



BANK OF SIERRA LEONE

Monthly Economic Review

January 2024

MER/01/2024

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.

Address: Siaka Stevens Street, P.O. Box 30, Freetown, Sierra Leone.

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 January 2024.

Executive Summary

Production across the various sectors showed mixed performance in January 2024. Cocoa production decreased but there was no available data on coffee production. In the mining sector, key mineral outputs, such as gold (pure), bauxite, rutile, ilmenite and zircom, declined, while diamond production (both industrial and gem), iron ore and other minerals increased. The manufacturing sector witnessed an increase in output of all components, except for paint production. Year-on-Year headline inflation decreased to 47.42% in January 2024 from 52.21% in December 2023, with food and non-alcoholic beverages inflation declined to 49.82% in January 2024 from 57.21% in December 2023. Non-food and alcoholic beverages inflation also decreased to 45.59% in January 2024 from 48.32% in December 2023.

The government's fiscal operations (on a cash-flow basis) resulted in a deficit of NLe97.05mn in January 2024, from a deficit of NLe89.88mn in December 2023. The increase in deficit was driven by decreased total revenue, especially domestic revenue from all revenue sources.

Broad money (M2) and reserve money decreased by 2.19% and 5.31% respectively. The declines in M2 and reserve money were driven primarily by decreases in the Net Foreign Assets (NFA) while Net Domestic Assets of the banking system increased marginally. The monetary policy rate (MPR), standing lending facility (SLF) and standing deposit facility (SDF) remained unchanged at their December rates in January 2024. The MPR was 22.25 %; the SLF rate was 25.25 %; and the SDF rate was 15.75 %. The interbank rate increased to 24.43% in January 2024 from 23.06% in December 2023 but remained within the policy corridor. The commercial bank average lending rate remained unchanged while the average savings rate decreased at 20.26% and 2.17 %, respectively. The yields on the 364-day T-Bills increased to 37.67% in January 2024 while there were no transactions for the 91-day and 182-day T-Bills.

Gross foreign exchange reserve of the Bank of Sierra Leone was US\$452.58 million at the end of January 2024, representing an increase of 3.37 percent from US\$468.35million at the end of December 2023, with a net outflow of US\$12.53 million, compared to a net inflow of US\$20.59 million in December 2023. The performance of the Leone's exchange rate against the US dollar was mixed in January 2024 on both the buying and selling sides across all foreign exchange markets. As regards the buying side, the Leone appreciated in the official market by 0.12%, in the bureau market 0.10% with rates averaging NLe22.58 per US Dollar and NLe22.57 per US Dollar respectively. Conversely, the Leone depreciated across commercial banks by 0.03%, averaging NLe22.53 per US dollar whilst for the parallel market, unchanged in January 2024. On the selling side, similar appreciation occurred with the Leone appreciating across commercial banks, bureau and the official market by 0.34%, 0.30% and 0.12%, averaging NLe22.89 per US Dollar, NLe22.76 per US Dollar and NLe22.81 per US Dollar, respectively. In the parallel market, the Leone depreciated by 0.24% averaging NLe23.95 per US Dollar. The premium between the official and parallel rates widened to 4.88% (NLe1.11 per US Dollar) in January 2024 from 4.40% (NLe1.00 per US Dollar) in December 2023.

1. Real Sector Development

(i) Production

In January, the Agricultural sector saw a significant decline as cocoa production decreased by 30.50%. However, there was no data on coffee production during the period. Conversely, the performance of the mining sector was mixed. Output of key minerals, including diamonds both industrial and gem, iron ore and other minerals increased. However, there was a decrease in the production of gold (pure), bauxite, rutile, ilmenite and zircon. The performance of the manufacturing sector improved as the output of all manufacturing sector components increased, with the exception of paint production.

(ii) Price Development

Year-on-year headline inflation decreased to 47.42 % in January 2024 from 52.16% in December 2023, with food inflation decreasing to 49.82% from 57.21 % in December 2023 and non-food inflation decreasing to 45.59% from 48.32 % in December 2023. 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, highlighting communication, miscellaneous, health, clothing, alcoholic beverages, and tobacco amongst others as the major contributors to the increase in headline inflation.

