MONETARY POLICY AND FINANCIAL STABILITY STATEMENT

MARCH 2025

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CONTENTS

LIST OF ACRONYMS AND ABBREVIATIONS

ACH : Automated Clearing House
ATM : Automated Teller Machine
BIF : Burundian Franc
BOP : Balance of Payments
CAD : Current Account Deficit
CAR : Capital Adequacy Ratio
CBR : Central Bank Rate
CO : Cash-Out
COPS : Complementary Occupational Pension Schemes
CPI : Consumer Price Index
DAP : Di-ammonium Phosphate
DC : Defined Contribution
DGF : Deposit Guarantee Fund
DSIBs : Domestic Systemically Important Banks
EAC : East African Community
ECB : European Central Bank
ECL : Expected Credit Losses
ERF : Economic Recovery Fund
EUR : Euro
FCD : Foreign Currency Deposits
FDI : Foreign Direct Invesment
FOB : Freight on Board (or Free on Board)
FOREX : Foreign Exchange
FRW : Franc Rwandais
FSC : Financial Stability Committee
FSCC : Financial Sector Coordination Committee
FX : Foreign Exchange
GBP : Great British Pound
GDP : Gross Domestic Product
GWP : Gross Written Premium
G7 : Group of Seven

H1 : Half 1

H2 : Half 2

ICBT : Informal Cross Border Trade

IMF : International Monetary Fund

JPY : Japanese Yen

KES : Kenyan Shilling

KG : Kilogram

LCR : Liquidity Coverage Ratio

MFIs : Microfinance Institutions

MMI : Military Medical Insurance

MNOs : Mobile Network Operators

MPC : Monetary Policy Committee

MPFSS : Monetary Policy and Financial Stability Statement

MSMEs : Micro, Medium and Small Enterprises

NALs : New Authorized Loans

NBR : National Bank of Rwanda

NBFI : Non-Bank Financial Institutions

NCG : Net Credit to Government

NDA : Net Domestic Assets

NDFIs : Non-Deposit Taking Lending Financial Institutions

NEER : Nominal Effective Exchange Rate

NFA : Net Foreign Assets

NISR : National Institute of Statistics of Rwanda

NPLs : Non-Performing Loans

NSFR : Net Stable Funding Ratio

P.A : Per Annum

PCA : Prompt Corrective Actions

Proj. : Projections

PSPs : Payment Service Providers

PLCs : Public Limited Companies

POS : Point of Sale

PPS : Personal Pension Scheme

Q1 : Quarter one
Q2 : Quarter two
Q3 : Quarter three
Q4 : Quarter four
REER : Real Effective Exchange RateREPO : Repurchase Agreement
RIPPS : Rwanda Integrated Payment Processing System
ROA : Return on Assets
ROE : Return on Equity
RTGS : Real Time Gross Settlement
RSSB : Rwanda Social Security Board
RWA : Rwanda
SMEs : Small and Medium Enterprises
SSA : Sub-Saharan Africa
SU : Seasonal unadjusted
T- Bills : Treasury Bills
TL : Total Liabilities
TZS : Tanzanian Shilling
UGS : Ugandan Shilling
UK : United Kingdom
U-SACCOs : Umurenge SACCOs
USD : United States Dollar
WEO : World Economic Outlook
Y-o-Y : Year-on-Year

EXECUTIVE SUMMARY

The purpose of the Monetary Policy and Financial Stability Statement (MPFSS) of March 2025 is to evaluate the economic and financial developments of 2024 and to provide an outlook for 2025 and beyond. This statement begins by outlining global economic trends to provide context for the domestic economic and financial performance and stability, before concluding with the outlook.

According to the International Monetary Fund (IMF) World Economic Outlook (WEO) update published in January 2025, global economic growth is projected at 3.3 percent in 2025, after an estimated 3.2 percent in 2024. In 2024, the global commodity price index dropped by 2.7 percent and is projected to decline further in 2025, due to weaker global demand amid tight financial conditions. As a result, global annual average inflation is projected to ease to 4.2 percent in 2025 from 5.7 percent in 2024.

Rwanda's economy has maintained strong economic growth. In 2024, real GDP growth averaged 9.2 percent in the first three quarters, following 8.2 percent in 2023 and 2022. This rate exceeds the projected annual growth rate of 8.3 percent for the year and was observed across all economic sectors. The economy is expected to continue performing well in the forthcoming years, with a growth of 7.0 percent in 2025 and 2026.

In 2024, the current account deficit (CAD) expanded to USD 1.81 billion from USD 1.65 billion in 2023, equivalent to an increase of 9.7%. This deterioration was driven by strong domestic economic activities, which fueled a 5.8 percent increase in merchandise imports, largely due to higher demand for capital and intermediate goods. On the other hand, merchandise export revenues grew by 6.9 percent, supported by improving global commodity prices and sustained regional demand for re-exports. Additionally, service exports remained robust in 2024, driven notably by the tourism and air transport sectors.

On the financial account, capital inflows increased, particularly public borrowings and private flows, led by Foreign Direct Investments (FDI) and loans from unrelated companies as well as regional and international financial organizations. As a result, the adequacy of foreign exchange reserves has improved, covering 5.4 months of prospective imports of goods and services as of the end of December 2024, indicating a strengthened financial position in terms of external buffers. Due to the worsening current account deficit, the Rwandan Franc depreciated against the USD, but at a slower pace, declining by 9.42 percent year-on-year by the end of December 2024, compared to an 18.05 percent depreciation in 2023.

Headline inflation in the second half of 2024 averaged 4.6 percent year-on-year, down from 4.9 percent in the first half. This deceleration was due to declines across key inflation contributors, with food and non-alcoholic beverages falling to 0.9 percent from 4.3 percent, thanks to increased market supply of certain vegetables. Core inflation also eased to 5.4 percent from 6.0 percent, following downward price trends in certain core food items. Energy inflation declined to 3.1 percent from 3.6 percent, mainly due to lower global oil prices. Looking ahead, inflation is projected to remain within the target range at around 6.5 percent in 2025, before decreasing to approximately 4.1 percent in 2026.

In response to earlier inflationary pressures, the National Bank of Rwanda implemented a tighter monetary policy in 2022 and 2023, which, coupled to government interventions, effectively lowered inflation to the targeted levels by December 2023. Building on this achievement, the Monetary Policy Committee (MPC) decided to reduce the Central Bank Rate (CBR) by a cumulative 100 basis points over two consecutive sessions in May and August 2024, settling it at 6.5 percent. The MPC then maintained this rate during the subsequent meetings in November 2024 and February 2025. This decision was grounded in the confidence that inflation would continue to stay within the target range for the next two years, reflecting a stable and positive outlook for Rwanda's monetary policy environment.

The monetary policy easing in 2024 resulted in a decrease in the interbank rate by 22 basis points, averaging 7.62 percent, down from 7.84 percent in 2023. However, deposit rates slightly increased from 9.65 percent to 10.33 percent, and lending rates remain broadly unchanged at 16.02 percent in 2024 from 16.06 percent in 2023.

Rwanda's financial sector demonstrated resilience and sustained robust growth in 2024, supported by a conducive economic environment. Total financial sector assets grew by 20.6 percent, reaching FRW 13 trillion, from FRW 11 trillion in December 2023, with all sub-sectors experiencing growth as of December 2024. Bank assets rose by 19.1 percent to FRW 9 trillion, supported by deposits, capital increment and improved efficiencies. The pension sector saw a notable increase of 21.8 percent, up from 13.7 percent in the previous year, largely due to higher members' contributions and investment income. Insurance sector assets grew by 18.4 percent, an improvement from 16.2 percent in 2023, driven by rising written premiums and investment returns. The microfinance sector recorded the highest growth, with assets expanding by 39.4 percent from 23.6 percent in 2023, reflecting growth in deposits, capital, as well as the impact of the shift of three banks to the micro finance sector.

The growth of assets in the financial institutions was mainly driven by loans to the private sector and investments in the economy. Outstanding loans grew by 10.5 percent and 39.5 percent in Banks and Microfinance Institutions, respectively. Investments of Insurance companies grew by 17.7 percent to FRW 1 trillion, while those of the Pension funds increased by 19.5 percent to FRW 2 trillion. These are diversified across different economic sectors, mainly in banking, manufacturing and construction.

Regarding the stability indicators of the financial sector, financial institutions maintained strong capital and robust liquidity levels, exceeding regulatory requirements. Banks and microfinance institutions reported consolidated capital adequacy ratios of 20.5 percent and 32.3 percent, respectively, well above the 15 percent minimum requirement. Private insurers demonstrated *a solid solvency position of 214 percent, significantly exceeding the 100 percent minimum requirement. Liquidity risk remained low, with banks' Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) standing at 333.8 percent and 148.4 percent, respectively, both surpassing the 100 percent regulatory requirement. Microfinance institutions had an aggregate liquidity ratio of 84.7 percent, exceeding the 30 percent minimum, while private insurers maintained a liquidity ratio of 108 percent, above the required 100 percent.*

Loan quality in banks and microfinance institutions remained sound, with non-performing loan (NPL) ratios staying below the central bank's 5 percent benchmark. By December 2024, the NPL ratio in banks declined to 3.1 percent from 4.1 percent in 2023, while in microfinance institutions, it dropped to 3.5 percent from 4.3 percent. This improvement was attributed, on the one hand, to the growth of new loans compared to default rates and, on the other hand, to recoveries and write-off of overdue loans. Financial institutions continued to strengthen their ability to absorb credit losses, maintaining adequate provisions for bad loans.

The wholesale and retail payment systems operated smoothly, enabling efficient digital transactions without major disruptions. The mobile payment ecosystem expanded significantly, contributing to the growth of digital transactions. As a result, digital financial transactions expanded rapidly, with retail transactions as a percentage of GDP rising to 301 percent in 2024 from 179 percent in 2023.

Despite positive developments noted in the financial sector vulnerabilities require close monitoring. Cybersecurity risks are an increasing concern, necessitating enhanced sector-wide monitoring and proactive mitigation measures. The NBR is reinforcing its cyber risk assessment frameworks and awareness initiatives to mitigate potential threats. Additionally, climate-related financial risks prompted the implementation of new environmental risk management guidelines. Ensuring effective mitigation and adaptation *strategies to the impact of climate change will be critical in addressing long-term sustainability risks.*

Looking ahead, the financial sector is expected to remain stable and resilient, supported by strong capital and liquidity buffers that enable financial institutions to withstand potential shocks.

I. GLOBAL ECONOMIC ENVIRONMENT

1.1 ECONOMIC GROWTH AND OUTLOOK

According to the International Monetary Fund (IMF) World Economic Outlook (WEO) update published in January 2025, global economic growth is projected at 3.3 percent in 2025, following an estimated 3.2 percent in 2024. This remains well below the 2000-2019 historical annual average of 3.7 percent.

Table 1: Global GDP Growth (%)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 proj
World	3.3	3.8	3.6	2.9	-2.7	6.6	3.6	3.3	3.2	3.3
Advanced economies	1.8	2.6	2.3	1.9	-4.0	6.0	2.9	1.7	1.7	1.9
United States	1.8	2.5	3.0	2.6	-2.2	6.1	2.5	2.9	2.8	2.7
Euro area	1.8	2.6	1.8	1.6	-6.1	6.2	3.3	0.4	0.8	1.0
Germany	2.3	2.7	1.1	1.0	-4.1	3.7	1.4	-0.3	-0.2	0.8
France	0.7	2.3	1.6	2.1	-7.6	6.8	2.6	1.1	1.1	1.3
Japan	0.8	1.7	0.6	-0.4	-4.2	2.7	1.2	1.7	-0.2	1.1
United Kingdom	1.9	2.7	1.4	1.6	--10.3	8.6	4.8	0.3	0.9	1.6
Emerging & developing economies	4.4	4.8	4.7	3.7	-1.8	7.0	4.0	4.4	4.2	4.2
China	6.8	6.9	6.7	6.0	2.2	8.4	3.0	5.2	4.8	4.6
India	8.3	6.8	6.5	3.9	-5.8	9.7	7.0	8.2	6.5	6.5
Sub-Saharan Africa	1.5	3.0	3.3	3.2	-1.6	4.8	4.1	3.6	3.8	4.2

Source: IMF WEO update, January 2025

Economic growth in advanced economies is projected to increase from an estimated 1.7 percent in 2024 to 1.9 percent in 2025. This growth in 2025 reflects 0.1 percentage points higher compared to the previous forecast in October 2024 mainly due to the upgrade of the US projection although it is partly offset by a downgrade for the Euro area.

Emerging Market and Developing economies (EMDEs) are projected to maintain a stable growth rate of 4.2 percent in 2025. Compared to the October 2024 projections, the outlook remains unchanged, following downgrades for emerging and developing Asia, particularly India. Growth is projected to remain stable throughout 2026.

The Sub-Saharan African (SSA), economy is projected to improve from an estimated 3.8 percent in 2024 to 4.2 percent in 2025, as the adverse effects of previous weather shocks abate, and supply constraints gradually ease. Compared to the October 2024 projections, the regional forecast remains unchanged for 2025, reflecting stable growth expectations for Nigeria and South Africa.

In the East African Community (EAC1-5), economic growth is projected to accelerate, from an estimated 5.4 percent in 2024 to 5.9 percent in 2025, following upward revisions for most member states.

Table 2: Real GDP Growth in EAC (%)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 proj
EAC	**5.4**	**5.7**	**6.1**	**6.4**	**0.9**	**6.4**	**5.2**	**5.3**	**5.4**	**5.9**
Burundi	-0.6	0.5	1.6	1.8	0.3	3.1	1.8	2.7	2.2	**3.5**
Kenya	4.2	3.8	5.7	5.1	-0.3	7.6	4.9	5.6	5.0	**5.3**
Rwanda	6.0	3.9	8.5	9.4	-3.4	10.9	8.2	8.2	8.3	**7.0***
Tanzania	6.9	6.7	7.0	6.9	4.5	4.8	4.7	5.1	5.4	**6.0**
Uganda	0.2	6.8	5.6	7.6	-1.1	5.5	6.3	4.6	5.9	**7.5**
South Sudan	-13.3	-5.8	-2.1	0.9	-6.5	5.3	-5.2	2.5	-26.4	**27.2**
DRC	0.4	3.7	4.8	4.5	1.7	5.9	8.8	8.4	4.7	**5.0**

Source: IMF, Regional Economic Outlook October 2024
*Rwanda-IMF country report December 2024

1.2 INFLATION AND COMMODITY PRICES

1.2.1 Inflation

Global annual inflation is projected to ease to 4.2 percent in 2025, down from 5.7 percent in 2024, but it will remain above pre-pandemic levels of approximately 3.5 percent (2017-19). The 2025 inflation forecast has been revised downward by 0.1 percentage points relative to the October 2024 projections, reflecting a similar downward adjustment for the emerging market and developing economies. Inflation is expected to decline steadily on

[1] EAC-5 members are Burundi, Kenya, Rwanda, Tanzania and Uganda

a sequential basis, and by the end of 2025, most economies are expected to return to target levels.

Table 3: Annual Average Inflation Developments (%)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 proj
World	**2.7**	**3.2**	**3.6**	**3.5**	**3.2**	**4.7**	**8.7**	**6.7**	**5.7**	**4.2**
Advanced economies	**0.7**	**1.7**	**2.0**	**1.4**	**0.7**	**3.1**	**7.3**	**4.6**	**2.6**	**2.1**
United States	1.3	2.1	2.4	1.8	1.2	**4.7**	8.0	4.1	3.0	**1.9**
Euro area	0.2	1.5	1.8	1.2	0.3	**2.6**	8.4	5.4	2.4	**2.0**
Japan	-0.1	0.5	1.0	0.5	0.0	**-0.2**	2.5	3.3	2.2	**2.0**
United Kingdom	0.7	2.7	2.5	1.8	0.9	**2.6**	9.1	7.3	2.6	**2.1**
Emerging and dev. economies	**4.3**	**4.4**	**4.9**	**5.1**	**5.2**	**5.8**	**9.6**	**8.1**	**7.8**	**5.6**
China	2.0	1.6	2.1	2.9	2.5	**0.9**	2.0	0.2	0.4	**1.7**
India	4.5	3.6	3.4	4.8	6.2	**5.5**	6.7	5.4	4.4	**4.1**
Sub-Saharan Africa	**10.0**	**10.6**	**8.4**	**8.7**	**11.2**	**11.6**	**15.2**	**17.6**	**18.1**	**12.3**

Source: IMF WEO update, January 2025, October 2024 & Official numbers from countries

In advanced economies, consumer price inflation is expected to ease to 2.1 percent in 2025, down from 2.6 percent in 2024. This moderation will be supported by stronger monetary policy frameworks and enhanced central bank communication, although inflation is expected to remain above the target in most advanced economies.

In the Emerging Market and Developing Economies, annual headline inflation is projected to ease to 5.6 percent in 2025, down from 7.8 percent in 2024, driven by lower energy and food prices. China's headline inflation is projected at 1.7 percent in 2025, up from 0.4 percent in 2024, while India's headline inflation is projected to ease to 4.1 percent, down from 4.4 percent in 2024.

In Sub-Saharan Africa (SSA), annual headline inflation is projected to remain in double digits but on a decelerating trend, declining from 18.1 percent in 2024 to 12.3 percent in 2025. This outlook reflects persistently high inflation rates in several countries, including Zimbabwe (23.6 percent), South Sudan (79.3 percent), Sierra Leone (18.0 percent), Nigeria (25.0 percent), Malawi (15.3 percent), Angola (21.3 percent), Ethiopia (23.3 percent), Burundi (25.0 percent), and Ghana (19.5 percent). In some SSA countries, food prices have increased sharply, driven by local shortages and exchange rate pressures affecting global food import costs.

In the EAC-5 countries, annual average inflation is projected to ease to 4.9 percent in 2025, down from an expected 7.1 percent in 2024. The 2025 forecast has been revised downward by 0.2 percentage points relative to the July 2024 WEO update, reflecting a 0.3 percentage point downward revision for Kenya, partially offset by a 5.0 percentage points upward revision for Burundi.

Table 4: Annual Average Inflation in EAC Countries (%)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 proj
EAC -5	5.7	6.7	3.6	3.9	4.3	4.3	7.0	6.7	7.1*	4.9
Burundi	5.5	16.6	-2.8	-0.7	7.3	8.3	18.9	27.0	20.0*	25.0
Kenya	6.3	8.0	4.7	5.2	5.3	6.1	7.6	7.7	4.5*	5.2
Rwanda	5.7	4.8	1.4	2.4	7.7	0.8	13.9	14.0	4.8	6.5**
Tanzania	5.2	5.3	3.5	3.4	3.3	3.7	4.4	3.8	3.1*	4.0
Uganda	5.2	5.6	2.5	2.1	2.8	2.2	7.2	5.4*	3.3*	4.4
S. Sudan	346.1	213.0	83.4	49.3	24.0	30.2	-3.2	40.2	120.6	79.3
DRC	3.2	35.7	29.3	4.7	11.4	9.0	9.3	19.9	17.8	9.2

Source: IMF, October 2024 & Official numbers from countries

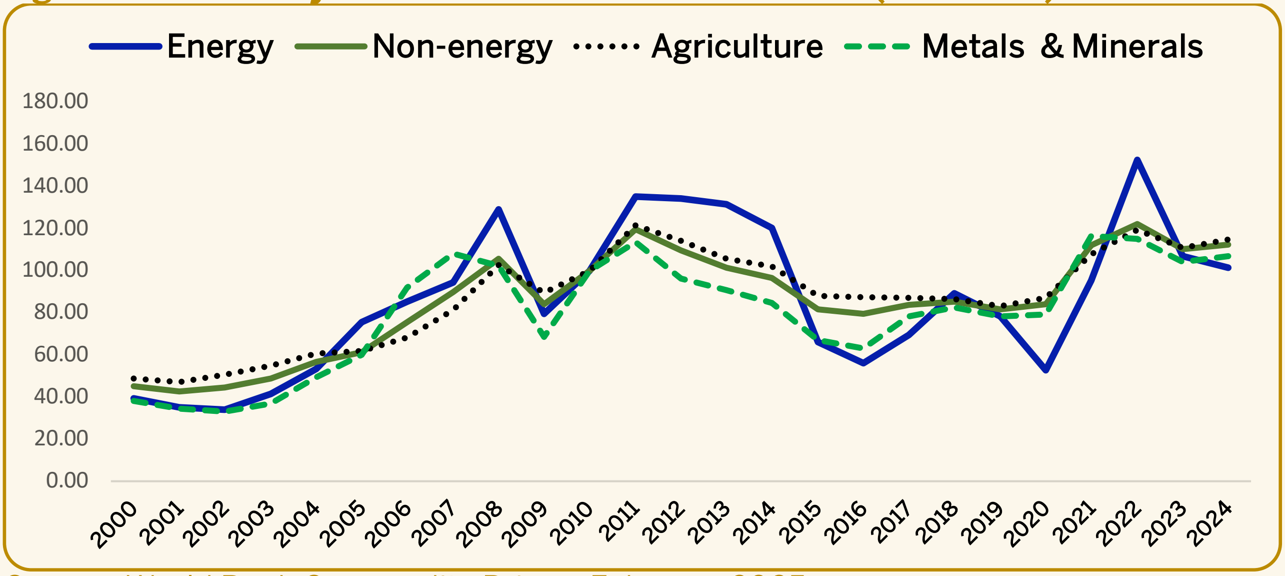
*Annual average estimates using official numbers from countries for all EAC-5 countries
**BNR projections as of February 2025

1.2.2 Commodity Prices

In 2024, the global commodity price index decreased by 2.7 percent, following a sharp 24.2 percent drop in 2023. Prices are projected to decline further in 2026, driven by weaker global demand amid tight financial conditions.

Energy prices decreased by 5.1 percent in 2024, after a 29.9 percent decline in 2023, mainly attributed to lower crude oil and natural gas prices. In 2025, global energy prices are projected to drop by 6.3 percent, primarily reflecting the projected fall in crude oil prices.

Figure 1: Commodity Prices Index in Nominal US Dollar (2010=100)



Source: World Bank Commodity Prices, February 2025

In 2024, crude oil average prices decreased by 2.5 percent after dropping by 16.8 percent in 2023, amid slowing global demand. In January 2025, IMF projects crude oil prices to drop by 11.7 percent in 2025, to USD 60.43/barrel from USD 68.40/barrel in 2024, and drop further by 2.6 percent in 2026. This downward trend in crude oil prices is largely attributed to diminished demand from China, driven by an uptick in the adoption of electric and hybrid vehicles, alongside an increased use of alternative renewable energy sources. Additionally, robust supply contributions from non-OPEC+ producers are further exerting downward pressure on prices.

