



BANK OF SIERRA LEONE

Monthly Economic Review

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April 2022

The Monthly Economic Review [MER] is published 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.

Address: Siaka Stevens Street, P O Box 30, Freetown, Sierra Leone.

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Executive Summary

Activities in the agriculture sector was mixed in April 2022. Coffee production increased from 294.00 metric tons in March 2022 to 19,235.00 metric tons in April 2022. Conversely, there was a significant decline in Cocoa production from 10,013.20 metric tons in March 2022 to 90.00 metric tons in April 2022.

Performance in the mining sector improved for bauxite, rutile, ilmenite, zircon and iron ore in April 2022. On the other hand, diamond and gold production fell during the review period.

Performance in the manufacturing sector slowed down in April 2022. Beer and stout production fell by 49.73 thousand cartoons to 90.62 thousand cartoons. Maltina and cement dropped by 2.90 percent to 23.84 thousand cartoons and 8.08 percent to 9.42 thousand metric tons respectively. Confectionary and common soap production also dropped by 27.62 percent to 166.36 thousand pounds and 64.35 percent to 15.89 thousand metric tons respectively. Conversely, Paint production experienced an increase by 51.03 per cent to 44.72 thousand gallons.

Headline inflation (year-on-year) increased to 22.44 percent in April 2022 from 22.06 percent in March 2022. This is a reflection of the impact of supply-side shocks emanating from the Russia-Ukraine war that also spilled over to price of energy, food and other imported commodities. The outcome of this global shock also reflected in increase in food and non-food inflation to 23.00 percent and 22.92 per cent respectively in April 2022, from 22.96 per cent and 22.92 per cent respectively in March 2022.

Outturns in Government fiscal operations on a cash flow basis in April 2022 resulted in a widened deficit, which was Le363.495bn in April 2022, from Le168.30bn in March 2022. This huge deficit emanated mainly from expansion in government expenditure. The deficit was entirely financed from domestic sources.

Developments in monetary aggregates expanded in April 2022, which reflected growth in both Broad Money (M2) and Reserve Money (RM) by 4.74 percent in April 2022 from a 1.97 percent in March 2022 and 3.21 percent in April 2022 relative to a contraction of 2.26 percent in March 2022 respectively. The growth in M2 emanated from increase in Net Domestic Asset (NDA), while there was contraction in Net Foreign Assets (NFA) of the banking system. The growth in RM emanated mainly from deterioration in Net Foreign Assets (NFA) of the Bank of Sierra Leone (BSL), which was more than the expansion in Net Domestic Assets (NDA) of the BSL.

The gross foreign exchange reserves of the BSL as at end April 2022 were US\$804.63 million, which decreased by 15.15 per cent from US\$948.31 million in March, 2022. Inflows recorded in April 2022 were US\$34.36million, while outflows amounted to US\$155.89million, resulting to a negative net outflow of US\$121.53million, with a recorded revaluation adjustment of US\$22.15million. The average monthly exchange rate of the Leone against the US dollar depreciated in all foreign exchange markets in April 2022 on both the buying and selling sides. With regards to the buying side, the Leone depreciated in the parallel market by 7.77 per cent averaging Le13,088.89/US\$1, and also depreciated across commercial banks, and official and bureau markets by 4.52 percent, 4.22 per cent and 3.66 per cent, averaging Le12,235.98/US\$1, Le12,117.51/US\$1 and Le12,269.00/US\$1 respectively. The premium between the official and

parallel rates widened from 4.30 percent, which was Le504.89US\$1, in March 2022 to 8.08 per cent (Le989.26/US\$1) in April 2022.

1. Introduction

The Monthly Economic Review (MER) is a publication of the Research and Statistics Department, Bank of Sierra Leone. The objective of the Economic Review is to analyse Sierra Leone's monthly macroeconomic developments, covering the four macroeconomic sectors- real, fiscal, monetary, and external sectors. This edition analyses trends in April 2022. In the real sector, developments in the production of key agricultural products for which regular monthly data is available are discussed. In the fiscal sector, data on revenue and expenditure on a cash-flow basis is analysed. The monetary sector analyses the growth of monetary aggregates, including broad money and reserve money, extending to the drivers of broad money growth and reserve money growth. Movements in interest rates are also discussed. In the external sector, movements in the exchange rate and gross international reserves are analysed. The choice of data for analysis in the MER rests on the importance of the variables to monetary and financial policy formulation and implementation and in general, their importance to macroeconomic policy management in Sierra Leone, as well as the availability of validated data on a timely basis.

The rest of the Economic Review is organised as follows: section 2 analyses developments in the real sector; section 3 analyses fiscal sector developments; section 4 analyses monetary sector developments; section 5 analyses external sector developments and section 6 is the conclusion.

2. Production and Prices

2.1. Production

2.1.1. Agriculture

Coffee production increased from 294.00 metric tons in March 2022 to 19,235.00 metric tons in April 2022. On the other hand, cocoa production declined significantly from 10,013.20 metric tons in March 2022 to 90.00 metric tons in April 2022.

2.1.2. Mining

Production levels of bauxite, rutile, ilmenite, zircon, iron ore and other minerals increased, whilst production of diamond, and gold (pure) fell in the reporting month. Bauxite and rutile increased by 21.85 percent to 71.35 thousand metric tons and 9.99 percent to 12.11 thousand metric tons respectively. Ilmenite and zircon rose by 28.17 percent to 5.27 thousand metric tons and 803.35 percent to 5.13 thousand metric tons respectively. Similarly, iron ore expanded by 4.66 percent to 382.65 thousand metric tons. Other minerals rose significantly from 0.71 thousand metric tons in March 2022 to 24.15 thousand metric tons in April 2022. On the other hand, diamond production decreased by 13.79 per cent to 69.46 thousand carats. This comprised gem diamond production, which amounted to 55.91 thousand carats and industrial diamond, which amounted to 13.55 thousand carats. Similarly, gold (pure) production declined by 81.06 percent to 113.15 ounces.

