



Banque de la République
du Burundi

MONETARY POLICY
REPORT

Forth quarter 2019

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Acronyms

NDA	: Net Domestic Assets
BIF	: Burundi Franc
BoJ	: Bank of Japan
BRB	: Banque de la République du Burundi
EAC	: East African Community
ECB	: European Central Bank
GDP	: Gross Domestic Product
IMF	: International Monetary Fund
ISTEEBU	: Institut de Statistiques et d'Etudes Economiques du Burundi
M3	: Broad Money
MFBCDE	: Ministère des Finances, du Budget et de la Coopération au Développement Economique
OECD	: Organization for Economic Co-operation and Development
ROA	: Return on Assets
ROE	: Return on Equity
SSA	: Sub-Saharan Africa
UGX	: Ugandan Shilling
USD	: United States Dollar
YoY	: Year on year
QoQ	: Quarter on quarter

EXECUTIVE SUMMARY

In the fourth quarter 2019, the economic growth in the most OECD countries slowed down due to trade protectionist measures, the uncertainty of trade policies, geopolitical tensions and the specific difficulties of the main emerging and developing countries. Commodity prices generally picked up, therefore inflation increased.

According to IMF's forecasts in April 2020, global economic recession is expected following the general disturbances of the COVID-19 pandemic on economic activity which caused lower demand of goods and services and the fall of commodities prices. World economic growth is expected to collapse from 2.9% in 2019 to a contraction of 3.0% in 2020.

According to the same projections, economic growth in sub-Saharan Africa should contract in 2020 following the impact of COVID-19, particular the fall of commodities prices. Other specific factors for some countries such as permanent structural constraints in South Africa, climate shocks and other natural shocks explain this poor performance in sub-Saharan Africa.

Economic growth in East African Community decelerated in 2019 (5.9% compared to 6.6% in 2018) but remained robust compared to the average of sub-Saharan Africa (3.1%), mainly driven by public and private investment and accommodative monetary policies to promote credit to the private sector.

In Burundi, the production of coffee for the 2019/2020 campaign and dry tea decreased in the fourth quarter 2019 compared to the same period in the previous year. After a long period of deflation, inflation rose in the fourth quarter 2019, following the increase of food prices. The balance of payments in the fourth quarter 2019 deteriorated, resulting from the worsening of the current account deficit. Concerning the public finances, the fiscal deficit (including grants) improved, due to the increase of revenue than expenditure. This deficit was mainly financed by net domestic debt. Year-on-year basis, the reserve money and money supply both picked up, driven by the increase of net domestic and foreign assets. Official reserves increased and covered 1.5 months of imports of goods and services compared to 1.0 months recorded in the same period in 2018. The banking sector remained sufficiently capitalized in the fourth quarter 2019 and complied with all regulatory and prudential standards.

I. INTERNATIONAL ECONOMIC DEVELOPMENT

1.1. Global GDP growth

Compared to the previous quarter, economic growth slowed down in the fourth quarter 2019 in all OECD countries, both quarter on quarter (0.2 against 0.4%) and year-on-year (1.6 against 1.7%). This slowdown is linked to the uncertainty of trade policies, geopolitical tensions and the specific difficulties of the main emerging and developing countries.

Table 1: Quarterly GDP growth of main advanced countries

	Quarter to quarter			Year on year		
	Q4-2018	Q3-2019	Q4-2019	Q4-2018	Q3-2019	Q4-2019
USA	0,3	0,5	0,5	2,5	2,1	2,3
Japan	0,5	0,0	-1,8	-0,2	1,8	-0,7
United Kingdom	0,2	0,5	0,0	1,4	1,2	1,1
Euro zone	0,3	0,3	0,1	1,2	1,3	1,0
OECD - Total	0,2	0,4	0,2	1,6	1,7	1,6
China	1,5	1,4	1,5	6,5	6,0	6,0
India	1,3	1,1	1,1	5,7	5,0	4,8

Source: OECD, Economic Outlook, February 2020

Among the advanced countries, the United States recorded the most robust year-on-year GDP growth (+ 2.3%) while Japan recorded a recession (-0.7%). In emerging countries, economic growth in China remained strong (+ 6.0%) although it decelerated.

In the Euro zone, economic growth decelerated quarter on quarter (0.1 against 0.3%) and year on year (1.0 against 1.3%). In the United Kingdom, GDP growth decelerated quarter on quarter (0.0 against 0.5%) and year-on-year (1.1 versus 1.2%).

In emerging countries, economic growth accelerated from quarter to quarter in China (1.5 against 1.4%) and stabilized in India (1.1%). Year –on- year, it stabilized at 6.0% in China and decelerated in India (4.8 against 5.0%).

According to IMF forecasts¹, world economic recession is expected in 2020 following the widespread disruption of the COVID-19 pandemic on economic activity which has caused

¹ IMF, World Economic Outlook, April 2020

demand for goods and services and commodity prices slowdown. World economic growth is expected to slow down from 2.9% in 2019 to a contraction of 3.0% in 2020.

Table 2: World economic growth

	2018	2019	2020(p)
World GDP	3,6	2,9	-3,0
Advanced economies	2,2	1,7	-6,1
USA	2,9	2,3	-5,9
Euro zone	1,9	1,2	-7,5
Japan	0,3	0,7	-5,2
United Kingdom	1,3	1,4	-6,5
Emerging and Developing Economies	4,5	3,7	-1,0
China	6,7	6,1	1,2
India	6,1	4,2	1,9
Subsaharan Africa	3,3	3,1	-1,6
<i>Nigeria</i>	1,9	2,2	-3,4
<i>South Africa</i>	0,8	0,2	-5,8
(p): provisional			

Source: IMF, World economic outlook, April 2020

In advanced countries, economic growth is expected to decline by 6.1%. In the United States, a decrease of 5.9% is expected in 2020 against an expansion of 2.3% recorded in 2019. In the Euro zone, the economy growth could contract by 7.5% in 2020 against a growth of 1.2% in 2019.

For emerging and developing countries, GDP growth would contract by 1.0% in 2020 against a growth of 3.7% in 2019. Economic growth in China should considerably decelerate (1.2 compared to 6.1% in 2019).

In sub-Saharan Africa, economic growth could contract (-1.6% in 2020 against + 3.1% in 2019), following the fall of commodity prices. Indeed, oil prices plunged by 50% which will significantly affect the major oil exporting countries. Nigeria is expected to contract by 3.4% as in South Africa the largest commodity exporter, economic activity could drop by 5.8% in 2020.

1.2. World Trade

In 2019, world trade slowed down (1.0 against 3.7% in 2018), mainly due to trade tensions between the United States and China. In 2020, world trade could decline by 11.0%, following the disruption of COVID-19 on economic activity.

Table 3: World trade growth (%)

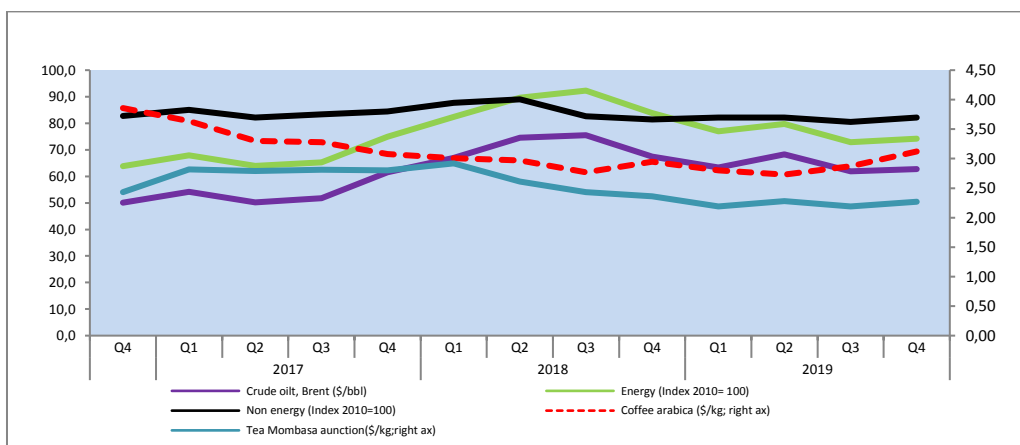
	2018	2019	2020 (p)
World trade (goods and services)	3,6	0,9	-11,0
Importations			
<i>Advanced economies</i>	3,0	1,5	-11,5
<i>Emerging and Developing Economies</i>	5,1	1,5	-8,2
Exportations			
<i>Advanced economies</i>	3,1	1,2	-12,8
<i>Emerging and Developing Economies</i>	3,9	0,8	-9,6

Source: IMF, World economic outlook, April 2020

1.3. Commodity prices and inflation

During the fourth quarter 2019, commodity prices generally increased. In fact, the price of crude oil (Brent) stood at 62.70 compared to \$ 61.90/barrel. The price of Arabica coffee increased, from 2.87 to \$ 3.12/kg. The price of tea at Mombasa's auctions stood at 2.27 compared to \$ 2.17/kg the previous quarter. The energy and non-energy products indexes increased quarter on quarter basis, to 74.20 from 72.90 and 82.10 from 80.50, respectively.

Chart 1: Commodity prices (in USD)



Source: World Bank, Commodity prices, January 2020

Quarter-on-quarter, inflation rose in the major advanced and emerging countries, mainly due to the increase of oil prices and other energy products.

Table 4: Inflation in main advanced and emerging countries (in %)

Year on year			
	Q4-2018	Q3-2019	Q4-2019
USA	2,20	1,76	2,03
Japan	0,86	0,33	0,49
United Kingdom	2,10	1,80	1,40
Euro zone	1,91	0,95	1,00
OECD - Total	2,76	1,88	1,85
China	2,20	2,87	4,27
India	5,11	6,42	8,62

Source: OECD, Economic Outlook, February 2020

Compared to the previous quarter, inflation rose in the euro Zone (1.00 against 0.95%), in Japan (0.49 against 0.33%), in the United States (2.03 against 1, 76%), China (4.27 against 2.87%) and India (8.62 against 6.42%).

Compared to the same quarter in 2018, inflation fell in OECD countries (1.85 against 2.76%) while it increased in the main emerging countries such as China (4.27 against 2.20%) and India (8.62 against 5.11%).

1.4. Monetary policy in developed countries

During the fourth quarter 2019, the central banks of most advanced countries maintained and strengthened their accommodative monetary policies in the objective of supporting economic growth and stimulating employment, with inflation converging sustainably towards the target.

In the United States, the Federal Reserve Bank decided to further lower the target range of the federal funds rate between 1.50 and 1.75% compared to 1.75 and 2.0% which prevailed in the previous quarter in order to encourage expansion of economic activity, good labor market conditions and inflation close to the symmetrical target of 2%.

In the Euro Zone, the European Central Bank (ECB) kept the interest rates on the main refinancing operations and the marginal loans facility unchanged, at 0.00%, 0.25% and -0.50% respectively. It continued to buy back assets and reinvest repayments to maintain favorable liquidity conditions for banks.

The Bank of Japan continues to apply a negative interest rate on the deposits facilities (-0.1%) and maintains its program to buy back Treasury bonds as long as necessary to reach the target level of inflation which is fixed at 2%.

1.5. Main macroeconomic indicators in EAC countries

According to the IMF's regional economic outlook for April 2020, economic growth in East African Community (EAC) decelerated in 2019 (5.9% compared to 6.6% in 2018) but it remained robust compared to the average of sub-Saharan Africa (3.1%), mainly driven by public and private investment and accommodative monetary policies aimed to promote credit to the private sector.

According to the same forecasts of IMF for April 2020, economic activity in the EAC countries is expected to decelerate (2.0%) mainly due to the adverse effects of COVID-19 on the economies of the region.

