



BANK OF SIERRA LEONE

**Monthly Economic
Review**

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Review**

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TABLE OF CONTENTS

TABLE OF CONTENTS	ii
LIST OF FIGURES	iii
LIST OF TABLES.....	iii
ABBREVIATIONS	iv
1.0 Highlights	1
2.0 Production and Prices	2
2.1 Production.....	2
2.1.1 Manufacturing Sector.....	2
2.1.2 Mining Sector.....	2
2.1.3 Agriculture Sector	2
2.2 Price Developments	2
3.0 Government Budgetary Operations	4
3.1 Revenue	4
3.2 Expenditure.....	4
3.3 Financing	5
4.0 Monetary Developments.....	5
4.1 Broad Money (M2)	5
4.2 Reserve Money (RM)	6
4.3 Interest Rates	8
5.0 Exchange Rate and Reserves	9
5.1 Exchange Rate Developments	9
5.2 Gross Foreign Exchange Reserves	10

LIST OF FIGURES

Figure 1: Headline, Food and Non-Food Inflation.....	3
Figure 2: Annual (Y-o-Y) Inflation and Monthly Inflation	3
Figure 3: Government Revenue and Expenditure.....	4
Figure 4: Contributions of NDA and NFA to M2 Growth.....	5
Figure 5: Contributions of NDA and NFA to RM Growth.....	7
Figure 6: Trends in Monetary Policy Rate and Other Market Rates.....	8
Figure 7: Premium between Official and Parallel Exchange Rates	10
Figure 8: Foreign Exchange Flows	11

LIST OF TABLES

Table 1: Broad Money and Components	6
Table 2: Reserve Money and Components	7
Table 3: Trends in Interest Rates	9

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
MoF	-	Ministry of Finance
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
Stats SL	-	Statistics Sierra Leone
Y-o-Y	-	Year-on-Year

1.0 Highlights

Sierra Leone's manufacturing sector continued to exhibit mixed production outcomes in May 2021. The production of beer & stout, maltina, oxygen, paint and confectionary increased by 60.15 percent, 17.43 percent, 21.47 percent, 6.01 percent, and 10.07 percent, to 133.69 thousand cartons, 28.29 thousand cartons, 44.24 thousand cubic feet, 59.83 thousand gallons and 324.12 thousand pounds, respectively.

Conversely, common soap, cement and acetylene production decreased by 12.30 percent, 5.19 percent and 3.36 percent, to 59.76 thousand metric tons, 34.80 thousand metric tons, and 29.04 thousand cubic feet, respectively. Meanwhile, the mining sector recorded increases in output for diamonds, gold, bauxite, iron ore and other minerals, while rutile and ilmenite production decreased. Both coffee and cocoa production decreased in the review month.

Headline inflation (year-on-year) increased slightly to 9.80 percent in May from 9.60 percent in April 2021, reflecting a rise in food inflation to 17.56 percent in May 2021 from 15.64 percent in April 2021. However, non-food inflation moderated to 3.57 percent in May 2021 from 4.67 percent in April 2021.

Government budgetary operations on cash flow basis resulted in a lower fiscal deficit of Le175.85 billion in May 2021, compared to a deficit of Le231.46 billion in April 2021. This outturn was due to a large decrease in expenditure over the decrease in revenue.

Monetary Policy Rate (MPR) of the BSL remained unchanged at 14.00 percent in May 2021. Also, the Standing Lending and Deposit Facility rates remained unchanged at 17.00 percent and 8.00 percent in May 2021, respectively. However, the interbank rate increased from 12.53 percent in April 2021 to 13.28 percent in May 2021, but remained within the policy corridor. Commercial banks' average lending and deposit rates remained unchanged at 19.74 percent and 2.23 percent in May 2021.

Monetary aggregates were contractionary during the month of May 2021, evidenced by a contraction in both Broad Money (M2) and Reserve Money (RM). Broad Money contracted by 0.71 percent in May 2021 compared to a 3.47 percent growth in April 2021. Reserve Money contracted by 2.91 percent in May 2021, compared to a 3.26 percent growth in April 2021.

Gross foreign exchange reserves of the Bank of Sierra Leone at end May 2021 was US\$688.70 million, 1.47 percent below US\$698.96 million in April 2021. Inflows recorded during the review month was US\$9.24 million, while outflows amounted to US\$21.68 million, resulting to a net outflow of US\$12.44 million.

The exchange rate of the Leone to the US dollar (Le/US\$) depreciated slightly across the foreign exchange markets, while the premium between the Official and Parallel rates widened by 3.14 percent to Le172.06/US\$1 in May from Le168.91/US\$1 in April, 2021.

