



BANK OF SIERRA LEONE

**Monthly Economic
Review**

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Review**

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ABBREVIATIONS

AfDB	-	African Development Bank
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
OPEC	-	Organization of Petroleum Exporting Countries
OFID	-	OPEC Fund for International Development
RM	-	Reserve Money
SDF	-	Standing Deposit Facility
SDR	-	Special Drawing Rights
SLF	-	Standing Lending Facility
Y-o-Y	-	Year-on-Year

1.0 Highlights

In November 2020, production performance in the manufacturing sector was mixed. Production levels expanded for beer & stout, maltina, paint and common soap, while, production levels of cement, acetylene, oxygen and confectionery declined during the review period. Beer and stout production increased by 27.03 percent to 128.00 thousand cartons, Maltina by 19.05 percent to 25.00 thousand cartons, Paint by 9.87 percent to 65.54 thousand gallons and common soap by 0.39 percent to 62.14 thousand metric tons.

However, cement and acetylene production declined by 7.32 percent to 28.00 thousand metric tons and 4.88 percent to 27.65 thousand cubic feet respectively. In addition, oxygen and confectionery production dropped by 1.36 percent to 34.75 thousand cubic feet and 0.94 percent to 298.04 thousand pounds respectively. Production performance in the mining sector were mixed, as evidenced in increases in the production levels of diamond, gold, bauxite and other minerals, while rutile and Ilmenite production declined.

Headline inflation (year-on-year) moderated to 10.63 percent in November 2020 from 11.71 percent in October 2020. Non-food inflation accounted for the moderation in headline inflation, while food inflation increased during the review period. Non-food inflation decelerated to 2.78 percent in November 2020 from 8.44 percent in October 2020. Food inflation however, increased to 14.96 percent in November 2020 from 13.59 percent in October 2020.

Government fiscal operations on cash flow basis registered a deficit of Le301.38bn compared to deficit of Le266.96bn in October 2020. The widened deficit resulted from an expansion in government expenditure which more than outweighed the improvement in government revenue mobilization in November 2020.

The Monetary Policy Rate (MPR) remained unchanged at 15.00 percent in November 2020. Similarly, the Standing Lending Facility rate remained unchanged at 19.00 percent, while the Standing Deposit Facility rate was reduced to 10.00 percent. The interbank rate declined to 10.79 percent in November 2020, from 12.14 percent in October 2020. The commercial banks' average lending rate increased to 21.42 percent from 20.30 percent during the review period, while the savings deposit rate decreased slightly to 2.61 percent, from 2.72 percent during the same comparative period.

Developments in monetary aggregates in November 2020 were expansionary, as both Broad Money (M2) and Reserve Money (RM) expanded. Broad Money (M2) expanded by 2.73 percent in November 2020, compared to the growth of 4.16 percent in October 2020. The increase in M2 was mainly on account of growth in Net Domestic Assets (NDA) of the banking system. Reserve Money (RM) expanded by 6.97 percent in November 2020, from a growth of 0.93 percent in October 2020. The growth in RM was primarily driven by increase in the NDA of the BSL.

The gross foreign exchange reserves of the Bank of Sierra Leone increased by 0.43 percent to US\$731.93 in November 2020 from US\$728.77mn in October 2020, mainly due to revaluation gain. Inflows recorded was US\$8.77mn, while outflows amounted to US\$9.06mn, resulting to a net outflow of US\$0.29mn and a revaluation gain of US\$3.46mn.

The average monthly premium between the official and parallel rates narrowed by 7.87 percent to Le648.09/US\$1 in November 2020 from Le703.43/US\$1 in October, 2020.

2.0 Production and Prices

2.1 Production

2.1.1 Manufacturing

In November 2020, production performance in the manufacturing sector was mixed. Production levels expanded for beer & stout, maltina, paint and common soap, while, production levels of cement, acetylene, oxygen and confectionery declined during the review period. Beer and stout production increased by 27.03 percent to 128.00 thousand cartons, Maltina by 19.05 percent to 25.00 thousand cartons, Paint by 9.87 percent to 65.54 thousand gallons and common soap by 0.39 percent to 62.14 thousand metric tons.

However, cement and acetylene production declined by 7.32 percent to 28.00 thousand metric tons and 4.88 percent to 27.65 thousand cubic feet respectively. In addition, oxygen and confectionery production dropped by 1.36 percent to 34.75 thousand cubic feet and 0.94 percent to 298.04 thousand pounds respectively.

