BANK OF SIERRA LEONE

MONETARY POLICY REPORT

MARCH 2022

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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
dmt	Dry Metric Tons
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
Q1	First Quarter
Q2	Second Quarter
Q3	Third Quarter
Q4	Fourth Quarter
QM	Quasi Money
QAERP	Quick Action Economic Response Programme
REER	Real Effective Exchange Rate
RM	Reserve Money
ROA	Return on Assets
ROE	Return on Equity
SDF	Standing Deposit Facility
SLF	Standing Lending Facility
Stats SL	Statistics Sierra Leone
T-bills	Treasury Bills
WB	World Bank
WEO	World Economic Outlook
WTI	West Texas Intermediate

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LIST OF TABLES (APPENDED)

The Report

The March 2022 edition of the BSL Monetary Policy Report present an assessment of global and domestic economic developments, mainly during the fourth quarter of 2021. The report also assesses current developments in the first quarter of 2022 for which data is available, as well as near-term prospects, with a view of implementing appropriate monetary policy consistent with the Bank's objectives.

BSL Monetary Policy Objectives

The primary objective of the Bank of Sierra Leone is to achieve and maintain overall price stability in the Sierra Leone economy. However, the Bank's mandate encompasses other important goals, including the stability of the financial system and financial market development, as well as supporting the general economic policy of the government to enhance overall macroeconomic stability.[1]

Monetary Policy Strategy

The BSL is the sole monetary authority in Sierra Leone with a statutory operational independence to conduct monetary policy in the country. The Bank uses appropriate policy instruments to achieve it stated objectives. They include, the Monetary Policy Rate, Open Market Operations (OMOs), Standing Lending and Deposit Facilities, Foreign Exchange Operations, and Cash Reserves Requirement.

Monetary Policy Process

The monetary policy of the Bank is formulated by the Monetary Policy Committee (MPC), which is a statutorily constituted body of seven members. The MPC includes the Governor of the Bank (who serves as the chairperson), Deputy Governor for Monetary Policy, Deputy Governor for Financial Stability, and Four other experts with relevant professional experience in monetary policy and financial market operations nominated by the Governor and approved by the Board of Directors of the BSL. The MPC meets every quarter to assess recent global and domestic economic developments, as well as near-to-medium term prospects and inflation risks. Based on these assessments a policy decision is made, mainly using the Monetary Policy Rate (MPR) to signal the Bank's monetary policy stance. During deliberations in the MPC meeting, each member proposes a preferred MPR decision supported by underlying reasons. Final decision takes place by vote, with the chairman having the deciding vote in the occurrence of a tie. The final decision is then published in a monetary policy statement on the Bank's website, within forty-eight hours after the MPC meeting. In addition, the Governor and other authorized staff engage the public from time to time to explain the Bank's policy decisions and to clarify emerging economic issues, especially those affecting the conduct of monetary and exchange rate policies, among others.

[1] *Section 7.A of the new BSL Act 2019 states: "(1) the objective of the Bank shall be to achieve and maintain price stability. (2) Without prejudice to subsection (1) the Bank shall contribute to fostering and maintaining a stable financial system. (3) Without prejudice to the attainment of the previous two objectives, the Bank shall support the general economic policy of the Government.*

1. EXECUTIVE SUMMARY

The global economic activity is expected to be weaker in 2022 than previously anticipated, underpinned by COVID-19 related headwinds, persistent supply chain bottlenecks and rising inflationary pressures. With soaring inflationary pressures, there is limited space for sustained fiscal intervention and central banks are gradually tightening monetary policy, which could result in higher interest rates, especially in advanced economies. On the back of the ongoing Russia-Ukraine conflict, global growth momentum is expected to further moderate, while inflationary pressures are expected to remain elevated in the near-term. The spillover effect of these events may translate to worsening trade position, low financial inflows (especially FDI and remittances), subdued reserves accumulation and exchange rate pressures in small open economies including Sierra Leone.

On the domestic front, economic activities rebounded in 2021 from the COVID-induced recession in 2020, but performance was below expectation, due in part to the delays in the full resumption of iron ore operations and slacks in the economy. The weaker-than-anticipated economic outturn is in line with available high frequency data which imply contraction in the second and fourth quarter of 2021. However, economic growth is expected to improve in 2022, predicated on expected increase in agriculture, manufacturing, services and mining sector activities.

External sector indicators mainly reflected the ongoing global economic challenges. Sierra Leone's trade position worsened during the review period, reflecting a large negative terms-of-trade shock, which led to a significant decrease in export receipts and increase in import payments. The Leone depreciated against major international currencies, while the gross foreign exchange reserves of the Bank of Sierra Leone decreased in the review period, mainly due to revaluation loss.

Fiscal operations improved during the review period, resulting in a budget surplus. The recorded surplus reflected improved revenue mobilization, coupled with a decrease in expenditure. Similarly, the primary balance improved in the review period. Revenue was boosted by increases in both foreign grants and domestic revenue, which exceeded its stated quarterly target. The decrease in expenditure reflects a decrease in both capital and recurrent expenses.

Monetary aggregates were expansionary in the review quarter. Both reserve money and broad money expanded at higher rates relative to the preceding quarter. The expansion in reserve money was due to an increase in the Net Domestic Asset (NDA) of BSL, while the increase in broad money was on account of increases in both the Net Foreign Assets (NFA) and NDA of the banking system. Credit to the private sector increased relative to the preceding period but was lower than its stated target.

In the money market, the yields on government securities continued to rise during the review period, led by the 364-day T-bills. Similarly, the interbank rate continued to trend upward in the review period but remained within the Policy corridor.

In terms of financial stability, the banking sector remained relatively stable during the review period as banks are well capitalized, liquid and profitable. Most of the key Financial Soundness Indicators (FSIs) remained above their minimum thresholds. However, the Non-Performing Loans ratio continued to deteriorate in the review period.

Inflationary pressures remained elevated in the review period, with headline inflation increasing from 11.63 percent in September 2021 to 17.94 percent in December 2021, compared to 14.8 percent projected for December 2021. Based on staff forecast, inflation is expected to increase to 18.6 percent in March 2022Q1 and further to 18.7 percent in 2022Q2, with both food inflation and non-food inflation are expected to continue to drive headline inflation

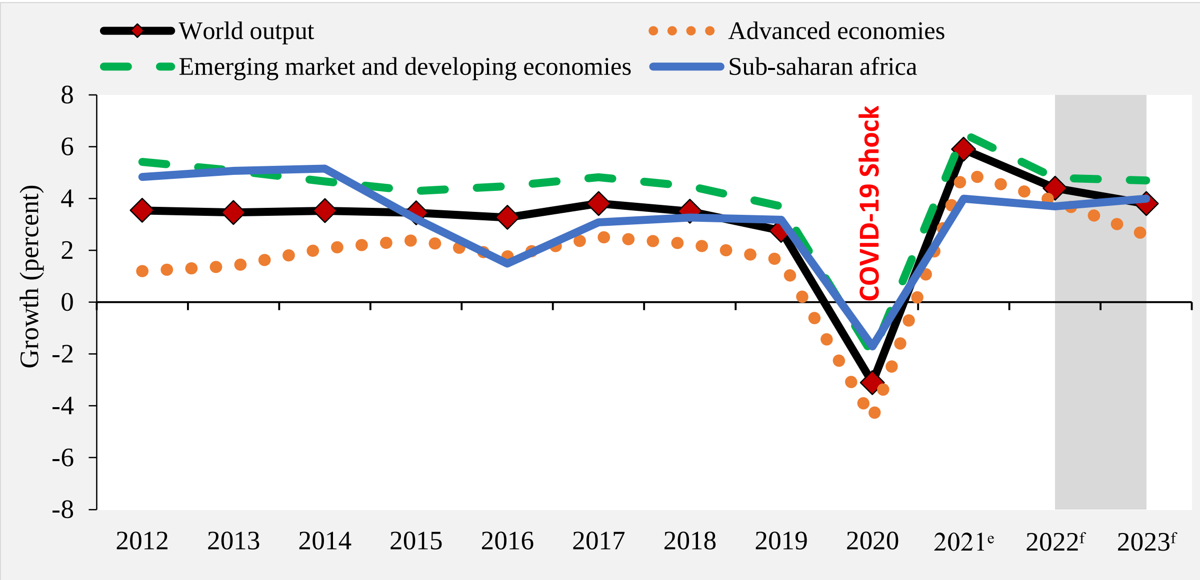
The remainder of the report is structured as follows. The second section reviews recent global economic developments regarding economic activity, inflation, and commodity prices and their implications for the Sierra Leone economy. The third section analyses domestic economic developments and outlook. Finally, the fourth section covers the conclusion and decision of the Monetary Policy Committee in March 2022.

2. GLOBAL ECONOMIC DEVELOPMENTS AND PROSPECTS

2.1 Global Economic Growth

The Global economy continues its post-pandemic shock recovery, but economic performance remained below expectations in the fourth quarter of 2021. Consequently, the IMF projected global economic growth at 4.4 percent[2] in 2022, down by 1.5 percentage point when compared to the earlier estimated growth of 5.9 percent[3] in 2021 (see **Figure 1**). The weaker-than-anticipated global economic activity reflected sluggish economic performance in the world's two largest economies- the United States and China. Lower prospects of continued fiscal stimulus, high expectations of earlier withdrawal of extraordinary monetary accommodation and persistent supply chain disruptions adversely affected economic activity in the United States. In China, the retrenchment of the real estate sector and weaker-than-expected recovery in private consumption accounted for the sluggish economic activity.

Figure 1: Trends in Global and Regional Real GDP Growth Rates



Source: IMF World Economic Outlook, January 2022; Note: ***e*** =estimate and ***f*** =forecast

Going forward, global economic prospects remain blurred, as global growth is projected to further decrease to 3.8 percent in 2023. Risks to the outlook are tilted to the downside and include, the lingering impact of COVID-19 pandemic, rising energy prices, persistent supply chain disruptions, rising inflationary pressures and diminishing policy space in most economies. In addition, the ongoing geopolitical tensions, especially the Russia-Ukraine crisis could further dampen the prospects for global growth.

[2] IME World Economic Outlook (WEO) update, January 2022
[3] IME World Economic Outlook (WEO) Projections, October 2021

2.1.1 Advanced Economies

Economic growth in advanced economies is projected at 3.9 percent in 2022, representing -0.6 percentage point downward revision when compared to the 2022 growth projection of 4.5 percent in the IMF's WEO October 2021 edition. The dimmer prospect for the group reflects faltering growth in key economies including the United States and Euro Area. Growth in the United States has been downgraded by 1.2 percentage point in 2022, underscored by low prospect of continued fiscal packages, anticipation of withdrawal of monetary accommodation and persistent supply chain disruptions. In the Euro Area, 2022 growth was downgraded by 0.4 percentage point, reflecting the adverse effects of the Omicron variant of COVID-19, coupled with persistent supply chain constraints and mobility restrictions re-introduced towards the end of 2021. Looking ahead, growth in advanced economies for 2023 has been upgraded by 0.4 percentage point. However, the recent Russian invasion of Ukraine and the likelihood of involvement of most advanced economies could greatly disrupt the group's economic performance going forward.

2.1.2 Emerging Markets and Developing Economies

Economic growth in emerging markets and developing economies has been downgraded by 0.3 percentage point for 2022, reflecting weak economic performance in key economies including China, Brazil and Russia. In China, growth in 2022 has been revised downwards by 0.8 percentage point, prompted by a number of factors including, weak performance in the country's real estate sector, recurrent restrictions related to the zero-COVID strategy and lower-than-anticipated private consumption. In Brazil, growth in 2022 has been marked down by 1.2 percentage point due to tighter monetary policy (in response to elevated inflation pressures) which could reduce domestic demand. The 0.1 percentage point growth downgrade for Russia in 2022 reflects weak harvest and worse-than-anticipated impact of the third wave of COVID-19. Looking ahead, growth projection for emerging markets and developing economies for 2023 has been upgraded by 0.1 percentage point. However, the ongoing Russian-Ukraine crisis has presented a major downside risk added to the COVID-19 threat and ongoing global supply chain constraints.

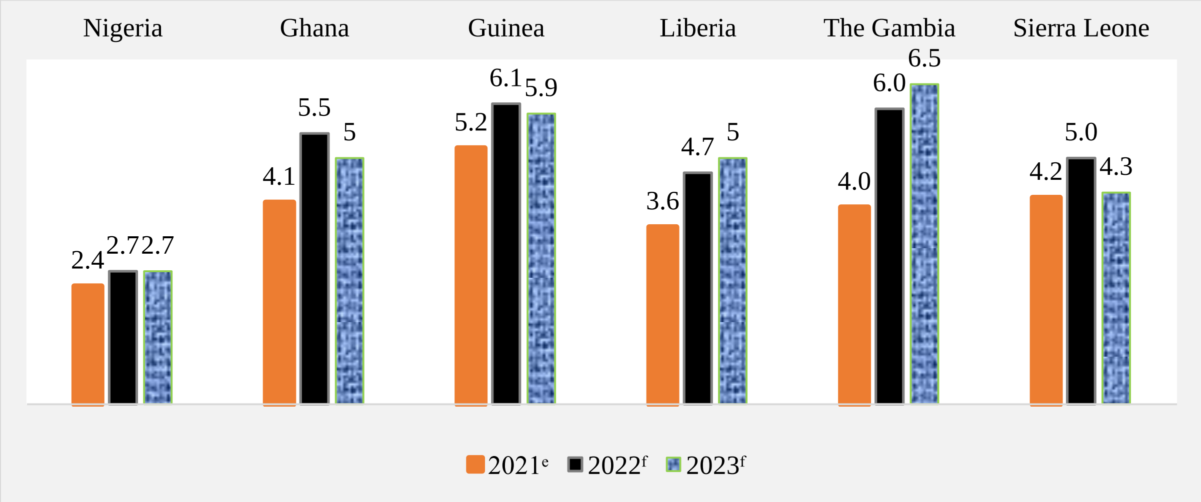
2.1.3 Sub-Saharan Africa

Economic growth in Sub-Saharan Africa is also expected to marginally soften in 2022, with a downward revision of 0.1 percentage point, reflecting mixed performances in most of the region's largest economies – Nigeria, South Africa, and Angola. The Nigerian economy has been benefiting from government policy support, rising oil prices and international financial assistance. As a result, the country's economic growth forecast for 2022 was unchanged at 2.7 percent. A similar situation was observed in Angola where the implementation of growth enhancing reforms and strengthening oil prices have been enhancing economic performance. The country's growth forecast for 2022 was upgraded by 0.5 percentage point. On the other hand, growth in South Africa was marked down by 0.3 percentage point, mainly due to the spread of the Omicron COVID variant, sluggish growth enhancing reforms and electricity issues that have been affecting industrial economic activities. Looking ahead, Sub-Saharan Africa economic growth is projected to increase from 3.7 percent in 2022 to 4.0 percent in 2023, contingent on strengthened domestic demand and strong commodity prices. However, downside risks to the outlook remain, including the COVID-19 pandemic-related uncertainties, socio-political tensions and debt repayment issues.

2.1.4 West African Monetary Zone (WAMZ)

Generally, economic performance in the WAMZ is expected to improve in 2022 relative to 2021. All the six economies in the Zone exhibited resilience in 2021. In Nigeria, growth is forecast to increase from 2.4 percent in 2021 to 2.7 percent in 2022, predicated on strengthening oil prices and improvement in the services sector. In Ghana, economic activity is seen to be supported by solid dynamics across all sectors. The recommissioning of the Bibiani gold mine should increase mining output, while firming oil prices could also greatly enhance economic growth. Thus, the country's growth is projected to increase to 5.5 percent in 2022 from 4.1 percent in 2021. Similarly, economic growth in Sierra Leone, Guinea, Liberia and The Gambia is expected to improve to 5.0 percent, 6.1 percent, 4.7 percent and 6.0 percent in 2022 from estimated 4.2 percent, 5.2 percent, 3.6 percent and 4.0 percent in 2021 respectively, in 2021. This favourable outlook is predicated on rebound in the mining and agriculture sectors, as well as the gradual recovery in tourism activities. Additionally, all the six member economies are projected to maintain strong growth momentum going into 2023. However, the lingering COVID-19 effect, rising debt, surging energy price and inflationary pressures could pose downward risks to the bolstering economic outlook in the WAMZ. **Figure 2** depicts the growth trends in the WAMZ.

