

Central Bank of Lesotho



QUARTERLY ECONOMIC REVIEW

September 2025

MASERU KINGDOM OF LESOTHO

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1.

2. Executive Summary

Global economic activity slowed notably in the third quarter of 2025, with advanced economies experiencing weaker growth primarily due to declining consumer spending amid elevated living costs and rising inflation. Labour market conditions diverged across regions: unemployment increased in advanced economies but fell in emerging markets. Inflation trends were mixed, influenced mainly by movements in food, energy, and fuel prices. Most central banks maintained a neutral monetary policy stance, keeping policy rates unchanged to balance persistent inflation pressures against slowing economic growth.

Domestically, Lesotho's economic growth decelerated during the review period, while construction, transport, and financial services supported activity, overall performance was weighed down by subdued domestic demand and weakened manufacturing output. The labour market showed gradual improvement, although employment among migrant mineworkers continued to decline. Inflationary pressures remained elevated.

Monetary conditions were generally stable. Money supply remained broadly unchanged, as offsetting movements in its components kept overall levels steady. Bank deposits were supported by government balances, private sector credit grew moderately, and net foreign assets increased. The Central Bank of Lesotho reduced its key policy rate, which led to corresponding declines in the prime lending rate and the one-year deposit rate.

Fiscal performance remained strong, with the Government posting a fiscal surplus of 10.0 percent of GDP, slightly lower than the previous quarter but still indicative of sustained fiscal strength. The budget execution rate improved to 63.6 percent, driven mainly by recurrent spending, while capital expenditure execution remained weak due to ongoing capacity constraints. Public debt declined to 54.4 percent of GDP, supported by the continued fiscal surplus.

Lesotho's external sector position strengthened significantly, registering a robust surplus equivalent to 27.8 percent of GDP. This improvement was largely attributable to substantial portfolio investment inflows as foreign investors increased their holdings of debt securities.

Overall, the third quarter of 2025 was marked by slowing domestic and global growth, persistent inflationary pressures, stable monetary conditions, strong fiscal performance, and a sharply improved external position for Lesotho.

3. International Economic Developments

Overview

There were strong indications of slowdown in global growth during the third quarter of 2025. In advanced economies, growth was largely driven down by consumer spending. However, the higher cost of living, as reflected by rising inflation, had a negative impact on economic performance. Labour market conditions continued to vary across advanced economies and emerging market economies, with the unemployment rate rising in advanced economies, while it declined in emerging market economies.

Inflation dynamics also portrayed mixed trends, with some economies experiencing a decline in inflation, while others experienced an increase. Inflation trends continued to be explained by developments in food, energy and fuel prices. Nonetheless, the monetary policy stance was neutral as most economies left their policy rates unchanged during the quarter under review, as central banks sought to balance rising inflation and slowing economic growth.

Table 1: Key World Economic Indicators

	Real GDP Growth		Inflation Rate		Key Interest Rate		Unemployment Rate	
	Q2	Q3	Q2	Q3	Q2	Q3	Q2	Q3
	2025	2025	2025	2025	2025	2025	2025	2025
United States	2.1	N/A	2.7	3.0	4.25	4.00	4.1	4.4
Euro Area	1.5	1.4	2.0	2.2	2.15	2.15	6.4	6.4
Japan	2.0	1.1	3.3	2.9	0.50	0.50	2.5	2.6
United Kingdom	1.4	1.3	3.6	3.8	4.25	4.00	4.7	5.0
China	5.2	4.8	0.1	-0.3	3.00	3.00	5.0	5.2
India	7.8	8.2	2.10	1.54	5.50	5.50	N/A	N/A
South Africa	0.9	2.1	3.0	3.4	7.25	7.00	33.2	31.9
Brazil	2.4	1.8	5.35	5.17	15.0	15.0	5.8	5.6
Russia	1.1	0.6	9.4	8.0	20.0	17.0	2.2	2.2

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 US economy was expected to have grown slightly in the third quarter of 2025, compared to the previous quarter. The improved economic performance was expected to have resulted from stronger consumption as reflected by an increase in retail sales. This was coupled with a rise in industrial production, as well as exports. However, there was an increase in imports, which partly offset the increase in economic growth. The US unemployment rate increased to 4.4 per cent, due to tighter immigration policy which has resulted in a decline in foreign workers. Technological advances also continued to negatively affect hiring during the same period, hence fewer employment opportunities.

The annual inflation rate rose to 3.0 per cent, from 2.7 per cent in the preceding quarter. Increases in costs for energy, food, and new vehicles were key drivers to the observed inflationary pressures. The Federal Reserve Bank cut its Fed fund rate by 25 basis points to the range of 4.00 - 4.25 per cent, from 4.25 - 4.50 per cent in the preceding quarter. The rate cut was meant to catalyse economic activity and support the sluggish labour market. Nonetheless, the Federal Reserve remained cautious of the risk of rising inflationary pressures.

Euro Area

Economic performance in the Euro area slowed slightly in the third quarter of 2025. Real GDP increased by 1.4 per cent, slightly weaker than 1.5 per cent recorded in the second quarter. The rise in GDP was explained by an increase in industrial production and exports. However, consumer spending weakened and imports increased, and thus, moderated the observed increase in growth. The unemployment rate was recorded at 6.4 per cent, unchanged from 6.4 per cent in the preceding quarter. The relatively higher unemployment rate was due to job losses in line with slower economic activity.

Annual inflation rate rose to 2.2 per cent from 2.0 per cent in the second quarter. The major drivers for the increase were costs for services, food, alcohol & tobacco, and non-energy industrial goods. However, energy prices increased at a slower pace, thus moderating the overall inflation rate. The European Central Bank maintained its key policy rate at 2.15 per cent during the third quarter of 2025. The move followed the assessment that inflation was close to the 2.0 per cent target. The monetary policy was accommodative, to support economic growth in the region amid rising trade tensions.

Japan

The Japanese economy grew moderately by 1.1 per cent, from an increase of 2.0 per cent in the preceding quarter. This was bolstered by government spending ahead of capital works projects, as well as consumer spending, which was underpinned by increased outlays on automobiles and leisure services. The slowdown in real GDP growth was explained by softer consumption spending, exports and industrial output. The unemployment rate increased slightly to 2.6 per cent, from 2.5 per cent in the previous quarter, in line with the weak economic performance.

The annual inflation rate increased to 2.9 per cent, slowing from 3.3 per cent in the second quarter. The slowdown was driven mainly by falling electricity costs due to the end of government subsidies, as well as the costs of gas and education, which also declined during the review period, offsetting the increase in the inflation rate. The bank of Japan left its key policy rate unchanged at 0.5 per cent during the review period. In an effort to stimulate growth, the bank of Japan sold exchange traded funds and real estate investment funds, and as a move towards monetary policy normalisation. Furthermore, the Bank also noted a marginal improvement in the economic activity, hence the decision to keep the policy rate unchanged.

United Kingdom

The UK economic growth slowed marginally in the review period, with real GDP growth registering 1.3 per cent, down from 1.4 per cent growth in the preceding quarter. Weaker consumer spending, government spending, and business investment moderated an increase in fixed investment. This was further compounded by the net trade deficit, with a dragging effect on growth. The unemployment rate rose to 5.0

per cent in the review quarter, up from 4.7 per cent in the second quarter. This decline in the employment rate, reflected firms' fears over prospects of new tax rises, affecting employment prospects.

Consumer prices, increased by 3.8 per cent up from 3.6 per cent in the preceding quarter. The increase emanated from higher transportation costs, plus food and the rising costs of restaurants and hotels. The Bank of England cut its key policy rate by 25 basis points, from 4.25 per cent in the preceding quarter. The Bank's assessment was that inflation eased but remained above the target, reflecting persistent inflationary risks. However, weak economic activity and labour market conditions prompted the bank to adopt the easing cycle to support the economy.

Emerging Market Economies

China

The China economy experienced a further growth slowdown in the third quarter of 2025. Real GDP increased by 4.8 per cent, decelerating from 5.2 per cent in the second quarter. Weaker consumer demand, and trade tensions which disrupted business and investment decisions, as well as a slump in the property market contributed to this slowdown. The unemployment rate was 5.2 per cent during the quarter ending in September, rising slightly from 5.0 per cent in the second quarter of 2025. The increase reflected a rise in unemployment for the migrant labour force.

The annual inflation rate declined by 0.3 per cent following a slight increase of 0.1 per cent in the second quarter. The decline was driven mainly by falling food prices, especially pork, which was in excess supply. This offset the increase in prices of the non-food category. The People's Bank of China did not make any changes to its key policy rate, during third quarter of 2025. The key policy rate was maintained at 3.00 per cent to support weakening domestic demand.

India

India economy continued a strong growth path in the second quarter of 2025. The real GDP increased by 8.2 per cent, accelerating from 7.8 per cent growth in the second quarter. The key drivers of growth were increased government spending and a reduction in general sales tax which has supported consumer and investment spending. The growth was also driven by acceleration in the manufacturing and construction output, as well as services. Another notable factor was a lower deflator which was responsible for higher growth rate. Labour market conditions were expected to have improved in line with strong economic activity.

Consumer prices increased at a slower pace of 1.54 per cent in the review quarter, a decrease from 2.1 per cent in the second quarter of 2025. The decline was driven by food prices, which experienced a steep decline, while other categories increased moderately. The Reserve Bank of India maintained its policy rate at 5.50 per cent in the quarter ending in September 2025. The bank adopted a neutral stance amid easing inflation and improving inflation outlook. This also provided room to address the impact of US tariffs. However, the growth outlook was robust according to the bank's assessment.

South Africa

South Africa's economic performance improved significantly during the review period with real GDP growth increasing to 2.1 per cent from 0.9 per cent in the previous quarter. The improvement was explained by stronger mining and manufacturing performance. Mining output rose in the aftermath of heavy flooding which hindered mining production, while the manufacturing output was supported by robust domestic demand. The unemployment rate fell to 31.9 per cent from 33.2 per cent in the second quarter of 2025. There were more jobs created during the quarter, especially in construction, community work and trade.

The annual inflation picked up slightly to 3.4 per cent from 3.0 per cent in the previous quarter. The increase was driven by food and beverages, housing & utilities, and hotels and restaurants. The South African Reserve Bank (SARB) cut its repo rate by 25 basis points to 7.00 per cent. The stance was taken to cushion the economy from the impact of the US tariffs and support growth given the muted inflationary pressures.

Brazil

Economic activity in Brazil slowed in the third quarter of 2025. Real GDP increased by 1.8 per cent, weaker than 2.4 per cent in the previous quarter. Growth was driven mainly by an increase in agricultural output, exports and government spending, while consumer and business spending weakened and moderated the observed GDP growth. The unemployment rate was recorded at 5.6 per cent, a decline from 5.8 per cent in the second quarter of 2025. This came because of the creation of employment opportunities, especially in agriculture and construction.

Annual inflation increased slightly to 5.17 per cent easing from 5.35 per cent in the previous quarter. The observed slowdown in inflation resulted from declines in the prices of food & beverages, clothing, housing, and household articles. The Central Bank of Brazil left the policy rate unchanged at 15.0 per cent in the quarter under review. The bank maintained the policy rate at elevated levels to keep inflation on a path towards its official target. The bank noted persistent uncertainty emanating from US economic conditions, global financial volatility, and moderating growth domestically.

Russia

Russia's economy continued to grow in the third quarter of 2025, although at a slower rate. Real GDP expanded by 0.6 per cent, down from 1.1 per cent in the preceding quarter. It was generally driven by a slowdown in exports and low prices of crude oil. The relatively higher interest rates negatively affected consumption spending and investment decisions. Also, government spending was mainly focused on war efforts and not productivity. The unemployment rate was steady at 2.2 per cent during the review period. There is labour shortages in Russia, which explained the rate at relatively low levels.

Inflation continued an easing path during the same quarter, as it followed a downward trajectory. The annual inflation was registered at 8.0 per cent, down from 9.4 per cent in the second quarter of 2025. This was driven mainly by a deceleration in prices of food and services. Consequently, the key policy rate was reduced to 17.0 per cent during the quarter ending in September 2025, from 20.0 per cent in the previous quarter. The Bank noted positive progress in domestic consumption. Although monetary conditions were seen generally easing, it remained tough enough to combat the elevated levels of inflation. The bank also noted heightened risks amid high inflation expectations, and a deteriorating trade environment.

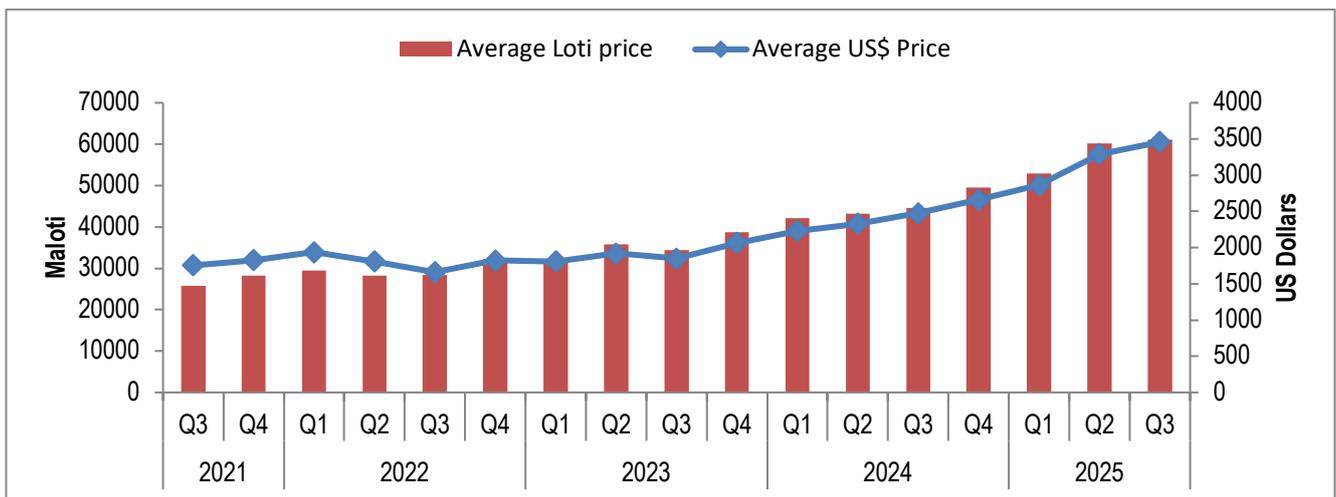
Commodities

Minerals

Gold

The price of gold continued a positive path during the third quarter of 2025. The price of gold rose by 5.2 per cent to the average of US\$ 3,458.20 per ounce in the third quarter of 2025, compared to the second quarter of 2025. However, the increase was moderate relative to the 14.9 per cent increase in the previous quarter. The price of gold was driven mainly by global market uncertainty fuelled by trade and geo-political tensions. There was also increased demand from the central banks in the emerging markets, in an effort to diversify their reserves. The prospects for low interest rates in the US due to the US rate cut cycle also supported gold prices. In maloti terms, the price of gold increased slightly by 1.5 per cent an ounce, from M60,163.81 in the preceding quarter. Compared with the same period last year, the price of gold increased by 39.9 per cent during the quarter. In maloti terms, it registered an increase of 37.2 per cent.