2.1.2 Agriculture

The agricultural sector proxied by cocoa and coffee production recorded an increase in November 2020. Cocoa production increased to 5,527.95 metric tons in November 2020 from 3, 263.74 metric tons in October 2020. There was no production of coffee during the review period.

2.1.3 Mining Sector

The mining sector recorded a mixed performance in November 2020. Total diamond production improved by 8.63 percent to 64.59 thousand carats, largely explained by the increase in gem diamond production from 3.70 thousand carats in October 2020 to 10.98 thousand carats in November 2020. While industrial diamond fell slightly from 55.76 thousand carats in October 2020 to 53.59 thousand carats in November 2020. Gold production increased by 141.34 percent to 1,053.00 ounce, while bauxite and other minerals production rose by 10.49 percent to 110.43 metric tons and 189.66 percent to 0.84 thousand dry metric tons.

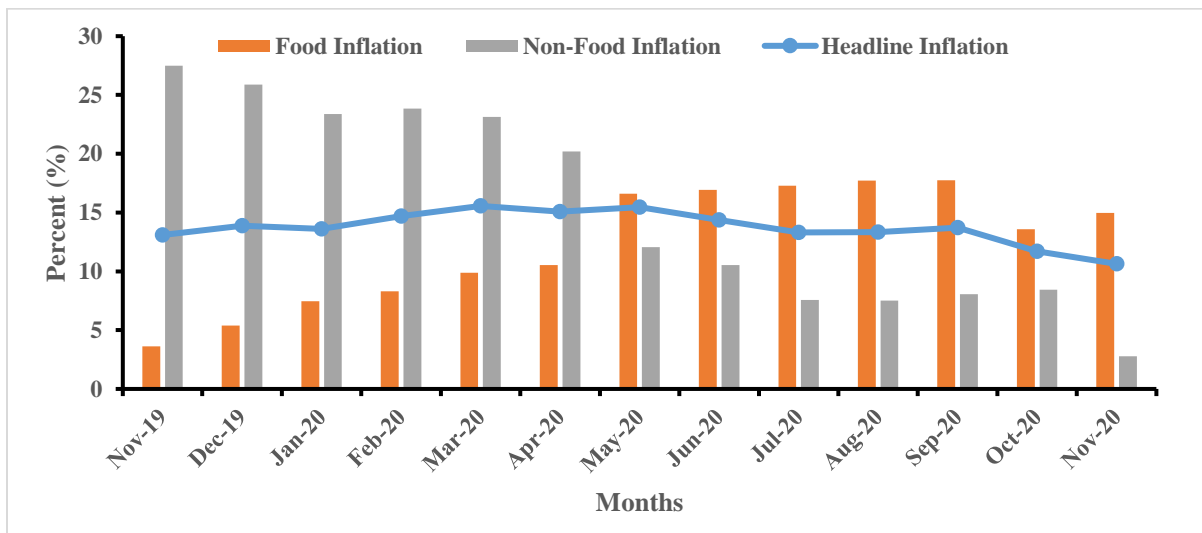
Nonetheless, rutile and Ilmenite production dropped by 15.00 percent to 6.63 thousand metric tons and 18.98 percent to 3.03 thousand metric tons respectively.

2.2 Price Development

Annual headline inflation moderated to 10.63 percent in November 2020 from 11.71 percent in October 2020. Non-food inflation accounted for the moderation in headline inflation, while food inflation increased during the review period. Non-food inflation decelerated to 2.78 percent in November 2020 from 8.44 percent in October 2020. Food inflation however, increased to 14.96 percent in November 2020 from 13.59 percent in October 2020.

Regional inflation was mixed in November 2020. Western area inflation fell to 9.65 percent in November 2020 from 13.04 percent in October 2020 and Northern region inflation dropped to 12.31 percent in November 2020 from 12.71 percent in October 2020. On the other hand, Eastern region inflation increased to 8.08 percent in November 2020 from 4.91 percent in October 2020; Southern region inflation rose to 12.96 percent in November 2020 from 12.80 percent in October 2020.

