



## 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 2023.

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## Macroeconomic Developments

### Global outlook

The baseline forecast is for global growth to slow from 3.5 percent in 2022 to 3.0 percent in 2023 and 2.9 percent in 2024, well below the historical (2000–2019) average of 3.8 percent. Advanced economies are expected to slow from 2.6 percent in 2022 to 1.5 percent in 2023; and 1.4 percent projected in 2024 as policy tightening starts to bite. Emerging market and developing economies are projected to have a modest decline in growth from 4.1 percent in 2022 to 4.0 percent in both 2023 and 2024. Global inflation is forecast to decline gradually, from 8.7 percent in 2022 to 6.9 percent in 2023 and 5.8 percent in 2024 due to tighter monetary policy aided by lower international commodity prices. Core inflation is generally projected to decline more gradually, and inflation is not expected to return to target until 2025 in most cases.

### Global Outlook Growth Rate and 2024 projections

Table 1: Real GDP Annual Percent Change

		Projections
	2023	2024
World output	3.0	2.9
Advanced Economies	1.5	1.4
Euro Area	0.7	1.2
Emerging Market and Developing Economies	4.0	4.0
Emerging and Developing Asia	5.2	4.8
Low Income Developing countries	4.0	5.1
China	5.0	4.2
United States	2.1	1.5
Nigeria	2.9	3.1
<b>Sierra Leone</b>	<b>2.7</b>	<b>4.7</b>

Source: IMF Global Outlook

### Sierra Leone Context

#### Outlook and risks

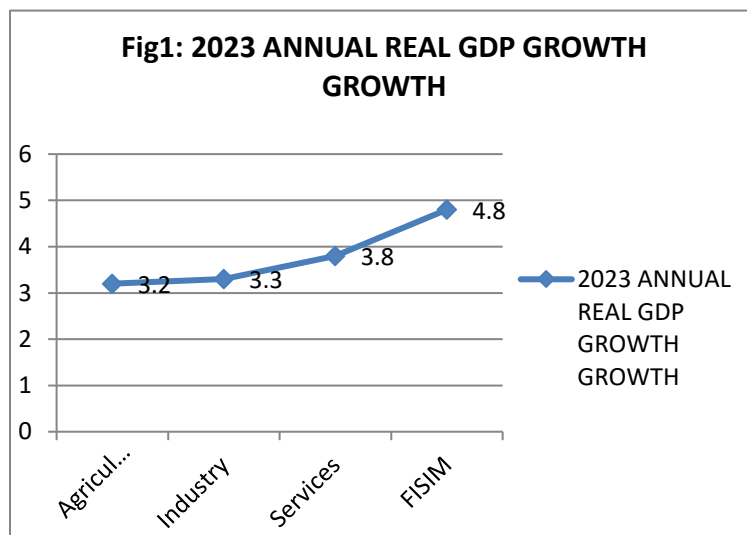
GDP growth is projected to increase to 3.1% in 2023 and 4.8% in 2024, driven by the mining sector and the continued recovery of agriculture, manufacturing, construction, and tourism. Inflation is projected to rise to 27.1% in 2023 but decline to 20.8% in 2024 as external shocks subside. The fiscal deficit is projected to narrow to 3.2% of GDP in 2023 and 2.3% in 2024 due to higher tax revenue supported by economic recovery and spending rationalization. The current account deficit is projected to narrow to 8.0% of GDP in 2023 and 7.4% in 2024 as the trade deficit narrows and official and private grants increase. Headwinds include the likelihood of a global economic recession, a prolongation of Russia's invasion of Ukraine, sustained increases in food and fuel prices, lower international financial assistance, and a re-emergence of COVID-19 and other public health emergencies.

