



**BANK OF SIERRA LEONE**

**Monthly Economic  
Review**

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## ABBREVIATIONS

BSL	-	Bank of Sierra Leone
DFR	-	Deposit Facility Rate
GoSL	-	Government of Sierra Leone
IMF	-	International Monetary Fund
LFR	-	Lending Facility Rate
M1	-	Narrow Money
M2	-	Broad Money
MER	-	Monthly Economic Review
MPR	-	Monetary Policy Rate
NDA	-	Net Domestic Assets
NFA	-	Net Foreign Assets
ODC	-	Other Depository Corporation
RM	-	Reserve Money
Y-o-Y	-	Year-on-Year

## 1.0 Highlights

Production volume for most items in the manufacturing and mining sectors improved in March 2019. This increment was manifested in Beer, Stout, Soft drinks, Cement, Paints Acetylene, common soap, rutile and ilminite. On the other hand, production for Maltina, oxygen, confectionary products and Bauxite in the mining sector declined.

Inflationary pressures re-emerged in March 2019 as headline inflation increased to 17.46 per cent from 17.19 per cent in February 2019. This was reflected mostly in the prices of food items in the consumer basket, as non-food prices recorded a marginal decline.

Fiscal operations on a cash flow basis in March 2019 resulted in a reduced deficit of Le24.68bn compared to Le144.01bn in February 2019. This development was explained by improved domestic revenue mobilisation and reduced government spending in the review period.

Monetary policy rate in March 2019 remained unchanged at 16.50 per cent. The interbank remained within the policy corridor, with marginal increase from 17.35 per cent in February 2019 to 17.80 in March 2019, which in part reflected tight liquidity conditions. The commercial banks' average lending and savings deposits rates remained unchanged at 21.35 per cent and 2.38 per cent, respectively.

Monetary aggregates in March 2019 contracted as both Broad Money (M2) and Reserve Money (RM) declined. Broad Money (M2) contracted by 0.40 per cent in March 2019, compared to 0.13 per cent growth in February 2019. This development was attributed to the decrease in Net Foreign Assets (NFA) of the banking system, which more than offset the increase in Net Domestic Assets (NDA) of the banking system. The contraction in RM was reflected in decreases in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the Central Bank.

The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 1.08 per cent to US\$488.78mn in March 2019 from US\$494.12mn in February 2019. This development was driven by the combined effect of a net outflow of US\$3.38mn and revaluation loss of US\$1.96mn.

The monthly average exchange rate movement of the Leone against the US dollar in March 2019 depreciated in all foreign exchange markets. The premium between the Official and Parallel rates widened by 1.14 percentage points to Le344.75/US\$1 in March, 2019 from Le244.79/US\$1 in February, 2019.

## **2.0 Production and Prices**

### **2.1 Production**

#### **2.1.1 Manufacturing**

Performance in the manufacturing sector improved in March 2019 as production volumes increased for most items. Beer and stout production rose by 6.10 per cent to 145.23 thousand cartons; Soft drinks and cement production grew by 2.77 per cent to 99.78 thousand crates and 1.29 per cent to 28.17 thousand metric tons respectively. Similarly, paint and acetylene expanded by 3.80 per cent to 66.46 thousand gallons and 19.06 per cent to 27.42 thousand cubic feet respectively, while common soap production increased by 0.55 per cent to 42.00 thousand metric tons.

On the other hand, production declined for maltina and oxygen. Maltina fell by 7.21 per cent to 27.01 thousand cartons, while oxygen slowed by 16.95 per cent to 20.04 thousand cubic feet. Similarly, confectionery production fell by 4.07 per cent to 191.70 thousand pounds.

