



BANK OF SIERRA LEONE

Monthly Economic Review

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December 2021

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ABBREVIATIONS

BSL	-	Bank of Sierra Leone
GoSL	-	Government of Sierra Leone
Gw/hr	-	Gega Watts per hour
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
Y-o-Y	-	Year-on-Year

Executive Summary

In the agricultural sector, cocoa production slowed down in December 2021 by 45.06 percent to 26.71 thousand metric tons. There was no coffee production in the review period. Production in the mining sector was mixed in December 2021, with an increase recorded for diamond, gold concentrate, rutile, ilmenite, and iron ore. On the other hand, pure gold and bauxite production fell by 28.34 percent to 339.74 ounces and 13.27 percent to 128.34 thousand metric tons respectively.

Production performance in the manufacturing sector picked up in December 2021. Output increased for five out of seven items and these include Beer & stout, maltina, paint, acetylene, and common soap. In contrast, oxygen and confectionary decreased by 4.62 percent to 33.28 thousand cubic feet and 15.26 percent to 251.90 thousand pounds respectively.

Headline inflation (Year-on-Year) increased to 17.94 percent in December 2021 from 15.77 percent in November 2021, reflecting an increase in both food and non-food inflation in the review period. Food inflation edged up to 19.40 percent in December 2021 from 18.84 percent in November 2021, while non-food inflation also increased to 16.75 percent in December 2021 from 13.28 percent in November 2021.

Government fiscal operations on a cash flow basis recorded a deficit of Le77.58bn in December 2021, from Le6.48bn in November. The deficit was due to an improvement in revenue mobilisation, which more than offset the expansion in expenditure.

The Monetary Policy Rate (MPR) of the Bank of Sierra Leone (BSL) was raised by 25 basis points to 14.25 percent in December 2021 from 14.00 percent in November 2021. Similarly, Standing Lending Facility and Standing Deposit Facility rates increased to 17.25 percent and 8.25 percent in December 2021. The interbank rate also witnessed an increase in December 2021, but remained within the Policy Corridor. Commercial banks' average lending and saving deposits remained unchanged in December 2021.

Development in monetary aggregates for December 2021 was expansionary as reflected in both Broad Money (M2) and Reserve Money (RM). Broad money grew by 6.69 percent in December 2021 from 1.82 percent in November 2021. Growth in broad was attributable to increases in Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking system. Reserve Money grew by 12.05 percent in December 2021, up from 2.47 percent in November 2021. The growth in RM was due to increase in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the Bank of Sierra Leone (BSL).

Gross external reserve of the BSL was US\$ 948.31 million at end of December 2021, up by 2.84 percent from US\$922.16 million in November 2021. Inflow in December 2021 was US\$248.05million, while outflow amounted to US\$377.95million resulting in a net outflow of US\$248.05million with a recorded revaluation adjustment of US\$8.51million. The average monthly exchange rate of the Leone against the US\$ depreciated in all foreign exchange markets in December 2021. On the buying side, the Leone marginally appreciated in the parallel market by 0.31 percent, averaging Le11,604.55/US\$1 but depreciated across commercial banks, official market and bureau markets by 2.21 percent, 2.07 percent, and 2.67 percent respectively, averaging, Le11,294.74/US\$1, Le11,112.36/US\$1 and Le11,063.70/US\$1, respectively. The premium

between the official and parallel rates widened from 6.58 percent, which was Le723.61/US\$1 in November 2021 to 3.85 percent (Le432.21/US\$1) in December 2021.

1. Introduction

The Monthly Economic Review (MER) is a publication of the Research and Statistics Department, Bank of Sierra Leone. The objective of this report is to analyse Sierra Leone's monthly macroeconomic developments, covering the four macroeconomic sectors- real, fiscal, monetary, and external sectors. This edition analyses trends for December 2021 compared with November 2021 to gauge progress on economic performance within the year. In the real sector, developments in the production of key agricultural products for which regular monthly data is available are discussed. In the fiscal sector, data on revenue and expenditure on a cash-flow basis is analysed. The monetary sector analyses the growth of monetary aggregates, including broad money and reserve money, extending to the drivers of broad money growth and reserve money growth. Movements in interest rates are also discussed. In the external sector, movements in the exchange rate and gross international reserves are analysed. The choice of data for analysis in the MER rests on the importance of the variables to monetary and financial policy formulation and implementation and in general, to macroeconomic policy management in Sierra Leone, as well as the availability of validated data on a timely basis.

The rest of the Economic Review is organised as follows: section 2 analyses developments in the real sector; section 3 analyses the fiscal sector; section 4 analyses the monetary sector; section 5 analyses the external sector and section 6 is the conclusion.

2. Production and Prices

2.1 Production

2.1.1 Agriculture

The agriculture performance, for which coffee and cocoa production performance is used as proxy, observed a slowdown in December 2021. Cocoa production decreased by 45.06 percent to 26.71 thousand metric tons while there was no data on coffee production during the review period.

2.1.2 Mining

Production in the mining sector was mixed in December 2021. Production of diamond, gold concentrate, rutile, ilmenite, and iron ore increased while that for gold pure, bauxite, zircon, and other minerals decreased during the review period. Diamond production increased by 41.42 percent to 84.56 thousand carats; of which production of gem diamond amounted to 47.05 thousand carats and industrial diamond amounted to 37.51 thousand carats. Gold concentrate production increased by 150.00 percent to 4.35 million ounces wet metric tons (WMT) and rutile production increased by 2.35 percent, to 11.93 thousand metric tons respectively. Ilmenite and iron ore production improved by 7.55 percent to 5.71 thousand metric tons and 30.41 percent to 225.71 thousand metric tons respectively. On the other hand, gold (pure) and bauxite production fell by 28.34 percent, to 339.74 ounces and 13.27 percent, to 128.34 thousand metric tons respectively. Zircon and other minerals declined by 35.52 percent, to 4.48 thousand metric tons and 93.60 percent, to 0.45 thousand dry metric tons respectively.

