



**BANK OF SIERRA LEONE**

**Monthly Economic Review**

MER/09/2022

September 2022



# **BANK OF SIERRA LEONE**

## **Monthly Economic Review**

September 2022

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](mailto:res@bsl.gov.sl).

**Address:** Siaka Stevens Street, P O Box 30, Freetown, Sierra Leone.

## TABLE OF CONTENTS

TABLE OF CONTENTS .....	ii
List of Figures .....	iii
List of Tables .....	iv
Executive Summary .....	5
2. Production and Prices .....	6
2.1 Production .....	6
2.1.1 Agriculture .....	6
2.1.2 Mining .....	7
2.1.3 Manufacturing .....	7
2.2 Price Developments .....	7
3. Fiscal Developments .....	9
3.1 Fiscal Balance .....	9
3.2 Revenues .....	9
3.3 Expenditures .....	10
4. Monetary Developments .....	10
4.1 Broad Money .....	11
4.3 Interest Rates .....	15
5. External Sector .....	17
5.1. Gross Foreign Exchange Reserves .....	17
5.2 Exchange Rate Developments .....	17
6. Conclusion .....	18

## List of Figures

<b>Figure1: Headline, Food and Non-Food Inflation</b> .....	8
<b>Figure2: Year-on-year Inflation and Monthly Inflation Change</b> .....	8
<b>Figure 3: Inflation Rates in August 2022 and September 2022 by Region</b> .....	9
<b>Figure 4: Government Revenue and Expenditure</b> .....	10
<b>Figure 5: Growth of M2 and Contributions of NFS and NDA to M2 Growth</b> .....	11
<b>Figure 6: Reserve Money Growth and Contributions of NFA and NDA to Reserve Money Growth</b> .....	14
<b>Figure 7: Bank of Sierra Leone Interest Rates and the Interbank Rate</b> .....	15
<b>Figure 8: Average lending and Savings deposit rates</b> .....	16
<b>Figure 9: Yields on Treasury Bills</b> .....	16
<b>Figure 10: Foreign Exchange Flows</b> .....	17
<b>Figure 11: Premium between Official and Parallel Exchange Rates</b> .....	18

**List of Tables**

**Table 1: Growth of Monetary Aggregates** ..... 12  
**Table 2: Growth of Reserve Money and its Components**..... 14

## Executive Summary

Performance in the agricultural sector was impressive in September 2022 as Coffee production increased by 1431.01 percent to 2,939.54 metric tons from 192.00 metric tons in August, 2022. Cocoa production expanded by 141.77 percent to 558.50 metric tons in September 2022 from 231.00 metric tons in August 2022.

Mining sector activities was mixed in September 2022. Production volumes of diamond, rutile, and other minerals increased, while gold, bauxite, ilmenite and iron ore declined during the review period. Activities in the manufacturing sector improved in September 2022. Beer and Stout production increased by 174.84 percent to 204.45 thousand cartoons in September 2022. Maltina and cement productions increased by 265.83 percent to 36.36 thousand cartoons and 58.25 percent to 15.31 thousand metric tons respectively. Paint production increased by 35.26 percent to 44.04 thousand gallons. Oxygen and Common Soap productions increased by 52.46 thousand cubic feet and 8.29 thousand metric tons respectively, while Confectionery production decreased by 7.43 percent to 198.39 thousand pounds.

Headline inflation (year-on-year) increased to 29.10 percent in September 2022, from 28.14 percent in August 2022. This reflects the increase in food inflation, yet non-food inflation declined in the review period. Food inflation rose to 35.20 percent in September 2022 from 31.60 percent in August 2022, however non-food fell to 25.37 percent in September 2022 from 26.58 percent in August 2022.

Government budgetary operations (on a cash flow basis) in September 2022 recorded a narrowed deficit of SLe 605.38million compared to a deficit of SLe 730.38million in August 2022, reflecting a contraction in total expenditure and increase in revenue. The overall fiscal deficit was financed from domestic sources

Developments in monetary aggregates were mixed, reflected by the growth in Broad Money (M2) and decline in Reserve Money (RM). Broad Money grew by 4.14 percent in September 2022, from 3.79 percent in August 2022. In particular, net domestic assets (NDA) contributed 8.14 percent to the growth of broad money while NFA contributed -4.00 percent. Similarly, reserve money fell by 4.95 percent in September 2022 down from 7.72 percent growth in August 2022. The Monetary Policy Rate (MPR), Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) remained the same in the review period.

The gross foreign exchange reserve (including swaps) in September 2022 was US\$616.06 million from US\$668.61 million in August 2022, representing a decrease of 8.53 percent. Inflows recorded in September 2022 amounted to US\$18.18 million, while outflows recorded US\$58.46million, representing a net outflow of US\$40.29 million and a revaluation adjustment of US\$12.26 million. The monthly average exchange rate depreciated in all foreign exchange markets in September 2022 on both the buying and selling fronts. On the demand side, the Leone depreciated in the parallel market by 7.74 percent averaging Le15.22/US\$1 and further depreciated across the commercial banks, official and bureau markets by 4.97 percent, 5.50 percent and 3.32 percent respectively. On the supply side, the Leone depreciated in the parallel market by 9.79 percent averaging Le15.60/US\$1 and in the bureau, official markets and commercial banks by 3.22 percent, 5.52 percent and 5.99 percent 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 analyze Sierra Leone's monthly macroeconomic developments, covering the four macroeconomic sectors- real, fiscal, monetary and external sectors. This edition analyses performance in September 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 analyzed. 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 analyzed. 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 organized 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**

Agricultural sector performance, for which coffee and cocoa productions are proxies, improved in September 2022. Cocoa production increased by 141.77 percent to 558.50 metric tons in September 2022 from 231.00 metric tons in August 2022. Coffee production recorded a growth of 2,939.54 metric tons in September 2022 from 192.00 metric tons in August 2022.

