

**BANQUE DE LA REPUBLIQUE DU BURUNDI**



**Economic indicators**

**May 2023**

**I. INTRODUCTION**

The main economic indicators below relate to the developments at the end of May 2023, in the real sector and prices, public finance, foreign trade, the exchange rate, broad money and its counterparts and the main financial soundness indicators.

Year-on-year, the real sector was marked in May 2023 by a growth in industrial production and green leaf tea as well as the absence of parchment coffee production.

Inflation has increased in May 2023 compared to the same period of 2022 and compared to the same period of the previous year, the trade balance deficit has worsened at the end of May.

The overall public finance deficit (excluding grants) decreased compared to the end of May 2022. The Burundi Franc has depreciated against the US Dollar.

The reserve money base and money supply grew in May 2023

The aggregate balance sheet banking sector activity has improved. In terms of financial soundness, the banking sector remained sufficiently capitalized. Nevertheless, the solvency and profitability ratios have declined

**II. PRODUCTION**

Year-on-year basis, the industrial production index and the production of green leaf tea decreased while there was no production of parchment coffee for the 2023/2024 coffee campaign in April 2023.

**II.1 Industrial Production Index**

The industrial production index increased by 1.6 percent in May 2023, standing at 164.1 compared to 161.6 in the corresponding month of 2022, mainly due to the increase in BRARUDI beverages production (+4.5 percent), partially offset by the decline in the production of cigarettes (-1.7 percent) and soaps (-17.6 percent).

This index also rose by 24.0 percent compared to the previous month, mainly linked to the increase in the production of BRARUDI drinks (+34.4 percent) and cigarettes (+6.1 percent).

**II.2. Coffee**

During the month of May 2023, there were no parchment coffee supplies for the 2023/2024 coffee season.

**II.3. Tea**

Year-on-year, green leaf tea production rose by 12.4 percent in May 2023, to 5,731.2 tonnes compared with 5,101.0 tonnes in the same period of 2022, as a result of good rainfall. On the other hand, cumulative production fell slightly (-1.9 percent) at the end of May 2023, to 27,332.6 tonnes compared with 27,853.0 tonnes for the same period in 2022.

**III. INFLATION DEVELOPMENTS**

Year-on-year basis, headline inflation accelerated to 28.9 percent in May 2023, compared to 18.6 percent in the same period of the previous year. This acceleration of inflation concerned food inflation (+43.1 against+23.1 percent) whereas non-food inflation decelerated slightly (+11.7 against +13.6 percent).

**Headline inflation and its main components, (base 2016/2017=100)**

***Source: BRB, from INSBU data***

The rise in food inflation mainly concerned prices in the sub-headings "bread and cereals" (39.0 against 31.4 percent), "milk, cheese and eggs" (15.1 against 10.1), "vegetables" (62.3 against 17.9 percent) and "food products " (8.8 against 6.1 percent).

The slight deceleration in non-food inflation mainly concerned the sub-headings "furniture, household goods and routine household maintenance" (15.0 against 22.4 percent), "health" (3.8 against 6.3percent), "transport" (3.7 against 28.3 percent) and "communications" (1.0 against15.0 percent).

The prices of the sub-headings like "beverages and tobacco» (13.2 against 9.1), "leisure and culture" (27.4 against 3.6 percent), "education" (5.2 against 0.6) and "restaurants and hotels" (18.7 against 10.0 percent) rose significantly.

The price index for energy, fuel and other combustibles reached a level of 17.4 percent in May 2023, compared with 19.4 percent in April 2022.

Compared with the same period last year, headline inflation excluding food and energy prices, which is the proxy for underlying inflation, fell to 16.7 percent from 18.2 percent in 2022.

**IV. TRADE BALANCE**

The trade balance deficit widened further in May 2023 and stood at 917,604.5 million compared to 741,711.8 million of BIF in the same period of 2022, in relation to the increase in CIF imports (BIF 1,058,271.3 against 885,142.6 million), associated with the drop in CIF exports (BIF 140,666.8 against 143,430.8 million). As a result, the commercial coverage rate deteriorated, standing at 13.3 percent compared to 16.2 percent in May 2022.

**IV.1 Exports**

In May 2023, cumulative exports decreased in value (-1.9 percent) while they increased in volume (+46.8 percent) compared to the same period of the previous year.

