



**BANK OF SIERRA LEONE**

**Monthly Economic  
Review**

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Review**

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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 improved in the month of January 2020, as output for all the commodities increased during the review period. Paint and oxygen production increased by 15.79 per cent to 76.56 thousand gallons, and 66.43 per cent to 46.00 thousand cubic feet respectively. Common soap and confectionery production expanded by 19.71 per cent to 59.83 thousand metric tons, and 68.87 per cent to 352.56 thousand pounds respectively. Similarly, cement production increased by 13.74 per cent to 27.65 thousand metric tons. Electricity generation declined due to low performance in hydro power generation during the reviewed period.

Headline inflation moderated to 13.60 per cent in January 2020 from 13.89 per cent in December 2019. The decrease in headline inflation was mainly driven by decline in non-food inflation. Food inflation rose to 7.46 per cent in January 2020 from 5.38 per cent in December 2019. Non-food inflation moderated to 23.39 per cent in January 2020 from 25.89 per cent in December 2019.

Government budgetary operations on cash flow basis resulted in a deficit of Le107.13bn in January 2020 compared to a deficit of Le280.11bn in December 2019. The narrowed deficit was on account of the expansion in revenue mobilization relative to a contraction in government spending during the review period.

The Monetary Policy Rate (MPR) remained unchanged at 16.50 percent in January 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. However, the interbank market rate increased from 18.61 percent in December 2019 to 18.84 percent in January 2020.

Developments in monetary aggregates in January 2020 were contractionary, reflected in both Broad Money (M2) and Reserve Money (RM). Broad Money (M2) declined by 1.17 percent in January 2020, from an expansion of 2.34 percent in December 2019. The contraction in M2 was mainly driven by the decrease in Net Foreign Assets (NFA) of the banking system, supported by a slight decrease in Net Domestic Assets (NDA) of the banking system. Similarly, Reserve Money (RM) decreased by 6.50 percent in January 2020, after recording a growth of 11.77 percent in December 2019. The contraction in RM was primarily attributed to the decline in both NFA and NDA of the central bank.

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 1.08 percent to US\$527.41mn in January 2020 from US\$533.15mn in December 2019, mainly driven by an increase in outflows of US\$17.30mn over inflows of US\$12.18mn, with a net outflow of US\$5.12mn. The monthly average premium between the official and parallel rates widened by 0.18 percentage points to Le356.05/US\$1 in January, 2020 from Le337.68/US\$1 in December, 2019.

## **2.0 Production and Prices**

### **2.1 Production**

#### **2.1.1 Manufacturing**

Production in the manufacturing sector improved in the month of January 2020. Output for all the commodities increased during the review period. Paint and oxygen production increase by 15.79 per cent to 76.56 thousand gallons, and 66.43 per cent to 46.00 thousand cubic feet respectively. Common soap and confectionery production expanded by 19.71 per cent to 59.83 thousand metric tons, and 68.87 per cent to 352.56 thousand pounds respectively. Similarly, cement production increased by 13.74 per cent to 27.65 thousand metric tons.

#### **2.1.2 Agricultural Sector**

Production in the agricultural sector proxied by cocoa and coffee production improved significantly in January 2020. Cocoa production increased to 18,863.72 metric tons in January 2020 from 5,053.00 metric tons in December 2019.

#### **2.1.3 Mining Sector**

Activities in the mining sector slowed down in the month of January 2020. Production levels of all minerals decreased, except gold which increased in the reviewed month. Gold production expanded to 57.84 ounces in January 2020 from 50.86 ounces in December 2019. Diamond production declined to 47.43 thousand carats in January 2020 from 85.14 thousand carats in December 2019. This amount consists of industrial diamond of 16.84 thousand carats, and gem diamond amounting to 30.59 thousand carats. Bauxite production contracted to 120.30 thousand metric tons in the reviewed month from 138.29 thousand metric tons in December 2019.

#### **2.1.4 Electricity**

Electricity generated in the month of January 2020 slowed down by 50.95 percent to 15.44 Gw/hr from 31.48 Gw/hr in December 2019. The plunged in electricity generation was mainly driven by the decreased in hydro power, while thermal plant generation increased during the review period.

