BANK OF SIERRA LEONE

Monthly Economic Review

August 2025

MER/08/2025

The Monthly Economic Review (MER) is prepared by the Research and Statistics Department, Bank of Sierra Leone. The Department takes responsibility for opinions expressed in this review. Please forward any comments to res@bsl.gov.sl.

August 2025 **MER/08/2025**

About the Monthly Economic Review (MER): The report analyses Sierra Leone's monthly macroeconomic developments, covering the four macroeconomic sectors- real, fiscal, monetary, and external sectors. This edition analyses economic performance in August 2025.

Executive Summary

Macroeconomic developments in August 2025 reflect continued disinflation and tentative monetary recovery, alongside persistent fiscal stress and fragile external buffers, with real sector performance remaining uneven.

Real sector activity showed partial recovery but remained volatile. Cocoa production rebounded sharply, increasing by 304 percent, largely reflecting seasonal and base effects following the weak July outturn. However, the continued absence of coffee data and the marginal scale of diamond production underscore data gaps and limited diversification in agriculture and mining. Mining activity was mixed, with expansions in bauxite, rutile, ilmenite, and zircon offset by declines in gold and iron ore. Manufacturing output also remained mixed, as gains in basic consumer and intermediate goods (paint, oxygen, soap) were outweighed by declines in beverages, cement, and confectionery, pointing to weak construction activity and subdued consumer demand.

Inflationary pressures eased further. Year-on-year headline inflation declined to 5.85 percent in August 2025, driven mainly by a sharp moderation in food inflation and continued easing in non-food prices. This reflects exchange rate stability, prudent monetary policy, improved supply conditions, and favourable global price developments. However, the rise in monthly inflation to 1.51 percent, alongside upward pressures in housing, transport, and communication, signals underlying cost pressures that could challenge the disinflation trend if sustained. Regional inflation declined across all regions, though the Western Area continued to record the highest inflation, reflecting urban cost dynamics and service-sector pressures.

Fiscal conditions deteriorated markedly, with the cash-flow position shifting from a surplus of NLe2.36 million in July 2025 to a deficit of NLe567.88 million in August 2025. The deficit was driven by a sharp contraction in domestic revenue, particularly non-tax revenue, while expenditure remained above the approved ceiling despite a decline in debt service payments. The emergence of a primary deficit highlights rising fiscal vulnerability and underscores the limited durability of the July fiscal improvement. Revenue performance continues to exhibit high volatility and weak tax buoyancy, while upward pressures on wages constrain expenditure flexibility.

Monetary conditions improved. Broad money expanded by 3.38 percent in August 2025, supported by a strong rebound in net foreign assets, while private sector credit growth improved, reversing the July contraction. Reserve money growth accelerated, reflecting higher banking system liquidity. Despite earlier policy easing, lending and deposit rates remained rigid, maintaining a wide interest rate spread that continues to dampen credit transmission. Rising Treasury bill yields and uneven subscription patterns point to ongoing liquidity segmentation and cautious investor sentiment.

Exchange rate developments remained broadly stable, with a slight appreciation on a month-on-month basis and a modest narrowing of the parallel market premium, indicating improved short-term confidence. However, gross foreign exchange reserves declined further, remaining critically low at 1.70 months of import cover, with the marginal improvement driven by compressed imports rather than reserve accumulation—highlighting structural external vulnerability.

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August 2025 MER/08/2025

1. Real Sector Development

(i) Production

Cocoa production in August 2025, increased by 304.00 percent to 808.00 metric tons while there was no data for coffee production. The outputs of bauxite, rutile, ilmenite and zircon expanded in August 2025 whilst gold, iron ore, and other mineral fell. there was production for diamond at 0.02 metric tons. In the manufacturing sector, the performance was mixed as outputs increased for paint, oxygen and common soap whilst beer and stout, maltina, cement and confectionery declined among others.

(ii) Price Development

Year-on-year headline inflation continued to decline at 5.85 percent in August 2025 from 6.45 percent in July 2025. Food inflation dropped to 2.63 percent in August 2025 from 3.56 percent in July 2025 and non-food inflation decreased to 8.58 percent in August 2025 from 8.84 percent in July 2025. The observed decrease in inflationary pressures can be attributed to a combination of domestic policy measures and global developments, including the relative stability of the exchange rate, fiscal consolidation efforts, prudent monetary policy actions, increased international aid, lower commodity prices, and enhancements in supply chains. Table 1 presents the year-on-year headline inflation rate and the key contributing components, highlighting food, non-food, alcohol beverages & tobacco, housing, transport, hotels and miscellaneous as components driving the inflation rate down.

