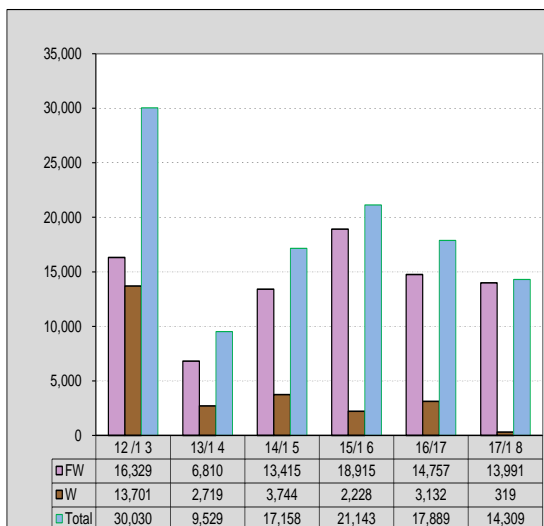


I. EXPORT AGRICULTURE

I.1 2016/2017 coffee season

Coffee production for the 2017/2018 campaign decreased at the end of September 2017 compared to the previous campaign. In fact, Arabica coffee production for this campaign was 14,309 compared to 17,889 T in the same period of the previous season; a decrease of 20%. However, the ARFIC estimates that the production of the Arabica coffee will increase by 11.7%, standing at 20,000 against 17,906 T in the previous campaign.

CHART 1: Production of parchment Arabica Coffee at the end of September 2017 in tons



Source: BRB based on the ARFIC data

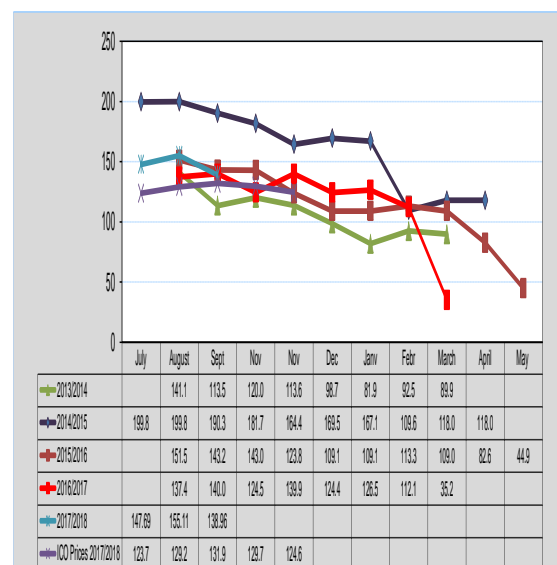
In terms of quality, the FW's share remains predominant and accounts at 97.8% of the total volume at the end of September 2017 against 82.5% in the same period of the previous year, which shows that the quantity processed by machining and hence the quality progress further.

The amount of green coffee produced after machining was 3,428 T at the end of September 2017 compared with 8,553 T in the same period of the previous campaign,

a decline of 60%. The total volume of green coffee could reach 18,000 against 13,346 T in the previous campaign, an increase of 34.9%.

In terms of market, the volume sold was 10,774.5 T at the end of September 2017 against 8,307.7 T in the same period of 2016 and the average price was 147.3 against 133.9 cts / lb.

CHART 2: Evolution of prices of Arabica coffee by campaign (monthly average price in cts/lb)



Source: BRB

I. 2. Tea

The production of tea green leaves stood at 34.048 T at the end of September 2017, compared to 40.559 T in the same period of 2016, a decrease of 16.1%. This decline is related to inadequate rainfall that affected tea production in all tea complexes.

Table 1. Tea leaves production by tea complex at the end of September 2017 in tons

Year		2,013	2,014	2,015	2,016	2,017
Tea Complex						
Ijenda	GT	5,770	6,676	7,581	7,825	5,673
	DT	1,269	1,434	1,660	1,667	1,311
Rwegura	GT	10,429	11,367	13,020	12,429	10,768
	DT	2,188	2,406	2,737	2,374	2,311
Teza	GT	6,434	7,654	8,681	9,083	7,675
	DT	1,435	1,715	1,958	2,044	1,670
Tora	GT	5,910	6,300	6,057	7,251	6,314
	DT	1,315	1,406	1,324	1,370	1,320
Buhoro	GT	2,992	3,266	3,283	3,970	3,662
	DT	638	677	701	931	745
Total	GT	31,536	35,262	38,623	40,558	34,093
	DT	6,845	7,638	8,381	8,385	7,357

Source: OTB

The volume of dry tea produced fell by 12.3% in the first three quarters of 2017 compared to the same period of 2016, standing at 7.357 from 8.385 T. In addition, the average yield after milling slightly improved from 20.7% to 21.6%

Concerning the tea sales, the quantity of dry tea sold decreased by 17.2% compared to the same period of the previous year (7,988 against 9,415 T). On the other hand, total sales increased by 19.6%, reaching BIF 38,734 million against BIF 32,399 million due to the rise of the prices in the international market (4,889 BIF / kg against 3,441 BIF / kg).

