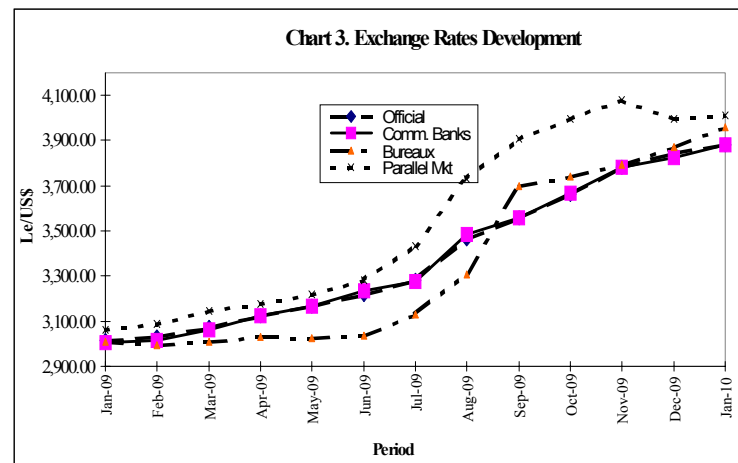




on Government by the Bank of Sierra Leone was mainly due to a decline in the Bank's holdings of the 3 months Treasury Bills (Le4.01bn) and 12 months Treasury Bonds (Le2.13bn), coupled with the Le9.78bn increase in Government Deposits at the Bank, which was greater than the increase in its holdings of 6 months Treasury Bills (Le4.00bn). Net Claims on Government by the commercial banks expanded as a result of the increase in the banks' holdings of the 3 months Treasury Bills (Le9.15bn), coupled with the decrease in Government Deposits (Le8.04bn) at the banks, which was more than the decrease in their holdings of the 6 months Treasury Bills (Le11.20bn) and 12 months Treasury Bills (Le2.96bn). Credit to the private sector by Deposit Money Banks in the review month increased by Le17.00bn (2.86%) to Le611.07bn. The average interest rate structure during the review period for Savings, 3-months, 6-months, 9-months, 12-months Time Deposits and 12-months Treasury Bonds remained unchanged at 6.32 percent, 8.87 percent, 9.45 percent, 9.25 percent, 10.84 percent and 12.00 percent, respectively. The average annual yield on the 3-months, 6-months and 12-months Treasury Bills increased by 73, 149, and 40 basis points to 14.72 percent, 13.70 percent and 14.73 percent respectively, over the month. The lending rate on overdrafts remained stable at a minimum of 22 percent and a maximum of 29 percent.

Exchange Rates Developments

Movements in the monthly average exchange rate of the Leone to the US Dollars exhibited a depreciating trend in almost all the exchange channels during the month of January 2010. On the buying front, the monthly average rates for the foreign exchange bureaux depreciated the most (2.19%) at Le3,957.24/US\$1 followed by the commercial banks (1.50%) at Le3,881.35/US\$1 and the official rate (0.90%) at Le3,880.71/US\$1. The average parallel market rate depreciated the least (0.40%) at Le4,012.30/US\$1. On the selling front, the official rate depreciated the most (0.77%) at Le3,954.01/US\$. The average rates for the auction market, the bureaux and commercial banks depreciated by 0.56 percent at Le3,814.44/US\$1, 0.54 percent at Le4,053.12/US\$1, and 0.45 percent at Le3,974.33/US\$1, respectively. The parallel rate however appreciated by 0.11 percent at Le4,048.00/US\$1 from Le4,052.50/US\$1 reported in December 2009. The monthly average rate in the parallel market have remained stable since November 2009 following a series of fluctuations arising from market speculations, which had the effect



of exacerbating demand pressures during the last half of 2009. The reduction in the monthly supply of foreign exchange by the Central Bank through the auction market from US\$2mn in December 2009 to US\$1.7mn in January 2010 did not influence the rate in the parallel market, which has been largely driven by speculating market forces. The premium between the official and parallel buying rates narrowed from Le150.17/US\$1 in December 2009 to Le131.59/US\$1 in January 2010.