Table 5: GDP growth in EAC² countries (in %)

	2017	2018	2019(p)	2020(p)
Burundi*	3,8	4,2	4,1	4,3
Kenya	4,9	6,3	5,6	1,0
Uganda	5,0	6,3	4,9	3,5
Rwanda	6,1	8,6	10,1	3,5
Tanzania	6,8	7,0	6,3	2,0
EAC	5,6	6,6	5,9	2,0
SSAF	3,0	3,3	3,1	-1,6

Source: IMF, Regional economic outlook: Sub-Saharan Africa, April 2020

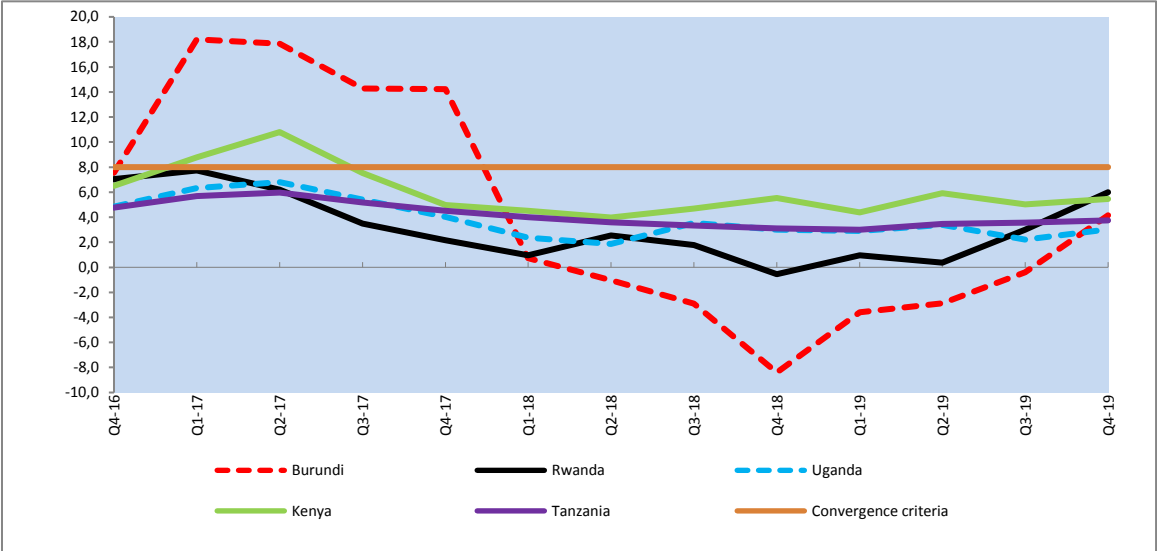
** For Burundi, the data provided in the macroeconomic framework of April 2020*

Inflation rates in all EAC countries rose in the fourth quarter 2019, but remained below the convergence criterion of 8.0%, mainly due to the increase prices for food and energy products. Inflation increased, from 5.0% to 5.5% in Kenya, from 2.2% to 3.0% in Uganda, from 3.6% to

² For Burundi, the IMF regional outlook taking COVID-19 into account forecasts a growth rate of -5.5%.

3.7% in Tanzania and from 2.4% to 6.0% in Rwanda. After a long period of deflation, inflation rose in Burundi to 4.4 from -0.4% in the previous quarter.

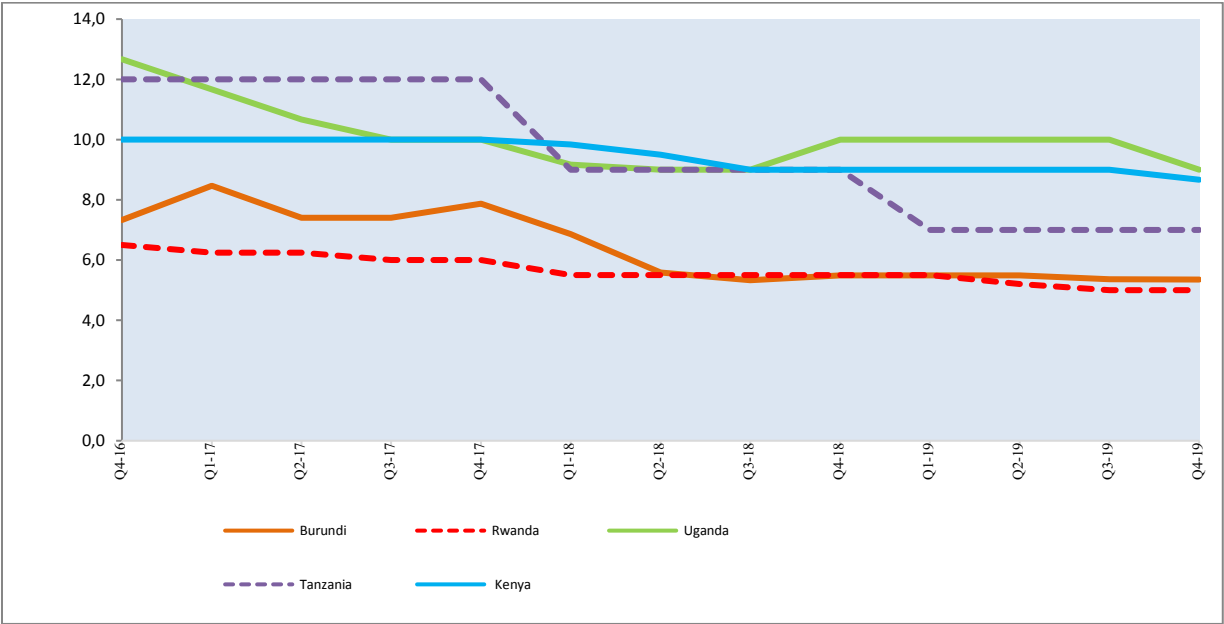
Graph 2: Inflation in EAC countries (in %)



Source: EAC Central Banks web sites

During the fourth quarter 2019, all central banks of the EAC countries maintained an accommodating monetary policy with the objective of stimulating credit to the private sector.

Chart 3: Central bank interest rates (in %)



Source: EAC Central Banks web sites

Indeed, the key rates of the central banks of Rwanda (5.0%) and Tanzania (7.0%) remained unchanged while they fell in Kenya (8.7 against 9.0%) and in Uganda (9.0 against 10.0%). In Burundi, the marginal lending facility rate stabilized at 5.4% as in the previous quarter.

Year-on-year, all currencies of the EAC countries fluctuated within the plus or minus 5% margin agreed in the macroeconomic convergence criteria program of maintaining exchange rate stability.

Table 6: USD exchange rate against EAC currencies

	End of period				
	USD/TZS	USD/RWF	USD/UGX	USD/KSH	USD/BIF
dec-18	2 292,60	879,10	3 713,35	101,85	1 808,30
sept-19	2 289,40	909,80	3 684,20	103,90	1 863,43
dec-19	2 287,90	922,52	3 665,20	101,50	1 881,60
Annual change dec-19/dec-18(%)	-0,2	4,9	-1,3	-0,3	4,1
Quarterly change dec-19/sept-19 (%)	-0,07	1,40	-0,52	-2,31	0,98

Source: EAC Countries Central Banks websites

II. LOCAL ECONOMIC AND FINANCIAL DEVELOPMENT

2.1. Production and Prices

In the fourth quarter 2019, the production of dry tea decreased by 6.8 percent compared to the same period of the previous year, amounting to 2,274.0 tonnes against 2,439.1 tonnes, due to poor rainfall during the period. Likewise, green coffee production declined by 65.6 percent by reaching 2,386 tonnes compared to 6,939 tonnes in the same period of the previous year, due to the cyclicity of the coffee.

The industrial production index rose by 2.8% compared to the fourth quarter in 2018, mainly driven by the increase of food industries production, especially BRARUDI beverages (+5, 7%) and cigarettes (+ 27.2%). Compared to the previous quarter, it fell by 20.7%, from 182.5 to 144.7, mainly due to the drop of BRARUDI beverages (-16.6%) and sugar (-43, 2%).

REGIDESO's electricity production rose by 7.4% year-on-year basis, from 58,569 to 62,891 Megawatts, driven by the increase of production from hydroelectric plants (+ 22.0%) , following the good rainfall. However, it declined by 3.8% compared to the previous quarter.

Activity decreased at Melchior NDADAYE Bujumbura International Airport in the fourth quarter 2019. Year-on-year basis, passengers 'number slowed down by 16.2% and by 11.1% quarterly. Likewise, aircraft traffic fell by 31.9% year-on-year and 14.7% quarter-on-quarter.

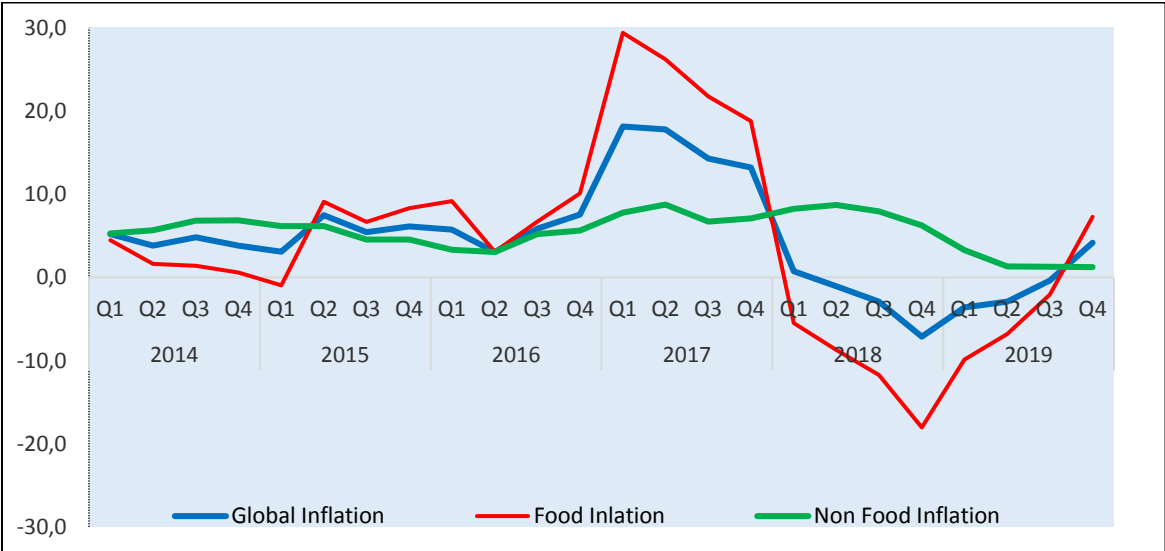
Table 7: Real GDP growth and inflation (in %)

	2017	2018	2019 (e)	2020 (prov)
1. Real GDP Growth	3,6	3,8	4,1	4,5
Primary sector	-1,2	2,4	5,3	6,5
Secondary sector	0,3	3,4	6,6	7,0
Tertiary sector	9,3	4,7	2,6	2,4
2. Inflation	16,1	-2,6	-0,7	3,5

Source: Macroeconomic framework of Burundi, March 2020

Inflation rose in the fourth quarter 2019 up to 4.2% from a deflation of 7.1% in the same quarter of the previous year. This rise is mainly explained by the increase of food prices (7.3 against -18.8%).

