

The National Bank of Rwanda (BNR) has announced a reduction in the Central Bank Rate (CBR) by 50 basis points, bringing it down to 6.5 percent. The decision was made during the recent Monetary Policy Committee (MPC) meeting held on August 20, 2024. The move aims to support the economy's growth while maintaining inflation within the target range of 2 to 8 percent.

The bank highlighted that the inflation rate in the second quarter of 2024 remained stable at 5.1 percent, within the projected range. This stability was attributed to robust domestic agricultural production and favorable global commodity prices. The MPC believes that the new CBR will help sustain the economic momentum without igniting inflationary pressures.

Rwanda's economy has shown strong resilience in 2024, recording a 9.7 percent growth rate in the first quarter. The growth was broad-based, driven by double-digit increases in both industry and services, and supported by a robust agricultural sector recovering from the previous year's climate shocks. The industrial sector also benefited from ongoing construction projects, increased mining activities, and record food crop harvests.

The MPC's decision reflects confidence in the continued solid performance of the economy, as high-frequency indicators, including the Composite Index of Economic Activity (CIEA), showed a 17.6 percent year-on-year increase in the second quarter of 2024.

Despite the positive outlook, the bank acknowledged potential risks to the inflation projections. These include possible global geopolitical tensions and adverse weather conditions that could disrupt agricultural production and commodity prices.

Additionally, Rwanda's trade deficit expanded by 9.5 percent in the second quarter due to higher imports of core food items, energy products, and capital goods. The widening current account deficit, driven by increased import demand and a weakened Rwandan franc, continues to pressure the foreign exchange market.

The MPC emphasized the need for vigilance in the coming months and indicated readiness to adjust the monetary policy stance if inflationary risks emerge.

Following the MPC's decision, the interbank rate decreased to an average of 8.14 percent in the second quarter of 2024, down from 8.29 percent in the first quarter.