Non-energy commodity prices increased slightly by 1.9 percent in 2024, after a 9.7 percent decline in 2023, mainly driven by higher prices for agricultural commodities, and metals and minerals. Non-energy prices are projected to drop by 3.0 percent in 2025, reflecting a broader-based decline for all non-energy components.

In 2024, food prices saw a significant decrease of 7.6 percent, with notable declines in cereals (15.2 percent) and oils and meals (10.1 percent), following a 9.2 percent drop in 2023. The World Bank's October 2024 Commodity Markets Outlook projected a further decline in food prices by 4.0 percent in 2025. However, contrasting this trend, the IMF's January 2025 World Economic Outlook update forecasts an increase in global food prices for 2025. This anticipated rise is attributed to adverse weather conditions affecting major agricultural producers, pointing to uncertainties around climate change that could disrupt supply chains and elevate prices.

Table 5: Commodity Prices (%)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 proj.
Energy	-15.2	23.8	28.8	-12.4	-32.7	81.0	60.0	-29.9	-5.1	-6.3*
Crude oil, average	-15.6	23.3	29.4	-10.2	-32.8	67.4	40.6	-16.8	-2.5	-11.7**
Natural gas	-20.4	21.1	19.1	-25.5	-25.6	187.2	115.5	-63.5	-15.0	9.2*
Non energy	-2.8	5.5	1.7	-4.2	3.1	33.2	9.0	-9.7	1.9	-3.0*
Agricultural comm.	-0.5	-0.6	-0.5	-4.0	4.7	23.7	10.7	-7.1	-3.5	-4.2*
Beverages	-2.8	-9.0	-4.8	-3.7	5.6	16.3	13.7	1.4	63.7	-9.2*
Coffee, Arabica	2.4	-8.0	-12.0	-1.6	15.4	35.8	24.8	-19.4	23.8	-8.3*
Coffee, Robusta	0.6	13.9	-16.0	-13.2	-6.5	30.7	15.3	15.0	68.0	-6.7*
Tea Mombasa	-18.3	22.7	-13.2	-14.2	-9.2	5.2	15.9	-8.8	-2.2	1.6*
Food	1.3	0.6	0.3	-3.8	7.1	29.9	14.2	-9.2	-7.6	-4.0*
Cereals	-7.3	-0.2	10.2	0.2	7.2	29.9	21.4	-11.5	-15.2	-4.7*
Oils & meals	4.6	-0.8	-2.9	-8.9	15.9	41.6	14.2	-18.1	-10.1	-3.9*
Metals & Minerals	-5.9	24.2	5.5	-5.0	1.0	47.1	-1.2	-9.6	2.6	-0.8*
Tin	11.6	11.9	0.4	-7.4	-8.2	89.1	-3.2	-17.2	15.9	6.7*
Precious metals	7.5	0.4	-0.7	8.5	26.6	5.0	-2.4	7.7	22.3	0.2*
Gold	7.6	0.7	0.9	9.7	27.1	1.7	0.1	7.9	22.9	-1.1*
Fertilizers	-21.0	-4.4	11.1	-1.4	-8.3	104.1	54.8	-34.9	-23.4	-1.5*

Source: IMF, January 2025 WEO update & World Bank, October 2024 CMO forecasts

**IMF, January 2025 WEO update

*World Bank, October 2024 CMO forecasts

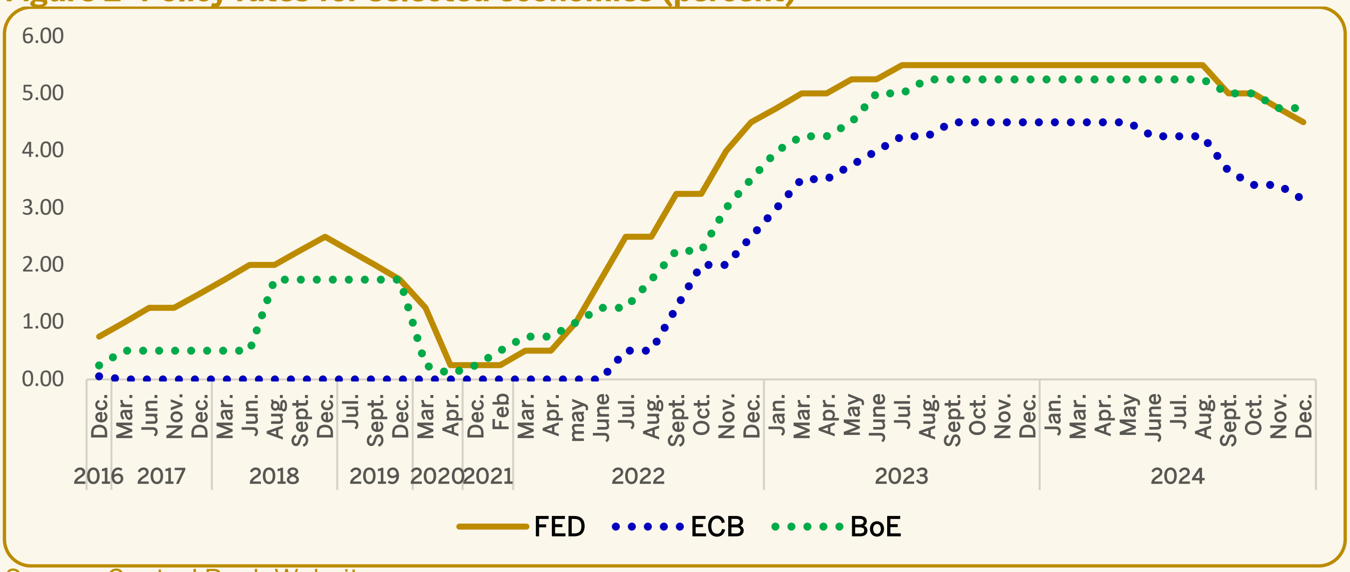
Metal & minerals prices increased by 2.6 percent in 2024, after a 9.6 percent decline in 2023, but are projected to drop slightly by 0.8 percent in 2025. Tin prices increased by 15.9 percent in 2024, rebounding from a 17.2 percent decline in 2023, and are projected to increase by 6.7 percent in 2025, reflecting increasing demand from the electronics sector.

Prices for fertilizers dropped by 23.4 percent in 2024, after a 34.9 percent decline in 2023, as supply disruptions gradually eased. The World Bank projects fertilizer prices to drop slightly by 1.5 percent in 2025.

1.3 MONETARY POLICY AND FINANCIAL MARKETS

At the beginning of the second half of 2024, as inflation began to decline, major central banks initiated a series of policy rate cuts. The US Federal Reserve made its third reduction in December 2024, setting the target range for the federal funds rate at 4.25 percent from 4.50 percent. Concurrently, the Bank of England held its bank rate steady at 4.75 percent in December 2024, following a rate cut in November. Meanwhile, the European Central Bank took similar steps by lowering its main refinancing operation rate to 3.15 percent in December 2024, marking a 25-basis-point ease in policy rates. These adjustments reflect a coordinated effort among central banks to respond to the easing inflation pressures.

Figure 2- Policy rates for selected economies (percent)



Source: Central Bank Websites

In December 2024, the 10-year government bond yields rose across major economies, reflecting market adjustments to evolving monetary conditions. Meanwhile, on the foreign exchange market, the U.S. dollar appreciated against all major currencies, with the most significant gains against the Japanese yen, euro, Chinese yuan, and British pound.

II. NATIONAL ECONOMIC PERFORMANCE

This section provides an overview of the latest updates in the Rwandan economy. The focus will be on the factors that drove economic growth in 2024 and the outlook for 2025. Since 2021, Rwanda has maintained robust economic growth. The real GDP growth of 2024 is likely to exceed the initial projection of 8.3 percent, given the average growth of 9.2 percent recorded over the first three quarters. This growth was broad-based, and the momentum is expected to continue in 2025.

2.1 ECONOMIC GROWTH

Rwanda's economy maintained a strong growth momentum in 2024, expanding by 9.2 percent on average during the first three quarters. This growth was spurred by the good economic performance observed across all sectors.

The services sector was the primary driver of Rwanda’s economic growth in 2024, expanding by 10.3 percent and contributing 5.1 percentage points to overall GDP growth. This strong performance was mainly driven by robust growth in trade services and tourism-related activities, particularly transport, hotels, and restaurants, as well as information and communication and financial services.

Table 6: Rwanda's real GDP growth (%)

	2020	2021	2022	2023		2024					2025
				Q1-Q3	Annual	Q1	Q2	Q3	Q1-Q3	Annual Proj.	Proj.
GDP	-3.3	11.1	8.2	7.6	8.2	9.7	9.8	8.1	9.2	8.3	7.0
Agriculture	0.9	6.4	1.6	1.2	1.7	7.4	7.0	4.4	6.3	7.1	5.2
Food crops	0.4	6.7	-0.9	-1.0	0.1	8.5	8.5	2.4	6.5	7.5	4.8
Export crops	-10.6	0.1	3.6	3.8	-0.5	0.3	-6.4	16.1	3.3	6.8	6.4
Livestock & livestock products	8.2	8.2	8.7	6.1	6.5	7.1	7.3	7.3	7.2	7.2	7.0
Forestry	3.7	5.4	4.8	5.7	5.7	6.2	6.0	5.3	5.8	6.1	5.0
Fishing	-15.5	34.2	3.2	3.6	3.5	3.2	3.3	3.2	3.2	3.3	3.4
Industry	-4.1	14.1	5.1	9.5	10.2	10.5	15.4	7.7	11.2	10.9	9.1
Mining & quarrying	-30.6	31.7	14.5	12.1	9.5	22.1	-2.3	26.5	15.4	13.0	13.0
Manufacturing	2.2	11.0	11.0	10.5	10.5	4.7	17.0	5.0	8.9	9.0	8.8
Electricity	1.8	11.9	14.2	5.2	4.9	14.1	18.3	19.8	17.4	13.0	8.3
Water & waste management	2.4	4.6	3.7	2.4	2.5	1.9	3.7	4.3	3.3	4.6	3.6
Construction	-5.6	16.3	-5.4	9.4	12.2	15.9	18.0	4.6	12.8	13.0	9.0
Services	-5.4	12.3	12.2	10.6	11.2	10.8	9.6	10.4	10.3	8.0	6.7
Trade & transport	-10.3	15.3	15.9	11.3	10.2	17.6	8.9	14.9	13.8	11.1	7.0
Maintenance and repair of motors	-3.4	47.6	5.1	3.0	2.4	-0.5	-1.6	-2.7	-1.6	4.1	4.5
Wholesale & retail trade	-3.0	12.9	13.8	10.3	9.0	21.0	9.6	19.3	16.7	11.9	7.0
Transport services	-23.2	18.1	22.0	14.3	13.6	13.2	8.8	8.4	10.2	10.3	7.3
Other services	-3.2	11.4	10.6	10.3	11.7	7.9	9.9	8.4	8.7	6.7	6.6
Hotels & restaurants	-39.6	32.6	100.2	18.3	19.3	12.9	20.1	16.6	16.5	7.6	8.9
Information & communication	30.4	18.9	19.7	33.2	35.6	28.3	33.1	19.2	26.9	9.9	10.1
Financial services	-2.5	17.5	10.3	11.9	9.2	6.1	9.7	15.1	10.3	11.4	10.4
Real estate activities	0.4	4.1	1.5	4.8	4.7	-5.4	2.9	3.2	0.2	0.0	2.6
Professional, scientific and technical activities	-0.8	13.3	1.1	2.8	4.1	4.5	5.5	-5.8	1.4	7.0	4.8
Administrative and support services	-6.7	5.9	1.4	0.5	2.3	1.3	14.5	11.4	9.1	7.5	4.0
Public administration and defense	3.1	2.6	9.4	10.0	11.4	5.3	-1.3	10.4	4.8	-1.3	2.6
Education	-37.5	86.7	17.3	18.9	18.1	12.9	2.3	2.3	5.8	8.3	6.0
Human health and social work activities	16.5	9.2	9.1	0.9	-1.4	14.3	0.2	8.1	7.5	7.3	6.0
Cultural, domestic & other services	-1.2	9.5	8.2	10.5	17.4	12.2	17.2	5.3	11.6	15.2	11.2
Taxes less subsidies on products	-1.4	13.5	12.1	5.7	5.7	8.5	6.8	5.5	6.9	7.8	7.9

Source: MINECOFIN & NISR (2023)

The industry sector recorded a growth of 11.2 percent, contributing 2.1 percentage points to the overall growth and all its subsectors performed well. The most significant expansion was observed in the construction subsector, supported by the good implementation of infrastructure projects. Manufacturing industries benefited from increased domestic demand, mainly from cereal processing, textiles, wood-paper printing, chemicals, and metal production. Mining and quarrying activities were supported by high mineral prices on the international market.

The agriculture sector recovered from adverse weather conditions that had severely impacted food and export crops production in 2023, recording a growth rate of 6.3 percent and contributing 1.4 percentage points to real GDP growth.

The Composite Index of Economic Activities (CIEA) grew by 15.7 percent in 2024Q4, indicating that economic activity remained strong in the last quarter of the year.

Table 7: Composite index of economic activities (p.a)

CIEA	Real		Nominal	
	2023	2024	2023	2024
Q1	14.7	8.4	19.6	18.1
Q2	6.2	17.7	15.0	21.4
Q3	4.9	16.3	13.9	21.0
Q4	7.2	15.7	15.5	21.4
Annual	8.2	14.5	16.0	20.5

Source: National Bank of Rwanda

For the entire year, the CIEA grew by 14.5 percent, reflecting Rwanda's strong economic performance in 2024. This robust growth was driven by both services and industry sectors, whose total turnovers increased by 12.0 percent. The growth in the industry sector in 2024 was primarily driven by robust performance in mining and quarrying, which capitalized on favorable international market prices. Additionally, the manufacturing sector saw gains, spurred by rising domestic demand, especially in textiles, printing products, and construction materials. The construction sector also experienced significant growth, fueled by ongoing infrastructure projects. Consequently, industrial production showed substantial expansion, as reflected in the index of industrial production, which increased by 13.6 percent in 2024, up from 3.6 percent in 2023.

Table 8: Turnovers of industry & services (real terms, p.a)

	2023			2024		
	H1	H2	Annual	H1	H2	Annual
Total turnovers	8.8	13.2	11.1	11.8	12.2	12.0
Industries	7.9	6.6	7.2	5.9	15.1	10.7
Mining and Quarrying	0.2	21.1	10.1	12.1	22.3	17.4
Manufacturing	11.0	-9.0	0.2	0.3	26.1	13.0
Energy, water & Sanitation	16.9	16.1	16.5	31.6	15.4	22.7
Construction Sector	0.6	33.4	17.5	5.7	-3.0	0.6
Services	9.0	15.6	12.5	13.8	11.3	12.4
Trade services	8.3	15.2	12.0	13.3	9.4	11.2
Transport and Storage	0.9	-2.1	-0.7	9.9	13.7	11.9
Hotels and Restaurants	27.5	27.8	27.7	24.8	3.4	12.6
Information and Communication	21.9	23.3	22.6	7.6	7.8	7.7
Financial and insurance	1.9	8.0	5.1	19.9	11.1	15.1
Other services	16.2	35.5	26.4	13.1	27.4	21.2

Source: National Bank of Rwanda

In the services sector, the primary growth drivers were trade services, transport services, hotels and restaurants, as well as financial services, all contributing significantly to the sector's robust performance. This strong performance is further evidenced by the Business Tendency survey demand condition index, which stood at 69, well above the benchmark of 50. This demonstrates a continuous strong demand in the services sector, underlining its pivotal role in the overall economic growth.

Going forward, Rwanda's economy is expected to continue its growth trajectory, driven by robust economic activity in the industry and services sectors. However, changing weather patterns and extreme weather events due to climate change could disrupt the agriculture sector's output.

2.2 EXTERNAL TRADE PERFORMANCE

Rwanda’s merchandise exports earnings increased by 6.9 percent in 2024, reaching USD 1,691.9 million, up from USD 1,582.3 million in the previous year. This growth was primarily driven by strong performance in domestic manufacturing as well as traditional exports. Similarly, merchandise imports[2] rose by 5.8 percent in 2024, amounting to USD 4,550.4 million from USD

[2] Imports are valued at c.i.f basis.

4,300.5 million in 2023. This rise reflects higher demand for capital goods, intermediate goods to support growing domestic economic activities, but also a higher demand for fuel.

As a result, Rwanda's merchandise trade deficit widened by 5.2 percent in 2024, amounting to USD 2,858.5 million, up from USD 2,718.2 million in 2023. The coverage of merchandise imports by merchandise exports slightly increased to 37.2 percent in 2024, up from 36.8 percent in 2023.

Table 9: Developments in Trade Balance (Value in millions of USD, Volume in 000' tons)

		2020	2021	2022	2023	2024	% Change
Merchandise exports	Value	761.3	1,167.8	1,556.2	1,582.3	1,691.9	**6.9**
	Volume	859.4	1,026.0	1,237.7	1,426.4	1,637.0	**14.8**
Merchandise imports	Value	2,746.70	3,201.0	4,021.6	4,300.5	4,550.4	**5.8**
	Volume	3,264.60	3,247.7	3,805.3	4,520.0	4,983.0	**10.2**
	Merchandise trade	**-1,985.30**	**-2,033.2**	**-2,465.6**	**-2,718.2**	**-2,858.5**	**5.2**
Exports/Imports	%	**27.7**	**36.5**	**38.7**	**36.8**	**37.2**	**1.1**

Source: National Bank of Rwanda

2.2.1 Merchandise Exports Developments

In 2024, Rwanda's merchandise exports registered a notable increase of 6.9 percent, reaching USD 1,691.9 million, up from USD 1,582.3 million in 2023. This performance reflects strong growth in manufactured exports, supported by increased domestic production and higher global prices for traditional exports, particularly 3T minerals and tea. Moreover, re-exports continued to perform well, driven by strong regional demand.

Table 10: Merchandise exports developments (Value in millions of USD, Volume in thousands of tons)

	2020	2021	2022	2023	2024	% change
I. Traditional exports						
- Value	233.9	329.7	421	404	442	**9.4**
- Volume	57.2	63.1	66.7	68	68	**-0.2**
Coffee						
- Value	53.9	78.3	105	88	90	**2.9**
- Volume	16	17.5	17.8	18	17	**-1.7**
- Price USD/KG	3.4	4.5	5.9	5	5	**4.7**
Tea						
- Value	90.3	96.8	106.7	106	113	**6.4**
- Volume	32.7	35.4	36.5	38	37	**-2.2**
- Price USD/KG	2.8	2.7	2.9	3	3	**8.8**
Minerals (3Ts)						
- Value	83.1	149.5	203.8	201	231	**14.9**
- Volume	5.7	7	8.7	9	10	**9.0**
Cassiterite						
- Value	31.4	56.8	85.6	74	96	**29.8**
- Volume	2.8	3.1	4.5	5	5	**5.9**
- Price USD/KG	11.1	18.1	19.2	16	20	**22.5**
Coltan						
- Value	34	42.1	63.7	94	99	**5.1**
- Volume	1	1	1.3	2	2	**15.1**
- Price USD/KG	33.1	40.2	48.8	46	42	**-8.7**
Wolfram						
- Value	17.8	50.6	54.5	33	36	**9.2**
- Volume	1.8	2.8	2.9	3	3	**9.5**
- Price USD/KG	9.8	17.9	18.5	13	13	**0.3**
Hides and Skin						
- Value	1.5	1.8	1.5	0	0	**-1.3**
- Volume	2.8	3.2	3.7	3	3	**4.0**
- Price USD/KG	0.5	0.6	0.4	0	0	**-5.1**
Pyrethrum						
- Value	5	3.4	4	8	6	**-17.6**
- Volume	0	0	0	0	0	**-13.5**
- Price USD/KG	149.3	201.7	211	231	220	**-4.7**
II. Re-exports						
- Value	314.8	469.53	654.23	653	698	**6.9**
- Volume	395.8	508.8	557.23	650	673	**3.6**
III. Non-traditional exports						
- Value	176	275.98	350.04	371	393	**5.7**
- Volume	303.8	454.19	613.76	708	896	**26.5**
IV. Informal cross-border trade						
- Value	36.6	92.53	130.65	154	159	**3.3**
Merchandise exports						
- Value	**761.3**	**1167.8**	**1556**	**1,582**	**1,692**	**6.9**
- Volume	**859.4**	**1026**	**1237.7**	**1,426**	**1,637**	**14.8**

Source: National Bank of Rwanda

Traditional exports, which include coffee, tea, and minerals (3Ts), benefitted from favorable global commodity prices in 2024, contributing significantly to the overall export growth. The value of traditional exports rose by 9.4 percent compared to the previous year, as higher international prices for cassiterite and tea offset the modest performance in coffee exports.

Non-traditional exports, primarily consisting of locally manufactured products, agro-processed food items, and horticulture products such as fruits, vegetables, and flowers, grew by 5.7 percent in 2024. This growth reflects increased regional demand, supported by government initiatives to promote value addition and industrialization.

Meanwhile, re-exports grew by 6.9 percent, totalling USD 698.3 million in 2024, up from USD 652.9 million in 2023. Re-exports were largely driven by higher regional demand for petroleum products, and food products.

Finally, Informal Cross-Border Trade (ICBT), registered a modest increase of 3.3 percent, reaching USD 159.4 million in 2024.

2.2.2 Merchandise Imports Developments

In 2024, Rwanda's merchandise imports increased by 5.8 percent, reaching USD 4,550.3 million, up from USD 4,300.5 million in 2023. This increase was primarily driven by higher imports of fuel, capital goods, raw materials and food products, reflecting Rwanda's ongoing investment in infrastructure development, industrial expansion, and the need to meet growing domestic demand for energy and production inputs.

