



MONETARY POLICY STATEMENT

The Monetary Policy Committee (MPC) of the Bank of Sierra Leone (BSL) met on 27 March 2025. The Governor, Dr. Ibrahim L. Stevens, chaired the meeting. The MPC reviewed recent global and domestic macroeconomic and financial market developments and assessed the risks to the outlook for domestic inflation and growth. Following the deliberations, the MPC recommended that the Monetary Policy Rate (MPR) be maintained at 24.75 percent which was duly approved by the BSL Board of Directors at a Special Board Meeting held on 27 March 2025. The key considerations that informed the MPC's recommendation on the stance of monetary policy are summarised below:

GLOBAL ECONOMIC DEVELOPMENTS

In general, the global economy is expected to remain broadly stable, supported by continued growth in advanced economies such as the United States, rising economic activity in China, and steady conditions in Emerging Market and Developing Economies (EMDEs). According to the January 2025 World Economic Outlook (WEO) update, from the International Monetary Fund (IMF), global growth is projected at 3.3 percent for 2025, an upward revision from 3.2 percent in October 2024. Global inflation continues to fall, though gradually, largely due to lower commodity prices, particularly crude oil, and tight monetary policy measures previously adopted by central banks in Advanced, Emerging Markets and Developing Economies. However, the Organisation of Economic Co-operation and Development (OECD) in its March 2025 Economic Outlook, projected global growth at 3.1 percent and 3.0 percent for 2025 and 2026, respectively. This is on the backdrop of increased global risks stemming from the recent impositions of tariffs on key trading partners, by the United States, along with potential retaliatory actions. These developments may trigger a resurgence in global inflation, which could adversely affect import-dependent economies like Sierra Leone. Such risks could dampen consumer and business confidence, disrupt supply chains, reduce trade and investment flows, and threaten global economic growth.

DOMESTIC ECONOMIC DEVELOPMENTS

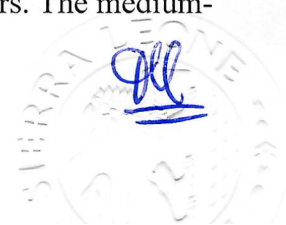
Inflation

Headline inflation has continued to ease, falling from 20.91 percent in September 2024 to 13.78 percent in December 2024 and further to 13.09 percent in February 2025. This downward trend is attributed to prudent monetary and fiscal policies, a decrease in excess volatility of the exchange rate and subdued domestic demand.

The MPC commended the BSL's efforts to reduce inflation but cautioned that price pressures remain, particularly with uncertainties in the global market. It stressed the importance of proactive policy measures to address the consequences of increasing global risks that may threaten the gains made.

Growth Outlook

The Sierra Leone economy is expected to grow by 4.5 percent in 2025, up from 4.0 percent in 2024, driven by strong performances in agriculture, mining, and service sectors. The medium-



term growth outlook is favourable, with growth projected at 4.7 percent in 2026 and 2027. However, the BSL's Composite Index of Economic Activities (CIEA) indicated a slight decline in economic activity in 2024Q4 compared to 2024Q3, primarily due to reduced imports.

The MPC noted that ongoing global trade tensions, commodity price volatility, and persistent geopolitical risks are potential threats to Sierra Leone's economic stability. It encouraged the government and the private sector to invest in growth sectors, like the agricultural sector, to increase productivity and cushion the economy against these shocks.

EXTERNAL SECTOR DEVELOPMENTS

Sierra Leone's trade deficit narrowed by 59.83 percent, from US\$183.44 million in 2024Q3 to US\$73.68 million in 2024Q4. This was due to both increased export receipts and a decline in imports. Gross International Reserves rose to 2.2 months of import cover in 2024Q4, from 1.8 months in 2024Q3, supported by disbursements from multilateral and bilateral partners and export earnings from mining.

The exchange rate has remained relatively stable, reflecting effective BSL policies to remove bottlenecks in the foreign exchange market and instil public confidence. The MPC re-emphasised the need for continued support to productive sectors of the economy to enhance export receipts and build foreign exchange reserves.

