



**BANK OF SIERRA LEONE**

**Monthly Economic  
Review**

**Volume 24| Issue 3**

**March, 2021**



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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

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 March 2021, with production increases recorded for beer & stout, maltina, paint, and oxygen, while, cement, acetylene and confectionery declined during the reporting period. Beer & stout and maltina production rose by 29.59 percent to 136.06 thousand cartons and 90.60 percent to 50.91 thousand cartons respectively. Similarly, paint and oxygen production increased by 6.94 percent to 60.70 thousand gallons and 4.96 percent to 37.42 thousand cubic feet respectively.

However, cement and acetylene production fell by 2.27 percent to 34.52 thousand metric tons and 6.55 percent to 33.52 thousand metric tons respectively. Confectionery production also dropped by 3.21 percent to 289.05 thousand pounds. Furthermore, production performance in the mining sector improved in the month of March 2021 as evidenced in the production levels of diamond, gold, bauxite, rutile Ilmenite and zircon. Iron ore production resumed and recorded 88.86 thousand metric tons in March 2021. Other minerals production also increased during the review period.

Headline inflation (y/y) decelerated to 8.95 percent in March 2021 from 10.87 percent in February 2021. The deceleration in headline inflation was largely due to the decline in food inflation, while non-food inflation slightly increased. Food inflation declined to 15.45 percent in March 2021 from 19.59 percent in February 2021. However, non-food inflation slightly increased to 0.96 percent in March 2021 from 0.37 percent in February 2021.

Provisional data on government budgetary operations (on cash flow basis) recorded a deficit of Le406.70bn in March 2021, compared to a surplus of Le40.03bn in February 2021. The deficit was largely due to increase in government expenditure which more than outpaced the increase in revenue during the review period.

The Monetary Policy Rate remained the same at 14.0 percent in March 2021. Also, the Standing Lending and Deposit Facility rates were maintained at 17.00 percent and 8.00 percent, respectively. The interbank rate increased from 9.83per cent in February 2021 to 10.64 per cent in March 2021. The average deposit rates of commercial banks decreased by 0.29 per cent from 2.63 percent in February 2021 to 2.34 per cent in March 2021. Similarly, the average lending rates of commercial banks declined by 0.57 from 19.25 in February 2021 to 18.68 percent in March 2021.

During the month of March 2021, developments in monetary aggregates were expansionary, as evidenced by growth in both Broad Money (M2) and Reserve Money (RM). Broad Money (M2) increased by 4.80 percent in March 2020, compared to the 1.13 percent decline recorded in February 2021. Reserve Money (RM) also expanded by 11.34 percent in March 2021, relative to the 2.91 percent contraction recorded in February 2021. The expansion in M2 was largely on account of an increase in both the Net Domestic Assets (NDA) and the Net Foreign Assets of the banking system, while the increase in Reserve Money was mainly driven by the significant increase in the NDA, which more than offset the decrease in the NFA of the Central Bank.

The gross foreign exchange reserves of the Bank of Sierra Leone increased by 5.42 percent to US\$702.71mn in March 2021 from US\$666.55mn in February 2021, due to increased inflows which outweighed the amount of outflows during the review month. Inflows recorded was US\$65.57mn, while outflows amounted to US\$23.83mn, resulting to a net inflows of US\$41.73mn. The average monthly premium between the official and parallel rates narrowed by 0.11 percentage points to Le139.29/US\$1 in March, 2021 from Le150.09/US\$1 in February, 2021, reflecting the relative stability in the exchange rate.

## **2.0 Production and Prices**

### **2.1 Production**

#### **2.1.1 Manufacturing**

Production performance in the manufacturing sector was mixed in the month of March 2021. Production of beer & stout, maltina, paint, and oxygen increased, while production of cement, acetylene and confectionery declined. Beer & stout and maltina production increased by 29.59 percent to 136.06 thousand cartons and 90.60 percent to 50.91 thousand cartons respectively. Similarly, paint and oxygen production grew by 6.94 percent to 60.70 thousand gallons and 4.96 percent to 37.42 thousand cubic feet respectively.

However, cement and acetylene production fell by 2.27 percent to 34.52 thousand metric tons and 6.55 percent to 33.52 thousand metric tons respectively. Confectionery production dropped by 3.21 percent to 289.05 thousand pounds.

#### **2.1.2 Mining Sector**

Production performance in the mining sector improved in the month of March 2021. Total diamond production increased by 23.19 percent to 81.59 thousand carats. This comprised of 49.02 thousand carats of industrial diamond and 32.57 thousand carats of gem diamond. Gold production volume surge by 67.35 percent to 6,556.50 ounces. Bauxite and rutile production expanded by 11.67 percent to 120.93 thousand metric tons and 8.97 percent to 8.72 thousand metric tons respectively. Ilmenite and zircom production grew by 23.93 percent to 3.88 thousand metric tons, and from 0.41 thousand metric tons in February 2021 to 2.91 thousand metric tons in March 2021 respectively. Iron ore production resumed and recorded 88.86 thousand metric tons in March 2021. Other minerals production increased from 0.43 thousand dry metric tons to 3.01 thousand dry metric tons.

