



**BANK OF SIERRA LEONE**

**Monthly Economic  
Review**

**Volume 22| Issue 11**

**November, 2019**



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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

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

Production performance in the manufacturing sector continued to be mixed in November 2019, as beer & stout, paint, oxygen and common soap recorded increases in production. On the other hand, production volumes declined for maltina, cement, acetylene and confectionery during the reviewed period. Performance in the mining sector was very weak as evidenced in the production of diamond, rutile, gold, bauxite and ilmenite and gold, which recorded decreases in production. Electricity generation declined reflecting low performance in both thermal plant and hydro power generation during the reporting period.

Headline inflation decreased to 13.06 percent in November 2019 from 15.85 percent in October 2019, largely due to the slowdown in food inflation. Food inflation declined to 3.62 percent in November 2019 from 9.16 percent in October 2019, while Non-food inflation increased to 27.49 percent in November 2019 from 23.59 percent in October 2019.

Government fiscal operations on cash flow basis in November 2019 resulted in a deficit of Le44.49bn compared to a deficit of Le296.34bn in October 2019. This outcome was explained by the improvement in revenue mobilization combined with a contraction in government expenditure during the review period.

There was no policy change during the review period. Consequently, the Monetary Policy Rate (MPR) remained unchanged at 16.50 percent. However, the interbank rate increased to 18.90 per cent in November 2019. The commercial banks' average Lending and Savings deposit rates remained unchanged at 21.35 percent and 2.38 percent, respectively.

Monetary aggregates during the month of November 2019 were contractionary. Broad Money (M2) contracted by 0.22 per cent in November 2019, compared to the 3.39 per cent expansion in October 2019. The contraction in M2 was on account of the decrease in Net Foreign Assets (NFA) of the banking system which was more than the increase in Net Domestic Assets (NDA) of the banking system. Similarly, Reserve Money (RM) contracted by 0.30 per cent in November 2019, relative to the 7.06 per cent expansion in October 2019. The contraction in RM was due to the decline in Net Foreign Assets (NFA) of the Bank of Sierra Leone.

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 1.11 percent to US\$524.65mn in November 2019 from US\$530.56mn in October 2019, mainly driven by an increase in outflows of US\$11.10mn over inflows of US\$5.77mn, resulting into a net outflow of US\$5.33mn and a revaluation adjustment of US\$0.58

The monthly average exchange rate movement of the Leone relative to the US dollar remained stable as reflected in the narrowing of the Premium between the Official and Parallel rates.

## **2.0 Production and Prices**

### **2.1 Production**

#### **2.1.1 Manufacturing**

Performance in the manufacturing sector was mixed in the month of November 2019. Production volumes increased for beer & stout, paint, oxygen and common soap. Whereas production volumes declined for maltina, cement, acetylene and confectionery in the reviewed month. Beer and stout production increased by 3.92 percent to 185.65 thousand cartons. Paint and oxygen production increased by 16.74 percent to 65.90 thousand gallons, and 3.35 percent to 26.52 thousand metric tons respectively. Common soap production also rose by 6.03 percent to 56.45 thousand metric tons. On the other hand, output for maltina and cement declined by 0.04 percent to 26.77 thousand cartons, and 2.91 percent to 25.98 thousand metric tons respectively. Similarly, acetylene and confectionery production declined by 13.39 percent to 24.91 thousand cubic feet, and 1.25 percent to 209.07 thousand pounds respectively.

#### **2.1.2 Mining Sector**

Performance in the mining sector was weak for the month of November 2019. Diamond production declined significantly to 6.55 thousand carats, representing a 127.63 percent decline from 94.59 thousand carats in October 2019. This amount comprised of industrial diamond of 2.66 thousand carats, and gem diamond of 3.89 thousand carats. Similarly, bauxite and Ilmenite production declined by 20.96 percent to 109.92 thousand metric tons, and 2.54 percent to 5.22 thousand metric tons respectively. Rutile and gold production also fell by 3.03 percent to 13.79 thousand metric tons and 52.26 percent to 79.08 ounces respectively.

