Bank of Sierra Leone

MONETARY POLICY REPORT

JUNE 2019

BANK OF SIERRA LEONE

MONETARY POLICY REPORT

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ACRONYMS

AE	Advanced Economies
AfDB	African Development Bank
BIS	Bank for International Settlement
BOP	Balance of Payments
BSL	Bank of Sierra Leone
CAELS	Capital, Assets, Earnings, Liquidity, Solvency
CAR	Capital Adequacy Ratio
CFC	Customers Foreign Currency
CIEA	Composite Index of Economic Activities
CPI	Consumer Price Index
CRR	Cash Reserve Requirement
ECB	European Central Bank
ECF	Extended Credit Facility
ECOWAS	Economic Community of West African States
EMDEs	Emerging Market and Developing Economies
FSIs	Financial Soundness Indicators
FX	Foreign Exchange
GDP	Gross Domestic Product
GFER	Gross Foreign Exchange Reserves
GoSL	Government of Sierra Leone
GST	Goods and Services Tax
HIPC	Heavily Indebted Poor Countries
IMF	International Monetary Fund
M2	Broad Money
MOF	Ministry of Finance
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
NDA	Net Domestic Assets
NEER	Nominal Effective Exchange Rate
NFA	Net Foreign Assets
NPLs	Non-Performing Loans
ODCs	Other Depository Corporations
OIN	Other Items Net
OMO	Open Market Operations
OPEC	Organization of the Petroleum Exporting Countries
QMPR	Quarterly Monetary Policy Report
Q1	First Quarter
Q2	Second Quarter
Q3	Third Quarter
Q4	Fourth Quarter
REER	Real Effective Exchange Rate
ROA	Return on Assets
ROE	Return on Equity
RM	Reserve Money
SDF	Standing Deposit Facility
SLF	Standing Lending Facility
SSA	Sub-Saharan Africa
Stats SL	Statistics Sierra Leone
T-bills	Treasury Bills
WB	World Bank
WEO	World Economic Outlook
WTI	West Texas Intermediate

INTRODUCTION

Part IV of the Bank of Sierra Leone (BSL) Act 2019 [Section 22:1] requires the BSL to inform the public about how it conducts the monetary policy. The Quarterly Monetary Policy Report (QMPR) is issued as part of this process with the objective of enhancing the public's understanding of the formulation of monetary policy. This objective is also consistent with the BSL's communication strategy, which focuses on making monetary policy decisions transparent, thereby anchoring inflation expectations.

The QMPR covers BSL's assessment of recent global and domestic economic developments and outlook with a view to determining the future direction of the economy. The QMPR also assesses the prospects for inflation and economic activity based on the outlook for both domestic and external factors. It is on the basis of this assessment that BSL makes decisions about the level of its Monetary Policy Rate (MPR), which serves to ensure price stability in Sierra Leone.

The Objective of Monetary Policy

During the year 2019, monetary policy is focused on reducing inflation to 14 percent, as set in 2019 government budget. In the medium term, the objective of the monetary policy is to achieve single digit inflation.

Description of Monetary Policy Framework

In 2011, the BSL migrated to a hybrid monetary policy framework. Under this framework, a change in the policy stance is communicated by changing the MPR. However, monetary aggregates are still discussed and agreed in the context of the Extended Credit Facility (ECF) program with the International Monetary Fund (IMF). The targeted growth in money supply is pursued by setting an intermediate target on the growth of reserve money, which through a money multiplier is directly linked to broad money supply.

Reserve money is the sum of currency in circulation and commercial banks' deposits with the BSL. To achieve the reserve money target, the BSL employs various monetary policy instruments to influence changes in the level of its lending to commercial banks and the central government, which together constitute the BSL's Net Domestic Assets (NDA).

The BSL may also adjust its foreign exchange reserves to influence commercial banks' deposits, if doing so is consistent with the policy of maintaining adequate foreign exchange reserves. Thus, in the ECF program, a ceiling is set on the BSL's NDA and a floor is set on BSL's Net Foreign Assets (NFA).

Monetary Policy Instruments

The BSL pursues its monetary policy objectives using a variety of instruments, which include the policy rate, open market operations (OMO), foreign exchange market operations, cash reserve requirements (CRR), and communication on monetary policy.

- The **Monetary Policy Rate (MPR)** is at the core of the monetary policy conduct at the BSL. It is reviewed quarterly and announced by the Monetary Policy Committee (MPC). Movements in the MPR, both in direction and magnitude, signal the stance of monetary policy. A reduction in the MPR signals monetary policy easing and a desire for market interest rates to move downwards, while an increase in the MPR signals tight monetary policy stance and a desire to constrain growth in monetary and credit conditions, with the ultimate objective of constraining aggregate demand.

- In order to further enhance policy effectiveness and to curb the volatility of the interbank rate, the **interest rate corridor** was introduced in September 2016 with an upper band (Standing Lending Facility - SLF) and lower band (Standing Deposit Facility - SDF). The BSL provides liquidity to commercial banks through the SLF and absorbs liquidity from the banking system through the SDF. The BSL implements an asymmetric corridor around the MPR.

- **Open Market Operations** refer to actions by the BSL through purchases and sales of eligible securities to regulate money supply and credit conditions in the economy. OMOs are also used to stabilize short term interest rates. When the BSL buys securities in the open market, it increases commercial banks' reserves, making it possible for them to expand their loan portfolio thereby increase money supply.

- **Foreign Exchange Transactions.** The BSL can also inject or withdraw liquidity into or from the banking system by engaging in foreign exchange transactions. A sale of foreign exchange to commercial banks withdraws liquidity from the banking system and vice versa. The BSL, however, does not participate in the foreign exchange market to defend a particular value of the Leone, but may intervene to moderate excess volatility.

- The **Cash Reserve Requirement** is a proportion of deposits by commercial banks' clients that must be placed at the BSL. An increase in the CRR signifies BSL's intention to withdraw liquidity from the banking system and the opposite is true.

- The BSL also uses **communication** with its stakeholders and the general public to disseminate monetary policy decisions more widely thereby increasing efficiency of the monetary policy transmission.

Monetary Policy Decision-Making Process

The mandate of the Monetary Policy Committee (MPC) is to formulate and implement monetary policy in line with low and stable inflation to support growth. The MPC meets quarterly and these meetings are preceded by Pre-MPC meetings, where technical papers on global and domestic economic developments are presented and discussed with the sole aim of informing the decision on the stance of monetary policy. Meetings of the Pre-MPC play a key role in the monetary policy decision-making process, as the Pre-MPC serves as a forum for discussions, the exchange of opinions, and reaching consensus.

The Pre-MPC meetings are held on the eve of the meetings of the MPC and are attended by the members of the MPC, directors of the BSL departments involved in the monetary policy decision making process, including representatives of Ministry of Finance (MOF), Statistics Sierra Leone (Stats SL), and National Revenue Authority (NRA) as observers. The MPC meeting is a closed meeting for members of the committee. Some directors of BSL departments may be invited, if requested. Following the discussion of the proposals from the staff, monetary policy decisions are taken through an open vote and by a vote majority of the MPC members present at the meeting.

Communication of Monetary Policy Stance

Monetary policy statements are published within forty-eight hours after every MPC meeting. Beginning with this maiden issue, the BSL will also publish quarterly monetary policy reports.In addition, the Governor and other authorized staff engage the public from time to time to explain the BSL's policy decisions and to clarify emerging issues, particularly those affecting the conduct of monetary and exchange rate policies, among others.

EXECUTIVE SUMMARY

The conduct of monetary policy in quarter two (Q2) of 2019 continued to be guided by the twin objectives of reducing excess volatility in the exchange rate and keeping inflation at the end-year target of 14.0 per cent. During 2019Q2, the Bank of Sierra Leone (BSL) maintained the monetary policy rate (MPR) at 16.5 percent. Similarly, the overnight Standing Lending Facility (SLF) and the overnight Standing Deposit Facility remained unchanged at 20.5 percent and 13.5 percent, respectively. The decision was motivated by the Monetary Policy Committee (MPC)'s assessment of the short-term outlook for inflation, which suggested that upside risks to inflation were prominent in the months ahead. The MPC was of the view that these monetary policy postures could help to reduce the volatility of the exchange rate and reduce the need for BSL's intervention in the foreign exchange market, thereby allowing the BSL to accumulate foreign reserves required to insulate the economy from emerging external shocks.

Headline inflation as measured by Consumer Price Index (CPI) decreased slightly to 14.65 per cent in June 2019, compared to 14.77 per cent in March 2019, mostly reflecting the pass-through effect of the depreciation of the exchange rate on non-food prices. Over the near term, inflation is projected to pick up in the third quarter (Q3) of 2019 before gradually returning slightly above the end year target. The risks to the forecast over the next three quarters are tilted to the downside.

Real Gross Domestic Product (GDP) outlook for Sierra Leone remains positive and growth is projected at 5.1 percent in 2019. The mining, construction, and wholesale and retail trade sectors are expected to continue to be the major sectors driving growth in the near term, supported by relatively stable power supply. Notwithstanding the positive outlook for domestic growth, delayed resumption of the iron ore mining activity and the weak global demand are expected to constrain economic growth in the near-term.

Global growth for 2019 was revised downward to 3.2 per cent in 2019, from 3.6 per cent in 2018 based on the IMF`s July 2019 World Economic Outlook (WEO). The prospects for the world economy have softened further on account of the increasing risks stemming from the ongoing global trade war, rising uncertainties associated with Brexit, and global geopolitical tensions.

Global inflation continues to subside and is below target in major economies, mainly driven by weak global activity and sluggish wage growth. Trends in global commodity prices were mixed in 2019Q2. While energy prices strengthened, metal and mineral prices remained unchanged, whereas prices of agricultural commodities moved modestly.

External sector developments were mixed in 2019Q2, with the trade deficit widening while the stock of gross international reserves increased, sufficient to cover 3 months of imports.

Broad Money (M2) and Reserve Money (RM) increased moderately in 2019Q2. In the money market, both the 91 days and 182 days treasury bills (T-bills) were characterized with undersubscription in 2019Q2. Although the 364 days T-bills was largely undersubscribed in the first two months of the quarter, it was, however, oversubscribed during the third month. Moreover, demand for government T-bills continued to be skewed to the 364 days tenure.

The Leone continues to depreciate vis-a-vis the major international currencies mainly due to demand pressures. The banking sector remained relatively stable and profitable in 2019Q2, as evidenced by the key Financial Soundness Indicators (FSIs).

1. GLOBAL ECONOMIC DEVELOPMENTS

Global Output. The global economic growth projection was revised downward by 0.1 percentage point (WEO, July 2019) to 3.2 per cent in 2019, which, as shown in Table 1, is lower than growth achieved in 2018 (3.6 per cent). The main considerations for the downward revision of the global growth relate to escalating trade tensions, Brexit uncertainty, sluggish pace of global trade occasioned by subdued investment and demand for consumer durables in advanced and emerging market economies, and rising geopolitical tensions which stirred energy prices. Although global growth is expected to improve in 2020, continued variances in trade policies emanating from the Sino-American trade tensions coupled with accumulated financial vulnerabilities and elevated disinflationary pressures, will continue to pose risks to the global growth outlook.

Advanced Economies. Notwithstanding the observed high risks, growth in advanced economies (AE) was revised upwards to 1.9 per cent (0.1 percentage point higher than the growth rate announced in the WEO, April 2019). The upward revision in the projection for 2019 reflects the stronger-than-expected performance in the United States of America (USA) in the first quarter, supported by robust exports. Nonetheless, the growth rate for AEs was still below the 2.2 per cent growth observed in 2018. In terms of outlook, developments in AEs are expected to fade as trade tensions intensify among major trading partners.

Emerging Markets and Developing Economies. Economic growth in Emerging Markets and Developing Economies (EMDEs) was revised downwards by 0.3 per cent to 4.1 per cent in 2019 from 4.4 per cent. The downward revision reflects downgrades to the projection for China and emerging Asia, which are largely aligned to the impact of intensifying trade tensions and associated disruptions in the business environment

Sub-Saharan Africa. Economic growth in Sub-Saharan Africa (SSA) is projected to reach 3.4 per cent in 2019 from 3.1 per cent in 2018. The slight pickup in oil prices improved the outlook for Angola and Nigeria as well as other oil exporting countries in the region. However, growth in South Africa remains subdued on account of the impact of strike activity, distortion in energy supply as well as weak agricultural production.