Monthly headline inflation increased to 1.51 percent in August 2025 from 0.32 percent in July 2025. Figure 1 shows the inflation rates for August 2025 and the 12 months preceding it.

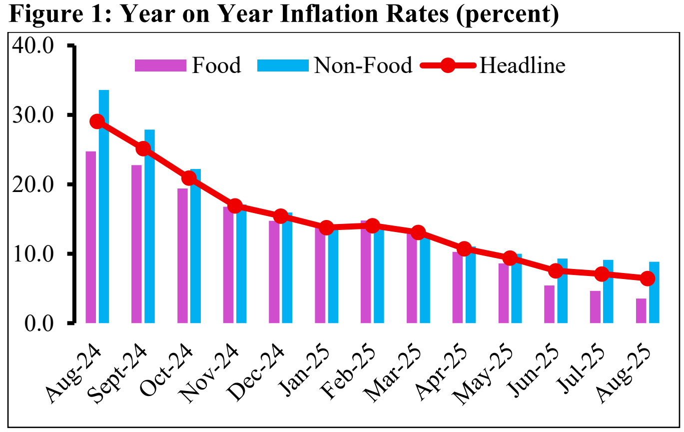
On a regional basis, annual inflation declined in all the regions, with Western area having the highest inflationary rate at 8.03 percent, followed by the Northern region with 6.58 percent, North-west region at 4.43 percent, Southern region at 3.48 percent and the Eastern region having the lowest inflation rate, reaching 2.02. Figure 2 shows inflation rates by region.

Table 1: Year-on-Year Inflation Rate by Component (%)

	Weight (%)	July 25	Aug. 25	Change	Direction
Food	40.33	3.56	2.63	-0.93	Down
Non-Food	59.67	8.84	8.58	-0.26	Down
Alcohol Beverages &Tobacco	1.02	9.04	7.83	-1.21	Down
Clothing	7.70	8.95	8.43	-0.52	Down
Housing	8.90	5.40	7.81	2.41	Up
Furnishings	5.6	10.49	9.52	-0.97	Down
Health	7.60	5.12	4.35	-0.77	Down
Transport	8.60	0.63	2.23	1.6	Up
Communication	4.70	2.98	4.33	1.35	Up
Recreation	2.60	10.20	8.40	-1.8	Down
Education	3.10	34.96	34.96	-	Unchanged
Hotels	6.10	19.00	14.97	-4.03	Down
Miscellaneous	3.90	9.81	8.91	-0.9	Down
All items	100	6.45	5.85	-0.6	Down

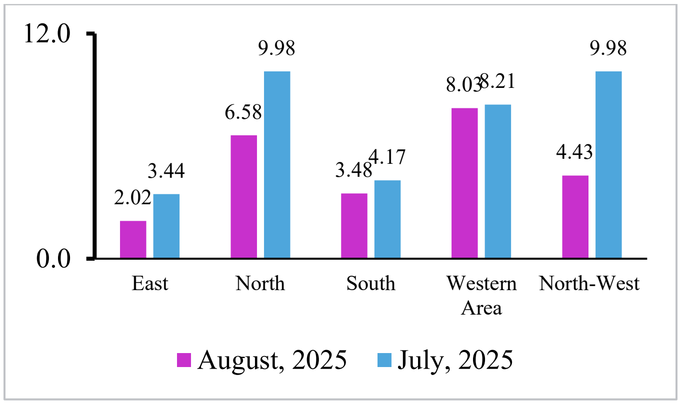
Source: Statistics Sierra Leone

Figure 1: Year on Year Inflation Rates (percent)



