



**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

Performance in the manufacturing sector was mixed in the month of September 2020, as production volume increased for paint, oxygen and common soap, while beer & stout, maltina, cement, acetylene and confectionery decreased during the review period. Paint production grew by 4.70 percent to 59.73 thousand gallons, oxygen production rose by 3.92 percent to 36.01 thousand cubic feet, while common soap production grew by 9.98 percent to 56.33 thousand metric tons. Conversely, beer & stout production fell by 12.71 percent to 103.00 thousand cartons, maltina production dropped by 8.00 percent to 30.77 thousand cartons, cement production decreased by 14.01 percent to 28.84 thousand metric tons. Acetylene and confectionery production declined by 14.73 percent to 30.21 thousand cubic feet and 1.02 percent to 298.78 thousand pounds respectively. Similarly, production performance in the mining sector were mixed as evidenced in increases in the production of diamond, bauxite and ilmenite, while, rutile and other minerals production decreased during the review period.

Headline inflation (y/y) increased to 13.71 percent in September 2020 from 13.32 percent in August 2020. The uptick in headline inflation was attributed to the increase in both food and non-food inflation. Food inflation increased from 17.72 percent in August 2020 to 17.75 percent in September 2020, while non-food inflation increased from 7.52 percent in August 2020 to 8.06 percent in September 2020.

Government budgetary operations (on cash flow basis) recorded a surplus of Le156.38bn in September 2020, compared to a deficit of Le 69.84bn in August 2020. The surplus was attributable to an expansion in government revenues owing to the inflows of budgetary supports coupled with a contraction in government spending during the review period.

The Monetary Policy Rate (MPR) remained unchanged at 15.00 percent in September 2020. The Standing Lending Facility rate also remained unchanged at 19.00 percent, while the Standing Deposit Facility rate was reduced to 10.00 percent. The interbank rate declined to 12.09 percent in September 2020, from 13.04 percent in August 2020. However, the commercial banks' average lending and savings deposit rates remained unchanged at 20.46 percent and 2.72 percent in September 2020, respectively.

Developments in monetary aggregates in September 2020 were expansionary, evidenced by growth in both Broad Money (M2) and Reserve Money (RM). Broad Money (M2) increased by 2.47 percent in September 2020, relative to the growth of 1.57 percent in August 2020. The growth in M2 was driven by growth in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking system. RM expanded by 7.71 percent in September 2020, from a contraction of 5.39 percent in August 2020. The growth in RM was mainly driven by increase in both NFA and NDA of the BSL.

Gross foreign exchange reserves of the Bank of Sierra Leone increased by 2.28 percent to US\$738.04mn in September 2020 from US\$720.85mn in August 2020, mainly driven by an increase in inflows of US\$32.00mn relative to the outflows of US\$10.84mn, resulting in a net inflow of US\$21.16mn.

The premium between the official and parallel rates narrowed by 1.83 percentage points to Le810.86/US\$1 in September, 2020 from Le986.37/US\$1 in August, 2020, reflecting the continued stability in the exchange rate.

## **2.0 Production and Prices**

### **2.1 Production**

#### **2.1.1 Manufacturing**

Performance in the manufacturing sector was mixed in September 2020. Production volumes increased for paint, oxygen and common soap, while that of beer & stout, maltina, cement, acetylene and confectionery decreased during the review period. Paint production grew by 4.70 percent to 59.73 thousand gallons, oxygen production rose by 3.92 percent to 36.01 thousand cubic feet, while common soap production grew by 9.98 percent to 56.33 thousand metric tons.

On the other hand, beer & stout production fell by 12.71 percent to 103.00 thousand cartons, maltina production dropped by 8.00 percent to 30.77 thousand cartons, cement production decreased by 14.01 percent to 28.84 thousand metric tons. Similarly, acetylene and confectionery production declined by 14.73 percent to 30.21 thousand cubic feet and 1.02 percent to 298.78 thousand pounds respectively.

#### **2.1.2 Agriculture**

The performance of the agricultural sector proxied by cocoa and coffee production improved in September 2020. Cocoa production increased to 2,466.46 metric tons in September 2020 from 362.78 metric tons in August 2020. There was no production of coffee during the review period.