Figure 2: Trends in Real GDP Growth in the WAMZ



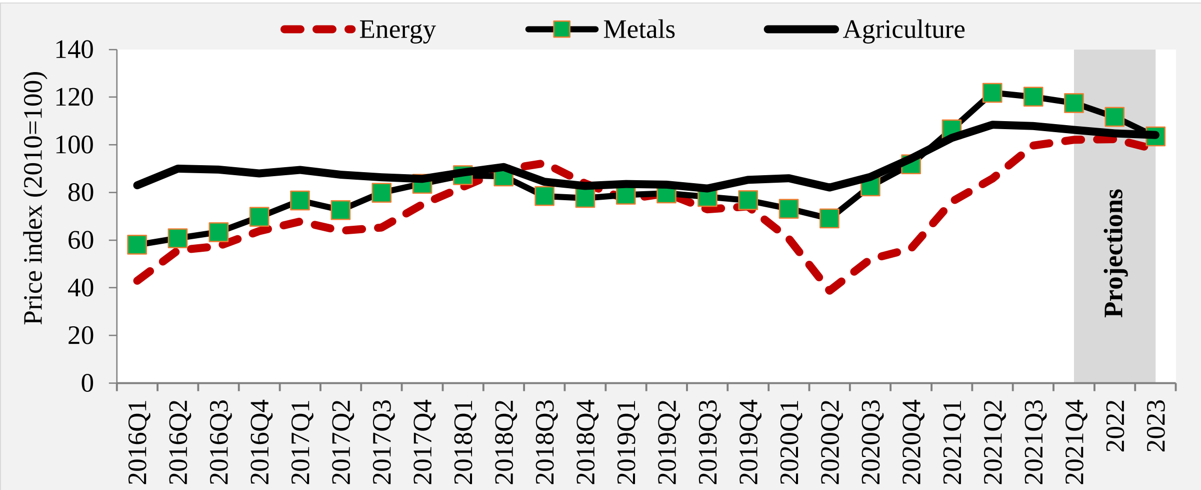
Source: IMF WEO January 2021 update

2.2 Inflation and Commodity Prices

2.2.1 Global Commodity Prices

Developments in the global commodity prices remained mixed in 2021Q4. Energy prices continued to strengthen, while metals and agriculture prices softened in the review period. The energy price index increased by 2.37 percent to 102.10 points in 2021Q4 relative to the preceding quarter. Conversely, metals and agriculture price indices decreased by 2.19 percent and 1.44 percent to 117.50 points and 106.30 points in 2021Q4, respectively (**see Figure 3**).

Figure 3: Trends in Global Commodity Price Indices



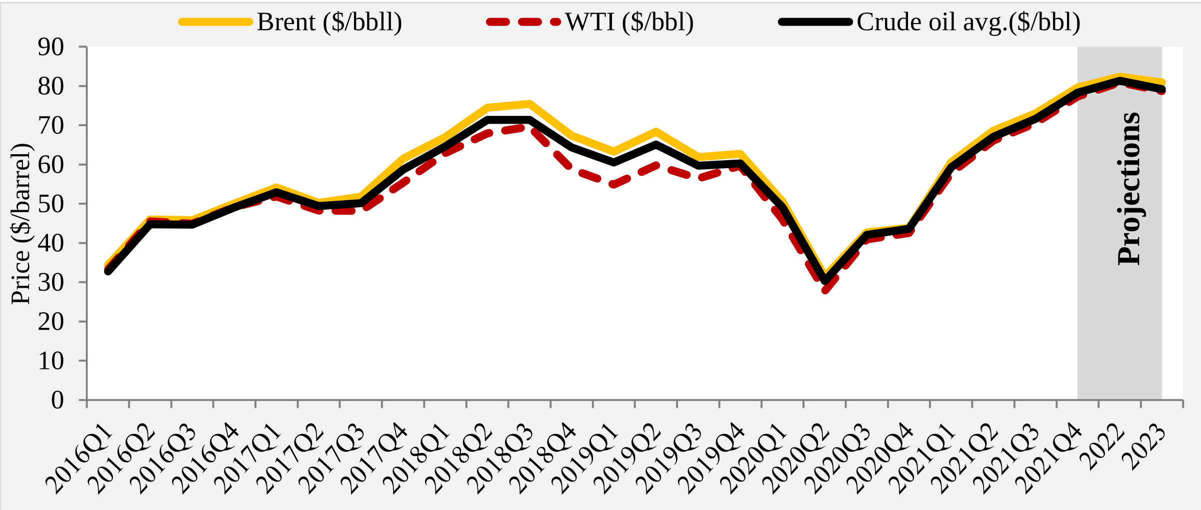
Source: World Bank Commodity Market Outlook database, February 2022

On the outlook, energy prices are expected to strengthen further in 2022, mainly predicated on the escalating tensions between Russia and Ukraine amid exacerbated natural gas supply risks in Europe. The Russia-Ukraine crisis could also put upward pressure on agriculture prices, as the two countries happen to be key players in global supply of wheat and fertilizer. Metal prices are projected to soften in 2022, contingent on declining investor sentiment and soft demand.

Crude Oil Prices

Crude oil prices continued to surge in 2021Q4, averaging US$78.30/bbl from the average price of US$71.70/bbl in 2021Q3. Similarly, both Brent and West Texas Intermediate (WTI) prices surged to USUS79.60/bbl and US$77.30/bbl in 2021Q4 from US$73.00/bbl and US$70.60/bbl in 2021Q3, respectively. The upward movement in crude oil prices during the review period are mainly on account of significant drop in inventories, which resulted in excess demand over supply. Based on the initial outlook, crude oil prices were tipped to soften slightly in 2022 due to expected production increases in the United States, OPEC and Russia. However, the Russian invasion of Ukraine has flipped the price prospects to the upside. Crude oil prices have been surging since the invasion started on February 24, 2022. Consequently, prices are now expected to further strengthen on average in 2022.

Figure 4: Crude Oil Price

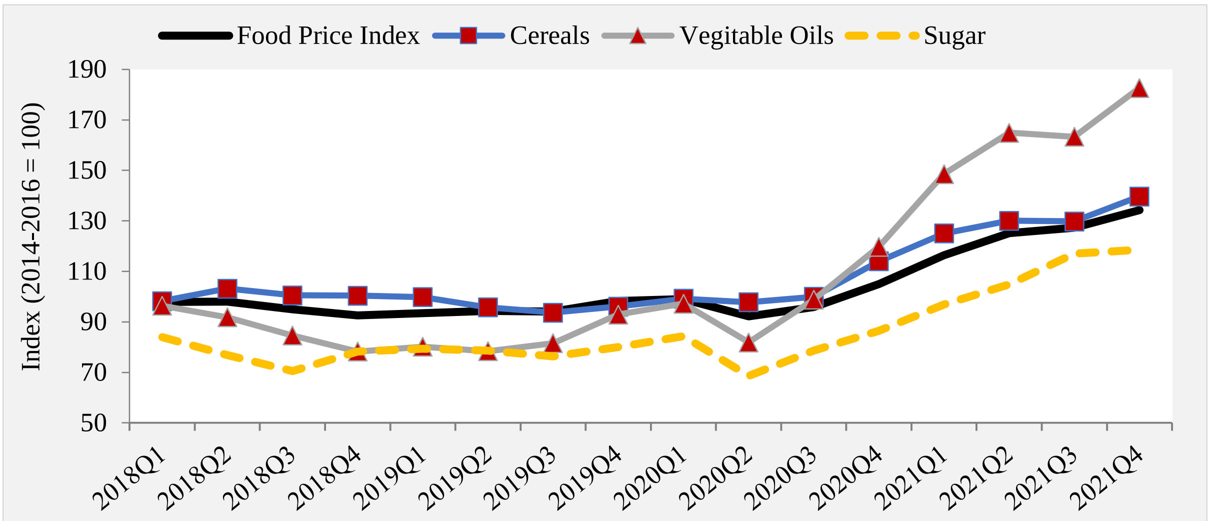


Source: World Bank Commodity Market Outlook database, February 2022

Global Food Price Index

The FAO food price index increased by 5.47 percent to 134.22 points in 2021Q4. The increase in the food price index mainly reflects solid gains in vegetable oil, cereals and sugar. The increase in vegetable oil prices reflected higher quotations for palm, soy, rapeseed and sunflower seed oil. On cereals, the completion of main crop harvests by major suppliers and purchases by Asian buyers also raised international rice prices during the period. The ongoing Russia-Ukraine war added further impetus to price increases as the usual trade route for wheat supply has been blocked.

Figure 5: FAO Food Price Indices

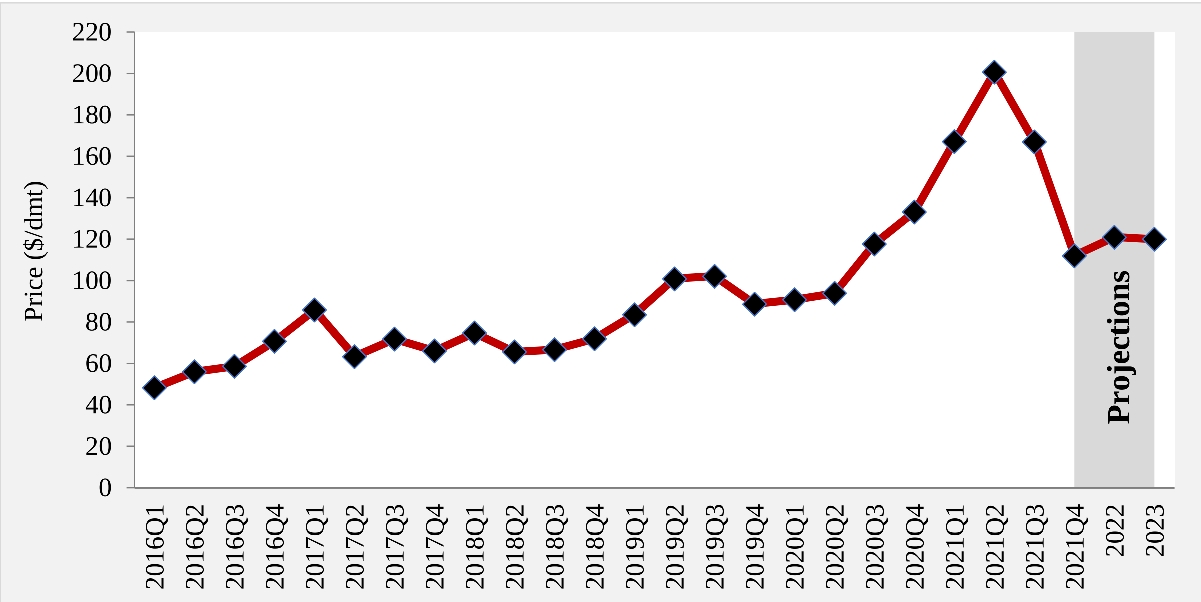


Source: FAO food price index database, February 2022

Iron Ore Price

Global iron ore price further plunged to US$112.00/dmt in 2021Q4 from US$166.90/dmt in 2021Q3. The drop in price was mainly on account of slow demand especially from China where steel production was stalled amid improved climate efforts. However, iron ore prices are expected to pick up slightly in 2022, predicated on the recovery of steel production in China and lower-than-expected supply from Brazil in towards the end of 2021Q4

Figure 6: Price of Iron Ore

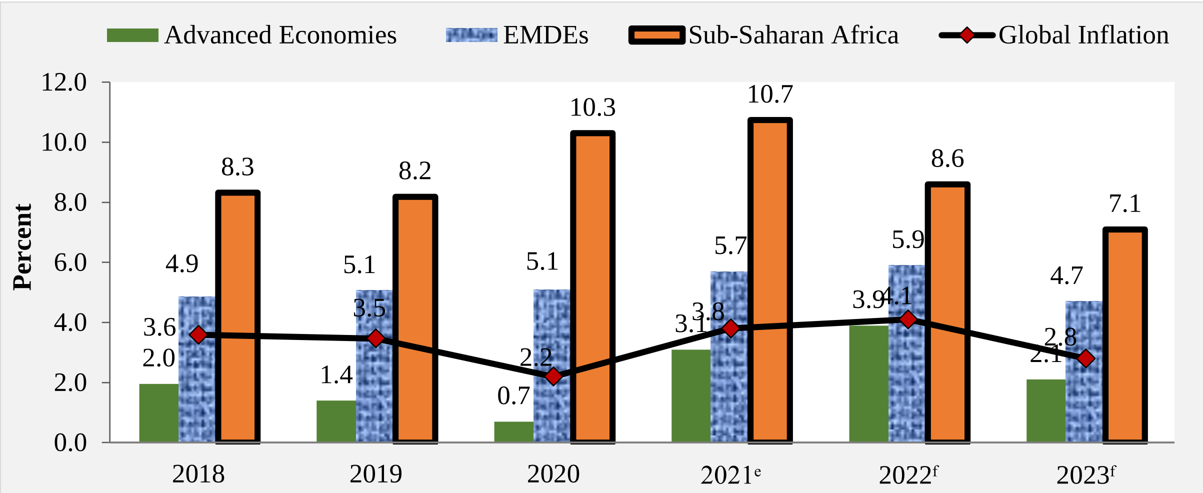


Source: World Bank Commodity Market Outlook database, February 2022

2.2.2 Global Inflation

Global inflationary pressures remained elevated in 2021Q4, underpinned by persistent global supply chain constraints, surging energy prices and soaring food prices. Accordingly, global average inflation is projected to increase to 4.1 percent in 2022 from 3.8 percent in 2021. In advanced economies, inflation is projected to rise to 3.9 percent in 2022 from an estimated 3.1 percent in 2021. In Emerging Market and Developing Economies, inflation is expected to rise to 5.9 percent in 2022 from an estimated 5.7 percent in 2021. Global inflationary pressures are forecasted to ebb in 2023 predicated on initial expectations of easing supply chain constraints and stabilization of energy prices as well as significant monetary policy tightening around the world. (**See Figure 7**).

Figure 7: Trends in Global and Regional Inflation



Data source: IMF, World Economic outlook, January 2021; Note: e=estimate and f=forecast

However, the risks to the global inflation outlook are now overly tilted to the upside. The ongoing Russia-Ukraine crisis is fueling renewed global economic uncertainty and posing further inflationary threat to the global economy.

Sub-Saharan Africa Inflation

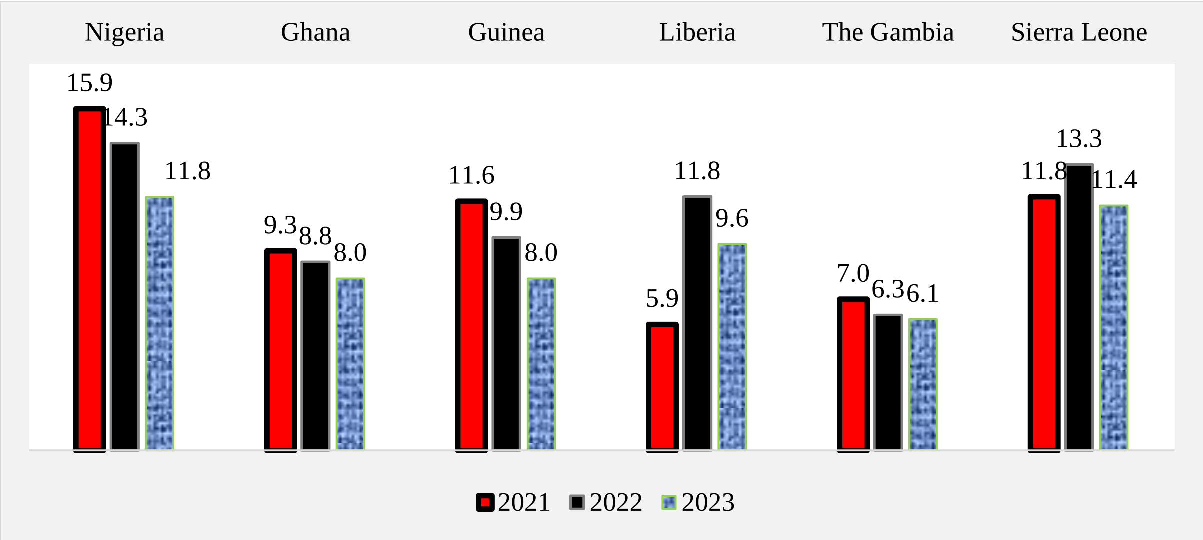
In Sub-Saharan Africa, inflation is projected to decrease to 8.60 percent in 2022 from an estimated 10.70 percent in 2021. However, risks to inflation outlook in the region remained on the upside and include rising food prices, continued supply chain issues and surging energy prices.

Inflation in the WAMZ

Inflationary pressures are expected to remain high in the WAMZ in 2022. Nigeria, Ghana, Guinea and The Gambia are projected to register slight decreases in average inflation to 14.3

percent, 8.8 percent, 9.9 percent and 6.3 percent in 2022 from inflation estimates of 15.9 percent, 9.3 percent, 11.6 percent and 7.0 percent in 2021, respectively. Conversely, Liberia and Sierra Leone are projected to register increases in average inflation to 11.8 percent, and 13.3 percent in 2022 from 5.9 percent and 11.8 percent in 2021, respectively. In the short-to-medium term, inflationary pressures are expected to remain high in all the economies in the bloc, mainly predicated on firming global food and energy prices (**see Figure 8).**

Figure 8: Inflation Trends in the WAMZ



Data source: World Bank Global Economic Prospects (GEP), January 2022

2.3 Implications for the Outlook of the Sierra Leone Economy

The rising global commodity prices (especially energy and food prices), persistent disruption in global supply chain, high freight charges, geopolitical conflicts (Russia and Ukraine), monetary policy normalization in advanced economies and the uncertainty surrounding COVID-19 will have adverse implications for the Sierra Leone economy, in terms of trade, financial inflows and exchange rate stability.

As a small and open economy, the persistent global supply chain disruption, rising energy and food prices and high freight charges led to an increase of Sierra Leone's import bill, and thus widened the trade deficit and put further pressures on the exchange rate.

In addition, monetary policy normalization in advanced economies in terms of policy rate hike could adversely affect financial inflows- especially foreign direct investment and remittances in Sierra Leone. The uncertainty surrounding COVID-19 pandemic could adversely affect investment and output of the economy.

However, expected improvement in domestic economic activities, especially in agriculture, mining and tourism as the Sierra Leone's economy recovers from the effects of COVID-19 pandemic, coupled with improving remittance inflows and the expected financial support from development partners could help to dampen the adverse effects from the global economy uncertainty in the short-to-medium term.

