



Monthly ECONOMIC REVIEW

APRIL 2025

CENTRAL BANK OF LESOTHO
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I. ECONOMIC ACTIVITY¹

Domestic economic activity remained weak in April 2025, largely due to sluggish performance in the transport and construction industry. However, domestic demand and manufacturing showed signs of recovery, moderating the slowdown. Meanwhile, inflationary pressures eased, offering relief to both consumers and businesses.

Overall Performance Index

Economic activity continued to decline in April 2025, with the Composite Indicator of Economic Activity (CIEA) falling by 1.6 per cent, following a steeper 5.1 per cent contraction in the previous month. The downturn was primarily driven by sluggish performance in the construction and transport subsectors, as evidenced by reduced imports of construction materials and lower fuel consumption.

Despite the overall slowdown, some industries demonstrated resilience. The financial services sector experienced modest growth, supported by increased credit to the private sector. Similarly, the manufacturing and production subsector strengthened, driven by a rise in textile exports. Lastly, domestic demand showed signs of recovery, reflecting higher private consumption and improved business activity. These positive developments cushioned the broader economic doldrums.

Domestic Demand Category

Domestic demand rebounded, expanding by 5.7 per cent, reversing the 7.2 per cent contraction from the previous month. This recovery was primarily driven by higher private sector consumption, observed in increased imports of vegetables, mineral products, and prepared foodstuffs from South Africa.

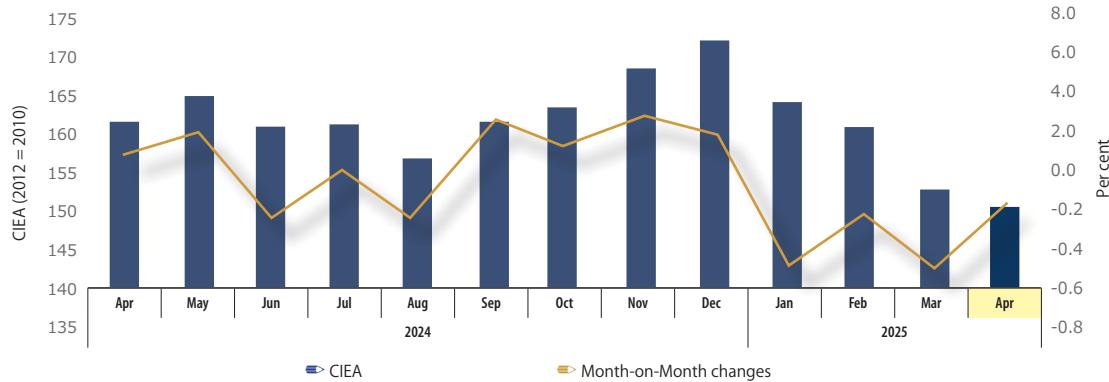
Additionally, higher sales tax revenue signalled improved business activity. However, this was undermined by weakened public sector consumption as government spending on goods and services declined.

Manufacturing and Production Category

Despite ongoing global trade disruptions, the manufacturing and production subsector displayed resilience, with the manufacturing index rising by 3.0 per cent, following revised 1.9 per cent growth in the previous month. This expansion was largely driven by increased textile exports to both the U.S. and the South African market.

¹ Composite Indicator of Economic Activity (CIEA) is constructed using seasonality adjusted data for variables with season patterns.

Figure 1 | Overall Monthly Indicator of Economic Activity



Source: CBL

Table 1: Composite Indicator of Economic Activity and its Sub-components

Indices	2024				2025			
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
CIEA	161.3	163.7	168.7	172.2	164.4	161.0	152.8	150.3
Monthly changes	2.7	1.5	3.0	2.1	-4.5	-2.1	-5.1	-1.6
Domestic Demand Category	151.6	152.5	150.6	149.0	151.2	150.9	142.6	137.5
Monthly changes	4.9	6.7	5.1	2.5	-8.3	-2.0	-7.2	5.7
Manufacturing & Production Category	106.7	103.0	99.5	97.8	99.2	103.0	97.7	104.8
Monthly changes	-4.2	0.9	6.4	2.1	-1.4	-1.7	1.9	3.0
Construction Category	125.1	98.6	95.2	97.1	83.1	83.2	79.1	78.0
Monthly Changes	7.6	-21.2	-3.4	2.0	-14.4	0.2	-4.9	-1.4
Financial Services Category	186.6	189.7	192.7	196.9	194.8	195.2	194.5	199.0
Monthly changes	-1.8	1.7	1.6	2.2	-1.1	0.2	-0.3	2.3
Transport Category	109.6	112.7	115.4	118.2	113.9	103.9	95.2	81.6
Monthly changes	3.6	2.8	2.4	2.4	-3.7	-9.0	-8.2	-14.3

