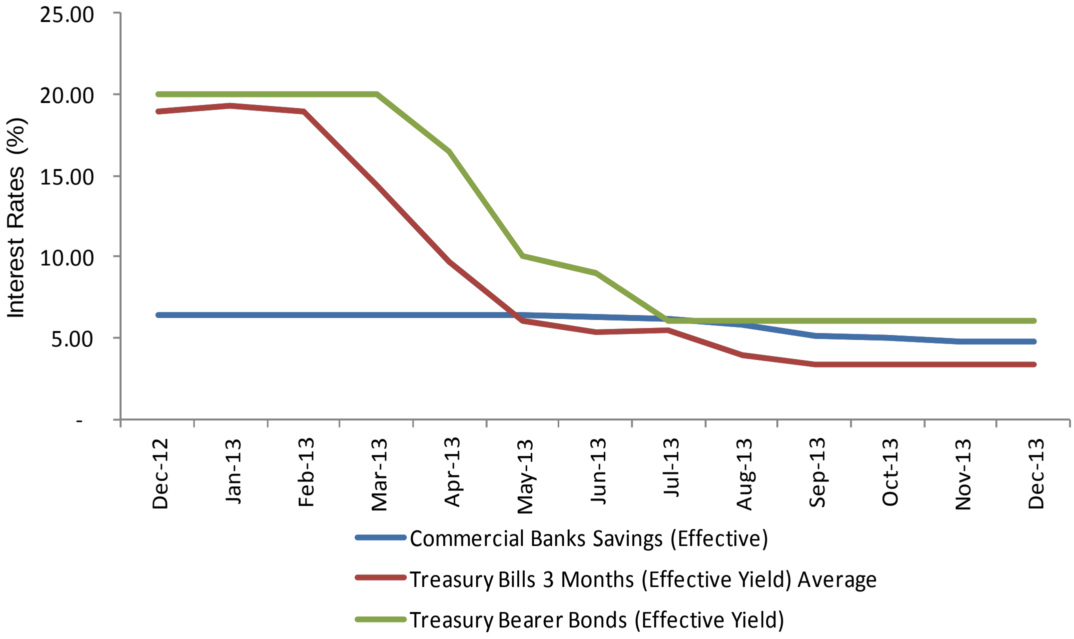
Government of Sierra Leone

Ministry of Finance and Economic Development

ECONOMIC BULLETIN
2013



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FOREWORD

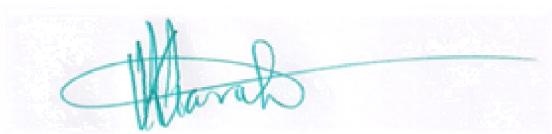
The thrust of economic policy in 2013 was to strengthen macroeconomic stability and promote sustainable economic growth. To this end, fiscal policy focused on aligning expenditures with available resources to address the fiscal challenges that occurred in 2012. The build-up of these unpaid bills was the consequence of scaling up of capital spending as Government strives to address the infrastructure bottlenecks in the midst of other expenditure pressures.

Government, therefore, pursued fiscal consolidation during the year through the intensification of domestic revenue collection and rationalization of expenditures. Government also adopted a policy stance of zero borrowing from the domestic securities market with a view to containing the growth of domestic debt and reducing the cost of borrowing. These efforts were supported by the enhanced coordination of fiscal and monetary policies through the Cash Management Committee. The results were encouraging: significant improvement in Government's fiscal position; decline in inflation to single digit for the first time in four years; sharp fall in Treasury bill rates and stable exchange rates. During the year, Government also continued to implement structural reforms especially in public financial management to ensure the transparent and accountable use of public resources. These efforts culminated in improved programme implementation under the Extended Credit Facility (ECF) arrangement with the IMF. All quantitative performance criteria and structural benchmarks under the ECF as at end December 2013 were met.

Going forward, Government remains committed to the implementation of prudent economic policies to consolidate the good results achieved in 2013 and ensure the attainment of the medium-term macroeconomic objectives. Government will also accelerate the implementation of structural reforms to improve economic governance and support private sector development, thereby enhancing the growth prospects of the economy. This, however, requires the continued co-ordination and collaboration among the Ministry of Finance and Economic Development, other Ministries, the Bank of Sierra Leone and the National Revenue Authority.

