



JUNE 2025

# Monthly ECONOMIC REVIEW

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

Domestic economic activity maintained upward trajectory in June 2025. This development was observed in the manufacturing, transport, and financial services subsectors. However, growth was constrained by subdued domestic demand and a slowdown in the construction industry. Inflationary pressures eased during the period.

### Overall Performance Index

Domestic economic performance strengthened in June 2025, with the Composite Indicator of Economic Activity (CIEA) registering 2.2 per cent month-on-month, following an 8.1 per cent increase in the previous month. The improvement was largely driven by stronger activity in the manufacturing, transport, and financial services industries, reflected in higher textile exports, increased fuel consumption, and growth in private sector credit, respectively. However, the expansion was undermined by subdued domestic demand, evidenced by lower consumer imports from South Africa, and a slowdown in the construction industry.

### Domestic Demand Category

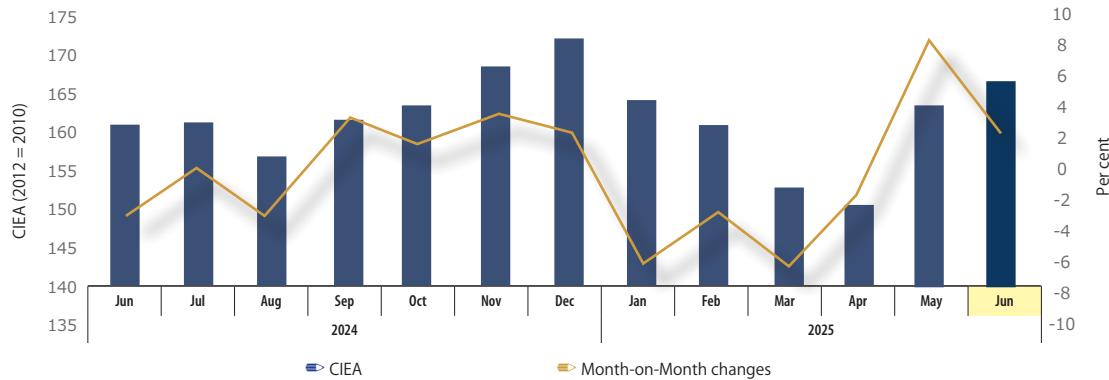
The domestic demand index fell by 1.5 per cent during the review period, reversing the 8.0 per cent growth recorded in the previous month. This decline was mainly attributable to reduced import volumes of food and essential goods from South Africa, signalling moderating private consumption. Business activity followed a similar pattern, with sales tax collections decreasing. Nonetheless, the overall contraction was partly cushioned by stronger public consumption, supported by higher government expenditure on goods and services and increased collection of income tax.

### Manufacturing and Production Category

The manufacturing and production subsector maintained its growth momentum, with the manufacturing index increasing by 3.7 per cent in June, following a revised 4.7 per cent rise in May. This expansion was largely driven by a notable increase in clothing and textile exports to South Africa, despite a slight slowdown in exports destined to the United States markets. Higher imports of raw materials and increased utility consumption further highlighted the heightened activity within the subsector.

<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	2024		2025					
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
CIEA	131.1	133.8	127.8	125.1	118.8	116.8	126.3	129.0
Monthly changes	3.0	2.1	-4.5	-2.1	-5.1	-1.6	8.1	2.2
Domestic Demand Category	124.1	127.2	116.6	114.3	106.1	112.1	121.2	119.4
Monthly changes	5.1	2.5	-8.3	-2.0	-7.2	5.7	8.0	-1.5
Manufacturing & Production Category	104.7	106.9	105.3	103.5	105.5	108.7	113.2	117.4
Monthly changes	6.4	2.1	-1.4	-1.7	1.9	3.0	4.1	3.7
Transport Category	115.4	118.2	113.9	103.7	95.2	81.6	89.4	100.2
Monthly Changes	2.4	2.4	-3.7	-9.0	-8.2	-14.3	9.5	12.1
Financial Services	192.7	196.9	194.8	195.2	194.5	199.0	202.6	205.3
Monthly Changes	1.6	2.2	-1.1	0.2	-0.3	2.3	1.8	1.3
Construction Category	95.2	97.1	83.1	83.3	79.1	83.9	113.0	103.7
Monthly Changes	-3.4	2.0	-14.4	0.2	-4.9	6.0	34.7	-8.3

Source: CBL Calculations.

