

BANK OF SIERRA LEONE



Monthly Economic Review

May 2024

MER/05/2024

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.

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 May 2024.

Executive Summary

In May 2024, cocoa production increased by 497.55% to 7,565.00 metric tons while there was a 34.27% decline in coffee production to 303.00 metric tons. The mining sector had mixed results, with an increase in the Gem diamond, while industrial diamond, iron ore, gold pure and other minerals saw a decline. Key mineral output such as rutile, ilmenite, and zircon remained the same as in the month of April 2024. There was no production of bauxite. In the manufacturing sector, output increased for beer and stout, maltina, cement, oxygen, and confectionery, but declined for paint, and common soap while zagg remained the same as in April 2024.

Year-on-year headline inflation declined to 35.84% in May 2024 from 38.06% in April 2024. Food inflation fell to 32.42% from 36.91%, and non-food inflation decreased to 38.77% from 39.00%. 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 tight monetary policy stance. Monthly headline inflation decreased to 1.76% in May 2024 from 2.06% in April 2024.

Fiscal operations on a cash-flow basis resulted in a deficit of NLe194.09 million in May 2024, compared to a surplus of NLe398.38 million in April 2024. The deficit was due to an increase in total expenditure including goods and services tax, debt service payments and wages and salaries and a decline in total revenue. Domestic revenue decreased by 1.57% to NLe1,774.73 million in May 2024 from NLe1,803.05 million in April 2024, but exceeded the target of NLe1,229.00 million. The decline was due to a contraction in goods and services tax, which declined by 21.16% to NLe176.85 million, and miscellaneous revenue, which decreased by 7.96% to NLe1,077.65 million. Revenue from customs and excise tax, and income tax increased by 35.61% and 24.76% to NLe141.80 million and NLe378.43 million, respectively. There were no grants in May 2024. Government expenditure increased by 39.08% to NLe1,968.82 million, and was above the ceiling of NLe927.87 million by 112.19%. The primary balance declined by 75.00%, from NLe638.11 million in April 2024 to NLe159.54 million in May 2024, due to an increase in total expenditure (excluding debt services) and a decline in domestic revenue.

In May 2024, broad money (M2) expanded by 1.85%, reflecting an increase in Net Domestic Assets (NDA), while Net Foreign Assets (NFA) declined. NDA rose by 2.36%, while Net Foreign Assets (NFA) fell by 0.59%. Reserve money declined by 0.11%

in May 2024, driven by a decrease in NFA of the BSL which was however moderated by an increase in the NDA. Narrow Money (M1) expanded by 1.51% in May 2024, due to increases in currency outside banks and demand deposits, which rose by 0.56% and 2.47%, respectively. Quasi-money increased by 2.12%, reflecting increases in both foreign currency deposits and time and savings deposits by 3.02% and 0.36% respectively. The Bank of Sierra Leone (BSL) maintained its monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) by one percentage point to 23.25%, 26.25%, and 16.75%, respectively. The interbank rate increased to 25.02% in May 2024 from 24.85% in April 2024, staying within the policy corridor. The commercial banks' average lending rate and average deposit rate remained steady at 20.38% and 2.23% respectively as in April 2024, hence keeping the spread between the average lending and savings rates 18.15% as in April 2024. The yield on the 91-day T-bills and 364-day T-bills increased to 20.28% and 41.25% respectively in May 2024 while the yield on 182-day T-bills remained unchanged at 29.22%.

In May 2024, the Leone remained stable across all foreign exchange markets. On the buying side, the Leone depreciated slightly by 0.03% at the BSL's published rate, 0.05% in the commercial banks market, and by 0.14% in the parallel market in May 2024. The buying rate of the Leone against the US dollar remained unchanged in the bureaux market. The average rates in the market, based on the BSL's published rate, the commercial banks, bureaux, and parallel markets were NLe22.52/US\$, NLe22.48/US\$, NLe22.48/US\$, and NLe23.69/US\$, respectively. On the selling side, the BSL's published rate also remained the same, averaging NLe22.74 per US dollar, while the commercial banks' rate and parallel markets' rate depreciated by 0.13% and 0.28%, averaging NLe22.88 per US dollar and NLe23.98 per US dollar, respectively. The rate in the bureaux market appreciated by 0.35%, averaging NLe22.59 per US dollar in May 2024. On a month-on-month basis, the BSL's mid-rate appreciated marginally by 0.09% in May 2024 compared to 0.04% depreciation in April 2024. The premium between the official and parallel rates increased to 5.35% (NLe1.21 per US dollar) in May 2024 from 5.12% (NLe1.16 per US dollar) in April 2024.

