



**BANK OF SIERRA LEONE**

**Monthly Economic Review**

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February 2022



## **BANK OF SIERRA LEONE**

### **Monthly Economic Review**

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

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## **Executive Summary**

In the agriculture sector, there was a decline in cocoa production in February 2022 by 85.35 percent to 2092.32 metric tons. Coffee production recorded 126.00 metric tons in the review period. Production performance in the manufacturing sector was mixed in February 2022. The volume of production for Beer and Stout, and Maltina declined by 35.89 percent to 85.88 thousand cartoons and 54.75 percent to 13.95 thousand cartoons respectively. There was also a drop in the production of cement by 35.20 percent to 5.32 thousand metric tons. Conversely, the production of paint and oxygen increased by 6.80 percent to 50.36 thousand gallons and 45.71 percent to 24.89 thousand cubic feet respectively. Confectionery and common soap expanded by 0.60 percent to 234.11 thousand pounds and 258.68 percent to 27.87 thousand metric tons respectively. On the other hand, production of gold and other minerals increased by 6.96 percent to 480.53 ounces and 100.23 percent to 1.72 thousand dry metric tons respectively.

Headline inflation on a year-on-year basis increased to 17.59 percent in February 2022, from 16.65 percent in January 2022. This is a reflection of increase in food and non-food inflation. Food inflation increased to 17.09 percent in February 2022, from 15.68 percent in January 2022. Non-food inflation increased to 18.42 percent in February 2022, from 17.60 percent in January 2022.

Outturns in Government fiscal operations on a cash flow basis resulted in a widened deficit of Le313.78bn in February 2022 compared to a deficit of Le13.63bn in January 2022. The widened deficit emanated from contraction in government revenue, which outweighed the decline in government expenditure.

Developments in monetary aggregate were mixed in February 2022. Broad money (M2) expanded whilst reserve money (RM) contracted. Broad money grew by 1.28 percent in February 2022, down from 2.31 percent in January 2022, which was mainly due to increase in net domestic assets (NDA). Net foreign assets (NFA) of the banking system declined. The contributions of NDA and NFA to the growth of M2 were 1.45 percent and -0.18 percent respectively.

Gross foreign exchange reserves of the BSL (including SWAPS) as at the end of February 2022 was US\$ 911.82 million, which was down by 0.93 percent, from US\$920.37million in January 2022. Inflows in February 2022 amounted to US\$5.85million, while outflows amounted to US\$16.41million. The average monthly exchange rate of the Leone against the US\$ depreciated in all foreign exchange markets in February 2022. On the buying side, the Leone appreciated in the parallel market by 1.45 percent, averaging Le11, 823.68/US\$1. It also depreciated across commercial banks, and official and bureau markets by 1.07 percent, 1.66 percent, and 2.56 percent respectively, averaging, Le11,548.35/US\$1, Le11425.34/US\$1 and Le11,504.26/US\$1 respectively. The premium between the Official and Parallel rates narrowed from 3.18 percent in January 2022 (which was Le361.26/US\$1) to 3.01 percent in February 2022 (that is, Le347.41/US\$1).

## **1. Introduction**

The Monthly Economic Review (MER) is a publication of the Research and Statistics Department (RDS), Bank of Sierra Leone. The objective of this report is to analyse Sierra Leone's monthly macroeconomic developments, covering the four macroeconomic sectors- real, fiscal, monetary, and external sectors. This edition analyses trends for February 2022 to gauge progress on economic performance within the year. In the real sector, developments in the production of key agricultural products for which regular monthly data is available are discussed and inflationary trend is analysed. 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 its 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 the fiscal sector; section 4 analyses the monetary sector; section 5 analyses the external sector and section 6 is the conclusion.

## **2. Production and Prices**

### **2.1 Production**

#### **2.1.1 Agriculture**

Activities in the agricultural sector proxied by coffee and cocoa production moderated in February 2022. Cocoa production declined significantly by 85.35 percent to 2092.32 metric tons. Conversely, coffee production recorded 126.00 metric tons in the review period.

### **2.1.2. Mining**

Performance in the mining sector improved in February 2022. Total diamond production increased by 33.24 percent to 18.48 thousand carats. This comprised gem diamond production, which amounted to 40.04 thousand carats, and industrial diamond amounted to 34.05 thousand carats. Bauxite production increased by 5.69 percent to 69.80 thousand metric tons. Zircon production rose significantly by 100.25 percent to 1.62 thousand metric tons. Gold pure production increased by 6.96 percent to 480.53 ounces. Other mineral production increased by 100.23 percent to 1.72 thousand dry metric tons. Iron ore production was 316.70 thousand metrics. Conversely, rutile and Ilmenite productions fell by 5.24 percent to 11.90 thousand metric tons and 17.65 percent to 4.89 thousand metric tons respectively.

### **2.1.3 Manufacturing**

Production performance in the manufacturing sector was mixed in February 2022. Production volumes of Beer & Stout, Maltina, and cement declined, while that of paint, oxygen, confectionery and common soap increased during the review period. Beer & stout and Maltina production fell by 35.89 percent to 85.88 thousand cartons and 54.75 percent to 13.95 thousand cartons respectively. Similarly, cement production dropped by 35.20 percent to 5.32 thousand metric tons. Conversely, paint and oxygen production increased by 6.80 percent to 50.36 thousand gallons and 45.71 percent to 24.89 thousand cubic feet respectively. Confectionery and common soap production expanded by 0.60 percent to 234.11 thousand pounds and 258.68 percent to 27.87 thousand metric tons respectively.

