



BANK OF SIERRA LEONE

**Monthly Economic
Review**

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Review**

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ABBREVIATIONS

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
RM	-	Reserve Money
SDF	-	Standing Deposit Facility
SLF	-	Standing Lending Facility
Y-o-Y	-	Year-on-Year

1.0 Highlights

Production performance in the manufacturing sector were mixed in the month of January 2021, with production increases recorded for beer & Stout, cement and oxygen, while declines were recorded for maltina, paint, acetylene, common soap and confectionary. Beer and stout production expanded by 32.61 percent to 172.85 thousand cartoons, cement and oxygen production increased by 12.94 percent to 32.64 thousand metric tons and 1.01 percent to 38.99 thousand cubic feet respectively. However, maltina production declined by 52.95 percent to 40.32 thousand cartoons, while paint production declined by 1.70 percent to 65.43 thousand metric tons. Acetylene and confectionery production declined by 3.85 percent to 34.23 thousand cubic feet and 42.33 percent to 123.99 pounds respectively. Similarly, production of common soap fell by 77.74 percent to 13.80 thousand metric tons in the review period. Furthermore, production performance in the mining sector were mixed evidenced by decreases in the production of Gold, bauxite and rutile, while ilmenite increased during the review period.

Headline inflation (y-on-y) edged-up in the month of January 2021 to 11.50 percent from 10.45 percent in December 2020. This development reflects an increase in food inflation, while non-food inflation declined in the review period.

Preliminary data on government fiscal operations on cashflow basis resulted in a deficit of Le303.94bn in January 2021 compared to a surplus of Le113.46bn in December 2020. The deficit arose from a significant contraction in government revenue which more than outweighed the decline in government expenditure during the reporting month.

The Monetary Policy Rate of the Bank of Sierra Leone remained unchanged at 14.00 in January 2021. Similarly, the Standing Lending Facility and Deposit Facility rates remained unchanged at 17.00 per cent and 8.00 per cent in January 2021, respectively. The interbank rate decreased from 10.48 per cent in December 2020 to 9.81 per cent in January 2021. The commercial banks' average Lending rate decreased from 21.42 per cent in December 2020 to 20.19 per cent in January 2021, while the Savings deposits rate increased from 2.61 per cent in December 2020 to 2.67 per cent, in January 2021.

Developments in monetary aggregates were mixed during the month of January 2021, as Broad Money (M2) expanded while Reserve Money (RM) contracted. Broad Money (M2) grew marginally by 0.51 per cent in January 2021 from an increase of 4.13 per cent in December 2020. This development was due to the growth in Net Domestic Assets (NDA), which was moderated by the decline in Net Foreign Assets (NFA) of the banking system. Reserve Money (RM) contracted by 9.51 per cent in January 2021, relative to the 2.15 per cent decrease in December 2020. The decline in RM was mainly due to decrease in Net Foreign Assets (NFA), which more than outweighed the increase in Net Domestic Assets (NDA) of the Bank of Sierra Leone.

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 6.24 percent to US\$664.53mn in January 2021 from US\$708.77 in December 2020, due to increased outflows which outweighed the amount of inflows during the review month. The average monthly premium between the official and parallel rates narrowed by 73.29 percent to Le162.24/US\$1 in January, 2021 from Le607.35/US\$1 in December, 2020.

2.0 Production and Prices

2.1 Production

2.1.1 Manufacturing

Production in the manufacturing sector broadly recorded a slowdown in January 2021. As a result, production declines occurred for maltina, paint, acetylene, common soap and confectionary. However, increases in production were recorded for beer & Stout, cement and oxygen during the month.

Production of maltina declined by 52.95 percent to 40.32 thousand cartoons, paint production dropped by 1.70 percent to 65.43 thousand metric tons. Acetylene and confectionery production declined by 3.85 percent to 34.23 thousand cubic feet and 42.33 percent to 123.99 pounds respectively. Similarly, common soap production fell by 77.74 percent to 13.80 thousand metric tons in the review period.

On the other hand, production of beer and stout expanded by 32.61 percent to 172.85 thousand cartoons, cement and oxygen production increased by 12.94 percent to 32.64 thousand metric tons and 1.01 percent to 38.99 thousand cubic feet respectively.

2.1.2 Agriculture

The agricultural sector proxied by cocoa and coffee production experienced a decline in activities in January 2021. Cocoa production decreased by 52.12 percent to 957.47 metric tons, while there was no coffee production during the review period.