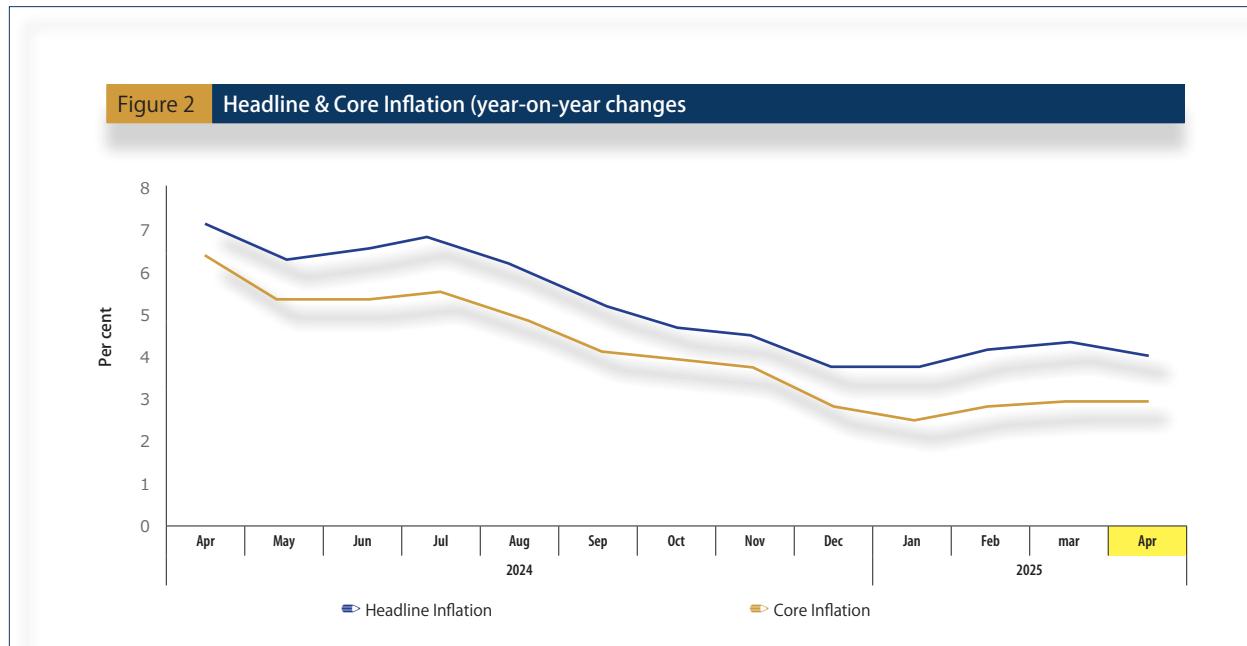
Source: CBL Calculations.

II. INFLATION AND PRICES

Headline Inflation

April 2025 saw a modest decline in headline inflation, which marginally dropped to 4.0 per cent,

from 4.2 per cent in March 2025. The contributors to the 0.2 percentage points decrease between April 2025 and March 2025 were Transport category and Housing, Electricity, and other fuels.



