



# Monthly ECONOMIC REVIEW

NOVEMBER 2025

CENTRAL BANK OF LESOTHO  
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## I. ECONOMIC ACTIVITY<sup>1</sup>

Domestic economic activity rebounded in November 2025, supported by stronger domestic demand and heightened activity in the construction and financial services subsectors. This improvement, however, was partly dampened by subdued performance in the transport and manufacturing subsectors.

### Overall Performance Index

The Composite Indicator of Economic Activity (CIEA) increased by 0.3 per cent in November, following three consecutive months of contraction. The recovery was largely driven by strong domestic demand, which was reflected in higher import volumes of consumer goods. Further positive contributions came from the financial services and construction industries, supported by increased private sector credit extension and higher imports of construction materials, respectively. Despite these developments, overall growth was moderated by contractions in the manufacturing and transport subsectors, as evidenced by weak textile exports and lower fuel consumption, respectively.

### Domestic Demand Category

The Domestic Demand Index also rebounded during the review period, rising by 2.8 per cent, after declining by 3.4 per cent in the previous month. This improvement was attributed to increased private consumption, reflected in higher imports of prepared foodstuffs, vegetables, and machinery. Increased sales tax collections further pointed to improved business activity.

However, these improvements were tempered by negative contributions from government activity, particularly lower spending on goods and services, and reduced collection of Pay-As-You-Earn (PAYE).

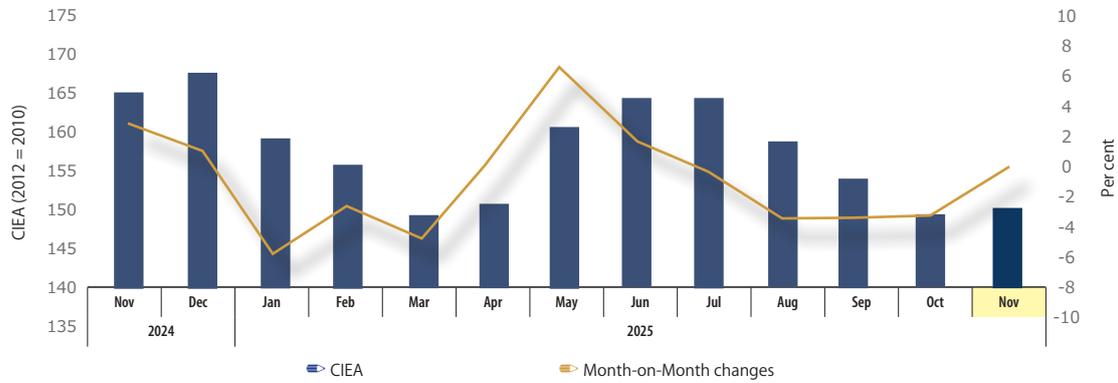
### Manufacturing and Production

The Manufacturing and Production Index contracted by 3.5 per cent in November 2025, reversing a 3.0 per cent increase in the previous period. This downturn was largely driven by a sharp decline in textile exports to the United States, as firms scaled down production amid uncertainty surrounding the proposed three-year AGOA extension.

The decline was further reflected in lower imports of production inputs and reduced utility usage. Nevertheless, increased textile exports to South Africa provided some reprieve.

<sup>1</sup> 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 Calculations

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

Indices	2025							
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
<b>CIEA</b>	119.6	127.5	130.5	130.7	126.4	122.2	118.5	118.8
Monthly changes	0.9	6.7	2.3	0.1	-3.3	-3.3	-3.1	0.3
<b>Domestic Demand Category</b>	116.3	123.3	121.5	114.9	111.6	108.9	105.1	108.1
Monthly changes	4.2	6.0	-1.5	-5.5	-2.8	-2.4	-3.4	2.8
<b>Manufacturing &amp; Production Category</b>	108.3	111.9	116.4	111.8	107.8	102.9	105.8	102.1
Monthly changes	2.8	3.3	4.0	-4.0	-3.9	-4.2	3.0	-3.5
<b>Transport Category</b>	84.7	90.3	99.9	106.6	107.8	102.9	101.8	100.6
Monthly Changes	-2.0	6.7	10.6	6.7	1.2	-4.6	-1.0	-1.3
<b>Financial Services</b>	198.5	200.4	201.7	202.7	202.1	202.7	204.4	207.1
Monthly Changes	1.1	1.0	0.6	0.5	-0.3	0.3	0.8	1.3
<b>Construction Category</b>	84.0	117.2	117.3	138.1	113.6	117.2	98.4	106.1
Monthly Changes	6.7	39.6	0.0	17.8	-17.7	3.2	-16.0	7.8

