



BANK OF SIERRA LEONE

Monthly Economic Review

MER/10/2022

October 2022



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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.

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Executive Summary

Agricultural sector performance improved in October 2022, as cocoa production increased while there was no data on production of coffee. Cocoa production increased to 1,633.00 metric tons in October 2022 from 558.50 metric tons in September, 2022.

Performance in the mining sector was mixed in October 2022. Output of diamonds, bauxite and other minerals decreased whilst gold, rutile, ilmenite, zircon, and iron ore productions increased during the review period. Manufacturing sector activities were mixed in October 2022. Beer and Stout, and paint production declined by 58.00 percent to 85.88 thousand cartoons, and 17.93 percent to 36.14 thousand gallons respectively in October 2022. Maltina and cement productions rose by 3.49 percent to 47.44 thousand cartoons and 55.26 percent to 23.78 thousand metric tons respectively. Confectionery and Common Soap productions increased by 8.95 percent to 216.15 thousand pounds, and 548.76 percent to 53.75 thousand metric tons respectively.

Annual headline inflation rose to 32.98 percent in October 2022 from 29.10 percent in September 2022. The increase in headline inflation was in part driven largely by supply-side factors that increased both food and non-food inflation. Food inflation increased to 40.14 percent in October 2022 from 35.20 percent in September 2022 and. non-food inflation increased to 28.41 percent in October 2022 from 25.37 percent in September 2022.

In October 2022, outturns in government fiscal operations (on a cash flow basis) registered a narrowed deficit of Le SLe 306.00 million, relative to a deficit of SLe 605.38 million in September 2022. The contraction in expenditure accounted for the narrowed deficit in the review period. The deficit was financed from domestic sources.

Developments in monetary aggregates recorded an expansion in October 2022, as both Broad Money (M2) and Reserve Money (RM) increased. Broad Money grew by 2.67 percent in October 2022 relative to 4.14 percent in September 2022. Net domestic assets (NDA) contributed 1.17 percent to the growth of broad money while NFA contributed 1.50 percent. Reserve money increased by 10.01 percent in October 2022 from 4.95 percent in September 2022. In order to mitigate the effect of inflationary pressures and other shocks to the domestic economy the Monetary Policy Committee (MPC) decided at the MPC meeting at the end of September 2022 to raise the Monetary Policy Rate (MPR),effective October 2022, by 100 basis points. Thus, the Monetary Policy Rate (MPR), Standing Lending Facility, and Standing Deposit Facility were increased to 17.00 percent, 20.00 percent, and 11.00 percent respectively in October 2022.

The gross foreign exchange reserves (including swaps) in October 2022 of the Bank of Sierra Leone was US\$586.28 million at the end of October 2023, from US\$616.06 million at the end of September 2022. Inflows recorded in October was US\$4.65million, while outflows amounted to US\$37.37 million, resulting to a net outflow of US\$32.72million, with a recorded revaluation adjustment of US\$2.94 million. The monthly average exchange rate of the Leone against the US dollar depreciated in October 2022 on both the buying and selling sides. On the demand side, the Leone depreciated in the parallel market by 11.77 percent averaging Le17.01/US\$1. Also, the commercial bank rate and the official rate depreciated by 13.04 percent and 13.06 percent respectively, averaging Le16.48/US\$1 and Le16.59/US\$1 respectively. On the supply side, the Leone depreciated in the parallel market by 11.46 percent, averaging Le17.39/US\$1, and depreciated also in the official market and commercial banks by 13.06 percent and 13.02 percent, averaging Le16.76/US\$1 and Le16.87/US\$1 respectively.

1. Introduction

The Monthly Economic Review (MER) is a publication of the Research and Statistics Department, Bank of Sierra Leone. The objective of the 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 performance in October 2022. 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, inflows and outflows, 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 and the availability of validated data on a timely basis.

The rest of the Economic Review is organised as follows: section 2 analyses developments in production and prices; 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

Performance of the agricultural sector, for which Coffee and Cocoa productions are proxies, improved in October 2022. Cocoa production rose by 192.39 percent from 558.50 metric tons in September 2022 to 1,633.00 metric tons in October 2022. However there was no data on Coffee production in October 2022.

2.1.2 Mining

Performance in the mining sector was mixed in October 2022. Output of diamonds, bauxite and other minerals decreased whilst gold, rutile, ilmenite, zircon, and iron ore production increased during the review period. Total diamond production decreased by 26.42 percent to 35.59 thousand carats, of which industrial diamond production amounted to 1.37 thousand carats and gem diamond production amounted to 34.22 thousand carats. Production of Bauxite and Other Minerals decreased by 19.98 percent to 73.88 thousand metric tons and 3.70 percent to 3.51 thousand metric tons respectively.

However, Gold (pure) production rose by 160.30 percent to 241.86 ounces in October 2022. Iron Ore production increased by 20.15 percent to 399.93 thousand metric tons in October 2022. Rutile production grew by 45.16 percent to 13.23 thousand metric tons in October 2022. Also, Ilmenite and Zircon production increased by 18.29 percent to 5.27 thousand metric tons and 71.60 percent to 6.26 thousand metric tons respectively.

