



BANK OF SIERRA LEONE

**Monthly Economic
Review**

Volume 23| Issue 4

April, 2020



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Review**

April 2020

Publisher: The Monthly Economic Review [MER] is published by the Research Department, Bank of Sierra Leone. The Department takes responsibility for opinions expressed in this review; queries should be forwarded to res@bsl.gov.sl

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ABBREVIATIONS

AfDB	-	African Development Bank
BSL	-	Bank of Sierra Leone
GoSL	-	Government of Sierra Leone
Gw/hr	-	Gega Watts per hour
IMF	-	International Monetary Fund
M1	-	Narrow Money
M2	-	Broad Money
MER	-	Monthly Economic Review
MPR	-	Monetary Policy Rate
NDA	-	Net Domestic Assets
NFA	-	Net Foreign Assets
ODC	-	Other Depository Corporation
OPEC	-	Organization of Petroleum Exporting Countries
OFID	-	OPEC Fund for International Development
RM	-	Reserve Money
SDF	-	Standing Deposit Facility
SDR	-	Special Drawing Rights
SLF	-	Standing Lending Facility
Y-o-Y	-	Year-on-Year

1.0 Highlights

Production performance in the manufacturing sector was mixed in the month of April 2020. Output for cement, common soap and confectionery increased while output for Acetylene, paint and oxygen declined during the review period. Cement and common soap production expanded by 4.44 percent to 27.31 thousand metric tons, and 109.77 percent to 38.64 thousand metric tons respectively. Confectionery production increased by 2.98 percent to 277.07 thousand pounds. On the contrary, production levels for oxygen and acetylene decreased by 27.22 percent to 47.31 thousand cubic feet and 3.40 percent to 38.64 thousand cubic feet respectively. Paint production also dropped by 11.18 percent to 36.14 thousand gallons.

Headline inflation moderated to 15.08 percent in April 2020 from 15.56 percent in March 2020. The decrease in headline inflation was mainly driven by decrease in non-food inflation. Non-food inflation decreased to 20.19 percent in April 2020 from 23.14 percent in March 2020. On the other hand, food inflation rose to 10.54 percent in April 2020 from 9.87 percent in March 2020.

Government budgetary operations in April 2020 on cash flow basis resulted in a deficit of Le56.56bn compared to a deficit of Le91.90bn in March 2020. The narrowed deficit was on account of the improvement in revenue mobilization which more than offset the expansion in government spending during the review period.

The Monetary Policy Rate (MPR) remained unchanged at 16.50 percent in February 2020. Similarly, the Standing Lending and Deposit Facility rates were also unchanged at 20.50 and 13.50 percent respectively. The commercial banks' average lending and deposit rates also remained unchanged at 21.35 percent and 2.38 percent respectively. The interbank rate decreased slightly from 18.50 percent in March 2020 to 17.80 percent in April 2020.

Developments in monetary aggregates in April 2020 were expansionary, as both Broad Money (M2) and Reserve Money (RM) expanded. Broad Money (M2) increased by 3.55 percent in April 2020, compared to the growth of 2.12 percent in March 2020, driven by increase in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the banking system. Similarly, Reserve Money (RM) increased by 7.32 percent in April 2020, relative to a growth of 2.75 percent in March 2020. This development was mainly driven by growth in both NFA and NDA of the Bank of Sierra Leone.

The gross foreign exchange reserves of the Bank of Sierra Leone increased by 2.52 percent to US\$547.21mn in April 2020 from US\$533.76mn in March 2020, reflecting an increase in inflows of US\$28.85mn over outflows of US\$15.52mn, with a net inflow of US\$13.33mn and a revaluation gain of US\$0.12mn.

The average monthly premium between the official and parallel rates widened by 38.1 percent to Le467.10/US\$1 in April 2020 from Le338.14/US\$1 in March 2020.

2.0 Production and Prices

2.1 Production

2.1.1 Manufacturing

Production performance in the manufacturing sector was mixed in the month of April 2020. Output for cement, common soap and confectionery increased while output for Acetylene, paint and oxygen declined during the review period. Cement and common soap production expanded by 4.44 percent to 27.31 thousand metric tons, and 109.77 percent to 38.64 thousand metric tons respectively. Confectionery production increased by 2.98 percent to 277.07 thousand pounds. On the contrary, production levels for oxygen and acetylene decreased by 27.22 percent to 47.31 thousand cubic feet and 3.40 percent to 38.64 thousand cubic feet respectively. Paint production also dropped by 11.18 percent to 36.14 thousand gallons.