The publication of this Bulletin reflects Government's commitment to transparency in economic management, including the dissemination of relevant data and information to the general public, civil society and development partners.

I wish to thank the Ministers of State, Deputy Minister, Financial Secretary and Heads of various departments and the staff of the Ministry of Finance and Economic Development for their professionalism and support during the year.



Kaifala Marah (Dr.)
Minister of Finance and Economic Development

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Bank of Sierra Leone
Ministry of Agriculture, Forestry and Food Security
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Ministry of Mines and Mineral Resources
Ministry of Tourism and Cultural Affairs
Ministry of Trade and Industry
Ministry of Transport and Aviation
National Power Authority
National Revenue Authority
National Telecommunications Commission
National Tourist Board
Statistics Sierra Leone

And all of the Departments/Divisions/Units within the Ministry of Finance and Economic Development

Abbreviations and Acronym

ABC	Agriculture Business Centre
BSL	Bank of Sierra Leone
CMC	Cash Management Committee
CPI	Consumer Price Index
DfID	Department for International Development
ECF	Extended Credit Facility
EEC	European Economic Community
EIB	European Investment Bank
EU	European Union
EXIM Bank	Export-Import Bank
FDI	Foreign Direct Investment
FoB	Freight on Board
FHCI	Free Health Care Initiative
FSA	Financial Services Association
GDP	Gross Domestic Product
GST	Goods and Services Tax
HIPC	Heavily Indebted Poor Countries
IDB	Islamic Development Bank
IFAD	International Fund for Agriculture Development
IMF	International Monetary Fund
MAFFS	Ministry of Agriculture, Forestry and Food Security
MoFED	Ministry of Finance and Economic Development
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NMA	National Mineral Agency
NPA	National Power Agency
NRA	National Revenue Authority
ODA	Overseas Development Assistance
OFID	OPEC Fund for International Development
OIN	Other Items Net
OMO	Open Market Operations
OPEC	Organization of the Petroleum Exporting Countries
PDMD	Public Debt Management Division
SLRTA	Sierra Leone Road Transport Authority
UN	United Nations
WB	World Bank

1. WORLD ECONOMIC DEVELOPMENTS AND OUTLOOK

The global economy had a relatively stable year in 2013. Most countries improved or maintained their growth performance from previous year, while for some, it was still a struggle. The Euro area was still in recession and presented an uneven growth pattern. Germany and France enjoyed a solid year with falling unemployment and improving living standards, while the Mediterranean counterparts continue to fight against high unemployment. Despite the protracted disputes over its budget, the US job and housing markets have been moving up sharply, which indicate brighter prospects in 2014. Other developed countries, such as Japan and UK, exhibited robust recoveries.

Although large emerging countries (such as Russia and China) lost some of their steam in supporting global growth, the slowdown has been mild. The Chinese economy grew at 7.7 percent in 2013, recording its slowest growth in the last 23 years. Economic growth in India and Brazil is gradually moving back to their high growth trajectories, with 4.4 percent and 2.3 percent in 2013, respectively.

Sub-Saharan Africa encouragingly picked up to more than 5 percent in 2013. The main driver is the booming domestic demand, especially investment. Natural resources and infrastructure received most of the attention from investors. Foreign direct investment (FDI) flows to the non-resource sectors also increased, particularly for the service sector, where rising consumer incomes are contributing to the development in telecommunications, finance, retail trade, and transportation. Inflation continued to be tamed, but widening fiscal deficits, due to the increase expenditure in investment and wages, were observed in a few countries (e.g. Ghana and Zambia).

Looking forward, the world economy, by IMF estimation, is expected to grow at 3.7 percent in 2014. The US leads the recovery, while the Euro area is gradually coming out of the recession. The Chinese economy is under structural transition, with its revised GDP growth projected to stabilize at 7.5 percent. The increasing FDI and global commodity boom continue to fuel growth in Sub-Saharan Africa, which is projected to an average of 6.1 percent in 2014.

World inflation remains benign. The excess capacity, high unemployment, fiscal austerity and a continued financial deleveraging in major developed countries will keep taming inflation. The expectation of more supply of major crops will gradually lower food prices. However, significant fluctuations in oil prices, which can be heavily influenced by political situations in the Middle East and North Africa, may pose serious threat to inflation.

