

BANK OF SIERRA LEONE



Monthly Economic Review

August 2024

MER/08/2024

The Monthly Economic Review (MER) is prepared by the Research and Statistics Department, Bank of Sierra Leone. The Department takes responsibility for opinions expressed in this review. Please forward any comments to res@bsl.gov.sl.

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About the Monthly Economic Review (MER): The report analyses Sierra Leone's monthly macroeconomic developments, covering the four macroeconomic sectors—real, fiscal, monetary, and external sectors. This edition analyses economic performance in August 2024.

Executive Summary

In August 2024, cocoa production declined by 53.20% to 1,125.00 metric tons and coffee production also decreased by 61.32% to 140.40 metric tons. The mining sector witnessed a contraction, with declines in the output of diamond, ilmenite, zircon, iron ore and other minerals while the output of rutile increased. There was no available data on the production of gold and bauxite. In the manufacturing sector, output increased for maltina, paint, oxygen, and confectionary while output for beer and stout and cement decreased.

Year-on-year headline inflation decreased to 25.15% in August 2024 from 29.09% in July 2024. Food inflation fell to 22.75% from 24.75% in July 2024 and non-food inflation decreased to 27.25% from 32.93% in July 2024.

Fiscal operations on a cash-flow basis resulted in a narrowed deficit of NLe272.76 million in August 2024, relative to a deficit of NLe1,050.46 million in July 2024. The narrowed deficit was due to a decline in total expenditure and an increase in total revenue. Domestic revenue expanded by 59.68% to NLe2,002.45 million in August 2024, from NLe1,254.06 million in July 2024 whilst Government expenditure decreased by 1.12% to NLe2,278.83 million. The primary balance improved registering a surplus of Nle91.21 million, from a deficit of NLe647.74 million in July 2024.

Broad money (M2) expanded by 1.14% in August 2024, reflecting an increase in Net Domestic Assets (NDA), while Net Foreign Assets (NFA) declined. NDA increased by 4.85%, while NFA declined by 3.70%. The growth in NDA was driven mainly by increase in claims on private sector and net claims on central government. The decline in Net Foreign Assets (NFA) of the banking system was driven by the decrease in the net foreign assets

of the banking system (Bank of Sierra Leone (BSL) and Other Depository Corporations (ODCs)).

Reserve money expanded by 0.40% in August 2024, driven by the net effect of the increase in NDA of the BSL by 7.93% while NFA declined by 7.53%. On the liability side, the increase in reserve money was due to expansions of other deposits from other residents and currency in circulation by 65.09% and 0.53% respectively, while reserves in ODCs declined by 0.91%.

In August 2024, the monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) were 24.25%, 27.25%, and 17.75%, respectively, as they were set at the June 2024 Monetary Policy Committee meeting until the next meeting at the end of September 2024. The interbank rate rose to 26.19% in August 2024 from 25.89% in July 2024 but remained within the policy corridor. The average deposit rate was unchanged at 2.23% as in August 2024 while the commercial banks' average lending rate rose in August 2024 to 21.10% from 20.98% in July 2024. Hence, the spread between the average lending and savings rates increased to 18.87% in August 2024 from 18.75% in July 2024. The yields on the 364-day T-bills, 182-day T-bills and 91-day T-bills rose to 41.28%, 29.22% and 21.55% in August 2024 respectively.

The Leone appreciated in August 2024 on both the buying and selling sides. On the buying side, the Leone appreciated by 0.12% at the BSL's official rate and by 0.14% in the bureaux market while it depreciated in the commercial banks and parallel markets by 0.12% and 0.80% respectively in August 2024. The average rates based on the BSL's official rate, the commercial banks, bureaux, and parallel markets were NLe22.38/US\$, NLe22.43/US\$, NLe22.36/US\$, and NLe23.89/US\$, respectively. On the selling side, the Leone appreciated by 0.12% at the BSL's official rate, 0.34% in the commercial banks market and 0.11% in the bureaux market while it depreciated by 0.85% in the parallel market. The average rates based on the BSL's official rate, commercial banks, bureaux, and parallel markets were NLe22.60/US\$, NLe22.66/US\$, NLe22.49/US\$, and NLe24.05/US\$.

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On a year-on-year basis, the BSL mid-rate depreciated by 4.22% in August 2024 compared to a depreciation of 35.10% in August 2023. On a month-on-month basis, the BSL mid-rate appreciated by 0.13% in August 2024 compared to a 0.13% depreciation in July 2024. The premium between the official and parallel rates increased to 6.95% (NLe1.56 per US dollar) in August 2024 from 5.92% (NLe1.33 per US dollar) in July 2024.

