

Central Bank of Lesotho



QUARTERLY ECONOMIC REVIEW

December 2025

MASERU KINGDOM OF LESOTHO

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1. Executive Summary

The global economic performance was projected to improve moderately in the last quarter of 2025, as the world economy continued to adapt to shifts in the global trade landscape. The United States was expected to lead growth among advanced economies at 2.2 per cent. Among emerging market economies, India was projected to record the strongest growth of 7.8 per cent. Labour market conditions remained broadly unchanged, continuing to reflect country-specific policy settings. Inflationary pressures subsided in most countries during the quarter, largely benefiting from lower energy costs. Easing inflationary pressures and an improved inflation outlook created scope for monetary policy easing in most economies. Commodity prices displayed mixed movements, with metal prices increasing, while oil and grain prices declined further.

Domestic economic activity in Lesotho declined in the last quarter of 2025, mainly due to lower domestic demand, and a slowdown in output in the manufacturing, construction, and transport subsectors. These developments reflected subdued private sector activity and weaker investment spending during the period. Nevertheless, continued growth in the financial services subsector partially offset the declines in these productive sectors. Labour market conditions improved gradually, supported mainly by selected industries within the tertiary sector. Meanwhile, inflationary pressures eased over the review period, reflecting moderating imported price pressures.

Broad money expanded over the quarter, reflecting growth in both narrow money (M1) and quasi-money. Total deposits with commercial banks increased, driven primarily by higher private sector deposits, signalling improved liquidity conditions in the banking system. Private sector credit continued to expand, while net foreign assets recorded modest growth. The stock of government securities changed marginally, with banks increasing their holdings of Treasury bonds. This was, despite redemption of one bond during the quarter. These developments influenced liquidity conditions and the allocation of funds within the financial system during the period.

Government operations realised a surplus equivalent to 9.9 per cent of GDP in the last quarter of 2025, rising from 9.5 per cent in the previous quarter. This was despite growth in spending, which was observed in both recurrent and capital spending, both of which exerted upward pressure on total expenditure. Nonetheless, the public debt-to-GDP ratio improved, declining from 54.5 per cent to 52.9 per cent, suggesting a slight strengthening in overall debt sustainability at year-end.

The external sector position remained in surplus, primarily driven by increased water royalties and higher reserve assets, alongside stronger capital inflows associated with ongoing construction activities under Phase II of the Lesotho Highlands Water Project. As a share of GDP, the external surplus moderated to 9.2 per cent, from a revised 26.4 per cent in the preceding quarter.

2. International Economic Developments

Overview

The global economic performance was projected to improve in the last quarter of 2025, although moderately, as it adapted to shifts in the global trade landscape. The United States (US) was expected to continue to lead economic growth in advanced countries, supported by investment in Artificial Intelligence and accommodative monetary policy conditions. In emerging market economies, India continued to lead economic growth, supported by higher government spending, as well as goods and services tax (GST) collections. Labour market conditions remained broadly unchanged, continuing to reflect country-specific policies.

Inflationary pressures subsided in most countries during the same quarter, apart from China and South Africa. The disinflation was largely attributed to lower energy costs, particularly fuel, in line with the decline in global oil prices. Most central banks reduced their policy rates to support economic activity amid the ongoing trade policy uncertainty. Commodity prices exhibited mixed signals, with metal prices increasing, while oil and grain prices declined further.

Table 1: Key World Economic Indicators

	Real GDP Growth		Inflation Rate		Key Interest Rate		Unemployment Rate	
	Q3 2025	Q4 2025	Q3 2025	Q4 2025	Q3 2025	Q4 2025	Q3 2025	Q4 2025
United States	2.3	2.2	3.0	2.7	4.25	3.75	4.4	4.4
Euro Area	1.4	1.3	2.2	2.0	2.15	2.15	6.4	6.2
Japan	0.6	0.1	2.9	2.1	0.50	0.75	2.6	2.6
United Kingdom	1.2	1.0	3.8	3.4	4.00	3.75	5.0	5.2
China	4.8	4.5	-0.3	0.8	3.00	3.00	5.2	5.1
India	8.2	7.8	1.4	1.3	5.50	5.25	N/A	N/A
South Africa	2.1	0.8	3.4	3.6	7.00	6.75	31.9	31.4
Brazil	1.8	1.8	5.2	4.3	15.00	15.00	5.6	5.1
Russia	0.6	1.0	8.0	5.6	17.00	16.00	2.2	2.2

Source: STATSSA, SARB, OECD National Accounts Statistics (database), US Bureau of Economic Analysis, National Bureau of Economic Research, Statistics China, Statistics Bureau of Japan, Government of India Department of Labour, United Kingdom Office for National Statistics, EUROSTAT, Japan Ministry of Internal Affairs and Communications.

Advanced Economies

United States (US)

In the last quarter of 2025, the US economy continued to grow, although at a slower pace than a quarter earlier. Real GDP registered growth of 2.2 per cent, slightly below 2.3 per in the previous quarter. Growth was driven largely by consumer spending, investment spending and net exports. However, contraction in the government spending and residential investment were a drag on the growth. The weaker economic performance was to some extent associated with federal government shutdown, which lasted 43 days. Labour market conditions remained broadly stable, with the unemployment rate unchanged at 4.4 per cent

compared to the previous quarter. Restrictive immigration policies continued to exert downward pressure on employment growth.

Consumer prices increased by 2.7 per cent, slowing from 3.0 per cent in the previous quarter. The moderation largely reflected lower energy costs, particularly gasoline prices, in line with the decline in global oil prices. Nonetheless, faster increases in food prices partially offset the slowdown in overall inflation. The Federal Open Market Committee (FOMC) reduced the federal funds rate by 25 basis points to the range of 3.50 - 3.75 per cent, from 4.25 – 4.50 per cent in the previous quarter. The policy decision was aimed at supporting the labour market conditions and sustaining economic activity.

Euro Area

The euro area economic performance remained relatively stable in the fourth quarter of 2025. Real GDP increased by 1.3 per cent, slightly lower than 1.4 per cent growth recorded in the previous quarter. Economic growth was supported by robust consumption expenditure and investment, underpinned by low interest rates. Labour market conditions remained tight, with the unemployment rate falling to 6.2 per cent, from 6.4 per cent in the review period. The improvement reflected increased efforts by firms retain skilled workers amid persistent labour shortages in the region. There was also an increase in employment, where highest employment numbers were observed in the services sector.

The inflation rate fell to 2.0 per cent, from 2.2 per cent in the previous quarter. The moderation was mainly driven by lower energy prices, coupled with easing costs for services and non-energy industrial goods during the quarter. Consequently, the European Central Bank (ECB) maintained the key policy rate unchanged at 2.15 per cent, indicating that the inflation had stabilised around the bank's target of 2.0 per cent, and economic performance had improved, although moderately. The Bank further noted that uncertainties surrounding the economic and inflation outlook, particularly those emanating from trade developments, remained elevated, thereby justifying the decision to keep the rates unchanged.

Japan

Economic performance in Japan improved moderately in the last quarter of 2025. The real GDP growth rate eased to 0.1 per cent, from 0.6 per cent in the previous quarter. The modest increase in real GDP was supported by private consumption. However, the decline in exports offset the observed increase in private consumption. The slump in exports was largely attributed to tariffs imposed by the US – one of Japan's main export markets. Labour market conditions remained weak, with the unemployment rate at a 14 - year high of 2.6 per cent. The elevated unemployment rate reflected the adverse effects of the US-imposed tariffs, which resulted in fewer job openings for both part time and full-time workers.

The annual inflation rate eased to 2.1 per cent, from 2.9 per cent in the third quarter of 2025. The slowdown was mostly driven by slower increase in the prices of food, clothing, transportation and household items. The Bank of Japan raised its policy rate by 25 basis points, to 0.75 per cent, to curb faster wage growth, which would likely push inflation higher.

United Kingdom

Economic performance in the UK, as reflected by real GDP growth rate, slowed further during the review period. Real GDP rose by 1.0 per cent, from an increase of 1.2 per cent in the previous period, driven by an increase in manufacturing production. However, there was slower growth in investment, construction and exports, arising from uncertainty from trade policies and tax increases, which moderated the increase in economic growth. The unemployment rate rose to 5.2 per cent, from 5.0 per cent in third quarter, as companies continued to battle with the increase in employer national insurance contributions and minimum wages, which increased company costs and forced reductions in hiring.

Consumer prices rose by 3.4 per cent, down from 3.8 per cent in the preceding quarter. Consumer prices were mainly driven by food and non-alcoholic, alcohol and tobacco, as well as services costs. As a result, the Bank of England reduced its key policy rate to 3.75 per cent from 4.00 per cent in the fourth quarter of 2025. The policy decision was underpinned by falling inflation, although it remained above target, as well as the need to support growth.

Emerging Market Economies

China

The China economy experienced an increase in economic performance, although slower than in the previous quarter. Real GDP expanded by 4.5 per cent, from an increase of 4.8 per cent in the previous quarter. This performance was driven by faster growth in manufacturing and exports, particularly exports destined for Asia and Europe, following the country's initiatives to strengthen trade with non-US markets. However, there was a slowdown in consumption spending and investment in fixed assets, with moderated effect on growth. The unemployment rate fell slightly to 5.1 per cent, from 5.2 per cent in the third quarter of 2025, mainly driven by a decline in youth unemployment rate. Significant job increases were observed in AI-linked industries, manufacturing, construction and services sectors.

The annual inflation rate was recorded at 0.8 per cent, after recording a deflation of 0.3 per cent in the previous period. This hike in inflation was primarily driven by rising food prices, particularly fruits and vegetables, on account of adverse weather conditions which negatively affected supply. These were compounded by consumption boosting policies by the government. The People's Bank of China kept its key policy rate unchanged at 3.0 per cent in the fourth quarter of 2025. The decision aimed to support the economy amid ongoing uncertainties of low domestic demand and external sector.

India

India maintained robust economic momentum during fourth quarter of 2025. Real GDP rose by 7.8 per cent, slowing down from 8.4 per cent growth in the preceding quarter. Growth was driven mainly by consumption spending, as well as higher government spending and General Sales Tax cuts. However, there was an increase in imports, which outpaced the increase in exports, as the economy remained vulnerable to US tariffs. The increase in net exports partly offset the observed increase, hence the slowdown in economic growth.

The annual inflation rate was recorded at 1.3 per cent, easing slightly from 1.4 per cent in the third quarter of 2025. The slower inflation was mainly driven by falling food prices, as favourable weather conditions led to higher supply. Furthermore, there was a decline in housing costs which also contributed to this slowdown. During the same period, the Reserve Bank of India reduced its repo rate by 25 basis points to 5.25 per cent, from 5.50 per cent in the preceding quarter. The decision was driven by a decline in inflation, which had fallen below the Bank's target. of 2.0- 6.0 per cent range.

South Africa

Economic growth lost its momentum during the last quarter of 2025, in South Africa. The annual real GDP rose by 0.8 per cent, decelerating from growth of 2.1 per cent in the previous quarter. Growth was driven mainly by mining, trade, catering & accommodation, government services and transport, storage & communications. There was, however, a contraction in manufacturing, construction and agriculture, forestry & fishing, with moderating effect on growth. Labour market conditions improved, with the unemployment rate decreasing slightly to 31.4 per cent, from 31.9 per cent in the previous period. This five-year low unemployment rate reflected structural shifts and a gradual move towards more formalised employment. Job increases were observed in community and social services, finance, and construction sectors, while declines were in trade and mining.

Consumer prices rose by 3.6 per cent, increasing slightly from 3.4 per cent in the third quarter of 2025. The increase in consumer prices largely reflected the surge in food prices, particularly meat prices, owing to food and mouth disease. However, there was a decline in transportation costs associated with lower fuel costs, which moderated the increase in consumer prices. The Reserve Bank of South Africa reduced its repo rate to 6.50 per cent, from 6.75 per cent in the preceding quarter. The decision to cut the policy rate was on the back of improved inflation outlook, and as an initiative to support growth.

Brazil

Economic activity maintained resilience during the fourth quarter of 2025, in Brazil. The real GDP increased by 1.8 per cent, year-on-year, during the last quarter of 2025. It was unchanged from the previous quarter. Growth was supported by increased output in the agriculture and services sectors. The increase in government spending and exports further supported growth. The decline in the manufacturing output, investment spending and construction, however, moderated growth. Labour market conditions improved with the economic outturn, with unemployment rate declining to 5.1 per cent, from 5.6 per cent recorded a quarter earlier. Additional jobs were added in public administration, education, health, and social services.

Inflationary pressures moderated during the same period. The annual inflation rate eased to 4.3 per cent, from 5.2 per cent in the preceding quarter, largely due to lower costs of household goods, as well as the fall in food and beverages prices. Central Bank of Brazil kept its key policy rate unchanged at 15.00 per cent in its last meeting of 2025 to support economic activity, while keeping inflation under control, amid heightened risks and trade policy uncertainty.

Russia

The Russia's economy was anticipated to have grown at a faster pace in the last quarter of 2025. Growth was supported by economic stimulus measures, including export support and rate cuts. The composite PMI

rose, also industrial output, and retail sales all recorded increases, reflecting broader economic performance. The unemployment rate was unchanged at 2.2 per cent, relative to the preceding quarter. More jobs were created in the defence sector, as more men joined the military amid ongoing geopolitical tensions. The labour market conditions were tight due to labour shortages.

The annual inflation rate declined to 5.6 per cent during the review period, from 8.0 per cent in the third quarter of 2025. The slowdown was largely driven by falling food prices and non-food goods costs, as well as tighter monetary policy. The bank of Russia reduced its key policy rate by 100 basis points to 16.0 per cent in the last quarter of 2025, as inflationary pressures subsided. However, the rate remained elevated due to continued risks to inflation.