Chart 4: Inflation by major components (in %)



Source: BRB based on data provided by ISTEERU

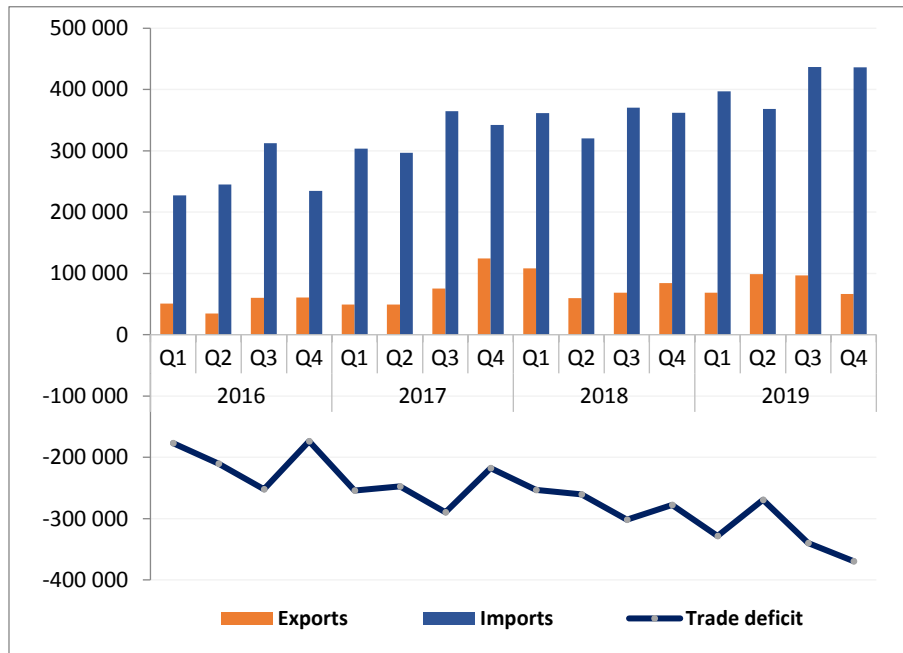
Compared to the previous quarter, inflation also increased (4.2 against -0.4%), mainly driven by food inflation (7.3 against -2.1%) while non-food inflation slightly decreased (1.2 against 1.3%).

2.2. External sector

2.2.1. External trade

The trade deficit worsened in the fourth quarter 2019 compared to the corresponding period in 2018, amounting to BIF 369,505.4 million from BIF 277,873.3 million, following the increase of imports (+BIF 74,094.0 million) combined with a decrease of exports (- BIF 17,538.1 million).

Chart 5: Trade balance (in BIF million)

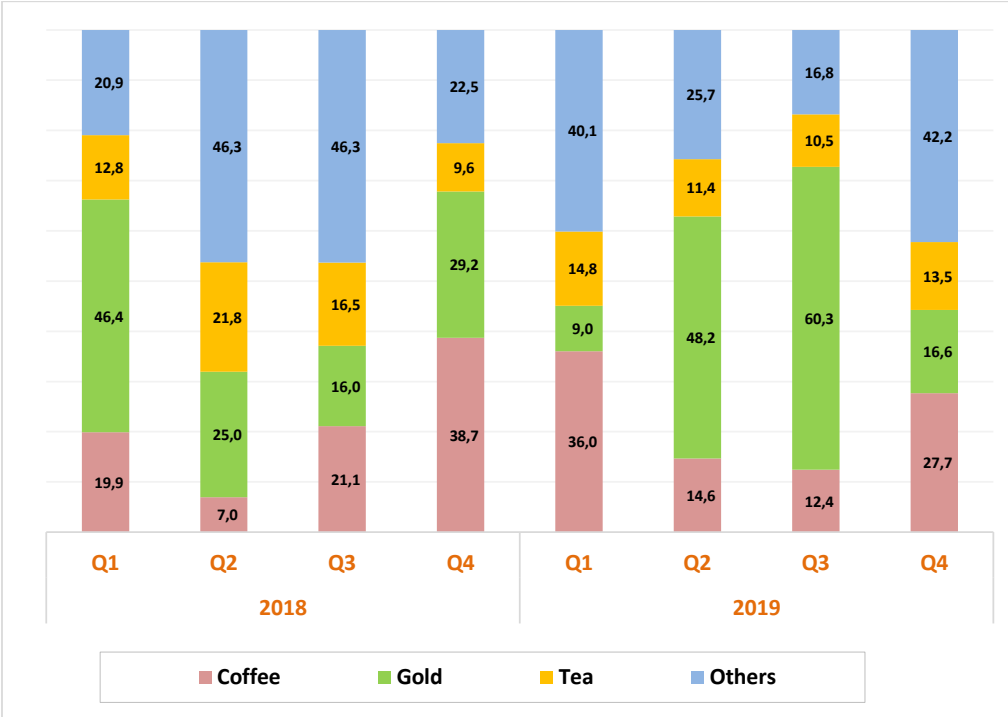


Source: BRB

Exports decreased by 20.8% year -on- year basis, from BIF 84,238.4 million to BIF 66,700.3 million in the fourth quarter 2019, driven by the decline of primary products exports (BIF 48,718.4 against BIF 69,879.7 million). On the other hand, exports of manufactured products increased (BIF 17,981.9 million against 14,358.7 million).

The decline of primary products exports mainly concerned coffee (- BIF 14,145.5 million) and non-monetary gold (-BIF 13,511.9 million) while exports of niobium increased (+BIF 5,244.9 million). Concerning exports of manufactured products, the increase mainly resulted from wheat flour exports (+BIF 1,403.6 million) and "other manufactured products" (+ BIF1, 927.1 million).

Chart 6: Key exported products (in % of the total exports)



Source: BRB

The total imports picked up by 20.5% in the fourth quarter 2019, amounting BIF 436,205.7 million against BIF 362,111.7 million in the corresponding quarter in 2018, following the increase in both imports of intermediate goods (BIF 204,589.3 million against BIF 155,368.1 million), imports of consumer goods (BIF 161,713.7 million against BIF 142,923.3 million) and imports of capital goods (BIF 69,902.7 million against BIF 63,820.3 million).

The increase of intermediate goods mainly concerned mineral oils (+BIF 24,100.6 million), goods intended for construction (+BIF 11,928.2 million), food goods (+BIF 5,441.3 million) and to those intended for agriculture and livestock (+BIF 3, 329.3 million).

The increase of consumer goods is driven by durable consumer goods: such as textiles (+BIF 16,431.3 million), vehicles (+BIF 7,199.4 million) and other durable consumer goods (+BIF 4,009.4 million). However, imports of non-durable consumer goods decreased, especially pharmaceutical products (-BIF 6,243.6 million) and food goods (- BIF 4,441.1 million). Concerning the capital goods, the increase is mainly driven by electrical equipment (+BIF 8,854.1 million).

2.2.2. Balance of payments

The balance of payments for the fourth quarter 2019 recorded a net borrowing (balance from current and capital accounts) of BIF 103,203.8 million, an increase of BIF 24,103.4 million compared to that of the corresponding quarter in 2018. This result explained by the worsening of the current account deficit; to -BIF 171,650.9 million from -BIF 129,566.5 million, despite the increase surplus of the capital account, amounting to BIF 68,447.0 million from BIF 50,466.0 million.

Table 6: Balance of payments (in BIF million)

	Q4-2018	Q4-2019
CURRENT ACCOUNT	-129 566,5	-171 650,9
Credit	296 154,5	338 353,7
Debit	425 721,0	510 004,6
Goods	-222 340,4	-305 805,2
Exports FOB	84 238,5	66 700,4
Imports FOB	306 578,9	372 505,6
Services	-68 436,2	-67 255,8
Credit	36 575,3	55 876,6
Debit	105 011,5	123 132,4
Primary income	4 974,2	10 481,1
Credit	7 945,8	14 448,7
Debit	2 971,6	3 967,6
Secondary income	156 236,0	190 929,0
Credit	167 395,0	201 328,0
Debit	11 159,0	10 399,1
CAPITAL ACCOUNT	50 466,0	68 447,0
Credit	50 602,5	70 554,4
Debit	136,5	2 107,4
Net lending(+)/ Net borrowing (-) (from balance of current and capital accounts)	-79 100,5	-103 203,8
FINANCIAL ACCOUNT		
Net lending(+)/ Net borrowing (-) (from balance of financial account)	-60 633,9	-57 709,7
Direct investments	0,0	-1 401,2
Net acquisition of financial assets	0,0	0,0
Net incurrence of liabilities	0,0	1 401,2
Portfolio investments	0,0	0,0
Net acquisition of financial assets	0,0	0,0
Net incurrence of liabilities	0,0	0,0
Financial derivatives	0,0	0,0
Net acquisition of financial assets	0,0	0,0
Net incurrence of liabilities	0,0	0,0
Other investments	-82 248,7	-147 525,1
Net acquisition of financial assets	24 453,8	22 213,3
Net incurrence of liabilities	106 702,5	169 738,4
-of which Allocations of SDRs	0,0	0,0
Reserve assets	21 614,8	91 216,6
NET ERROS AND OMISSIONS	18 466,6	45 494,2

Source: BRB

The balance of goods further worsened, amounting to -BIF 305,805.2 million from -BIF 222,340.4 million, on account of the larger increase of imports FOB (+BIF 65,926.7 million) and the declining of exports FOB (-BIF 17,538.1 million). The deficit of services established at -BIF 67,255.8 million from -BIF 68,436.2 million in the same period in 2018, mainly driven by the deficit of transport services (-BIF 84,833.3 million from - BIF 71,187.2 million).

However, the surplus of secondary incomes account increased, to BIF 190,929.0 million from BIF 156,236.0 million, due to the transfers of both private sector (+BIF 23,637.0 million) and public sector (+BIF 11,056.0 million). The increase of private sector transfers concerned personal transfers (BIF 44,749.0 million against BIF 11,302.1 million); others secondary incomes decreased (BIF114,404.3 million against BIF 124,214.2 million). Primary incomes, although still low, increased to BIF 10,481.1 million from BIF 4,974.2 million, mainly driven by compensation of employees.

The financial account for the fourth quarter 2019 recorded a lower deficit compared to the corresponding quarter in 2018, amounting to BIF 57,709.7 million from a deficit of BIF 60,633.9 million. The balance of other investments deteriorated (-BIF 147,525.1 million against -BIF 82,248.7 million) mainly driven by the increase of liabilities under long-term loans for Central Bank (BIF 77,295.1 million against BIF 266.5 million).

2.2.3. Foreign Assets

The gross foreign assets increased by 29.7% quarter-on-quarter, and by 26.5% year-on-year basis.

Table 7: Foreign assets (in USD million)

	End of period in USD million			Change in %	
	Dec-2018	sept-19	Dec -2019	Quarterely	Annual
Foreign assets held by BRB	80,50	81,70	128,50	57,3	59,6
O/w: official Reserves	70,30	65,50	113,40	73,1	61,3
Foreign assets held by commercial banks	79,80	74,70	74,30	-0,5	-6,9
Total foreign assets	160,30	156,40	202,80	29,7	26,5

Source: BRB

The foreign assets of Central Bank increased by 57.3% quarter -on- quarter, and by 59.6% year –on- year. By contrast, those of the commercial banks slightly contracted by 0.5% on quarterly basis and by 6.9%, yearly.

The official exchange reserves improved by 73.1% at the end of December 2019, amounting to USD 113.4 million from USD 65.5 million. They grew by 61.3% year-on-year and covered 1.5 month of imports of goods and services compared to 1.0 month recorded in the same period in 2018, while the floor is fixed at 4.5 months of imports in the EAC macroeconomic convergence criteria.

2.3. Public finance

In the fourth quarter 2019, the fiscal deficit (including grants) improved, dropping from BIF 73,593.6 million to BIF 51,181.9 million in the same quarter in 2018, driven by the larger increase of revenue than expenditure. This deficit was mainly financed by a net domestic debt of BIF 85,276.5 million.

