Central Bank of Lesotho

QUARTERLY ECONOMIC REVIEW

December 2024

MASERU KINGDOM OF LESOTHO

Table of Contents

List of Tables

List of Figures

1. Executive Summary

Global economic performance remained robust across most selected economies during the fourth quarter of 2024. Economic growth accelerated in many of these economies, except for the United States and the euro area—where growth, while still strong, showed signs of moderation. Expansion in exports, household consumption, and government spending were the primary drivers of growth in most cases. However, persistent weakness in euro area manufacturing and subdued private investment in the United States acted as drags on overall performance. Unemployment rates remained broadly stable across most economies, except for the United Kingdom (UK), where a modest increase was observed due to reduced hiring in anticipation of higher national insurance contributions. In contrast, South Africa experienced a decline in unemployment, supported by improved performance in the financial and manufacturing sectors.

Price developments were mixed, with inflation rising across most developed economies but easing in most selected emerging markets. In developed countries, rising energy and fuel prices primarily drove the inflation increase. In contrast, inflation in emerging economies moderated due to a combination of factors, including more accommodative monetary policies. Key policy interest rates were generally lowered, signalling an overall dovish stance by central banks.

The prices of both gold and platinum rose during the quarter. The increase in gold prices was largely driven by heightened demand for the metal as a safe-haven asset, whereas the rise in platinum prices reflected both stronger demand and a decline in supply due to reduced mining output. In contrast, oil prices continued to fall, pressured by subdued demand from China and oversupply from non-OPEC producers. Agricultural commodity prices were mixed, with maize prices rising due to unfavourable weather conditions, while wheat prices fell on the back of strong global harvests.

Domestically, the economy rebounded, buoyed by increased demand and improved activity in the manufacturing subsector. Labour market conditions deteriorated further across all sectors monitored by the Central Bank of Lesotho. Inflationary pressures continued to ease, mainly due to a decline in food inflation, driven by improved global wheat supply. Broad money recovered, with private sector credit also continuing its upward trajectory, supported by more accommodative lending conditions in the banking sector. Short-term interest rates declined following the reduction in the CBL's policy rate. The government maintained a budget surplus, but the public debt-to-GDP ratio rose due to exchange rate fluctuations. Lesotho's external sector position remained in surplus, benefiting predominantly from construction activities under the Lesotho Highlands Water Project Phase II (LHWP II).

2. International Economic Developments

Overview

In the fourth quarter of 2024, global economic performance was mixed across advanced and emerging economies. There was generally improved performance in advanced economies, except in the US, where GDP growth slowed. Among emerging markets, China experienced a pick-up in economic activity, whereas South Africa's growth remained subdued. Labour markets conditions remained broadly stable in advanced economies, while South Africa recorded a modest improvement in employment outcomes. Consumer prices in advanced economies rose, driven by higher energy costs, whereas in emerging markets, they declined due to lower food prices and continued policy stimulus. Most central banks reduced their policy rates, in response to generally lower inflation. However, policy rates were held steady in both India and the UK.

Commodity price movements were mixed during the review period. The prices of metals and minerals, especially gold, platinum, and oil, were influenced by various demand and supply factors. Prices of agricultural commodities also exhibited mixed trends, primarily attributed to weather-related factors. The rand strengthened against major currencies after significant depreciation in the previous quarter.

Table 1: Key World Economic Indicators

	Real GDP Growth		Inflation Rate		Key Interest Rate		Unemployment Rate	
	Q3 2024	Q4 2024	Q3 2024	Q4 2024	Q3 2024	Q4 2024	Q3 2024	Q4 2024
United States	2.7	2.5	2.4	2.9	4.75	4.25	4.1	4.1
Euro Area	0.9	0.9	1.7	2.4	3.65	3.15	6.3	6.3
Japan	0.6	1.2	2.5	3.6	0.25	0.25	2.4	2.4
United Kingdom	1.0	1.4	1.7	2.5	4.75	4.75	4.3	4.4
China	4.6	5.4	0.4	0.1	3.35	3.10	5.1	5.1
India	5.4	6.2	5.5	5.2	6.50	6.50	N/A	N/A
South Africa	0.3	0.6	3.8	3.0	8.00	7.75	32.1	31.9

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 remained resilient in the fourth quarter of 2024, with real GDP expanding by 2.5 per cent, following a 2.7 per cent growth in the preceding quarter. Economic activity was primarily supported by robust consumer spending and increased government expenditure. However, the overall pace of growth was tempered by weaker private investment and a decline in exports. Labour market conditions remained stable, with the unemployment rate holding steady at 4.1 per cent. Job gains in sectors such as healthcare, retail, government, and social assistance were offset by job losses in the housing and manufacturing sectors.

Consumer prices in the United States rose by 2.9 per cent in the fourth quarter of 2024, up from 2.7 per cent previously, largely due to higher food and energy costs. Food inflation was driven by a sharp rise in egg prices following an avian influenza outbreak that led to the culling of millions of hens. Energy prices saw an upward trend due to the rising costs of electricity, reflecting ongoing investment by utility companies in upgrading ageing infrastructure. In response to slowing economic growth and weaker job creation, the Federal Reserve cut the federal funds rate by 50 basis points to a range of 4.25–4.50 per cent.

Euro Area

Economic activity in the euro area remained subdued, with real GDP growth unchanged at 0.9 per cent. Regional performance was dampened by a contraction in Germany, driven by a decline in exports as the manufacturing sector continued to face challenges. Nevertheless, growth was supported by stronger household consumption, driven by rising real wages, easing inflation, and lower borrowing costs that further boosted consumer spending. The unemployment rate remained steady at 6.3 per cent, as employment gains in the services sector were partially offset by job losses in manufacturing.

Inflation in the euro area rose to 2.4 per cent, up from 1.7 per cent in the third quarter. The increase was mainly driven by higher energy prices, particularly sustained elevations in electricity and gas costs. Despite the uptick in inflation, the European Central Bank (ECB) lowered its policy rate by 50 basis points to 3.15 per cent, from 3.65 per cent in the preceding quarter. The decision reflected the ECB's expectations of moderating inflation in the year ahead, supported by improving supply conditions and subdued demand pressures.

Japan

Japan's economic performance improved in the fourth quarter of 2024, with real GDP expanding by 1.2 per cent, up from 0.6 per cent in the previous quarter. The acceleration in growth was driven by a rebound in exports, largely supported by the depreciation of the Japanese Yen, and increased capital expenditure. Labour market conditions remained steady, with the unemployment rate unchanged at 2.4 per cent.

Inflation rose to 3.6 per cent from 2.5 per cent, driven mainly by a surge in energy costs after the government withdrew electricity and gas subsidies for households. The Bank of Japan kept its policy rate unchanged at 0.25 per cent—the highest level since 2008—reflecting a cautious stance amid a gradual economic recovery and elevated inflation expectations.

United Kingdom

The UK economy continued to strengthen in the fourth quarter, with real GDP growth rising to 1.4 per cent from a revised 1.0 per cent. The expansion was driven by stronger household consumption, government spending, and higher output in the services and construction sectors. However, the unemployment rate edged up to 4.4 per cent from 4.3 per cent, reflecting reduced hiring as firms anticipated higher national insurance contributions.

Consumer prices increased by 2.5 per cent, compared to a 1.5 per cent rise in the previous quarter. The acceleration in inflation was driven by higher electricity, gas, and services costs, as well as strong wage growth. However, the Bank of England maintained its policy rate at 4.75 per cent, aiming to strike a balance between persistent inflationary pressures and signs of a moderating economy.

Emerging Market Economies

China

China's economy showed resilience in the fourth quarter of 2024, with real GDP growth accelerating to 5.4 per cent from 4.6 per cent. The pickup was largely driven by policy stimulus, which boosted industrial output, retail sales, and exports. Domestic consumption rose during the holiday season, while targeted measures also supported tentative stabilisation in the real estate sector.

The unemployment rate remained unchanged at 5.1 per cent. Despite continued government efforts to support the labour market, youth unemployment remained elevated. This was largely because firms in service-oriented sectors—such as real estate and finance—were reluctant to hire new graduates, given the continued underperformance of these industries.

Headline inflation eased to 0.1 per cent, down from 0.4 per cent in the third quarter. The deceleration reflected subdued domestic demand and the protracted downturn in the housing market. Nonetheless, the decline in consumer prices was partially offset by sustained food price pressures, particularly in pork and fresh vegetables. The People's Bank of China cut its policy rate to 3.10 per cent from 3.35 per cent, aiming to support growth while addressing concerns over a weakening yuan amid global economic uncertainties.

India

India's economic performance remained strong. Real GDP growth increased to 6.2 per cent in the fourth quarter, from 5.4 per cent in the preceding quarter. Growth was primarily driven by private consumption expenditure, government spending, and gross fixed capital formation. Private consumption was buoyed by stronger rural demand, supported by moderating food prices and increased spending during the festive season. Government expenditure also rose, largely due to higher capital outlays, particularly for expanding electricity connections to farmers. Furthermore, agricultural output increased, supported by a favourable monsoon season.

Inflation eased to 5.2 per cent from 5.5 per cent in the third quarter, largely reflecting a decline in food prices. The Reserve Bank of India (RBI) maintained its key repo rate at 6.5 per cent, signalling a cautious monetary policy stance amid persistent inflationary pressures and signs of a gradual economic slowdown.

South Africa

South Africa's economic growth remained subdued in the fourth quarter of 2024. Real GDP rose to 0.6 per cent from a revised 0.4 per cent, reflecting modest gains in agriculture, finance, and trade, as well as a pickup in household spending. Agricultural output benefited from higher production of field crops and animal products, supported by improved dam levels, stable electricity supply for irrigation, and lower feed costs.

Meanwhile, growth in the finance and trade sectors was supported by increased retail, wholesale, and motor trade sales, spurred by strong festive season demand. The unemployment rate edged down to 31.9 per cent from 32.1 per cent, with the largest job gains recorded in finance and manufacturing.

Consumer prices rose at a slower pace of 3.0 per cent, down from 3.8 per cent in the previous quarter. Although most consumer goods saw price increases, the overall rise was tempered by a notable decline in transport costs, driven by lower fuel prices. In response to easing inflation and a stable outlook, the South African Reserve Bank cut its key interest rate by 25 basis points to 7.75 per cent—the lowest since April 2023.

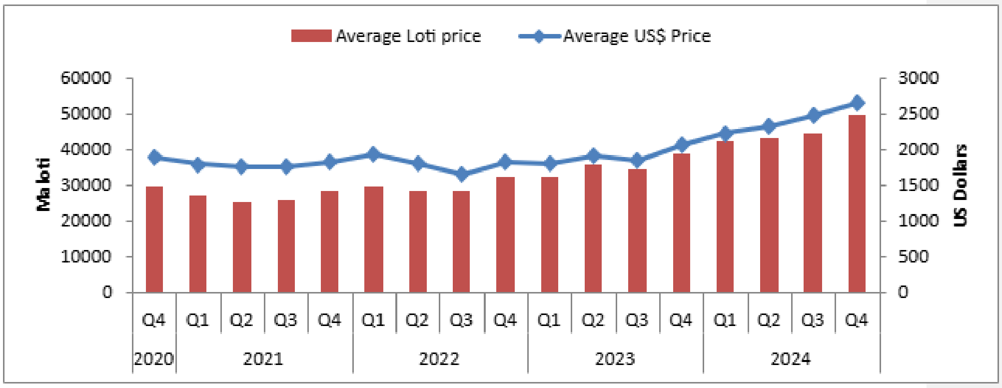
Commodities

Minerals

Gold

Gold prices rose by 3.7 per cent to US$2,660.99 in the final quarter of 2024, following a 2.1 per cent increase previously. The gain was driven by continued central bank purchases and heightened demand amid persistent geopolitical tensions and economic uncertainty, which reinforced gold's safe-haven appeal. Year-on-year, prices surged by 29 per cent.

