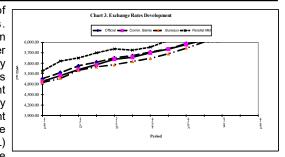
Advances and the Le68.05bn increase in holdings of Government Treasury Bills by commercial banks. Consequently, Budget Financing by the Banking System increased by 2.15 percent (Le67.34bn) but was however lower than the 3.05 percent (Le92.58bn) growth recorded in July 2016. Credit to the Private Sector by Deposit Money Banks remained sluggish with a marginal growth of 0.15 percent relative to the 0.97 percent growth in July 2016. Reserve Money also contracted 4.69 percent contrary to the 2.64 percent growth recorded in July 2016. The contraction in RM could be partly attributed to Sterilization by Bank of Sierra Leone (BSL) in respect of the wholesale Foreign Exchange Auction. The interest rates on Banks' deposits and lending rates generally remained unchanged. The monthly average interest rates on Savings 1-month, 3-months, 6-months, 9-months and 12months' time deposits stayed at 2.54 percent, 2.80 percent, 3.02 percent, 4.28 percent, 3.38 percent and 5.80 percent, respectively. The average lending rates of commercial banks stayed at the range of 18.23 percent to 24.95 percent. Yields on short tenure of Government securities increased, while those on the long tenure slightly declined. Annual yields on 3months and 6-months treasury bills increased from 5.73 and 8.94 percent in July, 2016 to 6.36 and 10.19 percent in August, 2016 respectively, while that on 12-months slightly contracted from 17.89 percent to 17.29 percent. Interest rates on 12months and 24-months treasury bonds remained at 5 percent and 14.38 percent, respectively.

## Exchange Rates Developments

The Leone continued to depreciate against all major currencies in August 2016. It depreciated against the US Dollar in all segments of the foreign exchange market

with the exception of the auction rate, which continued to exhibit marginal appreciation. This development was explained by excess

demand for foreign exchange against the backdrop of low supply. On the buying front, the exchange rate in the Parallel market, depreciated the highest by 3.58 percent to Le6,963.04/US\$1; while the Commercial Banks, Official markets and the Bureaux depreciated by 3.28 percent to Le6,322.69/US\$1; 1.8 percent to Le6,154.03/US\$1 and 0.98 percent to Le6,136.83/US\$1, respectively. Similarly, on the selling front, the Parallel market depreciated the highest by 3.07 percent to Le7,036.96/US\$1, followed by the Official



market, Commercial Banks and the Bereaux market which depreciated by 1.84 percent to Le6,278.35/US\$1, 1.66 percent to Le6,652.51/US\$1 and 1.04 percent to Le6,210.24/US\$1, respectively. The auction rate however appreciated marginally by 0.21 percent to Le6,026.29/US\$1 during the period under review. The premium between the Official and the Parallel rates widened by 19.05 percent from Le679.54/US\$1 in the preceding month to Le809.02/US\$1 in the review period.

## International Reserves

Gross External Reserves of the Bank of Sierra Leone decreased to US\$529.20mn (4.41%), from US\$553.62mn recorded in the previous month. This development was on account of increased outflows of US\$31.34mn which Table 2 outweighed inflows of US\$7.78mn, indicating a net outflow of US\$23.56mn. Foreign exchange inflows amounted to US\$7.78mn during the month compared to the US\$71.05mn recorded in July 2016. The inflows largely constituted export receipts amounting to US\$5.64mn, of which US\$3.16mn was Source: Statistics Sierra Leone royalty payments from Sierra Rutile. Other foreign exchange States Dollar continued to depreciate in all the inflows during the month amounted to US\$1.71mn. Foreign exchange outflows amounted to US\$31.34mn during the month. The major outflows included Bank of Sierra Leone's sales of foreign exchange in the interbank market amounting to US\$16.40mn, other government expenditure (US\$8.48mn), printing of domestic currency (US\$1.53mn), Embassies/ Missions payments (US\$1.32mn) and Debt Service payment to various creditors amounting to US\$0.93mn.

