

BANK OF SIERRA LEONE



Monthly Economic Review

September 2024

MER/09/2024

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 September 2024.

Executive Summary

In September 2024, cocoa production rose by 30.58% to 1,469.00 metric tons while there was no available data on coffee production. The mining sector reflected a contraction, with declines in the output of diamond, rutile, iron ore and other minerals. The output of ilmenite and zircon rose, and 701.94 tons of gold was produced in September 2024. There was no available data on the production of bauxite. In the manufacturing sector, output reduced for beer and stout, maltina, paint, oxygen, and confectionary while output for cement increased.

Year-on-year headline inflation decreased to 20.91% in September 2024 from 25.15% in August 2024. Food inflation fell to 19.41% in September 2024 from 22.75% in August 2024 while non-food inflation decreased to 22.22% in September 2024 from 27.25% in August 2024.

Fiscal operations on a cash-flow basis resulted in a surplus of NLe316.27 million in September 2024, from a deficit of NLe272.76 million in August 2024. The surplus was due to contraction in total government expenditure, which outweighed the decline in total government revenue. Domestic revenue contracted by 4.82% to NLe1,905.90 million in September 2024 from NLe2,002.45 million in August 2024. The primary balance maintained a surplus balance in September 2024, improving by 61.88%, to NLe147.65 million from a surplus of NLe91.21 million in August 2024.

Broad money (M2) expanded by 3.60%, reflecting an increase in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA). NFA and NDA increased by 2.52% and 1.08% respectively. The growth in NFA of the banking system was driven mainly by the increase in the net foreign assets of Other Depository Corporations (ODCs) while the increase in NDA was as a result of increase in net claims on central government and claims

on private sector. Commercial banks' credit to the private sector expanded by 1.45% in September 2024, down from an increase of 5.33% in August 2024.

Reserve money expanded by 3.39% in September 2024, driven by increase in NDA of the BSL by 6.99%, while NFA declined by 3.61%. On the liability side, the increase in reserve money was due to expansions of reserves in ODCs and currency in circulation by 20.25% and 0.71% respectively while other deposits from other residents declined by 12.37%.

In September 2024, the monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) were increased by 0.5 percentage point to 24.75%, 27.75%, and 18.25%, respectively. The interbank market rate increased to 26.26% in September 2024 from 26.19% in August 2024, staying within the policy corridor. The average deposit rate remained unchanged at 2.23% as in September 2024 while the commercial banks' average lending rate increased to 22.27% from 21.10% in August 2024. As a result, the spread between the average lending and savings rates increased to 20.04% in September 2024 from 18.87% in August 2024.

The Leone depreciated in September 2024 on both buying and selling sides. On the buying side, the Leone depreciated by 0.33% at the BSL's published rate, 0.13% in the commercial bank market, 0.41% in the bureaux market, and 0.87% in the parallel market in August 2024. The average rates for these markets were NLe22.45/US\$, NLe22.46/US\$, NLe22.45/US\$, and NLe24.10/US\$, respectively. On the selling side, the Leone depreciated by 0.33% at the BSL's published rate, depreciated 0.59% in the commercial bank market, 0.35% in the bureaux market, and 0.95% in the parallel market. The average selling rates for the BSL's published rate, commercial banks, bureaux, and parallel markets were NLe22.68/US\$, NLe22.79/US\$, NLe22.57/US\$, and NLe24.45/US\$, respectively. On a year-on-year basis, the BSL mid-rate depreciated by 1.42% in September 2024 compared to a depreciation of 33.68% in September 2023. On a month-on-month basis, the mid-rate depreciated by

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0.31% in September 2024, following a 0.13% appreciation in August 2024. The premium between the official and parallel market rates widened to 7.58% (NLLe1.71 per US dollar) in September 2024, from 6.95% (NLLe1.56 per US dollar) in August 2024.

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 3.41% to US\$345.88 million in September 2024 from US\$358.08 million in August 2024.

