



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 Jan to March 2023.

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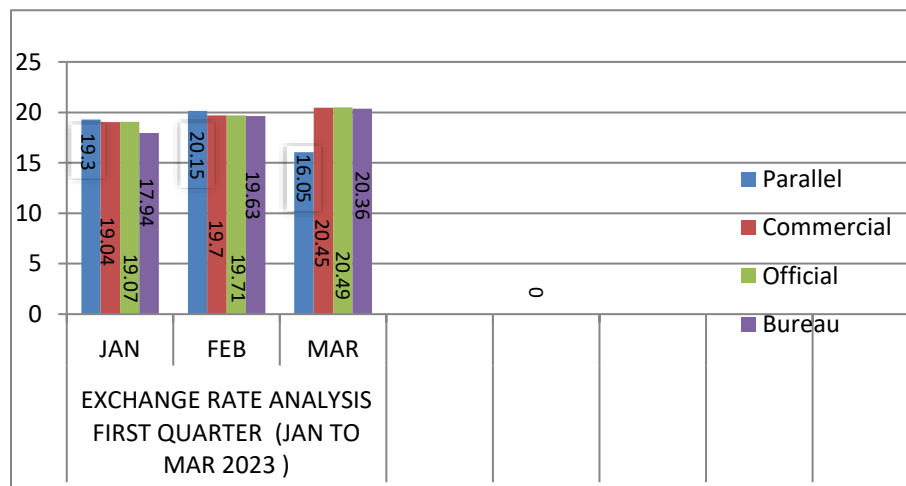
Macroeconomic Developments

Exchange Rate

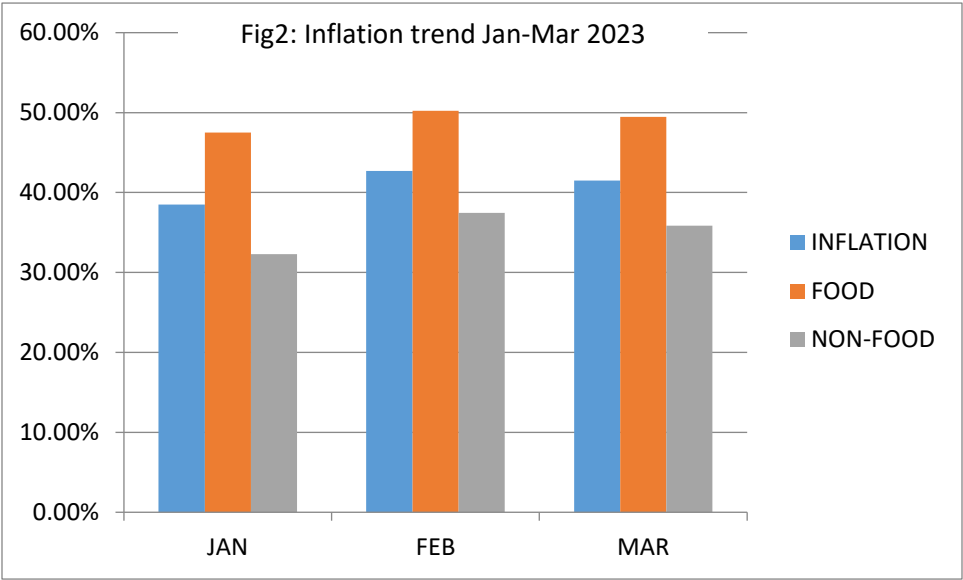
In January 2023, the Leone depreciated on both the buying and selling sides in all foreign exchange markets, except the bureau market. With regards to the buying side, bureau appreciated by 1.67%, averaging Le17.94 per US dollar. The Leone depreciated in the parallel market by 3.42%, averaging Le 19.30, commercial 2.74% averaging Le 19.04, official 2.80% averaging 19.07. The premium between the Official and Parallel rates narrowed from 2.62% which was Le 0.48/US\$1 in December 2022 to 0.97 %, which was NLe0.19/US\$1, in January 2023

In February 2023 the Leone against the US dollar depreciated on both the buying and selling and in all foreign markets. In the buying side the Leone depreciated in the parallel by 4.43% averaging Le 20.15, commercial 3.44% averaging 19.70; official 3.32% averaging Le 19.71 and the bureau market 9.46% averaging Le 19.63 per US dollar. The premium between the official and parallel rates widened to 2.08 % in February 2023 which was Le0.41, from 0.97 %, which was NLe0.19 per US dollar in January 2023.

