



**BANK OF SIERRA LEONE**

**Monthly Economic  
Review**

**Volume 23| Issue 2**

**February, 2020**



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Review**

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**Publisher:** The Monthly Economic Review [MER] is published by the Research Department, Bank of Sierra Leone. The Department takes responsibility for opinions expressed in this review; queries should be forwarded to [res@bsl.gov.sl](mailto:res@bsl.gov.sl)

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## ABBREVIATIONS

AfDB	-	African Development Bank
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
MPR	-	Monetary Policy Rate
NDA	-	Net Domestic Assets
NFA	-	Net Foreign Assets
ODC	-	Other Depository Corporation
OPEC	-	Organization of Petroleum Exporting Countries
OFID	-	OPEC Fund for International Development
RM	-	Reserve Money
SDF	-	Standing Deposit Facility
SDR	-	Special Drawing Rights
SLF	-	Standing Lending Facility
Y-o-Y	-	Year-on-Year

## 1.0 Highlights

Production performance in the manufacturing sector was mixed in the month of February 2020. Production levels of cement, paint and oxygen increased, while output for common soap and confectionery declined. Cement production increased by 5.28 percent to 29.11 thousand metric tons. Paint and oxygen production rose by 2.43 percent to 78.42 thousand gallons, and by 52.17 percent to 70.00 thousand cubic feet respectively. However, common soap and confectionery production declined by 34.82 percent to 39.00 thousand metric tons, and by 20.82 percent to 279.16 thousand pounds respectively. Electricity generation declined due to low performance in both hydro power and thermal plant generation in the review period.

Headline inflation increased to 14.69 percent in February 2020 from 13.60 percent in January 2020. The increase in headline inflation was reflected in an increase in both food and non-food inflation. Food inflation rose to 8.30 percent in February 2020 from 7.46 percent in January 2020. Non-food inflation increased to 23.84 percent in February 2020 from 23.39 percent in December 2020.

Government budgetary operations on cash flow basis resulted in a deficit of Le181.93bn compared to a deficit of Le107.13bn in January 2020. The widened deficit was on account of the contraction in revenue mobilization which outweighed the contraction in government spending during the reviewed period.

The Monetary Policy Rate (MPR) remained unchanged at 16.50 percent in February 2020. Similarly, the Standing Lending and Deposit Facility Rates were also unchanged at 20.50 and 13.50 percent respectively. The commercial banks' average lending and deposit rates also remained unchanged at 21.35 percent and 2.38 percent respectively. The interbank rate decreased from 18.84 percent in January 2020 to 18.77 percent in February 2020.

The trends in monetary aggregate were mixed during February 2020, with decreased Broad Money (M2), while Reserve Money (RM) increased. Broad Money (M2) contracted by 0.32 percent in February 2020, compared to the 1.16 contraction in January 2020. The contraction in M2 reflects a decrease in the Net Foreign Assets of the Banking System which outweighed the increase in the Net Domestic Assets of the Banking System. However, Reserve Money (RM) increased by 1.44 percent in February 2020, compared to a decrease of 6.50 percent in January 2020. The growth in RM was mainly due to expansion in NDA of the Central bank, which more than offset the decreased in its NFA.

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 1.04 percent to US\$521.91mn in February 2020 from US\$527.42mn in January 2020, reflecting an increase in outflows of US\$11.10mn over inflows of US\$7.21mn, with a net outflow of US\$3.89mn.

The monthly average exchange rate movement of the Leone relative to the US dollar remained stable as reflected in the narrowing of the Premium between the Official and Parallel rates.

## **2.0 Production and Prices**

### **2.1 Production**

#### **2.1.1 Manufacturing**

Production performance in the manufacturing sector was mixed in the month of February 2020. Production levels of cement, paint and oxygen increased, while output for common soap and confectionery declined. Cement production increased by 5.28 percent to 29.11 thousand metric tons. Paint and oxygen production rose by 2.43 percent to 78.42 thousand gallons, and by 52.17 percent to 70.00 thousand cubic feet respectively. However, common soap and confectionery production declined by 34.82 percent to 39.00 thousand metric tons, and by 20.82 percent to 279.16 thousand pounds respectively.

#### **2.1.2 Agricultural Sector**

Production in the agricultural sector proxied by cocoa and coffee output slowed down in the review month. Cocoa production declined to 603.00 metric tons in February 2020 from 18,863.72 metric tons in January 2020.