Figure 1: Average Price of Gold

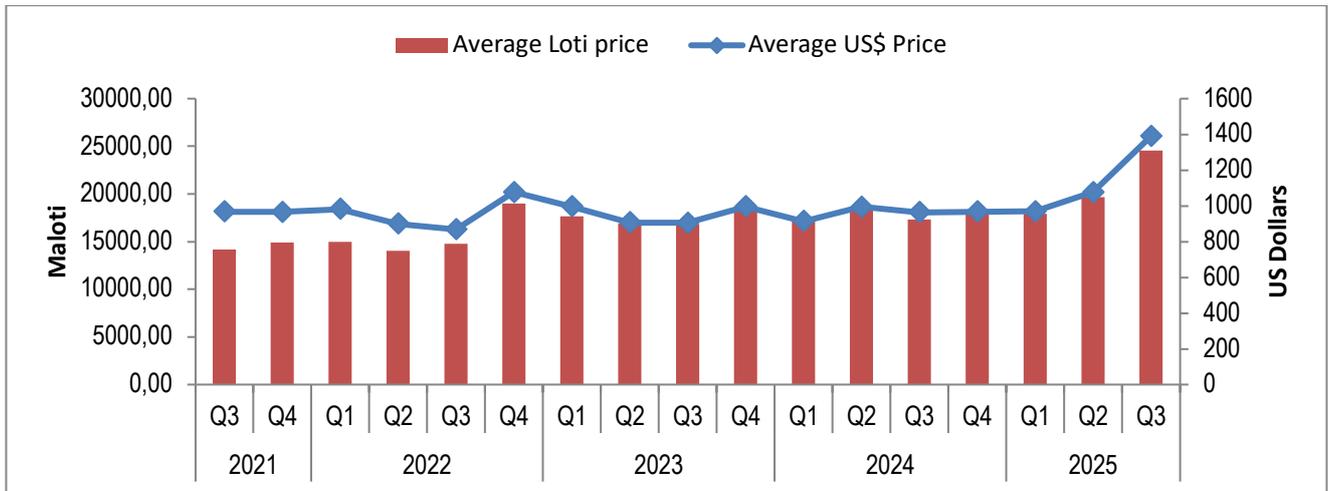


Source: Bloomberg

Platinum

The price of platinum increased at a faster rate in the third quarter of 2025. It increased by 29.3 per cent per ounce, accelerating from 10.9 per cent in the second quarter of 2025. The price of platinum was driven by increased demand, especially from China, as it pushes its green energy transition plans. There was also increased demand for investment purposes as a safe-haven asset, and jewellery due to relatively high gold prices. Supply disruptions in South Africa due to labour action and logistical issues also supported the price of platinum. In maloti terms it was reported at M24,551.65, which was equivalent to 24.7 per cent increase per ounce in the previous quarter. The dollar price of platinum increased at the annual rate of 44.2 per cent. In maloti terms, it increased by 41.7 per cent.

Figure 2: Average Price of Platinum



Source: Bloomberg

Energy

Crude Oil

The price of crude oil declined further in the third quarter of 2025, although marginally, following a steep decline in the preceding quarter. It declined by 0.8 per cent to the average of US\$64,95 per barrel. This was compared with an 8.4 per cent decline in the second quarter of 2025. The fall was driven mainly by weaker demand prospects, due to the global economic slowdown. On the supply side, oil was in excess supply in the global markets due to supply from OPEC and other major producing countries. Generally, the price of oil was driven by supply glut in the global markets, and this was the case since the start of the year. In maloti terms, the price of oil declined by 4.2 per cent to M1,146.65. Year on year, the price of oil declined by 13.7 per cent in dollar terms, in maloti terms, it declined by 4.2 per cent.

Figure 3: Average Price of Oil



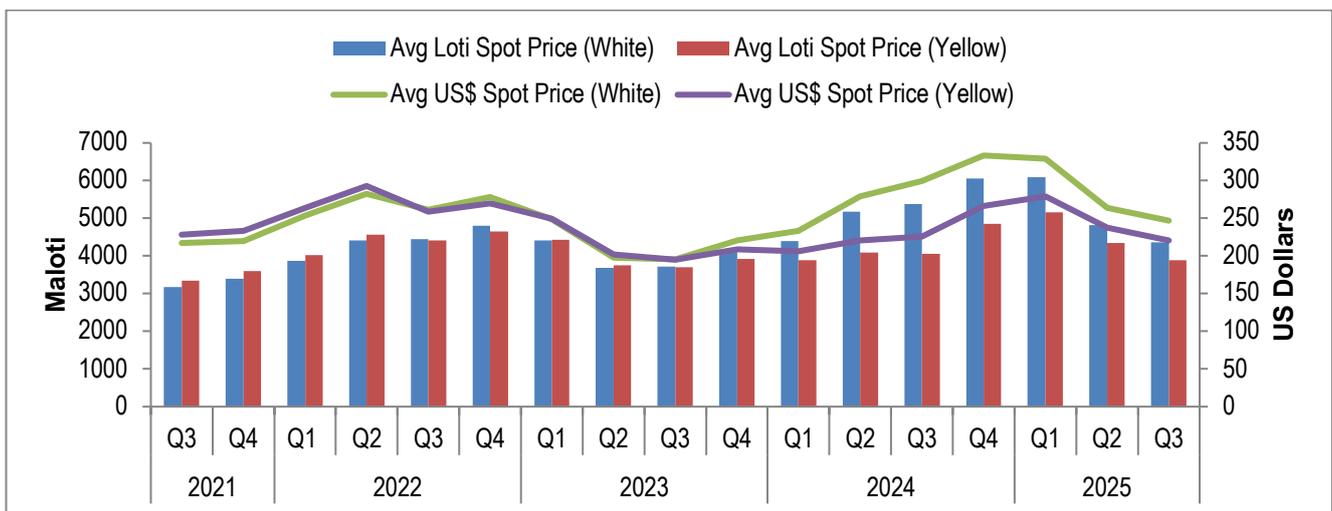
Source: Bloomberg

Agricultural Products

Maize

The price of maize declined during the third quarter of 2025. It declined for both white and yellow maize. The price of white maize declined by 6.4 per cent to the average of US\$246.70 per tonne during the review period. The price of yellow maize also declined by 7.3 per cent per tonne to the average of US\$220.21 in the third quarter of 2025. The downward pressure on the maize price was from increased supply in the global markets including the US and Europe. There was an increase in the area planted and supported by favourable weather conditions, for maize. Furthermore, demand for maize was weaker, as reflected in the imports for the commodity. There was weaker demand in the global markets, driven mainly by China. In maloti terms, the price of maize decreased by 9.7 per cent and 10.6 per cent, for white and yellow maize respectively. The dollar price of white maize declined by 17.6 per cent compared with the same period last year. The loti price declined by 19.0 per cent. The dollar price for yellow maize declined by 2.4 per cent year on year, while the loti price for yellow maize declined by 11.0 per cent.

Figure 4: Average Price of Maize

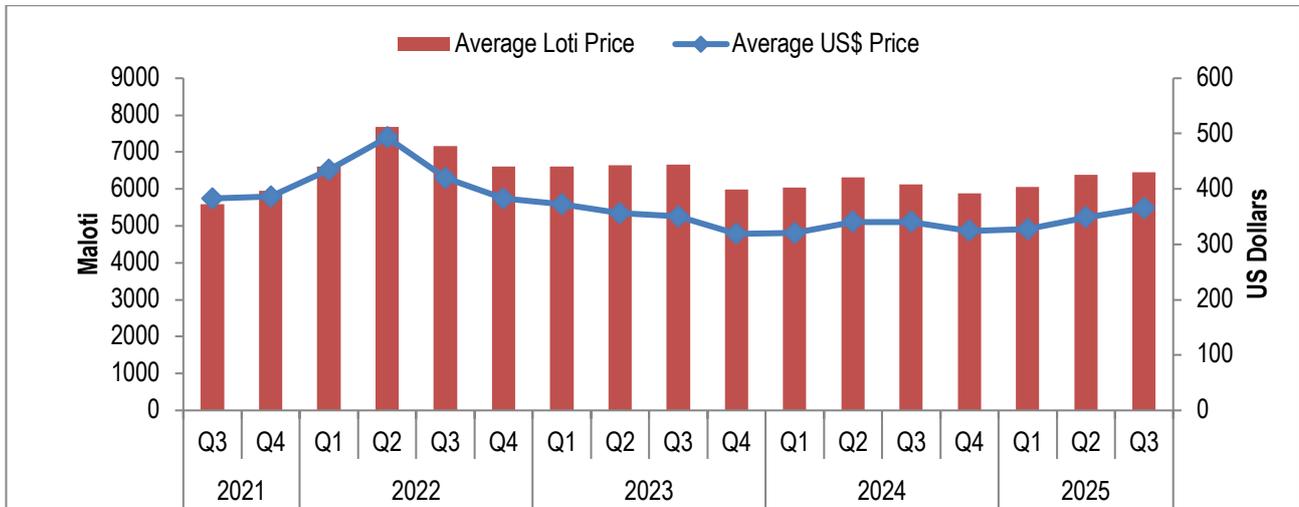


Source: Bloomberg

Wheat

The price of wheat increased by 4.7 per cent to the average of US\$246.70 a tonne in the third quarter of 2025. The price of wheat was supported by strong demand in the global markets, especially in the US. The exports demand for wheat was also high during the quarter under review. The demand for wheat was the key driver of the commodity. This was the case even though there was increased supply in the global markets, driven by key producing countries. Those included the US, Russia and Europe. In South Africa, the high levels of supply were offset by quality issues associated with weather. Hence, this had a negative effect on the supply side and boosted the price of wheat. In maloti terms the price of wheat increased by 1.0 per cent to the average of M6,444.60. The dollar price of wheat increased by 7.2 per cent on an annual basis. In terms of maloti, it increased by 5.3 per cent.

Figure 5: Average Price of Wheat

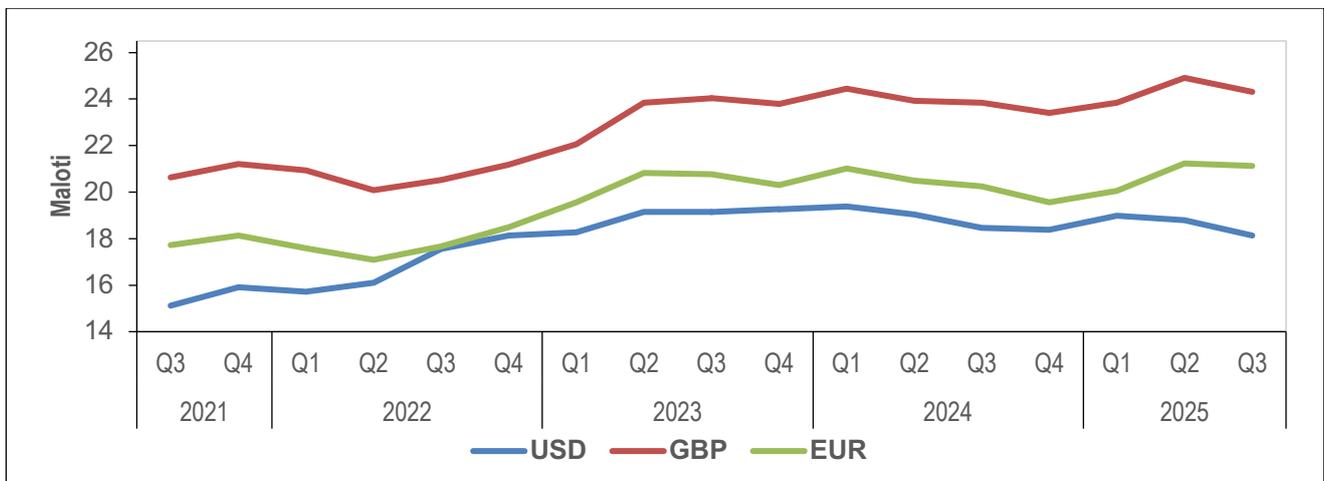


Source: Bloomberg

Exchange Rates

The rand, hence, loti strengthened against major global trading currencies during the third quarter of 2025. It particularly appreciated by, 3.5 per cent to the average of 17.65 against the US dollar, 2.5 per cent to the average of 23.80 against the pound, and 0.6 per cent to the average of 20.62. The rand was driven both by domestic and international factors. The rand was supported by relatively higher commodity prices, including precious metal prices. The wider interest differential gap, driven by anticipation of more rate cuts and prolonged higher rates to anchor inflation expectations at the lower end of inflation targets, was also responsible for strengthened rand. The other factor was improved risk appetite for risky assets, which saw increased capital flows towards emerging markets, including South Africa. The recent data on domestic economic activity improved, boosting growth prospects, hence supporting the rand.

