



BANK OF SIERRA LEONE

**Monthly Economic
Review**

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Review**

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ABBREVIATIONS

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
MoF	-	Ministry of Finance
MPR	-	Monetary Policy Rate
NDA	-	Net Domestic Assets
NFA	-	Net Foreign Assets
ODC	-	Other Depository Corporation
RM	-	Reserve Money
SDF	-	Standing Deposit Facility
SLF	-	Standing Lending Facility
Stats SL	-	Statistics Sierra Leone
Y-o-Y	-	Year-on-Year

1.0 Highlights

Production outcomes in the manufacturing sector were mixed in the month of April 2021. The production of cement, confectionery and common soap increased by 6.32 percent, 1.87 percent and 17.81 percent totaling 36.70 thousand metric tons, 294.46 thousand pounds and 68.14 thousand metric tons relative to outputs in March 2021, respectively. Conversely, production of paint, acetylene and oxygen decreased by 7.02 percent, 10.35 percent and 2.67 percent totaling 56.44 thousand gallons, 30.05 thousand cubic feet and 36.42 thousand cubic feet relative to outputs in March 2021, respectively. Meanwhile, in the mining sector diamonds, gold, bauxite, Ilmenite and zircon registered decreased output, while rutile and iron ore production increased.

Headline inflation (year-on-year) increased slightly to 9.60 percent in April 2021 from 8.95 percent in March 2021, reflecting an uptick in both food and non-food inflation to 15.64 percent and 4.67 percent, from 15.45 percent and 3.88 percent in March 2021, respectively.

Preliminary data for government budgetary operations (on cash flow basis) showed a deficit of Le231.46 billion in April 2021, compared to a deficit of Le406.70 billion in March 2021 mainly due to a decrease in government expenditure over the decrease in revenue.

Monetary Policy rate remained unchanged at 14.00 percent in April 2021. Similarly, the Standing Lending and the Deposit Facility rates were maintained at 17.00 percent and 8.00 percent, respectively. The average deposit rates of commercial banks also remained unchanged at 2.34 percent in April 2021, while the average lending rates of commercial banks increased by 41 basis point to 19.74 percent in April 2021 from 19.33 percent in March 2021. The interbank rate increased from 10.64 percent in March 2021 to 12.53 percent in April 2021.

Growths in both Broad Money (M2) and Reserve Money (RM) slowed down to 3.47 percent and 3.26 percent in April 2021 from a growth of 4.80 percent and 11.34 percent in March 2021, respectively. The growth in M2 was largely on account of an increase in both the Net Domestic Assets (NDA) and the Net Foreign Assets of the banking system, while the growth in Reserve Money was driven by increases in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the Bank of Sierra Leone.

The gross foreign exchange reserves of the Bank of Sierra Leone stood at US\$698.96 million in April 2021, decreasing by 0.53 percent when compared to the US\$702.71 million in March 2021, due to a net outflow of US\$7.93 million. Inflows recorded during the month was US\$15.82 million plus a revaluation gain of US\$4.17million million, while outflows amounted to US\$23.76 million.

The exchange rate of the Leone to the US dollar (Le/US\$) depreciated slightly across the foreign exchange markets, as the premium between the official and parallel rates widened by 21.27 percent to Le168.91/US\$1 in April, 2021 from Le139.29/US\$1 in March, 2021.

2.0 Production and Prices

2.1 Production

2.1.1 Manufacturing Sector

Production outcomes in the manufacturing sector were mixed in the month of April 2021. The production of cement, confectionery and common soap increased by 6.32 percent, 1.87 percent and 17.81 percent totaling 36.70 thousand metric tons, 294.46 thousand pounds and 68.14 thousand metric tons relative to outputs in March 2021, respectively.

On the other hand, production of paint, acetylene and oxygen decreased by 7.02 percent, 10.35 percent and 2.67 percent totaling 56.44 thousand gallons, 30.05 thousand cubic feet and 36.42 thousand cubic feet relative to outputs in March 2021, respectively.

2.1.2 Mining Sector

Production developments in the mining sector showed a decrease in output for diamonds, gold, bauxite, Ilmenite and zircon by 19.54 percent, 18.88 percent, 26.00 percent, 43.91 percent and 85.84 percent totaling 65.64 thousand carats, to 171.00 ounces, 89.48 thousand metric tons, 2.18 thousand metric tons and 0.41 thousand metric tons in April 2021, respectively. The diamonds comprised of 60.92 thousand carats industrial and 4.73 thousand carats gem. Additionally, the ‘other minerals’ category recorded a contraction in output of 86.28 percent totaling 0.41 thousand dry metric tons in April 2021.

