

BANK OF SIERRA LEONE



Monthly Economic Review

January 2025

MER/01/2025

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 January 2025.

Executive Summary

In January 2025, cocoa production declined by 10.32 percent to 4,102.00 metric tons while there was no available data on coffee production. Bauxite, ilmenite, zircon and other minerals saw increased output whilst diamonds, gold, rutile and iron ore declined during the review period. In manufacturing, output decreased for maltina, beer and stout, paint, oxygen, confectionery, common soap and cement among others.

Year-on-year headline inflation rose to 14.03 percent in January 2025 from 13.78 percent in December 2024. Food inflation increased to 14.78 percent in January 2025 from 13.89 percent in December 2024 and non-food inflation decreased to 13.44 percent in January 2025 from 13.69 percent in December 2024.

Fiscal operations on a cash-flow basis recorded a deficit of NLe626.00 million in January 2025, compared to a surplus of NLe1,079.25 million in December 2024. The deficit was driven by a sharper contraction in total government revenue relative to the decline in total government expenditure. Domestic revenue declined by 18.31 percent to NLe1,543.31 million in January 2025, down from NLe1,889.28 million in December 2024. The primary balance widened to NLe203.62 million in January 2025, from NLe189.32 million in December 2024.

Broad money (M2) declined by 1.85 percent, reflecting a decrease in Net Foreign Assets (NFA) while Net Domestic Assets (NDA) increased. NFA declined by 2.74 percent while NDA grew by 0.89 percent. The decline in NFA of the banking system was driven by decrease in both the net foreign assets of Other Depository Corporations (ODCs) and the BSL. However, the growth in NDA 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 7.82 percent in January 2025, down from

an increase of 4.26 percent in December 2024. Reserve money declined by 9.26 percent in January 2025, driven by both decrease in NDA and NFA of the banking system by 5.72 percent and 3.55 percent respectively. On the liability side, the decrease in reserve money was mainly due to decline in currency in circulation and reserves of ODCs by 7.44 percent and 18.37 percent respectively.

There was no meeting in January 2025. So, a decision was not taken in January. Consequently, the interbank rate remained steady at 25.17 percent as in January 2025, staying within the policy corridor. The average deposit rates declined to 2.16 percent whilst the commercial banks' average lending rate remained fixed at 22.90 percent as in January 2025. As a result, the spread between the average lending and savings rates increased to 20.74 percent in January 2025 from 20.62 percent in December 2024.

On a month-on-month basis, the buying rate of the Leone depreciated in the commercial banks and parallel market by 0.04 percent and 0.28 percent to NLe22.58/US\$ and NLe24.27/US\$ respectively while it appreciated by 0.21 percent to NLe22.50/US\$ in the bureaux market. On the selling side, the Leone appreciated in the commercial banks and bureaux market segments by 0.74 percent and 0.28 percent to NLe22.84/US\$ and NLe22.60/US\$ while it remained unchanged at NLe24.50/US\$ in the parallel market. On a year-on-year basis, the reference market rate appreciated by 0.35 percent in January 2025 compared to a depreciation of 15.51 percent in January 2024. On a month-on-month basis, it appreciated by 0.22 percent in January 2025, compared to depreciation of 0.35 percent in December 2024. The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 5.28 percent to US\$388.46 million in January 2025 from US\$410.12 million in December 2024. Measured in months of import cover, gross foreign reserves declined to 1.96 months at the end of January 2025, from 2.06 months at the end of December 2024 and 2.37 months at the end of January 2024. The decline in the months of imports in January was due to the combined effects of decrease in gross reserves and an increase in average imports. Servicing was a core external debt factor behind the decline in gross foreign reserves.

January 2025

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1. Real Sector Development

(i) Production

In January 2025, cocoa production declined by 10.32 percent to 4,102.00 metric tons while there was no available data on coffee production. The output of bauxite, ilmenite, zircon and other minerals expanded whilst diamonds, gold, rutile and iron ore decreased in January 2025. In the manufacturing sector, it experienced a downturn in performance as output decreased for maltina, beer and stout, paint, oxygen, confectionery, common soap and cement among others.

