



**BANK OF SIERRA LEONE**

**Monthly Economic Review**

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## **Monthly Economic Review**

January 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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## TABLE OF CONTENTS

Contents.....	ii
List of Figures.....	iii
List of Tables.....	iii
List of Abbreviations.....	iv
Executive Summary.....	1
1. Introduction.....	2
2. Production and Prices .....	2
2.1 Production.....	2
2.1.1 Agriculture .....	2
2.1.2 Mining.....	3
2.1.3. Manufacturing.....	3
3. Fiscal Developments.....	5
3.1 Revenues.....	5
3.2 Expenditures .....	6
4. Monetary Developments.....	7
4.1 Broad Money .....	7
4.3 Interest Rates .....	10
5. External Sector.....	12
5.1 Exchange Rate Developments .....	12
5.2. Gross Foreign Exchange Reserves .....	13
6. Conclusion .....	13

## List of Figures:

<b>Figure 1: Headline, Food and Non-Food Inflation</b> .....	4
<b>Figure 2: Year-on-year Inflation and Monthly Inflation Change</b> .....	4
<b>Figure 3: Inflation Rates in December 2021 and January 2022 by Region</b> .....	5
<b>Figure 4: Government Revenue and Expenditure</b> .....	6
<b>Figure 5: Growth of M2 and Contributions of NFA and NDA to M2 Growth</b> .....	7
<b>Figure 6: Reserve Money Growth and Contributions of NFA and NDA to Reserve Money</b> .....	9
<b>Figure 7: Bank of Sierra Leone Interest Rates and the Interbank Rate</b> .....	10
<b>Figure 8: Average lending and Savings deposit rates</b> .....	11
<b>Figure 9: Yields on Treasury Bills</b> .....	11
<b>Figure 10: Premium between Official and Parallel Exchange Rates</b> .....	12
<b>Figure 11: Foreign Exchange Flows</b> .....	13

**List of Tables:**

<b>Table 1: Growth of Monetary Aggregates.....</b>	<b>8</b>
<b>Table 2: Growth of Reserve Money and its Components.....</b>	<b>10</b>

## Executive Summary

In the agricultural sector, cocoa production declined in January 2022 by 89.14 percent to 2901.35 metric tons. There was no data on coffee production in the review period. Production in the mining sector was mixed in January 2022 as diamonds recorded decrease in production. On the other hand, pure gold and gold concentrate production recorded increases of 32.24 percent to 449.25 ounces and 100.00 percent to 8.69 ounces respectively. Production performance in the manufacturing sector plummeted in January 2022. Production decreased for nearly all the items, which include Beer & Stout, Maltina, acetylene, and common soap, paint, oxygen and confectionary.

Headline inflation (year-on-year) fell to 16.65 percent in January 2022 from 17.94 percent in December 2021. Food inflation declined to 15.68 percent in January 2022 from 19.40 percent in December 2021, while non-food inflation edged up to 17.60 percent in January 2022 from 16.75 percent in December 2021.

Government fiscal operations on a cash flow basis recorded a deficit of Le13.63bn in January 2022 compared to a surplus of Le43.24bn in December 2021. This was a reflection of contraction in revenue mobilisation, which was more than the decrease in government expenditure. The deficit was financed from both domestic and foreign sources.

Development in monetary aggregates in January 2022 was expansionary as reflected in both broad money (M2) and reserve money. The growth of M2 moderated to 2.03 percent in January 2022 from 6.69 percent in December 2021. Growth in M2 was attributable to increase in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking system. Reserve Money increased by 2.31 percent in January 2022 from 12.05 percent in December 2021. The growth in reserve money was due to increase in the Net Domestic Assets (NDA) of the Bank of Sierra Leone (BSL).

Gross foreign exchange reserve of the BSL at the end of January 2022 was US\$ 920.37 million, which was down by 2.95 percent, from US\$948.31million in December 2021. Inflow in January 2022 amounted to US\$5.51million, while total outflows amounted to US\$31.18million. The average monthly exchange rate of the Leone against the US\$ depreciated in all foreign exchange markets in January 2022. On the buying side, the Leone depreciated marginally in the parallel market by 0.43 percent, averaging Le11,655.00/US\$1. It depreciated across commercial banks, official and bureau markets by 1.16 percent, 1.14 percent, and 1.38 percent respectively. The premium between the official and parallel rates reduced from 3.85 percent, which was Le432.21/US\$1 in December 2021 to 3.15 percent (Le361.26/US\$1) in January 2022.

## **1. Introduction**

The Monthly Economic Review (MER) is a publication of the Research and Statistics Department, Bank of Sierra Leone. The objective of this Economic Review 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 January 2022. In the real sector, developments in the production of key agricultural products for which regular monthly data is available are discussed. 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 fiscal sector developments; section 4 analyses monetary sector developments; section 5 analyses the external sector developments and section 6 is the conclusion.

## **2. Production and Prices**

### **2.1 Production**

#### **2.1.1 Agriculture**

In January 2022, performance in the agricultural sector, proxied by cocoa production, deteriorated. Cocoa production declined significantly by 89.14 percent to 2901.35 metric tons. There was no data on coffee production during the review period.

### **2.1.2 Mining**

Mining sector activities recorded mixed trend in January 2022. Total diamond production declined by 34.24 percent to 55.61 thousand carats, of which gem diamond production amounted to 47.17 thousand carats and industrial diamond amounted to 8.44 thousand carats. Bauxite and Zircon production decreased by 48.54 percent to 66.04 thousand metric tons and 81.91 percent to 0.81 thousand metric tons respectively.