Source: Lesotho Bureau of Statistics & CBL Computations

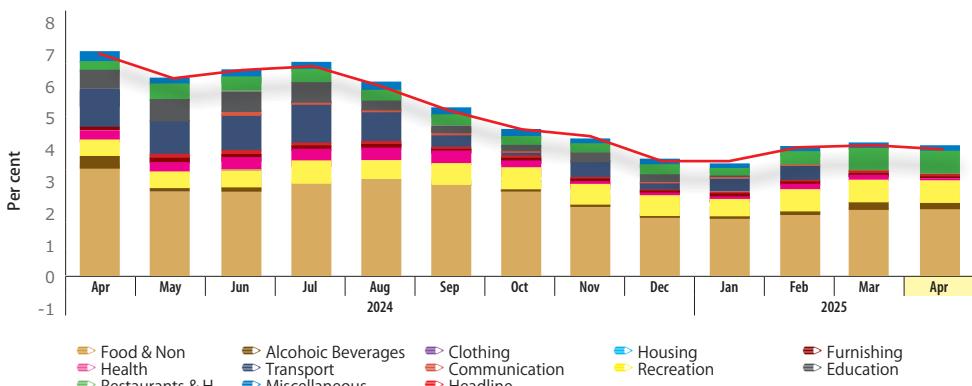
Contributions to Headline Inflation

The major contributors to the 4.0 per cent headline inflation were Food and Non-Alcoholic beverages, Clothing, and Footwear, Alcoholic beverages and tobacco, as well as Restaurants and Hotels.

Food & Non-alcoholic Beverages increased by 6.4 per cent year-on-year and contributed 2.1 percentage points to the total annual inflation

rate of 4.0 per cent. Moreover, Alcoholic Beverages and Tobacco increased by 4.2 per cent year-on-year and contributed 0.3 percentage points to the overall Inflation rate. This was due to pronounced price increases implemented by a local brewing company.

Figure 3 Contributions to Headline (Year-on-Year Changes)



Source: Lesotho Bureau of Statistics & CBL Computations

Core Inflation

Underlying inflationary pressures, as measured by core inflation, remained unchanged at 2.8 per cent in April 2025.

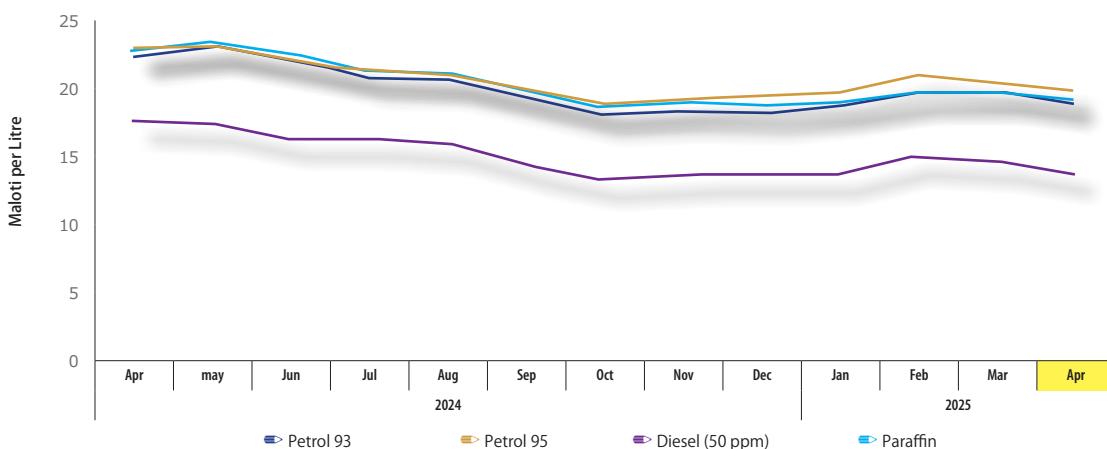
Domestic Fuel Prices

The prices of all petroleum products decreased in the review period, with prices of both *Petrol₉₃* and

Petrol₉₅ decreasing by M 0.60 and were sold at M 19.35 and M 19.50 per litre at the pump, respectively.

The pump prices of *Diesel₅₀* and illuminating paraffin decreased by M 0.40 and M 1.00, respectively, and were sold at M 20.20 per litre and M 14.00 per litre in the retail market, respectively.

Figure 4 Domestic Fuel Prices



Source: Petroleum Fund

² Food = Food and Non-Alcoholic beverages, Alcoholic beverages = Alcoholic beverages and Tobacco, Clothing = Clothing and Footwear, Housing = Housing, Water, Electricity, Gas and Other fuels, Furnishing = Furnishing, Household Equipment and Routine maintenance of the house, Recreation = Recreation and Culture, Restaurants = Restaurants & Hotels, Miscellaneous = Miscellaneous Goods and Services.