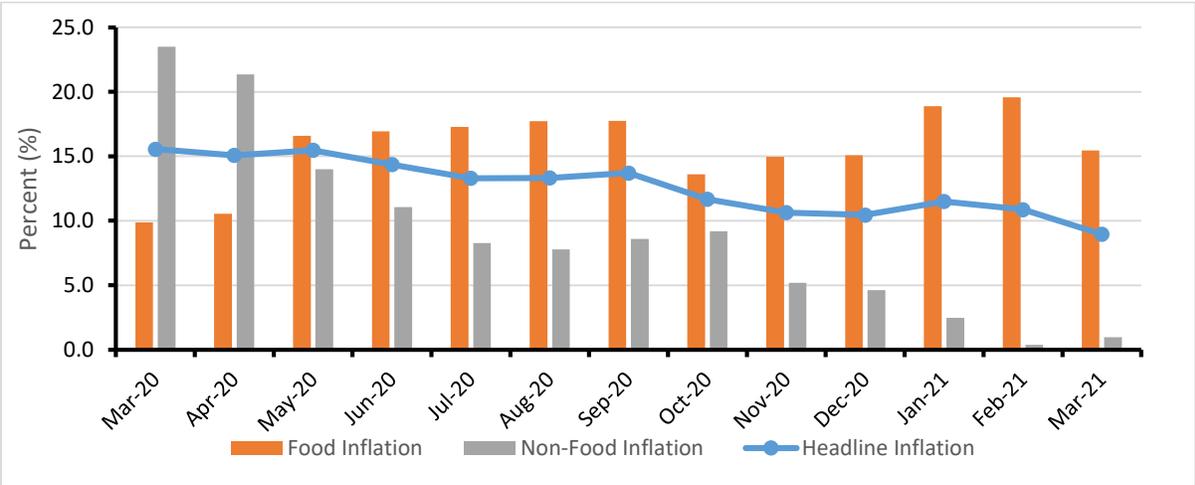
### **2.2 Price Development**

Inflationary pressures decelerated to 8.95 percent in March 2021 from 10.87 percent in February 2021. The deceleration in headline inflation was largely due to the decline in food inflation, while non-food inflation slightly increased in the review period.

Food inflation slowed down to 15.45 percent in March 2021 from 19.59 percent in February 2021. Whereas non-food inflation increased slightly to 0.96 percent in March 2021 from 0.37 percent in February 2021.

Regional inflation declined in three regions except for the Western region where inflation increased in March 2021. Western region inflation increased to 7.90 percent in March 2021 from 7.55 percent in February 2021. However, inflation decelerated in Eastern region to 8.57 percent in March 2021 from 11.96 percent in February 2021; Southern region inflation fell to 10.59 percent in March 2021 from 11.98 percent in February 2021; and Northern region inflation dropped to 9.93 percent in March 2021 from 15.64 percent in February, 2021.

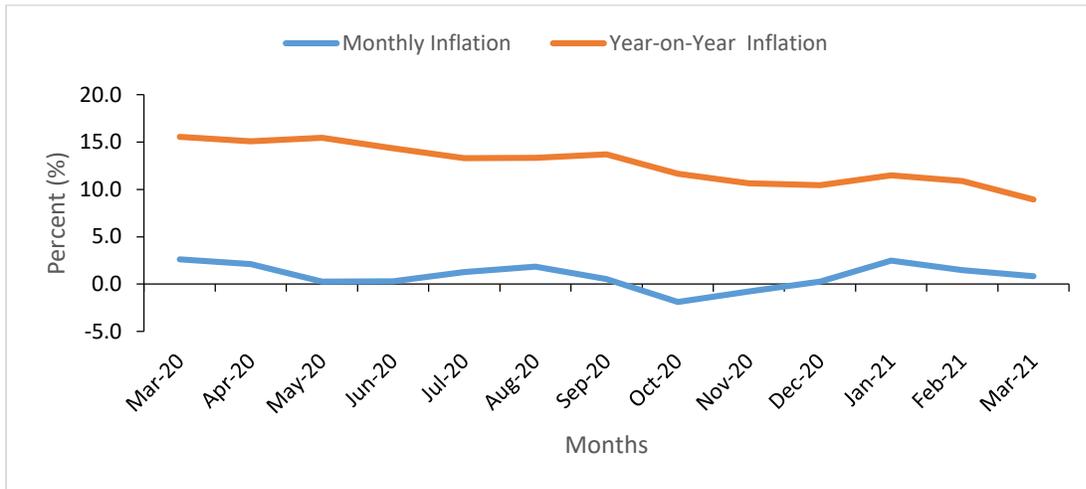
**Figure 1: Headline, Food and Non-Food Inflation**



Source: Statistics Sierra Leone and BSL

Monthly headline inflation decreased from 1.49 percent in February 2021 to 0.84 percent in March 2021 as shown in figure 2 below.

