



**BANK OF SIERRA LEONE**

**Monthly  
Economic Review**

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# **BANK OF SIERRA LEONE**

## **MONTHLY ECONOMIC REVIEW**

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**ABBREVIATIONS**

AfDB	-	African Development Bank
BOP	-	Balance of Payments
BSL	-	Bank of Sierra Leone
CPI	-	Consumer Price Index
GFER	-	Gross Foreign Exchange Reserves
GoSL	-	Government of Sierra Leone
GW/hr	-	Giga-Watts Per Hour
HIPC	-	Heavily Indebted Poor Countries
IDA	-	International Development Association
IDB	-	Islamic Development Bank
IMF	-	International Monetary Fund
M2	-	Broad Money
MER	-	Monthly Economic Review
MPC	-	Monetary Policy Committee
MPR	-	Monetary Policy Rate
NDA	-	Net Domestic Assets
NMA	-	National Minerals Agency
NFA	-	Net Foreign Assets
ODC	-	Other Depository Corporation
OFID	-	OPEC Fund for International Development
OIN	-	Other Items Net
OPEC	-	Organization of the Petroleum Exporting Countries
RM	-	Reserve Money
SLF	-	Standing Lending Facility
SDF	-	Standing Deposit Facility
SSL	-	Statistics Sierra Leone

## **1.0 Highlights**

Macroeconomic performance across key sectors of the economy in January 2018 continued to be mixed. Inflationary pressures continued to abate, with headline inflation declining to 14.69 per cent in January 2018 from 15.33 per cent in December 2017. The decline was reflected in decreases in the prices of both food and non-food items.

Government budgetary operations on cash flow basis resulted in a deficit of Le288.85bn in January 2018 when compared with Le44.15bn in the preceding month. This outturn was attributed to increased expenditure that outpaced revenues collected. The overall deficit of Le288.85bn was mainly financed from domestic resources.

Developments in monetary aggregates exhibited mixed trend in January 2018, as broad money contracted whilst Reserve Money expanded. Broad money (M2) contracted by 0.08 per cent in January 2018, compared to a 5.07 per cent growth in December 2017. Growth in Reserve Money however moderated by 3.85 per cent in the review month when compared with a growth of 13.20 per cent in the previous month.

Monetary Policy Rate, Standing Lending Facility rate and Standing Deposit Facility rate remained unchanged at 14.50 per cent, 19.0 per cent and 12.00 per cent respectively. The interbank rate however decreased from 13.22 per cent in December 2017 to 12.94 per cent in January 2018.

The Gross Foreign Exchange Reserves of the Bank of Sierra Leone at end-January 2018 stood at US\$501.63mn, reflecting a marginal increase when compared to US\$500.80mn recorded in the preceding period. The marginal increase in reserves was driven mainly by revaluation gains of US\$8.64mn during the review period.

The Exchange rate of the Leone to the US dollars continued to be stable with mixed outcomes in the different segments of the foreign exchange rate market.

## **2.0 Production and Prices**

### **2.1 Production**

#### **2.1.1 Manufacturing**

Performance in the manufacturing sector remained mixed in January 2018. The production of Maltina, Acetylene and Oxygen increased, while the production of Beer and Stout, Confectionary and Common Soap declined.

The production volume for Maltina and acetylene increased by 31.26 per cent to 25.78 thousand cartons and 40.69 per cent to 27.80 thousand metric tons respectively. Similarly, oxygen production rose by 13.64 per cent to 28.00 thousand cubic feet. Production increases were also recorded for Maltina, Acetylene and Oxygen.

Beer & stout production dropped by 8.11 per cent to 153.24 thousand cartons, cement and paint production dropped by 2.62 per cent to 21.71 thousand metric tons and by 23.27 per cent to 41.22 thousand gallons respectively. Confectionary and common soap also decreased by 18.95 per cent to 200.89 thousand pounds and by 18.83 per cent to 39.87 thousand metric tons respectively.

#### **2.1.2 Mining Sector**

Output in the mining sector improved relative to the previous month. Total volume of diamond production increased by 7.58 per cent to 44.56 thousand carats. This amount included 21.87 thousand carats of industrial diamond and 22.69 thousand carats of gem diamonds. Bauxite and rutile production grew by 33.32 per cent to 214.24 thousand metric tons and 17.71 per cent to 12.03 thousand metric tons respectively. Ilmenite production rose by 31.59 per cent to 5.04 thousand metric tons. However, gold production declined by 62.80 per cent to 240.14 ounces.