2.1.3. Manufacturing

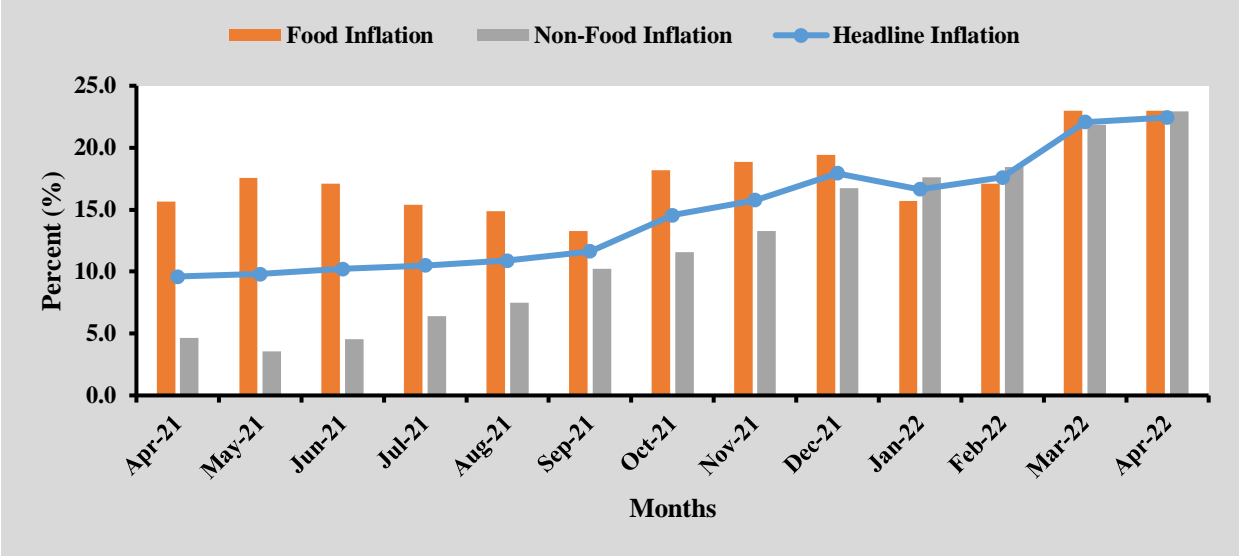
Beer and stout production fell by 49.73 percent to 90.62 thousand cartoons. Production of maltina and cement dropped by 2.90 percent to 23.84 thousand cartoons and 8.08 percent to 9.42 thousand metric tons respectively. Confectionery and common soap production decreased by 27.62 percent to 166.36 thousand pounds and 64.35 percent to 15.89 thousand metric tons respectively. Paint production on the other hand increased by 51.03 percent to 44.72 thousand gallons, this suggests a slowdown in the manufacturing sector

2.2. Price Development

Inflationary pressure persisted in April 2022 as annual headline inflation increased to 22.44 percent from 22.06 percent in March 2022. This was a reflection of the impact of supply-side shocks emanating from the lingering effect of COVID-19 pandemic and the Russian-Ukraine war, resulting to a hike in global prices of energy, food and other commodities during the review period, which were reflected in the rise in both food and non-food prices

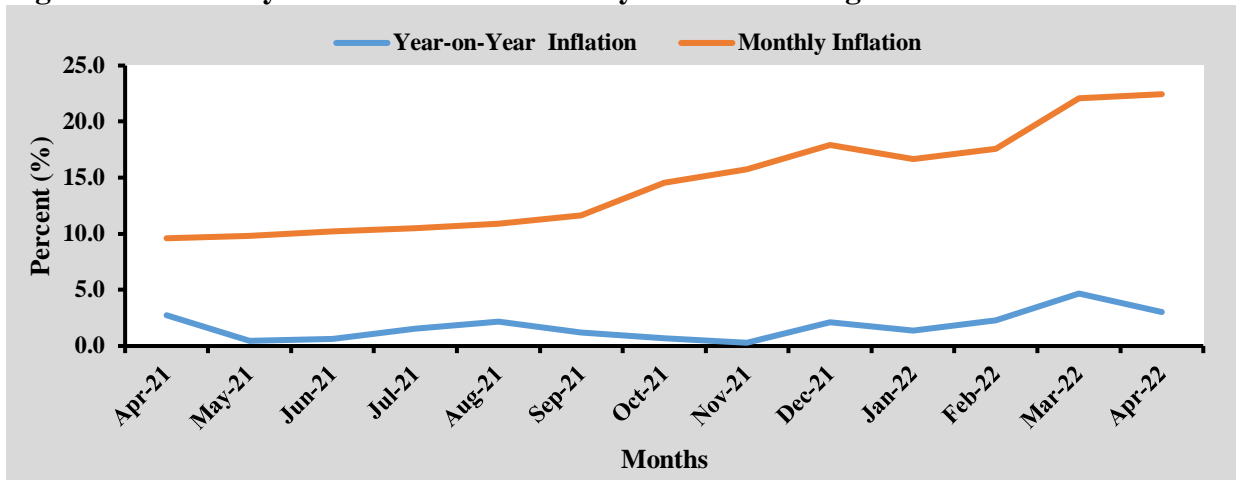
Food inflation rose to 23.00 percent in April 2022, from 22.96 percent in March 2022. Non-food inflation increased to 22.92 percent in April 2022, from 21.86 percent in March 2022. Figure 1 shows trend in the year-on-year headline, food and non-food inflation rates. Monthly headline inflation declined to 3.05 percent in April 2022 from 4.68 percent in March 2022. Figure 2 shows trend in the year-on-year and monthly inflation rates.

