

BANK OF SIERRA LEONE



Monthly Economic Review

December 2025

MER/12/2025

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.

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 December 2025.

Executive Summary

Economic activity in December 2025 presented a mixed performance across sectors. Agricultural output weakened, with cocoa production declining significantly, while data on coffee and diamond production remained unavailable. In contrast, the mining sector recorded broad-based increases across key minerals, and manufacturing activity showed partial improvement, driven by higher output in beverages and cement, although declines were observed in several other products.

Inflationary pressures eased further during the review period, with year-on-year headline inflation declining to 4.35 percent from 4.57 percent in November 2025. This moderation was largely driven by a sharp deceleration in food inflation, which outweighed rising non-food inflation, particularly increases in housing, transport, and communication costs. Despite the overall decline, regional inflation trends remained uneven, with elevated inflation in the Northern region and mild increases in the Western Area, while other regions recorded moderation.

Fiscal operations improved markedly, with a shift from a deficit in November to a surplus of NLe571.20 million in December 2025. This was underpinned by a substantial increase in domestic revenue, which significantly exceeded targets, supported by strong performance across all major revenue streams. Although expenditure remained above the programmed ceiling, it moderated slightly due to reduced spending in non-priority areas. The primary balance also strengthened considerably, reflecting improved fiscal discipline.

Monetary developments indicated moderate liquidity expansion, with broad money growth driven primarily by

a strong increase in net foreign assets, despite a contraction in domestic assets. Credit to the private sector continued to grow, albeit at a slower pace. The monetary policy stance was eased, as reflected in the reduction of key policy rates, although lending rates remained high, sustaining a wide interest rate spread.

External sector developments showed continued exchange rate pressures, with Leone depreciating across most market segments on a month-on-month basis, alongside a widening premium between official and parallel market rates. However, external buffers improved significantly, with gross foreign exchange reserves increasing sharply to US\$412.02 million, equivalent to 2.23 months of import cover.

Overall, the macroeconomic environment in December 2025 was characterized by easing inflation, improved fiscal performance, and strengthened external reserves, albeit with persistent structural challenges, including exchange rate pressures, high lending rates, subdued agricultural output, and weak credit transmission to the private sector.

1. Real Sector Development

Production

Cocoa production declined by 16.22 percent to 404.51 metric tons in December 2025, while data on coffee production for the month was not available. In the mining sector, outputs of bauxite, rutile, ilmenite, zircon, iron ore, and other minerals recorded increases. Data on diamond output for December 2025 was not available. In the manufacturing sector, output performance improved for beer and stout, maltina, and cement, while production of oxygen, confectionery, and common soap, among others, declined. The output of paint remained unchanged compared to its level in November 2025.

(ii) Price Development

Year-on-year headline inflation declined to 4.35 percent in December 2025 from 4.57 percent in November 2025. This moderation was driven by a sharp decline in food inflation to 0.40 percent from 2.70 percent, which more than offset the increase in non-food inflation to 7.52 percent from 6.08 percent over the same period.

The easing in inflationary pressures reflected a combination of domestic policy measures and global developments, including prudent monetary policy actions, relative exchange rate stability, fiscal consolidation efforts, increased international support, lower commodity prices, and improvements in supply chains.

A breakdown of inflation components shows a notable increase of 15.30 percent in housing, gas, fuel, and water in December 2025, up from 3.28 percent in November 2025. However, this was outweighed by moderating contributions from other components, including food and non-alcoholic beverages, health, recreation, restaurants and hotels, and miscellaneous goods and services, which collectively exerted downward pressure on overall inflation. Table 1 presents the year-on-year headline inflation rate and its main components.

On a month-on-month basis, headline inflation increased to 0.63 percent in December 2025 from 0.40 percent in November 2025. Figure 1 presents the monthly inflation trend for December 2025 and the preceding twelve months.