Table 11: Formal imports developments (Value in millions of USD, Volume in thousands of tons)

		2020	2021	2022	2023	2024	% change
Consumer goods	Value	771.0	880.0	1,070.5	1,225.0	1,288.0	**5.1**
	Volume	821.3	802.1	955.0	1,447.3	1,419.8	**-1.9**
Capital goods	Value	660.0	736.6	735.0	905.9	957.3	**5.7**
	Volume	84.2	102.4	92.4	109.8	125.3	**14.1**
Intermediary goods	Value	761.9	881.1	1,044.2	1,046.5	1,116.8	**6.7**
	Volume	1,428.0	1,347.9	1,537.9	1,673.8	2,000.2	**19.5**
Energy and lubricants	Value	348.7	397.3	763.1	680.0	740.1	**8.8**
	Volume	691.4	679.4	865.3	833.3	914.6	**9.8**
Imports of non-fuel re-exports	Value	202.5	301.8	402.2	431.3	439.0	**1.8**
	Volume	235.8	315.9	354.6	455.8	523.2	**14.8**
Informal cross-border trade	Value	2.5	4.1	6.6	11.8	9.1	**-22.7**
Merchandise Imports	Value	**2,746.7**	**3,201.0**	**4,021.6**	**4,300.5**	**4,550.3**	**5.8**
	Volume	**3,264.6**	**3,247.7**	**3,805.3**	**4,520.0**	**4,983.0**	**10.2**

Source: National Bank of Rwanda

The demand for intermediate goods, including construction materials, industrial inputs, and raw materials for manufacturing, increased significantly in 2024. The value of those imports rose by 6.7 percent, while volumes surged by 19.5 percent. This growth reflects heightened domestic economic activity, particularly in the construction and manufacturing sectors.

Imports of capital goods also recorded a significant rise, growing by 5.7 percent in 2024. This trend reflects Rwanda's continued investment in productive infrastructure, including machinery, equipment, and transportation materials. The volume of capital goods imports increased by 14.1 percent, highlighting strong demand for machinery used in construction, energy projects, and manufacturing plants.

In addition to capital and intermediate goods, fuel imports contributed significantly to the overall import bill. The value of energy imports increased by 8.8 percent, with volumes rising by 9.8 percent in 2024. This growth reflects both higher domestic consumption and re-export demand.

Finally, imports of processed food products, including rice, cooking oil, and sugar, also rose significantly in 2024, contributing to a 5.1 percent increase in the value of imported consumer goods.

2.2.3 FORMAL TRADE WITH OTHER EAC COUNTRIES

Rwanda's trade with the East African Community (EAC) continued to expand in 2024, reflecting increased regional demand. Exports to the EAC grew by 8.2 percent, reaching USD 276 million, up from USD 255 million in 2023. This growth was driven by higher exports of agricultural products and manufactured goods.

Similarly, imports from the EAC increased significantly by 15.2 percent, reaching USD 998 million in 2024, compared to USD 866 million in the previous year. This rise was primarily driven by increased imports of food products, construction materials, and manufactured goods, reflecting higher domestic demand and infrastructure development projects. As a result, Rwanda's trade deficit with the EAC widened further by 18.1 percent, reaching USD 722 million, up from USD 611 million in 2023.

Table 12: Trade flows with EAC-6[3] (in USD million)

		2022	2023	2024	% change
Exports to EAC	Value in USD millions	211	255	276	8.2%
	Share to total merchandise exports	14%	16%	16%	1.2%
Imports from EAC	Value in USD millions	663	866	998	15.2%
	Share to total merchandise imports	16%	20%	22%	8.9%
TRADE BALANCE		-452	-611	-722	18.1%

Source: National Bank of Rwanda

2.2.4 Informal Cross Border Trade

In 2024, Rwanda remained a net exporter in informal cross-border trade, recording a trade surplus of USD 150.3 million, representing a 5.5 percent increase from the USD 142.5 million registered in 2023. Informal cross-border exports rose by 3.3 percent, reaching USD 159.4 million, while informal imports declined by 22.7 percent, totaling USD 9.1 million. This performance reflects improved cross-border movement and increased demand for Rwandan products from neighboring countries, particularly the

[3] EAC-6 include Burundi, DR Congo, Kenya, Somalia South Soudan, Tanzania and Uganda. The data for exports exclude re-exports as the corresponding imports for re-exports are not recorded as well.

Democratic Republic of Congo. Informal trade accounts for 9.1 percent of total merchandise exports and 0.2 percent of total merchandise imports in 2024

Table 13: Rwanda informal cross border trade (USD million)

		2020	2021	2022	2023	2024
Exports	Value in USD millions	36.6	92.5	130.7	154.3	159.4
	Percent change	-66.4	152.7	41.2	18.1	3.3
	Share to total exports	5%	8%	8%	10%	9%
Imports	Value in USD millions	2.5	4.1	6.6	11.8	9.1
	Percent change		64%	61%	79%	-23%
	Share to total imports	0.1%	0.1%	0.2%	0.3%	0.2%
Trade balance	Value in USD millions	34.2	88.4	124.0	142.5	150.3
	Percent change		158.5%	40.3%	14.9%	5.5%

Source: National Bank of Rwanda

2.2.5 Balance of Payments

In 2024, the current account deficit (CAD) expanded to USD 1.81 billion from USD 1.65 billion, equivalent to an increase of 9.7%. The deterioration in the CAD primarily stems from a larger goods deficit, where the import bill remains relatively higher than export earnings, alongside a widening primary income deficit and a decrease in the secondary income surplus. Additionally, the services trade balance narrowed by 9 percent, largely due to rising freight costs associated with increasing imports. Nonetheless, there was a positive shift in export earnings from services, notably from tourism receipts, which increased by 2.4 percent, and air transport, which rose by 16.7 percent.

Table 14: Balance of payments (USD million)

	2020	2021	2022	2023	2024
A. Current account balance	**-1,228**	**-1,203**	**-1,240**	**-1,647**	**-1,807**
Goods and services, balance	*-1,649*	*-1,783*	*-1,979*	*-2,268*	*-2,253*
A.1. Goods balance	**-1,650**	**-1,659**	**-1,989**	**-2,369**	**-2,344**
A.2. Services balance	**2**	**-124**	**10**	**101**	**91**
Credit	521	576	884	1,045	1,079
o/w Transport	107	146	233	168	198
Travel	120	150	400	564	579
Debit	520	701	874	944	987
o/w Freight	233	287	397	334	396
Travel	104	189	272	356	364
A.3. Primary income balance	**-200**	**-176**	**-242**	**-278**	**-333**
Credit	12	21	42	51	31
Debit	211	197	284	328	364
o/w dividends and reinvested earnings	-41	53	88	126	119
interest	150	108	151	149	201
A.4. Secondary income balance	**621**	**756**	**981**	**898**	**780**
Credit	683	840	1,061	960	848
o/w remittances	274	379	461	505	502
Debit	63	83	80	62	68
Capital account and Financial account					
B. Capital account	**313**	**422**	**322**	**398**	**383**
C. Financial account	**1,115**	**1,110**	**705**	**1,283**	**1,830**
C.1. Direct investment (net)	153	233	305	445	573
C.2. Portfolio investment	26	273	60	66	23
C.3. Other investment	936	604	460	904	1,280
D. Reserves (- surplus)	-328	-154	129	-107	-576
E. NEO	128	-175	84	65	169

Source: National Bank of Rwanda

The secondary income surplus declined by 13.2 percent, largely due to a 26.3 percent drop in government budgetary grants, coupled with a slight 0.6 percent decline in remittances. At the same time, the primary income deficit widened by 20.1 percent, mainly driven by higher outflows related to external public and private interest payments, which increased by 34 percent.

On the financing side, the financial account recorded a surplus of USD 1,830 million in 2024, up from USD 1,283 million in 2023. This performance was driven by higher disbursements of budget and project loans, coupled with increased private capital inflows, particularly in the form of Foreign Direct Investment (FDI) and loans from unrelated companies as well as regional and international financial organizations. Specifically, FDI net flows increased by 28.7 percent, standing at USD 572.9 million in 2024, up from USD 445.2 million in 2023, reflecting the continued good performance of the domestic economy. As a result, the overall balance of payments recorded a surplus of USD 576 million, contributing to an increase in gross official reserves, covering 5.4 months of prospective imports of goods and services.

III. FOREIGN EXCHANGE MARKET DEVELOPMENTS

This section analyses the foreign exchange rate and foreign exchange market trends in 2024. Despite the widening current account deficit, higher government inflows and FDIs, as well as the easing U.S. monetary policy contributed to a slower depreciation of the Rwandan franc compared to the previous year.

3.1 EXCHANGE RATE DEVELOPMENTS

As of the end of December 2024, the deterioration of the current account deficit continued to exert pressure on the Rwandan Franc, although to a lesser extent than the previous year. This pressure was mainly driven by the higher import bill required to support domestic economic activities, despite improvements in export receipts and government inflows. Consequently, the FRW depreciated by 9.42 percent against USD year-on-year, a significant slowdown compared to the 18.05 percent depreciation recorded in 2023. The franc also weakened at a slower pace against other major currencies, depreciating by 7.53 percent against the British pound and 2.83 percent against the Euro, while appreciating by 1.03 percent against the Japanese Yen. These exchange rate movements contrast sharply with those in 2023, when the franc weakened by 25.50 percent against the British pound, 22.50 percent against the Euro, and 10.78 percent against the Japanese Yen.

Table 15: Appreciation (-) /Depreciation (+) rate of FRW against selected currencies (y-o-y)

	FRW/USD	FRW/GBP	FRW/EUR	FRW/JPY	FRW/KES	FRW/TZS	FRW/UGX	FRW/BIF
Dec-19	4.94	8.48	2.81	6.25	4.53	3.73	5.13	-0.24
Dec-20	5.42	9.42	15.71	11.43	-1.34	5.66	7.17	2.53
Dec-21	3.82	2.94	-4.39	-6.96	0.24	4.78	6.85	1.00
Dec-22	6.05	-5.30	-0.04	-7.90	-2.80	4.47	1.17	2.03
Dec -23	18.05	25.07	22.50	10.78	-6.89	9.78	15.86	-14.13
Mar.24	2.08	0.97	-0.23	21.50	-0.62	0.41	1.64	2.08
Jun-24	3.73	2.53	0.13	-9.02	25.61	-0.82	5.70	2.70
Sept-24	6.49	11.63	7.34	5.76	29.20	-1.93	9.11	4.67
Dec-24	9.42	7.53	2.83	-1.03	32.75	12.85	12.73	5.37

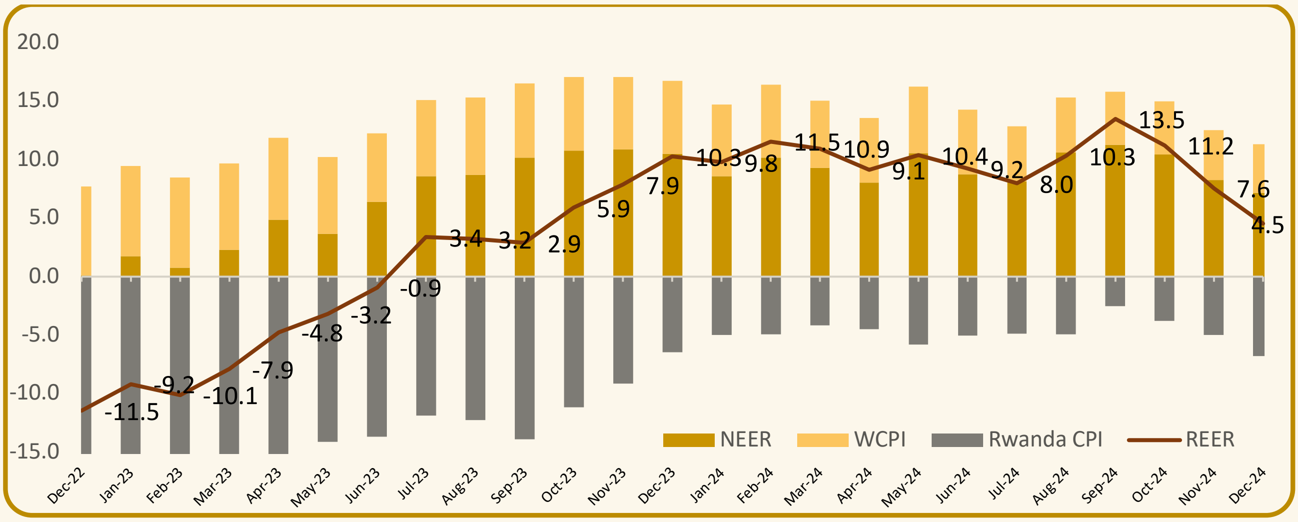
Source: National Bank of Rwanda

Compared to regional currencies, the Rwandan Franc (FRW) depreciated by 32.75 percent against the Kenyan Shilling (KES), a contrast to the 6.89 percent appreciation recorded in 2023. It also depreciated by 12.85 percent against the Tanzanian Shilling (TZS), following a 9.78 percent loss in December 2023. Additionally, the Franc weakened by 5.37 percent and 12.73 percent against the Burundian Franc (BIF) and the Ugandan Shilling (UGX), respectively, from the 14.13 percent appreciation and the 15.86 percent depreciation recorded the previous year.

The Rwandan franc's higher depreciation against the Kenyan Shilling (KES) in 2024 was driven by increased foreign exchange inflows into Kenya, monetary policy adjustments, the Kenyan government's Eurobond buyback, and foreign exchange market reforms. Meanwhile, the Ugandan shilling strengthened due to higher inflows from coffee exports, rising foreign direct investment in oil and gas, and increased tourism receipts.

In nominal effective terms, the Rwandan franc depreciated against a weighted average of currencies from its main trading partners. In 2024, it depreciated by 7.2 percent, an improvement from the 10.5 percent depreciation recorded in 2023. In terms of real effective value, the FRW experienced a lower depreciation of 4.5 percent compared to the 10.3 percent observed in December 2023. This was primarily due to higher positive inflation differentials between domestic and foreign inflation observed in December 2024.

Figure 3: Drivers of REER movement



Source: National Bank of Rwanda

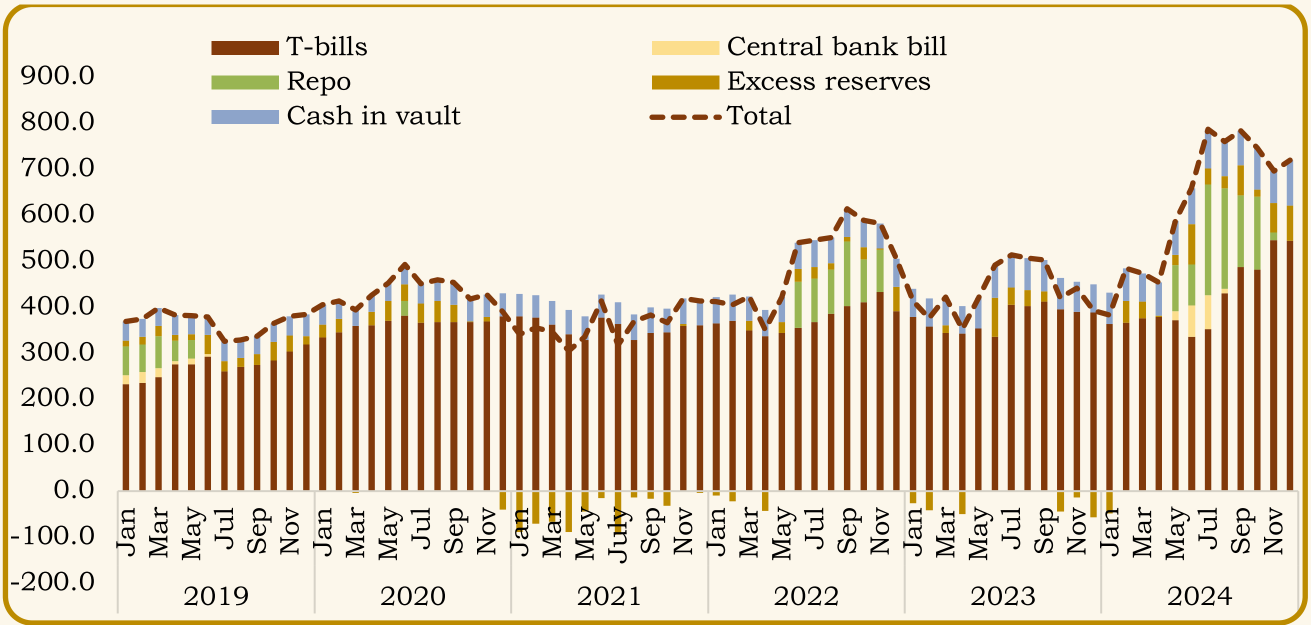
IV. MONETARY SECTOR AND INFLATION DEVELOPMENTS

4.1 MONETARY SECTOR DEVELOPMENTS

4.1.1 Banking System Liquidity Conditions

In 2024, banks' most liquid assets increased by 83.2 percent, reversing the 22.0 percent decline recorded in 2023. This increase mainly resulted from high excess reserves and substantial investments in Treasury bills.

Figure 4: Most liquid assets of commercial banks (FRW Billion)



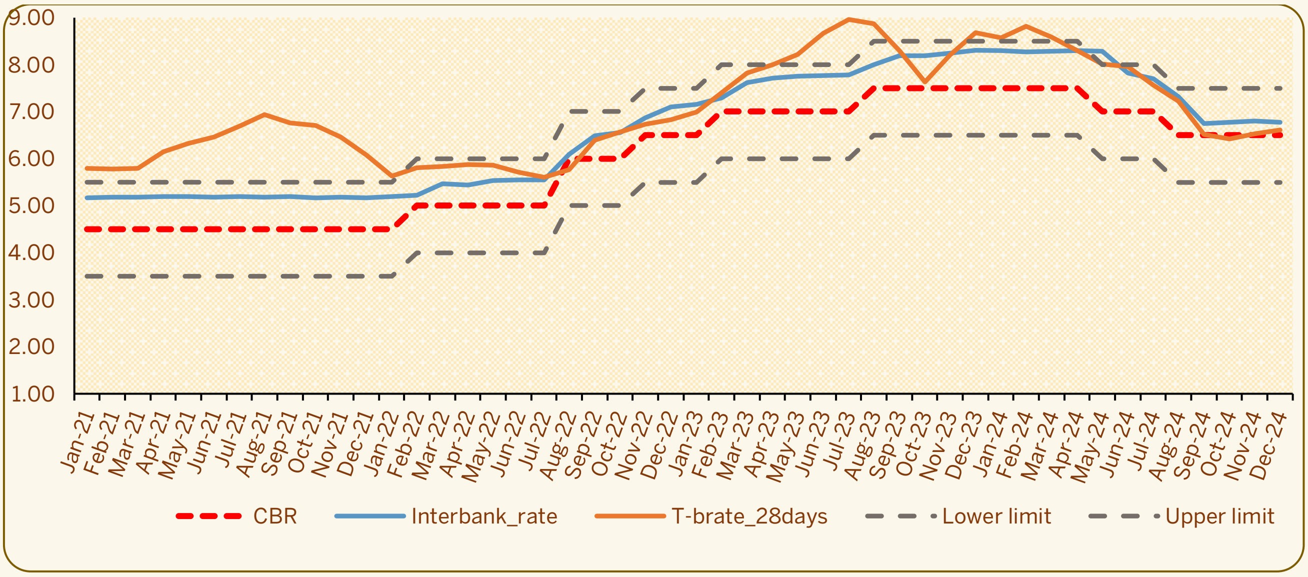
Source: National Bank of Rwanda

4.1.2 Monetary Policy and Interest Rates

During its meetings in May and August 2024, the Monetary Policy Committee (MPC) of the National Bank of Rwanda (NBR) cumulatively reduced the Central Bank Rate (CBR) by 100 basis points, bringing it down to 6.5 percent. Subsequently, at its meetings in November 2024 and February 2025, the MPC decided to maintain the CBR at 6.5 percent. This decision was made with confidence that inflation would remain within the target range over the next two years, indicating a stable outlook for the monetary policy environment.

As a result of the monetary policy easing cycle in 2024, the interbank rate decreased by 22 basis points, from 7.84 percent in 2023 to 7.62 percent in 2024.

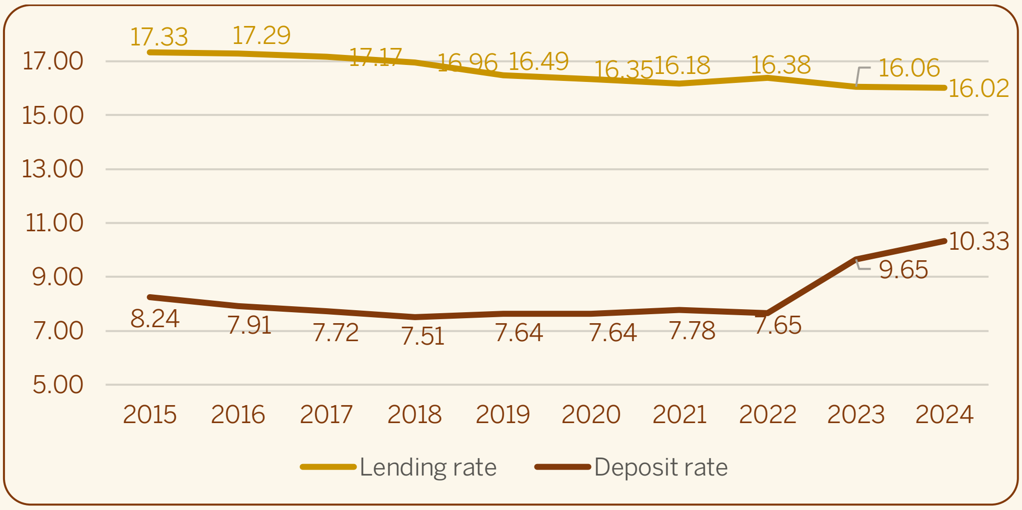
Figure 5: Money market rates developments (p.a)



Source: National Bank of Rwanda

In 2024, the average lending rate stabilized at 16.02 percent, compared to 16.06 percent in 2023, reflecting a marginal decline of 4 basis points. This stability highlights the stickiness of Rwanda's lending rates, which, rather unusually, declined even during the monetary tightening period of 2022 and 2023. This trend was primarily driven by changes in the lending portfolio, particularly the increased share of short-term and large corporate loans, which generally carry lower interest rates. This composition effect continued to influence the lending rate in 2024, keeping it relatively stable.