Figure 1: Average Price of Gold



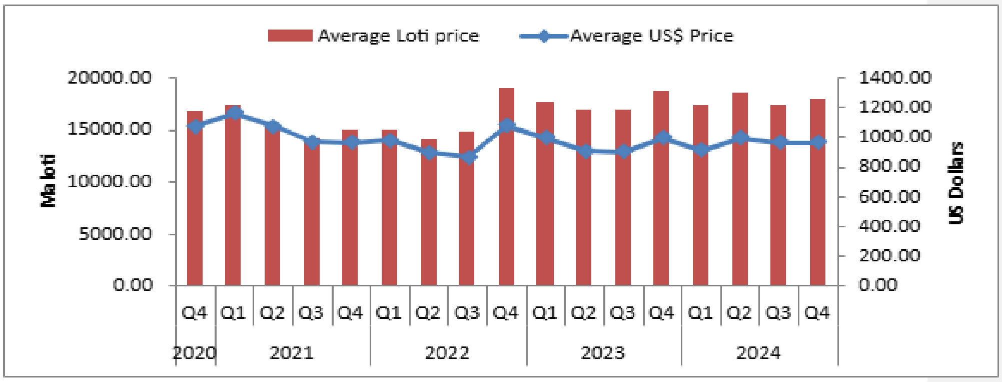
Source: Bloomberg

Platinum

Platinum prices edged up by 0.3 per cent to US$967.11, rebounding from a 2.9 per cent decline in the previous quarter. The recovery was underpinned by supply constraints due to lower mining output in South Africa, the top global producer. Investment demand also firmed, reflected in increased inflows into platinum Exchange Traded Funds (ETFs) as investors sought inflation hedges amid economic uncertainty.

Despite the ongoing shift towards electric vehicles, demand from the automotive sector remained robust. This was underpinned by tightening global emissions regulations, which sustained the use of platinum in catalytic converters. Furthermore, a weakening US dollar and market speculation regarding potential interest rate cuts enhanced platinum's attractiveness to international investors.

Figure 2: Average Price of Platinum



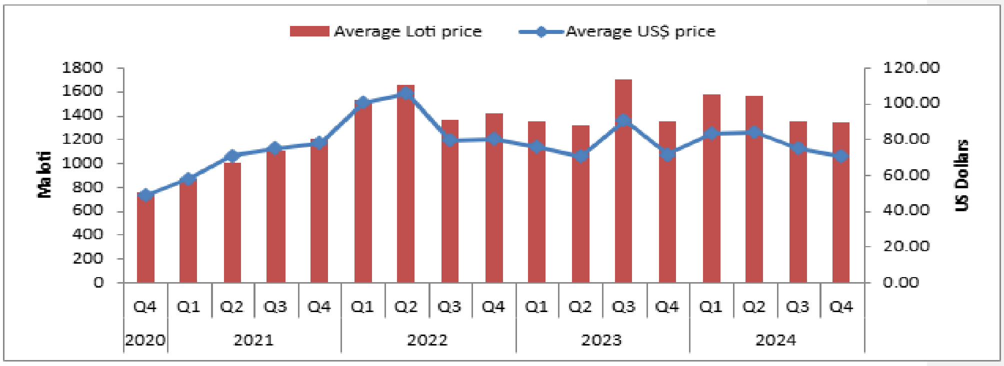
Source: Bloomberg

Energy

Crude Oil

Crude oil prices fell by 4.3 per cent to US$70.32, following a sharper 10.6 per cent drop in the previous quarter. The decline reflected weakening global demand, particularly from China, where slower industrial output, rising unemployment, and falling housing prices dampened consumption. On the supply side, higher output from non-OPEC producers—especially the US—led to a surplus, adding to the downward pressure. Persistent concerns over global growth and volatile market sentiment further weighed on prices.

Figure 3: Average Price of Oil



Source: Bloomberg

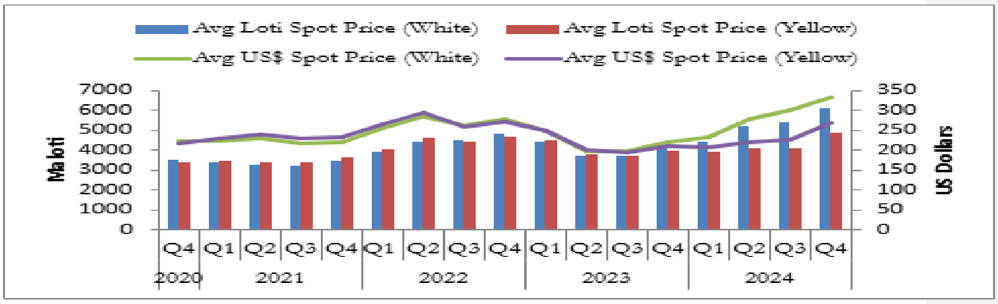
Agricultural Products

Maize

Maize prices rose sharply in the fourth quarter of 2024, reflecting a mix of supply constraints and robust demand. White maize increased by 11.4 per cent to US$333.26 per metric tonne, while yellow maize climbed by 18.2 per cent to US$266.68.

The upward pressure on prices was driven by several factors, including adverse weather conditions, higher production costs, and strong demand across both domestic and international markets. Escalating tensions in the Black Sea region further disrupted Ukrainian exports, as intensified attacks on key ports, damaged infrastructure, and the high cost of alternative transport routes compounded logistical challenges. These developments deepened the demand supply imbalance, reinforcing the rise in maize prices.

Figure 4: Average Price of Maize

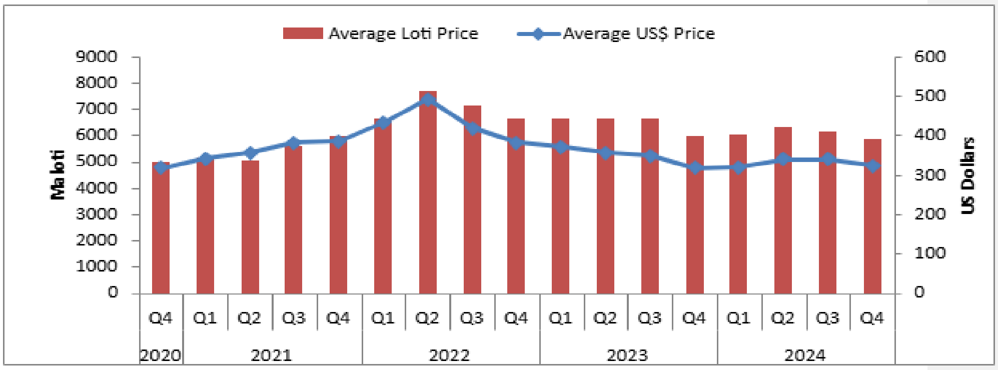


Source: Bloomberg

Wheat

Wheat prices fell by 4.8 per cent to US$324.10 per metric tonne, following a marginal 0.1 per cent decline in the previous quarter. The decrease was driven by favourable weather in key producers such as the United States, Russia, and Argentina, which boosted output beyond expectations. A stronger US dollar also made American wheat less competitive, weighing on global demand. Meanwhile, market expectations of continued high supply reinforced the downward pressure on prices.

Figure 5: Average Price of Wheat



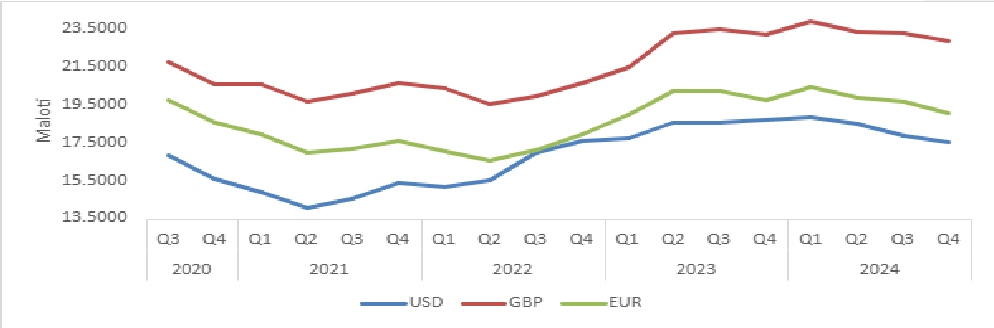
Source: Bloomberg

Exchange Rates

The rand—and consequently the loti—strengthened marginally against major trading currencies in the fourth quarter of 2024. It appreciated by 0.9 per cent against both the US dollar and the pound sterling, and by 2.2 per cent against the euro, reaching 18.59, 23.06, and 19.34, respectively. This marked a reversal from the previous quarter's sharp depreciations of 6.3, 12.4, and 10.0 per cent against the same currencies.

The appreciation was supported by increased investment, spurred by a policy rate cut by the South African Reserve Bank, which encouraged private sector activity. Lower inflation further bolstered confidence in the rand. Additional support came from structural reforms in the energy sector, stronger gold and platinum prices, and an easing of logistics disruptions. External factors also played a role, including weaker economic conditions in the UK—where rising unemployment pressured the pound. However, the rand's gains were partially offset by strong US economic data, and South Africa's Medium-Term Budget Policy Statement (MTBPS), which projected a wider fiscal deficit and rising debt levels.

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



Source: Bloomberg

3. Real Sector Developments[1]

Overview

The domestic economy registered a modest improvement in the final quarter of 2024. This recovery was primarily driven by robust domestic demand and increased activity in the manufacturing, transport, and financial services subsectors. However, labour market conditions deteriorated further across all sectors monitored by the Central Bank of Lesotho. Meanwhile, inflationary pressures continued to subside, providing some relief to consumers.

Output Developments

Economic activity rebounded strongly, with the Quarterly Composite Indicator of Economic Activity (CIEA) rising by 5.3 per cent in December 2024, which represented a marked turnaround from the 1.6 per cent contraction recorded in the preceding quarter. The recovery was underpinned by stronger domestic demand and heightened activity in the manufacturing, transport, and financial services subsectors. However, growth was partially offset by subdued performance in the construction subsector.

The domestic demand index saw a significant increase of 13.4 percent, rebounding from an 8.9 percent decline observed in the preceding quarter. This surge reflected higher spending by both the private sector and the government. The increase in imports of consumer goods pointed to stronger private consumption, while elevated government expenditure on goods and services reflected a rise in public consumption. Further indicators of growth included increased collections of Value-Added Tax (VAT), which signalled heightened business activity, alongside a rise in Pay-

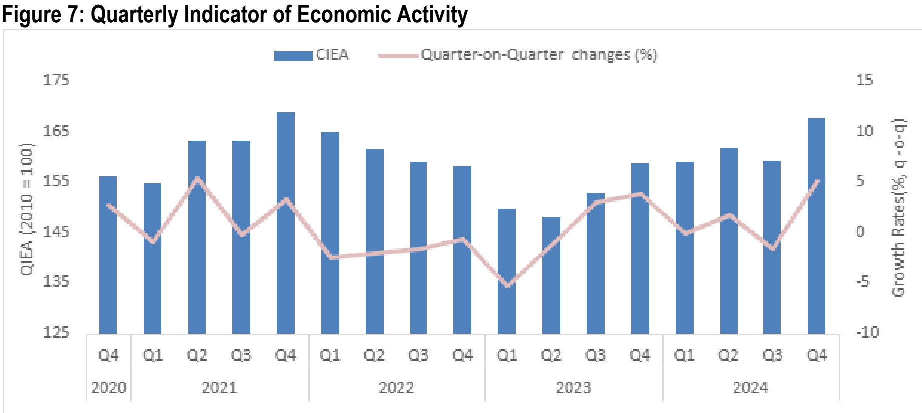
[1] All growth rates in this section are reported as year-on-year, except for output developments, which are seasonally adjusted quarter-on-quarter growth rates

As-You-Earn (PAYE) tax receipts and government wages, both of which point to nominal income growth.

