NATIONAL BANK OF RWANDA
BANKI NKURU Y'U RWANDA

MONETARY POLICY REPORT

MAY 2022

NBR IDENTITY STATEMENT

The National Bank of Rwanda strives to be a World class Central Bank contributing to economic growth & development, by using robust monetary policy tools to maintain stable market prices. The Bank ensures financial stability in a free market economy as it embraces innovation, inclusiveness, and economic integration.

VISION

To become a World Class Central Bank

MISSION

To ensure Price Stability and a Sound Financial System

OUR CORE VALUES

INTEGRITY

We uphold high moral, ethical and professional standards for our people, systems and data

MUTUAL-RESPECT AND TEAM-WORK

We keep ourselves in high spirit, committed to each other for success

ACCOUNTABILITY

We are result-focused and transparent, and we reward according to performance

EXCELLENCE

We passionately strive to deliver quality services in a timely and cost effective manner. We continuously seek improvement by encouraging new ideas and welcoming feedback that adds value to customer services.

NBR
Key Strategic Focus
(2017/18-2023/24)

The National Bank of Rwanda strategic plan sets out six strategic focus areas in which the Bank must excel to achieve its mission and vision. The strategy was designed based on Rwanda's aspirations for economic transformation in line with the National Strategy for Transformation (NST1).

CONTENTS

MONETARY POLICY COMMITTEE DECISION, CURRENT OUTLOOK, AND RISKS

The statutory quarterly Monetary Policy Committee (MPC) meeting held on 11 May 2022 reviewed the impact of its previous decisions and assessed recent economic developments at the global and domestic level, as well as the outlook. The analysis indicates a continued increase of global commodity prices, leading to rising inflationary pressures, prompting central banks to tighten their monetary policy stance to bring inflation back to their targets. In Rwanda, inflation is projected to exceed the upper bound of 8.0 percent in 2022 before decelerating towards the medium-term benchmark of 5.0 percent in the second half of 2023. The projected deceleration is on the back of the monetary policy tightening of February 2022, relatively lower projected global commodity prices, and slowing domestic and global demand.

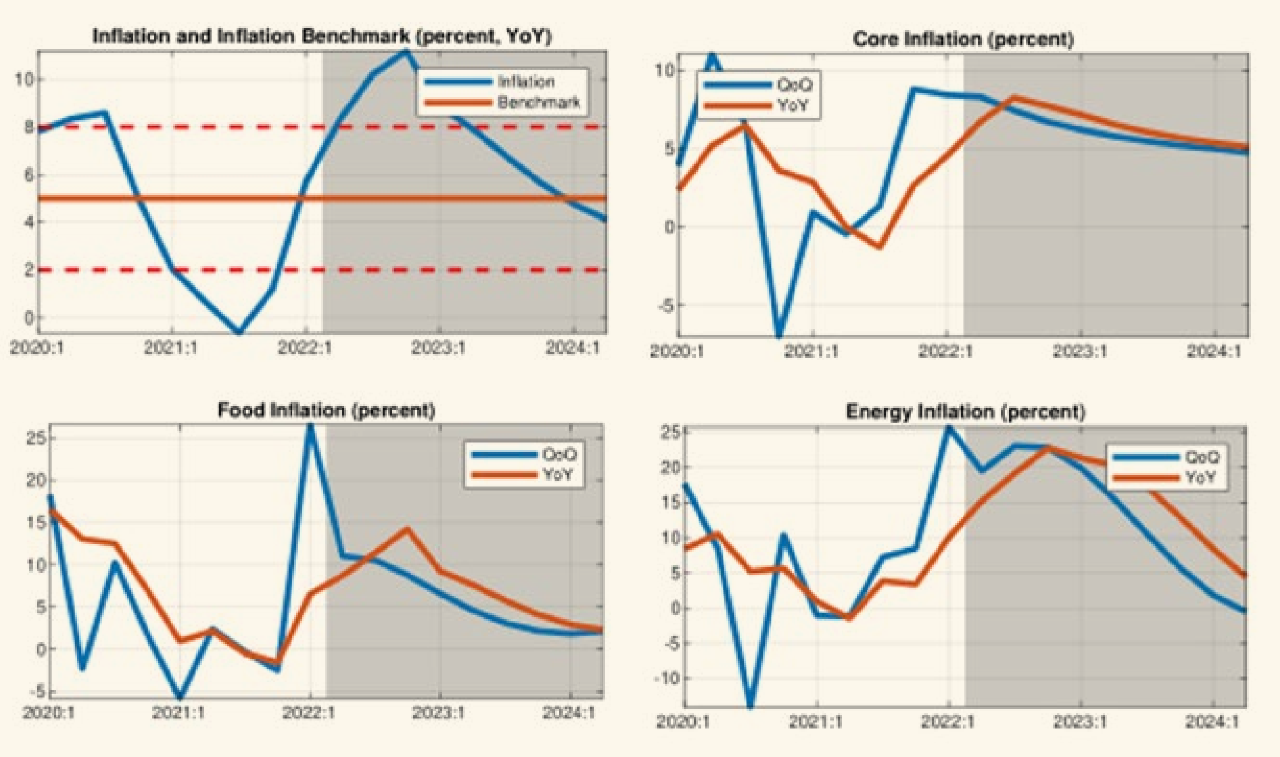
The MPC took note of these economic developments and projections, and also noted that the CBR was already increased in Feb in anticipation of higher prices (although lower than current projections), that uncertainties remain around global economic projections, that economic recovery is expected to remain strong but affected by global economic conditions, and finally that pressures are mostly from external factors. As a result, the MPC decided to maintain the Central Bank Rate (CBR) at 5 percent.

From January to April 2022, inflation recorded a high increase reflecting hikes in core (from 4.6 percent to 9.1 percent), food (from 4.5 percent to 15.7 percent), and energy (from 6.6 percent to 20.3 percent) components. These developments reaffirm the NBR assessment of November 2021 and February 2022 on existing and future external and domestic pressures.

In May 2022, projections continue to indicate an increase in core inflation in 2022, likely to decelerate in 2023 in line with slower growth of the domestic and global economies in the forecasting horizon. The expected slowdown in global economic growth will weigh on the domestic economic recovery efforts. Economic recovery is expected to remain strong but is also likely to be constrained by a slower recovery in private consumption on the back of high inflation. Furthermore, delays from import disruptions might put a strain on investment spending. With the Russia-Ukraine war and worsening supply chain disruptions, projections of commodity prices and global inflation remain high in 2022 –though slightly easing in 2023-, maintaining the current inflationary pressures from imported production costs. The latter will continue to push up food and energy inflation in subsequent quarters.

Food inflation hiked in 2022Q1, consistent with upward pressures from higher international food prices and lower domestic food production in season A 2022. These pressures are projected to remain, but at a decreasing rate in the near future, and may even decelerate as global food prices gradually decline in 2022 and 2023. The expected normal domestic food supply during the harvesting period of Season B 2022, is expected to contribute to ease pressures on food inflation in 2022H2. However, in 2022 export ban by Indonesia for edible oils may bring additional pressures.

Energy inflation increased in 2022Q1, following pressures from international oil prices and from domestic solid fuels prices. In 2022, global energy prices are expected to remain high and maintain pressures on energy inflation. Domestic solid fuels are assumed to stabilize in the near future despite uncertainties from climate impact.



I. GLOBAL ECONOMIC DEVELOPMENTS AND OUTLOOK

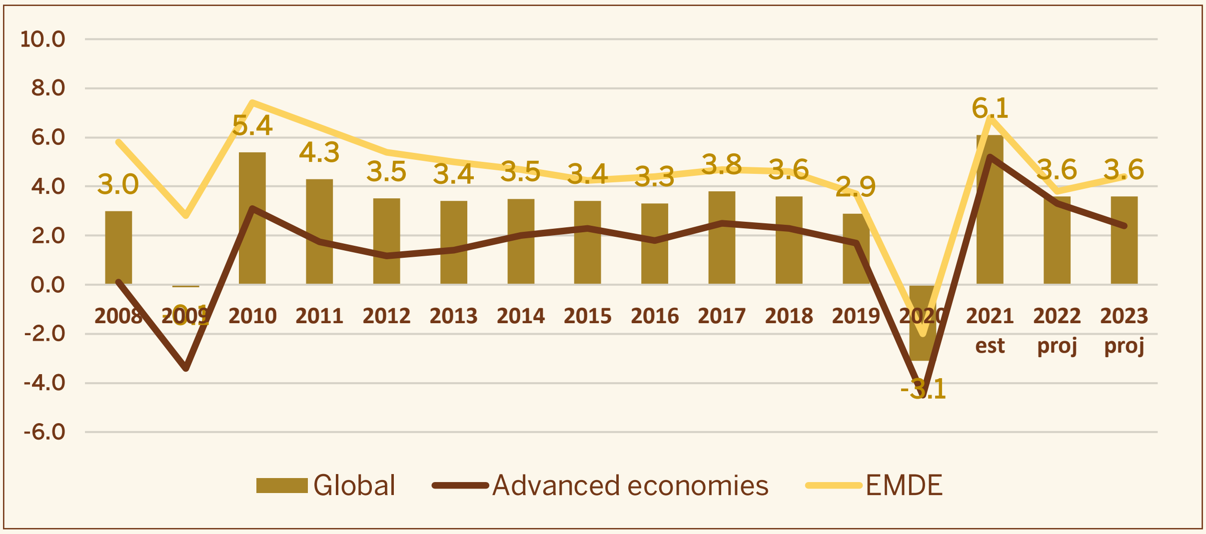
According to the International Monetary Fund's (IMF) World Economic Outlook (WEO) projections published in April 2022, the world economic growth is projected to slow to 3.6 percent in 2022, from a strong growth of 6.1 percent in 2021. Growth projections for 2022 were revised down by 0.8 percentage points relative to January 2022 update, reflecting forecast downgrades to the advanced economies, and emerging markets and developing economies largely as a consequence of the ongoing Russia – Ukraine war.

The ongoing Russia – Ukraine war slows the global economic recovery

According to the International Monetary Fund's (IMF) World Economic Outlook (WEO) projections published in April 2022, the world economic growth is projected to slow to 3.6 percent in 2022 from 6.1 percent in 2021. Growth projections for 2022 were revised down by 0.8 percentage points relative to January 2022 update, reflecting forecast downgrades to the advanced economies, and emerging markets and developing economies, largely as a consequence of the ongoing Russia – Ukraine war.

Economic growth in advanced economies is projected at 3.3 percent in 2022 after 5.2 percent in 2021, revised down by 0.6 percentage points relative to January 2022 update, largely reflecting downgrades to the United States, Eurozone, United Kingdom, and Japan. Emerging market and developing economies are projected to grow by 3.8 percent in 2022, after 6.8 percent in 2021. The forecast for the group is marked down by 1.0 percentage points relative to January 2022 update, largely attributed to downgrades for the emerging and developing Europe region.

Chart 1: GDP growth and projections across regional blocks (% change)



Source: IMF WEO projections, April 2022

Relative to January 2022 WEO update, the US economic growth projections are revised down by 0.3 percentage points to 3.7 percent in 2022 after 5.7 percent in 2021. The USA downward revision is due to already downgraded in January update largely reflecting continued supply chain disruptions and a revised assumption removing fiscal policy package. The additional 0.3 percentage points forecast markdown reflects a faster withdrawal of monetary support than in the previous projections, as policy tightens to rein inflation, and the impact of lower growth in trading partners because of disruptions from the war.

Eurozone's economy is projected to grow by 2.8 percent in 2022 from 5.3 percent in 2021, with growth projections revised down by 1.1 percentage points relative to January 2022 update, largely due to rising global energy prices. Because they are net importers, higher global prices represent negative terms of trade shock for most European countries, translating to lower output and higher inflation. Supply chain disruptions have also hurt some industries, including the automobile sector, with the war and sanctions further hindering the production of key inputs. The slow growth is reflected in the biggest downgrades in Germany and Italy with relatively large manufacturing sectors and greater dependence on energy imports from Russia.

The United Kingdom's economy is projected to slow down to 3.7 percent in 2022 from 7.4 percent in 2021, and growth projections are revised down by 1.0 percentage points relative to the January update. The downward revision is largely due to the consumption projected to be weaker than expected as inflation erodes real disposable income, while tighter financial conditions are expected to cool investment.

Japan's economy is projected to grow by 2.4 percent in 2022 from 1.6 percent in 2021, and growth projections for 2022 were revised down by 0.9 percentage points relative to January 2022 update. Japan's projections are revised down reflecting in part weaker domestic demand as higher oil prices are expected to weigh on private consumption and investment, and a drag from lower net exports

The emerging and developing Europe region (including Russia and Ukraine) is projected to contract by 2.9 percent in 2022, 6.4 percentage points lower relative to January update after 6.7% in 2021. The projected contraction is mainly due to the impact of higher energy prices on domestic demand and disruption of trade, especially for the Baltic States, whose external demand will decline along with the contraction in Russia's economy.