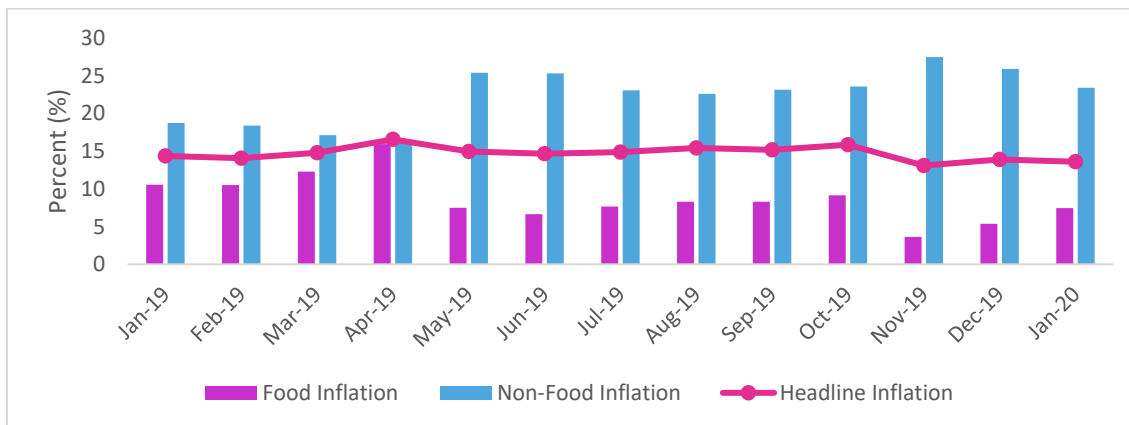
Thermal plant generation increased to 0.73 Gw/hr in January 2020 from 0.56 Gw/hr in December 2019. On the other hand, hydro power generation dropped to 14.71 Gw/hr in January 2020 from 30.92 Gw/hr in December 2019.

## 2.2 Price Development

Headline inflation moderated to 13.60 per cent in January 2020 from 13.89 per cent in December 2019. The decrease in headline inflation was mainly driven by decline in non-food inflation. Food inflation rose to 7.46 per cent in January 2020 from 5.38 per cent in December 2019. Non-food inflation moderated to 23.39 per cent in January 2020 from 25.89 per cent in December 2019.

On regional basis, inflation decreased in the three regions except Western Area region which inflation increased in the reviewed period. The Western Area inflation rose to 20.09 percent in January 2020 from 18.76 percent in December 2019. On the other hand, inflation in the Eastern region decreased to 14.99 percent in January 2020 from 17.19 percent in December 2019. The Northern region inflation also decreased to 4.53 percent in January 2020 from 5.43 percent in December 2019, while the Southern region inflation declined to 10.31 percent in January 2020 from 11.84 percent in December 2019.

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

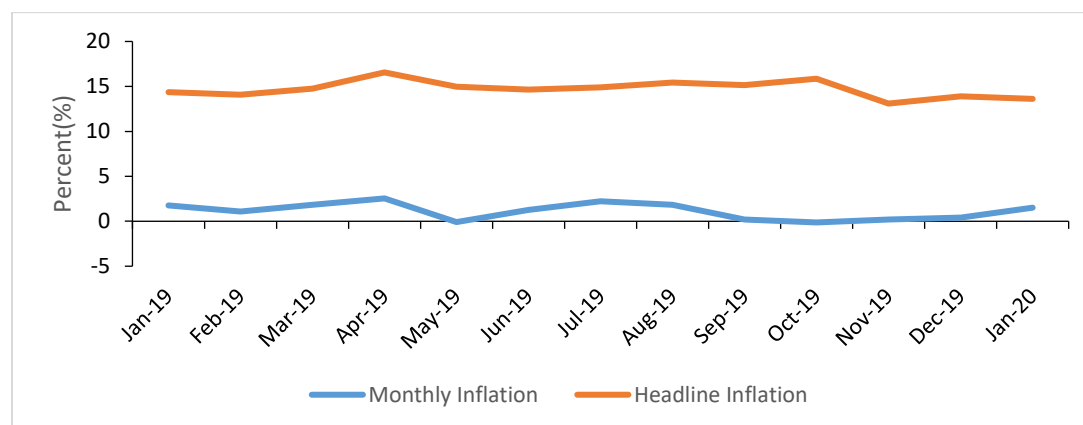


Source: Statistics Sierra Leone and BSL

On monthly basis, consumer price inflation increased to 1.51 per cent in January 2020 from 0.41 per cent in December 2019.



