



REPORT



Policy dialogue on recent economic developments, outlook, and monetary policy stance

- Organisers: BNR and EPRN through financial support from the GIZ/MIP
- Date: 05th September 2023
- Venue: Lemigo Hotel

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1. Introduction

One of the flagship activities of the Economic Policy Research Network is to organise policy dialogues. On 05th September 2023 at Lemigo Hotel, EPRN in collaboration with the National Bank of Rwanda through financial support of the MIP-GIZ organised a policy dialogue on recent economic developments, outlook, and monetary policy stance. The event was attended by more than 40 participants representing research Institutions and academia, policy makers, private sector, development partners and NGOs/INGOs.

During this dialogue, the NBR covered the following topics: 1) global and domestic economic developments and outlook, 2) MPC decisions of August 2023, and 3) financial sector stability

The general mission of the National Bank of Rwanda (NBR) is to ensure price stability and a sound financial system. In line with best practices, price stability is the primary and overriding objective of the NBR's monetary policy. As set by the Board of Directors in its strategic plan, the ultimate objective is to keep headline consumer price inflation between 2 and 8 percent, with a focus of keeping inflation close to 5 percent over the medium term. To achieve this target, the NBR's daily operations endeavour to steer the 7-day interbank rate close to the central bank rate set by the Monetary Policy Committee (MPC).

2. Welcome remarks



Mrs. Ksenija Maver, the Project leader of the Microeconomics and Investments Policies at GIZ delivered welcome remarks on behalf of organisers. She commended EPRN for having organised this event effectively. Ksenija reminded that this dialogue is one of series of policy dialogue which are periodically organised through the support of the MIP-GIZ. She mentioned that EPRN has been supported by GIZ since

its establishment since 2016 and that GIZ is happy of seeing the current level of the Network of economist. She reminded the purpose of these series of dialogues is to set a framework of policy makers and the rest of the communities to brainstorm on current policy issues for policy awareness and potential recommendations.

3. Presentation



The presentation was delivered by Prof Kasai Ndahiriwe, Director of the Monetary Policy Department. Here below are some content and information from the presentation:

- Forces affecting global development are: the tight financial conditions arising from policies of advanced economies, risks related to war in Ukraine and effects of reduced demand
- Inflation is projected to decline globally lower than previously projected to 6.8% in 2023 from 8.7% in 2022 globally; and from 14% in 2023 to 14.5% in 2022 in Sub Saharan Africa.
- One of issues highlighted is the merchandise trade deficit which is at 12.7% in Q2/2023 and leads to pressure on the exchange rate
- The lending rate is relatively stable and increased by only 16.54% in 2023 (Q2) from 16.31% in 2022 (Q1).
- Interbank rate increased to 7.74% in 2023 (Q2) from 5.51% in 2022 (Q2).
- Energy inflation decreased 5.1% in 2023 Q2 from 13.6% in 2023 Q2
- Fresh food inflation decreased to 40.4% in 2023 Q2 from 48.8% in 2023 Q1.
- Though the inflation is decreasing, but the current forecasts are uncertain due to:
 - o Geopolitical tensions which could influence international commodity process
 - o Unpredictable events linked to climate change might affect future agriculture production
- Central bank rate increased by 50 bps to 7.5%

4. Discussions by the participants

After the presentation, participants had time to ask questions and make reaction and contribution to the on the topic of discussion.



On the question of why the central bank increased the rate, it was mentioned that this was an effort to contain inflationary pressures and protect economic growth. The move by the National Bank of Rwanda (NBR) means the policy rate will rise to 7.5 percent, having initially sustained the rate at 7 percent despite pressure from the IMF to further tighten monetary policy.

Headline inflation is expected to fall within the band (below 8 percent) - an average of 7.6 percent in the fourth quarter by the end of the year to around 5 percent next year, according to the Central Bank.

Fresh food inflation remains high though it decreased to 40.4 percent down from 48.8 percent as the country grapples with poor agricultural performance due to recent flooding with landslides that destroyed planted crops, as arable land was also lost.

The bank is cautiously optimistic about the positive outlook as the economy remains vulnerable to external shocks.

For instance, while a reduction in international prices has reduced imported inflation, the prolonged war in Ukraine and geopolitical tensions could influence international commodity prices to go upwards. This could fuel prices upwards.

Additionally, unpredictable events linked to climate change might affect agricultural production.

Figures by the Central Bank show inflationary pressures reached a peak in November last year with headline inflation at 21.7 percent but started easing to 17.8 percent in April 2023.

5. Recommendations

After brainstorming session, the following recommendations were made:

- The government, research community, private sector, and civil society should encourage and expand the open exchange of data to facilitate collaboration in policy-relevant research and analysis.
- All actors have been called upon to enhance efforts to fight against climate change as it is one of bottlenecks which result into increase in food prices
- Researchers have been called upon to contribute to conduct research on effects of monetary policy measures to identify positive results and potential negative results to advise policy makers
- The GoR has been urged to focus on enhancing made in Rwanda policy and take more measures to upscale country industrialisation to reduce trade deficit.

6. Closing remarks

Mr Seth Kwizera, the Executive Director of EPRN thanked all participants for their participation and honouring the invitation. He concluded by expressing that he looked forward to working together more going forward. He commended all participants for fruitful deliberations, and thanked the presenter for an informative presentation delivered. He also thanked MIP-GIZ for going forward come and indicated the next one will be on the growth strategy towards vision 2050.

Annex 1: Dialogue agenda

Time	Activity	Responsible
14:30 - 15:00	Participants arrival and registration	EPRN
15:00-15:10	Remarks by the representative of the MIP-GIZ	Mrs. Ksenija Maver Project Leader, MIP/GIZ
15:10-15:12	Group photo	All
15:12-15:40	Presentation on recent economic developments, outlook, and monetary policy stance	Prof Kasai Ndahiriwe Director Monetary Policy Department, BNR
15:40– 16:00	Tea/Coffee Break	
16:00– 16:40	Q&A	All
16:40-16:45	Closing remarks	BNR/EPRN

Annex 2: Photos

