



## **Monthly Economic Review**

November 2023

MER/11/2023

**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 November, 2023.

## Executive Summary

In November 2023, the agricultural sector experienced a marginal decrease in cocoa production, while the mining sector witnessed mixed results. Key minerals such as gold and iron ore declined, whereas diamonds, bauxite, and other minerals saw an increase in production. Similarly, the manufacturing sector exhibited varied performance. While output for products like zagg and maltina increased, there was a decline in the production of cement, paint, and oxygen.

Annual headline inflation slightly decreased to 54.20% compared to 54.59% in October 2023, with food inflation at 59.18% and non-food inflation at 50.38%. Regional variations were notable, with the Western region recording the highest inflation rate at 56.11%.

Despite total expenditure growth surpassing the increase in revenue, government fiscal operations retained a surplus of NLe73.73mn. Revenue surged by 26.71% to NLe1,930.18mn, exceeding the budgeted target by 47.43%, mainly due to enhanced domestic tax mobilization.

Key monetary aggregates displayed mixed movements. Broad money (M2) expanded by 0.51%, driven by a 1.72% increase in Net Domestic Assets (NDA) of the banking system. Commercial banks' credit to the private sector rose by 2.35%, while Net Foreign Assets (NFA) of the banking system declined by 6.94%. Reserve money decreased by 4.13% in November 2023. The Monetary Policy Rate (MPR), Standing Lending Facility (SLF), and Standing Deposit Facility (SDF) rates remained unchanged.

In the foreign exchange market, the Leone appreciated against the US dollar across all market segments. Both buying and selling rates saw increases in the official, commercial banks, bureau, and parallel markets. The premium between official and parallel rates moderated to 7.56%. The Bank of Sierra Leone's gross international reserves increased to US\$446.23 million, with net inflows for November contrasting with October's net outflows.

## Real Sector Development

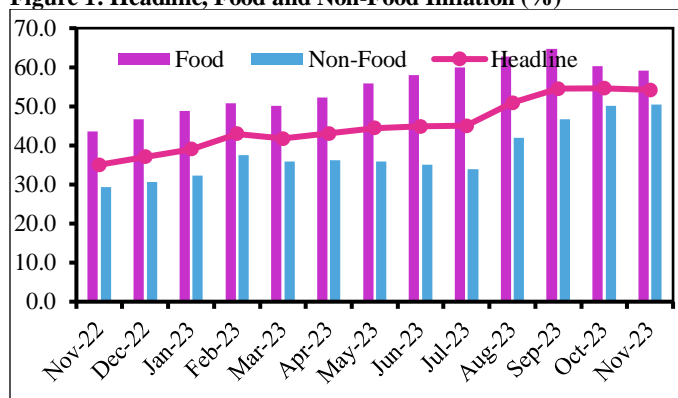
### (i) Production

The performance of the agricultural sector in November 2023 was primarily centered on cocoa production, which experienced a marginal decrease. Within the mining sector, performance was mixed, with key minerals such as gold, iron ore, rutile, ilmenite, and zircon witnessing a decline in production, while diamonds, bauxite, and other minerals recorded an increase. In the manufacturing sector, there was a mixed performance as the output of zagg, maltina, confectionery, beer, and stout increased, while production of cement, paint, and oxygen declined.

### (ii) Price Development

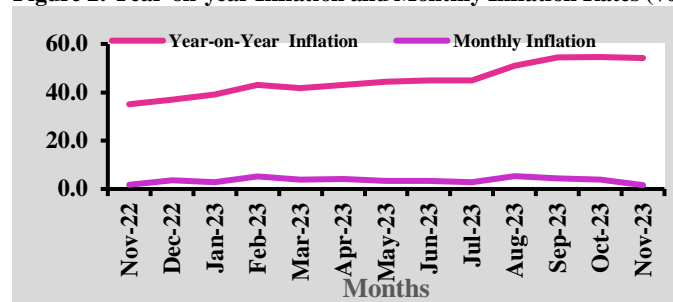
In November 2023, annual headline inflation decreased to 54.20% from 54.59% in October 2023, with food inflation declining to 59.18% and non-food inflation increasing to 50.38%. The relative stability of the exchange rate, due to increased public confidence in the bank's ability to phase out the old currency and stabilize the inflation rate, was a key factor behind the marginal decline in inflation. Table 1 indicates that alcoholic beverages and tobacco, clothing, furnishings, and miscellaneous goods and services were major contributors to the moderation in headline inflation. Furthermore, monthly headline inflation decreased to 1.59% in November 2023, down from 3.78% in October 2023. Figures 1 and 2 depict the inflation rates for November 2023 and the 12 months preceding November 2023.