## **2.2 Price Development**

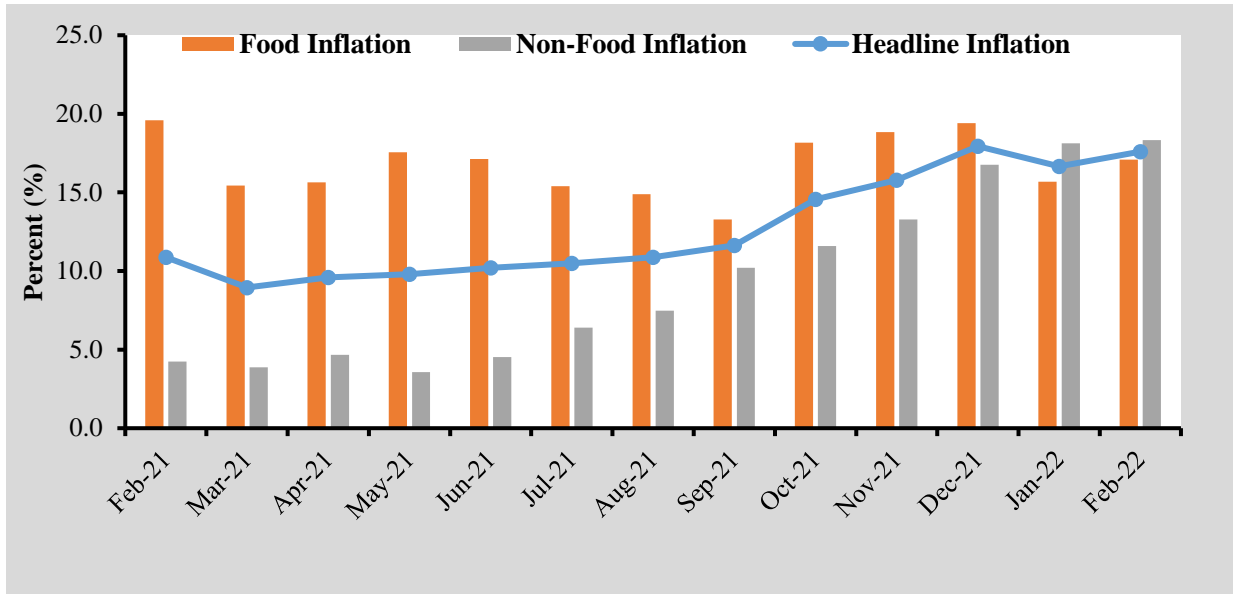
Headline inflation increased to 17.59 percent in February 2022 from 16.65 percent in January 2022. This reflects increase in food and non-food inflation rates. . Food inflation increased to 17.09 percent in February 2022, from 15.68 percent in January 2022 and. non-food inflation increased to 18.42 percent from 17.60 percent in January 2022.

Figure 1 shows the trend in the headline year-on-year, food, and non-food inflation rates for February 2022. The monthly inflation for February 2022 was 2.30 percent, up by 0.94 percentage



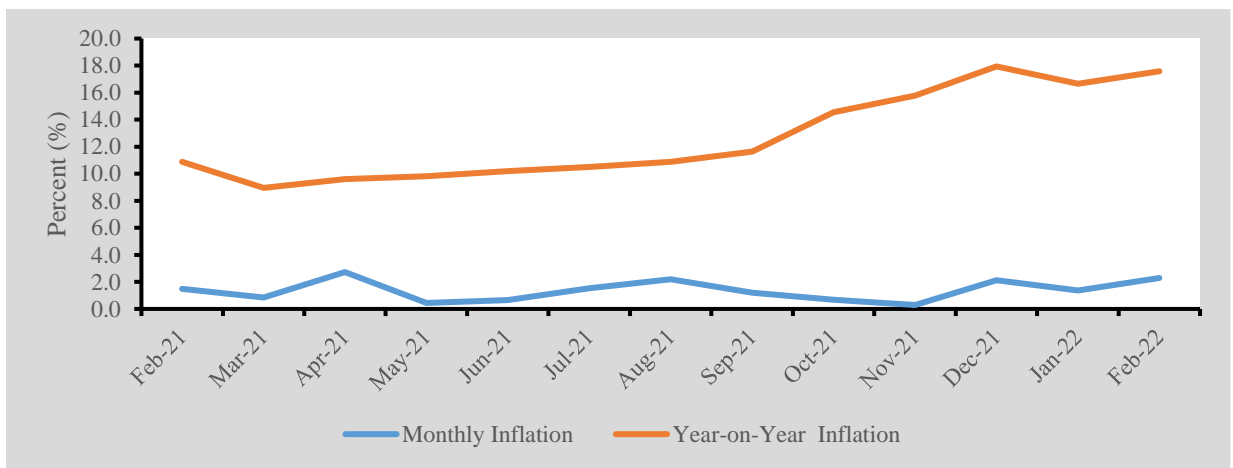
points, from 1.36 percent in January 2021. Figure 2 shows trend in the year on year and monthly inflation rates.