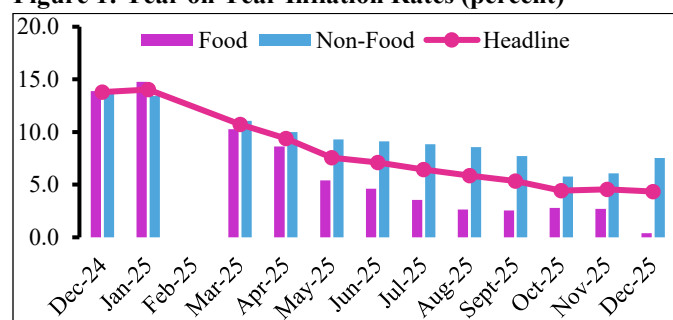
Regionally, inflationary developments were mixed. Inflation remained elevated in the Northern region, rising to 13.45 percent in December 2025 from 13.17 percent in November 2025, and increased slightly in the Western Area to 6.19 percent from 6.03 percent. In the Eastern region, price levels continued to decline, with inflation at -1.61 percent in December 2025, compared to -1.82 percent in November 2025. Inflation moderated in the North-West region to 0.61 percent and in the Southern region to 0.23 percent. Figure 2 shows inflation rates by region.

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

	Weight (%)	Nov. 25	Dec. 25	Change	Direction
Food	40.33	2.70	0.40	-2.30	Down
Non-Food	59.67	6.08	7.52	1.44	Up
Alcoholic Beverages & Tobacco	1.02	-1.78	-3.80	-2.02	Down
Clothing	7.70	6.93	8.55	1.62	Up
Housing	8.90	3.28	15.30	12.02	Up
Furnishings	5.6	7.88	7.93	0.05	Up
Health	7.60	2.79	2.42	-0.37	Down
Transport	8.60	3.90	6.83	2.93	Up
Communication	4.70	2.76	4.45	1.69	Up
Recreation	2.60	6.18	5.65	-0.53	Down
Education	3.10	8.55	8.59	0.04	Up
Hotels	6.10	14.72	10.83	-3.89	Down
Miscellaneous	3.90	3.53	0.03	-3.50	Down
All items	100	4.57	4.35	-0.22	Down

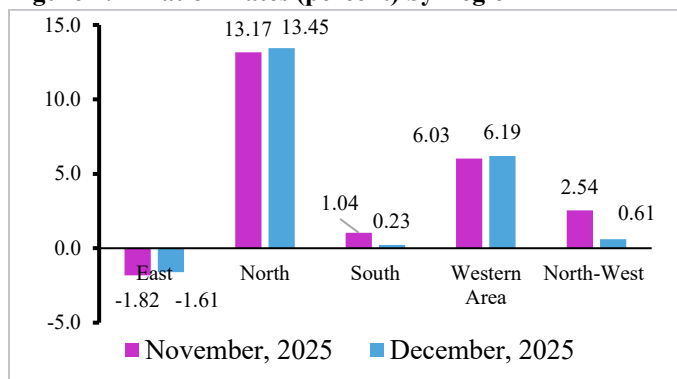
Source: Statistics Sierra Leone

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 surplus balance of NLe571.20 million in December 2025, from a deficit of NLe588.18 million in November 2025. The surplus balance was driven by sharp expansion in total revenue.