- Not Applicable

**Research Department Published October 2016** 



# **Monthly Economic Review** August 2016

Bank of Sierra Leone website-www.bankofsierraleone-centralbank.org

Volume 18 Issue 8

## **Highlights**

Macroeconomic performance was weak during the month of August 2016. Inflationary pressures continued during the review period, recording 10.84 percent in August 2016, from 10.53 percent recorded in July 2016. Notwithstanding the significant decline in total expenditure, overall fiscal deficit deteriorated further from Le159.93bn in July 2016 to Le203.13bn in August 2016, attributable to a marked decline in domestic revenue mobilization, coupled with a significant decline in external grants received during the reporting month. The monthly average exchange rate of the Leone to the United

aimed at financing the construction of a transmission line from Bumbuna Hydro Dam II to Freetown and to build sub-stations to deliver electricity to various towns and communities along the line.

#### Real Sector

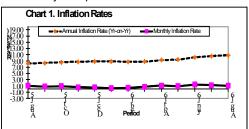
Output from the manufacturing sector posted mixed trends during the month under review. Production levels increased for Beer & Stout, Acetylene, Paint and Oxygen while Cement and Soft Drinks recorded declines in their levels as a result of the slow pace in economic activities in Sierra Leone. Production of Acetylene and Beer & Stout grew by 68.14 percent

,						PRODU	JCTION						
V		Aug-15	Sep-15	O ct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
,	Mineral												
r	Diamonds ('000 Carats)	31.33	63.06	23.93	11.92	43.82	57.29R	54.81	66.04	4.75	84.69	79.49	19.49
	Industrial ('000 Carats)	0.96	10.40	1.04	4.05	6.42	1.21	7.81	10.41	1.96	11.75	9.96	6.51
S	Gem ('000 Carats)	30.37	52.66	22.89	7.87	37.80	56.07	46.99	55.63	2.79	73.45	69.53	12.98
	Bauxite ('000 MT)	102.20	190.02	**	**	**	116.64	101.00	111.07	129.74	123.42	126.72	130.40
е	Rutile ('000'MT)	12.02	12.01	**	**	**	7.69	8.58	10.51	10.42	10.75	13.46	14.40
	Ilmenite ('000 MT)	3.62	3.53	**	**	**	1.73	1.56	**	1.54	0.75	2.73	2.90
	Gold (Ounces)	3.58	98.01	338.85	353.69	74.05	180.86	127.98	222.06	715.77	372.35	1055.31	645.26
	Agriculture												
	Coffee (Metric Tons)	**	**	**	**	**	**	464.26	413.34	556.09	364.94	185.00	**
	Cocoa (Metric Tons)	**	**	**	**	**	710.76	260.09	38.09	161.24	124.25	**	**
	Manufactured Goods												
	Beer and Stout ('000 ctns)	80.10	74.05	75.80	78.65	83.00	77.99	88.54	79.45	80.90R	85.92	31.33	57.90
	Maltina ('000 Cartons)	36.44	25.98	26.88	26.79	24.02	23.98	21.87	15.60	19.80R	21.00	20.70	23.90
	Soft drinks ('000 Crates)	178.09	87.21	81.14	78.97	104.04	105.98	101.35	100.08	105.90R	81.69	69.97	78.66
	Cement ('000 MT)	27.32	21.35	23.44	26.00	32.10	25.67	24.32	27.57R	30.90R	28.40	29.80	25.60
_	Paint ('000 Gallons)	34.00	34.01	32.98	30.88	26.40	24.45	25.98	20.87	16.00	19.80	16.90	14.65
е	Acetylene ('000 Cu Ft)	18.90	18.00	28.00	24.56	26.14	16.00R	14.00R	12.00	11.500	13.89	17.60	12.43
_	Oxygen ('000 Cu Ft)	35.10R	39.00	44.50	32.46	30.27	41.00R	36.00R	48.00	41.50	41.90	45.87	27.50
П	Confectionery ('000 Lb)	232.70R	212.28	300.43	399.45	300.11	290.08	293.54	293.30	289.72	285.09	277.90	287.98
	Common Soap('000MT)	58.08R	35.90	47.17	78.97	56.01	54.50	8.21	8.21	7.23	48.90	54.76	50.80
П	Flour ('000 Metric tons)	na	na	na	na	na	na	na	na	na	na	na	na