2.1.2 Mining Sector

Production activities in the mining sector slowed down in the month of April 2020 due to related COVID-19 pandemic disruption leading to a decline in production of most minerals. Diamond production contracted to 56.58 thousand carats in April 2020 from 68.08 thousand carats in March 2020. This was mainly industrial diamond, while there was no production of gem diamond during the review month. Rutile production decelerated to 7.52 thousand metric tons in the review month from 10.12 thousand metric tons in March 2020. Ilmenite production declined to 2.74 thousand metric tons in April 2020 from 4.26 thousand metric tons in March 2020.

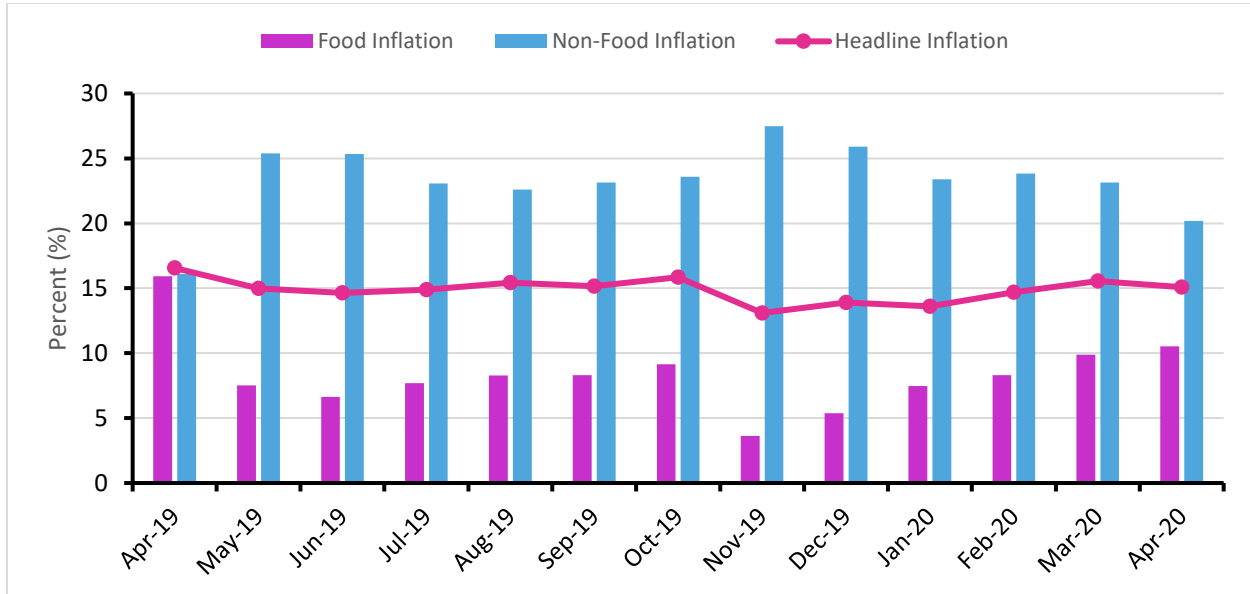
2.2 Price Development

Headline inflation moderated to 15.08 percent in April 2020 from 15.56 percent in March 2020. The decrease in headline inflation was mainly driven by decrease in non-food inflation. Non-food inflation decreased to 20.19 percent in April 2020 from 23.14 percent in March 2020. On the other hand, food inflation rose to 10.54 percent in April 2020 from 9.87 percent in March 2020.

On regional basis, inflation decreased in the Southern region, Western Area and Eastern region while inflation increased in the Northern region in the review month. Southern region inflation declined to 11,62 percent in April 2020 from 12.74 percent in March 2020; Western Area inflation decreased to 17.94 percent in April 2020 from 18.42 percent in March 2020; Eastern region

inflation decreased to 13.49 percent in April 2020 from 15.00 percent in March 2020. However, Northern region inflation rose to 13.50 percent in April 2020 from 12.92 percent in March 2020.

