

Statement by the IMF Mission at the Conclusion of Its Visit to Rwanda

Press Release No.12/508
October 8, 2012

An International Monetary Fund (IMF) mission, led by Mr. Paulo Drummond, visited Kigali during September 26 to October 9 to conduct the 2012 Article IV Consultation and the Fifth Review under the Policy Support Instrument (PSI—see Press Release No. 10/247). The mission met with Minister of Finance and Economic Planning Hon. John Rwangombwa, Governor of the National Bank of Rwanda Amb. Claver Gatete and other senior officials, as well as representatives of the private sector and development partners. The mission wishes to thank the authorities for their hospitality and constructive discussions.

At the conclusion of the mission in Kigali, Mr. Drummond issued the following statement:

"Rwanda's recent economic performance has been favorable, despite the weak global environment. Economic growth was strong in the first half of the year, led by construction and services, the investment rate is up, and exports are finding their ways into new markets. Real gross domestic product growth is projected at 7.7 percent in 2012. Consumer price inflation declined to 5.8 percent in August, driven by lower import prices. Core inflation, which excludes volatile food and energy prices, was under 3 percent.

"Policy performance under the IMF-supported program continues to be strong. The fiscal position through end-June 2012 was in line with program objectives due to strong revenue performance and prudent expenditure management and policy; the monetary program is on target; and structural reforms are advancing broadly as planned. Rwanda is to be commended for its prudent approach to economic policy, and its decisiveness to pursue policies that can lead to inclusive growth and poverty reduction.

"However, rapidly increasing imports and a widening current account deficit, combined with delays in donor aid in the second half of this year, have led to emerging fiscal and balance of payment pressures. The government has appropriately responded by shifting some spending financed with delayed donor flows from the second half of 2012 into the first half of 2013; and by identifying contingent measures to preserve the recent fiscal consolidation gains. The National Bank of Rwanda has tightened monetary policy in recent

months, and reaffirmed its commitment to maintain macroeconomic stability.

"Economic prospects for 2013 remain favorable, but subject to risks. Growth is projected at 7.6 percent, provided the global environment does not weaken further and delays in donor flows are limited and temporary. More pronounced and protracted aid delays or weaker global demand could reduce Rwanda's growth prospects and intensify fiscal and balance of payments pressures. The government has indicated that it stands ready to take additional measures as needed to maintain macroeconomic stability.

"The authorities and the mission agreed, ad referendum, on economic policies and reforms that are consistent with the objectives of the economic program supported by the PSI. The discussions focused on policies to improve domestic revenue mobilization, strengthen public financial management, enhance the effectiveness of monetary policy and increase financial access, remove impediments to private sector development, and help Rwanda mobilize foreign savings while pursuing a careful debt management strategy.

"The IMF's Executive Board is expected to consider the fifth PSI review and the Article IV Consultation in December 2012."

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