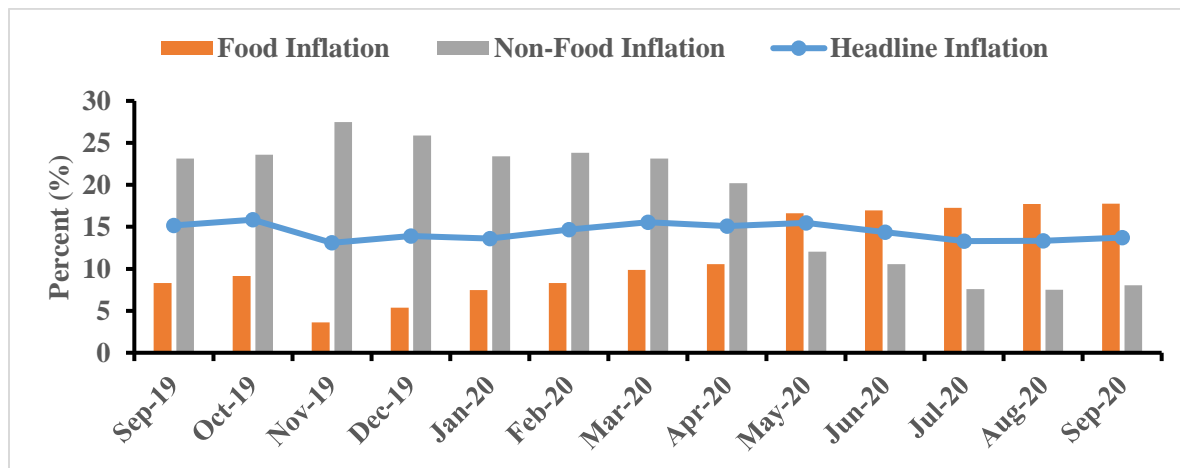
#### **2.1.3 Mining Sector**

Production performance in the mining sector was mixed. Diamond production increased by 63.09 percent to 71.12 thousand carats, which comprised 57.87 thousand carats of industrial diamond and 13.25 thousand carats of gem diamond. Bauxite production rose by 4.71 percent to 110.77 thousand metric tons and ilmenite production increased by 7.41 percent to 3.90 thousand metric tons. On the other hand, rutile production fell by 3.98 percent to 9.81 thousand metric tons, and other minerals production fell by 79.50 percent to 0.04 thousand dry metric tons.

## 2.2 Price Development

Headline inflation (y/y) increased to 13.71 percent in September 2020 from 13.32 percent in August 2020. The uptick in headline inflation was attributed to the increase in both food and non-food inflation. Food inflation increased from 17.72 percent in August 2020 to 17.75 percent in September 2020, while non-food inflation increased from 7.52 percent in August 2020 to 8.06 percent in September 2020.

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



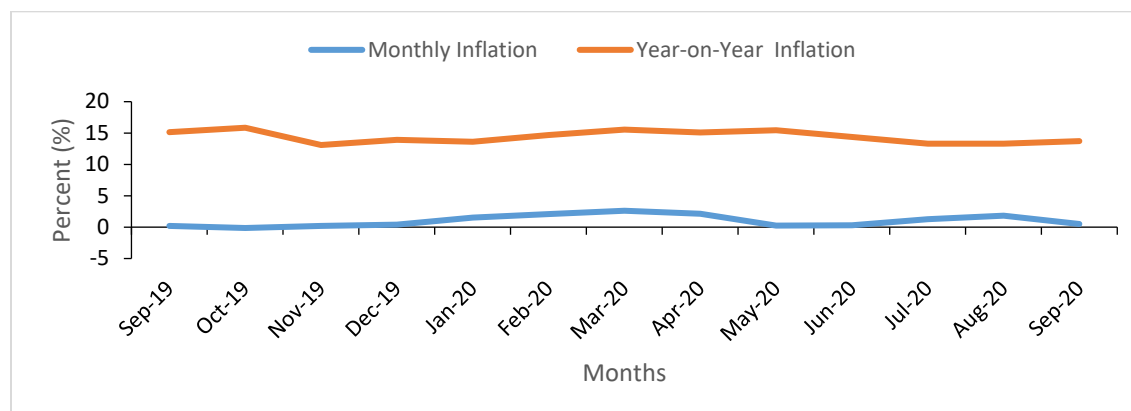
Source: Statistics Sierra Leone and BSL

Headline inflation (m/m) declined to 0.52 percent in September 2020 from 1.84 percent in August 2020.