Table 2: Sale of dry tea at the end of September 2017

Market		2,013	2,014	2,015	2,016	2,017
Mombassa	Tons	6,126	6,296	7,461	7,489	6,200
	Value (MBIF)	23,286	20,889	35,432	25,595	30,792
auction	AP(BIF/kg)	3,801	3,318	4,749	3,418	4,966
	Tons	1,228	3,318	1,498	1,531	1,441
Direct sale	Value (MBIF)	4,524	4,957	7,331	5,605	6,949
	AP(BIF/kg)	3,683	3,423	4,895	3,661	4,822
S/Total Export	Tons	7,354	9,614	8,959	9,020	7,641
	Value (MBIF)	27,810	25,846	42,764	31,200	37,741
	AP(BIF/kg)	3,781	2,688	4,773	3,459	4,939
Local sale	Tons	370	372	266	395	346
	Value (MBIF)	1,143	1,165	898	1,198	993
	AP(BIF/kg)	3,088	3,134	3,381	3,033	2,867
Total	Tons	7,724	8,116	9,225	9,415	7,988
	Value (MBIF)	28,953	27,011	43,661	32,399	38,734
	AP(BIF/kg)	3,748	3,328	4,733	3,441	4,849

Source: OTB

II. INDUSTRIAL PRODUCTION

II.1. Quarterly developments

The index of industrial production increased in the third quarter of 2017 compared with the previous quarter. The weighted average index of industrial production increased by 43.5%, from 124.7 to 178.9 from one quarter to the next. This increase concerned the food industries (+ 46.3%) and chemical (+ 13.3%).

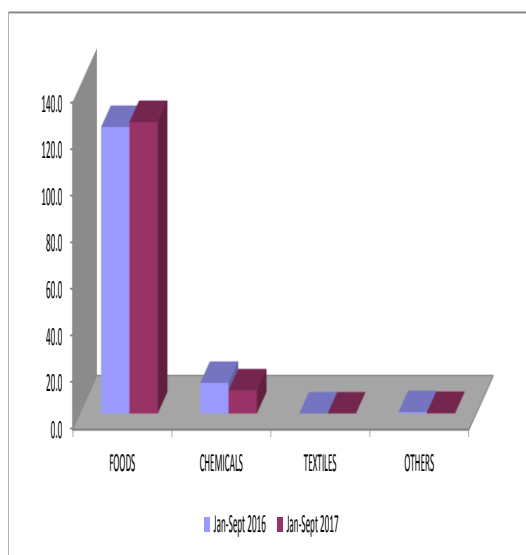
Compared with the corresponding quarter of 2016, the index slightly increased (+ 0.04%) linked to the slight increase of the food industries (+ 1.2%), the production in the other main branches fell.

II.2. Developments in the first nine months

In the first nine months of 2017, the weighted average index of industrial production decreased by 1.0%, from 134.8 to 134.1 in the corresponding period of 2016 due to the decline production in the

chemical industry (-24.6%) and building materials (-56.7%) while activity in the food industries increased (+ 1.7%).

CHART 3: Developments in the first nine months weighted average industrial production index.



Source: BRB

The decrease production of the chemical industry branch is mainly due to the decline of oxygen production (-31.3%), soaps (-31.8%), foam (-27.6%) and plastic crates (-73.1%).

The decline production in the building materials industry concerned the production of tubes PVC (-43.1%) and profiles (-5.1%).

Table 3: Production of main industries

	2016 Jan-Sept	2017 Jan-Sept	Variation (in p.c.)	
FOOD INDUSTRIES				
Beverages (Hl)	884,509	1,045,040	18.1	
Amstel Beer (Hl)	393,664	457,804	16.3	
Soft drinks (Hl)	305,191	279,651	-8.4	
Sugar (T)	14,612	13,675	-6.4	
Cotton oil (L)	30,415	15,200	-50.0	
Cigarettes (Thousands units)	722,990	559,470	-22.6	
CHEMICAL INDUSTRIES				
Paint (T)		535	628	17.3
Oxygen (m ³)	18,153	12,477	-31.3	
Toilet soap (kg)	450,286	385,118	-14.5	
Laundry soaps (kg)	12,913,787	8,724,771	-32.4	
Foam	8,935	6,466	-27.6	
Plastic crates (units)	355,345	95,492	-73.1	
MATERIALS OF CONSTRUCTION				
Tubes PVC (kg)	84,033	47,789	-43.1	
Profiles (m) (1)	8,277	7,854	-5.1	
Steel Tubes (kg)	-	-	-	

(1) : This heading covers also Aluzinc sheet steal and false ceiling"Estetic".

Source : Information provided by industrial firms.