Inflation Rates - National Aug-15 Sep-15 Jul-16 Vonthly Inflation Rate Annual Inflation Rate (Yr-on-Yr) % 8.35 8.71 8.86 8.77 9.45 10.53 8.21 8.58 9.28 10.16 Consumer Price Index 254.11 252.17 256.50 258.08 259.47 260.64 261.24 263.12 266.01 268.44 272.34 275.82

exchange rate markets, except in the auction market which appreciated marginally. Outturns in monetary aggregates contracted during the review month, with Broad Money (M2) and Reserve Money (RM) contracting by 0.99 percent and 4.69 percent, respectively. Gross external reserves position of the Central Bank decreased by 4.41 percent from US\$553.62mn at end July 2016 to US\$529.20mn at end August 2016, due to total outflows of US\$31.34mn far outweighing total inflows of US\$7.78mn. Major socio-economic events witnessed during the month of August 2016 were: Bank of Sierra Leone observed its 52 years of successful central banking services on 4th August 2016. To further strengthen the country's energy sector, the Government of Sierra Leone signed a US\$78.0 million loan agreement with the Export and Import (EXIM) Bank of India on 11th August 2016,

to 20.90 thousand cubic feet and 20.73 percent to 69.90 thousand cartons respectively. There was also an increase in the production of Oxygen, Paint and Maltina by 12.00 percent to 30.80 thousand cubic feet, 8.53 percent to 15.90 thousand gallons and 2.76 percent to 24.56 thousand cartons, respectively. On the other hand, production of cement and Soft Drinks decreased by 8.40 percent to 23.45 thousand metric tons and by 2.54 percent to 76.66 thousand crates





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## Monthly Economic Review

Table 3					Gove	rn m e n t	Finance	9 S					
		Aug-15	Sep-15	Oct-15	Nov-15	Dec-16	Jan - 15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-
otal Revenue (Plus Grants)	Le Mn	167,253	161,242	163,848	196,344	424,563	259,121	187,691	271,549	207,722	231,276	224,389	363,5
Oomestic Revenue	Le Mn	142,747	153,639	162,156	169,365	246,945	258,035	187,691	209,785	205,633	231,276	224,135	362,3
Customs & Excise	Le Mn	35,483	31,133	43,097	37,249	41,073	39,908	39,206	44,029	38,962	40,662	37,102	32,9
Income Tax Dept	Le Mn	39,072	60,556	38,202	56,738	132,279	65,649	52,414	63,920	70,668	77,978	88,108	251,4
Goods & Services	Le Mn	47,895	45,454	50,948	52,332	51,225	50,939	53,825	53,184	53,004	72,679	54,904	48,7
A is cellenous	Le Mn	20,298	16,496	29,909	23,046	22,368	101,539	42,247	48,652	42,999	40609R	44,022	29,1
rogram m ed Funds (Grants)	Le Mn	24,506	7,602	1,692	26,979	177,619	1,086	••	61,783	2,089		254	1,1
HIPC	Le Mn	••	1,521	1,692		265	1,086	••	1,763	2,089		254	1,1
Others*	Le Mn	24,506	6,082	••	26,979	177,354		**	60,000	••		••	
otal Expenditure	Le Mn	225,372	207,694	253,831	326,047	435,647	284,587	247,772	266,795	200,339	289,678	354,641	523,4
Pensions, Wages & Salaries	Le Mn	105,357	130,334	119,487	118,096	163,472	105,283	152,403	130,244	88,024	142,371	172,897	114,7
Other Expenditures	Le Mn	108,714	45,630	108,229	168,250	182,179	170,024	82,042	112,892	81,898	129,905	105,603	397.0
Debt Service Payment	Le Mn	11,301	31,730	26,115	39,700	89,996	9,280	13,326	23,660	30,417	17,403	76,141	11,6
Domestic	Le Mn	6,577	11,650	21,921	31,360	66,743	5,090	8,383	7,245	14,287	8,884	23,644	8,2
Foreign	Le Mn	4,724	20,079	4,194	8,340	23,252	4,190	4,944	16,415	16,130	8,519	52,496	3,3
verall Deficit/Surplus	Le Mn	-58,119	-46,453	-89,983	-129,702	-11,084	-25,466	-60,080	4,754	7,383	-57749R	-130,252	-159,9
otal Financing	Le Mn	58,119	46,453	89,983	129,702	11,084	25,466	••		••		••	
lank Financino	Le Mn	70,447	165,513	91,086	-27145	-131296	32,108	**		••		••	
Bank of Sierra Leone	Le Mn	18,429	108,669	42,983	-11722	-162235	43,576						
Commercial Banks	Le Mn	52,019	56,844	48,103	-8319	-31788	30,898						
on-Bank Financing	Le Mn	-1,309	2,518	137	21,433	10,970	14,248						
reasury Balance	Le Mn	-11,019	-121,578	-1,240	17,511	131,410	-20890	**					
oreign Finance	Le Mn	••		••	117,903			**					