Despite the positive signs of recovery, some uncertainties and risks remain. The implementation of Quantitative Easing has greatly contributed to the current recoveries, but without proper planning and policy coordination among countries, a bumpy exit could cause serious disruptions to the world economy. The financial sector in Euro area also remains fragile. It requires continuous support to improve the supervision and regulation of the financial market. Moreover, persistent high unemployment rate in advanced economies could be another major challenge. More focused supply side polices to raise productivity and foster technology innovations are essential. Last but not least, some political disruptions around the world (e.g. the turmoil in Ukraine and Russian interventions) can easily derail the world economy from baseline projections.

Table 1-1 Selected World Economic Indicators

	Year over Year			
			Projections	
	2012	2013	2014	2015
World Output	**3.1**	**3.0**	**3.7**	**3.9**
Advanced Economies	**1.4**	**1.3**	**2.2**	**2.3**
United States	2.8	1.9	2.8	3.0
Euro Area	-0.7	-0.4	1.0	1.4
Germany	0.9	0.5	1.6	1.4
France	0.0	0.2	0.9	1.5
Italy	-2.5	-1.8	0.6	1.1
Spain	-1.6	-1.2	0.6	0.8
Japan	1.4	1.7	1.7	1.0
United Kingdom	0.3	1.7	2.4	2.2
Canada	1.7	1.7	2.2	2.4
Other Advanced Economies	1.9	2.2	3.0	3.2
Emerging Market and Developing Econoimes	**4.9**	**4.7**	**5.1**	**5.4**
Central and Eastern Europe	1.4	2.5	2.8	3.1
Commonwealth of independent States	3.4	2.1	2.6	3.1
Russia	3.4	1.5	2.0	2.5
Excluding Russia	3.3	3.5	4.0	4.3
Developing Asia	6.4	6.5	6.7	6.8
China	7.7	7.7	7.5	7.3
India	3.2	4.4	5.4	6.4
ASEAN-5	6.2	5.0	5.1	5.6
Latin America and the Caribbean	3.0	2.6	3.0	3.3
Brazil	1.0	2.3	2.3	2.8
Mexico	3.7	1.2	3.0	3.5
Middle East, North Africa, Afghanistan, and Pakistan	4.1	2.4	3.3	4.8
Sub-Saharan Africa	4.8	5.1	6.1	5.8
South Africa	2.5	1.8	2.8	3.3
World Trade Volume (goods and services)	**2.7**	**2.7**	**4.5**	**5.2**
Imports (goods and services)				
Advacned Economies	1.0	1.4	3.4	4.1
Emerging Market and Developing Economies	5.7	5.3	5.9	6.5
Commodity Prices (U.S. dollars)				
Oil	1.0	-0.9	-0.3	-5.2
Nonfuel (average based on world commodity export weights)	-10.0	-1.5	-6.1	-2.4
Consumer Prices				
Advanced Economies	2.0	1.4	1.7	1.8
Emerging Market and Developing Economies	6.0	6.1	5.6	5.3

Source: IMF

2. OVERVIEW OF DOMESTIC ECONOMIC DEVELOPMENTS AND OUTLOOK

The Sierra Leone economy continued to grow strongly, registering double digit growth rates in two successive years, 2012 and 2013. Spurred by the substantial increase in the production of iron ore and other minerals, the economy expanded further by 20.1 percent in 2013 up from 15.2 percent in 2012. Excluding iron ore, the economy grew by 5.5 percent in 2013 from 5.3 percent in 2012; supported by increased activities in agriculture, construction and services sectors.

Macroeconomic stability strengthened during the year on account of prudent fiscal and pro-active monetary policies. Both fiscal and external current account deficits decreased in 2013 relative to 2012, which translated into lower inflation and domestic interest rates as well as stable exchange rates. National inflation, as measured by the Consumer Price Index, declined considerably during the year, reaching a four-year low in 2013.

The fiscal position improved in 2013 as Government pursued fiscal consolidation through improvement in domestic revenue collection and the rationalisation of expenditures, which resulted in the reduction in fiscal deficit from 9.7 percent of GDP in 2012 to 4.9 percent of GDP in 2013. The deficit was financed largely by foreign sources in the form of project and programme loans. Domestic interest rates declined dramatically on account of Government's stance of zero borrowing from the domestic securities market during the first half of 2013.

Growth in monetary aggregates slowed during the year relative to 2012. Broad Money and Reserve Money growth rates were lower than in 2012 but remained higher than programme targets.