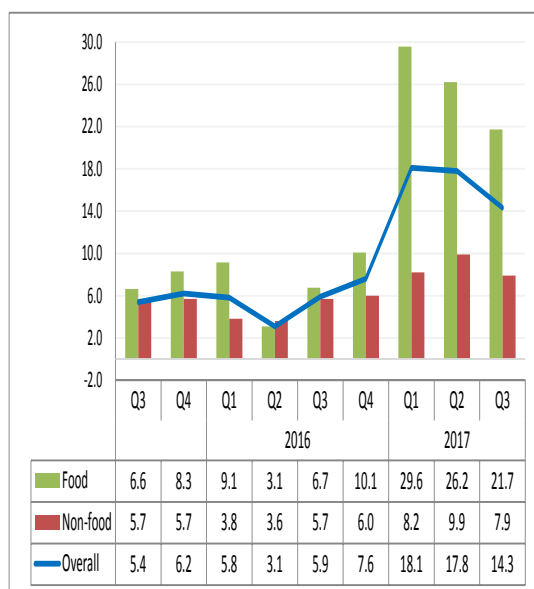
Source: Data provided by industrial firms

III. CONSUMER PRICE INDEX

III.1. Quarterly developments

In the third quarter of 2017, inflation increased compared to the corresponding quarter of 2016 (14.3 against 5.9%) as a result of higher prices for both food (+21.7%) and non-food products (+7.9%).

CHART 4: Quarterly developments of inflation (in percentage)



Source: BRB based on the data of ISTEERU

Compared with the previous quarter, the average inflation rate slowdown (14.9 against 17.8%). This slowdown of inflation is linked both to a deceleration in the rise of food prices (+21.3 against +26.2%) and the non-food products (+7.9 against +9.9%).

Table 4: Quarterly evolution of consumer price index (in %).

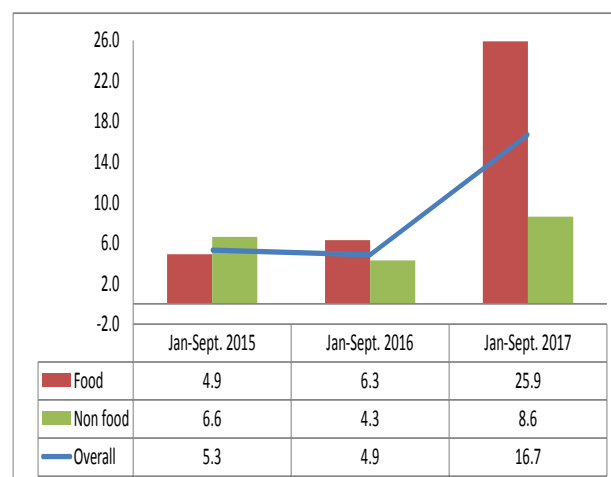
		Overall	Food	Non-Food
2014	Q1	87.6	86.5	86.1
	Q2	88.5	87.1	87.5
	Q3	89.8	87.1	89.5
	Q4	89.6	86.5	90.1
2015	Q1	90.3	85.7	92.2
	Q2	95.0	95.0	93.3
	Q3	94.6	92.9	94.6
	Q4	95.2	93.6	95.3
2016	Q1	95.5	93.5	95.7
	Q2	97.9	97.9	96.7
	Q3	100.2	99.1	100.0
	Q4	102.4	103.1	101.0
2017	Q1	112.8	121.2	103.5
	Q2	115.3	123.6	106.3
	Q3	114.5	120.7	107.8

Source: BRB based on the data of ISTEERU

III.2. Evolution in the nine months

Inflation increased in the first nine months of 2017 compared to the same period of 2016, from 4.9 to 16.7%, mainly as a result of higher food prices (+25,9%) and non-food prices (+ 8.6%).

CHART 5: Nine months evolution of the inflation



Source: BRB based on the data of ISTEERU

Food inflation was influenced mainly by the increase in prices under the subheadings "Vegetables" (+31.1%), "Breads and cereals" (+28.9%), "Fish and seafood" (+27.0%), "Sugar, jam, honey, chocolate and confectionery" (+22.6%) and "Fruits" (+17.3%).

Non-food inflation was mainly due to higher prices of the subheadings "Clothing and footwear" (+13.7%), "Furniture, household goods and household maintenance" (+10.7%), "Transport" (+8.2%), "Leisure and culture" (+7.0%), "Other goods and services" (+7.2%), "Education" (+6.9%) and "Restaurants and Hotels" (+6.7%).

IV. PUBLIC FINANCE

IV.1. Tax revenue

The cumulative tax revenue stood at BIF 558,608.8 million at the end of September 2017 against BIF 475,897.4 million in the same period of 2016, an increase of BIF 82,711.4 million (+ 17.4%). This increase concerned tax revenue (+BIF 83.008.3 million) while non-tax revenue (-BIF 175.7 million) and exceptional income (-BIF 121.2 million) slightly declined.

IV.2. Expenditure

Total expenditure at the end of September 2017 increased by BIF 64,330.0 million (8.8%) compared to the same period of the previous year, from 729,569.0 to BIF 793,899.1 million. This increase concerned both current expenditure (+BIF 45,456.9 million) and development expenditure (+BIF 18,873.2 million).

