NATIONAL BANK OF RWANDA
BANKI NKURU Y'U RWANDA

MONETARY POLICY REPORT

November 2023

NBR IDENTITY STATEMENT

The National Bank of Rwanda strives to be a World class Central Bank contributing to economic growth & development, by using robust monetary policy tools to maintain stable market prices. The Bank ensures financial stability in a free market economy as it embraces innovation, inclusiveness, and economic integration.

VISION

To become a World Class Central Bank

MISSION

To ensure Price Stability and a Sound Financial System

OUR CORE VALUES

INTEGRITY

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

ACCOUNTABILITY

We are result-focused and transparent, and we reward according to performance

MUTUAL-RESPECT AND TEAM-WORK

We keep ourselves in high spirit, committed to each other for success

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 services.

NBR
Key Strategic Focus
(2017/18-2023/24)

The National Bank of Rwanda strategic plan sets out six strategic focus areas in which the Bank must excel to achieve its mission and vision. The strategy was designed based on Rwanda's aspirations for economic transformation in line with the National Strategy for Transformation (NST1).

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) held a meeting on November 22nd, 2023, to evaluate the results of its prior decisions, analyze recent global and domestic economic trends, and determine the Central Bank Rate (CBR) for the upcoming quarter. The inflation forecasts for the November 2023 MPC suggest that year-on-year headline inflation is decelerating, albeit currently above the 5 percent medium-term inflation target. This trend is attributed to ongoing global economic challenges and the impact of domestic agricultural production.

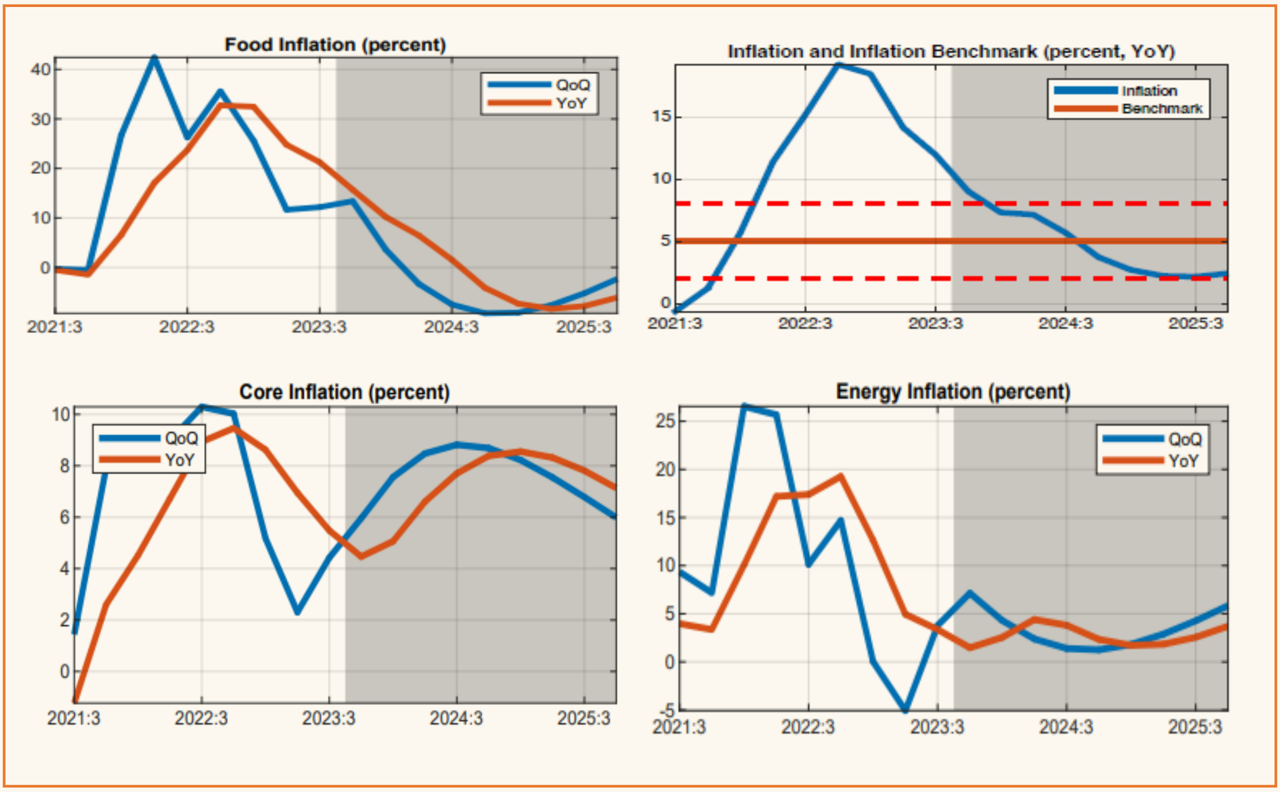
Though headline inflation (y-o-y) remains high, it is projected to continue reducing in the near term and evolving within the inflation bounds (2-8 percent) over the medium term reflecting the effect of NBR's past monetary policy decisions, other government policy measures and the declining trend in major international commodity prices.

The projected decline in headline inflation (y-o-y) reflects the deceleration in all key components of headline inflation, namely core inflation, energy inflation, and food inflation in the near term. Over the medium, pressures on core inflation are likely to continue, mainly originating from imported costs (appreciation of USD vs FRW), keeping core inflation high in 2024 but reducing towards the end of 2025.

Unlike core inflation, overall cost pressures from energy prices are expected to remain muted despite the upward revision in global oil prices. Over the policy horizon, energy inflation is projected to decline, consistent with the projected supply and demand conditions of energy products pressing muted pressures on the domestic economy. Similarly, food inflation is expected to ease following the decline in international food prices and the expected normalization of domestic agricultural production, which will not exert pressures on domestic inflation.

However, there are three main risks to the inflation projections: (1) risks associated with international economic developments in line with geopolitical tensions like the ongoing war in the Middle East, the impact of export bans (by key exporting countries) of sugar, rice, and other cereals; (2) risks associated with weather conditions that might affect the agricultural production going forward.

Based on the recent developments and outlook for both domestic and global economies, and the already tight monetary policy stance, the MPC decided to maintain the Central Bank Rate (CBR) at 7.5 percent. The current rate is estimated to be adequately tight to bring back inflation towards our target range of 2 to 8 percent by end 2023. For the coming months, assuming no unexpected events arise, the MPC may continue maintaining the CBR at the current level to stabilize inflation over the medium-term. The committee will keep monitoring macroeconomic developments and stands ready to take appropriate monetary policy decisions to ensure inflation stays within the target band.



II. CURRENT ECONOMIC CONDITIONS

SUMMARY

World economic growth is projected to slow in 2023, remaining below the historical annual average of 2000-19, reflecting tight financial conditions and associated weaker demand. Economic growth in advanced economies is projected to decelerate in 2023, with weaker manufacturing as well as country specific factors.

Global commodity prices are projected to decline in 2023, consistent with the projected slowdown in the global economy. Both energy and non-energy commodity prices are projected to continue to decline in 2023. Consistently, inflation is remarkably easing in advanced economies but remained above pre-pandemic levels. Most of the world economies are expected to have lower annual average headline inflation in 2023, reflecting essentially declining international commodity prices as well as cooling effects of monetary tightening on economic activity.

Despite easing inflationary pressures, major central banks in advanced economies are still pointing to policy tightening to help inflation return to their targets. With the cooling monetary policy tightening by the Federal Reserve, the US dollar is depreciating against the Euro and the British Pound.

Rwanda's economy remains resilient amid uncertainties stemming from global economic environment and the climate change. Real GDP growth was 6.3 percent in 2023Q2 and is expected to moderate in 2023Q3 on weak agriculture performance while it continued to be supported by a robust tourism industry, good performance in trade, financial, information and communication services, and a rebound in construction activities.

In 2023Q2, the current account deficit (CAD) widened, driven by merchandise trade deficit on high food and capital goods imports as exports growth moderated. However, the deficit from merchandise trade was lessened by recovering service exports and resilient remittances. However, more recently in 2023Q3, on the side of international trade, both merchandise exports and imports decreased (-3.8 percent and -3.1 percent respectively), and as result, the trade deficit narrowed by 2.7 percent.

Nevertheless, looking at the entire period from January to September 2023, the trade deficit, expanded by 12.2 percent year-on-year In that period, both merchandise exports and imports increased by 5.6 percent and 9.4 percent respectively. This, together with the strengthening of the USD due to the US Federal Reserve's monetary policy tightening, resulted in the depreciation of the FRW by 13.5 percent against the US dollar. Despite these fluctuations, Rwanda's foreign exchange reserves are expected to maintain a sufficient level in the medium term, ensuring coverage for at least four months of imports.

Looking at the domestic credit conditions, credit to the private sector increased by 16.1 percent in 2023Q3 from 12.6 percent in 2022Q3. Regarding interest rates, money market rates increased following the monetary policy tightening, but the banks' average lending rate was slightly reduced mainly due to long-term big loans that were priced at relatively lower interest rates.

In 2023Q3, the Headline inflation (y-o-y) decelerated to 12.7 percent from 15.2 percent recorded in the previous quarter. This reflects the decreases noted in core inflation, fresh food inflation, and energy inflation.

The downward trend observed in core inflation mainly reflected the base effects of higher prices recorded last year over the same period, while the slowdown observed in fresh foods inflation reflected the improved supply of some fresh vegetables and fruits, coupled with the base effects.

Over the same period, energy inflation reduced, reflecting the decline observed in solid fuels (charcoal and cooking firewood) and the base effects noted in liquid fuels inflation.

II.1. Global Economy and Financial Markets

The global economy is projected to slow in 2024.

According to the International Monetary Fund (IMF)'s World Economic Outlook (WEO) October 2023 projections, the world economic growth is projected to slow from 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 percent in 2024, remaining well below the average of 3.8 percent from 2000 to 2019. Advanced economies continue to drive the decline in annual average growth from 2022 to 2023, with stronger services activity offset by weaker manufacturing, as well as country specific factors.

Economic growth in advanced economies is projected to decelerate from 2.6 percent in 2022 to 1.5 percent in 2023, unchanged compared to the July WEO update, amid stronger-than-expected US momentum and weaker-than-expected growth in the euro Area. It is projected to remain at 1.4 percent in 2024.

In the US, growth is projected at 2.1 percent in 2023 (0.3 percentage point higher than in July update), owing to stronger business investment in the second quarter and resilient consumption growth, a reflection of a still-tight labor market, as well as general government fiscal stance which is expected to be expansionary in 2023. In 2023Q3, the US economy expanded by 4.9 percent (y-o-y), after growing by 2.6 percent in 2023Q2, reflecting increase in consumer spending, private inventory investment, exports and residential fixed investments that were partly offset by decreases in nonresidential fixed investments. Higher wages and tight labor market powered consumer spending.

Growth in the Euro Area is projected to fall from 3.3 percent in 2022 to 0.7 percent in 2023 (0.2 percentage point lower than July update), with output still below pre-pandemic projections, reflecting greater exposure to the war in Ukraine and the associated adverse terms-of-trade shocks, as well as a spike in imported energy prices. In 2023Q2, GDP growth decelerated to 0.6 percent (y-o-y) from 1.1 percent in 2023Q1, with divergence growth rates across the region.

The UK's economy is set to decline from 4.1 percent in 2022 to 0.5 percent in 2023 (0.1 percentage point higher than in July update), reflecting tighter monetary policies to curb still-high inflation and lingering effects of the terms of trade shocks from high energy prices. In 2023Q2, GDP improved slightly to 0.4 percent from 0.2 percent in 2023Q1, primarily driven by higher price pressures for household consumption, including the effects of higher food, energy, and core price inflation.

Japan's economy is projected to grow by 2.0 percent in 2023, from 1.0 percent in 2022, with an upward revision of 0.6 percentage point higher than in July update, buoyed by pent-up demand, a surge in inbound tourism, and accommodative policies, as well as a rebound in auto exports that had earlier been held back by supply chain issues. In 2023Q2, the economy grew by 2.1 percent (y-o-y), after 1.9 percent in 2023Q1, higher than initially expected due to robust export growth following a continued post-covid recovery.