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



Source: Statistics Sierra Leone

### 3.0 Government Budgetary Operations

In the month of January 2020, government budgetary operations on cash flow basis resulted in a deficit of Le107.13bn compared to a deficit of Le280.11bn in December 2019. The slowdown in the deficit was on account of the expansion in revenue mobilization relative to a contraction in government spending during the review period.

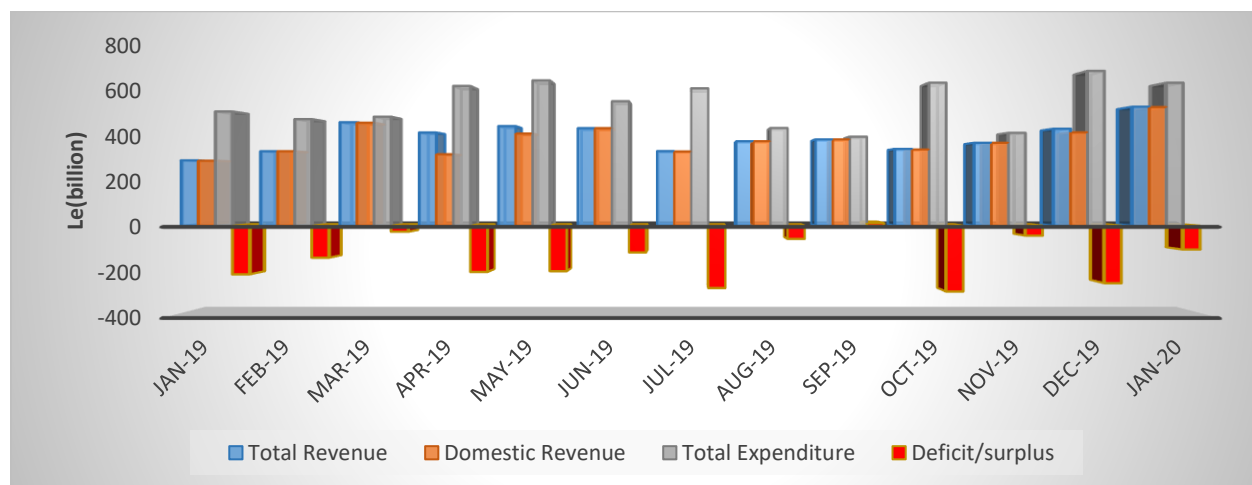
#### 3.1 Revenue

Government revenue expanded by 22.65 percent to Le534.44bn, and exceeded the programmed target of Le444.80bn by 20.15 percent. The increase in government revenue was mainly driven by the growth in domestic revenue collected in the review period. Domestic revenue amounted to Le532.64bn reflecting 27.00 percent increase compared to Le419.40bn revenue in December 2019, and was higher than the program target of Le415.19bn by 28.29 percent.

The growth in domestic revenue was explained by expansion in customs & excise duties and non-tax revenue, while income tax and goods & services tax declined during the review period. Receipts from Customs and Excise increased by 13.73 percent to Le64.05bn. Non-tax revenue increased significantly by 152.13 percent to Le270.73bn. However, revenue from Income tax department contracted by 34.03 percent to Le112.03bn. Receipts from Goods and Services tax declined marginally by 0.06 percent to Le85.83bn.

External grants support declined to Le1.80bn in January 2020 from Le16.34bn in December 2019, which was mainly HIPC Debt Relief Payments during the review period.

**Figure 3: Government Revenue and Expenditure**



Source: Research Department, Bank of Sierra Leone

### 3.2 Expenditure

Although government expenditure contracted by 7.63 percent to Le641.57bn in January 2020, it however breached the ceiling of Le522.45bn by 22.80 percent in January 2020. The contraction in government expenditure was mainly driven by the declined in pension, wages and salaries. Whereas other expenditure and debt service payments increased during the review period. Pension, wages and salaries spending contracted by 65.01 percent to Le157.18bn. On the other hand, Other expenditure on goods and services increased by 112.30 percent to Le371.76bn. In the same vein, debt service payments increased by 64.08 percent to Le111.92bn, of which domestic debt service payments amounted to Le104.16bn, and foreign debt service payment amounted to Le7.76bn.

### 3.3 Financing

The overall deficit of Le107.13bn was financed from both domestic and foreign sources.

## **4.0 Monetary Developments**

Developments in monetary aggregates in January 2020 were contractionary, as both Broad Money (M2) and Reserve Money (RM) decreased.