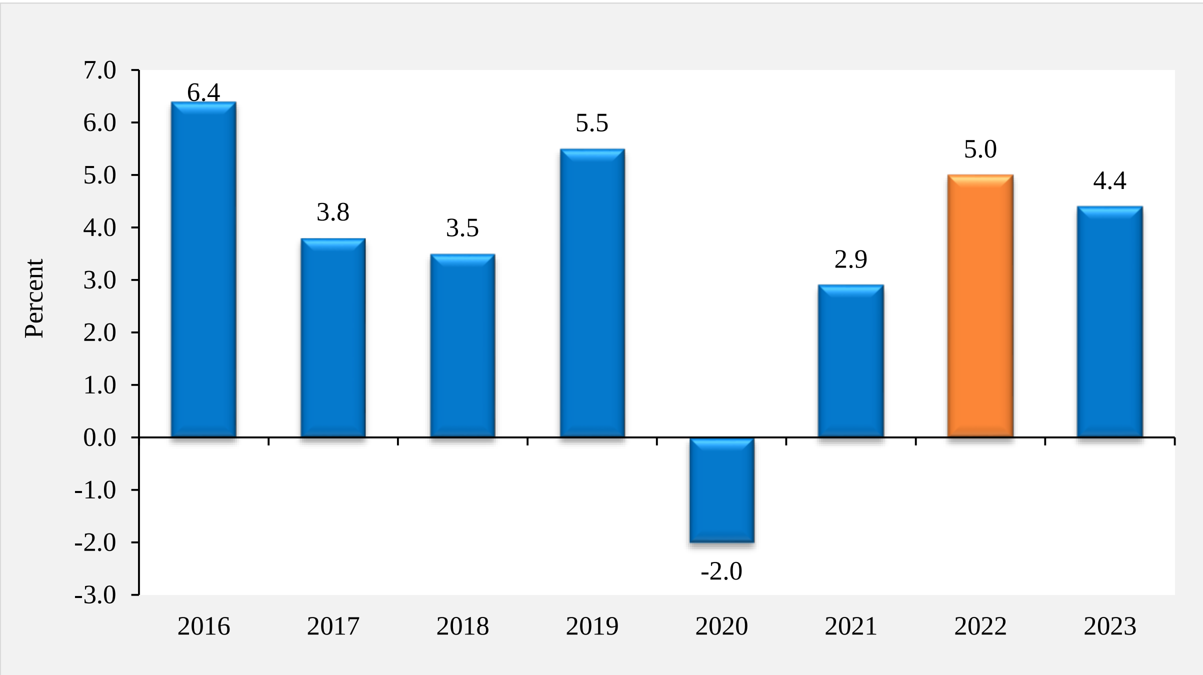
3. DOMESTIC ECONOMIC DEVELOPMENTS

3.1 Real Sector Developments

3.1.1 Real GDP growth

Economic activities picked up in 2021, but by less than expected, as RGDP growth for 2021 has been downgraded to 2.9 percent, from the earlier estimate of 3.2 percent. The lower-than-expected RGDP growth could be attributed in part to delays in the resumption of iron ore operation and the lingering effects of COVID-19 pandemic on the economy. RGDP growth is expected to be stronger at 5.0 percent in 2022, supported by expected increase in activities in the agriculture, manufacturing, services and mining sectors.

Figure 9: Real GDP growth Rates

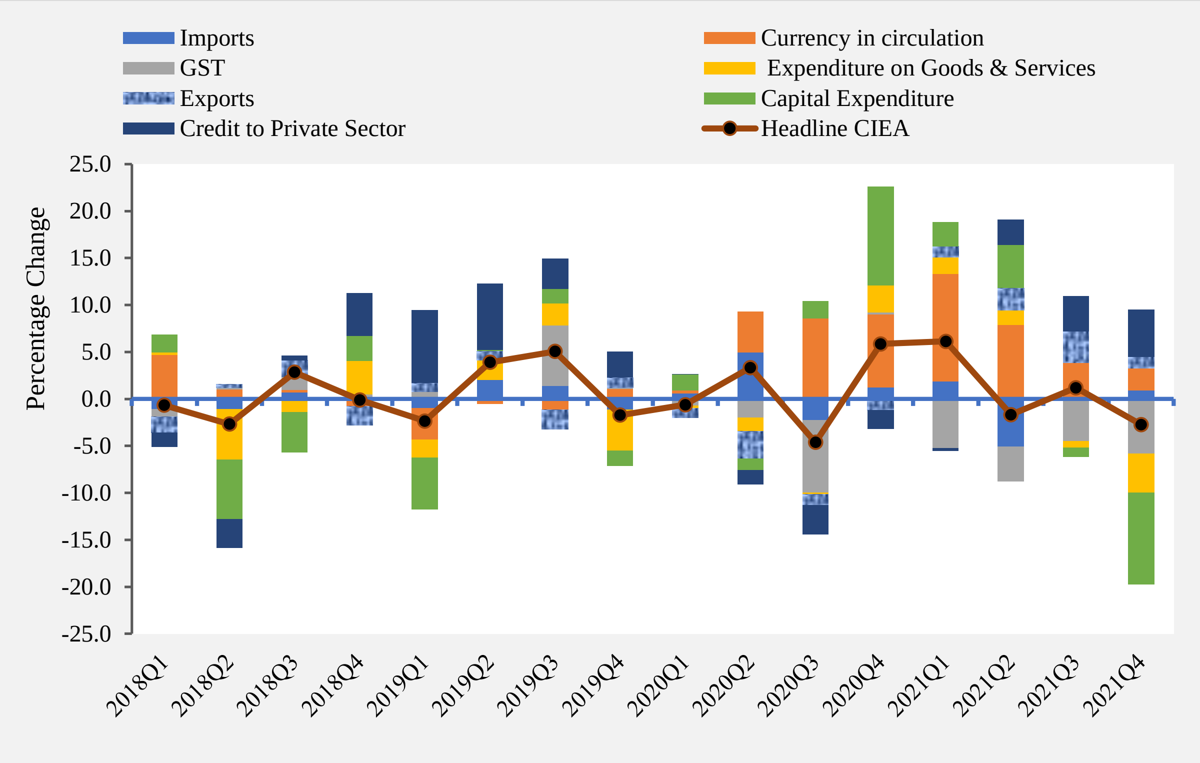


Source: Stats SL and MoF

3.1.2 Composite Index of Economic Activity (CIEA)

The high frequency indicator of economic activity- the Composite Index of Economic Activity (CIEA) estimates produced by Staff shows that economic activities contracted by 2.73 percent in 2021Q4, after expanding by 1.19 percent in 2021Q3 (**see Figure 10**). Key drivers were currency in circulation, GST, expenditure on goods & services, and capital expenditure.

Figure 10: Contributions to CIEA



Source: BSL, MPD &RSD

3.1.3 Risks to the Domestic Growth outlook

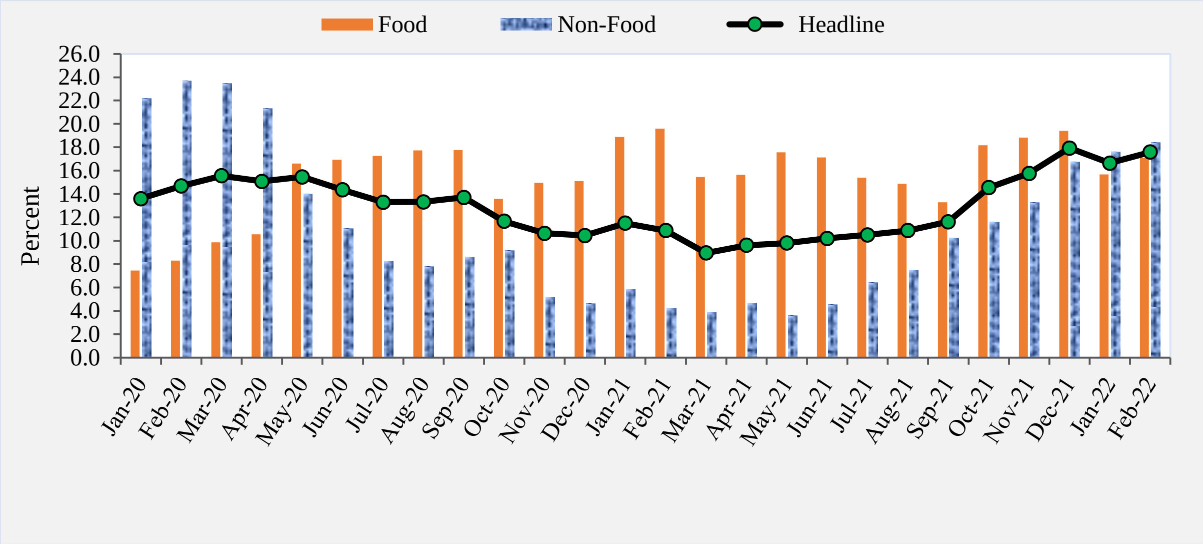
Growth is expected to rebound after the COVID-19 shock but downside risks to the outlook still remains. Risks could come mainly from developments in the global economy. The economic fallout from the ongoing Russia-Ukraine conflict have heightened global economic uncertainty, which could significantly weigh on global economic recovery and commodity markets. This may have an adverse impact on economic growth, especially for small open economies like Sierra Leone. Thus, actual RGDP growth for 2022 may more likely fall below its forecast value of 5.0 percent.

3.1.4 Inflation Developments

Statistics Sierra Leone has rebased the CPI basket from 2008 to 2021. Based on the new CPI series, headline inflation increased from 11.63 percent in September 2021 to 17.94 percent in December 2021 which is higher than the14.8 percent projected for December 2021. Inflationary pressures somewhat moderated in January 2022. Headline inflation decreased to

16.65 percent, but picked up at 17.59 percent in February 2022. The increase in headline inflation was reflected in both food and non-food inflation (see **Figure 11**).

Figure 11: Trends in Headline, Food and Non-food Inflation

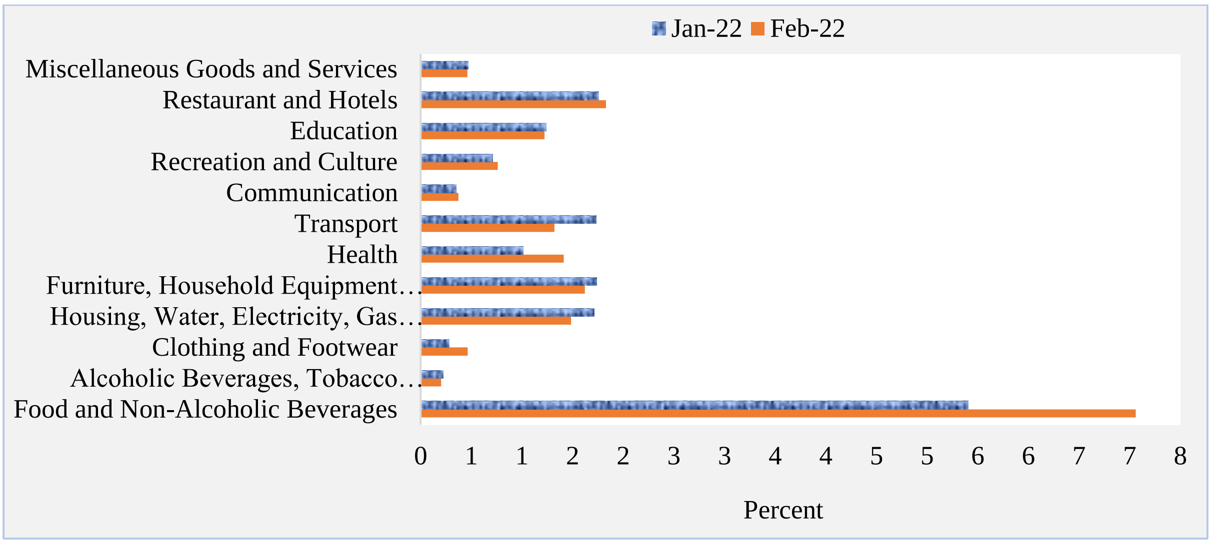


Source: Stats SL

Drivers of Headline Inflation

Key components of the CPI basket responsible for the increase in inflation in February 2022 included: food & non-alcoholic beverages, clothing & footwear, health, communication, recreation & culture, as well as restaurants and hotels. Downward movers included: Alcoholic beverages, tobacco and narcotics, housing, water, electricity, gas, and other fuels, furniture, household equipment and household maintenance, transport, as well as miscellaneous goods and services. There was no change in Education inflation in February 2022 (see **Figure 12**).

Figure 12: Drivers of Annual headline inflation in February 2022



Source: BSL Staff estimates using Stats SL data

3.1.5 Inflation Outlook

Inflationary pressures are expected to persist at least in the near-term supported by rising global commodity prices (especially fuel and food) and disruption in supply chain, high freight charges induced by the Russian-Ukraine crisis as well as uncertainties surrounding the COVID-19 pandemic. Furthermore, the effects of the recent increases in fuel pump prices on production costs may have adverse consequences for domestic prices.

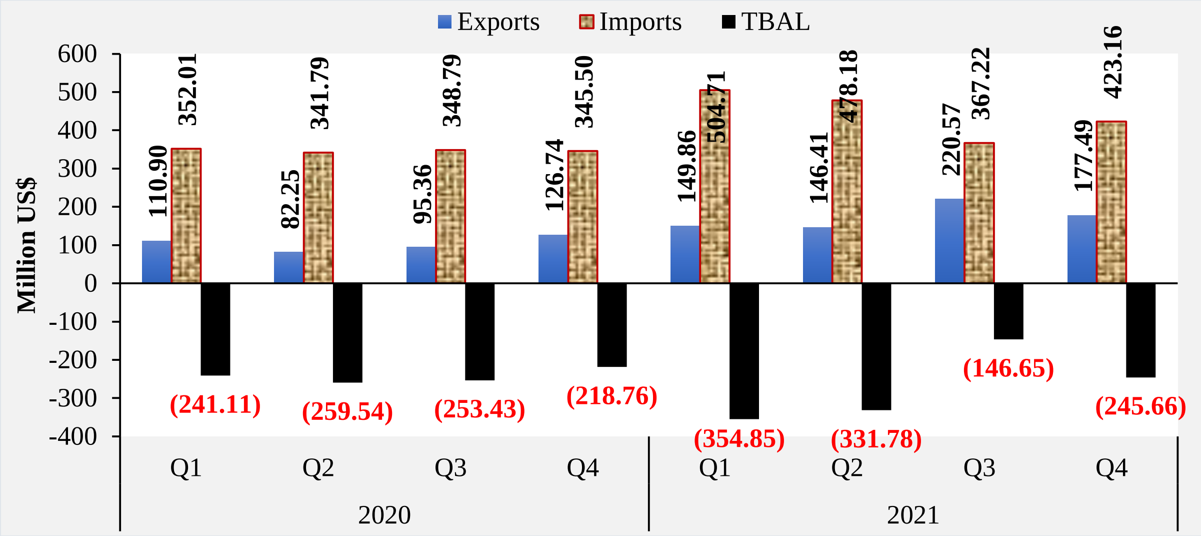
3.2 External Sector Developments

Sierra Leone's trade balance deteriorated during the review period, due to the combined effect of a decrease in export receipts and increase in import payments. The nominal exchange rate of the Leone against major international currencies weakened, fully compensating for the inflation differential with the main trading partners. Consequently, the real effective exchange rate (REER) depreciated slightly. The stock of gross foreign exchange reserves of the Bank of Sierra Leone decreased, while diaspora remittances into the country strengthened during the review period.

3.2.1 Trade Balance

Sierra Leone's trade deficit of was estimated at US$245.66 million in 2021Q4, representing an increase of 67.52 percent over the US$146.65 million recorded in 2021Q3. The worsening trade deficit was on account of the combined effects of a significant decrease in exports and increase in imports during the review quarter.

Figure 13: International Trade

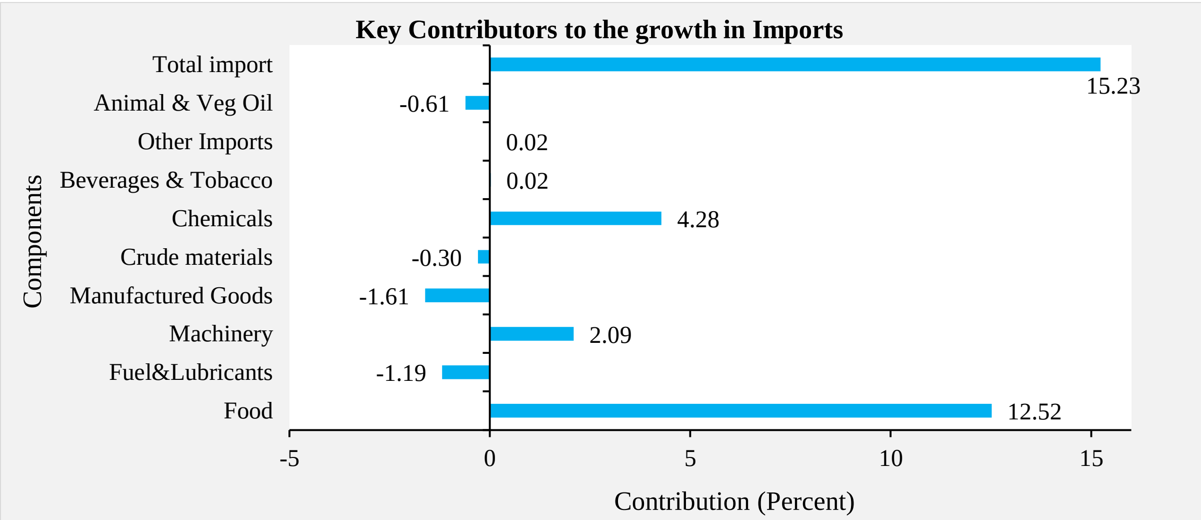


Source: NRA/Customs & BSL

Components of Imports

Total imports increased to US$423.16 million in 2021Q4 from US$367.22 million in 2021Q3. The increase in imports was mainly on account of increases in the importation of food, chemicals and machinery, which outweighed the decreases in manufactured goods, fuel-lubricants, animal-vegetable oil and crude material imports (**see Figure 14**).