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



Source: Statistics Sierra Leone and BSL

### 3.0 Government Budgetary Operations

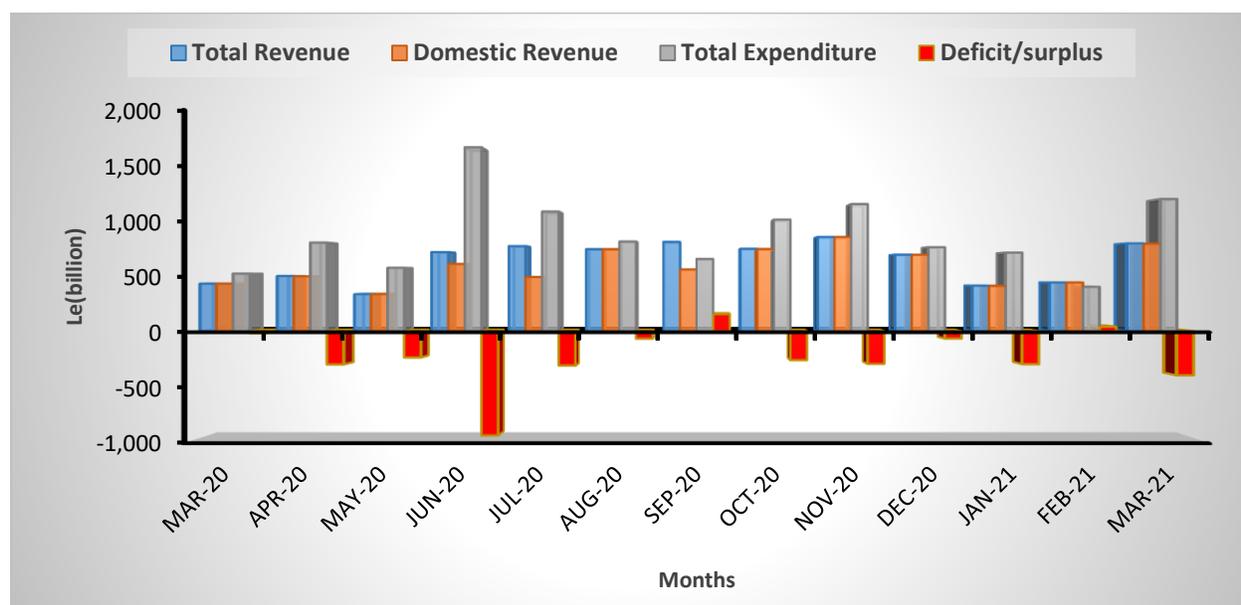
Based on provisional data, government budgetary operations (on cash flow basis) in March 2021 resulted in a deficit of Le406.70bn compared to a surplus of Le40.03bn in February 2021. This outturn was on account of an increase in government expenditure which more than offset the increase in revenues during the month.

#### 3.1 Revenues

Government revenue expanded from Le447.46bn in February 2021 to Le806.19bn in March 2021, and was higher than the budgeted target of Le667.76bn by 20.73 percent. This development reflects an increase in revenue collected from customs & excise, income tax, and non-tax revenue, while goods and services tax declined in the review period.

Receipts from Customs and Excise increased from Le65.05bn in February 2021 to Le75.04bn in March 2021. Revenue mobilized from income tax department rose from Le126.99bn in February 2021 to Le188.79bn in March 2021. Non-tax revenue increased from Le137.71bn in February 2021 to Le431.70bn in March 2021 due to improved revenue collection from petroleum excise, timber export levy, and other receipts among others. There was no budgetary support, however, HIPC Debt Relief Fund amounted to Le3.02bn during the review period.

**Figure 3: Government Revenue and Expenditure**



Source: Research Department, Bank of Sierra Leone

### 3.2 Expenditures

Government expenditure increased significantly from Le407.43bn in February 2021 to Le1,212.89bn in March 2021, and exceeded the ceiling of Le602.52bn. The expansion in government expenditure reflected the surge in pension, wages & salaries and disbursement of quarterly outstanding allocation to MDAs. However, debt services payment declined during the review period.

Pension, Wages & Salaries expanded from Le75.79bn in February 2021 to Le534.31bn in March 2021, which could be partially due to salary spillover in March from February 2021 as a result of payments made to school inspectors among others in the review period. Other expenditure reflecting in part disbursement of quarterly outstanding allocation to MDAs', increased from Le196.84bn in February 2021 to Le552.63bn in March 2021. On the other hand, debt service payments decreased from Le134.80bn in February 2021 to Le125.95bn in March 2021. This comprised of domestic debt service payments amounting to Le125.53bn, and foreign debt service payment amounting to Le 0.42bn.

### 3.3 Financing

The overall deficit of Le406.70bn was financed exclusively through domestic resources.

#### **4.0 Monetary Developments**

During the month of March 2021, developments in monetary aggregates were expansionary, evidenced by growth in both Broad Money (M2) and Reserve Money (RM).

