

Economic and Budget Brief

Introduction

The Parliamentary Budget Office (PBO) was established in 2017, pursuant to Section 13(1) of the Parliamentary Service Act of 2007, with the aim of maintaining a high quality research, and studies to provide information on economic and financial interests, advise the Legislature on budget matters, and support the legislative process through the costing of proposals initiated by the Executive arm of Government. The above is achieved through the deployment of many processes and procedures such as preparing analysis and briefs relating to the economy and public finances, analysing government budget policies and intentions, and assist in strengthening the work of Parliamentary committees responsible for budget oversight.

This Quarterly Economic and Budget Brief published by the PBO is intended to update Members of Parliament (MPs) on recent macroeconomic, fiscal and budgetary developments. It utilises published and official data and reports provided by the Ministry of Finance, the Bank of Sierra Leone, Statistics Sierra Leone and where applicable, other institutions. The focus of the analysis is for the period April to June 2025.

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Macroeconomic Developments

Exchange Rate

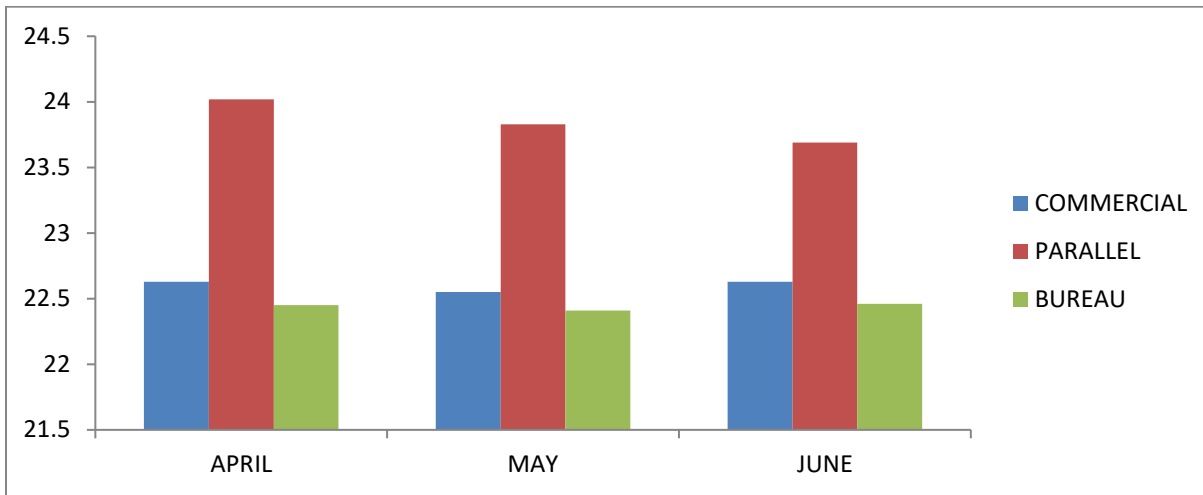
During the second quarter of 2025, the Leone exhibited a mixed performance across the various segments of the foreign exchange market. Between April and June 2025, the currency experienced alternating periods of appreciation and depreciation, reflecting market responses to prevailing economic conditions.

In April 2025, the Leone depreciated marginally in both the commercial and parallel markets by 0.06% (averaging NLe 22.63/US\$) and 0.08% (averaging NLe 24.02/US\$) respectively. Conversely, it appreciated in the bureau market by 0.36%, averaging NLe 22.45/US\$. As a result, the exchange rate premium between the official and parallel markets widened slightly to 6.53% (NLe 1.48/US\$) in April 2025, compared with 6.39% (NLe 1.45/US\$) recorded in March 2025.

In May 2025, the Leone strengthened across all market segments, appreciating by 0.39% in the commercial market (averaging NLe 22.55/US\$), 0.81% in the parallel market (averaging NLe 23.83/US\$), and 0.17% in the bureau market (averaging NLe 22.41/US\$). On a month-to-month basis, the exchange rate recorded a modest overall appreciation of 0.02%. Consequently, the premium between the official and parallel markets narrowed to 5.57% (NLe 1.26/US\$) in May 2025, down from 6.39% (NLe 1.45/US\$) in April 2025.