Emerging market and developing economies are projected to remain broadly stable in 2023 and projected to modestly decline from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024, reflecting the property sector crisis in China. China's economy is projected to grow by 5.0 percent in 2023, revised down by 0.2 percentage point relative to July update, following the property market crisis and lower investment. In 2023Q2, the Chinese economy grew by 6.3 percent (y-o-y), higher than 4.5 percent in 2023Q1. Growth in India is projected to remain strong at 6.3 percent in 2023 (0.2 percentage point upward revision compared with July update), reflecting stronger-than-expected consumption during the second quarter of 2023. In 2023Q2, the economy performed strongly growing by 7.8 percent from 6.1 percent in 2023Q1, driven mainly by strong private consumption, strong gross domestic capital formation, and construction output.

Growth in Sub-Saharan Africa is projected to slow from 4.0 percent in 2022 to 3.3 percent in 2023, revised downward by 0.2 percentage point relative to July update, with growth remaining below the historical average of 4.8 percent. The projected decline reflects worsening weather shocks, the global economic slowdown, and domestic supply issues, including, notably, in the electricity sector. The slowdown also reflects growth declines of the two major economies of Nigeria and South Africa.

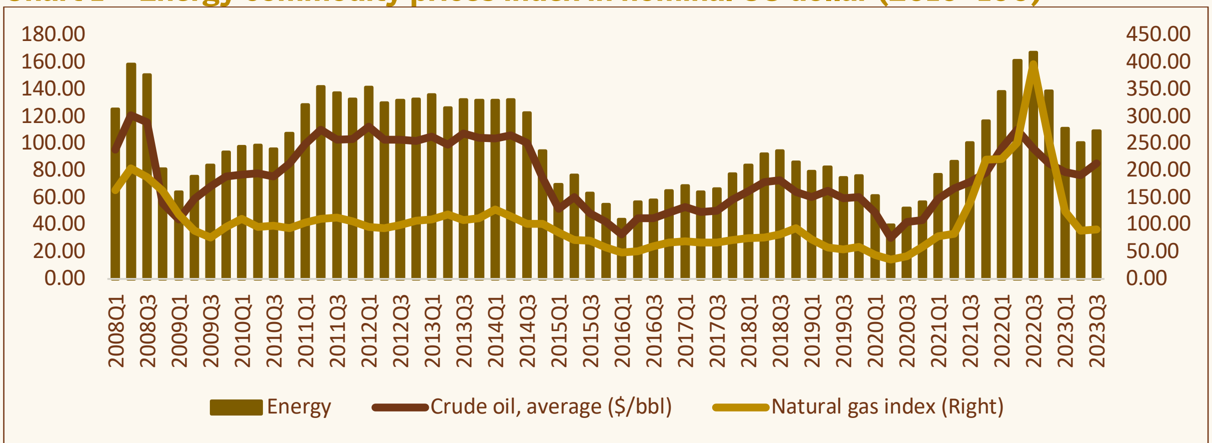
Growth in Nigeria is projected to decline from 3.3 percent in 2022 to 2.9 percent in 2023, with negative effects of high inflation on consumption taking hold. The forecast for 2023 is revised down by 0.3 percentage point relative to July update, reflecting weaker oil and gas production than expected, partially because of maintenance work, while South Africa's growth is expected to decline from 1.9 percent in 2022 to 0.9 percent in 2023, with the decline reflecting power shortages. Sub-Saharan Africa's economy is expected to rebound to 4.0 percent in 2024.

The economic performance in the East African Community (EAC[1]-5) countries is projected at 5.0 percent in 2023, from 5.2 percent in 2022, following projected slowdown for some member countries compared to the previous year. Rwanda's economic growth is projected to slow to 6.2 percent in 2023 after 8.2 percent recorded in 2022. In Uganda, GDP is projected to slow to 4.6 percent after 6.4 percent in 2022. During the same period, Tanzania's real GDP is projected at 5.2 after 4.7 percent recorded in 2022. Kenya's economic growth is projected at 5.0 percent in 2023 from 4.8 percent in 2022, and in Burundi, growth is projected at 3.3 percent in 2023, from 1.8 percent in 2022.

Commodity prices projected to decline in 2023 due to the slowing global demand

In 2023Q3 (q-o-q), global commodity price index increased by 4.8 percent after decreasing by 7.4 percent in 2023Q2, and projected to drop by 23.5 percent in 2023, and drop further by 4.1 percent in 2024, due to weaker global growth amid tight financial conditions. However, World Bank forecast of October 2023 assumes that the latest Middle East conflict will remain contained, with minimal effects on commodity markets. Energy price index increased by 8.6 percent in 2023Q3 after decreasing by 9.6 percent in 2023Q2, reflecting increasing prices of crude oil, which accounts for almost 80 percent of the index, and projected to drop by 28.8 percent in 2023 and drop further by 4.5 percent in 2024 after rising by 60.0 percent in 2022, as subdued global growth reduces demand pressures.

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



Source: World Bank Commodity Prices, October 2023

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

In 2023Q3 (q-o-q), crude oil average prices increased by 11.3 percent after dropping by 3.1 percent in 2023Q2, amid series of supply cuts by OPEC and 10 affiliated member countries. The increase starts in July 2023 following crude oil production cut by 1 million barrels per day by Saudi Arabia. In October 2023, World Bank projects crude oil prices to drop by 15.8 percent in 2023 and drop further by 3.6 percent in 2024, amid slowing global growth. However, forecast highlight expectation that the Israel-Hamas conflict will have a limited impact, assuming it does not escalate into a wider conflict. The forecast also assumes that global oil production will increase within and outside OPEC+, provided that some OPEC+ supply cuts are reversed in early 2024.

Natural gas index increased by 2.2 percent in 2023Q3 after dropping by 28.4 percent in 2023Q2, partly due to ongoing labor strikes at Australian LNG facilities. Lower natural gas demand in Europe has been driven by efficiency gains, policies to administer demand, and weaker production in the industrial sector. Slower than expected imports into China have also relieved pressure on natural gas prices.
World Bank projects natural gas average prices to drop by 54.4 percent in 2023 and drop further by 3.0 percent in 2024 on lower demand, after surging by 1 10.7 percent in 2022. The forecast assumes that relatively mild weather in the northern hemisphere and no disruptions in supplies.

Non-energy commodity prices dropped by 2.2 percent in 2023Q3, after decreasing by 3.3 percent in 2023Q2, owing largely to declining prices of almost all non-energy commodity prices. In October 2023, World Bank projects non energy commodity price index to drop by 10.4 percent in 2023 and drop further by 3.1 percent in 2024 after increasing by 10.6 percent in 2022. The downward trend reflects the projected falling prices of all non-energy commodities.

In 2023Q3, average prices for agricultural commodities dropped by 2.6 percent after a slight decline of 0.7 percent in 2023Q2, attributed largely to decreasing beverages and food prices. The non-renewal of the Black Sea Initiative, India's export ban of non-basmati rice, and the impending El Nino drove volatility in agricultural prices. Agricultural commodity prices are projected to drop by 7.2 percent in 2023 and drop further by 1.5 percent in 2024 after increasing by 13.3 percent in 2022, owing to ample supplies.

Food prices dropped by 3.3 percent in 2023Q3 after decreasing by 2.3 percent in 2023Q2, of which, cereals (-7.2 percent), and other foods (-3.7 percent). Global food prices are projected to drop by 8.8 percent in 2023 and drop slightly by 1.5 percent in 2024 after increasing by 18.8 percent in 2022. Following 11.3 percent projected fall in 2023, the grains price index is projected to fall by 2.8 percent in 2024, amid ample supplies and adequate stock levels. However, rice prices will remain high in 2024, assuming India maintains its export restrictions.

Coffee (Arabica) prices dropped by 14.2 percent in 2023Q3 after falling slightly by 0.3 percent in 2023Q2 and projected to drop by 21.0 percent in 2023 and drop slightly by 1.1 percent in 2024. Tea prices (Mombasa) decreased by 1.6 percent in 2023Q3 after falling by 5.0 percent in 2023Q2.

Metals & minerals prices went down by 2.2 percent in 2023Q3 after dropping by 7.6 percent in 2023Q2 and projected to drop by 11.8 percent in 2023 and drop further by 4.7 percent in 2024 after decreasing by 1.2 percent in 2022. Tin prices increased by 2.4 percent in 2023Q3 after a slight decrease of 0.6 percent in 2023Q2, boosted by increased demand from electronics sector, but projected to fall by 17.0 percent in 2023 and drop further by 3.8 percent in 2024 on account of decreasing demand from electronics sector.

Prices for fertilizers increased by 3.1 percent in 2023Q3 (q-o-q) after dropping by 10.1 percent in 2023Q2. The World Bank projected fertilizers to drop by 33.6 percent in 2023 and drop further by 15.4 percent in 2024 after increasing by 54.8 percent in 2022, as more supplies come online, but likely to stay above historical averages due to some supply constraints and China's ongoing fertilizer export restrictions.

Global inflation is expected to ease in 2023 but will remain above the central bank's target

World annual average inflation is projected to ease to 6.9 percent in 2023 and 5.8 percent in 2024 from 8.7 percent in 2022 but remains above pre-pandemic levels of about 3.5 percent (2017-19). The forecast for 2024 is revised up by 0.6 percentage point, reflecting higher-than-expected core inflation. Although monetary tightening is starting to bear fruit, a central driver of the fall in headline inflation projected for 2023 is declining international commodity prices. Nearly three-quarters of the world economies are expected to have lower annual average headline inflation in 2023.

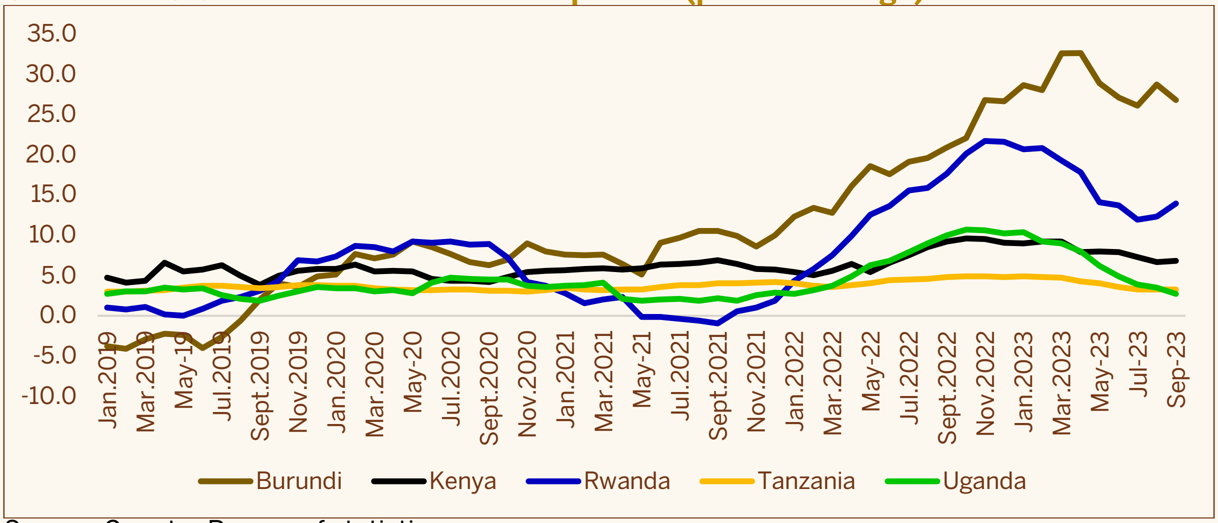
In advanced economies, consumer price inflation is expected to ease to 4.6 percent in 2023 (revised down by 0.1 percentage point relative to July update) and ease further to 3.0 percent in 2024 from 7.3 percent in 2022, benefiting from stronger monetary policy frameworks and communications. Consistent with this projected easing inflation, US headline inflation is projected to decelerate to 4.1 percent in 2023 from 8.0 percent in 2022, Eurozone inflation expected to ease to 5.6 percent in 2023 from 8.4 percent in 2022, and annual headline inflation for UK is projected at 7.7 percent in 2023 after 9.1 percent in 2022, reflecting falling energy and easing food prices.

