



BANK OF SIERRA LEONE

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BANK OF SIERRA LEONE

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ABBREVIATIONS

AfDB	-	African Development Bank
BOP	-	Balance of Payments
BSL	-	Bank of Sierra Leone
CPI	-	Consumer Price Index
GFER	-	Gross Foreign Exchange Reserves
GoSL	-	Government of Sierra Leone
GW/hr	-	Giga-Watts Per Hour
HIPC	-	Heavily Indebted Poor Countries
IDA	-	International Development Association
IDB	-	Islamic Development Bank
IMF	-	International Monetary Fund
M2	-	Broad Money
MER	-	Monthly Economic Review
MPC	-	Monetary Policy Committee
MPR	-	Monetary Policy Rate
NDA	-	Net Domestic Assets
NMA	-	National Minerals Agency
NFA	-	Net Foreign Assets
ODC	-	Other Depository Corporation
OFID	-	OPEC Fund for International Development
OIN	-	Other Items Net
OPEC	-	Organization of the Petroleum Exporting Countries
RM	-	Reserve Money
SLF	-	Standing Lending Facility
SDF	-	Standing Deposit Facility
WB	-	World Bank

1.0 Highlights

Macroeconomic performance for the month of November 2017 continued to be mixed across key sectors of the economy. Inflationary pressure continued to ease in the month of November 2017 as headline inflation decelerated to 16.26 per cent from 16.86 per cent in October 2017. The decrease was mainly driven by prices of items under the non-food inflation sub-group.

Government budgetary operations for the month of November 2017 resulted in a deficit of Le78.66bn which was above both the previous month's deficit of Le23.02bn and the budgeted deficit of Le28.79bn. The deficit was attributed to an increase in expenditure which exceeded the increase in revenue.

Monetary aggregates namely, Reserve Money (RM) and Broad Money (M2), were expansionary in the month of November 2017, consistent with monetary operations during the review period. Monetary aggregates were expansionary during the month of November 2017 as Broad Money and Reserve Money grew by 3.10 per cent and 10.39 per cent respectively. These developments were broadly consistent with monetary operations undertaken in the review period.

The Monetary policy rate remained unchanged at 14.00 per cent in November 2017. The interbank rate declined slightly by 36 basis points, from 14.04 per cent in October 2017, to 13.68 per cent in November 2017, reflecting the liquidity conditions in the money market. Consequently, yields on government treasury securities across all tenures decreased during the review period. The average commercial banks' lending and saving deposit rates remained at 21.35 per cent and 2.38 per cent respectively.

Gross International Reserves of the BSL increased slightly by 1.35 per cent to US\$489.41mn at end November 2017 compared to US\$482.89mn as at end October 2017. The improvement in reserves was as a result of increase in inflows of US\$8.87mn, which outpaced outflows of US\$5.46mn, resulting in a net inflow of US\$3.41mn.

The performance the Leone against the US dollar for the month of November, 2017 was mixed, as it firmed up in some segment of the market and depreciated in others. The average official and commercial banks buying and selling rates continued to depreciate marginally, while the parallel market rate appreciated. The premium between the official and parallel rates narrowed by 0.37 percent from Le164.30/US\$1 in the preceding month to Le137.01/US\$1 in November 2017.

2.0 Production and Prices

2.1 Production

2.1.1 Manufacturing

Production performance in the manufacturing sector was mixed during the review period as beer & stout, maltina, cement and oxygen production recorded increases on account of increased demand for the products; while soft drinks, paint, acetylene, confectionery and common soap declined partly due to unavailability of raw material inputs. Beer & stout and maltina increased by 2.59 per cent to 158.43 thousand cartons and 30.49 per cent to 24.69 thousand cartons respectively. Cement and oxygen production increased by 10.83 per cent to 24.56 thousand metric tons and 31.1 per cent to 24.45 thousand cubic feet respectively. However, production declines were observed in soft drinks by 19.93 per cent to 79.09 thousand crates, paint by 61.94 per cent to 18.77 thousand gallons, acetylene by 26.46 per cent to 23.9 thousand cubic feet, and common soap by 7.95 per cent to 35.87 thousand metric tons.

