Rwanda’s headline inflation dipped for the fourth month in a row, settling within the central bank’s target range in March 2024, according to the National Institute of Statistics of Rwanda (NISR). However, some sectors, particularly transportation, experienced price hikes.

The year-on-year inflation rate dropped to 4.2% in March from 4.9% in February.

Food remained the primary driver of inflation, with food and non-alcoholic beverages rising 2.5% annually and 0.6% monthly.

Transport costs saw a significant surge due to the government’s removal of public transport subsidies. This resulted in a 14.8% annual increase and a substantial 6.2% monthly jump.

Experts also pointed to the strength of the Rwandan franc against the dollar as an additional factor putting pressure on fuel prices.

The rise in transport costs is likely to strain household budgets, especially for low-income earners who rely heavily on public transportation. Businesses that rely on efficient logistics may also be impacted.

Looking deeper into the NISR report, annual inflation averaged 10.2% in Rwanda’s urban areas between March 2023 and March 2024. Local goods saw a 2.9% annual increase, while imported goods rose by a steeper 8.3%, highlighting the impact of imported inflation on Rwanda’s inflation basket.

Prices of fresh produce fluctuated seasonally, with a slight decrease year-on-year but a 1% increase monthly. Energy costs edged up by 3.3% annually and 1% monthly.

Interestingly, rural areas presented a contrasting trend. While prices decreased 1.7% year-on-year, they rose 0.5% monthly.

Overall, Rwanda’s inflation shows signs of improvement. However, the recent rise in transport costs and the impact of a stronger franc on fuel prices warrant close monitoring. Economists warn that the combined effect of these factors could dampen the positive trend in inflation if not addressed.

“The rise in transport costs is a double-edged sword,” economists warn. ” It will undoubtedly put a strain on many Rwandans who depend on affordable public

transport to get to work and access essential services.”

The government, which removed the subsidies citing fiscal pressures, has not yet announced any measures to mitigate the impact on citizens.

Some analysts believe the government may consider targeted interventions to assist vulnerable groups most affected by the rising transport costs.