International Reserves

Gross external reserves of the Central Bank increased by US\$8.19mn (2.44%) to US\$344.46mn as at end-January 2010, from US\$336.27mn as at end-December 2009. This reflected cumulative inflows of US\$20.16mn, which more than doubled total outflows of US\$9.06mn. Major inflows comprised US\$19.12mn, being disbursements from the International Monetary Fund in respect of IMF-PRGF operations, US\$0.53mn, being diamond license fees and exporters' income tax and US\$0.31mn being interest earned on the Bank of Sierra Leone's foreign investments and other government receipts. Major outflows were with respect to US\$7.50mn, being the amount utilized under the Central Bank's weekly foreign exchange auction, US\$0.81mn being partial settlement of arrears in favour of 'Income Electrics' under the National Power Authority/Government of Sierra Leone (NPA/GoSL) energy contract.

Table 9. External Trade. Table with columns for months from Jun-08 to Jun-09 and rows for Total Imports, Total Exports, Re-exports, Trade Balance, Vol. of Imports, Vol. of Exports, and External Reserves.

Notes: n.a - Not Available, ** - Nil, N/A - Not Applicable, R - Revised, + - Provisional

Research Department Published March 2010

Highlights

General economic performance in Sierra Leone at the beginning of the year 2010 exhibited signs of a turnaround when compared to its 2009 performance, which was driven mainly by the second round effects of the global economic and financial meltdown. Developments in January 2010 largely reflected the gradual recovery in global economic performance. This fact notwithstanding, the exchange rate of the Leone to major foreign currencies continued to depreciate during the reporting month. The average official exchange rate of the Leone to the United States Dollar during the month depreciated further to Le3,880.71/US\$1 from Le3,845.97/US\$1 in December 2009. In contrast, movements in monetary aggregates contracted during the month, with Narrow Money (M1), Broad Money (M2) and Reserve Money (RM) declining by 2.68 percent, 1.32 percent and 4.83 percent, respectively. The national year-on-year inflation rate however recorded 14.83 percent in the reporting month as compared to 9.94 percent in December 2009. This was following the revision

country. In another development, the Governor of the Central Bank, Mr. Sheku S. Sesay, hosted the annual Governor's Dinner on 31st January 2010 at the Bank's Staff Complex. The theme of his policy speech was "The Global Financial Crisis, the Implications for the Financial Sector in Sierra Leone and Policy Responses".

Real Sector

Developments in the real sector were mixed during the month of January 2010. In the manufacturing sub sector increases were recorded in the production of cement, paint, acetylene, oxygen and confectionery. Output of cement and paint rose by 5.03 thousand metric tons (26.61%) to 23.93 thousand metric tons and 19.45 thousand gallons to 22.44 thousand gallons, respectively. This was as a result of increases in construction and renovation activities during the period. Production levels for acetylene and oxygen also increased by 3.07 thousand cubic

Table 2. PRODUCTION. Table with columns for months from Jan-09 to Jan-10 and rows for Mineral, Agriculture, Manufactured Goods, and other categories.

Sources: Manufacturing Industries, Gold and Diamond Department

Table 2. Inflation Rates - National. Table with columns for months from Jan-09 to Jan-10 and rows for Monthly Inflation Rate, Annual Inflation Rate (Yr-on-Yr), and Consumer Price Index.

Source: Statistics Sierra Leone

of the base period of the Consumer Price Index (CPI) by Statistics Sierra Leone from 2003 to 2007 in January 2010. Gross external reserves of the Central Bank increased to US\$344.46mn as at end January 2010, from US\$336.37mn as at end December 2009. The fiscal balance for the month registered a significantly reduced surplus from Le40.63bn in December 2009 to Le10.08bn in January 2010, reflecting a marked reduction in revenue collections over the month. During the review period, the country also witnessed a number of developments aimed at improving its revenue efforts and enhancing its socio-economic performance. On 1st January 2010, the National Revenue Authority (NRA) introduced the Goods and Services Tax (GST), which aims at augmenting revenue collections and improving fiscal performance. Also on 6th January 2010, the Government of Sierra Leone and the Food and Agriculture Organisation (FAO), provided agricultural machines and equipments worth Le240million, in assistance to Lowland Farmers Based Organization in Bo District. On 20th January 2010, the United Kingdom, through the Department for International Development (DFID), donated the sum of four million Pounds Sterling (£4.0mn) to the Government of Sierra Leone, as a non-budgetary support and financial aid to the Public Sector Reform Unit. Also during the month of January 2010, the Japanese Government provided a grant of US\$1.3 million to the Government of Sierra Leone, in support of activities geared towards the reduction in maternal and child mortality in the