2.1.2 Mining

The mining sector experienced low production levels in all minerals but bauxite during the reporting period. Diamond production decreased by 72.05 per cent to 9.44 thousand carats; Iron ore production declined by 95.54 per cent to 10.44 thousand metric tons; rutile dropped by 9.58 per cent to 14.82 thousand metric tons; and gold fell by 72.76 per cent to 299.15 Ounces.

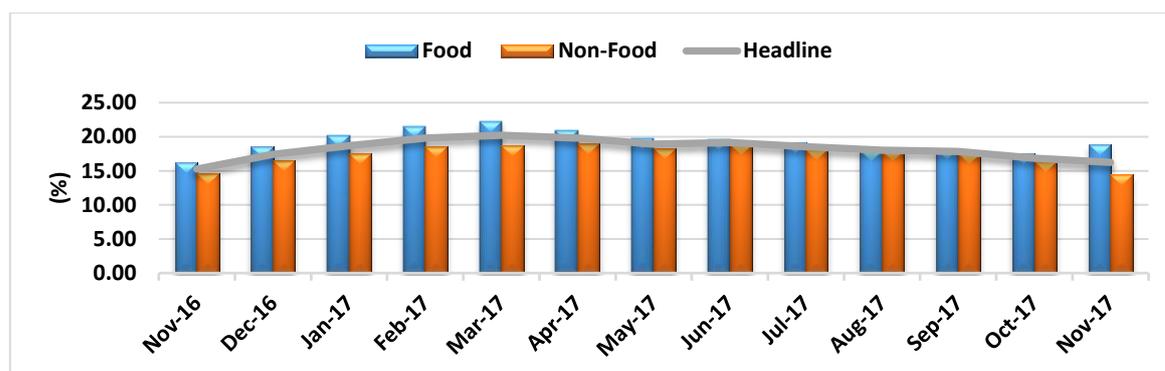
2.1.3 Electricity Generation

Total electricity generated during the period amounted to 30.50 Gw/h, representing an increase by 2.85 per cent. Of the overall generation, hydro power contributed the highest, 28.94 Gw/hr while thermal plants accounted for only 1.56 Gw/hr.

2.2 Price Developments

Inflationary pressure continued to ease in the month of November 2017 as headline inflation decelerated to 16.26 per cent from 16.86 per cent in October 2017. The decrease was mainly driven by prices of items under the non-food inflation sub-group. Non-food inflation declined to 14.39 per cent in November 2017 from 16.36 per cent in October 2017. However, food inflation increased to 18.87 per cent from 17.55 per cent recorded in the preceding month.

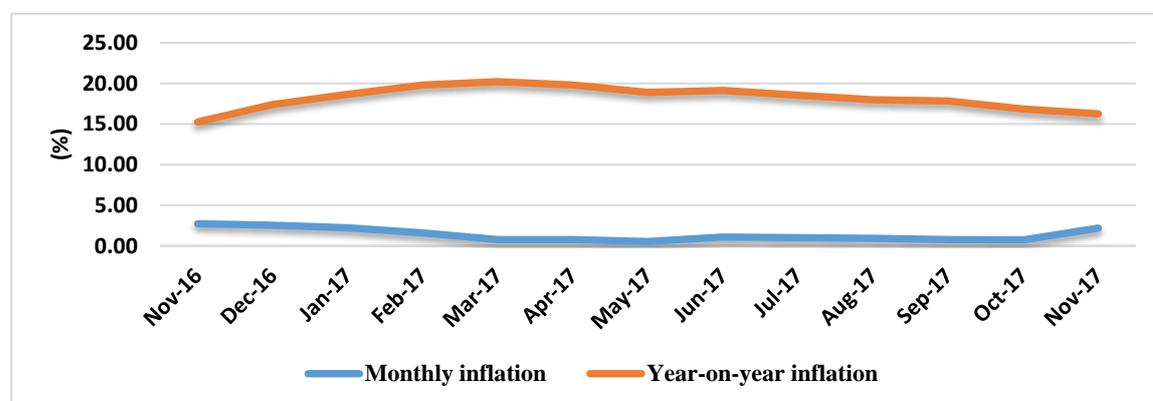
Figure 1: Food, Non-food and Headline Inflation