2.0 Production and Prices

2.1 Production

2.1.1 Manufacturing Sector

The manufacturing sector of Sierra Leone continued to exhibit mixed production outcomes in May 2021. The production of beer & stout, maltina, oxygen, paint and confectionary increased by 60.15 percent, 17.43 percent, 21.47 percent, 6.01 percent, and 10.07 percent, to 133.69 thousand cartons, 28.29 thousand cartons, 44.24 thousand cubic feet, 59.83 thousand gallons and 324.12 thousand pounds, respectively.

The production of common soap, cement and acetylene decreased by 12.30 percent, 5.19 percent and 3.36 percent, to 59.76 thousand metric tons, 34.80 thousand metric tons, and 29.04 thousand cubic feet, respectively.

2.1.2 Mining Sector

In May 2021, the mining sector recorded increases in output for diamonds, pure gold, bauxite, iron ore and other minerals by 18.30 percent, 120.99 percent, 7.27 percent, 9.98 percent and 26.06 percent, to 77.66 thousand carats, 377.89 ounces, 95.99 thousand metric tons, 125.03 thousand dry metric tons and 0.52 thousand dry metric tons, respectively. Diamond production comprised 69.73 thousand carats of industrial diamonds and 7.93 thousand carats of gem diamonds. Gold concentrate production amounted to 8.49 million ounces in the review period.

However, Rutile and Ilmenite production decreased by 5.89 percent and 2.66 percent to 9.42 thousand metric tons, and 2.12 thousand metric tons respectively during the review month.

2.1.3 Agriculture Sector

Production in the agriculture sector slowed down in May 2021, as both coffee and cocoa output decreased by 34.21 percent and 98.27 percent to 25.00 thousand metric tons and 8.00 thousand metric tons, respectively.

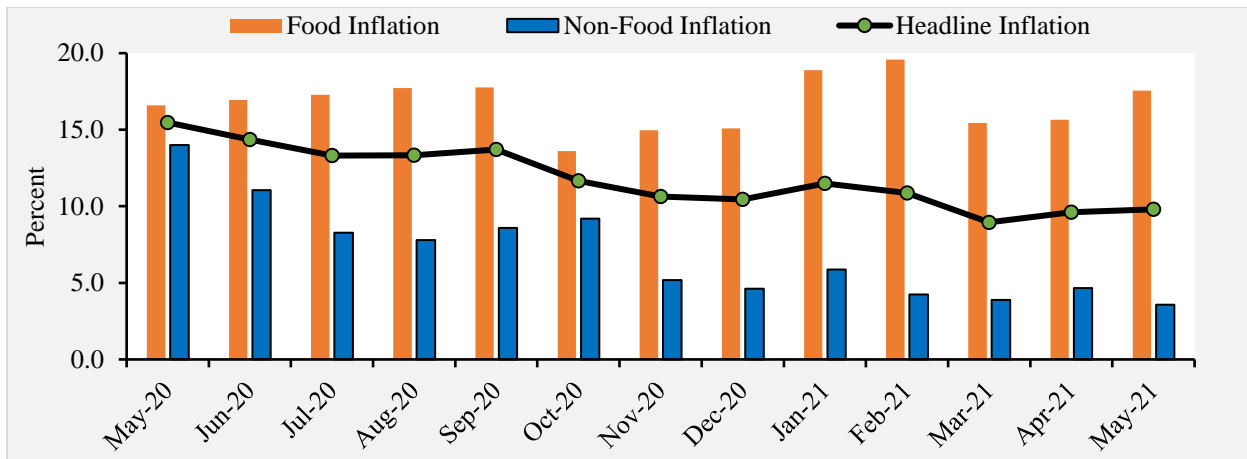
2.2 Price Developments

Headline inflation (year-on-year) increased slightly to 9.80 percent in May 2021 from 9.60 percent in April 2021, reflecting a rise in food inflation to 17.56 percent in May 2021 relative to 15.64

percent in April 2021. However, non-food inflation moderated to 3.57 percent in May 2021 from 4.67 percent in April 2021 (see **Figure 1**).

On regional basis, headline inflation in the Northern and Eastern regions increased to 14.33 percent and 8.53 percent in May 2021 from 12.79 percent and 7.51 percent respectively in April 2021. Conversely, inflation in the Southern and Western regions decreased to 9.87 percent and 7.72 percent in May 2021 from 10.49 percent and 8.11 percent respectively in April 2021.

