

BANK OF SIERRA LEONE



Monthly Economic Review

October 2024

MER/10/2024

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 October 2024.

Executive Summary

In October 2024, cocoa production rose by 57.94 percent to 2,320.09 metric tons while there was no available data on coffee production. The mining sector reflected an expansion, with increases in the output of diamond, rutile, iron ore and other minerals among others. Output of gold and ilmenite declined in October 2024. There was no available data on the production of bauxite. In the manufacturing sector, output increased for beer and stout, cement, paint, oxygen and common soap respectively while maltina, and confectionery production declined.

Year-on-year headline inflation decreased to 16.92 percent in October 2024 from 20.91 percent in September 2024. Food inflation fell to 16.75 percent in October 2024 from 19.41 percent in September 2024 while non-food inflation also decreased to 17.07 percent in October 2024 from 22.22 percent in September 2024.

Fiscal operations on a cash-flow basis resulted in a deficit of NLe927.84 million in October 2024, from a surplus of NLe316.27 million in September 2024. The deficit was due to contraction in total government revenue, while total government expenditure expanded. Domestic revenue contracted by 11.26 percent to NLe1,691.27 million in October 2024 from NLe1,905.90 million in September 2024. The primary balance maintained a deficit balance in October 2024, deteriorating to NLe79.19 million from a surplus of NLe147.65 million in September 2024.

Broad Money (M2) increased by 0.70 percent in October 2024. This was attributable to an increase in Net Domestic Assets (NDA) by 1.85 percent, while Net Foreign Assets (NFA) declined by 1.14 percent. The growth in NDA 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 and Other Depository Corporations (ODCs). Credit to the private sector grew by 2.23 percent in October 2024, up from 1.45 percent in September 2024.

Reserve money fell by 0.53 percent in October 2024, mainly due to a 1.04 percent drop in the NFA of the Bank of Sierra Leone in spite of a 0.50 percent increase in NDA. On the liability side, reserves in ODCs and other deposits from residents declined by 7.07 percent and 9.41 percent respectively, while currency in circulation increased by 0.74 percent.

The monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility (SDF) rates remained unchanged from September 2024 at 24.75 percent, 27.75 percent, and 18.25 percent respectively. The interbank rate, however, increased slightly to 26.38 percent in October from 26.26 percent in September but stayed within the policy corridor. Average deposit and lending rates remained the same at 2.23 percent and 22.27 percent respectively, keeping the lending-savings rate spread at 20.04 percent.

In October 2024, the Leone depreciated across all market segments. On the buying side, it depreciated by 0.25 percent in the commercial bank market, 0.41 percent in the bureau market, and 0.88 percent in the parallel market, with average rates of NLe22.52/US\$, NLe22.45/US\$, and NLe24.10/US\$ respectively. On the selling side, it depreciated by 0.15 percent in the commercial banks, 0.13 percent in bureaux, and 0.45 percent in the parallel market, with corresponding average rates of NLe22.83/US\$, NLe22.59/US\$, and NLe24.56/US\$.

The BSL's reference market rate (mid-rate) depreciated by 0.34 percent year-on-year in October 2024, a significant improvement from the 25.93 percent depreciation in October 2023. On a month-on-month basis, the mid-rate depreciated by 0.10 percent in October 2024, compared to 0.33 percent in September 2024. The premium between the BSL's reference market rate and parallel exchange rate widened to 8.08 percent (NLe1.82

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per US dollar) from 7.58 percent (NLe1.71 per US dollar) in September 2024.

Additionally, the Bank of Sierra Leone's gross foreign exchange reserves declined by 4.13 percent, dropping to US\$333.04 million in October 2024 from US\$347.39 million in September 2024.

Gross International Reserves, measured in months of import cover, declined to 1.70 months at the end of October 2024, from 1.77 months at the end of September 2024.

1. Real Sector Development

(i) Production

In October 2024, cocoa production increased by 57.94 percent to 2,320.09 metric tons while there was no available data on coffee production. The output of iron ore, rutile, diamonds, ilmenite and other minerals increased, and gold production was reduced in October 2024 by 89.06 percent. There was no available data on the production of bauxite in October 2024. In the manufacturing sector, output increased for common soap, beer and stout, cement, paint, among others while output for maltina and common soap decreased.