(ii) Price Development

Year-on-year headline inflation increased to 14.03 percent in January 2025 from 13.78 percent in December 2024. Food inflation rose to 14.78 percent in January 2025 from 13.89 percent in December 2024 and non-food inflation decreased to 13.44 percent in January 2025 from 13.69 percent in December 2024. The increase in headline inflation was primarily driven by domestic demand pressures and the volatility of global commodity prices 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, housing, furnishings, transport and communication, as key components driving the inflation rate up.

Monthly headline inflation decreased to -0.21 percent in January 2025 from 0.85 percent in December 2024. Figure 1 shows the inflation rates for January 2025 and the 12 months preceding it.

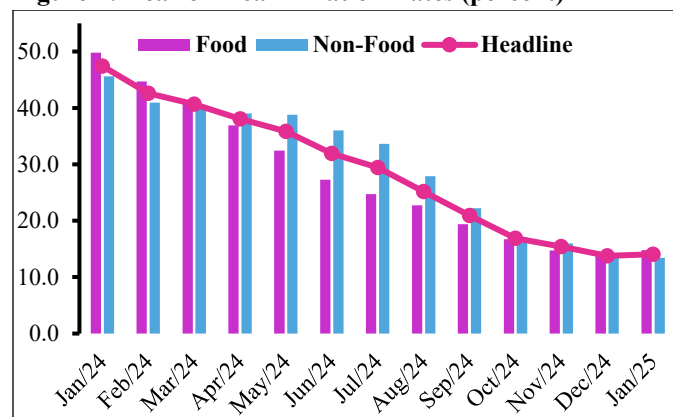
On a regional basis, annual inflation declined in North-West, East and South regions to 11.13 percent, 12.11 percent and 12.66 percent respectively. On the other hand, annual inflation increased in the Western area and North regions to 15.84 percent and 14.40 percent respectively. Figure 2 shows inflation rates by region.

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

	Weight (percent)	Dec. 24	Jan. 25	Change	Direction
Food	40.33	13.89	14.78	0.89	Up
Non-Food	59.67	13.69	13.44	-0.25	Down
Alcohol					
Beverages & Tobacco	1.02	15.86	12.65	-3.21	Down
Clothing	7.70	13.84	13.31	-0.53	Down
Housing	8.90	12.37	13.43	1.06	Up
Furnishings	5.6	11.58	12.23	0.65	Up
Health	7.60	13.35	11.55	-1.80	Down
Transport	8.60	0.92	1.80	0.88	Up
Communication	4.70	1.64	4.14	2.50	Up
Recreation	2.60	16.09	15.13	-0.96	Down
Education	3.10	34.96	34.96	-	Unchanged
Hotels	6.10	27.71	27.47	-0.24	Down
Miscellaneous	3.90	21.24	15.86	-5.38	Down
All items	100	13.78	14.03	0.25	Up

