

BANK OF SIERRA LEONE



Monthly Economic Review

July 2024

MER/07/2024

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.

BANK OF SIERRA LEONE MONTHLY ECONOMIC REVIEW

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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 July 2024.

Executive Summary

In July 2024, cocoa production surged by 770.07% to 2,404.00 metric tons, while coffee production increased by 285.35% to 363.00 metric tons. In contrast, the mining sector witnessed declines in the production of gold, diamond, rutile, ilmenite, zircon, and iron ore output, though output of other minerals increased. In the manufacturing sector, output increased for beer and stout, paint, oxygen, and common soap, while output for maltina, cement, and confectionery declined.

Year-on-year headline inflation dropped to 29.45% in July 2024, from 31.93% in June 2024. Food inflation fell to 24.75% from 27.25%, and non-food inflation decreased to 33.61% from 35.99% in June 2024.

Fiscal operations recorded a deficit of NLe1,050.46 million in July 2024 compared to a surplus of NLe183.09 million in June 2024. This deficit was due to contraction in revenue and expansion in government expenditure. Domestic revenue fell by 46.74% to NLe1,254.06 million while government expenditure increased by 6.07% to NLe2,304.53 million in July 2024. The primary balance deteriorated significantly, moving from a surplus of NLe352.51 million in June 2024 to a deficit of NLe647.74 million in July 2024.

Broad money (M2) expanded by 2.85% in July 2024, driven by a 5.05% increase in Net Domestic Assets (NDA), while Net Foreign Assets (NFA) declined by 2.20%. The growth in NDA was mainly due to increased net claims on the central government. Meanwhile, the decline in NFA reflected a drop in Other Depository Corporations' (ODCs) net foreign assets. Commercial banks' credit to the private sector contracted by 2.40% in July 2024, compared to a smaller decline of 0.33% in June 2024.

Reserve money increased by 2.95%, spurred by a 7.66% rise in the BSL's NDA, while NFA declined by 4.71%.

On the liability side, reserve money expansion resulted from a 3.98% increase in ODCs' reserves and a 2.80% rise in currency in circulation, while residents' other deposits declined by 7.28%.

In July 2024, the monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility (SDF) rates remained unchanged at 24.25%, 27.25%, and 17.75%, respectively. The interbank rate rose to 25.89%, from 25.46% in June 2024, remaining within the policy corridor. The average deposit rate was 2.23% in July 2024, while the average lending rate increased to 20.98% from 20.38% in June 2024. Yields on 364-day and 182-day T-bills decreased to 41.27% and 29.13%, respectively.

The Leone depreciated in July 2024 on both buying and selling sides. On the buying side, it depreciated by 0.14% at the BSL's published rate, 0.03% in commercial banks, and 0.15% in the bureaux market, while remaining unchanged in the parallel market. Average buying rates were NLe22.40/US\$ (BSL), NLe22.41/US\$ (commercial banks), NLe22.39/US\$ (bureaux), and NLe23.70/US\$ (parallel market). On the selling side, the Leone depreciated by 0.14% at the BSL's published rate, 0.26% in commercial banks, 0.07% in bureaux, and 0.62% in the parallel market. Average selling rates were NLe22.63/US\$ (BSL), NLe22.74/US\$ (commercial banks), NLe22.51/US\$ (bureaux), and NLe24.00/US\$ (parallel market).

On a year-on-year basis, the BSL mid-rate depreciated by 10.04% in July 2024 compared to 32.23% in July 2023. On a month-on-month basis, the BSL mid-rate depreciated by 0.14% in July 2024, compared to a 0.58% appreciation in June 2024. The premium between official and parallel market rates widened to 5.92% (NLe1.33 per US dollar) in July 2024 from 5.74% (NLe1.29 per US dollar) in June 2024.

Gross foreign exchange reserves of the Bank of Sierra Leone decreased by 4.23% to US\$393.96 million in July 2024 from US\$411.35 million in June 2024. Measured in months of import cover, gross international reserves dropped to 2.05 months at the end of July 2024, from 2.11 months in June 2024.