### **2.1.2 Mining**

Performance in the mining sector in September 2022 was mixed. As production of diamonds, rutile, and other minerals increased, whilst the production of gold, bauxite, Ilmenite, and iron ore fell during the review period. Total diamond production rose by 22.65 percent to 48.36 thousand carats, driven mainly by increase in industrial diamond of 14.95 thousand carats, while gem diamond recorded a decline of 33.41 thousand carats. Rutile and other minerals output also grew by 0.55 percent to 9.12 thousand metric tons and 40.79 percent to 3.65 thousand metric tons respectively in September 2022.

Gold (pure) production decreased by 51.10 percent to 92.92 ounces. Bauxite and Ilmenite productions fell by 17.40 percent and 8.14 percent respectively, to 92.34 thousand metric tons and 4.45 thousand metric tons respectively. Production of Zircon and iron ore also dropped by 19.01 percent and 2.82 percent respectively to 3.65 thousand metric tons and 332.86 thousand metric tons during the review period.

### **2.1.3 Manufacturing**

In September 2022, economic activities in the manufacturing sector improved, compared to August 2022. Beer and stout production increased by 174.84 percent to 204.45 thousand cartoons. Maltina and cement productions increased by 265.83 percent and 58.25 percent respectively to 36.36 thousand cartoons and 15.31 thousand metric tons respectively and paint production increased by 35.26 percent to 44.04 thousand gallons from 32.56 thousand gallons in August 2022. Oxygen and common soap productions increased by 52.46 thousand cubic feet and 8.29 thousand metric tons respectively. On the contrary, Confectionery production decreased by 7.43 percent to 198.39 thousand pounds.

## **2.2 Price Developments**

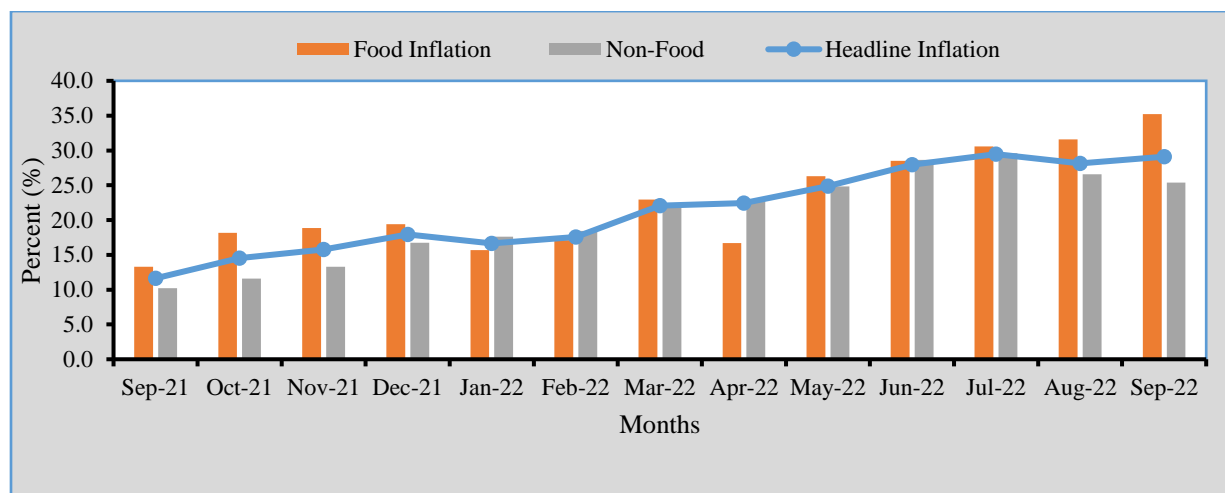
Annual headline inflation increased to 29.10 percent in September 2022, from 28.14 percent in August 2022. This reflects the increase in food inflation, yet non-food inflation declined in the review period. Food inflation rose to 35.20 percent in September 2022 from 31.60 percent in



August 2022. However non-food fell to 25.37 percent in September 2022 from 26.58 percent in August 2022.

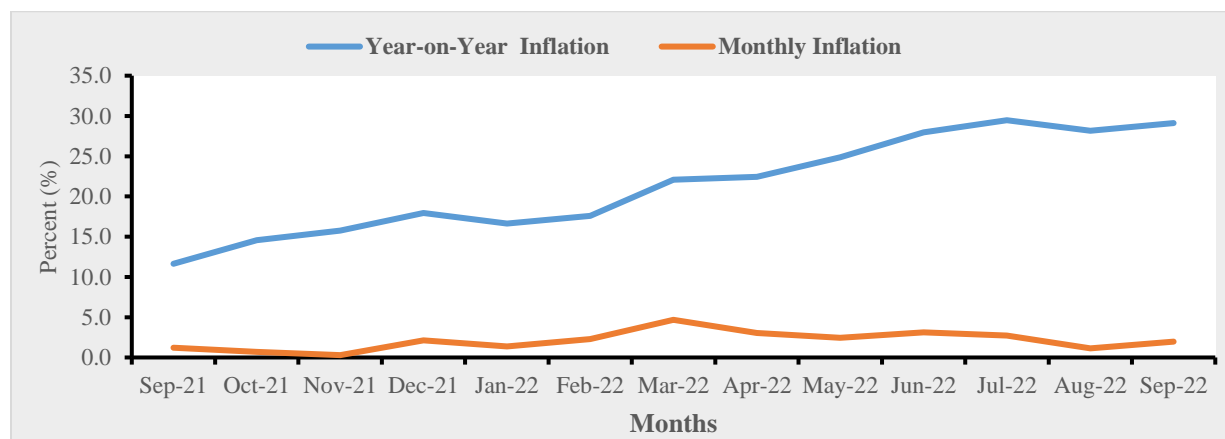
Monthly headline inflation however increased to 1.96 percent in September 2022 from 1.14 percent in August 2022. Figure 1 shows the trend of the year-on-year headline, food and non-food inflation rates while figure 2 shows trend of the year-on-year and monthly inflation rates.