Figure 1: Trends in Headline, Food and Non-Food Inflation

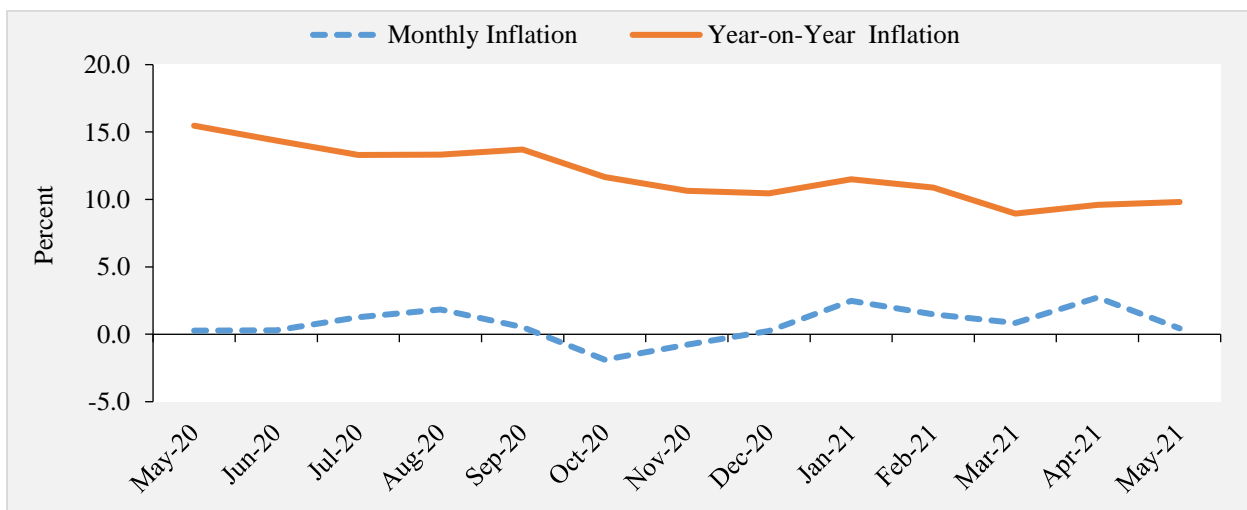


Source: Stats SL

Monthly headline inflation decreased from 2.73 percent in April 2021 to 0.44 percent in May 2021.

Figure 2 depicts the trends in both annual and monthly inflation.

Figure 2: Trends in Annual (Y-o-Y) Inflation and Monthly Inflation



Source: Stats SL

3.0 Government Budgetary Operations

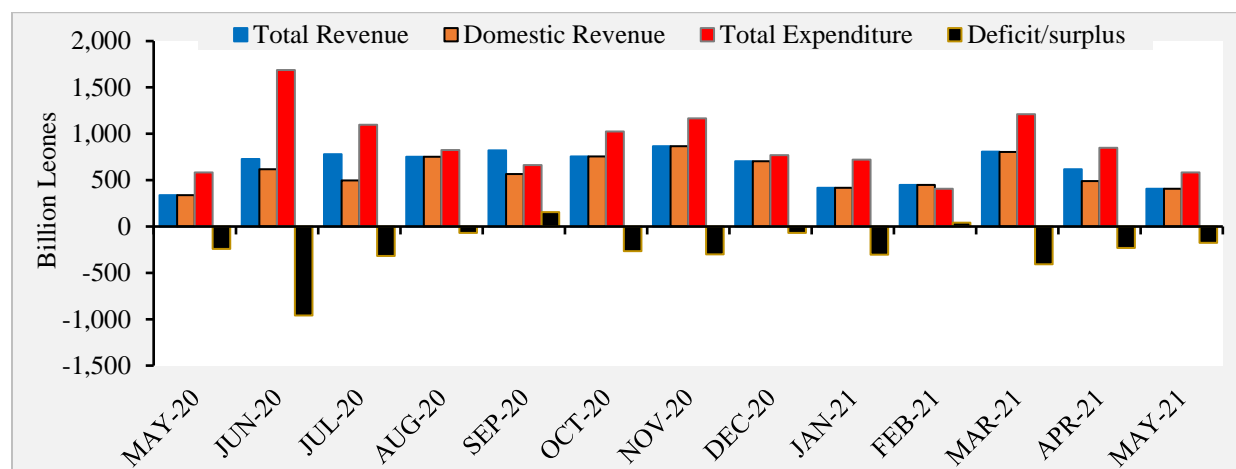
Government budgetary operations on cash flow basis resulted in a lower fiscal deficit of Le175.85 billion in May 2021, compared to a deficit of Le231.46 billion in April 2021. This outturn was due to a large decrease in expenditure over the decrease in revenue (see Figure 3).

3.1 Revenue

Government revenue contracted by 33.87 percent to Le407.69 billion in May 2021 and was 28.65 percent lower than the budgeted target of Le571.36 billion, mainly due to a decrease in domestic revenue and external budgetary support.

Domestic revenue decreased to Le407.69 billion in May 2021 from Le491.47 billion in April 2021, due to a contraction in all its major tax components. Receipts from customs and excise taxes decreased by 12.56 percent to Le61.12 billion, income tax collection fell by 11.93 percent to 130.62 billion, receipts from non-tax revenue decreased by 28.82 percent to Le126.65 billion. Goods and Services tax contracted by 6.32 percent to Le89.29 billion. There was no external grant during the review month.