The manufacturing subsector rebounded, recording a growth rate of 1.8 per cent after contracting by 2.3 per cent in the preceding quarter. This improvement was largely driven by increased textile and clothing exports to South Africa. However, exports to the United States continued to decline, even though U.S. consumer spending remained strong during the same period. This points to potential supply-side constraints, such as weakening competitiveness among firms operating under AGOA, rather than subdued external demand.

The transport and financial services subsectors also exhibited positive momentum. The financial services sector benefited from an expansion in credit extended to the private sector, while the transport subsector recorded higher fuel consumption, indicative of increased economic activity and mobility. In contrast, the construction subsector experienced a decline, as shown by decreased imports of construction materials.

Figure 7: Quarterly Indicator of Economic Activity



Source: Central Bank of Lesotho

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

	2023	2024			
Indices	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
CIEA	**158.9**	**159.0**	**161.9**	**159.4**	**167.8**
Quarter-on-quarter % changes	4.0	*0.1*	*1,8*	*-1.6*	*5.3*
Domestic Demand	**156.2**	**153.6**	**149.2**	**135.8**	**154.0**
Quarter-on-quarter % changes	*11.5*	*-1.6*	*-2.9*	*-8.9*	*13.4*
Manufacturing and Production	**118.3**	**117.7**	**121.4**	**118.5**	**120.7**
Quarter-on-quarter % changes	*7.8*	*-0.5*	*3.1*	*-2.3*	1.8
Construction	**203.1**	**186.1**	**258.6**	**255.1**	**197.9**
Quarter-on-quarter % changes	*-43.4*	*-8.1*	*43.9*	*-1.3*	*-22.4*
Transport	**100.4**	**96.5**	**93.3**	**104.8**	**115.1**
Quarter-on-quarter % changes	*-4.4*	*-3.8*	*-3.4*	*12.3*	*9.9*
Financial Service	**185.5**	**187.0**	**191.2**	**190.2**	**193.1**
Quarter-on-quarter % changes	*3.1*	*0.8*	*2.3*	*-0.6*	*1.5*

Source: Central Bank of Lesotho

Employment Developments

Employment among LNDC-supported firms declined by 1.5 per cent year-on-year, following a revised 2.0 per cent contraction in the preceding quarter. The sustained downturn was most pronounced in the knitwear and woven garments subsectors, as well as in footwear, fabric, and embroidery. Contributing factors included weakening demand, rising operational costs, and persistent financial constraints—further compounded by delays in VAT refunds. In response, many firms resorted to short-term contracts as a cost-containment strategy, while others ceased operations altogether.

Government employment declined by 0.9 per cent, following a 1.2 per cent contraction in the preceding quarter. This decrease was mainly due to a reduction in the civil service workforce because of natural attrition.

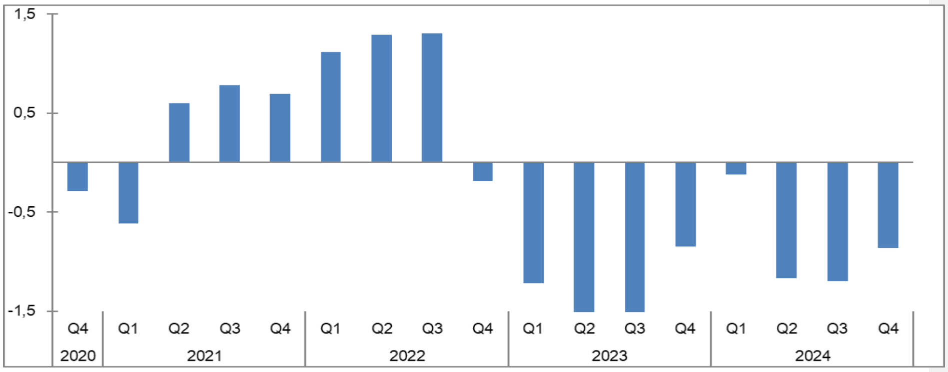
Employment of Basotho migrant mineworkers in South Africa continued to decline, falling by 10.7 per cent after a revised 5.7 per cent contraction in the previous quarter. The sustained downturn reflected reduced demand for foreign labour, the non-replacement of retiring senior migrants, and persistent challenges within the South African mining sector.

Table 3: Employment by LNDC-Assisted Companies

	2023	2024				%Changes	
	Q4	**Q1**	**Q2**	**Q3**	**Q4**	**Q/Q**	**Y/Y**
KNIT GARMENTS	20750	18302	20609	21135	20422	*-3.4*	*-1.6*
WOVEN GARMENTS	9101	8253	8418	9001	9054	*0.6*	*-0.5*
FABRICS AND EMBROIDERY	1773	1744	1715	1757	1577	*-10.2*	*-0.6*
FOOTWEAR	824	795	793	848	778	*-8.3*	*-5.6*
CONSTRUCTION	387	386	395	402	388	*-3.5*	*1.3*
FOOD & BEVERAGES	564	649	657	636	622	*-2.2*	*10.3*
ELECTRONICS	1199	1213	1203	1223	1204	*-1.6*	*0.4*
RETAIL	173	109	109	175	175	*0.0*	*1.2*
HOTEL & ACCOMMODATION	376	345	346	409	399	*-2.4*	*6.1*
AUTOMOTIVE	709	710	822	809	760	*-6.1*	*7.2*
OTHER	1790	1668	1701	1674	1984	*0.6*	*-5.9*
TOTAL	**37646**	**34174**	**36768**	**38069**	**37063**	***-2.6***	***-1.5***

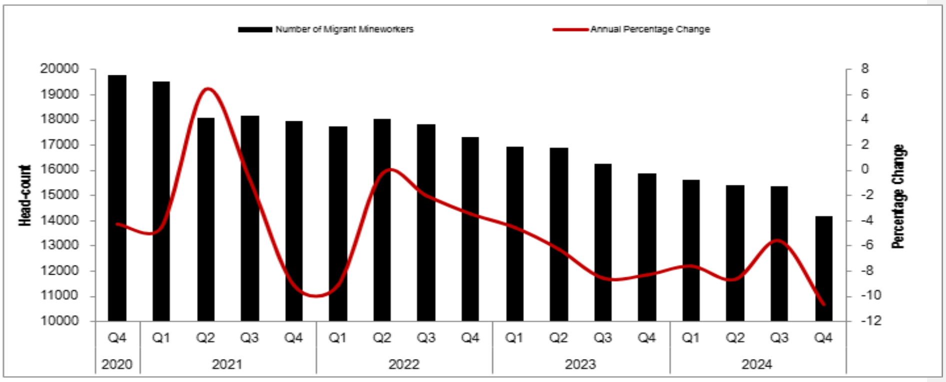
Source: Lesotho National Development Corporation

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



Source: Ministry of Finance

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



Source: The Employment Bureau of Africa (TEBA)

Price Developments

Inflationary pressures continued to ease, with the headline inflation rate falling to 3.7 per cent in December 2024 from 5.2 per cent in September. This moderation reflected broad-based declines in both food and non-food categories, particularly within Food and Non-Alcoholic Beverages, Housing and Utilities, and Transport.

Food inflation dropped sharply to 5.6 per cent from 9.0 per cent, largely due to a fall in wheat prices driven by excess global supply during the harvesting season in major wheat-producing countries. Non-food inflation also eased, reaching 2.8 per cent in December from 3.4 per cent in September, mainly on account of lower international crude oil prices. The resulting declines in paraffin and fuel prices contributed to lower inflation in the Housing and Utilities and Transport categories, respectively, reinforcing the overall disinflationary trend.

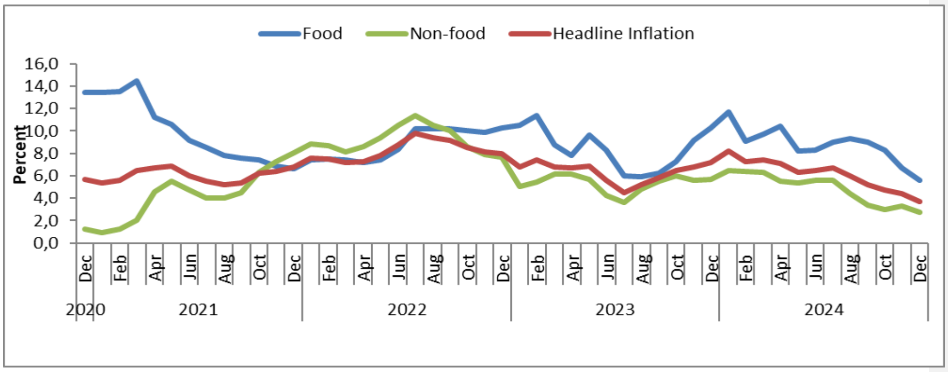
Core inflation followed suit, falling to 2.7 per cent in December from 4.1 per cent in September, in line with the general easing of underlying price pressures.

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

	2024						
	Weight	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
All items	**1000**	**6.7**	**6.0**	**5.2**	**4.7**	**4.4**	**3.7**
Food and non-alcoholic beverages	**326**	9.0	9.3	9.0	8.3	6.7	5.6
Alcoholic beverages & Tobacco	**64**	-0.2	-0.3	-0.7	0.7	1	1.2
Clothing & footwear	**81**	8.7	7.8	8.3	8.5	8.4	8.3
Housing, water, electricity, gas & other fuels	**149**	2.7	2.8	2.6	1.5	0.5	0.3
Furniture, households' equipment & routine maintenance	**33**	3.0	2.5	2.4	1.9	2	2.2
Health	**19**	2.9	4.8	2.4	2.4	2.4	2.5
Transport	**111**	11	9.0	3.1	1	4.5	1.8
Communications	**44**	0.0	0.0	0.0	0	0	0
Recreation & Culture	**14**	2.0	2.0	1.8	2	1.8	1.8
Education	**49**	13.8	5.1	5.1	5.1	5.1	5.1
Restaurant & Hotels	**65**	6.4	5.7	5.7	4.8	4.8	4.5
Miscellaneous goods & services	**44**	4.9	4.9	4.9	4.4	4.1	4.1