**Figure1: Headline, Food and Non-Food Inflation**



Source: Statistics Sierra Leone

**Figure2: Year-on-year Inflation and Monthly Inflation Change**

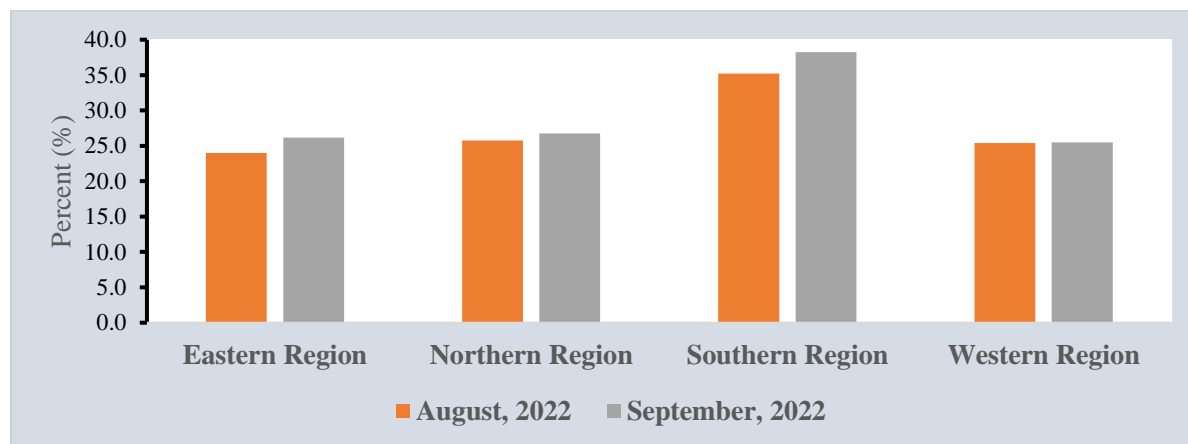


Source: Statistics Sierra Leone

On regional wise, inflation in September 2022 increased in all the four regions. Western region inflation increased to 25.49 percent in September 2022 from 25.41 percent in August 2022; Southern region inflation increased to 38.25 percent in September 2022 from 35.23 percent in

August 2022; and Northern region inflation rose to 26.76 percent in September 2022 from 25.78 percent in August 2022. Eastern region inflation also increased to 26.18 percent in September 2022 from 24.00 percent in August 2022. Figure 3 shows inflation rates by region.

**Figure 3: Inflation Rates in August 2022 and September 2022 by Region**



**Source:** Statistics Sierra Leone

### 3. Fiscal Developments

#### 3.1 Fiscal Balance

In September 2022, government budgetary operations recorded a reduced deficit of SLe 605.38 million compared to SLe 730.38 million in August 2022, reflecting the contraction in total expenditure and increase in revenue. The overall fiscal deficit was financed from domestic sources.

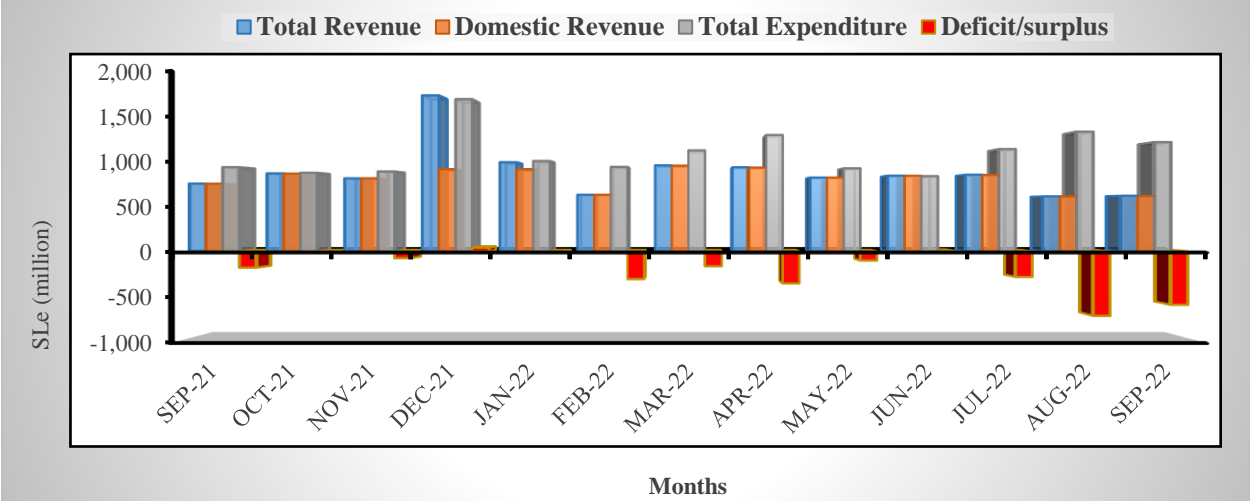
#### 3.2 Revenues

Government revenue mobilization amounted to SLe629.34million, representing a 1.09 percent increase and was 39.15 percent lower than the target of SLe1, 034.32million. In addition, government revenue was exclusively domestic revenue.