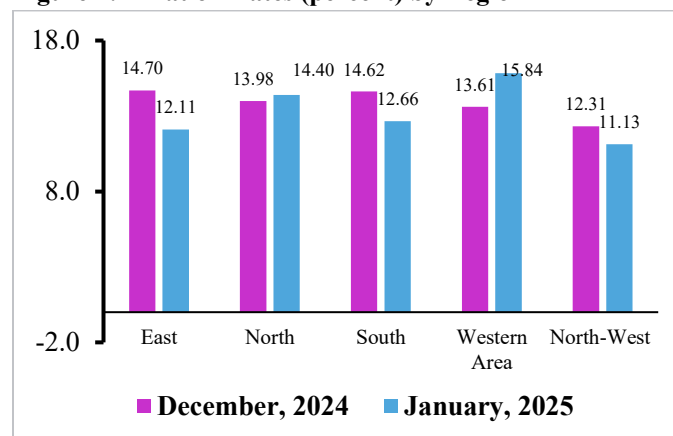
Source: Statistics Sierra Leone

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

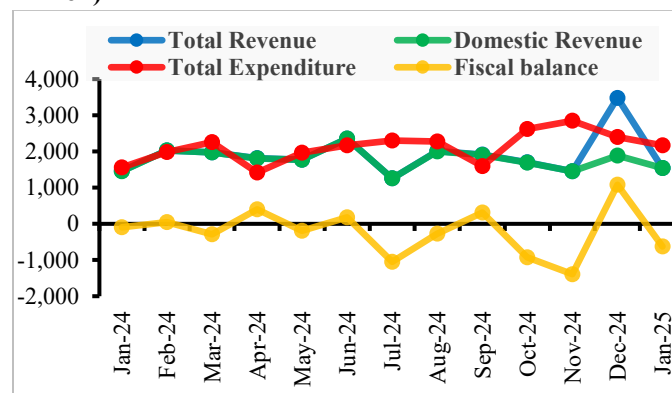
Fiscal operations on a cash-flow basis recorded a deficit of NLe626.00 million in January 2025, compared to a surplus of NLe1,079.25 million in December 2024. The deficit was driven by a sharper contraction in total government revenue relative to the decline in total government expenditure.

Domestic revenue declined by 18.31 percent to NLe1,543.31 million in January 2025, down from NLe1,889.28 million in December 2024. Despite the decline, domestic revenue exceeded the target of NLe1,539.40 million by 0.25 percent. The drop in revenue was driven by contractions across key tax components. Income tax revenue contracted by 26.82 percent to NLe412.05 million; customs and excise revenue declined by 13.18 percent to NLe102.25 million; and miscellaneous (non-tax) revenue decreased by 20.51 percent to NLe855.77 million. Revenue from the Goods and Services Tax (GST) increased significantly by 31.38 percent to NLe173.25 million. No grant receipts were recorded in January 2025.

Government expenditure decreased by 9.71 percent to NLe2,169.31 million in January 2025 from NLe2,402.66 million in December 2024. However, it exceeded the ceiling of NLe1,842.50 million by 17.74 percent. The decline in expenditure was due to a 73.04 percent reduction in wages and salaries to NLe209.30 million, which outweighed increases in debt services and other expenditure. Debt services rose by 18.06 percent to NLe829.62 million, while other expenditure increased by 22.38 percent to NLe1,130.39 million. Figure 3 presents the fiscal profile for January 2025 and the preceding twelve months.

The primary balance widened to NLe203.62 million in January 2025, from NLe189.32 million in December 2024. This improvement reflects a reduction in total expenditure (excluding debt services), which more than offset 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

In January 2025, broad money (M2) declined by 1.85 percent, reflecting a decrease in Net Foreign Assets (NFA) while Net Domestic Assets (NDA) increased. NFA declined by 2.74 percent while NDA grew by 0.89 percent. The decline in NFA of the banking system was driven by decrease in both the net foreign assets of Other Depository Corporations (ODCs) and the BSL. However, the growth in NDA 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 7.82 percent in January 2025, down from an increase of 4.26 percent in December 2024. Figure 4 shows the contributions of NDA and NFA to M2 growth.

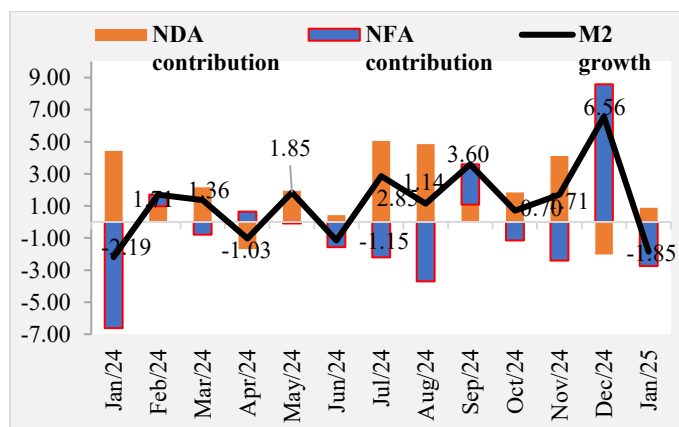
Narrow Money (M1) declined by 1.84 percent in January 2025, due to decrease in currency outside the banks by 7.20 percent while demand deposits increased by 3.74 percent. Similarly, Quasi-money decreased by 0.31 percent, reflecting declines in both foreign currency deposits and other deposits of BSL by 0.34 percent and 0.04 percent respectively while time and savings deposits of commercial banks grew by 0.07 percent during the review period.

