NATIONAL BANK OF RWANDA
BANKI NKURU Y'U RWANDA

MONETARY POLICY REPORT

MAY 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.

CONTENTS

I. MONETARY POLICY COMMITTEE DECISION, OUTLOOK, AND RISKS

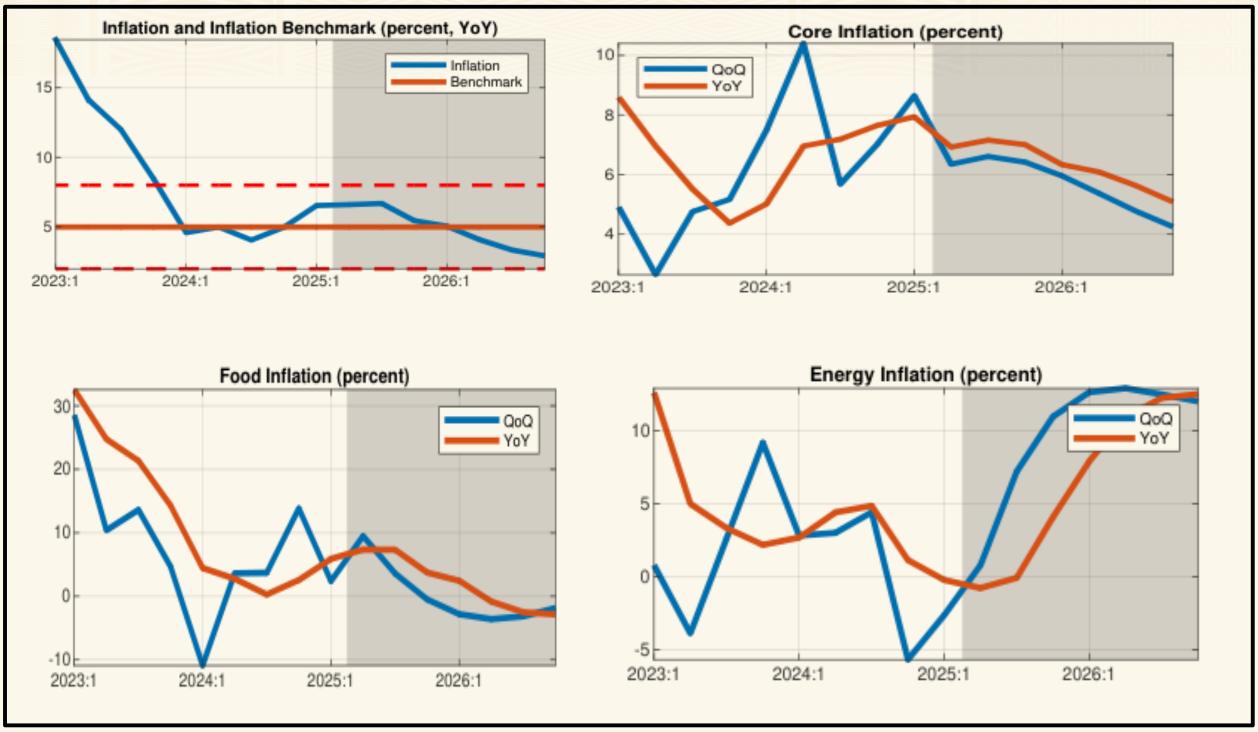
The Monetary Policy Committee (MPC) convened on 14th May 2025, to assess the impact of previous monetary policy decisions, review recent global and domestic economic developments, and determine the Central Bank Rate (CBR) for the upcoming quarter. Headline inflation (y-o-y) is projected to rise in the short term, substantiated by pressures mainly in core and food inflation components. However, headline inflation in both the near term and medium term will remain within the 2-8 percent target, implying the effects of past monetary policy decisions by the National Bank of Rwanda, other government policies, and the projected declining prices for major international commodities.

Over the medium term, headline inflation is projected to average 6.5 percent in 2025 before easing to 3.9 percent in 2026. Core inflation is expected to remain elevated until the second quarter of 2026, after which it is projected to gradually decline through the end of 2026. Similarly, food 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.

Energy inflation (y-o-y) is projected to follow an upward trend in 2025 due to positive pressures from international oil prices and domestic costs of production, but it will stabilize towards the end of 2026. These projections are, however, prone to risks, including geopolitical tensions and heightened uncertainties from trade policy shifts.

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 deemed appropriate and fit to support price stability.

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


Inflation and Inflation Benchmark (percent, YoY)
Inflation
Benchmark
15
10
5
2023:1
2024:1
2025:1
2026:1
Core Inflation (percent)
QoQ
YoY
10
8
6
4
2023:1
2024:1
2025:1
2026:1
Food Inflation (percent)
QoQ
YoY
30
20
10
0
-10
2023:1
2024:1
2025:1
2026:1
Energy Inflation (percent)
QoQ
YoY
10
5
0
-5
2023:1
2024:1
2025:1
2026:1

II. CURRENT ECONOMIC CONDITIONS

Summary

Global economic growth is projected to slow in 2025 and remain below the historical annual average of 3.8 percent observed between 2000 and 2019. Growth projections for advanced economies have been revised down by 0.5 percentage points, reflecting a 0.9 percentage point downward revision for the United States, 0.2 percentage points for the Euro area, and a 0.5 percentage point downgrade for the United Kingdom, primarily due to greater policy uncertainty, trade tensions, and a weaker demand outlook.

Global commodity prices are projected to decline sharply in 2025 consistently with the slowdown in global demand. Both energy and non-energy commodity prices are projected to decline in 2025 and drop further in 2026. A sharper than expected slowdown in global growth driven by worsening trade relations or a prolonged tightening of financial conditions could further depress commodity demand, especially for industrial products.

Globally, inflation is easing with a remarkable reduction in advanced economies, and projected to continue easing in 2025, but remains above pre-pandemic levels of 3.4 percent in 2017-19. The forecast for 2025 has been upgraded, with notable upward revisions for advanced economies and a slight downward revision for emerging market and developing economies.

At the beginning of the second half of 2024, major central banks began lowering their policy rates in response to falling inflation. By end March 2025, the US dollar had depreciated by 4.61 percent (y-o-y); against the Japanese Yen; by 4.29 percent against the Euro; by 3.12 percent against the British pound, and by 0.58 percent against the Chinese Yuan. The US dollar weakening is in response to the US imposed tariffs on its trading partners

Rwanda's economic performance for 2025Q1 has been strong, with robust momentum from 2024 continuing this year. The Composite Index of Economic Activities (CIEA), with a growth of 9.3 percent in 2025Q1, demonstrates strong economic activity at the beginning of the year, underpinned by solid performance in the services and industrial sectors.

In the first quarter of 2025, merchandise exports declined by 3.0 percent compared to the same period in the previous year. This was mainly due to a drop in re-exports, driven by lower regional demand. In contrast, demand for both traditional and non-traditional export commodities increased. Merchandise imports grew by 5.8 percent, primarily driven by strong domestic demand for raw materials to support local industries and for vehicles. This growth underscores the robust performance of domestic economic activities. Consequently, the trade deficit widened by 10.8 percent during the first quarter.

Money market interest rates declined in 2025Q1 in response to the downward trend in the central bank rate. The interbank rate declined consistently by 151 basis points, reaching 6.78 percent in the first quarter of 2025 compared to the same period in 2024. 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 weighted average deposit rate declined by 83 basis points to 9.45 percent in 2025Q1, down from 10.29 percent in 2024Q1. Similarly, the weighted average lending rate reduced by 46 basis points, bringing it to 15.89 percent in 2025Q1 from 16.35 percent in 2024Q1.

In 2025Q1, headline inflation (year-on-year) increased to 6.7 percent from 5.2 percent in the previous quarter, due to the increase in core and fresh food inflation. Over the same period, energy inflation (year-on-year) decelerated. The slight increase in core inflation was mainly driven by an increase in core restaurants and hotels' inflation, reflecting higher input costs for restaurants as well as accommodation services, which offset the fall in core housing and core transport inflation. Fresh food inflation surged primarily due to the base effect of lower fresh vegetable prices recorded last year in the corresponding period. Conversely, energy inflation declined because of the decrease in solid fuel prices that offset the increase in liquid fuel prices.

II.1. Global Economy and Financial Markets

The global economy is projected to decelerate in 2025 following escalating trade tensions as well as extremely high levels of policy uncertainty

According to the April 2025 projections of the International Monetary Fund (IMF)'s World Economic Outlook (WEO), global economic growth is projected to slow to 2.8 percent in 2025 from 3.3 percent recorded in 2024, amid policy shifts and new uncertainties. The growth projection is marked down by 0.5 percentage points relative to January 2025 WEO update, reflecting downward revision for both advanced economies and emerging market and developing economies.

The downgrades are broad-based across countries and reflect the direct effects of the new trade measures and their indirect effects through trade linkage spillovers, heightened uncertainty, and deteriorating sentiment. The growth impact of tariffs in the short term varies across countries, depending on trade relationships, industry compositions, policy responses, and opportunities for trade diversification.

Compared to the January 2025 WEO update, growth projections for advanced economies have been revised down by 0.5 percentage points, reflecting a 0.9 percentage point downward revision for the US, 0.2 percentage points for the Euro area, and 0.5 percentage points for the United Kingdom.

In the US, growth is projected to slow to 1.8 percent in 2025 from 2.8 percent recorded in 2024, amid policy uncertainty. Relative to January 2025 WEO update, US forecasts have been revised down by 0.9 percentage points, on account of greater policy uncertainty, trade tensions, and a softer demand outlook, given slower-than-anticipated consumption growth. Tariffs are also expected to weigh on growth in 2026, which is projected at 1.7 percent amid moderate private consumption.

In the Euro Area, growth is projected to slow to 0.8 percent in 2025 after 0.9 percent recorded in 2024, Rising uncertainty and tariffs are the key drivers of the subdued growth in 2025. In 2026, growth is set to slightly increase to 1.2 percent. Offsetting forces that support the modest pickup in 2026 include stronger consumption on the back of rising real wages and a projected fiscal easing in Germany.

In the United Kingdom, growth is expected to slow to 1.1 percent in 2025, marking a 0.5 percentage points downward revision from the January 2025 update. This reflects a smaller carryover from 2024, the impact of recent tariff announcements, an increase in gilt yields, and weaker private consumption amid higher inflation, because of regulated prices and energy costs.

In Japan, growth is projected to decelerate to 0.6 percent in 2025, marking a downgrade of 0.5 percentage points relative to the January 2025 WEO forecast. The effect of tariffs announced on April 2 and associated uncertainty offset the expected strengthening of private consumption, with above inflation wage growth boosting household disposable income.

Emerging market and Developing economies (EMDEs) are projected to decelerate to 3.7 percent in 2025 from 4.3 percent recorded in 2024. Compared to the January 2024 WEO update, growth projections are marked down by 0.5 percentage points, following downgrades for all five regions of the block.
In China, growth is projected to slow to 4.0 percent in 2025 after 5.0 percent recorded in 2024. The forecast has been downgraded by 0.6 percentage points relative to the January 2025 update. This reflects the impact of recently implemented tariffs, which offset the stronger carryover from 2024, and fiscal expansion in the budget. Growth in 2026 is also revised downward by 0.5 percentage points to 4.0 percent on the back of prolonged trade policy uncertainty and the tariffs now in place.

