



BANK OF SIERRA LEONE

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BANK OF SIERRA LEONE

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ABBREVIATIONS

AfDB	-	African Development Bank
BOP	-	Balance of Payments
BSL	-	Bank of Sierra Leone
CPI	-	Consumer Price Index
GoSL	-	Government of Sierra Leone
GW/hr	-	Giga-Watts Per Hour
HIPC	-	Heavily Indebted Poor Countries
IDA	-	International Development Association
IMF	-	International Monetary Fund
M2	-	Broad Money
MER	-	Monthly Economic Review
MPR	-	Monetary Policy Rate
NDA	-	Net Domestic Assets
NFA	-	Net Foreign Assets
ODC	-	Other Depository Corporation
OFID	-	OPEC Fund for International Development
OIN	-	Other Items Net
OPEC	-	Organization of the Petroleum Exporting Countries
RM	-	Reserve Money
WB	-	World Bank

1.0 Highlights

Sierra Leone's macroeconomic performance was mixed during the month of January 2017. The overall fiscal deficit on cash basis narrowed to Le47.80bn at end January 2017 from a deficit of Le103.93bn at end December 2016. Pressure on inflation continued as the national year-on-year inflation rate increased from 17.41 per cent at end December 2016 to 18.66 per cent at end January 2017, due to the depreciation in the foreign exchange rate.

Monetary aggregates contracted during the review month, but at a slower pace compared to December 2016. Broad Money (M2) and Reserve Money (RM) contracted from 4.30 per cent and 12.84 per cent in December 2016 to 2.18 per cent and 2.76 per cent respectively, in January 2017.

The monthly average exchange rate of the Leone to the United States Dollar exhibited mixed trends during the reporting month. The gross external reserves of the BSL stood at US\$491.01 at end January 2017, reflecting a decline of 2.54 per cent when compared to US\$503.79mn recorded in December 2016.

On 24th January 2017, Sierra Leone implemented the recommendations of the enhanced General Data Dissemination System (e-GDDS)—endorsed by the IMF Executive Board in May 2015—by disseminating a National Summary Data Page (NSDP). The page serves as a one-stop publication vehicle for essential macroeconomic data—in both human and machine-readable formats. This places Sierra Leone in the first set of countries to implement the recommendations of the e-GDDS.

2.0 Production

2.1 Mining

The mining sector registered improvements in production during the reporting period. Total diamond production was recorded at 21.97 thousand carats, representing an increase by 253.78 per cent. This comprised 11.03 thousand carats of industrial diamond and 10.66 thousand carats of gem diamonds. Gold production increased from 1.05 thousand ounce in December 2016 to 63.07 thousand ounces in January 2017. Bauxite, zircon and iron ore production also recorded increases in production. Production of Bauxite grew by 13.15 per cent to 143.55 thousand metric tons, zircon by 0.87 thousand metric tons from 0.09 thousand metric tons to while iron ore went up by 2.42 per cent to 1,068.41 thousand metric tons. However, rutile and ilmenite recorded reduction in production levels during the month. Rutile production dropped by 22.58 per cent to 9.05 thousand metric tons and ilmenite by 14.86 per cent to 3.61 thousand metric tons.

2.2 Manufacturing

Manufacturing sector recorded mixed trend in output during the month of January 2017. Maltina production increased by 1.88 per cent to 22.27 thousand crates, soft by 183.69 per cent to 71.83 thousand crates, common soap by 10.46 per cent to 38.64 thousand metric tons and paint by 18.74 per cent to 23.44 thousand gallons.

Decreases in production levels were recorded for beer & stout of 0.47 per cent to 87.04 thousand cartons, acetylene by 18.86 per cent to 20.56 thousand cubic feet, oxygen by 3.19 per cent to 20.02 thousand cubic feet and confectionery by 0.92 per cent to 198.06 thousand pounds.