Figure 14: Components of Imports

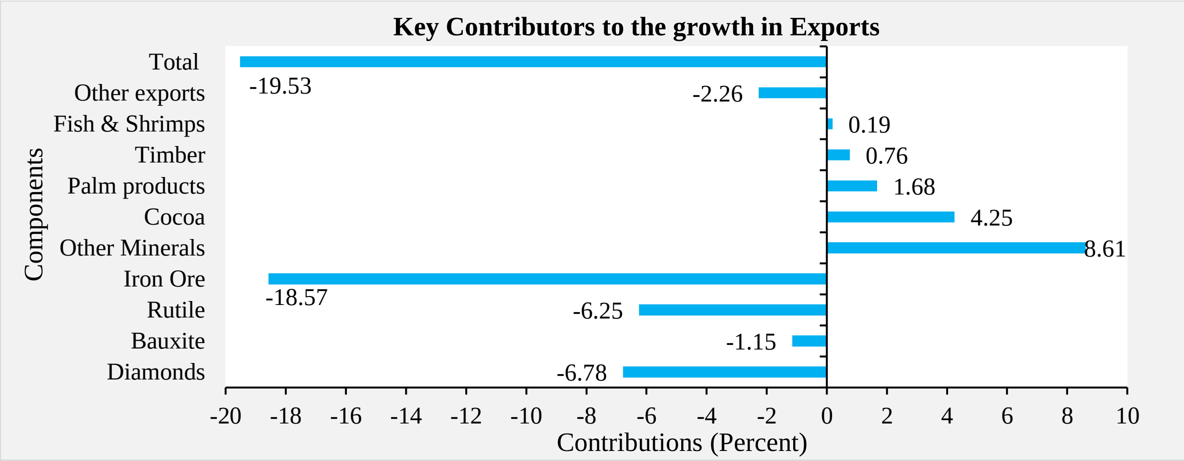


Source: NRA/Customs & BSL

Components of Exports

Total exports decreased to USS177.49 million in 2021Q4 from US$220.57 million in 2021Q3. The decrease in total exports earnings was mainly driven by decreases in the export of iron ore, diamonds, rutile and bauxite, which outweighed the increases in other minerals, cocoa, palm products and timber exports (**see Figure 15**)

Figure 15: Components of Exports

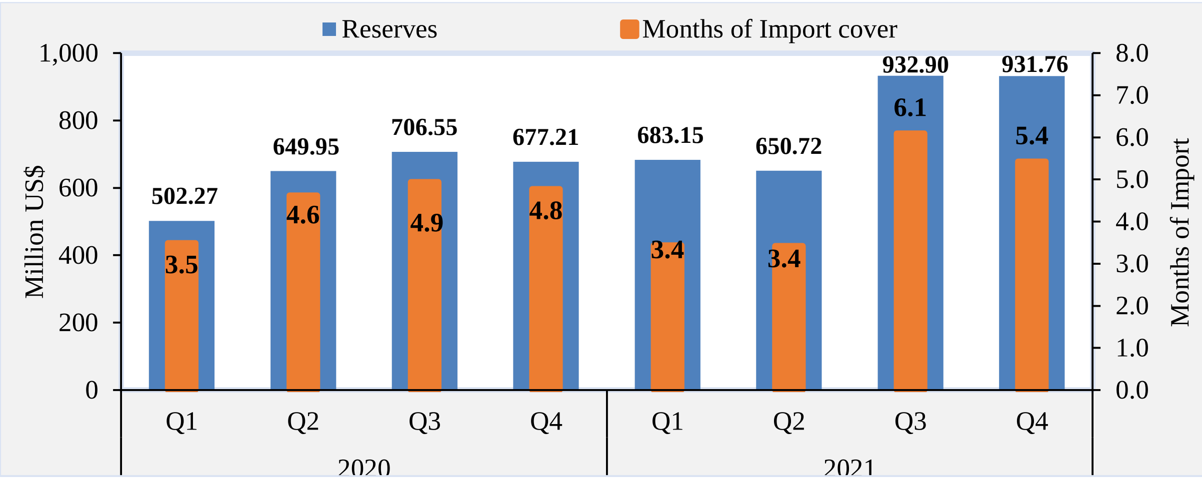


Source: NRA/Customs & BSL

3.2.2 Gross Foreign Exchange Reserves

The stock of gross foreign exchange reserves of the Bank of Sierra Leone (excluding swap) remained relatively high at US$931.76 million as at end-2021Q4, although declined by 0.12 percent when compared to US$932.90 million in 2021Q3. The stock of reserves was enough to cover 5.4 months of import of goods and services. (See Figure 16)

Figure 16: Gross Foreign Exchange Reserves & Months of Import Cover

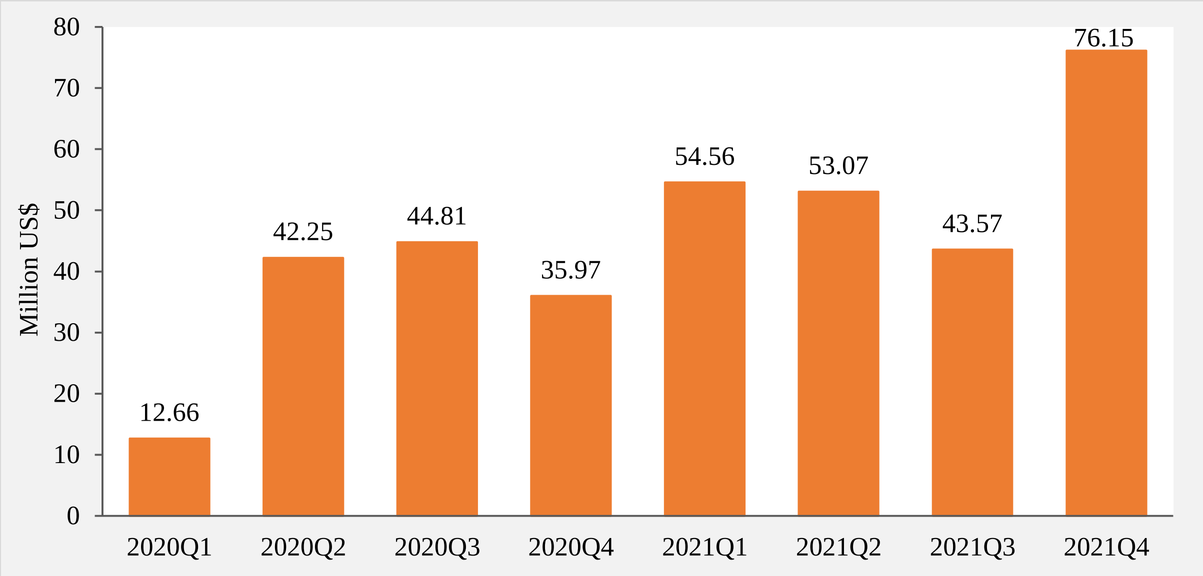


Source: Financial Markets Department, BSL

3.2.3 Diaspora Remittances

Diaspora remittance inflows into Sierra Leone grew strongly by 74.79 percent to US$76.15 million in 2021Q4. (**see Figure 17**). The strong remittance inflows are expected to complement government safety net programs to cushion the economic hardships brought about by the COVID-19 crisis. Remittances will continue to provide a critical lifeline for most household spending on essential items such as food, health and education during these periods of economic challenges

Figure 17: Trend in Diaspora Remittances into Sierra Leone



Source: Financial Markets Department, BSL

3.2.4 External Sector Outlook

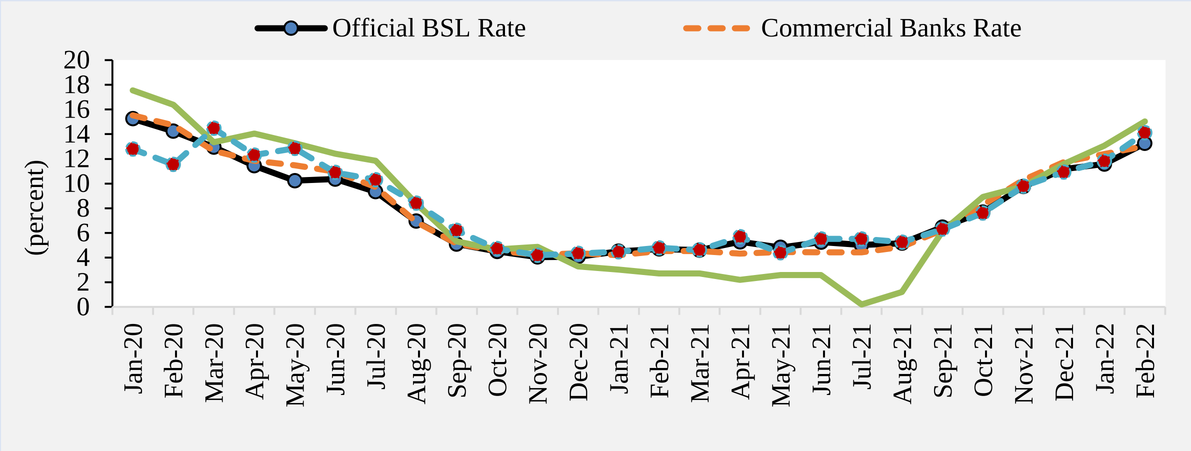
Going forward, Sierra Leone's external sector performance will depend largely on developments in the global economy. The potential slowdown in global trade and weakening demand conditions in key trading partner economies could subdue export, while higher energy prices could raise the country's import bill leading to higher trade deficits. The high global economic uncertainties may also lead to a slowdown in financial inflows, with negative consequences for exchange rate stability. However, continued implementation of domestic economic reforms and external financial support from development partners could boost external sector resilience amid the rising global economic challenges.

3.3 Exchange Rates and Foreign Exchange Market Developments

3.3.1 Bilateral Exchange Rate

On a year-on-year basis, the average exchange rate of the Leone against the US dollar depreciated in all the foreign exchange market segments. The exchange rates in the commercial banks, parallel market, official market and bureaux depreciated by 10.11 percent, 10.08 percent, 9.55 percent, and 9.45 percent averaging Le11,209.55/US$1, Le11,662.08/US$1, Le10,996.16/US$1, and Le11,010.19/US$1 in 2021Q4 relative to Le10,180.51/US$1, Le10,594.17/US$1, Le10,037.64/US$1, and Le10,059.56/US$1 respectively in 2020Q4. (**See Figure 18**).

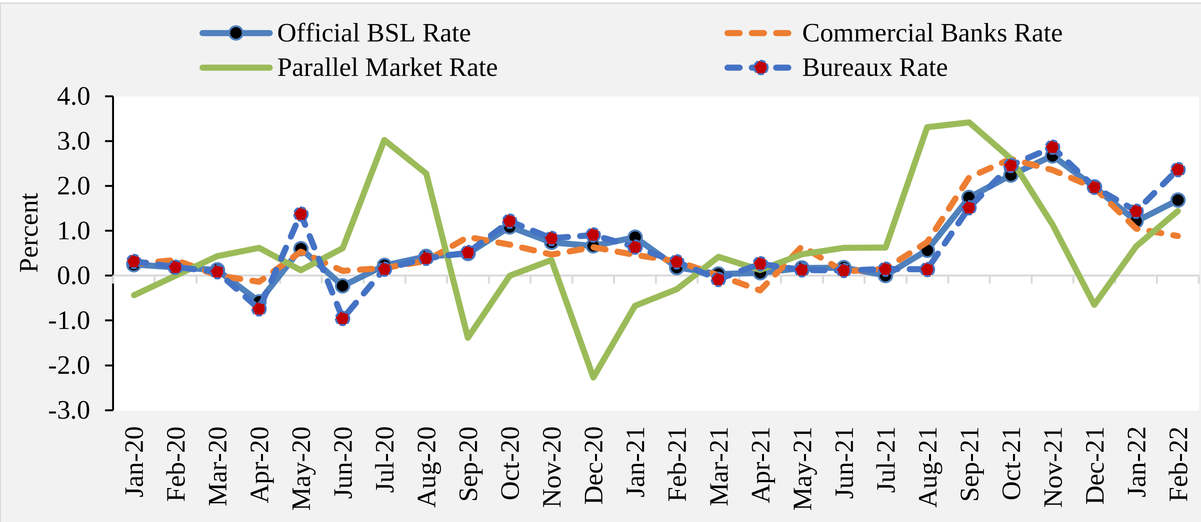
Figure 18: Trends in Year-on-Year Exchange Rate Depreciation (Le/US$1)



Source: Financial Markets Department, BSL

On a quarterly basis, the average exchange rate of the Leone against the US dollar depreciated in the official market, commercial banks, parallel market, and bureau by 6.69 percent, 6.69 percent, 6.61 percent, and 6.22 percent, respectively (**See Figure 19**).

Figure 19: Trends in Quarter-on-Quarter Exchange Rate Depreciation (Le/US$)



Source: Financial Markets Department, BSL

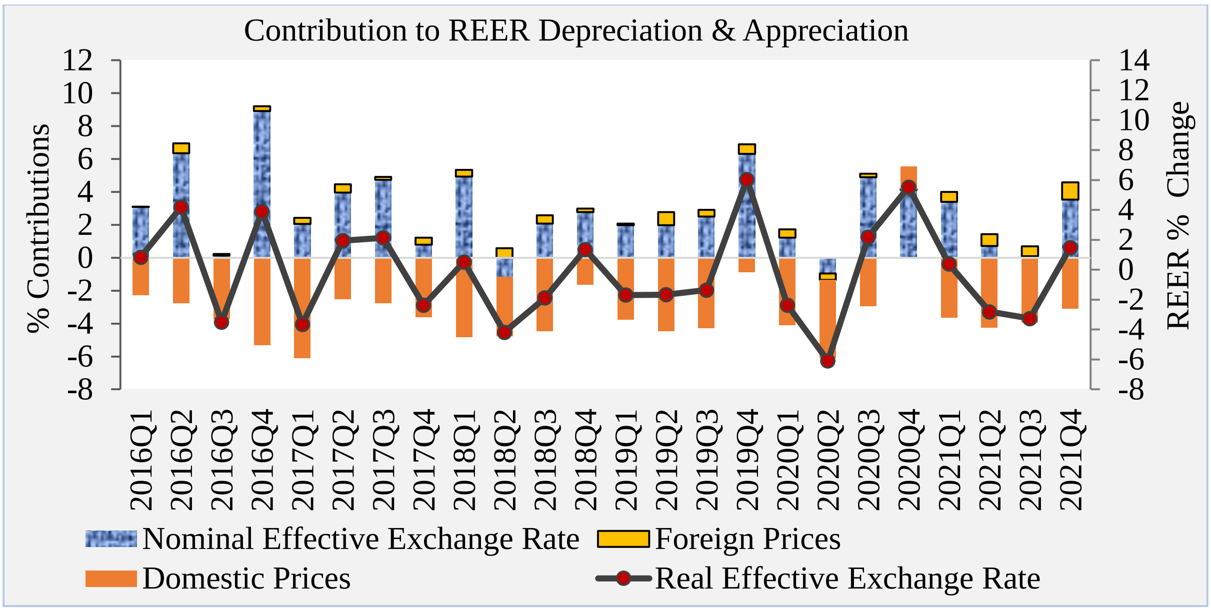
3.3.2 Effective Exchange Rates

The Nominal Effective Exchange Rate (NEER), which measures the relative strength of the Leone against the currencies of Sierra Leone's trading partners depreciated by 3.59 percent quarterly to an index of 299.90 in 2021Q4. Bilaterally, the Leone depreciated against the

Chinese RMB by 7.27 percent, US dollar by 5.97 percent, Swiss franc by 5.59 percent, British Pounds by 3.58 percent and Euro by 1.66 percent.

Similarly, the Real Effective Exchange Rate (REER), which measures the competitiveness of Sierra Leone's traded goods relative to those of its trading partners depreciated slightly by 1.49 percent quarterly, to an index of 97.76 points in 2021Q4. The depreciation was mainly on account of the increase (depreciation) in NEER, which outweighed the decrease in the ratio of foreign prices to domestic prices.

