



**BANK OF SIERRA LEONE**

**Monthly Economic Review**

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March 2022



# **BANK OF SIERRA LEONE**

## **Monthly Economic Review**

March 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

The performance of the agriculture sector improved based on available data on key crop production in March 2022. The performance of coffee and cocoa increased in March 2022. There was a dramatic increase in the production of cocoa in the review period by 2,688.96 percent to 10,013.20 metric tons.

Production in the mining sector was mixed in March 2022. Total diamond and pure Gold increased by 8.74 percent to 80.57 thousand carats and 24.30 percent to 597.28 ounces respectively. Production of Iron Ore also rose, by 15.44 percent to 365.61 thousand metric tons. On the contrary, the production of rutile, ilmenite, bauxite and zircon fell during the review period.

Production performance in the manufacturing sector was mixed in March 2022. Beer and stout production increased by 109.90 percent, equivalent to 180.26 thousand cartoons. Maltina production increased by 75.98 percent, equivalent to 24.56 thousand cartoons while paint production declined by 41.20 percent, equivalent to 29.61 thousand gallons. Common soap production rose by 59.88 percent, equivalent to 44.56 thousand metric tons, while confectionary production declined by 1.82 percent, which is equivalent to 229.85 thousand pounds.

Headline inflation (year-on-year) increased to 22.06 percent in March, 2022 from 17.95 percent in February, 2022. This is a reflection of an upward adjustment in fuel pump price and the depreciation in the exchange rate during the review period, which increased non-food inflation. There was also upward movement in food inflation in March 2022.

Outturns in Government fiscal operations on a cash flow basis in March 2022 resulted in a narrower deficit of Le 168.30bn relative to a widened deficit of Le313.78bn in February 2022. This is a reflection of an improvement in revenue mobilisation, which offset the expansion in expenditure during the review period.

Developments in monetary aggregate were mixed in March 2022, with Broad Money (M2) increasing by 1.97 percent in March 2022 from a 1.28 percent increase in February 2022. The growth in M2 was due to increase in both net domestic asset (NDA) and net foreign assets (NFA) of the banking system. The contributions of NDA and NFA to the growth of M2 were 1.66 percent and 0.31 percent respectively.

The gross foreign exchange reserves of the BSL (including SWAPS) as at end of March 2022 was US\$ 876.97 million, which was down by 3.98 percent from US\$911.82million in February 2022. Inflows in March 2022 amounted to US\$16.70million, while outflows amounted to US\$46.90million. The average monthly exchange rate of the Leone against the US\$ depreciated in all foreign exchange markets in March 2022. On the buying side, the Leone depreciated across commercial banks, the official market and the foreign exchange bureau market by 1.37 percent, 1.76 percent, and 2.88 percent, respectively averaging, Le11,706.72/US\$1, Le11,626.53/US\$1 and Le11,835.25/US\$1 respectively. In the parallel market, the Leone depreciated by 2.72 percent in March 2022, averaging Le12,145.45/US\$1. The premium between the Official and Parallel rates narrowed from 3.01 percent, which was Le282.94/US\$1 in February 2022 to 3.42 percent (Le401.48/US\$1) in March 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 March 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. 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 March 2022, performance in the agricultural sector proxy by coffee and cocoa production improved. Cocoa production increased by 2688.96 percent to 10,013.20 metric tons in March 2022 from 359.03 metric tons in February 2022. Similarly, coffee production rose, by 133.33 percent to 294.00 metric tons in March 2022, from 126.00 metric tons in February 2022.

### **2.1.2 Mining**

Production in the mining sector moderated in March 2022. Production levels of bauxite, rutile, ilmenite, zircon, and other minerals declined whereas productions of diamond, gold pure and iron ore increased during the review period. Total diamond production increased by 8.74 percent to 80.57 thousand carats; of which gem diamond production amounted to 52.64 thousand carats and industrial diamond amounted to 27.93 thousand carats. Gold (pure) production increased by 24.30 percent to 597.28 ounces. Iron Ore production rose by 15.44 percent to 365.61 thousand metric tons.

In contrast, rutile and ilmenite production declined by 0.89 percent and 15.87 percent to 11.01 thousand metric tons and 4.11 thousand metric tons respectively. Likewise, bauxite and zircon production fell by 16.11 percent and 64.98 percent respectively, to 58.55 thousand metric tons and 0.57 thousand metric tons respectively. Other minerals declined by 58.44 percent to 0.71 thousand dry metric tons in March 2022.

### **2.1.3. Manufacturing**

Production activities in the manufacturing sector improved in March 2022. Beer and stout production increased by 109.90 percent to 180.26 thousand cartoons. Production of maltina and cement increased by 75.98 percent to 24.56 thousand cartoons and 92.67 percent to 10.25 thousand metric tons respectively. Common soap production rose by 59.88 percent to 44.56 thousand metric tons. However, paint and confectionery productions declined by 41.20 percent to 29.61 thousand gallons and 1.82 percent to 229.85 thousand pounds respectively.

