

BANK OF SIERRA LEONE



Monthly Economic Review

September 2025

MER/09/2025

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 September 2025.

Executive Summary

Macroeconomic developments in September 2025 point to continued disinflation and active monetary easing, supported by improved fiscal revenue performance, but constrained by volatile real sector activity and weakening external buffers.

Real sector output remained uneven and volatile. Cocoa production declined sharply by 47.05 percent, underscoring seasonal effects and persistent structural weaknesses in agriculture, compounded by the continued absence of coffee data. Mining activity was mixed, with expansions in gold, ilmenite, zircon, and iron ore offset by contractions in bauxite and rutile, while the absence of diamond production highlights ongoing fragility in the sector. Manufacturing performance was also mixed, as increased output in cement and paint was outweighed by declines in beverages, consumer goods, and oxygen, reflecting subdued domestic demand and cost pressures.

Inflationary pressures continued to ease. Year-on-year headline inflation declined further to 5.36 percent, driven by moderation in both food and non-food inflation. Monthly inflation also fell sharply, reinforcing the strength of the disinflation trend. The decline reflects exchange rate stability, prudent monetary policy, improved supply conditions, and favorable global price movements. However, rising inflation in the Northern region, alongside upward pressures in clothing, furnishings, and miscellaneous items, suggests localized and sector-specific price pressures remain.

Fiscal conditions improved markedly. The cash-flow deficit narrowed significantly due to a strong rebound in domestic revenue, particularly income tax and non-tax receipts, which more than offset higher expenditure. The

return to a primary surplus signals short-term fiscal strengthening, though continued expenditure overruns above the budget ceiling, especially on debt service and other spending, raise concerns about the durability of fiscal consolidation.

Monetary conditions reflected active policy accommodation. Broad money growth moderated, driven by higher net domestic assets, while declining net foreign assets constrained overall liquidity expansion. Private sector credit continued to grow, albeit at a slower pace. The MPC's reduction of the policy rate by 300 basis points led to lower lending rates and a narrowing interest rate spread, indicating gradual improvement in monetary policy transmission. Rising Treasury bill yields and persistent non-subscription at the short end highlight liquidity preferences and market segmentation.

Exchange rate movements were mixed, with a slight month-on-month depreciation and a widening parallel market premium, pointing to underlying foreign exchange market pressures. More critically, gross foreign exchange reserves declined further, reducing import cover to 1.69 months, well below adequate levels. This erosion of reserves continues to pose significant external vulnerability risks.

1. Real Sector Development

(i) Production

Cocoa production in September 2025, decreased by 47.05 percent to 427.80 metric tons while there was no data for coffee production. The outputs of gold, ilmenite, zircon and iron ore expanded in September 2025. whilst bauxite, rutile, and other mineral fell. there was no production for diamond in September 2025. In the manufacturing sector, the performance outputs increased for cement and paint whilst beer and stout, maltina, oxygen, common soap and confectionery declined among others.

(ii) Price Development

Year-on-year headline inflation continued to decline at 5.36 percent in September 2025 from 5.85 percent in August 2025. Food inflation dropped to 2.56 percent in September 2025 from 2.63 percent in August 2025 and non-food inflation decreased to 7.73 percent in September 2025 from 8.58 percent in August 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 fell to 0.36 percent in September 2025 from 1.51 percent in August 2025. Figure 1 shows the inflation rates for September 2025 and the 12 months preceding it.

On a regional basis the Northern region recorded an increase of annual inflation of 9.67 percent in September 2025 from a fell in August of 6.58 percent. Whilst the other regions recorded a declined in the annual inflation with the Western area having the highest inflationary rate at 7.75 percent, followed by the North-West region with 1.86 percent, Southern region at 1.72 percent, and the

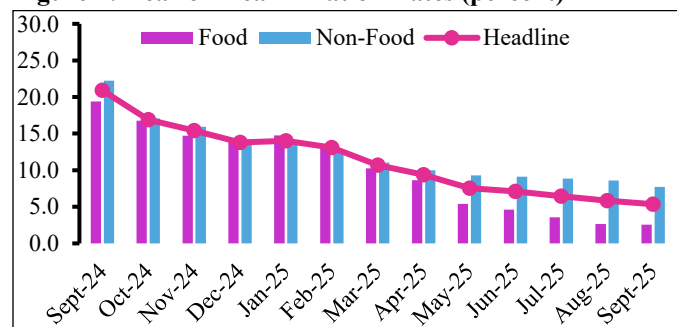
Eastern region having the lowest inflation rate, reaching 0.94. Figure 2 shows inflation rates by region.