1. Real Sector Development

(i) Production

In July 2024, cocoa production increased by 770.07% to 2,404.00 metric tons while coffee production increased by 285.35% to 363.00 metric tons. The mining sector witnessed a contraction, with declines in the output of gold, diamond, rutile, ilmenite, zircon and iron ore while the output of other minerals increased in July 2024. There was no available data on the production of bauxite in July 2024 as was in June 2024. In the manufacturing sector, output increased for beer and stout, paint, oxygen, and common soap while output for maltina, cement and confectionery decreased.

(ii) Price Development

Year-on-year headline inflation decreased to 29.45% in July 2024 from 31.93% in June 2024. Food inflation fell to 24.75% from 27.25% in June 2024 and non-food inflation decreased to 33.61% from 35.99%. 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 0.93% in July 2024 from 0.43% in June 2024. Figure 1 shows the inflation rates for July 2024 and the 12 months preceding it.

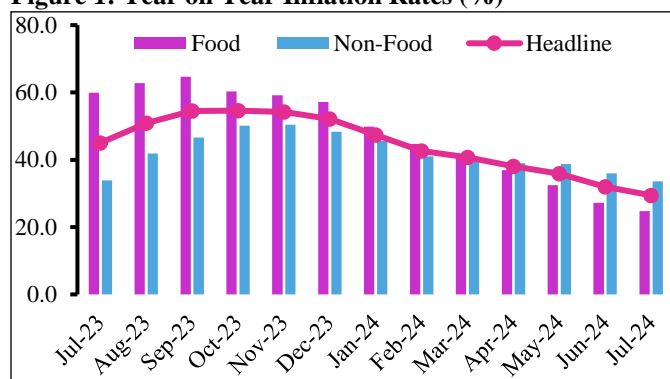
Regionally, annual inflation declined in all regions with the Western region having the highest inflation rate reaching 31.79% followed by the Northern region at 28.70%, North-West region at 27.33%, Eastern region at 27.12% and the Southern region at 27.08%. Figure 2 shows inflation rates by region.

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

	Weight (%)	Jun. 24	Jul. 24	Change	Direction
Food	40.33	27.25	24.75	-2.50	Down
Non-Food	59.67	35.99	33.61	-2.38	Down
Alcohol Beverages & Tobacco	1.02	20.22	19.28	-0.94	Down
Clothing	7.70	27.18	24.71	-2.47	Down
Housing	8.90	38.63	39.99	1.36	Up
Furnishings	5.6	28.36	28.37	0.01	Up
Health	7.60	40.67	38.57	-2.10	Down
Transport	8.60	60.17	56.23	-3.94	Down
Communication	4.70	6.67	5.72	-0.95	Down
Recreation	2.60	34.92	29.45	-5.47	Down
Education	3.10	48.90	48.90	0	Constant
Hotels	6.10	38.27	33.60	-4.67	Down
Miscellaneous	3.90	28.21	21.74	-6.47	Down
All items	100	31.93	29.45	-2.48	Down

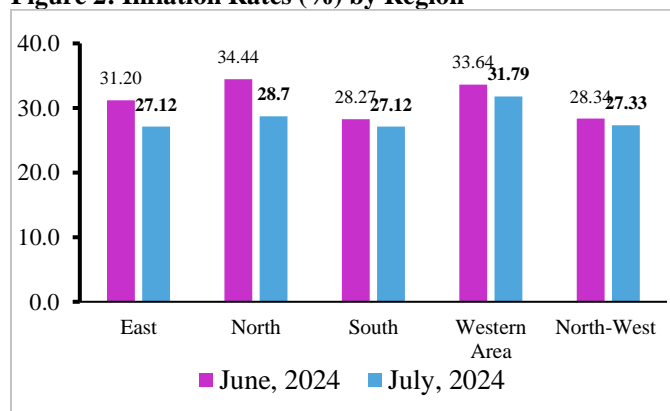
Source: Statistics Sierra Leones

Figure 1: Year on Year Inflation Rates (%)