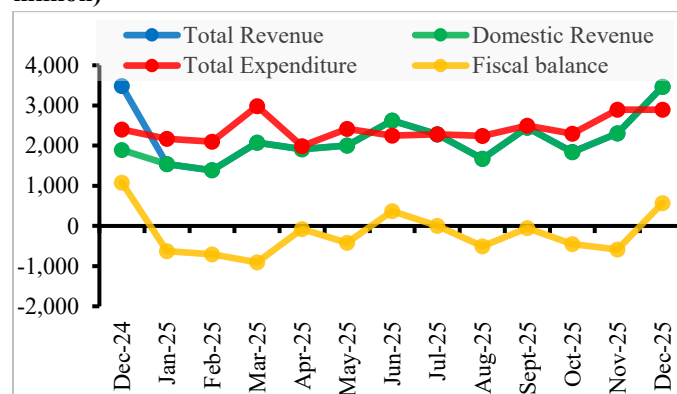
Domestic revenue increased significantly by 50.17 percent to NLe3,464.15 million in December 2025, up from NLe2,306.79 million in November 2025, and it exceeded the target of NLe1,598.51 million by 116.71 percent. The increase in revenue was largely driven by income tax and miscellaneous revenue. Customs and excise tax revenue increased by 40.60 percent to NLe240.28 million; income tax revenue rose by 81.91 percent to NLe743.64 million; revenue from goods and services tax increased by 57.15 percent to NLe344.90 million; and miscellaneous (non-tax) revenue increased by 41.64 percent to NLe2,135.33 million. Grants amounted to NLe1.13 million in December 2025.

Government expenditure moderated slightly by 0.03 percent to NLe2,894.08 million in December 2025, from NLe2,894.96 million in November 2025, and surpassed the ceiling of NLe2,082.98 million by 38.94 percent. The moderation in total expenditure reflected contraction in other expenditure which cancelled out expansions in wages and salaries and debt service payments. Wages and

salaries increased by 118.55 percent to NLe1,012.22 million and debt services increased by 32.77 percent to NLe1,005.20 million while other expenditure declined by 47.65 percent to NLe876.66 million. Figure 3 shows the fiscal profile for December 2025 and the preceding twelve months.

The primary balance surplus increased to NLe1,575.27 million in December 2025, from a surplus of NLe168.95 million in November 2025. The improvement in the primary balance was due to increase in domestic revenue and decrease 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 4.09 percent in December 2025, reflecting increase in Net Foreign Assets (NFA) by 84.78 percent and contributed 7.47 percentage points to the increase in M2 while Net Domestic Assets (NDA) declined by 3.70 percent and contributed -3.37 percentage points to broad money. The growth in NFA was due to the moderation in the net foreign liabilities of BSL and the increase in the net foreign assets of Other Depository Corporations (ODCs) whilst the decline in NDA was as a result of decrease in the net claims on government.

Commercial banks' credit to the private sector increased by 2.68 percent in December 2025, down from an increase of 10.95 percent in November 2025. Figure 4 shows the contributions of NDA and NFA to M2 growth.

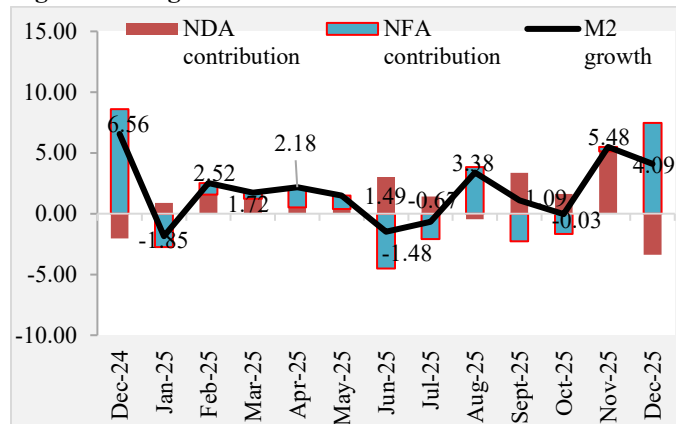
Narrow Money (M1) expanded by 5.70 percent in December 2025, due to growth in both currency outside financial institutions by 9.32 percent and transferable deposits by 2.37 percent. Similarly, quasi money increased by 2.62 percent, reflecting growth mainly in foreign currency and other deposits held at BSL.