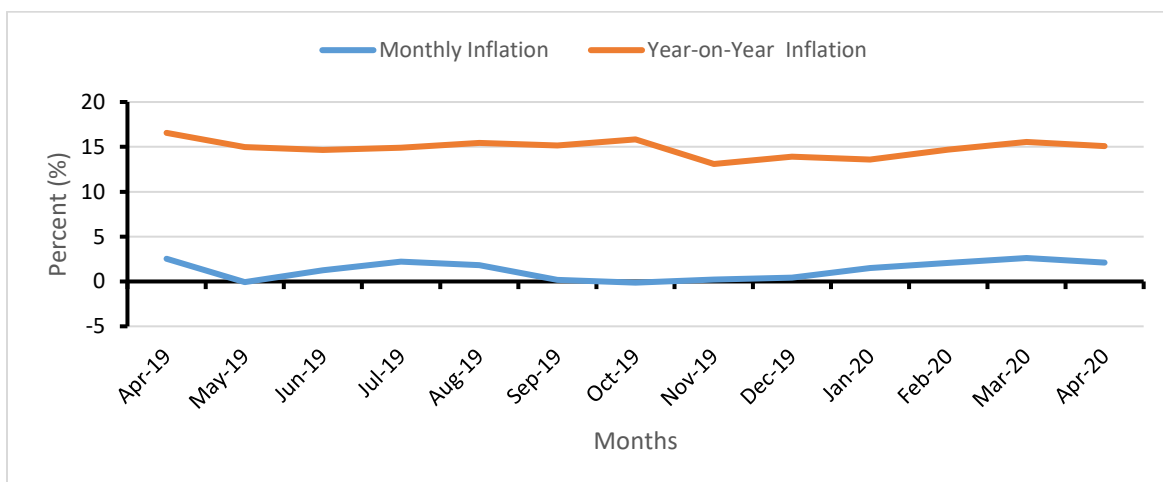
Figure 1: Headline, Food and Non-Food Inflation



Source: Statistics Sierra Leone and BSL

On monthly basis, consumer price inflation decreased to 2.12 percent in April 2020 from 2.62 percent in March 2020.

Figure 2: Year-on-Year Inflation and Monthly Inflation



Source: Statistics Sierra Leone and BSL

3.0 Government Budgetary Operations

Government budgetary operations in April 2020 on cash flow basis resulted in a deficit of Le56.56bn compared to a deficit of Le91.90bn in March 2020. The narrowed deficit was on account of the improvement in revenue mobilization which more than offset the expansion in government spending during the review period.

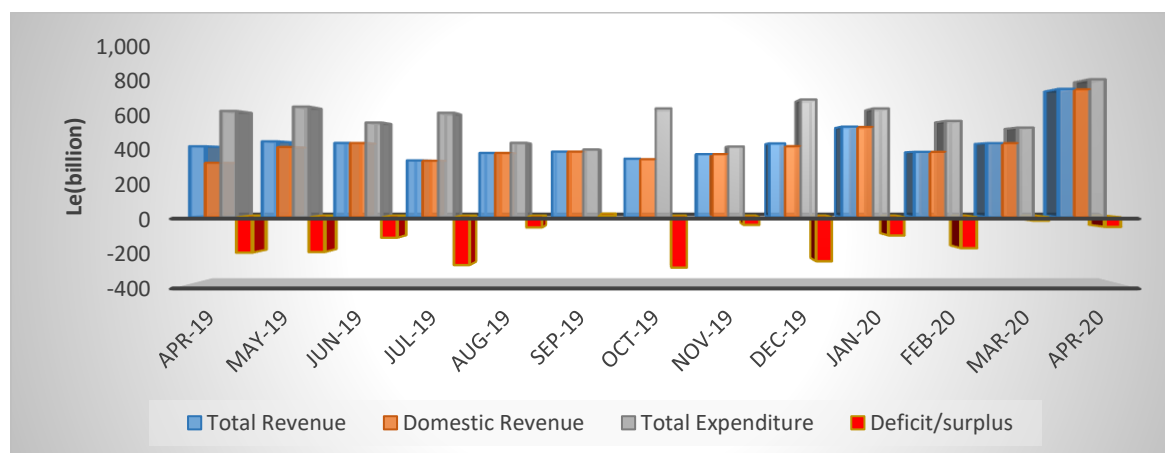
3.1 Revenue

Government revenue expanded tremendously by 73.16 percent to Le756.96bn, but fell short of the target of Le866.43bn by 12.63 percent. The expansion in government revenue was on account of increase in domestic revenue collected in April 2020.

Domestic revenue increased to Le754.21bn reflecting 72.53 percent increase compared to Le437.14bn revenue in March 2020, and exceeded the target of Le417.30bn by 80.74 percent. The growth in domestic revenue was explained by expansion in non-tax, while customs & excise duties, income tax, and goods & services contracted during the review period. Receipts from non-tax revenue expanded by 261.52 percent to Le 526.15bn.

