

BANK OF SIERRA LEONE



Monthly Economic Review

November 2024

MER/11/2024

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 November 2024.

Executive Summary

In November 2024, cocoa production fell by 2.05 percent to 2,272.50 metric tons. Gold, zircon, iron ore, and other minerals saw increased output, while rutile, ilmenite, and diamond production declined. The manufacturing sector witnessed an increase in the production of common soap, zagg, and maltina, while cement, paint, and oxygen production decreased.

Year-on-year headline inflation decreased to 15.41 percent in November 2024 from 16.92 percent in October 2024. Food inflation fell to 14.73 percent in November 2024 from 16.75 percent in October 2024 while non-food inflation decreased to 15.96 percent in November 2024 from 17.07 percent in October 2024.

Fiscal operations on a cash-flow basis resulted in a deficit of NLe1,390.87 million in November 2024, from a deficit of NLe927.84 million in October 2024. The deficit was due to contraction in total government revenue while total government expenditure expanded. Domestic revenue contracted by 13.93 percent to NLe1,455.65 million in November 2024 from NLe1,691.27 million in October 2024. The primary balance maintained a deficit in November 2024, deteriorating to NLe984.32 million from a deficit of NLe79.19 million in October 2024.

Broad Money (M2) increased by 1.71 percent due to a rise in Net Domestic Assets (NDA) by 4.12 percent, while Net Foreign Assets (NFA) declined by 2.41 percent. The NDA growth was driven by higher net claims on the central government and private sector, whereas the NFA decline was mainly due to reduced foreign assets of the Bank of Sierra Leone (BSL) and Other Depository Corporations (ODCs). Credit to the private sector grew by 5.00 percent in November 2024, up from 2.23 percent in October 2024.

Reserve money expanded by 4.71 percent in November 2024, mainly due to a 12.56 percent increase in the NDA of the BSL, while NFA fell by 7.85 percent. On the liability side, the increase in reserve money was due to growth in currency in circulation by 6.42 percent while other deposits from other residents and reserves of ODCs declined by 15.15 percent and 4.76 percent respectively.

The monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility (SDF) rates remained unchanged as in October 2024 at 24.75 percent, 27.75 percent, and 18.25 percent respectively. Similarly, the interbank market rate remained the same at 26.38 percent as in October 2024, staying within the policy corridor. Average deposit and lending rates remained stable at 2.23 percent and 22.27 percent respectively, keeping the lending-savings rate spread at 20.04 percent.

In November 2024, the Leone exhibited mixed performances across all market segments. On the buying side, it appreciated by 0.02 percent in commercial banks and 0.39 percent in the parallel market but depreciated by 0.04 percent in the bureau market, with average rates of NLe22.51/US\$, NLe24.17/US\$, and NLe22.47/US\$, respectively. On the selling side, it appreciated by 0.16 percent in commercial banks and 0.62 percent in the parallel market, while depreciating slightly by 0.002 percent in the bureau, with corresponding average rates of NLe22.79/US\$, NLe24.41/US\$, and NLe22.60/US\$.

In November 2024, the BSL's reference market rate (mid-rate) depreciated by 1.64 percent on a year-on-year basis, which was significantly lower than the 19.25 percent depreciation in November 2023. On a month-on-month basis, it appreciated by 0.03 percent, reversing the 0.10 percent depreciation in October 2024. The premium between the BSL's reference market rate and parallel exchange rate narrowed to 7.57 percent (NLe1.71 per US dollar) from 8.08 percent (NLe1.82 per US dollar) in October 2024.

1. Real Sector Development

(i) Production

In November 2024, cocoa production decreased by 2.05 percent to 2,272.50 metric tons. The output of gold, zircon, iron ore, and other minerals increased while production of rutile, ilmenite and diamonds was reduced in November 2024. There was no available data on the production of bauxite in November 2024. In the manufacturing sector, output increased for common soap, zagg, maltina and other minerals, while output for cement, paint and oxygen declined.