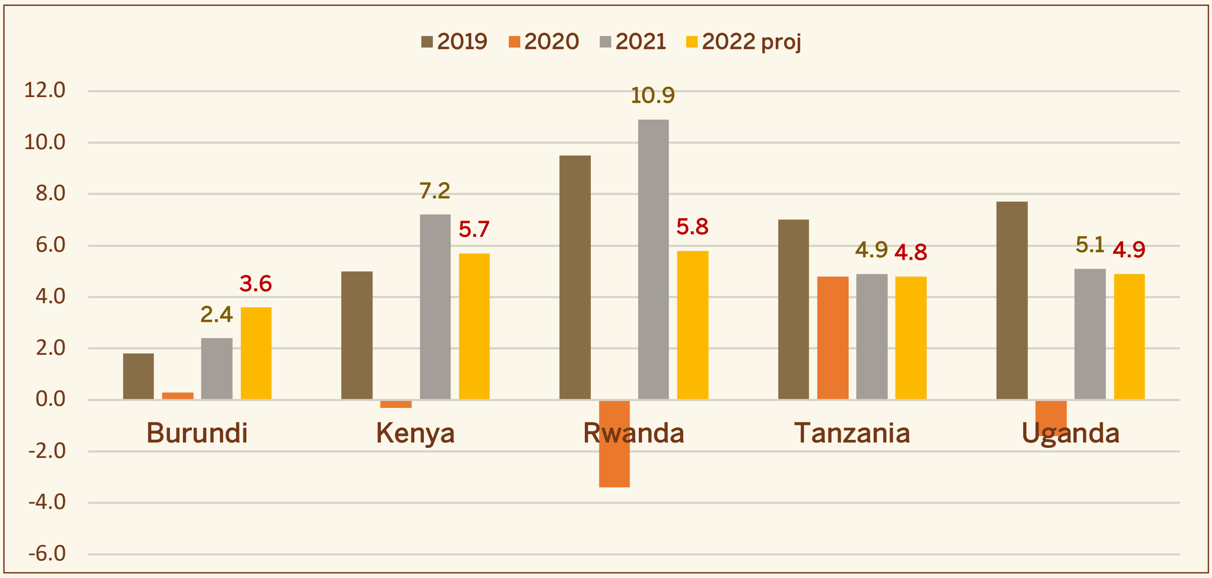
In China, growth is projected to moderate at 4.4 percent in 2022, from 8.1 percent in 2021, as growth projections were revised down by 0.4 percentage points, relative to the January update. The downgrade revision was largely due to the combination of more transmissible variants and the strict zero-tolerance COVID-19 strategy that has led to repeated mobility restrictions and localized lockdowns that, have weighed on private consumption. Recent lockdowns in key manufacturing and trading hubs such as Shanghai will likely compound supply disruptions elsewhere in the region and beyond. Moreover, real estate investment has slowed significantly, and external demand is also expected to be weaker in light of the war in Ukraine.

India's economy is projected to grow by 8.2 percent in 2022, from 8.9 percent in 2021, and growth projections for 2022 were revised down by 0.8 percentage points relative to the January update, reflecting in part weaker domestic demand as higher oil prices are expected to weigh on private consumption and investment.

The Sub-Saharan African economy is projected to grow by 3.8 percent in 2022, 0.1 percentage points higher relative to January 2022 update, compared to the growth of 4.5 percent in 2021. Growth projection's upgrade reflects the increase in oil prices that have lifted growth prospects for the region's oil exporters, such as Nigeria (revised up by 0.7 percent points to 3.4 percent in 2022), and Angola (upgraded by 0.6 percentage points to 3.0 percent in 2022). However, social and political turmoil, most notably in West Africa, weighs on the outlook. Higher food prices will hurt consumers' purchasing power, particularly among low-income households, and weigh on domestic demand.

The economic performance in the East African Community (EAC) countries is projected to slow to 5.3 percent in 2022 from 6.2 percent recorded in 2021, following a projected slowdown for all member countries compared to the previous year. The projected deceleration in growth is mainly due to the global subdue, rising commodity prices, and supply chain disruptions.

Chart 2 - Economic growth in EAC countries (% change)



Source: IMF WEO, April 2022 projections and Country Bureau of statistics

Kenya's real GDP is projected to slow to 5.7 percent in 2022 from 7.2 percent recorded in 2021. The slowdown in Kenya's real GDP, which accounts for more than 40 percent of the total community's output, will negatively affect the growth of EAC in general.

Rwanda's economic growth is projected to remain strong but to slightly moderate in 2022 after 10.9 percent in 2021, following global subdue, rising commodity prices and supply chain disruptions.

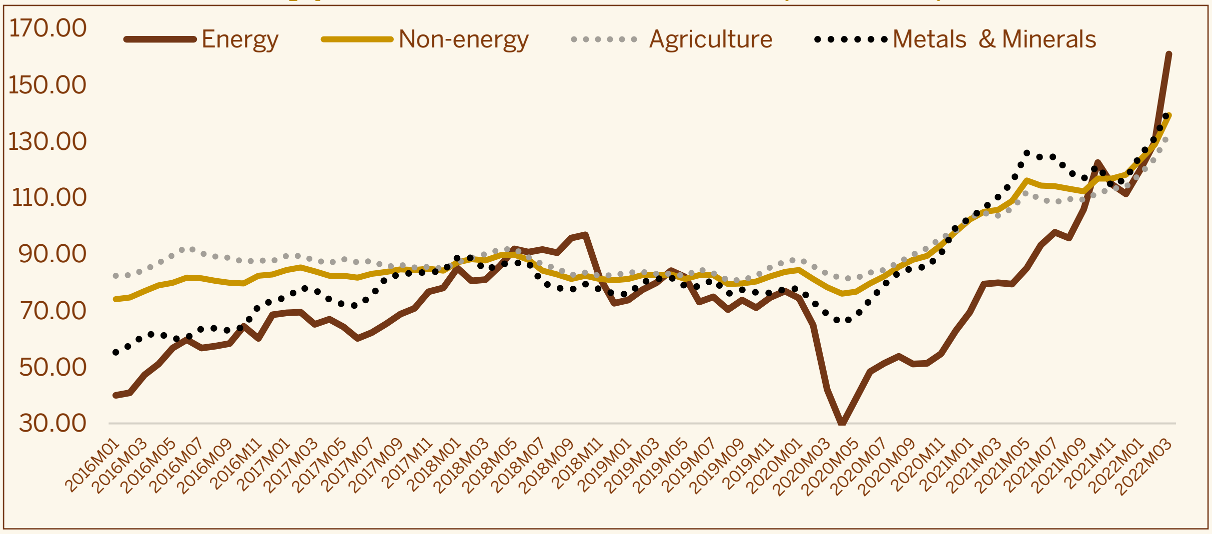
Uganda's GDP growth is projected to slow to 4.9 percent in 2022 from 5.1 percent recorded in 2021. Tanzania's economic growth is projected to slightly moderate to 4.8 percent in 2022 after 4.9 percent in 2021. In Burundi, the economy is projected to grow by 3.6 percent in 2022 from 2.4 percent in 2021.

High uncertainty however surrounds global economic prospects, and downside risks to the global outlook dominate, including from a possible worsening of the war, escalation of sanctions on Russia, a sharper-than-anticipated deceleration in China as a strict zero-COVID strategy is tested by Omicron, and a renewed flare-up of the pandemic should a new, more virulent virus strain emerge. Moreover, the war in Ukraine has increased the probability of wider social tensions because of higher food and energy prices, which would further weigh on the outlook.

Higher global commodity prices induced by rising global demand and worsened by the current Russia- Ukraine standoff

In 2022Q1 (y-o-y), global commodity prices increased, reflecting a rebound in global demand together with supply disruptions linked with the Russia-Ukraine standoff. Energy prices rose by 79.9 percent in 2022 compared to 25.8 percent in 2021Q1, attributed mainly to the rise in crude oil prices and natural gas. Non-energy commodity prices increased by 25.1 percent in 2022Q1, after 28.4 percent in 2021Q1, owing largely to higher prices in all non-energy sub-group.

Chart 3 - Commodity price index in nominal US dollar (2010=100)

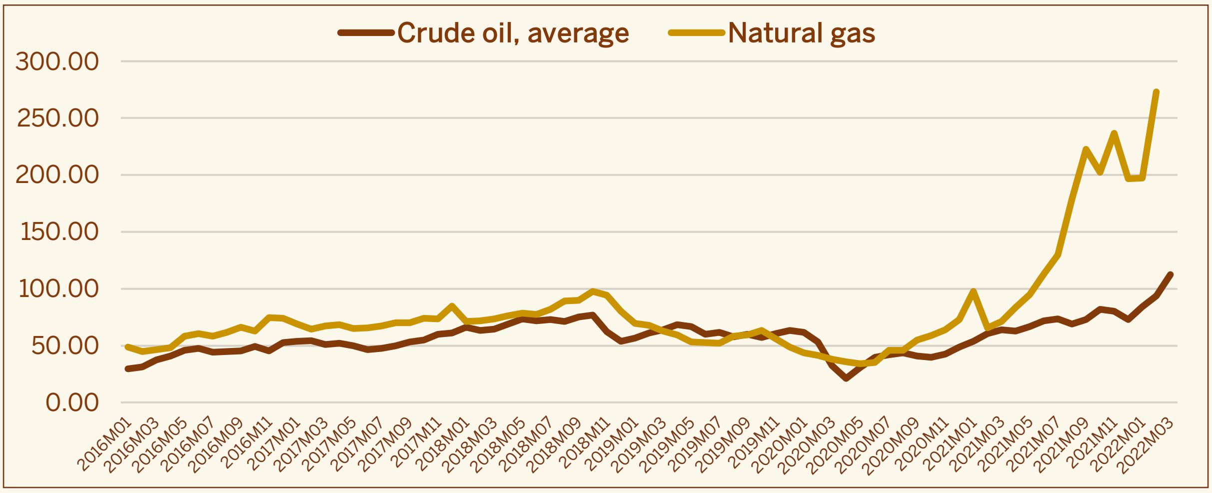


Source: World Bank Commodity Prices, April 2022

In 2022Q1, crude oil prices increased by 62.9 percent on average compared to an increase of 20.9 percent in 2021Q1, following supply disruptions due to the war in Ukraine. In April 2022, IMF projects oil prices to increase by 54.7 percent in 2022, from USD 69.1/barrel in 2021 to USD 106.9/barrel in 2022, and later drop by 13.3 percent in 2023.

Natural gas prices surged by 182.7 percent in 2022Q1 compared to an increase of 76.2 percent in 2021Q1, following the outbreak of the war in Ukraine which disrupted Russia's natural gas exports. In April 2022, World Bank projects natural gas prices to increase by 88.3 percent in 2022, which reflects disruptions to energy supplies as a result of Russia's invasion of Ukraine and related sanctions and policies.

Chart 4: Crude oil and natural gas developments (USD/barrel)



Source: World Bank commodity prices, April 2022

In 2022Q1, average prices for agricultural commodities increased by 20.5 percent after 21.1 percent in 2021Q1, reflecting trade disruptions in some commodities due to the war in Ukraine, production disruptions in wheat, due to the war and soybean due to adverse weather in South America, a surge input costs, especially energy and fertilizers, and strong demand for animal feed commodities in China. Agricultural commodities prices are projected to increase by 24.2 percent in 2022 from 5.0 percent in 2021.

Food prices increased by 24.6 percent in 2022Q1 compared to 27.4 percent in 2021Q1, of which oils & meals (26.8 percent), grains, (18.8 percent), and other foods (27.3 percent). Some food commodities recorded high prices due to production shortfalls, trade disruptions, and higher input costs. Global food prices are projected to increase by 30.8 percent in 2022 from 7.0 percent in 2021.

Beverages prices increased by 30.9 percent in 2022Q1 from 5.6 percent in 2021Q1, mainly led by coffee prices due to weather-related production shortfalls in Brazil following a frost that affected the country's coffee production regions. Tea prices (Mombasa) increased by 31.4 percent in 2022Q1 after dropping by 5.7 percent in 2021Q1, as tea production reflects weather-related production shortfalls in East Africa, especially in Kenya, the world's largest tea exporter.

Metals & minerals prices went up by 24.5 percent in 2022Q1, from 45.6 percent in 2021Q1, reflecting the impact of rising demand that favored industrial production activities. Metal prices continued to hike in early 2021, driven by strong demand in China, the ongoing global economic recovery, and supply disruptions.

The war in Ukraine has been a key driving force behind aluminum and nickel price movements, while high-energy prices have affected most metals, especially aluminum and zinc. Tin prices increased highly by 72.3 percent in 2022Q1 compared to 54.3 percent in 2021Q1, supported by strong demand from the electronics sector. World Bank projected Metal prices to increase by 15.8 percent in 2022, of which tin prices are forecast to increase by 26.6 percent in 2022 before dropping by 14.6 percent in 2023.

Precious metals increased slightly by 1.7 percent in 2022Q1 after rising by 19.4 percent in 2021Q1, reflecting higher investment demand due to rising inflation and increased-safe haven buying following Russia's invasion of Ukraine. Precious metals are projected to increase slightly by 3.0 percent in 2022 but fall by 8.9 percent in 2023 on expectations of tighter monetary policy.

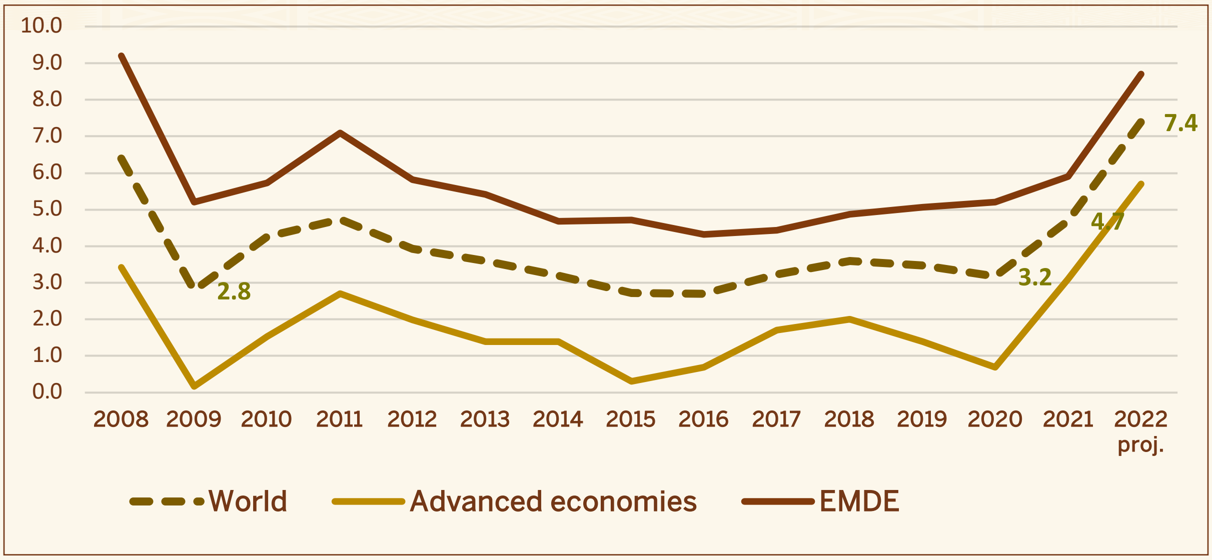
Gold prices increased by 4.2 percent in 2022Q1 after rising by 13.6 percent in 2021Q1, as rising inflation and geopolitical risks more than offset the impact of higher nominal interest rates in advanced economies. Gold prices are projected to increase modestly to 4.4 percent in 2022, before falling by 9.6 percent in 2023, weighed down by tighter monetary policy in the US and EU, with additional rate increases expected this year and next year by the Federal fund to address inflationary pressures.