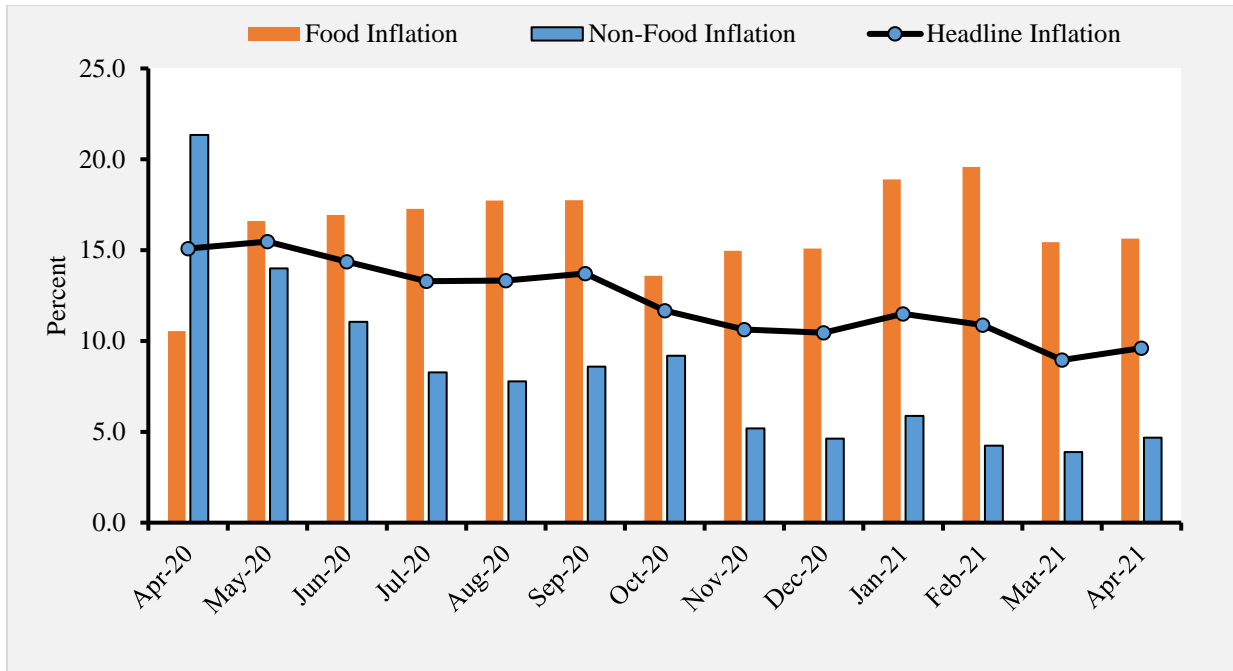
Conversely, rutile and iron ore production increased by 14.80 percent and 27.93 percent amounting to 10.01 thousand metric tons, and 113.68 thousand metric tons in April 2021, respectively.

2.2 Price Developments

Headline inflation (year-on-year) increased slightly to 9.60 percent in April 2021 from 8.95 percent in March 2021, reflecting an uptick in both food and non-food inflation to 15.64 percent and 4.67 percent from 15.45 percent and 3.88 percent in March 2021, respectively (**see figure 1**).

On regional basis, inflation in the Western and Northern regions increased to 8.11 percent and 12.79 percent in April 2021 from 7.90 percent and 9.93 percent in March 2021, respectively. Conversely, inflation in the Eastern and Southern regions decreased to 7.51 percent and 10.49 percent in April 2021 from 8.57 percent and 10.59 percent in March 2021, respectively.

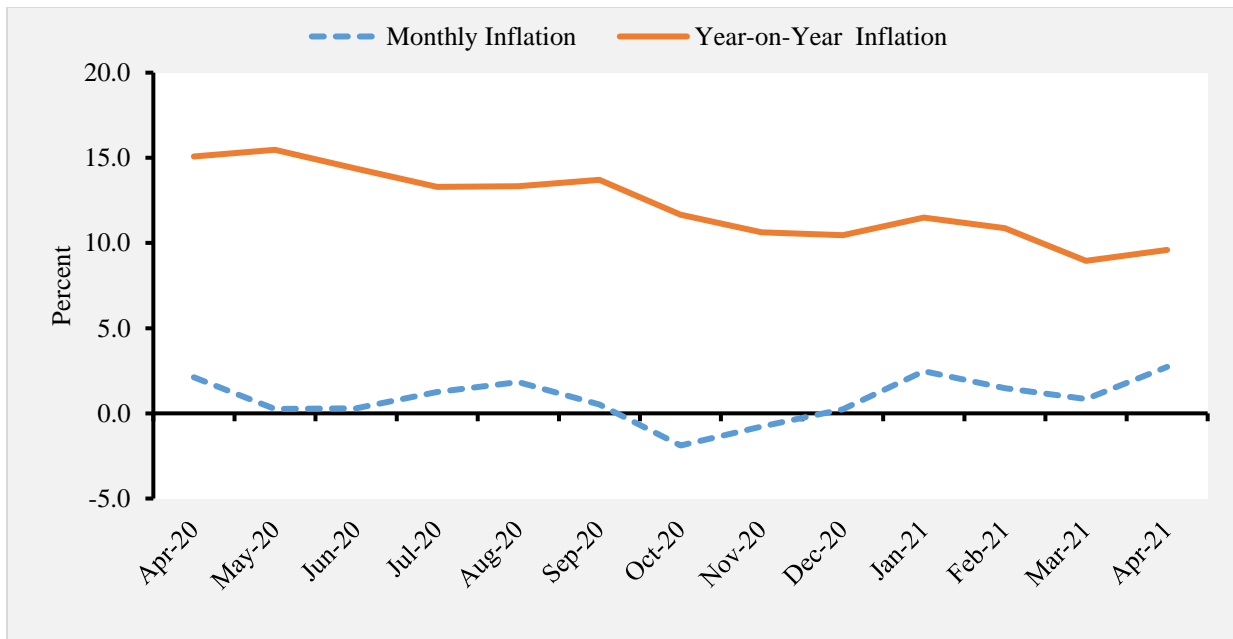
Figure 1: Headline, Food and Non-Food Inflation