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 9.11% to US\$358.08 million in August 2024 from US\$393.96 million in July 2024. Gross foreign exchange reserves measured in months of import cover, declined to 1.89 months at the end of August 2024, from 2.05 months at the end of July 2024 and 2.40 months a year earlier (end of August 2023).

1. Real Sector Development

(i) Production

In August 2024, cocoa production decreased by 53.20% to 1,125.00 metric tons and coffee production also decreased by 61.32% to 140.40 metric tons. The mining sector witnessed a contraction, with declines in the output of diamond, ilmenite, zircon, iron ore and other minerals while the output of rutile increased in August 2024. There was no available data on the production of gold and bauxite in August 2024. In the manufacturing sector, output increased for maltina, paint, oxygen, and confectionary while output for beer and stout and cement decreased.

(ii) Price Development

Year-on-year headline inflation decreased to 25.15% in August 2024 from 29.09% in July 2024. Food inflation fell to 22.75% in August 2024 from 24.75% in July 2024. Non-food inflation decreased to 27.25% in August 2024 from 32.93% in July 2024. The decline in headline inflation was largely due to the relative stability of the exchange rate, moderating global commodity prices, and the Bank of Sierra Leone's (BSL) tight monetary policy stance. Table 1 presents the year-on-year headline inflation rate and the key contributing components, highlighting food, alcoholic beverages, clothing, health, transport, communication, recreation, restaurant and hotels, and miscellaneous items as key components driving the inflation rate down.

Monthly headline inflation increased to 2.08% in August 2024 from 0.93% in July 2024. Figure 1 shows the inflation rates for August 2024 and the 12 months preceding it.

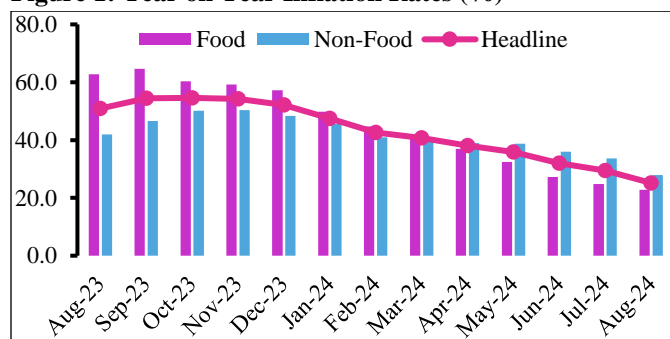
On a regional basis, annual inflation rate declined in all regions with the Northern region having the highest inflation rate, reaching 28.31%, followed by the Southern region at 26.80%, Eastern region at 26.49%, Western region at 24.51% and the North-West region at 23.82%. Figure 2 shows inflation rates by region.

Table 1: Year-on-Year Inflation Rate by Component (%)

	Weight (%)	Jul. 24	Aug. 24	Change	Direction
Food	40.33	24.75	22.75	-2.00	Down
Non-Food	59.67	33.61	27.89	-5.72	Down
Alcohol Beverages & Tobacco	1.02	19.28	18.52	-0.76	Down
Clothing	7.70	24.71	23.77	-0.94	Down
Housing	8.90	39.99	36.72	-3.27	Down
Furnishings	5.6	28.37	27.26	-1.10	Down
Health	7.60	38.57	33.36	-5.21	Down
Transport	8.60	56.23	25.69	-30.54	Down
Communication	4.70	5.72	2.83	-2.89	Down
Recreation	2.60	29.45	27.78	-1.67	Down
Education	3.10	48.90	48.90	0	Constant
Hotels	6.10	33.60	33.02	-0.58	Down
Miscellaneous	3.90	21.74	23.06	1.32	Up
All items	100	29.09	25.15	-3.94	Down

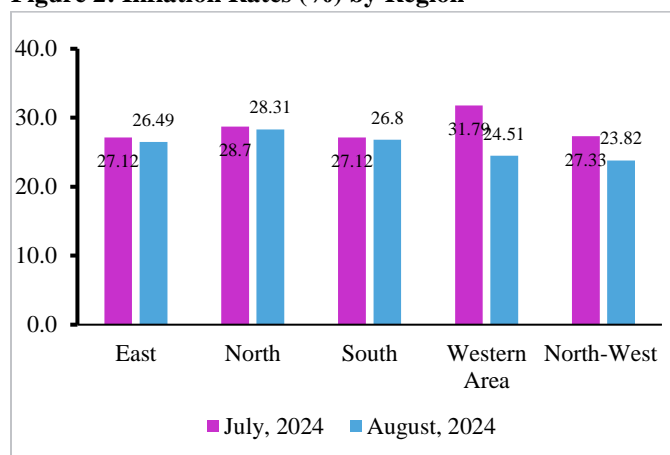
Source: Statistics Sierra Leone

Figure 1: Year on Year Inflation Rates (%)