Prices for fertilizers increased highly by 121.1 percent in 2022Q1 from 33.5 percent in 2021Q1. The increase follows last year's 80.6 percent surge due to Supply disruptions, soaring energy costs, and trade restrictions in China and Russia. The Ukraine war threatens further disruptions, as Russia and Belarus are major producers and exporters of fertilizers and their main input, natural gas. The World Bank projects fertilizers prices to rise by 69.2 percent in 2022.

Global inflation is expected to remain elevated driven by war-induced commodity prices and broadening price pressures

World annual average inflation is projected to increase to 7.4 percent in 2022 from 4.7 percent in 2021, largely due to the persistent rising commodity prices. With the impact of the war in Ukraine and the broadening of price pressures, inflation is expected to remain elevated for longer than in the previous forecast. The conflict is likely to have a protracted impact on commodity prices, affecting oil and gas prices more severely in 2022 and food prices well into 2023 (because of the lagged impact from the harvest in 2022).

Chart 5- Global inflation and projections across regional blocks (% change)



Source: IMF WEO update, April 2022

In advanced economies, consumer price inflation is projected to increase to 5.7 percent in 2022 (1.8 percentage points higher than in the January update), from 3.1 percent in 2021, reflecting the war in Ukraine that has aggravated spikes in commodity prices and aggregate demand supply imbalances. In the emerging market and developing economies, inflation is projected to increase to 8.7 percent in 2022 (2.8 percentage points higher than in the January update), from 5.9 percent in 2021.

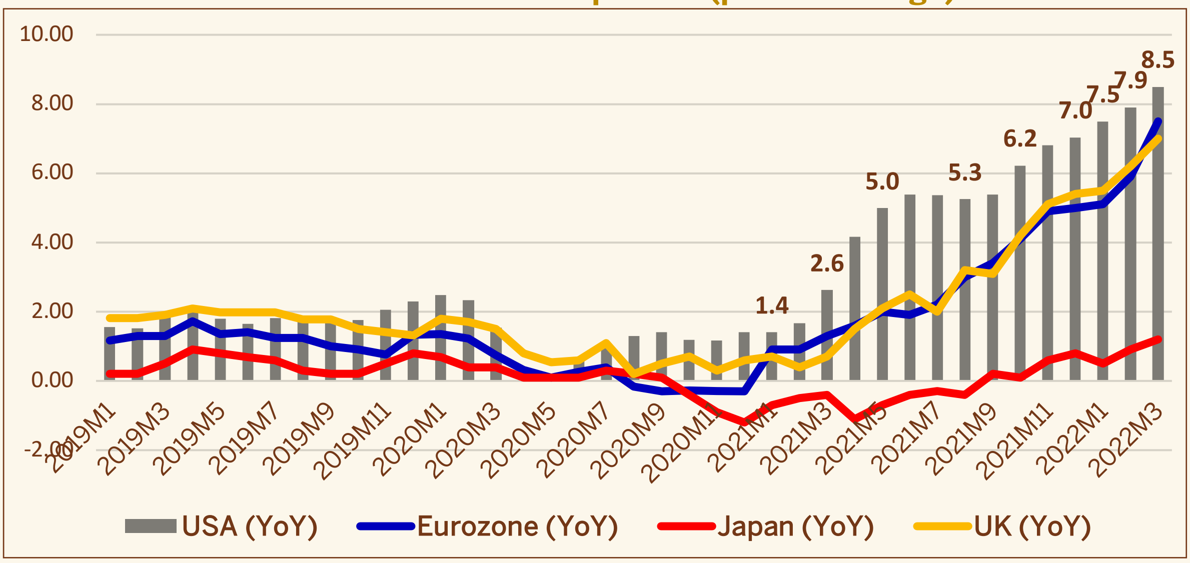
The US annual headline inflation surged to 8.5 percent in March 2022 from 7.9 percent in the previous month, and this was the highest inflation rate since December 1981, and the 11th consecutive month above the Fed's 2 percent target, following a surge in energy and food prices. The big contributors came from energy prices (32.0 percent), namely gasoline prices (48.0 percent) and fuel oil (70.1 percent). Food prices also increased by 8.8 percent, the most increase since 1981. Core inflation increased to 6.5 percent, the most in 40 years. The annual average inflation is projected to increase to 7.7 percent in 2022 from 4.7 percent in 2021.

The annual headline inflation in the Eurozone surged to 7.5 percent in March 2022, from 6.2 percent in the previous month, more than three times above the ECB target of 2 percent, breaking a new record high for the fourth consecutive month, as the war in Ukraine and sanctions pushed fuel and natural gas prices to record high levels. The high increase was mainly due to the rising energy (44.7 percent), food, alcohol & tobacco prices (5.0 percent), and non-energy industrial goods (3.4 percent). The annual core inflation increased to 3.0 percent from 2.7 percent. The annual average inflation is projected to increase to 5.3 percent in 2022 from 2.6 percent in 2021.

The annual headline inflation in the United Kingdom increased to 7.0 percent in March 2022, from 6.2 percent in the previous month, which is 10 times the 0.7 percent recorded in March 2021, and the highest inflation rate since March 1992. It is more than 3 times the Bank of England's target of 2 percent. The main upward pressure came from transport prices, as many items rose at a double-digit including cooking oil, clothing, household utensils, second-hand cars, hotels, and freight. Food prices rose for the highest in a decade with most types of food registering annual increases above 5 percent including bread. Core inflation, which excludes volatile items, rose to 5.7 percent from 0.9 percent in the same month of last year. The annual average inflation is projected to rise to 7.4 percent in 2022 from 2.6 percent in 2021.

Japan's annual headline inflation increased to 1.2 percent in March 2022 from 0.9 percent in February 2022, pointing to the 7th consecutive month of increase. It was the highest annual inflation rate since October 2018, boosted by a sharp pickup in food prices rising at the fastest pace over the last five years, and a further increase in fuel, light, and water prices. The core consumer prices, which excludes fresh food, went up by 0.8 percent (y-o-y), in March 2022, staying at their highest since January 2020, but remaining well below the Bank of Japan's 2 percent target. The annual average inflation is projected to increase to 1.0 percent in 2022 from a deflation of 0.3 percent in 2021.

Chart 6- Annual headline inflation developments (percent change)



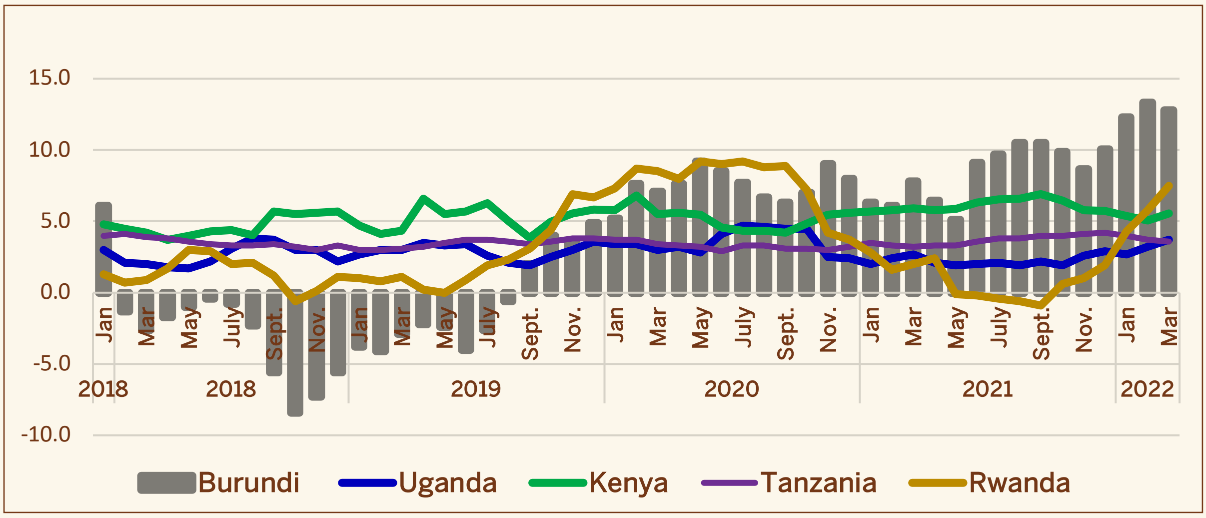
Source: Country Bureau of statistics

In Sub-Saharan Africa (SSA), annual headline inflation is projected to rise to a double-digit of 12.2 percent in 2022, from 11.0 percent in 2021, following the projected higher inflation rates in Ethiopia, Ghana, Mali and South Sudan. In some Sub-Saharan African countries, food prices have increased significantly, amid local shortages and the rise in global food prices.

With regard to price developments in the EAC-5 countries, annual average inflation is projected to increase to 6.2 percent in 2022 from 4.4 percent in 2021, following a projected increase across all EAC-5 countries. The annual headline inflation in Kenya accelerated to a three-month high of 5.56 percent in March 2022 from 5.08 percent in the previous month, mainly due to upward pressure coming from prices of food & non-alcoholic beverages, namely cooking oil and wheat flour, amid the effects of the war in Ukraine. Inflation also accelerated for furnishings and housing & utilities, because of gas prices (38.2%). The annual average inflation is projected to increase to 7.2 percent in 2022 from 6.1 percent in 2021.

Rwanda's headline inflation surged to 7.5 percent in March 2022 from 5.8 percent in the previous month, mainly pushed up by an increase in prices of energy (15.9 percent), food & non-alcoholic beverages (10.2 percent), housing, water, electricity, gas and other fuels (8.1 percent), and restaurants & hotels (14.7 percent). The annual average inflation is projected to increase to 9.5 percent in 2022 from 0.8 percent in 2021. Pressures will mainly come from imported costs of production with increased commodity prices, especially food and energy.

Chart 7- Annual headline Inflation developments (percent change)



Source: Country Bureau of statistics

The annual headline inflation in Tanzania eased to 3.6 percent in March 2022, from 3.7 percent in the previous month, the lowest inflation rate since June 2021, amid slowing prices for transport, clothing & footwear, housing & utilities as well as restaurants & hotels. However, prices for food continue to accelerate. The annual average inflation is projected to rise to 4.4 percent in 2022 from 3.7 percent in 2021.

Uganda's annual headline inflation accelerated to 3.7 percent in March 2022, from 3.2 percent in the previous month, the highest inflation rate since October 2021, as prices increased mostly for furnishings, clothing & footwear, housing, water, electricity, gas and other fuels, and restaurants & accommodation services. The annual average inflation is projected to rise to 6.1 percent in 2022 from 2.2 percent in 2021.

Monetary conditions tighten globally amid heightened inflation risks

At end of 2021 and the beginning of 2022 most advanced economies started monetary policy tightening to help inflation return to central bank targets.

Following the FOMC statement issued on 4th May 2022, the US Federal Reserve decided to raise the target range for the federal funds rate to 0.75 percent to 1.00 percent and anticipates that ongoing increases in the target range will be appropriate. In addition, the Committee decided to begin reducing its holdings of Treasury securities and agency debt, and agency mortgage-backed securities on June 1, as described in the Plans for Reducing the Size of the Federal Reserve's Balance Sheet that were issued in conjunction with this statement.

The Bank of England increased the Bank rate by 25 basis points, to 1.0 percent, following the monetary policy meeting held on 5th May 2022. The Bank's monetary policy committee voted in favor of a 0.25 percentage point hike to its main bank rate. Different members placed different weights on the arguments for whether to increase the Bank Rate by 0.25 or 0.5 percentage points. Six members voted in favor of the proposition, while three members voted against the proposition, preferring to increase the Bank Rate by 0.5 percentage points, to 1.25 percent.

At its monetary policy meeting held on 14th April 2022, the ECB Governing Council confirmed the decisions taken at its monetary policy meeting on 3rd February 2021. In the current conditions of high uncertainty, the Council will maintain optionality, gradualism, and flexibility in the conduct of monetary policy. The ECB rate hike cycle will depend on data observed in June staff projections. The Council decided that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00 percent, 0.25 percent, and -0.50 percent, respectively.

In March 2022, the three-month deposit rates remained negative in the Eurozone and Japan, standing at -0.495 percent and -0.030 percent, respectively, affecting banks' deposits in the Central Bank and encouraging economic financing. In the US, and UK deposit rates increased to 0.708 percent and 1.112 percent, from 0.220 percent and 0.315 percent, respectively, in December 2021.

The 10 Year government bond rate increased in the United States, United Kingdom, Eurozone and Japan to 2.338 percent, 1.610 percent, 0.548 percent and 0.210, respectively, from 1.510 percent, 0.971 percent, -0.177 percent and 0.065 percent in December 2021.

On the foreign exchange market, the US dollar is appreciating against major currencies, notably the Japanese Yen, the British Pound, and Euro, while weakening against the Chinese Yuan. By end of March 2022 (y-o-y), the US dollar appreciated by 5.75 percent against the Japanese Yen, by 7.94 percent against the British pound, and by 2.76 percent against the Euro, but weakened by 0.25 percent against the Chinese Yuan.

II. EXTERNAL SECTOR DEVELOPMENTS

Rwanda's trade recovery continued in the first quarter of 2022.

In 2022Q1, merchandise exports[1] rose by 44.6 percent amounting to USD 346.1 million, up from USD 239.3 million recorded in the same quarter of 2021. The increase is owed to rising global commodity prices, value addition in minerals and good performance of domestic manufacturing activities.

Traditional exports revenues grew by 39.1 percent, year -on- year, in 2022Q1 amounting to USD 89.0 million, up from USD 64.0 million in 2021Q1, due to increased receipts from minerals exports (+99.0 percent), and tea exports (+12.7percent) reflecting improving global commodity prices and value addition in minerals. However, export quantities in the period under review dropped by 8.2 percent due to the reduced exported volumes of coffee, tea, and pyrethrum.