Table 5: Revenue and Expenditure
(in BIF million)

	Sep-16	Sep-17
Revenue	475,897.4	558,608.8
Tax revenue	434,663.1	517,671.4
Non tax revenue	41,113.1	40,937.4
Exceptional revenue	121.2	-
Grants	69,006.2	100,944.7
Expenses	729,569.0	793,899.1
Current expenses	584,584.5	630,041.3
Of which salaries	269,066.1	289,553.1
Capital expenditure	144,984.6	163,857.7
Overall balance excluding grants	- 253,671.7	- 235,290.3
Overall balance including grants	- 184,665.5	- 134,345.6

Source: MFBP

IV. 3. Domestic debt

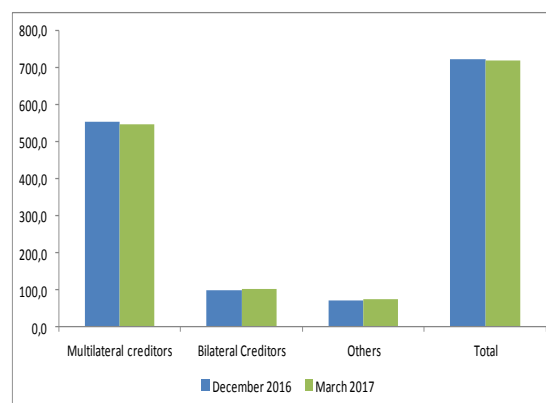
At the end of the third quarter of 2017, the domestic debt increased by BIF 264,802.1 million compared to the corresponding period of the previous year (BIF 1,483.3 billion against BIF 1,218.5 billion), linked to the increase of Government debt towards banking sector (+BIF 221.309.3 million) and non-banking (+BIF 43.492.8 million).

Compared with the previous quarter, outstanding domestic debt increased by BIF 19,217.4 million (BIF 1,483.3 billion against BIF 1,464.1 billion) due to the government debt towards non-banking sector (+BIF 24,613.2 million), which offset the decrease liabilities towards banking sector (-BIF 5,385.8 million).

IV.4. External debt

Compared with the previous quarter, outstanding external public debt increased by BIF 20,544.2 million at the end of September 2017, from BIF 754,668.5 million to BIF 775.212.7 million.

CHART 6: Outstanding external debt by creditor (in BIF billion)



The increase of outstanding external debt in the third quarter of 2017 is mainly due to new drawings (+2,715.6 MBIF) and revaluation gains (+20,734.8 MBIF) which exceeded the amortization of the debt (BIF -2,906.2 million).

In the third quarter of 2017, drawings concerned road sector and agricultural value chain development programs financed respectively by OPEC (BIF 2,299.8 million) and IFAD (BIF 415.9 million).

In the third quarter of 2017, the stock of external public debt expressed in US dollar fell by USD 1.3 million year-on-year, standing at USD 443.6 million against USD 444.9 million in the same period of 2016.

V. BALANCE OF SETTLEMENTS

V.1. Quarterly developments

During the third quarter of 2017, the balance of international transactions ended by a higher deficit compared to the same period of 2016 (-BIF 50,823.2 million against -BIF 22,434.3 million). This deterioration is due to the rise of the

current account deficit (-BIF 68,928.6 million against -BIF 35,963.9 million), the surplus of the capital account and the financial transactions, however, increased (+BIF 18,105.4 million against +BIF 13,529.6 million).

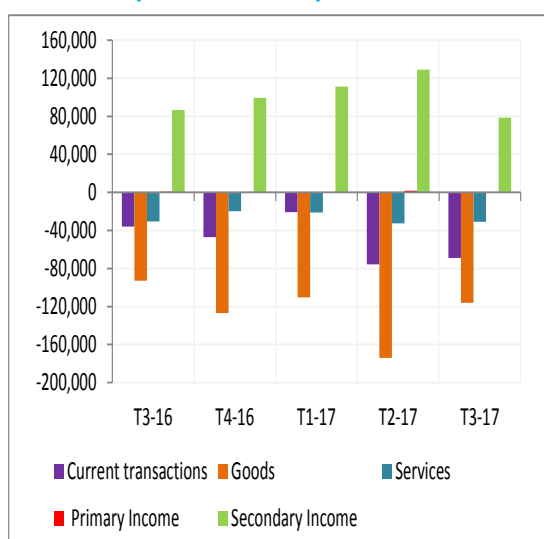
Table 6: Balance of international transactions (in BIF million)

	T3-2016	T1-2017	T2-2017	T3-2017
I. CURRENT TRANSACTIONS	-35,963.9	-20,689.7	-75,633.0	-68,928.6
a. Goods	-92,941.3	-110,207.9	-173,884.8	-116,010.9
b. Services	-30,407.3	-21,018.0	-32,549.5	-31,064.0
c. Primary Income	703.7	-749.9	1,876.2	-531.1
d. Secondary Income	86,681.0	111,286.1	128,925.1	78,677.4
II. CAPITAL ACCOUNT AND FINANCIAL TRANSACTIONS	13,529.6	29,743.4	39,141.2	18,105.4
a. Capital account	16,725.1	30,818.2	40,737.2	25,939.9
b. Financial transactions account	-3,195.5	-1,074.8	-1,596.0	-7,834.5
BALANCE: (I + II)	-22,434.3	9,053.6	-36,491.9	-50,823.2

Source: BRB

The deterioration of the current account deficit is mainly related to the increase of the deficit of goods and services (-BIF 147,074.9 million against -BIF 123,348.6 million) and the decrease of the income account surplus (BIF 79,208.5 million against BIF 87,384.7 million).