In June 2025, the Leone weakened in both the commercial and bureau markets, depreciating by 0.37% (averaging NLe 22.63/US\$) and 0.22% (averaging NLe 22.46/US\$) respectively. Meanwhile, the parallel market recorded an appreciation of 0.60%, averaging NLe 23.69/US\$. On a month-to-month basis, the exchange rate posted a slight overall depreciation of 0.04%. The premium between the reference and parallel markets narrowed further to 5.22% (NLe 1.18/US\$) in June 2025, compared with 5.57% (NLe 1.26/US\$) in May 2025.

Fig1 Exchange Rate for April-June 2025



Source: BSL MER

Inflation

Food Inflation

In April 2025, food and non-alcoholic beverage inflation stood at 8.63%, down from 10.27% in March 2025 a decrease of 1.64 percentage points.

In May 2025, it further declined to 5.42%, representing a reduction of 3.21 percentage points from April 2025. By June 2025, food and non-alcoholic beverage inflation dropped to 4.63%, down by 0.79 percentage points from 5.42% in May 2025.

Non-Food Inflation

Non-food inflation in April 2025 was 9.99%, down from 11.05% in March 2025, a decrease of 1.06 percentage points.

In May 2025, it declined further to 9.29%, a drop of 0.70 percentage points from 9.99% in April 2025.

By June 2025, non-food inflation stood at 9.12%, marking a further decrease of 0.17 percentage points from 9.29% in May 2025.

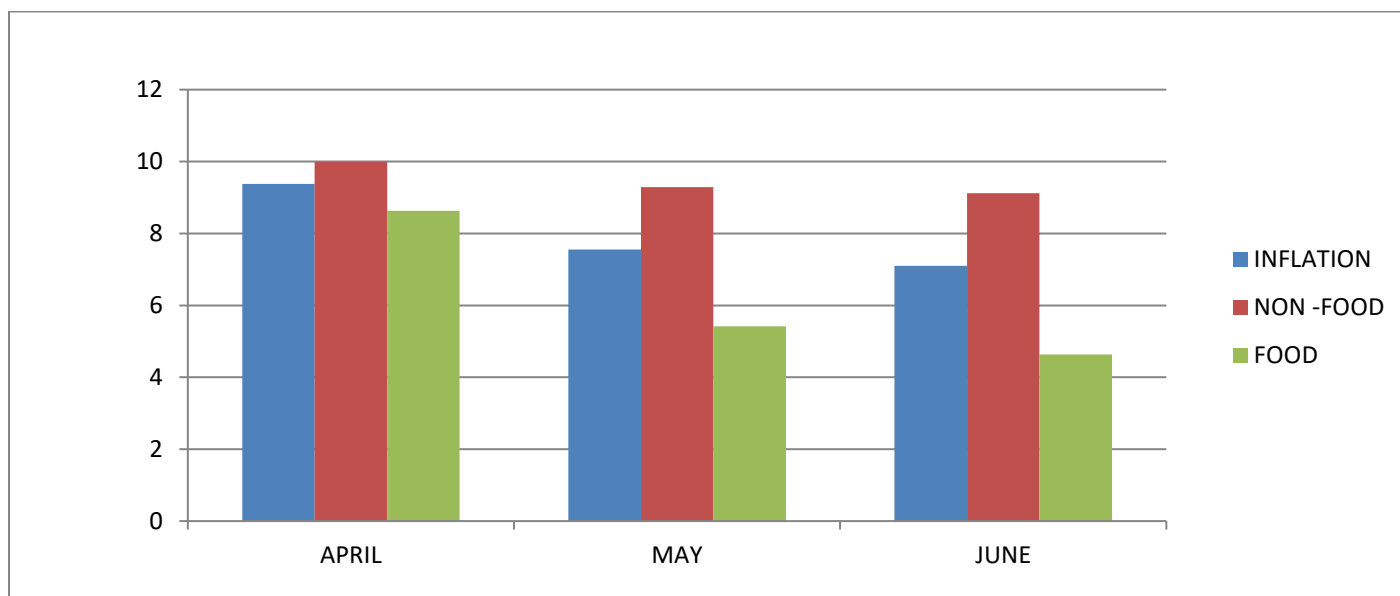
Annual CPI Inflation

In April 2025, overall annual inflation was 9.38%, down from 10.71% in March 2025 a decrease of 1.33 percentage points.