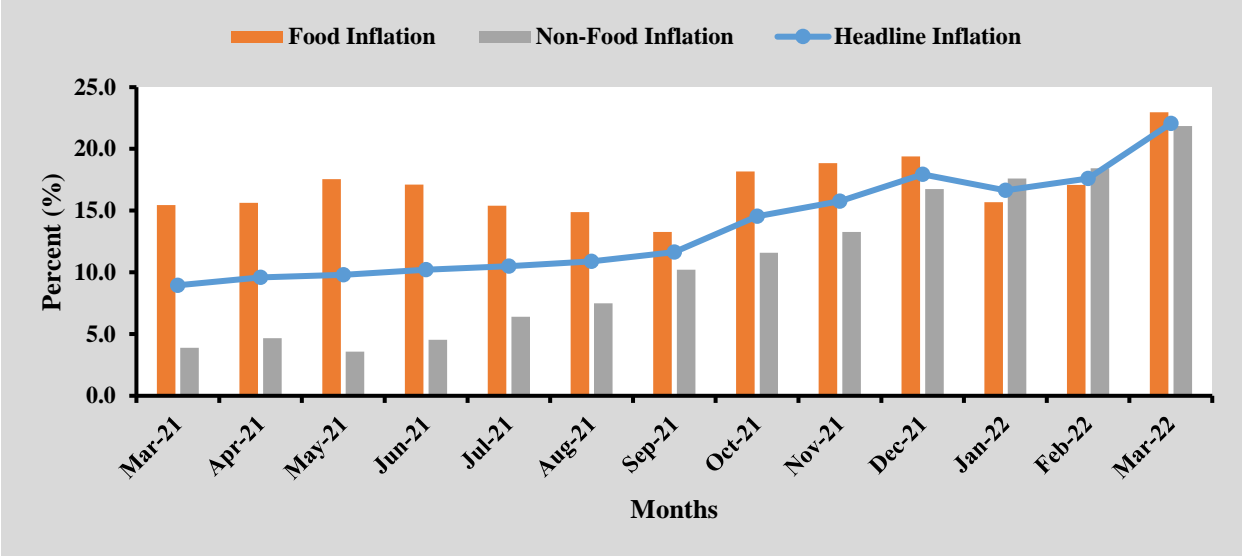
## **2.2 Price Development**

Headline inflation (year-on-year) increased to 22.06 percent in March 2022, from 17.59 percent in February 2022. Similarly, food inflation increased to 22.96 percent in March 2022 from 17.09 percent in February 2022. Non-food inflation rose to 21.86 percent in March 2022 from 18.42 percent in February 2022. The increase reflected in part the upward adjustment of fuel pump prices and depreciation of the exchange rate during the review period. Figure 1 shows trend in year-on-year headline, food and non-food inflation rates. Monthly headline inflation edged up to 4.68



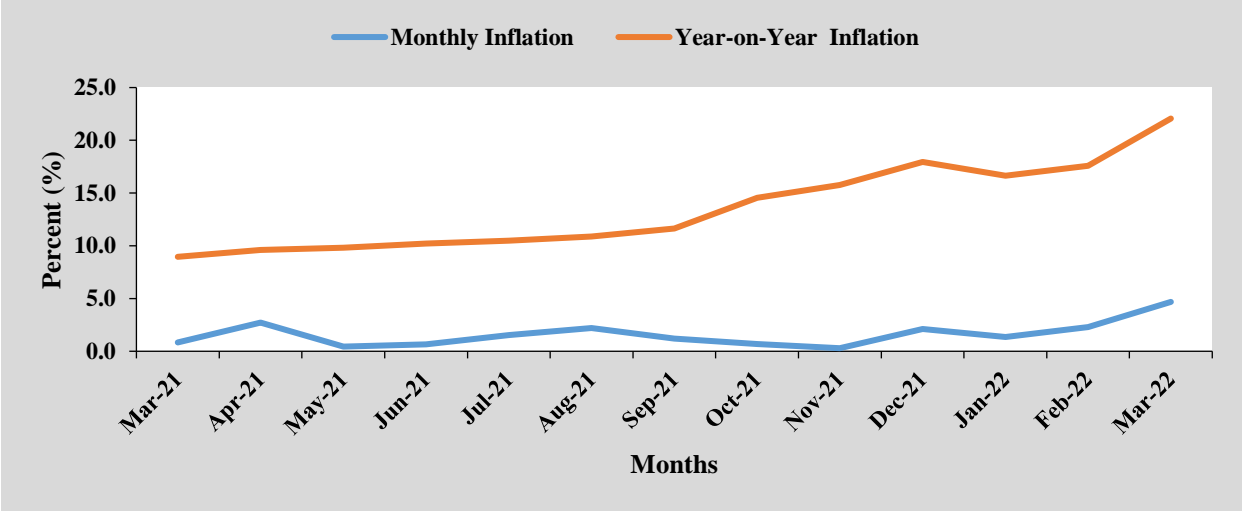
percent in March 2022, from 2.30 percent in February 2022. Figure 2 shows trend in the year-on-year and monthly inflation rates.

