

BANK OF SIERRA LEONE



Monthly Economic Review

March 2025

MER/03/2025

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 March 2025.

Executive Summary

In March 2025, cocoa production decreased by 35.99 percent to 3,269.00 metric tons with no available data for coffee production. The outputs of bauxite, rutile, ilmenite and zircon expanded in March 2025 whilst those of diamond and gold fell. In the manufacturing sector, the performance was mixed as outputs increased for cement, paint and confectionery whilst among other, the outputs of beer and stout, maltina and oxygen declined.

Year-on-year headline inflation decreased to 10.71 percent in March 2025 from 13.09 percent in February 2025. Food inflation fell to 10.27 percent in March 2025 from 13.45 percent in February 2025 and non-food inflation decreased to 11.05 percent in March 2025 from 12.80 percent in February 2025.

Fiscal operations on a cash-flow basis recorded a widened deficit of NLe905.39 million in March 2025, compared to a deficit of NLe709.87 million in February 2025. Domestic revenue increased by 49.69 percent to NLe2,073.70 million in March 2025, up from NLe1,385.32 million in February 2025, and exceeded the target of NLe1,539.40 million by 34.71 percent.

Broad money (M2) grew by 1.73 percent, reflecting an increase in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA). NDA and NFA increased by 1.22 percent and 0.51 percent respectively. NDA expansion was due to increase in both net claims on central government and private sector. The growth in NFA of the banking system moderated due to the slowdown in the growth of the net foreign assets of the Other Depository Corporation (ODCs). Commercial banks' credit to the private sector expanded by 2.53 percent in March 2025, down from an increase of 4.48 percent in February 2025.

Reserve money increased by 2.38 percent in March 2025, driven by increase in both NFA of the banking system by 2.22 percent and NDA by 0.16 percent. On the liability side, the increase in reserve money was mainly due to increase in currency in circulation by 3.38 percent.

The Monetary Policy Rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) were maintained as in February 2025 at 24.75 percent, 27.75 percent, and 18.25 percent, respectively whilst the interbank rate increased to 26.70 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 remained steady at 22.98 percent in March 2025 as in February 2025. As a result, the spread between the average lending and savings rates remained steady at 20.82 percent in March 2025.

In March 2025, the Leone depreciated across market segments. On a month-on-month basis, the buying rate of the Leone depreciated in the commercial banks markets by 0.94 percent to NLe22.82/US\$ while it appreciated by 0.09 percent and 0.04 percent to NLe22.53/US\$ and NLe24.00/US\$ in the bureaux and parallel markets, respectively. On the selling side, the Leone depreciated in the commercial banks market segment by 0.16 percent to NLe23.02/US\$ while it appreciated by 0.26 percent and 0.61 percent to NLe22.61/US\$ and NLe24.23/US\$ in the bureaux and parallel market segments, respectively.

On annual basis, the reference market rate depreciated by 0.18 percent in March 2025 compared to a depreciation of 9.00 percent in March 2024. On a month-on-month basis, the depreciation of 0.26 percent remained steady in March 2025 as in February 2025. The premium between the reference market rate and the parallel rate narrowed to 6.39 percent (NLe1.45 per US dollar) in March 2025, from 6.72 percent (NLe1.52 per US dollar) in February 2025.

1. Real Sector Development

(i) Production

In March 2025, cocoa production declined by 35.99 percent to 3,269.00 metric tons while there was no available data on coffee production. The outputs of bauxite, rutile, ilmenite and zircon expanded in March 2025 whilst diamonds and gold fell. In the manufacturing sector, the performance was mixed as outputs increased for cement, paint and confectionery whilst beer and stout, maltina and oxygen declined among others.

(ii) Price Development

Year-on-year headline inflation decreased to 10.71 percent in March 2025 from 13.09 percent in February 2025. Food inflation fell to 10.27 percent in March 2025 from 13.45 percent in February 2025 and non-food inflation decreased to 11.05 percent in March 2025 from 12.80 percent in February 2025. The decrease in headline inflation was primarily driven by sound macroeconomic policies, declining global prices of food and energy, less volatility of the exchange rate and the Bank of Sierra Leone's (BSL) tight monetary policy stance. 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, transport, and recreation, as key components driving the inflation rate down.

