



# Monthly

# ECONOMIC REVIEW

FEBRUARY 2026

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

There was a growth in Domestic economic activity in February 2026, driven by improved performance within the manufacturing, construction, and financial services subsectors. However, this momentum was partially offset by weak domestic demand and subdued activity in the transport subsectors. Inflationary pressures continued on a downward trajectory during the review period.

### Overall Performance Index

The Composite Indicator of Economic Activity (CIEA) recorded a 0.8 per cent increase in February 2026 from a 1.8 per cent increase observed in January 2026. This lower growth relative to the previous month was due to weaker domestic demand, and a sluggish performance of transport subsectors. These developments were evidenced by lower private consumption and reduced fuel consumption, respectively.

The overall growth was mainly supported by the rebounding manufacturing subsector, with relatively higher volumes of textile's exports. Growth was further reinforced by improved performance in the financial services and construction subsector. This was evident in increased private sector credit extension and higher volume of construction materials.

### Domestic Demand Category

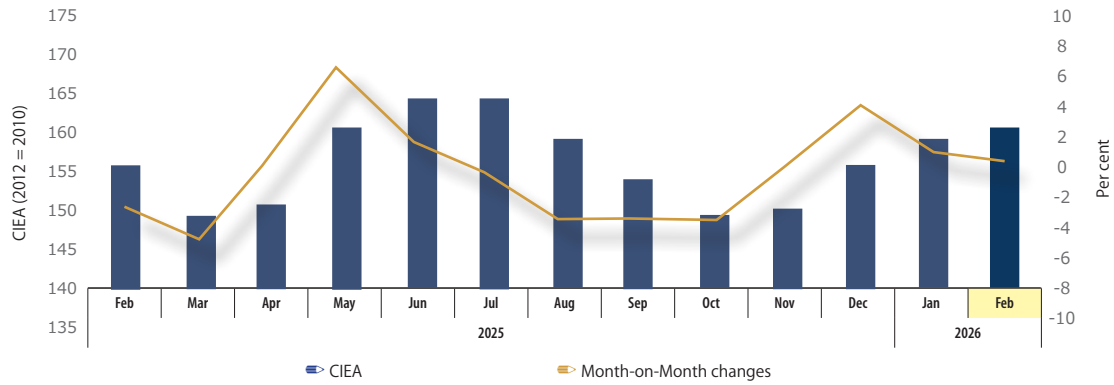
The Domestic Demand Index exhibited a downturn in February 2026, falling by 3.1 per cent from a robust 6.8 per cent observed in January 2026. The decline was largely on account of weak private consumption, reflected by decreased import volumes of consumer goods.

### Manufacturing and Production

The Manufacturing and Production Index registered an increase of 3.8 per cent in February from 3.2 per cent increase observed in January 2026. This was primarily driven by a surge in textile exports to the United States, as several manufacturing firms scaled up production in response to the one-year extension of the African Growth and Opportunity Act (AGOA). In addition, increased textile exports to South Africa provided further support, contributing to the overall improvement in manufacturing activity.

<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         |              |              |              |              |              | 2026         |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  | Jul          | Aug          | Sep          | Oct          | Nov          | Dec          | Jan          | Feb          |
| <b>CIEA</b>                                    | <b>131.0</b> | <b>126.6</b> | <b>122.6</b> | <b>118.8</b> | <b>119.4</b> | <b>124.5</b> | <b>126.3</b> | <b>127.3</b> |
| Monthly changes                                | 0.1          | -3.3         | -3.2         | -3.1         | 0.5          | 4.3          | 1.5          | 0.8          |
| <b>Domestic Demand Category</b>                | <b>114.7</b> | <b>111.5</b> | <b>108.8</b> | <b>105.1</b> | <b>108.9</b> | <b>111.8</b> | <b>119.3</b> | <b>115.6</b> |
| Monthly changes                                | -5.5         | -2.8         | -2.4         | -3.4         | 3.6          | 2.6          | 6.8          | -3.1         |
| <b>Manufacturing &amp; Production Category</b> | <b>111.3</b> | <b>107.0</b> | <b>102.7</b> | <b>105.7</b> | <b>101.5</b> | <b>99.2</b>  | <b>102.3</b> | <b>106.2</b> |
| Monthly changes                                | -3.9         | -3.8         | -4.1         | 2.9          | -3.9         | -2.3         | 3.2          | 3.8          |
| <b>Transport Category</b>                      | <b>106.8</b> | <b>108.0</b> | <b>103.1</b> | <b>102.0</b> | <b>100.8</b> | <b>109.4</b> | <b>101.3</b> | <b>100.2</b> |
| Monthly Changes                                | 6.6          | 1.2          | -4.6         | -1.0         | -1.2         | 8.6          | -7.4         | -1.1         |
| <b>Financial Services</b>                      | <b>202.7</b> | <b>202.1</b> | <b>202.7</b> | <b>204.4</b> | <b>207.1</b> | <b>210.9</b> | <b>212.1</b> | <b>215.1</b> |
| Monthly Changes                                | 0.5          | -0.3         | 0.3          | 0.8          | 1.3          | 1.8          | 0.6          | 1.4          |
| <b>Construction Category</b>                   | <b>138.1</b> | <b>113.6</b> | <b>117.2</b> | <b>98.4</b>  | <b>106.1</b> | <b>107.7</b> | <b>93.5</b>  | <b>101.0</b> |
| Monthly Changes                                | 17.8         | -17.7        | 3.2          | -16.0        | 7.8          | 1.8          | -13.2        | 8.1          |