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



Source: Statistics Sierra Leone and BSL

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

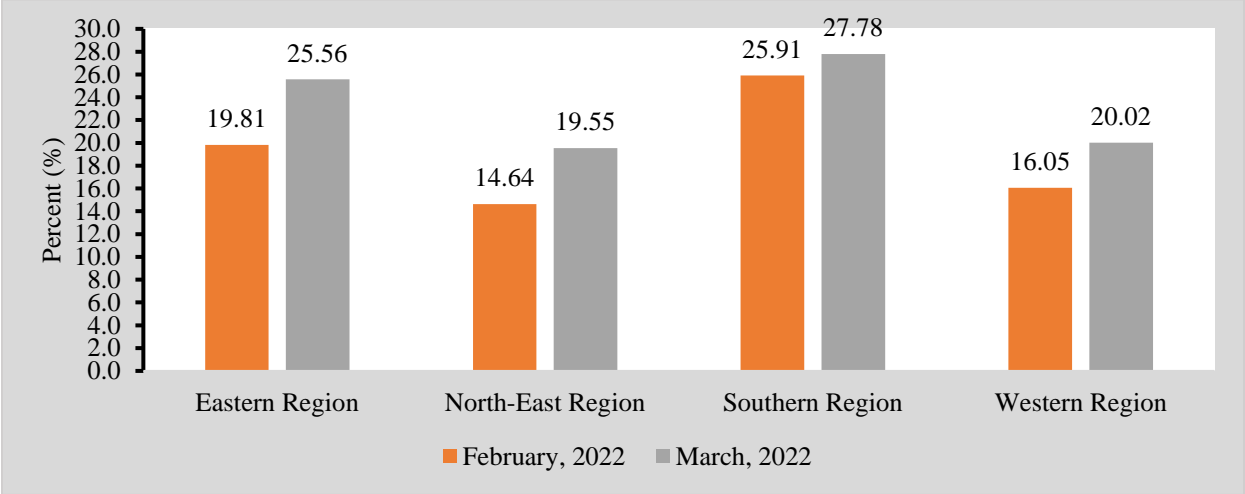


Source: Statistics Sierra Leone and BSL

On a regional basis, inflation increased in all four regions. Western region inflation rose to 20.02 percent in March 2022 from 16.05 percent in February 2022; Eastern region inflation surged to 25.56 percent in March 2022 from 19.81 percent in February 2022; Southern region inflation increase to 27.78 percent in March 2022 from 25.91 percent in February 2022; and North-East

region inflation to 19.55 percent in March 2022 from 14.64 percent in February 2022. 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**

In March 2022, Government budgetary operations on a cash flow basis recorded a narrower deficit of Le 168.30bn, relative to a widened deficit of Le313.78bn in February 2022. This reflects an improvement in revenue mobilization, which offset the expansion in expenditure during the review period. The deficit was financed exclusively from domestic sources.

**3.1 Revenues**

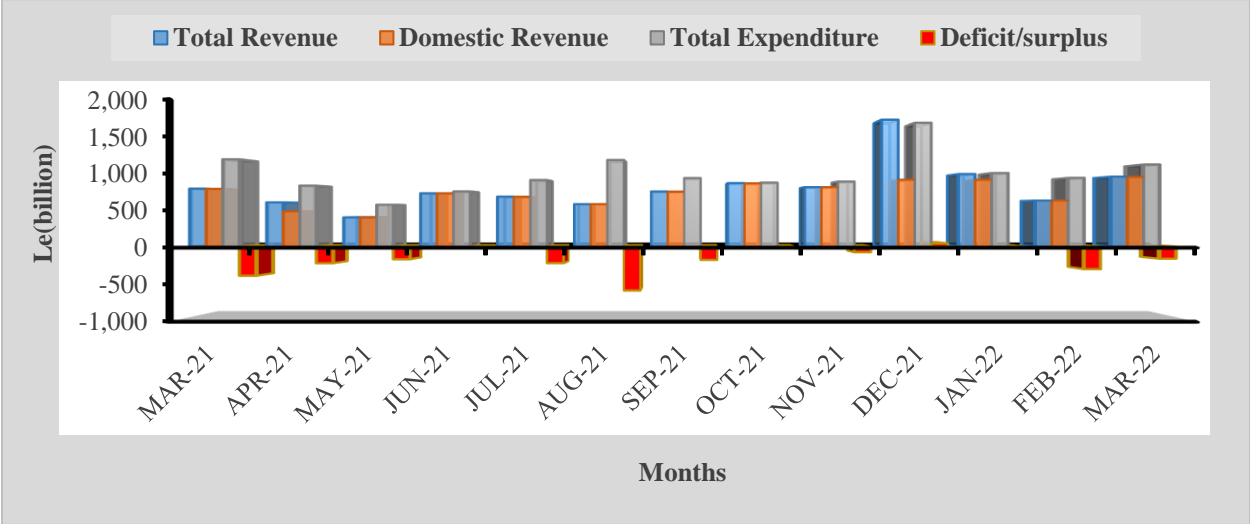
Government revenue expanded to Le972.43bn, representing a 51.67 percent increase compared to Le641.16bn in February 2022, which was 34.97 percent higher than the target of Le720.47bn. The expansion in government revenue was mainly due to the increase in domestic revenue mobilisation.

Domestic revenue collected increased to Le969.10bn in March 2022, representing an increase of 51.15 percent, compared to Le641.16bn in February 2022, and was 52.16 percent over the target of Le636.87bn. The improved performance of domestic revenue mobilisation was attributed to the expansion in revenue collected from goods & services tax, income tax and non-tax revenue.

However, customs and excise duties decreased during the review period. There was no budgetary support in March 2022. Highly Indebted Poor Countries (HIPC) Debt Relief amounted to Le3.33bn in March 2022 during the review period.