2.1.3 Mining

Performance in the mining sector was mixed. Gold, bauxite and rutile fell, while ilmenite production level increased during the review period. Gold production declined by 53.71 percent to 4,064.20 ounces. Bauxite production dropped by 0.02 percent to 108.43 percent and rutile production decrease by 0.89 percent to 9.16 thousand metric tons. Ilmenite production however, increased by 14.36 to 3.51 thousand metric tons.

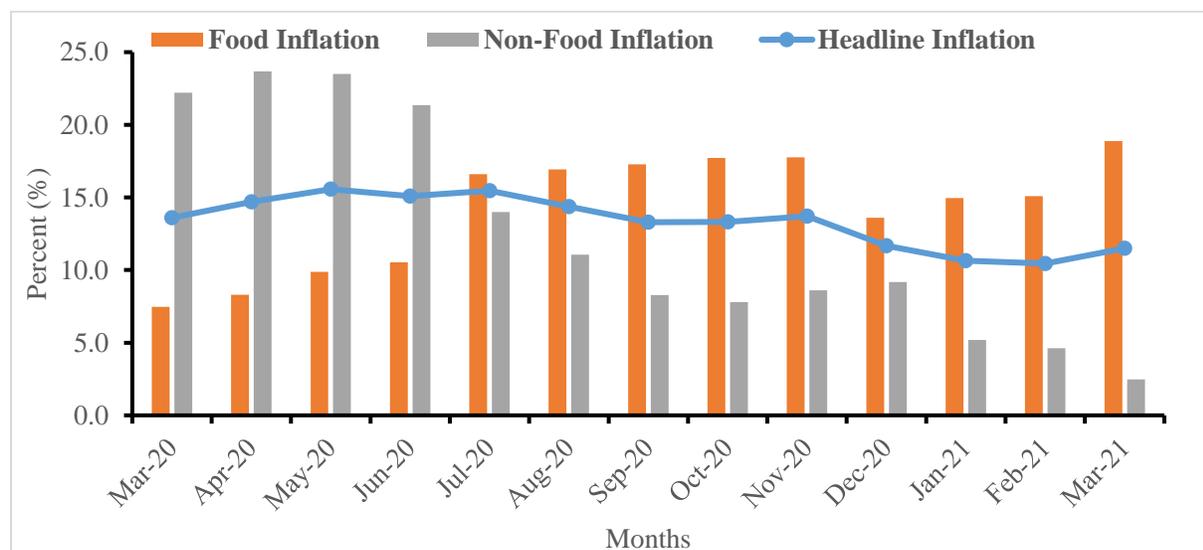
2.2 Price Development

Inflationary pressures increased in the month of January 2021 to 11.50 percent from 10.45 percent in December 2020. This development reflects an increase in food inflation, while non-food inflation declined in the review period.

Food inflation increased to 18.88 percent in January 2021 from 15.10 percent in December 2020. Non-food inflation on the other hand, fell to 2.48 percent in January 2021 from 4.62 percent in December 2020 as shown in figure 1 below.

Regional inflation shows an upward trend for all four regions in January 2021. Northern region inflation rose to 16.14 percent in January, 2021 from 13.58 percent in December, 2020; Southern region inflation increased to 11.84 percent in January, 2021 from 11.35 percent in December, 2020. Eastern region inflation accelerated to 10.22 percent in January, 2021 from 9.23 percent in December, 2020; and Western Area inflation moved up to 9.29 percent in January, 2021 from 8.82 percent in December 2020.

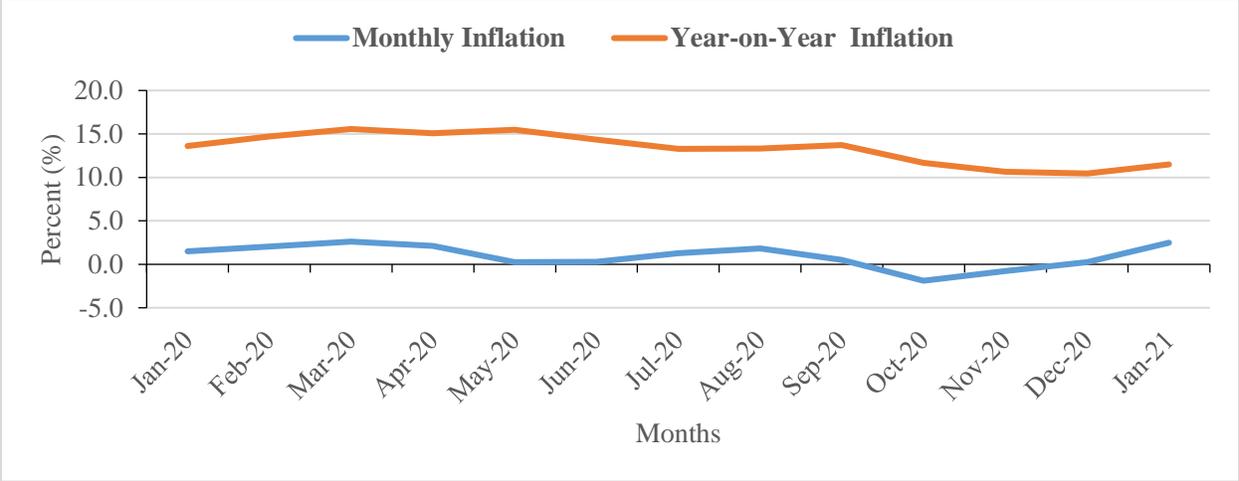
Figure 1: Headline, Food and Non-Food Inflation



