Monthly ECONOMIC REVIEW

APRIL 2026

CENTRAL BANK OF LESOTHO
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I. ECONOMIC ACTIVITY[1]

Domestic economic activity slowed in April 2026, primarily due to reduced performance in the manufacturing and transport subsectors. However, this downturn was partially cushioned by resilient domestic demand along with increased activity in both construction and financial services. Meanwhile, inflationary pressures intensified, adding further strain to the economic environment.

Overall Performance Index

Economic performance weakened further in April 2026, with the Composite Indicator of Economic Activity (CIEA) declining by 0.2 per cent, following a 0.3 per cent contraction in March. This contraction was mainly driven by subdued performance in the manufacturing subsector coupled with reduced transport activity, as reflected in lower textile export volumes and reduced fuel consumption.

Despite these challenges, Private sector consumption remained strong, supported by a positive domestic demand. Meanwhile, the financial services industry recorded modest growth, reflected by increased credit to households and businesses.

Conversely, the construction subsector showed improvements, observed in higher imports of construction materials. These gains, alongside other positive developments, helped offset the broader economic slowdown, highlighting the resilience of certain sectors despite challenging conditions.

Domestic Demand Category

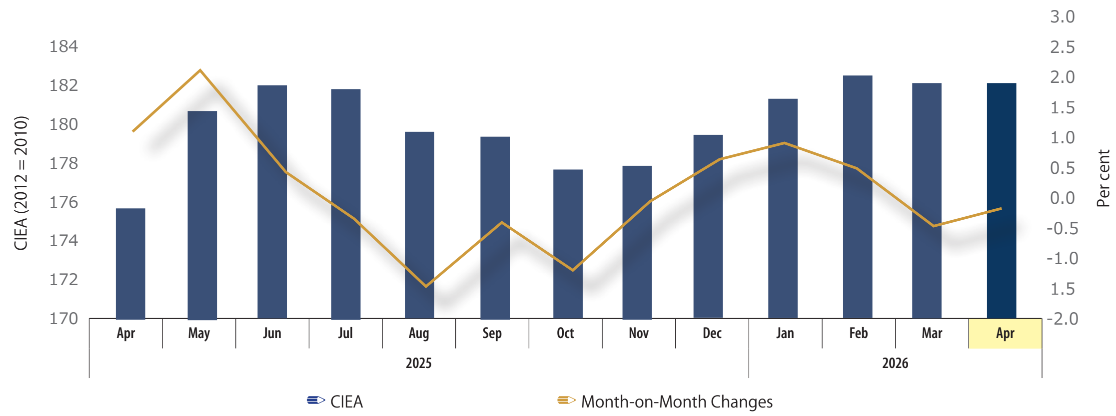
Domestic demand showed a moderate recovery during the review month, expanding by 0.5 per cent after a sharp 9.6 per cent decline in March. This recovery was driven by increase in both the private and public consumption, as reflected by a notable rise in imports of consumer goods and machinery from South Africa. While the improvement signals renewed momentum, the pattern of spending suggests a cautious environment, with households and institutions balancing optimism against lingering uncertainties.

Manufacturing and Production

The manufacturing and production subsector weakened in April 2026, with the manufacturing index falling by 5.2 per cent, reversing the 4.2 per cent growth recorded in March. The decline was largely driven by reduced textile exports to the United States and South Africa, reflecting lower external demand.

[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 Calculations

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

	2025				2026			
Indices	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
CIEA	178.5	176.7	176.9	178.7	181.0	182.4	181.8	181.6
Monthly changes	-0.2	-1.0	0.1	1.0	1.3	0.8	-0.3	-0.2
Domestic Demand Category	132.9	128.9	128.8	136.0	142.0	139.5	126.1	126.7
Monthly changes	-2.5	-3.0	-0.1	5.6	4.4	-1.8	-9.6	0.5
Manufacturing & Production Category	137.3	134.8	130.2	122.6	135.1	142.4	148.4	141.2
Monthly changes	-1.0	-1.8	-3.4	-5.9	10.2	5.4	4.2	-5.0
Transport Category	138.9	139.4	141.1	152.6	140.7	136.6	136.8	136.6
Monthly Changes	-3.7	0.4	1.2	8.2	-7.8	-2.9	-0.1	-0.1
Financial Services	113.3	113.5	113.7	114.0	114.1	114.3	114.3	114.5
Monthly Changes	0.0	0.2	0.2	0.3	0.0	0.2	0.1	0.1
Construction Category	450.1	362.3	368.7	374.2	363.2	394.9	412.5	440.5
Monthly Changes	9.1	-19.5	1.8	1.5	-2.9	8.7	4.5	6.8