Table 1: Global Growth

Regions	2014	2015	2016	2017	2018	2019f	2020f
World Output	3.5	3.4	3.4	3.8	3.6	3.2	3.5
Advanced Economies	2.0	2.3	1.7	2.4	2.2	1.9	1.7
USA	2.4	2.6	1.5	2.2	2.9	2.6	1.9
Euro-Area	1.2	2.1	2.0	2.4	1.8	1.3	1.6
Japan	0.3	1.1	1.0	1.9	0.8	0.9	0.4
Emerging Market and Developing Economies	4.7	4.3	4.6	4.8	4.5	4.1	4.7
Brazil	0.5	-3.8	-3.5	1.1	1.1	0.8	2.4
Russia	0.7	-2.8	-0.2	1.5	2.3	1.2	1.9
India	7.2	8.0	7.1	6.7	6.8	7.0	7.2
China	7.3	6.9	6.7	6.9	6.6	6.2	6.0
Sub-Saharan Africa	5.1	3.2	1.4	2.9	3.1	3.4	3.6
Nigeria	6.3	2.7	-1.6	0.8	1.9	2.3	2.6
South Africa	1.7	1.3	0.6	1.3	0.8	0.7	1.1
Angola	4.8	0.9	-2.6	-0.2	-1.7	0.4	2.9

f =Forecast;

Source: IMF World Economic Outlook, July 2019

Global Inflation. With global activity remaining weak as well as the moderation in wage growth, global headline inflation is expected to remain subdued in 2019 at 3.6 per cent as it was in 2018. Headline inflation in advanced countries is projected to remain low at 1.6 per cent for 2019, followed by EMDEs at 4.8 per cent. Consumer price inflation in SSA remained the highest but is projected to decline from 8.6 per cent in 2018 to 8.5 per cent in 2019, on account of relative stability in the exchange rates in some economies in the region.

Table 2: Global Inflation

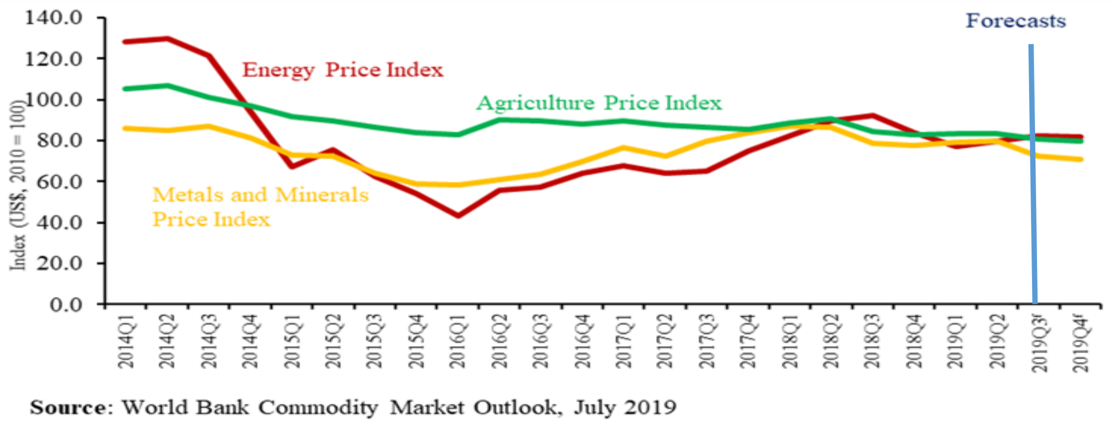
Description	2014	2015	2016	2017	2018	2019f	2020f
Global Inflation	3.2	2.8	2.8	3.2	3.6	3.6	3.6
Advance Economies	1.4	0.3	0.8	1.7	2.0	1.6	2.0
Emerging Markets and Developing Economies	4.7	4.7	4.3	4.3	4.8	4.8	4.7
Sub-Saharan Africa	6.3	7.0	11.3	11.0	8.6	8.5	7.8

f =Forecast;

Source: IMF World Economic Outlook, July 2019

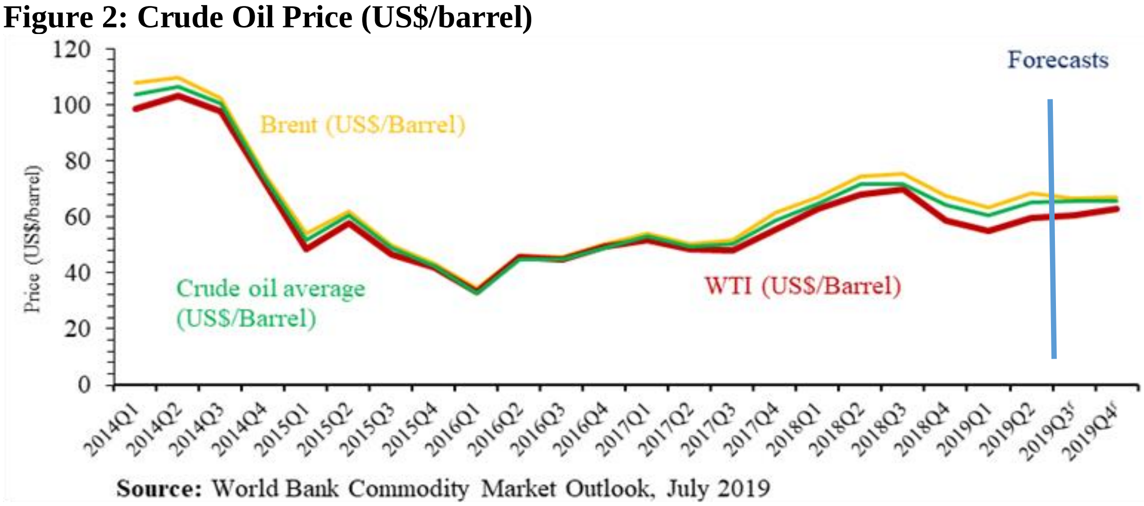
Global Commodity Prices. Developments in commodity prices were mixed in 2019Q2 relative to the first quarter (Q1) of the same year, with energy prices strengthening, while metal and mineral prices remaining unchanged. Meanwhile, prices of agricultural commodities registered modest improvement. The energy price index increased by 3.4 per cent to 79.7 points in 2019Q2, from 77.05 points in 2019Q1.The agricultural price index remained unchanged at 83.4 index points supported by sustained gains in food, beverages, and raw materials, while metals and minerals price index increased modestly from 79.0 points to 79.6 index points in 2019Q2.

Figure 1: Global Commodity Price Indices



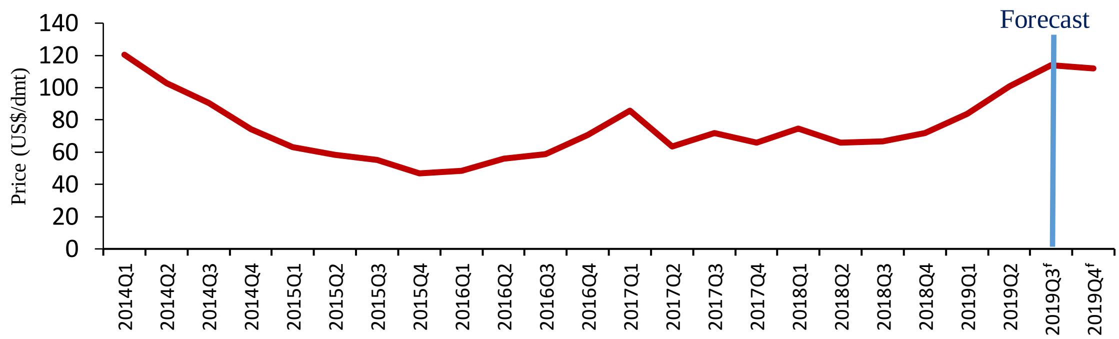
Crude Oil Price. The average crude oil price increased by 7.53 per cent to US$65.75/bbl in 2019Q2, underpinned by a pickup in global demand and a series of supply disruptions (civil strife in Venezuela and Libya, and USA sanctions on Iran). The prices of Brent and Western Texas Intermediate (WTI) crude oil increased to US$68.3/bbl and US$59.8/bbl in 2019Q2 , which is 8.02 per cent and 8.97 per cent higher than in 2019Q1, respectively. Crude oil prices are projected to increase, if supply disruptions strengthen.

Figure 2: Crude Oil Price (US$/barrel)



Iron Ore Prices continued to rally, increasing by 20.7 per cent to US$100.9/dmt in 2019Q2 from US$83.6/dmt in 2019Q1, spurred by the disruption in production as well as strong demand from China. The price is expected to continue increasing before moderating modestly in 2019Q4.

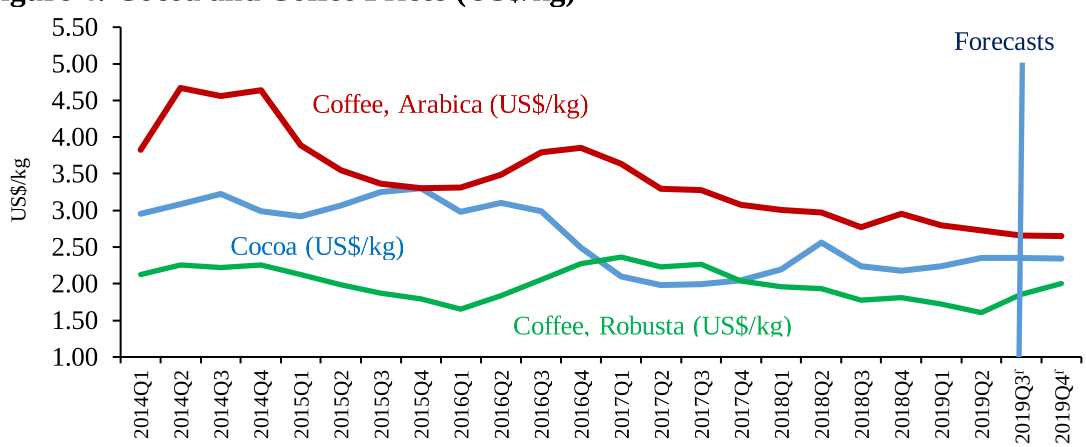
Figure 3: Price of Iron Ore (US$/dmt)



Source: World Bank Commodity Market Outlook, July 2019

Cocoa and Coffee Prices. The price of cocoa increased to US$2.35/kg in 2019Q2 from US$2.24/kg in 2019Q1, as production by top producers continues to dwindle. However, Arabica and Robusta coffee prices further declined by 2.46 per cent and 6.60 per cent to US$2.73/kg and US$1.61/kg in 2019Q2 from US$2.80/kg and US$1.72/kg in 2019Q1 respectively, as production was ramped up by the world's largest suppliers (Brazil and Vietnam).The outlook reflects a moderation in the price of Arabica coffee, while the price of Robusta coffee is expected to pick up in the remaining quarters of 2019.

Figure 4: Cocoa and Coffee Prices (US$/kg)



Source: World Bank Commodity Market Outlook, July 2019

Implications for the Sierra Leone economy. The continued weak global economy would continue to have some spillovers on the Sierra Leone economy through the external trade channel. Being a commodity exporting country, weak global demand might impact demand for Sierra Leone's exports, especially iron ore, with implications for Sierra Leone's external position. In addition, the sluggish pace of the global economy could adversely impact foreign direct investment inflows into the country with implications for foreign currency liquidity and exchange rate stability. On the other hand, the pickup in crude oil prices are likely to have a direct pass-through effect on domestic prices.

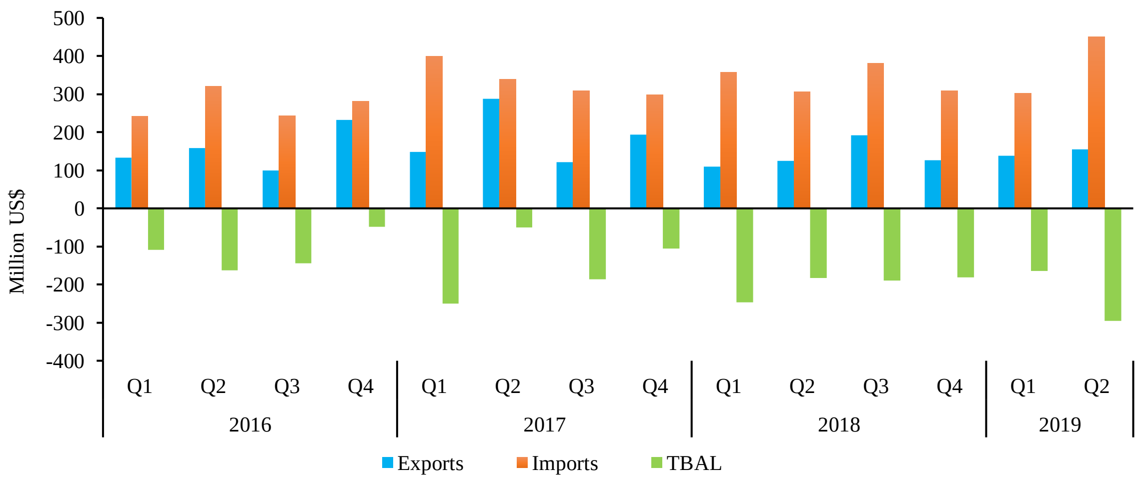
The BSL expects that the global headwinds will continue to pose downside risks for Sierra Leone's balance of payments position in the ensuing two quarters, consistent with the revised outlook for commodity prices as well as global growth. Thus, the risks to the global growth outlook calls for an implementation of policy measures tailored to country circumstances in order to spur productivity and output.

2. EXTERNAL TRADE DEVELOPMENTS

Developments in the external sector of Sierra Leone were mixed in 2019Q2, with the trade deficit widening, while the stock of gross foreign exchange reserves improved relative to 2019Q1.

Trade balance widened. The trade deficit widened to US$295.35mn in 2019Q2 from US$163.78mn in 2019Q1, largely influenced by a significant increase in the payments for imports, which outpaced the marginal increase in export receipts.

