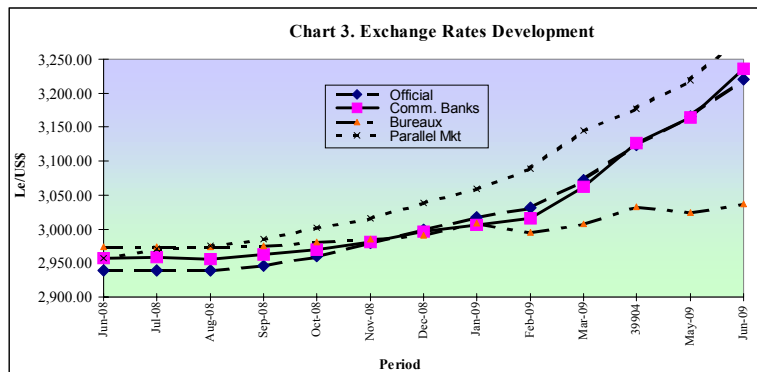




in Government Deposits (Le23.91bn) and the Le10.74bn reduction in their holdings of 3 month Treasury Bills. Credit allocation to the Private Sector by the commercial banks increased by Le13.33bn to Le486.71bn in June 2009. Average interest rate remained relatively stable during the review month. Savings, 3, 6 and 9 months Time Deposits stood at 6.35, 9.17, 9.73, 9.25 and 11.21 per cent, respectively. The average annual yield on 3 and 6 months Treasury Bills declined by 1 and 11 basis points, respectively. However, the average interest rate and average annual yield on Treasury Bonds and 1 year Treasury Bills increased by 200 and 2 basis points to 12.00 percent and 12.06 percent, respectively. Lending rate on Overdrafts remained constant at the range 22 – 29 per cent.

Exchange Rates Development

The Leone is depreciating at an alarming rate and is currently under pressure as the main supply channels are constrained, coupled with stronger demand for foreign currency in the domestic market. Worse still, the performance of exports have been sluggish reflecting dwindling export earnings especially from the mining sector - notably diamond exports, as well as declining foreign direct investments, migrant remittances and donor inflows. The monthly average exchange rate of the Leone to the United States Dollar continued its depreciating trend in all the foreign exchange markets for the month of June 2009. On the buying front, the average rate for the commercial banks depreciated most, (2.28%) at Le3,236.35/US\$1, followed by the parallel and official markets, (1.98%) and (1.73%) at Le3,283.32/US\$1 and Le3,220.88/US\$1, respectively. The average rate for the foreign exchange bureau depreciated the least (0.45%) at Le3,037.55/US\$1. On the Selling front, the Parallel rate depreciated most (1.92%) at Le3,326.05/US\$1, followed by the Official (1.73%), the Commercial Banks (1.59%) and the Bureaux (0.99%) at Le3,285.95/US\$1, Le3,296.73/US\$1 and Le3,153.75/US\$1,



respectively. The auction rate depreciated the least (0.76%) at Le3,317.13/US\$1. The premium between the Official and Parallel buying rates widened from Le53.46/US\$1 in May 2009, to Le62.44/US\$1 in June 2009.

International Reserves

The gross external reserves of the Central Bank increased by US\$7.47mn (3.80%) to US\$204.59mn as at end-June 2009. This translated into total inflows of US\$22.54mn which surpassed cumulative outflows of US\$16.06mn. Significant inflows included loan disbursement from the International Monetary Fund (US\$18.76mn) in respect of Poverty Reduction and Growth Facility (PRGF), Interest earned on Bank of Sierra Leone investments and other government receipts (US\$3.02mn) and Diamond License fees and exporters' income tax (US\$0.46mn). Major outflows included US\$4.0mn being amount utilized under the weekly foreign exchange auction, government travel and other government expenditure (US\$1.87mn), Embassies/Missions payments (US\$1.40mn), debt service payment totaling US\$1.40mn, the bulk of which was paid to 'Other Multilateral and Bilateral' creditors (US\$1.25mn) and a total of US\$6.32mn as payment for electricity of which US\$4.32mn favouring Global Trading and US\$2.0mn favouring Income Electrix Limited, was in respect of partial settlement of arrears.

