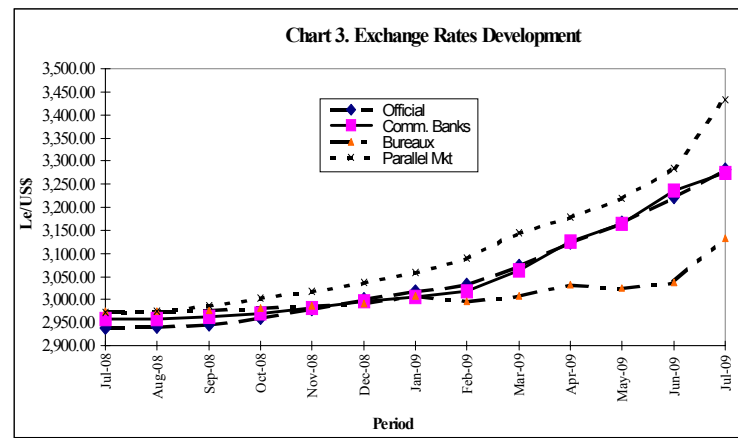




11.86 %. Lending rate on Overdraft was unchanged at a range of 22-29 % during the review period.

Exchange Rates Developments

The monthly average exchange rate of the Leone continued to depreciate against the United States Dollar in all the foreign exchange markets during the month of July, 2009. On the buying front, the average parallel market rate depreciated the most (4.55%) at Le3,432.87/US\$1 while the rate for the commercial banks at Le 3,274.67/US\$1 depreciated the least (1.18%). The rates for the bureaux and official markets depreciated by 3.12 percent and 1.86 percent at Le3,132.24/US\$1 and Le3,280.79/US\$1 respectively. On the Selling front, the parallel rate again depreciated the most by 4.26 percent at Le3,467.7/US\$1, followed by the rate for the bureaux at Le 3,244.68/US\$1 (2.88%), commercial banks' rate at Le3,373.74/US\$1 (2.34%) and auction rate at Le3,384.53/US\$1 (2.03%). The official market rate registered the least depreciation at Le3,347.07/US\$1 (1.86%). The premium between the Official and Parallel buying rates widened to Le152.08/US\$1 from Le62.44/US\$1 reported in June 2009. The depreciation of the Leone was mainly due to excess demand for foreign exchange over supply. The situation was further exacerbated by agents taking speculative stance in the market.



being total aid/loan disbursement of which the major ones were US\$8.52mn as loan disbursement from the African Development Bank, favouring Ministry of Finance in respect of the first tranche of budgetary support and US\$3.79mn from the European Union under the Poverty Reduction Budgetary Support (PRBS). Diamond licence fees and exporters' income tax amounted to US\$0.79mn while US\$0.62mn was in respect of interest earned on Bank of Sierra Leone investment and other government receipts. Major outflows comprised US\$5.0mn being amount utilized under the weekly foreign exchange auction, US\$0.61mn for government travel and other government expenditure, US\$0.49mn as Embassies/Missions payments and total debt service payment of US\$0.14mn – the bulk of which was for the International Monetary Fund (US\$0.13mn).



International Reserves

The gross external reserves of the Bank of Sierra Leone increased by US\$7.82mn (3.82%) to US\$212.41mn as at end-July 2009. This reflected total inflows of US\$14.30mn which more than doubled cumulative outflows of US\$6.41mn. Significant inflows included US\$12.85mn

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

Research Department
Published October 2009

Monthly Economic Review
July 2009

Highlights

During the month of July 2009, Sierra Leone continued to experience economic challenges as exhibited by the persistent depreciation of the exchange rate of the Leone against the major foreign currencies in all foreign exchange markets. The Sierra Leone Stock Exchange Market was launched in Freetown on 17th July 2009. The establishment of the stock exchange would enhance the mobilization of medium to long term funds for private sector development. The financial sector continued to grow during the review period. The First International Bank (SL) Limited, opened two branches in Waterloo and Port Loko towns on 11th and 25th July 2009 respectively, as part of the bank's strategy of making financial services available to all residents across the country. On the 30th July 2009, the Korean

thousand cubic feet and 19.50 thousand cubic feet, respectively. The decline in acetylene production was attributed to the decline in welding activity in both construction and vehicle repairs. Output levels of confectionery as well as beer and stout decreased by 10.06% to 261.82 thousand pounds and 0.30% to 52.74 thousand crates respectively in the review period. The decline in beer and stout production was due to a scale down in production by the company in anticipation of incipient drop in demand in the Ramadan season in August 2009. Soft drink and flour recorded increased production of 21.84% and 3.41% respectively, due to increased demand in the review month. Common soap increased significantly to 66.45 thousand metric tons in July 2009 from 6.72 thousand metric tons in June 2009. The increase was on account of stock