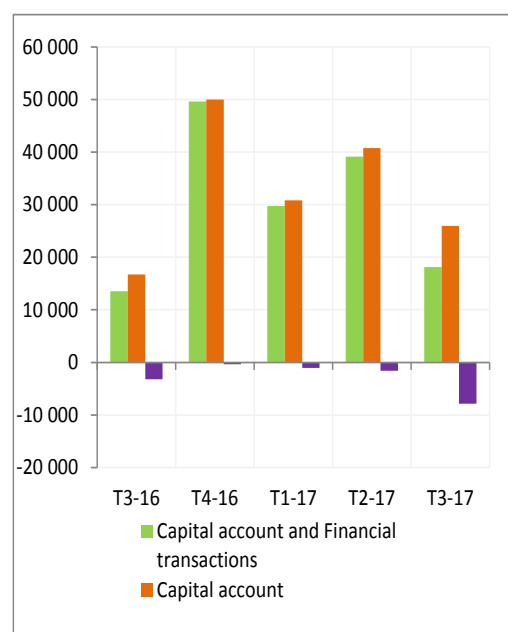
CHART 7: Balance of current transactions (in BIF million)



Source: BRB

The improvement of the surplus of the capital account and financial transactions was driven by the increase of the surplus of the capital account (BIF 25,939.9 million against BIF 16,725.1 million) project grants classified in financial operations account increased (BIF 7,834.5 million against BIF 3,195.5 million).

CHART 8 : Balance of capital account and financial transactions (in BIF million)



Source: BRB

V.2. Evolution over nine months

Over the nine months of 2017, the balance of international transactions decreased compared to the same period of 2016 (-BIF 78,261.4 million against -BIF 136,723.9 million). This decrease is related to the slowdown of the current account deficit (-BIF 165,251.4 million against -BIF 212,518.8 million) and the increase of the capital account and financial operations surplus (BIF 86,689.9 million against BIF 75,794.9 million).

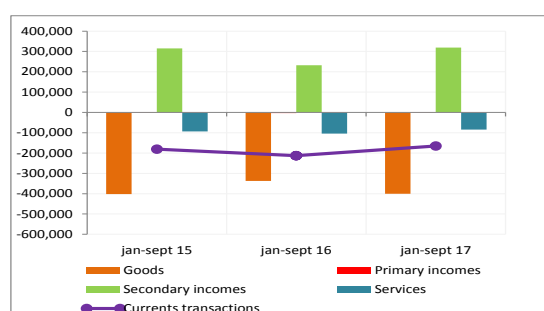
Table 7: Balance of international transactions over nine months (in BIF million)

	2015	2016	2017
	jan-sept	jan-sept	jan-sept
I. CURRENT TRANSACTIONS	-180,946.8	-212,518.8	-165,251.4
a. Goods	-401,729.9	-337,397.4	-400,103.6
b. Services	-93,472.1	-103,914.5	-84,631.5
c. Primary Income	-685.5	-3,285.1	595.2
d. Secondary Income	314,940.6	232,078.1	318,888.5
II. CAPITAL ACCOUNT AND FINANCIAL TRANSACTIONS	63,140.0	75,794.9	86,989.9
a. Capital account	59,900.3	66,588.9	97,495.3
b. Financial transactions account	3,239.7	9,206.0	-10,505.5
BALANCE: (I + II)	-117,806.8	-136,723.9	-78,261.4

Source: BRB

The slowdown of the current account deficit is mainly due to the increase in the secondary income surplus (BIF 318,888.5 million against BIF 232,078.1 million) and the decrease of the deficit of the services (-BIF 84,631.5 million against -BIF 103,914.5 million). The balance of goods has increased (-BIF 400,103.6 million against -BIF 337,397.4 million).

CHART 9 : Evolution of the current account balance (in BIF million)



Source: BRB

The rise of the surplus of the capital account and financial transactions was driven by the increase of the surplus of the capital account (BIF 97,495.3 million against BIF 66,588.9 million), mainly the project grants (BIF 97,975.4 million against BIF 66,939.1 million).

VI. MONETARY SURVEY

VI.1. Broad money (M3) and its Counterparts

VI.1.1. Quarterly developments

At the end of the third quarter, broad money (M3) slightly rose (+ BIF 7,527.1 million, an increase of 0.5%), from BIF 1,409.1 billion to BIF 1,416.6 billion at the end of September 2017.

CHART 11: Evolution of the Money supply (M3) and its counterparts (in BIF billion)



Source: BRB

The increase of the money supply (M3) is linked to the M2 aggregate (+BIF 6,114.2 million, or 0.5%) and resident's foreign deposits (+BIF 1,412.9 million, or 1.0%).