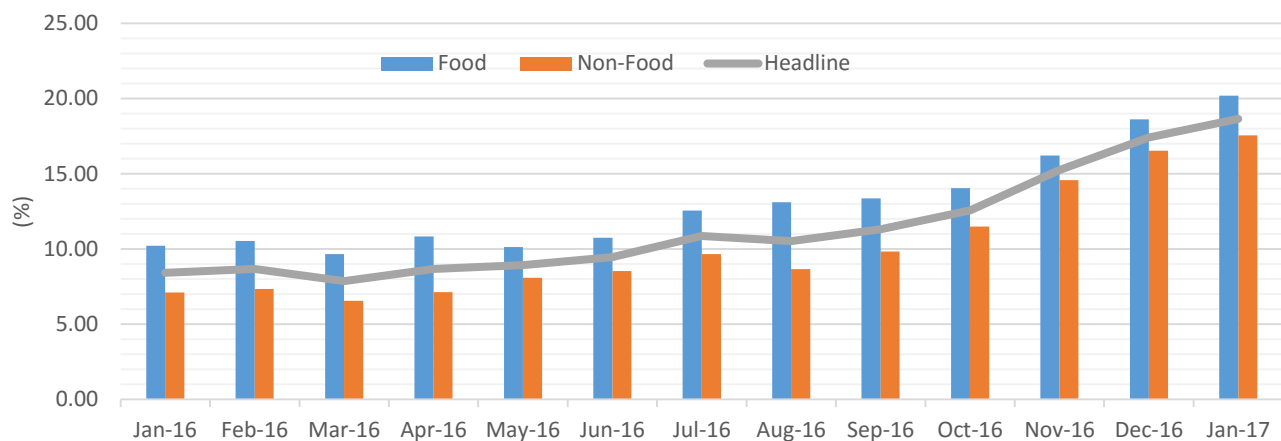
2.3 Electricity Generation

Total electricity generated amounted to 28.66GW/hr, representing a 26.75 per cent increase over the previous month. This total constituted 10.57Gw/hr of thermal plant generation and 18.09 GW/hr hydro power generation.

3.0 Price Developments

The national headline inflation rate (year-on-year) increased to 18.66 per cent in January 2017 from 17.41 per cent in December 2016. This development reflected the continued depreciation of the exchange rate. The main components accounting for the rise in headline inflation were food, clothing and footwear, transport, and restaurant and hotels.

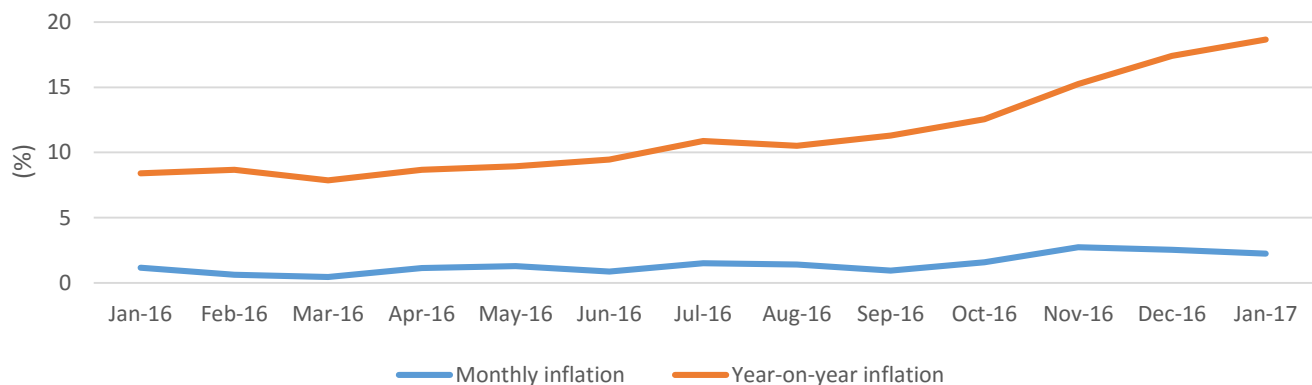
Chart 1 : Food and Non Food Component of Inflation (Year-on-Year)



Source: Statistics Sierra Leone (SSL)

There was an increase in both food and non-food categories. Food inflation increased to 20.19 per cent in January 2017 from 18.63 per cent in December 2016 while non-food inflation rose to 17.56 per cent in January 2017 from 16.54 per cent in December 2016. Food inflation continued to be the main driver of inflation during the period.

