



The Governor

PRESS RELEASE

The National Bank of Rwanda maintains its Central Bank Rate at 6.5 percent

On February 12th, 2025, the Monetary Policy Committee (MPC) convened to review the impact of its previous decisions, assess recent global and domestic economic developments, evaluate economic projections, and decide on the Central Bank Rate (CBR) for the next three months.

As anticipated, headline inflation remained within the target range of 2 to 8 percent in the fourth quarter of 2024, despite some observed pressures in both food and core inflation. Going forward, inflation is projected to remain within the target range in 2025, at around 6.5 percent, before declining to approximately 4.1 percent in 2026.

These projections could, however, be influenced by upward inflationary risks, including geopolitical tensions, and adverse weather conditions affecting food prices

Based on the current forecasts, the MPC has decided to maintain the CBR at 6.5 percent, a level considered adequate to keep inflation within the target range.

Inflation is expected to evolve around 6.5 percent in 2025 and 4.1 percent in 2026

In the fourth quarter of 2024, headline inflation increased to 5.2 percent, up from 4.1 percent in the previous quarter. This rise was driven by increases in core and fresh foods inflation, which offset a decline in energy inflation. The slight increase in core inflation, to 5.4 percent from 5.3 percent, is primarily attributed to higher core housing (mainly housing materials and services for the maintenance of dwellings), and core alcoholic beverages inflation, explained by the rise in input costs, coupled with the increased demand during end-year festivities. Fresh food inflation rose to 5.6 percent from 0.2 percent primarily due to the base effect observed on fresh vegetable prices, which had declined sharply during the same period the previous year. Conversely, energy inflation declined because of decreases in both liquid and solid fuel prices.

On an annual basis, headline inflation averaged 4.8 percent in 2024, a significant decline from 14 percent in 2023. This disinflation was primarily supported by improved agricultural production during the year, the lagged effects of previous monetary policy tightening, and other government-led disinflationary measures.

Headline inflation is projected to remain within the 2 to 8 percent target range in the medium term, averaging 6.5 percent in 2025 and 4.1 percent in 2026. The upward revision of the 2025 inflation forecast reflects anticipated supply shocks, particularly due to the ongoing unusual rainfall patterns, which could negatively impact agricultural output.

However, potential upside risks to the inflation outlook remain, including rising geopolitical tensions, and adverse weather conditions affecting future agriculture production and food prices.

The domestic economy continues to show strong growth

Rwanda's economy continued to record robust growth, with real GDP growth averaging 9.2 percent in the first three quarters of 2024, after 8.2 percent recorded in both 2022 and 2023. This good economic performance was broad-based, with both industry and services registering double-digit growth. Additionally, agriculture has rebounded from the previous year's poor harvest.

High-frequency indicators show continued growth momentum in the last quarter of 2024, primarily driven by strong activity in the industry and services sectors. The Composite Index of Economic Activity (CIEA) rose by 15.7 percent year-on-year in the fourth quarter of 2024, indicating that the economic growth for the year 2024 will likely exceed the projection of 8.3 percent.

Rwanda's merchandise trade deficit improves on higher exports growth

Merchandise exports grew by 15.8 percent in the fourth quarter of 2024 compared to a year earlier, supported by traditional commodity prices that have remained relatively stable and above historical levels. Besides, the rise in exports is attributed to continued regional demand for manufactured exports and re-exports. Conversely, merchandise imports recorded a moderate growth of 3.3 percent, primarily driven by strong domestic demand for raw materials by local industries and energy products, reflecting the robust performance of domestic economic activities. As a result, the trade deficit eased by 3.7 percent in the fourth quarter of 2024.

The pressures on the foreign exchange market have eased in 2024 compared to the previous year

By the end of December 2024, the Rwandan Franc had depreciated by 9.42 percent against the US dollar, showing a slowdown from the 18.05 percent depreciation during the same period in 2023. Additionally, the gross official reserves stood at 5.4 months of import cover in December 2024, well above the 4 months benchmark.

Money market interest rates followed the trend set by the Central Bank Rate

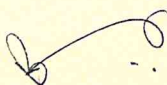
The interbank rate decreased to an average of 6.78 percent in the fourth quarter of 2024, from 8.25 percent in the same period last year. This decline followed a series of CBR cuts in May and August 2024, totaling a 100-basis point reduction, and was further supported by ample liquidity in the banking system. Similarly, the lending rate on short-term loans declined, although the average lending rate rose slightly by 7 basis points to 15.85 percent in 2024Q4 compared to the previous year. This increase is primarily attributed to a rise in the share of individual loans, which are normally priced at higher rates.

Additionally, the deposit rate increased by 45 basis points in 2024Q4, to 10.5 percent, reflecting a higher proportion of long-term deposits.

MPC decision

The Monetary Policy Committee has decided to maintain the central bank rate at 6.5 percent, a level considered adequate to keep inflation within the target range, with forecasts averaging around 6.5 percent in 2025 and 4.1 percent in 2026. The MPC will continue monitoring global and domestic economic developments and stands ready to take appropriate action to ensure price stability.

Done in Kigali on February 13th, 2025



Digitally signed by
BNR(GOVERNOR)



RWANGOMBWA John
Governor, National Bank of Rwanda and Chairperson of the Monetary Policy Committee