Figure 6: Market interest rates (p.a, average)

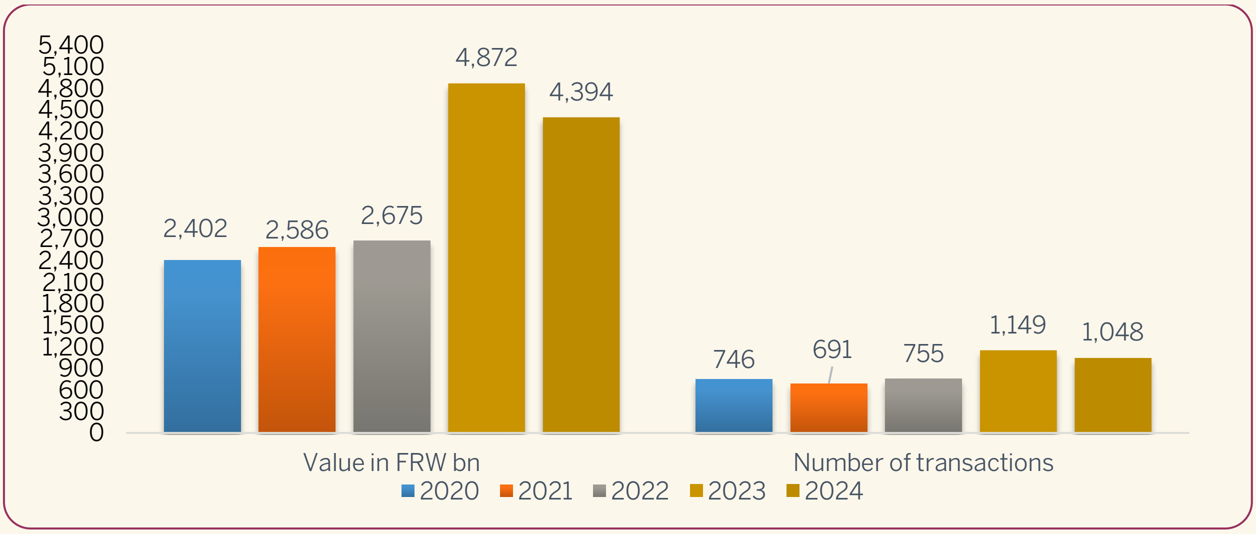


Source: National Bank of Rwanda

4.1.3 Interbank Market Developments

The interbank market was less active in 2024 compared to 2023, with declines observed in both the number of transactions and the volume exchanged. The number of transactions fell by 8.8 percent to 1,048, while the total amount exchanged decreased by 9.8 percent to FRW 4,394 billion over the same period.

Figure 7: Interbank activity 2020-2024



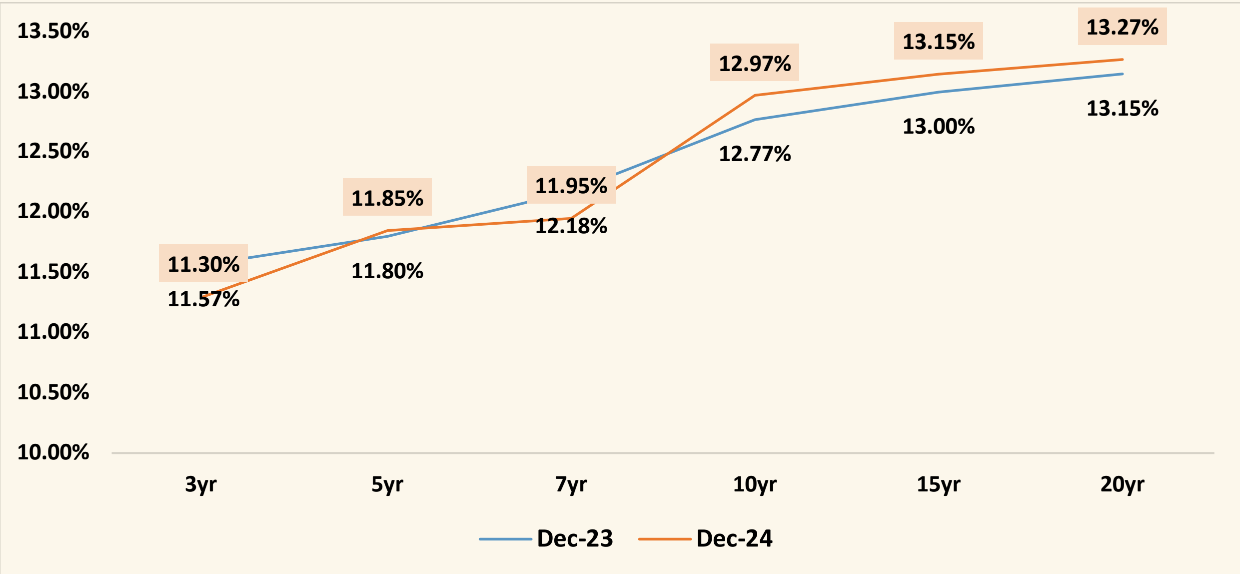
Source: National Bank of Rwanda

The decrease in both the number and volume of interbank transactions was mainly driven by huge excess liquidity in the banking system. This excess liquidity resulted from the substantial retirement of Treasury securities toward the end of the 2023/24 fiscal year, coupled with sustained fiscal domestic spending at the end of 2023/24 and the beginning of 2024/25.

4.1.4 BOND DEVELOPMENT

In 2024, NBR successfully issued eight new bonds and reopened six existing ones, with the average subscription rate rising to 179.5 percent from 118.6 percent in the previous year. The increase in bond subscription was driven by excess liquidity in the banking system and growing awareness among economic agents of the benefits of investing in government securities. On the other hand, bond yields have recorded a slight increase at the high end of the yield curve, reflecting a lower appetite for longer-term bonds, particularly among institutional investors.

Figure 8: T-Bond yield curve as December 2024 vs December 2023

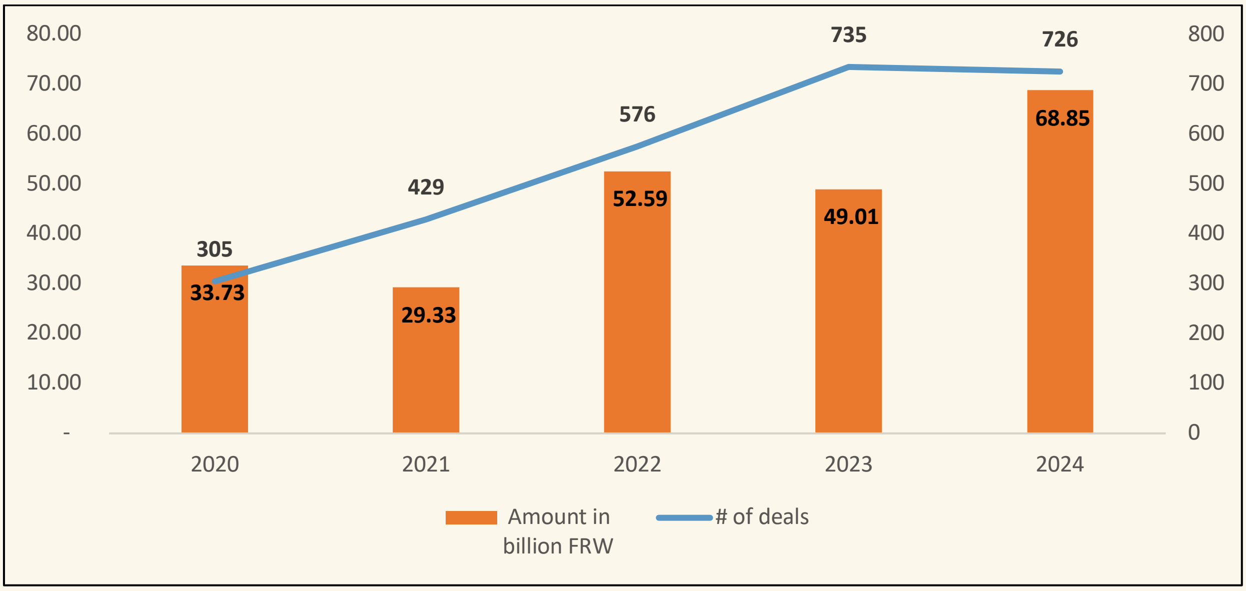


Source: National Bank of Rwanda

Bond trading at Rwanda Stock Exchange (RSE)

During the year 2024, the number of transactions slightly decreased by 1.2 percent to 726. However, the total value of transacted bonds increased significantly by 40.5 percent, reaching FRW 68.85 billion. The increase in bond turnover relative to the number of transactions indicates a growing appetite among large bond traders on the Rwandan bourse.

Figure 9: Bond trading at Rwanda Stock Exchange (RSE): 2020 -2024



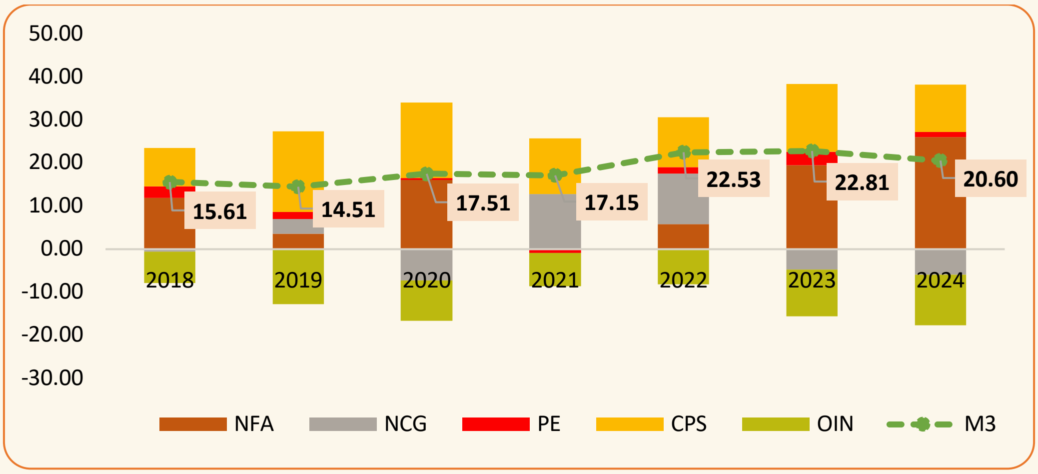
Source: Rwanda Stock Exchange

4.1.5 Money supply

Broad money (M3) continued its upward trend in 2024, driven by the expansion of Net Foreign Assets (NFA) and Credit to the Private Sector (CPS). The broad money supply grew by 20.60 percent year-over-year, slightly lower than the 22.81 percent increase recorded in 2023. This expansion was primarily driven by NFA, which contributed 25.97 percent, and CPS, which accounted for 11.02 percent.

The rise in CPS stemmed from an increase in New Authorized Loans (NALs), leading to a 14.3 percent growth in outstanding CPS, down from a 19.9 percent in 2023. Meanwhile, NFA surged by 52.6 percent in 2024, marking a notable acceleration from the 47.2 percent growth recorded in the previous year.

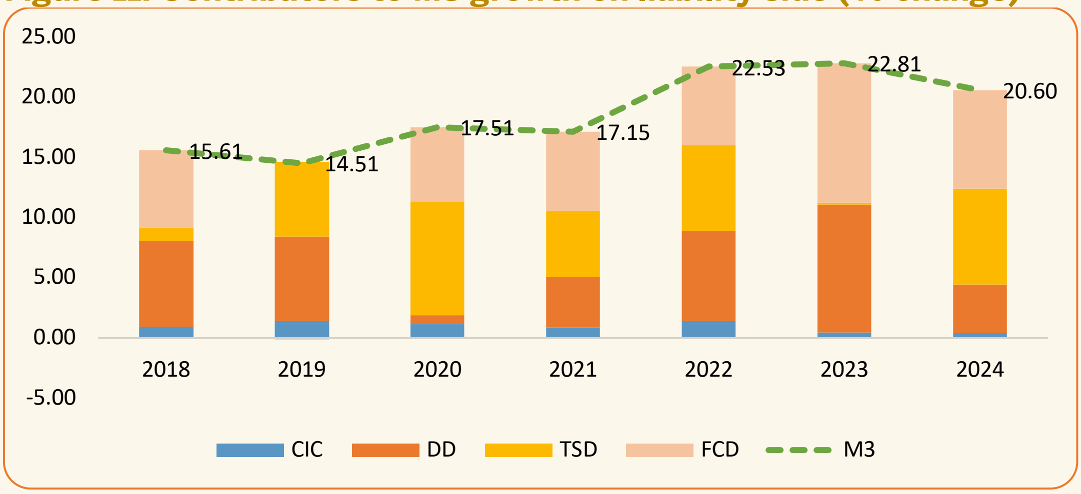
Figure 10: Contributors to M3 growth on the asset side (% change)



Source: National Bank of Rwanda

On the liability side, M3 growth was driven by an increase in time and saving deposits, which rose by 29.0 percent; foreign currency deposits, which grew by 26.5 percent; and demand deposits, which increased by 11.6 percent.

Figure 11: Contributors to M3 growth on liability side (% change)



Source: National Bank of Rwanda

4.1.6 Credit

New authorized loans grew by 16.3 percent in 2024, on top of the 38.7 percent increase recorded in 2023. Despite this slowdown, lending activity remained strong, supported by banks easing lending terms. This trend reflects the accommodative monetary policy in place since May 2024 and a favorable economic environment.

In terms of maturity, short-term loans accounted for the largest share of total authorized loans in 2024, representing 50.2 percent, followed by long-term loans at 30.5 percent and medium-term loans at 19.3 percent. The dominance of short-term loans underscores strong demand for working capital, particularly from sectors such as Wholesale & Retail Trade, Repair of Motor Vehicles & Motorcycles, and Manufacturing.

4.2 INFLATION DEVELOPMENTS

In the second half of 2024 (2024H2), year-on-year headline inflation averaged 4.6 percent, down from 4.9 percent recorded in the first half of the year (2024H1). This deceleration was driven by declines across key components, with food and non-alcoholic beverages inflation falling to 0.9 percent from 4.3 percent, core inflation easing to 5.4 percent from 6.0 percent, and energy inflation declining to 3.1 percent from 3.6 percent. On an annual basis, headline inflation averaged 4.8% in 2024, compared to 14% in 2023.

Table 16: Inflation developments for key items (annual average, % change)

	2022		2023		2024		Annual average		
	H1	H2	H1	H2	H1	H2	2022	2023	2024
Headline	9.0	18.7	17.7	10.8	4.9	4.6	13.9	14.0	4.8
Domestic	7.8	18.5	19.2	11.5	3.6	4.1	13.1	15.3	3.8
Food:	14.6	36.7	35.5	21.5	4.3	0.9	25.7	28.5	2.6
-Vegetables	10.6	55.9	69.5	36.4	-3.8	-3.5	33.3	53.0	-3.7
-Meat	9.7	16.7	15.5	11.3	13.3	19.6	13.2	13.4	16.4
-Fruits	12.9	30.3	30.4	26.8	15.3	5.0	21.6	28.5	10.1
-Bread & Cereal	12.0	36.0	28.2	5.2	0.5	-1.5	24.0	16.7	-0.5
Housing	6.7	8.3	4.8	2.6	2.3	4.5	7.5	3.7	3.4
Transport	6.6	13.3	9.6	7.0	16.9	18.0	9.9	8.3	17.5
Imported	12.8	19.4	13.4	8.8	9.1	6.5	16.1	11.1	7.8
Core	8.1	13.9	11.8	7.5	6.0	5.4	11.0	9.7	5.7
Energy	14.8	20.1	9.4	2.8	3.6	3.1	17.4	5.9	3.4

Source: National Bank of Rwanda

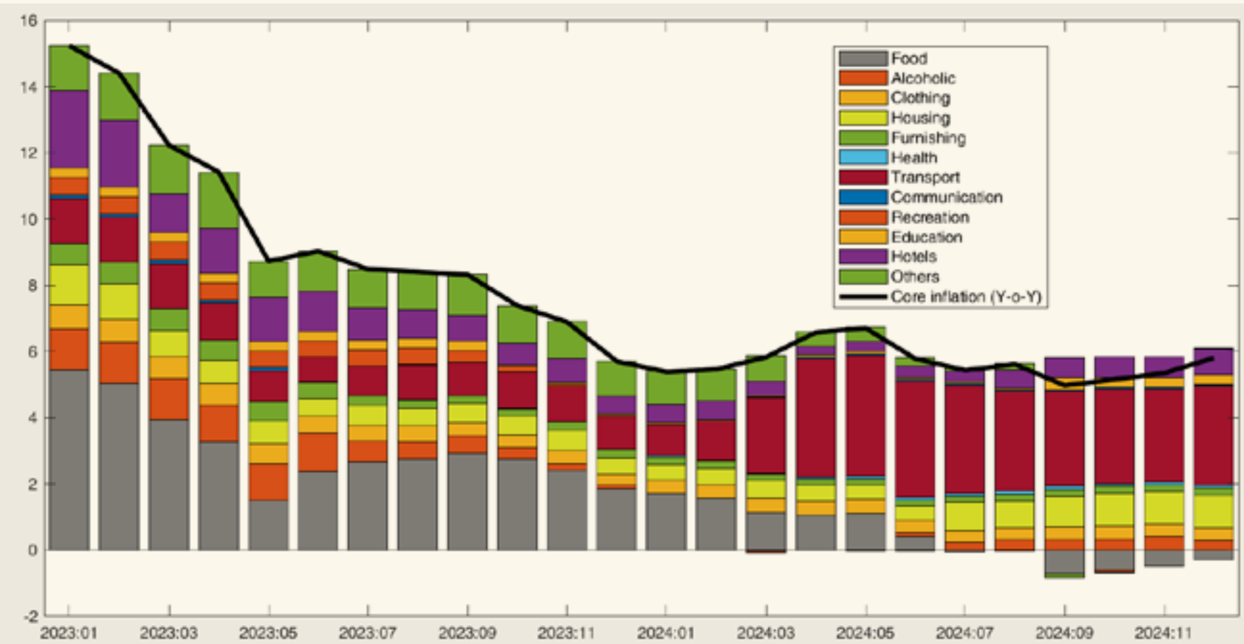
4.2.1 Contributors to headline inflation

a. Core inflation (% change, Y-o-Y)

The deceleration in core inflation was primarily driven by a sharp decline in core food inflation, which fell to -2.2 percent from 7.1 percent. This decline more than offset the increases in core housing inflation, which rose to 4.6 percent from 2.3 percent, and core transport inflation, which increased to 21.4 percent from 18.4 percent.

The drop in core food inflation was mainly attributed to easing price pressures on certain processed food items, such as local rice, sugar, and cooking oil, as global demand weakened and weather conditions improved. The rise in core housing inflation was driven by higher costs of housing maintenance and repairs, while the increase in core transport inflation resulted from higher transport service costs following revised bus fares in March 2024.

Figure 12: Developments in core inflation (% change, Y-o-Y)

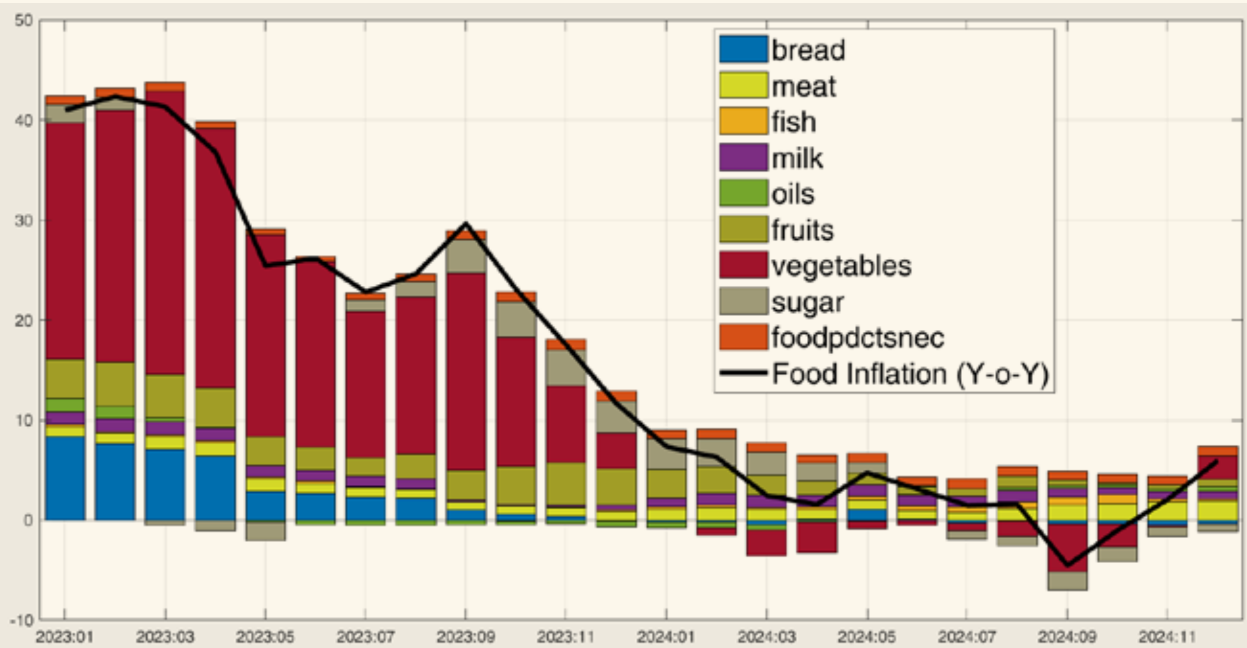


Source: National Bank of Rwanda

b. Food and non-alcoholic beverages inflation (% change, Y-o-Y)

The year-on-year food and non-alcoholic beverages inflation declined primarily due to an easing vegetable inflation, which fell to -3.5 percent in 2024H2. This decline was driven by an increased supply of key vegetables in the market. Although recent upticks were observed due to base effects from lower prices recorded in the corresponding period last year, food inflation eased in the early months of the second half of 2024. This moderation was driven by harvests from Season B 2024, coupled with the reduced pressures from global food prices, particularly processed foods.