**Figure 1: Headline, Food and Non-Food Inflation (%)**



Source: Statistics Sierra Leone

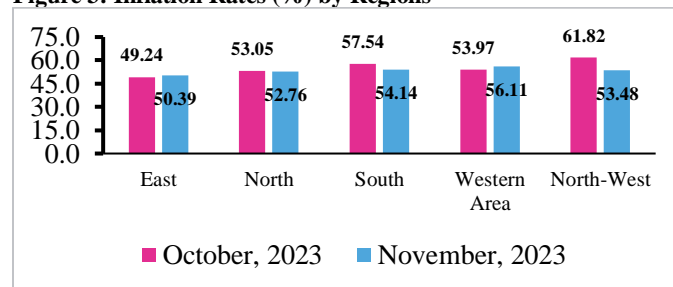
**Figure 2: Year-on-year Inflation and Monthly Inflation Rates (%)**



Source: Statistics Sierra Leone

In November 2023, annual inflation rose in two regions, excluding the Southern, North-West, and Northern regions compared to October 2023. All regions experienced inflation rates above 50%. The Western region had the highest rate at 56.11%, followed by the Southern region at 54.14%. The Northern and North-West regions recorded rates of 52.76% and 53.48%, respectively, while the Eastern region had a rate of 50.39%. Figure 3 displays regional inflation rates.

**Figure 3: Inflation Rates (%) by Regions**



Source: Statistics Sierra Leone

**Table 1: Monthly Inflation by Component (%)**

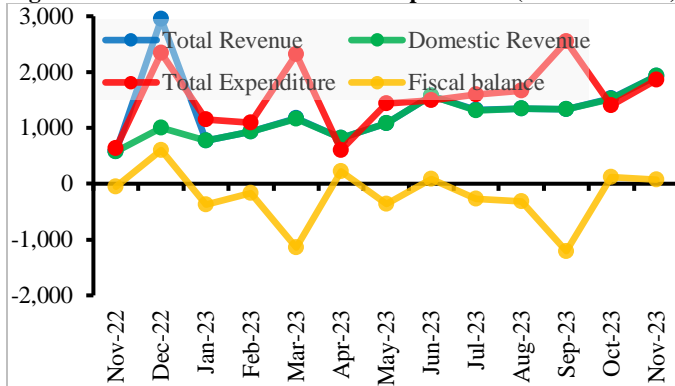
Column1	Weight (%)	Oct-23	Nov-23	Change	Direction
<b>Food</b>	40.33	60.34	59.18	-1.16	Down
<b>Non-Food</b>	59.67	50.17	50.38	0.21	Up
Alcohol Beverages & Tobacco	1	50.16	45.59	-4.57	Down
Clothing	7.7	46.87	41.87	-5	Down
Housing	8.9	34.29	34.58	0.29	Up
Furnishings	5.6	42.95	39	-3.95	Down
Health	7.6	55.09	58.3	3.21	Up
Transport	8.6	48.78	53.43	4.65	Up
Communication	4.7	42.87	44.98	2.11	Up
Recreation	2.6	60.42	61.37	0.95	Up
Education	3.1	48.9	48.9	0	Unchanged
Hotels	6.1	73.5	79.31	5.81	Up
Miscellaneous	3.9	56.25	47.22	-9.03	Down
<b>All Items</b>	<b>100</b>	<b>54.59</b>	<b>54.20</b>	<b>-0.39</b>	<b>Down</b>

Source: Statistics Sierra Leone

## Fiscal Sector Development

In November 2023, the government's fiscal operations, based on cash flow, retained a surplus of NLe73.73mn, a decrease from the previous month's NLe120.39mn surplus. Despite the growth in total expenditure outpacing the growth in total revenue, the government maintained a surplus. Total revenue for November 2023 surged by 26.71% to NLe1,930.18mn, surpassing the budgeted target by 47.43%, primarily due to enhanced domestic revenue mobilization from various taxes including excise tax, customs tax, income tax, miscellaneous tax, and goods and services tax. Figure 4 illustrates the fiscal profile for November 2023 and the 12 preceding months.

Figure 4: Government Revenue and Expenditure (in NLe million)



Source: Bank of Sierra Leone

In November 2023, government expenditure surged by 32.22% to NLe1,856.45mn, exceeding the budgeted ceiling of NLe777.18mn by 138.87%. This rise was primarily attributed to increases in other expenditures and debt service payments. Specifically, debt service expenditure rose to NLe293.52mn, driven by a 23.85% increase in domestic debt interest payments from the targeted amount of NLe236.99mn.