Figure 3: Trends in Government Revenue and Expenditure



Source: MoF

3.2 Expenditure

Government expenditure contracted by 31.18 percent to Le583.54 billion in May 2021, and was 23.06 percent lower than the ceiling of Le758.48 billion. The contraction in government expenditure was mainly as a result of the decline in other expenditure and debt services payment by 53.17 percent and 37.11 percent to Le236.90 billion and Le76.06 billion in May 2021,

respectively. However, pension, wages and salaries increased by 22.32 percent to Le270.58 billion during the review period.

3.3 Financing

The overall deficit of Le175.85 billion was financed exclusively from domestic sources.

4.0 Monetary Developments

Developments in monetary aggregates were contractionary during the month of May 2021, as both Broad Money (M2) and Reserve Money (RM) contracted during the review period.

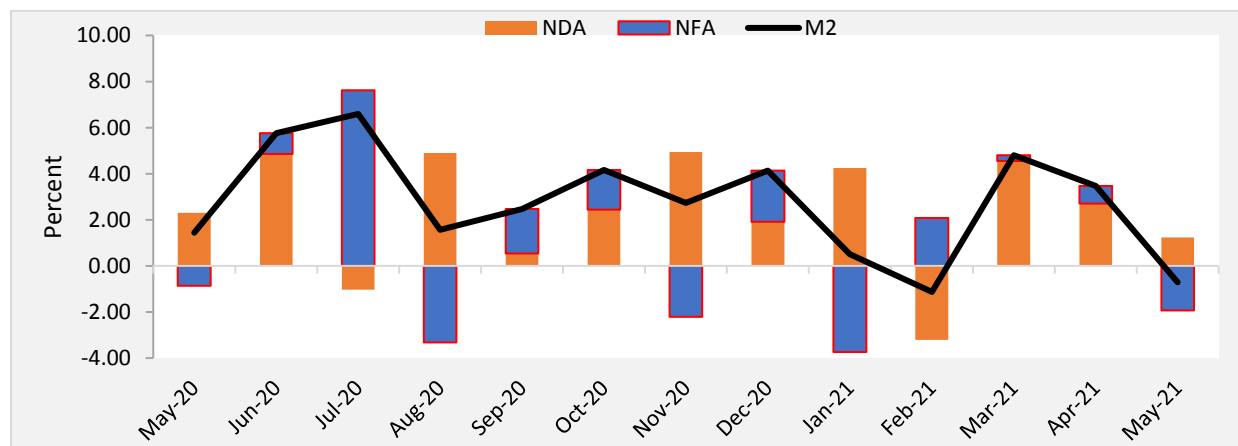
4.1 Broad Money (M2)

Broad Money contracted by 0.71 percent in May 2021, compared to a 3.47 percent growth in April 2021, due to a decrease in Net Foreign Assets (NFA) of the banking system, which was moderated by the increase in Net Domestic Assets (NDA) of the banking system (see **Figure 4**).

The NFA of the banking system contracted by 7.86 percent in May 2021, from a growth of 3.08 percent in April 2021. The contraction in NFA was on account of decrease in NFA of both the Bank of Sierra Leone and commercial banks by 49.80 percent and 3.74 percent, respectively.

NDA of the banking system grew by 1.63 percent in May 2021, compared to the growth of 3.60 percent in April 2021. This development was on account of increase in net claims on Government by the commercial banks by 4.68 percent and the Bank of Sierra Leone by 0.69 percent. Private sector credit growth by the commercial banks slowed down to 0.86 percent in May 2021, compared to 5.26 percent in April 2021.

Figure 4: Contributions of NDA and NFA to M2 Growth



Source: BSL

Table 1 shows the evolution in the various components of broad money from April to May 2021.

