BANK OF SIERRA LEONE

Monthly Economic Review

June 2025

MER/06/2025

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 June 2025.

Executive Summary

Production activity in June 2025 was mixed. Cocoa output rose sharply by 81.42 percent to 816.38 metric tons, while no data was available for coffee. Mineral production varied, with diamonds and gold increasing, whereas bauxite, zircon, rutile, ilmenite, and iron ore contracted. Manufacturing performance was also uneven, with gains in cement and paint offset by declines in beer, stout, oxygen, confectionery, and common soap.

Year-on-year headline inflation declined to 7.10 percent in June 2025 from 7.55 percent in May 2025, with food inflation falling to 4.63 percent and non-food inflation to 9.12 percent. The moderation reflected supportive domestic policy measures and global developments, including stable exchange rates, fiscal consolidation, prudent monetary policy, increased aid inflows, lower commodity prices, and improvements in supply chains. On a monthly basis, inflation fell to -0.26 percent in June 2025 from 0.05 percent in May 2025. Across regions, inflation declined in all areas, with the North-West recording the lowest at 4.22 percent and the Western Area the highest at 8.94 percent.

Fiscal operations improved, recording a surplus of NLe372.56 million in June 2025 compared to a deficit of NLe418.44 million in May 2025. This was driven mainly by strong revenue performance. Domestic revenue increased by 31.12 percent to NLe2,624.15 million, exceeding the target by 59.57 percent, with gains across all components. Expenditure decreased by 6.91 percent to NLe2,252.70 million, reflecting declines in wages and salaries and debt service, though other expenditure rose. The primary balance improved markedly to NLe686.96 million in June 2025 from NLe271.27 million in May 2025, underscoring reduced expenditure and increase revenue.

Monetary aggregates contracted moderately. Broad money (M2) fell by 1.48 percent, as the 4.49 percent decline in net foreign assets outweighed the 3.01 percent increase in net domestic assets. Credit to the private sector grew by 4.17 percent in June 2025, higher than the 2.73 percent recorded in May 2025. Reserve money contracted by 1.69 percent, reflecting decreases in both net foreign assets and net domestic assets of the Bank of Sierra Leone. Narrow money rose slightly by 0.17 percent, while quasi-money fell by 2.83 percent due to lower foreign currency deposits.

The Monetary Policy Committee, at its June 2025 meeting, reduced the policy rate by 1 percentage point to 23.75 percent, alongside similar reductions in standing lending and deposit facility rates. The interbank rate declined to 26.49 percent, while deposit and lending rates were steady at 2.16 percent and 22.98 percent, respectively. There were no subscriptions for the 91-day and 182-day bills, and the 364-day T-B yield fell to 19.17 percent, from 36.23 percent in May 2025.

Exchange rate developments were mixed across segments. On the buying side, the Leone depreciated in commercial bank market segment by 0.37 percent and the foreign exchange bureaux market segment by 0.22 percent but appreciated in the parallel market by 0.60 percent. On the selling side, it appreciated slightly in commercial banks by 0.04 percent, depreciated in the bureau market by 0.11 percent, and was unchanged in the parallel market. The reference rate recorded a marginal month-on-month depreciation of 0.04 percent. The premium between the reference and parallel markets narrowed to 5.22 percent in June 2025 from 5.57 percent in May 2025. Gross international reserves declined by 4.11 percent to US$350.45 million in June 2025 from US$365.46 million in May 2025. Foreign reserves import cover fell to 1.83 months in June 2025, down from 1.86 months in May 2025 and 2.11 months a year earlier.

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1. Real Sector Development

(i) Production

Cocoa production in June 2025, increased by 81.42 percent to 816.38 metric tons while there was no data for coffee production. The outputs of diamonds and gold expanded in June 2025 whilst bauxite, zircon and other minerals rutile, ilmenite and iron ore fell. In the manufacturing sector, the performance was mixed as outputs increased for cement and paint whilst beer, stout, oxygen and confectionery and common soap declined among others.

(ii) Price Development

Year-on-year headline inflation continued to decline at 7.10 percent in June 2025 from 7.55 percent in May 2025. Food inflation dropped to 4.63 percent in June 2025 from 5.42 percent in May 2025 and non-food inflation decreased to 9.12 percent in June 2025 from 9.29 percent in May 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 -0.26 percent in June 2025 from 0.05 percent in May 2025. Figure 1 shows the inflation rates for June 2025 and the 12 months preceding it.

