

# Central Bank of Lesotho



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## QUARTERLY ECONOMIC REVIEW

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March 2025

MASERU KINGDOM OF LESOTHO

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## 1. Executive Summary

In the first quarter of 2025, the global economy exhibited mixed, but relatively steady performance across advanced and emerging market economies. In advanced economies, growth slowed in the US and UK, but remained stable in the Euro Area, and improved in Japan. Meanwhile, emerging market economies saw steady growth in China and India, while South Africa's recovery remained modest. Labour market conditions were generally stable in advanced economies, though unemployment edged up in several countries driven by new labour market entrants and sector-specific challenges. In contrast, South Africa's unemployment rate rose sharply, reflecting increased job losses and an influx of new graduates.

Inflationary pressures subsided across both advanced and emerging market economies, leading several central banks to adopt more accommodative monetary policies. Commodity prices displayed divergent trends. Gold prices continued to rise sharply, driven by heightened demand for safe-haven assets amid escalating global trade tensions. In contrast, platinum registered modest gains, largely attributed to temporary supply disruptions.

The domestic economy exhibited mixed performance in the first quarter of 2025. Overall economic activity declined due to subdued domestic demand and reduced output in the transport and construction subsectors. Despite this contraction, the labour market showed signs of recovery, with employment increasing in both LNDC-assisted firms, and government employment. In contrast, inflationary pressures edged upwards during the review period.

Money supply grew, mainly driven by an increase in quasi money which more than offset a decline in narrow money. The growth in money supply was also on account of a rise in private sector credit to both business enterprises and households. This was, however, moderated by a decline in net foreign assets.

Government budgetary operations were estimated to have resulted in a fiscal surplus equivalent to 12.9 per cent of GDP, following a revised 14.6 per cent in the previous quarter. Consequently, public debt decreased to 53.8 per cent of GDP, down from the revised 55.9 per cent recorded in the previous quarter.

Lesotho's external sector position remained in surplus in first quarter of 2025. The surplus benefited from the SACU receipts, Rand Monetary Compensation and receipts for the construction activity at LHWP Phase II. As a share of GDP, the external sector surplus accounted for 0.67 per cent, compared to a revised 16.2 per cent in the previous quarter. Accordingly, the level of reserves dropped marginally to 5.3 months from 5.5 months in the previous quarter.

## 2. International Economic Developments

### Overview

The global economic performance was generally stable in the first quarter of 2025. Growth in advanced economies slowed in the US and UK but remained stable in the Euro Area and improved in Japan. Meanwhile, emerging market economies saw steady growth in China and India, while South Africa's recovery remained modest. Labour market conditions were generally stable in advanced economies, though unemployment edged up in several countries due to new labour market entrants and sector-specific challenges. In contrast, South Africa's unemployment rate rose sharply, reflecting increased job losses and an influx of new graduates.

Inflationary pressures eased in most advanced economies, supported by falling energy prices, though wage growth and services costs kept inflation elevated in Japan and the UK. Emerging markets economies experienced subdued inflation, with China recording a slight deflation due to seasonal factors, while India and South Africa saw declines driven by lower food and fuel prices. Central banks in the Euro Area, UK, India, and South Africa cut policy rates in response to moderating inflation and economic uncertainties, whereas the US Federal Reserve held rates steady. The Bank of Japan, however, raised rates amid rising wage-driven inflation.

Commodity prices exhibited varied trends. Gold prices surged further as investors sought safe-haven assets amid global trade tensions, while platinum saw marginal gains due to supply disruptions. Oil prices rose modestly on tighter inventories and stronger Chinese demand. Agricultural commodities were mixed as wheat prices increased on supply constraints, while white maize declined due to weaker import demand, though yellow maize rose on adverse weather impacts. The rand depreciated against major currencies, driven by domestic political uncertainty and US trade tariffs. The pound and euro strengthened, supported by resilient economic activity and monetary easing in their respective regions.

**Table 1: Key World Economic Indicators**

	Real GDP Growth		Inflation Rate		Key Interest Rate		Unemployment Rate	
	Q4	Q1	Q4	Q1	Q4	Q1	Q4	Q1
	2024	2025	2024	2025	2024	2025	2024	2025
United States	2.5	2.0	2.9	2.4	4.25	4.25	4.1	4.2
Euro Area	1.2	1.2	2.4	2.2	3.15	2.65	6.2	6.2
Japan	1.3	1.7	3.6	3.6	0.25	0.50	2.4	2.5
United Kingdom	1.5	1.3	2.5	2.6	4.75	4.50	4.4	4.5
China	5.4	5.4	0.1	-0.1	3.10	3.10	5.1	5.2
India	6.2	7.4	5.2	3.3	6.50	6.25	N/A	N/A
South Africa	0.8	0.8	3.0	2.7	7.75	7.50	31.9	32.9

**Source:** STATSSA, SARB, OECD National Accounts Statistics (database), US Bureau of Economic Analysis, National Bureau of 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)*

The U.S. economy grew at a slower pace in the first quarter of 2025 compared to the previous quarter. The economy grew by 2.0 per cent compared to 2.5 per cent in the preceding quarter. Growth was supported by higher private investment and exports. These were, however, moderated by a sharp rise in imports, as businesses stockpiled goods ahead of anticipated tariffs under the new US President's executive orders. Consumer spending also softened to its weakest since mid-2023, while government spending, particularly federal outlays, declined. The unemployment rate increased slightly to 4.2 per cent as new entrants joining the labour market increased substantially, which temporarily increased the pool of job seekers.

The inflation rate declined to 2.4 per cent in the first quarter of 2025 from 2.9 per cent in the previous quarter. The drop was primarily driven by falling energy prices, especially fuel costs due to improved supply conditions, outweighing rising electricity and natural gas prices. Accordingly, the Federal Reserve kept its fed funds rate unchanged at a range of 4.25 – 4.50 per cent during the same period, amid moderating inflation and heightened economic uncertainty from recent trade policies.

### *Euro Area*

Economic performance in the euro area remained stable in the review period. Real GDP growth was unchanged at 1.2 per cent, as mixed performances across member states balanced out overall improvements. Growth was driven by strong domestic demand and multinational services activity, particularly in Ireland. However, subdued industrial output and softer consumer spending moderated the growth. The unemployment rate was stable at 6.2 per cent, as job gains for seasonal workers in agricultural sectors offset losses in industrial workers' large lay off by the German auto industry due to the ongoing market related challenges.

The inflation rate eased to 2.2 per cent from 2.4 per cent in the previous quarter, as falling energy prices and softer services inflation offset rising food costs. Energy prices declined on account of lower natural gas prices which has been on a downward trend due to low demand as winter season fades out, as well as increased Liquefied Natural Gas (LNG) supply which helped to cool prices in the region. Therefore, the European Central Bank (ECB) reduced its policy rate by 100 basis points to 2.65 per cent, from 3.65 per cent in the preceding quarter as the inflation in the region had eased towards the Bank's target.

### *Japan*

The Japanese economy grew in the first quarter of the year, improving growth momentum from the previous quarter. Real GDP growth was recorded at 1.7 per cent in the first quarter of 2025, compared with 1.3 per cent in the previous quarter, largely benefiting from high government spending and robust consumer demand, which offset weak business investment and lower exports. The increase in government spending was on account of stimulus packages to counter the recently introduced US tariffs on trade. These included lowering requirements for public loans and subsidies and expanding insurance coverage for trade losses resulting from the tariffs. However, the unemployment rate rose to 2.5 per cent, from 2.4 per cent the previous quarter, as wage growth affected companies' hiring decisions, coupled with an influx of new entrants into the labour market, which led to a slight increase in joblessness. Moreover, the inflation rate

remained unchanged at 3.6 per cent, observed in the previous quarter. Inflation was mainly driven by elevated wage inflation as service costs remain high. The high wage inflation was partly offset by the eased fresh food prices following improved harvests in the season. The Bank of Japan raised its policy rate to 0.50 per cent from 0.25 per cent during the review period, alongside rising wages which had pushed the inflation rate higher. The Bank remained cautious due to heightened global uncertainty, particularly from potential U.S. tariff impacts.

### ***United Kingdom***

The UK economic performance slowed during the first quarter of 2025. Economic growth was recorded at 1.3 per cent, compared to an increase of 1.5 per cent in the previous quarter. The increase was primarily explained by robust performance in the services and construction sectors, as well as a rebound in production as businesses ramped up production ahead of anticipated US tariffs, boosting exports. This was, however, moderated by the manufacturing and mining sectors as production declined in the sectors during the start of the year. The unemployment rate rose to 4.5 per cent, from 4.4 per cent in the previous period. The higher unemployment rate continued to be driven by higher costs associated with increased insurance contribution for employees.

The inflation rate rose to 2.6 per cent, from 2.5 per cent in the previous quarter, driven by higher transport costs, food prices, and new Value Added Tax charges on private school fees. As a result, the Bank of England lowered its policy rate by 25 basis points to 4.50 per cent, as inflation was sustainably nearing the bank's target.

## **Emerging Market Economies**

### ***China***

Economic performance in China remained stable in the first quarter of 2025. Real GDP growth was unchanged at 5.4 per cent in the first quarter of 2025, compared to the preceding quarter. This was mainly driven by a strong industrial output and a pre-tariff export surge, which offset weak domestic demand. The unemployment rate saw a slight uptick to 5.2 per cent, from 5.1 per cent a quarter earlier, and this was mainly due to the Spring Holiday festival, in particular agricultural sector saw resignations and layoffs of temporary workers as major businesses shut down ahead of the festivities.

Consumer prices declined by 0.1 per cent in the first quarter of 2025, from an increase of 0.1 per cent in the preceding quarter. The decline was partly due to seasonal factors, including the earlier Lunar New Year holiday, which distorted comparisons with 2024's higher food and service prices. The People's Bank of China maintained its policy rate at 3.10 per cent, from the previous quarter with the aim of achieving a balance between supporting economic growth and stabilising the yuan amid rising trade tensions with the US.

### ***India***

India's economic performance was robust in the first quarter of 2025. Economic growth registered an increase of 7.4 per cent, from 6.4 per cent in the previous quarter. Growth was mainly driven by a strong

domestic consumption as well as increased activity in construction and manufacturing sectors. In addition, there was an increase in the composite PMI attributed to increase in new orders and sales, as manufacturers ramped up production.

Inflation fell to 3.4 per cent down from 5.2 per cent in the previous quarter. The decline was primarily driven by falling costs of food, as fresh winter harvests improved vegetable and cereals supplies. Therefore, the Reserve Bank of India (RBI) lowered its key interest rate by 25 basis points to 6.25 per cent. The decision came as the bank aimed to boost sluggish economic growth, while inflationary risks was within the bank's target range of 3-6 per cent.

### ***South Africa***

South Africa's economic growth remained unchanged in the first quarter of 2025. Real GDP expanded by 0.8 per cent, mainly supported by the agricultural sector as favourable weather contributed to improved harvest during the period. However, growth was moderated by slow activity in the manufacturing and mining sectors. The unemployment rate increased to 32.9 per cent, from 31.9 per cent in the previous quarter, driven by seasonal job losses after the festive period and a surge of new graduates and matriculants entering the labour market.

The inflation rate fell to 2.7 per cent from 3.0 per cent in the fourth quarter of 2024, marking its lowest level in nearly five years. The decline was driven by sharp drops in fuel prices, as global oil prices generally declined. The South African Reserve Bank lowered its interest rate to 7.50 per cent from 7.75 citing global uncertainties, including trade tensions and geopolitical shifts alongside domestic upside inflation risks. With economic growth weaker than expected, the bank adopted a cautious stance to balance inflation and support the sluggish economy.

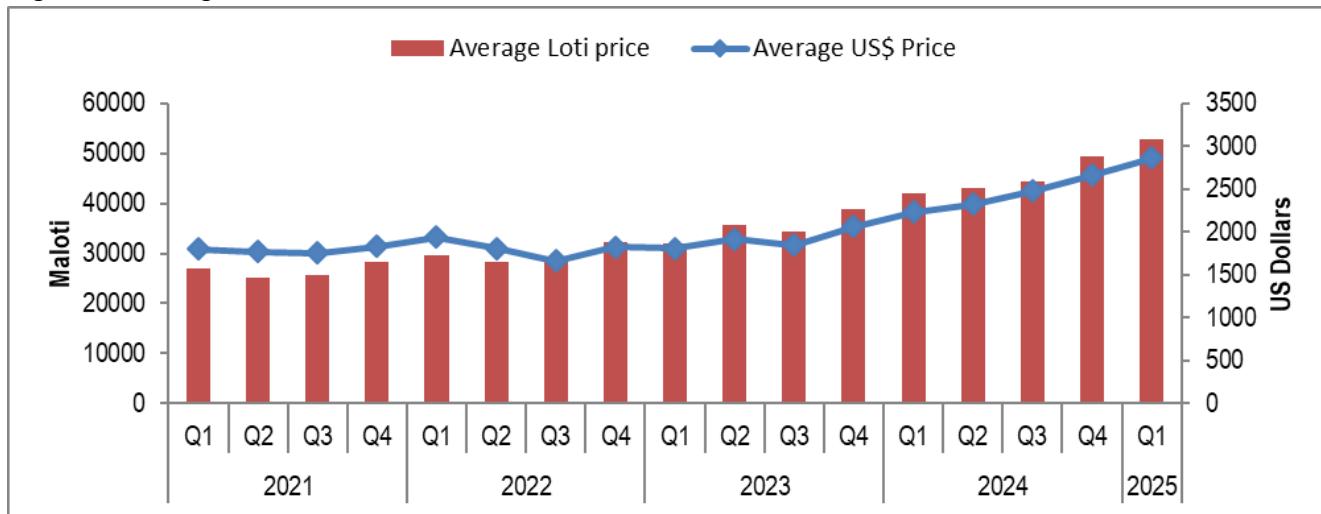
## **Commodities**

### ***Minerals***

#### ***Gold***

The price of gold increased by 7.6 per cent to US\$2,861.91 in the first quarter of 2025, compared to a 7.4 per cent increase in the previous period. Gold prices were buoyed by strong demand for gold-backed Exchange Traded Funds (ETFs), as investors shifted their interest from Over the Counter (OTC) investment to ETFs. This was coupled with global economic uncertainty brought by trade tariffs and geopolitical tensions, thereby contributing to gold's appeal as a safe-haven asset. Year on year, gold prices rose significantly by 28.3 per cent following an increase of 29.0 per cent in the previous period.

**Figure 1: Average Price of Gold**

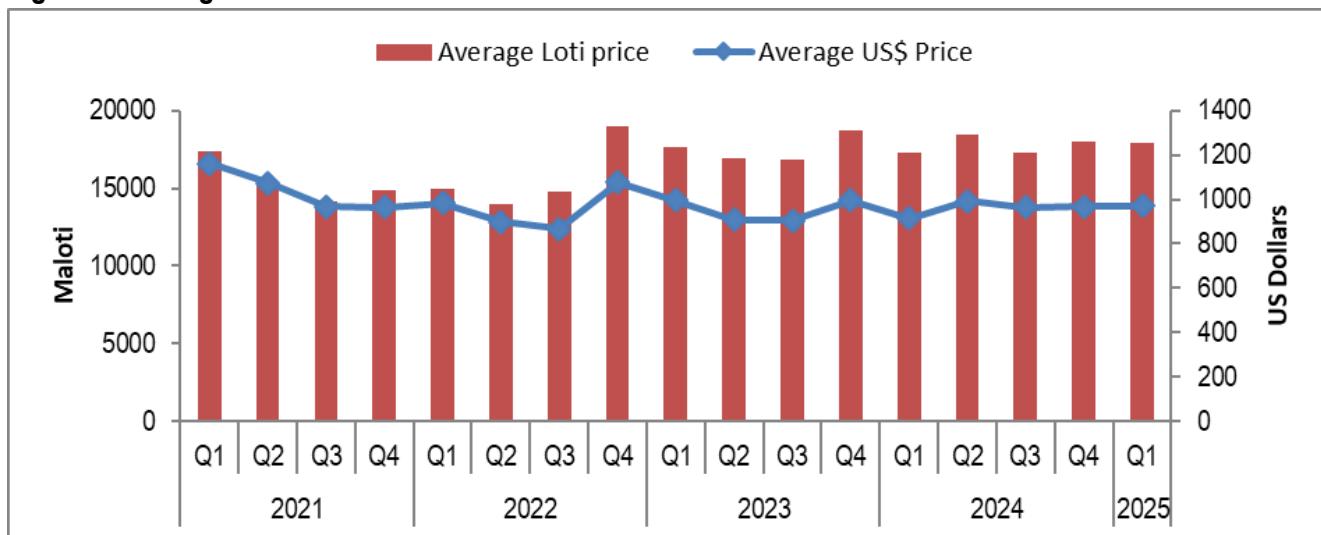


Source: Bloomberg

### Platinum

The price of platinum increased marginally by 0.3 per cent to US\$969.91 in the first quarter of 2025 compared to an increase of 0.3 per cent in the previous quarter. The increase benefited from supply side challenges as production fell in South Africa, the key producer, as a result of heavy rains that caused widespread floods and halted production. In addition, there was increased demand from the automotive sector despite increased production of electric-powered vehicles. Year on year, platinum prices rose by 6.1 per cent, in contrast to a decline of 2.9 per cent in the previous quarter.