Source: Statistics Sierra Leone

Figure 2: Inflation Rates (%) by Region



Source: Statistics Sierra Leone

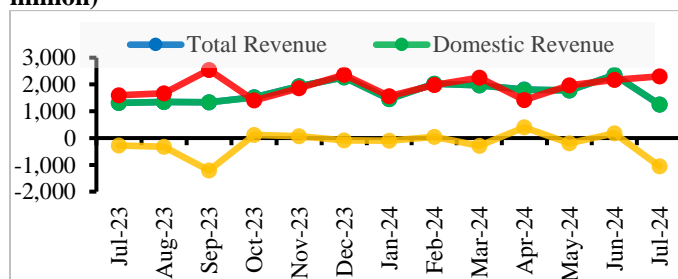
2. Fiscal Sector Development

Fiscal operations on a cash-flow basis resulted in a deficit of NLe1,050.46 million in July 2024, compared to a surplus of NLe183.09 million in June 2024. The deficit was due to an increase in total expenditure and decrease in revenue.

Domestic revenue declined by 46.74% to NLe1,254.06 million in July 2024 from NLe2,354.72 million in June 2024. This, however, exceeded the target of NLe1,165.06 million by 7.64%. The decline was due to a contraction in revenue from goods and services tax, which shrank by 43.40% to NLe161.42 million, customs and excise tax, which decreased by 38.93% to NLe134.81 million, income tax which contracted by 41.62% to NLe316.64 million, and miscellaneous (non-tax) income, which decreased by 50.92% to NLe641.19 million. There were no grants in July 2024. Government expenditure increased by 6.07% to NLe2,304.53 million, and was above the ceiling of NLe1,038.33 million by 121.95%. The increase in expenditure was due to an increase in domestic debt service payments which expanded by 136.31% to NLe402.73 million, and an increase in other expenditure on goods and services, which expanded by 4.73% to NLe1,532.61 million. Expenditure on wages and salaries declined by 31.47% to NLe369.19 million. Figure 3 shows the fiscal profile for July 2024 and the 12 months preceding it.

The primary balance deteriorated by 283.75%, from a surplus of NLe352.51 million in June 2024 to a deficit of NLe647.74 million in July 2024, reflecting a decrease in domestic revenue and an increase in total expenditure (excluding debt services).

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



Source: Bank of Sierra Leone

3. Monetary Sector Development

(i) Monetary Aggregates

In July 2024, broad money (M2) expanded by 2.85%, reflecting an increase in Net Domestic Assets (NDA), while Net Foreign Assets (NFA) declined. NDA increased by 5.05%, while NFA declined by 2.20%. The growth in NDA was driven mainly by increase in the 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 Other Depository Corporations (ODCs). Commercial banks' credit to the private sector declined by 2.40% in July 2024, compared to a decrease of 0.33% in June 2024. Figure 4 shows the contributions of NDA and NFA to M2 growth.

Narrow Money (M1) expanded by 3.86% in July 2024, due to increase in both demand deposits by 5.51% and currency outside banks by 2.19%. Similarly, Quasi-money increased by 2.02%, reflecting increase in both time and savings deposits of ODCs by 3.02% and foreign currency deposits by 1.51% while other deposits of the BSL recorded a decrease by 7.28% during the review period.

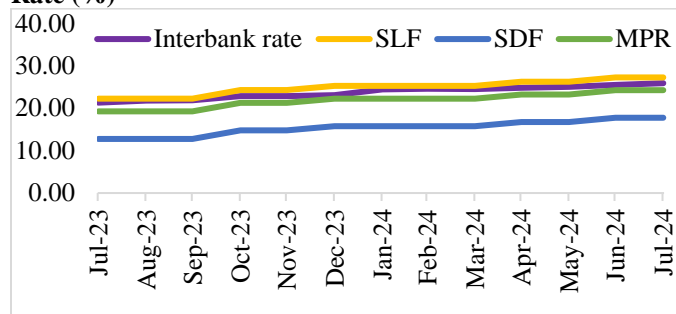
Reserve money expanded by 2.95% in July 2024, driven by increase in NDA of the BSL by 7.66% while NFA declined by 4.71%. On the liability side, the increase in reserve money was due to expansions of reserves in ODCs and currency in circulation by 3.98% and 2.80% respectively while other deposits from other residents declined by 7.28%. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

