

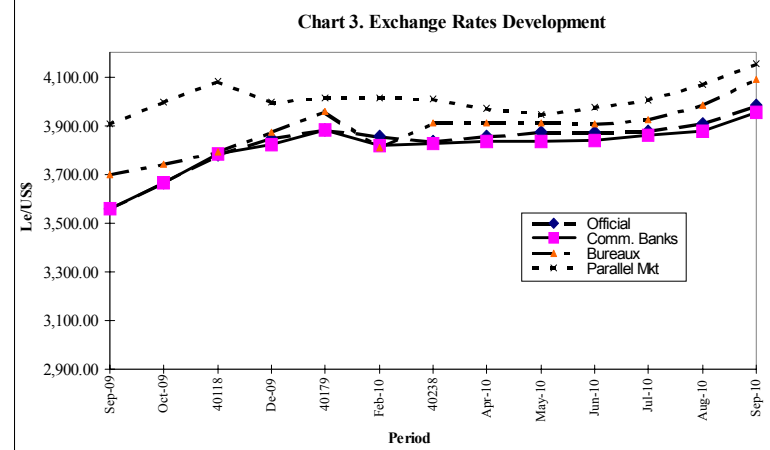


# Monthly Economic Review September 2010

grew by Le48.44bn from Le453.54bn in August 2010 to Le501.97bn in September 2010. This was due to an increase in Net Claims on Government by the Bank of Sierra Leone (Le16.87bn) and Commercial Banks (Le31.57bn). The expansion in Net Claims on Government by the Bank of Sierra Leone was on account of the increase in the Bank's holdings of Treasury Bills (Le4.13bn), and Ways and Means Advances (Le8.14bn) coupled with the reduction in Government Deposits (Le5.95bn). The growth in Net Claims on Government by the Commercial Banks can be mainly attributed to the increase in their holdings of Treasury Bills (Le20.86bn) and Overdraft to subvented agencies (Le9.77bn). The structure of interest rates in the Commercial Banks during the review period remained relatively unchanged whilst that in the Securities market increased. The interest rate on savings, 3 months, 6 months, 9 months and 12 months Time Deposits remained the same at 6.32, 8.99, 9.53, 9.25 and 10.84 per cent, respectively. The average annual yield on 3 months, 6 months and 12 months Treasury Bills increased by 112, 258 and 24 basis points to 18.10, 22.93 and 17.48 per cent, respectively. The interest rate on 12 months Treasury Bonds increased by 500 basis points to 18.00 percent, whilst commercial banks' overdraft lending rate remained unchanged at 21-28, percent.

### Exchange Rates Developments

The value of the Leone to the United States Dollar continued to depreciate in the month of September 2010. On the buying front, the bureaux rate at Le4,088.32/US\$1 reflected the steepest depreciation (2.67 percent), followed by the parallel market rate of Le4,154.29/US\$1 (2.14 percent) and the official rate of Le3,982.44/US\$1 (1.98 percent) and commercial bank's rate of Le3,952.62/US\$1 (1.98 percent). Similarly, on the selling front, the bureaux rate, the parallel markets rate and the commercial banks rate depreciated respectively by 2.65 percent, 2.58 percent and 2.50 percent. They were recorded at Le4,105.22/US\$1, Le4,204.43/US\$1 and Le4,126.84/US\$1 respectively. Similarly, the official buying rate depreciated by 1.98 percent. The



depreciation of the Leone could be attributed to increased demand for foreign exchange in the various foreign exchange markets. The premium between the official and parallel buying rates further widened by 4.32 percent from Le162.23/US\$1 in August to Le171.85/US\$1 in September 2010.

### International Reserves

Gross external reserves position of the Bank of Sierra Leone weakened by 0.66 percent from US\$324.93mn at end- August 2010 to US\$322.80mn at end-September 2010. This reflects total outflows in the amount of US\$10.96mn which far exceeded total inflows of US\$2.23mn. Major inflows include US\$0.71mn, being diamond license fees and exporters income tax, US\$0.36mn from fishing royalty/license, US\$0.12mn as disbursement from IDA/World Bank in respect of foreign exchange purchased and US\$0.80mn representing interest earned on Bank of Sierra Leone investment and other government receipts. Major outflows include US\$5.05mn in respect of New infrastructure Projects on roads, energy and water and US\$3.60mn being amount utilized under the weekly foreign exchange auction. Government travel and other government expenditures amounted to US\$1.07mn, while debt service payments totaled US\$0.51mn.