(ii) Price Development

Year-on-year headline inflation decreased to 15.41 percent in November 2024 from 16.92 percent in October 2024. Food inflation fell to 14.73 percent in November 2024 from 16.75 percent in October 2024. Non-food inflation decreased to 15.96 percent in November 2024 from 17.07 percent in October 2024. The decrease in headline inflation was primarily driven by the declining global prices of food and energy, relative stability of the exchange rate 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, clothing, furnishings, health, transport, communication, recreation, as key driving components to the downward trend in inflation rate.

Monthly headline inflation decreased to 0.28 percent in November 2024 from 0.35 percent in October 2024. Figure 1 shows the inflation rates for November 2024 and the 12 months before it.

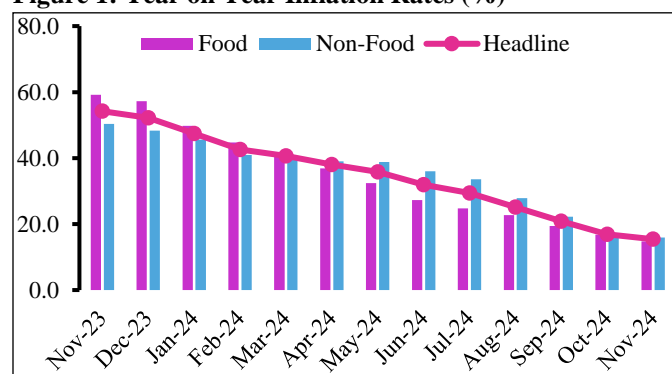
On a regional basis, annual inflation declined in all regions, the Southern region recorded an inflation rate, 17.66 percent, followed by the Northern region at 17.37 percent, Eastern region at 16.52 percent, Western region at 14.82 percent and the North-West region at 12.19 percent. Figure 2 shows inflation rates by region.

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

	Weight (%)	Oct. 24	Nov. 24	Change	Direction
Food	40.33	16.75	14.73	-2.02	Down
Non-Food	59.67	17.07	15.96	-1.11	Down
Alcohol					
Beverages & Tobacco	1.02	15.84	16.52	0.68	Up
Clothing	7.70	16.66	16.11	-0.55	Down
Housing	8.90	24.66	26.41	1.75	Up
Furnishings	5.6	21.19	18.13	-3.06	Down
Health	7.60	21.31	15.75	-5.56	Down
Transport	8.60	5.54	2.23	-3.31	Down
Communication	4.70	2.11	0.84	-1.27	Down
Recreation	2.60	18.36	16.18	-2.18	Down
Education	3.10	34.96	34.96	-	Unchanged
Hotels	6.10	19.55	21.28	1.73	Up
Miscellaneous	3.90	15.53	19.69	4.16	Up
All items	100	16.92	15.41	-1.51	Down

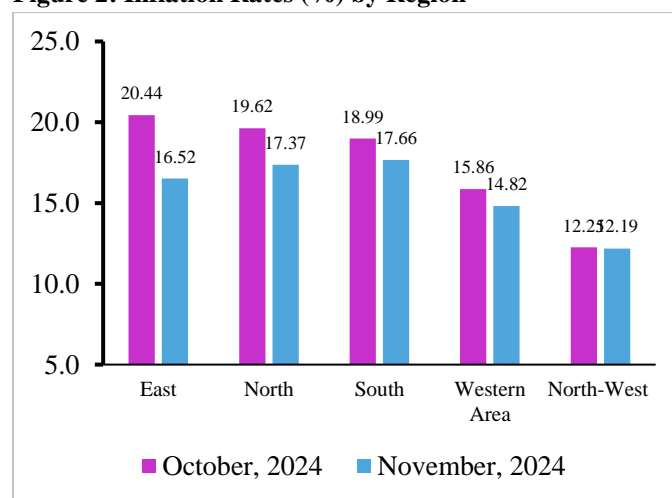
Source: Statistics Sierra Leone

Figure 1: Year on Year Inflation Rates (%)