On the other, production of gold pure and gold concentrate production increased by 32.24 percent to 449.25 ounces and 100.00 percent to 8.69 ounces respectively. Rutile and ilmenite production rose by 5.32 percent to 12.56 thousand metric tons and 3.98 percent to 5.93 thousand metric tons respectively. Ilmenite production grew by 23.93 percent to 3.88 thousand metric tons. Iron ore and other minerals production grew by 40.32 percent to 316.71 thousand metric tons and 89.40 percent to 0.86 thousand dry metric tons respectively.

### **2.1.3. Manufacturing**

Performance in the manufacturing sector slowed in January 2022. Output of all products with available data declined during the review period. Output of Beer & stout and Maltina fell by 30.33 percent to 133.95 thousand cartons and 76.32 percent to 30.84 thousand cartons respectively. Similarly, paint and oxygen production dropped by 29.56 percent to 47.15 thousand gallons and 48.67 percent to 17.08 thousand cubic feet respectively. Cement production stood at 8.21 thousand metric tons. Confectionary and common soap production fell by 7.62 percent to 232.71 pounds and 85.00 percent to 7.77 thousand metric tons respectively.

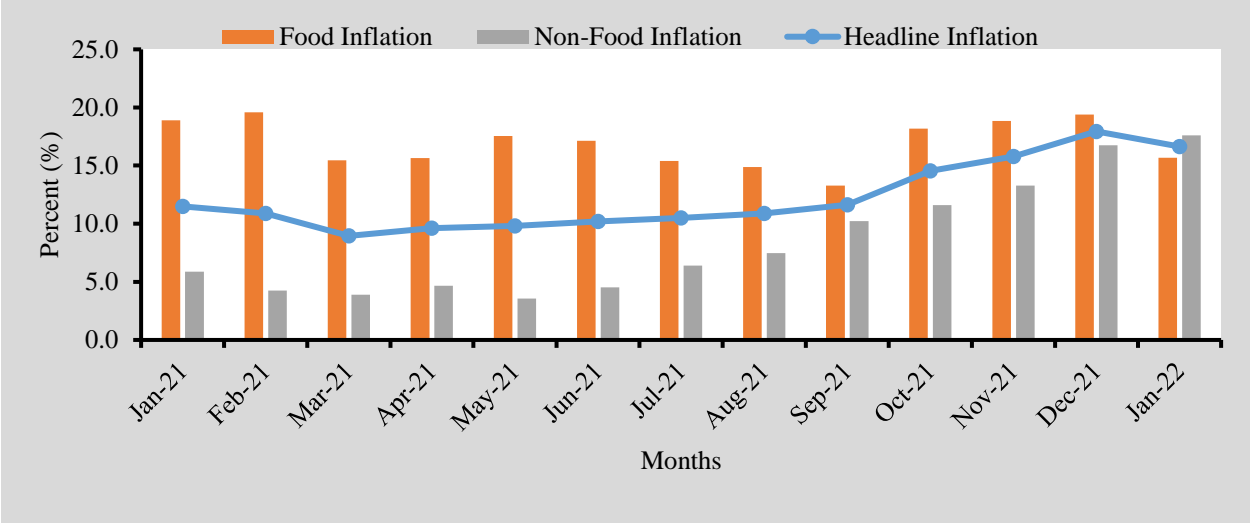
## **2.2 Price Developments**

The consumer price index was rebased from 2008 to 2021 in January 2021 and the series for December was updated to match the 2021 base period. Headline inflation declined to 16.65 percent in January 2022, from 17.94 percent in December 2021. This reflected moderation in food inflation, whilst non-food inflation increased during the review period.



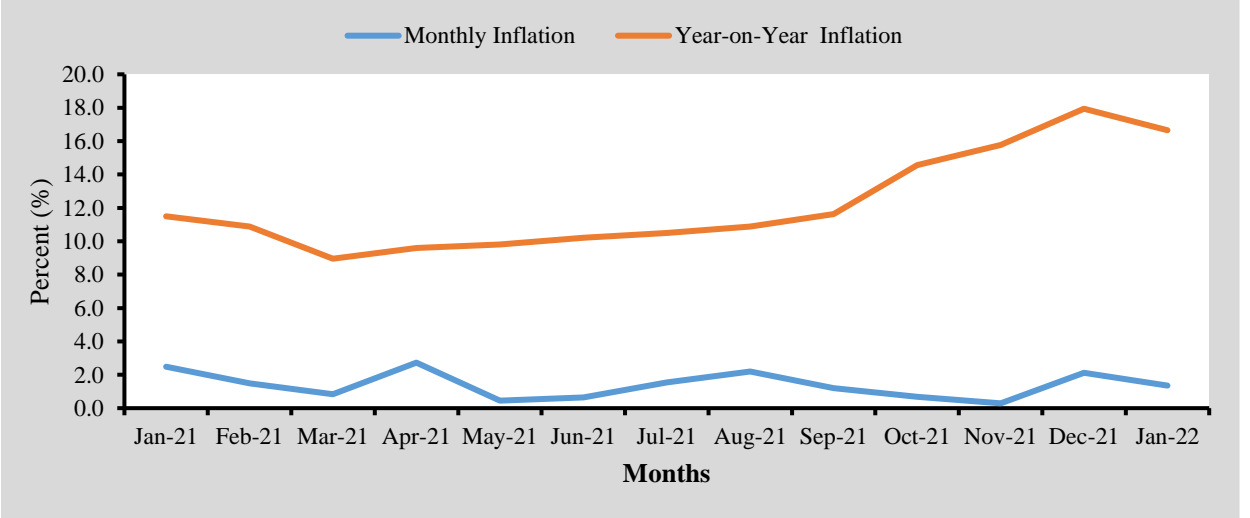
Food inflation declined to 15.68 per cent in January 2022 from 19.40 per cent in December 2021. Non-food inflation, on the other hand, edged to 17.60 per cent in January 2022, from 16.75 per cent in December 2021. Figure 1 shows the trend of headline (year-on-year), food, and non-food inflation rates. Monthly headline inflation fell to 1.36 per cent in January 2022 from 2.12 per cent in December 2021. Figure 2 shows trends in year-on-year and monthly inflation rates.