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



Source: Bloomberg

4. Real Sector Developments¹

Overview

The overall economic activity was supported by improvements in the construction, transport, and financial services subsectors. However, growth was moderated by subdued domestic demand and weakened activity in the manufacturing subsectors. The labour market continued to improve gradually, except for migrant mineworkers' employment. Inflationary pressures remained elevated during the review period.

Output Developments

Domestic economic activity remained on a positive, but moderating growth path in the third quarter of 2025. According to the Quarterly Composite Indicator of Economic Activity (QCIEA), the economy was estimated to have grown by 0.4 per cent, following an expansion of 2.5 per cent in the previous quarter. The modest growth was primarily supported by increased activity in the construction, transport, and financial services subsectors. However, subdued domestic demand and weakened activity in the manufacturing subsectors undermined stronger growth.

The construction subsector remained a key driver of growth, expanding by 15.8 per cent in the third quarter, following a significant 28.9 per cent increase in the second quarter. The strong performance was supported by a pickup in building activity, reflected in increased imports of construction materials. Likewise, the financial services subsector posted a growth of 1.2 per cent in the third quarter, down from 2.3 per cent growth in the second quarter. The growth was underpinned by sustained growth in private sector credit. Finally, the transport subsector also improved, with activity increasing by 15.4 per cent in the third quarter, up from a 4.1 per cent decline in the previous quarter. The rebound was notable in increased fuel consumption.

Nonetheless, domestic demand weakened markedly during the third quarter, declining by 7.1 per cent, following a 4.2 per cent expansion in the previous quarter. The contraction reflected reduced private consumption, as evidenced by lower imports of consumer goods and minerals from South Africa. Weaker government spending on goods and services also contributed to the contraction. Despite this, collections of sales tax and income tax increased, thereby moderating the overall decline.

Similarly, activity in the manufacturing and production subsector declined, with the index contracting by 4.3 per cent, following strong growth of 7.0 per cent in the second quarter. The decline reflected lower textile exports to both the U.S. and South Africa. The drop in U.S. exports was primarily attributed to the implementation of a reciprocal tariff in August 2025, which effectively nullified the African Growth and Opportunity Act (AGOA). This slowdown was also reflected in reduced imports of raw materials, as well as lower electricity and water consumption.

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

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		
	Q3	Q4	Q1	Q2	Q3
CIEA	159.0	164.2	154.7	158.5	159.2
Quarterly Changes	-1.2	3.3	-5.8	2.5	0.4
Domestic Demand	136.8	155.0	141.4	147.9	136.6
Quarterly Changes	-7.7	7.6	-4.9	4.2	-7.1
Manufacturing and Production	118.6	120.8	122.6	132.3	125.6
Quarterly Changes	-2.1	2.1	1.0	7.0	-4.3
Construction	135.7	106.9	82.4	124.2	123.0
Quarterly Changes	1.6	-21.3	-22.9	28.9	15.8
Transport	139.7	153.5	1429.4	124.0	143.1
Quarterly Changes	12.2	9.7	-9.7	-4.1	-15.4
Financial Service	265.0	267.0	270.0	276.2	279.4
Quarterly Changes	1.1	0.8	1.1	2.3	1.2

Source: Central Bank of Lesotho

Employment Developments

Total employment, according to data from the Central Bank of Lesotho, increased by 19.1 per cent year on year in the third quarter of 2025. This was driven largely by a significant upturn in the tertiary sector, which is the dominant contributor to the labour market, accounting for roughly 72.0 per cent of total employment. The sector's notable expansion in job numbers played a major role in shaping the overall year on year increase observed during the period.

Primary Sector

Employment in the primary sector grew by 29.0 per cent year-on-year in the third quarter of 2025, up from 25.3 per cent year-on-year in the previous quarter but registered a decline of 5.8 per cent a quarterly basis. The growth was attributed to increased employment in both the Agriculture, forestry & fishing, and Mining & quarrying subsectors.

Secondary Sector

Employment in the secondary sector rose by 4.9 per cent in the third quarter of 2025, down from the 56.3 per cent growth recorded previously. This improvement was driven mainly by increased job opportunities within the construction industry, supported by major infrastructure developments and public works initiatives. Additional gains were recorded in the electricity and water subsector, further reinforcing the sector's upward trend. However, these positive developments were partially tempered by a decline in the manufacturing subsector, most notably in clothing and textile production, where firms reduced their workforce in response to growing uncertainty surrounding tariff changes.

Tertiary Sector

Employment in the tertiary sector recorded a significant year-on-year increase of 25.2 per cent in the third quarter of 2025, compared to the 11.0 per cent growth observed in the quarter ending in June 2025. The expansion was broad-based, with notable employment gains across several key service industries. These included wholesale and retail trade, professional and technical services, real estate activities, administrative and support services, as well as the transport sector. The combined growth across these areas underscored the sector's continued importance as the largest contributor to national employment.

However, the overall positive performance of the tertiary sector was partly restrained by a decline in employment within the health sector. This contraction was primarily linked to the winding down of U.S.-funded health programmes, following the withdrawal of foreign aid dedicated to health initiatives.

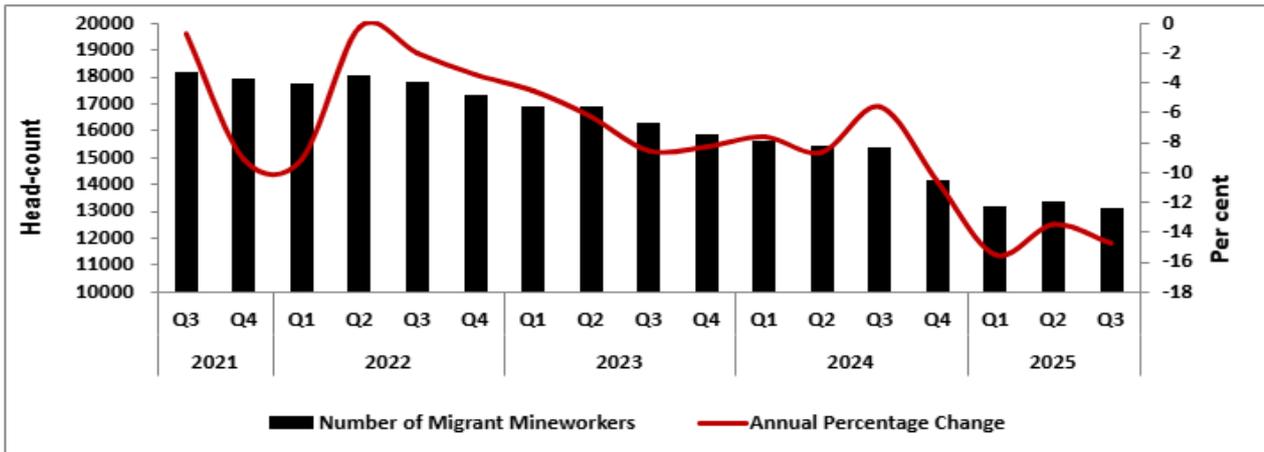
Table 3: Sectoral Employment

	2024		2025			Q-to-Q (%)	Y-on-Y (%)
	Q3	Q4	Q1	Q2	Q3		
Primary Sector	1502	1931	1731	2057	1937	-5.8	29.0
Agriculture, forestry & fishing	417	520	453	954	573	-39.9	37.4
Mining & Quarrying	1085	1411	1278	1103	1364	23.7	25.7
Secondary Sector	42638	48159	46480	45529	44712	-1.8	4.9
Manufacturing	35850	37326	36943	35467	33861	-4.5	-5.5
Electricity and Water	908	1449	1129	1096	932	-15.0	2.6
Construction	5880	9384	8408	8966	9919	10.6	68.7
Tertiary Sector	96887	111309	117442	107992	121309	12.3	25.2
Wholesale and retail trade	4878	6420	5357	6195	6790	9.6	39.2
Transportation and storage	1579	1913	2199	1564	1578	0.9	-0.1
Accommodation and food	2793	2892	2533	2982	3403	14.1	21.8
Information & communication	843	1505	1409	1380	1541	11.7	82.8
Financial and insurance	4639	4465	4875	5315	7915	48.9	70.6
Real estate activities	272	517	346	390	400	2.6	47.1
Professional Scientific & technical	2466	3382	2888	3343	3310	-1.0	34.2
Administrative and Support Service	1573	1780	5228	6918	6143	-11.2	290.5
Public Administration and Defence	50511	55038	62513	49375	49049	-0.7	-2.9
Education	14904	15172	15496	15491	23373	50.9	56.8
Human Health and Social Work	8861	10261	9196	9225	9118	-1.2	2.9
Other Services Activities	3568	7964	5402	5814	8689	49.4	143.5
Total	141027	161399	165653	155578	167958	8.0	19.1

Source: Central Bank of Lesotho & Lesotho National Development Cooperation

The number of Basotho migrant mineworkers employed in South Africa continued to decline in the third quarter of 2025 experiencing a year-on-year drop of 14.8 per cent following a 13.5 per cent decrease in the previous quarter. This ongoing decline was attributed to a decreased demand for foreign labour due to the National Labour Migration Policy (NLMP) 2025 white paper, which established quotas for foreign workers. Additionally, recruitment for foreign general labour has slowed largely due to strict compliance requirements and administrative delays.

Figure 8: Migrant Mineworkers (Annual Percentage Changes)



Source: The Employment Bureau of Africa (TEBA)

Price Developments

Consumer prices rose by 4.7 per cent in September 2025 compared to the 4.3 per cent increase recorded in the previous quarter. This 0.4 percentage point acceleration was primarily driven by developments within the non-food components of the inflation basket. In particular, significant upward pressure came from the Transport and Housing water Electricity gas and other fuels categories.

The Transport component saw notable increases following higher fuel prices, while the Housing, Water, Electricity, Gas and other fuels category experienced marginal growth due to the pronounced tariff adjustments. Collectively, these factors fuelled stronger inflationary intensify overall consumer price pressures during the period.

Table 4: Inflation Rate (Annual Percentage Changes)

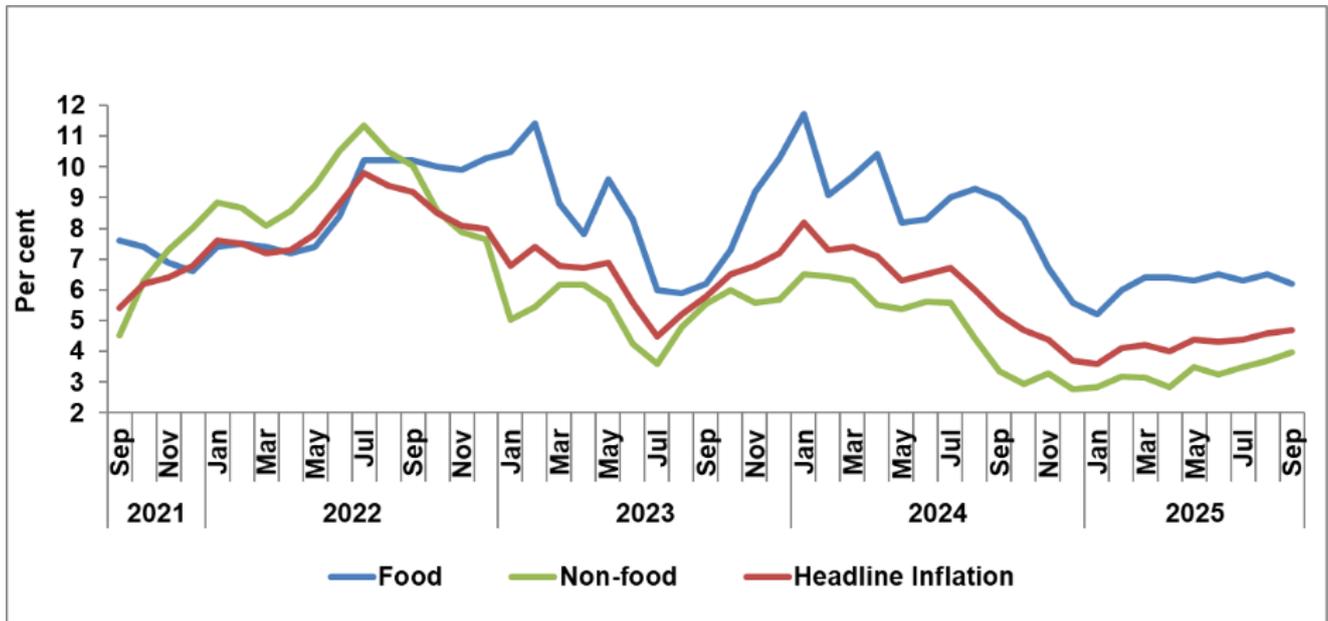
	2025						
	Weight	Apr	May	Jun	Jul	Aug	Sep
All items	1000	4.0	4.4	4.3	4.4	4.6	4.7
Food and non-alcoholic beverages	326	6.4	6.3	6.5	6.3	6.5	6.2
Alcoholic beverages & Tobacco	64	4.2	4.6	4.7	4.6	4.5	4.5
Clothing & footwear	81	8.1	8.3	8.1	7.5	8.9	8.2
Housing water electricity gas & other fuels	149	0.5	3.4	3.0	3.2	3.3	3.5
Furniture households' equipment & routine maintenance	33	1.9	2.2	2.0	2.3	2.4	2.5
Health	19	2.9	3.0	2.9	3.0	1.1	1.0
Transport	111	-1.3	-1.8	-2.3	-0.6	-0.8	1.1
Communications	44	0.0	-0.3	0.5	0.2	1.0	1.0
Recreation & Culture	14	0.9	1.3	1.7	1.7	1.6	1.7
Education	49	0.4	0.4	0.4	0.4	0.4	0.4
Restaurant & Hotels	65	4.1	6.7	10.7	11.7	11.9	11.8
Miscellaneous goods & services	44	3.9	3.7	3.6	2.6	2.5	1.9

Source: Bureau of Statistics

During the review period, Food inflation continued on a downward trajectory while Non-Food inflation increased. Food inflation eased to 6.2 per cent in September 2025 from the 6.5 per cent recorded in June 2025. This decline was largely attributed to improved agricultural output, particularly stronger harvests that boosted the availability of wheat and a range of vegetables. The increased supply stabilised market prices and reduced pressure on consumers, especially for key staple items.