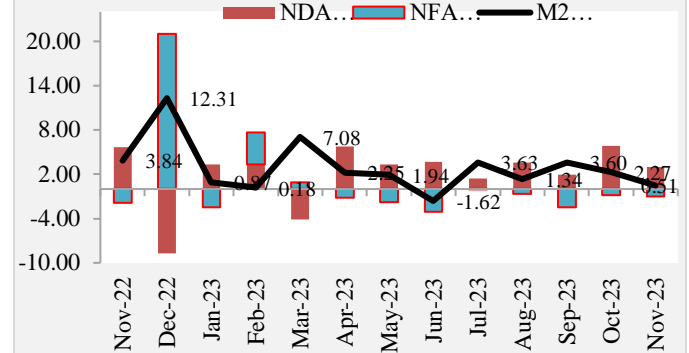
## Monetary Sector Development

### (i) Monetary Aggregates

In November 2023, key monetary aggregates showed mixed movement, with Broad Money (M2) expanding by 0.51%, a decrease from October's 2.27%. M2 growth was

primarily driven by a 1.72% increase in Net Domestic Assets (NDA) of the banking system, fueled by domestic credit expansion. Commercial banks' credit to the private sector rose by 2.35%. However, the Net Foreign Assets (NFA) of the banking system declined by 6.94%. Figure 5 depicts M2 growth, NDA, and NFA for November 2023 and the preceding 12 months.

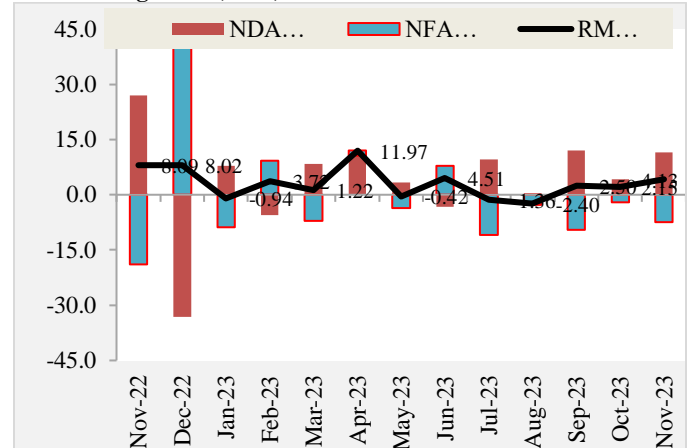
Figure 5: M2 growth, and contributions of NFA and NDA (in %)



Source: Bank of Sierra Leone

Additionally, Narrow Money (M1) rose by 0.26%, driven by a 4.39% increase in currency outside depository corporations, offsetting a 3.63% decline in demand deposits. Quasi money saw a 0.7% increase, primarily due to growth in foreign currency deposits, while time and savings deposits, along with other deposits, declined by 1.47% and 2.06%, respectively. On the liability side, reserve money decreased by 4.13% in November 2023, compared to 2.15% in October 2023. Figure 6 illustrates the RM growth, NDA, and NFA of the Bank of Sierra Leone for November 2023 and the preceding 12 months.

Figure 6: Reserve money growth and contributions of NFA and NDA to the growth (in %)

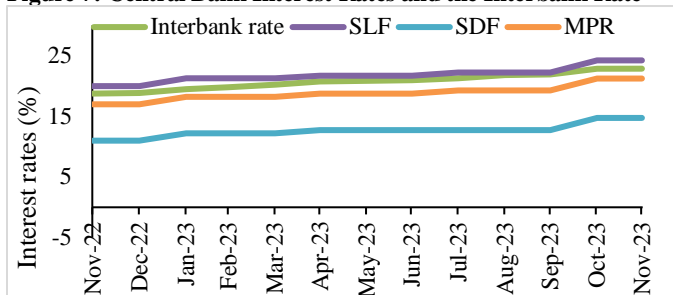


Source: Bank of Sierra Leone

**(ii) Interest Rates**

In November 2023, the Monetary Policy Rate (MPR), Standing Lending Facility (SLF), and Standing Deposit Facility (SDF) rates stayed unchanged. The interbank rate slightly dropped to 22.86 but remained within the Policy Corridor Rate. Commercial bank prime lending (interest rate spread) rates were steady at 19.66% and 21.23%, while the savings rate remained at 2.23% during the same period.

**Figure 7: Central Bank Interest Rates and the Interbank Rate**



Source: Bank of Sierra Leone

In November 2023, the yield on the 364-day T-bill rose to 31.07% from 29.35% in October 2023, with no market for the 91-day tenor.