#### **2.1.3 Electricity Generation**

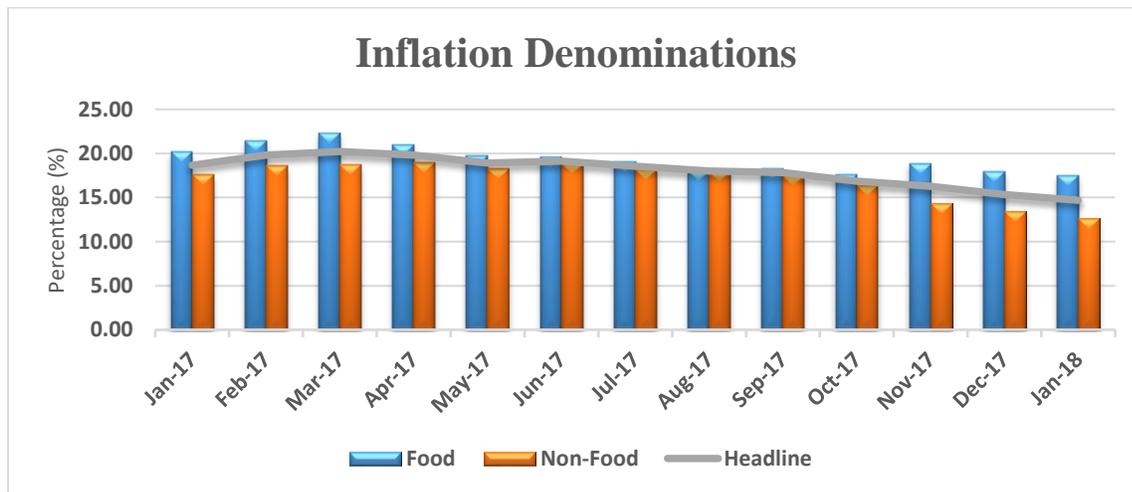
Total electricity generated in January 2018 slowed by 12.68 per cent to 25.76 Gw/hr. This generation comprised of 10.32GW/hr from thermal plants and 15.44GW/hr from hydro power.

### **2.2 Price Development**

Inflationary pressures continued to slowdown in January 2018, as headline inflation decreased by 0.64 percentage points to 14.69 in January 2018, from 15.33 per cent in December 2017. The decline in inflation was reflected in both food and non-food inflation. The reduced inflationary pressures in January 2018 could be attributed to the relative stability in the exchange rate and coupled with subdued domestic demand.

Food inflation declined to 17.51 per cent in January 2018 from 17.93 per cent in December 2017. Similarly, non-food inflation decelerated to 12.66 per cent in January 2018 from 13.45 per cent in December 2017 as shown in figure 1 below.

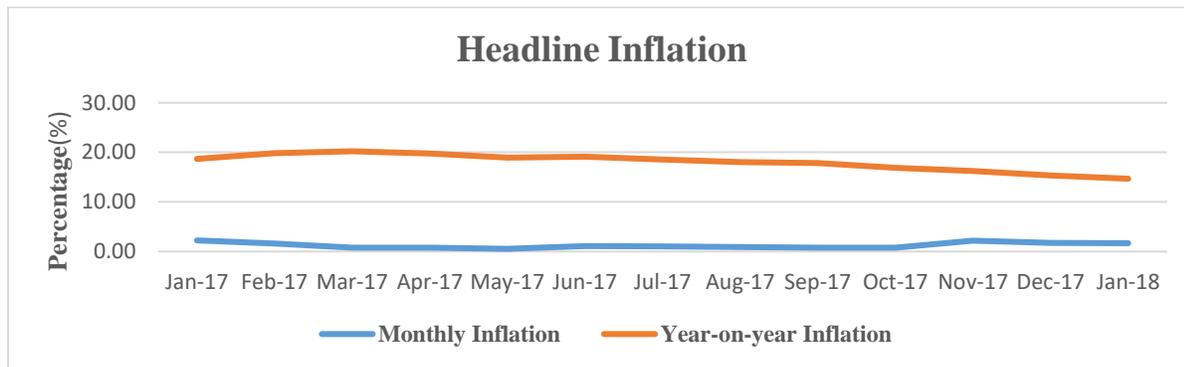
**Figure 1: Headline, Food and Non-Food Inflation**



*Source: SSL & Research Department, Bank of Sierra Leone*

On regional basis, year-on-year inflation rate decelerated in the Eastern region from 16.62 per cent to 15.22 per cent and Western region from 14.74 per cent to 13.25 per cent, while inflation increased in the Northern region from 14.98 per cent to 15.20 per cent and Southern region from 16.27 per cent to 17.18 per cent.