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 3.99% to US\$424.24 million in May 2024, down from US\$428.68 million in April 2024. Representing 2.17 months of import cover at the end of May 2024 from 2.22 months of import of cover at the end of April 2024 and 2.70 months of import cover on a year-on-year basis at the end of May 2023. This decline was due to a decrease in gross reserves and an increase in average monthly imports.

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1. Real Sector Development

(i) Production

In May 2024, cocoa production increased by 497.55 to 7,565.00 metric tons while coffee production declined by 34.27% to 303.00 metric tons. The mining sector showed mixed results, with an increase in the gem diamond, while industrial diamond, iron ore, gold pure and other mineral saw a decline. Key mineral output such as rutile, ilmenite, and zircon remained the same as in the month of April 2024. There was no available data on the production of bauxite. In the manufacturing sector, output increased for beer and stout, maltina, cement, oxygen, albeit confectionery, zagg remained the same as in April 2024, but output declined for paint and common soap.

(ii) Price Development

Year-on-year headline inflation decreased to 35.84% in May 2024 from 38.06% in April 2024. Food inflation fell to 32.42% from 36.91%, and non-food inflation decreased to 38.77% from 39.00%. 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, alcohol beverages, clothing, furnishings, health, communication, recreation, hotels, and miscellaneous items as key components driving the inflation rate down.

Monthly headline inflation decreased to 1.76% in May 2024 from 2.06% in April 2024. Figure 1 shows the inflation rates for May 2024 and the 12 months preceding it.

Regionally, annual inflation increased only in the Western region, reaching 38.78% in May 2024, followed by the Eastern region at 37.39%, the Southern region at 32.84%. The other regions showed declines, the Northern region at 31.40%, and the North-West region at 31.32%. Figure 2 shows inflation rates by region.

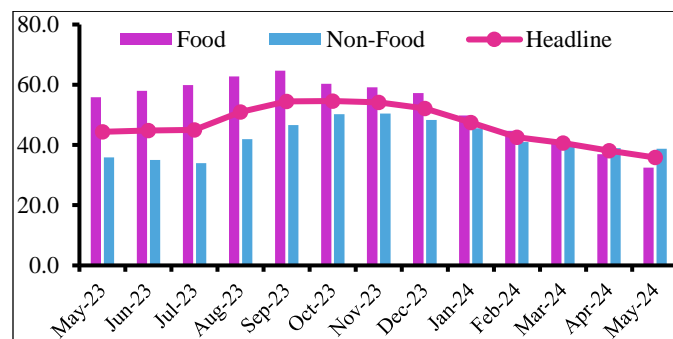
Table 1: Y-o-Y Inflation Rate by Component (%)

	Weight (%)	Mar-24	Apr-24	Change	Direction
Food	40.33	36.91	32.42	-4.49	Down
Non-Food	59.67	39.00	38.77	-0.23	Down
Alcohol Beverages & Tobacco	1.02	29.14	25.04	-4.1	Down
Clothing	7.70	29.96	33.28	-3.32	Up
Housing	8.90	36.85	39.01	2.16	UP
Furnishings	5.6	26.70	31.43	4.73	Up
Health	7.60	45.83	44.58	-1.25	Down

Transport	8.60	54.47	58.38	3.91	UP
Communication	4.70	10.38	9.09	-1.29	Down
Recreation	2.60	41.99	35.12	-6.87	Down
Education	3.10	48.90	48.90	0	Constant
Hotels	6.10	53.80	42.43	-11.37	Down
Miscellaneous	3.90	35.43	35.32	-0.11	Down
All items	100	38.06	35.84	2.22	Down

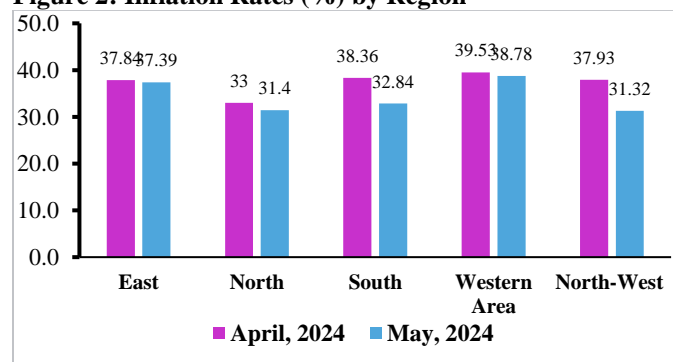
Source: Statistics Sierra Leones

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 NLe194.09 million in May 2024, compared to a surplus of NLe398.38 million in April 2024. The deficit was due to an increase in total expenditure and a decline in total revenue.

