



BANK OF SIERRA LEONE

Monthly Economic Review

March 2024

MER/03/2024

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 March 2024.

Executive Summary

Cocoa production decreased by 56.76% to 2208.17 metric tons in March 2024. Coffee production was 716.20 metric tons in March 2024, though there was no available data on coffee production in February 2024. The mining sector experienced a mixed performance, the output of key mineral, such as diamonds (both industrial and gem) gold (pure) and iron ore increased, while bauxite, ilmenite zircon and other mineral declined. The production of rutile was unchanged as in February 2024. The manufacturing sector also witnessed a mixed performance. The output of beer, stout, cement and confectionary increased whilst maltina, zagg, paint, oxygen, and common soap decreased. The year-on-year headline inflation decreased to 40.69 % in March 2024 from 42.59% in February 2024, with food inflation decreasing to 42.10% from 44.71 % in February 2024 and non-food inflation increasing to 41.29% from 40.96 % in February 2024.

Government Fiscal operations on a cash-flow basis resulted in a deficit in the overall balance of NLe286.47mn in March 2024 relative to a surplus of NLe45.27mn in February 2024. The deficit was due to the decline in total revenue streams and increase in government expenditure. Total revenue decreased by 2.54% to NLe1,973.74mn and was driven by revenue from customs and excise, goods and services and miscellaneous sources.

Broad money (M2) contracted by 1.36%, driven by a decline in Net Foreign Assets (NFA) of the banking system. Net Foreign Assets (NFA) decreased by 4.23% whilst Net Domestic Assets (NDA) increased by 2.57%. The monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) were at their existing values in February 2024, which were 22.25 % for MPR; 25.25 % for SLF and 15.75 % for the SDF . The interbank rate rose to 24.60% in March 2024 from 24.43% in February 2024 and it remained within the policy corridor. The commercial banks' average lending rate remained unchanged at 20.26% in March 2024. The savings rate also remained the same in March 2024, at 2.23%. The yield on the 364-day T-bills increased to 40.88% in March 2024 from 39.50% in February 2024. The yield on the 182-day T-bills was 29.22% while there was no trading for this security in February 2024. Furthermore, no trading activity was reported for the 91-day T-bills in March 2024 , as was the case in February 2024.

Gross foreign exchange reserves of the Bank of Sierra Leone increased marginally to US\$446.50 million, from US\$446.49million in February 2024. In months of import cover, the reserves declined from 2.35 months in February 2024 to 2.33 months in March 2024. The Leone remained stable across various foreign exchange market segments in March 2024. With regards to the buying side, the Leone appreciated slightly at the BSL's published rate by 0.03%, with rates averaging NLe22.51 per US dollar. At the commercial bank and bureau rates, it depreciated by 0.19%, and 0.11% respectively, with rates averaging NLe22.49 per US dollar and NLe22.44 per US dollar respectively. It appreciated across the parallel market by 0.07%, averaging NLe23.65 per US dollar.

On the selling side, the BSL's published rate marginally depreciated by 0.03%, averaging NLe22.74 per US dollar. At the commercial bank segment, it depreciated by 0.05%, averaging NLe22.89 per US dollar. At the parallel market, it also depreciated by 0.15%, averaging NLe23.90 per US dollar. However, in the bureau market, it appreciated by 0.25%, averaging NLe22.57 per US dollar. The BSL mid-rate represented a year-on-year depreciation rate of 6.48% in March 2024, compared to 43.97% in March 2023. The premium between the official and parallel rates narrowed to 5.08% (NLe1.15 per US dollar) in March 2024 from 5.22% (NLe1.18 per US dollar) in February 2024.

1. Real Sector Development

(i) Production

Cocoa production decreased by 56.76% in March 2024 to 2208.17 metric tons and coffee production was 716.20 metric tons, though data on coffee production was not available in February 2024. The performance of the mining sector was mixed. Output of key minerals, including diamonds (both industrial and gem), gold (pure), and iron ore increased. However, there was a decrease in the production of bauxite, ilmenite, zircon and other minerals while the production of rutile remained the same as in February. The performance of the manufacturing sector was also mixed. Output of key manufacturing products, including beer and stout, cement and confectionary, increased while maltina, zagg, paint, oxygen, and common soap decreased.

