

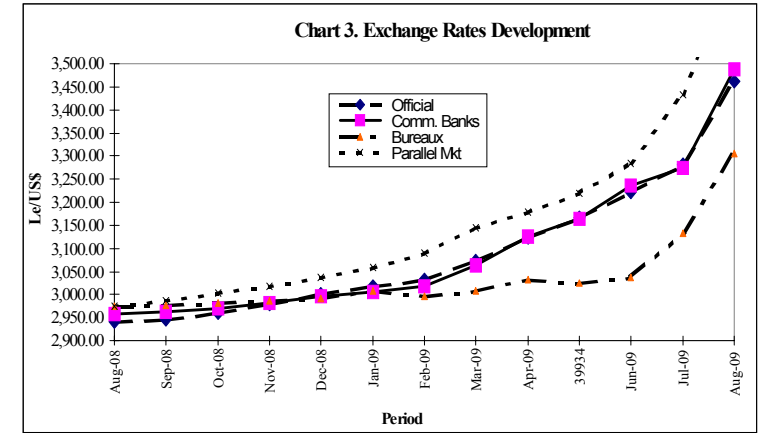


(4.47%) in August 2009. Interest rates in the Securities market showed an upward trend, while the money market showed a downward trend in the review period. Commercial Banks 3, 6 and 12 months Time Deposits dropped by 16, 12 and 16 basis points to 9.01, 9.61 and 11.05 per cent, respectively. Savings and 9 months Time Deposits remained unchanged. Average monthly annual yield on 3 months, 6 months, 1 year Treasury Bills and 1 year Treasury Bonds increased by 35, 9, 6 and 14 basis points, to 9.85, 10.29, 11.95 and 12.00 per cent, respectively. Lending rate on Overdraft remained stable at a range of 22-29 per cent.



Exchange Rates Developments

During the month of August 2009, the monthly average exchange rate of the Leone continued to depreciate against the United States Dollar in all the exchange channels. On the buying front, the average parallel rate depreciated the most by 8.62 percent at Le3,728.90/US\$1, followed by the commercial banks by 6.48 percent at Le3,486.91/US\$1 and the foreign exchange bureaux by 5.55 percent at Le3,305.94/US\$1. The average official rate depreciated the least by 5.50 percent at Le3, 461.25/US\$1. On the Selling front, the Parallel market again recorded the highest depreciation (8.59%) at Le3, 765.71/US\$1, while the auction market registered the least (5.09%) at Le3, 556.77/US\$1. The rates for the Bureaux, commercial banks and official market depreciated by 6.14 percent at Le3,444.00/US\$1, 5.59 percent at Le3,562.44/US\$1 and 5.50 percent at Le3,531.18/US\$1, respectively. The premium between the Official and Parallel buying rates widened from Le152.08/US\$1 in July 2009 to Le267.65/US\$1 in the reporting period. Foreign exchange supply has lagged behind demand despite increased amounts offered at the foreign exchange auction. Speculation in the market



further worsened the situation during the review month.

International Reserves

The gross external reserves of the Bank of Sierra Leone increased by US\$15.93mn (7.50%) to US\$228.34mn as at end-August 2009. This reflected total inflows and outflows of US\$29.33mn and US\$15.27mn, respectively. Significant inflows included total aid/loan disbursement amounting to US\$22.63mn of which, the major ones were US\$17.06mn from the European Union under the Poverty Reduction Budget Support and US\$5.40mn from the Organization for Petroleum Exporting Countries (OPEC) under the commodity import programme. Transactions with commercial banks amounted to US\$5.00mn which was in respect of initial paid up capital favouring Oceanic Bank (Sierra Leone) Limited, and Diamond/Licence fees and exporters' incomes tax totaled US\$1.48mn. Major outflows included US\$5.76mn favouring Global Trading Group in respect of electricity support and capacity charges, US\$5.10mn being amount utilized under the weekly foreign exchange auction and Embassies/ Missions payment totaling US\$1.17mn.

Table 9. External Trade. Table with columns for months from Jun-08 to Jun-09 and rows for Total Imports, Total Exports, Re-exports, Trade Balance, Vol. of Imports, Vol. of Exports, and External Reserves.