III. MONETARY AND FINANCIAL INDICATORS

Broad Money (M2)

Money supply (M2) declined by 2.2 per cent in April 2025, contrary to the 2.2 per cent growth in March 2025. The contraction resulted from a fall in net domestic assets (NDA), which more than offset an increase in net foreign assets (NFA). In particular, NDA declined by 53.0 per cent, losing on the 45.3 per cent growth recorded in the preceding month. This contraction was a result of a build-up in government deposits, following receipt of SACU revenue, which outpaced growth in credit to the private sector. On the contrary, NFA grew by 9.0 per cent, in contrast to the 7.0 per cent decline recorded in the prior month. The growth was driven by a 15.8 per cent growth in central bank's NFA, mainly due to an increase in claims on non-residents. On an annual basis, M2 increased by 9.6 per cent.

Components of Money Supply

Breaking down the components of money supply developments, the decline emanated from a contraction in both narrow money (M1) and quasi money. Quasi money fell by 3.1 per cent, while M1 recorded a 1.1 per cent decrease. The decline in quasi money, on the one hand, was driven by a drawdown in fixed-time and call deposits, both held by business enterprises. On the other hand, the fall in M1 resulted from a fall in transferable deposits held by households and other financial corporations.



Source: CBL

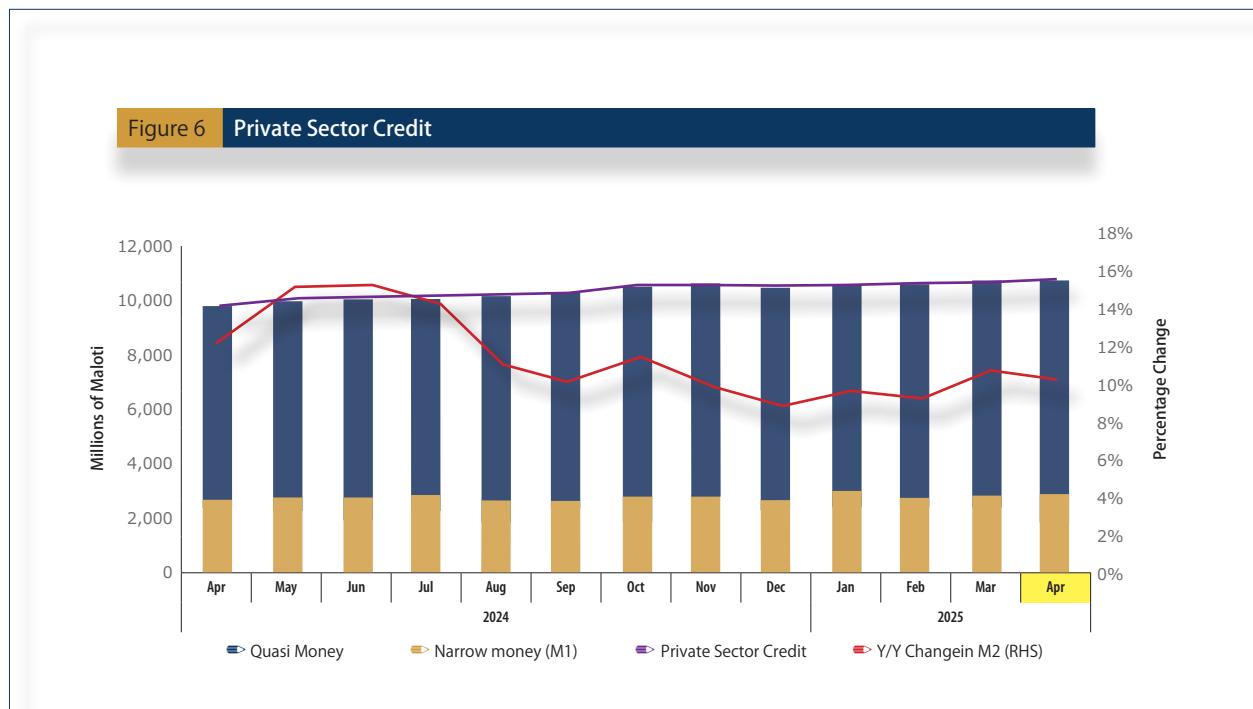
Private Sector Credit

Private sector credit increased further by 0.8 per cent, following a 0.5 per cent growth in the preceding

month. Growth was observable for both households and business enterprises. In particular, households' credit expanded by 0.8 per cent, reversing the 0.2 per cent decline observed in March. Both personal

and mortgage loans contributed to the growth. Meanwhile, credit to business sector grew by 0.7 per cent, albeit slower than the 2.6 per cent growth observed in the previous period. The growth in business credit was supported by a rise in credit in the mining and quarrying subsector. Regarding the share of credit by business enterprises, the wholesale

