



**BANK OF SIERRA LEONE**

**Monthly Economic  
Review**

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**ABBREVIATIONS**

BOP	-	Balance of Payments
BSL	-	Bank of Sierra Leone
CPI	-	Consumer Price Index
EU	-	European Union
ER	-	Eastern Region
GFER	-	Gross Foreign Exchange Reserves
GoSL	-	Government of Sierra Leone
IBR	-	Inter Bank Rate
IDB	-	Islamic Development Bank
IDA	-	International Development Association
IMF	-	International Monetary Fund
M1	-	Narrow Money
M2	-	Broad Money
MER	-	Monthly Economic Review
MM	-	Money Market
MPC	-	Monetary Policy Committee
MPR	-	Monetary Policy Rate
NDA	-	Net Domestic Assets
NMA	-	National Minerals Agency
NR	-	Northern Region
NFA	-	Net Foreign Assets
ODC	-	Other Depository Corporation
OIN	-	Other Items Net
RM	-	Reserve Money
SDF	-	Standing Deposit Facility
SLF	-	Standing Lending Facility
SR	-	Southern Region
SSL	-	Statistics Sierra Leone
WA	-	Western Area
WB	-	World Bank

## **1.0 Highlights**

Developments in the real sector was broadly positive, as most sector recorded increases in their output. Inflationary pressures continued to abate in December 2018, as annual headline inflation decelerated by 0.68 percentage points to 17.46 per cent in December 2018 from 18.14 per cent in November 2018. The decline in inflation was attributed to the fall in the prices of food items in the CPI basket, as non-food inflation increased.

The government budgetary operations resulted in an overall surplus of Le17.44bn compared to a deficit of Le86.87bn in November 2018. The surplus was mainly driven by the combined effects of increase in domestic revenue and disbursements of budget support during the review month.

Developments in the monetary aggregates expanded as both Broad Money (M2) and Reserve Money (RM) grew. Broad Money (M2) increased by 3.34 per cent in December 2018 and was higher than the 0.01 per cent growth recorded in the previous month. The growth in M2 was reflected in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking system. Reserve Money (RM) also increased by 12.07 per cent, compared to a contraction of 0.35 per cent during November 2018.

There was no policy change in December 2018, as the Monetary Policy Rate (MPR) was maintained at 16.50 per cent. The Lending and Deposit Facilities rates also remained at 20.50 per cent and 13.50 per cent respectively. In the money market, the interbank rate increased from 15.28 per cent to 16.62 per cent in the review period. The Commercial banks' average lending and savings deposits rates remained at 24.77 per cent and 2.38 per cent, respectively.

The gross foreign exchange reserves of the Bank of Sierra Leone stood at US\$502.78mn, representing an increase by 7.46 per cent over the level of US\$467.87mn recorded in November 2108. This development was on account of an increase in inflows of US\$59.88mn over outflows of US\$25.60mn, resulting in a net inflow of US\$34.28mn. Consequently, the Leone was relatively stable against major international currencies.

## **2.0 Production and Prices**

### **2.1 Production**

#### **2.1.1 Manufacturing**

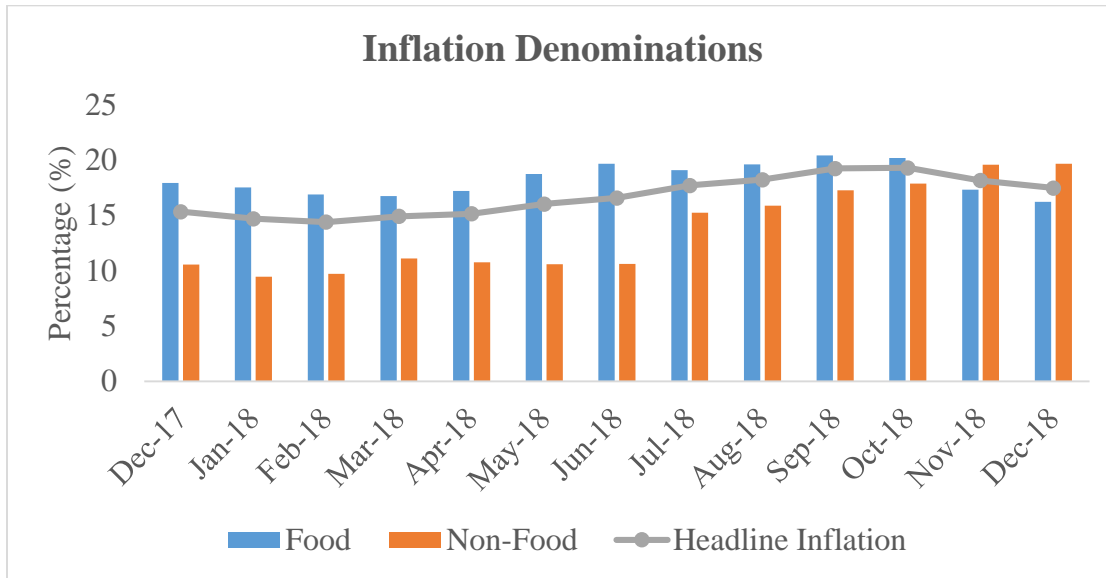
Performance in the manufacturing sector improved as output for most of the components increased in December 2018. Production rose for beer and stout by 0.50 per cent to 199.70 thousand cartons; Soft drinks expanded by 0.18 per cent to 97.86 thousand crates, while Paint production increased by 5.18 per cent to 65.78 thousand gallons. Similarly, acetylene and oxygen production increased by 4.00 per cent to 23.65 thousand cubic feet and 2.53 per cent to 26.32 thousand cubic feet respectively. Confectionery and common soap production also improved by 0.43 per cent to 160.09 thousand pounds and 18.87 per cent to 45.86 thousand metric tons respectively. However, maltina production fell by 4.20 per cent to 27.86 thousand cartons and cement production declined by 2.70 per cent to 24.87 thousand metric tons.

