



NATIONAL BANK OF RWANDA
BANKI NKURU Y'U RWANDA

MONETARY POLICY REPORT

FEBRUARY 2025

NBR IDENTITY STATEMENT

The National Bank of Rwanda strives to be a world-class Central Bank that contributes to the country's Macroeconomic stability.



VISION

To become a World-Class Central Bank



MISSION

To ensure price stability and a sound financial system contributing to sustainable and inclusive growth.

OUR CORE VALUES



INTEGRITY

We uphold high moral, ethical and professional standards for our people, systems and data.



COLLABORATION

We recognize that our team's collective intelligence, creativity, and efforts far exceed individual accomplishments. (Co-ordinate efforts)



EXCELLENCE

We passionately strive to deliver quality services in a timely and cost-effective manner. We continuously seek improvement by encouraging new ideas and welcoming feedback that adds value to customer and stakeholder services.

SUMMARY OF NBR's MONETARY POLICY STRATEGY



OBJECTIVE

Monetary Policy shall maintain price stability by keeping headline consumer price inflation within the band of 2% and 8%, with a focus of having it close to 5% in the medium term. In line with best practices, price stability is the primary and overriding objective of the NBR's monetary policy.

NBR shall also ensure financial stability as well as support other general objectives for economic development. NBR will set the Central Bank Rate (CBR) to stabilize inflation in the medium term.

The monetary policy framework is forward looking, therefore relying on the projections of inflation, taking into account economic developments.



DECISION-MAKING PROCESS

The Monetary Policy Committee (MPC) usually holds four quarterly meetings per year, where it decides on the monetary policy stance by setting the CBR to stabilize medium term inflation. Before the MPC decision, there is extensive assessment and economic analysis to guide discussions.



COMMUNICATION

A press release with the monetary policy decision and its main rationales is always published the day after the MPC decision and the Governor holds a press conference. The monetary policy report, detailing recent economic developments, projections, and reasons behind the decision is also published at the same time as the press release.

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I. MONETARY POLICY COMMITTEE DECISION, OUTLOOK, AND RISKS

The Monetary Policy Committee (MPC) met on 12th February 2025 to assess the impact of its previous decisions, review recent global and domestic economic developments, and determine the Central Bank Rate (CBR) for the upcoming three months. Inflation projections for February 2025 indicate an increase in headline inflation (y-o-y) over the near term, reflecting some positive pressures in food, core and energy components. However, headline inflation in both the near term and medium term will remain within the 2-8 percent target, and the projected declining prices for major international commodities.

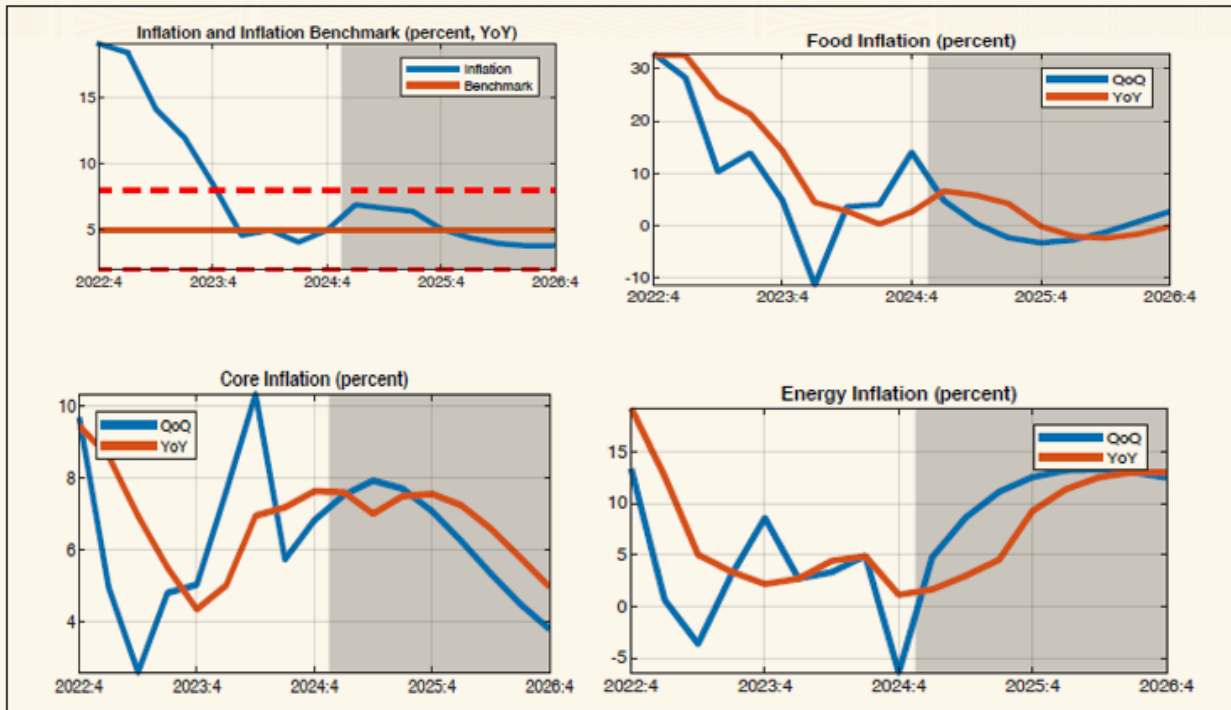
Headline inflation is projected to remain within the 2 to 8 percent target range in the medium term, averaging 6.5 percent in 2025 and 4.1 percent in 2026. The upward revision of the 2025 inflation forecast reflects anticipated supply shocks, particularly due to the ongoing unusual rainfall patterns, which could negatively impact agricultural output. Pressures from core inflation are expected to persist until the third quarter of 2025, before declining throughout 2026.

Similarly, energy inflation (y-o-y) is expected to increase over the policy horizon but start to ease towards the end of 2026, aligning with developments in both domestic and global economies. Conversely, food inflation (y-o-y) is projected to follow a downward trend in 2025 on the back of international food prices but will increase slightly in 2026.

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

Considering the current developments and the outlook for both domestic and global economies, as well as the risks associated with the projected inflation trajectory, the Monetary Policy Committee has decided to maintain the central bank rate at 6.5 percent, a level considered adequate to keep inflation within the target range, with forecasts averaging around 6.5 percent in 2025 and 4.1 percent in 2026.

The MPC will continue monitoring global and domestic economic developments and stands ready to take appropriate action to ensure price stability.



Source: National Bank of Rwanda

II. CURRENT ECONOMIC CONDITIONS

Summary

World economic growth is projected to remain stable in 2025, but below the historical annual average of 3.7 percent observed between 2000 and 2019. Growth projections for advanced economies have been revised up by 0.1 percentage points, reflecting a 0.5 percentage point upward revision for the US, partially offset by a 0.2 percent points downgrade for the Euro Area.

Global commodity prices are projected to decline in 2025 consistent with the slowdown in global demand. Energy commodity prices are projected to decline, whereas non-energy commodity prices are expected to increase.

Globally, inflation is easing with a remarkable reduction in advanced economies. Further, world inflation is projected to continue easing in 2025, although remaining above the pre-pandemic level of 3.5 percent recorded between 2017 and 2019. The forecast for 2025 has been downgraded, reflecting a downward revision for the Emerging Market and Developing Economies (EMDEs). By the end of 2025, most economies are expected to be at target as inflation is expected to decline steadily on a sequential basis.

At the beginning of the second half of 2024, major central banks began lowering their policy rates in response to declining inflation. By end December 2024, the US dollar appreciated against all major currencies, driven primarily by the strong US economy and increased capital inflows.

Rwanda's economy maintained strong growth in 2024, with real GDP averaging 9.2 percent in the first three quarters, up from 8.2 percent in 2022 and 2023. Growth was broad-based, with industry and services expanding at double-digit rates, while agriculture rebounded despite climate-related risks. High-frequency indicators suggest continued momentum in the fourth quarter, with the Composite Index of Economic Activity rising 15.7 percent year-on-year, indicating that GDP growth may surpass the 8.3 percent projection for 2024.

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

Money market interest rates declined in line with the downward trend in the central bank rate. The interbank rate averaged 6.78 percent in 2024Q4 from 8.25 percent in the same period of 2023. This decrease reflects a cumulative 100-basis-point cut in the Central Bank

Rate (CBR) in May and August 2024, coupled with ample liquidity in the banking system. The average deposit interest rate rose by 45 basis points to 10.5 percent in 2024Q4, while the average lending rate increased slightly by 7 basis points to 15.85 percent, driven by a higher share of individual loans, which are typically priced at higher rates.

In 2024Q4, headline inflation (year-on-year) increased to 5.2 percent from 4.1 percent in the previous quarter, due to the increase in core and fresh food inflation, despite a fall in energy inflation. The slight increase in core inflation was mainly driven by an increase in core housing inflation and core alcoholic beverages, which offset the fall in core food inflation, and core transport inflation. Fresh food inflation surged primarily due to base effects from lower prices recorded in the same period last year, particularly in fresh vegetable products, outweighing the impact of the agricultural harvest from Season A 2025. Conversely, energy inflation declined, reflecting the decrease in both liquid and solid fuel prices.

II.1. Global Economy and Financial Markets

The global economy remains resilient and is projected to stabilize in 2025

According to the January 2025 update of the International Monetary Fund (IMF)'s World Economic Outlook (WEO), global economic growth is expected to remain stable at 3.3 percent in 2025, which is below the historical annual average of 3.7 percent recorded between 2000 and 2019.

Compared to the October 2024 WEO forecast, growth projections for advanced economies have been revised up by 0.1 percentage points, reflecting a 0.5 percentage point upward revision for the US, partially offset by a 0.2 percentage points downgrade for the Euro area.

In the US, growth is projected to be 2.7 percent in 2025, following robust underlying demand, which reflects strong wealth effects, a less restrictive monetary policy stance, and supportive financial conditions. Relative to October 2024 WEO projections, US forecasts have been revised up by 0.5 percentage points, in part reflecting carryover from 2024 as well as robust labor markets and accelerating investment.

In the Euro Area, growth is expected to increase but at a more gradual pace than anticipated in October WEO projections, with geopolitical tensions continuing to weigh on sentiment. Weaker-than-expected momentum at the end of 2024, especially in manufacturing, and heightened political and policy uncertainty explain a downward revision of 0.2 percentage point to 1.0 percent in 2025 from an estimated 0.8 percent in 2024. In 2026, growth is set to rise to 1.4 percent, helped by stronger domestic demand, as financial conditions loosen, confidence improves, and uncertainty recedes somewhat.

In the United Kingdom, growth is expected to rise modestly from an estimated 0.9 percent in 2024 to 1.6 percent in 2025, marking a 0.1 percentage point upward revision from the

October 2024 projections. This trend is projected to continue in 2026 driven by declining inflation and interest rates, which are expected to stimulate domestic demand.

In Japan, growth is projected to accelerate to 1.1 percent in 2025, driven by strengthened private consumption as real wage growth increases, after a deceleration of 0.2 percent in 2024, following supply challenges in the automotive sector and base effect of historical data revisions.

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

In China, growth is projected at 4.6 percent in 2025 after an estimated 4.8 percent in 2024. The forecast has been revised up by 0.1 percentage points for 2025' reflecting carryover from 2024 and the fiscal package announced in November largely offsetting the negative effect on investment from heightened trade policy uncertainty and property market drag. In India, GDP growth is projected to be solid at 6.5 percent in 2025, as projected in October WEO projections in line with potential.