Source: Research Department, BSL

Headline monthly inflation was 2.48 percent in January 2021 from 0.24 percent in December 2020 as shown in figure 2 below.

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



Source: Research Department, BSL

3.0 Government Budgetary Operations

Preliminary data on government fiscal operations on cash flow basis resulted in a deficit of Le303.94bn in January 2021 compared to a surplus of Le113.46bn in December 2020. The deficit was partly driven by a significant contraction in government revenue which more than outweighed the decline in government expenditure during the reporting month.

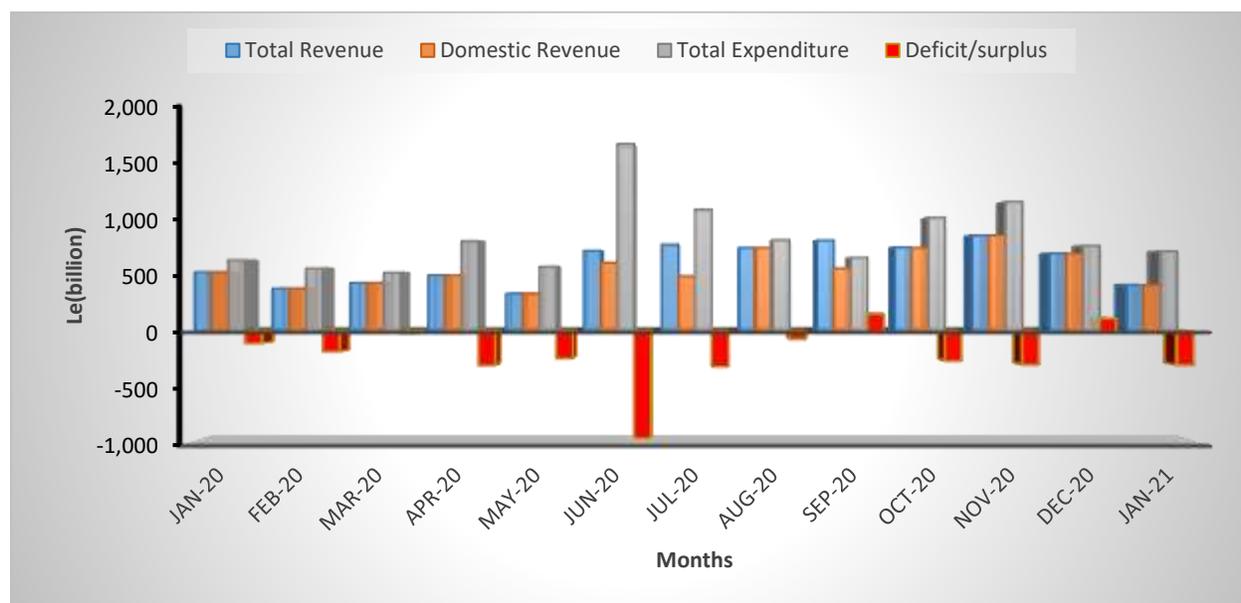
3.1 Revenues

Government revenue contracted to Le418.06bn in January 2021, representing a 52.75 percent decline mainly due to a decline in domestic revenue. Domestic revenue fell by 40.77 percent to Le416.14bn, explained by the contraction in all its components during the review period.

Receipts from customs and excise contracted by 22.68 percent to Le56.14bn. Income tax revenue fell by 26.41 percent to Le155.19bn. Revenue from goods & services tax dropped by 17.87 percent to Le77.21bn. Similarly, non-tax (miscellaneous) revenue decreased significantly by 60.75 percent

to Le127.61bn. There was no external budgetary support, meanwhile HIPC Debt Relief amounted to Le1.92bn during the review period.