2.1.3. Manufacturing

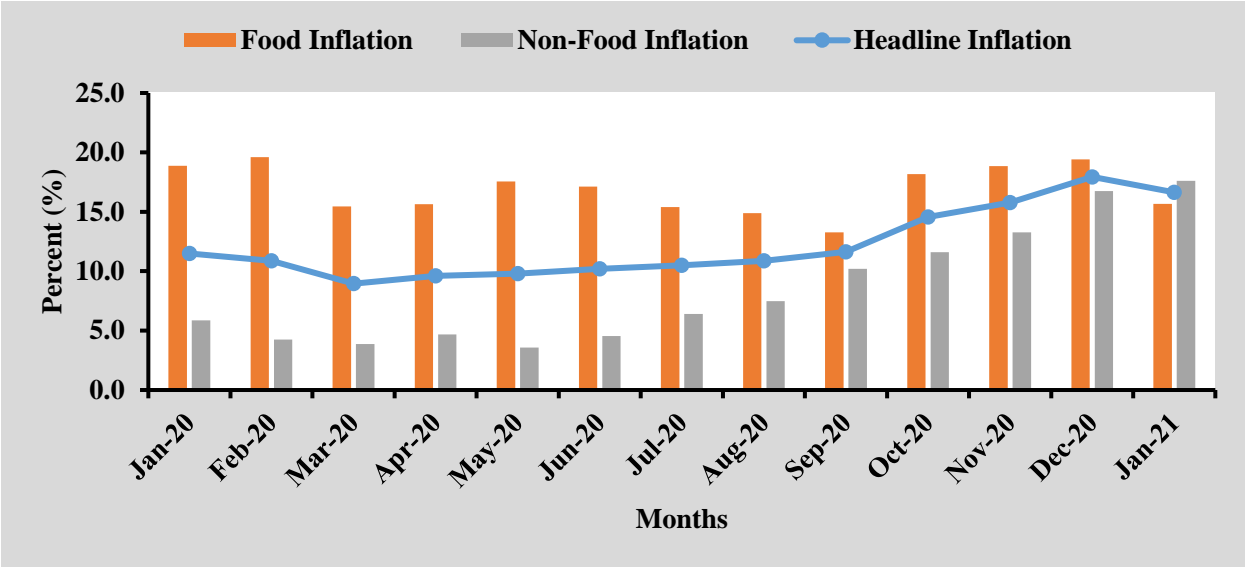
The manufacturing sector production activities pick up in December 2021. Productions increased for five major products out of seven and these include beer & stout, maltina, paint, acetylene, and common soap. Whereas oxygen and confectionery productions declined during the review period. Beer & stout production increased by 25.42 percent, to 192.26 thousand cartons. Maltina and paint production grew by 215.93 percent, to 130.22 thousand cartons and 14.66 percent, to 66.94 thousand gallons respectively. Acetylene and common soap increased by 2.41 percent to 32.10 thousand cubic feet and 330.23 percent to 51.80 thousand metric tons. In contrast, oxygen and confectionary decreased by 4.62 percent, to 33.28 thousand cubic feet and 15.26 percent, to 251.90 thousand pounds.

2.2 Price Development

Headline inflation (year-on-year) increased to 17.94 percent in December 2021 from 15.77 percent in November 2021. The increase in headline inflation was attributed to the uptick in both food and non-food inflation during the review period. Food inflation edged up to 19.40 percent in

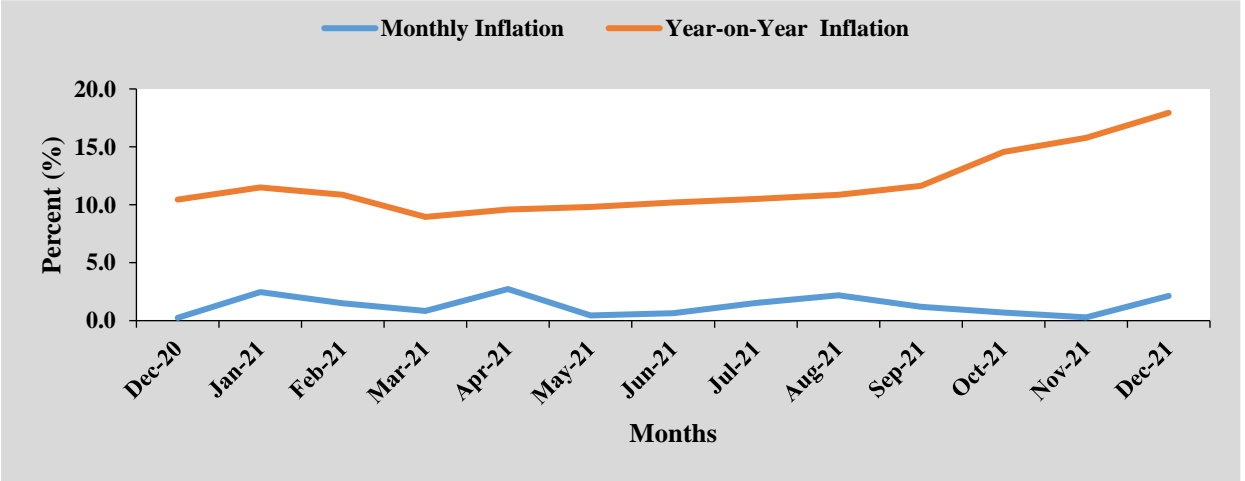
December 2021 from 18.84 percent in November 2021. Similarly, non-food inflation increased to 16.75 percent in December 2021 from 13.28 percent in November 2021. Figure 1 shows the headline (year-on-year), food, and non-food inflation rates for December 2021 and the 12 months preceding December 2021. Headline inflation (monthly) trended upwards to 2.12 percent in December 2021 from 0.29 in November 2021. Figure 2 shows the year-on-year and monthly inflation rates.

