



BANK OF SIERRA LEONE

Monthly Economic Review

February 2024

MER/02/2024

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 February 2024.

Executive Summary

Production across the various sectors showed mixed performance in February 2024. Cocoa production increased but there was no data on coffee production during the review period. In the mining sector, the output of key minerals, such as gold (pure), bauxite, ilmenite and zircom increased, while the output of diamond (both industrial and gem), rutile, iron ore and other minerals decreased. The manufacturing sector witnessed a decrease in the output of all its components, except for cement. Year-on-year headline inflation decreased to 42.59 % in February 2024 from 47.42% in January 2024, with food (and non-alcoholic beverages) inflation decreasing to 44.71% from 49.82 % in January 2024 and non-food inflation decreasing to 40.95% from 45.59 % in January 2024.

Government fiscal operations (on cash-flow basis) resulted in a surplus of NLe45.27mn in February 2024, from a deficit of NLe97.05mn in January 2024. The surplus was due to increases in revenue from customs and excise, goods and services and miscellaneous.

Broad money (M2) expanded by 1.71% in February 2024, reflecting increases in Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the banking system. NFA increased by 4.31% in February 2024, while NDA increased by 1.16%. The Monetary Policy Rate (MPR), Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) were 22.25%, 25.25 % and 15.75, % respectively in February 2024. The interbank rate increased to 24.60% in February 2024 from 24.43% in January 2024, remaining within the policy corridor. The commercial bank's average lending rate remained unchanged at 20.26% in February 2024, as was the case in January 2024. The savings rate increased in

February 2024 to 2.23% from 2.17% in January 2024. The yield on 364-day T-bills increased to 39.50% in February

2024, while there were no trading activities for the 91-day and 182-day T-bills.

Gross Foreign Exchange reserves of the Bank of Sierra Leone was US\$446.49 million at the end of February 2024, representing a decrease of 1.35% from US\$452.58million at the end of January 2024, with a net outflow of US\$5.04 million in February 2024, compared to a net outflow of US\$12.53million in January 2024. Reserves (in import cover) decreased by 0.84% to 2.35 months of imports in February 2024, down from 2.37 months of imports in January 2024. The primary balance which was NLe354.52 million in January 2024, increased by NLe72.45 million, to NLe426.97 million in February 2024.

The Leone appreciated slightly against the US dollar in February 2024 on both the buying and selling sides across all foreign exchange markets. With respect to the buying side, the Leone appreciated at the BSL's published rate by 0.32%, bureau rate by 0.70% and commercial banks' rate by 0.37% with rates averaging NLe22.51 per US dollar, NLe22.41 per US dollar, and NLe22.45 per US dollar respectively. Conversely, the Leone depreciated across the parallel market by 0.07%, averaging NLe23.67 per US dollar. On the selling side, the Leone appreciated across all foreign exchange markets. The BSL's published rate appreciated by 0.34%, averaging NLe22.73 per US dollar, commercial banks' rate appreciated by 0.03%, averaging NLe22.88 per US dollar, bureau market rate appreciated by 0.59%, averaging NLe22.62 per US dollar and in the parallel market appreciated by 0.06% averaging NLe23.94 per US dollar. The premium between the BSL mid-rate and the average of the buying and selling parallel rate widened to 5.22% (NLe1.18 per US dollar) in February 2024 from 4.88% (NLe1.11 per US dollar) in January 2024.

1. Real Sector Development

(i) Production

In February, cocoa production increased by 153.00%. However, there was no data on coffee production during the period. The performance of the mining sector was mixed. Output of key minerals, including gold (pure), bauxite, ilmenite and zircon increased. However, there was a decrease in the production of diamond (both industrial and gem), rutile, iron ore and other minerals. The performance of the components of the manufacturing sector was mixed. The output of all manufacturing sector components decreased, with the exception of cement production, suggesting there was a decline in the sector’s output.

(i) Price Development

Year-on-year (Y-o-Y) headline inflation decreased to 42.59 % in February 2024 from 47.42% in January 2024, with food inflation decreasing to 44.71% from 49.82 % in January 2024 and non-food inflation decreasing to 40.96% from 45.59 % in January 2024. The decline in headline inflation was primarily attributed to the relative stability of the exchange rate, moderating global commodity prices and the tight monetary policy stance of the Bank of Sierra Leone (BSL). Table 1 presents the year-on-year headline inflation rate and key contributing components, which reveals that transportation, hotels, recreation, miscellaneous, health, amongst others, as the major contributors to the increase in headline inflation.