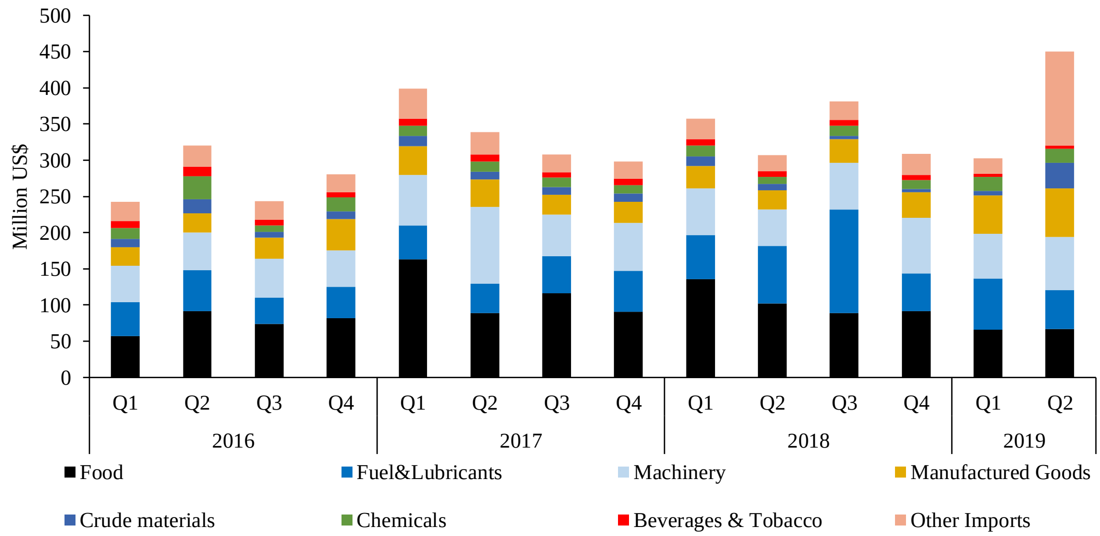
Figure 5: International Trade



Source: BSL, staff calculation

Components of Imports. Payments for imports increased by 49.06 per cent to US$451.12mn in 2019Q2, largely on account of a significant increase in other imports, comprising mainly 'uncleared goods' that were auctioned in May 2019. Crude materials, chemicals, manufactured goods, machinery and food also contributed to the increase in imports.

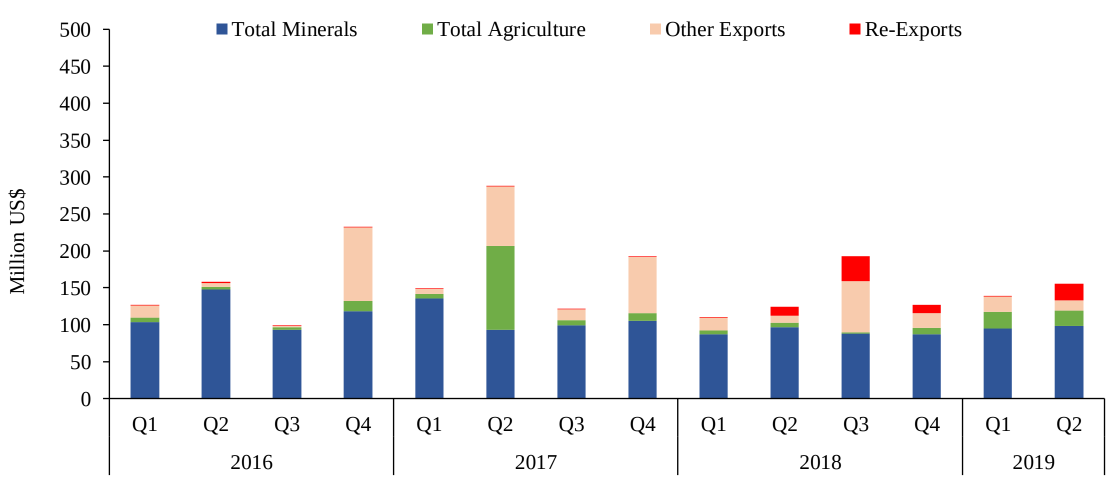
Figure 6: Main Components of Imports



Source: BSL, staff calculation

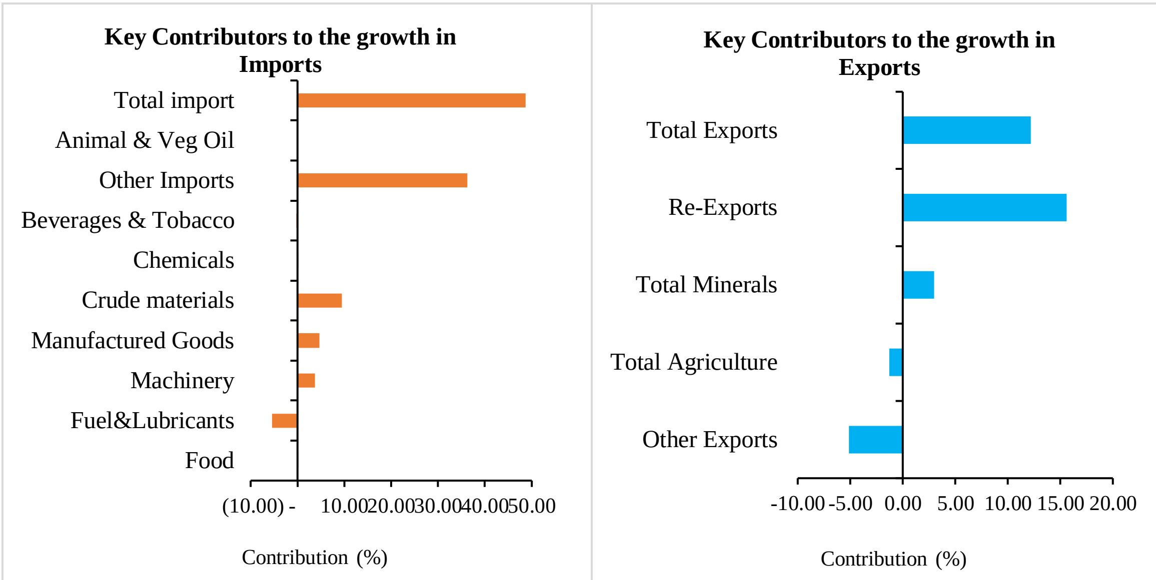
Components of Exports. Total exports increased by 12.17 per cent to US$155.77mn in 2019Q2, driven by a significant increase in re-exports (scrap metals, personal effect of repatriating diplomats, etc.) and mineral exports (bauxite, rutile and zircon).

Figure 7: Main Components of Exports



Source: BSL, staff calculation

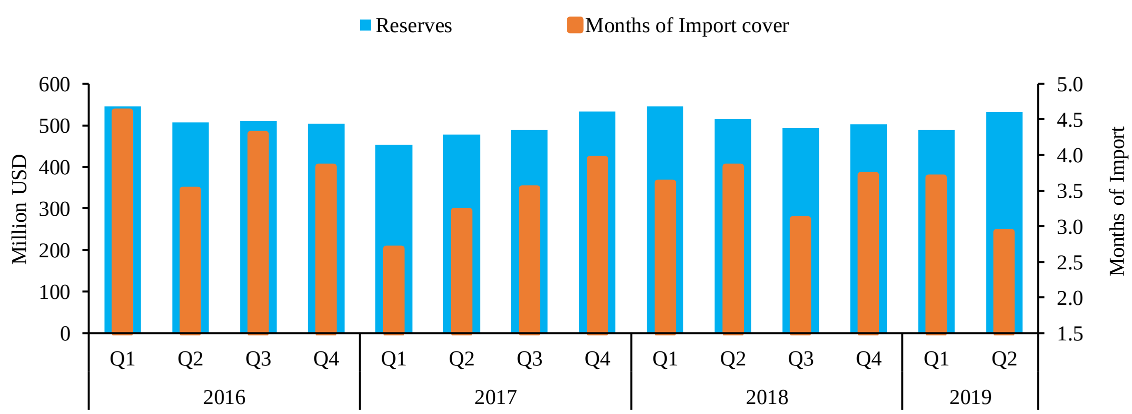
Figure 8: Key Contributors to Growth in Exports and Imports in 2019Q2



Source: BSL, staff calculation

Gross Foreign Exchange Reserves. The stock of gross foreign exchange reserves of the BSL increased by 8.8 per cent to US$531.86mn in 2019Q2 (see Figure 9). The current level of reserves is equivalent to about 2.9 months of import cover.

Figure 9: Gross Foreign Exchange Reserves & Months of Import Cover



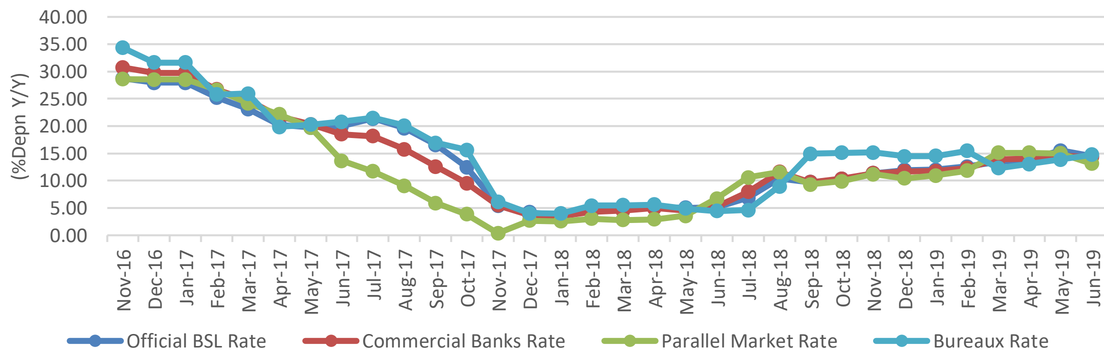
Source: BSL, staff calculation

Outlook. Going forward, the external sector position is likely to remain under pressure in the short run, mainly on account of increased imports during the festive season coupled with subdue exports earnings. However, increased remittances inflows, which tend to peak in December and January, may to some degree offset the pressures on the exchange rate.

3. EXCHANGE RATE DEVELOPMENTS

Foreign Exchange Rate Movements. The year on year (y-o-y) movement of the exchange rates in 2019Q2 indicated that, the official, commercial banks, exchange bureau, and parallel market rates depreciated by 14.53 per cent, 14.26 per cent, 14.76 per cent and 13.14 per cent, respectively, when compared to 13.45 per cent, 13.94 per cent, 15.10 per cent and 12.31 per cent, respectively in 2019Q1.

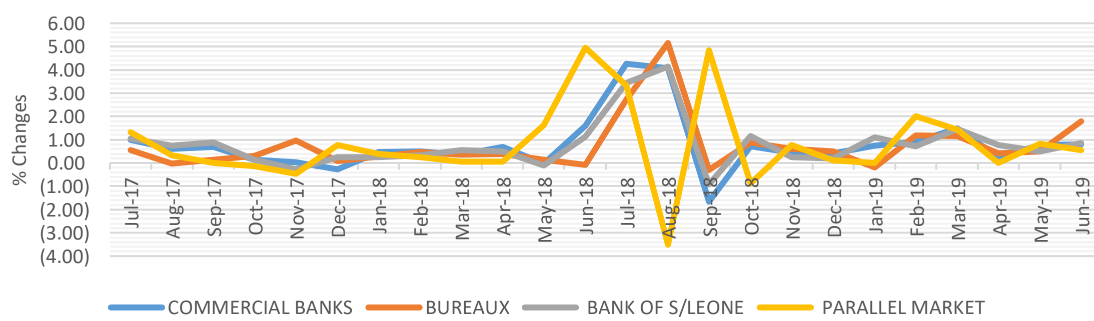
Figure 10: Annual Changes in USD/SLL Exchange Rate



Source: BSL, staff calculation

When analysed on a monthly basis, the commercial banks, exchange bureaux, and parallel market rates depreciated by 0.58 per cent, 0.79 per cent, and 1.38 per cent, respectively, signaling the demand pressure in the market, while the official BSL rate appreciated by 0.35 per cent.