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

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Highlights

In the month of August 2009, Sierra Leone continued to face a challenging economic environment. The National year-on-year inflation rate increased by 0.53 percent while the monthly inflation rate decreased by 1.03 percent during the month under review. The monthly average exchange rate of the Leone to the United States Dollar continued to depreciate in all the foreign exchange channels. The average official exchange rate for the reporting month stood at Le3,496.21/US\$1. Movement in monetary aggregates during the review month exhibited mixed trends, with Narrow Money (M1) and Reserve Money (RM) contracting while Broad Money (M2) expanded. However, the fiscal balance registered a surplus in August 2009 and the gross external reserves of the

increased by 2.98 percent to 55.72 thousand crates respectively, in the review period. The rise in beer and stout production was due to the producers' anticipation of increased demand at the end of the Ramadan season in August 2009. Soft drink production decreased significantly by 71.62 percent to 64.46 thousand crates due to stock availability while flour decreased by 0.21 percent in the review month. Common soap production dropped by 21.22 percent to 45.23 thousand metric tons in August 2009, due to stock brought forward from July 2009. Shipments of most minerals continued to decline in the reporting month. Diamond production declined by 10.09 percent to 29.21 thousand carats, comprising 9.64 thousand carats of industrial

Table 2. PRODUCTION. Table with columns for months from Aug-08 to Aug-09 and rows for Mineral, Industrial Gem, Bauxite, Rutilite, Ilmenite, Gold, Agriculture, Manufactured Goods, Beer and Stout, Maltina, Soft drinks, Cement, Paint, Acetylene, Oxygen, Confectionery, Common Soap, and Flour.

Table 2. Inflation Rates - National. Table with columns for months from Aug-08 to Aug-09 and rows for Monthly Inflation Rate, Annual Inflation Rate (Yr-on-Yr), and Consumer Price Index.

Central Bank also increased, mainly due to significant foreign inflows received by the Government of Sierra Leone. In a bid to making banking services available to all inhabitants in the country, the Sierra Leone Commercial Bank opened a new branch in Port Loko on 3rd August 2009, bringing its total number of branches in the country to twelve (12).

Real Sector

In the real sector, production levels of cement and paint declined by 2.08 percent and 3.03 percent to 15.56 thousand metric tons and 12.53 thousand metric tons, respectively. The drop was attributed to a decline in construction activities during the rainy season. Production of acetylene decreased by 0.30 percent to 12.20 thousand cubic feet while oxygen production increased by 0.70 percent to 20.20 thousand cubic feet. The decline in acetylene production was due to the decline in welding activities in both construction and vehicle repairs. The output levels of confectionery declined by 10.41 percent to 251.41 thousand pounds while beer and stout

diamonds and 19.57 thousand carats of gem diamonds. The production of rutilite and gold went down by 4.99 percent and 66.26 percent to 3.81 thousand metric tons and 256.64 ounces, respectively. The production of ilmenite rose by 74.19 percent to 1.08 thousand metric tons. There was no shipment of bauxite in the reporting period. In the agricultural sub-sector, coffee shipment was 160.50 metric tons, 89.94 percent lower than the level recorded in July 2009 while cocoa shipment was 662.50 metric tons, 228.56 percent higher than the