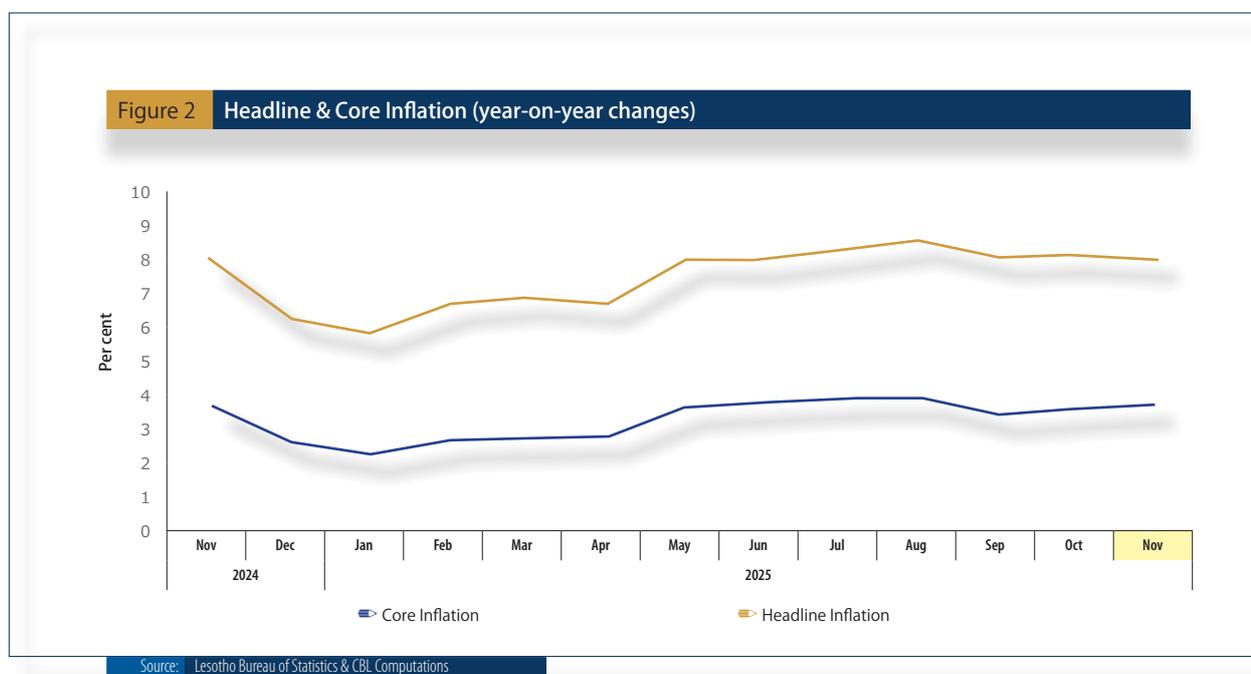
Source: CBL Calculations.

## II. INFLATION AND PRICES

### Headline Inflation

Headline inflation moderated to 4.3 per cent year-on-year in November 2025, down from 4.5 per cent

in October, largely reflecting lower prices in the Food and Non-Alcoholic Beverages, Transport, and Housing, Electricity, Gas and Other Fuels categories.



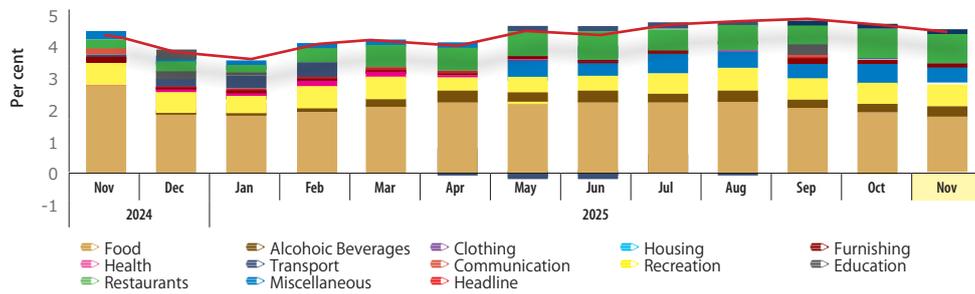
### Contributions to Headline Inflation

The main contributors to the 4.3 per cent annual headline inflation were Food and Non-Alcoholic Beverages; Clothing and Footwear; Housing, Water, Electricity and Gas; and Restaurants and Hotels. Food and Non-Alcoholic Beverages increased by 5.4 per cent year-on-year, contributing 1.8 percentage points to headline inflation. This contribution was largely driven by elevated cereal prices, reflecting Black Sea geopolitical tensions and reduced planting. However, upward pressures were partly offset by lower prices of vegetable oils, following declines in palm, rapeseed, and sunflower oil prices, as well as falling meat prices due to ample supplies of poultry and pork. Prices of sugar and dairy products also declined.