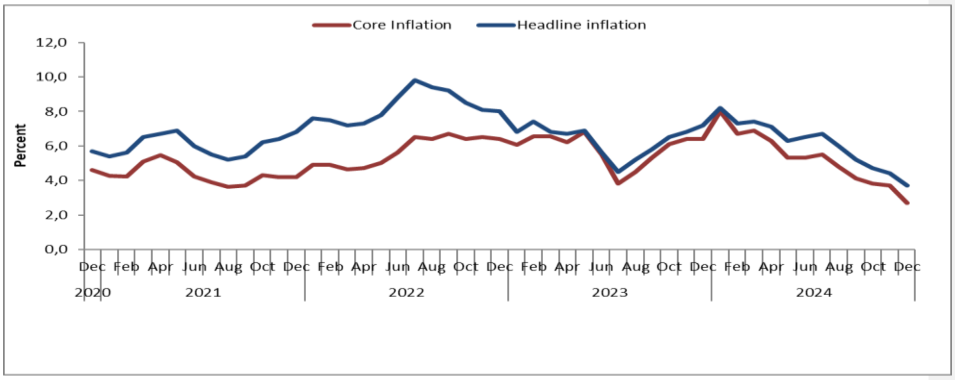
Source: Bureau of Statistics

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



Source: BoS and CBL Computations

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



Source: CBL Computations

4. Monetary and Financial Developments

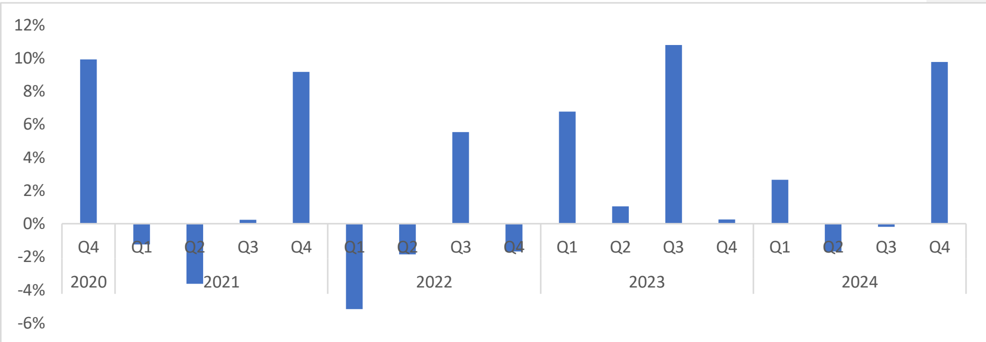
Overview

Broad money recovered during the review period, while credit to the private sector continued to expand, underpinned by relatively accommodative credit conditions. In line with the reduction in the Central Bank of Lesotho (CBL)'s policy rate, short-term interest rates generally trended downward.

Broad Money

The broad measure of money supply (M2) rebounded strongly, increasing by 9.8 per cent, in contrast to a marginal decline of 0.2 per cent recorded in the previous quarter. The expansion was driven by growth in both net domestic assets (NDA) and net foreign assets (NFA). On a year-on-year basis, M2 rose by 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 4.5 per cent, reversing the 13.8 per cent decline recorded in the preceding quarter. The recovery was largely driven by an increase in claims on other sectors, most notably other financial corporations and the private sector. This growth was supported by the maturity of overseas investments and their reinvestment into local collective investment schemes. In contrast, claims on the central government declined, reflecting the accumulation of government deposits at the Central Bank, despite a rise in commercial banks' net claims.

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

	2023	2024				Changes(%)	
	Q4	Q1	Q2	Q3	Q4	Quarterly	Annual
Domestic Claims	**5894.11**	**6161.25**	**4103.69**	**3537.45**	**3695.15**	**4.5**	**-37.3**
Net Claims on Government	**-4183.88**	**-3917.83**	**-6501.17**	**-7322.27**	**-7944.63**	**-8.5**	**-89.9**
Commercial Banks Net Claims	**-859.27**	**-792.92**	**-1522.07**	**-1604.13**	**-916.36**	**42.9**	**-6.6**
Claims on Central Government	1733.11	1861.60	1590.40	1680.57	1638.49	**-2.5**	**-5.5**
Liabilities to Central Government	2592.38	2654.53	3112.48	3284.70	2554.84	**-22.2**	**-1.4**
Central Bank Net Claims	**-3324.61**	**-3124.91**	**-4979.10**	**-5718.14**	**-7028.28**	**-22.9**	**-111.4**
Claims on Central Government	0.00	1.57	0.10	0.09	0.00		
Liabilities to Central Government	3324.61	3126.48	4979.20	5718.23	7028.28	**22.9**	**111.4**
Claims on Other Sectors	**10077.99**	**10079.08**	**10604.86**	**10859.72**	**11639.79**	**7.2**	**15.5**
Claims on OFCs	303.07	305.10	310.76	364.41	938.68	**157.6**	**209.7**
Claims on Public Nonfinancial Corporations	57.77	47.45	60.45	72.98	49.80	**-31.8**	**-13.8**
Claims on St &Local Government	0.00	0.00	0.00	0.00	0.00		
Claims on Private Sector	**9717.15**	**9726.54**	**10233.66**	**10422.33**	**10651.31**	**2.2**	**9.6**
Claims on Business Enterprises	2717.72	2577.61	2806.05	2771.40	2785.18	**0.5**	**2.5**
Claims on Households	6999.44	7148.93	7427.61	7650.93	7866.13	**2.8**	**12.4**

Source: Central Bank of Lesotho

Net Foreign Assets

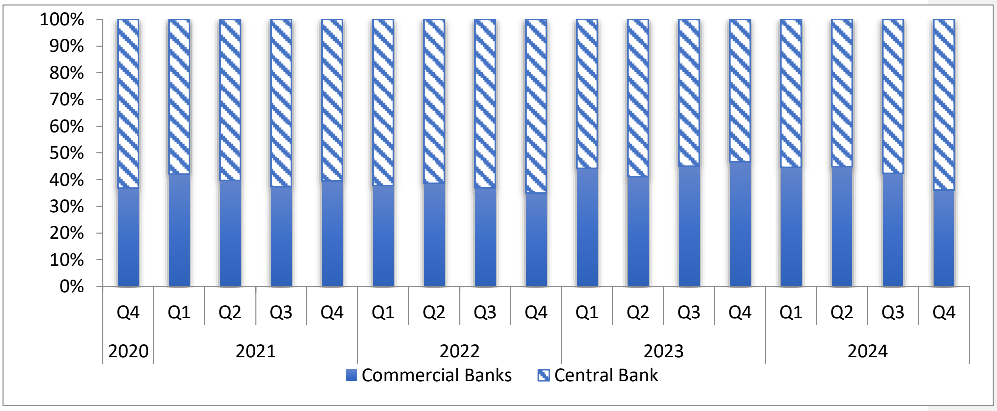
Overall net foreign assets (NFA) increased by 6.7 per cent, following a modest rise of 0.3 per cent in the preceding quarter. The improvement was driven by a notable expansion in the central bank's NFA. This reflected capital inflows recorded during the period under review and aligned with the continued accumulation of government deposits. Conversely, the NFA of commercial banks declined, reflecting the maturity of investments held abroad.

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

	2023	2024				Changes (%)	
	Q4	Q1	Q2	Q3	Q4	Quarterly	Annual
Commercial Banks	**10297.75**	**9642.86**	**10609.46**	**10049.46**	**9140.94**	**-9.0**	**-11.2**
Claims on Non-residents	10840.31	10335.19	10970.17	10532.61	9397.49	**-10.8**	**-13.3**
Liabilities to Non-residents	542.56	692.33	360.71	483.14	256.55	**-46.9**	**-52.7**
Central Bank	**11781.22**	**11985.10**	**13030.15**	**13681.97**	**16181.54**	**18.3**	**37.4**
Claims on Non-residents	15037.37	15224.26	15699.92	16279.04	18865.06	**15.9**	**25.5**
Liabilities to Non-residents	3256.15	3239.15	2669.77	2597.07	2683.52	**3.3**	**-17.6**
Net Foreign Assets Total	**22078.97**	**21627.96**	**23639.61**	**23731.43**	**25322.48**	**6.7**	**14.7**

Source: Central Bank of Lesotho

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



Source: Central Bank of Lesotho

Components of M2

The expansion in money supply reflected growth in both narrow money (M1) and quasi money. M1 increased by 12.5 per cent, driven largely by a rise in transferable deposits. This was associated with the movement of funds from import deposit accounts—specifically Customer Foreign Currency (CFC) accounts—to current accounts held by entities contracted under LHWP II. Quasi money also rose, by 7.3 per cent, mainly due to higher call deposits held by business enterprises.

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

	2023	2024				Changes (%)	
	Q4	Q1	Q2	Q3	Q4	Quarterly	Annual
Broad Money (M2)	**17180.65**	**17636.62**	**17340.59**	**17306.37**	**18995.08**	**9.8**	**10.6**
Narrow Money (M1)	**7403.29**	**7794.06**	**8173.76**	**8290.68**	**9325.06**	**12.5**	**26.0**
Currency Outside DCs	1657.26	1606.61	1436.38	1384.29	1477.91	**6.8**	**-10.8**
Transferable Deposits	5746.03	6187.45	6737.38	6906.39	7847.15	**13.6**	**36.6**
Quasi Money	**9777.36**	**9842.56**	**9166.83**	**9015.69**	**9670.02**	**7.3**	**-1.1**
Other Deposits Commercial Banks	9773.98	9839.60	9163.41	9012.91	9667.08	**7.3**	**-1.1**
Other Deposits Central Bank	3.38	2.96	3.42	2.79	2.94	**5.4**	**-13.1**

Source: Central Bank of Lesotho

Credit Extension

Private sector credit increased by 2.2 per cent, following a 1.8 per cent rise in September 2024. The expansion reflected increased lending to both households and business enterprises. On an annual basis, private sector credit rose by 9.6 per cent.

Trends in Credit Extended to Business Enterprises

Credit to the business sector grew by 0.5 per cent, in contrast to the 1.2 per cent decline recorded in the previous period. The increase was primarily driven by higher credit uptake in Non-Bank Financial Institutions (NBFIs), Real Estate & Business Services, and Wholesale, Retail, Hotel & Restaurant subsectors. However, this growth was partly offset by reduced credit to the mining and construction subsectors, driven by repayments that dampened overall demand in these segments.

