



BANK OF SIERRA LEONE

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BANK OF SIERRA LEONE

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ABBREVIATIONS

AfDB	-	African Development Bank
BOP	-	Balance of Payments
BSL	-	Bank of Sierra Leone
CPI	-	Consumer Price Index
GoSL	-	Government of Sierra Leone
GW/hr	-	Giga-Watts Per Hour
HIPC	-	Heavily Indebted Poor Countries
IDA	-	International Development Association
IMF	-	International Monetary Fund
M2	-	Broad Money
MER	-	Monthly Economic Review
MPR	-	Monetary Policy Rate
NDA	-	Net Domestic Assets
NFA	-	Net Foreign Assets
ODC	-	Other Depository Corporation
OFID	-	OPEC Fund for International Development
OIN	-	Other Items Net
OPEC	-	Organization of the Petroleum Exporting Countries
RM	-	Reserve Money
WB	-	World Bank

1.0 Highlights

Sierra Leone's macroeconomic performance continued to be mixed during the month of February 2017. The overall fiscal deficit on cash basis reduced considerably to Le9.01bn at end February 2017 from a deficit of Le47.80bn at end January 2017. Pressure on inflation remained as year-on-year inflation increased further from 18.66 per cent at end January 2017 to 19.82 per cent at end February 2017 due to shortages in the supply of some food and non-food items. The monthly average exchange rate of the Leone to the United States Dollar marginally improved in February 2017, on account of less demand pressures during the review month.

Monetary aggregates expanded during the month of February 2017, with Broad Money (M2) and Reserve Money (RM) recording 0.16 per cent and 2.32 per cent expansion respectively. The gross external reserves of the Central Bank of Sierra Leone stood at US\$476.41mn at end February 2017, indicating a decline of 2.97 per cent compared to US\$491.01mn recorded at end January 2017.

In other developments, the African Development Bank (AfDB), together with UK Aid, on February 18 2017 committed US\$53 million towards the rehabilitation and extension of the Bo-Kenema Electricity Distribution System.

Representatives of the United States Mission and Government of Sierra Leone on 22nd February, 2017, launched a US\$16.9 million agricultural initiative titled "*Feed the Future: Sierra Leone Entrepreneurial Agriculture for Improved Nutrition*" in the Tonkolili District, Northern Province. To further improve water and sanitation services in the country, a loan agreement of US\$13 million with the OPEC Fund for International Development (OFID), was signed in Vienna, Austria, on Wednesday 22nd February, 2017.

2.0 Production

2.1 Mining

The mining sector recorded improvement in productivity during the month of February 2017. Diamond production increased by 84.25 per cent to 40.48 thousand carats. Of this, industrial diamond production rose by 40.62 per cent to 15.51 thousand carats and gem diamond production went up by 134.24 per cent to 24.97 thousand carats. Gold production increased by 49.63 per cent to 94.37 thousand ounces.