Table 1: Broad Money and Components

Billions of Leones	2021		Absolute Change		%Change	
	Apr-21	May-21	Apr-21	May-21	Apr-21	May-21
Reserve money	4,277.09	4,152.77	134.95	(124.32)	3.26	(2.91)
Broad Money (M2)	12,705.90	12,615.94	426.42	(89.95)	3.47	(0.71)
Narrow money (M1)	6,552.49	6,418.13	327.16	(134.37)	5.26	(2.05)
Currency outside banks	3,092.87	3,080.32	105.85	(12.55)	3.54	(0.41)
Demand deposit	3,459.63	3,337.81	221.31	(121.82)	6.83	(3.52)
Quasi money	6,153.40	6,197.82	99.26	44.41	1.64	0.72
o.w. Foreign currency deposit	3,058.22	3,031.51	77.03	(26.71)	2.58	(0.87)
Time and saving deposit	3,089.02	3,160.53	22.92	71.51	0.75	2.31
Net Foreign Asset	3,134.80	2,888.52	93.74	(246.29)	3.08	(7.86)
BSL	280.48	140.81	81.67	(139.67)	41.08	(49.80)
ODCs	2,854.33	2,747.71	12.07	(106.62)	0.42	(3.74)
Net Domestic Assets	9,571.09	9,727.42	332.67	156.33	3.60	1.63
Net Domestic Credit	11,879.25	12,192.52	152.81	313.27	1.30	2.64
Government (Net)	9,369.32	9,650.99	51.48	281.67	0.55	3.01
BSL	3,921.18	3,948.07	(33.66)	26.89	(0.85)	0.69
ODCs	5,448.14	5,702.91	85.14	254.77	1.59	4.68
Private Sector Credit	2,711.28	2,734.18	134.02	22.89	5.20	0.84
o.w ODC	2,694.26	2,717.51	134.54	23.25	5.26	0.86
Other Sectors (Net)*	(201.35)	(192.64)	(32.68)	8.71	19.38	(4.32)
Other Items (Net)	(2,308.16)	(2,465.09)	179.86	(156.94)	(7.23)	6.80
Money Multiplier	2.97	3.04				

Source: BSL

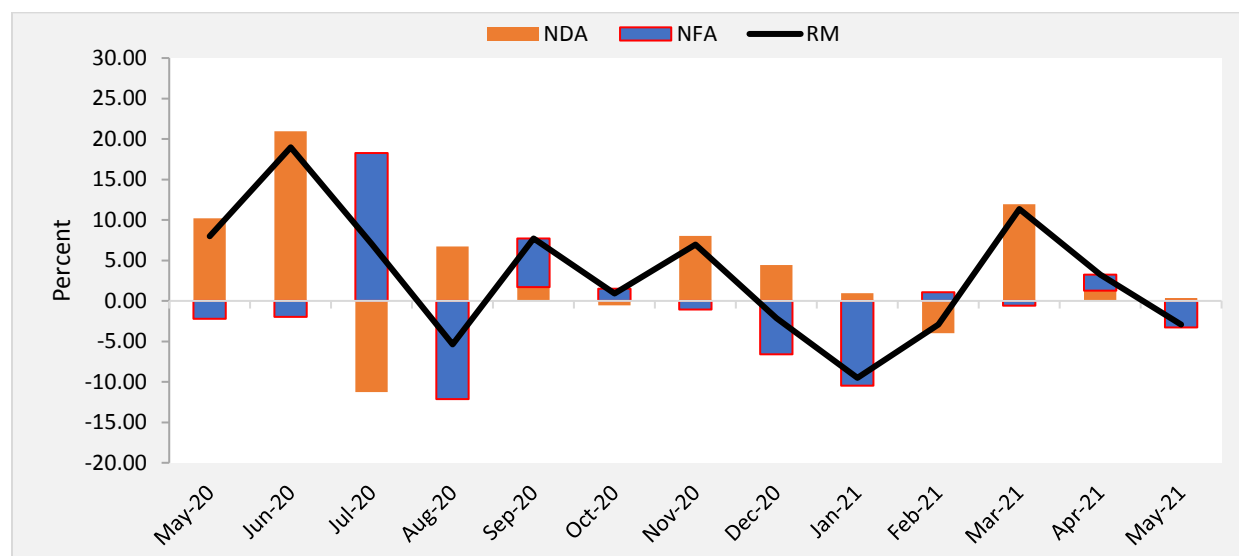
From the liability side, the contraction in M2 resulted from decrease in Narrow Money (M1), which was more than the increase in Quasi Money. Narrow Money declined by 2.05 percent in May 2021, from a growth of 5.26 percent in April 2021. The decrease in M1 was as a result of the decline in both currency outside banks by 0.41 percent and demand deposits by 3.52 percent. Quasi Money expanded by 0.72 percent in May 2021, compared to the 1.64 percent increase in April 2021. This development was mainly attributed to increase in time and savings deposits by 2.31 percent, as foreign currency deposits declined by 0.87 percent during the same review period.

4.2 Reserve Money (RM)

Reserve Money contracted by 2.91 percent in May 2021, compared to a 3.26 percent growth in April 2021. The contraction in Reserve Money was mainly due the decrease in Net Foreign Assets (NFA) of the BSL, which was moderated by the increase in Net Domestic Assets (NDA) of the BSL (see **Figure 5**). NFA of the BSL decreased by 49.80 percent in May 2021, from a growth of

41.08 percent in April 2021. The contraction in NFA of the BSL was as a result of increase in foreign liabilities, relative to foreign assets. NDA of the BSL increased by 0.38 percent in May 2021, relative to the growth of 1.35 percent in April 2021.

