

Economic and Budget Brief

Introduction

The Parliamentary Budget Office (PBO) was established in 2017, pursuant to Section 13(1) of the Parliamentary Service Act of 2007, with the aim of maintaining a high quality research, and studies to provide information on economic and financial interests, advise the Legislature on budget matters, and support the legislative process through the costing of proposals initiated by the Executive arm of Government. The above is achieved through the deployment of many processes and procedures such as preparing analysis and briefs relating to the economy and public finances, analysing government budget policies and intentions, and assist in strengthening the work of Parliamentary committees responsible for budget oversight.

This Quarterly Economic and Budget Brief published by the PBO is intended to update Members of Parliament (MPs) on recent macroeconomic, fiscal and budgetary developments. It utilises published and official data and reports provided by the Ministry of Finance, the Bank of Sierra Leone, Statistics Sierra Leone and where applicable, other institutions. The focus of the analysis is for the period April to June 2024.

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# Macroeconomic Developments

## Exchange Rate

The analysis shows how the Leone against the US dollar in April 2024 appreciated at the official rate slightly by 0.01% averaging NLe22.51/US\$, commercial banks 0.09% averaging NLe22.47/US\$ , in bureau market it depreciated by 0.20% averaging NLe 22.48/US\$, and parallel market percentage remain the same averaging NLe 23.66/US\$. On the selling side both the official and commercial rate appreciated in the market and the parallel and bureau market remained unchanged in April 2024.

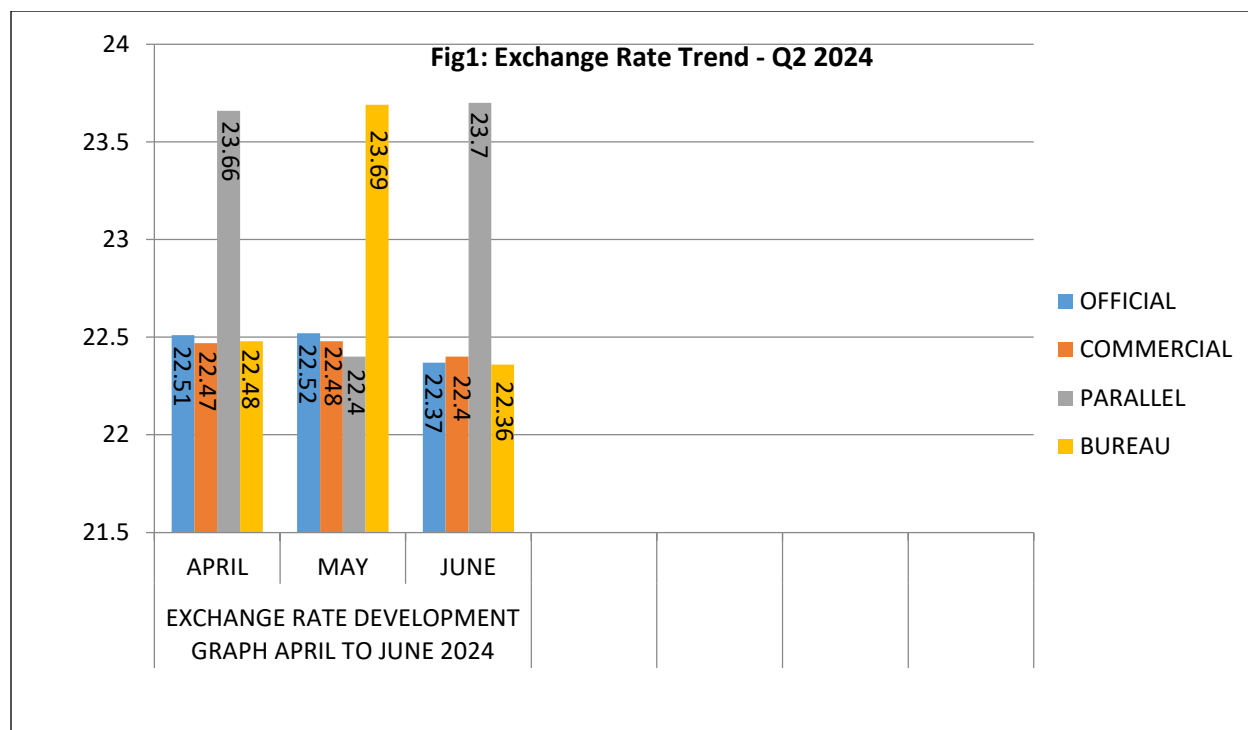
The BSL mid-rate from March to April 2024 depreciated marginally by 0.04%. The premium between the official and parallel rates increased slightly to 5.12% NLe1.158 per US dollar in April 2024 from 5.11% NLe1.156 per US dollar in March 2024.