Price Development

Year-on-year headline inflation decreased to 40.69 % in March 2024 from 42.59% in February 2024, with food inflation decreasing to 42.10% from 44.71 % in February 2024 and non-food inflation increasing to 41.29% from 40.96 % in February 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, highlighting food, alcohol beverages, clothing, furnishings, health, communication, recreation, hotels and miscellaneous, amongst others, as the major contributors to the decrease in headline inflation.

Monthly headline inflation increased to 3.10% in March 2024, from 1.77% in February 2024. Figure 1 shows the inflation rates for March 2024 and the 12 months preceding it.

On a regional basis, annual inflation increased only in the Western region with an inflation rate of 44.93% in March 2024 while the other regions recorded decline in inflation rates. The Northern region experienced the lowest

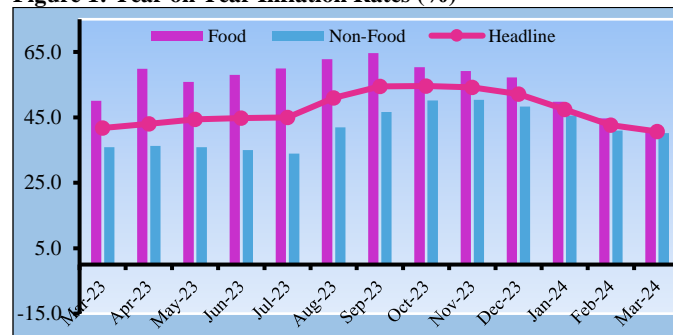
inflation rate, decreasing to 28.67% in March 2024, followed by the North-Western region with an inflation rate of 40.65%. The Eastern region had an inflation of 41.99% while the Southern region also saw a decline in inflation rate to 43.79%. Figure 2 shows inflation rates by region.

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

	Weight (%)	Feb.24	Mar-24	Change	Direction
Food	40.33	44.71	41.28	-3.43	Down
Non-Food	59.67	40.96	40.23	0.73	Up
Alcohol Beverages & Tobacco	1.02	35.30	31.78	-3.52	Down
Clothing	7.70	31.06	30.71	-0.35	Down
Housing	8.90	34.10	40.82	6.72	Up
Furnishings	5.6	35.54	31.33	-4.21	Down
Health	7.60	53.76	47.19	-6.57	Down
Transport	8.60	54.14	55.70	1.56	Up
Communication	4.70	14.16	11.96	-2.2	Down
Recreation	2.60	43.19	40.68	-2.51	Down
Education	3.10	48.90	48.90	0	Constant
Hotels	6.10	55.46	55.33	-0.13	Down
Miscellaneous	3.90	30.54	27.36	-3.18	Down
All items	100	42.59	40.69	-1.90	Down

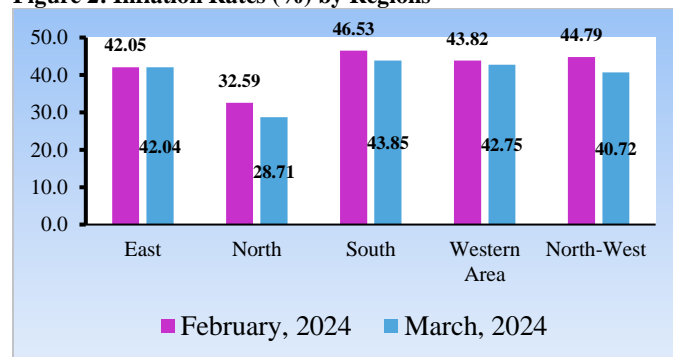
Source: Statistics Sierra Leone

Figure 1: Year on Year Inflation Rates (%)