In Sub-Saharan Africa, GDP growth is projected to rise from an estimated 3.8 percent in 2024 to 4.2 percent in 2025, as the adverse impacts of the previous weather shocks abate, and supply constraints gradually ease. Compared to the October 2024 projections, the regional forecast has been unchanged for 2025, following the projected stable growth for Nigeria and South Africa.

The East African Community (EAC-5)¹ economy is projected to grow by 5.9 percent in 2025, up from an estimated 5.4 percent in 2024. Upward revisions for all member countries, supported by good weather in 2024, contributed to this positive outlook.

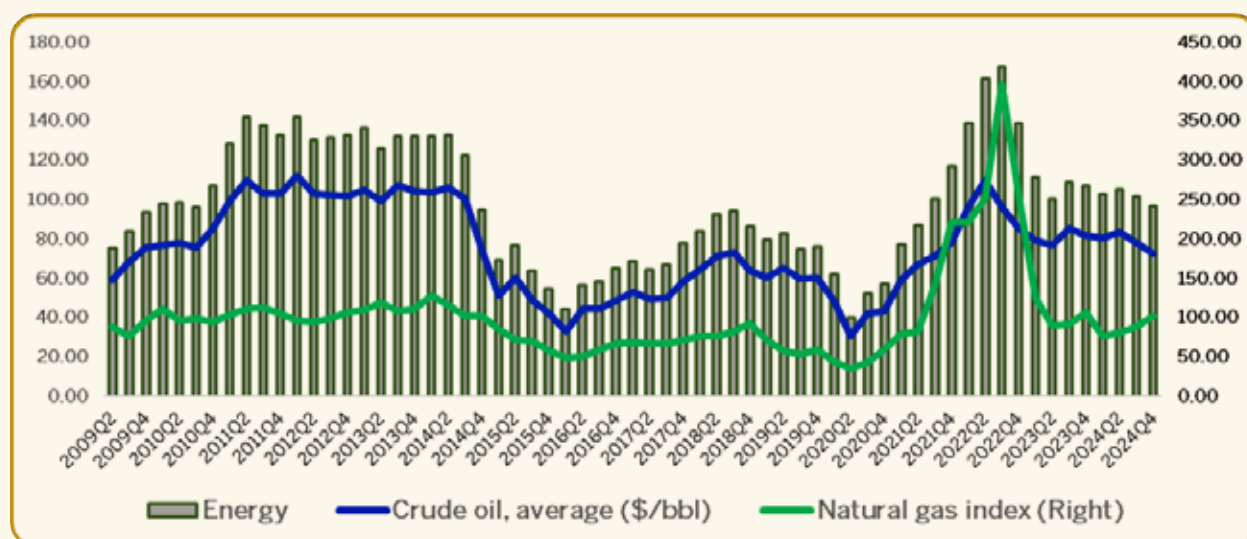
In Rwanda, growth surged to 9.2 percent in the first three quarters of 2024, higher than the projected annual growth rate of 8.3 percent for 2024 and projected at 7.0 percent in 2025. In Uganda, economic growth reached 6.6 percent in the first three quarters of 2024, exceeding the projected 5.9 percent for the year. Kenya's GDP growth was 4.5 percent in the first three quarters of 2024, below the 2024 projections, following protests that disrupted the private sector in June and July. Tanzania's GDP is projected to grow by 5.4 percent in 2024, up from 5.1 percent in 2023, while growth in Burundi is expected to decline to 2.2 percent in 2024, down from 2.7 percent in 2023.

Commodity prices are projected to decline in 2025 in line with a slowdown in global demand

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

In 2024Q4, the global commodity price index declined by 1.6 percent, quarter-over-quarter, following a 3.7 percent decrease in 2024Q3. It is projected to decrease by 5.1 percent in 2025, after a 2.7 percent drop in 2024, largely due to weakening global demand. The energy price index also fell by 4.4 percent in 2024Q4, after a 3.8 percent drop in 2024Q3, driven by lower crude oil prices, which account for nearly 85 percent of the global energy index. On an annual basis, the energy price index is projected to decrease by 6.3 percent in 2025, following a 5.1 percent drop in 2024.

Chart 1 – Energy commodity prices index in nominal US dollar (2010=100)



Source: World Bank Commodity Prices, January 2025

In 2024Q4, average crude oil prices decreased by 6.5 percent following a 6.7 percent drop in 2024Q3. According to the January 2025 WEO update, crude oil prices are expected to fall by 11.7 percent in 2025, and drop further by 2.6 percent in 2026, after a 1.9 percent decrease in 2024. This is driven by weak Chinese demand and strong supply from outside OPEC+.

The natural gas index rose by 15.5 percent in 2024Q4, building on a 9.8 percent increase in 2024Q3, despite ample global supplies. The World Bank forecasts a 9.2 percent increase in natural gas prices on average in 2025, following a 15.0 percent decline in 2024. This anticipated rise is driven by colder-than-expected weather and supply disruptions, including the ongoing conflict in the Middle East and outages in gas fields.

Non-energy commodity prices increased by 3.4 percent in Q4 2024, after a 3.4 percent drop in Q3, largely due to price increases across almost all non-energy commodity prices. According to the IMF January 2025 WEO update, nonfuel commodity prices are expected to increase by 2.5 percent in 2025, due to upward revisions of food and beverage prices, relative to the October 2024 WEO projections, driven by bad weather affecting large producers.

In 2024Q4, average prices for agricultural commodities rose by 3.9 percent following a 2.4 percent drop in 2024Q3, primarily due to an increase in food prices and beverages prices. Food prices increased by 2.3 percent in 2024Q4- of which, cereals (0.1 percent), oils and meals (4.6 percent), and other foods (1.4 percent), after a 2.9 percent decrease in 2024Q3, reflecting reduced supplies from decreased production. Globally, food prices are projected to increase in 2025, following a 7.6 percent decrease in 2024, amid unfavorable weather conditions.

Arabica coffee prices rose by 16.2 percent in 2024Q4 following a 10.9 percent increase in 2024Q3 due to reduced supply driven by climate-related factors in key regions such as in Vietnam. Coffee prices are projected to increase in 2025, following a 23.8 percent rise in 2024. Mombasa Tea prices increased slightly by 0.1 percent in 2024Q4, after decreasing by 2.0 percent in 2024Q3.

Metals & minerals prices increased by 2.5 percent in 2024Q4 after decreasing by 6.5 percent in 2024Q3. Annually, they are projected to drop slightly by 0.8 percent in 2025, after increasing by 2.6 percent in 2024. Tin prices dropped by 4.5 percent in 2024Q4 following a decrease of 2.0 percent in 2024Q3, driven by reduced demand from the electronics sector. Tin prices are projected to increase by 6.7 percent in 2025, after increasing by 15.9 percent in 2024, reflecting increasing demand from the electronics sector.

Fertilizer prices increased slightly by 1.0 percent in 2024Q4 (q-o-q) following an increase of 5.5 percent in 2024Q3. The World Bank projects fertilizers prices to drop slightly by 1.5 percent in 2025, after decreasing by 23.4 percent in 2024, as supply disruptions ease gradually.

Global inflation is expected to ease in 2025, gradually declining toward target levels in most economies.

The World annual average inflation is projected to ease to 4.2 percent in 2025, down from 5.7 percent in 2024, though it remains above pre-pandemic average of 3.5 percent in 2017-19. The forecast for 2025 has been revised down by 0.1 percentage points compared to the October 2024 WEO projections, reflecting a downward revision of 0.1 percentage point for the emerging market and developing economies. Inflation is expected to decline sequentially, with most economies expected to reach their target levels by the end 2025.

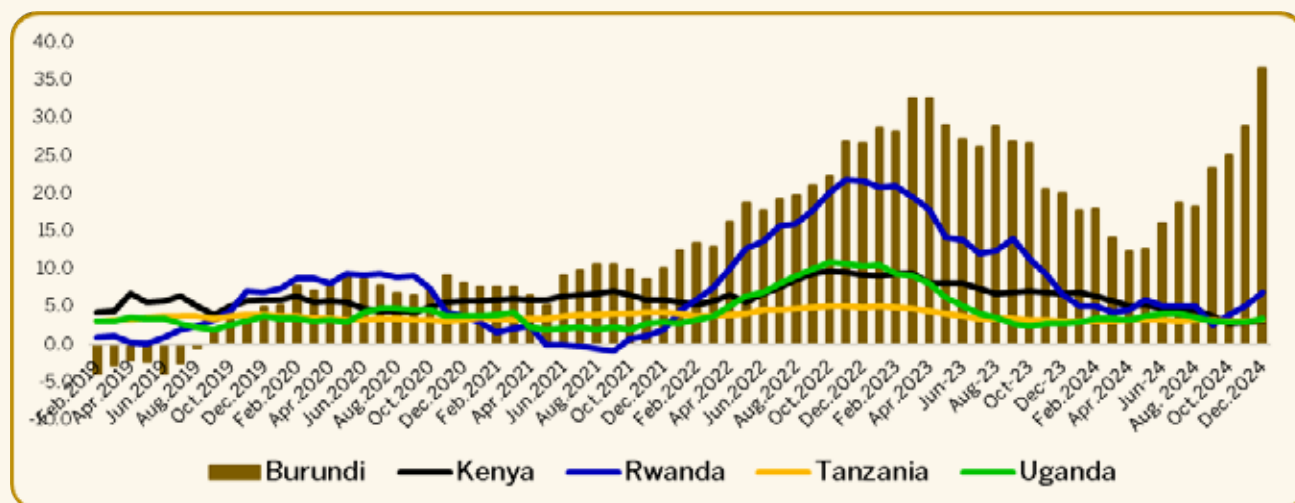
In advanced economies, consumer price inflation is expected to ease to 2.1 percent in 2025, down from 2.6 percent in 2024, supported by stronger monetary policy frameworks and enhanced communication. but remaining above the target in most advanced economies. Consistent with this projected easing in inflation, US headline inflation is projected to decelerate to 1.9 percent in 2025, from 3.0 percent in 2024. In the Eurozone, inflation is expected to ease to 2.0 percent in 2025, from 2.4 percent in 2024, while the UK's annual headline inflation is projected to ease to 2.1 percent in 2025 percent, down from 2.6 percent in 2024.

In the EMDEs, annual headline inflation is expected to ease to 5.6 percent in 2025, from 7.8 percent in 2024, reflecting falling energy and easing food prices. China’s headline inflation is projected at 1.7 percent in 2025, up from 0.4 percent in 2024, and headline inflation for India is projected to ease to 4.1 percent in 2025 from 4.4 percent in 2024.

In Sub-Saharan Africa, 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 trend reflects persistently high inflation rates in 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 Sub-Saharan African countries, food prices have increased significantly, amid local shortages and the rise in global food prices due to exchange rate pressure.

In the EAC-5 countries, annual average inflation is projected to ease to 4.9 percent in 2025, after 4.4 percent in 2024. The forecast for 2025 has been revised down by 0.2 percentage points relative to the July 2024 WEO update, reflecting a downward revision of 0.3 percentage points for Kenya, offset by an upward revision of 5.0 percentage points for Burundi. Consistent with this projected path of inflation, Rwanda’s headline inflation decelerated to 4.8 percent in 2024 compared to 14.0 percent in 2023. Kenya’s inflation eased to 4.5 percent in 2024 compared to 7.7 percent in 2023. Tanzania’s headline inflation softened to 3.1 percent in 2024 from 3.8 percent in 2023. Headline inflation for Uganda was 2.8 percent in 2024 compared to 5.5 percent in 2023, while annual headline inflation for Burundi declined to 20.0 percent in 2024 compared to 27.2 percent in 2023.