On a month-on-month basis, inflation rate decreased to 1.68 per cent in January 2018 from 1.72 per cent in December 2017. The drop in prices was attributed to decreases in the prices of food and non-alcoholic beverages, clothing and footwear, furniture, household equipment and household maintenance.

**Figure 2: Headline Inflation-Y-o-Y and Monthly Inflation Change**

Source: SSL & Research Department, Bank of Sierra Leone

## 2.0 Government Budgetary Operations

Government budgetary operations in January 2018 resulted in a deficit of Le288.85bn when compared with Le44.15bn in the preceding month. This outturn was attributed to increased expenditure that outpaced revenues collected.

### 3.1 Revenues

Total government revenues amounted to Le260.80bn in January 2018, reflecting 44.85 per cent decline on the level in December 2017, and 15.30 per cent lower than the projected amount of Le307.90bn. The decrease in total revenues was due to less than expected performance in receipts from customs and excise, coupled with the drop in foreign grants disbursed.

Domestic revenue increased by 3.17 per cent to Le259.35bn and exceeded the budgeted amount of Le220.65bn by 17.54 per cent. The growth in domestic revenue was reflected across all the tax categories except customs and excise.

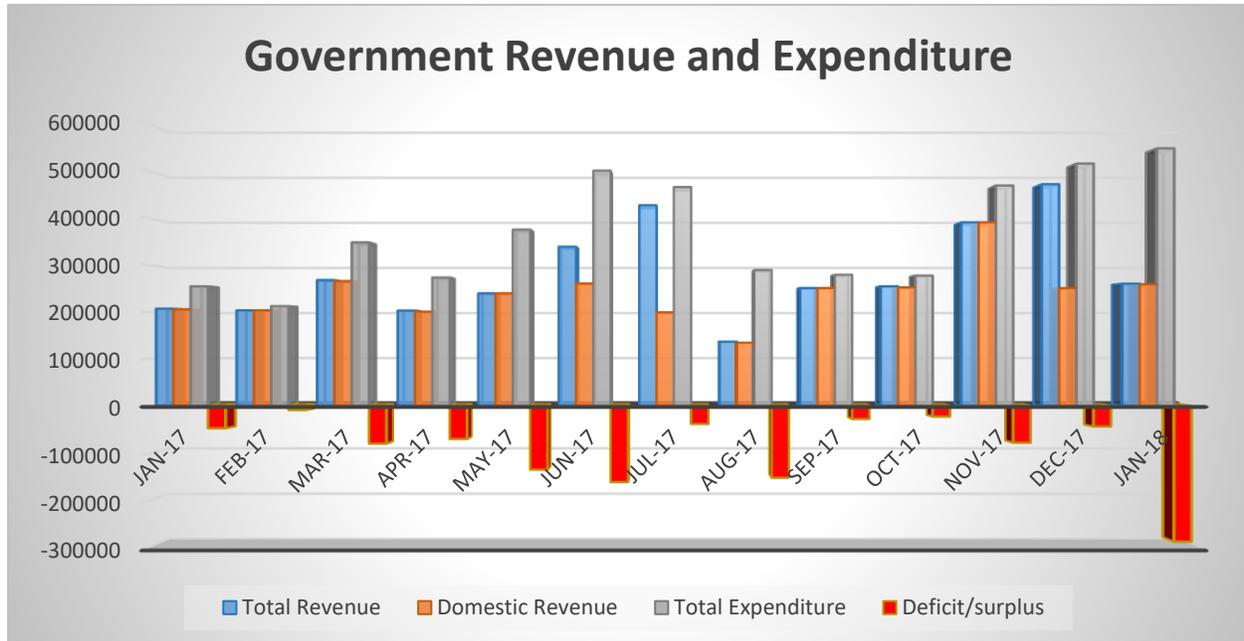
Receipts from Income Tax grew by 73.60 per cent to Le74.55bn, but fell short of the target of Le101.67bn. Collections from Goods and Services Tax increased by 35.64 per cent to Le75.03bn and was higher than the target of Le39.24bn. Receipts from Non-tax revenue rose by 98.34 per cent to Le60.04bn and was higher than the target of Le40.07bn.

Receipts from Customs and Excise however declined by 59.52 per cent to Le49.73bn, but exceeded the budgeted target of Le39.67bn.

Foreign grants disbursed in January 2018 declined to Le1.45bn, and was 98.34 per cent below the projected target of Le87.25bn.