### **4.1 Broad Money**

Broad Money (M2) declined by 1.17 percent in January 2020, from an expansion of 2.34 percent in December 2019. This development was mainly driven by the decrease in Net Foreign Assets (NFA) of the banking system, supported by a slight decrease in Net Domestic Assets (NDA) of the banking system.

The NFA of the banking system declined by 3.82 percent in January 2020, compared to the 9.09 percent growth recorded in December 2019. The decline in NFA was a reflection of the decrease in both NFA of central bank and commercial banks. The NFA of the central bank contracted by 10.85 percent in January 2020, from a growth of 20.45 percent in December 2019, while NFA of commercial banks decreased by 2.24 percent from a growth of 6.83 percent during the same period.

The NDA of the banking system contracted by 0.28 percent in January 2020, from a growth of 0.26 percent in December 2019. This was mainly on account of growth in liabilities to government by ODCs to the tune of Le59.71bn.

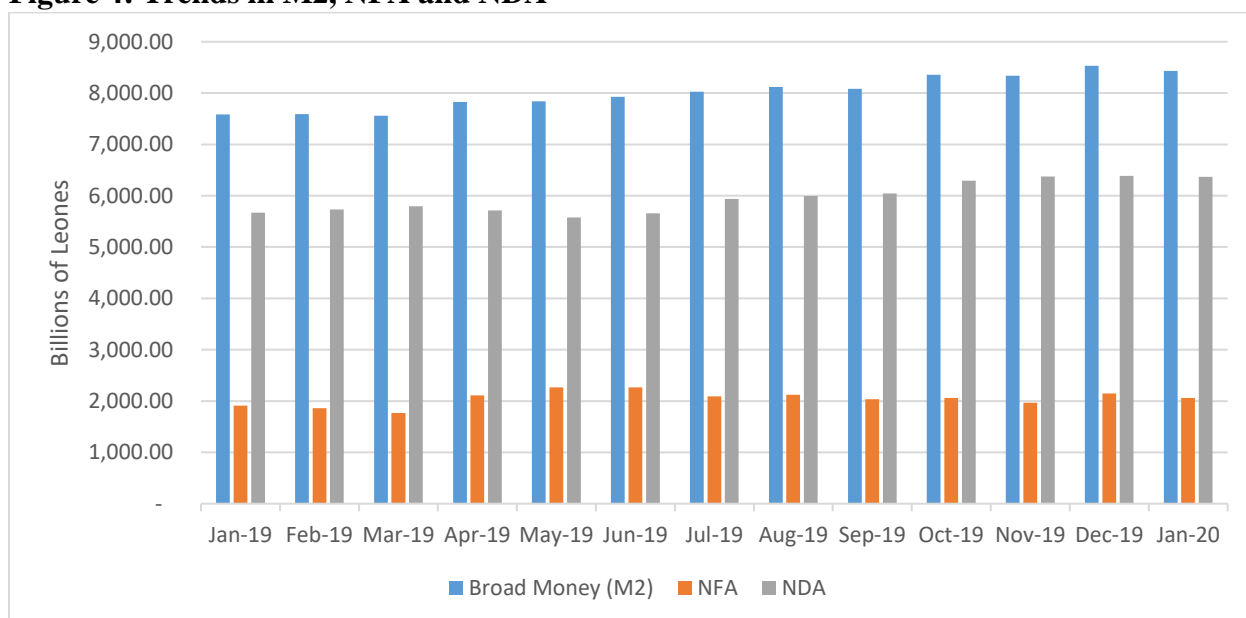
Credit to the private sector moderately expanded by 0.06 percent in January 2020, from a contraction of 3.80 percent in December 2019.