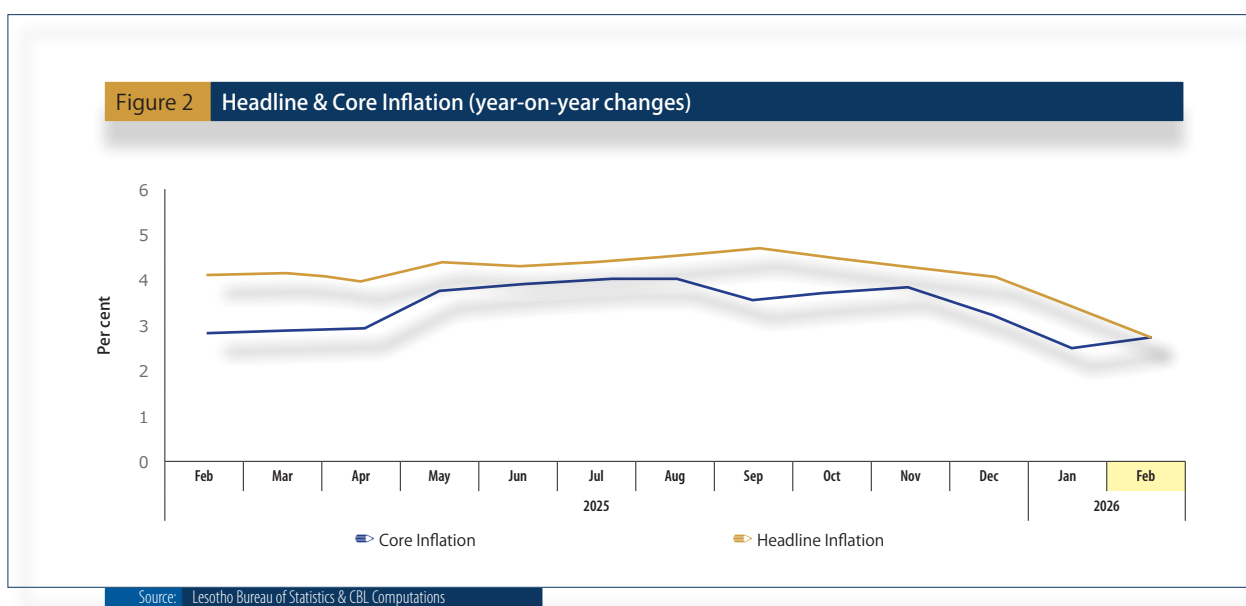
Source: CBL Calculations.

## II. INFLATION AND PRICES

### Headline Inflation

Headline inflation moderated to 2.7 per cent in February 2026, from 3.4 per cent in January 2026. The easing in inflation was primarily driven by lower price pressures in the transport and food categories. The moderation in transport inflation largely reflected

a decline in domestic fuel prices, underpinned by lower international oil prices and an appreciation of the domestic currency. Meanwhile, food inflation eased due to softer prices of vegetables and cereals, supported by improved supply conditions and favourable harvest outcomes.



### Contributions to Headline Inflation

Annual headline inflation of 2.7 per cent in February 2026 was primarily driven by price pressures in Food and Non-Alcoholic Beverages; Clothing and Footwear; Housing, Water, Electricity and Gas; as well as Restaurants and Hotels.

Prices of Food and Non-Alcoholic Beverages increased by 2.6 per cent year-on-year, contributing 0.9 percentage points to the overall inflation rate. The rise was largely driven by elevated meat prices. In particular, red meat prices remained high due to the effects of foot-and-mouth disease, which constrained supply. This prompted a substitution towards poultry products, thereby, increasing demand and exerting upward pressure on chicken prices.

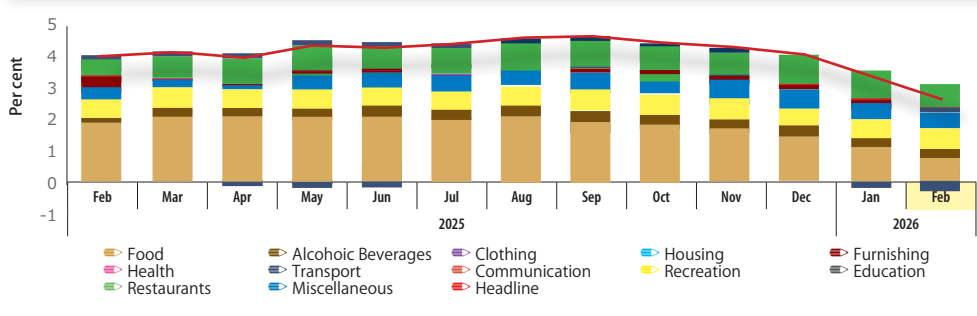
However, these pressures were partially offset by declines in cereal prices, reflecting lower maize prices amid favourable and strong harvest conditions.

Inflation in Clothing and Footwear accelerated to 7.4 per cent, contributing 0.6 percentage points to headline inflation.