Domestic revenue decreased by 1.57% to NLe1,774.73 million in May 2024 from NLe1,803.05 million in April 2024, but exceeded the target of NLe1,229.00 million. The decline was due to a contraction in goods and services tax, which declined by 21.16% to NLe176.85 million, and miscellaneous revenue, which decreased by 7.96% to NLe1,077.65 million. Revenue from customs and excise tax, and income tax increased by 35.61% and 24.76% to NLe141.80 million and NLe378.43

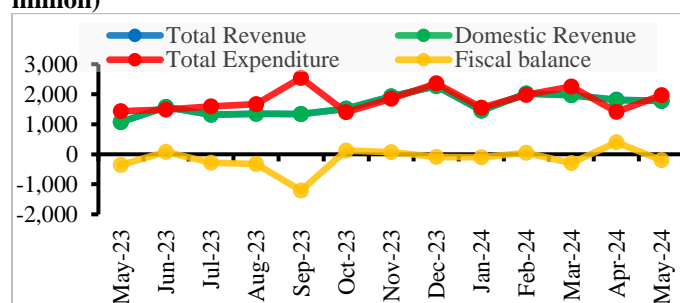
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million, respectively. There were no grants in May 2024. Government expenditure increased by 39.08% to NLe1,968.82 million, and was above the ceiling of NLe927.87 million by 112.19%. The increase in expenditure was due to an increase in wages and salaries, which expanded by 10.99% to NLe416.28 million, increase in debt service payments, which rose by 41.10% to NLe353.63 million, and an increase in other expenditures on goods and services, which expanded by 51.80% to NLe1,198.40 million. Figure 3 shows the fiscal profile for May 2024 and the 12 months preceding it.

The primary balance declined by 75.00%, from NLe638.11 million in April 2024 to NLe159.54 million in May 2024, due to an increase in total expenditure (excluding debt services) and a decline in domestic revenue.

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



Source: Bank of Sierra Leone

3. Monetary Sector Development

(i) Monetary Aggregates

In May 2024, broad money (M2) expanded by 1.85%, reflecting an increase in Net Domestic Assets (NDA), while Net Foreign Assets (NFA) declined. NDA rose by 2.36%, while Net Foreign Assets (NFA) fell by 0.59%. The growth in NDA was driven mainly by increases in the net claims on central government and claims on private sector. The decline in Net Foreign Assets (NFA) of the banking system was driven by the decrease in the net foreign assets of the Bank of Sierra Leone. Commercial banks' credit to the private sector rose by 1.21% in May 2024, compared to a 3.28% expansion in April 2024. Figure 4 shows the contributions of NDA and NFA to M2 growth.

Narrow Money (M1) expanded by 1.51% in May 2024, due to increases in currency outside banks and demand deposits, which rose by 0.56% and 2.47%, respectively. Quasi-money increased by 2.12%, reflecting increases in both foreign currency deposits and time and savings deposits by 3.02% and 0.36% respectively. Other deposits of the BSL contracted by 27.99% during the review period.

Reserve money declined by 0.11% in May 2024, driven by a decrease in NFA of the BSL which was however moderated by an increase in the NDA. On the liability side, the decrease in reserve money was due to contractions in other deposits and currency in circulation by 27.99% and 0.32% while reserves of Other Depository Corporations grew by 1.25%. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

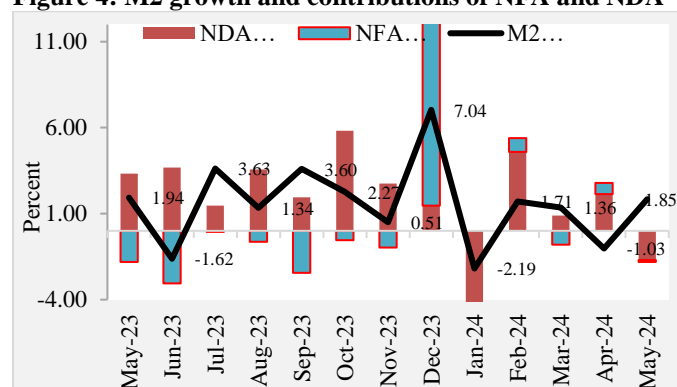
(ii) Interest Rates

In May 2024, the BSL maintained its monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) by one percentage point to 23.25%, 26.25%, and 16.75%, respectively. The interbank rate increased to 25.02% in May 2024 from 24.85% in April 2024, staying within the policy corridor.