#### **2.1.2 Mining Sector**

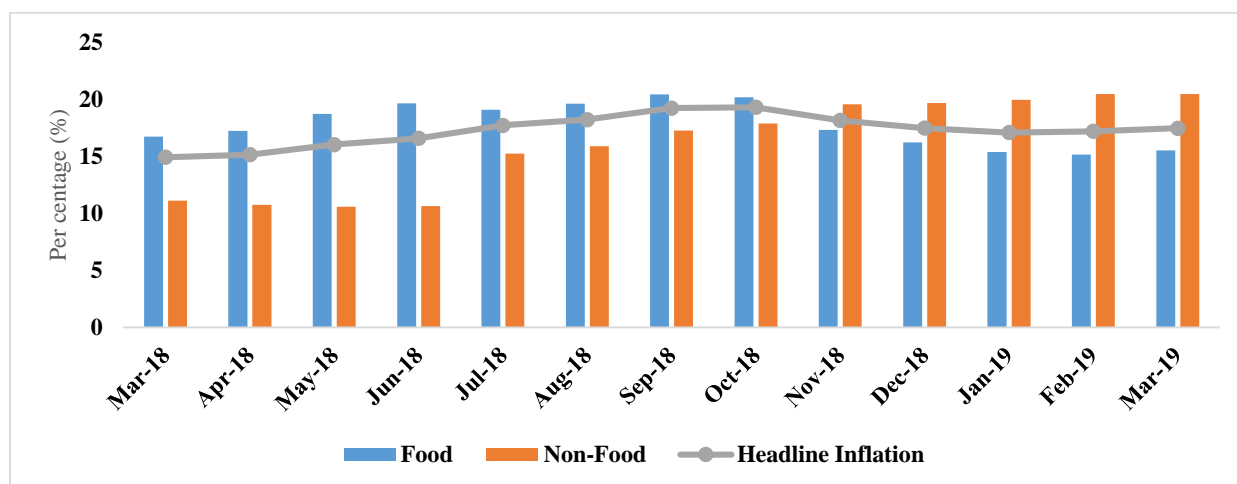
Mining sector activities were mixed in March 2019. Bauxite production decreased by 9.79 per cent to 171.67 thousand metric tons, while rutile and ilminite production increased by 2.55 per cent to 10.44 thousand metric tons and 70.22 per cent to 7.66 thousand metric tons respectively.

### **2.2 Price Development**

Annual headline inflation increased to 17.46 per cent in March 2019 from 17.19 per cent in February 2019. This was reflected mostly in the price of food items in the consumer basket, as non-food prices recorded a marginal decline. Food inflation rose slightly to 15.50 per cent in March 2019 from 15.15 per cent in February 2019, while non-food inflation recorded a slight decline to 20.45 per cent in March 2019 from 20.46 per cent in February.

On regional basis, inflation increased in the Western Area and Northern region, but declined in Eastern and Southern regions in March 2019. Western Area inflation rose to 17.66 per cent in March 2019 from 17.15 per cent in February 2019; Northern region inflation increased to 17.13 per cent in March 2019 from 16.74 per cent in February 2019. Inflation declined in the Eastern region to 17.76 per cent in March 2019 from 17.86 per cent in February 2019 and in the Southern region to 17.19 per cent in March 2019 from 17.44 per cent in February 2019.

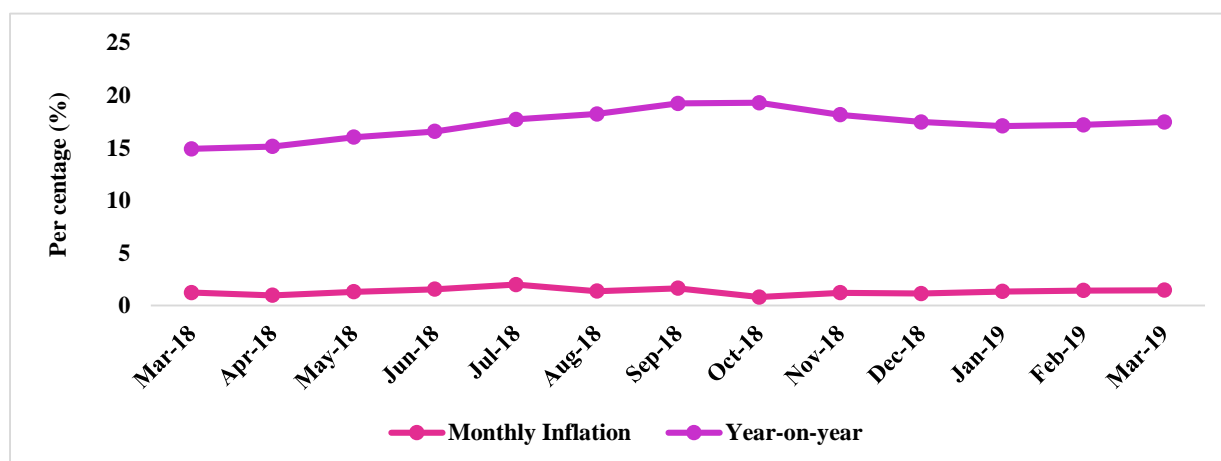
**Figure 1: Headline, Food and Non-Food Inflation**



Source: Stat. SL and BSL

Consumer price inflation on a monthly basis increased to 1.46 per cent in March 2019 from 1.43 per cent in February 2019.

