



BANK OF SIERRA LEONE

Monthly Economic Review

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ABBREVIATIONS

BSL	-	Bank of Sierra Leone
GoSL	—	Government of Sierra Leone
IMF	-	International Monetary Fund
M1	-	Narrow Money
M2	-	Broad Money
MER	-	Monthly Economic Review
MPR	-	Monetary Policy Rate
NDA	-	Net Domestic Assets
NFA	-	Net Foreign Assets
ODC	-	Other Depository Corporation
RM	-	Reserve Money
SDF	-	Standing Deposit Facility
SLF	-	Standing Lending Facility
WB	-	World Bank
Y-o-Y	-	Year-on-Year

1.0 Highlights

During the month of April 2019, output performance in the manufacturing and mining sectors varied. In the manufacturing sector, there was improvement in the production of beer, stout, maltina, oxygen and common soap, while production of cement, acetylene and confectionery declined. The mining sector also recorded increases in the output of bauxite and gold, while diamond production decreased. Total electricity generated in April 2019 amounted to 9.39 Gw/hr; of which hydropower amounted for 7.62 Gw/hr and thermal plants contributed 1.77 Gw/hr.

Government fiscal operations resulted in an expansion in the fiscal deficit to Le208.27bn during the month of April 2019 from Le24.68bn in March 2019. This was largely driven by increase in government expenditure in the face of declining revenue mobilization.

The Monetary policy rate was maintained at 16.50 per cent in April 2019. The interbank rate increased from 17.84 per cent in March 2019 to 18.18 per cent in April 2019, but still remained within the policy corridor. The average Lending and Savings deposit rates remain unchanged at 21.35 per cent and 2.38 per cent respectively.

Monetary aggregates were expansionary as both Broad Money (M2) and Reserve Money (RM) increased. Broad Money (M2) grew by 3.54 per cent in April 2019, compared to 0.40 per cent in March 2019, mainly attributed to the increase in Net Foreign Assets (NFA) of the banking system. Net Domestic Assets (NDA) on the other hand contracted. Reserve Money (RM) also expanded, largely owing to an increase in Net Foreign Assets (NFA) that outweighed the decrease in Net Domestic Assets (NDA) of the Bank of Sierra Leone.

The gross foreign exchange reserves of the Bank of Sierra Leone increased by 4.91 per cent to US\$512.79mn in April 2019 from US\$488.79mn in March 2019. This was driven by the increase in inflows of US\$51.46mn, which outweighed outflows of US\$26.20mn.

The monthly average exchange rate movement of the Leone relative to the US dollar remained relatively stable as reflected in the narrowing of the Premium between the Official and Parallel rates

2.0 Production and Prices

2.1 Production

2.1.1 Manufacturing

Performance in the manufacturing sector was mixed in April 2019. There was observed increase in production volumes for Beer & Stout, Maltina, Oxygen and Common soap, while production levels of cement, acetylene and confectionery declined. Beer and stout production increased by 14.67 per cent to 166.54 thousand cartons; Maltina production rose by 7.52 per cent to 29.04 thousand cartons. Similarly, oxygen production expanded by 30.09 per cent to 26.07 thousand cubic feet, while common soap production rose by 26.17 per cent to 52.99 thousand metric tons. In contrast, cement and acetylene production fell by 14.38 per cent to 24.12 thousand metric tons and 9.96 per cent to 24.69 thousand cubic feet respectively; while production of confectionery declined by 2.86 per cent to 186.21 thousand pounds.

2.1.2 Mining Sector

Activity in the mining sector was subdued during the review month. Diamond production fell by 60.53 per cent to 24.07 thousand carats, evidenced by the decline in both gem and industrial diamonds. Gem diamond registered a fall in production by 71.61 per cent to 9.78 thousand carats while industrial diamond declined by 46.10 per cent to 14.30 thousand carats. Similarly, rutile and Ilmenite production decreased by 37.84 per cent to 6.49 thousand metric tons and 53.79 per cent to 3.54 thousand metric tons respectively. However, bauxite production grew by 26.10 per cent to 216.47 thousand metric tons, while gold production amounted to 117.76 ounces.