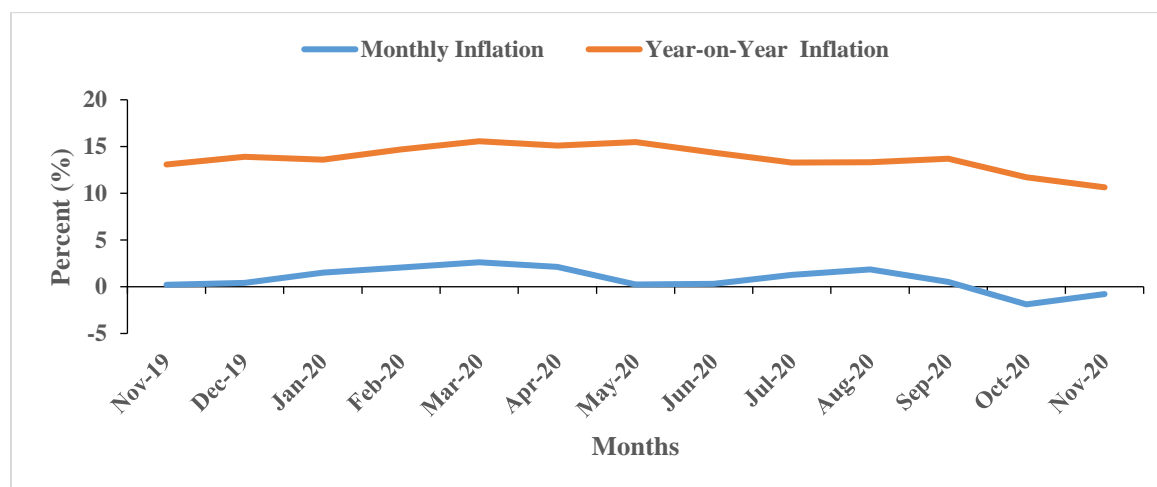
Figure 1: Headline, Food and Non-Food Inflation



Source: Statistics Sierra Leone and BSL

Headline inflation on monthly basis recorded a deflation of 0.77 percent in November 2020 from a deflation 1.89 percent in October 2020.

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



Source: Statistics Sierra Leone and BSL

3.0 Government Budgetary Operations

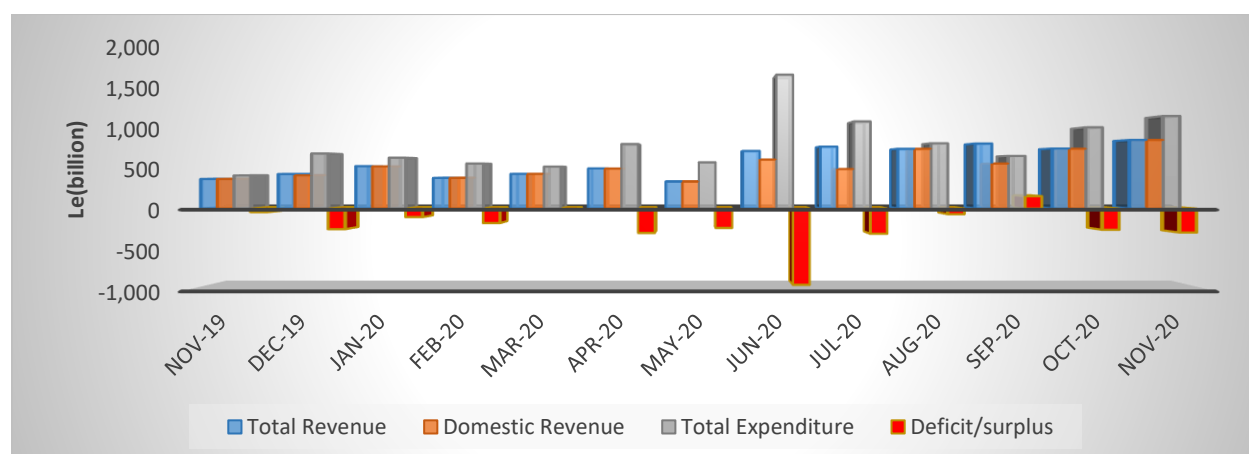
Outturns in government budgetary operations on cash flow basis registered a deficit of Le301.38bn compared to deficit of Le266.96bn in October 2020. The widened deficit resulted from an expansion in government expenditure which more than outweighed the improvement in government revenue mobilization in November 2020.

3.1 Revenue

Government revenue expanded by 14.24 percent to Le864.97bn in December 2020, and was higher than the target of Le635.76bn by 36.05 percent in October 2020. The expansion in government revenue was mainly explained by an increase in domestic revenue. There was no foreign grant during the review period.