The commercial banks' average lending rate and average deposit rate remained steady at 20.38% and 2.23% respectively as in April 2024. Similarly, the spread between the average lending and savings rates remained steady at 18.15% as in April 2024. Figure 6 shows various interest rates for May 2024 and the 12 months preceding it.

The yield on the 91-day T-bills and 364-day T-bills increased to 20.28% and 41.25% respectively in May 2024, while the yield on 182-day T-bills remained unchanged at 29.22%.

Figure 4: M2 growth and contributions of NFA and NDA

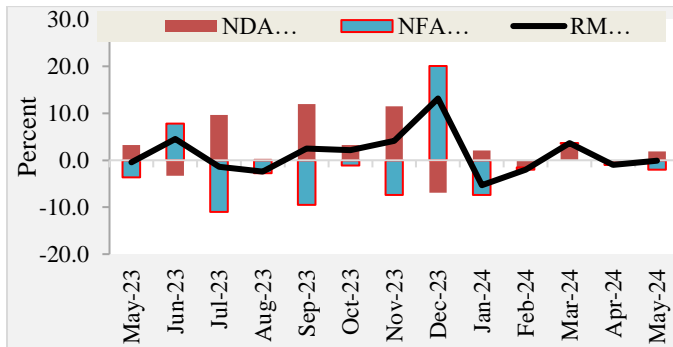


Source: Bank of Sierra Leone

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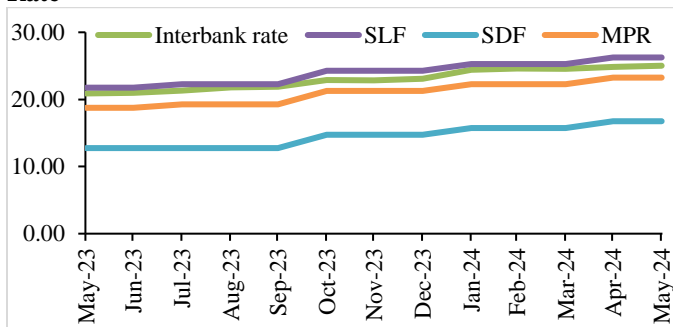
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Figure 5: Reserve money growth and contributions of NFA and NDA



Source: Bank of Sierra Leone

Figure 6: Central Bank Interest Rates and the Interbank Rate



Source: Bank of Sierra Leone

4. External Sector Development

(i) Exchange Rate Development

On the buying side, the Leone depreciated slightly by 0.03% at the BSL's published rate, 0.05% in the commercial banks market, and by 0.14% in the parallel market in May 2024. The buying rate of the Leone against the US dollar was stable in the bureaux market. The average rates based on the BSL's published rate, the commercial banks, bureaux, and parallel markets were NLe22.52/US\$, NLe22.48/US\$, NLe22.48/US\$, and NLe23.69/US\$, respectively.

On the selling side, the BSL's published rate was unchanged, averaging NLe22.74 per US dollar, while the commercial banks' rate and parallel markets' rate depreciated by 0.13% and 0.28%, averaging NLe22.88 per US dollar and NLe23.98 per

US dollar, respectively. The rate in the bureaux market appreciated by 0.35%, averaging NLe22.59 per US dollar in May 2024. 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 appreciated by 0.35% in May 2024 compared to a depreciation of 43.44% in May 2023. On a month-on-month basis, the BSL mid-rate appreciated marginally by 0.09% in May 2024 compared to a 0.04% depreciation in April 2024.

