



BANK OF SIERRA LEONE

Monthly Economic Review

MER/08/2022

August 2022



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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.

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Executive Summary

Activities in the agricultural sector was mixed in August 2022. Coffee production expanded by 45.39 percent from 132.06 tons in July 2022 to 192.00 metric tons in August 2022. However, Cocoa production dropped by 43.71 percent from 410.35 percent in July 2022 to 231.00 metric tons in August, 2022.

Performance in the mining sector was mixed in August 2022 as bauxite, ilmenite and iron ore production levels increased, whilst production of diamonds, gold, rutile, zircon and other minerals fell in the review period. Output of the manufacturing sector declined in August 2022. The production of Beer and Stout, Maltina, and Confectionery fell in August 2022 by 51.02 percent to 74.39 thousand cartoons, 74.88 percent to 9.94 thousand cartoons, and 7.90 percent to 214.30 thousand metric tons respectively. However, cement and paint production increased by 13.39 percent to 9.68 thousand tons and 15.60 percent to 32.56 thousand gallons respectively.

Headline inflation (year-on-year) decreased slightly to 28.15 percent in August 2022, from 29.47 percent in July 2022. The moderation in the headline inflation reflected the fall in non-food inflation while non-food inflation fell. Food inflation rose to 31.61 percent in August 2022 from 30.58 percent in July 2022 while non-food inflation fell to 26.58 percent in August 2022 from 29.61 percent in July 2022.

Government budgetary operations on a cash flow basis resulted in a widened deficit of Le730.38bn in August 2022, from a deficit of Le289.28bn in July 2022. The expanded deficit originated from the increase in government expenditure, coupled with decline in government revenue. The deficit was funded entirely from domestic sources.

In August 2022, both broad money (M2) growth and reserve money growth increased by 3.79 percent and 7.72 percent respectively. The expansion in broad money (M2) emanated mainly from increase in Net domestic Assets (NDA) which outweighed the decline in Net Foreign Assets (NFA) of the banking system. Net foreign assets contributed negative 0.18 percent to the growth of broad money, while net domestic assets contributed positively, at 3.97 percent..

As at end August 2022, gross foreign exchange reserves (including swaps) of the Bank of Sierra Leone was US\$668.61 million. Inflows in August 2022 was US\$11.71million, while outflows amounted to US\$31.13 million, resulting in a positive net outflow of US\$19.42 million, with a recorded revaluation adjustment of US\$6.42 million. The monthly average exchange rate of the Leone against the US dollar depreciated in all foreign exchange markets in August 2022 on both the buying and selling sides. With regards to the buying side, the Leone depreciated in the parallel market by 1.72 percent, averaging Le14.12/US\$1, and also depreciated across commercial banks, and official and bureau markets by 1.82 percent, 2.13 percent and 1.44 percent respectively, averaging Le13.89/US\$1, Le13.91/US\$1 and Le13.66/US\$1 respectively. Similarly, on the selling side, the Leone depreciated in the parallel market by 1.54 percent, averaging Le 14.21 /US\$1, and depreciated in the bureau market, official market and commercial banks by 0.83 percent, 1.45 per cent and 1.75 percent respectively, averaging Le14.13/US\$1, Le14.04/US\$1 and Le14.08/US\$1 respectively.

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 performance in August 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, inflows and outflows, 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, its importance to macroeconomic policy management in Sierra Leone and the availability of validated data on a timely basis.

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

2. Production and Prices

2.1 Production

2.1.1 Agriculture

Performance of the agricultural sector, for which coffee and cocoa productions are used as proxies, was mixed in August 2022. Coffee production rose significantly by 45.39 percent from 132.06 metric tons in July 2022 to 192.00 metric tons in August 2022. However, cocoa production fell by 43.71 percent to 231.00 metric tons in August 2022 from 410.35 metric tons in July 2022.

2.1.2 Mining

Activities in the mining sector was mixed in August 2022 as production levels for bauxite, ilmenite and iron ore increased whilst diamonds, gold, rutile, zircon and other minerals production fell in the review period. Bauxite and ilmenite increased by 28.70 percent to 111.79 thousand metric tons and 1.04 percent to 4.85 thousand metric tons respectively. Production of iron ore rose by 12.69 percent to 342.54 thousand metric tons.

On the other hand, diamond production decreased by 19.18 percent to 39.43 thousand carats, of which gem diamond was 38.96 thousand carats, and industrial diamond was 0.47 thousand carats. Gold (pure) production fell by 65.54 percent to 190.01 ounces. Rutile and zircon production declined by 8.51 percent to 9.07 thousand metric tons, and 31.96 percent to 4.50 thousand metric tons respectively. Other minerals' production also slumped by 61.28 percent to 2.59 thousand metric tons.

2.1.3 Manufacturing

Manufacturing sector performance contracted in August 2022, compared to July 2022. Beer and stout production fell by 51.02 percent to 74.39 thousand cartoons. In addition, production of Maltina and confectionery fell by 74.88 percent to 9.94 thousand cartoons and 7.90 percent to 214.30 thousand metric tons respectively. During the same review period, cement and paint production increased by 13.39 percent to 9.68 thousand tons and 15.60 percent to 32.56 thousand gallons respectively. There was no data on common soap production in August 2022.