In Sub-Saharan Africa, GDP growth is projected to decelerate from 4.0 percent in 2024 to 3.8 percent in 2025, following projected low growth for Nigeria and South Africa. Compared to the January 2025 update, the regional forecast has been downgraded by 0.4 percentage points, following a 0.2 percentage points downgrade for Nigeria to 3.0 percent in 2025 after 3.4 percent in 2024, owing to lower oil prices.

The East African Community (EAC[1]-5) economy is projected to grow by 5.5 percent in 2025, up from 5.4 percent recorded in 2024. Relative to the October 2024 WEO projections, EAC forecasts have been revised down by 0.4 percentage points, reflecting mainly a downward revision for Uganda by 1.4 percentage points, despite an upward revision of 0.6 percentage points for Rwanda, and unchanged forecasts for other member countries.

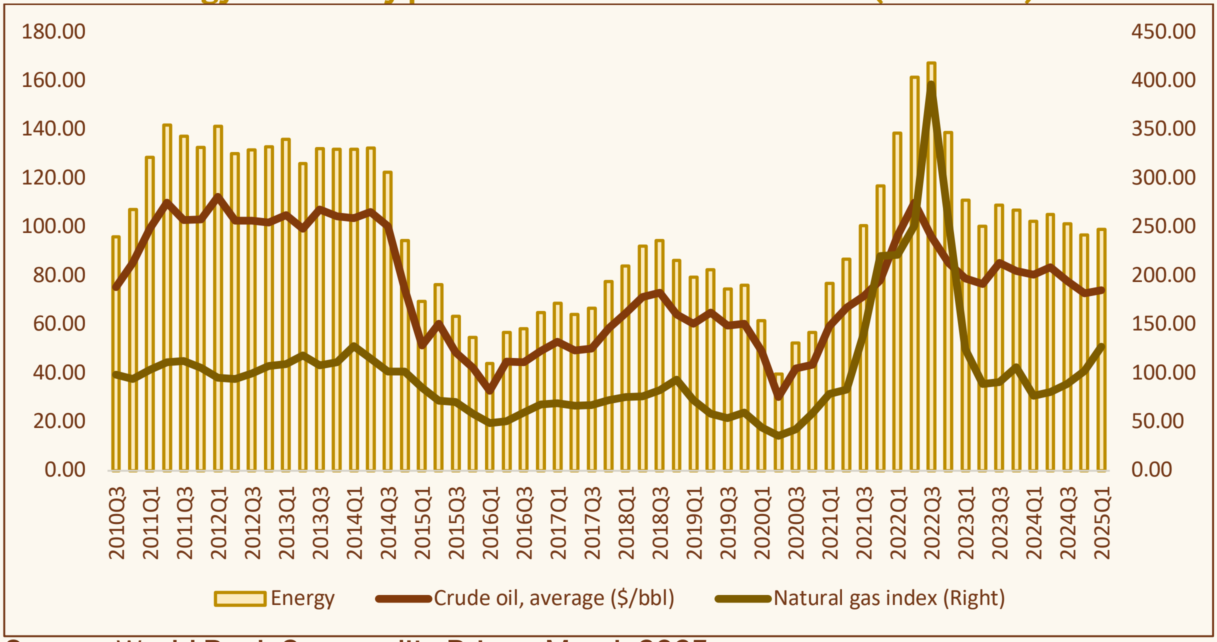
Commodity prices are projected to decline in 2025 and 2026 inline with falling global demand

In 2025Q1, the global commodity price index increased by 2.1 percent, quarter-over quarter, following a 1.5 percent decrease in 2024Q4. It is projected to decrease by 12.4 percent in 2025, after a 2.7 percent drop in 2024, largely due to weakening global demand. The energy price index also rose by 2.4 percent in 2025Q1 after a 4.4 percent drop in 2024Q4, driven by higher crude oil prices, which account for nearly 85 percent of the global energy index. On annual basis, the energy price index is projected to decrease sharply by 17.4 percent in 2025 and drop

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

further by 5.8 percent in 2026, following a 5.1 percent drop in 2024. These energy projections assume that there are no protracted trade disruptions in energy commodities. In addition, a substantial share of the voluntary OPEC+ production cuts agreed in late 2023 is assumed to remain in place throughout 2025, despite the organization recently announcing a significant production increase.

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



Source: World Bank Commodity Prices, March 2025

In 2025Q1, average crude oil prices increased by 1.9 percent following a 6.5 percent drop in 2024Q4, following increased demand from non-OPEC countries, particularly China and India. According to the World Bank April 2025 Commodity Market Outlook forecast, brent crude oil prices are projected to fall sharply by 20.7 percent in 2025, and drop further by 6.3 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 main cause of weak oil demand growth is the continued decrease in the oil intensity of global economic activity, partly driven by the increasing adoption of electric vehicles. In China, the world's largest auto market, more than 40 percent of new cars purchased in 2024 are estimated to have been battery-powered or hybrid vehicles, almost three times the share in 2021.

The natural gas index rose by 24.2 percent in 2025Q1, building on a 15.5 percent increase in 2024Q4, due to longer heating season than expected. The World Bank projects natural gas average prices to increase by 4.6 percent in 2025, following a 15.0 percent decrease in 2024, partly reflecting spiking prices in 2025Q1. This anticipated rise is also driven up by colder-than-expected weather and the halt of Russian gas flow to Europe through Ukraine since January.

Non-energy commodity prices increased by 1.4 percent in Q1 2025, after a 3.8 percent increase in Q4 2024, largely due to price increase across all non-energy commodity prices. According to the World Bank April 2025 CMO forecast, non-energy commodity prices are projected to decrease by 3.3 percent in 2025 and 3.1 percent in 2026, following projected decline across all non-energy components.

In 2025Q1, average prices for agricultural commodities rose by 1.3 percent following a 4.6 percent rise in 2024Q4, primarily due to an increase in beverages prices, and prices are projected to surged to 19.7 percent in 2025 mainly owing to adverse weather limiting supplies of cocoa in West Africa and coffee in Brazil. Arabica coffee prices rose by 26.4 percent in 2025Q1 following a 16.2 percent increase in 2024Q4 due to reduced supply driven by climate related factors in key regions such as in Vietnam. Coffee prices are projected to increase by 51.2 percent in 2025, following a 23.8 percent rise in 2024.

Food prices dropped by 2.5 percent in 2025Q1- of which, cereals (-0.96 percent), oils and meals (-5.36 percent), and other foods (-0.42 percent), after a 2.3 percent increase in 2024Q4, reflecting increased supplies from high production. Globally, food prices are projected to decrease by 7.0 percent in 2025, following a 7.6 percent decrease in 2024, amid favorable weather conditions.

Metals & minerals prices increased by 1.1 percent in 2025Q1 after increasing by 2.6 percent in 2024Q4. Annually, they are projected to drop by 9.8 percent in 2025, after increasing by 2.6 percent in 2024, due to an anticipated slowdown in global economic growth. Tin prices increased by 5.5 percent in 2025Q1 following a decrease of 4.5 percent in 2024Q4, driven by increased demand from the electronics sector. Tin prices are projected to increase by 3.1 percent in 2025, after increasing by 15.9 percent in 2024, owing to tightening supply conditions amid a limited pipeline of mining projects.

Fertilizer prices increased by 6.4 percent in 2025Q1 (q-o-q) following a slight increase of 1.0 percent in 2024Q4, which is in line with natural gas production as its main input. The World Bank projects fertilizers prices to rise by 7.2 percent in 2025, after decreasing by 23.4 percent in 2024.

Global inflation is expected to ease in 2025, gradually declining towards target levels for most economies

The World annual average inflation is projected to ease to 4.3 percent in 2025, down from 5.7 percent in 2024, though it remains above pre-pandemic average of 3.4 percent in 2017-19. The forecast for 2025 has been upgraded by 0.1 percentage point relative to the January 2025 WEO update, with notable upward revisions for advanced economies and a slight downward revision for emerging market and developing economies.

In advanced economies, consumer price inflation is expected to ease to 2.5 percent in 2025, down from 2.6 percent in 2024, supported by stronger monetary policy frameworks and enhanced communications, but remaining above the target in most advanced economies. Inflation forecast for 2025 has been revised upward by 0.4 percentage points relative to the January 2025 WEO update. Inflation is projected to converge back to target earlier in advanced economies, reaching 2.2 percent in 2026, Consistent with this projected easing in inflation, the Eurozone headline inflation is projected to ease to 2.1 percent in 2025, from 2.4 percent in 2024, Japan's headline inflation is expected to decelerate to 2.4 percent in 2025 from 2.7 percent in 2024. while UK's annual headline inflation is projected to increase to 3.1 percent in 2025 percent, up from 2.5 percent in 2024.
In the US, headline inflation is projected to remain stable at 3.0 percent in 2025, as forecast has been revised upward by 1.1 percentage points compared with the January 2025 WEO Update, and this reflects stubborn price dynamics in the services sector as well as a recent uptick in the growth of the price of core goods (excluding food and energy) and the supply shock from recent tariffs.

In the Emerging Market and Developing Economies, annual headline inflation is expected to ease to 5.5 percent in 2025, from 7.7 percent in 2024, Inflation forecast for 2025 has been revised upward by 0.1 percentage point relative to the January 2025 WEO update, reflecting falling energy and easing food prices. Inflation outlook has improved but not yet fully returned to pre-pandemic patterns, which is subject to high uncertainty. In particular, the effects of recently imposed tariffs on inflation across countries will depend on whether the tariffs are perceived to be temporary or permanent, the extent to which firms adjust margins to offset increased import costs, and whether imports are invoiced in US dollars or local currency.