Monthly headline inflation decreased to 0.24 percent in March 2025 from 0.93 percent in February 2025. Figure 1 shows the inflation rates for March 2025 and the 12 months preceding it.

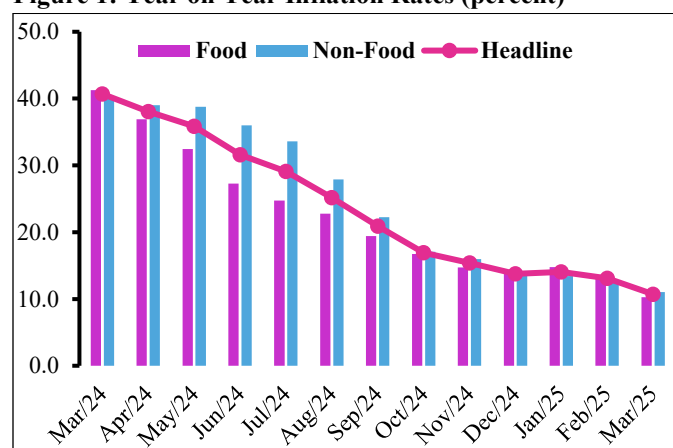
On a regional basis, annual inflation declined in all regions with the Southern region having the lowest inflation rate, reaching 7.43 percent followed by the Eastern region at 7.87 percent, North-West region at 9.04 percent, Northern region at 10.94 percent and the Western region at 13.02 percent. Figure 2 shows inflation rates by region.

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

	Weight (percent)	Feb. 25	Mar. 25	Change	Direction
Food	40.33	13.45	10.27	-3.18	Down
Non-Food	59.67	12.80	11.05	-1.75	Down
Alcohol Beverages and Tobacco	1.02	10.23	11.61	1.38	Up
Clothing	7.70	12.38	11.64	-0.74	Down
Housing	8.90	11.45	5.64	-5.81	Down
Furnishings	5.6	12.04	17.06	5.02	Up
Health	7.60	9.85	5.68	-4.17	Down
Transport	8.60	3.98	3.59	-0.39	Down
Communication	4.70	4.15	3.02	-1.13	Down
Recreation	2.60	13.33	9.21	-4.12	Down
Education	3.10	34.96	34.96	-	Unchanged
Hotels	6.10	25.86	21.46	-4.4	Down
Miscellaneous	3.90	14.88	15.09	0.21	Up
All items	100	13.09	10.71	-2.38	Down

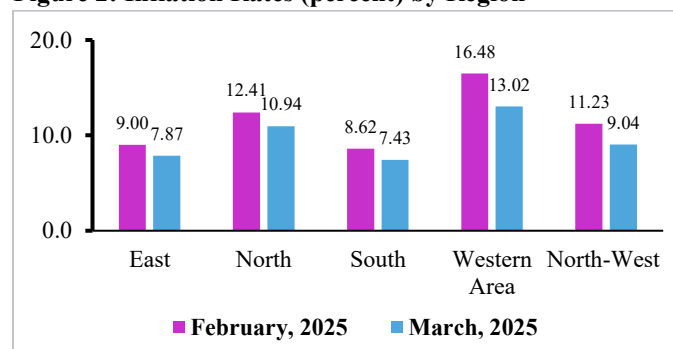
Source: Statistics Sierra Leone

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

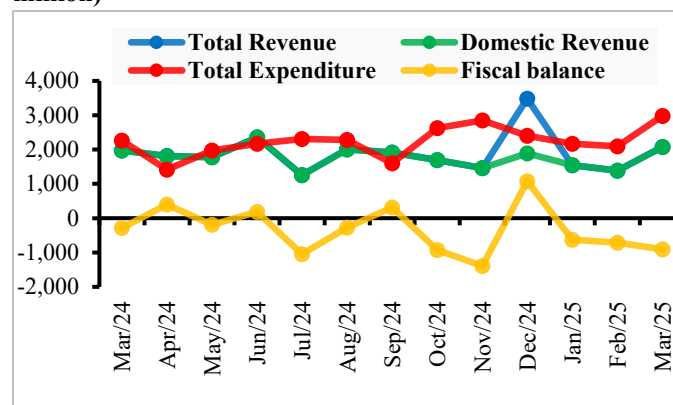
Fiscal operations on a cash-flow basis recorded a widened deficit of NLe905.39 million in March 2025, compared to a deficit of NLe709.87 million in February 2025. The deterioration was driven by an increase in total government expenditure that outpaced the growth in total revenue.