	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
<b>Total Imports o/w</b>	35073.72	48213.07	53662.58	39830.89	48263.34	27741.24	39502.67	63298.61	62725.12	72585.33	59242.49	67394.99	69739.90
Rice	2689.30	4044.14	9720.33	3472.82	10414.50	66.15	3917.66	103.47	115.54	25.50	873.41	13378.96	13714.55
Petroleum Products	7951.30	13369.00	5715.30	11867.30	18454.12	11187.92	16167.87	14766.23	12927.15	14247.73	10712.46	15202.42	11396.50
o/w Fuel	4068.56	13263.20	6743.81	11846.89	14934.46	9045.94	13643.70	14259.80	10796.00	12117.06	8161.16	11765.51	9674.01
Others	24433.12	30799.93	38226.95	24490.77	19394.72	16487.17	19417.14	48428.91	49682.43	58312.10	47656.62	38813.60	44628.85
<b>Total Exports o/w</b>	18956.19	24848.74	28698.28	17738.71	24273.33	48257.43	25914.74	18560.96	30927.42	15349.21	37119.04	28254.28	17994.40
Diamonds	6162.01	9118.07	6120.81	5358.09	5291.99	9632.65	9148.26	8460.52	9125.58	9712.94	12038.26	16311.68	10649.50
Bauxite	2390.44	1257.10	1312.99	2344.05	4753.71	933.40	3356.50	2191.09	2316.35	3608.12	2308.22	2231.70	2320.30
Rutile	526.70	700.00	4019.76	5235.09	371.60	5257.75	3421.40	5766.43	139.12	6476.96	3414.75	3414.75	-
Gold	304.70	250.35	317.30	756.75	466.23	446.25	1659.14	800.97	1061.42	749.08	399.32	552.57	539.00
Ilmenite	-	-	-	-	-	-	-	-	1224.14	-	-	-	-
Cocoa	3312.05	1200.92	140.61	164.49	12751.65	9056.02	1658.50	1687.59	925.65	44.53	-	332.65	2078.10
Coffee	416.36	462.10	-	-	-	14.30	47.17	96.31	1486.41	20.00	13.33	20.69	-
Others	4601.77	908.19	9759.54	2744.72	444.79	22527.16	950.85	4652.85	3973.64	526.57	14668.56	4796.64	1729.80
<b>Re-exports</b>	1242.16	10952.01	7027.27	135.52	193.36	389.90	5672.93	671.63	5047.80	548.85	1214.39	593.60	677.70
<b>Trade Balance</b>	-16117.53	-23364.33	-24964.30	-22092.18	-23990.01	20516.19	-13587.92	-44737.65	-31797.70	-572236.12	-22123.45	-39140.71	-51745.50
<b>Vol. of Imports</b>													
Rice	M tons	7000.00	10700.00	25250.00	9000.00	19176.70	176.20	10114.40	251.43	260.01	57.44	2054.89	35367.09
Petroleum Products (Fuel)	M tons	5700.00	21276.11	6992.88	17775.26	12723.88	14354.25	19035.78	18336.02	15338.94	16864.71	11477.90	14200.26
<b>Vol. of Exports</b>													
Diamond	000carat	35.77	43.87	27.97	25.25	24.85	45.90	42.72	31.88	38.58	54.26	39.12	30.75
Coffee	M tons	175.72	172.80	1006.80	-	-	110.08	377.85	769.42	1396.82	18.75	12.50	18.75
Cocoa	M tons	2700.00	1835.35	3472.98	1000.00	3181.02	2259.11	464.22	538.44	12.50	100.00	100.00	12490.00
<b>External Reserves</b>	\$Mn	324.60	330.67	323.30	336.27	344.36	345.50	326.39	313.45	297.82	312.59	319.27	324.28