#### **2.1.2 Mining Sector**

Developments in the mining sector was broadly positive despite the fall in diamond production. Bauxite production rose by 25.38 per cent to 153.01 thousand metric tons; rutile production increased by 60.26 per cent to 9.92 thousand metric tons; while Gold production grew by 56.41 per cent to 248.84 ounces in the review period. On the other hand, diamond production declined by 18.56 per cent to 64.15 thousand carats. This amount comprised of 36.05 thousand carats of gem diamond and 28.09 thousand carats of industrial diamond.

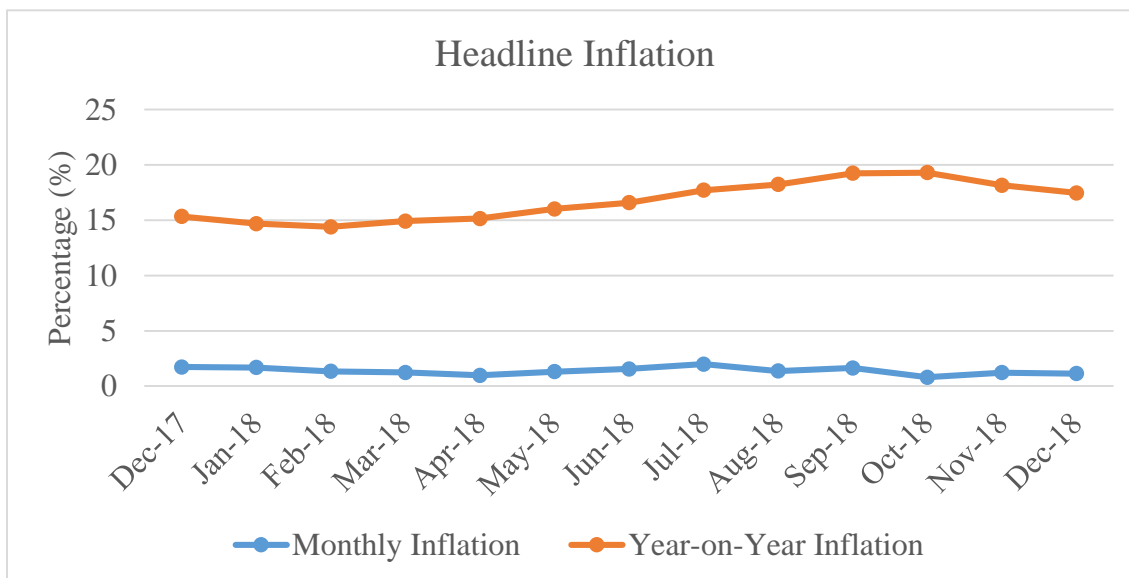
### **2.2 Price Development**

Inflationary pressures continued to abate in December 2018, as annual headline inflation decelerated by 0.68 percentage points to 17.46 per cent in December 2018 from 18.14 per cent in November 2018. The decline in inflation was explained by the fall in prices of food items in the CPI basket. Food inflation declined to 16.22 per cent in December 2018 from 17.32 per cent in November 2018, while non-food inflation rose to 19.65 per cent in December 2018 from 19.57 per cent in November 2018.

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

Source: Research Department, Bank of Sierra Leone

On a month-on-month basis, consumer price inflation decelerated to 1.13 per cent in December 2018 from a high of 1.22 per cent in November 2018.

