

Bank of Sierra Leone

Governor's Office



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MONETARY POLICY STATEMENT

The Monetary Policy Committee (MPC) met on Thursday December 10, 2015 under the Chairmanship of the Governor, Bank of Sierra Leone, Mr Momodu Lamin Kargbo, to gauge current and evolving macroeconomic and financial developments and their implications for monetary policy management.

The Committee noted ongoing challenges in the global economic environment, primarily due to the slow growth prospects for China and other emerging market economies. These developments are likely to have adverse implications for macroeconomic management of the domestic economy.

The sluggish recovery in the domestic economy continued in Q3, attributable to uncertainties in the external environment and weak domestic aggregate demand. Against this background, efforts to grow the domestic economy remain challenged in the near term. However, in the medium term, growth is expected to pick-up supported by increased infrastructure spending and activities in the tourism and services sectors.

The year-on-year inflation rate edged up to 8.35 percent in September 2015 from 7.91 percent in June 2015, driven mainly by non-food inflation reflecting the pass through effects of the depreciation of the Leone against the US Dollar. The continuing depreciation of the Leone remains an upside risk to inflation. However, there was only a moderate expansion in monetary aggregates and there were signs of weak domestic demand. Global commodity prices have also continued to decline, suggesting a dampening of inflationary pressures. The Committee therefore judged that inflation would remain within the end year target of 12 per cent.

The Monetary Policy Committee acknowledged the efforts made by the fiscal authorities to enhance fiscal consolidation in Q3. To further deepen the securities market, the Government issued a two year bond to extend the term structure of Government securities.

The banking sector continues to improve, with adequate liquidity, increased deposit mobilization and increased private sector credit in Q3. Commercial banks are encouraged to continue lending to growth enhancing sectors of the economy including agriculture, manufacturing and services.

Against this background, the Monetary Policy Committee decided to leave the Monetary Policy Rate (MPR) unchanged at 9.5 per cent and maintain the corridors for the repurchase and standing facility at 50 and 100 basis points respectively, above the MPR. Hence, effective Monday, December 14, 2015 the following rates are published for the information of the public:

- Monetary Policy Rate is 9.5%.
- Reverse Repo Rate is 10% (50 basis points above the MPR).
- Standing Facility Rate is 10.5% (100 basis points above the MPR).



Momodu L Karbgo

Governor