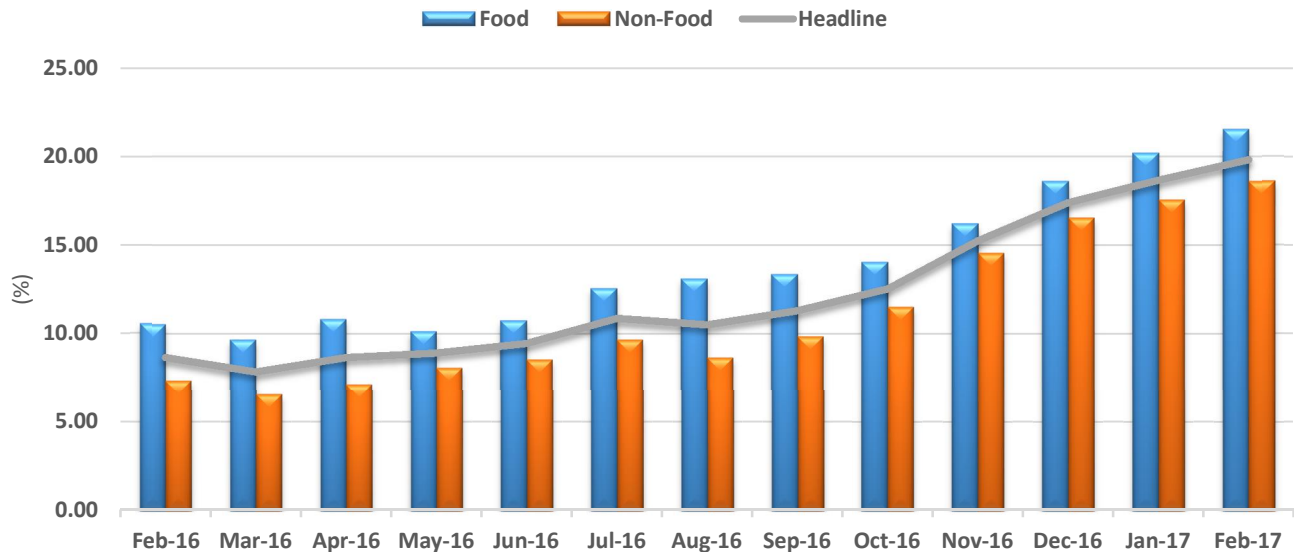
2.2 Manufacturing

In the manufacturing sector, production levels of maltina, soft drink, oxygen and confectionery increased while beer and stout, paint and acetylene production levels declined in the review month. Maltina and soft drinks production grew by 0.76 per cent to 29.09 thousand crates and 14.63 per cent to 82.34 thousand crates respectively. Oxygen and confectionery production hedged up by 18.13 per cent to 23.65 thousand gallons and 1.42 per cent to 200.87 thousand pounds respectively. However, beer and stout production dropped by 7.83 per cent to 79.96 thousand cartons; paint production declined by 6.83 per cent to 21.84 thousand gallons and acetylene production decline by 7.25 per cent to 19.07 thousand cubic feet.

3.0 Price Developments

Headline inflation (y-on-y) increased from 18.66 per cent in January 2017 to 19.82 per cent in February 2017. The increase in inflation was due to short supply in some food and non-food items as well as exchange rate depreciation.

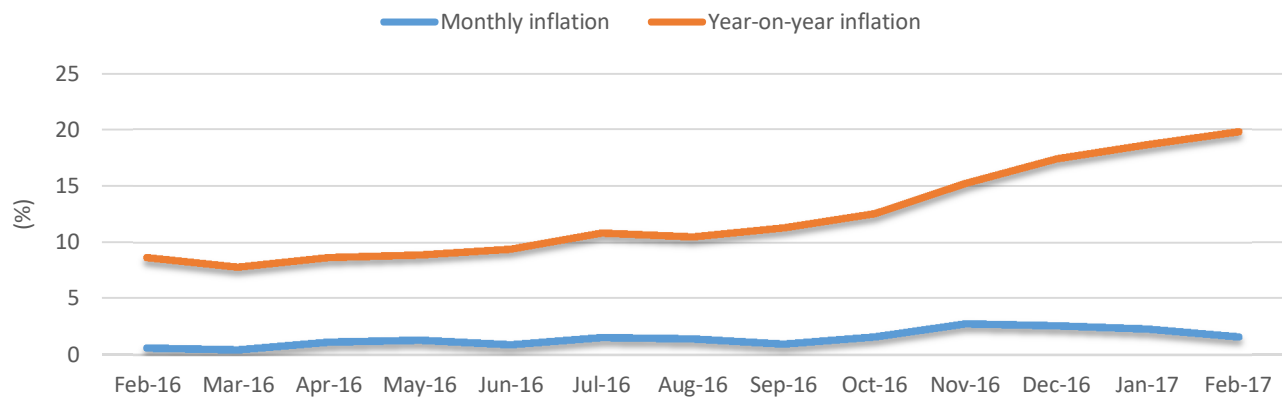
Chart 1 : Food and Non Food Component of Inflation (year-on-year)



Source: Statistics Sierra Leone (SSL)

Food inflation increased to 21.5 per cent in February from 20.19 per cent in January 2017, while non-food inflation increased to 18.6 per cent from 17.56 per cent during the same period. However, on monthly basis, headline inflation declined to 1.59 per cent in February from 2.24 per cent in the previous month.