#### **2.1.3 Electricity**

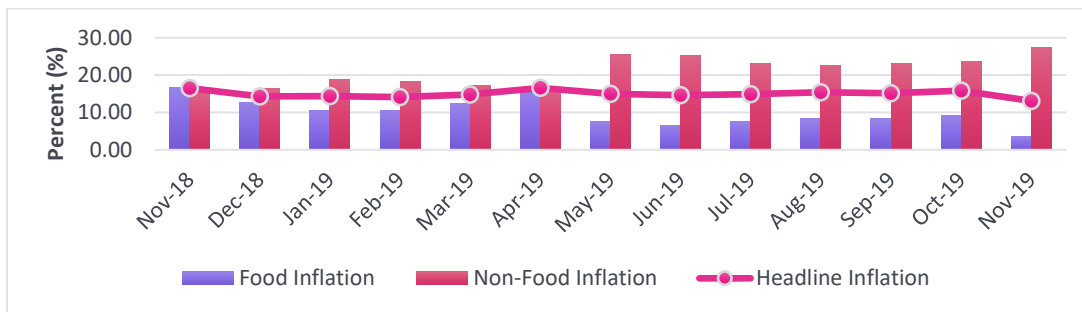
Electricity generated for the month of November 2019 was 31.59 Gw/hr reflecting 1.82 percent decrease when compared to 32.18 Gw/hr in October 2019. The decline in electricity generation resulted from a decreased generation in both thermal plant and hydro power. Thermal plant generation fell to 0.53 Gw/hr in November 2019 from 0.86 Gw/hr in October 2019. Similarly, hydro power generation dropped marginally to 31.06 Gw/hr in November 2019 from 31.32 Gw/hr in October 2019.

## 2.2 Price Development

Headline inflation decelerated by 2.76 percentage points to 13.09 percent in November 2019 from 15.85 percent in October 2019. The decrease in headline inflation was largely explained by the slowdown in food inflation, while non-food inflation increased in the review month. Food inflation declined to 3.62 percent in November 2019 from 9.16 percent in October 2019. Non-food on the other hand, increased to 27.49 percent in November 2019 from 23.59 percent in October 2019.

On regional basis, inflation declined in all the regions. Southern region inflation fell to 10.62 percent in November 2019 from 13.29 percent in October 2019. The northern region inflation declined to 8.21 percent in November 2019 from 13.24 percent in October 2019. Similarly, inflation in the Western Area inflation decreased to 15.66 percent in November 2019 from 15.96 percent in October 2019 and Eastern region to 17.14 percent in November 2019 from 23.51 percent in October 2019 respectively.

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

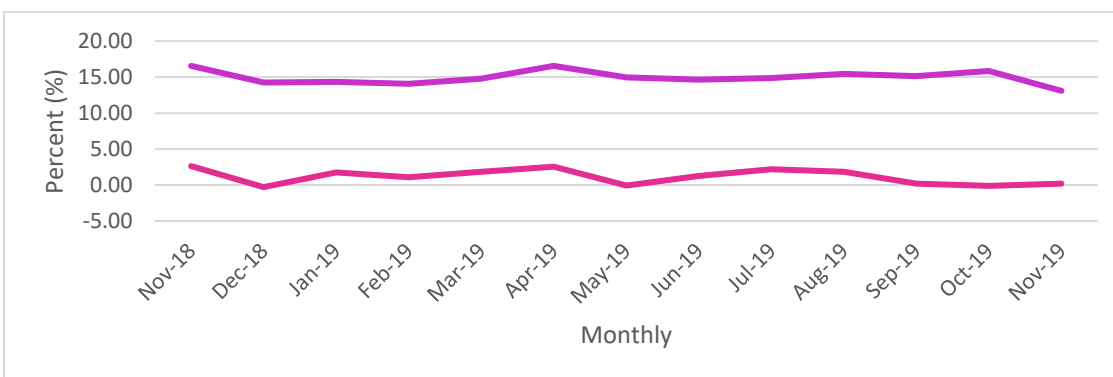


Source: Statistics Sierra Leone

Monthly inflation increased to 0.20 percent in November 2019 compared to (-0.13) percent deflation in October 2019.



