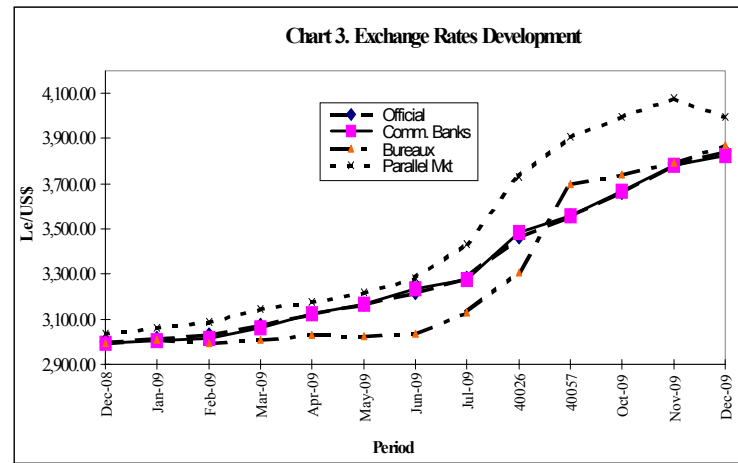




Exchange Rates Developments

The monthly average exchange rate of the Leone to the US Dollars showed mixed trend during the month of December 2009. The foreign exchange bureaux registered the highest depreciation rate, followed by the Bank of Sierra Leone auction market, the official and commercial banks' rates depreciated at a relatively lower rate, while the parallel market rate appreciated on both fronts. On the buying front, the rate for the foreign exchange bureaux at Le 3,872.54/US\$1 depreciated by 2.10 percent, the official rate at Le 3,845.97/US\$1 by 1.72 percent and commercial banks at Le 3,823.90/US\$1 by 1.07 percent. The parallel market rate at Le 3,996.14/US\$1 however, appreciated by 2.05 percent. On the selling front, the bureaux rate at Le 4,031.46/US\$1 depreciated by 3.55 percent, followed by the auction rate of Le 3,793.24/US\$1 (3.51%), and the official rate of Le 3,923.67/US\$1 (1.72%). Commercial banks' rate at Le 3,956.33/US\$1 depreciated the least (0.47%) while parallel market rate at Le 4,052.50/US\$1 appreciated by 2.23 percent. Fluctuations in the parallel market rate which had been largely driven by speculations in the market in recent months, tends to stabilize at the highest buying and selling rates of Le4,000.00/US\$1 and Le4,050.00/US\$1 respectively, during the review month. Consequently, the premium between the official and the parallel markets buying rates narrowed from Le298.99/US\$1 in November 2009 to Le150.17/US\$1 in December 2009. The supply of foreign currency continued to lag behind demand partly due to the increasing need to finance strategic imports – which has been growing over the past four months.



International Reserves

The Gross External Reserves of the Central Bank increased by US\$13.07mn (4.04%) to US\$336.37mn as at end-December 2009, from US\$323.30mn as at end-November 2009. This reflected total inflows of US\$41.57mn which more than doubled total outflows of US\$19.49mn. Major inflows included US\$29.68mn, being disbursement in respect of Poverty Reduction Budgetary Support (of which the European Union US\$26.21mn and UK/DFID US\$3.47mn). The World Bank loan of US\$10.04mn was in respect of Economic Recovery and Rehabilitation while US\$0.78mn was received from diamond licence fees and exporters' income tax. Significant outflows comprised US\$10.00mn, being amount utilized under the Bank of Sierra Leone's weekly foreign exchange auction, US\$2.09mn in respect of fuel cost for electricity generation, US\$1.68mn as payment to De La Rue being cost of printing banknotes. Government travel and other government expenditures amounted to US\$1.51mn, while Embassies/ Missions payments and debt service payments totaled US\$1.49mn and US\$1.85mn, respectively.

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  
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Highlights

The country continued to face economic challenges during the month of December 2009. The exchange rate of the Leone against major international currencies continued to depreciate during the review period. The average official exchange rate of the Leone for the month under review was Le3,845.97/US\$1 compared to Le3,780.89/US\$1 in November 2009. Movements in monetary aggregates were expansionary during the period with Narrow Money (M1), Broad Money (M2) and Reserve Money (RM) growing by 6.67 percent, 3.32 percent and 11.40 percent, respectively. The national year-on-year inflation rate increased to 12.22 percent in December 2009, from 10.42 percent in November 2009. Gross international reserves of the Central Bank

review, the IMF approved the disbursement of SDR 12.185 million (equivalent to US\$19.3 million) to the Government of Sierra Leone.