Domestic revenue increased by 49.69 percent to NLe2,073.70 million in March 2025, up from NLe1,385.32 million in February 2025, and exceeded the target of NLe1,539.40 million by 34.71 percent. The increase in revenue was broad-based, with all major components contributing. Customs and excise revenue increased by 40.22 percent to NLe138.96 million; income tax revenue surged by 106.52 percent to NLe627.62 million; goods and services tax (GST) revenue rose by 39.82 percent to NLe202.13 million; while miscellaneous (non-tax) revenue increased by 31.90 percent to NLe1,105.01 million. Grant receipts totalled NLe3.69 million in March 2025.

Government expenditure increased by 42.36 percent to NLe2,982.78 million in March 2025, from NLe2,095.19 million in February 2025, and surpassed the ceiling of NLe1,842.50 million by 61.89 percent. The rise in expenditure was driven by increases in wages and salaries and other expenditure, which grew by 3.81 percent and 97.29 percent, amounting to NLe572.56 million and NLe1,786.65 million, respectively. Debt service payments declined by 2.27 percent to NLe623.58 million. Figure 3 shows the fiscal profile for March 2025 and the preceding twelve months.

The primary balance deteriorated to a negative position of NLe285.50 million in March 2025, from a negative outturn of NLe71.78 million in February 2025. This deterioration was driven by an increase in total expenditure (excluding debt services) that exceeded the rise 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 March 2025, broad money (M2) grew by 1.73 percent, reflecting an increase in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA). NDA and NFA increased by 1.22 percent and 0.51 percent respectively. NDA expansion was as a result of increase in both net claims on central government and private sector. The growth in NFA of the banking system moderated due to the slowdown in the growth of the net foreign assets of the Other Depository Corporation (ODCs). Commercial banks' credit to the private sector expanded by 2.53 percent in March 2025, down from an increase of 4.48 percent in February 2025. Figure 4 shows the contributions of NDA and NFA to M2 growth.

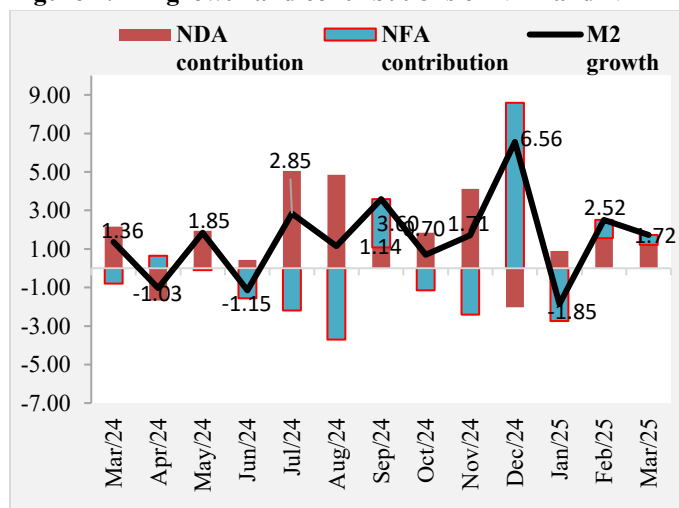
Narrow Money (M1) grew by 1.15 percent in March 2025, due to increase in currency outside the banks by 5.72 percent whilst demand deposits declined by 2.95 percent. Similarly, Quasi-money increased by 2.26 percent, reflecting growth in both foreign currency deposits and time and savings deposits of commercial banks by 1.65 percent and 3.62 percent respectively whilst other deposits of BSL declined by 19.19 percent during the review period.