Source: Research Department, Bank of Sierra Leone

The consumer price index on a month-on-month basis increased to 2.20 per cent in November 2017 from 0.74 per cent in October 2017. Month-on-month position showed inflation rising to reflecting the upward pressure in prices during November 2017.

Figure 2: Headline Inflation (Year-on-Year) and Monthly Change



Source: Research Department, Bank of Sierra Leone

Regional inflation rates indicate that year-on-year inflation decreased in the Northern region from 17.57 per cent in October 2017 to 16.44 per cent in November 2017, and

in the Eastern region, from 20.36 per cent to 17.51 per cent in November 2017. On the other hand, year-on-year inflation rate increased in the Western region from 16.30 per cent to 16.45 per cent and in the Southern region from 14.57 per cent to 14.59 per cent.

3.0 Government Budgetary Operations

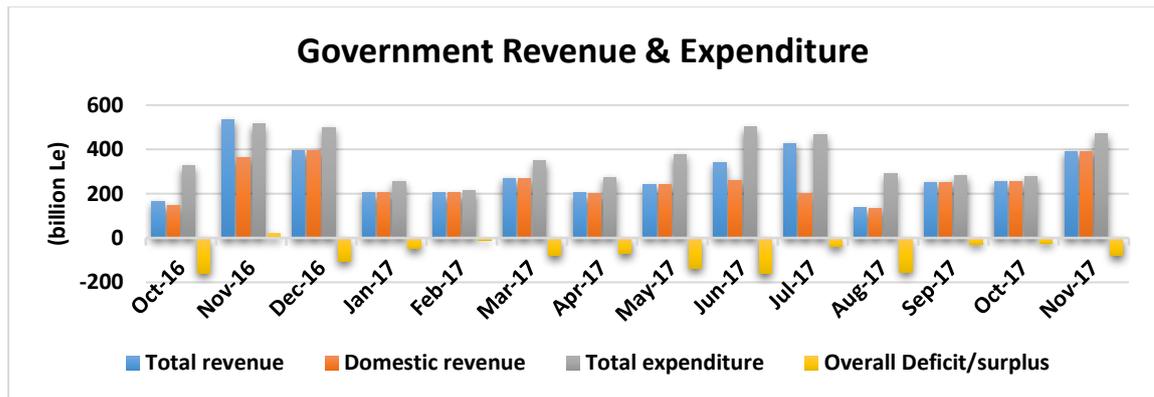
Government budgetary operations for the month of November 2017 resulted in a deficit of Le78.66bn which was above both the previous month's deficit of Le23.02bn and the budgeted deficit of Le28.79bn. The deficit was attributed to an increase in expenditure which exceeded the increase in revenue.

3.1 Revenues

Domestic revenue amounted to Le391.62bn reflecting a 54.97 per cent increase and consequently exceeding the target of Le370.76bn by 5.63 per cent. This improvement was attributable to increased performance from all main revenue mobilization categories except Income Tax. Revenue from Customs and excise tax increased by 9.45 per cent to Le45.75bn but was 55.76 per cent below the target of Le103.41bn. Receipts from Goods & Services Tax (GST) grew by 32.57 per cent to Le67.94bn and yet missed the target of Le86.72bn by 21.65 per cent, while collection from miscellaneous sources increased by 145.14 per cent to Le200bn and greatly exceeded the target of Le37.91bn. Income tax, however, slightly declined by 0.19 per cent to Le77.93bn and was below the target of Le142.72bn by 45.40 per cent.

