



*The Governor*

## **PRESS RELEASE**

### **The National Bank of Rwanda maintains its Central Bank Rate at 7% as inflationary pressures are projected to ease.**

The Monetary Policy Committee (MPC) met on 10<sup>th</sup> May 2023 to decide on the Central Bank Rate (CBR) for the next three months.

Analysis indicates that inflationary pressures are on a declining trend, although still high. Inflation is expected to continue decelerating until it converges towards the target band (below 8 percent) before the end of this year. This reflects the effect of prior NBR monetary policy tightening, Government policy measures, and the already decreasing major international commodity prices.

Based on the projected ease in inflation, the MPC decided to maintain the Central Bank Rate (CBR) at 7.0 percent.

### **Headline inflation is projected to continue reducing in the near-term.**

In November 2022, headline inflation reached a peak of 21.7 percent (y-o-y). Since then, it has been declining to reach 17.8 percent in April 2023. A faster deceleration is observed in core inflation (inflation excluding fresh food and energy items), where it reached 11.4 percent in April 2023 from a peak of 15.4 percent in December 2022. This reflects a deceleration for both imported and domestic processed food inflation. Similarly, energy inflation reduced as a result of an increased supply of charcoal and firewood, coupled with the downward revisions in local pump prices throughout 2023Q1. These domestic price developments are in line with the declining trend in international food and energy inflation. Unlike core and energy inflation, fresh food inflation remains high as a result of lower-than-expected 2023 Season A agricultural production.

Though headline inflation remains high, it is expected to fall within the target band towards the end of 2023, reflecting the effect of NBR monetary policy, Government policy measures, and continued ease in global pressures. This decline is expected for all main components of headline inflation, namely core, energy, and fresh food inflation. This inflation outlook assumes improved performance of the agriculture sector for the second half of this year. However, risks may come from weather related challenges.



## **The Rwandan economy is expected to remain resilient.**

The Rwandan economy is expected to perform well in 2023 as indicated by the Composite Index of Economic Activities (CIEA), which grew by 14.4 percent in 2023Q1, backed by the continued strong recovery in services. This trend is expected to continue in the coming quarters, though at a slower pace. In 2023, real GDP growth is expected to moderate to 6.2 percent from 8.2 percent in 2022, mainly reflecting slowing global demand.

## **Rwanda's external sector remains stable, despite a widening trade deficit.**

Rwanda's merchandise exports remain strong, with a growth of 17.4 percent in 2023Q1, owing to higher export quantities, supported by the good performance of domestic manufacturing activities. On the other hand, merchandise imports rose by 27.6 percent, from the increased demand for imports, consistent with the rebound of domestic economic activities. As a result, the merchandise trade deficit widened by 35 percent. In line with the external sector performance, the FRW depreciated against the US dollar by 3.07 percent end March 2023 compared to December 2022. In the medium-term, the gross official foreign exchange reserves are expected to remain adequate, covering 4 months of prospective imports of goods and services. In addition, a projected increase in service exports, mainly tourism and air transport, and in remittance inflows will help moderate exchange rate pressures.

## **The interbank market rate was steered to the CBR.**

The interbank rate rose to 7.36 percent on average in 2023Q1, from 5.29 percent in 2022Q1 following the monetary policy tightening. Consequently, the interest rates on government securities and deposits for all maturities increased. However, the average lending rate decreased to 15.92 percent in 2023Q1 from 16.52 percent in 2022Q1.

## **MPC decision.**

From the above inflation projections, the Monetary Policy Committee decided to maintain the central bank rate at 7.0 percent. The MPC remains committed to bringing back inflation within the target band (2 to 8%) and will continue to monitor macroeconomic developments and take appropriate action when necessary.

Kigali, 11<sup>th</sup> May 2023

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