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



Source: Stat. SL

### 3.0 Government Budgetary Operations

Government fiscal operations on a cash flow basis in March 2019 resulted in a reduced deficit of Le24.68bn compared to Le144.01bn recorded in February 2019. The contraction in deficit was a reflection of improved domestic revenue, which more than offset government spending.

#### 3.1 Revenues

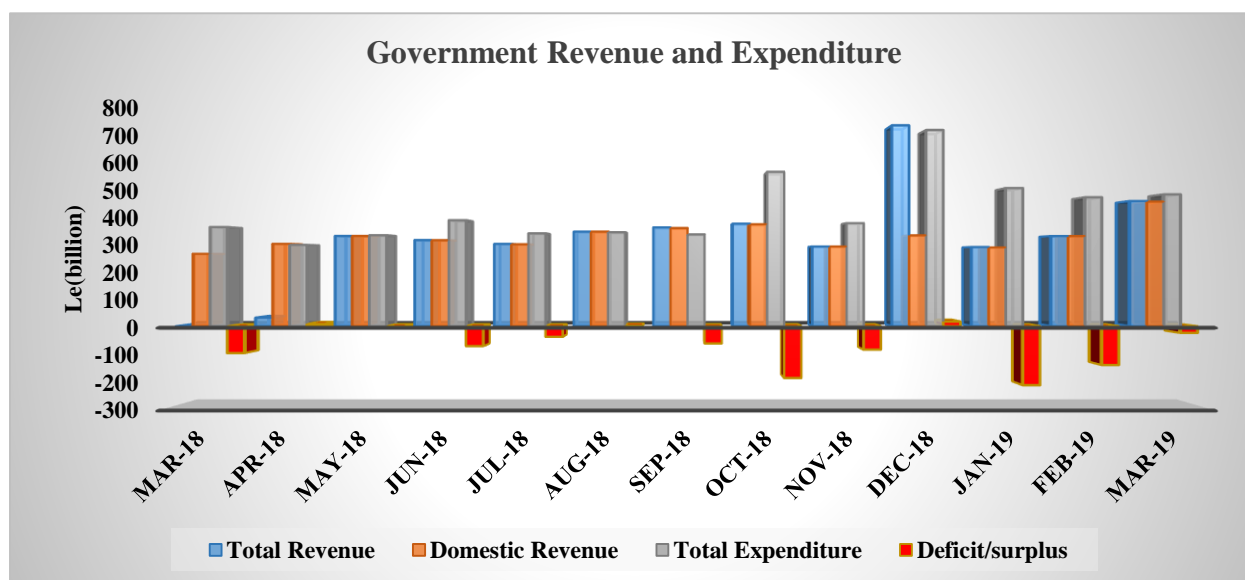
Total revenue and grants grew by 38.85 per cent to Le465.02bn due to growth in domestic revenue collection. Domestic revenue expanded by 38.12 per cent to Le462.54bn, driven by improved revenue collected from income tax, goods and services tax and non-tax category.



Revenue from income tax increased by 74.24 per cent to Le169.11bn, receipts from goods and services tax increased by 16.95 per cent to Le84.24bn, while non-tax revenue rose by 53.17 per cent to Le151.91bn. However, receipts from customs and excise duties fell by 14.03 per cent to Le57.29bn.

External grants in the month of March 2019 amounted to Le2.48bn.

**Figure 3: Government Revenue and Expenditure**



Source: Research Department, BSL

### 3.2 Expenditures

Government expenditure increased slightly by 2.25 per cent to Le489.70bn due to the increase in other expenditure on goods and services and debt services payment. Other expenditure on goods and services rose by 4.91 per cent to Le225.68bn in March 2019, while total debt services payment expanded by 23.58 per cent to Le152.54bn. Of the total debt service, domestic debt services payment amounted to Le68.68bn and foreign debt services payment was Le83.86. On the other hand, pensions, wages and salaries fell by 20.56 per cent to Le111.48bn.

The overall deficit of Le24.68bn was financed entirely from domestic sources.

### 4.0 Monetary Developments

Monetary aggregates during the month of March 2019 were contractionary as both Broad Money (M2) and Reserve Money (RM) declined.

#### **4.1 Broad Money**

Broad Money (M2) contracted by 0.40 per cent in March 2019, compared with the 0.13 per cent growth in February 2019. The contraction in M2 was attributed to the decrease in Net Foreign Assets (NFA) of the banking system which was more than the increase in Net Domestic Assets (NDA) of the banking system.

