

BANK OF SIERRA LEONE



Monthly Economic Review

February 2025

MER/02/2025

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 February 2025.

Executive Summary

In February 2025, cocoa production surged by 24.5 percent to 5,107.00 metric tons while there was no available data on coffee production. Diamonds and gold expanded whilst bauxite, rutile, ilmenite, zircon, iron ore and other minerals declined in February 2025. In the manufacturing sector, the performance was mixed as outputs increased for maltina, oxygen and confectionery whilst beer and stout, paint and cement declined.

Annual headline inflation decreased to 13.09 percent in February 2025 from 14.03 percent in January 2025. Food inflation dropped to 13.45 percent in February 2025 from 14.78 percent in January 2025 and non-food inflation decreased to 12.80 percent from 13.44 percent in January 2025.

Fiscal operations on a cash-flow basis recorded a widened deficit of NLe709.87 million in February 2025, compared to a deficit of NLe626.00 million in January 2025. The deficit was driven by a sharper contraction in total government revenue relative to the decline in total government expenditure. Domestic revenue declined by 10.24 percent to NLe1,385.32 million in February 2025, down from NLe1,543.31 million in January 2025 and fell short of the target of NLe1,539.40 million by 10.01 percent. The primary balance deteriorated to a negative position of NLe71.78 million in February 2025, compared to a positive outturn of NLe203.62 million in January 2025.

Broad money (M2) grew by 2.52 percent, reflecting an increase in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA). NDA and NFA increased by 1.56 percent and 0.95 percent respectively. The growth in NFA of the banking system was driven by increase in the net foreign assets of the Other Depository Corporation (ODCs).

Reserve money increased by 0.80 percent in February 2025, driven by growth in NDA by 2.48 percent while NFA decreased by 1.67 percent. On the liability side, the increase in reserve money was mainly due to increase in reserves of ODCs by 11.34 percent whilst deposits from foreign residents and currency in circulation declined by 9.05 percent and 0.64 percent respectively.

The monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) were maintained as in January 2025 at 24.75 percent, 27.75 percent, and 18.25 percent, respectively whilst the interbank rate increased to 25.98 percent during the review period but staying within the policy corridor. The average deposit rates remained steady at 2.16 percent whilst the commercial banks' average lending rate increased to 22.98 percent in February 2025 from 22.90 percent in January 2025.

On a month-on-month basis, the buying rate of the Leone depreciated in the commercial banks and bureaux markets by 0.12 percent and 0.23 percent to NLe22.61/US\$ and NLe22.55/US\$ respectively while it appreciated by 1.07 percent to NLe24.01/US\$ in the bureaux market. On the selling side, the Leone depreciated in the commercial banks and bureaux market segments by 0.64 percent and 0.31 percent to NLe22.98/US\$ and NLe22.67/US\$ while it appreciated by 0.5 percent to NLe24.38/US\$ in the parallel market. On a month-on-month basis, it depreciated by 0.26 percent in February 2025, compared to appreciation of 0.24 percent in January 2025. The premium between the reference market rate and the parallel rates narrowed to 6.72 percent (NLe1.52 per US dollar) in February 2025, from 7.83 percent (NLe1.77 per US dollar) in January 2025. The gross foreign exchange reserves of the Bank of Sierra Leone declined by 0.92 percent to US\$384.87 million in February 2025 from US\$388.46 million in January 2025. Measured in months of import cover, it contracted to 1.92 months at the end of February 2025, from 1.96 months at the end of January 2025 and 2.35 months at the end of February 2024.

February 2025

MER/02/2025

1. Real Sector Development

(i) Production

In February 2025, cocoa production surged by 24.5 percent to 5,107.00 metric tons while there was no available data on coffee production. The outputs of diamonds and gold expanded whilst bauxite, rutile, ilmenite, zircon, iron ore and other minerals declined in February 2025. In the manufacturing sector, the performance was mixed as outputs increased for maltina, oxygen and confectionery whilst beer and stout, paint and cement declined among others.