Chart 2 : Headline Inflation



Source: Statistics Sierra Leone (SSL)

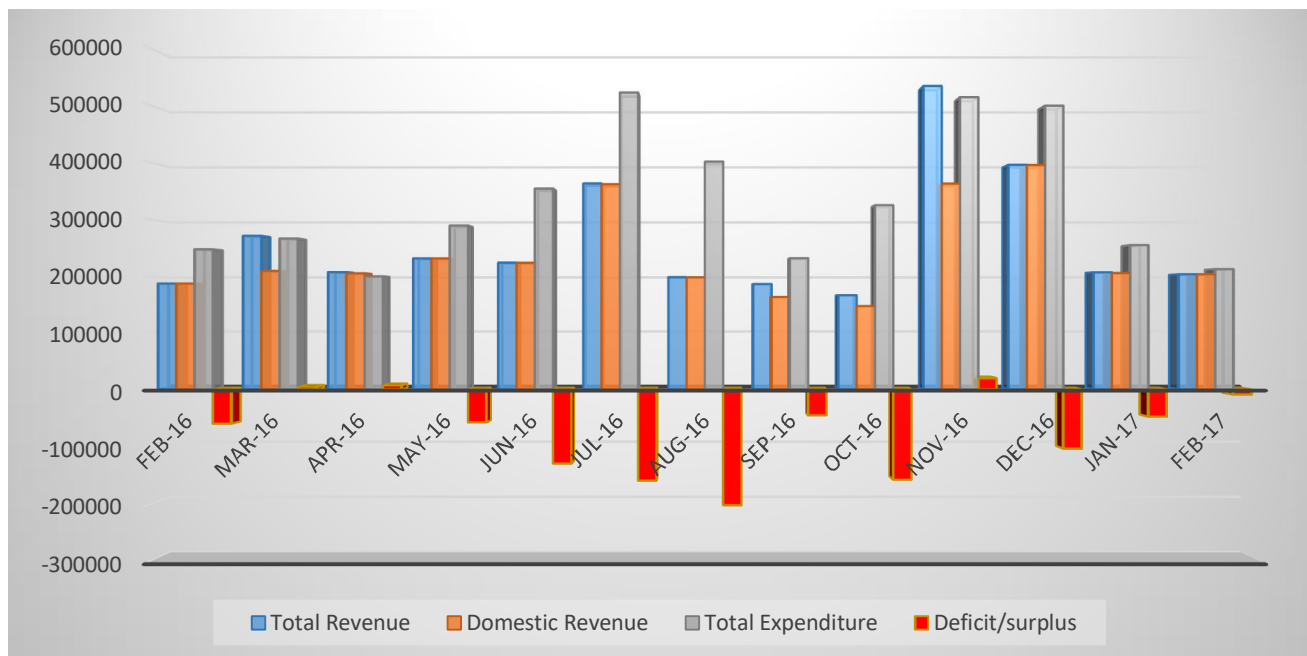
There was a general price increase in the regions. Western Area inflation rate rose from 18.64 per cent to 19.72 per cent in February. Eastern Region inflation increased from 20.41 per cent to 20.54 per cent, Northern Region from 19.54 per cent to 21.53 per cent and Southern Region from 16.13 per cent to 16.36 per cent.

4.0 Government Budgetary Operations

Government fiscal operations in February 2017, showed a contraction of the budget deficit to Le9.01bn from Le47.80bn deficit in January 2017 and was within the projected target of Le12.21bn.

No grant was received in February. Revenue collection was entirely from domestic sources and it amounted to Le203.90bn, slightly lower than the Le205.63bn collected in January 2017. The decline in domestic revenue was due to the drop in collections from customs and excise duties of 16.78 per cent (Le37.81bn) and income tax department of 4.38 per cent (Le63.98bn). Receipts from goods and services tax and non-tax (miscellaneous) revenue however increased by 15.42 per cent and 1.42 per cent respectively during the review period.

Chart 3: Government Revenue and Expenditure



Source: Ministry of Finance and Economic Development (MoFED)

Total expenditure reduced by 16.57 per cent to Le212.91bn and was within the ceiling of Le308.38bn. The drop in total spending resulted from the cut in personal emolument and other expenditure. Spending on personal emolument declined by 29.01 per cent to Le86.55bn while other expenditures dropped by 32.46 per cent to Le68.83bn. Expenditure on debt services increased by 83.39 per cent over the month to Le57.52bn and exceeded the budgeted ceiling of Le36.51bn by 57.56 per cent. Domestic debt services payment rose by 67.50 per cent to Le45.50bn and foreign debt services payment increased by 186.11 per cent to Le12.02bn. Both domestic debt and foreign debt service payments exceeded their target for the reporting period. The overall fiscal deficit of Le9.01bn was financed from domestic resources.