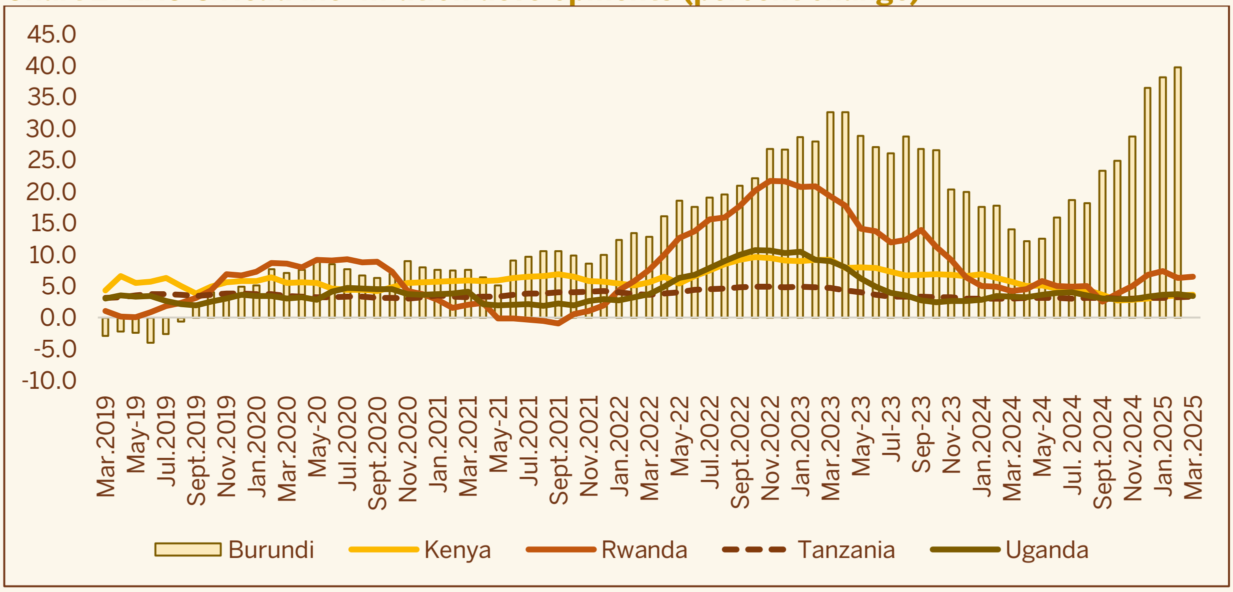
In Sub-Saharan Africa, annual headline inflation is projected to remain in double digits but on a decelerating trend, declining from 18.3 percent in 2024 to 13.3 percent in 2025, despite a slight upward revision of 0.1 percentage points compared with the January 2025 WEO update. This trend reflects persistently high inflation rates in Zimbabwe (92.2 percent), South Sudan (65.7 percent), Burundi (39.1 percent), Nigeria (26.5 percent), Malawi (24.2 percent), Angola (22.0 percent), and Ethiopia (21.5 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 slightly increase to 4.7 percent in 2025 from 4.1 percent in 2024. The forecast for 2025 has been revised down by 0.2

percentage points relative to the October 2024 projections, reflecting a downward revision of 1.2 percentage points for Kenya, offset by an upward revision of 14.0 percentage points for Burundi.

Consistent with this projected path of inflation, Rwanda's headline inflation is projected to increase to 7.0 percent in 2025 compared to 4.8 percent in 2024, Tanzania's headline inflation is projected to increase to 4.0 percent in 2025 from 3.2 percent in 2024, headline inflation for Uganda expected at 4.2 percent in 2025 compared to 3.3 percent in 2024, and annual headline inflation for Burundi is projected to surge to 39.1 percent in 2025 after 20.2 percent recorded in 2024. Kenya's inflation is projected to soften to 4.1 percent in 2025 after 4.5 percent in 2024,

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



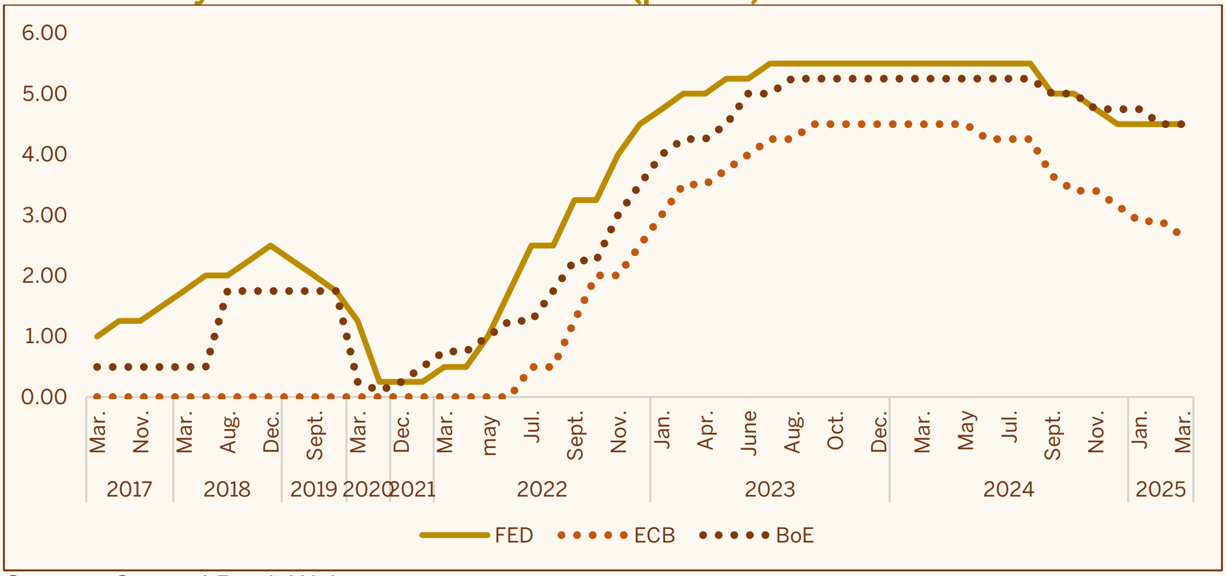
Source: Country Bureau of statistics

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 maintained the target range at 4.25 percent to 4.50 percent since 18th December 2024. The Bank of England lowered the bank rate by 25 basis points to 4.25 percent in May 2025 following the policy cut in February 2025, while the European Central Bank reduced the three key interest rates by 25 basis points, and the main reference rate reduced to 2.40 percent in April 2025.

The Federal Reserve and the European Central Bank are expected to continue to reduce interest rates in the coming quarters, albeit at different paces from one another. In the United States, the federal funds rate is projected to be down to 4 percent at the end of 2025 and reach its long-term equilibrium of 2.9 percent at the end of 2028. In the euro area, 100 basis points in cuts are expected in 2025, representing two more 25 basis point cuts than in the assumptions underlying the October 2024 WEO, bringing the policy rate to 2 percent by the middle of the year.

Chart 3- Policy rates for selected economies (percent)



Source: Central Bank Websites

On the foreign exchange market, the US dollar is depreciating against all major currencies. By end March 2025, the US dollar had depreciated by 4.61 percent (y-o-y); against the Japanese Yen; by 4.29 percent against the Euro; by 3.12 percent against the British pound, and by 0.58 percent against the Chinese Yuan. The US dollar weakening is in response to the US imposed tariffs on its trading partners.

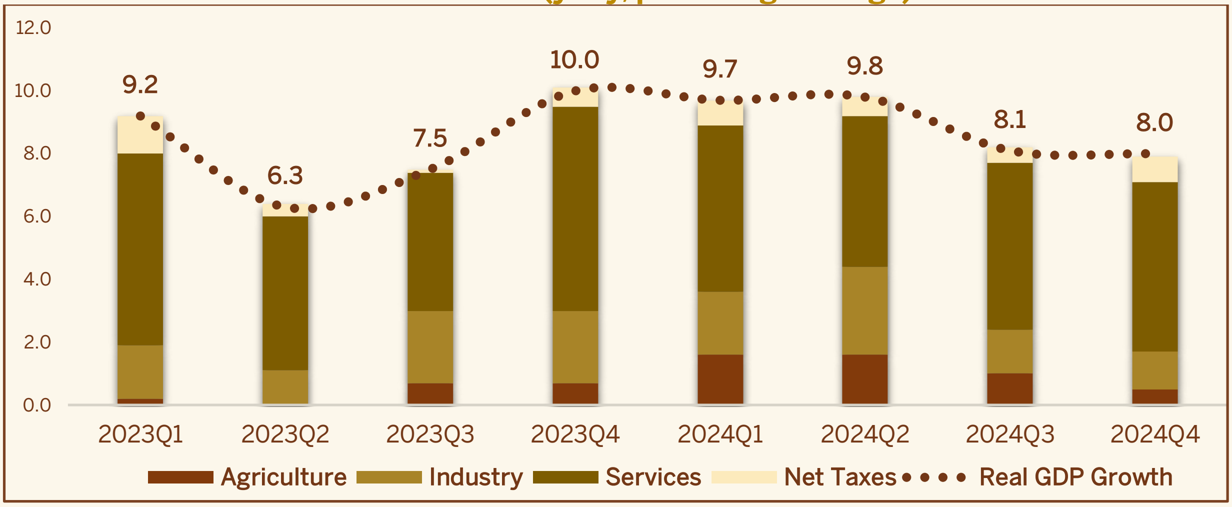
Global economy expected to impact Rwandan economy in 2025

The projected decline in crude oil prices in 2025 is expected to reduce Rwanda's domestic oil import bill. Regarding exchange rate, the current appreciation of the US dollar against the Rwandan franc is expected to negatively impact the Rwandan economy leading into high debt service and domestic currency depreciation.

II.2. Domestic economic performance and labour market

Rwanda's economy recorded a strong growth in 2024, with real GDP expanding by 8.0 percent year-over-year in the fourth quarter and 8.9 percent for the entire year, up from 8.2 percent registered in 2023 and 2022, driven by strong performances in services, industry, and a rebound in agriculture.

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



Source: National Institute of Statistics of Rwanda

The services sector was the primary driver of growth, contributing about 5.2 percentage points of the real GDP expansion and its growth of 10.3 percent in 2024 mainly resulted from strong performances in trade services (+18.2 percent), transport services (+9.4 percent), and information and communication (+24.9 percent) and hotels and restaurants (+11.0 percent).

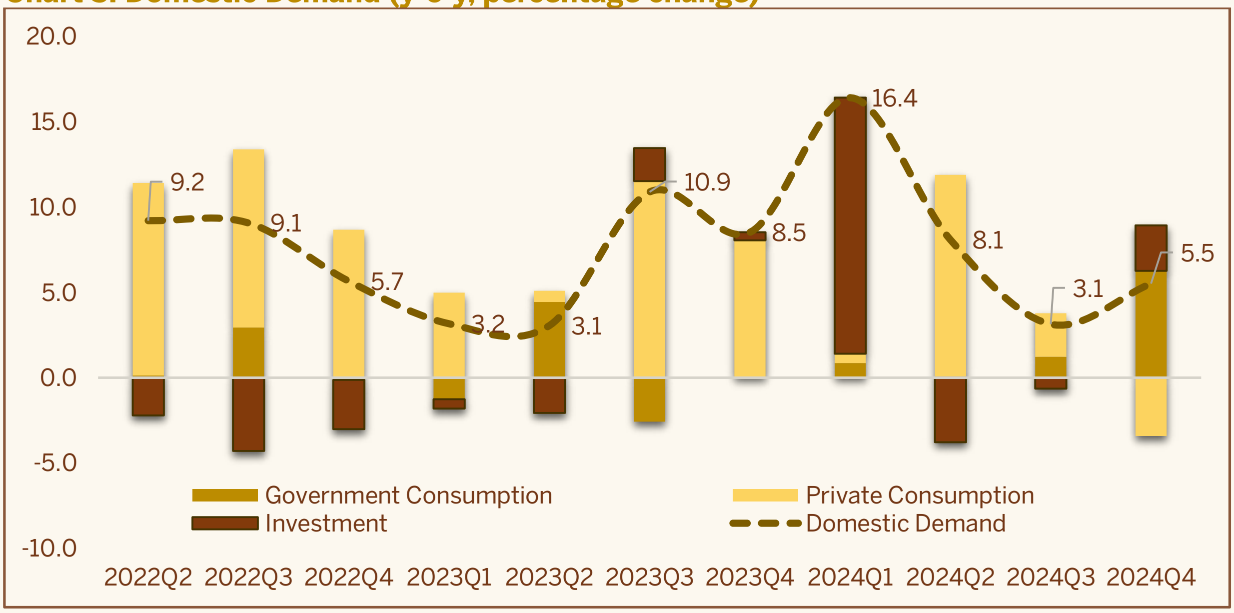
The industry sector grew by 10.0 percent, supported by construction (+11.7 percent), manufacturing (+7.4 percent), and Mining (+12.4 percent). The growth in mining was bolstered by the good prices of minerals in the international market. Manufacturing benefited from increased domestic demand, particularly for textiles, printing products, and construction materials, while ongoing infrastructure projects fueled the construction sector.