#### **2.1.3 Mining Sector**

Production activities in the mining sector were subdued in the month of February 2020, reflected by a decline in output of most minerals. Diamond production declined to 46.06 thousand carats in February 2020 from 47.43 thousand carats in January 2020. This amount consists of industrial diamond of 14.78 thousand carats and gem diamond amounting to 31.28 thousand carats. Similarly, gold production dropped to 31.92 ounces in February 2020 from 57.84 ounces in January 2020. However, bauxite production increased to 122.89 thousand metric tons in the reviewed month from 120.30 thousand metric tons in January 2020.

#### **2.1.4 Electricity**

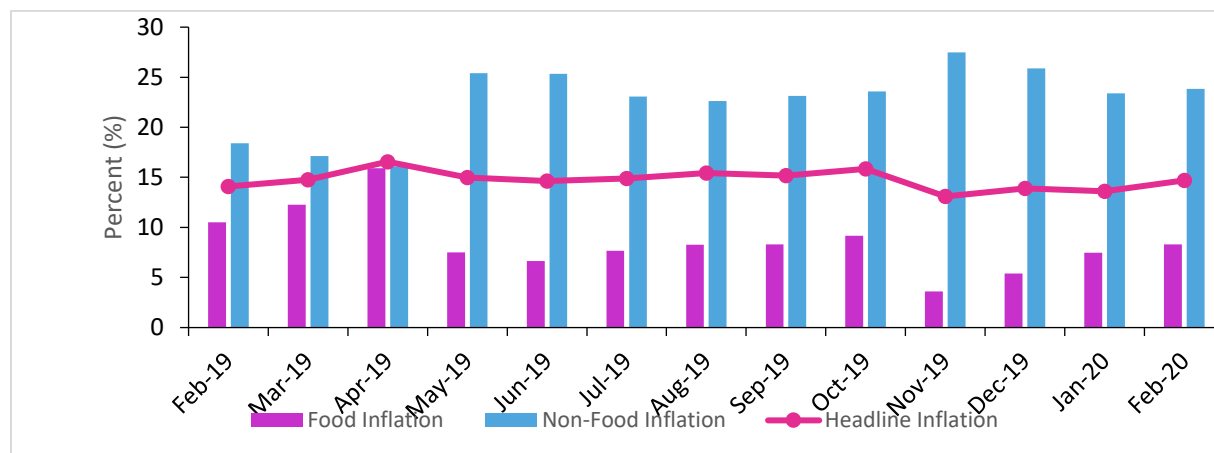
Electricity generated in the month of February 2020 declined by 37.47 percent to 9.66 Gw/hr compared to 15.44 Gw/hr in January 2020. The decrease in electricity generation resulted from the dropped in both hydro power and thermal plant generation in the review period. Thermal plant generation declined to 0.63 Gw/hr in February 2020 from 0.73 Gw/hr in January 2020. Similarly, hydro power generation fell to 9.02 Gw/hr in February from 2020 14.71 Gw/hr in January 2020.

## 2.2 Price Development

Annual headline inflation increased to 14.69 percent in February 2020 from 13.60 percent in January 2020. The increase in headline inflation was reflected in an increase in both food and non-food inflation. Food inflation rose to 8.30 percent in February 2020 from 7.46 percent in January 2020. Non-food inflation increased to 23.84 per cent in February 2020 from 23.39 percent in December 2020.

On regional basis, inflation increased in the three regions except Western Area, in which inflation decreased in the reporting month. Inflation increased in the Eastern region to 15.66 percent in February 2020 from 14.99 percent in January 2020. Similarly, inflation in the Northern region increased to 10.09 percent in February 2020 from 4.53 percent in January 2020; and the same holds for the Southern region inflation which increased to 10.43 percent in February 2020 from 10.31 percent in January 2020. On the other hand, Western Area inflation decreased to 18.79 percent in February 2020 from 20.09 percent in January 2020.