Revenue from income tax expanded by 46.30 percent, to Le208.22 bn. Receipts from goods and services tax rose by 12.47 percent to Le111.00bn. Non-tax revenue increased by 80.18 percent to Le568.02bn while receipts from customs and excise decreased by 3.58 percent to Le81.85bn. Figure 4 gives the revenue and expenditure profile from March 2021 to March 2022.

**Figure 4: Government Revenue and Expenditure**



Source: Bank of Sierra Leone

**3.2 Expenditures**

Government expenditure increased to Le1,140.73bn in March 2022, representing a growth of 19.46 percent, compared to Le954.94bn in February 2022. This overshoot the ceiling of Le626.53bn by 82.07 percent. The expansion in government spending ensued from the increase in wage bills and debt services, whilst other expenditures on goods and services declined during the review period.

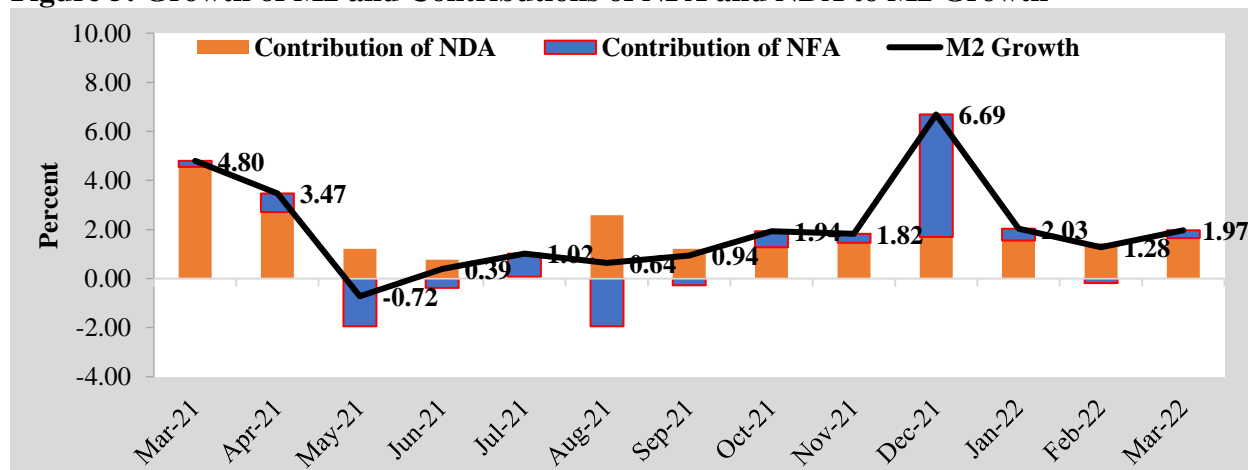
Expenditure on pension, wages and salaries rose by 193.31 percent to Le356.32bn while debt services expanded by 25.24 percent to Le169.41bn, which was exclusive of domestic interest. Meanwhile, there was no foreign interest payment during the review period. Other expenditures (including expenditure on goods and services) declined by 12.12 percent to Le613.00bn.

## 4. Monetary Developments

### 4.1 Broad Money

In March 2022, broad money (M2) expanded, whereas reserve money (RM) contracted. Broad money (M2) grew by 1.97 percent from 1.28 percent in February 2022. The growth of broad money was driven by both the increase in Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking system. The contributions of net domestic assets and net foreign assets to the growth of broad money were 1.66 percent and 0.31 percent respectively. Figure 1 shows the contributions of NDA and NFA to the growth of broad money from March 2021 to March 2022.

**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 grew by 2.17 percent in March 2022, which was more than the 1.92 percent growth in February 2022. The growth of NDA was principally explained by the increase in net claims on government by both the Bank of Sierra Leone (BSL) and the commercial banks. Net claims on government by the BSL expanded by 4.49 percent in March 2022 from a contraction of 0.67 percent in February 2022, while that of commercial banks moderated to 1.89 percent in March 2022 from a growth of 4.65 percent in February 2022. Credit to the private sector by commercial banks contracted by 0.53 percent in March 2022 following an expansion of 2.68 percent in February 2022. Claims on other sectors' net declined by 4.56 percent in March 2022, from an increase of 6.24 percent in February 2022.

NFA of the banking system grew by 1.31 percent in March 2022, from 0.73 percent contraction in February 2022. The expansion in NFA of the banking system was attributed to the 9.14 percent growth in NFA of Other Depository Corporations (ODCs) in March 2022, from 2.79 percent increase in February 2022. However, the NFA of the BSL deteriorated in March 2022 by 86.70 percent, from a negative position of Le355.77bn in February 2022 to a negative position of Le664.21bn in March 2022. Table 1 shows growth of monetary aggregates.