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

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

ISU-Engineering Construction Company Limited and the Sierra Leone Roads Authority signed a US\$56.3million Project for the construction of the first phase of the Kenema – Koindu Highway. The completion of this highway would boost trade with neighbouring countries of Guinea and Liberia, as well as enhance the movement of cocoa and coffee to the major cities of the country. During the month under review, monetary aggregates were expansionary and the fiscal balance registered a surplus. External reserves of the Bank of Sierra Leone recorded a 3.82% increase. The National year-on-year as well as the monthly inflation rates increased during the review month.

replenishment as well as increased demand in July 2009. The mining sector was yet to recover from a slow down in production, as shipment of most minerals declined except for rutile, which posited a 5.53% growth compared to the previous month. Diamond shipment dropped by 18.20% to 39.30 thousand carats in July 2009, which comprised 16.22 thousand carats of industrial diamonds and 23.08 thousand carats of gem diamonds. Ilmenite production declined by 38.61% to 0.62 thousand metric tons in the review period. There was no

Real Sector

In the manufacturing sector, output levels of cement and paint declined by 4.18% and 19.50% to 17.64 thousand metric tons and 15.56 thousand metric tons respectively in July 2009. The drop was due to a decline in construction activities during the rainy season. There was a lull in gas production with acetylene and oxygen production declining by 34.59% and 8.06% to 12.50