5.0 Monetary Developments

Outcome of monetary aggregates in February 2017 was expansionary as both Broad Money (M2) and Reserve Money (RM) increased.

5.1 Broad Money (M2)

Broad Money (M2) increased by 0.16 per cent in February 2017, from a contraction of 2.18 per cent in January 2017. The source of growth in M2 was due to the 2.18 per cent increase in Net Foreign Assets (NFA) of the banking system, emanating from increase in commercial bank's asset abroad. Net Domestic Assets (NDA) of the banking system however, contracted by 0.96 per cent, compared to a 4.99 per cent increase in the preceding period. Domestic Credit from the banking system decreased by 0.16 per cent (Le7.91bn) in February 2017 from an increase of 0.20 per cent (Le10.04bn) in January 2017, reflecting a contraction in government borrowing of 1.20 per cent (Le42.02bn) in February 2017 from a growth of 3.50 per cent (Le118.19bn) in January 2017.

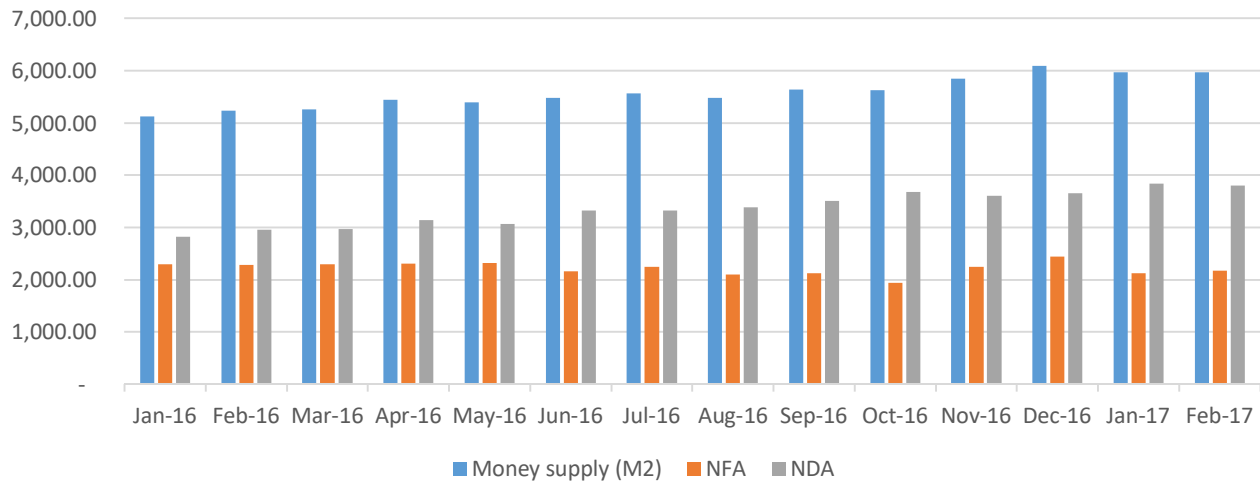
Table 1: Money Supply and its Components