Source: Stats SL

Headline inflation (month-on-month) edged-up to 2.73 percent in April 2021 from 0.84 percent in March 2021. **Figure 2** depicts the trends in both annual and monthly inflation.

Figure 2: Annual (Y-o-Y) Inflation and Monthly Inflation



Source: Stats SL

3.0 Government Budgetary Operations

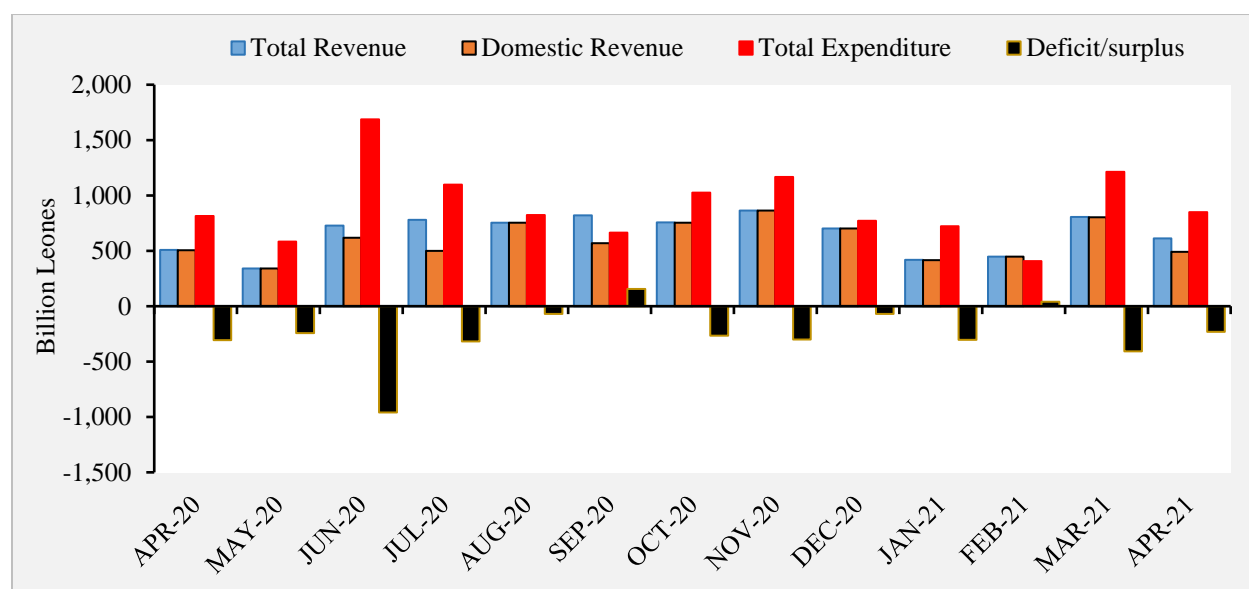
Preliminary data on government budgetary operations in April 2021 recorded a deficit of Le231.46 billion compared to a deficit of Le406.70 billion in March 2021. The narrowed deficit reflected the decrease in government expenditure over the decrease in revenue (see figure 3).

3.1 Revenue

Government revenue including grant contracted by 23.53 percent to Le616.51 billion in April 2021, but was 7.90 percent higher than the budgeted target of Le571.36 billion. The contraction in government revenue was mainly driven by the decline in domestic revenue.

Domestic revenue contracted by 39.38 percent to Le491.47 billion, due to a contraction in all its major tax components. Receipts from Customs and Excise duties decreased by 6.85 percent to Le69.89 billion. Revenue from Income tax department fell by 21.43 percent to Le148.32 billion. Receipts from non-tax (miscellaneous) collection dropped by 58.78 percent to Le177.94 billion, and revenue from Goods and Services tax declined by 11.46 percent to Le95.31 billion.