In May 2025, it fell to 7.55%, representing a decline of 1.83 percentage points from 9.38% in April.

By June 2025, inflation stood at 7.10%, a decrease of 0.45 percentage points from 7.55% in May 2025.

Fig2 Inflation Trends April - June 2025.



Source: Statistic Sierra Leone

Monetary Policy Rates and Interest Rates

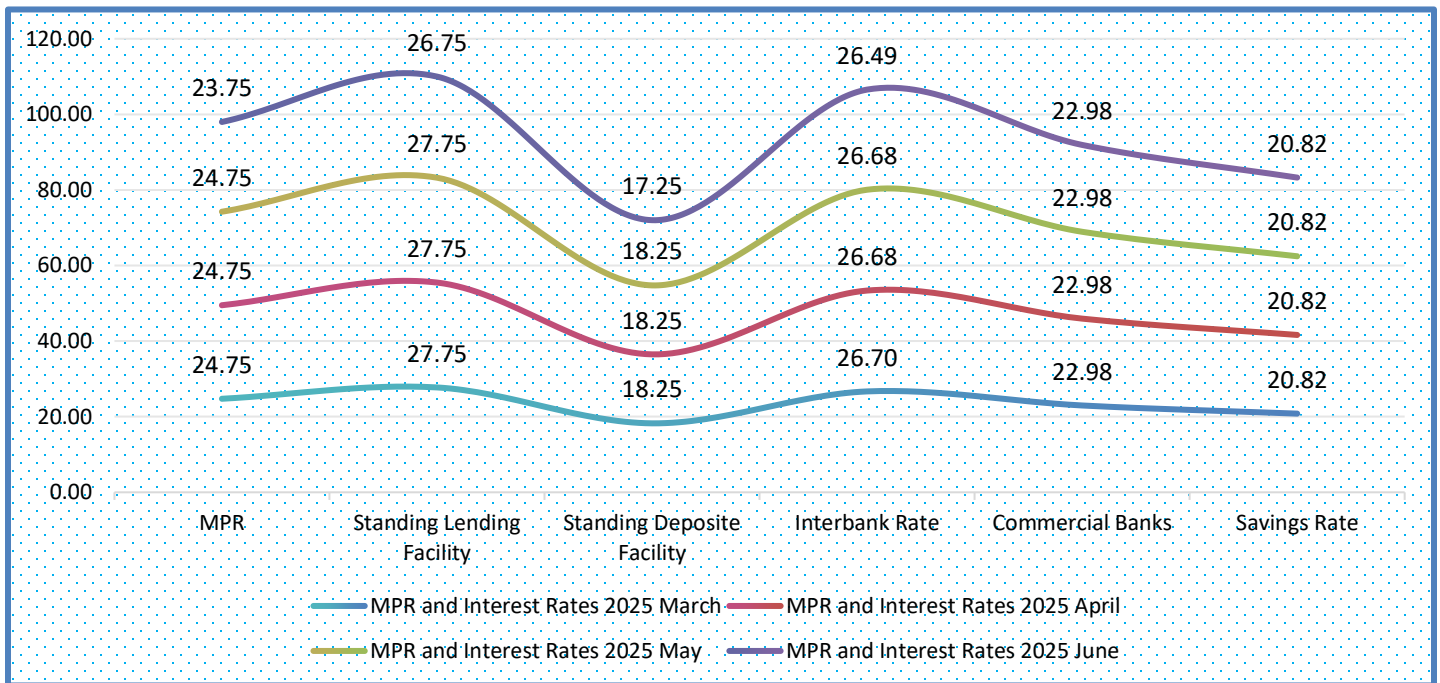
The table presents key monetary policy and market interest rates: The Monetary Policy Rate (MPR), Standing Facilities, Inter-bank Rate, Commercial Banks' average lending rate, and Savings Rate for March through June 2025.