**External Sector Development**

**(i) Exchange Rate Developments**

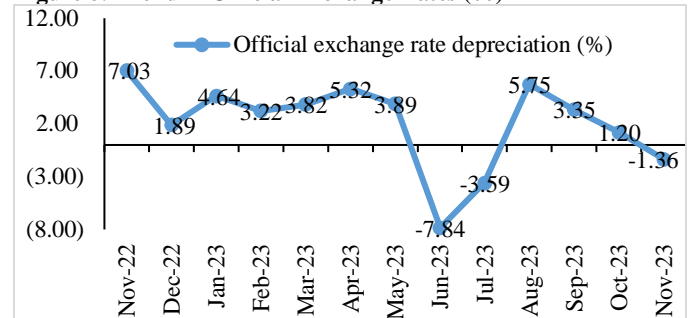
In November 2023, the monthly average exchange rates of the Leone against the US dollar appreciated across all foreign exchange market segments on both the buying and selling sides.

The Leone appreciated in the official market, commercial banks market, bureau market, and parallel market by 1.35%, 1.20%, 1.38% and 1.55% respectively on the buying side, with average rates of NLe22.10/US\$1, NLe22.11/US\$1, NLe22.07/US\$1 and NLe23.75/US\$1.

On the selling side, the Leone appreciated in the official market, commercial banks market, bureau market, and parallel market by 1.33%, 0.96%, 1.49%, and 1.75% respectively, averaging NLe22.32/US\$1, NLe22.46/US\$1, NLe22.27/US\$1, and NLe24.03/US\$1.

The premium between the Official and Parallel rates moderated to 7.56% (NLe1.68/US\$1) in November 2023 from 7.89% (NLe1.78/US\$1) in October 2023. Figure 8 shows the trend in the official exchange rate markets.

**Figure 8: Trend in Official Exchange Rates (%)**



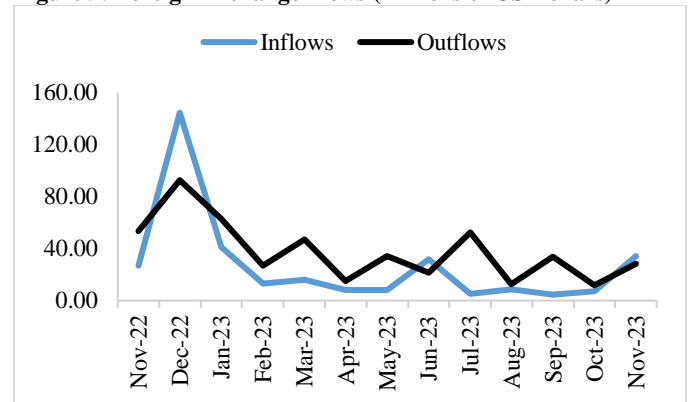
Source: Bank of Sierra Leone

\*note: positive values for Off. exr. dep. denote depreciation

**(ii) Gross Foreign Exchange Reserves**

In November 2023, the Bank of Sierra Leone's gross international reserves reached US\$446.23 million, up from US\$432.82 million in October 2023. Net inflows for November amounted to US\$6.27 million, in contrast to October's net outflows of US\$4.49 million. Other changes in reserves were mainly due to revaluation adjustments.

**Figure 9: Foreign Exchange Flows (millions of US Dollars)**



Source: Bank of Sierra Leone

**5. Conclusion**

In November 2023, production across various sectors exhibited mixed performances. While cocoa production experienced a slight decrease, the mining sector saw a combination of declines in gold, iron-ore, rutile, zircon,

## **BANK OF SIERRA LEONE MONTHLY ECONOMIC REVIEW**

Research and Statistics Department, Bank of Sierra Leone

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and ilmenite, alongside increases in diamonds, bauxite, and other minerals. In the manufacturing sector, beverage and confectionery output rose, but there were declines in cement, paint, and oxygen production. Headline inflation moderated to 54.20% from October's 54.59%, attributed partly to the relative stability of the exchange rate.

The government maintained a surplus of NLe73.73mn in November 2023, down from NLe120.39mn in the previous month. Total revenue expanded by 26.71% to NLe1,930.18mn, while government expenditure increased by 32.22%.

Broad Money (M2) grew by 0.51%, driven mainly by an increase in Net Domestic Assets (NDA), while Reserve Money (RM) decreased by 4.13%. Narrow Money (M1) increased by 0.26%, fueled by a 4.39% rise in currency outside depository corporations, offsetting a 3.63% decline in demand deposits. T-bill markets included 182-day and 364-day tenors, with the 364-day T-bill yield rising to 31.07%.

The Leone appreciated against the US dollar across all foreign exchange market segments, with the premium between official and parallel rates narrowing to 7.56% in November 2023. In November 2023, the Bank of Sierra Leone's international reserves increased to US\$446.23 million, with net inflows of US\$6.27 million, contrasting with October's net outflows of US\$4.49 million.