On regional basis, inflation declined in the three regions. Southern region inflation declined to 10.10 percent in September 2020 from 11.12 percent in August, 2020; Eastern region inflation decreased to 7.16 percent in September 2020 from 9.48 percent in August 2020; and Northern region inflation fell to 11.52 percent in September 2020 from 12.18 percent in August 2020. However, Western Area inflation increased to 18.81 percent in September 2020 from 16.20 percent in August 2020.



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



Source: Statistics Sierra Leone and BSL

### 3.0 Government Budgetary Operations

In September 2020, government budgetary operations on cash flow basis recorded a surplus of Le156.38bn, compared to a deficit of Le 69.84bn in August 2020. The surplus was attributable to an expansion in government revenues owing to the inflows of budgetary supports coupled with a contraction in government spending during the review period.

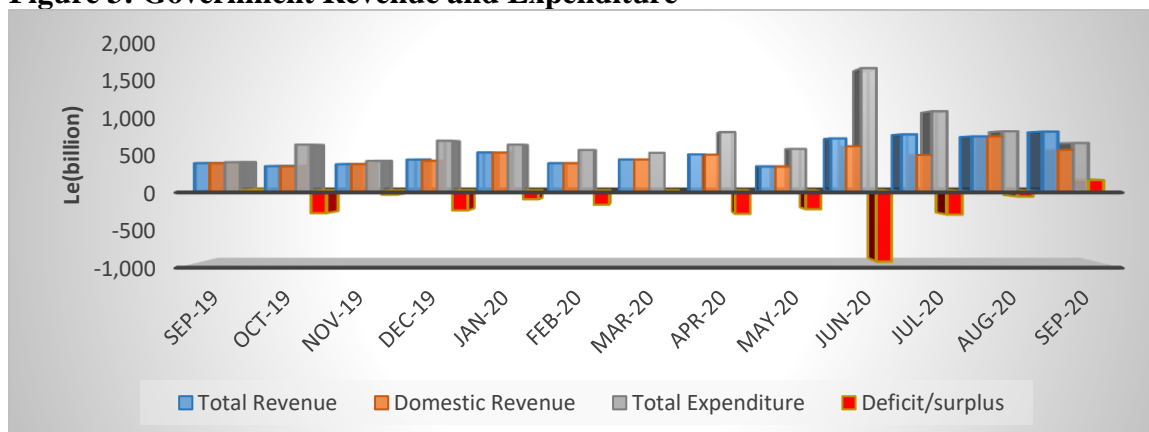
#### 3.1 Revenue

Government revenues including grant expanded by 9.17 percent to Le819.88bn in September 2020, but fell short of the target of Le866.42bn by 5.37 percent. The expansion was mainly explained by the increase in foreign grants inflows. Domestic revenues however contracted by 24.42 percent to Le 567.61bn, but exceeded the target of Le417.30bn by 36.02 percent. The contraction in domestic revenue was largely due to the significant decline in non-tax revenue by 51.25 percent to Le246.15bn, but was higher than the target of Le73.42bn.

On the other hand, customs and excise receipts expanded by 38.87 percent to Le66.83bn, income tax revenue increased by 45.70 percent to Le168.86bn and receipts from goods and services tax grew by 4.56 percent to Le85.78bn.

Foreign grants received in September 2020 amounted to Le252.27bn. This amount comprised Le249.51bn disbursement from Africa Development Bank (AFDB) and HIPC Debt Relief fund of Le2.76bn.

**Figure 3: Government Revenue and Expenditure**



Source: Research Department, Bank of Sierra Leone

### 3.2 Expenditure

Government expenditures contracted by 19.17 percent to Le 663.50bn in September 2020, and overshot the ceiling of Le520.48bn by 27.48 percent. Both pension, wages and salaries and other expenditures accounted for the contraction in government expenditures. Pension, wages and salaries expenditures fell by 11.95 percent to Le233.55bn. Other expenditures on goods and services declined by 28.36 percent to Le349.68bn. Debt service payments increased by 18.92 percent to Le80.27bn, of which domestic debt service payment was Le75.14bn, while foreign debt service payments amounted to Le5.12bn.

