

# **BANK OF SIERRA LEONE**



## **Monthly Economic Review**

April 2024

MER/04/2024

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](mailto:res@bsl.gov.sl).

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**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 April 2024.

**Executive Summary**

In April 2024, the performance across various economic sectors in Sierra Leone showed mixed outcomes. Cocoa production decreased by 42.67% to 1,266.00 metric tons and coffee production declined by 35.63% to 461.00 metric tons. The mining sector observed increases in the output of diamond, iron ore, ilmenite, zircon, and other minerals, while the output of gold, bauxite, and rutile declined. The manufacturing sector also showed mixed results, with increases in the production of beer and stout, zagg, cement, paint, and confectionery, and decreases in the production of maltina, oxygen, and common soap.

Year-on-year headline inflation decreased to 38.06% in April 2024, down from 40.69% in March 2024. This was driven by a decrease in food inflation to 36.91% from 41.28% in March 2024, and a reduction in non-food inflation to 39.00% from 40.23% in March 2024. Monthly headline inflation also decreased to 2.06% in April 2024, from 2.40% in March 2024. Regionally, annual inflation increased only in the Northern region, reaching 33.00%, while the Eastern, North-West, Southern, and Western regions experienced declines.

Government fiscal operations on a cash-flow basis resulted in a surplus of NLe398.40 million in April 2024, compared to a deficit of NLe286.47 million in March 2024. This surplus was due to a significant reduction in total expenditures, including other expenditures, pensions, wages, and salaries, which outweighed the decline in total revenue. Domestic revenue decreased by 8.65% to NLe1,803.07 million in April 2024 from NLe1,973.74 million in March 2024, but exceeded the target of NLe1,229.00 million. Grants amounted to NLe10.92 million in April 2024. Government expenditure declined by 37.37% to NLe1,415.58 million, remaining above the ceiling of NLe927.87 million by 52.56%. The primary balance improved significantly, rising to NLe638.11 million in April 2024 from NLe150.86 million in March 2024.

Broad money (M2) contracted by 1.03%, reflecting a decrease in Net Domestic Assets (NDA), which outweighed an increase in Net Foreign Assets (NFA). Reserve money declined by 0.96% in April 2024, driven by a decrease in NDA that outweighed growth in NFA. Net Foreign Assets (NFA) rose by 3.91%, while Net Domestic Assets (NDA) fell by 2.03%. The contraction in Narrow Money (M1) by 2.59% was due to a decline in currency outside banks and demand deposits. Quasi-money increased by 0.26%, with increases in both time and savings deposits, while foreign currency deposits contracted by 1.09%.

The Bank of Sierra Leone (BSL) raised its monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility (SDF) rates by one percentage point, reaching 23.25%, 26.25%, and 16.75%, respectively. The interbank rate increased to 24.85% in April 2024 from 24.54% in March 2024. The commercial banks' average lending rate rose to 20.38%, while the savings rate remained unchanged at 2.23%. The spread between the average lending and savings rates widened to 18.15%. The yield on 364-day T-bills increased to 41.21% in April 2024, while the yield on 182-day T-bills remained unchanged at 29.22%. There was no trading for 91-day T-bills.

In April 2024, the Leone remained stable across foreign exchange markets. On the buying side, it marginally appreciated by 0.01% at the BSL's rate and by 0.09% at commercial banks' rate but depreciated by 0.20% at the bureaux rate. The buying rates averaged NLe22.51/US\$ (official), NLe22.47/US\$ (commercial banks), NLe22.48/US\$ (bureaux), and NLe23.66/US\$ (parallel). On the selling side, the BSL rate appreciated slightly by 0.01% to NLe22.74/US\$, and the commercial banks' rate appreciated by 0.20% to NLe22.85/US\$. Rates in the bureaux and parallel markets remained stable at NLe22.67/US\$ and NLe23.91/US\$ respectively. On a month-on-month basis, the BSL mid-rate depreciated slightly by 0.04% in April 2024. The premium between official and parallel rates slightly rose to 5.12% from 5.11%. The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 3.99% to US\$428.68 million in April 2024, down from US\$446.50 million in March 2024. Gross International Reserves, measured in months of import cover, declined to 2.22 months at the end of April 2024 from 2.33 months at the end of March 2024 and 2.82 months at the end of April 2023. This decline was due to a decrease in gross reserves and an increase in average monthly imports.