In value terms, the drop in exports concerned only primary products (BIF 72,356.8 against 93,188.3 million) while manufactured products (BIF 68,310.0 against 50,242.5 million) increased.

The drop in exports of primary products is mainly explained by exports of tea (BIF 19,978.6 against 22,053.1 million), niobium ore (BIF 1,626.4 against 2,443.7 million) and non-monetary gold (+BIF 50,466. 6 million), while there had been no exports of this product in the same period of 2022. On the other hand, coffee exports increased (BIF 49,941.1 against 16,748.9 million) the previous year.

Concerning exports of manufactured products, their increase concerned the exports of beers (BIF 9,179.2 against 6,824.8 million), wheat flour (BIF 10,552.0 against 4,272.6 million), dark glass bottle (BIF 4,293.4 against 3,165.7 million) and those of cigarettes (BIF 8,945.2 against 7,992.4 million).

In volume, the increase in exports concerned both primary products (17,849 against 6,990 tonnes) and manufactured products (34,023 against 28,336 tonnes).

**IV.2 Imports**

At the end of May 2023, cumulative imports increased both in value (19.6 percent) and in volume (16.3 percent) compared to the same period of 2022.

In value terms, the increase in imports concerned imports of intermediary goods (BIF 575,785.3 against 418,713.1 million) and capital goods (BIF 190,612.7 against 152,156.3 million). On the other hand, imports of consumer goods fell (BIF 291,873.3 against 314,273.2 million).

The increase in imports of intermediary goods is mainly explained by the increase in imports of goods intended for agriculture and livestock (BIF 154,167.6 against 70,549.1 million), food (BIF 62,749.5 against 45,791.6 million), construction (BIF 52,470.9 against 40,977.4 million) and mineral oils (BIF 205,402.8 against 161,626.7 million). On the other hand, imports of metallurgical goods (BIF 48,841.9 against 60,125.5 million) fell.

The increase in imports of capital goods concerned boilers and construction equipment (BIF 65,544.5 against 51,044.0 million), parts and tools (BIF 17,704.7 against 14,626.0 million), electrical equipment (BIF 34,492.8 against 32,017.9 million), tractors, vehicles and machinery/transport (BIF 43,595.0 against 35,310.2 million) and other capital goods (BIF 29,275.6 against 19,158.1 million).

Concerning imports of consumer goods, their decline is attributable to imports of textiles (BIF 20,028.9 against 53,242.9 million), as well as non-durable pharmaceutical consumer goods (BIF 41,568.7 against 50,578.5 million). However, imports intended for vehicles (BIF 38,434.6 against 32,361.4 million) and non-durable food consumer goods (BIF 76,475.2 against 70,438.9 million) increased.

In volume, the increase in imports mainly concerned intermediary goods (413,001 against 340,631 tonnes) and capital goods (25,735 against 20,917 tonnes) while those of consumer goods fell (104,601 against 105,765 tonnes).

**V. EXCHANGE RATE**

Compared with the same period in 2022, the BIF depreciated by 33 percent against the US Dollar in May 2023; the average exchange rate stood at 2,714.82 against BIF 2,026.92 for one unit of US Dollar.

At the end of the period, the BIF depreciated by 39 percent against the US Dollar; the exchange went from BIF 2,029.12 at the end of May 2022 to BIF 2,822.15 per US Dollar unit at the end of May 2023.

**VI. GOVERNMENT FINANCIAL OPERATIONS**

Government fiscal operations, at the End-May 2023, revealed an overall deficit (excluding grants) of BIF354,168.7 million against BIF369,775.5 million BIF in the comparative period in 2022, i.e. a decrease of 4.2 percent. This reduction in the deficit is due to the increase in cumulative revenue (+18.1 percent) which is greater than that of cumulative expenditure (9.2 percent).

**VI.1. Revenue**

At the End-May 2023, revenue accumulated by 23.3percent, standing at BIF123,428.4 against 100,131.0 million at end- May 2022. This increase concerned tax revenue (+BIF17,503.9 million) and non-tax (+BIF5,793.5 million).

Likewise, cumulative revenue rose by 18.1 percent at the end of May 2023, standing at BIF652,653.9 against 552,520.9 million collected at the same period of the previous year, following the increase in tax revenue (+BIF72,129.7 million) and non-tax (+BIF28,003.3 million).