#### **4.1 Broad Money**

Broad Money (M2) increased by 4.80 percent in March 2020, compared to the 1.13 percent decline recorded in February 2021. The expansion in M2 was reflected in both the Net Domestic Assets (NDA) and the Net Foreign Assets of the banking system.

The NDA of the banking system increased by 6.12 percent in March 2021, relative to the 4.19 percent decline recorded in February 2021. This development reflects increase in claims on Government by the banking system. Also, credit to the private sector by the commercial banks expanded by 1.48 percent in March 2020, compared to the 5.03 growth recorded in February 2021.

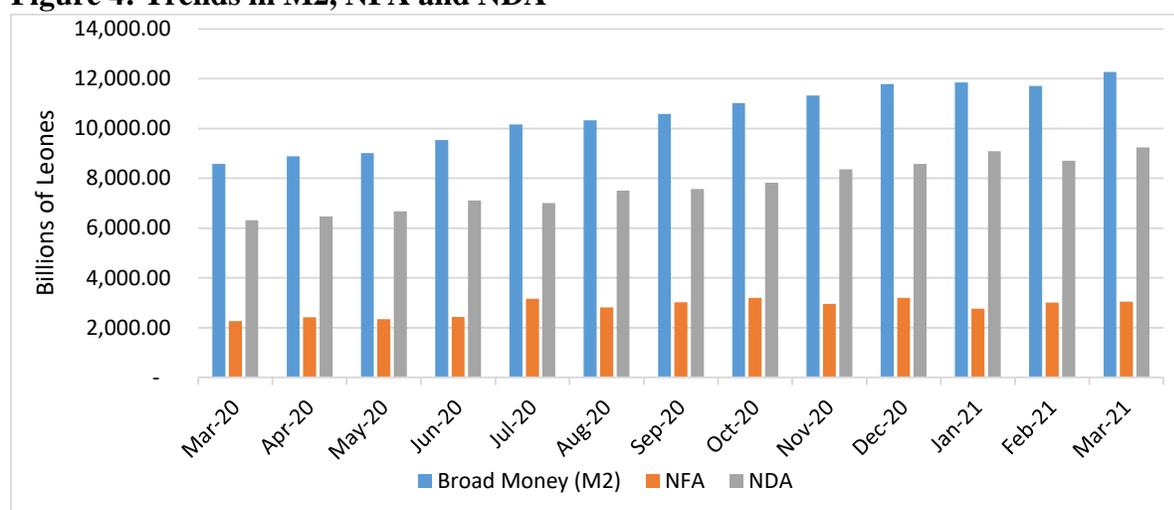
The NFA of the banking system increased marginally by 0.98 percent in March 2021, relative to the growth of 8.93 percent recorded in February 2021. The marginal increase reflects increase in the foreign assets of the commercial banks.

**Table 1: Broad Money and Components**

Billions of Leones			Absolute change		% Change	
	Feb-21	Mar-21	Feb-21	Mar-21	Feb-21	Mar-21
<b>Reserve money</b>	<b>3,720.39</b>	<b>4,142.14</b>	<b>(111.64)</b>	<b>421.74</b>	<b>(2.91)</b>	<b>11.34</b>
<b>Broad Money (M2)</b>	<b>11,716.96</b>	<b>12,279.48</b>	<b>(133.87)</b>	<b>562.52</b>	<b>(1.13)</b>	<b>4.80</b>
<b>Narrow money (M1)</b>	<b>5,964.24</b>	<b>6,225.33</b>	<b>45.09</b>	<b>261.09</b>	<b>0.76</b>	<b>4.38</b>
Currency outside banks	2,767.80	2,987.01	<b>17.29</b>	<b>219.21</b>	<b>0.63</b>	<b>7.92</b>
Demand deposit	3,196.44	3,238.32	<b>27.79</b>	<b>41.87</b>	<b>0.88</b>	<b>1.31</b>
<b>Quasi money</b>	<b>5,752.71</b>	<b>6,054.15</b>	<b>(178.96)</b>	<b>301.43</b>	<b>(3.02)</b>	<b>5.24</b>
o.w. Foreign currency deposit	2,721.79	2,981.19	<b>(172.27)</b>	<b>259.40</b>	<b>(5.95)</b>	<b>9.53</b>
Time and saving deposit	3,023.45	3,066.10	<b>(4.37)</b>	<b>42.65</b>	<b>(0.14)</b>	<b>1.41</b>
<b>Net Foreign Asset</b>	<b>3,011.59</b>	<b>3,041.06</b>	<b>246.99</b>	<b>29.47</b>	<b>8.93</b>	<b>0.98</b>
BSL	221.11	198.81	<b>40.86</b>	<b>(22.31)</b>	<b>22.67</b>	<b>(10.09)</b>
ODCs	2,790.48	2,842.25	<b>206.13</b>	<b>51.78</b>	<b>7.98</b>	<b>1.86</b>
<b>Net Domestic Assets</b>	<b>8,705.37</b>	<b>9,238.42</b>	<b>(380.86)</b>	<b>533.05</b>	<b>(4.19)</b>	<b>6.12</b>
<b>Net Domestic Credit</b>	<b>11,112.55</b>	<b>11,726.44</b>	<b>(192.29)</b>	<b>613.89</b>	<b>(1.70)</b>	<b>5.52</b>
Government (Net)	8,716.77	9,317.84	<b>(293.74)</b>	<b>601.07</b>	<b>(3.26)</b>	<b>6.90</b>
BSL	3,379.71	3,954.84	<b>(193.97)</b>	<b>575.13</b>	<b>(5.43)</b>	<b>17.02</b>
ODCs	5,337.06	5,363.00	<b>(99.77)</b>	<b>25.94</b>	<b>(1.84)</b>	<b>0.49</b>
Private Sector Credit	2,539.16	2,577.26	<b>105.81</b>	<b>38.10</b>	<b>4.35</b>	<b>1.50</b>
o.w ODC	2,522.37	2,559.72	<b>120.71</b>	<b>37.35</b>	<b>5.03</b>	<b>1.48</b>
Other Sectors (Net)*	(143.38)	(168.67)	<b>(4.36)</b>	<b>(25.28)</b>	<b>3.14</b>	<b>17.63</b>
<b>Other Items (Net)</b>	<b>(2,407.18)</b>	<b>(2,488.02)</b>	<b>(188.57)</b>	<b>(80.83)</b>	<b>8.50</b>	<b>3.36</b>
<b>Money Multiplier</b>	3.15	2.96				