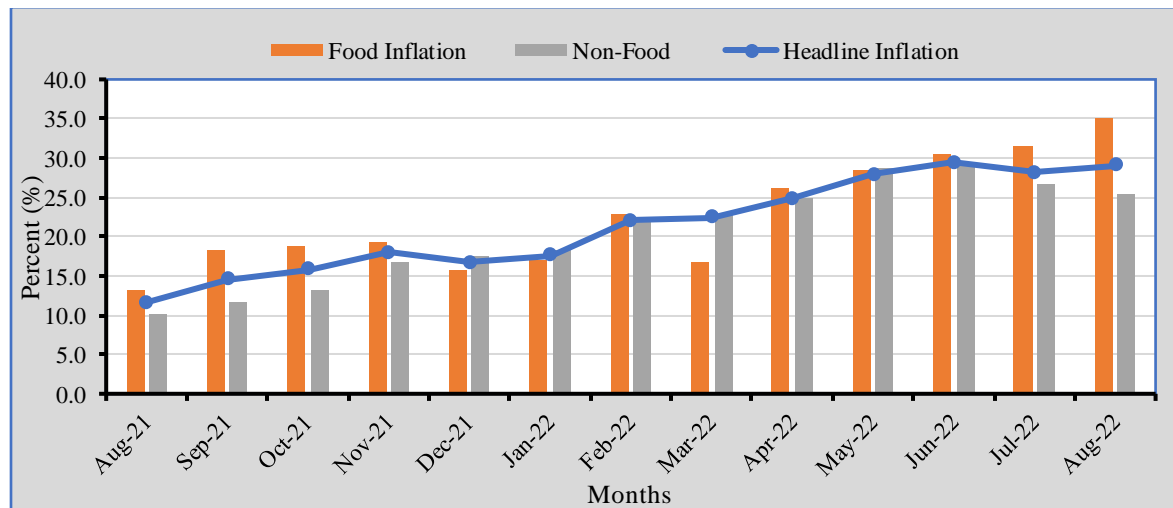
2.2 Price Developments

Headline inflation (year-on-year) decreased slightly to 28.15 percent in August 2022, from 29.47 percent in July 2022. The moderation in the headline inflation reflected the fall in non-food inflation s.

Food inflation rose to 31.61 percent in August 2022 from 30.58 percent in July 2022. However, non-food inflation decreased to 26.58 percent in August 2022 from 29.61 percent in July 2022. Monthly headline inflation equally declined to 0.71 percent in August 2022 from 1.92 July 2022.

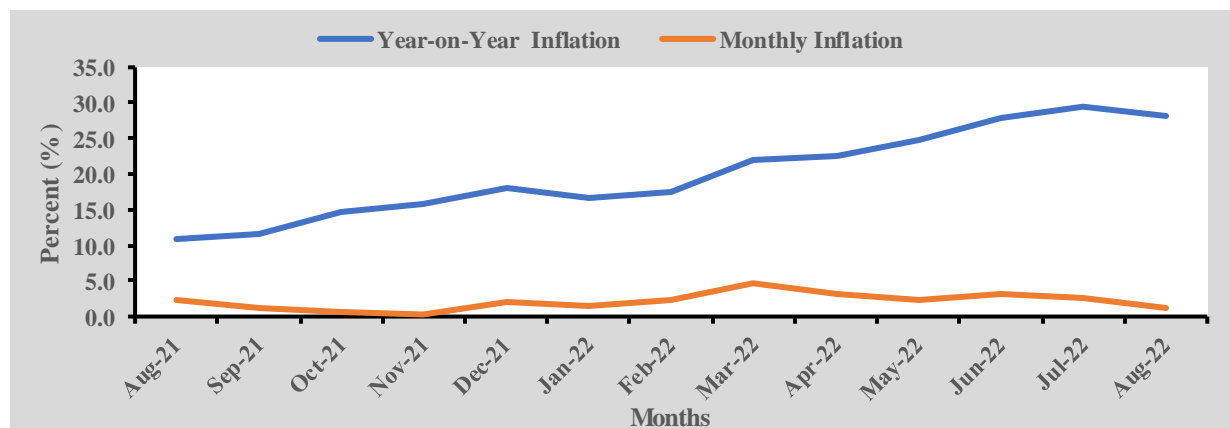
Figure 1 shows the trend of the year-on-year headline, food and non-food inflation rates while figure 2 shows trend of the year-on-year and monthly inflation rates.

Figure 1: Headline, Food and Non-Food Inflation



Source: Statistics Sierra Leone

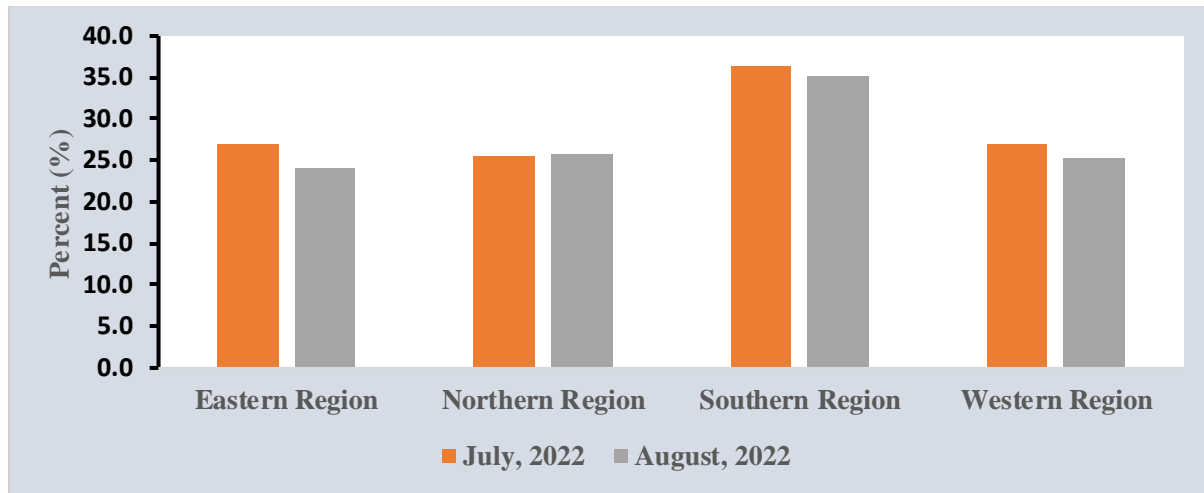
Figure 2: Year-on-year Inflation and Monthly Inflation Change



