



The Governor

PRESS RELEASE

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

The quarterly Monetary Policy Committee (MPC) meeting convened on August 14th, 2019 to review the outcome of its previous decisions, recent economic developments and outlook. The Committee observed that the first half of 2019 (2019H1) ended with positive macroeconomic conditions, that are expected to continue throughout the year, with modest inflation rates, and moderate exchange rate pressures. The MPC decided to maintain the Central Bank Rate (CBR) at 5.0 percent, to continue supporting the financing of the economy and improvement in aggregate demand.

Inflation to slightly pick up

Headline inflation decelerated to 0.7% in 2019H1, from 1.8% in 2018H1, following a food deflation and a decline in energy inflation. Core inflation slightly dropped to 1.6 percent in 2019H1, from 1.8 percent in 2018H1, consistent with the aggregate demand that remains non-inflationary. Average headline inflation for 2019 is projected to be around 2.0 percent, in line with the prevailing accommodative monetary policy stance.

Credit to private sector continues to grow

The outstanding credit to the private sector rose by 8.2 percent in 2019H1, compared to 1.8 percent growth in the corresponding period of 2018. During the same period, new authorized loans increased by 36.8 percent, from -3.3 percent, owed to an increased demand for loans reflecting a good economic performance.

Foreign exchange market to remain stable

The FRW depreciated by 2.2 percent against the USD by end June 2019, compared to 1.7 percent recorded in June 2018, in line with external sector developments. Growth of exports (7.5 percent) was outweighed by growth of imports (18.2 percent) which led to a wider trade deficit. High growth of imports was mainly observed in intermediate and capital goods, reflecting ongoing investments. Growth of exports was constrained by low international commodity prices.

The link between CBR and market rates continues to improve

Money market interest rates remained close to the central bank rate, on account of a continued proactive liquidity forecasting and management. In commercial banks,

average lending and deposit rates slightly declined to 16.64 percent and 7.63 percent in 2019H1, from 16.98 percent 8.01 percent in 2018H1, respectively.

Good economic performance expected to continue in 2019

Real GDP grew by 8.4 percent in 2019Q1, as a result of good performance in industry sector (+18.1 percent), followed by services (+7.6 percent) and agriculture (+4.3 percent) sectors. The Composite index of Economic Activities, points to a sustained economic performance in 2019Q2, consistent with the projection of 7.8 percent growth in 2019.

Going forward, Rwanda's aggregate demand in 2019 is expected to continue improving, supported by the accommodative monetary policy and a fiscal stimulus. Downward risks could potentially come from the Global economy, owing to intensified US-China trade tensions and prolonged uncertainties around Brexit. As result of these developments, global economic growth is projected to slow down from 3.6 percent in 2018 to 3.2 percent in 2019, before picking up to 3.5 percent in 2020.

The committee will continue monitoring developments in domestic and global economic conditions, and stands ready to take appropriate measures. The next MPC meeting is scheduled in November 2019.

