



The Governor

PRESS RELEASE

Policy stance unchanged, key repo rate kept at 5.5 percent

Rwanda's economy performed well in the first half of 2018, inflation remains low and stable while exchange rate pressures are moderate. On the backdrop of these macroeconomic conditions which are expected to continue going forward, the Monetary Policy Committee which met on 25 September 2018, decided to maintain the key repo rate unchanged at 5.5 percent.

The global economic outlook remains positive, despite increasing uncertainties

The global economic outlook remains positive although future developments are increasingly becoming uncertain. Inflationary pressures in the global economy are moderate but are expected to rise. Global inflation is projected at 3.5 percent in 2018, up from 3.0 percent in 2017. While monetary policy in many developing countries is expansionary, the US is expected to continue tightening which could lead to a strengthening of the US dollar.

This however, will have no significant impact to the domestic economy or the FRW.

Good economic performance and stable inflation environment

Rwanda's overall economic outlook remains positive. In the first half of 2018, the economy grew by 8.7 percent on average, relative to 2.9 percent in the same period of 2017. In the second quarter of 2018, economic growth was 6.7 percent relative to 4.0 percent in the same period of 2017. Industry, agriculture and services sectors grew by 10.0 percent, 6.0 percent and 5.0 percent, respectively.

Indicators show that economic activity will likely continue to perform well throughout the second half of 2018. The Composite Index of Economic Activities (CIEA) grew in real terms by 14.6 percent in the first two months of the third quarter of 2018, relative to 13.1 percent in the same period of 2017. While total turnovers grew by 17.0 percent during the first two months of the third quarter of 2018 from 11.7 percent in the same period of 2017. This signals that the economy is on track to achieve the initial annual growth projection of 7.2 percent in 2018.



Inflation remains low and stable. On average, headline inflation eased from 2.5 percent in the second quarter of 2018 to 2.1 percent in August 2018, while core inflation eased from 1.7 percent to 1.6 percent during the same period. In the near term, inflation is projected to remain below the 5.0 percent medium term benchmark.

Growing monetary aggregates

Compared to December 2017, broad money grew by 8.3 percent in August 2018 against 11.0 percent realized in the same period last year. On annual basis, broad money grew by 9.6 percent in August 2018 compared to 16.0 percent in August 2017 while growth in outstanding credit to the private sector stood at 7.0 percent relative to 7.2 percent during the same period.

Exchange rate pressures are subdued

Between December 2017 and August 2018, the FRW depreciated by 2.5 percent against the USD, compared to 1.8 percent and 8.0 percent observed during the same period of 2017 and 2016, respectively. Depreciation by end December 2018 is expected to be around 4.0 percent, which is lower than the 4.5 percent initially projected.

In the first eight months of 2018, export receipts increased by 17.9 percent, while formal imports grew by 7.4 percent. Formal exports cover of formal imports increased to 40.9 percent from 37.4 percent during the same period.

In view of the above economic and financial developments, the MPC decided to maintain the key repo rate at 5.5 percent to continue supporting the financing of the economy.

Done at Kigali, 25th September 2018


RWANGOMBWA John
Governor, Chairman of MPC