Figure 1: Headline, Food and Non-Food Inflation



Source: Statistics Sierra Leone and BSL

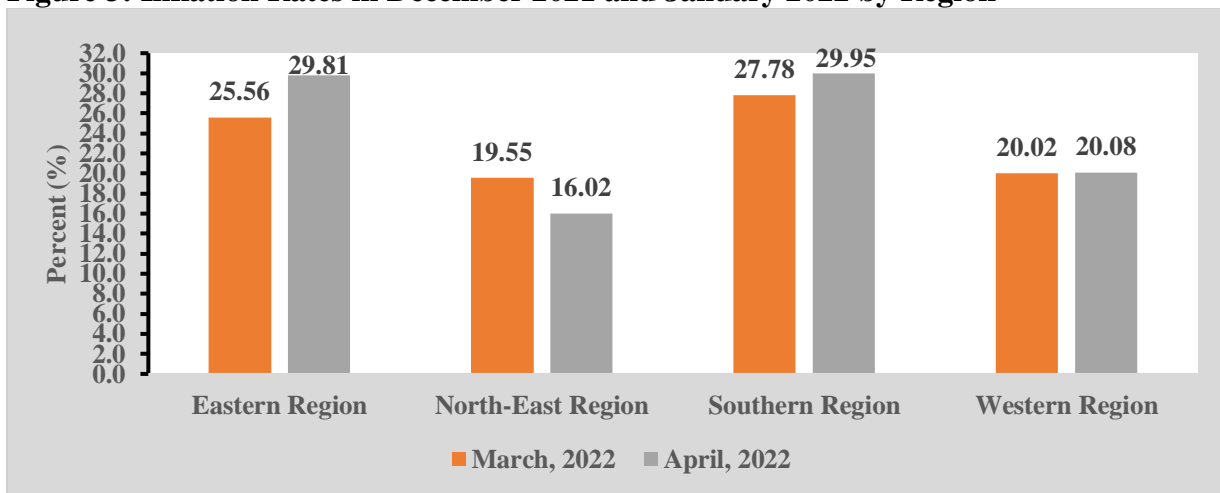
Figure 2: Year-on-year Inflation and Monthly Inflation Change



Source: Statistics Sierra Leone and BSL

Regional inflation analysis indicated a rise in inflation in three of the four regions and a decline in inflation in one region. Western region inflation increased to 20.08 percent in April 2022 from 20.02 percent in March 2022; Eastern region inflation rose to 29.81 percent in April 2022 from 25.56 percent in March 2022; while Southern region inflation rose to 29.95 percent in April 2022 from 27.78 percent in March 2022. However, the North-East region’s inflation declined to 16.02 percent in April 2022 from 19.55 percent in March 2022. Figure 3 shows inflation rates by region.

Figure 3: Inflation Rates in December 2021 and January 2022 by Region



Source: Statistics Sierra Leone

3. Fiscal Developments

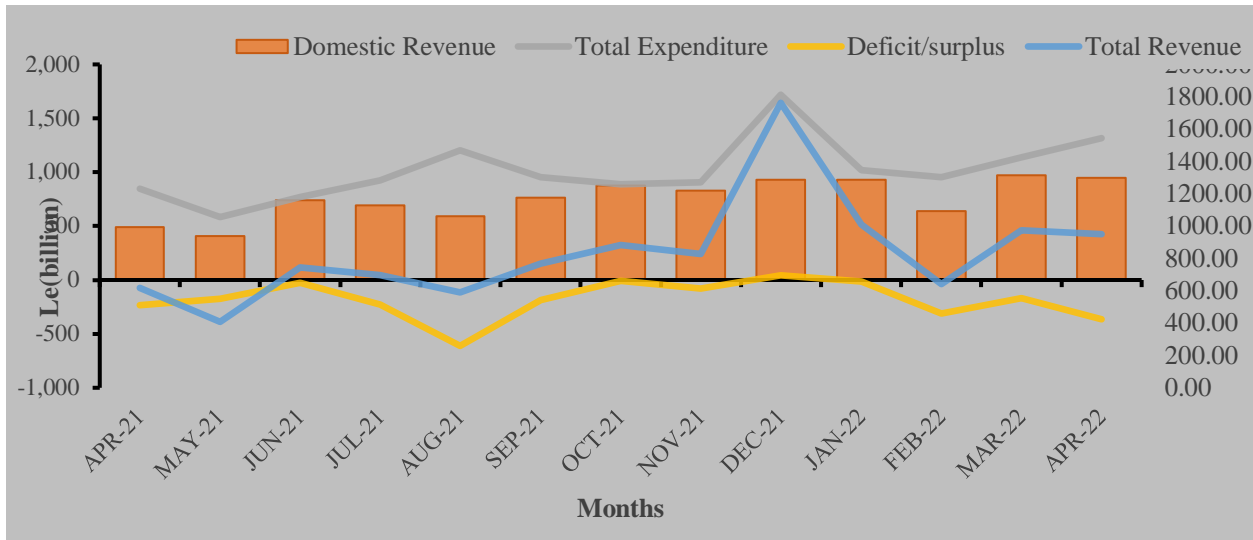
Government budgetary operations on a cash flow basis resulted in widening the deficit to Le363.49bn in April 2022, from a deficit of Le168.30bn in March 2022. The widened deficit emanated from expansion in government expenditures and contraction in government revenue during the review period. The deficit was entirely financed from domestic sources.