In May 2024, the Leone at BSL depreciated slightly by 0.03% averaging NLe22.52/US\$, 0.05% in the commercial banks averaging NLe22.48/US\$, 0.14% in the parallel averaging NLe22.48/US\$ and the bureau was stable with an average NLe23.69/US\$.

On the selling side, the official rate was unchanged, commercial banks and parallel rate depreciated, and the bureau market appreciated. On a month-on-month basis, the BSL mid-rate appreciated marginally by 0.09% in May 2024 compared to 0.04% depreciation in April 2024. The premium between the official and parallel rates increased to 5.35% averaging NLe1.21 per US dollar in May 2024 from 5.12% NLe1.16 per US dollar in April 2024

For June 2024, the Leone against the official rate appreciated by 0.65% averaging NLe 22.37/US\$, commercial 0.36% averaging NLe22.40/US\$, bureau 0.51% averaging NLe22.36/US\$ and parallel depreciated slightly by 0.05% averaging NLe23.70/US\$.

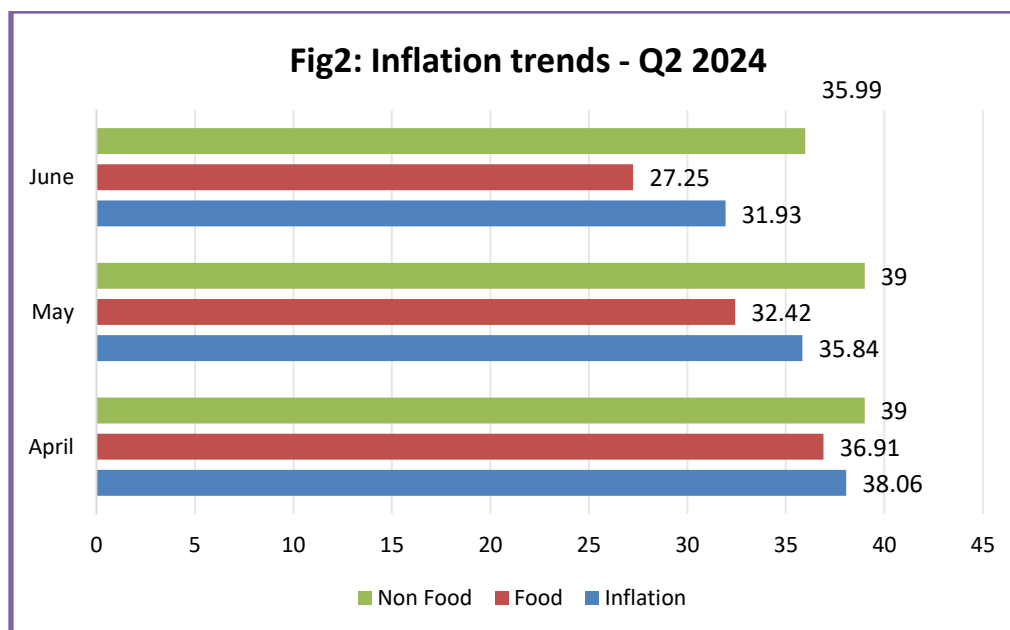
On the selling side, the Leone appreciated at all four markets the official, commercial, bureau and parallel. On a month-on-month basis, the BSL mid-rate appreciated marginally by 0.58% in June compared to 0.09% depreciation in May 2024. The premium between the official and parallel rates increased to 5.74% NLe1.29 per US dollar in June 2024 from 5.35% NLe1.21 per US dollar in May 2024.