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



Source: Statistics Sierra Leone and BSL

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

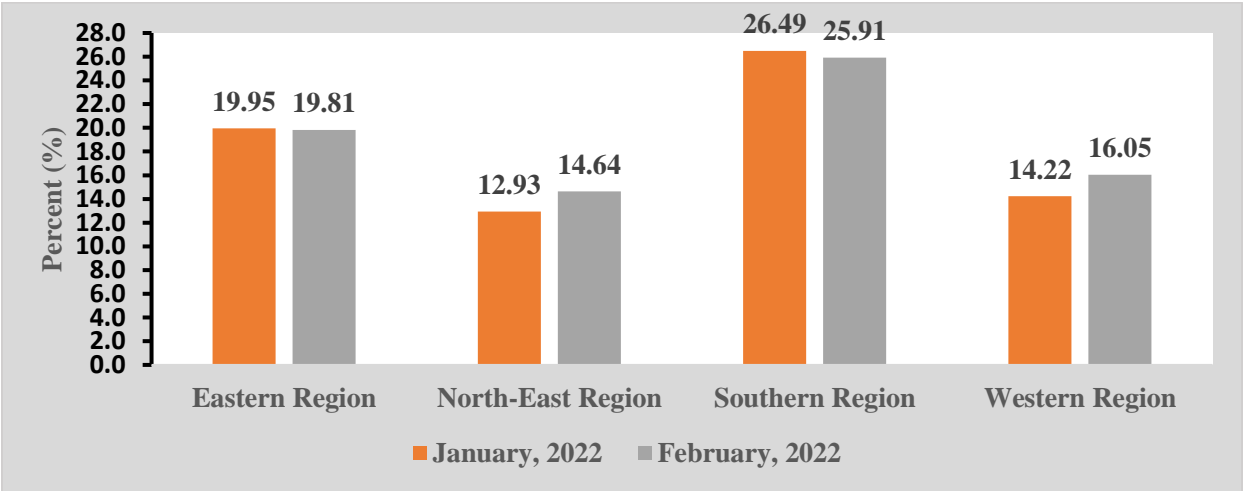


Source: Statistics Sierra Leone and BSL

On a regional basis, inflationary trend was mixed in February 2022. Western region inflation increased to 16.05 percent in February 2022 from 14.22 percent in January 2022. The North-

Eastern region also recorded increase in inflation rate to 14.64 percent in February 2022, from 12.93 percent in January 2022. On the other hand, Southern region inflation declined to 25.91 percent in February 2022, from 26.49 percent in January 2022. Eastern region inflation also declined to 19.81 percent in February 2022, from 19.95 percent in January 2022. The determination of inflation rate for the North-Western region is expected to commence in January 2023, following the change of base year and extension of the consumer price index basket. 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**

Outturns in Government fiscal operations on a cash flow basis in February 2022 resulted in a widened deficit of Le313.78bn compared to a deficit of Le13.63bn in January 2022. The widened deficit emanated from contraction in government revenue, which outweighed the decline in government expenditure. The deficit was financed exclusively from domestic sources.

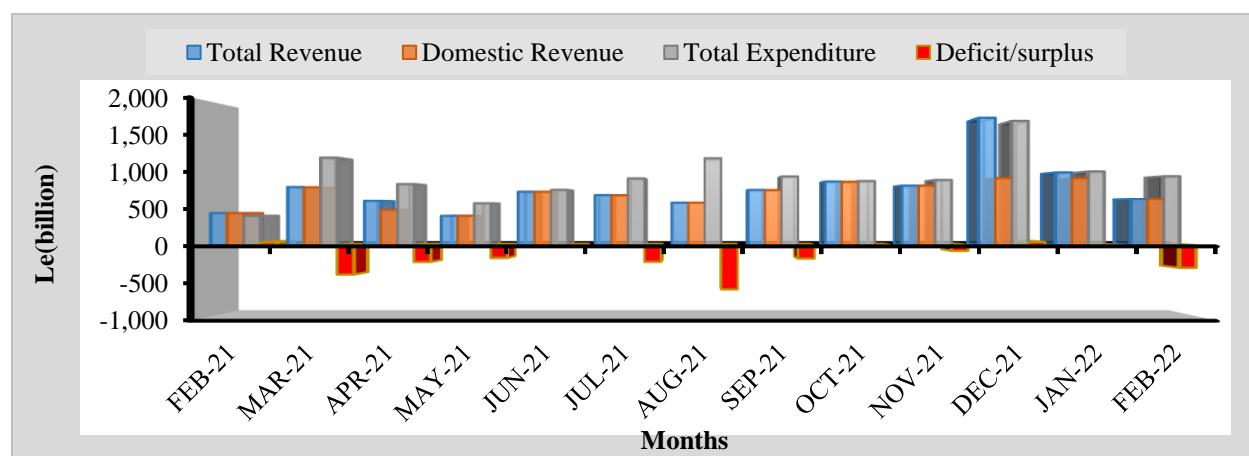
### 3.1 Revenues

Government revenue and grants contracted by 36.41 per cent to Le641.16bn in February 2022 and were 11.01 percent lower than the target of Le720.47bn. The contraction in government revenue was driven by the decline in domestic revenue mobilisation, while there was no disbursement of budgetary support during the review period.

Domestic revenue mobilisation declined by 30.99 percent to Le641.16bn in February 2022, which was 0.67 percent higher than the target of Le636.88bn. The decrease in domestic revenue was mainly due to the decrease in non-tax (miscellaneous) revenue, whereas customs & excise, income tax and goods & services revenue expanded during the review period.