The agriculture sector rebounded from two years of weak performance, expanding by 5.3 percent in 2024. This growth was driven by improved weather conditions, an increase in cultivated land, and better accessibility to fertilisers, which contributed to a rebound in food production, rising by 5.4 percent in 2024, up from 0.0 percent and -0.9 percent in previous years 2023.

The domestic demand was driven by government consumption and investment.

Rwanda's domestic demand grew by 8.0 percent in 2024, primarily driven by investment (+16.0 percent) and government consumption (+14.8 percent). The growth in investment was largely propelled by construction activities in line with ongoing infrastructure projects. The expansion of private consumption was moderate, amounting to 4.2 percent, down from the 9.8 percent recorded in the previous year.

Chart 5: Domestic Demand (y-o-y, percentage change)



Source: National Institute of Statistics of Rwanda

Unemployment declined, primarily due to significant growth in job opportunities within the agriculture sector.

In the first quarter of 2025, Rwanda's labour market demonstrated robust performance, as the unemployment rate fell to 11.1 percent from 14.7 percent in 2024Q4 and 12.9 percent in 2024Q1, amid an increase in labour force participation and substantial employment gains. The working-age population reached 8,450,577, reflecting a 2.9 percent year-on-year increase. The labour force participation rate improved to 63.0 percent, a decline of 1 percentage point from the previous quarter but a rise of 2.0 percentage points from 2024Q1.

Table 1: Labour market indicators (percentage)

	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2025 Q1
Unemployment Rate	17.2	16.8	18.0	16.8	12.9	16.8	15.3	14.7	11.1
Labour Force Participation Rate	57.6	59.5	59.8	60.0	61.0	62.5	64.1	64.0	63.0
Employment % QoQ									
Total	**6.5**	**4.7**	**-0.3**	**2.6**	**7.1**	**-1.4**	**5.1**	**1.4**	**3.2**
Agriculture	**8.9**	**-0.5**	**-15.2**	**26.9**	**8.8**	**-17.4**	**-12.8**	**27.6**	**9.7**
Industry	**-7.2**	**17.4**	**31.6**	**-31.9**	**2.1**	**20.6**	**38.4**	**-25.1**	**-9.4**
manufacturing	13.3	12.5	12.3	-14.8	-4.2	19.0	30.2	-17.0	-10.2
Construction	-12.2	23.5	46.1	-45.1	6.1	17.9	56.0	-32.8	-9.5
Services sector	**10.7**	**6.4**	**2.3**	**-2.1**	**8.2**	**11.2**	**9.7**	**-4.8**	**1.7**
Trade services	30.7	8.6	1.8	-9.8	2.9	18.1	14.7	-3.2	-3.7
Transport	-3.3	25.2	4.5	-24.4	35.4	6.8	12.3	-5.3	-0.2
Hotels and Restaurants	17.5	4.8	3.9	17.8	-4.5	24.6	1.5	-19.8	22.0

Source: National Institute of Statistics of Rwanda

Employment stood at 56.0 percent in 2025Q1, following a gain of 3.2 percent compared to 2024Q4 and 8.4 percent year-on-year. A significant increase in agricultural employment was the primary driver, amid rising job opportunities in the sector at the start of the 2025 season B.

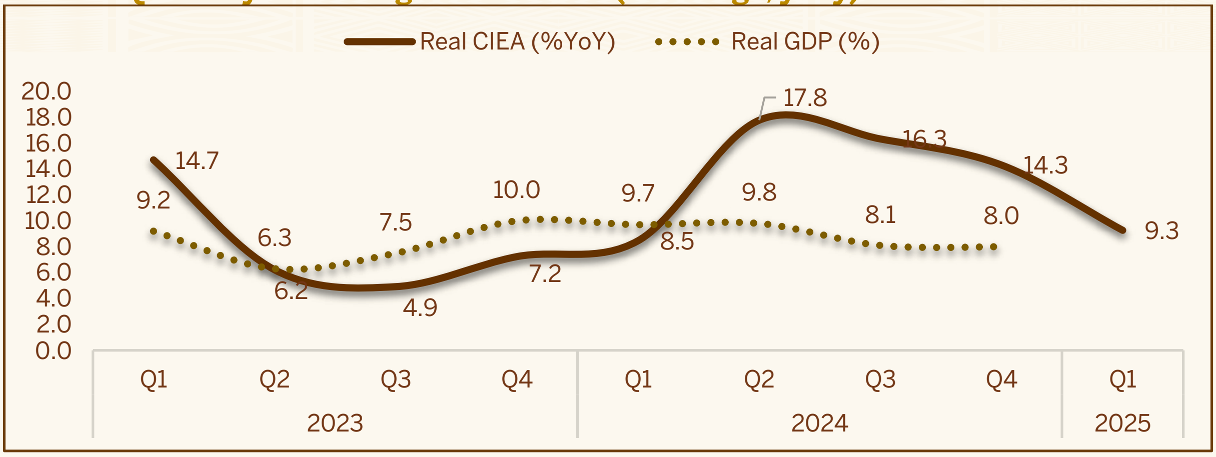
Furthermore, jobs in the services sector rose by 1.7 percent quarter-on-quarter and 18.0 percent year-on-year, with job gains in hotels and restaurants (+22.0 percent), financial services (+11.4 percent), education (+5.0 percent), and information and communication (+5.0 percent) offsetting the losses observed in trade and transport services.

The industry sector, whilst maintaining high employment growth year-on-year (+13.2 percent), recorded a decline in jobs in 2025Q1 compared to the previous quarter, attributed to seasonal patterns, primarily the low construction activity season.

Robust economic performance continued in the first quarter of 2025.

In the first quarter of 2025, the Composite Index of Economic Activities (CIEA) increased by 9.3 percent, indicating sustained expansion in aggregate demand. Economic activity continued to rise steadily, as demonstrated by the growth in imports and increasing turnovers in the services and industry sectors (+13.4 percent). This growth was bolstered by strong financing from the banking sector, with credit to the private sector expanding by 13.7 percent year-on-year during the first quarter of 2025.

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

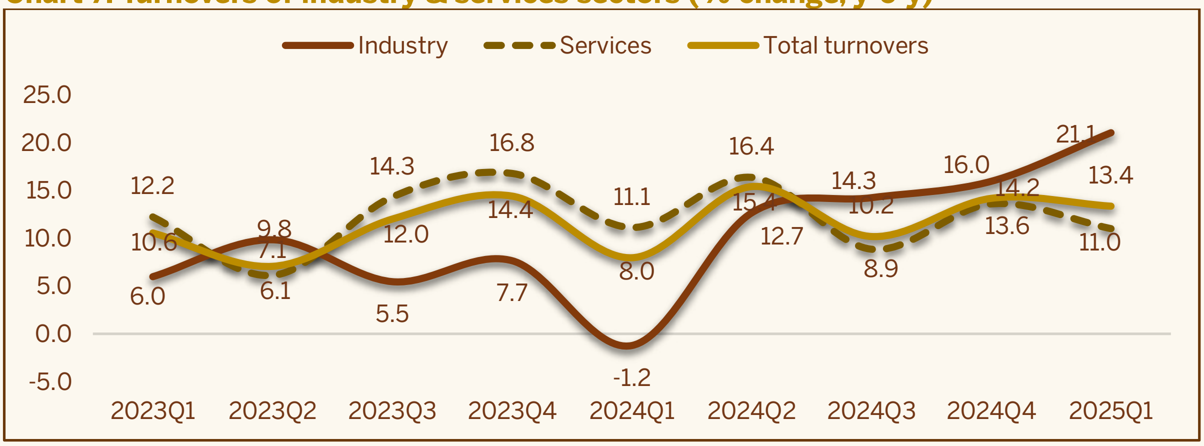


Source: National Bank of Rwanda

The good performance in non-agricultural activity was primarily driven by thriving services, as evidenced by an increase of 11.0 percent in the turnover of the services sector. The strong performance in services was bolstered by flourishing trade, transport, financial, and information and communication services. The sector's positive outlook is further reflected in the business confidence index, which rose to 63.8 in the first quarter of 2025 from 60.7 in the first quarter of 2024. This increase indicates a sustained rise in service demand, improved business conditions, and expectations for continued growth in the near term.

The industrial sector also performed strongly in the first quarter of 2025, with total turnover rising by 21.1 percent. Key drivers of this growth included construction, mining, and manufacturing activities. Mining benefited from favourable international market prices while the construction sector was supported by ongoing construction projects.

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



Source: National Bank of Rwanda

Overall, in line with the projected annual growth of 7.1 percent in 2025, the economy is expected to perform well in the first quarter of 2025, driven by the previously mentioned strong performance in non-agricultural activity. Meanwhile, the agriculture sector is anticipated to achieve moderate performance due to the adverse weather conditions observed during the 2025 agricultural season A.

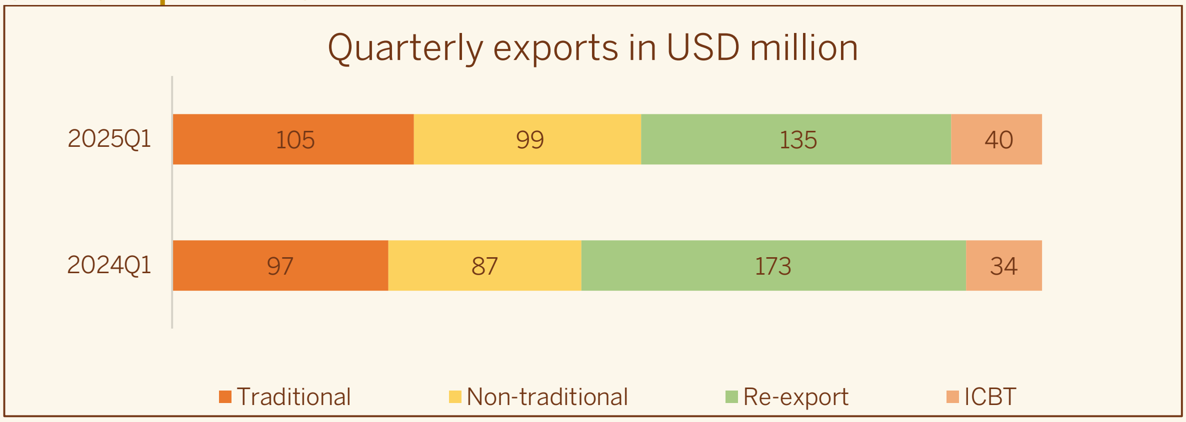
II.3. External sector and exchange rate developments

Exports declined due lower re-exports.

