BANK OF SIERRA LEONE

Monthly Economic Review

July 2025

MER/07/2025

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.

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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 July 2025.

Executive Summary

Economic developments in July 2025 presented a mixed but broadly stabilising macroeconomic picture for Sierra Leone, characterized by disinflation, fiscal pressures, tightening external buffers, and subdued real sector performance, alongside cautious monetary easing.

Production indicators point to continued fragility, as cocoa production fell sharply by 75.5 percent, while the absence of data on coffee and diamonds limited a full assessment of agricultural and mining sector performance. Although ilmenite and other minerals expanded sharply, declines in gold, bauxite, rutile, zircon, and iron ore underscored persistent volatility in the extractive sector. Manufacturing activity was mixed, as gains in beverages were offset by contractions in cement and key consumer goods, reflecting weak domestic demand, cost pressures, and infrastructure constraints.

Inflationary pressures continued to ease. Year-on-year headline inflation declined to 6.45 percent in July 2025, driven by reductions in both food and non-food inflation. The disinflation trend reflected relative stability of the exchange rate, prudent monetary policy, fiscal consolidation, improved supply chains, and lower global commodity prices. However, upward pressures in housing, hotels, and miscellaneous services highlighted structural cost rigidities, particularly in urban areas. Regional inflation remained uneven, with the Northern region experiencing the highest inflation, suggesting localized supply and distribution challenges.

Fiscal operations recorded a significantly narrowed cash surplus, mainly due to declining revenues and rising expenditures. Despite revenue exceeding its target, sharp contractions in income tax and customs revenues signaled weak economic activity and possible compliance challenges, while the surge in non-tax revenue appears non-recurrent. Expenditure overruns—especially on wages and debt service—continued to constrain fiscal space. Improvement in the primary balance was encouraging but largely reflected expenditure adjustments rather than durable revenue gains.

Broad money contracted marginally due to a sharp fall in net foreign assets, reflecting external pressures. Credit to the private sector declined, pointing to weak credit transmission despite accommodative policy signals. The MPC's emergency rate cut indicates confidence in the disinflation path, yet the persistently wide interest rate spread, and subdued private sector credit highlighted structural inefficiencies in financial intermediation. Declining Treasury-bill yields and lack of subscriptions at shorter tenors suggested liquidity preference shifts and market segmentation.

Exchange rate developments remained broadly stable, though the parallel market premium widened, signaling underlying foreign exchange market frictions. More concerning is the continued drawdown on gross foreign reserves, which fell to US$323.9 million, reducing import cover to 1.68 months—well below prudential benchmarks. This weak external buffer heightens vulnerability to shocks and constrains policy flexibility.

1. Real Sector Development

(i) Production

Cocoa production in July 2025, decreased by 75.50 percent to 200.00 metric tons while there was no data for coffee production. The outputs of ilmenite and other minerals expanded in July 2025 whilst gold, bauxite, zircon, rutile, and iron ore fell. However, there was no data for diamond production. In the manufacturing sector, the performance was mixed as outputs increased for beer and stout and maltina whilst cement, paint, oxygen, confectionery and common soap declined among others.

(ii) Price Development

Year-on-year headline inflation continued to decline at 6.45 percent in July 2025 from 7.10 percent in June 2025. Food inflation dropped to 3.56 percent in July 2025 from 4.63 percent in June 2025 and non-food inflation decreased to 8.84 percent in July 2025 from 9.12 percent in June 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 decreased to 0.32 percent in July 2025 from -0.26 percent in June 2025. Figure 1 shows the inflation rates for July 2025 and the 12 months preceding it.

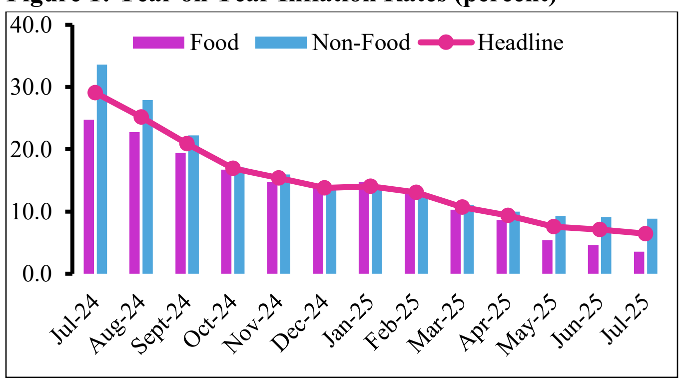
On a regional basis, annual inflation increased only in the Northern region at 9.98 percent. While the rest of the regions experience a declined with the highest at the Western Area with 8.21 percent, followed by the Southern region at 4.17 percent, Eastern region at 3.44 percent and the North-West region having the lowest inflation rate, reaching 2.77. Figure 2 shows inflation rates by region.