Source: Statistics Sierra Leone

Figure 2: Inflation Rates (%) by Region



Source: Statistics Sierra Leone

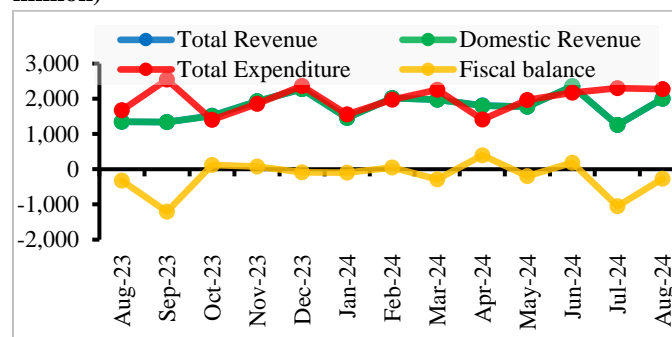
2. Fiscal Sector Development

Fiscal operations on a cash-flow basis resulted in a narrowed deficit of NLe272.76 million in August 2024, compared to a deficit of NLe1,050.46 million in July 2024. The narrowed deficit was due to a decrease in total expenditure and an increase in total revenue.

Domestic revenue expanded by 59.68% to NLe2,002.45 million in August 2024 from NLe1,254.06 million in July 2024. This, however, exceeded the target of NLe1,165.06 million by 71.88%. The increase in domestic revenue was due to expansion in revenue from goods and services tax, which increased by 41.14% to NLe227.83 million, income tax which expanded by 8.78% to NLe344.45 million and miscellaneous (non-tax) income which rose by 103.70% to NLe1,306.09 million. Revenue from customs and excise tax decreased by 7.96% to NLe124.08 million while grants amounted to NLe3.61 million in August 2024. Government expenditure decreased by 1.12% to NLe2,278.83 million in August 2024, but was above the ceiling of NLe1,038.33 million by 119.47%. The decrease in expenditure was due to a decrease in other expenditure, which contracted by 2.77% to NLe1,490.09 million, and a decrease in debt services, which contracted by 8.73% to NLe367.59 million. Expenditure on wages and salaries increased by 14.08% to NLe421.16 million. Figure 3 shows the fiscal profile for August 2024 and the 12 months preceding it.

The primary balance improved from a deficit of NLe647.74 million in July 2024 to a surplus of NLe91.21 million in August 2024, reflecting an increase in domestic revenue which outweighed the marginal increase in total expenditure (excluding debt services). Figure 3 shows government revenue, expenditure and fiscal balance.

Figure 3: Government Revenue and Expenditure (in NLe million)



Source: Bank of Sierra Leone

3. Monetary Sector Development

(i) Monetary Aggregates

In August 2024, broad money (M2) expanded by 1.14%, reflecting an increase in Net Domestic Assets (NDA), while Net Foreign Assets (NFA) declined. NDA increased by 4.85%, while NFA declined by 3.70%. The growth in NDA was driven mainly by increase in claims on private sector and net claims on central government. The decline in Net Foreign Assets (NFA) of the banking system was driven by the decrease in the net foreign assets of Bank of Sierra Leone (BSL) and Other Depository Corporations (ODCs). Commercial banks' credit to the private sector expanded by 5.33% in August 2024, compared to a decline of 2.40% in July 2024. Figure 4 shows the contributions of NDA and NFA to M2 growth.

Narrow Money (M1) expanded by 2.83% in August 2024, due mainly to increase in both demand deposits by 4.54% and currency outside banks by 1.04%. On the other hand, Quasi-money decreased by 0.27%, reflecting decline in foreign currency deposits by 0.82% while both other deposits of the BSL and time and savings deposits of ODCs recorded an increase of 65% and 0.67% respectively during the review period.