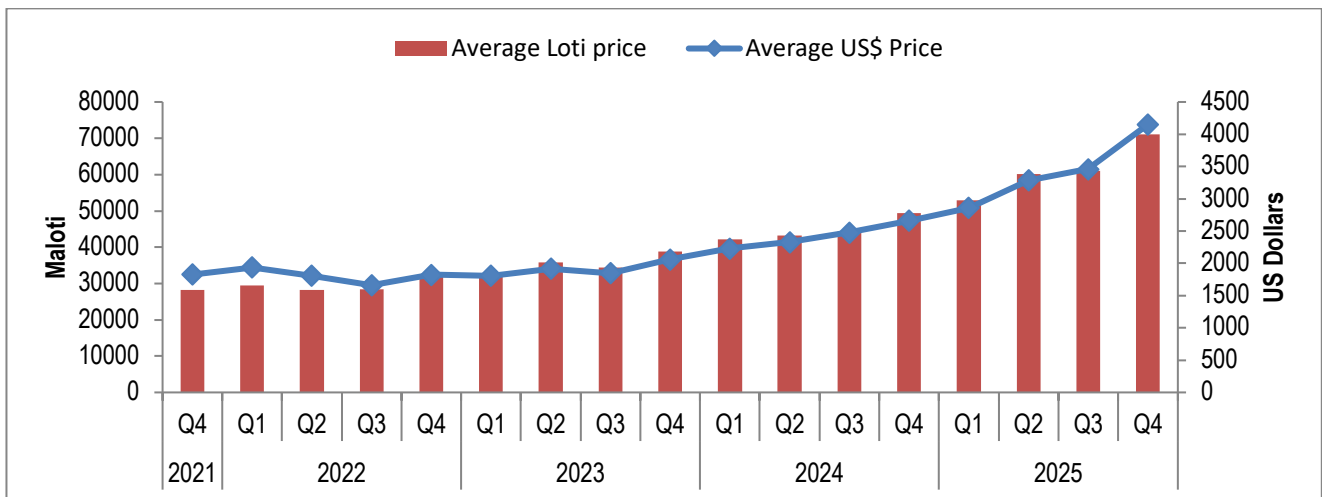
Commodities

Minerals

Gold

The price of gold increased further during the last quarter of 2025. Gold prices increased by 20.1 per cent to US\$ 4151.97 an ounce, compared to an increase of 5.2 per cent in the third quarter of 2025. The surge was mainly driven by strong investment demand, as reflected by increased holdings of gold-backed exchange traded funds. This was coupled with increased buying of gold bars and coins by central banks and other investors, reflecting heightened safe-haven demand and portfolio diversification strategies. This was further bolstered by the ongoing geopolitical tensions and weaker US dollar.

Figure 1: Average Price of Gold



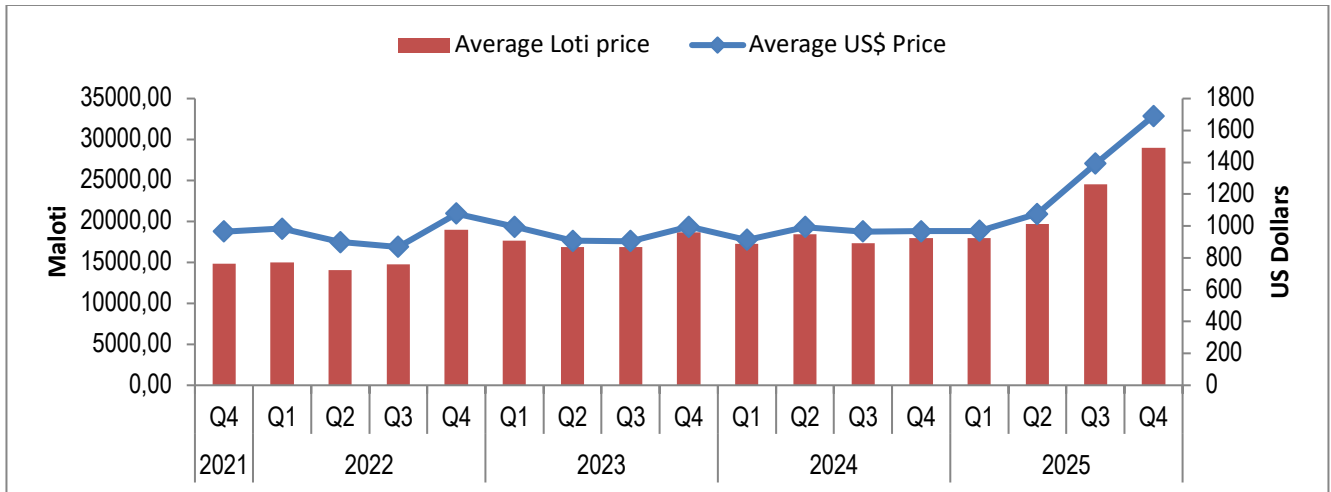
Source: Bloomberg

Platinum

The price of platinum increased by 21.6 per cent per ounce to US\$ 1691.53, compared to an increase of 29.3 per cent in the previous period. The increase in platinum prices was driven by strong demand, especially from China, due to investment-related factors to hedge against risks. There was also an increase in demand for jewellery and industrial use of the metal. These developments were compounded by tight supply from

South Africa, due to production constraints including rising labour costs. Hence, the market for platinum continued to be in deficit.

Figure 2: Average Price of Platinum



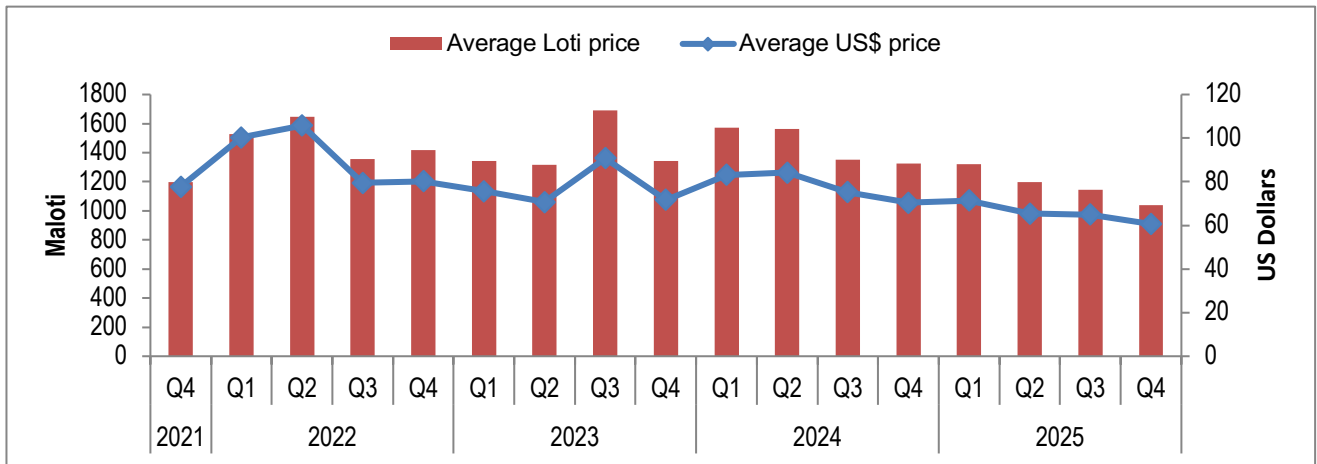
Source: Bloomberg

Energy

Crude Oil

The price of crude oil declined by 6.7 per cent to US\$ 60.62 per barrel during the fourth quarter of 2025, following a decline of 0.8 per cent in the previous quarter. The decline resulted from a supply glut in the global markets, driven by a surge in production from the US, coupled with inventory built-ups. Oil prices were further weighed down by subdued demand amid concerns about global economic slowdown, intensified by geopolitical and trade tensions. This was further exacerbated by ongoing transition to natural gas and renewable energy sources, which contributed to weaker demand and hence lower prices for crude oil.

Figure 3: Average Price of Oil



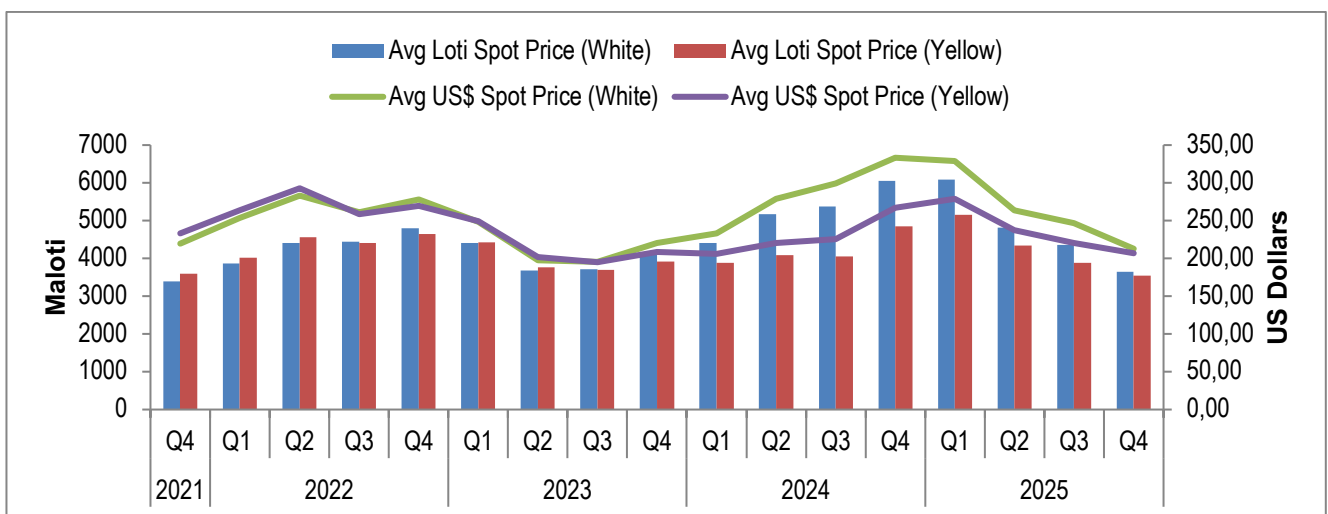
Source: Bloomberg

Agricultural Products

Maize

The price of maize generally declined during the fourth quarter of 2025. The dollar price of white maize fell by 13.8 per cent to US\$ 212.64 per tonne. The dollar price of yellow maize declined by 10.2 per cent to US\$ 206.63 a tonne. The prices of white and yellow maize were driven by increased production in a number of key producing countries, including South Africa, Argentina, Brazil and the US, resulting in an increase in supply. Excess supply was coupled with declining input costs, which lowered maize prices further. Yellow maize prices were depressed by excess supply in the global markets. This allowed for increased production and was coupled with favourable weather conditions.

Figure 4: Average Price of Maize

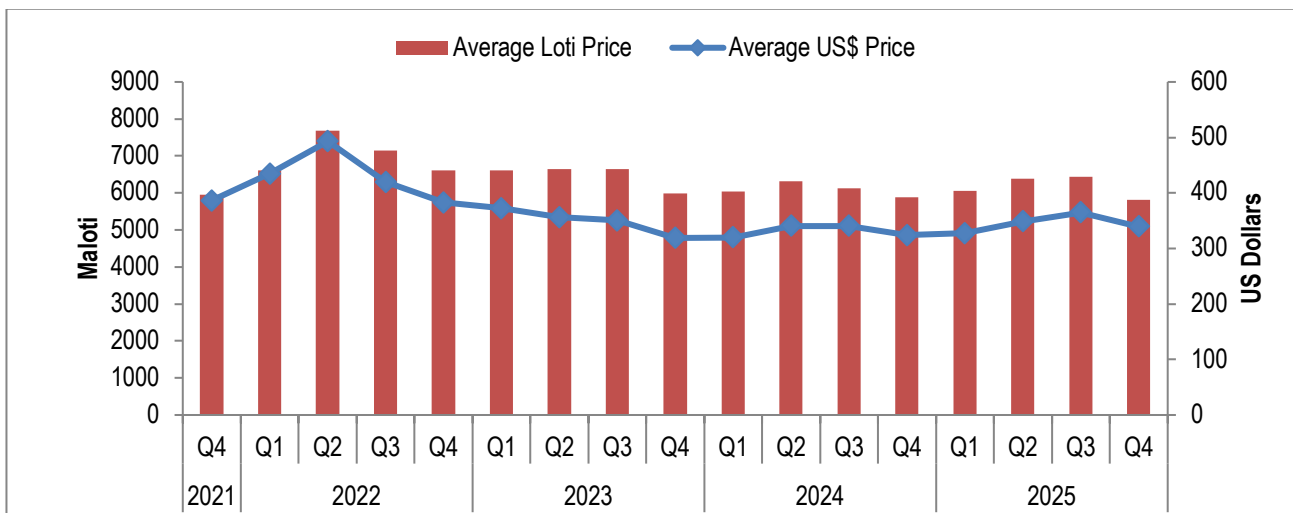


Source: Bloomberg

Wheat

The dollar price of wheat declined by 7.0 per cent to US\$ 339.55 per tonne during the last quarter of 2025. This was contrary to an increase of 4.7 per cent in the preceding quarter. A downward pressure on the price of wheat was underpinned by strong supply in the global markets, driven by favourable weather conditions. Russia and Argentina remained the largest producers of wheat during the review period. In maloti terms, the price of wheat declined by 9.7 per cent to M5816.44. On the annual basis, it increased by 4.8 per cent in dollar terms and declined by 1.2 per cent in loti terms, respectively.

Figure 5: Average Price of Wheat



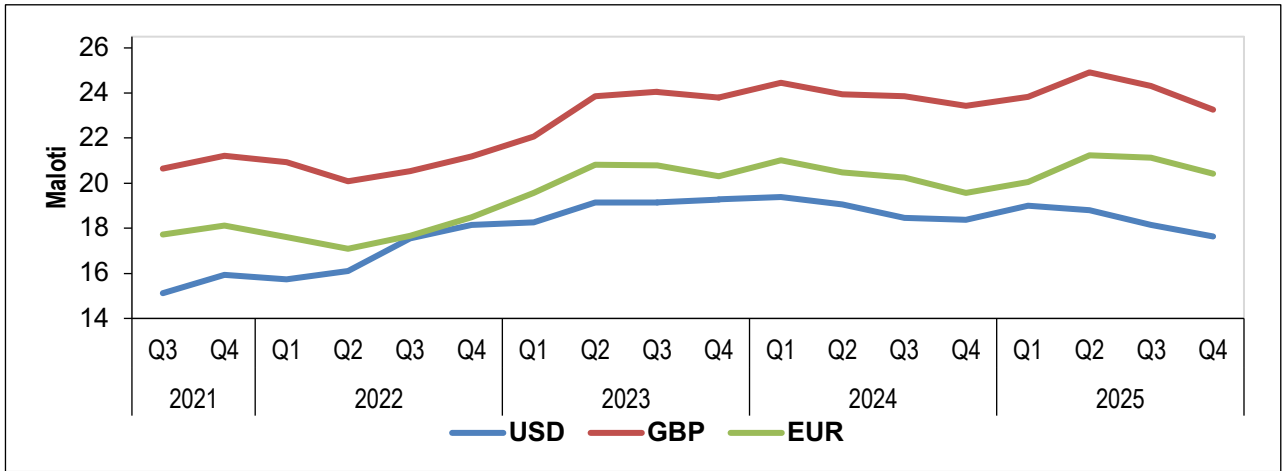
Source: Bloomberg

Exchange Rates

The rand hence the loti, appreciated against its major trading currencies during the fourth quarter of 2025. It appreciated by 2.9 per cent against the US dollar to record 17.13; 4.4 per cent against the pound to record 22.76; and 3.4 per cent against the euro to record 19.92. The strong performance of rand exchange rate was supported by both international and domestic factors. Domestically, the rand was supported by strong export earnings boosted by a surge in the prices of precious metals, such as gold and platinum. Additionally, improvement in fiscal outlook, sovereign credit ratings, and firmer economic activity, also bolstered investor sentiment. Furthermore, South Africa was removed from the grey list by Financial Action Task Force (FATF) during the same period, which further strengthened confidence in the economy.