Gross International Reserves, measured in months of import cover, declined to 1.77 months at the end of September 2024, from 1.89 months at the end of August 2024

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1. Real Sector Development

(i) Production

In September 2024, cocoa production increased by 30.58% to 1,469.00 metric tons while there was no available data on coffee production. The output of ilmenite and zircon increased, and 701.94 tons of gold was produced in September 2024. There was no available data on the production of bauxite in September 2024. In the manufacturing sector, output decreased for beer and stout, maltina, paint, oxygen, and confectionary while output for cement increased.

(ii) Price Development

Year-on-year headline inflation decreased to 20.91% in September 2024 from 25.15% in August 2024. Food inflation fell to 19.41% from 22.75% in August 2024 and non-food inflation decreased to 22.22% in September 2024 from 27.25% in August 2024. 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, alcoholic beverages, clothing, health, transport, communication, recreation, restaurant and hotels, and miscellaneous items as key components driving the inflation rate down.

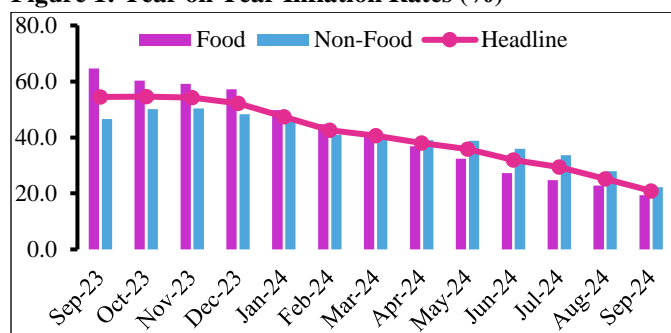
Monthly headline inflation decreased to 0.82% in September 2024 from 2.08% in August 2024. Figure 1 shows the inflation rates for September 2024 and the 12 months preceding it.

On a regional basis, annual inflation declined in all regions with the Northern region having the highest inflation rate, reaching 23.93% followed by the Eastern region at 22.11%, Southern region at 21.51%, Western region at 20.84% and the North-West region at 16.53%. Figure 2 shows inflation rates by region.

	Weight (%)	Aug. 24	Sept. 24	Change	Direction
Food	40.33	22.75	19.41	-3.34	Down
Non-Food	59.67	27.89	22.22	-5.67	Down
Alcohol Beverages & Tobacco	1.02	18.52	17.09	-1.43	Down
Clothing	7.70	23.77	23.26	-0.51	Down
Housing	8.90	36.72	18.76	-17.96	Down
Furnishings	5.6	27.26	24.01	-3.25	Down
Health	7.60	33.36	29.01	-3.45	Down
Transport	8.60	25.69	12.92	-12.77	Down
Communication	4.70	2.83	-0.41	-3.24	Down
Recreation	2.60	27.28	22.48	-5.30	Down
Education	3.10	48.90	48.90	0	Constant
Hotels	6.10	33.02	26.28	-6.74	Down
Miscellaneous	3.90	23.06	18.75	4.31	Down
All items	100	25.15	20.91	-4.24	Down

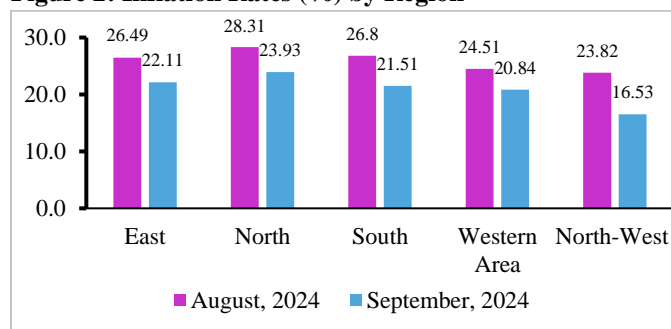
Source: Statistics Sierra Leone

Figure 1: Year on Year Inflation Rates (%)