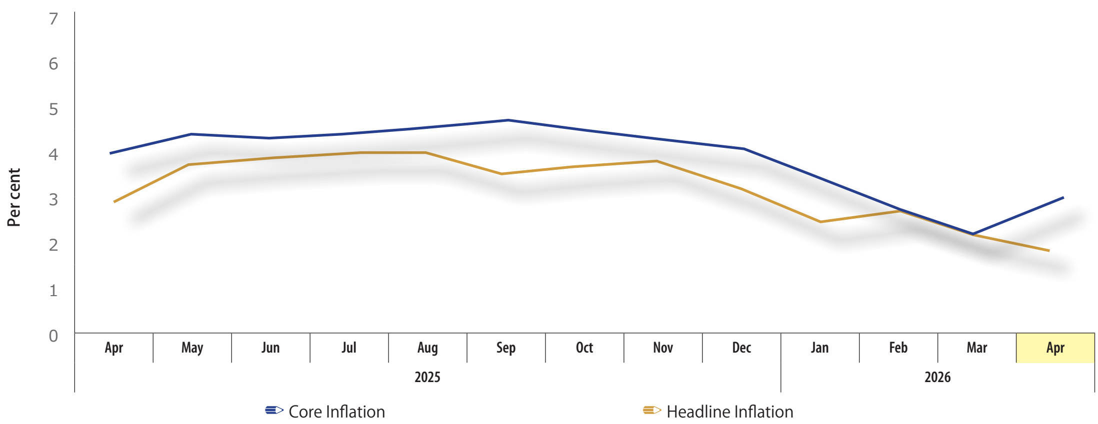
Source: CBL Calculations.

II. INFLATION AND PRICES

Headline Inflation

Headline inflation increased to 3.1 per cent in April 2026, from 2.2 per cent in March 2026. The 0.9 percentage point increase was primarily driven by rising prices in the Transport and Food and Non-Alcoholic Beverages categories.

Figure 2 Headline & Core Inflation (year-on-year changes)



Source: Lesotho Bureau of Statistics & CBL Computations

Contributions to Headline Inflation

The major contributors to the annual headline inflation rate of 3.1 per cent were Transport, Food and Non-Alcoholic Beverages, Clothing and Footwear, and Housing, Water, Electricity and Gas.

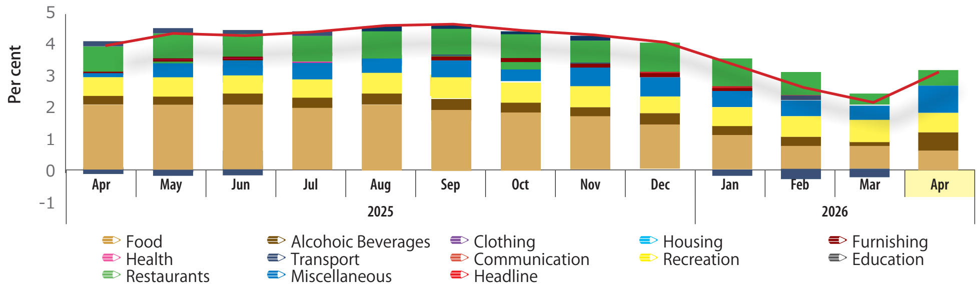
Transport accounted for the largest share of annual headline inflation during the period under review, increasing by 8.6 per cent year-on-year and contributing 0.9 percentage points to the overall inflation. The surge was mainly driven by higher international oil prices and supply disruptions linked to the geopolitical tensions in the Middle East.

Food and Non-Alcoholic Beverages inflation stood at 1.9 per cent and contributed 0.7 percentage points to the overall inflation. Food inflation continued to be driven by elevated prices of meat, despite easing price pressures in other food subcategories. Improved agricultural output and favourable supply conditions helped moderate food inflation by lowering the prices of cereals, vegetables, and edible fats and oils.