Table 8: Government Financial Operations (in BIF Million)

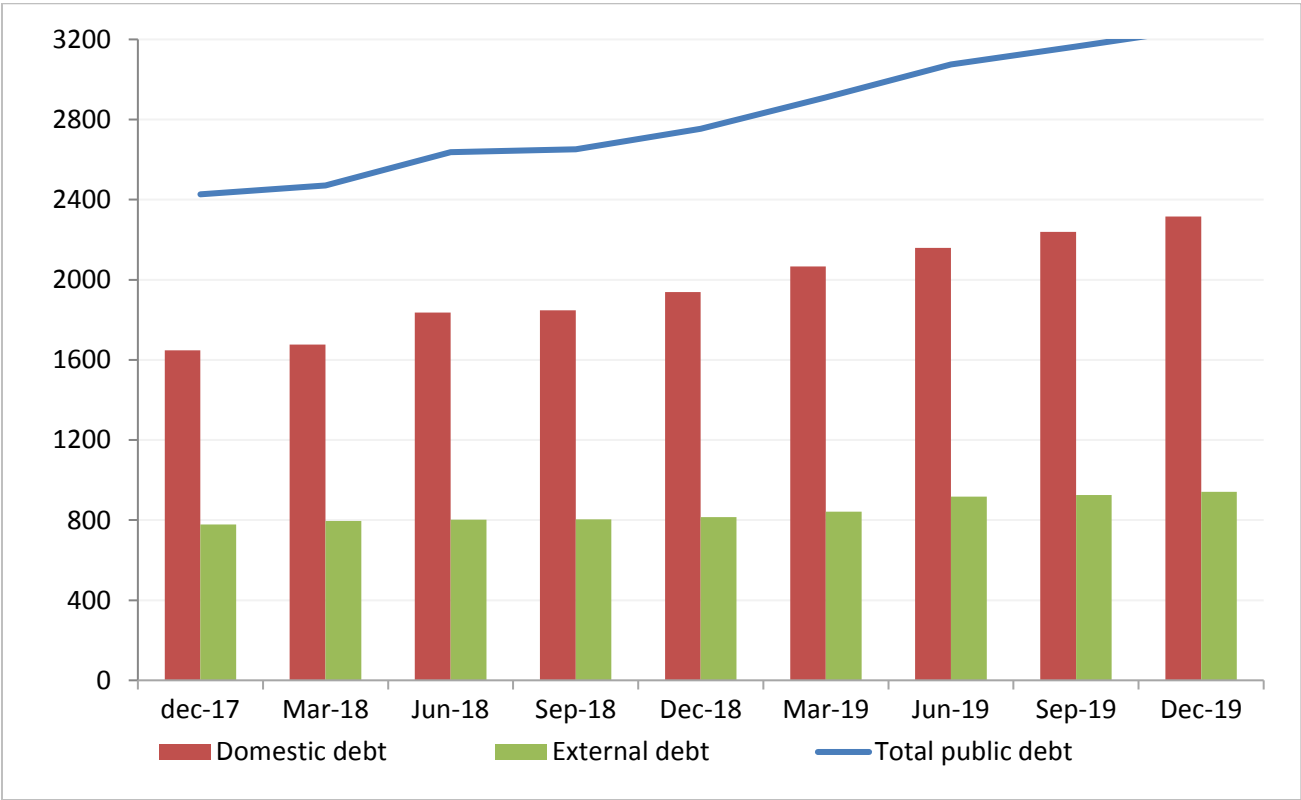
	Q4-2018	Q3-2019	Q4-2019
A. REVENUE AND GRANT	261,155.8	306,489.2	321,040.5
a. Revenue	210,731.2	252,436.5	261,238.5
Current revenue	210,731.2	252,436.5	261,238.5
Exceptional revenue	-	-	-
b. Grant	50,424.6	54,052.6	59,802.0
Current	-	-	-
Capital	50,424.6	54,052.6	59,802.0
B. EXPENDITURE	334,749.4	379,529.0	372,222.4
a. Current expenditure	237,093.6	258,385.0	227,276.8
Salaries	104,509.3	110,624.5	112,859.3
b. Investment expenditure	97,655.8	121,144.0	144,945.6
On internal resources	38,631.6	49,477.5	77,916.3
On foreign borrowing and grants	59,024.2	71,666.5	67,029.3
OVERALL BALANCE including grants(basis commitment)	-73,593.6	-73,039.8	-51,181.9
C. NET FINANCING	73,593.7	73,039.8	51,181.8
a. External	7,925.2	11,658.5	2,980.0
b. Domestic	90,042.5	18,668.3	85,276.5
D. ERRORS AND OMISSIONS	-24,374	42,713.0	-37,074.7

Source: MFBCDE

Year-on-year basis, revenue grew by 24.0 percent in the fourth quarter 2019 compared to the same period in 2018, amounting to BIF 261,238.5 million from BIF 210,731.2 million. During the same period, grants increased by 18.6 percent, reaching BIF 59,802.0 million from BIF 50,424.6 million.

Likewise, expenditure rose by 11.2 percent, amounting to BIF 372,222.4 million from BIF 334,749.4 million, following an increase of capital expenditure by 48.4 percent, while current expenditure declined by 4.1 percent.

Chart 7: Public debt (in BIF million)



Source: BRB

Total public debt increased by 19.3% year-on-year basis, amounting to BIF 3,162.9 billion from BIF 2,651.1 million and by 2.9% compared to the previous quarter. Domestic debt increased 21.2% year-on-year, from BIF 1.846.9 to 2.238.5 billion and by 3.7% quarter-on-quarter. The main component of domestic debt was Treasury securities and Central Bank overdraft. Thus, the domestic debt represented 70.7% of total public debt.

Year-on-year basis, the stock of external debt increased by 14.9%, from 804,250.5 to BIF 924,353.6 million. This increase is explained by the drawings (BIF 113,547.0 million) and the reevaluation gains (BIF 20,250.5 million) which exceeded the repayment of the debt in principal (BIF 13,694.5 million). Likewise, it increased by 1.2% compared to the previous quarter, due to new drawings (BIF 17,613.8 million), partially offset by reevaluation losses (BIF 953.6 million) and debt repayment in principal (BIF 5,955.4 million).

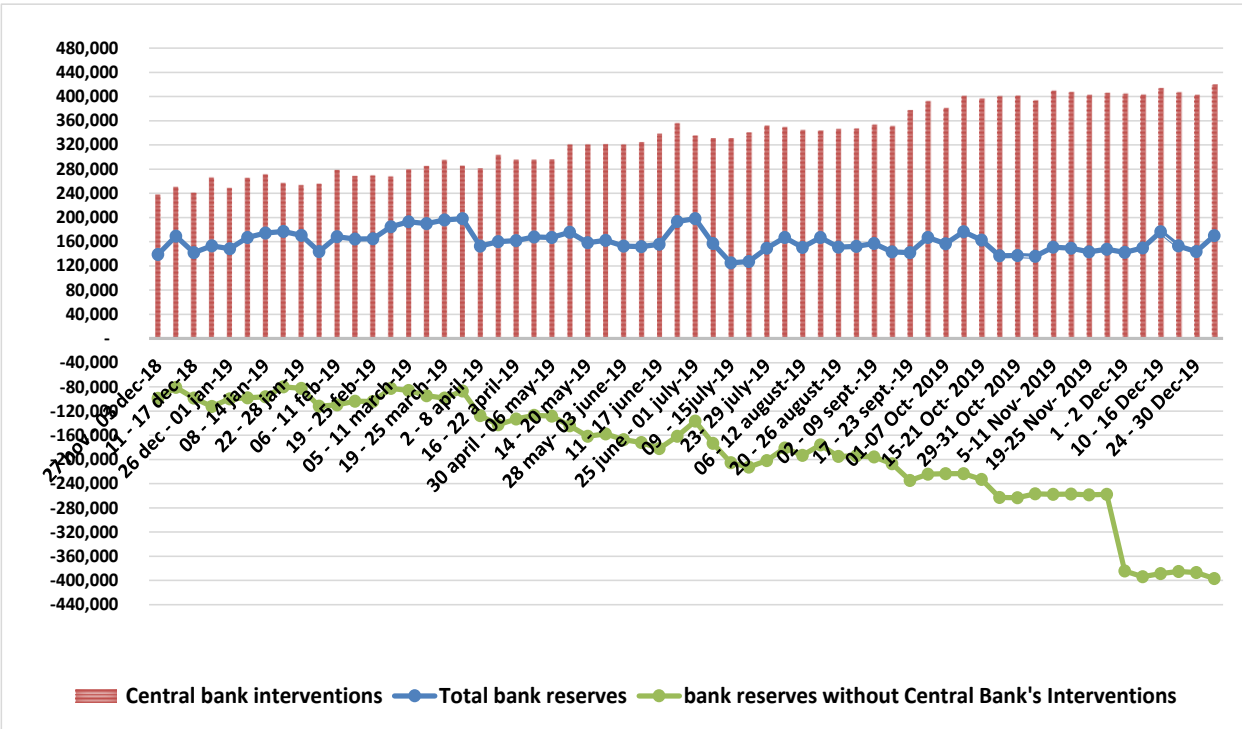
2.4. Monetary sector

2.4.1. Bank reserves and interest rates

Without Central Bank interventions, commercial bank reserves decreased in the fourth quarter 2019. On weekly average, they are amounted to BIF -296,040 against -194,771 million in the previous quarter and –BIF -116,224 million in the same period in 2018.

The outstanding refinancing stood, in weekly average, to BIF 401,467 million in the fourth quarter 2019 against BIF 349,377 million in the previous quarter. In the same quarter in 2018, the outstanding refinancing stood at BIF 267,950 million.

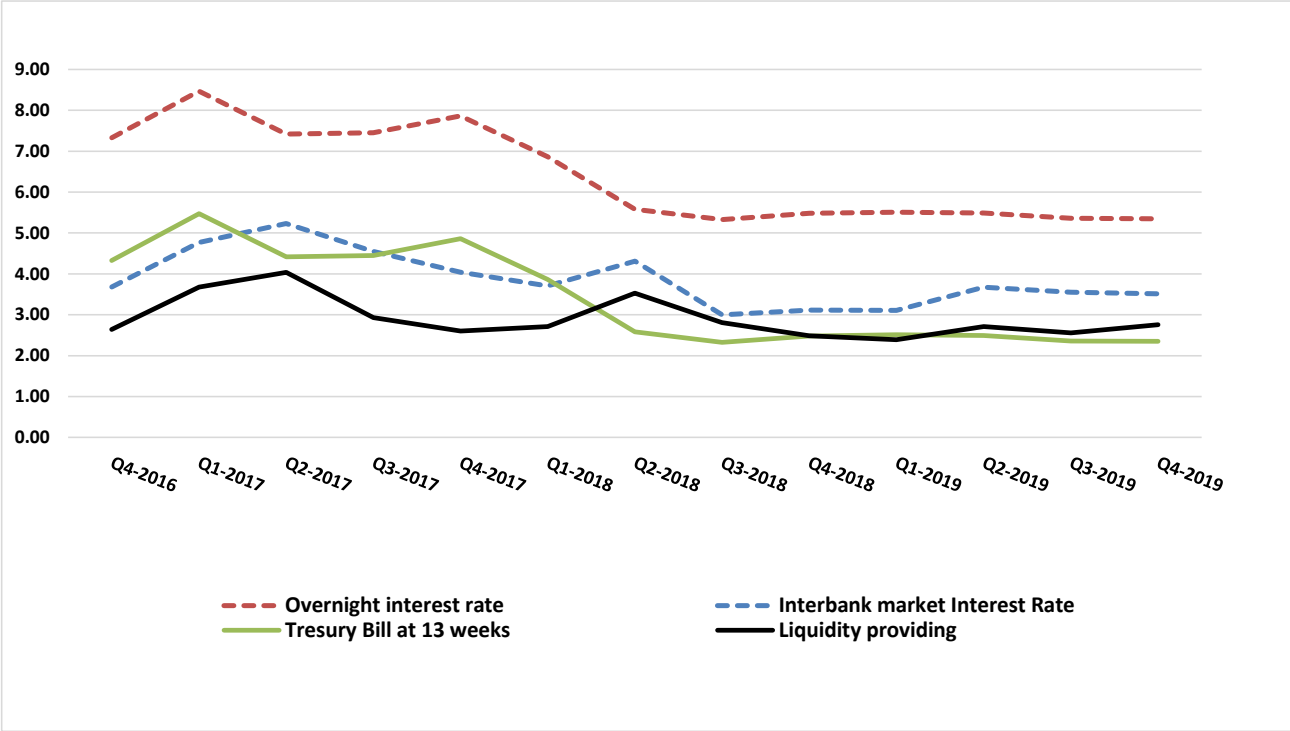
Chart 8: Commercial banks’ reserves and BRB’s interventions



Source: BRB

Interest rates on money market slightly decreased in the fourth quarter 2019. In fact, the average interest rate on liquidity injection slightly increased from 2.56% to 2.76%. The interbank rate decreased, from 3.51% to 3.55% quarter -on- quarter. However, the interest rate of the overnight lending facility almost stabilized (5.35 against 5.36%).