Restaurants and Hotels recorded a strong annual increase of 12.7 per cent, contributing 0.8 percentage points to overall inflation. Clothing and Footwear rose by 8.3 per cent year-on-year, adding 0.7 percentage points, with the contribution mainly driven by higher prices of men's garments, despite some moderation from lower prices of women's clothing.

Meanwhile, Housing, Water, Electricity and Gas increased by 4.1 per cent, contributing 0.6 percentage points to headline inflation. This was largely attributed to higher electricity costs, although the impact was partially offset by lower prices of household furniture, reflecting seasonal discounts associated with the Black Friday period.

**Figure 3 Contributions to Headline (Year-on-Year Changes)<sup>2</sup>**



Source: Lesotho Bureau of Statistics & CBL Computations

### Core Inflation

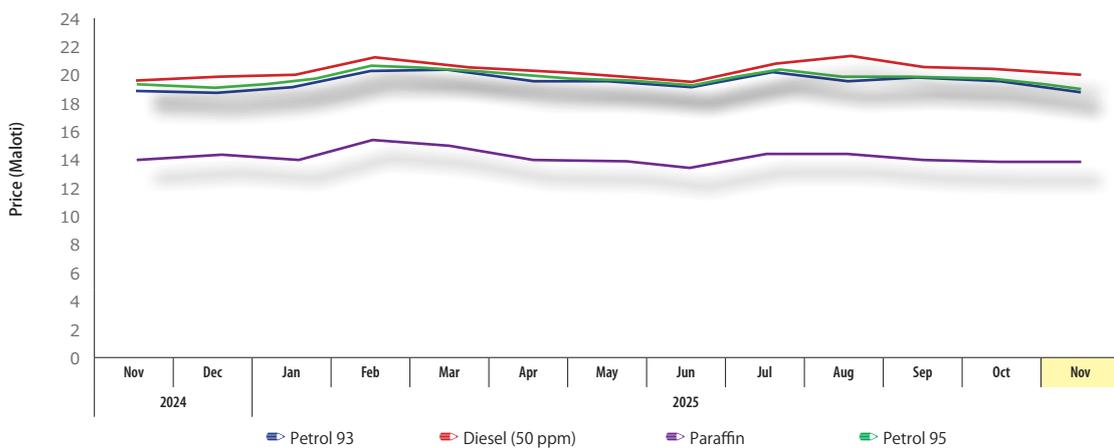
Underlying inflationary pressures continued to build during the review period, as reflected in the trimmed mean measure of core inflation. The indicator rose by 1 percentage point to 3.8 per cent in November. This gradual increase suggests that, despite easing headline inflation, persistent price pressures remain across several categories.

### Domestic Fuel Prices

Domestic fuel prices decreased across all categories during the review period. The pump price of Petrol<sub>93</sub> fell by M0.65 per litre, bringing the retail price to M18.50 per litre, while Petrol<sub>95</sub> declined by M0.60 per litre to M18.75 per litre.

Diesel<sub>50</sub> decreased by M0.35 per litre, resulting in a retail price of M20.00 per litre, and illuminating paraffin dropped by M0.10 per litre to M13.70 per litre. These reductions were primarily influenced by a decline in international crude oil prices.

**Figure 4 Domestic Fuel Prices**



Source: Petroleum Fund

<sup>2</sup> 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)

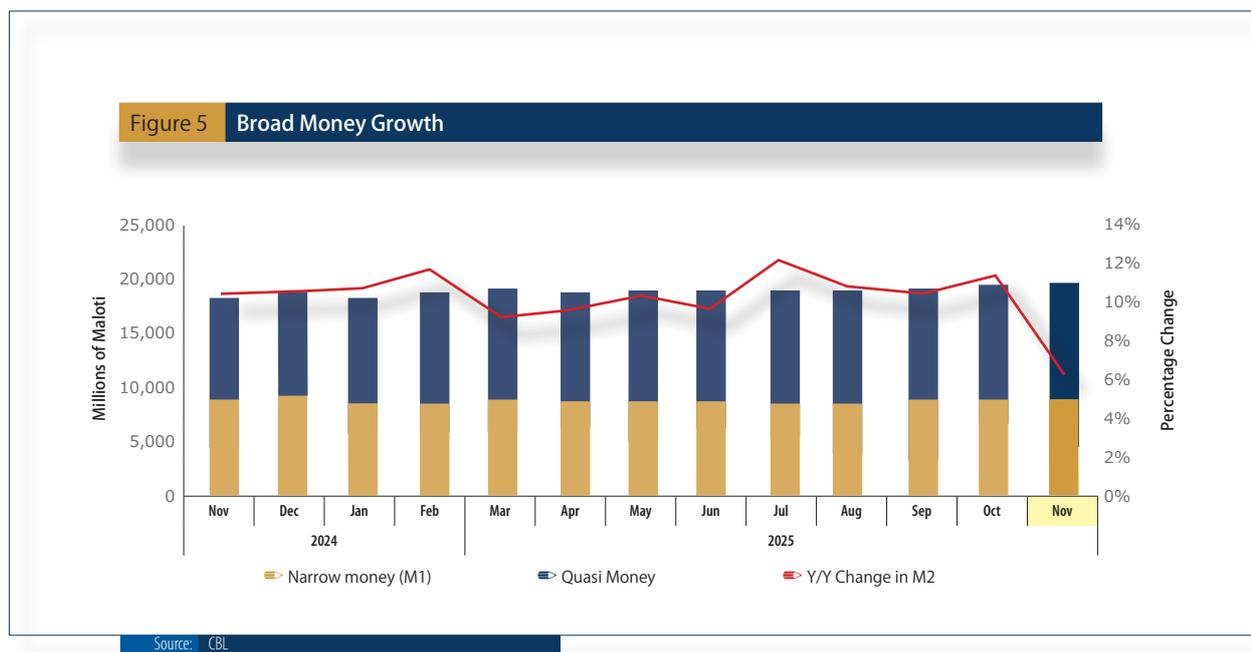
In November 2025, money supply (M2) continued to increase, growing by 0.5 per cent in November, following a 2.7 per cent rise in October. This development was supported by growth of net domestic claims (NDA), despite a contraction in net foreign assets (NFA). In particular, NDA grew by 45.8 per cent, in contrast to the 43.2 per cent decline in the preceding month. The draw-down of government deposits within the central bank, coupled with growth in credit extended to business enterprises and Other Financial Corporations were the main drivers of the overall surge in NDA.