Domestic revenue increased slightly by 0.35 percent to SLe625.58million, but was however below the target of SLe648.96million by 3.60 percent. The increase in domestic revenue was due to the expansion in all its components with the exception of non-tax revenue. Receipts from customs and excise rose by 5.54 percent to SLe81.97million. Revenue from Income tax increased by 55.78 percent to SLe 283.76 million. Revenue from Goods and Services taxes increased by 10.38

percent, to SLe 107.50 million. However, non-tax (miscellaneous) revenue fell by 30.11 percent SLe152.36million. Figure 4 gives the trend in the fiscal profile from September 2021 to September 2022.

**Figure 4: Government Revenue and Expenditure**



Source: Bank of Sierra Leone

**3.3 Expenditures**

Government expenditure contracted by 10.22 percent to SLe1234.73million in September 2022 and was higher than the ceiling of SLe807.62million by 52.88 percent. The contraction in government expenditure emanated from decline in all its components during the review period.

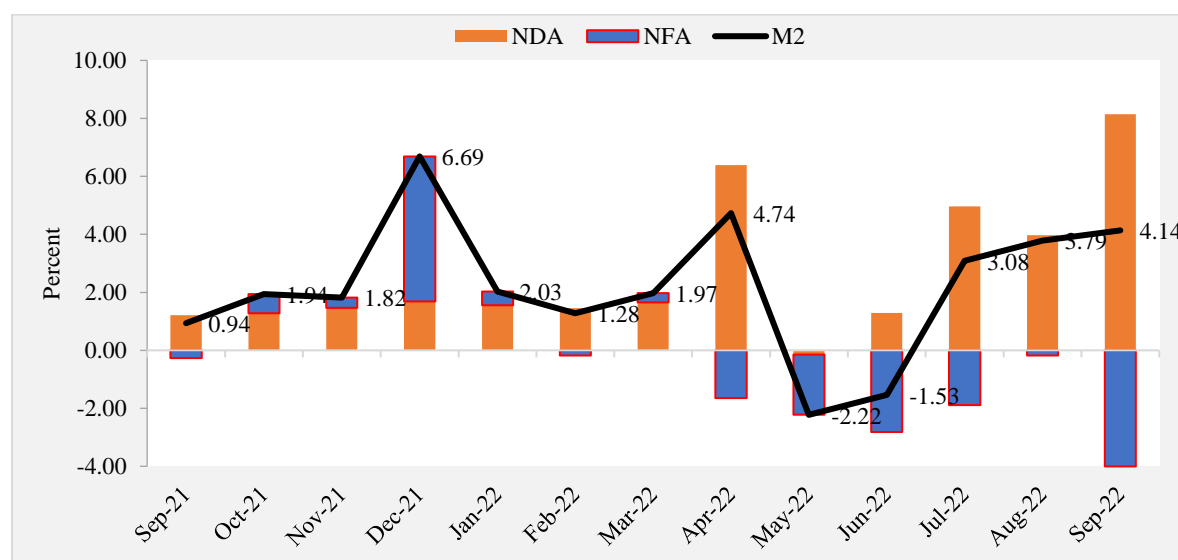
Expenditures on pension, wages and salaries decreased by 2.85 percent, to SLe 410.90 million in September 2022. Other expenditures on goods and services declined by 16.84 percent to SLe 699.55million. Debt service payments in September 2022, which was entirely domestic interest payments, amounted to SLe124.27million, reflecting a slight decline of 0.51 percent. Figure 4 gives the trend in the fiscal profile from September 2021 to September 2022.

**4. Monetary Developments**

#### 4.1 Broad Money

In September 2022, Broad money (M2) grew by 4.14 percent down from 3.79 percent in August 2022. The growth of broad money (M2) resulted mainly from increment in the Net domestic Assets (NDA) which outweighed the decline in the Net Foreign Assets (NFA) of the banking system. Particularly, net foreign assets contributed negatively, by -4.00 percent, to the growth of broad money, while, net domestic assets positively, by 8.14 percent to broad money growth. 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 September 2021 to September 2022.

**Figure 5: Growth of M2 and Contributions of NFS and NDA to M2 Growth**



**Source:** Bank of Sierra Leone

Net domestic assets of the banking system grew by 9.43 percent in September 2022, relative to 4.64 percent in August 2022. The growth of NDA was mainly attributed to the increase in both the net claims on Government by the Bank of Sierra Leone (BSL) and the other depository corporations (ODCs). Net claims on government by the BSL increased by 6.41 percent in September 2022 relative to 12.26 percent in August 2022, while that of the other depository corporations increased by 3.60 percent in September 2022, relative to 6.11 percent in August 2022. Credit to the private sector by the other depository corporations rose by 1.87 percent in September 2022, down from 0.92 percent in August 2022. Claims on other sectors (net) dropped by 24.08

percent in September 2022, compared to a growth of 6.21 percent in August 2022. Table 1 shows the growth in Monetary Aggregates.

