

## 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 2024.

### Contents

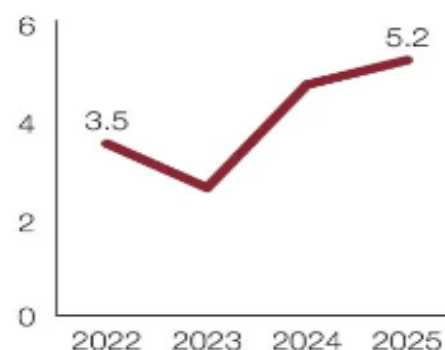
Macroeconomic Developments.....	2
Outlook and Risks.....	2
Exchange Rate.....	2
Inflation.....	4
Monetary Policy Rates and Interest Rates.....	5
Fiscal Performance.....	8
Domestic Revenue .....	8
Expenditure.....	9
Selected Glossary .....	10

# Macroeconomic Developments

## Outlook and Risks

Sierra Leone's economic growth slowed from 3.5% in 2022 to 2.6% in 2023 as Russia's invasion of Ukraine triggered rapid increases in commodity prices. Growth was driven by higher mining and agribusiness exports on the demand side and by iron ore production and recoveries in agriculture, manufacturing, and tourism sectors on the supply side

Fig1: Annual Real GDP Growth (%)



Growth is projected to improve to 4.7% in 2024 and 5.2% in 2025, driven by the mining sector and recovery in agriculture, manufacturing, construction, and tourism. Inflation is projected to decline to 33.6% in 2024 and 20.2% in 2025, as external shocks subside. The fiscal deficit is projected to narrow to 2.8% of GDP in 2024 and 2.4% in 2025, due to higher tax revenue. The current account deficit is expected to narrow to 4.2% of GDP in 2024 and 2.1% in 2025, as official and private grants increase. Downside risks to the outlook include the possibility of a global economic recession, the continuation of Russia's invasion of Ukraine, and declining international financial assistance. Risk mitigation measures could include boosting domestic revenue mobilization, reprioritizing spending to create fiscal space, and accelerating reforms to improve economic diversification, accelerate structural transformation, and increase resilience to recurring external shocks

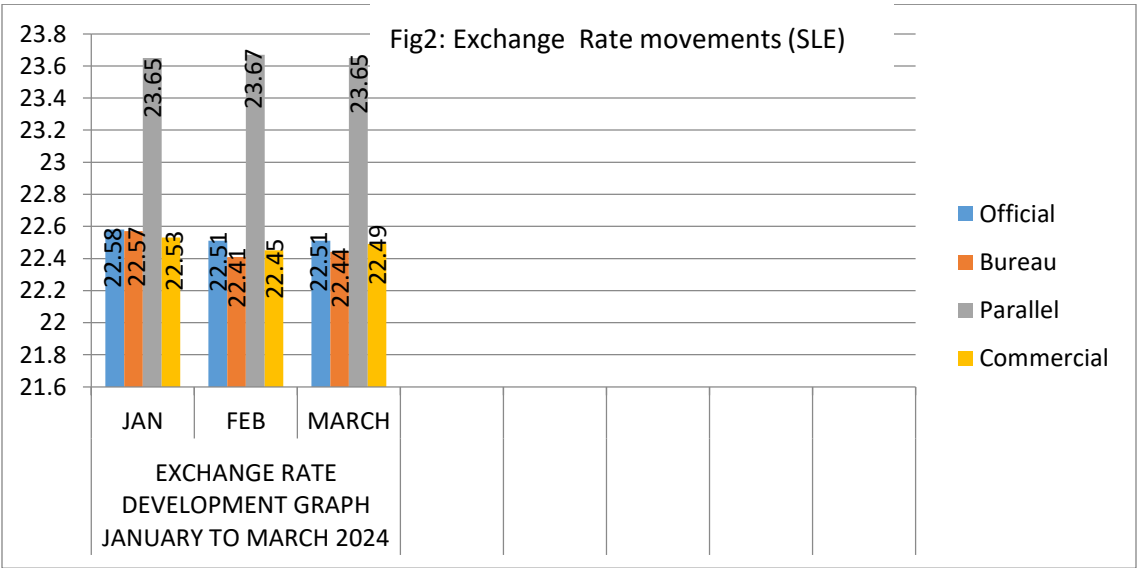
## Exchange Rate

In January 2024, the exchange rate of the Leone against the US dollar on the buying side was appreciated in the BSL's published rate by 0.12% averaging NLe22.58 and bureau by 0.10%, averaging NLe22.57 per US dollar. Conversely, the Leone depreciated in the commercial banks by 0.03%, averaging NLe22.53 per US dollar while at the parallel market, the Leone remained the same compared to December 2023 averaging NLe23.65 per U.S dollar. The selling side, the Leone appreciated across commercial banks, official and bureau markets per US dollar and depreciated in the parallel market. The premium between the official and parallel rates widened