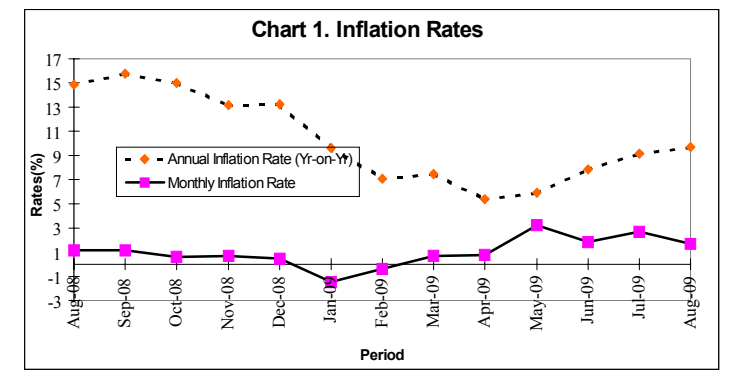


Table 3 Government Finances

		Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
Total Revenue (Plus Grants)	Le Mn	109785	53312	52737	48336	89356	77642	40621	102168	55344	59408	64119	99911	119024
Domestic Revenue	Le Mn	46921	53312	46654	48336	59404	47233	40621	55558	54666	59408	63924	58595	59176
Customs & Excise	Le Mn	28745	27361	32009	31300	32284	29990	25375	30959	36090	41699	38884	39052	32940
Income Tax Dept	Le Mn	16157	19226	12440	13806	17610	14345	10506	19932	12162	12658	17409	15725	15870
Miscellaneous	Le Mn	2019	6725	2205	3230	9510	2898	4740	4667	6414	5051	7631	3818	10365
Programmed Funds (Grants)	Le Mn	62864	**	6083	**	29952	30409	**	46610	678	**	195	41316	59849
Fund of which														
HIPC	Le Mn	**	**	6083	**	**	669	**	2198	678	**	195	770	**
Others*	Le Mn	62864	**	**	**	29952	29740	**	44412	**	**	**	40546	59849
Total Expenditure	Le Mn	77920	71340	66002	66188	88916	33982	77070	60439	78411	74819	90975.81	97152	83030
Pensions, Wages & Salaries	Le Mn	34678	21120	29738	26381	29779	17944	35321	28065	28210	42401	37486	28060	30100
Other Expenditures	Le Mn	28925	44299	26328	30650	43270	8471	31457	27550	35962	27003	40239	50642	32921
Debt Service Payment	Le Mn	14317	5921	9936	9157	15867	7567	10292	4824	14239	5415	13250.81	18450	13639
Domestic	Le Mn	13404	4117	8693	8954	12087	6898	9170	4824	5863	5415	8422.33	7756	8650
Foreign	Le Mn	913	1804	1243	203	3780	669	1122	**	8376	**	4828.48	10694	4989
Overall Deficit/Surplus	Le Mn	31865	-18028	-13265	-17852	440	43660	-36449	41729	-23067	-15411	-26856.81	2759	35995
Total Financing	Le Mn	-31865	18028	13265	17852	-440	-43660	36449	-41729	23067	15411	26857.482	-2760	-35996
Bank Financing	Le Mn	-1849	40872	-5957	37181	1141	-2417	6376	12151	-7916	-306	23044	-9455	-12851
Bank of Sierra Leone	Le Mn	-5858	1579	-538	24549	4336	-5286	5218	7782	6620	-2337	28374	-3848	-32185
Commercial Banks	Le Mn	4009	39293	-5419	12632	-3195	2869	1158	4369	-14536	2031	-5330	-5608	19334
Non-Bank Financing	Le Mn	1849	-40872	5957	-21089	-2406	2417	-6375	-12151	7916	306	-1803	6690	-5625
Treasury Balance	Le Mn	-31865	17670	12907	1760	825	-43660	36448	-41729	-23067	15411	5616.4822	5	-17519
Foreign Finance	Le Mn	**	358**	358	**	**	**	**	**	**	**	**	**	**

Sources: Customs and Excise Department, Income Tax Department, Bank of Sierra Leone
 ** - Chinese loan wrongly posted in Sept and reversed in October

level in the preceding month. The total units of electricity generated decreased by 13.84 percent to 8.59GW/hr in August 2009. Industrial consumption was 2.46GW/hr reflecting an increase of 17.14 percent. Domestic consumption was 2.82GW/hr indicating an increase of 0.47 percent while government consumption was 1.16GW/hr, a decrease of 2.52 percent. The national inflation rate measured on a monthly basis decreased to 1.66 percent in August 2009, compared to 2.69 percent in July 2009. During the month, increases were recorded in the indices of food items including fish, oil, fats and sugar. Increases were also recorded for non-food items including tobacco, narcotics, footwear, household, textiles, telephone services, medical services, hairdressing services, stationery, gas, clothing and non-durable household goods. Similarly, the year-on-year inflation rate rose to 9.66 percent in August 2009 from 9.13 percent in July 2009.

Fiscal Operations

Total revenue including grants was Le19.02bn in August 2009, representing growth rates of 19.13 percent and 8.42 percent compared with the amounts in July 2009 and August 2008, respectively. The growth in total revenue and grants was accounted for by increases in miscellaneous revenue by Le6.55bn and grants by Le19.30bn. Domestic revenue was Le59.18bn in the reporting month, indicating an increase of 0.99 percent and 26.12 percent on the levels in July 2009 and August 2008, respectively. The rise in domestic revenue was due to increases in income Tax collections which rose by 0.92 percent to Le15.87bn and receipts from miscellaneous sources which more than doubled to Le10.37bn. Receipt from Customs and Excise