**VI.2. Expenditure**

Expenditure incurred in May 2023 increased by 71.5 percent compared to the same period of 2022, standing at BIF250,495.5 against 146,067.9 million. similarly, cumulative expenditure rose by 9.2 percent at the end of May 2023, standing at BIF1,006.8 against BIF922.2 billion at the same period of 2022.

Personnel expenses increased by 42.6 percent in May 2023 relative to the same period of the previous year. It stood at BIF58,491.0 against 41,011.6 million in the same period of 2022.

**VI.3. Public debt**

Public debt increased by 29.1 percent at the end of May 2023, from 4,463.0 to BIF 5,763.2 billion, in connection with the increase in both domestic debt (+27.7 percent) and external debt (+32.6 percent).

Compared to the previous month, the outstanding public debt rose by 6.4 percent, in line with the increase in external debt (29.9 percent), the domestic debt having declined (-1.3 percent).

**VI.3.1 Domestic Debt**

Year-on-year, domestic debt grew by BIF 873,546.5 billion at the end of May 2023, from 3,154.7 to BIF 4,028.2 billion, in relation to the increase in Government debt to the banking sector (+BIF 888,916.5 million), especially in the form of advances from the BRB (BIF 631,664.1 million) and Treasury securities from commercial banks (BIF 204,144.9 million).

Compared to the previous month, domestic debt fell by BIF 53,577.7 million, in link with the reduction in Government debt to commercial banks (-BIF 48,507.1 million) and the BRB (-BIF 5,600.6 million).

**VI.3.2. External Debt**

Year-on-year, external debt increased by BIF 426,666.5 million at the end of May 2023, going from 1,308.3 to BIF 1,735.0 billion, in relation to drawings (+BIF 32,310.1 million) and revaluation losses (BIF 438,386.2 million), partially offset by the amortization of the debt (BIF 44,029.8 million).

Compared to the previous month, external debt grew by 29.9 percent at the end of May 2023, standing at 1,735.0 against BIF 1,335.4 billion in relation to revaluation gains (BIF 400,978.6 million), partially offset by the amortization of the debt (BIF 1,435.6 million).

Expressed in US dollars, external debt fell by USD 6.4 million at the end of May 2023, standing at USD 639.1 million compared to USD 645.5 million in the corresponding period of 2022.

**VII. RESERVE MONEY, BROAD MONEY AND ITS COUNTERPARTS**

On annual basis, growth in the monetary base and money supply has accelerated

**VII.1. Broad Money**

On Year over year basis, the monetary base increased by 39.8 percent at the end of May 2023 compared to 10.6 percent during the same period of the previous year, standing at BIF 1,187.062 billion compared to BIF 848.9 billion. This acceleration mainly concerned the increase in currency in circulation (BIF +134,021.0 million against BIF+47,014.3 million), deposits of public financial corporations (BIF +37,372.4 million against BIF -11,349, 0 million), deposits of other non-financial companies (BIF +35,286.7 million against BIF +4,593.9 million) and other deposits in foreign currencies (BIF +16,725.2 million against BIF -6,029.1 million).

On monthly basis, the monetary base increased by 4.8 percent in May 2023 compared to 11.1 percent a month before.

**VII.2. Money supply**

Year-on-year, the money supply (M3) increased by 31.9 percent at the end of May 2023, standing at BIF 4,796.0 billion, compared to growth of 24.3 percent at the same period of 2022. This acceleration concerned the increase in the monetary aggregate M2 (BIF +1,057,565.7 million against BIF+633,619.2 million) and in deposits of residents in foreign currency (BIF +101,362.2 million against BIF +76,950.5 million).

The increase in the monetary aggregate M2 concerned checkable deposits in BIF (36.0 percent), term and savings deposits (25.9 percent) and fiduciary circulation outside deposit institutions (BIF +26 .7 percent).

The growth of checkable deposits is mainly linked to that of public non-financial corporations (BIF +188,815.8 million against BIF -11,156.1 million), households (BIF 214,824.6 million against BIF 136,866.8 million), other non-financial companies (BIF + 185,633.3 million against BIF +153,376.1 million) and of local administrations (BIF 45,489.4 million against BIF 23,423.2 million).