On the contrary, NFA fell by 3.8 per cent, in contrast to the 7.2 per cent growth a month earlier. The fall

was explained by a decline in the central bank and commercial banks' net claims on non-residents. On a year-on-year basis, M2 grew by 6.3 per cent.

#### Components of Money Supply

Broken into its components, the growth in M2 emanated from a rise in narrow money (M1), while quasi money declined. M1 grew by 1.5 per cent, moderating from the 2.1 per cent growth recorded in October. The rise in M1 was in line with an increase in transferable deposits of business enterprises and currency outside depository corporations. In contrast, the decline in quasi money was largely due to a fall in fixed time deposits held by business enterprises, as well as savings deposits held by households.



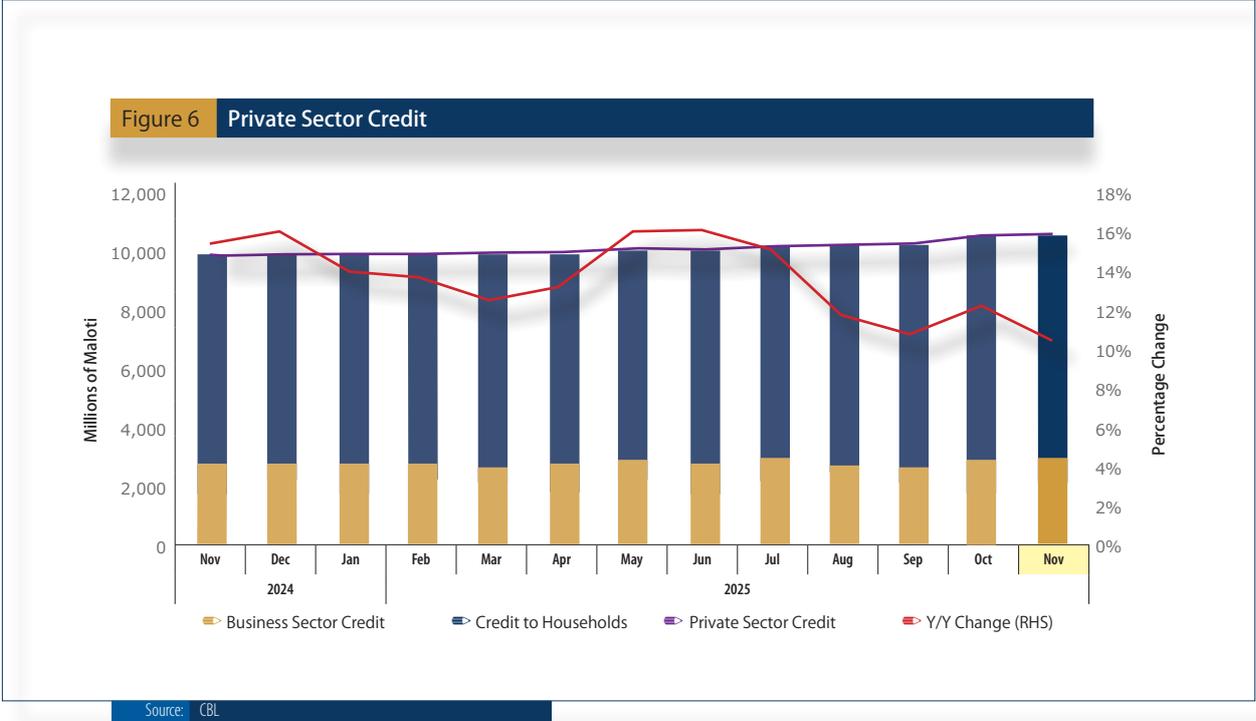
#### Private Sector Credit

In November private sector credit grew by 1.2 per cent, down from the 2.3 per cent growth. The growth was evident in both business enterprises and households. Business credit increased by 4.1 per cent, building from 3.1 per cent growth recorded