**Table 1: Growth of Monetary Aggregates**

Billions of Leones	Actual Values		Absolute Change		% Growth	
	Feb-22	Mar-22	Feb-22	Mar-22	Feb-22	Mar-22
Reserve money	4,607.34	4,503.28	(101.12)	(104.06)	(2.15)	(2.26)
Broad Money (M2)	14,870.48	15,163.12	187.49	292.64	1.28	1.97
Narrow money (M1)	7,714.02	7,626.27	129.81	(87.76)	1.71	(1.14)
Currency outside banks	3,352.10	3,330.65	17.88	(21.44)	0.54	(0.64)
Demand deposit	4,361.93	4,295.61	111.92	(66.31)	2.63	(1.52)
Quasi money	7,156.45	7,536.85	57.68	380.40	0.81	5.32
o.w. Foreign currency deposit	3,886.56	4,272.91	45.27	386.35	1.18	9.94
Time and saving deposit	3,260.69	3,256.90	15.08	(3.79)	0.46	(0.12)
Other Deposits - BSL	9.21	7.05	(2.67)	(2.17)	(22.46)	(23.52)
Net Foreign Asset	3,524.68	3,570.92	(26.04)	46.24	(0.73)	1.31
BSL	(355.77)	(664.21)	(131.28)	(308.44)	58.48	86.70
ODCs	3,880.45	4,235.12	105.24	354.68	2.79	9.14
Net Domestic Assets	11,345.80	11,592.20	213.53	246.40	1.92	2.17
Net Domestic Credit	13,944.53	14,268.79	325.28	324.26	2.39	2.33
Government (Net)	11,045.36	11,371.44	260.65	326.08	2.42	2.95
BSL	4,495.73	4,697.38	(30.18)	201.65	(0.67)	4.49
ODCs	6,549.63	6,673.69	290.84	124.06	4.65	1.89
Private Sector Credit	3,230.28	3,213.36	84.07	(16.93)	2.67	(0.52)
o.w ODC	3,212.37	3,195.24	83.86	(17.13)	2.68	(0.53)
Other Sectors (Net)*	(331.11)	(316.00)	(19.45)	15.11	6.24	(4.56)
Other Items (Net)	(2,598.73)	(2,676.59)	(111.75)	(77.87)	4.49	3.00

Source: Bank of Sierra Leone

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

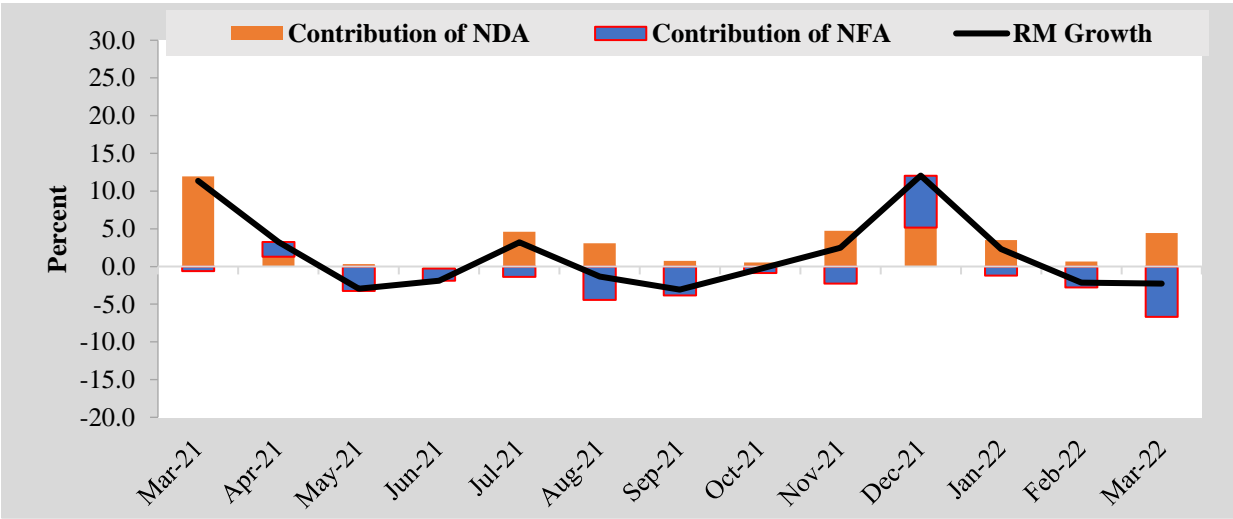
\*ODC is Other Depository Corporations, which includes Commercial Banks, Community Banks, Discount Houses, and Deposit Taking Microfinance Institutions.

Narrow money (M1) contracted by 1.14 percent in March 2022, relative to an increase of 1.71 percent in February 2022. The contraction in narrow money (M1) emanated from decline in currency outside banks by 0.64 percent, from an increase of 0.54 percent in February 2022. Similarly, demand deposits decreased by 1.52 percent in March 2022, relative to an increase of 2.63 percent in February 2022. On the other hand, quasi money grew by 5.32 percent in March

2022, up from 0.81 percent in February 2022. Growth in quasi money was mainly attributable to the increase in foreign currency deposits by 9.94 percent, whilst time and savings deposits decreased by 0.12 percent and other deposits by BSL fell by 23.52 percent.

Reserve money (RM) contracted by 2.26 percent in March 2022, from a decline of 2.15 percent in February 2022. RM declined mainly on account of deterioration in Net Foreign Assets (NFA) of the Bank of Sierra Leone (BSL) which was more than the expansion in Net Domestic Assets (NDA) of the BSL. NFA of the BSL deteriorated by 86.70 percent in March 2022, mainly as a result of a draw-down in foreign reserves for the settlement of official foreign transactions. NDA of the BSL increased by 4.12 percent in March 2022 relative to the growth of 0.61 percent in February 2022. 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 86.70 percent in March 2022, compared to the growth of 58.48 percent in February 2022. Net domestic assets (NDA) of the BSL grew by 4.12 percent in March 2022, compared to 0.61 percent in February 2022. Table 2 shows the growth of reserve money and its components.