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

Research Department  
 Published December 2010

### Highlights

Macroeconomic performance in Sierra Leone during the month of September 2010 was mixed. The nominal exchange rate of the Leone to the US Dollar continued to depreciate due in part to demand pressures on the foreign exchange market generated by the requirement to meet government's infrastructure development expenditures. The Gross external reserves position of the Bank of Sierra Leone slightly weakened by 0.66 percent from US\$324.93mn in August 2010 to US\$322.80mn in September 2010. Inflation rate slightly increased from 16.11 percent in August 2010 to 16.76 percent in September 2010. Notwithstanding the mismatch between government revenue and expenditure, improved fiscal outturn was recorded in the reporting month evidenced by a significant reduction in the overall budget deficit from Le32.67bn in August 2010 to Le4.80bn in September 2010. Developments in

rebound in diamond production as well as solid growth in agriculture. The mission further acknowledged the prospects of wider fiscal space for investments in infrastructure and improvements in social services delivery. With regard to the Enhanced Credit Facility (ECF) -supported program, the mission noted that all quantitative performance criteria were met by Sierra Leone as at end June 2010. The Global fund on 13<sup>th</sup> September 2010, awarded a grant of \$45million to the Ministry of Health and Sanitation to strengthen the overall health information system, laboratory services, leadership and coordination of health issues across the country. On September 21 2010, the House of Parliament ratified a loan agreement between the Government of Sierra Leone and the International Development Association (IDA) in the sum of US\$11mn (Eleven million United States Dollars). The purpose of the loan was to finance youth employment support projects

	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
<b>Mineral</b>													
Diamonds	35.77	43.88	27.97	25.14	24.85	45.91	65.03	31.88	38.62	54.26	39.12	30.83	32.60
Industrial Gem	17.17	16.92	10.59	9.22	13.33	24.66	42.72	10.92	14.36	34.06	10.94	14.36	na
Bauxite	18.60	26.95	17.38	16.03	11.52	21.25	22.31	20.96	24.26	20.20	28.18	16.47	na
Rutile	**	61.62	102.12	91.96	87.98	90.49	92.66	101.56	81.32	107.99	92.96	92.96	na
Ilmenite	3.12	5.05	7.41	9.06	5.01	3.81	7.33	4.51	4.20	5.79	6.52	6.44	6.65
Gold	0.91	0.83	1.22	1.88	0.59	0.83	1.28	1.42	2.23	2.49	2.24	1.83	1.56
Cocoa	384.50	292.38	352.41	820.23R	517.59	489.62	1760.13	832.35	511.33	752.31	406.86	551.64	na
<b>Agriculture</b>													
Coffee	175.72	172.80	1006.80	**	**	110.08	377.85	769.42	494.50	904.20	265.70	na	na
Cocoa	2255.00	1835.35	3472.98	3509.50	3181.02	2259.11	464.22	244.00	67.75	12.50	500.40	na	na
<b>Manufactured Goods</b>													
Beer and Stout	57.59	66.75	30.37	77.13	55.30	47.76	79.89	58.46	89.52	60.02	59.11	51.30	54.42
Maltina	10.66	21.60	10.67	26.79	10.78	14.44	22.40	10.63	23.50	15.24	16.14	11.52	11.12
Soft drinks	120.83	159.56	163.53	232.79	163.67	148.14	184.93	194.88	171.08	166.72	164.59	125.20	156.30
Cement	13.20	15.84	16.68	18.90	23.93	20.23	31.57	24.57	36.05	20.52	21.94	23.86	20.37
Paint	13.22	11.96	16.86	2.99	22.44	21.91	21.89	17.22	19.71	15.57	11.15	13.60	14.80
Acetylene	14.20	13.50	13.00	14.05	17.12	17.50	18.00	16.80	16.50	16.70	16.50	17.45	16.30
Oxygen	20.10	22.30	20.50	22.10	23.36	22.50	23.68	24.10	21.70	21.80	21.90	20.80	22.77
Confectionery	186.64	247.08	288.56	75.59	252.45	243.55	253.55	223.01	151.24	231.46	299.40	286.39	235.00
Common Soap	52.29	17.89	50.40	78.87	1.21	30.74	**	70.50	85.20	75.42	49.34	5.71	na
Flour	0.88	0.77	0.96	0.76	**	**	**	**	**	**	**	**	**

Sources: Manufacturing Industries, Gold and Diamond Department

	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
Monthly Inflation Rate	%	0.94	0.17	-1.19	2.30	4.15	2.52	1.00	0.82	0.25	1.40	1.27	1.49
Annual Inflation Rate (Yr-on-Yr)	%	6.71	8.08	6.78	9.94	14.83	16.11	17.37	17.80	16.82	16.42	16.21	16.11
Consumer Price Index		131.71	131.93	130.36	133.36	138.90	142.40	143.82	145.00	145.37	147.40	149.28	151.50