**Table 1: Growth of Monetary Aggregates**

Millions of Leones	Actual Values		Absolute Change		% Growth	
	Aug-22	Sep-22	Aug-22	Sep-22	Aug-22	Sep-22
<b>Broad Money (M2)</b>	16.36	17.04	0.6	0.68	3.79	4.14
<b>Narrow money (M1)</b>	7.84	8.17	0.31	0.33	4.13	4.27
Currency outside banks	3.54	3.58	0.22	0.04	6.68	1.06
Demand deposit	4.30	4.60	0.09	0.30	2.12	6.92
<b>Quasi money</b>	8.52	8.86	0.29	0.34	3.47	4.02
o.w. Foreign currency deposit	4.96	5.31	0.15	0.35	3.14	7.00
Time and saving deposit	3.55	3.54	0.14	(0.00)	3.94	(0.12)
Other Deposits - BSL	0.01	0.00	0.00	(0.00)	(1.16)	(19.36)
<b>Net Foreign Asset</b>	2.24	1.58	(0.03)	(0.65)	(1.28)	(29.29)
BSL	(3.08)	(3.86)	(0.33)	(0.78)	12.11	25.27
ODCs*	5.31	5.44	0.30	0.13	6.06	2.31
<b>Net Domestic Assets</b>	14.12	15.45	0.62	1.33	4.64	9.43
<b>Net Domestic Credit</b>	16.50	17.28	1.10	0.78	7.16	4.73
Government (Net)	13.21	13.86	1.08	0.65	8.95	4.94
BSL	6.29	6.69	0.69	0.40	12.26	6.41
ODCs	6.92	7.17	0.40	0.25	6.11	3.60
Private Sector Credit	3.55	3.61	0.03	0.06	0.91	1.85
o.w ODC	3.53	3.60	0.03	0.07	0.92	1.87
Other Sectors (Net)**	(0.26)	(0.20)	(0.02)	0.06	6.21	(24.08)
<b>Other Items (Net)</b>	(2.38)	(1.83)	(0.48)	0.55	25.06	(23.21)

**Source:** Bank of Sierra Leone

\*ODC is Other Depository Corporations, which includes Commercial Banks, Community Banks, Discount Houses, and Deposit Taking Microfinance Institutions.

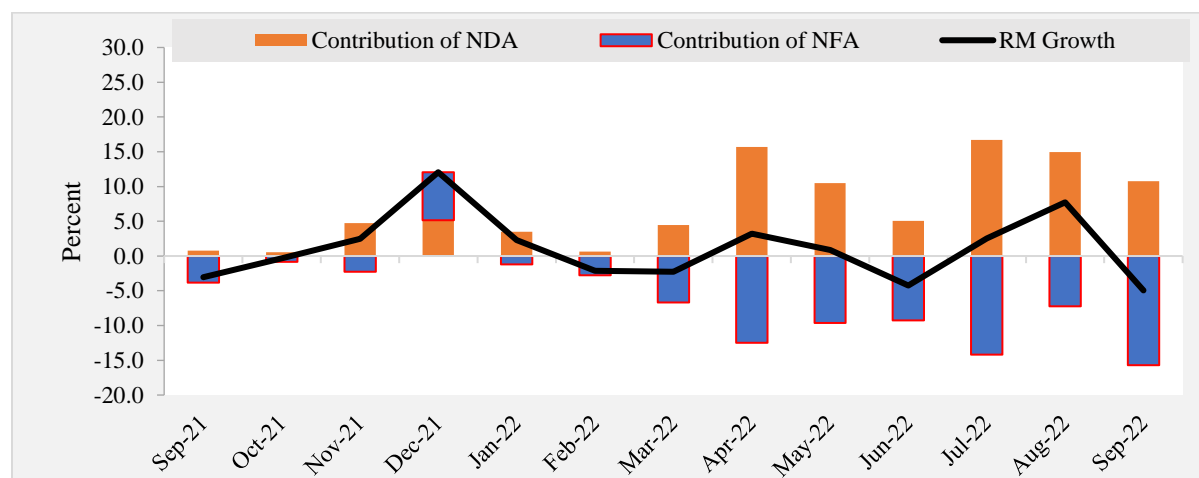
\*\*Other sectors include Other Financial Corporations and Public Non-Financial Corporations.

Net foreign assets (NFA) of the banking system contracted by 29.29 percent in September 2022 from a decline of 1.28 percent in August 2022. The contraction in NFA of the banking system was largely on account of depreciation of the Leone against the United States dollar, whilst NFA of Other Depository Corporations expanded. The NFA of the BSL declined by 25.27 percent in September 2022 to Le3.86million, from Le3.08million in August 2022. This was a reflection of the deterioration in the negative position of the NFA. Conversely, NFA of Other Depository Corporations grew by 2.31 percent in September 2022, compared to 6.06 percent in August 2022.

Narrow money (M1) recorded 4.27 percent growth in September 2022, following 4.13 percent growth in August 2022. The growth of narrow money was as a result of growth in both currency outside banks and demand deposits in September 2022. Demand deposits increased by 6.92 percent in September 2022, following 2.12 percent growth in August 2022, and currency outside banks grew by 1.06 percent in September 2022, compared to 6.68 percent in August 2022. Quasi money grew by 4.02 percent in September 2022, compared to 3.47 percent growth in August 2022. The growth of quasi money was mainly attributed to the increase in foreign currency deposit, whereas time and saving deposit and other deposits by BSL decline in August 2022. Foreign currency deposit increased by 7.00 percent in September 2022, relative to 3.14 percent in August 2022, time and saving deposit fell by 0.12 percent in September 2022, relative to 3.94 percent in August 2022, and other deposits by BSL declined by 19.36 percent in September 2022, relative to 1.16 percent in August 2022.

