



**BANK OF SIERRA LEONE**

**Monthly Economic  
Review**

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Review**

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## TABLE OF CONTENTS

TABLE OF CONTENTS .....	ii
LIST OF FIGURES .....	iii
LIST OF TABLES.....	iii
ABBREVIATIONS .....	iv
1.0 Highlights .....	1
2.1 Production.....	2
2.1.1 Manufacturing Sector.....	2
2.1.2 Mining Sector.....	2
2.1.3 Agriculture Sector .....	2
2.2 Price Developments .....	2
3.0 Government Budgetary Operations .....	4
3.1 Revenue .....	4
3.2 Expenditure.....	5
3.3 Financing .....	5
4.0 Monetary Developments.....	5
4.1 Broad Money (M2).....	5
4.2 Reserve Money (RM) .....	7
4.3 Interest Rates .....	8
5.0 Exchange Rate and Reserves .....	9
5.1 Exchange Rate Developments .....	9
5.2 Gross Foreign Exchange Reserves .....	10

## **LIST OF FIGURES**

Figure 1: Trends in Headline, Food and Non-Food Inflation .....	3
Figure 2: Trends in Annual (Y-o-Y) Inflation and Monthly Inflation .....	3
Figure 3: Trends in Government Revenue and Expenditure.....	4
Figure 4: Contributions of NDA and NFA to M2 Growth.....	7
Figure 5: Contributions of NDA and NFA to RM Growth.....	8
Figure 6: Trends in Monetary Policy Rate and Other Market Rates.....	8
Figure 7: Premium between Official and Parallel Exchange Rates .....	10
Figure 8: Foreign Exchange Flows .....	11

## **LIST OF TABLES**

Table 1: Broad Money and Components .....	6
Table 2: Reserve Money and Components .....	7
Table 3: Trends in Interest Rates .....	9

## **ABBREVIATIONS**

<b>BSL</b>	-	Bank of Sierra Leone
<b>GoSL</b>	-	Government of Sierra Leone
<b>Gw/hr</b>	-	Gega Watts per hour
<b>IMF</b>	-	International Monetary Fund
<b>M1</b>	-	Narrow Money
<b>M2</b>	-	Broad Money
<b>MER</b>	-	Monthly Economic Review
<b>MoF</b>	-	Ministry of Finance
<b>MPR</b>	-	Monetary Policy Rate
<b>NDA</b>	-	Net Domestic Assets
<b>NFA</b>	-	Net Foreign Assets
<b>ODC</b>	-	Other Depository Corporations
<b>RM</b>	-	Reserve Money
<b>SDF</b>	-	Standing Deposit Facility
<b>SLF</b>	-	Standing Lending Facility
<b>Stats SL</b>	-	Statistics Sierra Leone
<b>Y-o-Y</b>	-	Year-on-Year

## 1.0 Highlights

Production outcomes in the manufacturing sector of Sierra Leone remained mixed in June 2021. The production of beer & stout, cement, acetylene and common soap increased by 23.35 percent, 1.55 percent, 6.40 percent, and 3.95 percent, to 164.90 thousand cartons, 35.33 thousand metric tons, 30.90 thousand cubic feet and 62.12 thousand metric tons, respectively

Conversely maltina, paint, oxygen and confectionery production decreased by 2.33 percent, 2.34 percent, 12.93 percent, and 0.39 percent to 27.63 thousand cartoons, 58.43 thousand gallons, 38.52 thousand cubic feet, 322.86 thousand pounds, respectively. Meanwhile, the mining sector recorded increases in output for gold, bauxite, rutile, ilmenite, iron ore and other minerals, while diamond production decreased. Both coffee and cocoa production increased in the review month.

Headline inflation (year-on-year) slightly increased to 10.20 percent in June 2021 from 9.80 percent in May 2021, driven by an increase in non-food inflation from 3.57 percent in May 2021 to 4.53 percent in June 2021. However, food inflation, moderated to 17.12 percent in June 2021 from 17.56 percent in May 2021.

Preliminary data on government budgetary operations (on cash flow basis) resulted in a lower deficit of Le24.94 billion in June 2021, compared to a deficit of Le175.62 billion in May 2021. This outcome was due to a large increase in revenue over the increase in expenditure.

Monetary Policy Rate (MPR) of the BSL remained unchanged at 14.00 percent in June 2021. Similarly, the Standing Lending and Deposit Facility rates remained unchanged at 17.00 percent and 8.00 percent in June 2021, respectively. However, the interbank rate increased from 13.28 percent in May 2021 to 14.45 percent in June 2021, but remained within the policy corridor. Commercial banks' average lending rate increased from 19.74 percent in May 2021 to 19.88 percent in June 2021, while deposits rate remained unchanged at 2.23 percent in June 2021.

Monetary aggregates continued to contract during the month of June 2021. Broad Money (M2) contracted further by 0.04 percent in June 2021, after contracting by 0.71 percent in May 2021. Reserve Money (RM) contracted by 1.89 percent in June 2021, compared to the 2.91 percent contraction in May 2021.