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



Source: Statistics Sierra Leone and BSL

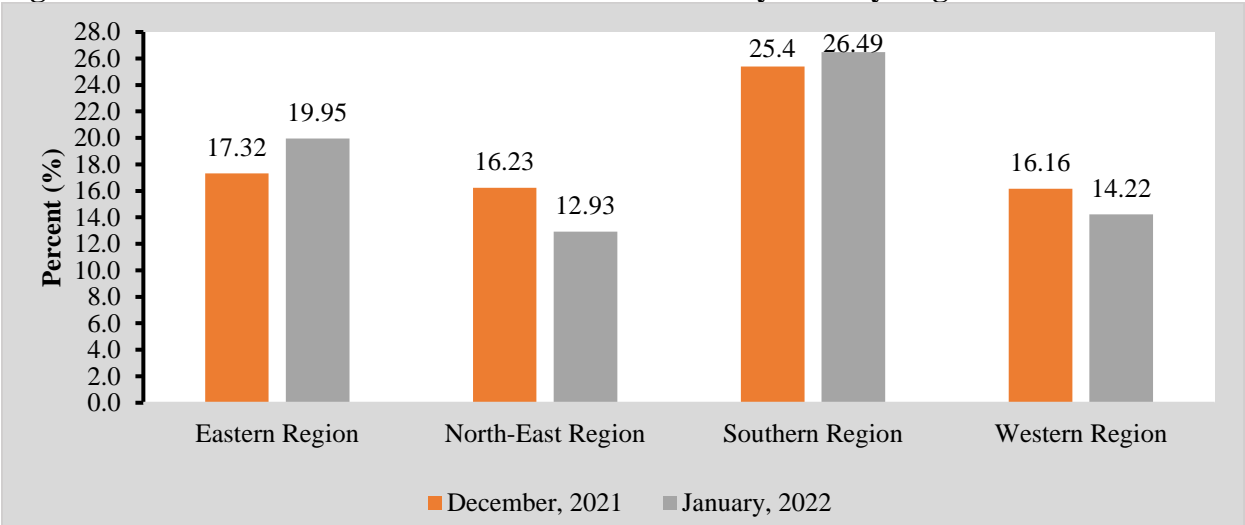
**Figure 2: Year-on-year Inflation and Monthly Inflation Change**



Source: Statistics Sierra Leone and BSL

On a regional basis, inflation rate observed a mixed performance in January 2022. Western region inflation declined to 14.22 percent in January 2022, from 16.16 percent in December 2021, and North-East region inflation fell to 12.93 percent in January 2022, from 16.23 percent in December 2021. On the other hand, Southern region inflation increased to 26.49 percent in January 2022, from 25.41 percent in December 2021; Eastern region inflation rose to 19.95 percent in January 2022, from 17.33 percent in December 2021. Meanwhile, the inflation in the North-West region is expected to begin in January 2023, whilst the price index has been launched. 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**

Out turns in Government fiscal operations on a cash flow basis in January 2022 resulted in a deficit of Le13.63bn compared to a surplus of Le43.24bn in December 2021. This reflects a contraction in revenue mobilisation which outweighed the decline in government expenditure. The overall fiscal deficit of Le13.63bn was financed from both domestic and external sources.