On the international side, the rand was supported by wider interest rate differentials, following a series of rate cuts in the US. This encouraged increased capital inflows into emerging markets, including South Africa as investors sought higher yields. This was further boosted by the weaker US dollar

Figure 6: Nominal Exchange Rate of Loti against Major Trading Currencies



Source: Bloomberg

3. Real Sector Developments¹

Overview

Domestic economic activity declined in the last quarter of 2025, primarily driven by contractions in domestic demand, reduced output in the manufacturing, construction, and transport subsectors. These developments reflected subdued private sector activity and weaker investment spending during the period. However, continued growth in the financial services subsector partially offset the declines in these productive sectors. Labour market conditions improved gradually, supported by selected domestic industries, although employment among migrant mineworkers deteriorated further. Meanwhile, inflationary pressures eased over the review period, reflecting the effects of moderating imported price pressures.

Output Developments

Domestic economic activity contracted sharply in the final quarter of 2025. According to the Quarterly Composite Indicator of Economic Activity (QCIEA), economic activity was estimated to have declined by 4.8 per cent, reversing the 0.5 per cent expansion recorded in the previous quarter. The downturn was primarily driven by a significant decline in the construction and transport subsectors, alongside subdued domestic demand and weaker performance in manufacturing activity.

A closer examination of the sector-level developments indicated that the construction subsector was a major contributor to the overall decline in activity. The subsector contracted sharply by 15.4 per cent, reversing the strong growth of 15.8 per cent in the third quarter of 2025. This abrupt reversal signals a significant loss of momentum in construction-related activity, consistent with a notable decline in imports of construction materials, which typically serve as a leading indicator for the subsector.

The weakening trend was further reinforced by continued softness in domestic demand, which registered negative growth for the second consecutive quarter. Domestic demand contracted by 3.3 per cent, following a steeper 7.1 per cent decline in the previous quarter. This sustained weakness was reflected in lower Value Added Tax (VAT) collections, and a fall in imports of goods and services. Reduced VAT revenues point to waning private consumption, particularly in taxable goods and services, while the decline in imports indicates weakened household demand and lower business activity.

Similarly, the manufacturing and production subsector continued to face headwinds, with the index contracting by 4.3 per cent, following a 4.2 per cent decline in the previous quarter. The downturn was driven mainly by lower textile exports to the United States, while exports to the South African market remained stable. The drop in U.S. bound exports followed the implementation of a reciprocal tariff in August 2025, which effectively nullified the preferential access previously afforded under the African Growth and Opportunity Act (AGOA). The slowdown in manufacturing was further corroborated by reduced imports of raw materials and lower electricity and water consumption, reflecting reduced production activity.

¹ All growth rates in this section are reported as year-on-year, with the exception of output developments, which are seasonally adjusted quarter-on-quarter growth rates

On a positive note, activity in the financial subsector cushioned the overall decline, expanding by 2.5 per cent in the final quarter, up from 1.2 per cent growth recorded in the previous period. This improved performance was largely driven by an increase in credit extended to the private sector.

Figure 7: Quarterly Indicator of Economic Activity



Source: Central Bank of Lesotho

Table 2: Composite Indicator of Economic Activity and its sub-components

<i>Indices</i>	2024		2025		
	Q4	Q1	Q2	Q3	Q4
CIEA	164.2	154.7	158.5	159.2	151.7
Quarter-on-quarter % changes	3.3	-5.8	2.5	0.4	-4.8
Domestic Demand	155.0	141.4	147.9	136.6	131.8
Quarter-on-quarter % changes	7.6	-4.9	4.2	-7.1	-3.3
Manufacturing and Production	120.8	122.6	132.3	125.6	119.5
Quarter-on-quarter % changes	2.1	1.0	7.0	-4.3	-4.3
Construction	369.1	284.4	366.6	424.7	359.4
Quarter-on-quarter % changes	-21.3	-22.9	28.9	15.8	-15.4
Transport	153.5	129.4	124.0	143.1	140.4
Quarter-on-quarter % changes	9.7	-9.7	-4.1	-15.4	-1.9
Financial Service	267.0	270.0	276.2	279.4	286.3
Quarter-on-quarter % changes	0.8	1.1	2.3	1.2	2.5

Source: Central Bank of Lesotho

Employment Developments

Total employment increased by 13.0 per cent on a year-on-year basis, following a revised 18 per cent growth in the previous period, reflecting continued recovery in labour market conditions. Growth was largely driven by the tertiary sector, which remained the dominant employer, accounting for approximately 70.8 per cent of total employment. The secondary sector contributed 28.0 per cent, while the primary sector accounted for 1.2 per cent of total employment.

Primary Sector

Employment in the primary sector rose by 3.2 per cent year-on-year in the fourth quarter of 2025, following a 29.0 per cent year-on-year increase in the previous period. The increase was mainly attributable to higher employment in the agriculture, forestry, and fishing subsector, which expanded by 5.9 per cent quarter-on-quarter and 16.7 per cent year-on-year, supported by increased activity in animal and fruit production. In contrast, employment in the mining and quarrying subsector declined by 1.8 per cent, largely due to operational and market-related challenges that compelled several mining firms to scale down their workforce.

Secondary Sector

Employment in the secondary sector grew by 1.5 per cent year-on-year in the fourth quarter of 2025, marking a slowdown from the 4.9 per cent growth recorded in the previous quarter. The increase was largely driven by the construction subsector, where employment expanded by 13.4 per cent, supported by ongoing major infrastructure projects. Although construction output declined during the quarter, employment continued to rise, suggesting that recruitment associated with projects already in the pipeline likely continued, reflecting a lagged labour market response to short-term output fluctuations.

Additional support was provided by the electricity and water subsector, which recorded a modest growth of 1.1 per cent. However, these gains were partly offset by a contraction of 2.5 per cent in the manufacturing subsector, largely driven by persistent challenges in the clothing and textile industry, stemming from uncertainty surrounding the African Growth and Opportunity Act (AGOA) and the introduction of reciprocal tariffs by the United States.

Tertiary Sector

Employment in the tertiary sector increased by 17.2 per cent year-on-year in the fourth quarter of 2025, compared with a higher growth rate of 33.0 per cent in the preceding quarter. The expansion was broad-based, with notable employment gains recorded across several service-oriented industries. Strong growth was observed in public administration and defence, wholesale and retail trade, education, and financial and insurance activities, as well as administrative and support services.

Notwithstanding these gains, overall growth in the sector was partly constrained by employment declines in human health and social work activities, transportation and storage, and real estate activities.

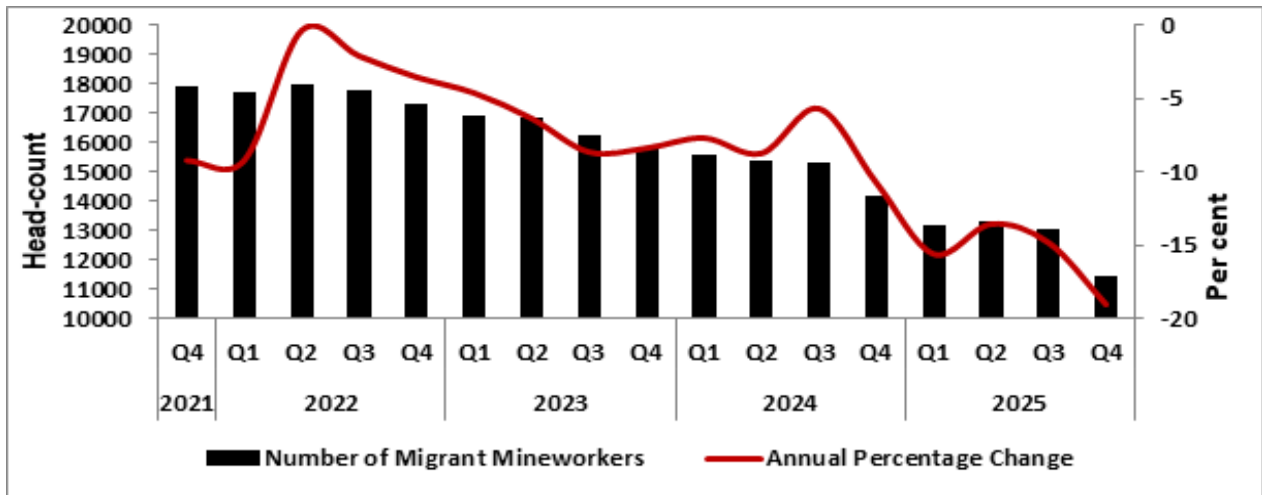
Table 3: Sectoral Employment

	2024	2025				Q-to-Q (%)	Y-on-Y (%)
	Q4	Q1	Q2	Q3	Q4		
Primary Sector	1931	1731	2057	1937	1993	2.9	3.2
Agriculture, forestry & fishing	520	453	954	573	603	5.9	16.7
Mining & Quarrying	1411	1278	1103	1364	1384	1.6	-1.8
Secondary Sector	39 052	46 480	45 529	44 712	39633	-1.8	4.9
Manufacturing	28 219	36943	35467	33861	27 527	-23.5	-2.5
Electricity and Water	1449	1129	1096	932	1 465	57.2	1.1
Construction	9384	8408	8966	9919	10641	7.3	13.4
Tertiary Sector	111 309	117 442	107 992	118 309	130 452	10.3	17.2
Wholesale and retail trade	6 420	5357	6195	6790	7 952	17.1	39.2
Transportation and storage	1913	2199	1564	1578	1 895	20.1	-0.9
Accommodation and food	2892	2533	2982	3403	3 045	-10.5	5.3
Information & communication	1505	1409	1380	1541	1 701	10.4	13.0
Financial and insurance	4465	4875	5315	4915	4 990	1.5	11.8
Real estate activities	517	346	390	400	423	5.8	-18.2
Professional Scientific & technical	3382	2888	3343	3310	4 268	28.9	26.2
Administrative and Support Service	1780	5228	6918	6 143	6 822	11.1	283.3
Public Administration and Defence	55038	62513	49375	49 049	58 520	19.3	6.3
Education	15172	15496	15491	23 373	23 821	1.9	57.0
Human Health and Social Work	10261	9196	9225	9 118	8 693	-4.7	-15.3
Other Services Activities	7 964	5 402	5 814	8 689	8 322	-4.2	4.5
Total	161 399	165 653	155 578	167 098	172 074	3.0	13.0

Source: Central Bank of Lesotho & Lesotho National Development Cooperation

Employment of Basotho migrant mineworkers in South Africa continued to contract in the fourth quarter of 2025, declining further by 19.0 per cent year-on-year, following a 14.8 per cent decrease in the previous quarter. The sustained decline reflected reduced demand for foreign labour following the adoption of South Africa’s National Labour Migration Policy 2025 White Paper, which introduced quotas on foreign employment. The downturn was further compounded by persistent market-related challenges in South Africa’s platinum mining sector, resulting in continued downsizing by mining firms.

Figure 8: Migrant Mineworkers (Annual Percentage Changes)



Source: The Employment Bureau of Africa (TEBA)

Price Developments

Consumer price inflation moderated to 4.1 per cent in December 2025 from 4.7 per cent in the previous quarter. This reflected easing price pressures across several major expenditure categories. The disinflationary trend was mainly driven by lower inflation in food and non-alcoholic beverages, clothing and footwear, transport, and furniture, household equipment & routine maintenance. However, these developments were partly offset by upward pressures emanating from housing, water, electricity, gas & other fuels, as well as restaurants and hotels.

The decline in food and non-alcoholic beverages inflation was primarily attributed to falling prices of dairy products and vegetables, indicating favourable global market developments. Transport inflation also eased, largely on account of lower international crude oil prices and an appreciation of the domestic currency. Collectively, these factors contributed to a moderation in overall inflationary pressures during the review period.

Table 4: Inflation Rate (Annual Percentage Changes)

	2025						
	Weight	Jul	Aug	Sep	Oct	Nov	Dec
All items	1000	4.4	4.6	4.7	4.5	4.3	4.1
Food and non-alcoholic beverages	326	6.3	6.5	6.2	5.8	5.4	4.6
Alcoholic Beverages & Tobacco	64	4.6	4.5	4.5	4.5	4.4	4.3
Clothing & footwear	81	7.5	8.9	8.2	8.1	8.3	7.6
Housing, water, electricity, gas & other fuels	149	3.2	3.3	3.5	3.8	4.1	4.3
Furniture, household equipment & routine maintenance	33	2.3	2.4	2.5	2.2	1.9	1.9
Health	19	3	1.1	1	1.0	0.9	0.9
Transport	111	-0.6	-0.8	1.1	0.6	-0.8	0.6
Communications	44	0.2	1.0	1.0	1.0	1.0	1.0
Recreation & Culture	14	1.7	1.6	1.7	2.2	1.9	2.2
Education	49	0.4	0.4	0.4	0.4	0.4	0.4
Restaurant & Hotels	65	11.7	11.9	11.8	12.3	12.7	12.4
Miscellaneous goods & services	44	2.6	2.5	1.9	1.7	1.6	1.3

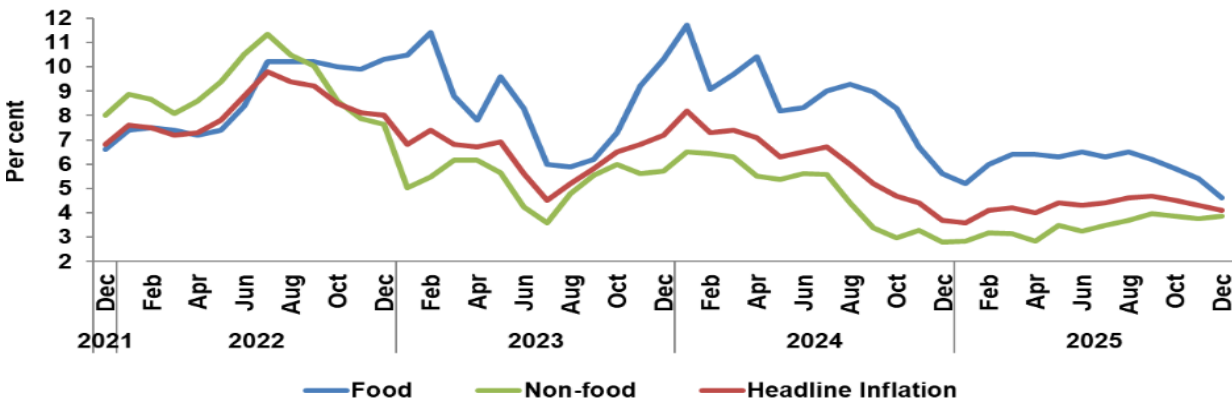
Source: Bureau of Statistics

Food inflation eased markedly to 4.6 per cent in December 2025, from 6.2 per cent in September 2025, reaching its lowest level since December 2018. The deceleration was mainly driven by a sharp slowdown in vegetable price inflation, supported by increased domestic harvests of key agricultural commodities, including maize and rice. In addition, dairy product prices declined, reflecting lower butter prices amid ample international supply conditions.