Reserve money declined by 9.26 percent in January 2025, driven by both decrease in NDA and NFA of the banking system by 5.72 percent and 3.55 percent respectively. On the liability side, the decrease in reserve money was mainly due to decline in currency in circulation and reserves of ODCs by 7.44 percent and 18.37 percent respectively. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

(i) Interest Rates

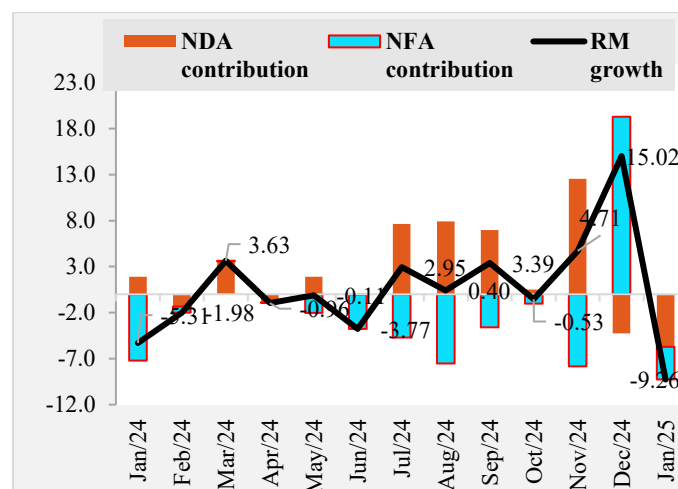
In January 2025, the Monetary Policy Committee maintained the monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) as in December 2024 at 24.75 percent, 27.75 percent, and 18.25 percent, respectively. Similarly, the interbank rate remained steady at 25.17 percent as in December 2024, staying within the policy corridor. The average deposit rates declined to 2.16 percent whilst the commercial banks' average lending rate remained fixed at 22.90 percent as in December 2024. As a result, the spread between the average lending and savings rates increased to 20.74 percent in January 2025 from 20.62 percent in December 2024. Figure 6 shows various interest rates for January 2025 and the 12 months preceding it. The yields on 182-day T-bills and 364-day T-bills decreased to 29.25 percent and 41.06 percent respectively while there was subscription for the 91-day T-bills at 22.84 percent during the review period.

Figure 4: M2 growth and contributions of NFA and NDA



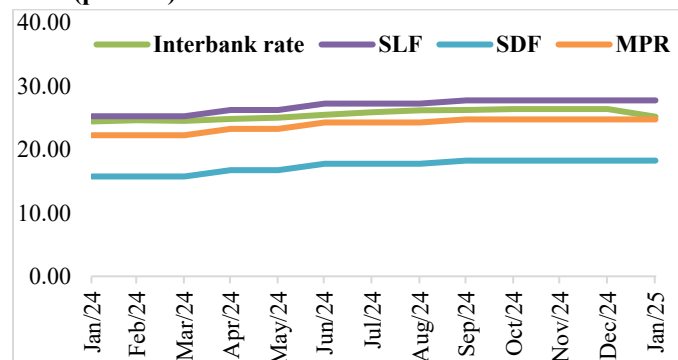
Source: Bank of Sierra Leone

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 parallel market by 0.04 percent and 0.28 percent to NLe22.58/US\$ and NLe24.27/US\$ respectively while it appreciated by 0.21 percent to NLe22.50/US\$ in the bureaux market.