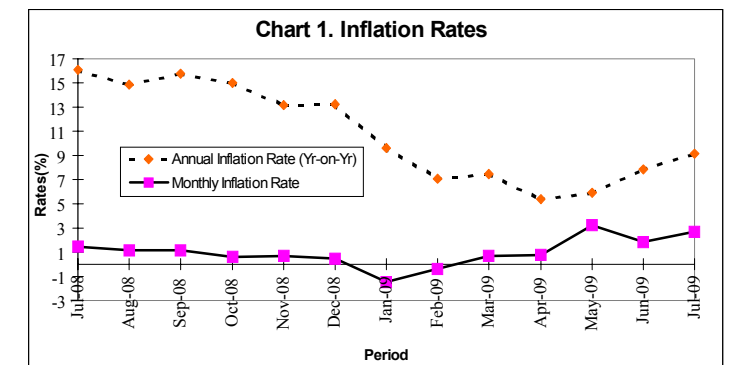


Table 3 Government Finances

		Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Total Revenue (Plus Grants)	Le Mn	85183	109785	53312	52737	48336	89356	77642	40621	102168	55344	59408	64119	99911
Domestic Revenue	Le Mn	60654	46921	53312	46654	48336	59404	47233	40621	55558	54666	59408	63924	58959
Customs & Excise	Le Mn	35994	28745	27361	32009	31300	32284	29990	30959	36090	41699	38884	39052	39052
Income Tax Dept	Le Mn	13253	16157	19226	12440	13806	17610	14345	10506	19932	12162	12658	17409	15725
Miscellaneous	Le Mn	11407	2019	6725	2205	3230	9510	2898	4740	4667	6414	5051	7631	3818
Programmed Funds (Grants)	Le Mn	24529	62864	**	6083	**	29952	30409	**	46610	678	**	195	41316
Fund of which														
HIPC	Le Mn	1949	**	**	6083	**	**	669	**	2198	678	**	195	770
Others*	Le Mn	22580	62864	**	**	**	29952	29740	**	44412	**	**	**	40546
Total Expenditure	Le Mn	70950	77920	71340	66002	66188	88916	33982	77070	60439	78411	74819	90976	97152
Pensions, Wages & Salaries	Le Mn	34391	34678	21120	29738	26381	29779	17944	35321	28065	28210	42401	37486	28060
Other Expenditures	Le Mn	26728	28925	44299	26328	30650	32137	8471	31457	27550	35962	27003	40239	50642
Debt Service Payment	Le Mn	9831	14317	5921	9936	9157	15867	7567	10292	4824	14239	5415	13251	18450
Domestic	Le Mn	8795	13404	4117	8693	8954	12087	6898	9170	4824	5863	5415	8422	7756
Foreign	Le Mn	1036	913	1804	1243	203	3780	669	1122	**	8376	**	4828	10694
Overall Deficit/Surplus	Le Mn	14233	31865	-18028	-13265	-17852	440	43660	-36449	41729	-23067	-15411	-26857	2759
Total Financing	Le Mn	-14233	-31865	18028	13265	17852	-440	-43660	36449	-41729	23067	15411	26857	-2760
Bank Financing	Le Mn	-1039	-1849	40872	-5957	37181	1141	-2417	6376	12151	-7916	-306	23044	-9455
Bank of Sierra Leone	Le Mn	-24798	-5858	1579	-538	24549	4336	-5286	5218	7782	6620	-2337	28374	-3848
Commercial Banks	Le Mn	23759	4009	39293	-5419	12632	-3195	2869	1158	4369	-14536	2031	-5330	-5608
Non-Bank Financing	Le Mn	-10362	1849	-40872	5957	-21089	-2406	2417	-6375	-12151	7916	306	-1803	6690
Treasury Balance	Le Mn	-2832	-31865	17670	12907	1760	825	-43660	36448	-41729	-23067	15411	5616	5
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 Oct 2008

shipment of bauxite in the reporting period. The total unit of electricity generated increased by 7.32% to 10.04GW/hr in July 2009. Of the total units generated, Global Trading Group generators accounted for 7.82GW/hr, Income electric generators accounted for 1.90GW/hr, and NPA generators accounted for 0.31GW/hr. Industrial consumption was 1.99GW/hr reflecting an increase of 19.13%. Domestic consumption was 2.81GW/hr indicating an increase of 3.97% while government consumption was 1.19GW/hr. The national inflation rate measured on a monthly basis increased to 2.69% in July 2009 compared to 1.86% in June 2009. During the month, increases were recorded in the indices of food items including bread, cereals, milk, fish and sea food and non-food items including rental fees, maintenance, repairs of dwelling and solid fuels. Similarly, the year-on-year inflation rate increased to 9.13% compared to 7.83% in June 2009. The increase in inflation rate was largely due to the pass-through effect of the depreciation of the exchange rate on domestic products as well as high international commodity prices.

Fiscal Operations

Total revenue (including grants) amounting to Le99.91bn exceeded the amounts recorded in June 2009 and July 2008 by 55.82% and 17.29% respectively. The increase from June 2009 to July 2009 was attributed to significant increases in grants (Le41.12bn) from Le0.2bn to Le41.32bn. Domestic revenue collected during the review month stood at Le58.60bn and was 8.34% and 3.39% lower than the levels recorded in June 2009 and July 2008 respectively. The drop in domestic revenue was on account of decline in Income Tax collections and collections

from miscellaneous sources which more than offset the increase in receipt from Customs and Excise Department. Receipt from Customs and Excise Department totalling Le39.05bn was 0.43% and 8.50% above the levels in June 2009 and July 2008 respectively. Income Tax collection of Le15.73bn was 9.67% less than the June 2009 figure but 18.65% higher than the July 2008. Revenue generation from miscellaneous sources fell to Le3.81bn compared to Le7.63bn in June 2009 and Le11.41bn in July 2008. The decline was as a result of decreases in revenue generated from minerals and other sources. Total grants of Le41.32bn received during the period were mainly in respect of *HIPC Debt Relief Assistance* (Le0.77bn) from *International Fund for Agricultural Development* and disbursements from *European Union* (Le12.46bn) and *African Development Bank* (Le28.09bn) for budgetary support. Aggregate expenditure of Le97.15bn in the review month indicated an expansion by 6.79% and 36.93% compared to the