Gross foreign exchange reserves of the Bank of Sierra Leone at end June 2021 was US\$670.27 million, down by 2.68 percent from US\$688.70 million in May 2021. Inflows recorded in June was US\$11.87 million, while outflows amounted to US\$26.39 million resulting to a net outflow of US\$14.52 million, with a recorded revaluation loss of US\$3.91 million.

The exchange rate of the Leone to the US dollar (Le/US\$) depreciated slightly across the foreign exchange markets, while the premium between the Official and Parallel market rates widened by 6.21 percent to Le182.75/US\$1 in June, 2021 from Le172.06/US\$1 in May, 2021.

## **2.1 Production**

### **2.1.1 Manufacturing Sector**

Production outcomes in the manufacturing sector of Sierra Leone remained mixed in June 2021. The production of beer & stout, cement, acetylene and common soap increased by 23.35 percent, 1.55 percent, 6.40 percent, and 3.95 percent, to 164.90 thousand cartons, 35.33 thousand metric tons, 30.90 thousand cubic feet and 62.12 thousand metric tons, respectively

Conversely, maltina, paint, oxygen and confectionery production decreased by 2.33 percent, 2.34 percent, 12.93 percent, and 0.39 percent to 27.63 thousand cartons, 58.43 thousand gallons, 38.52 thousand cubic feet, 322.86 thousand pounds, respectively.

### **2.1.2 Mining Sector**

In June 2021, the mining sector recorded increases in output for gold, bauxite, rutile, ilmenite, iron ore and other minerals by 34.51 percent, 33.77 percent, 8.17 percent, 152.83 percent, 12.74 percent, and 39.62 percent, to 508.30 ounces, 128.41 thousand metric tons, 10.19 thousand metric tons, 5.36 thousand metric tons, 140.96 thousand dry metric tons, and 0.73 thousand metric tons, respectively.

However, diamond production decreased by 16.12 percent to 65.14 thousand carats, and comprised of 8.09 thousand carats of industrial diamonds and 57.05 thousand carats of gem diamond.

### **2.1.3 Agriculture Sector**

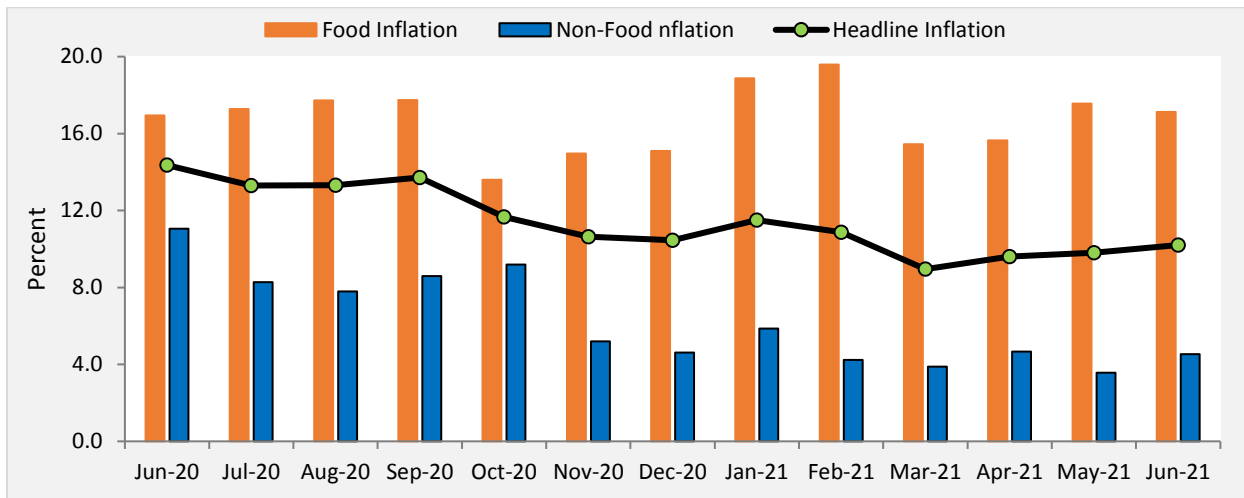
Production in the agriculture sector improved in June 2021, as both cocoa and coffee output increased to 335.40 metric tons and 86.40 metric tons from 8.00 metric tons and 25 metric tons respectively, in May 2021.

## **2.2 Price Developments**

Headline inflation (year-on-year) slightly increased to 10.20 percent in June 2021 from 9.80 percent in May 2021, driven by an increase in non-food inflation from 3.57 percent in May 2021 to 4.53 percent in June 2021. However, food inflation moderated to 17.12 percent in June 2021 from 17.56 percent in May 2021 (see **Figure 1**).

On regional basis, headline inflation in the Western, Eastern, and Southern regions increased to 10.17 percent, 9.66 percent, and 10.99 percent in June 2021 from 7.72 percent, 8.53 percent, and 9.87 percent respectively, in May 2021. Conversely, inflation in the Northern region decreased to 10.01 percent in June 2021 from 14.33 percent in May 2021.