Figure 3: Government Revenue and Expenditure



Source: MoF

External grants stood at Le125.04 billion in April and this amount comprised of IMF CCRT grant of Le121.81bn and HIPC Debt Relief of Le3.02bn.

3.2 Expenditure

Government expenditure contracted by 30.09 percent to Le847.97 billion in April 2021, but was 11.80 percent higher than the ceiling of Le758.48 billion. The contraction in government expenditure was attributable to the decline in all the expenditure components. Wages & Salaries fell by 58.60 percent to Le221.20 billion, other expenditure on goods and services decreased by 8.47 percent to Le505.83 billion, and debt services payment declined by 3.98 percent to Le120.94 billion, which was exclusively domestic. There was no foreign debt recorded in the review period.

3.3 Financing

The overall deficit of Le231.46bn was financed from both domestic and foreign sources.

4.0 Monetary Developments

The growths in both (Broad Money and Reserve Money) slowed down in the month of April 2021, when compared to their growths in March 2021.

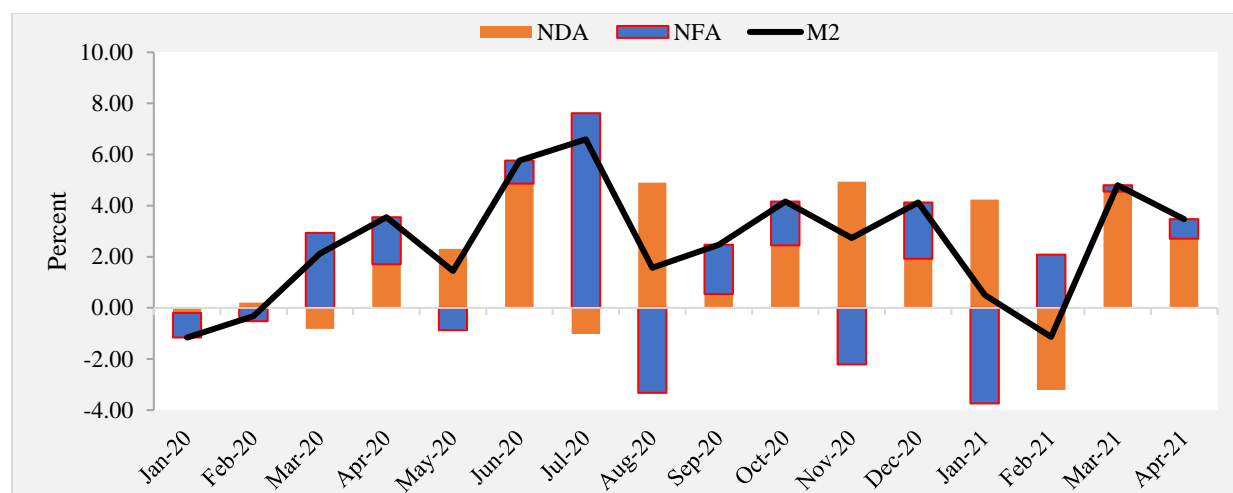
4.1 Broad Money (M2)

Broad Money grew by 3.47 percent in April 2021, relative to the 4.80 percent growth recorded in March 2021, due to the growth in both the Net Domestic Assets (NDA) and the Net Foreign Assets (NFA) of the banking system (see figure 4).

The NDA of the banking system grew by 3.60 percent in April 2021 relative to the growth of 6.12 percent in March 2021, mainly due to 1.59 percent growth in commercial banks' net claims on Government in April 2021 relative to the growth of 0.49 percent in March 2021. Conversely, Net claims on Government by the Bank of Sierra Leone decreased by 0.85 percent in April 2021 from a growth of 17.02 percent in March 2021. However, credit to the private sector by the commercial banks expanded by 5.26 percent in April 2021, which is an improvement when compared to the 1.48 percent growth recorded in March 2021.

The NFA of the banking system increased by 3.08 percent in April 2021, relative to the growth of 0.98 percent recorded in March 2021. This development was mainly attributed to a significant increase in NFA of the Bank of Sierra Leone (by 41.08 percent) coupled with a marginal increase in the NFA of commercial banks (by 0.42 percent). Figure illustrate the trends in M2, NFA and NDA.

Figure 4: Contributions of NDA and NFA to M2 Growth



Source: BSL

Table 1 shows the evolution in the various components of broad money from March 2021 to April 2021.