in October, while household credit rose by 0.2 per cent, moderating from the 2.0 per cent recorded in October. The growth in business credit was observed in Wholesale and Retail Trade, Restaurants and Hotels, mining and quarrying, as well as Real Estate and Business Services. Wholesale and Retail Trade, Restaurant and Hotels, commanded the highest

share of credit extension to businesses, followed by Real Estate and Business Services, while Construction completed the top three. Community, Social and Personal Services recipient of credit extension to the business sector. Regarding household credit,

mortgages largely drove the observed growth, alongside moderate growth in personal loans. On an annual basis, private sector credit grew by 13.0 per cent.



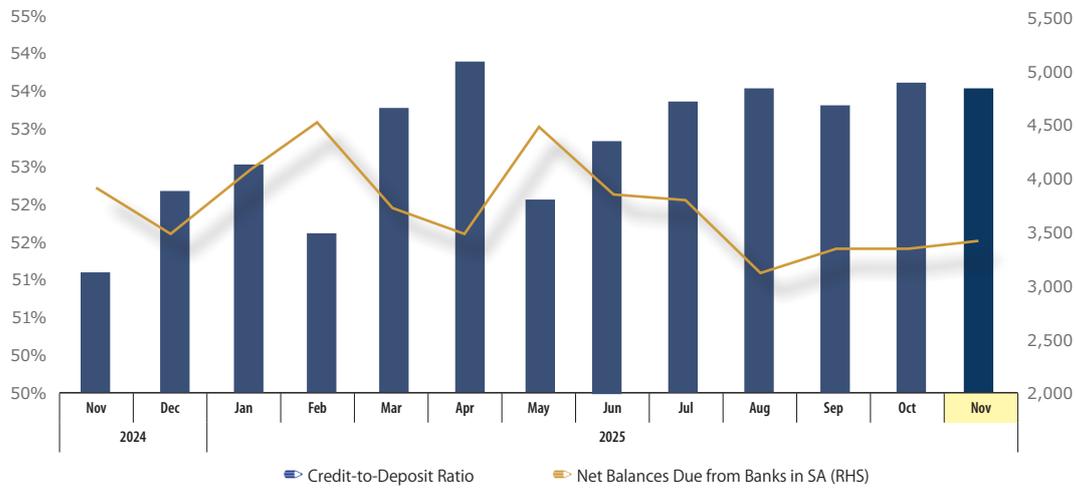
### Non-Performing Loans

The ratio of non-performing loans (NPLs) to total loans increased to 3.9 per cent in November from 3.8 per cent in October, driven by an increase in NPLs of the Households. Mortgages, which received the largest share of credit extension to households during the month, faced a surge in NPLs, with personal loans affected to a lesser degree.

### Sources of Funds

The credit-to-deposit ratio declined to 53.6 per cent in the review month, as compared to the 53.7 per cent that prevailed a month earlier. The fall was explained by growth in deposits which surpassed growth in credit extension.

**Figure 7 Credit to Deposit Ratio**



Source: CBL

## Interest Rates

The CBL rate was reduced by 25 basis points to 6.50 per cent in November. Consequently, the prime lending rate and the 1-year deposit rate declined to 10.00 and 4.80 per cent, falling by 25 and 16.97 basis points respectively. However, the 91-day treasury bill rate increased by 3 basis points to 6.92, from 6.89 per cent in the previous month.

## Foreign Exchange

The rand, hence, loti remained strong against major trading currencies in November 2025. It appreciated by 0.3 per cent against the US dollar to record an average of 17.23, 2.0 per cent to average 22.63 against the pound and by 1.0 per cent to average 19.92 against the euro. The rand was driven by both international and domestic developments. On the international front, the stronger rand was explained by the weaker US dollar. The Fed continued with

rate cuts and there are expectations of more cuts in the near future. This has boosted the relative appeal of high-yielding currencies like rand.

Domestically, the rand was mainly driven by improving fiscal and economic outlook. The medium-term budget showed increased tax revenue, explained by among others strong commodity prices and better tax enforcement. The resulting surpluses enabled government to reduce the deficit without cutting spending. This policy credibility and fiscal consolidation added strength to the rand.