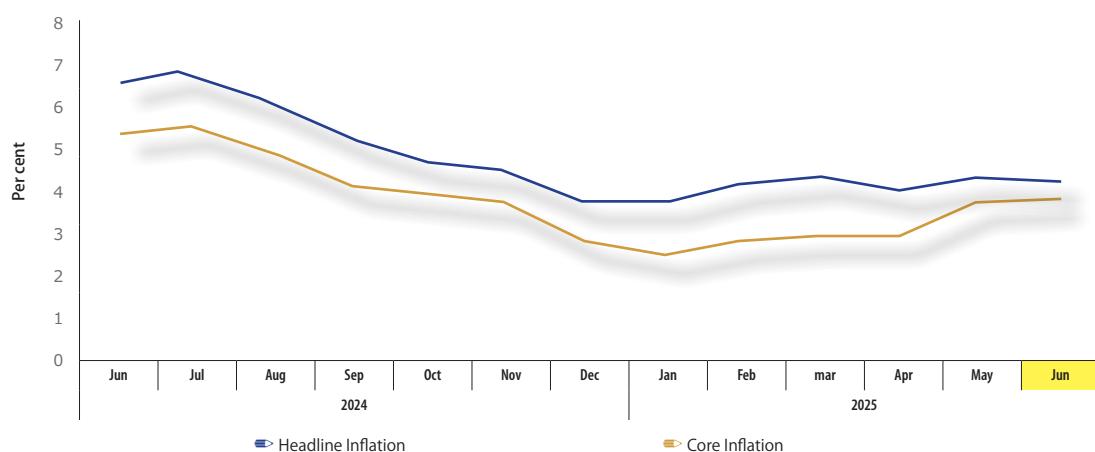
## II. INFLATION AND PRICES

### Headline Inflation

June 2025 saw a marginal reduction in headline inflation, with the rate easing to 4.3 per cent, a slight moderation from 4.4 per cent observed in May 2025.

The major contributor to the 0.1 percentage point decrease between June 2025 and May 2025 were Housing, Electricity, gas and other fuels, as well as the transport category.

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



Source: Lesotho Bureau of Statistics & CBL Computations

### Contributions to Headline Inflation

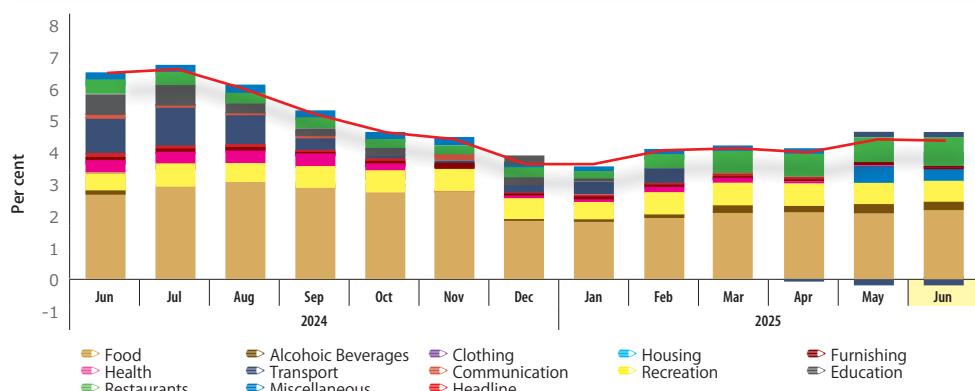
The major contributors to the 4.3 per cent headline inflation were Food and Non-Alcoholic beverages, Alcoholic beverages and tobacco, as well as Restaurants and Hotels.