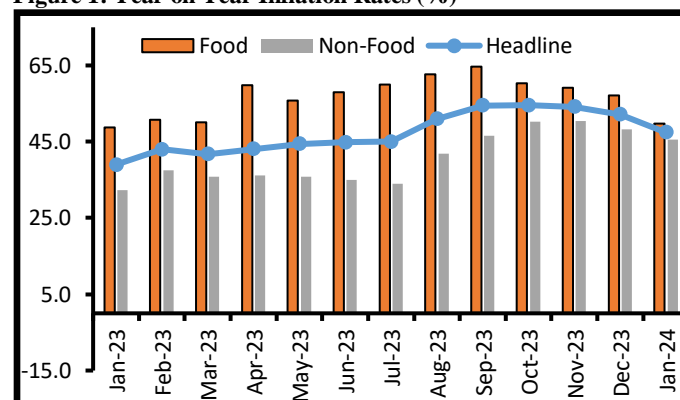
Table 1: Y-o-Y Inflation Rate by Component (%)

	Weight (%)	Dec-23	Jan-24	Change	Direction
Food	40.33	57.21	49.82	-7.39	Down
Non-Food	59.67	48.32	45.59	-2.73	Down
Alcohol Beverages & Tobacco	1.02	46.59	41.74	-4.85	Down
Clothing	7.67	38.61	33.31	-5.30	Down
Housing	8.86	35.95	33.09	-2.86	Down
Furnishings	5.6	41.70	38.82	-2.88	Down
Health	7.57	58.14	52.40	-5.74	Down
Transport	8.59	49.93	65.31	15.38	Up
Communication	4.69	42.19	18.27	-23.92	Down
Recreation	2.56	59.93	57.02	-2.91	Down
Education	3.14	48.90	48.90	0	Constant
Hotels	6.08	71.17	69.67	-1.5	Down
Miscellaneous	3.89	42.65	35.04	-7.61	Down
All items	100	52.16	47.42	-4.74	Down

Source: Statistics Sierra Leones

Monthly headline inflation decreased to 0.43% in January 2024, from 2.30% in December 2023. Figure 1 shows the inflation rates for January 2024 and the 12 months preceding it.

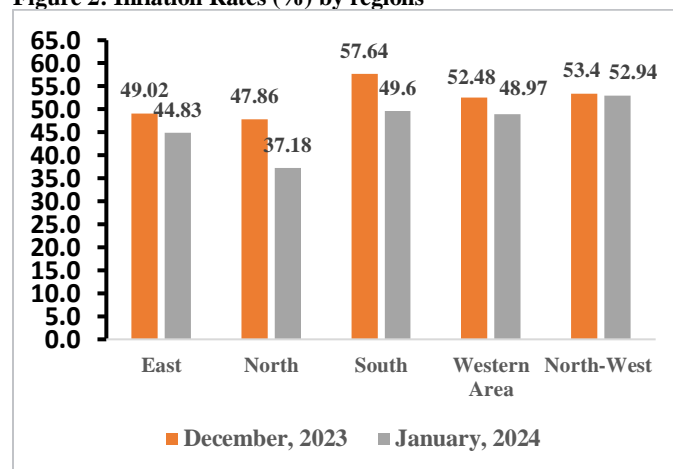
Figure 1: Year on Year Inflation Rates (%)



Source: Statistics Sierra Leone

On a regional basis, annual inflation exhibited decline patterns across various regions. The North region experienced the lowest inflation rate, decreasing to 37.18% in January 2024, followed by the East region with an inflation rate of 44.83%. The Western-Area region recorded an inflation rate of 48.97%, the South region had inflation of 49.60%, while the North-West regions also saw a decline in inflation rate to 52.94%. Figure 2 shows inflation rates by region.