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

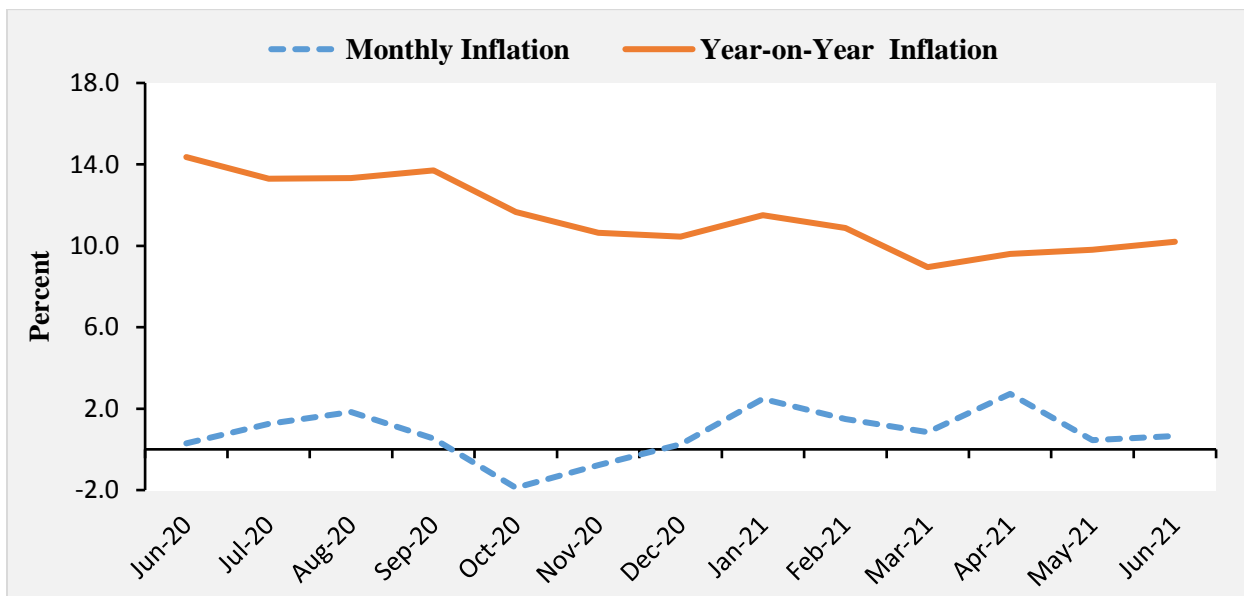


Source: Stats SL

Monthly headline inflation decreased from 0.44 percent in May 2021 to 0.65 percent in June 2021.

**Figure 2** depicts the trends in both annual and monthly inflation.

**Figure 2: Trends in Annual (Y-o-Y) Inflation and Monthly Inflation**



Source: Stats SL



### 3.0 Government Budgetary Operations

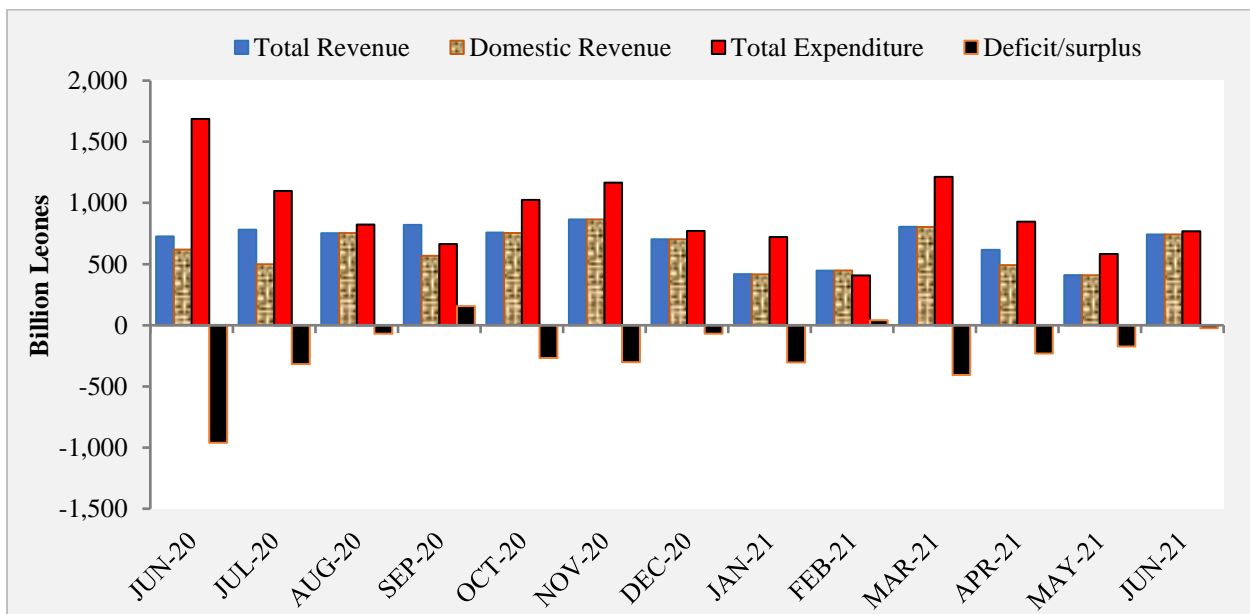
Preliminary data on government budgetary operations on cash flow basis recorded a lower deficit of Le24.94 billion in June 2021, against a deficit of Le175.62 billion in May 2021. The decrease in deficit was due to a large increase in revenue over the increase in expenditure in June 2021 (see Figure 3).