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

	Weight (%)	Aug. 25	Sept. 25	Change	Direction
Food	40.33	2.63	2.56	-0.07	Down
Non-Food	59.67	8.58	7.73	-0.85	Down
Alcohol Beverages & Tobacco	1.02	7.83	-2.56	-10.39	Down
Clothing	7.70	8.43	9.01	0.58	Up
Housing	8.90	7.81	4.59	-3.22	Down
Furnishings	5.6	9.52	9.71	0.19	Up
Health	7.60	4.35	3.22	-1.13	Down
Transport	8.60	2.23	1.21	-1.02	Down
Communication	4.70	4.33	3.46	-0.87	Down
Recreation	2.60	8.40	7.92	-0.48	Down
Education	3.10	34.96	34.96	-	Unchanged
Hotels	6.10	14.97	14.65	-0.32	Down
Miscellaneous	3.90	8.91	10.22	1.31	Up
All items	100	5.85	5.36	-0.49	Down

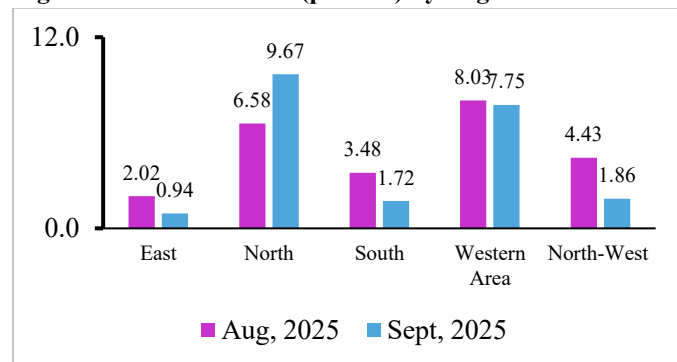
Source: Statistics Sierra Leone

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

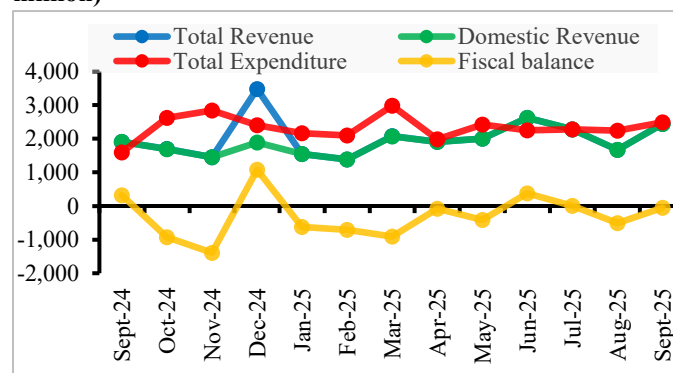
Fiscal operations on a cash-flow basis recorded a narrowed deficit of NLe49.51 million in September 2025, from a deficit of NLe567.88 million in August 2025. The narrowing of the deficit was driven by increase in total revenue which outpaced an increase in total expenditure.

Domestic revenue increased by 46.31 percent to NLe2,444.64 million in September 2025, up from NLe1,670.91 million in August 2025, and it exceeded the target of NLe1,412.55 million by 73.07 percent. The increase in revenue was driven by expansions across key revenue components. Customs and excise revenue increased by 22.29 percent to NLe188.06 million; income tax revenue increased by 108.58 percent to 808.79 million; and miscellaneous (non-tax) revenue also expanded by 42.85 percent to NLe1,239.42 million. Goods and services tax (GST) revenue contracted by 20.40 percent to NLe208.37 million. There was no grant receipt in September 2025.

Government expenditure grew by 11.22 percent to NLe2,494.15 million in September 2025, from NLe2,242.47 million in August 2025, and surpassed the ceiling of NLe1,921.29 million by 29.82 percent. The growth in total expenditure was driven by expansions in all expenditure components. Wages and salaries rose marginally by 1.96 percent to NLe598.60 million; debt services increased by 24.13 percent to NLe694.35 million; and other expenditure grew by 9.60 amounting to NLe1,201.20 million. Figure 3 shows the fiscal profile for September 2025 and the preceding twelve months.

The primary balance recorded a surplus of NLe644.84 million in September 2025, from a deficit of NLe12.18 million in August 2025. The deficit in the primary balance was due to the increase in domestic revenue, which outpaced 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) grew by 1.09 percent in September 2025, reflecting an increase in Net Domestic Assets (NDA) by 3.86 percent and contributed 3.36 percentage points to the growth of M2 while Net Foreign Assets (NFA) decreased by 17.51 percent and reduced M2 growth by 2.27 percentage points. NDA increase was because of growth in shares and equity of the BSL, net claims on central government and claims on private sector. The decline in the net foreign assets was due to increase in both the net foreign liabilities of the Bank of Sierra Leone (BSL) and Other Depository Corporations (ODCs). Commercial banks' credit to the private sector increased by 1.28 percent in September 2025, down from an increase of 2.74 percent in August 2025. Figure 4 shows the contributions of NDA and NFA to M2 growth.