**Figure 2: Headline Inflation-Y-o-Y and Monthly Inflation Change**

Source: Research Department, Bank of Sierra Leone



On regional basis, year-on-year inflation decelerated across all the four regions. Western Area inflation fell from 16.93 per cent in November 2018 to 16.28 per cent in December 2018; Eastern region inflation rate dropped from 18.35 per cent in November 2018 to 17.43 per cent in December 2018; Southern region inflation rate declined from 19.14 per cent in November 2018 to 18.41 per cent in December 2018; and Northern region inflation rate was 19.45 per cent in November 2018 to 18.90 per cent in December 2018.

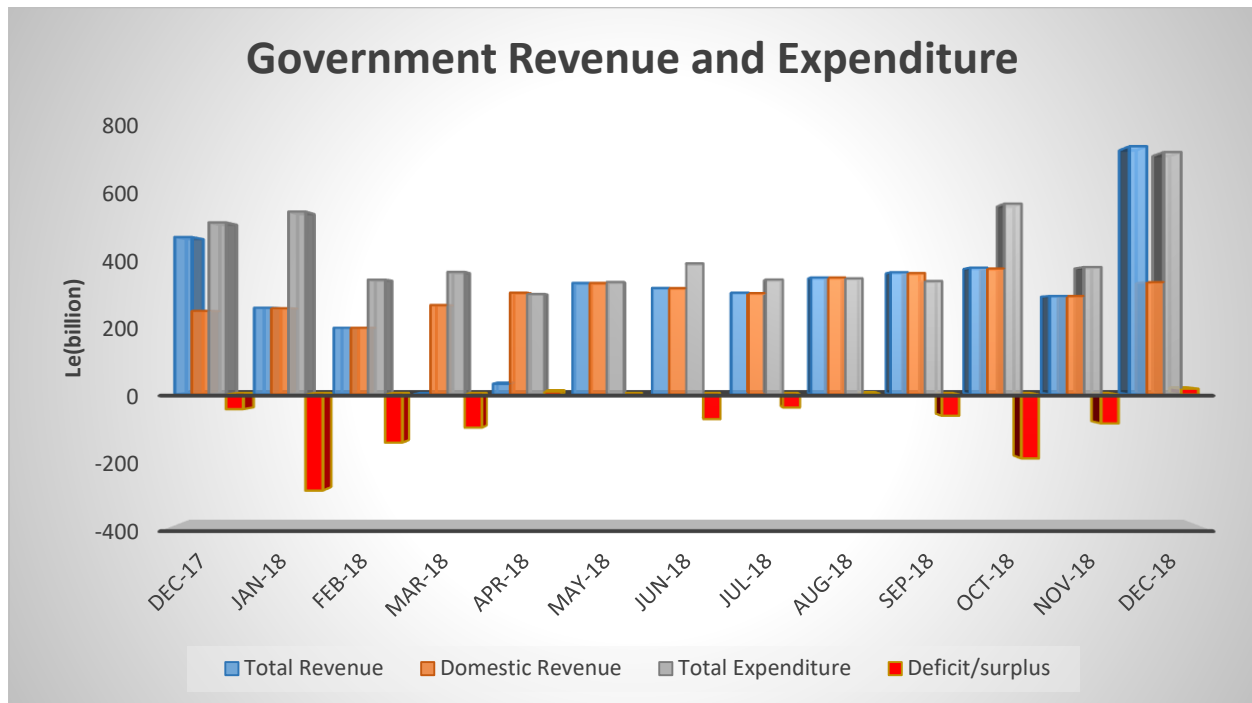
### **3.0 Government Budgetary Operations**

Developments in government budgetary operations resulted in an overall surplus of Le17.44bn compared to a deficit of Le86.87bn in November 2018. The surplus was attributable to the increase in domestic revenue coupled with inflows from budgetary support.

#### **3.1 Revenues**

Total revenue including grants amounted to Le745.89bn, reflecting 151.98 per cent increase. This performance was explained by the growth in both domestic receipts and external grants. Domestic revenue grew by 13.99 per cent to Le337.43bn, explained by increases in income tax receipts and goods and services tax. Income tax receipts rose by 70.94 per cent to Le148.52bn; goods and services collections increased by 2.08 per cent to Le71.01bn. On the other hand, customs and excise duties fell by 10.85 per cent to Le49.10bn while non-tax revenue decreased by 18.57 per cent to Le68.79bn.

External grants disbursed amounted to Le408.46bn, of which, Le225.48bn was from European Union, Le182.53bn from the IMF and HIPC Debt Relief Assistance amounting to Le0.39bn.