Highlights

During the month of June 2009, Sierra Leone continued to experience economic challenges. The pump prices of petroleum products per gallon increased from Le12, 500 to Le14, 800, effective 4th June 2009, reflecting increases in the world market prices for crude oil as well as the removal of subsidy on petroleum products by the government. Coupled with the deterioration in the exchange rate of the Leone to the United States Dollar and the increase in transportation costs, the monthly inflation rate rose from 5.95 percent in May 2009 to 7.83 percent in June 2009. In addition, the weak performance in the real sector of the economy as well as the dwindling exports earnings, caused considerable pressure on the economy. Monetary aggregates contracted during the month and the monthly fiscal deficit increased significantly in June 2009, reflecting a marked increase in expenditure during the reporting month.

The country continued to receive assistance from its

Real Sector

Developments in the real sector were mixed in the month of June 2009. There was a lull in the manufacturing sector with only a few products recording increases in output level. Paint production increased by 196.93% to 19.33 thousand gallons in June 2009, the highest level since the beginning of 2009. The increase in the production level of paint was on account of stock replenishment. Gas production edged up with acetylene and oxygen production increasing respectively by 39.49% and 7.12% to 19.11 thousand cubic feet and 21.21 thousand cubic feet. The increase in gas production reflects increased demand for the products. Output levels of other manufactured products dropped during the review month with beer & stout, maltina and soft drinks decreasing by 14.79%, 50.57% and 15.29% to 52.90 thousand cartons, 10.79 thousand cartons and 111.69 thousand crates, respectively. The drop in the output level of the beverages was partly on account of the fall in demand for the products and the increased competition from imported brands. Similarly,

Table 1

Table with columns for months (Jun-08 to Jun-09) and rows for PRODUCTION categories: Minerals (Diamonds), Agriculture (Coffee, Cocoa), Manufactured Goods (Beer and Stout, Maltina, Softdrinks, Cement, Common Soap, Paint, Acetylene, Oxygen, Confectionery).

Sources: Manufacturing Industries, Gold and Diamond Department

Table 2

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

Source: Statistics Sierra Leone

development partners. On the 4th June 2009, the Board of Directors of the World Bank approved a technical assistance grant of US\$4.0million, for public financial management to assist the Government of Sierra Leone to sustainably improve the credibility, control and transparency of fiscal and budget management. A Budget Support Review Mission, from the Department for International Development (DFID), visited the country from 15th – 25th June 2009, to review progress made so far under the Progress Assessment Framework (PAF). On the 16th June 2009, the Canadian government donated US\$5million to the Government of Sierra Leone, with the aim of improving access to the healthcare services for impoverished and rural community women. On 17th June 2009, the Executive Board of the International Monetary Fund (IMF) completed the Fourth Review of Sierra Leone's economic performance under a four-year Poverty Reduction and Growth Facility (PRGF) arrangement and the review of the financing assurances. The Board also approved an augmentation of Sierra Leone's access to SDR10.37million (about US\$16.8million) and disbursement of US\$18.8mn. Gross external reserves of the Central Bank further increased over the month.

production of cement went down by 24.24% to 18.41 thousand metric tons due to seasonal factors while common soap dropped by 92.56% to 6.72 thousand pounds, following stock carried forward from the previous month. Production of confectionery and flour also declined by 6.29% and 3.30% to 291.11 thousand pounds and 0.88 thousand metric tons, respectively. In the mining sector, the volume of diamond shipment increased by 52.44% to 48.46 thousand carats, comprising 20.66 thousand carats of industrial diamonds and 27.80 thousand carats of gem diamonds. The increase in diamond production was attributed to increased mining

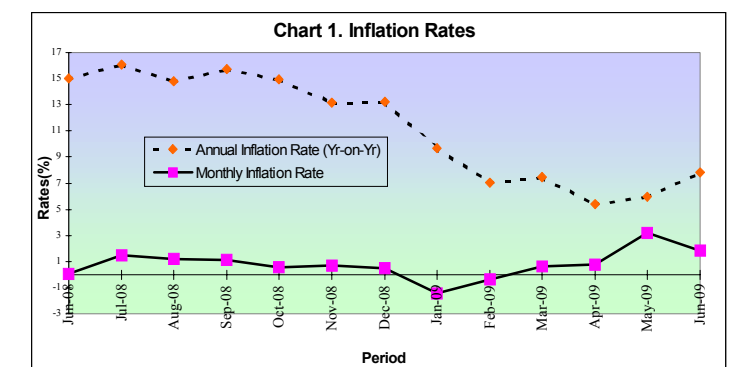


Table 9.