Domestic revenue improved by 14.68 percent to Le864.97bn and was 119.90 percent higher than the target of Le393.34bn. The growth in domestic revenue was attributable to the increase in revenue mobilization across all its components, except income tax which declined in the reporting month. Receipts from customs and excise expanded by 32.79 percent to Le75.16bn and goods and services tax grew by 28.69 percent to Le103.03bn. Non-tax revenue increased by 14.47 percent to Le581.06bn. On the other hand, income tax revenue contracted by 3.84 percent to Le105.72bn.

Figure 3: Government Revenue and Expenditure



Source: Research Department, Bank of Sierra Leone

3.2 Expenditure

Government expenditure increased by 13.91 percent to Le1,166.55bn and was above the ceiling of Le578.82bn by 101.54 percent in October 2020. The expansion in government expenditure was reflected in all the expenditure components during the review period. Pension, wages and salaries expenditure expanded by 32.76 percent to Le275.90bn. Other expenditure on goods and services surged by 5.35 percent to Le787.44bn. Debt service payments increased by 49.93 percent to Le103.21bn which was basically domestic debt services payment.

The overall deficit of Le301.57bn was financed from both domestic sources.

4.0 Monetary Developments

Developments in monetary aggregates in November 2020 were expansionary, as both Broad Money (M2) and Reserve Money (RM) expanded.

4.1 Broad Money

Broad Money (M2) expanded by 2.73 percent in November 2020, compared to the growth of 4.16 percent in October 2020. The increase in M2 was mainly on account of growth in Net Domestic Assets (NDA) of the banking system.

The NDA of the banking system expanded by 6.97 percent in November 2020, relative to a growth of 3.42 percent registered in October 2020. This mainly reflects increase in claims on government

by the banking system. Credit to the private sector by the commercial banks expanded by 0.43 percent in November 2020, compared to a growth of 0.99 percent in October 2020.

However, the NFA of the banking system decreased by 7.63 percent in November 2020, from an increase of 6.01 percent in October 2020. The decline was due to contraction in the NFAs of both BSL and Other Deposit Corporations (ODCs).

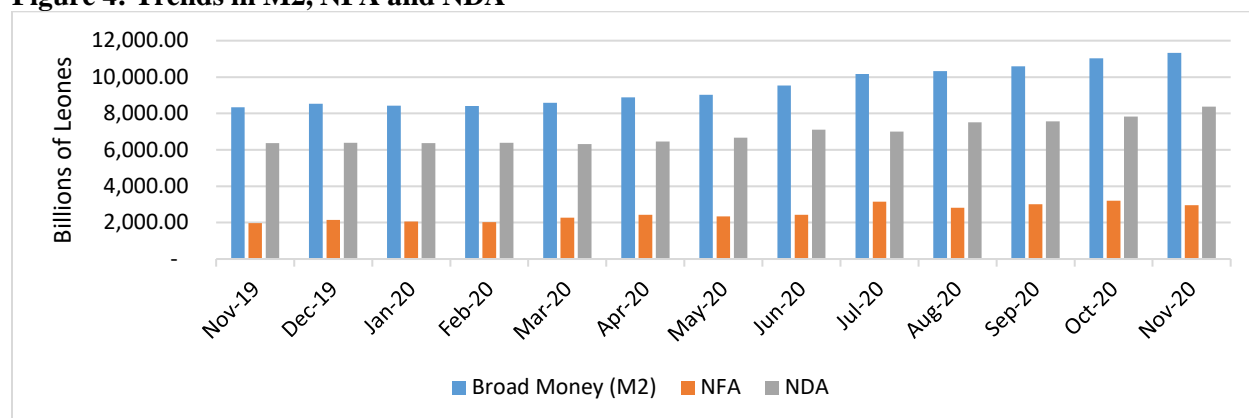
The NFA of BSL decreased by 4.45 percent, from a growth of 6.72 percent in October 2020. This was due to increase in liabilities to non-residents. Similarly, the NFA of ODCs decreased by 8.98 percent, from a growth of 5.71 percent recorded in the month of October 2020.