## 1. Real Sector Development

### (i) Production

In April 2024, the agricultural sector saw a 42.67% decline in cocoa production to 1,266.00 metric tons and a 35.63% decline in coffee production to 461.00 metric tons. The mining sector had mixed results, with increases in the output of key minerals, such as diamond, iron ore, ilmenite, zircon, and other minerals, while production of gold, bauxite, and rutile declined. In the manufacturing sector, output increased for beer and stout, zagg, cement, paint, and confectionery, but declined for maltina, oxygen, and common soap.

### (ii) Price Development

Year-on-year headline inflation decreased to 38.06% in April 2024 from 40.69% in March 2024. Food inflation fell to 36.91% from 41.28%, and non-food inflation decreased to 39.00% from 40.23%. 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, alcohol beverages, clothing, furnishings, health, communication, recreation, hotels, and miscellaneous items as key components driving the inflation rate down.

Monthly headline inflation decreased to 2.06% in April 2024 from 2.40% in March 2024. Figure 1 shows the inflation rates for April 2024 and the 12 months before this period.

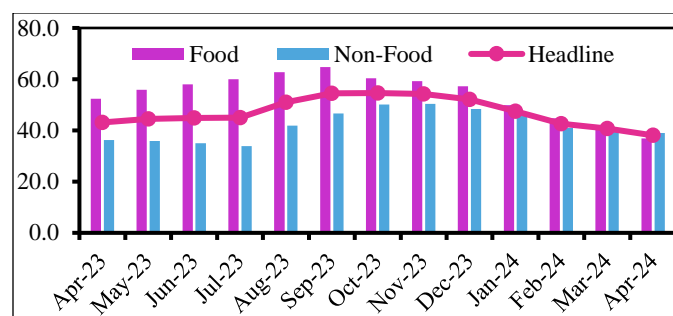
On regional basis, annual inflation increased only in the Northern region, reaching 33.00% in April 2024. The other regions showed declines, with the Eastern region at 37.84%, the North-West region at 37.93%, the Southern region at 38.36%, and the Western region at 39.53%. Figure 2 shows inflation rates by region.

Table 1: Y-o-Y Inflation Rate by Component (%)

	Weight (%)	Mar-24	Apr-24	Change	Direction
Food	40.33	41.28	36.91	-4.37	Down
Non-Food	59.67	40.23	39.00	-1.23	Down
Alcohol Beverages & Tobacco	1.02	31.78	29.14	-2.64	Down
Clothing	7.70	30.71	29.96	-0.75	Down
Housing	8.90	40.82	36.85	-3.97	Down
Furnishings	5.6	31.33	26.70	-4.63	Down
Health	7.60	47.19	45.83	-1.36	Down
Transport	8.60	55.70	54.47	-1.23	Down
Communication	4.70	11.96	10.38	-1.58	Down
Recreation	2.60	40.68	41.99	1.31	Up
Education	3.10	48.90	48.90	0	Constant
Hotels	6.10	55.33	53.80	-1.53	Down
Miscellaneous	3.90	27.36	35.43	8.07	Up
All items	100	40.69	38.06	-2.63	Down

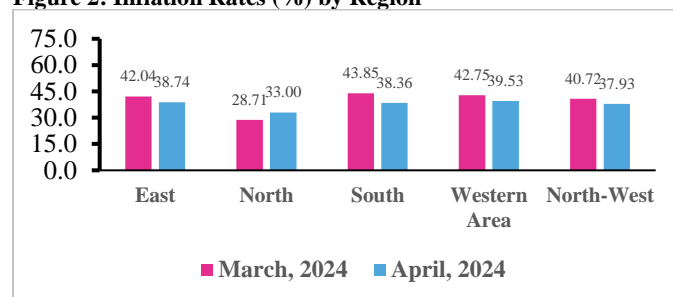
Source: Statistics Sierra Leone

Figure 1: Year on Year Inflation Rates (%)