Table 1: Y-o-Y Inflation Rate by Component (%)

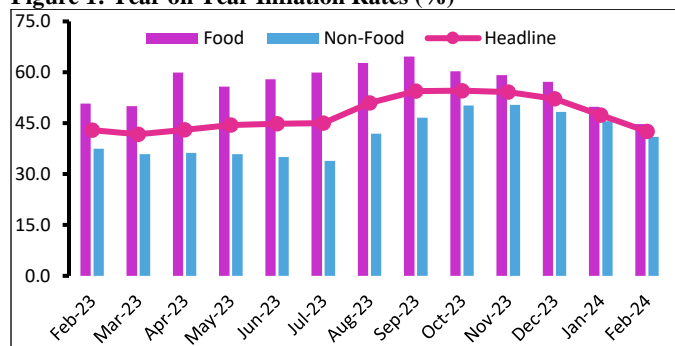
	Weight (%)	Jan-24	Feb-24	Change	Direction
Food	40.33	49.82	44.71	-5.11	Down
Non-Food	59.67	45.59	40.96	-4.63	Down
Alcohol Beverages & Tobacco	1.02	41.74	35.30	-6.44	Down
Clothing	7.70	33.31	31.06	-2.25	Down
Housing	8.90	33.09	34.10	1.01	Up
Furnishings	5.6	38.82	35.54	-3.28	Down
Health	7.60	52.40	53.76	1.36	Up
Transport	8.60	65.31	54.14	-11.17	Down
Communication	4.70	18.27	14.16	-4.11	Down
Recreation	2.60	57.02	43.19	-13.83	Down
Education	3.10	48.90	48.90	0	Constant
Hotels	6.10	69.67	55.46	-14.21	Down
Miscellaneous	3.90	35.04	30.54	-4.5	Down
All items	100	47.42	42.59	-4.83	Down

Source: Statistics Sierra Leones

Monthly headline inflation increased to 1.77% in February 2024, from 0.43% in January 2024. Figure 1

shows the inflation rates for February 2024 and the 12 months preceding it

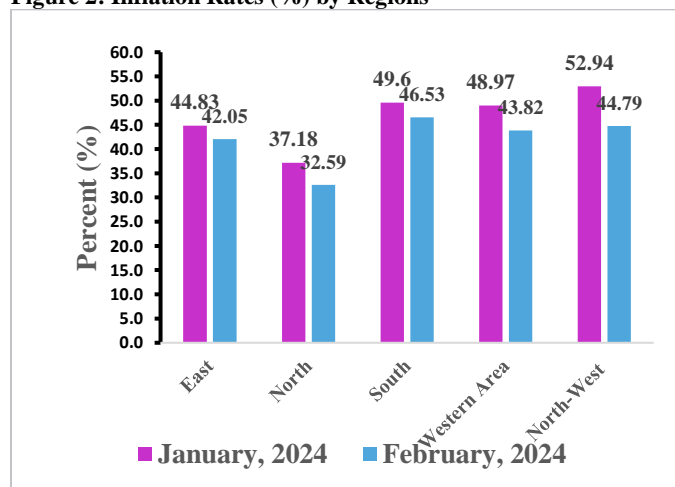
Figure 1: Year on Year Inflation Rates (%)



Source: Statistics Sierra Leone

On a regional basis, the annual inflation rate exhibited declining trends across various regions. The Northern region experienced the lowest inflation rate, decreasing to 32.59% in February 2024, followed by the Eastern region with an inflation rate of 42.05%. The Western-Area region recorded an inflation rate of 43.82%, the North-West region had an inflation rate of 44.79%, while the Southern region also saw a decline in inflation rate to 46.53%. Figure 2 shows inflation rates by region.