feet (21.85%) to 17.12 thousand cubic feet and 1.26 thousand cubic feet (5.70%) to 23.36 thousand cubic feet respectively, reflecting an increase in welding activities. Production of confectionery, likewise, increased by 176.86 thousand pounds to 252.45 thousand pounds in response to an increase in consumer demand. In contrast, the output levels of beer and stout, maltina drink and soft drinks declined by 21.83 thousand cartons (28.30%) to 55.30 thousand cartons, 16.02 thousand cartons (59.78%) to 10.78 thousand cartons and 69.12 thousand crates (29.69%) to 163.67 thousand crates, respectively. Output of common soap was also down by 77.66 thousand metric tons (98.46%) to 1.21 thousand metric tons in the reporting month,

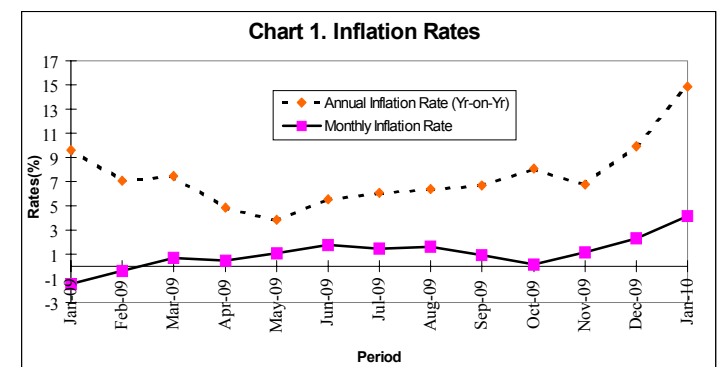


Table 3. Government Finances

		Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
Total Revenue (Plus Grants)	Le Mn	77642	40621	102168	55344	59408	64119	99911	119024	69790	61373	56500	190394	56544
Domestic Revenue	Le Mn	47233	40621	55558	54666	59408	63924	58595	59176	67095	53102	52989	75032	56544
Customs & Excise	Le Mn	29990	25375	30959	36090	41699	38884	39052	32940	35019	31631	31972	43418	21864
Income Tax Dept	Le Mn	14345	10506	19932	12162	12658	17409	15725	15870	17148	15307	12824	24172	12462
Miscellaneous	Le Mn	2898	4740	4667	6414	5051	7631	3818	10365	14928	6164	8193	7442	12649
Programmed Funds (Grants)	Le Mn	30409	**	46610	678	**	195	41316	59849	2695	8271	3511	115362	**
Fund of which														
HIPC	Le Mn	669	**	2198	678	**	195	770	**	2695	6749	**	253	**
Others*	Le Mn	29740	**	44412	**	**	40546	59849	**R	1522R	35111	115108	**	**
Total Expenditure	Le Mn	33982	77070	60439	78411	74819	90975.81	97152.15	83030	132370	85586	89759	149768	46466
Pensions, Wages & Salaries	Le Mn	17944	35321	28065	28210	42401	37486	28060	30100	33044	35890	33321	42027	21522
Other Expenditures	Le Mn	8471	31457	27550	35962	27003	40239	50642	39291	87579	31875	48070	84147	13191
Debt Service Payment	Le Mn	7567	10292	4824	14239	5415	13250.81	18450.15	13639	11747	17821	8368	23594	11753
Domestic	Le Mn	6898	9170	4824	5863	5415	8422.33	7756	8650	5862	9388	8209	16956	10793
Foreign	Le Mn	669	1122	**	8376	**	4828.48	10694.15	4989	5885	8433	159	6637	960
Overall Deficit/Surplus	Le Mn	-43660	-36449	41729	-23067	-15411	-26856.81	2758.85	35995	-62580	-24213	-33259	40626	10078
Total Financing	Le Mn	-43660	36449	-41729	23067	15411	26857.482	-2759	-35995	62580	24213	33259	-40626	-10078
Bank Financing	Le Mn	-2417	6376	12151	-7916	-306	23044	-9455.23	-12851	46544	24420	34652	-39771	-2
Bank of Sierra Leone	Le Mn	-5286	5218	7782	6620	-2337	28374	-3847.63	-32185	51526	38157	70099	-29616	-2
Commercial Banks	Le Mn	2869	1158	4369	-14536	2031	-5330	-5607.6	19334	-4982	-13737	-35447	-10155	**
Non-Bank Financing	Le Mn	2417	-6375	-12151	7916	306	-1803	6689.7	-5625	-1483	-206	-1393	-13448	**
Treasury Balance	Le Mn	-43660	36448	-41729	-23067	15411	5616.4822	5.461375	-17519	17519	-1	**	-26235	-10076
Foreign Finance	Le Mn	**	**	**	**	**	**	**	**	**	**	**	38826	**