Figure 1: Headline, Food, and Non-Food Inflation



Source: Statistics Sierra Leone and Bank of Sierra Leone

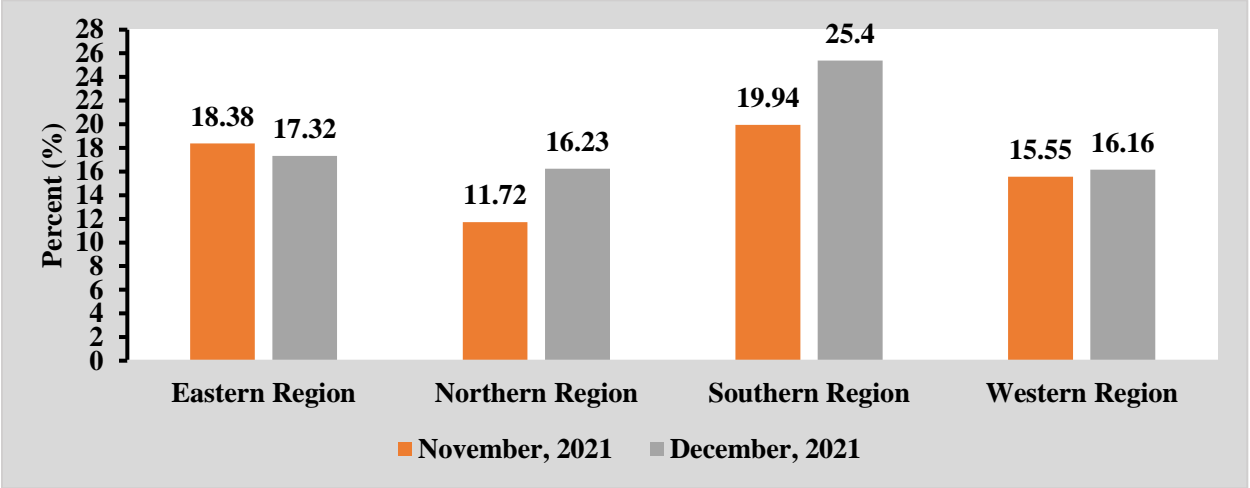
Figure 2: Year-on-year (Y-on-Y) Inflation and Monthly Inflation



Source: Statistics Sierra Leone and Bank of Sierra Leone

Regional inflation analysis was mixed in December 2021. Inflation increased in Southern, Northern and Western regions while Eastern region inflation moderated in the review period. Southern region inflation increased to 25.40 percent in December 2021 from 19.94 percent in November 2021. Northern region inflation edged up to 16.23 percent in December 2021 from 11.72 percent in November 2021. Similarly, Western region inflation increased to 16.16 percent in December 2021 from 15.55 percent in November 2021. Eastern region inflation, however, declined to 17.32 percent in December 2021 from 18.38 percent in November 2021. Figure 3 shows inflation rates by region.

Figure 3: Inflation Rates in November and December 2021 by Regions



Source: Statistics Sierra Leone

3. Fiscal Developments

Government fiscal operations (on a cash flow basis) in December 2021 recorded a surplus of Le43.24bn, compared to a deficit of Le6.48bn in November 2021, reflecting improvement in revenue mobilization, which more than offset the expansion in expenditure.

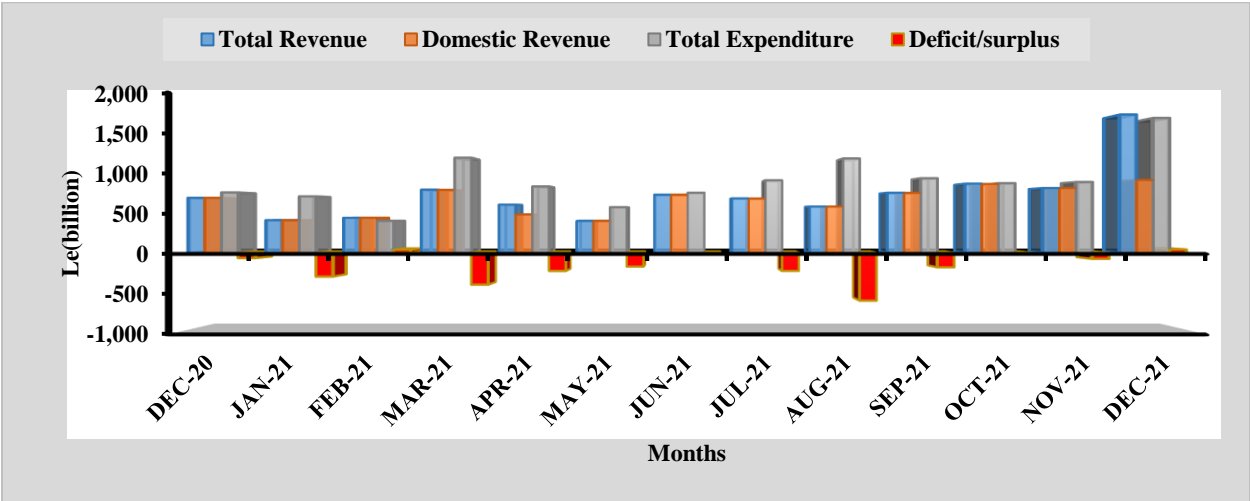
3.1 Revenues

Total government revenue and grant expanded significantly by 99.71 percent to Le1, 762.19bn in December 2021, and exceeded the target of Le548.24bn by 221.42 percent. The expansion in total revenue was a result of increase in both domestic revenue and foreign grants received during the review period.