& retail trade, restaurants & hotels commanded the highest share of credit extension, followed by construction industry, with real estate & business services completing the top three bracket. The community, social & personal services remained the smallest recipient of credit extension. On an annual basis, private sector credit grew by 10.8 per cent.



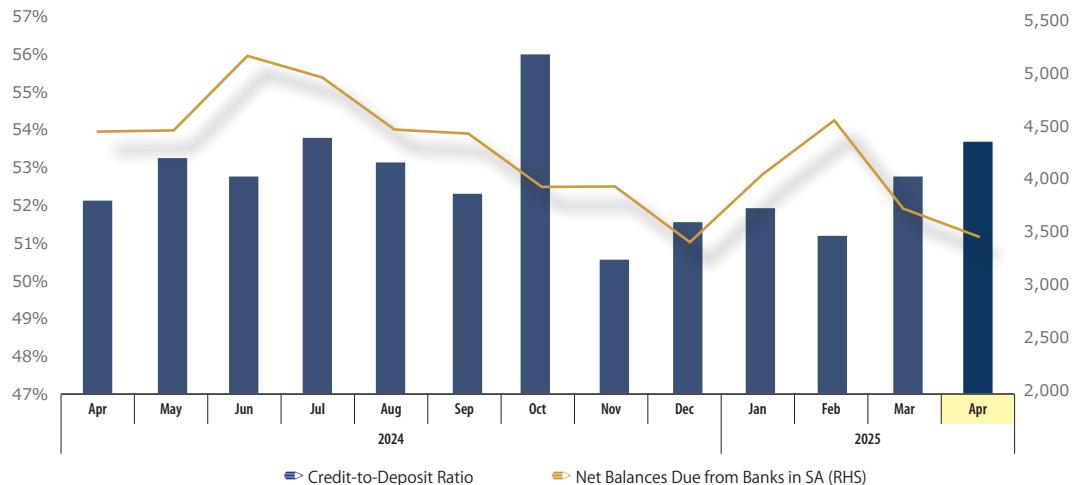
Non-Performing Loans

The ratio of non-performing loans (NPLs) to total loans declined from 4.8 per cent to 4.6 per cent. This decline benefitted from a fall in both NPLs from households and businesses. Within the household segment, both personal and mortgage NPLs declined, recording a fall of 6.3 per cent and 2.3 per cent, respectively. Among business enterprises, the biggest fall pertained to NPLs attributed to wholesale, retail trade, restaurants & hotel and construction.

Sources of Funds

The credit-to-deposit ratio improved to 54.0 per cent from 53.3 per cent in the previous month. The increase was attributed to an increase in credit extension coupled with a fall in deposit liabilities of commercial banks.

Figure 7 Credit to Deposit Ratio



Source: CBL

Interest Rates

The Central Bank of Lesotho policy rate remained at 7.25 per cent similar to a month earlier. Consequently, the prime lending rate and the 1-year deposit rate remained steady at 10.75 and 4.56 per cent. The 91-day Treasury bill rate, however, declined by 2 basis points to 6.86 per cent.

Foreign Exchange

The rand, hence, loti, weakened against its major trading currencies in April 2025. The rand depreciated by 3.5 per cent, 5.3 per cent, and 7.4 per cent against the US dollar, the pound, and the euro, to record 18.91, 24.83, and 21.20, respectively. This was in comparison to an appreciation of 1.2 per cent against the dollar and depreciation of 1.7 per cent against the pound and 2.5 per cent against the euro in the previous period.

The rand's performance continued to be shaped by both domestic and international factors. The domestic side was affected by the disagreement over some budget proposals within the Government. This was coupled with falling prices of commodities, therefore, adding more pressure to the rand.

On the international front, the rand was weakened by the ensuing trade tensions and straining relations between the US and South Africa. Additionally, the monetary policy decisions to hold interest rates steady in US, UK and Europe in March 2025, and strong fiscal space in Europe, bolstered the appeal of the dollar, pound and euro, hence, weakening the rand.