The month of March 2023, the Leone against the US dollar depreciated in both the buying and selling side, except the parallel market which appreciated by 20.32%, averaging Le 16.05 Per US dollar. The commercial depreciated by 3.81% averaging Le 20.45, bureau 3.71% averaging 20.36, official 3.97% averaging Le 20.49.



Inflation



January

Annual rate of Consumer Price Inflation (year-on-year) for January 2023 stood at 38.48 percent, added by 1.39 percentage points from 37.09 percent in December 2022. Annual rate of food and non-alcoholic beverages inflation for January 2023 is 47.51 percent, added by 0.81 percentage point from 46.70 percent in December, 2022. Annual rate of inflation for Non-food is 32.30 percent in January 2023 from 30.60 percent in December; added by 1.70 percentage points.

February

Annual rate of consumer Price Inflation (year-on-year) for February 2023 stood at 42.71 percent, added by 4.23 percentage points from 38.48 percent in January 2023. Annual rate food and non-alcoholic beverages inflation for February 2023 is 50.21 percent, added by 2.70 percentage points from 47.51 percent in January, 2023. Annual rate of inflation for Non-food is 37.46 percent in February 2023 from 32.30 percent in January 2023; added by 5.16 percentage points.

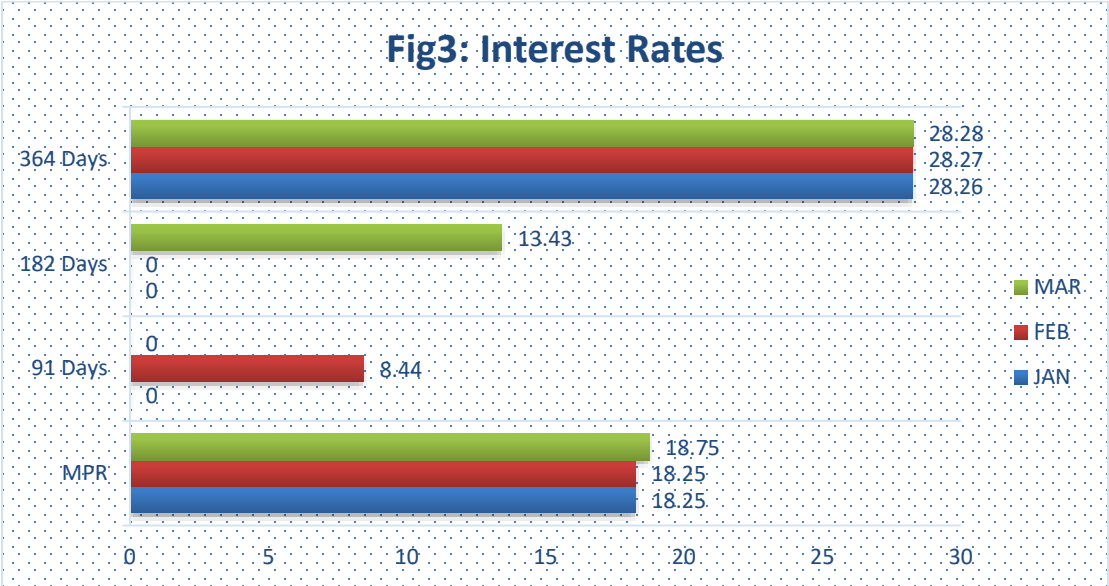
March

The annual rate of consumer price inflation decreased by 1.21 percent in March 2023 from 42.71 percent in February, 2023 to 41.50 percent. For the months of January, February and March inflation surged to 38.48%, 42.71% and 41.50% respectively.

Annual rate of food and nonalcoholic beverages inflation for March 2023 was 49.46 percent, down by 0.75 percentage point from 50.21 percent in February, 2023. In short, the price for food inflation has been surged to 47.51%, 50.21% and 49.46% respectively.

Annual inflation rate for Non-food was 35.84 percent in March 2023 from 37.46 percent in February 2023; short down by 1.62 percentage points. Summary of non-food inflation has surged to 32.30%, 37.46% and 35.84% respectively.