In emerging market and developing economies, annual headline inflation is expected to slightly ease to 8.5 percent in 2023 and ease further to 7.8 percent in 2024 from close to a double digit of 9.8 percent in 2022, reflecting falling energy and easing food prices. China's headline inflation is projected to decelerate to 0.7 percent in 2023 from 1.9 percent in 2022, and headline inflation for India is projected at 5.5 percent in 2023 from 6.7 percent in 2022.

In Sub-Saharan Africa, annual headline inflation is projected to remain in double digits and increase from 14.5 percent in 2022 to 15.8 percent in 2023, following the projected higher inflation rates in Zimbabwe (314.5 percent), Sierra Leone (42.9 percent), Ghana (42.2 percent), Malawi (27.7 percent), Ethiopia (29.1 percent) and Nigeria (25.1 percent), but expected to ease to 13.1 percent in 2024. In some Sub-Saharan African countries, food prices have increased significantly, amid local shortages and the rise in global food prices.

In the EAC-5 countries, annual average inflation is projected to ease to 6.8 percent in 2023 and ease further to 5.6 percent in 2024 after 7.1 percent in 2022. Consistent with this projected path of inflation, Rwanda's headline inflation eased to 13.9 percent in September 2023 compared to 17.6 percent in September 2022, Kenya's inflation eased to 6.8 percent in September 2023 compared to 9.2 percent in September 2022, Tanzania's headline inflation softened to 3.3 percent in September 2023 from 4.8 percent in the corresponding month of the previous year, and annual headline inflation for Uganda decelerated to 2.7 percent in September 2023 compared to 10.0 percent in September 2022, mainly due easing food prices and falling fuel prices.

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

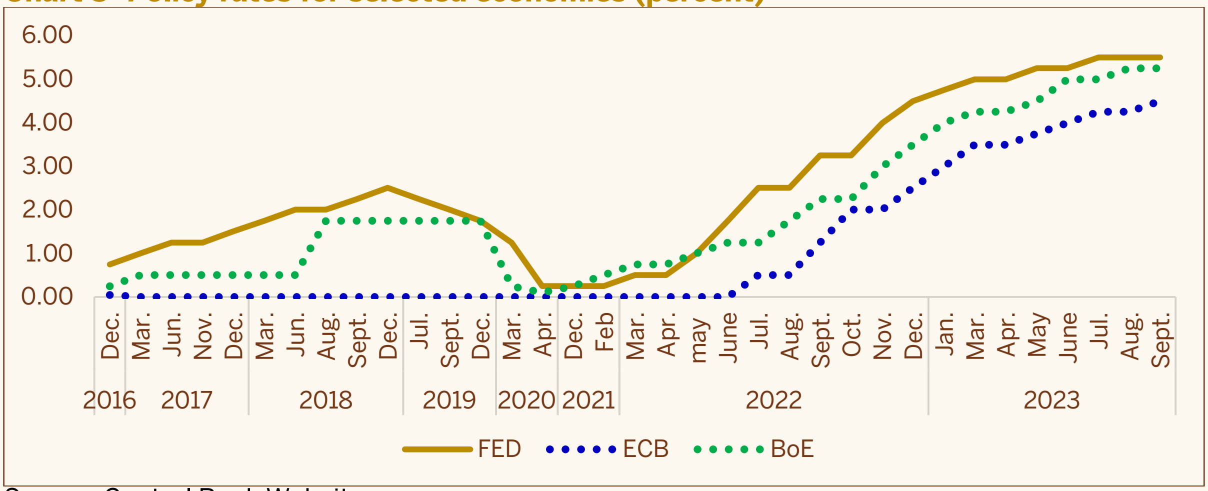


Source: Country Bureau of statistics

Monetary conditions tighten globally amid heightened inflation risks

Despite easing inflationary pressures, some central banks in advanced economies are still pointing to policy response to help inflation return to targets. The US Federal Reserve paused interest rate in September 2023 and maintained the target range from 5.25 to 5.50 percent. The Bank of England also maintained the bank rate to 5.25 percent, and the European Central Bank paused the three key ECB interest rates and remained at 4.50 percent on 26th October 2023.

Chart 3- Policy rates for selected economies (percent)



Source: Central Bank Websites

On the foreign exchange market, the US dollar is depreciating against some major currencies, partly reflecting the cooling monetary policy tightening by the Federal Reserve. By end September 2023, the US dollar depreciated by 2.39 percent (y-o-y), against the British pound, and by 0.48 percent against the Euro. The dollar however appreciated by 11.96 percent against the Japanese Yen, and by 6.07 percent against the Chinese Yuan.

Global economy expected to impact Rwandan economy in 2023

The projected decline in crude oil and natural gas prices in 2023 are expected to reduce Rwanda's domestic oil and gas import bill. This expected impact is based on the recent World Bank, October 2023, Commodity Markets Outlook.

The projected decline in agricultural commodity prices such as coffee and tea, and minerals such as tin prices in 2023, is expected to negatively impact Rwanda's traditional exports earnings, worsening the trade deficit. These declines in commodity prices are foreseen to continue in 2024, negatively affecting Rwanda's exports value. Economic growth in most of Rwanda's trading partners is expected to remain moderate leading to low demand for Rwanda's traditional exports.

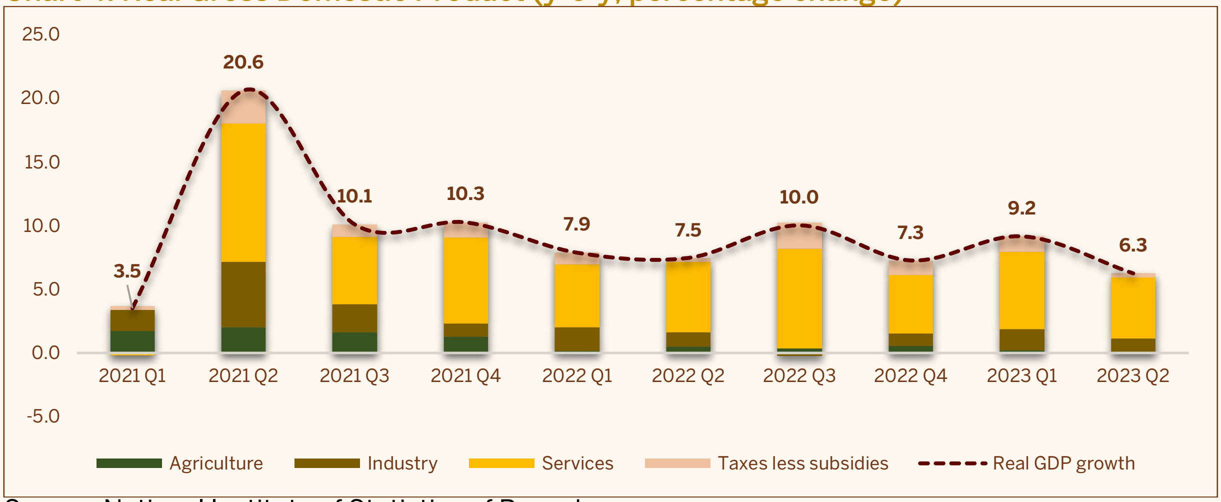
Regarding exchange rate, the current appreciation trend of the US dollar against the Rwandan franc is expected to negatively impact the Rwandan economy leading into high debt service and domestic currency depreciation, but current appreciation trend of US dollar against the Japanese yen is expected to lower Rwanda's import costs on vehicles from Japan.

II.2. Domestic economic performance and labour market

Economic activity continued to expand firmly in the second quarter of 2023 despite weak agricultural performance.

Rwanda's economy grew by 6.3 percent in 2023Q2, mainly driven by strong growth momentum in the services sector. The latter accounted for 50.2 percent of real GDP in 2023Q2 and grew by 9.9 percent, faster than the long-term average growth of 8.5 percent (2006 - 2022). However, the real GDP growth has started to slow down as the economy adjusts from a period of high growth due to the recovery from the COVID-19 pandemic shock.

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



Source: National Institute of Statistics of Rwanda

The services sector continued to experience robust economic performance mainly owing to the booming tourism industry and the good performance of trade services (+6.3 percent), education (+27.9 percent) as well as information and communication (+36.7 percent). The rebound in the tourism industry is evidenced by strong performance of transport (+7.9 percent) and hotels and restaurants (+7.4 percent); supported by a rebound in global tourism, which is expected to fully recover to pre-pandemic level in early 2024.

The industry sector's growth changed slightly in 2023Q2, being at 6.1 percent after 6.2 percent in 2022Q2 as the uptick in construction subsector performance was moderated by slowing growth in mining and quarrying and manufacturing subsectors. The mining and quarrying subsector's growth slowed from 8.8 percent in 2022Q2 to 7.1 percent in 2023Q2 in line with international mineral prices which fell by 17.8 percent in 2023Q2, year-on-year. Notwithstanding, the level of these prices was still higher by 32.1 percent compared to the average of 2019-2020, which continues to support the subsector. The manufacturing subsector growth was at 7.6 percent, 230 basis points lower than in 2022Q2, owing mostly to a fall in beverage production (-1.9 percent) due to the base effect. Despite this decline, other manufacturing activities evolved well, reaching an average growth of 10.3 percent, with food processing accounting for 35.5 percent of the manufacturing subsector's growth of 9.2 percent.

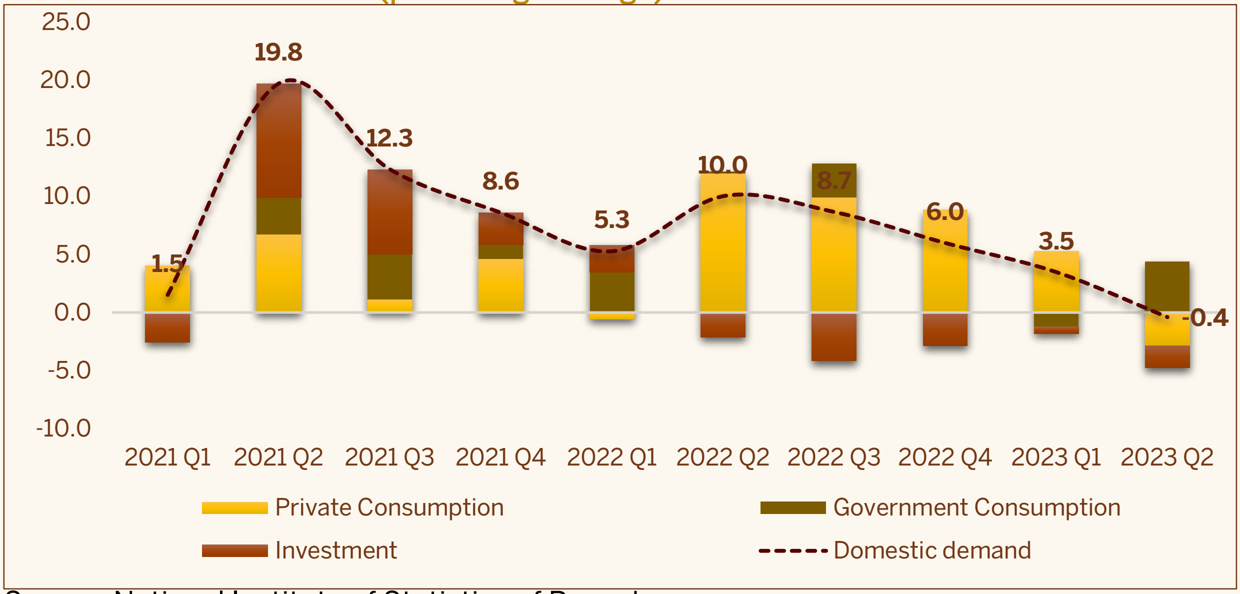
The construction subsector, grew by 3.9 percent in 2023Q2 from 0.1 percent in 2022Q2, supported by new infrastructure projects, of which some benefited from the Manufacture and Build to Recover Program (MBRP).