Source: Statistics Sierra Leone

Figure 2: Inflation Rates (%) by Region



Source: Statistics Sierra Leone

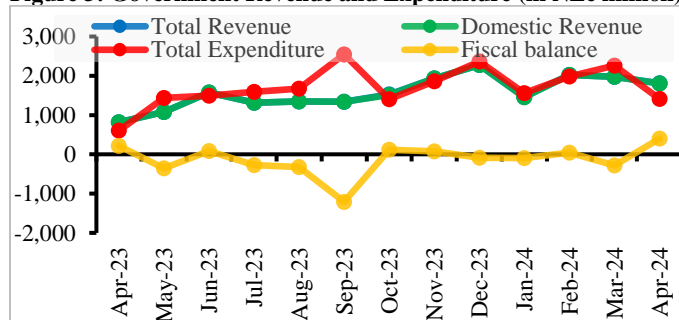
## 2. Fiscal Sector Development

Fiscal operations on a cash-flow basis resulted in a surplus of NLe398.40 million in April 2024, compared to a deficit of NLe286.47 million in March 2024. The surplus was due to a reduction in total expenditure which outweighed the decline in total revenue.

Domestic revenue decreased by 8.65% to NLe1,803.07 million in April 2024 from NLe1,973.74 million in March 2024, but exceeded the target of NLe1,229.00 million. The decline was due to a contraction in customs and excise tax, which declined by 16.52% to NLe104.56 million, income tax, which declined by 36.58% to NLe303.32 million, and miscellaneous revenue, which decreased by 4.11% to NLe1,170.88 million. Grants amounted to NLe10.92 million in April 2024 while there were no grants in March 2024. Government expenditure declined by 37.37% to NLe1,415.58 million, but was above the ceiling of NLe927.87 million by 52.56%. The decrease in expenditure was due to a reduction in wages and salaries, which declined by 26.53% to NLe375.50 million, reduction in debt service payments, which decreased by 42.79% to NLe250.63 million, and decline in other expenditures on goods and services, which decreased by 39.78% to NLe789.45 million. Figure 3 shows the fiscal profile for April 2024 and the 12 months preceding it.

The primary balance increased by 322.99%, from NLe150.86 million in March 2024 to NLe638.11 million in April 2024, due to a decrease in total expenditure (excluding debt services) outweighing the decline 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 April 2024, broad money (M2) contracted by 1.03%, reflecting a decrease in Net Domestic Assets (NDA), which outweighed an increase in Net Foreign Assets (NFA). NFA rose by 3.91%, while Net Domestic Assets

(NDA) fell by 2.03%. The growth in NFA was driven by an increase in the NFA of Other Depository Corporations (ODCs). The decrease in NDA was due to reductions in the equities of both the Bank of Sierra Leone and Other Depository Corporations, which outweighed increases in both net claims on the central government and claims on the private sector. Commercial banks' credit to the private sector rose by 3.28% in April 2024, compared to a 7.38% expansion in March 2024. Figure 4 shows the contributions of NDA and NFA to M2 growth.

Narrow Money (M1) declined by 2.59% in April 2024, due to declines in currency outside banks and demand deposits, which fell by 1.66% and 3.52%, respectively. Quasi-money increased by 0.26%, reflecting increases in both time and savings deposits by 3.10% and other deposits of the BSL by 12.98%. Foreign currency deposits contracted by 1.09% during the review period.

Reserve money declined by 0.96% in April 2024, driven by a decrease in NDA of the BSL that outweighed growth in NFA of the BSL. On the liability side, the decrease in reserve money was due to a contraction in reserves of Other Depository Corporations with the BSL, while currency in circulation and other deposits grew by 1.02% and 12.98%, respectively. Figure 5 shows the contributions of NDA and NFA of the Bank of Sierra Leone to reserve money growth.

#### (ii) Interest Rates

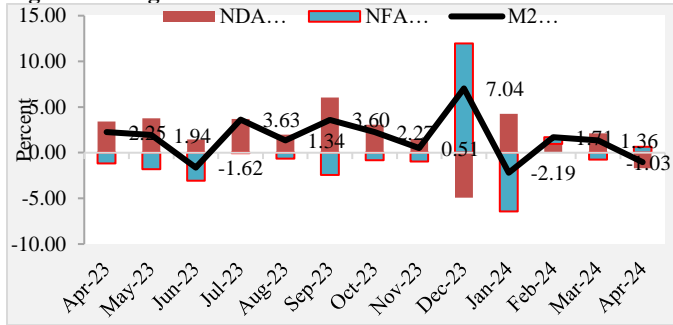
In April 2024, the BSL raised its monetary policy rate (MPR), standing lending facility (SLF), and standing deposit facility rates (SDF) by one percentage point to 23.25%, 26.25%, and 16.75%, respectively. The interbank rate increased to 24.85% in April 2024 from 24.54% in March 2024, staying within the policy corridor.