Source: Statistics Sierra Leone

On regional basis, inflation fell in three regions and marginally increased in only one region in August 2022. Western region inflation decreased to 25.41 percent in August 2022 from 27.05 percent in July 2022; Southern region inflation decreased to 35.23 percent in August 2022 from 36.47 percent in July 2022; and Eastern region inflation fell to 24.00 percent in August 2022 from 27.09 percent in July 2022. However, Northern region inflation saw a slight rise from 25.47 percent in July 2022 to 25.78 percent in August 2022. Figure 3 shows inflation rates by region.

Figure 3: Inflation Rates in July 2022 and August 2022 by Region



Source: Statistics Sierra Leone

3. Fiscal Developments

Government budgetary operations (on a cash flow basis) in August 2022 recorded a widened deficit of SLe730.38mn, from a deficit of SLe289.28mn in July 2022. The widened deficit originated from the increase in government expenditure coupled a contraction in government revenue mobilization. The deficit was funded entirely from domestic sources.

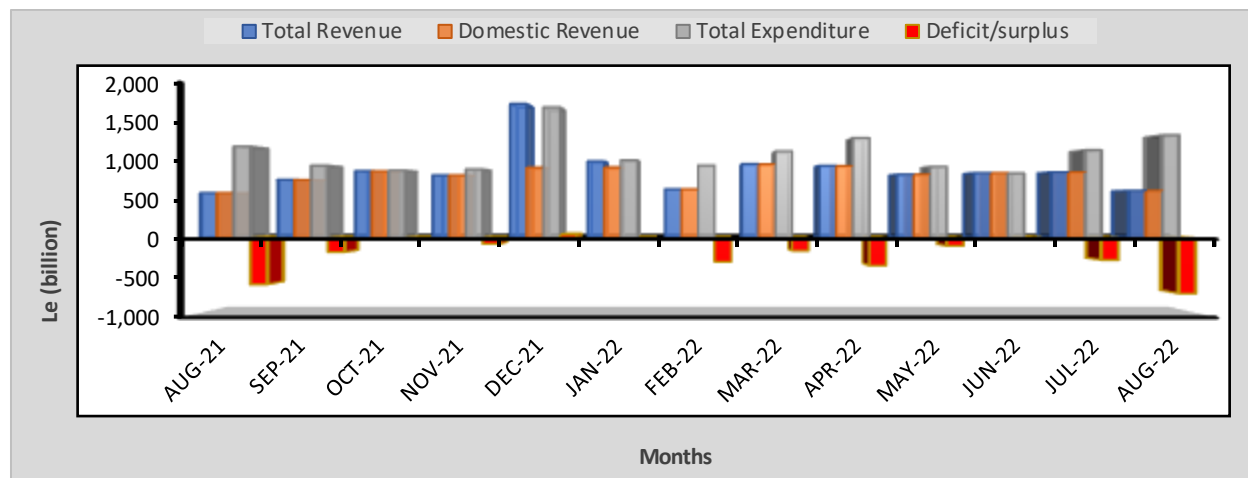
3.1 Revenues

Government revenue fell by 28.16 percent to SLe622.53mn in August 2022, and was lower than the target of SLe1,034.32bn by 39.81 percent which was exclusively domestic revenue, and there was no foreign grants. Domestic revenue declined by 27.97 to SLe622.53mn and was 4.07 percent slightly below the target SLe648.96mn. The fall in domestic revenue was due to decrease in income tax, goods and services tax and non-tax revenue (miscellaneous) receipts outweighing the increase in customs and excise duties in the review period.

Receipts from customs and excise duties increased by 18.33 percent to SLe78.30mn. However, revenue from income tax contracted further by 29.76 percent to SLe158.16mn. Also, receipts from goods and services tax decreased by 16.33 percent to SLe 95.64mn. Non-tax revenue

(miscellaneous) decreased by 36.67 percent to SLe 290.43mn. Figure 4 gives the trend in the fiscal profile from August 2021 to August 2022.

Figure 4: Government Revenue and Expenditure



Source: Bank of Sierra Leone

3.2 Expenditures

Government expenditure expanded by 17.05 percent to SLe1352.91mn in August 2022 and was higher than the target of SLe807.62mn by 67.52 percent. The expansion in government expenditure was due to the increases in wages and salaries, and other expenditure, while debt services expenditure contracted.

