



The Governor

PRESS RELEASE

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

The quarterly Monetary Policy Committee (MPC) meeting convened on November 14, 2019 to review the outcome of its previous decisions, recent economic developments and future outlook. The MPC observed that the aggregate demand increased, in line with the accommodative monetary policy stance. Over the policy horizon - three to eight quarters ahead - inflation is projected to pick up, but will remain within the benchmark band. Therefore, the MPC decided to maintain the Central Bank Rate (CBR) at 5.0 percent, to continue supporting the financing of the economy and the growing aggregate demand.

Inflation to remain low and stable:

Headline inflation remained low compared to the 5 percent benchmark, standing at 2.4 percent in 2019Q3, higher than 0.4 percent recorded in 2019Q2 and 1.8 percent recorded in 2018Q3, following an increase in food inflation. Over the same period, core inflation increased to 2.7 percent from 1.6 percent in the previous two quarters, mainly due to the rise in international prices of some imported goods. Annual average headline inflation is projected to rise from 1.4 percent in 2018, to 2.3 percent in 2019, and around 5.0 percent in 2020.

Credit to private sector recorded a high growth:

Banking sector lending picked-up in the first three quarters of 2019 due to increased demand for credit, with an increase in outstanding loans of 20.1 percent (Year-on-Year), compared to a 7.2 percent growth recorded end of September 2018. In the first nine months of 2019, new authorized loans grew by 41.1 percent, from 0.3 percent in the same period of the previous year, mainly attributed to easy monetary conditions and improved economic conditions.

Foreign exchange market remains stable:

The Rwandan franc depreciated by 4.0 percent against the USD in the past 10 months ending October 2019, higher than 3.4 percent observed in the same period of 2018. In the first 3 quarters of 2019, the growth of imports (14.6 percent) outweighed the growth of exports (3.9 percent), increasing the trade deficit. Growing imports are mainly due to increased demand for capital and intermediary goods needed for rising investments. Nonetheless, by end December 2019, the FRW is expected to depreciate by 4.8 percent, slightly lower than the initial projections of 5.1 percent.

CBR transmission to market rates continues to improve:

Money market rates continued to stabilize around the central bank rate. In the first three quarters of 2019, average lending rates slightly declined to 16.47 percent from 17.07 and deposit rate dropped slightly to 7.59 percent from 7.61 percent. As a result, the spread between lending and deposit rates reduced significantly, to an average of 8.88 percent in the first three quarters of 2019, from 10.33 percent in the corresponding period of 2018.

Strong economic performance expected to continue :

Real GDP grew by 12.2 percent in 2019Q2, from 8.4 percent in 2019Q1, and is projected at 8.5 percent in 2019 and 8.1 percent in 2020. Going forward, Rwanda’s aggregate demand in 2020 is expected to keep growing, supported by an accommodative monetary policy and fiscal policy.

Global economic performance expected to pickup :

Global economic growth is projected to slow down from 3.6 percent in 2018 to 3.0 percent in 2019, before picking up to 3.4 percent in 2020. Downward risks could continue to come from prolonged US-China trade war, uncertainties around Brexit, and Geo-political tensions.

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 February 2020.

November 15, 2019

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

