

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 July to September 2024.

Contents

Macroeconomic Developments..... 2

Exchange Rate..... 2

Inflation..... 4

Monetary Policy Rates and Interest Rates..... 6

Fiscal performance..... 7

Domestic Revenue ..... 7

Expenditure..... 9

Selected Glossary..... 10

# Macroeconomic Developments

## Exchange Rate

In July 2024 from the buying side, the Leone depreciated by 0.14% at the BSL's published rate averaging NLe22.40/US\$, 0.03% in the commercial averaging NLe22.41/US\$ , and 0.15% in bureau market averaging NLe22.39/US\$ . However, in the parallel market, the buying rate of the Leone against the US dollar remained unchanged.

On the selling side, the Leone experienced a more pronounced depreciation, 0.14% at the official rate averaging NLe 22.63/US\$, 0.26% in the commercial banks averaging NLe22.74/US\$, 0.07% in bureau averaging NLe22.51/US\$ and 0.62% in the parallel market averaging NLe24.00/US\$.

The highest depreciation on the buying side was in the bureau market (0.15%), while on the selling side, the highest was in the parallel market (0.62%).

The parallel market exhibited the largest gap between buying and selling rates, highlighting increased exchange rate pressures.

On a month-on-month basis, the official market depreciated marginally by 0.14% in July 2024, contrasting with a 0.58% appreciation in June 2024. The premium between the official and parallel rates widened from 5.74% (NLe1.29 per US\$) in June 2024 to 5.92% (NLe1.33 per US\$) in July 2024, indicating increasing exchange rate divergence.

In August 2024, the Leone showed mixed performance across different markets, it appreciated by 0.12% at official market averaging NLe 22.38/US\$, 0.14% in the bureau market averaging NLe 22.43/US\$, it depreciated by 0.12% in the commercial banks market averaging NLe 22.36/US\$ and 0.80% in the parallel market averaging NLe 23.89/US\$.

On the selling side, the Leone also exhibited a mixed trend where in It appreciated by 0.12% at the BSL's published rat averaging NLe 22.60/US\$ , 0.34% in the commercial banks market averaging NLe 22.49/US\$, and 0.11% in the bureau market averaging NLe 22.66/US\$. However, it depreciated by 0.85% in the parallel market averaging NLe 24.05/US\$.

The Leone appreciated in both official rate and bureau market on both buying & selling sides. In the commercial banks market, it depreciated on the buying side (-0.12%) but appreciated on the selling side (+0.34%), the parallel market recorded the largest depreciation, with a 0.80% drop on the buying side and a 0.85% decline on the selling side. The premium between the official and parallel rates widened, increasing from 5.92% (NLe1.33 per US\$) in July 2024 to 6.95% (NLe1.56 per US\$) in August 2024, indicating growing exchange rate pressures.

On a month-on-month basis, the BSL mid-rate appreciated marginally by 0.13% in August 2024, reversing the 0.13% depreciation recorded in July 2024. The overall trend indicates relative stability in official markets but increasing pressure in the informal sector.