Chart 9: Money market interest rates (%)

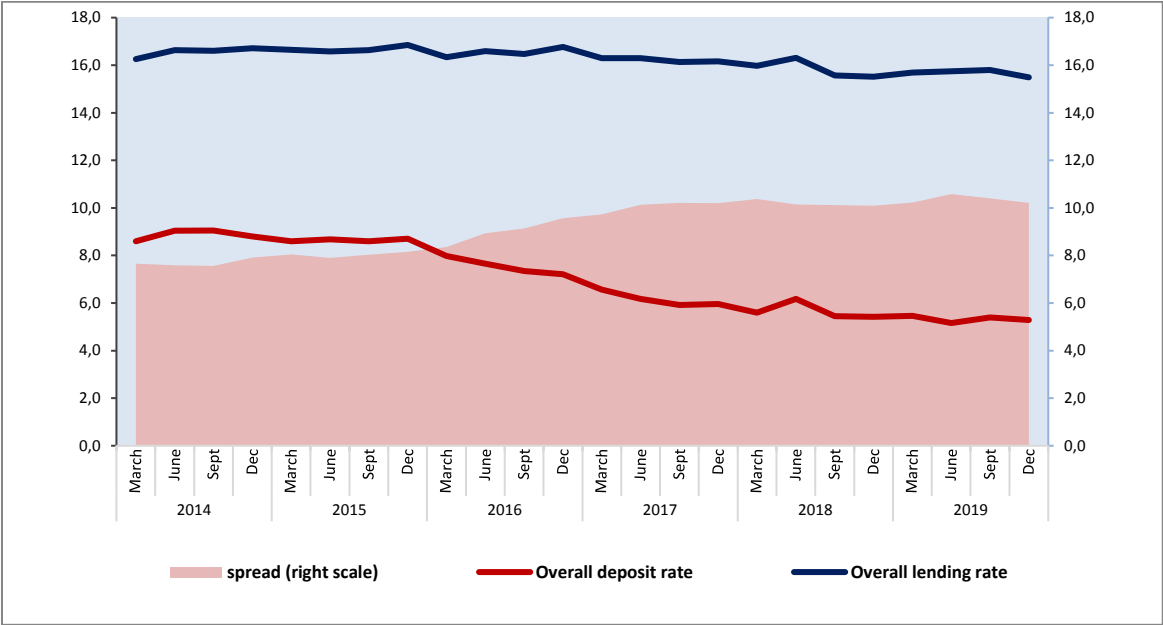


Source: BRB

The interest rate on outstanding loans slightly decreased at the end of December 2019, to 15.49% compared to 15.80% at the end of September 2019 and 15.51% at the end of December 2018. Likewise, on average, the interest on outstanding loans in the fourth quarter 2019 decreased, standing at 15.12% compared to 16.15% in the previous quarter and 15.83% recorded in the same period in 2018.

The interest rate on loans authorized in the fourth quarter 2019 stood at 16.12%, from 16.15% in the preceding quarter and 15.83% in the same period in 2018. The rise in the last quarter was explained by short term credits (14.84 against 16.39%) and long term credits (14.24 against 14.31%).

Chart 10: Average deposit, lending interest rates and spread (in %)



Source: BRB

The average interest rate on deposit declined to 5.28% on average at the end of December 2019, from 5.16% and 5.51 % at the end of September 2019 and in the same period in 2018, respectively. This decline was on account of remunerated demand deposits and the interest rate on time and savings deposits, while passbook savings accounts slightly increased.

2.4.2. Reserve money

The reserve money rose by 8.3% quarter on quarter basis, amounting to BIF 698,151.6 million from BIF 644,436.4 million, due to the increase of net foreign assets (+10,0%) and net domestic assets (+5%).

Concerning the components, the increase of reserve money mainly driven by the currency in circulation (+BIF 41,037.5 million) and deposits of commercial bank and microfinances (+BIF 17,606.0 million) and other financial institutions (+ BIF 1,013.4 million). On the other hand, the other deposits decreased by BIF 5,942.1 million.

Table 9: Reserve Money and its counterparts at the end of December 2019 (in BIF million)

	Dec-2018	sept-19	Dec-2019	change (in %)	
				Quarterly	Annual
Currency in circulation	350 207,6	373 777,4	414 814,9	11,0	18,4
Bank and microfinance deposits	170 875,7	213 478,9	231 085,3	8,2	35,2
Other financial corporation deposits	3 538,8	3 326,6	4 340,0	30,5	22,6
Othr deposits	40 206,7	53 853,5	47 911,4	-11,0	19,2
Base money	564 828,8	644 436,4	698 151,6	8,3	23,6
Net foreign assets	-165 217,1	-143 734,8	-129 390,7	10,0	21,7
Net domestic assets	730 045,9	788 171,2	827 542,3	5,0	13,4
Net claims on the Government	441 299,1	291 333,9	324 828,0	11,5	-26,4
Other items , net	288 746,8	496 837,3	502 714,3	1,2	74,1

Source: BRB

The reserve money grew by 23.6% year-on-year basis, on account of net foreign assets (+ 21.7%) and net domestic assets (+13.4%). The increase of reserve money was on account of all its compartments: the currency in circulation picked up by 18.4%, the deposits of commercial banks and microfinance by 35.2%, the deposits of other financial institutions by 22.6% and other deposits by 19.2%.

Table 11: Source of change of reserve money at the end of December 2019

	Change from Sept. 2019	Change from Dec. 2018
Net foreign assets (NFA)	2,2	6,3
Net domestic assets (NDA)	6,1	17,3
Net claims on the Government	5,2	-20,6
Other items , net	0,9	37,9
Base money	8,3	23,6

Source: BRB

The analysis in terms of contribution reveals that the quarterly increase of reserve money was of both domestic (6.1 percentage points) and external origins (2.2 percentage points). Likewise, the annual increase was of both internal (17.3 percentage points) and external origins (6.3 percentage points).

2.4.3. Broad money and counterparts

The money supply M3 increased by 4.7% quarter on quarter, from BIF 2,073.6 billion to BIF 2,171.0 billion. This increase was driven by currency outside banks (+13.0%), time and savings deposits (+26.3%) and the deposits of residents in foreign currencies (+1.6%). On the other hand, the demand deposits decreased by 5.9%.

The quarterly increase of the money supply resulted from both the rise of net domestic (+ 3.3%) and foreign assets (+9.3%). The increase of net domestic assets was on account of net claims on the Government (+BIF 111,876.3 million) and on the economy (+ BIF 18,046.2 million), while the other net items declined (- BIF 59,691.5 million).

Table 12: Broad money and counterparts (in BIF million)

	Dec-2018	sept-19	Dec-2019	change (in %)	
				Quarterly	Annual
M3	1 797 468,9	2 073 557,0	2 171 039,8	4,7	20,8
NFA	-203 201,0	-227 582,3	-206 330,5	-17,2	-4,7
NDA	2 000 669,9	2 301 139,3	2 377 370,3	3,3	18,8
Domestic credit	2 369 485,6	2 681 157,0	2 817 079,5	5,1	18,9
Net claims on the Government	1 337 534,0	1 501 448,9	1 619 325,2	7,9	21,1
Claims on the economy	1 031 951,6	1 179 708,1	1 197 754,3	1,5	16,1
Other items , net	-368 815,7	-380 017,7	-439 709,2	-15,7	-19,2

Source: BRB

Year-on-year basis, the money supply M3 increased by 20.8%. This growth was driven by demand deposits (+ 14.9%), time and savings deposits (+ 37.9%), residents' foreign currency holdings (+ 9.7%) and currency outside banks (+ 21.4%).

Regarding counterparties, the increase was mainly on account of net domestic assets (+ 18.9%), while net foreign assets declined (-1.5%). The increase of net domestic assets concerned net claims on the Government (+BIF 281,791.2 million) and claims on the economy (+ BIF 165,802.7 million), the other net items decreased (-BIF 70,893.5 million).

Table 13: Source of the change of broad money at end December 2019

	Change from Sept. 2019	Change from Dec. 2018
Net foreign assets (NFA)	1,0	-0,2
Net domestic assets (NDA)	3,7	21,0
o/w: - Domestic credit	6,6	24,9
- Other Items net	-2,9	-3,9
Broad money (M3)	4,7	20,8

Source: BRB

The increase of the money supply was mainly driven by net domestic assets, both quarterly (3.7 percentage points) and annual basis (21.0 percentage points).

2.5. Banking sector development and financial stability

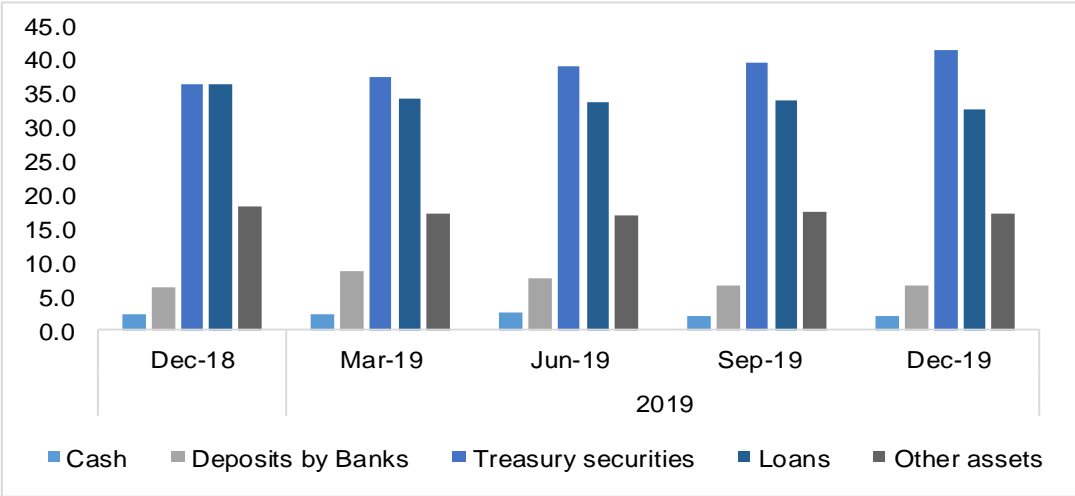
The banking sector's balance sheet increased by 26.1% yearly, amounting to BIF 3,262.1 billion in December 2019 from BIF 2,587.1 billion in December 2018 and by 5.6% on a quarterly basis. Over the same period, the credit portfolio and customer deposits slightly increased. The banking sector remained well capitalized and profitable when the solvency ratios stood within the regulatory requirements.

2.5.1. Banking activities

2.5.1.1. Main resources

The total deposits rose by 22.1% on a yearly basis, reaching BIF 1,772.5 billion in December 2019 from BIF 1,514.7 billion in December 2018 and by 4.4% on a quarterly basis. On the other hand, the Central Bank refinancing increased by 77.5% yearly, amounting to BIF 427.5 billion in December 2019 from BIF 240.9 billion in December 2018, and by 8.7% quarterly.