Figure 2: Inflation Rates (%) by Regions



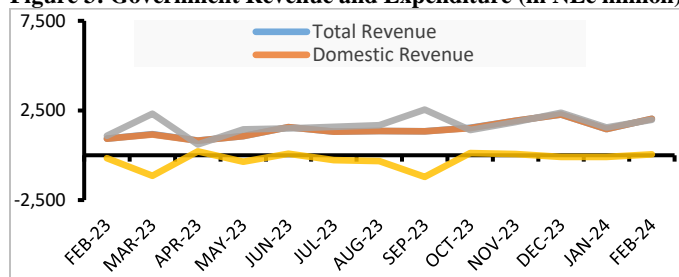
Source: Statistics Sierra Leone

2. Fiscal Sector Development

Government fiscal operations (on a cash-flow basis) resulted in a surplus of NLe45.27mn in February 2024 from a deficit of NLe97.05mn in January 2024. The

surplus was due to increases in revenue from customs and excise, goods and services and miscellaneous. Domestic revenue increased by 39.09% to NLe2,025.19mn and was higher than the budgeted target by 69.44%. Government expenditure also increased during the review period but was lower than the surge in total revenue. There were no grants during the review period. Figure 3 shows the fiscal profile for February 2024 and the 12 months preceding it.

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



Source: Bank of Sierra Leone

Government expenditure increased by 27.16% in February 2024, compared to 34.11% in January 2024. The actual expenditure of NLe1,979.92mn was more than the budgeted ceiling of NLe988.98mn. The expansion in expenditure was primarily due to increases in wages and salaries, which surged by 433.65% to NLe316.91mn, and other expenditures on goods and services, which increased by 22.95% to NLe1,281.31mn. However, domestic debt interest payment declined by 16.20% to NLe381.70mn. The primary balance which was NLe354.52 million in January 2024 increased by NLe72.45 million, to NLe426.97 million in February 2024. The increase in the primary balance was due to both increase in domestic revenue, which was NLe2,025.19 million, and increase in government expenditure, excluding debt services, which was NLe1,598.22 million

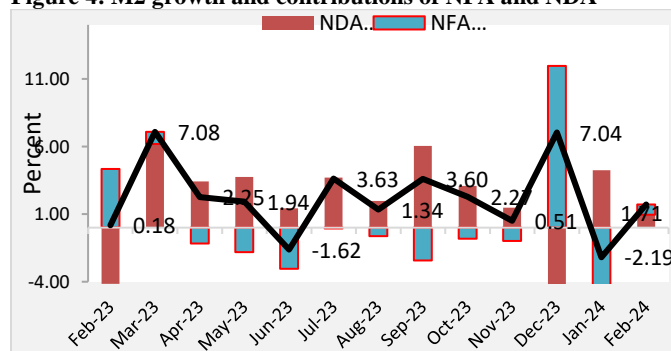
3. Monetary Sector Development

(i) Monetary Aggregates

In February 2024, broad money (M2) expanded by 1.71%, reflecting increase in Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the banking system. NFA increased by 4.31%, while NDA increased by 1.16%. The growth in NFA was driven by the increase in both the NFA of the Bank of Sierra Leone (BSL) and

Other Depository Corporations (ODCs). Similarly, the increase in NDA was due to the increases in both credit to the private sector and net credit to the government. Credit to the private sector by commercial banks increased by 3.60% in February 2024, compared to 4.35% expansion in January 2024. Figure 4 shows the contributions of NDA and NFA to M2 growth.

Figure 4: M2 growth and contributions of NFA and NDA

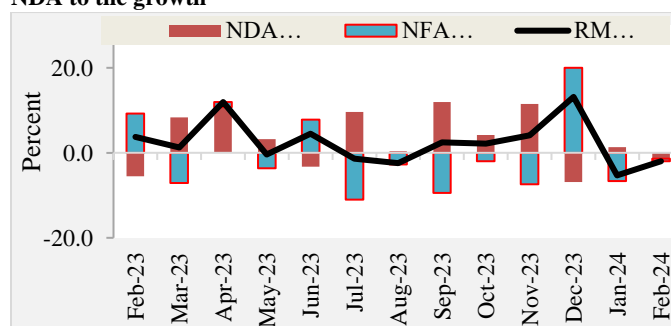


Source: Bank of Sierra Leone

Narrow Money (M1) increased by 2.71%, primarily driven by the growth of demand deposits and currency outside banks, by 4.18%, and 1.24% respectively. Quasi-money grew by 0.93%, reflecting increase in both foreign currency deposits by 0.68% and time and savings deposits of ODCs by 1.62%. Other Deposits of BSL declined during the period.

Reserve money decreased by 1.98%, primarily due to a contraction in NFA of the BSL, while NDA of the BSL expanded marginally. On the liability side, the decline in reserve money was primarily driven by the decrease in bank reserves whilst currency issued expanded. Figure 5 shows the contributions of NDA and NFA to reserve money growth.