(ii) Price Development

Year-on-year headline inflation decreased to 13.09 percent in February 2025 from 14.03 percent in January 2025. Food inflation dropped to 13.45 percent in February 2025 from 14.78 percent in January 2025 and non-food inflation decreased to 12.80 percent from 13.44 percent in January 2025. The decrease in headline inflation was primarily driven by tight monetary policies and less volatility of the exchange rate amidst heightened trade war tensions among major economies. Table 1 presents the year-on-year headline inflation rate and the key contributing components, highlighting food, alcohol beverages and tobacco, clothing, housing, furnishings, health, hotels and miscellaneous, as key components driving the inflation rate down.

Monthly headline inflation increased to 0.93 percent in February 2025 from -0.21 percent in January 2025. Figure 1 shows the inflation rates for February 2025 and the 12 months preceding it.

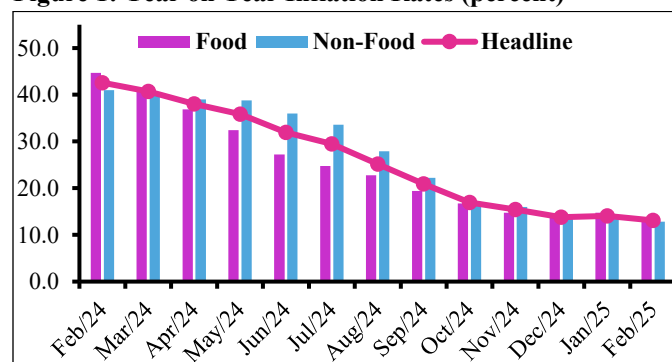
On a regional basis, annual inflation declined in North, and South regions to 12.41 percent and 8.62 percent respectively in February 2025. On the other hand, annual inflation increased in the Western area and North-West regions to 16.48 percent and 11.23 percent respectively. Figure 2 shows inflation rates by region.

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

	Weight (percent)	Jan. 25	Feb. 25	Change	Direction
Food	40.33	14.78	13.45	-1.33	Down
Non-Food	59.67	13.44	12.80	-0.64	Down
Alcohol Beverages & Tobacco	1.02	12.65	10.23	-2.42	Down
Clothing	7.70	13.31	12.38	-0.93	Down
Housing	8.90	13.43	11.45	-1.98	Down
Furnishings	5.6	12.23	12.04	-0.19	Down
Health	7.60	11.55	9.85	-1.70	Down
Transport	8.60	1.80	3.98	2.18	Up
Communication	4.70	4.14	4.15	0.01	Up
Recreation	2.60	15.13	13.33	-1.80	Down
Education	3.10	34.96	34.96	-	Unchanged
Hotels	6.10	27.47	25.86	-1.61	Down
Miscellaneous	3.90	15.86	14.88	-0.98	Down
All items	100	14.03	13.09	-0.94	Down