Food & Non-alcoholic Beverages increased by 6.5 per cent year-on-year and contributed 2.2 percentage points to the total annual inflation rate of 4.3 per cent. Supply constraints due to poor harvests continue to be the primary source of surge in vegetable and maize prices. Alcoholic beverages and tobacco prices rose by 4.7 per cent year-on-year.

Furthermore, Restaurants and Hotels category also continued the rise mirroring food and alcoholic beverages categories.

The Housing, Electricity, Gas, and Other Fuels category saw a 0.1 percentage point decrease from May to June 2025. The decrease was due to a drop in liquid fuel prices, specifically paraffin. Furthermore, the Transport category also saw a decline with petrol and diesel on a downward trajectory, due to a fall in international crude oil prices.

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



Source: Lesotho Bureau of Statistics & CBL Computations

## Core Inflation

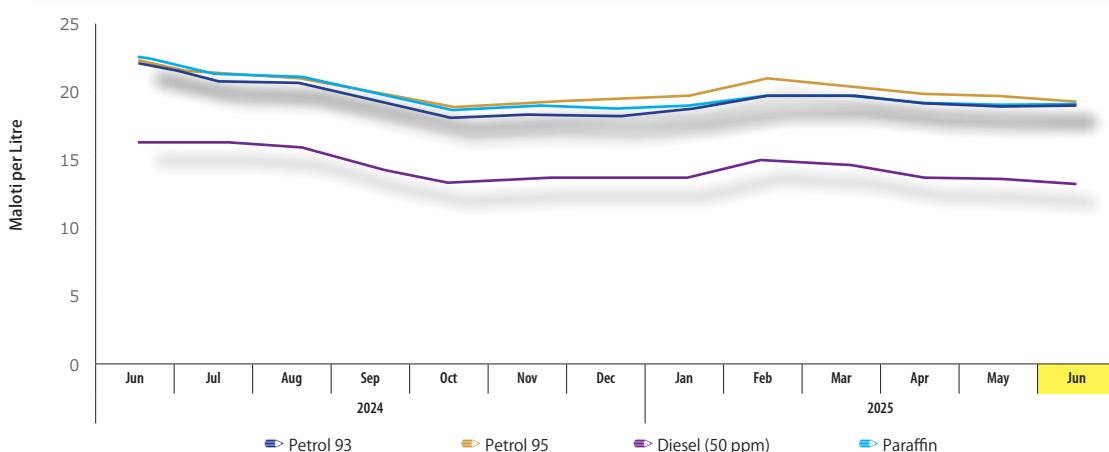
Underlying inflationary pressures, as measured by core inflation, increased to 3.8 per cent in June 2025 from 3.7 per cent in May 2025. The 3.8 per cent increase indicate that underlying price increases persist despite a moderation in the headline rate.

## Domestic Fuel Prices

The prices of all petroleum products decreased in the review period, with prices of both grades of petrol (Petrol<sub>93</sub> and Petrol<sub>95</sub>) decreasing by M 0.20 and were sold at M 18.95 and M 19.10 per litre at the pump, respectively.

The pump prices of diesel<sub>50</sub> and illuminating paraffin decreased by M 0.50, respectively, and were sold at M 19.35 per litre and M 13.30 per litre in the retail market, respectively.

**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)

There was no growth in money supply (M2). Nevertheless, there was an increase in net domestic assets (NDA), which was offset by a decline in net foreign assets (NFA) of approximately the same absolute magnitude. On a percentage basis, NDA rose by 12.6 per cent, albeit slower than the 13.7 per cent decline recorded in the preceding month. This expansion was driven by an increase in both commercial banks' and central bank's net claims. On the contrary, NFA declined further by 4.3 per cent, compared to the 1.2 per cent decline recorded in the prior month. A 4.6 per cent decline in commercial banks' net foreign assets (NFA) and a 4.3 per cent decline in the central bank's NFA drove the overall contraction. On an annual basis, M2 increased by 9.7 per cent.