2.1.3 Electricity

Total electricity generated in April 2019 amounted to 9.39 Gw/hr; of which hydropower amounted for 7.62 Gw/hr and thermal plants contributed 1.77 Gw/hr.

3.0 Government Budgetary Operations

Government budgetary operations during the month of April 2019 worsened as the overall deficit expanded to Le208.27bn compared to Le24.68bn in March 2019. The widened deficit was explained by increased government expenditure coupled with declining revenue mobilisation.

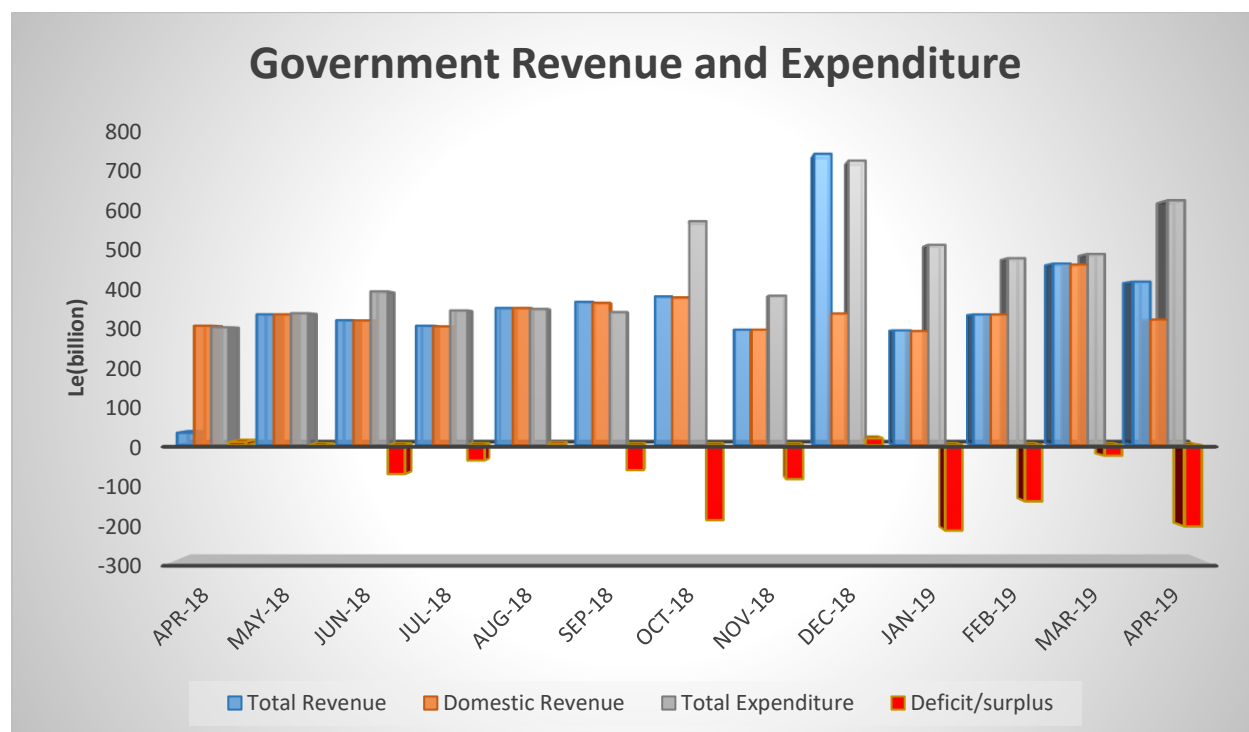
3.1 Revenues

Total revenue and grants declined by 9.93 per cent to Le418.84bn in April 2019, from Le465.02bn in March 2019 on account of the fall in domestic revenue collection. Domestic revenue collected fell by 30.44 per cent to Le321.75bn, reflecting a general decrease in the main revenue streams. Receipts from Customs and Excise duties declined by 9.57 per cent to Le51.81bn, Income tax collection fell by 36.89 per cent to Le106.72bn, Goods and Services Tax dropped by 11.12 per

cent to Le74.87bn, while non-tax (miscellaneous) revenue declined significantly by 41.84 per cent to Le88.36bn.