The agriculture sector's performance was weak, largely due to unfavorable weather conditions. The sector's growth dropped to negative 0.1 percent in 2023Q2 as food production contracted by 3.2 percent. Exports crops recorded a moderate growth of 2.1 percent following a contraction in coffee production (-11.1 percent) that was outweighed by expansion in tea production (+14.1 percent). Other subsectors maintained the growth momentum, with livestock growing by 5.5 percent, forest by 5.8 percent and fishing by 3.8 percent.

Domestic demand contracted on weak private consumption and investment.

Domestic demand decreased in the second quarter of 2023. Weak private consumption (-4.4 percent) was the main driver and outweighed the huge increase in Government consumption (+30.2 percent). Furthermore, total investment fell by 9.2 percent mainly due to continuous disinvestment in inventories (-390.9 percent in 2023Q2, following -136.1 percent in 2022Q2). On another hand, fixed investment expanded by 4.1 percent, fueled by booming construction activities. The downward trend in private consumption and investment hints at the negative impact of global and domestic high inflation on economic activity.

Chart 5: Domestic demand (percentage change)



Source: National Institute of Statistics of Rwanda

Continuous improvement in employment fueled by industry and services sector performance.

The labour market continued to improve, mainly supported by the good performance in the service sector. From 23.0 percent and 18.1 percent respectively in 2022Q2 and 2022Q3, unemployment fell to 16.8 percent and 18.0 percent in 2023 Q2 and Q3.

Table 1: Labour market indicators (percentage)

	2021	2021	2021	2022	2022	2022	2022	2023	2023	2023
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Unemployment Rate	23.5	19.4	23.8	16.5	23.0	18.1	24.3	17.2	16.8	18.0
Labour Force Participation Rate	53.3	50.9	61	54.5	54.3	56.6	58.7	57.6	59.5	59.8
Employment %YoY										
Total	-2.2	-13.3	6.6	11.9	6	16.7	-1.7	6.1	20.1	7.0
Agriculture	7	19	16	12.2	-0.9	19.1	-5.2	-6.4	20.6	-12.2
Industry	-15.2	-31.6	-7.1	13.1	6.7	16.4	-3.3	5.9	15.7	12.5
manufacturing	-9.6	-40.5	9.5	10.6	20	35.5	5.8	23.2	23.0	2.7
Construction	-15.4	-25.1	-9.9	17.1	-5.4	7.8	-14.4	-6.5	17.7	19.2
Services sector	-4.2	-26.7	4.1	12.1	16	12.2	4.9	27.8	22.6	31.7
Trade services	-31	-36.5	-3.8	7.2	29.1	-5.9	-0.7	36.8	37.7	49.6
Transport	35.6	-1.1	16.4	26.6	29.2	35.6	15.2	22.1	19.8	32.2
Hotels and Restaurants	15.3	-71.3	-6.2	11.5	18.1	107.1	31.2	86.8	70.7	65.0

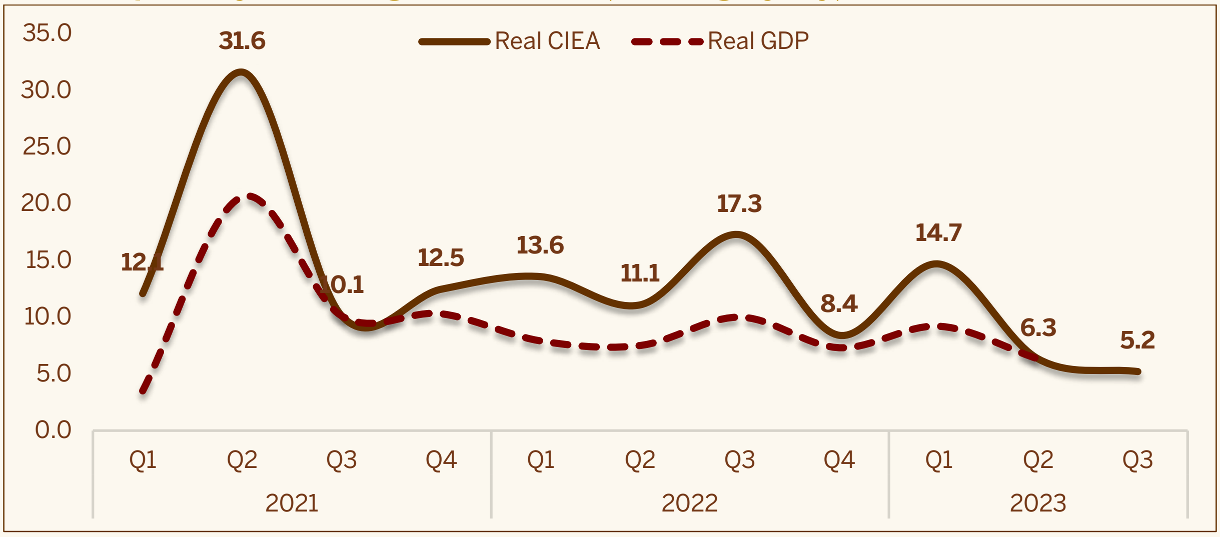
Source: National Institute of Statistics of Rwanda

This improvement results from the increase in labour participation, from an average of 55.5 percent (2022Q2-Q3) to 59.7 percent (2023Q2-Q3) and the increase in employment rate, from an average of 44.1 percent (2022Q2-Q3) to 49.3 percent (2023Q2-Q3). Developments in industry and services largely contributed to the increase of employment rate. For instance, employment in the industry sector grew by 14.1 percent (2023Q2-Q3) on average, and it increased by 27.2 percent in the services sector. This is observed in the unemployment rate of the urban area, where most industrial and services activities are located, which is lower (16.1 percent in 2023Q2-Q3) than the one in the rural area (18.2 percent in 2023Q2-Q3). The rural area situation is more affected by the agriculture sector's performance.

Economic activities continued to increase in 2023Q3, mainly led by the services sector and construction.

The Composite Index of Economic Activities (CIEA) increased by 1.8 percent quarter-on-quarter between 2023 Q2 and Q3. However, compared to 2022Q3 (17.3 percent) the growth slows down to 5.2 percent, indicating that the moderate growth in economic activities is largely due to the base effect.

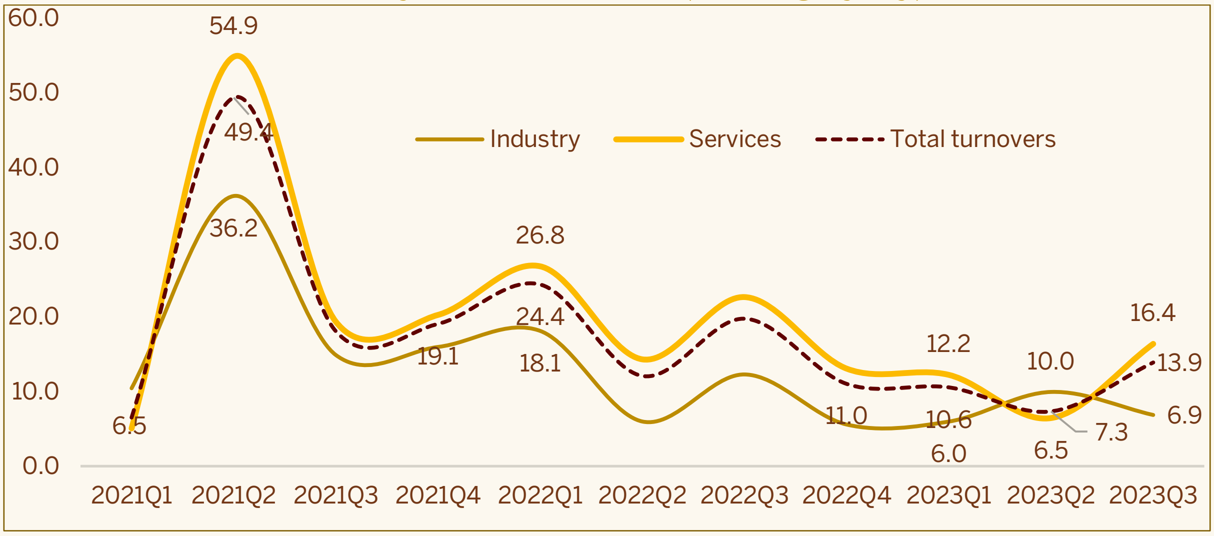
Chart 6: Quarterly real GDP growth vs CIEA (% change, y-o-y)



Source: NBR, Monetary Policy Department

The services sector continues to record strong performance, with total turnovers growing by 16.4 percent in 2023Q3. This growth continued to be mainly driven by robust trade services, financial services, telecommunication, education, and tourism-related services such as hotels and transport. This is further evidenced by the increased number of MICE delegates (above 17 thousand in 2023Q3 compared to 16 thousand in 2023Q2 and 9 thousand in 2022Q3).

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



Source: Rwanda Revenue Authority

The industry sector registered a moderate performance. The sector's total turnovers grew by 6.9 percent, supported by construction (25.8 percent) and mining and quarrying (24.1 percent), offsetting the contraction in manufacturing industries (-5.4 percent). The weak performance in manufacturing is partly due to high cost of production, linked to high global inflation and the strengthening of the USD. This is evidenced by the producer price index which increased from 16.6 percent in 2022Q3 to 31.2 percent in 2023Q3.

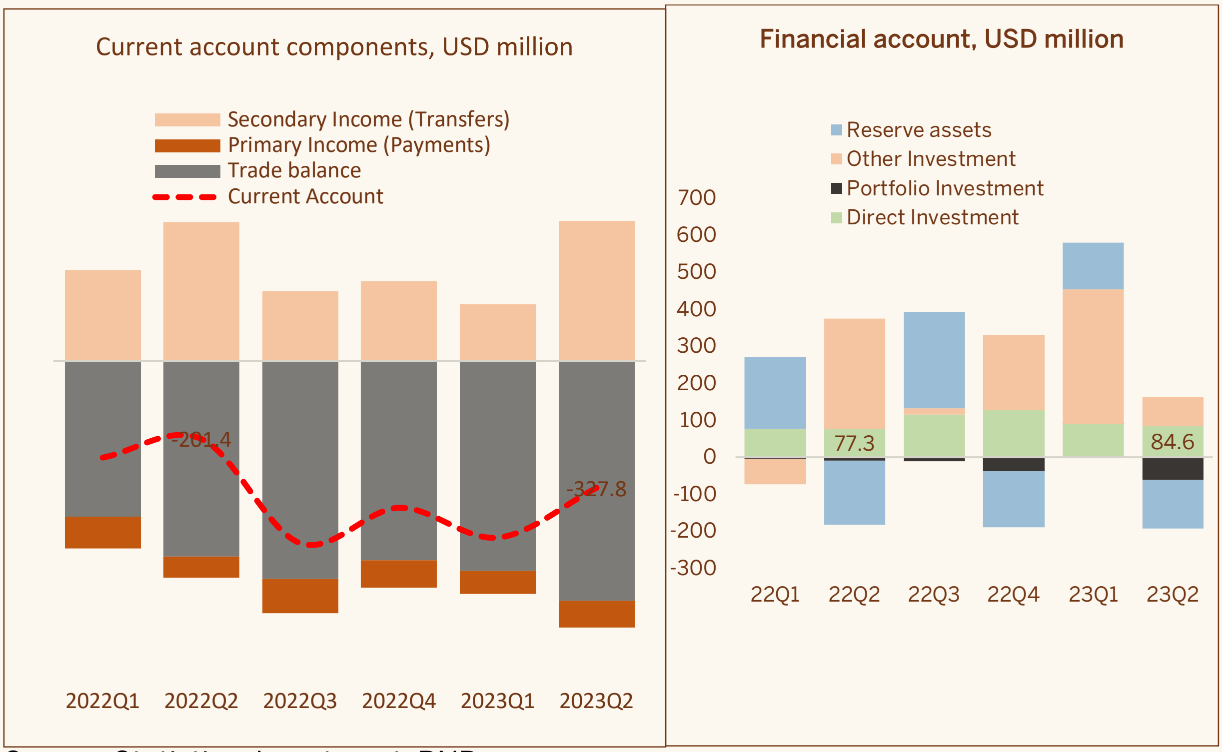
The agriculture sector performance remained weak in 2023Q3. Production in season B, was good for beans (16.2 percent) and banana (7.2 percent), but weak for cereals (0.0 percent), roots and tubers (-2,5 percent), and vegetables (-2.2 percent). The production of export crops also contracted in 2023Q3, with coffee declining by 8.7 percent and tea by 34.0 percent.