Chart 11 : Liabilities' structure (in %)

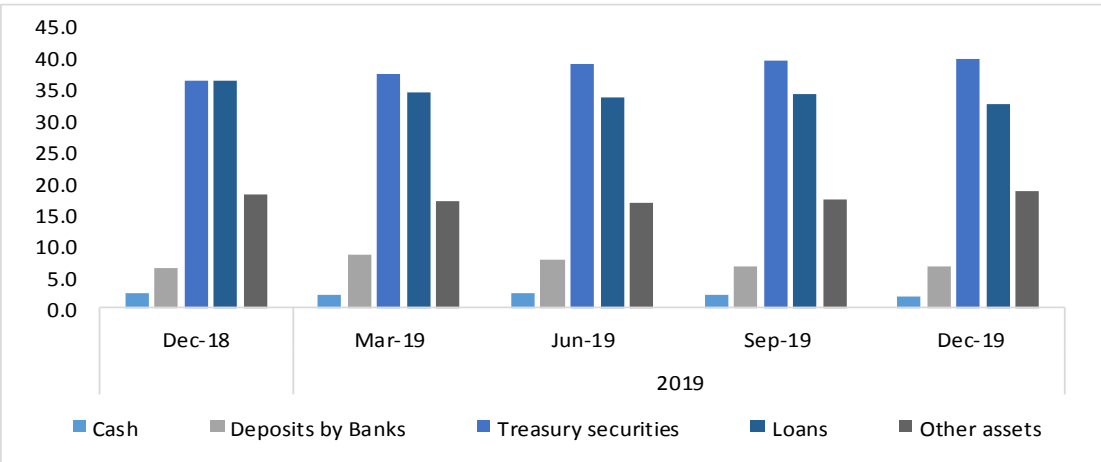


Source: BRB

2.5.1.2. Main Assets

The credit portfolio picked up by 13.5% in December 2019, amounting to BIF 1,071.5 billion from BIF 944.1 billion in December 2018 and by 1.5% from September 2019. The outstanding Treasury securities rose by 43.7% yearly and by 8.1% quarterly, and amounted to BIF 1,357.0 billion from BIF 944.1 billion in December 2018.

Chart 12: Distribution of the banking sector assets (in % of the total)



Source: BRB

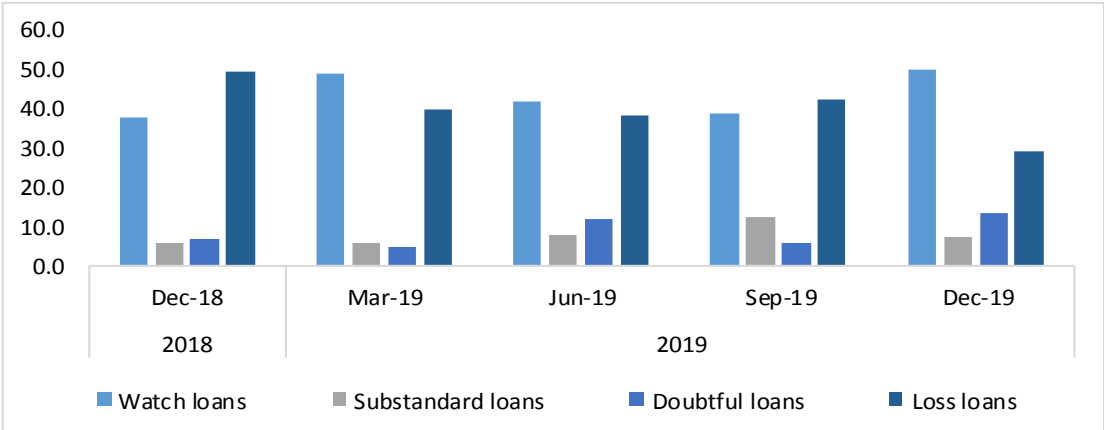
2.5.2. Loans portfolio quality

The overdue loans decreased by 33.4% year-on-year and by 32.0% quarter-on-quarter basis, thus amounting to BIF 122.5 billion in December 2019 from BIF 139.4 billion in December 2018

and BIF 141.2 billion in September 2019. The Non-performing loans (NPLs) declined by 27.9%, standing to BIF 61,208.4 million from BIF 84,924.1 million in December 2018, mainly due to the write-off of two years old loss loans in the banking sector’s balance sheet.

The non-performing loans fell by 10.9 percent points, standing at 50% of the total overdue loans in December 2019 from 60.9% in the corresponding period in 2018. On the other hand, the share of watch loans grew by 12, 2 percent points yearly, from 37.8% to 50.0%.

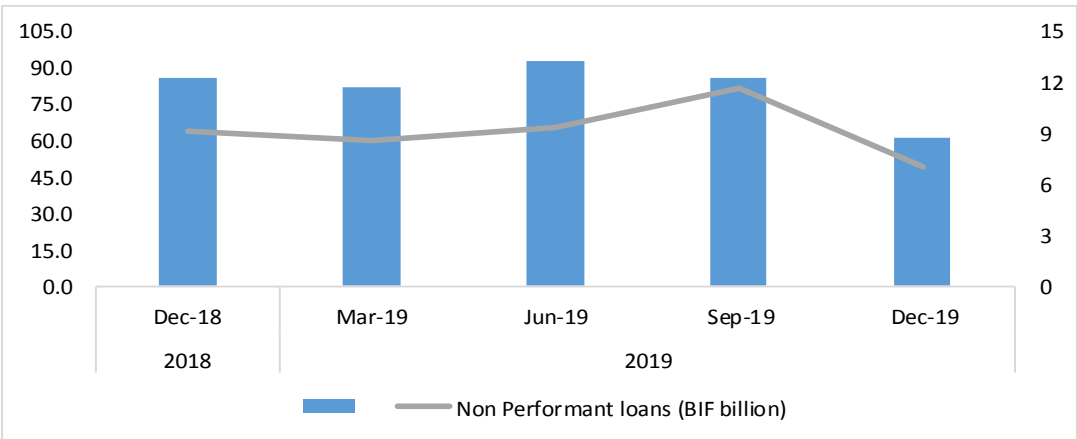
Chart 13: Overdue loans per class (in %)



Source: BRB

The non-performing loans ratio declined by 3.3 percent points, standing at 5.7% in December 2019 from 9.0 % in December 2018.

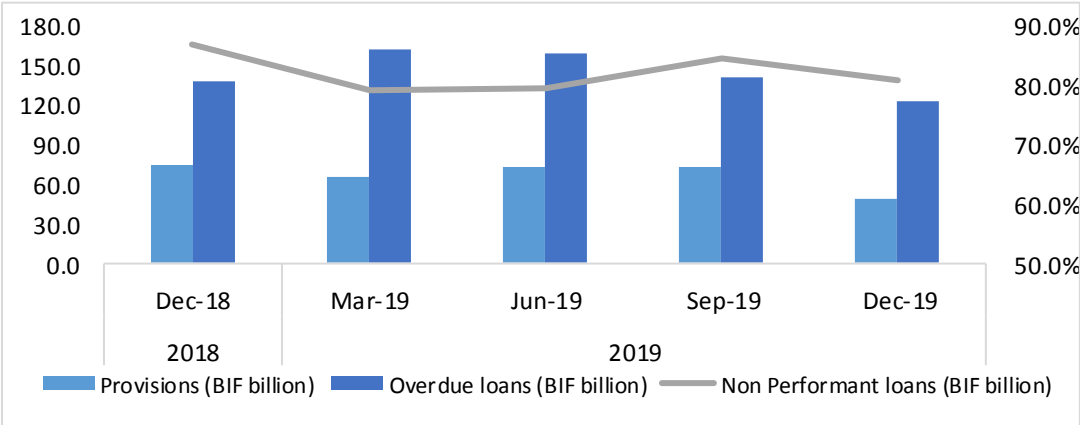
Chart 14: Non-performing loans



Source: BRB

The coverage ratio of non-performing loans by provisions decreased year-on-year and quarterly, reaching 80.7% in December 2019 from 87.3% and 84.6% respectively in December 2018 and September 2019.

Chart 15: Provisions and coverage rate

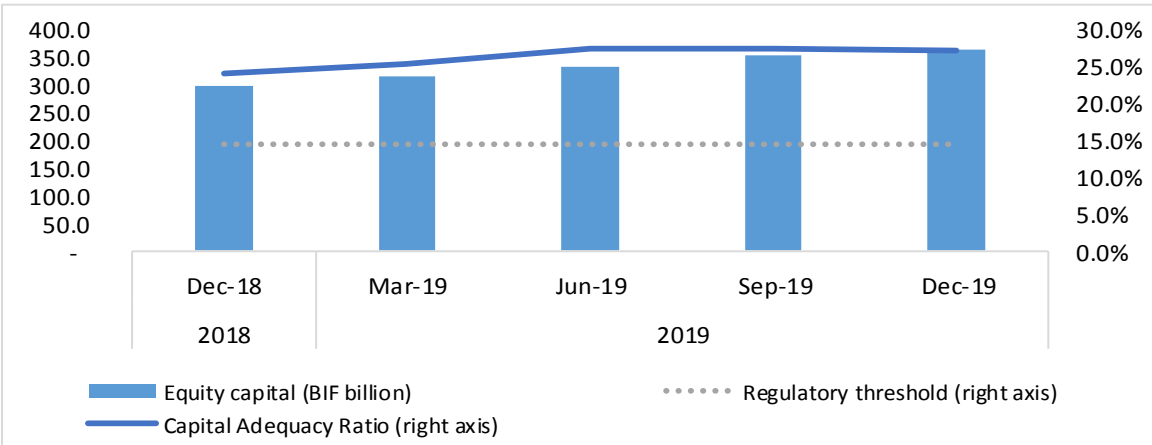


Source: BRB

2.5.3. Capital adequacy

The equity capital of the banking sector rose by 16.4% year-on-year and by 2.8% quarterly, amounting to BIF 364.8 billion in December 2019 from 313.3 billion in December 2018 and 354.9 billion BIF in September 2019. Likewise, the total capital adequacy ratio improved yearly, from 21.6% in December 2018 to 24.9%.

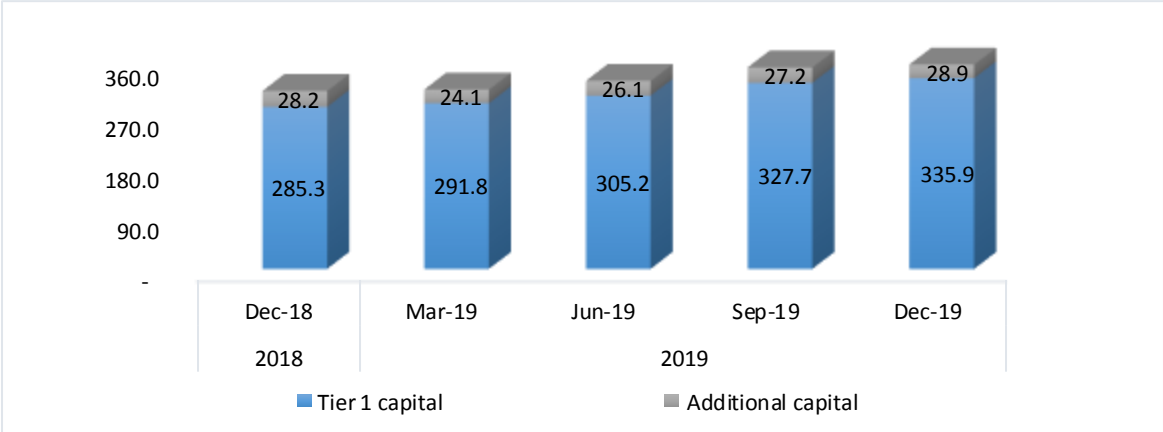
Chart 16: Equity capital (in BIF million)



Source: BRB

The Tier 1 capital adequacy ratio improved by 16.4% yearly and by 2.8% quarterly, amounting to BIF 327.7 billion in December 2019 from BIF 335.9 billion in December 2018 and BIF 286.6 billion BIF in September 2019.