Figure 13: Food and non-alcoholic beverages inflation (% change, Y-o-Y)

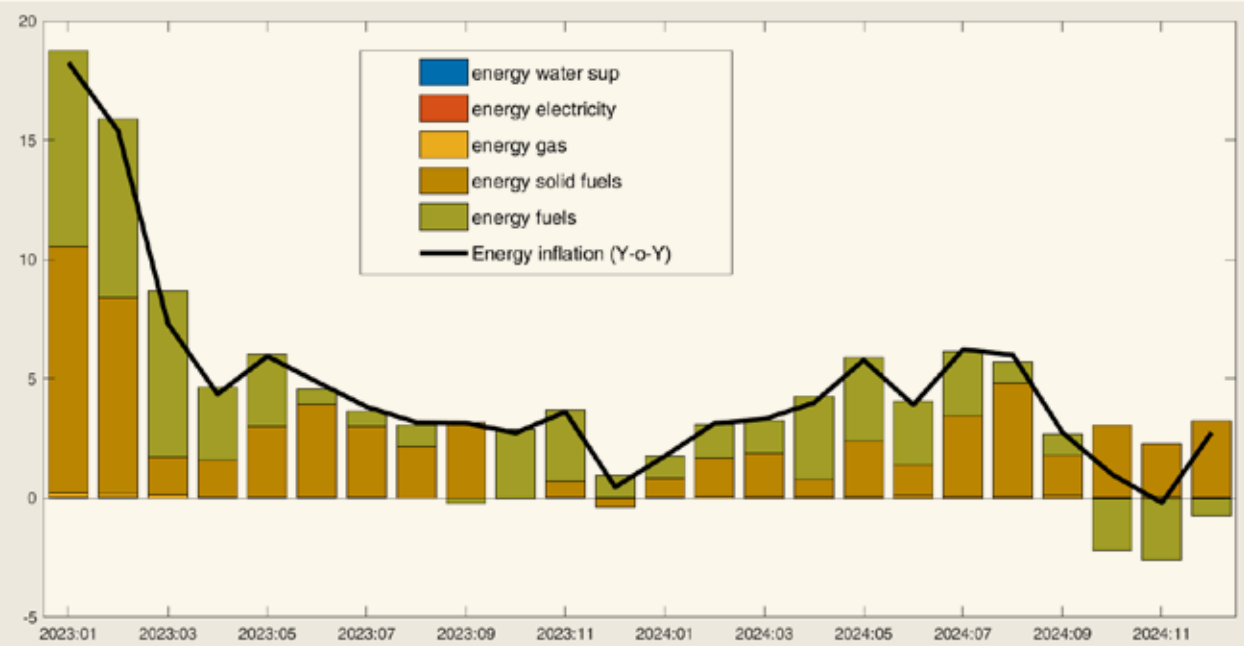


Source: National Bank of Rwanda

c. Energy inflation (% change, Y-o-Y)

The decline noted in energy inflation was primarily driven by a sharp drop in liquid fuels inflation, which fell to -1.0 percent from 8.6 percent. However, this decline was partially offset by an increase in solid fuels inflation, which rose to 5.9 percent from 2.8 percent. The decrease in liquid fuels inflation was influenced by the downward trend in global oil prices, while the rise in solid fuels inflation was attributed to base effects from lower prices recorded during the same period last year.

Figure 14 : Energy inflation (% change, Y-o-Y)



Source: National Bank of Rwanda

5 FINANCIAL SECTOR STABILITY

5.1 INTRODUCTION

In 2024, the financial sector kept its growth momentum supported by continued economic growth, contained inflationary pressures and enhanced risk management. As of December 2024, total financial sector assets grew by 20.6 percent, reaching FRW 13 trillion, from FRW 11 trillion in December 2023, with all sub-sectors experiencing Growth. Bank assets rose by 19.1 percent to FRW 9 trillion, supported by deposits, capital increment and improved efficiencies. The deposits in Banks grew by 23.8 percent, and 49.4 percent in Microfinance Institutions. The capital base of Banks and Microfinance Institutions also increased by 19.1 percent and 70.3 percent respectively, mainly supported by retained earnings and capital injections.

The Insurance sector's assets grew by 18.5 percent, driven by rising equity, investment income, and retained earnings, while pension fund assets increased by 21.8 percent due to higher contributions and investment returns.

Consequently, the financial sector's depth, measured as total assets relative to GDP, rose to 68.5 percent in December 2024 from 64.3 percent in December 2023, underscoring its expanding role in supporting economic growth.

Aligned with the continued asset growth, the financial sector remained well-capitalized and liquid, ensuring resilience against shocks.
The wholesale and retail payment systems functioned well, facilitating efficient digital transactions without major disruptions. As a result, digital financial transactions continued to expand, further reinforcing Rwanda's agenda of becoming a cashless economy.

The following sections provide a detailed assessment of the financial sector's performance and stability as of December 2024.

5.2 STRUCTURE OF THE FINANCIAL SYSTEM

The financial system continued to expand in both number and size supported by a favorable regulatory and economic environment. The system comprises of a diverse range of institutions and infrastructures that play a critical role in promoting financial inclusion, fostering investment, generating employment, and enhancing overall socio-economic development.

As of December 2024, the number of regulated financial institutions increased to 696 from 664 in December 2023, as detailed the table (17) below:

Table 17: Structure of Financial Sector

Regulated Financial Institutions	Dec 2023			Dec- 2024		
(Assets in FRW Billion)	Number	Assets	% of TA	Number	Assets	% of TA
Banks	**14**	**7,304**	**68.3**	**11**	**8,702**	**67.53**
Commercial Banks	9	5,796.2	54.23	9	6,944	53.9
Microfinance Banks	3	93.5	0.87	-	-	-
Development Banks	1	638	5.96	1	773	5.99
Cooperative Banks	1	775.7	7.25	1	985	7.64
Pension Schemes	**12**	**1,683**	**15.8**	**13**	**2,051**	**15.9**
Public	1	1,591	14.9	1	1.948	15.1
Private	11	92	0.9	12	103	0.8
Insurers	**18**	**963**	**9**	**18**	**1,141**	**8.85**
Life	3	98	0.93	3	112	0.86
Non-Life	11	849.42	7.93	11	1, 006.94	7.8
Micro insurer	1	7.48	0.07	1	8.35	0.06
Captive insurer	1	8.1	0.07	1	10.5	0.08
HMO	1	-	-	1	2.02	0.02
Mutual Insurance	1	-	-	1	1.19	0.01
Microfinances	**458**	**633**	**5.9**	**434**	**883**	**6.85**
D-SACCO	**-**	**-**	**-**	2	24.2	0.2
U-SACCOs	416	204.9	**1.9**	391	220.3	**1.7**
Other SACCOs	23	219.6	**2**	19	267.2	**2.07**

Regulated Financial Institutions (Assets in FRW Billion)	Dec 2023			Dec- 2024		
	Number	Assets	% of TA	Number	Assets	% of TA
Limited Companies	19	208.5	2	22	371.3	2.88
Foreign Currency Dealers	**78**	**10**	**0.1**	**78**	**13**	**0.1**
Forex Bureau	78	9	0.1	78	13	0.1
Payment Services Providers (PSPs)	**33**	-	-	**37**	-	-
Money Transfer & Remittance Companies	9	-	-	9	-	-
Payment Initiation Services Providers	15	-	-	20	-	-
E-Money Issuers	7	-	-	7	-	-
Payment Systems Operators	2	-	-	1	-	-
Non-Deposits Taking Financial Institutions	**50**	**94**	**0.9**	**104**	**112.5**	**0.77**
Lending-related (money lender and factoring)	24	-	-	65	-	-
Guarantees	1	-	-	1	-	-
Debt Collection	15	-	-	19	-	-
TCSPs	9	-	-	16	-	-
Leasing	1	-	-	1	-	-
Digital Saving Facilitators	-	-	-	2	-	-
Credit Reference Bureaus	**1**	-	-	**1**	-	-
Grand Total	**664**	**10,687**	**100 %**	**696**	**12,888**	**100 %**

Source: National Bank of Rwanda

Significant changes occurred in the microfinance sector, particularly through the ongoing SACCO consolidation process, where saccos reduced from 439 to 412, driven by the merging of 15 U-SACCOs in Gasabo District, 10 U-SACCOs in Nyarugenge District into district-level SACCOs as well as consolidation of 5 other saccos in Rulindo District into one Sacco. Consolidation enhances operational efficiency, strengthens governance, and improves financial sustainability, ultimately fostering a more resilient and inclusive financial sector. Three Banks chose to become Microfinance Institutions to allow them to focus of their mandates.

The expansion and changes in the financial system align with the National Bank of Rwanda's (NBR) objectives of modernizing regulatory frameworks, improving access to finance, and enhancing the efficiency and effectiveness of financial services.

5.3 BANKING SECTOR

5.3.1 Structure of the Banking Sector

The banking sector remains the largest of Rwanda's financial system, accounting for 67.5 percent of total assets as of December 2024. It is comprised of 11 banks: 9 commercial banks, 1 cooperative bank, and 1 development bank. The sector is dominated mainly by Pan-African groups. Their presence enhances competition, introduces new products and services, and increases financial resources for the private sector. The sector remains highly concentrated, with the five largest banks, designated as Domestic Systemically Important Banks (D-SIBs), holding 75.6 percent of total banking assets as of December 2024.

5.3.2 Banking Sector Performance

The banking sector continued to grow, supported by deposits, capital increment, and improved efficiencies. Total bank assets rose by 19.1 percent, reaching FRW 8.7 trillion in December 2024, up from FRW 7.3 trillion in December 2023. Financial intermediation remained the core function, with net loans accounting for 48 percent of total assets. With a diversified asset mix, banks can generate stable revenues and maintain sufficient liquidity to meet customer needs.

New loans increased by 16.5 percent to FRW 2,2 trillion in 2024 from FRW 1,9 trillion in 2023, though at a slower pace than the 38.7 percent growth recorded in the previous year. This moderation was largely due to the completion of major projects previously financed by banks as well as a reduction resulting from the shifting of three Banks to the Microfinance sector. Outstanding loans grew by 10.5 percent to FRW 4,3 trillion from FRW 3,9 trillion, reflecting the moderate growth in new lending and the write-off of overdue loans.

Resident loans accounted for 97.6 percent of total outstanding loans, while foreign currency loans made up 28.3 percent, slightly up from 27.4 percent in December 2023, reducing cross-border credit risks. The risk of currency fluctuations affecting loan repayments remains moderate, as lending in foreign currency is restricted by regulation.

The banking sector's funding base remained stable, with deposits increasing by 23.8 percent to FRW 5.44 trillion in December 2024, maintaining a similar growth rate as the previous year. Customer deposits, which accounted for 76.7 percent of total bank liabilities, provided a reliable and stable funding source.

Table 18: Balance Sheet of the Banking Sector

Assets (FRW Billion)	Dec-22	Dec-23	Dec-24	% Change 23/24	% share
Cash and Bank Balances	1,295	1,951	2,573	31.9	29.6
Government Securities	1,262	1,300	1,612	24.0	18.5
Net Loans	3,126	3,735	4,176	11.8	48.0
Fixed Assets	171	170	170	-0.2	2.0
Other Assets	139	148	172	15.9	2.0
Total Assets	5,993	7,304	**8,702**	19.1	
Liabilities (FRW Billion)	Dec-22	Dec-23	Dec-24	% Change 23/24	% share
Due to Domestic FIs	1,100	986	1,144	15.9	16.1
Due to FIs Abroad	35	75	108	44.4	1.5
Customer Deposits	3,555	4,393	5,438	23.8	76.7
Other Liabilities	295	710	401	-43.6	5.7
Capital (FRW Billion)	Dec-22	Dec-23	Dec-24	% Change 23/24	% share
Total Shareholders Fund	1,006	1,139	1611	41.4	100
Total Liabilities and Equity	5,993	7,304	8,702	19.1	100

Source: National Bank of Rwanda

Banks continue to enhance efficiency and cost-effectiveness through innovation and digitization. Deepening of digitalization has exposed banks to cyber risk. In response they continuously strengthen operational risk management by implementing robust incident response plans and investing in cybersecurity detection and mitigation measures.

Climate-related risks are emerging as a significant threat to financial stability. Rwandan banks are exposed to effects of physical risks that impact households and corporates.

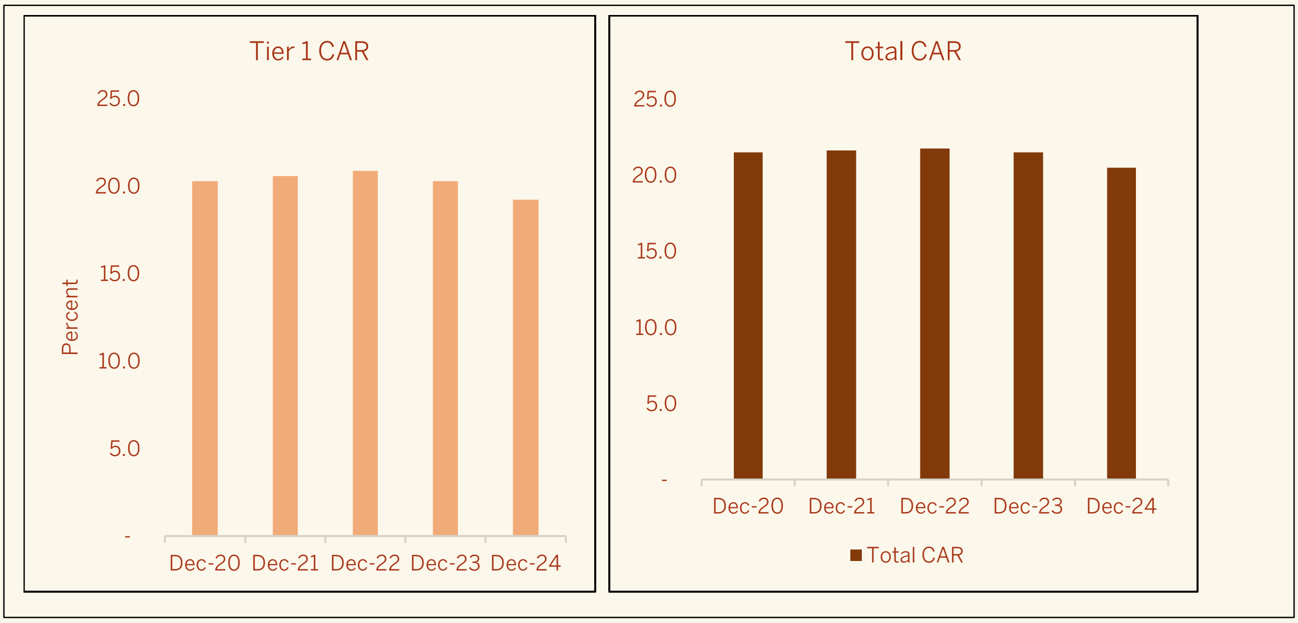
Recognizing this, the National Bank of Rwanda (NBR) is integrating emerging risks into regulatory frameworks, ensuring that banks build resilience against technological, environmental and other risks.

5.3.3. The Soundness of the Banking Sector

The banking sector remains well-capitalized, with stable and high-quality capital. As of December 2024, the total Capital Adequacy Ratio (CAR) stood at 20.5 percent, exceeding the 15 percent regulatory minimum (Figure 15). All banks maintained capital levels above the required threshold. Tier 1 capital, which represents the highest quality capital due to its ability to absorb losses, accounted for 93.8 percent of total regulatory capital, standing at 19.2 percent, well above the 12.5 percent minimum requirement. The strong capital buffers highlight the sector's resilience, and the ability to continue lending without breaching regulatory requirements.

Risks from excessive leverage remain low. The consolidated leverage ratio stood at 12.1 percent, above the required 6 per cent, with all banks complying with the requirement, indicating a healthy capital position and controlled leverage levels.

Figure 15: Capital Adequacy of Banks

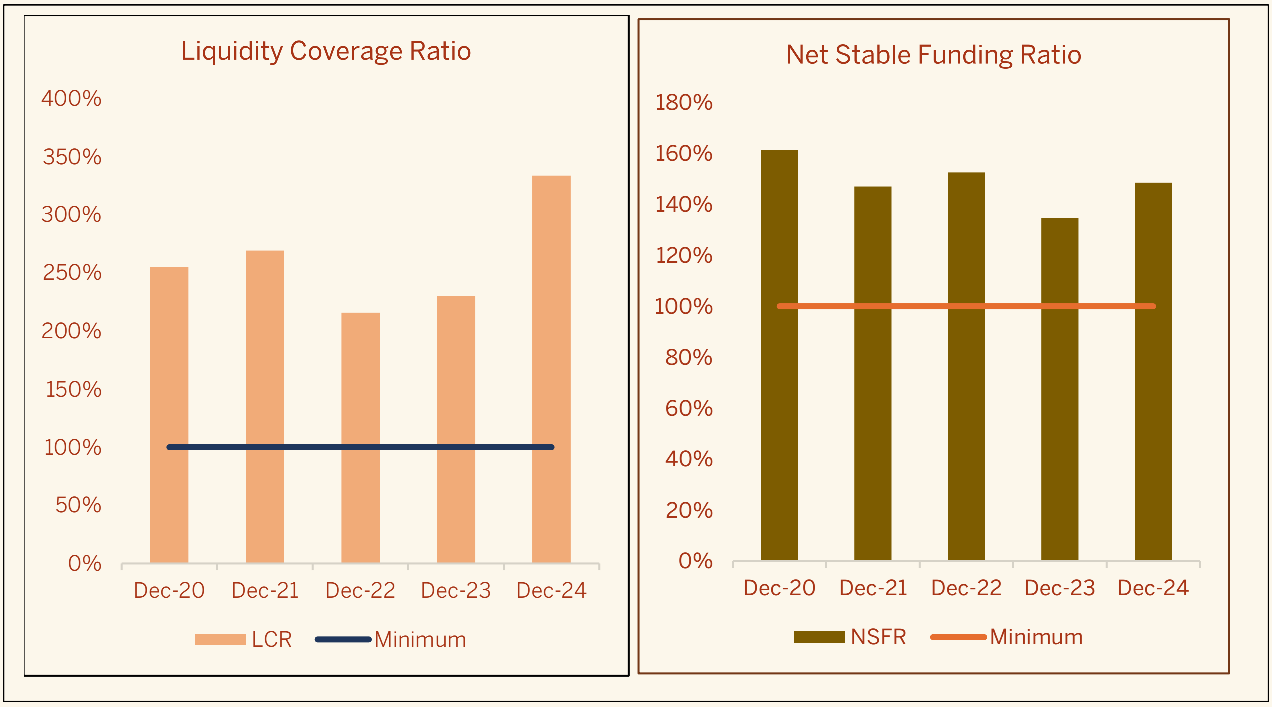


Exposure to exchange rate risk remained low, similar to the previous year. The Net Open Position (NOP), which measures vulnerability to exchange rate fluctuations, stayed within the regulatory limits of ±20 percent. As of December 2024, the aggregate NOP was 1 percent, with all banks in compliance. Over the past five years, vulnerabilities to local currency depreciation have increased due to the persistent gap between imports and exports.

Banks continued to hold adequate liquid assets to meet financial obligations. The Liquidity Coverage Ratio (LCR), which measures short-term asset holdings relative to potential short-term outflows, increased to 333.8 percent in December 2024, well above the 100 percent regulatory minimum. This indicates sufficient High-Quality Liquid Assets (HQLA) to cover short-term obligations.

In the long term, banks continued financing their assets with stable resources, with no funding pressure observed. The Net Stable Funding Ratio (NSFR), which ensures long-term funding resilience, stood at 148.4 percent in December 2024, exceeding the 100 percent regulatory requirement (Figure 16).

Figure 16: Liquidity in Banking sector



During the review period, loan quality in the banking sector remained strong. Non-Performing Loans (NPLs) declined from FRW 209 billion in December 2023 to FRW 176 billion in December 2024, reducing the NPL ratio from 4.1 percent to 3.1 percent. This improvement was a result of the increase in the loan portfolio, recoveries, and the write-offs of overdue loans. Across sectors, loan quality remains healthy, with a limited level of impairment, except for the challenges seen in the manufacturing sector.

Banks' capacity to absorb credit losses has improved, as reflected in the increase in loan loss provisioning. The provision level, which measures the amount set aside for potential credit defaults, rose from 62.9 percent in December 2023 to 69.4 percent in December 2024. These provisions allow banks to prepare for potential loan defaults and protect against sudden shocks to their balance sheets. Overall, the provisions for bad loans remain sufficient, ensuring that banks are well-prepared for credit risks.

The asset quality outlook has improved, with watch-listed loans (30 to 90 days overdue) decreasing from 5.2 percent in December 2023 to 4.5 percent in December 2024. Credit defaults are expected to remain moderate, supported by the domestic economic resilience to external shocks.

Bank profitability remained strong in 2024, with net profits increasing by 29 percent, to FRW 282 billion. This growth was driven by higher income from loans, government securities, trading activities, and recoveries from bad loans. Return on Assets (ROA) and Return on Equity (ROE) remained stable at 4.9 percent and 20.8 percent, respectively. Efficiency gains further boosted profitability, as evidenced by a decrease in the cost-to-income ratio from 65.8 percent in 2023 to 63.7 percent in 2024, leading to higher profitability and stronger capital buffers, enhancing their resilience to potential financial shocks.

5.4 THE MICROFINANCE SECTOR

5.4.1 Structure of the Microfinance Sector

The Microfinance sector is composed of varying, yet similar institutions spread across the country. As of December 2024, the sector had 434 licensed institutions including 2 District SACCOs, 391 Umurenge SACCOs, 19 non-Umurenge SACCOs, and 22 Public Limited Companies. The sector has evolved mainly in Umurenge SACCOs since their establishment in 2009.

U-SACCOs have been facing challenges including manual processes, weak corporate governance, standalone operations, and weak internal controls. To address these issues, the Government of Rwanda (GoR) initiated automation and consolidation to enhance efficiency, governance, and sustainability. The automation of 416 U-SACCOs was completed in June 2024, and their consolidation into 30 District SACCOs (D-SACCOs) is ongoing. By December 2024, 25 U-SACCOs had been merged into two District SACCOs, with further consolidations underway, ultimately aiming to establish a Cooperative Bank. Similarly, five non-Umurenge SACCOs in Rulindo District chose to merge.

These efforts aim to create larger, more sustainable SACCOs capable of driving socio-economic development.

5.4.2 Performance of the Microfinance Sector

Assets of Microfinance Institutions continue to grow. As of December 2024, total assets of the sector grew by 39.4 percent, reaching FRW 883 billion, driven by increased deposits, capital injections, and the migration of three banks into the sector.

Deposits increased by 49.4 percent to FRW 481 billion, reflecting improved intensive mobilization of new deposits in line with improved business activities as well as deposits from the 3 migrated institutions.

Total Capital grew by 33.3 percent to FRW 285.4 billion due to capital injections and retaining profits.

Lending activities remained the core business of microfinance institutions with loans accounting for 69.3 percent of total assets. Outstanding loans for the Microfinance sector grew by 39.5 percent to FRW 611.6 billion in December 2024. This growth was observed across all Microfinance categories.

The sector remained highly profitable, with net profits surging by 53.2 percent to FRW 38.7 billion. Return on Assets (ROA) and Return on Equity (ROE) remained stable at 5.5 percent and 15.5 percent, respectively.

5.4.3 Soundness of the Microfinance Sector

The Microfinance sector remained sound and resilient supported by capital and liquidity buffers. The sector’s Capital Adequacy Ratio (CAR), a measure of capacity to absorb shocks, stood at 32.3 percent, well above the 15 percent regulatory minimum. All three categories of the MFI sector remained well capitalized.

Liquidity also remained robust, with a sector-wide liquidity ratio of 84.7 percent, more than the 30 percent regulatory requirement driven by deposit growth and capital increment. This exhibits the sector's ability to meet obligations as they fall due and to support further lending.