Reserve money declined by 4.95 percent in September 2022, relative to 7.72 percent growth in August 2022. The decline in reserve money was due to the deterioration of net foreign assets of BSL which outweighed the expansion in NDA of BSL. Net foreign assets of the BSL deteriorated due to increase in liabilities of non-residents, which emanated from depreciation of the exchange rate. Net foreign assets of the BSL fell by 25.27 percent to a negative position of Le3.86million in September 2022, relative to a negative position of Le3.08million in August 2022. On the other hand, NDA of BSL grew by 6.63 percent in September 2022, relative to 9.36 percent growth in August 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 10.75 percent to the growth in reserve money in September 2022, following 14.94 percent contribution in August 2022, whilst net foreign assets contributed -15.69 percent to the growth of reserve money in September 2022, relative to -7.22 percent contribution in August 2022. Table 2 shows the growth of reserve money and its components.

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

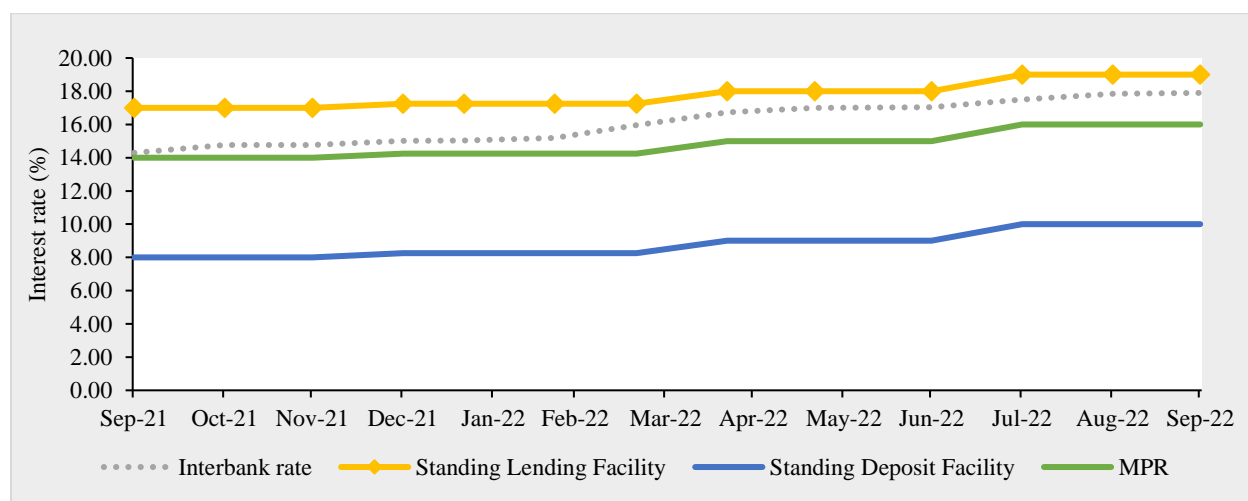
Millions of Leones	Actual Values		Absolute Value		% Growth	
	Aug-22	Sep-22	Aug-22	Sep-22	Aug-22	Sep-22
<b>Net Foreign Assets</b>	(3.08)	(3.86)	(0.33)	(0.78)	12.11	25.27
<b>Net Domestic Assets</b>	8.04	8.57	0.69	0.53	9.36	6.63
Government Borrowing (net)	6.29	6.69	0.69	0.40	12.26	6.41
o.w. Securities	2.04	2.02	0.20	(0.02)	10.35	(0.86)
Ways and Means	0	0	(0.43)	-	(100.00)	#DIV/0!
GoSL/IMF /WB Budget financing	3.53	3.53	-	-	-	-
<b>Reserve money</b>	4.96	4.71	0.36	(0.25)	7.72	(4.95)
o.w. Currency issued	3.54	3.58	0.22	0.04	6.68	1.06
Bank reserves	0.86	0.62	0.21	(0.23)	32.31	(27.18)

**Source:** Bank of Sierra Leone

### 4.3 Interest Rates

In September 2022, the Monetary Policy Rate (MPR), Standing Lending Facility, and Standing Deposit Facility remained the same as in August 2022, at 16.00 percent, 19.00 percent, and 10.00 percent respectively. However, the interbank rate changed to 17.90 percent in September 2022, relative to 17.85 percent in August 2022. Figure 7 shows the trend in the Bank of Sierra Leone interest rates and the interbank rate in August 2022.