Exports grew strongly driven mainly by mineral exports. Imports declined by nearly 20 percent due mainly to the reduction in mining related machinery and transport equipment imports. Hence, the trade balance recorded a surplus, the first time in several years. The current account deficit, narrowed from 30.9 percent of GDP in 2012 to 12.4 percent in 2013. Gross foreign reserves increased from 3.2 months of imports in 2012 to 3.4 months in 2013.

The exchange rate continued to be market determined and remained relatively stable during the period. The stability in the exchange rate was underpinned by the increased export receipts and continued inflows of FDI and Overseas Development Assistance (ODA).

The economic outlook for 2014 is bright, with GDP growth rate projected at 11.3 percent and an average 8.5 percent during 2015-2016. Inflation will remain in single digit in the medium term. Exports are projected to continue to grow while import growth will moderate resulting in narrowing of the current account deficit in the medium-term. Gross foreign reserves are expected to increase to 4 months of imports in 2016. The exchange rate is expected to remain stable supported by strong export performance and inflows of FDI.

3. DOMESTIC OUTPUT

3.1 Agriculture

Continued Government and donor support combined with private sector investments in the agriculture sector contributed to the expansion in agricultural output in 2013. Government continued to provide agricultural inputs such as seed rice, fertilizers and equipment including power tillers, rice milling machines to farming communities country wide. Donor funded projects in the sector supported the rehabilitation of inland valley swamps, rehabilitation of coffee and cocoa plantations, the reconstruction of feeder roads as well as the development, dissemination and adoption of improved agricultural technology including improved high yielding crop varieties. Donor funded projects also facilitated the establishment of Agriculture Business Centres (ABCs) to promote value-addition and Financial Services Associations (FSAs) to improve access to finance in the rural areas.

Data obtained from the Ministry of Agriculture, Forestry and Food Security indicated that rice production increased by 10 percent to 1.26 million metric tons of paddy; cassava by 6.3 percent to 3.8 million metric tons; and sweet potato by 2 percent to 225 thousand metric tons. Private investments in the sector include SOCFIN in oil palm and rubber production, Gold Tree in oil palm production, and ADDAX in sugar cane cultivation for production of ethanol and electricity. Overall, the agriculture sector grew by 4.6 percent in 2013 up from 3.9 percent in 2012.

3.2 Mining

Output of minerals, except gold continued to increase in 2013. Relative to 2012, diamond production increased by 7.9 percent, rutile by 27.7 percent, and ilmenite by 45.5 percent. Gold output, however, declined by 33.6 percent. Total iron ore production amounted to 14.7 million metric tons (11.6 million metric tons produced by African Minerals Limited and 3.1 million metric tons produced by London Mining Limited). This constitutes an increase of 123.4 percent on 2012 output. The improved performance largely reflects the installation of additional production capacity as well as addressing the technical problems on the rail encountered in 2012. Overall, the mining sector (including quarrying) grew by 29.6 percent in 2013.

Table 3-1 Mineral Production, 2012-2013

	2011	2012	2013
Diamonds ('000 carats)	352.0	559.79	603.81
o/w Industrial	140.4	159.63	141.78
o/w Gem	211.1	401.15	453.03
Rutile (000M/tons)	68	94.49	120.35
Bauxite (000M/tons)	1,457.90	666.32	543.39
Ilmenite (000' M/tons)	14.6	21.52	32.36
Gold (ounces)	5,284.20	4,354.70	2,893.29
Iron Ore (000 M/Tons)	339.3	6,600.00	14,745.31
Zircon	-	-	3.34

Source: National Mineral Agency and Bank of Sierra Leone

3.3 Manufacturing

Performance of the manufacturing sector during the year was mixed. While the output of soft drinks, confectionery, paint, acetylene, and oxygen increased, the output of beer and stout, maltina, cement, and common soap declined. Production of soft drinks increased by 6.3 percent, confectionery by 11.1 percent, paint by 28.2 percent, acetylene by 22.7 percent and oxygen by 14.5 percent. However, the output of beer and stout fell by 1.9 percent, cement by 6.6 percent, maltina by 15.6 percent and common soap by 12 percent. The overall growth of manufacturing output slowed down from 4 percent in 2012 to 1.6 percent in 2013, due to the decline in electricity supply, as well as stiff competition from imported brands of the products during the period.