Source: Bank of Sierra Leone

## Inflation

- The second quarter of 2024 inflation has declined by 4.99 percent in April 2024 . Inflation was 43.05 percent in April 2023 vs 38.06 percent in April 2024.
- In April inflation slight increased by 1.4 percent from 41.65 percent in March to 43.05 percent in 2024. Food inflation for April 2024 was 36.91 percent,down by 4.37 percent in March 2024. Non-food inflation was 39.00 percent in April 2024 from 40.23 percent in March 2024,down by 1.23 percent.
- May inflation decreased by 2.21 percent from 38.05 percent in April to 35.84 percent in May 2024. Food and non-food inflation was 36..49 and 49.26 percent respectively; which indicated a decrease by 4.97 percent and increased 8.36 percent in April 2024.
- In June, inflation had decreased from 35.84 percent in May to 31.93 percent; which shows a decline of 3.91 percent. On the other hand, food inflation for June was 27.25 percent,down by 5.17 percent from 32.42 percent in May 2024. Non- food inflation was 35.99 percent in June 2024 from 38.77 percent in May 2024,down by 2.78 percent.
- The rise and fall in inflation rate is as a result of the global crisis in the world.



Source: PBO calculations based on Statistics Sierra Leone data

- The monthly consumer price inflation for April 2024 was 2.06 percent; down by 0.34 percentage point from 2.40 percent in March 2024.
- April 2024 stood at 38.06 percent, down by 2.63 percentage points from 40.69 percent in March 2024.
- Food and non-alcoholic beverages, with weight 40.30 percent, declined by 4.37 percentage from 41.28 percent in March 2024 to 36.1 percent in April 2024.
- Health, with weight 7.60 percent, declined by 1.36 percentage points from 47.19 percent in March 2024 to 45.83 percent in April 2024.
- For Education services, with weight 3.10 percent, no change was noticed between March 2024 and April 2024.
- The monthly consumer price inflation for May 2024 is 1.76 percent, down by 0.30 percentage points from 2.06 percent in April, 2024.
- May 2024 stood at 35.84 percent, down by 2.22 percentage points from 38.06 percent in April 2024.
- Food and non-alcoholic beverages with weight 40.30 percent, declined by 4.9 percentage from 36.91 percent in April to 32.42 percent in May 2024.

- Health with weight 7.60 percent,declined by 1.25 percentage from 45.83 percent in April 2024 to 44.58 percent in May 2024.
- For Education services, with weight 3.10 percent no change was noticed between April 2024 and May 2024.
- The monthly consumer price inflation for June 2024 is 0.43 percent; down by 1.33 percentage point from 1.76 percent in May 2024.
- June 2024 stood at 31.93 percent,down by 3.91 percentage point from 35.84 percent in May 2024.
- Food and nonalcoholic beverages ,with weight 40.30 percent,declined by 5.17 percentage from 32.42 percent in May 2024 to 27.25 percent in June 2024.
- Health with weight 7.60 percent,declined by 3.91 percentage from 44.58 percent in May 2024 to 40.67 percent in June 2024.
- For Education services, with weight 3.10 percent, no change was noticed between May 2024 and June 2024.

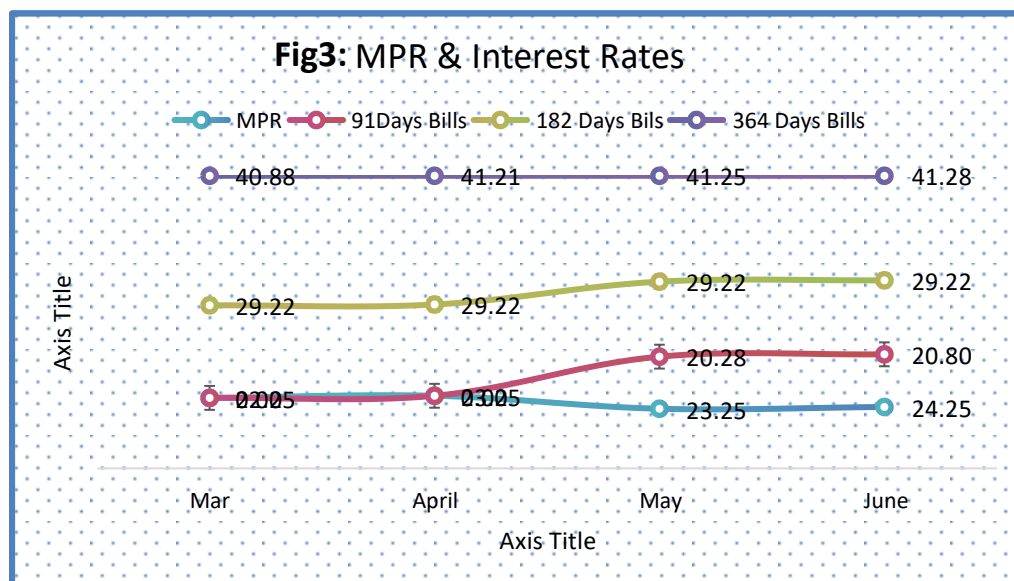
Table1: Monetary Policy Rates and Interest Rates