In contrast, Non-Food inflation registered an increase of 4.0 per cent in September 2025 from 3.2 per cent in June 2025. The upward movement in this category was mainly influenced by rising fuel prices, which affected transportation costs and higher electricity tariffs, which elevated household and business operating expenses.

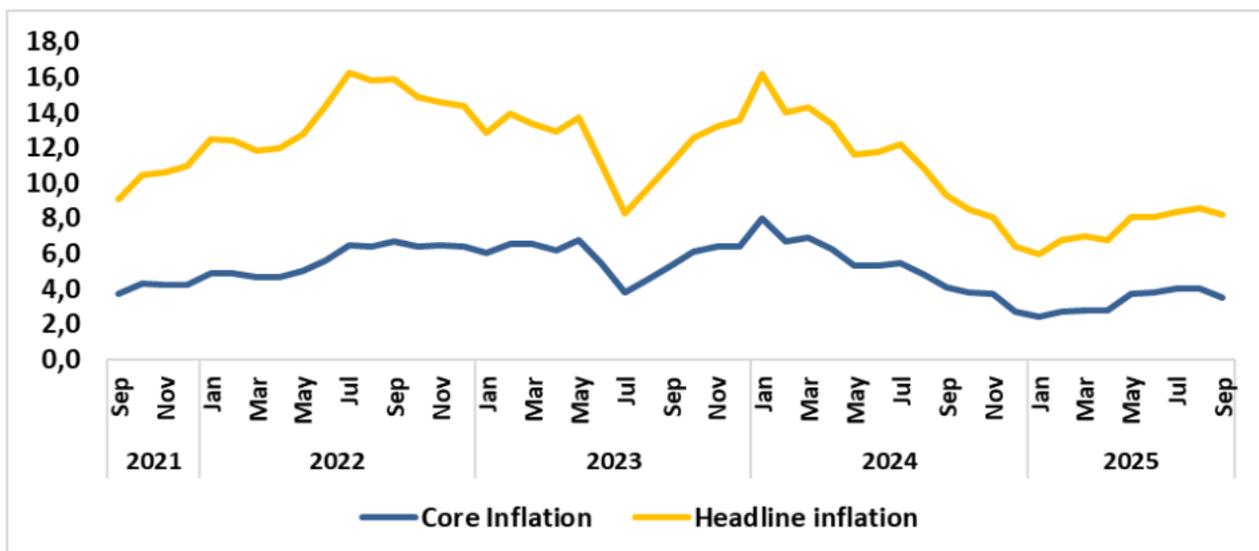
Figure 9: Food vs Non-Food Inflation (Annual Percentage Changes)



Source: Bureau of Statistics and Central Bank of Lesotho Computations

The core inflation rate edged down to 3.5 per cent during the review period compared with 3.8 per cent in June 2025. This suggests that although overall inflation remained elevated, underlying inflationary pressures were easing.

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



Source: Central Bank of Lesotho Computations

5. Monetary and Financial Developments

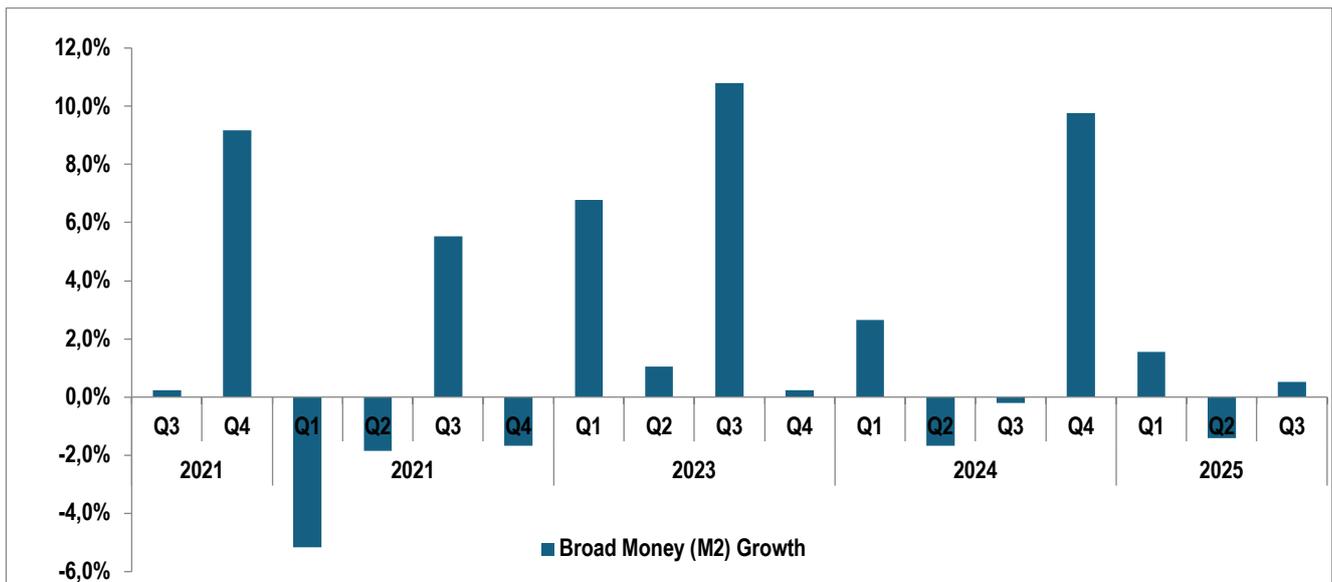
Overview

In the quarter under review, money supply remained largely unchanged, as movements within its components broadly offset each other. Quasi Money and M1 recorded only marginal changes, while total deposits with commercial banks were stable, supported by sustained government balances. Private sector credit continued its moderate expansion, and net foreign assets increased. The Central Bank of Lesotho lowered its key policy rate. Consequently, the prime lending rate and the one-year deposit rate declined.

Broad Money

The broad measure of money supply (M2) rose by 0.5 per cent in the quarter under review, reversing the 1.4 per cent contraction recorded in the preceding quarter. This turnaround was driven primarily by increases in net domestic assets (NDA) and net foreign assets (NFA). On a year-on-year basis M2 grew by 9.9 per cent.

Figure 11: Broad Money (M2) (Quarterly Changes)



Source: Central Bank of Lesotho

Determinants of M2

Domestic Claims

Domestic claims increased by 6.3 per cent in the quarter under review, reversing on the 35.8 per cent contraction recorded in the second quarter of 2025. The rebound in NDA was driven primarily by stronger credit extension to the private sector, which more than offset a decline in net claims on the central government. The private sector benefitted from an increase in credit extension to both households and businesses enterprises. On the contrary net claims on the central government decreased due to a rise in government deposits with commercial banks.

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

	2024		2025			Changes (%)	
	Q3	Q4	Q1	Q2	Q3	Quarterly	Annual
Domestic Claims	3537.45	3668.29	5068.60	3256.11	3460.84	6.3	-2.2
Net Claims on Government	-7322.27	-7971.49	-6918.93	-9145.13	-9347.01	-2.2	-27.7
Commercial Banks Net Claims	-1604.13	-943.22	-266.29	-1311.48	-1658.42	-26.5	-3.4
Claims on Central Government	1680.57	1611.63	1649.46	1849.24	1855.73	0.4	10.4
Liabilities to Central Government	3284.70	2554.84	1915.75	3160.71	3514.14	11.2	7.0
Central Bank Net Claims	-5718.14	-7028.28	-6652.64	-7833.66	-7688.59	1.9	-34.5
Claims on Central Government	0.09	0.00	0.00	0.00	0.00		
Liabilities to Central Government	5718.23	7028.28	6652.64	7833.66	7688.59	-1.9	57.3
Claims on Other Sectors	10859.72	11639.79	11987.53	12401.25	12807.85	3.3	16.9
Claims on OFCs	364.41	938.68	1112.91	1132.70	1152.13	1.7	264.5
Claims on Public Nonfinancial Corporations	72.98	49.80	30.71	27.04	25.48	-5.8	-55.3
Claims on St & Local Government	0.00	0.00	0.00	0.00	0.00		
Claims on Private Sector	10422.33	10651.31	10843.91	11241.50	11630.24	3.5	9.8
Claims on Business Enterprises	2771.40	2785.18	2910.99	2988.87	3023.53	1.2	6.5
Claims on Households	7650.93	7866.13	7932.92	8252.63	8606.71	4.3	11.1

Source: Central Bank of Lesotho

Net Foreign Assets

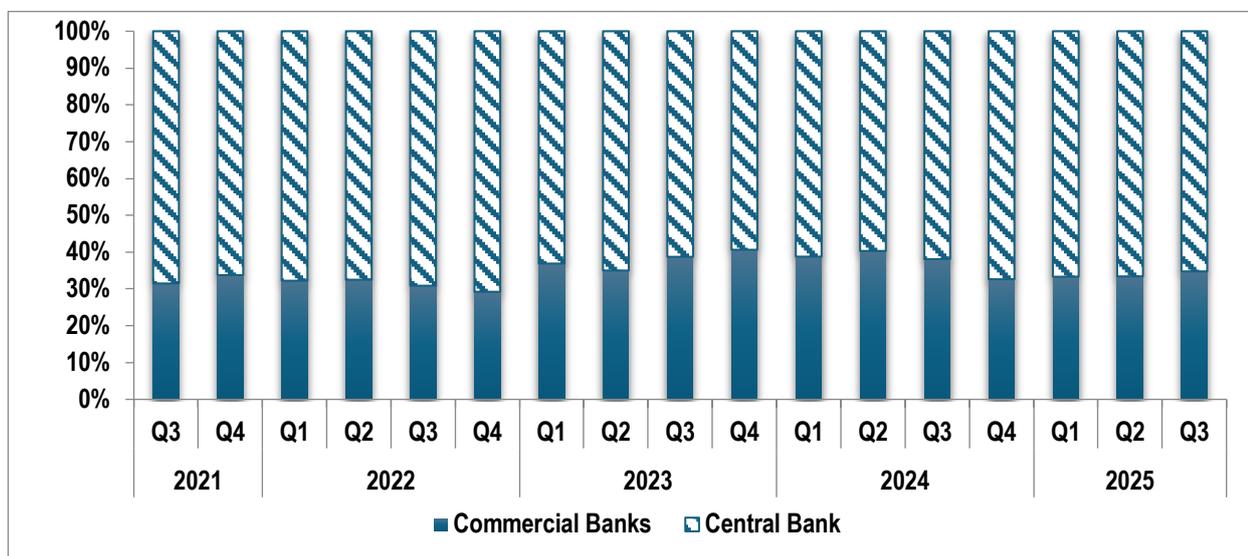
Net foreign assets (NFA) increased by 2.3 per cent, moderating from 3.4 per cent growth recorded in the second quarter of 2025. This expansion was supported by gains in both the commercial banks and central banks' NFA. The improvement in commercial banks' NFA, on the one hand, mainly reflected new investments in foreign markets, while the Central Bank's NFA benefited from a reduction in foreign liabilities underpinned by revaluation gains against major trading currencies.

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

	2024		2025			Changes (%)	
	Q3	Q4	Q1	Q2		Q3	Quarterly
Commercial Banks	10022.60	9140.94	9165.73	9516.93	10036.81	5.5	0.1
Claims on Non-residents	10505.75	9397.49	9587.43	9845.52	10416.14	5.8	-0.9
Liabilities to Non-residents	483.14	256.55	421.70	328.58	379.33	15.4	-21.5
Central Bank	13681.97	16181.54	15605.28	16107.69	16187.42	0.5	18.3
Claims on Non-residents	16279.04	18865.06	18335.96	18964.91	18827.67	-0.7	15.7
Liabilities to Non-residents	2597.07	2683.52	2730.68	2857.22	2640.25	-7.6	1.7
Net Foreign Assets Total	23704.58	25322.48	24771.01	25624.62	26224.23	2.3	10.6

Source: Central Bank of Lesotho

Figure 12: Net Foreign Assets (*Percentage shares*)



Source: Central Bank of Lesotho

Components of M2

The increase in broad money supply (M2) was attributable to an expansion in quasi money, which grew by 4.1 per cent. This growth reflected higher balances in call accounts and a marked increase in fixed-time deposits held by the private sector. In contrast, M1 contracted by 3.5 per cent, driven primarily by a decrease in transferable deposits held by the private sector.

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

	2024		2025			Changes (%)	
	Q3	Q4	Q1	Q2	Q3	Quarterly	Annual
Broad Money (M2)	17306.37	18995.08	19291.53	19018.40	19117.53	0.5%	10.5%
Narrow Money (M1)	8290.68	9325.06	9008.46	8990.85	8677.26	-3.5%	4.7%
Currency Outside DCs	1384.29	1477.91	1430.59	1403.21	1379.08	-1.7%	-0.4%
Transferable Deposits	6906.39	7847.15	7577.87	7587.63	7298.17	-3.8%	5.7%
Quasi Money	9015.69	9670.02	10283.08	10027.56	10440.27	4.1%	15.8%
Other Deposits Commercial Banks	9012.91	9667.08	10280.32	10025.49	10438.25	4.1%	15.8%
Other Deposits Central Bank	2.79	2.94	2.75	2.07	2.02	-2.3%	-27.4%

Source: Central Bank of Lesotho

Credit Extension

Private sector credit maintained its upward trend increasing by 3.5 per cent following a 3.7 per cent rise in the previous quarter. This growth was evident in credit extended to households. Meanwhile credit growth extended to businesses remained subdued, consistent with muted economic activity. On an annual basis private sector credit expanded by 9.8 per cent.