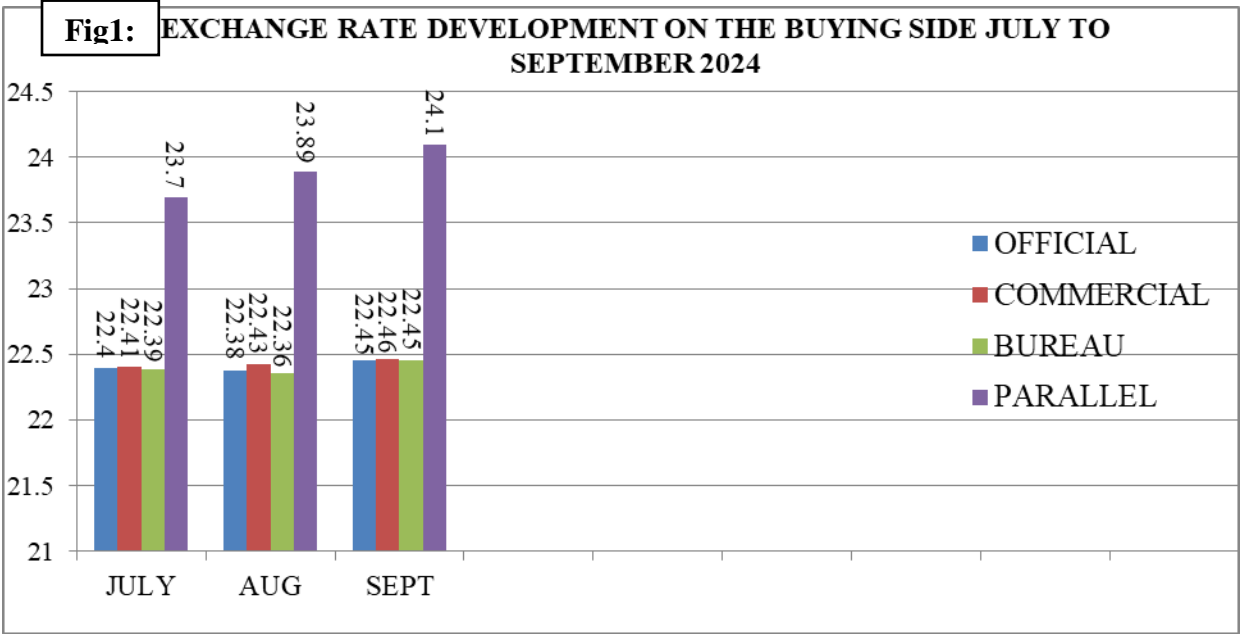
In September 2024, the Leone experienced depreciation across all markets on the buying side 0.33% at the BSL's published rate averaging NLe 22.45/US\$, 0.13% in commercial bank market averaging NLe 22.46/US\$, 0.41% in the bureau market averaging NLe 22.45/US\$ and 0.87% in the parallel market averaging NLe 24.10/US\$.

On the selling side, the Leone also depreciated across all markets, with the highest depreciation observed in the parallel market. Depreciation at the BSL's published rate 0.33% averaging NLe 22.68 /US\$ , 0.59% in commercial bank market averaging NLe 22.79/US\$, 0.35% in bureau market averaging NLe 22.57/US\$ and 0.95% in the parallel market averaging NLe 24.45/US\$

Both the buying and selling sides experienced depreciation, with a more significant decline in the parallel market (buying: -0.87%, selling: -0.95%), indicating continued pressure on the Leone in the informal exchange sector. The commercial banks market shown lower depreciation on the buying side (-0.13%) compared to the selling side (-0.59%), suggesting a stronger demand for foreign currency. The bureau market recorded depreciation with 0.41% on the buying side and 0.35% on the selling side.

The gap between the official and parallel markets widened, as shown by the increase in the exchange rate premium from 6.95% (NLe1.56 per US\$) in August 2024 to 7.58% (NLe1.71 per US\$) in September 2024.

On a month-on-month basis, the BSL mid-rate depreciated by 0.31% in September 2024, reversing 0.13% appreciation in August 2024.



## Inflation

### Food Inflation:

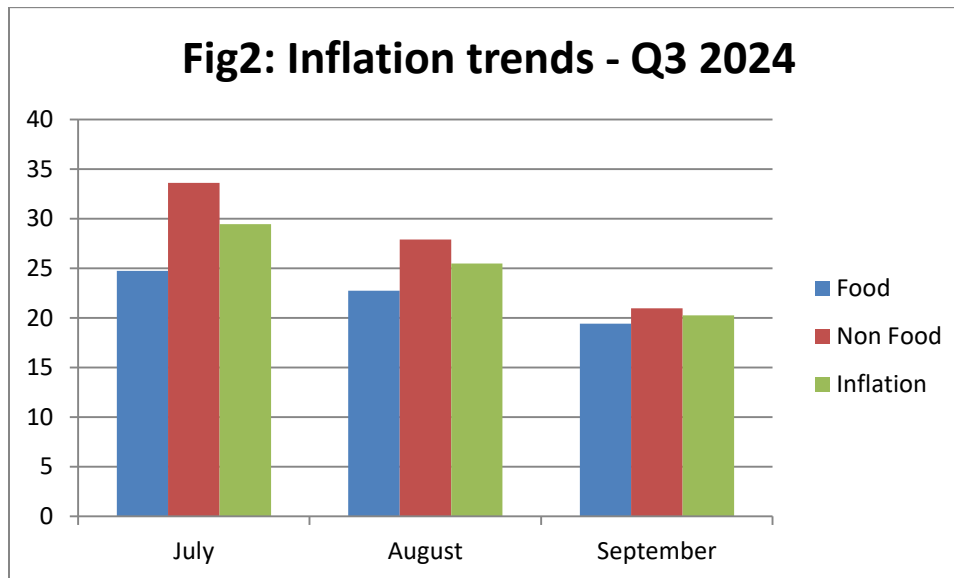
In July 2024, food and non-alcoholic beverages inflation stood at 24.75%. This figure dropped by 2.00 percentage points in August to 22.75%, and then fell further by 3.34 percentage points in September, reaching 19.41%. Overall, food inflation declined by a total of 5.34 percentage points over the third quarter, indicating a steady but moderate drop in food prices during this period.