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

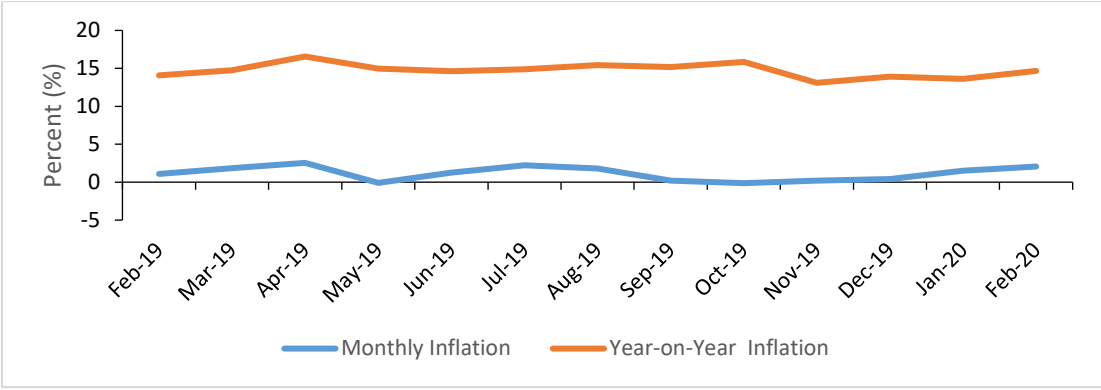


Source: Statistics Sierra Leone and BSL

On monthly basis, inflation increased to 2.06 per cent in February 2020 from 1.51 per cent in January 2020.



**Figure 2: Year-on-Year Inflation-Y-o-Y and Monthly Inflation Change**



Source: Statistics Sierra Leone

**3.0 Government Budgetary Operations**

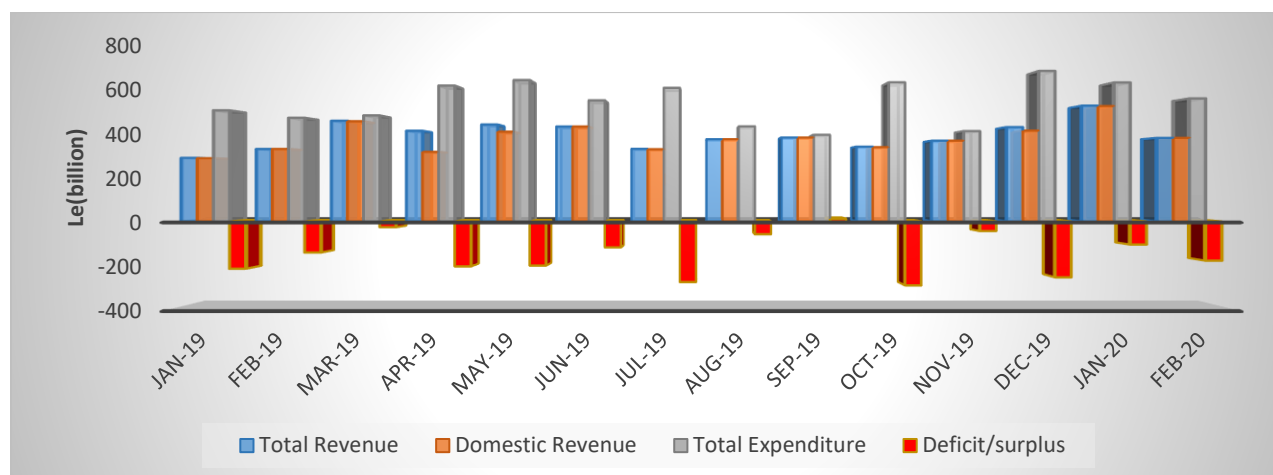
Government budgetary operations in February 2020 on cash flow basis resulted in a deficit of Le181.93bn compared to a deficit of Le107.13bn in January 2020. The widened deficit was on account of the contraction in revenue mobilization which outweighed the contraction in government spending during the reviewed period.

**3.1 Revenue**

Government revenue contracted by 27.52 percent to Le386.07bn, and was short of the programmed target of Le415.19bn by 7.01 percent. There was no budgetary support received during the reporting month.

The decline in government revenue was explained by contraction of receipts from customs & excise duties, income tax, goods & services and non-tax revenue in the review period. Receipts from Customs and Excise decreased by 24.45 percent to Le48.39bn, non-tax revenue declined by 39.15 percent to Le164.75bn, income tax department contracted by 12.70 percent to Le97.80bn and receipts from Goods and Services tax declined by 12.45 percent to Le75.14bn.

**Figure 3: Government Revenue and Expenditure**



Source: Research Department, Bank of Sierra Leone

### 3.2 Expenditure

Although government expenditure contracted by 11.47 percent to Le568.00bn, it however breached the ceiling of Le522.45bn by 8.72 percent. The contraction in government expenditure was explained by declined in other expenditure and debt service payments. Whereas pension, wages & salaries increased during the review period. Other expenditure on goods and services declined by 20.30 percent to Le296.31bn, debt service payments decreased by 2.24 percent to Le109.41bn, of which domestic debt service payments amounted to Le98.55bn, and foreign debt service payment amounted to Le10.86bn. On the other hand, Pension, wages and salaries expanded by 2.78 percent to Le162.28bn.

