



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 10th November 2021 reviewed the impact of its previous decisions and assessed recent economic developments at the global and domestic level, as well as the outlook. The MPC noted that inflation is projected to be slightly above zero in 2021, before rising to around the 5.0 percent inflation benchmark in 2022. The committee decided to maintain the current accommodative monetary policy stance by maintaining the Central Bank Rate (CBR) at 4.5 percent. This stance is adequate to support the economic recovery, while bringing inflation up to the medium term objective of 5.0 percent.

The global and regional economy continue to recover

Estimates published by the IMF in October 2021 indicate that the global economy is projected to grow by 5.9 percent in 2021 and 4.9 percent in 2022, from a contraction of 3.2 percent in 2020. The Sub-Saharan Africa economy is expected to recover, with GDP growth projected at 3.7 percent in 2021 and 3.8 percent in 2022. These positive economic developments at global and regional level are expected to have a positive impact on the growth of the Rwandan economy while exerting some pressures on domestic inflation.

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

The Rwandan economy continues to recover from the 2020 COVID induced recession, supported by sizeable fiscal and monetary policy measures, and continued vaccine rollout. Following the real GDP growth of 20.6 percent recorded in 2021Q2, economic recovery is expected to continue in 2021Q3, as reflected by the real Composite Index of Economic Activities (CIEA), which increased by 10.3 percent in the quarter. This is mainly driven by an increase in total turnovers of 18.2 percent as both services and industry sectors turnovers grew by 19.4 percent and 15.2 percent respectively.

The interbank market rate remained stable and outstanding credit to the private sector continues to grow.

In 2021Q3, NBR remained accommodative and injected liquidity aiming to stabilize liquidity in the banking system. As a result, money market rates were steered around the CBR, with the interbank market rate declining by 7 basis points to 5.20 percent, year-on-year.

Regarding market rates, the average lending rate reduced by 12 basis points to 16.35 percent, year-on-year, reflecting a growth in long term loans priced at lower rates for both corporate

and individual customers. Contrary, depositors benefited from an increase in the deposit rate by 18 basis points to 8.00 percent on average in 2021Q3. As a result, the spread between the lending rate and the deposit rate reduced by 30 basis points to 8.35 percent on average in 2021Q3.

Outstanding credit to the private sector grew by 18.6 percent in 2021Q3, year-on-year, driven by new authorized loans disbursed during that period.

Trade deficit improves driven by higher exports

In the third quarter of 2021, Rwanda's external trade continued to recover with merchandise exports growing by 58.8 percent, offsetting the 12.7 percent growth in merchandise imports. The good performance in merchandise export was mainly driven by a continued recovery of external demand, supported by rising commodity prices, and a good performance of domestic manufacturing activities and horticulture. As a result, in the nine months ending September 2021, the FRW depreciated by 2.58 percent against the USD, lower than a depreciation of 3.72 percent recorded a year before. In 2021, the foreign exchange market is expected to remain stable, with adequate foreign exchange reserves held by NBR covering 5.6 months of prospective imports.

Headline inflation is projected to be slightly above zero in 2021, before rising to around the 5.0 percent inflation benchmark in 2022.

In 2021Q3, year-on-year headline inflation decelerated to -0.6 percent from 0.7 percent recorded in 2021Q2. The current deflation was mostly reflected in domestic components like food and transport. Food prices dropped reflecting the good performance of agriculture seasons B and C, while transport inflation reduced due to the base effect from the pandemic-related transport price hike in 2020. Headline inflation is projected at 0.7 percent in 2021, and 5.4 percent in 2022 mainly due to the increase in imported costs and international commodity prices in 2021Q4.

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.

Kigali, 11th November 2021

RWANGOMBWA John
Governor, Chairperson of the MPC