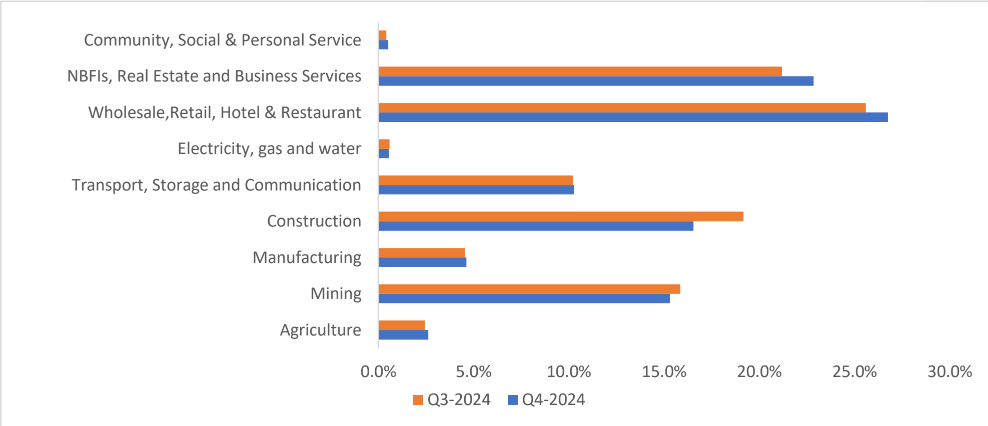
Table 8: Credit Extension by Economic Activity *(Million Maloti)*

	2023	2024				Changes (%)	
SECTOR	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Quarterly**	**Annual**
Agriculture	87.22	67.38	65.35	67.69	72.83	**7.6**	**-16.5**
Mining	468.30	340.88	462.70	439.58	425.93	**-3.1**	**-9.0**
Manufacturing	131.06	125.85	125.38	125.71	128.90	**2.5**	**-1.7**
Electricity, gas and water	12.41	30.19	16.88	16.13	15.39	**-4.6**	**24.0**
Construction	477.83	477.59	528.50	531.14	460.70	**-13.3**	**-3.6**
Wholesale, Retail, Hotel & Restaurant	672.90	688.38	708.35	708.98	745.01	**5.1**	**10.7**
Transport, Storage and Communication	312.90	323.45	315.91	283.34	285.93	**0.9**	**-8.6**
NBFIs, Real Estate and Business Services	546.34	515.07	573.69	587.32	636.17	**8.3**	**16.4**
Community, Social & Personal Service	8.76	8.82	9.29	11.53	14.32	**24.2**	**63.4**
All Sectors	**2717.72**	**2577.61**	**2806.05**	**2771.40**	**2785.18**	**0.5**	**2.5**

Source: Central Bank of Lesotho

The distribution of credit across business subsectors showed that the *Wholesale, Retail, Hotel, and Restaurant* subsector remained the largest recipient, accounting for 26.7 per cent of total credit to business enterprises. This was followed by the *NBFIs, Real Estate, and Business Services* subsector, which received 22.8 per cent. The *Construction* industry was the third largest recipient, absorbing 16.5 per cent of total credit. At the lower end, the *Community, Social, and Personal Services* subsector received only 0.5 per cent. Notably, sectors prioritised under the National Strategic Development Plan (NSDP II) as key drivers of job creation and inclusive economic growth accounted for 67.1 per cent of total credit allocated during the review quarter.

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

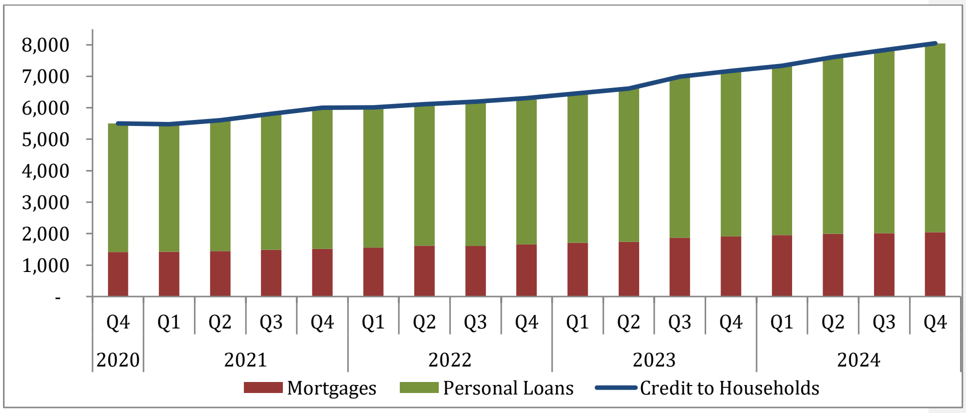


Source: Central Bank of Lesotho

Credit Extended to Households

Household credit maintained its upward trajectory, rising by 2.8 per cent during the review period, following a 2.9 per cent increase in the previous quarter. Growth was largely driven by personal loans, which expanded by 3.4 per cent, while mortgage lending rose more modestly by 1.1 per cent. The sustained expansion in household credit reflects continued efforts by the banking sector to enhance credit accessibility and affordability. On an annual basis, household credit grew by 14.2 per cent.

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



Source: Central Bank of Lesotho

Liquidity of Commercial Banks

Components of liquidity

The credit-to-deposit ratio declined to 52.1 per cent from 53.2 per cent in the previous period. This was mainly attributed to a strong expansion in the deposit base of commercial banks, which outpaced the growth in credit. Similarly, the banking sector's liquidity ratio fell to 33.5 per cent in December, down from 36.8 per cent in September. The decline reflected continued growth in deposits, coupled with a reduction in components of liquidity.

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

	2023	2024			
	Q4	Q1	Q2	Q3	Q4
Credit to Deposit Ratio	**52.7%**	**51.1%**	**52.8%**	**53.2%**	**52.1%**
Private Sector Credit	9561.30	9546.07	10035.89	10225.56	10449.79
Total Deposits	18137.11	18682.67	19014.20	19206.24	20069.68
Liquidity Ratio	**35.1%**	**40.3%**	**41.4%**	**36.8%**	**33.5%**
Notes and Coins	1086.98	811.97	776.57	690.09	1172.88
Net Balance due from banks in Lesotho	11.64	102.64	80.77	6.55	10.82
Net Balance due from banks in SA	3818.97	4008.40	5090.02	4405.88	3481.63
Surplus funds	-291.24	751.56	330.18	286.20	412.99
Government Securities	1733.11	1861.60	1590.40	1680.57	1638.49
Total	**6359.46**	**7536.16**	**7867.95**	**7069.28**	**6716.82**

Source: Central Bank of Lesotho

Commercial Banks Sources of Funds

Total deposit liabilities of commercial banks increased by 1.8 per cent in December, reversing the 3.6 per cent decline recorded in the previous quarter. The increase reflected growth in both transferable and other deposits included in broad money, despite a contraction in deposits outside the broad money definition.

Growth in transferable deposits was primarily supported by balances held by other financial corporations and business enterprises. Similarly, the rise in other deposits was mainly attributable to increased holdings of call and fixed-time deposits by business enterprises.

The decline in deposits excluded from broad money reflected a fall in import deposits, following the closure of Customer Foreign Currency (CFC) accounts related to the Polihali project. On an annual basis, total deposits in the banking sector grew by 5.3 per cent.

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

	2023	2024				Changes (%)	
	Q4	Q1	Q2	Q3	Q4	Quarterly	Annual
Transferable Deposits Incl. in BM	**5746.03**	**6187.45**	**6737.38**	**6906.39**	**7847.15**	**13.6**	**36.6**
Other Financial Corporations	69.75	32.95	112.20	36.49	107.08	**193.5**	**53.5**
Transf. Dep. State & Local Govt NC	57.53	39.72	12.05	11.51	6.84	**-40.6**	**-88.1**
Public Nonfinancial Corporations	34.16	23.93	42.79	216.67	85.56	**-60.5**	**150.5**
Private Sector	5584.59	6090.84	6570.34	6641.72	7647.68	**15.1**	**36.9**
Other NFCs	3874.81	4178.94	4730.57	4799.55	5817.57	**21.2**	**50.1**
Other Sectors (Households)	1709.78	1911.90	1839.77	1842.16	1830.11	**-0.7**	**7.0**
Other Deposits Incl. in BM	**9773.98**	**9839.60**	**9163.41**	**9012.91**	**9667.08**	**7.3**	**-1.1**
Other Financial Corporations	57.81	106.81	66.37	138.94	143.19	**3.1**	**147.7**
Public Nonfinancial Corporations	238.64	217.07	259.89	334.11	279.33	**-16.4**	**17.1**
Private Sector	9477.53	9515.72	8837.15	8539.86	9244.55	**8.3**	**-2.5**
Other NFCs	6433.56	6296.15	5548.06	5157.26	5842.39	**13.3**	**-9.2**
Other Sectors (Households)	3043.98	3219.57	3289.09	3382.60	3402.16	**0.6**	**11.8**
Deposits excluded in MB	**3662.75**	**3389.59**	**4695.50**	**3926.48**	**2685.80**	**-31.6**	**-26.7**
of which Import deposits	1045.66	733.98	1582.09	639.54	130.36	**-79.6**	**-87.5**
Total Deposits	**19182.76**	**19416.64**	**20596.29**	**19845.78**	**20200.04**	**1.8**	**5.3**

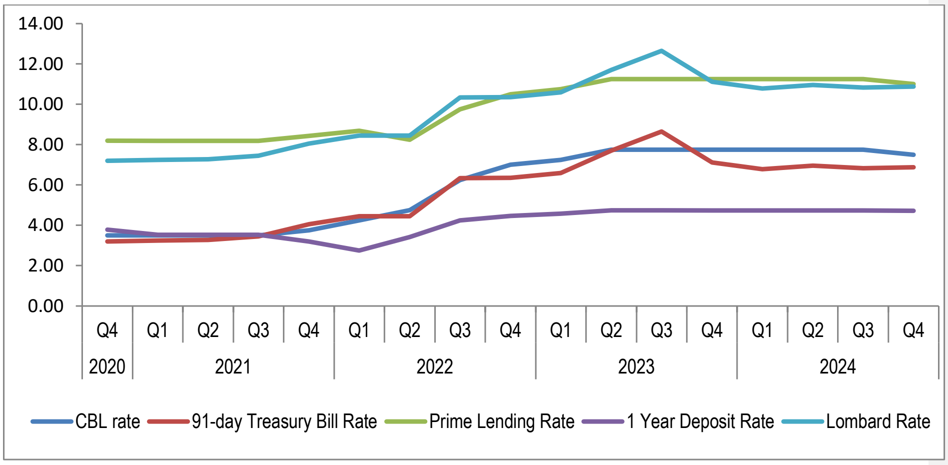
Source: Central Bank of Lesotho

Money Market

Interest Rates

The Central Bank of Lesotho reduced its key policy rate by 25 basis points to 7.50 per cent in December 2024. In response, the prime lending rate and the one-year deposit rate also declined—by 25 and 2 basis points, respectively—reaching 11.00 per cent and 4.72 per cent. In contrast, the 91-day Treasury bill rate and the Lombard rate both increased slightly, by 5 basis points, to 6.88 per cent and 10.88 per cent, respectively. Despite the marginal increase, the 91-day Treasury bill rate remained within the targeted differential of ±200 basis points relative to its South African counterpart.

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



Source: Central Bank of Lesotho

Table 11: Interest rates

	2023			2024	
	Q4	**Q1**	**Q2**	**Q3**	**Q4**
Central Bank					
CBL rate	7.75	7.75	7.75	7.75	7.50
T-Bill Rate - 91 days	7.12	6.78	6.96	6.83	6.88
Lombard Rate	11.12	10.78	10.96	10.83	10.88
Commercial Banks					
Call	2.65	2.65	2.65	2.65	2.27
Time:					
31 days	1.47	1.47	1.47	1.47	1.47
88 days	2.46	2.46	2.46	2.46	2.45
6 months	4.01	4.01	4.01	4.01	4.01
1 year	4.74	4.74	4.74	4.74	4.72
Savings	1.60	1.60	1.60	1.60	1.55
Prime	11.25	11.25	11.25	11.25	11.00
South Africa					
Repo	8.25	8.25	8.25	8.00	7.75
T-Bill Rate - 91 days	8.43	8.40	8.40	8.03	7.81
Prime	11.75	11.75	11.75	11.50	11.25

Source: Central Bank of Lesotho

Commented [TT1]: Format correctly

Holding of Treasury Bills

The total outstanding stock of Treasury bills (T-Bills) increased by 1.5 per cent, following a 1.4 per cent rise in September. Holdings by the banking sector grew by 2.2 per cent, while those of the non-bank sector rose more moderately, by 0.4 per cent.