Trends in Credit Extended to Business Enterprises

Credit to the business sector rose by 1.2 per cent following a 2.7 per cent increase in the preceding quarter. This growth was primarily driven by increased credit to the following sectors: Manufacturing NBFIs Real Estate and Business Services; and Construction. However, the overall increase was moderated by a decline in credit to the Mining, Wholesale Retail Hotel & Restaurants; and Electricity gas and water subsectors. The rise in business credit extension was attributed to heightened demand for new loans and greater utilisation of existing credit facilities.

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

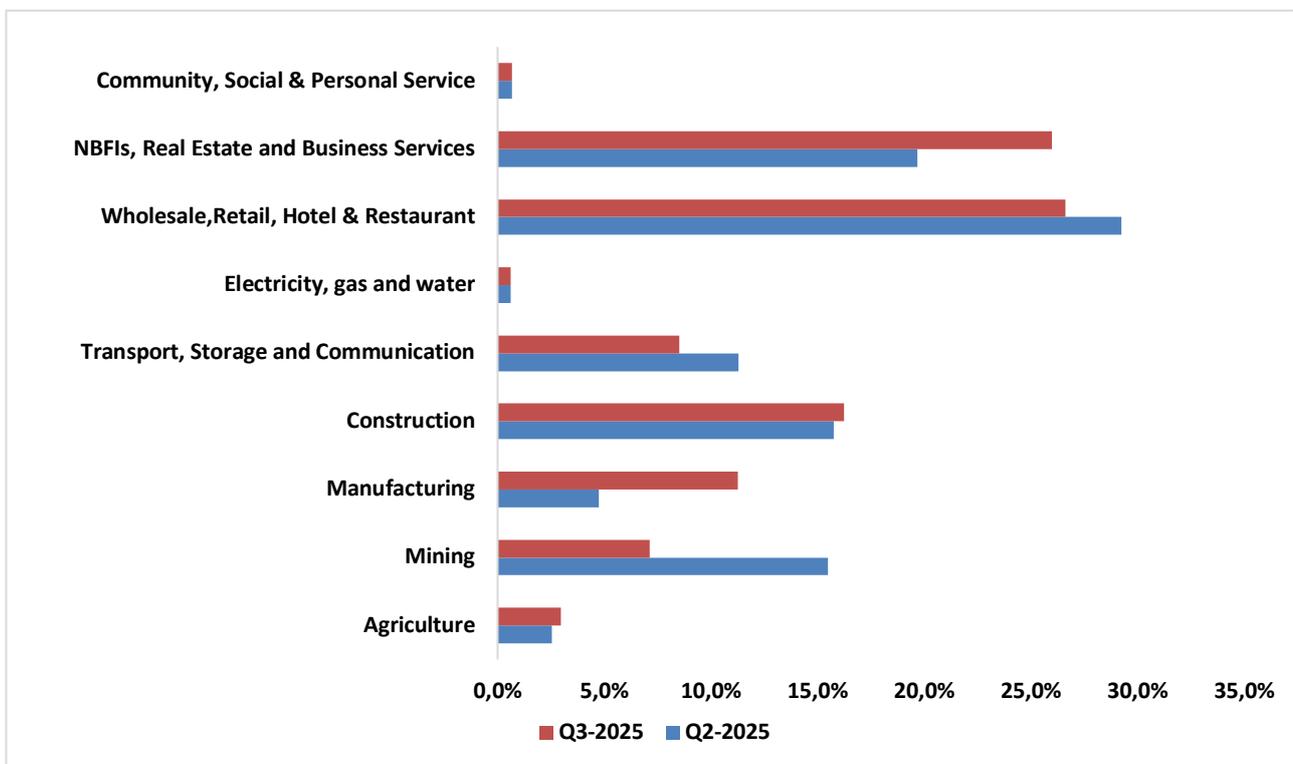
SECTOR	2024		2025			Changes (%)	
	Q3	Q4	Q1	Q2	Q3	Quarterly	Annual
Agriculture	67.7	72.8	76.4	75.8	89.5	18.0	32.2
Mining	439.6	425.9	423.6	462.7	215.9	-53.3	-50.9
Manufacturing	125.7	128.9	143.1	141.5	340.7	140.8	171.0
Construction	531.1	460.7	439.1	471.3	490.8	4.1	-7.6
Transport Storage and Communication	283.3	285.9	350.7	337.3	257.8	-23.6	-9.01
Electricity gas and water	16.1	15.4	18.9	18.6	18.3	-1.3	13.8
Wholesale Retail Hotel & Restaurants	709.0	745.0	723.7	873.5	804.5	-7.9	13.5
NBFIs Real Estate and Business Services	587.3	636.2	718.3	588.2	785.5	33.6	33.8
Community Social & Personal Service	11.5	14.3	17.2	19.8	20.4	2.8	76.7
All Sectors	2771.4	2785.2	2911.0	2988.9	3023.5	1.2	9.1

Source: Central Bank of Lesotho

Distribution of Credit Extended to Business Enterprises

The industrial distribution of credit to business enterprises by sector mostly benefited wholesale retail hotel and restaurant subsector, with the largest share of 29.2 per cent of total credit extended. Non-bank financial institutions real estate and business services followed with a share of 26.0 per cent. The construction industry ranked third receiving 16.2 per cent share of total business credit. In contrast community social and personal services subsector along with the electricity gas and water received the smallest shares accounting for 0.7 per cent and 0.6 per cent, respectively.

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

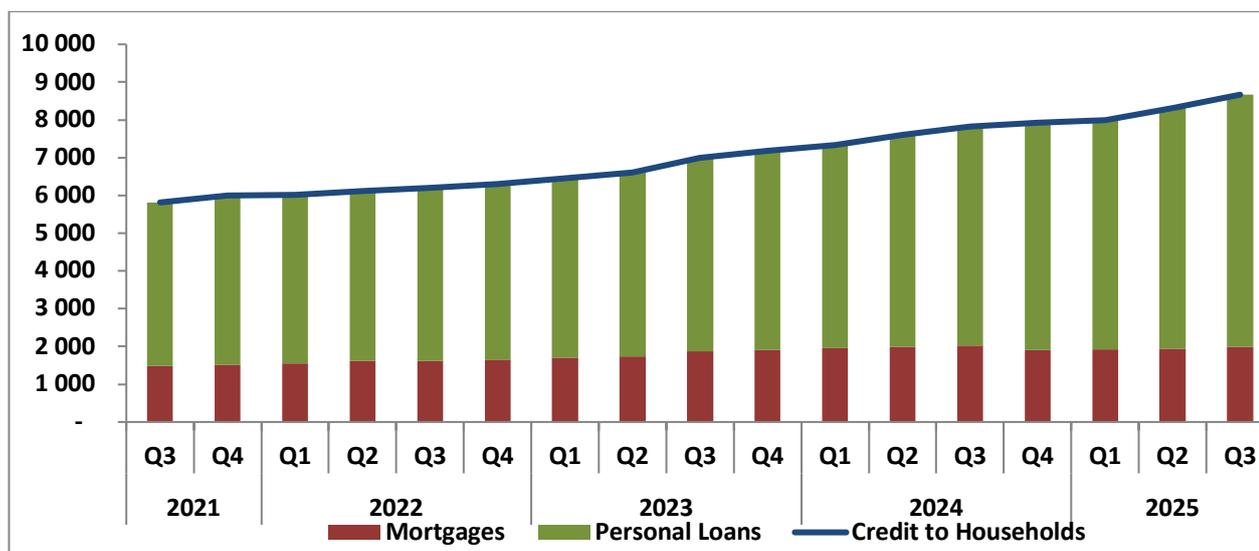


Source: Central Bank of Lesotho

Credit Extended to Households

Household credit extension maintained its upward trend during the quarter under review, rising further by 4.3 per cent compared to a 4.0 per cent increase in the previous period. Growth was most notable in personal loans which expanded by 5.1 per cent, and to a lesser extent, in mortgages, which grew by 1.8 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 10.7 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 53.5 per cent from 52.7 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 27.7 per cent reflecting faster deposit growth relative to liquid assets.

Table 9: Components of Liquidity (Million Maloti)

	2024		2025		
	Q3	Q4	Q1	Q2	Q3
Credit to Deposit Ratio	51.53%	51.73%	53.46%	52.72%	53.45%
Private Sector Credit	10225.56	10449.79	10641.84	11033.66	11424.10
Total Deposits	19845.78	20200.04	19905.21	20927.24	21374.75
Liquidity Ratio	35.62%	33.12%	32.95%	32.45%	27.66%
Notes and Coins	690.09	1172.88	704.09	745.73	717.42
Net Balance due from banks in Lesotho	6.55	10.82	-39.41	33.59	-329.78
Net Balance due from banks in SA (RHS)	4405.88	3481.63	3752.42	3859.41	3352.07
Surplus funds	286.20	412.99	492.89	302.31	317.87
Government Securities	1680.57	1611.63	1649.46	1849.24	1855.73
Total	7069.28	6689.96	6559.45	6790.28	5913.31

Source: Central Bank of Lesotho

Commercial Banks Sources of Funds

Total deposit liabilities of commercial banks rose by 2.1 per cent in the third quarter of 2025, following a 5.1 per cent growth recorded in the second quarter. The growth was mainly driven by an increase in deposits excluded from broad money and other deposits included in broad money. In contrast transferable deposits fell by 3.8 per cent during the review period.

The rise in deposits excluded from broad money was largely attributed to higher government deposits. Meanwhile the increase in other deposit included in broad money reflected growth in balances held by the private sector. Conversely the decline in transferable deposits resulted from a reduction in demand deposits held by the private sector and other financial corporations. On an annual basis total deposit in the banking sector grew by 7.7 per cent.

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

	2024		2025			Changes (%)	
	Q3	Q4	Q1	Q2	Q3	Quarterly	Annual
Transferable Deposits Incl. in BM	6906.39	7847.15	7577.87	7587.63	7298.17	-3.8	5.7
Other Financial Corporations	36.49	107.08	48.45	113.26	27.89	-75.4	-23.6
Transf. Dep. State & Local Govt NC	11.51	6.84	0.16	19.88	14.86	-25.3	29.1
Public Nonfinancial Corporations	216.67	85.56	32.86	70.03	64.03	-8.6	-70.4
Private Sector	6641.72	7647.68	7496.39	7384.46	7191.40	-2.6	8.3
Other NFCs	4799.55	5817.57	5566.89	5468.96	5317.61	-2.8	10.8
Other Sectors (Households)	1842.16	1830.11	1929.50	1915.51	1873.79	-2.2	1.7
Other Deposits Incl. in BM	9012.91	9667.08	10280.32	10025.49	10438.25	4.1	15.8
Other Financial Corporations	138.94	143.19	108.30	133.90	114.35	-14.6	-17.7
Public Nonfinancial Corporations	334.11	279.33	260.65	402.65	407.60	1.2	22.0
Private Sector	8539.86	9244.55	9911.38	9488.94	9916.30	4.5	16.1
Other NFCs	5157.26	5842.39	6319.68	5920.13	6256.94	5.7	21.3
Other Sectors (Households)	3382.60	3402.16	3591.69	3568.81	3659.36	2.5	8.2
Deposits excluded in MB	3926.48	2685.80	2047.01	3314.12	3638.32	9.8	-7.3
of which Import deposits	639.54	130.36	131.15	153.32	124.03	-19.1	-80.6
Total Deposits	19845.78	20200.04	19905.21	20927.24	21374.75	2.1	7.7

Source: Central Bank of Lesotho

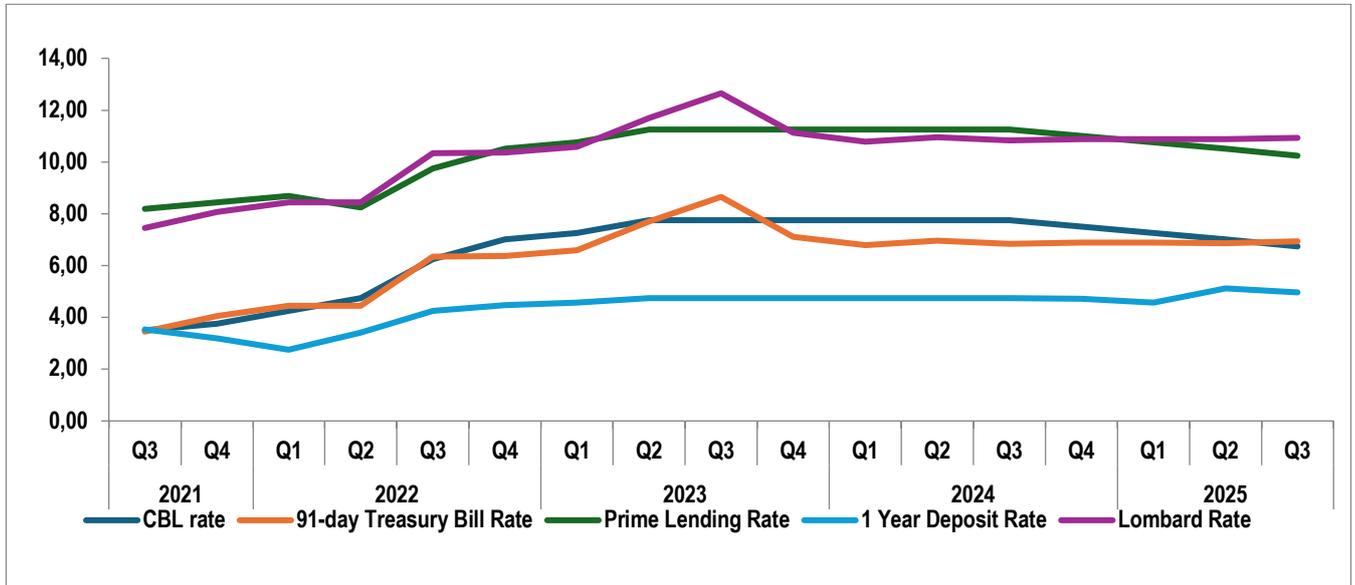
Money Market

Interest Rates

The central Bank of Lesotho reduced its key policy rate by 25 basis points to 6.75 per cent in September 2025. Consequently, the prime lending rate also declined by 25 basis points to 10.25 per cent while the one-year deposit rate fell by 15 basis points to 4.97 per cent.