Table1: Monetary Policy Rates and Interest Rates

Rate Category	March	April	May	June	Trend
MPR	24.75	24.75	24.75	23.75	Stable then Decreased
91 Days Bills	NA	NA	NA	NA	Not Available
182 Days Bills	29.16	29.22	NA	NA	Slight Increase, then Not Available
364 Days Bills	41.18	41.09	36.23	19.71	Steep and Consistent Decline
Standing Lending Facility	27.75	27.75	27.75	26.75	Stable then Decreased
Standing Deposit Facility	18.25	18.25	18.25	17.25	Stable then Decreased
Interbank Rate	26.70	26.68	26.68	26.49	Slight Decrease
Commercial Banks	22.98	22.98	22.98	22.98	Stable/No Change
Savings Rate	20.82	20.82	20.82	20.82	Stable/No Change

Source: Bank of Sierra Leone (ME)

Fig 3 MPR and Interest Rates

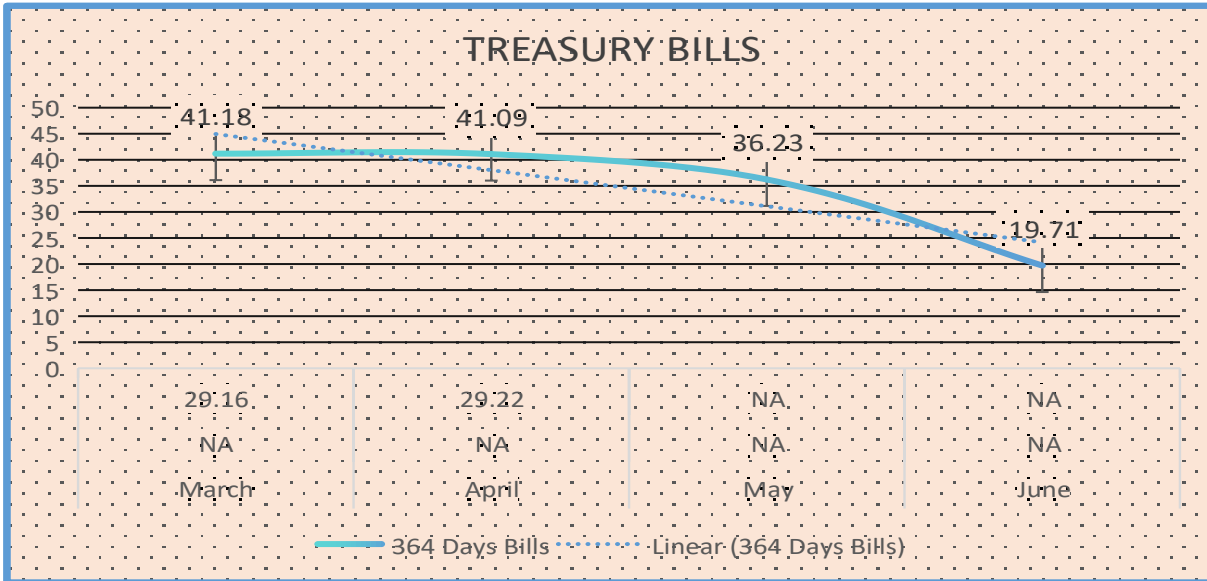


The Monetary Policy Rate (MPR) remained unchanged at 24.75 percent during March, April, and May, before being reduced to 23.75 per cent in June, indicating an easing of monetary policy.

The Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) rates, remaining stable before a 100 basis point reduction in June.

