BANK OF SIERRA LEONE

Monthly Economic Review

May 2025

MER/05/2025

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 May 2025.

Executive Summary

Performance of economic activities in May 2025 was mixed across the real, fiscal, monetary, and external sectors. In the real sector, cocoa production declined sharply by 87.70 percent to 450 metric tons compared to April 2025, while coffee output stood at 375.50 metric tons. The mining sector showed divergent outcomes, with bauxite, zircon, and other minerals recording growth, whereas diamonds, gold, rutile, ilmenite, and iron ore contracted. Manufacturing activities were also mixed, as the production of beer, stout, oxygen, and confectionery increased, while cement, paint, and common soap registered declines.

Price developments reflected a notable easing in inflationary pressures. Year-on-year headline inflation fell to 7.55 percent in May 2025 from 9.38 percent in April 2025, driven by significant declines in both food inflation (5.42 percent from 8.63 percent) and non-food inflation (9.29 percent from 9.99 percent). Monthly inflation moderated to 0.05 percent in May 2025 from 0.83 percent in April 2025. Regionally, inflation fell in most parts of the country, with the Eastern region recording the lowest rate at 3.98 percent. However, the North and South regions experienced increases to 9.35 percent and 6.67 percent, respectively. Component-wise, transport and food costs drove the disinflation, while categories such as recreation, furnishings, and hotels exerted upward pressure.

On fiscal operations, the overall deficit widened to NLe418.14 million in May 2025, compared with NLe76.25 million in April 2025, as expenditure growth outpaced revenue mobilization. Domestic revenue grew by 4.94 percent to NLe2,001.41 million, surpassing the monthly target by 21.70 percent, supported mainly by higher collections in GST, customs and excise, and miscellaneous non-tax revenue. However, income tax declined sharply by 29.14 percent to NLe418.54 million, and no external grants were recorded. Government expenditure rose by 21.64 percent to NLe2,419.85 million, exceeding the ceiling by 38.29 percent, largely reflecting higher outlays on wages and salaries, debt servicing, and other expenditures. Consequently, the primary surplus narrowed to NLe271.27 million in May 2025, from NLe474.20 million in April 2025.

Monetary developments revealed an expansionary outcome. Broad money (M2) grew by 1.49 percent in May 2025, following a rise of 0.40 percent in net domestic assets and 1.10 percent in net foreign assets. Commercial banks' credit to the private sector increased by 2.72 percent in May, compared to a 3.25 percent decline in April. Reserve money expanded by 1.75 percent, reflecting stronger net foreign assets of the Bank of Sierra Leone. Narrow money (M1), however, contracted by 1.16 percent due to a fall in demand deposits, while quasi-money increased by 3.77 percent. The monetary policy stance remained unchanged, with the policy rate fixed at 24.75 percent, supported by a stable interbank rate at 26.68 percent and commercial lending rate at 22.98 percent. Treasury bill yields moderated, with the 182-day and 364-day instruments declining to 28.71 percent and 36.23 percent, respectively.

The Leone appreciated modestly in May 2025 across most market segments. On the buying side, it strengthened by 0.39 percent in the commercial banks (NLe22.55/US$), 0.81 percent in the parallel market (NLe23.83/US$), and 0.17 percent in the bureaux (NLe22.41/US$). On the selling side, the Leone appreciated in the commercial banks and parallel market by 0.68 percent and 0.99 percent, respectively, though it weakened by 5.26 percent in the bureaux. The reference rate posted a marginal month-on-month appreciation of 0.02 percent. The spread between the reference rate and the parallel market narrowed to 5.57 percent in May 2025, from 6.39 percent in April 2025. Gross foreign exchange reserves increased by 2.03 percent to US$365.46 million, equivalent to 1.86 months of import cover, up from 1.77 months in April 2025 but below 2.17 months recorded in May 2024.