Reserve money expanded by 0.40% in August 2024, driven by the net effect of increase in NDA of the BSL by 7.93% while NFA declined by 7.53%. On the liability side, the increase in reserve money was due to expansions

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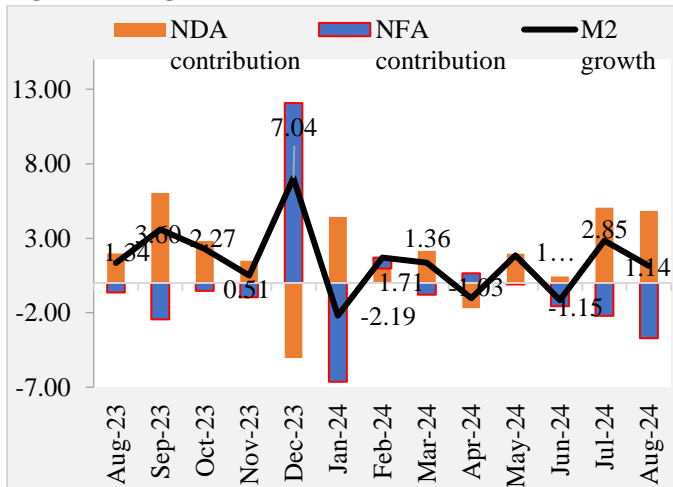
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of other deposits from other residents and currency in circulation by 65.09% and 0.53% respectively while reserves in ODCs declined by 0.91%. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

(ii) Interest Rates

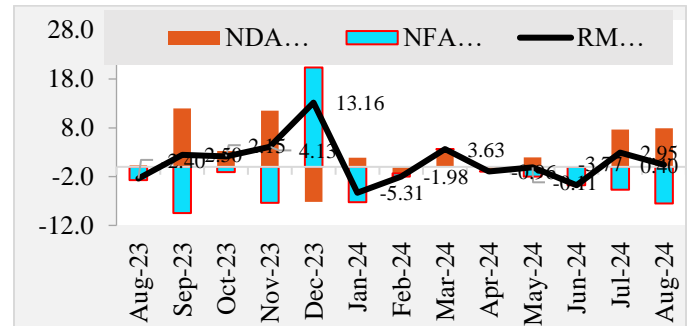
In August 2024, the monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) were 24.25%, 27.25%, and 17.75%, respectively. The interbank rate increased to 26.19% in August 2024 from 25.89% in July 2024, staying within the policy corridor. The average deposit rate remained unchanged at 2.23% in August 2024, while the commercial banks' average lending rate increased in August 2024 to 21.10% from 20.98% in July 2024. As a result, the spread between the average lending and savings rates increased to 18.87% in August 2024 from 18.75% in July 2024. Figure 6 shows various interest rates for August 2024 and the 12 months preceding it. The yields on the 364-day T-bills, 182-day T-bills and 91-day T-bills increased to 41.28%, 29.22% and 21.55% in August 2024 respectively.

Figure 4: M2 growth and contributions of NFA and NDA



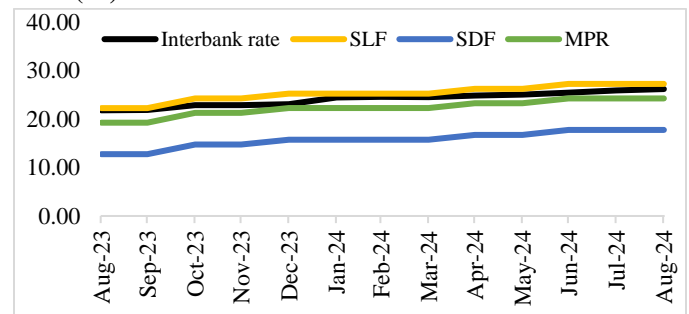
Source: Bank of Sierra Leone

Figure 5: Reserve money growth and contributions of NFA and NDA



Source: Bank of Sierra Leone

Figure 6: Central Bank Interest Rates and the Interbank Rate (%)



Source: Bank of Sierra Leone

4. External Sector Development

(i) Exchange Rate Development

On the buying side, the Leone appreciated by 0.12% at the BSL's published rate and by 0.14% in the bureaux market while it depreciated in the commercial banks and parallel markets by 0.12% and 0.80% respectively in August 2024. The average rates based on the BSL's published rate, the commercial banks, bureaux, and parallel markets were NLe22.38/US\$, NLe22.43/US\$, NLe22.36/US\$, and NLe23.89/US\$, respectively.

On the selling side, the Leone appreciated by 0.12% at the BSL's published rate, 0.34% in the commercial banks market and 0.11% in the bureaux market while it depreciated by 0.85% in the parallel market. The average rates based on the BSL's published rate, commercial banks, bureaux, and parallel markets were NLe22.60/US\$, NLe22.66/US\$, NLe22.49/US\$, and NLe24.05/US\$. Figure 7 shows the trend of the

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appreciation and depreciation rate of the Leone, using the BSL mid-rate.¹

On a year-on-year basis, the BSL mid-rate depreciated by 4.22% in August 2024 compared to a depreciation of 35.10% in August 2023. On a month-on-month basis, the BSL mid-rate appreciated marginally by 0.13% in August 2024 compared to a 0.13% depreciation in July 2024.