Figure 11: Monthly Movements in USD/SLL Exchange Rate

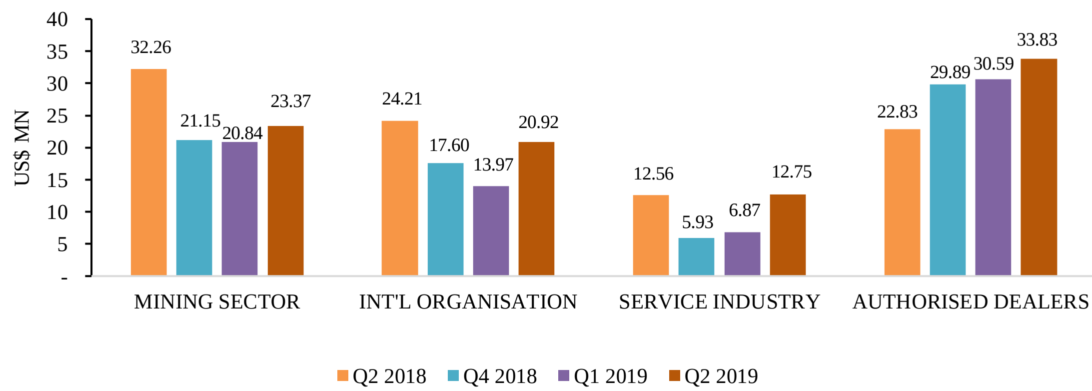


Source: BSL, staff calculation

Purchases and Sales of Foreign Exchange. Total amount traded in the foreign exchange market during 2019Q2 was US$947.70mn, which is 26.65 per cent higher than the total amount of US$748.27mn recorded in 2018Q2, and 21.66 per cent higher than the total amount of US$778.95mn recorded in 2019Q1. The monthly average amount traded in 2019Q2 was US$315.90mn, compared to US$249.42mn and US$259.65mn in 2018Q2 and 2019Q1, respectively.

Total purchases of foreign exchange by commercial banks for 2019Q2 decreased by 5.32 per cent of US$126.85mn compared to the total of US$133.98mn recorded in the corresponding period of 2018Q2, but conversely increased by 8.68 per cent of 116.72mn in the preceding period of 2019Q1. The major drivers for foreign purchases were mining companies, service industry, non-governmental organizations (NGOs) and authorized dealers.

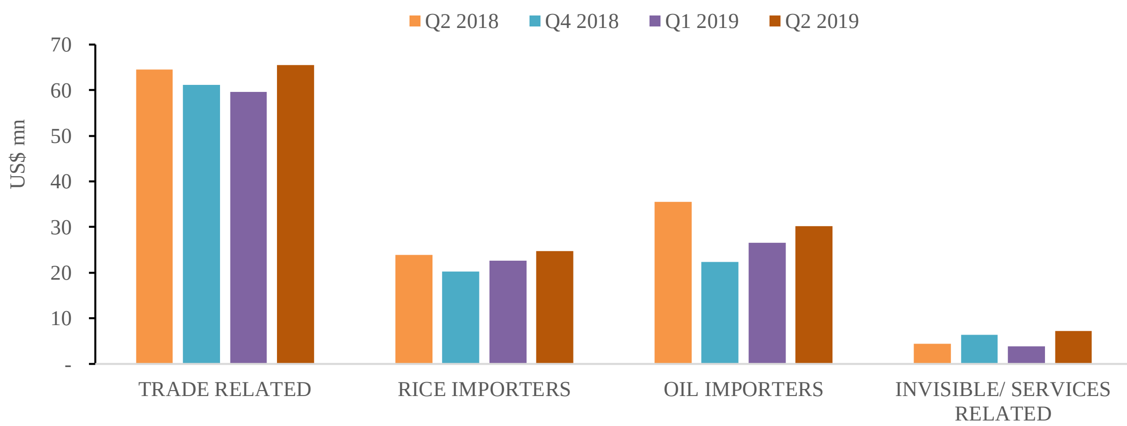
Figure 12: Forex Purchases of Commercial Banks from Selected Sectors



Source: BSL, staff calculation

Total sales of foreign exchange by commercial banks for 2019Q2 decreased by 5.77 per cent of US$151.50mn, compared to the total of US$160.78mn recorded in corresponding period in 2018Q2, but increased by 6.28 per cent compared to 142.56mn recorded in 2019Q1. The major drivers of forex sales were trade related payments, rice importers, petroleum marketing companies and invisible/ services related.

Figure 13: Forex Sales by Commercial Banks to Selected Sectors



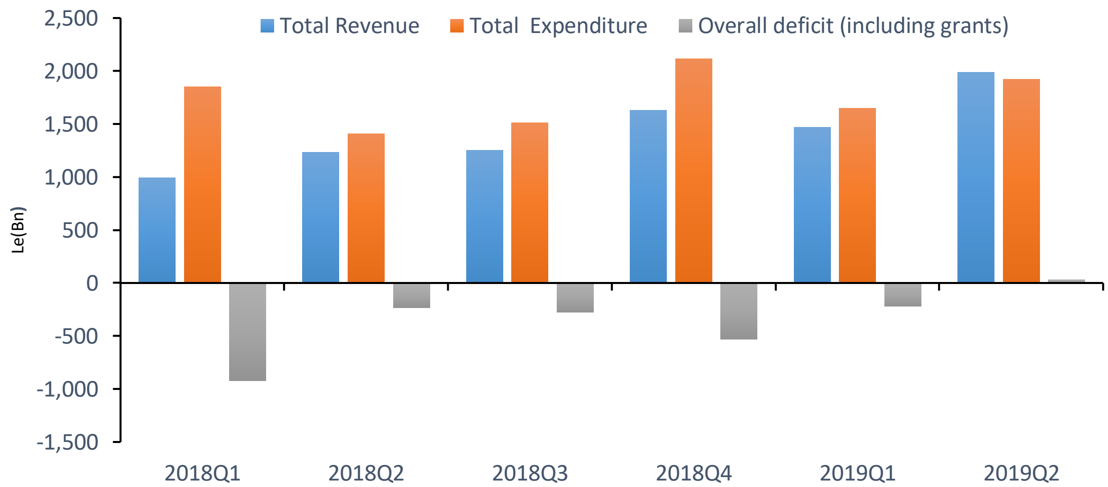
Source: BSL, staff calculation

Outlook. The demand pressures that emerged in 2019Q2 continued in 2019Q3, reflecting seasonal effects, which was reinforced by increased demand for foreign currencies for travel to the Muslim Pilgrimage to Mecca. However, the resumption of the BSL short-term interventions in the foreign exchange market supported by administrative measures and the expected donor inflows could help calm the pressures in the market.

4. FISCAL DEVELOPMENTS

Fiscal deficit improved. Government fiscal operations on quarterly basis resulted in a surplus of Le28.68bn in 2019Q2 compared to deficit of Le220.71bn in 2019Q1 and budgeted deficit target of Le772.77bn for 2019Q2 (see Figure 14). The fiscal outcome is underpinned by an improvement in government revenues which more than offset the increase in government expenditures.

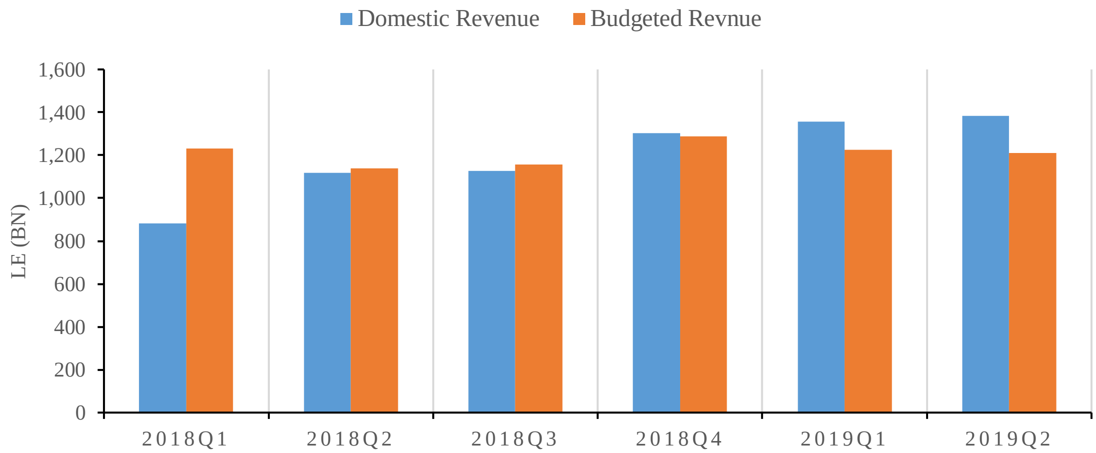
Figure 14: Government Fiscal Operations



Source: Ministry of Finance

Revenues collection exceeded target. Government revenues increased to Le1,987.94bn compared to Le1,468.39bn in 2019Q1 and were higher than the budgeted amount of Le1,379.72bn. The improvement in government revenues was on account of the increase in foreign grants disbursed, amounting to Le605.26bn, from Le112.69bn in 2019Q1. Domestic revenues expanded to Le1,382.68bn in 2019Q2 from Le1,355.70bn in 2019Q1 and were above the budgeted amount of Le1,209.72bn (see Figure 15).

Figure 15: Domestic Revenues: Budget vs. Actuals

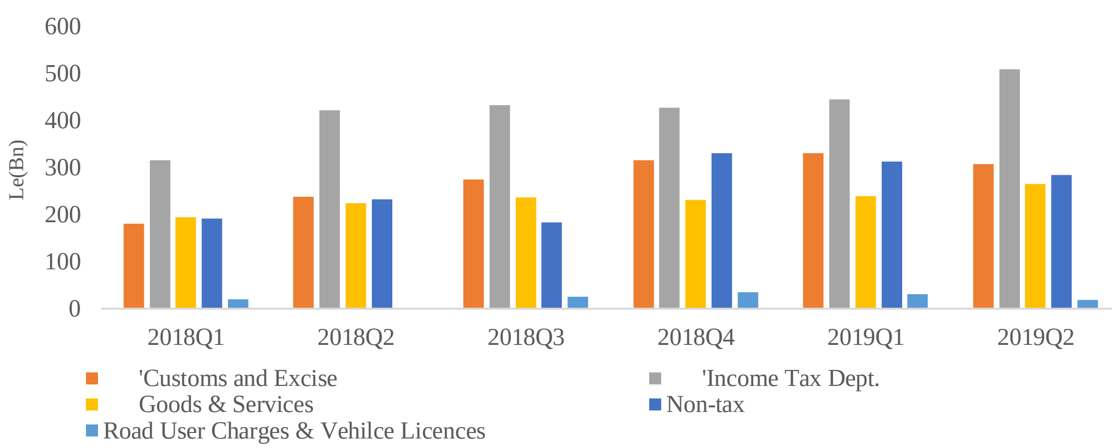


Source: Ministry of Finance

The marginal expansion in domestic revenues was driven by the growth in income tax and goods and services tax, while collections from customs and excise duties and non-tax decreased in 2019Q2 (see Figure 16).

Income tax revenues increased to Le508.19bn in 2019Q2 from Le444.13bn in 2019Q1, and receipts from goods and services tax rose to Le265.17bn in 2019Q2 from Le238.82bn in 2019Q1. In contrast, receipts from customs and excise duties contracted to Le307.05bn in 2019Q2 from Le329.91bn in 2019Q1, while non-tax revenue fell to Le283.93bn in 2019Q2 from Le312.00bn in 2019Q1.

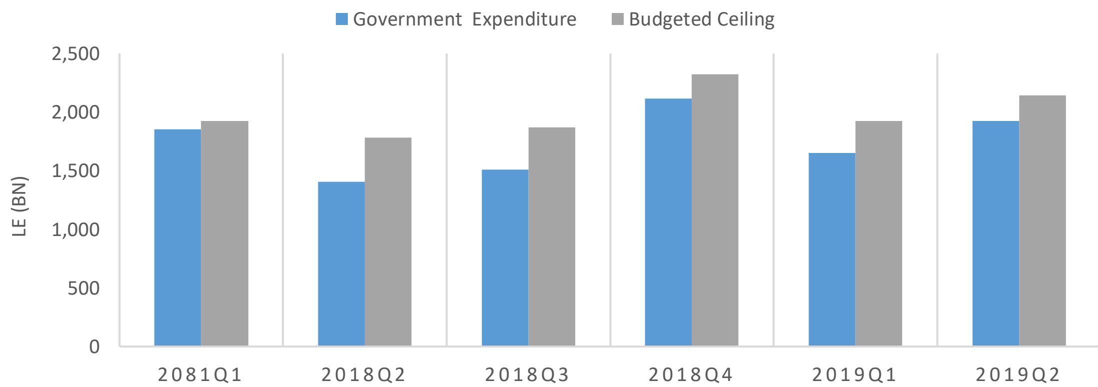
Figure 16: Components of Domestic Revenues



Source: Ministry of Finance

Expenditures expanded but were lower than targeted. Government expenditures expanded to Le1,921.91bn in 2019Q2 from Le 1,650.68bn in 2019Q1, but were lower than the ceiling of Le2,142.54bn.

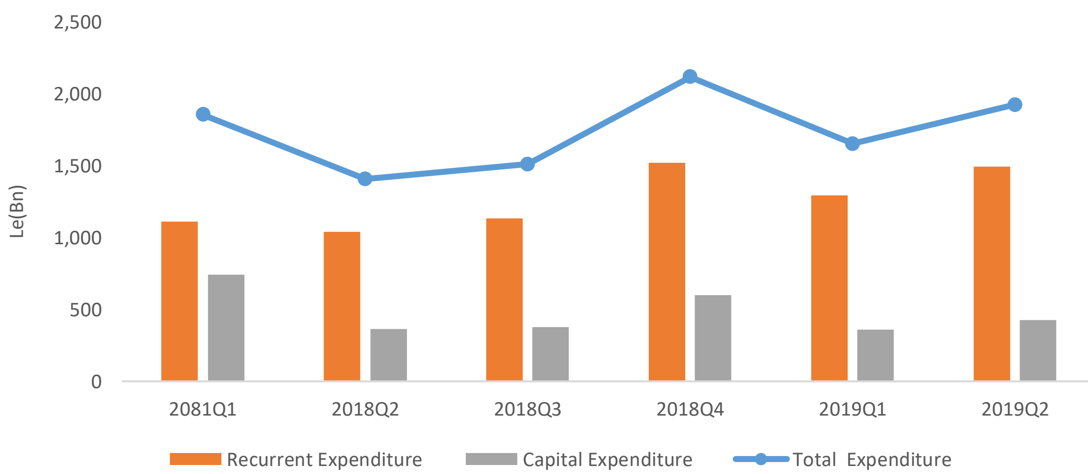
Figure 17: Government Expenditures: Budget vs. Actuals



Source: Ministry of Finance

The increase in government spending was reflected in the increases in both recurrent and capital expenditures.