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

	Weight (%)	June 25	July 25	Change	Direction
Food	40.33	4.63	3.56	-1.07	Down
Non-Food	59.67	9.12	8.84	-0.28	Down
Alcohol Beverages &Tobacco	1.02	10.66	9.04	-1.62	Down
Clothing	7.70	10.01	8.95	-1.06	Down
Housing	8.90	2.72	5.40	2.68	Up
Furnishings	5.6	12.27	10.49	-1.78	Down
Health	7.60	6.27	5.12	-1.15	Down
Transport	8.60	1.22	0.63	-0.59	Down
Communication	4.70	3.86	2.98	-0.88	Down
Recreation	2.60	11.26	10.20	-1.06	Up
Education	3.10	34.96	34.96	-	Unchanged
Hotels	6.10	18.79	19.00	0.21	Up
Miscellaneous	3.90	9.69	9.81	0.12	Up
All items	100	7.10	6.45	-0.65	Down

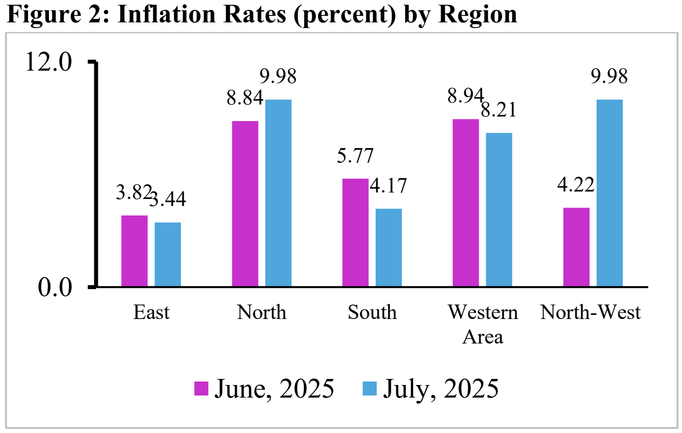
Source: Statistics Sierra Leone

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

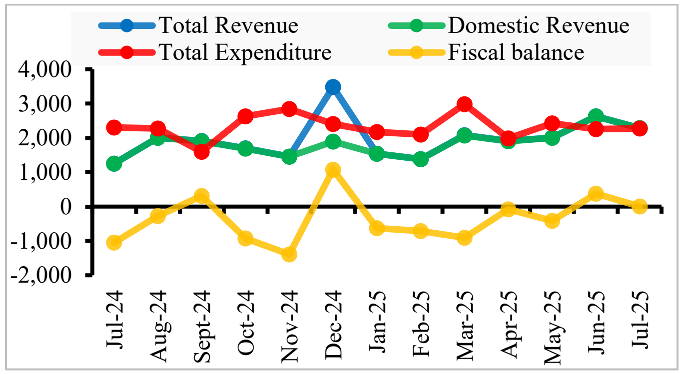
Fiscal operations on a cash-flow basis recorded a narrowed surplus of NLe2.36 million in July 2025, from a surplus of NLe372.56 million in June 2025. The narrowing of the surplus was driven by increase in total expenditure and decrease in total revenue.

Domestic revenue decreased by 13.08 percent to NLe2,281.00 million in July 2025, down from NLe2,624.15 million in June 2025. Despite its decline, it exceeded the target of NLe1,412.55 million by 61.48 percent. The drop in revenue was driven by contractions across key tax components. Customs and excise revenue decreased by 13.75 percent to NLe191.74 million while Income tax revenue declined by 55.47 percent to 390.27 million. Goods and services tax (GST) revenue rose by 15.46 percent to NLe275.93 million; and miscellaneous (non-tax) revenue also surged by 10.61 percent to NLe1,423.06 million. There were no grant receipts in July 2025.

Government expenditure increased by 1.15 percent to NLe2,278.70 million in July 2025, from NLe2,252.70 million in June 2025, and surpassed the ceiling of NLe1,921.29 million by 18.60 percent. The expansion in total expenditure was driven by increase in wages and salaries and debt services which increased by 10.70 percent, and 138.29 percent amounting to NLe446.03 million, and NLe751.82 million respectively. However, other expenditure declined by 29.56 percent to NLe1,080.79 million. Figure 3 shows the fiscal profile for July 2025 and the preceding twelve months.

The primary balance increased to NLe754.17 million in July 2025, from a positive outturn of NLe686.96 million in June 2025. This increase was driven by decline in total expenditure (excluding debt services) that outweighed the decline in domestic revenue.