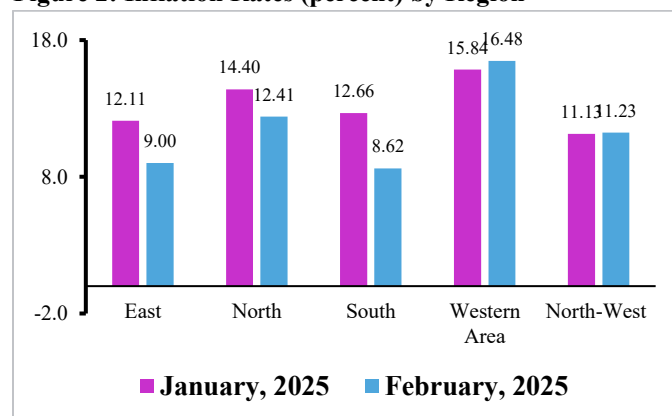
Source: Statistics Sierra Leone

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

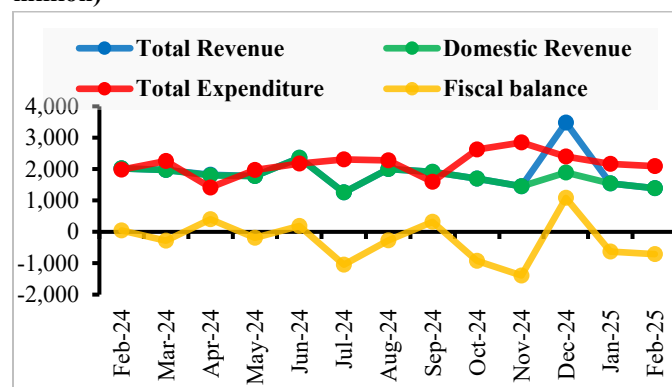
Fiscal operations on a cash-flow basis recorded a widened deficit of NLe709.87 million in February 2025, compared to a deficit of NLe626.00 million in January 2025. The deficit was driven by a sharper contraction in total government revenue relative to the decline in total government expenditure.

Domestic revenue declined by 10.24 percent to NLe1,385.32 million in February 2025, down from NLe1,543.31 million in January 2025 and fell short of the target of NLe1,539.40 million by 10.01 percent. The drop in revenue was driven by contractions across all domestic revenue components. Customs and excise revenue declined by 3.08 percent to NLe99.10 million; income tax revenue contracted by 26.24 percent to NLe303.91 million; revenue from goods and services tax (GST) declined by 16.55 percent to NLe144.57 million; while miscellaneous (non-tax) revenue decreased by 2.11 percent to NLe837.75 million. No grant receipts were recorded in February 2025.

Government expenditure decreased by 3.42 percent to NLe2,095.19 million in February 2025 from NLe2,169.31 million in January 2025. However, it exceeded the ceiling of NLe1,842.50 million by 13.71 percent. The decline in government expenditure was due to reduction in debt services and other expenditure by 23.09 percent and 19.89 percent to NLe638.08 million and NLe905.57 million, respectively. Wages and salaries rose by 163.51 percent to NLe551.53 million. Figure 3 presents the fiscal profile for February 2025 and the preceding twelve months.

The primary balance deteriorated to a negative position of NLe71.78 million in February 2025, compared to a positive outturn of NLe203.62 million in January 2025. This deterioration reflects the combined effects of reduction in domestic revenue and an 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

In February 2025, broad money (M2) grew by 2.52 percent, reflecting an increase in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA). NDA and NFA increased by 1.56 percent and 0.95 percent respectively. The growth in NFA of the banking system was driven by increase in the net foreign assets of the Other Depository Corporation (ODCs). NDA expansion was as a result of increase in both net claims on central government and private sector. Commercial banks' credit to the private sector expanded by 4.48 percent in February 2025, down from an increase of 7.82 percent in January 2025. Figure 4 shows the contributions of NDA and NFA to M2 growth.

Narrow Money (M1) grew by 0.75 percent in February 2025, due to increase in demand deposits by 2.68 percent whilst currency outside the banks declined by 1.30 percent. Similarly, Quasi-money increased by 4.16 percent, reflecting growth in both foreign currency deposits and time and savings deposits of commercial banks by 4.99 percent and 2.52 percent respectively whilst other deposits of BSL declined by 9.05 percent during the review period.

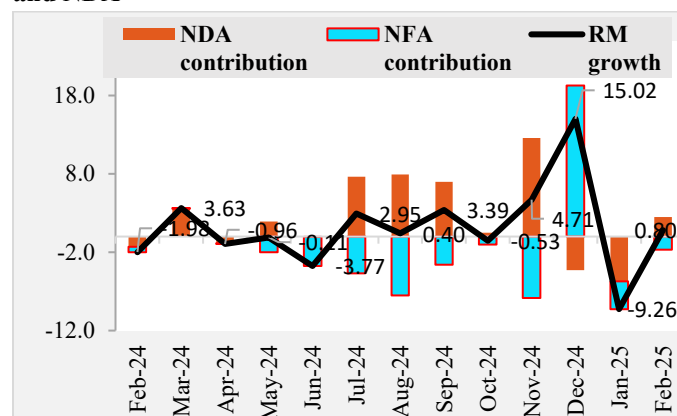
Reserve money increased by 0.80 percent in February 2025, driven by growth in NDA by 2.48 percent while