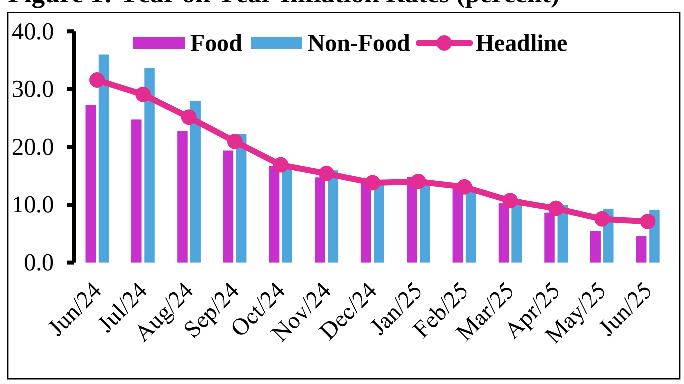
On a regional basis, annual inflation declined in all regions with the North-West region having the lowest inflation rate, reaching 4.22 percent followed by the Southern region at 5.77 percent, Northern region at 8.84 percent, and the Western region at 8.94 percent. Figure 2 shows inflation rates by region

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

	Weight (%)	May 25	June 25	Change	Direction
Food	40.33	5.42	4.63	-0.79	Down
Non-Food	59.67	9.29	9.12	-0.17	Down
Alcohol Beverages &Tobacco	1.02	11.66	10.66	-1.00	Down
Clothing	7.70	9.83	10.01	0.18	Up
Housing	8.90	5.09	2.72	-2.37	Down
Furnishings	5.6	11.41	12.27	0.86	Up
Health	7.60	6.23	6.27	0.04	Up
Transport	8.60	1.27	1.22	-0.05	Down
Communication	4.70	3.08	3.86	0.78	Up
Recreation	2.60	9.51	11.26	1.75	Up
Education	3.10	34.96	34.96	-	Unchanged
Hotels	6.10	18.93	18.79	-0.14	Down
Miscellaneous	3.90	10.37	9.69	-0.68	Down
All items	100	7.55	7.10	-0.45	Down

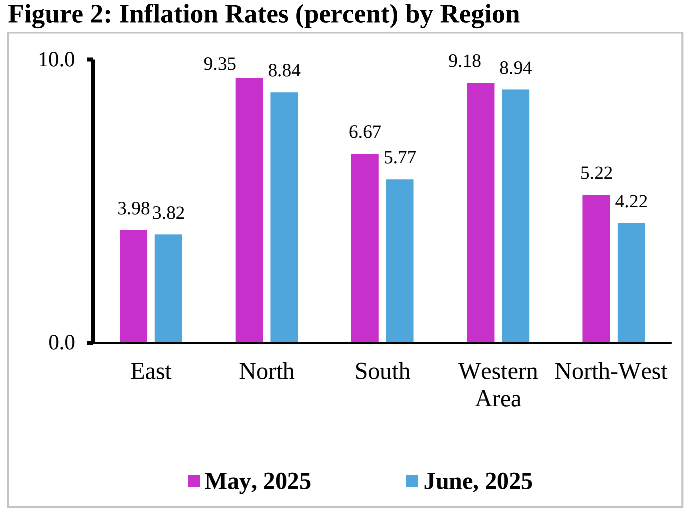
Source: Statistics Sierra Leone

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

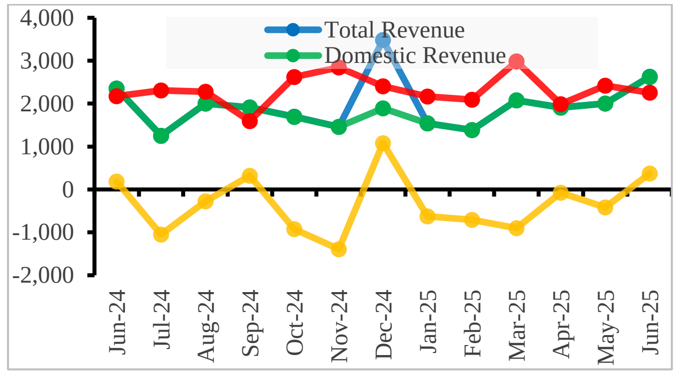
Fiscal operations on a cash-flow basis recorded a surplus of NLe372.56 million in June 2025, compared to a deficit of NLe418.44 million in May 2025. The expansion was driven mainly by increase in total revenue.

Domestic revenue increased by 31.12 percent to NLe2,624.15 million in June 2025, down from NLe2,001.41 million in May 2025, and exceeded the target of NLe1,644.52 million by 59.57 percent. The increase in revenue was broad-based, with all components contributing. Customs and excise revenue increased by 70.44 percent to NLe222.30 million; Income tax revenue increased by 109.38 percent to 876.33 million, goods and services tax (GST) revenue by 15.93 percent to NLe238.97 million; and miscellaneous (non-tax) revenue also surge by 3.23 percent to NLe1,286.55 million. Grant receipts totalled 1.11 million in June 2025.