to 4.88% NLe1.11 per US dollar in January 2024 from 4.40% NLe1.00 per US dollar in December 2023.

February 2024, with regards to the buying side, the Leone appreciated at the official market by 0.32% averaging NLe22.51 , bureau rate by 0.70% NLe22.41 and commercial banks’ by 0.37% averaging NLe22.45 per US dollar, respectively. The Leone depreciated in the parallel market by 0.07%, averaging NLe23.67 per US dollar. In regards to the selling side the Leone appreciated in all foreign markets. The premium rates between the official and parallel widened to 5.22% NLe1.18 per US dollar in February 2024 from 4.87% NLe1.11 per US dollar in January 2024. Also the Official mid- rate appreciated by 0.35% in February 2024.

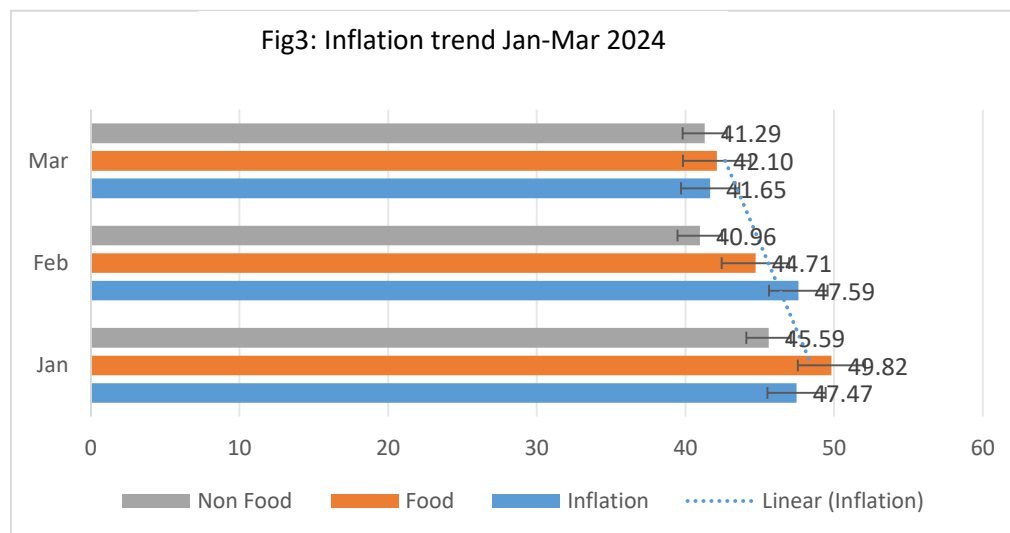
In March 2024 the Leone remain stable in the markets. The Leone appreciated slightly in the official rate by 0.03%, averaging NLe22.51 and parallel market by 0.07%, averaging NLe23.65 per US dollar. It depreciated in the commercial by 0.19%, averaging NLe22.49 and bureau rates 0.11% averaging NLe22.44, per US dollars. In the selling side only the bureau market appreciated by 0.25% averaging NLe22.57 and all other market depreciated. The official mid- rate depreciated by 6.48% from an appreciation of 0.35% in February 2024. The premium between the official and parallel rates decreased to 5.08% NLe1.15 per US dollar in March 2024 from 5.22% NLe1.18 per US dollar in February 2024.