#### 3.1 Revenue

Government revenue increased significantly to Le742.68 billion in June 2021 from Le408.66 billion in May 2021, and exceeded the budgeted target of Le571.36 billion.

In the review month, receipts from Customs and Excise duties rose to Le88.84 billion from Le61.12 billion in May 2021; receipts from Income tax Department increased to Le236.32 billion from Le130.62 billion in May 2021. Similarly, receipts from Goods and services tax expanded to Le100.52 billion from Le89.29 billion in May 2021; non-tax revenue collection increased to Le316.49 billion from Le127.62 billion in May 2021 as a result of revenue increases from timber export levy, road maintenance fund, marine resources and other receipts from court fines. There was no budgetary support in the review period, however, resources from the HIPC fund amounted to Le0.51 billion.

**Figure 3: Trends in Government Revenue and Expenditure**



Source: MoF

### **3.2 Expenditure**

Government expenditure increased to Le767.61 billion in June 2021 from Le583.28 billion in May 2021, and was above the ceiling of Le758.48 billion by 1.21 percent. The increase in government expenditure ensued from the expansion in pension, wages & salaries, debt services and other expenditures. Pension, Wages & Salaries increased to Le295.81 billion from Le270.58 billion in May 2021. Payments on debt services increased to Le93.10 billion from Le76.06 billion in May 2021, of which domestic debt payments amounted to Le92.86 billion, and external debt service payments amounted to Le0.24 billion. Other expenditure on goods and services rose to Le378.71 billion from Le236.64 billion in the review period.

### **3.3 Financing**

The overall deficit of Le24.94 billion was entirely financed from domestic resources.

### **4.0 Monetary Developments**

Monetary aggregates contracted during the month of June 2021, as both Broad Money (M2) and Reserve Money (RM) further contracted in the review period.

#### **4.1 Broad Money (M2)**

Broad Money (M2) contracted further by 0.04 percent in June 2021, after contracting by 0.71 percent in May 2021. The contraction in M2 was mainly due to contraction in Net Foreign Assets (NFA) of the banking system, which outweighed the growth in Net Domestic Assets (NDA) of the banking system.

The NFA of the banking system contracted by 1.66 percent in June 2021, against the 7.86 percent contraction in May 2021. NFA contracted mainly on account of the 47.35 percent contraction in NFA of the Bank of Sierra Leone which significantly outweighed the 0.68 percent expansion in the NFA of commercial banks.

NDA of the banking system expanded by 0.44 percent in June 2021, compared to 1.63 percent expansion in May 2021. The expansion in NDA was primarily attributed to the growth in both net claims on Government by both the Bank of Sierra Leone (0.44 percent) and commercial banks (0.28 percent). Credit to the private Sector by commercial banks grew by 0.37 percent in June 2021, relative to the growth of 0.86 percent in May 2021.

From the liability side, M2 contracted on account of decrease in Quasi Money, which was more than the increase in Narrow Money (M1). Quasi Money contracted by 0.73 percent in June 2021, relative to the growth of 0.72 percent in May 2021. This development was as a result of decreases in both Time and Savings deposits by 0.83 percent and foreign currency deposits by 0.63 percent. M1 expanded by 0.63 percent in June 2021, compared to 2.05 percent contraction in May 2021. The expansion in M1 reflected a 1.89 percent increase in demand deposits, which was more than the 0.74 percent decline in currency outside banks. **Table 1** shows the evolution in the various components of broad money from May to June 2021.