	2016/2017			Absolute Change		% Change	
	Dec-16	Jan-17	Feb-17	Jan-17	Feb-17	Jan-17	Feb-17
Reserve money	2,095.60	2,037.70	2,085.01	(57.90)	47.31	(2.76)	2.32
Money supply (M2)	6,096.14	5,963.47	5,972.99	(132.67)	9.52	(2.18)	0.16
Narrow money (M1)	2,746.65	2,675.88	2,671.35	(70.77)	(4.53)	(2.58)	(0.17)
Currency outside banks	1,261.48	1,180.56	1,219.27	(80.92)	38.71	(6.41)	3.28
Demand deposit	1,485.17	1,495.32	1,452.08	10.15	(43.24)	0.68	(2.89)
Quasi money	3,349.48	3,287.59	3,301.64	(61.89)	14.05	(1.85)	0.43
o.w. Foreign currency deposit	1,735.90	1,551.61	1,666.14	(184.29)	114.53	(10.62)	7.38
Time and saving deposit	1,613.18	1,735.88	1,635.42	122.70	(100.46)	7.61	(5.79)
Net Foreign Asset	2,442.93	2,128.05	2,174.41	(314.88)	46.36	(12.89)	2.18
BSL	789.05	639.56	625.05	(149.49)	(14.51)	(18.95)	(2.27)
ODCs	1,653.88	1,488.49	1,549.36	(165.39)	60.87	(10.00)	4.09
Net Domestic Assets	3,653.21	3,835.42	3,798.58	182.21	(36.84)	4.99	(0.96)
Net Domestic Credit	4,964.66	4,974.70	4,966.79	10.04	(7.91)	0.20	(0.16)
Government (Net)	3,373.26	3,491.45	3,449.43	118.19	(42.02)	3.50	(1.20)
Private Sector	1,346.21	1,312.14	1,349.55	(34.07)	37.41	(2.53)	2.85
Other Sectors (Net)*	245.19	171.11	167.81	(74.08)	(3.30)	(30.21)	(1.93)
Other Items (Net)	(1,311.45)	(1,139.28)	(1,168.21)	172.17	(28.93)	(13.13)	2.54
Monthly RM growth	12.84	-2.76	2.32				
Monthly M2 growth	4.30	-2.18	0.16				
Money Multiplier	2.91	2.93	2.86				

Source: Research Dept. Bank of Sierra Leone

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

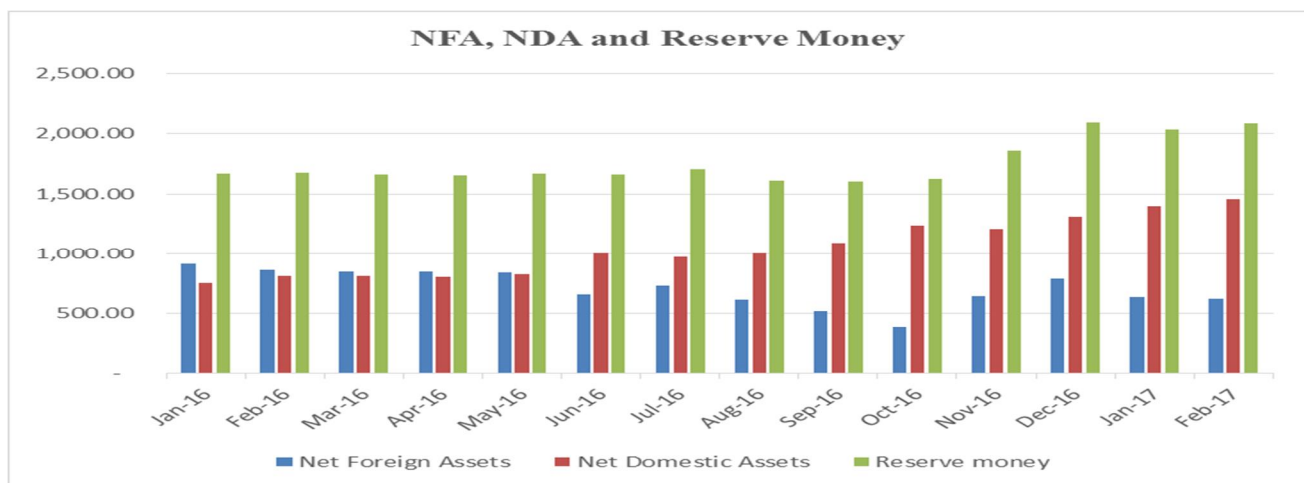
On the liability side, the 0.16 per cent expansion in M2 translated to a 0.43 per cent increase in Quasi Money, coming mainly from an increase in foreign currency deposits. Narrow money, however declined by 0.17 per cent and was underpinned by the 2.89 per cent fall in demand deposits.

Chart 3: M2 and its Sources

Source: Research Department., Bank of Sierra Leone

5.2 Reserve Money

Reserve Money expanded by 2.32 per cent in February 2017 from a 2.76 per cent contraction in the preceding month. The growth in Reserve Money was driven by the 4.42 per cent (Le61.82bn) increase in the Net Domestic Assets (NDA) of the Central Bank, mainly reflecting the 5.79 per cent increase in the holdings of government securities arising from BSL intervention in the secondary market. However, Net Foreign Assets (NFA) of the Central Bank contracted by 2.27 per cent due to settlement of foreign obligations and wholesale foreign exchange Auction by the Central Bank.