Foreign grants disbursed during the month of April 2019 increased to Le97.09bn, of which World Bank grants amounted to Le94.59bn, while HIPC debt relief totaled Le2.50bn.

Figure 1: Government Revenue and Expenditure



Source: Research Department, Bank of Sierra Leone.

3.2 Expenditures

Total expenditure rose by 27.52 per cent to Le627.11bn, largely due to the expansion in the wage bill. The wage bill (pension, wages and salaries) increased significantly to Le317.82bn from Le111.48bn in March 2019, attributable to the recruitment of civil servants and approval of new teachers. Debt service payments declined by 21.53 per cent to Le121.34bn, reflecting a drop in foreign debt services payment.

3.3 Financing

The overall deficit of Le208.27bn was mainly financed from domestic sources.

4.0 Monetary Developments

Developments in monetary aggregates in April 2019 were expansionary, as both Broad Money (M2) and Reserve Money (RM) increased.

4.1 Broad Money

Broad Money (M2) expanded by 3.54 per cent in April 2019, relative to the 0.40 per cent decline in March 2019. This increase was due mainly to a 19.67 per cent increase in Net Foreign Assets (NFA) of the banking system in April 2019, relative to the 5.12 per cent decline in March 2019, following World Bank disbursement in respect of budgetary support. The NFA of the commercial banks also increased due to increase in Claims on overseas Banks.

NDA of the banking system contracted by 1.37 per cent in April 2019, compared to 1.13 per cent growth recorded in March 2019, on account of increase in minimum paid-up capital by one of the commercial banks coupled with increase in current year profit by some banks. Growth in Private Sector Credit by commercial banks slowed down to 2.32 per cent in April 2019 compared to the 3.40 per cent in March 2019.