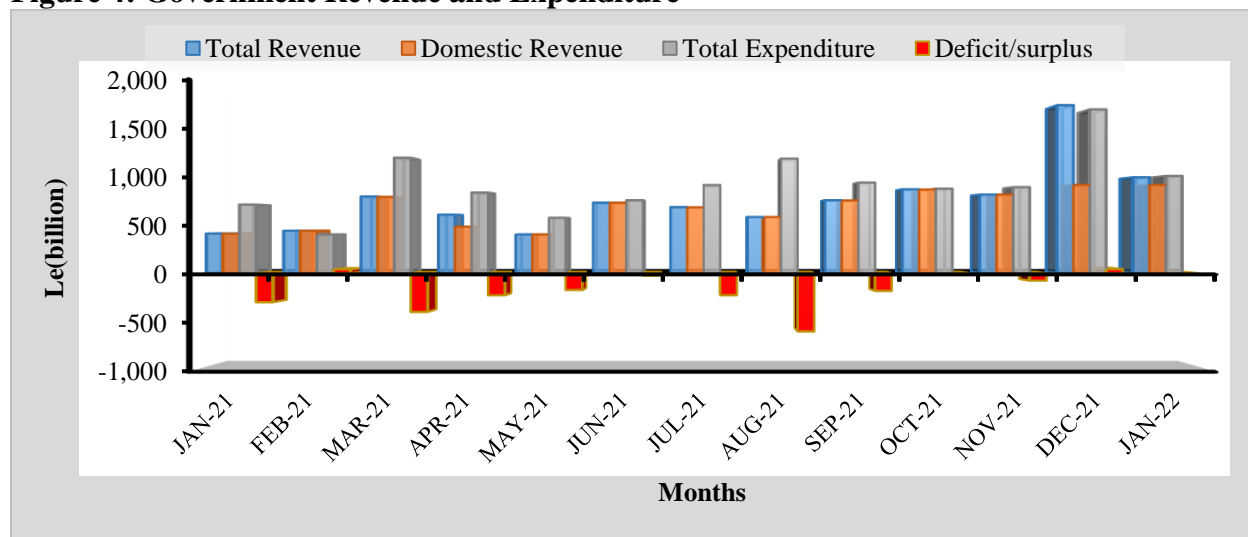
**3.1 Revenues**

Government revenue and grants contracted by 42.78 per cent to Le1, 008.36bn in January 2022, yet exceeded the target of Le720.47bn by 39.96 percent. The contraction in government revenue

was attributed to the decline in foreign grants received, whilst domestic revenue increased. Domestic revenue expanded marginally by 0.01 per cent to Le929.03bn in January 2022 and was 45.87 percent over the target of Le636.88bn. The increase in domestic revenue was mainly due to the increase in non-tax (miscellaneous) revenue by 25.49 percent to Le660.81bn while receipts from customs and excise decreased by 36.85 per cent to Le60.04bn, revenue from income tax fell by 31.79 percent to Le132.80bn and revenue from goods and services tax declined by 33.06 percent to Le75.38bn.

Foreign grant received in January 2022 contracted by 90.48 per cent to Le79.33bn. This comprised IMF (Catastrophe Containment and Relief Trust (CCRT) Debt Service Relief) which amounted to Le77.25bn and HIPC Debt Relief Fund amounted to Le2.07bn. Figure 4 gives the revenue and expenditure profile from January 2021 to January 2022.

**Figure 4: Government Revenue and Expenditure**



Source: Bank of Sierra Leone

### 3.2 Expenditures

In January 2022, government expenditure contracted by 40.55 per cent to Le1,021.99bn. It was however higher than the ceiling of Le626.53bn by 63.12 per cent. This development was largely attributed to the decline in all the major components of government expenditure. Pension, wages and salaries expenditure decreased by 62.78 per cent to Le195.22bn. Other expenditure on goods and services fell by 31.87 percent to Le742.19bn. Debt services dropped by 19.44 percent to

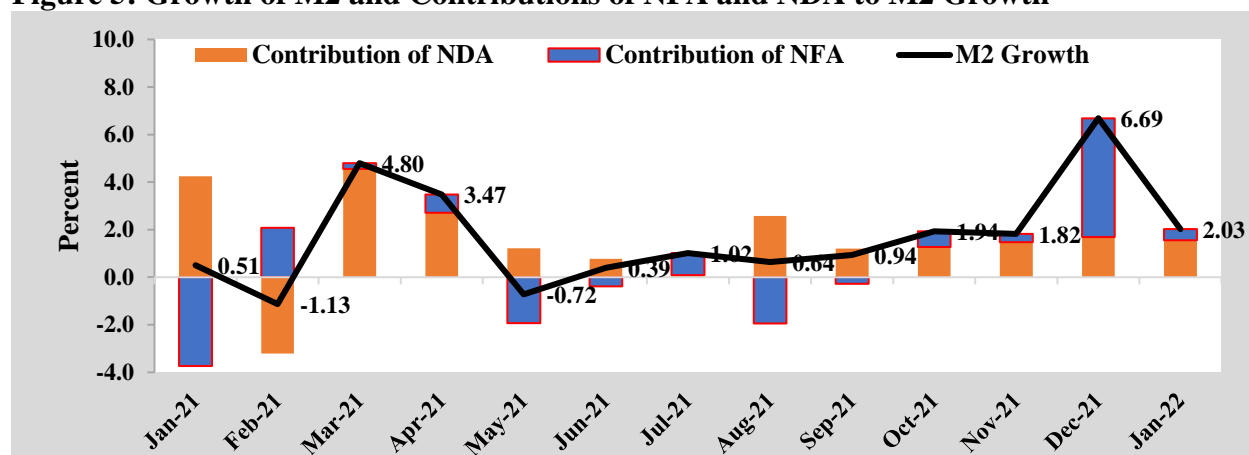
Le84.58bn, of which domestic interest amounted to Le77.37bn and foreign interest amounted to Le7.21bn.

## 4. Monetary Developments

### 4.1 Monetary Aggregate

In January 2022, Broad Money (M2) expanded. Broad money growth moderated by 2.03 percent in January 2022, from 6.69 percent in December 2021. The increase in M2 was driven by growth in Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking system. The contributions of NDA and NFA to the growth of M2 were 1.56 percent and 0.47 percent respectively. Figure 5 shows the 2021 trend of the growth of M2 and contributions of NDA and NFA to the growth of M2.

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



Source: Bank of Sierra Leone

Net domestic assets of the banking system increased by 2.05 percent in January 2022, slightly down from a growth of 2.14 percent in December 2021. The growth in NDA was mainly due to the increase in net claims on the government by the Bank of Sierra Leone by 2.70 percent from a contraction of 0.99 percent in December 2021. Similarly, net claims on government by Other Depository Corporations (ODCs) increased by 4.66 percent in January 2022, from 2.31 percent in December 2021. Meanwhile, claims on other sectors' net expanded by 7.80 percent in January 2022, from 3.82 percent in December 2021. On the other hand, credit to the private sector by ODCs contracted 0.50 percent in January 2022, from 1.96 percent in December 2021.