(ii) Price Development

Year-on-year headline inflation decreased to 16.92 percent in October 2024 from 20.91 percent in September 2024. Food inflation fell to 16.75 percent in October 2024 from 19.41 percent in September 2024 and non-food inflation decreased to 17.07 percent in October 2024 from 22.22 percent in September 2024. The decline in headline inflation was primarily driven by the relative stability of the exchange rate, the moderation of 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, alcoholic beverages, clothing, furnishings, health, transport, recreation, education, restaurant and hotels, and miscellaneous items as key components driving the inflation rate down.

Monthly headline inflation decreased to 0.35 percent in October 2024 from 0.82 percent in September 2024. Figure 1 shows the inflation rates for October 2024 and the 12 months preceding it.

On a regional basis, annual inflation declined in all regions with the Eastern region having the highest inflation rate, reaching 20.44 percent, followed by the Northern region at 19.62 percent, Southern region at 18.99 percent, Western region at 15.86 percent and the

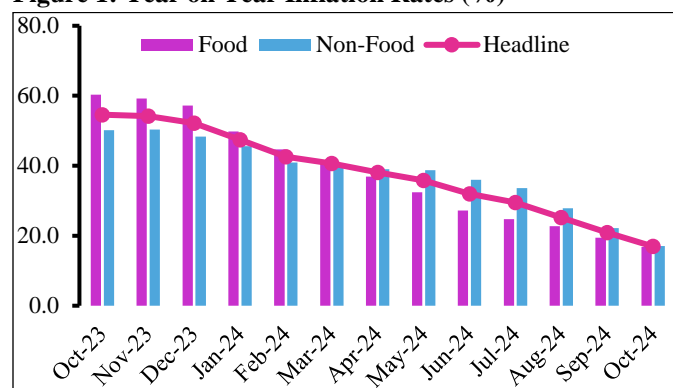
North-West region at 12.25 percent. Figure 2 shows inflation rates by region.

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

	Weight (%)	Sept. 24	Oct. 24	Change	Direction
Food	40.33	19.41	16.75	-2.66	Down
Non-Food	59.67	22.22	17.07	-3.88	Down
Alcohol Beverages & Tobacco	1.02	17.09	15.84	-1.25	Down
Clothing	7.70	23.26	16.66	-6.60	Down
Housing	8.90	18.76	24.66	5.90	Up
Furnishings	5.6	24.01	21.19	-2.82	Down
Health	7.60	29.01	21.31	-8.60	Down
Transport	8.60	12.92	5.54	-7.38	Down
Communication	4.70	-0.41	2.11	2.52	Up
Recreation	2.60	27.48	18.36	-4.12	Down
Education	3.10	48.90	34.96	-13.94	Down
Hotels	6.10	26.28	19.55	-6.73	Down
Miscellaneous	3.90	18.75	15.53	-3.22	Down
All items	100	20.91	16.92	-3.32	Down

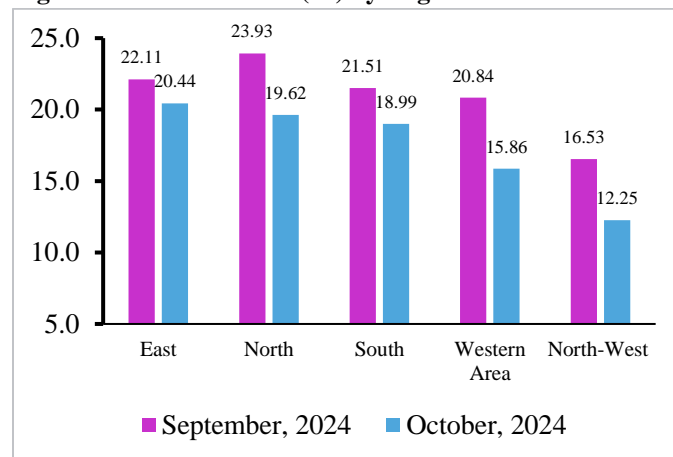
Source: Statistics Sierra Leone

Figure 1: Year on Year Inflation Rates (%)