respectively. The mining sector also recorded mixed performance during the reporting period, as production of diamonds increased significantly from 19.49

thousand carats in July 2016 to 59.43 thousand carats in August 2016. Gem and Industrial diamonds increased by 207.70 percent to 39.94 thousand carats and

199.39 percent to 19.49 thousand carats respectively. Pressures on domestic prices remained elevated during the month of August 2016, as headline inflation increased by 0.31 percentage points to 10.84 percent in August 2016 from 10.53 percent recorded in July, 2016. The strain on prices emanated from both food and non-food inflation. Food inflation increased to 7.29 percent in the review month from 6.94 percent in the preceding month. Similarly, non-food inflation increased to 13.40 percent in August 2016 from 13.12 percent in July 2016. The domestic price development during the month was mainly attributable to the continued depreciation of the Leone. These price developments were also reflected in all the regions which recorded the following increases: Western Area from 10.34 percent in July, 2016 to 10.49 percent in August, 2016. Northern Region from 13.00 percent to 13.49 percent, and Southern Region from 11.03 percent to 11.51 percent, while the Eastern Region recorded a marginal decrease from 11.43 percent in July, 2016 to 11.42 percent in August, 2016. The Consumer Price Index (CPI) on a month-on-month basis increased from 275.82 percent in July, 2016 to 279.15 percent in August 2016,

urne: Returns from BSI & Commercial han

resulting in a 1.21 percentage increase in inflation rate for the month of August, 2016.

### Fiscal Operations

During the month of August 2016, government budgetary operations resulted in a deficit of Le203.13bn following another deficit of Le159.93bn registered in the previous month. This trend is attributable to a 45.33 percent decline in revenue. Meanwhile, expenditures also recorded a decrease of 23.23 percent. Total revenue (including grants) amounted to Le198.74bn, which was a decline of 45.33 percent compared to Le363.55bn in the previous month and was 17.19 percent short of the