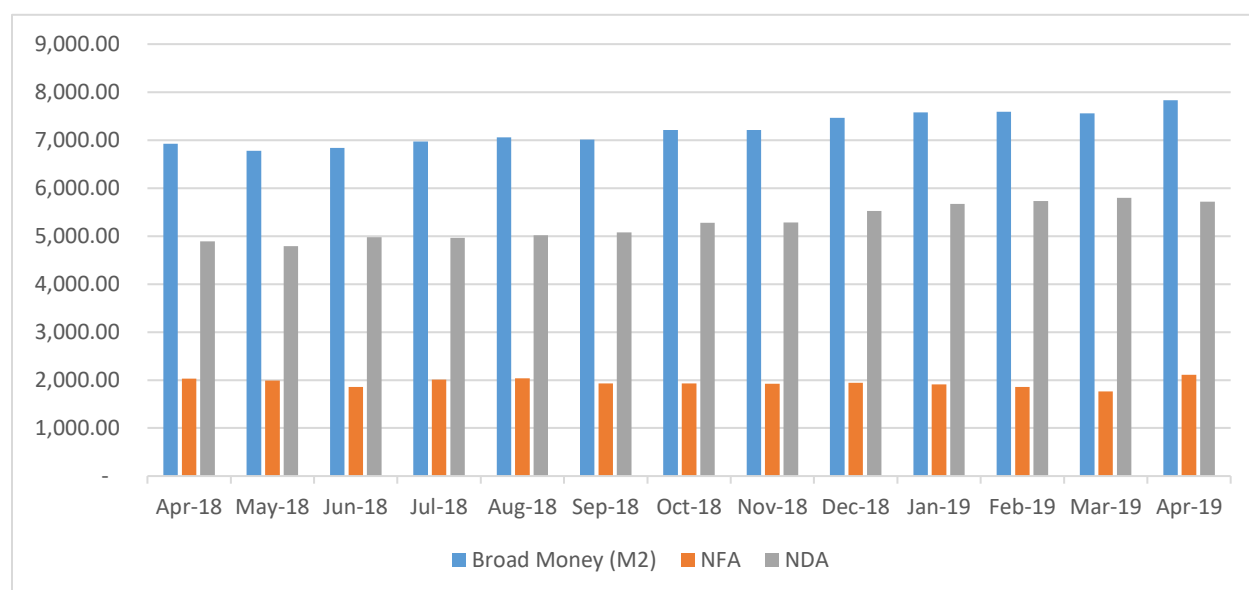
Table 1: Broad Money and its Components

Billions of Leones	2019		Absolute Change		(%) Change	
	Mar-19	Apr-19	Mar-19	Apr-19	Mar-19	Apr-19
Reserve Money	2,228.66	2330.95	(28.59)	102.29	(1.27)	4.59
Broad Money (M2)	7,560.16	7,827.73	(30.35)	267.57	(0.40)	3.54
Narrow Money (M1)	3,451.49	3,516.78	(94.33)	65.29	(2.66)	1.89
Currency outside banks	1,704.49	1,745.25	50.55	40.76	3.06	2.39
Demand deposit	1,747.00	1,771.53	(144.88)	24.53	(7.66)	1.40
Quasi Money	4,103.74	4,306.25	64.18	202.51	1.59	4.93
o.w. Foreign currency deposits	2,082.23	2,203.41	74.43	121.18	3.71	5.82
Time and saving deposit	2,021.51	2,102.84	(10.25)	81.33	(0.50)	4.02
Net Foreign Asset	1,764.23	2,111.25	(95.18)	347.02	(5.12)	19.67
BSL	40.65	267.86	(15.61)	227.21	(27.75)	558.94
ODCs	1,723.58	1,843.39	(79.57)	119.81	(4.41)	6.95
Net Domestic Assets	5,795.92	5,716.49	64.81	(79.43)	1.13	(1.37)
Net Domestic Credit	7,523.17	7,538.88	(21.75)	15.71	(0.29)	0.21
Government (Net)	5,475.39	5,493.23	(130.02)	17.84	(2.32)	0.33
Private Sector	2,072.77	2,119.84	67.33	47.07	3.36	2.27
o.w. BSL	33.82	33.49	0.24	(0.33)	0.71	(0.98)
ODCs	2,038.95	2,086.35	67.09	47.40	3.40	2.32
Other Sectors (Net)*	(24.99)	(74.19)	40.94	(49.20)	(62.10)	196.88
Other Items (Net)	(1,727.25)	(1,822.39)	86.56	(95.14)	(4.77)	5.51
Money Multiplier	3.39	3.36				

*Other Sectors (Net) includes State & Local, Other Financial Corporations, Public Non-Financial Corp.

Source: Research Department, BSL.

Figure 2: Trends in M2, NFA and NDA



Source: Research Department, BSL

From the liability side, the expansion in M2 reflected increase in both Quasi Money and Narrow Money (M1). Quasi Money expanded by 4.93 per cent, higher than the 1.59 per cent increase in March 2019, due to increase in both foreign currency deposits (5.82 per cent) and time and savings deposits (4.02 per cent). M1 expanded by 1.89 per cent in April 2019 compared with the 2.66 per cent decline recorded in March 2019, reflecting increases in currency outside banks by 2.39 per cent and demand deposits by 1.40 per cent.

4.2 Reserve Money

Reserve Money (RM) expanded by 4.59 per cent during April 2019, compared with the 1.27 per cent contraction in March 2019. This was mainly driven by increase in Net Foreign Assets (NFA) of the Bank of Sierra Leone, which was more than the decrease in Net Domestic Assets (NDA). NFA increased owing to disbursement of US\$39.67mn by the World Bank in respect of the ECF budget support. NDA contracted by 5.71 per cent on account of repayment of the bridge financing extended to the government by the Bank, in respect of delays in receipt of the World Bank budget support.