Source: Statistics Sierra Leone

Figure 2: Inflation Rates (percent) by region



Source: Statistics Sierra Leone

2. Fiscal Sector Development

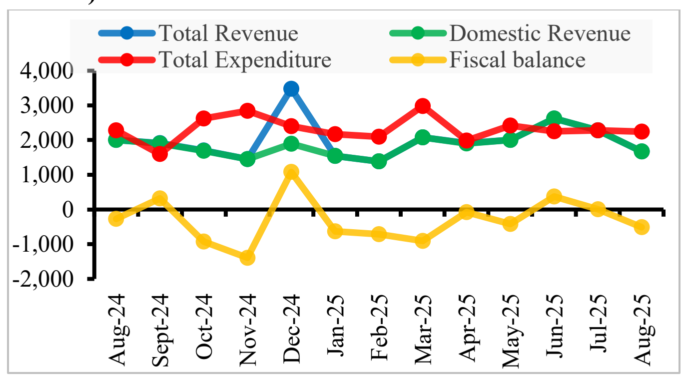
Fiscal operations on a cash-flow basis recorded a deficit of NLe567.88 million in August 2025, from a surplus of NLe2.36 million in July 2025. The deficit was driven by decrease in total revenue which outpaced a decrease in total expenditure.

Domestic revenue decreased by 26.75 percent to NLe1,670.91 million in August 2025, down from NLe2,281.00 million in July 2025. Despite its decline, it exceeded the target of NLe1,412.55 million by 18.29 percent. The drop in revenue was driven by contractions across all major revenue components. Customs and excise revenue increased by 19.80 percent to NLe153.78 million; income tax revenue declined marginally by 0.64 percent to 387.76 million; goods and services tax (GST) revenue contracted by 5.13 percent to NLe261.76 million; and miscellaneous (non-tax) revenue also declined by 39.03 percent to NLe867.61 million. Grant receipts amounted to NLe3.68 million in August 2025.

Government expenditure declined by 1.59 percent to NLe2,242.47 million in August 2025, from NLe2,278.64 million in July 2025, and surpassed the ceiling of NLe1,921.29 million by 16.72 percent. The decline in total expenditure was driven by decline in debt services which decreased by 25.60 percent to NLe559.38 million. Wages and salaries and other expenditure rose by 31.63 percent and 1.41 percent amounting to NLe587.10 million, and NLe1,095.99 million, respectively. Figure 3 shows the fiscal profile for August 2025 and the preceding twelve months.

The primary balance recorded a deficit of NLe12.18 million in August 2025, from a surplus of NLe754.17 million in July 2025. The deficit was driven by the combined effects of decline in domestic revenue and the increase in total expenditure (excluding debt services).

Figure 3: Government Revenue and Expenditure (in NLe million)



Source: Bank of Sierra Leone

3. Monetary Sector Development

(i) Monetary Aggregates

Broad money (M2) grew by 3.38 percent in August 2025, driven mainly by a strong rise in Net Foreign Assets (NFA) by 39.91 percent, which contributed 3.83 percentage points to the growth in broad money. Net Domestic Assets declined by 0.50 percent, reducing broad money growth by 0.45 percentage point, largely due to decline in net credit to BSL by ODCs among others. Commercial banks' credit to the private sector increased by 2.74 percent, reversing the 1.06 percent decline recorded in July. Figure 4 shows the contributions of NDA and NFA to M2 growth.

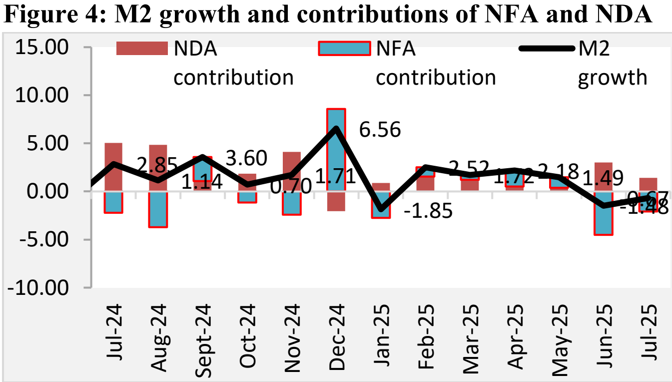
Narrow Money (M1) grew by 1.97 percent in August 2025, due to increase in both currency outside the banks and demand deposits by 3.94 percent and 0.18 percent respectively. Quasi-money also increased by 4.59 percent, reflecting growth in other deposits of BSL, foreign currency deposits and time and savings deposits of commercial banks.