**Figure 2: Headline Inflation-Y-o-Y and Monthly Inflation Rate**



Source: Statistics Sierra Leone

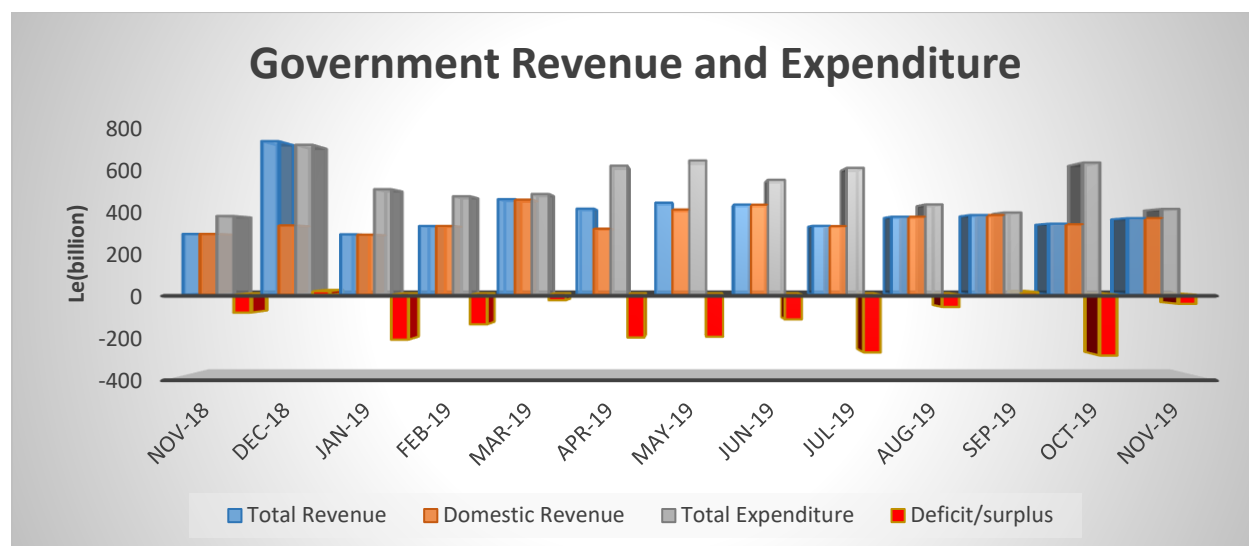
### **3.0 Government Budgetary Operations**

During the month of November 2019, government budgetary operations on cash flow basis resulted in a deficit of Le44.49bn compared to a deficit of Le296.34bn in October 2019. This outturn in the deficit was explained by the improvement in revenue mobilization combined with a contraction in government expenditure during the review period.

#### **3.1 Revenue**

Government revenue expanded by 7.91 percent to Le372.90bn, and fell short by 17.97 percent of the projected target of Le454.57bn. The growth in government revenue was attributed to the increase in domestic revenue collected. Domestic revenue expanded by 8.73 percent to Le372.88bn. The out performance of domestic revenue was explained by the growth in revenue mobilized in all its revenue streams except income tax receipts which declined in the review period. Receipts from Customs and Excise expanded by 49.59 percent to Le91.80bn. Receipts from Goods and Services tax rose by 11.17 percent to Le93.46bn, while Non-tax (miscellaneous) revenue increase by 4.71 percent to Le100.73bn.

**Figure 3: Government Revenue and Expenditure**



Source: Research Department, Bank of Sierra Leone

### 3.2 Expenditure

Government expenditure contracted by 34.98 percent to Le417.39bn in November 2019. The contraction in government expenditure was on account of the decreased in other expenditure and wage bill while debt service payment expanded in the review period. Other expenditure on goods and services declined by 68.49 percent to Le125.44bn, while pension, wages and salaries fell by 8.43 percent to Le205.94bn. However, debt service payments increased to Le86.01bn in November 2019 from Le18.91bn in October 2019. This comprised of domestic debt service payments amounted to Le85.66bn and foreign debt services payments amounting to Le0.34bn.

### 3.3 Financing

The overall deficit of Le44.49bn was financed from both domestic and foreign sources.

## **4.0 Monetary Developments**

Developments in monetary aggregates during the month of November 2019 were contractionary as indicated in both Broad Money (M2) and Reserve Money (RM).

### **4.1 Broad Money**

Broad Money (M2) contracted by 0.22 per cent in November 2019, compared to the 3.39 per cent expansion in October 2019. The contraction in M2 was on account of the decrease in Net Foreign Assets (NFA) of the banking system which was more than the increase in Net Domestic Assets (NDA) of the banking system.

NFA of the banking system contracted by 4.60 per cent in November 2019, relative to the 1.11 per cent increase in October 2019. NFA contracted mainly as a result of increase in liabilities to non-residents by the Bank of Sierra Leone, coupled with decline in Nostro account balances of the commercial banks.