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

Billions of Leones	2019	2020	Absolute Change		% Change	
	Dec.-19	Jan.-20	Dec.-19	Jan.-20	Dec.-19	Jan.-20
<b>Reserve money</b>	<b>2,735.19</b>	<b>2,557.45</b>	<b>288.13</b>	<b>(177.74)</b>	<b>11.77</b>	<b>(6.50)</b>
<b>Broad Money (M2)</b>	<b>8,533.02</b>	<b>8,433.37</b>	<b>195.26</b>	<b>(99.65)</b>	<b>2.34</b>	<b>(1.17)</b>
<b>Narrow money (M1)</b>	<b>4,005.91</b>	<b>3,899.06</b>	<b>192.62</b>	<b>(106.84)</b>	<b>5.05</b>	<b>(2.67)</b>
Currency outside banks	2,039.90	1,935.41	186.84	(104.49)	10.08	(5.12)
Demand deposit	1,966.00	1,963.65	5.79	(2.35)	0.30	(0.12)
<b>Quasi money</b>	<b>4,527.11</b>	<b>4,534.30</b>	<b>2.64</b>	<b>7.19</b>	<b>0.06</b>	<b>0.16</b>
o.w. Foreign currency deposit	2,231.01	2,234.99	(1.96)	3.98	(0.09)	0.18
Time and saving deposit	2,290.91	2,291.68	3.78	0.77	0.17	0.03
			-			
<b>Net Foreign Asset</b>	<b>2,144.43</b>	<b>2,062.54</b>	<b>178.77</b>	<b>(81.89)</b>	<b>9.09</b>	<b>(3.82)</b>
BSL	393.12	350.45	66.74	(42.67)	20.45	(10.85)
ODCs	1,751.32	1,712.09	112.03	(39.22)	6.83	(2.24)
<b>Net Domestic Assets</b>	<b>6,388.58</b>	<b>6,370.83</b>	<b>16.48</b>	<b>(17.75)</b>	<b>0.26</b>	<b>(0.28)</b>
<b>Net Domestic Credit</b>	<b>8,501.45</b>	<b>8,552.11</b>	<b>(122.36)</b>	<b>50.66</b>	<b>(1.42)</b>	<b>0.60</b>
Government (Net)	6,347.43	6,332.54	(46.14)	(14.89)	(0.72)	(0.23)
BSL	2,633.69	2,641.33	0.74	7.64	0.03	0.29
ODCs	3,713.74	3,691.21	(46.88)	(22.53)	(1.25)	(0.61)
Private Sector Credit	2,268.66	2,268.97	(87.46)	0.31	(3.71)	0.01
o.w ODC	2,238.15	2,239.49	(88.29)	1.34	(3.80)	0.06
Other Sectors (Net)*	(114.64)	(49.40)	11.24	65.23	(8.93)	(56.90)
<b>Other Items (Net)</b>	<b>(2,112.87)</b>	<b>(2,181.28)</b>	<b>138.83</b>	<b>(68.41)</b>	<b>(6.17)</b>	<b>3.24</b>
<b>Money Multiplier</b>	3.12	3.30				

\*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 liability side, the contraction in M2 reflected a decrease in Narrow Money (M1), while quasi money slightly expanded during the same period. M1 contracted by 2.67 percent when compared to the 5.05 percent growth recorded in December 2019. This was due to decrease in both currency outside banks of 5.12 percent and demand deposits of 0.12 percent. Quasi Money expanded by 0.16 percent from a marginal growth of 0.06 percent recorded in December 2019. The increase in quasi money was due to increase in both foreign currency deposits and Time & Saving Deposits during the reviewed period.

#### 4.2 Reserve Money

Reserve Money (RM) decreased by 6.50 percent in January 2020, after recording a growth of 11.77 percent in December 2019. This development was primarily attributed to the decline in both NFA and NDA of the central bank. NFA of the central bank contracted by 10.85 percent, compared with a growth of 20.45 percent, predominantly due to debt service payments as well as transfer of funds in respect of LLAR to commercial banks. The NDA of the central bank contracted by 5.77 percent, compared with a growth of 10.44 percent during the review period. This development could be attributed to decrease in holdings of government securities.

