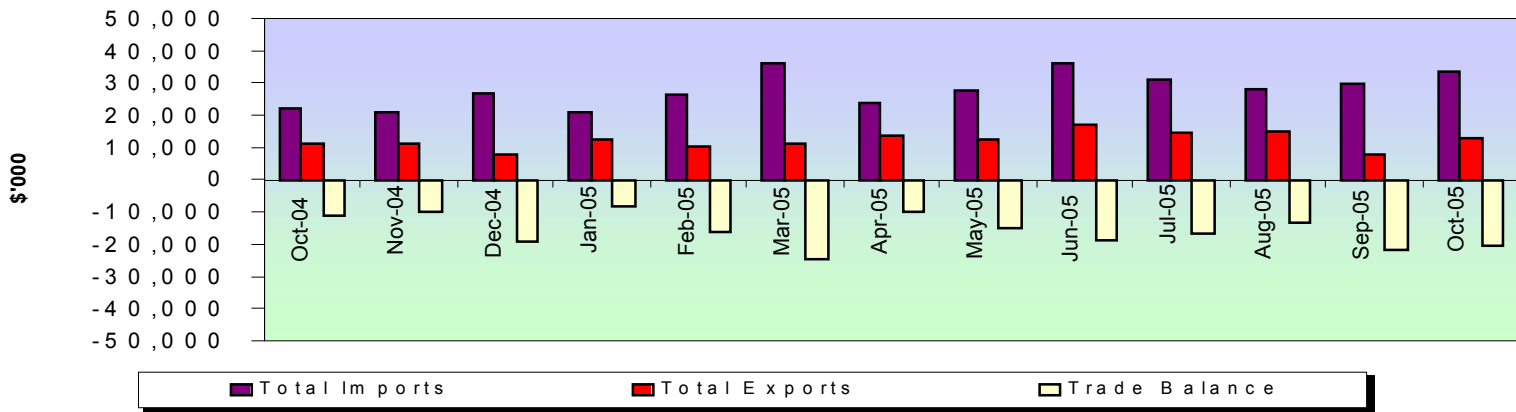




Chart 4. External Trade



Overview

During the month of January 2006, the country received further boost to its existing good relationship with the international community. On 1st January 2006, the United Nations Mission in Sierra Leone (UNAMSIL), which ended its mandate in December 2005, was replaced with the United Nations Integrated Office in Sierra Leone (UNIOSIL). The mandate of the new office presents an integrated approach, embracing inter alia, providing assistance to the Sierra Leone Government in, capacity building of State institutions, enhancing good governance, transparency and accountability, strengthening the

in response to increased customer demand. Increases were also observed in the output levels for common soap and confectionery, in respective magnitudes of 4.00 thousand metric tons (9.53%) to 45.96 thousand metric tons and 7.41 thousand pounds (7.11%) to 111.68 thousand metric tons, attributed mainly to increased availability of raw materials. In contrast, production levels for beer & stout, soft drinks and flour dropped by 12.37 thousand cartons (13.39%) to 80.00 thousand cartons, 51.26 thousand crates (21.79%) to 183.99 thousand crates and 0.39 thousand metric ton (21.67%) to 1.41 thousand metric tons respectively, due to a decline in customer demand following the end of the festive season in December. Production of paint

period. The average annual yield on Treasury Bills dropped by 59 basis points to 19.82 per cent, while the average interest rate on Treasury Bearer Bonds was constant at 19.00 per cent. The minimum and maximum lending rates also remained the same at 24.00 and 30.00 per cent respectively, during the review period.

Exchange Rates

In the month of January 2006, the Leone recorded an appreciation in the average monthly buying rate against the United States Dollar, in almost all the foreign exchange markets except the official market, where it registered a slight depreciation during the period. The average monthly selling rates also appreciated in the bureaux and parallel market but registered depreciations in the other markets. The appreciation in the rates may be attributed to the huge inflow of donor funds in the fourth quarter of 2005, as well as the increase in foreign currency flows from visitors to the country during the festive season in December 2005. The average monthly buying exchange rate at the parallel market registered the highest appreciation (0.28%) at Le3,019.60/US\$1, followed by the commercial banks (0.08%) at Le2,900.91/US\$1 and the bureaux (0.06%) at Le2,886.89/US\$1. The average official buying rate however, depreciated by 0.12 per cent to Le2,901.66/US\$1 in January 2006. On the selling front, the average monthly