Overall, despite the relatively weak performance of the agriculture sector, Rwanda's economy remains resilient against the shock. The real GDP growth for 2023Q3 and 2023Q4 is expected to be moderate, and is projected to average 6.2 percent in 2023 and 6.6 percent in 2024.

II.3. External sector and exchange rates developments

In 2023Q2, the current account deficit widened to 9.3 percent of GDP due to the rise of trade deficit (22.8 percent) and decreasing budgetary grants (-4.7 percent). However, there is a strong recovery in service exports and continued remittances inflows. On the side of the financial account, there is an increase of inflow for FDI (+9.5 percent) and a decrease in government project and budget loans (-40.2 percent). Consequently, Rwanda's foreign exchange reserves remained relatively adequate as of the end of June and are expected to maintain a sufficient level in the medium term, ensuring coverage for at least four months of imports.

Chart 8: Current account deficit



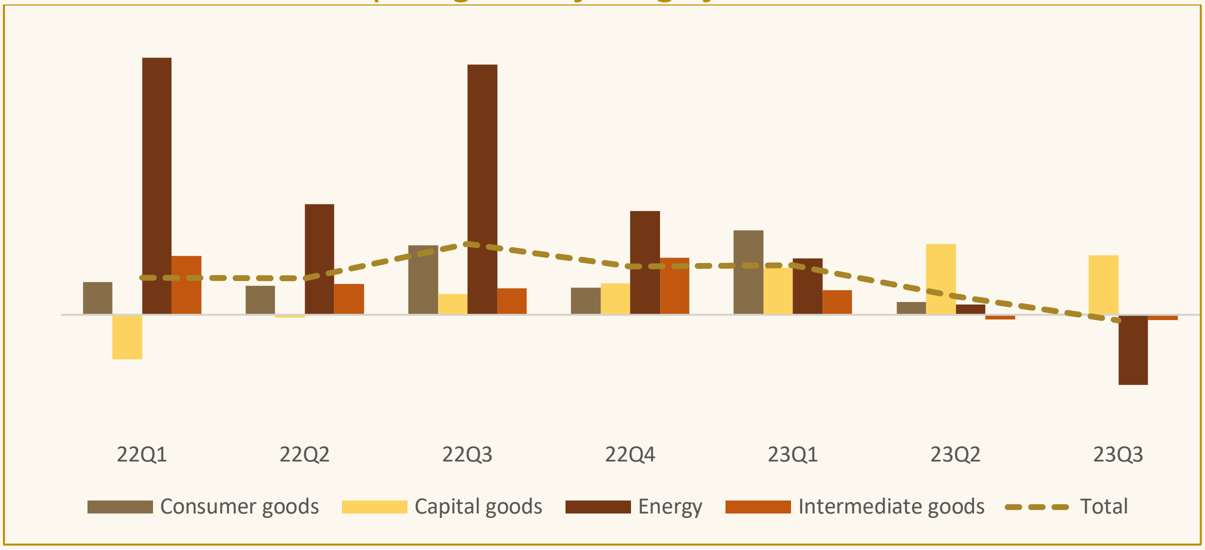
Source: Statistics department, BNR

However, in 2023Q3, both exports and imports reduced year-on-year.

Imports decreased in 2023Q3 due to a decline in energy products but rose in the first nine months of 2023.

The import bill in 2023Q3 decreased by 3.1 percent, primarily due to the decrease in import of energy. However, imports rose by 9.4 percent from January to September 2023. The temporal reduction in the quarterly numbers was particularly driven by a decline in the imports of petroleum products (-13 percent in volume and -39 percent in value). In addition, there was a slight reduction in the import of intermediate goods (-2.1 percent in volume and -2.9 percent in value). However, on the other side, the import volume shows an increase in consumer & capital goods. Food imports were particularly high due to the underperformance of the agriculture sector. Specifically, the food import bill increased by 72 percent, primarily driven by elevated imports of cereals, vegetables, fruits, spices, and fish. Capital goods increased by (+10.3 percent in volume and 32.5 percent in value) following more imports of electrical equipment and machinery.

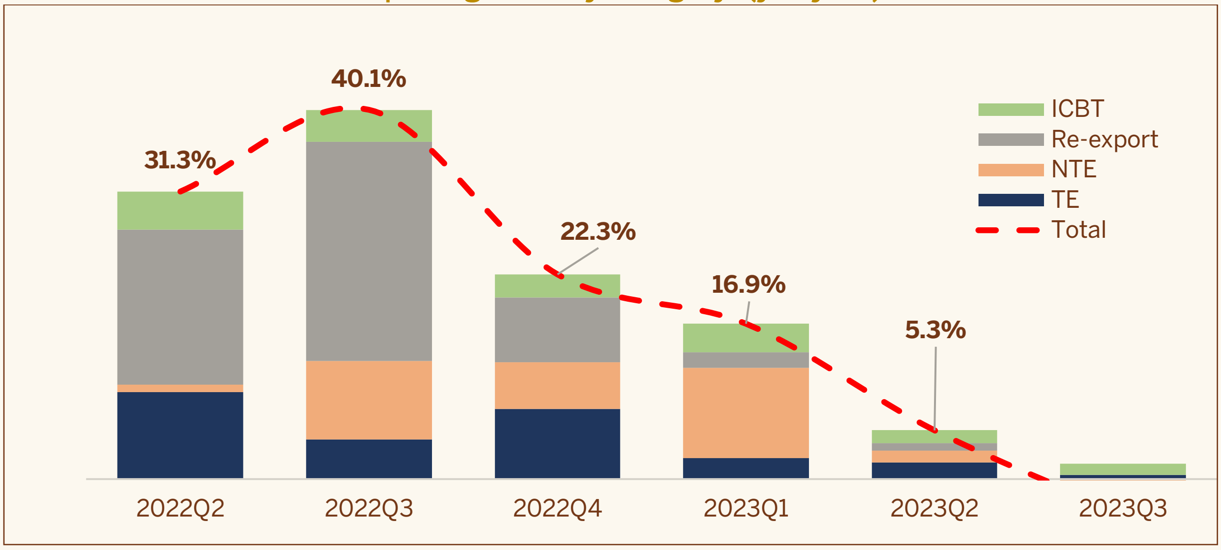
Chart 9: Contribution to imports growth by category, %



Exports decreased in 2023Q3, reflecting a decline in re-exports of petroleum products among others.

On the same note, exports decreased by 3.8 percent, driven by lower receipts from non-traditional and re-exports categories, reflecting weak regional demand. Specifically, re-exports fell by 1.3 percent, mainly due to the decline in re-exports of petroleum products.

Chart 10: Contribution to exports growth by category, (y-o-y, %)

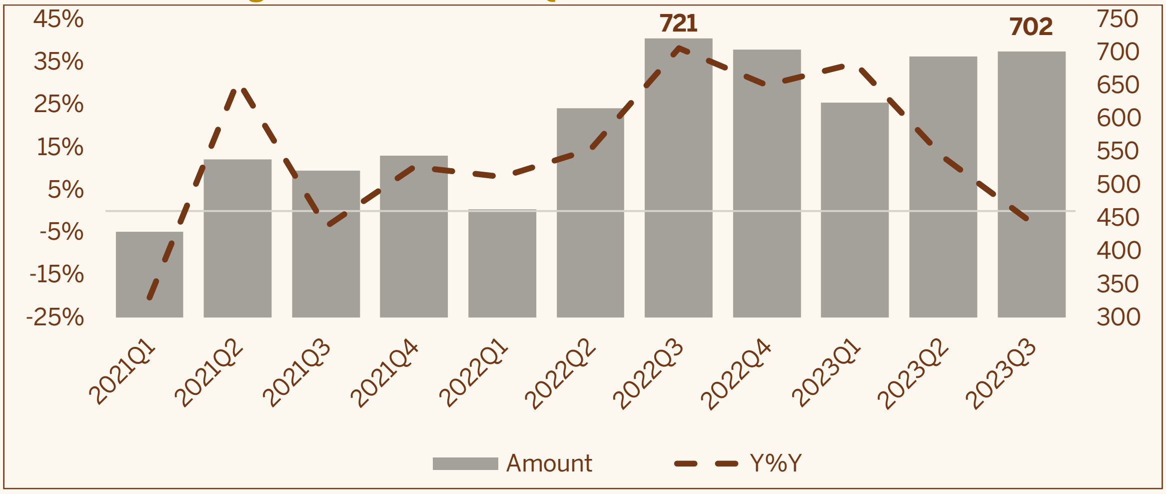


Source: Statistics department, BNR

Earnings from traditional exports grew by 3.6 percent 2023Q3 year-on-year. However, the growth was relatively low due to the decline in international prices. In contrast, revenue from coffee exports surged by 24.0 percent, mainly due to an increase in exports quantities, which outweighed the decline in prices.

In the same quarter, there was a decrease of 8.2 percent in non-traditional exports[2]. Additionally, receipts from re-exports dropped by 1.3 percent year-on-year, driven by a decline in petroleum products. On the other hand, Informal Cross-Border Trade (ICBT) experienced significant growth of 15.6 percent in in the same period. This increase reflects the resumption of cross-border movements after the Covid-19 pandemic. As a result, the merchandise trade deficit narrowed following the decrease in import receipts and stood at USD 702 million, down from USD 721 million.

Chart 11: Trade in goods deficit in 2023Q3 in USD million



Source: Statistics department, BNR

Regarding regional trade, EAC trade deficit widened by 16 percent in 2023Q3, with the export receipts growing by 36 percent and import bill rising by 23 percent.

The current account is widening in the year 2023 and projected to reduce in 2024.

On the outlook, the CAD is projected to expand to 11.5 percent of GDP in 2023 from 9.8 percent in 2022, following increasing merchandise imports amid modest exports growth and declining budgetary grants. Private inflows (mostly FDI) are projected to be key sources of finance for the CAD as government inflows decline. Risks to these projections include a potential decline in global aggregate demand due to geopolitical tensions and tightening financial conditions. Additionally, lower exports prices (mostly of minerals) and increasing

[2] Non-traditional exports refer to domestic exports other than those in traditional exports (coffee, tea, minerals, hides and skins and pyrethrum).

fuel costs (as a result of events like the Israel-Hamas war, Russia-Ukraine war, and OPEC+ oil production cuts), and rising food prices (due to climate change, exports bans, lower FDI inflows, USD appreciation and high debt service).

High demand pressures on the foreign exchange market.

In 2023Q3, the widening current account deficit and the effects of monetary policy tightening to contain inflation in advanced economies put some pressures on the Rwandan franc exchange rate against major currencies. These pressures have been moderated by improving remittance and tourism receipts.

As of end September 2023, the Rwandan franc depreciated by 13.5 percent compared to December 2022 versus the US dollar, faster than 3.2 percent depreciation recorded in the corresponding period last year. The FRW also lost value against other major currencies. Specifically, it depreciated by 15.1 percent against the Pound, 12.5 percent against the Euro, and 0.8 percent against the Japanese Yen. This is in contrast to the corresponding period of 2022, during which the FRW had appreciated by 15.1 percent, 10.6 percent, and 17.9 percent against the Pound, Euro, and Yen, respectively.