Chart 4: Reserve Money and its Sources

Source: Research Department., Bank of Sierra Leone

On the liability side of the Central Bank's Balance sheet, the growth in Reserve Money was mainly reflected in the 2.22 per cent (Le30.21bn) increase in currency issued by the Central Bank, coupled with a 2.53 per cent growth in Banker's reserves.

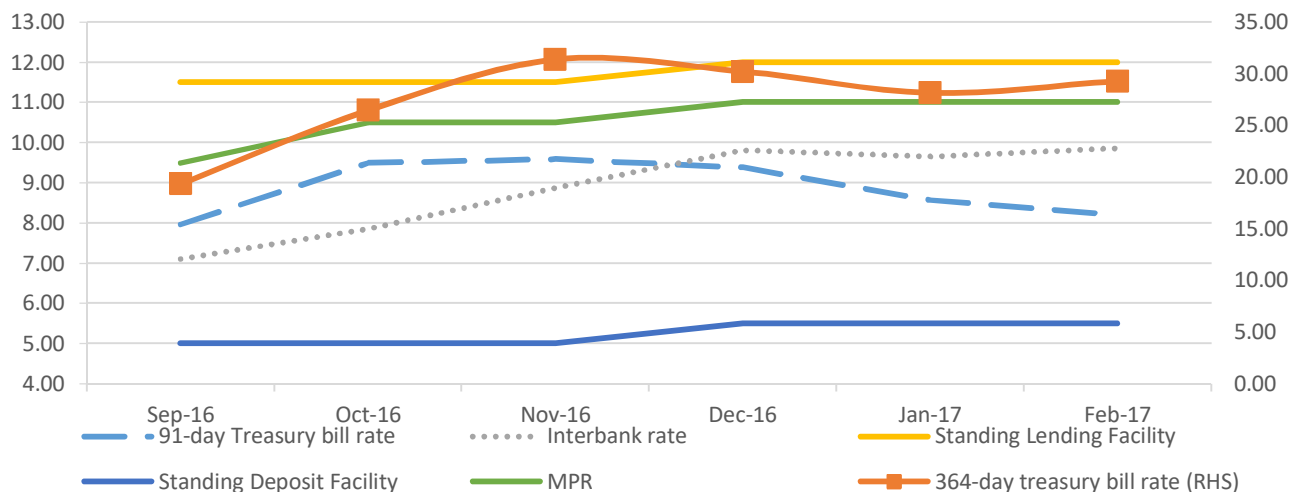
Table 2: Reserve Money and its Components

	2016/2017			Absolute Change		% Change	
	Dec-16	Jan-17	Feb-17	Jan-17	Feb-17	Jan-17	Feb-17
1. Net Foreign Assets	789.05	639.56	625.05	(149.49)	(14.51)	(18.95)	(2.27)
2. Net Domestic Assets	1,306.55	1,398.14	1,459.96	91.59	61.82	7.01	4.42
2.1 Government Borrowing (net)	1,600.77	1,686.80	1,714.81	86.03	28.01	5.37	1.66
o.w. 2.11 Securities	740.12	770.72	815.34	30.60	44.62	4.13	5.79
2.12 Ways and Means	111.59	183.24	177.37	71.65	(5.87)	64.21	(3.20)
2.13 GoSL/IMF Budget financing	880.82	880.82	880.82	-	-	-	-
3. Reserve money	2,095.60	2,037.70	2,085.01	(57.90)	47.31	(2.76)	2.32
o.w. 3.1 Currency issued	1,467.09	1,363.69	1,393.90	(103.40)	30.21	(7.05)	2.22
3.2 Bank reserves	628.90	674.11	691.17	45.21	17.06	7.19	2.53

Source: Research Dept. Bank of Sierra Leone

5.3 Interest Rates

The Monetary Policy Rate (MPR) was maintained at 11.00 per cent in February 2017 as well as the standing lending and standing deposit rates of the Central Bank at 12.00 per cent and 5.50 per cent respectively. The interbank market rate increased to 9.86 per cent in February 2017 from 9.66 per cent in January 2017 and was within the monetary policy interest rate corridor of the Central Bank. The interest rate on savings were also maintained at 2.38 per cent, while the average lending rate remained at 21.35 per cent.