Figure 20: Percentage Contributions to the Change in REER



Source: MPD

3.3.3 Domestic Foreign Exchange Markets

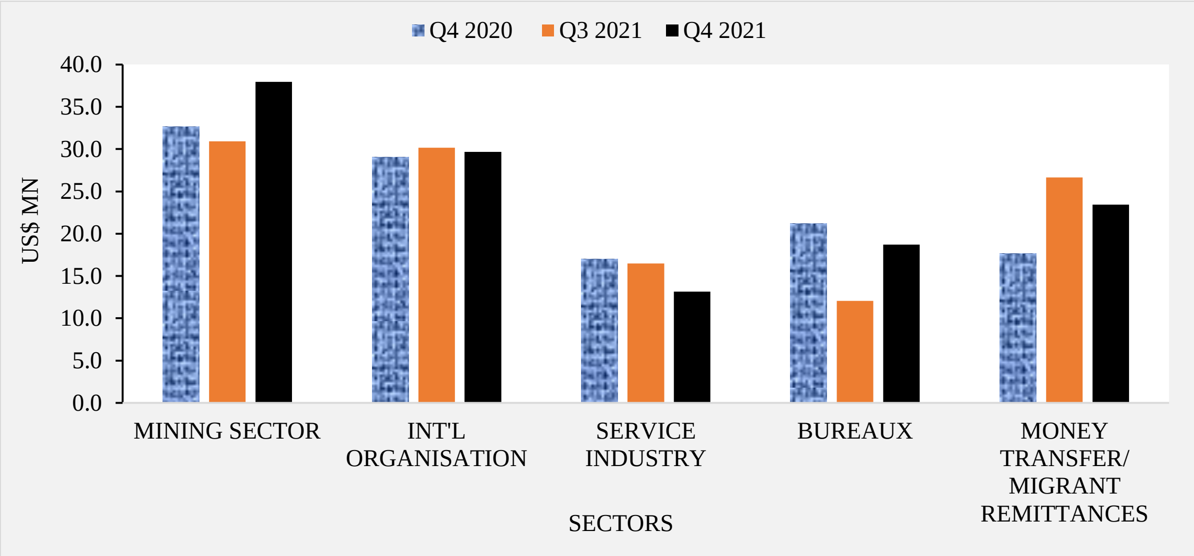
Foreign Exchange Flows

Total amount traded in the foreign exchange market (purchases and sales) during 2021Q4 was US$346.16 million, down by 1.54 percent relative to US$351.57 million in 2020Q4 and 2.31 percent below US$354.36 million recorded in 2021Q3.

Commercial Banks' Purchases of Forex from Selected Sectors

Total purchases of foreign exchange by commercial banks decreased slightly by 0.99 percent to US$167.27 million in 2021Q4 from US$168.95mn in 2021Q3, on account of reduction in purchases from the service industry, international Organizations and NGO's, Government Ministries, Departments and Agencies, and money transfer agencies/migrant remittances. It also decreased by 0.26 percent when compared with US$167.70 million recorded in the corresponding quarter in 2020, which could be attributed to decease in purchases from the service industry, international organizations, and bureau. In February 2022, total purchases were US$56.14 million, 13.91 percent more than US$49.28 million recorded in January 2022 (**see Figure 21**).

Figure 21: Commercial Banks' Purchases of Forex from Selected Sectors

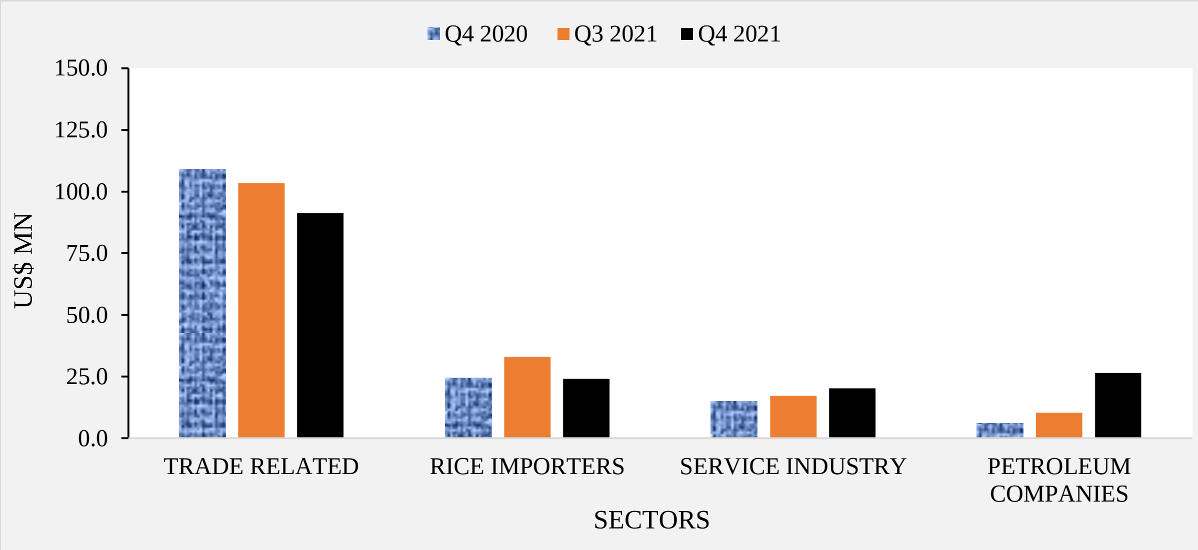


Source: Financial Markets Department, BSL

Commercial Banks' Sales of Forex to Selected Sectors

Total sales of foreign exchange by commercial banks in 2021Q4 decreased by 2.71 percent to US$178.89 million compared to US$183.87 million recorded in the corresponding period in 2020Q4. The drop in forex sales was mainly attributed to the decline in sales to trade related imports and rice importers. It also decreased by 3.52 percent relative to US$185.41 million recorded in 2021Q3 due to reduction in forex sales for trade related imports, rice importers and telecommunication companies. In February 2022, total sales were US$56.25 million, 3.78 percent more than US$54.20 million recorded in January 2022 (**see Figure 22**).

Figure 22: Commercial Banks' Sales of Forex to Selected Sectors



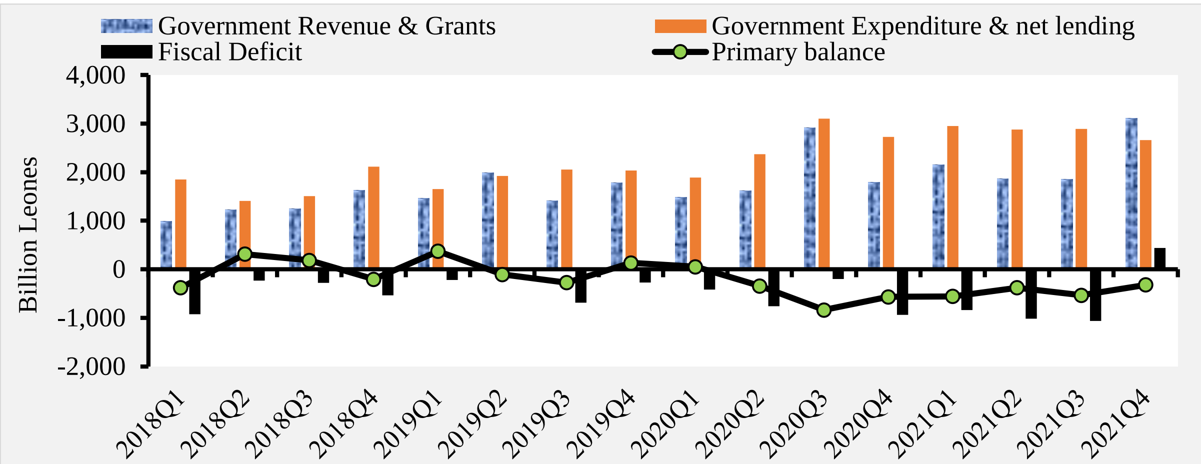
Source: Financial Markets Department, BSL

3.4 Fiscal Developments

3.4.1 Government Budgetary Operations

Fiscal balance improved in 2021Q4, as the fiscal operations resulted in a surplus of Le439.55 billion in 2021Q4 from a deficit of Le1.06 trillion in 2021Q3. This reflected an improvement in government revenue mobilization, an increase in foreign grants and a contraction in government expenditure. The primary balance also narrowed from a deficit of Le535.30 billion in 2021Q3 to a deficit of Le321.67 billion in 2021Q4. (See **Figure 23**).

Figure 23: Fiscal Deficit

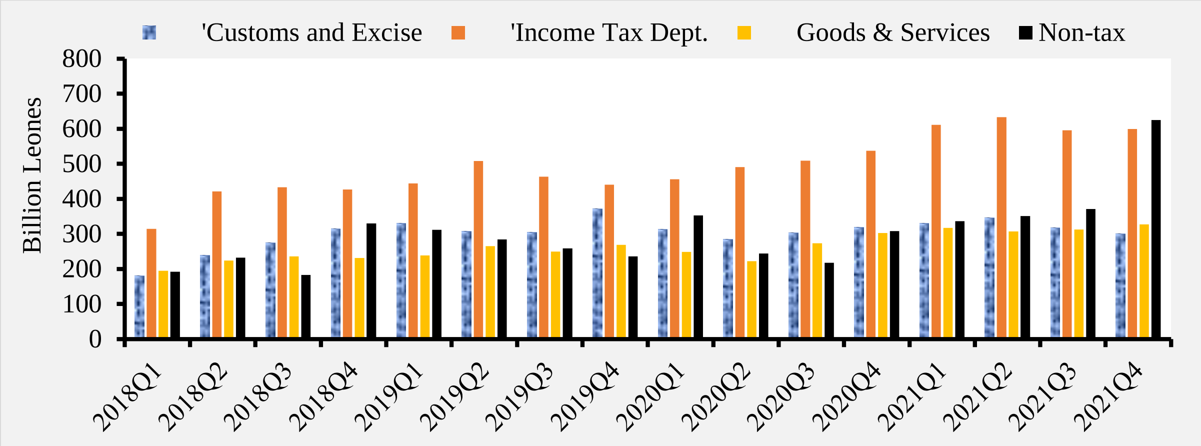


Source: Ministry of Finance

3.4.2 Revenues

Total government revenue and grants expanded from Le1.86 trillion in 2021Q3 to Le3.11 trillion in 2021Q4, due to increases in both domestic revenue and foreign grants. Foreign grants received increased from Le205.33 billion in 2021Q3 to Le1.21 trillion in 2021Q4, while domestic revenue increased from Le1.65 trillion in 2021Q3 to Le1.91 trillion in 2021Q4 and exceeded the quarterly target of Le1.85 trillion (**see Figure 24**).

Figure 24: Components of Domestic Revenue

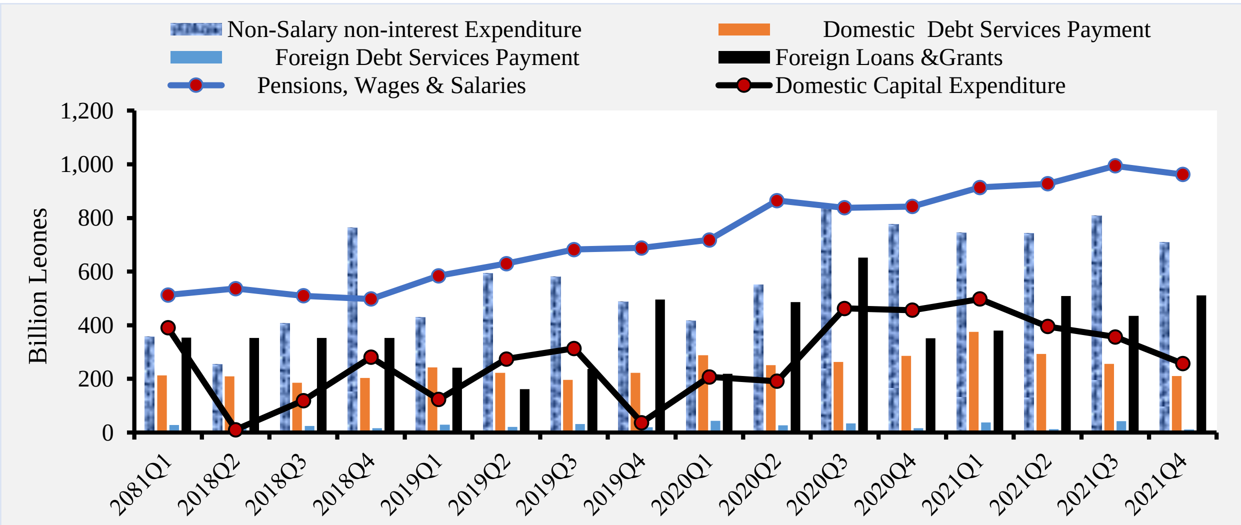


Source: Ministry of Finance

3.4.3 Expenditures

Government expenditure and net lending contracted from Le2.89 trillion in 2021Q3 to Le2.66 trillion in 2021Q4, due to decline in both recurrent and capital expenditure. Recurrent expenditure contracted from Le2.10 trillion in 2021Q3 to Le 1.89 trillion in 2021Q4, mainly driven by the decrease in all its key drivers namely, non-salary non-interest expenditure, total interest and the wage bill (**See Figure 25**).

Figure 25: Components of Recurrent Expenditure



Source: Ministry of Finance

3.4.4 Financing

Government expenditures during the review period were financed from both domestic resources and foreign sources.

3.4.3 Outlook

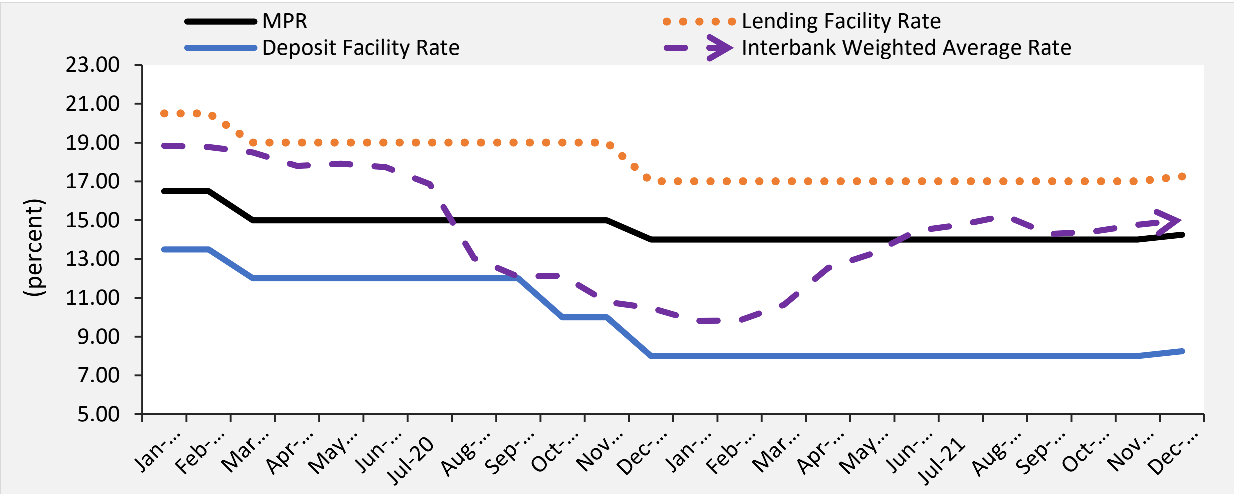
The preliminary fiscal data for the first quarter of 2022 is pointing to further improvement in fiscal operations. This may be supported by broadening and digitalization of the tax system, other revenue mobilization innovations and a reduction/cut in discretionary expenditures. . Similarly, the effective coordination between fiscal and monetary policies could enhance overall economic performance.

3.5 Monetary Policy, Money and Financial Markets Developments

3.5.1 Monetary Policy Stance

To dampen the persistent inflationary pressures, the MPC raised the monetary policy rate by 25 basis point to 14.25 percent in December 2021. Similarly, both the Standing Lending and Deposit facility rates were raised by the same margin to 17.25 percent and 8.25 percent, respectively (**see Figure 26).** This policy action was aimed at safeguarding price and financial-system stability, while putting other mechanisms in place to support the ongoing economic recovery.

Figure 26: Trends in the MPR, Interbank Rate and Corridor



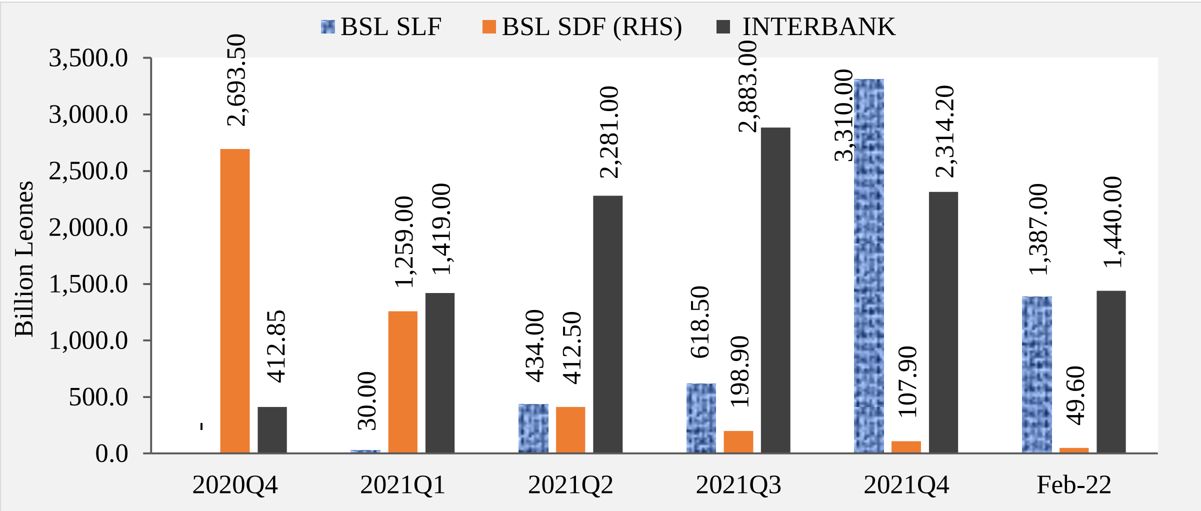
Source: Research Department, BSL

3.5.2 Interbank Money Market Rate and Monetary Conditions

The interbank weighted average rate stood at 15.01 percent, 76 basis points above the MPR as at end December 2021. As at end February 2022, the interbank weighted average rate increased to 15.18 percent, 93 basis points above the MPR, signaling improved monetary policy transmission.