\*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 expansion in M2 reflects increase in both Narrow Money and Quasi Money. Narrow Money increased by 4.38 percent, relative to the growth of 0.76 percent recorded in February 2021. The expansion in Narrow Money was supported by increase in both currency outside banks by 7.92 percent and demand deposit by 1.31 percent. Quasi Money increased by 5.24 percent, compared to the 3.02 percent contraction recorded in February 2021, due mainly to increase in foreign currency deposits by 9.53 percent.

#### 4.2 Reserve Money

Reserve Money (RM) grew by 11.34 percent in March 2021, relative to the 2.91 percent contraction recorded in February 2021. The expansion in Reserve Money was mainly driven by significant increase in the NDA, which more than offset the decrease in the NFA of the Central Bank.

The NDA of the BSL increased by 12.69 percent in March 2021, compared to the contraction of 4.17 percent in February 2021. This development was mainly as a result of increased in credit to Government by BSL.

The NFA of the BSL decreased by 10.09 percent in March 2021, relative to an increase of 22.67 percent in February 2021. This was mainly due to an increase in liabilities to non-residents by the BSL.

From the liability side, Reserve Money growth reflected an increase in Currency issued by 7.51 percent and banks' reserves by 27.44 percent.

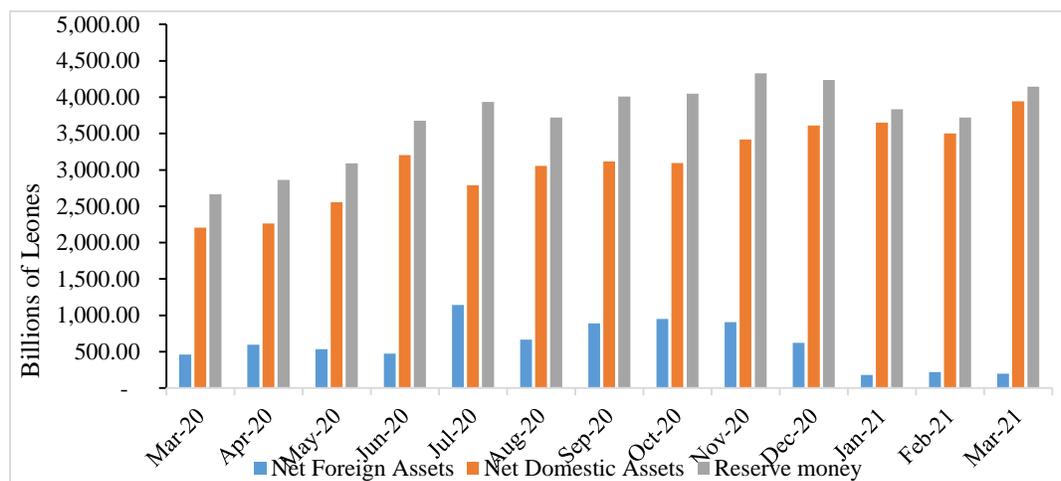
**Table 2: Reserve Money and Components**