Narrow Money (M1) grew by 1.70 percent in September 2025, due to increase in demand deposits by 4.50 percent whilst currency outside banks declined by 1.27 percent. Quasi-money increased by 0.57 percent, reflecting growth in time and savings deposits of commercial banks whilst other deposits of BSL and foreign currency deposits decreased.

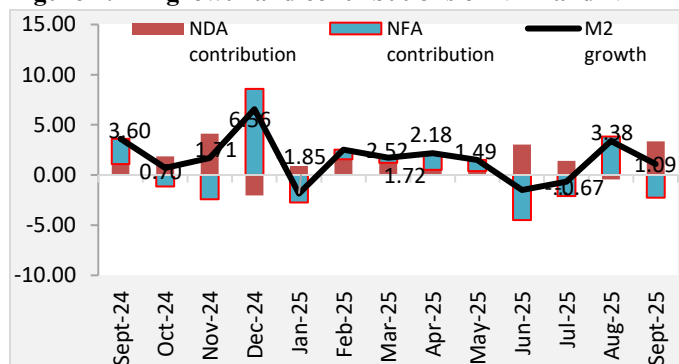
Reserve money decreased by 1.93 percent in September 2025, driven by decline in NFA by 5.05 percent and contributed -3.13 percentage points to the decline in reserve money whilst NDA grew by 0.74 percent and

contributed 1.20 percentage points to reserve money. On the liability side, the decrease in reserve money was mainly due to decline in both deposits of other residents by 21.47 percent and deposits of ODCs at BSL by 16.77 percent. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

(i) Interest Rates

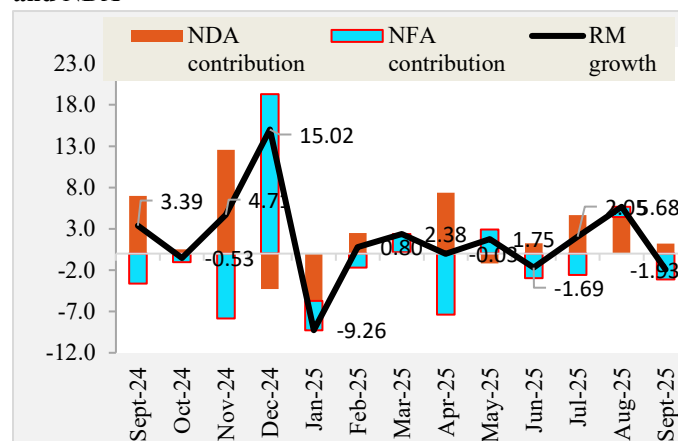
The Monetary Policy Committee (MPC) held a meeting in September 2025. The MPC reduced the Monetary Policy Rate (MPR) by 3 percentage point to 18.75% and adjusted the Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) rates downward by 2 percentage point, with the Standing Lending Facility being 21.75% and Standing Deposit Facility being 12.25%. The interbank rate declined to 20.01 percent but staying within the policy corridor, whilst the average deposit rates increased to 1.85 percent whilst the commercial banks' average lending rate declined to 20.48 percent in September 2025. As a result, the spread between the average lending and savings rates decreased to 18.62 percent in September 2025 from 19.38 percent in August 2025. Figure 6 shows various interest rates for September 2025 and the 12 months preceding it. The yields on 364-day T-bills and 182-day T-bills increased to 17.01 percent and 15.00 percent respectively in September 2025. There was no subscription for the 91-day T-bills during the review period.

Figure 4: M2 growth and contributions of NFA and NDA



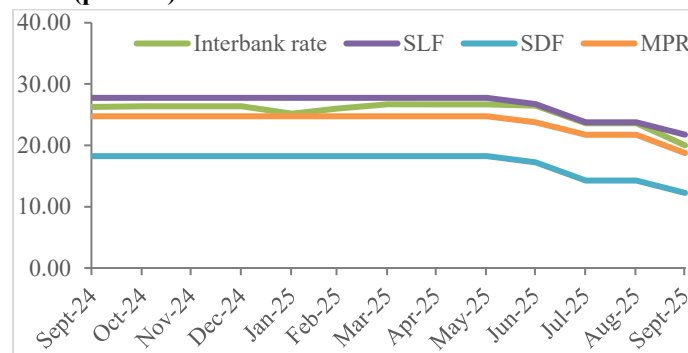
Source: Bank of Sierra Leone

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 showed a mix trend. It appreciated in the commercial banks market by 0.21 percent to NLe22.59/US\$ while it depreciated in the parallel market by 0.30 percent to NLe23.80/US\$ and remained the same in the bureaux market at NLe22.40/US\$.