3.1 Revenues

Government revenue contracted marginally by 2.22 percent to Le950.85bn in April 2022, and was 31.98 percent higher than the target of Le720.47bn, which was due to contraction in domestic revenue. Domestic revenue contracted by 2.23 percent to Le947.50bn in April 2022, though it was higher than the target of Le636.88bn by 48.77 percent. The decline in domestic revenue mobilization was attributable to the decrease in revenue collected from goods & services tax, income tax and customs and excise duties. There was however increase in non-tax (miscellaneous) revenue in April 2022.

Receipts from customs and excise duties decreased by 40.10 percent to Le49.03bn. Income from goods and services tax declined by 29.67 percent to Le78.07bn. Revenue from income tax declined by 27.02 percent, to Le151.96 bn. Non-tax revenue (miscellaneous) on the other hand increased by 17.68 percent to Le668.47bn. Figure 4 presents trend in revenue and expenditure. Highly Indebted Poor Countries' (HIPC) Debt Fund increased from Le3.33bn in March 2022 to L3.35bn in April 2022, whilst there was no disbursement of foreign grants in the review period.

Figure 4: Trend in Government Revenue and Expenditure



Source: Bank of Sierra Leone

3.2 Expenditures

Government expenditure expanded by 15.22 percent to Le1, 314.34bn in April 2022, which was 109.78 percent higher than the ceiling of Le626.53bn. The increase in government expenditure stemmed from the expansion in pension, wages and salaries payments and other expenditures, whereas debt services declined during the review period.

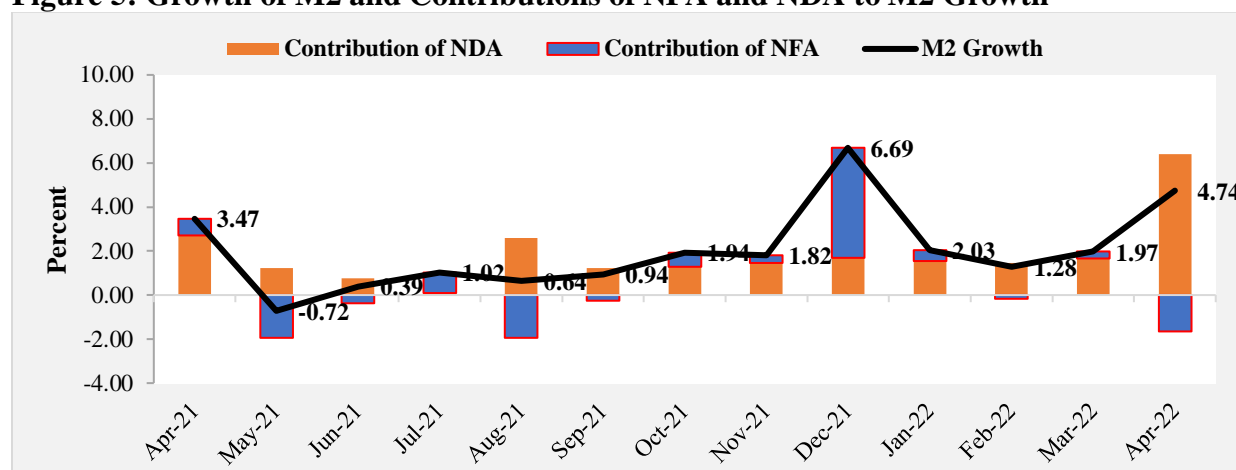
Expenditure on pension, wages and salaries rose by 45.94 percent to Le522.94bn, while other expenditures expanded by 7.25 percent to Le657.43bn. However, debt service fell by 20.92 percent to Le133.97bn, which was exclusively domestic interest payment. Meanwhile, there was no foreign interest payment in the review period.

4. Monetary Developments

4.1 Broad Money

Broad Money (M2) expanded by 4.74 percent in April 2022, up from 1.97 percent in March 2022, which was supported by growth in Net Domestic Assets (NDA), contrary to the contraction of Net Foreign Assets (NFA) of the banking system. The contributions of net domestic assets and net foreign asset to the growth of broad money were 6.39 percent and -1.65 per cent respectively. Figure 5 shows the trend in the growth of broad money and the contributions of NDA and NFA to the growth of broad money from April 2021 to April 2022.

Figure 5: Growth of M2 and Contributions of NFA and NDA to M2 Growth



Source: Bank of Sierra Leone

Net domestic assets of the banking system expanded by 8.35 percent in April 2022, relative to a growth of 2.17 per cent in March 2022. Both net claims on government by BSL and commercial banks accounted for the expansion in NDA. Net claims on government by the BSL grew by 3.01 percent in April 2022, down from 4.49 percent in March 2022, similarly net claims on government by commercial banks increased by 4.96 percent in April 2022, from 1.89 percent in March 2022. In contrast, credit to the private sector by commercial banks declined by 0.36 percent in April 2022, compared to a contraction of 0.53 per cent in March 2022. Claims on other sectors' net contracted by 6.04 per cent in April 2022, from a decline of 4.56 per cent in March 2022.

NFA of the banking system contracted by 7.00 per cent in April 2022, from a growth of 1.31 per cent in March 2022. This reflected deterioration in NFA of the BSL whilst NFA of Other Depository Corporation increased . The NFA of the BSL declined by 84.57 per cent, from a negative position Le664.21bn in March 2022 to a negative position of Le1, 226bn in April 2022. On the other hand, NFA of Other Depository Corporations, which recorded a positive position, increased by 7.36 per cent in April 2022, down from a growth of 9.14 per cent in March 2022. Table 1 shows growth in monetary aggregates.