Billions of Leones			Absolute Change		% Change	
	Feb-21	Mar-21	Feb-21	Mar-21	Feb-21	Mar-21
<b>1. Net Foreign Assets</b>	<b>221.11</b>	<b>198.81</b>	<b>40.86</b>	<b>(22.31)</b>	<b>22.67</b>	<b>(10.09)</b>
<b>2. Net Domestic Assets</b>	<b>3,499.28</b>	<b>3,943.33</b>	<b>(152.49)</b>	<b>444.05</b>	<b>(4.18)</b>	<b>12.69</b>
Government Borrowing (net)	<b>3,379.71</b>	<b>3,954.84</b>	<b>(193.97)</b>	<b>575.13</b>	<b>(5.43)</b>	<b>17.02</b>
o.w. Securities	1,054.74	1,165.24	84.71	110.50	8.73	10.48
Ways and Means	172.77	94.63	(0.69)	(78.14)	(0.40)	(45.23)
GoSL/IMF /WB Budget financing	2,525.22	3,032.89	-	507.67	-	20.10
<b>3. Reserve money</b>	<b>3,720.39</b>	<b>4,142.14</b>	<b>(111.64)</b>	<b>421.74</b>	<b>(2.91)</b>	<b>11.34</b>
o.w. Currency issued	2,992.10	3,216.89	53.83	224.78	1.83	7.51
Bank reserves	720.00	917.58	(163.15)	197.58	(18.47)	27.44

Source: Research Department, BSL

From the liability side, the contraction in RM was as a result of 18.47 percent decrease in banks' reserves, which outweighed the 1.83 percent increase in currency issued.

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

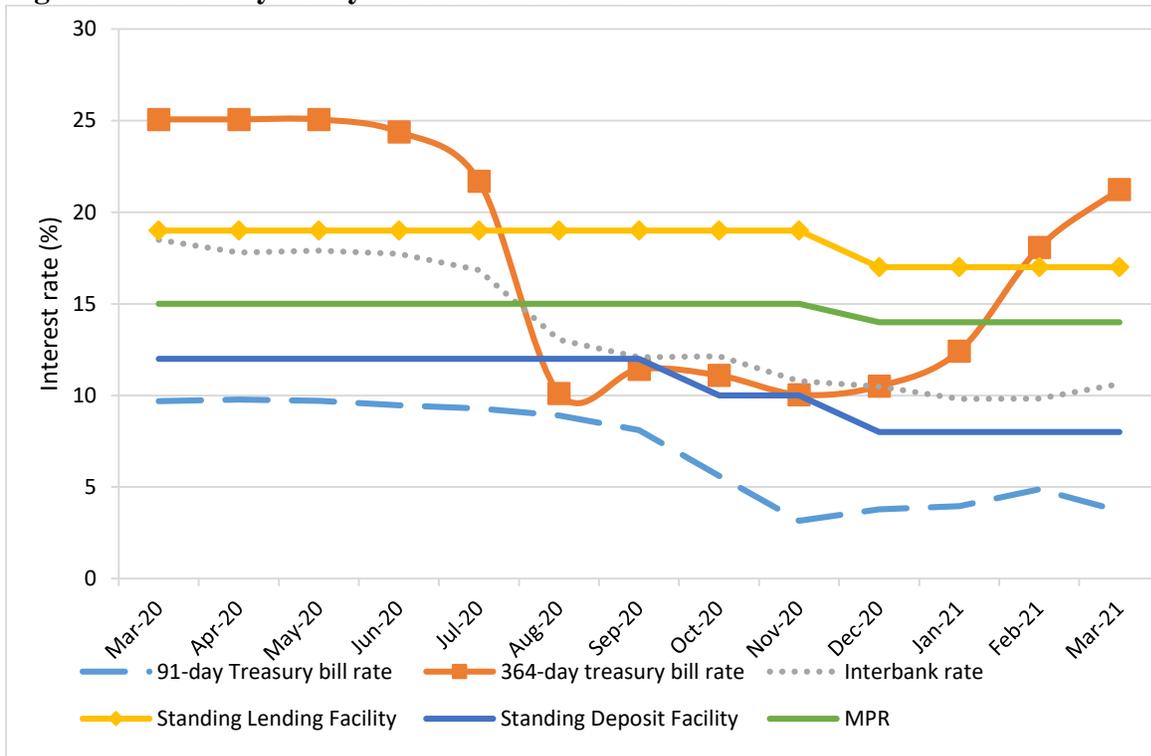


**Source:** Research Department, BSL

### 4.3 Interest Rates

At its Monetary Policy Committee meeting held in March 25, 2021, the MPC decided to maintain the Monetary Policy Rate at 14.00 percent. Similarly, the Standing Lending Facility and the Deposit Facility rates were maintained at 17.00 percent and 8.00 percent, respectively. The interbank rate increased to 10.64 per cent in March 2021 from 9.83 per cent in February 2021. The average deposit rates of commercial banks decreased by 0.29 per cent to 2.34 per cent in March 2021 from 2.63 per cent in February 2021. Similarly, the average lending rates of commercial banks declined to 18.68 percent in March 2021 by 0.57 from 19.25 in February 2021.

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



**Source:** Research Department, BSL

Yields on Government securities showed mixed trends during March 2021. The 91-day T-bills decreased by 1.19 percent from 4.88 percent in February 2021 to 3.69 percent in March 2021. The 182-day T-bills increased by 1.78 percent from 8.22 percent in February 2021 percent to 10.00 percent in March 2021. The 364-day T-bills increased by 3.16 percent from 18.09 percent in February 2021 to 21.25 percent in March 2021.