NFA of the banking system increased by 1.95 percent in January 2022, from an expansion of 24.00 percent in December 2021. The marginal increase in NFA was largely driven by the expansion in NFA of ODCs, whilst NFA of the Bank of Sierra Leone (BSL) increased. Table 1 shows growth of monetary aggregates.

**Table 1: Growth of Monetary Aggregates**

Billions of Leones	Actual Values		Absolute Change		Growth (%)	
	Dec-21	Jan-22	Dec-21	Jan-22	Dec-21	Jan-22
Reserve Money	4,602.18	4,708.46	495.09	106.27	12.05	2.31
Broad Money (M2)	14,391.06	14,682.99	902.21	291.93	6.69	2.03
Narrow money (M1)	7,539.77	7,584.22	576.03	44.45	8.27	0.59
Currency outside banks	3,479.76	3,334.21	344.35	(145.55)	10.98	(4.18)
Demand deposit	4,060.01	4,250.01	231.68	189.99	6.05	4.68
Quasi money	6,851.29	7,098.77	326.18	247.49	5.00	3.61
o.w. Foreign currency deposit	3,703.87	3,841.28	257.69	137.41	7.48	3.71
Time and saving deposit	3,142.45	3,245.61	68.05	103.16	2.21	3.28
Other Deposits – BSL	4.96	11.88	0.44	6.92	9.69	139.53
Net Foreign Asset	3,482.71	3,550.72	674.05	68.01	24.00	1.95
BSL	(169.31)	(224.49)	282.76	(55.17)	(62.55)	32.58
ODCs	3,652.03	3,775.21	391.28	123.18	12.00	3.37
Net Domestic Assets	10,908.35	11,132.27	228.17	223.92	2.14	2.05
Net Domestic Credit	13,260.34	13,619.25	(134.99)	358.91	(1.01)	2.71
Government (Net)	10,387.50	10,784.71	(185.17)	397.21	(1.75)	3.82
BSL	4,407.14	4,525.91	(43.98)	118.77	(0.99)	2.70
ODCs	5,980.36	6,258.80	(141.19)	278.43	(2.31)	4.66
Private Sector Credit	3,161.95	3,146.21	60.81	(15.74)	1.96	(0.50)
o.w ODC	3,145.16	3,128.52	61.60	(16.65)	2.00	(0.53)
Other Sectors (Net)*	(289.10)	(311.66)	44.00	(22.56)	(13.21)	7.80
Other Items (Net)	2,351.99)	2,486.98)	363.15	(134.99)	(13.38)	5.74

Source: Bank of Sierra Leone

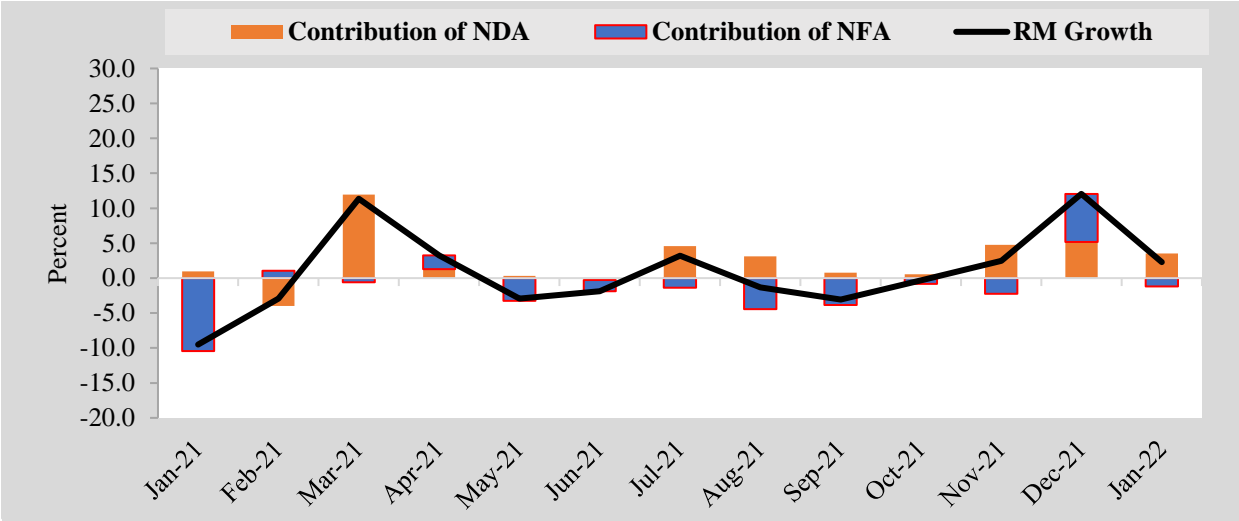
\*Other sectors include Other Financial Corporations and Public Non-Financial Corporations.

\*ODC is Other Depository Corporations, which includes Commercial Banks, Community Banks, Discount Houses, and Deposit Taking Microfinance Institutions.