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

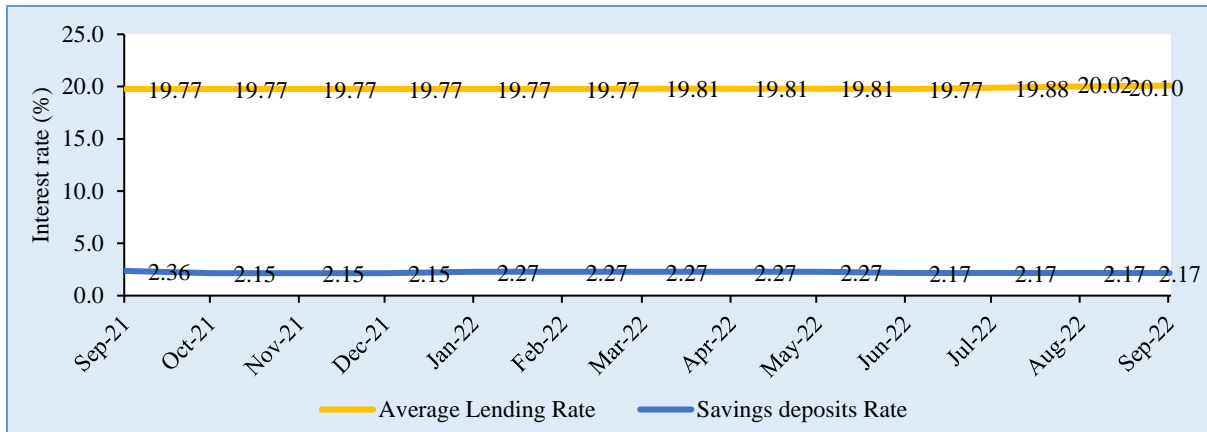


**Source:** Bank of Sierra Leone

The commercial banks` average lending rate reduced slightly to 20.10 percent in September 2022, relative to 20.02 percent in August 2022. However, savings deposit rates remain unchanged at 2.17 in September as was in August 2022. Figure 8 shows the trend in average lending rate and average savings rate.



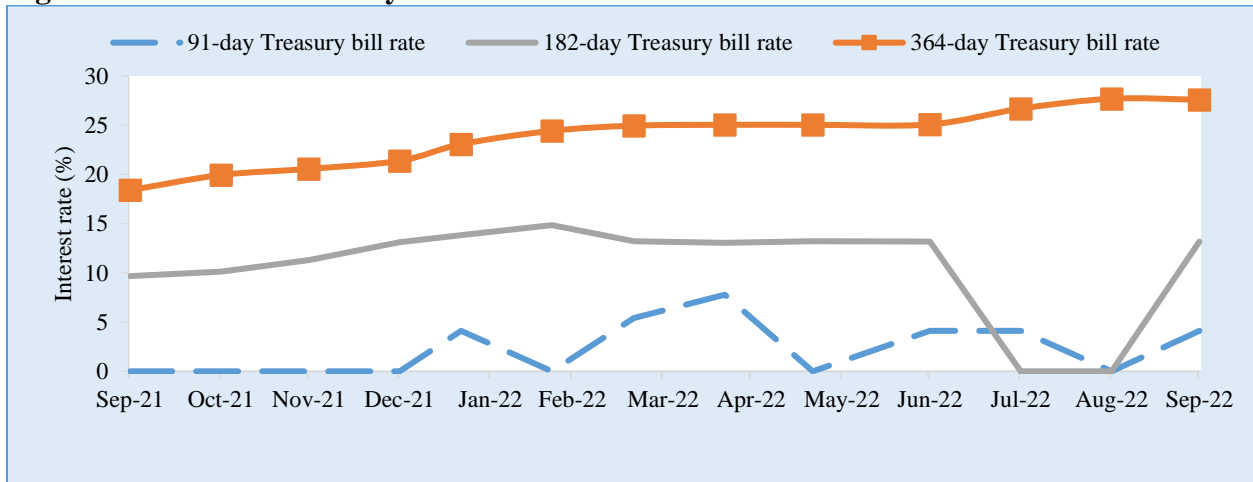
**Figure 8: Average lending and Savings deposit rates**



**Source:** Bank of Sierra Leone

The yields on 91-day T-Bills and 182-day T-bills increased in September 2022, while the yield on 364-day T-bills fell. The yield on 364-day T-bills declined to 27.59 percent in September 2022, from 27.69 percent in August 2022. The yield on the 91-day T-Bills rose to 4.11 percent in September 2022, though there was no subscription in August 2022. The yield on 182-day T-Bills was 13.19 in September 2022, though there was no subscription in August 2022. Figure 9 shows trend in the yields on T- bills.