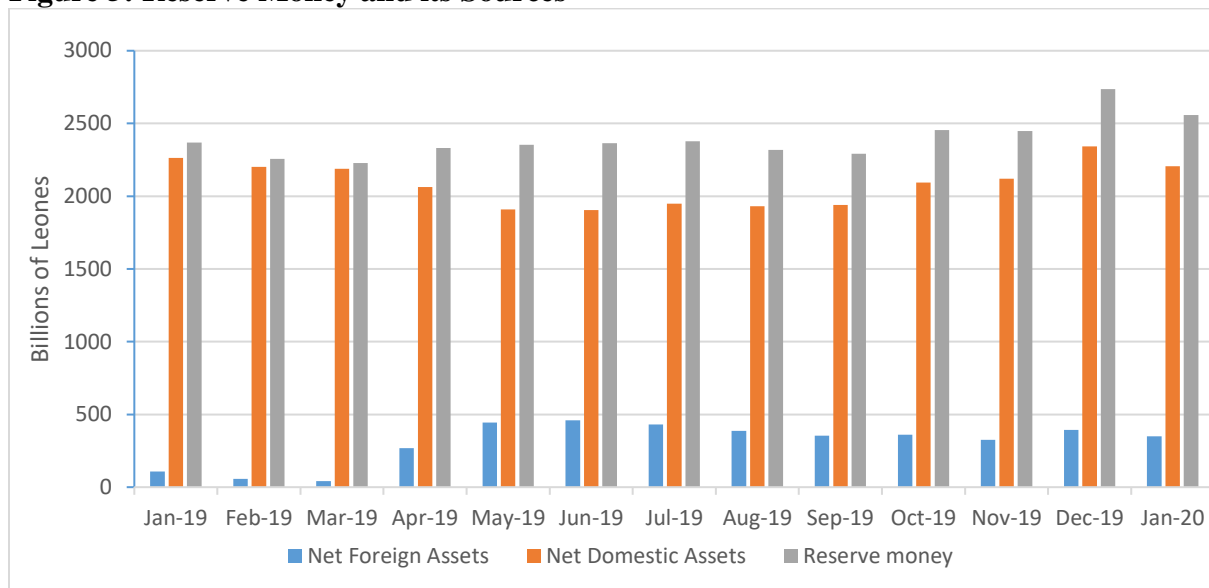
On the liability side, the contraction in RM was also reflected in both currency issued and banks' reserves which declined by 6.38 percent and 7.78 percent respectively.

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

Billions of Leones	2019	2020	Absolute Change		% Change	
	Dec.-2019	Jan.-2020	Dec.-19	Jan.-20	Dec.-19	Jan.-20
<b>1. Net Foreign Assets</b>	<b>393.12</b>	<b>350.45</b>	<b>66.74</b>	<b>(42.67)</b>	<b>20.45</b>	<b>(10.85)</b>
<b>2. Net Domestic Assets</b>	<b>2,342.07</b>	<b>2,207.00</b>	<b>221.38</b>	<b>(135.07)</b>	<b>10.44</b>	<b>(5.77)</b>
Government Borrowing (net)	2,633.70	2,641.33	0.75	7.63	0.03	0.29
o.w. Securities	1,294.86	1,274.84	212.25	(20.02)	19.61	(1.55)
Ways and Means	192.40	259.48	6.15	67.08	3.30	34.86
GoSL/IMF /WB Budget financing	1,294.80	1,294.80	(207.31)	(0.00)	(13.80)	(0.00)
<b>3. Reserve money</b>	<b>2,735.19</b>	<b>2,557.45</b>	<b>288.12</b>	<b>(177.74)</b>	<b>11.77</b>	<b>(6.50)</b>
o.w. Currency issued	2,307.75	2,160.43	275.47	(147.32)	13.55	(6.38)
Bank reserves	422.26	389.40	11.84	(32.86)	2.89	(7.78)

Source: Research Department, BSL

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

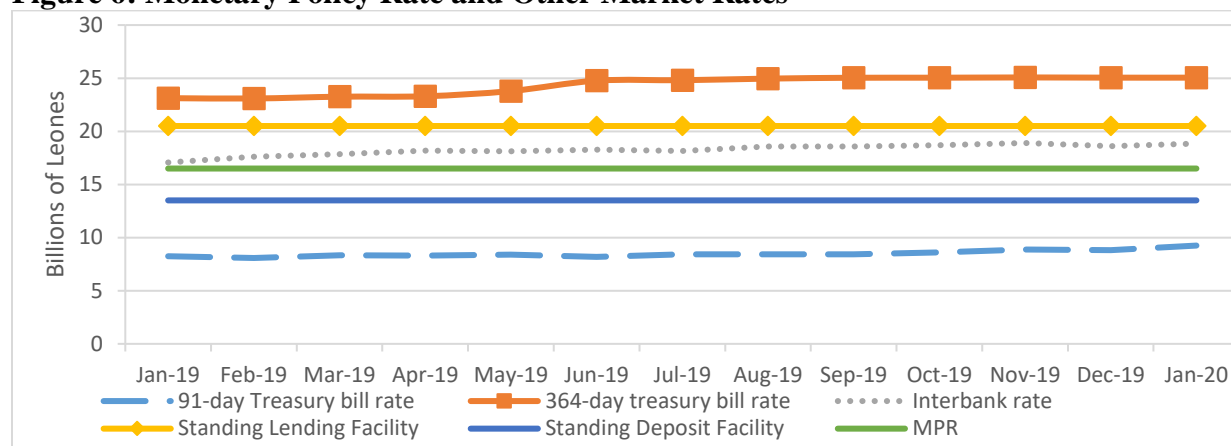


Source: Research Department, BSL

### 4.3 Interest Rates

The Monetary Policy Rate (MPR) of the Central Bank remained unchanged at 16.50 percent in January 2020. Similarly, the Standing Lending and Deposit Facility Rates were also unchanged at 20.50 and 13.50 percent respectively. The interbank market rate increased from 18.61 percent in December 2019 to 18.84 percent in January 2020, but was within the policy corridor. The commercial banks' average lending and 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