Table with columns for months (May-08 to May-09) and rows for External Trade: Total Imports o/w (Rice, Petroleum Products, o/w Fuel, Others), Total Exports o/w (Diamonds, Bauxite, Rutile, Gold, Illmenite, Cocoa, Coffee, Others), Re-exports, Trade Balance, Vol. of Imports, Vol. of Exports, External Reserves.

Sources: Customs and Excise Department, Gold and Diamond Department, Bank of Sierra Leone

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

Research Department Published August 2009

Table 3. Government Finances

		Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Total Revenue (Plus Grants)	Le Mn	55249	85183	109785	53312	52737	48336	89356	77642	40621	102168	55344	59408	64119
Domestic Revenue	Le Mn	55249	60654	46921	53312	46654	48336	59404	47233	40621	55558	54666	59408	63924
Customs & Excise	Le Mn	31073	35994	28745	27361	32009	31300	32284	29990	25375	30959	36090	41699	38884
Income Tax Dept	Le Mn	17904	13253	16157	19226	12440	13806	17610	14345	10506	19932	12162	12658	17409
Miscellaneous	Le Mn	6272	11407	2019	6725	2205	3230	9510	2898	4740	4667	6414	5051	7631
Programmed Funds (Grants)	Le Mn	**	24529	62864	**	6083	**	29952	30409	**	46610	678	**	195
Fund of which														
HIPC	Le Mn	**	1949	**	**	6083	**	**	669	**	2198	678	**	195
Others*	Le Mn	**	22580	62864	**	**	**	29952	29740	**	44412	**	**	**
Total Expenditure	Le Mn	72638	70950	77920	71340	66002	66188	88916	33982	77070	60439	78411	74819	90947
Pensions, Wages & Salaries	Le Mn	15721	34391	34678	21120	29738	26381	29779	17944	35321	28065	28210	42401	37486
Other Expenditures	Le Mn	46348	26728	28925	44299	26328	30650	43270	8471	31457	27550	35962	27003	45068
Debt Service Payment	Le Mn	10569	9831	14317	5921	9936	9157	15867	7567	10292	4824	14239	5415	8393
Domestic	Le Mn	7534	8795	13404	4117	8693	8954	12087	8898	9170	4824	5863	5415	8393
Foreign	Le Mn	3034.59	1036	913	1804	1243	203	3780	669	1122	**	8376	**	**
Overall Deficit/Surplus	Le Mn	-17389	14233	31865	-18028	-13265	-17852	440	43660	-36449	41729	-23067	-15411	-26828
Total Financing	Le Mn	17389	-14233	-31865	18028	13265	17852	-440	-43660	36449	-41729	23067	15411	26828
Bank Financing	Le Mn	27759R	-1039	-1849	40872	-5957	37181	1141	-2417	6376	12151	-7916	-306	23015
Bank of Sierra Leone	Le Mn	16790	-24798	-5858	1579	-538	24549	4336	-5286	5218	7782	6620	-2337	28345
Commercial Banks	Le Mn	10969	23759	4009	39293	-5419	12632	-3195	2869	1158	4369	-14536	2031	-5330
Non-Bank Financing	Le Mn	-16358R	-10362	1849	-40872	5957	-21089	-2406	2417	-6375	-12151	7916	306	-1803
Treasury Balance	Le Mn	5988	-2832	-31865	17670	12907	1760	825	-43660	36448	-41729	-23067	15411	5616
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