### 3.2 Expenditures

**Figure 3: Government Revenue and Expenditure.**



*Source: Research Department, Bank of Sierra Leone*

Total expenditure expanded by 6.30 per cent to Le549.644bn, and was above the ceiling of Le307.39bn. The increase in total spending was due to increased personal emoluments and other expenditure, while debt services payment declined in the reporting month. Personal emolument increased by 0.84 per cent to Le164.02bn, exceeding the ceiling of Le156.64bn. Other expenditure including Treasury expenses for goods and services increased by 34.34 per cent to Le320.20bn and was higher than the ceiling of Le119.53bn. In contrast, Debt Services payment contracted by 43.64 per cent to Le65.43bn, and was lower than the ceiling of Le31.52bn.

Of this amount, domestic debt services payment amounted to Le54.98bn, while foreign debt services payment was Le10.45bn.

### 3.3 Financing

The overall deficit of Le288.85bn was mainly financed from domestic resources.

#### **4.0 Monetary Developments**

Monetary aggregates exhibited mixed trend during the month of January 2018, as broad money contracted whilst Reserve Money expanded.

##### **4.1 Broad Money**

Broad money (M2) contracted by 0.08 per cent in January 2018, compared to a 5.07 per cent growth in December 2017. The contraction was mainly driven by 6.74 percent decline in the Net Foreign Assets (NFA), as NDA increased by 3.26 percent in January 2018.

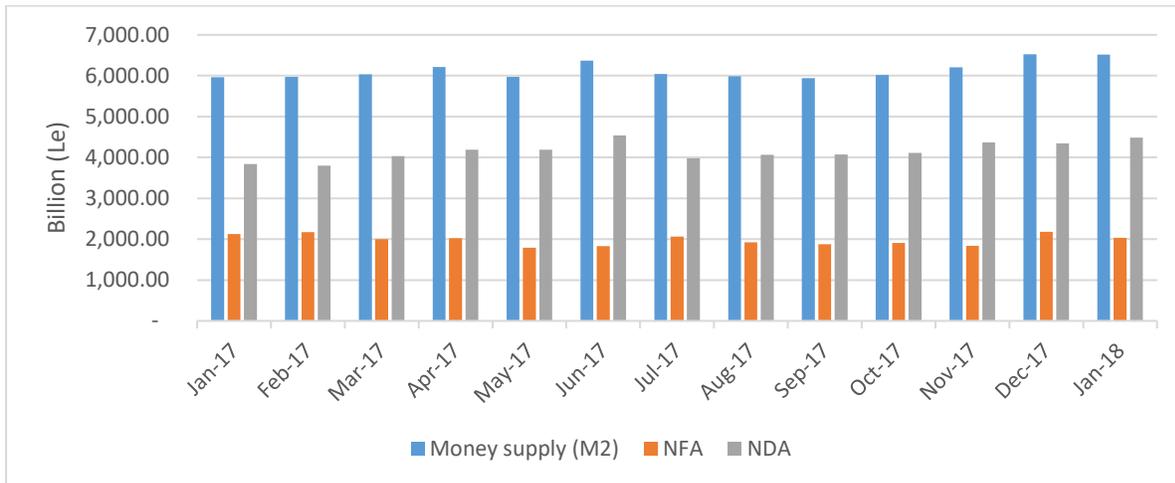
The NFA of the banking system declined due to decreases in the NFA of both the Central Bank and commercial banks by 13.60 per cent and 5.01 per cent respectively in January 2018. The contraction in the NFA of the Central Bank could be attributed to the increase in foreign liabilities of the BSL, whilst NFA of the commercial banks declined mainly as a result of the decrease in claims on non-residents. Net Domestic Assets (NDA) of the banking system increased by 3.26 per cent, compared to a contraction of 0.53 per cent in the previous month. The growth in NDA reflected increases in utilization of Ways and Means by government amounting to Le109.34bn and government security holdings by the commercial banks. Private sector credit also increased by 2.99 per cent in January 2018, from a deterioration of 4.52 per cent in December 2017.