Table 3-2 Manufacturing Production, 2012-2013

	2011	2012	2013
Beer & Stout ('000 Ctns)	932.90	842.28	825.92
Maltina ('000 Ctns)	294.30	323.50	273.10
Soft Drinks ('000 Crates)	1881.10	2,139.38	2,274.03
Cement ('000 M tons)	310.90	335.40	313.36
Confectionery ('000 Ibs)	3469.50	3,164.51	3,516.26
Paint ('000 gallons)	203.80	182.18	233.56
Acetylene (000'Cu. Ft.)	199.90	191.62	235.14
Oxygen (000' Cu. Ft.)	267.40	230.20	263.60
Common Soap (M tons)	503.20	723.19	636.61
Flour (000' M/tons)	13.50	23.15	8.75

Source: Bank of Sierra Leone

3.4 Electricity

Government recognized that regular and stable energy supply is crucial for business and private sector growth. Hence, Government’s policy priority in the energy sector is to increase generation capacity across the country, minimize technical and distribution losses and explore other sources of cheap and affordable renewable energy. The sector strategy also highlighted the need to encourage private sector participation in the sector through unbundling various components (generation, transmission and distribution). However, the sector experienced serious challenges during 2013.

Data provided by the National Power Authority (NPA) indicated that the total amount of electricity generated by the Bumbuna Hydro Electric Dam and various thermal engines operated by NPA amounted to 164.4 GW/h in 2013 down from 186.9 GW/h produced in 2012. The slump in electricity generation was due to technical problems at the Bumbuna Hydro Dam during the year. As a result, the total units sold fell dramatically from 106.3 GW/h in 2012 to 68.6 GW/h in 2013. The dilapidated transmission and distribution network also contributed to the decline in units sold. The domestic and commercial consumers were most affected, with a 62 percent reduction in electricity consumption, while the Government and industrial consumption remained relatively stable.

The slump in electricity output and the attendant energy deficit constrained growth in the manufacturing sector and could limit the impact of recent reforms aimed at improving the business environment and promoting private sector growth. Government is therefore working to address these constraints through institutional reforms, rehabilitation of the transmission and distribution network and procurement of thermal plants.

Table 3-3 Electricity Generation (GW/h), 2012 and 2013

	2012	2013
Units generated	186.9	164.4
Total units sold	106.3	68.6
o/w domestic/commercial consumption	59.1	22.5
o/w Government consumption	17.0	17.4
o/w industrial consumption	30.2	28.7

Source: National Power Agency

3.5 Construction

The normal proxies used to gauge the level of activity in the construction sector were not available. Other proxies such as cement production and domestic capital spending on roads point to a less buoyant year for the construction industry. Government scaled down its expenditure on domestic funded capital projects in 2013. As noted above, cement production also declined by 6.6 percent. Overall, the growth of the construction sector slowed to 4.8 percent in 2013 from 12.0 percent in 2012.

3.6 Tourism

Tourism in Sierra Leone had a phenomenal year in 2013. The sector attracted huge foreign capital for the expansion and upgrading of existing facilities as well as the building of new ones. Benign weather, pristine beaches, proximity to Europe, a stable political and macroeconomic environment, makes Sierra Leone a top draw for high-end tourists in the sub-region. However, the weak infrastructure, which is currently being addressed, remains a challenge to the growth of the sector.

Data from the National Tourist Board, showed that 81,250 tourists arrived by air in 2013 compared to 59,730 tourists last year - a 36 percent increase. Of the 2013 arrivals, 34,821 tourists (accounting for 43 percent) came for business, compare to 23,619 (40 percent) in 2012. Over 50 percent of tourist arrivals came from Europe and America. The increase in tourist arrivals reflects the benefit of recent reforms to improve the business environment and deepen private sector participation as well as marketing done by National Tourist Board overseas. The rest of the tourist came for holidays (13,338), conference (7,318), visiting friends and relatives (11,187) and other purposes (14,586). The month of December recorded the highest number of arrivals in 2013 (9,016).

3.7 Banking

The total number of commercial banks operating in Sierra Leone remained at 13 as at end 2013. The total number of bank branches however, increased to 96 from 89 in 2013.

Domestic asset of the commercial banking system comprises of loans to the private sector, credit to the Government in the form of Government securities and its reserves at the central bank.