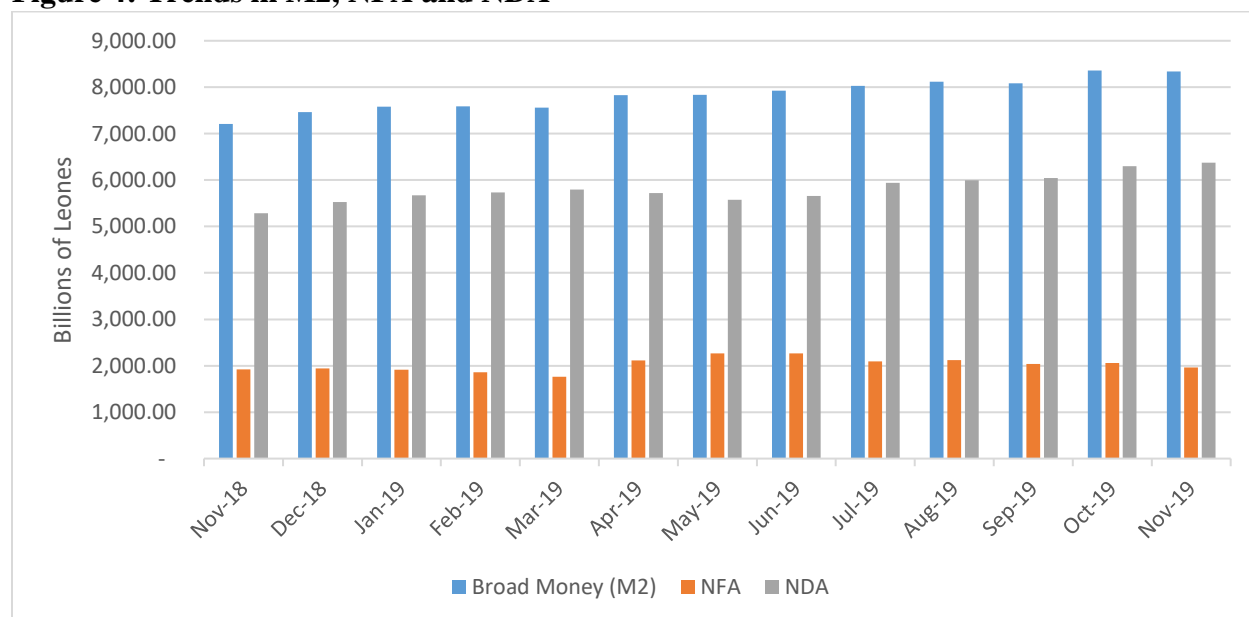
NDA of the banking system expanded by 1.21 per cent in November 2019, relative to the 4.16 per cent growth in October 2019. The growth in NDA was mainly driven by increase in credit to Government by the banking system with much of the financing emanating from the commercial banks. However, Credit to the Private Sector by commercial banks declined by 0.18 per cent in November 2019, compared to the 2.94 per cent increase recorded in October 2019.