**Table 1: Broad Money and its Components**

			Absolute Change		(% Change)	
	Dec-17	Jan-18	Dec-17	Jan-18	Dec-17	Jan-18
<b>Reserve money</b>	<b>2,284.26</b>	<b>2,372.09</b>	<b>266.43</b>	<b>87.83</b>	<b>13.20</b>	<b>3.85</b>
<b>Money supply (M2)</b>	<b>6,522.32</b>	<b>6,517.09</b>	<b>314.90</b>	<b>(5.23)</b>	<b>5.07</b>	<b>(0.08)</b>
<b>Narrow money (M1)</b>	<b>3,044.04</b>	<b>3,100.89</b>	<b>212.97</b>	<b>56.85</b>	<b>7.52</b>	<b>1.87</b>
Currency outside banks	1,530.46	1,467.28	191.01	(63.18)	14.26	(4.13)
Demand deposit	1,513.58	1,633.61	21.96	120.03	1.47	7.93
<b>Quasi money</b>	<b>3,477.71</b>	<b>3,412.51</b>	<b>101.86</b>	<b>(65.20)</b>	<b>3.02</b>	<b>(1.87)</b>
o.w. Foreign currency deposit	1,751.01	1,665.40	89.41	(85.61)	5.38	(4.89)
Time and saving deposit	1,726.70	1,747.11	12.45	20.41	0.73	1.18
<b>Net Foreign Asset</b>	<b>2,178.04</b>	<b>2,031.20</b>	<b>337.94</b>	<b>(146.84)</b>	<b>18.37</b>	<b>(6.74)</b>
BSL	438.46	378.85	299.27	(59.61)	215.01	(13.60)
ODCs	1,739.58	1,652.35	38.67	(87.23)	2.27	(5.01)
<b>Net Domestic Assets</b>	<b>4,344.28</b>	<b>4,485.89</b>	<b>(23.04)</b>	<b>141.61</b>	<b>(0.53)</b>	<b>3.26</b>
<b>Net Domestic Credit</b>	<b>5,871.02</b>	<b>6,043.59</b>	<b>131.78</b>	<b>172.57</b>	<b>2.30</b>	<b>2.94</b>
Government (Net)	4,374.20	4,533.06	265.40	158.86	6.46	3.63
Private Sector	1,412.99	1,453.44	(65.26)	40.45	(4.41)	2.86
o.w. BSL	35.00	34.27	(0.03)	(0.73)	(0.09)	(2.09)
ODCs	1,377.99	1,419.17	(65.23)	41.18	(4.52)	2.99
Other Sectors (Net)*	83.83	57.09	(68.36)	(26.74)	(44.92)	(31.90)
<b>Other Items (Net)</b>	<b>(1,526.74)</b>	<b>(1,557.70)</b>	<b>(154.82)</b>	<b>(30.96)</b>	<b>11.28</b>	<b>2.03</b>
<b>Money Multiplier</b>	2.86	2.75				

*Source: Research Department, BSL*

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

**Figure 4: M2 and its Sources**

*Source: Research Department, BSL*

Narrow Money (M1) growth moderated to 1.87 per cent in January 2018, compared to 7.52 per cent in December 2017. Growth in Narrow Money was primarily stirred by a 7.93 per cent expansion in demand deposits, as currency outside banks declined by 4.13 per cent. Quasi Money decreased by 1.87 per cent in January 2018, compared to an increase of 3.02 per cent in December 2017.

#### 4.2 Reserve Money

Reserve money (RM) growth moderated to 3.85 per cent in the month of January 2018, from an increase of 13.20 per cent in December 2017.