The volume of interbank transactions decreased from Le2,883.00 billion in 2021Q3 to Le2,314.20 billion in 2021Q4, while the volume as at end February 2022 stood at Le1,444.50 billion. In the Standing Deposit Facility (SDF) window, the volume of transactions decreased from Le198.90 billion in 2021Q3 to Le107.90 billion in 2021Q4 and was Le49.60 billion as at end February 2022. There was increased access to the Standing Lending Facility (SLF) window, as the volume of transactions increased from Le618.50 billion in 2021Q3 to Le3,310.00 billion in 2021Q4 and stood at Le1,387.00 billion February 2022 (**see Figure 26**).

Figure 27: Volume of Transactions in the Interbank Market and BSL Standing Facility Windows



Source: Financial Markets Department, BSL

3.5.3 Developments in Monetary Aggregates

Developments in monetary aggregates during 2021Q4 were expansionary, as both Broad Money (M2) and Reserve Money (RM) expanded.

Broad Money (M2)

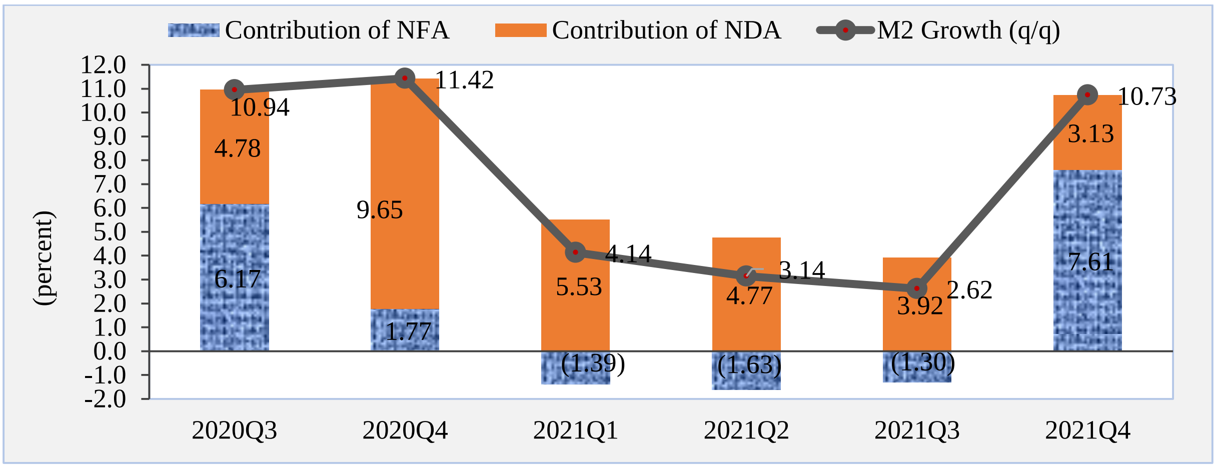
On a quarter-on-quarter basis, Broad Money (M2) grew by 10.73 percent in 2021Q4, compared to 2.62 percent in 2021Q3. The growth in M2 was largely on account of increases in Net Foreign Assets (NFA) and Net Domestic Asset (NDA) of the banking system.

On annual basis, M2 grew by 22.05 percent in 2021Q4, compared to 22.81percent 2021Q3, and was above the IMF/ECF program target of 14.90 percent for December 2021.

NFA of the banking system expanded by 36.94 percent in 2021Q4, compared to the contraction of 5.79 percent in 2021Q3, mainly attributed to the 21.60 percent increase in NFA of the commercial banks which more than offset the 103.89 percent decline in NFA of the BSL

NDA of the banking system expanded by 3.94 percent in 2021Q4, relative to the increase of 5.06 percent in 2021Q3. This was on account of the 0.17 percent increase in net claims on Government by the BSL which more than outweighed the 1.50 percent decline in net claims on Government by the commercial banks. Credit to the Private Sector by the commercial banks grew by 8.27 percent in 2021Q4, compared to a growth of 3.51 percent in 2021Q3. The percentage contribution to the growth in M2 is show in F**igure 28** below.

Figure 28: Percentage Contributions to the Growth in Broad Money



Source: Research Department, BSL

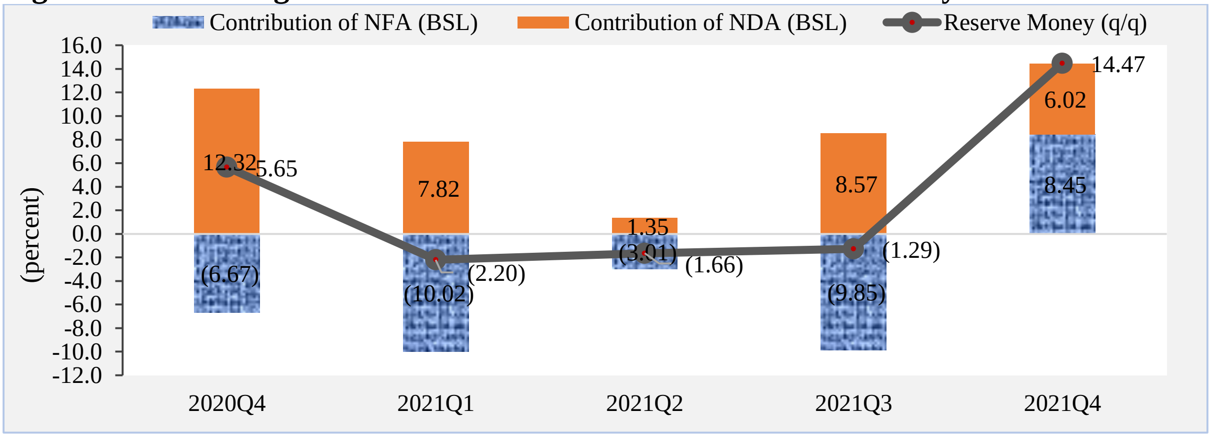
From the liability side, the expansion in M2 was driven by increases in both Narrow Money (M1) and Quasi Money. M1 expanded by 14.01 percent in 2021Q4, following a growth of 2.32 percent in 2021Q3, and Quasi Money grew by 7.34 percent in 2021Q4, from a growth of 2.94 percent in 2021Q3.

Reserve Money (RM)

On a quarter-on-quarter basis, RM expanded by 14.47 percent in 2021Q4, relative to a decline of 1.29 percent in 2021Q3, due to increase in NDA of the BSL, which outweighed the contraction in NFA of the BSL.

On annual basis, RM grew by 8.68 percent in 2021Q4, relative to the 0.31 percent increase in 2021Q3 and was slightly above the IMF/ECF program target of 8.50 percent for December 2021.

Figure 29: Percentage Contributions to the Growth in Reserve Money

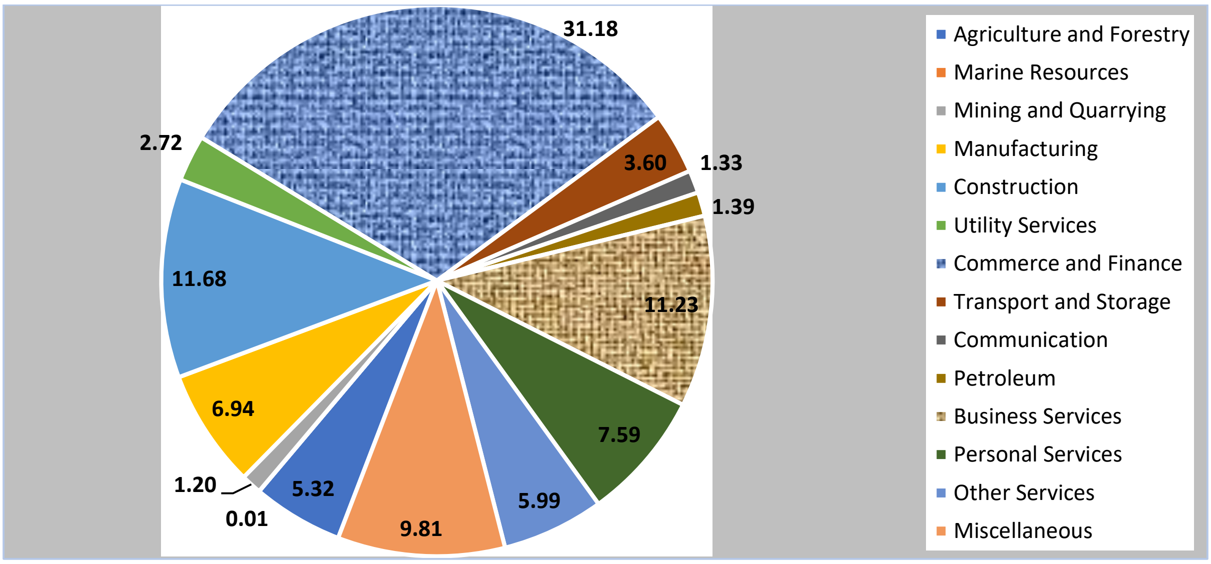


Source: Research Department, BSL

Private Sector Credit

Private sector credit grew by 8.27 percent in 2021Q4, compared to 3.51 percent growth in 2021Q3. The Commerce and Finance, Construction and Business services continued to dominate the loan portfolios of the banking sector in 2021Q4. The three sectors accounted for 54.09 percent of gross loans in 2021Q4. Commerce & Finance, Construction, and Business services sectors recorded 31.18 percent, 11.68 percent and 11.23 percent, respectively.

Figure 30: Sectoral Distributions of Private Sector Credit



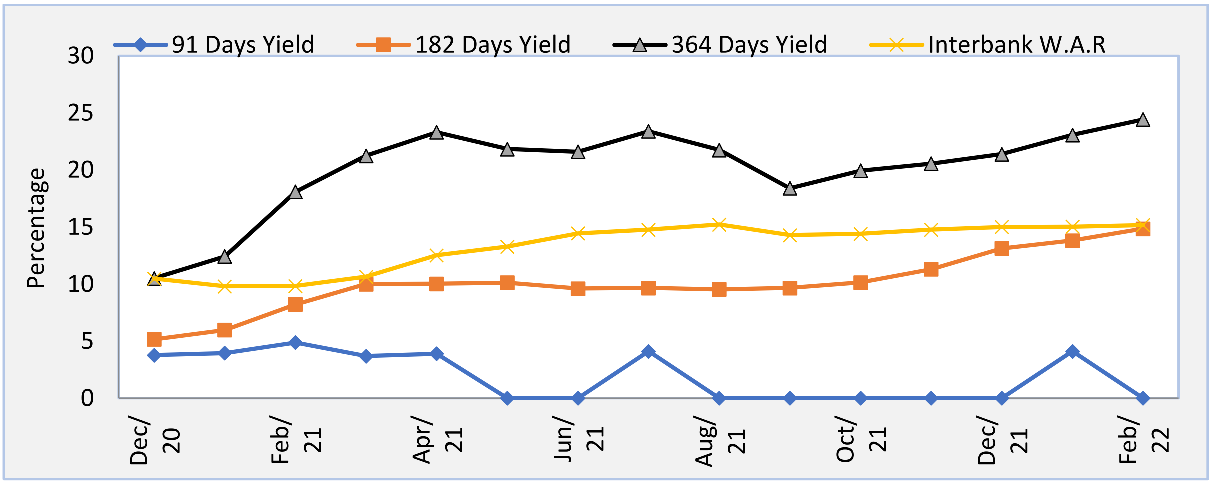
Source Banking Supervision and Financial Stability Departments, BSL

3.5.4 Interest Rates Developments

Government Securities Market Rates

During the review period, the annual yield of the 364-day Treasury Bills increased from 18.40 percent in September 2021 to 21.38 percent in December 2021, and further to 24.43 percent in February 2022. The markets for the 91-day and 182-day T-bills remained extremely illiquid and dysfunctional. (**see Figure 30**).

Figure 31: Trends in Yields of Government Securities

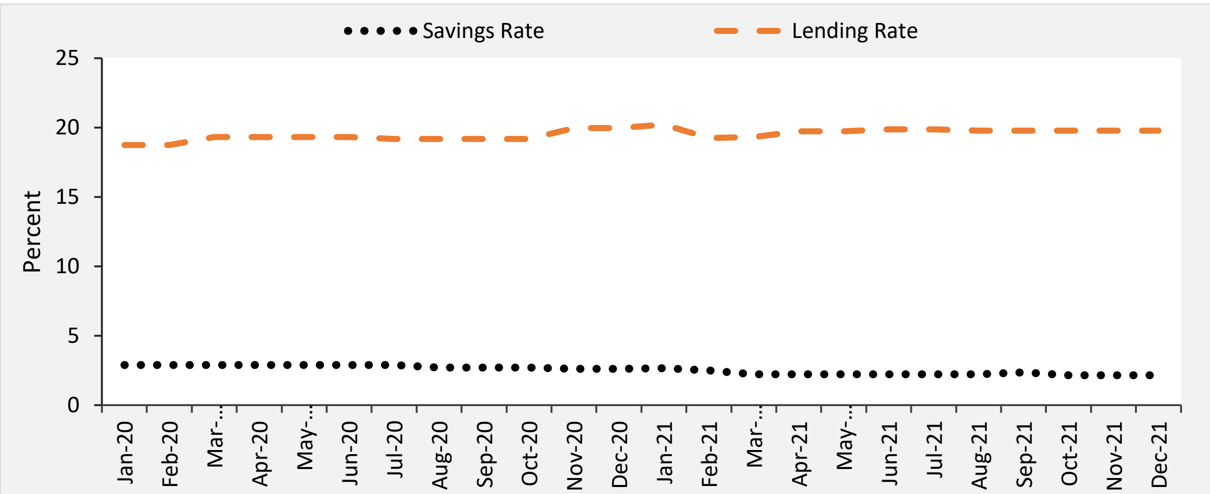


Source: Financial Markets Department, BSL

Commercial Banks' Rates

Commercial banks' average lending rate remained unchanged at 19.77 percent in December 2021, while saving deposits rate decreased from 2.36 percent in September 2021 to 2.15 percent in December 2021. The spread between banks' lending rate and deposit rate remains high, which poses challenges for private sector growth.

Figure 32: Trend in Key Market Rates



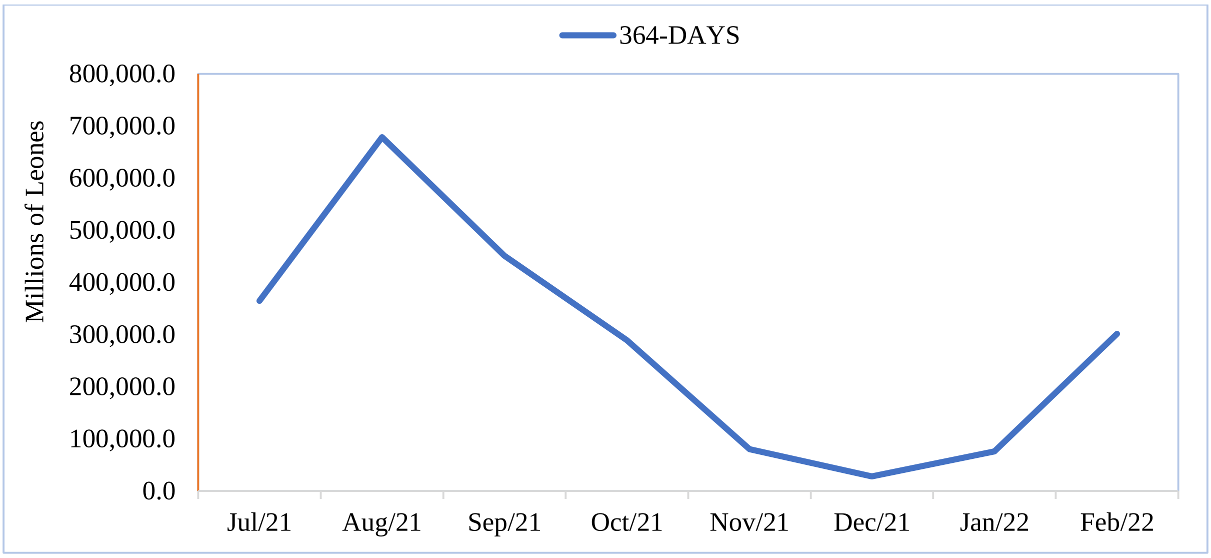
Source: BSL

3.6 Domestic Debt Developments

3.6.1 Primary Market Auction Outcomes

The primary market for Government securities market was oversubscribed on net basis, mainly driven by excess demand for the 364-day Treasury bills during the review period. Similar trend continued in February 2022. The demand for 91-day and 182-day treasury bills remained low, mainly explained by the high inflation rate.