**Figure 2: Average Price of Platinum**



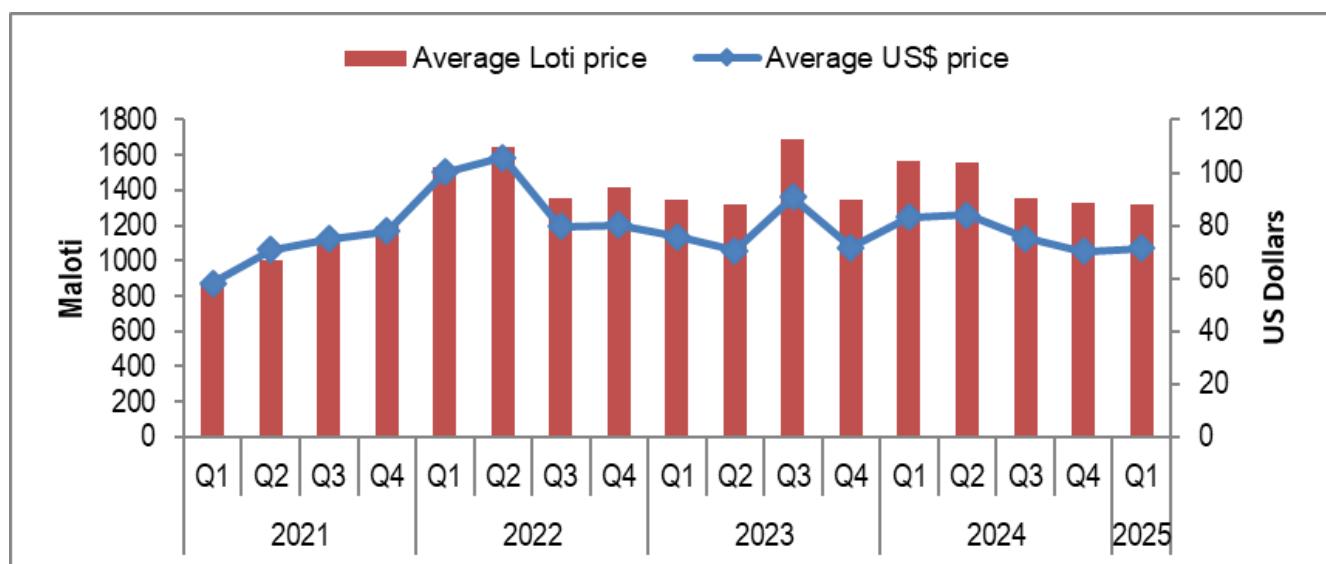
Source: Bloomberg

## *Energy*

### *Crude Oil*

Oil price increased by 1.5 per cent to US\$71.42 per barrel in the first quarter of 2025 compared to a decline of 6.6 per cent in the previous quarter. The increase was attributable to negative market sentiment arising from trade tensions, in addition to a reduction in global inventories. Another factor was China's strong demand, driven by refinery restocking after maintenance and a typical seasonal increase in petrochemical needs.

**Figure 3: Average Price of Oil**



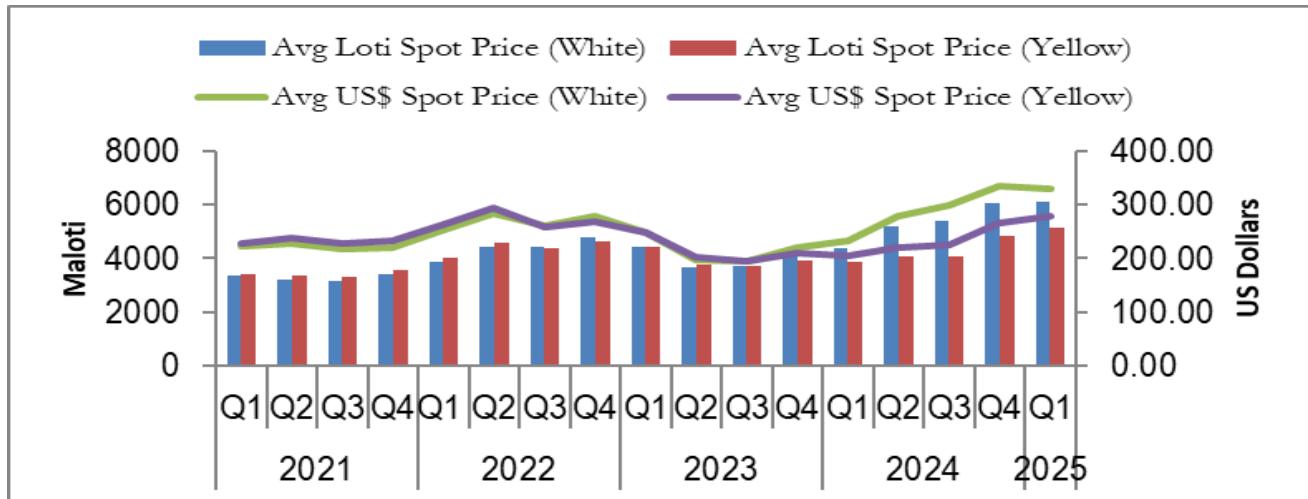
Source: Bloomberg

## *Agricultural Products*

### *Maize*

The price of white maize fell slightly by 1.3 per cent to US\$6,082.21 while the price of yellow maize increased by 4.5 per cent to US\$5,153.15 in the first quarter of 2025. The decline in the price of white maize largely reflected weaker market sentiment amidst reduced import demand from China, as well as concerns over changes in trade policies. This was, on the one hand, compounded by increased seasonal availability with ongoing harvest in key producers, Argentina and Brazil, which contributed to a decline in the price of white maize. On the other hand, the price of yellow maize saw an increase because of tight supplies emanating from adverse weather conditions in South America during planting stage, rising production costs and reduced US stock estimates. Furthermore, the geopolitical tensions and logistical bottlenecks compounded the market volatility.

**Figure 4: Average Price of Maize**

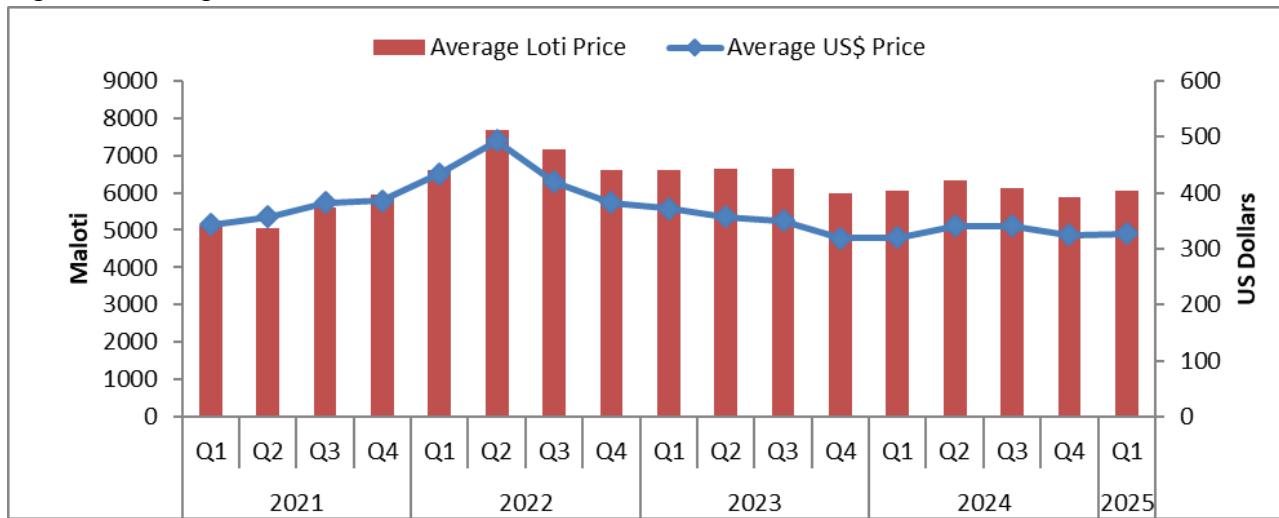


Source: Bloomberg

### **Wheat**

The price of wheat increased by 1.0 per cent to US\$6,051.69 in the first quarter compared to a decrease of 4.8 per cent in the previous quarter. The increase was due to tight global supply conditions because of adverse weather conditions in Europe, Russia and some parts of US, as well as Russia's policy measures. Russia had imposed wheat export quota, alongside variable tax which also contributed to the supply constraints. These developments were, however, moderated by weak international demand, heightened competition from alternative suppliers, strong dollar, as well as improved crop prospects.

**Figure 5: Average Price of Wheat**



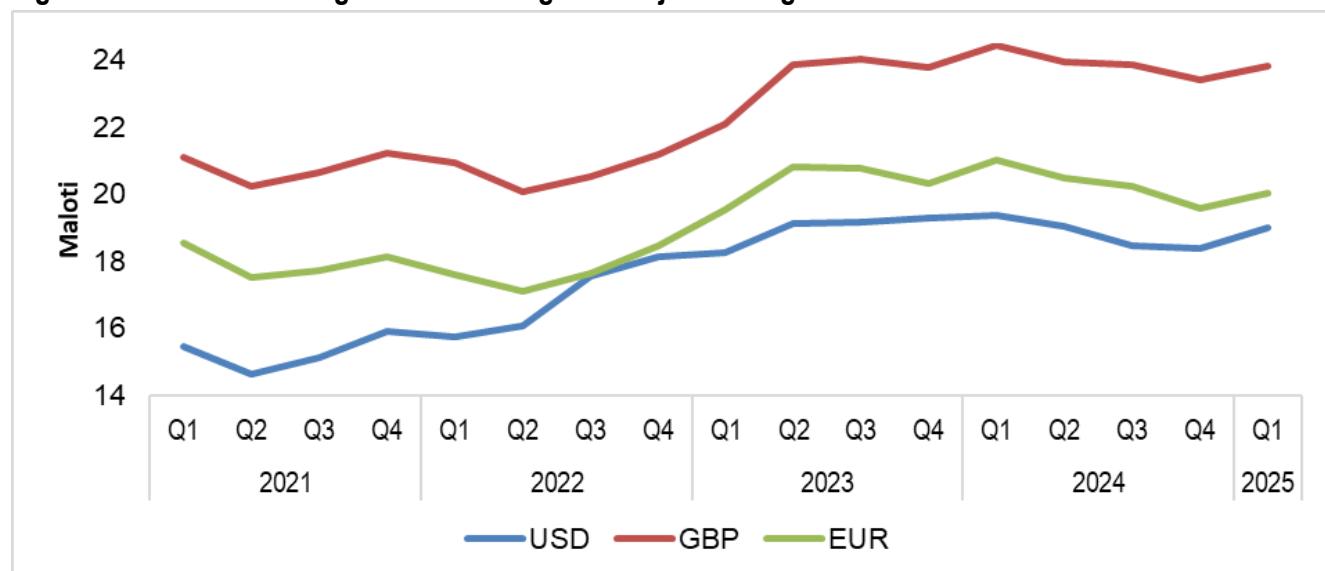
Source: Bloomberg

### **Exchange Rates**

The rand, hence, loti, weakened against its major trading currencies during the first quarter of 2025. The rand depreciated by 3.4 per cent against the US dollar, 1.8 per cent against the pound, and 2.5 per cent

against the euro, to record 18.49, 23.34, and 19.55, respectively. This was in comparison to an appreciation of 0.5 per cent against the dollar, 1.9 per cent against the pound, and 3.4 per cent against the euro in the previous quarter. The performance of the rand continued to be shaped by both domestic and international factors. Domestically, ongoing tensions between the major ruling parties in the GNU over policy disagreements, notably concerning the national budget and the Bela education legislation, signaled potential instability in South Africa's investment climate, prompting investors to reassess risks. Internationally, the imposition of 30 per cent tariffs by the US on South African imports, South Africa's second-largest trading partner, significantly added more pressure to the rand. Additionally, the pound appreciated due to resilient consumer spending, and supportive monetary easing by the Bank of England. Meanwhile, the euro strengthened following the ECB's monetary easing, strategic positioning amid global trade tensions, and modest regional economic growth. These developments supported the pound and euro and therefore weakened the rand.

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



Source: Bloomberg

### 3. Real Sector Developments<sup>1</sup>

#### Overview

The domestic economy exhibited mixed performance in the first quarter of 2025. Overall economic activity declined due to subdued domestic demand and reduced output in the transport and construction subsectors. Despite this contraction, the labour market showed signs of recovery, with employment increasing in both LNDC-assisted firms and government employment. In contrast, inflationary pressures edged upwards during the review period.

#### Output Developments

Domestic economic activity contracted in the first quarter of 2025, with the Quarterly Composite Indicator of Economic Activity (QCIEA) declining by 5.3 per cent, a sharp reversal from the 5.2 per cent growth recorded in the last quarter of 2024. This downturn was primarily driven by weakened domestic demand and subdued performance in the transport and construction subsectors. Nevertheless, improvements in the manufacturing and financial services subsectors partially offset the overall decline. On a year-on-year basis, the composite indicator estimated economic activity to have declined by 0.1 per cent.

Domestic demand deteriorated sharply, with the domestic demand index falling by 8.8 per cent, in contrast to a strong 13.3 per cent increase in the final quarter of 2024. This decline stemmed from reduced public and private consumption, as evidenced by lower government expenditure on goods and services, and reduced import volumes from South Africa, particularly of consumer goods, machinery, and fuel, underscoring the weakening demand environment.

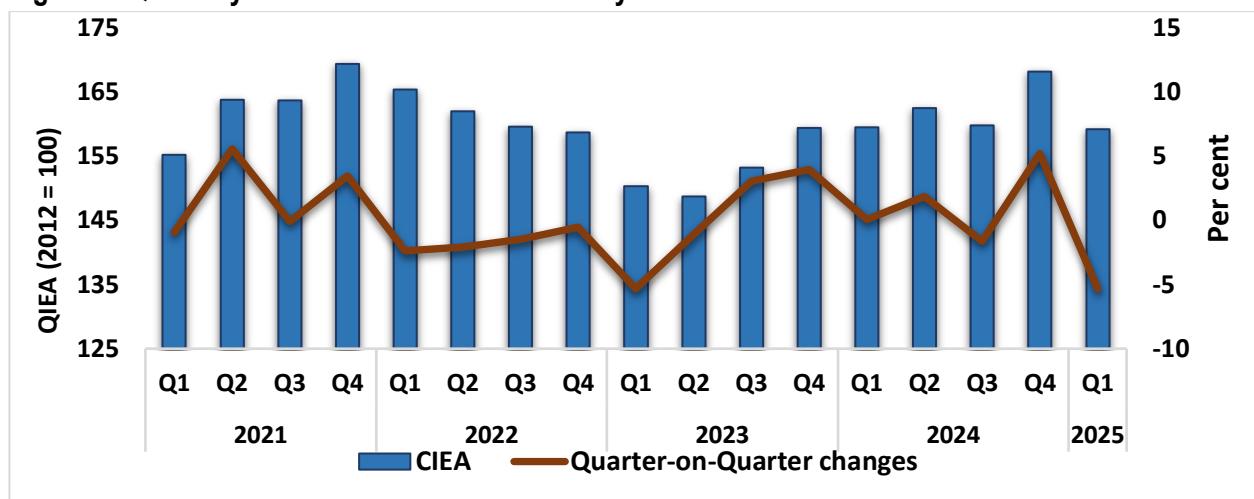
Additionally, the declining collection of Value-Added Tax (VAT) further reflected a slowdown in business performance. The transport and construction sectors followed a similar trajectory. Transport activity declined, as indicated by reduced fuel consumption, while construction slowed as reflected by lower imports of construction materials.