Table 1: Broad Money and its Components

Billions of Leones	2020		Absolute Change		% Change	
	Oct	Nov	Oct-20	Nov-20	Oct	Nov
Reserve money	4,045.79	4,327.59	37.26	281.80	0.93	6.97
Broad Money (M2)	11,022.45	11,323.37	439.92	300.92	4.16	2.73
Narrow money (M1)	5,571.30	5,892.80	334.95	321.50	6.40	5.77
Currency outside banks	2,481.62	2,648.86	101.96	167.24	4.28	6.74
Demand deposit	3,089.68	3,243.94	232.98	154.26	8.16	4.99
Quasi money	5,451.15	5,430.57	104.97	(20.58)	1.96	(0.38)
o.w. Foreign currency deposit	2,544.34	2,476.80	82.04	(67.54)	3.33	(2.65)
Time and saving deposit	2,900.57	2,948.20	23.61	47.63	0.82	1.64
			-	-		
Net Foreign Asset	3,198.57	2,954.53	181.22	(244.04)	6.01	(7.63)
BSL	950.42	908.17	59.81	(42.26)	6.72	(4.45)
ODCs	2,248.14	2,046.36	121.40	(201.78)	5.71	(8.98)
Net Domestic Assets	7,823.88	8,368.85	258.70	544.97	3.42	6.97
Net Domestic Credit	10,275.72	10,894.82	181.61	619.10	1.80	6.02
Government (Net)	8,027.87	8,631.75	152.31	603.88	1.93	7.52
BSL	3,238.27	3,506.22	(10.72)	267.95	(0.33)	8.27
ODCs	4,789.59	5,125.53	163.02	335.94	3.52	7.01
Private Sector Credit	2,408.11	2,418.40	23.39	10.30	0.98	0.43
o.w ODC	2,377.16	2,387.47	23.31	10.31	0.99	0.43
Other Sectors (Net)*	(160.26)	(155.33)	5.91	4.92	(3.56)	(3.07)
Other Items (Net)	(2,451.83)	(2,525.97)	77.09	(74.13)	(3.05)	3.02
Money Multiplier						

*Other Sectors (Net) includes State & Local, Other Financial Corporations and Public Non-Financial Corp.

Figure 4: Trends in M2, NFA and NDA



Source: Research Department, BSL

From the liabilities side, the expansion in M2 mainly reflected growth in Narrow money (M1). M1 expanded by 5.77 percent in November 2020, compared to a growth of 6.40 percent in October 2020. The growth in M1 was due to increase in both currency outside banks (6.74 percent) and demand deposits (4.99 percent). Quasi money on the other hand decreased marginally by 0.38 percent, from a growth of 1.96 percent during the previous period.

4.2 Reserve Money

Reserve Money (RM) expanded by 6.97 percent in November 2020, from a growth of 0.93 percent in October 2020. The growth in RM was primarily driven by increase in the NDA of the BSL.

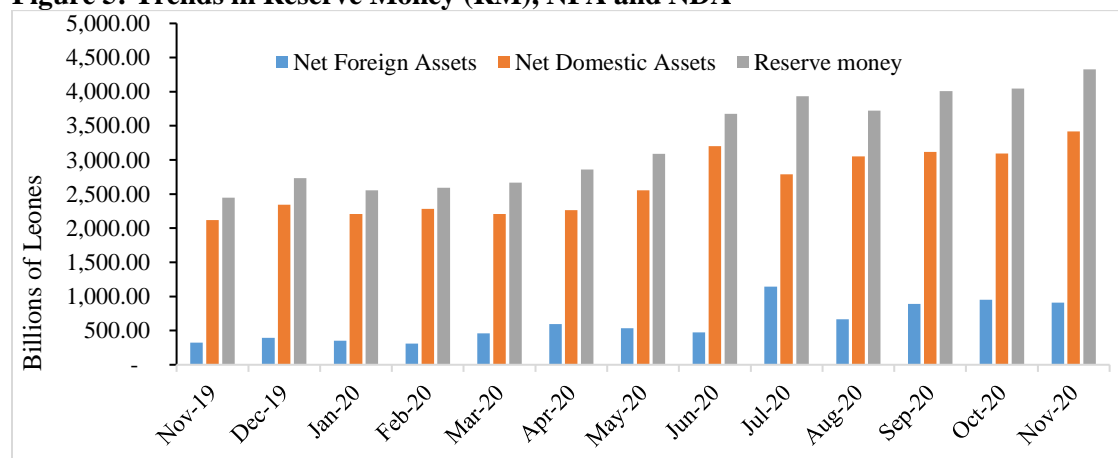
The NDA of BSL increased by 10.47 percent in November 2020, from a decrease of 0.72 percent in October 2020. This development was mainly as a result of increase in credit to government by BSL, including the World Bank bridge loan facility provided by the Bank to the government.

The NFA of BSL declined by 4.45 percent, relative to a growth of 6.72 percent in the same comparative period. This was mainly on account of an increase in liabilities to non-residents by BSL, in respect of increased use of fund credit and increase in other short-term liabilities.