In contrast, meat price inflation remained elevated, largely due to persistently high beef prices, reflecting supply constraints associated with ongoing foot-and-mouth disease outbreaks.

Non-food inflation declined marginally by 3.9 per cent in December 2025, from 4.0 per cent in September 2025. The moderation was mainly influenced by lower fuel prices, which reduced transportation costs. However, the downward trend was partly tempered by higher electricity tariffs, which exerted upward pressure on the non-food component.

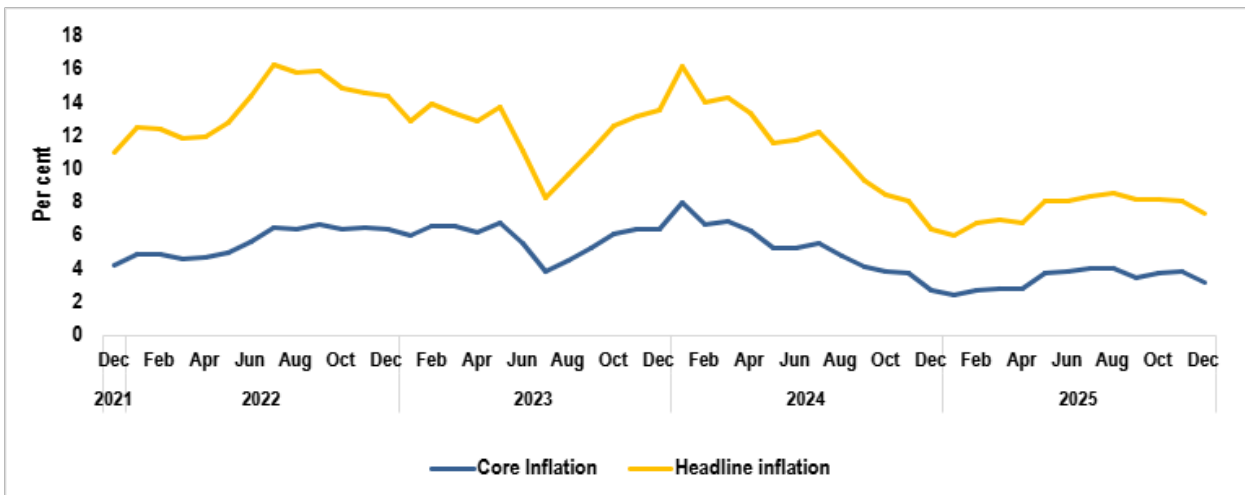
Figure 9: Food and Non-Food Inflation (Annual Percentage Changes)



Source: Bureau of Statistics and Central Bank of Lesotho Computations

The core inflation rate edged down to 3.2 per cent during the review period, compared with 3.5 per cent in September 2025. This suggests that although overall inflation remained elevated, underlying inflationary pressures were easing.

Figure 10: Core and Headline Inflation (Annual Percentage Changes)



Source: Central Bank of Lesotho Computation

4. Monetary and Financial Developments

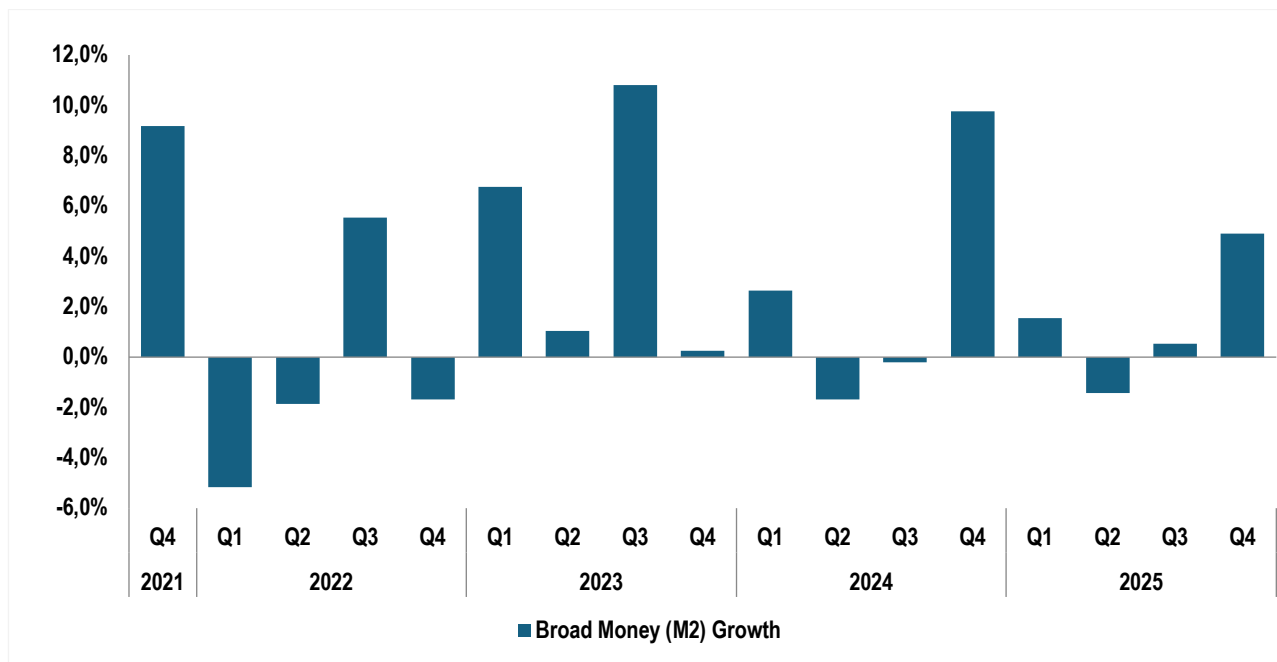
Overview

Broad money rose over the quarter, reflecting growth in both narrow money (M1) and quasi money. Total deposits with commercial banks increased, driven mainly by higher deposits from the private sector, reflecting stronger liquidity in the banking system. Private sector credit continued to expand, while net foreign assets also recorded modest growth. On the policy front, the Central Bank of Lesotho lowered its key policy rate, signalling a more accommodative monetary stance. At the same time, the stock of government securities saw slight changes, with banks increasing holdings of treasury bonds. These developments influenced liquidity conditions and the allocation of funds within the financial system during the period.

Broad Money

The broad measure of money supply (M2) rose by 4.9 per cent, accelerating from the 0.5 per cent growth recorded in the previous quarter. This outturn was supported by a rise in net foreign assets (NFA), despite a contraction in domestic assets (NDA). On a year-on-year basis, M2 grew by 5.6 per cent.

Figure 11: Broad Money (Quarterly Changes)



Source: Central Bank of Lesotho

Determinants of Broad Money

Domestic Claims

Domestic claims contracted by 1.3 per cent, reversing the 6.3 per cent growth recorded in the third quarter of 2025. This was mainly driven by reduction in net claims on government, while claims on other sectors moderated the overall contraction.

Net claims on government fell due to a decline in the central bank's net claims on central government, despite an increase in commercial banks' net claims. The reduction in the central bank's net claims reflected an accumulation of government deposits, mainly supported by higher water royalties. In contrast, commercial banks' net claims on government rose due to increased government spending, accrued interest on securities, and purchases of existing treasury bonds from the non-bank sector.

The growth in claims to other sectors was supported by a rise in credit extended to the private sector and investments made by commercial banks in collective investment schemes.

Table 5: Domestic Claims (Million Maloti; End Period)

	2024		2025			Changes (%)	
	Q4	Q1	Q2	Q3	Q4	Quarterly	Annual
Domestic Claims	3668.29	5068.60	3256.11	3460.84	3414.62	-1.3	-6.9
Net Claims on Government	-7971.49	-6918.93	-9145.13	-9347.01	-9933.64	-6.3	-24.6
Commercial Banks Net Claims	-943.22	-266.29	-1311.48	-1658.42	-1288.37	22.3	-36.6
Claims on Central Government	1611.63	1649.46	1849.24	1855.73	1888.71	1.8	17.2
Liabilities to Central Government	2554.84	1915.75	3160.71	3514.14	3177.08	-9.6	24.4
Central Bank Net Claims	-7028.28	-6652.64	-7833.66	-7688.59	-8645.28	-12.4	-23.0
Claims on Central Government	0.00	0.00	0.00	0.00	0.00		
Liabilities to Central Government	7028.28	6652.64	7833.66	7688.59	8645.28	12.4	57.3
Claims on Other Sectors	11639.79	11987.53	12401.25	12807.85	13348.26	4.2	16.9
Claims on OFCs	938.68	1112.91	1132.70	1152.13	1233.34	7.0	264.5
Claims on Public Nonfinancial Corporations	49.80	30.71	27.04	25.48	24.36	-4.4	-55.3
Claims on St & Local Government	0.00	0.00	0.00	0.00	0.00		
Claims on Private Sector	10651.31	10843.91	11241.50	11630.24	12090.56	4.0	9.8
Claims on Business Enterprises	2785.18	2910.99	2988.87	3023.53	3127.35	3.4	6.5
Claims on Households	7866.13	7932.92	8252.63	8606.71	8963.20	4.1	11.1

Source: Central Bank of Lesotho

Net Foreign Assets

Overall, NFA increased marginally by 0.1 per cent, albeit a slower pace compared to the 2.3 per cent growth recorded in the previous period. The increase was driven by the central bank's NFA, which rose by 6.0 per cent, following a 0.5 per cent increase in September. However, the commercial banks' NFA fell by 9.5 per cent, reflecting a reduction in placements with South African banks.

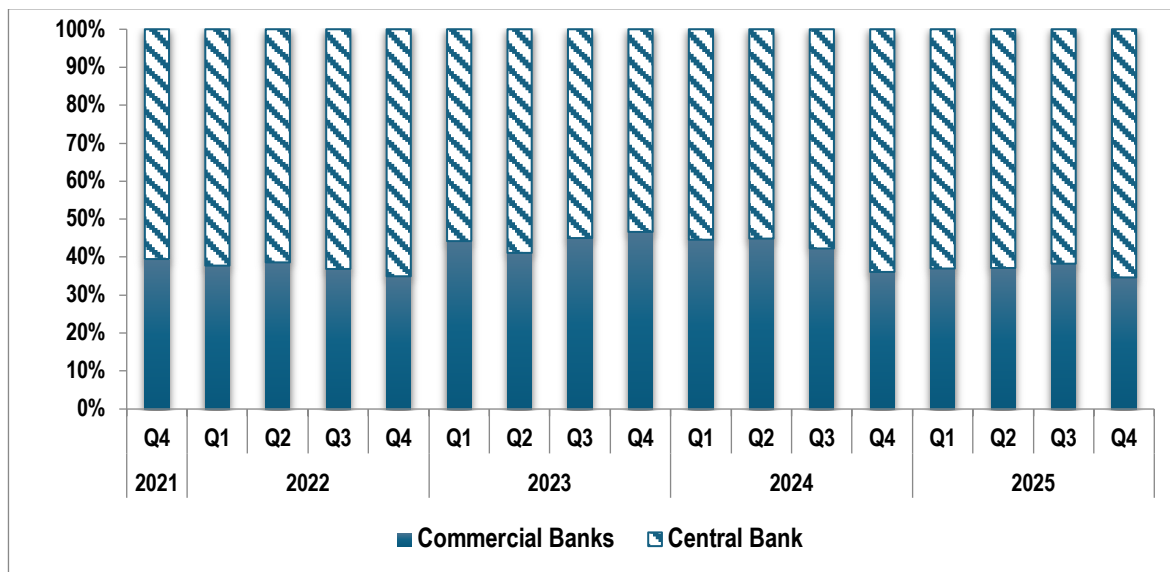
The expansion in the central bank’s NFA reflected higher claims on non-residents alongside a decline in liabilities to non-residents. The increase in foreign claims was largely attributed to lower pressure on the bank’s foreign reserves owing to sustained fiscal surpluses, complemented by higher inflows from water royalties. The fall in commercial banks’ claims on non-residents was due to matured deposits abroad, which were subsequently used to finance domestic credit and investment with collective investment schemes, as well as increasing the cash holdings. Meanwhile, the reduction in foreign liabilities was supported by the appreciation of the rand against major trading currencies.

Table 6: Net Foreign Assets (Millions Maloti: End Period)

	2024		2025			Changes (%)	
	Q4	Q1	Q2	Q3	Q4	Quarterly	Annual
Commercial Banks	9140.94	9165.73	9516.93	10036.81	9101.44	-9.3	-0.4
Claims on Non-residents	9397.49	9587.43	9845.52	10416.14	9476.29	-9.0	0.8
Liabilities to Non-residents	256.55	421.70	328.58	379.33	374.85	-1.2	46.1
Central Bank	16181.54	15605.28	16107.69	16187.42	17157.15	6.0	6.0
Claims on Non-residents	18865.06	18335.96	18964.91	18827.67	19690.29	4.6	4.4
Liabilities to Non-residents	2683.52	2730.68	2857.22	2640.25	2533.14	-4.1	-5.6
Net Foreign Assets Total	25322.48	24771.01	25624.62	26224.23	26258.59	0.1	3.7

Source: Central Bank of Lesotho

Figure 12: Net Foreign Assets (Percentage shares)



Source: Central Bank of Lesotho

Components of Broad Money

By components, the increase in money supply reflected developments in both narrow money (M1) and quasi money. M1 grew by 6.4 per cent, while quasi money recorded a 3.7 per cent growth in the reporting period. The growth in M1 resulted from an increase in transferable deposits held by business enterprises and other financial corporations. Additionally, the growth in quasi money was driven by increases in call deposits and fixed time deposits of business enterprises. The rise in deposits held by businesses benefitted from, amongst others, the increase in government spending on goods and services.