**Table 1: Broad Money and its Components**

Billions of Leones	2019		Absolute Change		% Change	
	Oct.-19	Nov.-19	Oct.-19	Nov.-19	Oct.-19	Nov.-19
<b>Reserve money</b>	<b>2,454.52</b>	<b>2,447.07</b>	<b>161.95</b>	<b>(7.46)</b>	<b>7.06</b>	<b>(0.30)</b>
<b>Broad Money (M2)</b>	<b>8,356.51</b>	<b>8,337.76</b>	<b>273.86</b>	<b>(18.75)</b>	<b>3.39</b>	<b>(0.22)</b>
<b>Narrow money (M1)</b>	<b>3,814.86</b>	<b>3,813.28</b>	<b>201.51</b>	<b>(1.58)</b>	<b>5.58</b>	<b>(0.04)</b>
Currency outside banks	1,743.45	1,853.07	88.63	109.62	5.36	6.29
Demand deposit	2,071.41	1,960.22	112.88	(111.20)	5.76	(5.37)
<b>Quasi money</b>	<b>4,541.65</b>	<b>4,524.48</b>	<b>72.35</b>	<b>(17.17)</b>	<b>1.62</b>	<b>(0.38)</b>
o.w. Foreign currency deposit	2,229.92	2,232.97	61.65	3.05	2.84	0.14
Time and saving deposit	2,307.53	2,287.13	11.15	(20.40)	0.49	(0.88)
<b>Net Foreign Asset</b>	<b>2,060.53</b>	<b>1,965.67</b>	<b>22.55</b>	<b>(94.86)</b>	<b>1.11</b>	<b>(4.60)</b>
BSL	361.17	326.38	8.16	(34.79)	2.31	(9.63)
ODCs	1,699.36	1,639.29	14.39	(60.07)	0.85	(3.53)
<b>Net Domestic Assets</b>	<b>6,295.99</b>	<b>6,372.10</b>	<b>251.32</b>	<b>76.11</b>	<b>4.16</b>	<b>1.21</b>
<b>Net Domestic Credit</b>	<b>8,378.37</b>	<b>8,623.81</b>	<b>263.49</b>	<b>245.43</b>	<b>3.25</b>	<b>2.93</b>
Government (Net)	6,138.00	6,393.57	291.36	255.57	4.98	4.16
o.w. BSL	2,574.04	2,632.95	212.08	58.91	8.98	2.29
ODCs	3,563.96	3,760.62	79.28	196.66	2.28	5.52
Private Sector Credit	2,361.09	2,356.12	66.45	(4.97)	2.90	(0.21)
o.w ODC	2,330.62	2,326.44	66.49	(4.18)	2.94	(0.18)
Other Sectors (Net)*	(120.71)	(125.88)	(94.32)	(5.17)	357.33	4.28
<b>Other Items (Net)</b>	<b>(2,082.38)</b>	<b>(2,251.71)</b>	<b>(12.17)</b>	<b>(169.32)</b>	<b>0.59</b>	<b>8.13</b>
<b>Money Multiplier</b>	3.40	3.41	(0.12)			

\*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 contraction in M2 reflected decreases in both Narrow Money (M1) and Quasi Money. M1 marginally contracted by 0.04 per cent in November 2019 compared to the 5.58 per cent increase in October 2019. This development represents the 5.37 per cent decrease in demand deposits which was more than the 6.29 per cent increase in currency outside banks. Quasi Money declined by 0.38 per cent in November 2019, relative to the 1.62 per cent increase in October 2019. The contraction in Quasi Money mirrors the 0.88 per cent decrease in time and savings deposits. Meanwhile foreign currency deposits increased by 0.14 per cent during the same period.

#### 4.2 Reserve Money

Reserve Money (RM) contracted by 0.30 per cent in November 2019, relative to the 7.06 per cent expansion in October 2019. RM contracted as a result of decline in Net Foreign Assets (NFA), which was more than the increase in Net Domestic Assets (NDA) of the Bank of Sierra Leone. NFA of the Bank of Sierra Leone contracted by 9.63 per cent due to increase in foreign liabilities, following increase in the use of Fund Credit and SDR allocation. However, NDA of Bank of Sierra Leone expanded by 1.31 per cent, mainly attributed to the 3.88 per cent increase in BSL holdings of Government securities.

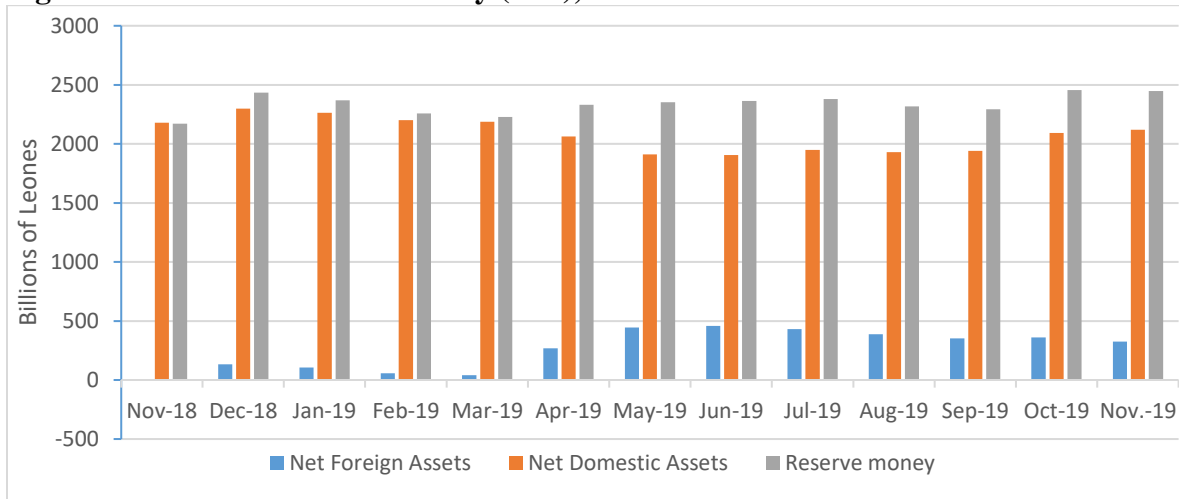
From the liabilities side, RM decreased due to 16.33 per cent decline in banks' reserves, while currency issued grew by 3.70 per cent.