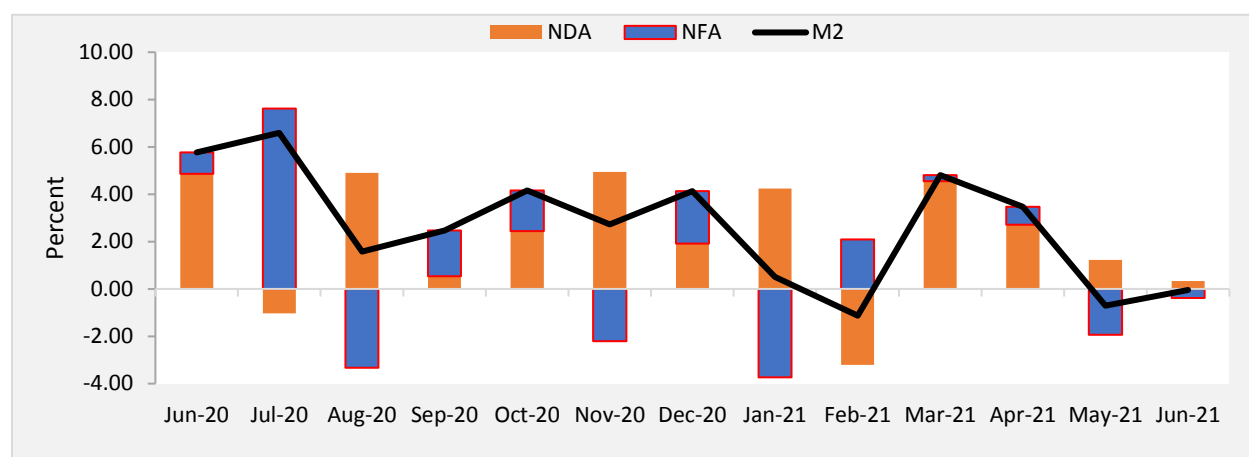
**Table 1: Broad Money and Components**

Billions of Leones	2021		Absolut Change		%Change	
	May-21	Jun-21	May-21	Jun-21	May-21	Jun-21
<b>Reserve money</b>	<b>4,152.77</b>	<b>4,074.16</b>	<b>(124.32)</b>	<b>(78.61)</b>	<b>(2.91)</b>	<b>(1.89)</b>
<b>Broad Money (M2)</b>	<b>12,615.94</b>	<b>12,610.62</b>	<b>(89.95)</b>	<b>(5.32)</b>	<b>(0.71)</b>	<b>(0.04)</b>
<b>Narrow money (M1)</b>	<b>6,418.13</b>	<b>6,458.27</b>	<b>(134.37)</b>	<b>40.14</b>	<b>(2.05)</b>	<b>0.63</b>
Currency outside banks	3,080.32	3,057.50	(12.55)	(22.82)	(0.41)	(0.74)
Demand deposit	3,337.81	3,400.78	(121.82)	62.97	(3.52)	1.89
<b>Quasi money</b>	<b>6,197.82</b>	<b>6,152.35</b>	<b>44.41</b>	<b>(45.46)</b>	<b>0.72</b>	<b>(0.73)</b>
o.w. Foreign currency deposit	3,031.51	3,012.39	(26.71)	(19.12)	(0.87)	(0.63)
Time and saving deposit	3,160.53	3,134.38	71.51	(26.15)	2.31	(0.83)
<b>Net Foreign Asset</b>	<b>2,888.52</b>	<b>2,840.63</b>	<b>(246.29)</b>	<b>(47.89)</b>	<b>(7.86)</b>	<b>(1.66)</b>
BSL	140.81	74.14	(139.67)	(66.67)	(49.80)	(47.35)
ODCs	2,747.71	2,766.49	(106.62)	18.78	(3.74)	0.68
<b>Net Domestic Assets</b>	<b>9,727.42</b>	<b>9,770.00</b>	<b>156.33</b>	<b>42.57</b>	<b>1.63</b>	<b>0.44</b>
<b>Net Domestic Credit</b>	<b>12,192.52</b>	<b>12,261.74</b>	<b>313.27</b>	<b>69.22</b>	<b>2.64</b>	<b>0.57</b>
Government (Net)	<b>9,650.99</b>	<b>9,684.14</b>	<b>281.67</b>	<b>33.15</b>	<b>3.01</b>	<b>0.34</b>
BSL	3,948.07	3,965.46	26.89	17.39	0.69	0.44
ODCs	5,702.91	5,718.68	254.77	15.77	4.68	0.28
Private Sector Credit	<b>2,734.18</b>	<b>2,744.94</b>	<b>22.89</b>	<b>10.77</b>	<b>0.84</b>	<b>0.39</b>
o.w ODC	2,717.51	2,727.63	23.25	10.12	0.86	0.37
Other Sectors (Net)*	(192.64)	(167.35)	8.71	25.30	(4.32)	(13.13)
<b>Other Items (Net)</b>	<b>(2,465.09)</b>	<b>(2,491.74)</b>	<b>(156.94)</b>	<b>(26.65)</b>	<b>6.80</b>	<b>1.08</b>
<b>Money Multiplier</b>	3.04	3.10				

Source: BSL

In terms of contributions, NFA and NDA of the Banking system contributed -0.38 percent and 0.34 percent to the growth in M2 respectively, in June 2021 (see **Figure 4**).

**Figure 4: Contributions of NDA and NFA to M2 Growth**



Source: BSL

#### 4.2 Reserve Money (RM)

Reserve Money (RM) contracted by 1.89 percent in June 2021, compared to the 2.91 percent contraction in May 2021, underscored by a contraction in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the BSL. NFA of the BSL contracted by 47.35 percent in June 2021, relative to the contraction of 49.80 percent in May 2021. NDA of the BSL contracted by 0.30 percent in June 2021, compared to an expansion of 0.38 percent in May 2021.

From the liability side, Reserve Money contracted mainly as a result of decrease in banks' reserves by 9.10 percent and decline in currency issued by 0.08 percent in June 2021. **Table 2** shows the evolution of the various components of reserve money from May to June 2021.