Sources: Customs and Excise Department, Income Tax Department, Bank of Sierra Leone
 *** - chinese loan wrongly posted in Sept and reversed in Oct 2009

from 78.87 thousand metric tons in December 2009. The reduction in the output of beer and stout, Malta drink and soft drinks was attributed to reduced consumer demand, while the significant decline in common soap was accounted for by a shortfall in the supply of raw materials. Total units of electricity generated in the period under review were 6.44 Gw/hr, reflecting a drop by 58.46 percent compared to 15.50 Gw/hr generated in December 2009. Industrial production also dropped from 2.07 Gw/hr in the preceding month to 1.81 Gw/hr in January 2010. The significant drop in power generation over the month was due to maintenance work on the electricity distribution lines. In the mining sub-sector, all minerals exhibited declines in their production levels during the review period, with the total volume of diamonds exported, as recorded by the Government's Gold and Diamond Department (GDD), decreasing marginally by 0.29 thousand carats (1.17%) to 24.85 thousand carats. The total volume comprised 13.33 thousand carats of industrial and 11.52 thousand carats of gem diamonds. In similar vein, the production levels for bauxite, rutile, ilmenite and gold recorded decreases of 4.32 percent, 44.69 percent, 68.83 percent and 36.9 percent respectively, over the month. The marked declines in the output of the latter three minerals were explained by a lull in mining activities during the period. In the agriculture sub-sector, the volume of cocoa beans exported during the review period also recorded a drop of 328.48 metric tons (9.36%) to 3,181.02 metric tons from 3,509.50 metric tons in December 2009. There was however no record of coffee production during the month. Also, during the month, Statistics Sierra Leone (SSL) rebased its Consumer Price Index (CPI) series from year 2003 to 2007 and widened its basket to include a total of 400 items from the previous basket of 251 items. On the basis of the new series, the national year-on-year inflation rate increased by 4.89 percentage points, from 9.94 percent in December 2009 to 14.83 percent in January 2010. Similarly, the monthly CPI increased from 133.36 in December 2009 to 138.90 in January 2010, resulting in an increase in the monthly inflation rate of 1.85 percentage points to 4.15 percent in the month under review, compared to 2.30 percent in December 2009. The

increase in CPI was mainly driven by increases in the indices for furnishing and household equipment (9.42%), miscellaneous goods and services (9.98%), health (8.35%), alcoholic beverages (5.2%), housing, particularly rents (4.3%) and food (2.9%). The year-on-year inflation rate for Freetown also increased from 10.21 percent in December 2009 to 13.29 percent in January 2010.

Fiscal Operations

Government's fiscal balance for January 2010 recorded a surplus of Le10.08bn, reflecting fiscal prudence in government fiscal operations. When compared with the surplus of Le40.63bn recorded for December 2009, it reflected a contraction (75.19%) due mainly to the payment of end of quarter corporate tax in the latter month, as well as improved performance from customs and excise duties arising from high imports of goods and services during the festive season. The fiscal balance also reflected a significant reduction (76.92%) on the surplus recorded for the corresponding month in 2009. Total revenue recorded for the month was Le56.54bn, entirely derived from domestic sources as no grants were received for budgetary support during the review period. The total was also Le28.58bn (33.57%) and