Source: Statistics Sierra Leone

Figure 2: Inflation Rates (%) by Region



Source: Statistics Sierra Leone

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

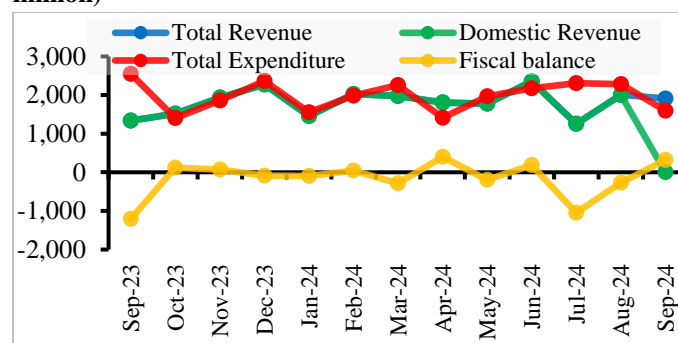
2. Fiscal Sector Development

Fiscal operations on a cash-flow basis resulted in a surplus of NLe316.27 million in September 2024, from a deficit of NLe272.76 million in August 2024. The surplus was due to contraction in total government expenditure which outweighed the decline in total government revenue.

Domestic revenue contracted by 4.82% to NLe1,905.90 million in September 2024 from NLe2,002.45 million in August 2024. This, however, exceeded the target of NLe1,165.06 million by 63.59%. The decrease was due to decline in revenue from customs and excise, goods and services tax, miscellaneous (non-tax) income which decreased by 5.34% to NLe117.45 million, 35.68% to NLe146.55 million and 14.80% to NLe1,112.85 million respectively while income tax expanded by 53.59% to NLe529.05 million. Grants amounted to NLe5.88 million in September 2024. Government expenditure decreased by 29.99% to NLe1,595.51 million, and was above the ceiling of NLe1,038.33 million by 53.66%. The decrease in government expenditure was due to a decrease in other expenditure which contracted by 14.94% to NLe1,267.47 million, and a decrease in debt services, which contracted by 144.27% to a negative NLe162.74 million. The negative debt service balance reflects a negative ‘ways and means’ balances which offset government holdings of securities or repayments. Expenditure on wages and salaries increased by 16.53% to NLe490.78 million in September 2024. Figure 3 shows the fiscal profile for September 2024 and the 12 months preceding it.

The primary balance maintained a surplus in September 2024, improving to NLe147.65 million from a surplus of NLe91.21 million in August 2024, reflecting a decrease 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 September 2024, broad money (M2) expanded by 3.60%, reflecting an increase in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA). NFA and NDA increased by 2.52% and 1.08% respectively. The growth in NFA of the banking system was driven mainly by the increase in the net foreign assets of Other Depository Corporations (ODCs) and the increase in NDA was as a result of increase in net claims on central government and claims on private sector. Commercial banks’ credit to the private sector expanded by 1.45% in September 2024, down from an increase of 5.33% in August 2024. Figure 4 shows the contributions of NDA and NFA to M2 growth.

Narrow Money (M1) expanded by 3.37% in September 2024, due mainly to increase in both demand deposits by 6.35% and currency outside banks by 0.13%. Similarly, Quasi-money increased by 3.79%, reflecting an increase in foreign currency deposits by 6.84% while both other deposits of the BSL and time and savings deposits of ODCs recorded a decline of 12.37% and 1.98% respectively during the review period.

Reserve money expanded by 3.39% in September 2024, driven by increase in NDA of the BSL by 6.99% while NFA declined by 3.61%. On the liability side, the increase in reserve money was due to expansions of reserves in

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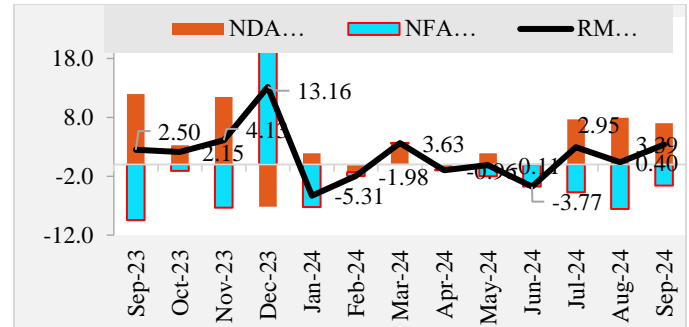
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ODCs and currency in circulation by 20.25% and 0.71% respectively while other deposits from other residents declined by 12.37%. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