2.1.3 Manufacturing

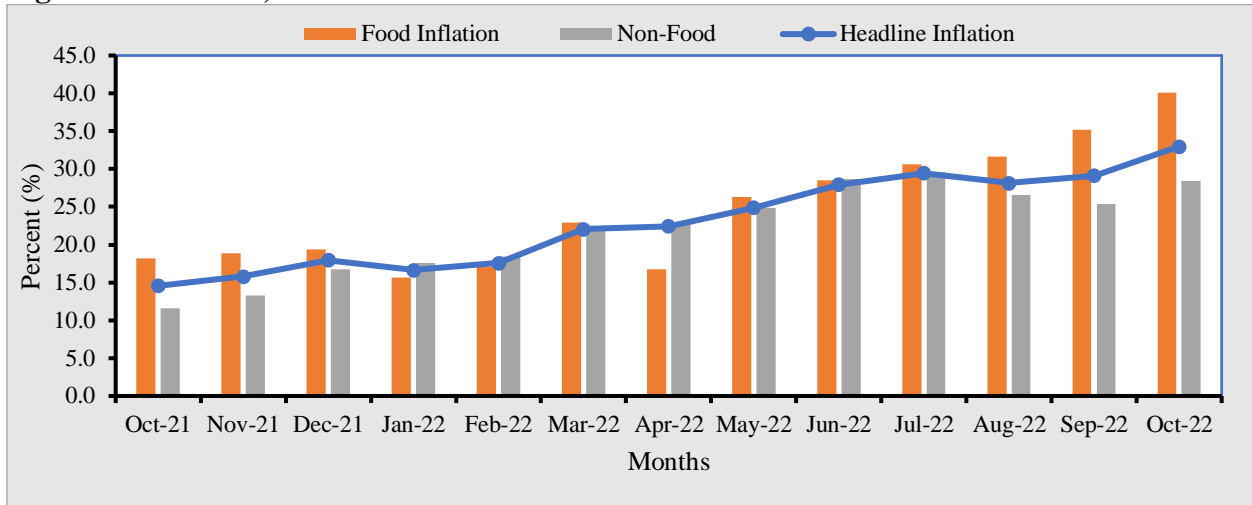
Manufacturing sector performance in October 2022 was also mixed. The production of Beer and stout and paint decreased by 58.00 percent to 85.88 thousand cartons and 17.93 percent to 36.14 thousand gallons respectively. On the other hand, Maltina and Cement production increased by 30.49 percent to 47.44 thousand cartons and 55.26 percent to 23.78 thousand metric tons respectively. Confectionery and Common Soap productions increased by 8.95 percent to 216.15 thousand pounds and 548.76 percent to 53.75 thousand metric tons respectively.

2.2 Price Developments

Annual headline inflation rose to 32.98 percent in October 2022 from 29.10 percent in September 2022. The increase in headline inflation was driven largely by supply shocks, which affect the price level also through exchange rate depreciation and increased import prices, in addition to the disruptions in the flow of goods (supply chain disruption). Food inflation went up to 40.14 percent in October 2022 from 35.20 percent in September 2022. Non-food inflation also edged-up to 28.41 percent in October 2022 from 25.37 percent in September 2022. Monthly headline inflation increased to 3.71 percent in October 2022, from 1.96 percent in September 2022. Figure 1 shows

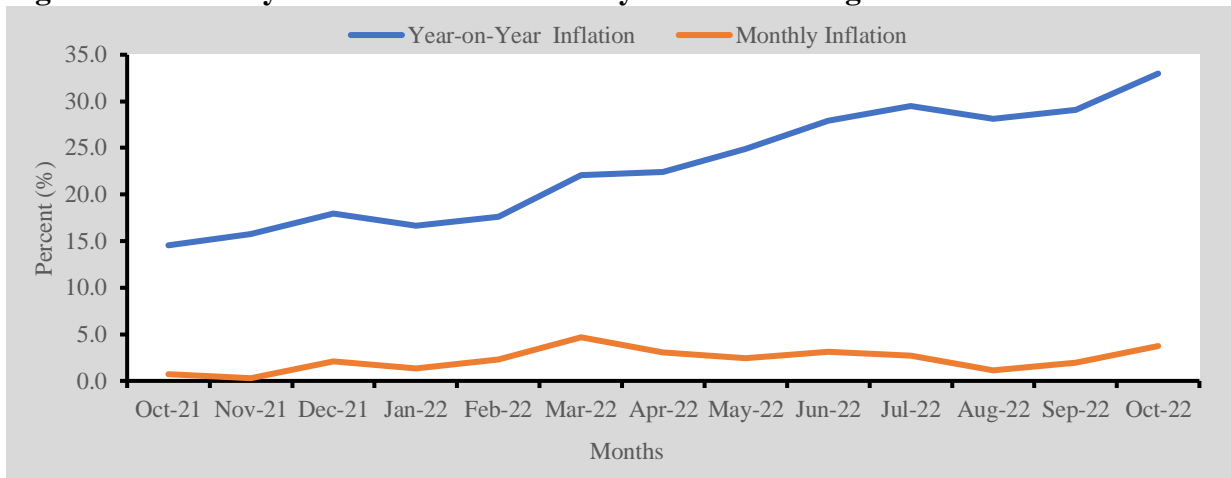
the trend in year-on-year headline, food and non-food inflation rates while Figure 2 shows trend of the year-on-year and monthly inflation rates.