<b>MPR and Interest Rates 2024</b>				
<b>Description</b>	<b>Mar</b>	<b>April</b>	<b>May</b>	<b>June</b>
MPR	22.25	23.25	23.25	24.25
91Days Bills	NA	NA	20.28	20.80
182 Days Bils	29.22	29.22	29.22	29.22
364 Days Bills	40.88	41.21	41.25	41.28
Standing Lending Facility	22.25	26.25	26.25	27.25
Standing Deposite Facility	15.75	16.75	16.75	17.75
Interbank Rate	24.60	24.85	25.02	25.46
Commercial Banks	20.26	20.38	20.38	20.38
Savings Rate	2.23	18.15	18.15	18.15

The table above presents interest rates for various financial instruments.

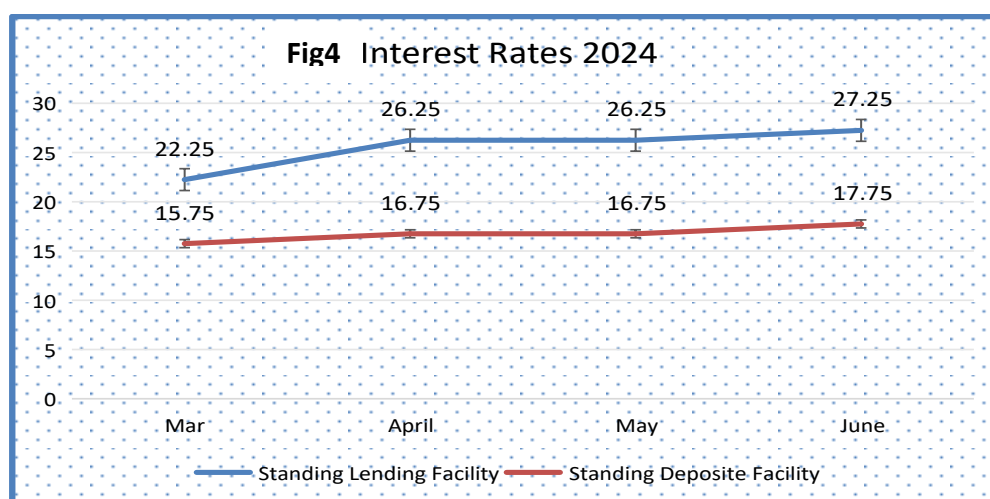
- **MPR:** Increased steadily from 22.25 percent in March to 24.25 percent in June.
- **91-Day Bills:** No data available for March or April, but increased from 20.28 percent in May to 20.80 percent in June.
- **182-Day Bills:** Remained constant at 29.22 percent throughout the quarter.

- **364-Day Bills:** Increased steadily from 40.88 percent in March to 41.28 percent in June.
- There was a general upward trend in interest rates for all instruments.