Table 2: FRW appreciation/Depreciation rate versus selected currencies (in %, compared to Dec. previous year)

	FRW/USD	FRW/GBP	FRW/EUR	FRW/JPY	FRW/KES	FRW/TZS	FRW/UGX	FRW/BIF
Dec-19	4.9	8.5	2.8	6.3	4.5	3.7	5.1	-0.2
Dec-20	5.4	9.4	15.7	11.4	-1.3	5.7	7.2	2.5
Dec-21	3.8	2.9	-4.4	-7.0	0.2	4.8	6.9	1.0
Mar-22	0.9	-2.0	-0.5	-5.0	-0.7	0.0	-0.5	-1.9
Jun-22	1.5	-8.8	-6.3	-14.5	-2.5	0.1	-4.6	-1.7
Sep-22	3.2	-15.1	-10.6	-17.9	-3.3	1.8	-5.2	-0.4
Dec-22	6.1	-5.3	0.0	-7.9	-2.8	4.5	1.2	2.0
Mar-23	3.1	6.0	5.3	2.9	-3.9	2.7	1.2	2.7
Jun-23	8.8	13.9	10.7	-0.4	-4.5	5.1	10.0	-20.2
Sep-23	13.5	15.1	12.5	0.8	-5.5	5.7	12.0	-17.0

Source: National Bank of Rwanda

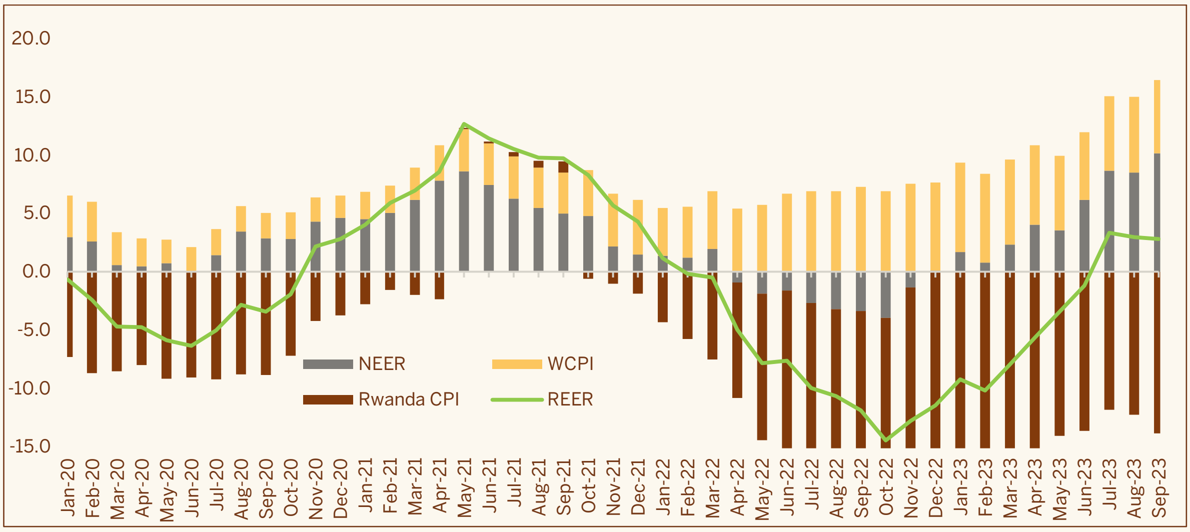
Relative to regional currencies, the FRW continued to gain against the KES and BIF. Pressures from the current account deficit and rising dollar demand, especially from the energy sector as well as external debt servicing have pulled down the value of the Kenya shilling. The BIF depreciated quickly, affected by the decision of the Central Bank to adjust the official rate to the market rate. In contrast, the Rwandan franc remained weak versus the Tanzanian and the Ugandan shillings. The Tanzanian shilling was supported mainly by dollar inflows from the tourism sector and export receipts. The UGS was boosted by increased dollar inflows from remittances and foreign direct investment inflows, especially in oil and gas.

As of end September, the FRW gained 5.5 percent against the Kenyan shilling and 17.0 percent against the Burundian Franc, faster than 3.3 percent and 0.4 percent appreciations respectively recorded in the corresponding period last year. The FRW lost 5.7 percent relative to the Tanzanian shilling and by 12.0 percent versus the Ugandan shilling, as compared to a depreciation of 1.8 percent and an appreciation 5.2 percent recorded in September last year. Despite these fluctuations, Rwanda's foreign exchange reserves are expected to maintain a sufficient level in the medium term, ensuring coverage for at least four months of imports.

Higher nominal depreciation led to the depreciation of the franc in real effective terms.

In nominal effective terms, the FRW depreciated against the weighted currencies of trading partners. As of end September 2023, the franc lost 10.2 percent (year-on-year) against 3.4 percent appreciation end September 2022. In real terms, the franc depreciated by 2.8 percent compared to an appreciation of 11.9 percent recorded in the same period last year.

Chart 12: Drivers of REER movement



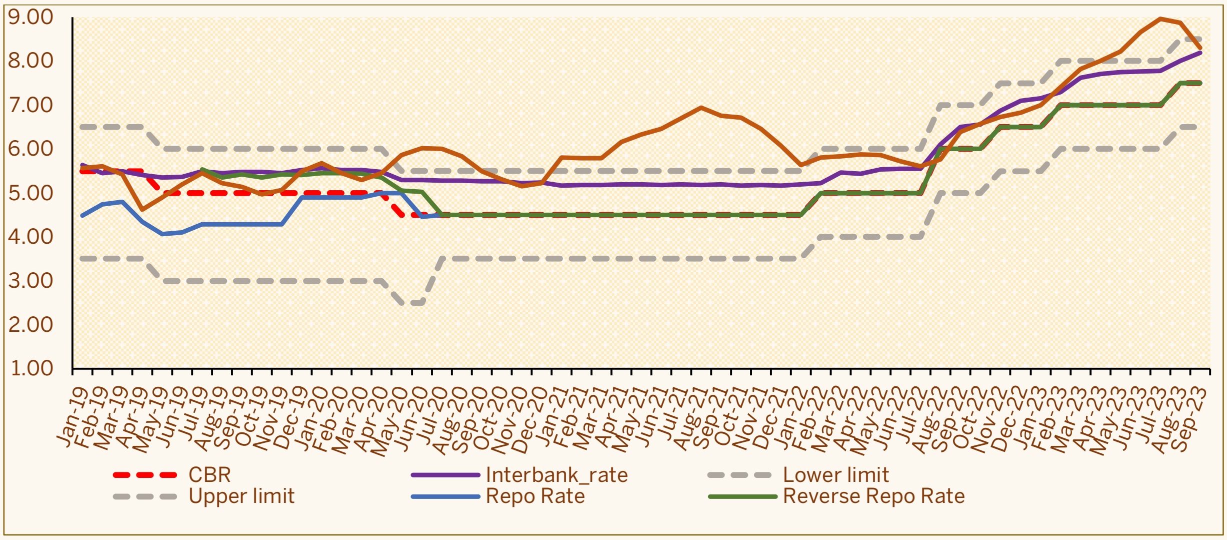
Source: NBR, Monetary Policy and Research Directorate

With a depreciation of the real effective exchange rate, domestic products are becoming relatively competitive compared to foreign goods.

II.4. Domestic Credit Conditions

On August 16th, the Monetary Policy Committee (MPC) held a meeting and decided to raise the Central Bank Rate (CBR) by 50 basis points, bringing it to 7.5 percent. The committee had already raised the CBR by a cumulative 250 basis points since February 2022, with the aim to curb inflationary pressures that were affecting consumers' purchasing power. Consequently, money market rates were steered around the central bank rate, and the interbank rate increased by 194 basis points to 7.99 percent on average in 2023Q3 from 6.05 percent in 2022Q3.

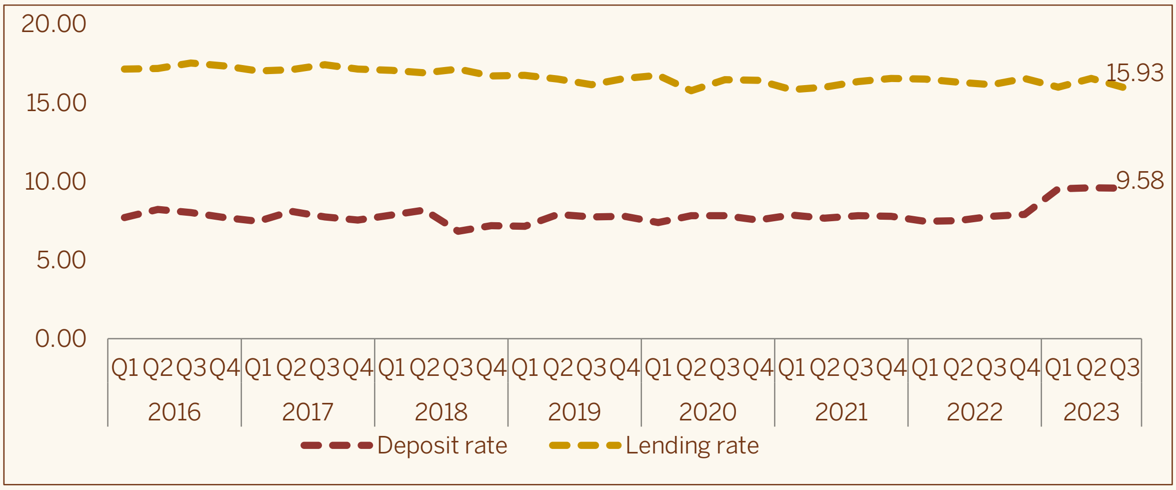
Chart 13: Money market rates developments



Source: NBR, Monetary Policy Department

Following the trend of money market rates, the deposit rate increased by 185 basis points to 9.63 percent in 2023Q3 from 7.78 percent in 2022Q3. Conversely, the lending rate decreased by 24 basis points, from 16.17 percent in 2022Q3 to 15.93 percent in 2023Q3. The decline was due to a higher proportion of large loans with longer maturities, which were priced at relatively lower rates.

Chart 14: Market interest rates (percent average)

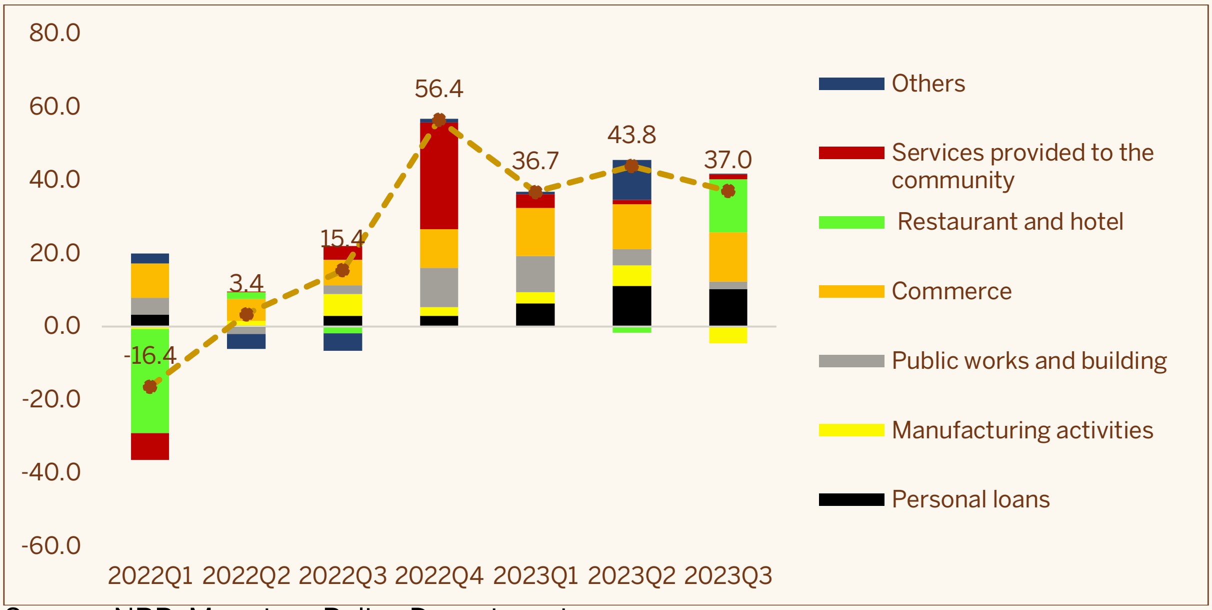


Source: NBR, Monetary Policy Department

Outstanding credit to the private sector increased, as the economy continues to grow

Credit to the private sector grew by 16.1 percent in 2023Q3, which is higher than the 12.6 percent growth recorded during the same period in 2022. In the first nine months of 2023, Newly Authorized loans (NALs) rose by 39.1 percent, a significant increase compared to the corresponding period of the previous year which saw a growth of only 0.1 percent. In the same way, the increase in NALs (y-o-y) for 2023Q3 was 37.0 percent, compared to a rise of 15.4 percent in the same period of the previous year. This growth is reflected in all sectors, except the manufacturing sector, which recorded a contraction. The growth in NALs is linked to the broader economic recovery.