NFA of the banking system declined by 5.12 per cent in March 2019, compared with the 2.76 per cent decrease in February 2019. The contraction in NFA was mainly on account of growth in foreign liabilities of BSL due to depreciation of the exchange rate coupled with decrease in foreign assets by ODCs.

NDA of the banking system expanded by 1.13 per cent in March 2019, which was more than the 1.10 per cent growth in February 2019. NDA increased mainly as a result of growth in Credit to Private Sector. Private Sector Credit by commercial banks grew by 3.40 per cent in March 2019 from 3.36 per cent in February 2019.

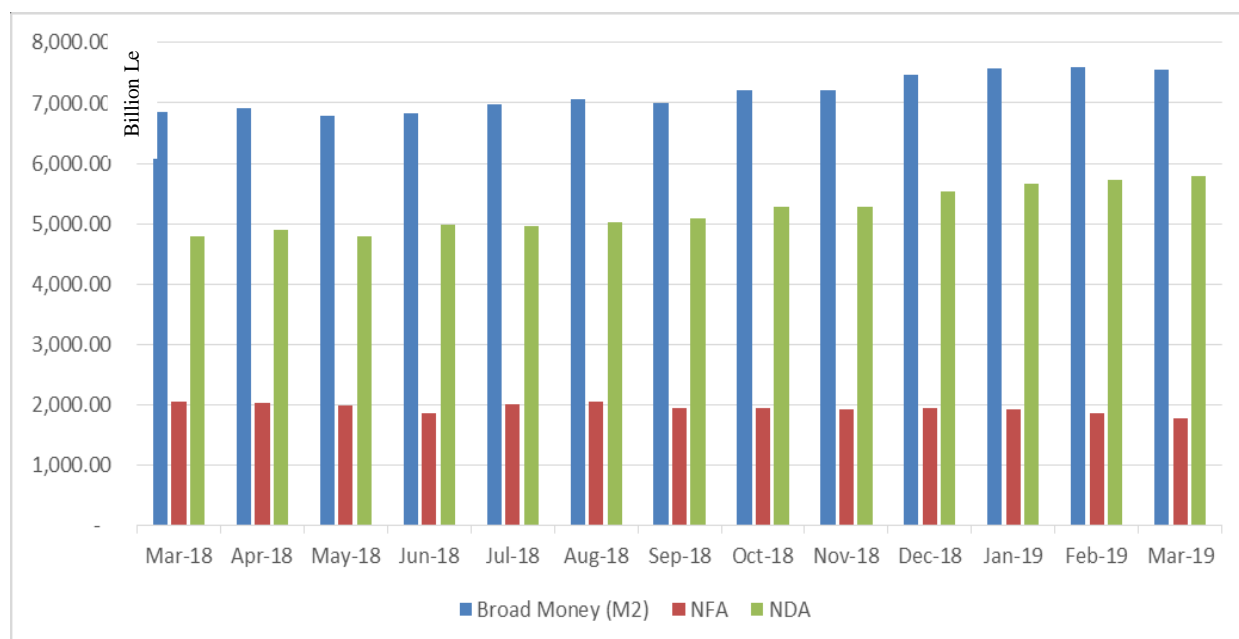
**Table 1: Broad Money and its Components**