In the first quarter of 2025, merchandise exports declined by 3.0 percent compared to the same period in 2024. This overall contraction was largely driven by a significant 21.9 percent decrease in re-exports, attributed to reduced demand from regional markets. In contrast, there was notable growth in both traditional and non-traditional export categories. Traditional exports comprising tea, coffee, and minerals increased by 8.8 percent, supported by relatively stable prices that remained above historical averages. Non-traditional exports, primarily consisting of manufactured goods, animal and agricultural products, registered robust growth of 13.7 percent, reflecting increased diversification in the export base. Lastly, Informal Cross-Border Trade (ICBT) exports recorded a 16.0 percent increase, signalling resilience of small-scale informal trade amid shifting regional demand dynamics.

Overall, while the fall in re-exports dampened total export performance, the strong growth in other export segments highlights positive structural developments within the export sector.

Chart 8: Exports in USD million

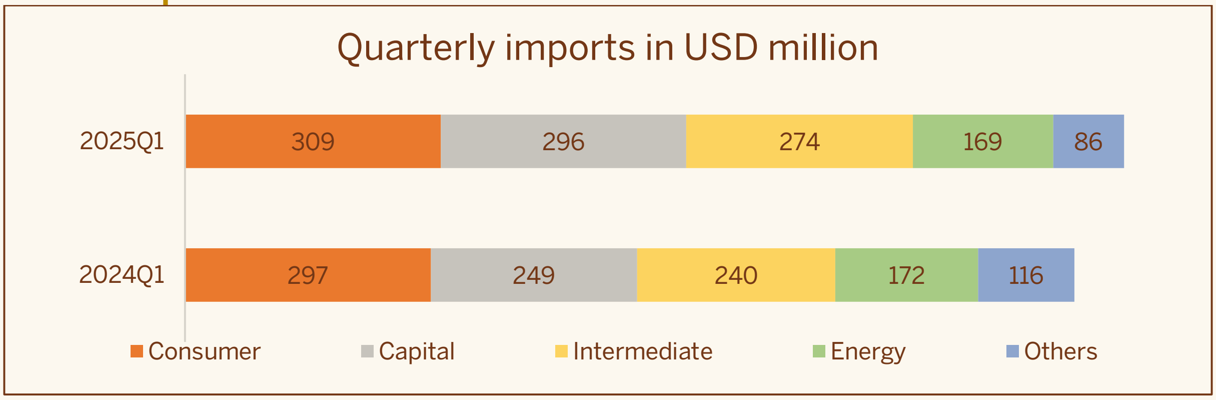


Source: National Bank of Rwanda

Imports rose driven by capital and intermediate goods

Merchandise imports recorded a growth of 5.8 percent in the first quarter of 2025, largely reflecting strong domestic demand for raw materials and capital goods. This performance underscores the continued expansion of local industries and overall economic activity. Specifically, capital goods which support investment and industrial capacity registered a substantial increase of 18.8 percent, while intermediate goods, essential for the production processes, rose by 14.4 percent. Lastly, consumer goods recorded a modest increase of 4.2 percent, partly due to low demand of food imports. In contrast, energy imports declined by 2.1 percent, potentially due to lower international energy prices. The contribution to imports growth indicates a rising emphasis on production-related inputs, reinforcing the momentum in domestic industrial activity.

Chart 9: Imports in USD million



Source: National Bank of Rwanda

Trade deficit widened in the first quarter of 2025.

As a result of the decline in merchandise exports and the rise in imports, the trade deficit widened by 10.8 percent in the first quarter of 2025 compared to the same period in 2024.

Foreign exchange market pressures in March 2025 were broadly similar the previous year.

By the end of March 2025, a widening trade deficit continued to exert pressure on the Rwandan Franc (FRW), largely due to a higher import bill driven by increased domestic economic activity. As a result, the FRW depreciated by 2.31 percent against the US dollar, slightly higher but broadly in line with the 2.08 percent depreciation recorded in 2024. The Franc also weakened against other major currencies. It depreciated by 6.07 percent against the Euro, 5.93 percent against the Japanese Yen, and 5.52 percent against the British Pound. This marks a notable shift from 2024, when the FRW depreciated significantly against the Yen (21.50 percent), lost only 0.97 percent against the Pound, and even appreciated slightly by 0.23 percent against the Euro.

Table 2: Appreciation (-) /Depreciation (+) rate of FRW against selected currencies (compared to end December previous year)

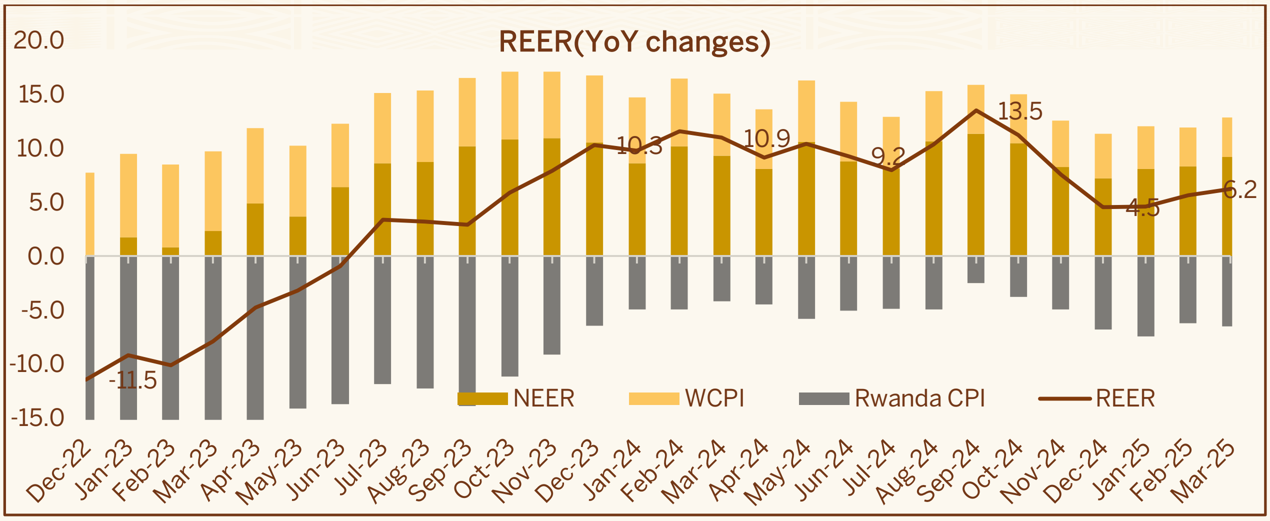
	FRW/USD	FRW/GBP	FRW/EUR	FRW/JPY	FRW/KES	FRW/TZS	FRW/UGX	FRW/BIF
Dec-19	4.94	8.48	2.81	6.25	4.53	3.73	5.13	-0.24
Dec-20	5.42	9.42	15.71	11.43	-1.34	5.66	7.17	2.53
Dec-21	3.82	2.94	-4.39	-6.96	0.24	4.78	6.85	1.00
Dec-22	6.05	-5.30	-0.04	-7.90	-2.80	4.47	1.17	2.03
Dec -23	18.05	25.07	22.50	10.78	-6.89	9.78	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
Mar-25	2.31	5.52	6.07	5.93	2.03	-6.77	2.31	2.16

Source: National Bank of Rwanda

Compared to regional currencies, the Rwandan Franc (FRW) showed mixed performance. It appreciated by 6.77 percent against the Tanzanian Shilling (TZS), a notable reversal from the 0.41 percent depreciation recorded in March 2024. However, the FRW weakened against the Ugandan Shilling (UGX) by 2.31 percent, exceeding the 1.64 percent depreciation observed in the same period last year. Similarly, it depreciated by 2.03 percent against the Kenyan Shilling (KES), contrasting with a 0.62 percent appreciation in March 2024. The Franc also fell by 2.16 percent against the Burundian Franc (BIF), slightly above the 2.08 percent depreciation recorded last year. Despite these fluctuations, gross official reserves remained adequate, standing at the equivalent of 4.7 months of import cover as of end March 2025.

In nominal effective exchange rate terms, the FRW depreciated by 9.2 percent against a basket of 31 major trading partner currencies, nearly unchanged from the 9.3 percent depreciation in March 2024. In real effective terms, the FRW saw a depreciation of 6.2 percent, compared to 10.9 percent in March 2024, primarily due to higher positive inflation differentials between Rwanda and its trading partners.

Chart 10: Drivers of REER movement



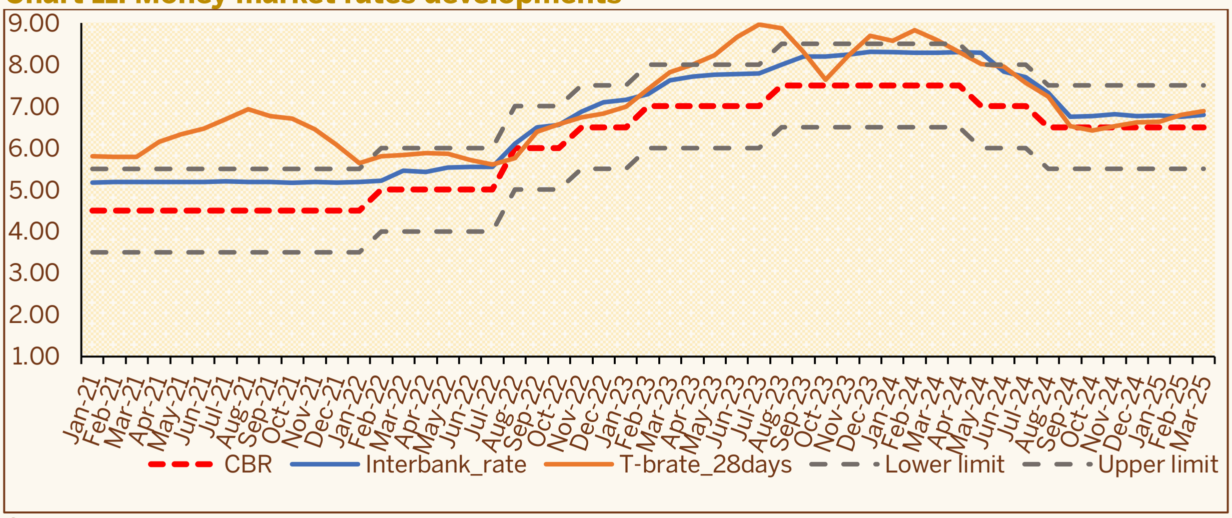
Source: National Bank of Rwanda

II.4 Domestic credit conditions

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

In response to CBR's 100 basis point cuts in May and August 2024, money market rates declined further in 2025Q1. Consistently, the interbank rate declined by 151 basis points to 6.78 percent in 2025Q1 compared to 2024Q1. A similar declining trend was observed in T-bill rates, with the market generally characterized by oversubscription due to ample liquidity in the banking system. The weighted average T-bills rate decreased by 210 basis points to 7.30 percent in 2025Q1 from 9.40 percent in 2024Q1.