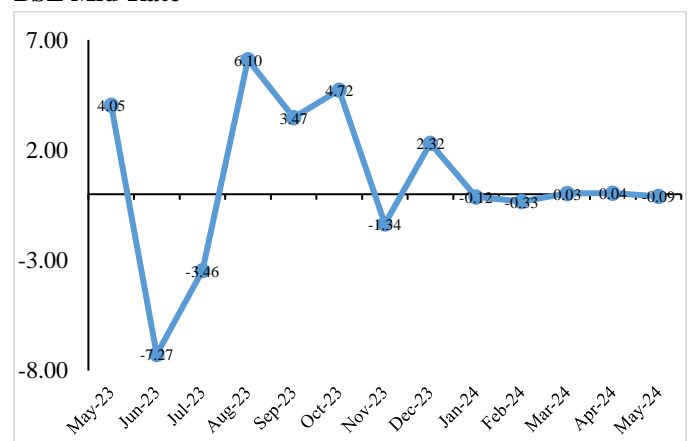
The premium between the official and parallel rates increased to 5.35% (NLe1.21 per US dollar) in May 2024 from 5.12% (NLe1.16 per US dollar) in April 2024.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 1.04% to US\$424.24 million in May 2024, down from US\$428.68 million in April 2024.

Gross International Reserves, measured in months of import cover, declined to 2.17 months at the end of May 2024, from 2.22 months at the end of April 2024 and 2.70 months at the end of May 2023. This decline was due to a decrease in gross reserves and an increase in the average monthly imports. Figure 8 shows the gross international reserves measured in months of imports for May 2024 and the 12 months preceding it.

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



Source: Bank of Sierra Leone

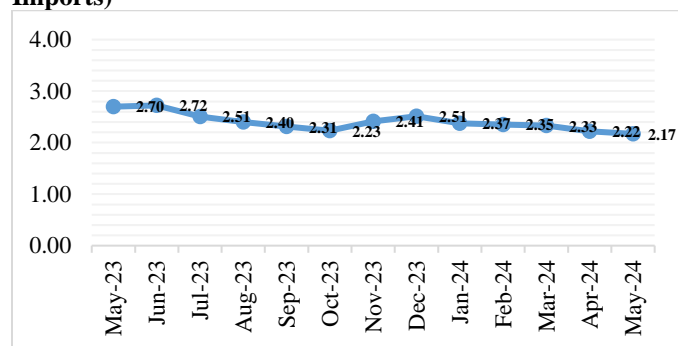
*note: positive values for Off. exr. dep. denotes depreciation

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

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Figure 8: Gross International Reserves (in Months of Imports)



Source: Bank of Sierra Leone

5. Conclusion

In May 2024, the economy displayed mixed performance across various sectors. Cocoa production significantly increased by 497.55% to 7,565.00 metric tons while there was a 34.27% decline in coffee production to 303.00 metric tons. The mining sector showed growth in the gem diamond, while production in industrial diamond, iron ore, gold pure and other minerals declined. Key mineral output such as rutile, ilmenite, and zircon remained stable. There was no production of bauxite. The manufacturing sector, saw increase output in beer and stout, maltina, cement, oxygen, and confectionery, contrasting with declines in products such as paint, and common soap, although zagg remained stable.

Year-on-year headline inflation declined to 35.84% in May 2024 from 38.06% in April 2024. Food inflation fell to 32.42% from 36.91%, and non-food inflation decreased to 38.77% from 39.00%. Monthly headline inflation decreased to 1.76% in May 2024 from 2.06% in April 2024. Regionally, annual inflation increased in the Western region, while other regions, notably the North-West region, experienced declines, with the latter recording the lowest rate at 31.32%.

Fiscal operations on a cash-flow basis resulted in a deficit of NLe194.09 million in May 2024, compared to a surplus of NLe398.38 million in April 2024. The deficit was due to an increase in total expenditure and a decline in total revenue. Domestic revenue decreased by 1.57% to NLe1,774.73 million in May 2024 from NLe1,803.05 million in April 2024, but exceeded the target of NLe1,229.00 million. The primary balance declined from NLe638.11 million in April 2024 to NLe159.54 million in May 2024, reflecting the combined impact of reduced revenue and increased expenditure.

In May 2024, broad money (M2) expanded by 1.85%, reflecting an increase in Net Domestic Assets (NDA), while Net Foreign Assets (NFA) declined. NDA rose by 2.36%, while Net Foreign Assets (NFA) fell by 0.59%. Reserve money declined by 0.11%

in May 2024, driven by a decrease in NFA of the BSL which was however moderated by an increase in the NDA. The BSL maintained its monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) by one percentage point to 23.25%, 26.25%, and 16.75%, respectively. The interbank rate increased to 25.02% in May 2024 from 24.85% in April 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 1.04% to US\$424.24 million in May 2024, equivalent to 2.17 months of import cover, from 2.22 months in April 2024.