



The Governor

PRESS RELEASE

National Bank of Rwanda reduces the Central Bank Rate (CBR) to 4.5 percent.

The quarterly Monetary Policy Committee (MPC) meeting, was held on April 29th, 2020 to assess recent economic developments at global and national level. The meeting was held amidst global economic challenges caused by the Covid-19 pandemic and the implementation of various measures to contain its spread.

The MPC assessed recent negative economic developments, the unfolding impact of previous policy measures and the outlook of the economy. Considering that inflation is projected to decelerate in the second half of 2020, owed to a drop in aggregate demand, the MPC decided to cut the Central Bank Rate (CBR) from 5.0 percent to 4.5 percent. This decision, along with other implemented policy measures taken in March will support commercial banks to continue financing the economy.

Previous measures by NBR to mitigate the economic impact caused by COVID-19:

The measures put in place by the National Bank of Rwanda (NBR) on 18th March 2020, to ease liquidity conditions in the banking sector, yielded immediate impact. FRW 23.4 billion was injected into the system on April 1st, 2020, through a reduction of the reserve requirement ratio from 5 percent to 4 percent. A FRW 50 billion lending facility is also available to banks at the Central Bank Rate (CBR).

The NBR also eased prudential requirements to exceptionally allow banks to restructure outstanding loans of borrowers facing temporary cash flow challenges arising from the COVID-19 pandemic. In response, as at April 10th 2020, banks had restructured 7,952 loans (out of 8,667 applications), worth FRW 255 billion.

The global economic outlook adversely affected by the COVID-19 outbreak:

The Committee noted that global economic growth is projected to decline sharply by -3 percent in 2020, a downward revision from a 3.3 percent growth previously projected by IMF in January. This severe economic downturn is a result of the effect of the COVID-19 pandemic that has claimed over 200,000 lives, with more than 3 million cases reported globally to date, leaving many economic activities restricted and countries in a lock down over the past few weeks. Across the world, this outbreak has caused major disruptions in supply chains, uncertainties and high volatilities in financial markets, contraction in economic activities, high unemployment rates, and a sharp decline in commodity prices.

Domestic economic performance and outlook remained strong until COVID-19 outbreak:

The global economic disruptions caused by the COVID-19 pandemic are weighing on Rwanda's economy. Leading indicators suggest that the performance of the domestic economy was strong in the first two months of 2020, with the composite index of economic activities growing by 5.1 percent in the first quarter of 2020. However, the outbreak of COVID-19 in mid-March 2020 led to a significant slowdown, mainly in the services and industry sectors.

While the outstanding credit to the private sector increased by 4.3 percent in 2020Q1, the demand for loans reduced due to the decline in economic activities. This led to a reduction in new authorized loans by 10.6 percent in 2020Q1. On the external sector, the trade deficit deteriorated by 18.8 percent in 2020Q1 due to higher imports compared to exports. However, policy measures being taken by the government aiming at supporting the recovery of the economy after COVID 19 are expected to increase the demand for credit by the private sector. This expected recovery will also contribute to a reduction in the trade deficit and maintain a stable foreign exchange market.

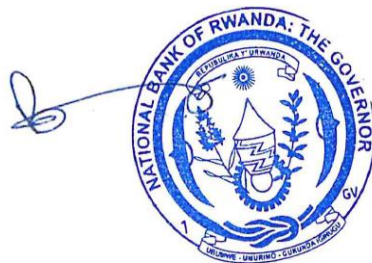
Headline inflation projected to reduce from the second half of 2020:

The average quarterly headline inflation for 2020Q1 stood at 8.2 percent, mainly attributed to increased food and energy inflation. However, due to a significant drop in aggregate demand that resulted from COVID19, headline inflation is projected to decelerate, leading to an average of 6.0 percent and 1.0 percent for 2020 and 2021, respectively pointing out the need for policy measures to support aggregate demand in the economy.

After assessing the negative effect of the outbreak of COVID-19, in effort to mitigate the shock on the Rwandan economy, the MPC decided to further accommodate the monetary conditions, to ease liquidity conditions in the banking sector and support economic recovery efforts in 2020 and onwards.

In view of the above, the MPC will continue to closely monitor domestic and global economic conditions, and stands ready to take appropriate measures.

April 30th, 2020



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