In the money market, trends in the yields on government securities for the 364-day and 182-day treasury bills remained unchanged at 25.05 percent and 13.21 percent respectively during the review period. However, the 91-day treasury bills increased from 8.83 percent in December 2019 to 9.25 percent in January 2020.

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

	2019												2020
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
91-day T-Bills	8.26	8.08	8.35	8.30	8.41	8.20	8.44	8.44	8.44	8.61	8.89	8.83	9.25
182-day T-Bills	8.42	8.40	8.23	8.20	7.23	7.13	8.53	8.54	11.38	12.46	13.21	13.21	13.21
364-day T-Bills	23.12	23.09	23.26	23.3	23.79	24.77	24.81	24.96	25.04	25.05	25.07	25.05	25.05
Interbank rate	17.07	17.61	17.84	18.18	18.12	18.27	18.16	18.57	18.57	18.68	18.9	18.61	18.84
SLF	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.5	20.50	20.5
SDF	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.5	13.50	13.5
MPR	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	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
Lending (Prime)	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-
Savings deposits	-	-	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77
	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

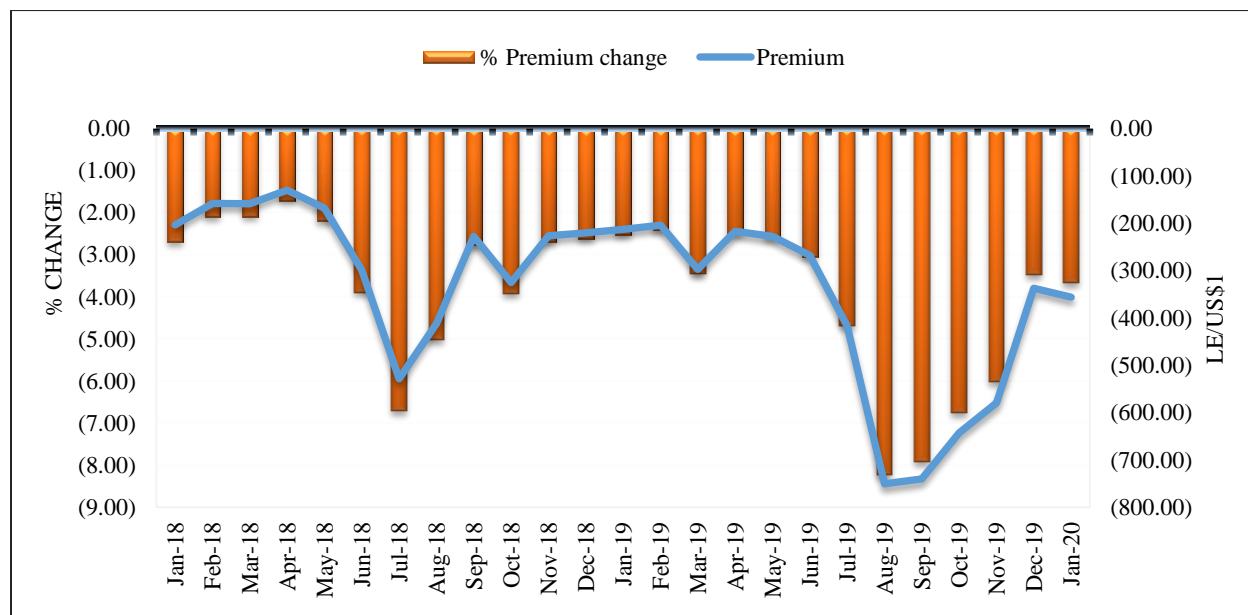
Source: Research Department, BSL

## 5.0 Exchange Rate Developments

In January 2020, the average exchange rate of the Leone vis-à-vis the US dollar depreciated in all foreign exchange markets. On the buying front, the Leone depreciated in the bureau, commercial banks, parallel and official markets by 0.45 percent, 0.33 percent, 0.16 percent and 0.15 percent, averaging Le9,618.60/US\$1, Le9,782.10/US\$1, Le10,031.82/US\$1 and Le9,628.51/US\$1 respectively. Similarly, on the selling front, the Leone depreciated in the parallel, bureau, commercial banks and official markets by 0.49 percent, 0.39 percent, 0.30 percent and 0.15 percent, averaging Le10,131.82/US\$1, Le9,888.95/US\$1, Le9,886.00/US\$1 and Le9,823.02/US\$1 respectively.