Non-tax revenue fell by 52.29 percent to Le315.26bn. On the other hand, receipts from customs and excise increased by 41.39 percent to Le84.89bn; Revenue from the income tax increased by 7.17 percent to Le142.32bn, and receipts from goods and services tax increased by 30.93 percent to Le98.70bn.

**Figure 4: Government Revenue and Expenditure**



Source: Bank of Sierra Leone

### 3.2 Expenditures

In February 2022, government expenditure contracted by 6.56 percent to Le954.94bn, which was 52.42 percent higher than the ceiling of Le626.53bn. This reflects the decline in all its components except debt services, which increased.

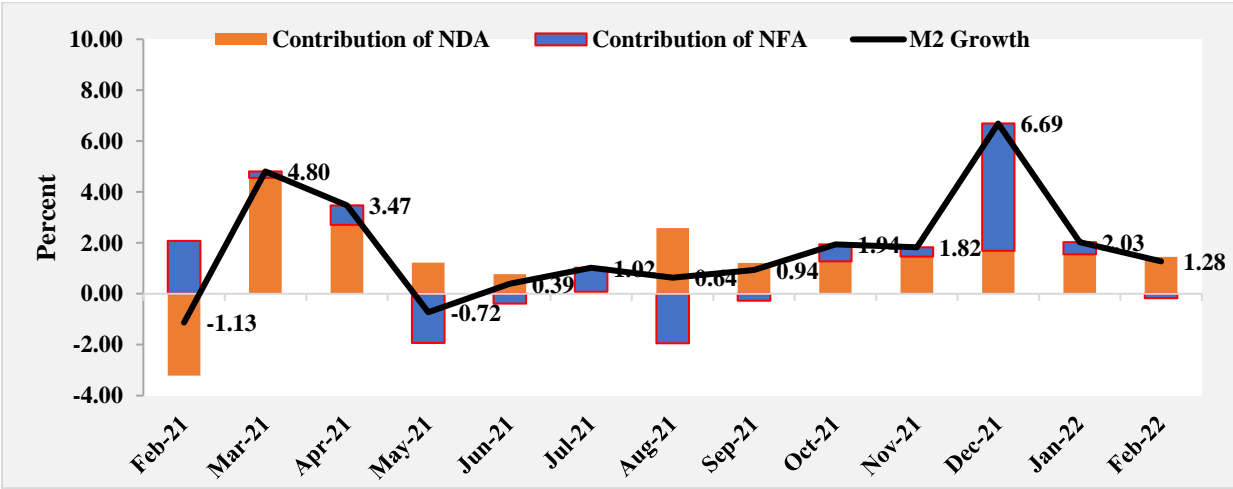
Pension, wages and salaries expenditure decreased by 37.42 percent to Le122.16bn. Other expenditure on goods and services fell by 6.02 percent to Le697.51bn. Debt services increased by 59.93 percent to Le135.27bn, of which domestic interest amounted to Le134.05bn and foreign interest amounted to Le1.22bn.

**4. Monetary Developments**

**4.1 Broad Money**

Developments in monetary aggregate were mixed in February 2022. Broad money (M2) expanded, while Reserve Money (RM) contracted. Broad money (M2) grew by 1.28 percent in February 2022, down from 2.31 percent in January 2022, mainly reflecting the increase in net domestic assets (NDA). Net Foreign Assets (NFA) of the banking system declined by 0.73 percent. The contributions of NDA and NFA to the growth of broad money were 1.45 percent and -0.18 percent respectively. Figure 1 shows the contributions of NDA and NFA to the growth of broad money.

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



Source: Bank of Sierra Leone

NDA of the banking system expanded by 1.92 percent in February 2022, down from 2.05 percent in January 2022. The growth in NDA was attributed to an increase in all its components except net claims on government by the Bank of Sierra Leone, which contracted. Net claims on Government

by Other Depository Corporations (ODC's) grew by 4.65 percent in February 2022, marginally down from 4.66 percent in January 2022. Credit to the private sector by ODCs increased by 2.67 percent in February 2022, from a decline of 0.50 percent in January 2022. Claims on other sectors' net increased by 6.24 percent in February 2022, from 7.80 percent in January 2022. Net claims on the Government by the Bank of Sierra Leone (BSL) contracted by 0.67 percent in February 2022, compared to 2.70 percent in January 2022.

NFA of the banking system contracted by 0.73 percent in February 2022, compared to an increase of 1.95 percent in January 2022. The contraction in NFA reflects decrease in the NFA of the BSL as the NFA of Other Depository Corporations expanded. Table 1 shows the growth of monetary aggregates.