Monetary Policy Rates and Interest Rates



Source: Based on BSL Data

In January and February of 2023, the Monetary Policy Committee of the Bank of Sierra Leone kept the policy rate at 18.25 percent, with a 0.50 percent hike in March.

The inter-bank rate rose steadily from 17.00 percent in December 2022 to 18.25 percent in January 2023, and continued to rise at 19.82 percent between February and March 2023. From December 2022 to March 2023, commercial banks' average loan rate only slightly increased by 0.04 percent. From December 2022 to March 2023, the interest rate on savings deposits remained constant at 2.17 percent, while rates for standing lending and deposit facilities increased by 1.25 percent. The increase in prices from 20.0 percent to 21.25 percent is primarily due to pricing pressure.

In January and March 2023, there was no market for 91-day and 182-day Treasury bill yields, while the yield on 182-day T-Bills increased by 13.43 percent compared to the previous month.

The yield on the 364-day Treasury Bills increased by 0.1 points compared to January, February, and March 2023.

Fiscal Performance

Domestic Revenue

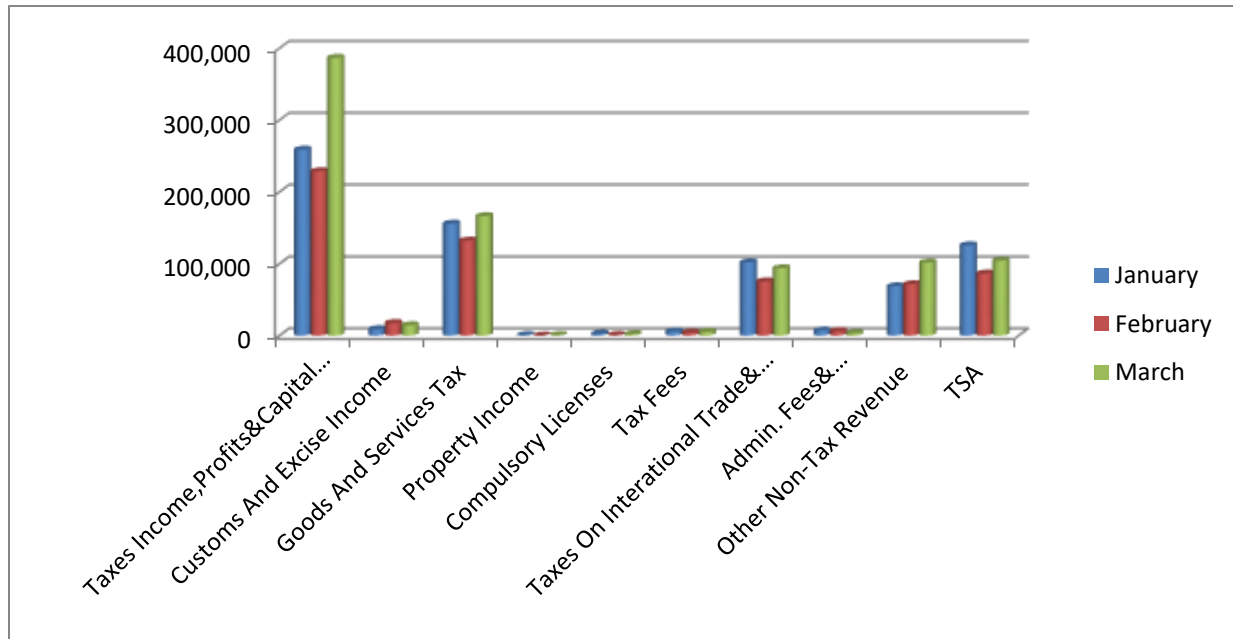
The domestic revenue collected for the first quarter of the year 2023 was amounted to SLE 2,236,172 thousand of which Taxes Income; Profits & Capital Gains contributed the highest amount of SLE 874,047 thousand with 39.1 contributions. A collection of SLE 453,945 thousand was generated from the good and service tax. Taxes on International Trade& Transport shows an encouraging performance which contributed 12.1 from the total domestic revenue and Customs and Excise Income gives a low collection of SLE 40,681 thousand.