The average premium between the official and parallel rates widened by 0.18 percentage points to Le356.05/US\$1 in January, 2020 from Le337.68/US\$1 in December, 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 1.08 percent to US\$527.41mn in January 2020 from US\$533.15mn in December 2019, mainly driven by an

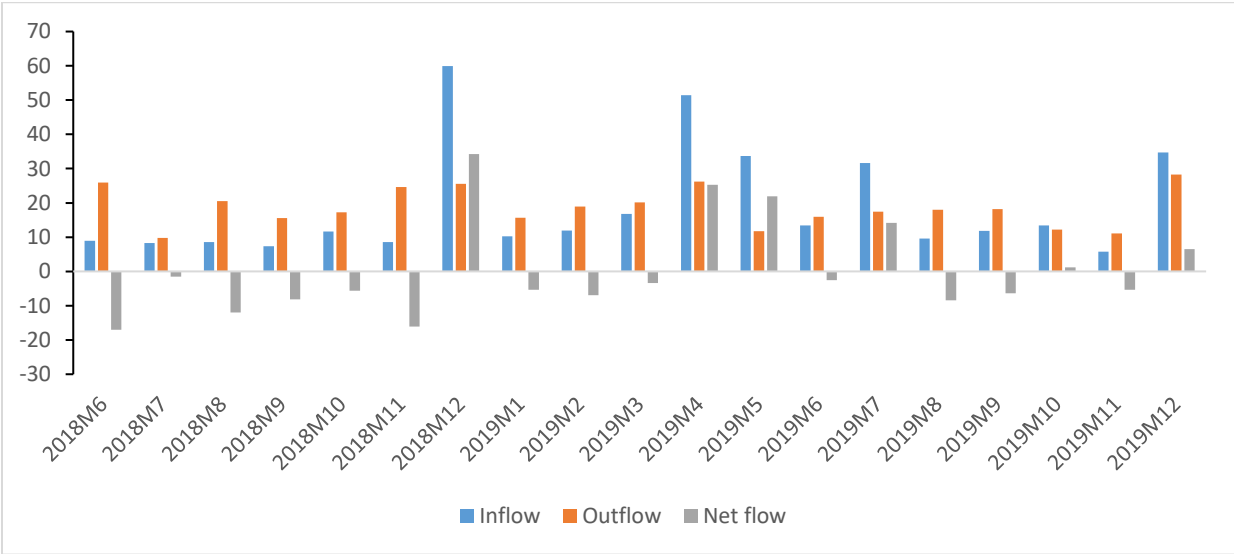


increase in outflows of US\$17.30mn over inflows of US\$12.18mn, with a net outflow of US\$5.12mn.

Major inflows included receipts from export (US\$9.60mn) of which: rutile (US\$2.79mn), koidu holdings mining co. (US\$1.55mn), other mining receipts (US\$2.32mn), fishing royalty/licenses (US\$0.50mn) and timber (US\$2.38mn). Other inflows comprised interest earned by BSL from investments abroad (US\$1.07mn), IDB disbursement for various projects (0.50mn) and other government receipts (US\$0.95mn).

Significant outflows included debt service payments (US\$9.65mn) of which: IMF (US\$2.30mn), World Bank (US\$0.85mn), other multilateral and bilateral creditors (US\$5.01mn), EC/EIB (US\$0.70mn) and OPEC/OFID (US\$0.75mn). Other outflows comprised embassy and mission payments (US\$3.02mn), payments for various infrastructural projects (US\$2.00mn), government travels (US\$1.13mn), other government expenditures (US\$1.02mn) and subscription to International organizations (US\$0.15mn) and BSL expenditure on travel and renovation of the bank building (US\$0.33mn)

**Figure 8: Foreign Exchange Flows**



Sources: Bank of Sierra Leone