NFA decreased by 1.67 percent. On the liability side, the increase in reserve money was mainly due to increase in reserves of ODCs by 11.34 percent whilst deposits from foreign residents and currency in circulation declined by 9.05 percent and 0.64 percent respectively. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

(i) Interest Rates

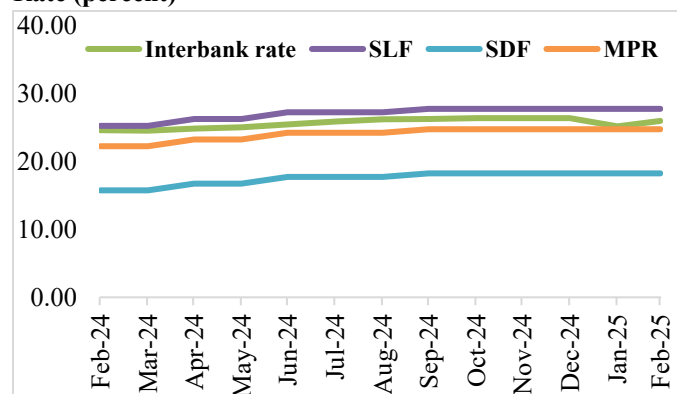
In February 2025, the monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) were maintained as in January 2025 at 24.75 percent, 27.75 percent, and 18.25 percent, respectively whilst the interbank rate increased to 25.98 percent during the review period but staying within the policy corridor. The average deposit rates remained steady at 2.16 percent whilst the commercial banks' average lending rate increased to 22.98 percent in February 2025 from 22.90 percent in January 2025. As a result, the spread between the average lending and savings rates increased to 20.82 percent in February 2025 from 20.74 percent in January 2025. Figure 6 shows various interest rates for February 2025 and the 12 months preceding it. The yields on 182-day T-bills decreased from 29.25 percent in January 2025 to 29.16 percent in February 2025 while there was no subscription for the 91-day T-bills during the review period. On the other hand, the 364-day T-bills increased to 41.18 percent in February 2025 from 41.06 percent in January 2025.

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



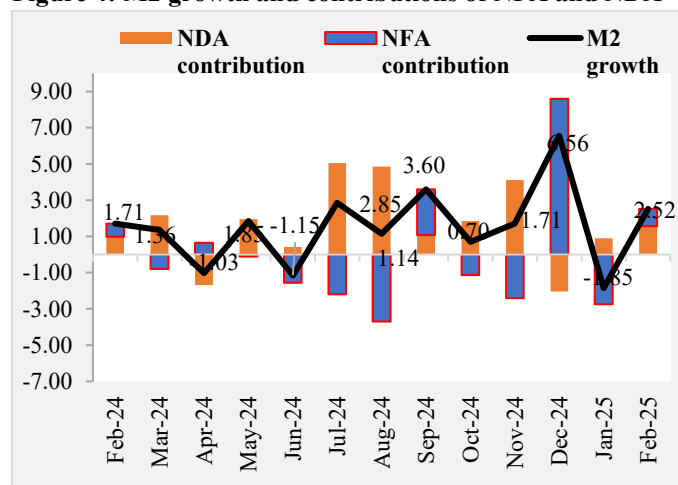
Source: Bank of Sierra Leone

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



Source: Bank of Sierra Leone

Figure 4: M2 growth and contributions of NFA and NDA



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 markets by 0.12 percent and 0.23 percent to NLe22.61/US\$ and NLe22.55/US\$ respectively while it appreciated by 1.07 percent to NLe24.01/US\$ in the bureaux market.