However, customs and excise receipts declined by 2.76 percent to Le47.90bn, revenue from income tax department contracted by 30.56 percent to Le111.04bn and receipts from Goods and Services tax decreased by 16.14 percent to Le69.13bn. External grants support stood at Le2.75bn in April 2020. This was predominantly HIPC Debt Relief Payments during the review period.

Figure 3: Government Revenue and Expenditure



Source: Research Department, Bank of Sierra Leone

3.2 Expenditure

Government expenditure expanded by 53.77 percent to Le813.52bn, and overshot the program target of Le520.48bn by 56.30 percent in the reviewed month. The expansion in government expenditure was explained by an increase in all its main components during the reviewed period.

Pension, wages and salaries increased by 37.13 percent to Le 336.21bn, and other expenditure on goods and services rose by 84.30 percent to Le380.95bn. Equally, debt service payments expanded by 24.87 percent to Le96.35bn, of which domestic debt service payments amounted to Le96.30bn, and foreign debt service payments amounted to Le0.05bn.

3.3 Financing

The overall deficit of Le56.56bn was financed from both domestic and foreign sources.

4.0 Monetary Developments

Developments in monetary aggregates in April 2020 were expansionary, as both the Broad Money (M2) and Reserve Money (RM) expanded.

4.1 Broad Money

Broad Money (M2) increased by 3.55 percent in April 2020, compared to the growth of 2.12 percent in March 2020, driven by increase in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the banking system.

The NFA of the banking system expanded by 7.01 percent in April 2020, relative to the growth of 12.24 percent recorded in March 2020. The growth was reflected in both the NFA of the Central Bank and in the NFA of commercial banks. The NFA of the central bank grew by 30.13 percent in April 2020, compared to the growth of 47.34 percent in March 2020. This was largely explained by disbursement of the Balance of Payments support by the IMF. The NFA of the commercial banks increased by 1.13 percent in April 2020, relative to the growth of 5.83 percent March 2020.

The NDA of the banking system expanded by 2.32 percent in April 2020, compared to a contraction of 1.08 percent in March 2020. This was partly explained by the use of BSL's Bridge Loan facility by the government coupled with secondary market operations by the Bank to support liquidity in the primary market.

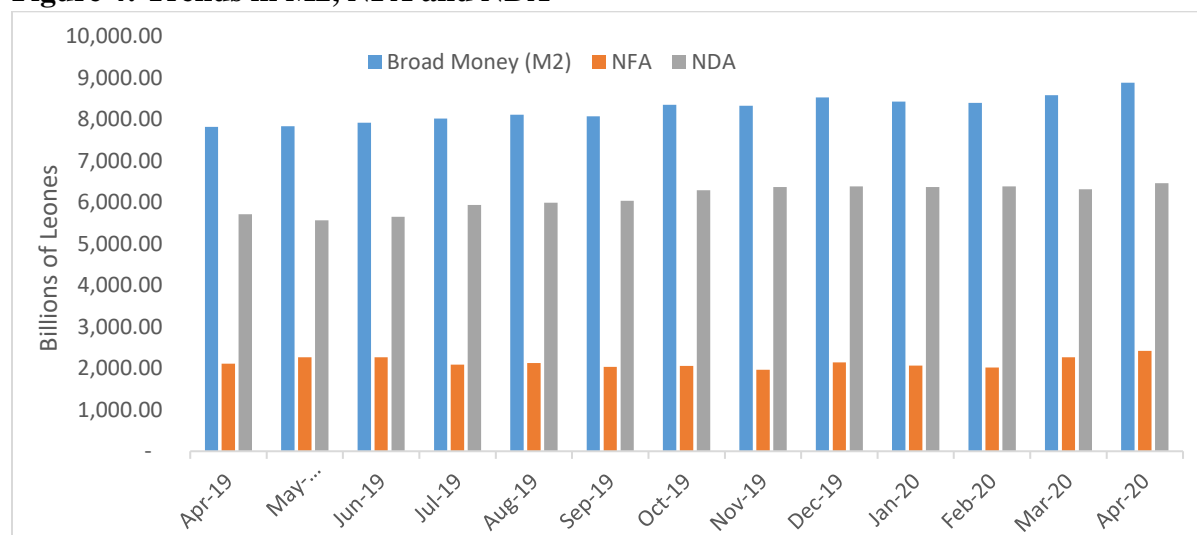
The growth in credit to the private sector moderated to 2.89 percent in April 2020, from a growth of 3.13 percent in March 2020.