Figure 33: Under/Oversubscription in the Primary Market



Source: Financial Markets Department, BSL

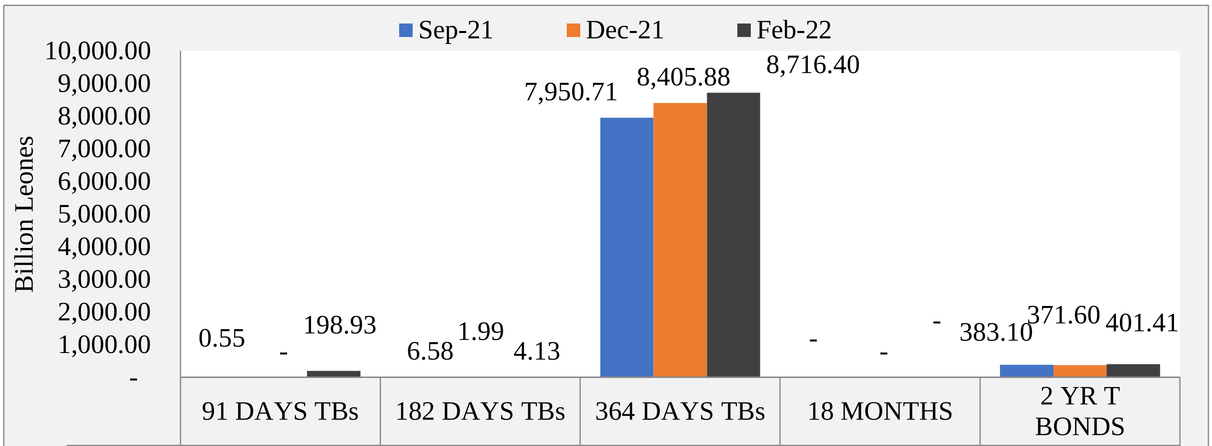
3.6.2 Stock of Government Securities

The total stock of Government securities increased from Le9,077.36 billion as at end September 2021 to Le9,458.14 billion as at end December 2021 and further increased to Le10,132.39 billion as at end February 2022. Of the total stock of securities, marketable securities accounted for 92.25 percent in December 2021 and 91.99 percent in February 2022, while non-marketable securities accounted for 7.75 percent in December 2021 and 8.01 percent in February 2022.

The stock of marketable securities increased from Le8,340.94 billion as at end September 2021 to Le8,725.47 billion as at end December 2021, and further to Le9,320.86 billion as at end February 2022. The stock of non-marketable securities decreased from Le736.42 billion as at end September 2021 to Le732.67 billion as at end December 2021, but increased to Le811.53 billion as at end February 2022.

The proportion of 364-days Treasury bills to total marketable securities was 96.34 percent as at end December 2021, while that of the 2-year Treasury bonds was 3.64 percent. With regards to non-marketable securities, the 3-year, 5- year and 10-year Treasury bonds accounted for 46.97 percent, 49.97 percent and 3.06 percent respectively.

Figure 34: Stock of Marketable Government Securities by Tenure



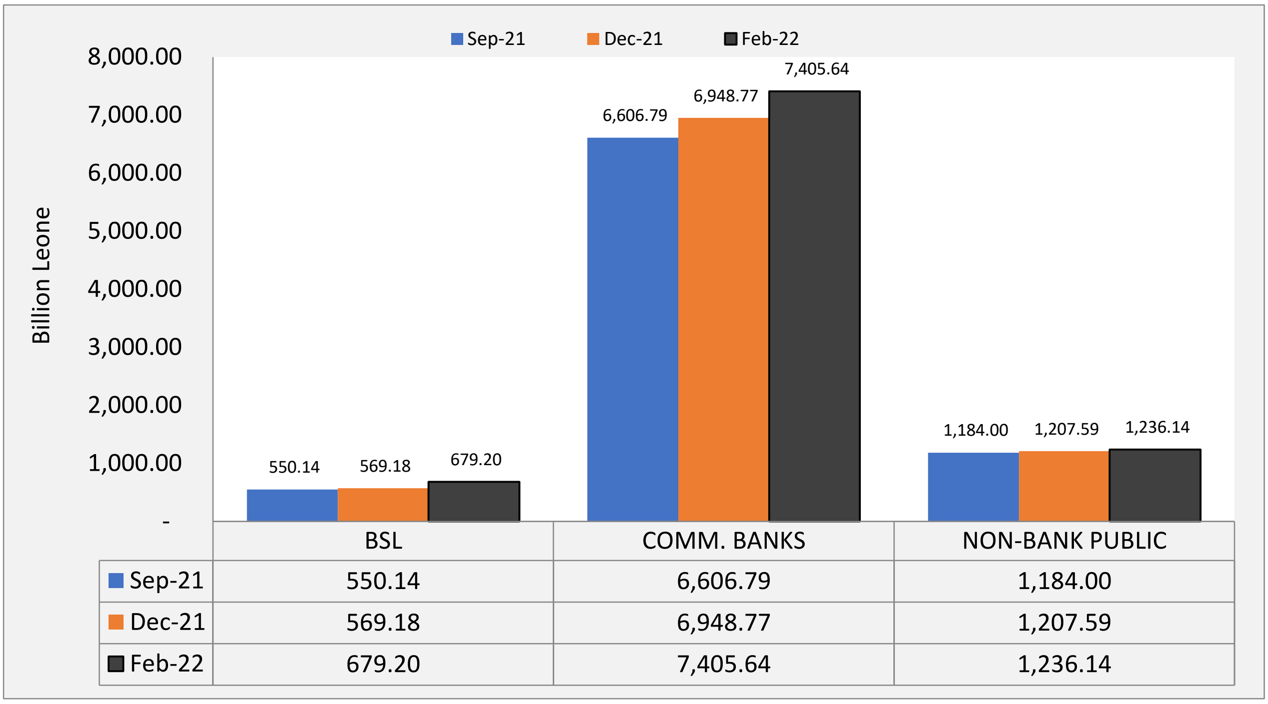
	91 DAYS TBs	182 DAYS TBs	364 DAYS TBs	18 MONTHS	2 YR T BONDS
Sep-21	0.55	6.58	7,950.71	-	383.10
Dec-21	-	1.99	8,405.88	-	371.60
Feb-22	198.93	4.13	8,716.40	-	401.41

Source: Financial Markets Department, BSL

3.6.3 Distribution of the Stock of Government Securities by Sector

The holdings of marketable Government securities by commercial banks increased from Le6,606.79 billion as at end September 2021 to Le6,948.77 billion as at end December 2021 and further to Le7,365.64 billion as at end February 2022. Non-bank holdings of marketable Government securities increased from Le1,184.00 billion in September 2021 to Le1,207.59 billion in December 2021, and further to Le1,236.10 billion in February 2022. BSL holdings of marketable Government securities increased from Le550.14 billion as at end September 2021 to Le569.12 billion as at end December 2021, and further to Le719.12 billion as at end February 2022.

Figure 35: Holdings of Marketable Government Securities by Sector



	BSL	COMM. BANKS	NON-BANK PUBLIC
Sep-21	550.14	6,606.79	1,184.00
Dec-21	569.18	6,948.77	1,207.59
Feb-22	679.20	7,405.64	1,236.14

Source: Financial Markets Department, BSL

3.7 Financial Stability Analysis

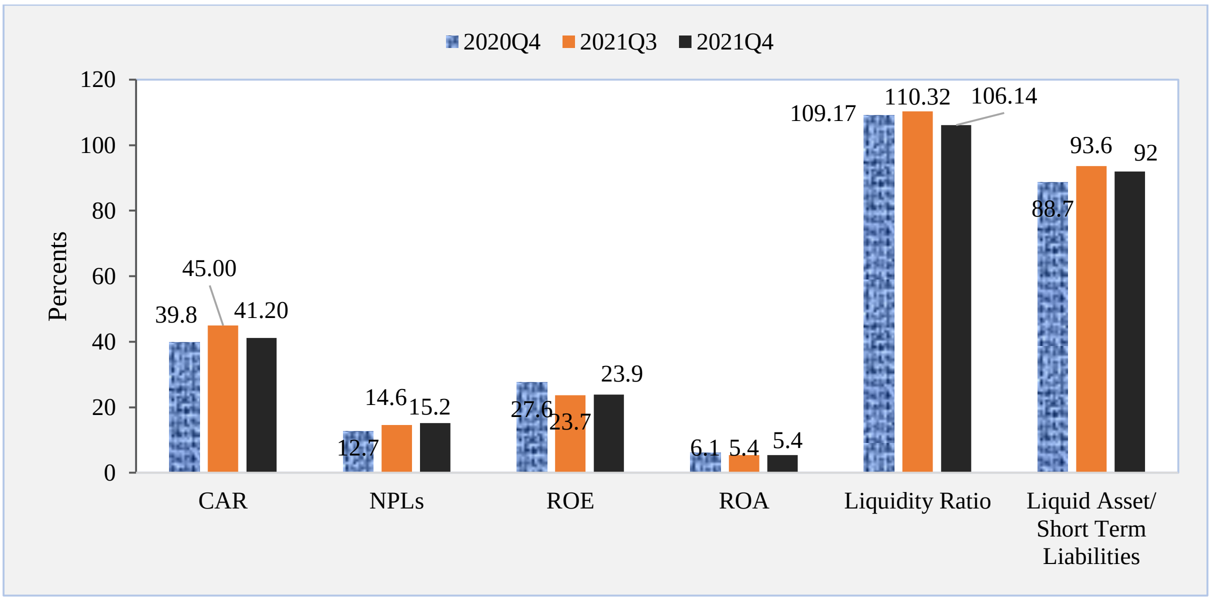
The banking sector remains relatively stable as most of the key Financial Soundness Indicators (FSIs) were above the minimum thresholds in 2021Q4. However, Non-performing Loans ratio increased in 2021Q4 leading to an increase in loan loss provisions. Government securities continued to provide the main source of income for banks, as treasury bills rate continue to be higher than the rates of other risky assets in the banking sector.

3.7.1 Financial Soundness Indicators (FSIs)

During the review period, almost all the key FSIs remained above their minimum thresholds stipulated by the Bank of Sierra Leone. The regulatory capital to risk-weighted asset decreased to 41.20 percent in 2021Q4 from 45.0 percent in 2021Q3 but was well above its regulatory limit. The main reason for the decrease in the CAR was due to the increase in the risk assets of the banking system.

Asset quality deteriorated in 2021Q4 as the ratio of non-performing loans to total loans deteriorated to 15.23 per cent in 2021Q4 from 14.6 per cent in 2021Q3. The deterioration of the NPL was in part due to the impact of the COVID-19 pandemic on businesses. The lock down and other COVID-19 related measures resulted in reduced economic activities which caused businesses to suffer losses especially in the tourism, transportation and other services sectors. The return on asset (ROA) and return on equity (ROE) were 5.4 percent and 23.9 per cent respectively for 2021Q4, compared to 5.4 percent and 23.7 percent in 2021Q3.

Figure 36: Key FSI's



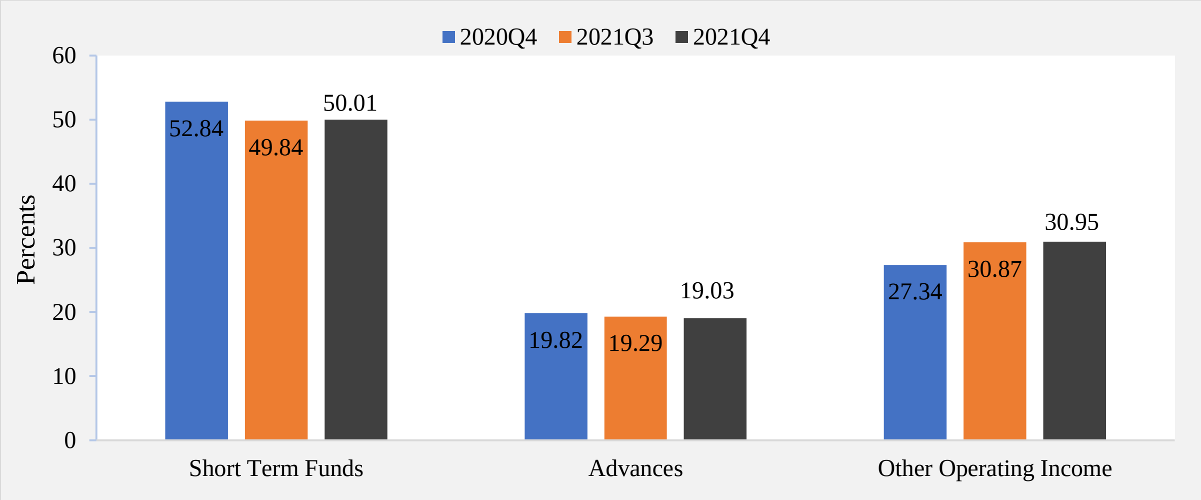
Source Banking Supervision and Financial Stability Departments, BSL

3.7.2 Income Composition

The banking sector continued to rely primarily on government securities for its income. This is mainly because rates on government securities are high, and the investment is risk free. The proportion of income from short term funds increased 49.84 percent in 2021Q3 to 50.01 percent in 2021Q4, while the proportion of income from loans and advances decreased from 19.29 percent in 2021Q3 to 19.03 percent in 2021Q4. The increase in the proportion of income from short term funds is largely attributed to the increasing investment in government securities and the increase in the yield of the 364-day Treasury bills in 2021Q4.

The proportion of Other Operating income increased marginally from 30.87 percent in 2021Q3 to 30.95 percent in 2021Q4. The increase was mainly driven by commission, fees and profit on foreign exchange dealings.

Figure 37: Income Composition

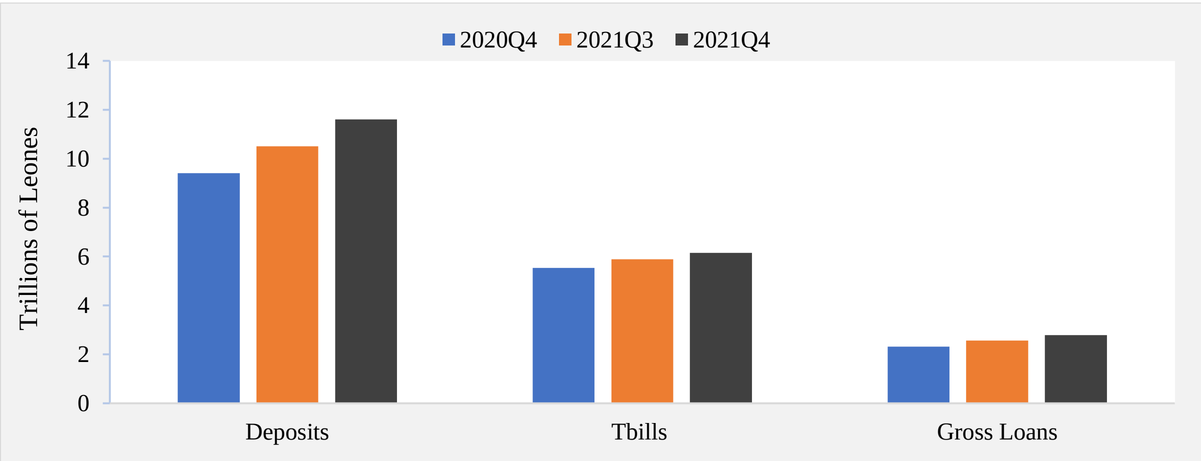


Source Banking Supervision and Financial Stability Departments, BSL

3.7.3 Growth and Utilization of Funds

Total Deposits, which is the main source of funds for banks, increased in 2021Q4 by 1.09 percentage points from Le10.51 trillion in 2021Q3 to Le11.6 trillion in 2021Q4. Treasury-bills holding by the banking sector increased by 4.41 percent from Le5.89 trillion in 2021Q3 to Le6.15 trillion in 2021Q4. Gross loans and advances also increased by 8.56 percent from Le2.57 trillion in 2021Q3 to Le2.79 trillion in 2021Q4.

Figure 38: Trends in Deposits, Treasury-bills and Gross Loans

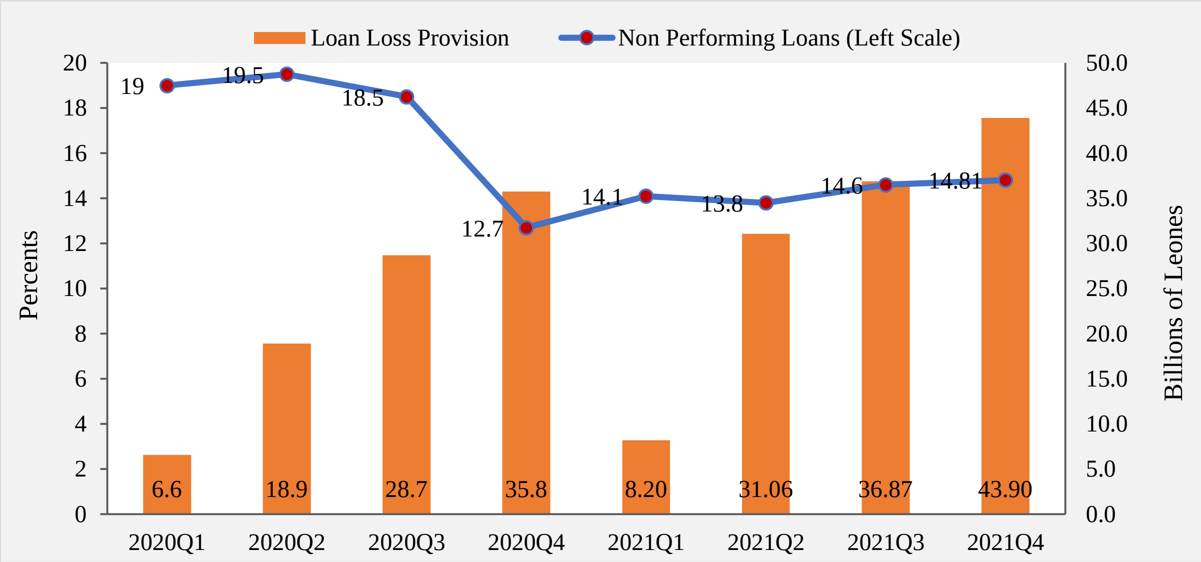


Source Banking Supervision and Financial Stability Departments, BSL

3.7.4 NPL Trend and Loan Loss Provisions

The NPL ratio increased from 14.6 percent in 2021Q3 to 15.23 percent in 2021Q4. Accordingly, Loan loss provision increased by Le 7.03 billion to Le 43.90 billion in 2021Q4 from Le36.87 billion in 2021Q3.