Table 8: Evolution of the components of the money supply (in BIF million)

	2015		2016		2017		
	Dec.	June	Sept.	Dec.	March	June	Sept. (p)
Currency in circulation outside banks	203,080.3	224,782.3	219,226.3	231,582.2	229,548.0	262,113.7	250,454.3
Demand deposit	436,134.0	489,145.8	517,623.9	573,448.7	636,592.2	699,328.5	704,504.7
Time deposits	326,629.7	289,412.5	286,881.0	281,018.5	304,583.1	306,859.9	319,457.3
Residents' deposits in foreign currency	135,251.8	113,982.0	107,052.3	93,970.0	121,247.4	140,815.8	142,228.7
TOTAL	1,101,095.8	1,117,322.6	1,130,783.5	1,180,019.4	1,291,970.7	1,409,117.9	1,416,645.0

Source: BRB

The increase of money supply M2 was driven by time deposits and savings which grew by BIF 12,597.4 million. Meanwhile, M1 decreased by BIF 6,483.1 million linked to the decline of currency in circulation outside the banks (- BIF 11,659.7 million) which offset the increase of demand deposits (+ BIF 5,176.2 million).

Table 9: Quarterly growth of broad money and its Counterparts (in BIF million)

	Sept. 16	June.17	Sept. 17 (p)
	June 16	March.17	June.16 (p)
Currency in circulation outside the banks	-5,556.0	32,565.7	-11,659.4
Demand deposits with			
Commercial banks	45,194.8	22,524.2	41,093.2
Demand deposits with the Central Bank	2,990.8	1,765.1	4,431.6
Demand deposits with other financial institutions	-19,707.5	38,447.0	-40,348.6
Time deposits	-2,531.5	2,276.8	12,597.4
Residents' deposits in foreign currency	-6,929.7	19,568.4	1,412.9
TOTAL = BROAD MONEY (M3)			
= COUNTERPARTS	13,460.9	117,147.2	7,527.1
Net foreign assets	-26,559.1	11,512.8	-23,262.1
Net claims on the government	38,426.6	25,899.3	22,868.9
Claims on the economy	18,878.0	65,717.4	46,869.9
Other items net	-17,284.6	14,017.7	-38,949.6

Source: BRB

The increase of demand deposits in BIF concerned the assets of public non-financial corporations (+BIF 17,968.0 million) and those of other non-financial corporations (+BIF 20,636.7 million). On the other hand, household deposits and those classified in other accounts

decreased by BIF 23,813.1 million and BIF 7,524.0 million respectively.

The rise of term and savings deposits in BIF concerned mainly deposits of other non-financial corporations and financial institutions, which increased by BIF 11,014.9 million and BIF 2,177.6 million respectively.

The increase of resident's foreign deposits is linked to the rise deposits of other non-financial corporations (+BIF 9,312.0 million), public nonfinancial corporations (+BIF 2,135.4 million) and those classified in other accounts (+BIF 2,425.8 million). In contrast, household holdings decreased by BIF 12,460.9 million.

The rise of net claims on the Government (+BIF 22,868.9 million) and claims on the economy (+BIF 46,869.9 million) which exceeded the decline in net foreign assets (-BIF 23,262.1 million) and other items net (-BIF 38,949.6 million) is responsible of the increase of money supply. As a result, net domestic assets contributed to M3 growth by 2.0 percentage points, while net foreign assets had a restrictive impact of 1.5 percentage points.

The rise of the government's net debt is mainly due to the increase of Treasury securities held by commercial banks, which increased by BIF 29,777.3 million. Net foreign assets decreased by BIF 23,262.1 million, due to intervention by the Central Bank on the interbank foreign exchange market.

Expressed in US dollar, official exchange reserves decreased by USD 4.7 million during the third quarter of 2017, standing at USD 99.2 million against USD 103.8 million reached at the end of the previous quarter.

**Table 10: Evolution of net foreign assets
(in BIF million)**

	2015		2016			2017	
	dec.	June	Sept.	Dec.	March	June	Sept.
Foreign assets of the BRB	221,829.6	165,835.4	157,393.5	166,434.7	194,792.3	200,827.6	198,728.4
Foreign liabilities of the BRB	354,815.2	351,838.8	338,994.5	328,508.5	327,928.2	341,304.6	332,752.2
I. Net Foreign Assets	-132,985.6	-186,003.4	-181,601.0	-162,073.8	-133,135.9	-140,477.0	-134,023.8
Foreign assets of Commercial banks	207,089.0	163,223.7	129,120.3	125,486.1	118,563.4	153,908.6	141,770.0
Foreign liabilities of Commercial banks	149,973.5	143,107.0	139,965.1	139,935.4	150,057.7	166,549.0	184,125.7
II. Net foreign assets	57,115.5	20,116.7	-10,844.8	-14,449.3	-31,494.3	-12,640.4	-42,355.7
TOTAL I + II	-75,870.1	-165,886.7	-192,445.8	-176,523.1	-164,630.2	-153,117.4	-176,379.5

Source: BRB

VI.1.2. Evolution on nine months

In the first nine months of 2017, the money supply grew by 20.1%, while it slightly increased by 2.7% in the same period of 2016. This growth is linked with the rise of M2 aggregate (17.3%) and foreign resident's deposits (+ 51.4%). The increase of M2 concerned both money supply M1 (+18.6) and time and savings deposits (+ 13.7%).

