

# Bank of Sierra Leone

*Governor's Office*



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West Africa

## MONETARY POLICY STATEMENT

The Monetary Policy Committee (MPC) held its Quarter four (Q4) meeting for 2016 on Thursday, December 15. The meeting was presided over by the Governor, Dr. Kaifala Marah. Discussions were centred on recent domestic and global developments, outlook for the economy and their implications for inflation and monetary management.

On the international economic and financial environment, the MPC noted with concern that projected global growth remain subdued at 3.1 per cent for 2016. While emerging markets and developing countries are forecast to grow at 4.2 per cent, advanced economies are at 1.6 per cent. Sub-Saharan Africa has been mostly challenged, as projected growth was revised downward to 1.4 per cent from 1.6 per cent.

The MPC observed that since projected global growth remains flat over the past quarter, the external sector is expected to be challenged. However, the recent pickup in iron ore prices, if sustained, will improve the current account balance. This will support efforts to maintain a stable foreign exchange market and accumulate foreign exchange reserves, in support of the Bank's objective of attaining and maintaining single digit inflation over the medium term.

On the domestic front, the MPC was encouraged by a growth recovery forecast, from a contraction of 20.6 per cent in 2015 to 4.9 per cent in 2016, and took the view that, in addition to recent investments in agriculture, fisheries and mining, there is a further growth potential for the economy.

The MPC discussed the challenges facing the fiscal authorities and welcomed the announcement of various policy measures by the Minister of Finance and Economic Development in the 2017 Budget Statement. These measures will focus on fiscal sustainability, economic diversification and



inclusive growth, the implementation of which presents an opportunity for rebalancing fiscal and monetary policies in support of macroeconomic stability.

The MPC was concerned with increase in domestic prices in the economy, as inflation moved from 10.84 per cent in August to 11.31 per cent in September and to 12.56 per cent in October 2016. The increase was driven by both food and non-food items, attributable to the lagged effects of the depreciation of the Leone, earlier in the year. The Leone has however remained relatively stable in November 2016. On the outlook for inflation, the MPC recognised the increase in petroleum prices, following the removal of subsidies by Government, the introduction of Goods and Service Tax (GST) and upward revision to tariffs of utilities, coupled with the projected increase in the price of crude oil, present upside risks to inflation in the near term. These will however, be moderated by subdued aggregate demand and increase in domestic food production as we enter the harvest season.

On the basis of the current assessment of global and domestic economic conditions and the outlook for inflation, the MPC is of the view that maintaining a tight monetary policy stance, supported by continued fiscal consolidation, is necessary to contain inflation in the medium-term.

Against this background, the MPC agreed to increase the MPR by 50 basis points from 10.50 per cent to 11.00 per cent and maintain the bands of the interest rate corridor.

Therefore, effective today Wednesday 21<sup>st</sup> December 2016, the following rates are published for the information of the public:-

- ❖ **Monetary Policy Rate is 11.00 per cent**
- ❖ **Standing Deposit Facility is 5.50 per cent**
- ❖ **Standing Lending Facility is 12.00 per cent**

  
**Kaifala Marah (Dr)**  
**Governor**