**Table 1: Growth of Monetary Aggregates**

Billions of Leones	Actual Values		Absolute Change		% Growth	
	Jan-22	Feb-22	Jan-22	Feb-22	Jan-22	Feb-22
<b>Broad Money (M2)</b>	<b>14,682.99</b>	<b>14,870.48</b>	<b>291.93</b>	<b>187.49</b>	<b>2.03</b>	<b>1.28</b>
<b>Narrow money (M1)</b>	<b>7,584.22</b>	<b>7,714.02</b>	<b>44.45</b>	<b>129.81</b>	<b>0.59</b>	<b>1.71</b>
Currency outside banks	3,334.21	3,352.10	(145.55)	17.88	(4.18)	0.54
Demand deposit	4,250.01	4,361.93	189.99	111.92	4.68	2.63
<b>Quasi money</b>	<b>7,098.77</b>	<b>7,156.45</b>	<b>247.49</b>	<b>57.68</b>	<b>3.61</b>	<b>0.81</b>
o.w. Foreign currency deposit	3,841.28	3,886.56	137.41	45.27	3.71	1.18
Time and saving deposit	3,245.61	3,260.69	103.16	15.08	3.28	0.46
Other Deposits - BSL	11.88	9.21	6.92	(2.67)	139.53	(22.46)
<b>Net Foreign Asset</b>	<b>3,550.72</b>	<b>3,524.68</b>	<b>68.01</b>	<b>(26.04)</b>	<b>1.95</b>	<b>(0.73)</b>
BSL	(224.49)	(355.77)	(55.17)	(131.28)	32.58	58.48
ODCs	3,775.21	3,880.45	123.18	105.24	3.37	2.79
<b>Net Domestic Assets</b>	<b>11,132.27</b>	<b>11,345.80</b>	<b>223.92</b>	<b>213.53</b>	<b>2.05</b>	<b>1.92</b>
<b>Net Domestic Credit</b>	<b>13,619.25</b>	<b>13,944.53</b>	<b>358.91</b>	<b>325.28</b>	<b>2.71</b>	<b>2.39</b>
Government (Net)	<b>10,784.71</b>	<b>11,045.36</b>	<b>397.21</b>	<b>260.65</b>	<b>3.82</b>	<b>2.42</b>
BSL	4,525.91	4,495.73	118.77	(30.18)	2.70	(0.67)
ODCs	6,258.80	6,549.63	278.43	290.84	4.66	4.65
Private Sector Credit	<b>3,146.21</b>	<b>3,230.28</b>	<b>(15.74)</b>	<b>84.07</b>	<b>(0.50)</b>	<b>2.67</b>
o.w ODC	3,128.52	3,212.37	(16.65)	83.86	(0.53)	2.68
Other Sectors (Net)*	(311.66)	(331.11)	(22.56)	(19.45)	7.80	6.24
<b>Other Items (Net)</b>	<b>(2,486.98)</b>	<b>(2,598.73)</b>	<b>(134.99)</b>	<b>(111.75)</b>	<b>5.74</b>	<b>4.49</b>

Source: Bank of Sierra Leone

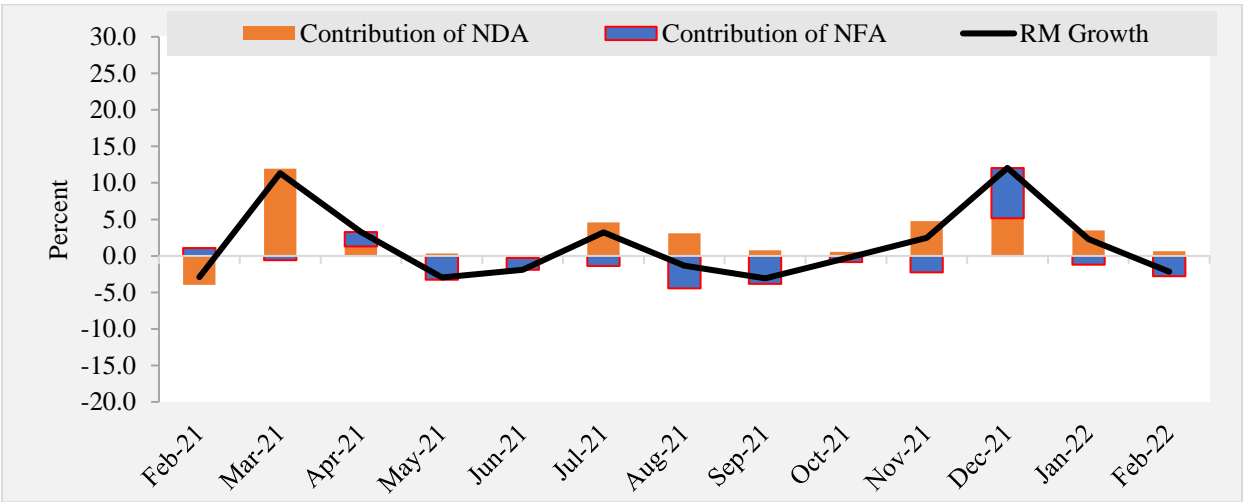
\*Other sectors include Other Financial Corporations and Public Non-Financial Corporations.

<sup>a</sup>ODC is Other Depository Corporations, which includes Commercial Banks, communities, Discount Houses, and Deposit Taking Microfinance Institutions.

Narrow Money (M1) and Quasi Money expanded by 1.71 percent and 0.81 percent respectively in February 2022 from 0.59 percent and 3.61 percent respectively in January 2022. The growth in M1 was driven largely by the 2.63 percent increase in demand deposits, down from 4.46 percent in January 2022. Similarly, currency outside banks grew by 0.54 percent in February 2022, compared to a 4.18 percent decline in January 2022. Quasi Money growth was due to the increases in both foreign currency deposits, by 1.18 percent, and time and savings deposits, by 0.48 percent. On the other hand, deposits by the BSL contracted by 22.46 percent.