Figure 3: Government Revenue and Expenditure



Source: Research Department, Bank of Sierra Leone

3.2 Expenditures

Government expenditure contracted by 6.39 percent to Le722.01bn, owing to the decline in both pension, wages & salaries spending and other expenditure on goods and services. However, debt service payments expanded during the month. Pensions, wages and salaries payments fell by 4.44 percent to Le238.19bn. Other expenditure on goods and services decreased by 12.04 percent to Le373.46bn. Debt service payments however expanded by 13.25 percent to Le110.36bn and was largely domestic debt service payments, while foreign debt services payment was Le 0.001bn.

3.3 Financing

The overall deficit of Le303.94bn was financed from domestic resources.

4.0 Monetary Developments

Developments in monetary aggregates were mixed during the month of January 2021, as Broad Money (M2) expanded while Reserve Money (RM) contracted.

4.1 Broad Money

Broad Money (M2) grew marginally by 0.51 per cent in January 2021, compared to a growth of 4.13 per cent in December 2020. This outturn was as a reflection of the growth in Net Domestic Assets (NDA), which was moderated by the decline in Net Foreign Assets (NFA) of the banking system.

The NDA of the banking system grew by 5.82 per cent in January 2021, compared to the 2.60 per cent growth registered in December 2020. This expansion was underpinned by increases in net Claims on Government by the banking system and Credit to the Private Sector by commercial banks. Credit extended to the Private Sector by commercial banks expanded by 2.24 per cent in January 2021 relative to the 1.61 per cent contraction in December 2020.

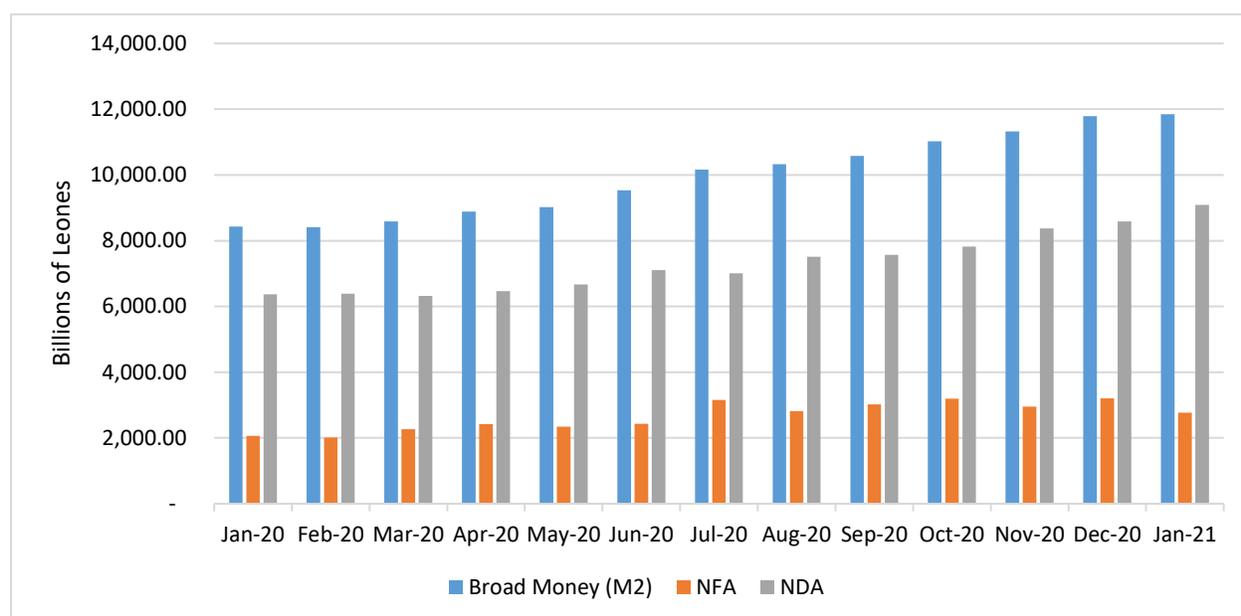
The NFA of the banking system contracted by 13.73 per cent in January 2021, compared to the 8.47 per cent increase in December 2020. This development was reflected by decrease in NFA of the Bank of Sierra Leone, which was more than the increase in NFA of commercial banks. The NFA of commercial banks expanded marginally by 0.11 per cent in January 2021 compared to the 26.15 per cent increase in December 2020.