Figure 5: Contributions of NDA and NFA to RM Growth



Source: BSL

From the liability side, contraction in Reserve Money was mainly due to the decrease in banks' reserves by 13.15 percent, as currency issued increased by 0.04 percent in May 2021. **Table 2** shows the evolution of the various components of reserve money from April 2021 to May 2021.

Table 2: Reserve Money and Components

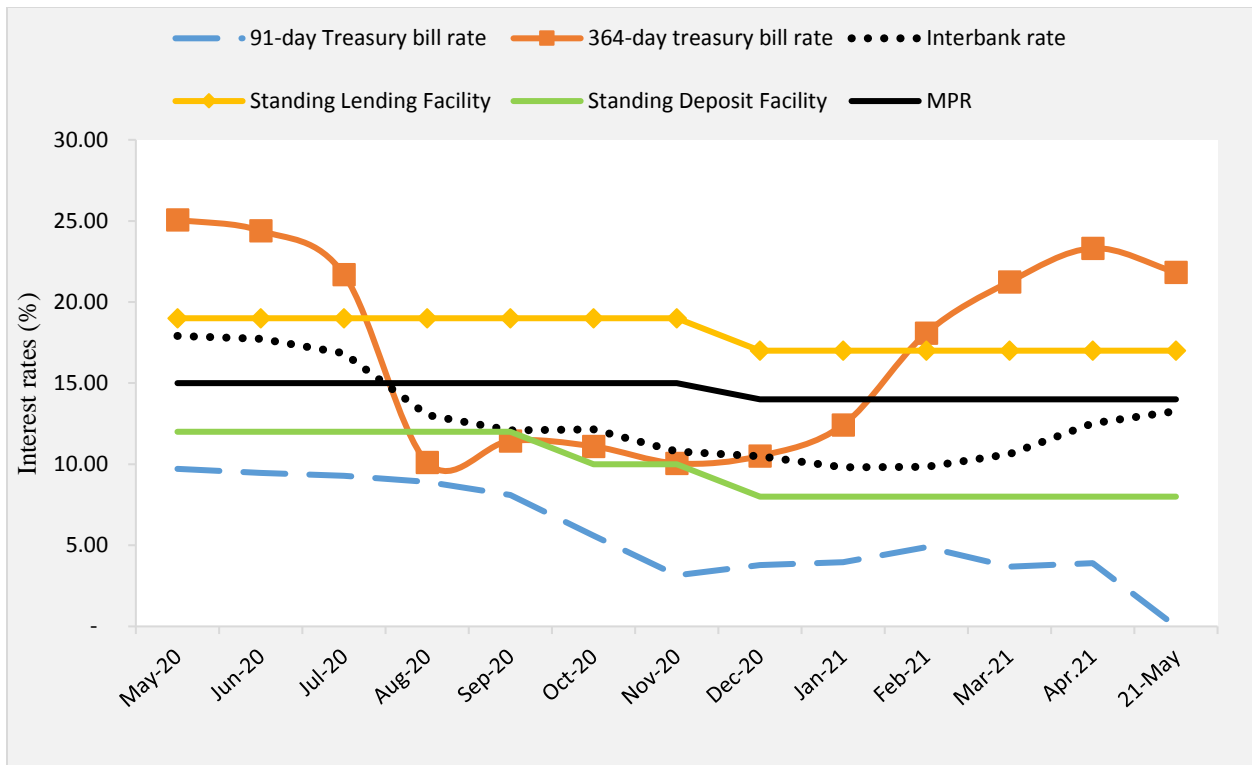
Billions of Leones	2021		Absolute Change		% Change	
	Apr-21	May-21	Apr-21	May-21	Apr-21	May-21
1. Net Foreign Assets	280.48	140.81	81.67	(139.67)	41.08	(49.80)
2. Net Domestic Assets	3,996.61	4,011.96	53.28	15.35	1.35	0.38
Government Borrowing (net)	3,921.18	3,948.07	(33.66)	26.89	(0.85)	0.69
o.w. Securities	1,105.96	1,105.66	(59.28)	(0.30)	(5.09)	(0.03)
Ways and Means	157.82	175.93	63.19	18.12	66.78	11.48
GoSL/IMF /WB Budget financing	2,934.79	2,934.79	(98.10)	-	(3.23)	-
3. Reserve money	4,277.09	4,152.77	134.95	(124.32)	3.26	(2.91)
o.w. Currency issued	3,312.96	3,314.32	96.08	1.36	2.99	0.04
Bank reserves	957.14	831.25	39.56	(125.89)	4.31	(13.15)

Source: BSL

4.3 Interest Rates

The Monetary Policy Rate (MPR) of the BSL remained unchanged at 14.00 percent in May 2021. Similarly, the Standing Lending and Deposit Facility rates remained unchanged at 17.00 percent and 8.00 percent in May 2021, respectively. However, the interbank rate increased from 12.53 percent in April 2021 to 13.28 percent in May 2021, but remained within the policy corridor (see Figure 6).