3.2 Expenditures

Total expenditure amounted to Le470.27bn representing a growth by 69.08 per cent and as a result breached the ceiling of Le413.95bn by 13.61 per cent. The total expenditure was on account of the increase in pension, wages & salaries, debt services payments and other expenditures. Pension, wages & salaries grew by 35.24 per cent to Le154.65bn and hence exceeded the ceiling of Le151.33bn by 4.17 per cent. Debt services payment increased by 74.86 per cent to Le84.66bn and yet below the ceiling of Le106.86bn by 20.78 per cent. Payments on other expenditure stood at Le227.97bn indicating a growth rate of 101.46 per cent and hence over shut the ceiling of Le155.75bn by 46.36 per cent. The overall fiscal deficit of Le78.66bn was entirely financed domestically.

Figure 3: Government Revenue and Expenditure

Source: Research Department, Bank of Sierra Leone

3.3 Financing

The overall fiscal deficit of Le78.66bn was financed using domestic resources.

4.0 Monetary Developments

Monetary aggregates namely, Reserve Money (RM) and Broad Money (M2) were expansionary in the month of November 2017, consistent with monetary operations during the review period.

4.1 Broad Money (M2)

Broad money (M2) grew by 3.10 per cent in November 2017, compared to a 1.27 per cent increase recorded in October 2017. The expansion in M2 was mainly driven by the Net Domestic Assets (NDA) of the banking system, which recorded an increase of 6.11 per cent in November 2017, as against a 1.08 per cent growth in October 2017. The decomposition of the NDA of the banking system, revealed that Net Claims on Government increased by 3.47 per cent, compared with a growth of 0.97 per cent in October 2017.

The growth in NDA of the banking system was mainly driven by secondary market operations by BSL to provide liquidity to commercial banks. Furthermore, Net Claims on the Public (Other Sectors) also grew by 21.17 per cent, higher than the 18.08 per cent, observed increase in October 2017. However, despite a slight improvement, Private Sector Credit remains a challenge with a contraction of 1.49 per cent in the review month against a 2.56 per cent contraction recorded in October 2017.

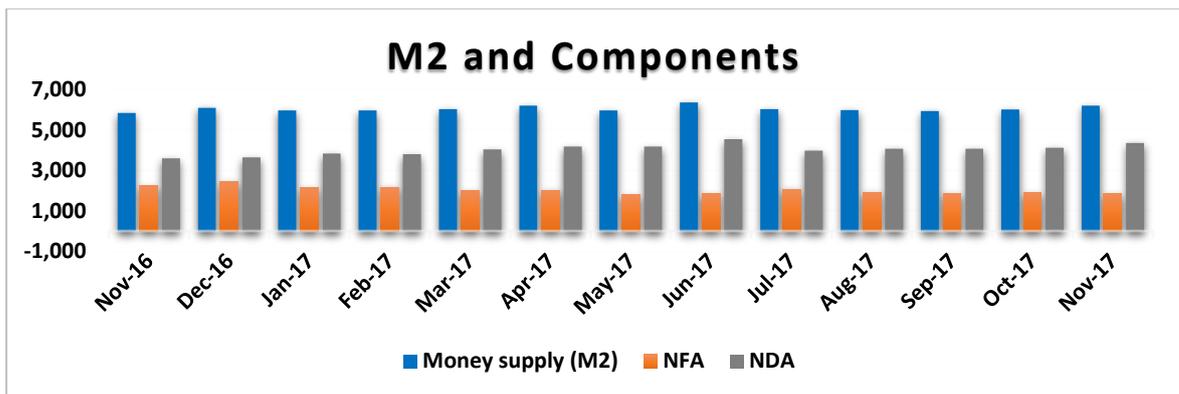
Net Foreign Assets (NFA) of the banking system contracted by 3.39 per cent in the month under review, from a growth of 1.67 per cent in the previous month. The decline in the NFA of the banking system, was due to a decrease in the Foreign Assets of commercial banks by Le234.45bn, which outweighed the Le169.92bn increase in Foreign Assets of the Central Bank.