Government expenditure decreased by 6.91 percent to NLe2,252.70 million in June 2025, from NLe2,419.85 million in May 2025, and surpassed the ceiling of NLe1,749.87 million by 28.74 percent. The decline in total expenditure was driven by decrease in wages and salaries and debt services which decreased by 19.62 percent, and 54.25 percent amounting to NLe402.91 million, and NLe315.51 respectively. However other expenditure rose by 24.85 percent to NLe1,534.28 million. Figure 3 shows the fiscal profile for June 2025 and the preceding twelve months.

The primary balance increased to NLe686.96 million in June 2025, from NLe271.27 million in May 2025. This increase was driven by an increase in domestic revenue that exceeded 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) declined by 1.48 percent in June 2025, reflecting a decrease in Net Foreign Assets (NFA) while Net Domestic Assets (NDA) increased. NFA fell by 4.49 percent while NDA grew by 3.01 percent. NFA decline was as a result of decrease in both net foreign assets of the BSL and Other Depository Corporations (ODCs). The growth in NDA was due to increase in claims on private sector. Commercial banks' credit to the private sector increased by 4.17 percent in June 2025, up from a growth of 2.73 percent in May 2025. Figure 4 shows the contributions of NDA and NFA to M2 growth.

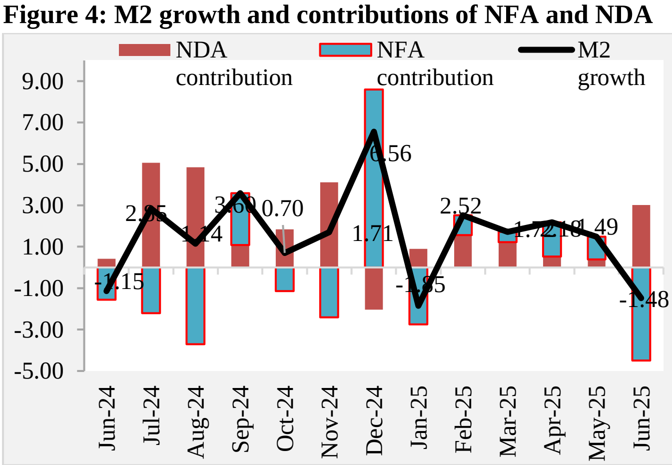
Narrow Money (M1) grew by 0.17 percent in June 2025, due to increase in demand deposits by 1.63 percent whilst currency outside the banks decreased by 1.36 percent. Quasi-money decreased by 2.83 percent, reflecting decline in foreign currency deposits and other deposits of BSL whilst time and savings deposits of commercial banks increased.

Reserve money declined by 1.69 percent in June 2025, driven by decrease in NFA of the Bank of Sierra Leone by 2.92 percent whilst NDA declined by 1.27 percent. On the liability side, the decrease in reserve money was mainly due to decrease in deposits of ODCs at BSL by 10.35 percent. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

(i) Interest Rates

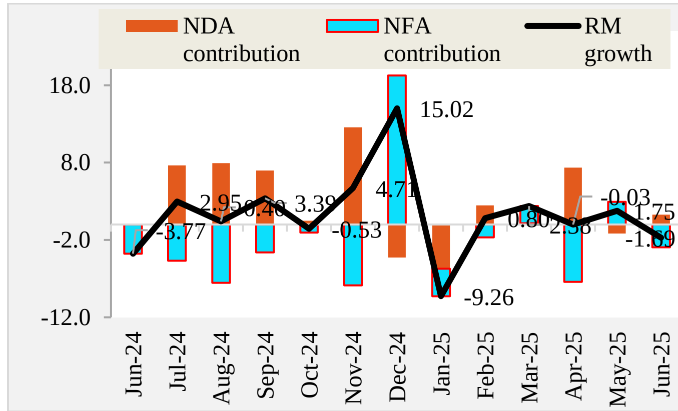
The last meeting of the Monetary Policy Committee (MPC) was held in June, 2025. The MPC reduced the Monetary Policy Rate (MPR) by 1 percentage point to 23.75 percent and adjusted the Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) rates downward by the same margin, with the Standing Lending Facility being 26.75 percent and Standing Deposit Facility being 17.25 percent. The interbank rate declined to 26.49 percent but staying within the policy corridor, whilst the average deposit rates and the commercial banks' average lending rate remained steady in June as in May 2025 at 2.16 percent and 22.98 percent respectively. As a result, the spread between the average lending and savings rates remained steady at 20.82 percent as in May 2025. Figure 6 shows various interest rates for June 2025 and the 12 months preceding it. The yields on 364-day T-bills continue to decline to 19.17 percent in June 2025 whilst there were no subscriptions for the 91-day T-bills and 182-day T-bills during the review period.