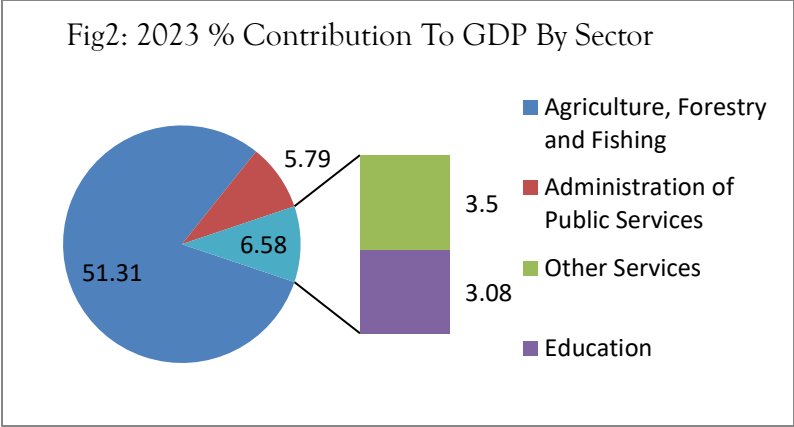
## African economies remain resilient amid multiple shocks

The African Economic Outlook 2023 is being published as African countries are dealing with multiple shocks, including the effects of the COVID-19 pandemic, disruptions to global supply chains due to Russia's prolonged invasion of Ukraine and a tightening of global financing conditions. These shocks have reduced the continent's real GDP growth from 4.8 percent in 2021 to 3.8 percent in 2022. However, African economies remain resilient, with average growth projected to stabilize at 4.1 percent in 2023–24. The growth outlook is subject to significant downside risks, including

- i) Subdued global growth weighing on Africa's exports, persistence of tight global financial conditions exacerbating debt servicing costs;
- ii) Significant losses and damages due to frequent extreme weather events exacerbating fiscal pressures;
- iii) The prolongation of Russia's invasion of Ukraine, which is increasing global uncertainty; and
- iv) Persistent disruptions to global supply chains. Other factors include elevated geopolitical risks due to upcoming national elections in some countries.

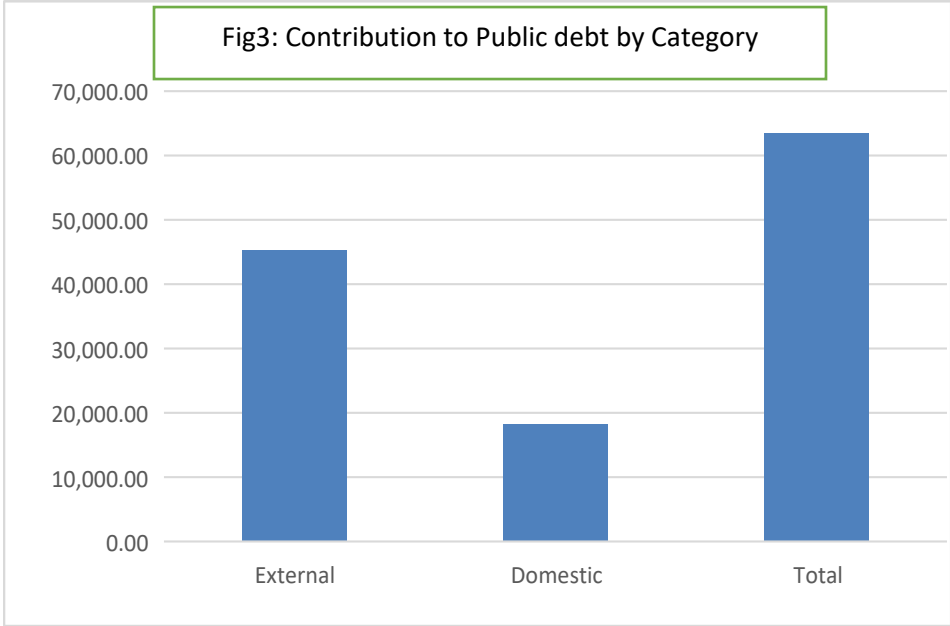
The African Economic Outlook 2023 underscores the urgency to fast-track climate action and green transitions to drive the continent's inclusive and sustainable development.