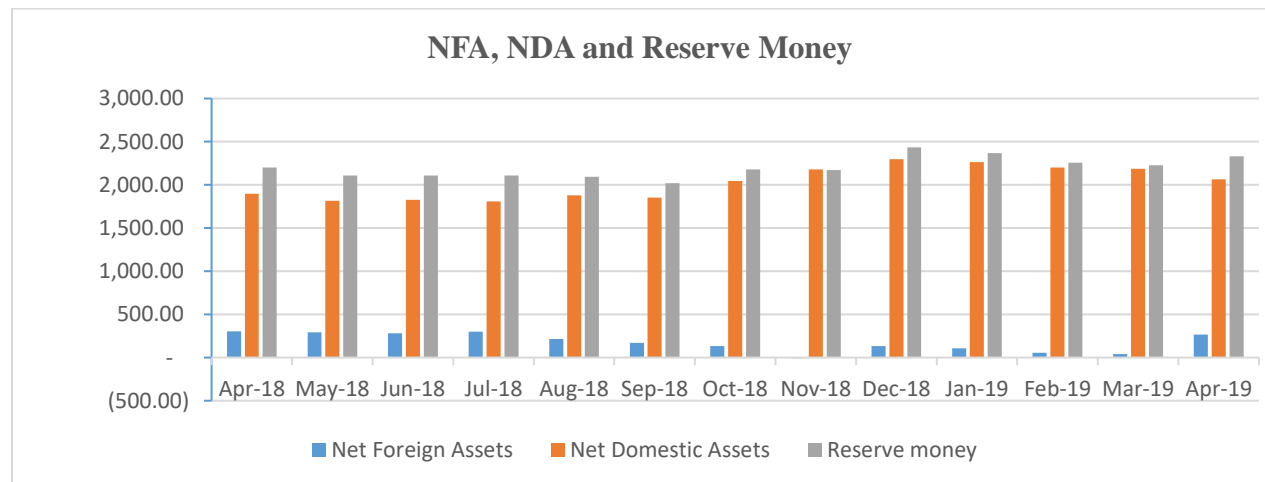
The expansion in RM was also reflected in banks' reserves and currency issued which increased by 20.82 per cent and 2.16 per cent respectively.

Table 2: Reserve Money and its Components

Billions of Leones	2019		Absolute change		(%) Change	
	Mar-19	Apr-19	Mar-19	Apr-19	Mar-19	Apr-19
1. Net Foreign Assets	40.65	267.86	(15.61)	227.21	(27.75)	558.94
2. Net Domestic Assets	2,188.01	2,063.27	(12.98)	(124.92)	(0.59)	(5.71)
2.1 Government Borrowing (net)	2,473.00	2,388.86	(81.20)	(84.14)	(3.18)	(3.40)
o.w. 2.11 Securities	1,127.92	1,154.98	(31.54)	27.06	(2.72)	2.40
2.12 Ways and Means	118.29	129.70	(13.66)	11.41	(10.35)	9.65
2.13 GoSL/IMF Budget financing	1,418.56	1,318.27	-	(100.29)	-	(7.07)
3. Reserve money	2,228.66	2,330.95	(28.59)	102.29	(1.27)	4.59
o.w. 3.1 Currency issued	1,932.28	1,974.11	66.93	41.83	3.59	2.16
3.2 Bank reserves	291.45	352.14	(95.31)	60.69	(24.64)	20.82