Real Sector

During the month of December 2009, most of the manufactured goods recorded increases in production levels mainly due to the increase in domestic aggregate demand, driven by seasonal factors such as the festivities during the reporting period. Beer and Stout production increased by 153.97 percent to 77.13 thousand crates, while maltina production increased by 151.08 percent to 26.79 thousand crates. Soft drink production also recorded a sharp increase of 42.35 percent to 232.79 thousand crates. The production of

Table 2. PRODUCTION. Table with columns for months from Dec-08 to Dec-09 and rows for Mineral, Industrial, Bauxite, Agriculture, and Manufactured Goods.

Sources: Manufacturing Industries, Gold and Diamond Department

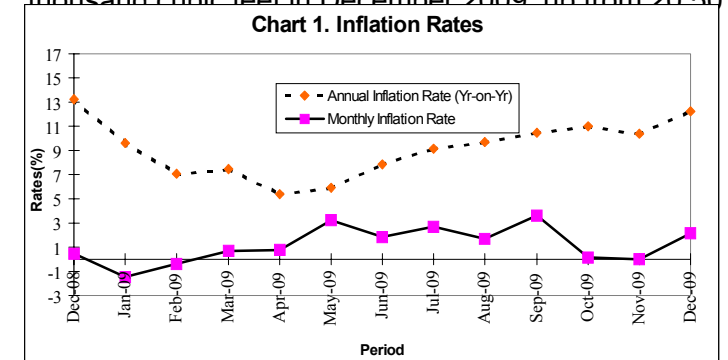
Table 2.

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

Source: Statistics Sierra Leone

increased to US\$336.37mn as at end December 2009, from US\$323.30mn as at end November 2009. The fiscal balance for the month of December 2009 registered a surplus of Le40.63bn up from a deficit of Le33.26bn in November 2009, due to a considerable increase in revenue collection and a significant increase in grants received for budgetary support during the month. On 2nd December 2009, the Government of Japan provided a grant of US\$1.3 million, for the prevention and control of infectious diseases among children. This was aimed at reducing child and maternal mortality in Sierra Leone. The Union Trust Bank (SL) Ltd., officially launched its Western Union money Transfer service in Kamakwie, in the Northern region of Sierra Leone on 12th December 2009, bringing the total number of UTB/Western Union Money Transfer Services in the country to 27. The Executive Board of the International Monetary Fund (IMF) completed the fifth review of Sierra Leone's economic performance under the Poverty Reduction and Growth Facility (PRGF) arrangement on 16th December 2009. Following the

cement continued to grow during the review month, increasing by 13.31 percent to 18.90 thousand metric tons up from 16.68 thousand metric tons in November 2009. However, the production of paint fell by 82.27 percent to 2.99 thousand gallons in December 2009, from 16.86 thousand gallons in November 2009. Acetylene production level increased slightly by 8.08 percent to 14.05 thousand cubic feet in December 2009 up from 13.00 thousand cubic feet in November 2009. Oxygen production increased by 7.80 percent to 22.10 thousand cubic feet in December 2009, up from 20.50