Chart 2- EAC-5 Headline Inflation developments (percent change)



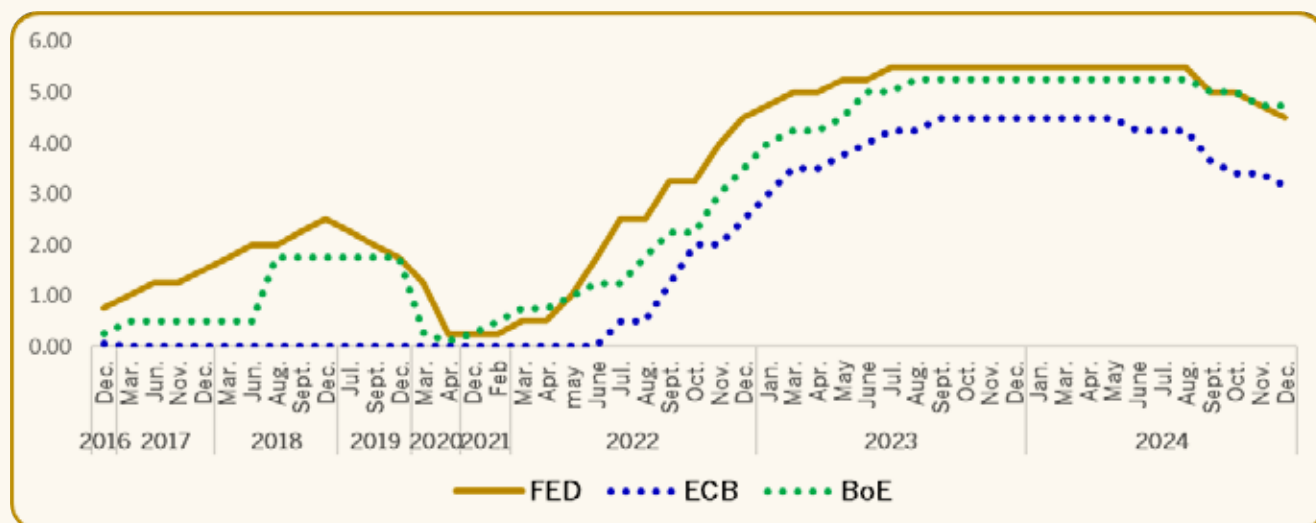
Source: Country statistics bureaus

Monetary conditions tighten globally amid heightened inflation risks

In the second half of 2024, major central banks began lowering their policy rates in response to falling inflation.. The US Federal Reserve lowered the interest rate for the third time in

December 2024, reducing the target range to between 4.25 percent and 4.50 percent. The Bank of England maintained the bank rate at 4.75 percent in December 2024 following the policy cut in November 2024, while the European Central Bank reduced the three key interest rates by 25 basis points to 3.15 percent in December 2024.

Chart 3- Policy rates for selected economies (percent)



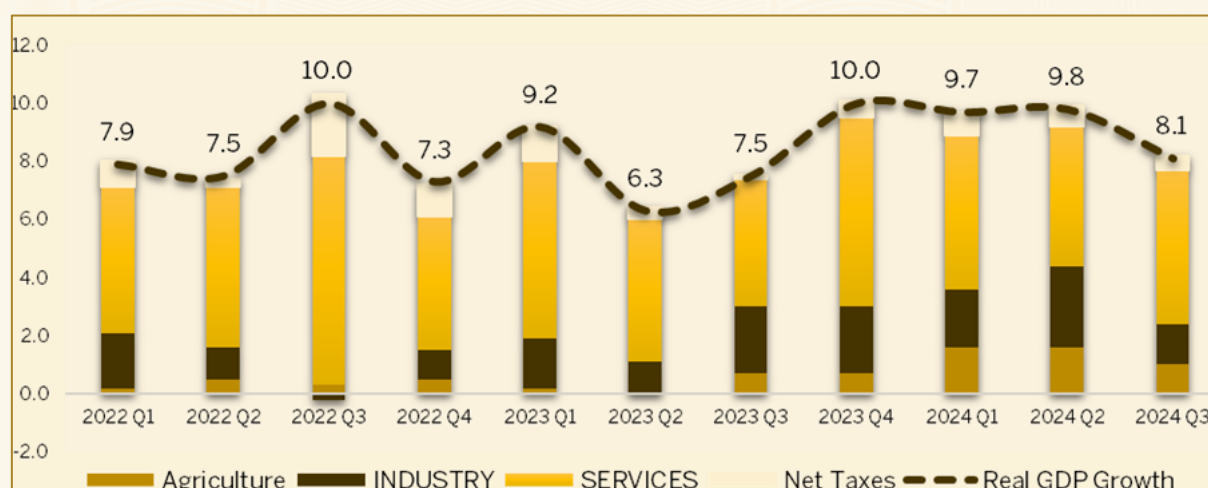
Source: Central Bank Websites

On the foreign exchange market, the US dollar is appreciating against all major currencies. By end December 2024, the US dollar had appreciated by 11.46 percent (y-o-y), against the Japanese Yen, by 6.61 percent against the Euro, by 2.8 percent against the Chinese Yuan, and by 1.65 percent against the British pound. The US dollar appreciation is driven primarily by the strong US economy and capital inflows.

II.2. Domestic economic performance and labour market

Rwanda's economy continued to experience robust growth. In the third quarter of 2024, economic growth stood at 8.1 percent year-over-year and was observed across all economic sectors.

Chart 4: Real Gross Domestic Product (y-o-y, percentage change)



Source: National Institute of Statistics of Rwanda

The services sector recorded the highest growth rate among all sectors (10.4 percent), driven by strong performances in trade services (+14.9 percent), transport services (+8.4 percent), financial services (+15.1 percent), information and communication (+19.2 percent), and hotels and restaurants (+16.6 percent).

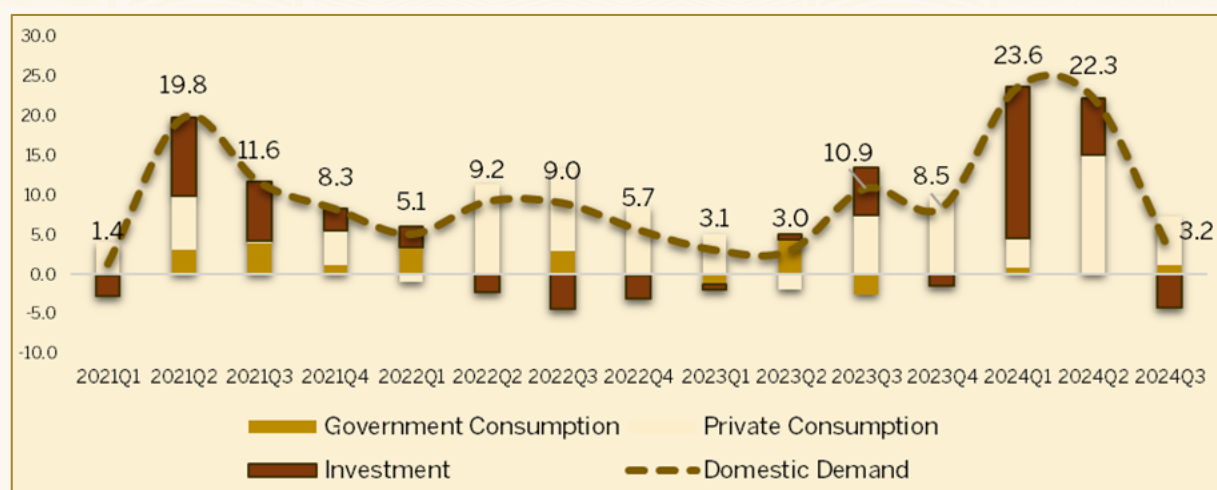
The industry sector grew by 7.7 percent, supported by strong performance in mining and quarrying (+26.5 percent), and electricity (+19.8 percent), while the manufacturing (+5.0 percent) and construction (+4.6 percent) subsectors recorded moderate performance. The growth in mining was bolstered by good minerals prices on the international market. The moderate performance in manufacturing and construction can largely be attributed to a base effect. Manufacturing was supported by increased domestic demand, especially for textiles, chemical products, and construction materials. Meanwhile, the construction subsector benefited from ongoing infrastructure projects, which helped maintain its performance.

The agriculture sector grew moderately (+4.4 percent), driven primarily by the moderate food crop harvest of season B 2024 (+2.4 percent), which dragged other subsectors' good performance, particularly export crops (+16.1 percent). The strong performance of export crops was driven by a bumper coffee harvest in 2024Q3. In contrast, food crops in season B 2024 were adversely affected by unfavourable weather conditions, particularly insufficient rainfall and dry spells.

Domestic demand slowed down due to a contraction in investment.

Domestic demand grew by 3.2 percent driven by the expansion of total final consumption (+9.6 percent) and fixed investment, both construction and equipment, which grew by 13.9 percent in 2024Q3. However, a huge drawdown of inventories outweighed the aforementioned good performance, leading to a total moderate growth overall.

Chart 5: Domestic Demand (Percentage change)



Source: National Institute of Statistics of Rwanda

Unemployment declined primarily led by employment in agriculture sector.

In the fourth quarter of 2024, the unemployment rate slid to 14.7 percent from 15.3 percent in 2024Q3 and 16.8 percent in 2023Q4. The labour force participation remained stable compared to the previous quarter but improved by 6.7 percent when compared to the last quarter of 2023. This improvement is attributed to the 0.8 percent increase in the working-age population year-over-year, which reached a total of 8,393,124.

Table 1: Labour market indicators (percentage)

	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Unemployment Rate	17.2	16.8	18.0	16.8	12.9	16.8	15.3	14.7
Labour Force Participation Rate	57.6	59.5	59.8	60.0	61.0	62.5	64.1	64.0
Employment %QoQ								
Total	6.5	4.7	-0.3	2.6	7.1	-1.4	5.1	1.4
Agriculture	8.9	-0.5	-15.2	26.9	8.8	-17.4	-12.8	27.6
Industry	-7.2	17.4	31.6	-31.9	2.1	20.6	38.4	-25.1
manufacturing	13.3	12.5	12.3	-14.8	-4.2	19.0	30.2	-17.0
Construction	-12.2	23.5	46.1	-45.1	6.1	17.9	56.0	-32.8
Services sector	10.7	6.4	2.3	-2.1	8.2	11.2	9.7	-4.8
Trade services	30.7	8.6	1.8	-9.8	2.9	18.1	14.7	-3.2
Transport	-3.3	25.2	4.5	-24.4	35.4	6.8	12.3	-5.3
Hotels and Restaurants	17.5	4.8	3.9	17.8	-4.5	24.6	1.5	-19.8

Source: National Institute of Statistics of Rwanda

Total employment increased at a moderate rate of 1.4 percent in 2024Q4 following mixed sectoral trends. Employment in agriculture rose by 27.6 percent, fuelled by Season A 2025 farming works. Employment in the industry sector declined by 25.0 percent, primarily driven by a decrease in construction activities following the peak period in the third quarter. This reduction in construction work had a ripple effect on related industries, particularly in the manufacturing of construction materials. As a result, the manufacturing subsector experienced a significant reduction in employment.