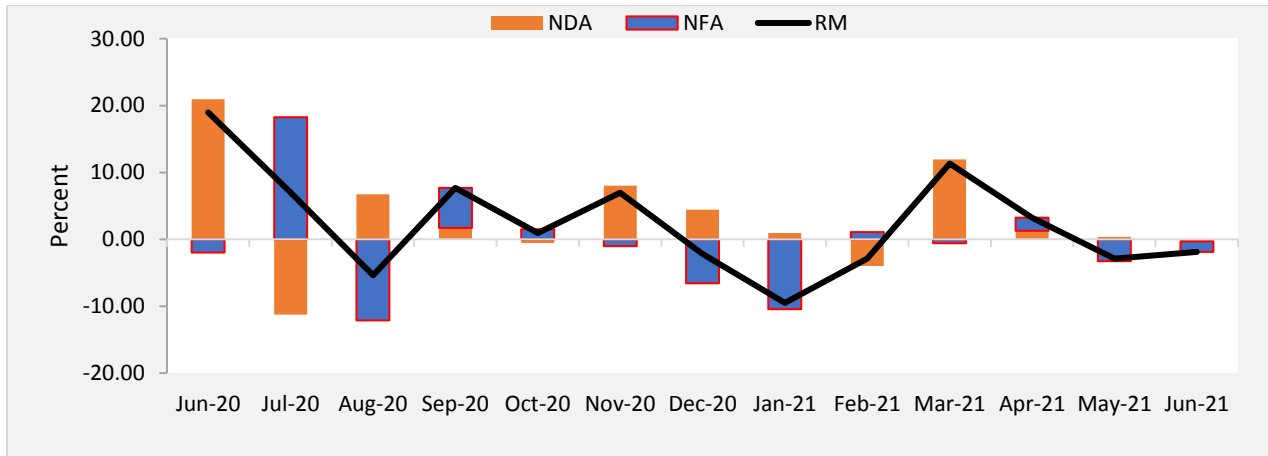
**Table 2: Reserve Money and Components**

Billions of Leones	2021		Absolute Change		% Change	
	May-21	Jun-21	May-21	Jun-21	May-21	Jun-21
<b>Net Foreign Assets</b>	<b>140.81</b>	<b>74.14</b>	<b>(139.67)</b>	<b>(66.67)</b>	<b>(49.80)</b>	<b>(47.35)</b>
<b>Net Domestic Assets</b>	<b>4,011.96</b>	<b>4,000.02</b>	<b>15.35</b>	<b>(11.94)</b>	<b>0.38</b>	<b>(0.30)</b>
<b>Government Borrowing (net)</b>	<b>3,948.07</b>	<b>3,965.46</b>	<b>26.89</b>	<b>17.39</b>	<b>0.69</b>	<b>0.44</b>
o.w. Securities	1,105.66	1,105.97	(0.30)	0.31	(0.03)	0.03
Ways and Means	175.93	187.16	18.12	11.23	11.48	6.38
GoSL/IMF /WB Budget financing	2,934.79	2,934.79	-	-	-	-
<b>Reserve money</b>	<b>4,152.77</b>	<b>4,074.16</b>	<b>(124.32)</b>	<b>(78.61)</b>	<b>(2.91)</b>	<b>(1.89)</b>
o.w. Currency issued	3,314.32	3,311.57	1.36	(2.75)	0.04	(0.08)
Bank reserves	831.25	755.60	(125.89)	(75.65)	(13.15)	(9.10)

Source: BSL

In terms of contributions, NFA and NDA of the BSL contributed -1.61 percent and -0.28 percent to the growth in RM respectively, in June 2021 (see Figure 5).