Table 7: Components of Money Supply (*Million Maloti: End Period*)

	2024		2025			Changes (%)	
	Q4	Q1	Q2	Q3	Q4	Quarterly	Annual
Broad Money (M2)	18995.08	19291.53	19018.40	19117.53	20055.61	4.9	5.6
Narrow Money (M1)	9325.06	9008.46	8990.85	8677.26	9232.60	6.4	-1.0
Currency Outside DCs	1477.91	1430.59	1403.21	1379.08	1413.67	2.5	-4.3
Transferable Deposits	7847.15	7577.87	7587.63	7298.17	7818.92	7.1	-0.4
Quasi Money	9670.02	10283.08	10027.56	10440.27	10823.01	3.7	11.9
Other Deposits Commercial Banks	9667.08	10280.32	10025.49	10438.25	10820.61	3.7	11.9
Other Deposits Central Bank	2.94	2.75	2.07	2.02	2.40	18.5	-18.4

Source: Central Bank of Lesotho

Credit Extension

Private sector credit maintained its upward trend, increasing by a further 4.0 per cent following a 3.5 per cent rise in the previous quarter. The expansion was largely observed in credit extended to households and business sector.

Trends in Credit Extended to Business Enterprises

Credit to the business sector rose by 3.4 per cent, following a 1.2 per cent increase in the prior quarter. This growth was primarily driven by increased credit to the following sectors: Wholesale, Retail, Hotel & Restaurants, Agriculture and Construction. The rise in business credit extension was attributed to heightened demand for new loans and greater utilisation of existing credit facilities. On an annual basis credit extended to businesses rose by 12.3 per cent. On an annual basis, credit extended to businesses rose by 12.3 per cent.

Table 8: Credit Extension by Economic Activity (Million Maloti)

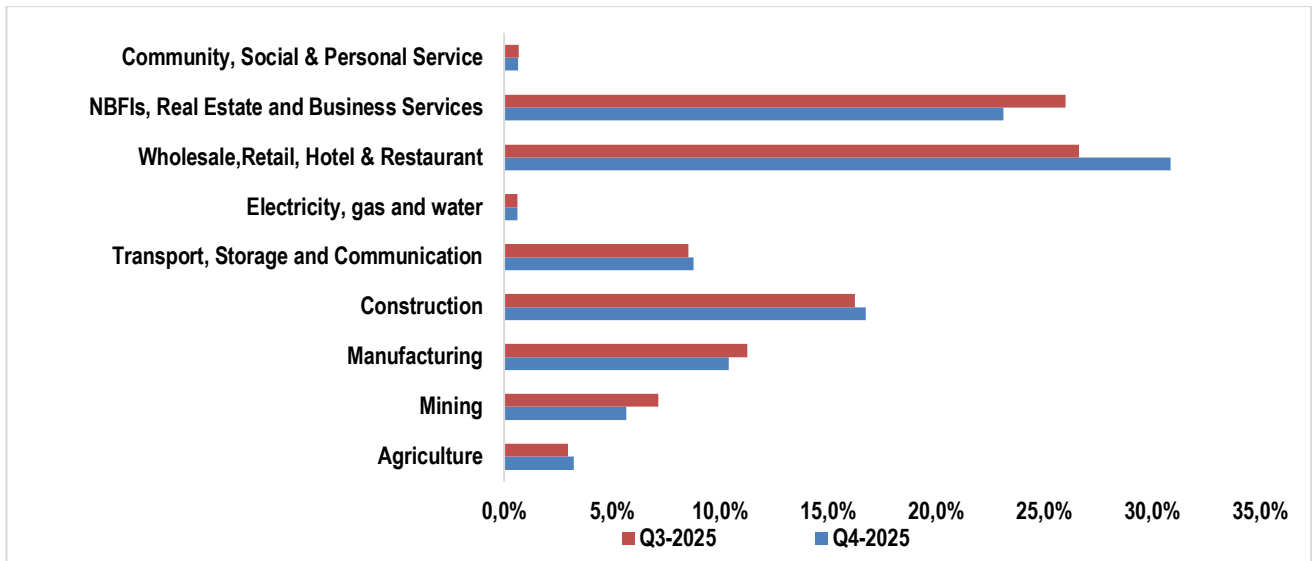
SECTOR	2024		2025			Changes (%)	
	Q4	Q1	Q2	Q3	Q4	Quarterly	Annual
Agriculture	72.83	76.39	75.80	89.47	100.62	12.5	38.2
Mining	425.93	423.62	462.74	215.94	176.84	-18.1	-58.5
Manufacturing	128.90	143.13	141.50	340.69	325.40	-4.5	152.5
Construction	460.70	439.13	471.32	490.83	523.62	6.7	13.7
Transport, Storage and Communication	285.93	350.67	337.34	257.81	274.28	6.4	-4.1
Electricity, gas and water	15.39	18.90	18.59	18.35	19.07	4.0	23.9
Wholesale, Retail, Hotel & Restaurant	745.01	723.68	873.55	804.52	964.37	19.9	29.5
NBFIs, Real Estate and Business Services	636.17	718.32	588.22	785.54	723.12	-8.0	13.7
Community, Social & Personal Service	14.32	17.16	19.81	20.37	20.03	-1.7	39.9
All Sectors	2,785.18	2,910.99	2,988.87	3,023.53	3,127.35	3.4	12.3

Source: Central Bank of Lesotho

Distribution of Credit Extended to Business Enterprises

The distribution of credit to business enterprises by sector showed that the wholesale, retail, hotel, and restaurant accounted for the largest share, representing 30.8 per cent of total credit extended. This was followed by non-bank financial institutions, real estate, and business services followed with a share of 23.1 per cent. The construction industry received 16.7 per cent share of total business credit. The community, social and personal services subsector, along with the electricity, gas, and water, received the minimal share, which accounted for 0.6 per cent each.

Figure 13: Distribution of Credit to Businesses (Percentage Shares)

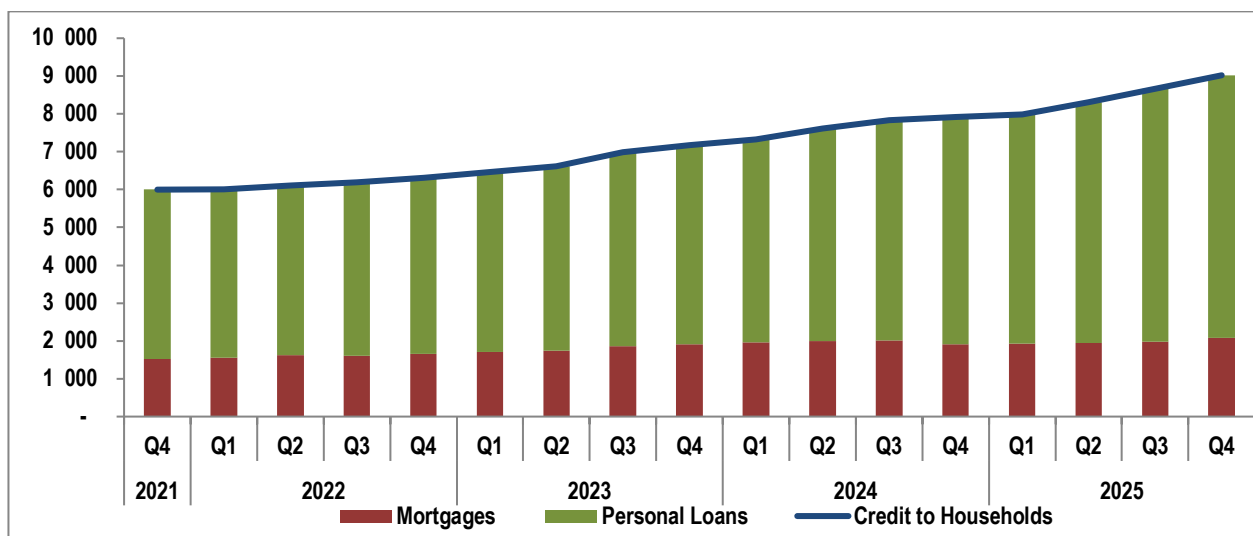


Source: Central Bank of Lesotho

Credit Extended to Households

Household credit extension maintained its upward trend during the review quarter, rising further by 4.1 per cent compared to a 4.3 per cent increase in the previous period. Growth was most notable in mortgages which expanded by 5.2 per cent, and to a lesser extent, in personal loans, which grew by 3.7 per cent. Improved access to credit and greater affordability were the primary drivers of this increase. There was also increased demand for loans during the quarter, which further supported the overall growth. On an annual basis, household credit grew by 13.9 per cent.

Figure 14: Credit Extension to Household (Million Maloti)



Source: Central Bank of Lesotho

Liquidity of Commercial Banks

Components of liquidity

The credit-to-deposit ratio rose to 54.4 per cent from 53.8 per cent. This increase was driven by the growth in credit extension, which surpassed growth in deposit base of commercial banks. In contrast, the liquidity ratio fell to 26.6 per cent due to banks' fewer liquid assets during the quarter, while deposits continued to grow.

Table 9: Components of Liquidity (Million Maloti)

	2024		2025		
	Q4	Q1	Q2	Q3	Q4
Credit to Deposit Ratio	52.1%	53.8%	53.1%	53.8%	54.4%
Private Sector Credit	10449.79	10641.84	11033.66	11424.10	11867n.32
Total Deposits	20069.68	19774.06	20773.92	21250.71	21816.73
Liquidity Ratio	32.9%	32.9%	32.2%	27.3%	26.6%
Notes and Coins	1172.88	704.09	745.73	717.42	1147.07
Net Balance due from banks in Lesotho	10.82	-39.41	33.59	-329.78	93.97
Net Balance due from banks in SA	3481.63	3752.42	3859.41	3352.07	2539.50
Surplus funds	332.42	431.48	202.89	208.72	125.55
Government Securities	1611.63	1649.46	1849.24	1855.73	1888.71
Total	6609.38	6498.04	6690.86	5804.16	5794.81

Source: Central Bank of Lesotho

Commercial Banks Sources of Funds

Total deposit liabilities of commercial banks rose by 2.7 per cent in the fourth quarter of 2025, following a 2.1 per cent growth recorded in the third quarter. The growth was mainly driven by an increase in transferable deposits and other deposits included in broad money. In contrast, deposits excluded from broad money fell by 8.8 per cent during the review period.

The rise in transferable deposits and other deposits included in broad money was largely attributed to higher deposits by the business sector. Conversely, the decrease in deposits excluded from broad money stemmed from a fall in government deposits with commercial banks during the quarter. On an annual basis, total deposits in the banking sector grew by 8.7 per cent.

Table 10: Sources of Funds for ODCs (Million Maloti)

	2024		2025			Changes (%)	
	Q4	Q1	Q2	Q3	Q4	Quarterly	Annual
Transferable Deposits Incl. in BM	7847.15	7577.87	7587.63	7298.17	7818.92	7.1	-0.4
Other Financial Corporations	107.08	48.45	113.26	27.89	125.90	351.4	17.6
Transf. Dep. State & Local Govt NC	6.84	0.16	19.88	14.86	8.38	-43.6	22.6
Public Nonfinancial Corporations	85.56	32.86	70.03	64.03	58.34	-8.9	-31.8
Private Sector	7647.68	7496.39	7384.46	7191.40	7626.30	6.0	-0.3
Other NFCs	5817.57	5566.89	5468.96	5317.61	5752.06	8.2	-1.1
Other Sectors (Households)	1830.11	1929.50	1915.51	1873.79	1874.23	0.0	2.4
Other Deposits Incl. in BM	9667.08	10280.32	10025.49	10438.25	10820.61	3.7	11.9
Other Financial Corporations	143.19	108.30	133.90	114.35	107.35	-6.1	-25.0
Public Nonfinancial Corporations	279.33	260.65	402.65	407.60	418.83	2.8	49.9
Private Sector	9244.55	9911.38	9488.94	9916.30	10294.43	3.8	11.4
Other NFCs	5842.39	6319.68	5920.13	6256.94	6611.83	5.7	13.2
Other Sectors (Households)	3402.16	3591.69	3568.81	3659.36	3682.60	0.6	8.2
Deposits excluded in MB	2685.80	2047.01	3314.12	3638.32	3316.63	-8.8	23.5
of which Import deposits	130.36	131.15	153.32	124.03	139.43	12.4	7.0
Total Deposits	20200.04	19905.21	20927.24	21374.75	21956.17	2.7	8.7

Source: Central Bank of Lesotho

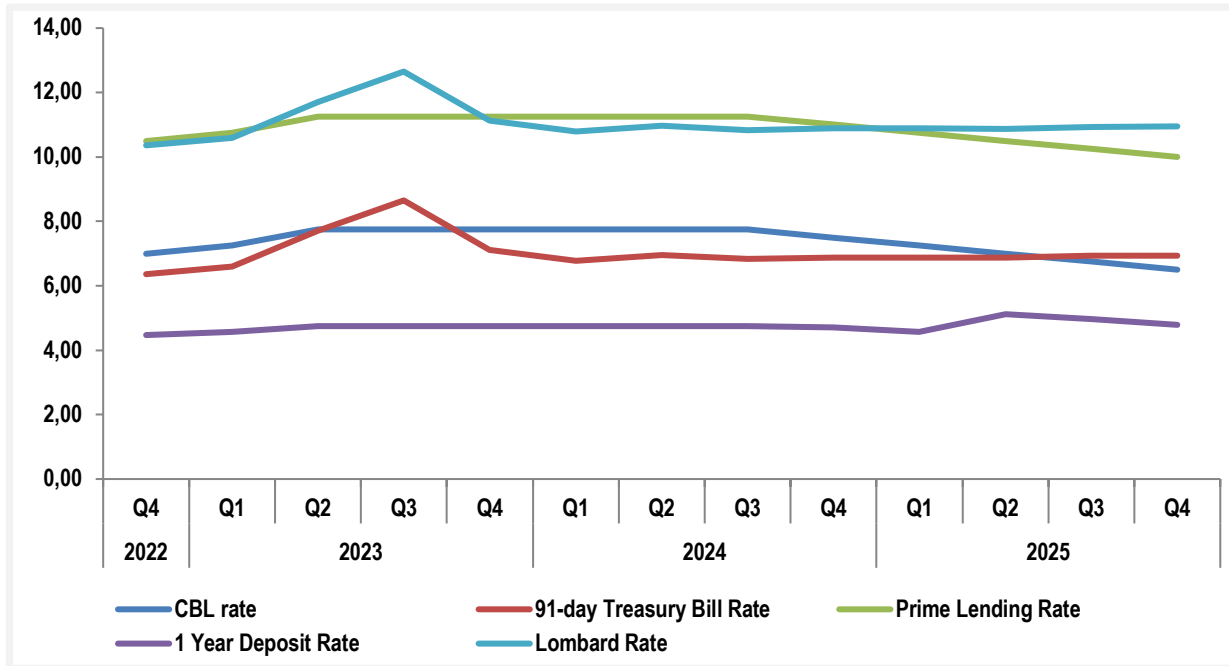
Money Market

Interest Rates

The central bank of Lesotho reduced its key policy rate by 25 basis points to 6.5 per cent between third and fourth quarter of 2025. Consequently, the prime lending rate also declined by 25 basis points to 10.00 per cent, while the one-year deposit rate fell by 17 basis points to 4.80 per cent.