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



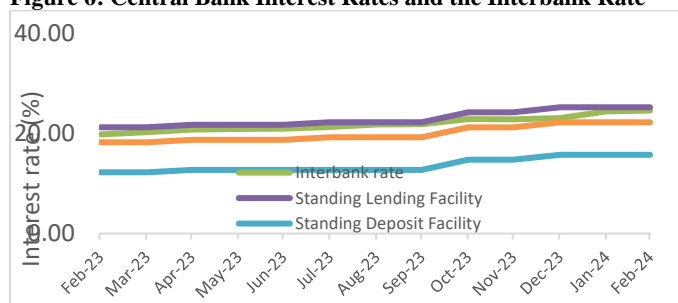
Source: Bank of Sierra Leone

(ii) Interest Rates

In February 2024, monetary policy rate (MPR), Standing Lending Facility (SLF), and Standing Deposit Facility (SDF) were 22.25%; 5.25%, and 15.75%, respectively. The interbank rate increased to 24.60% in February 2024, from 24.43% in January 2024, and was within the policy corridor.

The commercial banks’ average lending rate remained unchanged at 20.26% in February 2024, compared with January 2024. The savings rate increased in February 2024 to 2.23% from 2.17% in January 2024. As a result, the spread between the average lending rate and saving rate declined to 18.03% in February 2024 from 18.09% in January 2024. Figure 6 shows various interest rates for February 2024 and the 12 months preceding it.

Figure 6: Central Bank Interest Rates and the Interbank Rate



Source: Bank of Sierra Leone

Yields on 364-day T-bills increased to 39.50% in February 2024, while no trading activity was reported for the 91-day and 182-day T-bills under the same period.

4. External Sector Development

(i) Exchange Rate Development

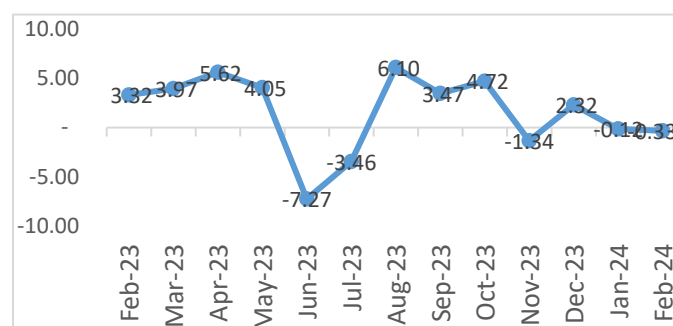
In February 2024, the Leone appreciated against the US dollar on both the buying and selling sides in the official foreign exchange markets while it depreciated in the parallel market. With regards to the buying side, the Leone appreciated at the BSL’s published rate by 0.32%, it appreciated at the bureau rate by 0.70%. Also, it

appreciated at the commercial banks’ by 0.37%. The average buying rate in February at the BSL published rate, bureau and commercial banks rates were NLe22.51 per US dollar, NLe22.41 per US dollar, and NLe22.45 per US dollar, respectively. Conversely, the Leone depreciated at the buying across the parallel market by 0.07%, averaging NLe23.67 per US dollar.

Similarly, on the selling side, the Leone appreciated across all foreign exchange markets. With the BSL’s published rate appreciating by 0.34%, averaging NLe22.73 per US dollar, that from the commercial banks appreciating by 0.03%, averaging NLe22.88 per US dollar, and the bureau market appreciating by 0.60%, averaging NLe22.62 per US dollar and in the parallel market by 0.06%, averaging NLe23.94 per US dollar.

The BSL mid-rate appreciated by 0.35%. Figure 7 shows the trend of the appreciation rate of the Leone, using the BSL mid-rate¹. The premium between the official and parallel rates widened to 5.22% (NLe1.18 per US dollar) in February 2024 from 4.87% (NLe1.11 per US dollar) in January 2024.