Clothing and Footwear inflation rose by 6.2 per cent year-on-year, contributing 0.5 percentage points to the overall inflation. The increase was mainly attributable to higher retail prices of imported clothing and footwear, reflecting higher transportation costs.

Meanwhile, the Housing, Water, Electricity and Gas category recorded annual inflation of 2.8 per cent, contributing 0.4 percentage points to headline inflation. The remaining CPI divisions collectively accounted for 0.6 of the annual inflation rate.

Figure 3 Contributions to Headline (Year-on-Year Changes)[2]



Source: Lesotho Bureau of Statistics & CBL Computations

Core Inflation

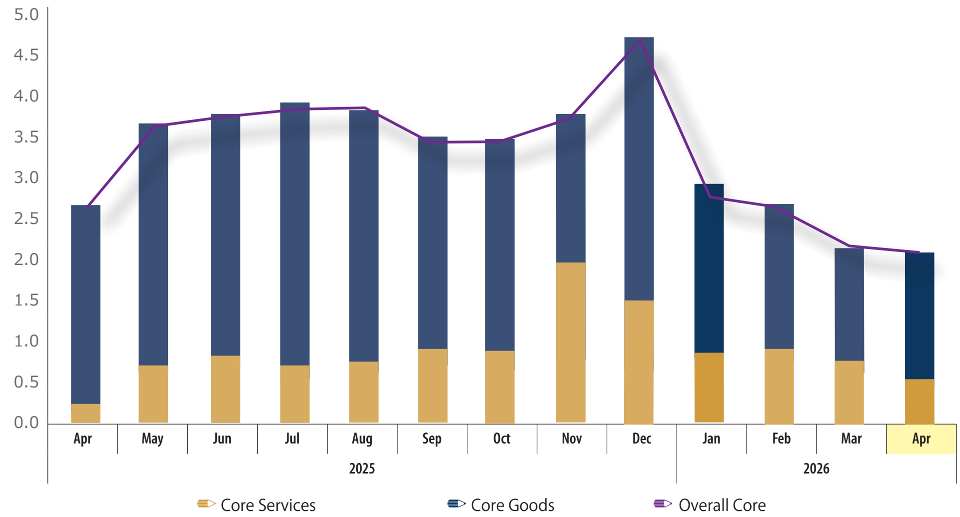
Core inflation, which excludes volatile items, declined to 2.1 per cent in April 2026 from 2.2 per cent in the previous month.

Contributions to Core Inflation

Core inflationary pressures continued to be driven primarily by the goods component, which increased by 1.6 per cent, up from 1.4 per cent in the previous period. In contrast, services core inflation moderated during the review period, declining to 0.5 per cent from 0.8 per cent in the preceding month, indicating easing inflationary pressures in the services category.

[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.

Figure 4 Contributions to Core Inflation (Year-on-Year Changes)



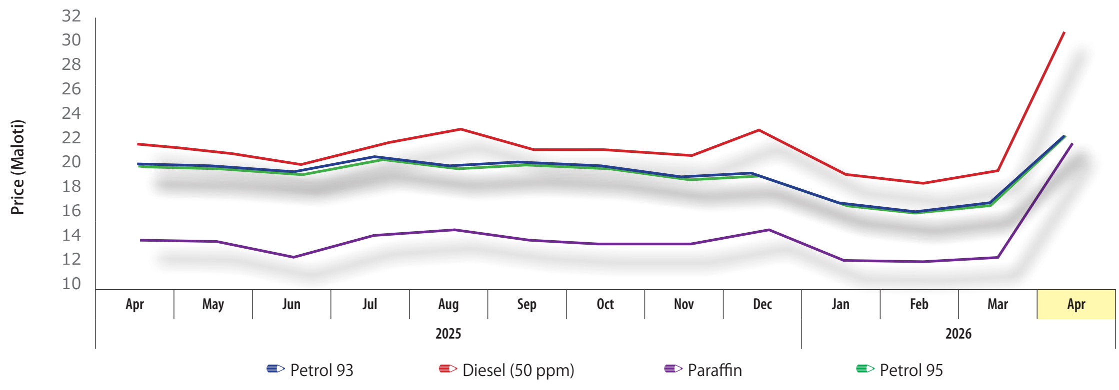
Source: Lesotho Bureau of Statistics & CBL Computations

Domestic Fuel Prices

Domestic fuel prices rose across all categories during the review period. The pump prices of $Petrol_{93}$ and $Petrol_{95}$ increased by M4.70 and M5.35 per litre, respectively, resulting in retail prices of M22.50 and M23.30 per litre, respectively. Likewise, the pump price of $Diesel_{50}$ increased by M11.10 per litre, resulting in a retail price of M30.50 per litre, while illuminating Paraffin surged by M8.00 per litre and was sold at M21.30 per litre.