Figure 1: Headline, Food and Non-Food Inflation



Source: Statistics Sierra Leone

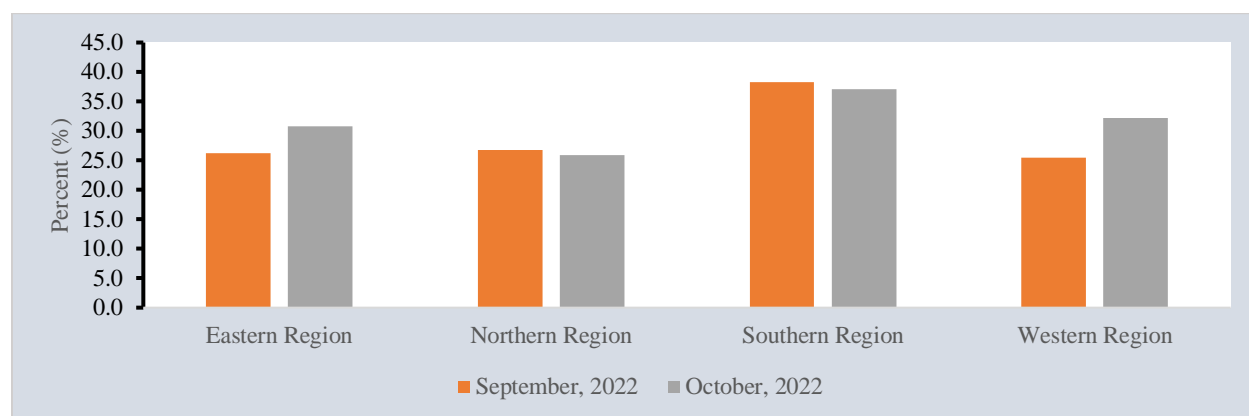
Figure 2: Year-on-year Inflation and Monthly Inflation Change



Source: Statistics Sierra Leone

Regional inflation data indicates a rise in inflation in two regions and a decline in two other regions. Western region inflation increased to 32.22 percent in October 2022 from 25.49 percent in September 2022; Eastern region's inflation increased to 30.74 percent in October 2022 from 26.18 percent in September 2022 while Northern region inflation fell to 25.88 percent in October 2022 from 26.76 percent in September 2022 and Southern region inflation also declined to 37.08 percent in October 2022 from 38.25 percent in September 2022. Figure 3 shows inflation rates by region.

Figure 3: Inflation Rates in September 2022 and October 2022 by Region



Source: Statistics Sierra Leone

3. Fiscal Developments

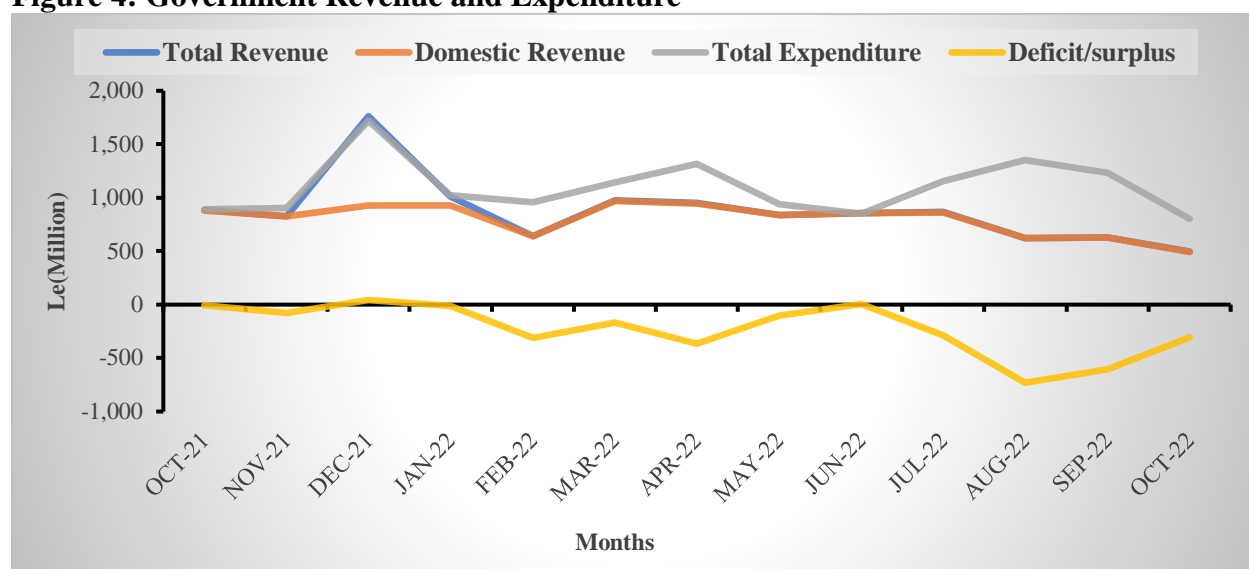
In October 2022, outturns in government fiscal operations (on a cash flow basis) registered a narrowed deficit of Le SLe 306.00mn, relative to a deficit of SLe 605.38mn in September 2022. The contraction of expenditure accounted for the narrowed deficit in the review period. Meanwhile, the overall fiscal deficit was finance from domestic sources.

3.1 Revenues

Government revenue contracted by 21.10 percent to SLe496.55mn in October 2022, which was lower than the target of SLe1, 472.81mn by 66.29 percent. Government revenue was mainly domestic revenue. Domestic revenue declined by 21.29 percent to SLe492.41mn and was 33.60 percent below the target SLe741.58mn. The fall in domestic revenue was due to a decrease in income tax and goods and services tax, which outweighed the increase in miscellaneous (non-tax) income.