Reserve money contracted by 2.15 percent in February 2022 compared to an increase of 2.31 percent in January 2022. The contraction of reserve money (RM) was exclusively explained by the decline in NFA of the BSL, as the NDA of the BSL expanded in the reporting month. Net domestic assets and net foreign assets contributed 0.64 percent and -2.79 percent respectively to the contraction of reserve money in February 2022, compared to 3.51 percent and -1.20 percent in January 2022. Figure 5 shows the contributions of NFA and NDA to the growth of reserve money.

**Figure 6: Reserve Money (RM) Growth and Contributions of NFA and NDA to Reserve Money Growth**



Source: Bank of Sierra Leone

NFA of the BSL declined by 58.48 percent in February 2022 compared to the contraction of 32.58 percent in January 2022. Net domestic assets of the BSL grew marginally in February 2022, compared to January 2022. Table 2 shows the growth of reserve money and its components. On the liability side, reserve money contracted as a result of the decline in banks’ reserves by 14.71% while currency issued grew by 0.54% in February 2022.

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

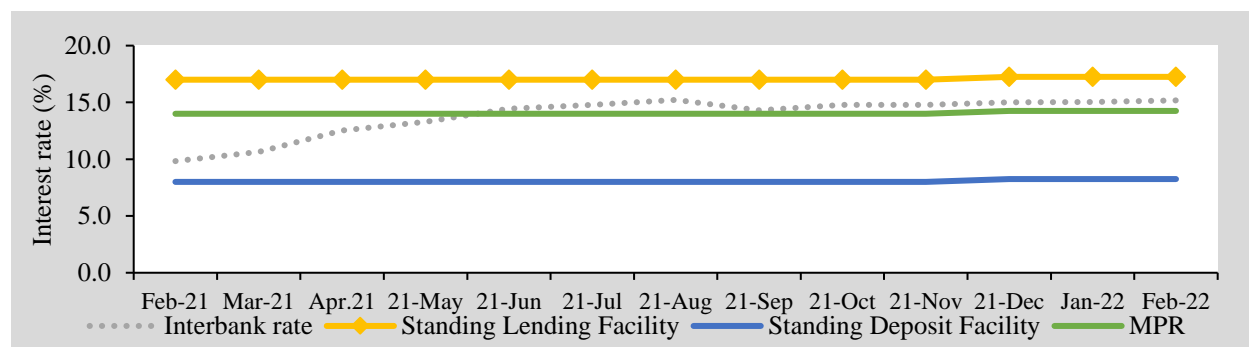
Billions of Leones	Actual Values		Absolute Change		% Change	
	Jan-22	Feb-22	Jan-22	Feb-22	Jan-22	Feb-22
<b>Net Foreign Assets</b>	<b>-224.49</b>	<b>-355.77</b>	<b>(55.17)</b>	<b>(131.28)</b>	<b>32.58</b>	<b>58.48</b>
<b>Net Domestic Assets</b>	<b>4,932.94</b>	<b>4,963.11</b>	<b>161.44</b>	<b>30.17</b>	<b>3.38</b>	<b>0.61</b>
Government Borrowing (net)	<b>4,525.91</b>	<b>4,495.73</b>	<b>118.77</b>	<b>(30.18)</b>	<b>2.70</b>	<b>(0.67)</b>
o.w. Securities	1,083.06	1,252.22	<b>(27.16)</b>	<b>169.16</b>	<b>(2.45)</b>	<b>15.62</b>
Ways and Means	182.22	131.25	-	<b>(50.97)</b>	-	<b>(27.97)</b>
GoSL/IMF /WB Budget financing	3,257.33	3,257.33	(108.17)	-	<b>(3.21)</b>	-
<b>Reserve money</b>	<b>4,708.46</b>	<b>4,607.34</b>	<b>106.27</b>	<b>(101.12)</b>	<b>(388.81)</b>	<b>(2.15)</b>
o.w. Currency issued	3,334.21	3,352.10	<b>(145.55)</b>	<b>17.88</b>	<b>(4.18)</b>	<b>0.54</b>
Bank reserves	999.56	852.52	<b>229.52</b>	<b>(147.03)</b>	<b>29.81</b>	<b>(14.71)</b>