The rise of M1 is linked to the increase of demand deposits (+ 22.9%) and currency in circulation outside the banks (+ 8.1%).

The increase of demand deposits in BIF mainly concerned the assets of other non-financial corporations (+BIF 69,041.2 million), households (+BIF 32,968.2 million), public non-financial corporations (+BIF 15,416.3 million) and those classified in other accounts (+BIF 16,389.0 million). On the other hand, deposits of financial institutions (-BIF 832.4 million) and local governments decreased by BIF 832.4 million and BIF 1,926.3 million respectively. The rise of time and savings

deposits in BIF mainly concerned the deposits of other public non-financial corporations (+BIF 26,538.7 million) and households (+BIF 13,089.3 million).

Concerning foreign residents' deposits, the increase concerned the assets of other non-financial corporations (+BIF 15,389.7 million), public nonfinancial corporations (+BIF 11,496 million) and those classified in the other accounts (+BIF 24,221.7 million). In contrast, household deposits decreased by BIF 2,780.0 million.

**Table 11: Change of the broad money and its counterparts on nine months
(in BIF million)**

	Sept. 2016	Sept. 2017 (p)
	Dec. 2015	Dec. 2016
Currency in circulation outside the banks	16,146.0	18,872.1
Demand deposits with commercial banks	38,916.3	108,629.8
Demand deposits with the Central Bank	1,840.6	7,366.2
Demand deposits with other monetary institutions	40,733.0	15,060.0
Quasi -money	-39,748.8	38,438.8
Deposits of residents in foreign currency	-28,199.5	48,258.7
TOTAL = BROAD MONEY (M3)		
= COUNTERPARTS	29,687.7	236,625.6
Net foreign assets	-116,575.7	143.6
Net claims on the Government	140,521.5	128,701.6
Claims on the economy	60,760.5	62,596.4
Other items net	-55,018.6	45,184.0

All the counterparts of the broad money increased: the net claims on the government increased by BIF 128,701.6 million, the claims on the economy by BIF 62,596.4 million, the other net posts by BIF 45,184.0 million and the net foreign assets by BIF 143.6 million.

Expressed in US dollar, official exchange reserves slightly increased (+ 2.8%), standing at USD 99.2 million against US 96.50 million. These reserves cover 1.6 months of imports of goods and services at the end of September 2017, compared

with 1.5 months at the end of December 2016.

IV.2. Bank Liquidity

VI.2.1. Quarterly developments

The total liquidity autonomous factors in the banking sector increased by BIF 1,881.0 million in the third quarter of 2017, compared to a decline of BIF 47.562.0 million at the end of the previous quarter. This increase was linked to the expansive effect related to the increase of the other items net (+BIF 25.195.4 million) and net foreign assets (+BIF 6.453.2 million) and the increase of currency in circulation (+ BIF 4.092.4 million) which slightly offset the restrictive effect of lower net claims on the government (-BIF 33,860.0 million).

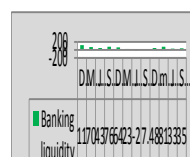
Table 12: Quarterly change of Banking Liquidity (in BIF million)

Currency in circulation	11,403.5	-34,213.1	4,092.4
Net Foreign assets	4,625.3	-7,341.1	6,453.2
Net claims on the Government	-6,210.2	-1,221.5	-33,860.0
Other items net	7,475.1	-4,786.3	25,195.4
Sous - total facteurs autonomes	17,293.7	-47,562.0	1,881.0
Liquidity providing :	7,268.0	-18,102.5	52,412.5
-Commercial banks	7,268.0	-18,102.5	53,412.5
-Other financial institutions	0.0	0.0	-1,000.0
Liquidity mop-up	0.0	0.0	0.0
Banking sector reserves	24,561.7	-65,664.5	54,293.5
-Commercial banks	23684.7	-65645.8	54418.5
-Other financial institutions	877	-18.7	-125

Source: BRB

Commercial banks reserves rose by BIF 54,418.5 million, mainly due to the increase of refinancing operations towards commercial bank (+BIF 53,412.5 million).

CHART 12: Evolution of Banking Sector Liquidity (in billions of BIF)



Source: BRB

VI.2.2. Evolution on the nine first months

Compared to the end of December 2016, the total of autonomous factors liquidity of the banking sector decreased by BIF 13,150.4 million at the end of September 2017, amounting to BIF 35,728.1 million against BIF 48,878.5 million. This contraction resulted from the restrictive impact of the currency in circulation (-BIF 30,170.6 million) and the decrease of other items net (-BIF 10,927.2 million), which offset the expansive effect due to the increase of net foreign assets (+BIF 28,050.0 million).