Source: Statistics Sierra Leone

Figure 2: Inflation Rates (%) by Region



Source: Statistics Sierra Leone

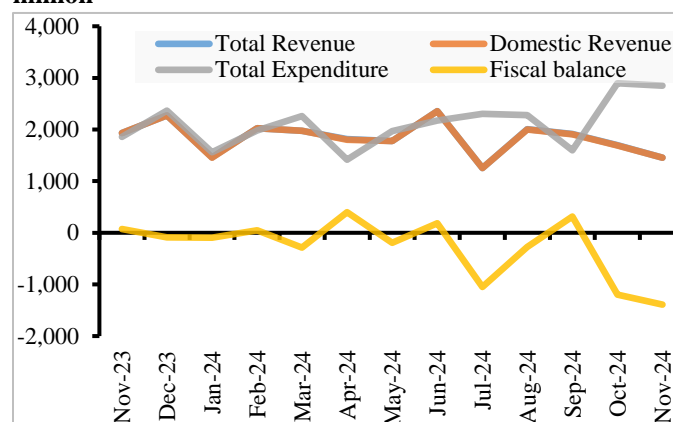
2. Fiscal Sector Development

Fiscal operations on a cash-flow basis resulted in a deficit of NLe1,390.87 million in November 2024, from a deficit of NLe927.84 million in October 2024. The deficit was due to contraction in total government revenue while total government expenditure expanded.

Domestic revenue contracted by 13.93 percent to NLe1,455.65 million in November 2024 from NLe1,691.27 million in October 2024. This, however, exceeded the target of NLe1,329.33 million by 9.50 percent. The decrease in domestic revenue was due to a decline in all the tax handles, comprising revenue from goods & services tax, customs and excise, income tax and miscellaneous (non-tax) by 27.14 percent, 15.37 percent, 13.72 percent and 11.39 percent respectively. There was no grant during the review period. Government expenditure expanded by 8.47 percent to NLe2,846.52 million, and was above the ceiling of NLe1,128.20 million. The increase in government expenditure was due to increase in other expenditure by 59.44 percent to NLe2,109.57 million. However, wages & salaries and debt services decreased by 26.14 percent to NLe330.40 million, and 52.38 percent to Le406.55 million respectively in November 2024. Figure 3 shows the fiscal profile for November 2024 and the 12 months preceding it.

The primary balance maintained a deficit in November 2024, deteriorating to NLe984.32 million from a deficit of NLe79.19 million in October 2024, reflecting an increase in total expenditure (excluding debt services) which outweighed the decrease 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 November 2024, broad money (M2) grew by 1.71 percent, reflecting an increase in Net Domestic Assets (NDA) while Net Foreign Assets (NFA) declined. NDA increased by 4.12 percent while NFA declined by 2.41 percent. The growth in NDA was as a result of an increase in net claims on central government as well as claims on the private sector. However, the decline in NFA of the banking system was driven mainly by a decrease in net foreign assets of the Bank of Sierra Leone and Other Depository Corporations (ODCs). Commercial banks' credit to the private sector expanded by 5.00 percent in November 2024, up from an increase of 2.23 percent in October 2024. Figure 4 shows the contributions of NDA and NFA to M2 growth.

Narrow Money (M1) grew by 5.12 percent in November 2024, due mainly to increase in currency outside the banks by 9.21 percent. However, Quasi-money decreased by 1.20 percent, reflecting a decrease in other deposits of the BSL, time and savings deposits of ODCs and foreign currency deposits, by 15.15 percent, 2.17 percent and 0.70 percent respectively during the review period.

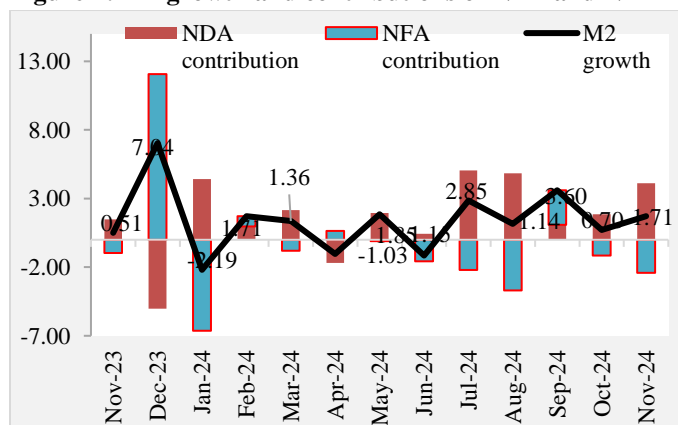
Reserve money expanded by 4.71 percent in November 2024, driven by an increase in NDA of the BSL by 12.56

percent while NFA of the banking system decreased by 7.85 percent. On the liability side, the increase in reserve money was due to growth in currency in circulation by 6.42 percent while other deposits from other residents and reserves of ODCs declined by 15.15 percent and 4.76 percent. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