**Figure 5: Contributions of NDA and NFA to RM Growth**

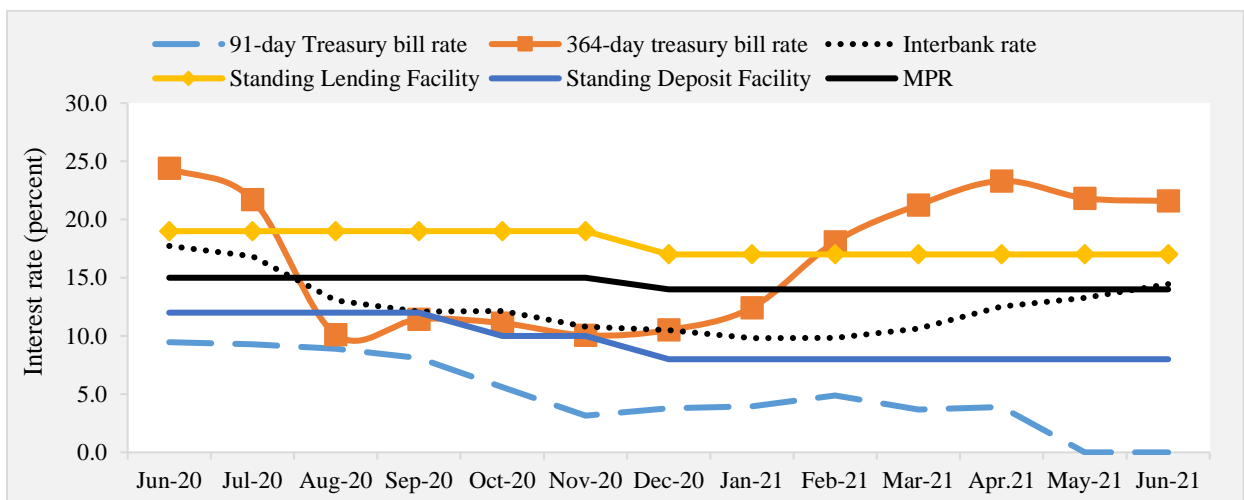


Source: BSL

### 4.3 Interest Rates

The Monetary Policy Rate (MPR) of the BSL remained unchanged at 14.00 percent in June 2021. Similarly, the Standing Lending and Deposit Facility rates remained unchanged at 17.00 percent and 8.00 percent in June 2021, respectively. However, the interbank rate increased from 13.28 percent in May 2021 to 14.45 percent in June 2021, but remained within the policy corridor (see Figure 6). Commercial banks’ average lending rate increased from 19.74 percent in May 2021 to 19.88 percent in June 2021, while deposits rate remained unchanged at 2.23 percent in June 2021.

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



Source: BSL

Yields on the 182-day T-bills and 364-day T-bills showed a decreasing trend during the review month. The 182-day T-bills decreased from 10.13 percent in May to 9.61 percent in June 2021. The 364-day T-bills declined from 21.83 percent in May 2021 to 21.59 percent June 2021. However, there was no transaction for the 91-day T-bills during the month of June 2021 (see Table 3).

**Table 3: Trends in Interest Rates**

	2020							2021					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
91-day T-Bills	9.46	9.29	8.91	8.11	5.60	3.15	3.78	3.96	4.88	3.69	3.90	0.00	0.00
182-day T-Bills	13.21	13.20	9.42	9.68	7.45	5.48	5.17	5.98	8.22	10.00	10.03	10.13	9.61
364-day T-Bills	24.39	21.7	10.12	11.44	11.10	10.05	10.51	12.43	18.09	21.25	23.31	21.83	21.59
Interbank rate	17.73	16.85	13.04	12.09	12.14	10.79	10.48	9.81	9.83	10.64	12.53	13.28	14.45
SLF	19.00	19.00	19.00	19.00	19.00	19.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00
SDF	12.00	12.00	12.00	12.00	10.00	10.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
MPR	15.00	15.00	15.00	15.00	15.00	15.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00
Ave. Lending rate	20.51	20.77	20.62	20.62	20.30	21.42	21.42	20.19	19.25	19.33	19.74	19.74	19.88
Savings deposits	2.90	2.89	2.72	2.72	2.72	2.72	2.61	2.67	2.35	2.23	2.23	2.23	2.23

Source: BSL

## 5.0 Exchange Rate and Reserves

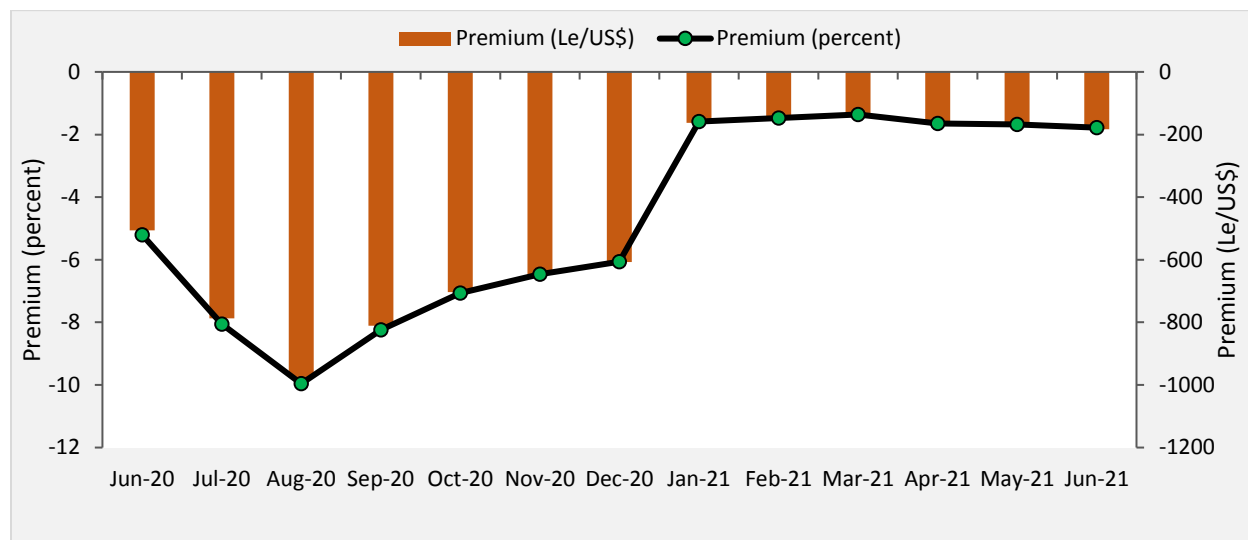
### 5.1 Exchange Rate Developments

The monthly average exchange rate of the Leone against the US dollar in June 2021, depreciated in all foreign exchange markets on both the buying and selling fronts. On the buying front, the Leone depreciated in the parallel market, commercial banks, official and bureau markets by 0.28 percent, 0.17 percent, 0.13 percent and 0.04 percent, averaging Le10,400.00/US\$1, Le10,298.30/US\$1, Le10,148.83/US\$1 and Le10,146.10/US\$1, respectively.