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

Commented [TT2]: Heading styles not uniform/quite inconsistent accross

	2023	2024			
	Q4	**Q1**	**Q2**	**Q3**	**Q4**
Treasury Bills	**746.76**	**747.88**	**726.74**	**736.63**	**748.00**
Banking System	463.90	454.41	420.78	460.68	470.98
Non-Bank Sector	282.86	293.47	305.96	275.95	277.02

Source: Central Bank of Lesotho

Holding of Treasury Bonds

The total outstanding stock of government bonds remained broadly unchanged between September and December 2024. However, there was a shift in the composition of holdings between the banking and non-bank sectors. The banking sector's share declined to 28.4 per cent from 30.0 per cent, while the non-bank sector's share increased to 71.6 per cent from 70.0 per cent.

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

	2023	2024			
	Q4	**Q1**	**Q2**	**Q3**	**Q4**
Holding of Treasury Bonds	**3835.20**	**4008.20**	**3747.08**	**3822.08**	**3819.61**
Banking System	1225.86	1334.39	1105.42	1145.31	1083.71
Non-Bank Sector	2609.34	2673.82	2641.65	2676.76	2735.91

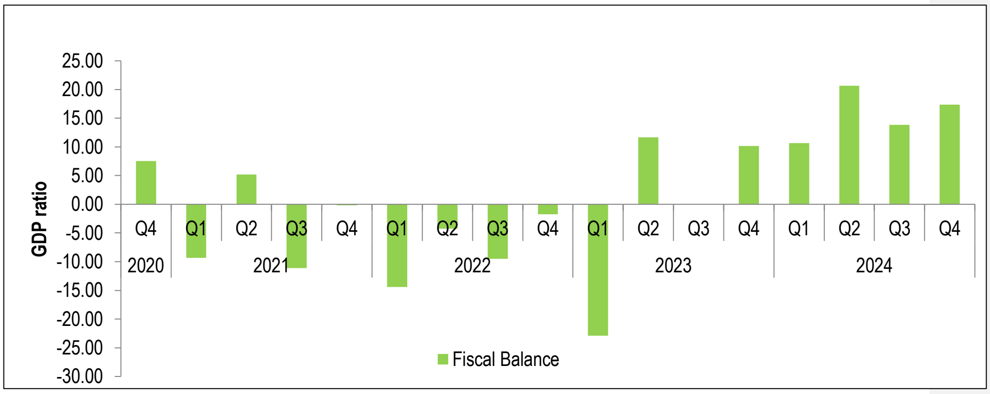
Source: Central Bank of Lesotho

5. Government Finance

Overview

Government budgetary operations were estimated to have yielded a fiscal surplus equivalent to 17.4 per cent of GDP in the final quarter of 2024, up from a revised surplus of 13.8 per cent in the preceding quarter. This marked the third consecutive quarterly surplus, reflecting improved revenue performance and continued expenditure restraint. Meanwhile, public debt rose to 57.9 per cent of GDP, from a revised 55.1 per cent, mainly due to valuation changes arising from exchange rate depreciation on external debt.

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



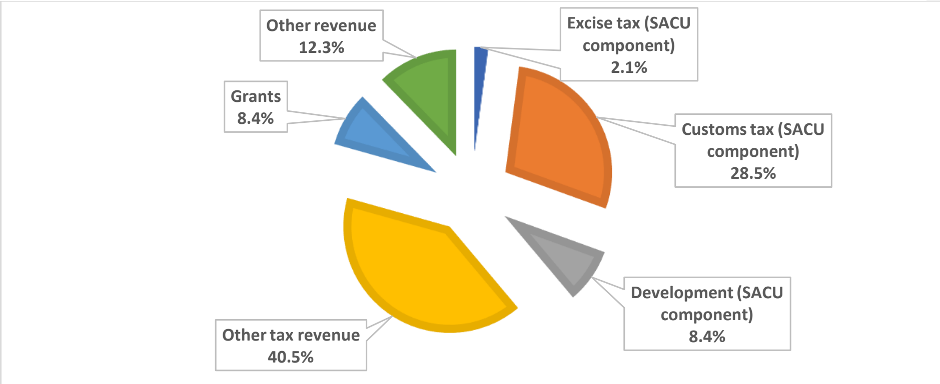
Source: Central Bank of Lesotho and Ministry of Finance

Revenue

Government revenue was estimated to have increased by 3.4 per cent, following a revised decline of 9.5 per cent in the third quarter of 2024. This recovery coincided with the continued enforcement of revenue administration measures, including enhancements to tax compliance systems. At the same time, higher VAT collections suggest a rebound in consumer activity, indicating a possible combined effect of policy measures and modest economic growth.

However, the overall revenue outturn was partially offset by a decline in water royalties, as maintenance at the 'Muela hydropower station reduced water transfers to South Africa. On an annual basis, total revenue rose by 23.8 per cent, driven by strong performance in income tax, VAT, and water royalties—reflecting a broadly positive trend despite temporary setbacks from infrastructure maintenance.

Figure 18: Total Revenue *(Million Maloti)*



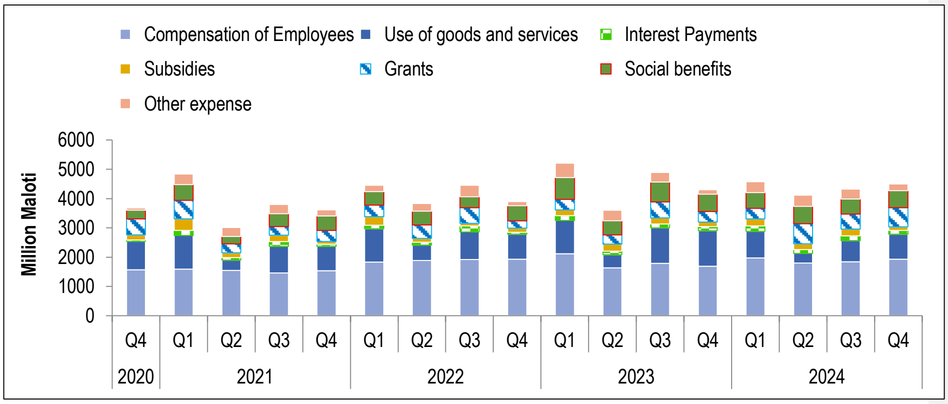
Source: Central Bank of Lesotho and Ministry of Finance

Total Expenditure

Government spending declined by 2.3 per cent, reversing the 8.1 per cent increase recorded in the third quarter. The contraction was mainly due to lower capital outlays, particularly on infrastructure projects such as buildings and structures, as well as reduced disbursements for student grants and subsidies to state-owned enterprises.

Conversely, spending increased on salaries, current grants to extra-budgetary units, the school feeding programme, and healthcare services. Overall, the bulk of government expenditure continued to be directed towards general public services, education, and economic affairs.

Figure 19: Total Expense *(Million Maloti)*



Source: Central Bank of Lesotho and Ministry of Finance

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

	2023	2024				Q-to-Q (%)	Y-on-Y (%)	GDP ratio (%)
	Q4	Q1	Q2	Q3	Q4			
Total Revenue	**5571.33**	**6459.13**	**7367.26**	**6669.87**	**6897.33**	**3.4**	**23.8**	**69.5**
Tax revenue	4433.67	4796.96	5247.75	4848.40	5342.94	10.2	20.5	53.8
Income Tax	1222.90	1293.04	1267.47	1416.63	1454.01	2.6	18.9	14.6
Value Added Tax	1025.27	940.03	1451.34	887.45	1295.40	46.0	26.3	13.0
SACU Receipts (excise & customs)	1984.93	1984.93	2258.89	2258.89	2258.89	0.0	13.8	22.7
Other tax revenue	200.57	578.96	270.06	285.43	334.64	17.2	66.8	3.4
Grants	552.20	552.20	629.50	631.68	629.50	-0.3	14.0	6.3
o/w SACU Receipts (development)	552.20	552.20	628.41	628.41	628.41	0.0	13.8	6.3
Other revenue	585.46	1109.98	1490.01	1189.80	924.89	-22.3	58.0	9.3
Total Expense	**4298.38**	**4570.84**	**4116.31**	**4326.06**	**4500.23**	**4.0**	**4.7**	**45.3**
Compensation of Employees	1690.85	1969.30	1797.90	1845.13	1924.16	4.3	13.8	19.4
Use of goods and services	1211.44	912.04	323.96	712.84	858.90	20.5	-29.1	8.6
O/W Purchase of Health Services	111.31	110.99	111.35	121.35	188.16	55.1	69.0	1.9
Interest Payments	136.67	184.86	138.28	163.82	127.69	-22.1	-6.6	1.3
Subsidies	161.73	239.27	191.66	234.86	126.19	-46.3	-22.0	1.3
Grants	357.26	359.91	687.19	510.20	649.77	27.4	81.9	6.5
Social benefits	594.65	536.97	598.32	522.47	580.12	11.0	-2.4	5.8
Other expense	145.78	368.47	378.99	336.74	233.41	-30.7	60.1	2.4
Gross Operating Balance	**1272.94**	**1888.30**	**3250.95**	**2343.82**	**2397.10**	**-**	**-**	**24.1**
Total Nonfinancial Assets	**308.76**	**814.73**	**782.41**	**970.07**	**673.47**	**-30.6**	**118.1**	**6.8**
Fixed Assets	308.76	814.73	782.41	970.07	673.47	-30.6	118.1	6.8
Non-Produced Assets	0.00	0.00	0.00	0.00	0.00	-	-	0.0
Total Expenditure	**4607.14**	**5385.57**	**4898.72**	**5296.13**	**5173.70**	**-2.3**	**12.3**	**52.1**
Primary balance	**1100.85**	**1258.43**	**2606.83**	**1537.56**	**1851.32**	**-**	**-**	**18.6**
Net lending/borrowing	**964.18**	**1073.56**	**2468.55**	**1373.75**	**1723.63**	-	-	**17.4**
Financing	**681.04**	**988.15**	**2231.33**	**1185.97**	**1545.32**	-	-	**15.6**
Net Acquisition of Financial assets	591.05	251.83	2745.03	1221.02	678.24	-	-	6.8
O/W Domestic Currency and Deposits	1094.54	-135.98	2303.56	918.36	580.20	-	-	5.8
Net Incurrence of Liabilities	-89.99	-736.32	513.70	35.06	-867.09	-	-	-8.7
O/W Domestic Other Accounts Payable	33.26	-722.17	779.22	-51.63	-1097.27	-	-	-11.0
Statistical Discrepancy	283.15	85.42	237.22	187.78	178.31	-	-	1.8
Memo Items								
SACU receipts	2537.13	2537.13	2887.30	2887.30	2887.30	0.0	13.8	29.1
GDP (quarterly, red colour = forecast)	9496.43	10076.14	11959.40	9930.75	9930.75	-	-	-