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

Billions of Leones	Actual Values		Absolute Change		% Change	
	Feb-22	Mar-22	Feb-22	Mar-22	Feb-22	Mar-22
Net Foreign Assets	-355.77	-664.21	(131.28)	(308.44)	58.48	86.70
Net Domestic Assets	4,963.11	5,167.48	30.17	204.38	0.61	4.12
Government Borrowing (net)	4,495.73	4,697.75	(30.18)	202.02	(0.67)	4.49
o.w. Securities	1,252.22	1,256.00	169.16	3.78	15.62	0.30
Ways and Means	131.25	244.38	(50.97)	113.13	(27.97)	86.20
GoSL/IMF /WB Budget financing	3,257.33	3,257.33	-	-	-	-
Reserve money	4,607.34	4,503.28	(101.12)	(104.06)	(2.15)	(2.26)
o.w. Currency issued	3,352.10	3,330.65	17.88	(21.44)	0.54	(0.64)
Bank reserves	852.52	764.30	(147.03)	(88.22)	(14.71)	(10.35)

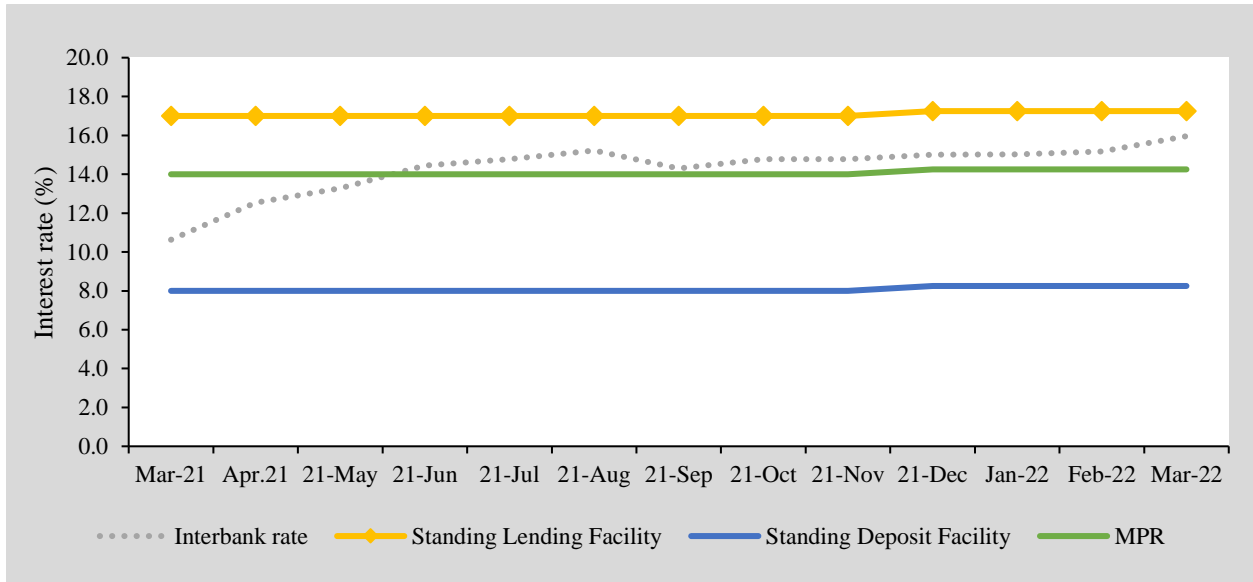
Source: Bank of Sierra Leone

From the liability side, the contraction in reserve money was on account of decreases in banks' reserves by 10.35% and currency issued by 0.64% in March 2022.

### 4.3 Interest Rates

The monetary policy rate (MPR), Standing Lending Facility and Standing Deposit Facility rates remained unchanged at 14.25 percent, 17.25 percent and 8.25 percent respectively in February 2022. The interbank rate increased to 15.96 percent in March 2022 from 15.18 percent in February 2022. Figure 7 shows the trend in the Bank of Sierra Leone interest rates and the interbank rate.

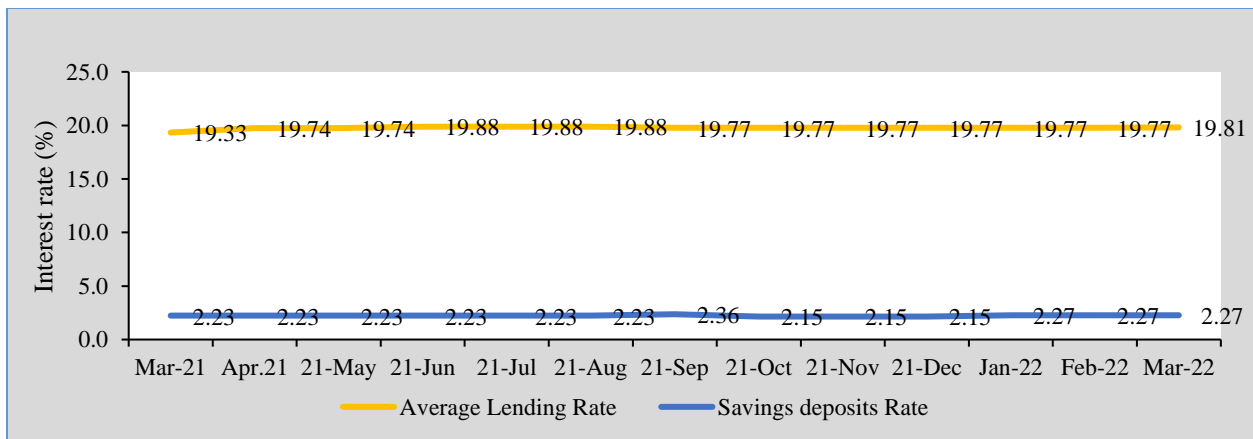
**Figure 7: Bank of Sierra Leone Interest Rates and the Interbank Rate**