The Inter-bank Rate recorded a slight but consistent decline over the quarter, dropped by 0.21 percent from 26.70 percent to 26.49 percent. This trend aligns with the easing policy stance as the cost for banks to borrow from each other slightly decreased. Meanwhile, the Commercial Bank’s average lending rate and Savings Rate remained perfectly stable at 22.98 percent and 20.82 percent, respectively, for the entire four-month period.

Fig 4: TREASURY BILLS



91 Days Bill is not available (NA) for any of the four months, making trend analysis impossible for this short-term instrument.

182 Days Bill rate remained relatively stable in the first two months, increasing marginally from 29.16 percent in March to 29.22 percent in April.

364 Days Bill rate fell slightly from 41.18 percent in March to 41.09 percent in April. It then saw a large drop to 36.23 percent in May. The decline expedite sharply in June, dropping to 19.71 percent.

Fiscal Performance

Domestic Revenue

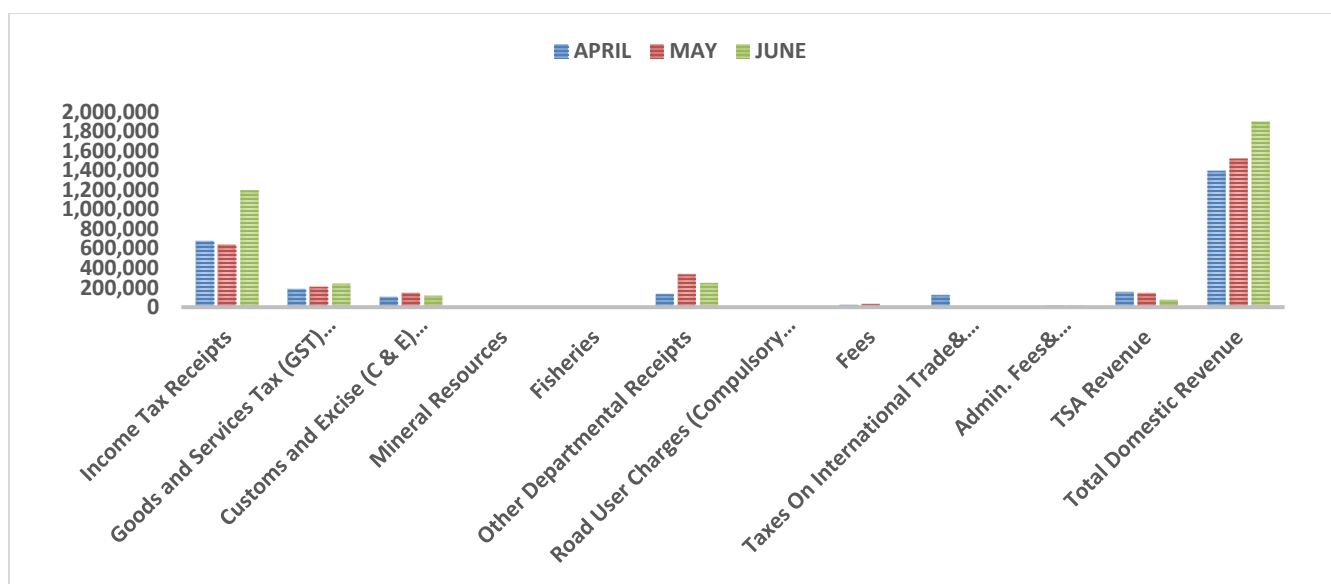
The total domestic revenue amounted to NLE4,813,742 in the second quarter of the year 2025 of which Income Tax Receipt made a collection of NLE2,508,202, an amount of NLE628,837 was generated from the Goods and Services Tax, which indicate an increase compared to the first quarter of 2025. Customs and Excise Income contributed 7.6 per cent of total domestic revenue with a performance of NLE364, 785. Taxes On International Trade & Transport showed a collection of NLE129,737 which contributed only 2.7 per cent which shows a substantial decrease as compared to the first quarter of 2025. There was no collection made for Mineral Resources and Fisheries Department. Road User Charges accounts for 0.3 percent of domestic revenue at NLE49, 931. Admin. Fees and Charges, Incidental Sale (Other Revenue) raised NLE33, 728 and TSA stands at NLE367, 977 which is 7.6 percent of domestic revenue for the second quarter of 2025.