### 3.3 Financing

The overall deficit of Le181.93bn was exclusively financed from domestic sources.

#### **4.0 Monetary Developments**

The trends in monetary aggregate were mixed during February 2020, with decreased Broad Money (M2), while Reserve Money (RM) increased.

#### **4.1 Broad Money**

Broad Money (M2) contracted by 0.32 percent in February 2020, compared to the 1.16 contraction in January 2020. The contraction in M2 reflects a decrease in the Net Foreign Assets of the Banking System which outweighs the increase in the Net Domestic Assets of the Banking System.

The NFA of the banking system declined by 2.12 percent in February 2020, relative to the decline of 3.82 percent in January 2020. This was due to a 11.14 percent contraction in the NFA of the BSL in January 2020, relative to a 10.85 percent contraction in January 2020, and a 0.27 percent contraction in the NFA of the commercial banks, compared to the 2.24 percent decline in January 2020

The NDA of the banking system increased by 0.27 percent in February 2020, compared with a 0.27 percent contraction in January 2020. This was mainly on account of increase in bank financing of the budget as well as increase in credit to the private sector by the banking sector.

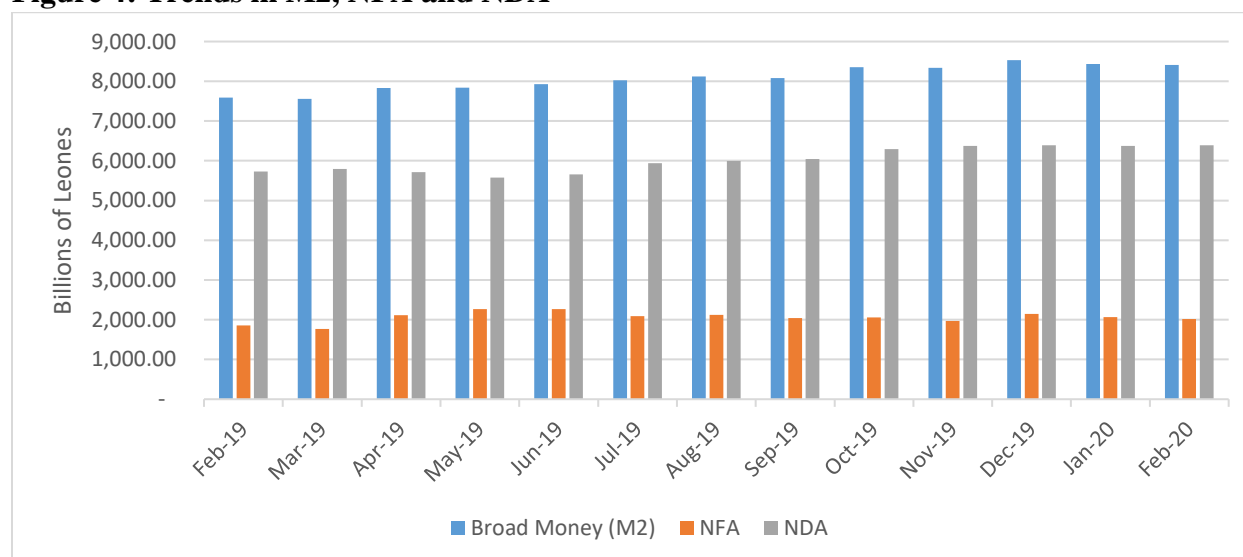
Credit to the private sector by the commercial banks expanded by 1.20 percent in February 2020, compared to the 0.06 percent increase recorded in January 2020.