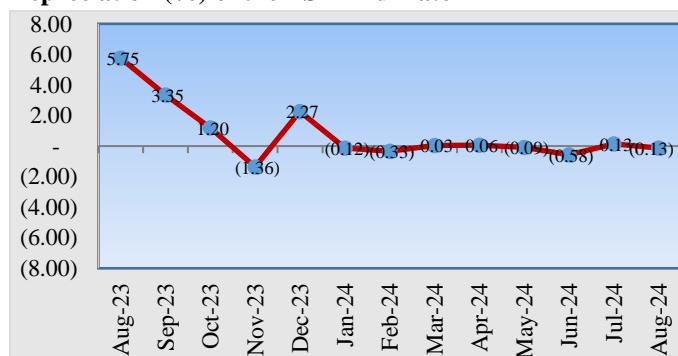
The premium between the official and parallel rates increased to 6.95% (NLe1.56 per US dollar) in August 2024 from 5.92% (NLe1.33 per US dollar) in July 2024.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 9.11% to US\$358.08 million in August 2024 from US\$393.96 million in July 2024.

Gross International Reserves, measured in months of import cover, declined to 1.89 months at the end of August 2024, from 2.05 months at the end of July 2024 and 2.40 months at the end of August 2023. This decline was due to the decrease in gross reserves. Figure 8 shows the gross international reserves measured in months of import cover for August 2024 and the 12 months preceding it.

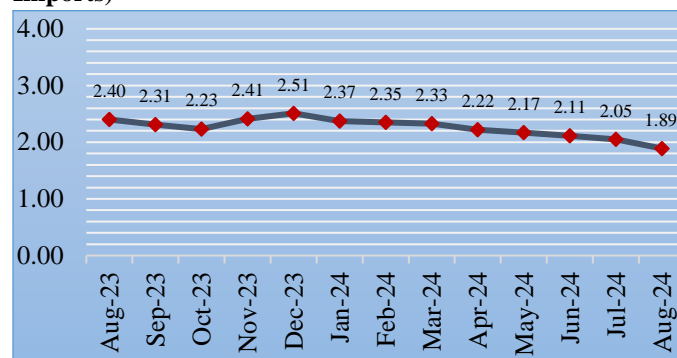
Figure 7: Monthly Exchange Rate Appreciation and Depreciation (%) of the BSL Mid-Rate



Source: Bank of Sierra Leone

*Note: positive values denote depreciation

Figure 8: Gross International Reserves (in Months of Imports)



Source: Bank of Sierra Leone

5. Conclusion

In August 2024, the economy showed mixed performance across various sectors as in July 2024., cocoa and coffee production declined. The mining sector witnessed a contraction, with declines in the output of diamond, ilmenite, zircon, iron ore and other minerals while the output of rutile increased in August 2024. There was no available data on the production of gold and bauxite in August 2024. In the manufacturing sector, output increased for maltina, paint, oxygen, and confectionary while output for beer and stout and cement decreased.

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Fiscal operations on a cash-flow basis resulted in a narrowed deficit of NLe272.76 million in August 2024, relative to a deficit of NLe1,050.46 million in July 2024. The narrowed deficit was due to a decline in total expenditure and an increase in total revenue. Domestic revenue expanded by 59.68% to NLe2,002.45 million in August 2024 from NLe1,254.06 million in July 2024 whilst Government expenditure decreased by 1.12% to NLe2,278.83 million. The primary balance improved by

¹ Mid-rate is the average of the official selling and buying rates as published by the Bank of Sierra Leone.

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114.08%, from a deficit of NLe647.74 million in July 2024 to a surplus of NLe91.21 million in August 2024.

In August 2024, the monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) were as set in June 2024, at 24.25%, 27.25%, and 17.75%, respectively. The interbank rate rose to 26.19% in August 2024 from 25.89% in July 2024, staying within the policy corridor. The average deposit rate was unchanged at 2.23% as in August 2024 while the commercial banks' average lending rate rose in August 2024 to 21.10% from 20.98% in July 2024. Hence, the spread between the average lending and savings rates increased to 18.87% in August 2024 from 18.75% in July 2024. The yields on the 364-day T-bills, 182-day T-bills and 91-day T-bills rose to 41.28%, 29.22% and 21.55% in August 2024 respectively.

The Leone remained relatively stable across different market segments. The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 9.11% to US\$358.08 million in August 2024 from US\$393.96 million in July 2024. In terms of months of import cover, it declined to 1.89 months at the end of August 2024, from 2.05 months at the end of July 2024 and 2.40 months at the end of August 2023.