Both the 91-day Treasury bill rate and the Lombard rate edged up by 6 basis points reaching 6.93 per cent and 10.93 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		
	Q3	Q4	Q1	Q2	Q3
Central Bank					
CBL rate	7.75	7.50	7.25	7.00	6.75
T-Bill Rate - 91 days	6.83	6.88	6.88	6.87	6.93
Lombard Rate	10.83	10.88	10.88	10.87	10.93
Commercial Banks					
Call	2.65	2.27	2.78	2.73	2.59
Time:					
31 days	1.47	1.47	1.34	1.33	1.28
88 days	2.46	2.45	3.08	3.05	2.95
6 months	4.01	4.01	4.59	4.44	4.33
1 year	4.74	4.72	5.25	5.12	4.97
Savings	1.60	1.55	1.72	1.71	1.65
Prime	11.25	11.00	10.75	10.50	10.25
South Africa					
Repo	8.00	7.75	7.50	7.25	7.00
T-Bill Rate - 91 days	8.03	7.71	7.39	7.24	6.84
Prime	11.5	11.25	11	10.75	10.50

Source: Central Bank of Lesotho

Holding of Treasury Bills

The total outstanding stock of treasury bills (T-Bills) increased by 0.2 per cent during the review quarter. This increase was primarily due to a rise in holdings of the non-bank sector, which was partially offset by a decrease in T-Bill holdings by the banking sector.

Table 12: Holding of Bills (Million Maloti)

	2024		2025		
	Q3	Q4	Q1	Q2	Q3
Treasury Bills	736.63	748.00	746.10	753.28	754.91
Banking System	460.68	470.98	473.51	481.93	460.40
Non-Bank Sector	275.95	277.02	272.60	271.35	294.51

Source: Central Bank of Lesotho

Holding of Treasury Bonds

During the quarter under review, there was no increase in the overall stock of treasury bonds. Instead, the movement reflected an interchange of holdings between the banking sector and the non-bank sector, with banks increasing their holdings while the non-bank sector reduced theirs by a similar magnitude.

Table 13: Holding of Bonds (Million Maloti)

	2024		2025		
	Q3	Q4	Q1	Q2	Q3
Holding of Treasury Bonds	3822.08	3819.61	3594.61	3844.61	3844.61
Banking System	1145.31	1083.71	1095.81	1252.67	1255.86
Non-Bank Sector	2676.76	2735.91	2498.80	2591.94	2588.76

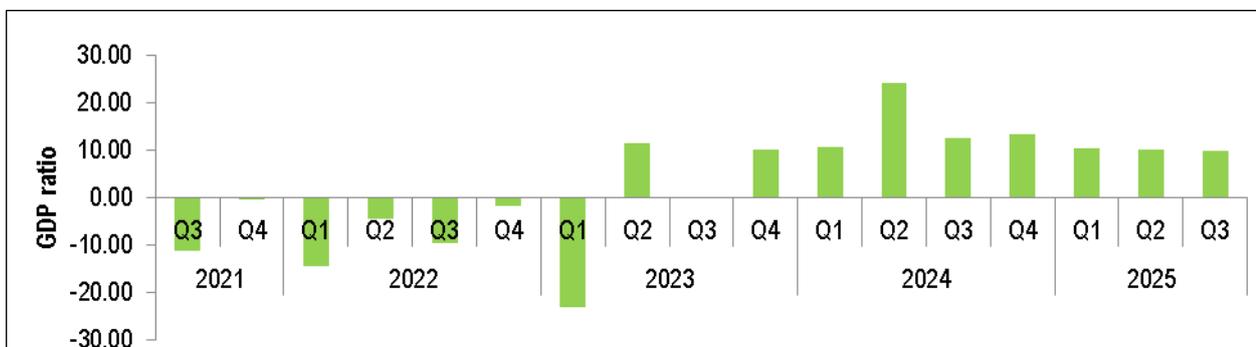
Source: Central Bank of Lesotho

6. Government Finance

Overview

The Government maintained a strong fiscal surplus of 10.0 per cent of GDP in the review period. This represented a moderation from the revised 10.1 per cent surplus registered in the previous quarter, reflecting a period of sustained fiscal health. The quarterly budget execution rate improved to 63.6 per cent, up from 60.7 per cent in the prior quarter. This increase was predominantly driven by recurrent expenditures. In contrast, capital expenditure execution remained subdued indicating a challenge with absorption capacity for development expenditures. The public debt-to-GDP ratio improved to 54.4 per cent, down from 55.7 per cent in the second quarter of 2025, and the consistent surplus continued to underwrite debt sustainability.

Figure 16: Fiscal Balance (Percent of GDP)



Source: Central Bank of Lesotho and Ministry of Finance

Revenue

Total revenue was estimated to have increased by 3.3 per cent, a notable reversal from the 11.3 per cent contraction experienced in the previous quarter. Consequently, revenue as a percentage of GDP rose to 58.9 per cent, up from 55.8 per cent in the prior period. Despite this quarterly improvement, revenue remained 6.1 per cent lower than the same quarter of the previous year.

This overall performance was characterised by divergent trends between revenue categories. The quarterly recovery in total revenue was primarily driven by a strong performance in non-tax revenue, with Other Revenue increasing by 35.7 per cent. This was largely driven by a rebound in water royalties, following the completion of maintenance works at the Muela Hydro Power Station in May 2025. Tax revenue contracted by 3.1 per cent reflecting declines across several major heads. The most pronounced contraction was highlighted in Value-Added Tax (VAT), driven by underlying weaknesses in domestic demand and household spending. A marginal increase in Personal Income Tax provided a partial offset but was insufficient to reverse the overall negative trend in tax collection.

Total Expenditure

Total expenditure was estimated to have increased by 4.7 per cent in the third quarter, a significant rebound from the 14.1 per cent decline recorded in the previous quarter. This quarterly acceleration was reflected in the improved budget execution rate which rose to 63.6 per cent, up from 60.7 per cent in the previous quarter. However, at the fiscal year's halfway point the year-to-date execution rate of 31.1 per cent signals a significant implementation lag that will require accelerated disbursement in the second half of the fiscal year to meet annual targets.

The composition of spending remained heavily skewed towards recurrent activities. Recurrent expenditure execution reached 81.5 per cent for the quarter with a year-to-date rate of 40.2 per cent. This category grew by 3.8 per cent, primarily driven by increased spending on operating costs, as well as on international and domestic travel and transport.

In contrast, capital expenditure execution rate marginally improved to 26.6 per cent, from 24.1 per cent but remains a key concern with a year-to-date rate of 12.7 per cent. Despite this slow execution pace, capital spending saw strong growth of 10.7 per cent quarter-on-quarter, driven by accelerated project implementation in infrastructure for roads, electrification, and public buildings.

Analysed by functional classification the dominant share of expenditure was directed towards Economic Affairs consistent with the strategic focus on infrastructure development. On an annual basis, spending fell by 1.9 per cent.

Table 14: Budget Execution Tracker (Million Maloti)

	Q1	Q2	Total Budget & YTD Outturn
Total			
Approved budget	8175.22	8175.22	32700.87
<i>of which: Revisions</i>	0.93	0.00	0.93
Outturn	4965.14	5198.59	10163.72
Execution rate (%)	60.74	63.59	31.08
Recurrent			
Approved budget	5502.49	5502.49	22010.00
<i>of which: Revisions</i>	0.03	0.00	0.03
Outturn	4322.48	4486.99	8809.47
Execution rate (%)	78.55	81.54	40.20
Development			
Approved budget	2672.72	2672.72	10690.86
<i>of which: Revisions</i>	0.90	0.00	0.90
Outturn	642.66	711.59	1354.25
Execution rate (%)	24.05	26.62	12.67

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 (%)
	Q3	Q4	Q1	Q2	Q3			
Total Revenue	6671.22	6885.55	6835.32	6064.72	6262.07	3.3	-6.1	58.9
Tax revenue	4849.75	5343.69	5626.37	4509.67	4331.76	-3.9	-10.7	40.8
Income Tax	1416.63	1454.01	1639.29	1250.88	1242.76	-0.6	-12.3	11.7
Value Added Tax	887.45	1295.40	1125.49	1151.87	1007.99	-12.5	13.6	9.5
SACU Receipts (excise & customs)	2258.89	2258.89	2258.89	1795.55	1795.55	0.0	-20.5	16.9
Other tax revenue	286.78	335.39	602.70	311.38	285.46	-8.3	-0.5	2.7
Grants	631.68	631.68	631.68	502.78	502.78	0.0	-20.4	4.7
o/w SACU Receipts (development)	628.41	628.41	628.41	499.51	499.51	0.0	-20.5	4.7
Other revenue	1189.80	910.19	577.28	1052.28	1427.54	35.7	20.0	13.4
Total Expense	4326.37	4496.22	4300.89	4322.48	4486.99	3.8	3.7	42.2
Compensation of Employees	1845.13	1924.16	1688.93	1857.00	1912.26	3.0	3.6	18.0
Use of goods and services	712.84	858.90	754.94	632.99	801.38	26.6	12.4	7.5
O/W Purchase of Health Services	121.35	188.16	60.85	77.13	113.60	47.3	-6.4	1.1
Interest Payments	164.13	123.68	178.90	134.92	179.38	32.9	9.3	1.7
Subsidies	234.86	126.19	299.06	181.95	167.15	-8.1	-28.8	1.6
Grants	510.20	649.77	524.36	565.86	607.13	7.3	19.0	5.7
Social benefits	522.47	580.12	428.68	597.20	500.21	-16.2	-4.3	4.7
Other expense	336.74	233.41	426.01	352.55	319.48	-9.4	-5.1	3.0
Gross Operating Balance	2344.86	2389.33	2534.44	1742.24	1775.08	-	-	16.7
Total Nonfinancial Assets	972.29	1007.06	1477.88	643.12	711.31	10.6	-26.8	6.7
Fixed Assets	972.29	1007.06	1477.88	643.12	711.31	10.6	-26.8	6.7
Non-Produced Assets	0.00	0.00	0.00	0.00	0.00	-	-	0.0
Total Expenditure	5298.65	5503.28	5779.23	4965.14	5198.59	4.7	-1.9	48.9
Primary balance	1536.70	1505.95	1235.00	1234.50	1242.86	-	-	11.7
Net lending/borrowing	1372.57	1382.27	1056.10	1099.58	1063.49	-	-	10.0
Financing	1187.57	1351.20	1157.33	1131.29	925.00	-	-	8.7
Net Acquisition of Financial assets	1221.02	663.53	-141.85	2666.79	482.28	-	-	4.5
O/W Domestic Currency and Deposits	918.36	580.20	-1014.72	2425.98	208.36	-	-	2.0
Net Incurrence of Liabilities	33.45	-687.67	-1299.18	1535.50	-442.72	-	-	-4.2
O/W Domestic Other Accounts Payable	-51.63	-1097.27	-1128.43	983.06	-12.82	-	-	-0.1
Statistical Discrepancy	185.00	31.07	-101.23	-31.71	138.49	-	-	1.3
Memo Items								
SACU receipts	2887.30	2887.30	2887.30	2295.06	2295.06	0.0	-20.5	21.6
GDP (quarterly, red colour = forecast)	10780.32	10268.29	10110.88	10871.39	10629.95	-	-	-

