



*The Governor*

## **PRESS RELEASE**

### **National Bank of Rwanda maintains the Central Bank Rate (CBR) at 4.5 percent.**

The statutory quarterly Monetary Policy Committee (MPC) meeting held on 17th August 2021 reviewed the impact of its previous decisions and assessed recent economic developments at both global and national levels, as well as the outlook. Considering that inflation is projected to evolve below 2.0 percent in 2021 before rising to around 5.0 percent in 2022, the MPC decided to maintain an accommodative monetary policy stance by keeping the CBR at 4.5 percent to continue supporting the economic recovery efforts.

### **The global economy is projected to record a noticeable but uneven recovery from the worst recession since World War II.**

According to estimates published by IMF in July 2021, the global economy is projected to grow by 6 percent in 2021 and 4.9 percent in 2022, from a contraction of 3.2 percent in 2020 that resulted from the negative impact of COVID-19. However, global economic prospects remain uncertain due to delayed global vaccine rollout, impact of COVID-19 new variants, and discrepancy in growth across countries. Market uncertainties are linked to multiple factors, such as the effectiveness of policy support, exposure to cross-country spillovers, aftershocks, and pre-existing economic conditions.

### **The Sub-Saharan economy to recover at a low rate.**

For the first time in the last 25 years, Sub-Saharan Africa experienced a recession in 2020, with GDP contracting by 1.8 percent. This year, Sub-Saharan Africa's economy has started showing a good recovery, with a projected growth of 3.4 percent in 2021 and 4.1 percent in 2022. However, despite the projected economic rebound in 2021 that reflects positive spillovers from strengthening global economic activity, Sub-Saharan Africa remains the slowest growing region in 2021. That is mainly due to lower access to vaccines, limited fiscal space, and weak monetary policy transmission mechanisms.

### **Rwandan economy continues to recover from the recession caused by the pandemic.**

The Rwandan economy continues to gradually recover from the 2020 recession caused by the COVID-19 pandemic as a result of sizeable fiscal and monetary policy measures. In 2021Q1, Rwanda's real GDP grew by 3.5 percent after three consecutive quarters of contraction. The recovery in the first quarter of 2021 was mainly driven by a faster recovery in the agriculture sector, which grew by 6.8 percent from a decline of 0.5 percent recorded in 2020Q1, and the industry sector with a growth of 9.7 percent from 1.9 percent over the same

period. The recovery is expected to continue at a higher pace, as evidenced by the Composite Index of Economic Activities - a high frequency economic indicator - which rose by 32.4 percent in 2021Q2 from 12.7 percent in 2021Q1.

**The interbank Market rate remained stable.**

In line with the Central Bank Rate path, the interbank rates dropped by 26 basis points in the first half of 2021, to 5.19 percent on average compared to the corresponding period of 2020. In the same period, the lending rate reduced by 34 basis points to 15.91 percent, reflecting a decline for both corporate and individual loans.

Monetary aggregates remained resilient to the impact of COVID-19.

In 2021Q2, monetary aggregates grew by 17.3 percent, year on year, compared to 18.9 percent growth in 2020Q2. In the same period, outstanding credit to the private sector grew by 19.1 percent from 14.4 percent. This growth was driven by new authorized credit disbursed during that period and other economic policy support measures.

**The foreign exchange market remains stable.**

In the seven months ending July 2021, the FRW depreciated by 1.80 percent against the USD compared to the 2.29 percent depreciation recorded by the end of July 2020. In 2021, the foreign exchange market is expected to remain stable, with adequate foreign exchange reserves held by NBR covering 5.1 months of prospective imports.

**Headline inflation will evolve below 2.0 percent in 2021 and is projected to be around the 5.0 percent inflation benchmark in 2022.**

In 2021Q2, headline inflation decelerated to 0.7 percent from 2.1 percent recorded in 2021Q1. The current low inflation environment is driven by good agricultural production in season A and B 2021 that moderated food prices. This low inflation also reflects the base effect from transport prices in addition to subdued pressures from economic activities. Consistent with current economic conditions, assumptions on expected global and domestic economic recovery and prospects in international commodity prices, headline inflation is projected at 0.7 percent in 2021 and 5.6 percent in 2022.

The MPC will continue to monitor the situation closely and stands ready to take further action as necessary to support the economy and ensure low and stable inflation.

17<sup>th</sup> August 2021

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**Governor, Chairperson of the MPC**