auction rate depreciated the highest (0.75%) from Le2,914.12/US\$1 to Le2,936.00/US\$1. The official and commercial banks rates followed next, depreciating by 0.12 per cent and 0.05 per cent respectively to Le2,960.28/US\$1 and Le2,956.82/US\$1. The bureaux and parallel market average monthly selling rates however, appreciated during the period, by 0.27 per cent and 0.60 per cent to Le3,007.46/US\$1 and Le3,038.80/US\$1, respectively. The premium between the official and parallel market buying rates narrowed by 4.06 per cent to Le117.94/US\$1 from Le129.78/US\$1 in December 2005.



International Reserves

The gross external reserves of the Central Bank at end January 2006 stood at US\$174.52mn, indicating an increase of 2.37 per cent (US\$4.04mn) when compared to 170.48mn recorded in December 2005. This was due to total inflows of US\$8.95mn during the month outweighing total outflows of US\$4.91mn. Significant inflows during the month included US\$7.73mn, being disbursement of funds by the African Development Bank under the ERRP III project and (US\$0.55mn) being interest earned on customer transfers and interest earned on various investments. Major outflows were in respect of Embassy/Mission payments (US\$0.54mn), foreign exchange utilized under the Bank of Sierra Leone Auction Scheme (US\$2.88mn) and payment in favour of Rotek Industries, due after the arrival of the Diesel Generating Plant (US\$0.58mn).

Table 1: PRODUCTION. Columns: Jan-05, Feb-05, Mar-05, Apr-05, May-05, Jun-05, Jul-05, Aug-05, Sep-05, Oct-05, Nov-05, Dec-05, Jan-06. Rows: Minerals (Diamonds, Agriculture), Manufactured Goods (Beer and Stout, Maltina, Softdrinks, Cement, Common Soap, Paint, Acetylene, Oxygen, Confectionery).

Table 2: INFLATION RATES. Columns: Jan-05, Feb-05, March, Apr-05, May-05, Jun-05, Jul-05, Aug-05, Sep-05, Oct-05, Nov-05, Dec-05, Jan-06. Rows: Monthly Inflation Rate, Inflation Rates (Yr-on-Yr), Consumer Price Index.

security sector, consolidating peace and conducting a free, fair and credible electoral process in 2007. In another development, the country received an amount of US\$7.73mn (about Le22.49bn) grant from the African Development Bank (AfDB) for budgetary support under the third Economic Rehabilitation and Recovery Programme (ERRP III). Also during the month, the Government of the Islamic Republic of Iran, as part of its assistance to the people of Sierra Leone, embarked on a US\$150,000 rehabilitation project of the former Macauley Street Satellite Clinic in the south-end of the capital city, with the aim of upgrading it to a modern hospital. The rehabilitation work is to complement government's effort in providing affordable medical services for the needy nationwide. On the 30th January 2006, the President Alhaji Dr Ahmad Tejan Kabba, formally opened the new office of the European Commission Delegation at Regent village, in the west-end of Freetown, signaling further consolidation of the country's mutual cooperation with the European Union. Monetary aggregates contracted during the month, while the monthly fiscal balance registered a surplus of Le14.96bn, mainly due to a marked contraction in expenditure. The monthly average buying rate of the Leone to the US Dollar appreciated in almost all the foreign exchange channels and the gross external reserves of the Central Bank increased to US\$174.52mn in January 2006, from US\$170.48mn at end December 2005. The monthly inflation rates for Freetown, Bo, Kenema and Makeni were 0.10, 0.58, -0.35 and 3.46 per cent, respectively.