Receipts from customs and excise increased by 6.13 percent to SLe86.99mn. Non-tax revenue (miscellaneous) however rose slightly by 0.08 percent to SLe152.48mn. Revenue from income tax contracted by 46.56 percent to SLe151.63mn. In addition, receipts from goods and services tax decreased by 5.76 percent to SLe101.30mn. HIPC Debt Relief amounted to SLe4.15mn in October 2022. Figure 4 gives the trend in the fiscal profile from October 2021 to October 2022.

Figure 4: Government Revenue and Expenditure



Source: Bank of Sierra Leone

3.2 Expenditures

Government expenditure contracted by 21.56 percent to SLe806.56mn in October 2022, though it exceeded the target of SLe793.09mn by 1.19 percent. The contraction in government expenditure was due to the decrease in all its major components.

Expenditure on wages and salaries declined by 25.35 percent to SLe306.73mn, other expenditure rose by 46.36 percent to SLe375.22mn and debt services spending, which was entirely domestic interest payments, fell by 2.95 percent to SLe120.60mn.

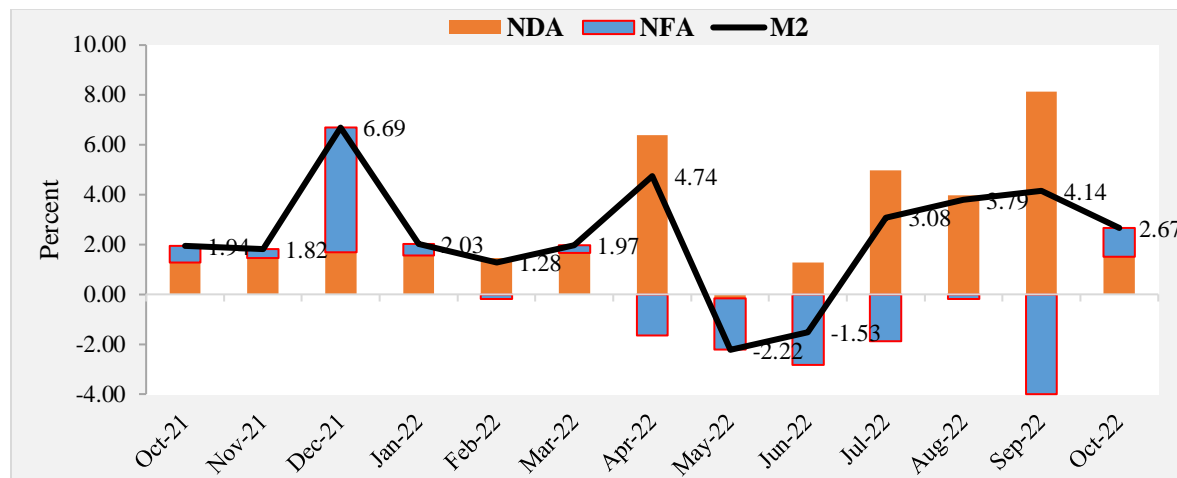
4. Monetary Developments

4.1 Broad Money

In October 2022, Broad money (M2) grew by 2.67 percent up from 4.14 percent in September 2022. The growth of broad money (M2) resulted mainly from increase in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking system. Net foreign assets contributed 1.50 percent to the 2.67 percent growth of broad money, while net domestic assets contributed 1.17

percent. Figure 5 shows the trend in the growth of broad money and the contributions of NDA and NFA to the growth of broad money from October 2021 to October 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 1.66 percent in October 2022, relative to 9.43 percent in September 2022. The growth of NDA was mainly attributed to increase in net claims on Government by the Bank of Sierra Leone (BSL), which outweighed the decline in net claims on Government by the other depository corporations (ODCs). Net claims on government by the BSL increased by 11.34 percent in October 2022 relative to 6.41 percent in September 2022, while that of the other depository corporations fell by 3.62 percent in October 2022, relative to the growth of 3.60 percent in September 2022. Credit to the private sector by other depository corporations fell by 2.35 percent in October 2022, down from a growth of 1.87 percent in September 2022.

NFA of the banking system grew by 12.59 percent in October 2022, up from a contraction of 29.29 percent in September 2022. The growth of NFA of the banking system was attributed to increase in NFA of Other Depository Corporations. NFA of Other Depository Corporations grew by 11.65 percent in October 2022, compared to 2.31 percent in September 2022. Table 1 shows growth in monetary aggregates.