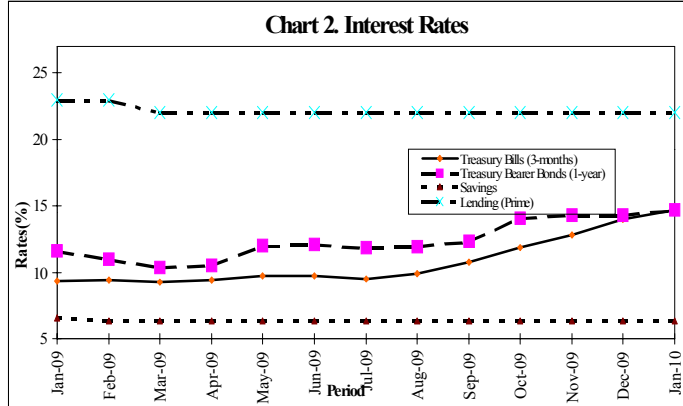


Table 4. Monetary Aggregates

		Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
Reserve Money (RM)	Le Mn	437454	454076	455262	451156	467138	457826.88	480394	462915	468204	504427	505410	563032	535852
Broad Money (M2)	Le Mn	1326183	1372842	1360703	1387778	1357353	1359844	1418316	1452633	1498651	1601741	1642538	1684978R	1662790
Narrow Money (M1)	Le Mn	675031	695656	682087	684231	684266	662085	700461	697782	735062	760777	757846	808358	785879
Currency in Circulation	Le Mn	336816	337449	335046	323220	336123	323084	333161	334818	347070	363020	388072	420921	412913
Demand Deposits	Le Mn	338215	358207	347041	361011	348143	339001	367300	362964	387992	397757	369774	386559R	372966
Net Claims on Government	Le Mn	194835.69	236078.04	208994	215859	192450	216604	189494	166121	238118	264453	280377	213264	203325
BSL ^A	Le Mn	-10086.31	26558.042	-424.7723	22206	37729.8	73073.53	63128	19094	91081	122628	188767	144030	132115
DMB	Le Mn	204922	209520	209419	193653	154720.5	143530.35	126348	147027	147037	141825	91610	69234	71210
Claims on Private Sector	Le Mn	446984	469811	480909	476120	484016	496652	509876	531432	556231	564095	592237	600982	621114
Of Which: Commercial Banks**	Le Mn	438763	461405	472722	466202	473374	486708	499323	521644	546949	555479	584120	594073	611069
Net Foreign Assets	Le Mn	831467	792727	802345	818514	799429	806587	850547	1365127	1308660	1436345	1495632	1541759	1499838
Other Items (Net)	Le Mn	147103.69	125774.04	131545	122715	118542	159999	131583	610047	604358	662152	725708	671027	661487

^A Excludes Government Securities issued on behalf of BSL and HPC Deposits
^B Revised to reflect definition of Claims on Private Sector given in the Monetary Survey which includes only Private enterprises and individuals
 Source: Returns from BSL & Commercial Bank

Table 5. Interest Rates

		Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
Treasury Bills (3-months)	%	9.35	9.39	9.29	9.41	9.72	9.72	9.504	9.85	10.75	11.88	12.79	13.99	14.72
Treasury Bearer Bonds (1-yr.)	%	12.46	12.26	11.24	11.70	12.04	12.06	11.89	11.95	12.32	14.08	14.38	14.33	14.73
Deposits														
Savings	%	6.58	6.37	6.35	6.35	6.35	6.35	6.35	6.32	6.32	6.31	6.32	6.32	6.32
1 - 3 month	%	9.51	9.51	9.31	9.17	9.17	9.17	9.17	9.01	8.87	8.70	8.87	8.87	8.87
3 - 6 month	%	10.45	10.04	9.88	9.73	9.73	9.73	9.73	9.61	9.45	9.42	9.45	9.45	9.45
6 - 9 month	%	10.10	9.33	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25
9 - 12 month	%	11.86	10.72	11.46	11.21	11.21	11.21	11.21	11.05	10.82	10.77	10.84	10.84	10.84
Lending (Prime)	%	23-30	23-30	22-29	22-29	22-29	22-29	22-29	22-29	22-29	22-29	22-29	22-29	22-29

