



Monetary Policy Statement

The Monetary Policy Committee (MPC) of the Bank of Sierra Leone (BSL) met on 24 September 2026. The Governor, Dr. Ibrahim L. Stevens, chaired the meeting. The Committee reviewed recent global and domestic macroeconomic developments and assessed the risks to inflation and growth. Following the deliberations, the MPC recommended that the Monetary Policy Rate (MPR) be increased by 0.25 percentage points to 17.25 percent, which was subsequently approved by the BSL Board of Directors on 28 September 2026. The key considerations that informed the Committee's assessment are summarised below:

Global Economic Developments

Global economic activity remained broadly resilient, supported by sustained investment in digital technologies, artificial intelligence, infrastructure, and manufacturing. However, the pace of growth continued to diverge across countries and sectors amid heightened global uncertainty. Persistent geopolitical tensions, evolving trade policy developments, and tighter fiscal conditions in several economies continued to pose downside risks to the global growth outlook. Consequently, the International Monetary Fund (IMF), in its July 2026 World Economic Outlook, projected global growth to moderate to 3.0 percent in 2026, from 3.5 percent in 2025.

Domestic Economic Developments

Inflation

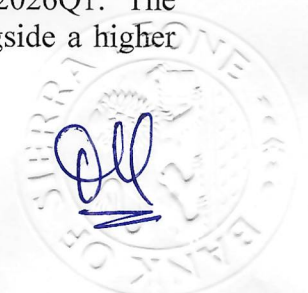
The MPC noted that inflationary pressures, which re-emerged in 2026Q1, persisted during 2026Q2, with headline inflation rising significantly from 10.24 percent in March to 14.77 percent in June 2026, increasing marginally to 14.89 percent in July 2026, and climbing further to 15.66 percent in August 2026. These inflationary pressures were driven by the combined effects of ongoing tax policy measures, higher domestic food prices associated with climate-related supply constraints, and elevated energy prices stemming from continued global uncertainties.

Growth Outlook

Domestic economic activity is expected to moderate in 2026, with real GDP growth projected at 4.0 percent, down from 4.8 percent in 2025. The slowdown reflects the impact of higher energy costs and global supply-side disruptions, which increased production costs and constrained activity across key sectors of the economy. The Committee noted that this assessment is consistent with the Bank's Composite Index of Economic Activity (CIEA), which indicated a moderation in economic activity in 2026Q2. Looking ahead, growth is projected to recover gradually, supported by the continued implementation of the Government's Feed Salone Programme and other strategic growth-enhancing initiatives. However, the MPC remains concerned that prolonged escalation of geopolitical tensions in the Middle East, renewed pressures in global energy markets, and persistent supply chain disruptions could adversely affect overall domestic economic performance.

External Sector Developments

Sierra Leone's external trade deficit widened in 2026Q2, compared to 2026Q1. The deterioration in the deficit was driven by a reduction in export earnings alongside a higher



import bill. While gross international reserves increased moderately during the review period, the pace of reserve accumulation was insufficient to offset the growth in import demand. Consequently, reserve cover declined to 1.8 months of imports in the second quarter of 2026, from 2.1 months in the preceding quarter. The Committee observed that conditions in the foreign exchange market remained broadly stable, characterised by low exchange rate volatility and orderly market functioning.

Fiscal Developments

Fiscal developments in 2026Q2 were marked by a widening of the overall budget deficit relative to the corresponding period in 2025. The expansion in the deficit reflected higher-than-programmed expenditures on capital projects and goods and services, which more than offset gains achieved in domestic revenue mobilisation. Notwithstanding this deterioration, the fiscal deficit was within the quarterly ceiling, resulting in a better-than-anticipated fiscal performance.

Monetary and Credit Conditions

Broad Money (M2) grew while Reserve Money (RM) contracted in 2026Q2. The target on RM under the IMF Extended Credit Facility (ECF) programme was met, reflecting continued adherence to the monetary policy objectives and programme commitments. Commercial banks' lending to the private sector expanded by 52.2 percent, exceeding the ECF programme target of 39.40 percent. The Committee underscored the importance of ensuring that credit expansion remains directed toward productive sectors of the economy to support investment, employment creation, and sustainable economic growth.

Financial Sector Stability

The banking sector remained broadly stable, resilient, and profitable, supported by adequate capital buffers and continued compliance with most prudential requirements. Most of the key financial soundness indicators remained within regulatory thresholds, reflecting the sector's overall capacity to withstand prevailing macroeconomic challenges. However, asset quality deteriorated with the Non-Performing Loan (NPL) ratio recording 10.2 percent, breaching the 10.0 percent regulatory ceiling. The Committee underscored the need for stringent credit management and enhanced internal controls to prevent a further increase in commercial banks' NPL ratios, as well as to mitigate operational risks amid rising fraud cases.

Conclusion and Policy Decision

The MPC noted that global economic developments continued to influence Sierra Leone's economic performance through their effects on commodity prices, remittance inflows, trade flows, and international financial conditions. Domestic inflationary pressures remained elevated, driven by the pass-through effects of high global energy prices and climate-related shocks to domestic food supply. Although economic activity remained resilient, supported by strong growth in key sectors, the pace of expansion moderated during the review period. Fiscal pressures also persisted, resulting in a wider fiscal deficit despite continued improvements in domestic revenue mobilisation, while gross international reserves remained below the three months of import cover threshold.

Against this backdrop, the Committee assessed that risks to the inflation outlook remained tilted to the upside and that a further tightening of the monetary policy stance was necessary to contain potential second-round effects of inflationary pressures, anchor inflation expectations, preserve macroeconomic stability, and reaffirm the BSL's commitment to achieving and maintaining price



stability. Accordingly, the Committee recommended a 0.25 percentage point increase in the Monetary Policy Rate (MPR) to 17.25 percent, and corresponding adjustments to the Standing Lending Facility Rate (SLFR) and Standing Deposit Facility Rate (SDFR). This recommendation was subsequently approved by the BSL Board of Directors on 28 September 2026.

Therefore, effective 29 September 2026, the policy rates are as follows:

- **Monetary Policy Rate (MPR): 17.25%**
- **Standing Lending Facility Rate (SLFR): 21.25%**
- **Standing Deposit Facility Rate (SDFR): 11.75%**

The MPC will remain vigilant and stands ready to recommend appropriate policy measures should inflationary pressures become more broad-based. The next MPC meeting is scheduled for 17 December 2026.



Ibrahim L. Stevens, PhD
Governor