Figure 18: Components of Total Expenditures

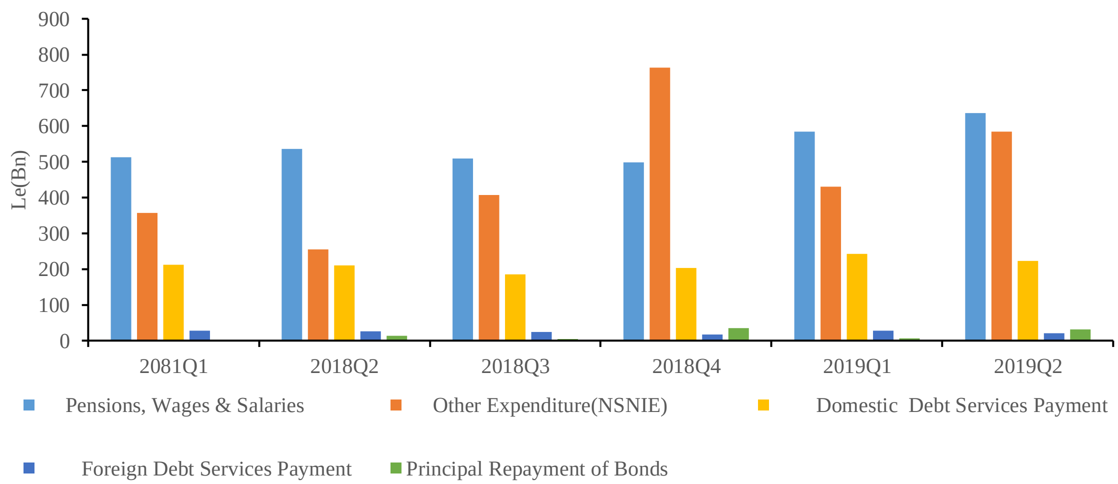


Source: Ministry of Finance

Recurrent expenditures rose to Le 1, 493.96bn in 2019Q2 from Le1, 291.15bn in 2019Q1 and were within the ceiling of Le1, 449.94bn. The increase in recurrent expenditures was explained by the rise in wages and salaries to Le636.76bn in 2019Q2 from LeLe584.46bn in 2019Q1, non-salary non-interest expenditures to Le583.96bn in 2019Q2 from Le429.81bn in 2019Q1. Wages and salaries grew due to the recruitment and approval of new teachers and civil servants.

On the other hand, total interest payments fell to Le273.24bn in 2019Q2 from Le276.88bn in 2019Q1, due to the fall in domestic interest payments to Le222.12bn in 2019Q2 from Le242.78bn in 2019Q1, and foreign interest payments to Le20.61bn in 2019Q2 from Le28.63bn in 2019Q1.

Figure 19: Components of Recurrent Expenditures



Source: Ministry of Finance

Capital expenditures rose to Le427.95bn in 2019Q2 from Le359.53bn in 2019Q1 and were lower than the ceiling of Le692.60bn. Foreign loans and grants dropped to Le161.35bn in 2019Q2 from Le241.38bn in 2019Q1, while domestic development expenditures expanded to Le266.60bn in 2019Q2 from Le118.15bn in 2019Q1.

Outlook. The Government is expected to continue its policy of fiscal consolidation over the medium-term as well as to maintain its commitment to a primary surplus and public sector overall balance targets as indicated under the IMF Extended Credit Facility programme. In the near term, the fiscal outlook envisages a modest degree of consolidation.

5. MONETARY AND FINANCIAL MARKETS DEVELOPMENTS

Reserve Money. The reserve money (RM) increased by 6.07 per cent in 2019Q2, when compared with the contraction of 8.41 per cent in 2019Q1. This growth was due to a significant growth (1,028.71 per cent) in NFA of BSL in 2019Q2, from an initial contraction (69.68 per cent) in 2019Q1. On year-on-year basis, the RM expanded by 12.17 per cent, compared with a contraction of 1.68 per cent over the same comparative period.

From the liability side, the growth in RM was on account of increase in both the deposits of commercial banks - ODCs (29.00 per cent) and currency issued (2.66 per cent) in the review period.

Table 3: Components of Reserve Money

	2019		Quarterly Percentage Change		Yearly Percentage Change	
Billions of Leones	**Q1**	**Q2**	**2019Q1**	**2019Q2**	**2019Q1**	**2019Q2**
1. Net Foreign Assets	**40.65**	**458.83**	**(69.68)**	**1,028.71**	**(87.35)**	**63.23**
2. Net Domestic Assets	**2,188.01**	**1,905.12**	**(4.84)**	**(12.93)**	**12.47**	**4.31**
2.1 Government Borrowing (net)	2,473.00	2,280.21	(5.23)	(7.80)	16.36	9.71
o.w. 2.1.1 Securities	1,127.92	1,119.19	(16.18)	(0.77)	4.66	(0.18)
2.1.2 Ways and Means	118.29	185.13	57.24	56.51	(26.14)	92.94
2.1.3 GoSL/IMF Budget financing	1,418.56	1,171.54	-	(17.41)	43.44	18.46
3. Reserve money	**2,228.66**	**2,363.96**	**(8.41)**	**6.07**	**(1.68)**	**12.17**
o.w. 3.1 Currency issued	1,932.28	1,983.75	(2.59)	2.66	4.32	14.16
3.2 Bank reserves	291.45	375.97	(34.75)	29.00	(29.04)	2.59

Source: BSL, staff calculation

Broad Money. Broad money (M2) increased by 4.82 per cent in Q2 2019, when compared with the 1.28 per cent growth rate in Q1 2019. The M2 grew by 15.94 per cent on year-on-year basis over the period, compared with the 10.33 per cent growth recorded in the corresponding quarter of 2018. The growth in M2 was mainly as a result of increase in the net foreign assets (NFA) of the banking system by 28.56 per cent in 2019Q2, from a decline of 9.08 per cent in 2019Q1. This development was due to a substantial growth in the NFA of the BSL, primarily due to inflows of donor funds.

The net domestic assets (NDA) of the banking system decreased by 2.41 per cent in 2019Q2, from an increase of 4.91 per cent in 2019Q1, mainly due to the decline in credit to the central government by the BSL during the review period. Growth in credit to the private sector by commercial banks/other depository corporations (ODCs) slowed by 5.36 per cent in 2019Q2, relative to the 12.53 per cent growth observed in 2019Q1, which suggests a slowdown in economic activity during the review period.

Table 4: Components of Broad Money

	2019		Quarterly Percentage Change		Yearly Percentage Change	
Billions of Leones	**Q1**	**Q2**	**2019Q1**	**2019Q2**	**2019Q1**	**2019Q2**
Reserve money	**2,228.66**	**2,363.96**	**(8.41)**	**6.07**	**(1.68)**	**12.17**
Broad money (M2)	**7,560.16**	**7,924.48**	**1.28**	**4.82**	**10.33**	**15.94**
Narrow money (M1)	**3,451.49**	**3,613.64**	**1.23**	**4.70**	**6.02**	**12.60**
Currency outside banks	1,704.49	1,720.79	(1.60)	0.96	4.34	13.71
Demand deposit	1,747.00	1,892.85	4.15	8.35	7.72	11.60
Quasi money	**4,108.67**	**4,310.84**	**1.31**	**4.92**	**14.23**	**18.90**
o.w. Foreign currency deposit	2,082.23	2,230.55	0.58	7.12	18.95	32.89
Time and saving deposit	2,021.51	2,076.04	1.98	2.70	9.70	6.80
Net Foreign Asset	**1,764.23**	**2,268.17**	**(9.08)**	**28.56**	**(14.12)**	**22.10**
BSL	40.65	458.83	(69.68)	1,028.71	(87.35)	63.23
ODCs	1,723.58	1,809.34	(4.58)	4.98	(0.54)	14.77
Net Domestic Assets	**5,795.92**	**5,656.31**	**4.91**	**(2.41)**	**20.80**	**13.64**
Net Domestic Credit	**7,523.17**	**7,541.32**	**5.30**	**0.24**	**20.10**	**18.23**
Government (Net)	5,475.39	5,416.82	3.39	(1.07)	14.86	13.53
Private Sector	2,072.78	2,180.71	12.33	5.21	41.56	39.86
BSL	33.82	32.53	1.25	(3.82)	1.81	(3.50)
ODCs	2,038.95	2,148.19	12.53	5.36	42.48	40.82
Other Sectors (Net)*	(24.99)	(56.21)	(816.36)	124.91	(175.82)	(217.98)
Other Items (Net)	**(1,727.25)**	**(1,885.01)**	**6.61**	**9.13**	**17.82**	**34.56**
Money Multiplier	3.39	3.35				

Source: BSL, staff calculation

From the liability side, the growth in M2 reflects the increase in both narrow money (M1) and quasi money. The M1 expanded by 4.70 per cent in 2019Q2, from a growth of 1.23 per cent in 2019Q1. Similarly, quasi money increased by 4.92 per cent in 2019Q2, from a growth of 1.31 per cent in 2019Q1.

Box 1: Update on IMF – ECF Program, as at end-June 2019

The current ECF was approved on 30th of November 2018 with a total resource of SDR124.44 million (about US$172.1 million or 60 per cent of the country's quota). The first review took place during 24 April – 7 May 2019, and the assessment showed that as at end-June 2019, all the three quantitative performance criteria (QPC) were met.

Table 5: IMF-ECF Program Performance

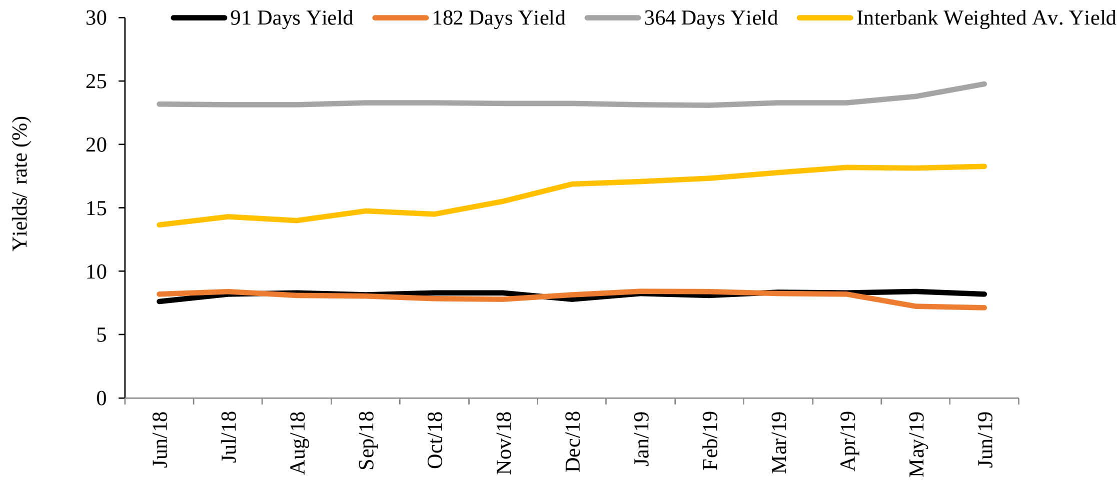
Quantitative Performance Criteria	Adjusted target	End-June Outcome	Comment
Gross International Reserves of the central bank (US$Mn)	2.33	33.52	Met
Net Domestic Assets of the central bank (Le Bn)	(59,997)	(456,975)	Met
Net Credit to the Central Government by the banking system (Le Bn)	747,868	206,107	Met

Interest rates exhibited mixed trends. The key policy rate, i.e. the monetary policy rate (MPR) remained unchanged at 16.50 per cent during the period under review. Accordingly, the Standing Lending Facility and the Standing Deposit Facility rates were also maintained at 20.50 per cent and 13.50 per cent, respectively.

Yields on the 91-day T-bills and 182-day T-bills decreased from 8.35 per cent and 8.23 per cent in March 2019 to 8.20 per cent and 7.13 per cent in June 2019, respectively. However, the yield on the 364-day T-bills increased from 23.26 per cent to 24.77 per cent during the review period.