Table 2: Reserve Money and its Components

Billions of Leones	2020		Absolute change		% Change	
	Oct	Nov	Oct	Nov	Oct-20	Nov-20
1. Net Foreign Assets	950.42	908.17	59.81	(42.26)	6.72	(4.45)
2. Net Domestic Assets	3,095.37	3,419.43	(22.56)	324.06	(0.72)	10.47
Government Borrowing (net)	3,238.27	3,506.21	(10.72)	267.94	(0.33)	8.27
o.w. Securities	928.24	828.66	(121.03)	(99.58)	(11.53)	(10.73)
Ways and Means	-	-	-	-		
GoSL/IMF /WB Budget financing	2,525.22	2,775.22	(72.94)	250.00	(2.81)	9.90
3. Reserve money	4,045.79	4,327.59	37.26	281.80	0.93	6.97
o.w. Currency issued	2,786.75	2,958.62	85.02	171.87	3.15	6.17
Bank reserves	1,252.33	1,362.94	(47.08)	110.61	(3.62)	8.83

Source: Research Department, BSL

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

Source: Research Department, BSL

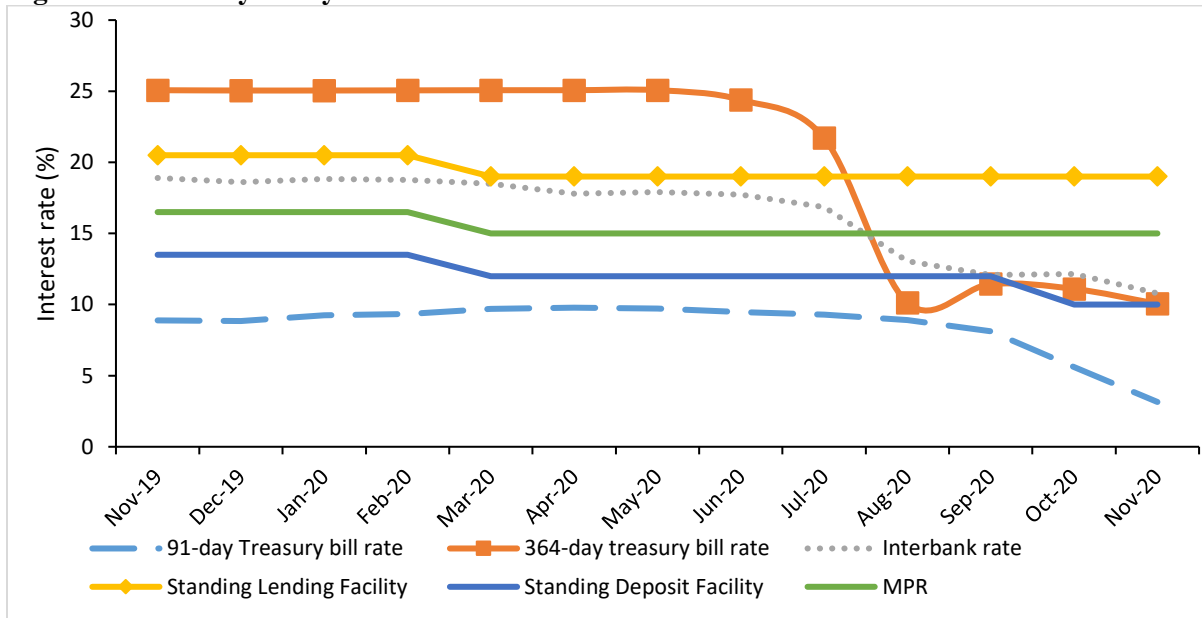
On the liabilities side, the growth in RM mainly reflected growth in both currency issued and banks' reserves. Currency issued increased by 6.17 percent, from 3.15 percent during the reporting period. Banks' reserves increased by 8.83 percent, from a contraction of 3.62 percent during the period under review.

4.3 Interest Rates

The Monetary Policy Rate (MPR) remained unchanged at 15.00 percent in November 2020. Similarly, the Standing Lending Facility rate remained unchanged at 19.00 percent, while the Standing Deposit Facility rate was reduced to 10.00 percent. The interbank rate declined to 10.79

percent in November 2020, from 12.14 percent in October 2020. The commercial banks' average lending rate increased to 21.42 percent from 20.30 percent during the review period, while the saving deposit rates moved down slightly to 2.61 percent, from 2.72 percent during the same comparative period.