Reserve money grew by 5.68 percent in August 2025, mainly reflecting a 4.42 percentage-points contribution from higher NDA and a 1.26 percentage-point boost from a reduction in NFA liabilities. On the liability side, the increase was supported by higher other resident deposits (22.88 percent), ODCs' deposits at the BSL (24.40 percent), and a 2.41 percent rise in currency in circulation. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

(i) Interest Rates

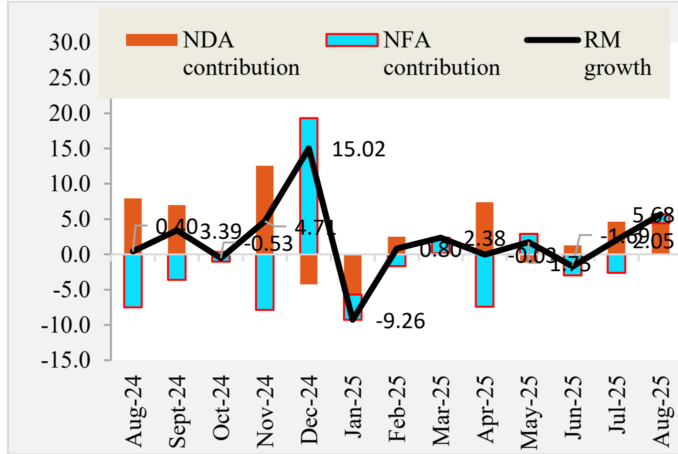
The Monetary Policy Committee (MPC) last met in July 2025, reducing the Monetary Policy Rate (MPR) by 2 percentage points to 21.75% and lowering both the Standing Lending Facility (SLF) to 23.75 percent and Standing Deposit Facility (SDF) to 14.25 percent by 3 percentage points. In August, the interbank rate fell to 20.04 percent, remaining within the policy corridor. The average deposit and lending rates remained steady in August as in July 2025 at 1.83 percent and 21.21 percent respectively making the spread between the average lending and savings rates remained steady at 19.38 percent. Treasury bill yields rose, with the 364-day bill at 16.44 percent and the 182-day bill at 14.19 percent, while there was no subscription for the 91-day bill during the review period. Figure 6 shows various interest rates for August 2025 and the 12 months preceding it.

Figure 4: M2 growth and contributions of NFA and NDA



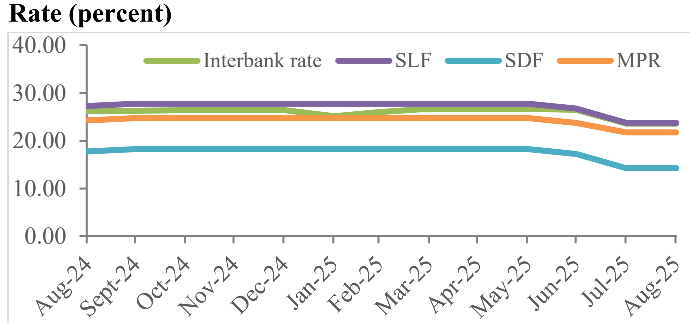
Source: Bank of Sierra Leone

Figure 5: Reserve money growth and contributions of NFA and NDA



Source: Bank of Sierra Leone

Figure 6: Central Bank Interest Rates and the Interbank Rate (percent)



Source: Bank of Sierra Leone

4. External Sector Development

(i) Exchange Rate Development

On a month-on-month basis, the buying rate of the Leone depreciated in the commercial banks market by 0.04 percent to NLe22.64/US$ while it appreciated in the bureaux market and parallel market segments by 0.20 percent to NLe22.40/US$, and 0.06 percent to NLe23.73/US$ respectively.

On the selling side, the Leone appreciated across all market segments. It strengthened by 0.38 percent to NLe22.89/US$ in the commercial banks segment, by 0.26

percent to NLe22.50/US$ in the bureaux market, and by 0.30 percent to NLe23.93/US$ in the parallel market.

On a year-on-year basis, the reference market rate depreciated by 0.53 percent in August 2025, from a 4.22 percent depreciation in August 2024. On a month-on-month basis, the rate continued to appreciate slightly by 0.09 percent in August 2025, following a moderate appreciation in July 2025. Figure 7 illustrates the trend in the Leone's rates using the reference market rate.