**Table 2: Reserve Money and its Components**

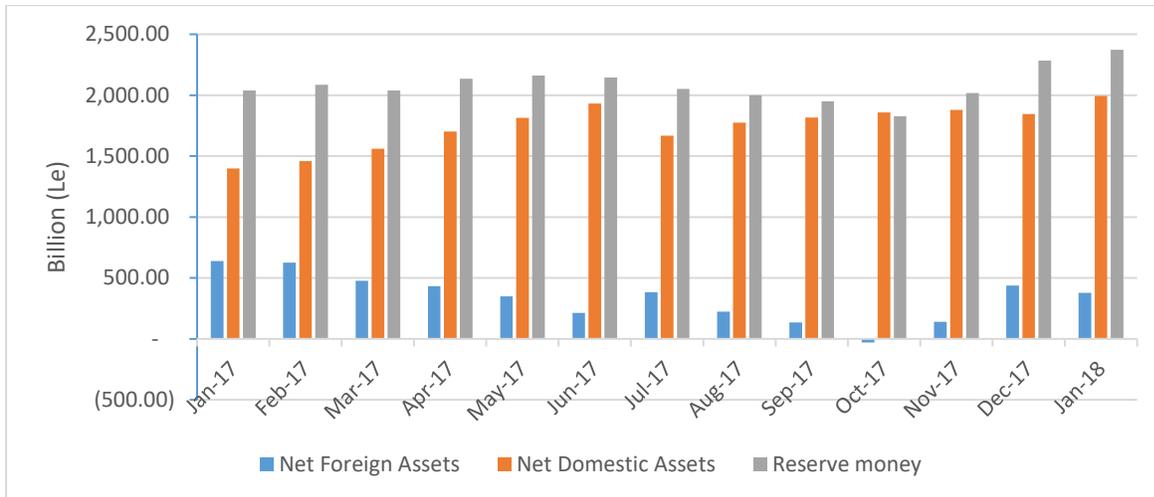
			Absolute change		(% Change)	
	Dec-17	Jan-18	Dec-17	Jan-18	Dec-17	Jan-18
<b>1. Net Foreign Assets</b>	<b>438.46</b>	<b>378.85</b>	<b>299.27</b>	<b>(59.61)</b>	<b>215.01</b>	<b>(13.60)</b>
<b>2. Net Domestic Assets</b>	<b>1,845.80</b>	<b>1,993.24</b>	<b>(32.84)</b>	<b>147.44</b>	<b>(1.75)</b>	<b>7.99</b>
2.1 Government Borrowing (net)	2,082.11	2,185.05	(12.26)	102.94	(0.59)	4.94
o.w. 2.11 Securities	1,186.70	1,141.58	2.60	(45.12)	0.22	(3.80)
2.12 Ways and Means	120.02	229.36	8.94	109.34	8.05	91.10
2.13 GoSL/IMF Budget	988.95	988.95	-	-	-	-
financing	988.95	988.95	-	-	-	-
<b>3. Reserve money</b>	<b>2,284.26</b>	<b>2,372.09</b>	<b>266.43</b>	<b>87.83</b>	<b>13.20</b>	<b>3.85</b>
o.w. 3.1 Currency issued	1,764.46	1,700.68	246.75	(63.78)	16.26	(3.61)

3.2 Bank reserves	519.24	667.73	19.62	148.49	3.93	28.60
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Source: Research Department, BSL

The slow growth in reserve money was mainly due to 28.60 per cent increase in bankers reserves, as currency issued contracted by 3.61 per cent during the month.

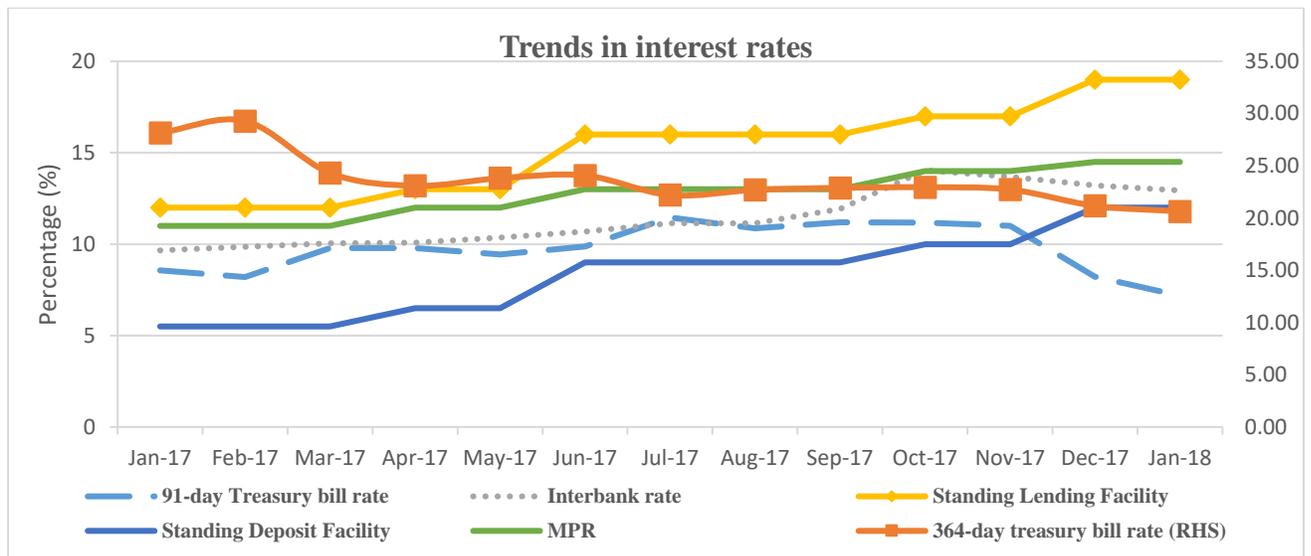
**Figure 5: Reserve Money and its Sources**



Source: Research Department, BSL

### 4.3 Interest Rates

Since the upward adjustments in December 2017, Monetary Policy rate, Standing Lending Facility rate and Standing Deposit Facility rate remained unchanged at 14.50 per cent, 19.0 per cent and 12.00 per cent respectively. The interbank rate however decreased from 13.22 per cent in December 2017 to 12.94 per cent in January 2018. The average lending and commercial banks' saving deposit rates remained at 21.35 per cent and 2.38 per cent respectively.