Table 1: Growth of Monetary Aggregates

Billions of Leones	Actual Values		Absolute Change		% Growth	
	Mar-22	Apr-22	Mar-22	Apr-22	Mar-22	Apr-22
Broad Money (M2)	15,163.12	15,881.40	292.64	718.28	1.97	4.74
Narrow money (M1)	7,626.27	7,978.17	(87.76)	351.91	(1.14)	4.61
Currency outside banks	3,330.65	3,535.15	(21.44)	204.49	(0.64)	6.14
Demand deposit	4,295.61	4,443.02	(66.31)	147.41	(1.52)	3.43
Quasi money	7,536.85	7,903.23	380.40	366.38	5.32	4.86
o.w. Foreign currency deposit	4,272.91	4,532.18	386.35	259.28	9.94	6.07
Time and saving deposit	3,256.90	3,363.38	(3.79)	106.48	(0.12)	3.27
Other Deposits - BSL	7.05	7.66	(2.17)	0.62	(23.52)	8.75
Net Foreign Asset	3,570.92	3,321.00	46.24	(249.92)	1.31	(7.00)
BSL	(664.21)	(1,225.95)	(308.44)	(561.75)	86.70	84.57
ODCs	4,235.12	4,546.95	354.68	311.82	9.14	7.36
Net Domestic Assets	11,592.20	12,560.41	246.40	968.21	2.17	8.35
Net Domestic Credit	14,268.79	14,748.61	324.26	479.82	2.33	3.36
Government (Net)	11,371.44	11,843.65	326.08	472.20	2.95	4.15
BSL	4,697.38	4,839.07	201.65	141.69	4.49	3.01
ODCs	6,673.69	7,004.58	124.06	330.89	1.89	4.96
Private Sector Credit	3,213.36	3,201.90	(16.93)	(11.45)	(0.52)	(0.36)
o.w ODC	3,195.24	3,182.98	(17.13)	(12.26)	(0.53)	(0.38)
Other Sectors (Net)*	(316.00)	(296.93)	15.11	19.07	(4.56)	(6.04)
Other Items (Net)	(2,676.59)	(2,188.21)	(77.87)	488.39	3.00	(18.25)

Source: Bank of Sierra Leone

*Other sectors include Other Financial Corporations and Public Non-Financial Corporations.

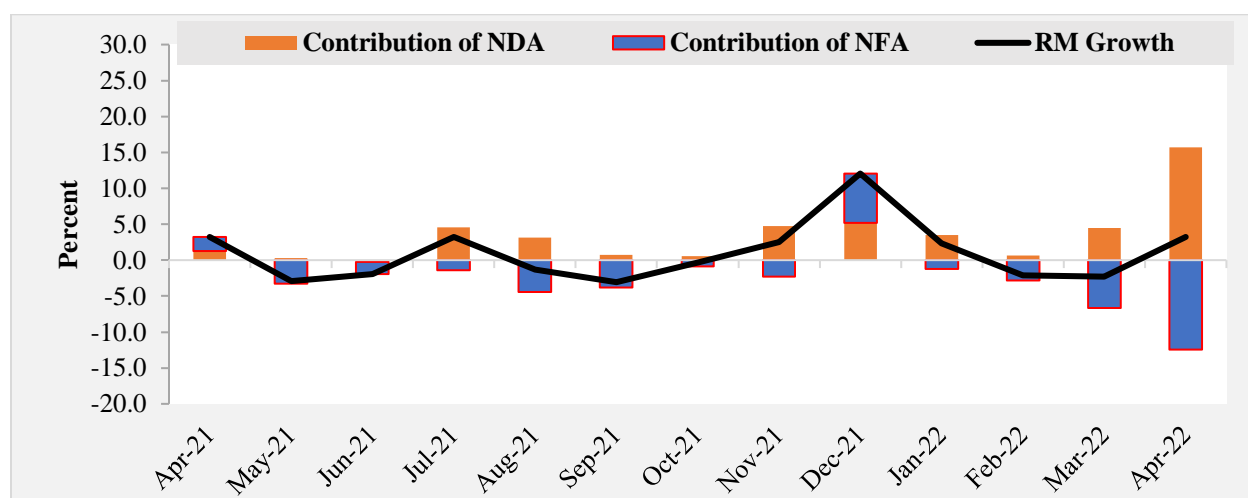
^aODC is Other Depository Corporations, which includes Commercial Banks, Community Banks, Discount Houses, and Deposit Taking Microfinance Institutions.

Narrow money (M1) grew by 4.61 per cent in April 2022 compared to a contraction of 1.14 per cent in March 2022. The growth in narrow money (M1) arose from increase in currency outside banks by 6.14 per cent in April 2022, from a contraction of 0.64 per cent in March 2022. Demand deposits also expanded by 3.43 percent in April 2022, compared to a decline of 1.52 percent in March 2022. Quasi money expanded by 4.86 per cent in April 2022, down from an expansion of

5.32 per cent in March 2022. The increase in quasi money emanated from the growth in foreign currency deposits by 6.07 percent, time and savings deposits, by 3.27 per cent and other deposits of BSL, by 8.75 per cent.

Reserve money (RM) increased by 3.21 per cent in April 2022, relative to a contraction of 2.26 percent in March 2022. The growth in reserve money emanated from the expansion in Net Domestic Assets (NDA) of the BSL, as the negative position of net foreign assets of the BSL worsened in April, 2022. NFA of the BSL declined by 86.70 per cent in April 2022. The NDA of the BSL increased by 4.12 percent in March 2022 relative to the growth of 0.61 percent in February 2022. Figure 6 shows the contributions of NFA and NDA to the growth of reserve money.