Narrow money (M1) and Quasi Money recorded a growth of 0.59 percent and 3.61 percent respectively in January 2022, from 8.27 percent and 5.00 percent respectively in December 2021. The increase in M1 was due to a 4.68 percent growth in demand deposits, from 6.05 percent in December 2021 while currency outside banks declined by 4.18 percent in January 2022, from 10.98 percent in December 2021. Quasi Money expansion was attributed to the growth in foreign currency deposits by 3.71 percent; time and savings deposits by 3.28 percent and other deposits by BSL by 139.53 percent.

Reserve money increased by 2.31 percent in January 2022 from 12.05 percent in December 2021. Growth of NDA of the Bank of Sierra Leone (BSL) accounted for the increase in Reserve money, as NFA of the BSL contracted. Net domestic assets (NDA) and net foreign assets (NFA) contributed 3.51 percent and -1.20 percent respectively to the growth of reserve money in January 2022, from 5.17 percent and -1.20 percent respectively in December 2021<sup>1</sup>. Figure 6 shows the contributions of NFA and NDA to the growth of reserve money.

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



Source: Bank of Sierra Leone

Net foreign assets (NFA) of the BSL increased by 32.58 percent in January 2022, compared to a decline of 62.55 percent in December 2021. Net domestic assets (NDA) of the BSL expanded in January 2022 by 3.38 percent in January 2022, down from 4.66 percent in December 2021. Table 2 shows the growth of reserve money and its components.

<sup>1</sup> On the liability side, reserve money growth was mainly due to the increase in banks' reserves by 29.81%, whereas currency issued contracted by 4.18% in January 2022.

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

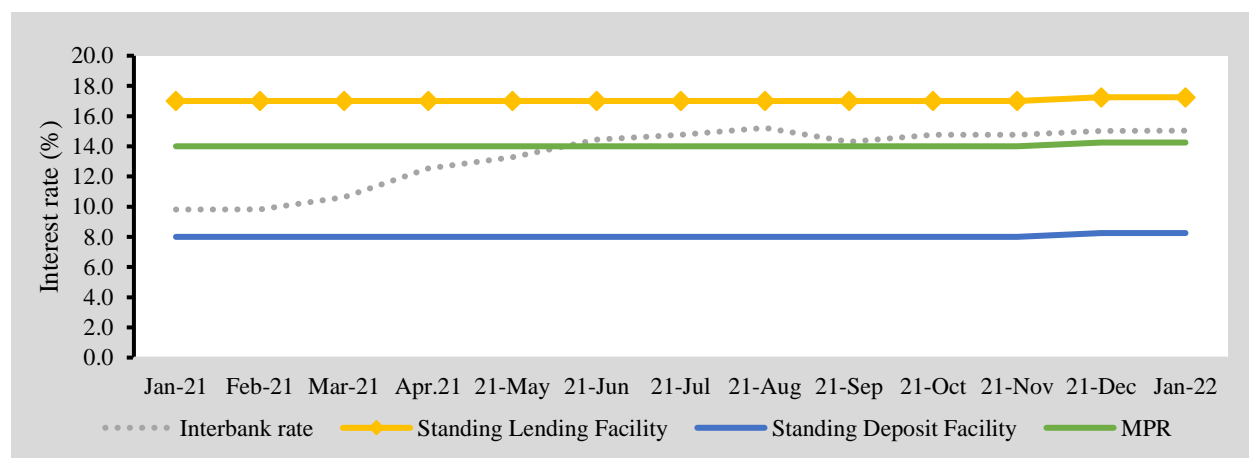
Billions of Leones	Actual Values		Absolute Change		% Change	
	Dec-21	Jan-22	Dec-21	Jan-22	Dec-21	Jan-22
Net Foreign Assets	(169.31)	(224.49)	282.76	(55.17)	(62.55)	32.58
Net Domestic Assets	4,771.50	4,932.94	212.32	161.44	4.66	3.38
Government Borrowing (net)	4,407.14	4,525.91	(43.98)	118.77	(0.99)	2.70
o.w. Securities	1,110.22	1,083.06	(20.64)	(27.16)	(1.83)	(2.45)
Ways and Means	196.19	196.19	6.39	-	3.37	-
GoSL/IMF /WB Budget financing	3,365.50	3,257.33	-	(108.17)	-	(3.21)
Reserve money	4,602.18	4,708.46	495.09	106.27	12.05	2.31
o.w. Currency issued	3,479.76	3,334.21	344.35	(145.55)	10.98	(4.18)
Bank reserves	770.04	999.56	114.55	229.52	17.48	29.81

Source: Bank of Sierra Leone

## 4.2 Interest Rates

The monetary policy rate (MPR) remained unchanged in January 2022. Likewise, the Standing Lending Facility and Standing Deposit Facility rates remained the same in January 2022. The interbank rate increased slightly to 15.03 percent in January 2022 from 15.01 percent in December 2021 and remained within the Policy Corridor. Figure 7 shows the trend in the Bank of Sierra Leone interest rates and the interbank rate.