Other factors that supported the rand included improving market confidence. S&P Global upgraded SA credit ratings to BB, the first upgrade in two decades. This was due to better fiscal discipline, positive progress at Eskom, and steady primary surpluses.

## IV. GOVERNMENT BUDGETARY OPERATIONS

### Expenditure

Government spending execution decelerated sharply in November 2025, with the overall rate falling to 60.6 per cent, from 82.2 per cent in October. This month-on-month contraction of 26.4 per cent in total spending was driven by broad-based reductions. Recurrent expenditure, which had surpassed its budget in the previous month, fell back markedly, with its execution rate dropping to 73.9 per cent. Key drivers of the pullback included lower disbursements for subsidies to public corporations, grants to extra-budgetary units and student grants. The execution of the development budget also weakened, edging down from 42.1 per cent to 33.1 per cent. This persistent underperformance, consistently below 50 per cent, highlights ongoing structural impediments in capital project implementation, such as procurement delays and slow contractor payments. Annually, total spending contracted by 14.3 per cent, reversing October's 11 per cent expansion.

### Revenue<sup>3</sup>

Government revenue performance weakened in November 2025, marking a sharp reversal from the previous month's growth. Excluding SACU

receipts, domestic revenue declined by 4.9 per cent, a significant downturn compared to the 14.9 per cent increase recorded in October. This contraction was driven by lower collections across key domestic streams, notably income tax, value-added tax (VAT), and water royalties, pointing to subdued economic activity.

When SACU receipts are included, the overall revenue picture deteriorates dramatically, with total revenue falling by 67.3 per cent in November. This extreme decline underscores the high dependency on these regional transfer payments. On an annual basis, total revenue experienced a marginal decline of 1.4 per cent, suggesting that the full-year position remains relatively stable.

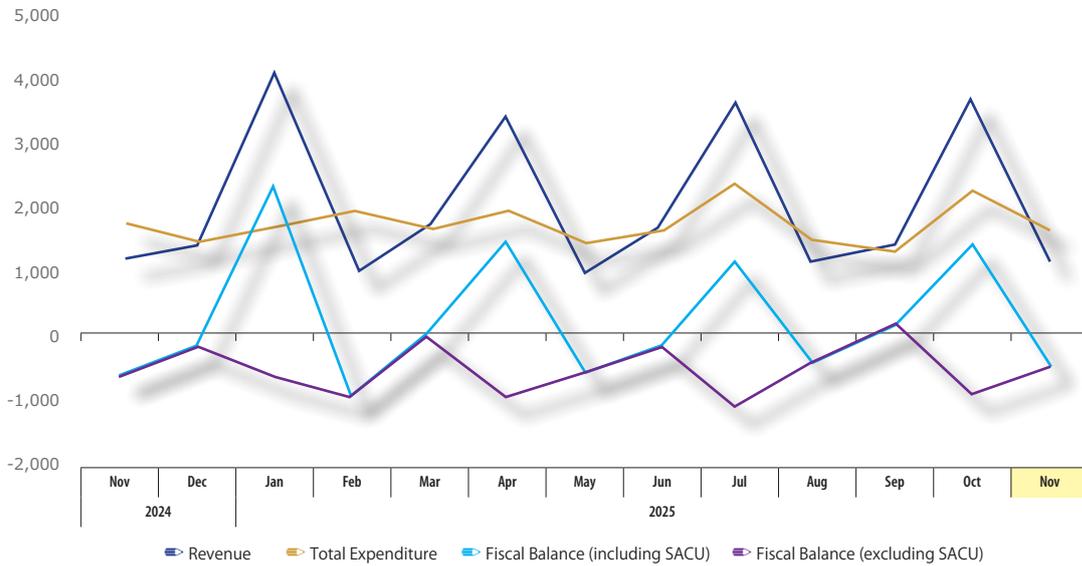
### Fiscal Balance<sup>4</sup>

The estimated fiscal deficit of 4.5 per cent of GDP in November 2025 reflects the combined pressure of declining revenue and elevated expenditure observed during the month. The shortfall was funded through a drawdown of government deposits with the banking sector, and the incurrence of liabilities, indicating a tightening liquidity position for the month and a reliance on arrears to bridge the gap.

<sup>3</sup> The monthly analysis of government revenue excludes SACU receipts, an outlier item.

<sup>4</sup> All financing items are on net basis.