Robust economic performance continued in the fourth quarter of 2024.

The Composite Index of Economic Activities (CIEA), growing at 15.7 percent, indicates sustained expansion in aggregate demand during the last quarter of 2024. This expansion of aggregate demand is also evidenced by the growth in imports, exports, and rising turnovers in the services and industry sectors. This growth was supported by ongoing financing from the banking sector, with credit to the private sector growing by 14.3 percent, year-over-year, in the fourth quarter of 2024.

Chart 6: Quarterly real GDP growth vs CIEA (% change, y-o-y)

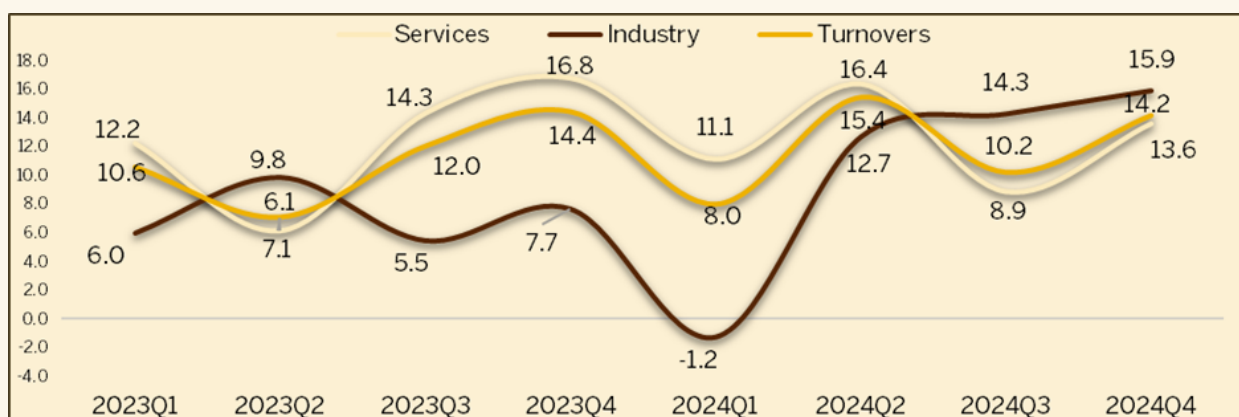


Source: National Bank of Rwanda

Total turnover in the services and industry sectors rose by 14.2 percent in 2024Q4, primarily driven by 15.9 percent increase in the industry sector, and 13.6 in services sector. The strong performance of industry sector in the fourth quarter of 2024 mainly resulted from expansion in mining and manufacturing activities. Mining benefited from good prices on the international market.

The services sector was bolstered by thriving trade, transport, financial, and information and communication services. The sector's positive outlook is further reflected in the business confidence index, which rose to 62.9 in 2024Q3 from 61.4 in the previous quarter and 58.4 in 2023Q3. This increase indicates a sustained rise in demand for services, improved business conditions, and expectations for continued growth in the near term.

Chart 7: Turnovers of industry & services sectors (% change, y-o-y)



Source: National Bank of Rwanda

Overall, while the agriculture sector is expected to show moderate growth, mainly due to moderate performance in season B of 2024, the robust performance observed in the industry and services sectors suggests that the economy is maintaining strong momentum as it moves through the first quarters of 2025.

II.3. External sector and exchange rate developments

The Current Account Deficit (CAD) widened to 13.7 percent of GDP in January–September 2024, up from 11.2 percent in the same period of 2023.

In January–September 2024, the CAD rose to 13.7 percent of GDP, primarily driven by an increase in the trade deficit for goods and a decline in budgetary grants. However, a good performance in tourism and mice events boosted tourism exports by 8.1 percent. The CAD was financed through Foreign Direct Investment (FDI) and government borrowings. By the end of December 2024, reserve coverage remained adequate, covering 5.4 months of prospective imports of goods and services.

Table 2: Balance of payment summary table

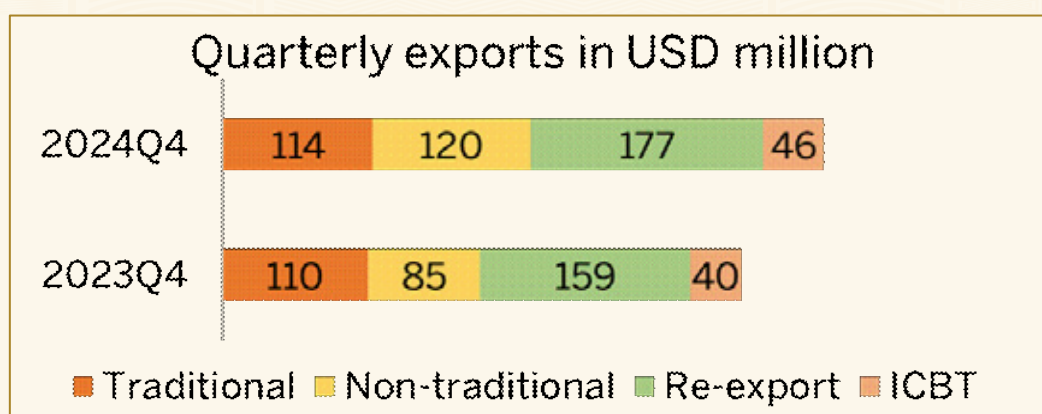
Period: Jan-Sept	Jan-Sep 2022	Jan-Sep 2023	Jan-Sep 2024	Y%Y
1.Current account	(889)	(1,199)	(1,452)	21.2
CAD as % of GDP	-9.2%	-11.2%	-13.7%	
Merchandise trade balance	-1486	-1720	-1810	5.2
Tourism receipts	292	415	449	8.1
Budgetary grants	366	245	146	-40.2
Remittances	336	382	375	-1.6
2.Capital Account (Project grants)	236	301	296	-1.7
Net balance (current and capital account)	-652.8	-897.5	-1156.2	28.8
3.Financial Account (Net borrowing)	-447.5	-750.8	-1045.8	39.3
Direct investment	214	313	401	28.0
Government external borrowing	439	778	734	-5.6
4.Reserves assets (Increase(-))	280.9	319.7	36.6	

Source: National Bank of Rwanda

Export growth increased significantly in the fourth quarter of 2024.

Merchandise exports grew by 15.8 percent in the fourth quarter of 2024 compared to the same period in 2023, supported by traditional commodity prices that have remained relatively stable and above historical levels. Besides, the rise in exports is attributed to continued regional demand for manufactured exports and re-exports. Traditional exports, that include tea, coffee, and minerals rose by 3.4 percent, while non-traditional exports, primarily manufacturing goods, surged by 40.7 percent. Re-exports increased by 10.9 percent, and Informal Cross-Border Trade (ICBT) grew by 16.4 percent.

Chart 8: Exports in USD million

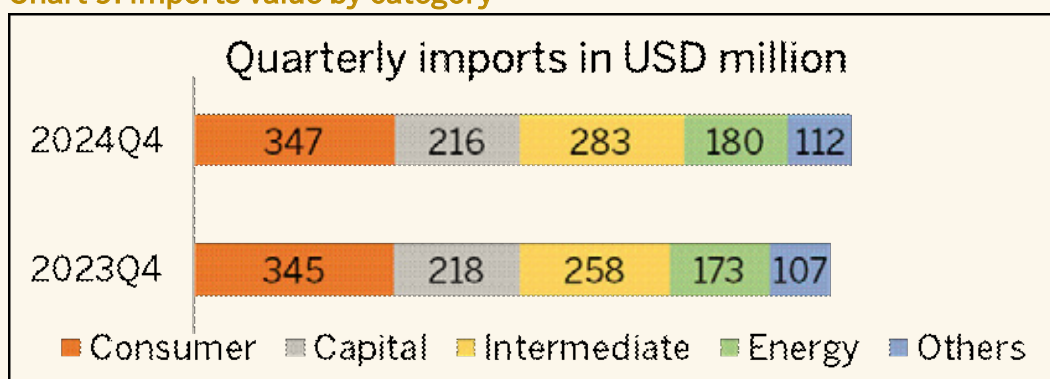


Source: National Bank of Rwanda

Merchandise imports experienced moderate growth in the fourth quarter of 2024.

Merchandise imports recorded a moderate growth of 3.3 percent, primarily driven by strong domestic demand for raw materials by local industries and energy products, reflecting the robust performance of domestic economic activities. Intermediate goods increased by 9.6 percent, while energy imports rose by 3.9 percent. Meanwhile, consumer goods recorded a slight increase of 0.5 percent, whereas capital goods declined marginally by 0.9 percent.

Chart 9: Imports value by category



Source: National Bank of Rwanda

As a result, the merchandise trade deficit narrowed by 3.7 percent in 2024Q4.

Trade deficit narrowed in the last quarter of 2024.

Substantial export growth relative to imports led to a 3.7 percent reduction in the merchandise trade deficit in the fourth quarter of 2024. This improvement was driven by higher earnings from traditional and non-traditional exports, coupled with a moderate increase in imports. However, the trade deficit widened annually in 2024, reflecting higher import demand throughout the year.

Pressures on the foreign exchange market eased in 2024 compared to the previous year.

As of the end of December 2024, the deterioration of the current account deficit continued to put pressure on the Rwandan Franc, although to a lesser extent than the previous year. This was mainly driven by a larger import bill to support domestic economic activities, despite a modest improvement in export receipts and government inflows. Consequently, the FRW depreciated by 9.42 percent against USD year-on-year, a significant reduction compared to the 18.05 percent depreciation recorded in 2023. The franc also weakened at a slower pace against other major currencies, including the pound (7.53 percent) and the Euro (2.83 percent), while appreciating by 1.03 percent against the Japanese Yen. These depreciation rates were much lower compared to 2023, which saw 25.50 percent, 22.50 percent, and 10.78 percent, respectively.

Table 3: Appreciation (-) /Depreciation (+) rate of FRW against selected currencies (y-o-y)

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

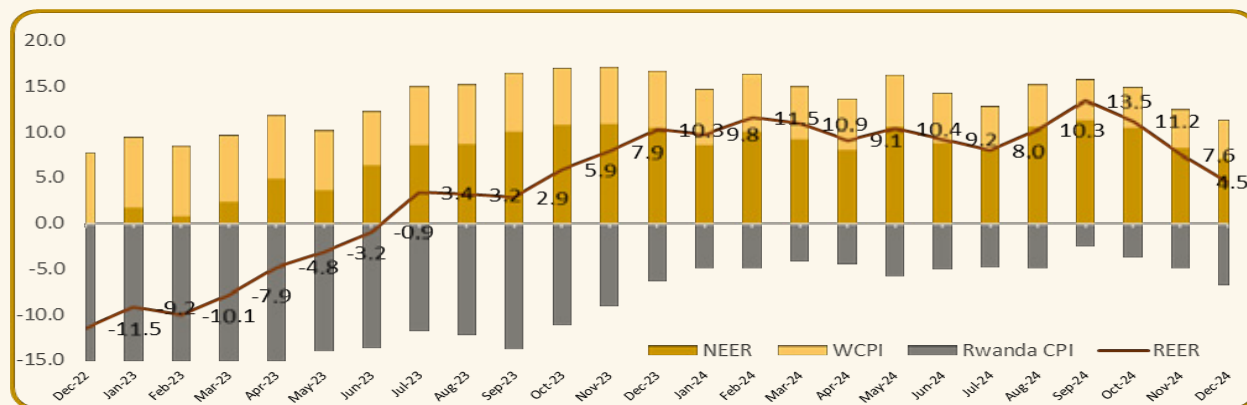
Source: National Bank of Rwanda

In 2024, the FRW depreciated by 32.75 percent against the Kenyan Shilling (KES), a reversal from the 6.89 percent gain recorded in the corresponding period of 2023. It also depreciated by 12.85 percent against the Tanzanian Shilling (TZS) after a 9.78 percent loss in December 2023. Additionally, the Franc weakened by 5.37 percent against the Burundian Franc (BIF), following a 14.13 percent appreciation recorded the previous year.