Table 1: Broad Money and its Components

Billions of Leones	2020		Absolute Change		% Change	
	Mar	Apr	Mar-20	Apr-20	Mar-20	Apr-20
Reserve money	2,665.65	2,860.91	71.41	195.26	2.75	7.32
Broad Money (M2)	8,585.38	8,890.45	178.02	305.07	2.12	3.55
Narrow money (M1)	4,033.72	4,272.08	89.17	238.36	2.26	5.91
Currency outside banks	1,970.89	2,070.91	33.47	100.02	1.73	5.07
Demand deposit	2,062.83	2,201.17	55.69	138.34	2.77	6.71
Quasi money	4,551.66	4,618.37	88.85	66.71	1.99	1.47
o.w. Foreign currency deposit	2,224.61	2,255.36	57.90	30.75	2.67	1.38
Time and saving deposit	2,320.58	2,356.50	31.00	35.92	1.35	1.55
Net Foreign Asset	2,265.92	2,424.66	247.06	158.74	12.24	7.01
BSL	458.85	597.11	147.43	138.26	47.34	30.13
ODCs	1,807.07	1,827.55	99.63	20.47	5.83	1.13
Net Domestic Assets	6,319.45	6,465.79	(69.06)	146.35	(1.08)	2.32
Net Domestic Credit	8,972.54	9,145.59	348.98	173.06	4.05	1.93
Government (Net)	6,667.18	6,804.49	233.97	137.31	3.64	2.06
BSL	2,745.01	2,831.54	10.21	86.53	0.37	3.15
ODCs	3,922.17	3,972.95	223.76	50.78	6.05	1.29
Private Sector Credit	2,366.32	2,433.43	70.26	67.11	3.06	2.84
o.w ODC	2,337.29	2,404.82	70.89	67.53	3.13	2.89
Other Sectors (Net)*	(60.96)	(92.33)	44.75	(31.37)	(42.33)	51.46
Other Items (Net)	(2,653.09)	(2,679.80)	(418.04)	(26.71)	18.70	1.01
Money Multiplier	3.22	3.11				

*Other Sectors (Net) includes State & Local, Other Financial Corporations and Public Non-Financial Corp.

Figure 4: Trends in M2, NFA and NDA



Source: Research Department, BSL

From the liability side, the growth in M2 reflected increase in both Narrow Money (M1) and Quasi Money (QM). M1 expanded by 5.91 percent during the review month, relative to the 2.26 percent growth recorded in March 2020. This was due to increase in both currency outside banks (5.07 percent) and demand deposits (6.71 percent). Quasi Money expanded by 1.47 percent in April 2020, compared to the growth of 1.99 percent recorded in March 2020. The growth in Quasi Money was due to increase in both foreign currency deposits (1.38 percent) and time & saving deposits (1.55 percent).

4.2 Reserve Money

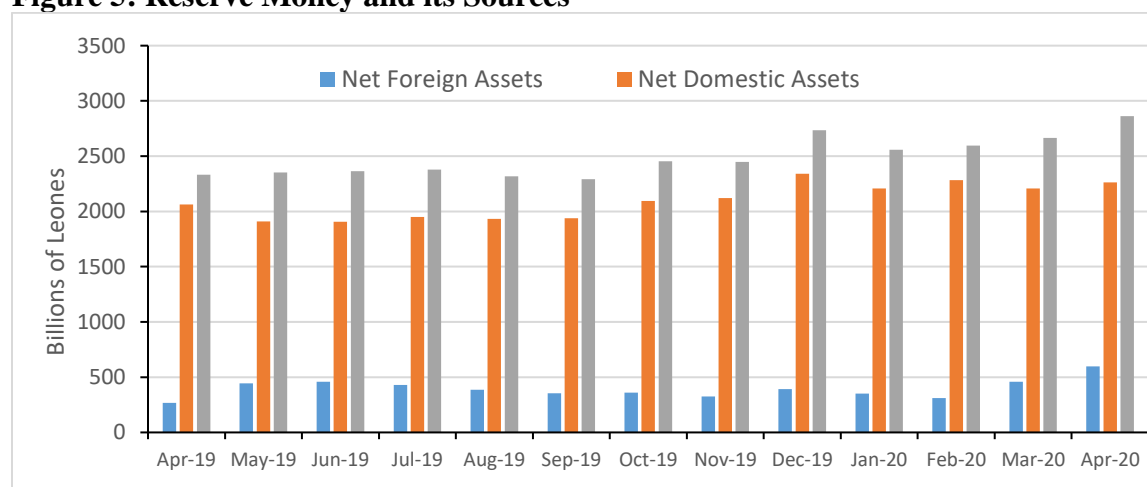
Reserve Money (RM) increased by 7.32 percent in April 2020, relative to a growth of 2.75 percent in March 2020. This development was mainly driven by growth in both NFA and NDA of the Central Bank. NFA of the Central Bank grew by 30.13 percent, from a growth of 47.34 percent. NDA of the central bank increased by 2.58 percent in April 2020, compared with a contraction of 3.33 percent in March 2020. This development reflects the combined effects of the BSL Bridge Loan facility to government and the active participation of the Bank in the secondary market to support liquidity.