Chart 2. Headline Inflation



Source: Statistics Sierra Leone (SSL)

On monthly basis, headline inflation had been declining since November 2016, in contrast with the year-on-year inflation. Monthly inflation dropped to 2.24 per cent in January 2017 from 2.54 per cent in December 2016.

On a regional basis, inflation on year-on-year basis increased across all the regions in the country. Western Area inflation rose from 16.91 per cent to 18.64 per cent. Eastern Region from 18.24 per cent to 20.41 per cent, Northern Region from 19.08 per cent to 19.54 per cent and Southern Region inflation from 15.69 per cent to 16.13 per cent.

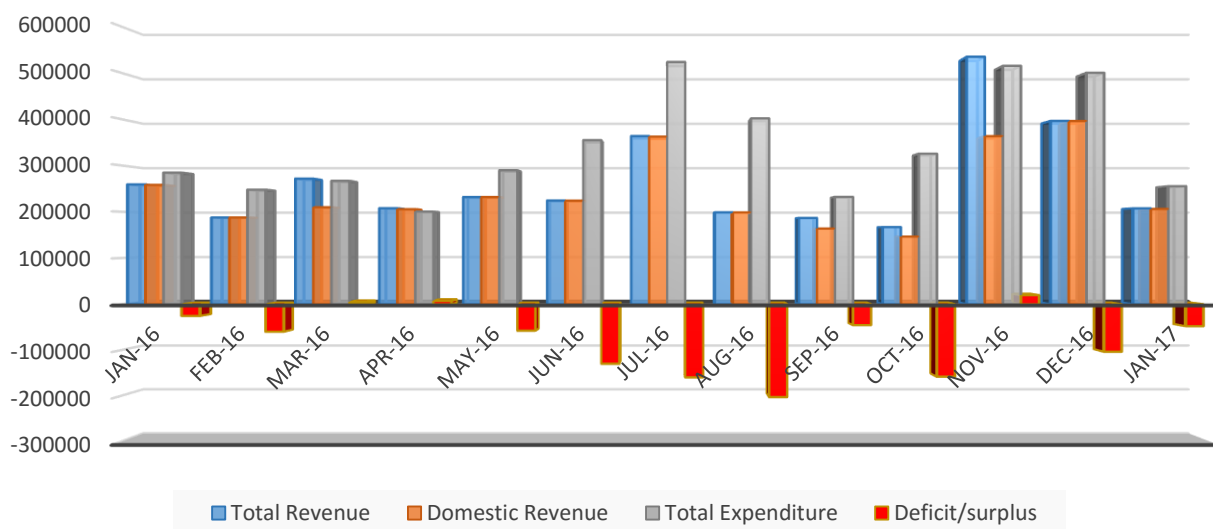
4.0 Government Budgetary Operations

Government budgetary operations for the month of January 2017 recorded a deficit of Le 47.80bn lower than the previous month's deficit of Le103.93bn.

Total revenue including grants in January 2017, amounted to Le207.40bn depicting a 47.67 per cent drop compared to December 2016. Domestic revenue decreased from Le396.05bn in December 2016 to Le206.06bn in January 2017 as was below by 10.74 percent. The decline in the domestic revenue was mainly attributed to shortfalls in collections from income tax, goods and services tax and non-tax revenue. Collections from customs and excise duties however increased over the review month. Receipts from income tax department dropped by 62.46 per cent to Le66.91bn, goods and services tax decreased by 25.87 per cent to Le50.48bn while non-tax (miscellaneous) revenue dropped by 62.17 per cent to Le43.23bn. Receipts from customs and excise rose by 2.55 per cent to Le45.44bn.

Budgetary grants disbursed in January 2017 amounted to Le1.34bn compared to Le0.31bn received in December 2016. This was mainly from HIPC Fund (Le1.34bn).

