



*The Governor*

## **PRESS RELEASE**

### **National Bank of Rwanda maintains the Central Bank Rate (CBR) at 5.0 percent.**

Following the quarterly Monetary Policy Committee (MPC) meeting held on February 5<sup>th</sup> 2020, projections for 2020 indicate that inflation will remain within the benchmark band, hence the decision to maintain the Central Bank Rate (CBR) at 5.0 percent. The MPC will continue to closely monitor domestic and global economic conditions, and stands ready to take appropriate measures.

#### **Inflation to remain within the benchmark band:**

Headline inflation remained within the benchmark band, standing at 6.0 percent in 2019Q4, from 2.4 percent in 2019Q3 following an increase in food inflation. Annual average headline inflation for the year 2020 is projected to be slightly above the medium term benchmark of 5 percent. The variation will be driven by supply factors.

#### **CBR transmission to market rates and the economy continues to improve:**

Money market rates continued to stabilize around the central bank rate, while average lending rates declined to 16.49 percent from 16.98 in 2018, and average deposit rates slightly rose to 7.64 percent from 7.50 percent in 2018. In line with the accommodative monetary policy stance and a strong economic growth, the banking sector lending picked-up in 2019, with an increase in outstanding loans of 12.6 percent, from 10.8 percent in 2018. New authorized loans grew by 20.1 percent, from 17.2 percent of the previous year.

#### **Foreign exchange market remains stable:**

High demand of capital and intermediary goods from big infrastructure projects and rising manufacturing sub-sector led to a high import bill growth of (10.6 percent) that outweighed the growth of exports (3.8 percent). This contributed to the depreciation of the Rwandan franc by 4.9 percent in 2019 from 4.0 percent in 2018, however in 2020, exchange rate pressures are expected to be subdued.

#### **Strong economic performance expected to continue:**

Real GDP grew by 10.9 percent on average in the first three quarters of 2019, higher than 8.3 percent registered in the same period of 2018. This high performance continued in 2019Q4 as indicated by the composite index of economic activities, and this momentum is expected to be

sustained in 2020 at an average of 8.1 percent. This good performance will continue to be driven by the industry sector, mainly construction, and service sector supported by conference tourism.

**Global economic performance expected to pick up:**

Global economic growth is estimated to slow down to 2.9 percent in 2019 from 3.6 percent in 2018 and is projected to pick up to 3.3 percent in 2020. Downward risks could continue to come from uncertainty surrounding the resolution of US-China trade war, Brexit, effects from Climate Change, rising global debts, geo-political tensions, and the recent outbreak of the coronavirus.

The next MPC meeting is scheduled for May 2020.

**February 7, 2020**

**RWANGOMBWA John**  
**Governor, Chairperson of the MPC**