Expenditure on wages and salaries increased by 38.92 percent to SLe117.53mn, other expenditure rose by 25.36 percent to SLe808.09mn. However, debt services spending fell by 40.12 percent SLe125.33mn in August 2022 which was exclusively domestic interest payments. Figure 4 gives the trend in the fiscal profile from August 2021 to August 2022.

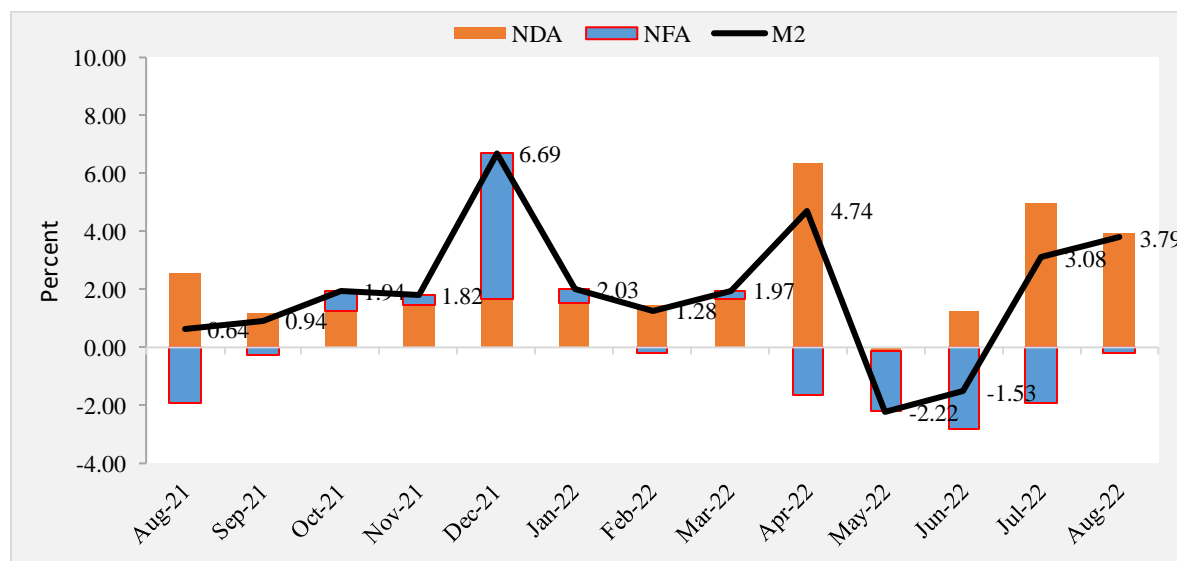
4. Monetary Developments

4.1 Broad Money

In August 2022, Broad money (M2) grew by 3.79 percent, up from 3.08 percent in July 2022. The growth of broad money (M2) was due to increase in the Net domestic Assets (NDA), which

outweighed the decline in Net Foreign Assets (NFA) of the banking system. Net foreign assets contributed -0.18 percent to the growth of broad money, while net domestic assets positively contributed to the growth of broad money, with a contribution of 3.97 percent. 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 August 2021 to August 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 grew by 3.79 percent in August 2022, relative to 3.08 percent in July 2022. The growth of NDA was mainly attributed to increase in both net claims on Government by the Bank of Sierra Leone (BSL) and Other Depository Corporations (ODCs). Net claims on government by the BSL increased by 12.26 percent in August 2022, relative to 3.76 percent in July 2022, while that of the Other Depository Corporations increased by 6.11 percent in August 2022, down from 4.72 percent in July 2022. Credit to the private sector by the other depository corporations rose by 0.92 percent in August 2022, up from 3.73 percent in July 2022. Claims on other sectors' net rose by 6.21 percent in August 2022, down from 25.75 percent decline in July 2022.

NFA of the banking system contracted by 1.28 percent in August 2022, from 11.28 percent decline in July 2022. The contraction in NFA of the banking system was largely on account of exchange rate depreciation of domestic currency against the United States dollar, whilst NFA of Other Depository Corporations expanded. NFA of the BSL declined by 12.11 percent from its negative position of SLe2.75mn in July 2022 to a negative position of SLe3.08mn in August 2022, . Conversely, NFA of Other Depository Corporations recorded an increase of 6.06 percent in August 2022 to SLe3.01mn, compared to an increase of 7.50 percent in July 2022 to SLe 5.01mn. Table 1 shows growth in monetary aggregates.

Table 1: Growth of Selected Banking System Monetary Aggregates

Millions of Leones	Actual Values		Absolute Change		% Growth	
	Jul-22	Aug-22	Jul-22	Aug-22	Jul-22	Aug-22
Broad Money (M2)	15.76	16.36	0.47	0.60	3.08	3.79
Narrow money (M1)	7.53	7.84	0.15	0.31	1.96	4.13
Currency outside banks	3.32	3.54	(0.01)	0.22	(0.31)	6.68
Demand deposit	4.21	4.30	0.15	0.09	3.83	2.12
Quasi money	8.23	8.52	0.32	0.29	4.13	3.47
o.w. Foreign currency deposit	4.81	4.96	0.27	0.15	5.99	3.14
Time and saving deposit	3.41	3.55	0.05	0.13	1.61	3.94
Other Deposits - BSL	0.01	0.01	0.00	0.00	4.17	(1.16)
Net Foreign Asset	2.27	2.24	(0.28)	(0.03)	(11.28)	(1.28)
BSL	(2.75)	(3.08)	(0.64)	(0.33)	30.26	12.11
ODCs	5.01	5.31	0.35	0.30	7.50	6.06
Net Domestic Assets	13.50	14.12	0.76	0.63	5.96	4.64
Net Domestic Credit	15.40	16.50	0.09	1.10	0.59	7.16
Government (Net)	12.13	13.21	(0.12)	1.09	(0.98)	8.95
BSL	5.60	6.29	0.20	0.69	3.76	12.26
ODCs	6.52	6.92	(0.33)	0.40	(4.72)	6.11
Private Sector Credit	3.52	3.55	0.13	0.03	3.73	0.91
o.w ODC	3.50	3.53	0.13	0.03	3.73	0.92
Other Sectors (Net)*	(0.24)	(0.26)	0.09	(0.02)	(25.75)	6.21
Other Items (Net)	(1.90)	(2.38)	0.67	(0.48)	(26.02)	25.06