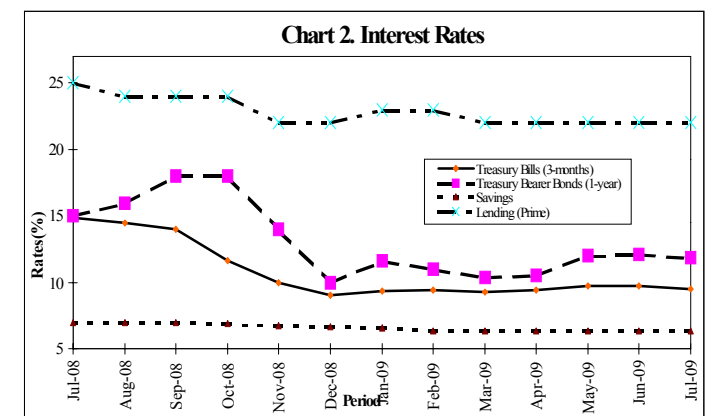


Table 4. Monetary Aggregates

		Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Reserve Money (RM)	Le Mn	433446	468769	464217	449698	445292	466801	437454	454076	455262	451156	467138	457826.9	480394
Broad Money (M2)	Le Mn	1138973	1195584	1223169	1258270	1290894	1321241	1326183	1372842	1360703	1387778	1357353	1359844	1418316
Narrow Money (M1)	Le Mn	579776	622451	626751	612506	633449	666668	675031	695656	682087	684231	684266	662085	700461
Currency in Circulation	Le Mn	304931	319654	321519	312712	320679	340355	336816	337449	335046	332220	336123	323084	333161
Demand Deposits	Le Mn	274845	302797	305232	299794	312770	326313	338215	358207	347041	361011	348143	339001	367300
Net Claims on Government	Le Mn	168040.31	118076	199226	197719.68	226123.25	246554.29	194835.69	236078.04	208994.23	215859	192450.3	216603.9	189476
BSL ^A	Le Mn	9156.3073	-29060	-8167	5503.6847	23922.254	39440.29	-10086.31	26558.042	-424.7723	22206	37729.8	73073.53	63128
DMB	Le Mn	158884	147136	207393	192216	202201	207114	204922	209520	209419	193653	154720.5	143530.4	126348
Claims on Private Sector	Le Mn	329082	351252	371600	385265	418465	413439	446984	469811	480909	476120	484016	496652	509876
Of Which: Commercial Banks**	Le Mn	323912	346504	365873	379961	413771	406427	438763	461405	472722	466202	473374	486708	499323
Net Foreign Assets	Le Mn	791551	833357	801809	832512	809132	832240	831467	792727	802345	818514	799429	806587	850547
Other Items (Net)	Le Mn	149700.31	107101	149466	157226.68	162826.25	170992.29	147103.69	125774.04	131545.23	122715	118542.3	159998.9	131583

^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

		Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Treasury Bills (3-months)	%	14.82	14.5	13.97	11.66	9.95	9.06	9.35	9.39	9.29	9.41	9.72	9.72	9.50
Treasury Bearer Bonds (1-yr.)	%	19.92	18.97	19.10	16.12	14.23	13.02	12.46	12.26	11.24	11.70	12.04	12.06	11.89
Deposits														
Savings	%	6.95	6.95	6.95	6.88	6.71	6.65	6.58	6.37	6.35	6.35	6.35	6.35	6.35
1 - 3 month	%	9.7	9.8	9.81	9.79	9.14	9.67	9.51	9.51	9.31	9.17	9.17	9.17	9.17
3 - 6 month	%	10.55	10.65	10.68	10.73	10.62	10.58	10.45	10.04	9.88	9.73	9.73	9.73	9.73
6 - 9 month	%	10.25	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 - 12 month	%	12	12.01	12.01	12.08	12.02	12	11.86	10.72	11.46	11.21	11.21	11.21	11.21
Lending (Prime)	%	25.31	24.31	24.32	24.30	22.30	22.30	23.30	23.30	22.29	22.29	22.29	22.29	22.29