activities. Similarly, ilmenite production increased by 3.06% to 1.01 thousand metric tons. In contrast, rutile and gold production dropped by 11.01% and 88.12% to 3.80 thousand metric tons and 100.69 ounces, respectively. The total units of electricity generated fell to its lowest level in twelve months to 9.29Gw/hr in June 2009, 14.22% lower than the level recorded in May 2009. This was due to the drop in the electricity generated by Income Electric Machine (11.96%) and GTG Machine (15.46%). Of the total units generated, Sulzer 04 Generator accounted for 0.081Gw/hr, CAT No.2 Generator generated 0.0024 Gw/hr, Global Trading Group (GTG) Machine contributed 7.54 Gw/hr and Income Electric machine generated 1.66Gw/hr. The total units sold were 6.26Gw/hr of which Domestic consumption was 2.87Gw/hr, Government consumption was 1.07Gw/hr and industrial consumption was 2.31Gw/hr. The uniform pump prices of petrol, diesel and kerosene was revised upwards by 18.4% to Le14,800.00 per gallon in June 2009 from the previous level of Le12,500.00 per gallon. The price revision was done to allow the domestic pump prices of petroleum products to reflect the trends in the international prices of these commodities. The national inflation rate measured on monthly basis was 1.86 percent compared with 3.20 percent in May 2009. During the review month, increases were recorded in almost all major CPI components except for communication, which remained constant. The year-on-year national inflation rate increased to 7.83 percent in June 2009 from 5.95 percent in May 2009. The increase in the annual inflation rate was partly due to the depreciation of the exchange rate and increase in the international prices of petroleum products which was reflected in the domestic pump prices of the petroleum products in the country. The Freetown annual inflation rate (1992=100) increased from 6.79 percent in May 2009 to 7.78 percent in June 2009.

Fiscal Operations

Total revenue (plus grants) recorded at Le64.12bn for June 2009, comprising domestic revenue (Le63.92bn) and grants (Le0.2bn) were Le8.87bn (16.05%) and Le4.71bn (7.93%) higher than the receipts for June 2008 and May 2009. Domestic revenue collected amounting to Le63.92bn was Le8.68bn (15.70%) and Le4.52bn (7.60%) more than the corresponding 2008 receipts of Le55.25bn and preceding month's receipt of Le59.41bn. The increased performance in domestic revenue generation over the preceding month was on account of increased revenue generation from Income Tax and Non-Tax Departments, despite the shortfall in revenue generated from Customs and Excise Department. Customs and Excise receipts amounted to Le38.88bn in the month under review, contributing over 60.00 per cent to total domestic revenue, was Le7.81bn (25.14%) higher than the June 2008 receipt of Le31.07bn but Le2.82bn (6.75%) below the May 2009 receipt of Le41.70bn. Revenue from Income Tax Department totaled Le17.41bn for the review month, indicating an increase of Le4.75bn relative to the