Commercial bank credit to the private sector to support various economic activities in mining, agriculture, manufacturing, construction, trade and commerce grew by 11.7 percent to Le1.0 trillion in 2013 from Le 896.6 billion in 2012. Access to credit and other financial services in the rural and peri-urban areas have also improved markedly with continued expansion and outreach of community banks (17) and other financial institutions (51).

Reserves held by commercial banks at the Bank of Sierra Leone amounted to Le 349.8 billion compared to Le 201.4 billion held as reserves in 2012. Credit to Government by commercial banks mainly in the form of Government securities (i.e. Treasury Bills) to meet its financing needs increased by 29.3 percent, to Le1.7 trillion in 2013 from Le1.3 trillion in 2012.

Although interest rates on Treasury Bills fell in the review period, lending rates of commercial banks remained sticky downwards attributed mainly to high administrative costs and high non-performing loans. Non-performing loans soared to 22.4 percent of total loans in the banking sector in the review period compared to 14.7 percent in 2012.

3.8 Transport

Although other means of transportation have been growing in importance over the years, road transport still remains the single most dominant means of movement for most Sierra Leoneans around the country.

Data from the Sierra Leone Road Transport Authority (SLRTA) showed that 68,931 vehicles were licensed in 2013 compared to 57,901 in 2012. Of the total, 35,915 were newly registered in 2013 compare to 26,036 in 2012. Detailed information is shown in the table below.

Table 3-4 Registered and Licensed Vehicles, 2012 and 2013

Type of Vehicle	2012		2013	
	Registered	**Licenced**	**Registered**	**Licenced**
Private Motorcycle	3,966	6,100	3,318	5,199
Commercial Motorcycle	8,254	14,030	14,526	14,770
Private Car	2,803	11,138	3,858	15,688
Taxis	1,372	4,003	1,879	4,975
Jeeps	4,267	12,525	5,768	16,098
Minibuses (up to 18 people)	2,884	5,873	3,345	7,592
Buses (more than 18 people)	264	619	306	469
Trucks (6 tyres)	1,074	2,097	1,462	2,228
Trucks (more than 6 types)	518	854	557	748
Tractors and trailers	634	662	564	703
Non-Commercial Trucks	-	-	332	461
Total	**26,036**	**57,901**	**35,915**	**68,931**