Chart 3: Government Revenue and Expenditure



Source: Ministry of Finance and Economic Development (MoFED)

Total government recurrent expenditure amounted to Le255.20bn, representing a fall of 48.99 per cent compared to the previous month's spending of Le500.30bn and was within the ceiling of Le308.38bn for January 2017. The decline in government expenditure was due to reduction in payments for pensions, wages and salaries from Le179.20bn to Le121.92bn, other expenditures declined from Le255.94bn to Le101.91bn and total debt services expenditure dropped from Le65.16bn to Le31.37bn. All expenditure components were within their budgeted ceiling in the review month. The overall fiscal deficit of Le 47.80bn was financed from domestic resources.

5.0 Monetary Developments

The outcome of monetary developments was contractionary in the month of January 2017, as both Broad Money (M2) and Reserve Money (RM) declined.

5.1 Broad Money (M2)

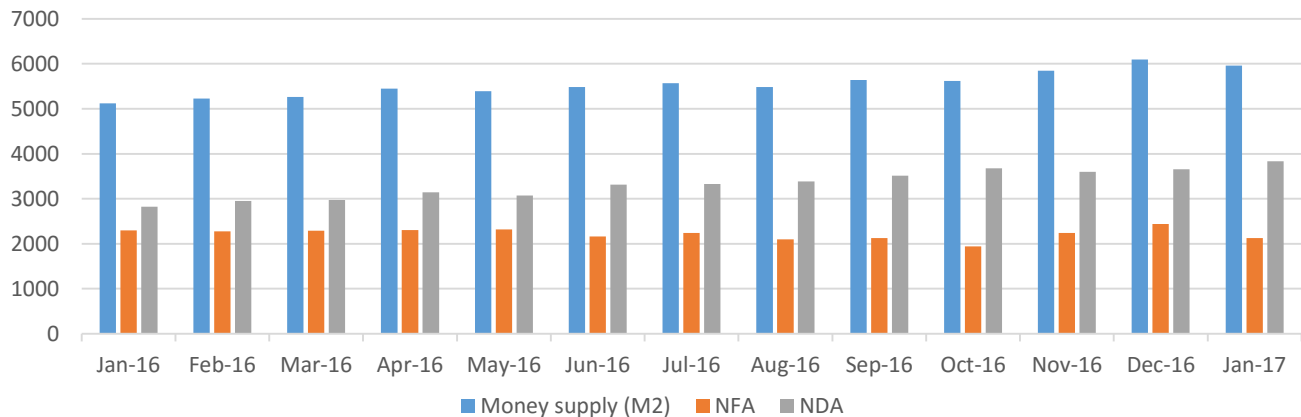
Broad Money (M2) declined by 2.18 per cent in January 2017 from a 4.30 per cent expansion recorded in December 2016. On the asset side, the contraction in M2 was due to the 12.89 per cent decrease in the Net Foreign Assets (NFA) of the banking system compared to an increase of 8.86 per cent recorded in December 2016. NFA contracted due to outflows in respect of wholesale foreign exchange auction by the central bank, and settlement of international government commitments. However, Net Domestic Assets (NDA) of the banking system increased by 4.99 per cent compared to 1.46 per cent growth recorded in December 2016. The main reasons were increase in Government borrowing to finance fiscal operations coupled with changes in Other Items Net (OIN) arising from reclassification of instruments.