Table 13: Change of the liquidity autonomous factors on nine first months (in BIF million)

	Sept 2017 Dec. 2016	Sept 2017 Dec.2017
Currency in circulation	-23,775.4	-30,170.6
Net foreign assets	-48,615.4	28,050.0
Net claims to the Government	5,342.0	-102.6
Other items net	9,882.8	-10,927.2
Sub - total of autonomous factors	-57,166.0	-13,150.4
Refinancing :	98,905.0	34,150.0
-Commercial banks	98,905.0	36,150.0
-Other financial intermediaries	0.0	-2,000.0
Liquidity mop-up	0.0	0.0
Balance =liquidity stock:	41,739.0	20,999.6
Including:		
-Commercial banks	40,424.9	22,084.9
-Other financial intermediaries	1,314.1	-1,085.3

Source: BRB

Following the decline of the total banking autonomous liquidity factors, commercial banks increased their refinancing towards the Central Bank to BIF 36,150 million which contributed to the improvement of their reserves (+BIF 22,084.9 million).

VII. MAIN ACTIVITY INDICATORS OF THE BANKING SECTOR IN SEPTEMBER 2017

At the end of September 2017, the banking sector's balance sheet increased. Compared to the same period of the previous year, deposits and credit also increased. In terms of soundness, the banking sector remained well capitalized, solvent and profitable.

VII.1. Assets

On year-on-year basis, total banking sector assets increased by 13.8%, from BIF 1,801.5 billion to BIF 2,050.3 billion in August 2017, following the increase of Treasury securities. Compared to the same period of 2016, outstanding loans

increased by 55.8%; from BIF 395,551.3 million to BIF 608,362.9 million at the end of September 2016. However, the total amount loans rose by 3.0%, from BIF 812,599.1 million to BIF 836,874.5 million at the end of September 2017.

The share of Treasury Securities in the total assets increased, from 21.7% to 29.7% at the end of September 2017. However, the share of the private credit in the total assets decreased, from 56.6% to 48.2% at the end of September 2017.

VII.2. Liabilities

Compared to the same period of the previous year; total deposits increased by 23.7%, from BIF 938.1 billion to BIF 1,160.8 billion at the end of September 2017. During the same period, the Central Bank refinancing decreased by 3.6%, from BIF 120,763.8 million to 116,470.7 million in September 2017.

VIII. KEY FINANCIAL SOUNDNESS INDICATORS IN SEPTEMBER 2017

In September 2017, the banking sector has sound indicators and complied with all prudential standards. Even though loans portfolio improved, the banking sector remained well-capitalized, solvent and profitable.

VIII.1. Capital Adequacy

At the end of September 2017, the banking sector was adequately capitalized and has enough capital buffers to absorb inherent risks. The total capital Tier 2 and the core capital Tier 1 adequacy ratios remained above the regulatory requirement that encompasses the capital buffers requirement of 12.5 and 14.5% respectively. The core capital adequacy ratio and the global capital adequacy

increased, from 18.3 to 19.0% and from 21.2 to 21.8% respectively from September 2016 to September 2017. Over the same period, the leverage ratio was 12.7% against 13.7% at the end of September 2016 with a minimum standard of 7%.

VIII.2. Quality of loans portfolio

Compared to September 2016, the quality of the loans portfolio improved; the impairment rate decreased from 19.5% to 14.2% at the end of September 2017. Over the same period, overdue loans decreased by 12.0% from BIF 186,330.1 million to BIF 163,980.8 million in September 2017.

An analysis of loans by class shows that the watch loans increased by 60.9%, while the loss loans decreased by 43.1% compared to the same month of 2016. The decline of loss loans is explained by the write-off loss loans in the banking assets. The doubtful loans decreased by 12.7% on year-to year basis, from BIF 35,002.4 million to BIF 30,564.8 million at the end of September 2017.

The rate of impairment of loans in “Tourism and hotel” sector was 41.4%. “Agriculture” and “trade” sectors have impairment’s rates of 8.2% and 13.3% respectively whereas “construction” and “manufacturing” sectors have impairment rates of 15.1% et 23.9% respectively.

Given that high impairment of loans, the banking sector was more cautious and made a lot of provisions in order to face potential losses. The provisioning rate was 73.6% at the end of September 2017 against 83.2 in the same period of 2016.

The concentration risk towards the large exposure is minimized. Loans to large exposures are 23.7% of total loans in

September 2017. However, the banking sector faces a concentration risk towards “trade” sector which represented 27.8% of total loans.

VIII.3. Profitability

Compared to the same period of the previous year, the banking sector’s profitability increased. Indeed, the sectoral net profit increased from BIF 19,076.2 million to BIF 35,642.2 million at the end of September 2017. The net banking product rose by 10.9%, from BIF 115,673.3 million to BIF 128,238.2 million.

The return-on-Assets (ROA) established at 1.7% against 1.1% in the same period of 2016, whereas the return-on-equity (ROE) ratio improved, from 7.6 to 13.0% from September 2016 to September 2017.

VIII.4. Liquidity

At the end of September 2017, the liquidity ratios both in local and in foreign currency remained above the regulatory threshold of 20% (Liquid Assets/Total deposits) with respectively 52.0% and 119.1% against 46.2 and 121.7% at the end of September 2016.

However, the banking sector undergoes relatively high concentration risks on deposits, since only the share of ten deposits represented 33.4% of total deposits in September 2017.