



Monetary Policy Statement

The Monetary Policy Committee (MPC) of the Bank of Sierra Leone (BSL) met on 12 June 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 17.0 percent, which was duly approved by the Board Directors of the Bank of Sierra Leone on 15 June 2026. Below is a summary of the key considerations that informed the Committee's assessment.

Global Economic Developments

The global economic outlook has become increasingly uncertain, largely reflecting geopolitical tensions in the Middle East. The disruption of energy supply routes, notably the closure of the Strait of Hormuz, has adversely affected global energy markets, increased shipping costs, and weakened investor confidence. Against this backdrop, global growth projections have been revised downward. The International Monetary Fund (IMF), in its April 2026 World Economic Outlook, reduced the global growth forecast for 2026 to 3.1 percent, from 3.3 percent projected in January 2026. Inflationary pressures have also intensified globally, driven by rising crude oil prices, higher food costs, and elevated transportation costs. The MPC noted that ongoing geopolitical tensions could exacerbate energy supply disruptions, prolong inflationary pressures, and increase downside risks to global growth.

Domestic Economic Developments

Inflation

Headline inflation has continued its upward trajectory since the 2026Q1 MPC meeting, increasing from 8.05 percent in February to 10.24 percent in March and 10.83 percent in April 2026. This development reflects the pass-through effects of higher global oil prices, as well as the impact of tax measures introduced under the Finance Act 2026. The Committee assessed that the risks to the inflation outlook remain tilted to the upside, particularly in the presence of persistent external cost pressures.

Growth Outlook

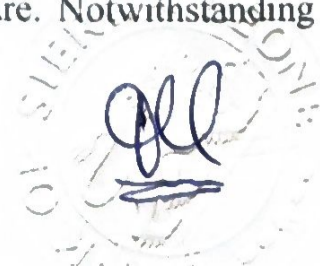
On the domestic front, economic activity is expected to moderate, with real GDP growth projected at 4.0 percent in 2026, down from 5.0 percent in 2025. This moderation reflects the adverse impact of disruptions in global energy markets and their transmission to domestic production conditions through higher input costs and supply constraints. This assessment is consistent with the Bank's high-frequency indicators, notably the Composite Index of Economic Activities (CIEA), which indicated a decline in economic activity in 2026Q1 relative to 2025Q4. Looking ahead, economic activity is expected to recover gradually, supported by the implementation of the Feed Salone Programme and other pro-growth policy initiatives undertaken by the Government. However, the MPC is concerned that ongoing hostilities in the Middle East, alongside persistent global supply chain disruptions, continue to pose significant downside risks to the growth outlook.

External Sector Developments

External sector performance continued to improve in 2026Q1, reflecting a reduction in the trade deficit driven by a significant reduction in import bills, which outweighed the decrease in export earnings. Despite this improvement, gross international reserves declined, although still adequate to cover approximately 2.1 months of imports of goods and services. Over the same period, the exchange rate remained broadly stable. In this context, the MPC emphasised that heightened global uncertainties warrant continued efforts to strengthen external resilience, including enhancing reserve adequacy and intensifying foreign exchange market surveillance.

Fiscal Developments

The overall fiscal deficit widened in 2026Q1 relative to that recorded in 2025Q1. This increase was largely due to lower government revenue and a slight increase in government expenditure. Notwithstanding this



development, the primary balance recorded a surplus, supported largely by ongoing efforts to rationalise discretionary spending. Against this backdrop, the Committee commended the government's fiscal consolidation efforts but emphasised the need to further strengthen budgetary management to ensure long-term fiscal sustainability, while containing borrowing costs.

Monetary and Credit Conditions

Both Reserve Money (RM) and Broad Money expanded in 2026Q1 relative to 2025Q1. Despite this growth, the target on Reserve Money under the IMF Extended Credit Facility (ECF) programme was met. Credit to the private sector by commercial banks also expanded during the same period and was within the IMF ECF programme target. The Committee continues to stress the importance of an adequate flow of credit to the private sector and encouraged banks to implement prudent lending practices to support investment and overall economic activity.

Financial Sector Stability

The banking sector remained stable, profitable, and sufficiently capitalised, with key Financial Sector Indicators within regulatory limits. Although asset quality deteriorated in 2026Q1, non-performing loans remained below the prudential limit of 10 percent. The Committee expressed concern over the high concentration of commercial bank assets held in government securities, which may crowd out private sector lending. Furthermore, the rapid expansion of Digital Financial Services (DFS) and mobile money has exposed the financial sector to the risk of fraud and identity theft, underscoring the need for robust regulatory oversight and risk management frameworks.

Conclusion and Policy Decision

The MPC observed that inflation has remained on an upward path in the past quarter, driven by global energy costs and tax measures under the Finance Act 2026. Economic activity has moderated amid global energy disruptions and geopolitical uncertainties, which highlights the growing impact of external shocks on domestic macroeconomic conditions, with implications for both output and price stability.

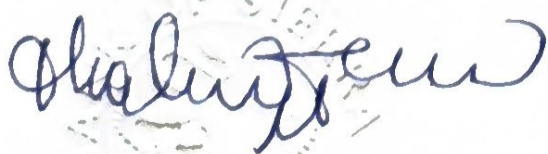
Given the above, the Committee assessed that the balance of risks has shifted markedly, with the outlook for price stability increasingly skewed to the upside. Accordingly, the MPC concluded that a moderate tightening of the monetary policy stance is necessary to contain second-round effects, reinforce policy credibility, and ensure the return of inflation to a downward path over the medium term. Consequently, the Committee recommended a 0.25 percentage point increase in the Monetary Policy Rate (MPR) to 17.0 percent, with equivalent increases in the Standing Lending Facility Rate (SLFR) and the Standing Deposit Facility Rate (SDFR), which was duly approved by the BSL Board of Directors on 15 June 2026.

Therefore, effective 17 June 2026, the policy rates are as follows:

- **Monetary Policy Rate (MPR): 17.00%**
- **Standing Lending Facility Rate (SLFR): 21.00%**
- **Standing Deposit Facility Rate (SDFR): 11.50%**

The MPC will continue to closely monitor the Middle East conflict and its spillover effects on global energy markets, supply chains, financial conditions, and domestic price and output dynamics. The Committee stands ready to recommend timely policy action, as needed, to preserve macroeconomic stability.

The next MPC meeting is scheduled for 24 September 2026.



Ibrahim L. Stevens, PhD
Governor