Table 1: Money Supply and Sources

	2016/2017			Absolute Change		Change (%)	
	Nov-16	Dec-16	Jan-17	Dec-16	Jan-17	Dec-16	Jan-17
Reserve money	1,857.19	2,095.60	2,037.70	238.41	(57.90)	12.84	(2.76)
Money supply (M2)	5,844.56	6,096.14	5,963.47	251.58	(132.67)	4.30	(2.18)
Narrow money (M1)	2,781.47	2,746.65	2,675.88	(34.82)	(70.77)	(1.25)	(2.58)
Currency outside banks	1,133.51	1,261.48	1,180.56	127.97	(80.92)	11.29	(6.41)
Demand deposit	1,647.96	1,485.17	1,495.32	(162.79)	10.15	(9.88)	0.68
Quasi money	3,063.09	3,349.48	3,287.59	286.39	(61.89)	9.35	(1.85)
o.w. Foreign currency deposit	1,470.64	1,735.90	1,551.61	265.26	(184.29)	18.04	(10.62)
Time and saving deposit	1,591.98	1,613.18	1,735.88	21.20	122.70	1.33	7.61
Net Foreign Asset	2,244.06	2,442.93	2,128.05	198.87	(314.88)	8.86	(12.89)
BSL	646.94	789.05	639.56	142.11	(149.49)	21.97	(18.95)
ODCs	1,597.12	1,653.88	1,488.49	56.76	(165.39)	3.55	(10.00)
Net Domestic Assets	3,600.50	3,653.21	3,835.42	52.71	182.21	1.46	4.99
o.w. Net Domestic Credit	4,841.84	4,964.66	4,974.70	122.82	10.04	2.54	0.20
Government (Net)	3,205.89	3,373.26	3,491.45	167.37	118.19	5.22	3.50
Private Sector	1,366.94	1,346.21	1,312.14	(20.73)	(34.07)	(1.52)	(2.53)
Other Sectors (Net)*	269.01	245.19	171.11	(23.82)	(74.08)	(8.85)	(30.21)
Other Items (Net)	(1,241.34)	(1,311.45)	(1,139.28)	(70.11)	172.17	5.65	(13.13)
Monthly RM growth	14.28	12.84	-2.76				
Monthly M2 growth	4.00	4.30	-2.18				
Money Multiplier	3.15	2.91	2.93				

Source: Research Dept. Bank of Sierra Leone

* Other Sectors (Net) includes State & Local, Other Financial corporations, Public non-financial corp.

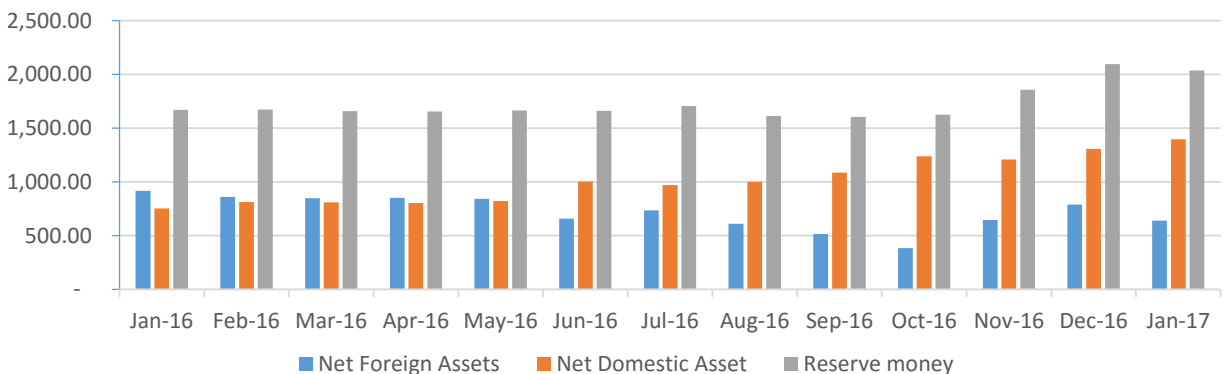
Chart 4: M2 and its Sources

Source: Research Department. BSL

On the liability side, the contraction in M2 was mirrored by the decline of both Narrow Money and Quasi Money. Narrow Money decreased further by 2.58 per cent in January from a decline of 1.25 per cent in December 2016 and was mainly due to the 6.41 per cent contraction in currency outside banks. Quasi Money declined by 1.85 per cent compared to the growth rate of 9.35 per cent in the preceding month driven mainly by the 10.62 per cent decline in Foreign Currency Deposits. However, Time and Savings Deposits further increase by 7.61 per cent from a growth of 1.33 per cent in December 2016.

5.2 Reserve Money

Reserve Money contracted by 2.76 per cent in January 2017 from a 12.84 per cent expansion rate in the preceding month. The decrease in Reserve Money was due to the 18.95 per cent (Le149bn) drawdown in the Net Foreign Assets of the Central Bank for settlement of foreign obligations and Wholesale foreign exchange Auction by the Central Bank. However, Net Domestic Assets of the central Bank increased mainly on account of 4.13 per cent (Le30.60bn) increase in holdings of Government Securities to finance fiscal operations.