Table 1: Broad Money and its Components

	2017		Absolute Change		(% Change)	
	Oct-17	Nov-17	Oct-17	Nov-17	Oct-17	Nov-17
Reserve money	1,827.96	2,017.83	(123.07)	189.87	(6.31)	10.39
Money supply (M2)	6,018.20	6,205.06	75.32	186.86	1.27	3.10
Narrow money (M1)	2,623.53	2,830.45	51.34	206.92	2.00	7.89
Currency outside banks	1,263.90	1,338.77	14.65	74.87	1.17	5.92
Demand deposit	1,359.63	1,491.68	36.69	132.05	2.77	9.71
Quasi money	3,394.46	3,374.11	23.96	(20.35)	0.71	(0.60)
o.w. Foreign currency deposit	1,710.95	1,661.60	9.37	(49.35)	0.55	(2.88)
Time and saving deposit	1,683.51	1,712.51	14.59	29.00	0.87	1.72
Net Foreign Asset	1,904.63	1,840.10	31.20	(64.53)	1.67	(3.39)
BSL	(30.73)	139.19	(165.10)	169.92	(122.87)	552.95
ODCs	1,935.36	1,700.91	196.30	(234.45)	11.29	(12.11)
Net Domestic Assets	4,113.57	4,364.96	44.12	251.39	1.08	6.11
Net Domestic Credit	5,589.05	5,730.61	17.64	141.56	0.32	2.53
Government (Net)	3,968.90	4,106.71	38.12	137.81	0.97	3.47
Private Sector	1,496.93	1,474.60	(39.35)	(22.33)	(2.56)	(1.49)
Other Sectors (Net)*	123.22	149.30	18.87	26.08	18.08	21.17
Other Items (Net)	(1,475.48)	(1,365.65)	26.48	109.83	(1.76)	(7.44)
Monthly RM growth	(6.31)	10.39				
Monthly M2 growth	1.27	3.10				
Money Multiplier	3.29	3.08				

Source: Research Dept. Bank of Sierra Leone

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

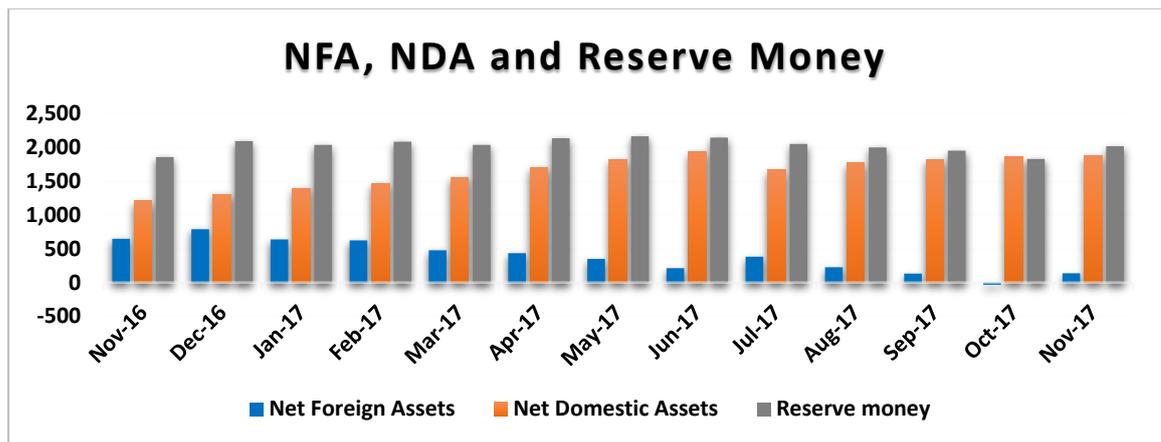
Figure 4: M2 and its Sources

Source: Research Department, BSL

On the liability side of the balance sheet, the growth in M2 was a reflection of expansion in all its components, with the exception of Foreign Currency Deposits. Currency Outside Banks increased by 5.92 per cent in November 2017, relative to 1.17 per cent growth in October; Demand Deposits also increased by 9.71 per cent in November 2017, compared to 2.77 per cent growth recorded in October and Time and Savings Deposits marginally increased by 1.72 per cent compared to 0.87 per cent in the previous month. On the other hand, Foreign Currency Deposits declined by 2.88 per cent, after recording a 0.55 per cent growth in the previous month.