Department dropped by 15.65 percent to Le32.94bn in August 2009, but exceeded the August 2008 figure by 14.60 percent. Income Tax collection was Le15.87bn in the review month, 0.92 percent higher than the level in preceding month but 1.78 percent less than the level in August 2008. The drop in collection from Customs and Excise Department outweighed the increase in collection from Income Tax Department thereby resulting in an overall decline in revenue mobilisation by the Revenue Authorities in the month of August 2009. Revenue generation from miscellaneous sources was Le10.37bn in the month under review, 171.48 percent above the level in July 2009 and 413.39 percent higher than the August 2008 position. The expansion was attributable to improvement in revenues generated from mines by Le3.55bn, and others by Le3.60bn. Total grant of Le59.85bn in the review month was 44.86 percent higher than the position in the preceding month, but 4.80 percent below the

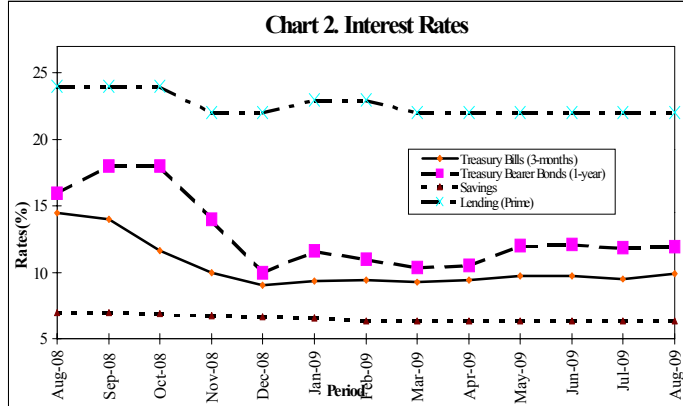


Table 4 Monetary Aggregates

		Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
Reserve Money (RM)	Le Mn	468769	464217	449698	445292	466801	437454	454076	455262	451156	467138	457826.9	480394	462915
Broad Money (M2)	Le Mn	1195584	1223169	1258270	1290894	1321241	1326183	1372842	1360703	1387778	1357353	1359844	1418316	1452633
Narrow Money (M1)	Le Mn	622451	626751	612506	633449	666668	675031	695656	682087	684231	684266	662085	700461	697782
Currency in Circulation	Le Mn	319654	321519	312712	320679	340355	336816	337449	335046	323220	336123	323084	333161	334818
Demand Deposits	Le Mn	302797	305232	299794	312770	326313	338215	358207	347041	361011	348143	339001	367300	362964
Net Claims on Government	Le Mn	118076	199226	197720	226123	246554	194836	236078	208994	215859	192450	216604	189494	166121
BSL ^A	Le Mn	-29060	-8167	5503.6847	23922.254	39440.29	-10086.31	26558.042	-424.7723	22206	37729.8	73073.53	63128	19094
DMB	Le Mn	147136	207393	192216	202201	207114	204922	209520	209419	193653	154720.5	143530.4	126348	147027
Claims on Private Sector	Le Mn	351252	371600	385265	418465	413439	446984	469811	480909	476120	484016	496652	509876	531432
Of Which: Commercial Banks**	Le Mn	346504	365873	379961	413771	406427	438763	461405	472722	466202	473374	486708	499323	521644
Net Foreign Assets	Le Mn	833357	801809	832512	809132	832240	831467	792727	802345	818514	799429	806587	850547	1365127
Other Items (Net)	Le Mn	107101	149466	157227	162826	170992	147104	125774	131545	122715	118542	159999	131583	610047

^A Excludes 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

		Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
Treasury Bills (3-months)	%	14.5	13.97	11.66	9.95	9.06	9.35	9.39	9.29	9.41	9.72	9.72	9.50	9.85
Treasury Bearer Bonds (1-yr.)	%	18.97	19.10	16.12	14.23	13.02	12.46	12.26	11.24	11.70	12.04	12.06	11.89	11.95
Deposits														
Savings	%	6.95	6.95	6.88	6.71	6.65	6.58	6.37	6.35	6.35	6.35	6.35	6.35	6.35
1 - 3 month	%	9.8	9.81	9.79	9.14	9.67	9.51	9.51	9.31	9.17	9.17	9.17	9.17	9.01
3 - 6 month	%	10.65	10.68	10.73	10.62	10.58	10.45	10.04	9.88	9.73	9.73	9.73	9.73	9.61
6 - 9 month	%	10.25	10.25	10.25	10.38	10.42	10.10	9.33	9.25	9.25	9.25	9.25	9.25	9.25
9 - 12 month	%	12.01	12.01	12.08	12.02	12	11.86	10.72	11.46	11.21	11.21	11.21	11.21	11.05
Lending (Prime)	%	24-31	24-32	24-30	22-30	22-30	23-30	23-30	22-29	22-29	22-29	22-29	22-29	22-29