Source: Bank of Sierra Leone

## Inflation

- In January Inflation drop by 7.74 percent from 52.16 percent in December to 47.42 percent, whilst food and non-food inflation was 49.82 and 45.59 percent respectively. This indicates a decrease by 7.46 and 2.73 percent for the month.
- February Inflation decreased by 4.83 percent from 47.42 percent in January to 42.59 percent. Whilst food and non-food inflation was 44.7 and 40.96 percent respectively; which indicated a decrease by 5.12 and 4.63 percent respectively for that particular month.
- In March, inflation had decreased from 42.59 percent in February to 41.65 percent, which shows a decline of 0.94 percent. On the other hand, food inflation drop to 42.10 percent in March from 44.71 percent in February, this indicate a decreased by 2.61 percent from the previous month. Based on assessment, Non- food inflation continue to increase in March at 41.29 percent from 40.96 percent in February; which indicate an increase by 0.33 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 January 2024 was 3.78 percent; down by 2.73 percentage point from 2.30 percent in December, 2023.
- January 2024, stood at 47.42 percent, down by 4.74 percentage points from 52.16 down percent in December 2023
- Food and non-alcoholic beverages, with weight 40.30 percent, declined by 7.39 percentage point from 57.2 percent in December 2023 to 49.82 percent in January 2024.
- Health, with weight 7.60 percent, declined by 5.74 percentage points from 58.14 percent in December 2023 to 52.40 percent in January 2024.

- For Education services, with weight 3.10 percent, no change was noticed between December 2023 and January 2024.
- The monthly consumer price inflation for February 2024 was 1.77 percent, up by 2.20 percentage points from -0.43 percent in January, 2024. February 2024 stood at 42.59 percent, down by 4.83 percentage points from 47.42 percent in January 2024
- Food and non-alcoholic beverages inflation for February 2024 was 44.71 percent, down by 5.11 percentage points from 49.82 percent in January 2024.
- Health increased from 52.40 percent in January 2024 to 53.76 percent in February 2024; the inflation rate increased by 1.36 percentage points, year-on-year.
- For Education services, with weight 3.10 percent no change was noticed between January 2024 and February 2024, month-on-month.
- The monthly consumer price inflation for March 2024 was 3.10 percent; up by 1.33 percentage point from 1.77 percent in February, 2024.
- March 2024 stood at 41.65 percent, down by 0.94 percentage point from 42.59 percent in February 2024.
- Food and nonalcoholic beverages inflation for March 2024 was 42.10 percent, down by 2.61 percentage points from 44.71 percent in February, 2024.
- Health, declined by 6.57 percentage point from 53.76 percent in February 2024 to 47.19 percent in March 2024, year-on-year.
- For Education services, with weight 3.10 percent, no change was noticed between February 2024 and March 2024, Year-on-year

## Monetary Policy Rates and Interest Rates

**Table1: Monetary Policy and Interest Rate**

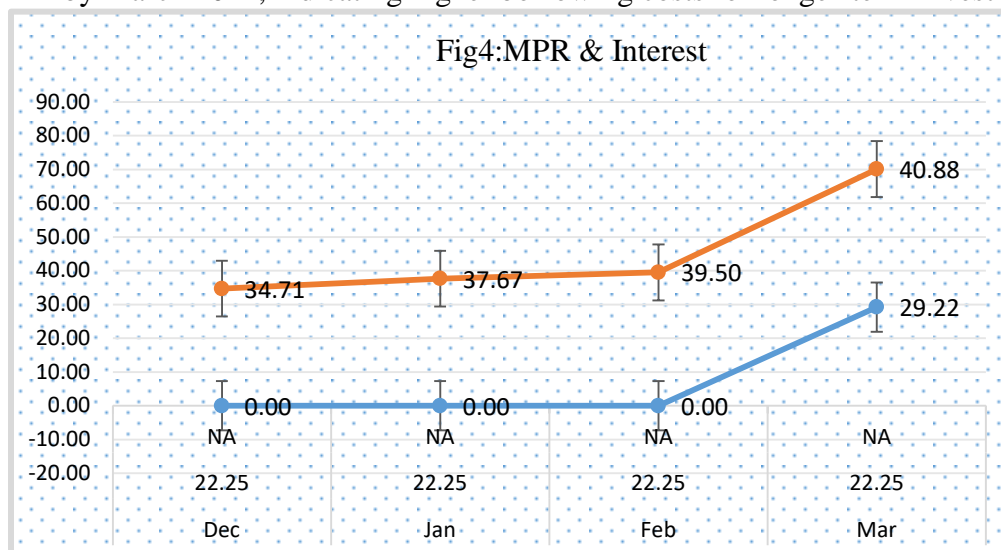
MPR and Interest Rates 2024				
Description	Dec	Jan	Feb	Mar
MPR	22.25	22.25	22.25	22.25
91Days Bills	NA	NA	NA	NA
182 Days Bills	NA	NA	NA	29.22
364 Days Bills	34.71	37.67	39.50	40.88