### 4.0 Monetary Developments

Developments in monetary aggregates in September 2020 were expansionary, as evidenced in the growth in both Broad Money (M2) and Reserve Money (RM).

#### 4.1 Broad Money

Broad Money (M2) increased by 2.47 percent in September 2020, relative to the growth of 1.57 percent in August 2020. The growth in M2 was driven by growth in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking system.

The NFA of the banking system increased by 7.09 percent in September 2020, compared to a 10.73 percent contraction in August 2020. This was primarily driven by a strong growth in the NFA of

BSL by 33.45 percent in September 2020, compared to the 41.68 percent decrease in August 2020. This was on account of funds received from development partners to support the fight against the COVID-19 pandemic.

The NDA of the banking system increased marginally by 0.74 percent in September 2020, after recording a growth of 7.11 percent in August 2020. This development primarily reflects increase in claims on government by commercial banks.

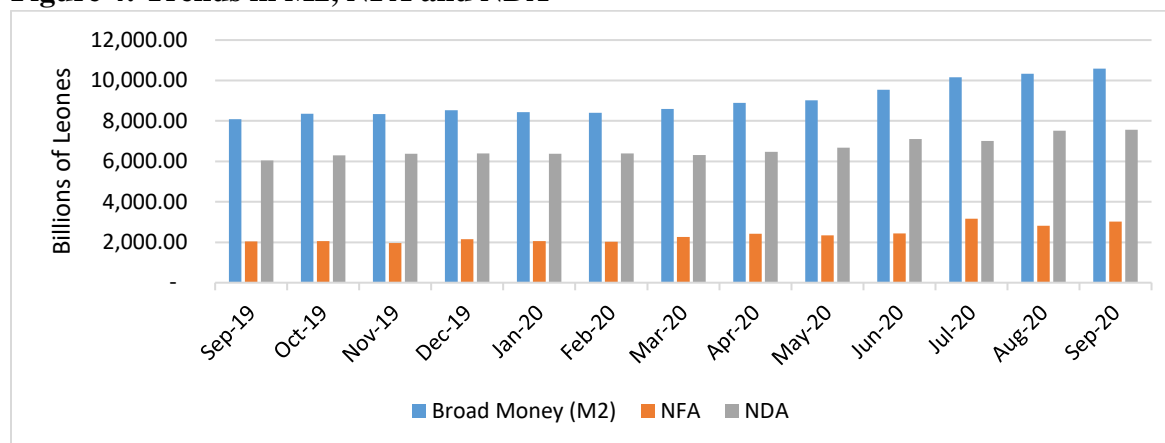
Credit to the private sector by commercial banks increased by 0.21 percent in September 2020, relative to a growth of 0.07 percent registered in August 2020.

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

Billions of Leones	2020		Absolute Change		% Change	
	Aug	Sep	Aug-20	Sep-20	Aug-20	Sep-20
<b>Reserve money</b>	<b>3,721.66</b>	<b>4,008.53</b>	<b>(212.09)</b>	<b>286.87</b>	<b>(5.39)</b>	<b>7.71</b>
<b>Broad Money (M2)</b>	<b>10,326.99</b>	<b>10,582.54</b>	<b>159.85</b>	<b>255.55</b>	<b>1.57</b>	<b>2.47</b>
<b>Narrow money (M1)</b>	<b>5,090.66</b>	<b>5,236.35</b>	<b>74.84</b>	<b>145.69</b>	<b>1.49</b>	<b>2.86</b>
Currency outside banks	2,338.97	2,379.66	(66.04)	40.69	(2.75)	1.74
Demand deposit	2,751.69	2,856.69	140.88	105.00	5.40	3.82
<b>Quasi money</b>	<b>5,236.33</b>	<b>5,346.18</b>	<b>85.01</b>	<b>109.86</b>	<b>1.65</b>	<b>2.10</b>
o.w. Foreign currency deposit	2,462.36	2,462.30	41.07	(0.06)	1.70	(0.00)
Time and saving deposit	2,766.34	2,876.96	42.42	110.62	1.56	4.00
<b>Net Foreign Asset</b>	<b>2,817.63</b>	<b>3,017.35</b>	<b>(338.54)</b>	<b>199.72</b>	<b>(10.73)</b>	<b>7.09</b>
BSL	667.39	890.61	(476.97)	223.22	(41.68)	33.45
ODCs	2,150.24	2,126.74	138.43	(23.51)	6.88	(1.09)
<b>Net Domestic Assets</b>	<b>7,509.35</b>	<b>7,565.19</b>	<b>498.39</b>	<b>55.83</b>	<b>7.11</b>	<b>0.74</b>
<b>Net Domestic Credit</b>	<b>9,971.49</b>	<b>10,094.11</b>	<b>369.36</b>	<b>122.62</b>	<b>3.85</b>	<b>1.23</b>
Government (Net)	7,762.61	7,875.56	400.48	112.95	5.44	1.46
BSL	3,392.52	3,248.99	284.05	(143.53)	9.14	(4.23)
ODCs	4,370.09	4,626.57	116.43	256.48	2.74	5.87
Private Sector Credit	2,379.53	2,384.72	2.03	5.19	0.09	0.22
o.w ODC	2,348.94	2,353.85	1.53	4.91	0.07	0.21
Other Sectors (Net)*	(170.65)	(166.17)	(33.14)	4.48	24.10	(2.63)
<b>Other Items (Net)</b>	<b>(2,462.14)</b>	<b>(2,528.92)</b>	<b>129.03</b>	<b>(66.78)</b>	<b>(4.98)</b>	<b>2.71</b>
<b>Money Multiplier</b>						

