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The Governor

PRESS RELEASE

The National Bank of Rwanda raises the Central Bank Rate to 8.25 percent as inflation pressures increase

On May 20, 2026, the Monetary Policy Committee (MPC) met to review recent developments in the global and domestic economy, to update its projections, and set the appropriate Central Bank Rate (CBR). In response to rising inflation and increased risks to the outlook, the Committee decided to raise the CBR by 100 basis points to 8.25 percent to help bring inflation back to the target over the medium term.

In 2026Q1, headline inflation rose to 9.1 percent from 7.4 percent in 2025Q4, driven by increases in core, fresh food, and energy prices. More recent data show that price pressures have strengthened further. Inflation rose to 13.0 percent in April from 9.2 percent in March, moving further above the upper bound of the inflation target range of 2 to 8 percent.

As a result, the 2026 inflation outlook has been revised upward. Average inflation is now projected at 13.9 percent, higher than the 9.4 percent forecast in February 2026. This change reflects both external and domestic factors, including the impact of the Middle East conflict on energy products such as fuel and gas, and higher transport costs caused by re-routing after the closure of the Strait of Hormuz.

Against this backdrop, and with risks still tilted to the upside, the MPC has increased the Central Bank Rate by 100 basis points to 8.25 percent. This decision shows the Bank's commitment to price stability, which is crucial for the broader macroeconomic stability and purchasing power of households. The central bank rate hike, coupled with additional measures by the Government to mitigate inflationary pressures, will also help bring inflation back to the target of 5 percent over the medium term.

The domestic economy continued to experience strong economic growth in 2026Q1

In view of heightened geopolitical uncertainty and supply-chain disruptions, global economic growth is projected to moderate from 3.4 percent in 2025 to 3.1 percent in 2026, before slightly improving to 3.2 percent in 2027, largely reflecting the effects of the Middle East conflict. Despite this challenging external environment, Rwanda's economy continues to show resilience. Real GDP grew by 9.4 percent in 2025, while the Composite Index of Economic Activities (CIEA) rose by 16.5 percent in the first quarter of 2026, pointing to continued growth in overall demand at the start of the year.

Rwanda's trade deficit narrowed amid stronger export growth

In the first quarter of 2026, merchandise exports increased by 63.2 percent, compared to the same period in 2025. This was mainly due to higher coffee and mineral export volumes and favorable global prices. Non-traditional exports also grew strongly, rising by 64.8 percent, led mainly by processed cooking oil and wheat flour.

Re-exports increased by 48.8 percent, showing continued demand from neighboring countries as cross-border movement improved. Merchandise imports rose by 5.6 percent, driven by higher demand for core food items such as raw cooking oil and rice, construction raw materials, and medical instruments. Overall, the external trade position improved, with the trade deficit narrowing by 23.2 percent, year-on-year, in 2026Q1.

The depreciation of the Rwandan Franc slowed amid improved market conditions

The Rwandan franc depreciated by 0.51 percent against the U.S. dollar in 2026Q1. This was much lower than the 2.31 percent depreciation recorded in the same period of 2025. The relative exchange rate stability was supported by a narrower trade deficit, reflecting a stronger export performance, and the positive effects of reforms in the domestic foreign exchange market.

The interbank rate moved closer to the CBR, while other market rates decreased

The interbank rate increased to 7.13 percent in the first quarter of 2026, up from 6.77 percent in the same period of 2025, bringing it closer to the Central Bank Rate (CBR). This reflects the 50-basis-point policy rate increase made in February 2026 and moderately tight liquidity conditions in the banking system. Together, these developments suggest better monetary policy transmission in the money market.

However, deposit rates fell by 30 basis points to 9.15 percent in the first quarter of 2026, from 9.45 percent a year earlier. This decline was mainly attributed to a lower volume of new long-term deposits with higher rates. Similarly, lending rates eased slightly, by 22 basis points, to 15.67 percent from 15.89 percent in the same period of 2025. The decline in lending rates was mainly driven by the issuance of large long-term loans to corporates at lower rates.

Inflation developments and outlook

In 2026Q1, headline inflation increased to 9.1 percent from 7.4 percent in the previous quarter, driven by higher core, fresh food, and energy inflation. Core inflation rose to 9.3 percent from 9.0 percent, mainly because of higher prices in hotels and restaurants and in housing. This more than offsets the moderation seen in core food and clothing inflation.

Energy inflation surged to 21.1 percent from 12.4 percent, driven by higher prices for charcoal and fuels. Fresh food inflation also rose to 5.2 percent from 1.4 percent, mainly because of higher prices for fresh vegetables, despite a decline in fresh fruit inflation. These pressures were made stronger by the lingering effects of earlier price adjustments, especially in health services fees, education-related costs and electricity tariffs.

In April 2026, year-on-year headline inflation rose further to 13.0 percent from 9.2 percent in March. The increase mainly reflected a sharp acceleration in energy inflation and higher core inflation.

Over the medium term, headline inflation is projected to average 13.9 percent in 2026 before falling to about 7.4 percent in 2027. The 2027 projection signals that a combination of monetary policy tightening, agricultural supply normalization, and other policy measures is expected to bring inflation back within the 2–8 percent band next year and toward the 5 percent objective over the medium term.

Compared with the previous MPC round, the higher 2026 inflation forecast mainly reflects assumptions of higher global commodity prices and global inflation, the impact of the Middle East conflict on domestic inflation through fuel pump prices and public transport fares, and weaker-than-expected food supply in Season A and B 2026. In addition, the ongoing conflict has raised shipping costs through re-routing, adding further price pressures on imported goods.

Food inflation is expected to remain high during the first two quarters of 2026 because of lower-than-expected agricultural production, before easing gradually as supply conditions improve. Energy inflation is also expected to remain high in the coming months because cost pressures continue. Core inflation (year-on-year) is expected to stay elevated as well, before falling to single digits from 2027Q2, supported by continued policy action.

These projections assume higher international prices for food and energy, along with a gradual stabilization of domestic food supply. Even so, the inflation outlook still faces upside risks, especially from weaker agricultural production and additional energy and other cost pressures associated with a prolonged Middle East conflict.

MPC decision

The MPC has decided to increase the CBR to 8.25 percent. The Committee considers this level appropriate to help steer headline inflation back toward 5 percent over the medium term. It also noted that upside risks to the inflation outlook at the global, regional, and domestic levels require close monitoring and continued policy caution.

The MPC will continue to monitor economic conditions closely and is committed to ensuring a return to the 5 percent inflation objective in the medium term.

Kigali, May 21, 2026

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