**Figure 3: Government Revenue and Expenditure**

Source: Research Department, Bank of Sierra Leone

### 3.2 Expenditures

Government recurrent expenditure in December 2018 surged by 90.26 per cent to Le728.46bn, explained by the increase in all its components. Expenditure on Pensions, wages and salaries rose by 195 per cent to Le230.99bn; other expenditure on goods and services expanded by 111.72 per cent to Le358.03bn. Debt services payment increased by 2.93 per cent to Le139.44bn, comprising of domestic debt services payment of Le60.27bn and foreign debt services payment of Le79.17bn.

### 4.0 Monetary Developments

Monetary aggregates expanded during December 2018 as both Broad Money (M2) and Reserve Money (RM) grew.

#### **4.1 Broad Money**

Broad Money (M2) increased by 3.34 per cent in December 2018 and was higher than the 0.01 per cent growth recorded in the previous month. The growth in M2 was reflected in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking system.

NDA of the banking system increased by 4.26 per cent, higher than the 0.18 per cent growth in November 2018. The growth in NDA was mainly on account of IMF disbursement for budgetary support. Private sector credit recorded marginal increase of 0.07 per cent in December 2018 which was lower than the 1.67 per cent growth recorded in November 2018.

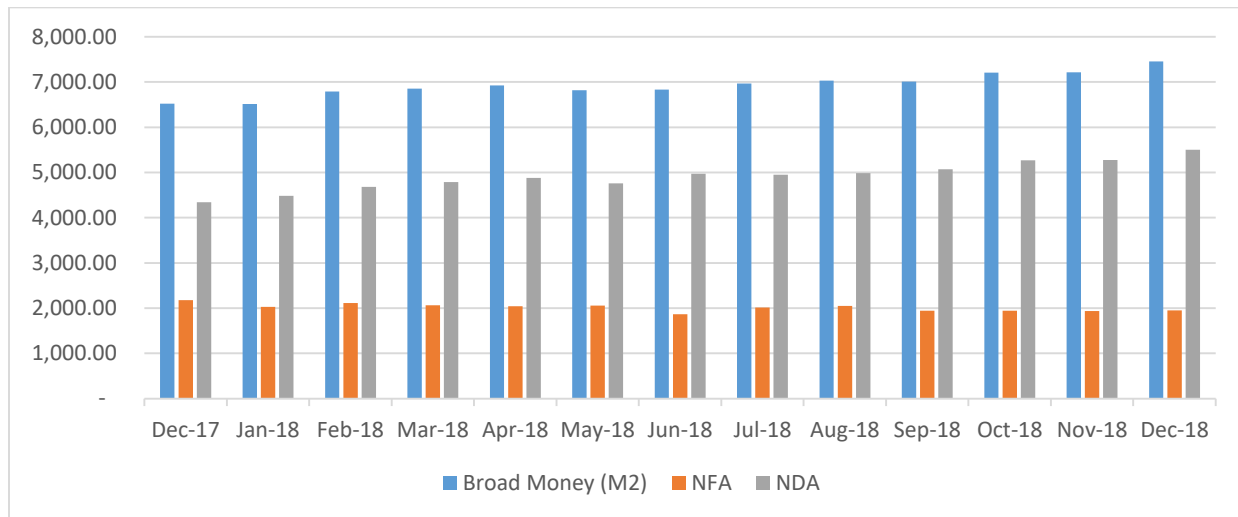
NFA of the banking system increased by 0.83 per cent, reflecting a buildup in the NFA of BSL arising from receipt of budgetary support disbursement from various development partners, timber export receipts, licenses payment by Orange mobile company and disbursement by the Islamic Development Bank to support the Smallholder-Farmers' agricultural projects.