**Table 3 Government Finances**

		Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
<b>Total Revenue (Plus Grants)</b>	Le Mn	89356	77642	40621	102168	55344	59408	64119	99911	119024	69790	61373	56500	190394
Domestic Revenue	Le Mn	59404	47233	40621	55558	54666	59408	63924	58595	59176	67095	53102	52989	75032
Customs & Excise	Le Mn	32284	29990	25375	30959	30690	41699	38884	39052	32940	35019	31631	31972	43418
Income Tax Dept	Le Mn	17610	14345	10506	19932	12162	12658	17409	15725	15870	17148	15307	12824	24172
Miscellaneous	Le Mn	9510	2898	4740	4667	6414	5051	7631	3818	10365	14928	6164	8193	7442
<b>Programmed Funds (Grants)</b>	Le Mn	29952	30409	**	46610	678	**	195	41316	59849	2695	8271	3511	115362
Fund of which														
HIPC	Le Mn	**	669	**	2198	678	**	195	770	**	2695	6749	**	253
Others*	Le Mn	29952	29740	**	44412	**	**	**	40546	59849	**R	1522R	35111	115108
<b>Total Expenditure</b>	Le Mn	88916	33982	77070	60439	78411	74819	90975.81	97152.15	83030	132370	85586	89759	149768
Pensions, Wages & Salaries	Le Mn	29779	17944	35321	28065	28210	42401	37486	28060	30100	33044	35890	33321	42027
Other Expenditures	Le Mn	43270	8471	31457	27550	35962	27003	40239	50642	39291	87579	31875	48070	84147
Debt Service Payment	Le Mn	15867	7567	10292	4824	14239	5415	13250.81	18450.15	13639	11747	17821	8368	23594
Domestic	Le Mn	12087	6898	9170	4824	5863	5415	8422.33	7756	8650	5862	9388	8209	16956
Foreign	Le Mn	3780	669	1122	**	8376	**	4828.48	10694.15	4989	5885	8433	159	6637
<b>Overall Deficit/Surplus</b>	Le Mn	440	43660	-36449	41729	-23067	-15411	-26856.81	2759	35995	-62580	-24213	-33259	40626
<b>Total Financing</b>	Le Mn	-440	-43660	36449	-41729	23067	15411	26857.48	-2759	-35995	62580	24213	33259	-40626
<b>Bank Financing</b>	Le Mn	1141	-2417	6376	12151	-7916	-306	23044	-9455.23	-12851	46544	24420	34652	-39771
Bank of Sierra Leone	Le Mn	4336	-5286	5218	7782	6620	-2337	28374	-3847.63	-32185	51526	38157	70099	-29616
Commercial Banks	Le Mn	-3195	2869	1158	4369	-14536	2031	-5330	-5607.6	19334	-4982	-13737	-35447	-10155
<b>Non-Bank Financing</b>	Le Mn	-2406	2417	-6375	-12151	7916	306	-1803	6689.7	-5625	-1483	-206	-1393	-13448
<b>Treasury Balance</b>	Le Mn	825	-43660	36448	-41729	-23067	15411	5616.482	-17519	-17519	-1	-1	**	-26235
<b>Foreign Finance</b>	Le Mn	**	**	**	**	**	**	**	**	**	**	**	**	38826

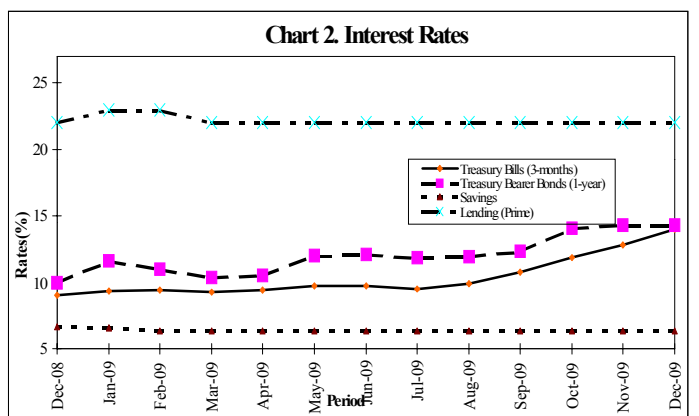
Sources: Customs and Excise Department, Income Tax Department, Bank of Sierra Leone  
 \*\*\* - chinese loan wrongly posted in Sept and reversed in Oct 2009

thousand cubic feet in November 2009. Confectionery and flour production levels declined by 73.80 percent and 20.83 percent to 75.59 thousand pounds and 0.76 thousand metric tons respectively, in December 2009. Common soap recorded an increased production of 56.49 percent to 78.87 thousand metric tons. The decline in confectionery and flour production was due to stock carried forward from the preceding months. The increased production of common soap was driven by the need for stock replenishment. Production levels for most minerals increased with the exception of diamond and bauxite. Total caratage of diamond exported, as reported by the Gold and Diamond Department (GDD) fell by 10.12 percent to 25.14 thousand carats in December 2009 down from 27.97 thousand carats in November 2009. Bauxite production also declined by 9.95 percent to 91.96 thousand metric tons. Rutile, ilmenite and gold recorded increased production of 22.27 percent to 9.06 thousand metric tons, 54.10 percent to 1.88 thousand metric tons and 132.75 percent to 820.23 ounces, respectively. The total units of electricity generated during the review period increased by 54.04 percent to 9.92 GW/hr from 6.44 GW/hr due largely to the commencement of operation of the Bumbuna Hydroelectric plant in the review month. The general level of prices as measured by the National Consumer Price Index on a year-on-year basis increased to 211.96 in December 2009 from 207.56 in November 2009, indicating a year-on-year inflation rate of 12.22 percent. The year-on-year inflation rate for Freetown

increased to 10.70 percent in December 2009 from 9.69 percent in November 2009. Monthly inflation rate in Freetown declined to 1.12 percent in December 2009 from 1.45 percent in November 2009.