Chart 11: Money market rates developments

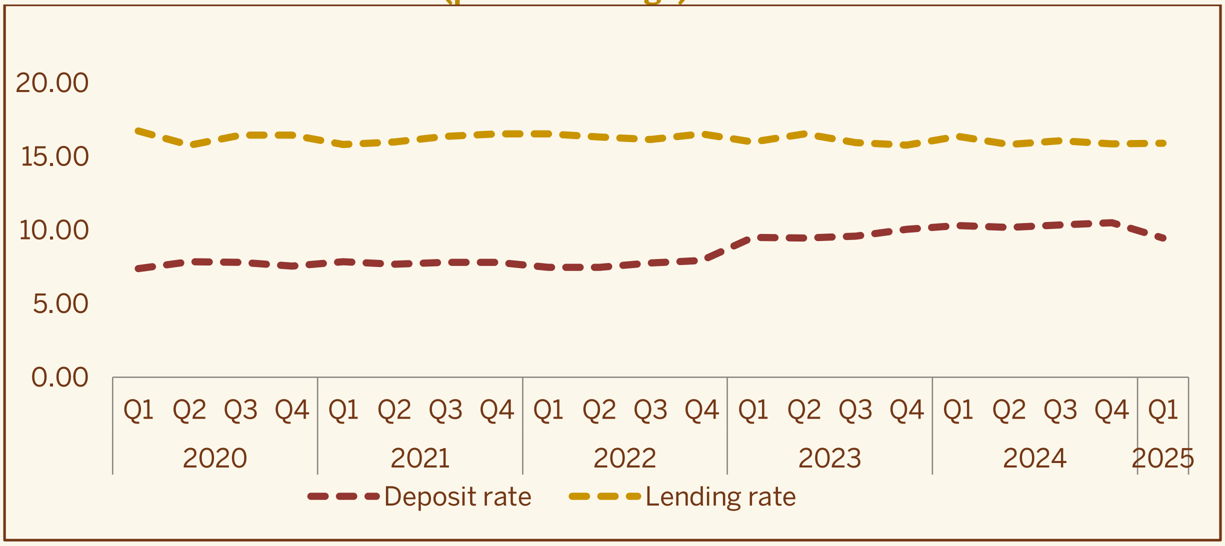


Source: National Bank of Rwanda

The monetary policy easing also impacted deposit rates, with the weighted average deposit rate falling by 84 basis points to 9.45 percent in 2025Q1 from 10.29 percent in 2024Q1. The decline was mainly observed in term deposits, notably the 3-month, 6-month, and 12-month maturities.

Similarly, lending rates dropped considerably, particularly in short-term loans, which declined by 135 basis points in 2025Q1. This contributed to an overall reduction in the weighted average lending rate by 46 basis points, bringing it down to 15.89 percent in 2025Q1 from 16.35 percent in 2024Q1.

Chart 12: Market interest rates (percent average)



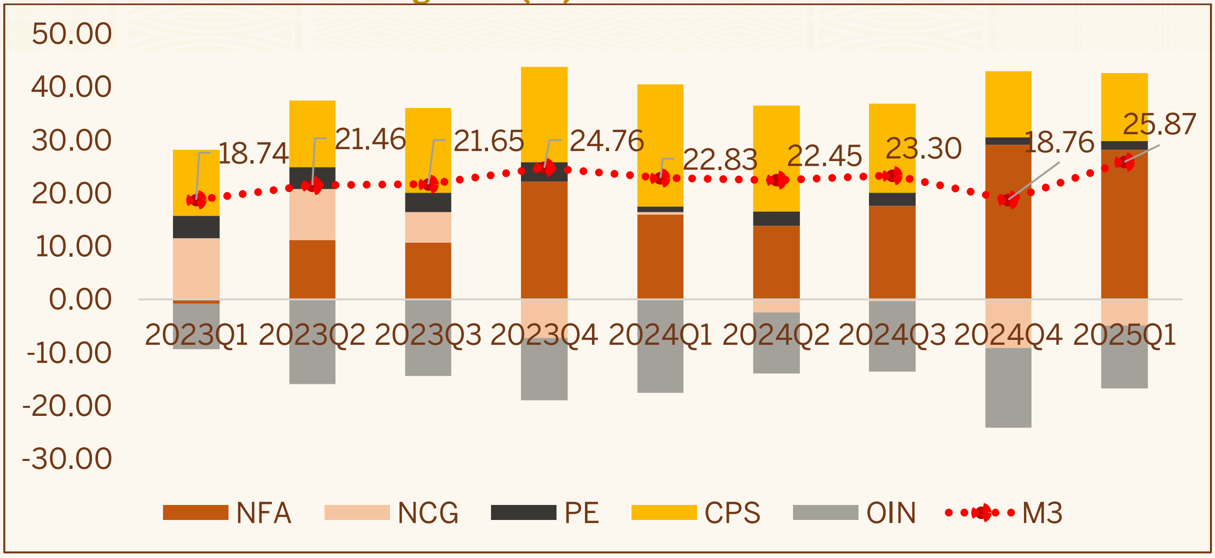
Source: National Bank of Rwanda

Broad money (M3) growth accelerated to 25.9 percent year-on year in March 2025, slightly higher to 22.8 percent recorded in March 2024. This growth was primarily driven by an increase in Net Foreign Assets (NFA) which contributed 28.1 percent and Credit to the Private Sector (CPS) which also contributed 12.8 percent.

The growth of the outstanding credit to the private sector was supported by an increase in new authorized loans resulting in a growth of 13.7 percent in 2025Q1 compared to the 25.0 percent growth observed in 2024Q1.

Meanwhile, Net Foreign Assets (NFA) grew significantly by 55.0 percent in March 2025 up from 34.0 percent increase recorded in March 2024.

Chart 13: Contribution to M3 growth (%)

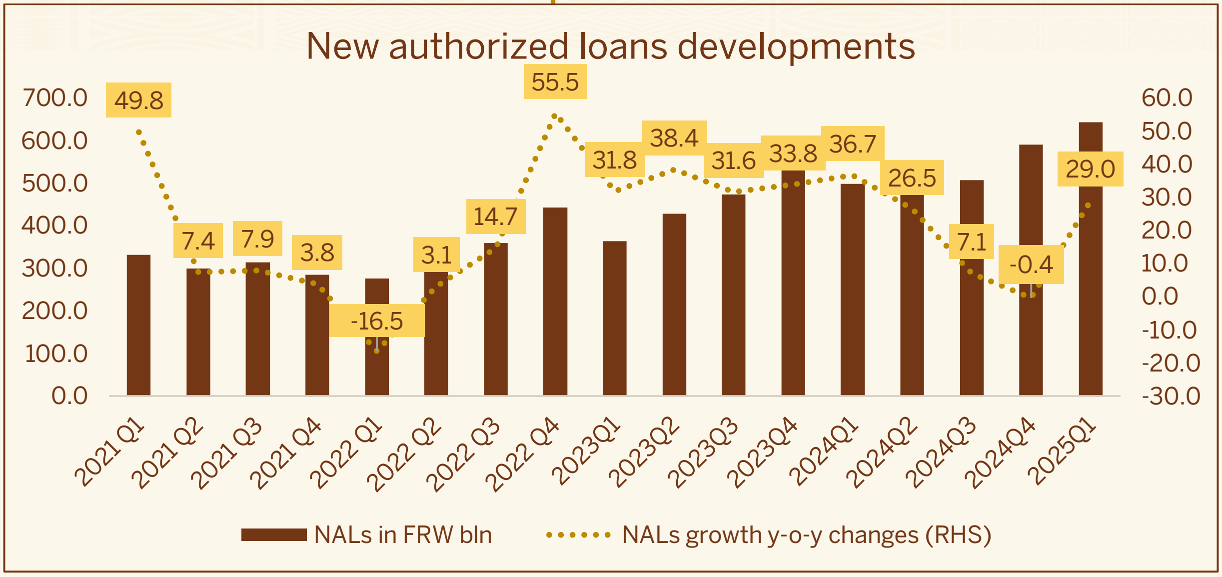


Source: National Bank of Rwanda

New authorized loans (NALs) rose by 8.8 percent quarter-on-quarter in 2025Q1, from a 16.0 percent contraction recorded in 2024Q4. On a year-on-year basis, NALs grew by 29.0 percent in 2025Q1 though this is lower than the 36.7 percent recorded in 2024Q1. The continuing increase of the financing to the economy is prominently attributed to the easing terms and conditions applied by banks to the borrowers, reflecting the accommodative monetary policy started in May 2024 and a good economic environment. The first four sectors financed in the first quarter of 2025 accounted for 83.4 percent of total NALs in the same quarter. Those are namely Wholesale and Retail Trade, Repair of Moto Vehicles & Motorcycles (27.9 percent of total NALs), Activities of Households as Employers (25.4 percent), Real Estate (16.1 percent), Construction (14.0 percent)

Regarding loans by maturity, short-term loans remained dominant in 2025Q1, accounting for 58.4 percent of total authorized loans. This was followed by long-term loans at 30.0 percent while medium-term loans constituted 11.4 percent. The higher share of short-term loans reflects continued high demand for working capital, particularly from businesses in Wholesale & Retail Trade, Repair of Motor Vehicles & Motorcycles, and Manufacturing sectors. In addition, the reduction of the Central Bank Rate (CBR) since May 2024 has been most reflected in the decline of lending rate for short term loans

Chart 14: New Authorized Loans developments



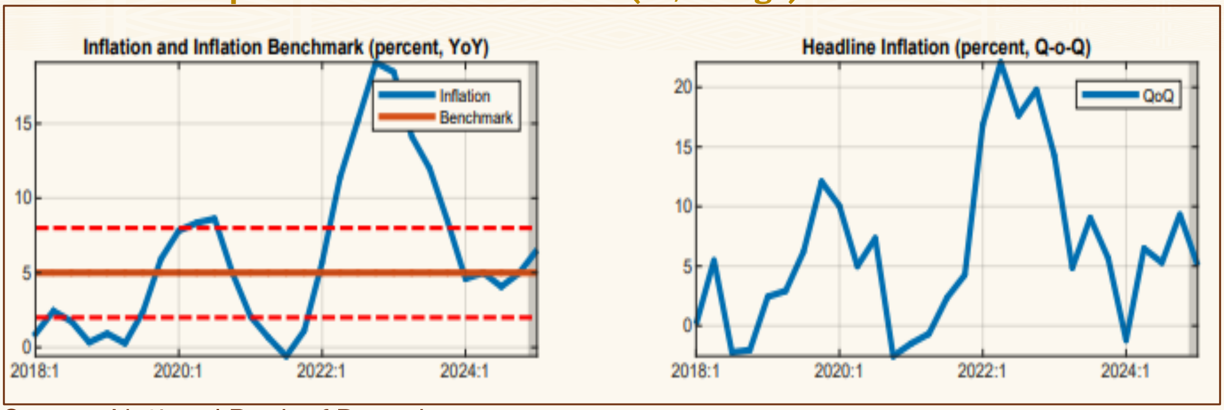
Source: National Bank of Rwanda

II.5 Prices developments

Headline inflation increased in 2025Q1, reflecting the rise in core and fresh food inflation, despite a decrease in energy inflation.

In 2025Q1, headline inflation (y-o-y) increased to 6.7 percent from 5.2 percent in the previous quarter, driven by an increase in core and fresh food inflation. Over the same period, energy inflation (y-o-y) decelerated. Core inflation increased to 6.1 percent from 5.4 percent, while fresh food inflation rose to 11.2 percent from 5.6 percent, which offset a decrease in energy inflation to -0.2 percent from 1.2 percent. The increase in core inflation was mainly driven by an increase in core hotels and restaurants' inflation, which offset a decline in core housing and core transport inflation. Fresh food inflation surged primarily due to the base effect of lower fresh vegetable products prices recorded last year in the corresponding period, coupled with the increase in fresh meat prices. Conversely, energy inflation declined mainly because of the decrease in solid fuel inflation that offset the increase in liquid fuels inflation.