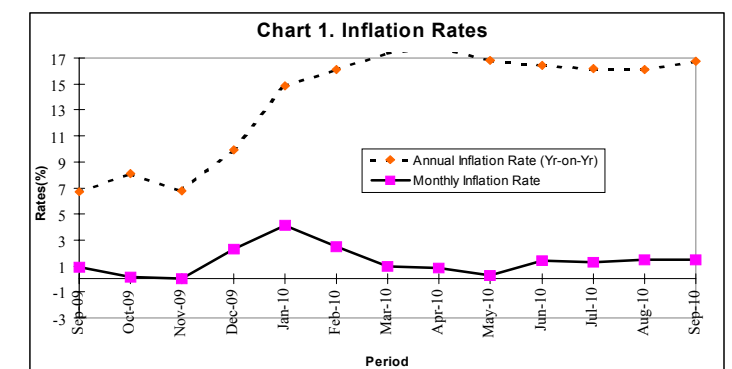
Source: Statistics Sierra Leone

Monetary aggregate were contractionary with Narrow Money (M1), Broad Money (M2) and Reserve Money (RM) contracting by Le3.61bn, Le10.40bn and Le6.28bn respectively. A number of significant developments took place in September 2010 suggestive of a promising outlook for the macroeconomic performance of the country. Among them were the following: The Ministry of Finance and Economic Development on September 6, 2010 put out a press release on the European Commission's approval of a grant of 52.5 million Euros to the Government of Sierra Leone to consolidate recovery efforts and progress with democratic governance. The grant is consistent with the Annual Action Programme (AAP) 2010 through the 10<sup>th</sup> European Development Fund (EDF) with a view to financing road infrastructure, agricultural sector development and enhancing the decentralization of service delivery in the country. An International Monetary Fund (IMF) mission visited Sierra Leone from September 8 to 21, 2010 to hold discussions with the Authorities on 2010 Article IV consultations and the first review of the country's performance under the extended Credit Facility (ECF) supported program, approved by the IMF Executive Board in June 2010. The Mission noted that economic activities in the country appears to have picked up in 2010 driven mainly by a

in the country. In a related development, Parliament also endorsed a US\$20mn grants from the World Bank in support of the second phase of the Reproductive and Child Health care project in Sierra Leone.

### Real Sector

Production in the manufacturing sector exhibited mixed performance during the review month. The Production levels of beer & stout, Soft drinks, paints and oxygen all increased respectively by 6.08 percent, 24.84 percent, 8.82 percent