Domestic revenue mobilization increased by 5.65 percent to Le928.96bn and was 69.44 percent over the target of Le548.24bn. The expansion in domestic revenue was on account of increase in customs & excise duties, income tax, and goods and services tax, whilst non-tax revenue fell during the review period. Receipts from customs and excise rose by 22.93 percent to Le95.08bn. Revenue from income tax increased by 80.39 percent to Le194.68bn. Goods and services tax surged by 22.98 percent to Le112.62bn. However, non-tax (miscellaneous) declined by 12.59 percent to Le526.59bn.

Foreign grants received in respect of budgetary support amounted to Le833.23bn in December 2021, which was mainly World Bank disbursement. HIPC Debt Relief amounted to Le0.52bn in December 2021, down from Le3.13bn in November 2021. Figure 4 shows revenue and expenditure for December 2021 and the twelve months preceding December 2021.

Figure 4: Government Revenue and Expenditure



Source: Bank of Sierra Leone

3.2 Expenditure

Government expenditure expanded by 93.39 percent, to Le524.56 billion in December. The expansion of government expenditure emanated from an increase in all its major components. Pension, wages and salaries increased by 82.77 percent to Le524.56bn. Other expenditure expanded by 98.03 percent, to Le1, 089.39 bn. Debt services rose by 102.88 percent, to Le105.00bn, of which domestic interest amounted to Le104.82bn and foreign interest amounted to Le0.18bn.

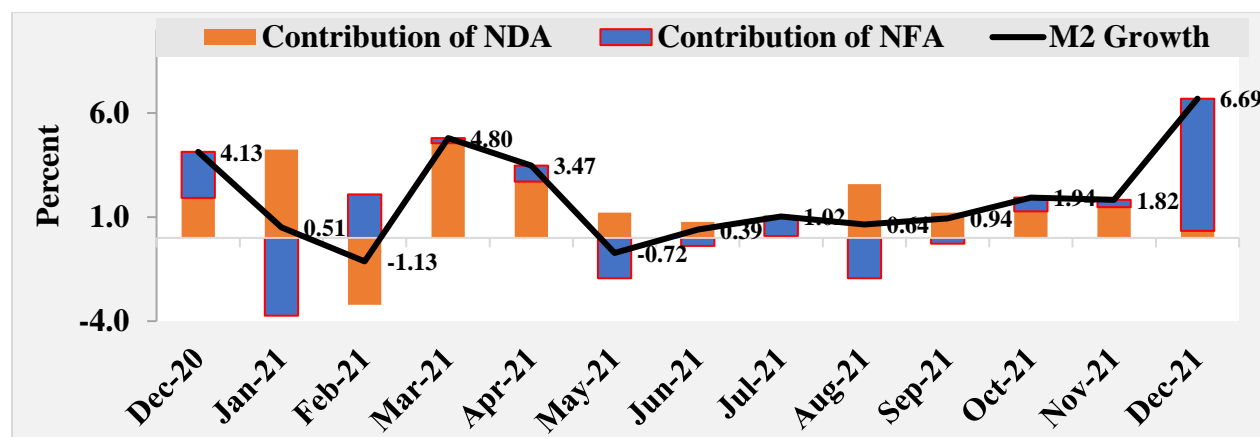
4. Monetary Developments

4.1 Broad Money

Developments in monetary aggregates were expansionary, as both Broad Money (M2) and Reserve Money (RM) expanded in December 2021. Broad Money (M2) grew by 6.69 percent in December 2021, from the 1.82 percent growth in November 2021.

The growth in broad money was attributable to an increase in Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking system. The contributions of Net domestic assets and net foreign asset to the growth of broad money were 1.69 percent and 5.00 percent respectively. Figure 5 shows the contributions of NDA and NFA to the growth of broad money.

Figure 5: M2 Growth and Contributions of NFA and NDA to M2 Growth



Source: Bank of Sierra Leone

Net domestic assets of the banking system increased by 2.14 percent in December 2021, from a growth of 1.85 percent in November 2021. The expansion in NDA was largely attributed to the increase in credit to the private by ODCs by 1.96 percent in December 2021, down from 3.73 percent in November 2021. Similarly, claims on other sectors' net grew by 3.82 percent in December 2021, down from 52.33 percent in November 2021. On the other hand, net claims on the Government by the Bank of Sierra Leone contracted by 0.99 percent in December 2021, from an expansion of 3.03 percent in November 2021. Likewise, net claims on Government by ODCs decline by 2.31 percent in December 2021, from 1.04 percent in November 2021.

NFA of the banking system expanded by 24.00 percent in December 2021 from an increase of 1.71 percent in November 2021. The expansion in NFA was mainly due to the growth in NFA of

Other Depository Corporations, whilst NFA of the Bank of Sierra Leone (BSL) contracted. Table 1 shows the growth of monetary aggregates in December 2021 and November 2021.