The hike was on account of a surge in global oil prices, following supply disruptions linked to the US-Iran conflict. The conflict heightened concerns over oil supply routes, particularly through the Strait of Hormuz, a critical global shipping route for crude oil.

Figure 5 Domestic Fuel Prices



Source: Petroleum Fund

III. MONETARY AND FINANCIAL INDICATORS

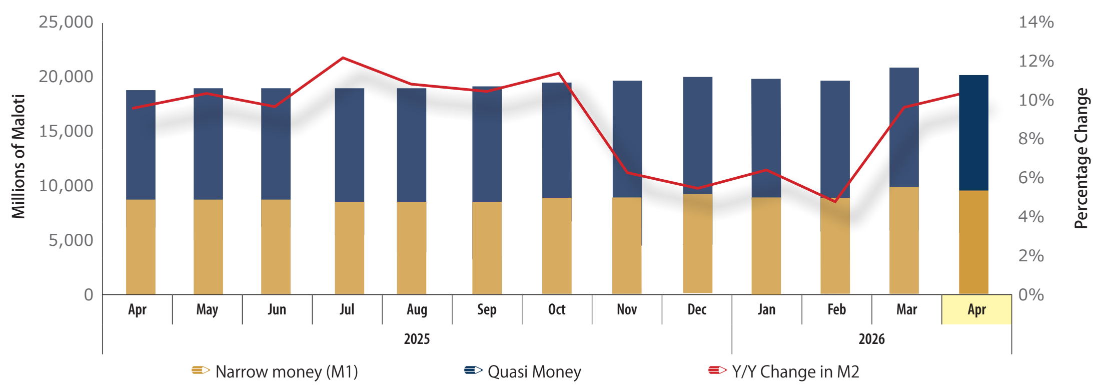
Broad Money (M2)

Money supply (M2) declined by 1.7 per cent in April 2026, contrary to the 6.9 per cent growth in March. The contraction was mainly due to a fall in net domestic assets (NDA), despite an increase in net foreign assets (NFA). In particular, NDA declined by 56.6 per cent, compared with the more than 100 per cent growth recorded in the preceding month. This contraction came as a result of a build-up in government deposits, following receipt of SACU revenue, as well as the decline in central government claims on commercial banks following redemption of part of domestic debt. This occurred despite growth in credit to the private sector. Nonetheless, NFA grew by 17.3 per cent, in contrast to the 2.5 per cent decline recorded in the prior month. The growth was driven by an increase in NFA of both central bank's and commercial banks, mainly due to an increase in claims on non-residents. On an annual basis, Year-on-year, M2 increased by 10.3 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), despite growth in quasi money. Narrow money, on the one hand, fell by 5.0 per cent, mainly driven by a drawdown in transferable deposits of business enterprises and public non-financial corporations. On the other hand, quasi money recorded a 1.3 per cent growth, largely driven by an increase call accounts held by business enterprises, fixed time deposits of business enterprises and resident households, as well as in savings of resident households.