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



Source: Bank of Sierra Leone

3. Monetary Sector Development

(i) Monetary Aggregates

Broad money (M2) declined by 0.67 percent in July 2025, reflecting a decrease in Net Foreign Assets (NFA) while Net Domestic Assets (NDA) increased. NFA fell by 18.07 percent and contributed -2.10 percentage points to the decline of Broad money while NDA grew by 1.62 percent and contributed 1.43 percentage points to M2. NFA decline was because of decrease in both net foreign assets of the BSL and Other Depository Corporations (ODCs). The growth in NDA was due to increase in net claims on government. Commercial banks' credit to the private sector decreased by 1.09 percent in July 2025, down from a growth of 4.17 percent in June 2025. Figure 4 shows the contributions of NDA and NFA to M2 growth.

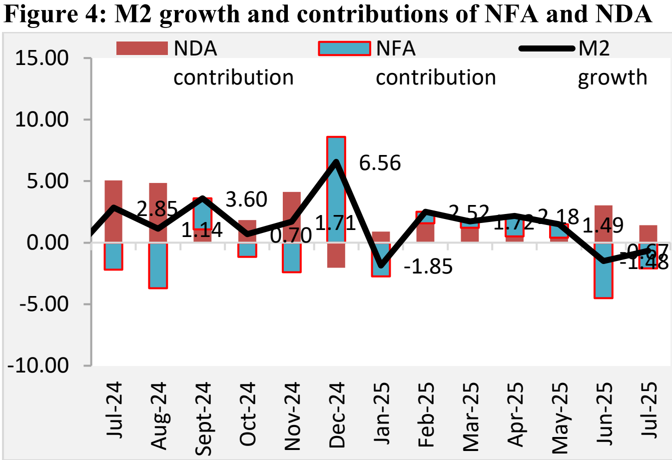
Narrow Money (M1) grew by 0.34 percent in July 2025, due to increase in demand deposits by 1.63 percent whilst currency outside the banks decreased by 1.36 percent. Quasi-money decreased by 1.52 percent, reflecting decline in foreign currency deposits and other deposits of BSL whilst time and savings deposits of commercial banks increased.

Reserve money grew by 2.05 percent in July 2025, driven by increase in NDA by 2.81 percent and contributed 4.64 percentage points to the growth of reserve money while NFA of the banking system declined by 3.96 percent and contributed -2.60 percentage points to reserve money. On the liability side, the increase in reserve money was mainly due to growth in deposits of ODCs at BSL by 18.88 percent. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

(i) Interest Rates

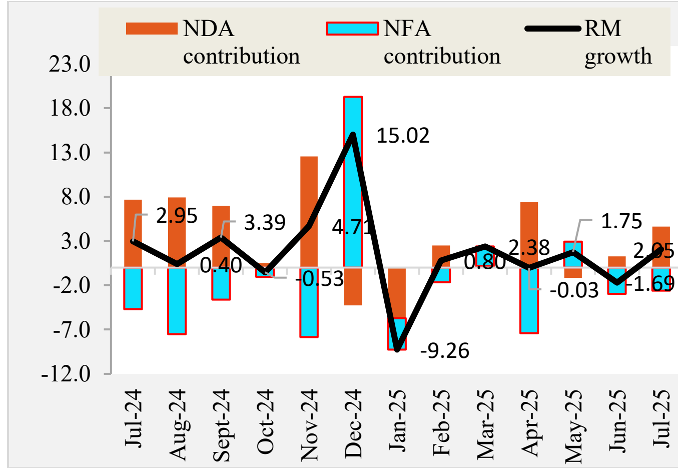
The emergency meeting of the Monetary Policy Committee (MPC) was held in July 2025. The MPC reduced the Monetary Policy Rate (MPR) by 2 percentage point to 21.75% and adjusted the Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) rates downward by 3 percentage point, with the Standing Lending Facility being 23.75% and Standing Deposit Facility being 14.25%. The interbank rate declined to 23.59 percent but staying within the policy corridor, whilst the average deposit rates and the commercial banks' average lending rate remained steady in July as in June 2025 at 1.83 percent and 21.21 percent respectively. As a result, the spread between the average lending and savings rates remained steady at 19.38 percent in July as in June 2025. Figure 6 shows various interest rates for July 2025 and the 12 months preceding it. The yields on 364-day T-bills continue to decline to 15.25 percent in July 2025 whilst there were no subscriptions for the 91-day T-bills and 182-day T-bills.

Figure 4: M2 growth and contributions of NFA and NDA



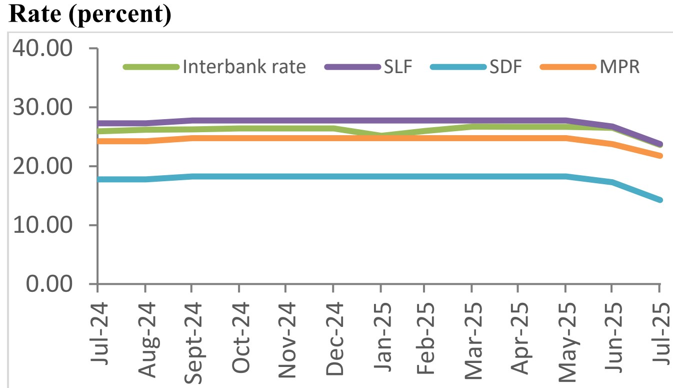
Source: Bank of Sierra Leone

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 remained unchanged at NLe22.63/US$ in the commercial banks market, while it depreciated in the bureaux market and parallel market segments by 0.77 percent to NLe22.63/US$, and 0.25 percent to NLe23.74/US$ respectively.