Source: Central Bank of Lesotho and Ministry of Finance

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

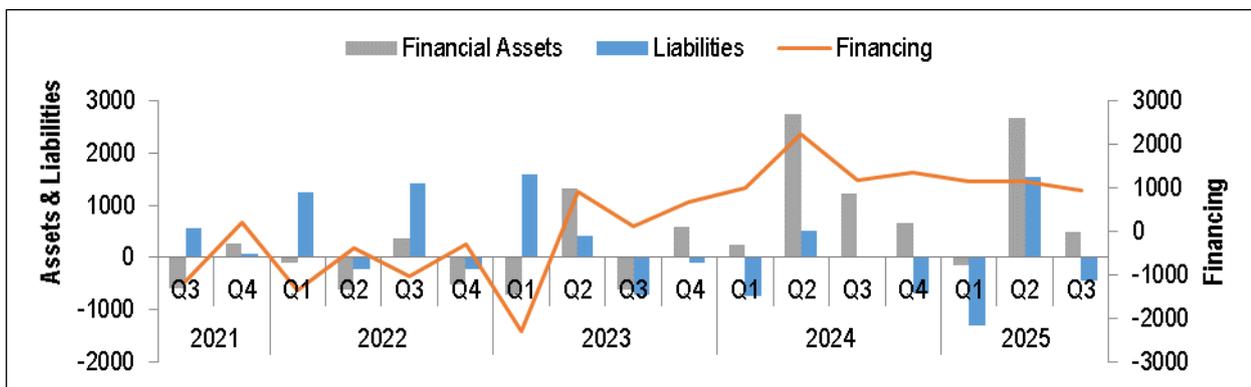
	2024		2025			Q-to-Q (%)	Y-on-Y (%)	GDP ratio (%)
	Q3	Q4	Q1	Q2	Q3			
Current Outlays	4309.71	4549.30	4037.97	4600.69	4449.75	-3.3	3.2	41.9
General public services	724.64	882.65	289.69	824.03	562.33	-31.8	-22.4	5.3
Defence	233.75	170.60	228.52	219.02	228.00	4.1	-2.5	2.1
Public order and safety	407.29	425.45	494.92	441.94	484.62	9.7	19.0	4.6
Economic affairs	331.76	419.88	311.39	386.74	559.69	44.7	68.7	5.3
Environmental protection	27.26	29.05	35.83	21.75	28.69	31.9	5.2	0.3
Housing & community amenities	135.93	138.02	140.15	119.12	163.15	37.0	20.0	1.5
Health	618.82	646.78	1027.00	684.86	583.59	-14.8	-5.7	5.5
Recreation, culture and religion	51.71	47.01	45.42	46.87	54.82	17.0	6.0	0.5
Education	1063.06	1009.47	791.81	1140.54	1079.74	-5.3	1.6	10.2
Social protection	715.49	780.40	673.24	715.83	705.13	-1.5	-1.4	6.6
Capital Outlays	852.33	851.66	1661.05	263.35	458.73	74.2	-46.2	4.3
General public services	143.50	207.77	328.01	35.81	49.83	39.2	-65.3	0.5
Defence	27.61	0.00	12.70	0.00	0.00	0.0	0.0	0.0
Public order and safety	2.11	9.63	8.49	1.67	-0.54	-132.4	-125.7	0.0
Economic affairs	600.05	533.23	1021.32	181.73	282.47	55.4	-52.9	2.7
Environmental protection	0.91	0.00	0.18	0.00	0.27	0.0	0.0	0.0
Housing & community amenities	76.26	67.52	153.52	38.38	104.35	171.9	36.8	1.0
Health	1.90	10.19	49.33	11.46	22.86	99.4	1102.9	0.2
Recreation, culture and religion	0.00	10.16	0.32	-6.88	0.46	-106.8	0.0	0.0
Education	0.00	13.16	70.06	1.17	-0.98	-183.7	0.0	0.0
Social protection	0.00	0.00	17.13	0.00	0.00	0.0	0.0	0.0
Total Outlays	5162.04	5400.96	5699.03	4864.04	4908.48	0.9	-4.9	46.2
General public services	868.15	1090.42	617.70	859.84	612.17	-28.8	-29.5	5.8
Defence	261.36	170.60	241.22	219.02	228.00	4.1	-12.8	2.1
Public order and safety	409.39	435.08	503.41	443.61	484.07	9.1	18.2	4.6
Economic affairs	931.81	953.11	1332.71	568.47	842.17	48.1	-9.6	7.9
Environmental protection	28.17	29.05	36.01	21.75	28.96	33.1	2.8	0.3
Housing & community amenities	212.19	205.53	293.68	157.50	267.50	69.8	26.1	2.5
Health	620.72	656.97	1076.32	696.32	606.45	-12.9	-2.3	5.7
Recreation, culture and religion	51.71	57.17	45.74	39.99	55.28	38.2	6.9	0.5
Education	1063.06	1022.63	861.87	1141.71	1078.76	-5.5	1.5	10.1
Social protection	715.49	780.40	690.37	715.83	705.13	-1.5	-1.4	6.6

Source: Central Bank of Lesotho and Ministry of Finance

Financial Assets and Liabilities²

The fiscal surplus had a direct impact on the government's financing position. It was primarily allocated towards strengthening the government's liquidity position and reducing its outstanding liabilities. This was reflected in an increase in government deposits with the Central Bank, which bolstered domestic financing resources. Concurrently, the government utilised a portion of the surplus to reduce its outstanding liabilities with repayments maturing bonds during the period. This prudent financial management strategy improved the government's cash position, and reduced its gross financing needs for the remainder of the fiscal year. The accumulation of deposits provides a fiscal buffer and enhances fiscal sustainability going forward.

Figure 17: Total Financing (Million Maloti)



Source: Central Bank of Lesotho and Ministry of Finance

Total Public Debt³

The public debt-to-GDP ratio declined to 54.4 per cent in the third quarter of 2025, improving from 55.7 per cent in the previous quarter. In nominal terms, this marginal improvement of a 2.5 per cent was largely attributable to debt repayment and exchange rate fluctuations during the period.

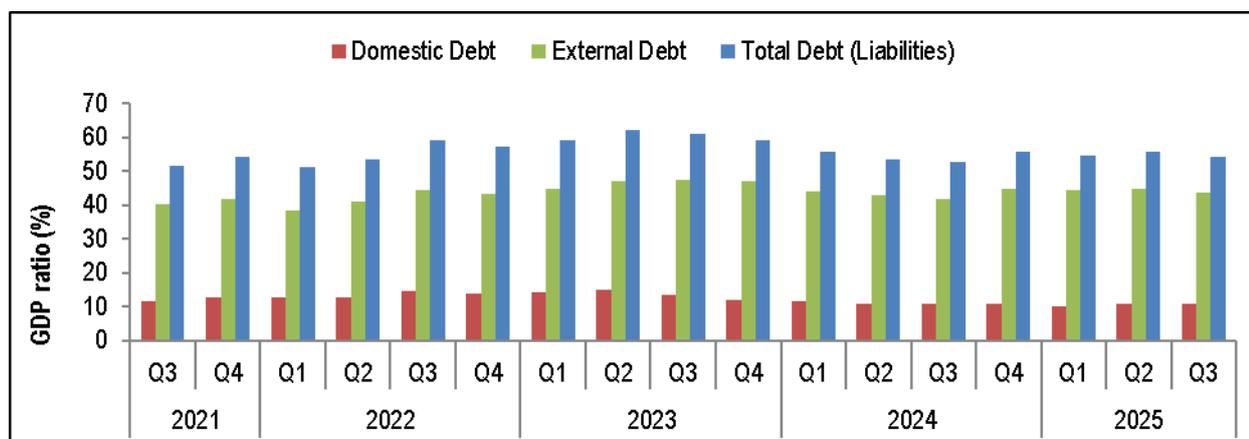
External debt which dominates the debt portfolio decreased to 43.6 per cent of GDP from 44.9 per cent in the preceding quarter. The composition remains heavily concessional with favourable terms characterising 74.3 per cent of external borrowing. Domestic debt remained stable at 10.8 per cent of GDP, consistent with the previous quarter's level.

In terms of debt sustainability indicators both the debt service-to-exports and debt service-to-revenue ratios increased to 10.3 per cent and 7.5 per cent, respectively. While these remained well below their indicative thresholds of 15 per cent and 18 per cent, respectively these increases particularly for debt service-to-exports warrant monitoring.

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.

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
	Q3	Q4	Q1	Q2	Q3			
Total Public Debt	21915.54	23214.12	23229.68	23704.07	23122.35	-2.5	5.5	54.4
External Debt	17356.84	18646.50	18888.96	19106.18	18522.83	-3.1	6.7	43.6
Bilateral Loans	846.04	865.70	809.80	754.08	731.77	-3.0	-13.5	1.7
Concessional	722.10	750.35	694.04	655.82	636.24	-3.0	-11.9	1.5
Non-concessional	123.94	115.35	115.76	98.26	95.53	-2.8	-22.9	0.2
Multilateral Loans	13394.83	14515.42	14932.86	15263.17	14897.16	-2.4	11.2	35.0
Concessional	10075.99	11011.33	11966.11	12194.31	11912.47	-2.3	18.2	28.0
Non-concessional	3318.84	3504.09	2966.75	3068.86	2984.69	-2.7	-10.1	7.0
Financial Institutions	0.00	0.00	0.00	0.00	0.00	0.0	0.0	0.0
Concessional	0.00	0.00	0.00	0.00	0.00	0.0	0.0	0.0
Non-concessional	0.00	0.00	0.00	0.00	0.00	0.0	0.0	0.0
Suppliers' Credit	3115.96	3265.38	3146.31	3088.93	2893.89	-6.3	-7.1	6.8
Concessional	1262.61	1324.46	1317.10	1294.84	1210.97	-6.5	-4.1	2.8
Non-concessional	1853.34	1940.92	1829.21	1794.09	1682.93	-6.2	-9.2	4.0
Domestic Debt	4558.71	4567.61	4340.72	4597.90	4599.52	0.0	0.9	10.8
Banks	1606.00	1554.69	1569.32	1734.60	1716.25	-1.1	6.9	4.0
Long-term	1145.31	1083.71	1095.81	1252.67	1255.86	0.3	9.7	3.0
Treasury bonds	1145.31	1083.71	1095.81	1252.67	1255.86	0.3	9.7	3.0
Central Bank (IMF)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Short-term (T-bills)	460.68	470.98	473.51	481.93	460.40	-4.5	-0.1	1.1
Non-bank	2952.71	3012.93	2771.40	2863.29	2883.27	0.7	-2.4	6.8
Long-term (T-bonds)	2676.76	2735.91	2498.80	2591.94	2588.76	-0.1	-3.3	6.1
Short-term (T-bills)	275.95	277.02	272.60	271.35	294.51	8.5	6.7	0.7
DEBT INDICATORS								
Total Debt-to-GDP	52.6	55.8	54.6	55.7	54.4	-	-	-
External Debt-to-Total Debt	79.2	80.3	81.3	80.6	80.1	-	-	-
Concessional Debt-to-External Debt	69.5	70.2	74.0	74.0	74.3	-	-	-
External debt service/Exports	7.4	5.8	12.7	6.8	10.3			
External debt service/Revenue	5.3	3.6	6.2	4.2	7.5			

Source: Central Bank of Lesotho and Ministry of Finance

7. Foreign Trade and Payments

Overview

Lesotho's external sector position remained in a robust surplus in the third quarter of 2025. The surplus was mainly driven by a significant inflow of portfolio investment as asset managers increased their holdings in foreign debt securities. As a share of GDP, the external sector surplus accounted for 27.8 per cent up from a revised 17.4 per cent from the previous quarter.

Current Account

The current account balance remained in deficit during the third quarter of 2025 albeit lower than in the preceding quarter. The deficit amounted to M177.03 million, compared to a deficit of M491.45 million a quarter earlier. It continued to be explained by the goods and services accounts deficits, while the primary and secondary income accounts remained in surpluses and moderated the observed deficit. As a share of GDP, the current account narrowed to 1.6 per cent, from a revised 4.5 per cent in the preceding quarter.

Table 18: Current Account Balance (Million Maloti)

	2024		2025			% Changes	
	Q3	Q4	Q1	Q2	Q3	Q/Q	Y/Y
Current Account	467.73	245.40	165.37	-491.45	-175.90	64.2	137.6
(a) Goods	-3109.81	-3605.34	-3877.50	-3655.11	-3293.33	9.9	-5.9
Merchandise exports f.o.b.	4642.76	4197.51	3273.91	3633.53	4508.92	24.1	-2.9
Of which diamonds	1064.12	962.19	577.25	542.31	581.54	7.2	-45.4
Of which textiles & clothing	2076.37	2146.27	1877.65	2019.21	2047.78	1.4	-1.4
Of which water	978.80	579.63	376.61	711.72	1221.40	71.6	24.8
Of which agriculture	126.48	149.56	134.25	153.11	194.52	27.0	53.8
Of which re-exports	46.97	50.93	42.42	39.37	41.22	4.7	-12.2
Other exports	350.02	308.93	265.73	167.81	422.46	151.7	20.7
Merchandise imports f.o.b.	7752.57	7802.85	7151.41	7288.64	7802.25	7.0	0.6
(b) Services	-1830.20	-1867.58	-1963.68	-1997.64	-2038.33	-2.0	-11.4
(c) Primary Income	2351.84	2630.77	2464.38	2594.84	2607.16	0.5	10.9
(d) Secondary Income	3055.91	3087.56	3542.17	2566.46	2548.60	-0.7	-16.6

Source: Central Bank of Lesotho

Merchandise Exports

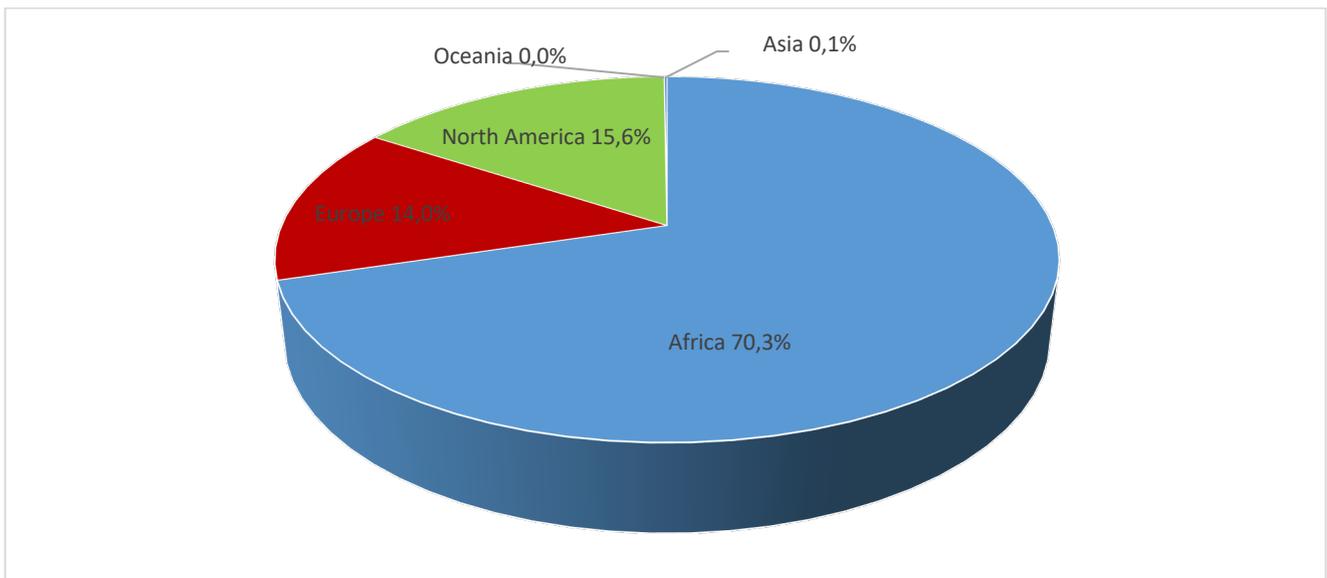
Merchandise exports increased by 24.1 per cent in the quarter, a significant improvement from the 11.0 per cent rise recorded in the previous quarter. This growth was broad-based, with all export categories contributing to the increase, whereas water and textiles and clothing exports accounting for the largest share. The surge in water receipts was explained by the completion of maintenance works at Muela Hydropower station. Textiles and clothing exports rose on account of higher exports to South Africa as Lesotho sought to diversify its market ahead of the expiration of AGOA. The increase in diamond exports was explained by the recovery of high valued carats at one of the mines despite ongoing challenges in the global rough diamond market. Agricultural exports continued to expand, led by increased shipments of vegetables and

live animals. Compared with the same period a year earlier, merchandise exports declined by 2.9 per cent following a decline of 15.8 per cent in the previous quarter. Expressed as a share of GDP merchandise exports accounted for 40.0 per cent, from 33.4 per cent a quarter earlier.

