34.1		72.5	71.3		44.2	36.7	
Loans to the Government/Total gross assets (*)	25.9	32.0		-	-		25.9	32.0	
Loans to the Government/Core capital (*)	214.1	311.9		-	-		214.1	311.9	
Non Performing loans rate	21.7	14.7		13.1	13.6		20.6	14.6	
Overdue loans rate	24.9	18.8		22.2	26.1		24.5	19.8	
Rate of provisionning (in %)	89.5	84.0		74.0	53.1		88.2	80.0	
.Large exposure/Total gross loans (in %)	16.8	20.5		7.6	9.6		15.6	19.0	
<b>Liquidity</b>									
.Liquidity ratio in local currency (*)	55.3	59.4		-	-		55.3	59.4	
.Liquidity ratio in foreign currency (*)	127.6	113.2		-	-		127.6	113.2	
Total loans/total deposits (*)	74.3	58.5		216.7	172.8		81.0	64.5	
Stable resources/immobilized assets	129.1	115.3		240.2	245.8		147.2	137.5	
Ten large deposits/Total deposits (*)	27.8	36.3		15.8	10.0		27.2	35.0	
<b>Profitability and performance</b>									
Profit before tax	25,888.8	40,192.8	55.3	3,686.9	4,187.3	13.6	29,575.7	44,380.1	50.1
Net profit	21,699.7	35,731.7	64.7	3,000.6	3,730.0	24.3	24,700.3	39,461.7	59.8
Banking net product	142,827.5	166,534.9	16.6	10,834.6	13,137.6	21.3	153,662.1	179,672.5	16.9
Return on equity ratio							11.1%	16.6%	
Return on assets ratio							1.6%	2.1%	

Source : BRB