On a positive note, the manufacturing and production subsector continued its upward momentum, growing by 1.5 per cent during the review period, following a 1.8 per cent increase in the previous quarter. This growth was primarily supported by increased textile and clothing exports to the U.S. market, although exports to South Africa deteriorated during the same period. Similarly, the financial services subsector demonstrated resilience, with credit extension to the private sector increasing during the review period. The combined performance of both the manufacturing and financial services subsectors substantially aided in offsetting the overall decline in economic activity.

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<sup>1</sup> 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

**Figure 7: Quarterly Indicator of Economic Activity**



Source: Central Bank of Lesotho

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

Indices	2024					2025
	Q1	Q2	Q3	Q4	Q1	
<b>CIEA</b>	<b>159.5</b>	<b>162.5</b>	<b>159.9</b>	<b>168.2</b>	<b>159.2</b>	
Quarter-on-quarter changes	0.1	1.9	-1.6	5.2	-5.3	
<b>Domestic Demand</b>	<b>154.5</b>	<b>150.1</b>	<b>136.6</b>	<b>154.7</b>	<b>141.1</b>	
Quarter-on-quarter changes	-1.6	-2.8	-9.0	13.3	-8.8	
<b>Manufacturing and Production</b>	<b>117.7</b>	<b>121.4</b>	<b>118.5</b>	<b>120.7</b>	<b>122.5</b>	
Quarter-on-quarter changes	-0.5	3.1	-2.3	1.8	1.5	
<b>Construction</b>	<b>88.0</b>	<b>126.7</b>	<b>125.0</b>	<b>96.9</b>	<b>81.8</b>	
Quarter-on-quarter changes	-8.1	43.9	-1.3	-22.4	-15.7	
<b>Transport</b>	<b>96.8</b>	<b>93.5</b>	<b>105.0</b>	<b>115.3</b>	<b>103.8</b>	
Quarter-on-quarter changes	-3.8	-3.4	12.3	9.8	-9.7	
<b>Financial Service</b>	<b>187.0</b>	<b>191.2</b>	<b>190.2</b>	<b>193.1</b>	<b>194.8</b>	
Quarter-on-quarter changes	0.8	2.3	-0.6	1.5	0.9	

Source: Central Bank of Lesotho

## Employment Developments

Employment by LNDC-assisted companies grew by 3.2 per cent year-on-year in the first quarter of 2025, rebounding from a revised 1.5 per cent decline in the final quarter of 2024. The most significant gains were observed in the knit and woven garments sectors, driven by the entry of two new firms in the knit garments industry and increased recruitment by existing firms in the woven garment industry.

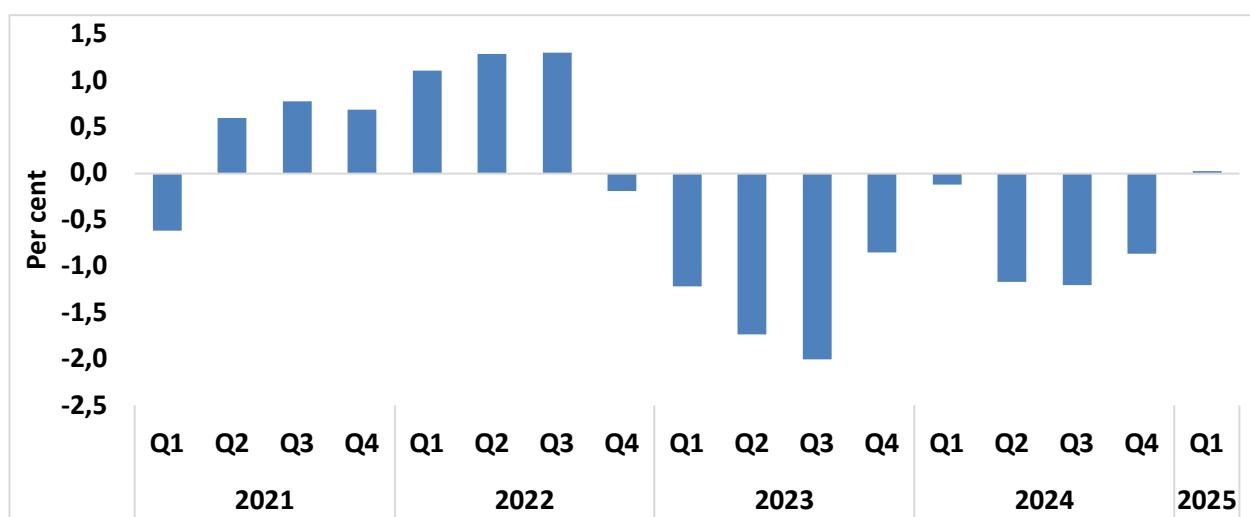
**Table 3: Employment by LNDC-Assisted Companies**

	2024				2025		Changes (%)	
	Q1	Q2	Q3	Q4	Q1	Q/Q	Y/Y	
<b>Knit Garments</b>	20245	21770	22090	21395	21067	-1.5	4.1	
<b>Woven Garments</b>	8330	8418	9001	9054	9051	0.0	8.7	
<b>Fabrics and Embroidery</b>	1744	1715	1757	1777	1777	-10.2	-11.1	
<b>Footwear</b>	795	793	848	778	763	-1.9	-4.0	
<b>Construction</b>	383	395	402	306	307	0.3	-19.8	
<b>Food and Beverages</b>	633	657	636	625	584	-6.6	-7.7	
<b>Electronics</b>	1213	1203	1223	1204	1204	0.0	-0.7	
<b>Retail</b>	140	109	175	175	150	-14.3	7.1	
<b>Hotel &amp; Accommodation</b>	345	346	409	399	319	-20.1	-7.5	
<b>Automotive</b>	800	822	809	760	754	-0.8	-5.8	
<b>Other</b>	734	649	609	601	625	4.0	-14.9	
<b>Total</b>	<b>35370</b>	<b>36877</b>	<b>37963</b>	<b>36878</b>	<b>36515</b>	<b>-1.0</b>	<b>3.2</b>	

**Source:** Lesotho National Development Corporation

Government employment recorded a modest increase of 0.03 per cent in the first quarter of 2025, rebounding from a 0.9 per cent decline observed in the last quarter of 2024. This slight upturn was primarily driven by hiring, particularly within the civil servants and teachers' categories.

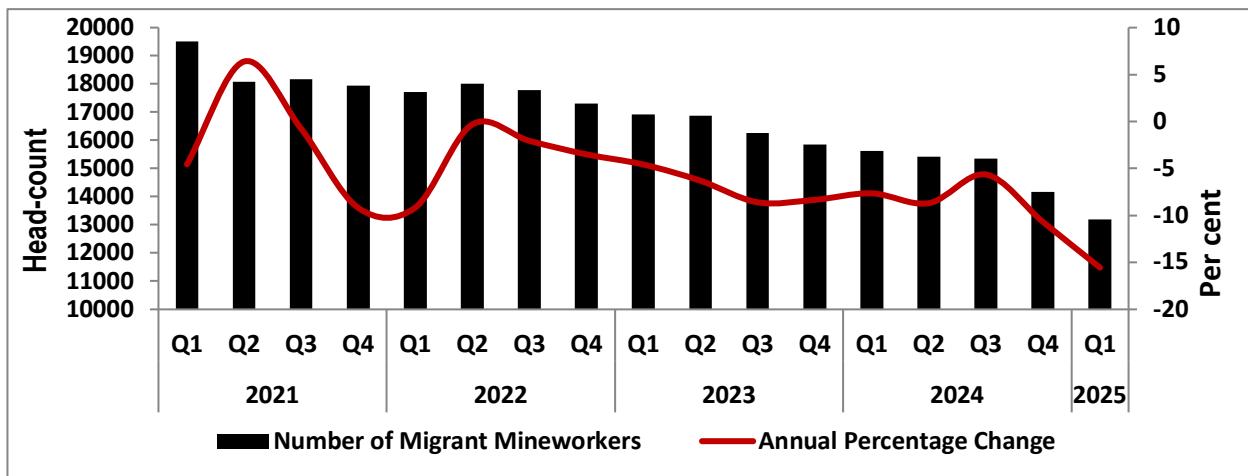
**Figure 8: Government Employment (Annual Percentage Changes)**



**Source:** Ministry of Finance

The employment of Basotho migrant mineworkers in South Africa continued its downward trajectory in the first quarter of 2025, recording a further decline of 15.6 per cent, following a 10.7 per cent contraction in the previous quarter. This ongoing decline reflected a decreased demand for foreign labour, exacerbated by persistent challenges in South Africa's platinum mining sector, largely emanating from declining production activity, which forced most mines to downsize.

**Figure 9: Migrant Mineworkers (Annual Percentage Changes)**



Source: The Employment Bureau of Africa (TEBA)

## Price Developments

Consumer prices took an upturn to 4.2 per cent in March 2025 from 3.7 per cent in December 2024. The increase during the review period was primarily driven by higher costs across several key categories: Food and Non-Alcoholic beverages, Alcoholic beverages and tobacco, and Restaurants and hotels.

The surge in Food and Non-Alcoholic prices was largely attributable to supply constraints that led to an increase in both maize and wheat prices. Furthermore, the cost of alcoholic beverages and tobacco saw a pronounced rise, spearheaded by a 4.6 per cent increase in alcohol prices implemented by the local brewing company. This measure was taken as part of a revised pricing model aimed at ensuring business sustainability. Consequently, the Restaurants and hotels sector also saw prices climb, mirroring the increases observed in food and alcohol.

**Table 4: Inflation Rate (Annual Percentage Changes)**

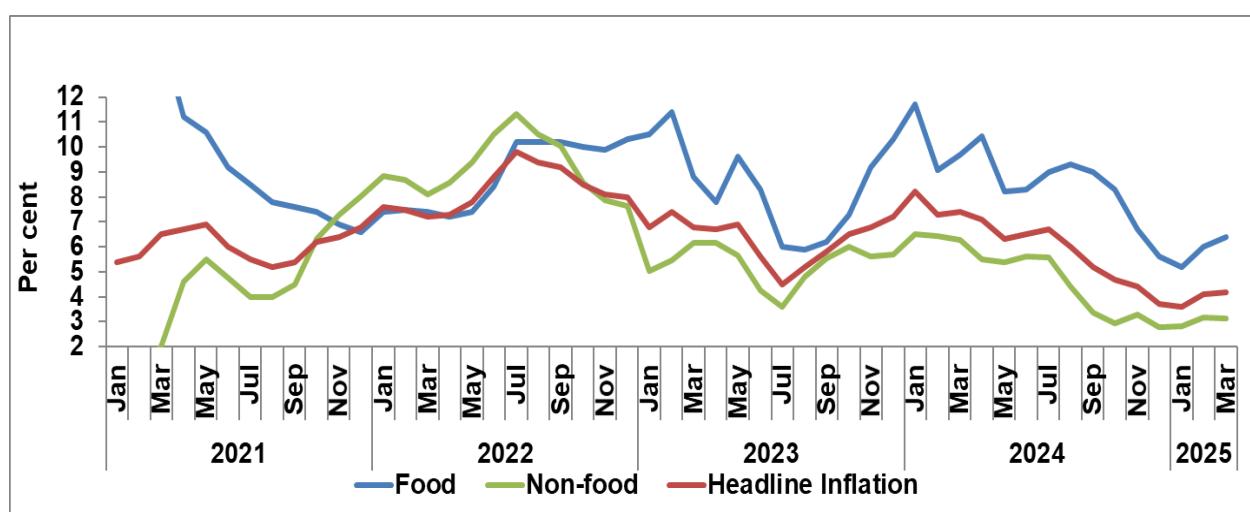
	2024			2025			
	Weight	Oct	Nov	Dec	Jan	Feb	Mar
<b>All items</b>	<b>1000</b>	<b>4.7</b>	<b>4.4</b>	<b>3.7</b>	<b>3.6</b>	<b>4.1</b>	<b>4.2</b>
Food and non-alcoholic beverages	326	8.3	6.7	5.6	5.2	6.0	6.4
Alcoholic beverages & Tobacco	64	0.7	1.0	1.2	1.6	1.5	3.7
Clothing & footwear	81	8.5	8.4	8.3	8.1	8.4	8.7
Housing, water, electricity, gas & other fuels	149	1.5	0.5	0.3	0.6	1.0	1.2
Furniture, households' equipment & routine maintenance	33	1.9	2.0	2.2	2.5	2.2	1.2
Health	19	2.4	2.4	2.5	2.4	2.4	2.8
Transport	111	1.0	4.5	1.8	3.7	4.2	0.2
Communications	44	0	0	0	0	0	0

Recreation & Culture	14	2.0	1.8	1.8	1.9	2.0	1.9
Education	49	5.1	5.1	5.1	0.2	0.2	0.4
Restaurant & Hotels	65	4.8	4.8	4.5	4.1	6.7	10.7
Miscellaneous goods & services	44	4.4	4.1	4.1	3.9	3.7	3.6

Source: Bureau of Statistics

During the review period, both Food and Non-Food inflation recorded increases. Food inflation rose to 6.4 per cent in March 2025 from 5.6 per cent in December 2024, primarily driven by supply constraints affecting maize and wheat. Similarly, Non-Food inflation saw an uptick, reaching 3.1 per cent in March from 2.8 per cent in December 2024, largely due to increased prices of alcoholic beverages.

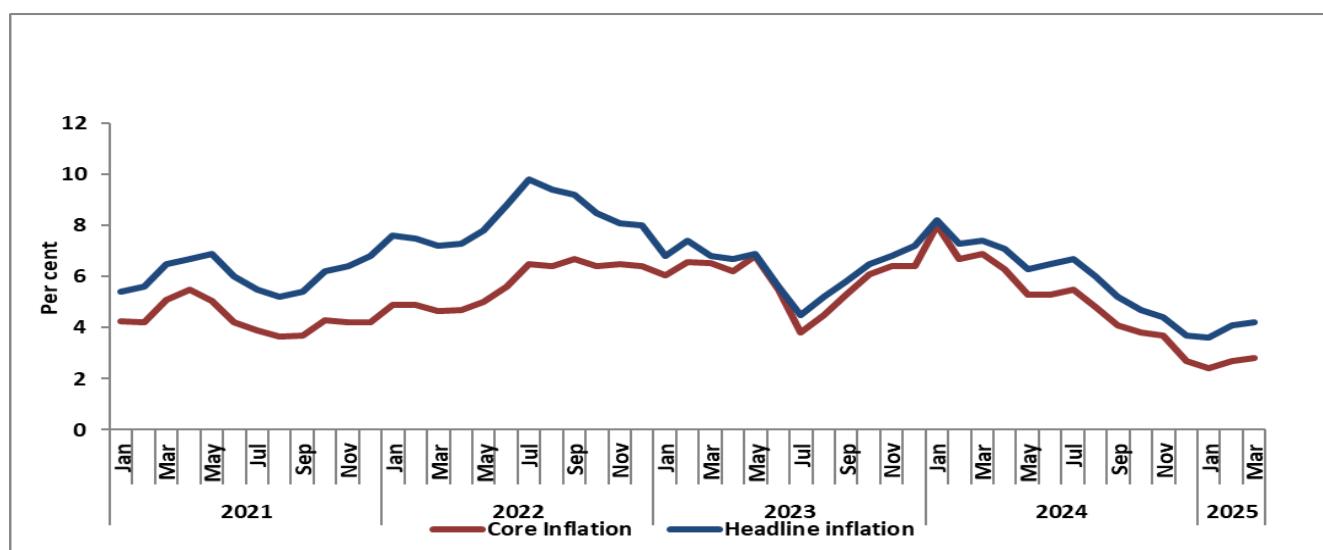
**Figure 10: Food vs Non-Food Inflation (Annual Percentage Changes)**



Source: BoS and CBL Computations

The core inflation rate marginally increased to 2.8 per cent in March 2025 from 2.7 per cent in December 2024.