Chart 17: Composition of equity (in BIF billion)



Source: BRB

2.5.4. Banking sector’s profitability

The banking sector's gross income grew by 21.2% yearly and by 35.8% quarterly, amounting to BIF 256.0 billion in December 2019 from BIF 211.2 billion in December 2018 and BIF 188.6 billion in September 2019. The Net Income rose by 83.4% yearly and by 35.8% on a quarterly basis, from BIF 65,079.6 million in December 2018 and BIF 92,461.4 million in September 2019 to BIF 119,359, 3 million in December 2019. Thus, the returns on assets (ROA) and returns on equity (ROE) stood to 3.7 and 32.7%, respectively, from 2.5% and 20, 8% in the corresponding period in 2018.

CONCLUSION AND MONETARY POLICY MEASURES

In the fourth quarter 2019, economic growth decelerated in the main advanced countries year-on-year and quarter -on- quarter basis. This deceleration is driven by the uncertainty of trade policies, geopolitical tensions and the specific difficulties of the main emerging and developing countries.

According to IMF forecasts for April 2020, a global economic recession is expected following the negative impact of the COVID-19 pandemic which caused the drop of demand for goods and services and commodities prices slow down.

In sub-Saharan Africa, real GDP is expected to contract in 2020 following the negative effect of COVID-19 pandemic on economic growth, particularly commodity prices slow down. Other specific factors in some countries such as permanent structural constraints in South Africa, climate shocks and other natural shocks explain this poor performance in sub-Saharan Africa. Likewise, economic growth in EAC is expected to decelerate in 2020.

In local economic development, the main production in the real sector, such as dry tea and coffee production decreased in the fourth quarter 2019 compared to the same period of the previous year. After a long period of deflation, inflation rose in the fourth quarter 2019, following the rise of food inflation.

The reserve money and money supply rose both year -on- year and quarter –on- quarter basis, driven by the increase of net domestic and net foreign assets. Official reserves picked up and covered 1.5 months of imports of goods and services compared to 1.0 month recorded in the same period in 2018. The banking sector remained sufficiently capitalized in the fourth quarter 2019 and complied with all regulatory and prudential standards.

In the fourth quarter 2019, the BRB implemented the new monetary policy measures to allow banking sector and microfinance to finance economic growth. These new measures will allow commercial banks and financial institutions to increase credit to economy.

ANNEXES

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

	2015	2016	2017	2018	2019
Primary Sector	488.0	497.1	490.9	502.9	528.9
- Subsistence agriculture	427.4	431.8	428.5	437.5	459.7
- Export Agriculture	21.3	17.6	17.5	18.3	19.8
- Coffee	4.9	4.2	4.6	4.7	5.1
- The	15.4	12.3	12.1	12.7	13.8
-Other export agriculture	1.0	1.1	0.8	0.9	1.0
- Forest	13.4	12.2	16.7	18.5	20.1
- Livestock	22.5	31.6	24.6	24.8	25.4
- Fishing	3.4	3.8	3.5	3.7	3.9
Secondary sector	290.2	322.6	323.4	334.4	354.9
-Mining	7.9	7.7	8.3	10.0	12.5
- Industries	192.3	220.8	214.2	219.1	231.6
- Food Industries	143.1	168.4	162.8	165.2	174.5
- Manufacturing	49.2	52.4	51.4	53.9	57.1
- <i>Textile Industries</i>	3.9	9.5	3.5	3.6	3.8
- <i>Other manufacturing industries</i>	45.3	42.9	47.9	50.3	53.3
- Water, gas and electricity	7.5	7.7	9.1	10.5	11.1
- Construction	82.5	86.3	91.8	94.8	99.7
Tertiary sector	828.9	821.4	897.9	940.4	966.9
- Trade	68.5	62.0	69.7	71.8	76.1
- Transport and communication	73.4	66.7	64.7	67.7	73.1
- Transport	16.8	17.6	13.5	13.9	14.8
- Postes, Telecommunication and internet	56.6	49.2	51.2	53.8	58.3
- Banks and insurance	100.0	102.8	112.4	122.5	135.7
- Accommodation, Food and other Merchant Services	114.0	108.7	126.4	128.9	132.3
- Public Administration	298.9	316.7	340.9	366.5	391.7
- Education	209.1	211.7	227.2	239.3	250.8
- Health and social services	14.0	14.4	18.0	20.0	21.0
- Activities of a collective or personal nature	54.4	45.6	51.9	54.5	57.2
- Domestic services	5.4	4.6	5.7	6.0	6.3
- SIFIM	-108.9	-111.8	-118.9	-136.8	-177.2
GDP at cost of factors(1+2+3)	1,607.1	1,641.1	1,712.2	1,777.6	1,850.7
Indirect taxes minus subsidies	177.5	200.6	195.9	203.4	211.8
GDP at market price	1,784.6	1,841.7	1,908.1	1,981.0	2,062.4

Source: MBGP

ANNEX 2: INFLATION BY MAIN COMPONENTS (in %)

Period	Headline Inflation	Food inflation	Non-food inflation
Jan-18	6,1	3,2	7,9
Feb-18	-1,3	-8,7	8,5
Mar-18	-2,6	-11,0	8,3
Apr-18	-1,7	-9,6	8,5
May-18	-1,0	-8,7	8,8
Jun-18	-0,4	-7,9	8,8
Jul-18	-0,8	-8,5	8,8
Aug-18	-2,3	-10,9	8,2
Sep-18	-5,6	-15,8	6,8
Oct-18	-8,4	-20,2	6,2
Nov-18	-7,3	-18,7	6,6
Dec-18	-5,6	-15,2	5,9
Jan-19	-3,8	-10,9	4,4
Feb-19	-4,1	-10,9	3,1
Mar-19	-2,9	-7,8	2,3
Apr-19	-2,2	-6,1	1,9
May-19	-2,4	-5,7	1,2
Jun-19	-4,0	-8,6	0,9
Jul-19	-2,6	-6,2	1,1
Aug-19	-0,6	-2,9	1,6
Sep-19	2,0	2,9	1,1
Oct-19	4,0	6,4	1,8
Nov-19	3,6	6,5	0,8
Dec-19	4,9	8,9	1,1

Source: *ISTEEBU*

Annex 3: Government Financial Operations (in MBIF)

	Revenue			Expenditures	Overall Balance
	Fiscal Revenue	Grant	Total		
Jan-17	53,627.70	7,058.30	60,686.00	64,415.60	-3,729.60
Feb-17	51,656.90	10,991.70	62,648.50	84,274.10	-21,625.60
Mar-17	73,064.80	13,243.60	86,308.40	87,906.10	-1,597.80
Apr-17	51,144.70	9,769.60	60,914.30	98,016.50	-37,102.20
May-17	54,415.70	8,886.70	63,302.40	87,125.30	-23,822.90
Jun-17	65,194.30	22,169.00	87,363.30	88,592.80	-1,229.50
Jul-17	67,742.90	11,005.50	78,748.40	87,554.40	-8,806.00
Aug-17	72,246.70	9,317.20	81,563.90	113,343.30	-31,779.40
Sep-17	69,515.00	8,503.20	78,018.20	82,670.90	-4,652.70
Oct-17	60,683.30	16,279.20	76,962.50	124,142.80	-47,180.30
Nov-17	65,298.00	8,264.80	73,562.80	79,101.30	-5,538.40
Dec-17	69,552.50	13,024.20	82,576.70	131,400.00	-48,823.20
Jan-18	62,945.10	9,475.40	72,420.50	72,255.80	164.8
Feb-18	58,578.40	24,358.30	82,936.70	128,496.30	-45,559.60
Mar-18	90,994.60	18,147.30	109,141.90	112,356.80	-3,215.00
Apr-18	65,134.60	17,173.80	82,308.40	102,753.10	-20,444.70
May-18	63,096.80	19,297.10	82,393.90	119,669.80	-37,275.80
Jun-18	75,254.20	31,153.20	106,407.40	162,729.20	-56,321.80
Jul-18	60,554.70	11,601.30	72,156.00	79,153.40	-6,997.30
Aug-18	75,622.20	12,063.40	87,685.60	102,781.40	-15,095.90
Sep-18	73,977.30	17,554.90	91,532.20	97,407.00	-5,874.80
Oct-18	70,957.30	13,169.40	84,126.70	121,865.50	-37,738.80
Nov-18	61,412.20	8,713.80	70,126.00	85,930.70	-15,804.70
Dec-18	78,361.60	28,541.40	106,903.00	126,953.20	-20,050.20
Jan-19	66,765.74	14,412.40	81,178.14	130,266.34	-49,088.20
Feb-19	67,427.71	24,367.44	91,795.16	116,847.05	-25,051.89
Mar-19	97,566.21	19,018.00	116,584.21	99,644.02	16,940.19
Apr-19	76,198.11	19,259.45	95,457.56	130,649.64	-35,192.08
May-19	69,221.83	20,060.20	89,282.03	129,261.73	-39,979.71
Jun-19	99,216.12	32,212.40	131,428.52	115,908.89	15,519.62
Jul-19	70,893.23	18,882.46	89,775.68	130,255.85	-40,480.17
Aug-19	91,851.64	11,589.11	103,440.75	104,347.77	-907.02
Sep-19	89,691.65	23,581.07	113,272.72	144,925.37	-31,652.65
Oct-19	96,140.47	23,253.33	119,393.80	151,672.93	-32,279.13
Nov-19	78,123.50	25,896.32	104,019.82	133,010.26	-28,990.44
Dec-19	86,974.57	10,652.30	97,626.87	87,539.10	10,087.77

Source: MFBP

ANNEX 4: Government debt (in BIF million)

Period	BRB	Tresury securities	Total domestic debt	External debt	Total Government debt
Mar-17	741,269.6	627,821.5	1,417,624.4	729,097.9	2,146,722.2
Apr-17	733,398.9	643,307.1	1,421,358.6	718,755.2	2,140,113.7
May-17	748,696.4	660,063.7	1,454,777.5	747,209.9	2,201,987.3
Jun-17	748,813.6	676,889.0	1,466,639.3	754,428.4	2,221,067.7
Jul-17	732,104.3	676,920.9	1,449,886.8	760,152.9	2,210,039.7
Aug-17	730,342.1	709,627.0	1,484,285.3	770,343.8	2,254,629.1
Sep-17	713,443.5	731,279.5	1,488,664.1	774,953.0	2,263,617.1
Oct-17	741,876.6	735,555.4	1,517,163.4	773,687.4	2,290,850.8
Nov-17	747,014.0	750,243.2	1,529,783.7	775,221.7	2,305,005.3
Dec-17	787,208.1	829,763.9	1,647,833.5	778,292.4	2,426,125.9
Jan-18	745,506.8	839,987.2	1,616,355.3	787,987.1	2,404,342.4
Feb-18	745,661.6	860,401.8	1,635,451.4	789,859.3	2,425,310.7
Mar-18	737,539.1	890,327.3	1,657,190.3	795,087.8	2,452,278.1
Apr-18	715,697.6	916,907.0	1,662,527.3	809,971.8	2,472,499.1
May-18	714,813.1	944,719.0	1,690,761.6	800,922.3	2,491,683.9
Jun-18	780,458.1	986,452.3	1,798,139.9	801,839.6	2,599,979.6
Jul-18	739,553.0	992,658.3	1,794,338.5	803,941.0	2,598,279.5
Aug-18	722,760.6	1,030,022.1	1,815,208.1	802,130.7	2,617,338.8
Sep-18	723,876.1	1,053,468.6	1,840,988.4	804,250.5	2,645,238.9
Oct-18	750,952.9	1,074,283.1	1,888,931.0	804,808.3	2,693,739.3
Nov-18	749,761.5	1,099,486.2	1,912,869.3	810,165.1	2,723,034.4
Dec-18	772,108.5	1,106,829.2	1,937,821.9	815,659.1	2,753,481.0
Jan-19	735,898.0	1,170,456.8	1,965,632.6	839,143.1	2,787,450.6
Feb-19	754,785.4	1,203,007.7	2,017,332.5	839,115.7	2,838,728.6
Mar-19	776,260.3	1,230,561.3	2,066,815.1	841,910.7	2,890,839.0
Apr-19	749,554.5	1,264,065.9	2,073,957.4	867,316.3	2,941,273.7
May-19	741,946.8	1,309,285.8	2,110,469.8	907,214.9	3,017,684.7
Jun-19	762,094.0	1,339,778.2	2,158,605.5	913,648.7	3,072,254.2
Jul-19	702,399.9	1,357,433.8	2,116,921.2	927,530.4	3,044,451.6
Aug-19	759,491.5	1,393,116.1	2,210,025.2	929,375.3	3,139,400.5
Sep-19	756,889.1	1,417,542.6	2,238,502.3	924,353.6	3,162,855.9
Oct-19	751,684.2	1,450,627.6	2,278,359.7	934,482.8	3,212,842.5
Nov-19	749,081.8	1,485,146.4	2,307,188.9	936,300.8	3,243,489.7
Dec-19	746,479.4	1,497,630.9	2,314,985.5	941,851.4	3,256,836.9