(ii) Interest Rates

In July 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 25.89% in July 2024 from 25.46% in June 2024, staying within the policy corridor. The average deposit rate remained steady at 2.23% as in June 2024 while the commercial banks' average lending rate increased in July 2024 to 20.98% from 20.38% in

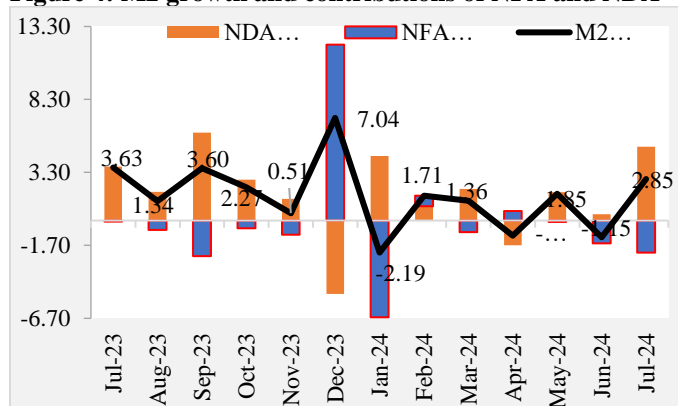
June 2024. As a result, the spread between the average lending and savings rates increased to 18.75% in July 2024 from 18.15% in June 2024. Figure 6 shows various interest rates for July 2024 and the 12 months preceding it. The yields on the 364-day T-bills and 182-day T-bills decreased to 41.27% and 29.13% in July 2024 respectively, while there was no subscription on the 91-day T-bills.

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



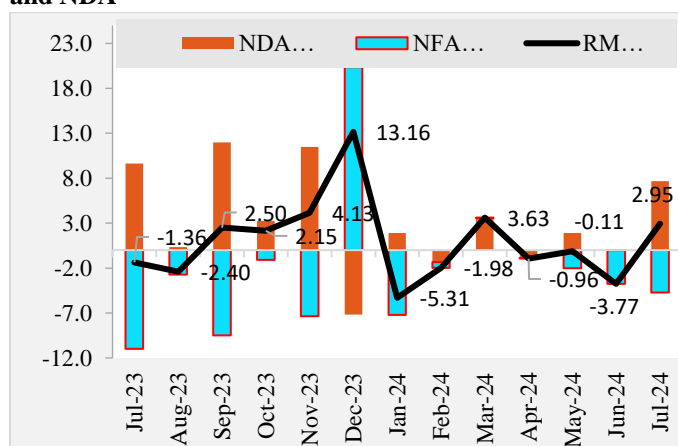
Source: Bank of Sierra Leone

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

4. External Sector Development

(i) Exchange Rate Development

On the buying side, the Leone depreciated by 0.14% at the BSL’s published rate, 0.03% in the commercial banks market, and by 0.15% in the bureaux market in July 2024. The buying rate of the Leone against the US dollar remained unchanged in the parallel market. The average rates based on the BSL’s published rate, the commercial banks, bureaux, and parallel markets were NLe22.40/US\$, NLe22.41/US\$, NLe22.39/US\$, and NLe23.70/US\$, respectively.

On the selling side, the Leone depreciated by 0.14% at the BSL’s published rate, 0.26% in the commercial banks market, 0.07% in the bureaux market and 0.62% in the parallel market. The average rates based on the BSL’s published rate, commercial banks, bureaux, and parallel markets were NLe22.63/US\$, NLe22.74/US\$, NLe22.51/US\$, and NLe24.00/US\$. Figure 7 shows the trend of the appreciation and depreciation rate of the Leone, using the BSL mid-rate¹.

On a year-on-year basis, the BSL mid-rate depreciated by 10.04% in July 2024 compared to a depreciation of 32.23% in July 2023. On a month-on-month basis, the BSL mid-rate depreciated marginally by 0.14% in July 2024 compared to a 0.58% appreciation in June 2024.