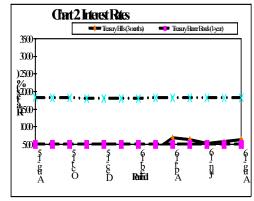


Table 4.						Monet	ary Aggre	egates						
		Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Reserve Money (RM)	Le Mn	1,574,425	1,618,911	1,617,652	1,674,461	1,723,637	1,707,603	1,713,607	1,693,552	1,690,078	1,699,352	1,699,533	1,744,405	1,662,658
Broad Money (M2)	Le Mn	5,094,990	5,296,792	5,324,606	5,394,339	5,487,870	5,499,473	5,556,382	5,592,494	5,668,686	5,689,044	5,776,357	5,862,059	5,803,959
Narrow Money (M1)	Le Mn	2,251,957	2,293,050	2,303,555	2,374,722	2,496,971	2,433,525	2,468,675	2,486,000	2,560,101	2,550,154	2,585,434	2,594,033	4,519,612
Currency in Circulation	Le Mn	996,822	1,018,116	1,040,457	1,068,350	1,176,286	1,099,748	1,076,542	1,125,665	1,139,637	1,090,586	1,103,243	1,104,146	1,058,030
Demand Deposits	Le Mn	1,255,136	1,274,934	1,263,099	1,306,373	1,320,685	1,333,778	1,392,133	1,360,335	1,420,464	1,459,569	1,482,191	1,489,886	1,501,479
Budget Financing (Banking Sector)	Le Mn	2,437,360	2,599,394	2,685,479	2,776,515	2589189R	2671006R	2,734,699	2,790,220	2,838,848	2,925,836	3,039,095	3,131,675	3,199,019
Bank of Sierra Leone (BSL^)	Le Mn	471,902	580,570	618,553	724,735	562,500	648,346	684,501	674,780	696,507	754,419	824,048	860,425	859,723
Commercial Banks (DMB)	Le Mn	1,965,970	2,019,335	2,067,438	2,052,291	2,027,200	2,023,171	2,050,198	2,116,430	2,142,822	2,172,564	2,215,802	2,271,896	2,339,698
Claims on Private Sector	Le Mn	1,122,564	1,120,230	1,120,708	1,132,861	1090832R	1125202R	1129167R	1162999R	1203786R	1204573R	1,214,905	1,226,047	1,227,122
Of Which: Commercial Banks**	Le Mn	1,085,357	1,088,184	1,088,728	1,101,636	1,060,823	1,088,545	1,093,225	1,124,652	1,165,229	1,167,430	1,179,578	1,191,004	1,192,735
Claims on Non-Banking Inst.	Le Mn	50,602	54,410	50,745	55,874	39839R	48000R	55065R	50072R	48319R	42636R	55,729	46,325	33,955
Other Items (Net)	Le Mn	-2,060,655	-2,126,049	-2,209,157	-2,279,502	-2135954R	-2191949R	-2213248R	-2308880R	-2333209R	-2413075R	-2,320,263	-2,408,521	-2,381,973
* Excludes Government Securities issued on b	ehalf of B	SL and HIPC Dep	osits											
** Revised to reflect definition of Claims on Pr	rivate Sect	or given in the Ma	onetary Survey v	vhich includes onl	v Private enternr	rises and Individu	als							

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Table 5.				Interest Rates								
		Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16
Treasury Bills (3-months)	%	1.26	1.55	1.67	1.48	1.08	1.21	3.51	3.51	6.82	6.41	5.34
Treasury Bearer Bonds (1-yr.)	%	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Deposits												
Savings	%	2.62	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54
1 - 3 month	%	2.89	2.73	2.73	2.73	2.73	2.73	2.73	2.80	2.80	2.80	2.80
3 - 6 month	%	4.27	4.12	4.12	4.22	4.2	4.2	4.2	4.28	4.28	4.28	4.28
6 - 9 month	%	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38
9 - 12 month	%	5.35	5.22	5.22	5.35	5.3	5.3	5.30	5.80	5.80	5.80	5.80
Lending (Prime)	%	18.37-25.00	8.23-24.95	8.23-24.95	8.12-24.80	3.12-24.80	8.12-24.80	8.12-24.80	18.23-24.95	18.23-24.95	8.23-24.95	18.23-24.95

budgeted amount of Le239.98bn. Domestic revenue collected was Le198.69bn, which was17.21 percent below its target of Le239.98bn. The underperformance in domestic revenue was reflected in all the tax categories with the exception of Goods and Services Tax (GST) and non-tax revenue. Income tax receipts decreased by Le173.40bn to Le78.07bn in August 2016 from Le251.47bn in July 2016, and were 19.10 percent below the budgeted target of Le96.50bn. Proceeds from customs and excise fell by 23.04 percent to Le25.36bn and was lower than the projected target of Le53.39bn by 52.50 percent. Revenue from goods and services tax improved by 7.25 percent to Le52.31bn but was 9.92 percent below the budgeted target of Le58.07bn. Nontax revenue marginally increased by 47.22 percent to Le42.95bn and was 34.13 percent higher than the budgeted amount of Le32.02bn. On the expenditure side, total government expenditures decreased by 23.23 percent to Le401.87bn and were in breach of the budgeted ceiling of Le257.34bn. This outturn mainly arose from 21.36 percent increase in payments for pensions, wages and salaries to Le139.21bn, and 4.13 percent increase in debt services payment to Le12.14bn. However, other expenditure declined by 36.91 percent to Le250.52bn. The overall deficit of Le203.13bn was financed exclusively from domestic resources.