Source: BRB and MFBP

ANNEX 5: Bank reserves (in BIF million)

Period	Total banking sector reserves	Central Bank Interventions
Jun-16	93,245.7	92,597.1
Jul-16	86,858.2	108,221.7
Sep-16	87,837.5	113,432.6
Oct-16	109,620.6	105,761.6
Nov-16	107,733.7	98,571.3
Dec-16	128,013.2	100,522.7
Jan-17	128,121.5	85,130.5
Feb-17	128,818.8	89,580.0
Mar-17	133,496.9	93,971.8
Apr-17	152,138.5	97,130.4
May-17	141,232.6	94,778.2
Jun-17	118,531.9	76,500.5
Jul-17	95,342.0	101,518.0
Aug-17	115,927.0	118,005.0
Sep-17	121,733.0	113,145.0
Oct-17	125,576.0	123,451.0
Nov-17	129,441.0	117,240.0
Dec-17	157,967.0	130,194.0
Jan-18	172,260.0	154,539.0
Feb-18	170,882.0	168,632.0
Mar-18	167,621.0	171,915.0
Apr-18	143,711.0	211,263.0
May-18	164,888.0	240,642.0
Jun-18	153,401.0	261,700.0
Jul-18	170,178.0	296,208.0
Aug-18	171,713.0	290,076.0
Sep-18	166,234.0	298,588.0
Oct-18	158,419.7	286,968.9
Nov-18	146,545.8	268,534.4
Dec-18	150,236.7	248,369.8
Jan-19	163,427.1	258,199.2
Feb-19	165,113.6	267,533.8
Mar-19	192,194.0	281,986.0
Apr-19	167,995.0	292,282.0
May-19	163,240.0	315,130.0
Jun-19	170,302.0	334,215.0
Jul-19	153,993.0	339,205.0
Aug-19	157,630.0	345,488.0
Sep-19	152,207.0	363,439.0
Oct-19	156 012	394 511
Nov-19	146 124	403 814
Dec-19	155 224	406 075

Source: BRB

ANNEX 6: Money market interest rate (in %)

Month	Interbank market	Overnight interest rate	Tresury Bill at 13 weeks	Liquidity providing
Q1-2016	5.13	9.35	6.35	3.37
Q2-2016	4.56	9.32	6.32	3.25
Q3-2016	4.25	8.20	5.20	3.14
Q4-2016	3.68	7.33	4.33	2.64
Q1-2017	4.77	8.47	5.47	3.68
Q2-2017	5.23	7.42	4.42	4.04
Q3-2017	4.55	7.45	4.45	2.93
Q4-2017	4.04	7.86	4.86	2.60
Q1-2018	3.71	6.86	3.86	2.71
Q2-2018	4.31	5.58	2.58	3.53
Q3-2018	3.00	5.33	2.33	2.81
Q4-2018	3.11	5.48	2.48	2.49
Q1-2019	3.11	5.51	2.51	2.39
Q2-2019	3.69	5.50	2.82	2.50
Q3-2019	3.40	5.29	2.59	2.29
Q4-2019	3.56	5.63	2.99	2.63

Source: BRB

ANNEX 7: Main activity indicators of the banking sector in December 2019 (in BIF Million)

	Commercial Banks			Financial corporations			Banking sector		
	12/31/2018	12/31/2019	Change in %	12/31/2018	12/31/2019	Change in %	12/31/2018	12/31/2019	Change in %
I. Assets	2,415,807.7	3,055,164.1	26.5	171,323.8	206,963.9	20.8	2,587,131.5	3,262,128.0	26.1
I.1. Main assets	2,047,762.4	2,617,811.1	27.8	139,181.6	172,698.5	24.1	2,186,944.0	2,790,509.6	27.6
A. Liquid assets	1,231,247.9	1,694,614.4	37.6	11,387.9	24,384.7	114.1	1,242,635.8	1,718,999.2	38.3
. Cash	59,186.3	61,935.4	4.6	2.2	14.5	567.5	59,188.4	61,950.0	4.7
. Deposits by banks and other FIs	162,672.0	212,948.5	30.9	2,722.9	3,544.0	30.2	165,395.0	216,492.4	30.9
. Interbank loans	70,719.4	78,259.6	10.7	3,262.3	5,320.9	63.1	73,981.7	83,580.5	13.0
. Treasury securities	938,670.3	1,286,305.9	37.0	5,400.5	15,505.3	-	944,070.8	1,356,976.3	43.7
. Other securities	-	55,165.1	-	-	-	-	-	55,165.1	-
B. Loans	816,514.4	923,196.7	13.1	127,793.7	148,313.7	16.1	944,308.1	1,071,510.4	13.5
. Short term loans	460,008.6	506,133.6	10.0	1,794.6	2,411.4	34.4	461,803.2	508,545.1	10.1
. Medium term loans	250,482.1	294,892.1	17.7	47,245.2	43,077.3	8.8	297,727.3	337,969.4	13.5
. Long term loans	106,023.7	122,171.0	15.2	78,753.9	102,825.0	30.6	184,777.6	224,996.0	21.8
. Leasing	-	-	-	-	-	-	-	-	-
I.2. Fixed Assets	133,013.5	152,035.7	14.3	8,649.1	8,088.0	-6.5	141,662.5	160,123.8	13.0
I.3. Other assets	235,031.9	285,317.2	21.4	23,493.1	26,177.5	11.4	258,525.0	311,494.7	20.5
II. Liabilities	2,415,807.7	3,055,164.1	26.5	171,323.8	206,963.9	20.8	2,587,131.5	3,262,128.0	26.1
II.1. Main liabilities	1,834,369.0	2,366,858.8	29.0	85,433.5	110,471.4	29.3	1,919,802.5	2,477,330.3	29.0
. Customer deposits	1,438,458.2	1,746,188.1	21.4	76,222.2	103,904.2	36.3	1,514,680.4	1,850,092.3	22.1
. including large deposits	666,214.7	822,413.4	23.4	9,026.2	17,125.1	-	675,240.9	839,538.5	24.3
. Bank refinancing from B.R.B.	238,680.0	427,469.4	79.1	2,179.5	-	-	240,859.5	427,469.4	77.5
. Intebank claims	157,230.8	193,201.3	22.9	7,031.7	6,567.2	6.6	164,262.5	199,768.6	21.6
II.2. Capital & reserves	221,813.2	254,975.5	15.0	31,879.3	34,632.8	8.6	253,692.4	289,608.3	14.2
II.3. Other liabilities	359,625.6	433,329.8	20.5	54,011.1	61,859.7	14.5	667,329.1	495,189.5	-25.8
BANKING SECTOR'S INDICATORS									
Capital adequacy									
. Core capital (BIF million)	257,101.0	301,047.4	17.1	29,486.8	34,811.5	18.1	286,587.8	335,858.9	17.2
. Equity capital (BIF million)	276,481.4	322,663.4	16.7	36,855.9	42,127.2	14.3	313,337.3	364,790.7	16.4
. Risk weighted assets	1,169,158.7	1,199,919.4	2.6	155,476.0	146,891.6	5.5	1,324,634.7	1,346,811.1	1.7
. Tier 1 capital adequacy ratio (threshold 12,5%)	22.0	25.1	-	19.0	23.7	-	21.6	24.9	-
. Total capital adequacy Ratio (threshold 14,5%)	23.6	26.9	-	23.7	28.7	-	23.7	27.1	-
. Leverage Ratio (threshold 7%)	10.6	9.9	-	17.2	16.8	-	11.08	10.30	-
Loans quality and concentration									
. Large exposures	260,437.9	332,398.8	27.6	7,415.3	3,900.5	47.4	267,853.2	336,299.3	25.6
. Watch loans	39,721.8	46,415.9	16.9	14,795.5	14,908.9	0.8	54,517.3	61,324.9	12.5
. Non-performing loans	74,931.9	51,758.2	-30.9	9,992.3	9,450.2	-5.4	84,924.1	61,208.4	-27.9
. Overdue loans	114,653.7	98,174.2	-14.4	24,787.8	24,359.1	-1.7	139,441.4	122,533.3	-12.1
. Provisions	69,008.9	44,977.2	-34.8	5,141.4	4,442.4	-13.6	74,150.2	49,419.6	-33.4
. Total loans/ Total assets (%)	22.5	30.2	-	74.6	71.7	-	36.5	32.8	-
. Loans to the Government/ Total assets (*)	39.9	42.1	-	3.2	7.5	-	39.9	42.1	-
. Loans to the Government/ Core capital (*)	317.6	427.3	-	18.3	44.5	-	329.5	404.0	-
. Non-performing loans ratio	16.3	5.6	-	7.8	6.4	-	9.0	5.7	-
. Overdue loans ratio	24.9	10.6	-	19.4	16.4	-	14.8	11.4	-
. Provisioning ratio (in %)	92.1	86.9	-	51.5	47.0	-	87.3	80.7	-
. Total Large exposures/ Total loans (%)	56.6	36.0	-	5.8	2.6	-	28.4	31.4	-
Liquidity									
. Liquidity ratio in BIF (threshold 100%)	217.2	226.1	-	-	-	-	217.2	226.1	-
. Liquidity ratio in foreign currency (threshold 100%)	51.8	133.4	-	-	-	-	51.8	133.4	-
. Total loans/ Total deposits	56.8	52.9	-	167.7	142.7	-	62.3	57.9	-
. Ratio of stable funds to fixed assets	142.0	82.6	-	238.4	264.7	-	159.3	101.8	-
. Ten large deposits/ Total deposits	46.3	45.6	-	11.8	14.4	-	44.6	45.4	-
Profitability and performance									
. Before tax profit	68,473.8	117,857.9	72.1	7,154.5	8,947.4	25.1	75,628.3	126,805.3	67.7
. Net profit	58,625.4	111,607.6	90.4	6,454.2	7,751.7	20.1	65,079.6	119,359.3	83.4
. Net Gross Income	196,219.1	237,879.9	21.2	14,973.3	18,133.7	21.1	211,192.4	256,013.6	21.2
. ROA	2.4	3.7	-	3.8	3.7	-	2.5	3.7	-
. ROE	21.2	34.6	-	17.5	18.4	-	20.8	32.7	-

Source : BRB