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

Billions of Leones	2020		Absolute Change		% Change	
	Jan	Feb	Jan-20	Feb-20	Jan-20	Feb-20
<b>Reserve money</b>	<b>2,557.45</b>	<b>2,594.25</b>	<b>(177.74)</b>	<b>36.80</b>	<b>(6.50)</b>	<b>1.44</b>
<b>Broad Money (M2)</b>	<b>8,433.93</b>	<b>8,407.36</b>	<b>(99.09)</b>	<b>(26.57)</b>	<b>(1.16)</b>	<b>(0.32)</b>
<b>Narrow money (M1)</b>	<b>3,899.63</b>	<b>3,944.55</b>	<b>(106.28)</b>	<b>44.92</b>	<b>(2.65)</b>	<b>1.15</b>
Currency outside banks	1,935.41	1,937.42	(104.49)	2.00	(5.12)	0.10
Demand deposit	1,964.22	2,007.13	(1.79)	42.92	(0.09)	2.18
<b>Quasi money</b>	<b>4,534.30</b>	<b>4,462.81</b>	<b>7.19</b>	<b>(71.49)</b>	<b>0.16</b>	<b>(1.58)</b>
o.w. Foreign currency deposit	2,234.99	2,166.71	3.98	(68.29)	0.18	(3.06)
Time and saving deposit	2,291.68	2,289.57	0.77	(2.11)	0.03	(0.09)
<b>Net Foreign Asset</b>	<b>2,062.54</b>	<b>2,018.86</b>	<b>(81.89)</b>	<b>(43.68)</b>	<b>(3.82)</b>	<b>(2.12)</b>
BSL	350.45	311.42	(42.67)	(39.03)	(10.85)	(11.14)
ODCs	1,712.09	1,707.44	(39.22)	(4.65)	(2.24)	(0.27)
<b>Net Domestic Assets</b>	<b>6,371.39</b>	<b>6,388.51</b>	<b>(17.19)</b>	<b>17.12</b>	<b>(0.27)</b>	<b>0.27</b>
<b>Net Domestic Credit</b>	<b>8,503.41</b>	<b>8,623.56</b>	<b>1.96</b>	<b>120.14</b>	<b>0.02</b>	<b>1.41</b>
Government (Net)	6,332.51	6,433.21	(14.92)	100.70	(0.24)	1.59
BSL	2,641.33	2,734.80	7.64	93.47	0.29	3.54
ODCs	3,691.18	3,698.41	(22.56)	7.23	(0.61)	0.20
Private Sector Credit	2,269.07	2,296.06	0.41	26.99	0.02	1.19
o.w ODC	2,239.58	2,266.40	1.44	26.82	0.06	1.20
Other Sectors (Net)*	(98.17)	(105.71)	16.47	(7.54)	(14.37)	7.68
<b>Other Items (Net)</b>	<b>(2,132.03)</b>	<b>(2,235.05)</b>	<b>(19.15)</b>	<b>(103.02)</b>	<b>0.91</b>	<b>4.83</b>
<b>Money Multiplier</b>	3.30	3.24				

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

**Figure 4: Trends in M2, NFA and NDA**



Source: Research Department, BSL

From the liabilities side, the growth in M2 reflected increase in Narrow Money by 1.15 percent, due mainly to increases in demand deposits by 2.18 percent and currency outside banks by 0.10 percent. Quasi Money contracted by 1.58 percent due to decrease in both time and savings deposits by 0.09 percent and foreign currency deposits by 3.06 percent.

#### 4.2 Reserve Money

Reserve Money (RM) increased by 1.44 percent in February 2020, compared with a decrease of 6.50 percent in January 2020. The growth in RM which was mainly due to expansion in NDA of the Central bank, which more than offset the decreased in its NFA. NDA of the central bank expanded by 3.44 percent, compared to a 5.77 percent contraction in the previous month due to increase in claims on the central government.

NFA of the central bank contracted by 11.14 percent in February 2020, relative to a 10.85 percent contraction in January 2020. This was in part due to the repayment of commitments relating to SWAP transactions with commercial banks, and other external payment obligations of the central government, including foreign debt services payment.