(ii) Interest Rates

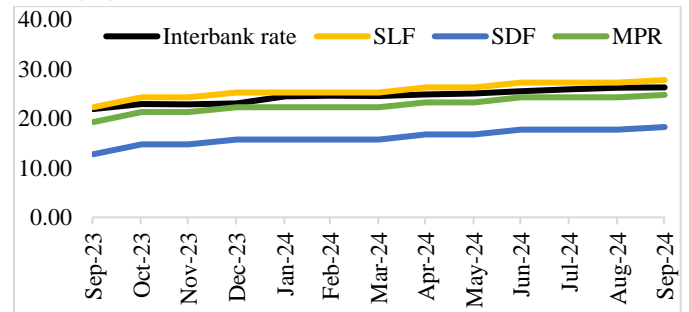
In September 2024, the monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) were increased by 0.5 percentage point to 24.75%, 27.75%, and 18.25%, respectively. The interbank rate increased to 26.26% in September 2024 from 26.19% in August 2024, staying within the policy corridor. The average deposit rate remained unchanged at 2.23% as in September 2024 while the commercial banks' average lending rate increased in September 2024 to 22.27% from 21.10% in August 2024. As a result, the spread between the average lending and savings rates increased to 20.04% in September 2024 from 18.87% in August 2024. Figure 6 shows various interest rates for September 2024 and the 12 months preceding it. The yields on the 91-day T-bills and 182-day T-bills decreased to 21.53% and 29.21% respectively while yield on 364-day T-bills remained steady at 41.28 during the review period.

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



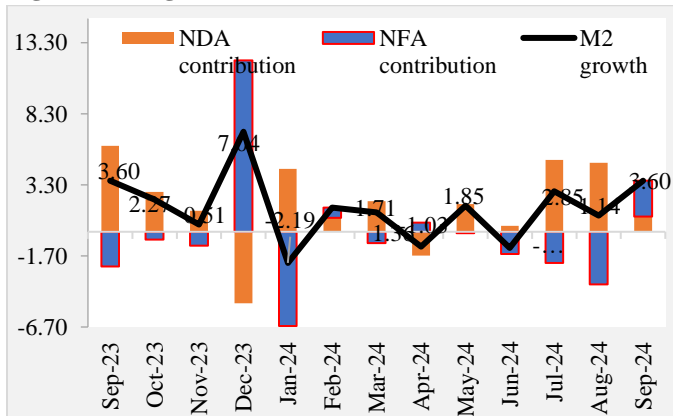
Source: Bank of Sierra Leone

Figure 6: Central Bank Interest Rates and the Interbank Rate (%)



Source: Bank of Sierra Leone

Figure 4: M2 growth and contributions of NFA and NDA



Source: Bank of Sierra Leone

4. External Sector Development

(i) Exchange Rate Development

On the buying side, the Leone depreciated by 0.33% at the BSL's published rate, 0.13% in the commercial bank market, 0.41% in the bureaux market, and 0.87% in the parallel market in September 2024. The average rates for these markets were NLe22.45/US\$, NLe22.46/US\$, NLe22.45/US\$, and NLe24.10/US\$, respectively.

On the selling side, the Leone depreciated by 0.33% at the BSL's published rate, 0.59% in the commercial bank market, 0.35% in the bureaux market, and 0.95% in the parallel market in September 2024. The average selling rates for the BSL's published rate, commercial banks, bureaux, and parallel markets were NLe22.68/US\$, NLe22.79/US\$, NLe22.57/US\$, and NLe24.45/US\$, respectively. Figure 7 illustrates the trend in the Leone's

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appreciation and depreciation rates using the BSL mid-rate.