Source: Bank of Sierra Leone

Le21.10bn (21.17%) lower than the monthly programme target of Le85.12bn and the corresponding monthly position of Le77.64bn in 2009, respectively. The shortfall in revenue relative to both periods was due to lower than expected receipts from income tax as well as the non-receipt of foreign inflows during the period. Uptake from customs and excise duties amounting to 21.86bn for the period, though contributing the highest percentage (38.67%) to domestic revenue, were 27.10 percent below the Le29.99bn recorded for the corresponding month in 2009. This was due to a lower volume of import and export activities during the period. The total however indicated a 2.15 percent improvement on the monthly benchmark. Aggregate revenue from income tax for the month stood at Le12.46bn, accounting for 22.04 percent of total revenue. It posted a 24.05 percent shortfall on the monthly target, as a result of a lull in the collection drive during the month. The amount was also 13.13 percent lower than corresponding receipts in 2009. Receipts under the "miscellaneous" category, comprising mainly of royalty fees, fishing license fees and dividend from parastatals, totaled Le12.65bn and accounted for 22.37 percent of domestic revenue. The amount also indicated respectively a threefold and fourfold increase in the monthly budgetary estimate and the corresponding position in 2009. The marked increase relative to both periods, was reflected in all the major components of "mines", "minerals", "immigration" and "marine resources", due to enhanced collection drive. Receipts from the Goods and Services Tax (GST), which was introduced at the beginning of the month, amounted to Le9.57bn, accounting for 16.92 percent of domestic revenue. Total fiscal outlay during the review period was Le46.47bn, reflecting a significant reduction (47.07%) in the month's budget estimate of Le87.78bn but representing an increase (36.74%) on the corresponding month's position of Le33.98bn in 2009. The marked curtailment relative to the monthly target was in line with the government's drive to rein in spending, while the increase over the year was due to the marked increase in treasury expenditure on road construction, fees subsidies to educational institutions, supply of drugs and embassy payments. Payments on wages and salaries amounting to Le21.52bn, (46.32% of total expenditure) reflected a shortfall of Le14.74bn (40.65%) on the target for the period but were Le3.58bn (19.94%) higher than the corresponding January 2009 position of Le17.94bn. "Other Expenditure"

comprising largely of treasury expenditures on goods and services was Le13.19bn for the reporting period, 55.72 percent and 69.34 percent above similar expenditures (Le8.47bn) in January 2009 and the monthly target, respectively. Total debt servicing in the period under review, recorded at Le11.75bn comprising domestic interest payments of Le10.79bn (23.23% of total expenditure) and foreign debt payment of Le0.96bn, was 38.36 percent higher than its budgeted target. Domestic and foreign interest payments were 56.46 percent and 43.50 percent respectively above their January 2009 levels of Le6.90bn and Le0.67bn. Treasury expenditure on goods and services for the month was mainly in respect of embassy payments, transfers to local councils and subventions to tertiary educational institutions. The fiscal surplus of Le10.08bn for the reporting month was transferred to the treasury balance.

Monetary Developments

During the review month, Narrow Money (M1), Broad Money (M2) and Reserve Money (RM) contracted by Le21.60bn (2.68%), Le22.19bn (1.32%) and Le27.18bn (4.83%) to Le785.88bn, Le1,662.79bn and Le535.85bn, respectively. The reduction in M1 was due to the decreases in both Currency in Circulation (Le8.01bn) and Demand Deposits (Le13.59bn). The contraction in M2 resulted from the decreases in M1 (Le21.60bn), Savings Deposits (Le7.24bn) and Time Deposits (Le2.63bn), which outweighed the increase in Foreign Currency Deposits (Le12.06bn). The decline in RM emanated mainly from the Le31.73bn decrease in Currency Issued, which outweighed the increase in Bankers Deposits (Le6.05bn) in the period. Net Claims on Government by the banking sector contracted by Le9.94bn (4.66%) to Le203.33bn, due to a decline in Net Claims on Government by the Bank of Sierra Leone (Le11.92bn), which was more than the increase of Le1.98bn in Net Claims on Government by the commercial banks. The drop in Net Claims

Table 6. EXCHANGE RATES (Average Monthly Buying)

		Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10
Leone to Dollar														
Official	Le/\$	3017.15	3031.72	3072.71	3123.37	3166.06	3220.88	3280.79	3461.25	3558.03	3662.70	3708.89	3845.97	3880.71
Comm. Banks	Le/\$	3005.91	3016.76	3062.13	3126.18	3164.28	3236.35	3274.67	3486.91	3557.04	3665.81	3783.28	3823.90	3881.35
Bureaux	Le/\$	3008.57	2995.70	3007.96	3032.45	3023.95	3037.55	3132.24	3305.94	3700.70	3741.56	3792.76	3872.54	3957.24
Parallel Market	Le/\$													