**Figure 11: Core vs Headline Inflation (Annual Percentage Changes)**



Source: CBL Computations

## 4. Monetary and Financial Developments

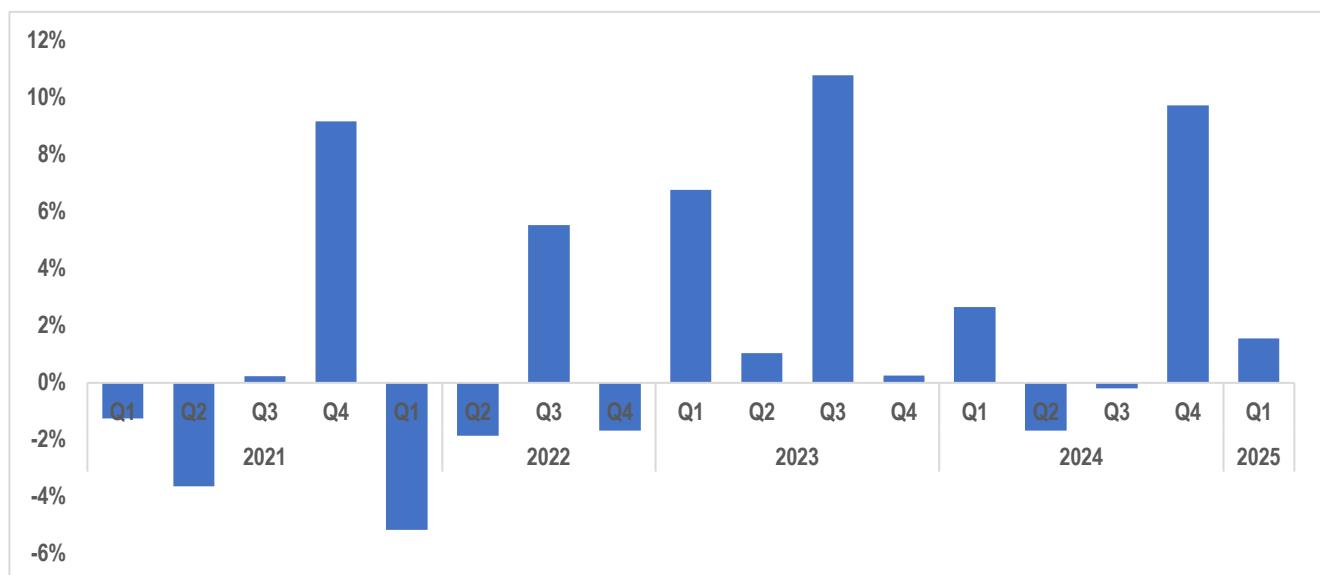
### Overview

During the quarter, money supply rose due to higher quasi money, even though narrow money decreased. The increase was primarily attributable to an expansion in private sector credit extended to both business and household sectors. However, this favourable trend was partially offset by a decline in net foreign assets.

### Broad Money

Broad money (M2) rose by 1.6 per cent during the review period, a sharp slowdown from the 9.8 per cent increase in the previous quarter. The growth was driven by higher net domestic assets, while a decline in net foreign assets partly offset the expansion. Year-on-year, M2 grew by 9.4 per cent, down from 10.6 per cent.

**Figure 12: Broad Money (M2) (Quarterly Changes)**



Source: Central Bank of Lesotho

### *Determinants of M2*

#### *Domestic Claims*

Domestic claims increased by 38.2 per cent, a sharp acceleration from 4.5 per cent in the previous quarter. The growth reflected increases in net claims on the central government and claims on other sectors. The rise in government claims reflected a drawdown of government deposits at both the central bank and commercial banks. In addition, claims on other sectors increased as banks continued to invest in local collective investment schemes and expanded credit to the private sector.

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

	2024					2025		Changes (%)	
	Q1	Q2	Q3	Q4	Q1	Quarterly	Annual		
<b>Domestic Claims</b>	<b>6161.25</b>	<b>4103.69</b>	<b>3537.45</b>	<b>3668.29</b>	<b>5068.60</b>	<b>38.2</b>	<b>-17.7</b>		
<b>Net Claims on Government</b>	<b>-3917.83</b>	<b>-6501.17</b>	<b>-7322.27</b>	<b>-7971.49</b>	<b>-6918.93</b>	<b>13.2</b>	<b>-76.6</b>		
<b>Commercial Banks Net Claims</b>	<b>-79.92</b>	<b>-1522.07</b>	<b>-1604.13</b>	<b>-943.22</b>	<b>-266.29</b>	<b>71.8</b>	<b>66.4</b>		
Claims on Central Government	1861.60	1590.40	1680.57	1611.63	1649.46	2.3	-11.4		
Liabilities to Central Government	2654.53	3112.48	3284.70	2554.84	1915.75	-25.0	-27.8		
<b>Central Bank Net Claims</b>	<b>-3124.91</b>	<b>-4979.10</b>	<b>-5718.14</b>	<b>-7028.28</b>	<b>-6652.64</b>	<b>5.3</b>	<b>-112.9</b>		
Claims on Central Government	1.57	0.10	0.09	0.00	0.00				
Liabilities to Central Government	3126.48	4979.20	5718.23	7028.28	6652.64	-5.3	112.8		
<b>Claims on Other Sectors</b>	<b>10079.08</b>	<b>10604.86</b>	<b>10859.72</b>	<b>11639.79</b>	<b>11987.53</b>	<b>3.0</b>	<b>18.9</b>		
<b>Claims on OFCs</b>	305.10	310.76	364.41	938.68	1112.91	18.6	264.8		
<b>Claims on Public Nonfinancial Corporations</b>	47.45	60.45	72.98	49.80	30.71	-38.3	-35.3		
<b>Claims on St &amp; Local Government</b>	0.00	0.00	0.00	0.00	0.00				
<b>Claims on Private Sector</b>	<b>9726.54</b>	<b>10233.66</b>	<b>10422.33</b>	<b>10651.31</b>	<b>10843.91</b>	<b>1.8</b>	<b>11.5</b>		
Claims on Business Enterprises	2577.61	2806.05	2771.40	2785.18	2910.99	4.5	12.9		
Claims on Households	7148.93	7427.61	7650.93	7866.13	7932.92	0.8	11.0		

**Source:** Central Bank of Lesotho

### **Net Foreign Assets**

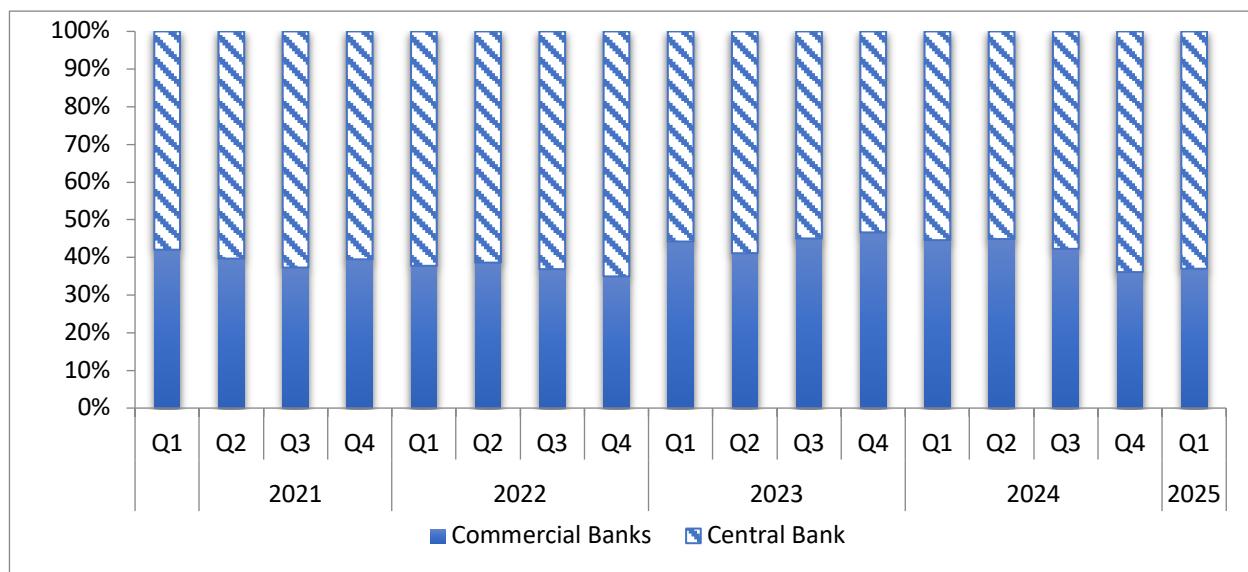
Net foreign assets (NFA) declined by 1.8 per cent, reversing the 6.7 per cent increase in the previous quarter. The contraction reflected a fall in the central bank's NFA, partly offset by growth in commercial banks' holdings. The decline at the central bank stemmed from reduced external claims and higher foreign liabilities, the latter influenced by exchange rate movements. By contrast, commercial banks' NFA increased, supported by new investments in foreign markets that exceeded the rise in their external liabilities.

**Table 6: Net Foreign Assets (Million Maloti: End Period)**

	2024					2025		Changes (%)	
	Q1	Q2	Q3	Q4	Q1	Quarterly	Annual		
<b>Commercial Banks</b>	<b>9642.86</b>	<b>10609.46</b>	<b>10022.60</b>	<b>9140.94</b>	<b>9165.73</b>	<b>0.3</b>	<b>-4.9</b>		
Claims on Non-residents	10335.19	10970.17	10505.75	9397.49	9587.43	2.0	-7.2		
Liabilities to Non-residents	692.33	360.71	483.14	256.55	421.70	64.4	-39.1		
<b>Central Bank</b>	<b>11985.10</b>	<b>13030.15</b>	<b>13681.97</b>	<b>16181.54</b>	<b>15707.14</b>	<b>-2.9</b>	<b>31.1</b>		
Claims on Non-residents	15224.26	15699.92	16279.04	18865.06	18437.82	-2.3	21.1		
Liabilities to Non-residents	3239.15	2669.77	2597.07	2683.52	2730.68	1.8	-15.7		
<b>Net Foreign Assets Total</b>	<b>21627.96</b>	<b>23639.61</b>	<b>23704.58</b>	<b>25322.48</b>	<b>24872.87</b>	<b>-1.8</b>	<b>15.0</b>		

**Source:** Central Bank of Lesotho

**Figure 13: Net Foreign Assets (Percentage shares)**



**Source:** Central Bank of Lesotho

#### *Components of M2*

Growth in money supply reflected an expansion in quasi money, which outweighed a contraction in narrow money (M1). Quasi money rose by 6.3 per cent, supported by higher fixed-time deposits by business enterprises. By contrast, M1 declined by 3.4 per cent, largely due to lower transferable deposits held by business enterprises.

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

	2024					2025		Changes (%)	
	Q1	Q2	Q3	Q4	Q1	Quarterly	Annual		
<b>Broad Money (M2)</b>	<b>17636.62</b>	<b>17340.59</b>	<b>17306.37</b>	<b>18995.08</b>	<b>19291.53</b>			<b>1.6</b>	<b>9.4</b>
<b>Narrow Money (M1)</b>	<b>7794.06</b>	<b>8173.76</b>	<b>8290.68</b>	<b>9325.06</b>	<b>9008.46</b>			<b>-3.4</b>	<b>15.6</b>
Currency Outside DCs	1606.61	1436.38	1384.29	1477.91	1430.59			<b>-3.2</b>	<b>-11.0</b>
Transferable Deposits	6187.45	6737.38	6906.39	7847.15	7577.87			<b>-3.4</b>	<b>22.5</b>
<b>Quasi Money</b>	<b>9842.56</b>	<b>9166.83</b>	<b>9015.69</b>	<b>9670.02</b>	<b>10283.08</b>			<b>6.3</b>	<b>4.5</b>
Other Deposits Commercial Banks	9839.60	9163.41	9012.91	9667.08	10280.32			<b>6.3</b>	<b>4.5</b>
Other Deposits Central Bank	2.96	3.42	2.79	2.94	2.75			<b>-6.3</b>	<b>-6.9</b>

**Source:** Central Bank of Lesotho

## Credit Extension

Private sector credit increased by 1.8 per cent, following a 2.2 per cent rise in the previous quarter. The growth reflected higher lending to both business enterprises and households. On an annual basis, private sector credit expanded by 11.5 per cent.

### *Trends in Credit Extended to Business Enterprises*

Credit to the business sector rose by 4.5 per cent, compared with a modest 0.5 per cent increase in the previous quarter. The expansion was mainly driven by higher lending to the Transport, Storage, and Communication; Non-Bank Financial Institutions, Real Estate, and Business Services; and Manufacturing sectors. However, the overall increase was moderated by reduced credit to the Construction and Wholesale, Retail, Hotel, and Restaurant subsectors. The rise reflected stronger demand for new loans and greater utilisation of existing credit facilities.

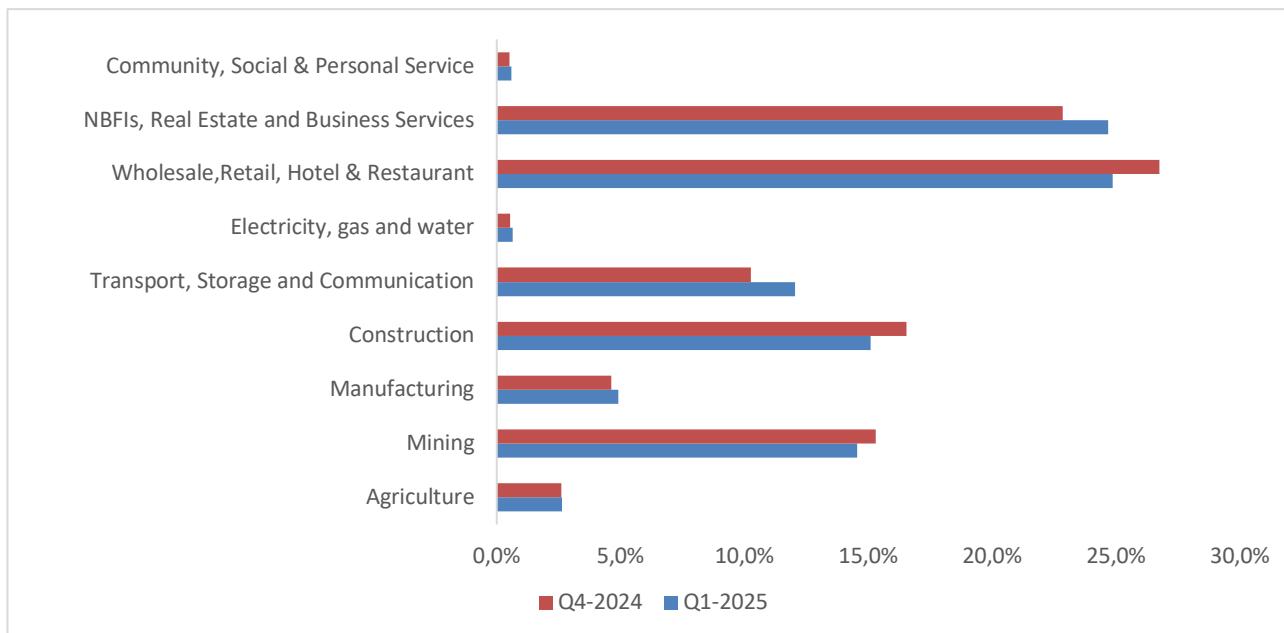
**Table 8: Credit Extension by Economic Activity (Million Maloti)**

SECTOR	2024				2025	Changes (%)	
	Q1	Q2	Q3	Q4	Q1	Quarterly	Annual
Agriculture	67.38	65.35	67.69	72.83	76.39	4.9	13.4
Mining	340.88	462.70	439.58	425.93	423.62	-0.5	24.3
Manufacturing	125.85	125.38	125.71	128.90	143.13	11.0	13.7
Electricity, gas and water	30.19	16.88	16.13	15.39	18.90	22.8	-37.4
Construction	477.59	528.50	531.14	460.70	439.13	-4.7	-8.1
Wholesale, Retail, Hotel & Restaurant	688.38	708.35	708.98	745.01	723.68	-2.9	5.1
Transport, Storage and Communication	323.45	315.91	283.34	285.93	350.67	22.6	8.4
NBFIs, Real Estate and Business Services	515.07	573.69	587.32	636.17	718.32	12.9	39.5
Community, Social & Personal Service	8.82	9.29	11.53	14.32	17.16	19.8	94.6
<b>All Sectors</b>	<b>2577.61</b>	<b>2806.05</b>	<b>2771.40</b>	<b>2785.18</b>	<b>2910.99</b>	<b>4.5</b>	<b>12.9</b>

**Source:** Central Bank of Lesotho

The sectoral distribution of credit showed that the Wholesale, Retail, Hotel and Restaurant subsector remained the largest recipient, accounting for 24.9 per cent of total business credit. This was followed closely by Non-Bank Financial Institutions, Real Estate and Business Services (24.7 per cent), while the Construction industry ranked third with 15.1 per cent. At the lower end, Community, Social and Personal Services and Electricity, Gas and Water each received 0.6 per cent. Together, the top three subsectors absorbed nearly two-thirds of total business credit, while sectors prioritised in the National Strategic Development Plan II for job creation and inclusive growth accounted for 69.1 per cent in the quarter.