1. Real Sector Development

(i) Production

Cocoa production decreased by 87.70 percent to 450 metric tons in May 2025while coffee production stood at 375.50 metric tons. The outputs of bauxite, zircon and other minerals expanded in May 2025 whilst output of diamond, gold, rutile, ilmenite and iron ore fell. In the manufacturing sector, the performance was mixed as outputs increased for beer, stout, oxygen and confectionery whilst cement, paint, and common soap declined among others.

(ii) Price Development

Year-on-year headline inflation continued to decline at 7.55 percent in May 2025 from 9.38 percent in April 2025. Food inflation dropped to 5.42 percent in May 2025 from 8.63 percent in April 2025 and non-food inflation decreased to 5.42 percent in May 2025 from 9.99 percent in April 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, clothing, furnishings, recreation, hotels and miscellaneous as components driving the inflation rate down.

Monthly headline inflation decreased to 0.05 percent in May 2025 from 0.83 percent in April 2025. Figure 1 shows the inflation rates for May 2025 and the 12 months preceding it.

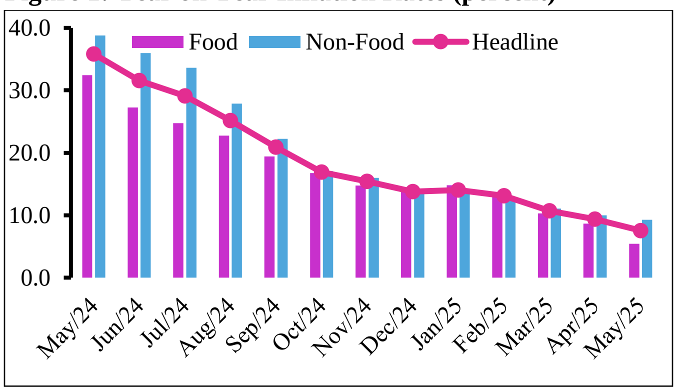
On a regional basis, annual inflation declined in most regions with the exception of the North and South regions which increased from 6.00 percent and 6.39 percent in April 2025 to 9.35 percent and 6.67 percent in May 2025 respectively. Eastern region had the lowest inflation rate, reaching 3.98 percent followed by the North-west region at 5.22 percent and the Western Area region at 9.18 percent. Figure 2 shows inflation rates by region.

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

	Weight (%)	Apr 25	May 25	Change	Direction
Food	40.33	8.63	5.42	-3.21	Down
Non-Food	59.67	9.99	9.29	-0.70	Down
Alcohol Beverages &Tobacco	1.02	11.13	11.66	0.53	Up
Clothing	7.70	9.81	9.83	0.02	Up
Housing	8.90	6.18	5.09	-1.09	Down
Furnishings	5.6	10.21	11.41	1.20	Up
Health	7.60	6.71	6.23	-0.48	Down
Transport	8.60	4.62	1.27	-3.35	Down
Communication	4.70	4.59	3.08	-1.51	Down
Recreation	2.60	7.10	9.51	2.41	Up
Education	3.10	34.96	34.96	-	Unchanged
Hotels	6.10	18.46	18.93	0.47	Up
Miscellaneous	3.90	12.87	10.37	-2.50	Down
All items	100	9.38	7.55	-1.83	Down