4.2 Reserve Money (RM)

Reserve money (RM) also expanded by 10.39 per cent in November 2017, compared to 6.31 per cent decrease registered in October 2017. The growth in RM arose from significant growth in the NFA of the Central Bank emanating from foreign currency SWAP operation between the Central Bank and some commercial banks.

Figure 5: Reserve Money and its Sources

Source: Research Department, BSL

On the liability side, the growth in RM reflected increases in both currency issued by 3.94 per cent and Bankers` reserves by 35.91 per cent over the review period.

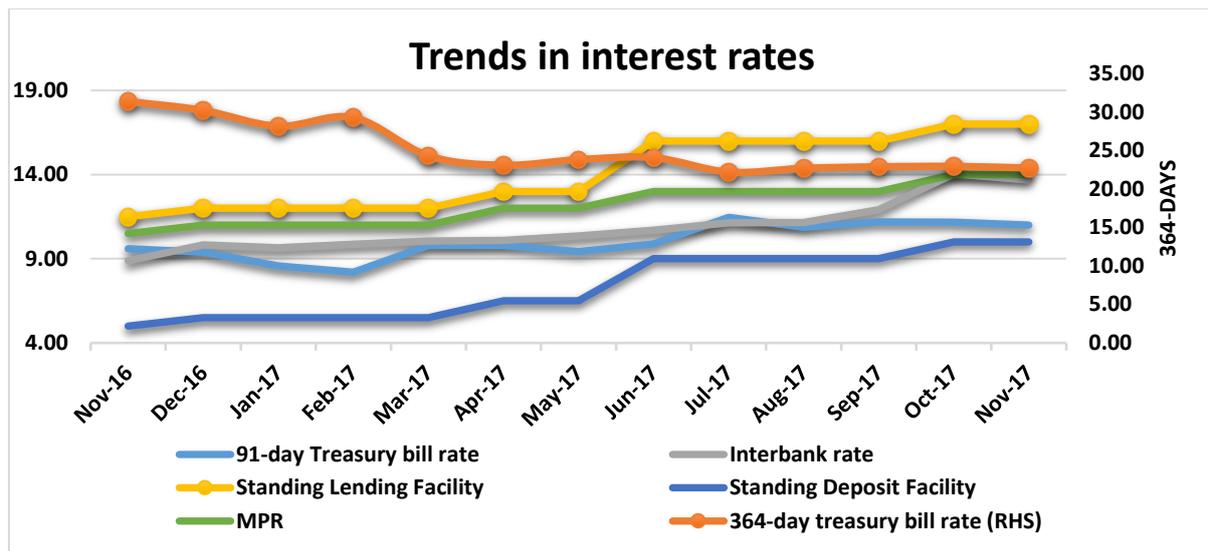
Table 2: Reserve Money and its Components

	2017		Absolute change		(%) Change	
	Oct-17	Nov-17	Oct-17	Nov-17	Oct-17	Nov-17
1. Net Foreign Assets	(30.73)	139.19	(165.10)	169.92	(122.87)	552.95
2. Net Domestic Assets	1,858.69	1,878.64	42.03	19.95	2.31	1.07
2.1 Government Borrowing (net)	2,053.72	2,094.37	90.49	40.65	4.61	1.98
o.w. 2.11 Securities	1,214.60	1,184.10	112.47	(30.50)	10.20	(2.51)
2.12 Ways and Means	132.58	111.08	(10.45)	(21.50)	(7.31)	(16.22)
2.13 GoSL/IMF Budget financing	988.95	988.95	-	-	-	-
3. Reserve money	1,827.96	2,017.83	(123.07)	189.87	(6.31)	10.39
o.w. 3.1 Currency issued	1,460.14	1,517.71	30.35	57.57	2.12	3.94
3.2 Bank reserves	367.60	499.62	(153.45)	132.02	(29.45)	35.91