Table 1: Broad Money and Components

Item	Billion Leones		Change		% Change	
	Mar-21	Apr-21	Mar-21	Apr-21	Mar-21	Apr-21
Reserve money	4,142.14	4,277.09	421.74	134.95	11.34	3.26
Broad Money (M2)	12,279.48	12,705.90	562.52	426.42	4.80	3.47
Narrow money (M1)	6,225.33	6,552.49	261.09	327.16	4.38	5.26
Currency outside banks	2,987.01	3,092.87	219.21	105.85	7.92	3.54
Demand deposit	3,238.32	3,459.63	41.87	221.31	1.31	6.83
Quasi money	6,054.15	6,153.40	301.43	99.26	5.24	1.64
o.w. Foreign currency deposit	2,981.19	3,058.22	259.40	77.03	9.53	2.58
Time and saving deposit	3,066.10	3,089.02	42.65	22.92	1.41	0.75
Net Foreign Asset	3,041.06	3,134.80	29.47	93.74	0.98	3.08
BSL	198.81	280.48	(22.31)	81.67	(10.09)	41.08
ODCs	2,842.25	2,854.33	51.78	12.07	1.86	0.42
Net Domestic Assets	9,238.42	9,571.09	533.05	332.67	6.12	3.60
Net Domestic Credit	11,726.44	11,879.25	613.89	152.81	5.52	1.30
Government (Net)	9,317.84	9,369.32	601.07	51.48	6.90	0.55
BSL	3,954.84	3,921.18	575.13	(33.66)	17.02	(0.85)
ODCs	5,363.00	5,448.14	25.94	85.14	0.49	1.59
Private Sector Credit	2,577.26	2,711.28	38.10	134.02	1.50	5.20
o.w ODC	2,559.72	2,694.26	37.35	134.54	1.48	5.26
Other Sectors (Net)*	(168.67)	(201.35)	(25.28)	(32.68)	17.63	19.38
Other Items (Net)	(2,488.02)	(2,308.16)	(80.83)	179.86	3.36	(7.23)
Money Multiplier	2.96	2.97				

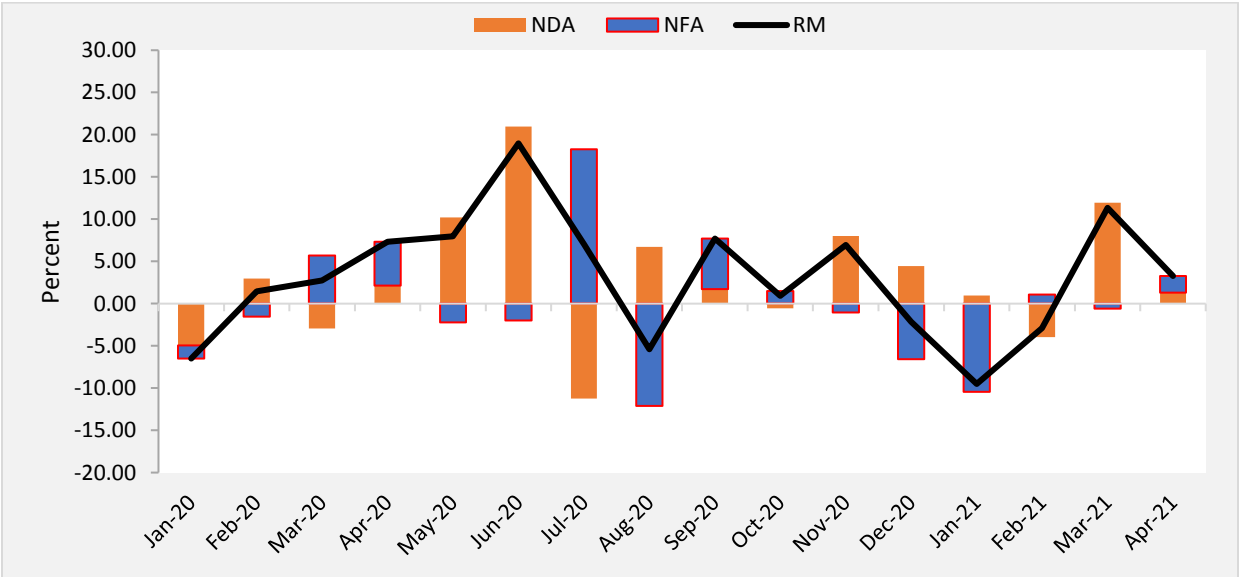
Source: BSL

From the liability side, M2 expanded as a result of increase in both Narrow Money (M1) and Quasi Money. Narrow Money increased by 5.26 percent in April 2021, relative to the growth of 4.38 percent recorded in March 2021. The increase in Narrow Money was due to the growth in both currency outside banks by 3.54 percent and demand deposit by 6.83 percent. Quasi Money increased by 1.64 percent in April 2021, compared to the 5.24 percent increase recorded in March 2021. This was mainly due to increase in foreign currency deposits by 2.58 percent and time and savings deposits by 0.75 percent.