Figure 6 Broad Money Growth

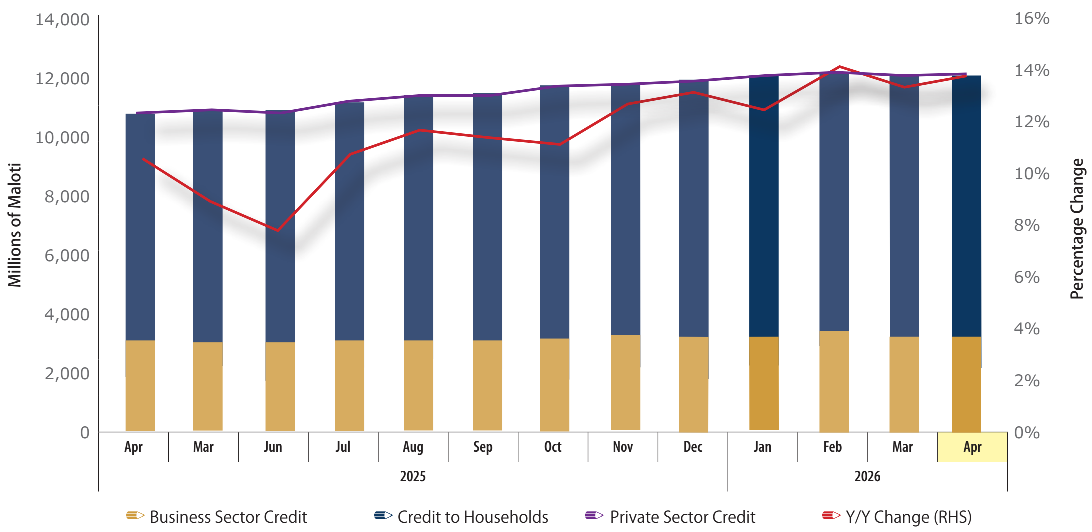


Source: CBL

Private Sector Credit

Private sector credit increased by 1.2 per cent, in contrast to a 0.3 per cent contraction in the preceding month. Growth was observable in lending to both households and business enterprises. In particular, credit to households rose by 0.9 per cent, extending the 0.6 per cent growth recorded in March. This increase was evident in both personal and mortgage loans. Similarly, credit extended to business enterprises grew by 2.1 per cent, reversing the 2.8 per cent contraction observed in the previous period. The growth in business credit was supported by a rise in credit to construction, real estate and business services subsectors. Regarding the share of credit by business enterprises, the wholesale & retail trade, restaurants & hotels commanded the highest share of credit extension, followed by real estate & business services industry, with construction completing the top three bracket. Electricity, gas and water remained the smallest recipient of credit extension. On an annual basis, private sector credit grew by 14.1 per cent.

Figure 7 Private Sector Credit



Source: CBL

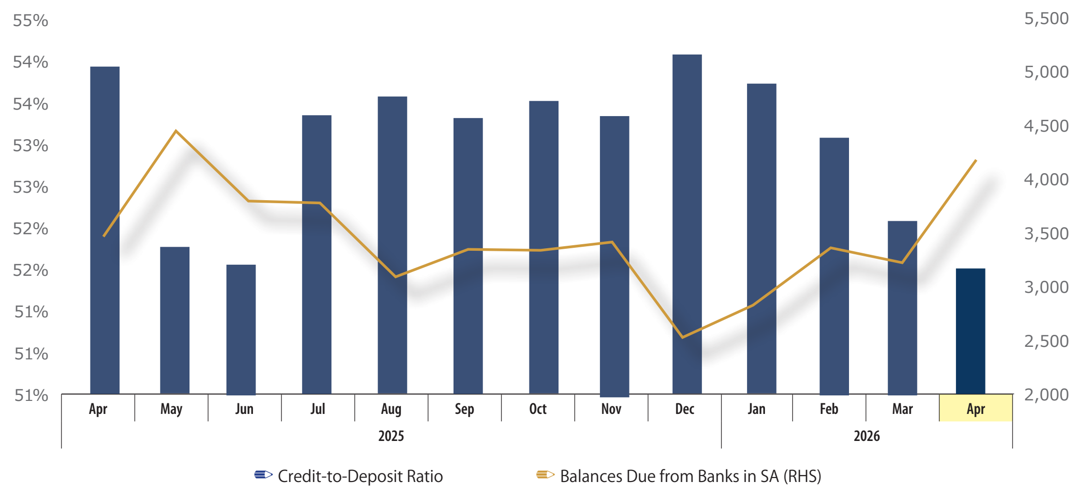
Non-Performing Loans

The ratio of non-performing loans (NPLs) to total loans declined from 3.9 to 3.7 per cent. This decline benefitted from a fall in NPLs from both households and businesses. Within the household segment, NPLs on both mortgage and personal loans declined, recording a fall of 4.6 and 0.6 per cent, respectively. Among business enterprises, the biggest fall pertained to NPLs attributed to wholesale, retail trade, restaurants & hotel and transport, storage and communications.