**Figure 9: Yields on Treasury Bills**



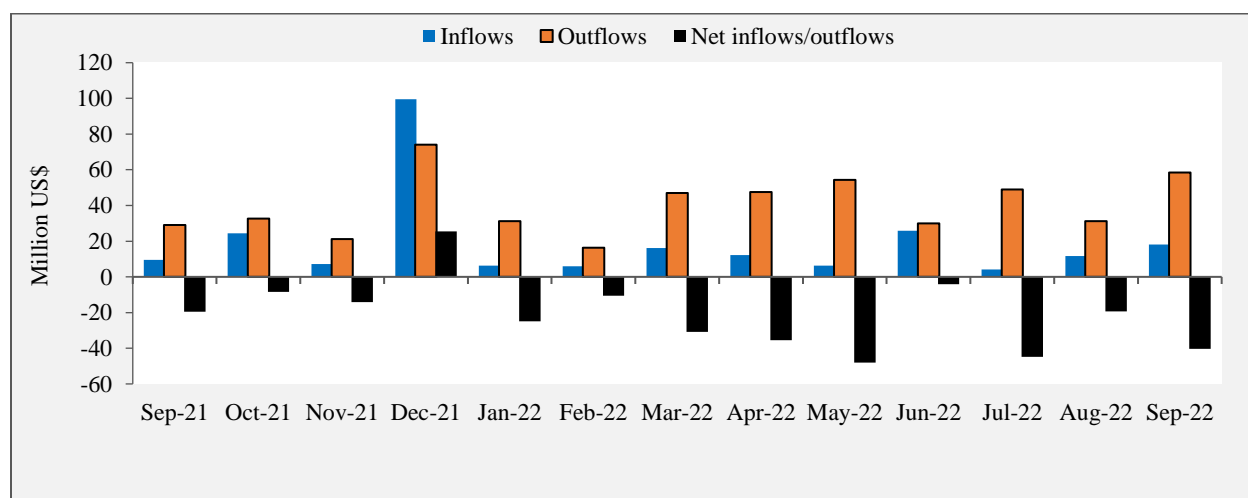
**Source:** Bank of Sierra Leone

## 5. External Sector

### 5.1. Gross Foreign Exchange Reserves

As at end September, 2022, the gross foreign exchange reserves (including swaps) of the Bank of Sierra Leone was US\$616.06 million, compared to US\$668.61 million at the end of August, 2022. Inflows in September 2022 amounted to 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: Foreign Exchange Flows**



Source: Bank of Sierra Leone

### 5.2 Exchange Rate Developments

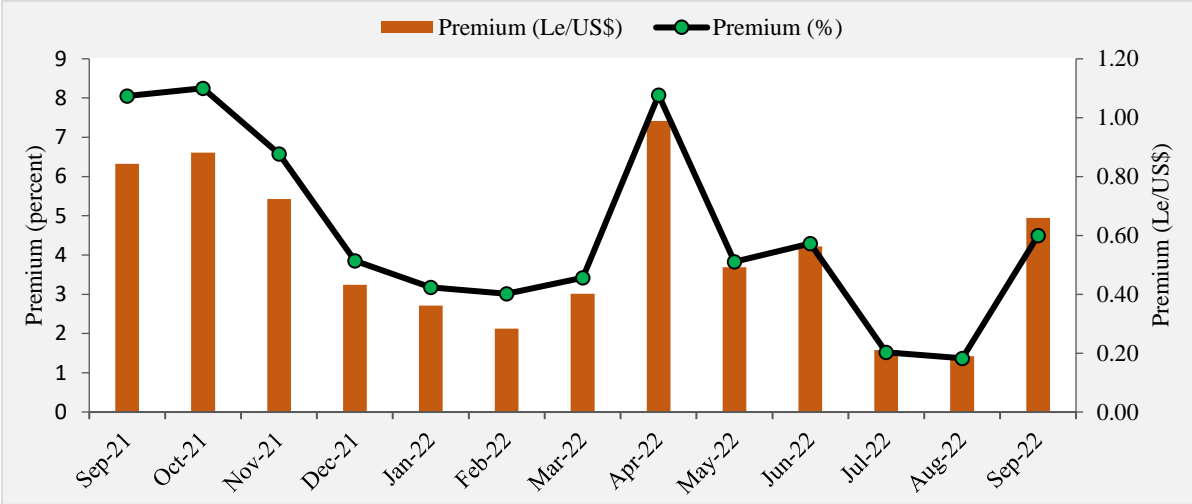
The monthly average exchange rate of the Leone against the US dollar depreciated in all foreign exchange markets in September 2022 on both the buying and selling sides. With regards to the buying side, the Leone depreciated in the parallel market by 7.74 percent, averaging Le15.22/US\$1, and also depreciated across commercial banks, and official and bureau markets by 4.97 percent, 5.50 percent and 3.32 percent, averaging Le14.58/US\$1, Le14.67/US\$1 and Le14.12/US\$1 respectively.

Similarly, on the selling side, the Leone depreciated in the parallel market by 9.79 percent, averaging Le 15.60/US\$1 and depreciated in the bureau market, official market and commercial

banks by 3.22 percent, 5.52 percent and 5.99 percent, averaging Le14.59/US\$1, Le14.82/US\$1 and Le14.92/US\$1 respectively.

The premium between the Official and Parallel rates widened from 1.37 percent in August 2022, (which was equivalent to Le0.19US\$1), to 4.50 percent in September 2022 (equivalent to Le0.66/US\$1). 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**

Activities in the agricultural sector, measured by production of Coffee and Cocoa, improved in September 2022 as both Coffee and Cocoa productions increased. Mining sector performance was however mixed in September 2022, as production of Bauxite, ilmenite and iron ore increased whilst diamonds, gold, rutile, zircon and other minerals’ production fell. Performance in the manufacturing sector improved in September 2022 as Beer and Stout, Maltina, Cement and Paint productions increased. Similarly, Oxygen and Common Soap productions increased, while Confectionery production decreased.

Headline inflation (year-on-year) continued to increase in September 2022, reflecting the impact of the supply-side shocks, which translated upward adjustment of energy prices. While food inflation edged up, non-food inflation trended downwards.

In September 2022, government budgetary operations recorded a reduced deficit of SLe 605.38million compared to SLe 730.38million in August 2022, reflecting the contraction in total expenditure, whilst revenue expanded. The overall fiscal deficit was financed from domestic sources.

The Monetary Policy Rate (MPR), Standing Lending Facility (SLF) and Standing Deposit Facility (SDF) remained the same, at 16.00 percent, 19.00 percent and 10.00 percent respectively. Developments in monetary aggregates revealed a mixed outcome in September 2022, as broad money expanded, while reserve money contracted. The yield on 182-day T-bills and 91-day T-bills increased, whilst the yield on the 364-day T-bills fell. The monthly average exchange rate of the Leone against the US dollar depreciated in all foreign exchange markets in September 2022 on both the buying and selling fronts. The gross foreign exchange reserves (including swaps) declined in September 2022 and there were more outflows than inflows.