Figure 6: Reserve Money Growth and Contributions of NFA and NDA to Reserve Money Growth



Source: Bank of Sierra Leone

Net foreign assets (NFA) of the BSL, which was negative in March, 2022, became more negative in April 2022. The negative value increased by 84.57 per cent, to a negative position of Le1, 225.95bn in April 2022, from a negative position of Le664.21bn in March 2022. Net domestic assets (NDA) of the BSL expanded by 13.67 per cent in April 2022 to Le 5,873.99 bn, up from 4.12 per cent in March 2022 when the NDA of the BSL was Le 5,167.48 bn. On the liability side, the expansion in Reserve Money reflects the growth in banks' reserves by 6.19% and currency issued, by 6.14% in April 2022. Table 2 shows the growth of reserve money and its components.

Table 2: Growth of Reserve Money and its Components

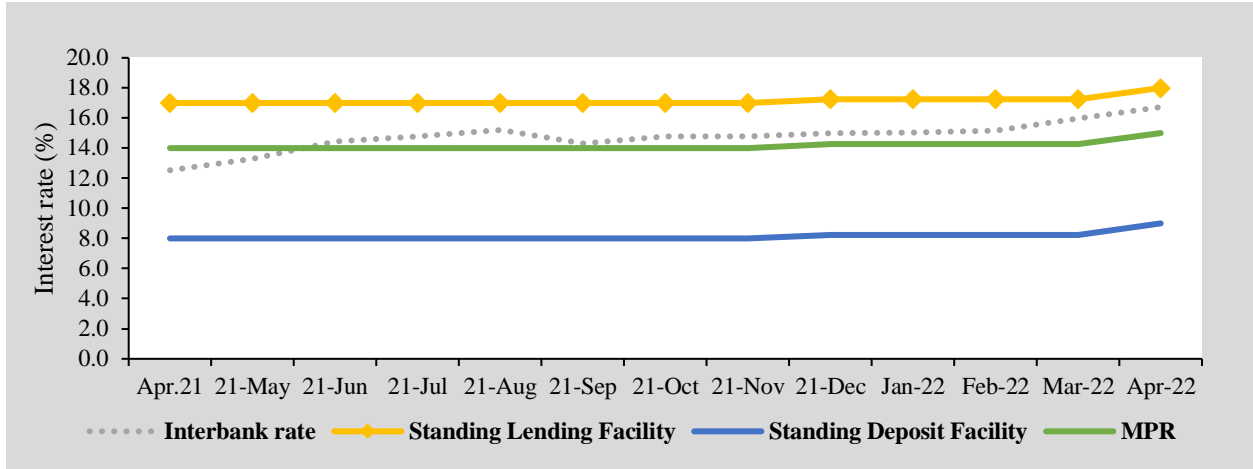
Billions of Leones	Actual Values		Absolute Change		% Change	
	Mar-22	Apr-22	Mar-22	Apr-22	Mar-22	Apr-22
Net Foreign Assets	-664.21	-1225.95	(308.44)	(561.75)	86.70	84.57
Net Domestic Assets	5,167.48	5,873.99	204.38	706.50	4.12	13.67
Government Borrowing (net)	4,697.75	4,839.07	202.02	141.32	4.49	3.01
o.w. Securities	1,256.00	1,433.76	3.78	177.76	0.30	14.15
Ways and Means	244.38	235.03	113.13	(9.35)	86.20	(3.83)
GoSL/IMF /WB Budget financing	3,257.33	3,257.33	-	-	-	-
Reserve money	4,503.28	4,648.03	(104.06)	144.75	(2.26)	3.21
o.w. Currency issued	3,330.65	3,535.15	(21.44)	204.49	(0.64)	6.14
Bank reserves	764.30	811.62	(88.22)	47.32	(10.35)	6.19

Source: Bank of Sierra Leone

4.3 Interest Rates

Following the last Monetary Policy Committee (MPC) Meeting in March 2022, the Monetary Policy Rate (MPR), Standing Lending Facility and Standing Deposit Facility rates were increased by seventy-five (75) basis points. The Monetary Policy Rate (MPR), Standing Lending Facility and Standing Deposit Facility rates were raised to 15.00 percent, 18.00 percent, and 9.00 percent respectively in April 2022. The interbank rate rose to 16.73 per cent in April 2022 from 15.96 per cent in March 2022. Figure 7 shows the trend in the Bank of Sierra Leone interest rates and the interbank rate.

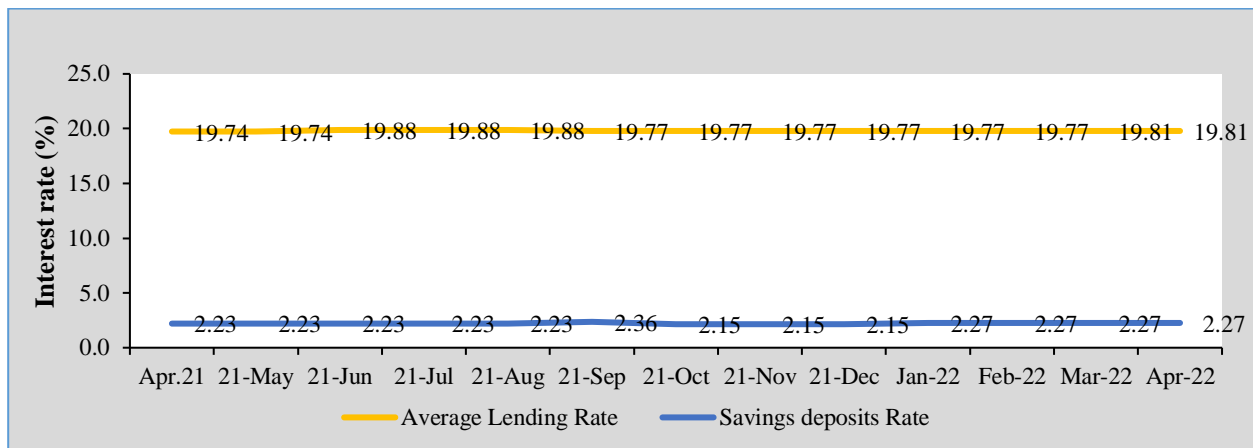
Figure 7: Bank of Sierra Leone Interest Rates and the Interbank Rate