IV. GOVERNMENT BUDGETARY OPERATIONS

Expenditure

Government spending in April 2025 rose by the revised 10.9 per cent, reversing the sharp 14.9 per cent decline recorded in March. This rebound was largely driven by a 42.5 per cent increase in recurrent spending on transfers that included extra-budgetary units, student grants, and school feeding programs. Notably, transfers to schools reflected adjustments in social protection initiatives. However, development spending declined substantially by 55.5 per cent, with nearly all components experiencing sharp reductions. In general, most government spending was geared towards education and social protection. On a year-over-year basis, total expenditure increased by 39.5 per cent.

Revenue³

Government revenue, excluding SACU receipts, declined by 42.1 per cent, primarily due to weak tax collection, particularly income tax, coupled with receipt of the once off rand monetary compensation in March each year. However, revenue, including SACU receipts, fell by 20.1 per cent on year-on-year basis, following a 20.5 per cent decline in SACU receipts for the fiscal year 2025/2026.

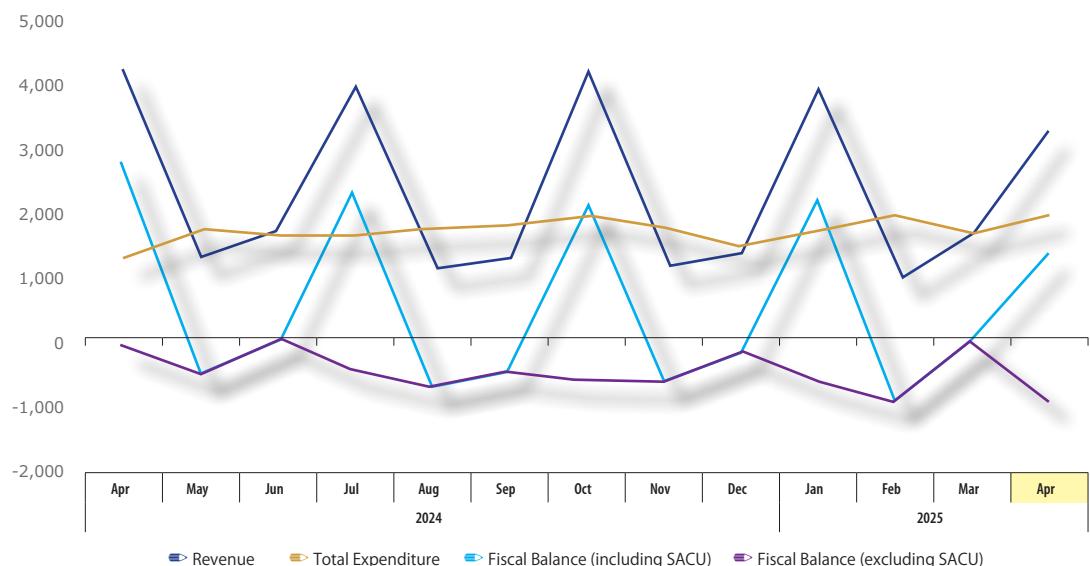
Fiscal Balance⁴

The fiscal balance improved notably, rising by 12.5 per cent after recording a revised surplus of 0.2 per cent in the previous month. This positive shift was mainly driven by increased revenue collections, which contributed to a growth in government deposits within the banking sector. However, liabilities also rose due to unpaid supplier payments and the accumulation of new external debt.

³ The monthly analysis of government revenue excludes SACU receipts, an outlier item.

⁴ All financing items are on net basis.