Both the 91-day Treasury bill rate and the Lombard rate edged up by 1 basis point, reaching 6.94 and 10.94 per cent, respectively. Despite this slight increase, the 91-day Treasury bill rate remained within the targeted band of ± 200 basis points relative to its South African counterpart.

Figure 15: Short Term Interest Rates (Per Cent per Annum)



Source: Central Bank of Lesotho

Table 11: Interest rates

	2024		2025		
	Q4	Q1	Q2	Q3	Q4
Central Bank					
CBL rate	7.50	7.25	7.00	6.75	6.50
T-Bill Rate - 91 days	6.88	6.88	6.87	6.93	6.94
Lombard Rate	10.88	10.88	10.87	10.93	10.94
Commercial Banks					
Call	2.27	2.78	2.73	2.59	2.45
Time:					
31 days	1.47	1.34	1.33	1.28	1.22
88 days	2.45	3.08	3.05	2.95	2.84
6 months	4.01	4.59	4.44	4.33	4.16
1 year	4.72	5.25	5.12	4.97	4.80
Savings	1.55	1.72	1.71	1.65	1.56
Prime	11.00	10.75	10.50	10.25	10.00
South Africa					
Repo	7.75	7.50	7.50	7.50	7.50
T-Bill Rate - 91 days	7.71	7.29	6.89	6.48	6.08
Prime	11.25	11	11	11	11

Source: Central Bank of Lesotho

Holding of Treasury Bills

The total outstanding stock of Treasury bills increased by 0.3 per cent during the review quarter. This expansion was mainly driven by 0.4 per cent increase in the holdings of the banking sector (M1.9 million), while the non-bank sector recorded a modest accumulation of 0.1 per cent (M0.3 million) in stock of treasury bills.

Table 12: Holding of Bills (Million Maloti)

	2024		2025		
	Q4	Q1	Q2	Q3	Q4
Treasury Bills	748.00	746.10	753.28	754.91	757.14
Banking System	470.98	473.51	481.93	460.40	462.29
Non-Bank Sector	277.02	272.60	271.35	294.51	294.85

Source: Central Bank of Lesotho

Holding of Treasury Bonds

During the quarter, holdings of Treasury bonds decreased marginally by 0.1 per cent. The contraction was driven by non-bank sector's holdings, which fell by 1.4 per cent, equating to M35.2 million. In contrast, the banking sector increased its Treasury bond holdings by 2.6 per cent (M32.8million), moderating the decline.

Table 13: Holding of Bonds (Million Maloti)

	2024		2025		
	Q4	Q1	Q2	Q3	Q4
Holding of Treasury Bonds	3819.61	3594.61	3844.61	3844.61	3842.22
Banking System	1083.71	1095.81	1252.67	1255.86	1288.70
Non-Bank Sector	2735.91	2498.80	2591.94	2588.76	2553.53

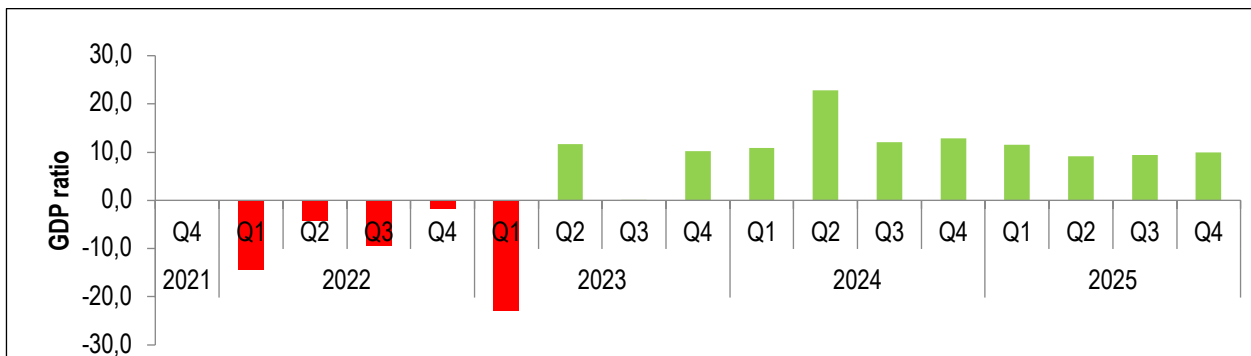
Source: Central Bank of Lesotho

5. Government Finance

Overview

The surplus from government budget operations increased slightly in the last quarter of 2025, rising to 9.9 per cent of GDP from 9.5 per cent in the previous period. However, the underlying fiscal position softened as expenditure growth continued to outpace the modest rise in revenue. The quarter-to-quarter movement reflected the combined effect of higher recurrent spending and a strong rebound in capital spending, both of which placed upward pressure on total outlays. Encouragingly, the public debt-to-GDP ratio improved, falling from 54.5 per cent to 52.9 per cent, suggesting that overall debt sustainability strengthened slightly as the year closed.

Figure 16: Fiscal Balance (Percent of GDP)



Source: Central Bank of Lesotho and Ministry of Finance

Revenue

Revenue increased by 4.3 per cent in the last quarter of 2025, rising from the 4.8 per cent recorded in the previous period, but declined by 3.7 per cent on a year-on-year basis. The quarterly improvement was driven primarily by a sharp rise in water royalties, which increased by 10.0 per cent, providing the largest contribution to revenue growth. Income tax also strengthened, rising by 5.3 per cent, while VAT collections increased modestly by 2.6 per cent. By contrast, SACU receipts remained flat for the third consecutive period, and other tax categories showed limited movement. Despite the strong performance of water royalties, the overall revenue position remained weaker than a year earlier, reflecting broad-based declines across major tax categories. The quarterly gain therefore masks a still-fragile underlying revenue environment, with collections remaining below the levels recorded at the start of the year.

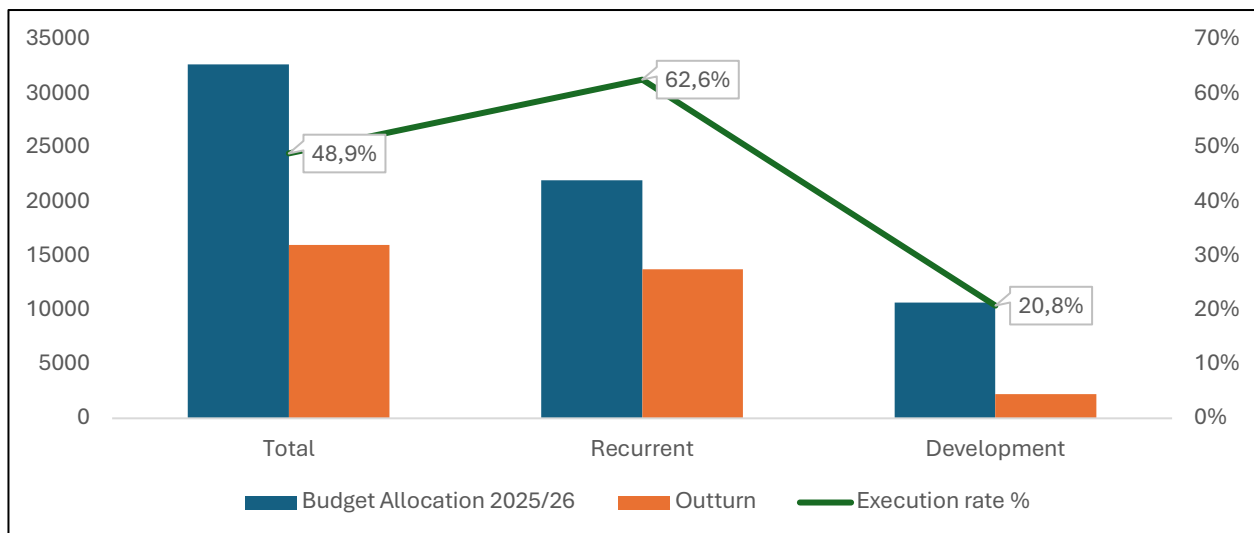
Total Expenditure

Expenditure rose by 4.3 per cent on a quarter-to-quarter basis and 1.7 per cent year-on-year, with pressures evident across both recurrent and capital components. Under the economic classification, total expense increased by 1.8 per cent, as higher spending on goods and services more than offset the decline in compensation of employees, while operating costs expanded sharply, reinforcing the upward drift in recurrent outlays. Capital spending also strengthened significantly, rising by 21.0 per cent, supported by improved implementation of non-financial asset projects and a notable rebound in fixed-asset acquisition.

From a functional perspective, the largest spending increases were recorded in education, housing and community amenities, and health, while economic affairs remained elevated despite easing from earlier peaks. By contrast, general public services and defence moderated, contributing to a more balanced functional distribution of expenditure. Execution-tracker indicators showed that overall spending reached 48.9 per cent of the approved budget, with recurrent expenditure performing relatively strongly at 62.6 per cent, while capital spending remained markedly low at 20.8 per cent, underscoring persistent implementation challenges in the development programme.

In general, the expenditure profile reflects firmer operational spending and a modest improvement in capital execution, but with overall performance still constrained by structural weaknesses in delivering development projects.

Table 14: Budget Execution Tracker (Million Maloti)



Source: Central Bank of Lesotho and Ministry of Finance

Table 15: Statement of Government Operations (Million Maloti)

	2024	2025				Q-to-Q (%)	Y-on-Y (%)	GDP ratio (%)
	Q4	Q1	Q2	Q3	Q4			
Total Revenue	6885.55	6835.32	6064.72	6352.88	6628.48	4.3	-3.7	62.4
Tax revenue	5343.69	5626.37	4509.67	4359.06	4461.34	2.3	-16.5	42.0
Income Tax	1454.01	1639.29	1250.88	1242.76	1308.56	5.3	-10.0	12.3
Value Added Tax	1295.40	1125.49	1151.87	1007.99	1044.40	3.6	-19.4	9.8
SACU Receipts (excise & customs)	2258.89	2258.89	1795.55	1795.55	1795.55	0.0	-20.5	16.9
Other tax revenue	335.39	602.70	311.38	312.77	312.84	0.0	-6.7	2.9
Grants	631.68	631.68	502.78	502.78	502.78	0.0	-20.4	4.7
o/w SACU Receipts (development)	628.41	628.41	499.51	499.51	499.51	0.0	-20.5	4.7
Other revenue	910.19	577.28	1052.28	1491.05	1664.36	11.6	82.9	15.7
Total Expense	4541.07	4427.76	4417.96	4635.01	4717.24	1.8	3.9	44.4
Compensation of Employees	1930.91	1932.89	1877.29	1943.79	1874.68	-3.6	-2.9	17.6
Use of goods and services	895.80	735.33	704.53	907.33	1025.71	13.0	14.5	9.6
O/W Purchase of Health Services	188.16	36.18	77.13	113.60	156.04	37.4	-17.1	1.5
Interest Payments	123.68	180.39	135.76	180.67	148.71	-17.7	20.2	1.4
Subsidies	126.19	204.68	181.95	167.15	167.75	0.4	32.9	1.6
Grants	649.77	489.25	565.86	607.13	530.57	-12.6	-18.3	5.0
Social benefits	580.59	453.72	600.13	506.50	589.73	16.4	1.6	5.5
Other expense	234.13	431.50	352.45	322.43	380.09	17.9	62.3	3.6
Gross Operating Balance	2344.48	2407.57	1646.76	1717.87	1911.24	-	-	18.0
Total Nonfinancial Assets	946.14	1182.00	650.81	712.65	862.04	21.0	-8.9	8.1
Fixed Assets	946.14	1181.55	651.26	712.37	862.00	21.0	-8.9	8.1
Non-Produced Assets	0.00	0.46	-0.46	0.28	0.04	-	-	0.0
Total Expenditure	5487.20	5609.76	5068.77	5347.66	5579.28	4.3	1.7	52.5
Primary balance	1522.03	1405.95	1131.71	1185.90	1197.91	-	-	11.3
Net lending/borrowing	1398.35	1225.56	995.95	1005.22	1049.20	-	-	9.9
Financing	1465.73	1200.95	1143.30	1006.97	1073.01	-	-	10.1
Net Acquisition of Financial assets	663.53	-141.85	2666.79	521.60	336.73	-	-	3.2
O/W Domestic Currency and Deposits	580.20	-1014.72	2425.98	208.36	619.62	-	-	5.8
Net Incurrence of Liabilities	-802.20	-1342.80	1523.49	-485.38	-736.28	-	-	-6.9
O/W Domestic Other Accounts Payable	-1211.81	-1172.70	967.52	-86.21	-464.49	-	-	-4.4
Statistical Discrepancy	-67.38	24.61	-147.35	-1.75	-23.81	-	-	-0.2
Memo Items								
SACU receipts	2887.30	2887.30	2295.06	2295.06	2295.06	0.0	-20.5	21.6
GDP (quarterly, red colour = forecast)	10867.18	10641.63	10871.39	10629.95	10629.95	-	-	-

Source: Central Bank of Lesotho and Ministry of Finance

Table 16: Total Outlays by Functions of Government (Million Maloti)