Source: Statistic Sierra Leone - Report on the 2022 and 2023 Real GDP

### Public Debt



Source: MoF Public Debt Bulletin

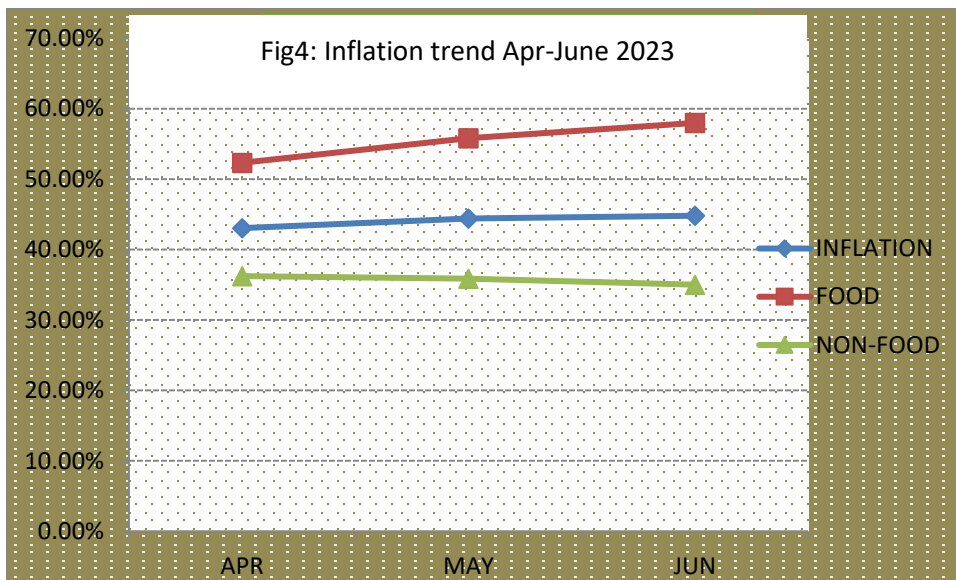
As at the end of June 2023, the external debt stands at 45,315.15 (Millions of New Leones), while the Domestic debt stands at 18,203.52 totaling 63,518.67.

On the other hand, external debt service stands at NLe931.63, and the domestic debt stands at NLe 1,265.67, totaling NLe2,197.30

From the data illustrated above, it shows that the country's external debt far exceeds the domestic debt, which proves that half of the country's domestic revenue has been used to service its debt.

## Inflation

Inflation in the second quarter of 2023 reached a significant milestone in April 2023 when it also hit a single digit for the second time in many years. Inflation was 22.44 percent in 2022 and 43.05 percent in April in 2023. April Inflation rose by 1.31 percent from 41.74 percent in March to 43.05. Whilst food and non-food inflation was 52.38 and 36.24 percent respectively which show an increase/decrease for that particular month. May Inflation rose by 1.38 percent from 43.05 percent in April to 44.43. Whilst food and non-food inflation was 55.81 and 35.33 percent respectively. This indicated an increment by 3.48 and a decreased by 0.35 respectively for that particular month. In June, inflation increased from 44.43 percent in February to 44.81 percent that shows a slight increase of 0.38 percent. On the hand, food inflation increased to 57.99 percent in June from 55.81 percent in May. Therefore, it show an increase of 2.18 percent from the previous month. Based on assessment, Non- food inflation continue to decrement in June to 35.02 percent from 35.89 percent in May that show a decrease of 0.87 percent. The rise and fall in inflation rate is as a result of the global crisis in the world.



Source: Statistics Sierra Leone

The monthly consumer price inflation for April 2023 was 4.00 percent; up by 0.22 percentage point from 3.78 percent in March, 2023.

Food and non-alcoholic beverages inflation for April 2023 was 52.33 percent, up by 2.28 percentage points from 50.05 percent in March, 2023.

Health increased from 33.84 percent in March 2023 to 38.01 percent in April 2023; the inflation rate increased by 4.17 percentage points year-on-year.

For Education services, no change was noticed between March, 2023 and April, 2023.