**Fiscal Operations**

Government fiscal position in December 2009 registered an overall surplus of Le40.63bn, compared to a deficit of Le33.26bn for November 2009. Total revenue (including grants) in December 2009 was Le190.39bn, exceeding collections in the preceding and corresponding months by Le56.50bn and Le89.36bn, respectively. Receipts from grants were significant and contributed 60.59 percent to total collections while domestic revenue contributed 39.41 percent. Total domestic revenue collected was Le75.03bn. Customs and Excise duty was the highest contributor (57.87%) followed by Income Tax (32.22%). In comparison to the



**Table 4. Monetary Aggregates**

		Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
<b>Reserve Money (RM)</b>	Le Mn	466801	437454	454076	455262	451156	467138	457826.88	480394	462915	468204	504427	505410	563032
<b>Broad Money (M2)</b>	Le Mn	1321241	1326183	1372842	1360703	1387778	1357353	1359844	1418316	1452633	1498651	1601741	1642538	1697088
<b>Narrow Money (M1)</b>	Le Mn	666668	675031	695656	682087	684231	684266	662085	700461	697782	735062	760777	757846	808358
Currency in Circulation	Le Mn	340355	336816	337449	335046	323220	336123	323084	333161	334818	347070	363020	388072	420921
Demand Deposits	Le Mn	326313	338215	358207	347041	361011	348143	339001	367300	362964	387992	397757	369774	387438
<b>Net Claims on Government</b>	Le Mn	246554.29	194835.69	236078	208994	215859	192450	216604	189494	166121	238118	264453	280377	225374
BSL <sup>A</sup>	Le Mn	39440.29	-10086.31	26558.042	-424.7723	22206	37729.8	73073.53	63128	19094	91081	122628	188767	144030
DMB	Le Mn	207114	204922	209520	209419	193653	154720.5	143530.35	126348	147027	147037	141825	91610	81344
<b>Claims on Private Sector</b>	Le Mn	413439	446984	469811	480909	476120	484016	496652	509876	531432	556231	564095	592237	600982
Of Which: Commercial Banks**	Le Mn	406427	438763	461405	472722	466202	473374	486708	499323	521644	546949	555479	584120	594073
<b>Net Foreign Assets</b>	Le Mn	832240	831467	792727	802345	818514	799429	806587	850547	1365127	1308660	1436345	1495632	1541759
<b>Other Items (Net)</b>	Le Mn	170992.29	147103.69	125774	131545	122715	118542	159999	131583	610047	604358	662152	725708	671027

<sup>A</sup>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**

		Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
<b>Treasury Bills (3-months)</b>	%	9.06	9.35	9.39	9.29	9.41	9.72	9.72	9.504	9.85	10.75	11.88	12.79	13.99
<b>Treasury Bearer Bonds (1-yr.)</b>	%	13.02	12.46	12.26	11.24	11.70	12.04	12.06	11.89	11.95	12.32	14.08	14.38	14.33
<b>Deposits</b>														
Savings	%	6.65	6.58	6.37	6.35	6.35	6.35	6.35	6.35	6.35	6.32	6.31	6.32	6.32
1 - 3 month	%	9.67	9.51	9.51	9.31	9.17	9.17	9.17	9.17	9.17	8.87	8.70	8.87	8.87
3 - 6 month	%	10.58	10.45	10.04	9.88	9.73	9.73	9.73	9.73	9.61	9.45	9.42	9.45	9.45
6 - 9 month	%	10.42	10.10	9.33	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25
9 - 12 month	%	12	11.86	10.72	11.46	11.21	11.21	11.21	11.21	11.05	10.82	10.77	10.84	10.84
<b>Lending (Prime)</b>	%	22-30	23-30	23-30	22-29	22-29	22-29	22-29	22-29	22-29	22-29	22-29	22-29	22-29

Source: Bank of Sierra Leone

preceding month, domestic revenue receipts increased by Le22.04bn (41.60%). Receipt from miscellaneous sources dropped by Le751mn (9.16%) to Le7.44bn in December 2009, down from Le8.19bn in November 2009. Total outlays in December 2009 amounted to Le149.77bn, with expenditures on goods and services accounting for Le84.15bn (56.18%), followed by expenditures on wages and salaries Le42.03bn (28.06%). In relation to the preceding month, expenditures increased by Le60.01bn (66.86%) and were evident in all expenditure streams.