### Non-Food Inflation:

Non-food inflation experienced a more significant decline. In July, it was recorded at 33.61%. By August, it had dropped by 5.72 percentage points to 27.89%, and then fell again by 6.94 percentage points in September to 20.95%. This marks a substantial total decrease of 12.66 percentage points across the quarter, suggesting considerable easing of non-food price pressures.

### General Inflation:

The overall consumer price inflation rate in July 2024 was 29.45%. This decreased by 3.96 percentage points in August to 25.49%, and then dropped further by 5.25 percentage points in September to 20.24%. The total reduction in overall inflation over the quarter was 9.21 percentage points, reflecting a general decline in price levels and a possible stabilization in the cost of living.



Source: PBO calculations based on Statistics Sierra Leone data

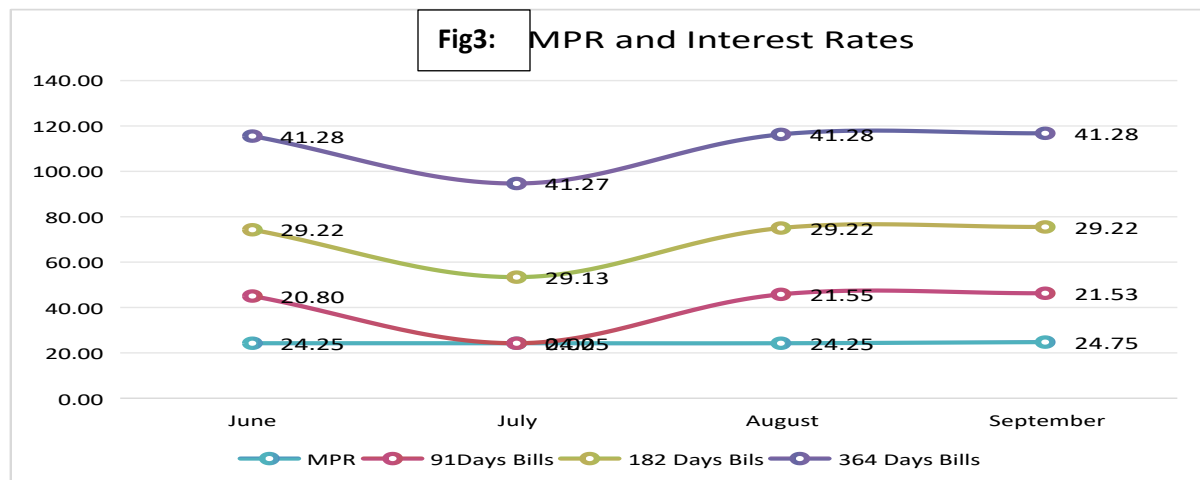
**Table1: MPR and Interest Rates 2024**

Description	June	July	August	September
MPR	24.25	24.25	24.25	24.75
91Days Bills	20.80	NA	21.55	21.53
182 Days Bils	29.22	29.13	29.22	29.22
364 Days Bills	41.28	41.27	41.28	41.28
Standing Lending Facility	27.25	27.25	27.25	27.75
Standing Deposite Facility	17.75	17.75	17.75	18.25
Interbank Rate	25.46	25.89	26.19	26.26
Commercial Banks	20.38	20.38	21.1	22.27
Savings Rate	18.15	18.75	18.87	20.04