Table 19: Soundness and Performance Indicators of Microfinance Sector

Microfinance sector	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Assets (FRW billions)	356.1	421.4	512.4	633.2	882.9
Loans (FRW billions)	202.4	235.2	324.8	438.3	611.6
Deposits (FRW billions)	192.2	220.2	274.3	321.6	480.6
Equity (FRW billions)	128	150.7	176.5	214.2	285.4
Net profit (FRW billions)	10.3	18.1	23.0	25.3	38.7
Capital adequacy ratio	36.0%	35.8%	34.5%	33.8%	32.3%
NPL ratio	6.7%	4.8%	3.5%	4.3%	3.5%
Liquidity ratio	101.5%	112.3%	90.9%	85.9%	84.7%
U-SACCOs	**Dec-20**	**Dec-21**	**Dec-22**	**Dec-23**	**Dec-24**
Assets (FRW billions)	143.5	163.0	192.5	204.9	244.5
Loans (FRW billions)	55.0	67.3	92.7	112.1	128.2
Deposits (FRW billions)	80.8	88.5	105.4	108.9	134.7
Equity (FRW billions)	50.4	58.8	67.8	77.2	91.4
Net profit (FRW billions)	4.1	7.4	9.1	8.2	10.5
Capital adequacy ratio	35.1%	36.1%	35.2%	37.7%	37.4%
NPL ratio	12.4%	9.2%	6.6%	11.0%	9.7%
Liquidity ratio	113.2%	106.9%	101.6%	92.9%	80.1%
Public limited companies	**Dec-20**	**Dec-21**	**Dec-22**	**Dec-23**	**Dec-24**
Assets (FRW billions)	106.8	124.7	162.1	208.6	371.3
Loans (FRW billions)	68.3	79.5	105.2	143.0	262.2
Deposits (FRW billions)	63.6	72.9	91.8	111.2	215.9
Equity (FRW billions)	26.9	33.2	38.5	51.3	89.8
Net profit (FRW billions)	1.1	2.8	3.4	3.8	10.0
Capital adequacy ratio	25.2%	26.6%	23.7%	24.6%	24.2%
NPL ratio	4.0%	3.1%	2.9%	2.7%	2.3%
Liquidity ratio	76.6%	82.1%	83.5%	75.3%	79.1%
O-SACCOs	**Dec-20**	**Dec-21**	**Dec-22**	**Dec-23**	**Dec-24**
Assets (FRW billions)	105.8	133.7	157.8	219.6	267.2
Loans (FRW billions)	79.1	88.3	126.7	183.2	221.1
Deposits (FRW billions)	47.8	58.8	77.1	101.5	130.1
Equity (FRW billions)	50.8	58.7	70.2	85.7	104.2
Net profit (FRW billions)	5.1	8.0	10.5	13.2	18.3

Capital adequacy ratio	48.0%	43.9%	44.5%	39.0%	39.0%
NPL ratio	5.0%	2.9%	1.7%	1.4%	1.2%
Liquidity ratio	143.0%	210.4%	105.1%	140.9%	123.7%

Source: National Bank of Rwanda

Credit risk remained low across all the subsectors. The Non-Performing Loans (NPLs) ratio, a measure of the level of loans delinquencies, improved to 3.5 percent from 4.3 percent in December 2023. This improvement is explained by intensive recoveries due to more visibility in loans after automation of U-SACCOs, improved credit risk management supported partly by the usage of Credit Reference Bureau (CRB), and increased lending.

5.5 THE INSURANCE SECTOR

Insurance plays a key role in risk management across various sectors by offering financial protection and stability to individuals, businesses, and institutions. It facilitates risk transfer, pooling resources, and providing financial compensation against losses, thus reducing financial exposure and enhancing economic growth and resilience.

Insurance operates on a risk-sharing model where policyholders transfer risk to insurers in exchange for premium payments. Insurers, in turn, use risk analysis and financial planning to ensure sufficient funds are available to cover future claims.

5.5.1 Structure of the Insurance Sector

The sector is broadly divided into two main categories: Non-life insurance and Life insurance. Non-life insurance, also known as general insurance, is typically short-term, with policies lasting a year or less. In contrast, life insurance is long-term, providing financial compensation upon maturity of the policy or in the event of the policyholder's death. The sector also includes four specialized insurances including Micro Insurance, Captive Insurance, Health Maintenance Organizations (HMO), and Mutual Insurance.

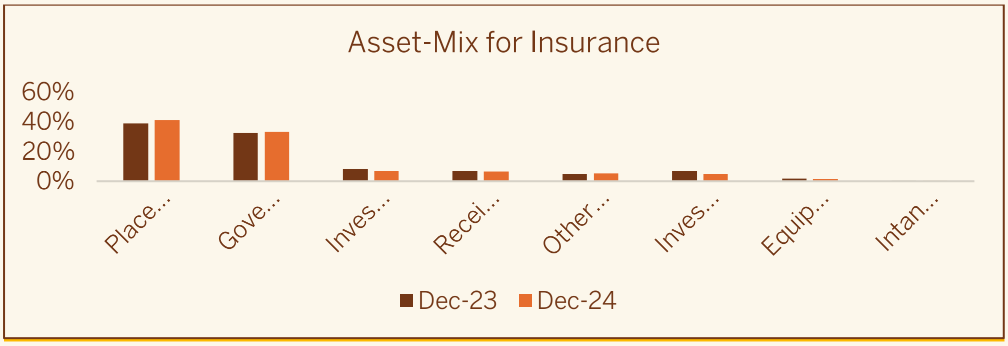
As of December 2024, 16 private insurers operated in Rwanda: 9 offering non-life insurance, 3 providing life insurance, 1 specializing in micro insurance, 1 in captive insurance, 1 operating as an HMO, and 1 as a mutual insurer. The sector also includes two public health insurance providers offering non-life products (RSSB Medical and MMI). Furthermore, the market is comprised of insurance intermediaries which include 16 insurance brokers, 11 bancassurance providers, 1,661 insurance agents, and 29 loss adjusters. The non-life segment dominates the insurance industry, accounting for 89.2 percent of total assets, followed by life insurance (10 percent) and specialized insurers (0.8 percent).

As of December 2024, the sector remains highly interconnected with the broader financial system, with 40.8 percent of its total assets invested in financial sector placements and equity. This interconnectedness underscores the sector's role in financial stability and funding economic growth. It also highlights the sector's exposure to other institutions' risks.

5.5.2 Performance of the Insurance industry

The insurance sector's assets experienced steady growth, driven by increase in gross written premiums, capital base, and investment income. Total assets expanded by 18.5 percent to FRW 1,141.1 billion in December 2024. Asset allocation was primarily directed toward financial institution placements, accounting for 40.8 percent, followed by government securities at 33.3 percent.This diversified allocation minimizes concentration risk while ensuring a balance between returns and risk exposure, contributing to the sector's stability.

Figure 17: Asset mix for Insurance Sector



Source: National Bank of Rwanda

Gross written premiums (GWP) grew by 17.7 percent, reaching FRW 351.3 billion in December 2024. This growth reflects economic performance, that has driven demand for various insurance products as well as better business underwriting.

The insurance sector registered profits, mainly due to improved underwriting risk management. Additionally, investment income increased, contributing to the overall growth of 10.4 percent in net profit, reaching FRW 118.6 billion in December 2024.

5.5.2.1 Public Insurance

The insurance sector is dominated by the public medical insurers holding 61.8 percent of total insurance sector assets as of December 2024. Their asset size grew by 18.6 percent to FRW 705.1 billion in December 2024. In terms of gross written premiums, public medical insurers recorded 11.3 percent growth to FRW 135.1 billion in December 2024.

5.5.2.2 Private insurance

Private insurance also continued to perform well. As at December 2024, the asset base expanded by 18.1 percent to FRW 436 billion. This growth was mainly supported by better quality underwriting resulting in increased gross written premiums and a reduction in claims.

Gross written premiums grew by 22 percent to FRW 216 billion. General insurance (non-life) remained the largest contributor to private insurance premiums, accounting for 76.5 percent as of December 2024. The general insurance business is primarily driven by motor and medical insurance products, which together make up 48.1 percent of private insurance premiums. Premiums in motor insurance grew by 26.2 percent to FRW 67.6 billion in line with the increase of vehicles in the country.

Life insurance underwrites products such as ordinary life, traditional life, term life, and credit life. As of December 2024, ordinary life and credit protection products dominated life business with a combined share of 65.3 percent of gross written premiums.

Table 20: Product performance for Private Non-Life Insurance

Product Description (In FRW Million)	Dec -23				Dec-24			
	GWP	Net earned premium	Claims	Claims ratio	GWP	Net earned premium	Claims	Claims ratio
Motor	53,608	44,687	28,062	63%	67,638	60,495	32,226	53.3%
Property	19,899	6,036	1,055	17%	21,261	7,432	1,084	14.6%
Liability	4,425	1,649	540	33%	4,795	1,881	159	8.4%
Transportation	1,549	659	73	11%	1,582	690	162	23.5%
Accident& Health	3,627	1,836	404	22%	3,097	2,067	330	15.9%
Engineering	11,611	2,294	508	22%	16,369	1,971	872	44.2%
Guarantee	5,698	1,903	347	18%	3,524	2,251	3,140	139.5%
Medical	32,847	26,363	16,593	63%	36,395	29,455	21,339	72.4%
Miscellaneous	6,366	2,418	624	26%	11,213	2,865	1,070	37.4%

Source: National Bank of Rwanda

Table 21: Product performance for Life Insurance

Product description (In FRW Million)	Dec-23				Dec-2024			
	GWP	Net earned premium	Claims	Claims ratio	GWP	Net earned premium	Claims	Claims ratio
Ordinary life	12,050	10,855	7,216	66%	14,142	13,121	8,738	66.6%
Traditional life	2,834	2,040	2,326	114%	3,420	3,194	444	13.9%
Term life	4,018	2,499	2,709	108%	6,145	3,900	5,124	131.4%
Credit life	9,086	6,236	3,944	63%	12,218	7,715	4,864	63.1%
Funeral and others	868	790	518	66%	4,451	4,271	2,672	62.6%

Source: National Bank of Rwanda

Private insurers also recorded growth in profit. The overall net profit increased by 16.1 percent, to FRW 30.1 billion in December 2024, driven by improved investment income and better underwriting risk management, which boosted underwriting income.

Table 22: Financial Performance Highlights of the Insurance sector
Source: National Bank of Rwanda

Description (In FRW billion)	Public Insurers			Private Insurers			Insurance sector		
	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24
Gross written premiums	114.1	121.5	135.2	148.2	177.1	216.1	262.3	298.6	351.3
Net premiums written	114.1	121.5	135.2	106.5	126.1	160.1	220.6	247.6	295.3
Net Premiums earned	114.1	121.5	135.2	97.0	116.2	147.2	211.1	237.7	282.4
Total Claims	58.1	71.2	80.4	60.4	67.8	84.1	118.6	139.0	164.5
Underwriting expenses	0.0	0.0	0.0	2.9	5.1	5.1	2.9	5.1	5.1
Management Expenses	13.4	17.8	25.3	33.7	39.9	50.2	47.1	57.6	75.4
Underwriting performance	42.6	32.5	29.56	-0.004	3.4	7.8	42.6	36.0	37.3
Investment Income	30.0	43.6	61.45	17.9	19.8	26.8	47.9	63.5	88.3
Other Income	0.5	5.3	(2.5)	3.7	11.8	4.8	4.2	17.1	2.3
Net profit after taxes	73.1	81.5	88.49	14.8	26.0	30.2	87.9	107.4	118.7

5.5.3 Financial Soundness of the Insurance Sector

The insurance sector remained stable and resilient, maintaining enough solvency and liquidity buffers. Insurance companies are required to maintain a 100 percent solvency ratio to support growth and absorb financial shocks. As of December 2024, private insurers' solvency ratio was 214 percent well above the minimum prudential requirement.

The liquidity ratio for Private insurers stood at 108 percent, surpassing the 100 percent prudential requirement, explained by quality investments, and enhanced underwriting capacity.

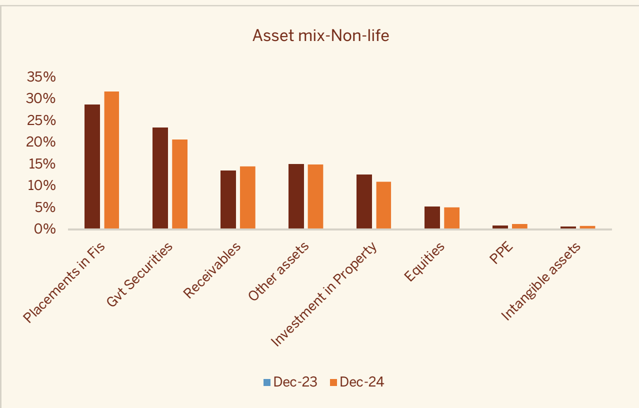
The asset composition of private insurance companies is crucial for risk management and meeting policyholder obligations. Insurance companies diversify their assets to balance investment returns with liquidity,and ability to pay policyholders' claims. Asset allocation varies by insurance type, regulations, risk tolerance, and market conditions, with a growing preference for fixed-income investments, which provide stable and predictable returns through interest payments.

Non-life insurers, primarily make short-term investments to match their short-term obligations. Investment portfolio of Non-life is dominated by fixed income asset classes.

Effective asset-liability matching is key in Life Insurance, to align long-term policy obligations with corresponding long-term assets. Given that 69 percent of policies would mature within five years as of December 2024, life insurers have structured their assets accordingly, with 60 percent of assets maturing in under five years.

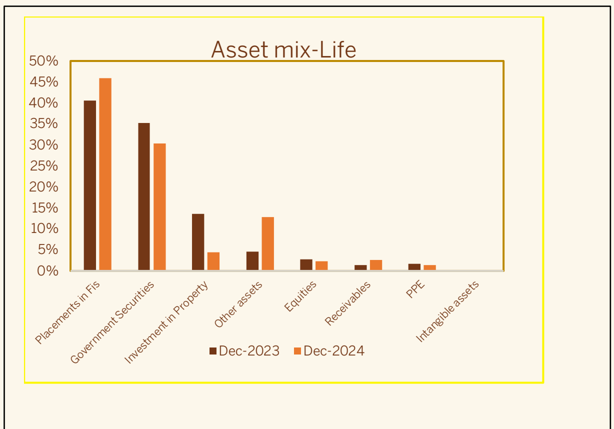
This alignment is reflected in the asset mix of life insurance with a reduction in property exposure to better match liabilities and an increase in investments in government securities and placements in financial institutions.

Figure 18: Asset mix for Private (Non-life)



Source: National Bank of Rwanda

Figure 19: Asset Mix for Private (Life)



Source: National Bank of Rwanda

Claims in private insurance increased by 24 percent, reaching FRW 84.1 billion in December 2024, mainly due to an increase in medical tariffs. However, the claims ratio decreased from 58.4 percent to 57.1 percent, reflecting improved performance in motor and other non-life insurance products.

Table 23: Financial Soundness of the Insurance Sector

Description (Ratios %)	Public Insurers			Private Insurers			Insurance sector		
	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24	Dec-22	Dec-23	Dec-24
Solvency margin (Min. 100%)	2379%	2284%	2339%	221%	296%	214%	1375%	1422%	1392%
Claims ratio (max.60%)	51%	59%	59%	62%	58%	57.1%	54%	56%	58%
Expenses ratio (max. 30%)	12%	15%	19%	38%	39%	38%	32%	28%	29%
Combined ratio (max.90%)	63%	73%	78%	100%	97%	95%	86%	84%	87%
ROE (Min.16%)	14.5%	14.0%	14%	13%	19%	20%	14%	15%	15%
ROA (Min.4%)	14.3%	13.7%	14%	5%	7%	10%	11%	11%	12%
Current Ratio (min. 120%)	3711%	2057%	1367%	92%	97%	100%	224%	229%	217
Liquidity ratio (min. 100%)	5238	3530	2423	98	117	108	286	347	321

Source: National Bank of Rwanda

5.6 PENSION SECTOR

5.6.1 Structure of the Pension Sector

The pension sector is composed of 13 Pension funds, both Public and Private. It is largely dominated by the Public pension fund, comprising of the voluntary Long-Term Savings Scheme (LTSS) Ejo-Heza which aims to expand pension coverage to workers in the informal sector, and the mandatory pension scheme(RSSB) for salaried workers, which operates under a defined benefit plan. As of December 2024, 12 voluntary private pension schemes were operational, including 6 Complimentary Occupational Pension Schemes (COPS) and 6 Personal Pension Schemes (PPS).

5.6.2 Performance of the Pension Sector

The asset base of the pension sector grew by 21.9 percent to FRW 2,051 billion in December 2024 from FRW 1,683 billion in December 2023. The public pension (RSSB) continues to dominate the sector with 95 percent share of the pension's asset. This growth was driven by an increase in contributions which grew by 12.5 percent to FRW 114.4 billion and investments with a 56.9 percent growth to FRW 114.4 billion in December 2024.

5.6.2.1 Performance of the Public pension Scheme

The public pension fund's assets grew by 22.4 percent from FRW 1,591.1 billion in December 2023 to FRW 1947.3 billion in December 2024. This growth was driven by increased contributions and investment income. Investment income surged by 68.4 percent, from FRW 35.3 billion to FRW 58.4 billion, mainly due to higher interest income from treasury bills, bonds, corporate papers, and bank deposits. Contributions increased by 11.9 percent, from FRW 93 billion to FRW 104.1 billion. To enhance the pension fund's funding ability, improve pensioners' benefits, and support their post-retirement well-being, RSSB increased contribution rates, which is expected to boost contributions, drive growth of assets as well avail more funding for the economy.

As of December 2024, the Public pension scheme's investment portfolio totaled FRW 1,944.4 billion, reflecting a diversified allocation across various asset classes as shown below (Table 5).

Table 24: RSSB Investment Mix

Investment Mix-Description (FRW Billion)	Dec -23	Dec-24	Growth Rate(%)
Investment in Government securities	393.7	455.9	15.7%
Placements in Financial institutions	225.4	271	20.2%
Equity investments	582.9	731.3	25.5%
Investment in properties	250	209.2	-16.3%
Investments in Corporate bonds and commercial papers	114	212.9	86.7%
TOTAL	1512	1810	19.7%

Source: National Bank of Rwanda

5.6.2.2 Performance of the Voluntary Private Pension Schemes

Voluntary pension schemes continued to show growth, fueled by higher contributions and investment income. By December 2024, the sector's assets grew by 12 percent, reaching FRW 103 billion, up from FRW 91.5 billion in December 2023. Investment income also saw a solid increase of 18.4 percent, rising to FRW 10.3 billion in December 2024 from FRW 8.7 billion the previous year. The majority of investments in voluntary pension schemes are concentrated in government bonds and treasury bills, which make up 88 percent of the total portfolio. Additionally, real estate investments accounted for 5 percent of the sector's portfolio as of December 2024.

5.7 NON-DEPOSIT TAKING FINANCIAL SERVICE PROVIDERS (NDFSPs)

Non-deposit taking financial service providers (NDFSPs) have emerged as a key alternative lending channel in Rwanda, with a growing number of investors establishing such institutions. This new sub-sector is expected to play a significant role in curbing illegal money lending practices and promoting formal lending .

5.7. 1. Structure of NDFSPs

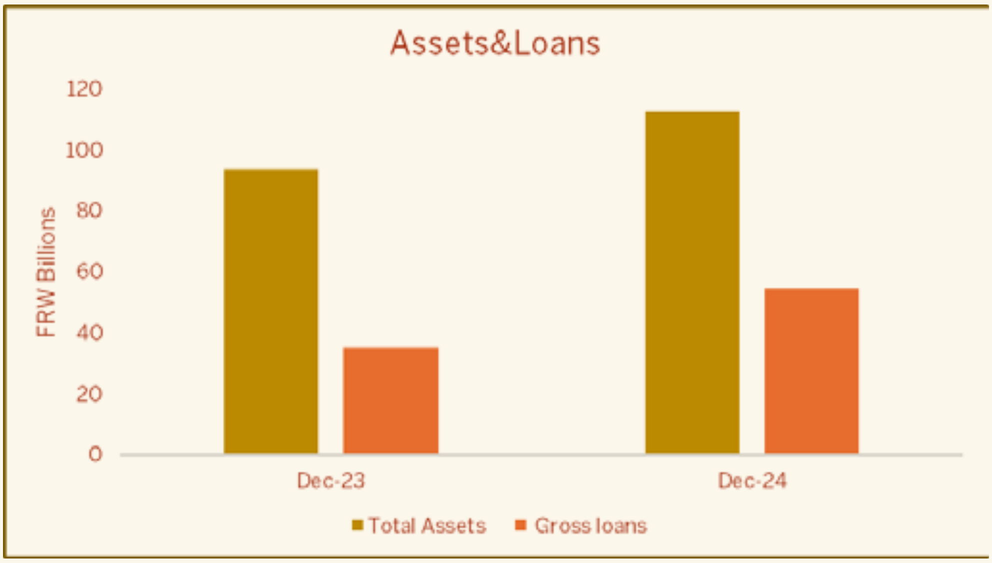
The number of licensed NDFSPs increased from 50 in December 2023 to 104 in December 2024. Of these, 65 are lending institutions, 19 are debt collection companies, 1 is a leasing company, 1 is a credit guarantee scheme, 16 are Trust and Company Service Providers, and 2 are digital savings facilitators. This rapid expansion is driven by a flexible licensing environment and a growing investor interest in transitioning from informal to formal lending.

5.7.2 Performance of NDFSPs

The total assets of NDFSPs grew by 20 percent to FRW 112.5 billion in December 2024, primarily due to the higher number of newly licensed and reporting institutions. Gross loans surged by 55.7 percent,to FRW 54.5 billion. The loans are dominated by short-term maturity loans. Apart from the increased number of new entries, the loans growth can also be explained by digital micro-lending, particularly in float financing, and lease agreements targeting electric motorbikes.

The figure below illustrates the asset growth of the 35 reporting NDFSPs as of December 2024.

Figure 20: Value of NDFIs Assets and Gross Loans



Source: National Bank of Rwanda

Table 25: Value of loans in the economic sectors

Economic activities	Dec-23	Dec-24	% Share
Agriculture, Livestock, Fishing	1	2	5.3%
Construction	4	5	10.6%
Commerce, Restaurants, Hotels	7	14	31.1%
Transport, Warehouses, Communications	1	10	22.5%
Others	5	13	29.8%
TOTAL	31	45	

Source: National Bank of Rwanda

The transport sector has seen significant financing, primarily due to the lease finance products offered by two companies that specialize in providing credit for motorbikes, with a particular focus on electric motorcycles.