#### Components of Money Supply

Breaking down the components of money supply, countervailing developments were observed in M1 and quasi money. M1 recorded a growth of 2.7 per cent, while quasi money fell by 2.2 per cent. The increase in M1 was driven by a rise in transferable deposits of business enterprises and resident households. On the other hand, the contraction in quasi money was driven primarily by a decline in fixed-time deposits and call deposits held by business enterprises. This downward trend was further exacerbated by a reduction in call deposits of other financial corporations, compounding the overall fall in quasi money.



Source: CBL

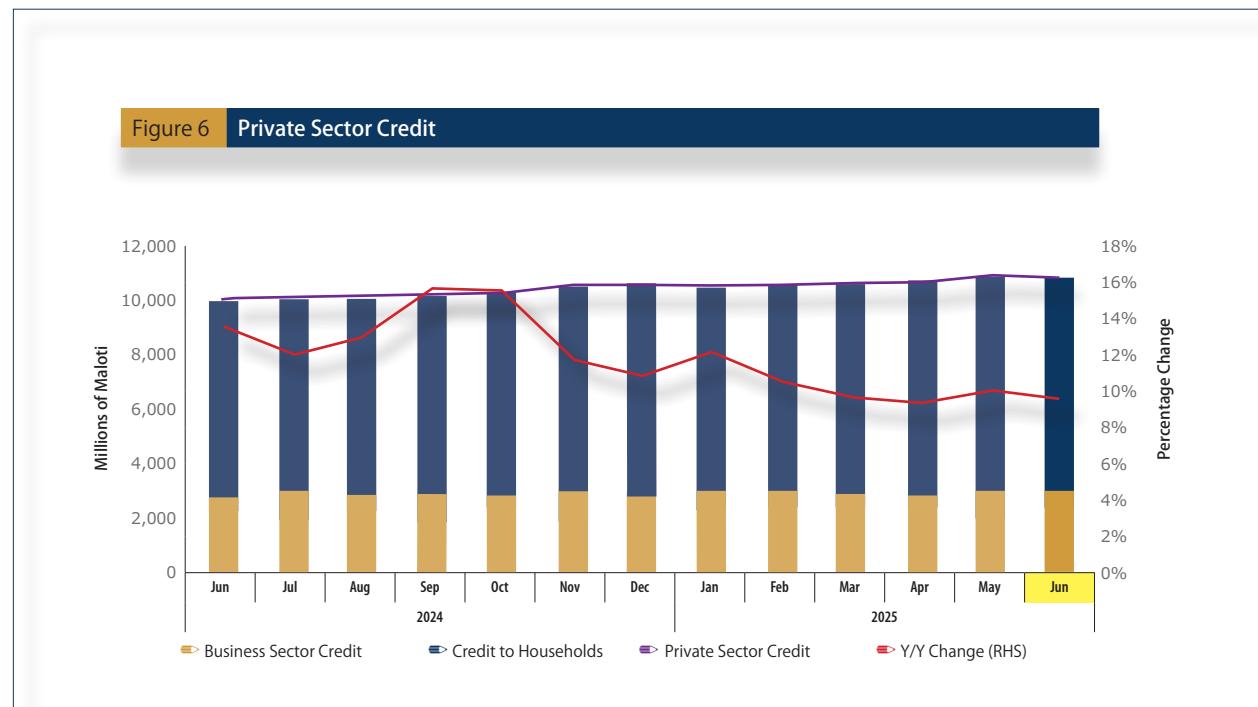
#### Private Sector Credit

Private sector credit declined by 0.7 per cent, reversing the 1.6 per cent growth observed in the preceding month. The contraction was driven predominantly by reduced credit to households.