Chart 15: Contributions of sectors to the change in NALs (Y-o-Y % changes)



Source: NBR, Monetary Policy Department.

II.5. Price developments and outlook

Headline inflation eased in 2023Q3, reflecting a decline recorded in the core, fresh food, and energy inflation.

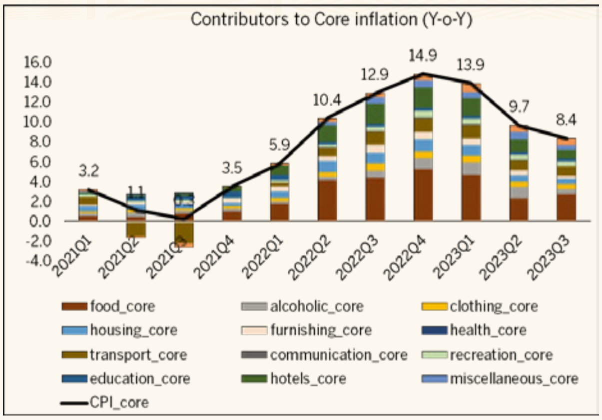
In 2023Q3, headline inflation (y-o-y) decelerated to 12.7 percent from 15.2 percent recorded in the previous quarter. The decrease in headline inflation was reflected in its key components. Core inflation slightly decelerated to 8.4 percent from 9.7 percent recorded in 2023Q2 mostly reflecting the base effects. Fresh food inflation dropped to 31.4 percent from 40.4 percent following the improved supply of some fresh vegetables and fruits, coupled with the base effects. Over the same period, energy inflation fell to 3.4 percent from 5.2 percent in 2023Q2 reflecting the decline observed in solid fuels (charcoal and firewood) coupled with the base effects noted in liquid fuels inflation.

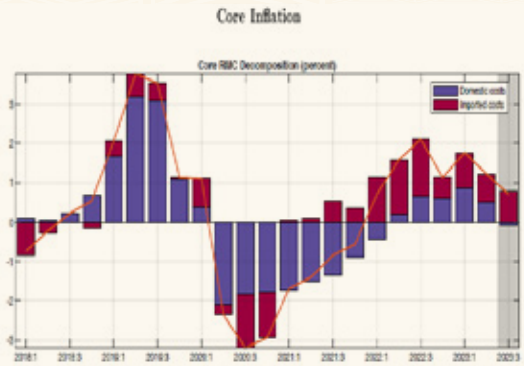
Chart 16: Developments in headline inflation (y-o-y & q-o-q)

Source: NBR, Monetary Policy and Research Directorate

Core inflation decelerated reflecting base effects.

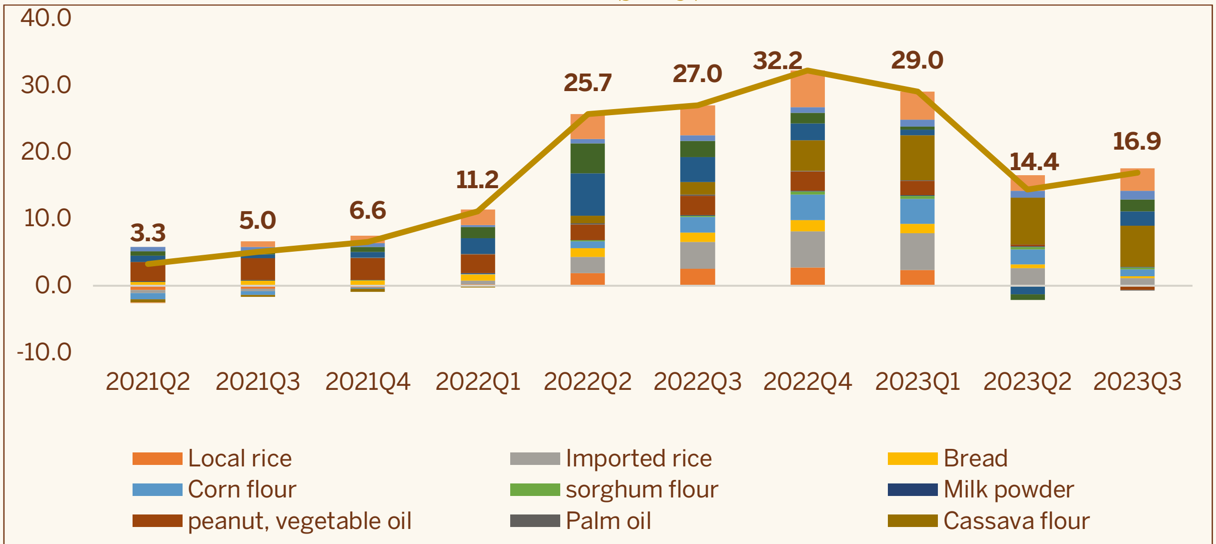
The decline observed in core inflation (y-o-y) stems from a slowdown in core clothing (from 8.6 percent in the previous quarter to 6.6 percent in 2023Q3), core housing (from 3.1 percent to 2.8 percent), and core furnishing inflation (from 5.0 percent to 3.1 percent), reflecting the base effects of higher prices recorded last year in the same period. These decelerations offset a sustained increase in core food inflation (from 14.4 percent to 16.9 percent), on the back of increasing global food prices in line with the lingering effects of the El Niño crisis and export bans put in place by key major food exporters. Over the same period, core transport inflation slightly increased (from 6.7 percent to 7.0 percent), reflecting higher vehicle purchase prices in line with global developments.





Source: NBR, Monetary Policy and Research Directorate

Chart 18: Contributors to core food inflation (y-o-y)

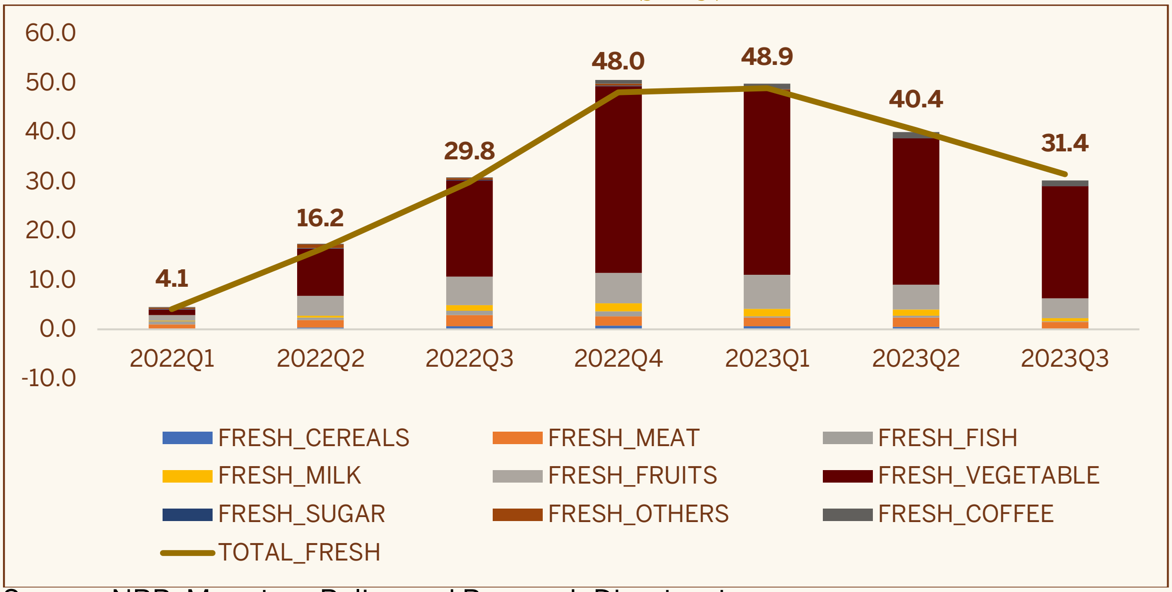


Source: NBR, Monetary Policy and Research Directorate

Fresh food inflation (y-o-y & q-o-q) is still elevated despite an easing trend.

The decrease in fresh foods inflation for 2023Q3 resulted from a deceleration in fresh vegetables and fresh fruits inflation that reduced to 45.3 percent from 59.5 percent in the previous quarter and to 20.2 percent from 25.4 percent, respectively. The observed deceleration in fresh vegetables inflation reflects an increased supply of dry beans, tomatoes, and cassava roots reflecting their good harvest in Season B 2023 coupled with the effects of higher prices recorded last year in the same period. However, towards the end of 2023Q3, the price pressures remained high for some other fresh vegetables such as Irish potatoes, sweet potatoes, green peas, and onions, reflecting reduced harvest due to weather-related challenges. Over the same period, the decline in fresh fruit inflation observed in 2023Q3 is backed by an improved supply of some fruits, including cooking bananas and banana fruits, in line with the seasonal cycle.

Chart 19: Contributors to fresh foods inflation (y-o-y)

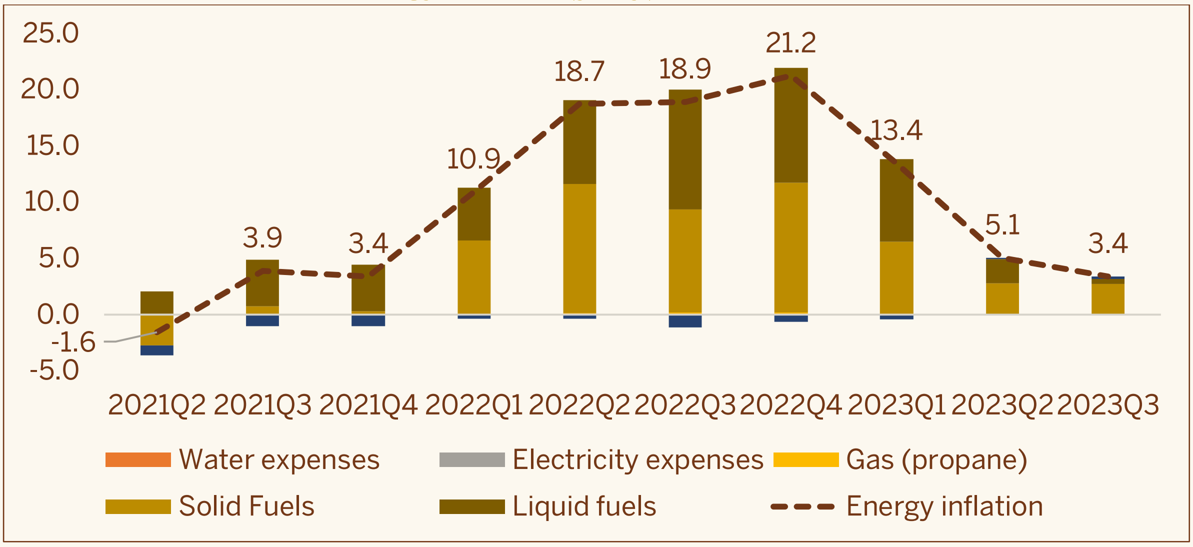


Source: NBR, Monetary Policy and Research Directorate

In 2023Q3, y-o-y energy inflation slowed, following the declines observed in both solid and liquid fuel inflation.