Furthermore, non-traditional exports rebounded significantly in 2022Q1, amounting to USD 80.9 million from USD 46.2 million a year ago, representing an increase of +75.3 percent, largely attributed to increased exports of manufacturing exports mainly composed of milling products (+48.3 percent), cement (+149.8 percent), textiles (+266.7 percent) and iron and steel (+23.1 percent), which are in large exported to neighboring countries. Lastly, receipts from re-exported products soared by 36.6 percent year-on-year in the first quarter of 2022, standing at USD 148.3 million from USD 108.6 million recorded in 2021Q1, largely driven by re-exports of petroleum products (+119.1 percent), machinery products (+180.0%) and foodstuff (+8.1 percent). Exports revenues from Informal Cross-Border Trade (ICBT)[2] amounted to USD 27.9 million in 2022Q1, following the opening of borders at the DRC side as COVID-19 infections decreased.

Merchandise imports rose by 14.2 percent mainly driven by higher international commodity and oil prices but also the recovery of domestic economic activities. On one hand, energy grew by 141.0 percent driven by increasing global oil prices, intermediary goods (+32.4 percent) driven by fertilizers and construction materials, on the other hand capital goods and consumer goods reduced by 24.7 percent and 6.0 percent respectively. Imports revenues from Informal Cross-Border Trade (ICBT) amounted to USD 0.9 million in 2022Q1. As result, Rwanda's trade deficit amounted to USD 417.9 million in 2022Q1 from USD 429.0 million in 2021Q1, representing a decrease of 2.6 percent.

Projections indicate that the current account deficit (CAD) will widen temporarily in 2022 to 12.6 percent of GDP, up from 10.9 percent of GDP recorded in 2021 owed to deteriorating trade deficit due to higher global commodity and oil prices. The CAD is expected to improve from 2023 as service exports recovery strengthen and global oil prices stabilize. On the financing side, the current account will continue to be financed by foreign direct investment and government borrowing. The coverage of foreign reserves is estimated to remain adequate covering 4.6 months of imports in 2022 and will stay above the desired level of 4.0 months of imports in the medium term.

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[1] Merchandise exports/ imports refers to exports/imports excluding gold. It includes formal exports and informal cross-border trade (ICBT).
[2] ICBT trade was suspended during April-October 2020 due to closure of borders in order to reduce the spread of the pandemic. However, at the end of November some borders with DRC resumed.

III. DOMESTIC ECONOMIC DEVELOPMENTS

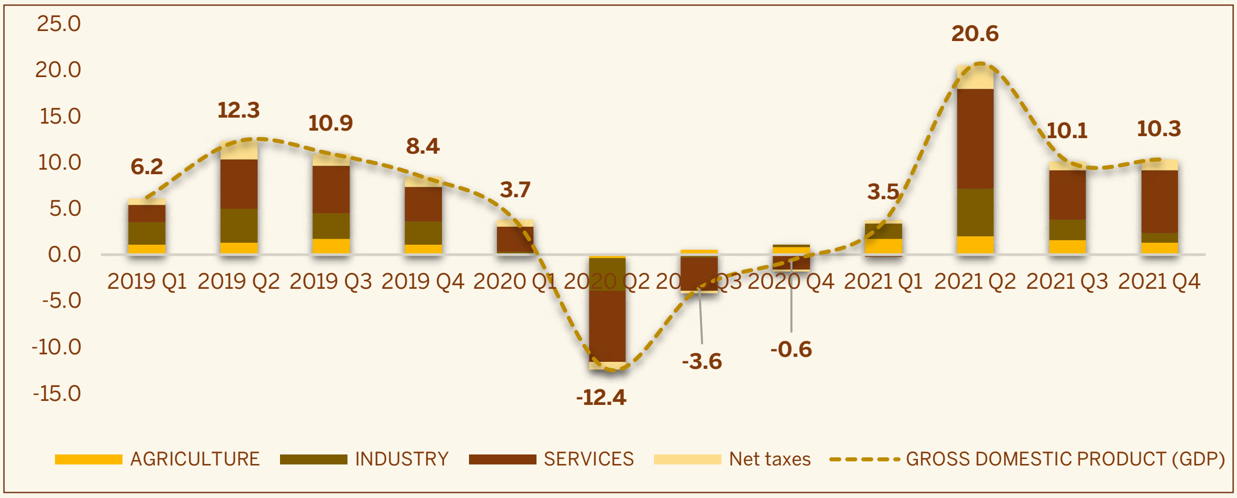
3.1 Economic growth in 2021

After the negative effects of COVID-19, Rwanda's economy has been progressively improving, supported by a successful vaccine rollout and sizable policy support as well as increased external demand. The real GDP increased by 10.9 percent in 2021, with solid growth across all sectors.

Strong economic recovery in 2021.

Rwandan economy grew by 10.9 percent in 2021 from a 3.4 percent contraction in 2020; recording a significant recovery from the adverse effects of the COVID-19 pandemic. This strong economic rebound was underpinned by the easing of pandemic-related restrictions, thanks to an effective vaccination campaign, Government economic policy support, growing external demand, and the prevalence of good weather conditions.

Chart 9: Real Gross Domestic Product (percentage change)



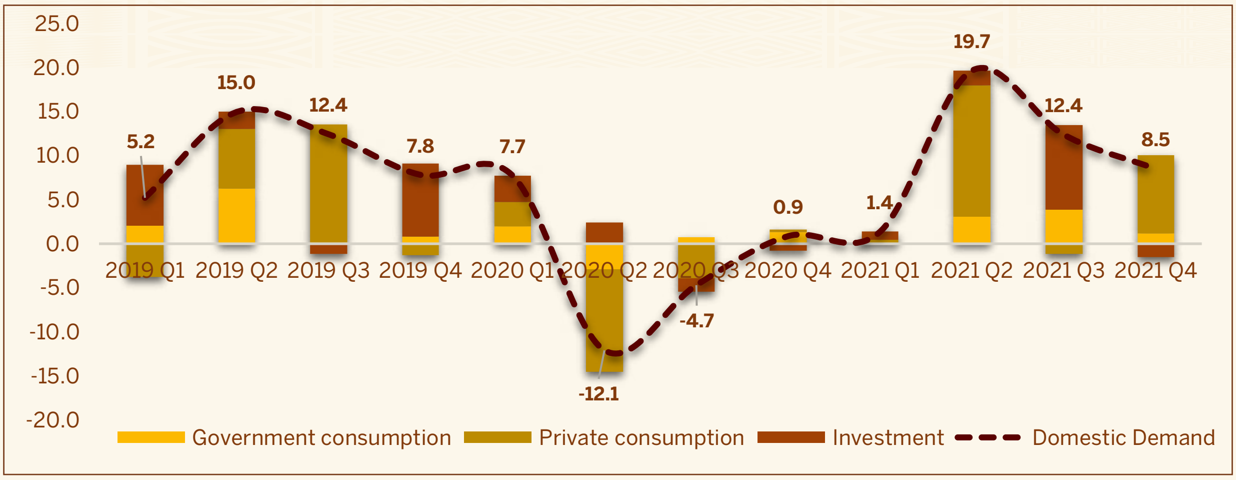
Source: National Institute of Statistics of Rwanda

The 2021 economic performance was broad-based across sectors. Good weather conditions together with increased use of fertilizers and improved seeds supported the agriculture sector's output (+6.4 percent). The strong recovery of the industry (+13.4 percent) and services (+11.9 percent) sectors resulted from the Government economic recovery plan and the vaccination campaign which prompted a gradual easing of COVID-19 containment measures

The domestic demand recovered, driven by strong investment spending

Public infrastructure projects and private construction activities highly contributed to the recovery of domestic demand (+10.1 percent). The investment in construction increased by 15.2 percent and the purchase of capital goods by 19.0 percent. The recovery of the domestic demand was also reflected in the growth of Government consumption (+13.6 percent) as well as private consumption (+8.9 percent) as COVID-19 containment measures were gradually eased.

Chart 10: Domestic demand (percentage change)



Source: National Institute of Statistics of Rwanda

3.2 High frequency indicators in the first quarter of 2022

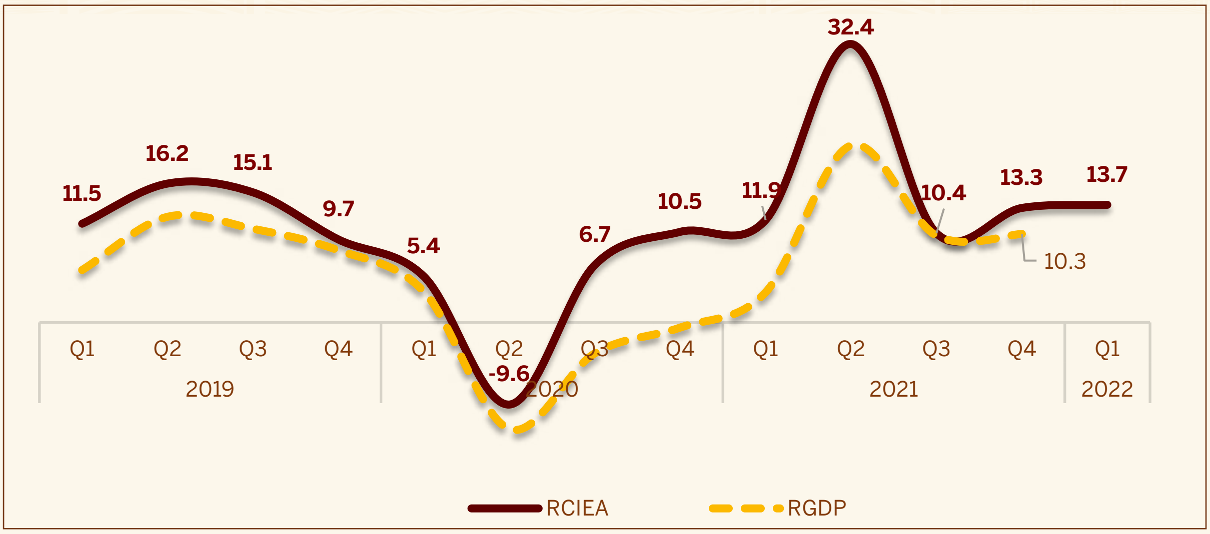
Rwanda's economic activity continued to improve in the first quarter of 2022. High-frequency indicators recorded double-digit growth, which indicates a continued recovery after a massive COVID-19 vaccination followed by a large-scale ease of restriction measures. In addition, economic policy stimuli that included infrastructure projects and accommodative monetary policy, continue to support economic growth.

High-frequency indicators evidence improvement of economic activity in 2022Q1.

The Massive COVID-19 vaccination campaign has led to large-scale easing of restriction measures, which together with the economic recovery plan and the accommodative monetary policy, have supported the improvement of economic activities in the first quarter of 2022.

The 2022Q1 economic expansion is evidenced by a surge in the Composite Index of Economic Activities (CIEA) by 13.7 percent, year-on-year, from 11.9 percent recorded in 2021Q1.

Chart 11: Quarterly real GDP growth vs CIEA (% change, y-o-y)

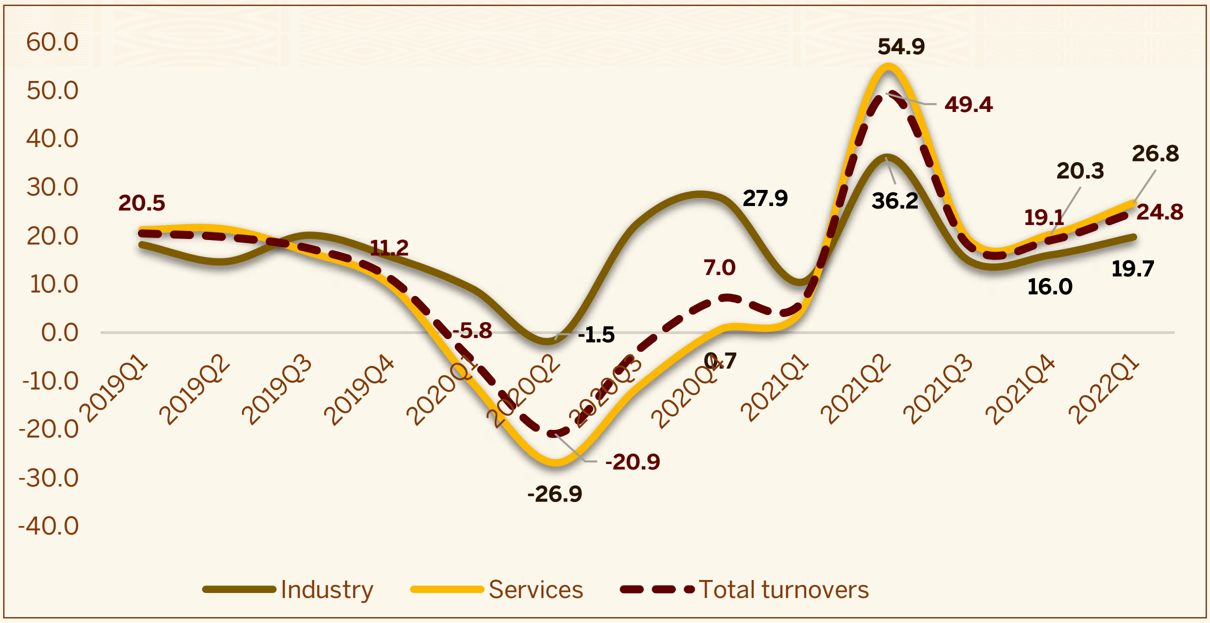


Source: NBR, Monetary Policy Department

This economic momentum is further reflected by a good performance in total turnovers of industry and services sectors which increased by 24.8 percent in 2022Q1. The industry sector recorded a growth of 19.7 percent, driven by a strong performance of the manufacturing industries (+18.1 percent) and construction sector (+17.9 percent). Ongoing infrastructure projects, spanning from commercial and offices buildings, roads' expansion and rehabilitation to investments in the sustainability of water and electricity supply, have been driving the growth of the construction sector. The latter contributed to the resilience of manufacturing industries by generating demand for locally manufactured construction materials. Furthermore, manufacturing industries were supported by growing regional export demand. This was evidenced by the increase in exports of milling products (+25.3 percent from +16.2 percent), cement and related products (+7.9 percent from +3.2 percent), iron and steel (+6.2 percent from +5.1 percent), and textile (+2.5 percent from +0.7 percent). The index of industrial production indicates that the overall output for manufacturing industries expanded by 26.8 percent in 2022Q1 from 5.0 percent in 2021Q1, with an expansion observed in all categories of industries.