Source: Statistics Sierra Leone

Figure 2: Inflation Rates (%) by Region



Source: Statistics Sierra Leone

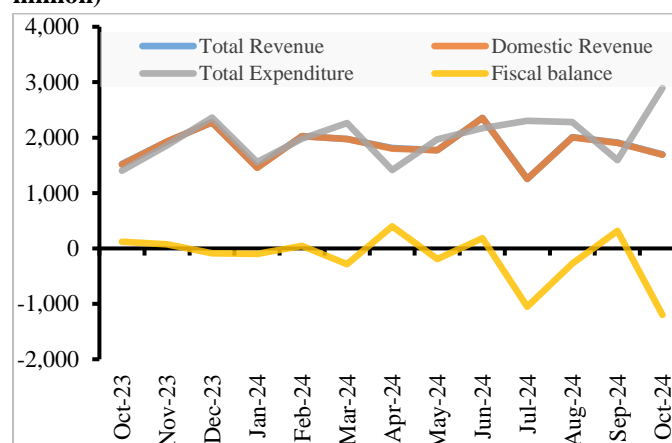
2. Fiscal Sector Development

Fiscal operations on a cash-flow basis resulted in a deficit of NLe927.84 million in October 2024, from a surplus of NLe316.27 million in September 2024. The deficit was due to contraction in total government revenue while total government expenditure expanded.

Domestic revenue contracted by 11.26 percent to NLe1,691.27 million in October 2024 from NLe1,905.90 million in September 2024. This, however, exceeded the target of NLe1,329.33 million by 27.23 percent. The decrease was due to decline in revenue from income tax and miscellaneous (non-tax) income which decreased by 17.21 percent to NLe438.00 million and 15.10 percent to NLe944.77 million respectively while customs & excise and goods and services tax expanded by 14.45 percent to NLe134.42 million and 18.78 percent to NLe174.07 million respectively. Grants amounted to NLe5.08 million in October 2024. Government expenditure increased by 64.47 percent to NLe2,624.19 million, and was above the ceiling of NLe1,128.20 million. The increase in government expenditure was due to increase in other expenditure which expanded by 4.39 percent to NLe1,323.12 million, and debt services, which grew to NLe853.73 million. Expenditure on wages and salaries decreased by 8.85 percent to NLe447.34 million in October 2024. Figure 3 shows the fiscal profile for October 2024 and the 12 months preceding it.

The primary balance maintained a deficit in October 2024, deteriorating to NLe79.19 million from a surplus of NLe147.65 million in September 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 October 2024, broad money (M2) increased by 0.70 percent, reflecting an increase in Net Domestic Assets (NDA) while Net Foreign Assets (NFA) declined. NDA increased by 1.85 percent while NFA declined by 1.14 percent. The growth in NDA was as a result of increase in net claims on central government and claims on 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 (BSL) and Other Depository Corporations (ODCs). Commercial banks' credit to the private sector expanded by 2.23 percent in October 2024, up from an increase of 1.45 percent in September 2024. Figure 4 shows the contributions of NDA and NFA to M2 growth.

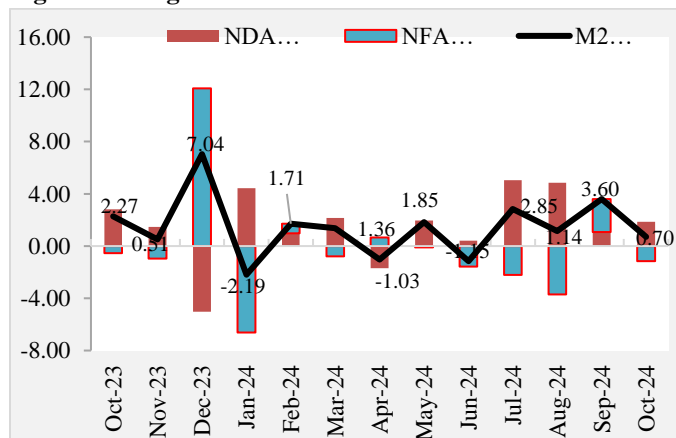
Narrow Money (M1) grew by 0.09 percent in October 2024, due mainly to increase in both currency outside the banks by 1.92 percent and currency in circulation by 0.74 percent. Similarly, Quasi-money increased by 1.23 percent in October 2024, reflecting an increase in foreign currency deposits by 0.63 percents and time and savings deposits of ODCs by 2.49 percent while other deposits of the BSL recorded a decline of 9.41 percent during the review period.