The commercial banks' average lending rate rose marginally to 20.38% in April 2024 from 20.26% in March 2024, while the savings rate remained unchanged at 2.23%. The spread between the average lending and savings rates widened marginally to 18.15% in April 2024 from 18.03% in March 2024. Figure 6 shows various interest rates for April 2024 and the 12 months preceding it.

The yield on the 364-day T-bills increased to 41.21% in April 2024 from 40.88% in March 2024, while the yield

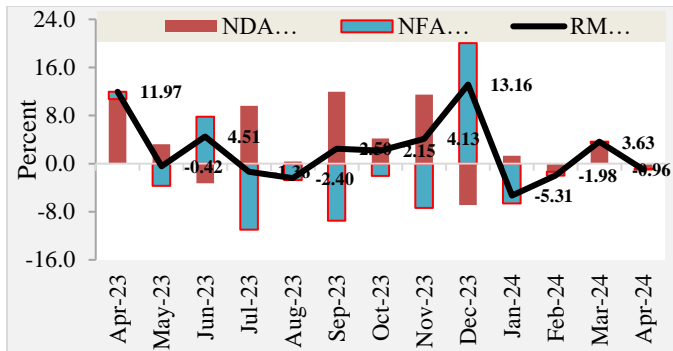
on 182-day T-bills remained unchanged at 29.22%. There was no trading for 91-day T-bills.

Figure 4: M2 growth and contributions of NFA and NDA



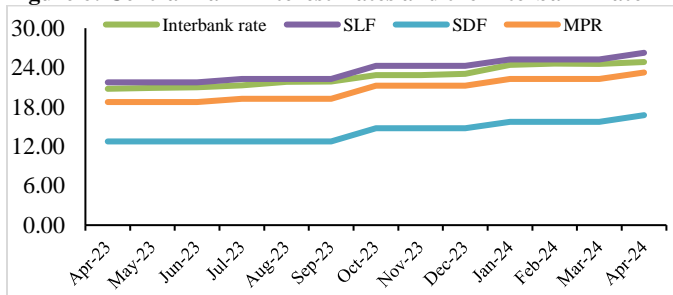
Source: Bank of Sierra Leone

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 appreciated slightly by 0.01% at the BSL’s published rate and by 0.09% in the

<sup>1</sup> Mid-rate is the average of the official selling and buying rates as published by the Bank of Sierra Leone.

commercial banks market, while depreciating by 0.20% in the bureaux market in April 2024. The buying rate of the Leone against the US dollar stayed the same in the parallel market. The average rates based on the BSL’s published rate, the commercial banks, bureaux, and parallel markets were NLe22.51/US\$, NLe22.47/US\$, NLe22.48/US\$, and NLe23.66/US\$, respectively.

On the selling side, the BSL’s published rate appreciated marginally by 0.01%, averaging NLe22.74 per US dollar, while the commercial banks' rate appreciated by 0.20%, averaging NLe22.85 per US dollar. The rate in the bureaux and parallel markets remained unchanged in April 2024, averaging NLe22.67 per US dollar and NLe23.91 per US dollar. Figure 7 shows the trend of the appreciation and depreciation rate of the Leone, using the BSL mid-rate<sup>1</sup>.

On a year-on-year basis, the BSL mid-rate depreciated by 3.93% in April 2024 compared to a depreciation of 43.72% in April 2023. On a month-on-month basis, the BSL mid-rate depreciated marginally by 0.04% in April 2024 compared to a 0.04% depreciation in March 2024.

The premium between the official and parallel rates increased slightly to 5.12% (NLe1.158 per US dollar) in April 2024 from 5.11% (NLe1.156 per US dollar) in March 2024.