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

Billions of Leones	2019		Absolute Change		% Change	
	Oct.-2019	Nov.-19	Oct.- 2019	Nov.-19	Oct.-19	Nov.-19
<b>1. Net Foreign Assets</b>	<b>361.17</b>	<b>326.38</b>	<b>8.16</b>	<b>(34.79)</b>	<b>2.31</b>	<b>(9.63)</b>
<b>2. Net Domestic Assets</b>	<b>2,093.36</b>	<b>2,120.69</b>	<b>153.79</b>	<b>27.33</b>	<b>7.93</b>	<b>1.31</b>
Government Borrowing (net)	2,574.03	2,632.95	212.07	58.92	8.98	2.29
o.w. Securities	1,042.12	1,082.61	(54.78)	40.48	(4.99)	3.88
Ways and Means	192.69	186.25	56.35	(6.43)	41.33	(3.34)
GoSL/IMF /WB Budget financing	1,502.11	1,502.11	207.31	-	16.01	-
<b>3. Reserve money</b>	<b>2,454.52</b>	<b>2,447.07</b>	<b>161.95</b>	<b>(7.46)</b>	<b>7.06</b>	<b>(0.30)</b>
o.w. Currency issued	1,959.83	2,032.28	75.38	72.45	4.00	3.70
Bank reserves	490.49	410.42	87.02	(80.08)	21.57	(16.33)

Source: Research Department, BSL

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

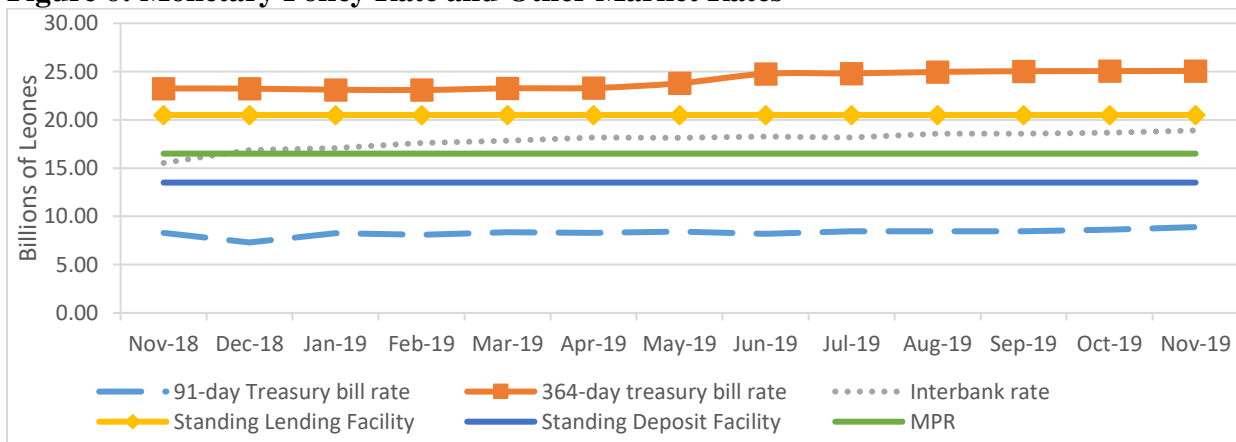


Source: Research Department, BSL

### 4.3 Interest Rates

The Monetary Policy Rate of the Bank of Sierra Leone remained unchanged at 16.50 per cent in November 2019. The Standing Lending and Deposit Facility rates remained unchanged at 20.50 per cent and 13.50 per cent respectively. However, the interbank rate increased to 18.90 per cent in November 2019. The spread between the lending and deposit rates remained high at 18.97 per cent in November 2019, with the commercial banks’ average Lending and Savings deposit rates remaining at 21.35 per cent and 2.38 per cent, respectively.