**Source:** Bank of Sierra Leone(RMDs)

## Monetary Policy Rates and Interest Rates

MPR remained constant at 24.25 percent for June, July, and August, then increased to 24.75 percent in September

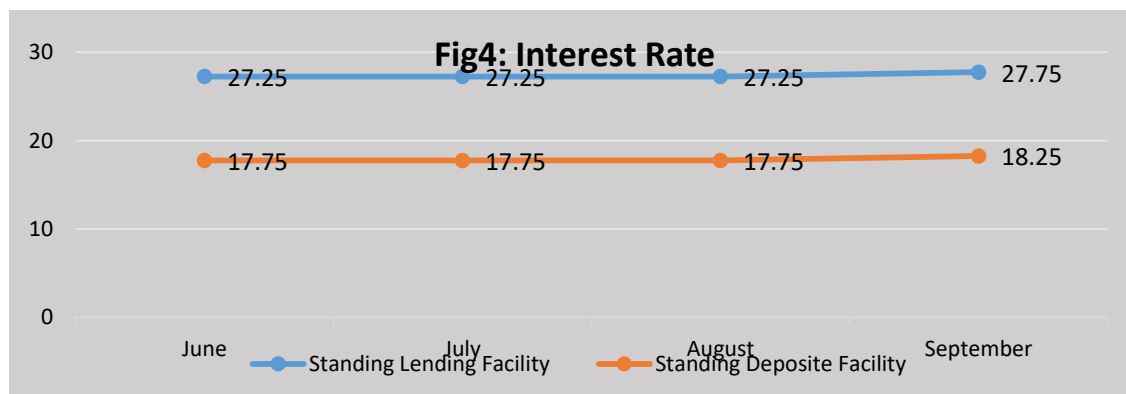


Source: Bank of Sierra Leone (RMDs)

### ● Treasury Bills

The interest rate for 91-day bills saw a slight upward trend overall, starting at 20.80 percent in June and ending at 21.53 percent in September, with a missing data point for July. The interest rate for 182-day bills remained very stable throughout the quarter, hovering around 29.22 percent with only a minor dip in July.

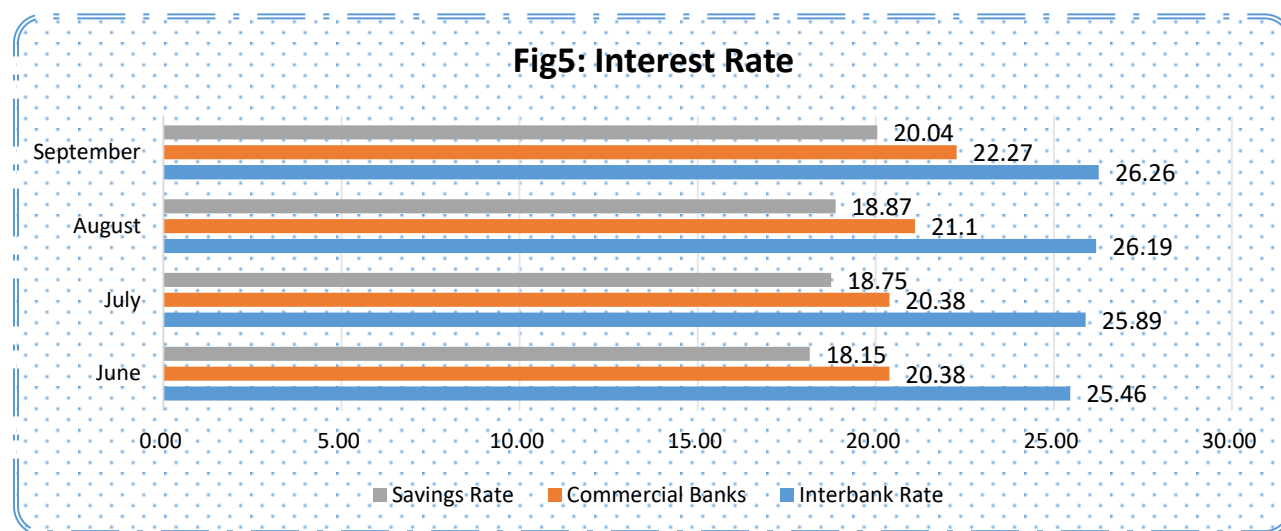
The 364-Day Bills began at 41.28 percent in June, saw a minor drop to 41.27 percent in July, and then went back to 41.28 percent for August and remained at that level in September.