The Housing, Water, Electricity and Gas category recorded an annual increase of 3.7 per cent, contributing 0.5 percentage points. This was largely driven by the stickiness of utility costs, particularly electricity tariffs, which continue to exert sustained upward pressure on inflation.

Inflation in Restaurants and Hotels remained elevated at 8.9 per cent, contributing a further 0.5 percentage points.

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



Source: Lesotho Bureau of Statistics & CBL Computations

### Core Inflation

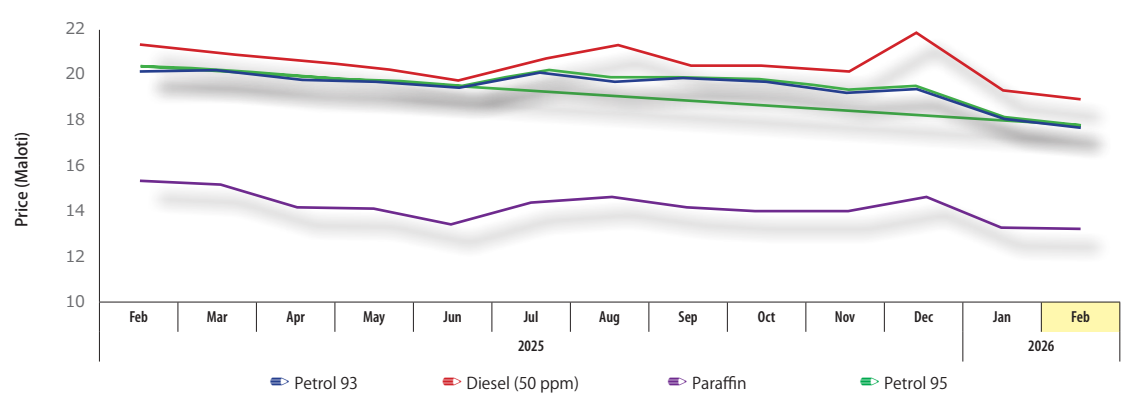
Likewise, the Core inflation, which measures underlying inflationary pressures by excluding volatile items, increased to 2.7 per cent in February 2026, up from 2.4 per cent in the previous month. Despite this uptick, the outturn suggests that demand-driven and second-round inflationary pressures remained relatively contained.

### Domestic Fuel Prices

Domestic fuel prices decreased across all categories

during the review period. The pump price of Petrol<sub>93</sub> and Petrol<sub>95</sub> decreased by M0.45 and M0.50 per litre, respectively, resulting in a retail price of M17.60 and M17.70 per litre, respectively. Similarly, the pump price of diesel<sub>50</sub> decreased by M0.15 per litre, resulting in a retail price of M18.85 per litre, while illuminating Paraffin decreased by M0.10 per litre and was sold at M13.00 per litre. The observed declines were primarily attributable to increased global oil supply from OPEC+ member countries, alongside an appreciation of the domestic currency, which collectively exerted downward pressure on international 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

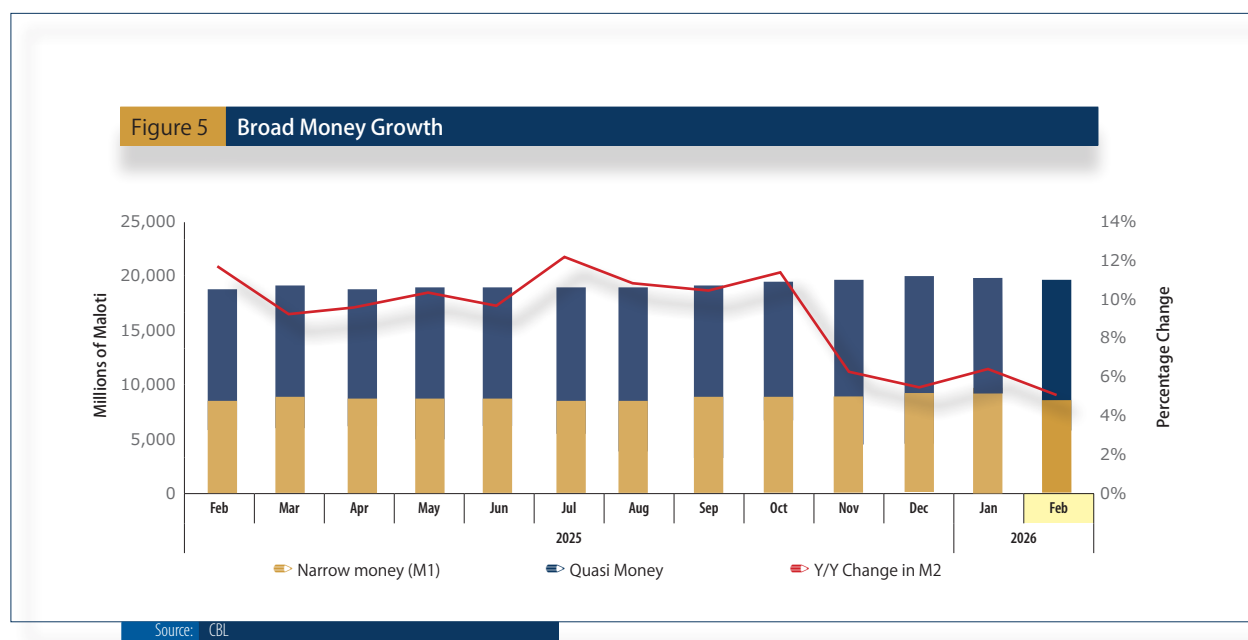
#### Broad Money (M2)