Source: Research Department, BSL

Figure 3: Reserve Money and its Sources

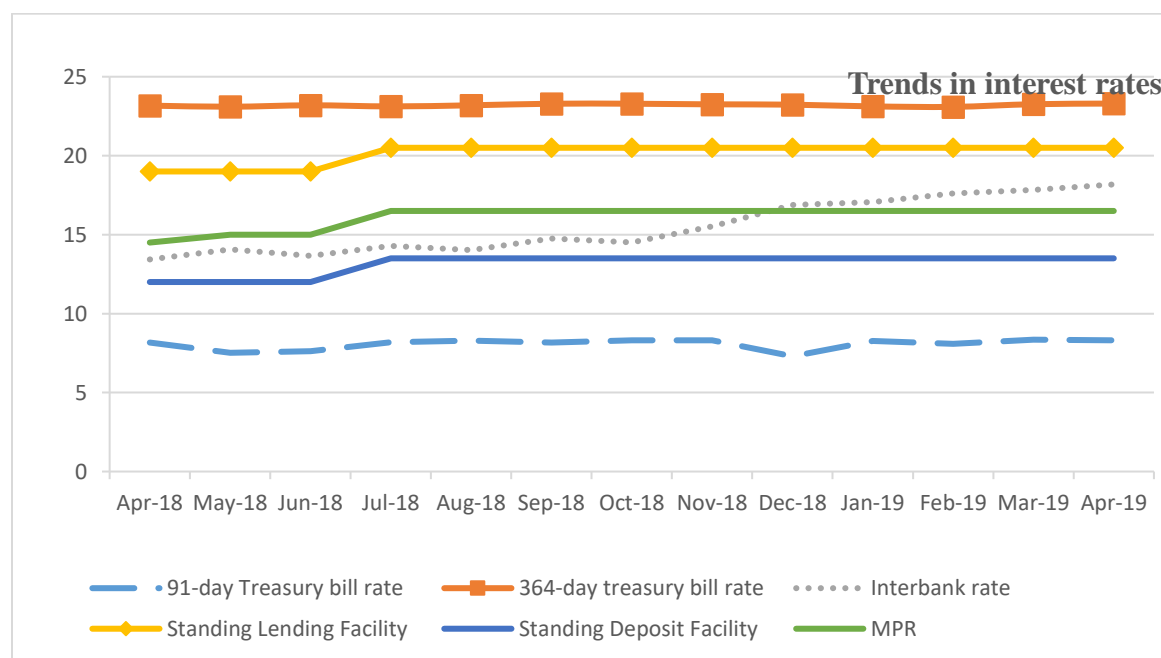


Source: Research Department, BSL

4.3 Interest Rates

The monetary policy rate of the Bank of Sierra Leone remained unchanged at 16.50 per cent in April 2019. The Standing Lending and Deposit Facility rates remained unchanged at 20.50 per cent and 13.50 per cent respectively. The interbank rate increased from 17.84 per cent in March 2019 to 18.18 per cent in April 2019, but was within the policy corridor. The commercial banks' average lending and savings deposit rates remained unchanged at 21.35 per cent and 2.38 per cent, respectively.

Figure 4: Monetary Policy Rate and Other Market Rates



Source: Research Department, BSL

The trends in the yields on government securities were mixed during the review period. The 91 and 182-days treasury bills decreased from 8.35 per cent and 8.23 per cent in March 2019, to 8.30 per cent and 8.20 per cent in April 2019. However, the yield on the 364-days treasury bills increased from 23.26 per cent to 23.30 per cent during the same period.

Table 3: Interest Rates (%)

	2018									2019			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
91-day T-Bills	8.16	7.52	7.62	8.18	8.28	8.16	8.30	8.30	7.30	8.26	8.08	8.35	8.30
182-day T-Bills	8.83	8.05	8.20	8.40	8.09	6.04	7.86	6.22	8.14	8.42	8.40	8.23	8.20
364-day T-Bills	23.17	23.10	23.19	23.12	23.19	23.29	23.29	23.25	23.23	23.12	23.09	23.26	23.30
Interbank rate	13.43	14.07	13.66	14.28	14.02	14.76	14.51	15.53	16.88	17.07	17.61	17.84	18.18
Standing Lending Facility	19.00	19.00	19.00	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50
Standing Deposit Facility	12.00	12.00	12.00	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
MPR	14.5	15.00	15.00	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50
Average Lending rate	21.35	21.35	21.35	21.35	21.345	21.345	21.35	21.35	21.35	21.35	21.35	21.35	21.35
	17.92	17.92		17.92	17.92	17.92							
	-	-	17.92-	-	-	-	17.92-	17.92-	17.92-	17.92-	17.92-	17.92-	17.92-
Lending (Prime)	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77
Savings deposits	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38