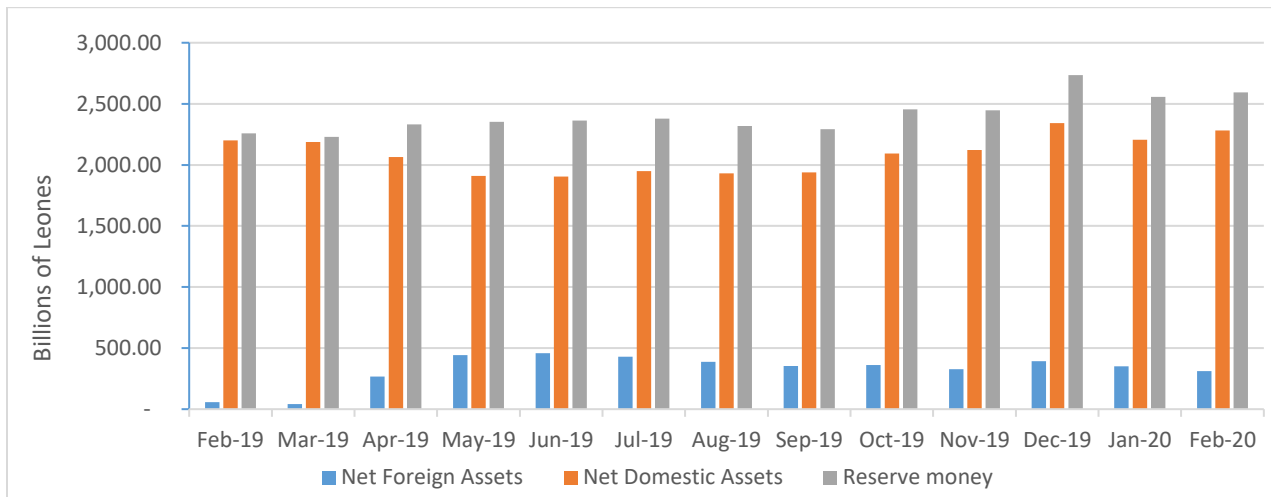
**Table 2: Reserve Money and its Components**

Billions of Leones	2020		Absolute Change		% Change	
	Jan.-20	Feb.-20	Jan.-20	Feb.-20	Jan.-20	Feb.-20
<b>1. Net Foreign Assets</b>	<b>350.45</b>	<b>311.42</b>	<b>(42.67)</b>	<b>(39.03)</b>	<b>(10.85)</b>	<b>(11.14)</b>
<b>2. Net Domestic Assets</b>	<b>2,207.00</b>	<b>2,282.83</b>	<b>(135.07)</b>	<b>75.83</b>	<b>(5.77)</b>	<b>3.44</b>
Government Borrowing (net)	2,641.33	2,734.80	7.63	93.47	0.29	3.54
o.w. Securities	1,274.84	1,303.19	(20.02)	28.35	(1.55)	2.22
Ways and Means	259.48	320.88	67.08	61.40	34.86	23.66
GoSL/IMF /WB Budget financing	1,294.80	1,294.80	(0.00)	-	(0.00)	-
<b>3. Reserve money</b>	<b>2,557.45</b>	<b>2,594.25</b>	<b>(177.74)</b>	<b>36.80</b>	<b>(6.50)</b>	<b>1.44</b>
o.w. Currency issued	2,160.43	2,177.08	(147.32)	16.65	(6.38)	0.77
Bank reserves	389.40	410.63	(32.86)	21.24	(7.78)	5.45

**Source:** Research Department, BSL

From the liabilities side, the growth in Reserve Money reflected expansion in banks' reserves by 5.45 percent and currency issued by 0.77 percent

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

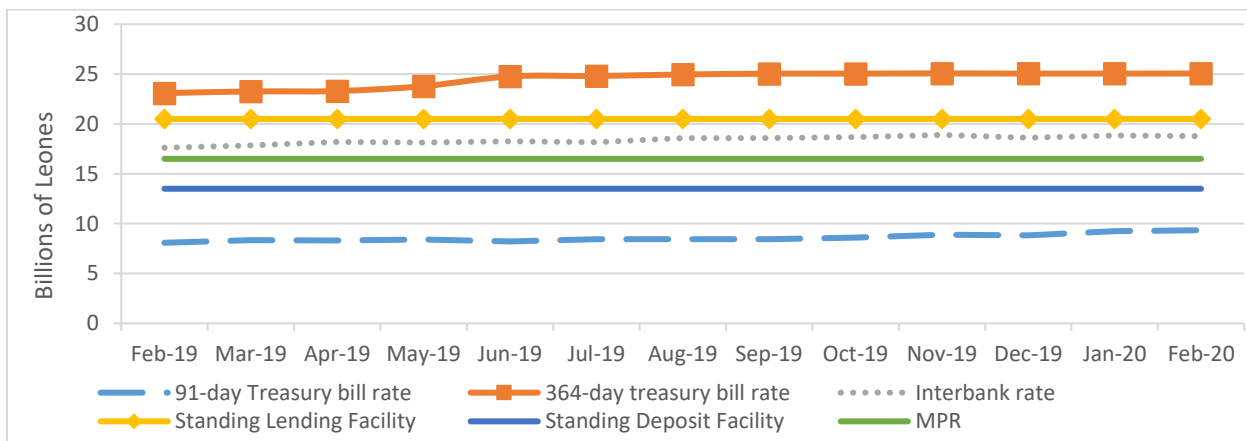


Source: Research Department, BSL

### 4.3 Interest Rates

The Monetary Policy Rate (MPR) of the Central Bank remained unchanged at 16.50 percent in February 2020. Also, the Standing Lending and Deposit Facility rates remained unchanged at 20.50 and 13.50 percent respectively. The interbank rate decreased from 18.84 percent in January 2020 to 18.77 percent in February 2020, but was within the monetary policy corridor. The commercial banks’ average lending and savings deposit rates remained unchanged at 21.35 percent and 2.38 percent respectively.