In February 2026, money supply (M2) increased by 0.4 per cent, contrary to the 1.6 per cent contraction observed in January 2026. The growth in M2 was driven by a rise in net domestic assets (NDA), despite a contraction in net foreign assets (NFA). NDA grew by 61.0 per cent, in contrast to the 64.3 per cent decline observed in the preceding month. The overall growth in NDA was attributed to a decline in government deposits with the central bank, along with an increase in claims on the private sector and other financial corporations. On the contrary, NFA decreased by 2.1 per cent, in contrast to 6.6 per cent growth a month earlier. This decline emanated mainly from central bank NFA as the decline in claims on non-residents outweighed the fall in liabilities to

non-residents. On a year-on-year basis, M2 grew by 4.9 per cent.

#### Components of Money Supply

The expansion of M2, when disaggregated into its components, was driven by growth in quasi money, which more than offset the decline in narrow money. Quasi money grew by 0.9 per cent, while narrow money contracted by 0.2 per cent. The surge in quasi money, ranked in order of importance, was driven by the growth in savings of the private sector, followed by call accounts of the private sector and public non-financial corporations. Meanwhile, the contraction in narrow money was driven by a reduction in transferrable deposits of other financial corporations.



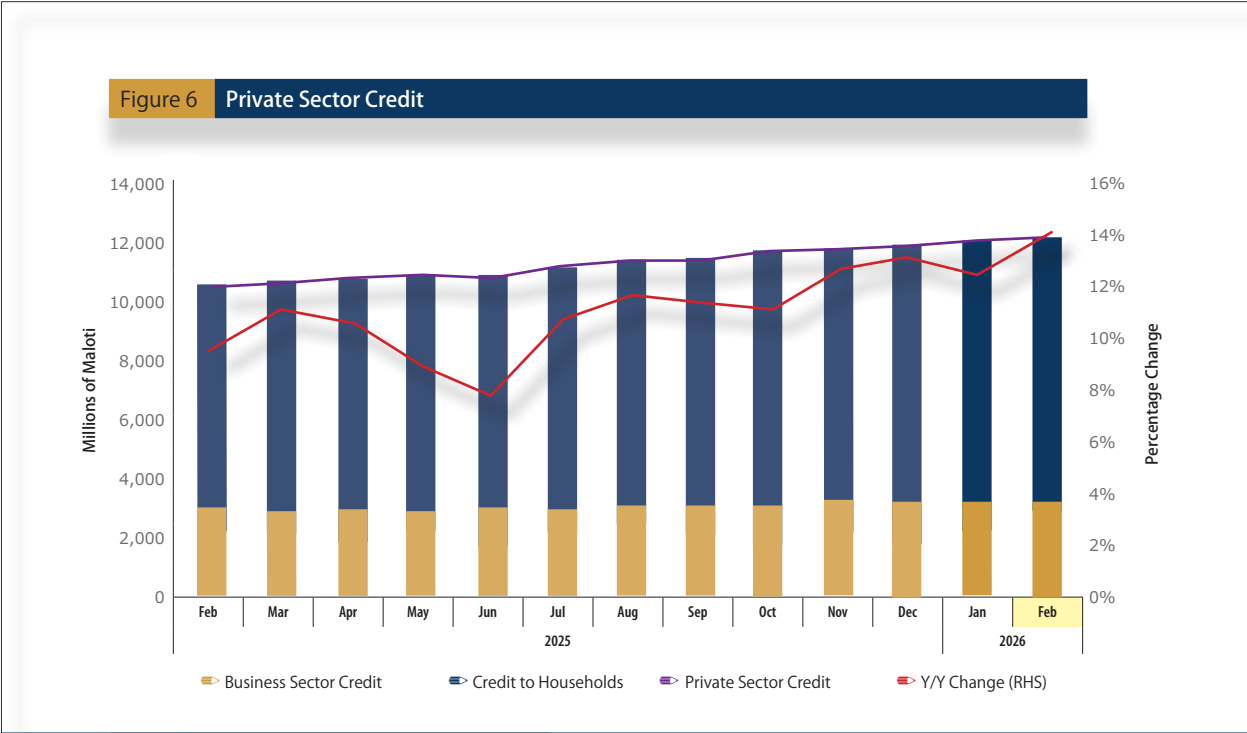
#### Private Sector Credit

In February 2026, private sector credit increased by 1.6 per cent, up from 0.7 per cent growth in January 2026. Growth in credit was observable in both business enterprises and households, which recorded growth rates of 4.8 per cent and 0.5 per

cent, respectively. In the review month, the growth in business credit was largely driven by an increase in loans extended to businesses in the Mining and Quarrying sector. Growth in household credit was modest and largely driven by personal loans, which increased by 36.0 million Maloti compared to mortgages, which recorded a smaller increase

of 5.7 million Maloti. In terms of business credit distribution, the Wholesale and Retail Trade, Restaurant and Hotels, commanded the highest share of credit extension, followed by Real Estate and

Business Services, while Construction completed the top three. Electricity, gas and water remained the smallest recipient of business credit.