The growth of term and savings deposits decelerated (25.9 percent against 34.7 percent) in line with the slowdown in the growth of household deposits (25.3 percent against 34.1 percent), other non-financial companies (31.7 percent versus 34.0 percent) and deposits classified in other accounts (12.6 percent versus 36.0 percent).

The acceleration in residents' foreign currency deposits was driven by the increase in deposits of other non-financial corporations (81.5 percent against 35.0 percent) and deposits classified in other accounts (60.0 percent against -17.5 percent), while the growth of household deposits decelerated (10.3 percent against 55.0 percent).

On monthly basis, the monetary aggregate M3 increased by 1.4 percent in May 2023 compared to an increase of 2.3 percent in April 2023.

**VII.3. Counterparts**

Year-on-year, domestic credit increased by 37.3 percent at the end of May 2023 compared to 26.0 percent in the same period of the previous year, standing at BIF 6,384.5 billion. This acceleration in domestic credit growth is due to the increase in net claims on the central administration (39.3 percent against -6.5 percent) in connection with the chemical fertilizer subsidy agreements and the rescheduling of advances. Claims on the economy have, for their part, decelerated (35.9 percent against 66.3 percent).

On annual basis, net foreign assets deteriorated by BIF 788,193.4 million at the end of May 2023 compared to an improvement of BIF 23,419.4 million recorded in the same period of 2022. This deterioration is mainly driven by the drop in gross foreign assets (BIF -403,384.6 million) combined with the increase in external commitments (BIF +384,808.8 million). Thus, net international reserves fell by BIF 393,169.2 million when they had increased at the end of May 2022 (BIF+379,700.7 million).

In terms of months of imports, these reserves covered 0.4 months of imports of goods and services compared to 2.1 months of imports in May 2022.

**VIII. MAIN INDICATORS OF BANKING SECTOR**

Banking sector activity improved at the end of May 2023, in line with the increase in credit to the economy on the asset side, the increase in customer deposits and interbank operations on the liabilities side.

**VIII.1. Assets**

Banking sector assets grew by 28.0 percent year-on-year. It stood at BIF 7,018.9 billion at the end of May 2023 against BIF 5,483.3 billion at the end of May 2022. This increase results from the fact that credits allocated to the economy increased by 39.1 percent (3,195 .8 against BIF 2,297.0 billion). Similarly, loans granted to Government grew by 12.5 percent, settling at BIF 2,017.7 billion against BIF 1,793.2 billion.

The share of credit to the economy increased by 3.7 percentage points, reaching 45.5 percent of banking sector assets in May 2023 against 41.8 percent in May 2022. The loans share as Government commitment stood at 28.7 against 32.7 percent, stating a decline of 3.9 percentage points.

**VIII.2. Liabilities**

The customer deposits increased by 27.2 percent year-on-year, rising to BIF 4,109.7 billion in May 2023 against BIF 3,229.9 billion in the same month of 2022. Similarly, Central Bank refinancing increased by 24.9 percent, standing at BIF 597.3 billion against 478.1 billion at the end of May 2022. In addition, interbank operations increased by 52.8 percent reaching BIF 870.1 billion at the end of May 2023 against BIF 569.3 billion at the end of May 2022.

Deposits as a share in sector liabilities fell by 0.3 percentage point to reach 58.6 percent for May 2023 from 58.9 percent at the end of May 2022.

Moreover, the share of Central bank refinancing decreased slightly by 0.2 percentage points reaching 8.5 percent at the end of May 2023 from 8.7 percent for May 2022.

However, the share of inter-banks loans rose of 2.0 percentage points, stepping from 10.4 percent at the end of May 2022 to 12.4 percent at the end of May 2023.

**IX. KEY FINANCIAL SOUNDNESS INDICATORS**

At the end of May 2023, the equity of the banking sector increased compared to the corresponding period of 2022. However, the solvency and profitability ratios deteriorated.

**IX.1. Capital Adequacy**

The equity of the banking sector increased with 21.6 percent at the end of May 2023 completing 829.3 from BIF 682.2 billion at the end of May 2022. On the contrary, the core solvency ratio[[1]](#footnote-1) is set to fall in 19.6 percent against 21.9 percent as well as the overall solvency ratio declined to settle at 21.3 percent from 23.3 percent. In addition, the leverage ratio[[2]](#footnote-2) decreased to reach 10.9 percent from 11.7 percent.