**Figure 6: Monetary Policy Rate and Other Market Rates**

Source: Research Department, BSL

The yield on the 91-day and 364-day treasury bills decreased from 8.22 per cent and 21.17 per cent in December 2017, to 7.18 per cent and 20.64 per cent in January 2018 respectively. The yield on the 182-day treasury bills however increased from 9.68 per cent to 10.12 per cent in the same period.

**Table 3: Interest Rates (%)**

	2017												2018
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
91-day Treasury bill rate	8.57	8.20	9.79	9.78	9.43	9.88	11.46	10.87	11.19	11.17	11.01	8.22	7.18
182-day Treasury bill rate	15.68	15.51	13.54	11.73	9.11	15.31	15.18	14.97	13.91	12.43	10.62	9.68	10.12
364-day treasury bill rate	28.16	29.29	24.31	23.09	23.82	24.08	22.2	22.70	22.89	22.95	22.73	21.17	20.64
Interbank rate	9.66	9.86	10.05	10.09	10.36	10.69	11.14	11.15	11.92	14.04	13.68	13.22	12.94
Standing Lending Facility	12.00	12.00	12.00	13.00	13.00	16.00	16.00	16.00	16.00	17.00	17.00	19.00	19.00
Standing Deposit Facility	5.50	5.50	5.50	6.5	6.5	9.00	9.00	9.00	9.00	10.00	10.00	12.00	12.00
MPR	11.00	11.00	11.00	12.00	12.00	13.00	13.00	13.00	13.00	14.00	14.00	14.50	14.50
Average 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
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

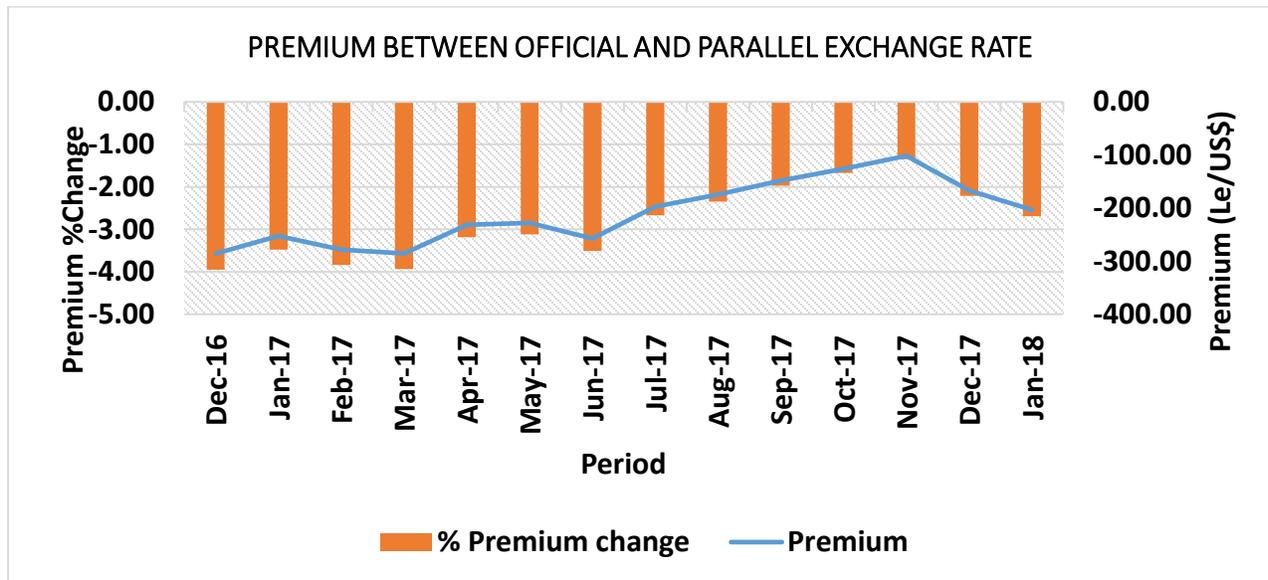
## 5.0 Exchange Rates Developments

The monthly average exchange rate movement of the Leone against the US dollar in January, 2018 was mixed. On the buying front, the parallel market, commercial banks and bureaux rates depreciated marginally by 0.66, 0.09 and 0.03 per cent, averaging Le7,713.64/US\$1, Le7,563.20/US\$1 and Le7,456.24/US\$1 respectively; while the official rate appreciated slightly by 0.02 per cent averaging Le7,464.61/US\$1