Chart 5: Monetary Policy Rate and Other Market Rates

Source: Research Department., Bank of Sierra Leone

The yields on securities recorded mixed outcome during the reporting period. The yields on 364-days treasury bills which largely reflects the public lending preference increased to 29.29 per cent in February 2017 from 28.16 per cent in January 2017. However, the yields on 182-days and 91-days treasury bills decreased from 15.68 per cent to 15.51 per cent and from 8.57 per cent to 8.20 per cent respectively.

Table 3: Interest rates (%)

	2016												2017	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
91-day Treasury bill rate	1.21	3.51	3.51	6.82	6.41	5.34	5.73	6.36	7.96	9.5	9.59	9.38	8.57	8.20
182-day Treasury bill rate	2.57	4.12	9.21	10.18	10.49	9.68	8.94	10.19	12.03	14.69	15.52	16.17	15.68	15.51
364-day treasury bill rate	13.41	16.12	18.96	23.48	24.97	17.51	17.89	17.29	19.34	26.47	31.38	30.22	28.16	29.29
Interbank rate	2.86	2.93	3.21	4.88	6.50	7.55	6.54	7.10	7.11	7.86	8.88	9.82	9.66	9.86
Standing Lending Facility	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	11.50	11.50	11.50	12.00	12.00	12.00
Standing Deposit Facility	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	5.00	5.00	5.00	5.50	5.50	5.50
MPR	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	10.50	10.50	11.00	11.00	11.00
Average Lending rate	21.46	21.46	21.54	21.54	21.54	21.54	21.54	21.54	20.69	20.86	21.35	21.35	21.35	21.35
Savings deposits	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.23	2.27	2.38	2.38	2.38	2.38

Source: Research Dept. Bank of Sierra Leone

6.0 Exchange Rate Developments

Exchange rate movements of the Leone in relation to the US dollar on average moderately strengthened in February, 2017. This development could be explained by lower demand pressures and improved foreign exchange inflows in the economy during the review period.

On the buying front, the Leone relative to the U.S dollar appreciated by 0.52 per cent in the Bureaux market, indicated by 0.21 per cent in the Official channel, and 0.44 per cent in the Commercial banks channel, averaging Le7,131.17/US\$1, Le7,180.54/US\$1 and Le7,238.81/US\$1, respectively. The Parallel market rate on the other hand, depreciated by 0.23 per cent averaging Le7, 481.58/US\$1.

Similarly, on the selling front, exchange rate appreciated in both the Bureaux and Official channels by 1.06 per cent and 0.02 per cent averaging Le7,278.74/US\$1 and Le7,325.60/US\$1 successively. On the contrary, the Commercial banks and Parallel market depreciated by 0.32 per cent to Le7,459.92/US\$1 and 0.23 per cent to Le7,581.58/US\$1 respectively. The premium between the Official and Parallel rates modestly widened by 0.46 per cent, from Le268.36/US\$1 in January, 2017 to Le301.04/US\$1 in the review period.

7.0 Gross External Reserves

The stock of external reserves at end February 2017 indicates a decline of 2.97 per cent to US\$476.41mn, below the level of US\$491.01mn in the preceding month. The drawdown trend was largely on account of low foreign exchange accumulation, as well as increased outflows through BSL's intervention in the foreign exchange market to support private sector activity.

Significant foreign exchange inflows included export receipts of US\$3.89mn mainly in respect of royalty payments of US\$1.73mn from Rutile (Sierra Rutile), US\$0.50mn from African Mineral Mining Co. /Shandong and US\$3.31mn Fishing Royalties/license fees.

Similarly, major outflows comprised payments for goods and services in the tune of US\$17.35mn, of which US\$12.00mn was utilised in the weekly sale of foreign exchange by BSL to the private sector, Uof which S\$2.34mn was spent on being BSL per diem for staff travel, while US\$2.25mn indicates expenditure on new infrastructure projects (roads). Other outflows include debt service payments of US\$1.24mn, of which the World Bank accounted for US\$0.34mn, other multilaterals (US\$0.33mn), AfDB (US\$0.22mn) and clearing of arrears (BADEA, Saudi Fund US\$0.23mn).