The high depreciation of the Rwandan Franc (FRW) against the Kenyan Shilling (KES) can be attributed to increased foreign exchange inflows into Kenya, monetary policy adjustments, the Kenyan Government's Eurobond buyback, and foreign exchange market reforms. Meanwhile, the Ugandan Shilling was strengthened by higher inflows from coffee exports, foreign direct investment in oil and gas, and increased tourism receipts. Despite these fluctuations in the foreign exchange market, gross official reserves remained sufficient, at 5.4 months of import cover as of December 2024.

In nominal effective terms, the Rwandan Franc depreciated against a weighted average of 31 currencies from the main trading partners. By the end of December 2024, it had depreciated 7.2 percent, down from 10.5 percent depreciation in December 2023. Regarding the 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.

Chart 10: Drivers of REER movement



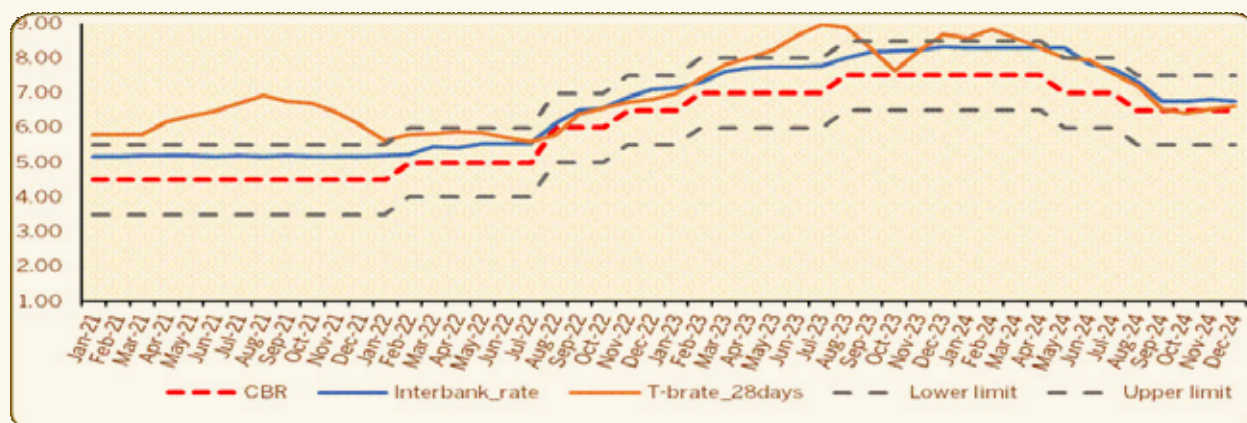
Source: National Bank of Rwanda

II.4 Domestic credit conditions

Money market interest rates followed the trend of the central bank rate.

Money market rates continued to decline in 2024Q4, following the Central Bank's cumulative 100 basis point rate cuts in May and August 2024. These policy decisions were based on forecasts indicating stable inflation within the target range over the policy horizon. Following this reduction, money market rates aligned with the central bank's easing stance, with the interbank rate declining by 147 basis points to an average of 6.78 percent in 2024Q4, down from 8.25 percent in 2023Q4.

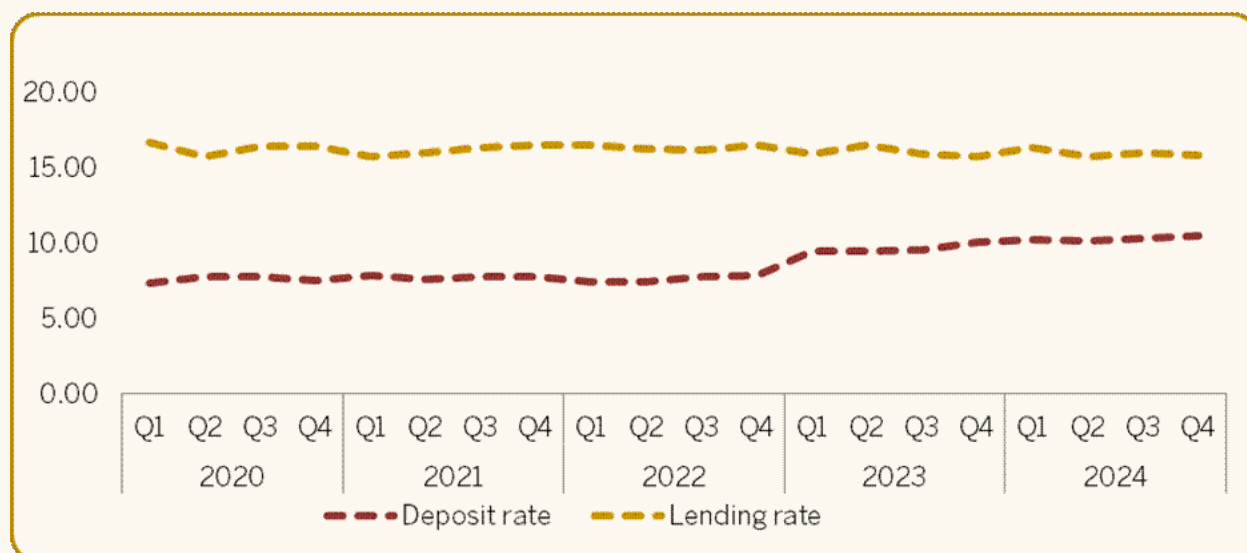
Chart 11: Money market rates developments



Source: National Bank of Rwanda

Conversely, the average deposit rate rose by 45 basis points to 10.50 percent in 2024Q4, up from 10.05 percent in 2023Q4, reflecting a bigger share of long-term deposits. Similarly, the average lending rate saw a slight increase of 7 basis points to 15.85 percent, compared to 15.78 percent recorded in the previous year. This rise was largely driven by a higher proportion of short-term corporate loans, which tend to carry higher interest rates.

Chart 12: Market interest rates (percent average)



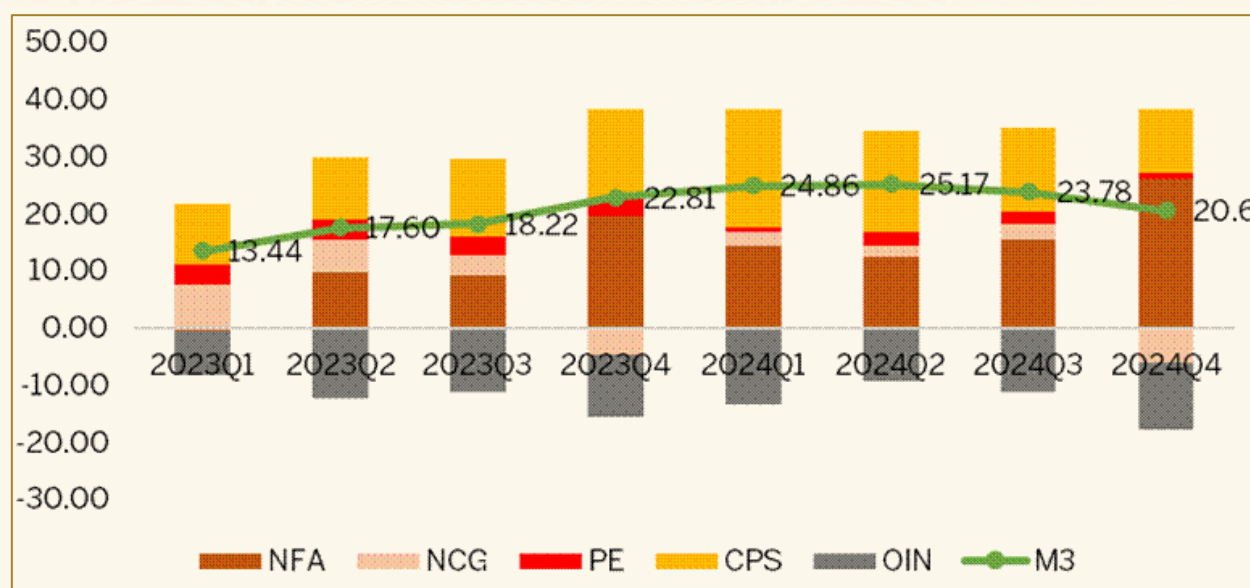
Source: National Bank of Rwanda

Broad money (M3) continued its upward trend, supported by the expansion of Net Foreign Assets (NFA) and Credit to the Private Sector (CPS).

In 2024, M3 expanded by 20.60 percent year-over-year, slightly lower than the 22.81 percent increase recorded in 2023. This expansion was largely driven by robust growth in the NFA, which surged by 52.6 percent year-on-year in December 2024, accelerating from the 47.2 percent increase recorded in the previous year.

Growth in Credit to the Private Sector (CPS) also contributed notably, with outstanding CPS rising by 14.3 percent by December 2024, compared to a 19.9 percent increase a year earlier. This moderation reflected developments in New Authorized Loans (NALs), which continued to support private sector credit growth, albeit at a slower pace than in 2023.

Chart 13: Contributions to M3 growth

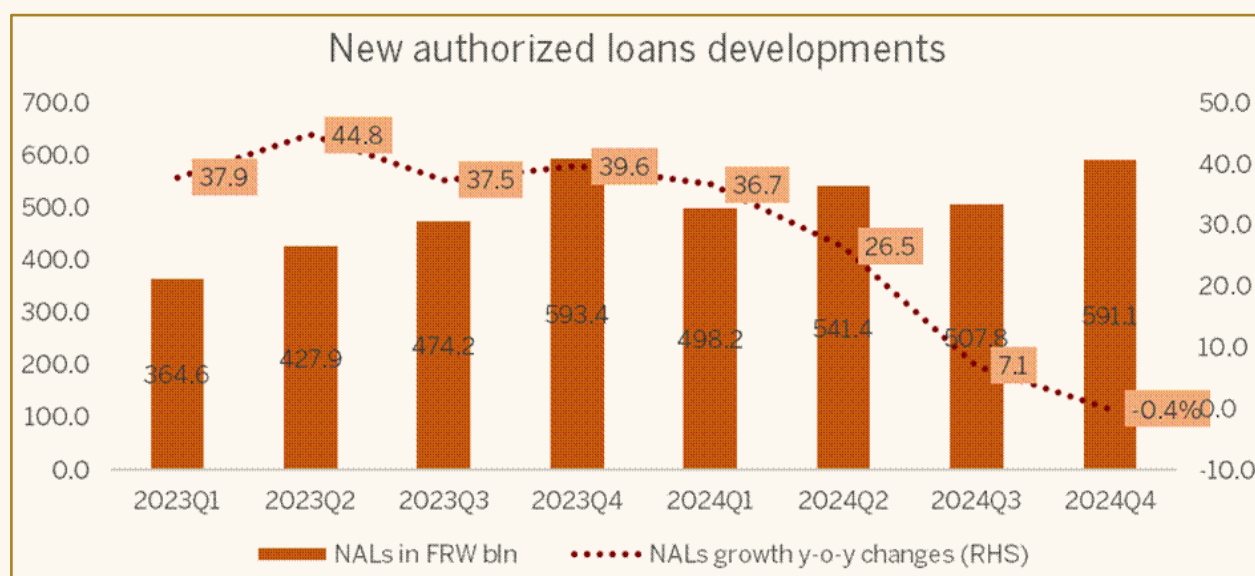


Source: National Bank of Rwanda

New authorized loans grew by 16.4 percent in 2024Q4, a slower pace compared to the 25.1 percent increase recorded in the previous quarter, and slightly declined by 0.4 percent year-on-year, owing to base effects. The top four sectors financed during the fourth quarter accounted for 81.3% of total NALs. These were Wholesale and Retail Trade, Repair of Moto Vehicles & Motorcycles (31.1 percent), Activities of Households as Employers (26.6 percent), Construction (18.6 percent), Manufacturing (5.1 percent).