Table 2: Reserve Money and its Components

Billions of Leones	2020		Absolute Change		% Change	
	Mar	Apr	Mar-20	Apr-20	Mar-20	Apr-20
1. Net Foreign Assets	458.85	597.11	147.43	138.26	47.34	30.13
2. Net Domestic Assets	2,206.80	2,263.80	(76.03)	56.99	(3.33)	2.58
Government Borrowing (net)	2,745.01	2,831.53	10.21	86.53	0.37	3.15
o.w. Securities	1,356.00	1,401.29	52.81	45.29	4.05	3.34
Ways and Means	179.94	110.56	(140.94)	(69.38)	(43.92)	(38.56)
GoSL/IMF /WB Budget financing	1,294.80	1,526.63	-	231.83	-	17.90
3. Reserve money	2,665.65	2,860.91	71.41	195.26	2.75	7.32
o.w. Currency issued	2,224.27	2,311.34	47.19	87.07	2.17	3.91
Bank reserves	434.90	543.05	24.27	108.15	5.91	24.87

Source: Research Department, BSL

On the liability side, the expansion in RM was also reflected in both currency issued, which expanded by 3.91 percent in April 2020 from 2.17 percent in March 2020, and banks' reserves which increased by 24.87 percent in April 2020 from 5.91 percent in March 2020.

Figure 5: Reserve Money and its Sources

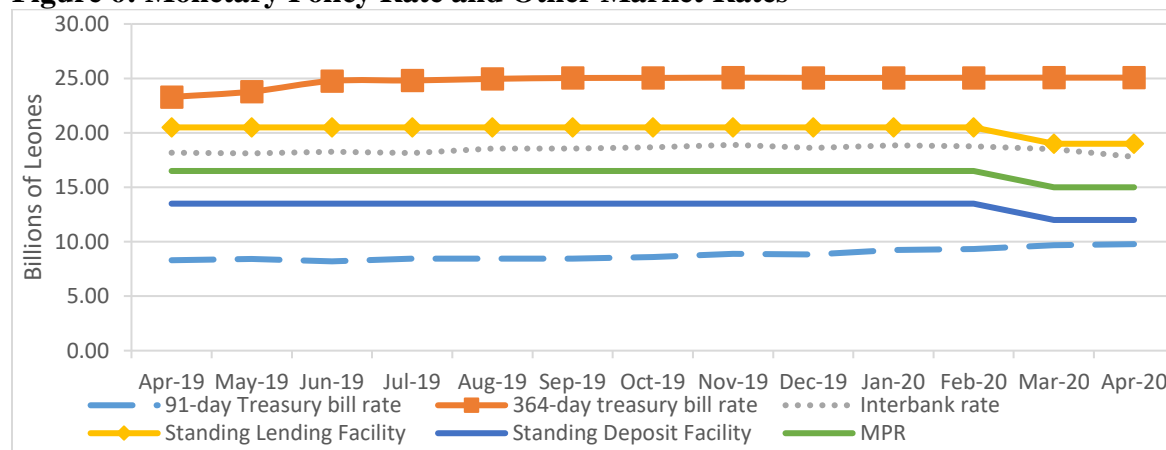
Source: Research Department, BSL

4.3 Interest Rates

The Monetary Policy Rate (MPR) of the Central Bank remained unchanged at 15.00 percent in April 2020. Similarly, the Standing Lending and Deposit Facility rates remained unchanged at

19.00 percent and 12.00 percent respectively. The interbank rate decreased slightly from 18.50 percent in March 2020 to 17.80 percent in April 2020. The commercial banks' average lending and savings deposit rates remained unchanged at 21.35 percent and 2.38 percent respectively.