Figure 2: Inflation Rates (%) by regions

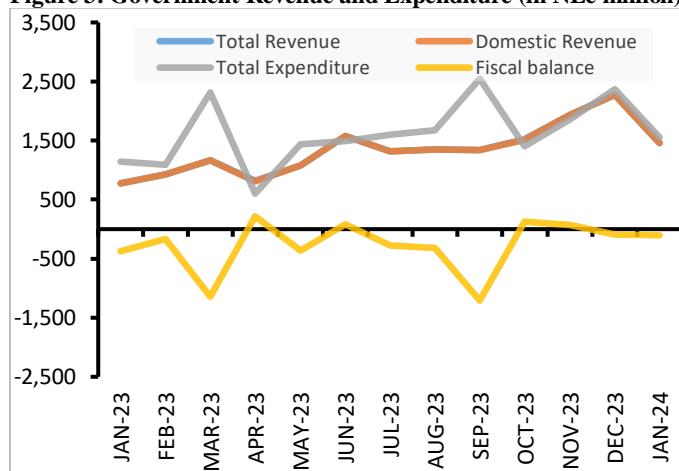


Source: Statistics Sierra Leone

2. Fiscal Sector Development

Government fiscal operations (on cash-flow basis) resulted in a deficit of NLe97.05mn in January 2024 from the previous month's deficit of NLe89.88mn. The deficit was due to the decreases in all the domestic revenue streams (i.e., customs and excise, income tax, goods, and services and miscellaneous) and an increase in government expenditure. Domestic revenue declined by 35.91% to NLe1,456.07mn but was higher than budgeted target by 21.82%. Grants, however, increased during the review period to NLe3.91mn. Figure 3 shows the fiscal profile for January 2024 and the 12 months preceding it.

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



Source: Bank of Sierra Leone

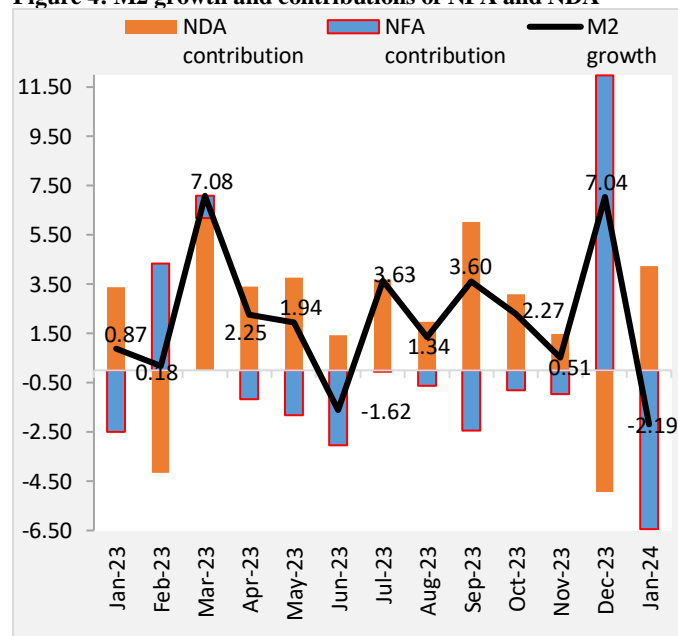
Government expenditure increased by 34.11% in January 2024, compared to December 2023. The actual expenditure of NLe1,557.03mn was less than the previous month's expenditure but exceeded the budgeted ceiling of NLe988.98mn. The expansion in expenditure was primarily due to an increase in domestic debt interest payment, which surged by 18.94% to NLe455.48mn. However, expenditure on wages and salaries declined by 91.60% to NLe59.39mn and other expenditures on goods and services decreased by 18.13% to NLe1,042.16mn.

3. Monetary Sector Development

(i) Monetary Aggregates

In January 2024, growth in broad money (M2) contracted by 2.19%, reflecting a decrease in Net Foreign Assets (NFA), whilst the Net Domestic Assets (NDA) of the banking system increased. NFA declined by 6.43% whilst NDA increased by 4.24%. The contraction in NFA was driven by the decline in both the NFA of the Bank of Sierra Leone (BSL) and Other Depository Corporations (ODCs). Conversely, the increase in NDA was due to the increases in both net credits to the private sector and government. Credit to the private sector extended by commercial banks increased by 4.35% in January 2024, compared to 0.03% decline in December 2023. Figure 4 shows the contributions of NDA and NFA to M2 growth.