On the selling side, the Leone depreciated in the commercial banks and bureaux market segments by 0.64 percent and 0.31 percent to NLe22.98/US\$ and NLe22.67/US\$ while it appreciated by 0.5 percent to

NLe24.38/US\$ in the parallel market. Figure 7 illustrates the trend in the Leone's depreciation rates using the reference market rate.

On a year-on-year basis, the reference market rate depreciated by 0.22 percent in February 2025 compared to a depreciation of 12.44 percent in February 2024. On a month-on-month basis, it depreciated by 0.26 percent in February 2025, compared to appreciation of 0.24 percent in January 2025.

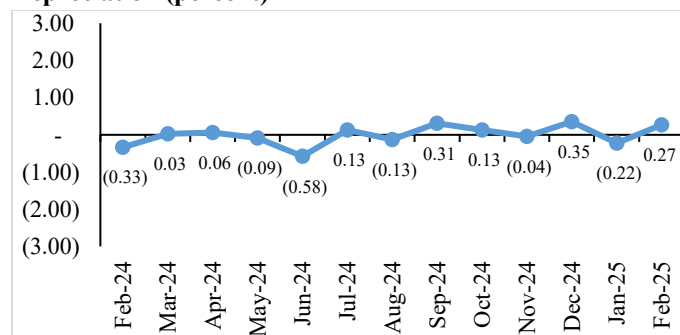
The premium between the reference market rate and the parallel rates narrowed to 6.72 percent (NLe1.52 per US dollar) in February 2025, from 7.83 percent (NLe1.77 per US dollar) in January 2025.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone declined by 0.92 percent to US\$384.87 million in February 2025 from US\$388.46 million in January 2025.

Gross International Reserves, measured in months of import cover, contracted to 1.92 months at the end of February 2025, from 1.96 months at the end of January 2025 and 2.35 months at the end of February 2024. The decline in the months of imports is attributed to the combined effects of decrease in gross reserves and an increase in average imports. Figure 8 shows the gross international reserves measured in months of imports for February 2025 and the 12 months preceding it.

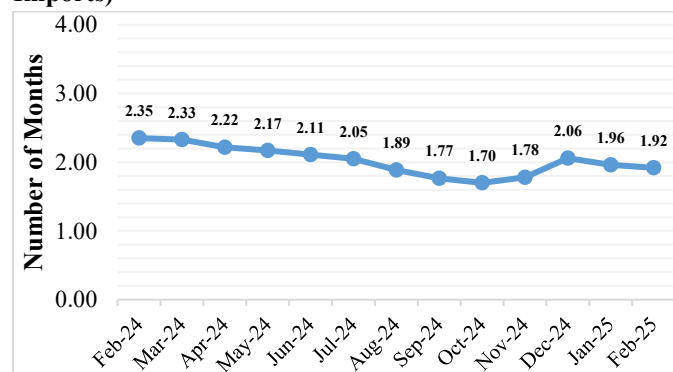
Figure 7: Monthly Reference Rate Appreciation and Depreciation (percent)



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

In February 2025, the economy showed mixed performances across various sectors. Cocoa production grew while there was no available data on coffee production. Diamonds and gold outputs increased whilst bauxite, rutile, ilmenite, zircon, iron ore and other minerals decreased in February 2025. In the manufacturing sector, the performance was tepid as outputs increased for maltina, oxygen and confectionery whilst beer and stout, paint and cement decreased.

Year-on-year headline inflation decreased to 13.09 percent in February 2025 from 14.03 percent in January 2025. Food inflation dropped to 13.45 percent in February 2025 from 14.78 percent in January 2025 and non-food inflation decreased to 12.80 percent from 13.44 percent in January 2025.

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The Leone remained less volatile across different market segments. The gross foreign exchange reserves of the Bank of Sierra Leone declined by 0.92 percent to US\$384.87 million in February 2025 from US\$388.46 million in January 2025. Gross International Reserves, measured in months of import cover, contracted to 1.92 months at the end of February 2025, from 1.96 months at the end of January 2025 and 2.35 months at the end of February 2024.