The distribution of loans by maturity revealed a continued dominance of short-term loans, accounting for 49.4 percent of total loans authorized in 2024Q4. Long-term loans represented 34.1 percent and medium-term loans accounted for 16.2 percent. The higher short-term loans reflect the sustained high demand for working capital, particularly from businesses in Wholesale & Retail Trade, Repair of Motor Vehicles & Motorcycles, and Manufacturing sectors.

Chart 14: New Authorized Loans Developments



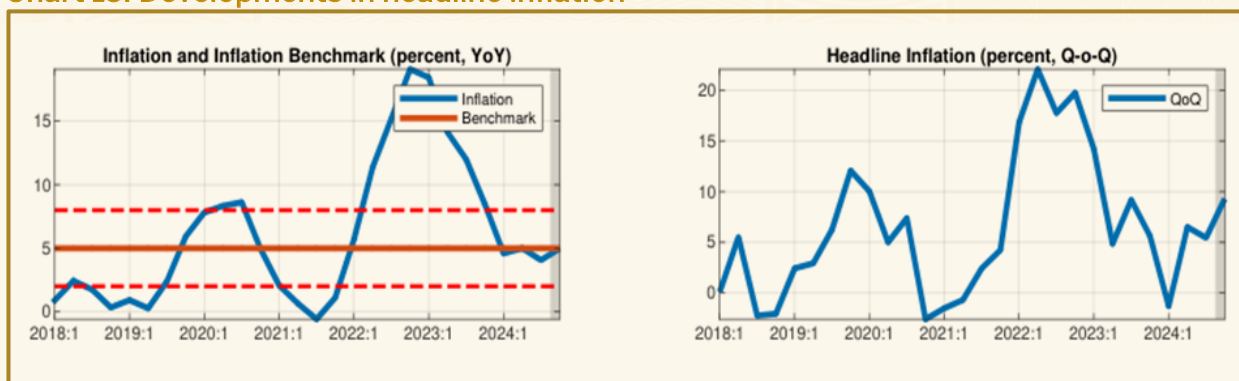
Source: National Bank of Rwanda

II.5 Prices developments

Headline inflation increased in 2024Q4, reflecting the rise in core and fresh food inflation, albeit the decrease in energy inflation.

In 2024Q4, year-on-year headline inflation increased to 5.2 percent, up from 4.1 percent in the previous quarter, due to increases in core and fresh food inflation, despite a fall in energy inflation. Core inflation increased slightly to 5.4 percent from 5.3 percent, and fresh food inflation rose to 5.6 percent from 0.2 percent in the previous quarter. This rise outweighed the decrease in energy inflation, which fell to 1.2 percent from 5.0 percent. The slight increase in core inflation was mainly driven by an increase in core housing inflation and core alcoholic beverages, which offset the fall in core food inflation and core transport inflation. Fresh food inflation surged primarily due to the base effect of lower prices recorded in the same period last year, particularly for fresh vegetable products, outweighing the impact of the agricultural harvest from Season A 2025. Conversely, energy inflation declined as both liquid and solid fuel prices fell.

Chart 15: Developments in headline inflation

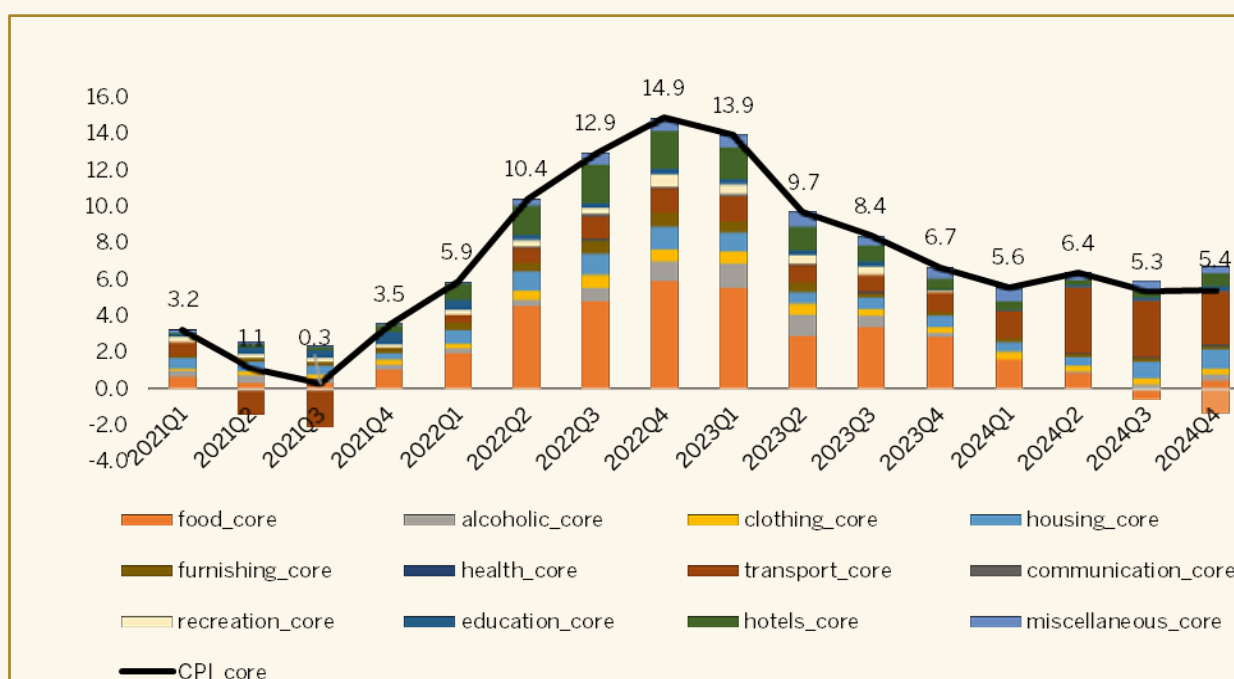


Source: National Bank of Rwanda

Core inflation slightly increased (to 5.4 percent from 5.3 percent), due to the increase in core housing, which offset the decrease in core food and core transport inflation.

The slight increase observed in core inflation (year-over-year) stems from increased pressure in core housing inflation (to 4.9 percent from 4.3 percent), and core alcoholic beverages inflation (to 7.3 percent from 6.1 percent), which offset the decreases observed in core food inflation (to -2.8 percent from -1.6 percent), and core transport inflation (to 20.8 percent from 22.1 percent).

Chart 16: Contributors to core inflation (y-o-y, Percentage change)

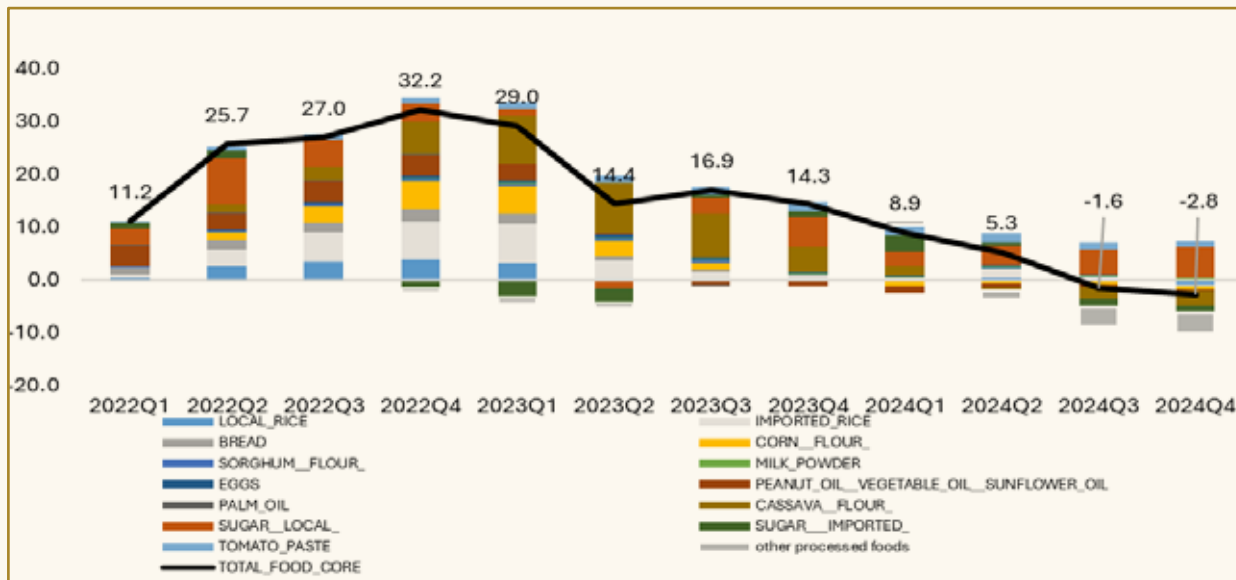


Source: National Bank of Rwanda

The increase in core housing inflation reflects the base effects observed in the prices of housing materials and maintenance services. Meanwhile, the increase in core alcoholic beverages inflation was driven by higher input costs, and increased demand during the end-

of-year festive season. In contrast, the decrease in core food inflation reflects falling prices for processed food items such as rice and cassava, which aligns with the improved supply conditions in both global and domestic markets coupled with base effects. Over the same period, core transport inflation decreased due to the base effect of higher prices recorded in the same period last year for transport services.

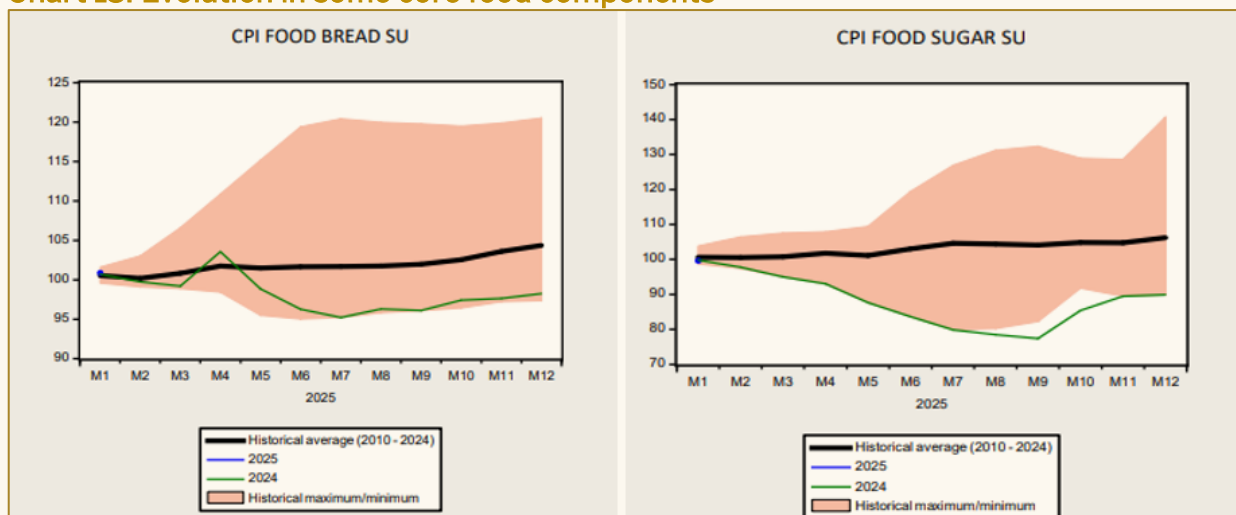
Chart 17: Contributors to core food inflation (y-o-y, Percentage change).