Reserve money increased by 2.38 percent in March 2025, driven by increase in both NFA of the banking system by 2.22 percent and NDA by 0.16 percent. On the liability side, the increase in reserve money was mainly due to increase in currency in circulation by 3.38 percent. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

(i) Interest Rates

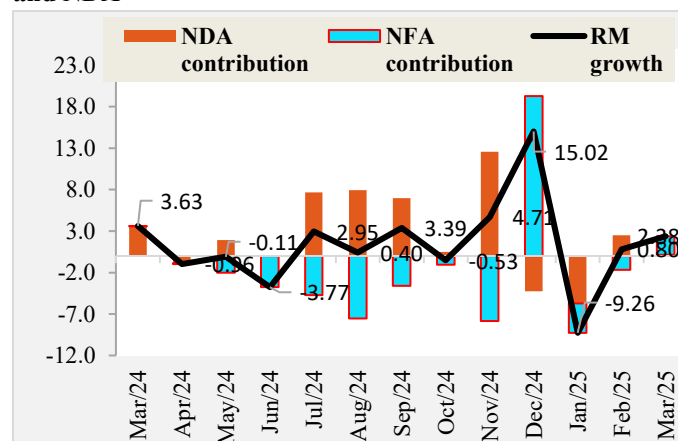
In March 2025, the monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) were maintained as in February 2025 at 24.75 percent, 27.75 percent, and 18.25 percent, respectively whilst the interbank rate increased to 26.70 percent during the review period but staying within the policy corridor. The average deposit rates remained steady at 2.16 percent whilst the commercial banks' average lending rate remained steady at 22.98 percent in March 2025 as in February 2025. As a result, the spread between the average lending and savings rates remained steady at 20.82 percent in March 2025. Figure 6 shows various interest rates for March 2025 and the 12 months preceding it. The yields on 364-day and 182-day T-bills increased from 41.18 percent and 29.16 percent respectively in February 2025 to 41.22 percent and 29.19 percent respectively in March 2025 while there was no subscription for the 91-day T-bills during the review period.

Figure 4: M2 growth and contributions of NFA and NDA



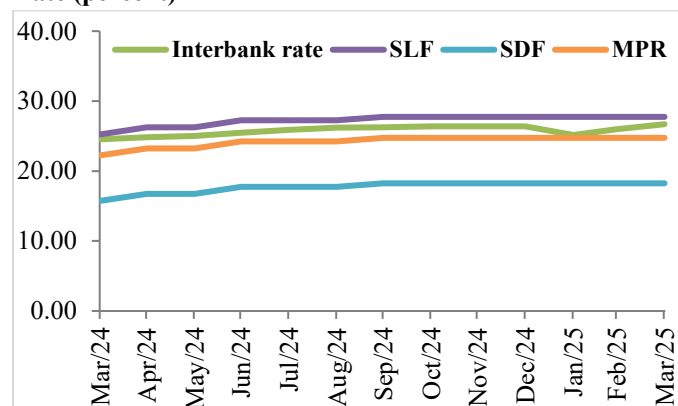
Source: Bank of Sierra Leone

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 markets by 0.94 percent to NLe22.82/US\$ while it appreciated by 0.09 percent and 0.04 percent to NLe22.53/US\$ and NLe24.00/US\$ in the bureaux and parallel markets, respectively.

On the selling side, the Leone depreciated in the commercial banks market segment by 0.16 percent to NLe23.02/US\$ while it appreciated by 0.26 percent and 0.61 percent to NLe22.61/US\$ and NLe24.23/US\$ in the bureaux and parallel market segments, respectively. 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 0.18 percent in March 2025, compared to a depreciation of 9.00 percent in March 2024. On a month-on-month basis, there was no change in March 2025, compared to a depreciation of 0.26 percent in February 2025.

On a year-on-year basis, the reference market rate depreciated by 0.18 percent in March 2025 compared to a depreciation of 9.00 percent in March 2024. On a month-on-month basis, the depreciation of 0.26 percent remained steady in March 2025 as in February 2025.