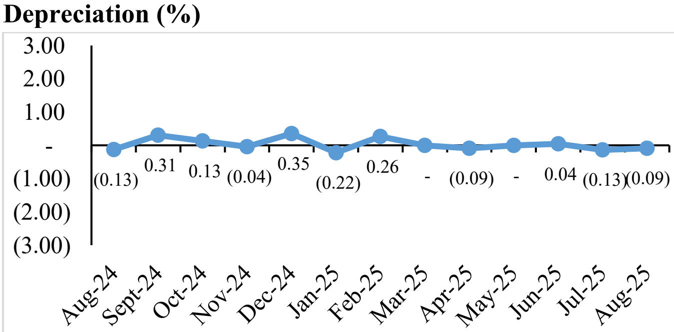
The premium between the reference market rate and the parallel rate narrowed slightly to 5.38 percent (NLe1.22 per US dollar) in August 2025, from 5.49 percent (NLe1.24 per US dollar) in July 2025.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 1.02 percent to US$320.58 million in August 2025 from US$323.87 million in July 2025.

Gross International Reserves, measured in months of import cover, slightly expanded to 1.70 months at the end of August 2025, from 1.68 months at the end of July 2025. and 1.89 months at the end of August 2024. The marginal improvement in the months of imports is primarily attributed to a decline in the average import which outpaced the decline in the gross reserves. Figure 8 shows the gross international reserves measured in months of imports for August 2025 and the 12 months preceding it.

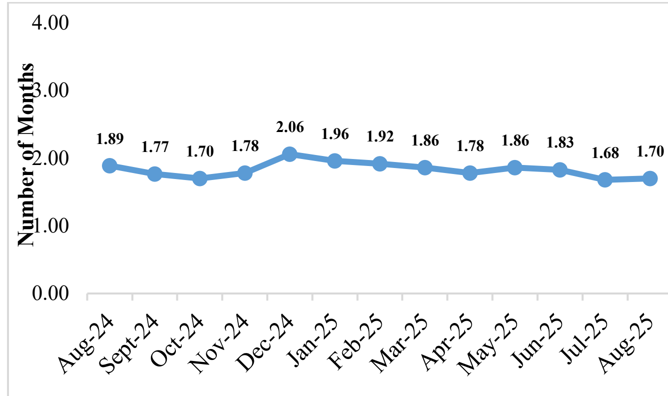
Figure 7: Monthly Reference Rate Appreciation and Depreciation (%)



Source: Bank of Sierra Leone

*Note: positive values denote depreciation while negative values denote appreciation

Figure 8: Gross International Reserves (in Months of Imports)



Source: Bank of Sierra Leone

5. Conclusion

The August 2025 macroeconomic outturn indicates continued progress in stabilising prices and improving liquidity conditions, but this has not yet translated into a broad-based and resilient economic recovery. While the sharp rebound in cocoa production and the further decline in headline inflation are positive signals, real sector performance remains uneven and largely driven by volatility and base effects, compounded by persistent data gaps in key commodities.

Fiscal developments present a significant source of vulnerability, as the shift from a surplus to a sizable cash-flow and primary deficit reflects weak revenue mobilisation, high dependence on volatile non-tax revenues, and rigid expenditure pressures, particularly wages. This underscores the fragility of recent fiscal gains and limits the scope for countercyclical policy support.

Monetary conditions have become more accommodative, with improved money supply growth and a recovery in private sector credit. However, the rigidity of lending and deposit rates and the wide interest rate spread continue to constrain effective monetary policy transmission to the real economy.

Externally, exchange rate stability and a narrowing parallel market premium offer short-term reassurance, but foreign exchange reserves remain critically low**,** with improvements in import cover driven by suppressed imports rather than reserve accumulation. This leaves the economy highly exposed to external shocks**.**

In sum, Sierra Leone's economy in August 2025 remains macroeconomically stable but structurally fragile**.** Sustaining the disinflation trend and supporting growth will require strengthening domestic revenue mobilisation, enforcing expenditure discipline, rebuilding external buffers, improving data coverage, and addressing structural bottlenecks in productive sectors to ensure durable and inclusive economic recovery.