\*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

The growth in M2 was also reflected in both Narrow money (M1) and Quasi money in the review month. M1 expanded by 2.86 percent in September 2020, from a contraction of 1.49 percent in August 2020; driven by both currency outside banks (1.74%) and demand deposits (3.82%). Quasi money increased by 2.10 percent, relative to a growth of 1.65 percent during the same period, mainly due to a 4.00 percent increase in time & saving deposits.

#### 4.2 Reserve Money

Reserve Money (RM) expanded by 7.71 percent in September 2020, from a contraction of 5.39 percent in August 2020. The growth in RM was mainly driven by increase in both NFA and NDA of the BSL.

The NFA of the BSL increased by 33.45 percent in September 2020, from a decrease of 41.68 percent in August 2020. This was mainly as a result of increase in official reserves of the BSL, in respect of ADB funds received to support the COVID-19 related expenditures.

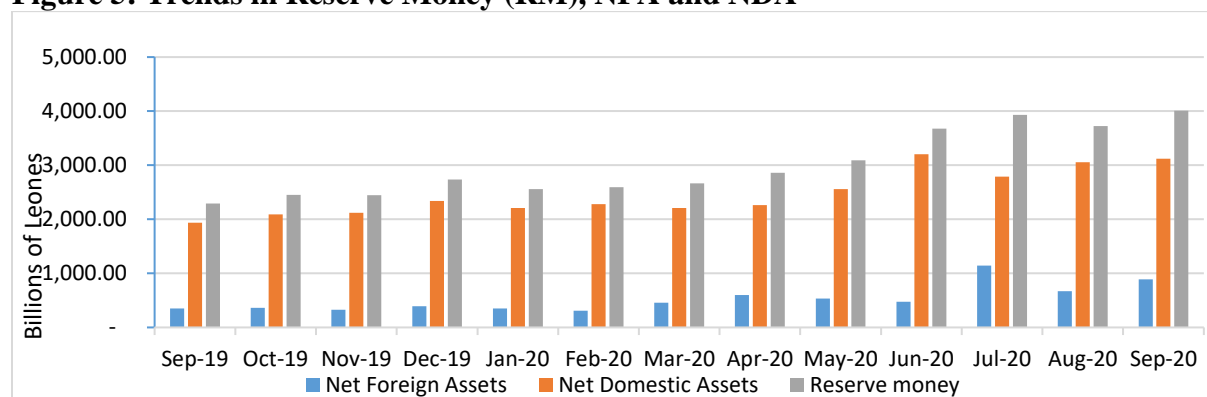
The NDA of BSL also increased by 2.08 percent, relative to the 9.50 percent growth recorded in August 2020. The growth in NDA of the BSL was mainly on account of increase in claims on government by the BSL.