and cement also recorded declines by 23.07 thousand gallons (61.92%) to 14.19 thousand gallons and 3.58 thousand metric tons (17.74%) to 16.60 thousand metric tons. In the case of paint, the decrease was largely due to continued competition from imported brands, while the drop in cement output reflected the decline in reconstruction and repair activities. The volume of diamonds shipped during the month, as recorded by the Gold and Diamond Department (GDD), slumped by 38.30 thousand carats (56.31%) to 29.72 thousand carats, from 68.02 thousand carats in December 2005. It was also significantly (48.18 per cent) lower than 57.35 thousand carats shipped in January 2005. Of the total shipped, industrial diamonds accounted for 14.28 thousand carats, down by 66.26 per cent over the month, while gem diamonds recorded a decrease of 39.90 per cent, at 15.44 thousand carats. The



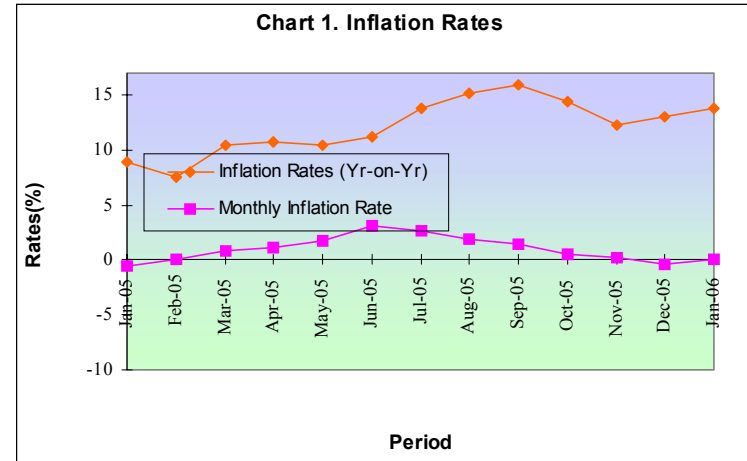
Table 9: EXTERNAL TRADE. Columns: Oct-04, Nov-04, Dec-04, Jan-05, Feb-05, Mar-05, Apr-05, May-05, Jun-05, Jul-05, Aug-05, Sep-05, Oct-05. Rows: Total Imports o/w (Rice, Petroleum Products, others), Total Exports o/w (Diamonds, Cocoa, Coffee, Others, Re-exports), Trade Balance, Vol. of Imports (Rice, Petroleum Products), Vol. of Exports (Diamonds, Cocoa, Coffee), External Reserves.

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

Research Department Published March 2006

Real Sector

Real sector output showed a mixed performance in the month of January 2006. In the manufacturing sub-sector, production of maltina, acetylene and oxygen rose by 0.32 thousand cartons (1.93%) to 16.93 thousand cartons, 20.20 thousand cubic feet (145.32%) to 34.10 thousand cubic feet and 106.24 thousand cubic feet (703.58%) to 121.34 thousand cubic feet respectively,



	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Total Revenue (Plus Grants)	31318	23753	47282	29148	34381	53269	33253	73813	43344	40889	85730	133648	57002
Domestic Revenue	24639	22933	34020	26042	26272	46648	30278	30889	41083	26210	28821	37475	30779
<i>Customs & Excise</i>	16855	15479	18790	16820	20001	23129	19397	20763	19158	18898	19568	21478	20881
<i>Income Tax Dept</i>	5544	4702	13006	5392	6918	13339	7472	7155	18132	5489	6261	11640	6795
<i>Miscellaneous</i>	2240	2752	2224	3830	2353	10180	3409	2971	3793	1823	2992	4357	3104
Programmed Funds (Grants)	6679	820	13262	3106	5109	6621	2975	42924	2261	14679	56910	96173	26223
Fund of which													
<i>HIPC</i>	6679	820	2346	3106	5109	6621	2975	799	2261	14679	6194	10348	3730
<i>Others*</i>	**	**	10916	**	**	**	**	42125	**	**	50715	85825	22493
Total Expenditure	48653	48456	56761	54075	63597	45958	39215	74393	61689	49874	71931	83207	42044
<i>Pensions, Wages & Salaries</i>	12373	15304	16279	16425	17265	23788	12707	20030	22884	14812	35594	20902	20650
<i>Other Expenditure</i>	18427	11265	22132	22237	27729	7087	8640	34822	27459	15693	24489	38840	10135
<i>Debt Service Payment</i>	17853	21887	18350	15413	18603	15083	17868	19541	11346	19369	11847	23465	11259
<i>Domestic</i>	8025	7756	9118	9430	9769	9926	8003	8292	7455	6893	8480	8900	6681
<i>Foreign</i>	9828	14131	9232	5983	8834	5157	9865	11249	3891	12476	3368	14565	4578
Overall Deficit/Surplus	-17335	-24703	-9479	-24927	-29216	7311	-5962	-580	-18345	-8985	13800	50441	14958
Total Financing	17335	24703	9479	24927	29216	-7311	5962	580	18345	8985	-13800	-50441	-14958
<i>Bank financing</i>	-4826	15835	-4017	17763 ^u	20662	-5420 ^u	27962	12740	23073	6215	-15420	2849	-4255
<i>Bank of Sierra Leone</i>	-10177	11264	312	22295	13385	-218	-36465	-14479	7682	1083	-35735	7077	-21903
<i>Commercial Banks</i>	5351	4571	-4329	-4532 ^u	7277	-5202	8503	1739	15391	5132	20315	-4228	17648
<i>Non-Bank Financing</i>	4826	53	13496	7164 ^u	8554	-1891	3898	13320	-4728	2770	9930	806	4255
<i>Treasury Balance</i>	17335	8815	0	0	0	0	0	0	0	0	-8310	-54096	-14958
<i>Foreign Finance</i>	0	0	0	0	0	0	30026	0	0	0	0	0	0