Source: Bank of Sierra Leone (RMDs)

The Standing Lending Facility rate remained steady at 27.25 percent from June to August before increasing slightly to 27.75 percent in September.

Similarly, the Standing Deposit Facility rate held constant at 17.75 percent over the same period and then rose slightly to 18.25 percent in September.



Source: Bank of Sierra Leone (RMDs)

The inter-bank rate increased steadily from 25.46 percent in June to 26.26 percent in September. Commercial banks remained constant at 20.38 percent in June and July, then increased to 21.1 percent in August and further to 22.27 percent in September. The savings rate also increased steadily from 18.15 percent in June to 20.04 percent in September. Overall, all three interest rates showed an upward trend throughout the quarter.

## Fiscal performance

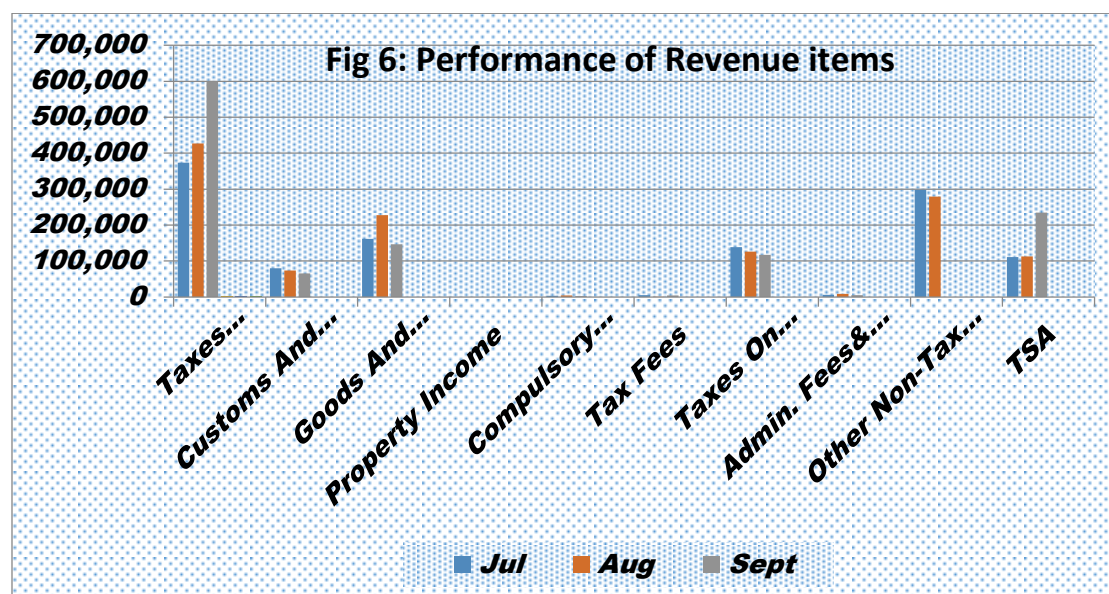
### Domestic Revenue

The total domestic revenue amounted to SLE3,609,553 in the third quarter of the year 2024 of which Taxes Income, Profits&Capital Gains made a huge collection of SLE 1,399,575 , an amount of SLE 535,844 was generated from the Goods and Services Tax, which indicate an increase compared to the second quarter. Customs And Excise Income contributed 6 per cent of total domestic revenue with a performance of SLE 218,659. Other Non-Tax Revenue showed a collection of SLE 576,855 and Taxes on International Trade& Transport showed a collection of SLE 381,723. There was no collection for property income.