Source: Research Department, BSL

4.3 Interest rates

The Monetary policy rate remained unchanged at 14.00 per cent in November 2017. The interbank rate declined slightly by 36 basis points, from 14.04 per cent in October 2017, to 13.68 per cent in November 2017, reflecting the liquidity conditions in the money market. The average commercial banks` lending and saving deposit rates remained at 21.35 per cent and 2.38 per cent respectively.

Figure 6: Monetary Policy Rate and Other Market Rates

Source: Research Department, BSL

Yields on government treasury securities decreased during the review period. The yield on the 91-days treasury bills decreased from 11.17 per cent in October 2017, to 11.01 per cent in November 2017. The 182-days treasury bills also decreased from 12.43 per cent in the previous period, to 10.62 per cent in the current period. Similarly, the 364-days treasury bills, which reflect the current government borrowing appetite, fell from 22.95 per cent to 22.73 per cent in the same period.

Table 3: Interest Rates (%)

	2016		2017										
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
91-day Treasury bill rate	9.59	9.38	8.57	8.20	9.79	9.78	9.43	9.88	11.46	10.87	11.19	11.17	11.01
182-day Treasury bill rate	15.52	16.17	15.68	15.51	13.54	11.73	9.11	15.31	15.18	14.97	13.91	12.43	10.62
364-day treasury bill rate	31.38	30.22	28.16	29.29	24.31	23.09	23.82	24.08	22.2	22.70	22.89	22.95	22.73
Interbank rate	8.88	9.82	9.66	9.86	10.05	10.09	10.36	10.69	11.14	11.15	11.92	14.04	13.68
Standing Lending Facility	11.50	12.00	12.00	12.00	12.00	13.00	13.00	16.00	16.00	16.00	16.00	17.00	17.00
Standing Deposit Facility	5.00	5.50	5.50	5.50	5.50	6.5	6.5	9.00	9.00	9.00	9.00	10.00	10.00
MPR	10.50	11.00	11.00	11.00	11.00	12.00	12.00	13.00	13.00	13.00	13.00	14.00	14.00
Average Lending rate	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35
Savings deposits	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38

Source: Research Dept. Bank of Sierra Leone

5.0 Exchange Rate Developments

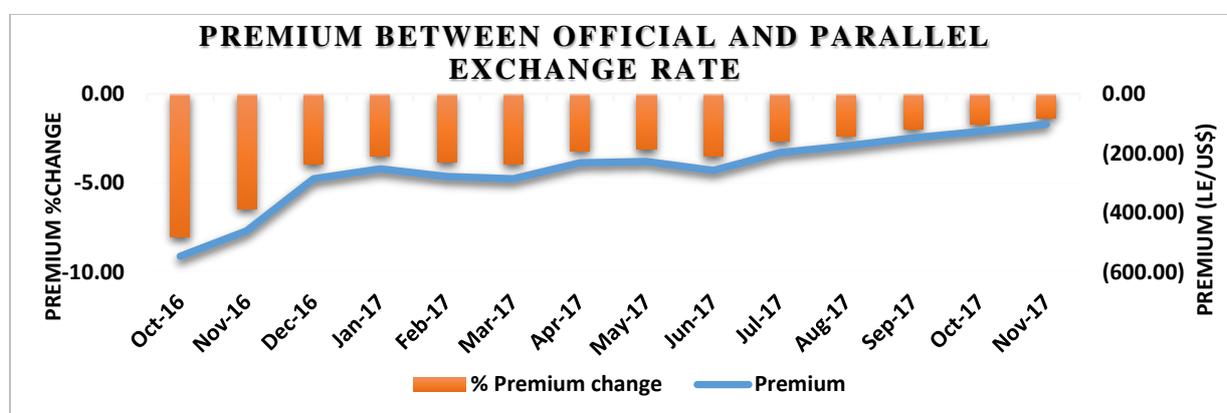
The performance the Leone against the US dollar for the month of November, 2017 was mixed, as it firmed up in some segment of the market and depreciated in others. On the buying front, the bureaux, official and commercial banks average exchange