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

Billions of Leones	2018		Absolute Change		(% Change	
	Nov-18	Dec-18	Nov-18	Dec-18	Nov-18	Dec-18
<b>Reserve money</b>	<b>2,171.22</b>	<b>2,433.26</b>	<b>(7.68)</b>	<b>262.04</b>	<b>(0.35)</b>	<b>12.07</b>
<b>Broad Money (M2)</b>	<b>7,211.11</b>	<b>7,451.88</b>	<b>0.71</b>	<b>240.77</b>	<b>0.01</b>	<b>3.34</b>
<b>Narrow money (M1)</b>	<b>3,133.04</b>	<b>3,409.47</b>	<b>(29.51)</b>	<b>276.43</b>	<b>(0.93)</b>	<b>8.82</b>
Currency outside banks	1,565.29	1,732.14	79.51	166.85	5.35	10.66
Demand deposit	1,567.75	1,677.33	(109.02)	109.58	(6.50)	6.99
<b>Quasi money</b>	<b>4,074.98</b>	<b>4,039.45</b>	<b>30.18</b>	<b>(35.53)</b>	<b>0.75</b>	<b>(0.87)</b>
o.w. Foreign currency deposit	2,123.74	2,057.20	88.92	(66.54)	4.37	(3.13)
Time and saving deposit	1,951.24	1,982.25	(58.74)	31.01	(2.92)	1.59
<b>Net Foreign Asset</b>	<b>1,933.09</b>	<b>1,949.10</b>	<b>(8.60)</b>	<b>16.01</b>	<b>(0.44)</b>	<b>0.83</b>
BSL	0.45	142.83	(142.27)	142.38	(99.68)	31,886.41
ODCs	1,932.64	1,806.27	133.67	(126.37)	7.43	(6.54)
<b>Net Domestic Assets</b>	<b>5,278.02</b>	<b>5,502.78</b>	<b>9.31</b>	<b>224.76</b>	<b>0.18</b>	<b>4.26</b>
<b>Net Domestic Credit</b>	<b>6,943.79</b>	<b>7,146.86</b>	<b>162.44</b>	<b>203.07</b>	<b>2.40</b>	<b>2.92</b>
Government (Net)	5,063.88	5,297.97	117.28	234.09	2.37	4.62
Private Sector	1,844.27	1,845.40	29.68	1.13	1.64	0.06
o.w. BSL	33.56	33.48	(0.14)	(0.08)	(0.42)	(0.24)
ODCs	1,810.71	1,811.92	29.82	1.21	1.67	0.07
Other Sectors (Net)*	35.64	3.49	15.48	(32.15)	76.79	(90.21)
<b>Other Items (Net)</b>	<b>(1,665.77)</b>	<b>(1,644.08)</b>	<b>(153.13)</b>	<b>21.69</b>	<b>10.12</b>	<b>(1.30)</b>
<b>Money Multiplier</b>	3.31	3.31				

\*Other Sectors (Net) includes State & Local, Other Financial Corporations, Public Non-Financial Corp.

Source: Research Department, Bank of Sierra Leone

**Figure 4: Trends in M2, NFA and NDA**

Source: Research Department, Bank of Sierra Leone

Growth in M2 translated into 8.82 per cent growth in Narrow Money (M1) during December 2018 compared with the 0.93 per cent contraction in November 2018. Consequently, both currency outside banks and Demand deposit increased by 10.66 percent and 6.99 percent respectively. However, quasi money contracted by 0.87 per cent compared with the 0.75 per cent growth during the previous month. The contraction of quasi money reflected decreased foreign currency deposit (3.13 per cent), which was moderated by increases in Time and Saving Deposit (1.59 per cent).

#### 4.2 Reserve Money

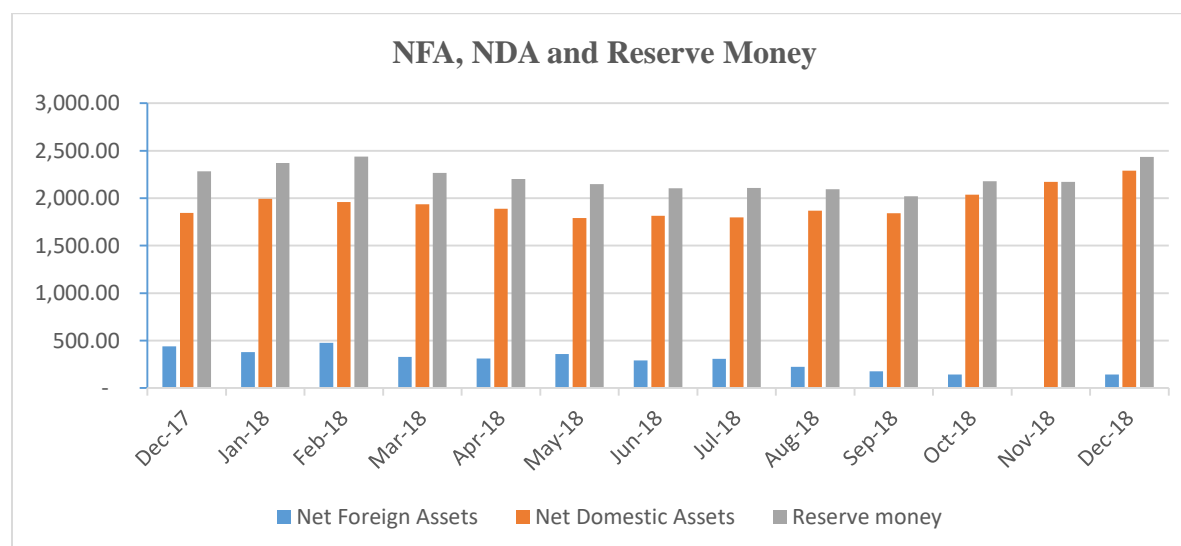
Reserve Money (RM) increased by 12.07 per cent during December 2018, compared with 0.35 per cent contraction in November 2018.