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

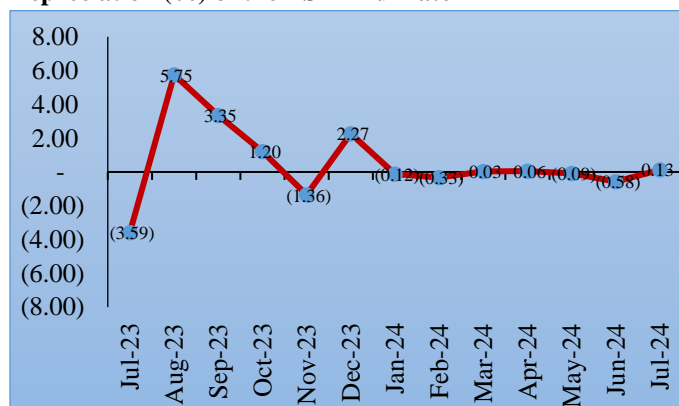
The premium between the official and parallel rates increased to 5.92% (NLe1.33 per US dollar) in July 2024 from 5.74% (NLe1.29 per US dollar) in June 2024.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 4.23% to US\$393.96 million in July 2024 from US\$411.35 million in June 2024.

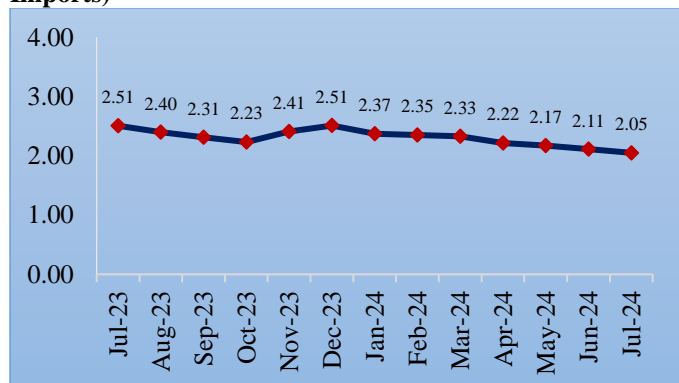
Gross International Reserves, measured in months of import cover, declined to 2.05 months at the end of July 2024, from 2.11 months at the end of June 2024 and 2.51 months at the end of July 2023. This decline was due to the decrease in gross reserves. Figure 8 shows the gross international reserves measured in months of imports for July 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 July 2024, the economy showed mixed performance across various sectors as in June 2024. Cocoa and coffee production increased while the mining sector witnessed a contraction, with declines in the output of gold, diamond, rutile, ilmenite, zircon and iron ore while the output of other minerals increased in July 2024. In the manufacturing sector, output increased for beer and stout, paint, oxygen, and common soap while output for maltina, cement and confectionery decreased.

Year-on-year headline inflation decreased to 29.45% in July 2024 from 31.93% in June 2024 driven by declines in both food and non-inflation rates. Monthly headline inflation increased to 0.93% in July 2024. Regionally, annual inflation declined in all regions with the Western region having the highest inflation rate and the Southern region having the lowest inflation rate.

Fiscal operations on a cash-flow basis resulted in a deficit of NLe1,050.46 million in July 2024. The deficit was due to an increase in total expenditure and decrease in total revenue. Domestic revenue declined by 46.74% to NLe1,254.06 million in July 2024. Government expenditure increased by 6.07% to NLe2,304.53 million. The primary balance deteriorated by 283.75%, from a surplus of NLe352.51 million in June 2024 to a deficit of NLe647.74 million in July 2024, reflecting a decrease in domestic revenue and an increase in total expenditure (excluding debt services).

In July 2024, broad money (M2) expanded by 2.85%, reflecting an increase in Net Domestic Assets (NDA), while Net Foreign Assets (NFA) declined. NDA increased by 5.05%, while NFA fell by 2.20%. Reserve money expanded by 2.95%, driven by increase in NDA of the BSL while NFA declined. On the liability side, the increase in reserve money was due to expansions of reserves in ODCs and currency in circulation while other deposits from other residents declined. The BSL maintained its monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) at 24.25%, 27.25%, and 17.75%, respectively. The

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interbank rate increased to 25.89% in July 2024 staying within the policy corridor.

The Leone remained relatively stable across different market segments. The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 4.23% to US\$393.96 million in July 2024. In terms of months of import cover, it declined to 2.05 months at the end of July 2024, from 2.11 months at the end of June 2024.