Figure 4: M2 growth and contributions of NFA and NDA



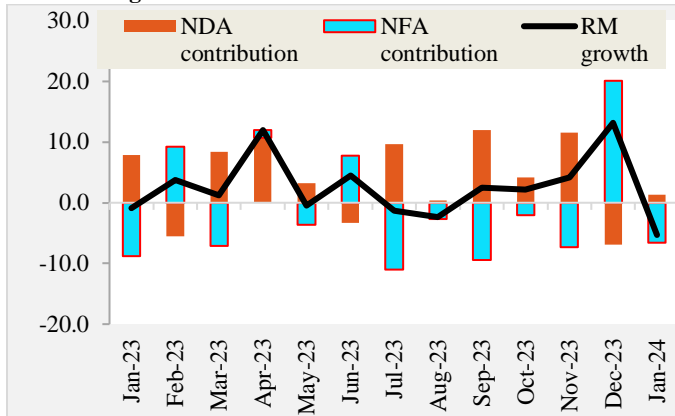
Source: Bank of Sierra Leone

Narrow Money (M1) decreased by 2.91%, primarily driven by the growth of currency outside banks, which declined by 5.99%, while demand deposits increased by 0.37%. Quasi-money contracted by 1.62%, reflecting declines in foreign currency deposits, which dropped by 2.97%. Other Deposits of BSL and time and savings deposits of ODCs registered increases during the period.

Growth in reserve money decreased by 5.31%, 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 currency issued whilst bank reserves 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



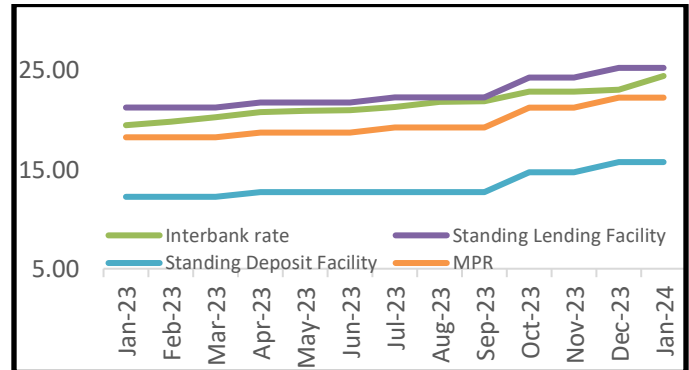
Source: Bank of Sierra Leone

(ii) Interest Rates

In January 2024, the Bank of Sierra Leone (BSL) maintained its monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) at their existing levels of MPR 22.25 %; the SLF rate at 25.25 %, and the SDF rate at 15.75 %. The interbank rate increased to 24.43% in January 2024 from 23.06% in December 2023, remaining within the policy corridor.

The commercial banks’ average lending rate remained unchanged at 20.26% in January 2024 compared with December 2023. The savings rate decreased in January 2024 to 2.17% from 2.23% in December 2023. As a result, the spread between the average lending and savings rates expanded to 18.09% in January 2024 from 18.03% in December 2023. Figure 6 shows various interest rates for January 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 37.67% in January 2024, while no trading activity was reported for the 91-day and 182-day T-bills under the same period.

4. External Sector Development

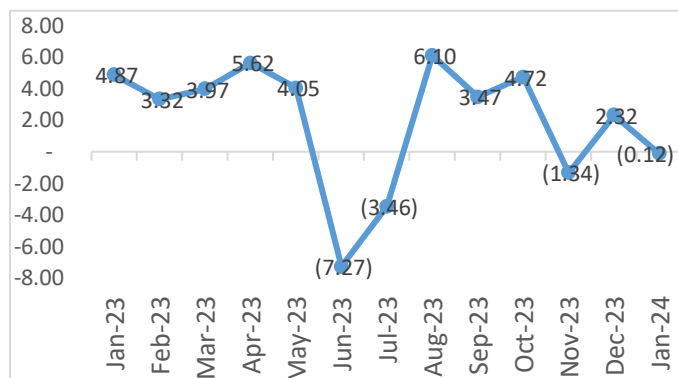
(i) Exchange Rate Development

In January 2024, the performance of the Leone’s exchange rate against the US dollar was mixed on both the buying and selling sides in various foreign exchange markets. With regards to the buying side, the Leone appreciated in the BSL’s published rate by 0.12% and bureau by 0.10%, with rates averaging NLe22.58 per US dollar and NLe22.57 per US dollar, respectively. Conversely, the Leone depreciated across the commercial banks by 0.03%, averaging NLe22.53 per US dollar. Considering the parallel market, the Leone remained unchanged in January 2024 compared to December 2023 averaging, NLe23.65 per U.S dollar.