Standing Lending Facility	25.25	25.25	5.25	22.25
Standing Deposit Facility	15.75	15.75	15.75	15.75
Interbank Rate	23.06	24.43	24.6	24.60
Commercial Banks	19.66	20.26	20.26	20.26
Savings Rate	2.23	2.17	2.23	2.23

Source: Bank of Sierra Leone

The table above presents interest rates for various financial instruments.

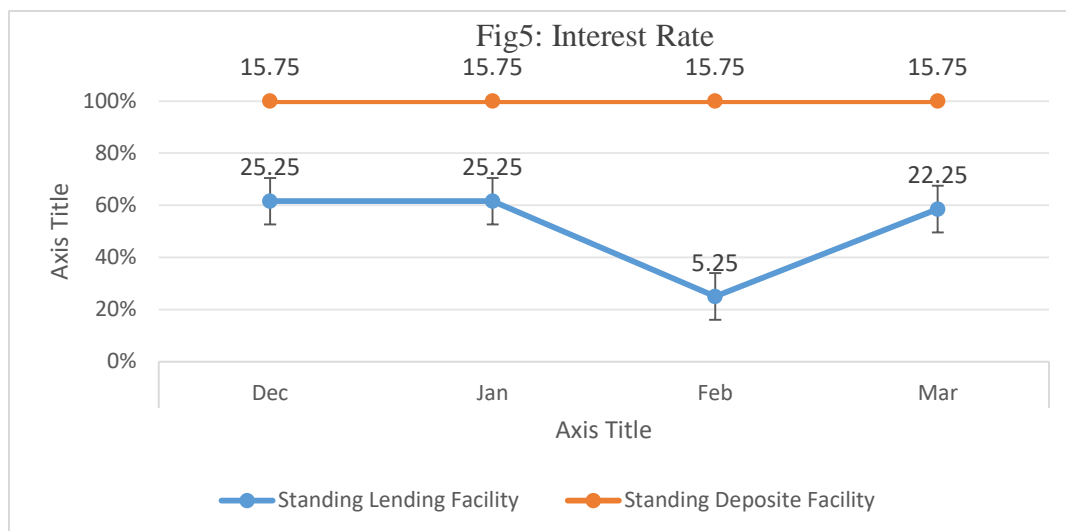
- **MPR:** Consistently held at 22.25 percent throughout December 2023 to March 2024, reflecting a steady monetary policy stance.
- **91-Day Bills:** No data available for any of the months.
- **182-Day Bills:** No data available for December through February, but increased to 29.22 percent in March 2024
- **364-Day Bills:** Showed a steady rise, from 34.71 percent in December 2023 to 40.88 percent by March 2024, indicating higher borrowing costs for longer-term investments.



Source: Bank of Sierra Leone

**Standing Lending Facility:** Remained constant at 25.25 percent in December and January, then dropped significantly to 5.25 percent in February before increasing to 22.25 percent in March. However, it experienced a significant fluctuation, with a sharp decrease in February followed by an increase in March 2024.