Table 1: Growth of Selected Banking System Monetary Aggregates

Millions of Leones	Actual Values		Absolute Change		% Growth	
	Sep-22	Oct-22	Sep-22	Oct-22	Sep-22	Oct-22
Broad Money (M2)	17.04	17.49	0.68	0.46	4.14	2.67
Narrow money (M1)	8.17	7.89	0.34	(0.28)	4.27	(3.49)
Currency outside banks	3.58	3.51	0.04	(0.07)	1.06	(1.91)
Demand deposit	4.60	4.38	0.30	(0.22)	6.92	(4.71)
Quasi money	8.86	9.6	0.34	0.74	4.02	8.35
o.w. Foreign currency deposit	5.31	5.98	0.35	0.67	7.00	12.62
Time and saving deposit	3.54	3.61	(0.00)	0.07	(0.12)	1.97
Other Deposits - BSL	0.00	0.01	(0.00)	0.00	(19.36)	3.65
Net Foreign Asset	1.58	1.78	(0.65)	0.2	(29.29)	12.59
BSL	(3.86)	(4.29)	(0.78)	(0.43)	25.27	11.26
ODCs	5.44	6.07	0.12	0.63	2.31	11.65
Net Domestic Assets	15.45	15.71	1.33	0.26	9.43	1.66
Net Domestic Credit	17.28	17.73	0.78	0.44	4.73	2.56
Government (Net)	13.86	14.36	0.65	0.50	4.94	3.60
BSL	6.69	7.45	0.40	0.76	6.41	11.34
ODCs	7.17	6.91	0.25	(0.26)	3.60	(3.62)
Private Sector Credit	3.61	3.53	0.07	(0.08)	1.85	(2.35)
o.w ODC	3.60	3.51	0.07	(0.08)	1.87	(2.51)
Other Sectors (Net)*	(0.20)	(0.17)	0.06	0.03	(24.08)	(14.54)
Other Items (Net)	(1.83)	(2.01)	0.55	(0.19)	(23.21)	10.23

Source: Bank of Sierra Leone

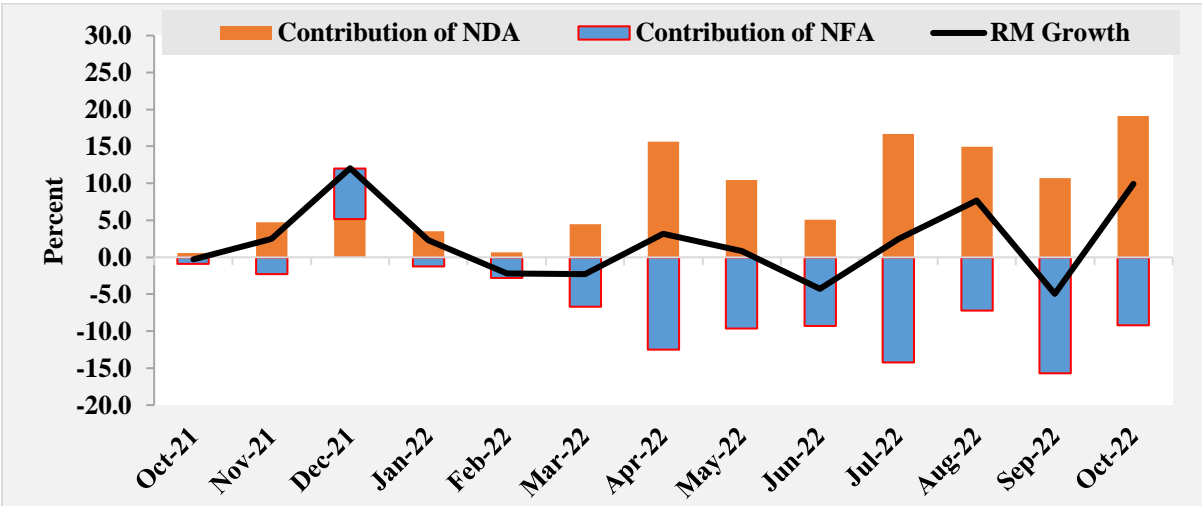
*Other sectors include Other Financial Corporations and Public Non-Financial Corporations.

^aODC is Other Depository Corporations, which includes Commercial Banks, Community Banks, Discount Houses, and Deposit Taking Microfinance Institutions.

Narrow money (M1) fell by 3.49 percent in October 2022, following 4.27 percent growth in September 2022. The decline in narrow money was as a result of fall in both currency outside banks and demand deposits.. Demand deposits fell by 4.71 percent in October 2022, following 6.92 percent growth in October 2022, and currency outside banks fell by 1.91 percent in October 2022, compared to 1.06 percent growth in September 2022. Quasi money grew by 8.35 percent in October 2022, compared to 4.02 percent growth in September 2022. The growth of quasi money was mainly attributed to the increases in foreign currency deposit, time and saving deposit, and other deposits by BSL in September 2022. Foreign currency deposit increased by 12.62 percent in October 2022, relative to 7.00 percent in September 2022, time and savings deposit rose by 1.97 percent in October 2022, relative to 0.12 percent decline in September 2022, and other deposits by BSL grew by 3.65 percent in October 2022, relative to 19.36 percent decline in September 2022.

Reserve money (RM) grew by 10.01 percent in October 2022, relative to 4.95 percent decline in September 2022. The growth of reserve money was due to the expansion in NDA of BSL, NDA of BSL grew by 10.58 percent in October 2022, relative to 6.63 percent growth in September 2022. On the liability side, the growth of reserve money reflected the rise in bank reserves by 64.01 percent in October 2022, which outweighed the 2.06 percent decline in Currency issued in October 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 domestic assets contributed 19.13 percent to the growth in reserve money in October 2022, following 10.75 percent contribution in September 2022, whilst net foreign assets contributed - 9.21 percent to the growth of reserve money in October 2022. Table 2 shows the growth of reserve money and its components.