Table 1: Growth of Monetary Aggregates

Billions of Leones	Actual Values		Absolute Change		Growth (%)	
	Nov-21	Dec-21	Nov-21	Dec-21	Nov-21	Dec-21
Reserve money	4,107.10	4,602.18	99.17	495.09	2.47	12.05
Broad Money (M2)	13,488.85	14,391.06	241.22	902.21	1.82	6.69
Narrow money (M1)	6,963.74	7,539.77	239.39	576.03	3.56	8.27
Currency outside banks	3,135.41	3,479.76	141.07	344.35	4.71	10.98
Demand deposit	3,828.33	4,060.01	98.31	231.68	2.64	6.05
Quasi money	6,525.11	6,851.29	1.83	326.18	0.03	5.00
o.w. Foreign currency deposit	3,446.18	3,703.87	49.72	257.69	1.46	7.48
Time and saving deposit	3,074.40	3,142.45	(48.09)	68.05	(1.54)	2.21
Net Foreign Asset	2,808.67	3,482.71	139.29	674.05	5.22	24.00
BSL	(452.08)	(169.31)	(90.91)	282.76	25.17	(62.55)
ODCs ^a	3,260.74	3,652.03	137.75	391.28	4.41	12.00
Net Domestic Assets	10,680.18	10,908.35	194.38	228.17	1.85	2.14
Net Domestic Credit	13,395.33	13,260.34	63.45	(134.99)	0.48	(1.01)
Government (Net)	10,572.67	10,387.50	66.58	(185.17)	0.63	(1.75)
BSL	4,451.12	4,407.14	131.04	(43.98)	3.03	(0.99)
ODCs ^a	6,121.55	5,980.36	(64.46)	(141.19)	(1.04)	(2.31)
Private Sector Credit	3,101.14	3,161.95	111.52	60.81	3.73	1.96
o.w ODC	3,083.56	3,145.16	111.24	61.60	3.74	2.00
Other Sectors (Net)*	(278.47)	(289.10)	(95.66)	(10.63)	52.33	3.82
Other Items (Net)	(2,715.15)	(2,534.02)	111.94	181.13	(3.96)	(6.67)

Source: Bank of Sierra Leone

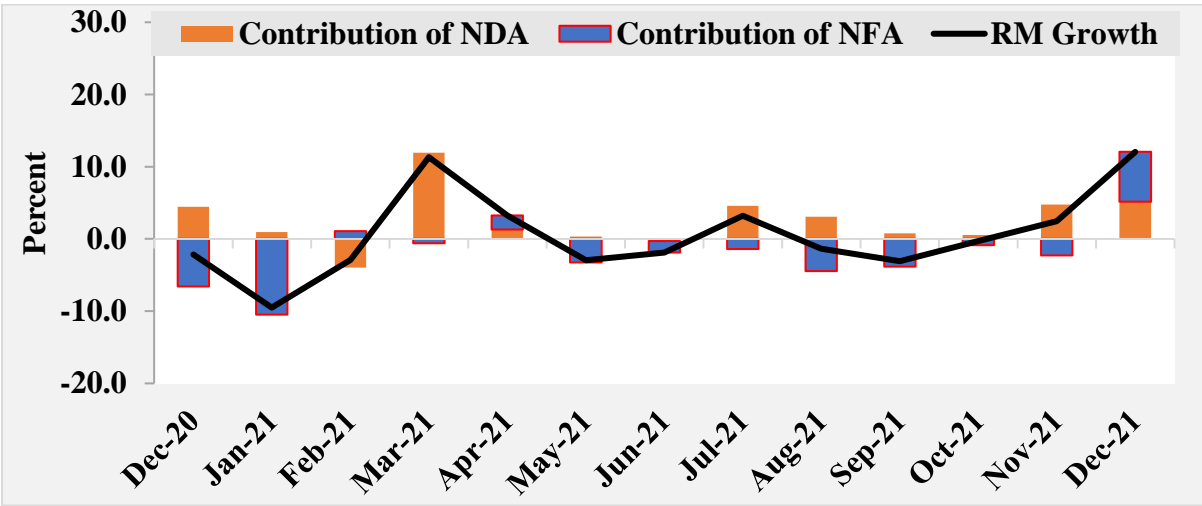
*Other sectors include Other Financial Corporations and Public Non-Financial Corporations.

^aODC is Other Depository Corporations, which includes, which include Commercial Banks, Community, Discount Houses and Deposit Taking Microfinance Institutions.

Narrow Money (M1) and Quasi Money grew by 8.23 percent and 5.00 percent respectively in December 2021, compared with 3.56 percent and 0.03 percent in November 2021, while currency outside banks and demand deposits increased by 10.98 percent and 6.05 percent respectively, from 4.71 percent and 2.64 percent respectively in November 2021. The increase in Quasi Money reflected the increase in both foreign currency deposits by 7.48 percent, and time and savings deposits (defined here as Quasi money less foreign currency deposits) by 2.21 percent.

Reserve Money grew by 12.05 percent in December 2021, up from 2.47 percent in November 2021. The growth in Reserve Money was due to increase in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the Bank of Sierra Leone (BSL). NFA and NDA contributed 6.88 percent and 5.17 percent respectively to the growth of reserve money in December 2021, compared to -2.27 percent and 4.74 percent in November 2021. Figure 5 shows the contributions of NFA and NDA to the growth of reserve money.

Figure 6: Reserve Money Growth and Contributions of NFA and NDA to Reserve Money Growth



Source: Bank of Sierra Leone

Net foreign assets (NFA) of the BSL increased by 62.55 percent in December 2021, though it remained negative as in November 2021, compared to a decline in November 2021. Net domestic assets (NDA) of the BSL increased slightly in December 2021 compared to November 2021. Table 2 shows the growth of reserve money and its components.