**Table 3. Government Finances**

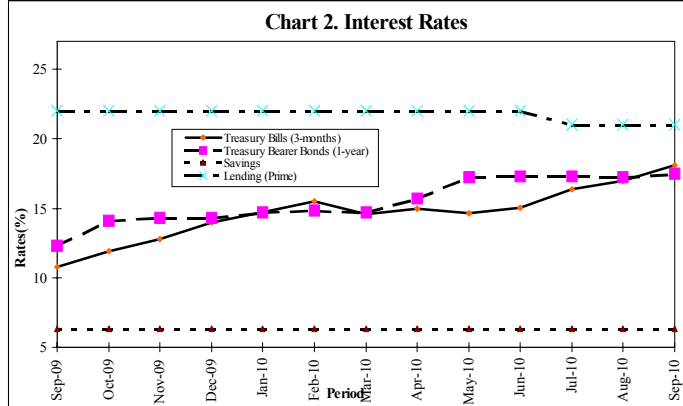
		Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
<b>Total Revenue (Plus Grants)</b>	Le Mn	69790	61373	56500	190394	56544	110188	83332	73546	71973	133013	74950	148,600	112,377
Domestic Revenue	Le Mn	67095	53102	52989	75032	56544	44015	81588	70637	70979	90334	62862	78,655	110,650
Customs & Excise	Le Mn	35019	31631	31972	43418	21864	18961	24925	24988	17291	31143	20747	28,941	30,469
Income Tax Dept	Le Mn	17148	15307	12824	24172	12462	12250	20214	14828	14092	23328	15588	17054	50,472
Miscellaneous	Le Mn	14928	6164	8193	7442	12849	3298	14968	13665	16457	9870	7816	9,439	8,818
<b>Programmed Funds (Grants)</b>	Le Mn	2695	8271	3511	115361	**	66173	1744	2909	993	42679	12088	69,945	1,727
Fund of which														
HIPC	Le Mn	2695	6749	**	253	**	**	1369	1428	**	208	141	**	1338
Others*	Le Mn	**R	1522R	35111	115108	**	66173	375	1481	993	42471	11947	69,945	389
<b>Total Expenditure</b>	Le Mn	132370	85586	89759	149768	46466	96465	142023	173044	150916	136361	152356	181265	117179
Pensions, Wages & Salaries	Le Mn	33044	35890	33321	42027	21522	27637	50745	42662	32638	40276	61081	49182	37389
Other Expenditures	Le Mn	87579	31875	48070	84147	13191	48176	83354	104062	103173	79970	66436	120455	67941
Debt Service Payment	Le Mn	11747	17821	8368	23594	11753	20652	7924	26320	15105	16115	24839	11628	11849
Domestic	Le Mn	5862	9388	8209	16956	10793	7126	5557	11518	13478	10356	15221	10289	8445
Foreign	Le Mn	5885	8433	159	6637	960	13526	2367	14802	1627	5759	9618	1339	3404
<b>Overall Deficit/Surplus</b>	Le Mn	-62580	-24213	-33259	40626	10078	13722	-58691	-99498	-78943	-3348	-77406	-92321	1917
<b>Total Financing</b>	Le Mn	62580	24213	33259	-40626	-10078	-13722	58691	99498	78943	3348	77406	32665	4801
<b>Bank Financing</b>	Le Mn	46544	24420	34652	-39771	-7191	-17514	-780	67640	55,951R	6587	59118	36537	8137
Bank of Sierra Leone	Le Mn	51526	38157	70099	-2177	-2177	-245	7443	66244	33,696R	-40371	50283	26342	8137
Commercial Banks	Le Mn	-4982	-13737	-35447	-10155	-5014	-17269	-8223	1396	22255	46957	8835	10195	**
<b>Non-Bank Financing</b>	Le Mn	-1483	-206	-1393	-13448	7190	17514	779	-2191	-8611	1619	-7987	-143	**
<b>Treasury Balance</b>	Le Mn	17519	-1	-1	-26235	-10077	-13722	-5708	34049	4203	-4858	-2425	-3729	-3336
<b>Foreign Finance</b>	Le Mn	**	**	**	38826	**	**	64400	**	27400	**	28700	**	**

Sources: Customs and Excise Department, Income Tax Department, Bank of Sierra Leone

\*\* - Chinese loan wrongly posted in Sept and reversed in Oct/Nov

and 9.47 percents. On the other hand, declines in production levels were recorded for maltina, cement, acetylene and confectionery by 3.47 percent, 14.63 percent, 6.59 percent and 17.94 percent respectively. The increase in production of beer & stout and soft drinks was in respect to increased consumer demand for these products. The increase in production of paint and oxygen could be explained by the availability of raw materials required for the production of these items. Declines in production levels of acetylene and confectionery were attributed to a drop in consumer demand, while the fall in the production of maltina and cement was on account of increased competition from imported brands. The mining sector showed signs of slow recovery during the review period with diamond, bauxite and rutile recording marginal increases in production levels. As reported by the Gold and Diamond Department (GDD), the volume of diamond produced totaled 32.60 thousand carats representing 5.74 percent increase on the previous month's production level of 30.83 thousand carats. Bauxite production rose by 7.85 percent from 88.56 thousand metric tons in August 2010 to 95.51 thousand metric tons in September 2010. Rutile production increased by 3.26 percent, from 6.44 thousand metric tons in August 2010, to 6.65 thousand metric tons in September 2010. However, the production level of Ilminite fell by 14.75 percent from 1.83 thousand metric tons in August 2010 to 1.53 thousand metric tons in September 2010. Overall developments suggest increased mining activities mainly stimulated by the advent of the dry season. Total electricity generated in September was 15.90 GW/hr representing a drop of 3.87 percent from the 16.54 GW/hr generated in August 2010. Electricity generated by Bumbuna Hydro contributed 98.6 percent, while that generated by Niigata machines Nos. 7 and 8 accounted for only 1.4 percent of the total electricity generated for the review month. The fall in the overall power generation was mainly due to