Billions of Leones	2018/2019		Absolute Change		(% ) Change	
	Feb-19	Mar-19	Feb-19	Mar-19	Feb-19	Mar-19
<b>Reserve Money</b>	2,257.25	2,228.66	(112.16)	(28.59)	4.73)	(1.27)
<b>Broad Money (M2)</b>	7,590.51	7,560.16	9.66	(30.35)	0.13	(0.40)
<b>Narrow Money (M1)</b>	3,545.82	3,451.49	106.80	(94.33)	3.11	(2.66)
<b>Currency outside banks</b>	1,653.94	1,704.49	15.94	50.55	0.97	3.06
<b>Demand deposit</b>	1,891.88	1,747.00	90.86	(144.88)	5.04	(7.66)
<b>Quasi Money</b>	4,039.56	4,103.74	(96.43)	64.18	(2.33)	1.59
<b>o.w. Foreign currency deposits</b>	2,007.80	2,087.23	(89.34)	74.43	(4.26)	3.71
<b>Time and saving deposit</b>	2,031.76	2,021.51	(7.09)	(10.25)	(0.35)	(0.50)
<b>Net Foreign Asset</b>	1,859.41	1,764.23	(52.74)	(95.18)	(2.76)	(5.12)
<b>BSL</b>	56.26	40.65	(50.78)	(15.61)	(47.44 )	(27.75)
<b>ODCs</b>	1,803.15	1,723.58	(1.96)	(79.57)	(0.11)	(4.41)
<b>Net Domestic Assets</b>	5,731.11	5,795.92	62.41	64.81	1.10	1.13
<b>Net Domestic Credit</b>	7,544.92	7,523.17	21.08	(21.75)	0.28	(0.29)
<b>Government (Net)</b>	5,605.41	5,475.39	(26.65)	(130.02)	(0.47)	(2.32)
<b>Private Sector</b>	2,005.44	2,072.77	64.34	67.33	3.31	3.36
<b>o.w. BSL</b>	33.58	33.82	0.16	0.24	0.48	0.71
<b>ODCs</b>	1,971.86	2,038.95	64.18	67.09	3.36	3.40
<b>Other Sectors (Net)*</b>	(65.93)	(24.99)	(16.61)	40.94	33.68	(62.10)
<b>Other Items (Net)</b>	(1,813.81 )	(1,727.25 )	41.33	86.56	(2.23)	(4.77)
<b>Money Multiplier</b>	3.36	3.39				

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

Source: Research Department, BSL

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



Source: Research Department, BSL

From the perspective of the liability side of the monetary survey, the contraction in M2 was also attributed to the decrease in Narrow Money (M1) which more than offset the growth in Quasi Money. M1 contracted by 2.66 per cent compared with the 3.11 per cent growth recorded in February 2019. The decline in M1 was reflected by the 7.66 per cent contraction in Demand Deposits which was more than the 3.06 per cent growth in Currency outside banks. Quasi Money increased by 1.59 per cent compared with the 2.33 per cent decrease in February 2019. Quasi Money expanded as a result of increase in Foreign Currency Deposits by 3.71 per cent, which more than offset the 0.50 per cent decline in Time and Savings Deposits.

#### 4.2 Reserve Money

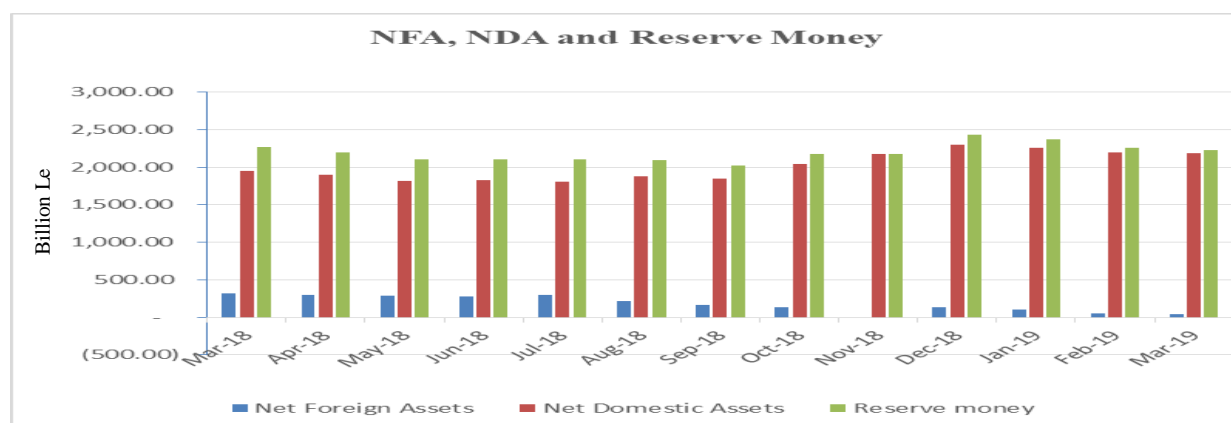
Reserve Money (RM) contracted by 1.27 per cent during March 2019, compared with the 4.73 per cent decrease in February 2019. This development was on account of decreases in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the Bank of Sierra Leone. NFA declined by 27.75 per cent due to increase in BSL foreign liabilities to the IMF, on account of exchange rate depreciation. NDA decreased by 0.59 per cent due to 10.35 per cent part payment of Ways and Means Advances and 2.72 per cent decrease in holdings of Government securities.