The monthly consumer price inflation for May 2023 was 3.42 percent; down by 0.58 percentage point from 4.00 percent in April, 2023.

Food and non-alcoholic beverages inflation for May 2023 was 55.81 percent, up by 3.48 percentage points from 52.33 percent in April, 2023.

Health, declined by 3.01 percentage points from 38.01 percent in April 2023 to 35.00 percent in May 2023, year-on-year.

For Education services, no change was noticed between April, 2023 and May, 2023.

The monthly consumer price inflation for June 2023 was 3.41 percent; down by 0.01 percentage point from 3.42 percent in May, 2023.

Food and non-alcoholic beverages inflation for June 2023 was 57.99 percent, up by 2.18 percentage points from 55.81 percent in May, 2023.

Health, increased from 35.00 percent in May 2023 to 38.19 percent in June 2023; the inflation rate increased by 3.19 percentage points, year-on-year.

For Education services, no change was noticed between May 2023 and June 2023, month-on-month.

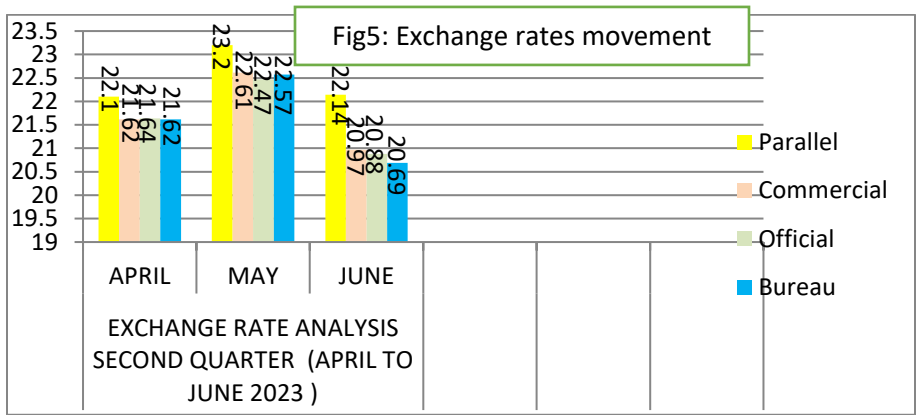
## **Exchange Rate**

In April 2023, the Average Exchange Rate of the Leones against the US Dollar devalued in all Markets. In the buying side, the Leone decreased by 37.68% in the Parallel averaging NLe22.10, Commercial 5.76% averaging NLe21.62, Bureau 5.30% averaging NLe21.62 and Official 5.62% averaging NLe21.64 per US Dollar.

The Premium between the Official and Parallel Rates constricted to 2.40% (NLe0.52 per US Dollar) in April 2023, a shift from a negative Premium of -9.9 % (NLe2.04 per US Dollar) observed in March 2023.

In May 2023, the Leone depreciated against the US Dollar in all exchange market. In the Parallel, it declined by 4.98% averaging NLe23.20, Commercial 4.54% averaging NLe 22.61, Bureau 5.27% averaging NLe22.57 and Official 3.82% averaging NLe22.47. The Premium between the Official and Parallel Rates widened to 3.29% (NLe0.75 per US Dollar) in May 2023. This show an increase from April 2023 when the Premium was at 2.40% (NLe0.52 per US Dollar)

