MONETARY POLICY STATEMENT

The Monetary Policy Committee (MPC) of the Bank of Sierra Leone (BSL) met on 23 September 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 inflation and growth. Following the deliberations, the MPC recommended that the Monetary Policy Rate (MPR) be reduced by 3 percentage points to 18.75 percent, which was approved by the BSL Board of Directors on 24 September 2025. Below is a summary of the key issues that were considered by the MPC.

Global Economic Developments

The International Monetary Fund (IMF) has revised its global growth projections for 2025, from 2.8 percent in April 2025 to 3.0 percent in July 2025. This upward revision reflects easing trade tensions between the United States and its major trading partners, moderating global inflation, and a weaker U.S. dollar. Although global inflation is expected to decline further, due to a decrease in commodity prices, especially food and energy, the MPC noted that uncertainties remain, including ongoing geopolitical tensions and potential shifts in trade policies. These factors may pose risks to global inflation and trigger domestic price pressures in an import-dependent economy like Sierra Leone.

Domestic Economic Developments

Inflation

Headline inflation declined to 5.85 percent in August 2025, from 6.45 percent in July 2025. This decline was driven by the reduction in global and domestic commodity prices, prudent monetary and fiscal policy measures, and a relatively stable exchange rate.

Growth Outlook

Sierra Leone's economy is projected to grow by 4.5 percent in 2025, due to improved performance in agriculture, services and mining. Furthermore, the BSL's Composite Index of Economic Activity (CIEA) and the Business Sentiment Survey also point to improvements in economic conditions and business confidence in 2025Q2, relative to 2025Q1. The medium-term outlook remains favourable, with growth projected to average around 4.7 percent in 2026 and 2027.

External Sector Developments

The trade balance recorded a surplus of US$6.4 million in 2025Q2, compared to a deficit of US$124 million in 2025Q1, due to increased export earnings, mainly from mining activities, and a decrease in the volume and value of imports, especially food and mineral fuel and lubricants. Gross foreign exchange reserves were sufficient to cover 2 months of imports. The exchange rate continues to be relatively stable, reflecting the favourable macroeconomic conditions and positive market sentiment.

Fiscal Developments

The overall fiscal deficit narrowed to NLe1.65 billion in 2025Q2 from NLe1.95 billion in 2025Q1, due to improved revenue collection, which outweighed the increase in expenditure. This development reflects the government's fiscal consolidation efforts and prudent expenditure management. The MPC also noted the decline in the 364-day Treasury Bill rate, signalling the government's commitment to lowering domestic borrowing costs – a move that provides fiscal space and ensures a sustainable debt profile.

Monetary Developments
Both Reserve Money (RM) and Broad Money (M2) increased in 2025Q2. Despite this growth, RM was within our IMF Extended Credit Facility (ECF) programme target, consistent with the objective of medium- to long-term macroeconomic stability. Additionally, effective monetary management by the BSL, the relative stability of the exchange rate, coupled with evidence of increased productivity, have adequately anchored inflation expectations. However, private sector credit growth moderated in 2025Q2. The MPC continues to underscore the importance of access to credit and to encourage banks to increase lending to the private sector, to support investment and economic growth.

Financial System Stability
Members noted the stability in the banking system, evidenced by strong capital adequacy ratios, improved profitability and robust liquidity. Nevertheless, non-performing loans, cybersecurity risks and the incidence of fraud are potential threats to the financial system. The Committee urged the BSL to intensify its regulatory oversight to safeguard financial system stability.

Conclusion
The MPC noted that ongoing geopolitical tensions and an uncertain trade policy environment may disrupt global supply chains and trigger an increase in commodity prices and inflationary pressures. This notwithstanding, the improved domestic macroeconomic conditions are expected to cushion the effects of these global risks. Inflation expectations remain broadly anchored, with projections pointing to a further decline in headline inflation. Moreover, the Leone has remained relatively stable against major trading currencies, government borrowing costs have declined significantly, and the banking sector remains resilient.

Against this background, and to support private sector investment and growth, while ensuring that inflation expectations remain adequately anchored, the MPC recommended reducing the MPR by 3 percentage points, and the Standing Lending Facility Rate (SLFR) and the Standing Deposit Facility Rate (SDFR) by 2 percentage points each. These recommendations were duly approved by the BSL Board of Directors.

Therefore, effective 26 September 2025, the following rates are published for information of the public:

- **Monetary Policy Rate (MPR):** 18.75 percent
- **Standing Lending Facility Rate** (SLFR): 21.75 percent
- **Standing Deposit Facility Rate** (SDFR): 12.25 percent

Consistent with the BSL's commitment to maintaining low and stable inflation, safeguarding financial stability, and supporting sustainable growth, the MPC will continue to monitor domestic and global developments and stand ready to recommend an adjustment of the monetary policy stance should risks to the inflation outlook change.

The next MPC meeting will be held on 18 December 2025.

Ibrahim L Stevens, PhD
Governor