Source: Statistics Sierra Leone

Figure 2: Inflation Rates (%) by Regions



Source: Statistics Sierra Leone

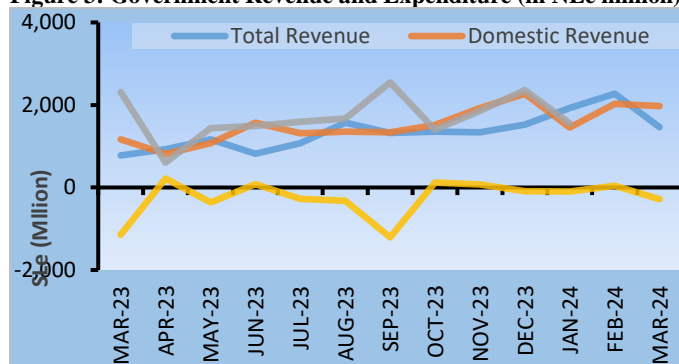
2. Fiscal Sector Development

Fiscal operations on a cash-flow basis resulted in a deficit in the overall balance of NLe286.47mn in March 2024 compared to a surplus of NLe45.27mn in February 2024. The deficit was due to the decrease in total revenue streams and increase in government expenditure. Total revenue decreased by 2.54% to NLe1,973.74mn. This reflected decline in revenue from customs and excise, goods and services and miscellaneous while there was an increase in revenue from income tax. This was higher than the Total revenue target of NLe1,459.35mn. However, there was no grant during the review period.

Total government expenditure increased by 14.16% in March 2024 to NLe2,260.21mn and was higher than the target. The expansion in expenditure was due to increase in all its components (wages and salaries, other expenditures and debt service). Figure 3 shows the fiscal profile for March 2024 and the 12 months preceding it.

The primary balance which was NLe426.97 million in February 2024 decreased to NLe150.86 million in March 2024. The decrease in the primary balance was due to both decrease in domestic revenue and increase in government 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 March 2024, broad money (M2) contracted by 1.36%, reflecting a decrease in Net Foreign Assets (NFA) of the banking system. NFA decreased by 4.23% whilst the Net Domestic Assets (NDA) increased by 2.57%. The decline in the NFA was driven by the decrease in both the NFA of the Bank of Sierra Leone (BSL) and Other Depository Corporations (ODCs). The increase in NDA was due to the increases in both net credits to the private sector and government. Credit to the private sector by commercial banks increased by 7.38% in March 2024, compared to 3.60% expansion in February 2024. Figure 4 shows the contributions of NDA and NFA to M2 growth.

Narrow Money (M1) increased by 4.06%, driven by growth of both currency outside banks, and demand deposits, which increased by 5.76%, and 2.41%, respectively. Quasi-money contracted by 0.78%, reflecting decrease in both foreign currency deposits by 2.69%. and other Deposits of BSL by 12.40% while Time and Savings deposits of ODCs increased by 3.57% during the period.

Reserve money increased by 3.63%, primarily due to an expansion in NDA of the BSL, while NFA of the BSL contracted. On the liability side, the increase in reserve money was driven by an increase in currency in circulation and liabilities of other depository corporations. Figure 5 shows the contributions of NDA and NFA to reserve money growth.

(ii) Interest Rates

In March 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 24.60% in March 2024 from 24.43% in February 2024, remaining within the policy corridor.

The commercial banks’ average lending rate remained unchanged at 20.26% in March 2024 as it was in February