On the selling side, the Leone appreciated in the bureaux market by 0.06 percent to NLe22.49/US\$, whilst it depreciated in the commercial banks market and parallel

market segments by 0.54 percent to NLe23.02/US\$ and 0.30 percent to NLe24.00/US\$ respectively.

On a year-on-year basis, the reference market rate depreciated by 0.40 percent in September 2025, from a 1.42 percent depreciation in September 2024. On a month-on-month basis, the rate depreciated by 0.18 percent in September 2025, following a moderate appreciation in August 2025. Figure 7 illustrates the trend in the Leone's rates using the reference market rate.

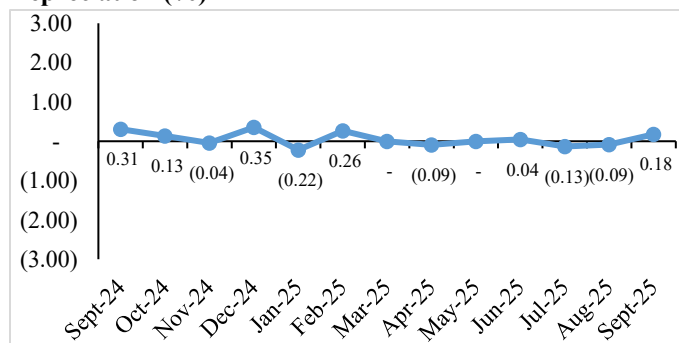
The premium between the reference market rate and the parallel rate widened to 5.50 percent (NLe1.25 per US dollar) in September 2025, from 5.38 percent (NLe1.22 per US dollar) in August 2025.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 2.45 percent to US\$312.72 million in September 2025 from US\$320.58 million in August 2025.

Gross International Reserves, measured in months of import cover, declined to 1.69 months at the end of September 2025, from 1.70 months at the end of August 2025, and 1.77 months at the end of September 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 September 2025 and the 12 months preceding it.

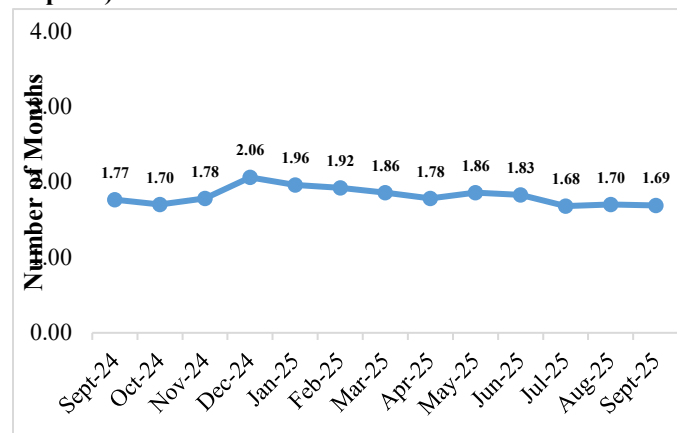
Figure 7: Monthly Reference Rate Appreciation and Depreciation (%)



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 September 2025 macroeconomic outturn reflects continued progress in price stabilisation and accommodative monetary policy, supported by a short-term improvement in fiscal revenues. However, these gains coexist with persistent structural weaknesses and rising external vulnerability, which limit the sustainability of the current stabilisation.

The further decline in inflation and monthly price pressures confirms that disinflation is becoming entrenched, creating space for the MPC's decisive policy easing. The reduction in the policy rate and the narrowing interest rate spread signal improving monetary transmission, although private sector credit growth remains modest, indicating lingering risk aversion and structural bottlenecks in financial intermediation.

Fiscal performance improved markedly with a return to a primary surplus, driven by a rebound in domestic revenue. Nevertheless, expenditure overruns—particularly in debt service and other spending—remain significant, raising concerns about fiscal

discipline and the durability of consolidation efforts if revenue gains prove temporary or volatile.

Real sector developments remain fragile and uneven. The sharp fall in cocoa production, mixed mining outcomes, and weak manufacturing performance outside cement and paint highlight limited productive capacity, seasonal volatility, and insufficient diversification. These weaknesses continue to constrain growth and revenue sustainability.

Externally, exchange rate movements and the widening parallel market premium point to underlying foreign exchange market pressures, while the continued decline in gross international reserves—now below two months of import cover—poses a serious risk to macroeconomic resilience.

In sum, while Sierra Leone's economy in September 2025 shows strengthening price stability and improved short-term fiscal outcomes, it remains structurally fragile. Sustaining macroeconomic stability will require firm expenditure control, durable revenue mobilisation, rebuilding foreign exchange buffers, improving data coverage, and accelerating structural reforms in agriculture, mining, and manufacturing to support inclusive and long-term growth.