The good performance recorded in the industry sector is also linked to the strong growth in mining and quarrying (+68.2 percent) as well as the energy and water sector (+9.7 percent). The mining and quarrying sector was buoyed by the increase in metal and mineral prices on the international market (+24.5 percent in 2022Q1) and it led to the sector's output recovery of 2.4 percent in 2022Q1, after a decline of 62.3 percent in 2021Q1, as indicated by the index of industrial production for the mining sector.

Chart 12: Turnovers of industry & services sectors (% change, y-o-y)



Source: NBR, Monetary Policy Department

The services sector continued to recover, growing by 26.8 percent in terms of total turnovers in 2022Q1. This high growth is reflected in the good performance of trade services (+24.6 percent), financial services (+25.1 percent), real estate (+26.9 percent), and the recovery of tourism-related services. This recovery is witnessed by a huge increase in transport services (+46.4 percent) and hotels and restaurants (+104.4 percent). Despite this strong performance of tourism-related services, the tourism industry still has some years to fully recover and attain the pre-pandemic level. This is consistent with the current recovery in international travels which, according to IATA, is still around 50 percent lower than the pre-pandemic level in 2022Q1.

Overall, 2022Q1 was characterized by resilient economic activity that points to high GDP growth compared to 3.5 percent recorded in 2021Q1. The recovery of the economy is expected to continue in 2022Q2, supported by ongoing infrastructure projects and strong recovery of the tourism industry, as a result of various big MICE events, of which CHOGM. However, the Russia-Ukraine war is likely going to constrain private consumption through the shortage and higher costs of some imported inputs. Consistently, the initial 7.2 percent GDP growth projection for 2022 might be revised down.

IV. INFLATION DEVELOPMENTS AND OUTLOOK

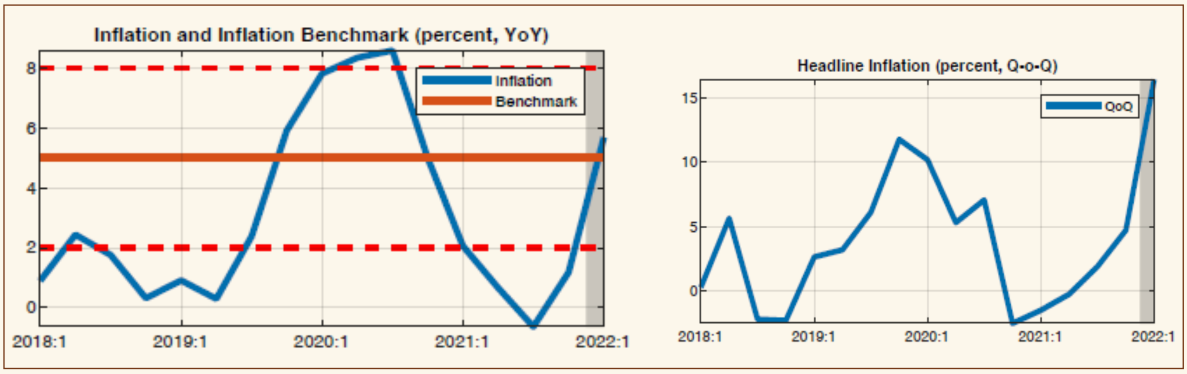
3.1 . INFLATION DEVELOPMENTS

In 2022Q1, headline inflation increased to 5.9 percent (y-o-y) from 1.2 percent recorded in the previous quarter. The increase in headline inflation was reflected in its key components. The uptick in core inflation is consistent with both import and domestic costs, while the rising trend observed in fresh food and energy inflation is attributed to a lower supply of food stuff and the rise in the international oil prices, respectively.

Headline inflation accelerated in 2022Q1, reflecting the rise in inflation recorded in its key components.

Headline inflation in both year-on-year and quarter-on-quarter terms rose and the upsurge were mostly reflected in core, fresh food products and energy inflations. In 2022Q1, core inflation picked up to 5.9 percent from 3.5 percent recorded in the previous quarter and fresh food inflation rose to 4.1 percent from -8.6 percent during the same period. Similarly, energy inflation surged to 10.8 percent from 3.4 percent. The uptick in core inflation is consistent with both import and domestic costs. The rising trend observed in fresh food inflation resulted from a lower supply of foodstuff, while the increase in energy inflation was on the back of the rise in the international oil prices.

Chart-1: Developments in headline inflation (y-o-y, q-o-q, percentage change)

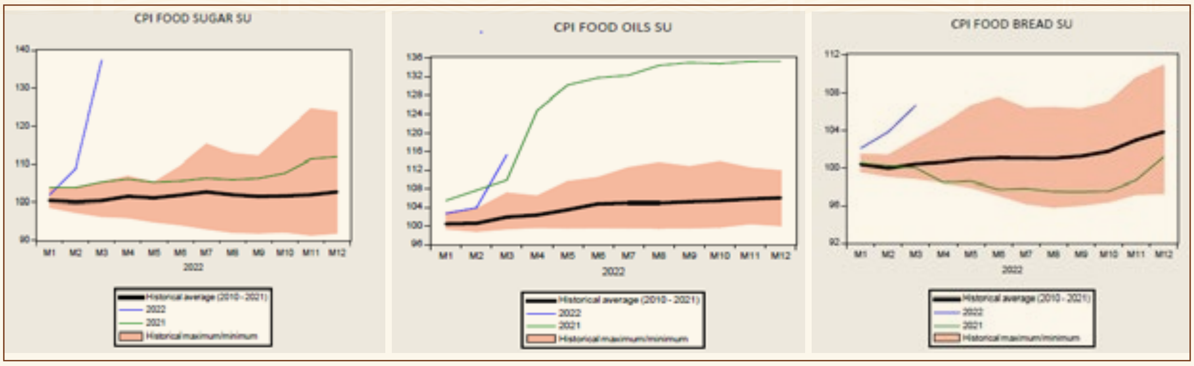


Source: NBR, Monetary Policy and Research Directorate

Core inflation in both y-o-y and q-o-q terms increased in 2022Q1 on the back of the rise in import and domestic costs.

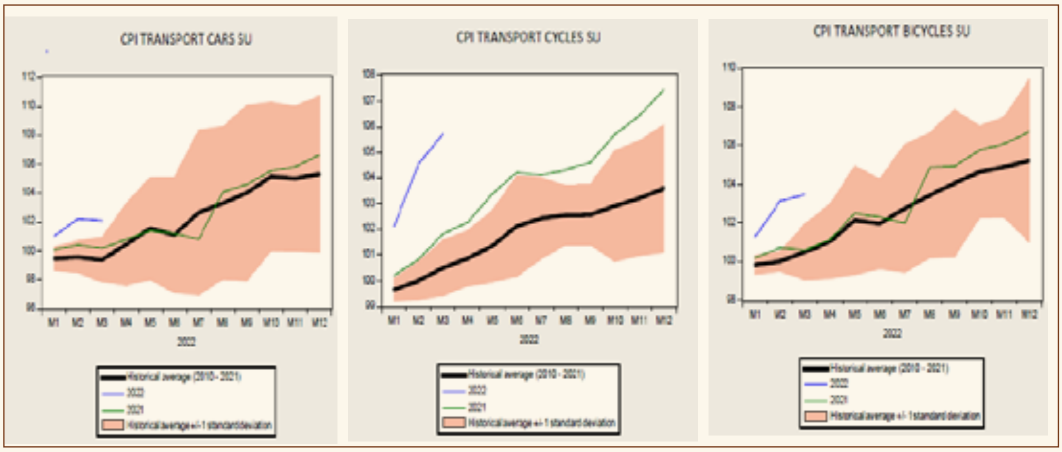
The increasing trend in core inflation (y-o-y) was mostly reflected in core food inflation, core housing inflation, core transport inflation, and hotels and restaurants. In 2022Q1, prices of some imported core goods such as processed foods and vehicles rose, following the increase in prices on international markets coupled with the surge in shipments costs. For domestic core products namely hotels and restaurants, the prices picked increased reflecting the upticks in menu costs such as food and drinks.

Chart-2 : Sugar, cooking oils and bread & cereals prices



Source: NBR, Monetary Policy and Research Directorate

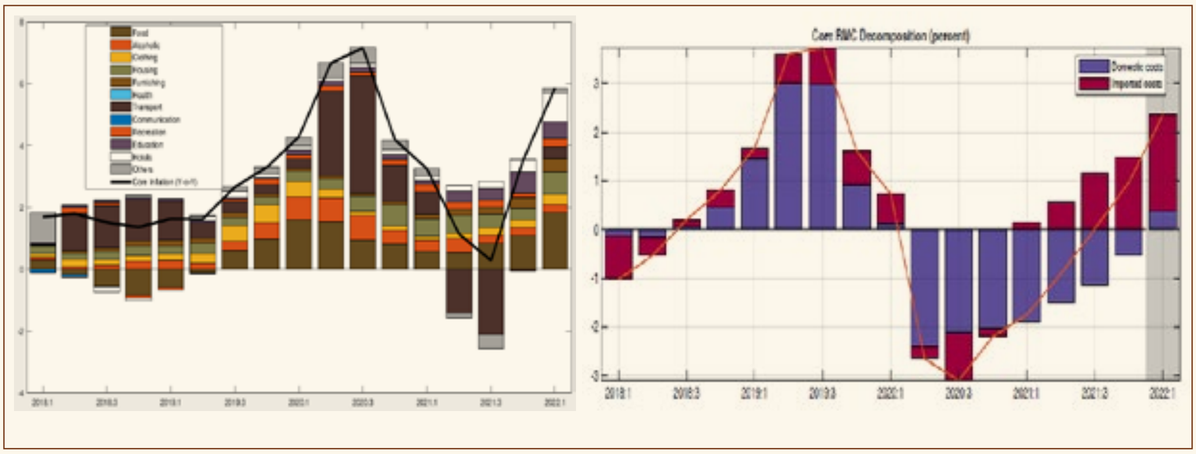
Chart-3 : Core transport (cars, motorcycle and bicycles)



Source: NBR, Monetary Policy and Research Directorate

Still, the increasing trend was also observed in core inflation that excludes food and energy components. Core excluding food components picked up in both q-o-q and y-o-y on the back of the rise mostly in imported costs of production that started in 2021Q1.

Chart- 4 : Core inflation (percentage change)

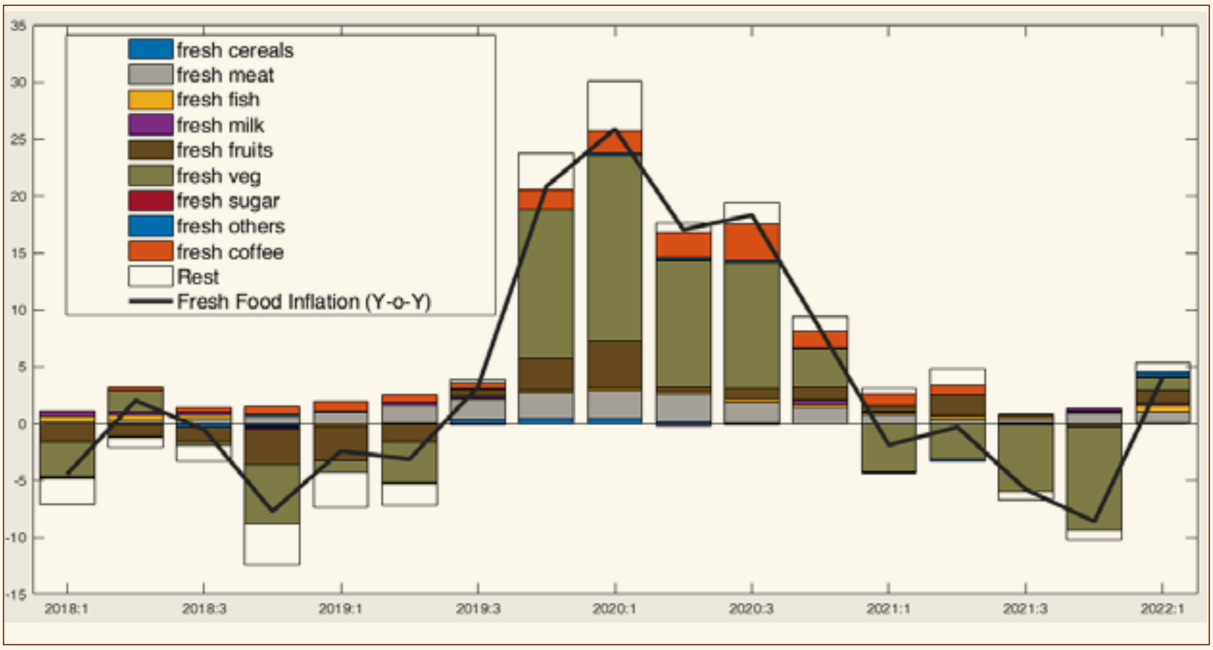


Source: NBR, Monetary Policy and Research Directorate

Fresh food inflation (y-o-y and q-o-q) surged on the back of a lower supply of foodstuff on the market.

The upward trend observed in fresh food inflation (y-o-y and q-o-q) for 2022Q1 was mainly reflected in vegetables inflation. Vegetables inflation picked up to 1.8 percent (y-o-y) in 2022Q1 from a deflation of 17.2 percent recorded in 2021Q4. Similarly, fruits inflation (y-o-y) rose to 6.0 percent in 2022Q1 from a deflation of 1.5 percent. These recent developments in vegetables inflation (y-o-y) are attributed to the bad weather conditions.