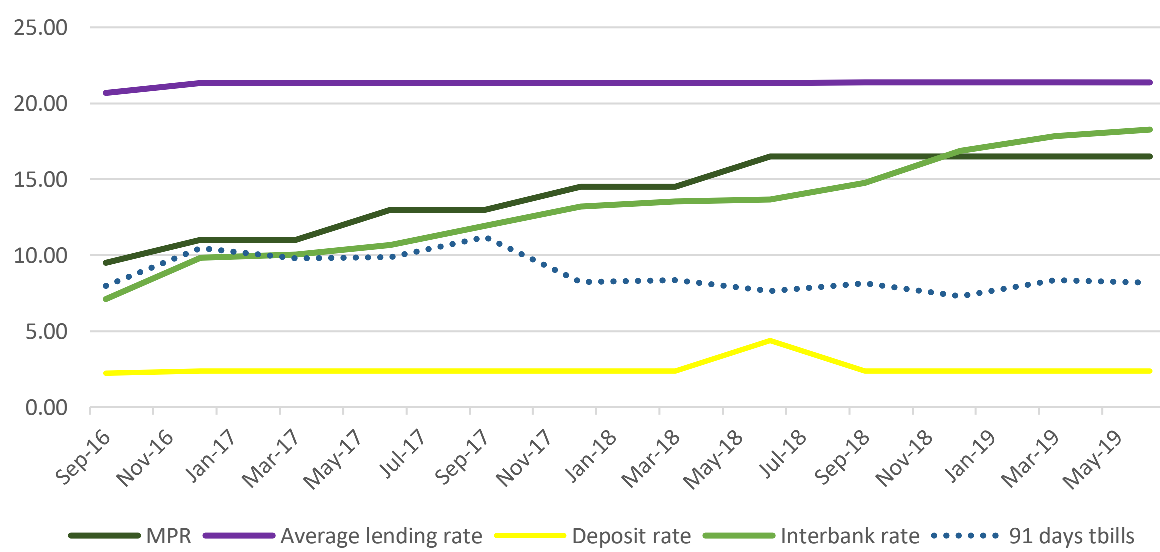
The interbank weighted average lending rate increased from 17.84 per cent in 2019Q1 to 18.27 per cent in 2019Q2. The commercial banks's average lending and deposit rates remained unchanged at 21.35 per cent and 2.38 per cent, respectively.

Figure 20: Trends in Yields of Government Securities in the Primary Market



Source: BSL, staff calculation

Figure 21: Evolution of the MPR and Market Rates



Source: BSL, staff calculation

Developments in the money market. The outcomes in the primary market auctions for Government securities continued to exhibit under subscription in the 91-T-bills and 182-days T-bills in the 2019Q2. The 364 days T-bills was mostly undersubscribed throughout the first two months in the quarter but exhibited oversubscription during the third month.

However, the demand for government T-bills continued to be skewed to the 364 days tenure.

Box 2: Stock of Government Securities

The total stock of Government securities increased by Le43.49bn (0.86 per cent) from Le5,085.36bn in March 2019 to Le5,128.85bn as at end June 2019. Marketable securities, which accounted for 86.74 per cent of the total stock of government securities, increased by Le32.24bn from Le4,416.60bn in March 2019 to Le4,448.84bn as at end June 2019. The issuance of new treasury securities during the review period was mainly to finance the budget. Non-marketable securities accounted for 13.26 per cent of the total stock and increased by Le11.25bn from Le668.76bn to Le680.01bn, mainly due to the issuance of Le15.00bn 3-Year Lumley-Tokeh road project bond.

As at end June 2019, the proportion of 91-days, 182-days and 364-days T-bills to the total marketable securities was 0.12 per cent, 0.26 per cent and 96.86 per cent respectively, while that of the 2-year treasury bond was 2.76 per cent. With regards to non-marketable securities, the 3-year, 5- year and 10-year treasury bonds accounted for 40.37 per cent, 54.12 per cent and 5.51 per cent, respectively.

The stock of 91-days T-bills decreased by Le4.38bn (45.70 per cent) from Le9.59bn at end March 2019 to Le5.21bn at end June 2019. On the other hand, the stock of 182-days T-bills increased by Le0.82bn (7.60 per cent) from Le10.74bn in March 2019 to Le11.56bn as at end June 2019. Similarly, 364-days T-bills increased by Le35.81bn (0.84 per cent) from Le4,273.34bn in March 2019 to Le4,309.14bn as at end June 2019, whilst the 2-year treasury bond remain unchanged for the period under review.

Figure 23: Stock of Government Securities: Marketable vs. Non-marketable - end June 2019

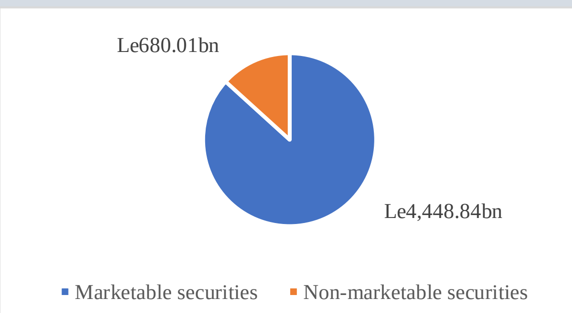
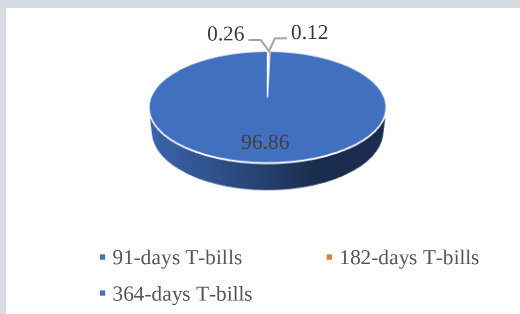


Figure 22: T-bills by Maturity, in %, end June 2019

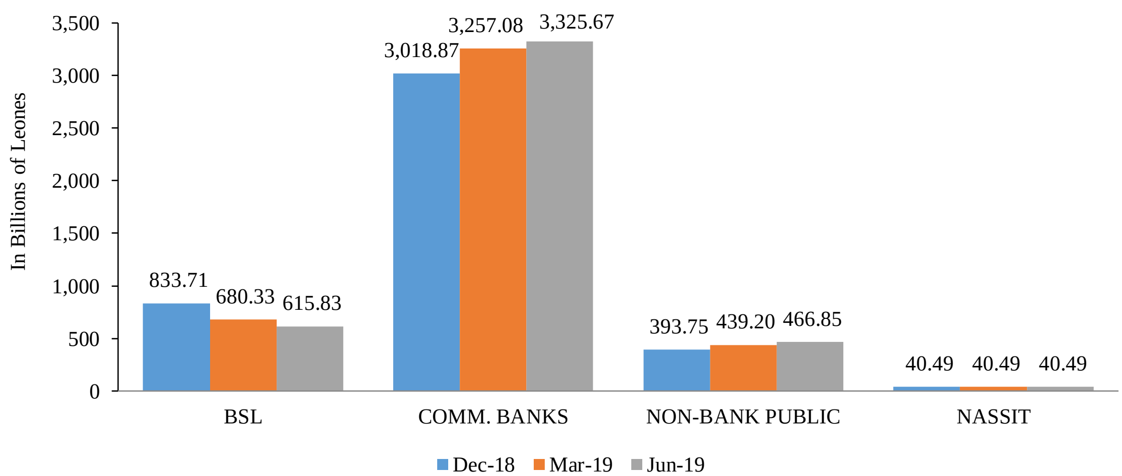


The stock of 3-year treasury bond increased by Le15.00bn due to issuance of the Lumley-Tokeh road project bond. The 5-year treasury bond, however, remained at its March 2019 levels, whilst the 10-year treasury bond declined by Le3.75bn from Le41.25 in March 2019 to Le37.50bn as at end June 2019, in line with government redemption plan for the 10-year treasury bond.

Holdings of the Stock of Government Securities by Sector. The majority of government securities are held by commercial banks followed by non-bank sector. The BSL holdings have been declining since quarter four (Q4) of 2018.

The holdings of marketable government securities by commercial banks increased by Le68.59bn (9.48 per cent) from Le3,257.08bn in March 2019 to Le3,325.67bn as at end June 2019. Similarly, non-bank holdings of marketable government securities increased by Le28.16bn from Le 479.18bn to Le507.34bn for the period stated above. On the other hand, the BSL holdings of government securities declined by Le64.50bn (9.48 per cent) from Le680.33bn in March 2019 to Le615.83bn in June 2019, largely because the redemption was higher than the outright purchases of T-bills from the commercial banks during the review period. The holdings of NASSIT, however, remained at Le40.49bn at the end of June 2019.

Figure 24: Holdings of Marketable Government Securities by Sector



Source: BSL, staff calculation

Interbank Market. The level of intermediation in the interbank money market increased significantly during the review period. The volume of interbank transactions increased by Le293.70bn (12.59 per cent) from Le1, 029.20bn in 2019Q1 to Le1, 322.90bn in 2019Q2. The volume of transactions using the Standing Deposit Facility declined significantly by Le240bn from Le245bn in March 2019 to Le5bn as at end June 2019. At the same time, transactions through Standing Lending Facility increased significantly by Le2,818.50bn from Le1,042.10bn in March 2019 to Le3,860.60bn at end June 2019, attributable to liquidity squeeze in the banking system.

6. SELECTED DEVELOPMENTS IN THE BANKING SECTOR

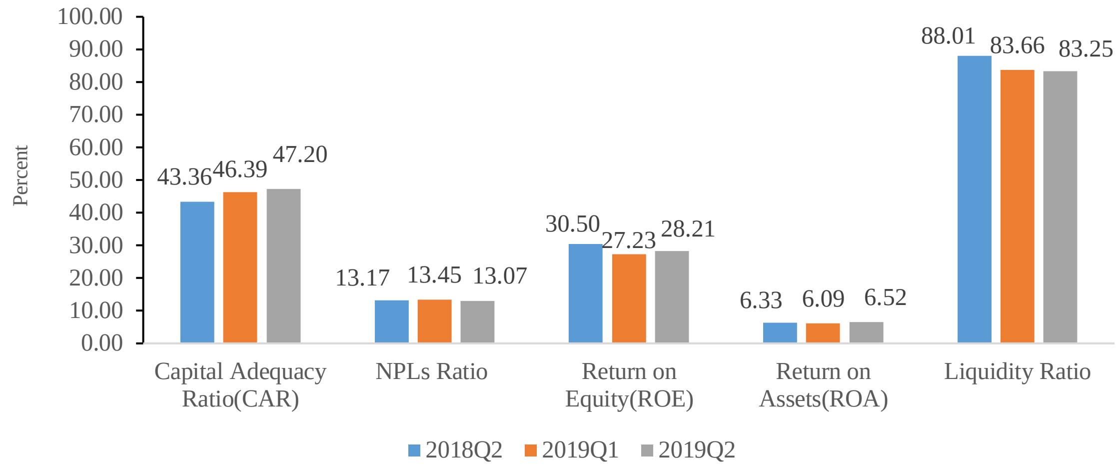
The banking sector continues to be relatively stable as shown by improvements in key Financial Soundness Indicators (FSIs), in spite of the exchange rate challenges. However, the key driver of this improvement is the reliance on investment in T-bills, as income derived from T-bills feeds through to the capital adequacy, asset quality, earnings, and profitability. This source of income also contributes to the improvement in liquidity and sensitivity to market risks indicators commonly known as CAELS indicators. In particular, it translates to the efficiency, earnings, and profitability indicators commonly represented by Return on Equity (ROE) and Return on Assets (ROA).

Also, the capital adequacy ratio (CAR) improves as banks deploy most of their funds in T-bills investment that carries a zero-risk weighting and rely largely on the mark-up from this investment for increasing their capital base, thus contributing to strengthening the resilience of banks.

With respect to liquidity, banks usually invest in T-bills by matching the risk and maturity distribution of their liabilities. Depositors funds deployed in T-bills can be readily converted into cash (via disinvestment) to meet significant unexpected customer withdrawals or service domestic liabilities accordingly. On sensitivity to market risks, banks investment in T-bills remains the largest contributor to the commercial banks' income.

Financial Soundness Indicators. Selected FSIs show that the banking sector remains stable, profitable and liquid. This is reflected in the improvements of CAR, ROA and NPL ratios. The liquidity ratio decreased marginally. The ROE increased marginally on quarterly basis but however decreased on annual basis. Overall, these indicators show an efficient use of banks resources over the review period.