4.2 Reserve Money (RM)

Reserve Money (RM) grew by 3.26 percent in April 2021, relative to the 11.34 percent growth recorded in March 2021. The expansion in Reserve Money was driven by increases in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the Bank of Sierra Leone (see figure 5). NFA of the BSL increased by 41.08 percent in April 2021, relative to a contraction of 10.09 percent in March 2021. NDA of the BSL increased by 1.35 percent in April 2021, compared to the growth of 12.69 percent in March 2021.

Figure 5: Contributions of NDA and NFA to RM Growth



Source: BSL

From the liability side, Reserve Money growth reflected an increase in currency issued by 2.99 percent and banks’ reserves by 4.31 percent in April 2021. **Table 2** shows the evolution of the various components of reserve money from March 2021 to April 2021.

Table 2: Reserve Money and Components

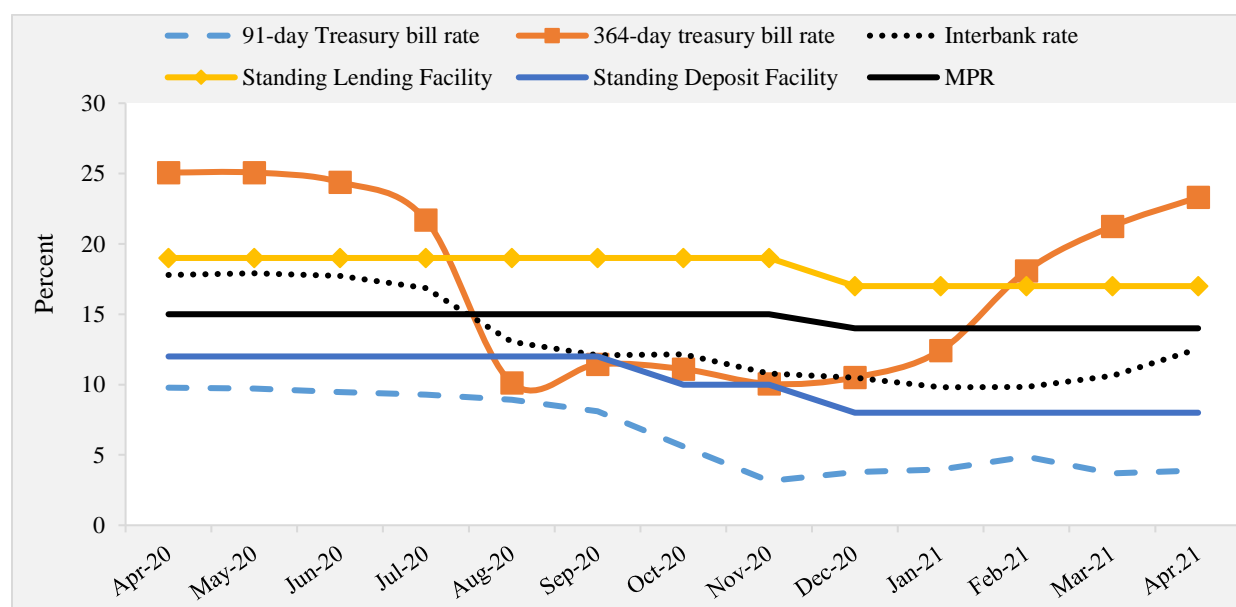
Item	Billion Leones		Change		% Change	
	Mar-21	Apr-21	Mar-21	Apr-21	Mar-21	Apr-21
1. Net Foreign Assets	198.81	280.48	(22.31)	81.67	(10.09)	41.08
2. Net Domestic Assets	3,943.33	3,996.61	444.05	53.28	12.69	1.35
Government Borrowing(net)	3,954.84	3,921.18	575.13	(33.66)	17.02	(0.85)
o.w. Securities	1,165.24	1,105.96	110.50	(59.28)	10.48	(5.09)
Ways and Means	94.63	157.82	(78.14)	63.19	(45.23)	66.78
GoSL/IMF /WB Budget financing	3,032.89	2,934.79	507.67	(98.10)	20.10	(3.23)
3. Reserve money	4,142.14	4,277.09	421.74	134.95	11.34	3.26
o.w. Currency issued	3,216.89	3,312.96	224.78	96.08	7.51	2.99
Bank reserves	917.58	957.14	197.58	39.56	27.44	4.31

Source: BSL

4.3 Interest Rates

At its Monetary Policy Committee meeting held on March 24 and 25, 2021, the MPC decided to maintain the Monetary Policy Rate at 14.00 percent. Similarly, the Standing Lending Facility rate and the Standing Deposit Facility rate were maintained at 17.00 percent and 8.00 percent, respectively (see figure 6).