the shut down of the GTG machines for routine maintenance. The national year-on-year inflation as measured by the all-urban consumer price index increased from 16.11 percent in August 2010 to 16.76 percent in September 2010. Similarly, the monthly rate of inflation in September 2010 increased to 1.51 percent compared to 1.49 percent in August 2010. These developments suggest a sustained double digit performance in annual inflation as measured by the composite CPI since the beginning of 2010. Regional positions reflect similar patterns in the year-on-year inflation rates. In the Western Area, inflation increased from 17.29 percent in August 2010 to 17.49 percent in September 2010, in the Northern Region, it rose from 15.03 percent in August 2010 to 16.19 percent in September 2010, in the Southern Region inflation rose from 21.93 percent in August 2010 to 22.02 percent in September 2010 and in the Eastern Region inflation rose from 18.35 percent in August 2010 to 19.32 percent in September 2010. Monthly rates of inflation also increased in all the regions – thus Western Area experienced an inflation of 1.95 percent, Northern Region 0.98 percent, Southern



**Table 4. Monetary Aggregates**

		Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
<b>Reserve Money (RM)</b>	Le Mn	468204	504427	505410	563032	535852	543091	562363	598646	618634	581613	610775	619,165	612,800
<b>Broad Money (M2)</b>	Le Mn	1498651	1601741	1642538	1684978R	1662790	1655146	1665124	1726630	1750134	1769286	1847728	1,951,710	1,941,308
<b>Narrow Money (M1)</b>	Le Mn	735062	760777	757846	808358	785879	788496	799894	819216	837029	821609	898841	916,463	912,854
Currency in Circulation	Le Mn	347070	363020	388072	420921	412913	407165	426764	427090	418048	410857	435200	438,313	456,296
Demand Deposits	Le Mn	387992	397757	369774	386559R	372966	381330	373130	392126	418981	410752	463641	478,150	456,558
<b>Net Claims on Government</b>	Le Mn	238118	264453	280377	213264	203325	164184	155049	263793	282209	276170	383018	453,538	501,974
BSL <sup>A</sup>	Le Mn	91081	122628	188767	144030	132115	117465	128108	225160	244154	210851	265009	282,088	298,959
DMB	Le Mn	147037	141825	91610	69234	71210	46720	26941	38633	38055	65319	118009	171,450	203,015
<b>Claims on Private Sector</b>	Le Mn	556231	564095	592237	600982	621114	627249	642550	662989	671764	692542	692269	717,089	744,461
Of Which: Commercial Banks**	Le Mn	546949	555479	584120	594073	611069	617787	630887	651889	661334	683709	683883	709,357	737,060
<b>Net Foreign Assets</b>	Le Mn	1308660	1436345	1495632	1541759	1499838	1493824	1446594	1378105	1,321,882R	1344870	1313953	1,369,120	1,371,140
<b>Other Items (Net)</b>	Le Mn	604358	662152	725708	671027	661487	630111	579069	578257	525721	544296	541512	588,037	676,267

<sup>A</sup> Includes Government Securities issued on behalf of BSL and HPC Deposits

\*\* 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**

		Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
<b>Treasury Bills (3-months)</b>	%	10.75	11.88	12.79	13.99	14.72	15.47	14.55	14.99	14.65	15.01	16.35	16.98	18.10
<b>Treasury Bearer Bonds (1-yr.)</b>	%	12.32	14.08	14.38	14.33	14.73	14.84	14.72	15.69	17.26	17.27	17.28	17.24	17.48
<b>Deposits</b>														
Savings	%	6.32	6.31	6.32	6.32	6.32	6.32	6.32	6.32	6.32	6.32	6.32	6.32	6.32
1 - 3 month	%	8.87	8.7	8.87	8.87	8.87	8.87	8.99	8.99	8.99	8.99	8.99	8.99	8.99
3 - 6 month	%	9.45	9.42	9.45	9.45	9.45	9.45	9.53	9.53	9.53	9.53	9.53	9.53	9.53
6 - 9 month	%	9.25	9.25	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	%	10.82	10.77	10.84	10.84	10.84	10.84	10.84	10.84	10.84	10.84	10.84	10.84	10.84
<b>Lending (Prime)</b>	%	22-29	22-29	22-29	22-29	22-29	22-29	22-29	22-29	22-29	22-29	21-29	21-28	21-28

Source: Bank of Sierra Leone

Region 1.17 percent, and Eastern Region 1.62 percent.