Table 1: Broad Money and its Components

Billions of Leones	Absolute change				% Change	
	Dec.-20	Jan-21	Dec-20	Jan.-21	Dec-20	Jan.-21
Reserve money	4,234.55	3,832.03	(93.04)	(402.52)	(2.15)	(9.51)
Broad Money (M2)	11,790.92	11,850.83	467.55	59.91	4.13	0.51
Narrow money (M1)	6,003.96	5,919.16	111.15	(84.80)	1.89	(1.41)
Currency outside banks	2,806.99	2,750.51	158.13	(56.49)	5.97	(2.01)
Demand deposit	3,196.96	3,168.65	(46.98)	(28.31)	(1.45)	(0.89)
Quasi money	5,786.97	5,931.67	356.40	144.70	6.56	2.50
o.w. Foreign currency deposit	2,797.74	2,894.06	320.94	96.32	12.96	3.44
Time and saving deposit	2,966.90	3,027.82	18.70	60.92	0.63	2.05
Net Foreign Assets	3,204.76	2,764.61	250.24	(440.16)	8.47	(13.73)
BSL	623.19	180.26	(284.98)	(442.93)	(31.38)	(71.07)
ODCs	2,581.58	2,584.35	535.22	2.77	26.15	0.11
Net Domestic Assets	8,586.16	9,086.22	217.30	500.07	2.60	5.82
Net Domestic Credit	10,892.81	11,304.84	(2.01)	412.03	(0.02)	3.78
Government (Net)	8,682.96	9,010.52	51.21	327.56	0.59	3.77
BSL	3,557.53	3,573.68	51.31	16.15	1.46	0.45
ODCs	5,125.43	5,436.84	(0.10)	311.41	(0.00)	6.08
Private Sector Credit	2,379.92	2,433.35	(38.48)	53.43	(1.59)	2.24
o.w ODC	2,349.01	2,401.66	(38.46)	52.65	(1.61)	2.24
Other Sectors (Net)*	(170.07)	(139.02)	(14.74)	31.04	9.49	(18.25)
Other Items (Net)	(2,306.66)	(2,218.62)	219.31	88.04	(8.68)	(3.82)

*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 of the balance sheet, the expansion in M2 was as a result of an increase in Quasi Money which was moderated by decline in narrow Money (M1). Quasi Money grew by 2.50 per cent in January 2021 relative to the 6.56 per cent increase in December 2020. The growth in Quasi Money stemmed from a 3.44 per cent increase in foreign currency deposits and 2.05 per cent in time and savings deposits. Narrow Money (M1) contracted by 1.41 per cent in January 2021, from a growth of 1.89 per cent in December 2020. The decline in M1 was on account of decreases in currency outside banks (2.01%) and demand deposits (0.89%).

4.2 Reserve Money

Reserve Money (RM) contracted by 9.51 per cent in January 2021, relative to the 2.15 per cent decrease in December 2020. RM declined mainly as a reflection of decrease in Net Foreign Assets (NFA) which more than outweighed the increase in Net Domestic Assets (NDA) of the Bank of Sierra Leone. NFA declined by 71.07 per cent in January 2021 from 31.38 per cent decrease in December 2020 and was mainly attributed to settlements of foreign obligations. The NDA of the Bank of Sierra Leone expanded by 1.12 per cent in January 2021 relative to the 5.61 per cent growth in December 2020 mainly due to increase in loans to subvented agencies.

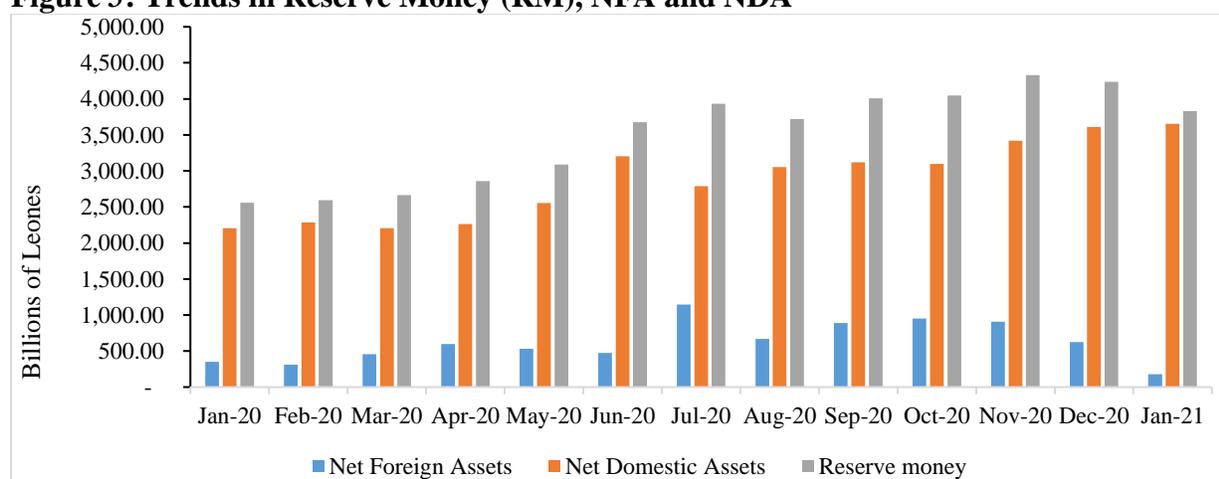
Table 2: Reserve Money and its Components