**Figure 8** Government Fiscal Balance (Million Maloti)



Source: CBL and Ministry of Finance (MOF)

**Table 2: 2025/26 Government Budget Execution Tracker (Million Maloti)**

Category	Metric (Monthly)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Total	Approved budget	2724.15	2725.07	2725.08	2725.08	2725.08	2725.08	2725.08	2725.08
	<i>of which: Revisions</i>	0.00	0.92	0.01	0.00	0.00	0.00	0.00	0.00
	Outturn	1924.17	1437.88	1603.92	2356.26	1557.48	1287.32	2241.17	1650.56
Recurrent	Approved budget	1834.15	1834.17	1834.18	1834.18	1834.18	1834.18	1834.18	1834.18
	<i>of which: Revisions</i>	0.00	0.02	0.01	0.00	0.00	0.00	0.00	0.00
	Outturn	1681.46	1311.95	1329.90	2093.46	1339.94	1054.90	1866.46	1355.41
Development	Approved budget	890.01	890.91	890.91	890.91	890.91	890.91	890.91	890.91
	<i>of which: Revisions</i>	0.00	0.90	0.00	0.00	0.00	0.00	0.00	0.00
	Outturn	242.71	125.93	274.02	262.80	217.55	232.42	374.72	295.14
<b>Execution Trends</b>									
	Total	70.6%	52.8%	58.9%	86.5%	57.2%	47.2%	82.2%	60.6%
	Recurrent	91.7%	71.5%	72.5%	114.1%	73.1%	57.5%	101.8%	73.9%
	Development	27.3%	14.1%	30.8%	29.5%	24.4%	26.1%	42.1%	33.1%

Source: CBL and Ministry of Finance (MOF).

**Table 3: Cross Classification of Expenditure by Function and Economic Item (Percentage Change)**

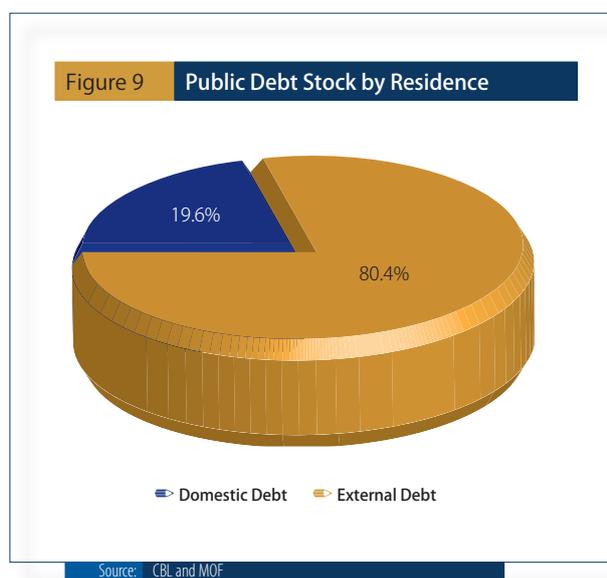
Function	Economic Item	Compensation of Employees	Use of Goods and Services	Interest Payments	Subsidies	Grants	Social Benefits	Other Expenses	Net Investment in Nonfinancial Assets	Share per Function
General Public Services		6.1%	18.1%	100.0%	0.0%	31.0%	2.0%	24.3%	15.1%	11.9%
Defence		8.0%	4.7%	0.0%	0.0%	0.0%	0.0%	0.0%	-5.3%	3.7%
Public Order and Safety		18.8%	12.3%	0.0%	0.0%	1.2%	0.0%	7.0%	2.1%	10.5%
Economic Affairs		6.6%	27.9%	0.0%	0.0%	39.9%	0.2%	0.0%	16.0%	12.3%
Environmental Protection		1.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.5%
Housing & Comm. Amenities		7.3%	6.9%	0.0%	0.0%	0.3%	0.7%	19.4%	64.2%	11.2%
Health		8.5%	25.2%	0.0%	0.0%	0.0%	1.7%	0.0%	5.1%	9.3%
Recreation, Culture, & Religion		1.1%	1.5%	0.0%	0.0%	2.3%	3.5%	3.0%	0.2%	1.6%
Education		33.1%	2.0%	0.0%	0.0%	15.9%	18.0%	0.0%	2.2%	19.0%
Social Protection		9.5%	1.2%	0.0%	0.0%	9.4%	73.9%	46.3%	0.4%	20.0%
<b>Share per Economic Item</b>		<b>41.5%</b>	<b>19.4%</b>	<b>1.9%</b>	<b>0.0%</b>	<b>6.2%</b>	<b>20.3%</b>	<b>0.4%</b>	<b>10.3%</b>	<b>100.0%</b>

Source: CBL and MOF

## V. PUBLIC DEBT

The public debt stock was estimated to have eased to 53.9 per cent of GDP in November 2025, down from a revised 55.0 per cent in the prior period. This reduction was largely attributed to favourable

exchange rate movements, which lowered the domestic currency value of external debt. Domestic debt, on the other hand, remained unchanged.