Reserve money declined by 0.53 percent in October 2024, driven by decrease in NFA of the BSL by 1.04 percent while NDA increased by 0.50 percent. On the liability side, the decrease in reserve money was due to decline in reserves in ODCs and other deposits from other residents by 7.07 percent and 9.41 percent respectively while currency in circulation grew by 0.74 percent. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

(i) Interest Rates

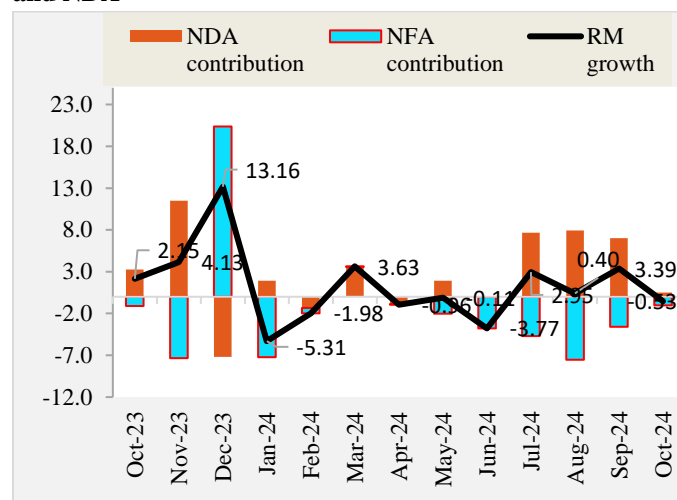
In October 2024, the monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) remained steady as in September 2024 at 24.75 percent, 27.75 percent, and 18.25 percent, respectively. The interbank rate increased to 26.38 percent in October 2024 from 26.26 percent in September 2024, staying within the policy corridor. The average deposit and average lending rates remained the same at 2.23 percent and 22.27 percent respectively as in September 2024. As a result, the spread between the average lending and savings rates also remained the same at 20.04 percent in October 2024. Figure 6 shows various interest rates for October 2024 and the 12 months preceding it. The yield on 182-day T-bills increased to 29.31 percent in October 2024 while yield on the 364-day T-bills decreased to 40.94 percent. The yield on the 91-day T-bills remained unchanged at 21.53 percent during the review period.

Figure 4: M2 growth and contributions of NFA and NDA



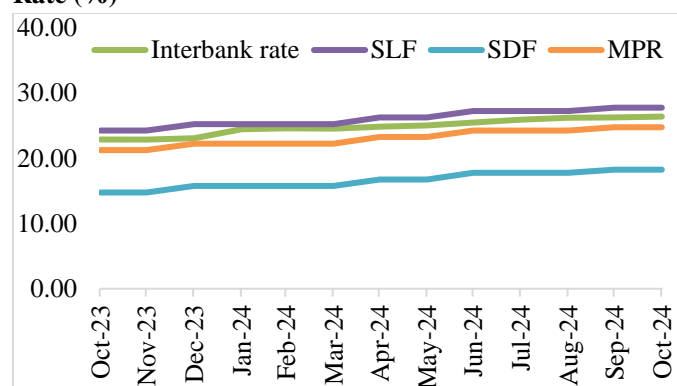
Source: Bank of Sierra Leone

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 depreciated by 0.25 percent in the commercial bank market, 0.41 percent in the bureaux market, and 0.88 percent in the parallel market in October 2024. The average rates for these markets were NLe22.52/US\$, NLe22.45/US\$ and NLe24.10/US\$ respectively.

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On the selling side, the Leone depreciated by 0.15 percent in the commercial bank market, 0.13 percent in the bureau market, and 0.45 percent in the parallel market in October 2024. The average selling rates for the commercial banks, bureau, and parallel markets were NLe22.83/US\$, NLe22.59/US\$ and NLe24.56/US\$ respectively. Figure 7 depicts the trend in the Leone's depreciation rates using the BSL's reference market rate (mid-rate).