Billions of Leones			Absolute Change		% Change	
	Dec-20	Jan-21	Dec-20	Jan-21	Dec-20	Jan-21
1. Net Foreign Assets	623.19	180.26	(284.98)	(442.93)	(31.38)	(71.07)
2. Net Domestic Assets	3,611.37	3,651.77	191.94	40.41	5.61	1.12
Government Borrowing (net)	3,557.52	3,573.68	51.31	16.16	1.46	0.45
o.w. Securities	1,011.43	970.03	182.77	(41.40)	22.06	(4.09)
Ways and Means GoSL/IMF /WB Budget financing	213.57	173.46	74.60	(40.11)	53.69	(18.78)
	2,525.22	2,525.22	(250.00)	-	(9.01)	-
3. Reserve money	4,234.55	3,832.03	(93.04)	(402.52)	(2.15)	(9.51)
o.w. Currency issued	3,009.15	2,938.27	50.52	(70.87)	1.71	(2.36)
Bank reserves	1,203.08	883.15	(159.86)	(319.93)	(11.73)	(26.59)

Source: Research Department, BSL

From the liabilities side, the contraction in RM was as a result of decrease in both banks' reserves, and currency issued by 26.59 per cent and 2.36 per cent respectively.

Figure 5: Trends in Reserve Money (RM), NFA and NDA

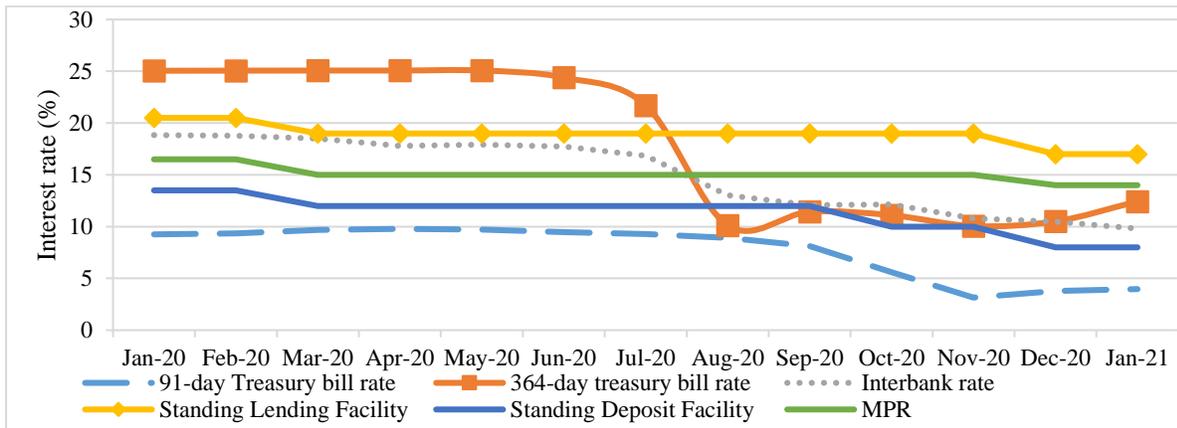


Source: Research Department, BSL

4.3 Interest Rates

The Monetary Policy Rate of the Bank of Sierra Leone remained unchanged at 14.00 in January 2021. The Standing Lending Facility and Standing Deposit Facility rates were also unchanged at 17.00 per cent and 8.00 per cent in January 2021, respectively. The interbank rate decreased from 10.48 per cent in December 2020 to 9.81 per cent in January 2021. The commercial banks' average Lending rate decreased from 21.42 per cent in December 2020 to 20.19 per cent in January 2021 while the Savings deposits rate increased from 2.61 per cent in December 2020 to 2.67 per cent, in January 2021.