Figure 6: Trends in Monetary Policy Rate and Other Market Rates



Source: BSL

Yields on the tenors of Government securities showed an increasing trend during April 2021. The 91-day T-bills increased by 21 basis point to 3.90 percent in April 2021 from 3.69 percent in March 2021. The 182-day T-bills increased by 3 basis point to 10.03 percent in April 2021 from 10.00 percent in March 2021. The 364-day T-bills increased by 206 basis point to 23.31 percent in April 2021 from 21.25 percent in March 2021. The average deposit rates of commercial banks remained unchanged at 2.34 percent in April 2021, while the average lending rates of commercial banks increased by 41 basis point to 19.74 percent in April 2021 from 19.33 percent in March 2021 (see table 3).

Table 3: Trends in Interest Rates

Yields/Rates	2020									2021			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
91-day T-Bills	9.78	9.71	9.46	9.29	8.91	8.11	5.60	3.15	3.78	3.96	4.88	3.69	3.69
182-day T-Bills	13.21	13.21	13.21	13.20	9.42	9.68	7.45	5.48	5.17	5.98	8.22	10.00	10.03
364-day T-Bills	25.07	25.07	24.39	21.7	10.12	11.44	11.10	10.05	10.51	12.43	18.09	21.25	23.31
Interbank rate	17.80	17.91	17.73	16.85	13.04	12.09	12.14	10.79	10.48	9.81	9.83	10.64	12.53
SLF	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	17.00	17.00	17.00	17.00	17.00
SDF	12.00	12.00	12.00	12.00	12.00	12.00	10.00	10.00	8.00	8.00	8.00	8.00	8.00
MPR	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	14.00	14.00	14.00	14.00	14.00
Ave. Lending rate	20.49	20.51	20.51	20.77	20.62	20.62	20.30	21.42	21.42	20.19	19.25	18.68	19.74
Lending (Prime)	17.72	17.75	17.75	18.04	17.74	17.74	17.27	18.64	18.64	18.70	18.70	18.17	18.83
Savings/deposits	-	-	-	-	-	-	-	-	-	-	-	-	-
	23.26	23.26	23.26	23.50	23.50	23.50	23.33	24.20	24.20	21.67	19.80	19.18	20.64
	2.90	2.90	2.90	2.89	2.72	2.72	2.72	2.72	2.61	2.67	2.63	2.34	2.34

Source: BSL

5.0 Exchange Rate and Reserves

5.1 Exchange Rate Developments

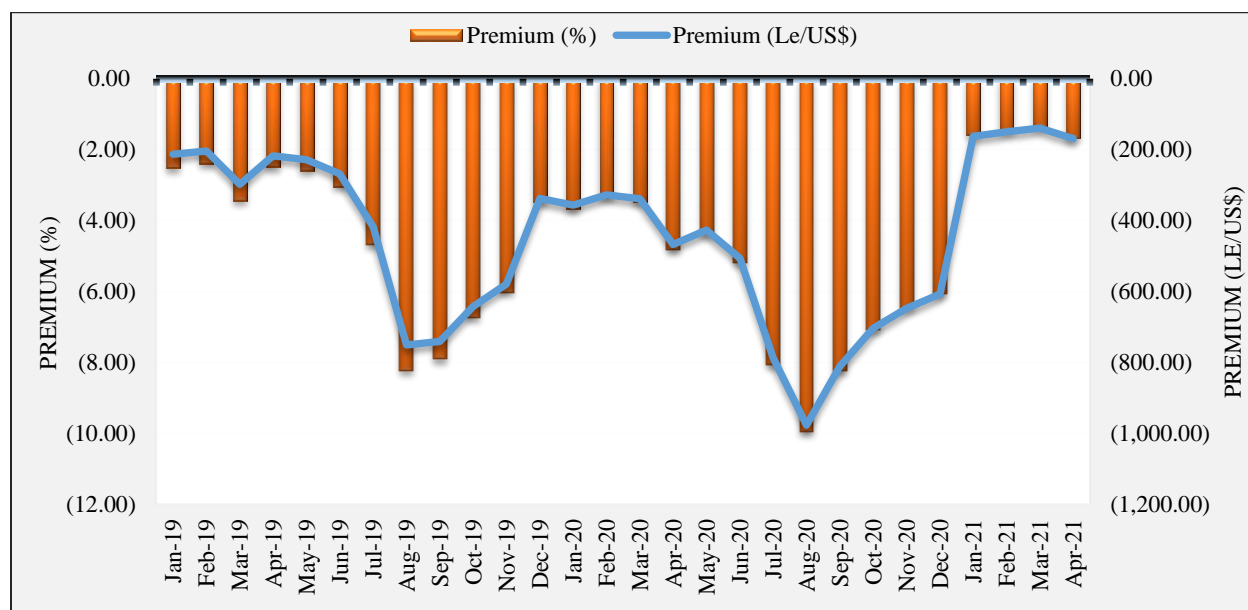
In April 2021, the average exchange rate of the Leone to the US dollar (Le/US\$) on the buying front depreciated in the parallel market, bureau market, official market and commercial banks by 0.36 percent, 0.28 percent, 0.14 percent and 0.12 percent averaging Le10,336.84/US\$1, Le10,132.74/US\$1, Le10,122.26/US\$1 and Le10,271.63/US\$1, respectively.