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



Source: Research Department, BSL

In the money market, yields on all government treasury bills increased in November 2019. The yields on 91-days, 182-days and 364-days treasury bills increased from 8.61 per cent, 12.46 per cent and 25.05 per cent in October 2019, to 8.89 per cent, 13.21 per cent and 25.07 per cent in November 2019, respectively. The increase in yields reflects the tight liquidity conditions in the money market.

**Table 3: Interest Rates (%)**

	2018		2019										
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov
91-day T-Bills	8.30	7.30	8.26	8.08	8.35	8.30	8.41	8.20	8.44	8.44	8.44	8.61	8.89
182-day T-Bills	6.22	8.14	8.42	8.40	8.23	8.20	7.23	7.13	8.53	8.54	11.38	12.46	13.21
364-day T-Bills	23.25	23.23	23.12	23.09	23.26	23.30	23.79	24.77	24.81	24.96	25.04	25.05	25.07
Interbank rate	15.53	16.88	17.07	17.61	17.84	18.18	18.12	18.27	18.16	18.57	18.57	18.68	18.90
SLD	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50
SDF	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
MPR	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50
Av. 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
Lending (Prime)	17.92- 24.77	17.92- 24.77	17.92- 24.77	17.92- 24.77	17.92- 24.77	17.92- 24.77	17.92- 24.77	17.92- 24.77	17.92- 24.77	17.92- 24.77	17.92- 24.77	17.92- 24.77	17.92- 24.77
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

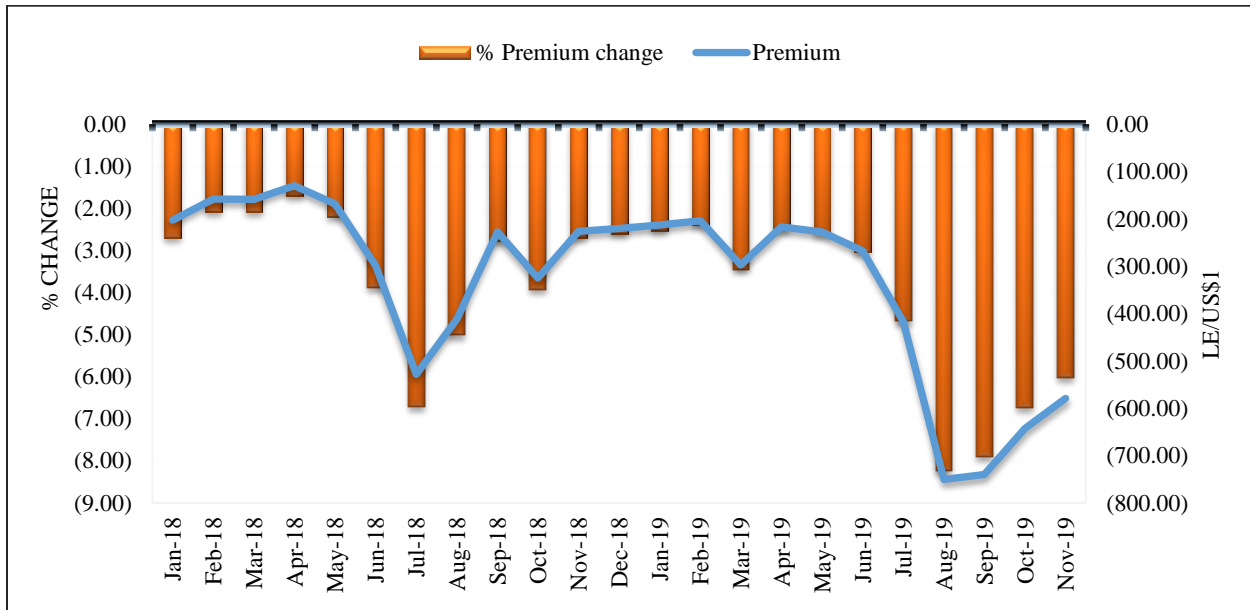
Source: Research Department, BSL

## 5.0 Exchange Rate Developments

In November 2019, the average exchange rate of the Leone vis-à-vis the US dollar depreciated in all foreign exchange markets. On the buying front, the Leone depreciated in the bureaux market, official, commercial bank, and parallel markets by 1.40 percent, 1.05 percent, 0.90 percent and 0.60 percent, averaging Le9,491.66/US\$1, Le9,529.31/US\$1, Le9,673.16/US\$1 and Le10,191.00/US\$1, respectively. Similarly, on the selling front, the Leone depreciated in the bureaux market, official, commercial bank, and parallel markets by 1.86 percent, 1.05 percent, 0.68 percent and 0.12 percent, averaging Le9,800.59/US\$1, Le9,721.82/US\$1, Le9,831.70/US\$1 and Le10,219.00/US\$1 respectively.