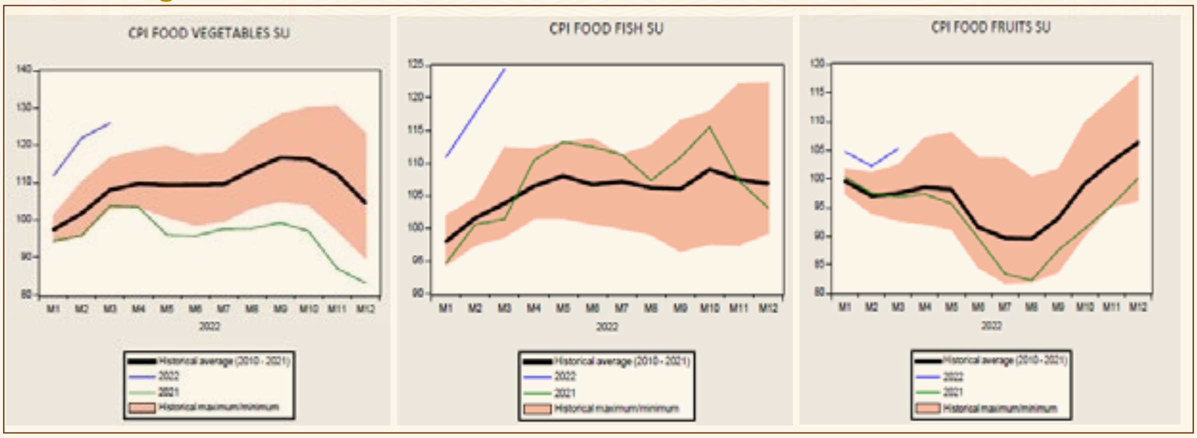
Chart-5 :Fresh food products inflation (y-o-y)



Source: NBR, Monetary Policy and Research Directorate

Vegetables and fruits prices in 2022 for the first three months evolved above the 2021 price levels as well as the normal patterns of the historical prices (2010-2021). In q-o-q terms, vegetables inflation increased to 12.0 percent from a deflation of 9.2 percent. The increasing trend in prices of vegetables reflects mostly a lower supply of fresh food, unlike the previous period.

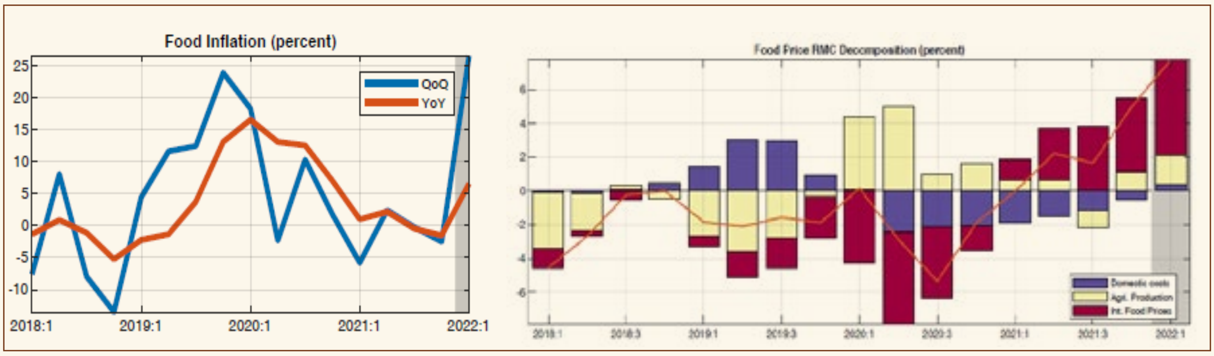
Chart-6 : Vegetables, fish and fruits CPI



Source: NBR, Monetary Policy and Research Directorate

The rise in core and non-core food inflation (q-o-q and y-o-y) recorded in 2022Q1, is mostly consistent with the rise in international food prices, coupled with the increase in domestic costs of production.

Chart-7: Food and beverages inflation

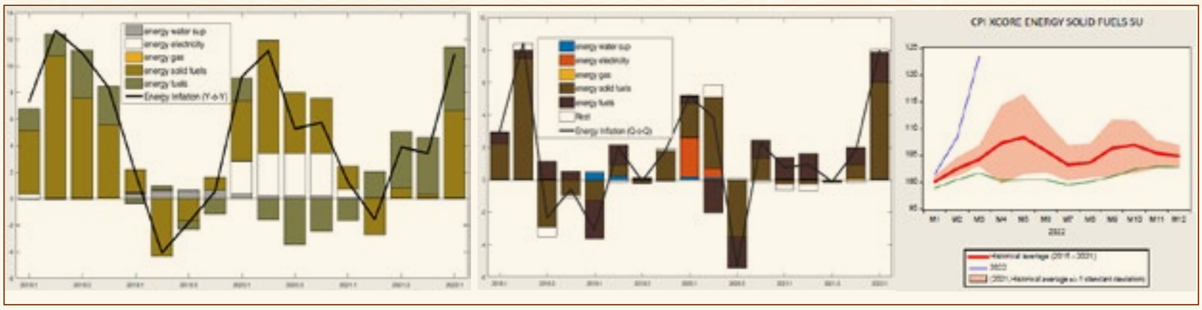


Source: NBR, Monetary Policy and Research Directorate

In 2022Q1, energy inflation in both y-o-y and q-o-q terms accelerated mostly reflecting the upticks recorded in solid fuels inflation.

The acceleration observed in energy inflation (y-o-y) mainly reflects the hikes in solid fuels inflation. Solid fuels inflation increased to 12.6 percent in 2022Q1 from 0.5 percent recorded in 2021Q4, reflecting the abnormal rainfall that affected the production processes of charcoals and firewood. Over the same period, liquid fuels inflation (y-o-y) picked up to 18.8 percent from 16.5 percent. In q-o-q terms, solid fuels and liquid fuels inflation surged from 1.7 percent to 11.6 percent and from 4.2 percent to 7.2 percent respectively, as a result of bad weather conditions and the rise in the international oil and liquefied petroleum gas prices. In 2022Q1, prices of solid fuels evolved above 2021 price levels and their historical averages as a result of the aforementioned factors.

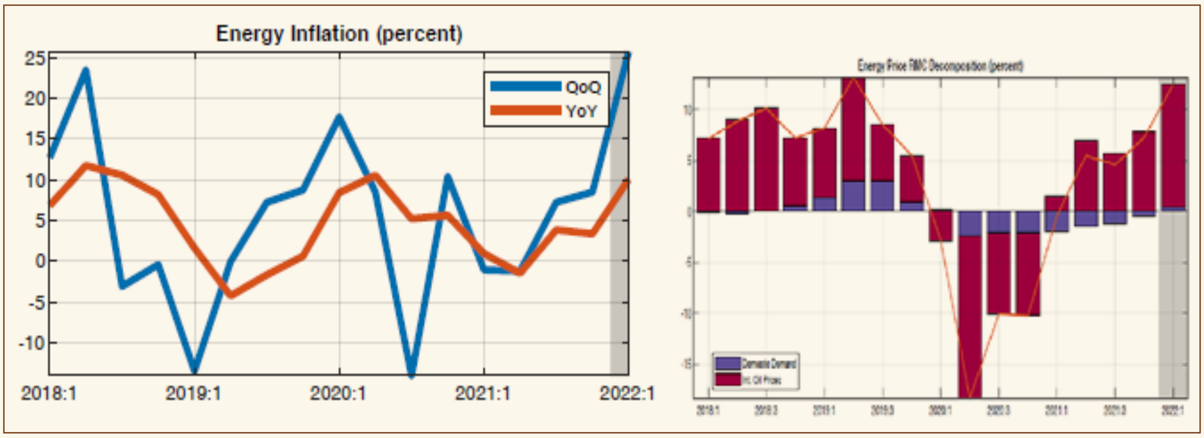
Chart-8 : Energy inflation (y-o-y ; q-o-q ;energy CPI)



Source: NBR, Monetary Policy and Research Directorate

Upward pressures on energy inflation that started in 2021 increased further in 2022Q1, mainly reflecting the hike in the international oil prices.

Chart-9 : Energy inflation (y-o-y)

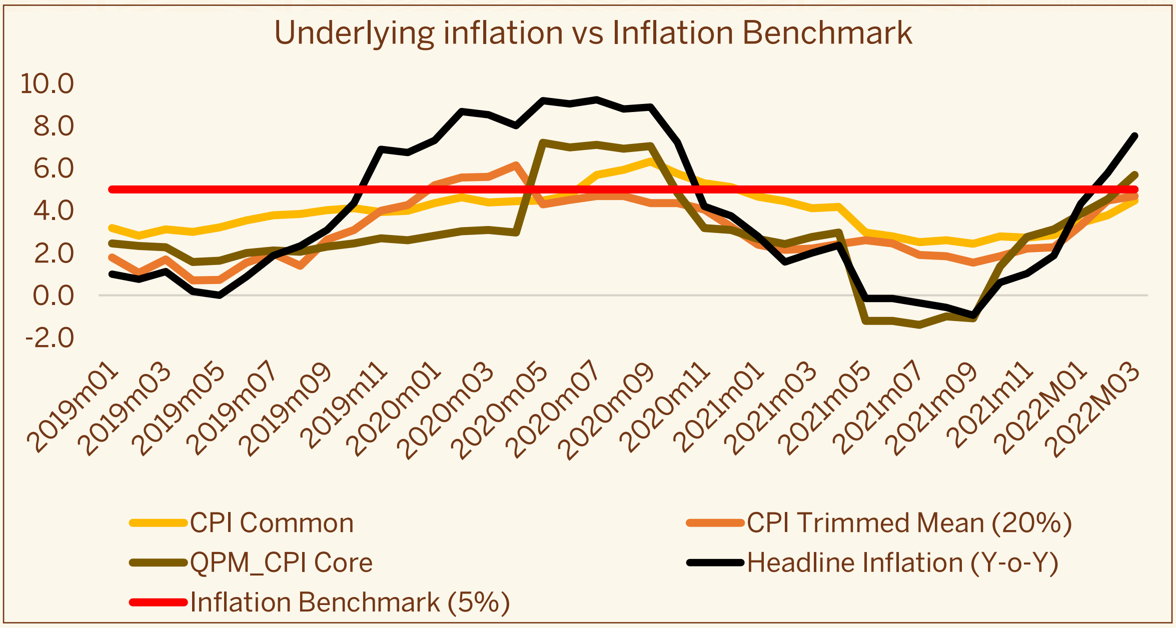


Source: NBR, Monetary Policy and Research Directorate

Underlying inflation measures indicate a moderate increase of inflation, standing at around 4.2 percent on average in 2022Q1.

Both underlying inflation measures and headline inflation picked up in 2022Q1. However, underlying inflation measures in 2022Q1 are rising at slower pace than headline inflation. CPI Trimmed Mean (20%) picked up to 4.1 percent in 2022Q1 from 2.1 percent in 2021Q4. CPI Common surged to 3.9 percent in 2022Q1 from 2.8 percent in 2021Q4. CPI core (excluding food components) hiked to 4.7 percent in 2022Q1 from 2.4 percent in 2021Q4. In 2022Q1, the underlying measures of inflation are showing the upticks in prices and this rise is consistent with macroeconomic fundamentals.

Chart-10: Indicators of underlying inflation vs headline inflation (y-o-y)



Source: NBR, Monetary Policy and Research Directorate

3. 2. INFLATION OUTLOOK

3.2.1. Forecast assumptions

The expected decline of the global economy will negatively impact domestic economic recovery over the forecasting horizon, while high global inflation will continue fueling domestic inflation.

Following the IMF projections (World Economic Outlook, April 2022), global growth is expected to ease from an estimation of 6.1 percent in 2021 to 3.6 percent in 2022 and 2023. The global growth forecasts are lower than what was previously projected in January 2022. For example, in 2022 economic growth forecasts for the USA and Eurozone were revised down by 0.3 and 1.1 percent respectively. Slower growth will lead the global economy to operate below full capacity utilization and not to provide stimulus to speed up the domestic economy in non-agricultural sectors. Other downward pressures might come from soaring inflation that may slow down private consumption. Projections suggest that in 2023, the negative impact will dissipate and may become supportive of the domestic economy.

In 2022, global inflation will remain elevated and may entail less accommodative monetary policy resulting in tighter financial conditions for other economies. The international exchange value of the dollar is projected to increase - reflecting the less accommodative monetary policy in the USA- leading to the depreciation of other currencies. The latter will add to existing imported costs pressures and inflation.

International commodity prices are expected to remain high, maintaining observed pressures on imported inflation.

International commodity prices picked up in the first quarter of 2022, following the Russia-Ukraine war. The affected products include energy, fertilizers and grains such as wheat. The Ukraine-Russia war also led to supply disruptions, exerting additional pressures on commodity prices. According to the Commodity Market Outlook of April 2022 by the World Bank, the increases in commodity prices may persist longer due to the substitution in demand toward other commodities. Furthermore, the rise in prices of energy continues pushing up the production costs of other commodities.

1.2 Baseline projections of key macroeconomic variables

1. Drivers of inflation projections

Consistent with the expected slowdown in economic growth, the expected reduction in domestic costs of production in the economy will not exert pressures on inflation in 2022.

The economic recovery recorded in 2021 is expected to continue at a slower pace in 2022. As a result, the economy will continue to evolve below full capacity utilization on the back of decreased global GDP growth. The effects of the reduction are expected to mainly reflect the reduction in demand for domestic products while the hike in global inflation will push up the import bill. In addition, the persistent challenges of supply chain disruptions are expected to result in delays for imports of factors of production and, therefore, in investment spending. Monetary conditions are to remain supportive of the economic recovery in the next quarters.

The imported costs of production will remain high over the forecasting horizon, maintaining upward pressures on inflation.

The direct impact of high global commodity prices and global inflation was observed in 2022Q1, especially for food and energy components. This effect is expected to continue in 2022. Global inflation has started pushing up the price of foreign goods and services expressed in domestic currency and is expected to remain high over the forecasting horizon. Subsequently, imported costs of production will fuel inflation over the medium term.