### (ii) Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 3.99% to US\$428.68 million in April 2024, down from US\$446.50 million in March 2024.

Gross International Reserves, measured in months of import cover, declined to 2.22 months at the end of April 2024, from 2.33 months at the end of March 2024 and 2.82 months at the end of April 2023. This decline was due to a decrease in gross reserves and an increase in the 12-month average imports. Figure 8 shows the gross international reserves measured in months of imports for April 2024 and the 12 months preceding it.

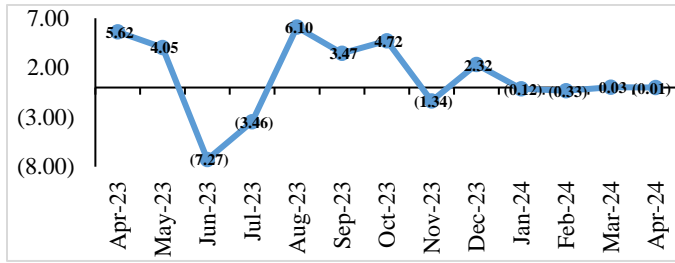


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APRIL 2024

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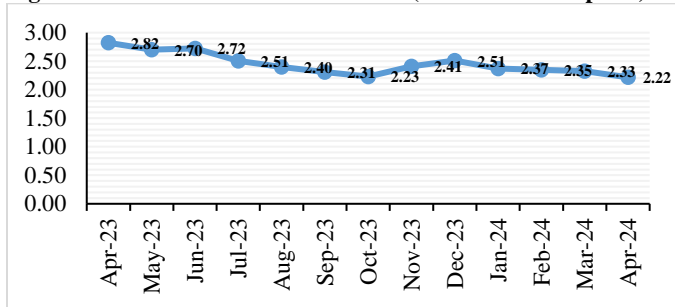
**Figure 7: Monthly Exchange Rate Depreciation (%) of the BSL Mid-Rate**



Source: Bank of Sierra Leone

\*note: positive values for Off. exr. dep. denote depreciation

**Figure 8: Gross International Reserves (in Months of Imports)**



Source: Bank of Sierra Leone

## 5. Conclusion

In April 2024, economic indicators showed a mixed picture. Cocoa and coffee production decreased by 42.67% and 35.63%, respectively. In the mining sector, output increased for diamond, iron ore, ilmenite, zircon, and other minerals, while gold, bauxite, and rutile production declined. The manufacturing sector saw an expansion in the production of beer and stout, zagg, cement, paint, and confectionery, but declines in maltina, oxygen, and common soap.

The year-on-year headline inflation eased to 38.06% in April 2024, from 40.69% in March 2024, with decreases in both food and non-food inflation. Monthly headline inflation also slowed to 2.06% in April 2024, compared to 2.40% in March 2024. Regionally, inflation increased only in the Northern region in April 2024, while other regions saw declines.

Fiscal operations in April 2024 resulted in a surplus of NLe398.40 million, a reversal from the NLe286.47 million deficit recorded in March 2024, due to significant reductions in total expenditure. Domestic revenue decreased by 8.65% to NLe1,803.07 million in April

2024, while government expenditure fell by 37.37% to NLe1,415.58 million. The primary balance improved significantly, rising to NLe638.11 million in April 2024 from NLe150.86 million in March 2024.

Broad money (M2) contracted by 1.03% in April 2024, with a decrease in Narrow Money outweighing an increase in Quasi Money. Reserve money declined by 0.96%, influenced by a reduction in Net Domestic Assets. Credit to the private sector continued to grow, with commercial banks' lending expanding by 3.28% in April 2024, though at a slower pace compared to the 7.38% increase observed in March 2024. The Bank of Sierra Leone (BSL) raised its key interest rates in April 2024: the Monetary Policy Rate (MPR) to 23.25%, the Standing Lending Facility (SLF) rate to 26.25%, and the Standing Deposit Facility (SDF) rate to 16.75%. The interbank rate increased slightly to 24.85%, and commercial banks' average lending rate rose to 20.38%.

The Leone remained relatively stable across different market segments. The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 3.99% to US\$428.68 million in April 2024, equivalent to 2.22 months of import cover, from 2.33 months in March 2024.