

Bank of Sierra Leone

Governor's Office



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West Africa

MONETARY POLICY STATEMENT

The Monetary Policy Committee (MPC) of the Bank of Sierra Leone (BSL) met on Thursday 28th June 2018 under the Chairmanship of the Governor, Dr. Patrick Saidu Conteh. Based on assessment of recent developments in both domestic and international economic environments and outlook for the year, the MPC decided to increase the Monetary Policy Rate (MPR) by 150 basis points to 16.5 per cent.

Real GDP growth is projected to remain at 3.7 per cent in 2018, same as in 2017. This is mainly attributed to the suspension of iron ore mining due to weak market conditions and operational challenges.

After a steady decline from 15.33 per cent in December 2017 to 14.91 per cent in March 2018, the rate of inflation increased to 15.14 per cent in April 2018 and further to 16.02 per cent in May 2018. The pickup in inflation reflected several factors including the depreciation of the Leone and an increase in food and non-food prices, reversing the disinflation trend observed since the beginning of 2018.

Money supply growth decelerated in Q1 2018, reflecting the tight monetary policy stance, coupled with weak capacity utilization in the economy. The slowdown in money growth was explained by a drop in net foreign assets and net domestic credit. Private sector credit contribution to monetary developments continues to be modest.

Liquidity conditions in the banking system remained tight with the interbank rate moving close to the monetary policy rate in Q1, 2018, while the yield on the one year Treasury bill remains high. The yields are however expected to decline once the public sector borrowing requirements are reduced through the ongoing fiscal consolidation efforts of the new government.

The financial system is largely sound and profitable with all Commercial banks within the Minimum Capital threshold. However, non-performing loans and Commercial banks' lending interest rates remain high.

On the global economic outlook, the MPC noted that growth will continue to strengthen as global GDP is expected to edge up from 3.8 per cent in 2017 to 3.9 per cent in 2018 and 2019, due to supportive financial conditions, improved global trade and rising commodity prices. Sierra Leone is likely to benefit from the global growth prospect, owing to the potential increase in demand for exports from Sierra Leone.

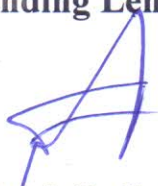
Despite the subdued domestic growth outlook, some risks still remain to the inflation outlook. These risks are largely due to the rising domestic food prices arising from seasonal food supply shocks, the depreciating Leone and rising international prices of fuel and rice.

Having considered these developments and outlook for the economy, in particular the uncertainty of the inflation outlook, the MPC resolved to sustain the tight monetary policy stance.

Consequently, the MPC decided to increase the Monetary Policy Rate (MPR) by 150 basis points to 16.50 per cent. The asymmetric corridor is fixed at +400 and -300 basis points around the MPR.

Effective Tuesday 3rd July 2018, the following rates are published for the information of the public: -

Monetary Policy Rate is 16.5 per cent
Standing Deposit Facility is 13.5 per cent
Standing Lending Facility is 20.5 per cent



Patrick S. Conteh (Dr.)
Governor