Similarly, on the selling front, the average exchange rate depreciated in the parallel market, official market and commercial banks by 0.48 percent, 0.14 percent and 0.09 percent averaging Le10,450.00/US\$1, Le10,326.75/US\$1 and Le10,386.12/US\$, respectively. However, the bureau

market selling rate appreciated slightly to an average of Le10,380.48 in April 2021, from Le10,380.56/US\$1 in March 2021.

The premium between the official and parallel rates widened by 21.27 percent to Le168.91/US\$1 in April, 2021 from Le139.29/US\$1 in March, 2021 (See figure 7).

Figure 7: Premium between Official and Parallel Exchange Rates



Source: BSL

5.2 Gross Foreign Exchange Reserves

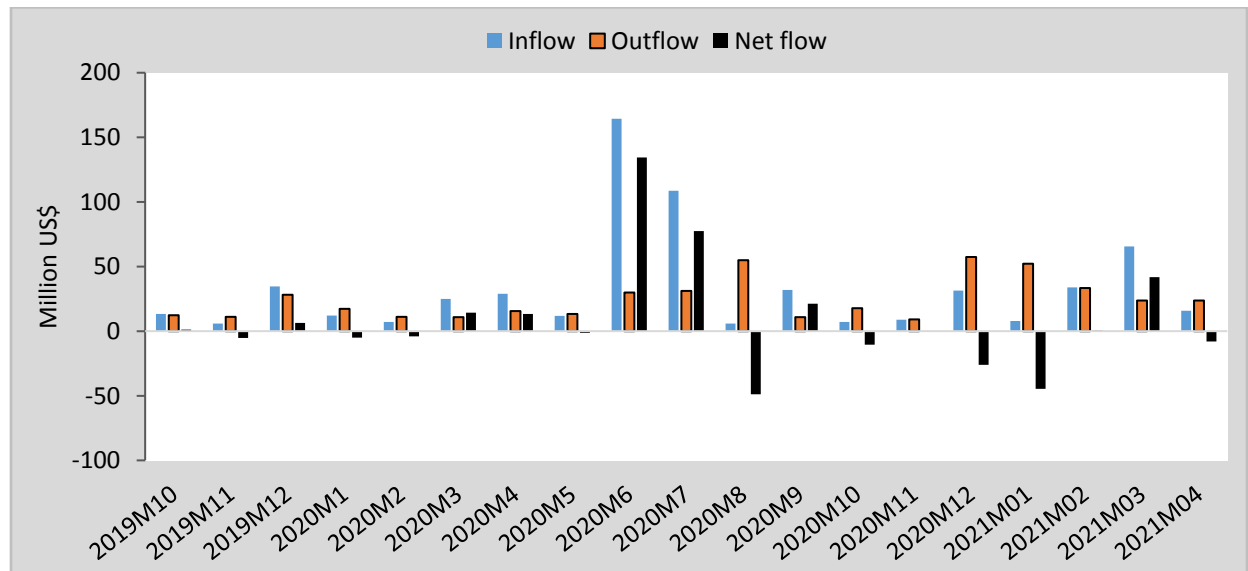
As at end April 2021, the gross foreign exchange reserves of the Bank of Sierra Leone stood at US\$698.96 million, decreasing by 0.53 percent when compared to the US\$702.71 million in March 2021. Inflows recorded during the month was US\$15.82 million, while outflows amounted to US\$23.76 million, resulting to a net outflows of US\$7.93 million which was higher than the recorded revaluation gain of US\$4.17 million.

Major inflows comprised receipts from timber export (US\$4.93 million), swap transaction with commercial banks (US\$3.00 million), earnings from Sierra Rutile (US\$1.66 million), bauxite/vimetco (US\$1.10 million), fishing royalty and license (US\$1.04 million) and other mining receipts (US\$1.86 million). Other inflows included receipts from African minerals mining company/Shandong (US\$0.50 million), Koidu holdings mining company (US\$0.46 million), Diamond exporter’s income tax (US\$0.18 million), maritime administration (US\$0.29 million),

other governments receipts (US\$0.52million) and interest earned by BSL from investment abroad (US\$0.24million).

Significant outflows included amount utilized in respect of interbank market operations (US\$11.78 million), embassy and mission payments (US\$3.74 million), payments in respect of various infrastructure projects (US\$2.33 million), cost for printing of currency (US\$1.63 million), subscription to international organisations (US\$0.24 million) and government outlays (US\$3.02 million). Other outflows were in respect of external debt service payments to various bilateral and multilateral organisations totaling US\$0.95 million (see figure 8)

Figure 8: Foreign Exchange Flows



Source: BSL