Sources: Customs and Excise Department, Income Tax Department, Bank of Sierra Leone
* - Includes Japan Debt Relief and other grants not included in the list above

marked drop in output reflected the significant decline in mining activities during the month. There were no official statistics on agricultural production for the month. The total units of electricity generated during the month, dropped slightly by 0.92 GW/hr (18.92%) to 4.11GW/hr, due to frequent maintenance of the generating plant. The monthly inflation rate for Freetown, Bo and Makeni recorded 0.10 per cent, 0.58 per cent and 3.46 per cent respectively, from -0.44 per cent, -0.38 per cent and -0.38 per cent in the preceding month. The rise in the inflation rates for Freetown and Makeni was mainly due to increases in the prices of food products such as fish, cereals, vegetables and fruits, sugar, salt and condiments, coffee, tea and cocoa. The increase in the rate for Bo Town was influenced by increases in the prices of non-food products such as women's clothing, footwear, charcoal and furniture. The inflation rate however dropped in Kenema to -0.35 per cent from 0.90 per cent in December 2005. The drop was due to marginal decreases in the prices of non-food products (1.27%), which more than offset the increases in the prices of food products (0.26%) and beverages and tobacco (0.73%). The prices of all non-food products decreased in Kenema, except for entertainment and transport, for which price increases were recorded during the review period.

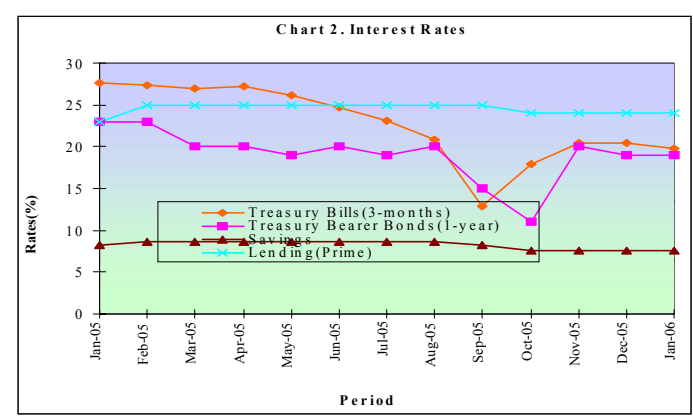
Fiscal Operations

Total revenue (including grants) recorded at Le57.00bn, was 11.38 per cent and 11.38 per cent above its monthly programme target of Le51.18bn and Le31.32bn indicated for January 2005, respectively. The higher than expected receipts was the effect of an African Development Bank (AfDB) grant of Le22.49bn, received during the month, in respect of the Economic Rehabilitation and Recovery Programme III (ERRP III) for budgetary support. Total domestic revenue of Le30.78bn reflected a shortfall of 11.37 per cent on the monthly programme target of Le34.73bn but was 24.92 per cent above the corresponding month's receipts in 2005. When compared to collections in January 2005, receipts from Customs & Excise at Le20.88bn (accounting for 67.87 per cent of total domestic revenue) increased by 23.88 per cent and was also 7.01 per cent above the programme estimate of Le19.51bn. Revenue from Income Tax (Le6.80bn) and Miscellaneous Items