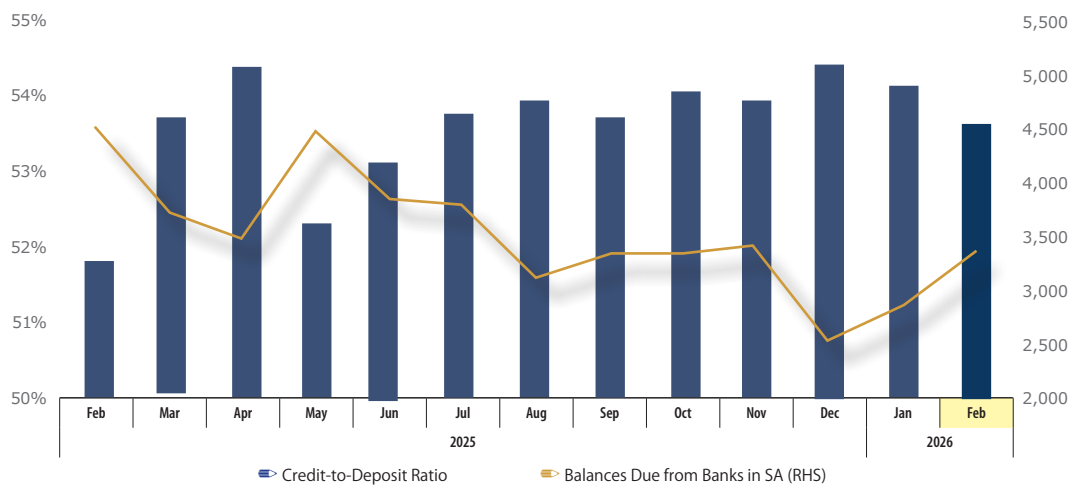
### Non-Performing Loans

The overall ratio of non-performing loans (NPLs) remained steady at 4.0 per cent. Within this, households’ NPLs rose slightly by one percentage point to 4.3 per cent from 4.2 per cent, while NPLs for businesses fell to 3.3 per cent from 3.5 per cent.

### Sources of Funds

The credit-to-deposit ratio declined to 53.4 per cent in the review month, down from 53.8 per cent in the previous month. This decline was driven by faster growth in overall commercial banks’ deposits liabilities, which surpassed growth to private sector credit.

**Figure 7 Credit to Deposit Ratio**



Source: CBL

## Interest Rates

The Central Bank of Lesotho key policy rate remained unchanged at 6.50 per cent. Consequently, the prime lending rate and the 1-year deposit rate held steady at 10.00 and 4.80 per cent, respectively. Meanwhile, the 91-day treasury bill rate decreased by 9 basis points to 6.84 per cent from 6.93 per cent in the previous month.

## Foreign Exchange

The rand, hence, loti, strengthened further against major global trading currencies in February 2026. It appreciated by 1.6 per cent to the monthly average of 16.00 against the US dollar, 1.2 per cent to the monthly average of 21.75 against the pound and 1.3 per cent to the monthly average of 18.93 against the euro. The performance of the rand was influenced by both international and domestic factors.

Internationally, there was an increase in risk in global financial markets due to rising geo-political tensions, which culminated in the military conflicts in the Middle East. This has boosted the external balance

of South Africa and thus supported the rand. The dollar continued to be weaker during the review period, due to mounting expectations of further rate cuts resulting in capital flight and a shift to higher yields in emerging markets such as South Africa. Furthermore, there were signs of easing trade tensions following the ruling by the Supreme Court that some tariffs be removed. This boosted investor sentiment globally.

Domestically, the rand was mainly supported by a surge in commodity prices, particularly the price of gold, due to increased safe-haven demand. This was coupled with the release of inflation statistics indicating that inflation had been contained and converged towards 3 per cent target. Furthermore, the South African Reserve Bank kept the repo rate unchanged in January and indicated its commitment to anchoring inflation expectations to the new inflation target. The credibility of the bank to maintaining lower inflation boosted the market sentiment in South Africa. The rand was also supported by stabilising electricity supply in South Africa and the narrowing fiscal deficit, during the review period.

## IV. GOVERNMENT BUDGETARY OPERATIONS

### Expenditure

Government expenditure increased by 11.8 per cent in February 2026, following a strong 38.9 per cent rise in January. The monthly increase was mainly driven by higher subsidies, grants, and other expenses, reflecting elevated transfers during the month. Interest payments also rose, while compensation of employees increased modestly. In contrast, spending on goods and services contracted sharply, moderating overall recurrent expenditure growth.

Capital spending remained weak, contracting by 44.7 per cent, underscoring ongoing implementation challenges in public investment projects. On an annual basis, total expenditure rose by 19.9 per cent. Budget execution patterns reinforce this picture. Total execution reached 94.3 per cent, driven by recurrent spending, which overshot its monthly allocation at 132.5 per cent. In contrast, development spending remained severely under-executed at 15.8 per cent, highlighting persistent implementation constraints.