Source: Bank of Sierra Leone

The commercial banks` average lending and savings deposit rates remained unchanged at 19.81 percent and 2.27 percent respectively in April 2022. Figure 8 shows the trend in average lending rate and average savings rate in April 2022 .

Figure 8: Average lending and Savings deposit rates

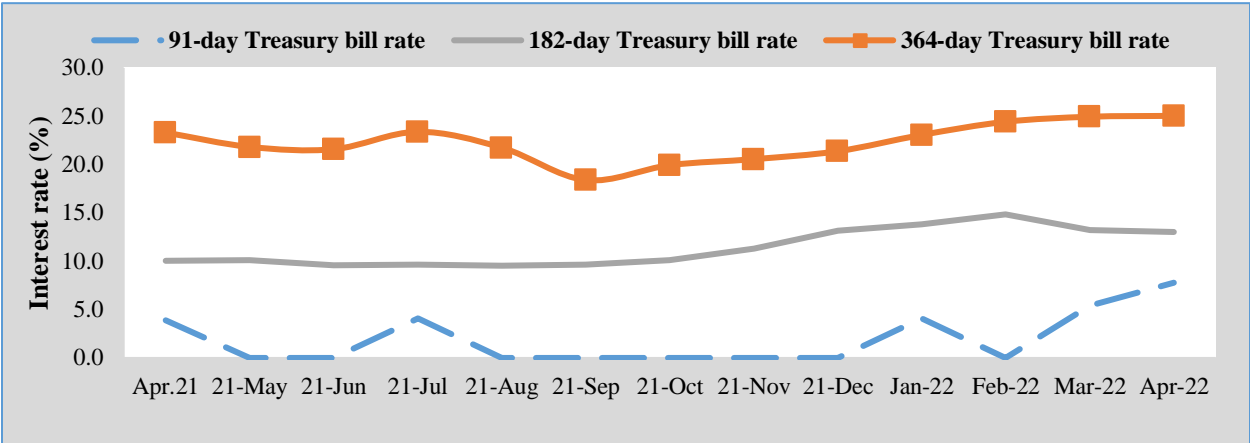


Source: Bank of Sierra Leone

The yields on 91-day T-bill and 364-day T-bill increased in April 2022, while the yield on the 182-day T-bill declined slightly. The yield on 91-day T-bill rose to 7.78 percent in April 2022 from

5.04 percent in March 2022 and yield on 364-day T-bill increased to 25.04 percent in April 2022 from 24.95 percent in March 2022. However, yield on 182-day T-bill decreased slightly to 13.04 percent in April 2022 from 13.21 percent in March 2022. Figure 9 shows trend in the yields on T-bills.

Figure 9: Yields on Treasury Bills



Source: Bank of Sierra Leone

5. External Sector

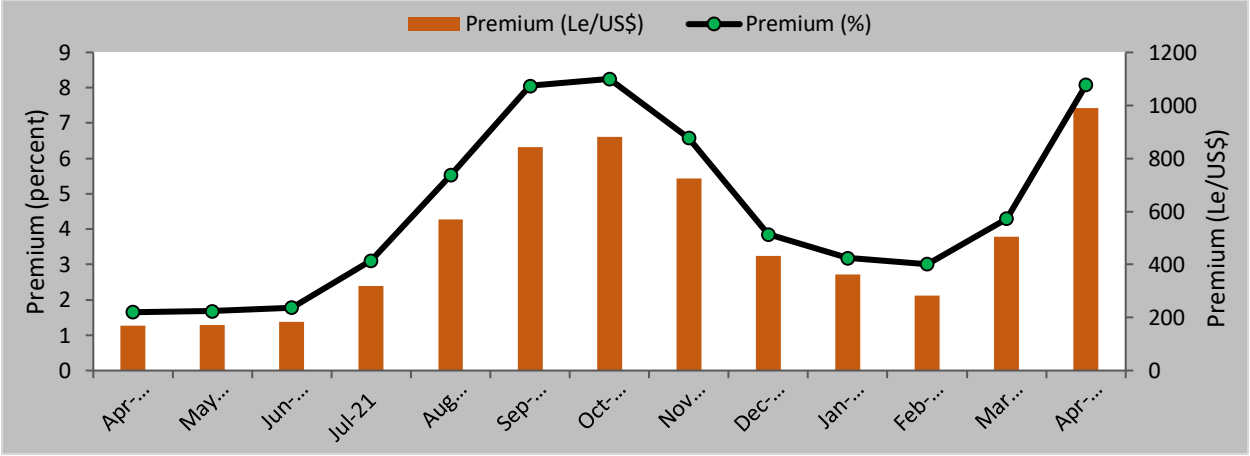
5.1 Exchange Rate Developments

The monthly average exchange rate of the Leone against the US dollar depreciated in all foreign exchange markets in April 2022, which was the case on both the buying and selling sides. With regards to the buying side, the Leone depreciated in the parallel market by 7.77 percent, averaging Le13,088.89/US\$1. It also depreciated across commercial banks, official and bureau markets by 4.52 per cent, 4.22 per cent and 3.66 per cent respectively, averaging Le12,235.98/US\$1, Le12,117.51/US\$1 and Le12,269.00/US\$1 respectively.