Figure 8 | Government Fiscal Balance (Million Maloti)



Source: CBL and Ministry of Finance (MOF)

Table 2: Cross Classification of Expenditure by Function and Economic Item (Percentage Change)

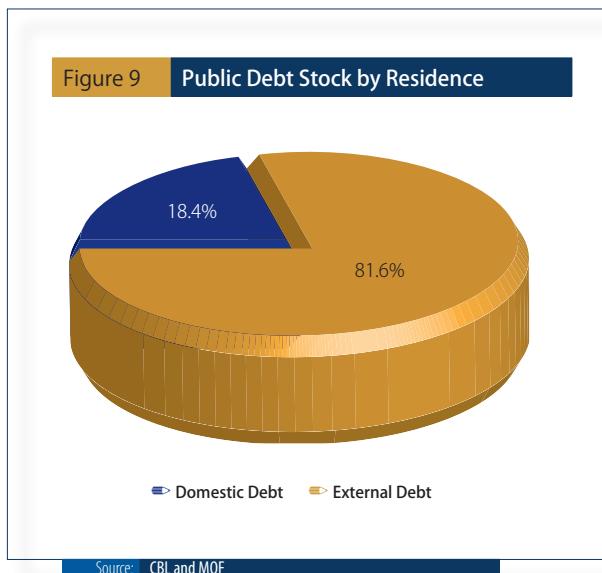
Function	Economic Item	Compensation of Employees	Use of Goods and Services	Interest Payments	Subsidies	Grants	Social Benefits	Other Expenses	Net Investment in Nonfinancial Assets	Share per Function
General Public Services		6.2%	8.0%	100.0%	0.0%	12.6%	1.6%	0.0%	95.4%	8.0%
Defense		8.1%	3.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.3%
Public Order and Safety		18.3%	7.0%	0.0%	0.0%	2.3%	0.0%	0.5%	0.0%	7.9%
Economic Affairs		6.7%	9.9%	0.0%	0.0%	68.2%	0.0%	0.0%	0.0%	13.8%
Environmental Protection		0.9%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
Housing and Community Amenities		7.4%	0.3%	0.0%	0.0%	0.0%	0.4%	0.0%	4.4%	2.8%
Health		8.2%	70.8%	0.0%	100.0%	0.0%	2.4%	0.0%	0.0%	17.0%
Recreation, Culture, and Religion		1.1%	0.1%	0.0%	0.0%	2.1%	0.0%	0.0%	0.0%	0.7%
Education		33.7%	0.2%	0.0%	0.0%	0.9%	33.4%	99.5%	0.0%	33.0%
Social Protection		9.4%	0.5%	0.0%	0.0%	13.9%	62.2%	0.0%	0.2%	13.3%
Share per Economic Item		35.3%	14.6%	1.5%	3.4%	14.7%	12.7%	16.8%	1.1%	100.0%

Source: CBL and MOF

V. PUBLIC DEBT

The public debt stock-to-GDP ratio was estimated at 56.6 per cent in April 2025, rising from a revised 54.3 per cent in March. This was equivalent to 4.2 per cent surge, compared to a revised 1.2 per cent increase

in the previous month. This expansion was driven by exchange rate fluctuations combined with the accumulation of new external and domestic debt.