rates depreciated marginally by 0.37, 0.06 and 0.05 percent averaging Le7,422.19, Le7,462.99 and Le7,547.78 per US dollar respectively. The parallel market rate however appreciated by 0.30 percent averaging Le7,600.00/US\$1 relative to the previous month.

On the selling front, the official and commercial banks rate depreciated by 0.06 and 0.04 percent averaging Le7,613.76 and Le7,646.69 per US dollar respectively; while both the parallel market and bureaux rates appreciated by 0.22 and 0.08 percent averaging Le7,680.00 and Le7,546.94 per US dollar respectively.

The premium between the official and parallel rates narrowed by 0.37 percent from Le164.30/US\$1 in the preceding month to Le137.01/US\$1 in November 2017.

Figure 7: Premium between the Official and Parallel Exchange Rates



Source: Research Department, BSL

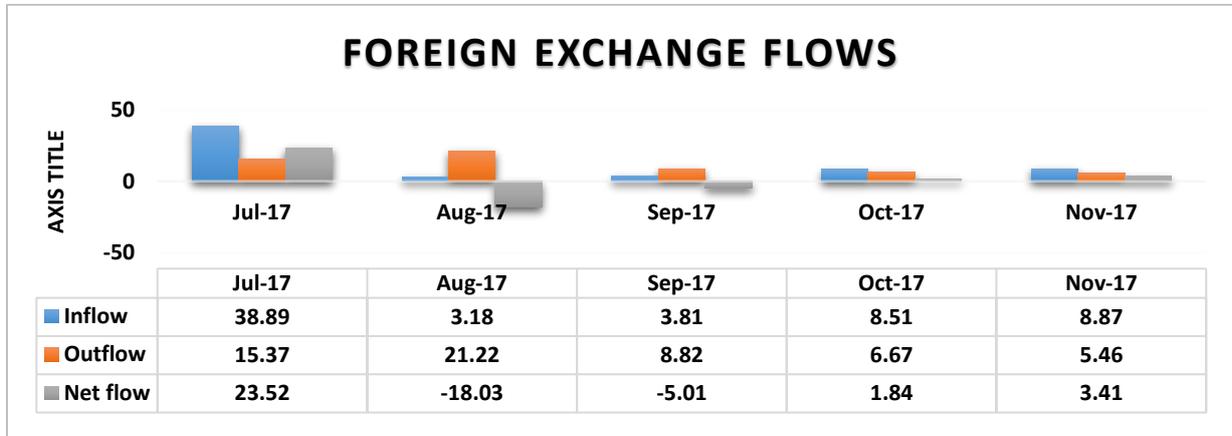
6.0 Gross Foreign Exchange Reserves

Gross Foreign Exchange Reserves of the Bank of Sierra Leone stood at US\$489.41mn as at end-November 2017 reflecting a 1.35 percent increase over US\$482.89mn recorded in the preceding month. The increase in reserves was largely explained by the increase in inflows of US\$8.87mn which outpaced outflows of US\$5.46mn, resulting in a net inflow of US\$3.41mn.

Significant inflows during the period comprised US\$4.40mn being loan repayment to government from Sierra Rutile and US\$3.13mn being export receipts, of which US\$1.76mn was royalty receipt from Sierra Rutile.

Significant outflows comprised US\$4.11mn being payments for goods and services of which, US\$1.73mn was for Embassy/Missions and US\$1.38mn was in relation to other government expenses; while US\$1.35 was debt service payment to Multilateral and Bilateral organizations (Figure 2).

Figure 8: Foreign Exchange Flows through BSL (US\$ Million)



Source: Research Department, BSL