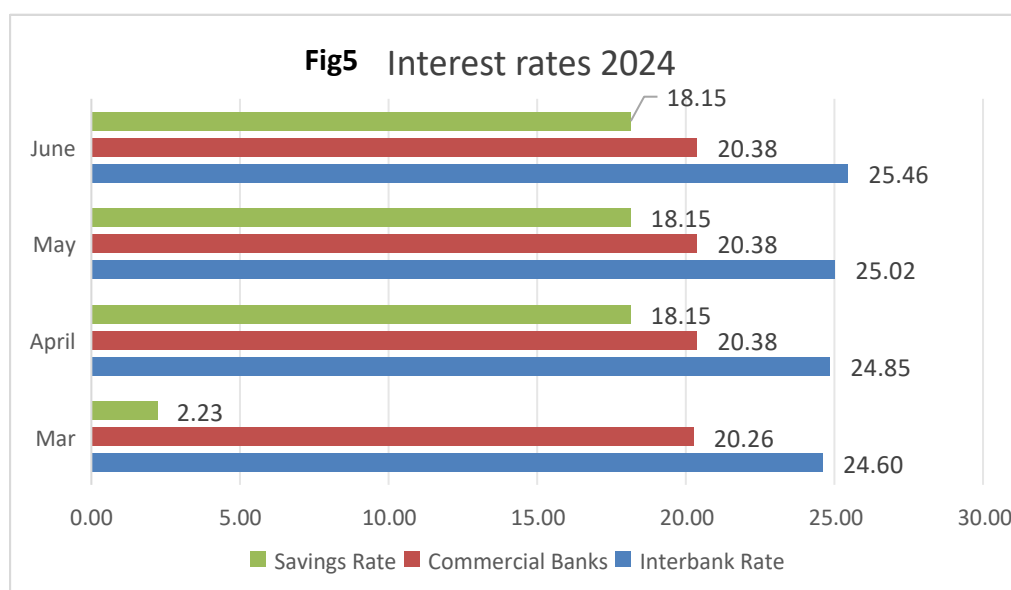
Source: Bank of Sierra Leone (RMDs)

- **Standing Lending Facility:** Interest rate increased steadily from 22.25 percent in March to 27.25 percent in June.
- **Standing Deposit Facility:** Interest rate also increased steadily from 15.75 percent in March to 17.75 percent in June. Both experienced a constant upward trend in interest rates throughout the quarter.



Source: Bank of Sierra Leone (RMDs)

- **Inter-bank Rate:** Rose steadily from 24.60 percent in March to 25.46 percent in June. Reflecting increasing borrowing cost for banks.
- **Commercial Banks Rate:** Remained stable at 20.38 percent throughout the quarter, indicating a steady leading rates.
- **Savings Rate:** Increased significantly from 2.23 percent in March to 18.15 percent in April, May, and June, may benefit depositors but could influence higher borrowing costs for loans.