Source: Central Bank of Lesotho and Ministry of Finance

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

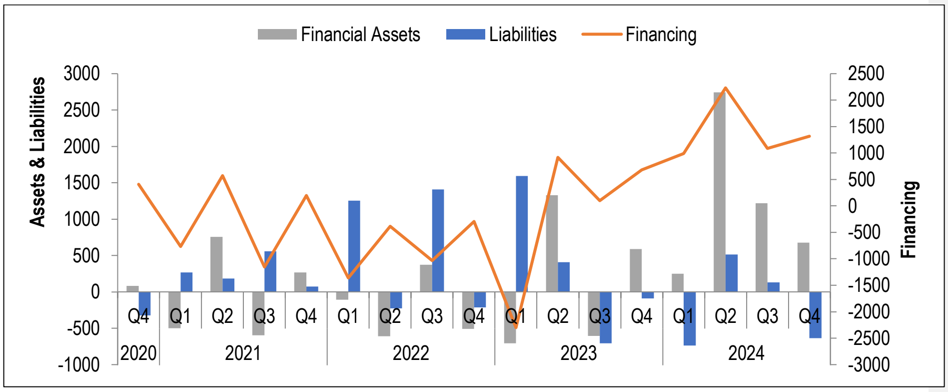
	2023	2024				Q-to-Q (%)	Y-on-Y (%)	GDP ratio (%)
	Q4	Q1	Q2	Q3	Q4			
Current Outlays	**3238.77**	**4325.27**	**3775.99**	**4435.75**	**4668.77**	**5.3**	**44.2**	**47.0**
General public services	836.82	1475.15	1459.55	850.68	1002.12	17.8	19.8	10.1
Defence	185.48	-9.69	0.00	233.75	170.60	-27.0	-8.0	1.7
Public order and safety	371.85	530.30	349.73	407.29	425.45	4.5	14.4	4.3
Economic affairs	457.14	552.25	340.04	331.76	419.88	26.6	-8.2	4.2
Environmental protection	4.57	5.33	4.92	27.26	29.05	6.6	535.2	0.3
Housing and community amenities	11.04	15.25	11.05	135.93	138.02	1.5	1149.9	1.4
Health	393.27	626.75	499.30	618.82	646.78	4.5	64.5	6.5
Recreation, culture and religion	30.67	35.17	40.73	51.71	47.01	-9.1	53.3	0.5
Education	693.14	742.01	707.10	1063.06	1009.47	-5.0	45.6	10.2
Social protection	254.78	352.75	363.56	715.49	780.40	9.1	206.3	7.9
Capital Outlays	**275.95**	**780.08**	**431.96**	**852.33**	**851.66**	**-0.1**	**208.6**	**8.6**
General public services	44.17	107.02	45.51	143.50	207.77	44.8	370.3	2.1
Defence	0.00	0.00	0.00	27.61	0.00	-	-	0.0
Public order and safety	15.18	23.32	5.63	2.11	9.63	356.9	-36.6	0.1
Economic affairs	192.26	535.79	295.02	600.05	533.23	-11.1	177.4	5.4
Environmental protection	0.00	0.00	0.00	0.91	0.00	-	-	0.0
Housing and community amenities	12.69	12.17	70.64	76.26	67.52	-11.5	431.9	0.7
Health	5.31	30.41	9.26	1.90	10.19	436.3	92.0	0.1
Recreation, culture and religion	2.01	1.06	7.24	0.00	10.16	-	406.0	0.1
Education	4.33	52.23	-1.34	0.00	13.16	-	203.9	0.1
Social protection	0.00	18.08	0.00	0.00	0.00	-	-	0.0
Total Outlays	**3514.72**	**5105.35**	**4207.94**	**5288.09**	**5520.43**	**4.4**	**57.1**	**55.6**
General public services	881.00	1582.17	1505.06	994.19	1209.90	21.7	37.3	12.2
Defence	185.48	-9.69	0.00	261.36	170.60	-34.7	-8.0	1.7
Public order and safety	387.03	553.62	355.36	409.39	435.08	6.3	12.4	4.4
Economic affairs	649.40	1088.04	635.07	931.81	953.11	2.3	46.8	9.6
Environmental protection	4.57	5.33	4.92	28.17	29.05	3.2	535.2	0.3
Housing and community amenities	23.74	27.41	81.69	212.19	205.53	-3.1	765.9	2.1
Health	398.58	657.15	508.56	620.72	656.97	5.8	64.8	6.6
Recreation, culture and religion	32.68	36.23	47.97	51.71	57.17	10.6	74.9	0.6
Education	697.47	794.25	705.76	1063.06	1022.63	-3.8	46.6	10.3
Social protection	254.78	370.82	363.56	715.49	780.40	9.1	206.3	7.9

Source: Central Bank of Lesotho and Ministry of Finance

Financial Assets and Liabilities[2]

The Government sustained fiscal surpluses from the quarter ending in June 2023 through to December 2024. These surpluses supported the accumulation of financial assets, particularly in the form of government deposits held within the banking system. Part of the deposits were utilised to redeem domestic securities and to clear outstanding obligations to suppliers. The continued build-up of fiscal savings enhances the Government's capacity to meet its medium- to long-term commitments, contributing to improved financial resilience and sustainability.

Figure 20: Total Financing *(Million Maloti)*



Source: Central Bank of Lesotho and Ministry of Finance

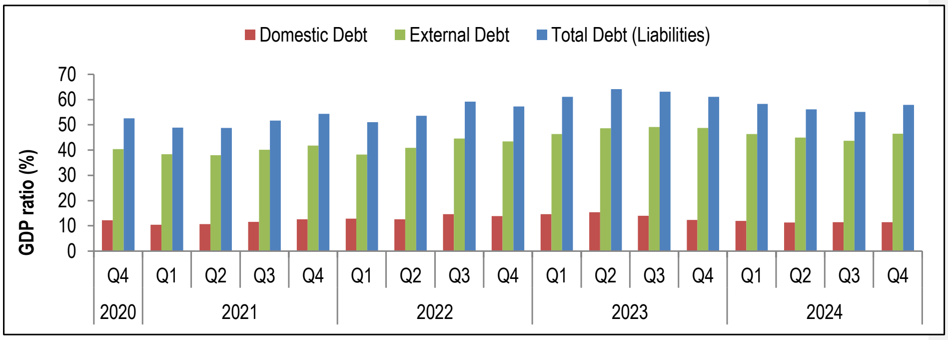
Total Public Debt[3]

The stock of public debt rose by 5.1 per cent during the review quarter, primarily due to the depreciation of the domestic currency, which inflated the value of external debt. On the domestic front, non-bank investors increased their holdings of long-term government securities, contributing to the rise in total debt. Despite growth in domestic borrowing, external debt continues to account for the largest share of the total public debt stock. This reflects the historical reliance on concessional financing, although the Government has since transitioned from IDA-only funding to blended loan terms. The composition of public debt is, however, expected to shift gradually as domestic debt issuance gains traction.

---

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



Source: Central Bank of Lesotho and Ministry of Finance

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

	2023	2024				Q-to-Q (%)	Y-on-Y (%)	Debt / GDP
	Q4	Q1	Q2	Q3	Q4			
Total Public Debt	**23117.53**	**23154.66**	**22314.33**	**21903.04**	**23011.15**	**5.1**	**-0.5**	**57.9**
External Debt	**18458.58**	**18398.57**	**17840.51**	**17344.34**	**18443.54**	**6.3**	**-0.1**	**46.4**
Bilateral Loans	956.72	956.23	881.91	838.51	861.77	2.8	-9.9	2.2
Concessional	815.09	811.51	755.79	719.25	746.42	3.8	-8.4	1.9
Non-concessional	141.63	144.72	126.12	119.26	115.35	-3.3	-18.8	0.3
Multilateral Loans	13898.35	13947.76	13678.04	13389.87	14316.38	6.9	3.0	36.0
Concessional	10403.85	10575.87	10275.31	10073.27	10842.44	7.6	4.2	27.3
Non-concessional	3494.50	3371.89	3402.73	3316.60	3473.94	4.7	-0.6	8.7
Financial Institutions	107.57	59.90	0.00	0.00	0.00	-	-100.0	0.0
Concessional	107.57	59.90	0.00	0.00	0.00	-	-100.0	0.0
Non-concessional	0.00	0.00	0.00	0.00	0.00	-	-	0.0
Suppliers' Credit	3495.94	3434.68	3280.56	3115.96	3265.38	4.8	-6.6	8.2
Concessional	1375.42	1369.00	1309.11	1262.61	1324.46	4.9	-3.7	3.3
Non-concessional	2120.52	2065.68	1971.46	1853.34	1940.92	4.7	-8.5	4.9
Domestic Debt	**4658.95**	**4756.08**	**4473.82**	**4558.71**	**4567.61**	**0.2**	**-2.0**	**11.5**
Banks	1766.75	1788.79	1526.20	1606.00	1554.69	-3.2	-12.0	3.9
Long-term	1302.85	1334.39	1105.42	1145.31	1083.71	-5.4	-16.8	2.7
Treasury bonds	1225.86	1334.39	1105.42	1145.31	1083.71	-5.4	-11.6	2.7
Central Bank (IMF)	76.99	0.00	0.00	0.00	0.00	-	-100.0	0.0
Short-term (T-bills)	463.90	454.41	420.78	460.68	470.98	2.2	1.5	1.2
Non-bank	2892.20	2967.29	2947.62	2952.71	3012.93	2.0	4.2	7.6
Long-term (T-bonds)	2609.34	2673.82	2641.65	2676.76	2735.91	2.2	4.9	6.9
Short-term (T-bills)	282.86	293.47	305.96	275.95	277.02	0.4	-2.1	0.7
DEBT INDICATORS								
Total Debt-to-GDP	61.0	58.3	56.2	55.1	57.9	-	-	-
External Debt-to-Total Debt	79.8	79.5	80.0	79.2	80.2	-	-	-
Concessional Debt-to-External Debt	61.4	62.2	69.2	62.2	62.8	-	-	-
External Debt Service-to-Revenue	5.4	6.8	3.6	5.2	3.5	-	-	-
External Debt Service-to-Exports	7.0	9.7	6.1	7.4	5.9	-	-	-

Source: Central Bank of Lesotho and Ministry of Finance

6. Foreign Trade and Payments

Overview

Lesotho's external sector remained in surplus during the fourth quarter of 2024, supported primarily by ongoing construction activity under the LHWP Phase II and a rise in reserve assets linked to increased disbursements for government-related projects. As a share of GDP, the external sector surplus stood at 11.2 per cent, down from a revised 13.9 per cent in the preceding quarter.

Current Account

The current account also recorded a surplus, amounting to M296.91 million, compared to M649.76 million in the previous quarter. This surplus was largely driven by net inflows in the primary and secondary income accounts, which outweighed deficits in the goods and services accounts. As a share of GDP, the current account surplus declined to 2.7 per cent, from a revised 6.2 per cent in the third quarter.