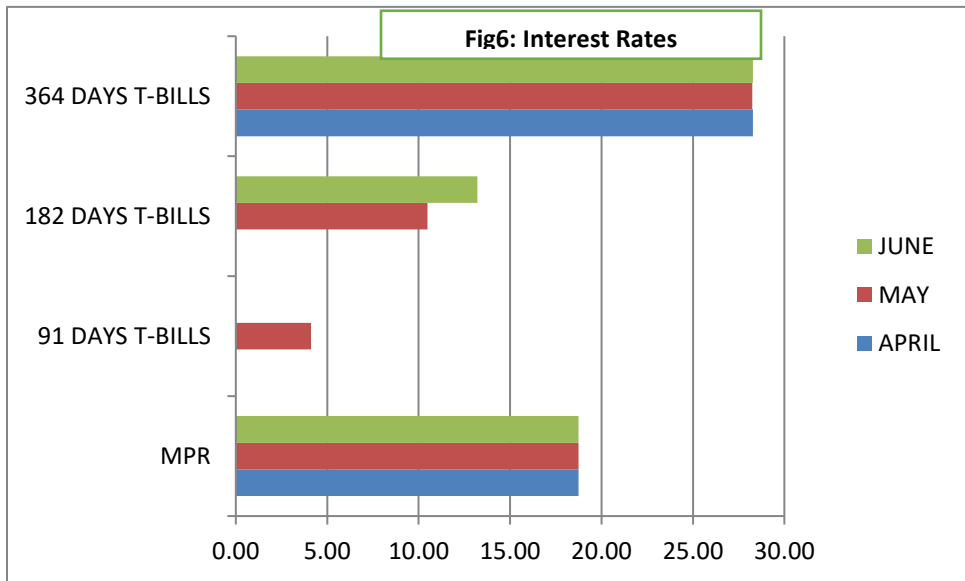
In June 2023, the Exchange Rate against the US Dollar shows a significant increase of the various markets. The buying side the Leone appreciated in the Bureau Market by 8.31% averaging NLe20.69, Parallel 4.58% averaging NLe22.14, Commercial 7.25% averaging NLe20.97 and official 7.06% averaging NLe20.88. The premium between the Official and Parallel Rates widened to 7.14% (NLe1.50 per US Dollar) in June 2023 from 3.29% (NLe0.75 per US Dollar) in May 2023.



Source: BSL – Monthly Economic Review

Note: The focus is on the buying side because it deals with the purchasing price where foreign banks buy foreign currency from the customers

### Monetary Policy and Interest Rate



Source: BSL Monthly Economic Review

#### Monetary Policy Rate (MPR): 18.75%

Increased by 0.5 percentage points in April from March and remained constant in May and June.

#### Standing Lending Facility (SLF) Rate: 21.75%

Increased by 0.5 percentage points in April from March and remained constant in May and June.

**Standing Deposit Facility (SDF) Rate: 12.75%**

Increased by 0.5 percentage points in April from March and remained constant in May and June.

**Inter bank Rate:**

Increased from 20.26% in March to 20.99% in June.

Showed slight variations but stayed within the policy corridor.

**Commercial Bank Rates:****Average Lending Rate**

Increased from 20.18% in March to 20.45% in April, remained constant in May, and decreased to 20.32% in June.

**Average Savings Rate**

Remained unchanged at 2.17% in April and May, and then increased to 2.23% in June.

**Spread between Lending and Savings Rates:**

April: 18.28% (Widened from March)

May: 18.28% (Remained unchanged)

June: 18.09% (Contracted from May)

**Interest Rate on T-Bills****April**

91-day T-bill Yield: No trading activity reported.

182-day T-bill Yield: No trading activity reported.

364-day T-bill Yield: 28.28%

**May**

91-day T-bill Yield: Increased to 4.11%.

182-day T-bill Yield: Increased to 10.49%.

364-day T-bill Yield: Decreased to 28.24%.

**June**

91-day T-bill Yield: No trading activity reported.

182-day T-bill Yield: Increased to 13.21%.

364-day T-bill Yield: Increased to 28.28%.

The 364-day T-bill consistently had the highest yield throughout the three months. Yields on the 91-day and 182-day T-bills showed variations, with an increase in May for both and an additional



increase for the 182-day T-bill in June. Trading activity was limited for the shorter-term T-bills, especially for the 91-day T-bill, during this period.

