By Nzeyimana Viateur;

The National Bank of Rwanda (BNR) has taken a firmer stance against rising prices, raising its key interest rate by 50 basis points to 7.25 percent, the largest increase in nearly three years, even as the Rwandan franc continues to weaken against the US dollar and regional currencies.

The Monetary Policy Committee (MPC) announced the move on Thursday as inflation climbed above the bank's target range, with prices rising 8.9% year-on-year in January from 8.0% in December. The hike pushes borrowing costs to their highest level since 2024 and aims to keep inflation within the National Bank of Rwanda's 2–8% target band.

Addressing the media in Kigali, Governor Soraya Hakuziyaremye said the decision was a "measured step" to bring inflation back under control while sustaining economic growth. She stressed that the committee will continue to monitor developments closely and is ready to adjust policy if inflation pressures worsen.

At the same press briefing, Hakuziyaremye highlighted several risks that could fuel further price pressures, including lower agricultural output, persistent energy-related cost pressures, and global geopolitical tensions.

The currency's slide against the US dollar has strengthened cost pressures, particularly on imported goods, which can push up prices for businesses and households alike. This has added urgency to the central bank's tightening move, which bucks a broader trend of easing monetary policy elsewhere in Africa.

Despite tightening monetary policy, Rwanda's broader economy continues to show strength. Government data indicate robust growth, with expansion expected to stay above 7% through 2028. That resilience, officials say, provides some room to navigate higher borrowing costs without stifling investment or activity.

The rate hike also comes amid efforts by authorities to manage fiscal pressures. With inflation lingering above the upper end of the target band and external shocks threatening price stability, both fiscal and monetary authorities are signaling a coordinated push to shore up confidence in the economy.

For businesses and consumers, the message is clear: inflation may have peaked for now, but policymakers are prepared to act if needed. The central bank's decision

reflects a cautious but proactive approach; tightening when necessary while keeping an eye on growth and currency risks.

The story was reported by Viateri Nzeyiimana and edited by Jejje Muhinde.