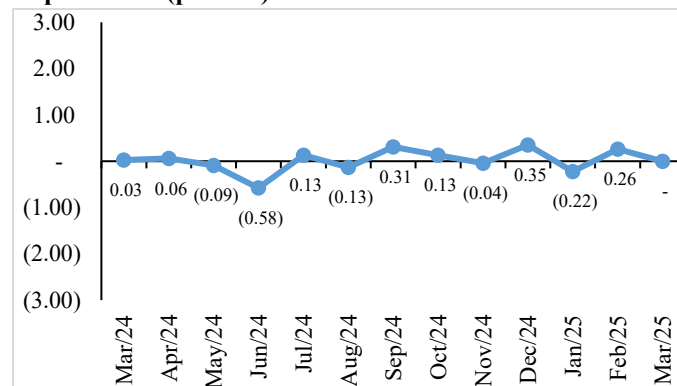
The premium between the reference market rate and the parallel rate narrowed to 6.39 percent (NLe1.45 per US dollar) in March 2025, from 6.72 percent (NLe1.52 per US dollar) in February 2025.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone declined by 2.71 percent to US\$374.42 million in March 2025 from US\$384.87 million in February 2025.

Gross International Reserves, measured in months of import cover, contracted to 1.86 months at the end of March 2025, from 1.92 months at the end of February 2025 and 2.33 months at the end of March 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 March 2025 and the 12 months preceding it.

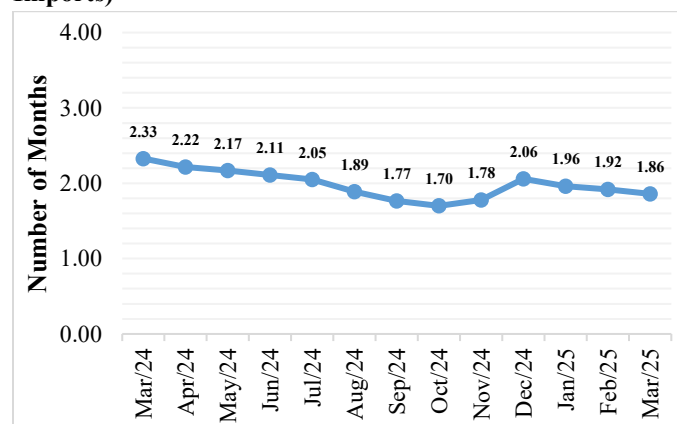
Figure 7: Monthly Reference Rate Appreciation and Depreciation (percent)



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 March 2025, the economy showed increase performances across various sectors. Cocoa production declined while there was no available data on coffee production. The outputs of bauxite, rutile, ilmenite and zircon expanded in March 2025 whilst diamonds and gold fell. In the manufacturing sector, the performance was mixed as outputs increased for cement, paint and confectionery whilst beer and stout, maltina and oxygen declined among others.

Year-on-year headline inflation decreased to 10.71 percent in March 2025 from 13.09 percent in February

2025. On a regional basis, annual inflation declined in all regions.

Fiscal operations on a cash-flow basis recorded a widened deficit of NLe905.39 million in March 2025, compared to a deficit of NLe709.87 million in February 2025. The deterioration was driven by an increase in total government expenditure that outpaced the growth in total revenue. Domestic revenue increased by 49.69 percent to NLe2,073.70 million in March 2025, up from NLe1,385.32 million in February 2025, and exceeded the target of NLe1,539.40 million by 34.71 percent. The primary balance deteriorated to a negative position of NLe285.50 million in March 2025, from a negative outturn of NLe71.78 million in February 2025.

In March 2025, broad money (M2) grew by 1.73 percent, reflecting an increase in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA). NDA and NFA increased by 1.22 percent and 0.51 percent respectively. The growth in NFA of the banking system moderated due to the slowdown in the growth of the net foreign assets of the Other Depository Corporation (ODCs). Commercial banks' credit to the private sector expanded by 2.53 percent in March 2025, down from an increase of 4.48 percent in February 2025.

The Leone remained less volatile across different market segments. The gross foreign exchange reserves of the Bank of Sierra Leone declined by 2.71 percent to US\$374.42 million in March 2025 from US\$384.87 million in February 2025. Gross International Reserves, measured in months of import cover, contracted to 1.86 months at the end of March 2025, from 1.92 months at the end of February 2025 and 2.33 months at the end of March 2024.