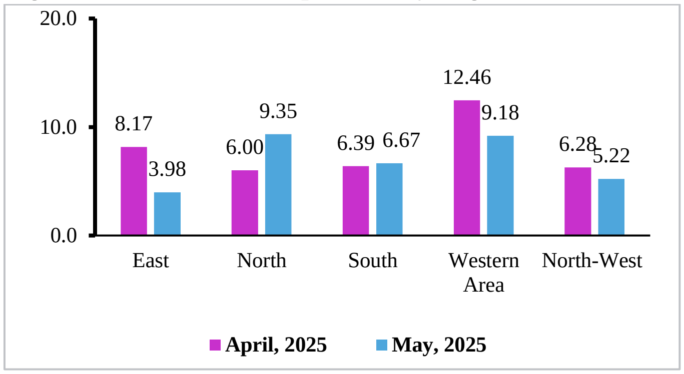
Source: Statistics Sierra Leone

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

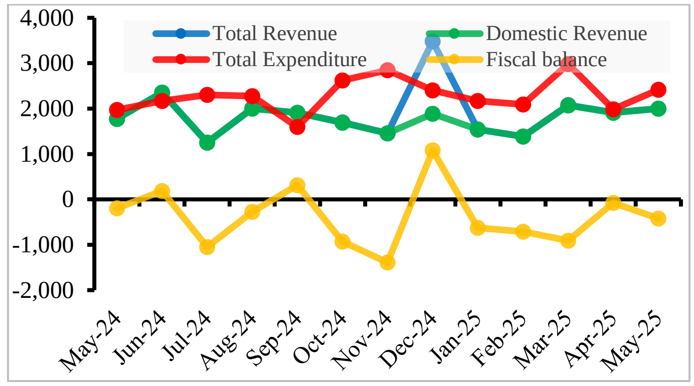
Fiscal operations on a cash-flow basis recorded a widened deficit of NLe418.14 million in May 2025, compared to a deficit of NLe76.25 million in April 2025. The expansion was driven by an increase in total government expenditure that outpaced the growth in total revenue.

Domestic revenue increased by 4.94 percent to NLe2,001.41 million in May 2025, from NLe1,907.25 million in April 2025, and exceeded the target of NLe1,644.52 million by 21.70 percent. The increase in revenue was broad-based, with major components contributing. Customs and excise revenue increased by 7.60 percent to NLe130.42 million; goods and services tax (GST) revenue by 12.20 percent to NLe206.14 million; and miscellaneous (non-tax) revenue also surged by 23.20 percent to NLe1,246.30 million. Income tax fell by 29.14 percent to NLe418.54 million. There was no grant in the month of May 2025.

Government expenditure increased by 21.64 percent to NLe2,419.85 million in May 2025, from NLe1,989.30 million in April 2025, and surpassed the ceiling of NLe1,749.87 million by 38.29 percent. The rise in expenditure was driven by increases in wages and salaries, other expenditure, and debt services which increased by 42.19 percent, 13.73 percent, and 23.99 percent, respectively to NLe501.23 million, NLe1,228.91 million and NLe689.71, respectively. Figure 3 shows the fiscal profile for May 2025 and the preceding twelve months.

The primary balance decreased to a surplus of NLe271.27 million in May 2025, from NLe474.20 million in April 2025. This decline was driven by 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

Broad money (M2) grew by 1.49 percent in May 2025, reflecting an increase in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA). NDA and NFA increased by 0.40 percent and 1.10 percent respectively. NDA expansion was as a result of increase in both net claims on central government and claims on private sector. The growth in NFA of the banking system was due to the increase in net foreign assets of the Other Depository Corporation (ODCs). Commercial banks' credit to the private sector increased by 2.72 percent in May 2025, up from a decline of 3.25 percent in April 2025. Figure 4 shows the contributions of NDA and NFA to M2 growth.

Narrow Money (M1) declined by 1.16 percent in May 2025, due to decrease in demand deposits by 2.78 percent whilst currency outside the banks increased by 0.59 percent. Quasi-money increased by 3.77 percent, reflecting growth in foreign currency deposits and time and savings deposits of commercial banks whilst other deposits of BSL declined.