Table 2 Growth of Reserve Money and its Components

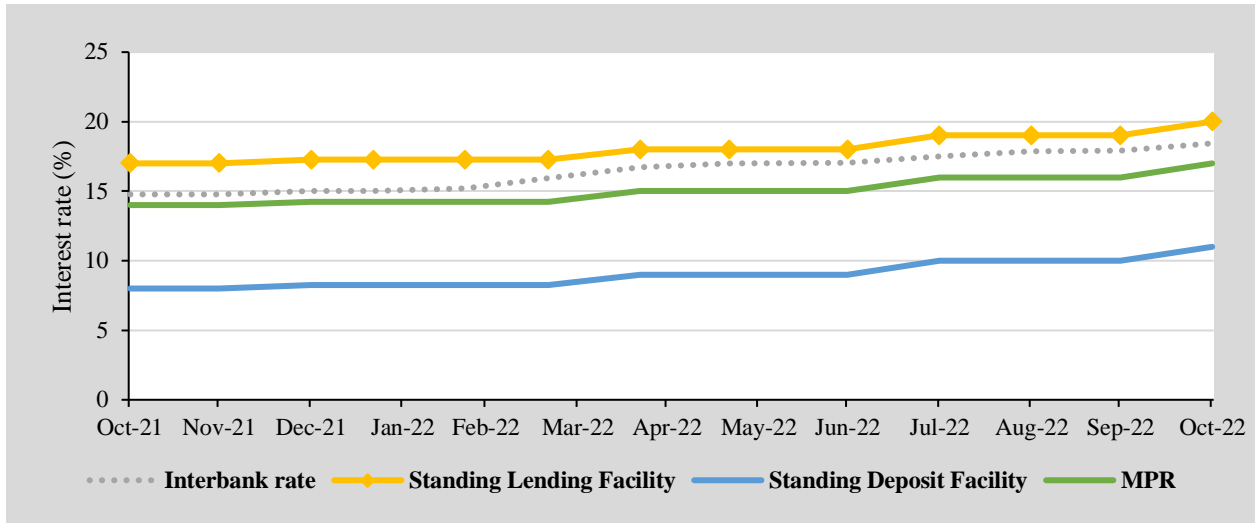
Millions of Leones	Actual Values		Absolute Value		% Growth	
	Sep-22	Oct-22	Sep-22	Oct-22	Sep-22	Oct-22
Net Foreign Assets	(3.86)	(4.29)	(0.78)	(0.43)	-25.27	11.26
Net Domestic Assets	8.57	9.47	0.53	0.91	6.63	10.58
Government Borrowing (net)	6.69	7.45	0.40	0.76	6.41	11.34
o.w. Securities	2.02	2.41	(0.02)	0.39	(0.86)	19.56
Ways and Means	0	0.22	-	0.22	-	-
GoSL/IMF /WB Budget financing	3.53	3.53	-	-	-	-
Reserve money	4.71	5.18	(0.25)	0.47	(4.95)	10.01
o.w. Currency issued	3.58	3.51	0.04	(0.07)	1.06	(1.91)
Bank reserves	0.62	1.02	(0.23)	0.4	(27.18)	64.01

Source: Bank of Sierra Leone

4.3 Interest Rates

Following the Monetary Policy Committee (MPC) meeting held in September 2022, the committee raised the monetary policy rate by 100 basis points, which also reflected in the Standing Lending Facility and Standing Deposit Facility by increasing it by 100 basis points. Thus, Monetary Policy Rate (MPR), Standing Lending Facility, and Standing Deposit Facility were thus increased to 17.00 percent, 20.00 percent, and 11.00 percent respectively in October 2022, compared to 16.00 percent, 19.00 percent, and 10.00 percent respectively in September 2022. The interbank rate increased to 18.44 percent in October 2022, relative to 17.90 percent in September 2022. Figure 7 shows the trend in the Bank of Sierra Leone interest rates and the interbank rate.

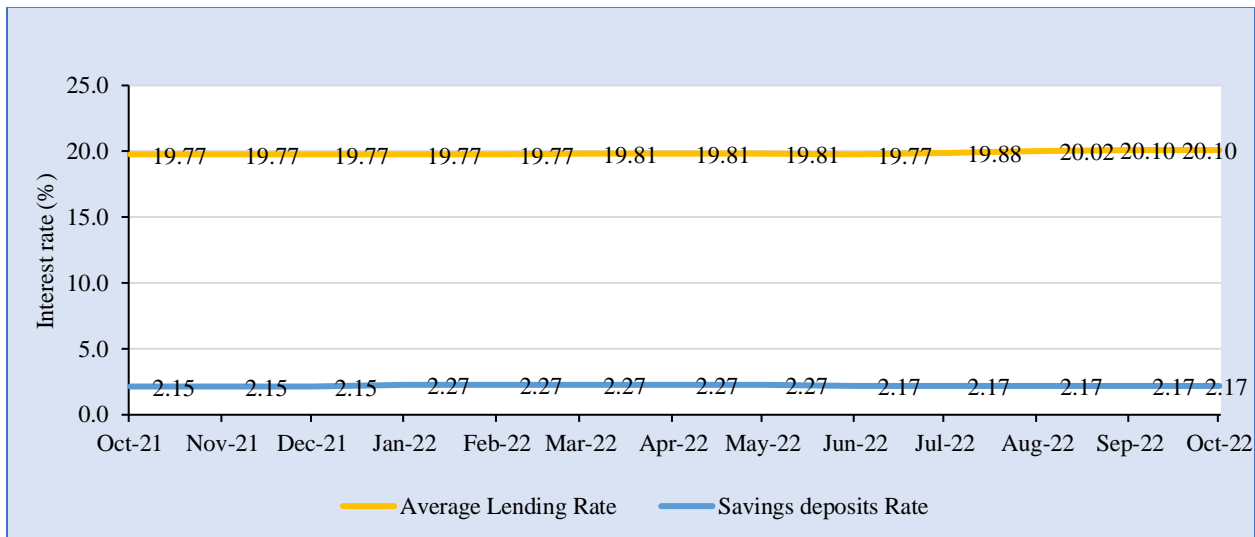
Figure 7: Bank of Sierra Leone Interest Rates and the Interbank Rate



Source: Bank of Sierra Leone

The commercial banks’ average lending rate remained unchanged at 20.10 percent in October 2022, as was in September 2022. Additionally, savings deposit rate remained unchanged at 2.17 percent in October 2022, as was in September 2022. Figure 8 shows the trend in average lending rate and average savings rate..