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

Billions of Leones	2018		Absolute change		(% Change)	
	Nov-18	Dec-18	Nov-18	Dec-18	Nov-18	Dec-18
<b>1. Net Foreign Assets</b>	0.45	142.83	(142.27)	<b>142.38</b>	<b>(99.68)</b>	<b>31,886.41</b>
<b>2. Net Domestic Assets</b>	<b>2,170.77</b>	<b>2,290.43</b>	<b>134.59</b>	<b>(2,313.60)</b>	<b>6.61</b>	<b>(106.58)</b>
2.1 Government Borrowing (net)	2,476.64	2,611.55	126.58	134.91	5.39	5.45
o.w. 2.11 Securities	1,317.53	1,347.42	76.03	29.89	6.12	2.27
2.12 Ways and Means	91.00	75.23	43.49	(15.77)	91.54	(17.33)
2.13 GoSL/IMF Budget financing	1,235.97	1,418.56	-	-	-	-
<b>3. Reserve money</b>	<b>2,171.22</b>	<b>2,433.26</b>	<b>(7.68)</b>	<b>262.04</b>	<b>(0.35)</b>	<b>12.07</b>
o.w. 3.1 Currency issued	1,738.13	1,983.64	63.77	245.51	3.81	14.12
3.2 Bank reserves	430.00	446.67	(71.48)	16.67	(14.25)	3.88

Source: Research Department, Bank of Sierra Leone

The growth in RM led to the increase in currency issued by 14.12 per cent, which was higher than the 3.81 per cent growth in November, 2018. Similarly, Bankers' Deposit increased by 3.88 per cent compared with the 14.25 per cent contraction in November 2018.

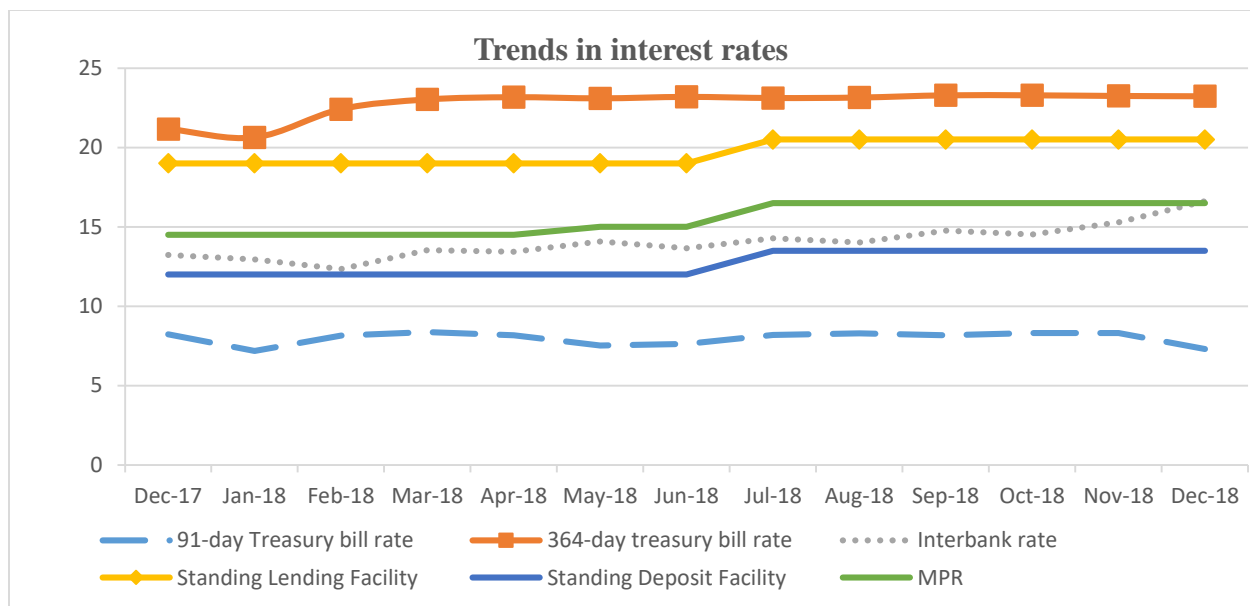
**Figure 5: Reserve Money and its Sources**

Source: Research Department, Bank of Sierra Leone

### 4.3 Interest Rates

There was no policy change in December 2018, as the Monetary Policy Rate (MPR) was maintained at 16.50 per cent. The Lending and Deposit Facilities rates also remained at 20.50 per cent and 13.50 per cent respectively. In the money market, the interbank rate increased from 15.28 per cent to 16.62 per cent in the review period. The Commercial banks' average lending and savings deposits rates remained at 24.77 per cent and 2.38 per cent, respectively.