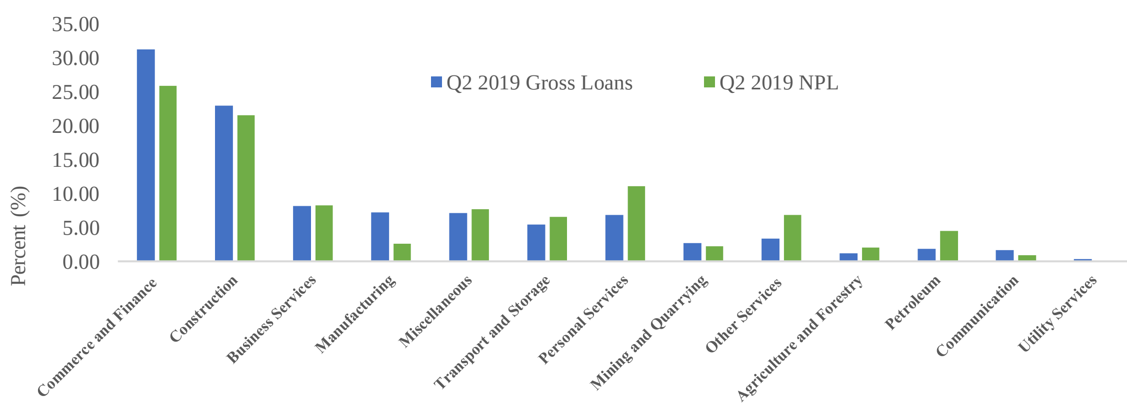
Figure 25: Trends in Key FSIs



Source: BSL, staff calculation

Credit growth and quality. Gross loans increased by 4.70 per cent in 2019Q2 from Le1.95 billion to Le2.04 billion. In terms of sectorial distribution, commerce & finance (31.24 per cent) is leading followed by construction (22.93 per cent). At the same time, the NPL ratio decreased to 13.07 per cent in 2019Q2 from 13.45 per cent in 2019Q1. With regards to sectorial distribution of NPLs, commerce & finance (25.85 per cent) is leading followed by construction (21.49 per cent).

Figure 26: Sectorial Distribution of NPLs and Gross Loans

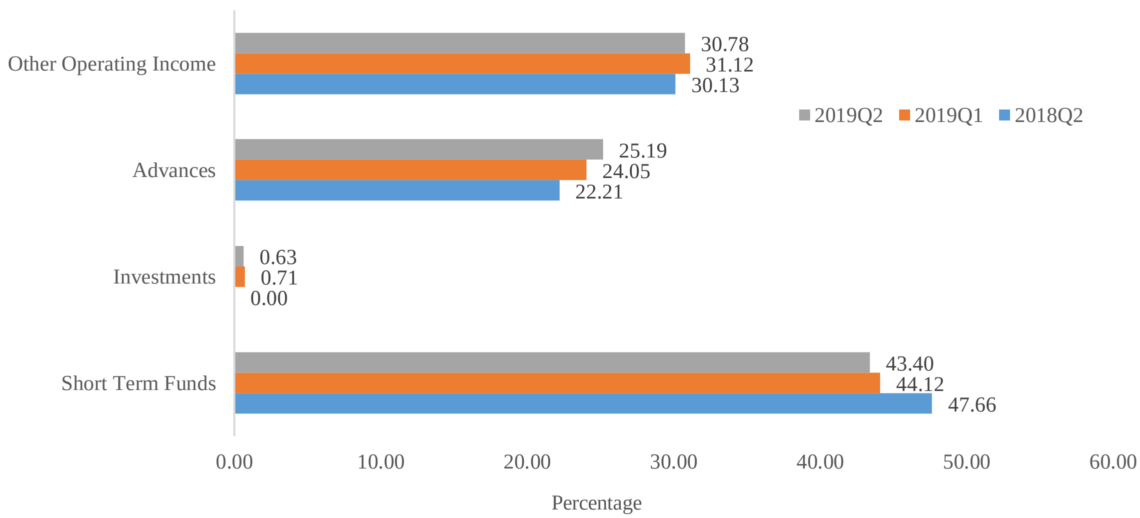


Source: BSL, staff calculation

Deposits. On quarterly basis, deposits increased by 7.86 per cent from Le6.1 billion in 2019Q1 to Le6.6 billion 2019Q2. The disaggregation of the deposits reveals that foreign currency deposits increased by 13.74 per cent from Le2.1 billion in 2019Q1 to Le2.4 billion in 2019Q2. Furthermore, local currency deposits increased by 9.55 percent from Le2.0 billion in 2019Q1 to Le2.2 billion in 2019Q2.

Income Composition. In terms of income composition, commercial banks continue to deploy huge chunk of customers' deposits in T-bills, largely driven by the very attractive rates, especially in the 364-day tenor. However, it should be noted that, going forward, if government reduces significantly new borrowing, then commercial banks' balance sheet will be affected more so in terms of efficiency, earnings, and profitability indicators.

Figure 27: Income Composition



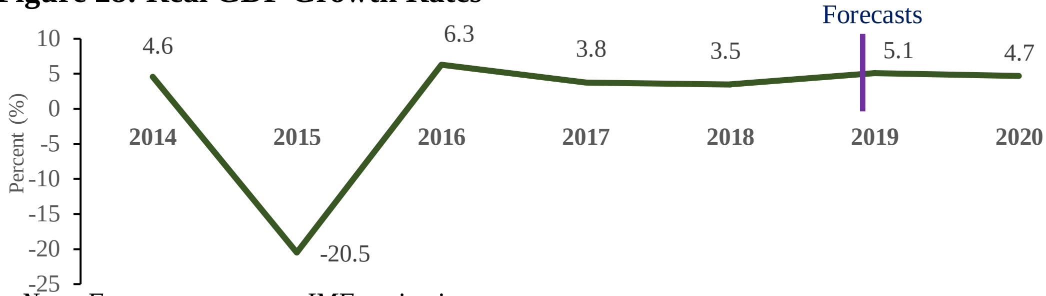
Source: BSL, staff calculation

Outlook. In near to medium-term, the banking sector will continue to be stable as government will continue to borrow as per approved borrowing plan under the ECF program with the IMF. Consequently, the income generated from this source will continue to feed into all key FSIs. In the medium term, the BSL's policy of a gradual increase in the minimum paid up capital requirement is expected to strengthen banks' capcity to absorb losses.

7. GROWTH AND INFLATION

Real GDP growth is projected to increase by 5.1 per cent in 2019, driven largely by resumption of iron ore production, improved agricultural activities, and government investment in infrastructure projects. Notwithstanding the positive outlook for domestic growth, delayed resumption of the iron ore mining activity and the weak global demand are expected to constrain economic growth in the near-term.

Figure 28: Real GDP Growth Rates

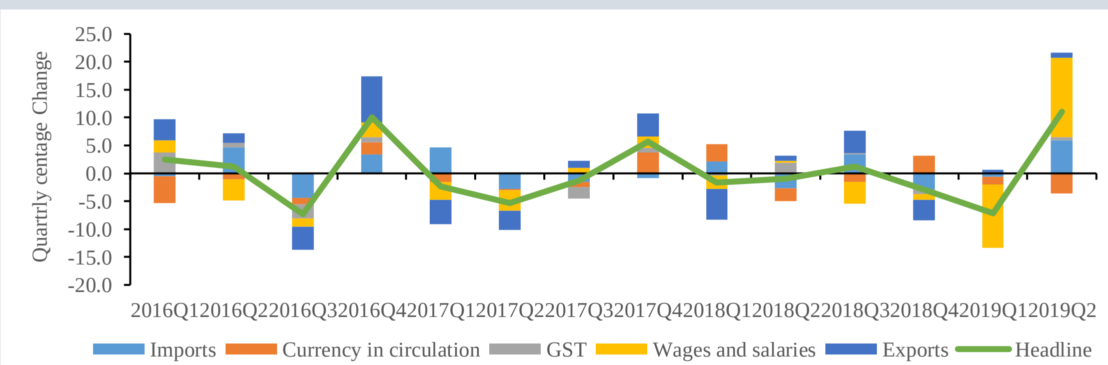


Note: Forecast represents IMF projection
Source: Statistics Sierra Leone

Box 3: Composite Index of Economic Activity (CIEA)[1]

The BSL's CIEA shows improvement in economic activity in 2019Q2. The CIEA index increased to 128.21 in 2019Q2, from 115.46 in 2019Q1, representing a quarter-on-quarter growth of 11.04 per cent in 2019Q2.

Figure 29: Contributions to CIEA

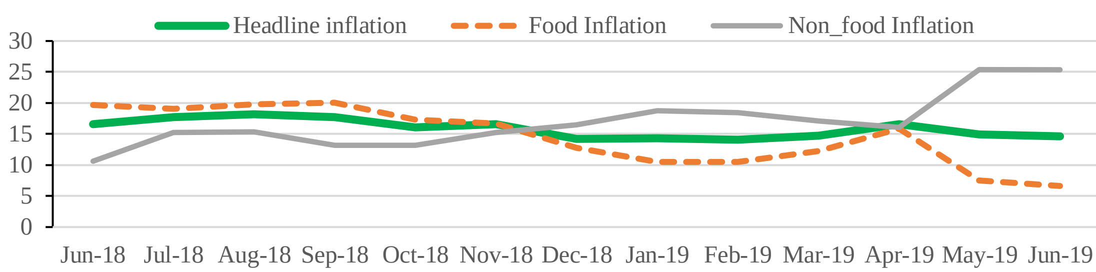


Source: BSL, staff calculation

[1] The CIEA is compiled based on Conference Board methodology and currently it uses expenditure approach to determine the direction of economic activity through monitoring the following variables: imports, exports, wages and salaries, goods and services tax, currency in circulation, and fiscal primary balance.

Inflation. Headline Consumer Price Index (CPI) inflation decreased slightly to 14.65 per cent in June 2019, compared to 14.77 per cent in March 2019, mostly reflecting pressures on non-food prices. Non-food inflation increased to 25.32 per cent in June 2019 from 17.11 per cent in March 2019, reflecting increases in the prices for clothing and footwear, housing and utilities, health and transport and furnishing and equipment. Food inflation, however, declined to 6.63 per cent from 12.28 per cent in the previous quarter.

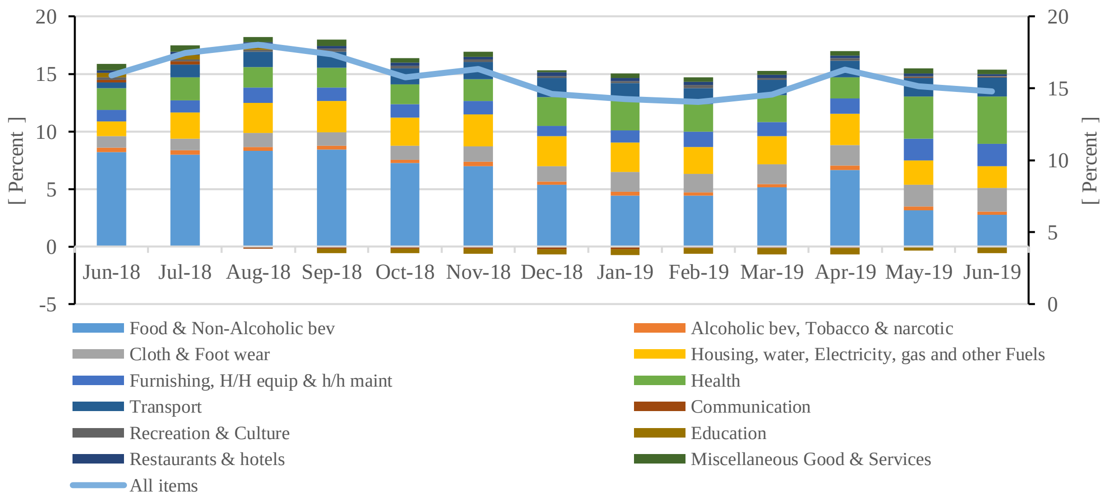
Figure 30: Annual Consumer Prices Inflation



Source: Statistics Sierra Leone

Contributions to Headline Inflation. In June 2019, the CPI showed general elevation in most of the components in the consumer basket. Food & non-alcoholic beverages, clothing and footwear, housing & utilities, furnishing & equipment, health and transport were the main contributors to headline inflation.

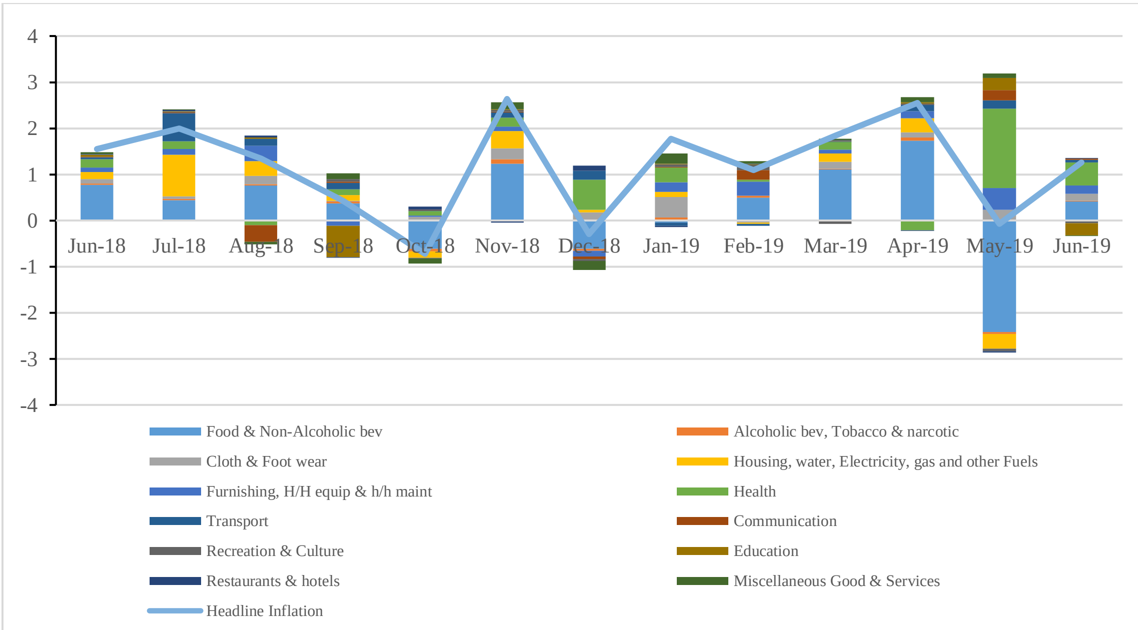
Figure 31: Contributors to Annual Inflation



Source: Statistics Sierra Leone

Headline inflation on month-on-month basis (seasonally adjusted), however, fell slightly to 1.26 per cent in June 2019 from 1.0 per cent in December 2018.