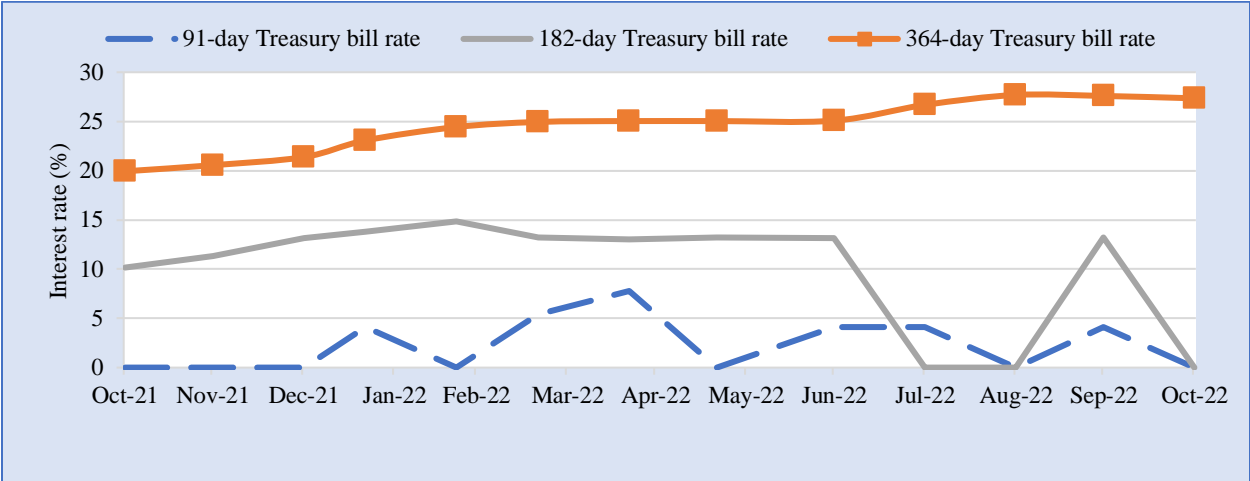
Figure 8: Average Lending and Savings deposit rates



Source: Bank of Sierra Leone

The yield on the 364-day T-bills fell, while the 91-day T-Bills and 182-day T-bills were not traded in October 2022. The yield on 364-day T-bills declined to 27.35 percent in October 2022, from 27.59 percent in September 2022. The yield on 91-day T-Bills was 4.11 percent in September 2022 and the yield on the 182-day T-Bills was 13.19 in September 2022, but there not traded in October 2022. Figure 9 shows the trend in the yields on T-bills.

Figure 9: Yields on Treasury Bills



Source: Bank of Sierra Leone

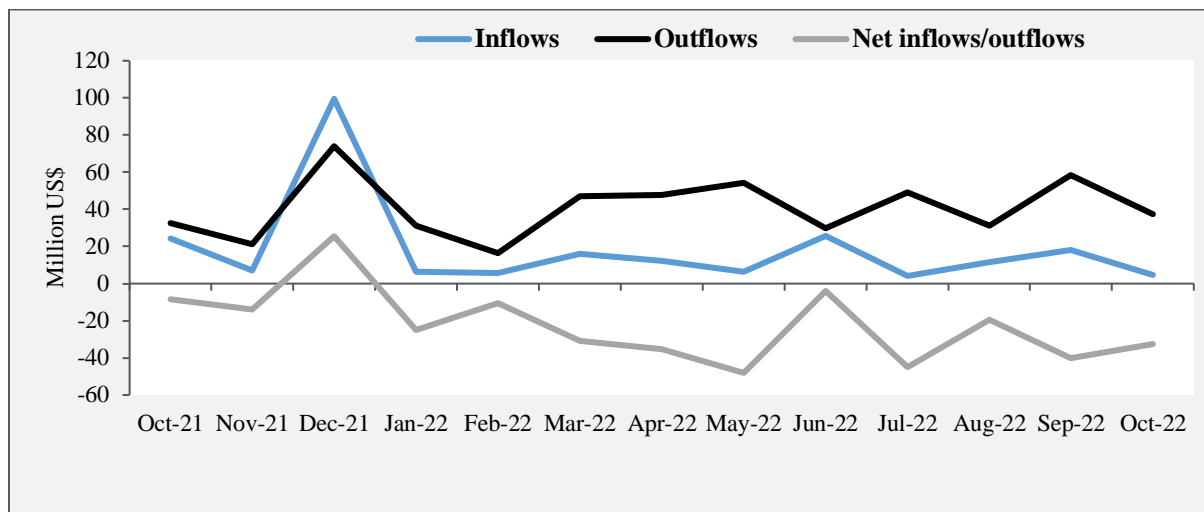
5. External Sector

5.1 Foreign Exchange Flows and Gross Reserves

As at end October 2022, the gross foreign exchange reserves (including swaps) of the Bank of Sierra Leone was US\$586.28 million, compared to US\$616.06 million in September 2022. Inflows recorded in October 2022 was US\$4.65million, while outflows amounted to US\$37.37 million, resulting to a net outflow of US\$32.72million, with a recorded revaluation adjustment of US\$2.94million.