Figure 39: Trend of NPLs and Loan Loss Provision



Source Banking Supervision and Financial Stability Departments, BSL

3.7.5 Challenges

The COVID-19 pandemic remains the key risk to the stability of the banking sector especially if it persists for a longer period. Inflationary pressure arising from the global market can lead to increasing domestic inflationary pressure. Global supply chain disruptions can also pose a risk to the consumer and finance sector of the economy, the leading borrowers from the financial system. Delays in the payment of government arrears may deteriorate the quality of asset portfolio of selected banks. The volatility in the foreign exchange market is also a challenge to the banking sector.

3.7.6 Outlook

Going forward, the banking sector is expected to remain relatively stable given that majority of the banking system asset are government securities which is expected to continue to provide risk free investment opportunities for banks thereby improving the risk weighted assets of the banking sector. Also, the NPL ratio is expected to trend downward as the economy returns to normalcy due to the phasing out of COVID-19 restrictions. However, persistent global supply chain disruptions, international inflationary pressures and rising food and energy prices may pose challenges to the business community, and could consequently affect banks' performance.

4. Conclusion and Decision of the Monetary Policy Committee

4.1 Conclusion

Domestic economic activity picked up in 2021, but at a slower pace than previously expected. Real gross domestic product (RGDP) growth was downgraded to 2.9 percent in 2021, compared to 3.2 percent growth estimated earlier. This subdued economic performance was also reflected in weaker private consumption, as implied by the decrease in the GST, and lower government consumption and investment. RGDP growth is expected to be stronger (at 5.0 percent) in 2022, supported by an expected increase in activities in the agriculture, manufacturing, services and mining sectors. However, the Russia-Ukraine crisis and the ensuing sanctions regime that Western Powers have imposed on Russia, have heightened global economic uncertainty, which could significantly weigh on global economic recovery and commodity markets. This may have an adverse impact on economic growth, especially for small open economies like Sierra Leone. Given the above downside risk, the actual GDP growth in 2022, May likely fall below its forecasted value of 5.0 percent.

Inflationary pressures remained high, and inflation is expected to remain on its elevated path until its external driving factors (such as, rising global commodity prices, higher freight charges, disruption in global supply, uncertainty surrounding COVID-19 pandemic and the Russian-Ukrainian Crisis) are controlled.

4.2 Decision of the Monetary Policy Committee

The MPC viewed the current inflationary trend as a cause for concern, especially because of the second-round effects of higher fuel prices, and the pass-through from the weaker exchange rate. Consequently, mindful of the BSL's responsibility for safeguarding price and financial-system stability, while supporting economic growth, the MPC decided to raise the Monetary Policy Rate (MPR) by 75 basis points to 15.0 percent. The MPC also adjusted the Standing Lending Facility Rate and the Standing Deposit Facility rate upward by the same margin to 18.0 percent and 9.0 percent, respectively. The Central Bank also decided to create two new Special Facilities- a Facility for Food to the tune of US$50 million and a Facility for Fuel to the tune of US$36 million to enhance the supply of foreign exchange for the importation of the two goods.

The MPC will continue to monitor developments in the global and domestic macroeconomic and financial environment and stands ready to take appropriate actions should they adversely impact price and financial-system stability.

Appendix

Table 1: Global and Regional Real GDP Growth Rates

		Estimates	WEO October 2021 Proj.		WEO Jan. 2022 Updates		CHANGE IN Projections	
	2020	2021	2022	2023	2022	2023	2022	2023
World Output	**-3.1**	**5.9**	**4.9**	**3.6**	**4.4**	**3.8**	**-0.5**	**0.2**
Advanced Economies	-4.5	5.0	4.5	2.2	3.9	2.6	-0.6	0.4
United States	-3.4	5.6	5.2	2.2	4.0	2.6	-1.2	0.4
Euro Area	-6.4	5.2	4.3	2.0	3.9	2.5	-0.4	0.5
United Kingdom	-9.4	7.2	5.0	1.9	4.7	2.3	-0.3	0.4
Japan	-4.5	1.6	3.2	1.4	3.3	1.8	0.1	0.4
Emerging Market and Developing Economies	**-2.0**	**6.5**	**5.1**	**4.6**	**4.8**	**4.7**	**-0.3**	**0.1**
Brazil	-3.9	4.7	1.5	2.0	0.3	1.6	-1.2	-0.4
Russia	-2.7	4.5	2.9	2.0	2.8	2.1	-0.1	0.1
India	-7.3	9.0	8.5	6.6	9.0	7.1	0.5	0.5
China	2.3	8.1	5.6	5.3	4.8	5.2	-0.8	-0.1
Sub-Saharan Africa	**-1.7**	**4.0**	**3.8**	**4.1**	**3.7**	**4.0**	**-0.1**	**-0.1**
Nigeria	-1.8	3.0	2.7	2.7	2.7	2.7	0.0	0.0
South Africa	-6.4	4.6	2.2	1.4	1.9	1.4	-0.3	0.0
Angola	-5.2	0.1	2.4	3.3	2.9	3.3	0.5	0.0

Data source: IMF, World Economic Outlook, January 2022

Table 2: Headline, Food and Non-food Inflation (2021 December=100)

Year-on-Year Inflation			
	Headline	**Food**	**Non-Food**
Jan-21	11.50	18.88	5.87
Feb-21	10.87	19.59	4.24
Mar-21	8.95	15.45	3.88
Apr-21	9.60	15.64	4.67
May-21	9.80	17.56	3.57
Jun-21	10.20	17.12	4.53
Jul-21	10.50	15.40	6.40
Aug-21	10.88	14.88	7.48
Sep-21	11.63	13.28	10.21
Oct-21	14.55	18.17	11.59
Nov-21	15.77	18.84	13.28
Dec-21	17.94	19.40	16.75
Jan-22	16.65	15.68	17.60

Source: Stats SL

Table 3: Inflation Forecast by Components (percent)

No.	Component	Feb-22	Mar-22*	Apr-22*	May-22*	Jun-22*
	Headline Consumer Price Index	17.6	18.6	18.5	18.1	18.7
1	Communication	7.8	12.0	14.4	15.8	14.8
2	Transportion	15.1	14.9	15.9	16.7	16.4
3	Furnishing and household equipment	28.9	31.6	34.7	34.3	38.2
4	Clothing , textile and footwear	5.9	6.3	4.6	7.1	7.4
5	Housing, fuel and lightening	16.2	15.3	15.3	14.3	14.0
6	Food and drink	17.5	20.2	18.9	17.5	18.0
7	Health	18.4	15.8	17.9	19.0	20.5
8	Miscelaneous	11.7	12.7	15.4	16.2	18.8
9	Recreation and culture	28.9	32.7	33.3	33.4	32.7
10	Hotels, cafe and restaurants	29.8	32.5	33.3	29.3	32.0
11	Alcohol, beverages and tobacco	20.5	20.7	18.1	17.6	18.0
12	Education	37.1	35.3	34.1	33.1	29.8

Source: MPD & RSD forecast using Eviews 10

Table 4: Money Supply and Components

	2021	2021	Quarterly percent change		Yearly percent change	
Billions of Leones	**Q3**	**Q4**	**2021Q3**	**2021Q4**	**2021Q3**	**2021Q4**
Reserve money	**4,020.33**	**4,602.18**	**(1.29)**	**14.47**	**0.31**	**8.68**
Broad money (M2)	**12,996.07**	**14,391.06**	**2.62**	**10.73**	**22.81**	**22.05**
Narrow money (M1)	**6,613.54**	**7,539.77**	**2.32**	**14.01**	**26.31**	**25.58**
Currency outside banks	2,937.67	3,479.76	(3.65)	18.45	23.45	23.97
Demand deposit	3,675.86	4,060.01	7.64	10.45	28.70	27.00
Quasi Money	**6,382.53**	**6,851.29**	**2.94**	**7.34**	**19.38**	**18.39**
o.w. Foreign currency deposit	3,248.74	3,703.87	**7.85**	**14.01**	**31.94**	**32.39**
Time and saving deposit	3,129.07	3,142.45	**(1.67)**	**0.43**	**8.76**	**5.92**
Net Foreign Asset	**2,676.25**	**3,664.74**	**(5.79)**	**36.94**	**(11.30)**	**14.35**
BSL	(327.08)	12.71	**(540.46)**	**(103.89)**	**(136.73)**	**(97.96)**
ODCs	3,003.33	3,652.03	**8.56**	**21.60**	**41.22**	**41.46**
Net Domestic Assets	**10,319.82**	**10,726.32**	**5.06**	**3.94**	**36.42**	**24.93**
Net Domestic Credit	**13,223.73**	**13,260.34**	**7.18**	**0.28**	**31.00**	**21.73**
Government (Net)	**10,470.61**	**10,387.50**	**8.07**	**(0.79)**	**32.95**	**19.63**
o.w.BSL	4,399.45	4,407.14	10.94	0.17	35.41	23.88
ODCs	6,071.16	5,980.36	6.07	(1.50)	31.22	16.68
Private Sector	**2,922.28**	**3,161.95**	**3.49**	**8.20**	**22.54**	**32.86**
o.w. ODCs	2,904.98	3,145.16	3.51	8.27	23.41	33.89
Other Sectors (Net)*	(169.16)	(289.11)	(3.52)	70.91	1.80	70.00
Other Items (Net)	**(2,903.91)**	**(2,534.02)**	**15.49**	**(12.74)**	**14.81**	**9.86**
Money Multiplier	3.23	3.13				

Source: Research Department, BSL

Table 5: Reserve Money and its Components

Billions of Leones	2021 Q3	2021 Q4	Quarterly percent Change 2021Q3	Quarterly percent Change 2021Q4	Yearly percent Change 2021Q3	Yearly percent Change 2021Q4
Net Foreign Assets	**(327.08)**	**12.71**	**(540.46)**	**(103.89)**	**(136.73)**	**(97.96)**
Net Domestic Assets	**4,347.41**	**4,589.48**	**8.73**	**5.57**	**39.45**	**27.08**
Government Borrowing (net)	**4,399.45**	**4,407.14**	**10.94**	**0.17**	**35.41**	**23.88**
o.w. 2.11 Securities	1,065.03	1,110.22	**(3.70)**	**4.24**	**1.50**	**9.77**
2.12 Ways and Means	176.60	196.19	**(5.64)**	**11.10**		**(8.14)**
2.13 GoSL/IMF Budget financing	3,388.87	3,365.50	15.47	(0.69)	30.43	33.28
Reserve money	**4,020.33**	**4,602.18**	**(1.29)**	**14.47**	**0.31**	**8.68**
o.w. 3.1 Currency issued	3,251.52	3,827.19	(1.81)	17.70	20.35	27.19
3.2 Bank reserves	764.08	770.04	1.12	0.78	(41.20)	(35.99)

Source: Research Department

Table 6: Interest Rates

	2020 Dec	2021 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
91-day T-Bills	3.78	3.96	4.88	3.69	3.90	0.00	0.00	4.11	0	0	0	0	0
182-day T-Bills	5.17	5.98	8.22	10	10.03	10.13	9.61	9.67	9.54	9.67	10.14	11.3	13.13
364-day T-Bills	10.51	12.43	18.09	21.25	23.31	21.83	21.59	23.39	21.75	18.4	19.94	20.56	21.38
Interbank rate	10.48	9.81	9.83	12.53	12.53	13.28	14.45	14.77	15.22	14.29	14.41	14.77	15.01
SLF	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.25
SDF	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.25
MPR	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.25
Av. Lending rate	21.42	20.185	19.25	19.33	19.74	19.74	19.88	19.88	19.88	19.77	19.77	19.77	19.77
Lending (Prime)	18.64 - 24.20	18.70 - 21.67	18.70 - 19.80	18.02-20.64	18.83-20.64	18.83-20.64	19.11-20.64	19.11-20.64	19.11 - 20.64	19.03 - 20.50	19.03 - 20.50	19.03 - 20.50	19.03 - 20.50
Savings deposits	2.61	2.67	2.63	2.23	2.23	2.23	2.23	2.23	2.23	2.36	2.15	2.15	2.15

Source: BSL

Table 7: Outstanding Stock of Government Securities by Tenure and by Holder

STOCK OF GOVERNMENT SECURITIES OUTSTANDING BY TENOR AND BY HOLDER (IN MILLIONS OF LEONES)					
	Sep-21	Dec-21	Feb-22	Change (Sept 21 to Dec 21)	Change (Dec 21 to Feb 22)
91 DAYS TBs	**550.00**	**-**	**198,925.25**	**(550.00)**	**198,925.25**
BSL	-	-	198,175.25	-	198,175.25
COMM. BANKS	-	-	-	-	-
NON-BANK PUBLIC	550.00	-	750.00	(550.00)	750.00
o/w NASSIT	-	-	-	-	-
182 DAYS TBs	**6,584.20**	**1,996.60**	**4,126.25**	**(4,587.60)**	**2,129.65**
BSL	170.00	-	-	(170.00)	-
COMM. BANKS	-	-	-	-	-
NON-BANK PUBLIC	6,414.20	1,996.60	4,126.25	(4,417.60)	2,129.65
o/w NASSIT			-	-	-
364 DAYS TBs	**7,950,706.40**	**8,405,878.40**	**8,716,398.90**	**455,172.00**	**310,520.50**
BSL	549,973.95	569,117.40	520,942.15	19,143.45	(48,175.25)
COMM. BANKS	6,284,179.95	6,691,656.25	7,034,721.75	407,476.30	343,065.50
NON-BANK PUBLIC	1,116,552.50	1,145,104.75	1,160,735.00	28,552.25	15,630.25
o/w NASSIT	*55,500.00*	*55,500.00*	*55,500.00*	-	-
1.5 YR T BONDS	**-**	**-**	**-**	**-**	**-**
BSL	-	-		-	-
COMM. BANKS	-	-	-	-	-
NON-BANK PUBLIC	-	-	-	-	-
o/w NASSIT	-	-	-	-	-
2 YR T BONDS	**383,096.95**	**317,597.85**	**401,405.75**	**(65,499.10)**	**83,807.90**
BSL	-	-	-	-	-
COMM. BANKS	322,609.95	257,110.85	330,918.75	(65,499.10)	73,807.90
NON-BANK PUBLIC	60,487.00	60,487.00	70,487.00	-	10,000.00
o/w NASSIT	60,487.00	*60,487.00*	70,487.00	-	*10,000.00*
TOTAL MARKETABLE	**8,340,937.55**	**8,725,472.85**	**9,320,856.15**	**384,535.30**	**595,383.30**
BSL	550,143.95	569,117.40	719,117.40	18,973.45	150,000.00
COMM. BANKS	6,606,789.90	6,948,767.10	7,365,640.50	341,977.20	416,873.40
NON-BANK PUBLIC	1,184,003.70	1,207,588.35	1,236,098.25	23,584.65	28,509.90
o/w NASSIT	*115,987.00*	*115,987.00*	*125,987.00*	-	*10,000.00*
3 YR T BONDS	**345,929.40**	**345,929.40**	**424,792.10**	**-**	**78,862.70**
BSL	227,382.80	227,382.80	227,382.80	-	-
COMM. BANKS	93,546.60	93,546.60	172,409.30	-	78,862.70
NON-BANK PUBLIC	25,000.00	25,000.00	25,000.00	-	-
o/w NASSIT	25,000.00	*25,000.00*	25,000.00	-	-
5 YR T BONDS	**367,989.80**	**367,989.80**	**367,989.80**	**-**	**-**
BSL	326,918.00	326,918.00	326,918.00	-	-
COMM. BANKS	-	-		-	-
NON-BANK PUBLIC	41,071.80	41,071.80	41,071.80	-	-
o/w NASSIT	41,071.80	*41,071.80*	41,071.80	-	-
10 YR T BONDS	**22,500.00**	**18,750.00**	**18,750.00**	**(3,750.00)**	**-**
BSL	22,500.00	18,750.00	18,750.00	(3,750.00)	-
COMM. BANKS	-	-	-	-	-
NON-BANK PUBLIC	-	-	-	-	-
o/w NASSIT	-	-	-	-	-
TOTAL NON-MARKETABLE	**736,419.20**	**732,669.20**	**811,531.90**	**(3,750.00)**	**78,862.70**
BSL	576,800.80	573,050.80	573,050.80	(3,750.00)	-
COMM. BANKS	93,546.60	93,546.60	172,409.30	-	78,862.70
NON-BANK PUBLIC	66,071.80	66,071.80	66,071.80	-	-
o/w NASSIT	*66,071.80*	*66,071.80*	*66,071.80*	-	-
TOTAL GOV. SECURITIES	**9,077,356.75**	**9,458,142.05**	**10,132,388.05**	**380,785.30**	**674,246.00**
BSL	1,126,944.75	1,142,168.20	1,292,168.20	15,223.45	150,000.00
COMM. BANKS	6,700,336.50	7,042,313.70	7,538,049.80	341,977.20	495,736.10
NON-BANK PUBLIC	1,250,075.50	1,273,660.15	1,302,170.05	23,584.65	28,509.90
o/w NASSIT	182,058.80	182,058.80	192,058.80	-	10,000.00

Source: financial Markets Department, BSL