

Bank of Sierra Leone

Governor's Office



P O Box 30
Siaka Stevens Street
Freetown, Sierra Leone
West Africa

Monetary Policy Statement

The Monetary Policy Committee (MPC) of the Bank of Sierra Leone (BSL) met on Friday 29th September 2017. The Governor, Dr Patrick Saidu Conteh, chaired the meeting. In deciding on the stance of monetary policy, the committee reviewed international and domestic economic developments and their implications for inflation and growth of the Sierra Leone economy.

The Committee noted that global growth remained broadly unchanged at 3.5 per cent in 2017 from 3.2 per cent in 2016, and the outlook remains positive in the near-term, supported by better growth prospects for advanced economies, emerging market and developing economies.

The Sierra Leone economy benefitted from the recovery in global demand through the rebound in iron ore prices and exports, resulting in an improvement in the trade balance during the second quarter. The improvements in export receipts were reflected in the accumulation of reserves and the relative stability in the exchange rate that was observed since the last MPC meeting. The disbursement received from the International Monetary Fund for budgetary and balance of payments supports was also a major contributor.

Domestic economic activity remained largely on track over the review period. However, real economic activity for 2017 is expected to slow down to 5.6 per cent from 6.3 per cent in 2016, driven by reduced activities in the non-mining sector. The Committee, however, recognized that continued recovery of the economy over the medium term, depends on sustained macroeconomic stability and addressing underlying structural constraints to growth.

Inflationary pressures eased in June 2017, as annual headline inflation declined to 19.14 per cent in June 2017, 18.56 per cent in July 2017 and further to 18.01 per cent in August 2017 from a peak of 20.22 per cent in March 2017. The decline in prices during the quarter was mainly driven by the continued decline in food inflation, coupled with the relative stability in the exchange rate following the tight monetary policy stance in the first quarter.

Liquidity conditions in the money market remained tight, as evidenced by the interbank rate being close to the Monetary Policy Rate. Consequently, the BSL provided liquidity to the banking system through secondary market operations to facilitate clearing in the interbank market and improve monetary conditions. These transactions also supported credit to private sector which picked-up during the period, increasing from 10.08 per cent in quarter two (Q2) of 2017 from a contraction of 1.48 per cent in quarter one (Q1).

Although inflationary pressures are likely to dissipate during fourth quarter (Q4) of 2017, as a result of the stability in the exchange rate and the expected seasonal improvement in domestic food supply, the MPC noted that risks to the inflation outlook remain. Inflation outturn in the last quarter of the year 2017 would be influenced mainly by fiscal developments, availability of foreign exchange and developments in global commodity prices.


Having considered these developments and the outlook for the economy, the Committee observed that the focus of monetary policy in Q4 should be preventing higher rates of inflation from becoming persistent.

The MPC resolved that further tightening of monetary policy would be appropriate to consolidate the gains achieved in reducing inflation so far and decided on the following: -

- (a) Increase the Monetary Policy Rate from 13 percent to 14 per cent;
- (b) Increase the Standing Deposit Facility rate from 9.00 per cent to 10.00 per cent; and
- (c) Increase the Standing Lending Facility from 16.00 per cent to 17.00 per cent.

Therefore, effective Wednesday 4th October 2017, the following rates are published for the information of the public: -

- Monetary Policy Rate is 14.00 per cent
- Standing Deposit Facility is 10.00 per cent
- Standing Lending Facility is 17.00 per cent



Patrick S Conteh (Dr)
Governor