Chart 5: Reserve Money and its Sources

Source: Research Department BSL

With regards the liability side of the Bank's balance sheet, the decrease in Reserve Money translated into a 7.05 per cent (Le103.40bn) contraction of currency in issued Growth in Bankers' Reserves moderated to 7.19 per cent (Le45.21bn) from a growth of 15.57 per cent (Le84.74bn) in December 2016.

Table 2: Reserve Money and its Sources

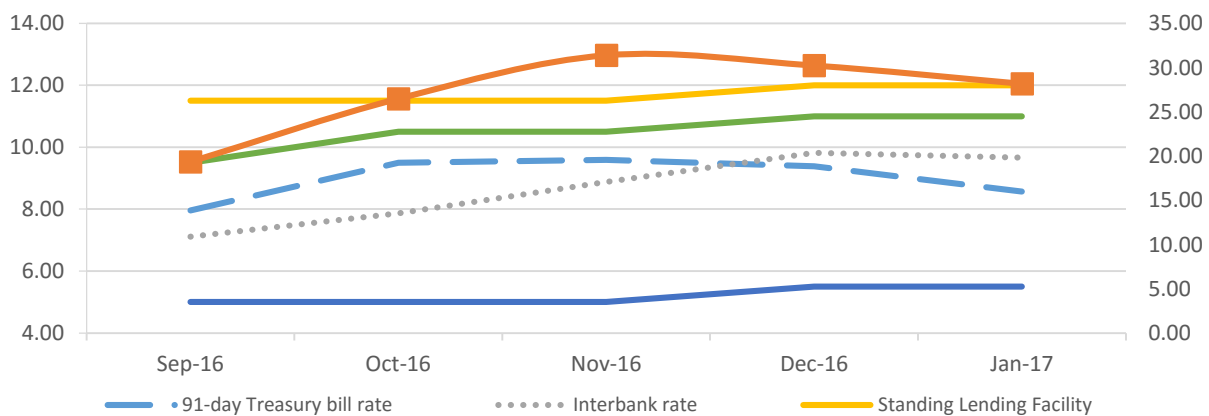
	2016/2017			Absolute change		Change (%)	
	Nov-16	Dec-16	Jan-17	Dec-16	Jan-17	Dec-16	Jan-17
1. Net Foreign Assets	646.94	789.05	639.56	142.11	(149.49)	21.97	(18.95)
2. Net Domestic Assets	1,210.25	1,306.55	1,398.14	96.30	91.59	7.96	7.01
2.1 Government Borrowing (net)	1,495.17	1,600.77	1,686.80	105.60	86.03	7.06	5.37
o.w. 2.11 Securities	761.26	740.12	770.72	(21.14)	30.60	(2.78)	4.13
2.12 Ways and Means	90.55	111.59	183.24	21.04	71.65	23.24	64.21
2.13 GOSL/IMF Budget financing	788.62	880.82	880.82	92.20	-	11.69	-
2.2 Credit to the Private sector by ODC	1,366.94	1,321.28	1,287.23	(45.66)	(34.05)	(3.34)	(2.58)
3. Reserve money	1,857.19	2,095.60	2,037.70	238.41	(57.90)	12.84	(2.76)
o.w. 3.1 Currency issued	1,313.50	1,467.09	1,363.69	153.59	(103.40)	11.69	(7.05)
3.2 Bank reserves	544.16	628.90	674.11	84.74	45.21	15.57	7.19

Source: Research Dept. Bank of Sierra Leone

5.3 Interest Rates

The Monetary policy Rate (MPR) remained at 11 per cent in January 2017 with the standing lending and the Standing deposit rates at 12.00 per cent and 5.50 per cent respectively. The interbank market rate declined to 9.66 per cent in January 2017 from 9.82 per cent in December 2016 and was within the monetary policy corridor rate of the central bank. The interest rate on savings stood at 2.38 per cent and the average lending rate remained at 21 per cent.

Chart 6: Monetary Policy Rate and Other Market Rates



Source: Research Department BSL.