2. Projections of key macroeconomic indicators

Consistent with initial economic conditions, assumptions on the global economy, and other macroeconomic variables, headline inflation is projected to evolve above the upper bound in the coming few quarters, standing at 9.2 percent in 2022, before decelerating to 7.6

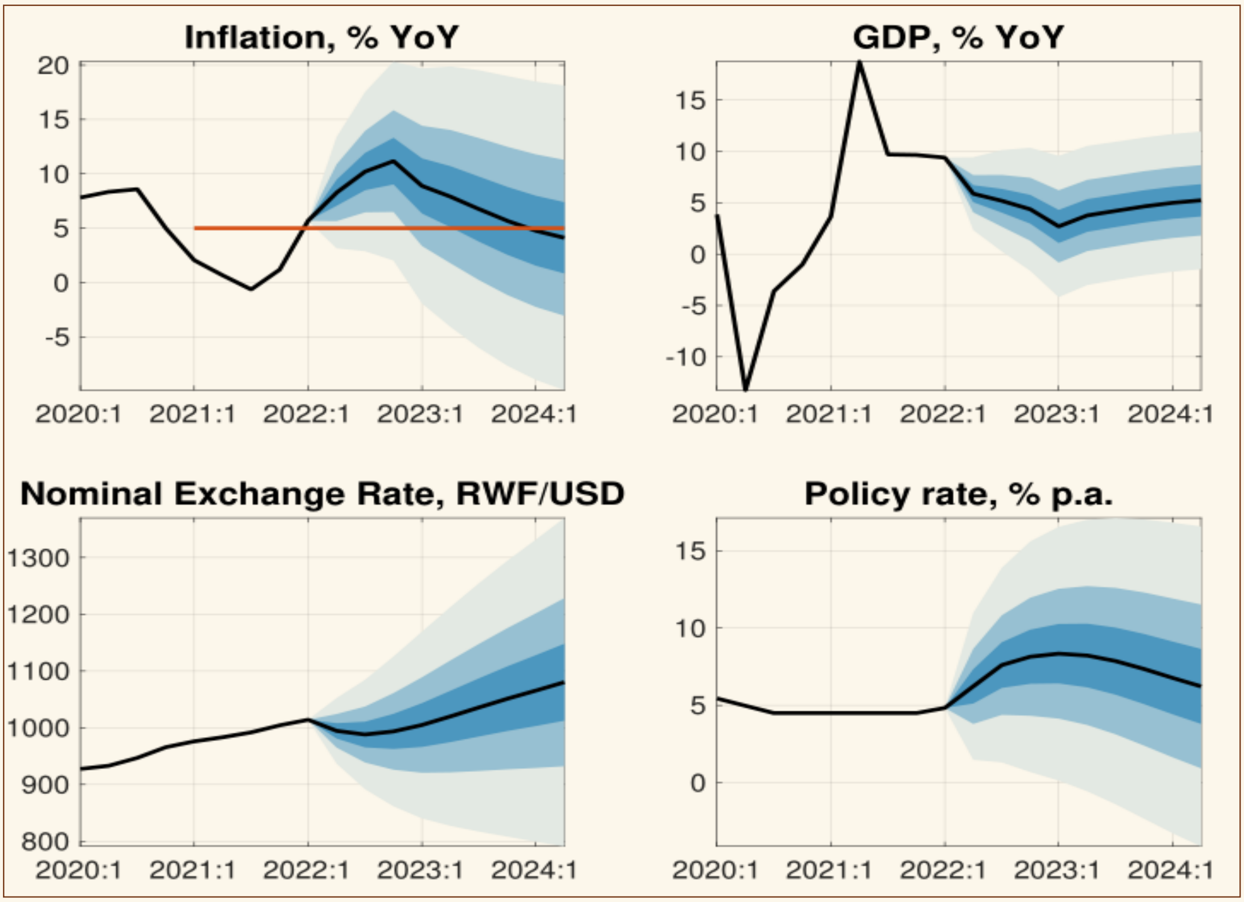
percent in 2023. For 2022, the projections were revised up following the effects of the Ukraine-Russia war and other upward pressures originating from imported costs.

Core inflation is expected to increase in the short-run but stabilize over the policy horizon. In the medium-term, domestic costs of production are expected to be neutral following an expected slower increase in domestic economic recovery and subdued imported costs.

Upward pressures from imported costs will continue to push up food inflation in 2022 but fade away afterward. On one hand, international food prices exerted inflationary pressures in 2021 and this is expected to continue throughout 2022. However, such pressures will dissipate as international food prices moderate in 2023. On the other hand, the expected moderate domestic food production will keep pressures on food prices in 2022Q2 but normalize afterward.

Alike core and food inflation, prices of imported energy products will continue to pose upward pressures on energy inflation in 2022 but these pressures will moderate towards the end of 2023 as international oil prices reduce.

The figure below indicates the outlook for key macroeconomic variables over the medium-term horizon.



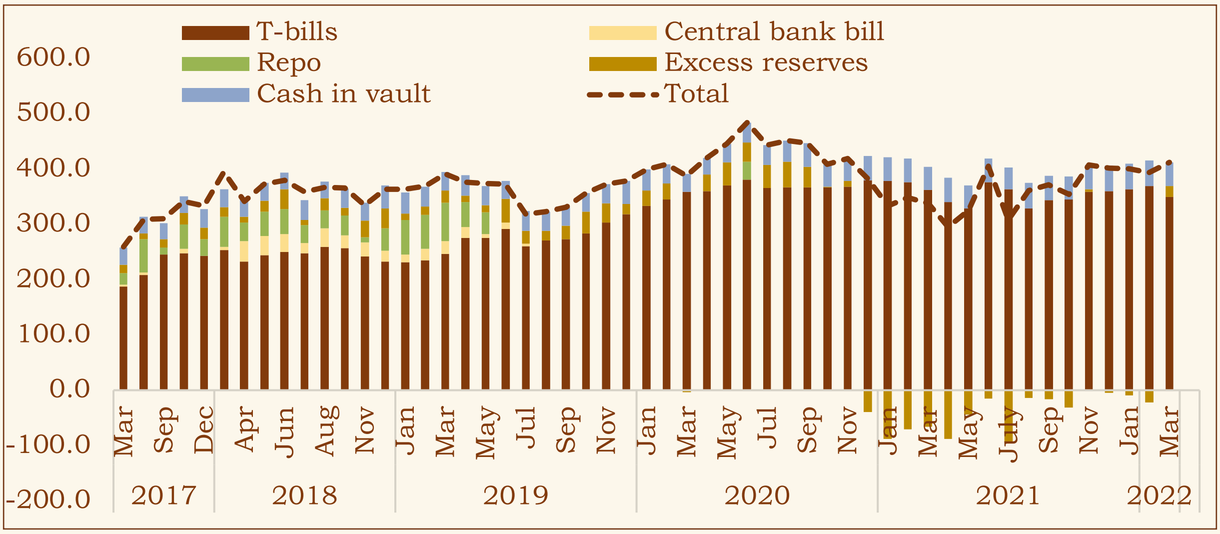
Source: NBR, Monetary Policy and Research Directorate

Banking system liquidity increased and as result, money market rates remained steered around the central bank rate with the interbank interest rate increasing by 09 basis points to 5.29 percent y-o-y in 2022Q1. Regarding market rates in 2022Q1, the average lending rate picked up by 72 basis points to 16.53 percent. During the same period, broad money and outstanding credit to the private sector picked up by 20.8 percent and 14.2 percent (y-o-y), respectively.

The growth of banking system liquidity stems from the rebound in excess reserves.

In March 2022, the bank's most liquid assets rose by 22.1 percent to FRW 412.2 billion, from FRW 337.5 billion recorded in March 2021. This growth is mostly attributed to both the rebound in excess reserves and higher T-bills investment from increased government spending in 2022Q1.

Chart 21: Most liquid assets of commercial banks (FRW billion)

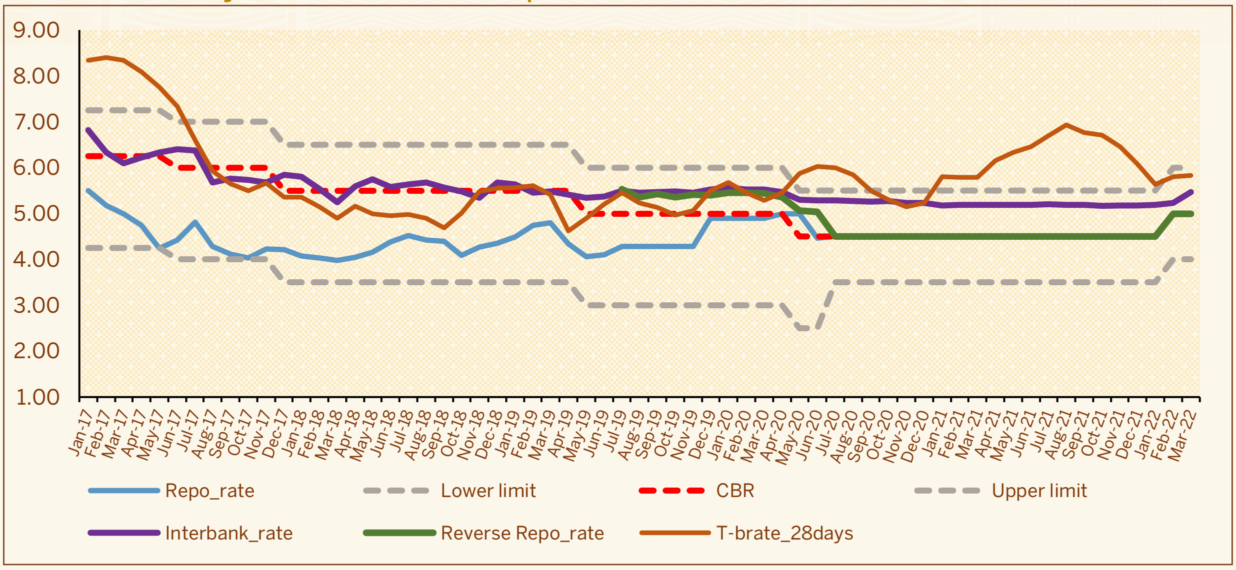


Source: NBR, Monetary Policy and Research Directorate

Money market interest rates remained close to the central bank rate.

The Monetary Policy Committee (MPC) decided to raise the central bank rate by 50 basis points to 5 percent since the last MPC meeting held on 17th February 2022, on increasing commodity prices likely to be transmitted to domestic prices. As a result, money market rates were steered around the central bank rate thanks to the prudent monetary policy implementation. The interbank rate increased by 9 basis points to 5.29 percent on average in 2022Q1 from 5.18 percent in 2021Q1. The repo and reverse repo rates were steered at the CBR since July 2020, in a bid to enhance the monetary policy transmission mechanism.

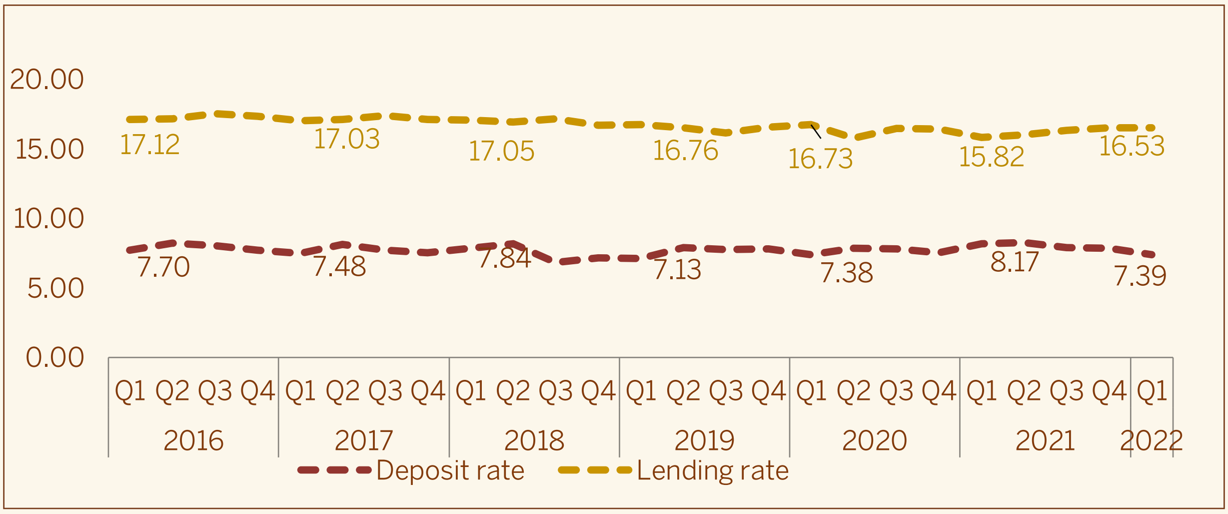
Chart 22: Money market rates developments



Source: NBR, Monetary Policy and Research Directorate

Regarding market rates, the lending rate grew by 71 basis points to 16.53 percent in 2022Q1 from 15.82 percent in 2021Q1, reflecting the increased share of short-term and medium-term loans, which were priced at high rates compared to long-term loans. During the same period, the deposit rate reduced by 0.80 basis points to 7.37 percent y-o-y in 2022Q1 from 8.17 percent in 2021Q1, on increasing share of short term deposits of less than 1 year.

Chart 23: Market interest rates (percent average)



Source: NBR, Monetary Policy and Research Directorate

The foreign exchange market remains stable.

In 2022Q1, the franc slightly weakened against the US dollar, reflecting the persistent mismatch between inflows and outflows of foreign currencies. This mismatch is derived from important imports of capital and intermediary goods in an effort to sustain the economic recovery. Compared to March 2021, the FRW depreciated by 4.01 percent in

March 2022 versus the US dollar, lower compared to the 5.22 percent recorded in the corresponding period of 2021, thanks to improving export proceeds.

The franc gained against European currencies that were affected by the Russia-Ukraine war. The franc added 0.60 percent, 0.82 percent and 5.67 percent against the Pound, the Euro and the Yen respectively after a depreciation of 17.06 percent, 11.81 percent and 2.76 percent in the corresponding period of 2021.