Appendix: Key Economic Indicators

		24-Sep	24-Oct	24-Nov	24-Dec	25-Jan	25-Feb	25-Mar	25-Apr	
Economic Activity (MIEA (% change, M/M)		2.7	1.5	3.0	2.1	-4.5	-2.1	-5.1	-1.6	
Consumer price Index (% change)	Headline Inflation (year-on-year)	5.2	4.7	4.4	3.6	3.6	4.1	4.2	4.0	
	Core Inflation	3.8	4.1	3.7	2.4	2.4	2.7	2.8	2.8	
Exchange Rates (Monthly End Period)	EUR	20.7950	20.5085	20.0677	19.3073	19.3073	19.2451	19.8005	21.1993	
	GBP	24.3030	23.9695	23.4763	23.0593	23.0593	23.3029	23.6893	24.8261	
	USD	19.1910	18.8596	18.7203	18.5173	18.5173	18.5100	18.2695	18.9095	
Money Supply (Millions of Maloti)	M2	17,306.37	17,631.19	18,545.63	18,995.08	18,513.78	18,883.61	19,291.53	18,874.09	
	M1	8,290.68	8,270.95	8,896.13	9,325.06	8,596.94	8,674.53	9,008.46	8,905.18	
	Quasi Money	9,015.69	9,360.24	9,649.50	9,670.02	9,916.84	10,209.07	10,283.08	9,968.92	
Interest Rates	CBL Rate	7.75	7.75	7.50	7.50	7.50	7.25	7.25	7.25	
	91 day Treasury bill rate	6.83	6.86	6.88	6.88	6.89	6.88	6.88	6.86	
	Prime lending rate	11.25	11.25	11.00	11.00	11.00	10.75	10.75	10.75	
	1 year deposit rate	4.74	4.74	4.72	4.72	4.68	4.56	4.56	4.56	
Private sector Credit (Millions of Maloti)		10,422.71	10,684.74	10,658.79	10,650.80	10,783.40	10,790.20	10,845.47	10,929.68	
		Households	2,771.40	2,853.12	2,882.57	2,785.18	3,105.80	2,837.80	2,910.99	2,930.98
		Non-profit Organisations	7,651.31	7,831.62	7,776.22	7,865.61	7,677.60	7,952.40	7,934.48	7,998.70
Bank Deposit Liabilities (Millions of Maloti)		19,689.38	19,040.65	20,787.42	20,326.23	20,425.14	20,828.06	20,195.76	20,100.00	
Credit to Deposit Ratio (%)		52.9	56.0	51.1	52.2	52.6	51.7	53.3	54.0	
Fiscal Operations (Millions of Maloti)	Fiscal Balance	-481.21	2,282.50	-662.07	-117.84	2,231.77	-941.37	20.00	1,333.03	
	Total Revenue (with SACU receipts)	1,383.14	4,302.68	1,194.28	1,401.45	4,014.19	1,110.07	1,765.10	3,267.78	
	Total Expenditure	1,864.36	2,020.19	1,856.35	1,519.29	1,782.42	2,051.43	1,745.10	1,934.76	
	O/W Capital	430.66	296.13	320.77	275.56	463.23	333.70	563.04	250.38	
Total Public Debt (Millions of Maloti)		21,915.54	22,134.67	22,394.79	23,267.95	23,350.66	23,394.25	23,108.06	24,077.04	
		Total External Debt	17,356.84	17,678.01	17,927.18	18,700.34	18,783.66	18,751.95	18,767.34	19,635.88
External Debt	Concessional	12,060.71	12,312.57	12,534.03	13,139.97	13,166.91	13,168.19	13,313.04	14,005.76	
	Non-concessional	5,296.13	5,365.44	5,393.15	5,560.37	5,616.75	5,583.76	5,454.30	5,630.12	
Domestic Debt		4,558.71	4,456.66	4,467.61	4,567.61	4,567.00	4,642.30	4,340.72	4,441.16	
Memo Item: Arrears (Millions of Maloti)		-1.67	-135.08	-28.85	-13.33	-64.67	-102.45	-77.66	0.00	

Source: Central Bank of Lesotho

Explanatory Box

Indicator of Economic Activity

The Indicator of Economic Activity is an index constructed from 14-time series variables. Key considerations in the choice of the variables were (1) the frequency with which the data is available and (2) the extent of their ripple effect to other sectors of the economy. The variables can be grouped into two important economic categories – the domestic demand category and the manufacturing & production category. This enables the determination of whether the economic activity is affected by the demand components, the production components or both sides of the activity.

Core Inflation

Lesotho's core inflation is the 30% trimmed mean of the headline inflation. This core inflation measure excludes the consumer price index (CPI) items with extreme price changes.

Government Budgetary Operations

In the process of improving compilation of Government expenditure using Government Finance Statistics Manual 2014 (GFSM 2014) of the International Monetary Fund, the Government spending for the month of March 2019 has been disaggregated into due-for-payments and commitments (normal payment delays or arrears).

The due-for-payments spending transactions refer to the payment instructions from the Government's financial information system (known as IFMIS) to the Central Bank of Lesotho for actual payment process. The commitments are described as pending spending transactions in respect of delivered goods and services, which have passed their due date for payments, and hence, the arrears. The data on these components (arrears and due-for-payments) fulfil the aim of GFSM 2014, which requires the Governments to compile the spending, among others, using accrual basis method of recording.

However, in terms of Lesotho's expenditure data, interest payments of loans are still being compiled using cash basis method of recording. All other expenditure components (including use of goods and services, compensation of employees, and social benefits) are in accrual basis.

Apart from spending by economic classification above, the database on the spending by functions was rebuilt starting from the April 2019 onwards while at the same time the historical data was compiled bit by bit. Thus, the table on the classification of outlays by functions of government (known as COFOG) was last updated by Ministry of Finance in 2008/09, just before the implementation of new IFMIS chart of accounts.

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