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

	2023	2024				% Changes	
	Q4	Q1	Q2	Q3	Q4	Q/Q	Y/Y
Current Account	**-661.86**	**786.26**	**330.90**	**649.76**	**296.91**	**-54.3**	**144.9**
(a) Goods	-3 913.99	-2 897.33	-3 251.08	-3 019.93	-3 641.65	**-20.6**	**7.0**
Merchandise exports, f.o.b.	4 302.71	4 517.40	4 316.55	4 732.64	4 161.20	**-12.1**	**-3.3**
Of which diamonds	1 486.73	1 478.85	1 052.42	1 154.00	925.88	**-19.8**	**-37.7**
Of which textiles & clothing	1 960.92	1 828.68	1 835.87	2 076.37	2 146.27	**3.4**	**9.5**
Of which water	391.37	874.09	962.63	978.80	579.63	**-40.8**	**48.1**
Of which agriculture	140.62	130.21	136.89	126.48	149.56	**18.2**	**6.4**
Of which re-exports	65.22	40.71	46.86	46.97	50.93	**8.4**	**-21.9**
Other exports	257.85	164.85	281.88	350.02	308.93	**-11.7**	**19.8**
Merchandise imports, f.o.b.	8 216.70	**7 414.73**	**7 567.63**	**7 752.57**	**7 802.85**	**0.6**	**-5.0**
(b) Services	**-1 886.51**	**-1 814.02**	**-1 849.35**	**-1 853.05**	**-1 890.43**	**-2.0**	**-0.2**
(c) Primary Income	**2 331.81**	**2 279.89**	**2 323.84**	**2 456.75**	**2 731.36**	**11.2**	**17.1**
(d) Secondary Income	**2 806.84**	**3 217.729**	**3 107.491**	**3 065.983**	**3 097.631**	**1.0**	**10.4**

Source: Central Bank of Lesotho

Merchandise Exports

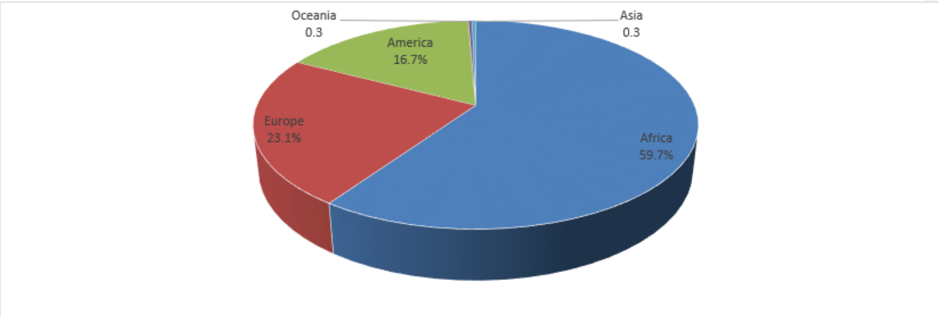
Merchandise exports declined by 12.1 per cent, reversing the 8.1 per cent growth recorded in the previous quarter. The contraction was primarily driven by significant reductions in diamond and water exports. Diamond exports fell due to lower production, as the industry continued to face headwinds from the growing presence of lab-grown diamonds. Meanwhile, water exports declined as maintenance works at the 'Muela Hydropower Station temporarily halted the transfer of water to South Africa. These declines were partially offset by increased exports of textiles and clothing, as well as improved agricultural exports.

On a year-on-year basis, merchandise exports fell by 3.3 per cent, compared to a 17.5 per cent increase in the third quarter. As a share of GDP, merchandise exports accounted for 37.4 per cent, down from 44.8 per cent in the preceding quarter.

Direction of Trade - Exports

Africa remained the largest regional destination for Lesotho's exports in the fourth quarter of 2024, accounting for 59.7 per cent of total exports, up from 57.1 per cent in the previous quarter. The bulk of these exports comprised textiles and clothing destined for South Africa. Europe was the second-largest destination, with its share declining to 23.1 per cent from 26.3 per cent, mainly due to reduced diamond exports to Belgium. The Americas accounted for the third-largest share, rising marginally to 16.7 per cent from 16.4 per cent, largely supported by textiles and clothing exports to the United States. Asia and Oceania remained the smallest export destinations, each representing only 0.3 per cent of total exports.

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



Source: Central Bank of Lesotho

Merchandise Imports

Merchandise imports rose by 0.6 per cent in the fourth quarter of 2024, following a 2.4 per cent increase in the previous quarter. The uptick was driven by higher imports of food and vegetables, reflecting elevated demand ahead of the festive season. In addition, imports of machinery and transport equipment increased, largely due to ongoing construction activities under LHWP Phase II.

Compared to the same period a year earlier, merchandise imports declined by 5.0 per cent, following a 2.9 per cent increase in the previous quarter. As a share of GDP, merchandise imports rose to 73.4 per cent, up from 63.3 per cent in the third quarter.

Services account

The services account deficit widened by 2.0 per cent, compared with a revised increase of 0.2 per cent in the previous quarter. This deterioration was primarily driven by higher payments for freight services, in line with the increase in merchandise imports, as well as increased spending on telecommunications services. Additionally, official foreign travel payments rose during the review period. As a share of GDP, the services account deficit amounted to 17.0 per cent, slightly below the revised 17.9 per cent recorded a year earlier.

Primary Income Account

The primary income account surplus increased by 11.2 per cent in the fourth quarter of 2024, up from a 5.7 per cent rise in the preceding quarter. This growth was largely driven by higher interest earnings on investments held by domestic financial institutions abroad, benefiting from elevated global interest rates. There was also a notable increase in receipts related to maintenance and operational costs for LHWP Phase I, reflecting extensive repair work at the 'Muela hydropower plant. However, the surplus was partially moderated by higher government interest payments on foreign loans.

Compared to the same period a year earlier, the primary income surplus rose by 17.1 per cent, following a 7.2 per cent increase in the third quarter. As a share of GDP, the surplus stood at 24.6 per cent, up from a revised 23.3 per cent in the previous quarter.

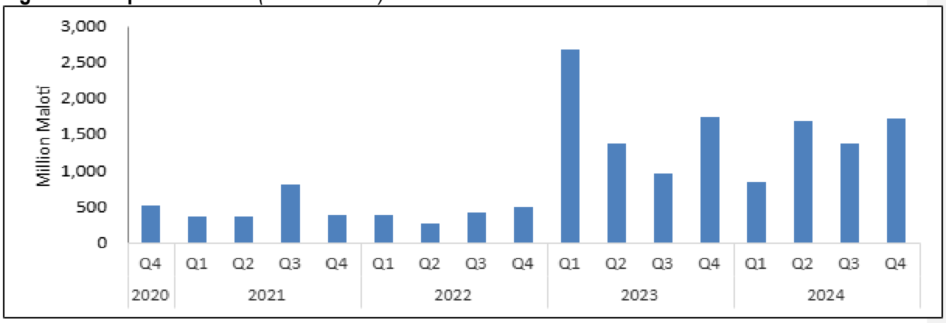
Secondary Income Account

The secondary income account surplus grew by 1.0 per cent, reversing the 1.3 per cent contraction recorded in the third quarter. This modest improvement was mainly attributed to a decline in subscriptions to international organisations. On a year-on-year basis, the surplus expanded by 10.4 per cent, up from 8.8 per cent in the preceding quarter. As a share of GDP, the surplus declined slightly to 27.9 per cent, from a revised 29.0 per cent in the previous quarter.

Capital Account

Capital account inflows rose markedly in the review quarter, reaching M1.73 billion from M1.38 billion in the previous quarter. These inflows continued to reflect receipts related to main works and advance infrastructure activities under LHWP Phase II. On a year-on-year basis, however, capital inflows declined by 1.3 per cent, following a 44.6 per cent increase in the preceding quarter. As a share of GDP, capital account inflows rose to 15.5 per cent, from a revised 13.1 per cent in the prior quarter.

Figure 23: Capital Account *(Million Maloti)*



Source: Central Bank of Lesotho

Financial Account

The financial account remained in surplus during the review quarter, with net outflows totalling M621.64 million, down from M730.37 million in the previous quarter. The surplus was primarily driven by an increase in reserve assets. However, this was partly offset by outflows in direct investment, portfolio investment, and other investment categories.

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

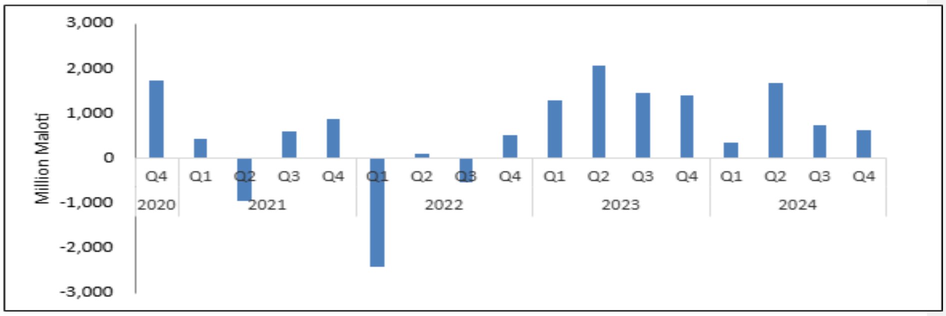
	2023	2024			
	Q4	**Q1**	**Q2**	**Q3**	**Q4**
Financial account	**1372.06**	**326.70**	**1671.74**	**730.37**	**621.64**
Direct Investments, net	389.09	149.90	245.55	216.15	-368.82
Portfolio Investments, net	408.60	-43.18	418.45	403.37	-197.46
Financial Derivatives, net	0.00	0.00	0.00	0.00	0.00
Other Investments, net	345.97	83.56	560.02	-919.19	-1235.49
Of which Loans	-503.40	266.63	-712.16	-110.43	-282.96
Claims on Non-Residents	34.48	34.48	34.48	34.48	34.48
Liabilities to Non-Residents	537.88	-232.15	746.64	144.91	317.44
Of which Currency and Deposits	923.43	-109.01	1346.24	-734.70	-878.47
Claims on Non-Residents	1087.08	-326.50	1014.62	-612.27	-1105.06
Liabilities to Non-Residents	163.65	-217.49	-331.62	122.43	-226.59
Of which Special Drawing Rights	0.00	0.00	0.00	0.00	0.00
Reserve Assets	228.41	136.41	447.72	1030.03	2423.41

Source: Central Bank of Lesotho

Reserve asset outflows rose to M2.42 billion, from M1.03 billion in the previous quarter, primarily reflecting government-related project flows. Conversely, inflows under Other Investments rose to M1.24 billion, from M919.19 million, largely due to the maturity-driven reduction in commercial banks' foreign investments. This was further supported by increased disbursements of foreign loans to the government.

Direct investment recorded net inflows of M368.82 million, reversing an outflow of M216.15 million in the prior quarter. This improvement stemmed from increased loan disbursements to resident companies by non-resident shareholders, particularly in the construction and electricity sub-sectors, in line with ongoing activities under LHWP Phase II and the rural electrification programme.

Figure 24: Financial Account *(Million Maloti)*

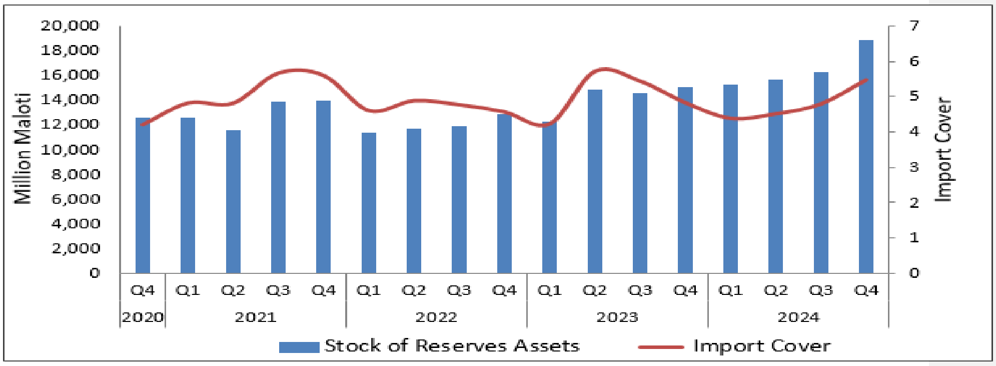


Source: Central Bank of Lesotho

Reserve Assets

The stock of foreign reserves rose to M18.87 billion, from M15.04 billion in the previous quarter, primarily reflecting increased disbursements for government-related projects. Consequently, import cover improved to 5.5 months, up from 4.8 months.

Figure 25: Reserve Assets



Source: Central Bank of Lesotho