Table 1: Appreciation/Depreciation rate of FRW against selected currencies (y-o-y)

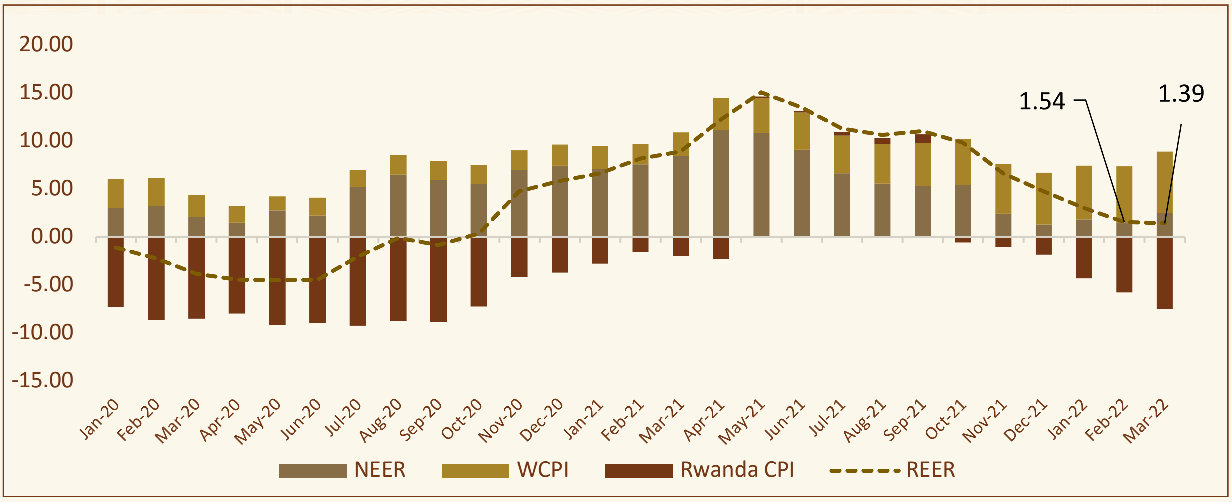
	FRW/USD	FRW/GBP	FRW/EUR	FRW/JPY	FRW/KES	FRW/TZS	FRW/UGX	FRW/BIF
Dec-18	4.04	-1.96	-0.07	6.20	5.46	1.24	1.77	1.93
Dec-19	4.94	8.48	2.81	6.25	4.53	3.73	5.13	-0.24
Dec-20	5.42	9.42	15.71	11.43	-1.34	5.66	7.17	2.53
Dec-21	3.82	2.94	-4.39	-6.96	0.24	4.78	6.85	1.00
Mar-21	5.22	17.06	11.81	2.76	0.57	4.90	9.01	2.08
Apr-21	5.41	18.01	17.63	3.20	4.84	5.17	12.24	2.22
May-21	5.44	21.35	15.94	3.16	4.80	5.19	11.99	1.24
Jun-21	5.34	18.61	11.55	2.69	4.07	5.34	10.86	1.72
Jul-21	4.91	12.75	5.86	0.65	4.04	4.91	8.77	1.98
Aug-21	4.56	8.00	3.81	0.45	2.89	4.56	8.79	1.64
Sep-21	4.26	9.21	3.10	-1.74	2.41	4.74	9.29	1.33
Oct-21	4.08	11.21	4.00	-4.48	1.83	5.04	9.52	1.16
Nov-21	3.93	3.77	-1.91	-4.96	1.57	4.60	7.61	0.64
Dec-21	3.82	2.94	-4.39	-6.96	0.24	4.78	6.85	1.00
Jan-22	3.82	1.65	-4.20	-6.03	0.84	4.42	8.99	1.00
Feb-22	3.94	-0.55	-4.63	-4.50	0.25	4.18	7.57	1.01
Mar-22	4.01	-0.60	-0.82	-5.67	-0.87	4.01	6.11	-1.25

Source: NBR, Monetary Policy Department

Relative to regional currencies, the FRW rose against the Kenyan Shilling and the Burundian franc by 0.87 percent and 1.25 percent respectively, after a respective slowdown of 0.57 percent and 2.08 percent. The franc Rwandais weakened relative to the Ugandan and Tanzanian shillings by 6.11 percent and 4.01 percent respectively from 9.01 and 4.90 percent.

In real effective terms, the franc depreciated by 1.39 percent year-on-year in March 2022, slower than 8.88 percent recorded in March 2021. This lower depreciation mostly reflected smaller than the previous year's nominal effective depreciation while the inflation differential between the rest of the world weighted inflation and the domestic inflation was at 1.14 percent. The franc depreciated by 2.47 percent in March 2022 in nominal effective terms, compared to a depreciation of 8.39 percent in the corresponding period of 2021. Weighted foreign inflation was at 6.39 percent offsetting the domestic inflation of 7.53 percent.

Chart 27: Drivers of REER movement



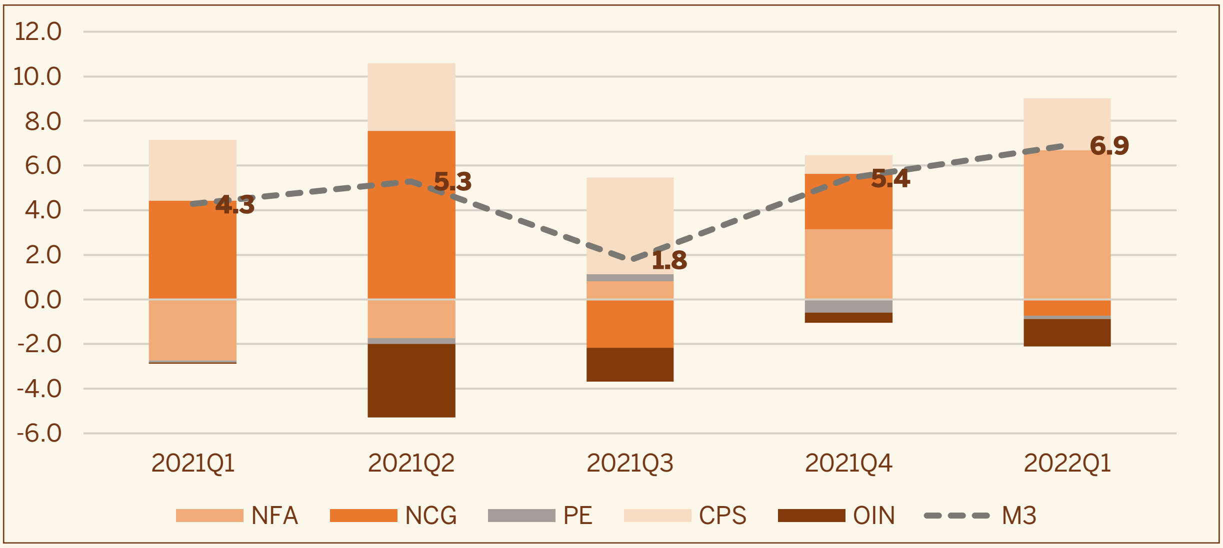
Source: NBR, Monetary Policy and Research Directorate

Broad money (M3) kept increasing, in line with the still accommodative monetary policy stance.

Broad money (M3) picked up by 20.8 percent in March, year-on-year, mainly attributed to the growth in outstanding Credit to the Private Sector (CPS) of 14.2 percent (y-o-y).

Looking at q-o-q changes, the broad money M3 increased by 6.9 percent in 2022Q1 against a growth of 5.4 percent recorded in 2021Q4. This growth came from the increase in Net Foreign Assets (NFA) and outstanding Credit to Private Sector (CPS) of 15.2 percent and 3.0 percent respectively. However, the Net Credit to Government (NCG), the Credit to Public Enterprises (PE) and the Other Items Net (OIN) pulled down the growth of M3 with a contraction of 7.9 percent, 4.1 percent, and 3.6 percent respectively in 2022Q1.

Chart 26: Contributors to M3 growth from the assets side (Q-o-Q)

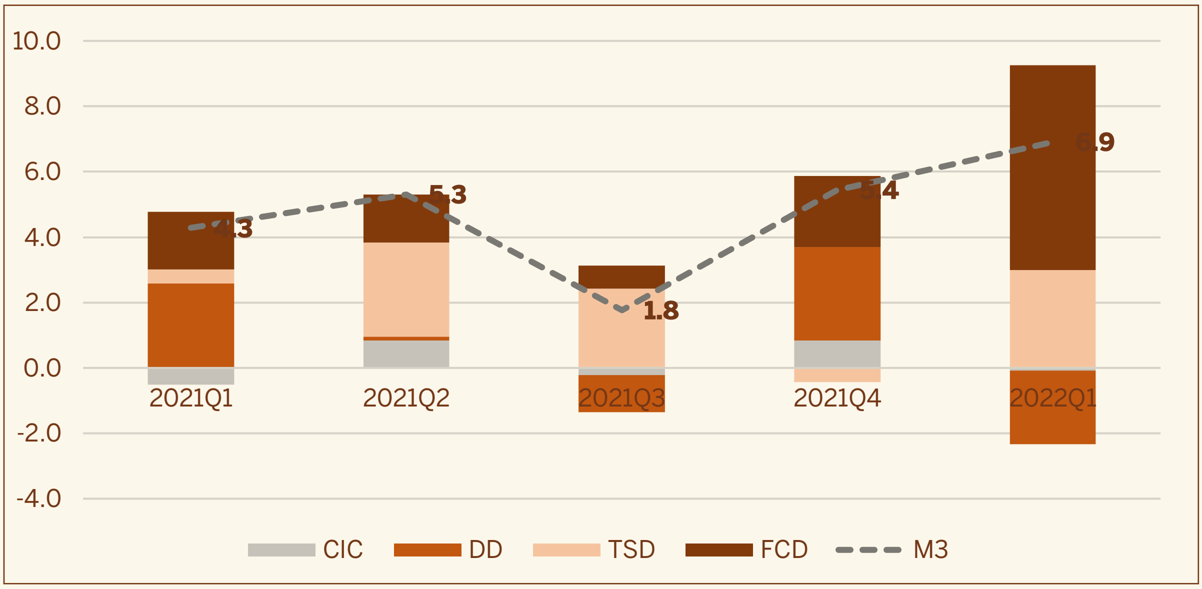


Source: NBR, Monetary Policy and Research Directorate

The increase in broad money by 6.9 percent in 2022Q1 (q-o-q) was mainly attributed to the growth in Foreign Currency Deposits (FCD) of 24.7 percent and Term and Saving Deposits (TSD) of 9.11 percent.

Considering y-o-y changes, the increase of 20.8 percent in M3 was mainly reflected in the growth of FCD by 48.2 percent and TSD by 26.0 percent.

Chart 27: Contributors to M3 growth from liabilities side (Q.o.Q)

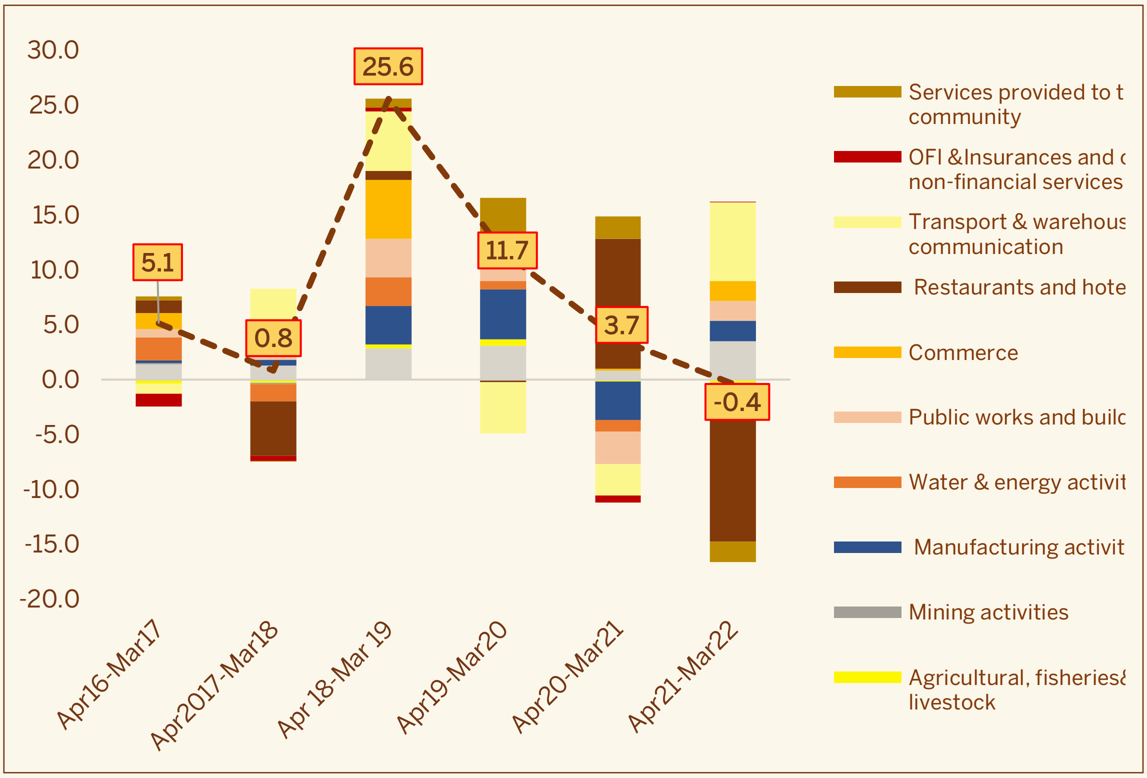


Source: NBR, Monetary Policy and Research Directorate

New Authorized loans (NALs) declined by 0.4 percent in twelve months ending March 2022 compared to a growth of 3.7 percent recorded in the corresponding period a year before. The decline in NALs of 2022 is explained by a base effect of big loans granted to large companies in 2021. Looking at quarterly figures, NALs slowed by 2.4 percent in 2022Q1 compared to a slowdown of 9.2 percent recorded in 2021Q4.

The top sectors that were largely financed in 2022Q1 are; commerce which was granted 34.2 percent of the total NALs, followed by public works & buildings (25.8 percent), personal loans (18.4 percent), and Transport & warehousing & communication (10.8).

Chart 28: Contributions of Sectors to the Change in New Authorized Loans (% changes)



Source: NBR, Monetary Policy Department

- End -

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