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.

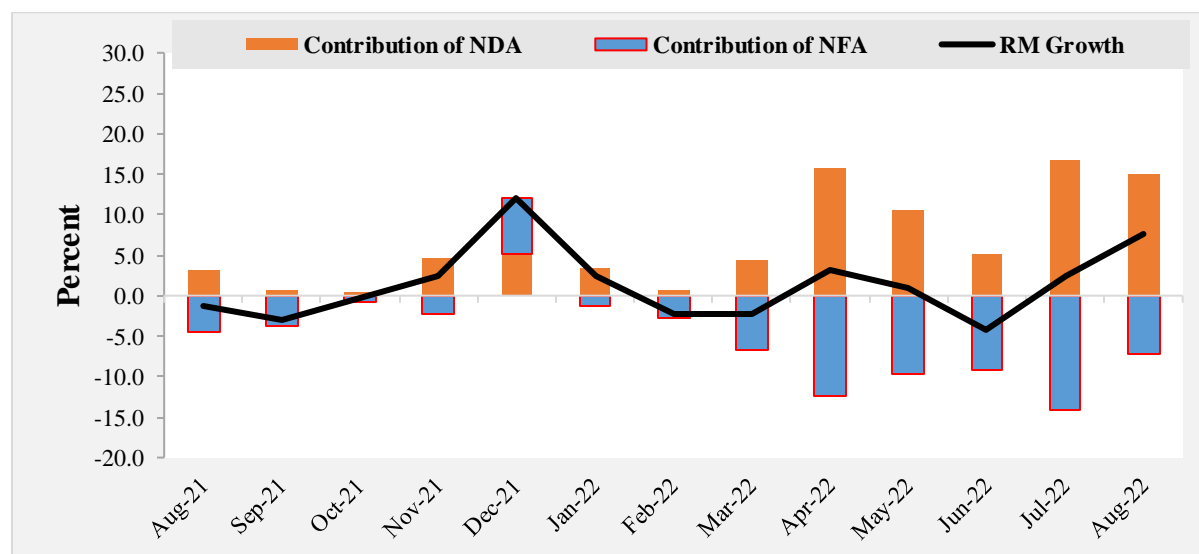
Narrow money (M1) recorded a growth of 4.13 percent in August 2022, following 1.96 percent growth in July 2022. The growth of narrow money was as a result of increment in both currency outside banks and demand deposits. Demand deposits increased by 2.12 percent in August 2022, following 3.83 percent growth in July 2022, and currency outside banks grew by 6.68 percent in August 2022, following 0.31 percent decline in July 2022. Quasi money grew by 3.47 percent in

August 2022, compared to 4.13 percent growth in July 2022. The growth of quasi money was mainly attributed to the increase in foreign currency deposit and time and saving deposit, which cumulatively outweighed the decline in other deposits by BSL in August 2022. Particularly, foreign currency deposit increased by 3.14 percent in August 2022, relative to 5.99 percent in July 2022, time and saving deposit increased by 3.94 percent in August 2022, relative to 1.61 percent decline in July 2022, and other deposits by BSL declined by 1.61 percent in August 2022, relative to 4.17 percent in July 2022.

4.2 RESERVE MONEY

Reserve money (RM) expanded by 7.72 percent in August 2022, relative to 2.50 percent growth in July 2022. The growth of reserve money was primarily due to the expansion in NDA, whereas the NFA of BSL worsened. NFA of the BSL worsened largely due to the increase in liabilities of non-residents owing to the depreciation of the exchange rate. NFA of the BSL fell by 12.11 percent to a negative position of Le3.08mn in August 2022, relative to a negative position of Le2.75mn in July 2022. On the other hand, NDA of BSL grew by 9.36 percent in August 2022, relative to 11.37percent growth in July 2022. On the liability side, the growth in reserve money reflected the rise in both currency issued and banks' reserves by 6.68 percent and 32.31 percent respectively in August 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 domestic assets contributed 14.94 percent to the growth in reserve money in August 2022, following 16.71 percent contribution in July 2022, whilst net foreign assets contributed -7.22 percent to the growth of reserve money in August 2022, relative to -14.20 percent contribution in July 2022. Table 2 shows the growth of reserve money and its components.