## **Monetary Developments**

Monetary aggregates in August 2016 were contractionary, as both Broad Money (M2) and Reserve Money (RM) exhibited downward trends.

Broad Money (M2) contracted by 0.99 percent compared to the 1.48 percent growth in July 2016. The contraction in M2 was attributed to the decline in Net

Foreign Assets (NFA) of the Banking System which was more than the increase in Net Domestic Assets (NDA) of the Banking System. NFA decreased by 4.19 percent (Le133.21bn) compared to the 2.56 percent (Le79.45bn) increase in the preceding period. The contraction in NFA was as a result of outflows relating to drawdown of Foreign Reserves for Wholesale Foreign Exchange Auction and payments for ongoing Government projects including the rehabilitation of Matotoka - Sefadu Road Project and the Immigration Control System. The contraction in NFA was further reinforced by decrease in claims on overseas Banks by commercial banks. NDA on the other hand, increased by 2.80 percent (Le75.11bn) which was more than the 0.23 percent (Le6.26bn) growth in the preceding month. The growth in NDA was on account of the increase in both Domestic Credit (Le48.56bn) and Other Items Net (Le26.55bn). Domestic Credit grew as a result of the Le25.41bn utilization of Ways and Means

Table 6.				EX	CHANGER	ATES (Avera	age Monthl	ly Buying)					
		Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
Leone to Dollar													
Official	Le/\$	4,952.78	5,132.09	5,323.53	5,430.04	5,55262	5,616.17	5,720.56	5,811.63	5,963.24	6,03243	6,042.18	6,04296
Comm Banks	Le/\$	4,880.93	5,045.82	5,218.68	5,356.58	5,516.44	5,569.79	5,699.07	5,806.93	5,940.09	6,071.16	6,115.35	6,121.68
Bureaux	Le/\$	4,847.85	4,967.04	5,199.78	5,292.78	5,354.12	5,448.70	5,533.89	5,668.95	5,831.84	6,006.74	6,030.23	6,077.05
Parallel Market	Le/\$	5,174.52	5,459.52	5,552.27	5,696.43	5,810.00	5,775.00	5,862.50	6,057.50	6,190.00	6,357.14	6,597.73	6,722.50
Leone to PoundR	Le/£	7,723.62	7,879.87	8,162.14	8,256.00	8,335.43	8,094.27	8,197.05	8,264.10	8,087.38	8,763.99	8,583.75	7,955.20
Source: Bank of Serra Leone													
Table 7.				EXCHAN	<b>GE RATES</b>	(Average N	onthly Sell	ling)					

Table 7.				EXCHAN	<b>ERATES</b>	(Average M	onthly Sell	ing)					
		Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
Leone to Dollar													
Auction	Le/\$	5,126.40	5,417.30	5,560.40	5,616.40	5,686.79	5,692.24	5,743.40	**	**	6,146.73	6,084.52	6,039.00
Official <sup>R</sup>	Le/\$	5,052.84	5,235.76	5,431.08	5,539.74	5,664.80	5,729.63	5,836.33	5,929.04	6,083.71	6,154.29	6,164.24	6,165.04
Comm Banks	Le/\$	5,080.31	5,287.17	5,487.97	5,580.51	5,685.04	5,747.25	5,570.61	5,94277	6,120.19	6,235.15	6,404.49	6,453.90
Bureaux	Le/\$	4,903.13	5,027.91	5,277.40	5,419.86	5,450.89	5,533.20	5,346.07	5,751.50	5,932.17	6,067.31	6,098.29	6,146.24
Parallel Mkt.	Le/\$	5,274.52	5,611.90	5,641.36	5,790.71	5,867.50	5,875.00	5,920.00	6,107.50	6,215.00	6,407.14	6,647.73	6,827.50
Leone to Pound <sup>R</sup>	Le/£	7,881.93	8,040.71	8,329.30	8,424.85	8,505.78	8,259.99	8,364.99	8,383.87	8,252.83	8,943.76	8,760.17	8,118.84
Source; Bank of Sierra L	<i>e</i> one												