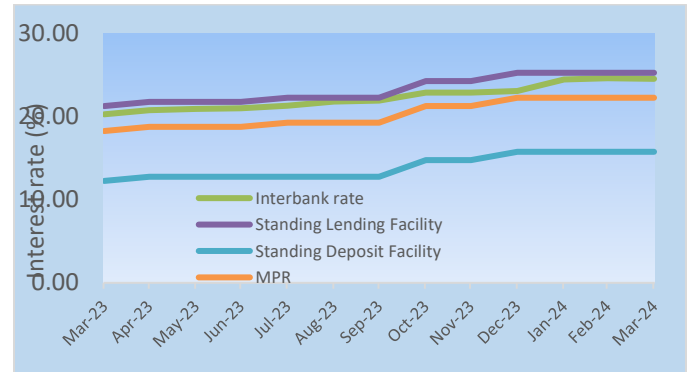
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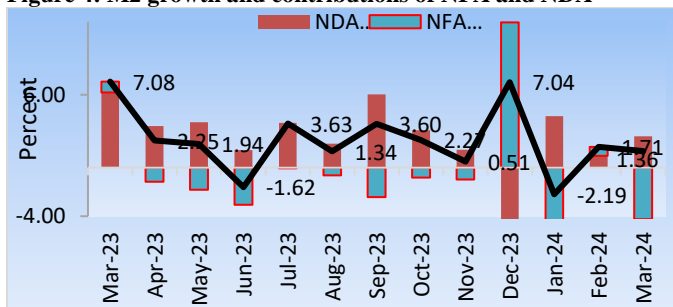
2024. The savings rate also remained the same in March 2024, at 2.23%. As a result, the spread between the average lending and savings rates also remained unchanged at 18.03%. Figure 6 shows various interest rates for March 2024 and the 12 months preceding it.

The yield on the 364-day T-bills increased to 40.88% in March 2024 from 39.50% in February 2024. The yield on the 182-day T-bills was 29.22% while there was no trading for this security in February 2024. However, there was no trading for the 91-day T-bills in March 2024 as was the case in February 2024.



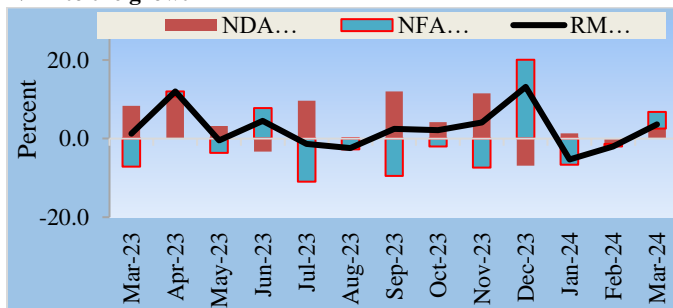
Source: Bank of Sierra Leone

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 to the growth



Source: Bank of Sierra Leone

Figure 6: Central Bank Interest Rates and the Interbank Rate



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

4. External Sector Development

(i) Exchange Rate Development

The Leone remained stable across various foreign exchange market segments in March 2024. With regards to the buying side, the Leone appreciated slightly in the BSL’s published rate by 0.03%, with rates averaging NLe22.51 per US dollar. At the commercial bank and bureau rates, it depreciated by 0.19%, and 0.11% respectively, with rates averaging NLe22.49 per US dollar and NLe22.44 per US dollar respectively. It appreciated across the parallel market by 0.07%, averaging NLe23.65 per US dollar.

On the selling side, the BSL’s published rate marginally depreciated by 0.03%, averaging NLe22.74 per US dollar. At the commercial bank segment, it depreciated by 0.05%, averaging NLe22.89 per US dollar. However, in the bureau market, it appreciated by 0.25%, averaging NLe22.57 per US dollar. At the parallel market, it also depreciated by 0.15%, averaging NLe23.90 per US dollar. The BSL mid-rate represented a year-on-year depreciation rate of 6.48% in March 2024, compared to 43.97% in March 2023. On a month-on-month basis, the BSL mid-rate depreciated by 6.48% in March 2024 from an appreciation of 0.35% in February 2024. Figure 7 shows the trend of the appreciation(-)/depreciation(+) rate of the Leone, using the BSL mid-rate¹.