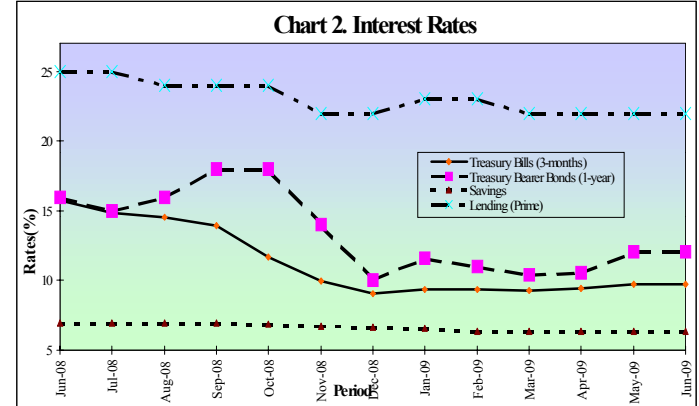


Table 4. Monetary Aggregates

		Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Reserve Money (RM)	Le Mn	431172	433446	468769	464217	449698	445292	466801	437454	454076	452262	451156	467138	457827
Broad Money (M2)	Le Mn	1154095	1138973	1195584	1223169	1258270	1290894	1321241	1326183	1372842	1360703	1387778	1357353	1340703
Narrow Money (M1)	Le Mn	591059	579776	622451	626751	612506	633449	666668	675031	695656	682087	684231	684266	649167
Currency in Circulation	Le Mn	310531	304931	319654	321519	312712	320679	340358	336816	337449	335046	323220	336123	323084
Demand Deposits	Le Mn	280528	274845	302797	305232	299794	312770	326313	338215	358207	347041	361011	348143	326083
Net Claims on Government	Le Mn	192341 ^R	168040 ^R	118076 ^R	199226 ^R	197716 ^R	226495 ^R	246544 ^R	193997 ^R	235241	208162	215859	192450.3	197463
BSL ^A	Le Mn	34619 ^R	9156 ^R	-29060 ^R	-8167 ^R	5504 ^R	23922 ^R	39440 ^R	-10086 ^R	26558	-425 ^R	22206	37730	73074
DMB	Le Mn	157722	158884	147136	207393	202201	207114	204922	209520	209419	193653 ^R	154720.5	124389	
Claims on Private Sector	Le Mn	316960	329082	351252	371600	385265	418465	413439	446984	469811	480909	476120 ^R	484016	490652
Of Which: Commercial Banks**	Le Mn	311520	323912	346504	365873	379961	413771	406427	438763	461405	472722	466202 ^R	473374	486708
Net Foreign Assets	Le Mn	821426	791551	833357	801809	832512	809132	832240	831467	792727	802345	818514 ^R	799429	806587
Other Items (Net)	Le Mn	176632 ^R	149700	107101 ^R	149466	157223	163198 ^R	170982	146265	124937	130713	122715 ^R	118542.3	159999

^A Excludes Government Securities issued on behalf of BSL and HIPC Deposits
^R 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

		Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Treasury Bills (3-months)	%	15.73	14.82	14.5	13.97	11.66	9.95	9.06	9.35	9.39	9.29	9.41	9.72	9.72
Treasury Bearer Bonds (1-yr.)	%	10.49	19.92	18.97	19.10	16.12	14.23	13.02	12.46	12.26	11.24	11.70	12.04	12.06
Deposits														
Savings	%	6.95	6.95	6.95	6.95	6.88	6.71	6.65	6.58	6.37	6.35	6.35	6.35	6.35
1 - 3 month	%	9.7	9.7	9.8	9.81	9.79	9.14	9.67	9.51	9.51	9.31	9.17	9.17	9.17
3 - 6 month	%	10.55	10.55	10.65	10.68	10.73	10.62	10.58	10.45	10.04	9.88	9.73	9.73	9.73
6 - 9 month	%	10.25	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 - 12 month	%	12	12	12.01	12.01	12.08	12.02	12	11.86	10.72	11.46	11.21	11.21	11.21
Lending (Prime)	%	25-31	25-31	24-31	24-32	24-30	22-30	22-30	23-30	23-30	22-29	22-29	22-29	22-29

Source: Bank of Sierra Leone

previous month's collections of Le12.66bn. The increase in income tax receipts relative to the preceding month was due to the receipt of end of quarter company tax in the reporting month. Receipts under the "Miscellaneous" category amounting to Le7.63bn were Le2.58bn (51.08%) and Le1.36bn (21.67%) more than the preceding month's level of Le5.05bn and the corresponding month's level of Le6.27bn, respectively. Total grants received in June 2009 was Le0.2bn, mainly in respect of HIPC Debt Relief Assistance for budgetary support. Total expenditure for June 2009 stood at Le90.95bn, 21.56 per cent and 25.21 per cent above the preceding month's position of Le74.82bn and its corresponding 2008 level of Le72.64bn, respectively. The increase in total outlays in the review period was as a result of increased expenses on domestic interest payment on medium term bonds as well as treasury expenses on goods and services. Pensions, Wages and Salaries payment amounting to Le37.49bn were 138.45 per cent higher than its corresponding payments in 2008, though 11.59 per cent lower than the preceding month's payments. Total Debt service payments of Le8.39bn were 55.0 per cent above the May 2009 position but 20.59 per cent below the June 2008 position. The increase in debt service payment over the preceding month was due to Le2.98bn increase in domestic debt service payments with no foreign debt payment for the review month. Significant treasury expenditure in June 2009 were in respect of subvention to National Revenue Authority, Sierra Leone Police, subvention to Ministry of Education, Science and Technology in the form of fees subsidies and grants, payment for the supply of fuel and lubricants to various government departments and defence expenditure on goods and services. Fiscal operations for the month of June 2009, resulted to an overall deficit of Le 26.83bn, which was entirely financed from domestic sources comprising Ways and Means Advances amounting to Le21.21bn and transfers from the treasury balance to the tune of Le5.62bn. Bank of Sierra Leone increased their holdings of Treasury Bills and Treasury Bearer Bonds by Le5.33bn and Le1.80bn, respectively. Deposit Money Banks decreased their holdings of