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

Billions of Leones	2020		Absolute change		% Change	
	Aug	Sep	Aug-20	Sep-20	Aug-20	Sep-20
<b>1. Net Foreign Assets</b>	<b>667.39</b>	<b>890.61</b>	<b>(476.97)</b>	<b>223.22</b>	<b>(41.68)</b>	<b>33.45</b>
<b>2. Net Domestic Assets</b>	<b>3,054.28</b>	<b>3,117.92</b>	<b>264.88</b>	<b>63.65</b>	<b>9.50</b>	<b>2.08</b>
Government Borrowing (net)	3,392.52	3,248.99	284.05	(143.53)	9.14	(4.23)
o.w. Securities	1,167.57	1,049.27	(67.86)	(118.29)	(5.49)	(10.13)
Ways and Means	36.70	-	(59.43)	(36.70)	(61.82)	(100.00)
GoSL/IMF /WB Budget fin	2,598.16	2,598.16	-	-	-	-
<b>3. Reserve money</b>	<b>3,721.66</b>	<b>4,008.53</b>	<b>(212.09)</b>	<b>286.87</b>	<b>(5.39)</b>	<b>7.71</b>
o.w. Currency issued	2,663.67	2,701.74	(10.86)	38.07	(0.41)	1.43
Bank reserves	1,049.91	1,299.41	(203.23)	249.50	(16.22)	23.76

Source: Research Department, BSL

On the liabilities side, the growth in RM reflected increase in banks' reserves by 23.76 percent in September 2020, relative to a contraction of 16.22 percent in August 2020. Currency issued also increased by 1.43 percent, from a contraction of 0.41 percent in August 2020.

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

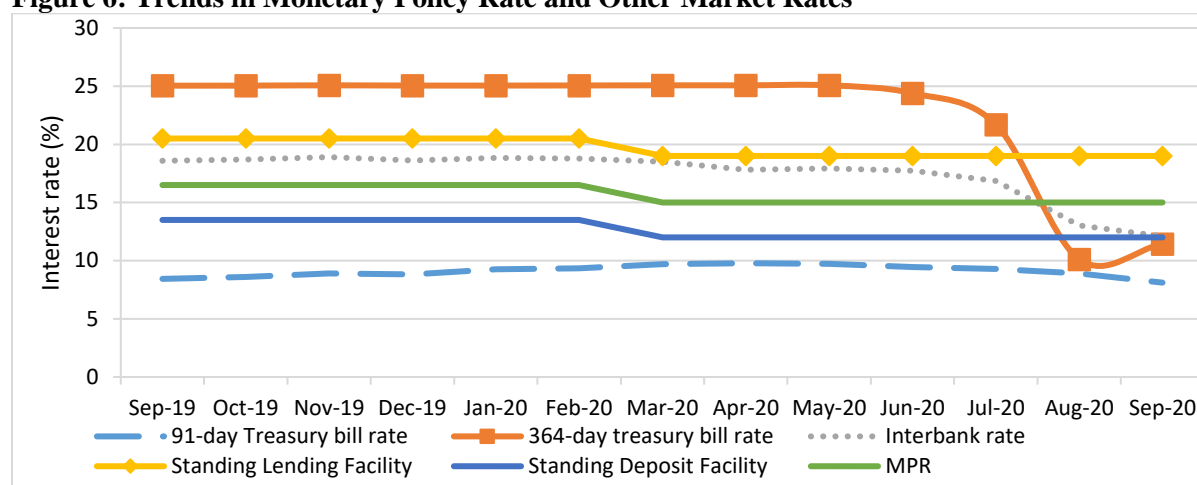
Source: Research Department, BSL

### 4.3 Interest Rates

The Monetary Policy Rate (MPR) remained unchanged at 15.00 percent in September 2020. The Standing Lending Facility rate also remained unchanged at 19.00 percent, while the Standing Deposit Facility rate was reduced to 10.00 percent. The interbank rate declined to 12.09 percent in September 2020, from 13.04 percent in August 2020. This partly reflects excess liquidity in the

banking system. The commercial banks' average lending and saving deposit rates remained unchanged at 20.46 percent and 2.72 percent in September 2020, respectively.

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



Source: Research Department, BSL

Yields on government securities were mixed during the review period. The yields on 91-day T-bills decreased from 8.91 percent in August 2020 to 8.11 percent in September 2020. However, the yields on both the 182-day T-bills and 364-day T-bills increased from 9.42 percent and 10.12 percent in August 2020, to 9.68 percent and 11.44 percent in September 2020, respectively.