**Fiscal Operations**

Fiscal operations in September 2010 reflect significant reduction in overall deficit from Le32.67bn in August 2010 to Le4.8bn in September 2010. Total revenue and grants of Le112.38bn in September 2010 was 24.38 percent less than the previous month's receipts of Le148.6bn and was 11.42 percent short of the monthly target of Le126.86bn. The low performance in total revenue and grants was attributable to significant (97.53 percent) drop in grant receipts from Le69.94bn in August 2010 to Le1.73bn in September 2010. The total receipt of grant was mainly from HIPC Debt Relief Assistance. Domestic revenue collection totaling Le110.65bn was 40.68 percent higher than collections in the previous period which was also 45.63 percent in excess of its monthly target of Le75.98bn. The increase in domestic revenue was attributable to higher income tax collections mainly from receipts of end of quarter corporate tax in the review period. Income tax receipts in September amounted to Le50.47bn compared to previous month's collection of Le17.05bn, which more than doubled its monthly target of Le20.08bn. Revenue collection from Customs and Excise tax amounted to Le30.47bn in September 2010 from Le28.94bn in August 2010 reflecting an increase of 5.28 percent over the previous month but slightly (1.02 percent) less than its monthly target of Le30.78bn. Collections from the Goods & Services Tax (GST) slightly fell from Le23.22bn in August 2010 to Le20.89bn in September 2010. Receipts from Miscellaneous sources also fell by 6.58 percent from Le9.44bn in August 2010 to Le8.82bn in September 2010. However, revenue collections from both the GST and Miscellaneous sources were above their respective targets of Le17.37bn and Le7.75bn for the review month. Total expenditure in the review month amounting Le117.18bn was 35.36 percent less than the expenditure Le181.26bn, recorded in the previous month but 48.3% above its

ceiling of Le79.02bn. The decline in total expenditure was mainly on account of the reduction in treasury expenses on goods and services from Le113.01bn in August 2010 to Le67.13bn in September 2010. Payment for pensions, wages & salaries also exhibited downward movement reinforcing the overall decline in total expenditure during the review period. The overall budgetary performance resulted in a deficit of Le4.8bn, compared to a deficit of Le32.67bn in August 2010. The deficit was financed entirely from Ways and Means Advances.

**Monetary Developments**

Monetary development was contractionary during the review period. Narrow Money (M1) contracted by Le3.61bn from Le916.46bn in August 2010 to Le912.85bn in September 2010. The decline in narrow money was mainly on account of significant reduction in Demand Deposits (Le21.59bn) which more than offset the increase in Currency in Circulation (Le17.98bn). Broad Money (M2) also contracted by Le10.40bn from Le1951.71bn in August 2010 to Le1941.31bn in September 2010. The drop in M2 was a result of the decline in Net Domestic Assets (Le12.42bn) which more than counterbalanced the increase in Net Foreign Assets (Le2.02bn) during the review period. Domestic Credit increased by Le75.81bn from Le1,170bn to Le1,246bn due to a rise in Claims on Government by the Banking Sector (48.44bn) and the Private Sector Le27.37bn. Reserve Money (RM) dropped by Le6.28bn from Le619.17 in August 2010 to Le612.89bn in September 2010. The fall in reserves money was mainly driven by a drop in Bankers' Deposits which more than offset the rise in Currency Issued (Le19.07bn) and Private Sector Deposits (Le2.40bn) during the month of September. Government indebtedness to the Banking Sector



**Table 6. EXCHANGE RATES (Average Monthly Buying)**

		Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
<b>Leone to Dollar</b>														
Official	Le/\$	3558.03	3662.70	3708.89	3845.97	3880.71	3854.90	3835.76	3856.00	3870.97	3874.97	3877.56	3905.09	3982.44
Comm. Banks	Le/\$	3557.04	3665.81	3783.28	3823.90	3881.35	3818.80	3825.64	3836.47	3834.17	3840.02	3861.15	3875.69	3952.62
Bureaux	Le/\$	3700.70	3741.56	3792.76	3872.54	3957.24	3810.11	3912.51	3909.97	3910.14	3908.71	3925.24	3981.86	4088.32
Parallel Market	Le/\$	3905.19	3998.14											