**IX.2. Quality of loans portfolio**

At the end of May 2023, non-performing loans increased largely with 30.8 percent year-on-year, totaling BIF 77,491.6 Million against BIF 59,228.1 Million at the end of May 2022. Yet, the overall loan default rate improved stepping at 2.4 percent from 2.6 percent at the end of May 2022.

Regarding year-on-year basis, the loan portfolio which is allocated in some sectors of activities improved at the end of May 2023 on a hand. The loan default rates declined to stand at 1.5 percent at the end of May 2023 from 2.3 percent for the same period of 2022 in agriculture, at 0.4 percent from 1.0 percent in industry, at 2.4 percent from 2.6 percent in trade, at 1.8 percent from 2.4 percent in construction and at 6.5 percent from 9.9 percent in tourism. On the other hand, the equipment sector-led loan portfolio failed to improve at the end of May 2023. Its related default rate therefore increased until 4.2 against 3.0 percent in the same month of 2022.

**IX.3. Concentration of loans portfolio**

The banking sector exposure to large loan risks[[3]](#footnote-3) grew until 72.8 percent at the end of May 2023, standing at BIF 1,370.0 billion from BIF 792.7 billion along May 2022. The main risks as a share in overall loan portfolio arose to 42.9 percent at the end of May 2023 against 34.5 percent at the end of May 2022. Despite a decrease in financing means, trade and equipment are the most financed sectors respectively 30.4 and 23.3 percent in the overall loan portfolio against 31.9 percent and 26.8 percent at the end of May 2022. Considering yet outstanding loans allocated in both the two sectors, they respectively grew and totaled BIF 971.2 and 744.3 billion at the end of May 2023 against BIF 732.4 and 615.8 billion along similar month last year.

**IX.4. Profitability**

The Banking Sector’s Gross Income increased slightly by 11.9 percent referring to year-on-year. To this end, the Gross Income performed by the present Banking sector amounted BIF 177,499.1 million at the end of May 2023 against BIF 158,660.5 million at the end of May 2022. On the contrary, the Banking Sector Net Income fell by 18.6 percent from BIF 73,410.9 million at the end of May 2022 to BIF 59,761.7 million at the end of May 2023. Moreover, return on assets (ROA) and on equity (ROE) also fell in settling respectively at 0.9 and 7.2 percent at the end of May 2023 against 1.3 and 10.8 percent at the end of May 2022.

**IX.5. Liquidity**

The Liquidity coverage ratio for short-term (LCR) [[4]](#footnote-4) in BIF decreased slightly stepping at 153.9 percent at the end of May 2023 against 156.3 percent at the end of May 2022. Likewise, the short-term liquidity ratio in foreign currencies fell down settling at 132.6 percent compared to 174.0 percent at the end of May 2022.

The large deposits increased up to 23.3 percent reaching BIF 1,781.6 billion at the end of May 2023 from BIF 1,445.5 billion at the end of May 2022.

The 10 large deposits[[5]](#footnote-5) as a proportion in total sector deposits fell slowly by 1.4 percentage point standing at 43.3 percent at the end of May 2023 against 44.7 percent at the end of May 2022.

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**Source : BRB**

**APPENDIX 1: SELECTED MONTHLY INDICATORS AT THE END OF DECEMBER 2022**

## APPENDIX 2: MAIN INDICATORS OF BANKING SECTOR IN MAY 2023 (in BIF million)



**Source: BRB**

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| **Source : BRB**  **APPENDIX 3: SELECTED ANNUAL INDICATORS** |

1. The minimum regulatory threshold is 12.5 percent for the base solvency ratio and 14.5 percent for the overall solvency ratio). [↑](#footnote-ref-1)
2. The minimum threshold is 5 percent for the leverage ratio [↑](#footnote-ref-2)
3. Circular n°06/2018 defines a large risk as a loan exceeding 10% of its core equity capital. [↑](#footnote-ref-3)
4. Circular n°04/2018 defines LCR as the ratio between high-quality liquid assets (i.e. assets that can be easily and immediately converted into cash without or with a slight loss of value in periods of high liquidity stress) and the total net cash outflows within the following 30 days. [↑](#footnote-ref-4)
5. Large deposits are the sum of the deposits of the first 10 depositors in each credit institution [↑](#footnote-ref-5)