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

	2019				2020								
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
91-day T-Bills	8.44	8.61	8.89	8.83	9.25	9.34	9.69	9.78	9.71	9.46	9.29	8.91	8.11
182-day T-Bills	11.38	12.46	13.21	13.21	13.21	13.21	13.21	13.21	13.21	13.21	13.21	9.42	9.68
364-day T-Bills	25.04	25.05	25.07	25.05	25.05	25.06	25.07	25.07	25.07	24.39	21.7	10.12	11.44
Interbank rate	18.57	18.68	18.9	18.61	18.84	18.77	18.50	17.80	17.91	17.73	16.85	13.04	12.09
SLF	20.50	20.50	20.5	20.50	20.50	20.50	19.00	19.00	19.00	19.00	19.00	19.00	19.00
SDF	13.50	13.50	13.5	13.50	13.50	13.50	12.00	12.00	12.00	12.00	12.00	12.00	12.00
MPR	16.50	16.50	16.50	16.50	16.50	16.50	15.00	15.00	15.00	15.00	15.00	15.00	15.00
Av. Lending rate	21.35	21.35	21.35	21.35	20.49	20.49	20.49	20.49	20.51	20.51	20.77	20.46	20.46
Lending (Prime)	17.92	17.92	17.92	17.92	17.89	17.89	17.72	17.72	17.75	17.75	18.04	17.41	17.41
Savings deposits	-	-	-	-	-	-	-	-	-	-	-23.5	-23.5	-23.6
	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.89	2.72	2.72

Source: Research Department, BSL

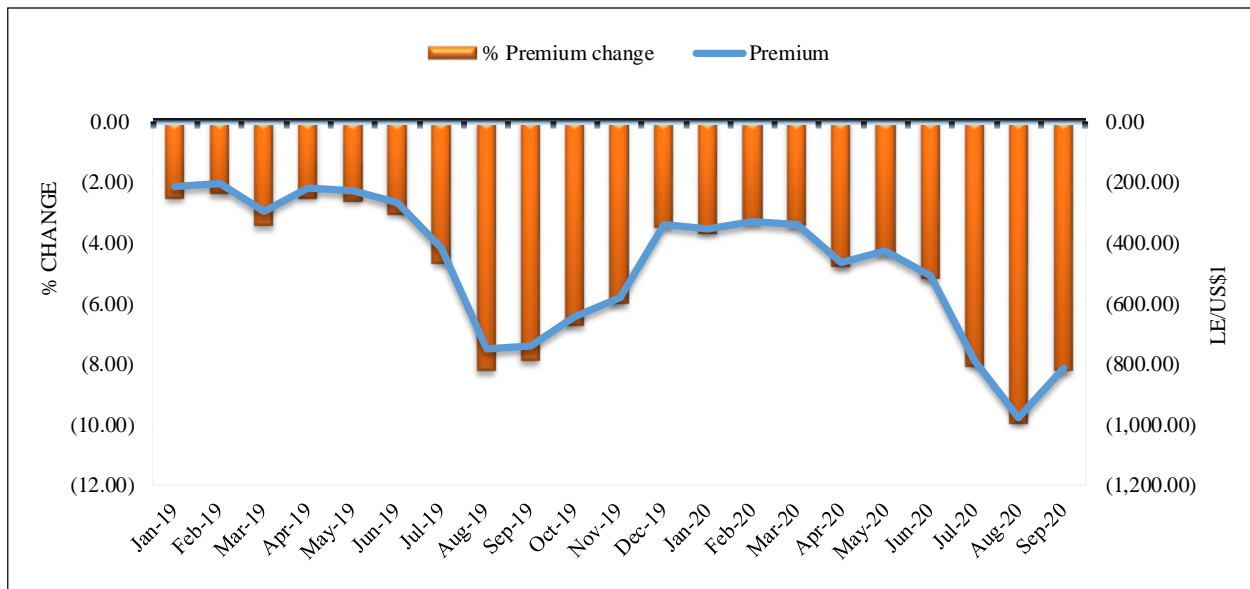
## 5.0 Exchange Rate Developments

In September 2020, movements in the average exchange rate of the Leone vis-à-vis the US dollar were mixed in all foreign exchange market segments. On the buying front, the Leone depreciated in the commercial banks, bureau and official markets by 0.59 percent, 0.53 percent and 0.43 percent averaging Le9,945.45/US\$1, Le9,643.40/US\$1 and Le9,740.80/US\$1 respectively, while the parallel market rate appreciated by 1.24 percent, averaging Le10,600.00/US\$1.