On a year-on-year basis, the BSL mid-rate depreciated by 0.34 percent in October 2024 compared to a depreciation of 25.93 percent in October 2023. On a month-on-month basis, the mid-rate depreciated by 0.10 percent in October 2024, compared to a depreciation of 0.33 percent in September 2024.

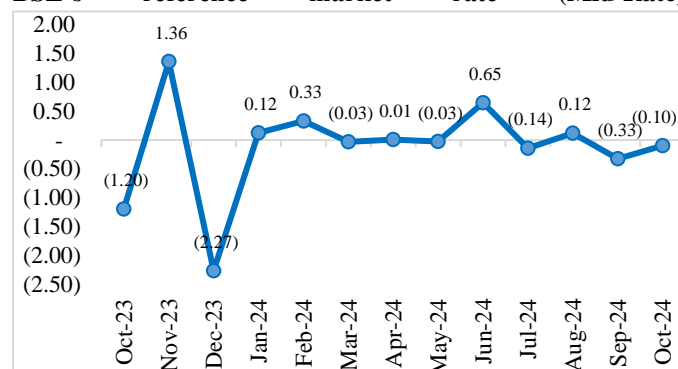
The premium between the official and parallel market rates widened to 8.08 percent (NLe1.82 per US dollar) in October 2024, from 7.58 percent (NLe1.71 per US dollar) in September 2024.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 4.13% to US\$333.04 million in October 2024 from US\$347.39 million in September 2024.

Gross International Reserves, measured in months of import cover, declined to 1.70 months at the end of October 2024, from 1.77 months at the end of September 2024 and 2.23 months at the end of October 2023. This decline was due to decrease in gross reserves. Figure 8 shows the gross international reserves measured in months of imports for October 2024 and the 12 months preceding it.

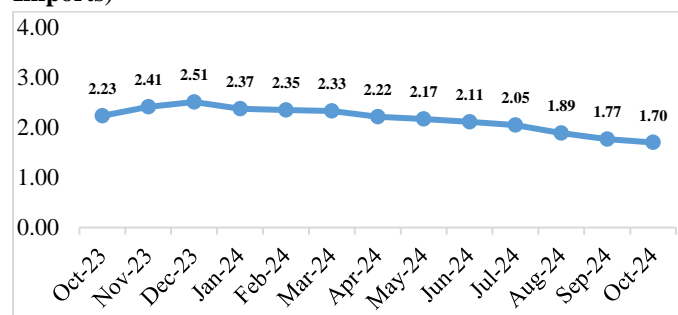
Figure 7: Monthly Exchange Rate Depreciation (%) of the BSL's reference market rate (Mid-Rate)



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 October 2024, the economy showed mixed performances across various sectors as in September 2024. Cocoa production increased while there was no available data on coffee production. The mining sector reflected an expansion, with increases in the output of iron ore, rutile, diamonds and other minerals while gold and ilmenite production declined. There was no available data on the production of bauxite in October 2024. In the manufacturing sector, output increased for common soap, beer & stout, cement, paint and oxygen while output for maltina and confectionary decreased.

Year-on-year headline inflation decreased to 16.92 percent in October 2024 from 20.91 percent in September 2024. On a regional basis, annual inflation declined in all regions.

Fiscal operations on a cash-flow basis resulted in a deficit of NLe927.84 million in October 2024, from a surplus of NLe316.27 million in September 2024. The deficit was due to contraction in total government revenue while total government expenditure expanded. Domestic revenue contracted by 11.26 percent to NLe1,691.27 million in October 2024 from NLe1,905.90 million in September 2024. The primary balance maintained a deficit in October 2024, deteriorating to NLe79.19 million from a surplus of NLe147.65 million in September 2024.

In October 2024, broad money (M2) expanded by 0.70 percent, reflecting an increase in Net Domestic Assets (NDA) while Net Foreign Assets (NFA) declined. NDA increased by 1.85 percent while NFA decreased by 1.14 percent. The growth in NDA result from an increase in net claims on central government and claims on 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 2.23 percent in October 2024, up from an increase of 1.45 percent in September 2024.

The Leone remained relatively stable across different market segments. The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 4.13 percent to US\$333.04 million in October 2024 from US\$347.39 million in September 2024. Gross International Reserves, measured in months of import cover declined to 1.70 months at the end of October 2024, from 1.77 months at the end of September 2024.