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

Billions of Leones	2018/2019		Absolute change		(% Change)	
	Feb-19	Mar-19	Feb -19	Mar-19	Feb-19	Mar-19
<b>1. Net Foreign Assets</b>	56.26	40.65	<b>(50.78)</b>	<b>(15.61)</b>	<b>(47.44)</b>	<b>(27.75)</b>
<b>2. Net Domestic Assets</b>	<b>2,200.99</b>	<b>2,188.01</b>	<b>(61.38)</b>	<b>(12.98)</b>	<b>(2.71)</b>	<b>(0.59)</b>
2.1 Government Borrowing (net)	2,554.20	2,473.00	(35.08)	(81.20)	(1.35)	(3.18)
o.w. 2.11 Securities	1,159.46	1,127.92	(65.36)	(31.54)	(5.34)	(2.72)
2.12 Ways and Means	131.95	118.29	62.81	(13.66)	90.84	(10.35)
2.13 GoSL/IMF Budget financing	1,418.56	1,418.56	-	-	-	-
<b>3. Reserve money</b>	<b>2,257.25</b>	<b>2,228.66</b>	<b>(112.16)</b>	<b>(28.59)</b>	<b>(4.73)</b>	<b>(1.27)</b>
o.w. 3.1 Currency issued	1,865.35	1,932.28	6.32	66.93	0.34	3.59
3.2 Bank reserves	386.76	291.45	(117.77)	(95.31)	(23.34)	(24.64)

Source: Research Department, BSL

On the liability side of the balance sheet, the contraction in RM was as a reflection of the decline in Banks' reserves by 24.64 per cent compared to the 23.34 per cent decrease in February, 2019. On the other hand, Currency issued increased by 3.59 per cent compared to the 0.34 per cent growth during February 2019.

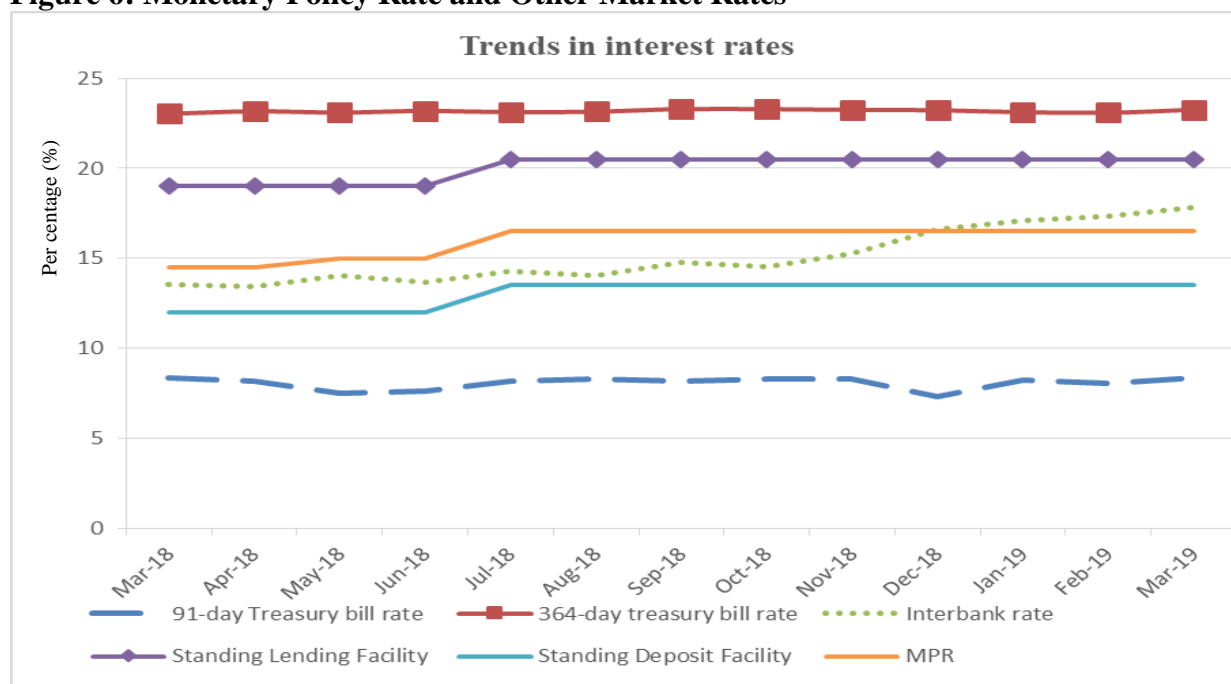
**Figure 5: Reserve Money and its Sources**

Source: Research Department, BSL

### 4.3 Interest Rates

The monetary policy rate remained unchanged at 16.50 per cent. Also, the band around the policy rates remained unchanged, with the Lending Facility at 20.50 per cent and the Deposit Facility rate at 13.50 per cent. The interbank rate remained within the policy corridor, increased from 17.35 per cent in February 2019 to 17.80 in March 2019 in part reflecting tight liquidity conditions. The commercial banks' average lending and savings deposit rates remained unchanged at 21.35 per cent and 2.38 per cent, respectively.