Appendix: Key Economic Indicators										
		25-Apr	25-May	25-Jun	25-Jul	25-Aug	25-Sept	25-Oct	30-Nov	
Economic Activity (MIEA (% change, M/M))		0.9	6.7	2.3	0.1	-3.3	-3.3	-3.1	0.3	
Consumer price Index (% change)	Headline Inflation (year-on-year)	4.0	4.4	4.3	4.4	4.6	4.7	4.5	4.3	
	Core Inflation	2.8	3.7	3.8	4.0	4.0	3.5	3.7	3.8	
Exchange Rates (Monthly End Period)	EUR	21.1993	20.2838	20.8169	20.7536	20.6834	20.2509	20.0185	19.8862	
	GBP	24.8261	24.1063	24.3705	23.9903	23.9264	23.1900	22.7540	22.6880	
	USD	18.9095	17.8902	17.7516	17.7498	17.7236	17.2607	17.3156	17.1666	
Money Supply (Millions of Maloti)	M2	18,874.09	19,014.18	19,018.40	19,005.19	19,014.70	19,117.53	19,629.46	19,717.23	
	M1	8,905.18	8,758.55	8,990.85	8,594.76	8,497.18	8,677.26	8,942.49	9,078.33	
	Quasi Money	9,968.92	10,255.62	10,027.56	10,410.44	10,517.52	10,440.27	10,686.97	10,638.91	
Interest Rates	CBL Rate	7.25	7.25	7.00	7.00	6.75	6.75	6.75	6.50	
	91 day Treasury bill rate	6.86	6.86	6.87	6.88	6.89	6.93	6.89	6.92	
	Prime lending rate	10.75	10.75	10.50	10.50	10.25	10.25	10.25	10.00	
	1 year deposit rate	4.56	4.56	5.12	5.12	4.97	4.97	4.97	4.80	
Private sector Credit (Millions of Maloti)		10,929.68	11,107.46	11,033.36	11,403.82	11,581.93	11,633.99	11,902.54	12,048.96	
	Households	2,930.98	2,924.56	2,988.87	3,047.52	3,085.83	3,023.53	3,117.89	3,246.49	
	Non-profit Organisations	7,998.70	8,182.89	8,044.79	8,356.30	8,496.10	8,610.46	8,784.65	8,802.47	
Bank Deposit Liabilities (Millions of Maloti)		20,100.00	21,167.00	21,102.50	21,186.90	21,453.87	21,630.04	22,005.42	22,373.90	
Credit to Deposit Ratio (%)		54.0	52.1	52.9	53.4	53.6	53.4	53.7	53.6	
Fiscal Operations (Millions of Maloti)	Fiscal Balance	1,387.91	-357.56	68.39	1,239.87	-318.58	229.94	1,345.08	-477.84	
	Total Revenue (with SACU receipts)	3,312.08	1,080.33	1,672.31	3,596.12	1,238.91	1,517.26	3,586.25	1,172.72	
	Total Expenditure	1,924.17	1,437.88	1,603.92	2,356.26	1,557.48	1,287.32	2,241.17	1,650.56	
	O/W Capital	242.71	125.93	274.02	262.80	217.55	232.42	374.72	295.14	
Total Public Debt (Millions of Maloti)		24,197.76	23,618.86	23,712.52	23,816.15	23,732.81	23,159.79	23,373.02	22,931.29	
	Total External Debt	19,756.60	19,172.06	19,114.63	19,217.90	19,134.26	18,560.27	18,875.79	18,433.86	
	External Debt	Concessional	13,363.72	12,910.03	12,855.31	12,889.20	12,845.12	12,553.75	12,795.03	12,412.60
		Non-concessional	6,392.89	6,262.02	6,259.32	6,328.70	6,289.14	6,006.53	6,080.76	6,021.26
	Domestic Debt	4,441.16	4,441.16	4,446.80	4,597.90	4,598.24	4,598.55	4,599.52	4,497.23	
Memo Item: Arrears (Millions of Maloti)		0.00	0.00	0.00	-15.35	-9.10	-23.66	-38.97	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

As part of efforts to improve the compilation of Government expenditure in line with the Government Finance Statistics Manual 2014 (GFSM 2014) of the International Monetary Fund, spending data for March 2019 was disaggregated into due-for-payments and commitments.

- Due-for-payments refer to payment instructions issued through the Government's financial information system (IFMIS) to the Central Bank of Lesotho for actual processing.
- Commitments represent pending transactions for goods and services already delivered, which may or may not have surpassed their payment due dates, and may therefore be classified as arrears depending on timing and settlement status.

This disaggregation supports GFSM 2014's emphasis on accrual-based recording. However, interest payments on loans continue to be compiled on a cash basis, while all other components—such as use of goods and services, compensation of employees, and social benefits—are recorded on an accrual basis.

In addition to economic classification, the database on spending by function was rebuilt from April 2019 onward, with historical data gradually reconstructed. The Classification of the Functions of Government (COFOG) table had last been updated in 2008/09, just before the implementation of the revised IFMIS chart of accounts.

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