Similarly, on the selling side, the Leone depreciated in the parallel market by 8.23 per cent, averaging Le13,369.44/US\$1. It also depreciated in the bureau market, official market and commercial banks by 5.61 per cent, 4.22 per cent and 5.59 per cent, averaging Le12,675.07/US\$1, Le12,362.30/US\$1 and Le12,582.50/US\$1 respectively.

The premium between the official and parallel rates widened from 4.30 per cent, which was Le504.89US\$1 in March 2022 to 8.08 per cent, which was Le989.26/US\$1 in April 2022. Figure 10 shows the trend in the parallel and official exchange rates.

Figure 10: Premium between Official and Parallel Exchange Rates



Source: Bank of Sierra Leone

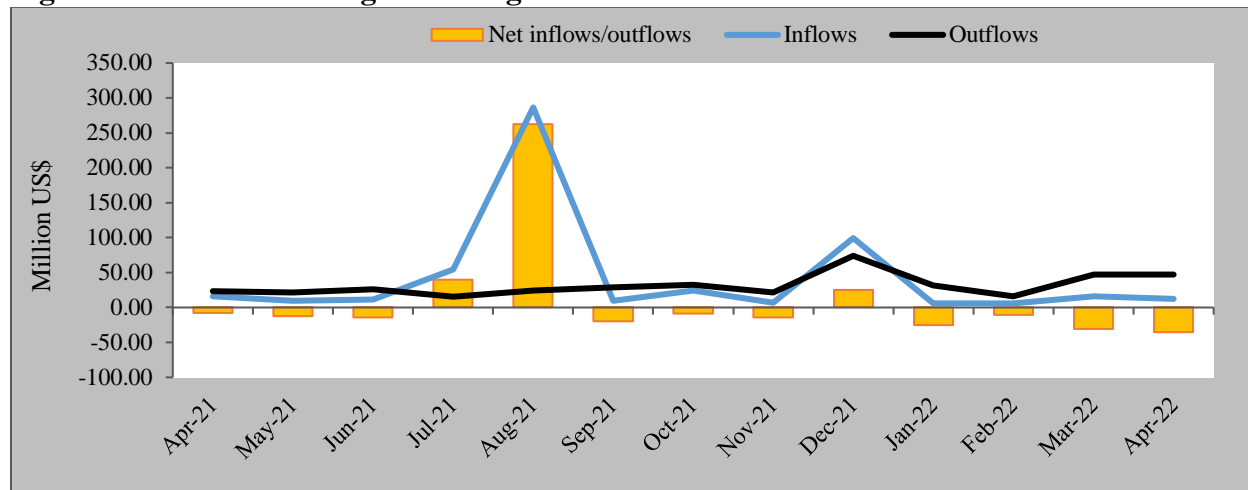
5.2. Gross Foreign Exchange Reserves

As at end April 2022, the gross foreign exchange reserves (including swaps) of the Bank of Sierra Leone was US\$804.63 million, which reflected a decrease of 15.15 per cent from US\$948.31 million in March, 2022. Inflows recorded in April 2022 amounted to US\$34.36million, while outflows amounted to US\$155.89million, resulting to a negative net outflow of US\$121.53million, with a recorded revaluation adjustment of US\$22.15million.

Significant inflows included receipts from exports, amounting to US\$17.37million, of which Timber Mining was US\$4.87million, while Rutile mining recorded US\$2.94million.

Major outflows comprised payments for goods and services, amounting toUS\$136.35 million, of which other interbank market operations accounted for US\$36.00million. Figure 11 shows the trend of foreign exchange flows.

Figure 11: Trend of Foreign Exchange Flows



Source: Bank of Sierra Leone

6. Conclusion

While production of cocoa increased in April, 2022, coffee production declined. . Activites in the mining sector were mixed in April 2022 as production of bauxite, rutile, ilmenite, iron ore and zircon increased while total diamond and pure gold productions declined. Production activities in the manufacturing sector slowed down, with Beer and Stout, Maltina, Cement, Common soap, Confectionery production declined, while production of paint increased. Headline inflation (year-on-year) edged-up in April 2022, driven mainly by the impact of supply-side shocks, emanating from the Russia-Ukraine war, resulting in price pressure on domestic pump price of fuel and other essential commodities. Subsequently, both food and non-food inflation rates increased.

Government fiscal operations resulted in widened deficit in April 2022, which was due to expansion in expenditure, as there was contraction in revenue during the review period. The Monetary Policy Rate (MPR), Standing Lending Facility and Standing Deposit Facility rates were

increased by seventy-five (75) basis point in April 2022 to reflect upward trends in inflationary pressures in the domestic economy. Hence, the Monetary Policy Rate (MPR), Standing Lending Facility and Standing Deposit Facility rates increased to 15.00 per cent, 18.00 per cent and 9.00 per cent respectively in April 2022, from 14.25 per cent, 17.25 percent and 8.25 per cent respectively in March 2022. The interbank rate increased to 16.73 per cent in April 2022 from 15.96 per cent in March 2022. Monetary aggregates expanded as both broad money and reserve money grew in April 2022. Yields in the 91-day Treasury bill and 364-day Treasury bill increased in April 2022, while that of the 182-day Treasury bill declined. Average monthly exchange rate for April 2022 with respect to the U.S dollar depreciated on both the buying and selling fronts. Gross foreign exchange reserves decreased in April 2022.