**Table 3: Monthly movement in Interest Rate for the period February 2020 to February 2021**

	2020										2021		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
91-day T-Bills	9.69	9.78	9.71	9.46	9.29	8.91	8.11	5.60	3.15	3.78	3.96	4.88	3.69
182-day T-Bills	13.21	13.21	13.21	13.21	13.20	9.42	9.68	7.45	5.48	5.17	5.98	8.22	10.00
364-day T-Bills	25.07	25.07	25.07	24.39	21.7	10.12	11.44	11.10	10.05	10.51	12.43	18.09	21.25
Interbank rate	18.50	17.80	17.91	17.73	16.85	13.04	12.09	12.14	10.79	10.48	9.81	9.83	10.64
SLF	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	17.00	17.00	17.00	17.00
SDF	12.00	12.00	12.00	12.00	12.00	12.00	12.00	10.00	10.00	8.00	8.00	8.00	8.00
MPR	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	14.00	14.00	14.00	14.00
Ave. Lending rate	20.49	20.49	20.51	20.51	20.77	20.62	20.62	20.30	21.42	21.42	20.19	19.25	18.68
Lending (Prime)	17.72 - 23.26	17.72 - 23.26	17.75 - 23.26	17.75 - 23.26	18.04 - 23.50	17.74 - 23.50	17.74 - 23.50	17.27 - 23.33	18.64 - 24.20	18.64 - 24.20	18.70- 21.67	18.70- 19.80	18.17- 19.18
Savings deposits	2.90	2.90	2.90	2.90	2.89	2.72	2.72	2.72	2.72	2.61	2.67	2.63	2.34

Source: Research Department, BSL

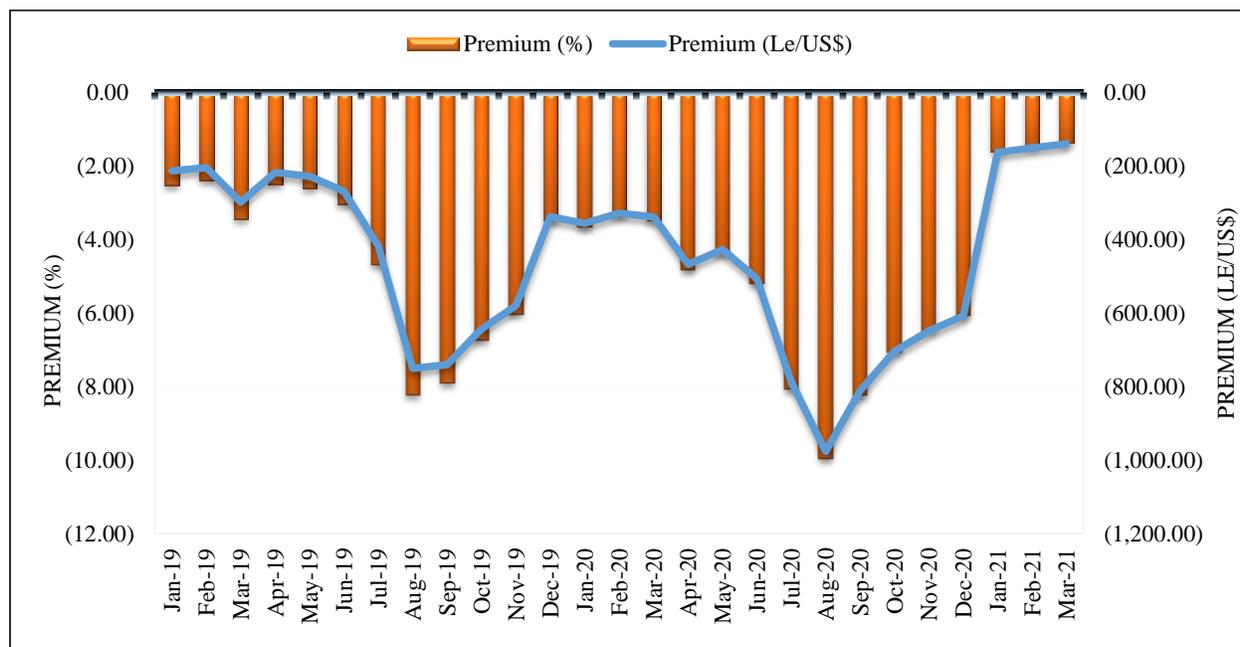
## 5.0 Exchange Rate Developments

The monthly average exchange rate of the Leone against the US dollar (Le/US\$) for March 2021, exhibited mixed outcomes in both the buying and selling fronts. On the buying front, the Leone depreciated in the commercial bank and official markets by 0.07 percent and 0.03 percent, trading at an average of Le10,259.51/US\$1 and Le10,108.61/US\$1 respectively. On the other hand, the Leone appreciated in the bureau market by 0.02 percent averaging Le10,104.47/US\$1, while the parallel market rate remained unchanged at an average of Le10,300.00/US\$1.