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



Source: Research Department, Bank of Sierra Leone

Movements in the yields on government securities exhibited mixed trend. The 91-days and 364-days treasury bills decreased from 8.30 per cent and 23.25 per cent in November 2018, to 7.30 per cent and 23.23 per cent in December 2018 respectively. However, the 182-days treasury bills increased from 6.22 per cent in November 2018 to 8.14 per cent in December 2018.

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

	2017	2018											
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
91-day T-Bills	8.22	7.18	8.15	8.37	8.16	7.52	7.62	8.18	8.28	8.16	8.30	8.30	7.30
182-day T-Bills	9.68	10.12	10.16	10.34	8.83	8.05	8.20	8.40	8.09	8.05	7.86	6.22	8.14
364-day T-Bills	21.17	20.64	22.42	23.03	23.17	23.1	23.19	23.12	23.15	23.29	23.29	23.25	23.23
Interbank rate	13.22	12.94	12.35	13.53	13.43	14.07	13.66	14.28	14.02	14.76	14.51	15.28	16.62
Standing Lending Facility	19.00	19.00	19.00	19.00	19.00	19.00	19.00	20.50	20.50	20.50	20.50	20.50	20.50
Standing Deposit Facility	12.00	12.00	12.00	12.00	12.00	12.00	12.00	13.50	13.50	13.50	13.50	13.50	13.50
MPR	14.50	14.50	14.50	14.50	14.5	15.00	15.00	16.50	16.50	16.50	16.50	16.50	16.50
Average Lending rate	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	21.35	22.35
	17.92	17.92	17.92	17.92	17.92	17.92	17.92	17.92	17.92	17.92	17.92	17.92	17.92
	-	-	-	-	-	-	-	-	-	-	-	-	-
Lending (Prime)	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77
Savings deposits	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38	2.38

*Source: Research Department, Bank of Sierra Leone*

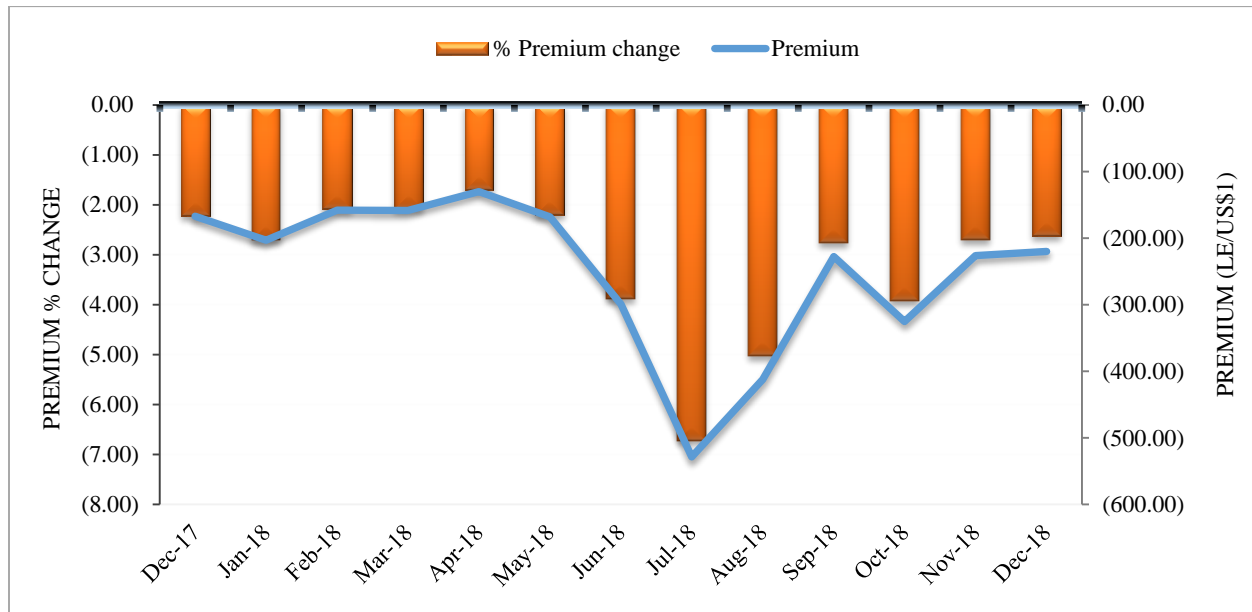
## 5.0 Exchange Rate Developments

In December 2018, the monthly average exchange rate of the Leone against the US dollar depreciated in all foreign exchange markets. On the buying front, the Leone depreciated by 0.63 per cent, 0.44 per cent, 0.41 per cent and 0.28 per cent in the bureau, official, commercial banks and parallel markets, averaging Le8,312.93/US\$1, Le8,345.49/US\$1, Le8,473.52/US\$1 and Le8,600.00/US\$1 respectively.