Sources of Funds

The credit-to-deposit ratio deteriorated to 51.7, from 52.6 per cent in the previous month. The decline was attributed to growth in deposits which outpaced growth in credit extension.

Figure 8 Credit to Deposit Ratio



Source: CBL

Interest Rates

The Central Bank of Lesotho (CBL) policy rate remained unchanged at 6.50 per cent compared to the preceding month earlier. As a result, both the prime lending rate and the one-year deposit rate held steady at 10.0 and 4.80 per cent. However, the 91-day Treasury bill rate edged up by 2 basis points to 6.92 per cent.

Foreign Exchange

The rand, hence, loti strengthened against its major trading currencies in April 2026. It appreciated by 1.51 per cent to the monthly average of 16.53 against the dollar, by 0.54 per cent against the pound to the average of 22.75, and by 0.15 per cent to the monthly average of 19.35 against the euro. The key drivers of rand performance included both international and domestic factors. The dollar was weaker in April, as the dollar index was below its critical psychological anchor of 100. This was due to shifting risk sentiment towards emerging markets, South Africa included. South Africa experienced a strong precious metal export revenues in the review period, which led to a substantial growth in trade surplus. This was further supported by high and elevated international prices for gold and platinum in the international markets. The progress in domestic structural reforms was taking momentum and together with the environment of relatively lower inflation, supported the rand. Moreover, the rand benefited from improved fiscal management, which boosted investor sentiment.

IV. GOVERNMENT BUDGETARY OPERATIONS

Expenditure

Government expenditure increased by 17.9 per cent in April 2026, following a revised decline of 8.0 per cent in March. Contrary to the typically subdued execution at the start of the fiscal year, April recorded a relatively high execution rate of 81.3 per cent, mainly driven by elevated recurrent spending. This reflected higher transfers to parastatals, relatively higher payments of old-age benefit following deferment in the previous month, and student grant disbursements. Functional spending remained concentrated in the education and social protection sectors.

On an annual basis, total expenditure rose by 12.3 per cent.

Revenue[3]

Government revenue, excluding SACU receipts, declined by 14.6 per cent in April 2026. The decrease was mainly driven by lower income tax collections and the absence of the one-off annual recording of rand monetary compensation that had boosted revenue in March. Including SACU receipts, total revenue increased sharply, reflecting the first-quarter SACU transfer received during the month.

Despite the monthly decline in non-SACU revenue, total revenue increased by 20.7 per cent year-on-year, supported by SACU receipts, stronger VAT collections, income tax, and water royalties. SACU receipts for the current fiscal year increased by 9.7 per cent, compared with a 20.5 per cent decline recorded in the previous fiscal year.

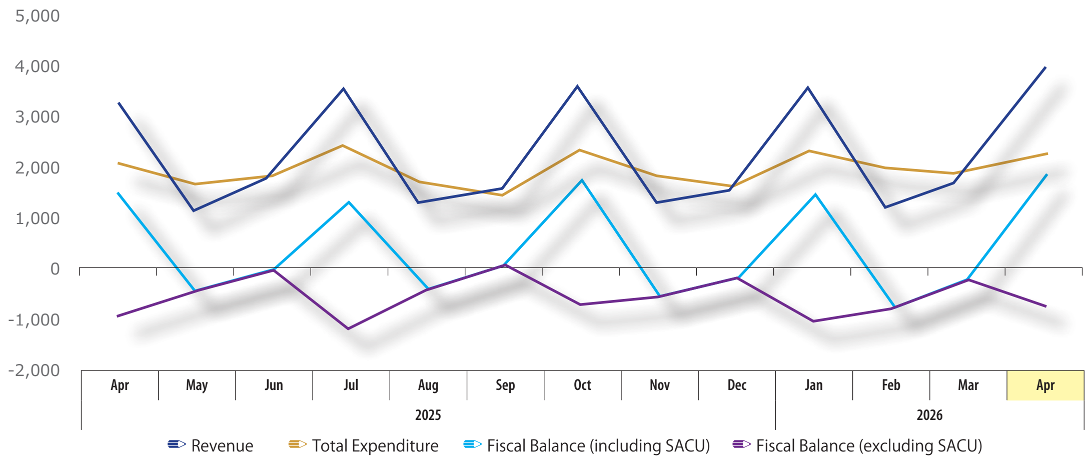
Fiscal Balance[4]

The fiscal balance recorded a surplus equivalent to 17.0 per cent of GDP in April 2026, compared with a revised deficit of 1.7 per cent of GDP in March. The surplus contributed to an increase in government deposits within the banking system, which was eventually utilised to settle the outstanding supplier arrears, thereby reducing overall liabilities. The higher deposits also expanded the stock of financial assets.