Reserve money increased by 7.01 percent in December 2025, driven by improvement in the NFA's negative position by 4.18 percent and contributed 24.75 percentage points to the growth in reserve money whilst NDA decreased by 10.58 percent and contributed -17.74 percentage points to reserve money. On the liability side, the increase in reserve money was mainly due to growth in currency in circulation by 9.62 percent whilst deposits of commercial banks held at BSL declined by 11.67 percent. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

(ii) Interest Rates

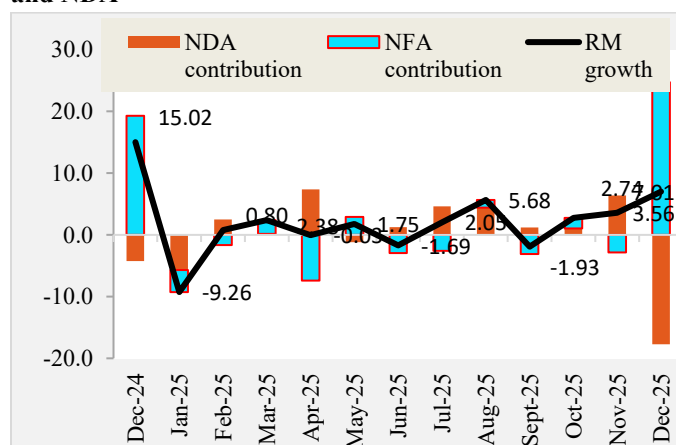
The Monetary Policy Committee (MPC) held a meeting in December 2025. The MPC reduced the Monetary Policy Rate (MPR) by 2 percentage points to 16.75 percent and adjusted the Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) rates downward by 1 percentage point, with the Standing Lending Facility being 20.75 percent and Standing Deposit Facility being 11.25 percent. The interbank rate increased to 19.72 percent but stayed within the policy corridor, whilst the average deposit rate remained steady at 1.83 percent. The commercial banks' average lending rate increased to 20.82 percent in December 2025. As a result, the spread between the average lending and savings rates increased to 18.99 percent in December 2025 from 18.46 percent in November 2025. Figure 6 shows various interest rates for December 2025 and the 12 months preceding it. The yields on 182-day T-bills and 364-day T-bills increased to 15.66 percent and 16.95 percent respectively in December 2025. There was no subscription for the 91-day T-bills during the review period.

Figure 4: M2 growth and contributions of NFA and NDA



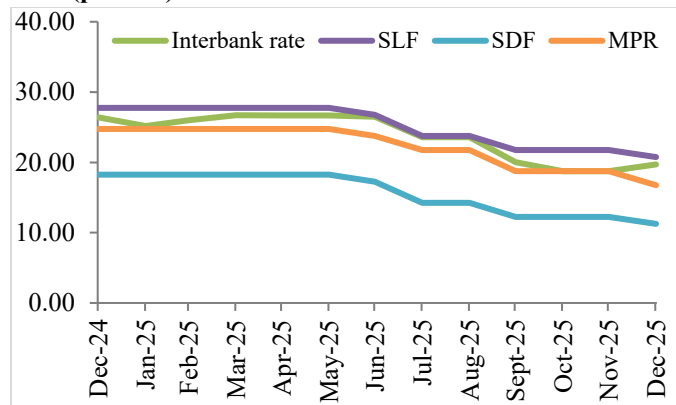
Source: Bank of Sierra Leone

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, and bureaux market segments by 0.56 percent to NLe22.77/US\$ and 0.70 percent to NLe22.56/US\$ respectively, while it appreciated moderately in the parallel market by 0.04 percent to NLe23.37/US\$.

On the selling side, the Leone depreciated in the commercial banks, bureaux market, and parallel market segments by 1.40 percent to NLe23.15/US\$, 0.80 percent to NLe22.66/US\$, and 0.61 percent to NLe23.68/US\$, respectively.

On a year-on-year basis, the reference market rate depreciated by 0.61 percent in December 2025, from a 0.44 percent depreciation in November 2024. On a month-on-month basis, the rate depreciated further by 0.52 percent in December 2025, up from a 0.31 percent depreciation in November. 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 widened to 3.89 percent (NLe0.89 per US dollar) in December 2025, from 3.45 percent (NLe0.78 per US dollar) in November 2025.