Functional data show that spending pressures were concentrated in Economic Affairs, Health, Education, and Social Protection, which together accounted for the largest shares of both recurrent spending and capital outlays. Overall, the expenditure profile for February reflected rising pressures from transfers and interest payments, coupled with subdued

capital spending and strong recurrent execution, with implications for the pace of economic activity and the composition of fiscal consolidation efforts.

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

Government revenue performance, excluding SACU receipts, continued to decline in February 2026, registering a contraction of 9.7 per cent, compared to a deeper fall of 12.5 per cent in January 2026. The decline was mainly driven by lower tax receipts, particularly from income tax, value-added tax, and excise taxes. Water royalties also fell by 2.5 per cent, extending the weak performance observed since November 2025.

On an annual basis, revenue increased by 10.6 per cent, largely reflecting the high levels of water royalties. This compares to an annual growth rate of 25.2 per cent recorded in the previous month.

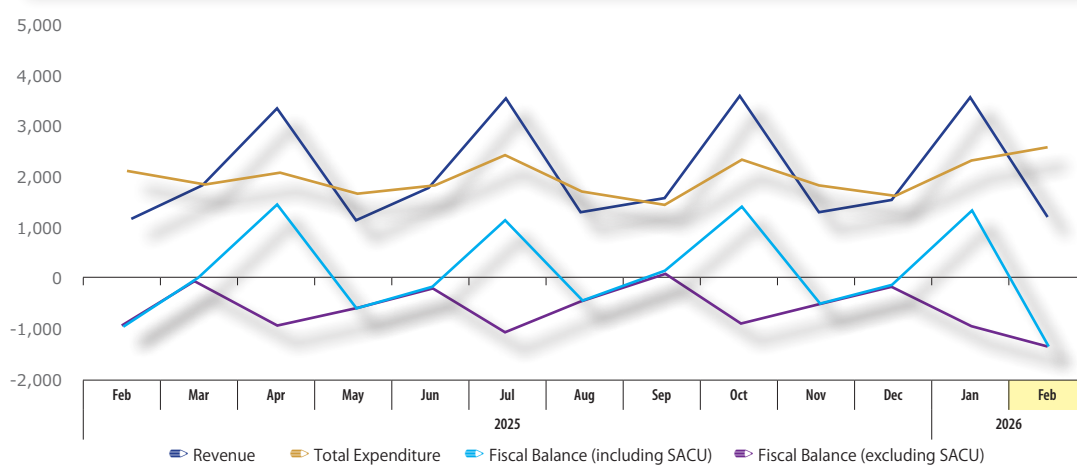
### Fiscal Balance<sup>4</sup>

The fiscal balance registered a deficit of 12.7 per cent of GDP in February 2026. The deficit was financed mainly through a drawdown of government deposits, reflecting the use of accumulated cash buffers to meet spending obligations. In addition, outstanding payments to suppliers increased, indicating rising payment arrears and additional pressure on the government's liquidity position.

<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     | Dec     | Jan     | Feb     |
|-------------------------|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Total                   | Approved budget     | 2724.15 | 2725.07 | 2725.08 | 2725.08 | 2725.08 | 2725.08 | 2725.08 | 2725.08 | 2725.08 | 2724.13 | 2725.08 |
|                         | of which: Revisions | 0.00    | 0.92    | 0.01    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | -0.96   | 0.96    |
|                         | Outturn             | 1954.53 | 1457.65 | 1656.59 | 2401.77 | 1595.00 | 1366.75 | 2264.01 | 1737.88 | 1655.25 | 2298.87 | 2570.91 |
| Recurrent               | Approved budget     | 1834.15 | 1834.17 | 1834.18 | 1834.18 | 1834.18 | 1834.18 | 1834.18 | 1834.18 | 1834.18 | 1834.12 | 1834.18 |
|                         | of which: Revisions | 0.00    | 0.02    | 0.01    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | -0.06   | 0.06    |
|                         | Outturn             | 1703.68 | 1331.72 | 1382.57 | 2138.97 | 1377.58 | 1115.55 | 1887.51 | 1423.97 | 1401.57 | 2044.54 | 2430.32 |
| Development             | Approved budget     | 890.01  | 890.91  | 890.91  | 890.91  | 890.91  | 890.91  | 890.91  | 890.91  | 890.91  | 890.01  | 890.91  |
|                         | of which: Revisions | 0.00    | 0.90    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | -0.90   | 0.90    |
|                         | Outturn             | 250.86  | 125.93  | 274.02  | 262.80  | 217.43  | 251.19  | 376.50  | 313.91  | 253.67  | 254.33  | 140.59  |
| <b>Execution Trends</b> |                     |         |         |         |         |         |         |         |         |         |         |         |
|                         | Total               | 71.7%   | 53.5%   | 60.8%   | 88.1%   | 58.5%   | 58.5%   | 50.2%   | 83.1%   | 63.8%   | 60.7%   | 84.4%   |
|                         | Recurrent           | 92.9%   | 72.6%   | 75.4%   | 116.6%  | 75.1%   | 75.1%   | 60.8%   | 102.9%  | 77.6%   | 76.4%   | 111.5%  |
|                         | Development         | 28.2%   | 14.1%   | 30.8%   | 29.5%   | 24.4%   | 24.4%   | 28.2%   | 42.3%   | 35.2%   | 28.5%   | 28.6%   |