**Figure 14: Distribution of Credit to Businesses (Percentage Shares)**

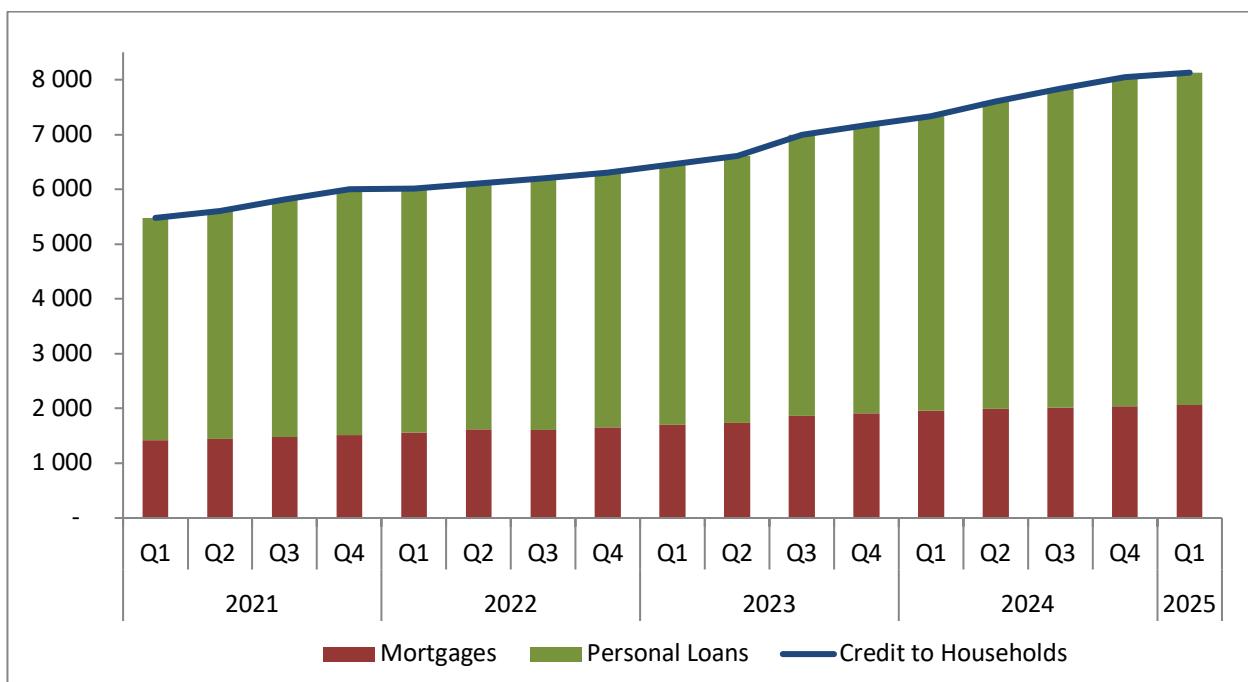


Source: Central Bank of Lesotho

### Credit Extended to Households

Household credit increased by 1.0 per cent in the quarter, slowing from a 2.8 per cent rise in the previous period. Growth was distributed almost evenly between personal loans (up by 1.0 per cent) and mortgages (up by 0.9 per cent). On an annual basis, household credit expanded by 10.9 per cent.

**Figure 15: Credit Extension to Household (Million Maloti)**



Source: Central Bank of Lesotho

## Liquidity of Commercial Banks

**Table 9: Components of Liquidity (Million Maloti)**

	2024				2025
	Q1	Q2	Q3	Q4	Q1
Credit to Deposit Ratio	<b>51.1%</b>	<b>52.8%</b>	<b>53.2%</b>	<b>52.1%</b>	<b>53.8%</b>
Private Sector Credit	9546.07	10035.89	10225.56	10449.79	10641.84
Total Deposits	18682.67	19014.20	19206.24	20069.68	19774.06
<b>Liquidity Ratio</b>	<b>40.3%</b>	<b>41.4%</b>	<b>36.8%</b>	<b>33.3%</b>	<b>33.2%</b>
Notes and Coins	811.97	776.57	690.09	1172.88	704.09
Net Balance due from banks in Lesotho	102.64	80.77	6.55	10.82	-39.41
Net Balance due from banks in SA	4008.40	5090.02	4405.88	3481.63	3752.42
Surplus funds	751.56	330.18	286.20	412.99	492.89
Government Securities	1861.60	1590.40	1680.57	1611.63	1649.46
<b>Total</b>	<b>7536.16</b>	<b>7867.95</b>	<b>7069.28</b>	<b>6689.96</b>	<b>6559.45</b>

Source: Central Bank of Lesotho

## Sources of Funds

Total deposit liabilities of commercial banks decreased by 1.5 per cent, following a 1.8 per cent increase in December 2024. The decline reflected both lower transferable deposits included in broad money and deposits excluded from broad money. By contrast, other deposits included in broad money rose by 6.3 per cent in the quarter, supported by higher fixed-time deposits held by business enterprises. The fall in transferable deposits was mainly due to a 4.3 per cent decline in business sector holdings, while the decrease in deposits excluded from broad money stemmed from lower government deposits. On an annual basis, total deposits in the banking sector grew by 2.5 per cent.

## Components of liquidity

The credit-to-deposit ratio rose to 53.8 per cent, up from 52.1 per cent. This increase was driven by a combination of growth in credit extension and a reduction in the deposit base of commercial banks. In contrast, the liquidity ratio of commercial banks decreased slightly by 0.1 percentage points to 33.2 per cent compared to the quarter ending December 2024. This decline was driven by a reduction in local banks' assets held with banks in South Africa.

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

	2024					2025		Changes (%)	
	Q1	Q2	Q3	Q4	Q1	Quarterly	Annual		
Transferable Deposits Incl. in BM	<b>6187.45</b>	<b>6737.38</b>	<b>6906.39</b>	<b>7847.15</b>	<b>7577.87</b>	-3.4	22.5		
Other Financial Corporations	32.95	112.20	36.49	107.08	48.45	-54.8	47.0		

Transf. Dep. State & Local Govt							
NC	39.72	12.05	11.51	6.84	0.16	<b>-97.6</b>	<b>-99.6</b>
Public Nonfinancial Corporations	23.93	42.79	216.67	85.56	32.86	<b>-61.6</b>	<b>37.3</b>
Private Sector	6090.84	6570.34	6641.72	7647.68	7496.39	<b>-2.0</b>	<b>23.1</b>
Other NFCs	4178.94	4730.57	4799.55	5817.57	5566.89	<b>-4.3</b>	<b>33.2</b>
Other Sectors (Households)	1911.90	1839.77	1842.16	1830.11	1929.50	<b>5.4</b>	<b>0.9</b>
<b>Other Deposits Incl. in BM</b>	<b>9839.60</b>	<b>9163.41</b>	<b>9012.91</b>	<b>9667.08</b>	<b>10280.32</b>	<b>6.3</b>	<b>4.5</b>
Other Financial Corporations	106.81	66.37	138.94	143.19	108.30	<b>-24.4</b>	<b>1.4</b>
Public Nonfinancial Corporations	217.07	259.89	334.11	279.33	260.65	<b>-6.7</b>	<b>20.1</b>
Private Sector	9515.72	8837.15	8539.86	9244.55	9911.38	<b>7.2</b>	<b>4.2</b>
Other NFCs	6296.15	5548.06	5157.26	5842.39	6319.68	<b>8.2</b>	<b>0.4</b>
Other Sectors (Households)	3219.57	3289.09	3382.60	3402.16	3591.69	<b>5.6</b>	<b>11.6</b>
<b>Deposits excluded in BM</b>	<b>3389.59</b>	<b>4695.50</b>	<b>3926.48</b>	<b>2685.80</b>	<b>2047.01</b>	<b>-23.8</b>	<b>-39.6</b>
of which Import deposits	733.98	1582.09	639.54	130.36	131.15	<b>0.6</b>	<b>-82.1</b>
<b>Total Deposits</b>	<b>19416.64</b>	<b>20596.29</b>	<b>19845.78</b>	<b>20200.04</b>	<b>19905.21</b>	<b>-1.5</b>	<b>2.5</b>

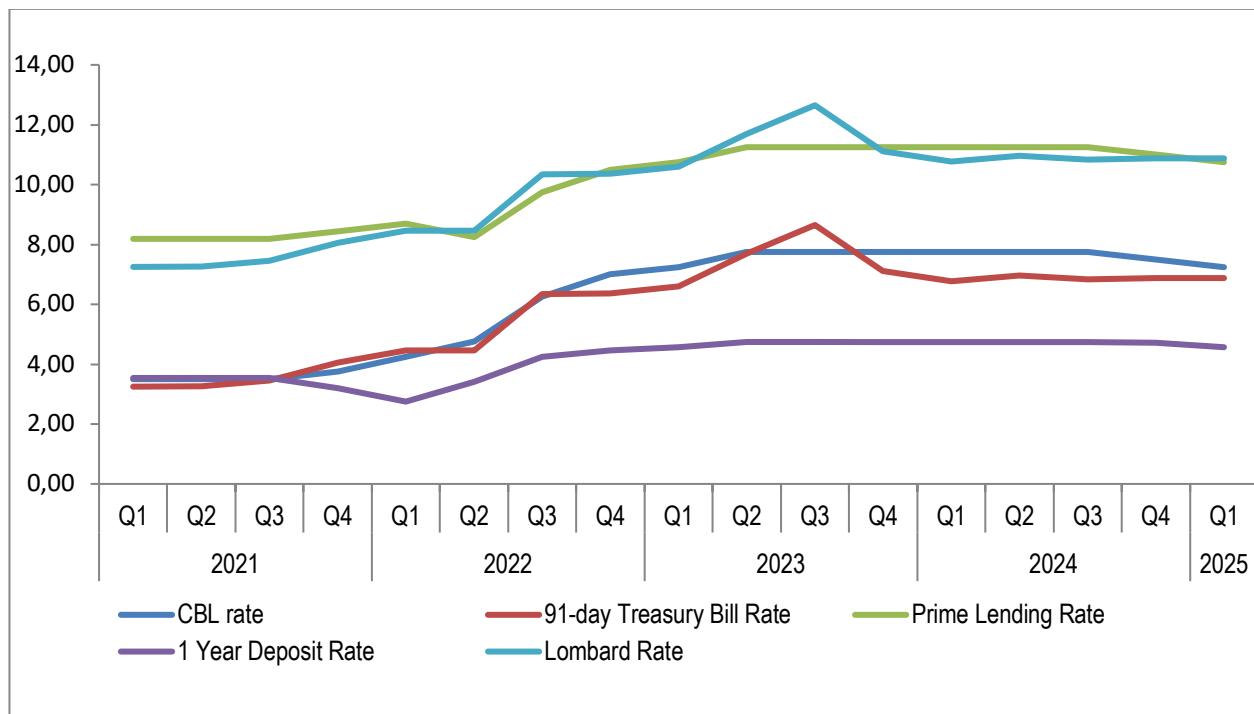
Source: Central Bank of Lesotho

## Money Market

### *Interest Rates*

The Central Bank of Lesotho reduced its key policy rate by 25 basis points to 7.25 per cent per annum in March 2025. As a result, the commercial banks' prime lending rate decreased by 25 basis points to 10.75 per cent, while the one-year deposit rate fell by 16 basis points to 4.56 per cent, per annum. However, both the 91-day Treasury Bill Rate (T-bill rate) and the Lombard Rate remained unchanged at 6.88 per cent and 10.88 per cent, respectively. The 91-day T-bill rate stayed within the policy-consistent range of  $\pm 200$  basis points relative to the South African Treasury Bill Rate.

**Figure 16: Short Term Interest Rates (Per Cent per Annum)**



Source: Central Bank of Lesotho

**Table 11: Interest rates**

	2024				2025
	Q1	Q2	Q3	Q4	Q1
<b>Central Bank</b>					
CBL rate	7.75	7.75	7.75	7.50	7.25
T-Bill Rate - 91 days	6.93	6.96	6.83	6.88	6.88
Lombard Rate	10.93	10.96	10.83	10.88	10.88
<b>Commercial Banks</b>					
Call	2.65	2.65	2.65	2.27	2.06
Time:					
31 days	1.47	1.47	1.47	1.47	1.34
88 days	2.46	2.46	2.46	2.45	2.31
6 months	4.01	4.01	4.01	4.01	3.85
1 year	4.74	4.74	4.74	4.72	4.56
Savings	1.60	1.60	1.60	1.55	1.37
Prime	11.25	11.25	11.25	11.00	10.75
<b>South Africa</b>					
Repo	8.25	8.25	8.00	7.75	7.50
T-Bill Rate - 91 days	11.40	11.40	8.03	7.71	7.29
Prime	14.75	14.75	11.50	11.25	11.00

*Source: Central Bank of Lesotho*

#### *Holding of Treasury Bills*

The overall stock of Treasury bills (T-Bills) remained largely unchanged between the first and second quarters. However, a modest change in the allocation of holdings occurred between the banking sector and non-bank entities.

**Table 12: Holding of Bills (Million Maloti)**

	2024				2025
	Q1	Q2	Q3	Q4	Q1
<b>Treasury Bills</b>	<b>747.88</b>	<b>726.74</b>	<b>736.63</b>	<b>748.00</b>	<b>746.10</b>
Banking System	454.41	420.78	460.68	470.98	473.51
Non-Bank Sector	293.47	305.96	275.95	277.02	272.60

*Source: Central Bank of Lesotho*

### ***Holding of Treasury Bonds***

The total outstanding stock of government bonds decreased by M225 million in redemptions during the review period. The decline was concentrated in non-bank sector holdings, while the banking sector increased its bond positions.