The average premium between the official and parallel rates narrowed by 0.73 percentage points to Le579.44/US\$1 in November, 2019 from Le642.70/US\$1 in October, 2019 (See figure 7).

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



Source: Bank of Sierra Leone



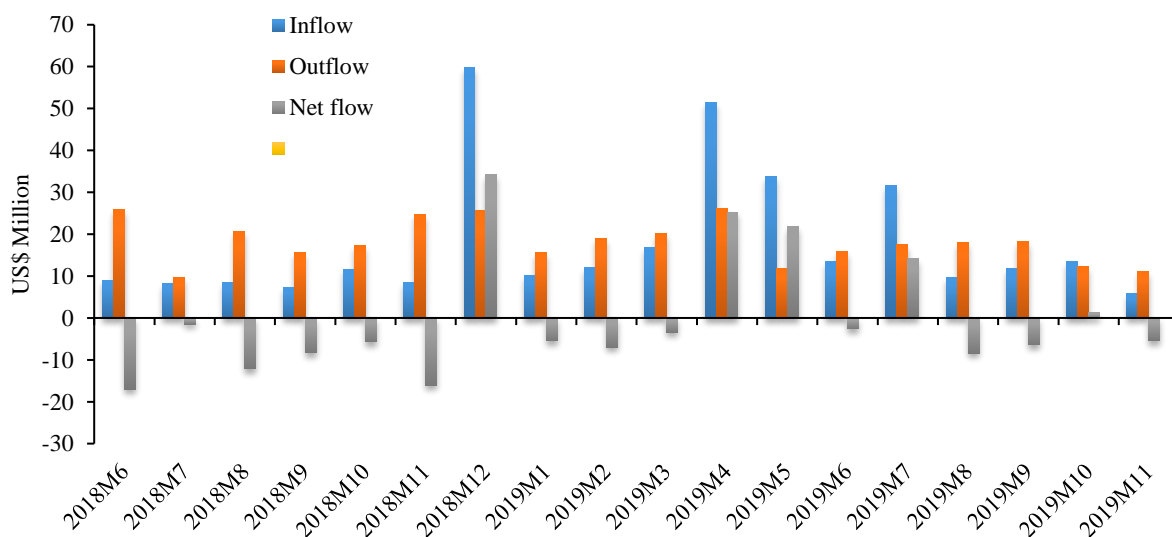
## 6.0 Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 1.11 percent to US\$524.65mn in November 2019 from US\$530.56mn in October 2019, mainly driven by an increase in outflows of US\$11.10mn over inflows of US\$5.77mn, resulting into a net outflow of US\$5.33mn and a revaluation adjustment of US\$ 0.58.

Significant outflows included payments for goods and services (US\$9.70mn), of which: outlays on various infrastructure projects (US\$2.00mn), embassy mission payments (US\$1.60mn), US\$0.40mn in respect of BSL travel and rehabilitation of the main bank building, government travels (US\$0.76mn), other government expenditure in respect of debt service payments, and payment of arrears for electricity supply to EDSA (US\$0.91mn) and Interbank market operations (US\$4.00mn). Other inflows comprised debt service payments to Oil Producing Exporting Countries (OPEC) (US\$0.52mn) and other multilateral and bilateral creditors (\$0.72mn).

Major inflows included receipts from export (US\$4.68mn) of which; Rutile export (US\$1.48mn), Bauxite (US\$0.57mn), Koidu Holdings Mining co. (US\$0.66mn), Fishing Royalty/licenses (US\$0.83mn) and timber (US\$0.86mn). Other inflows were in respect of maritime administration (US\$0.30mn) and other Government receipts (US\$0.57mn).

**Figure 8: Foreign Exchange Flows**



Source: Bank of Sierra Leone