On a year-on-year basis, the BSL mid-rate depreciated by 1.42% in September 2024 compared to a depreciation of 33.68% in September 2023. On a month-on-month basis, the mid-rate depreciated by 0.31% in September 2024, following a 0.13% appreciation in August 2024.

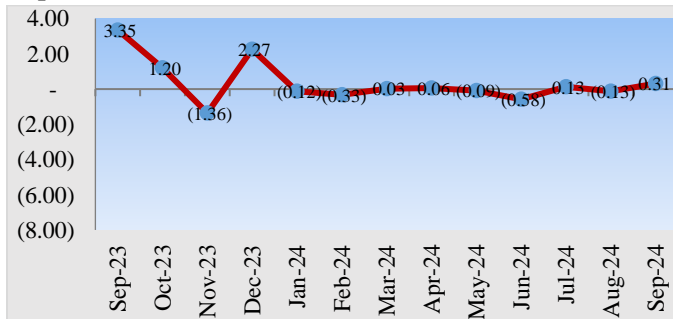
The premium between the official and parallel rates widened to 7.58% (NLe1.71 per US dollar) in September 2024, from 6.95% (NLe1.56 per US dollar) in August 2024.

(ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 3.41% to US\$345.88 million in September 2024 from US\$358.08 million in August 2024.

Gross International Reserves, measured in months of import cover, declined to 1.77 months at the end of September 2024, from 1.89 months at the end of August 2024 and 2.31 months at the end of September 2023. This decline was due to decrease in gross reserves and an increase in average monthly imports. Figure 8 shows the gross international reserves measured in months of imports for September 2024 and the 12 months preceding it.

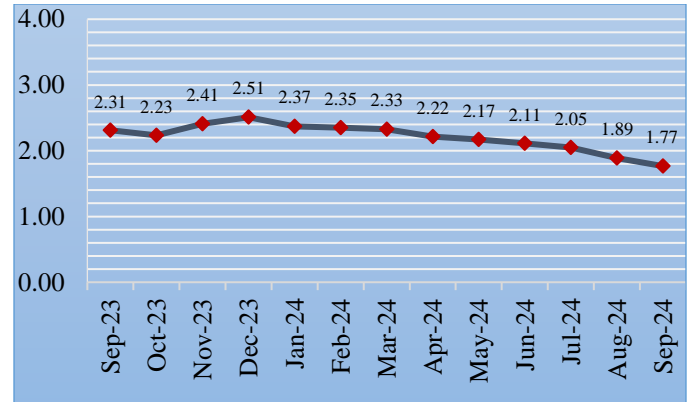
Figure 7: Monthly Exchange Rate Appreciation and Depreciation (%) of the BSL Mid-Rate



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 September 2024, the economy showed mixed performances across various sectors as in August 2024. Cocoa production rose while there was no available data on coffee production. The mining sector reflected a contraction, with declines in the output of diamond, rutile, iron ore and other minerals. The output of ilmenite and zircon rose while Gold remained the same in September 2024. There was no available data on the production of bauxite in September 2024. In the manufacturing sector, output reduced for beer and stout, maltina, paint, oxygen, and confectionary while output for cement increased.

Year-on-year headline inflation decreased to 20.91% in September 2024 from 25.15% in August 2024. On a regional basis, annual inflation declined in all regions.

Fiscal operations on a cash-flow basis resulted in a surplus of NLe316.27 million in September 2024, from a deficit of NLe272.76 million in August 2024. The surplus was due to contraction in total government expenditure which outweighed the decline in total government revenue. Domestic revenue contracted by 4.82% to NLe1,905.90 million in September 2024 from NLe2,002.45 million in August 2024. The primary balance maintained a surplus in September 2024, improving to NLe147.65 million from a surplus of NLe91.21 million in August 2024.

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The Leone remained relatively stable across different market segments. The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 3.41% to US\$345.88 million in September 2024 from US\$358.08 million in August 2024. Gross International Reserves, measured in months of import cover declined to 1.77 months at the end of September 2024, from 1.89 months at the end of August 2024.