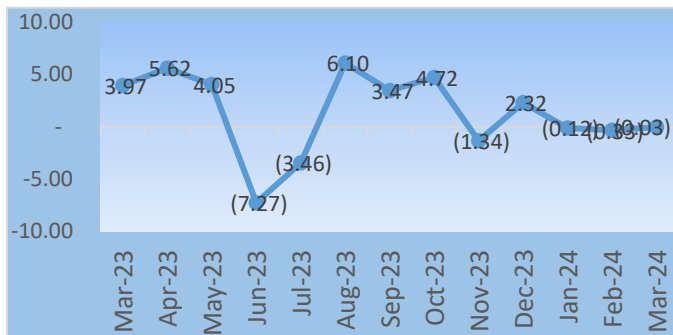
The premium between the official and parallel rates decreased to 5.08% (NLe1.15 per US dollar) in March

2024 from 5.22% (NLe1.18 per US dollar) in February 2024.

(ii) Gross Foreign Exchange Reserves

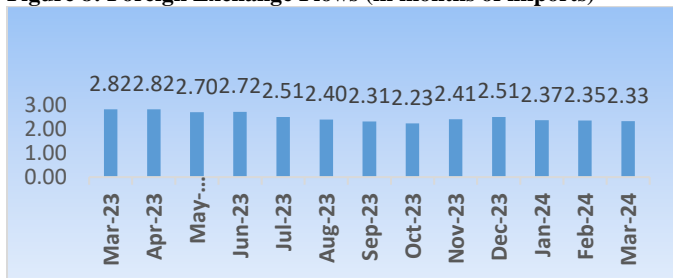
In March 2024, the gross foreign exchange reserves of the Bank of Sierra Leone increased marginally by 0.002 percent to US\$446.50 million, up from US\$446.49million in February 2024. In months of imports cover, the reserves declined from 2.35 months in February 2024 to 2.33 months in March 2024. Figure 8 shows the months of import cover for March 2024 and the 12 months preceding it.

Figure 7: Trend in the appreciation (-) and depreciation (+) rates of the mid-rate (%)



Source: Bank of Sierra Leone

Figure 8: Foreign Exchange Flows (in months of imports)



Source: Bank of Sierra Leone

5. Conclusion

In March 2024, the economy displayed mixed performance across various sectors. Cocoa production decreased significantly by 56.76% to 2,208.17 metric tons compared to February, while coffee production reached 716.20 metric tons. The mining sector showed growth in diamonds, gold, and iron ore outputs, while bauxite, ilmenite, and zircon

production declined, and rutile remained stable. The manufacturing sector saw increased outputs in beer and stout, cement, and confectionery, contrasting with declines in products such as maltina, paint, and soap.

March 2024 saw a year-on-year headline inflation decreasing to 40.69%, down from 42.59% in February, driven by a reduction in food inflation and relative exchange rate stability. However, the monthly headline inflation rose to 3.10% from 1.77% in February. Regionally, inflation increased in the Western region while other regions, notably the Northern region, experienced declines, with the latter recording the lowest rate at 28.67%.

Fiscal operations in March 2024 resulted in a deficit of NLe286.47 million, a shift from the surplus of NLe45.27 million in February. This was due to a 2.54% decline in total revenue to NLe1,973.74 million and a 14.16% increase in government expenditure to NLe2,260.21 million. The primary balance also decreased from NLe426.97 million in February to NLe150.86 million in March, reflecting the combined impact of reduced revenue and increased expenditure.

Monetary developments in March showed a 1.36% contraction in broad money (M2), due to a 4.23% decrease in Net Foreign Assets, despite a 2.57% increase in Net Domestic Assets. Reserve money grew by 3.63%, driven by an expansion in the Net Domestic Assets of the Bank of Sierra Leone (BSL). The BSL maintained its key interest rates: the Monetary Policy Rate (MPR) at 22.25%, the Standing Lending Facility (SLF) rate at 25.25%, and the Standing Deposit Facility (SDF) rate at 15.75%. The interbank rate increased slightly to 24.60%, remaining within the policy corridor.

The Leone remained stable across various foreign exchange market segments in March 2024, with minor fluctuations. Gross foreign exchange reserves was US\$446.50 million, equivalent to 2.33 months of import cover, down from 2.35 months in February.