5.8 CREDIT REPORTING SYSTEM

The Credit reporting system comprises of institutions, regulations, procedures, standards, and technologies that facilitate the exchange of credit and related financial information. This system plays a crucial role in assessing borrowers' creditworthiness, enabling lenders to make informed and timely loan decisions.

Established in May 2010, Rwanda's Credit Reporting System operates under the regulation of the National Bank of Rwanda (NBR). In July 2010, NBR licensed the country's sole credit reference bureau, TransUnion Rwanda, to provide credit reference services. The bureau collects credit data from multiple sources, including banks, microfinance institutions, insurance companies, telecommunications firms, and utility providers. It compiles this data into credit histories for individuals and businesses, which lending institutions use to evaluate borrower risk and inform lending decisions.

The volume of credit information reported to the bureau has grown steadily, driven by initiatives to enhance credit data availability in Rwanda. As of December 2024, the coverage ratio—measuring the percentage of the adult population included in the credit bureau—rose to 43 percent, up from 39 percent in December 2023 and 29.9 percent in December 2020. In addition to mandatory data providers, the bureau continues engaging voluntary data providers, encouraging them to share credit information and use credit bureau services for deferred payment transactions.

To strengthen credit market efficiency, the Advisory Credit Reporting Council, through its technical committee, is working to ensure the credit reporting system effectively supports sound and fair credit extension in Rwanda. In line with this effort, the National Bank of Rwanda, in partnership with TransUnion Rwanda, launched a nationwide awareness campaign on credit reporting. The campaign, conducted through onsite visits, workshops, roadshows, and media programs, aims to enhance public knowledge about the credit reporting system.

As a result of the awareness campaigns, the use of credit information continues to grow. Data from TransUnion Rwanda indicates that credit information usage stood at 98 percent in December 2024, up from 97 percent in December 2023 and 90.6 percent in December 2020. This trend highlights the growing reliance on credit bureau data in lending decisions, demonstrating its increasing role in Rwanda's financial sector.

5.9. DEPOSIT INSURANCE, CRISIS MANAGEMENT AND RESOLUTION ARRANGEMENTS

The National Bank of Rwanda (NBR) holds the mandate for crisis management and resolution as a tool to maintain financial sector stability and ensure that weak or failing institutions are managed without causing systemic risks. Key components of the crisis management framework are in place, including regulatory reforms aligned with Basel II and III standards, supervisory oversight of Domestic Systemically Important Banks (DSIBs), Prompt Corrective Actions (PCA), recovery plans, the Emergency Liquidity Facility (ELF), and the Financial Sector Coordination Committee (FSCC), which oversees crisis management at the national level.

To strengthen the resolution framework, the NBR approved a framework for Deposit-Taking Financial Institutions (DTFIs) in December 2022. This framework guides the resolution of banks and microfinance institutions (MFIs) at risk of failure, to safeguard financial stability. It outlines key elements such as resolution objectives, triggers for intervention, available resolution tools, valuation procedures, governance structures, and communication strategies. Additionally, it provides practical guidance on implementing different resolution options, planning, and financing mechanisms.

So far, NBR has successfully resolved two microfinance institutions under the framework. NBR continues to strengthen its capabilities for crisis preparedness.

Depositor protection is a crucial aspect of crisis management, helping to maintain public confidence and prevent bank runs. In Rwanda, the Deposit Guarantee Fund (DGF) was established under Law N° 31/2015 to insure depositors against losses in the event of bank or MFI failure. Administered by the NBR, the DGF ensures that depositors have prompt access to their insured deposits.

The DGF is funded by banks and MFIs through quarterly contributions calculated at an annual rate of 0.1 percent of eligible deposits (0.025 percent per quarter). Eligible deposits exclude funds held by peer financial institutions, insurance companies, pension funds, collective investment schemes, government agencies, and shareholders with more than five percent voting rights in a contributing institution. The Fund's primary functions include collecting premiums, investing collected revenues, and compensating eligible depositors in case of liquidation of a member institution. As of December 2024, the fund balance amounted to FRW 27 billion from FRW 20 billion in December 2023, an increase of 35 percent. Amounts collected are invested primarily in Government securities to generate returns and grow the fund's ability to compensate insured depositors in the event of failure of a deposit taking financial institution.

Currently, the DGF protects eligible deposits up to the coverage limit of FRW 500,000 per depositor in a failed contributing institution.

Table 26: DGF Premium and Investment Performance Overview.

Description(FRW in Millions)	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Opening Balance	4,860	7,615	10,921	15,060	20,376
Total premiums collected	2,010	2,351	2,748	3,373	4,148
Total (Interest income+ other income)	745	956	1,391	1,943	2,914
Penalty charges	2	2	0	8	2
Income received (T-Bond)	541	665	957	1,399	2,071
Income received (T-Bill)	6	0	0	0	0.7
Accrued Interest (T-Bond)	196	288	435	536	840
TOTAL	7,615	10,921	15,060	20,376	27,437

Source: National Bank of Rwanda

5.10. NATIONAL PAYMENT SYSTEMS

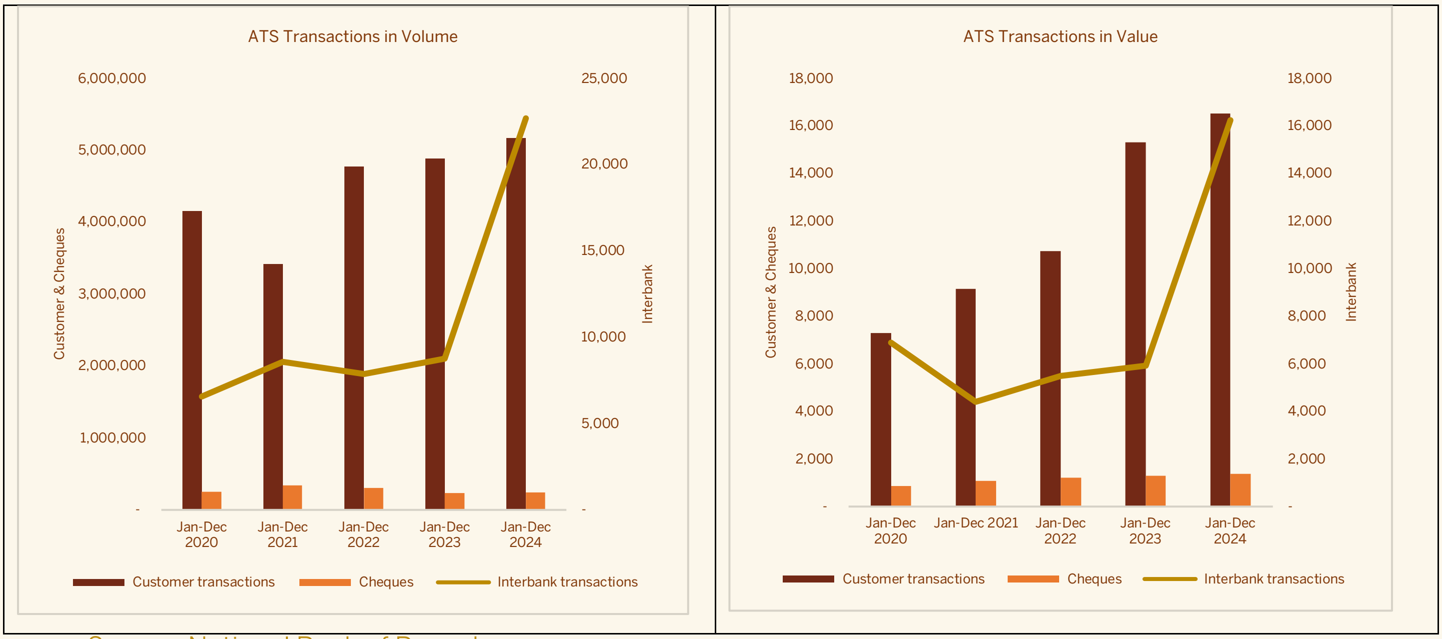
Payment systems facilitate the settlement of obligations that take place in the financial markets by channeling payments between concerned parties. It consists of wholesale and retail payment systems: instruments, Service Providers (PSPs) and System Operators (PSOs), all regulated and supervised by the National Bank of Rwanda (NBR).

The wholesale payment systems comprises of the Rwanda Integrated Payment Processing System (RIPPS), an Automated Transfer System (ATS) operated by the NBR and is composed of the Real Time Gross Settlement (interbank payment transactions including credit transfers), and Automated Clearing House (processes cheques and retail payments). RIPPS is linked to the Central Securities Depository (CSD) to provide securities settlement service in form of delivery versus payment (DVP) model for both public and private securities.

5.10.1 Performance of the Automated Transfer System

RIPPS facilitated efficient financial transactions throughout 2024. Volume and Value of customer transfers grew by 6 and 8 percent to 5.1 million and 16.5 billion respectively. Cheque transfers increased by 1 percent in volume to 239,841 and 5 percent in value to FRW 1.4 billion. Bank to Bank transfers saw a substantial rise, with a 158 percent increase in volume to 22,675 and a 174 percent increase in value to FRW 16.2 billion.

Figure 21: The ATS Transactions

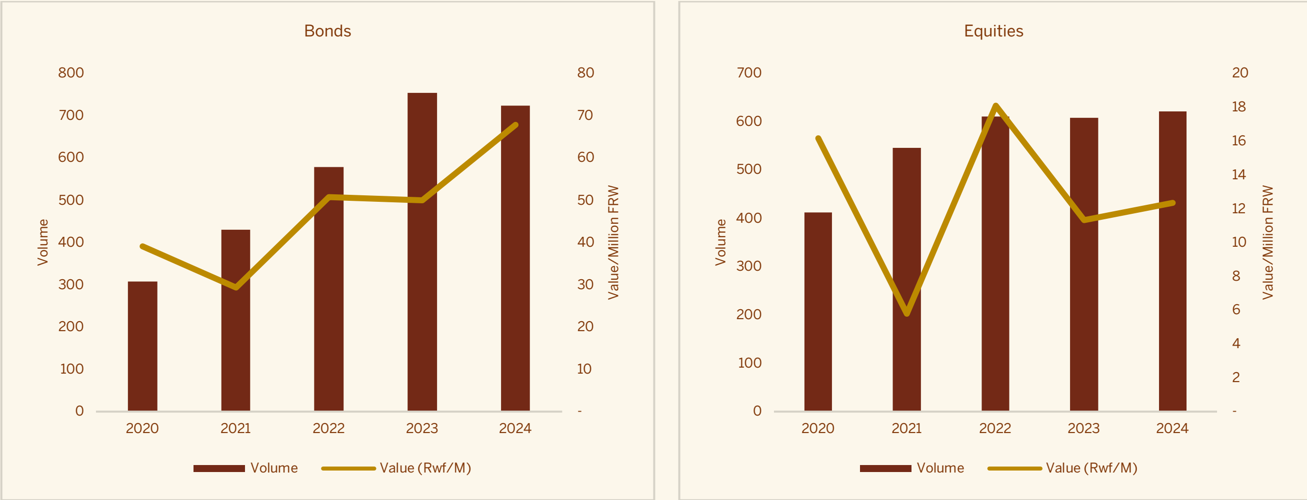


Source: National Bank of Rwanda

5.10.2 Performance of Central Securities Depository (CSD)

A Central Securities Depository (CSD) is instrumental in streamlining the trading and ownership of financial assets, including stocks and bonds. In 2024, compared to 2023, the Central Securities Depository (CSD) saw a 4% decline in treasury bond trading volume, from 753 to 724 trades, as clients shifted towards the equities market due to its higher returns. Despite the volume decline, the value of treasury bond trades increased by 36%, rising from Frw 50 billion to Frw 68 billion. Equities, on the other hand, experienced a 2% increase in trading volume (from 608 to 621) and a 9% rise in value, from Frw 11 billion to Frw 12 billion.

Figure 22: Trading of Bonds and equites.



5.10.3 Performance of retail payment system

5.10.3.1 Payment Acceptance Points

Payment access points facilitate payment for products and services by allowing money to enter and exit the payment ecosystem. In 2024, card-based POS terminals grew by 1 percent to 6,294, Modern POS units by 55 percent to 524,208, with Virtual POSs making up 0.1 percent and Mobile POSs accounting for 99.9 percent. Mobile payment agents grew by 20 percent to 169,570, while agents offering banking services declined by 22 percent to 7,258 mainly due to adoption of internet and mobile banking.

Table 27: Payment Access Points

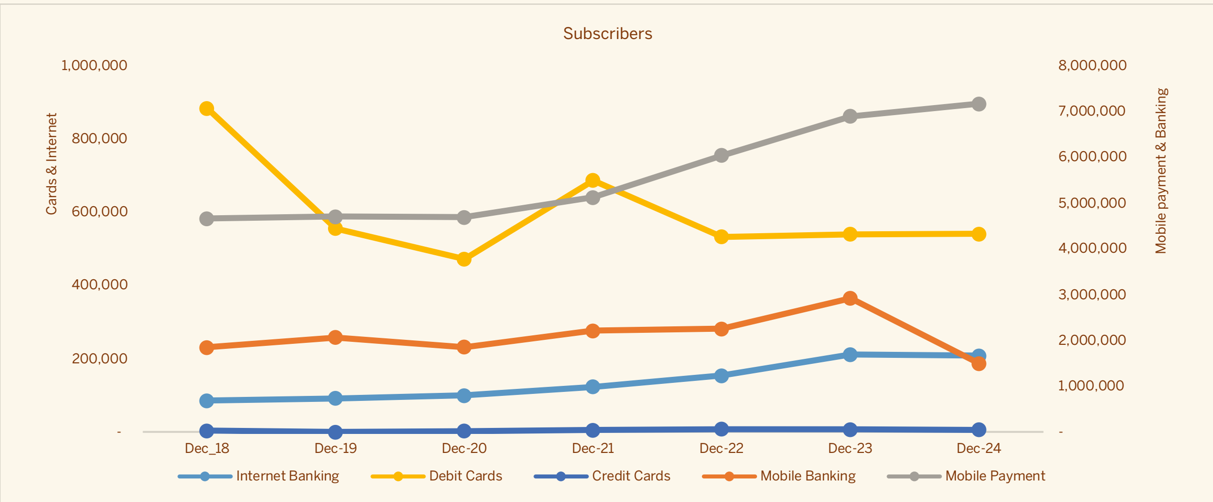
Access Points	Penetration rates of payment access Points	Dec-23	Dec-24
ATM	Number of devices	345	351
	Penetration rate of ATMs per 100,000 adult population	4.3	4.40
Traditional POS	Number of devices	6,211	6,294
	Penetration rate of Traditional POS per 100,000 adult population	77.87	78.9
Modern POS (Mobile and Virtual)	Number of devices	337,211	524,208
	Penetration rate of Modern POS per 100,000 adult population	4,228	6,572
Banking Agents	Number of bank agents	9,335	7,258
	Penetration rate of agents per 100,000 adult population	117	91.0
Mobile Agents	Number of Mobile agents	140,899	169,570
	Penetration rate of Bank agents per 100,000 adult population	1,817	2,126

Source: National Bank of Rwanda

5.10.3.2. Payment Instruments Issuance

Active mobile payment subscribers grew by 8 percent, to 7,169,324 in December 2024. In contrast, mobile banking subscribers dropped by 49 percent, to 1,495,791 due to dormant accounts and data clean-up by major banks. Internet banking subscribers also decreased by 2 percent, to 208,177. Meanwhile, debit card subscriptions saw a slight increase of 0.04 percent, to 540,288 during the same period.

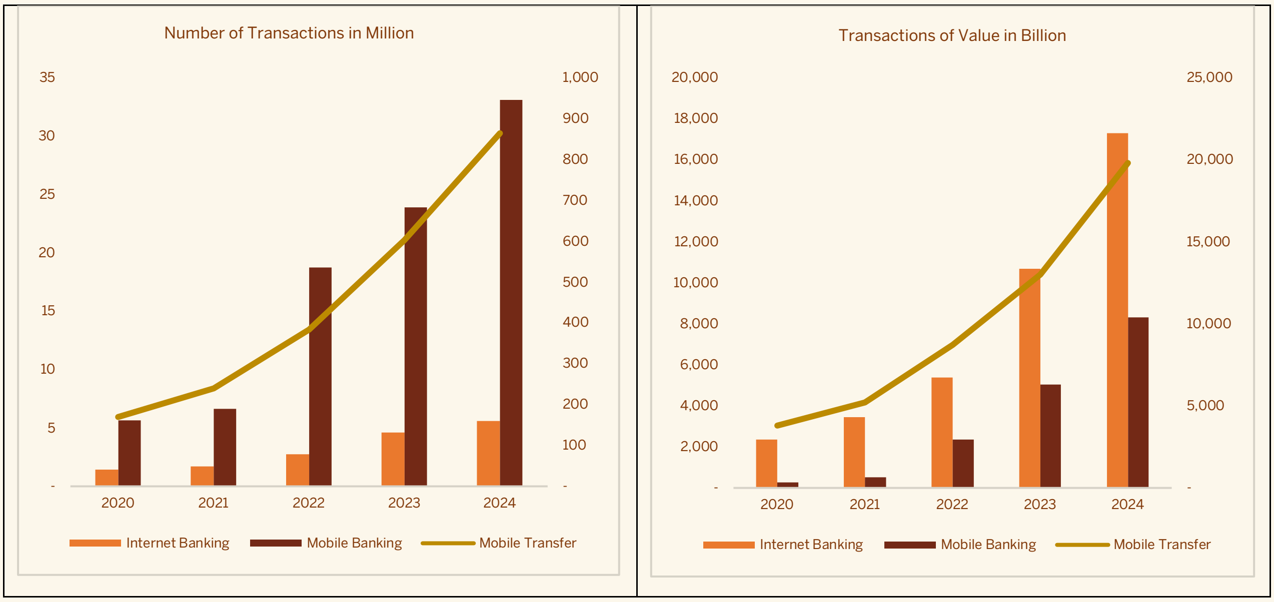
Figure 23: Active electronic payment and transfer subscribers



5.10.3.3. Retail Payment Transfers

Payment transfers continued to grow. Mobile payment transfers increased by 43 percent to 864 million transactions, with a 52 percent rise in value to FRW 19,807 billion. Mobile banking transfers grew by 38 percent in volume to 33 million, and by 65 percent in value to FRW 8,329 billion. Internet banking transfers also saw a 21 percent increase in volume, from 5 million to 6 million transactions, and a 62 percent increase in value, from FRW 10,697 billion to FRW 17,296 billion.

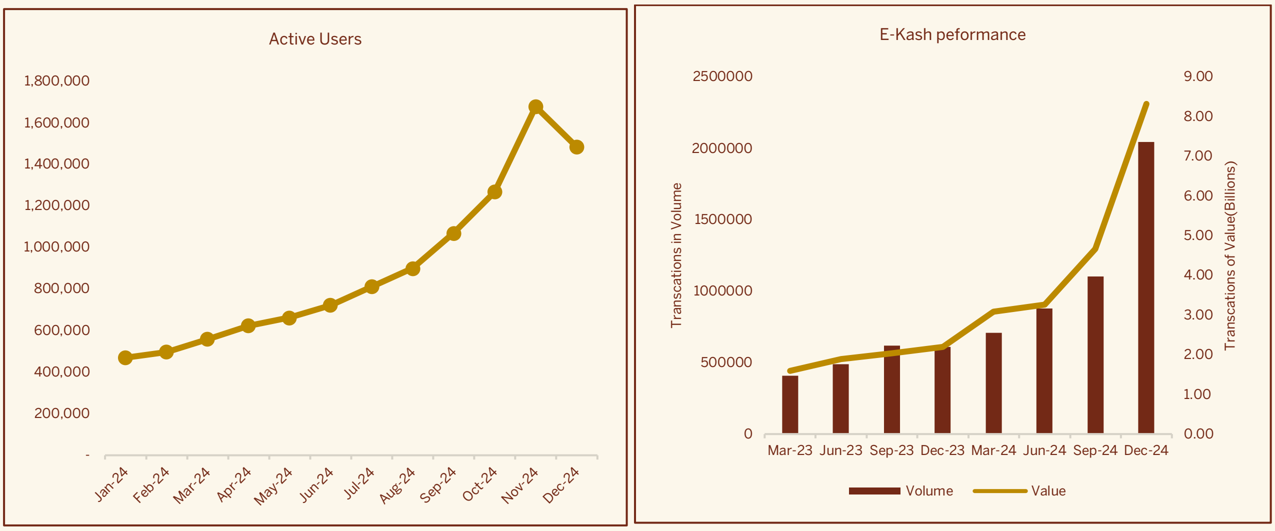
Figure 24: Payment Transfers



5.10.3.5. Performance of Rwanda National Digital Payment System(RNDPS)

RNDPS is Rwanda's national switch that offers card and interoperability services. In May 2022, new and improved interoperability use cases were launched and have seen steady growth. Initially offering limited card services and later introduced wallet-to-wallet transfers, and in September 2023 wallet-to-account transfers were included. As of December 2024, eKash had 1,482,254 active users and 15 participants, including 10 banks, 3 MFIs, and 2 Electronic Money Issuers. Over this period, it processed 20 million transactions, totaling FRW 78 billion.

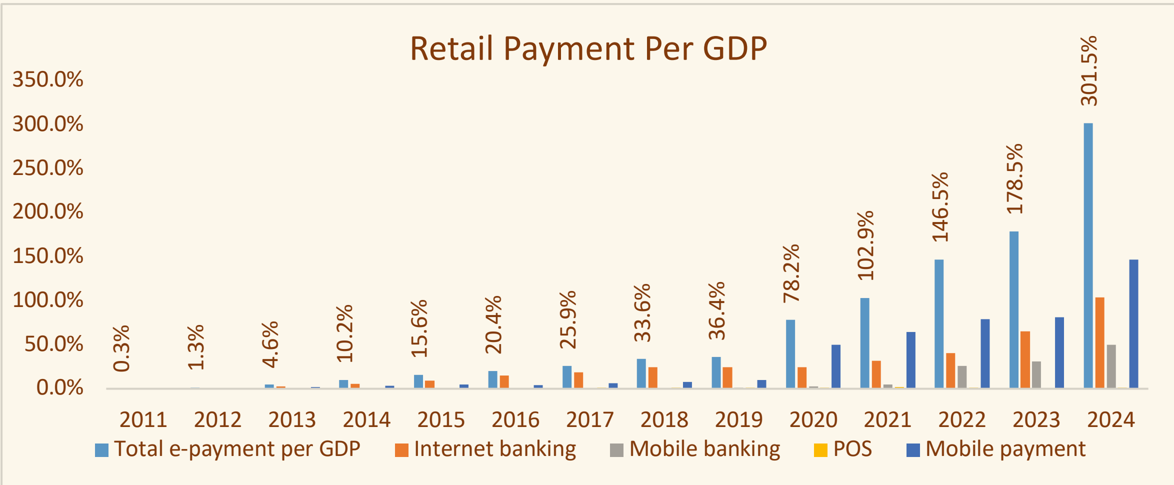
Figure 25: E-Kash/active Users



5.10.3.6. Overall Cashless Performance

Collectively, retail e-payments saw significant growth, with their contribution to GDP increasing by 123 percent to reach 301.5 percent as of December 2024. Mobile payments (transfers and acquiring services), internet banking, and mobile banking together accounted for 300.7 percent of GDP.