Table 2 Growth of Reserve Money and its Components

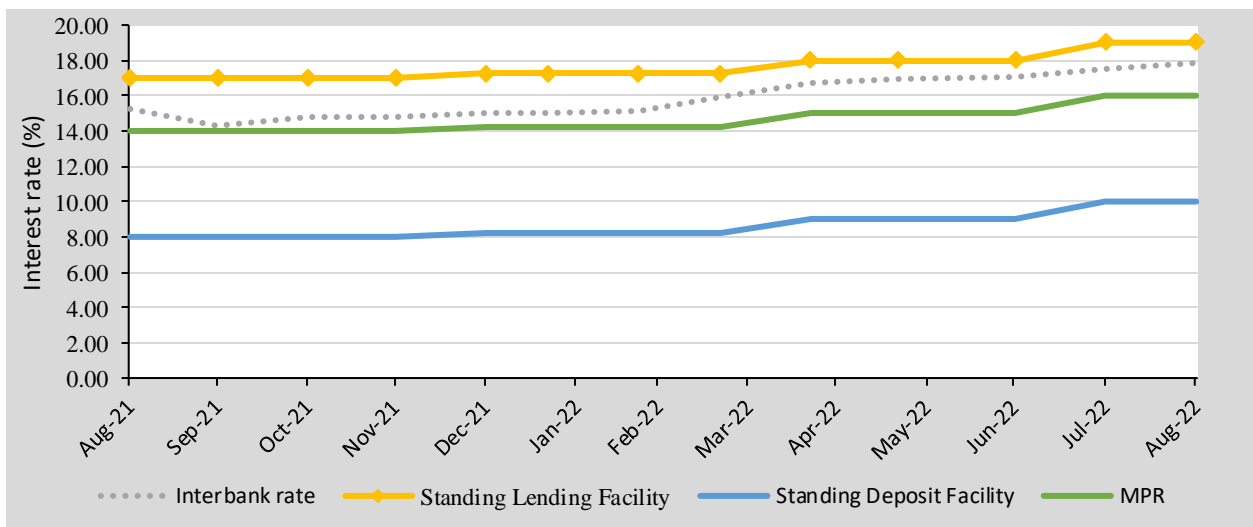
Millions of Leones	Actual Values		Absolute Change		% Growth	
	Jul-22	Aug-22	Jul-22	Aug-22	Jul-22	Aug-22
Net Foreign Assets	(2.75)	(3.08)	(0.64)	(0.33)	30.26	12.11
Net Domestic Assets	7.35	8.04	0.75	0.69	11.37	9.36
Government Borrowing (net)	5.60	6.29	0.20	0.69	3.76	12.26
o.w. Securities	1.84	2.04	0.05	0.20	2.62	10.35
Ways and Means	0.43	0	0.43	(0.43)	5,505.73	(100.00)
GoSL/IMF /WB Budget financing	3.53	3.53	-	-	-	-
Reserve money	4.60	4.96	0.11	0.36	2.50	7.72
o.w. Currency issued	3.32	3.54	(0.01)	0.22	(0.31)	6.68
Bank reserves	0.65	0.86	(0.09)	0.21	(11.69)	32.31

Source: Bank of Sierra Leone

4.3 Interest Rates

In August 2022, the Monetary Policy Rate (MPR), Standing Lending Facility, and Standing Deposit Facility remained the same at 16.00 percent, 19.00 percent, and 10.00 percent respectively, as were previously increased by 100 basis points in July 2022. However, the interbank rate changed to 17.85 percent in August, relative to 17.50 percent in July 2022. Figure 7 shows the trend in the Bank of Sierra Leone interest rates and the interbank rate in August 2022.

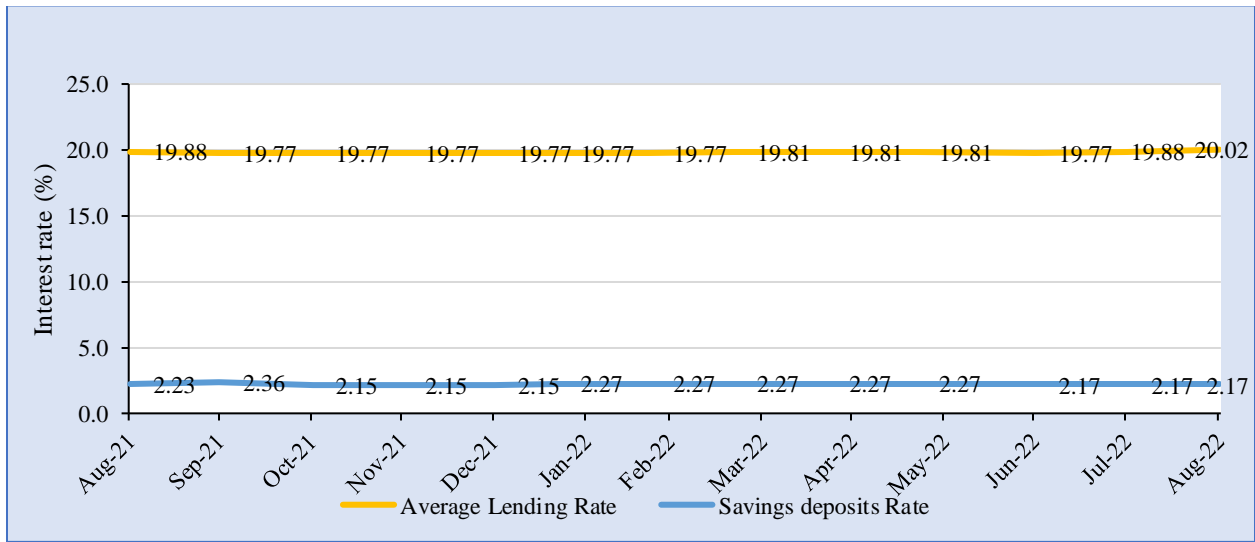
Figure 7: Bank of Sierra Leone Interest Rates and the Interbank Rate



Source: Bank of Sierra Leone

The commercial banks' average lending rate changed to 20.02 percent in August 2022, relative to 19.88 percent in July 2022. However, savings deposit rate remains unchanged at 2.17 in August as was in July 2022. Figure 8 shows the trend in average lending rate and average savings rate in August 2022.