Short term interest rate in the securities market recorded mixed outcome during the reporting period. The yield on the 364-days Treasury bills, which largely reflects the government's borrowing profile decreased to 28.16 per cent in January 2017 from 30.22 per cent in December 2016. The yield on the 182-days Treasury bill decreased to 15.68 per cent from 16.17 per cent while that on the 91-days also decreased to 8.57 per cent from 9.38 per cent during the same period.

Table 3: Interest rates (%)

	2016												2017
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17
91-day Treasury bill rate	1.21	3.51	3.51	6.82	6.41	5.34	5.73	6.36	7.96	9.5	9.59	9.38	8.57
182-day Treasury bill rate	2.57	4.12	9.21	10.18	10.49	9.68	8.94	10.19	12.03	14.69	15.52	16.17	15.68
364-day treasury bill rate	13.41	16.12	18.96	23.48	24.97	17.51	17.89	17.29	19.34	26.47	31.38	30.22	28.16
Interbank rate	2.86	2.93	3.21	4.88	6.50	7.55	6.54	7.10	7.11	7.86	8.88	9.82	9.66
Standing Lending Facility	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	11.50	11.50	11.50	12.00	12.00
Standing Deposit Facility	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	5.00	5.00	5.00	5.50	5.50
MPR	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	10.50	10.50	11.00	11.00
Average Lending rate	21.46	21.46	21.54	21.54	21.54	21.54	21.54	21.54	20.69	20.86	21.35	21.35	21.35
Savings deposits	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.23	2.27	2.38	2.38	2.38

Source: Research Dept. Bank of Sierra Leone

6.0 Exchange Rate Developments

The month-on-month average exchange rate movement of the Leone vis-à-vis the U.S dollar was mixed across all foreign exchange markets in January 2017. On the buying front, the Leone depreciated against the U.S dollar in the official, commercial banks and forex bureau markets by 0.41 per cent to Le7,195.93/US\$1, 0.42 per cent to Le7,271.03/US\$1 and 0.08 per cent to US\$7,168.52/US\$1, respectively. The exchange rate in the parallel market on the other hand, appreciated by 0.30 per cent to Le7,464.29/US\$1.

Similarly on the selling front, the Leone depreciated by 0.24 per cent to Le7,356.50/US\$1 in the Bureau market, 0.22 per cent to Le7,327.39/US\$1 in the Official channel and 0.01 per cent to Le7,564.29/US\$1 in the parallel market. On the other hand, the commercial banks' rate appreciated by 0.07 per cent to Le7,436.08/US\$1.

As demand pressures wane, the premium between the Official and Parallel rates narrowed by 0.74 per cent from Le320.04/US\$1 in December, 2016 to Le268.36/US\$1 in January 2017.

7.0 Gross External Reserves

The gross external reserves at end-January 2017 stood at US\$491.01mn, reflecting a decline of 2.54 per cent when compared to the level (US\$503.79mn) in December 2016. The observed depletion in the reserves was largely a function of outflows outpacing inflows. Foreign exchange inflows declined significantly by 93.57 per cent from US\$53.05mn in the preceding month to US\$3.41mn in January 2017, mainly because of the substantial drop in aid disbursement/BOP support from

various international organizations. Moreover, outflows also dropped from US\$37.37mn in December 2016 to US\$19.82mn in the review period, but less than proportionate to the decline in inflows.

Major inflows during the month comprised export receipts, amounting to US\$2.54mn mainly in respect of royalty payments from various mining companies, as well as other receipts. Other inflows included aid disbursement/BOP support amounting to US\$0.12mn, mainly on account of loans/grants from AfDB together with forex purchases from IDA/World Bank.

Additionally, major outflows included payments for goods and services of US\$17.23mn, disaggregated into: US\$11.80mn being amount utilized in the weekly sale of foreign exchange by BSL, US\$2.10mn being miscellaneous government outflows, US\$1.34mn in respect of salaries/wages to Embassies/Missions and BSL's utilization of US\$1.2mn regarding banking related affairs. Other outflows included debt service payments of US\$2.58mn, of which, IMF accounted for US\$2.22mn and OPEC/OFID (US\$0.26mn).