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

[4] All financing items are on net basis.

Figure 9 Government Fiscal Balance (Million Maloti)



Source: CBL and Ministry of Finance (MOF)

Table 2: 2026/27 Government Budget Execution Tracker (Billion Maloti)

CATEGORY	APR	TOTAL
TOTAL		
Approved budget (monthly)	2.70	
Outturn	2.19	
RECURRENT		
Approved budget	1.96	
Outturn	2.06	
DEVELOPMENT		
Approved budget	0.73	
Outturn	0.13	

EXECUTION TRENDS	
TOTAL	81.3%
RECURRENT	105.1%
DEVELOPMENT	17.9%

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	5.8%	8.8%	100.0%	0.0%	16.8%	1.7%	0.0%	82.6%	**9.2%**
Defence	7.8%	4.8%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	**3.0%**
Public Order and Safety	16.6%	11.0%	0.0%	0.0%	1.0%	0.0%	0.4%	2.5%	**6.7%**
Economic Affairs	6.2%	17.2%	0.0%	0.0%	60.8%	0.0%	0.0%	0.0%	**16.9%**
Environmental Protection	0.8%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.3%**
Housing & Comm. Amenities	5.6%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	14.9%	**1.9%**
Health	15.9%	57.4%	0.0%	100.0%	0.0%	2.2%	0.0%	0.0%	**18.7%**
Recreation, Culture, & Religious	1.1%	0.0%	0.0%	0.0%	0.8%	0.0%	0.0%	0.0%	**0.5%**
Education	31.3%	0.2%	0.0%	0.0%	9.2%	0.0%	99.3%	0.0%	**26.6%**
Social Protection	8.9%	0.3%	0.0%	0.0%	11.4%	96.0%	0.0%	0.0%	**16.1%**
Share per Economic Item	**33.2%**	**8.2%**	**2.4%**	**8.5%**	**22.2%**	**11.0%**	**14.2%**	**0.3%**	**100.0%**

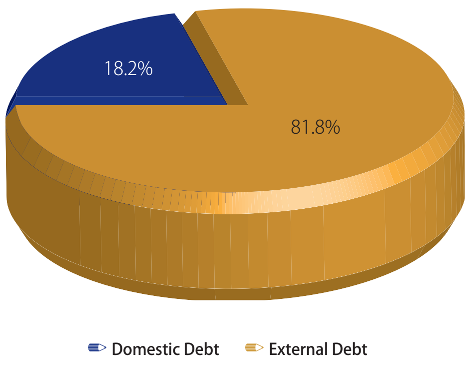
Source: CBL and MOF

V. PUBLIC DEBT

The stock of public debt was estimated at 52.3 per cent of GDP in April 2026, reflecting a marginal improvement from the March outturn. The domestic securities portfolio remained unchanged during the month, while external loan obligations declined marginally. External debt remained the largest component of the portfolio, accounting for 81.8 per cent of total public debt. Concessional borrowing continued to serve as the main source of external financing, with 75.4 per cent of external debt contracted on concessional terms in March, increasing slightly to 75.6 per cent in April.

Debt-service dynamics showed a marked normalisation in April. The external debt-service-to-revenue ratio declined to 4.3 per cent, following a revised estimate of 51.7 per cent in March. The spike in March was attributed to substantial one-off external principal repayments, particularly on export-credit and bilateral loans, which significantly exceeded typical scheduled repayments. With no comparable repayments falling due in April, external debt-service obligations reverted to their normal, low levels.