	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Reserve Money (RM)	242160	239965	259031	268132 ^u	265801	260228	248952	260011	259225	253231	261864	304002	284664
Broad Money (M2)	548290	552401	611316 ^u	617978 ^u	606568	628178	609698	634776	640648	638929	671510	724220	711286
Narrow Money (M1)	326500	328812	363601 ^u	368190 ^u	368658	358132	346028	364240	373249	362004	394625	424215	416194
<i>Currency in Circulation*</i>	192554	195778	200999	205261	206130	205074	200996	199379	205908	204916	213713	231274	217916
<i>Deposits</i>	133946	133034	162602	162929 ^u	162528	153058	145032	164861	167341	157088	180912	192941	198278
Net Claims on Government	186544	210035 ^u	222023	236622 ^u	256129	254773	222292 ^u	207543	230350	229908	212102	159417	329601
<i>Net Claims on Govt (BSL)^u</i>	59653	81134 ^u	84393	105378	117233	120483	81339 ^u	68059	75071	76720	34220	11793	47895
<i>Net Claims on Govt (DMB)</i>	126891	128901	137630	131244	138896	134290	140953	139484	155279	153188	177882	171210	186208
Claims on Private Sector*	153844	148971	158524	163669	171143	169208	170536	184168	181668	179060	178428	185780	191288
<i>Of Which: Claims on Private sector by DMB</i>	141635	142353	151760	154466	156572	165703	167401	169354	171623	171923	171862	167543	171378
Net Foreign Assets*	-96672	-110612 ^u	-82487	-83407 ^u	-123454	-98475	-90579	-58456	-70328	-65118	-13423	85928 ^u	79890
Other Items (Net)	-304574	-304007 ^u	-313256	-301094 ^u	-302750	-302672	-307449 ^u	-305309	-296458	-295079	-294403	-293646	-301795

Source: Bank of Sierra Leone
^u Excludes government securities issued on behalf of BSL and HIPC Deposits
^u Revised data

(Le3.10bn) indicated increases of 22.56 per cent and 38.57 per cent respectively, on their corresponding levels in 2005 but were however, below their respective monthly programme targets by 42.53 per cent and 8.52 per cent. Total grants for the month was in respect of the Le22.49bn AfDB grant and HIPC debt relief assistance of Le3.73bn. Total expenditure amounting to Le42.04bn was Le6.61bn (13.58 per cent) and Le26.80bn (38.93 per cent) below its January 2005 level and the monthly programme target for 2006, respectively. The decline in total expenditure could largely be attributed to the squeeze on expenditure, in line with Government's effort to streamline spending on the basis of budget allocations. Payments on Pensions and Wages & Salaries were, however Le8.28bn (66.90 per cent) higher than in January 2005, due to an increase in the payroll for the police force and government workers' salaries. Significant treasury expenditure on goods and services in the month were in respect of fuel supply to Government departments, defence expenditure and allocations to local governments and the National Electoral Commission (NEC). The overall fiscal balance was a surplus of Le14.96bn, which was transferred to the treasury balance for the month. The commercial banks and the non-bank public increased their holdings of securities by Le17.65bn and Le4.26bn, respectively, while the Central Bank reduced its holdings of



	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Treasury Bills (3-months)	27.67	27.30	26.89	27.25	26.18 ^u	24.68	23.06	20.89	12.92	17.98 ^u	20.50	20.41	19.82
Treasury Bearer Bonds (1-year)	23.00	23.00	20.00	20.00	19.00	20.00	19.00	20.00	15.00	11.00	20.00	19.00	19.00
Deposits													
<i>Savings</i>	8.25	8.57	8.57	8.57	8.57	8.57	8.57	8.57	8.20	7.63	7.63	7.63	7.63
1-3 month	10.86	11.34	11.36	11.36	11.36	11.36	11.36	11.36	11.13	10.43	10.43	10.43	10.43
3-6 month	11.78	12.11	12.07	12.07	12.07	12.07	12.07	12.07	11.84	11.14	11.14	11.14	11.14
6-9 month	12.70	12.70	12.70	12.70	12.70	12.70	12.70	12.70	12.38	11.40	11.40	11.40	11.40
9-12 month	13.59	13.89	13.83	13.83	13.83	13.83	13.83	13.83	13.57	12.83	12.83	12.83	12.83
Lending (Prime)	23-31	25-31	25-31	25-31	25-31	25-31	25-31	25-31	25-31	24-31	24-30	24-30	24-30