Source: National Bank of Rwanda

Core food items, including sugar, bread, and cereals, prices are below historical averages due to reduced inflationary pressures because of both international and domestic markets.

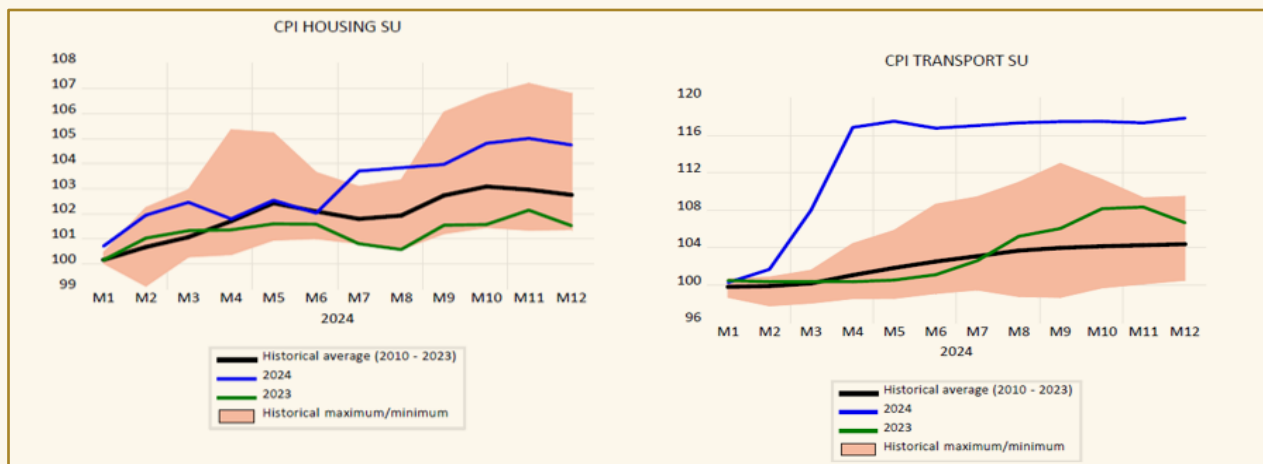
Chart 18: Evolution in some core food components



Source: National Bank of Rwanda

In 2024Q4, core housing and core transport prices remained above last year's levels and the historical average, primarily due to increased housing maintenance and transport services costs, respectively.

Chart 19: Other core components inflation indicated an increase.

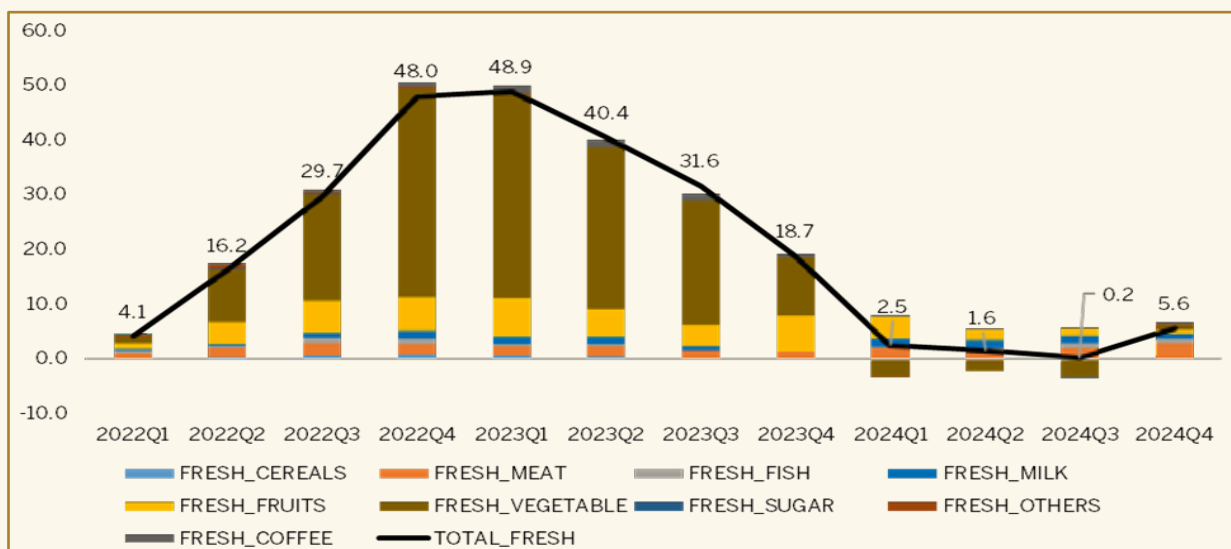


Source: National Bank of Rwanda

In 2024Q4, fresh food inflation rose mainly due to the base effect of lower prices recorded last year in the same period despite some harvest of fresh food items.

The increase in fresh food inflation in 2024Q4 resulted mainly from the increase in vegetable inflation, which climbed to -0.8 percent from -7.3 percent in the previous quarter. This increase in fresh vegetables inflation is attributed to the base effect of lower prices recorded in the same period last year, which offset the increased supply of some fresh food items such as beans, cassava, Irish potatoes, tomatoes, carrots and green peas towards the end of the year.

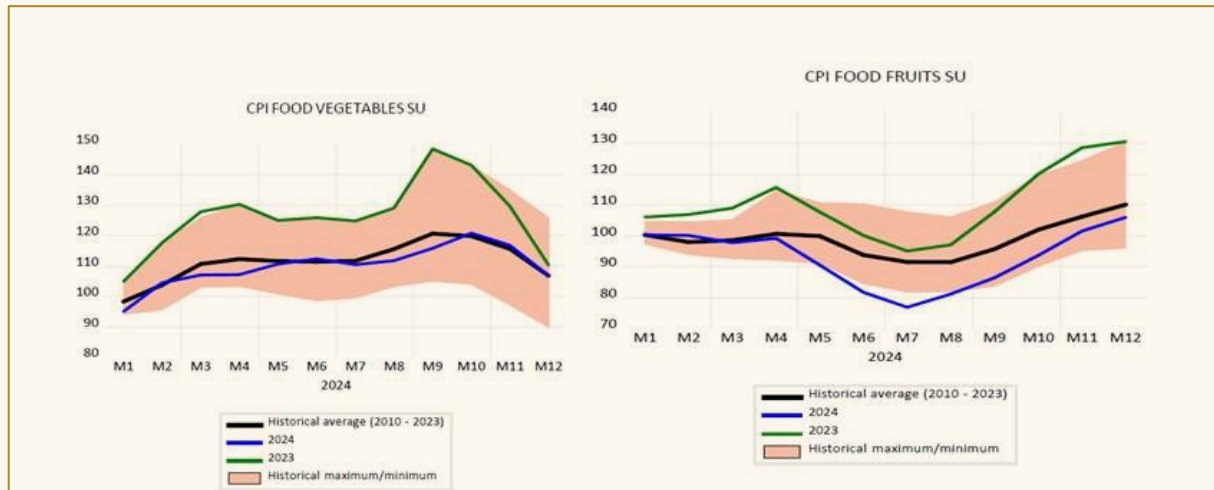
Chart 20: Contributors to fresh foods inflation (y-o-y)



Source: National Bank of Rwanda

Compared to historical performance, last year's price indices for fresh fruits and vegetables remained below historical averages, reflecting recent improvements in agricultural production.

Chart 21: Evolution in some fresh food components

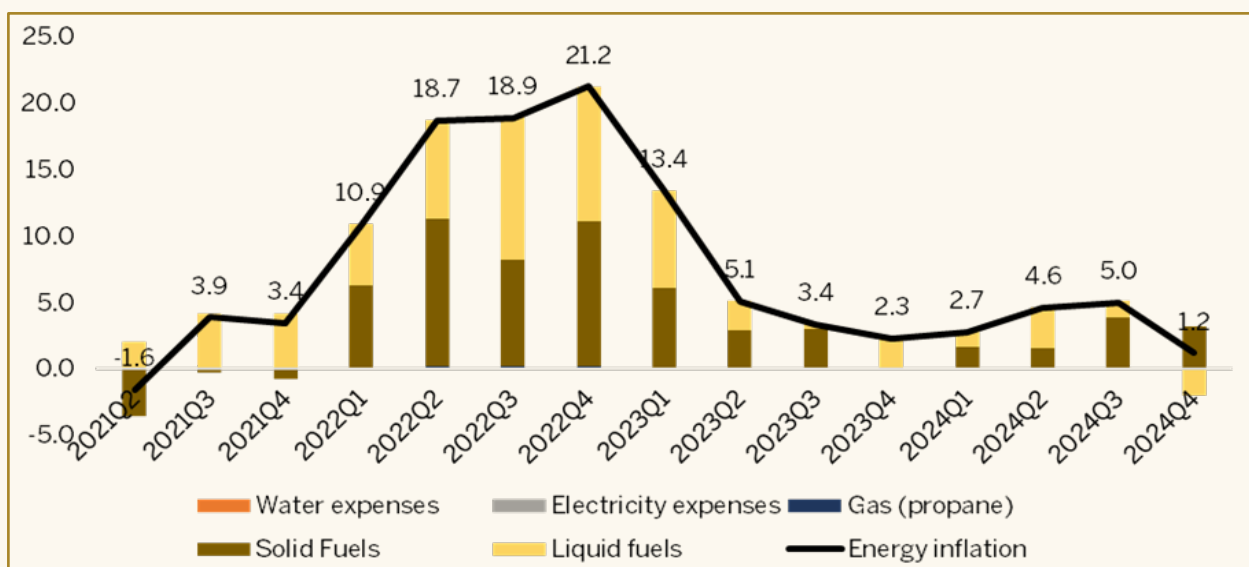


Source: National Bank of Rwanda

Energy inflation (y-o-y) dropped in 2024Q4, primarily driven by the decrease in solid and liquid fuel inflation.

In 2024Q4, year-on-year energy inflation dropped, primarily due to the fall in liquid fuel inflation (to -7.9 percent from 4.9 percent) and solid fuel inflation (to 5.5 percent from 6.3 percent). The fall in solid fuel inflation reflects a conducive period for charcoal production. In contrast, the decline in liquid fuel inflation reflects the downward revision of local pump prices, effective October 8, 2024, aligned with global oil price trends.