Table 2: Domestic revenue performance (NLE000)

Domestic Revenue Collection	APRIL	MAY	JUNE	TOTAL MONTHLY	CONTRIBUTION %
Income Tax Receipts	672,210	638,110	1,198,202	2,508,522	52.1
Goods and Services Tax (GST) Receipts	183,722	206,142	238,973	628,837	13.1
Customs and Excise (C & E) Receipts	101,262	146,677	116,846	364,785	7.6
Mineral Resources	-	-	-	0	0.0
Fisheries	-	-	-	0	0.0
Other Departmental Receipts	133,373	336,098	248,242	717,713	14.9
Road User Charges (Compulsory Licences)	3,663	4,361	4,491	12,515	0.3
Fees	19,615	28,980	1,336	49,931	1.0
Taxes On International Trade & Transport (Import duty)	122,661	3,562	3,514	129,737	2.7
Admin. Fees & Charges, Incidental Sale (Other revenue)	4,470	15,123	14,135	33,728	0.7
TSA Revenue	153,656	140,651	73,670	367,977	7.6
Total Domestic Revenue	1,394,631	1,519,703	1,899,408	4,813,742	

Sourced from Ministry of Finance

Fig 5: Revenue Performance



Source: PBO calculations based on various Fiscal Reports published by the Ministry of Finance

Expenditure

Wages, Salary and allowances that represent 28 percent of government operating expenses with the amount of NLE1, 764,704. Social Security and Benefit has an increased contribution of NLE242,274, *Non-Salary, on-Interest, Recurrent Expenditures* showed an expenditure of NLE1,02,358 and *Capital Expenditure & Transfers* was NLE281,680.

Table 3: Operating Expenditure Performance (NLE000)

OPERATING EXPENSES	APRIL	MAY	JUNE	MONTHLY TOTAL	CONTRIBUTION %
Wages, Salaries and Allowances	598,085	597,702	568,917	1,764,704	28.1
Social Security and Benefit	91,945	87,890	62,439	242,274	3.9
Non-Salary, Non-Interest Recurrent Expenditure	186,505	397,185	439,668	1,023,358	16.3
Capital Expenditure & Capital Transfers	17,526	82,290	181,864	281,680	4.5

Sourced from Ministry of Finance

Fig 6: Expenditure Performance



Source: PBO calculations based on various Fiscal Reports published by the Ministry of Finance

Selected Glossary

Consumer Price Index (CPI) - is a measure of the aggregate price level of a basket of consumer goods and services in an economy.

Exchange Rate - is the value of one nation's currency versus the currency of another nation or economic zone. If it is said that the Leone fell against the US dollar, it means that the Leone is now worth fewer dollars.

Gross Domestic Product (GDP) - is a monetary/standard measure of the market value of all the final goods and services produced by a country during a period. GDP is the single most important indicator to capture economic activity, but it is not necessarily a good measure of societies' wellbeing.

Inflation - is a sustained increase in the general price level of goods and services in an economy over a period of time during which money loses some of its value because its purchasing power falls.

Monetary Policy - refers to how central banks manage liquidity by changing interest rates to control the demand for money and hence the rate of increase of bank lending. This in turn affects the level of demand in the economy and other parameters such as borrowing for consumption and investment.

Monetary Policy Rate - is the rate that is used by the central bank to implement or signal its monetary policy stance, and it is commonly set by the Monetary Policy Committee (MPC).

The **Monetary Policy Committee** consists of seven (7) members as provided for in the **BSL Act**, 2011 Section 21(2). They include the Governor, the Deputy Governor, three (3) persons appointed by the Governor and two (2) persons appointed by the Minister of Finance and Economic Development.

Real GDP - is a measure of economic output that accounts for the effects of price changes (i.e. inflation or deflation).

Disclaimer

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