On the selling side, the Leone appreciated in the commercial banks and bureaux market segments by 0.74 percent and 0.28 percent to NLe22.84/US\$ and NLe22.60/US\$ while it remained unchanged at NLe24.50/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 appreciated by 0.35 percent in January 2025 compared to a depreciation of 15.51 percent in January 2024. On a month-on-month basis, it appreciated by 0.22 percent in January 2025, compared to depreciation of 0.35 percent in December 2024.

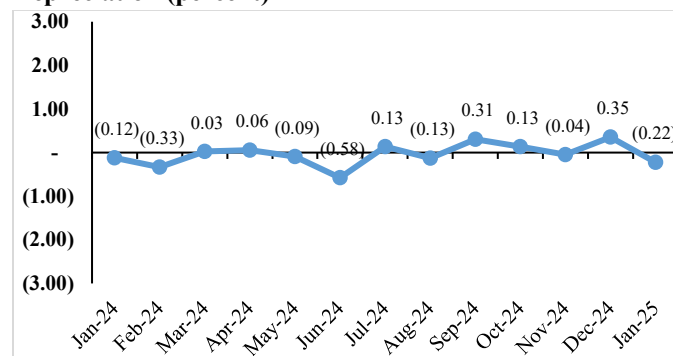
The premium between the reference market rate and the parallel rates widened to 7.83 percent (NLe1.77 per US dollar) in January 2025, from 7.46 percent (NLe1.69 per US dollar) in December 2024.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone declined by 5.28 percent to US\$388.46 million in January 2025 from US\$410.12 million in December 2024.

Gross International Reserves, measured in months of import cover, contracted to 1.96 months at the end of January 2025, from 2.06 months at the end of December 2024 and 2.37 months at the end of January 2024. The decline in the months of imports in January 2025 was due to the combined effects of decrease in gross reserves and an increase in average imports. Servicing was a core external debt factor behind the decline in gross foreign reserves. Figure 8 shows the gross international reserves measured in months of imports for January 2025 and the 12 months preceding it.

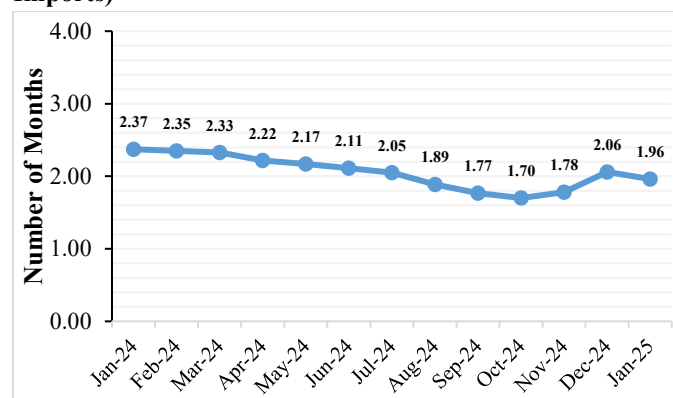
Figure 7: Monthly Reference Rate Appreciation and Depreciation (percent)



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 January 2025, the economy showed tepid performances across various sectors. Cocoa production declined while there was no available data on coffee production. The mining sector mirrored an expansion in bauxite, ilmenite, zircon and other minerals saw increased output albeit diamonds, gold, rutile and iron ore declined during the review period. In manufacturing, output decreased for maltina, beer and stout, paint, oxygen, confectionery, common soap and cement among others.

Year-on-year headline inflation rose to 14.03 percent in January 2025 from 13.78 percent in December 2024.

Food inflation increased to 14.78 percent in January 2025 from 13.89 percent in December 2024 and non-food inflation decreased to 13.44 percent in January 2025 from 13.69 percent in December 2024.

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The Leone remained less volatile across different market segments. The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 5.28 percent to US\$388.46 million in January 2025 from US\$410.12 million in December 2024. Gross International Reserves, measured in months of import cover, declined to 1.96 months at the end of January 2025, from 2.06 months at the end of December 2024 and 2.37 months at the end of January 2024.