Figure 32: Contributors to Monthly Inflation

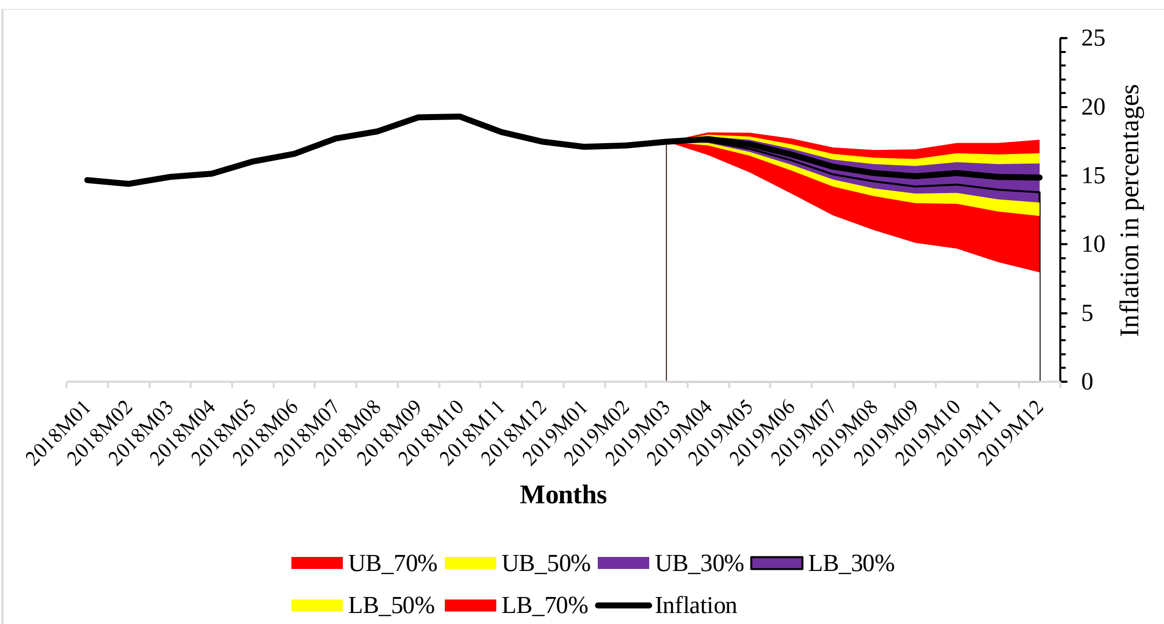


Source: Statistics Sierra Leone

8. INFLATION FORECAST AND RISKS

Inflation is projected to trend downward to 16.59 per cent in 2019Q2, but to rise to 17.01 per cent in 2019Q3. Thereafter, inflation is expected to moderate to 15.21 per cent in 2019Q4. This projected path for inflation is premised on lower prices of domestic food in the fourth quarter following the onset of the harvest season. This could be supported by the relative stability in the exchange rate, as remittances iflows increase during the holiday season. There are, however, upside risks to the inflation projection, which includes widening trade balance on the back of subdued exports receipts and build up in imports to support domestic economic activity. These are likely to impact inflation mainly through the exchange rate and expectations channels. On balance, the risks to the inflation outlook is tilted to the downside as indicated in the figure below.

Figure 33: Forecast for Consumer Price Inflation



Source: BSL, staff calculation

9. CONCLUSION

Monetary policy continued to focus on maintaining an end-year inflation target of 14.0 per cent. During the quarter under review, inflationary pressures decelerated to 14.65 per cent compared to 14.77 per cent in the preceding quarter of 2019. Though declining, headline inflation was above the end-year target. The inflation outcome was largely due to the rise in non-food prices and the depreciation of the Leone. In the second half of 2019, inflation is projected to continue to decline gradually but is expected to stay above the end-year target. In this regard, monetary policy will focus on bringing inflation back to the medium-term objective of a single digit.

Notwithstanding the tight monetary policy stance, the effectiveness of monetary policy may continue to be constrained by the tight liquidity conditions in the banking sector on the back of huge stock of Government arrears, which poses rollover risk and ultimately exert upward pressure on interest, thus constraining economic growth.

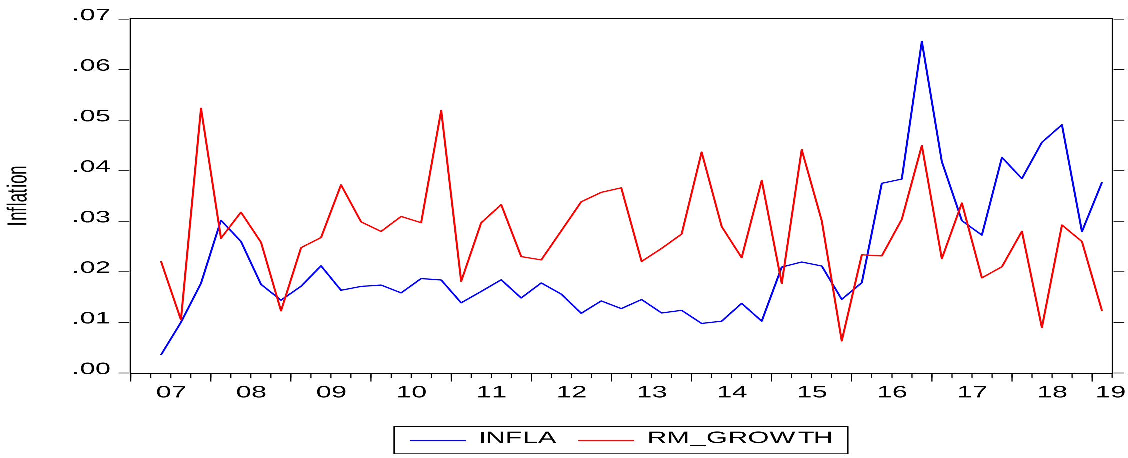
To bring inflation back to the medium-term target of single digit, the Government's fiscal consolidation efforts should be sustained. The Government's continued commitment to maintain fiscal targets under the IMF ECF programme would also support the inflation outlook in the medium term. In addition, the Government's strategy of dealing with domestic arrears owed to the suppliers of goods and services will unlock funds for productive activities, which will contribute to supporting overall economic growth. This is also critical in supporting the reduction in non-performing loans and ensuring stability in the financial sector. These measures could culminate in restoring fiscal and debt sustainability and put the country on a path to stronger and more inclusive growth. The BSL will continue to closely monitor domestic and external sector developments and stands ready to implement appropriate measures to maintain price and financial system stability and ultimately support economic growth.

APPENDICES

Appendix 1. Reserve Money and Consumer Price Inflation

Reserve money growth and Inflation broadly tracked each other, with the exception from 2018 onwards.

Evolution of Reserve Money Growth and Inflation

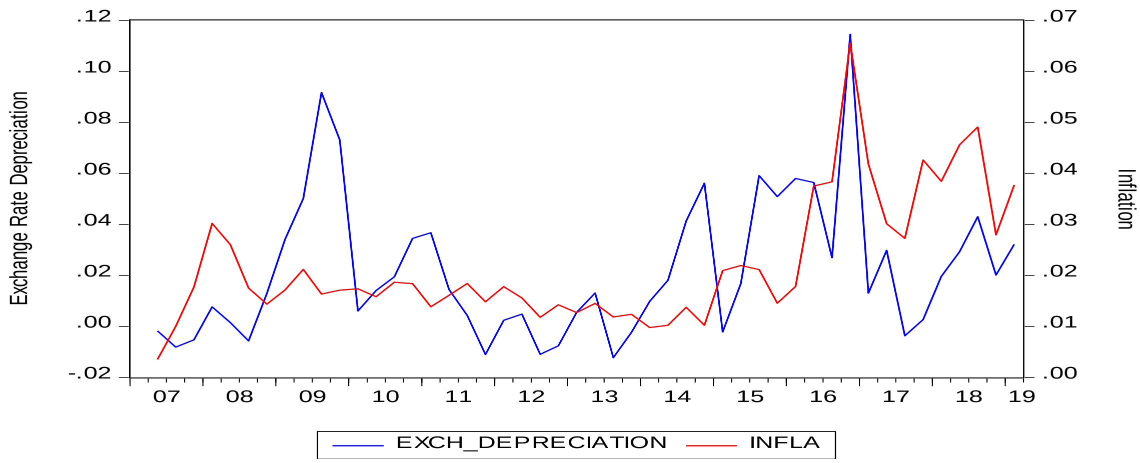


Source: BSL, staff computation

Appendix 2. Exchange Rate and Consumer Price Inflation

Exchange rate and inflation broadly tracked each other over the sample period, reflecting the pass-through effect of the exchange rate depreciation to consumer prices.

Exchange Rate and Inflation



Source: BSL, staff calculations

Appendix 3. Government Securities Stock by Tenor and by Holder

STOCK OF GOVERNMENT SECURITIES OUTSTANDING BY TENOR AND BY HOLDER (IN MILLIONS OF LEONES)			
	Mar-19	**Jun-19**	**Change**
91 DAYS TBs	**9,585.60**	**5,205.25**	**(4,380.35)**
BSL	52.60	-	(52.60)
COMM. BANKS	-	-	-
NON-BANK PUBLIC	9,533.00	5,205.25	(4,327.75)
o/w NASSIT	-	-	-
182 DAYS TBs	**10,739.80**	**11,555.55**	**815.75**
BSL	13.00	25.50	12.50
COMM. BANKS	1,700.00	1,700.00	-
NON-BANK PUBLIC	9,026.80	9,830.05	803.25
o/w NASSIT			-
364 DAYS TBs	**4,273,335.05**	**4,309,141.55**	**35,806.50**
BSL	680,268.10	612,303.35 -	67,964.75
COMM. BANKS	3,172,925.50	3,245,016.10	72,090.60
NON-BANK PUBLIC	420,141.45	451,822.10	31,680.65
o/w NASSIT	-	-	-
1YR T BONDS	**-**	**-**	**-**
BSL	-	-	-
COMM. BANKS	-	-	-
NON-BANK PUBLIC	-	-	-
o/w NASSIT	-	-	-
2 YR T BONDS	**122,936.80**	**122,936.80**	**-**
BSL	-	3,500.00	3,500.00
COMM. BANKS	82,449.80	78,949.80	(3,500.00)
NON-BANK PUBLIC	40,487.00	40,487.00	-
o/w NASSIT	*40,487.00*	*40,487.00*	-
TOTAL MARKETABLE	**4,416,597.25**	**4,448,839.15**	**32,241.90**
BSL	680,333.70	615,828.85	(64,504.85)
COMM. BANKS	3,257,075.30	3,325,665.90	68,590.60
NON-BANK PUBLIC	479,188.25	507,344.40	28,156.15
o/w NASSIT	*40,487.00*	*40,487.00*	-
3 YR T BONDS	**259,518.20**	**274,518.20**	**15,000.00**
BSL	143,814.20	143,814.20	-
COMM. BANKS	115,704.00	115,704.00	-
NON-BANK PUBLIC	-	15,000.00	15,000.00
o/w NASSIT	-	*15,000.00*	*15,000.00*
5 YR T BONDS	**367,989.80**	**367,989.80**	**-**
BSL	326,918.00	326,918.00	-
COMM. BANKS	-	-	-
NON-BANK PUBLIC	41,071.80	41,071.80	-
o/w NASSIT	*41,071.80*	*41,071.80*	-
10 YR T BONDS	**41,250.00**	**37,500.00**	**(3,750.00)**
BSL	41,250.00	37,500.00	(3,750.00)
COMM. BANKS	-	-	-
NON-BANK PUBLIC	-	-	-
o/w NASSIT	-	-	-
TOTAL NON-MARKETABLE	**668,758.00**	**680,008.00**	**11,250.00**
BSL	511,982.20	508,232.20	(3,750.00)
COMM. BANKS	115,704.00	115,704.00	-
NON-BANK PUBLIC	41,071.80	56,071.80	15,000.00
o/w NASSIT	*41,071.80*	*56,071.80*	*15,000.00*
TOTAL GOV. SECURITIES	**5,085,355.25**	**5,128,847.15**	**43,491.90**
BSL	1,192,315.90	1,124,061.05	(68,254.85)
COMM. BANKS	3,372,779.30	3,441,369.90	68,590.60
NON-BANK PUBLIC	520,260.05	563,416.20	43,156.15
o/w NASSIT	81,558.80	96,558.80	15,000.00

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