Direction of Trade - Exports

During the third quarter of 2025 Africa remained the largest recipient of Lesotho’s exports, with a share of 70.3 per cent from a share of 60.9 per cent in the preceding quarter. The substantial increase in exports to Africa was largely explained by water exports to South Africa following the completion of maintenance works at ‘Muela Hydropower plant. North America continued to be the second largest recipient of Lesotho’s exports with a share of 15.6 per cent compared to a share of 22.8 per cent in the previous quarter. The decline in exports to North America resulted from a drop in textiles and clothing exports to the US during the same period. Europe followed with a share of 14.0 per cent, from 16.8 per cent in the previous quarter explained by diamond exports to Belgium. Asia and Oceania remained the lowest recipients of Lesotho’s exports with minimal shares.

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



Source: Central Bank of Lesotho

Merchandise Imports

The value of merchandise imports increased by 7.0 per cent in the review period compared to an increase of 1.9 per cent in the previous period. Merchandise imports rose on account of an increase in imports of prepared foodstuffs, textiles and machinery imports. The increase in prepared foodstuff coincided with an uptick in food inflation in South Africa, Lesotho’s largest supplier of foodstuff. Textiles and clothing imports rose on account of upbeat demand from retail stores ahead of the festive season. Meanwhile imports of machinery and transport equipment were explained by an increase in imports of road vehicles. Year-on-year merchandise imports rose by 0.6 per cent after a decline of 3.7 per cent in the previous quarter. As a

share of GDP, merchandise imports constituted 69.0 per cent during the review period, slightly higher than 67.0 per cent a quarter earlier.

Services account

Lesotho continued to be a net importer of services during the third quarter of 2025. The services account deficit rose by 2.0 per cent compared to an increase of 1.7 per cent in the previous quarter. The wider deficit resulted from an increase in freight services in line with an increase in imports during the same period. This was coupled with an increase in foreign official travel, as well as increased payments for telecommunication services during the same period. Relative to the same period a year earlier, the services account deficit expanded by 11.4 per cent from 9.4 per cent in the previous quarter. As a share of GDP, the services account deficit accounted for 18.0 per cent from 18.4 per cent in the previous quarter.

Primary Income Account

The primary income account remained in surplus during the review period. The surplus on the primary income account rose by 0.5 per cent, after an increase of 5.3 per cent in the second quarter of 2025. This growth emanated from financial institutions' interest receipts for foreign investments. Nonetheless an increase in interest payments for the government's foreign loans, as well as a decline in receipts for maintenance and operational costs at LHWP phase I partly offset the observed primary income account surplus. Year-on-year the primary income account surplus rose by 10.9 per cent, compared to an increase of 16.9 per cent in the previous quarter. As a proportion of GDP, the primary income account surplus amounted to 23.1 per cent from 23.9 per cent a quarter earlier.

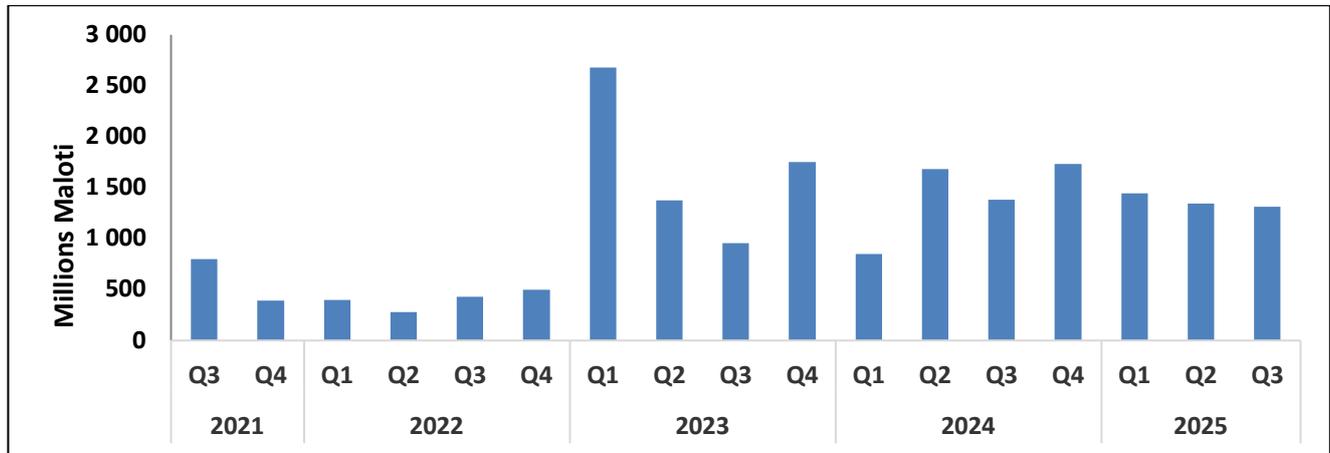
Secondary Income Account

The secondary income account continued to record a surplus in the third quarter of 2025, although slightly lower than in the previous quarter. The surplus on the secondary income account declined by 0.7 per cent, from a decline of 27.6 per cent in the preceding quarter. The surplus was largely explained by SACU receipts which remained unchanged compared to the previous quarter. However, an increase in subscriptions to international organizations during the same period moderated the observed secondary income account surplus. Compared to the same period a year earlier, the secondary income account surplus declined by 16.6 per cent, compared to a fall of 17.1 per cent in the previous quarter. Expressed as a share of GDP, the secondary income account constituted 22.5 per cent from 23.6 per cent in the preceding quarter.

Capital Account

Capital account inflows levels remained quite high under the review period. The account registered inflows of M1.31 billion, which was 2.4 per cent lower than the inflows registered in the previous quarter of M1.34 billion. Construction activities at LHWP - Phase II, which included the ongoing construction of the Senqu bridge and other auxiliary main works have continued to anchor the capital inflows, and as construction has reached past its peak stages the inflows are seeing a continued decline. Year on year, the capital account inflows declined by 5.1 per cent compared to a decline of 20.3 per cent in the previous quarter. As a proportion of GDP, the capital account inflows amounted to 11.6 per cent down from a revised 12.9 per cent in the previous quarter.

Figure 20: Capital Account (Million Maloti)



Source: Central Bank of Lesotho

Financial Account

Lesotho continued to be a net lender of financial assets in the third quarter of 2025, with a financial account surplus of M1.51 billion, higher than a surplus of M946.80 million in the previous quarter. The surplus emanated from the portfolio investments account, while direct investments and other investments recorded deficits which moderated the financial account surplus. As a share of GDP, the financial account amounted to 13.3 per cent from 8.7 per cent in the previous quarter.

Table 19: Financial Account Balance (Million Maloti)

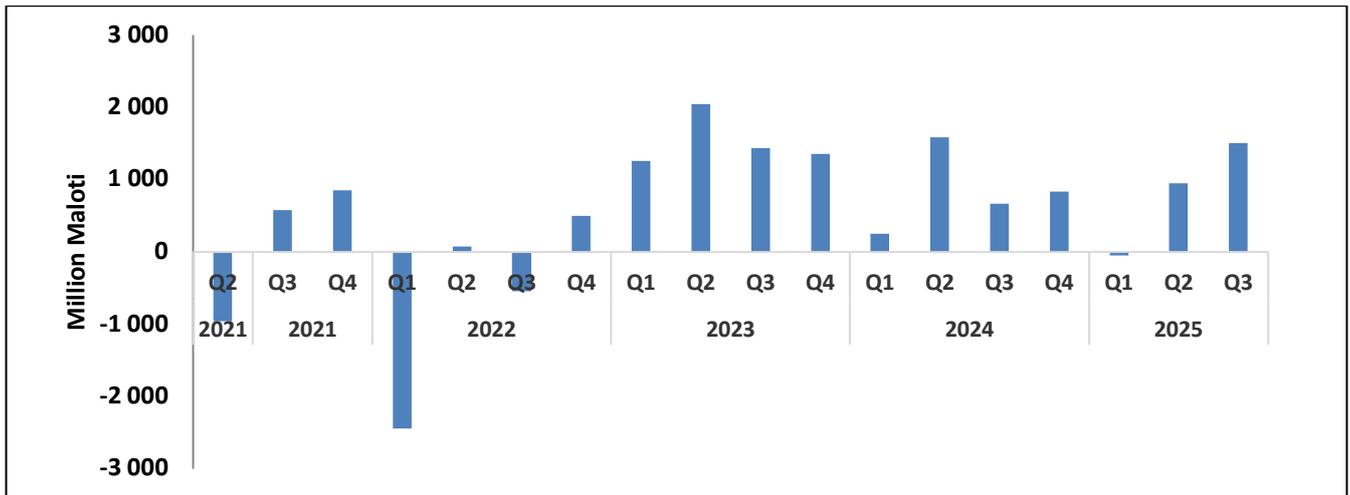
	2024		2025		
	Q3	Q4	Q1	Q2	Q3
Financial account	670.45	838.74	-46.10	946.80	1509.51
Direct Investments net	216.15	-368.82	69.23	-36.23	22.42
Portfolio Investments net	421.45	278.65	288.17	748.10	1455.26
Financial Derivatives net	0.00	0.00	0.00	0.00	0.00
Other Investments net	-997.17	-1494.50	69.10	-350.34	-161.38
Of which Loans	-108.83	-462.38	-31.56	-210.39	186.86
Claims on Non Residents	34.48	34.48	34.48	34.48	34.48
Liabilities to Non Residents	143.31	496.86	66.04	244.87	-152.38
Of which Currency and Deposits	-814.28	-958.05	174.72	-65.89	-274.18
Claims on Non Residents	-691.85	-1184.64	339.86	-159.01	-223.43
Liabilities to Non Residents	122.43	-226.59	165.15	-93.12	50.75
Of which Special Drawing Rights	0.00	0.00	0.00	0.00	0.00
Reserve Assets	1030.03	2423.41	-472.60	585.28	193.21

Source: Central Bank of Lesotho

Portfolio investments rose to a surplus of M1.45 billion from a surplus of M748.10 million in the previous quarter. The surge in portfolio investments was due to financial institutions' higher placements abroad,

resulting from substantial deposits during the same period. Reserve assets rose on account of an increase in water royalties following the completion of maintenance works at ‘Muela Hydropower plant. Meanwhile the increase in direct investment followed lower loan receipts, coupled with higher loan repayments to non-resident third parties. Nonetheless other investments remained in deficit and thus moderated the financial account surplus.

Figure 21: Financial Account (Million Maloti)

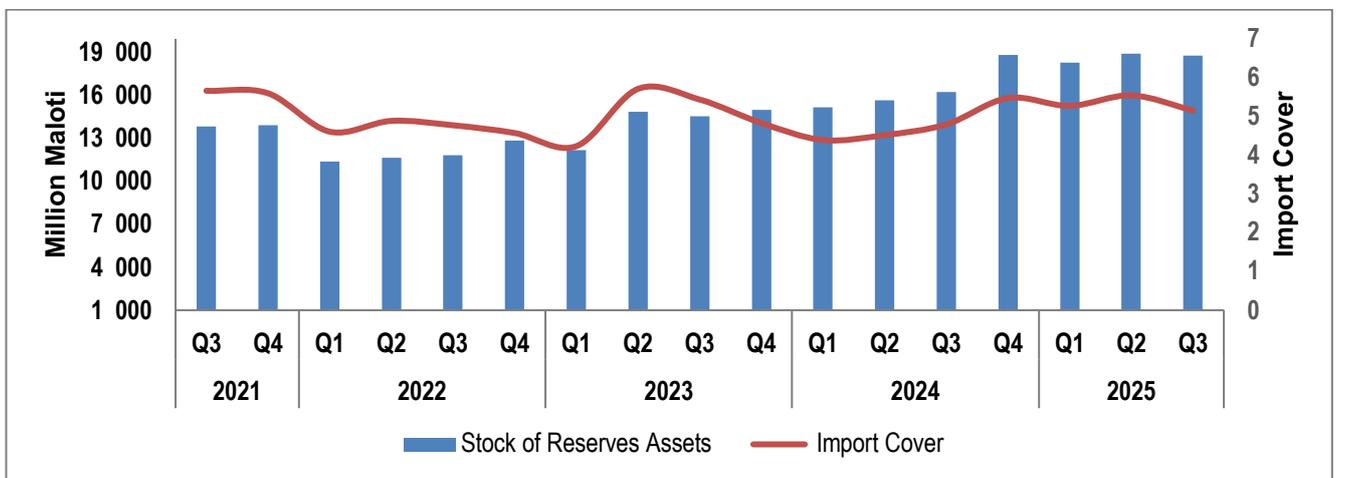


Source: Central Bank of Lesotho

Reserve Assets

The stock of foreign reserves decreased to M18.83 billion in the third quarter, from M18.96 billion in the previous quarter. Exchange rate fluctuations contributed to the decline in reserve assets as the rand, hence, loti significantly gained momentum against the US dollar in which a substantial portion of the reserve portfolio is denominated. Subsequently months of import cover declined to 5.2 months from 5.5 months in the previous quarter.

Figure 22: Reserve Assets



Source: Central Bank of Lesotho