Source: Bank of Sierra Leone

## Fiscal Performance

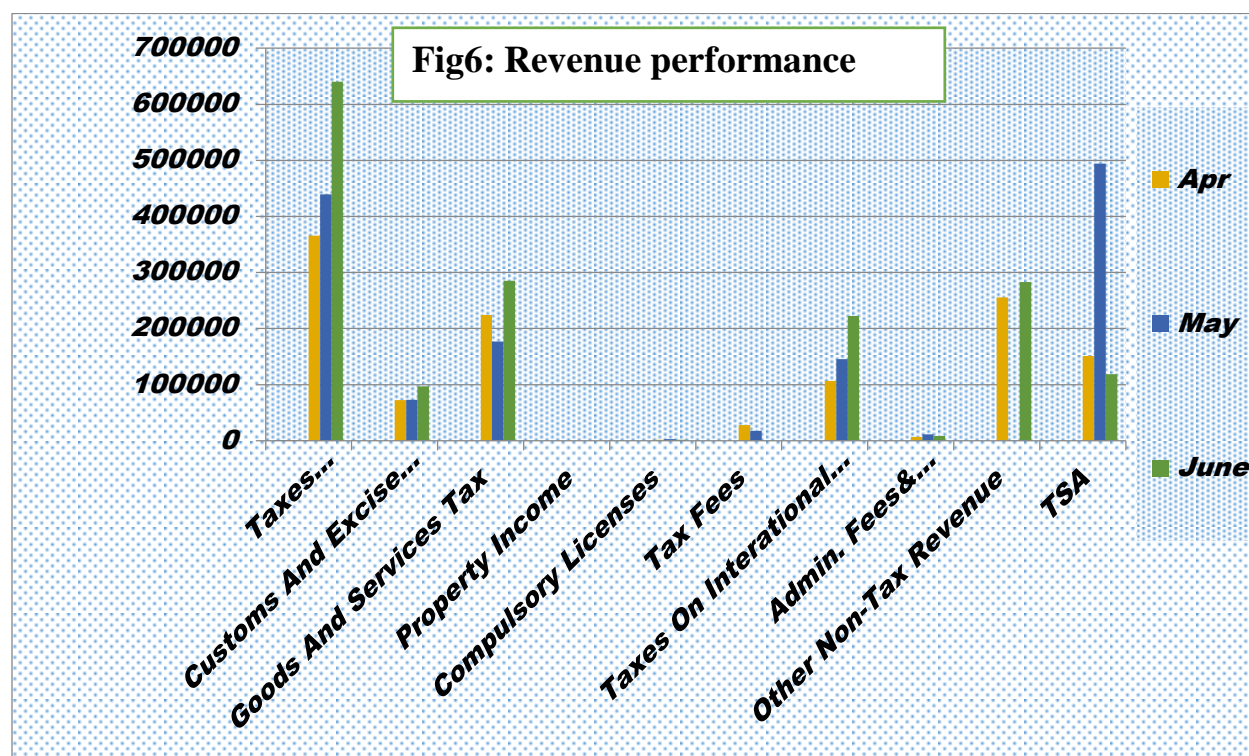
### Domestic Revenue

The total domestic revenue amounted to SLE4,228,823 thousand in the second quarter of the year 2024 of which Taxes Income, Profits & Capital Gains made a huge collection of SLE 1,445,410 thousand, an amount of SLE 242,023 was generated from the *Goods and Services Tax*. *Customs And Excise Income* contribute 5.7 per cent of total domestic revenue with a performance of SLE 686,352 thousands. Other Non-Tax Revenue showed a collection of SLE 538,856 and Taxes On International Trade & Transport showed a collection of SLE 474,655 and no collection was made for property income.

Table2: Domestic revenue performance (SLE000)

Domestic Revenue Collection	April	May	June	Monthly Total	Contribution %
Taxes Income,Profits&Capital Gains	365,521	439,398	640,491	1,445,410	34.2
Customs And Excise Income	72,425	72,926	96,672	242,023	5.7
Goods And Services Tax	22,301	176,849	285,202	686,352	16.2
Property Income	-	-	0	0	0.0
Compulsory Licenses	1,859	2,482	1,433	5,774	0.1
Tax Fees	27,993	17,541	620	46,154	1.1
Taxes On Interational Trade& Transport.	106,728	145,392	222,535	474,655	11.2
Admin. Fees& Charges,Incidental Sale	6,448	11,295	8,230	25,973	0.6
Other Non-Tax Revenue	255,697	126	283,033	538,856	12.7
TSA	150,889	494,297	118,440	763,626	18.1
Total Domestic Revenue	1,211,861	1,360,306	1,656,656	4,228,823	

Source: PBO calculations based on various Fiscal Reports published by the Ministry of Finance



Source: PBO calculations based on various Fiscal Reports published by the Ministry of Finance