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



Source: Research Department, BSL

Yields on government securities showed mixed trends during March 2019. The 91-days and 364-days treasury bills increased from 8.08 per cent and 23.09 per cent in February 2019, to 8.35 per cent and 23.26 per cent in March 2019, respectively, whilst 182-days treasury bills decreased from 8.40 per cent to 8.23 per cent during the same period.

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

	2018								2019		
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
91-day T-Bills	7.52	7.62	8.18	8.28	8.16	8.30	8.30	7.30	8.26	8.08	8.35
182-day T-Bills	8.05	8.20	8.40	8.09	8.05	7.86	6.22	8.14	8.42	8.40	8.23
364-day T-Bills	23.1	23.19	23.12	23.15	23.29	23.29	23.25	23.23	23.12	23.09	23.26
Interbank rate	14.07	13.66	14.28	14.02	14.76	14.51	15.28	16.62	17.08	17.35	17.80
Standing Lending Facility	19.00	19.00	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50	20.50
Standing Deposit Facility	12.00	12.00	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50
MPR	15.00	15.00	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50
Average Lending rate	21.35	21.35	21.35	21.345	21.345	21.35	21.35	21.35	21.35	21.35	21.35
Lending (Prime)	17.92	17.92	17.92	17.92 -	17.92 -	17.92-	17.92-	17.92-	17.92-	17.92-	17.92-
Savings deposits	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77	24.77
	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, BSL

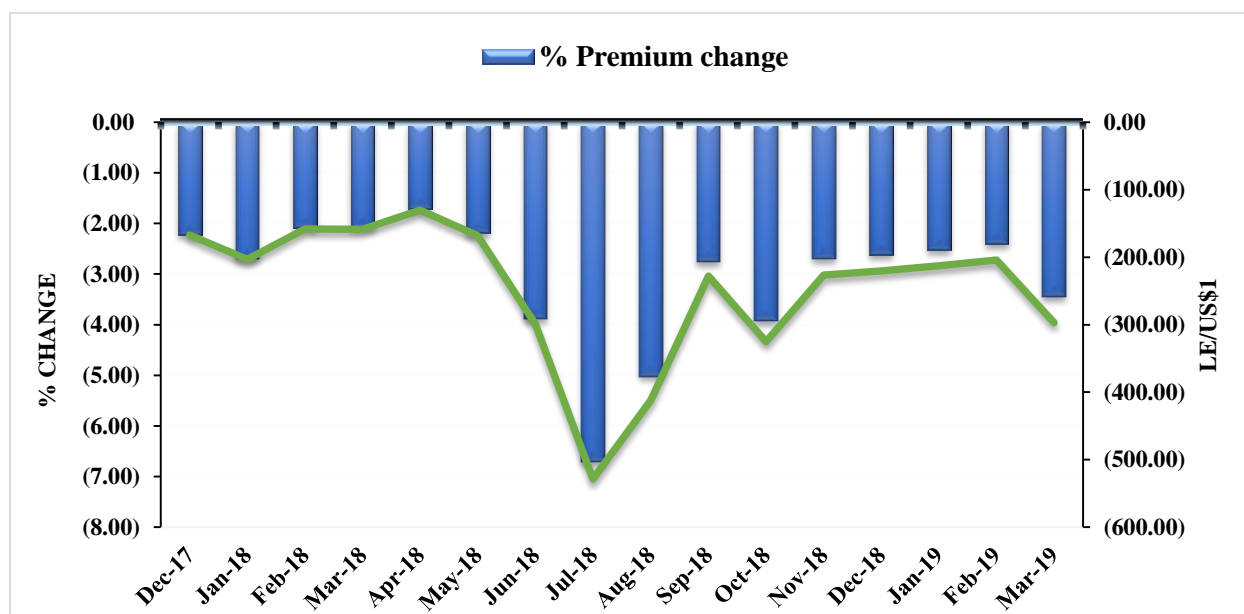
## 5.0 Exchange Rate Developments

The monthly average exchange rate of the Leone against the US dollar in March 2019, depreciated in all foreign exchange markets. On the buying front, the Leone depreciated in the parallel, commercial banks, official and bureau markets by 2.28 per cent, 1.31 per cent, 1.17 per cent and 1.05 per cent averaging Le8,882.50/US\$1, Le8,685.27/US\$1, Le8,537.75/US\$1 and Le8,479.29/US\$1, respectively.