**Standing Deposit Facility:** Remained constant at 15.75 percent throughout the quarter.

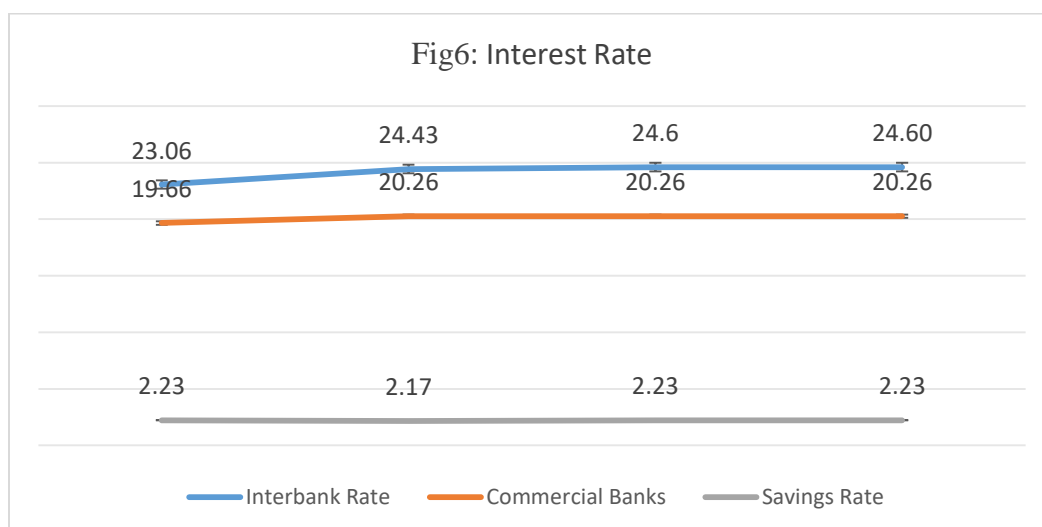


Source: Bank of Sierra Leone

**Interbank Rate:** Increased steadily from 23.06 percent in December 2023 to 24.60 percent in March 2024, indicating rising borrowing costs between banks.

**Commercial Banks:** Remained constant at 20.26 percent throughout the quarter, indicating consistent lending rates.

**Savings Rate:** Decreased slightly from 2.23 percent in December to 2.17 percent in January, before rising back to 2.23 percent in February and March, remaining low overall.



Source: Bank of Sierra Leone

## Fiscal Performance

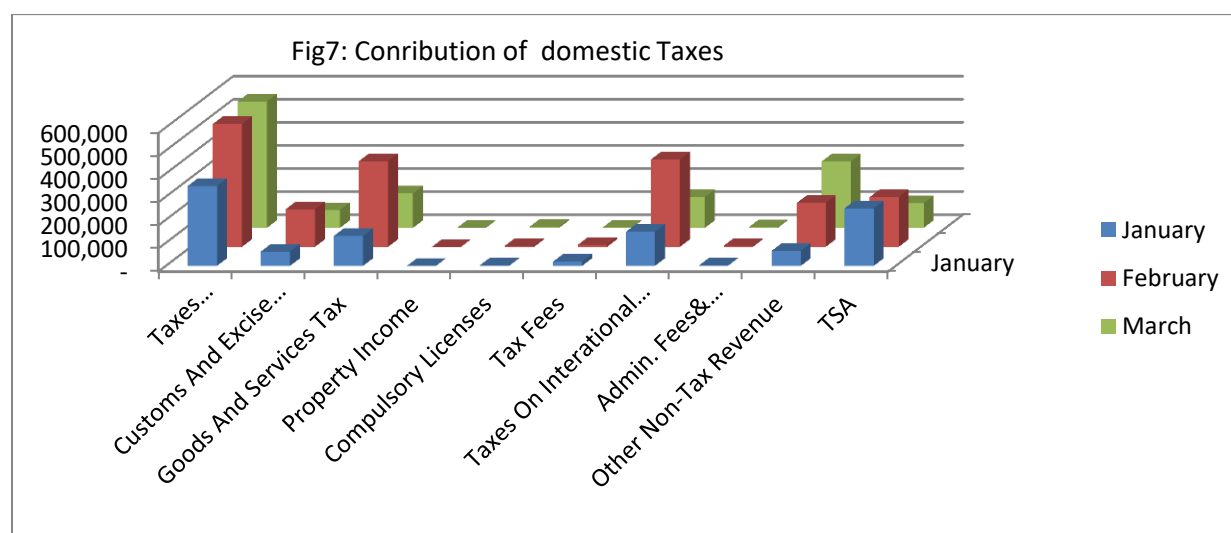
### Domestic Revenue

The total domestic revenue amounted to SLE4, 204,379 thousand in the first quarter of the year of which Taxes Income, Profits&Capital Gains made a huge contribution to the collection of SLE 1,426,596,000. An amount of SLE 650,125,000 was generated from the Goods and Services Tax. Customs and Excise Income contributed 7.2 per cent of total domestic revenue with a performance of SLE 302,591,000. Taxes on International Trade& Transport showed a collection of SLE 659,000,000 and no collection was made for property income.