Chart 15: Developments in headline inflation (%, change)

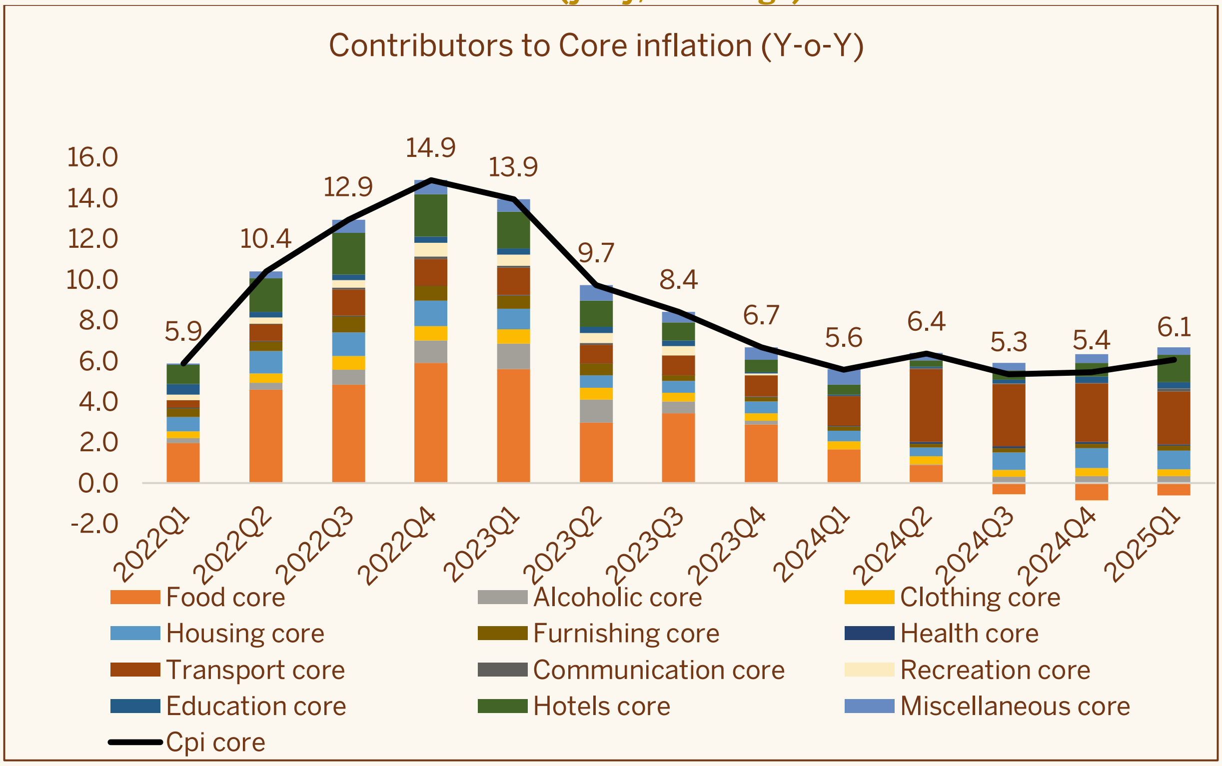


Source: National Bank of Rwanda

Core inflation increased to 6.1 percent from 5.4 percent.

The increase observed in core inflation (y-o-y) stems from increased pressure in core hotels and restaurants inflation (to 11.7 percent from 6.0 percent), which offset the decrease observed in core housing inflation (to 4.5 percent from 4.9 percent) and core transport inflation (to 18.7 percent from 20.8 percent).

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



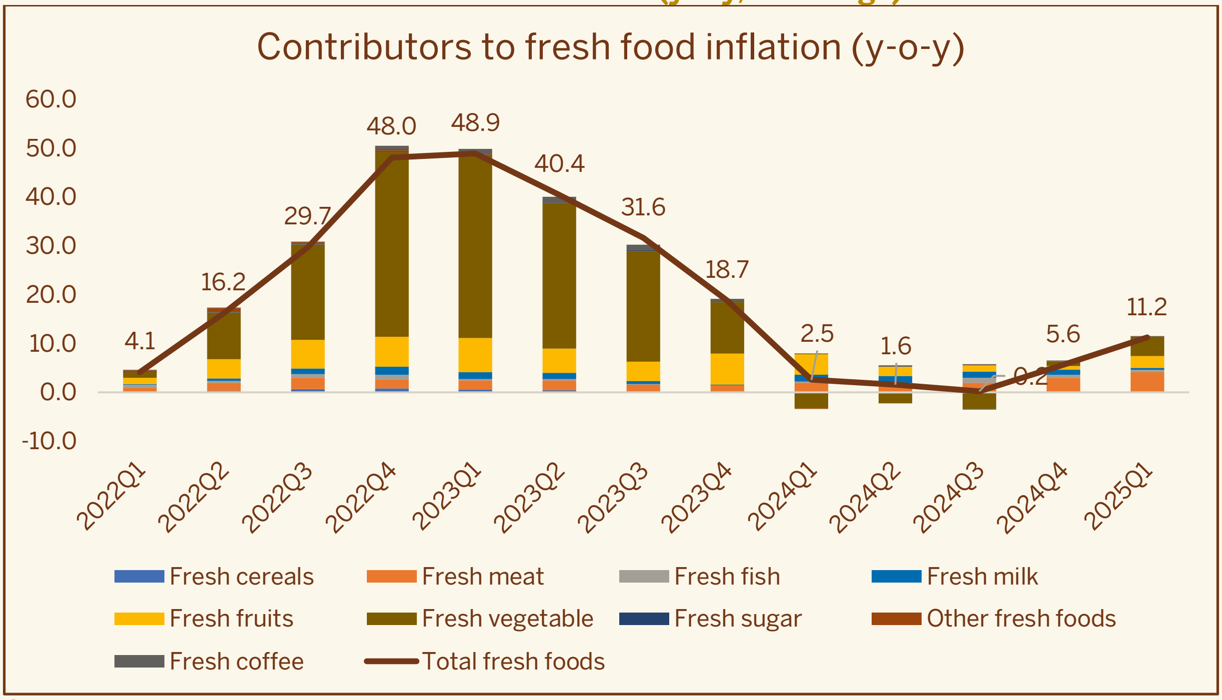
Source: National Bank of Rwanda

The increase in core inflation for hotels and restaurants reflects higher input costs for restaurants, caf s, and accommodation services. In contrast, the decrease recorded in core housing inflation was due to an ease observed in housing maintenance and repair costs. Over the same period, core transport inflation eased due to the base effect, stemming from elevated transport services prices recorded during the corresponding period last year.

In 2025Q1, 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 2025Q1 resulted mainly from the significant increase noted in vegetables inflation (to 3.2 percent from -0.8 percent). The increase noted in vegetable inflation is attributed to the base effect of lower prices recorded last year in the same period.

Chart 17: Contributors to fresh foods inflation (y-o-y, % change)



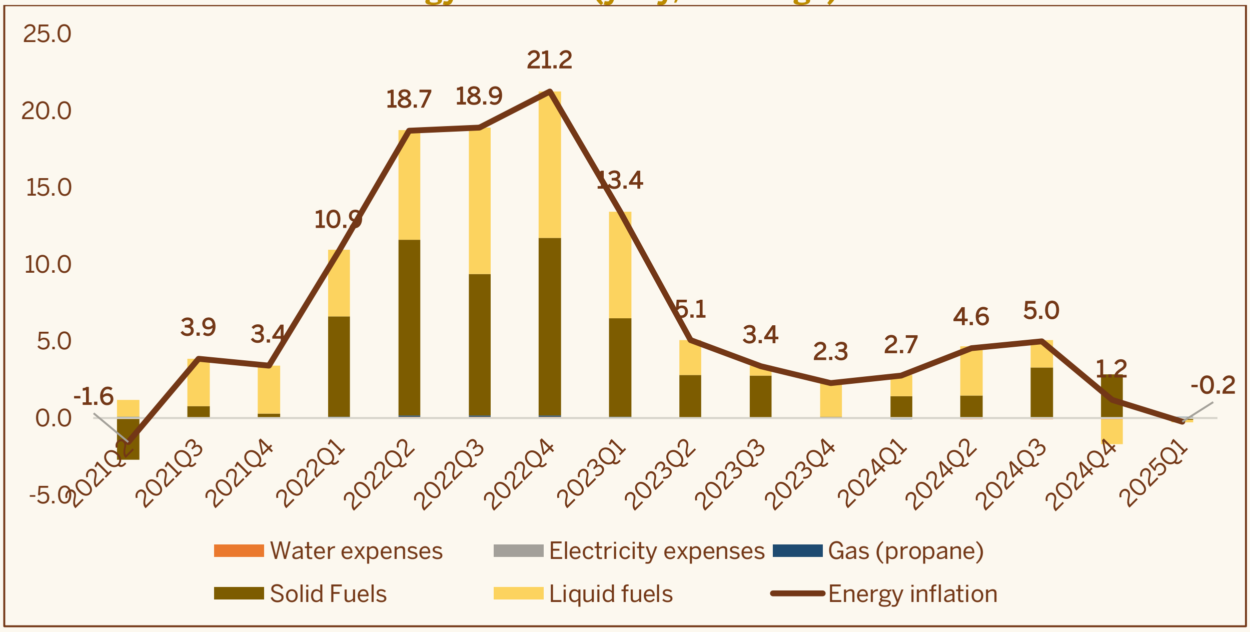
Source: National Bank of Rwanda

However, on a quarter-on-quarter basis, fresh food inflation eased significantly, dropping to -1.3 percent in 2025Q1 from 6.4 percent in 2024Q4, driven by price declines in vegetables such as beans, sweet potatoes, and onions, as well as cereals like maize. These lower prices reflect increased market supply following the Season A 2025 harvests.

Energy inflation (y-o-y) dropped in 2025Q1, primarily driven by the decrease in solid fuel inflation, which offset the increase in liquid fuels inflation.

In 2025Q1, energy inflation (y-o-y) dropped, primarily due to the fall in solid fuel inflation (to -0.1 percent from 5.5 percent) that offset an increase in liquid fuels inflation (to -1.5 percent from -7.9 percent). The fall in solid fuel inflation reflects the base effect of higher charcoal prices in the corresponding period of last year. In contrast, the increase in liquid fuel inflation aligned with the upward revision of local pump prices over the same period.