(i) Interest Rates

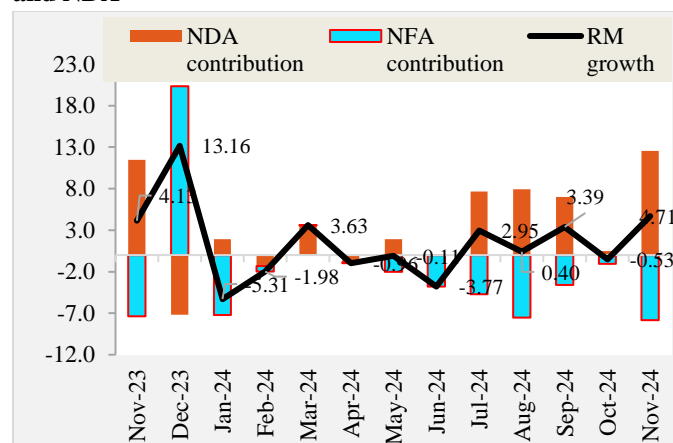
In November 2024, the monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) remained the same as in October 2024 at 24.75 percent, 27.75 percent, and 18.25 percent respectively. Similarly, the interbank market rate remained unchanged at 26.38 percent as in October 2024, staying within the policy corridor. The average deposit and lending rates remained fixed at 2.23 percent and 22.27 percent respectively as in October 2024. As a result, the spread between the average lending and savings rates remained the same at 20.04 percent in November 2024. Figure 6 shows various interest rates for November 2024 and the 12 months before it. The yields on 182-day T-bills and 364-day T-bills increased to 29.36 percent and 41.24 percent respectively while there was no subscription for the 91-day T-bills during the review period.

Figure 4: M2 growth and contributions of NFA and NDA



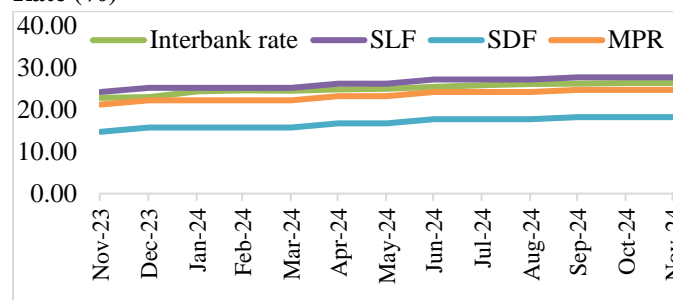
Source: Bank of Sierra Leone

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



Source: Bank of Sierra Leone

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 appreciated in November 2024 by 0.02 percent to NLe22.51/US\$ in the commercial banks and 0.39 percent to NLe24.17/US\$ in the parallel market. However, the Leone depreciated by 0.04 percent to NLe22.47/US\$ in the bureau market during the review period.

Similarly, on the selling side, the Leone appreciated in November 2024 by 0.16 percent to NLe22.79/US\$ in the commercial bank market and 0.62 percent to NLe24.41/US\$ in the parallel market. However, in the

bureau market, the Leone depreciated to NLe22.60/US\$ in November 2024 from NLe22.59/US\$ in October 2024. Figure 7 illustrates the trend in the Leone's appreciation and depreciation rates using the BSL mid-rate.

On a year-on-year basis, the BSL's reference market rate (mid-rate) depreciated by 1.64 percent in November 2024 compared to a depreciation of 19.25 percent in November 2023. On a month-on-month basis, the mid-rate appreciated by 0.03 percent in November 2024, compared to a depreciation of 0.10 percent in October 2024.