Source: Bank of Sierra Leone

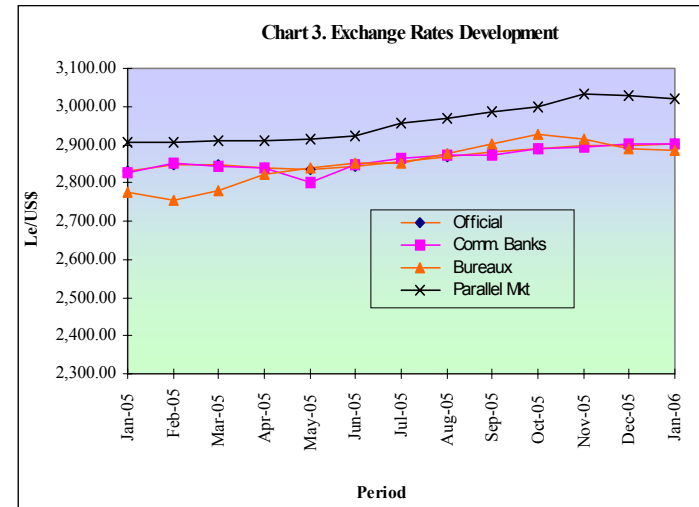
securities by Le21.90bn.

Monetary Developments

Broad Money (M2), Narrow Money (M1) and Reserve Money (RM) declined by Le12.93bn (1.79%), Le8.02bn (1.89%) and Le19.34bn (6.36%) to Le711.29bn, Le416.19bn and Le284.66bn, respectively. The contraction in M2 resulted mainly from the decreases in M1 and the Foreign Currency Deposits of the commercial banks (Le8.52bn). The reduction in M1 was due to the Le13.36bn decrease in Currency in Circulation, which more than outweighed the Le5.34bn rise in Demand Deposits. RM dropped as a result of the decrease of Le23.75bn in Currency Issued. Following the December 2005 festivities, commercial banks, mainly Standard Chartered Bank Limited, Rokel Commercial Bank Limited and Guaranty Trust Bank Limited, made substantial deposits at the Central Bank during the review period, leading to the cutback in Currency in Circulation. Net Claims on Government by the banking system contracted by Le21.10bn (13.24%) to Le138.31bn and was on account of the Le36.10bn drop in Net Claims on Government by the Central Bank, which was moderated by the increase of Le15.00bn in Net Claims on Government by the commercial banks. The decline in Net Claims on Government by the Central Bank was due to the respective decreases in its holdings of Treasury Bills (Le14.76bn) and Treasury Bearer Bonds (Le7.15bn), coupled with the increase



of Le15.24bn in Government Deposits at the Bank. The growth in Net Claims on Government by the commercial banks was mainly on account of the Le17.37bn increase in their Treasury Bills holdings. The average interest rates on Savings Deposits, 3 months, 6 months, 9 months and 12 months Time Deposits remained unchanged at 7.63, 10.43, 11.14, 11.40 and 12.83 per cent respectively, during the



	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06
Leone to Dollar													
<i>Official^R</i>	Le/\$	2832.38	2845.31	2846.88	2837.01	2834.78	2842.00	2856.04	2870.26	2879.15	2888.75	2897.52	2898.22
<i>Comm. Banks</i>	Le/\$	2825.37	2850.00	2842.10	2837.00	2799.88	2847.06	2862.61	2870.70	2872.71	2888.59	2895.32	2903.30
<i>Bureaux</i>	Le/\$	2775.17	2753.57	2779.47	2820.76	2840.71	2849.68	2849.93	2878.51	2900.18			