Specifically, household credit fell by 1.7 per cent, following a 2.3 per cent increase recorded in May. Personal loans were the main contributor to the decline, while a modest 0.7 per cent increase in mortgage lending helped moderate the overall contraction in household credit. On the contrary,

business credit grew by 2.2 per cent, in contrast to the 0.2 per cent decline observed in the previous period. The growth in business credit was notably driven by credit to Real Estate and Business Services sectors, which expanded by 38.2 per cent. 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 and Business Services, with construction industry completing the top three bracket. Electricity, gas and water subsector was the smallest recipient of credit extension. On an annual basis, private sector credit grew by 7.8 per cent.



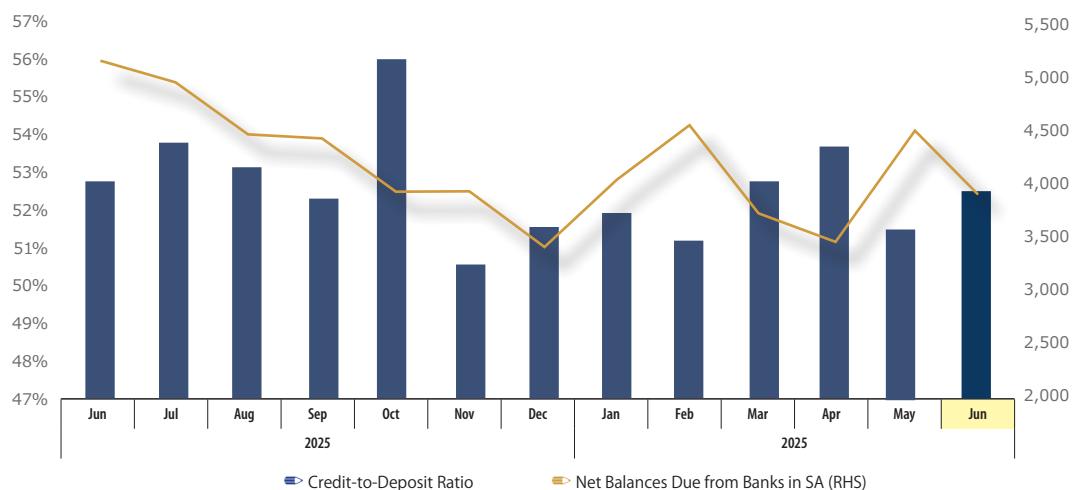
## Non-Performing Loans

The ratio of non-performing loans (NPLs) to total loans rose to 4.3 from 4.2 per cent, driven by an increase in NPLs from both households and businesses. Within the household segment, non-performing mortgages and personal loans increased by 9.8 and 2.6 per cent, respectively. Among business enterprises, the rise in NPLs was primarily attributed to the Wholesale and Retail Trade, Restaurants and Hotels industries, and to a lesser extent, Real Estate and Business Services industries.

## Sources of Funds

The credit-to-deposit ratio rose to 52.9 from 52.1 per cent in the previous month. The increase was attributed to a combination of a growth in credit to the private sector and a decline in deposits in commercial banks.

Figure 7 Credit to Deposit Ratio



Source: CBL

## Interest Rates

The Central Bank of Lesotho (CBL) policy rate was reduced to 7.00 per cent from 7.25 per cent a month earlier. Consequently, the prime lending rate fell to 10.50 per cent from 10.75 per cent, while the 1-year deposit rate declined to 5.12 per cent from 5.25 per cent. The 91-day Treasury bill rate, however, rose to 6.87 per cent from 6.86 per cent.

## Foreign Exchange

The local currency exhibited mixed performance against its major trading currencies in June, appreciating against the dollar and pound, but depreciating against the euro. The rand strengthened by 0.02 per cent against the dollar and 0.01 per cent against the pound to record 17.85 against the dollar and 24.19 against the pound. However, it weakened by 0.01 per cent against the euro to record 20.56. This was in comparison to an appreciation of 4.13 per cent against the dollar, 3.51 per cent against the euro, and 2.39 per cent against the pound in the previous month.

