MONETARY POLICY STATEMENT

The Monetary Policy Committee (MPC) of the Bank of Sierra Leone (BSL) met on 16 December 2025. The Governor, Dr. Ibrahim L. Stevens, chaired the meeting. The MPC 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 reduced by 2 percentage points to 16.75 percent, which was duly approved by the BSL Board of Directors on 17 December 2025. Below is a summary of the key considerations that informed the Committee's assessment.

GLOBAL ECONOMIC DEVELOPMENTS

The International Monetary Fund (IMF) in its October 2025 World Economic Outlook (WEO) projected global growth to slow down, from 3.3 percent in 2024 to 3.2 percent in 2025. This nevertheless marks an improvement from the 3.0 percent growth projected in July 2025. This upgraded outlook was underpinned by supportive macroeconomic policies and a gradual adjustment to trade frictions. Moreover, global inflation is expected to moderate further, supported by earlier monetary policy tightening, easing supply chain constraints, and subdued commodity prices. In this context, the Committee anticipates a gradual recovery in global output as trade negotiations advance and geopolitical tensions ease.

DOMESTIC ECONOMIC DEVELOPMENTS

Inflation

Inflationary pressures continued to ease, with headline inflation declining to 4.4 percent in October 2025 from 5.4 percent the previous month. This is the lowest level since July 2014. The improvement reflects the combined impact of prudent monetary policy and sustained fiscal consolidation by the government. Supported by a relatively stable exchange rate, improved domestic food supply, and subdued global food and energy prices, these policies have helped to anchor inflation expectations. Furthermore, the BSL's survey of inflation expectations indicates that price pressures are likely to moderate further in the coming months.

Growth Outlook

The downward path of inflation has laid a strong foundation for economic growth. Real GDP is projected to grow by 4.4 percent in 2025, driven largely by robust performance in the agriculture, manufacturing, and services sectors. Over the medium-term, growth is expected to average 4.6 percent, reflecting continued progress under the Feed Salone program, higher mineral exports, and further expansion in the services sector.

External Sector

Sierra Leone recorded a trade deficit of US$166.3 million in 2025Q3 compared to a surplus of US$6.4 million in the preceding quarter. This outcome reflects lower mineral export receipts and higher imports of machinery and other capital equipment. Gross foreign exchange reserves remained adequate to cover 2.0 months of imports of goods and services, following the disbursement from the IMF upon successful completion of the combined first and second review of the Extended Credit Facility (ECF) programme. The exchange rate has remained relatively stable, an indication of the public confidence in the BSL's efforts to remove bottlenecks in the foreign exchange market amid moderating inflationary pressures.

Fiscal Position

The Government's fiscal operations recorded a higher overall deficit of NLe2.0 billion in 2025Q3, compared to NLe1.1 billion in the preceding quarter. The deficit was primarily due to lower revenue collection and a slight increase in expenditure. Despite this, the primary balance remained in surplus, sustained by ongoing fiscal consolidation efforts, including reduced discretionary spending and adherence to a prudent adjustment path. Furthermore, borrowing costs declined, reflecting improved debt management practices.

Monetary Developments

Both Reserve Money (RM) and Broad Money(M2) expanded in 2025Q3. The growth in RM was largely driven by an increase in the BSL's Net Domestic Assets (NDA), while the expansion in M2 was mainly attributed to growth in the banking system's NDA. Despite this growth, RM remained within the quarterly target, underscoring the Bank's commitment to maintaining price stability while ensuring adequate system liquidity – a stance consistent with the observed decline in inflationary pressures. However, credit to the private sector moderated to 2.92 percent in 2025Q3, from 3.57 percent in the previous quarter, as commercial banks adopted a more cautious lending approach in response to ongoing BSL efforts to strengthen credit risk management and enforce prudential standards.

Financial Stability

The banking sector is broadly stable and adequately capitalised, with key Financial Soundness Indicators within acceptable prudential limits. However, the MPC observed that cybersecurity threats, instances of fraud, and a recent increase in Non-Performing loans could pose risks to financial system stability. The Committee noted the BSL's decision to place Union Trust Bank in resolution, an action consistent with Section 5(1)(c) of the BSL Act 2019 and Section 69 of the Banking Act 2019. Given that addressing solvency issues is a key commitment under the IMF ECF programme, the MPC emphasised the need for the BSL to remain vigilant in safeguarding financial stability.

Conclusion

With the downward path of inflation, the relative stability of the exchange rate, a resilient financial sector, and the government's commitment to fiscal consolidation – and notwithstanding ongoing geopolitical tensions and global trade policy uncertainties – the MPC is of the view that continued, carefully calibrated monetary policy easing is warranted. This stance aims to support private sector investment and stimulate economic activity while keeping inflation expectations well-anchored.

Accordingly, the Committee recommended a 2 percentage point reduction in the Monetary Policy Rate (MPR), to 16.75 percent, and a 1 percentage point reduction in both the Standing Lending Facility Rate (SLFR) and the Standing Deposit Facility Rate (SDFR). This recommendation was duly approved by the BSL Board of Directors on 17 December 2025. Therefore, effective 19 December 2025, the following rates are published for the information of the public:

- **Monetary Policy Rate (MPR):** 16.75%
- **Standing Lending Facility Rate (SLFR):** 20.75%
- **Standing Deposit Facility Rate (SDFR):** 11.25%

Given the BSL's commitment to price and financial stability, the Committee will continue to monitor developments, both domestic and global, ready to recommend adjustments to the monetary policy stance as required.

The next MPC meeting is scheduled for 26 March 2026.

Ibrahim L. Stevens, PhD
Governor