Similarly, on the selling front, the bureaux, parallel market and commercial banks' rates depreciated marginally by 0.28, 0.25 and 0.11 per cent averaging Le7,640.03/US\$1, Le7,772.73/US\$1 and Le7,667.66/US\$1 respectively, while the official rate appreciated slightly by 0.02 per cent averaging Le7,615.41/US\$1

The premium between the official and parallel rates widened by 0.70 percentage points, from Le197.11/US\$1 in December 2017 to Le249.03/US\$1 in the review period (figure 7)

**Figure 7: Premium between Official and Parallel Exchange Rates**



Source: Research Department, BSL

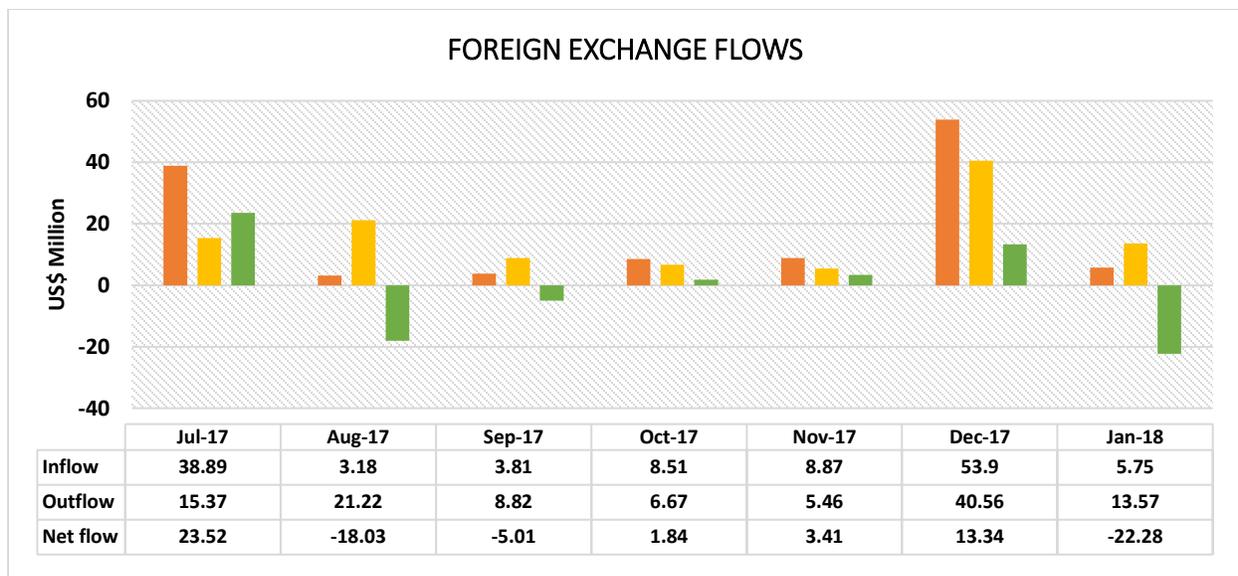
## 6.0 Gross Foreign Exchange Reserves

The Gross Foreign Exchange Reserves of the Bank of Sierra Leone at end-January 2018 stood at US\$501.63mn, reflecting a marginal increase when compared to US\$500.80mn recorded in the preceding period. The marginal increase in reserves was driven mainly by revaluation gains of US\$8.64mn during the review period.

Total inflows amounted to US\$5.75mn, with significant inflows comprising, US\$4.86mn, being receipts from exports, of which, US\$2.82mn was income received from diamond exporters' income tax and US\$1.12mn was royalty from Sierra Rutile limited.

Total outflows amounted to US\$13.57mn, with significant outflows of US\$9.33mn, being payments for goods and services, of which US\$5.62mn was in respect of government travel and other government expenditures while US\$2.14 was embassy/mission payments. Debt service payments to various creditors amounted to US\$4.24mn. (Figure 8).

**Figure 8: Foreign Exchange Flows**



Source: Research Department, BSL