The rand's performance was mainly driven by a mix of domestic and international drivers. On the domestic front, the rand was mainly supported by political stability and fiscal optimism. On the international front, the rand gained momentum as the dollar remained under pressure due to sluggish US growth numbers and concerns over rising fiscal deficits from proposed spending bills. Additionally, political uncertainty surrounding the Fed's independence amid criticism from President Trump alarmed investors, putting pressure on the dollar index. The rand gained further momentum against the pound as the British economy remains under pressure, battling with stagnant house prices and weak retail sales. However, the euro remained resilient as demand for euro assets outperformed US markets, with investors flocking to European markets seeking safety amid global trade tensions.

# IV. GOVERNMENT BUDGETARY OPERATIONS

## Expenditure

Government spending increased by 11.0 per cent in June 2025, a significant reversal from the 25.2 per cent decrease recorded in May. This rise was, primarily, driven by higher operating costs and capital project spending. The government prioritised these funds for general public services and education. However, despite the monthly increase, total expenditure remained 20.8 per cent lower than in June of the previous year, largely due to a relatively lower capital projects compared to that period.

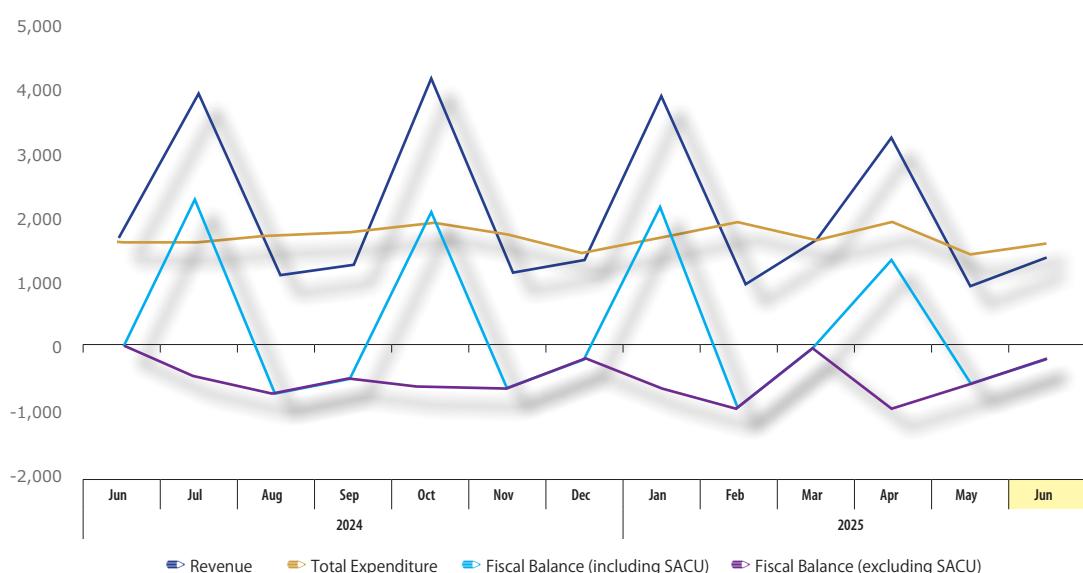
## Revenue<sup>3</sup>

Government revenue saw a substantial increase of 37.8 per cent in June. This positive trend was primarily due to higher collections from income tax, specifically personal income tax, and an increase in dividends. However, on a year-over-year basis, total revenue for the month decreased by 20.9 per cent, mainly because of a decrease in revenue from Value-Added Tax and water royalties.

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

The fiscal balance deteriorated, registering a deficit of 2.1 per cent of GDP. This shortfall occurred despite a significant increase in government revenue. To finance this deficit, the government withdrew deposits from the banking sector.

Figure 8 | Government Fiscal Balance (Million Maloti)



Source: CBL and Ministry of Finance (MOF)

<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.