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



Source: Bank of Sierra Leone

(ii) Gross Foreign Exchange Reserves

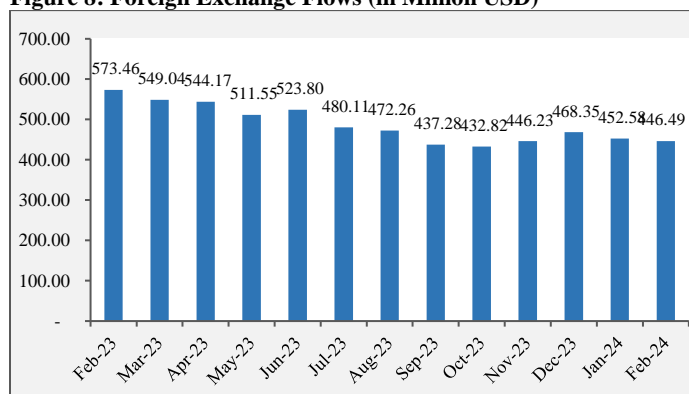
In February 2024, the gross foreign exchange reserves of the Bank of Sierra Leone decreased by 1.35% to US\$446.49 million, down from US\$452.58million in January 2024. This decline was primarily driven by a net

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

outflow of US\$5.04 million in February 2024, compared to a net outflow of US\$12.53million in January 2024, while a portion of the change in reserves was attributed to revaluation adjustments.

Figure 8 shows foreign exchange flows for February 2024 and the 12 months preceding it.

Figure 8: Foreign Exchange Flows (in Million USD)

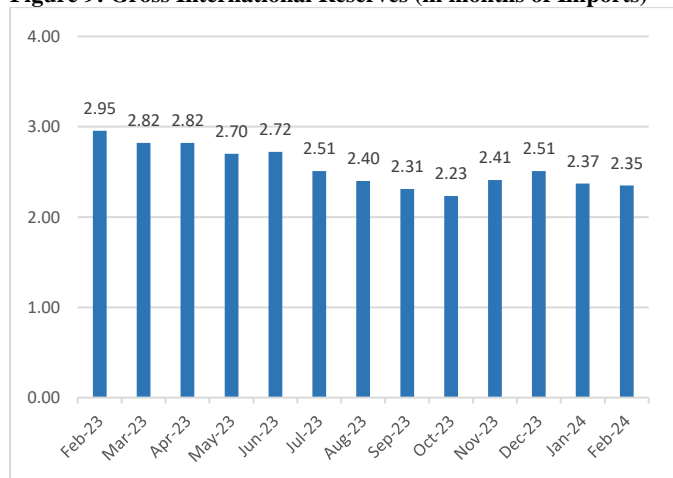


Source: Bank of Sierra Leone

Reserves (in import cover) decreased to 2.35 months of imports in February 2024 down from 2.37 months of imports in January 2024.

Figure 9 shows reserves (in import cover) for February 2024 and the 12 months preceding it.

Figure 9: Gross International Reserves (in months of Imports)



Source: Bank of Sierra Leone

5. Conclusion

In February 2024, the production performance of various economic sectors exhibited mixed patterns. Notably, the

production of cocoa experienced an increase while data on coffee production was unavailable. The mining sector experienced a mixed performance as there was an increase in output for gold (pure), bauxite, ilmenite and zircom, while output for diamond (both industrial and gem) rutile, iron ore and other minerals declined. The manufacturing sector reported a decrease in output across all components, except for cement production.

Year-on-Year headline inflation showed a decline in February 2024, primarily attributed to stability in the exchange rate, which was reflected in lower food and non-food inflation. Moreover, Government’s fiscal operations (on a cash flow basis) observed a surplus of NLe45.27mn in February 2024 from a deficit of NLe97.05mn in January 2024. The surplus was due to increases in domestic revenue from customs and excise, goods and services and miscellaneous.

Following the December 2023 Monetary Policy Committee (MPC) meeting, the monetary policy rate (MPR), Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) remained unchanged in February 2024 as the MPC meets at the end of the quarter. The interbank rate increased to 24.60% in February 2024 from 24.43% in January 2024 but it remained within the policy corridor. Commercial banks’ average lending rate remained unchanged at 20.26% in February 2024. The saving rate increased in February 2024 to 2.23% from 2.17% in January 2024. Yields on 364-day T-bills increased to 39.50% in February 2024, while no trading activity was reported for the 91-day and 182-day T-bills under the same period.

Broad money (M2) expanded whilst reserve money contracted in February 2024. In all the official foreign exchange rate markets, the Leone experienced slight appreciation against the US dollar, both in buying and selling activities. Gross Foreign Exchange Reserves recorded a decline in February 2024 from US\$452.58million in January 2024 to US\$446.49 million in February 2024.

Reserves (in import cover) decreased to 2.35 months of imports in February 2024 down from 2.37 months of imports in January 2024.