Figure 6: Monetary Policy Rate and Other Market Rates



Source: Research Department, BSL

Yields on all tenures of government securities decreased during the review month. The 91-day T-bills decreased from 5.60 percent in October 2020 to 3.15 percent in November 2020. The 182-day T-bills decreased from 7.45 percent to 5.48 percent, while the 364-day T-bills decreased from 11.10 percent in October 2020 to 10.05 percent in November 2020.

Table 3: Interest rates (%)

	2019		2020										
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
91-day T-Bills	8.89	8.83	9.25	9.34	9.69	9.78	9.71	9.46	9.29	8.91	8.11	5.60	3.15
182-day T-Bills	13.21	13.21	13.21	13.21	13.21	13.21	13.21	13.21	13.20	9.42	9.68	7.45	5.48
364-day T-Bills	25.07	25.05	25.05	25.06	25.07	25.07	25.07	24.39	21.7	10.12	11.44	11.10	10.05
Interbank rate	18.9	18.61	18.84	18.77	18.50	17.80	17.91	17.73	16.85	13.04	12.09	12.14	10.79
SLF	20.5	20.50	20.50	20.50	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
SDF	13.5	13.50	13.50	13.50	12.00	12.00	12.00	12.00	12.00	12.00	12.00	10.00	10.00
MPR	16.50	16.50	16.50	16.50	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Ave. Lending rate	21.35	21.35	20.49	20.49	20.49	20.49	20.51	20.51	20.77	20.62	20.62	20.30	21.42
	18.50	17.35	17.89	17.89	17.72	17.72	17.75	17.75	18.04	17.74	17.74	17.27	
	-	-	-	-	-	-	-	-	-	-	-	-	18.64
Lending (Prime)	22.99	22.99	23.08	23.08	23.26	23.26	23.26	23.26	23.50	23.50	23.50	23.33	- 24.20
Savings deposits	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.89	2.72	2.72	2.72	2.61