Figure 26: Value of retail e-payment to GDP



Payment systems are expected to remain stable, with minimal interruptions. Payment industry players are implementing initiatives to improve efficiency, safety, and resilience. The NBR is aligning payment standards with international norms, ensuring Rwanda's payment systems are robust and interoperable. These efforts, along with financial institutions' investments in technology and IT infrastructure, will maintain the operational resilience of the payment systems.

5.11 UPTAKE AND USAGE OF FINANCIAL SERVICES

The data in this section is derived from the supply-side data of the National Bank of Rwanda's Financial Inclusion Dashboard, using the national ID as a unique identifier to track individual financial service consumers. However, data for non-deposit-taking financial service providers (NDFSPs) and pension providers was collected separately.

This supply-side data may differ slightly from Finscope Survey findings due to methodological differences. While Finscope relies on demand-side survey data from a sample, the data presented here is supply-side, covering all customers of financial institutions regulated by NBR. Additionally, key definitions vary:

- Finscope considers accounts used within the past year.
- NBR data defines active accounts as those with at least one transaction in the last six months for banks, MFIs, and SACCOs, and within three months for e-money issuers.

These methodological distinctions account for potential variations in financial inclusion metrics.

5.12 Financial Service Access

Rwanda has achieved 84.9 percent financial inclusion among its adult population with active accounts either in banks, PLCs, SACCOs, mobile money providers or insurance providers, granting 7,373,018 individuals access to formal financial services. Transactional accounts, including current accounts and mobile money wallets, represent a substantial component of this progress, comprising 77.6 percent of all adults in Rwanda. A total of 3,930,305 adults (45.2 percent) have deposit accounts either in banks, PLCs or SACCOs, while 2,278,867 individuals (26.2 percent) actively engage in savings. Approximately 6.9 percent of the adult population is insured. Furthermore, 1,079,208 adults (12.4 percent) have accessed credit and lending services as borrowers. Notably, financial inclusion among women stands at 77.7 percent for women and 53.3 percent for youth, indicating ongoing efforts to bridge financial gaps among these groups.

Table 28: Overall Financial Inclusion Distribution Across the Sector (December 2024)

	Banks	E-Money Issuers	Insurance	Microfinance	SACCOs	Total	Overall Inclusion
Total Inclusion	28.1%	65.5%	6.9%	7.5%	23.8%	7,373,018	84.9%
Female	21.1%	59.5%	4.0%	8.9%	23.6%	3,523,955	77.7%
Male	35.7%	72.1%	10%	8%	24.1%	3,849,063	92.7%
Gender Gap	14.6%	12.6%	6%	-0.9%	0.5%	N/A	15%
Youth	24.1%	40.8%	3.2%	2.9%	8.1%	2,072,594	53.3%

Source: National Bank of Rwanda

6 Usage of formal financial services

6.11 Usage of Bank, DTMFI and NDFSP financial services

Financial access and usage in Rwanda continue to expand across diverse financial service providers. Banks and DTMFIs have a fairly equal proportion of deposit accounts accounting 50.1 percent and 49.9 percent respectively. PLCs comprise 9.7 percent, and SACCOs comprise 40.2 percent of all borrowers, highlighting their crucial role in extending financial services to underserved communities. In savings, banks lead (72.5 percent), followed by PLCs (18.6 percent) and SACCOs (8.9 percent), indicating a preference for banks in wealth accumulation. Borrowing patterns are more diverse: banks serve nearly twice as many borrowers (65 percent) as PLCs (15 percent) and SACCOs (18 percent). NDFSPs, serve a fewer pool of borrowers (1 percent), including women and group or entity borrowers, emphasizing their role in specialized lending.

Gender and age dynamics show that PLCs and SACCOs serve a greater proportion of women, with female depositors constituting 52 percent of their total compared to 41 percent in banks. This sector also leads in female savings account holders (57 percent) and borrowers (50 percent), reinforcing their role in supporting women's financial participation. Conversely, banks cater more to youth, with young individuals representing 40 percent of their depositors and 41 percent of savings account holders, compared to 19 percent and 15 percent in PLCs and SACCOs, respectively. Regarding borrowing, NDFSPs primarily serve men (62 percent), while PLCs and SACCOs have a higher proportion of female borrowers (50 percent) than banks (33 percent), illustrating the distinct roles of these institutions in addressing specific demographic needs.

Table 29: Number of outstanding loans by gender(NDFSP)

CATEGORY	Dec-23	Dec-24	% change
Men	5,808	10,538	81.4
Women	4,129	5,467	32.4
Group/entities	271	1,179	335.1
TOTAL	10,208	17,184	68.3

Source: National Bank of Rwanda

Table 30: Depositors and Borrowers in Banks, Microfinance Institutions and NDFSPs

Banks	December-24
Number of Depositors in Banks	2,317,818
Number of Savings Account Owners in Banks	1,829,701
Number of Borrowers in Banks	763,859
Deposit-Taking Microfinance	**December-24**
Number of Depositors in PLCs	449,013
Number of Depositors in SACCOs	1,861,975
Number of Savings Account Owners in PLCs	468,521
Number of Savings Account Owners SACCOs	224,089
Number of Borrowers in PLCs	175,553
Number of Borrowers in SACCOs	212,522
NDFSPs	**December-24**
Number of Borrowers in NDFSPs	6,713

Source: National Bank of Rwanda

6.12 Usage of pension services

Pension coverage in Rwanda is predominantly driven by public pensions, which account for 97 percent of contributors (752,357 individuals), while private pensions remain underutilized, representing just 3 percent (24,131 individuals). This indicates untapped potential for private pensions to improve retirement security.

There is a significant gender gap in pension enrollment, with women making up only 37 percent of public pension contributors and just 16 percent in private pensions, reflecting limited female participation in voluntary schemes. However, the EJOHEZA Long-Term Savings Scheme (LTSS) demonstrates near gender parity, with women comprising 51 percent of contributors.

EJOHEZA LTSS, with over 3.5 million members, plays a growing role in supplementing formal pensions, and 59 percent of its beneficiaries are women, making it the most inclusive pension product for women. In contrast, 95 percent of private pension benefits are received by men, underscoring the need to boost female participation in long-term financial planning

Table 31: Access to Pension Services

Pension Contributors and Beneficiaries	Dec-24
Number of contributors to Public and Private pensions	776,488
Number of beneficiaries of Public and Private pensions	63,570
Number of Contributors to EJOHEZA (LTSS)	3,513,375
Number of Beneficiaries of EJOHEZA (LTSS)	17,979

Source: National Bank of Rwanda

5.14. FOREX BUREAUS

The National Bank of Rwanda (NBR) oversees the regulation and supervision of Forex Bureaus. As of December 2024, there were 78 licensed Forex Bureaus, including three remittance companies offering forex services.

The sector has experienced notable growth, with total assets increasing by 27.1 percent from FRW 10.4 billion in December 2023 to FRW 13.2 billion in December 2024. Profitability has also improved, with net profits rising by 12.3 percent to FRW 911.6 million, up from FRW 811 million in the previous year.
The NBR remains committed to ensuring financial stability through continuous oversight and supervision of the sector.

Table 32: Performance of Forex bureaus

Assets	Dec-2021	Dec-2022	Dec-2023	Var. %	Dec-2024
1. Cash	4,278,360,371	4,289,490,308	4,443,014,394	14.00%	5,065,829,765
2. Balance at banks	3,428,921,373	4,592,915,749	5,095,268,488	38.90%	7,075,778,423
3. Fixed assets	487,552,398	280,793,599	451,463,077	12.90%	509,583,448
4. Other assets	638,683,958	309,155,651	443,574,457	36.40%	605,225,384
Total Assets	8,833,518,100	9,472,355,308	10,433,320,416	27.10%	**13,256,417,019**
Liabilities	Dec-2021	Dec-2022	Dec-2023	Var. %	Dec-2024
5. Borrowing (local)	233,614,279	440,898,995	195,394,207	645.10%	1,455,919,268
6. Foreign liabilities	2,351,183	-	0	0.00%	-

7. Other liabilities	1,272,389,453	984,986,762	1,227,373,778	-17.70%	1,010,142,032
Total Liabilities	1,508,354,915	1,425,885,756	1,422,767,985	73.30%	**2,466,061,300**
8. Paid up capital	5,825,223,072	6,351,830,374	6,527,205,089	15.20%	7,521,891,452
9. Retained Earnings & Reserves	1,329,782,547	1,341,990,518	1,671,283,613	41.00%	2,356,833,040
10. Profit & loss account	170,157,566	352,648,660	812,063,728	12.30%	911,631,227
Total Equity	7,325,163,185	8,046,469,552	9,010,552,431	19.80%	10,790,355,719
Total Equity and Liabilities	8,833,518,100	9,472,355,308	10,433,320,416	27.10%	13,256,417,019
Return On Assets (ROA)	1.9%	3.7%	8%		7%
Return On Equity (ROE)	2.3%	4.4%	9%		8%

5.15 POLICY REFORMS IMPLEMENTED

Implemented Laws and Regulatory Instruments

The National Bank of Rwanda (NBR) has recently reviewed and implemented legal and regulatory reforms to enhance financial system stability and resilience. These reforms mainly focus on strengthening risk management, safeguarding market integrity, mitigating systemic risks, addressing emerging challenges and stakeholder concerns, and upholding financial sector inclusion and development.

In line with the above, between September 2024 and February 2025, the NBR reviewed one law, five regulations, and one guideline to adapt to evolving market dynamics, strengthen consumer protection, and ensure compliance with international standards.

5.15.1 Laws

The review of the AML/FCT Law: In response to Rwanda's second-round mutual evaluation on AML/CFT & PF, the National Risk Assessments, and the emergence of new financial products, including virtual assets, the AML/CFT Law has been revised and amended under Law No. 001/2025 on the

Prevention and Punishment of Money Laundering, Terrorist Financing, and the Financing of the Proliferation of Weapons of Mass Destruction.

The amendments strengthen Rwanda's legal framework against financial crimes, enhance technical compliance with international standards, particularly the Financial Action Task Force (FATF) recommendations, and reinforce preventive measures, enforcement mechanisms, and regulatory oversight. These changes address emerging risks, close legal gaps, and ensure effective prosecution and sanctioning of offenders.

Additionally, the law strengthens obligations for financial institutions, designated non-financial businesses and professions (DNFBPs), and regulatory authorities to improve compliance, reporting, and cooperation in combating illicit financial flows.

5.15.2 Regulations

As part of ongoing efforts to strengthen Rwanda's financial sector, the National Bank of Rwanda (NBR) has undertaken a comprehensive revision of five key regulations, addressing critical areas such as credit facilities classification and provisioning for banks, bouncing cheques, accreditation of a special administrator, and a liquidator for regulated institutions, risk-based capital requirements for insurers, and corporate governance for insurance business.

The revised credit classification and provisioning framework enhances the accuracy of NPL reporting and strengthens risk mitigation, bolstering the banking sector's resilience. The bouncing cheque regulation introduces stricter penalties and enhanced monitoring mechanisms to reinforce payment discipline and curb fraudulent financial activities. These measures collectively promote transparency, accountability, and economic integrity within the banking system.

In the insurance sector, NBR has strengthened risk-based capital requirements, mandating insurers to maintain capital levels proportional to their risk exposure, aligning with international solvency standards. Simultaneously, new corporate governance regulations ensure transparent management structures by defining board responsibilities and enforcing accountability to prevent conflicts of interest.

Moreover, the accreditation framework for special administrators and liquidators establishes clear criteria, procedures, and responsibilities for their appointment in regulated institutions. This ensures that only qualified professionals manage distressed entities, safeguarding stakeholders and preserving financial system stability in compliance with legal and regulatory standards.

5.15.3 Guideline

To align Rwanda's financial sector with international standards, the National Bank of Rwanda (NBR) has issued Guidelines N° 4230/2024–00039 on implementing IFRS 17 – Insurance Contracts. This framework ensures a standardized approach to financial reporting in the insurance industry, enhancing transparency, comparability, and regulatory compliance by establishing clear recognition, measurement, presentation, and disclosure principles. These guidelines strengthen investor confidence, risk management, and financial integrity, positioning Rwanda as a globally integrated and resilient financial market.

Furthermore, as a leading force in advancing sustainability within the Rwandan financial sector, BNR issued the Guidelines N° 040/2024 Of 25/11/2024 On the Disclosure and Reporting of Sustainability-Related Financial Information to guide financial institutions in incorporating ESG factors into their prudential reporting. This prudential framework is critical to ensuring that financial institutions in Rwanda meet their regulatory obligations and contribute to the country's broader sustainability goals.

Based on the International Financial Reporting Standards (IFRS) on sustainability by the International Sustainability Standards Board (ISSB), these guidelines follow a phased four-year approach, providing institutions with adequate time for planning, resource allocation, and practical implementation.

5.15 NBR'S ROLE IN DRIVING DIGITAL TRANSFORMATION

The National Bank of Rwanda (NBR) National Bank of Rwanda (NBR) has played a key role in supporting the digital transformation of SMEs in Rwanda, recognizing that regulators must first understand digital transformation before enabling SMEs to thrive in the digital economy.

As an integrated regulator, NBR oversees banks, microfinance institutions, insurance, pension funds, payment service providers, fintechs, and startups. Over the past 15 years, NBR has digitized 95% of its services and processes, transitioning from paper-based applications to fully digital systems, including a move to e-correspondence since the Covid-19 pandemic. NBR is now exploring emerging technologies like AI and big data analytics to continue evolving its financial sector.

SMEs form the backbone of Rwanda's economy, making up 93% of businesses. However, many SMEs face barriers to digital adoption due to limited financial and digital literacy. For instance, a farmer in Musanze might hesitate to use digital financial services for fear of fraud. In response, NBR has launched initiatives like the Rwanda Imbaraga SMEs Ecosystem (RISE) project, which focuses on improving financial and digital literacy. RISE trains SMEs in 13 districts on credit management, budgeting, and governance, helping them build trusted business credentials for loan applications. By leveraging alternative data sources, RISE improves access to finance for SMEs, with partnerships like the Bank of Kigali now offering loans to RISE-certified businesses.

In addition, NBR established the Financial Sector Development and Inclusion Department, which runs a regulatory sandbox to encourage fintech solutions for SMEs, such as KAYKO, a platform that simplifies payment and reconciliation for small businesses. NBR's Open Finance Framework also facilitates data sharing, enabling more inclusive financial services for SMEs, such as medical insurance startups in Kigali.

Gender-inclusive finance initiatives are also being implemented to address the financing gap for women-owned SMEs, often due to lack of collateral. Many informal businesses, especially micro and small enterprises, struggle to access loans because they lack property to offer as collateral. NBR is tackling this issue by using mobile money transaction data to build credit profiles for women-owned SMEs, making it easier for them to access unsecured loans based on their transaction history.

Through these policy initiatives, NBR is laying the foundation for a more inclusive and digitally empowered SME sector in Rwanda.

5.16 STATUS OF CYBERSECURITY INITIATIVES

The National Bank of Rwanda (BNR) is committed to maintaining financial system stability by actively supporting the enhancement of cybersecurity within the sector. Through collaboration with financial institutions, BNR provides support to strengthen cyber defenses, mitigate risks, and contribute to the sector's overall resilience:

1. The Financial Security Operations Center (FinSOC) project: Strengthening Cybersecurity Infrastructure:

The Financial Security Operations Center (FinSOC) is a key initiative to enhance cyber resilience. Its objectives include:

- Real-time threat monitoring and detection for financial institutions.
- Proactive risk identification and mitigation to prevent cyber threats.

- Empowering financial institutions with early warning systems to address vulnerabilities.

FinSOC is progressing towards full operationalization and aims to bolster Rwanda's financial ecosystem against evolving cyber risks.

2. Inspections & Cyber Risk Assessments Aligned with Risk-Based Supervision:

BNR combats cybercrime through thematic inspections and cyber risk assessments that follow a Risk-Based Supervision (RBS) approach. This methodology focuses on assessing institutions based on their risk exposure and cybersecurity maturity, enabling BNR to identify vulnerabilities in a targeted and efficient manner. These efforts include:

- Targeted guidance and recommendations to strengthen defenses.
- Enhanced resilience to detect and respond to threats.
- Protection of the financial system's integrity, building public trust in digital services.

3. Regulations, Directives & Cybersecurity Best Practices:

NBR defines and enforces cybersecurity regulations that uphold financial stability. Key initiatives include:

- Issuing regulations that set security standards for institutions.
- Updating regulations to match international best practices and emerging risks.
- Promoting resilience through training, awareness programs, and continued regulatory engagement.

4. Fraud Prevention Measures: Data-Driven Risk Management:

NBR implements measures to prevent fraud through collaboration, intelligence-sharing, and data-driven risk management. Key efforts include:

- Quarterly Fraud Forums: Facilitating information exchange among financial institutions, regulators, and law enforcement to strengthen fraud prevention and response.
- Fraud Risk Matrix: Analyzing fraud data to prioritize risks and focus resources on high-impact threats, supporting proactive fraud mitigation.

5. Regulatory Sandboxes: Innovation and Financial System Integrity:

NBR promotes innovation through regulatory sandboxes, providing a controlled environment for fintech companies to test new products. This initiative ensures that:

- Fintech innovations are assessed for security, compliance, and systemic impact before full-scale deployment.
- Potential risks are mitigated through compliance with cybersecurity and anti-fraud standards.

By fostering secure innovation, NBR ensures that new technologies enhance rather than compromise Rwanda's financial ecosystem, ensuring long-term resilience.

5.17 CLIMATE RISK MANAGEMENT -STRATEGIES AND ACTIONS

The National Bank of Rwanda (NBR) recognizes that sustainability challenges pose significant risks to price stability and the resilience of the financial sector. In response, the NBR has introduced policy reforms to adapt regulatory frameworks and promote green, stable, and inclusive growth. These efforts ensure the financial sector supports Rwanda's economic development while aligning with sustainability goals.

As part of its commitment to sustainability, the NBR has developed a five-year strategic plan and revised its mission to emphasize sustainable and inclusive growth. Key initiatives include:

- Enhancing climate and environmental risk management in the financial sector.

- Implementing integrated ESG reporting within the NBR.
- Promoting digital sobriety to embed sustainability in daily operations.

To further these efforts, the NBR issued Guidelines No. 040/2024 in November 2024 on sustainability-related financial disclosures for financial institutions. These guidelines, complementing the 2023 climate risk management framework, set out disclosure requirements, adoption timelines, and mandates for aligning governance and risk management with IFRS S1 and S2 Sustainability Disclosures. A phased implementation will run from 2025 to 2030, applying to banks, insurers, microfinance institutions, SACCOs, and other regulated entities.

In addition, the NBR is implementing various climate risk management initiatives, including:

- Climate Risk Assessment for the Banking Sector: Evaluating vulnerability and exposure to physical and transition risks to guide banking supervision.

- Pilot of Climate-Related Financial Risk Stress Testing and Methodology: – Assessing climate risk impact on selected financial institutions, including four banks, three insurers, and two MFIs under three scenarios: NDC (High Physical Risk), Delayed Transition (High Transition Risk), and Acute Physical Risk (Floods). The results will support the development of methodological guidance for the sector.

- Advancing engagement in international forums of central banks and supervisors: As a member of the Steering Committee and as co-chair for the Adaptation Taskforce for the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), the NBR has been instrumental in shaping global climate resilience. The NGFS provides guidance on integrating climate risks into financial and price stability frameworks for central banks and supervisors on strengthening adaptive capacity.

These initiatives have strengthened financial institutions' ability to manage sustainability risks and contributes to Rwanda's sustainable finance goals.

The NBR remains committed to fostering a resilient, green, and inclusive financial sector through collaboration with national and international partners.

6 MONETARY POLICY AND FINANCIAL SECTOR OUTLOOK

6.1 MONETARY POLICY OUTLOOK

The global economy is projected to stabilize.

According to the International Monetary Fund (IMF) World Economic Outlook (WEO) update published in January 2025, global economic growth is forecast at 3.3 percent in 2025, up from 3.2 percent in 2024, mainly driven by robust U.S. demand. However, weaker global demand and tight financial conditions are expected to exert downward pressure on commodity prices, following a 5.1 percent decline in energy prices in 2024. Inflation is projected to ease to 4.2 percent in 2025, down from 5.7 percent in 2024, with a slight downward revision for emerging and developing economies.

The domestic economy is expected to be resilient.

Rwanda's economy is expected to maintain strong performance, with growth projected at around 7.0 percent in 2025 and 2026, mainly driven by robust activity in the services and industry sectors. However, extreme weather patterns pose a downside risk, potentially constraining agricultural sector performance.

Inflation is expected to stabilize in 2025.

The 2025 inflation projection accounts for expected supply shocks, mainly driven by ongoing unusual rainfall patterns, which could negatively impact agricultural output. Nonetheless, 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.

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

The MPC remains committed to its objective of price stability.

The MPC remains committed to maintaining inflation within the target range of 2.0 to 8.0 percent and will continue to monitor macroeconomic developments closely. Monetary policy decisions will remain data-driven, forward-looking, and responsive to evolving economic conditions. Given the prevailing global economic uncertainties, the MPC will adopt a prudent approach, while ensuring price stability and overall macroeconomic resilience.

6.2 THE FINANCIAL SECTOR STABILITY OUTLOOK

With support of a favorable macroeconomic outlook, the financial system is expected to remain resilient, with systemic risks to financial stability well-contained, in spite of the uncertain global context. The National Bank of Rwanda (NBR) will keep focus on close oversight to ensure financial institutions hold sufficient capital and liquidity to meet obligations. The near-term supervisory focus will be on implementing a harmonized risk-based supervision approach and enhancing oversight over emerging risks.

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