



## **MONETARY POLICY STATEMENT**

The Monetary Policy Committee (MPC) of the Bank of Sierra Leone (BSL) met on 23 June 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 1 percentage point to 23.75 percent, which was duly approved by the BSL Board of Directors on 23 June 2025. Below is a summary of the key considerations that informed the Committee's decision.

### **Global Economic Developments**

The global economic outlook remains uncertain, driven by the rapid shift in trade policies, as well as ongoing geopolitical tensions. These factors have led to downward revisions of global growth forecasts by major International Financial Institutions. The International Monetary Fund (IMF) in its April 2025 World Economic Outlook (WEO), downgraded its global growth forecast for 2025 to 2.8 percent from 3.3 percent. Similarly, in June 2025, the Organisation of Economic Cooperation and Development (OECD) revised its global growth forecast for 2025 downward to 2.9 percent from 3.1 percent, and the World Bank to 2.3 percent from 2.7 percent.

Global inflation is expected to decline in 2025 and 2026, due to tighter monetary policies and a reduction in commodity prices. However, the MPC noted that there are potential risks to global inflation, particularly from further trade fragmentation, which could disrupt supply chains and lead to higher commodity prices, triggering inflationary pressures in Sierra Leone.

### **Domestic Economic Developments**

#### **Inflation**

Domestic inflationary pressures have continued to ease, with headline inflation declining from 13.78 percent in December 2024 to 7.55 percent in May 2025. This decline has been broad-based, attributed to a combination of prudent monetary policy, fiscal consolidation, the relative stability of the exchange rate and stable domestic fuel prices.

#### **Growth Outlook**

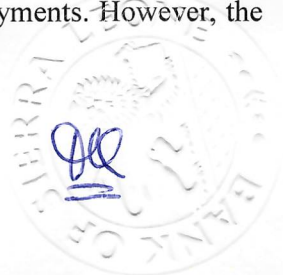
The domestic economy is projected to grow at 4.5 percent in 2025, up from 4.0 percent in 2024, due to stronger performance in the mining, agriculture and services sectors. Growth is expected to reach 4.7 percent in 2026 and 2027, underpinned by government initiatives to boost agricultural productivity. The Committee acknowledged the risks to growth, especially from global supply chain disruptions, trade tensions, and geopolitical instability, urging the government to implement pro-growth policies to enhance the economy's resilience to external shocks.

### **External Sector Developments**

Sierra Leone's trade deficit widened in 2025Q1 due to higher import payments and lower export receipts. The gross foreign exchange reserves declined, covering 1.8 months of imports. The exchange rate remains relatively stable, as previously stated, partly due to improved market sentiment and ongoing fiscal and monetary measures.

### **Fiscal Developments**

The government's budget deficit for 2025Q1 was higher than that recorded in 2024Q4. This increase was largely due to reduced domestic revenue collection and higher domestic interest payments. However, the



primary deficit narrowed due to reduced spending on goods and services and a decrease in subsidies and transfers. Members acknowledged the drop in the 364-day Treasury Bill rate resulting in a substantial decrease in borrowing costs, thereby providing fiscal space for the government. In view of this, it is important to pursue consistent domestic policy actions that strengthens fiscal resilience through improved revenue mobilisation and prudent expenditure management.

### **Monetary Developments**

Monetary aggregates in 2025Q1 showed mixed results, with a contraction in reserve money and moderate growth in broad money (M2). Credit to the private sector increased in 2025Q1, though inadequate to significantly boost investment and economic growth. Therefore, fostering a more inclusive credit environment that supports private sector development is critical for Sierra Leone's growth prospects

### **Financial System Stability**

The banking sector remains resilient, with strong profitability and capitalisation. The Committee noted the risks associated with the banking sector's heavy reliance on government securities for earnings, especially against the backdrop of the recent decline in the yield on the 364-day Treasury Bill and the potential impact on banks' balance sheet. Furthermore, cybersecurity threats and cases of banking fraud are notable risks to financial system stability. In light of these challenges, Members re-emphasised the need for the BSL to continue enhancing its regulatory oversight to ensure compliance with prudential standards.

### **Conclusion**

The Monetary Policy Committee (MPC) noted that despite the existing trade fragmentation and its potential risks to global inflation, the current trend in domestic inflation provides the policy space to support growth. In this context, a reduction in the monetary policy rate will help to lower borrowing costs, boost private sector credit and support investment, ultimately promoting sustainable and inclusive growth.

Consequently, the MPC recommended a 1 percentage point reduction in the Monetary Policy Rate (MPR) to 23.75 percent, with equivalent reductions in the Standing Lending Facility Rate (SLFR) and Standing Deposit Facility Rate (SDFR), which was duly approved by the BSL Board of Directors on 23 June 2025.

Therefore, effective 24 June 2025, the following rates are published for the information of the public:

- **Monetary Policy Rate (MPR):** 23.75 percent
- **Standing Lending Facility Rate (SLFR):** 26.75 percent
- **Standing Deposit Facility Rate (SDFR):** 17.25 percent

The MPC shall remain vigilant to the evolving balance of risks to inflation, while monitoring the domestic and external environment and will recommend appropriate policy actions as may be required, to maintain price and financial stability.

The next MPC meeting will be held on 25 September 2025.

**Ibrahim L Stevens, PhD**  
Governor