Source: Bank of Sierra Leone

### 4.3 Interest Rates

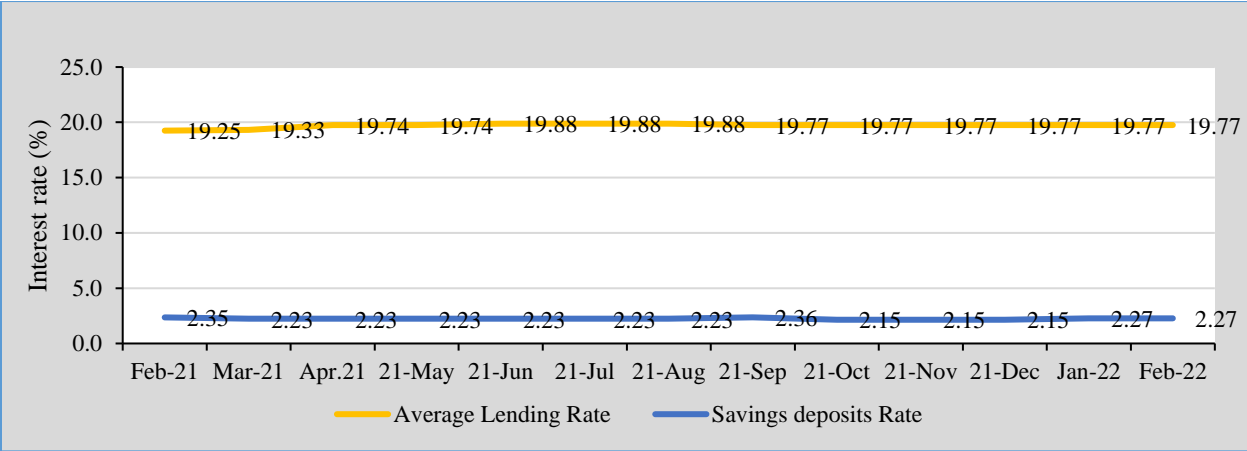
The Monetary Policy Rate (MPR), Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) rates remained unchanged at 14.25 percent, 17.25 percent and 8.25 percent respectively in February 2022. Although the interbank rate rose to 15.18 percent in February 2022 from 15.03 percent in January 2022, it was still within the policy corridor rate. In February 2022, both Commercial banks' average lending rate and average savings deposits rate remained unchanged in January 2022. Figure 7 shows the trend in the Bank of Sierra Leone interest rates and the interbank rate, and Figure 8 shows the trend of average lending and savings rates.

**Figure 7: Central Bank Interest Rates and the Interbank Rate**



Source: Bank of Sierra Leone

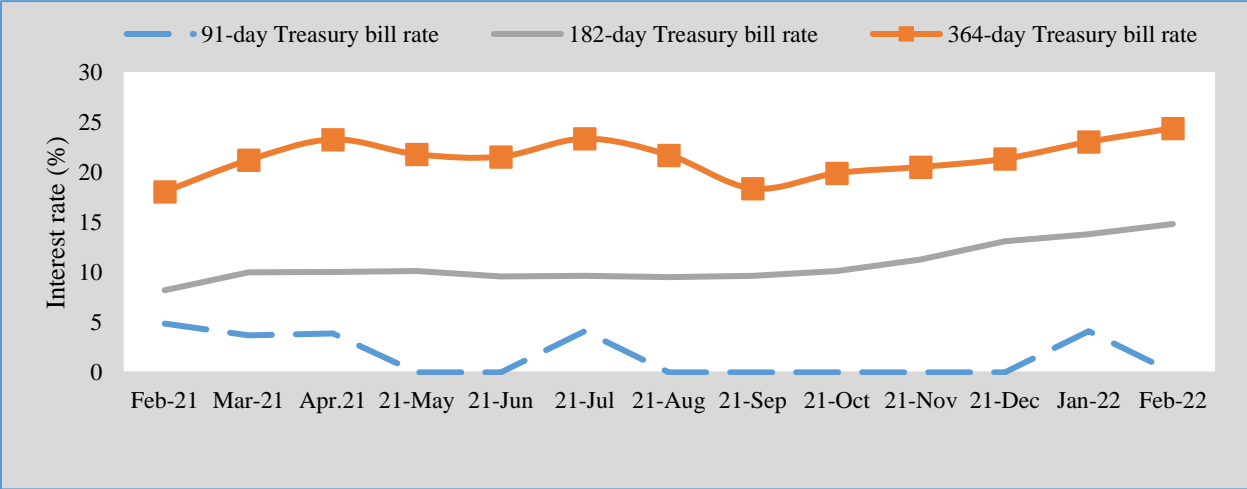
**Figure 8: Average lending and Savings deposit rates**



Source: Bank of Sierra Leone

Yields on the 182-day T-bills and 364-day T-bills increased in February 2022, while there were no subscription for the 91-day T-bills in February 2022. The yield on 182-day T-bills increased to 14.85 percent in February 2022 from 13.13 percent in January 2022. Similarly, 364-day T-bills rose to 24.43 percent in February 2022 from 21.38 percent in January 2022. Figure 9 shows the yields on the T-bills.