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

Category	Metric	Apr	May	Jun	Cumulative
Total	Approved budget	32689.83	32700.87	32700.87	32700.87
	of which: Revisions	-	11.04	-	11.04
	Outturn	1926.79	1442.11	1600.58	4969.48
	Execution rate (%)	5.9	4.4	4.9	15.2
Recurrent	Approved budget	22009.76	22010.00	22010.00	22010.00
	of which: Revisions	-	0.24	-	0.24
	Outturn	1682.93	1316.18	1328.63	4327.75
	Execution rate (%)	7.6	6.0	6.0	19.7
Recurrent	Approved budget	10680.06	10690.86	10690.86	10690.86
	of which: Revisions	-	10.80	-	10.80
	Outturn	243.85	125.93	271.95	641.74
	Execution rate (%)	2.3	1.2	2.5	6.0

Source: CBL and Ministry of Finance (MOF).

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

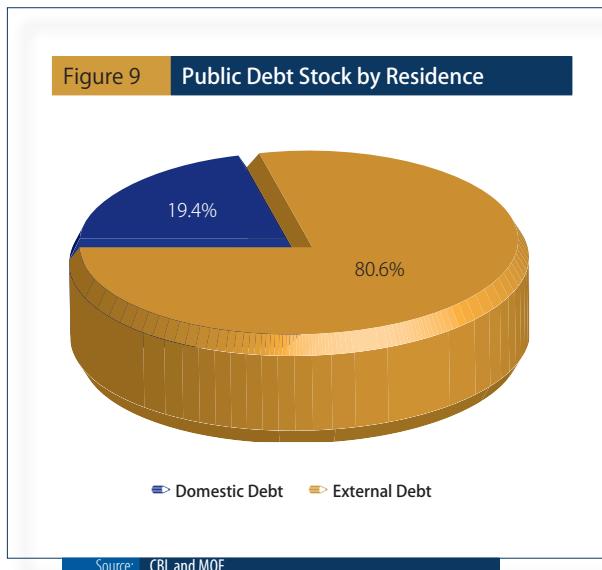
Function	Economic Item	Compensation of Employees	Use of Goods and Services	Interest Payments	Subsidies	Grants	Social Benefits	Other Expenses	Net Investment in Nonfinancial Assets	Share per Function
General Public Services		6.1%	15.5%	100.0%	0.0%	5.7%	3.6%	62.3%	3.1%	13.1%
Defence		8.0%	6.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	5.0%
Public Order and Safety		18.4%	12.5%	0.0%	0.0%	0.8%	0.0%	24.9%	3.3%	11.4%
Economic Affairs		6.8%	20.5%	0.0%	0.0%	0.0%	0.0%	0.0%	67.6%	14.4%
Environmental Protection		0.9%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%
Housing & Comm. Amenities		6.8%	4.3%	0.0%	0.0%	12.6%	0.0%	12.1%	15.5%	5.9%
Health		8.2%	35.2%	0.0%	95.8%	31.2%	2.8%	0.0%	6.1%	16.5%
Recreation, Culture, & Religion		1.1%	1.0%	0.0%	0.0%	3.6%	0.4%	0.8%	0.0%	0.9%
Education		33.8%	1.4%	0.0%	4.2%	32.9%	25.3%	0.0%	2.2%	18.6%
Social Protection		10.0%	1.5%	0.0%	0.0%	13.1%	67.9%	0.0%	2.0%	13.4%
Share per Economic Item		40.1%	28.8%	5.0%	0.9%	4.3%	12.0%	0.3%	8.5%	100.0%

Source: CBL and MOF

## V. PUBLIC DEBT

The public debt-to-GDP ratio stood at 55.8 per cent in June 2025. This represents a marginal increase of 0.5 per cent, compared to the revised figure of 55.5

per cent in May. The month-over-month rise in the debt ratio was due to the issuance of treasury bonds during the month.