**Table 13: Holding of Bonds (Million Maloti)**

	2024				2025
	Q1	Q2	Q3	Q4	Q1
<b>Holding of Treasury Bonds</b>	<b>4008.20</b>	<b>3747.08</b>	<b>3822.08</b>	<b>3819.61</b>	<b>3594.61</b>
Banking System	1334.39	1105.42	1145.31	1083.71	1095.81
Non-Bank Sector	2673.82	2641.65	2676.76	2735.91	2498.80

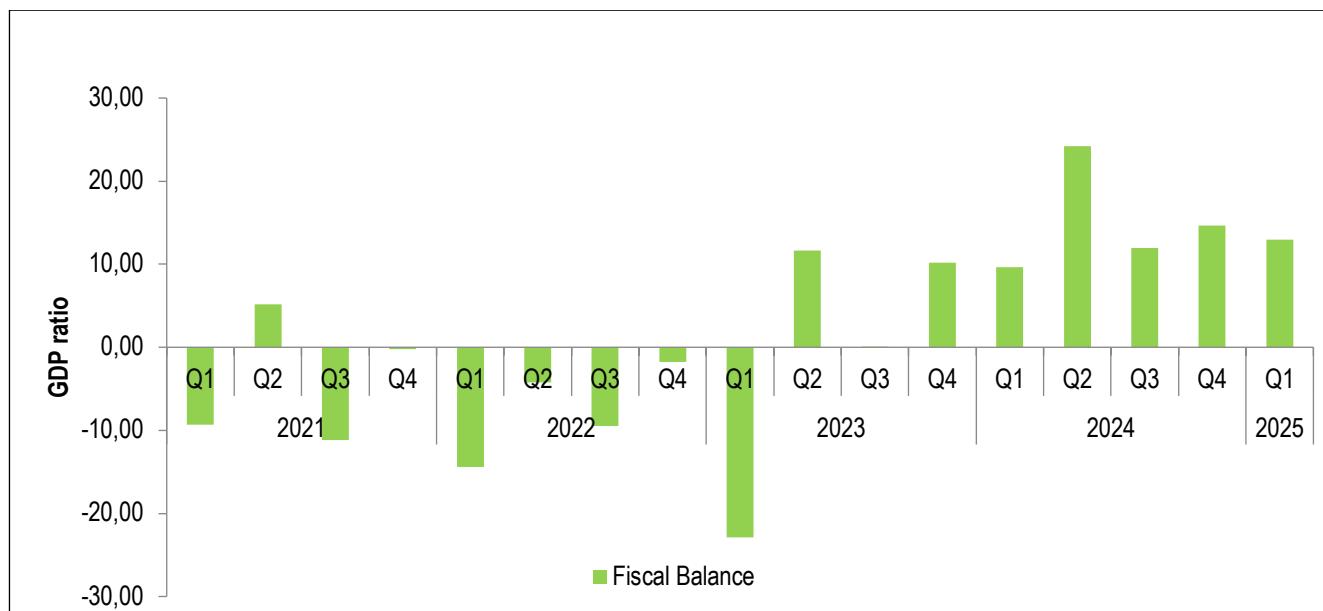
**Source:** Central Bank of Lesotho

## 5. Government Finance

### Overview

Government budgetary operations produced a fiscal surplus estimated at 12.9 per cent of GDP, compared to a revised figure of 14.6 per cent recorded in the previous quarter. This marks a sustained period of positive fiscal balances since the second quarter of 2023. Consequently, public debt decreased to 53.8 per cent of GDP, down from the revised 55.9 per cent recorded in the previous quarter.

**Figure 17: Fiscal Balance (Percent of GDP)**

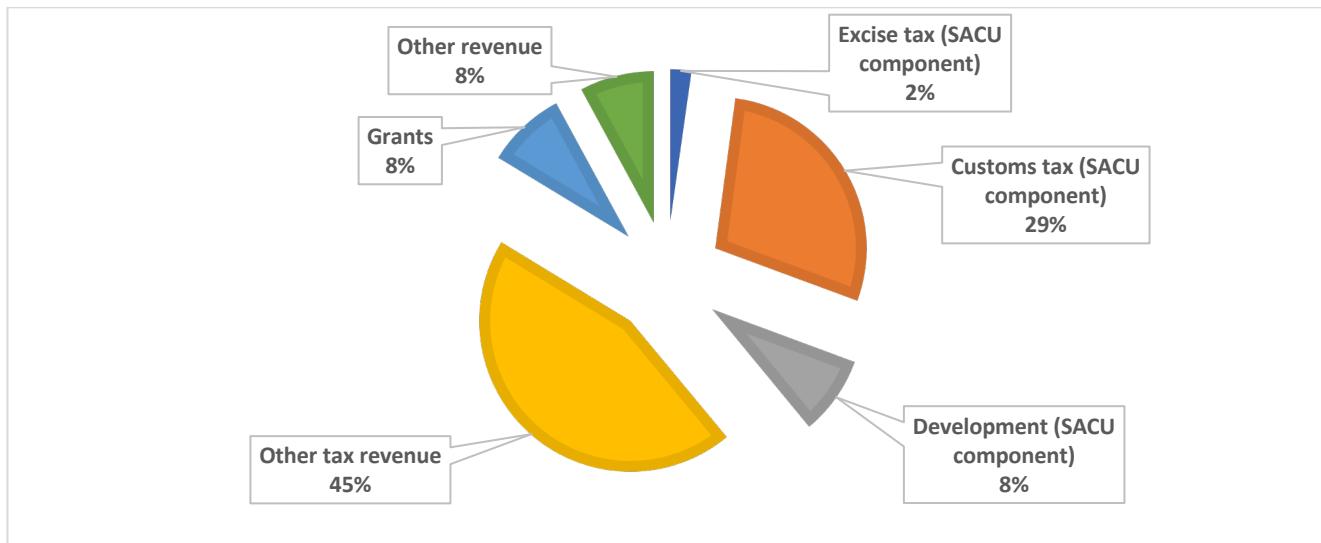


**Source:** Central Bank of Lesotho and Ministry of Finance

### Revenue

Government revenue declined by 0.1 per cent during the quarter under review, following a 3.4 per cent increase in the previous quarter. The decrease was primarily due to reduced VAT collections, attributed to compliance challenges, such as under-declarations and delays in payment and filing. Additionally, non-tax revenue fell due to lower receipts from water and mining royalties. This decline was partially offset by a rise in income tax collections, driven by job creation in the construction sector, particularly from road maintenance projects. Other tax revenues also contributed positively, supported by the rand monetary compensation, received in the first quarter of the year. On an annual basis, total revenue increased by 6.7 per cent, underpinned by strong performance in income tax, SACU receipts, and VAT.

**Figure 18: Total Revenue (Million Maloti)**

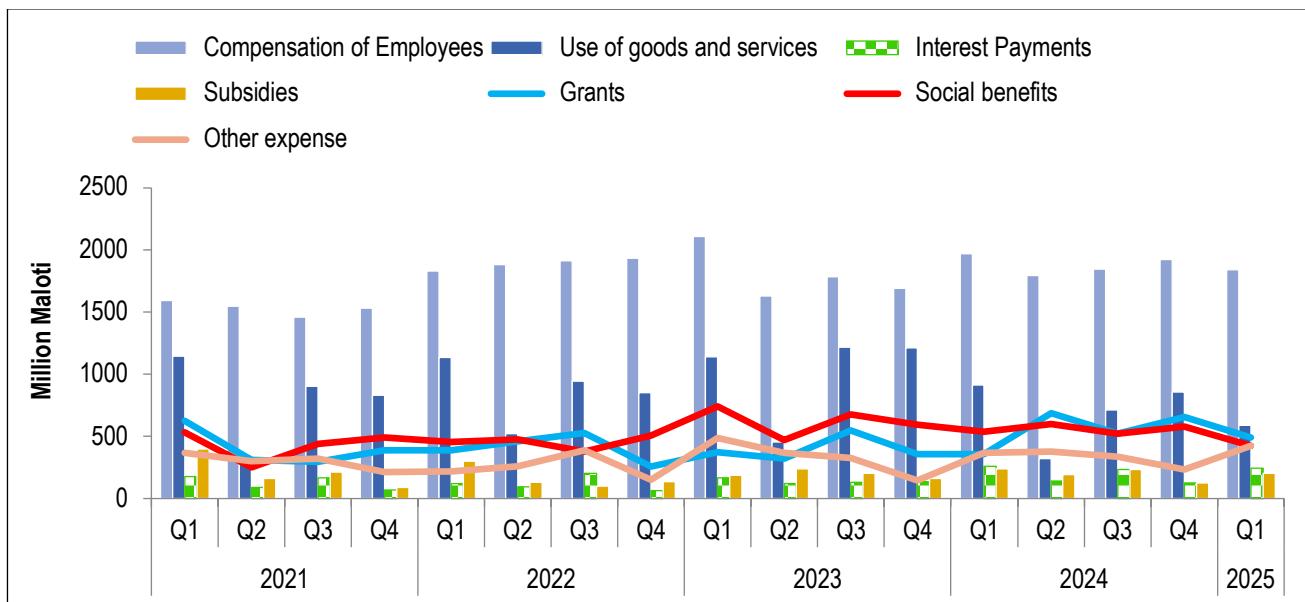


**Source:** Central Bank of Lesotho and Ministry of Finance

## Total Expenditure

Government expenditure increased by 2.2 per cent, compared to a modest 0.3 per cent growth in the previous quarter. Key drivers included infrastructure projects (Belo industrial infrastructure, bus terminals, roadworks, and rural electrification), as well as increased spending on interest payments, subsidies to public non-financial corporations, and student grants. The impact of these was, to some extent, moderated by reductions in operating costs, grants and the school feeding program. Most budget allocations were directed towards economic affairs, general public services, health, and education sectors. On a year-on-year basis, spending rose by 1.1 per cent, driven by infrastructure projects.

**Figure 19: Total Expense (Million Maloti)**



Source: Central Bank of Lesotho and Ministry of Finance

**Table 14: Statement of Government Operations (Million Maloti)**

	2024				2025	Q-to-Q (%)	Y-on-Y (%)	GDP ratio (%)
	Q1	Q2	Q3	Q4	Q1			
<b>Total Revenue</b>	<b>6459.13</b>	<b>7367.26</b>	<b>6669.87</b>	<b>6898.41</b>	<b>6889.36</b>	<b>-0.1</b>	<b>6.7</b>	<b>64.8</b>
Tax revenue	4796.96	5247.75	4848.40	5341.84	5665.69	6.1	18.1	53.3
Income Tax	1293.04	1267.47	1416.63	1454.01	1681.32	15.6	30.0	15.8
Value Added Tax	940.03	1451.34	887.45	1295.40	1125.49	-13.1	19.7	10.6
SACU Receipts (excise & customs)	1984.93	2258.89	2258.89	2258.89	2258.89	0.0	13.8	21.3
Other tax revenue	578.96	270.06	285.43	333.54	599.99	79.9	3.6	5.6
Grants	552.20	629.50	631.68	631.68	631.68	0.0	14.4	5.9
o/w SACU Receipts (development)	552.20	628.41	628.41	628.41	628.41	0.0	13.8	5.9
Other revenue	1109.98	1490.01	1189.80	924.89	592.00	-36.0	-46.7	5.6
<b>Total Expense</b>	<b>4642.94</b>	<b>4118.11</b>	<b>4409.27</b>	<b>4503.37</b>	<b>4218.63</b>	<b>-6.3</b>	<b>-9.1</b>	<b>39.7</b>
Compensation of Employees	1969.30	1797.90	1845.13	1924.16	1842.10	-4.3	-6.5	17.3
Use of goods and services	912.04	323.96	712.84	858.90	590.94	-31.2	-35.2	5.6
O/W Purchase of Health Services	110.99	111.35	121.35	188.16	36.18	-80.8	-67.4	0.3
Interest Payments	256.97	140.08	232.91	125.18	242.61	93.8	-5.6	2.3
Subsidies	239.27	191.66	234.86	126.19	204.68	62.2	-14.5	1.9
Grants	359.91	687.19	524.32	655.42	489.25	-25.4	35.9	4.6
Social benefits	536.97	598.32	522.47	580.12	423.05	-27.1	-21.2	4.0
Other expense	368.47	378.99	336.74	233.41	426.01	82.5	15.6	4.0
<b>Gross Operating Balance</b>	<b>1816.19</b>	<b>3249.15</b>	<b>2260.60</b>	<b>2395.04</b>	<b>2670.73</b>	-	-	<b>25.1</b>
<b>Total Nonfinancial Assets</b>	<b>814.73</b>	<b>782.41</b>	<b>972.29</b>	<b>892.46</b>	<b>1297.47</b>	<b>45.4</b>	<b>59.3</b>	<b>12.2</b>
Fixed Assets	814.73	782.41	972.29	892.46	1297.01	45.3	59.2	12.2
Non-Produced Assets	0.00	0.00	0.00	0.00	0.46	-	-	0.0
<b>Total Expenditure</b>	<b>5457.68</b>	<b>4900.52</b>	<b>5381.56</b>	<b>5395.83</b>	<b>5516.10</b>	<b>2.2</b>	<b>1.1</b>	<b>51.9</b>

	2024				2025	Q-to-Q (%)	Y-on-Y (%)	GDP ratio (%)
	Q1	Q2	Q3	Q4	Q1			
<b>Primary balance</b>	<b>1258.43</b>	<b>2606.83</b>	<b>1521.22</b>	<b>1627.76</b>	<b>1615.87</b>	-	-	<b>15.2</b>
<b>Net lending/borrowing</b>	<b>1001.46</b>	<b>2466.74</b>	<b>1288.31</b>	<b>1502.58</b>	<b>1373.27</b>	-	-	<b>12.9</b>
<b>Financing</b>	<b>993.84</b>	<b>2226.51</b>	<b>1225.29</b>	<b>1650.45</b>	<b>1330.41</b>	-	-	<b>12.5</b>
Net Acquisition of Financial assets	251.83	2745.03	1221.02	678.24	-85.10	-	-	-0.8
O/W Domestic Currency and Deposits	-135.98	2303.56	918.36	580.20	-1014.72	-	-	-9.5
Net Incurrence of Liabilities	-742.02	518.52	-4.26	-972.22	-1415.51	-	-	-13.3
O/W Domestic Other Accounts Payable	-722.17	779.22	-89.35	-1432.48	-1166.26	-	-	-11.0
Statistical Discrepancy	7.61	240.24	63.03	-147.87	42.85	-	-	0.4
<b>Memo Items</b>								
SACU receipts	2537.13	2887.30	2887.30	2887.30	2887.30	0.0	13.8	27.2
GDP (quarterly, red colour = forecast)	10393.14	10202.04	10771.66	10267.48	10629.95	-	-	-