FISCAL DEVELOPMENTS

The government recorded a fiscal deficit of NLe1.64 billion in 2024Q4, compared to NLe3.30 billion in 2024Q3, due to improved domestic revenue mobilisation and increased foreign grants that outpaced expenditure growth. The primary deficit also narrowed to NLe1.60 billion, from NLe1.89 billion in the previous quarter, reflecting prudent expenditure control. While the MPC acknowledged efforts to enhance revenue collection, it stressed that effective expenditure management is key to long-term fiscal sustainability.

MONETARY DEVELOPMENTS

Monetary aggregates expanded in 2024Q4. Growth in Reserve Money (RM) was driven by increased Net Domestic Assets (NDA) of the BSL, while Broad Money (M2) grew due to higher NDA and Net Foreign Assets (NFA) of the banking system. Credit to the private sector by commercial banks increased during 2024Q4, but the MPC noted that further expansion is needed to adequately stimulate investment and growth.

The Committee noted that demand for government securities remains concentrated in the 364-day tenure due to higher yields, particularly from commercial banks. This continues to limit the banking sector's intermediation role by crowding out the private sector.

FINANCIAL SYSTEM STABILITY

Despite the noted economic challenges, Sierra Leone's banking sector remains sound, profitable, and well-capitalised, with most Financial Soundness Indicators (FSIs) within regulatory limits, including the Non-Performing Loans (NPLs) ratio, which remains below the 10 percent regulatory ceiling. However, the MPC noted the concentration of loans in a few sectors, which raises asset quality concerns.

The MPC commended the BSL's enhanced regulatory and supervisory actions but there are ongoing risks, such as the heavy reliance on government securities by commercial banks, the cases of banking fraud and high lending rates that hinder private sector growth.



To deal with the incidence of fraud in commercial banks, the BSL has established a Banking System Prudential Control Committee of Internal Auditors and Compliance Officers, to address matters of prudential importance, including fraud and other current and emerging risks facing the banking system. The BSL will continue the strict enforcement of the Black Book, a record of those that have been disqualified from operating in the banking sector due to fraud and related regulatory infractions.

CONCLUSION

The MPC welcomed the BSL's continued commitment to anchoring inflation expectations, deepening financial inclusion, enhancing financial system stability and improving monetary policy transmission, thereby contributing to overall economic stability. However, the Committee stressed the importance of coordinated fiscal, monetary, and financial sector policies to support these goals.

Recognising the ongoing global uncertainties and Sierra Leone's vulnerability to external shocks, particularly due to its heavy reliance on imports, the Committee reiterated the need for vigilant monitoring of economic developments and timely policy responses.

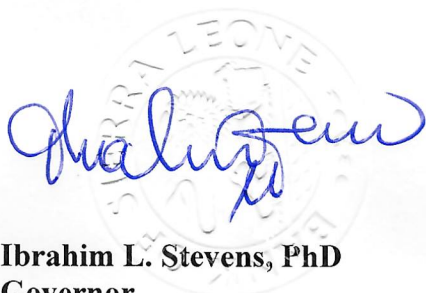
Given the recent developments in the global environment, and its potential impact on Sierra Leone, coupled with the BSL's latest assessment, indicating a continued moderation in inflationary pressures, the MPC recommended to the BSL Board of Directors that the Monetary Policy Rate be maintained at 24.75 percent and the Standing Lending Facility Rate (SLFR) and Standing Deposit Facility Rate (SDFR) also remain unchanged, which was duly approved on 27 March 2025.

Therefore, effective 1 April 2025, the following rates are published for the information of the public:

- Monetary Policy Rate (MPR): 24.75 percent
- Standing Lending Facility Rate (SLFR): 27.75 percent
- Standing Deposit Facility Rate (SDFR): 18.25 percent

The MPC reaffirms its commitment to low and stable inflation and stands ready to recommend an adjustment of the monetary policy stance should emerging risks materialise.

The next MPC Meeting will be on 26 June 2025.



Ibrahim L. Stevens, PhD
Governor