Treasury Bills by Le5.33bn. The Non-Bank Public reduced its holdings of both Treasury Bills and Treasury Bearer Bonds by Le0.002bn and Le1.80bn, respectively.

Monetary Developments

Narrow Money (M1), Broad Money (M2) and Reserve Money (RM) contracted by Le35.10bn (5.13%), Le16.65bn (1.23%) and Le9.31bn (1.99%) to Le649.17bn, Le1,340.70bn and Le457.83bn respectively, within this period. The decrease in M1 was as a result of reduction in Demand Deposits of Le22.06bn and Currency in Circulation of Le13.04bn. Contribution to the decline in Money Supply was mainly from domestic sources with the Net Domestic Assets contracting by Le23.81bn more than the increase in Net Foreign Assets of Le7.15bn. Foreign Currency and Savings Deposit however expanded by Le18.65bn and Le9.53bn. Reserve Money contracted as a result of the decrease in Bankers' Deposit (Le7.72bn) and Currency issued (Le2.97bn). When compared with the corresponding period in the previous year, M1, M2 and RM grew by Le58.11bn (9.83%), Le186.61bn (16.17%) and Le26.66bn (6.18%), respectively. Net Claims on Government by the banking system increased by Le5.01bn (2.60%) to Le197.46bn under the review month. The increase was due to the rise in Net Claims on Government by the Central Bank (Le35.34bn), which marginally surpassed the decrease in Net Claims on Government by the Commercial Bank (Le30.33bn). During this period, the Central Bank's holdings of 1 year and 6 months Treasury Bills increased by Le4.17bn and Le3.67bn respectively, which coupled with the Le6.97bn decrease in Government Deposits accounted for the increase in Net Claims on Government by Bank of Sierra Leone. Net Claims on Government by the Commercial Bank dropped due to the increase

Table 6. EXCHANGE RATES (Average Monthly Buying)

		Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Leone to Dollar														
Official	Le/\$	2939.27	2938.57	2939.70	2946.08	2960.72	2979.46	2999.63	3017.15	3031.72	3072.71	3123.37	3166.06	3220.88
Comm. Banks	Le/\$	2957.90	2958.40	2956.48	2962.44	2969.39	2980.70	2996.16	3005.91	3016.76	3062.13	3126.18	3164.28	3236.35
Bureaux	Le/\$	2973.89	2974.07	2973.95	2976.03	2981.44	2985.34	2991.48	3008.57	2995.70	3007.96	3032.45	3023.95	3037.55
Parallel Market	Le/\$	2956.81	2971.17	2975.55	2985.66	3002.77	3016.83	3037.90	3059.29	3089.70	3145.09	3177.21	3219.52	3283.32
Leone to Pound	Le/£	5783.88	5842.28	5569.15	5303.90	5014.41	4580.97	4474.80	4359.25	4370.63	4354.07	4589.58	4864.94	5264.38

Source: Bank of Sierra Leone

Table 7. EXCHANGE RATES (Average Monthly Selling)

		Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
Leone to Dollar														
Auction	Le/\$	2962.15	2960.84	2962.45	2970.15	3003.14	3037.96	3080.23	3077.11	3106.51	3179.14	3249.14	3291.96	3317.13
Official ^R	Le/\$	2998.65	2997.93	2999.08	3005.6	3020.53	3039.66	3060.23	3078.14	3092.97	3134.78			