Figure 9 Public Debt Stock by Residence



Source: CBL and MOF

Appendix: Key Economic Indicators

		25-Sept	25-Oct	25-Nov	25-Dec	26-Jan	26-Feb	26-Mar	26-Apr
Economic Activity *(MIEA (% change, M/M)*		-0.2	-1.0	0.1	1.0	1.3	0.8	-0.3	-0.1
Consumer price Index *(% change)*	*Headline Inflation (year-on-year)*	4.7	4.5	4.3	4.1	3.4	2.7	2.2	3.1
	Core Inflation	3.5	3.7	3.8	3.2	2.4	2.7	2.2	2.1
Exchange Rates *(Monthly End Period)*	*EUR*	20.2509	20.0185	19.8862	19.4934	18.9712	18.7722	19.6400	19.7021
	GBP	23.1900	22.7540	22.6880	22.3515	21.8862	21.4210	22.6200	22.7451
	USD	17.2607	17.3156	17.1666	16.6080	15.9163	15.9028	17.1300	16.8984
Money Supply (Millions of Maloti)	*M2*	19,117.53	19,629.46	19,717.23	20,055.61	19,737.22	19,813.80	21,178.33	20,819.53
	M1	8,677.26	8,942.49	9,078.33	9,232.60	9091.94	9,071.16	10,027.06	9,529.02
	Quasi Money	10,440.27	10,686.97	10,638.91	10,823.01	10,645.28	10,742.64	11,151.27	11,290.51
Interest Rates	*CBL Rate*	6.75	6.75	6.50	6.50	6.50	6.50	6.50	6.50
	91 day Treasury bill rate	6.93	6.89	6.92	6.94	6.93	6.84	6.90	6.92
	Prime lending rate	10.25	10.25	10.00	10.00	10.00	10.00	10.00	10.00
	1 year deposit rate	4.97	4.97	4.80	4.80	4.80	4.80	4.80	4.80
Private sector Credit *(Millions of Maloti)*		11,633.99	11,902.54	12,048.96	12,089.08	12,167.47	12,361.73	12,322.00	12,469.18
	Business Enterprises	3,023.53	3,117.89	3,246.49	3,127.35	3,154.69	3,305.27	3,212.58	3,279.95
	Households	8,610.46	8,784.65	8,802.47	8,961.73	9,012.78	9,056.46	9,109.42	9,189.23
Bank Deposit Liabilities *(Millions of Maloti)*		21,630.04	22,005.42	22,373.90	22,191.58	22,456.57	22,983.01	23,412.97	23,935.36
Credit to Deposit Ratio (%)		53.4	53.7	53.6	54.0	53.8	53.4	52.6	51.7
Fiscal Operations *(Millions of Maloti)*	*Fiscal Balance*	150.51	1,591.31	-511.45	-108.51	1,349.25	-798.56	-179.01	1,803.14
	Total Revenue	1,517.26	3,855.31	1,226.43	1,546.73	3,648.39	1,222.71	1,681.01	3,996.42
	Total Expenditure	1,366.75	2,264.01	1,737.88	1,655.25	2,299.14	2,021.27	1,860.02	2,193.28
	O/W Capital	251.19	376.50	313.91	253.67	254.60	515.70	549.29	131.12
Total Public Debt *(Millions of Maloti)*		23,224.11	23,440.26	23,020.36	22,659.27	25,053.22	25,100.69	22,244.25	22,240.08
	Total External Debt	18,624.59	18,943.03	18,522.93	18,059.90	20,454.75	20,500.23	18,196.88	18,192.72
External Debt	*Concessional*	13,847.89	14,093.95	13,704.13	13,318.61	15,757.51	15,815.20	13,711.69	13,748.42
	Non-concessional	4,776.70	4,849.08	4,818.80	4,741.29	4,697.24	4,685.03	4,485.19	4,444.30
Domestic Debt		4,599.52	4,497.23	4,497.43	4,599.37	4,598.47	4,600.46	4,047.37	4,047.37
Memo Item: Arrears *(Millions of Maloti)*		-38.97	-6.46	-2.40	-7.51	-49.43	-37.29	-37.45	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.

Enquiries relating to this Publication should be addressed to:

Statistics Division
Research Department, Central Bank of Lesotho

Central Bank of Lesotho
Corner Airport and Moshoeshoe Roads • Maseru Central • P. O. BOX 1184 • Maseru 100

Phone: (+266) 2231 4281 / 2223 2000 • Fax: (+266) 2231 0051 • E-mail: info@centralbank.org.ls