### **Summary:**

- ✓ In April, there was no trading activity for the 91-day and 182-day T-bills, and the yield on the 364-day T-bill remained unchanged at 28.28%.
- ✓ In May, there was an increase in yields for the 91-day and 182-day T-bills, reaching 4.11% and 10.49%, respectively. The yield on the 364-day T-bill decreased slightly to 28.24%.
- ✓ In June, there was no trading activity for the 91-day T-bill. Yields for the 182-day and 364-day T-bills increased to 13.21% and 28.28%, respectively.
- ✓ The Bank of Sierra Leone implemented a tightening monetary policy in April, reflected in increased key interest rates.
- ✓ Over the three months, the inter bank rate experienced slight variations but stayed within the policy corridor.
- ✓ Commercial bank rates showed some volatility, with the average lending rate increasing in April and then decreasing in June, while the average savings rate remained stable in April and May but increased in June.
- ✓ The spread between lending and savings rates widened in April, remained constant in May, and contracted in June, indicating some fluctuations in the banking sector's interest rate dynamics.

## **Fiscal Developments**

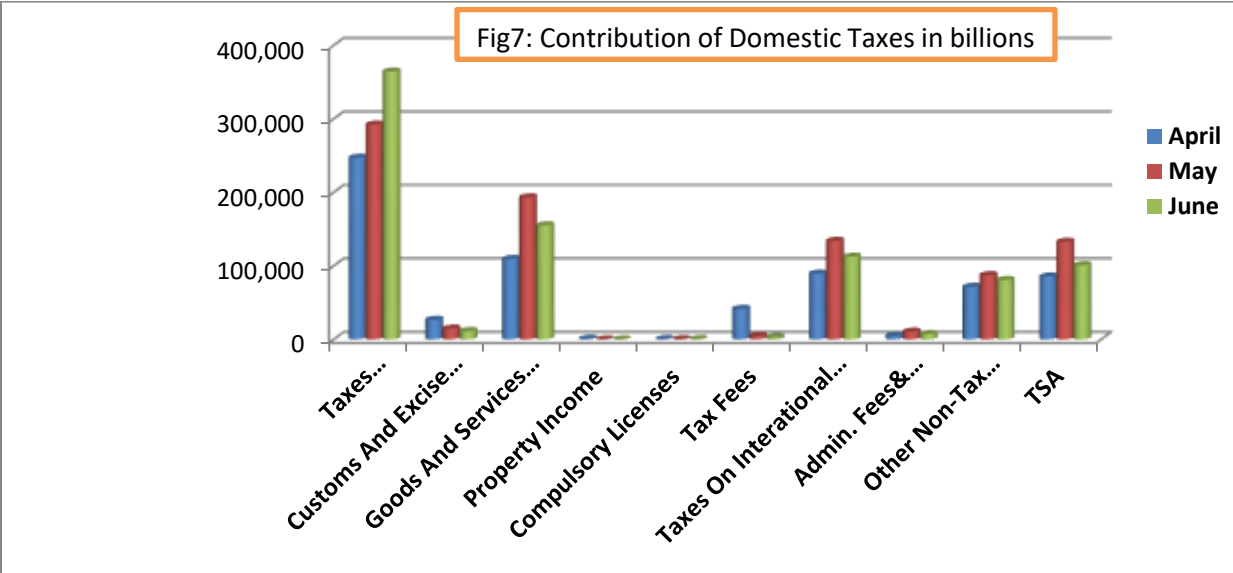
### **Domestic Revenue Performance**

- The total Domestic Revenue amounted to SLE 2,383,476 thousand in the second half of the year of which
- Taxes Income, Profits & Capital Gains made a huge collection of SLE 903,892 thousand,
- Goods and Services raised SLE 457,673
- Customs And Excise Income contributed 2.2% of total Domestic Revenue with a performance of SLE 52,424 thousands
- Property Income showed a low collection of SLE 863 thousand only in April and none collections in the balance two months.