In 2023Q3, energy inflation (y-o-y) decelerated to 3.4 percent from 5.1 percent recorded in the previous quarter. Solid fuels inflation slightly eased to 5.3 percent from 5.4 percent in y-o-y terms, while pressures decreased to -3.9 percent from 1.2 percent in q-o-q terms, owing to conducive weather for charcoal production. During the same period, liquid fuels inflation dropped to 1.7 percent from 8.5 percent in y-o-y terms, owing to base effects, as q-o-q pressures accelerated, reflecting the upward revisions of local pump prices in August 2023, in line with international oil price developments.

Chart 20: Contributors to energy inflation (y-o-y)

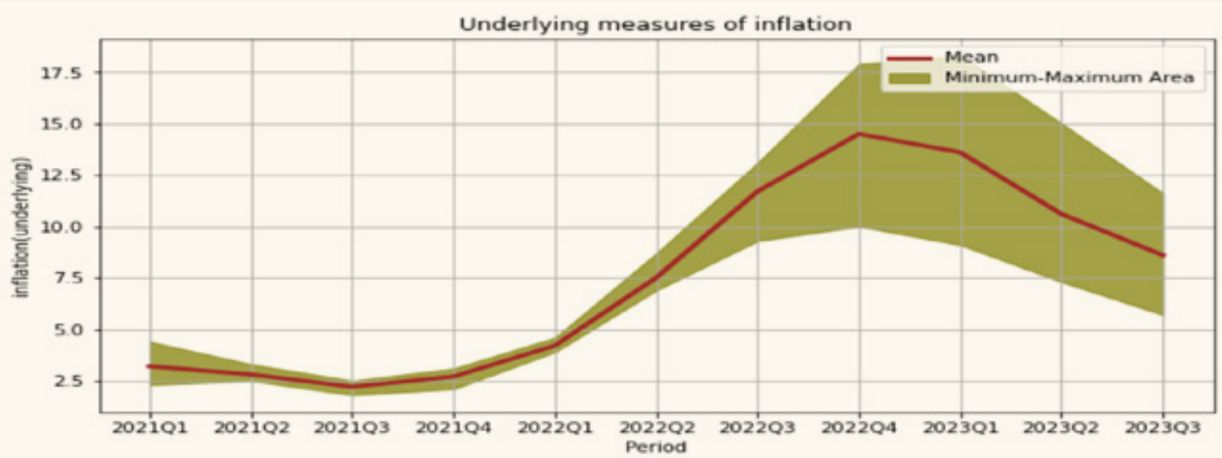


Source: NBR, Monetary Policy and Research Directorate

Underlying and instantaneous measures of inflation indicate a broad-based decrease in inflation.

In line with the near-term projections done in the MPC forecasting round of August 2023, the mean[3] of the underlying measures of inflation reduced from 10.6 percent to 8.6 percent in 2023Q3, reflecting mainly the declines recorded in core housing (from 3.1 percent to 2.8 percent), core clothing (from 8.6 percent to 6.6 percent), and core furnishing (from 11.6 percent to 5.3 percent) inflation, as a result of the eased pressures from the domestic costs of production.

Chart 21: Indicators of underlying inflation vs headline inflation (y-o-y)



Source: NBR, Monetary Policy and Research Directorate

[3] Mean used is the average of 3 underlying measures, namely: trimmed mean, CPI common and CPI core excluding food, beverages and energy.

III. INFLATION OUTLOOK

III.1. Forecast assumptions

The projections for global economic growth are not very optimistic.

The global growth projections indicate a decrease from 3.5 percent in 2022 to 3.0 percent and, 2.9 percent in 2023 and 2024, respectively. The economic outlook for 2024 was revised downwards by 0.1 percentage points compared to the WEO projections of July 2023. Over the medium term, the global economy will remain below the historical average, reflecting various factors, including monetary policy tightening by central banks, depletion of past savings due to the two consecutive economic shocks, withdrawal of fiscal support amidst high debt, and the occurrence of extreme weather events.

Though there are still positive developments, the global economy is predicted to slow down in 2024, resulting in less stimulus for the domestic economy. Therefore, the global economy will remain non-inflationary throughout the policy horizon.

Over the policy horizon, global inflation is expected to decline, exerting less pressure on imported inflation.

According to the IMF's projections of October 2023, global headline inflation is expected to decelerate from an average of 8.7 percent in 2022 to 6.9 percent in 2023 and further decrease to 5.8 percent in 2024. These projections have been revised upwards by 0.1 and 0.6 percentage points for 2023 and 2024, respectively, reflecting higher-than-expected core inflation. Unfortunately, most countries are not expected to meet their inflation targets until 2025.

Despite being high, inflation has been decreasing since 2023 due to a combination of tighter monetary policy and a slowdown in the global economic recovery. This has led to a reduction in both domestic and global production costs. Although global inflation remains above the targets, it is expected to slow down in 2024, supported by the expected ease in international commodity prices and sustained tight monetary policy.

It is expected that core inflation will decrease but at a slower rate than headline inflation. The increase in core inflation is due to input costs of production, which are anticipated to remain high primarily because of increased import costs caused by the persistent appreciation of the US dollar. However, it is expected that these inflationary pressures will ease in 2025, in line with the policy coordination and implementation that will be in place, as well as the anticipated decrease in domestic costs of production.

Despite the upward revision from international oil price projections, pressures on energy inflation are projected to remain muted over the policy horizon.

Over the policy horizon, pressures from international oil prices are projected to be less inflationary. The October 2023 global oil prices forecasts are higher than the July 2023 forecasts, consistent with the current hike in international oil prices. Despite these developments in the global market, energy inflation is expected to decline over the medium term as no additional pressures are expected during the same period as domestic costs of production reduce.

International food prices will be easing, creating less pressure on food inflation over the medium term.

In the November 2023 projections, the global food price index was revised downward. However, certain essential food items such as cereals and sugar are expected to remain high. Food inflation is projected to slow down towards a single digit by 2024Q2. Domestic costs and global food prices are also expected to exert less pressure over the medium term.

III.2. Drivers of inflation projections

The inflation projections for November 2023 are supported by the expected declining path in both domestic and imported costs of production over the medium term. While imported costs are projected to prevail and create pressures on core inflation, domestic costs are projected to ease and remain non-inflationary.

Over the policy horizon, the current projections of core inflation indicate that costs of production will remain inflationary throughout 2024, mainly on the back of high imported costs (costs associated with producing core goods and services). However, pressures are expected to moderate towards the end of 2025 as domestic costs reduce, leading the domestic economy to evolve closer to potential.

Despite the upward revision in international oil prices as published in the October 2023 WEO, observed pressures that pushed up energy inflation in 2022 have eased since the beginning of 2023 and are projected to be neutral, consistent with the declining trend in domestic costs of production and the projected path of domestic aggregate demand.

Food inflation is projected to reduce and will likely evolve into a single digit in 2024, reflecting the expected easing pressures from domestic and imported costs. Indeed, upward pressures from agricultural production and domestic costs of production that pushed up food inflation in 2023 are expected to fade away throughout 2024 as agricultural production normalizes and moderate domestic economic performance.

Baseline projections of the key macroeconomic indicators

The November 2023 inflation projections for 2023 and 2024 are higher than the projections made in August 2023. The changes reflect the effects of the recent economic developments, external assumptions/projections, and the inflation near-term forecasts.

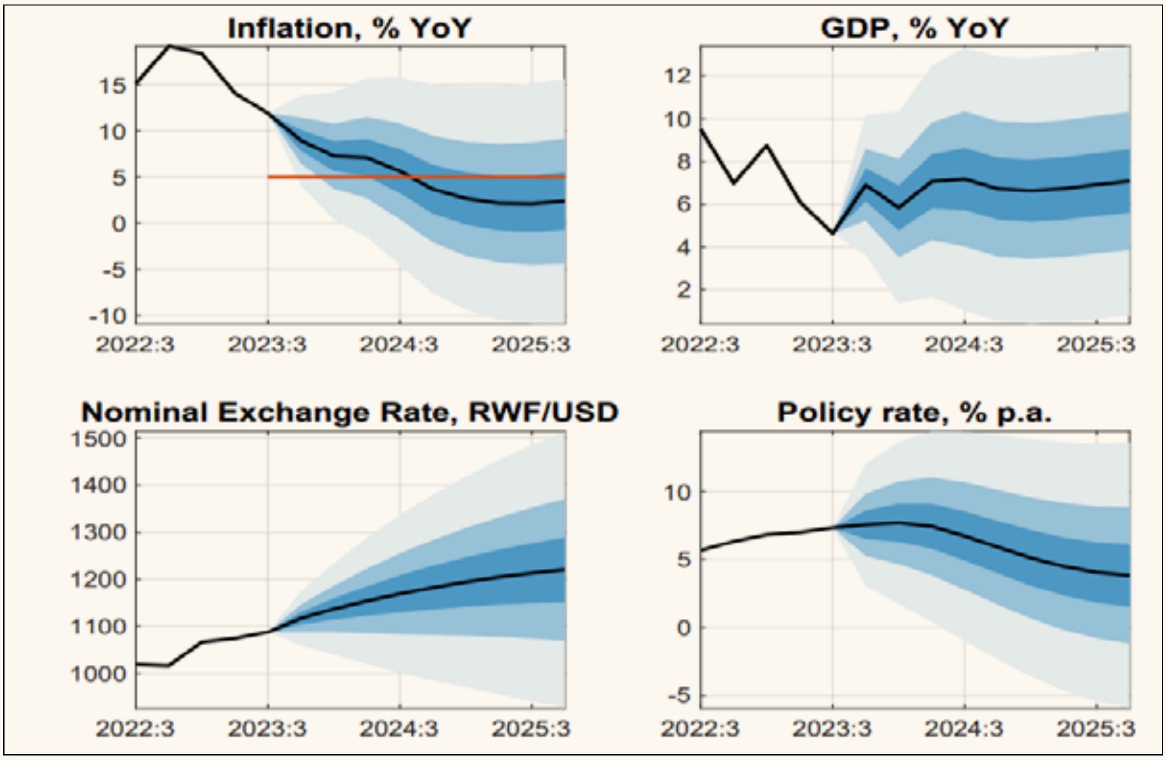
In accordance with the recent domestic economic developments, assumptions on the global economy, and other macroeconomic variables, headline inflation is projected to stand at 14.3 percent in 2023 and 6.1 percent in 2024. These projections were slightly revised up, mainly on the back of the pressures associated with imported costs, energy prices that were revised up, a relatively higher food inflation path compared to August 2023 projections.

Core inflation will decelerate in 2023 before picking up over the policy horizon. The pressures on core inflation will result mainly from imported costs, which align with the expected developments in the global and domestic economies.

Unlike core inflation, pressures on food inflation are projected to slow down, especially in 2024, following the expected decrease in international food prices as global demand is reduced and the normalization of domestic agricultural production. Similarly, regarding energy inflation, despite the upward revision, pressures are anticipated to ease due to the expected drop in domestic costs.

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

Chart 22: Projections of key macroeconomic Indicators (y-o-y)



Source: NBR, Monetary Policy, and Research Directorate

Risks to the baseline projections

The projections above are subject to risks that may originate from both domestic and external economic developments. From an external perspective, there is an expected impact of geopolitical tensions like the ongoing war in the Middle East that has already led to the upward revision in global energy price projections. Also, uncertainties about the duration of some countries' decision to ban the export of some key core food products (sugar, rice, and cooking oil) that have bigger weights in the imported food consumer basket may pose inflationary pressures going forward. On the domestic side, there are uncertainties pertaining to weather conditions that may affect crop production in Season A 2024.

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