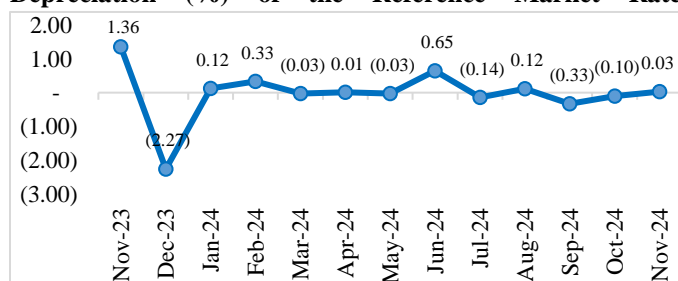
The premium between the official and parallel rates narrowed to 7.57 percent (NLe1.71 per US dollar) in November 2024, from 8.08 percent (NLe1.82 per US dollar) in October 2024.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone increased by 6.47 percent to US\$354.59 million in November 2024 from US\$333.04 million in October 2024.

Gross International Reserves, measured in months of import cover, increased to 1.78 months at the end of November 2024, from 1.70 months at the end of October 2024 and 2.41 months at the end of November 2023. This expansion was due to an increase in gross reserves. Figure 8 shows the gross international reserves measured in months of imports for November 2024 and the 12 months preceding it.

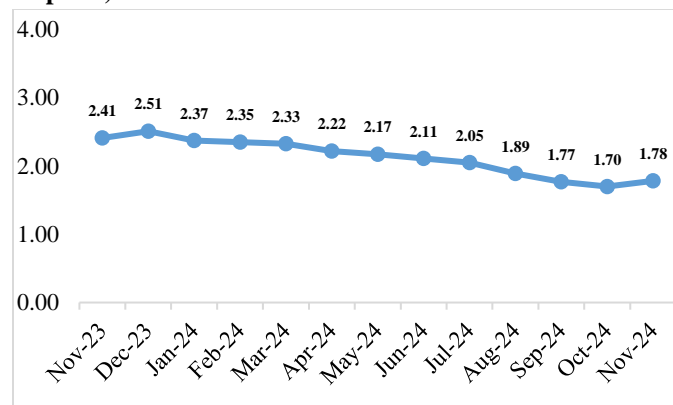
Figure 7: Monthly Exchange Rate Appreciation and Depreciation (%) of the Reference Market Rate



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 November 2024, the economy showed mixed performances across various sectors as in October 2024. Cocoa production declined. The mining sector reflected an expansion, with increases in the output of gold, zircon, iron ore and other minerals while rutile, ilmenite and diamond production declined in November 2024. In the manufacturing sector, output increased for common soap, zag, maltina while cement, paint and oxygen decreased.

Year-on-year headline inflation decreased to 15.41 percent in November 2024 from 16.92 percent in October 2024. On a regional basis, annual inflation declined in all regions.

Fiscal operations on a cash-flow basis resulted in a deficit of NLe1,390.87 million in November 2024, from a deficit of NLe927.84 million in October 2024. The deficit was due to contraction in total government revenue while total government expenditure expanded. Domestic revenue contracted by 13.93 percent to NLe1,455.65 million in November 2024 from NLe1,691.27 million in October 2024. The primary balance maintained a deficit in November 2024, deteriorating to NLe984.32 million from a deficit of NLe79.19 million in October 2024.

In October 2024, broad money (M2) expanded by 1.71 percent, reflecting an increase in Net Domestic Assets (NDA) while Net Foreign Assets (NFA) declined. NDA increased by 4.12 percent while NFA decreased by 2.41 percent. The growth in NDA was as a result of an increase in net claims on central government as well as claims on the private sector. However, the decline in NFA of the banking system was driven mainly by the decrease in the net foreign assets of the Bank of Sierra Leone and Other Depository Corporations (ODCs). Commercial banks' credit to the private sector expanded by 5.00 percent in November 2024, up from an increase of 2.23 percent in October 2024.

The Leone remained relatively stable across different market segments. The gross foreign exchange reserves of the Bank of Sierra Leone increased by 6.47 percent to US\$354.59 million in November 2024 from US\$333.04 million in October 2024. Gross International Reserves, measured in months of import cover increased to 1.78 months at the end of November 2024, from 1.70 months at the end of October 2024.