



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 12th May 2021 reviewed the impact of its previous decisions and assessed recent economic developments at the global and domestic level as well as the outlook. Considering that inflation is projected to evolve below the medium term benchmark of 5 percent over the next 4 quarters, the MPC decided to maintain an accommodative monetary policy stance by keeping the CBR at 4.5 percent to continue supporting the banking sector in effort to finance the economic recovery.

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 April 2021, the global economy is projected to grow by 6 percent in 2021, from a contraction of 3.3 percent in 2020 that resulted from the negative impact of COVID-19. However, global economic prospects remain uncertain due to the 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 effectiveness of policy support, exposure to cross-country spillovers, and preexisting economic conditions.

The domestic economy is expected to recover from the negative impact of COVID-19.

Rwanda's real GDP contracted by 3.4 percent in 2020, the first recession since 1994. Backed by supportive policy measures and eased containment measures, the economy recorded a gradual recovery since 2020Q3 after a deep contraction in 2020Q2. The recovery is expected to continue in 2021, evidenced by an increase in the Composite Index of Economic Activities (CIEA) which rose by 10.2 percent in 2021Q1, better than 5.5 percent in 2020Q1. Real GDP is projected to rebound to 5.1 percent in 2021, supported by sound economic policies and the vaccine rollout.

Lending rates continue to decrease in line with recent trends in CBR.

The continuing accommodative monetary policy stance has contributed to a further reduction in money market and market interest rates. The interbank rate continues to be steered around the Central Bank Rate, dropping by 4 basis points to 5.2 percent in 2021Q1. During the same period, average lending rate reduced by 91 basis points to 16.35 percent, thereby easing the cost of borrowing during the ongoing economic recovery.

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

The monetary sector remains resilient owing to supportive policy measures. As of March 2021, broad money grew by 22.5 percent compared to 12.3 percent growth in March 2020. In the same period, outstanding credit to private sector grew by 22.0 percent compared to 12.5 percent in March 2020. This growth was driven by new authorized credit disbursed during that period and other economic policy support measures.

Foreign exchange market remains stable.

In 2020, the FRW depreciated by 5.4 percent against the USD. As of end April 2021, the FRW had depreciated by 0.993 percent compared to 0.996 percent in the same period of 2020. In 2021, the foreign exchange market is expected to remain stable, with adequate foreign exchange reserves held by NBR covering more than four months of prospective imports.

Headline inflation is expected to evolve slightly below the benchmark of 5 percent over the next four quarters.

Headline inflation eased from 5.1 percent in 2020Q4 to 2.1 percent in 2021Q1 mainly reflecting a decline in core inflation that stood at 3.2 percent in 2021Q1 from 4.2 percent recorded in the previous quarter. In 2021Q2, headline inflation is expected to stand at around 2.7 percent. Overall, average headline inflation is projected at 2.2 percent in 2021.

The MPC will continue to closely monitor domestic and global economic conditions and stands ready to take appropriate measures if and when necessary.

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RWANGOMBWA John
Governor, Chairperson of the MPC