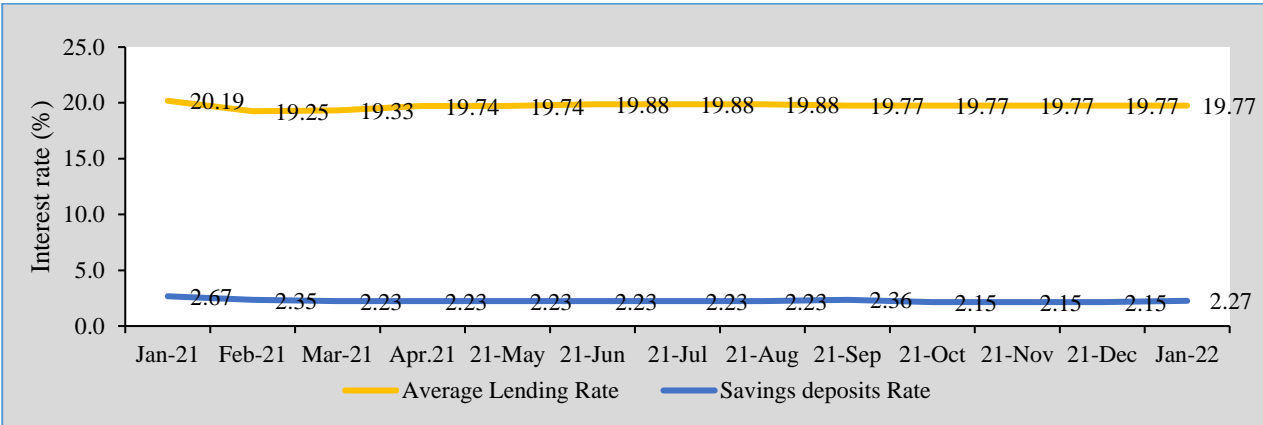
**Figure 7: Bank of Sierra Leone Interest Rates and the Interbank Rate**



Source: Bank of Sierra Leone

Commercial banks’ average lending rate remained flat, whilst the average savings deposits rate increased slightly in January 2022, with average lending rate being 19.77 percent and average savings rate being 2.27 percent. Figure 7 shows the trend of average lending rate and average savings rate.

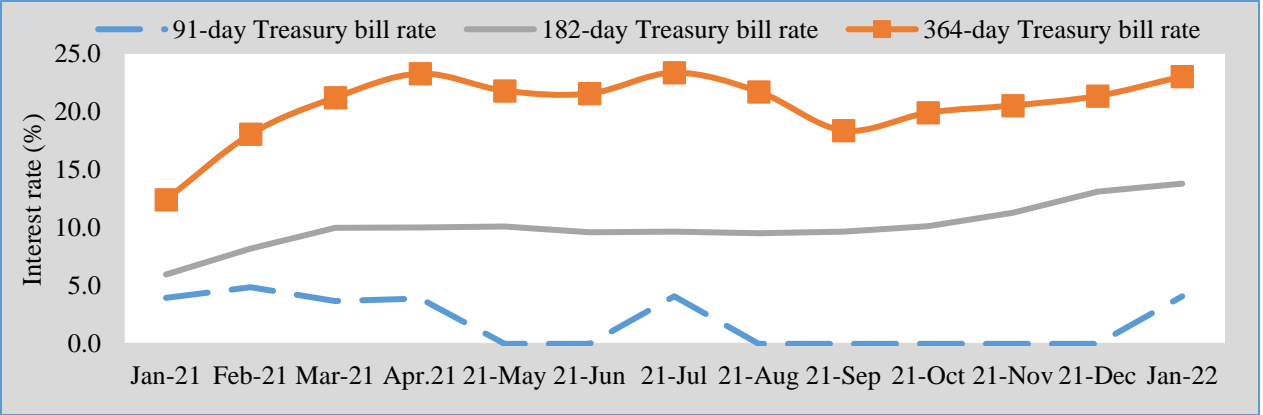
**Figure 8: Average lending and Savings deposit rates**



Source: Bank of Sierra Leone

Yields on the 182-day T-bills and 364-day T-bills increased to 13.13 percent and 21.38 percent respectively in January 2022, from 13.82 percent and 23.07 percent in December 2021. The 91 day T-bills which had zero subscription in December 2021 Figure 9 shows the yields on the T-bills.