Table2: Domestic revenue performance (SLE000)

Domestic Revenue Collection	January	February	March	Monthly Total	Contribution %
Taxes Income, Profits&Capital Gains	346,365	532,249	547,982	1,426,596	33.9
Customs And Excise Income	61,852	163,358	77,381	302,591	7.2
Goods And Services Tax	129,707	371,322	149,095	650,125	15.5
Property Income	-	-	0	0	0.0
Compulsory Licenses	2,568	4,792	5,946	13,307	0.3
Tax Fees	17,982	9,128	2,301	29,411	0.7
Taxes On International Trade& Transport.	147,467	378,324	133,209	659,000	15.7
Admin. Fees& Charges, Incidental Sale	1,219	4,967	2,757	8,942	0.2
Other Non-Tax Revenue	65,257	189,995	287,477	542,729	12.9
TSA	249,550	215,082	107,046	571,678	13.6
<b>Total Domestic Revenue</b>	<b>1,021,968</b>	<b>1,869,217</b>	<b>1,313,194</b>	<b>4,204,379</b>	

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



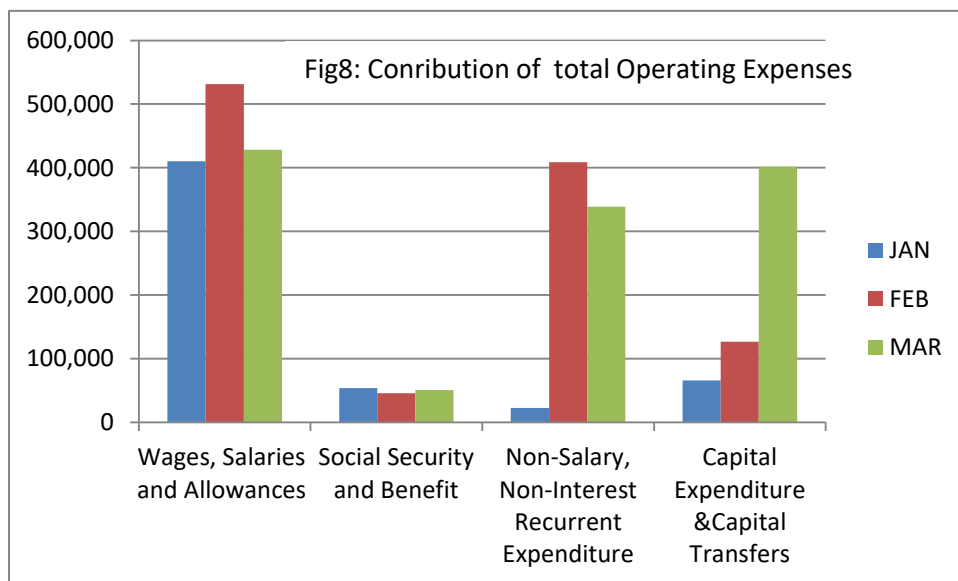
## Expenditure

Wages, Salaries and Allowances represent 30.0 percent of government operating expenses with the amount of SLE 1,370,145,000. Social Security and Benefit has a lesser contribution of SLE 150,835,000, Non-Salary, Non- Interest Recurrent Expenditure showed an expenditure of SLE 770,147,000 and Capital Transfers was SLE 594,474,000.

Table3: Operating Expenditure Performance (SLE000)

EXPENDITURE	January	February	March	Monthly Total	Contribution %
<b>Wages, Salaries and Allowances</b>	410,298	531,481	428,367	1,370,145	30.0
<b>Social Security and Benefit</b>	53,978	45,787	51,070	150,835	3.3
<b>Non-Salary, Non-Interest Recurrent Expenditure</b>	22,826	408,663	338,658	770,147	16.9
<b>Capital Expenditure &amp;Capital Transfers</b>	66,089	126,772	401,613	594,474	13.0

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).

**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.

For more information, please contact the Parliamentary Budget Office, Parliament of Sierra Leone Building, OAU Drive, Tower Hill, Freetown. Email: [pbosl2018@gmail.com](mailto:pbosl2018@gmail.com)

**Visit our webpage:**

[www.parliament.gov.sl/dnn5/ParliamentaryBusiness/ParliamentaryBudgetOffice.aspx](http://www.parliament.gov.sl/dnn5/ParliamentaryBusiness/ParliamentaryBudgetOffice.aspx)