

The Consumer Price Index (CPI), a key measure of inflation, surged by 3.8% in October 2024, up from 2.5% in September, according to the latest data from the National Institute of Statistics of Rwanda (NISR).

Food prices experienced a notable decrease of 4.5% on an annual basis, a significant drop likely driven by seasonal harvests or changes in agricultural productivity. However, monthly data paints a different picture, with food prices rising by 2.5% in October. Despite the annual decline in food prices during September, the sector saw a 1% decrease in October year-on-year, while monthly prices increased by 3.7%. This indicates a short-term price increase, potentially influenced by supply chain disruptions or local demand spikes.

Housing, water, electricity, gas, and other fuels saw an annual rise of 4.8%, with a modest 0.8% increase month-on-month. This increase adds further pressure on households and families already grappling with higher utility bills. While still significant, this rise is slightly lower than the sharp 18.2% increase in transport costs observed in September, which highlights the persistent pressure from high fuel and transport costs, though transport prices remained stable month-on-month.

Meanwhile, transport costs surged by 15.9%, reflecting the ongoing impact of high fuel prices and transportation services, which remained stable on a monthly basis.

In addition, the prices of imported goods rose by 5.5% year-on-year, compared to a more moderate 3.3% increase in local products. This discrepancy emphasizes the continued strain on global supply chains and fluctuating exchange rates, particularly in the wake of a stronger US dollar. Energy prices also increased by 1% annually, with a slight 0.3% rise month-on-month, continuing to drive up costs across various sectors. Both local and imported products saw higher price increases in October than in September.

A key factor behind the rising inflation is the strengthening of the US dollar against the Rwandan franc. As the dollar strengthens, the cost of imports, particularly fuel and essential goods, has risen.

Experts warn that this has a direct impact on the cost of living, as many imported products are priced in dollars. Energy imports, in particular, have seen substantial price hikes due to the stronger dollar.

“For households, especially low-income earners, the combination of higher import

costs and rising fuel prices could substantially impact purchasing power. Transportation and food costs—two key areas of household expenditure—have already been hit by inflation, and the strengthening of the dollar may exacerbate this trend. As the cost of living increases, many households will find it increasingly difficult to afford basic goods and services,” explains Eric Ndayishimiye, an expert economist focused on Rwanda’s growth.

Ndayishimiye further notes that businesses reliant on imported raw materials, energy, or goods could face higher operating costs, leading to potential price increases for consumers. While exporters may benefit from a weaker franc, the overall economic landscape could feel the strain of rising costs.

In response to these inflationary pressures, Ndayishimiye explains that the National Bank of Rwanda (BNR) may take steps to stabilize the local franc, such as adjusting interest rates or using foreign currency reserves to manage exchange rate fluctuations. However, he warns that these measures could present their own set of challenges, potentially slowing economic growth or raising borrowing costs.