Figure 6: Trends in Monetary Policy Rate and Other Market Rates



Source: BSL

Yields on Government securities showed mixed trends during the review month. The 182-day T-bills increased from 10.03 percent in April 2021 to 10.13 percent in May 2021. The 364-day T-bills declined from 23.31 percent in April 2021, to 21.83 percent in May 2021. There was no transaction for the 91-day T-bills during the month of May 2021.

Commercial banks' average lending and deposit rates remained unchanged at 19.74 percent and 2.23 percent in May 2021, respectively (see Table 3).

Table 3: Trends in Interest Rates

	2020								2021				
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
91-day T-Bills	9.71	9.46	9.29	8.91	8.11	5.60	3.15	3.78	3.96	4.88	3.69	3.69	0
182-day T-Bills	13.21	13.21	13.20	9.42	9.68	7.45	5.48	5.17	5.98	8.22	10.00	10.03	10.13
364-day T-Bills	25.07	24.39	21.7	10.12	11.44	11.10	10.05	10.51	12.43	18.09	21.25	23.31	21.83
Interbank rate	17.91	17.73	16.85	13.04	12.09	12.14	10.79	10.48	9.81	9.83	10.64	12.53	13.28
SLF	19.00	19.00	19.00	19.00	19.00	19.00	19.00	17.00	17.00	17.00	17.00	17.00	17.00
SDF	12.00	12.00	12.00	12.00	12.00	10.00	10.00	8.00	8.00	8.00	8.00	8.00	8.00
MPR	15.00	15.00	15.00	15.00	15.00	15.00	15.00	14.00	14.00	14.00	14.00	14.00	14.00
Ave. Lending rate	20.51	20.51	20.77	20.62	20.62	20.30	21.42	21.42	20.19	19.25	19.33	19.74	19.74
Savings deposits	2.90	2.90	2.89	2.72	2.72	2.72	2.72	2.61	2.67	2.35	2.23	2.23	2.23

Source: BSL

5.0 Exchange Rate and Reserves

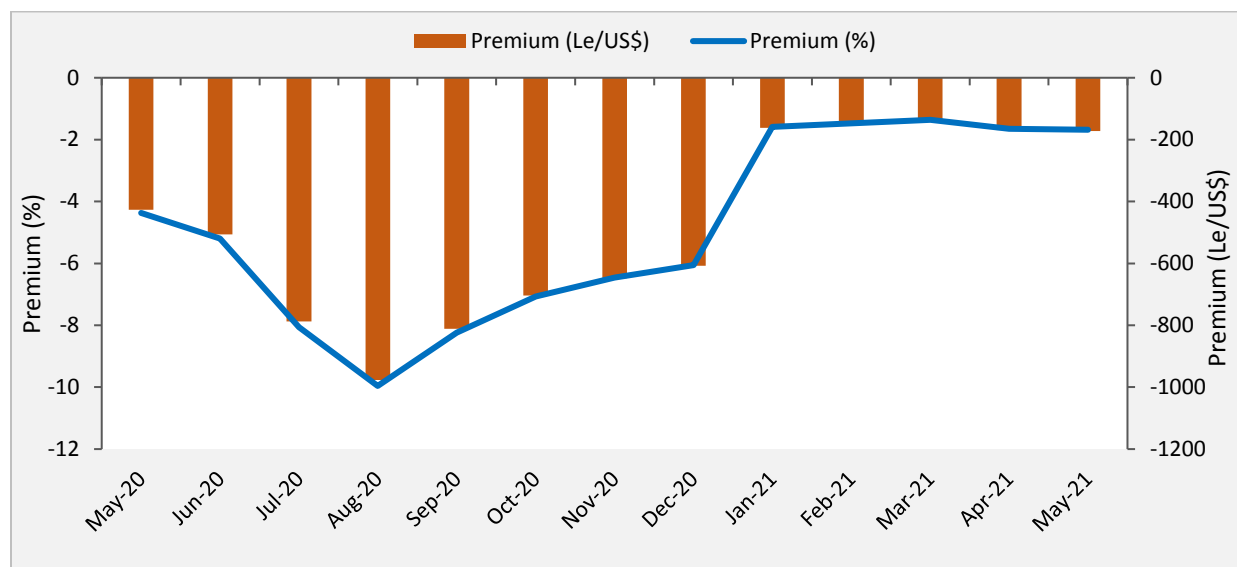
5.1 Exchange Rate Developments

In May 2021, the monthly average exchange rate of the Leone to the US dollar (Le/US\$) depreciated across the foreign exchange markets, on both the buying and selling fronts. On the buying front, the Leone depreciated in the parallel market, official market, commercial banks, and bureau market by 0.33 percent, 0.14 percent, 0.09 percent and 0.09 percent, averaging Le10,371.05/US\$1, Le10,136.08/US\$1, Le10,280.88/US\$1 and Le10,141.93/US\$1, respectively.