On the selling front, the Leone depreciated in the commercial banks, official and bureau markets by 0.71 percent, 0.43 percent and 0.35 percent, averaging Le10,122.47/US\$1, Le9,937.48/US\$1 and Le10,036.76/US\$1 respectively, while the Leone appreciated in the parallel market by 1.23 percent, averaging Le10,700.00/US\$1.

The premium between the official and parallel rates narrowed by 1.83 percentage points to Le810.86/US\$1 in September, 2020 from Le986.37/US\$1 in August, 2020 (See figure 7).

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



Source: Bank of Sierra Leone

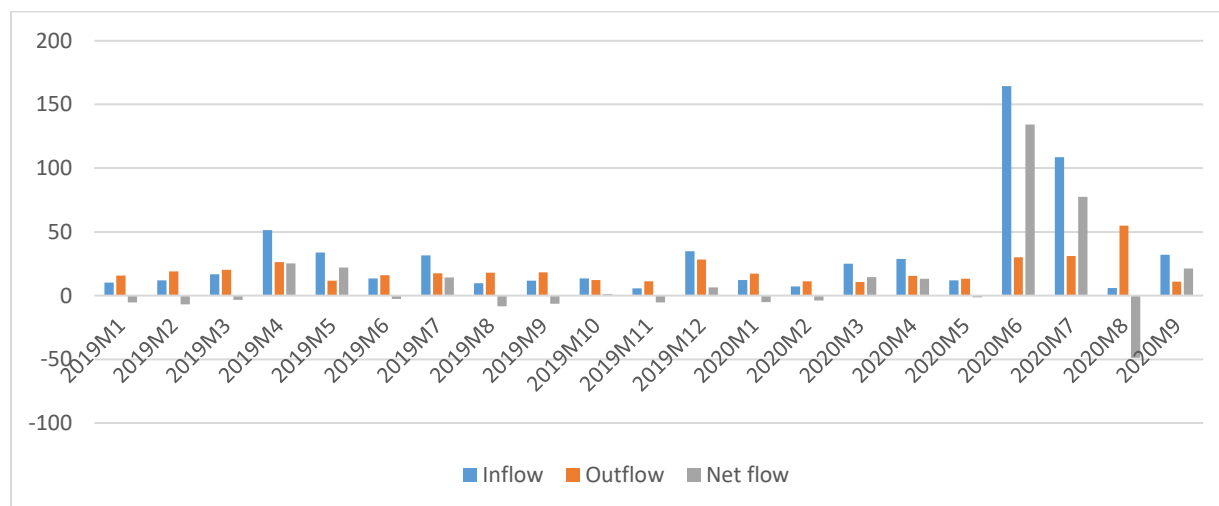
## 6.0 Gross Foreign Exchange Reserves

Gross foreign exchange reserves of the Bank of Sierra Leone increased to US\$738.04mn as at end September 2020 from US\$720.85mn recorded in August 2020. This development reflects an increase in inflows of US\$32.00mn over outflows of US\$10.84mn, resulting in a net inflow of US\$21.16mn.

Major inflows included receipts from exports (US\$5.26mn) of which; Rutile exports (US\$2.44mn), Bauxite (US\$0.10mn), Koidu Holding mining co. (US\$1.30mn), other mining receipts (US\$0.18mn) and timber exports (US\$1.08mn). Other inflows included other government receipts (US\$0.85mn), interest earned by BSL from investments abroad (US\$0.35mn) and aid disbursement from AfDB (US\$25.50mn).

Significant outflows included debt service payments (US\$3.82mn) of which; World Bank (US\$0.65mn), AfDB (US\$0.31mn), IFAD (US\$0.20mn), other multilateral & bilateral creditors (US\$1.40mn) and OPEC/OFID (US\$1.25mn). Other outflows comprised embassy and mission payments (US\$1.82mn), BSL expense on renovation of bank building (US\$0.28mn), printing of currency (US\$1.52mn), other government outflows (US\$2.64mn), subscription to international organizations (US\$0.26mn) and interbank market operations (US\$0.50mn).

**Figure 8: Trends in Foreign Exchange Flows**



Source: Bank of Sierra Leone