Inflows recorded in September was US\$18.18million, while outflows amounted to US\$58.46 million, resulting to a net outflow of US\$40.29million, with a recorded revaluation adjustment of US\$12.26million. Figure 10 shows the trend of foreign exchange flows.

Figure 10: Foreign Exchange Flows



Source: Bank of Sierra Leone

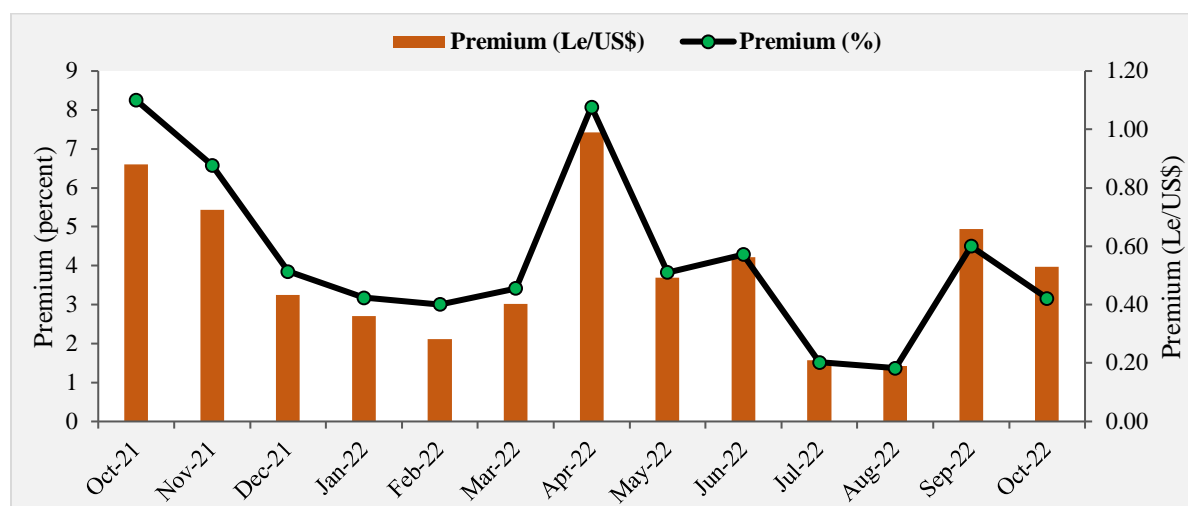
5.2 Exchange Rate Developments

The monthly average exchange rate of the Leone against the US dollar depreciated in all foreign exchange markets in October 2022 on both the buying and selling sides. However, there was no data on bureau market during the review period. With regards to the buying side, the Leone depreciated in the parallel market by 11.77 percent averaging Le17.01/US\$1 and the commercial bank rate and the official rate depreciated by 13.04 percent and 13.06 percent, averaging Le16.48/US\$1 and Le16.59/US\$1 respectively.

Similarly, on the selling side, the Leone depreciated in the parallel market by 11.46 percent, averaging Le17.39/US\$1 and depreciated in the official market and commercial banks by 13.06 percent and 13.02 percent, averaging Le16.76/US\$1 and Le16.87/US\$1 respectively.

The premium between the Official and Parallel rates narrowed from 4.50 percent, which was Le0.66US\$1 in September, 2022 to 3.16 percent (Le0.53/US\$1) in October 2022. Figure 11 shows the trend in the parallel and official exchange rates.

Figure 11: Premium between Official and Parallel Exchange Rates



Source: Bank of Sierra Leone

6. Conclusion

Agricultural sector performance improved in October 2022, as Cocoa production increased while there was no data on Coffee production. Performance in the mining sector was mixed in October 2022, as production of Rutile, gold, zircon, ilmenite and iron ore increased whilst diamonds, bauxite and other minerals’ production declined. Manufacturing sector activities were mixed in October 2022, as Beer and Stout, and Paint productions decreased. In contrast, Maltina, Cement, Confectionery, and Common Soap productions increased.

Headline inflation (year-on-year) elevated in October 2022, driven mainly by the impact of supply chain disruptions, which also affected inflation through currency depreciation. Both food and non-food inflation increased.

Outturns in government budgetary operations in October 2022 ended in a narrowed deficit of SLe306.00million in October 2022 from SLe 605.38million in September, 2022, which was due to a contraction in total expenditure, while revenue declined. The deficit was financed from domestic sources.

The Monetary Policy Rate (MPR), Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) were increased from 16.00 percent, 19.00 percent and 10.00 percent respectively in September 2022 to 17.00 percent, 20.00 percent and 11.00 percent respectively in October

2022. Developments in monetary aggregates revealed expansion in both broad money and reserve money. The yield on 364-day T-bills declined whilst the 182-day T-bills and 91-day T-bills were not traded in October 2022. The monthly average exchange rate of the Leone against the US dollar depreciated and gross foreign exchange reserves (including swaps) decreased marginally in October 2022. In addition, total value of outflow was more than the value of inflows.