Figure 4: M2 growth and contributions of NFA and NDA



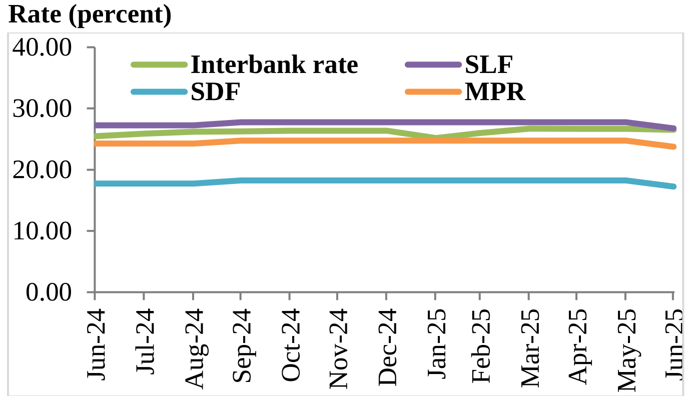
Source: Bank of Sierra Leone

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 0.37 percent to NLe22.63/US$, and 0.22 percent to NLe22.46/US$ respectively, while it appreciated in the parallel market segment by 0.60 percent to NLe23.69/US$.

On the selling side, the Leone appreciated in the commercial banks market by 0.04 percent to NLe23.01/US$ while it depreciated in the bureaux market segment by 0.11 percent to NLe22.54/US$. The rate in the parallel market was unchanged, remaining at NLe24.00/US$.

On a year-on-year basis, the reference market rate recorded a marginal depreciation of 0.78 percent in June 2025, from a 6.67 percent depreciation in June 2024. On a month-on-month basis, the rate depreciated slightly by 0.04 percent in June 2025, following an appreciation in May 2025. Figure 7 illustrates the trend in the Leone's rates using the reference market rate.

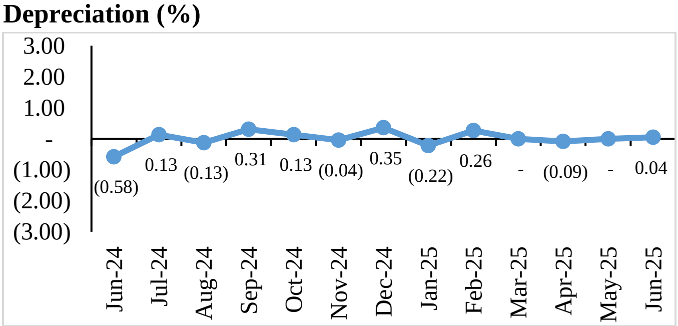
The premium between the reference market rate and the parallel rate narrowed to 5.22 percent (NLe1.18 per US dollar) in June 2025, from 5.57 percent (NLe1.26 per US dollar) in May 2025.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 4.11 percent to US$350.45 million in June 2025 from US$365.46 million in May 2025.

Gross International Reserves, measured in months of import cover, contracted to 1.83 months at the end of June 2025, from 1.86 months at the end of May 2025 and 2.11 months at the end of June 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 June 2025 and the 12 months preceding it.

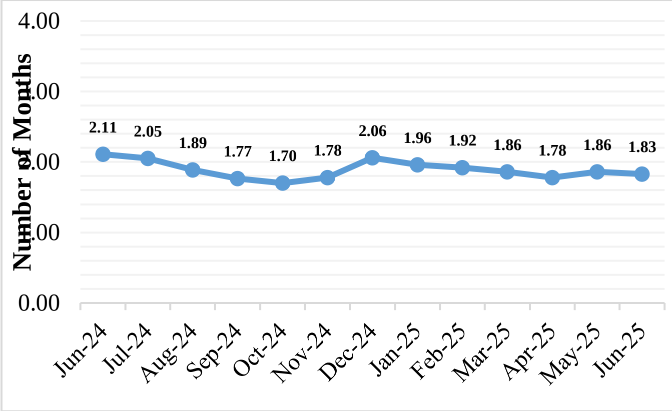
Figure 7: Monthly Reference Rate Appreciation and Depreciation (%)



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

Economic developments in June 2025 showed mixed sectoral outcomes. Cocoa production rebounded strongly, while performance across mining and manufacturing was uneven. Inflationary pressures eased, with headline inflation falling to 7.10 percent, supported by both domestic and external factors.

Fiscal performance strengthened, shifting into a surplus of NLe372.56 million, while the primary balance improved to NLe686.96 million, driven by strong revenue growth and lower recurrent spending.

Monetary conditions tightened slightly, as broad money and reserve money contracted, though credit to the private sector rose by 4.17 percent, from a growth of 2.72 percent in May 2025.

The monetary policy stance was eased, with the policy rate reduced to 23.75 percent, while market rates remained broadly stable. Exchange rate pressures were contained, with the parallel market premium narrowing to 5.22 percent. Gross reserves, however, declined further to US$350.45 million, equivalent to 1.83 months of import cover.