



The Governor


PRESS RELEASE

QUARTERLY MONETARY POLICY COMMITTEE MEETING

June 26, 2018 – The quarterly Monetary Policy Committee (MPC) Meeting was held in Kigali on 26th June. After noting that the positive macroeconomic conditions, notably low inflationary and exchange rate pressures, observed in 2018Q2 are likely to prevail in the remaining part of 2018, the MPC decided to maintain the policy rate at 5.5 percent in 2018Q3.

The MPC noted that:

- 1.1. The global economic environment continues to improve. According to the IMF April 2018 estimates, global economic growth is projected at 3.9 percent in both 2018 and 2019 compared to 3.8 percent recorded in 2017. Advanced economies are expected to grow by 2.5 percent in 2018, emerging and developing economies by 4.9 percent against 2.3 percent and 4.8 percent respectively in 2017. In line with prospects in commodity prices and improvement in global demand, global inflation is expected at 3.5 percent in 2018 from 3.0 percent recorded in 2017.
- 1.2. In Sub-Saharan Africa, economic growth is projected to pick up to 3.4 percent in 2018 and 3.7 percent in 2019, from 2.8 percent in 2017. Growth is expected to improve in commodity exporting countries as international commodity prices continue to recover. In the East African Community (EAC), economic growth is expected to rise to 5.8 percent in 2018 and 6.2 percent in 2019, from 5.2 percent recorded in 2017.
- 1.3. The Rwandan economy continues to register strong performance. In 2018Q1, the economy grew by 10.6 percent (y-o-y), from 10.5 percent recorded in the previous quarter. These positive developments were attributed to the service sector (+12.0 percent), agriculture sector (+8.0 percent) and industry sector (+7.0 percent). Leading indicators of economic activities show that the economy has continued to perform well in 2018Q2, tending towards attaining the 7.2 percent GDP growth

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projection in 2018. Total turnovers grew by 16.5 percent during the first five months of 2018 from 16.2 percent in the same period of 2017. Likewise, the Composite Index of Economic Activities (CIEA) grew by 15.8 percent from 7.7 percent during the same period.

- 1.4. Rwanda's formal trade deficit reduced by 1.4 percent during the first five months of 2018 compared to the same period of 2017, following an increase in formal exports receipts by 29.0 percent, which outweighed the increase in formal imports of 9.0 percent. As a result, formal exports cover of formal imports increased to 40.4 percent from 34.1 percent during the same period.
- 1.5. Consistent with the performance of the external sector, exchange rate pressures remain subdued. Compared to December 2017, the FRW depreciated by 1.5 percent against the USD as at end May 2018 from 1.0 percent and 4.0 percent observed during the same period of 2017 and 2016, respectively.
- 1.6. Inflation remains low and stable. Headline inflation stood at 3.0 percent in May compared to 0.9 percent in 2018Q1, following the uptick in food and energy prices as well as in transport costs. Core inflation remains benign despite picking up from 1.7 percent in 2018Q1 to 2.1 percent and 1.8 percent in April and May 2018 respectively, consistent with the prevailing level of aggregate demand and subdued exchange rate pressures.
- 1.7. Compared to December 2017, broad money expanded by 5.8 percent in May 2018 against 5.6 percent realized in the same period of last year. On annual basis, broad money grew by 12.6 percent in May 2018 compared to 12.3 percent in May 2017 while growth in outstanding credit to the private sector stood at 7.3 percent against 7.8 percent during the same period.
- 1.8. In view of the above economic developments and outlook, the MPC decided to maintain the key repo rate at 5.5 percent in 2018Q3.

Done at Kigali, 26th June 2018

RWANGOMBWA Jean
Governor, Chairman of MPC