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         |               | 6.0%                      | 12.8%                     | 100.0%            | 0.0%        | 6.0%        | 0.9%            | 24.6%          | 2.3%                                  | 9.6%               |
| Defence                         |               | 8.4%                      | 2.5%                      | 0.0%              | 0.0%        | 0.0%        | 0.0%            | 0.0%           | -0.1%                                 | 3.3%               |
| Public Order and Safety         |               | 19.6%                     | 9.7%                      | 0.0%              | 0.0%        | 0.9%        | 0.0%            | 39.8%          | 1.1%                                  | 8.7%               |
| Economic Affairs                |               | 8.1%                      | 25.0%                     | 0.0%              | 0.0%        | 37.6%       | 0.2%            | 0.0%           | 46.6%                                 | 17.6%              |
| Environmental Protection        |               | 0.8%                      | -1.1%                     | 0.0%              | 1.5%        | 0.0%        | 0.0%            | 0.0%           | -0.1%                                 | 0.2%               |
| Housing & Comm. Amenities       |               | 5.2%                      | 7.9%                      | 0.0%              | 0.0%        | 0.7%        | 0.9%            | 6.9%           | 49.1%                                 | 12.3%              |
| Health                          |               | 8.6%                      | 38.2%                     | 0.0%              | 98.4%       | 46.1%       | 3.7%            | 0.0%           | -1.6%                                 | 16.1%              |
| Recreation, Culture, & Religion |               | 1.1%                      | 1.4%                      | 0.0%              | 0.0%        | 0.0%        | 4.7%            | 8.0%           | 0.0%                                  | 1.4%               |
| Education                       |               | 32.4%                     | 1.0%                      | 0.0%              | 0.1%        | 1.2%        | 17.5%           | 0.0%           | 2.7%                                  | 14.9%              |
| Social Protection               |               | 9.7%                      | 2.7%                      | 0.0%              | 0.0%        | 7.5%        | 72.1%           | 20.6%          | 0.0%                                  | 15.9%              |
| <b>Share per Economic Item</b>  |               | <b>35.0%</b>              | <b>14.9%</b>              | <b>4.6%</b>       | <b>4.2%</b> | <b>6.5%</b> | <b>16.0%</b>    | <b>0.4%</b>    | <b>18.5%</b>                          | <b>100.0%</b>      |

Source: CBL and MOF

## V. PUBLIC DEBT

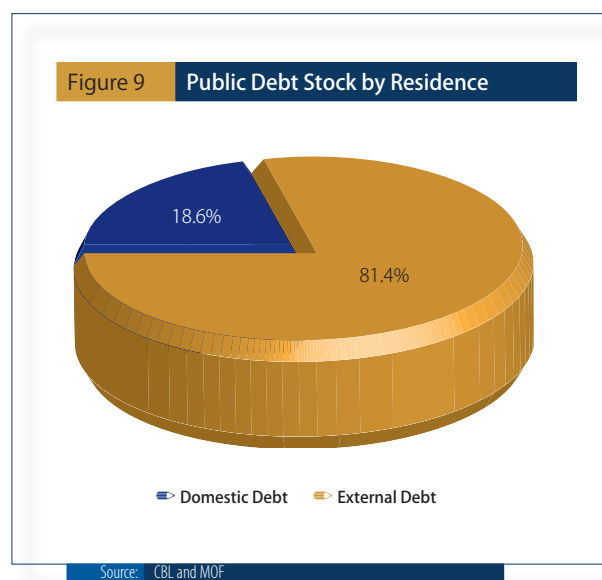
The public debt stock was estimated to have declined by 0.2 per cent in nominal terms during February 2026, driven mainly by external principal repayments. Domestic issuance remained muted, keeping domestic debt broadly stable. These developments jointly shaped the month-on-month trajectory of the debt portfolio.

The debt portfolio remained heavily externally oriented, with external debt accounting for 81.4 per cent of total public debt, while domestic debt constituted 18.6 per cent, reflecting limited domestic market activity during the month. The quality of the external portfolio remained favourable, with 76.9 per cent of external debt contracted on concessional terms, supporting overall debt sustainability.

External debt service amounted to 9.6 per cent of government revenue, supported by improved domestic revenue performance. Interest payments remained contained, reflecting the concessional nature of the external portfolio and the relatively low domestic debt-servicing burden in absolute terms. Total debt service-to-revenue measured 14.2 per cent, indicating manageable liquidity pressures.

Government deposits and cash buffers continued to provide additional liquidity support.