Table2: Domestic Revenue Performance

Domestic Revenue Collection	JULY	August	September	Monthly Total	Contribution %
Taxes Income, Profits & Capital Gains	373,413	426,830	599,332	1,399,575	39
Customs And Excise Income	79,581	73,195	65,883	218,659	6
Goods And Services Tax	161,424	227,872	146,548	535,844	15
Property Income	-	-	-	-	0
Compulsory Licenses	2,903	4,290	2,521	9,714	0
Tax Fees	4,801	934	4,283	10,018	0
Taxes On International Trade & Transport.	138,396	125,877	117,450	381,723	11
Admin. Fees & Charges, Incidental Sale	5,824	8,127	5,196	19,147	1
Other Non-Tax Revenue	298,058	278,797	-	576,855	16
TSA	110,629	112,510	234,879	458,018	13
<b>Total Domestic Revenue</b>	<b>1,175,029</b>	<b>1,258,432</b>	<b>1,176,092</b>	<b>3,609,553</b>	

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



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



## Expenditure

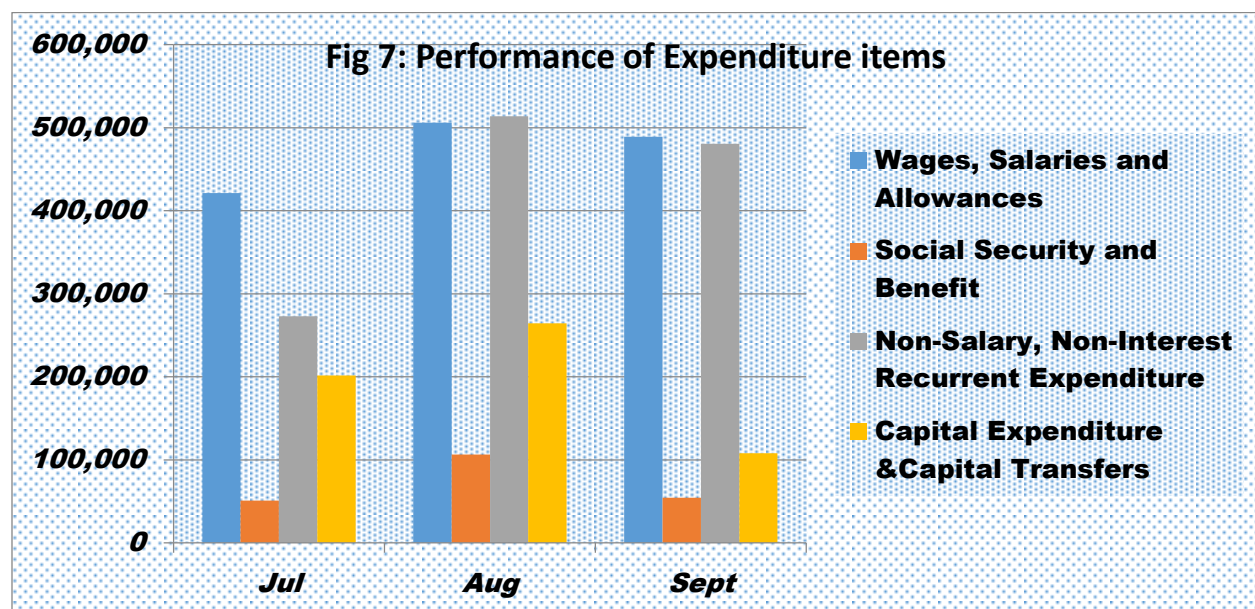
Wages, Salary and allowances represent 21 percent of government operating expenses with an amount of SLE 1,416,565. Social Security and Benefit has a lesser contribution of SLE 211,977, Non-Salary, Non-Interest Recurrent Expenditures account for SLE 1,267.278 (19 percent) of total expenditure for the period, and Capital Expenditure & Transfers was SLE 573,656.

### Operating Expenditure Performance (SLE000)

Table3: Domestic Expenditure Performance

EXPENDITURE	July	August	September	Monthly Total	Contribution %
Wages, Salaries and Allowances	421,275	506,261	489,029	1,416,565	21
Social Security and Benefit	50,978	106,482	54,517	211,977	3
Non-Salary, Non-Interest Recurrent Expenditure	272,810	513,864	480,604	1,267,278	19
Capital Expenditure & Capital Transfers	201,502	264,304	107,850	573,656	9

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



Source: PBO calculations based on monthly 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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