	2024	2025				Q-to-Q (%)	Y-on-Y (%)	GDP ratio (%)
	Q4	Q1	Q2	Q3	Q4			
Current Outlays	4668.77	4182.90	4254.45	4450.67	4430.17	-0.5	-5.1	41.7
General public services	1002.12	305.61	401.19	562.75	462.69	-17.8	-53.8	4.4
Defence	170.60	228.52	234.17	228.00	212.26	-6.9	24.4	2.0
Public order and safety	425.45	497.76	452.20	484.62	476.61	-1.7	12.0	4.5
Economic affairs	419.88	503.54	400.16	559.69	541.56	-3.2	29.0	5.1
Environmental protection	29.05	35.83	25.07	28.69	30.83	7.5	6.1	0.3
Housing and community amenities	138.02	143.27	134.32	163.15	73.36	-55.0	-46.8	0.7
Health	646.78	625.67	698.26	583.59	671.22	15.0	3.8	6.3
Recreation, culture and religion	47.01	45.42	49.04	54.82	51.16	-6.7	8.8	0.5
Education	1009.47	1103.51	1142.83	1079.74	1163.99	7.8	15.3	11.0
Social protection	780.40	693.77	717.22	705.62	746.50	5.8	-4.3	7.0
Capital Outlays	851.66	1360.58	307.27	458.73	619.42	35.0	-27.3	5.8
General public services	207.77	312.81	36.92	49.83	72.97	46.4	-64.9	0.7
Defence	0.00	12.70	0.00	0.00	0.00	-	-	0.0
Public order and safety	9.63	5.65	3.18	-0.54	1.80	-432.3	-81.3	0.0
Economic affairs	533.23	829.17	207.08	282.47	288.23	2.0	-45.9	2.7
Environmental protection	0.00	0.18	0.00	0.27	1.28	369.5	-	0.0
Housing and community amenities	67.52	150.41	47.41	104.35	240.36	130.3	256.0	2.3
Health	10.19	42.63	11.46	22.86	11.94	-47.7	17.2	0.1
Recreation, culture and religion	10.16	0.32	0.00	0.46	-0.46	-200.0	-104.6	0.0
Education	13.16	6.71	1.22	-0.98	3.30	-437.0	-74.9	0.0
Social protection	0.00	0.00	0.00	0.00	0.00	-	-	0.0
Total Outlays	5520.43	5543.48	4561.73	4909.40	5049.59	2.9	-8.5	47.5
General public services	1209.90	618.41	438.11	612.59	535.66	-12.6	-55.7	5.0
Defence	170.60	241.22	234.17	228.00	212.26	-6.9	24.4	2.0
Public order and safety	435.08	503.41	455.38	484.07	478.40	-1.2	10.0	4.5
Economic affairs	953.11	1332.71	607.24	842.17	829.79	-1.5	-12.9	7.8
Environmental protection	29.05	36.01	25.07	28.96	32.10	10.9	10.5	0.3
Housing and community amenities	205.53	293.68	181.73	267.50	313.72	17.3	52.6	3.0
Health	656.97	668.30	709.72	606.45	683.17	12.7	4.0	6.4
Recreation, culture and religion	57.17	45.74	49.04	55.28	50.69	-8.3	-11.3	0.5
Education	1022.63	1110.22	1144.04	1078.76	1167.29	8.2	14.1	11.0
Social protection	780.40	693.77	717.22	705.62	746.50	5.8	-4.3	7.0
Unidentified Outlays	-33.23	66.28	507.04	438.26	529.69			

Source: Central Bank of Lesotho and Ministry of Finance

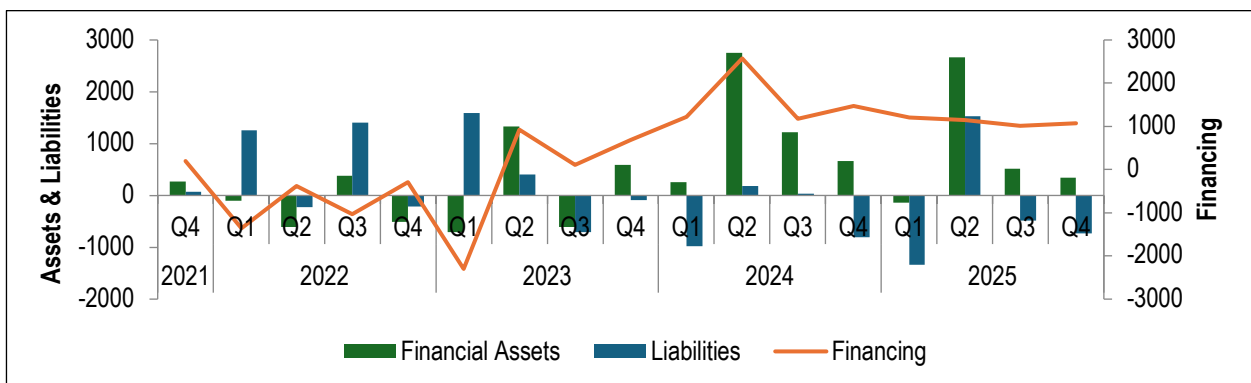
Financial Assets and Liabilities²

Financing developments during the period under review reflected the higher fiscal surplus, resulting in continued accumulation of financial assets alongside a further reduction in liabilities. On the asset side, domestic financial assets increased, driven mainly by higher currency and deposit holdings. However, this was partly offset by a significant decline in other accounts receivable, which slowed the overall pace of asset accumulation relative to the previous quarter. Foreign financial assets remained broadly unchanged, with only minor adjustments in multilateral positions.

On the liabilities side, total obligations continued to decline, supported by reductions in both domestic and external liabilities. Domestic liabilities fell, reflecting lower outstanding payables and limited reliance on debt securities. Although the government issued M250 million in bonds during the period, these were offset by redemptions of M252.39 million, resulting in a net reduction in domestic debt securities. External liabilities also eased, as amortisation continued to exceed disbursements, reinforcing the downward trend in foreign borrowing.

In summary, the financing profile shows that the higher fiscal surplus supported continued asset accumulation and a further unwinding of liabilities, with bond redemptions and lower external borrowing contributing to a more favourable financing position at the end of the year.

Figure 17: Total Financing (Million Maloti)



Source: Central Bank of Lesotho and Ministry of Finance

Total Public Debt³

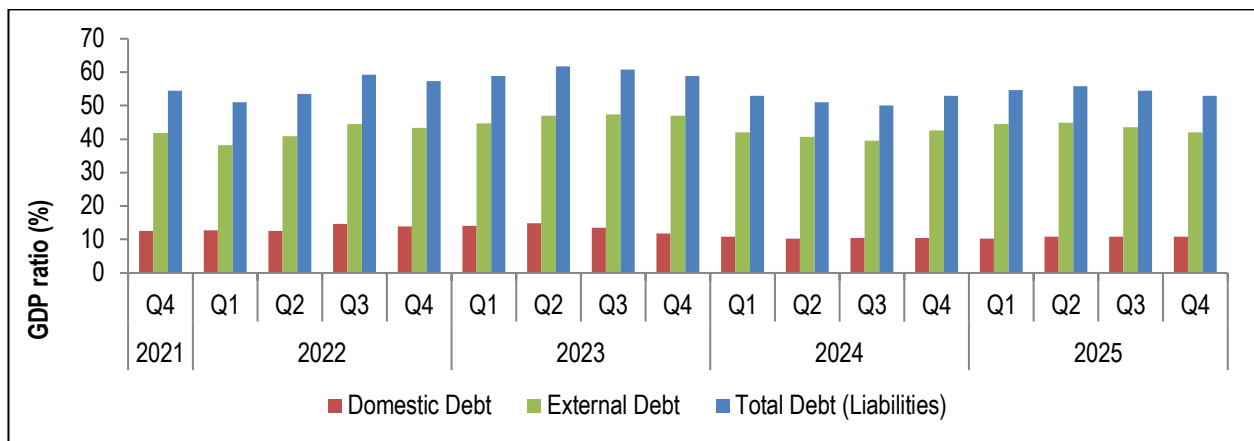
Public debt declined in the period under review, with the total stock falling by 2.9 per cent on a quarter-to-quarter basis and 3.2 per cent year-on-year. The reduction was driven primarily by external debt, which contracted by 3.7 per cent as amortisation continued to outpace new disbursements. The decline was further reinforced by favourable exchange-rate movements, which reduced the maloti value of external debt by M635.64 million, marking the largest valuation gain recorded during the year.

² All categories are on net terms. The difference between financing and net lending is captured under other accounts payable. However, existing statistical discrepancy caters for some funds in the banks that are totally unexplained as they are highly aggregated.

³ All categories are on net terms. The stock of public external debt is converted using an end-of-period exchange rate.

Domestic debt remained broadly stable, edging up by 0.7 per cent year-on-year, with banks increasing their holdings of long-term government securities while non-bank investors reduced their positions. The composition of domestic debt continued to favour long-term instruments, supporting refinancing stability. Debt indicators improved modestly, with the external-to-total debt ratio easing to 79.5 per cent and concessional debt maintaining a high share of external obligations at 73.6 per cent, helping to contain debt-service pressures. External debt-service ratios also moderated relative to both exports and revenue, indicating a marginal improvement in debt-sustainability conditions as the year closed.

Figure 18: Outstanding Public Debt (Million Maloti)



Source: Central Bank of Lesotho and Ministry of Finance

Table 17: Public Debt Stock (Million Maloti)

	2024	2025				Q-to-Q (%)	Y-on-Y (%)	Debt / GDP
	Q4	Q1	Q2	Q3	Q4			
Total Public Debt	23214.12	23239.21	23712.52	23159.79	22480.80	-2.9	-3.2	52.9
External Debt	18646.50	18898.50	19114.63	18560.27	17881.43	-3.7	-4.1	42.1
Bilateral Loans	865.70	816.61	759.65	738.78	705.82	-4.5	-18.5	1.7
Concessional	750.35	700.85	661.39	641.70	597.50	-6.9	-20.4	1.4
Non-concessional	115.35	115.76	98.26	97.09	108.32	11.6	-6.1	0.3
Multilateral Loans	14515.42	14932.46	15262.77	14924.42	14331.39	-4.0	-1.3	33.7
Concessional	11011.33	11965.71	12193.91	11912.05	11361.26	-4.6	3.2	26.7
Non-concessional	3504.09	2966.75	3068.86	3012.37	2970.13	-1.4	-15.2	7.0
Suppliers' Credit	3265.38	3149.43	3092.20	2897.08	2844.22	-1.8	-12.9	6.7
Concessional	1324.46	1340.91	1314.24	1229.83	1205.18	-2.0	-9.0	2.8
Non-concessional	1940.92	1808.52	1777.96	1667.25	1639.05	-1.7	-15.6	3.9
Domestic Debt	4567.61	4340.72	4597.90	4599.52	4599.37	0.0	0.7	10.8
Banks	1554.69	1569.32	1734.60	1716.25	1750.99	2.0	12.6	4.1
Long-term (T-bonds)	1083.71	1095.81	1252.67	1255.86	1288.70	2.6	18.9	3.0
Short-term (T-bills)	470.98	473.51	481.93	460.40	462.29	0.4	-1.8	1.1
Non-bank	3012.93	2771.40	2863.29	2883.27	2848.38	-1.2	-5.5	6.7
Long-term (T-bonds)	2735.91	2498.80	2591.94	2588.76	2553.53	-1.4	-6.7	6.0
Short-term (T-bills)	277.02	272.60	271.35	294.51	294.85	0.1	6.4	0.7
DEBT INDICATORS								
Total Debt-to-GDP	53.0	54.7	55.8	54.5	52.9	-	-	-
External Debt-to-Total Debt	80.3	81.3	80.6	80.1	79.5	-	-	-
Concessional Debt-to-External Debt	70.2	74.1	74.1	74.3	73.6	-	-	-
External debt service/Exports	5.8	12.7	6.7	9.6	8.6			
External debt service/Revenue	3.6	6.2	4.1	7.0	5.9			

Source: Central Bank of Lesotho and Ministry of Finance

6. Foreign Trade and Payments

Overview

During the last quarter of 2025, Lesotho's external sector position remained in surplus. The external sector surplus was primarily explained by an increase in water royalties and reserves assets, which were compounded with increased capital inflows associated with ongoing construction activities at LHWP – Phase II. Expressed as a share of GDP, the external sector surplus constituted 9.2 per cent, from a revised 26.4 per cent in the preceding quarter.

Current Account

The current account balance registered a surplus of M429.35 million in the last quarter of 2025, following a revised deficit of M186.37 million in the previous quarter. The surplus was explained by the primary and secondary income account surpluses, coupled with a decline in goods and services accounts deficits. As a share of GDP, the current account constituted 4.04 per cent of GDP, compared to 1.65 per cent of GP in the previous quarter. Year on year, the current account surplus rose by 75.9 per cent, from a decline of 139.9 per cent in the previous period.

Table 18: Current Account Balance (Million Maloti)

	2024	2025				% Changes	
	Q4	Q1	Q2	Q3	Q4	Q/Q	Y/Y
Current Account	244.10	156.06	-491.63	-186.37	429.35	330.4	75.9
(a) Goods	-3605.34	-3877.50	-3655.11	-3293.33	-2750.64	16.5	23.7
Merchandise exports, f.o.b.	4197.51	3273.91	3633.53	4508.92	5162.14	14.5	23.0
Of which diamonds	962.19	577.25	542.31	581.54	628.40	8.1	-34.7
Of which textiles & clothing	2146.27	1877.65	2019.21	2047.78	2146.12	-4.8	0.0
Of which water	579.63	376.61	711.72	1221.40	1588.60	30.1	174.1
Of which agriculture	149.56	134.25	153.11	194.52	217.46	11.8	45.4
Of which re-exports	50.93	42.42	39.37	41.22	43.16	4.7	-15.3
Other exports	308.93	265.73	167.81	422.46	538.41	27.4	74.3
Merchandise imports, f.o.b.	7802.85	7151.41	7288.64	7802.25	7912.77	1.4	1.4
(b) Services	-1868.88	-1971.51	-1996.98	-2042.40	-2049.49	-0.3	-9.7
(c) Primary Income	2630.77	2462.90	2594.00	2600.76	2666.89	2.5	1.4
(d) Secondary Income	3087.56	3542.17	2566.46	2548.60	2562.59	0.5	-17.0

Source: Central Bank of Lesotho

Merchandise Exports

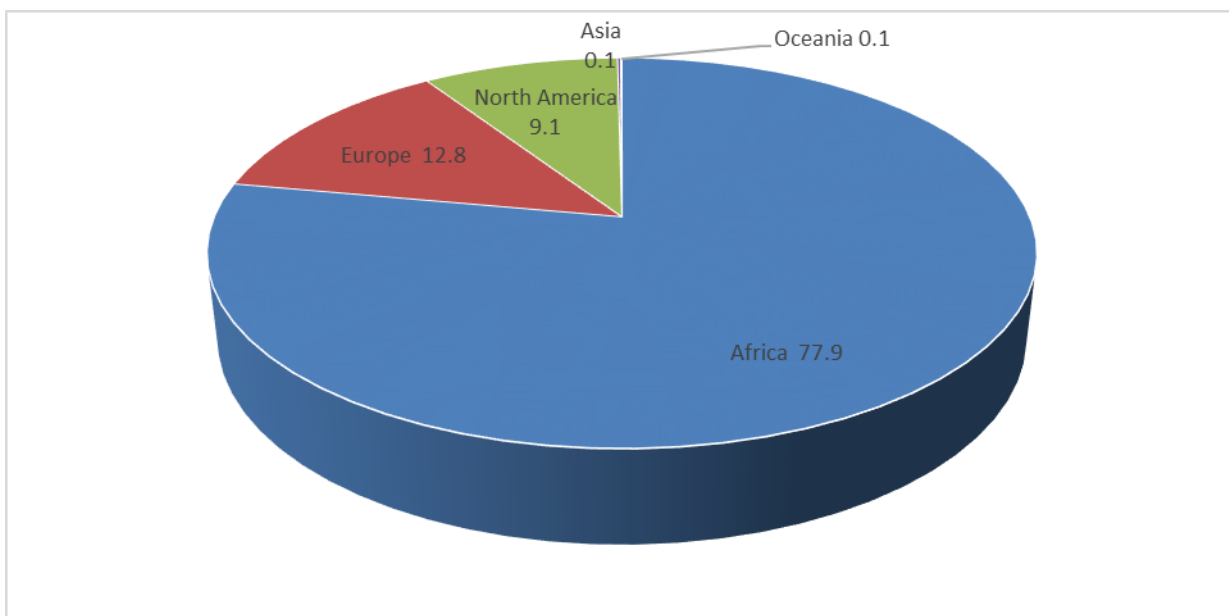
The value of merchandise exports rose by 14.5 per cent, from an increase of 23.0 per cent in the previous quarter. The increase in merchandise exports resulted from an increase in most export categories, with the exception of textiles and clothing exports. Water exports accounted for the largest share of the increase. The rise in water exports reflected increased receipts following annual reconciliation of the Electricity Sales Index (ESI), which adjusts the electricity component of the water royalties for inflation. Diamond exports continued to increase despite ongoing challenges in the global diamond industry. The increase was explained

by the recovery of high valued carats in one of the mines. Agricultural exports continued to be driven higher by exports of vegetables and live animals, particularly grains and fish. Textiles and clothing exports declined on account of elevated uncertainty surrounding AGOA renewal resulting in a continued decline in textile exports destined to the US. On a year-on-year basis, merchandise exports increased by 23.0 per cent, following a decline of 2.9 per cent in the previous quarter. Expressed as a share of GDP, merchandise exports accounted for 48.6 per cent, up from 39.9 per cent a quarter earlier.