Figure 6: Monetary Policy Rate and Other Market Rates



Source: Research Department, BSL

Interest rate on government securities exhibited an increasing trend during the month of January 2021. The 91-day T-bills, 182- days T-bills and 364-days T-bills increased from 3.78 per cent, 5.17per cent and 10.51per cent in December 2020 to 3.96 per cent, 5.98 per cent and 12.43 per cent in January 2021, respectively.

Table 3: Interest Rates (%)

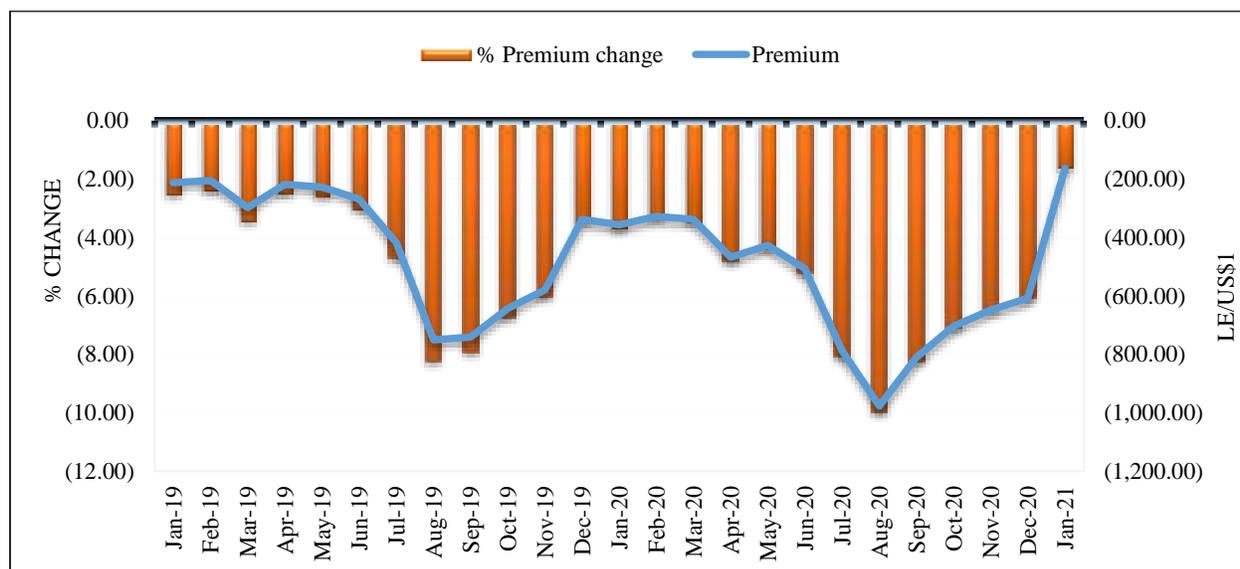
	2020												2021
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
91-day T-Bills	9.25	9.34	9.69	9.78	9.71	9.46	9.29	8.91	8.11	5.60	3.15	3.78	3.96
182-day T-Bills	13.21	13.21	13.21	13.21	13.21	13.21	13.20	9.42	9.68	7.45	5.48	5.17	5.98
364-day T-Bills	25.05	25.06	25.07	25.07	25.07	24.39	21.7	10.12	11.44	11.10	10.05	10.51	12.43
Interbank rate	18.84	18.77	18.50	17.80	17.91	17.73	16.85	13.04	12.09	12.14	10.79	10.48	9.81
SLF	20.50	20.50	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	17.00	17.00
SDF	13.50	13.50	12.00	12.00	12.00	12.00	12.00	12.00	12.00	10.00	10.00	8.00	8.00
MPR	16.50	16.50	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	14.00	14.00
Ave. Lending rate	20.49	20.49	20.49	20.49	20.51	20.51	20.77	20.62	20.62	20.30	21.42	21.42	20.19
	17.89	17.89	17.72	17.72	17.75	17.75	18.04	17.74	17.74	17.27	18.64	18.64	18.70
	-	-	-	-	-	-	-	-	-	-	-	-	-
Lending (Prime)	23.08	23.08	23.26	23.26	23.26	23.26	23.50	23.50	23.50	23.33	24.20	24.20	21.67
Savings deposits	2.90	2.90	2.90	2.90	2.90	2.90	2.89	2.72	2.72	2.72	2.72	2.61	2.67