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



Source: Research Department, BSL

Regards the government securities market, the 91-day treasury bills increased to 9.34 percent in February 2020, from 9.25 percent in January 2020. The 182–days treasury bills remained unchanged at 13.21 percent in February 2020. The 364-day treasury bills increased marginally to 25.06 percent in February 2020, from 25.05 percent in January 2020.

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

	2019											2020	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
91-day T-Bills	8.08	8.35	8.30	8.41	8.20	8.44	8.44	8.44	8.61	8.89	8.83	9.25	9.34
182-day T-Bills	8.40	8.23	8.20	7.23	7.13	8.53	8.54	11.38	12.46	13.21	13.21	13.21	13.21
364-day T-Bills	23.09	23.26	23.3	23.79	24.77	24.81	24.96	25.04	25.05	25.07	25.05	25.05	25.06
Interbank rate	17.61	17.84	18.18	18.12	18.27	18.16	18.57	18.57	18.68	18.9	18.61	18.84	18.77
SLF	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.5	20.50	20.5	20.50
SDF	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.5	13.50	13.5	13.50
MPR	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.5	16.50
Ave. 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
		17.92	17.92	17.92	17.92	17.92	17.92	17.92	17.92	17.92	17.92	17.92	17.92
	17.92 -	-	-	-	-	-	-	-	-	-	-	-	-
Lending (Prime)	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.78	24.79
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