Source: Bank of Sierra Leone

The commercial banks` average lending rate increased to 19.81 percent in March 2022 from 19.77 percent in February 2022, while the savings deposit rate remained unchanged at 2.27 percent in March 2022. Figure 7 shows the average lending rate and average savings rate in March 2022 and the twelve months preceding it.

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

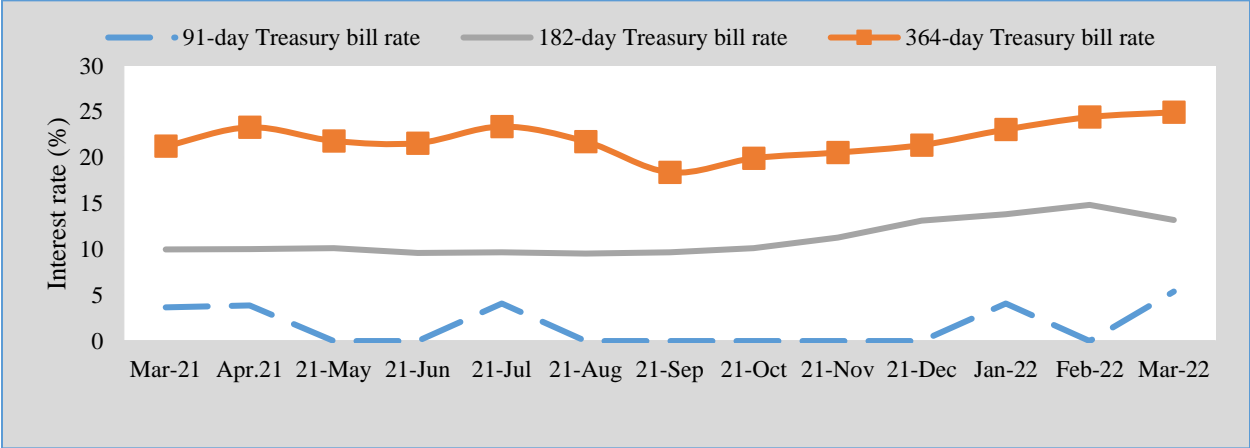


Source: Bank of Sierra Leone



The yield on 182-day T-bills decreased to 13.21 percent in March 2022 from 14.85 percent in February 2022. The yield on 364-day T-bills increased from 24.43 percent in February 2022 to 24.95 percent in March 2022. The 91-day T-bills recorded a yield of 5.40 percent in March 2022. Figure 9 shows the yields on the T-bills.

**Figure 9: Yields on Treasury Bills**



Source: Bank of Sierra Leone

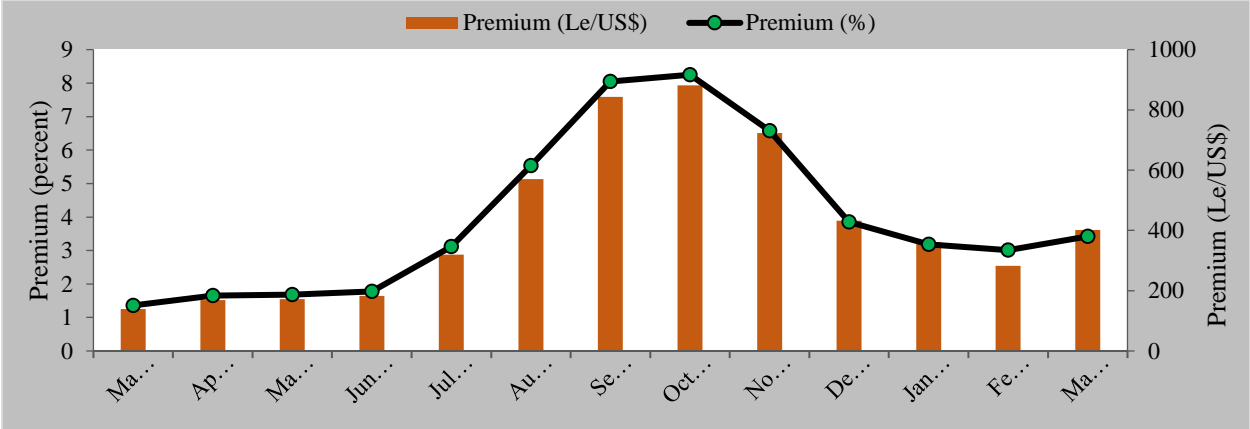
**5. External Sector**

**5.1 Exchange Rate Developments**

The monthly average exchange rate of the Leone against the US dollar depreciated in all foreign exchange markets in March 2022 on both the buying and selling sides. With regards to the buying side, the Leone depreciated in the parallel market by 2.72 percent averaging Le12,145.45/US\$1, and also depreciated across commercial banks, and official and bureau markets by 1.37 percent, 1.76 percent and 2.88 percent respectively, averaging Le11,706.72/US\$1, Le11,626.53/US\$1 and Le11,835.25/US\$1 respectively. Similarly, on the selling side, the Leone depreciated in the parallel market by 3.34 percent averaging Le12,352.27/US\$1 and depreciated in the bureau market and official markets and the commercial banks by 1.79 percent, 1.76 percent and 1.30 percent respectively, averaging Le12,002.18/US\$1, Le11,861.41/US\$1 and Le11,916.37/US\$1 respectively.