On the selling side, the Leone appreciated in the commercial banks market by 0.13 percent to NLe22.98/US$ while it depreciated in the bureaux market segment by 0.08 percent to NLe22.56/US$. The rate in the parallel market was unchanged, remaining at NLe24.00/US$.

On a year-on-year basis, the reference market rate depreciated by 0.49 percent in July 2025, from a 10.04 percent depreciation in July 2024. On a month-on-month basis, the rate appreciated slightly by 0.13 percent in July 2025, following a moderate depreciation in June 2025. Figure 7 illustrates the trend in the Leone's rates using the reference market rate.

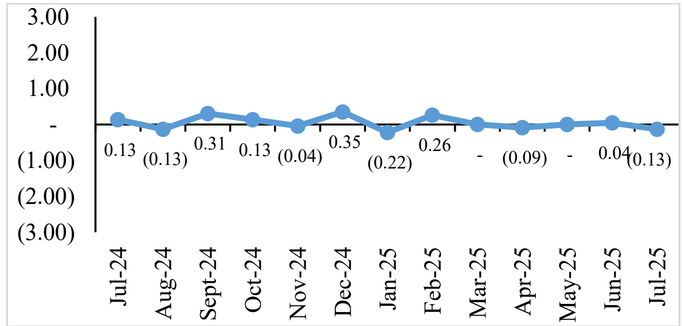
The premium between the reference market rate and the parallel rate widened to 5.49 percent (NLe1.24 per US dollar) in July 2025, from 5.22 percent (NLe1.18 per US dollar) in June 2025.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 7.58 percent to US$323.87 million in July 2025 from US$350.45 million in June 2025.

Gross International Reserves, measured in months of import cover, contracted to 1.68 months at the end of July 2025, from 1.83 months at the end of June 2025 and 2.05 months at the end of July 2024. The decline in the months of imports is primarily attributed to a decline in the gross reserves which outpaced the decline in average imports. Figure 8 shows the gross international reserves measured in months of imports for July 2025 and the 12 months preceding it.

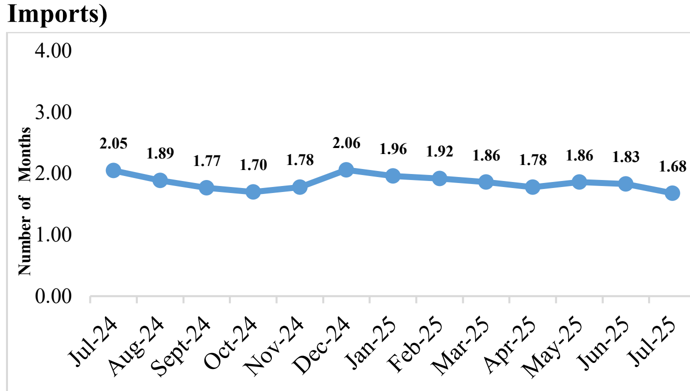
Figure 7: Monthly Reference Rate Appreciation and Depreciation (%)



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 July 2025 macroeconomic outturn underscored a delicate stabilization phase for Sierra Leone's economy, marked by encouraging disinflation but constrained by structural weaknesses and tightening buffers. While prudent monetary policy and relative exchange rate stability have helped ease inflationary pressures, real sector activity remains subdued, with sharp output contractions, data gaps in key commodities, and uneven manufacturing performance limiting growth prospects.

On the fiscal front, the narrowing surplus reflected persistent expenditure rigidities and volatile revenue performance, particularly the sharp decline in income and trade taxes. Although the primary balance improved, this outcome is not yet structurally robust, as it is driven more by expenditure composition than by sustainable revenue mobilization.

Monetary easing has not fully translated into improved private sector credit, highlighting weak policy transmission and high intermediation costs. At the same time, declining net foreign assets and the continued drawdown of international reserves—now below prudent import cover thresholds—pose significant external vulnerability risks, especially in the presence of a widening parallel market premium.

Overall, the economy remains macroeconomically stable but economically fragile. Consolidating recent gains will require revitalizing productive sectors, improving fiscal discipline and revenue efficiency, strengthening financial intermediation, closing statistical data gaps, and rebuilding external buffers. Without decisive structural reforms, the current disinflation and policy easing may prove difficult to sustain in the face of domestic and external shocks.