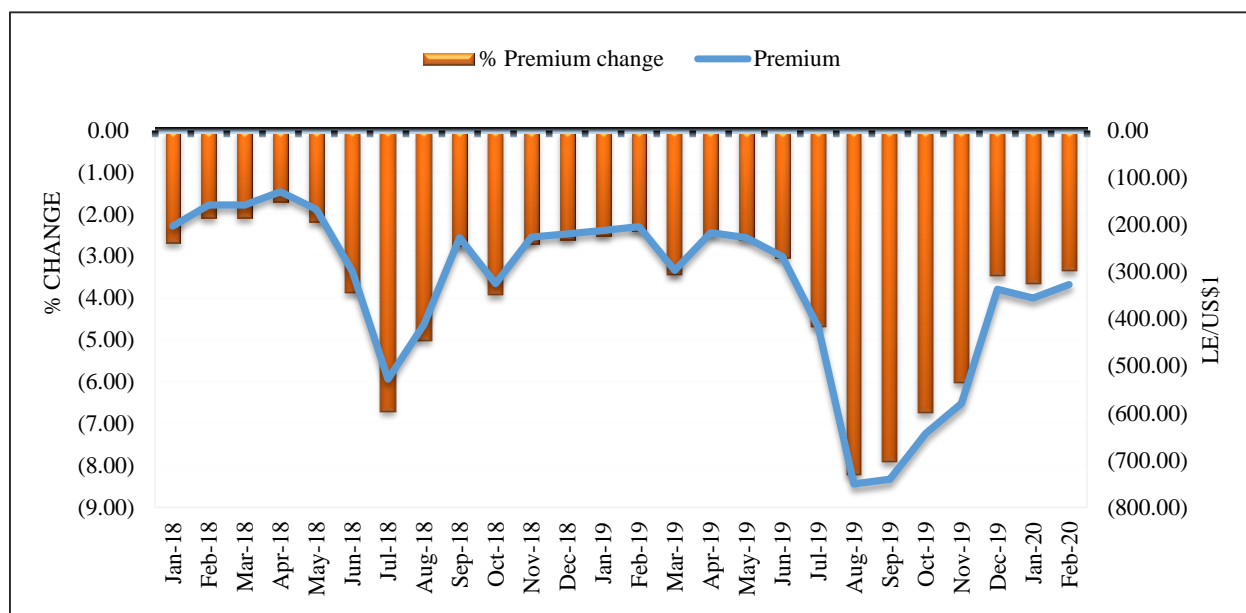
Source: Research Department, BSL

## 5.0 Exchange Rate Developments

During the February 2020, the average exchange rate of the Leone to the US dollar marginally depreciated in the foreign exchange markets on the buying front, while the selling front was mixed. On the buying front, the Leone depreciated in the official, commercial banks, parallel and bureaux markets by 0.27 percent, 0.19 percent, 0.18 percent and 0.11 percent, averaging Le9,654.50/US\$1, Le9,800.96/US\$1, Le10,050.00/US\$1 and Le9,629.03/US\$1 respectively. On the selling front, the Leone depreciated in the commercial banks, bureau, and official markets by 0.57 percent, 0.37 percent and 0.27 percent, averaging Le9,942.05/US\$1, Le9,925.60/US\$1, Le9,849.52/US\$1 respectively. However, the parallel market rate appreciated by 0.22 percent, averaging Le10,109.21/US\$.

The average premium between the official and parallel rates narrowed by 3.4 percent to Le327.60/US\$1 in February, 2020 from Le356.05/US\$1 in January, 2019 (See figure 7).

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



Source: Bank of Sierra Leone

## 6.0 Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 1.04 percent to US\$521.91mn in February 2020 from US\$527.42mn in January 2020, reflecting an increase in outflows of US\$11.10mn over inflows of US\$7.21mn, with a resultant net outflow of US\$3.89mn.

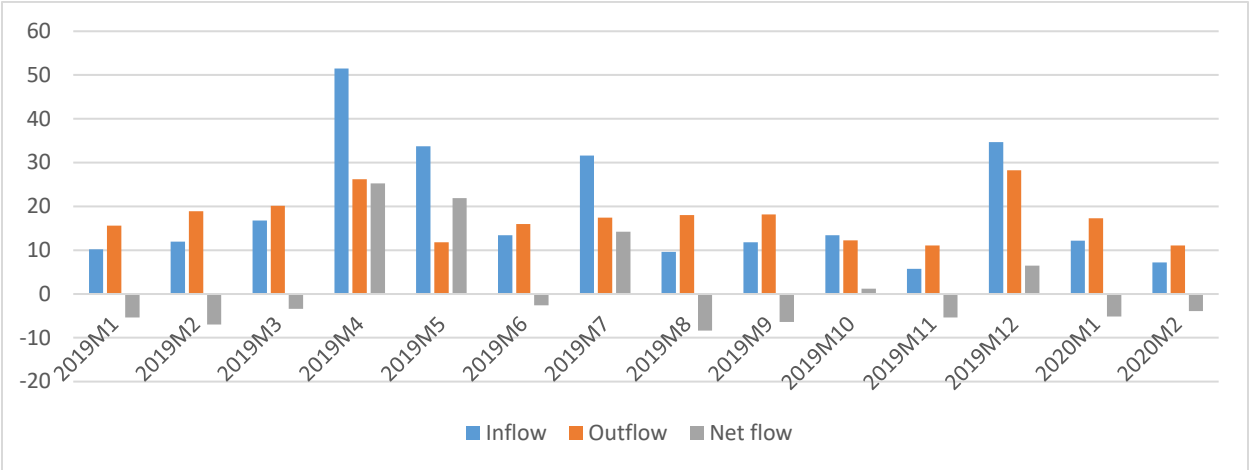
Major inflows include receipts from export (US\$5.30mn) of which: royalties from rutile (US\$2.99mn), koidu holdings mining co. (US\$0.37mn), tax from diamond exports (US\$0.14mn), other mining receipts (US\$0.39mn) and fishing royalty and licenses (US\$1.30mn). Other inflows included interest earned by BSL from investments abroad (US\$0.59mn), maritime administration (US\$0.31mn), other government receipts (US\$0.61mn), and forex purchase from IDA/World Bank (US\$0.37mn).

Significant outflows included financing interbank market operations (US\$5.00mn), payments for various infrastructure projects in respect of electricity, water and energy (US\$2.00mn), subscription to Intl organization (US\$1.73mn), government travels (US\$0.25mn), embassy



mission payments (US\$0.32mn), other government expenditure (US\$0.19mn) and BSL expenses on travel and renovation of the bank building (US\$0.27mn). Other outflows were in respect of debt service payments (US\$1.35mn) of which: World Bank (US\$0.60mn), AfBD (US\$0.35mn), OPEC/OFID (US\$0.21mn) and other bilateral and multilateral creditors (US\$0.19mn).

**Figure 8: Foreign Exchange Flows**



*Source: Bank of Sierra Leone*