Source: Sierra Leone Road Transport Authority

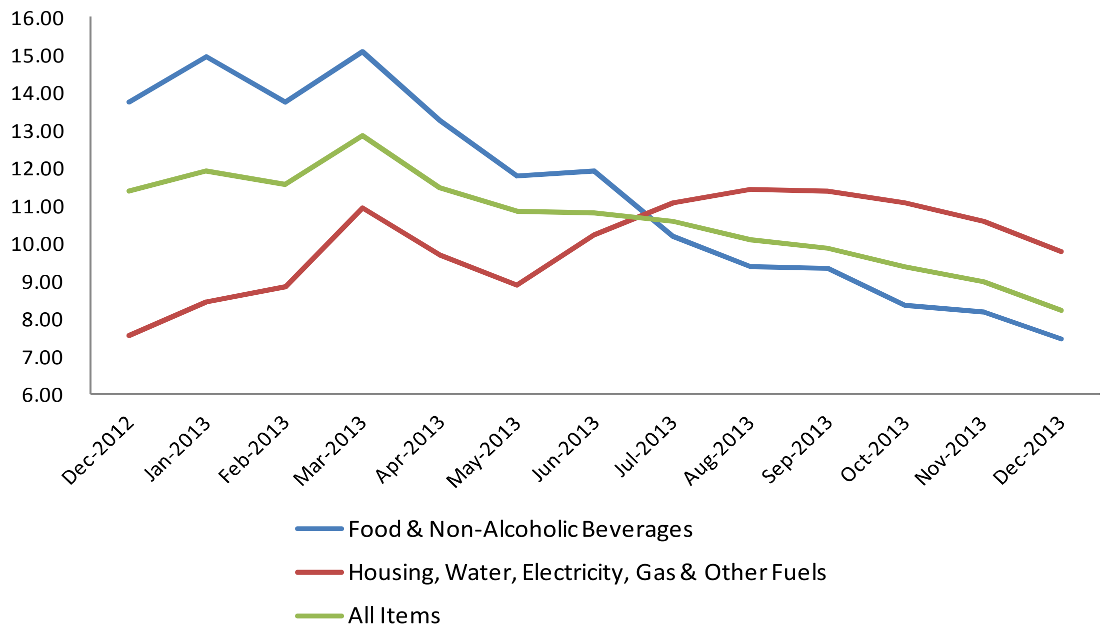
4. INFLATION

Inflationary pressures moderated considerably in 2013 with the year-on-year inflation falling to a single digit in September for the first time in nearly four years. The decline in inflation was supported by increased domestic food production, stable exchange rate, and proactive monetary policy reinforced by fiscal consolidation during the year. The decline in the prices of key internationally traded commodities during the year also contributed to the fall in domestic consumer prices. The price of rice in the international market fell by 10.5 percent, fuel (UK Brent) by about 2.9 percent, and sugar by 17.3 percent below their respective 2012 prices on the world market as shown in table 4.2.

Several components of the CPI basket registered lower inflation during the year. Inflation for food and non-alcoholic beverages fell to 7.5 percent from 13.7 percent in previous year. Alcoholic beverages, tobacco and narcotics inflation declined to 11.6 percent from 14.1 percent while that for clothing and footwear fell to 11.7 percent from 22.1 percent. However, inflation for housing, water, electricity, gas and other fuels increased to 9.8 percent from 7.6 percent a year earlier. Chart 4.1 shows inflationary trends for selected commodities.

National inflation declined to 8.2 percent (year on year) in December 2013 from 11.4 percent in 2012. Similarly, the annual average inflation fell to 10.4 percent from 12.9 percent over the period.

Figure 4-1 Inflation for Selected Items in the CPI Basket



Source: Statistics Sierra Leone

Table 4-1 Domestic Inflation for Selected Items in the CPI

Item	Dec-11	Dec-12	Dec-13
Food and Non-Alcoholic Beverages	28.8	13.7	7.6
Alcoholic Beverages, Tobacco and Narcotics	15.6	14.1	11.6
Housing, Water, Electricity, Gas and Other Fuels	7.3	7.6	9.8
Transport	9.2	3.4	7.5
Clothing and Footwear	20.6	22.1	11.7
Health	6.08	9.66	8.1
Education	9.2	0.1	0.9
Overall Inflation	**16.7**	**11.4**	**8.2**

Source: Statistics Sierra Leone

Table 4-2 Selected International Commodity Prices, 2011 – 2013

Item	Unit	2011	2012	2013
Rice	US$/mt	551.7	580.2	518.8
Fuel (UK Brent)	US$/bbl	111.0	112.0	108.8
Iron Ore	US$/mt	167.8	128.5	135.4
Coffee (Robusta)	Cts/lb	116.0	110.6	100.5
Cocoa	US$/mt	2,978.5	2,377.1	2770.1
Fish	US$/kg	5.9	4.8	6.8
Poultry	Cts/lb	87.4	94.3	103.8
Sugar (Free mkt)	Cts/lb	26.2	21.4	17.7

Source: IMF

5. CENTRAL GOVERNMENT FISCAL OPERATIONS

5.1 Introduction

During the fiscal year 2013, Government pursued fiscal consolidation in a bid to address the fiscal slippages that occurred in 2012 and strengthen macroeconomic stability. In this respect, budget execution focused on ensuring the alignment of expenditure commitments with available resources to avoid the accumulation of arrears/unpaid bills during the year. This was supported by improved coordination of fiscal and monetary policies through the regular meetings of the Cash Management Committee. Overall, the fiscal position improved in 2013 with higher-than-projected domestic revenue collection while expenditures were broadly within budget limits. As a result, the overall budget deficit, narrowed from 9.7 percent of GDP in 2012 to 4.9 percent of GDP in 2013.

5.2 Government Revenue

Total budgetary receipts, comprising domestic revenues and external grants, for the year 2013 amounted to Le2.83 trillion, up from Le2.51 trillion in 2012.