Chart 18: Contributors to energy inflation (y-o-y, % change)

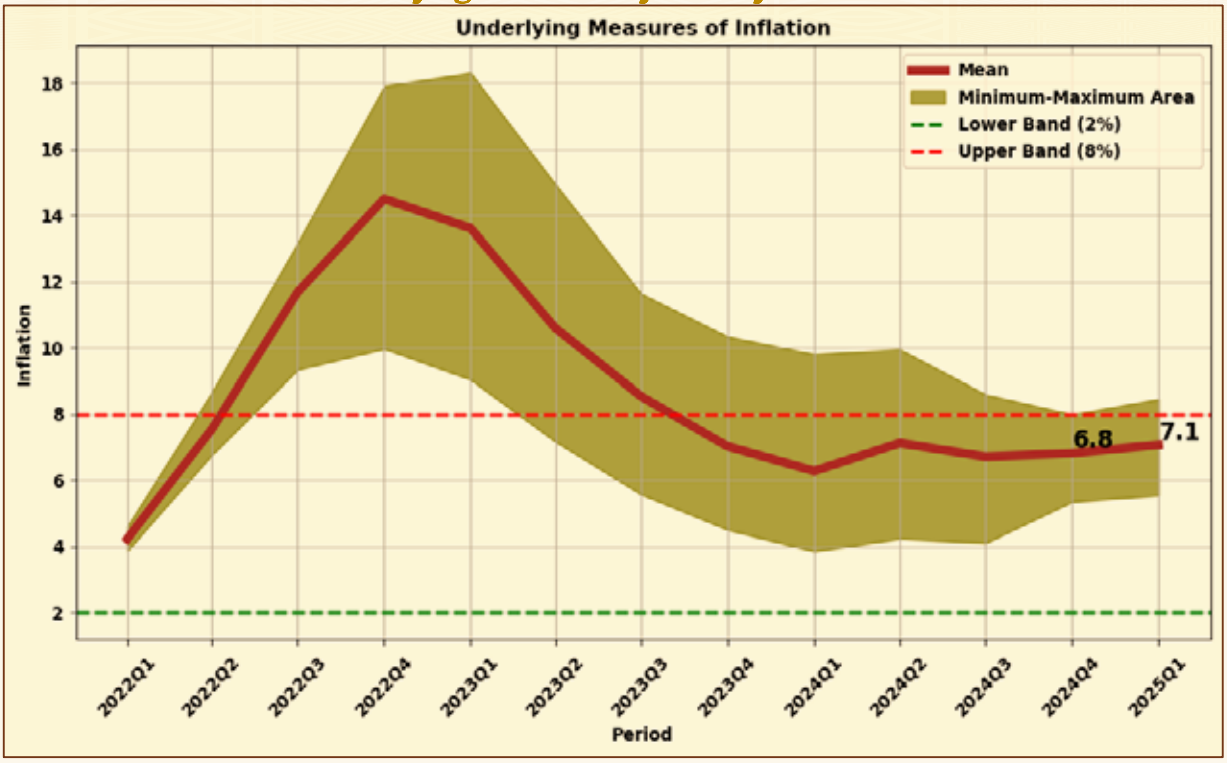


Source: National Bank of Rwanda

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

In 2025Q1, the mean of the underlying measures of inflation increased to 7.1 percent from 6.8 percent in 2024Q4, mainly reflecting the increase in core hotels and restaurants inflation. Similarly trimmed mean slightly increased to 5.5 percent from 5.3 percent, while CPI common also slightly increased to 7.2 percent from 7.1 percent.

Chart 19: Indicators of underlying inflation in year-on-year terms.



Source: National Bank of Rwanda

III.INFLATION OUTLOOK

III.1. Forecast assumptions.

Global demand remains subdued throughout the policy horizon, thereby restricting the stimulus to the domestic economy.

According to the April 2025 World Economic Outlook (WEO) update, global growth projections have been revised downward following the widespread imposition of US tariffs and retaliatory measures by trading partners. These developments, coupled with heightened policy uncertainty, on top of the existing tight financial conditions/still-high borrowing costs and lingering effects from the past global economic shocks (2020 and 2022) are expected to slow global output gap .

Consequently, the anticipated subdued global economic performance implies weaker external stimulus for the domestic economy.

Though reducing, global inflation was revised up, reflecting the impact of trade policy uncertainties.

The April 2025 WEO update projects global headline inflation to decline in 2025 and further in 2026. Compared to the January 2025 projections, the inflation outlook is slightly higher, notably in the United States, where revision of 1.0 percentage point, reflects persistent service-sector price dynamics, rising core goods prices, and supply shocks from recent tariffs, while inflation forecasts for the euro area remain unchanged.

The global inflation path remains uncertain, particularly due to recent trade tariffs, which may drive inflation differently across countries depending on their role in global trade and how businesses adjust to rising import costs. Once these trends materialize, domestic inflation is likely to be impacted through imported inflation.

Commodity prices are expected to decline gradually over the medium term, leading to softer pressure on imported inflation.

The projected declines in commodity prices mainly reflect expected decreases in energy and food products. Expected declines in oil prices in 2025 and 2026 primarily reflect, OPEC announcements of ramped-up production, driven by the need to maintain market share, following earlier cuts, will support an ample supply of oil globally. This, in addition to expected robust production from non-OPEC producers such as the US and Russia, will reinforce the decline in oil prices.

Agricultural and food prices are expected to edge down in 2025 and soften further in 2026, as all three sub-indexes of the food price index (grains, oils and meals, and other foods) are projected to ease. An ample supply from key producers of rice, soybeans, other grains, and sugar is expected to prevail due to favourable weather conditions.

However, this outlook is subject to risks. On the upside, these include extreme weather events and increased geopolitical tensions. On the downside, a scenario of an even sharper-than-expected slowdown in growth, driven by even-weaker demand, could take shape amid rising trade tensions and uncertainty. Overall, risks to the baseline forecast are tilted to the downside, suggesting that changes in commodity prices will remain non-inflationary over the medium term.

III.2. Projections of the key macroeconomic indicators.

Inflation forecasts for May 2025 largely reflect expectations of easing domestic production costs, which are projected to stay subdued over the medium term. In contrast, pressures from imported costs are likely to continue through 2025 before moderating in 2026.

Core inflation is projected to rise in 2025Q4, reflecting continued pressures from elevated import costs. Thereafter, it is expected to follow a declining trajectory into 2026, supported by the easing of external cost pressures. At the same time, domestic production costs are expected to remain moderately positive, influencing the overall path of core inflation.

Generally, demand-side pressures are expected to remain contained, supported by a tight real monetary conditions index and a gradual normalization of global supply chains. This will lead to a downward trend in core inflation, mainly in 2026.

Pressures on energy inflation are expected to remain positive throughout 2025 but ease in 2026. The projected path will be driven partly by international oil prices and domestic production costs.

Conversely, food inflation is projected to fall in 2025, driven by improving agricultural production and downward trends in international food prices. The downward trends in food inflation are expected to continue over the medium term, mainly as a result of the normalisation in agricultural production.

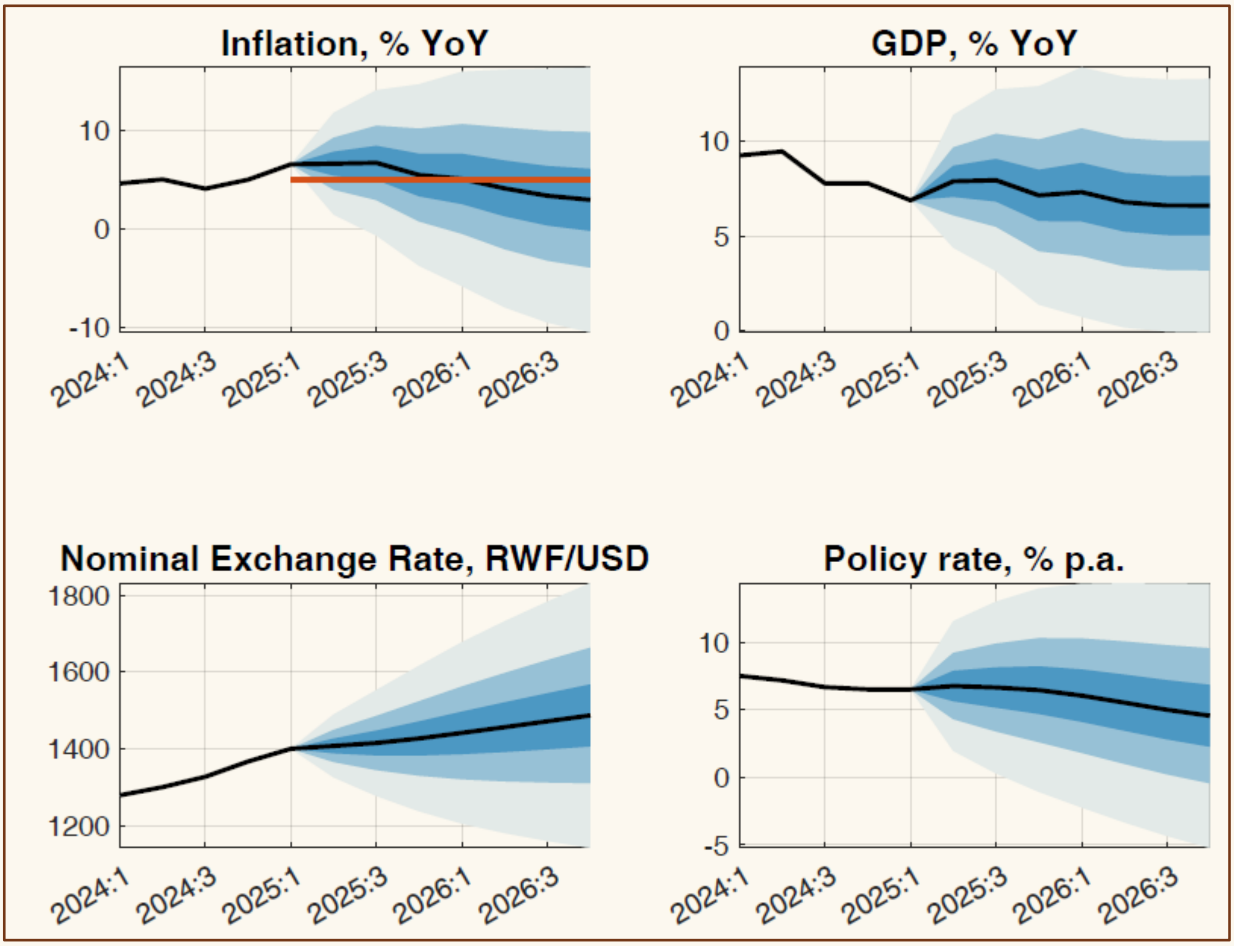
The domestic output gap shows a gradual decrease in the inflationary effects of the domestic economy in 2025, and then it turns negative in 2026, reflecting the fall in the foreign demand and tight monetary conditions.

According to recent projections, headline inflation is expected to align with the medium-term target of 5.0 percent and remain within the benchmark range of 2.0 to 8.0 percent. These projections take into consideration recent domestic economic trends, external factors such as the global economy, foreign inflation, and global commodity prices, particularly food, energy, and other key macroeconomic variables.

As a result, headline inflation is projected to reach 6.5 percent in 2025 before declining to 3.9 percent in 2026, consistent with the anticipated improvement in both domestic and external inflationary conditions.

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

Chart 20: Projections of key macroeconomic Indicators (y-o-y)



Source: National Bank of Rwanda

Risks to the baseline projections

In the near to medium term, a possible strengthening of the U.S. dollar in line with tightened monetary and financial conditions in advanced economies, in response to higher inflation caused by trade policies, could potentially put pressure on imported inflation. This risk will be closely monitored, as they may influence inflation dynamics in the months ahead.

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