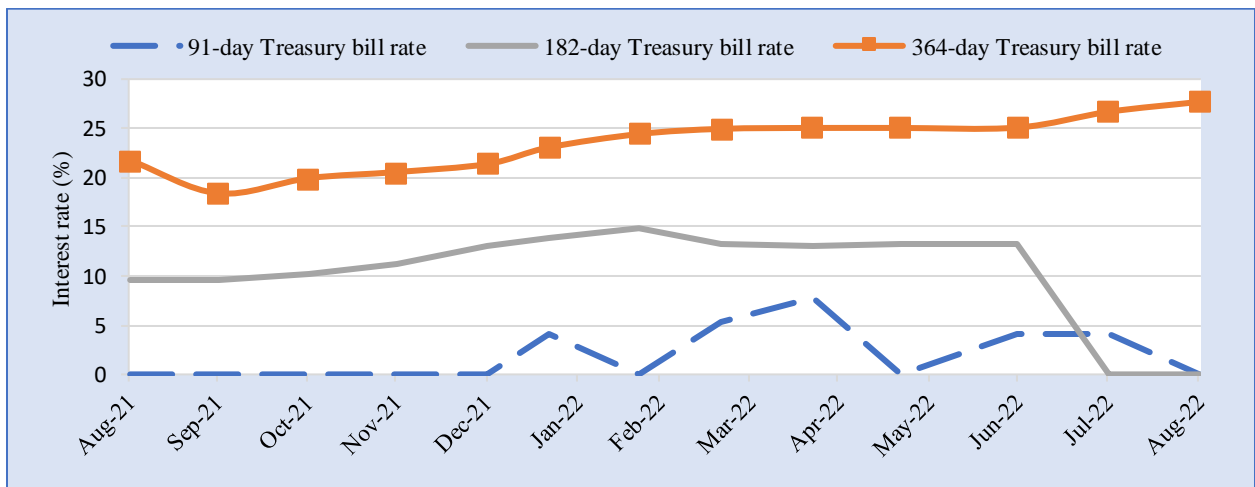
Figure 7: Average Lending and Savings deposit rates



Source: Bank of Sierra Leone

The yields on 364-day T-bills increased in August 2022, whilst 91-day T-Bills and 182-day T-bills recorded no trading activities in August 2022.. The yield on 364-day T-bills increased to 27.69 percent in August 2022, down from 26.68 percent in July 2022. The yield on 91-day T-Bills was 4.11 percent in July 2022. Additionally, 182-day T-Bills recorded no trading activities in July 2022. Figure 9 shows trend in the yields on T-bills.

Figure 8: Yields on Treasury Bills



Source: Bank of Sierra Leone

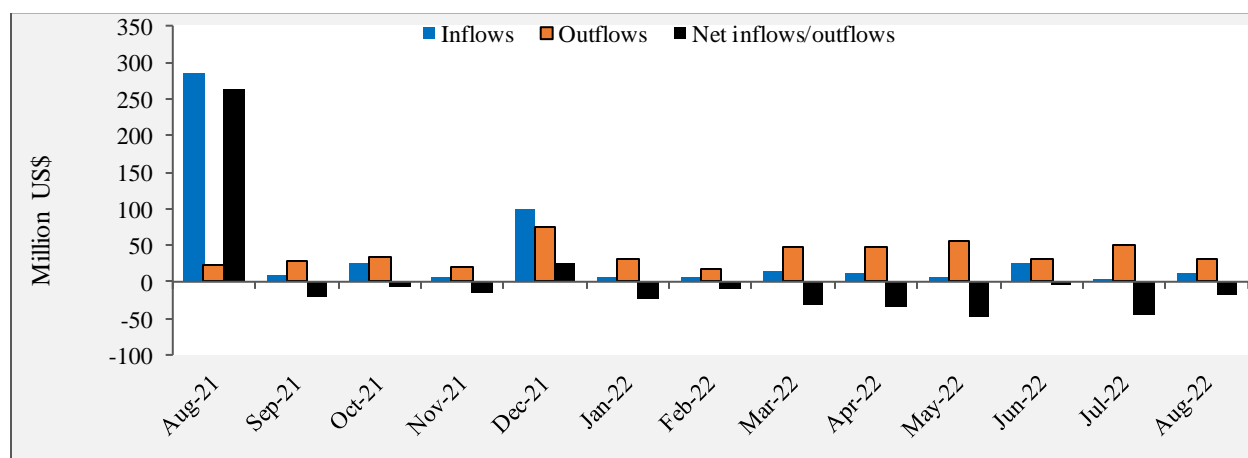
5. External Sector

5.1 Foreign Exchange Flows and Gross Reserves

As at end August 2022, the gross foreign exchange reserves (including swaps) of the Bank of Sierra Leone was US\$668.61 million, which represented a decline of 3.86 percent from US\$694.45 million in July, 2022. Inflows recorded in August 2022 was US\$11.71million, while outflows amounted to US\$31.13 million, resulting to a positive net outflow of US\$19.42 million, with a recorded revaluation adjustment of US\$6.42 million.