Source: Central Bank of Lesotho and Ministry of Finance

**Table 15: Total Outlays by Functions of Government (Million Maloti)**

	2024				2025	Q-to-Q (%)	Y-on-Y (%)	GDP ratio (%)
	Q1	Q2	Q3	Q4	Q1			
<b>Current Outlays</b>	<b>4325.27</b>	<b>3775.99</b>	<b>4435.75</b>	<b>4668.77</b>	<b>4628.47</b>	<b>-0.9</b>	<b>7.0</b>	<b>43.5</b>
General public services	1475.15	1459.55	850.68	1002.12	880.19	-12.2	-40.3	8.3
Defence	-9.69	0.00	233.75	170.60	228.52	34.0	-	2.1
Public order and safety	530.30	349.73	407.29	425.45	494.92	16.3	-6.7	4.7
Economic affairs	552.25	340.04	331.76	419.88	311.39	-25.8	-43.6	2.9
Environmental protection	5.33	4.92	27.26	29.05	35.83	23.3	572.1	0.3
Housing and community amenities	15.25	11.05	135.93	138.02	140.15	1.5	819.2	1.3
Health	626.75	499.30	618.82	646.78	1027.00	58.8	63.9	9.7
Recreation, culture and religion	35.17	40.73	51.71	47.01	45.42	-3.4	29.1	0.4
Education	742.01	707.10	1063.06	1009.47	791.81	-21.6	6.7	7.4
Social protection	352.75	363.56	715.49	780.40	673.24	-13.7	90.9	6.3
<b>Capital Outlays</b>	<b>780.08</b>	<b>431.96</b>	<b>852.33</b>	<b>851.66</b>	<b>1661.05</b>	<b>95.0</b>	<b>112.9</b>	<b>15.6</b>
General public services	107.02	45.51	143.50	207.77	328.01	57.9	206.5	3.1
Defence	0.00	0.00	27.61	0.00	12.70	-	-	0.1
Public order and safety	23.32	5.63	2.11	9.63	8.49	-11.9	-63.6	0.1
Economic affairs	535.79	295.02	600.05	533.23	1021.32	91.5	90.6	9.6
Environmental protection	0.00	0.00	0.91	0.00	0.18	-	-	0.0
Housing and community amenities	12.17	70.64	76.26	67.52	153.52	127.4	-	1.4
Health	30.41	9.26	1.90	10.19	49.33	384.1	62.2	0.5
Recreation, culture and religion	1.06	7.24	0.00	10.16	0.32	-96.8	-69.8	0.0
Education	52.23	-1.34	0.00	13.16	70.06	432.3	34.1	0.7
Social protection	18.08	0.00	0.00	0.00	17.13	-	-	0.2
<b>Total Outlays</b>	<b>5105.35</b>	<b>4207.94</b>	<b>5288.09</b>	<b>5520.43</b>	<b>6289.53</b>	<b>13.9</b>	<b>23.2</b>	<b>59.2</b>
General public services	1582.17	1505.06	994.19	1209.90	1208.20	-0.1	-23.6	11.4

	2024				2025	Q-to-Q (%)	Y-on-Y (%)	GDP ratio (%)
	Q1	Q2	Q3	Q4	Q1			
Defence	-9.69	0.00	261.36	170.60	241.22	41.4	-	2.3
Public order and safety	553.62	355.36	409.39	435.08	503.41	15.7	-9.1	4.7
Economic affairs	1088.04	635.07	931.81	953.11	1332.71	39.8	22.5	12.5
Environmental protection	5.33	4.92	28.17	29.05	36.01	23.9	575.5	0.3
Housing and community amenities	27.41	81.69	212.19	205.53	293.68	42.9	971.3	2.8
Health	657.15	508.56	620.72	656.97	1076.32	63.8	63.8	10.1
Recreation, culture and religion	36.23	47.97	51.71	57.17	45.74	-20.0	26.3	0.4
Education	794.25	705.76	1063.06	1022.63	861.87	-15.7	8.5	8.1
Social protection	370.82	363.56	715.49	780.40	690.37	-11.5	86.2	6.5
<b>Unidentified Outlays</b>	<b>352.33</b>	<b>692.58</b>	<b>93.47</b>	<b>-124.60</b>	<b>-773.43</b>			

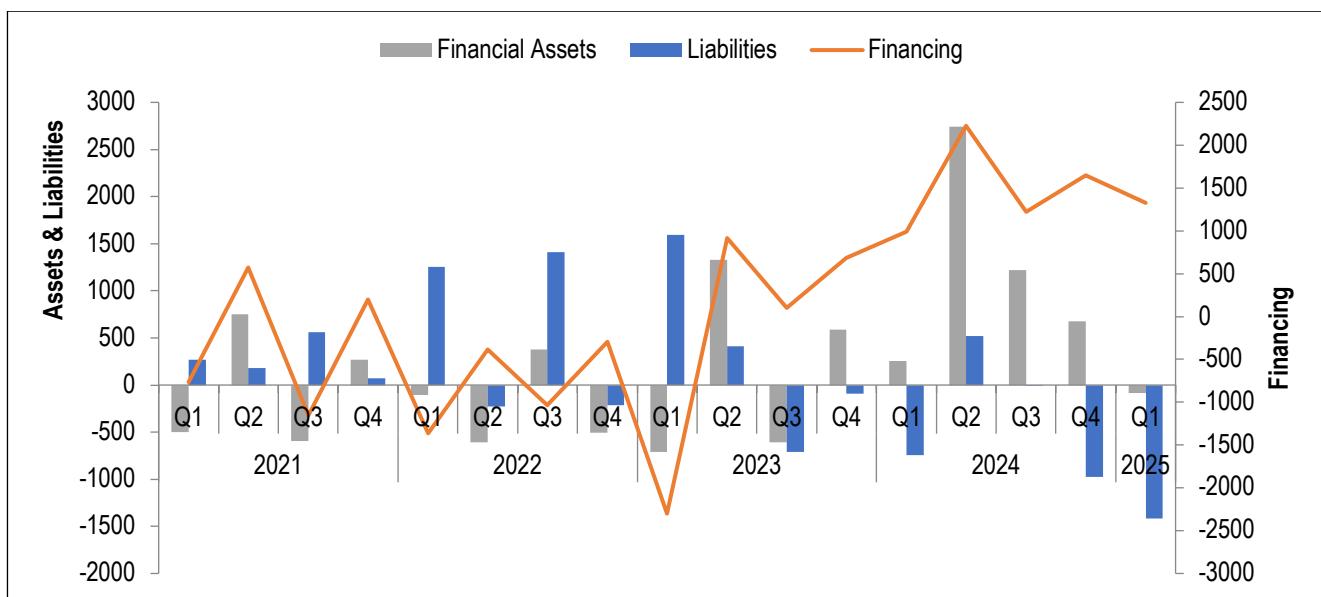
**Source:** Central Bank of Lesotho and Ministry of Finance

## Financial Assets and Liabilities<sup>2</sup>

Despite recording a fiscal surplus in the first quarter of 2025, the government's financial assets, particularly currency and deposits, declined. This resulted primarily from the settlement of outstanding obligations, such as payments to domestic suppliers and servicing of external debt. Although this action has resulted in a temporary reduction in asset levels, it enhances the overall fiscal position.

<sup>2</sup> 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.

**Figure 20: Total Financing (Million Maloti)**



Source: Central Bank of Lesotho and Ministry of Finance

### Total Public Debt<sup>3</sup>

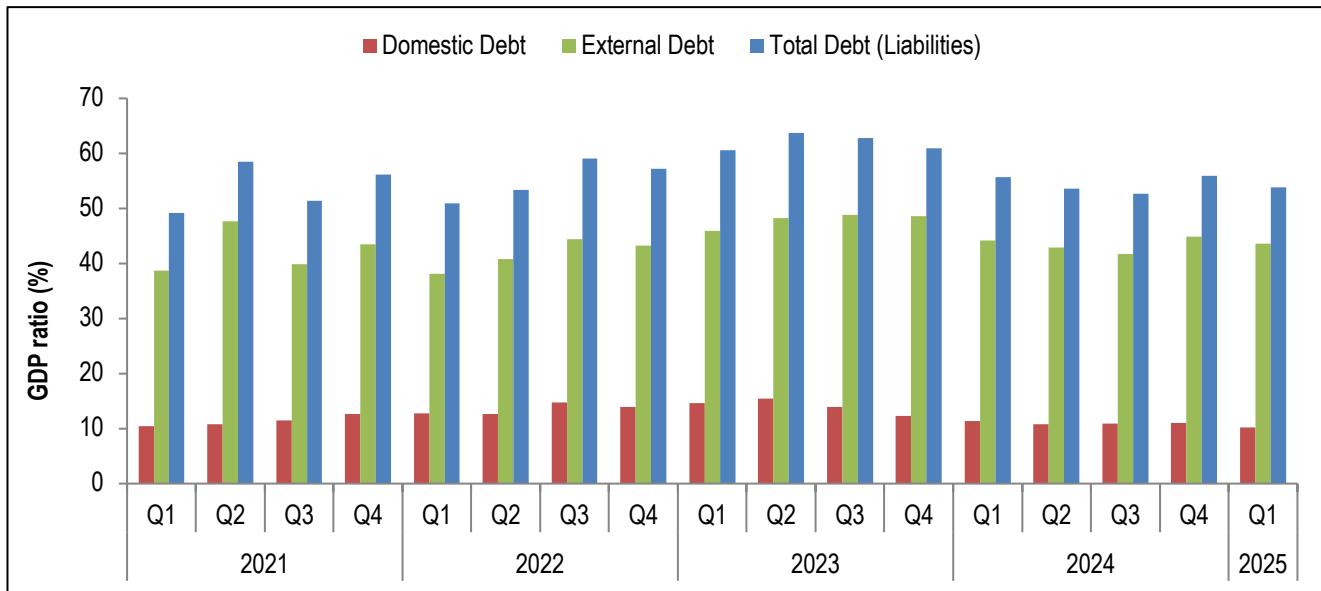
The public debt stock declined by 1.6 per cent mainly due to a reduction in domestic debt. The decrease in domestic debt reflected a redemption of Treasury bonds worth M300 million, which was partially offset by a new issuance of M75 million.

External debt continues to dominate the debt profile, representing 81.0 per cent of total public debt. However, the high concessional share, estimated at 70.6 per cent, provides favourable financing terms and supports debt sustainability. This is further reflected in liquidity indicators, which remained below the prescribed threshold of the IMF-World Bank's debt sustainability framework, signalling strong debt-servicing capacity. Nevertheless, the external debt service-to-exports ratio stood at 14.9 per cent, marginally below the medium-capacity threshold of 15 per cent. This points to a potential vulnerability and underscores the need for close monitoring, particularly in light of the recent introduction of trade tariffs by the USA that could dampen export volumes.

Looking ahead, maintaining prudent fiscal management and strengthening export performance will be critical to safeguarding debt sustainability and mitigating external risks.

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

**Figure 21: Outstanding Public Debt (Million Maloti)**



**Source:** Central Bank of Lesotho and Ministry of Finance

**Table 16: Public Debt Stock (Million Maloti)**

	2024				2025	Q-to-Q (%)	Y-on-Y (%)	Debt / GDP
	Q1	Q2	Q3	Q4	Q1			
<b>Total Public Debt</b>	<b>23167.32</b>	<b>22329.20</b>	<b>21915.54</b>	<b>23267.95</b>	<b>22887.09</b>	<b>-1.6</b>	<b>-1.2</b>	<b>53.8</b>
<b>External Debt</b>	<b>18411.23</b>	<b>17855.38</b>	<b>17356.84</b>	<b>18700.34</b>	<b>18546.37</b>	<b>-0.8</b>	<b>0.7</b>	<b>43.6</b>
Bilateral Loans	966.60	891.89	846.04	865.70	814.05	-6.0	-15.8	1.9
Concessional	811.56	755.84	722.10	750.35	700.24	-6.7	-13.7	1.6
Non-concessional	155.04	136.05	123.94	115.35	113.81	-1.3	-26.6	0.3
Multilateral Loans	13950.05	13682.93	13394.83	14533.47	14560.83	0.2	4.4	34.2
Concessional	10575.70	10277.83	10075.99	11029.38	11063.47	0.3	4.6	26.0
Non-concessional	3374.35	3405.10	3318.84	3504.09	3497.36	-0.2	3.6	8.2
Financial Institutions	59.90	0.00	0.00	0.00	0.00	0.0	-100.0	0.0
Concessional	59.90	0.00	0.00	0.00	0.00	0.0	-100.0	0.0
Non-concessional	0.00	0.00	0.00	0.00	0.00	0.0	0.0	0.0
Suppliers' Credit	3434.68	3280.56	3115.96	3301.17	3171.50	-3.9	-7.7	7.5
Concessional	1369.00	1309.11	1262.61	1360.24	1327.60	-2.4	-3.0	3.1
Non-concessional	2065.68	1971.46	1853.34	1940.92	1843.90	-5.0	-10.7	4.3
<b>Domestic Debt</b>	<b>4756.08</b>	<b>4473.82</b>	<b>4558.71</b>	<b>4567.61</b>	<b>4340.72</b>	<b>-5.0</b>	<b>-8.7</b>	<b>10.2</b>
Banks	1788.79	1526.20	1606.00	1554.69	1569.32	0.9	-12.3	3.7
Long-term	1334.39	1105.42	1145.31	1083.71	1095.81	1.1	-17.9	2.6
Treasury bonds	1334.39	1105.42	1145.31	1083.71	1095.81	1.1	-17.9	2.6
Central Bank (IMF)	0.00	0.00	0.00	0.00	0.00	-	0.0	0.0
Short-term (T-bills)	454.41	420.78	460.68	470.98	473.51	0.5	4.2	1.1
Non-bank	2967.29	2947.62	2952.71	3012.93	2771.40	-8.0	-6.6	6.5

Long-term (T-bonds)	2673.82	2641.65	2676.76	2735.91	2498.80	-8.7	-6.5	5.9
Short-term (T-bills)	293.47	305.96	275.95	277.02	272.60	-1.6	-7.1	0.6
<b>DEBT INDICATORS</b>								
Total Debt-to-GDP	58.3	56.2	55.2	58.6	53.8	-	-	-
External Debt-to-Total Debt	79.5	80.0	79.2	80.4	81.0	-	-	-
Concessional Debt-to-External Debt	62.2	69.1	62.2	63.0	63.4	-	-	-
PV_External Debt to GDP	33.4	32.3	31.7	30.8	28.3	-	-	-
PV_External Debt to Exports	74.8	72.3	71.1	69.1	59.9			
External Debt service/Exports	11.5	6.0	9.1	6.0	14.9			
External Debt service/Revenue	8.1	3.5	6.5	3.6	6.8			
PV_Total Debt to GDP	43.5	44.5	41.4	40.5	36.8	-	-	-

**Source:** Central Bank of Lesotho and Ministry of Finance

## 6. Foreign Trade and Payments

### Overview

Lesotho's external sector position remained in surplus in the first quarter of 2025, primarily driven by SACU receipts, Rand Monetary Compensation, and inflows related construction activity at LHWP Phase II. As a share of GDP, the external sector surplus accounted for 0.7 per cent, compared with a revised 16.2 per cent recorded in the previous quarter.

### Current Account

The current account surplus narrowed to M69.68 million in the first quarter, from a revised M207.59 million in the preceding quarter. This outcome was mainly supported by surpluses in the primary and secondary income accounts, while persistent deficits in the goods and services accounts partly offset the overall balance. As a share of GDP, the surplus amounted to 0.7 per cent, compared with a revised 2.0 per cent previously.