Source: Research Department, BSL

5.0 Exchange Rate Developments

In January 2021, the average exchange rate of the Leone to the US dollar depreciated in all foreign exchange markets except in the parallel market. On the buying front, the Leone depreciated in the bureau, official and commercial banks markets by 1.80 percent, 0.92 percent and 0.91 percent, averaging Le10,159.34/US\$1, Le10,085.88/US\$1 and Le10,228.32/US\$1 respectively. It however appreciated in the parallel market by 3.31 percent and averaging Le10,300.00/US\$1. Similarly, on the selling front, the Leone depreciated in the bureau, official and commercial banks by 1.68 percent, 0.92 percent and 0.13 percent, averaging Le10,462.35/US\$1, Le10,289.63/US\$1, and Le10,335.87/US\$1 respectively. Whereas, in the parallel market the Leone appreciated by 3.28 percent and averaging Le10,400.00/US\$1. The average monthly premium between the official and parallel rates narrowed by 73.29 percent to Le162.24/US\$1 in January, 2021 from Le607.35/US\$1 in December, 2020 (See figure 7).

Figure 7: Premium between Official and Parallel Exchange Rates



Source: Bank of Sierra Leone

6.0 Gross Foreign Exchange Reserves

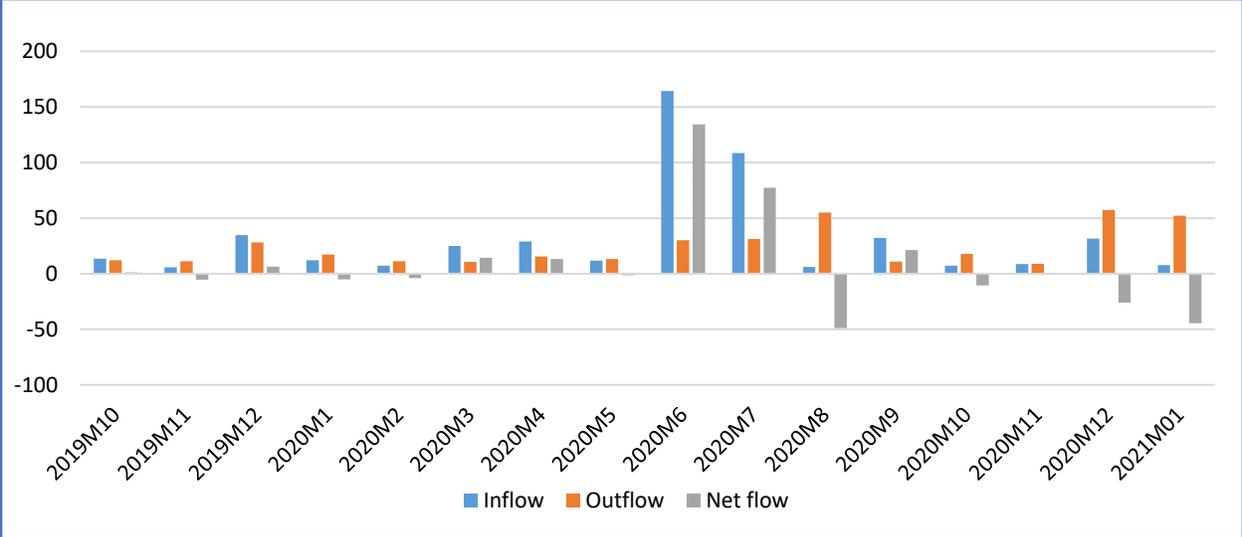
The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 6.24 percent to US\$664.53mn in January 2021 from US\$708.77 in December 2020, due to increased outflows which outweighed the amount of inflows during the review month. Inflows recorded was US\$7.76mn, while outflows amounted to US\$52.28mn, resulting to a net outflow of US\$44.52.

Major inflows comprised receipts from rutile export (US\$1.23mn), bauxite (US\$0.35mn), other mining receipts (US\$0.30mn), fishing royalty and license (US\$0.28mn) and timber (US\$2.82mn), Other inflows include swap transactions with commercial banks (US\$1.50mn), maritime administration (US\$0.62mn) and other government receipts (US\$0.47mn).

Significant outflows included amount utilized in respect of interbank market operations, (US\$28.28mn), drawdown on BSL Special Credit Facility to the private sector (US\$8.60mn), embassy and mission payments (US\$3.30), various infrastructure projects (US\$2.86mn), cost for printing of currency (US\$2.41mn), BSL payments (US\$0.68mn) and other government outlays (US\$2.60mn). Other outflows were in respect of debt service payments to international donor

partners of which; OPEC/OFID (US\$1.01mn), EC/EIB (US\$0.83mn), World Bank (US\$0.41mn), AfDB (US\$0.39mn) and other multilateral and bilateral creditors (US\$0.89mn).

Figure 8: Foreign Exchange Flows



Source: Bank of Sierra Leone