Table1: Domestic revenue performance (SLE000)

	SLE 000	SLE 000	SLE 000	SLE 000	%
Domestic Revenue Collection	January	February	March	Monthly Total	Contribution
Taxes Income, Profits & Capital Gains	258,836	228,723	386,489	874,047	39.1
Customs And Excise Income	8,896	17,415	14,370	40,681	1.8
Goods And Services Tax	155,683	132,075	166,187	453,945	20.3
Property Income	637	0	704	1,342	0.1
Compulsory Licenses	2,645	845	2,058	5,549	0.2
Tax Fees	5,720	4,148	5,288	15,156	0.7
Taxes On International Trade& Transport.	101,848	75,362	93,725	270,934	12.1
Admin. Fees& Charges, Incidental Sale	7,106	6,347	3,404	16,857	0.8
Other Non-Tax Revenue	68,509	71,410	101,559	241,478	10.8
TSA	125,668	86,363	104,152	316,184	14.1
Total Domestic Revenue	735,549	622,688	877,936	2,236,172	

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

Fig4: Contribution of Domestic Taxes in billions



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

Expenditure

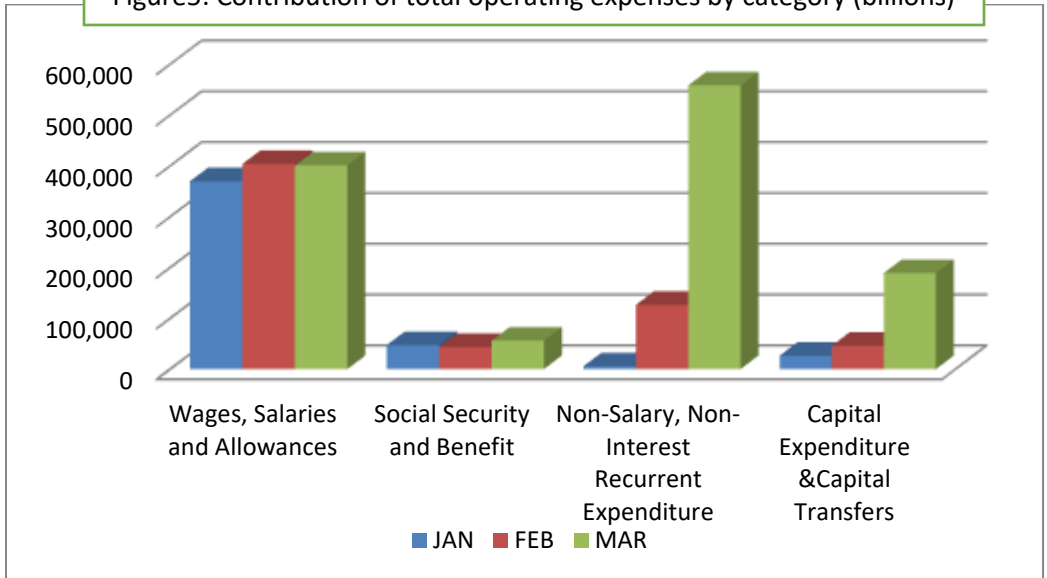
The amount of SLE 1,174,012 thousand was expended on Wages, Salaries and Allowances. Non-Salary, Non-Interest Recurrent Expenditure recorded SLE 689,745 thousand and Capital Expenditure &Capital Transfers was SLE 260,794 thousand.

Table2: Operating Expenditure Performance (SLE000)

	SLE 000	SLE 000	SLE 000	SLE 000	%
EXPENDITURE	January	February	March	Monthly Total	Contribution
Wages, Salaries and Allowances	369,614	403,635	400,763	1,174,012	23.8
Social Security and Benefit	47,046	43,302	55,796	146,144	3.0
Non-Salary, Non-Interest Recurrent Expenditure	5,270	126,220	558,255	689,745	14.0
Capital Expenditure &Capital Transfers	26,190	45,784	188,819	260,794	5.3
Total Operating Expenses	768,079	1,394,059	1,720,862	4,930,509	

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

Figure5: Contribution of total operating expenses by category (billions)



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

This Brief has been prepared and published by the Parliamentary Budget Office (PBO) for use by Members of Parliament to enable them to make meaningful contributions on matters around the national budget. The PBO takes full responsibility for its content and may make alterations to the information contained therein at any time.

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