## Appendix: Key Economic Indicators

		24-Nov	24-Dec	25-Jan	25-Feb	25-Mar	25-Apr	25-May	25-Jun
Economic Activity (MIEA (% change, M/M)		3.0	2.1	-4.5	-2.1	-5.1	-1.6	8.1	2.2
Consumer price Index (% change)	Headline Inflation (year-on-year)	4.4	3.6	3.6	4.1	4.2	4.0	4.4	4.3
	Core Inflation	3.7	2.4	2.4	2.7	2.8	2.8	3.7	3.8
Exchange Rates (Monthly End Period)	EUR	20.0677	19.3073	19.3073	19.2451	19.8005	21.1993	20.2838	20.8169
	GBP	23.4763	23.0593	23.0593	23.3029	23.6893	24.8261	24.1063	24.3705
	USD	18.7203	18.5173	18.5173	18.5100	18.2695	18.9095	17.8902	17.7516
Money Supply (Millions of Maloti)	M2	18,545.63	18,995.08	18,513.78	18,883.61	19,291.53	18,874.09	19,014.18	19,018.40
	M1	8,896.13	9,325.06	8,594.94	8,674.53	9,008.46	8,905.18	8,758.55	8,990.85
	Quasi Money	9,649.50	9,670.02	9,916.84	10,209.07	10,283.08	9,968.92	10,255.62	10,027.56
Interest Rates	CBL Rate	7.50	7.50	7.50	7.25	7.25	7.25	7.25	7.00
	91 day Treasury bill rate	6.88	6.88	6.89	6.88	6.88	6.86	6.86	6.87
	Prime lending rate	11.00	11.00	11.00	10.75	10.75	10.75	10.75	10.50
	1 year deposit rate	4.72	4.72	4.68	4.56	4.56	4.56	4.56	5.12
Private sector Credit (Millions of Maloti)		10,658.79	10,650.80	10,783.40	10,790.20	10,845.47	10,929.68	11,107.46	11,033.36
		Households	2,882.57	2,785.18	3,105.80	2,837.80	2,910.99	2,930.98	2,924.56
		Non-profit Organisations	7,776.22	7,865.61	7,677.60	7,952.40	7,934.48	7,998.70	8,182.89
Bank Deposit Liabilities (Millions of Maloti)		20,787.42	20,326.23	20,425.14	20,828.06	20,195.76	20,100.00	21,167.00	21,102.50
Credit to Deposit Ratio (%)		51.1	52.2	52.6	51.7	53.3	54.0	52.1	52.9
Fiscal Operations (Millions of Maloti)	Fiscal Balance	-662.07	-117.84	2,226.48	-936.05	20.14	1,375.42	-449.56	-227.71
	Total Revenue (with SACU receipts)	1,194.28	1,401.45	4,014.19	1,110.07	1,765.10	3,302.20	992.55	1,372.87
	Total Expenditure	1,856.35	1,519.29	1,787.71	2,046.12	1,744.96	1,926.79	1,442.11	1,600.58
	O/W Capital	320.77	275.56	463.23	333.68	562.64	243.85	125.93	271.95
Total Public Debt (Millions of Maloti)		22,394.79	22,394.79	23,267.95	23,496.79	23,540.54	23,251.77	24,209.33	23,615.25
		Total External Debt	17,927.18	18,700.34	18,929.79	18,898.24	18,911.05	19,768.17	19,168.44
External Debt	Concessional	12,534.03	13,139.97	13,860.30	13,855.84	13,999.34	14,711.57	14,231.57	14,163.99
	Non-concessional	5,393.15	5,560.37	5,069.49	5,042.41	4,911.71	5,056.60	4,936.87	4,959.95
Domestic Debt		4,467.61	4,467.61	4,567.61	4,567.00	4,642.30	4,340.72	4,441.16	4,446.80
Memo Item: Arrears (Millions of Maloti)		-28.85	-13.33	-64.67	-102.45	-77.66	0.00	0.00	-15.35

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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