**Figure 9: Yields on Treasury Bills**



Source: Bank of Sierra Leone



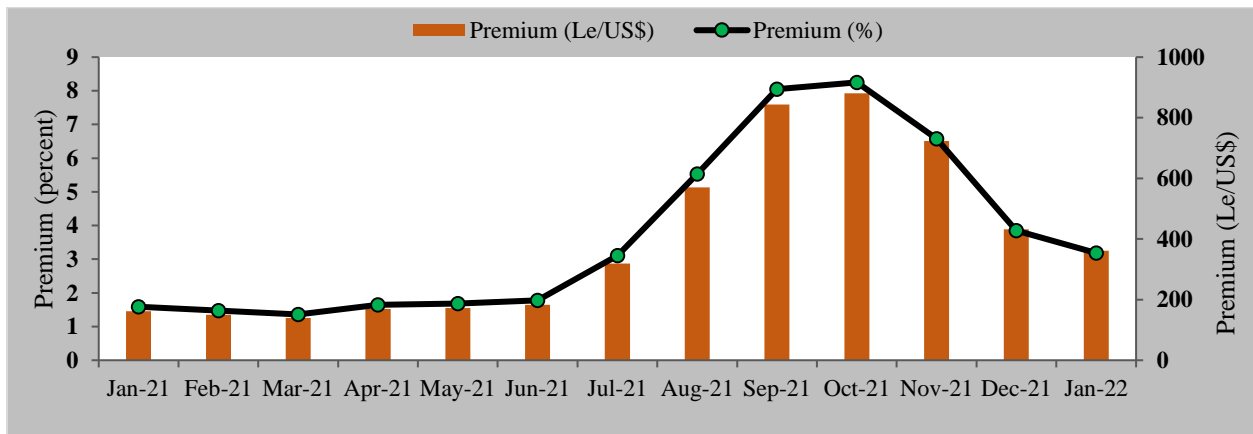
## 5. External Sector

### 5.1 Exchange Rate Developments

The monthly average exchange rate of the Leone against the US dollar depreciated in all foreign exchange markets in January 2022 on both the buying and selling sides. With regards to the buying side, the Leone marginally depreciated in the parallel market by 0.43 percent averaging Le11,655.00/US\$1, and also depreciated across commercial banks, official and bureau markets by 1.16 percent 1.14 percent and 1.38 percent respectively, averaging Le11,426.01/US\$1, Le11,238.97/US\$1 and Le11,216.78/US\$1, respectively. Similarly, on the selling side, the Leone depreciated in the parallel market by 0.54 percent averaging Le11,772.50/US\$1 and depreciated in the bureau market, official market and commercial banks by 1.88 percent, 1.14 per cent and 0.90 percent, averaging Le11,623.03/US\$1, Le11,466.02/US\$1 and Le11,671.39/US\$1 respectively.

The premium between the official and parallel rates narrowed from 3.85 percent (which was Le432.21/US\$1) in December 2021 to 3.16 per cent (which was Le361.26/US\$1) in January 2022.. Figure 10 shows the trend in the parallel and official exchange rates.

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



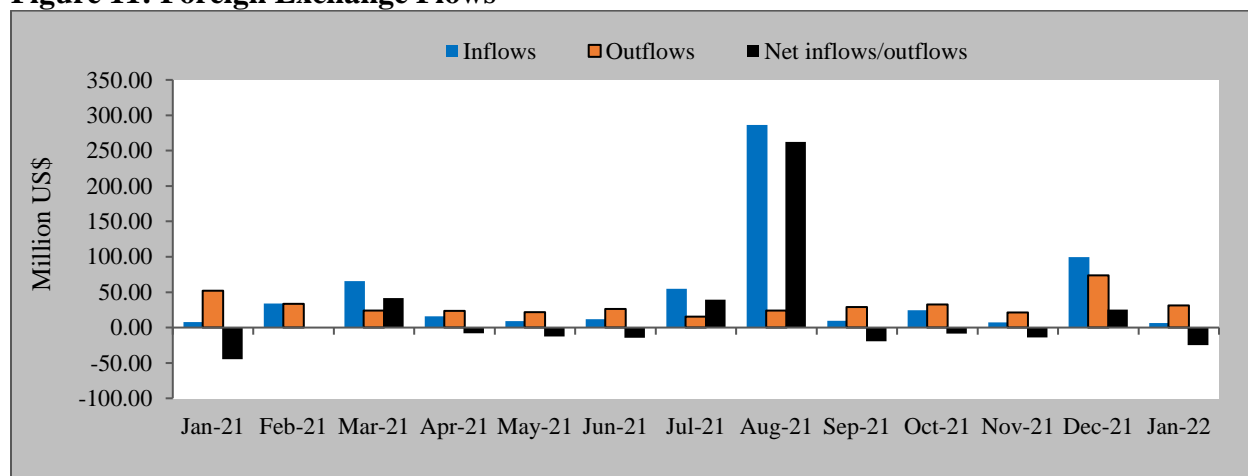
Source: Bank of Sierra Leone

## 5.2. Gross Foreign Exchange Reserves

Gross foreign exchange reserves of the Bank of Sierra Leone (including swaps) at the end of January was US\$920.37 million, which declined by 2.95 per cent from US\$948.31million in December 2021. Inflows recorded in January 2022 was US\$6.27million, while outflows amounted to US\$31.18million, resulting in a net outflow of US\$24.91million, with a recorded revaluation adjustment of US\$3.03million. Inflows recorded in December 2021 was US\$626.01million, while outflows amounted to US\$377.95million, resulting to a net outflow of US\$248.05million.

Major inflows were other government revenues (US\$4.20 million), timber mining (US\$0.84 million), and Rutile (US\$0.47 million) while major outflows comprise payments for goods and services (US\$22.68million), and debt service (US\$8.50million). Figure 11 shows trend of foreign exchange flows.

**Figure 11: Foreign Exchange Flows**



Source: Bank of Sierra Leone

## 6. Conclusion

Performance in the agricultural sector moderated, measured by production of cocoa as cocoa production declined whilst there was no data on production of coffee in January 2022. Production in the mining sector was mixed in January 2022 as total diamond, bauxite and zircon production decreased, whereas production of pure gold, gold concentrate, rutile, ilmenite, iron ore and other minerals increased. Manufacturing sector performance weakened, as all output (beer and stout, maltina, cement and common soap, though production of paint and confectionery) declined in

January 2022. Headline inflation (year- on-year basis) increased in January 2022, which reflected increases in both food and non-food inflation rates.

Government fiscal operations resulted in a narrowed deficit in January 2022, which was due to the contraction in revenue mobilization that was more than the decline in expenditure during the review period. The Monetary Policy Rate (MPR) remained unchanged in January 2022. Likewise, the Standing Lending Facility and Standing Deposit Facility rates remained the same in January 2022. The interbank rate increased to 15.03 percent in January 2022 from 15.01 percent in December 2022. Growth of monetary aggregates expanded with expansion in both broad money and reserve money. Yields in the 182-day Treasury bill and 364-day Treasury bill while there was no subscription for the 91-day Treasury bill increased in January 2022. Average monthly exchange rate for January 2022 depreciated on both the buying and selling fronts. Gross foreign exchange reserves declined in January 2022, compared to the level in December 2022.