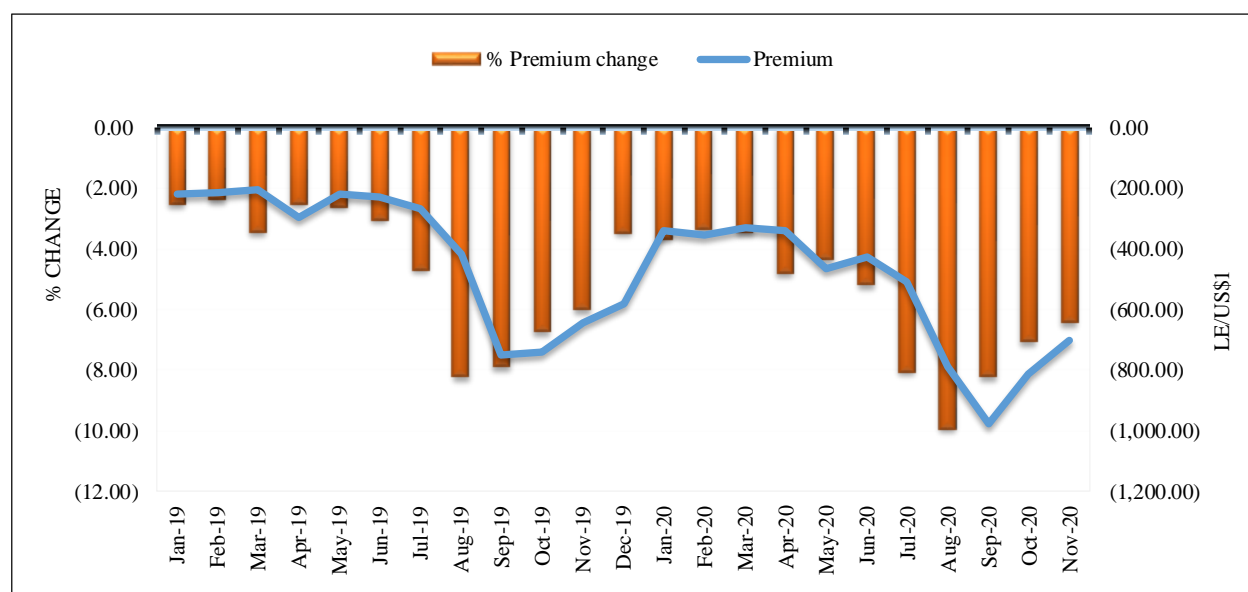
Source: Research Department, BSL

5.0 Exchange Rate Developments

Developments in the foreign exchange market in November 2020 showed that the average exchange rate of the Leone vis-à-vis the US dollar generally depreciated across all the market segments. On the buying front, the Leone depreciated in the bureaux, official and commercial banks by 1.50 percent, 0.92 percent and 0.78 percent averaging Le9,917.550/US\$1, Le9,937.24.10/US\$1 and Le10,091.89/US\$1, respectively, while the parallel market rate remained unchanged at Le10,600.00/US\$1. On the selling front, the Leone depreciated in the official, parallel, bureaux and commercial banks 0.92 percent, 0.67 percent, 0.52 percent and 0.48 percent averaging Le10,138.00/US\$1, Le10,771.43/US\$1, Le10,173.03/US\$1 and Le10,263.97/US\$1, respectively.

The average premium between the official and parallel rates narrowed by 7.87 percent to Le648.09/US\$1 in November 2020 from Le703.43/US\$1 in October, 2020 (See figure 7).

Figure 7: Premium between Official and Parallel Exchange Rates



Source: Bank of Sierra Leone

6.0 Gross Foreign Exchange Reserves

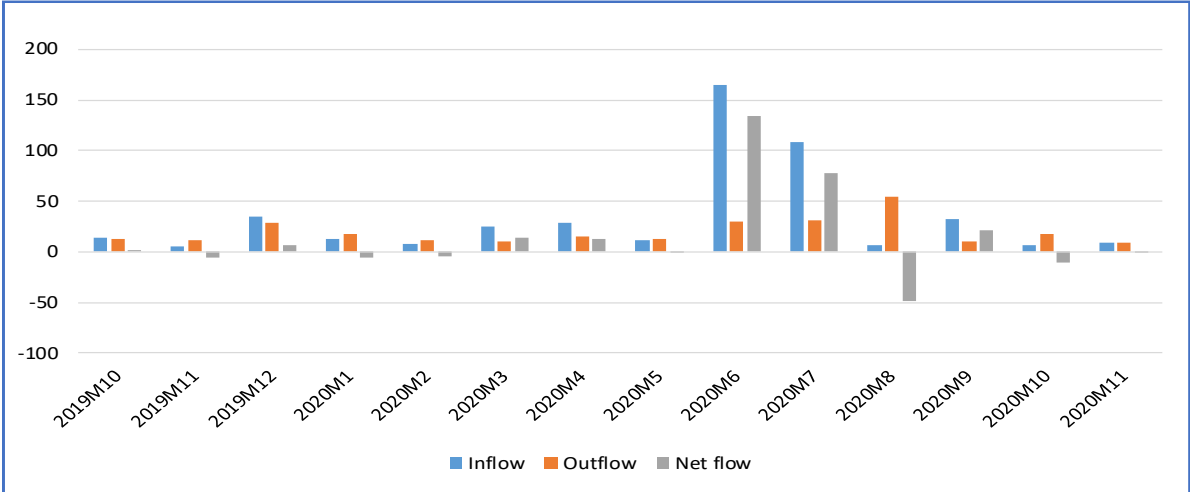
Gross foreign exchange reserves of the Bank of Sierra Leone increased by 0.43 percent to US\$731.93 in November 2020 from US\$728.77mn in October 2020, mainly due to revaluation gain. Inflows recorded was US\$8.77mn, while outflows amounted to US\$9.06mn, resulting to a net outflow of US\$0.29mn and a revaluation gain of US\$3.46mn.

Major inflows comprised royalties from rutile exports (US\$1.56mn), bauxite (US\$0.43mn), African mineral (US\$1.00mn), other mining receipts (US\$0.64mn), diamond license fees and exporters' income tax (US\$0.13mn), fishing royalty and license (US\$1.07mn) and timber (US\$3.24mn). Other inflows include receipts from maritime administration (US\$0.23mn), interest earned by BSL from investment abroad (US\$0.25mn) and aid disbursement from IDB to fund various projects (US\$0.11mn).

Significant outflows included embassy and mission payments (US\$3.85mn), cost of printing currency notes (US\$0.77mn), government travel and other government outlays (US\$2.58mn) and debt service payments to international donor partners (US\$0.58mn). Other outflows comprised

BSL expense on renovation of bank building (US\$0.33mn) and drawdown on BSL Special Credit Facility to the private sector (US\$0.72mn).

Figure 8: Trends in Foreign Exchange Flows



Source: Bank of Sierra Leone