Source: Research Department, BSL

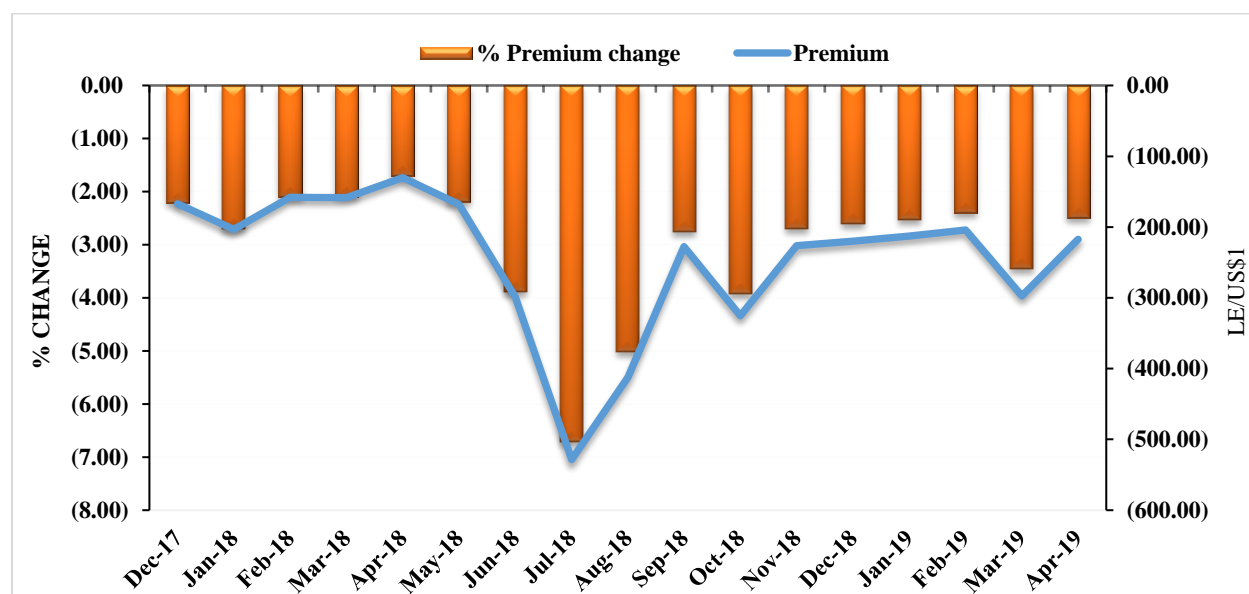
5.0 Exchange Rate Developments

The monthly average exchange rate movement of the Leone relative to the US dollar in the foreign exchange market for the month of April, 2019 was mixed. On the buying front, the bureaux, official and commercial banks exchange rates depreciated by 1.05 per cent, 0.86 per cent and 0.83 per cent averaging Le8,568.49/US\$1, Le8,610.95/US\$1 and Le8,757.52/US\$1 respectively; while the parallel market rate appreciated slightly by 0.11 per cent, averaging Le8,872.50/US\$1.

Similarly, on the selling front, the Bureaux, Official and commercial banks exchange rates depreciated by 1.44 per cent, 0.86 per cent and 0.70 per cent averaging Le8,710.17/US\$1, Le8,784.91/US\$1 and Le8,858.28/US\$1 respectively; while the parallel market rate appreciated marginally by 0.02 per cent averaging Le8,958.00/US\$1.