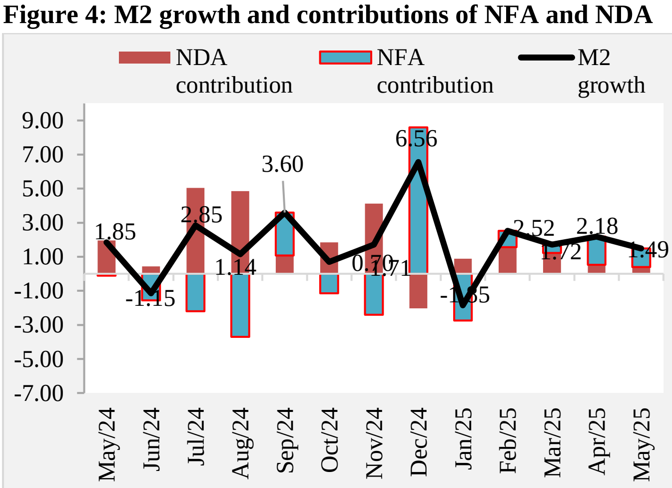
Reserve money expanded by 1.75 percent in May 2025, driven by increase in NFA of the Bank of Sierra Leone by 2.92 percent whilst NDA declined by 1.17 percent. On the liability side, the increase in reserve money was mainly due to increase in deposits of ODCs at BSL by 19.68 percent. Figure 5 shows the contributions of NDA and

NFA of the Bank of Sierra Leone to reserve money growth.

(i) Interest Rates

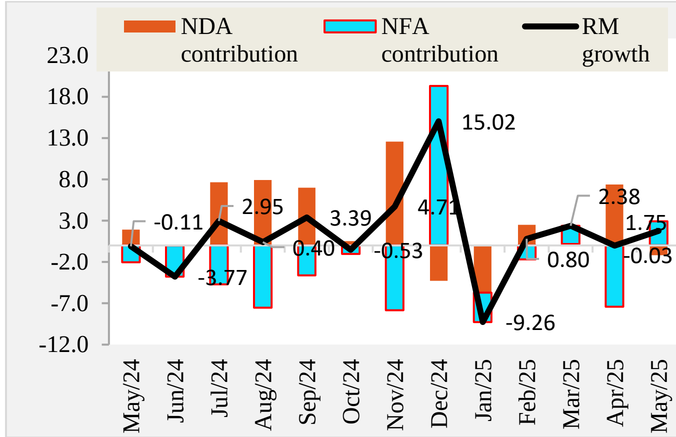
In May 2025, the monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) were maintained as in April 2025 at 24.75 percent, 27.75 percent, and 18.25 percent, respectively. The interbank, average deposit rates and the commercial banks' average lending rates remained steady in May as in April 2025 at 26.68 percent but staying within the policy corridor, 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 April 2025. Figure 6 shows various interest rates for May 2025 and the 12 months preceding it. The yields on 182-day and the 364-day T-bills declined at 28.71 percent and 36.23 percent in May 2025 respectively. There was no subscription for the 91-day T-bills during the review period.

Figure 4: M2 growth and contributions of NFA and NDA



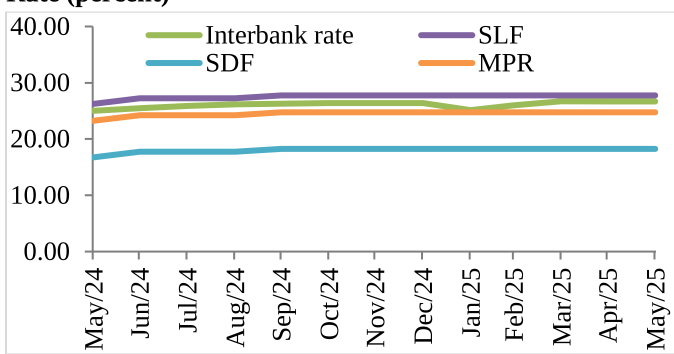
Source: Bank of Sierra Leone

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 appreciated in all market segments. It appreciated by 0.39 percent, 0.81 percent, and 0.17 percent in the commercial banks, parallel market, and bureaux market segments, respectively, to NLe22.55/US$, NLe23.83/US$, and NLe22.41/US$, respectively.