Table2: Domestic Revenue Performance 2023 (SLE000)

Domestic Revenue Collection	April	May	June	Monthly Total	Contribution %
Taxes Income, Profits & Capital Gains	247,176	292,376	364,339	903,892	37.9
Customs And Excise Income	26,482	14,650	11,292	52,424	2.2
Goods And Services Tax	109,411	193,145	155,117	457,673	19.2
Property Income	863	0	0	863	0.0
Compulsory Licenses	438	352	438	1,228	0.1
Tax Fees	41,552	4,915	3,113	49,580	2.1
Taxes On International Trade& Transport.	89,483	134,025	112,492	336,000	14.1
Admin. Fees & Charges, Incidental Sale	4,786	10,618	7,207	22,611	0.9
Other Non-Tax Revenue	71,553	87,464	80,786	239,804	10.1
TSA	85,570	132,800	101,031	319,401	13.4
Total Domestic Revenue	677,315	870,345	835,816	2,383,476	

Source: PBO calculations based on various Fiscal Reports published by MoF



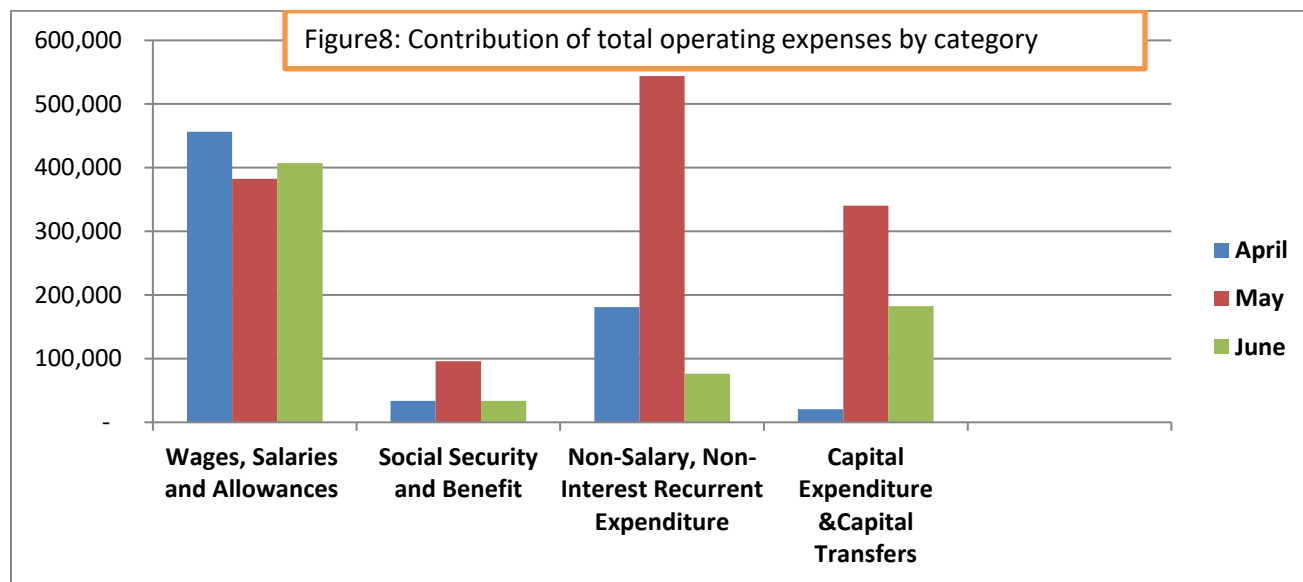
Source: PBO calculations based on various Fiscal Reports published by the Ministry of Finance

## Expenditure Performance

- Wages, Salaries and Employees Benefits increased to 24.7% of total expenditure in the second half of 2023,
- Non-Salary, Non- Interest Recurrent Expenditure showed an expenditure of SLE 801,383
- Capital Expenditure & Capital Transfers was SLE 543,707 thousand.

Table3: Operating Expenditure Performance (SLE000)

Expenditure	April	May	June	Monthly Total	Contribution %
Wages, Salaries and Allowances	456,459	382,454	407,110	1,246,023	24.7
Social Security and Benefit	33,743	96,055	33,798	163,597	3.2
Non-Salary, Non-Interest Recurrent Expenditure	180,977	543,945	76,461	801,383	15.9
Capital Expenditure & Capital Transfers	20,745	340,370	182,592	543,707	10.8



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).

### **Disclaimer**

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