The premium between the Official and Parallel rates narrowed by 1.00 per centage points to Le261.55/US\$1 in April, 2019 from Le344.75/US\$1 in March, 2019 (see figure 5).

Figure 5: Premium between Official and Parallel Exchange Rates



Source: Research Department, BSL

6.0 Gross Foreign Exchange Reserves

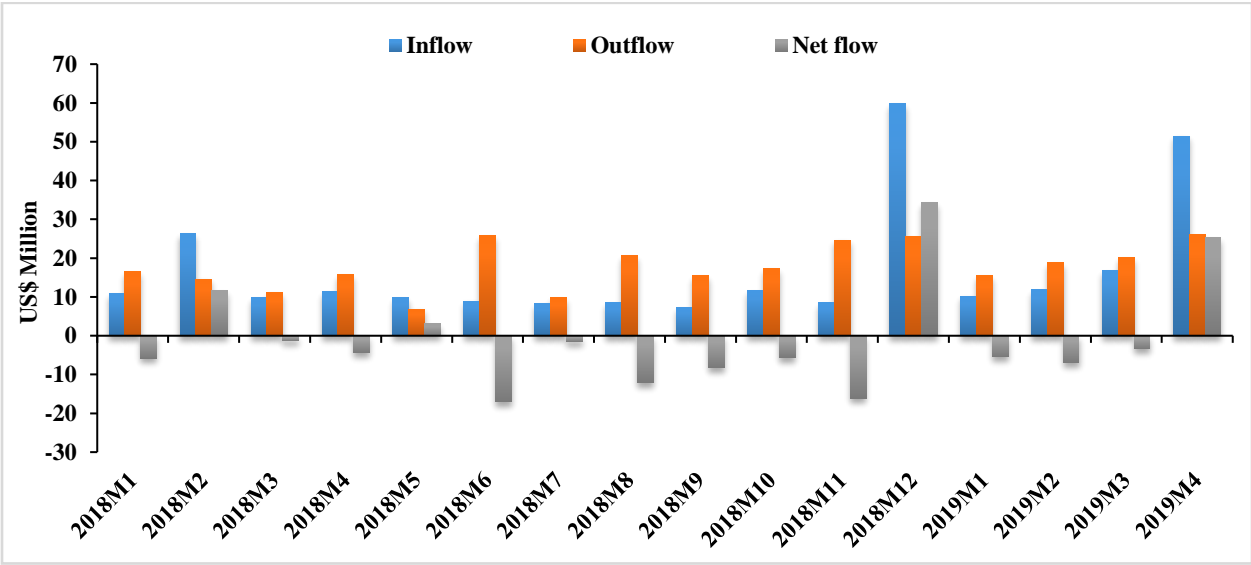
The gross foreign exchange reserves of the Bank of Sierra Leone increased by 4.91 per cent to US\$512.79mn in April 2019 from US\$488.79mn in March 2019. This development was driven by increased inflows of US\$51.46mn, which outweighed outflows of US\$26.20mn.

Significant inflows included US\$40.17mn, being aid disbursement/BOP support, comprising mainly US\$39.67mn, which was in respect of World Bank disbursement for budgetary support. Other inflows comprised exports receipts of US\$6.37mn, of which; US\$2.80mn was in respect of timber export and US\$1.70mn was royalty payment from Sierra Rutile; and other receipts of US\$4.91mn, comprising mainly timber export levy, annual license fees and income tax receipts from mining companies, as well as interest earned by BSL on various investments abroad.

Significant outflows comprised US\$21.76mn, being payments for goods and services, of which US\$11.15mn was in respect of interbank market operations; US\$4.14mn was in respect of BSL related payments; US\$3.25mn was payments to embassies/missions; US\$1.61mn was for government travel and other government expenses and US\$1.50mn was in respect of road

infrastructure projects. Debt service payments to various multilateral and bilateral creditors amounted to US\$4.44mn.

Figure 6: Foreign Exchange Flow



Source: Bank of Sierra Leone