Similarly, on the selling front, the Leone depreciated in the bureau market, parallel market, official market and commercial banks by 0.19 percent, 0.17 percent, 0.13 percent and 0.05 percent, averaging Le10,427.84/US\$1, Le10,468.18/US\$1, Le10,353.86/US\$1 and Le10,424.77 respectively.

The premium between the Official and Parallel rates widened by 6.21 percent to Le182.75/US\$1 in June, 2021 from Le172.06/US\$1 in May, 2021 (See Figure 7).

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



Source: BSL

## 5.2 Gross Foreign Exchange Reserves

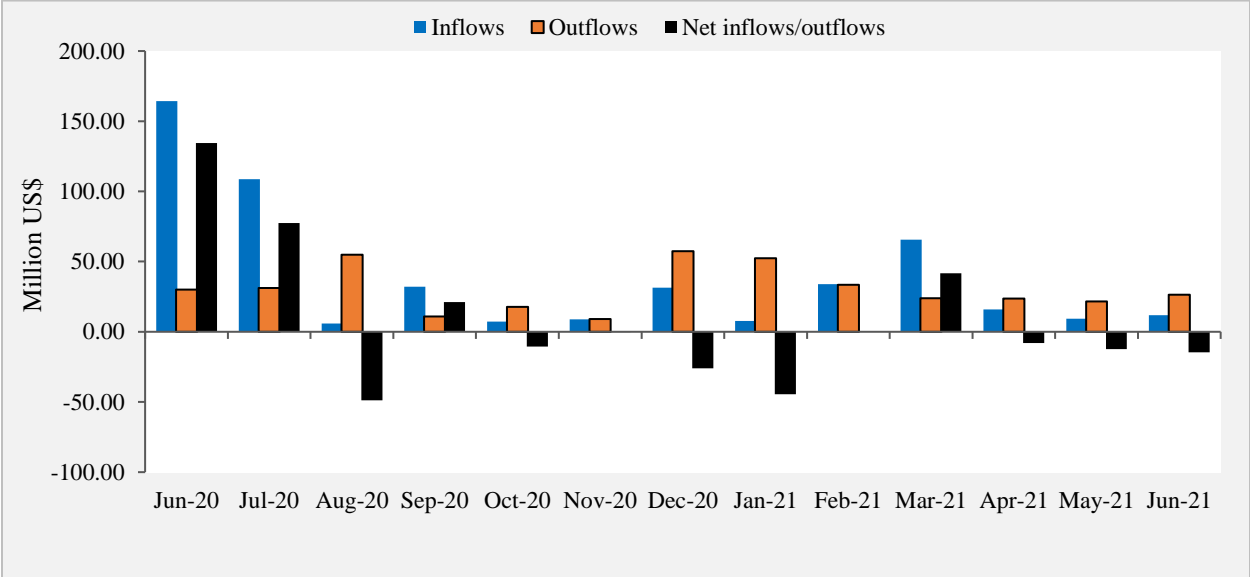
As at end June 2021, the gross foreign exchange reserves of the Bank of Sierra Leone was US\$670.27 million, down by 2.68 percent from US\$688.70 million in May 2021. Inflows recorded in June was US\$11.87 million, while outflows amounted to US\$26.39 million, resulting to a net outflow of US\$14.52 million, with a recorded revaluation loss of US\$3.91 million.

Significant inflows comprised receipts from Kingho investment company (US\$2.75 million), timber mining (US\$2.52 million), royalty payments from Sierra Rutile (US\$2.43 million), and transactions with commercial banks (US\$1.00 million). Other inflows included, dividend earned by the government of Sierra Leone from Freetown terminal (US\$0.80 million), other mining receipts (US\$0.63million), other government receipts (US\$0.59 million), aide disbursement by IDB with respect to its ongoing projects in the Country (US\$0.5 million), and fishing royalty and license (US\$0.44million).

Major outflows comprised amount utilized in respect of interbank market operations (US\$8.50million), external debt service payments (US\$4.80 million), BSL outlays (US\$4.38million), currency printing cost (US\$2.75million), payments for electricity support to Karadeniz Powership (US\$2.07 million), embassy and mission (US\$ 2.03 million), government

outlays (US\$1.54 million), and subscription to international organisations (US\$0.32 million) (see **Figure 8**).

**Figure 8: Foreign Exchange Flows**



Source: BSL