Table 2: Growth of Reserve Money and its Components

Billions of Leones	Actual Values		Absolute Change		% Change	
	Nov-21	Dec-21	Nov-21	Dec-21	Nov-21	Dec-21
Net Foreign Assets	-452.08	-169.31	(90.91)	282.76	25.17	(62.55)
Net Domestic Assets	4,559.18	4,771.50	190.09	212.32	4.35	4.66
Government Borrowing (net)	4,451.12	4,407.14	131.04	(43.98)	3.03	(0.99)
o.w. Securities	1,130.86	1,110.22	12.67	(20.64)	1.13	(1.83)
Ways and Means GoSL/IMF /WB	189.80	196.19	129.41	6.39	214.30	3.37
Budget financing	3,365.50	3,365.50	-	-	-	-
Reserve money	4,107.10	4,602.18	99.17	495.09	2.47	12.05
o.w. Currency issued	3,447.10	3,827.19	135.55	380.09	4.09	11.03
Bank reserves	655.48	770.04	(36.58)	114.55	(5.29)	17.48

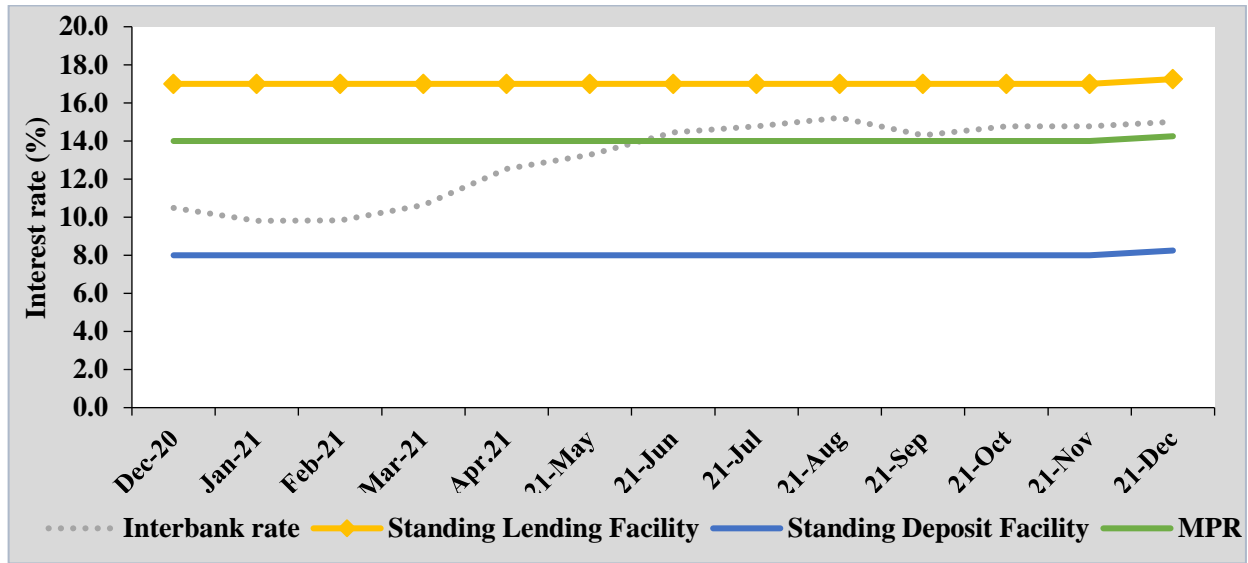
Source: Bank of Sierra Leone

On the liability side, reserve money growth was attributed to the increase in both banks' reserves by 17.48% and currency issued expanded by 11.03% in December 2021.

4.3 Interest Rates

At the quarterly Monetary Policy Committee (MPC) meeting held in December 2021, the Committee decided to raise The Monetary Policy Rate (MPR) by 25 basis points to 14.25 percent in December 2021, from 14.00 percent in November 2021. Similarly, the Standing Lending Facility and Standing Deposit Facility rates also rose to 17.25 percent and 8.25 percent in December 2021, respectively. The interbank rate increased in December 2021 but remained within the Policy Corridor.. It increased from 14.77 percent in November 2021 to 15.01 percent in December 2021. Figure 7 shows the trend in the Bank of Sierra Leone interest rates and the interbank rate.

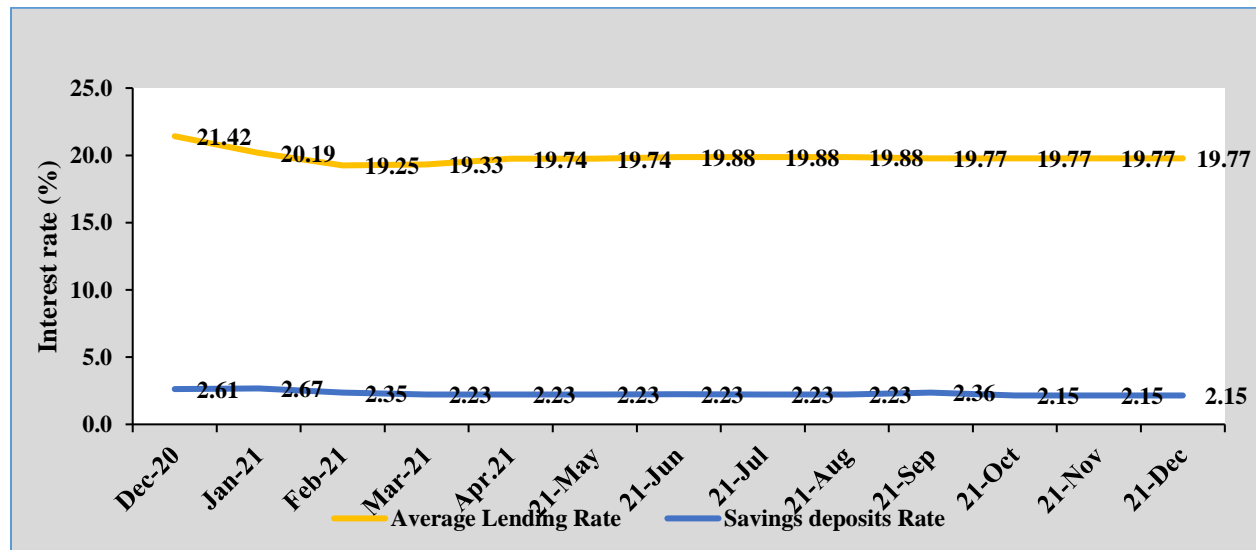
Figure 7: Central Bank Interest Rates and the Interbank Rate