**Figure 9: Yields on Treasury Bills**



Source: Bank of Sierra Leone



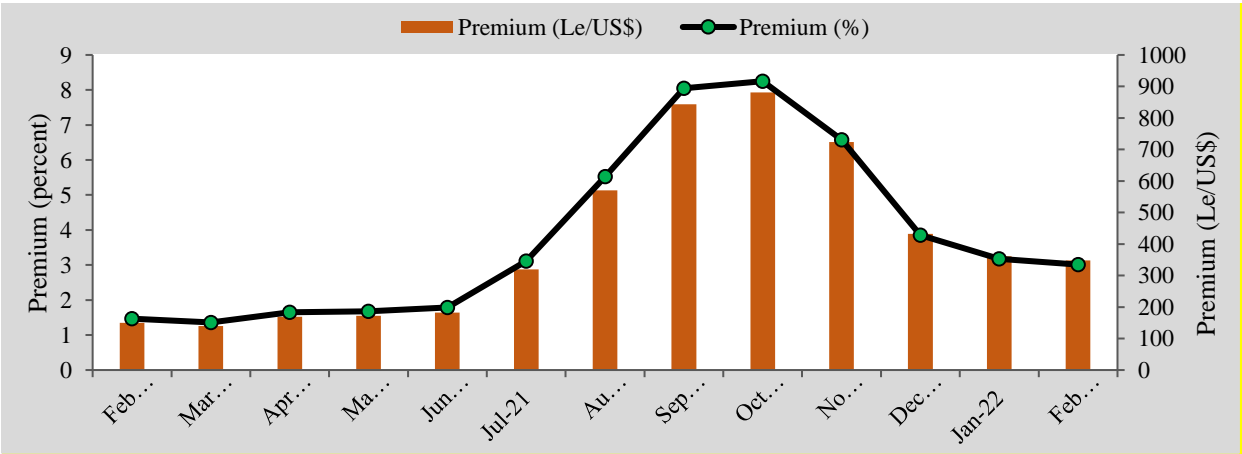
**5. External Sector**

**5.1 Exchange Rate Developments**

The monthly average exchange rate of the Leone against the US dollar depreciated in all foreign exchange markets in February 2022, on both the buying and selling sides. On the buying side, the Leone depreciated in the parallel market by 1.45 percent, averaging Le11,823.68/US\$1. It also depreciated across commercial banks and the official and bureau markets by 1.07 percent, 1.66 percent and 2.56 percent respectively averaging Le11,548.35/US\$1, Le11,425.34/US\$1 and Le11,504.26/US\$1 respectively. Similarly, on the selling side, the Leone depreciated in the parallel market by 1.53 percent, averaging Le11,952.63/US\$1 and depreciated in the bureau market, official market and commercial banks by 1.45 percent, 1.66 per cent and 0.79 percent, averaging Le11,791.57/US\$1, Le11,656.15/US\$1 and Le11,763.45/US\$1 respectively.

The premium between the official and parallel rates narrowed from 3.18 percent, which was Le361.26/US\$1, in January 2022 to 3.01 percent (Le347.41/US\$1) in February 2022. Figure 10 shows the trend in the premium between the official and parallel market rates.

**Figure 10: Premium between Official and Parallel Exchange Rates**



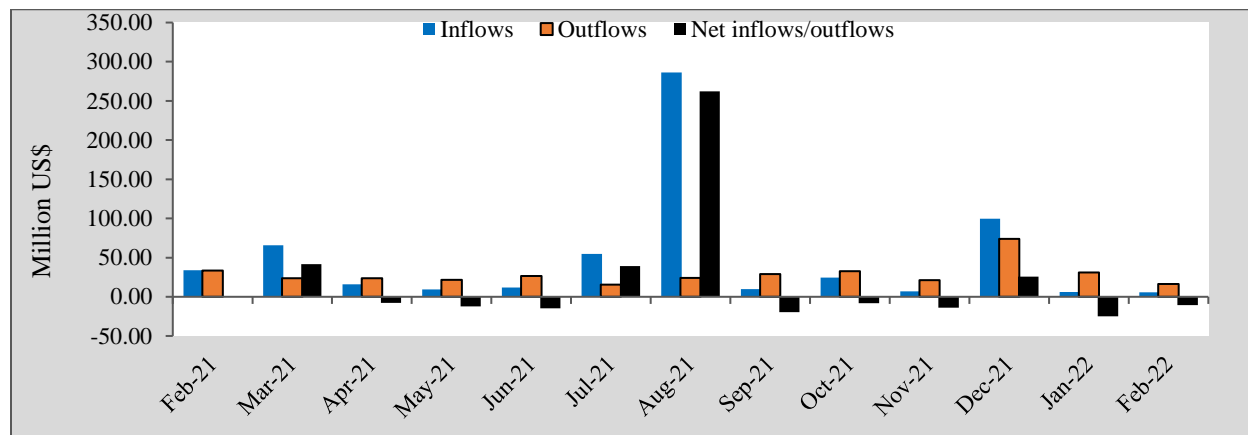
Source: BSL

## 5.2. Gross Foreign Exchange Reserves

Gross foreign exchange reserves of the BSL (including swaps) was US\$ 911.82million at the end of February 2022, which was lower than the level at the end of January 2022 by 0.93 percent (equivalent to US\$920.37million). Inflows recorded in February 2022 amounted to US\$5.85million, while outflows amounted to US\$16.41million, resulting in a net outflow of US\$10.56million, with a recorded revaluation adjustment of US\$2.01million.

Significant inflows include receipts from exports (US\$ 4.01million), of which inflows from timber exports amounted to US\$1.51 million. Major outflows comprised payments for goods and services (US\$14.19 million). Figure 11 shows trend of foreign exchange flows.

**Figure 11: Foreign Exchange Flows**



Source: Bank of Sierra Leone

## 6. Conclusion

In February 2022, there was mixed performance in production across sectors. In the agricultural sector, production of cocoa declined. In the manufacturing sector, there was decline in production of Beer and Stout, and Maltina while that of paint and oxygen recorded increased. The year-on-year (Y-o-Y) headline inflation increased, which was driven by increase in both food and non-food inflation rates.

Government fiscal operation resulted in widening of the deficit in February 2022. This was due to contraction in government revenue, which outweighed the decline in government expenditure. The monetary policy rate remained at 14.25 percent, and the Standing Lending Facility and Standing

Deposit Facility rates were 17.25 and 8.25 percent respectively. Yields on both the 182-day Treasury bill and the 364-day Treasury bill indicated upward trends in February 2022. Growth in monetary aggregated observed mixed trends with growth of broad money increasing while growth of reserve money declined. Average monthly exchange rate depreciated on both the buying and selling fronts and gross international reserves decreased.