Chart 22: Contributors to energy inflation (y-o-y)

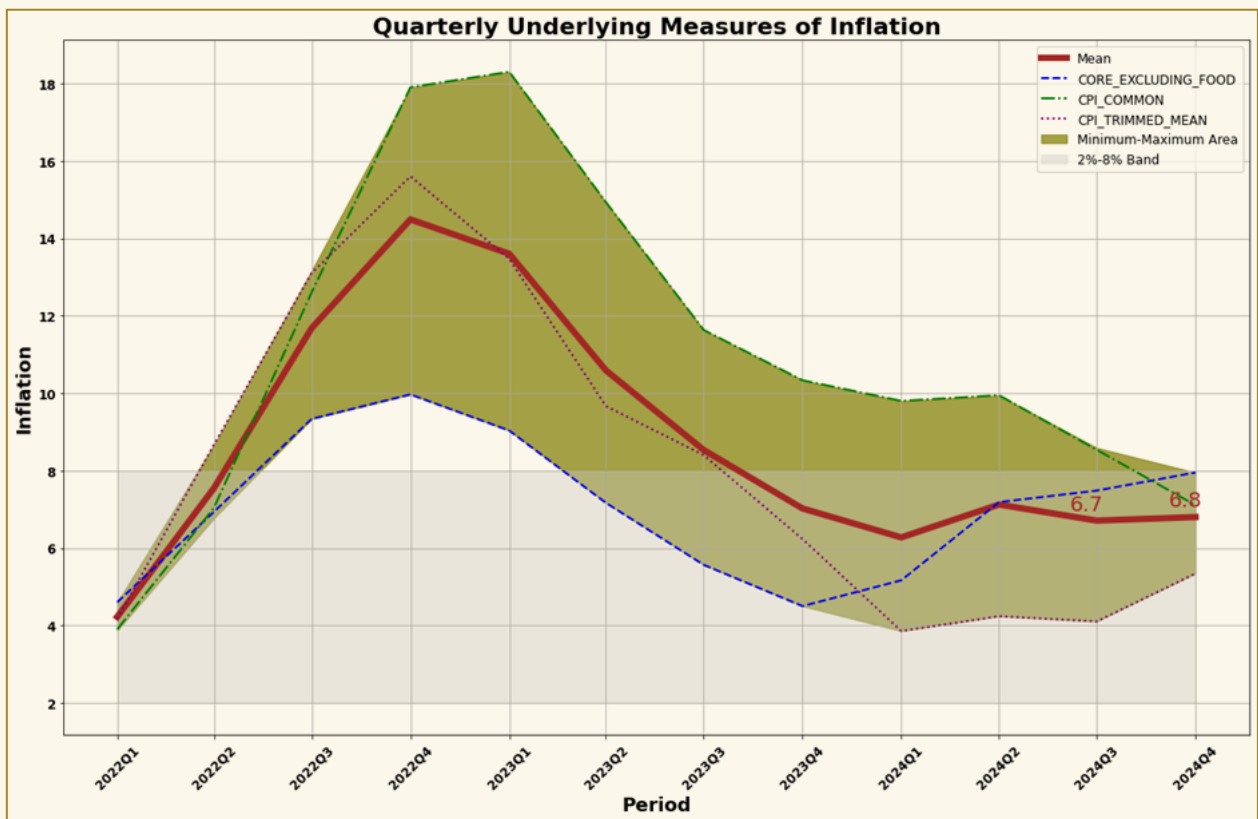


Source: National Bank of Rwanda

The underlying measures of inflation indicate a slight increase in inflation.

In 2024Q4, the mean² of the underlying measures of inflation slightly increased to 6.8 percent from 6.7 percent in 2024Q3, mainly reflecting the increase in core housing and core education inflation. Core inflation, excluding foods and beverages, slightly increased to 8.0 percent in 2024Q4 from 7.5 percent in the previous quarter. Similarly, the trimmed mean increased to 5.3 percent from 4.1 percent, while common CPI fell to 7.1 percent from 8.5 percent.

Chart 23: Indicators of underlying inflation in year-on-year terms.



Source: National Bank of Rwanda

² Mean here refers to the average of 3 underlying measures of inflation, namely, trimmed mean, CPI common and CPI core excluding food, beverages and energy.

III. INFLATION OUTLOOK

III.1. Forecast assumptions.

The global economy remains subdued over the policy horizon, limiting the stimulus to the domestic economy.

According to the World Economic Outlook (WEO) released in January 2025, global growth is projected to stabilise at 3.3 percent in 2025 and 2026, which is below the historical average of 3.7 percent recorded between 2000 and 2019. The 2025 projection remains unchanged from the October 2024 WEO, as an upward adjustment for the United States offsets declines in other major economies. The pace of economic expansion, mainly for the USA and the Eurozone, is expected to remain sluggish compared to historical trends, primarily due to persistent high borrowing costs that continue to weigh on growth, while deteriorating fiscal positions further constrain economic stability. Additionally, the lingering effects of the war in Ukraine also continue to contribute to global economic challenges. Consequently, the anticipated subdued global economic performance implies weaker external stimulus for the domestic economy.

Global inflation is expected to evolve closer to target levels, implying a moderate impact on domestic inflation.

The IMF's October 2024 WEO update projects global inflation to decline to 4.2 percent in 2025 and further to 3.5 percent in 2026, with advanced economies expected to return to their inflation targets sooner than emerging market and developing economies. The decline in global inflation will reflect reduced cost pressures, the impact of previous monetary policy decisions, stable global demand, and an anticipated downward trend in commodity prices. Specifically, the inflation for the US and Eurozone economies is projected to converge towards the 2.0 percent target level over the medium term.

Inflation in the U.S. and the Eurozone is projected to gradually converge toward the 2.0 percent target over the medium term. In the U.S., inflation is expected to ease from an estimated 2.5 percent in 2024 to around the Federal Reserve's long-run goal of 2.0 percent in 2027, stabilizing thereafter. Similarly, in the Eurozone, inflation is projected to align with the ECB's 2.0 percent inflation target from the second quarter of 2025 onward, as cost pressures ease and the effects of past monetary policy decisions gradually filter through to consumer prices. Once these disinflationary trends materialize, the impact of global inflation on imported goods is likely to be neutral.

Commodity prices are expected to continue following a downward trend over the medium term, exerting less pressure on imported inflation.

The projected declines in commodity prices mainly reflect the expected reductions in foods and energy prices. In the food sector, downward trends are anticipated in key sub-indexes, such as grains, oils and meals, due to the expected abundant food supply. In contrast, the fall in the price of oil per barrel (\$/barrel) is likely to originate from the enough supply and weaker demand for energy products, particularly in China.

However, the outlook is subject to several risks. On the upside, extreme weather events, higher biofuel mandates, and escalating global geopolitical tensions could exert upward pressure on prices. On the downside, lower-than-expected energy prices could further drive food prices down. Given the aforementioned outlook on commodity prices (food and energy), easing trends in global commodity prices is likely to exert minimum pressures on domestic inflation, ceteris paribus.

III.2. Projections of the key macroeconomic indicators.

The inflation projections are largely influenced by the anticipated easing in domestic production costs, which are expected to remain muted throughout the medium term. However, imported costs are expected to persist in 2025 before easing in 2026.

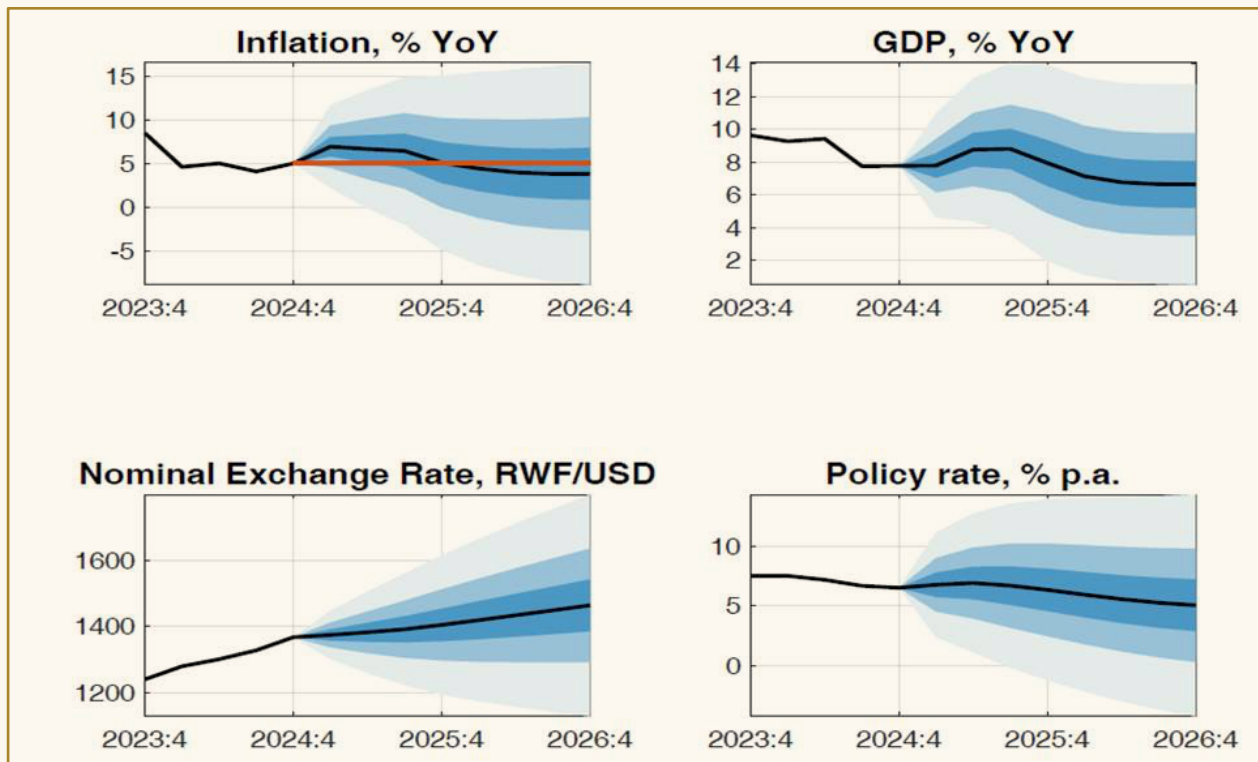
Core inflation is projected to remain elevated until 2025Q4, after which it is expected to follow a gradual downward trend through 2026. This trajectory will be shaped by persistent import costs pressures in 2025, which are projected to ease in 2026. Additionally, domestic production costs are expected to remain positive, contributing to the overall path of core inflation.

Energy inflation pressures are expected to remain elevated throughout 2025, in line with the projected pressures from international oil prices and domestic demand. However, pressures are expected to ease in 2026. Conversely, food inflation is projected to follow a downward trend in 2025 but may experience a slight rebound toward the end of 2026, primarily due the anticipated path from the normalization of agricultural production.

According to projections from the Monetary Policy Committee, headline inflation is expected to remain within the benchmark range of 2.0 to 8.0 percent, standing at 6.5 percent in 2025 before declining to 4.1 percent in 2026. These projections consider recent domestic economic trends, external factors—including global economic conditions, foreign inflation, and global commodity price movements (food and energy)—as well as other key macroeconomic variables.

The following figure illustrates projections for key domestic macroeconomic variables over the policy horizon.

Chart 24: Projections of key macroeconomic Indicators (y-o-y)





Source: National Bank of Rwanda



Risks to the baseline projections.

Current projections highlight potential risks arising from domestic and external factors. Domestically, unfavorable weather conditions could negatively impact agricultural production, leading to supply constraints and upward pressure on food prices. Externally, global geopolitical tensions could disrupt supply chains for key commodities, potentially driving up energy and food prices and increasing costs for imported goods.



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