Source: Bank of Sierra Leone

levels recorded in June 2009 and July 2008 respectively. This was largely due to a huge leap in other expenditure which surged from Le40.24bn in June 2009 to Le61.34bn in July 2008. Expenditure on Pensions, wages & salaries totaling Le28.06bn were below the levels in June 2009 by Le9.43bn and in July 2008 by Le6.33bn. Other expenditure was Le50.64bn in July 2009 about 25.85% and 89.47% higher than the levels in June 2009 and July 2008 respectively. The increase was due to a rise in treasury expenses by Le10.15bn in the review period. Also, payment of Le18.45bn in respect of Debt services was 39.24% and 87.67% higher than the levels in June 2009 and July 2008 respectively. The increase was mainly due to high amortisation payment of Le10.69bn. As a result of these developments, fiscal operations recorded a net surplus of Le2.76bn in the review period compared to the fiscal deficit of Le26.83bn in June 2009. The fiscal surplus and Treasury balance of Le0.05bn were utilized to offset Ways and Means Advances.

Monetary Developments

Narrow Money (M1), Broad Money (M2) and Reserve Money (RM) in July 2009, expanded by Le38.38bn (5.80%), Le58.47bn (4.30%) and Le22.57bn (4.93%) to Le700.46bn, Le1,418.32bn and Le480.39bn, respectively. The increases in Demand Deposits (Le28.30bn) and Currency in Circulation (Le10.08bn) accounted for the rise in M1. The growth in M2 emanated from the respective increases in commercial banks' Foreign Currency Deposits (Le11.38bn), Time Deposits (Le9.66bn), savings Deposits (Le6.17bn) and the rise in M1. The increases in Banker's Deposits (Le16.90bn), Currency Issued (Le5.36bn) and Private Sector Deposits (Le0.31bn) accounted for the expansion in Reserve Money. M1, M2 and RM expanded by Le120.69bn (20.82%),

Le279.34bn (24.53%) and Le46.95bn (10.83%), respectively, when compared to the corresponding period in 2008. Net Claims on Government by the Banking sector contracted by Le27.13bn (12.52%) to Le189.48bn due to decreases in Net Claims on Government by the Central Bank (Le9.95bn) and commercial banks (Le17.18bn) over the review period. The drop of Le2.53bn in BSL's holdings of treasury bills, the repayment of Ways and Means Advances amounting to Le2.77bn, coupled with the increase of Le6.10bn in Government Deposits, contributed greatly to the decline in Net Claims on Government by the Central Bank. Net Claims on Government by the commercial banks contracted as a result of a reduction in commercial banks' holdings of treasury bonds (Le10.03bn), coupled by the increase of Le13.19bn in their Government Deposits despite the Le4.42bn increase in their holdings of treasury bills. Credit to the Private Sector by the Banking Sector in the review month increased by Le13.22bn (2.66%) to Le509.88bn, of which commercial banks accounted for about 95% of the total credit. The average interest rate structure during the review period remained unchanged except for the rates in the securities market. Savings, 3 months, 6 months, 9 months and 12 months Time Deposits remained the same at 6.35%, 9.17%, 9.73%, 9.25% and 11.21% respectively. There was a general downward trend in interest rates in the securities market. The average annual yield on 3 months, 6 months and 1 year treasury bills dropped by 21, 28 and 17 basis points, to 9.50%, 10.20% and 11.89%, respectively. The average interest rate on Treasury Bonds also decreased by 14 basis point to

Table 6. EXCHANGE RATES (Average Monthly Buying)

		Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Leone to Dollar														
Official	Le/\$	2938.57	2939.70	2946.08	2960.72	2979.46	2999.63	3017.15	3031.72	3072.71	3123.37	3166.06	3220.88	3280.79
Comm. Banks	Le/\$	2958.40	2956.48	2962.44	2969.39	2980.70	2996.16	3005.91	3016.76	3062.13	3126.18	3164.28	3236.35	3274.67
Bureaux	Le/\$	2974.07	2973.95	2976.03	2981.44	2985.34	2991.48	3008.57	2995.70	3007.96	3032.45	3023.95	3037.55	3132.24
Parallel Market	Le/\$	2971.17	2975.55	2985.66	3002.77	3016.83	3037.90	3059.29	3089.70	3145.09	3177.21	3219.52	3283.32	3432.87
Leone to Pound^R	Le/£	5842.28	5569.15	5303.90	5014.41	4580.97	4474.80	4359.25	4370.63	4354.07	4589.58	4864.94	5264.38	5460.51

Source: Bank of Sierra Leone