The premium between the Official and Parallel rates widened from 3.01 percent, which was Le282.94/US\$1, in February 2022 to 3.42 per cent (Le401.48/US\$1) in March 2022. Figure 10 shows the trend in the parallel and official exchange rates.

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



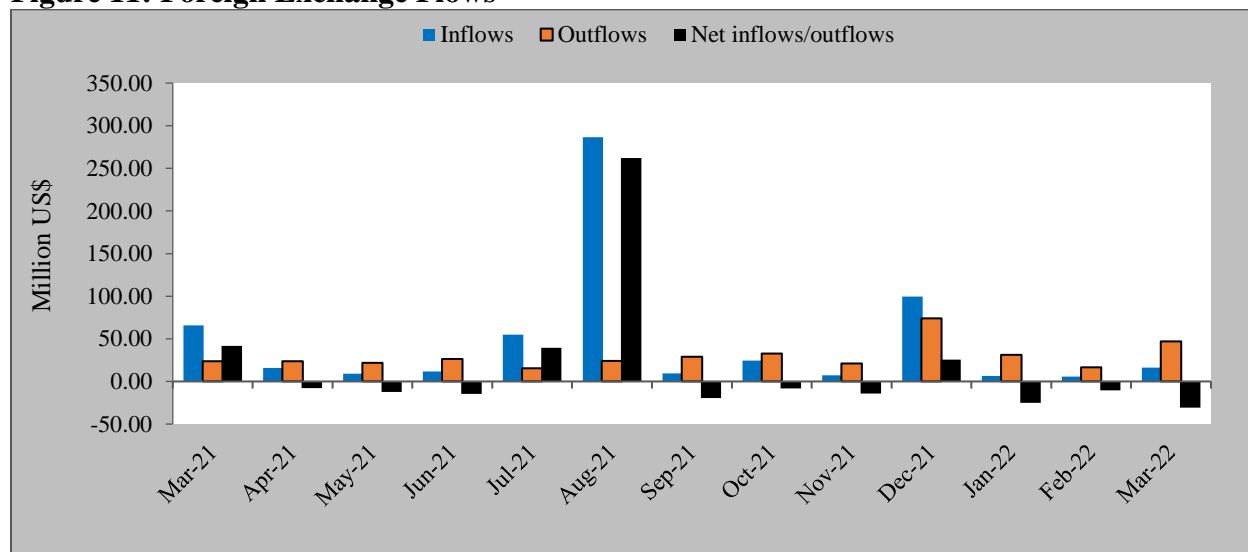
Source: Bank of Sierra Leone

**5.2. Gross Foreign Exchange Reserves**

Gross foreign exchange reserves (including swaps) of the Bank of Sierra Leone stood at US\$876.97 million at the end of March 2022, down from US\$ 911.82 million at the end of February 2022. Total value of inflows recorded in March 2022 was US\$16.70million, while outflows amounted to US\$46.90 million, resulting in a net outflow of US\$30.19million, with a recorded revaluation adjustment of US\$4.65 million.

Significant inflows include receipts from exports, which was US\$ 7.41 million, of which Timber Mining accounted for US\$2.51 million whilst Shandong/Kingho mining recorded US\$2.07 million. Major outflows comprise payments for goods and services which was US\$39.72 million. Figure 11 shows trend of foreign exchange flows.

**Figure 11: Foreign Exchange Flows**



Source: Bank of Sierra Leone

## 6. Conclusion

Agricultural sector performance improved, measured by production of cocoa and coffee, as output of both commodities increased relative to their values in February 2022. Production in the mining sector was mixed in March 2022 as total diamond and pure gold productions increased while production of rutile, ilmenite, bauxite and zircon decreased. Production activities in the manufacturing sector was also mixed, with Beer and Stout production increasing as in the case of Maltina, cement and common soap, though production of paint and confectionery declined. Headline inflation (year- on-year basis) increased in March 2022, which reflected increases in both food and non-food inflation rates.

Government fiscal operations resulted in narrowing of the deficit in March 2022, which was due to improvement in revenue mobilization that was more than the expansion in expenditure during the review period. The Monetary Policy Rate (MPR), Standing Lending Facility and Standing Deposit Facility rates remained unchanged at 14.25 percent, 17.25 percent and 8.25 percent

respectively in March 2022. The interbank rate increased to 15.96 percent in March 2022 from 15.18 percent in February 2022. Growth of monetary aggregates was mixed with expansion in broad money and contraction in the reserve money. Yields in the 182-day Treasury bill decreased in March 2022, while that of the 364-day Treasury bill increased. Average monthly exchange rate for March 2022 depreciated on both the buying and selling fronts. Gross foreign exchange reserves declined in March 2022, compared to the level in February 2022.