Source: Bank of Sierra Leone

Commercial banks’ average lending rate and average savings deposits rate remained unchanged in December 2021. Figure 7 shows the average lending rate and average savings rate in December 2021 and the twelve months preceding it. The interest rate spread between the average lending and the average savings deposit rate also remained flat.

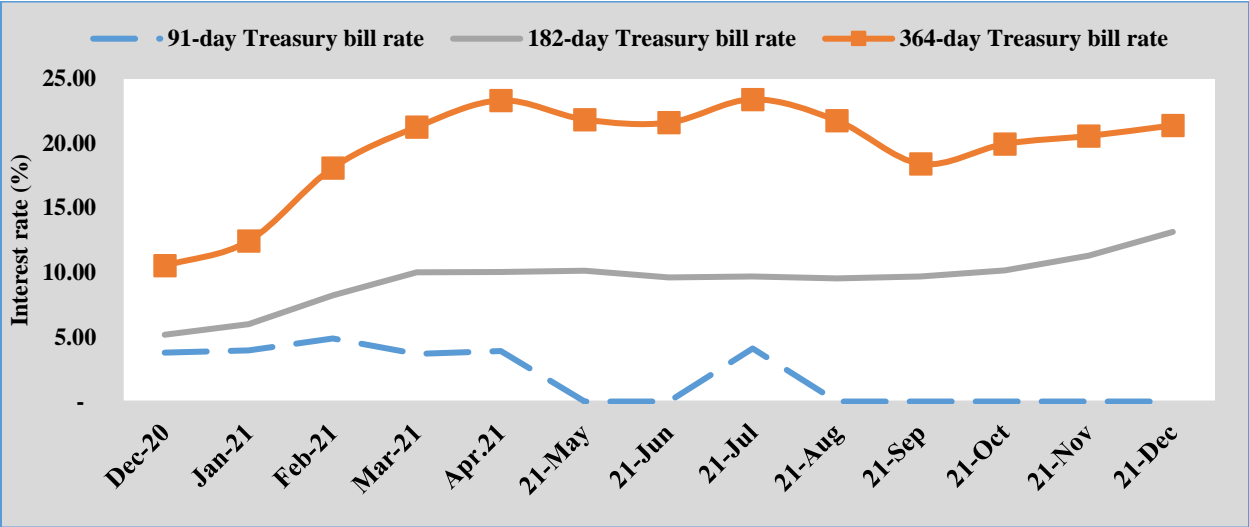
Figure 8: Average lending and Savings deposit rates



Source: Bank of Sierra Leone

Yields on the 182-day T-bills and 364-day T-bills increased from 11.30 percent and 20.56 percent respectively in November 2021 to 13.13 percent and 21.38 percent respectively in December 2021 while the 91-day T-bills remained flat. Figure 8 shows the yields on the T-bills.

Figure 9: Yields on Treasury Bills



Source: Bank of Sierra Leone

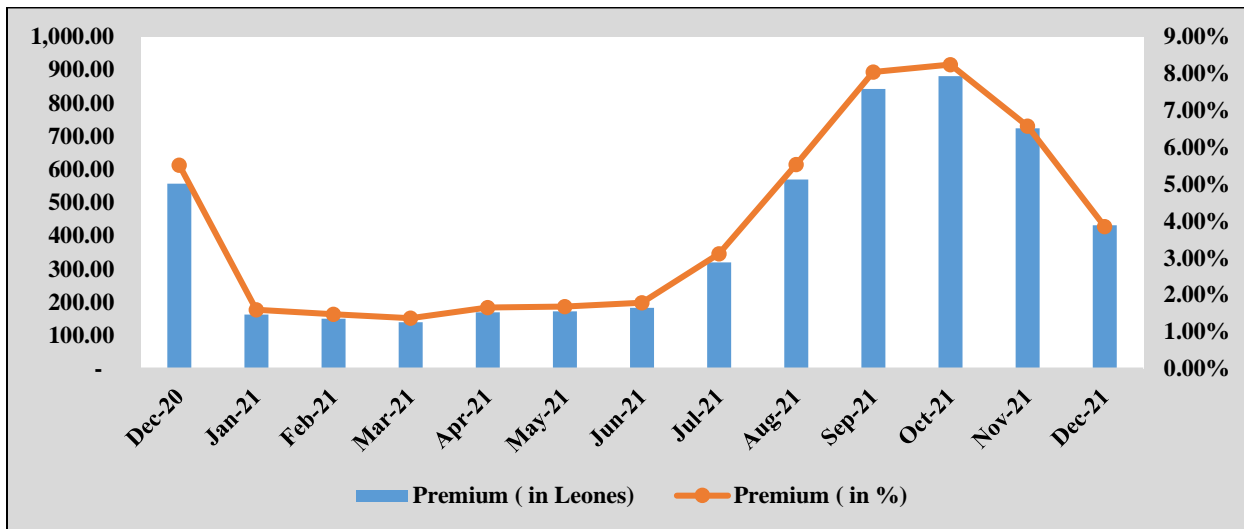
5. External Sector

5.1 Exchange Rate Developments

The monthly average exchange rate of the Leone against the US dollar depreciated against all foreign exchange markets in December 2021 on both the buying and selling sides. With regards to the buying side, the Leone marginally appreciated in the parallel market by 0.31 percent, averaging Le11,604.55/US\$1 but depreciated across the commercial bank official and bureau markets by 2.21 percent, 2.07 percent, and 2.67 percent, averaging Le11,294.74/US\$1, Le11,112.36/US\$1 and Le11,063.70/US\$1, respectively.