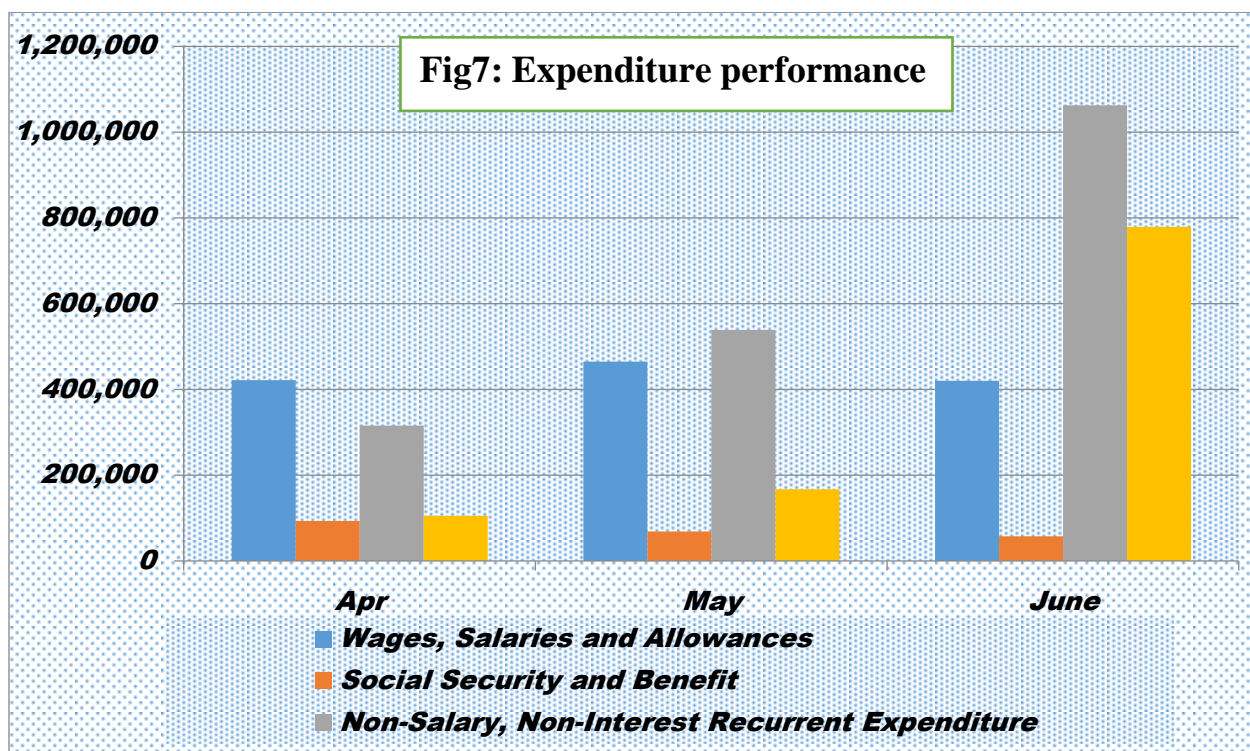
## Expenditure

Non-Salary, Non-Interest Recurrent Expenditure that represent 19.0 percent of government operating expenses with the amount of **SLE 2,687,277 thousand**. **Social Security and Benefit** has a lesser contribution of **SLE 369,964 thousand**, **Wages, Salary and Allowance** showed an expenditure of **SLE 2,676,330** and **Capital Transfers** was **SLE 1,645,172 thousand**.

Table3: Operating Expenditure Performance (SLE000)

EXPENDITURE	April	May	June	Monthly Total	Contribution %
Wages, Salaries and Allowances	421,424	464,885	419,875	2,676,330	18.9
Social Security and Benefit	93,168	68,777	57,184	369,964	2.6
Non-Salary, Non-Interest Recurrent Expenditure	315,724	538,610	1,062,796	2,687,277	19.0
Capital Expenditure & Capital Transfers	104,820	166,929	778,949	1,645,172	11.6

Source: PBO calculations based on various Fiscal Reports published by the Ministry of Finance



Source: PBO calculations based on various Fiscal Reports published by the Ministry of Finance

## Selected Glossary

**Consumer Price Index (CPI)** - is a measure of the aggregate price level of a basket of consumer goods and services in an economy.

**Exchange Rate** - is the value of one nation's currency versus the currency of another nation or economic zone. If it is said that the Leone fell against the US dollar, it means that the Leone is now worth fewer dollars.

**Gross Domestic Product (GDP)** - is a monetary/standard measure of the market value of all the final goods and services produced by a country during a period. GDP is the single most important indicator to capture economic activity, but it is not necessarily a good measure of societies' wellbeing.

**Inflation** - is a sustained increase in the general price level of goods and services in an economy over a period of time during which money loses some of its value because its purchasing power falls.

**Monetary Policy** - refers to how central banks manage liquidity by changing interest rates to control the demand for money and hence the rate of increase of bank lending. This in turn affects the level of demand in the economy and other parameters such as borrowing for consumption and investment.

**Monetary Policy Rate** - is the rate that is used by the central bank to implement or signal its monetary policy stance, and it is commonly set by the Monetary Policy Committee (MPC).

The **Monetary Policy Committee** consists of seven (7) members as provided for in the **BSL Act, 2011** Section 21(2). They include the Governor, the Deputy Governor, three (3) persons appointed by the Governor and two (2) persons appointed by the Minister of Finance and Economic Development.

**Real GDP** - is a measure of economic output that accounts for the effects of price changes (i.e. inflation or deflation).

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