Similarly, on the selling front, the Leone depreciated in the parallel, official, commercial banks and bureau markets by 2.12 per cent, 1.17 per cent, 1.11 per cent and 0.62 per cent averaging Le8,960.00/US\$1, Le8,710.23/US\$1, Le8,797.00/US\$1 and Le8,586.30/US\$1 respectively.

The premium between the Official and Parallel rates widened by 1.14 percentage points to Le344.75/US\$1 in March, 2019 from Le244.79/US\$1 in February, 2019 (Figure 7).

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



Source: Bank of Sierra Leone

## 6.0 Gross Foreign Exchange Reserves

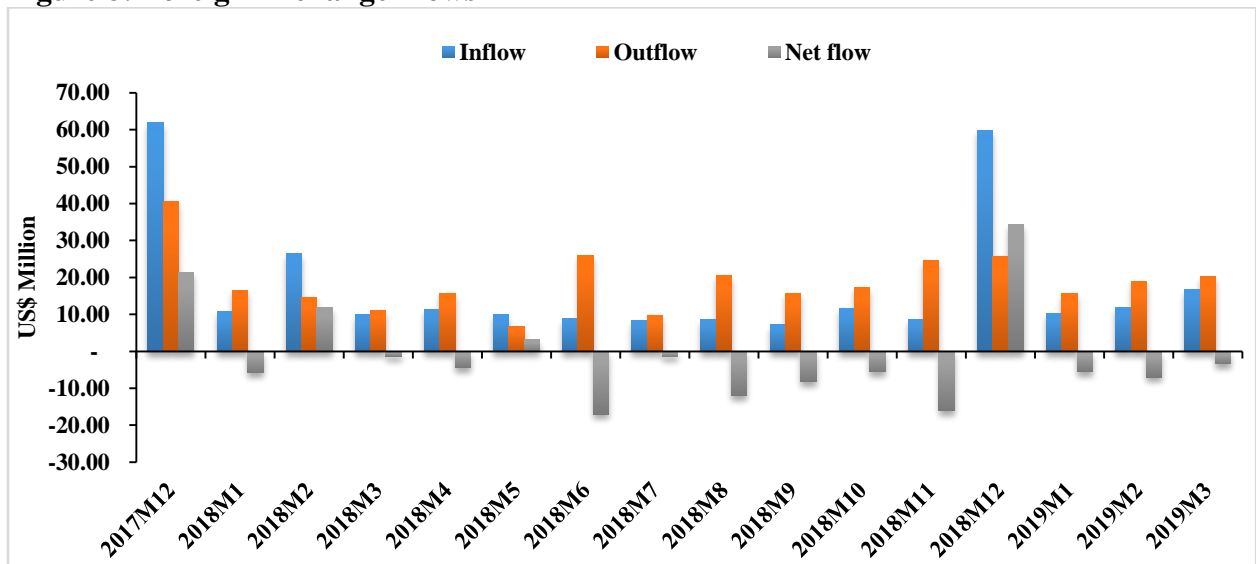
The gross foreign exchange reserves of the Bank of Sierra Leone decreased by 1.08 per cent to US\$488.78mn in March 2019 from US\$494.12mn in February 2019, driven by the combined effect of a net outflow of US\$3.38mn and revaluation loss of US\$1.96mn.

Significant inflows included US\$10.18mn, being exports' receipts, of which, US\$4.03mn and US\$1.08mn were royalty payment from Sierra Rutile and Koidu Holdings respectively, while US\$3.82mn was receipt from timber exports. Other government receipts amounted to US\$5.37mn, of which US\$4.75mn was receipt of funds in respect of container terminal concession fees.

Significant outflows comprised payments for goods and services of US\$13.21mn, of which, US\$8.05mn was in respect of interbank market operations, US\$1.33mn was payments to embassies/missions and government travels & other expenditures amounted to US\$2.14mn. Total debt service payments was US\$6.96mn.



**Figure 8: Foreign Exchange Flows**



Source: Bank of Sierra Leone