Direction of Trade - Exports

During the review period, Africa accounted for the largest share of Lesotho’s exports, with a share of 77.9 per cent, from a share of 70.3 per cent in the preceding quarter. The substantial increase in exports to Africa was explained by water exports to South Africa. Exports destined to Europe followed with a share of 12.8 per cent, from 14.0 per cent, reflecting a moderation in its share largely due to the stronger relative expansion in exports to Africa. The substantial share was explained by diamond exports to Belgium. North America was the third highest recipient, accounting for a share of 9.1 per cent, from 15.6 per cent in the previous quarter due to a persistent decline in textile exports bound for the US. Asia and Oceania remained the lowest recipients of Lesotho’s exports with minimal shares representing 0.2 per cent and 0.1 per cent respectively.

Figure 19: Direction of Trade Merchandise Exports (Percentage Share)



Source: Central Bank of Lesotho

Merchandise Imports

Merchandise imports rose by 1.4 per cent, compared to an increase of 7.0 per cent in the previous period. The increase in imports resulted from the rise in imports of chemical products and prepared foodstuffs. The increase in chemical products was explained by the increase in fertilizers, due to the ongoing cultivation season. The increase in prepared foodstuff reflected an uptick in spending during the festive season. Year on year, merchandise imports rose by 1.4 per cent, following a modest increase of 0.6 per cent in the

previous quarter. As a share of GDP, merchandise imports constituted 74.5 per cent, slightly higher than 69.0 per cent a quarter earlier.

Services account

The services account deficit widened by 0.3 per cent compared to 2.0 per cent in the previous quarter. The deficit resulted from increased freight services associated with the rise in imports, as well as an increase in telecommunications services as the review period was associated with increased roaming activity. This was coupled with an increase in foreign official travel during the same period. Relative to the same period a year ago, the services account deficit widened by 9.7 per cent, from 11.4 per cent in the previous quarter. As a share of GDP, the services account deficit accounted for 19.3 per cent from 18.0 per cent in the previous quarter reflecting very marginal changes in the services pattern Lesotho provides and receives.

Primary Income Account

The primary income account continued to record a surplus in last quarter of 2025. The surplus on the primary income account rose by 2.5 per cent, after a revised 0.5 per cent increase in the previous period. The increase emanated from higher interest receipts on financial institutions' foreign investments, as well as a reduction in interest payments on government's foreign loans. This was compounded with an increase in maintenance and operational receipts for LHWP -Phase I, which supported the primary income account further. Compared to the same period a year earlier, the primary income account surplus rose by 1.4 per cent, compared to an increase of 10.4 per cent in the preceding quarter. Expressed as a share of GDP, the primary income account balance accounted for 25.1 per cent, compared to 23.0 per cent in the previous period.

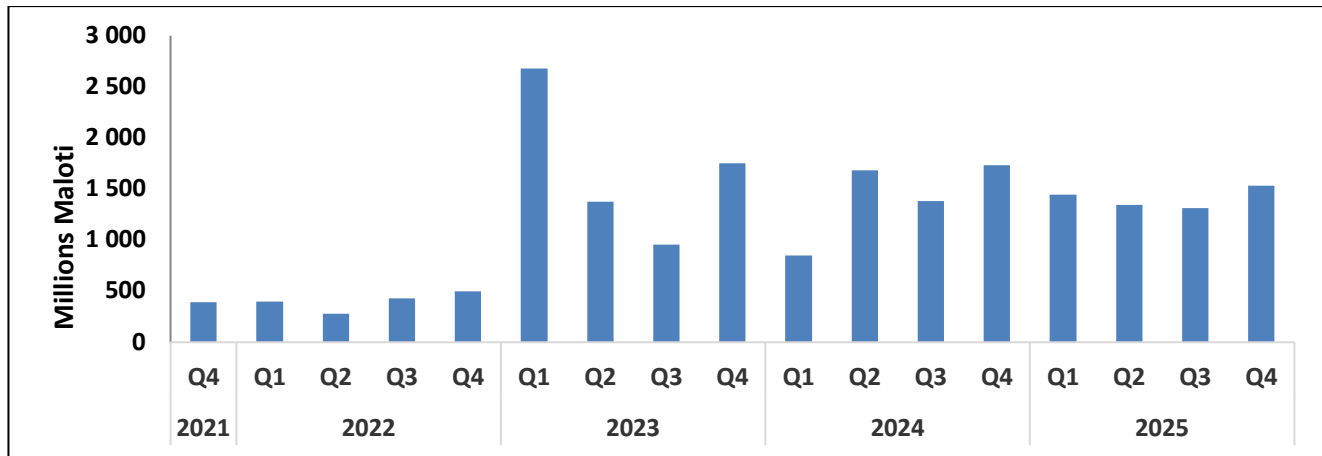
Secondary Income Account

During the review period, the secondary income surplus remained in surplus. The surplus rose by 0.5 per cent, in contrast to the decline of 0.7 per cent in the previous period. The surplus continued to be explained by SACU receipts, which accounts for the largest share of the secondary income – although they remained unchanged during the review period. The slight increase in the surplus was explained by the decline in subscriptions to international organisations. Relative to the same period a year ago, the secondary income account surplus declined by 17.0 per cent, compared to a decline of 16.6 per cent in the previous period. As a share of GDP, the secondary income account constituted 24.1 per cent of GDP, from 22.5 per cent in the previous period.

Capital Account

Capital account inflows rose further in the last quarter of 2025. The capital account recorded a surplus of M1.53 billion, up from M1.31 billion in the previous quarter. The improvement was mainly attributable to higher capital transfer receipts associated with ongoing construction activities at the Polihali Dam, particularly dam wall rock fill placement. As a share of GDP, the capital account accounted for 14.4 per cent of GDP, from 11.6 per cent in the previous period.

Figure 20: Capital Account (Million Maloti)



Source: Central Bank of Lesotho

Financial Account

Lesotho remained a net lender of financial assets during the review period. The financial account surplus amounted to M512.21 million, significantly lower than the surplus of M1.51 billion in the third quarter of 2025. The surplus was driven by an increase in reserve assets, portfolio investment, as well as direct investment. However, other investment recorded a deficit and therefore moderated the observed surplus. As a share of GDP, the financial account represented 4.8 per cent, a sharp drop from a revised 13.1 per cent in the previous quarter.

Table 19: Financial Account Balance (Million Maloti)

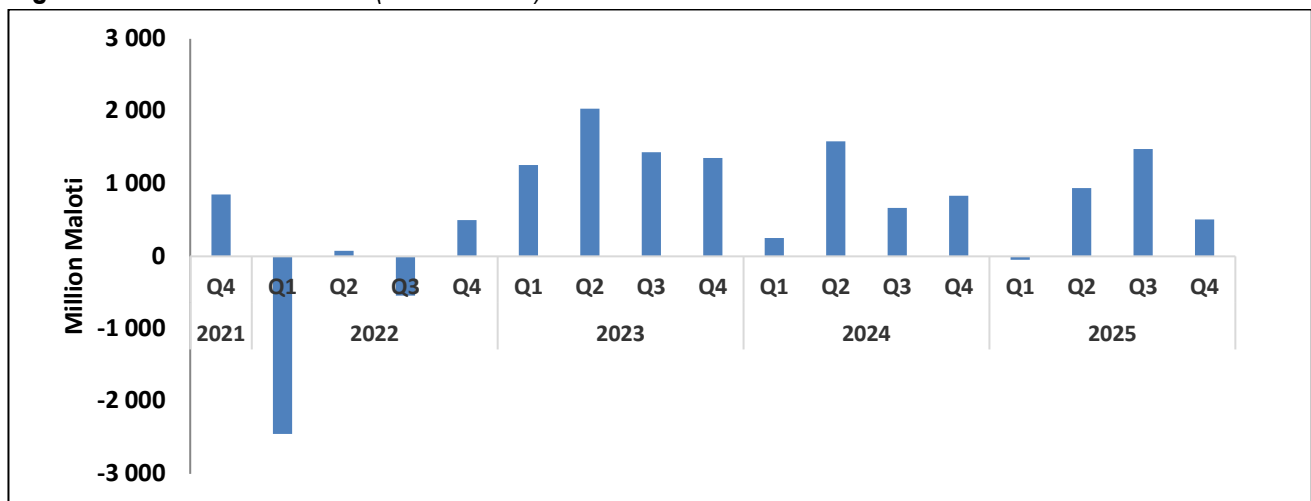
	2024	2025			
	Q4	Q1	Q2	Q3	Q4
Financial account	838.74	-46.10	943.27	1509.51	512.21
Direct Investments, net	-368.82	69.23	-36.23	22.42	46.94
Portfolio Investments, net	278.65	288.17	748.10	1455.26	240.34
Financial Derivatives, net	0.00	0.00	0.00	0.00	0
Other Investments, net	-1,494.50	69.10	-353.87	-161.38	-777.04
Of which Loans	-462.38	-31.56	-213.92	186.86	141.24
Claims on Non Residents	34.48	34.48	34.48	34.48	34.48
Liabilities to Non Residents	496.86	66.04	248.4	-152.38	-106.76
Of which Currency and Deposits	-958.05	174.72	-65.89	-274.18	-844.22
Claims on Non Residents	-1184.64	339.86	-159.01	-223.43	-848.7
Liabilities to Non Residents	-226.59	165.15	-93.12	50.75	-4.48
Special Drawing Rights	0.00	0.00	0.00	0.00	0
Reserve Assets	2,423.41	-472.60	585.28	193.21	1,001.97

Source: Central Bank of Lesotho

Reserve assets surged by M1.0 billion from an increase of M193.21 million in the third quarter of 2025. The surge was primarily explained by an increase in IMF SDR Holdings, together with an increase in water

royalties. Portfolio investment maintained a surplus during the period, although lower than in the previous period. The surplus amounted to M240.34 million from a surge of M1.45 billion in the previous quarter. This was explained by financial institutions' investments in foreign securities. Direct investment also registered a surplus amounting to M46.94 million, which more than doubled as compared to the M22.42 million in the previous quarter. The increase in direct investment was on account of increased loan receipts from non-resident shareholders. Nonetheless, other investments remained in deficit and thus moderated the financial account surplus. The deficit was explained by the decline in commercial banks' placements abroad.

Figure 21: Financial Account (Million Maloti)

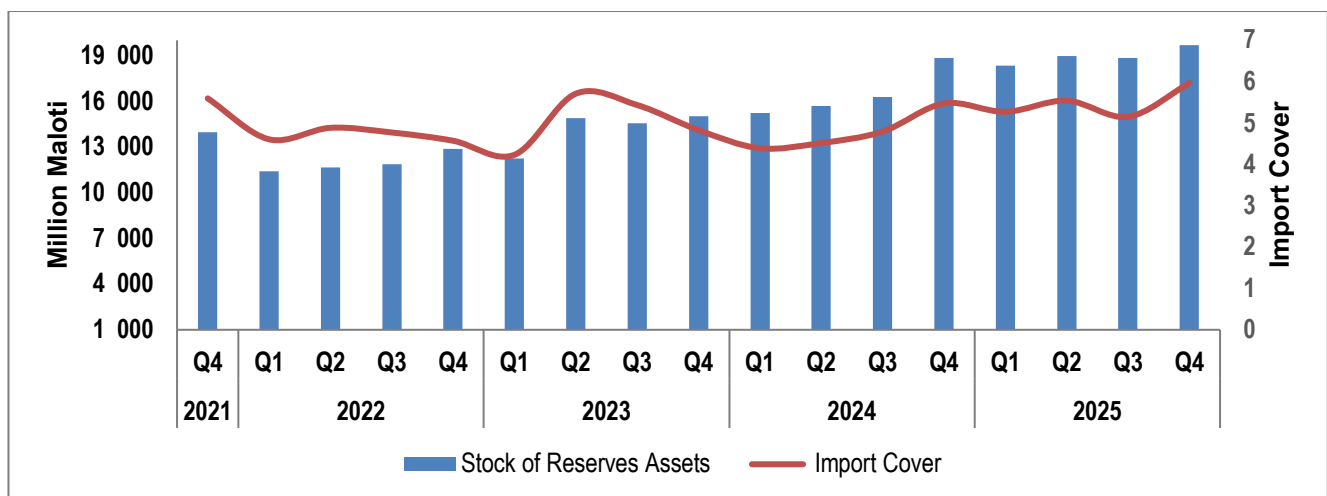


Source: Central Bank of Lesotho

Reserve Assets

The stock of foreign reserves increased to M19.69 billion in the fourth quarter, from M18.83 billion in the previous quarter. This was due to an increase in water royalties as well as increased IMF SDR holdings. Subsequently, months of import cover increased to 6.0 months from 5.2 months in the previous quarter.

Figure 22: Reserve Assets



Source: Central Bank of Lesotho