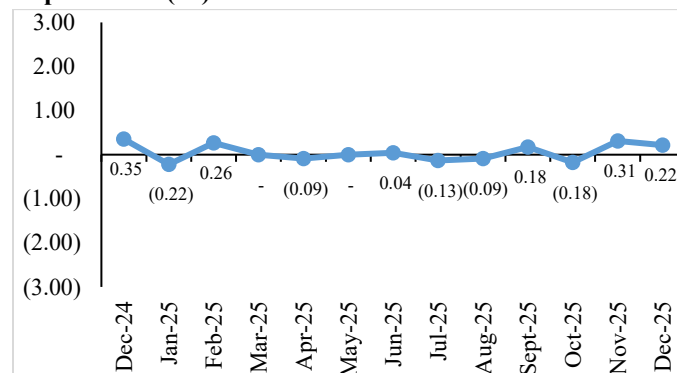
(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone significantly increased by 39.69 percent to US\$412.02 million in December 2025 from US\$294.94 million in November 2025.

Gross International Reserves, measured in months of import cover, increased to 2.23 months at the end of December 2025, from 1.59 months at the end of November 2025, and 2.06 months at the end of December 2024. The increased in the months of imports is primarily attributed to an increase in the gross reserves. Figure 8

shows the gross international reserves measured in months of imports for December 2025 and the 12 months preceding it.

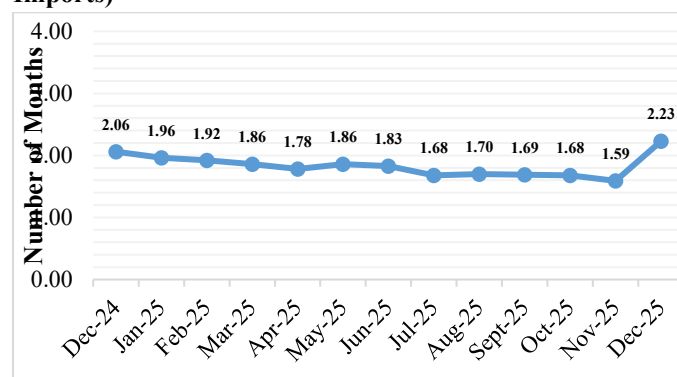
Figure 7: Monthly Reference Rate Appreciation and Depreciation (%)



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

Macroeconomic developments in December 2025 indicate a broadly improving stability environment, albeit with notable structural and sectoral challenges. While inflation moderated further, driven largely by a sharp decline in food prices, rising non-food inflation, particularly in housing, transport, and communication, points to persistent underlying cost pressures.

Real sector performance was mixed with strong output growth in mining and selected manufacturing activities offset by contractions in key agricultural output. This underscores the continued vulnerability of the productive base and the need for diversification and improved data systems to support policy decisions.

Fiscal performance strengthened significantly, with robust domestic revenue mobilization driving a substantial improvement in the primary balance. However, expenditure pressures—particularly from wages and debt services remained elevated, highlighting the importance of sustaining fiscal discipline and enhancing expenditure efficiency.

Monetary conditions reflected moderate liquidity expansion supported by strong growth in net foreign assets, while the easing of the monetary policy stance signaled a shift toward supporting economic activity. Nonetheless, high lending rates and wide interest rate spreads continue to constrain private sector credit growth, limiting the effectiveness of monetary transmission.

In the external sector, exchange rate depreciation persisted alongside a widening premium between official and parallel market rates, indicating ongoing foreign exchange market pressures. Despite this, the substantial increase in foreign exchange reserves provides a stronger external buffer and enhances short-term resilience.

Overall, sustaining macroeconomic stability will require continued policy coordination, with emphasis on consolidating fiscal gains, addressing structural inflation drivers, strengthening exchange rate management, and improving credit intermediation to support inclusive and sustained economic growth.