Similarly, on the selling front, the Leone depreciated in the commercial banks, bureau market and official market by 0.32 percent, 0.27 percent, and 0.14 percent, averaging Le10,419.83/US\$1, Le10,408.32/US\$1 and Le10,340.85/US\$1, respectively. However, the exchange rate remained unchanged at Le10,450.00/US\$1 in the parallel market during the review month.

The premium between the Official and Parallel rates widened by 3.14 percent to Le172.06/US\$1 in May from Le168.91/US\$1 in April, 2021 (See **Figure 7**).

Figure 7: Premium between Official and Parallel Exchange Rates



Source: BSL

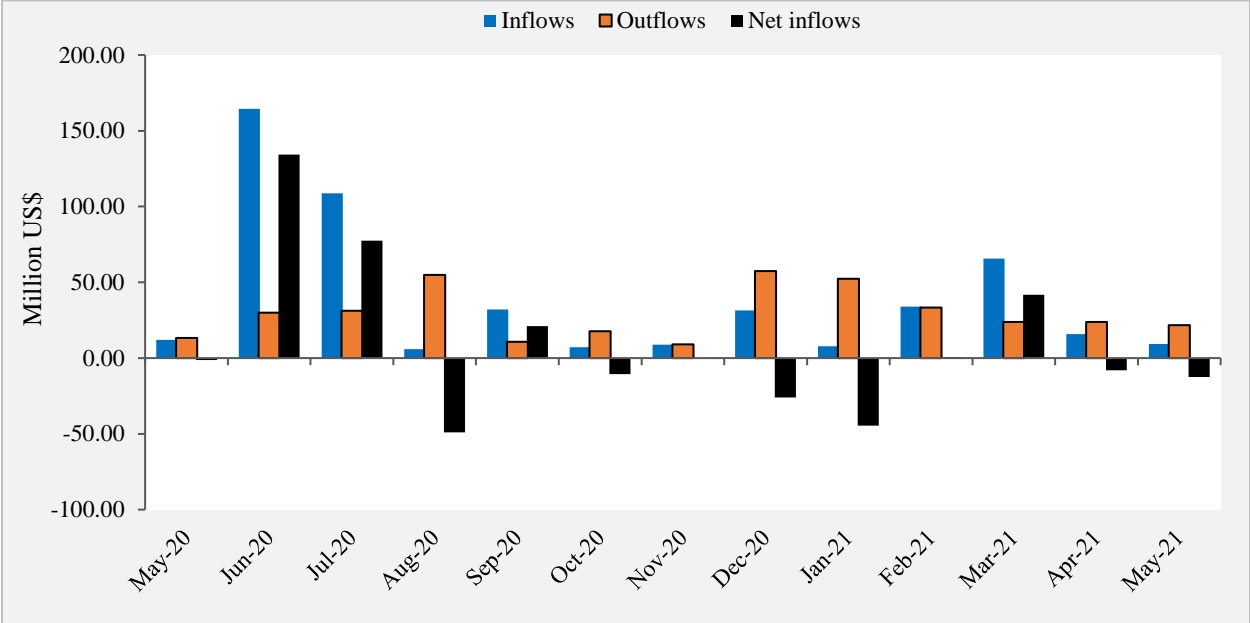
5.2 Gross Foreign Exchange Reserves

Gross foreign exchange reserves of the Bank of Sierra Leone at end May 2021 was US\$688.70 million, 1.47 percent below US\$698.96 million in April 2021. Inflows recorded during the review month was US\$9.24 million, while outflows amounted to US\$21.68 million, resulting to a net outflow of US\$12.44 million, with a recorded revaluation gain of US\$2.19 million.

Significant inflows comprised receipts from Sierra Rutile (US\$2.17 million), timber exports (US\$1.01 million), transactions with commercial banks (US\$1.00 million), receipts from Koidu holdings mining company (US\$0.85mn), other mining related receipts (US\$2.15 million) and other government receipts (US\$1.27 million). additional inflows included fishing royalty and license (US\$0.13mn), petroleum resource unit (US\$0.33mn) and interest earned by BSL from investment abroad (US\$0.21mn).

Major outflows comprised amount utilized in respect of interbank market operations (US\$13.22 million), embassy and mission payments (US\$2.99 million), government outlays (US\$1.67mn), payment to Karadeniz Power ship in respect of electricity provision (US\$1.04mn), BSL Special Credit Facility Foreign Exchange operations (US\$1.35mn) and cost for printing of currency (US\$0.73mn). Other outflows included debt service payments to OPEC and OFID (US\$0.45mn) (see Figure 8)

Figure 8: Foreign Exchange Flows



Source: BSL