Similarly, on the selling front, the Leone depreciated in the official market by 0.03 percent averaging Le10,312.82/US\$1, while it appreciated in the parallel, bureau and commercial banks by 0.15 percent, 0.06 percent and 0.01 percent averaging Le10,400.00/US\$1, Le10,380.56/US\$1 and Le10,376.96/US\$1 respectively.

The average premium between the official and parallel rates narrowed by 0.11 percentage points to Le139.29/US\$1 in March, 2021 from Le150.09/US\$1 in February, 2021 (See figure 7).

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



Source: Bank of Sierra Leone

## 6.0 Gross Foreign Exchange Reserves

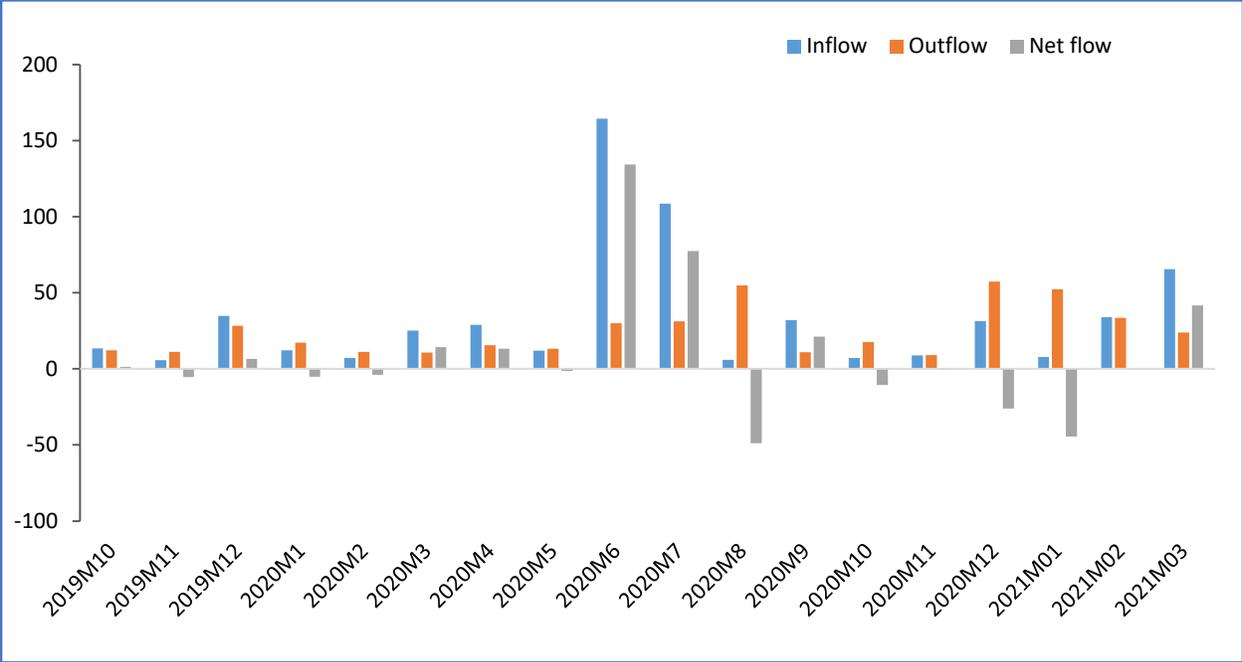
Gross foreign exchange reserves of the Bank of Sierra Leone was estimated at US\$702.71mn increasing by 5.42 percent over US\$666.55mn recorded in February 2021. Inflows recorded during the review month was US\$65.57mn, while outflows amounted to US\$23.83mn, resulting to a net inflows of US\$41.73mn with a recorded revaluation loss of US\$5.58mn.

Major inflows comprised IMF budget support (US\$50.37mn), timber exports (US\$4.22mn), earnings from Sierra Rutile (US\$2.97mn), fishing royalty and license fees (US\$1.32mn) and other government receipts (US\$4.37mn). Other inflows included transactions with commercial banks (US\$0.80mn), receipts from Koidu holdings mining company (US\$0.59mn), bauxite/vimetco (US\$0.45mn) and diamond exporters' income tax (US\$0.23mn).

Significant outflows included government outlays (US\$7.12mn), embassy and mission payments (US\$4.02mn), cost for printing of currency (US\$3.04mn), payments for various infrastructure projects (US\$2.58mn) and drawdown on BSL's Special Credit Facility to the private sector (US\$1.89mn). Other outflows included amount utilized in respect of interbank market operations

(US\$0.86mn), subscription to international organizations (US\$0.45mn), BSL outlays (US\$0.14mn) and external debt service payments to various bilateral and multilateral creditors amounting to US\$3.67mn during the review month (see figure 8).

**Figure 8: Foreign Exchange Flows**



Source: Bank of Sierra Leone