Similarly, on the selling front, the Leone depreciated by 0.78 per cent, 0.47 per cent, 0.44 per cent and 0.43 per cent in the commercial banks, bureau, official and parallel markets, averaging Le8,612.88/US\$1, Le8,486.00/US\$1, Le8,514.09/US\$1 and Le8,700.00/US\$1 respectively.

The premium between the Official and Parallel rates narrowed by 0.16 percentage points from Le267.10/US\$1 in November, 2018 to Le254.51/US\$1 in the review month, reflecting the relative stability in the foreign exchange market.



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

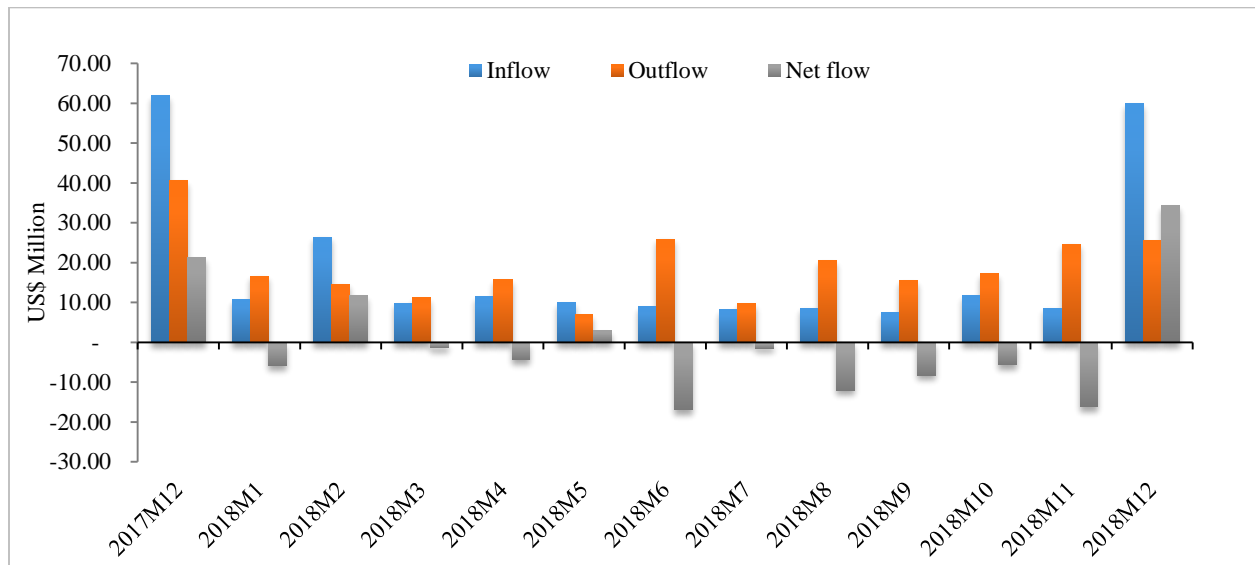
Source: Research Department, Bank of Sierra Leone

## 6.0 Gross Foreign Exchange Reserves

The gross foreign exchange reserves of the Bank of Sierra Leone at end-December 2018 stood at US\$502.78mn, increasing by 7.46 per cent over the level of US\$467.87mn recorded in November. This development was on account of an increase in inflows of US\$59.88mn over outflows of US\$25.60mn, resulting in a net inflow of US\$34.28mn.

Significant inflows during the month included, US\$26.62mn and US\$21.52mn being EU budget and IMF disbursements for budget support respectively, US\$2.03mn, IDB's disbursement for on-going projects, exports' receipts of US\$4.88mn and US\$4.1mn being other government receipts.

Significant outflows included, US\$15.25mn in respect of payments for goods and services, of which, US\$5.71mn was government expenditure on educational materials, US\$3.47mn, being payments to embassies/missions and US\$3.00mn was in respect of interbank market operations. Total debt service payments for the period amounted to US\$10.35mn.

**Figure 8: Foreign Exchange Flows**

Source: Research Department, Bank of Sierra Leone