Similarly, on the selling side, the Leone appreciated in the parallel market by 0.77 percent averaging Le11,709.09/US\$1 but depreciated in the bureau market, official market and commercial banks by 2.36 percent, 2.07 percent, and 2.10 percent, averaging Le11,408.84/US\$1, Le11,336.85/US\$1 and Le11,567.45/US\$1 respectively. The premium between the official and parallel rates widened from 6.58 percent, which was Le723.61/US\$1 in November 2021 to 3.85 percent (Le432.21/US\$1) in December 2021.

Figure 10: Premium between Official and Parallel Exchange Rates



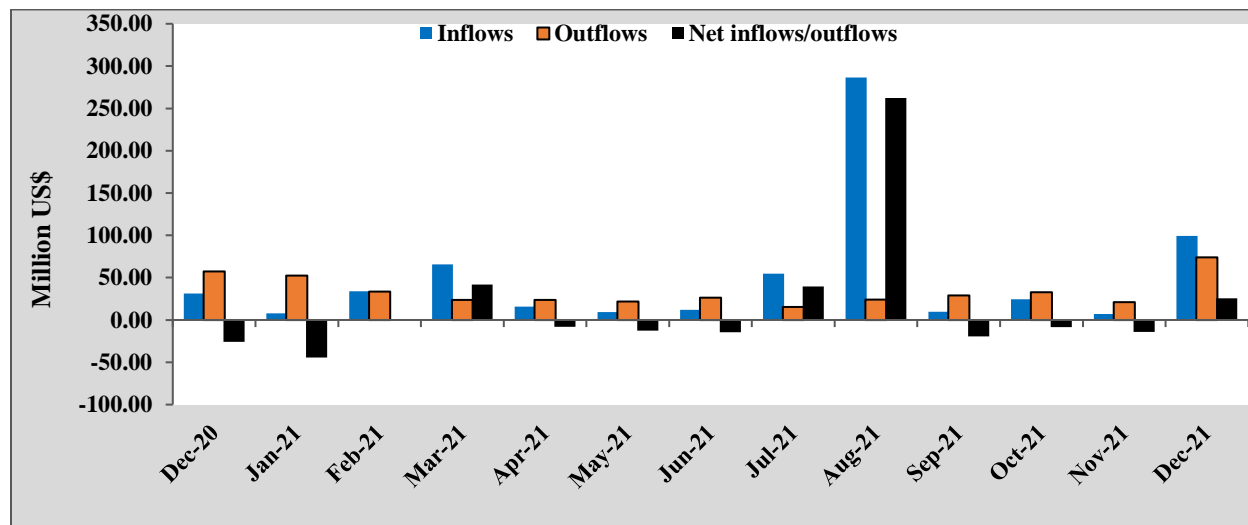
Source: Bank of Sierra Leone

5.2. Gross Foreign Exchange Reserves

As at end of December 2021, gross foreign exchange reserves of the Bank of Sierra Leone (including swaps) was US\$ 948.31 million, up by 2.84 percent, from US\$922.16million in November 2021. Inflows recorded in December 2021 was US\$626.01million, while outflows amounted to US\$377.95million, resulting in a net outflow of US\$248.05million, with a recorded revaluation adjustment of US\$8.51million.

Significant inflows incorporate new SDR allocations (US\$281.52million), World Bank loans (US\$100.65million), IMF Budget financing (US\$94.61million) and Other mining receipts (US\$30.36million) of which timber mining (US\$34.29million) and Rutile Sierra Leone (US\$16.57million). Major outflows comprise payments for goods and services (US\$338.35million), and debt service (US\$39.60million). Figure 11 shows foreign exchange inflows.

Figure 11: Foreign Exchange Flows



Source: Bank of Sierra Leone

6. Conclusion

Production performance generally picked up in December 2021 across the majority of the sectors. In the agricultural sector, cocoa production contracted, while in the manufacturing sector, production for Beer and Stout, Maltina, common soap, and Paint and acetylene improved. On the other hand, production outputs for oxygen and confectionary declined in December 2021. Headline inflation rate elevated in December 2021, relative to the rate in November 2021, which was driven by a rise in both food and non-food inflation.

Government fiscal operation resulted in a widening of the deficit in December 2021. This was due to expansion in expenditure pattern in the review period. The MPR was raised to 14.25 percent in December 2021. Thus, the Standing Lending Facility and Standing Deposit Facility rates were increased in December. Monetary aggregates, which incorporate Broad Money (M2) and Reserve Money (RM) grew at a higher rate in December 2021 in comparison to November 2021. Yields on both the 182-day Treasury bill and the 364-day Treasury bill trended upwards in December 2021 while the 91 day Treasury bill rate remained unchanged. Average monthly exchange rate for December 2021 depreciated on both the buying and selling fronts of markets and gross international reserves increased.