**Table 17: Current Account Balance (Million Maloti)**

	2024				2025	% Changes	
	Q1	Q2	Q3	Q4	Q1	Q/Q	Y/Y
<b>Current Account</b>	<b>622.33</b>	<b>237.27</b>	<b>488.84</b>	<b>207.59</b>	<b>69.68</b>	<b>-66.4</b>	<b>-88.8</b>
(a) Goods	-2,897.33	-3,251.08	-3,019.93	-3,641.65	-3,910.48	-7.4	35.0
Merchandise exports, f.o.b.	4,517.40	4,316.55	4,732.64	4,161.20	3,240.93	-22.1	-28.3
Of which diamonds	1,478.85	1,052.42	1,154.00	925.88	544.27	-41.2	-63.2
Of which textiles & clothing	1,828.68	1,835.87	2,076.37	2,146.27	1,877.65	-12.5	2.7
Of which water	874.09	962.63	978.80	579.63	376.61	-35.0	-56.9
Of which agriculture	130.21	136.89	126.48	149.56	134.25	-10.2	3.1
Of which re-exports	40.71	46.86	46.97	50.93	42.42	-16.7	4.2
Other exports	164.85	281.88	350.02	308.93	265.73	-14.0	61.2
Merchandise imports, f.o.b.	7,414.73	7,567.63	7,752.57	7,802.85	7,151.41	-8.3	-3.6
(b) Services	<b>-1,791.18</b>	<b>-1,826.50</b>	<b>-1,830.20</b>	<b>-1,867.50</b>	<b>-1,962.60</b>	<b>-5.1</b>	<b>-9.6</b>
(c) Primary Income	<b>2,103.18</b>	<b>2,217.43</b>	<b>2,283.06</b>	<b>2,629.27</b>	<b>2,400.67</b>	<b>-8.7</b>	<b>14.1</b>
(d) Secondary Income	<b>3,207.65</b>	<b>3,097.42</b>	<b>3,055.91</b>	<b>3,087.56</b>	<b>3,542.17</b>	<b>14.</b>	<b>10.4</b>

**Source:** Central Bank of Lesotho

### Merchandise Exports

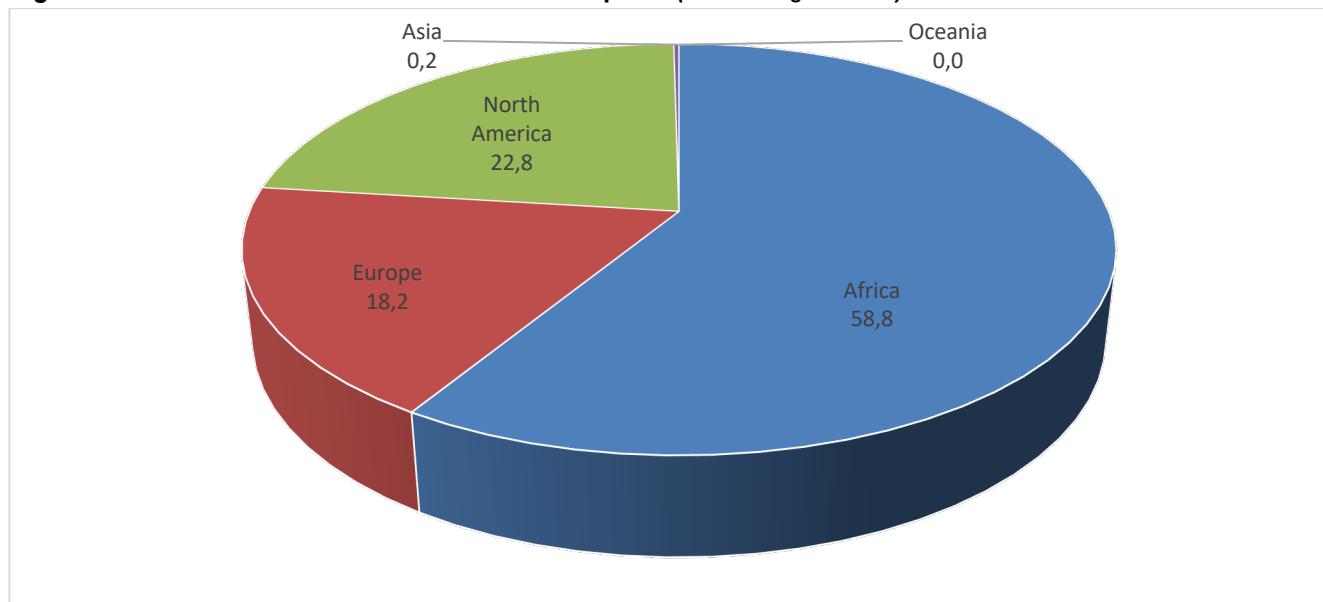
The value of merchandise exports fell by 22.1 per cent, following a 12.1 per cent decline in the preceding period. The contraction reflected decreases across all major categories. Diamond exports dropped sharply as the market for naturally mined stones continued to weaken amid growing preference for lab-grown alternatives. The sector was further constrained by the closure of one mine, which halted production and

sales. Textile and clothing exports also declined as demand eased after the seasonal surge in December. Water exports fell due to ongoing maintenance at the 'Muela Hydropower Station, resulting in temporary suspension of transfers to South Africa. Agricultural exports weakened, driven by lower shipments of vegetables and live animals. On an annual basis, merchandise exports contracted by 28.3 per cent, compared with a 3.3 per cent decline previously. As a share of GDP, merchandise exports stood at 33.3 per cent, down from a revised 40.5 per cent in the preceding quarter.

#### ***Direction of Trade - Exports***

Africa remained the dominant destination for Lesotho's exports, with a share of 58.8 per cent, slightly lower than 59.7 per cent previously, mainly reflecting textiles and clothing exports to South Africa. North America's share rose to 22.8 per cent from 16.7 per cent, driven by higher textile and clothing shipments to the United States. Europe accounted for 18.2 per cent, down from 23.1 per cent, largely due to diamond exports to Belgium. Exports to Asia and Oceania were negligible at less than 0.2 per cent of the total.

**Figure 22:22 Direction of Trade Merchandise Exports (Percentage Share)**



**Source:** Central Bank of Lesotho

#### ***Merchandise Imports***

Merchandise imports fell by 8.4 per cent, following a marginal decline of 0.7 per cent previously. The contraction was mainly in food and vegetables, as well as machinery. Lower food imports reflected subdued demand after the festive season, while machinery imports declined as construction at LHWP Phase II advanced to stages less reliant on new equipment. On an annual basis, imports contracted by 3.6 per cent, compared with a 5.0 per cent decline earlier. As a share of GDP, merchandise imports stood at 73.6 per cent, down from 76.0 per cent.

### ***Services account***

The services account remained in deficit, which widened by 5.1 per cent following a 2.0 per cent increase previously, as Lesotho continued to be a net importer of services. The deterioration was driven by higher travel payments, particularly for bus and flight tickets. This was partly offset by lower payments for freight, in line with reduced imports, and by a decline in telecommunications outflows, which together moderated the overall deficit. Year on year, the deficit rose by 9.6 per cent, compared with a 0.8 per cent decline in the preceding quarter. As a share of GDP, the deficit stood at 20.2 per cent, up from 18.2 per cent in the final quarter of 2024.

### ***Primary Income Account***

The primary income account surplus declined by 8.7 per cent, reversing a 15.2 per cent increase in the preceding period. The surplus was mainly driven by financial institutions' interest earnings on foreign investments and receipts for maintenance and operational costs of LHWP Phase II. Its decline reflected lower investment income, reduced receipts for LHWP operations, and higher government interest payments on foreign loans. Year on year, however, the surplus rose by 14.1 per cent, compared with a 13.8 per cent increase in the prior period. As a share of GDP, it stood at 24.7 per cent, down from 25.6 per cent in the last quarter of 2024.

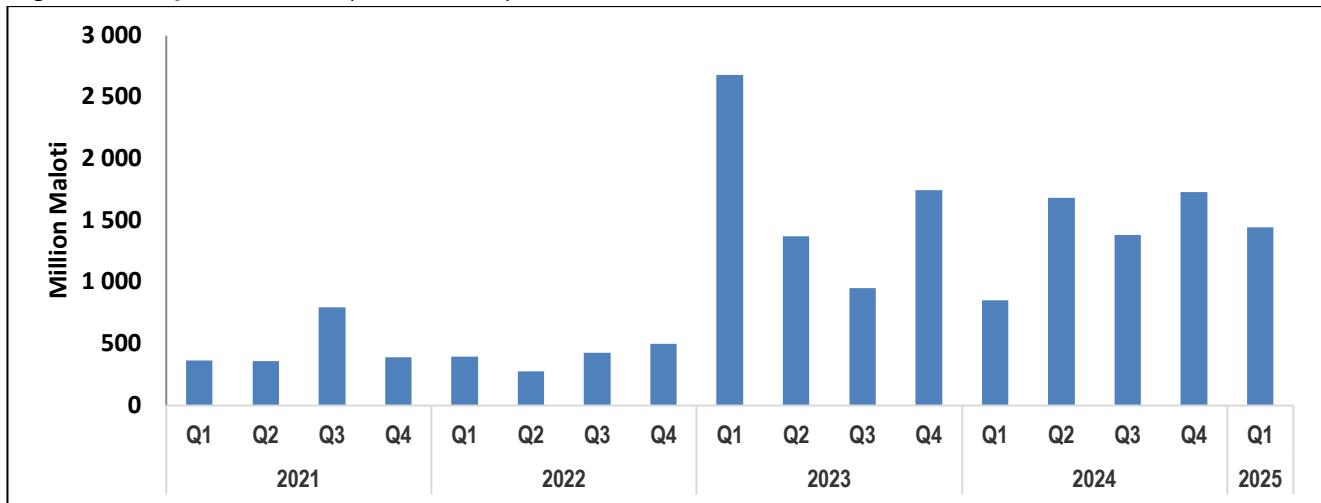
### ***Secondary Income Account***

The secondary income account remained in surplus, supported by SACU and Rand Monetary Compensation receipts. The surplus rose by 14.7 per cent, compared with a 1.0 per cent increase in the preceding quarter, largely reflecting higher Rand Monetary Compensation, while SACU receipts were unchanged. The outcome was further aided by lower subscriptions to international organisations. Year on year, the surplus expanded by 10.4 per cent, compared with 10.0 per cent in the last quarter of 2024. As a share of GDP, it amounted to 30.3 per cent, up from 26.8 per cent previously.

### ***Capital Account***

Capital account inflows remained elevated at M1.44 billion, though slightly lower than M1.73 billion in the previous quarter. The main drivers were ongoing works at LHWP Phase II, particularly the Senqu Bridge and related tunnelling and auxiliary projects. The moderation reflected the fact that these projects had reached advanced stages, requiring less financing. Year on year, inflows grew by 69.7 per cent, compared with a 1.1 per cent decline in the previous quarter. As a share of GDP, capital inflows stood at 14.9 per cent, down from a revised 16.6 per cent previously.

**Figure 23: Capital Account (Million Maloti)**



**Source:** Central Bank of Lesotho

## Financial Account

Lesotho remained a net lender of financial assets during the review period, though at a lower level than in the preceding quarter. The financial account net outflows amounted to M32.40 million, compared to M788.09 million in the previous quarter, mainly reflecting direct investment, portfolio investment and other investment net outflows.

**Table 18: Financial Account Balance (Million Maloti)**

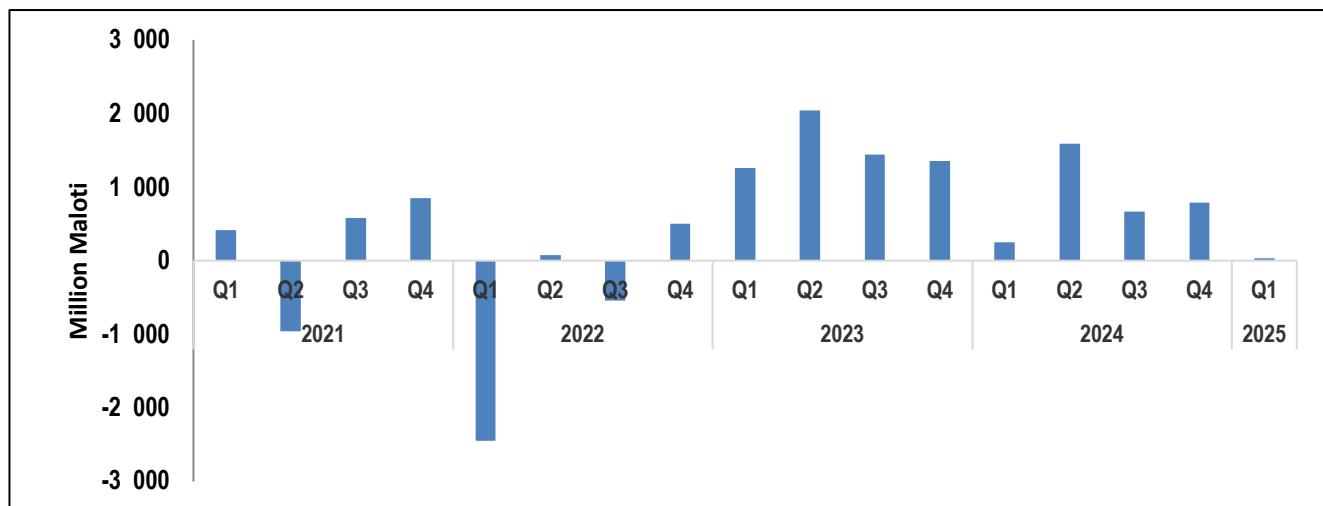
	2024				2025
	Q1	Q2	Q3	Q4	Q1
<b>Financial account</b>	<b>252.80</b>	<b>1587.34</b>	<b>670.45</b>	<b>788.09</b>	<b>32.40</b>
Direct Investments, net	149.90	245.55	216.15	-368.82	69.23
Portfolio Investments, net	-43.18	418.45	421.45	278.65	288.17
Financial Derivatives, net	0.00	0.00	0.00	0.00	0.00
Other Investments, net	9.67	475.62	-997.18	-1,545.15	147.60
Of which Loans	272.32	-716.98	-108.84	-513.03	46.94
Claims on Non Residents	34.48	34.48	34.48	34.48	34.48
Liabilities to Non Residents	-237.84	751.46	143.32	547.51	-12.46
Of which Currency and Deposits	-188.59	1,266.66	-814.28	-958.05	174.72
Claims on Non Residents	-406.08	935.04	-691.85	-1,184.64	339.86
Liabilities to Non Residents	-217.49	-331.62	122.43	-226.59	165.15
Of which Special Drawing Rights	0.00	0.00	0.00	0.00	0.00
Reserve Assets	136.41	447.72	1,030.03	2,423.41	-472.60

**Source:** Central Bank of Lesotho

Direct investment net outflows reflected lower loan disbursements from foreign shareholders, while portfolio net outflows were driven by increased placements in debt securities by financial institutions. Other investment net outflows stemmed from reduced government loan disbursements and higher foreign

placements by commercial banks. A decline in foreign reserves partly offset these movements, moderating the overall balance.

**Figure 24: Financial Account (Million Maloti)**

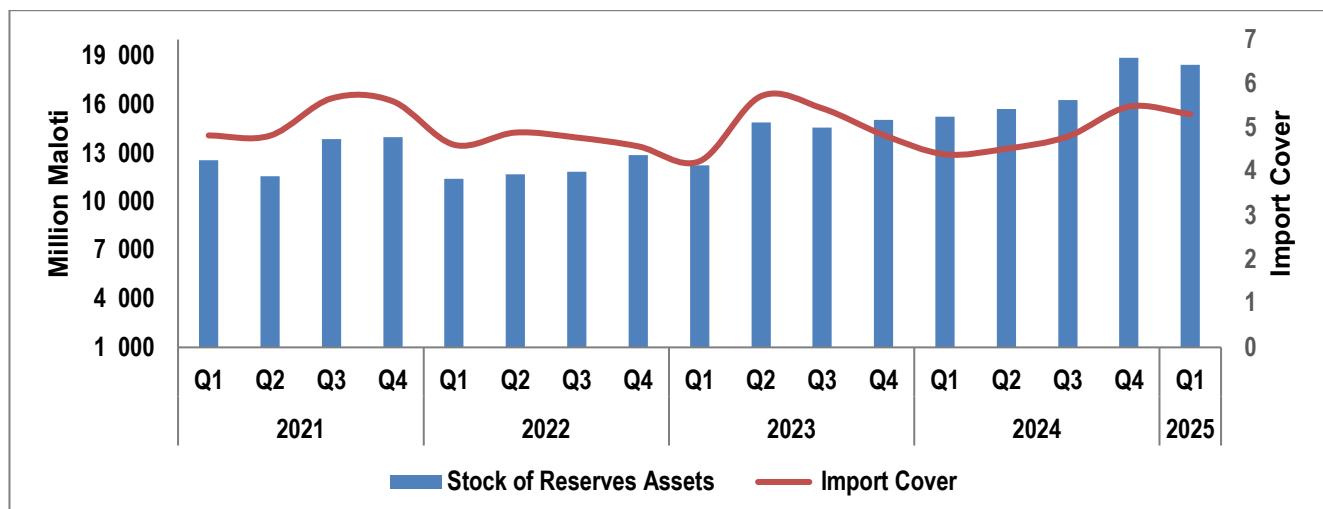


Source: Central Bank of Lesotho

## Reserve Assets

Foreign reserves fell to M18.44 billion, from M18.87 billion previously, driven in part by lower water royalties – owing to maintenance works at ‘Muela – and by higher external debt service payments. Consequently, import cover declined to 5.3 months, compared with 5.5 months in the preceding quarter.

**Figure 25: Reserve Assets**



Source: Central Bank of Lesotho