Figure 6: Monetary Policy Rate and Other Market Rates



Source: Research Department, BSL

Interest rate developments in the government securities market were mixed in April 2020. The yields on the 364-day and 182-day treasury bills in April 2020 remained unchanged at 25.07 percent and 13.21 percent respectively, while the 91-day treasury bills increased from 9.69 percent in March 2020 to 9.78 percent in April 2020.

Table 3: Interest Rates (%)

	2019										2020		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
91-day T-Bills	8.30	8.41	8.20	8.44	8.44	8.44	8.61	8.89	8.83	9.25	9.34	9.69	9.78
182-day T-Bills	8.20	7.23	7.13	8.53	8.54	11.38	12.46	13.21	13.21	13.21	13.21	13.21	13.21
364-day T-Bills	23.3	23.79	24.77	24.81	24.96	25.04	25.05	25.07	25.05	25.05	25.06	25.07	25.07
Interbank rate	18.18	18.12	18.27	18.16	18.57	18.57	18.68	18.9	18.61	18.84	18.77	18.50	17.80
SLF	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.5	20.50	20.5	20.50	19.00	19.00
SDF	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.5	13.50	13.5	13.50	12.00	12.00
MPR	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.5	16.50	15.00	15.00
Ave. Lending rate	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35
Lending (Prime)	17.92-24.77	17.92-24.77	17.92-24.77	17.92-24.77	17.92-24.77	17.92-24.77	17.92-24.77	17.92-24.77	17.92-24.77	-	-	-	-
Savings deposits	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38

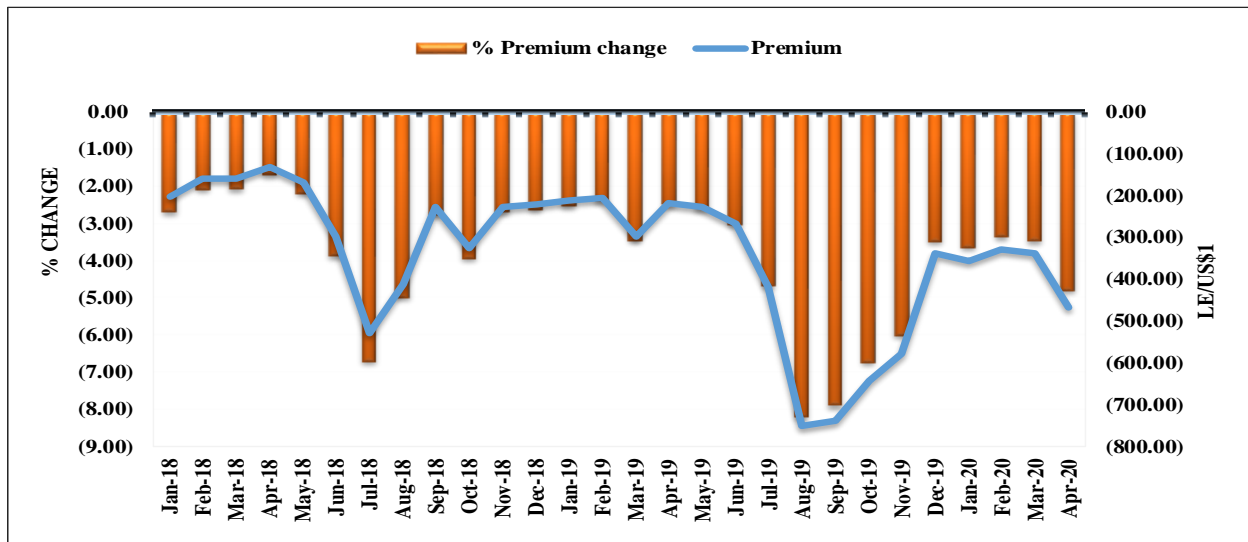
Source: Research Department, BSL

5.0 Exchange Rate Developments

Developments in the foreign exchange markets during the month of April 2020 were mixed, with the average exchange rate of the Leone vis-à-vis the US dollar either appreciating or depreciating on both the buying and selling fronts. On the buying front, the Leone appreciated in the bureau market, official market and commercial banks by 1.09 percent, 0.51 percent, 0.17 percent, averaging Le9,536.95/US\$1, Le9,616.47/US\$1, Le9,793.68/US\$1 respectively, while depreciating in the parallel market by 0.80 percent averaging Le10,150.00/US\$1. On the selling front, the Leone appreciated in the official and bureau markets by 0.62 percent and 0.16 percent, averaging Le9,799.34/US\$1 and Le9,907.32/US\$1, respectively, while depreciating in the parallel market and commercial banks by 0.66 percent and 0.01 percent, averaging Le10,200.00/US\$1 and Le9,930.14/US\$ respectively.