On the selling side, the Leone appreciated in the commercial banks and parallel market segments by 0.68

percent and 0.99 percent to NLe23.02/US$ and NLe24.00/US$, respectively, while it depreciated by 5.26 percent to NLe22.52/US$ in the bureaux market segment.

On a year-on-year basis, the reference market rate recorded a marginal depreciation of 0.15 percent in May 2025, from a 0.34 percent appreciation in May 2024. On a month-on-month basis, the rate appreciated slightly by 0.02 percent in May 2025, following an appreciation in April 2025. Figure 7 illustrates the trend in the Leone's rates using the reference market rate.

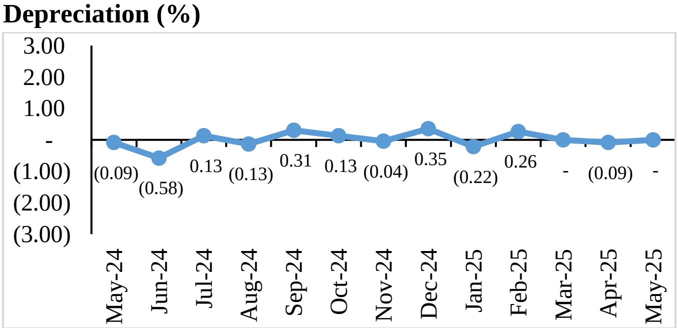
The premium between the reference market rate and the parallel rate narrowed to 5.57% (NLe1.26 per US dollar) in May 2025, from 6.39% (NLe1.45 per US dollar) in April 2025.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone increased by 2.03% to US$365.46 million in May 2025 from US$358.19 million in April 2025.

Gross International Reserves, measured in months of import cover, expanded to 1.86 months at the end of May 2025, from 1.77 months at the end of April 2025 and 2.17 months at the end of May 2024. The decline in the months of imports is attributed to the combined effects of increase in gross reserves and a decrease in average imports. Figure 8 shows the gross international reserves measured in months of imports for May 2025 and the 12 months preceding it.

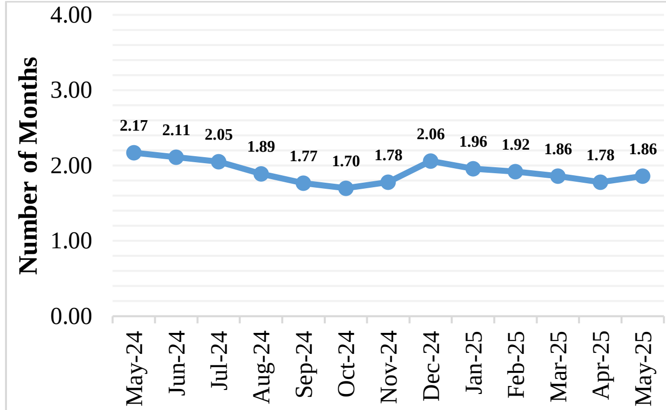
Figure 7: Monthly Reference Rate Appreciation and Depreciation (%)



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 activities in May 2025 were mixed, with sharp declines in cocoa output and weaknesses across some mining and manufacturing outputs were offset by gains in other commodities. Inflationary pressures eased further, with headline inflation falling to 7.55 percent in May 2025 from 9.38 percent in April 2025.

Fiscal conditions deteriorated in May 2025 as the overall deficit widened to NLe418.14 million from NLe76.25 million in April 2025, reflecting expenditure growth that outpaced revenue gains. Consequently, the primary surplus moderated to NLe271.27 million from NLe474.20 million.

Monetary aggregates expanded modestly in May 2025, with broad money increasing by 1.49 percent and reserve money by 1.75 percent, driven by growth in net foreign assets for both, alongside an increase in net domestic assets contributing to the expansion of broad money.

The Leone appreciated across most market segments, while gross reserves increased to US$365.46 million, equivalent to 1.86 months of import cover, slightly higher than 1.77 months in April 2025 but below the 2.17 months recorded in May 2024.