The risk profile of the debt portfolio remained moderate, despite high exposure to foreign currency risk due to the external orientation of the portfolio; a favourable maturity structure, with long dated concessional loans dominating; and limited refinancing risk on domestic debt, given stable rollover patterns.



| Appendix: Key Economic Indicators             |                                    |           |           |           |           |           |           |           |           |
|---|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|   |                                    | 25-Jul    | 25-Aug    | 25-Sept   | 25-Oct    | 25-Nov    | 25-Dec    | 26-Jan    | 26-Feb    |
| Economic Activity (MIEA (% change, M/M))      |                                    | 0.1       | -3.3      | -3.2      | -3.1      | 0.5       | 4.3       | 1.5       | 0.8       |
| Consumer price Index (% change)               | Headline Inflation (year-on-year)  | 4.4       | 4.6       | 4.7       | 4.5       | 4.3       | 4.1       | 3.4       | 2.7       |
|   | Core Inflation                     | 4.0       | 4.0       | 3.5       | 3.7       | 3.8       | 3.2       | 2.4       | 2.7       |
| Exchange Rates (Monthly End Period)           | EUR                                | 20.7536   | 20.6834   | 20.2509   | 20.0185   | 19.8862   | 19.4934   | 18.9712   | 18.7722   |
|   | GBP                                | 23.9903   | 23.9264   | 23.1900   | 22.7540   | 22.6880   | 22.3515   | 21.8862   | 21.4210   |
|   | USD                                | 17.7498   | 17.7236   | 17.2607   | 17.3156   | 17.1666   | 16.6080   | 15.9163   | 15.9028   |
| Money Supply (Millions of Maloti)             | M2                                 | 19,005.19 | 19,014.70 | 19,117.53 | 19,629.46 | 19,717.23 | 20,055.61 | 19,737.22 | 19,813.80 |
|   | M1                                 | 8,594.76  | 8,497.18  | 8,677.26  | 8,942.49  | 9,078.33  | 9,232.60  | 9,091.94  | 9,071.16  |
|   | Quasi Money                        | 10,410.44 | 10,517.52 | 10,440.27 | 10,686.97 | 10,638.91 | 10,823.01 | 10,645.28 | 10,742.64 |
| Interest Rates                                | CBL Rate                           | 7.00      | 6.75      | 6.75      | 6.75      | 6.50      | 6.50      | 6.50      | 6.50      |
|   | 91 day Treasury bill rate          | 6.88      | 6.89      | 6.93      | 6.89      | 6.92      | 6.94      | 6.93      | 6.84      |
|   | Prime lending rate                 | 10.50     | 10.25     | 10.25     | 10.25     | 10.00     | 10.00     | 10.00     | 10.00     |
|   | 1 year deposit rate                | 5.12      | 4.97      | 4.97      | 4.97      | 4.80      | 4.80      | 4.80      | 4.80      |
| Private sector Credit (Millions of Maloti)    |                                    | 11,403.82 | 11,581.93 | 11,633.99 | 11,902.54 | 12,048.96 | 12,089.08 | 12,167.47 | 12,361.73 |
|   | Households                         | 3,047.52  | 3,085.83  | 3,023.53  | 3,117.89  | 3,246.49  | 3,127.35  | 3,154.69  | 3,305.27  |
|   | Non-profit Organisations           | 8,356.30  | 8,496.10  | 8,610.46  | 8,784.65  | 8,802.47  | 8,961.73  | 9,012.78  | 9,056.46  |
| Bank Deposit Liabilities (Millions of Maloti) |                                    | 21,186.90 | 21,453.87 | 21,630.04 | 22,005.42 | 22,373.90 | 22,191.58 | 22,456.57 | 22,983.01 |
| Credit to Deposit Ratio (%)                   |                                    | 53.4      | 53.6      | 53.4      | 53.7      | 53.6      | 54.0      | 53.8      | 53.4      |
| Fiscal Operations (Millions of Maloti)        | Fiscal Balance                     | 1,194.95  | -356.10   | 150.51    | 1,591.31  | -511.45   | -108.51   | 1,349.52  | -1,348.19 |
|   | Total Revenue (with SACU receipts) | 3,596.72  | 1,238.91  | 1,517.26  | 3,855.31  | 1,226.43  | 1,546.73  | 3,648.39  | 1,222.71  |
|   | Total Expenditure                  | 2,401.77  | 1,595.00  | 1,366.75  | 2,264.01  | 1,737.88  | 1,655.25  | 2,298.87  | 2,570.91  |
|   | O/W Capital                        | 262.80    | 217.43    | 251.19    | 376.50    | 313.91    | 253.67    | 254.33    | 140.59    |
| Total Public Debt (Millions of Maloti)        |                                    | 23,849.37 | 23,762.68 | 23,224.11 | 23,440.26 | 23,020.36 | 22,659.27 | 24,736.70 | 24,675.92 |
|   | Total External Debt                | 19,251.13 | 19,164.13 | 18,624.59 | 18,943.03 | 18,522.93 | 18,059.90 | 20,138.23 | 20,075.46 |
|   | External Debt                      |           |           |           |           |           |           |           |           |
|   | Concessional                       | 14,243.70 | 14,192.75 | 13,847.89 | 14,093.95 | 13,704.13 | 13,318.61 | 15,494.70 | 15,444.21 |
|   | Non-concessional                   | 5,007.43  | 4,971.38  | 4,776.70  | 4,849.08  | 4,818.80  | 4,741.29  | 4,643.53  | 4,631.24  |
| Domestic Debt                                 | 4,598.24                           | 4,598.55  | 4,599.52  | 4,497.23  | 4,497.43  | 4,599.37  | 4,598.47  | 4,600.46  |           |
| Memo Item: Arrears (Millions of Maloti)       |                                    | -9.10     | -23.66    | -38.97    | -6.46     | -2.40     | -7.51     | -49.43    | -91.36    |

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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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](mailto:info@centralbank.org.ls)