The average monthly premium between the official and parallel rates widened by 38.1 percent to Le467.10/US\$1 in April 2020 from Le338.14/US\$1 in March 2020 (See figure 7).

Figure 7: Premium between Official and Parallel Exchange Rates



Source: Bank of Sierra Leone

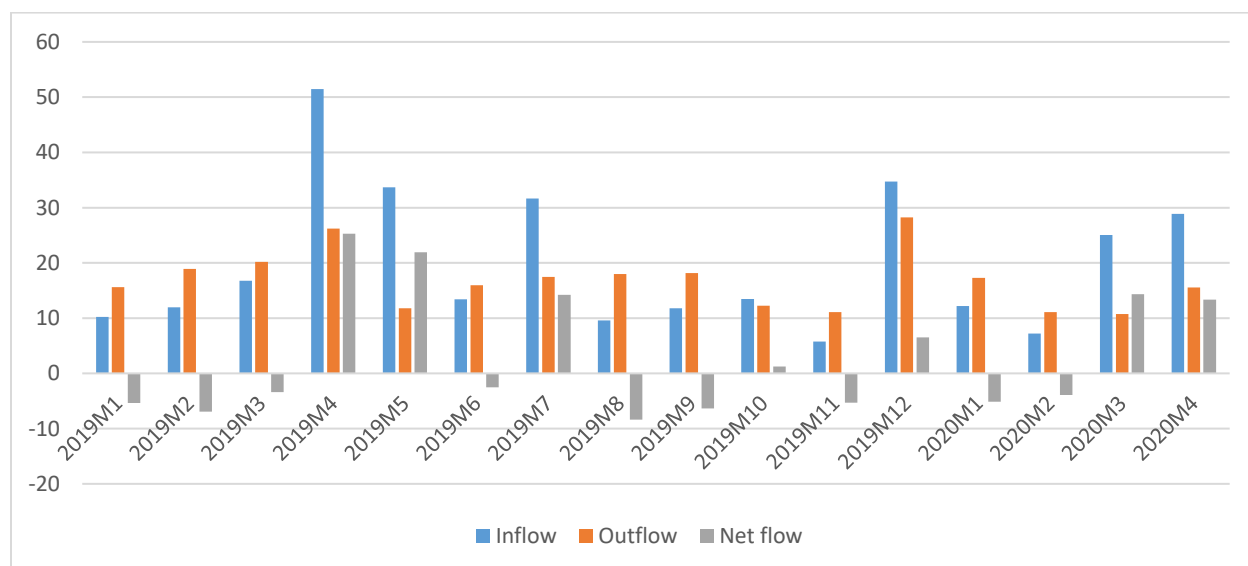
6.0 Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone increased by 2.52 percent to US\$547.21mn in April 2020 from US\$533.76mn in March 2020, reflecting an increase in inflows of US\$28.85mn over outflows of US\$15.52mn, resulting to a net inflow of US\$13.33mn and a revaluation gain of US\$0.12mn.

Major inflows included disbursements by the IMF for BOP support (US\$21.18mn), IDA/World Bank purchase of forex (US\$0.16mn), receipts from export (US\$6.06mn) of which; rutile (US\$2.32mn), bauxite (US\$0.45mn), other mining receipts (US\$0.58mn), timber (US\$2.31mn) and fishing royalties and license (US\$0.39mn). Other inflows were in respect of maritime administration (US\$0.21mn), other government receipts (US\$0.41mn) and interest earned by BSL from investments abroad (US\$0.83mn),

Significant outflows included debt service payments (US\$6.85mn) of which: IMF (US\$3.54mn), AfBD (US\$0.56mn), other multilateral & bilateral creditors (US\$2.41mn) and OPEC (US\$0.34mn). Other outflows comprised embassy and mission payments (US\$3.39mn), payments for infrastructure projects in respect of electricity, water and energy (US\$1.80mn), other government expense (US\$3.32mn) and BSL expense on renovation of the bank building (US\$0.16mn).

Figure 8: Foreign Exchange Flows



Source: Bank of Sierra Leone