



The Governor

PRESS RELEASE

The National Bank of Rwanda maintains its Central Bank Rate at 7.5 percent

The National Bank of Rwanda's Monetary Policy Committee (MPC) met on November 22nd, 2023, and decided to maintain the Central Bank Rate (CBR) at 7.5 percent for the next three months.

Recent Inflation Trends

In 2023Q3, headline inflation decreased to 12.7 percent, from 15.2 percent in the previous quarter, following a decline in core, fresh foods, and energy inflation. The drop in core inflation is mainly due to last year's higher prices in the same period while the decline in fresh food inflation was due to increased supply of some vegetables and fruits. Energy inflation eased due to improved supply of solid fuels (charcoal and firewood) and the base effect from higher prices of liquid fuels in the corresponding period of last year.

Inflation Projections and Risks

Inflation has maintained a downward trend despite remaining high at 11.2 percent in the month of October. However, it is expected to decline towards our target range of 2 to 8 percent by end 2023 and average around 6 percent in 2024. This decline is driven by the NBR's monetary policy tightening, government disinflationary measures, and falling prices of major international commodities.

The inflation outlook is based on a global economic slowdown and a reduction in international commodity prices. Potential risks to the projections include geopolitical tensions that may affect international commodity prices and weather-related threats to the agricultural production.

Domestic Economic Performance

The Rwandan economy continued its recovery path, despite a slower pace. Real GDP grew by 6.3 percent in 2023Q2 but is expected to moderate in 2023Q3, as indicated by the composite index of economic activities (CIEA). The service and industry sectors remain the key drivers of the economy's performance despite global demand challenges and weak agricultural production.

External Trade Performance

Despite merchandise exports decreasing by 3.8 percent, the trade deficit narrowed in 2023Q3 as the nominal value of imports slowed down more than the decrease in export receipts. The decline in export receipts can be explained by lower re-exports of energy products. Similarly, imports reduced by 3.1 percent due to lower energy imports.

The trade deficit, however, expanded by 12.2 percent year-on-year from January to September 2023. This, together with the strengthening of the USD due to the US Federal Reserve's monetary policy tightening, resulted in the depreciation of the FRW by 13.5 percent against the US dollar. Despite these fluctuations, Rwanda's foreign exchange reserves are expected to maintain a sufficient level in the medium term, ensuring coverage for at least four months of imports.


Market Interest Rates

The interbank rate increased to 7.99 percent on average in 2023Q3 from 6.05 percent in 2022Q3, on the back of the monetary policy tightening. Similarly, the interest rates on government securities and weighted average deposit rate increased. However, the lending rate fell to 15.93 percent in 2023Q3 from 16.17 percent in 2022Q3. This reduction resulted from an increased share of large loans with long-term maturity priced at relatively lower rates.

MPC Decision and Forward Guidance

Based on inflation projections, the Monetary Policy Committee has decided to maintain the central bank rate at 7.5 percent. The current rate is estimated to be adequately tight to bring back inflation towards our target range of 2 to 8 percent by end 2023. For the coming months, assuming no unexpected events arise, the MPC may continue maintaining the CBR at the current level to stabilize inflation over the medium-term. The committee will keep monitoring macroeconomic developments and stands ready to take appropriate monetary policy decisions to ensure inflation stays within the target band.

Done at Kigali, 23rd November 2023



Digitally
signed by
BNR(GOVE
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RWANGOMBWA John
Governor, Chairperson of the MPC