Source: Bank of Sierra Leone

August position in 2008. The growth in total grants was due to the total grant amounting to Le59.85bn received from the European Union for budgetary support. Total expenditure dropped by 14.54 percent to Le83.03bn in August 2009 but was higher by 6.56 percent compared to the position in the corresponding month in 2008. The decline in total expenditure was attributed to decreases in other expenditure by Le11.35bn and expenditure on foreign debt services by Le5.71bn. Expenditure on Pensions, wages & salaries rose by Le2.04bn in August 2009. However, expenditure on pensions, wages & salaries fell by 13.20 percent as against the level in August 2008. The decline in other expenditure was mainly accounted for by the significant drop in treasury expenses from Le50.61bn in July 2009 to Le38.58bn in the reporting period. Payment on debt services fell by 26.08 percent to Le13.64bn due to the decline in amortisation expenses by Le5.70bn which surpassed the increase in payment for domestic debt services. As a result of the developments above, the fiscal operations for the review month resulted in an overall surplus of Le36.00bn when compared to the surplus of Le2.76bn in July 2009. Of the surplus, Le18.48bn was utilized to offset the Ways and Means Advances while the balance of Le17.52bn was credited to the treasury main account.

Monetary Developments

Movements in monetary aggregates during the month of August 2009 showed mixed trends, with Narrow Money (M1) and Reserve Money (RM) contracting by Le2.68bn and Le17.48bn to Le697.78bn and Le462.92bn respectively, while Broad Money (M2) expanded by Le34.32bn to Le1452.63bn. The growth in Broad Money was due to rise in Foreign Currency, Savings and Time

Deposits by Le26.25bn, Le9.67bn and Le1.57bn respectively, which outweighed the decrease in M1. The contraction in Reserve Money was as a result of a reduction in Bankers Deposits (Le21.03bn) and Private Sector Deposits (Le1.02bn) which more than offset the increase in Currency Issued (Le4.57bn). The fall in M1 was due to a decline in Demand Deposits (Le4.34bn) outweighing the increase in Currency in Circulation (Le1.66bn). Within the one year period, M2 and M1 expanded by Le257.05bn (21.50%) and Le75.33bn (12.10%), respectively, while RM reduced by Le5.85bn (1.25%). Net Claims on Government by the Banking Sector reduced by Le23.37bn (12.33%) to Le166.12bn, arising from the decrease in Net Claims on Government by the Bank of Sierra Leone (Le44.05bn), which was far greater than the increase in Net Claims on Government by the Commercial Banks (Le20.68bn). The decline in Net Claims on Government by Bank of Sierra Leone was due to the drop of Le11.74bn in its holdings of Treasury Bills especially the 91-days and Le1.96bn in the holdings of Treasury Bonds, repayment of Ways and Means Advances amounting to Le18.48bn, coupled with the increase in Government Deposits to the tune of Le11.86bn. The rise in Net Claims on Government by Commercial Banks was on account of an increase in their holdings of 1 year Treasury Bills (Le20.94bn) and 3 months Treasury Bills (Le9.66bn), which was far more than the drop in the holdings of 6 months Treasury Bills (Le11.27bn). Government Deposits at the Commercial Banks was Le1.02bn in the review period. Claims on Private Sector by the Commercial Banks rose by Le22.32bn



Table 6 EXCHANGE RATES (Average Monthly Buying)

		Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09
Leone to Dollar														
Official	Le/\$	2939.70	2946.08	2960.72	2979.46	2999.63	3017.15	3031.72	3072.71	3123.37	3166.06	3220.88	3280.79	3461.25
Comm. Banks	Le/\$	2956.48	2962.44	2969.39	2980.70	2996.16	3005.91	3016.76	3062.13	3126.18	3164.28	3236.35	3274.67	3486.91
Bureaux	Le/\$	2973.95	2976.03	2981.44	2985.34	2991.48	3008.57	2995.70	3007.96	3032.45	3023.95	3037.55	3132.24	3305.94
Parallel Market	Le/\$	2975.55	2985.66	3002.77	3016.83	3037.90	3059.29	3089.70	3145.09	3177.21	3219.52	3283.32	3432.87	3728.90
Leone to Pound	Le/£	5569.15	5303.90	5014.41	4580.97	4474.80	4359.25	4370.63	4354.07	4589.58	4864.94	5264.38	5460.51	5725.37

Table 7 EXCHANGE RATES (Average Monthly Selling)

		Aug-08	Sep-08	Oct-08	Nov-08
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