Similarly, on the selling side, the Leone appreciated across commercial banks by 0.34%, averaging NLe22.89 per US dollar and in the bureau market by 0.30%, averaging NLe22.76 per US dollar. On the other hand, in the parallel market, the Leone depreciated by 0.24%, averaging NLe23.95 per US dollar. Looking at the BSL published selling rate showed that the Leone appreciated by 0.12%, averaging NLe22.81 per U.S dollar. Figure 7

shows the trend of the appreciation rate of the Leone, using the BSL mid-rate¹.

Figure 7: Trend in Official Exchange Rates (%)



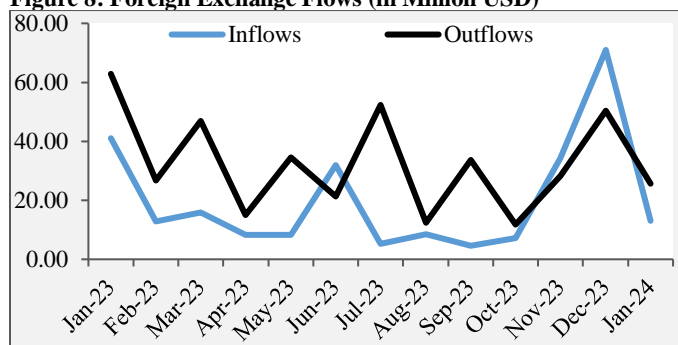
Source: Bank of Sierra Leone

The premium between the official and parallel rates widened to 4.88% (NLe1.11 per US dollar) in January 2024 from 4.40% (NLe1.00 per US dollar) in December 2023.

(ii) Gross Foreign Exchange Reserves

In January 2024, the gross foreign exchange reserves of the Bank of Sierra Leone decreased by 3.37 percent to US\$452.58 million, down from US\$468.35million in December 2023. This decline was primarily driven by a net outflow of US\$12.53 million, in contrast to a net inflow of US\$20.59million observed in December 2023, while a portion of the change in reserves was attributed to revaluation adjustments. Figure 8 shows foreign exchange flows for January 2024 and the 12 months preceding it.

Figure 8: Foreign Exchange Flows (in Million USD)



Source: Bank of Sierra Leone

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

5. Conclusion

In January 2024, the production performance of various economic sectors exhibited mixed patterns. Notably, the production of cocoa experienced a decrease while data on coffee production was unavailable. Similarly, the mining sector experienced a mixed performance as there was an increase in output for diamonds (both industrial and gem), iron ore and other minerals whilst output for gold (pure), bauxite, rutile, ilmenite and zircom declined. Conversely, the manufacturing sector reported increased output across all components, except for paint production.

Year-on-Year headline inflation showed a decline in January 2024, primarily attributed to stability in the exchange rate, which was reflected in lower food and non-food inflation.

Government fiscal operations (on cash-flow basis) resulted in a deficit of NLe97.05mn in January 2024 from the previous month's deficit of NLe89.88mn. The deficit was due to the decreases in all the domestic revenue streams and an increase in government expenditure.

The monetary policy rate (MPR), standing lending facility (SLF) and standing deposit facility (SDF) remained unchanged in January 2024 at their December 2023 levels. The interbank rate increased in January 2024 and remained within the policy corridor. While the commercial banks' average lending rate remained unchanged, average savings rates decreased, leading to an expansion of the spread between the two rates. The yields on 364-day T-Bills increased in January 2024, while there was no trading activity for the 91-day and 182-day T-Bills.

Growth in broad money (M2) and reserve money contracted in January 2024. In all the foreign exchange rate markets, the performance of the Leone against the US dollar was mixed, on both in buying and selling activities. Gross foreign exchange reserves recorded a decrease in January 2024 compared to December 2023.