**Monetary Developments**

Movements in Monetary aggregates during the month of December 2009 were expansionary. Narrow Money (M1), Broad Money (M2) and Reserve Money (RM) expanded by Le50.51bn (6.67%), Le54.55bn (3.32%) and Le57.62bn (11.40%) to Le808.36bn, Le1,697.09bn and Le563.03bn, respectively. The increases in Currency in Circulation (Le32.85bn) and Demand deposits (Le17.66bn) accounted for the expansion in M1. The growth in M2 resulted from the rise in M1 (Le50.51bn), Savings Deposits (Le14.67bn) and Time Deposits (Le3.00bn), which outweighed the Le12.13bn (2.70%) reduction in Foreign Currency Deposits. Growth in Reserve Money was mainly on account of the increase in Currency Issued (Le55.00bn). Over the one year period, M1, M2 and RM grew by 21.25, 28.45 and 20.61 percent, respectively. Net Claims on Government by the Banking sector contracted by Le55.00bn (19.62%) to Le225.37bn, due to declines in Net Claims on Government by both the Bank of Sierra Leone (Le44.74bn) and the commercial banks



(Le10.27bn), respectively. The reduction in Net Claims on Government by the Bank of Sierra Leone was due to disbursements of external budgetary support during the review period which was used to repay Ways and Means Advances to the tune of about Le80.00bn out of the Le102.53bn accumulated up to November 2009. The remaining Ways and Means Advances were converted to 1-year Treasury Bills, thereby increasing the stock of holdings of Treasury Bills by Le52.50bn. Bank of Sierra Leone holdings of Government deposits also declined by Le6.91bn to Le22.35bn. Net Claims on Government by the commercial banks contracted as a result of the reduction in their holdings of 1-year Treasury Bills (Le8.45bn) and 6-months Treasury Bills (Le7.93bn). The decrease was however moderated by the Le6.23bn increase in their holdings of 3-months Treasury Bills. Claims on Private Sector by the Commercial Banks increased by Le9.95bn (1.70%) to Le594.07bn in December 2009. The average interest rate structure during the review period for Savings, 3-months, 6-months, 9-months, 12-months Time Deposits, 1-year Treasury Bills and 1-year Treasury Bonds remained unchanged at 6.32 percent, 8.87 percent, 9.45 percent, 9.25 percent, 10.84 percent, 14.33 percent and 12.00 percent, respectively. Lending rate on overdraft remained stable at a range of 22-29 per cent. The average annual yield on 3-months Treasury Bills increased by 120 basis points to 13.99 per cent, while 6-months treasury Bills decreased by 4 basis points to 12.21 per cent.

**Table 6. EXCHANGE RATES (Average Monthly Buying)**

		Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
<b>Leone to Dollar</b>														
Official	Le/\$	2999.63	3017.15	3031.72	3072.71	3123.37	3166.06	3220.88	3280.79	3461.25	3558.03	3662.70	3708.89	3845.97
Comm. Banks	Le/\$	2996.16	3005.91	3016.76	3062.13	3126.18	3164.28	3236.35	3274.67	3486.91	3557.04	3665.81	3783.28	3823.90
Bureaux	Le/\$	2991.48	3008.57	2995.70	3007.96	3032.45	3023.95	3037.55	3132.24	3305.94	3700.70	3741.56	3792.76	3872.54
Parallel Market	Le/\$	3037.90	3059.29	3089.70	3145.09	3177.21	3219.52	3283.32	3432.87	3728.90	3905.19	3998.14	4079.88	3996.14
<b>Leone to Pound<sup>R</sup></b>	Le/£	4474.80	4359.25	4370.63	4354.07	4589.58	4864.94	5264.38	5460.51	5725.37	5816.69	5925.34	5965.55	6245.32

Source: Bank of Sierra Leone

**Table 7. EXCHANGE RATES (**