Inflows recorded in July 2022 was US\$4.12 million, while outflows amounted to US\$49.02 million, resulting to a positive net outflow of US\$44.90 million, with a recorded revaluation adjustment of US\$7.02 million. Figure 10 shows trend of foreign exchange flows.

Figure 9: Foreign Exchange Flows



Source: Bank of Sierra Leone

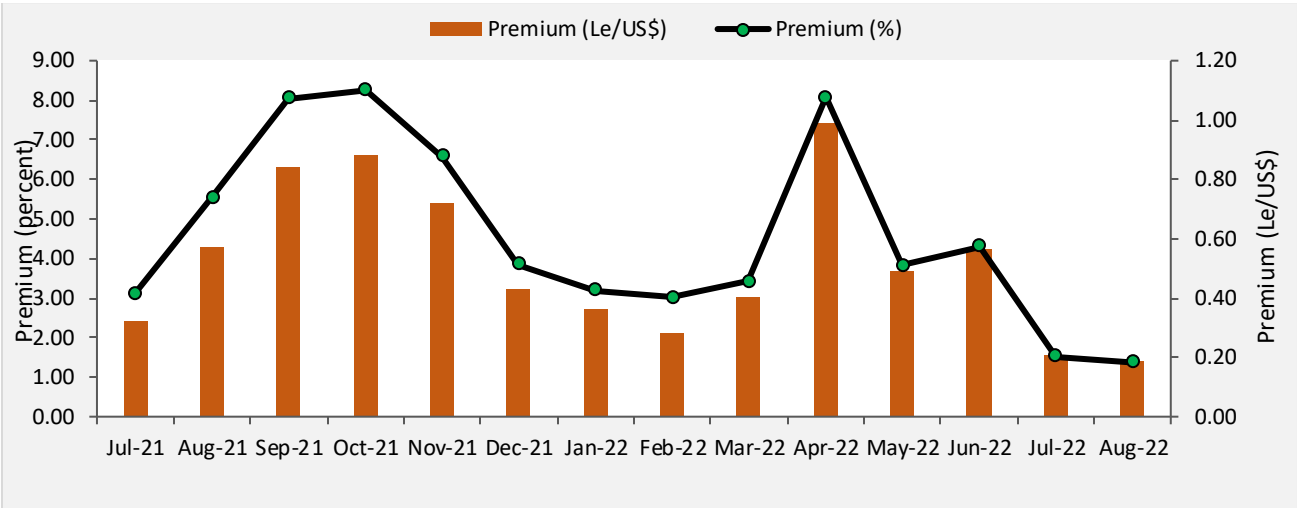
5.2 Exchange Rate Developments

The monthly average exchange rate of the Leone against the US dollar depreciated in all foreign exchange markets in August 2022 on both the buying and selling sides. With regards to the buying side, the Leone depreciated in the parallel market by 1.72 percent averaging Le14.12/US\$1, and also depreciated across commercial banks, and official and bureau markets by 1.82 percent, 2.13 percent and 1.44 percent, averaging Le13.89/US\$1, Le13.91/US\$1 and Le13.66/US\$1 respectively.

Similarly, on the selling side, the Leone depreciated in the parallel market by 1.54 percent averaging Le 14.21 /US\$1, and depreciated in the bureau market, official market and commercial banks by 0.83 percent, 1.45 per cent and 1.75 percent, averaging Le14.13/US\$1, Le14.04/US\$1 and Le14.08/US\$1 respectively.

The premium between the Official and Parallel rates slightly narrowed from 0.19 percent, which was Le0.21US\$1, in July, 2022 to 1.37 per cent (Le0.19/US\$1) in August 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

6. Conclusion

Activities in the agricultural sector, measured by production of Coffee and Cocoa was mixed in August 2022, as coffee production increased whereas cocoa production decreased. Mining sector performance slowed down in August 2022. Bauxite, ilmenite and iron ore increased whilst diamonds, gold, rutile, zircon and other minerals’ production fell. Performance in the manufacturing sector contracted in August 2022 as production declined for beer and stout, maltina and confectionery, whereas cement, and paint production increased.

Headline inflation (year-on-year) moderated in August 2022 compared to July 2022, reflecting the moderation in non-food inflation, whilst food inflation increased in the review period.

Government budgetary operations on a cash flow basis recorded a widened deficit in August 2022, emanating from the increase in expenditure coupled with a contraction in revenue. In August 2022, the Monetary Policy Rate (MPR), Standing Lending Facility, and Standing Deposit Facility remained the same at 16.00 percent, 19.00 percent, and 10.00 percent respectively. The interbank rate change to 17.85 percent in August, relative to 17.50 percent in July 2022. Monetary aggregates expanded as both broad money and reserve money recorded a growth in August 2022. The yield on 364-day T-bills increased, whilst 91-day T-Bills and 182-day T-bills recorded no trading activities in the reporting month of 2022. The monthly average exchange rate of the Leone against the US dollar depreciated in all foreign exchange markets in August 2022 on both the buying and selling sides. As at end August 2022, the gross foreign exchange reserves (including swaps) of the Bank of Sierra Leone decreased.