5.2.1 Domestic Revenue

Domestic revenue collected amounted to Le2.28 trillion (12.7 percent of GDP), exceeding the yearly target by Le83.4 billion. The amount collected was 21.7 percent higher than the amount collected in 2012 of Le 1.87 trillion (12.4 percent of GDP). The better-than-expected performance in domestic revenues was mainly accounted for by the impressive performance of Income taxes, which more-than compensate for the shortfall in Goods and Services Tax (GST) and excise duty on petroleum products. **Income Taxes (corporate tax and personal income tax)** increased by 19.4 percent from Le778.1 billion (4.1 percent of GDP) in 2012 to Le929.3 billion (5.4 percent of GDP) in 2013. Both Personal and Corporate taxes collected in 2013 were above the respective amounts collected in 2012 and also exceeded the yearly targets. **Personal Income Tax** amounted to Le 657 billion (3.7 percent of GDP) and exceeded its target by Le110.2 billion. This performance is partly attributed to the increased employment levels in the mining sector. **Corporate Tax** amounted to Le 267 billion (1.5 percent of GDP) and exceeded its target by Le49.5 billion due to higher profit earnings of business enterprises as well as the conduct of field audits by the National Revenue Authority.

Revenue from Goods and Services Tax (GST) increased by 5.2 percent to Le 440.3 billion (2.5 percent of GDP) from Le418.6 billion (3 percent of GDP) in 2012 but was below the target of Le458.3 billion due to mainly to underperformance in domestic GST. Domestic GST fell by 7.8 percent from Le170.9 billion in 2012 to Le157.4 billion in 2013 and was below the yearly target of Le195.6 billion. The weak performance in domestic GST is attributed to the poor compliance by GST registered businesses in properly accounting and reporting domestic sales on which domestic GST is levied. This is further complicated by the lack of reliable audit trails in administering domestic GST. Import GST increased by 14.6 percent from Le247.6 billion in 2012 to Le283.75 billion in 2013 and was also above the target by Le17.5 billion. **Customs and excise duties** increased by 44.5 percent to Le491.2 billion (2.8 percent of GDP) from Le339.7 billion (2.5 percent of GDP) in 2012. This amount was still below the target set for 2013 due to lower-than-projected excise duty on petroleum products. **Excise duty on petroleum products** increased significantly by 162.2 percent from

Le76.5 billion in 2012 to Le200.6 billion in 2013, but was still below the budgeted target of Le249.7 billion. This increase in excise duty collection was on account of the introduction of the two-tier petroleum pricing formula, which fully restored excise duties on petrol products for the whole of 2013, compared to 2012 when the policy took effect only in the second half of the year. However, excise duty on petroleum products could not meet the 2013 target due to the non-implementation of the proposed increase in fuel pump price, whose expected revenue impact was reflected in the target for this revenue stream. Import duties were broadly on target at Le269 billion.

Table 5-1 Government Revenue and Grants, 2012 – 2013

In millions of Leones	Actual 2012	% of 2012 non iron ore GDP	Original Budget	Actual 2013	% of Actual 2013 non iron ore GDP
Total revenue & Grants	**2,506,070**	**16.4**	**2,827,013**	**2,827,615**	**15.7**
Domestic revenue	**1,873,506**	**12.2**	**2,196,559**	**2,280,015**	**12.7**
Income tax	778,038	5.1	771,349	929,294	5.2
GST	418,558	2.7	458,255	440,266	2.4
Customs & excise	339,667	2.2	548,495	491,784	2.7
Mines department	222,043	1.5	224,736	235,038	1.3
Other departments	80,242	0.5	100,521	100,983	0.6
Road user charge & vehicle licenses	34,958	0.2	93,203	83,242	0.5
Grants	**632,564**	**4.1**	**630,454**	**547,600**	**3.0**
Programme	266,393	1.7	213,254	169,982	0.9
Projects	301,891	2.0	417,200	377,006	2.1
Non-Iron ore GDP	**15,324,000**		**17,284,922.00**	**17,990,982**	

Source: Budget Bureau, Ministry of Finance and Economic Development

Non-tax revenues including mining royalties and licenses, fisheries royalties and licenses, parastatal dividends, road user charges and other fees and charges collected by Government departments amounted to Le427 billion (2.3 percent of GDP). Of this total, mining royalties and licenses amounted to Le 235 billion (1.3 percent of GDP) and exceeded the target by Le 10.3 billion. Road User fees increased from Le35 billion in 2012 to Le83.2 billion but fell short of its target by almost 10 billion. Royalties on fisheries amounted to Le 15.5 billion and exceeded its target by Le5.8 billion. Fees and levies from other departments amounted to Le106 billion, surpassing its target by Le 5.8 billion. Parastatal dividends were nil in 2013.

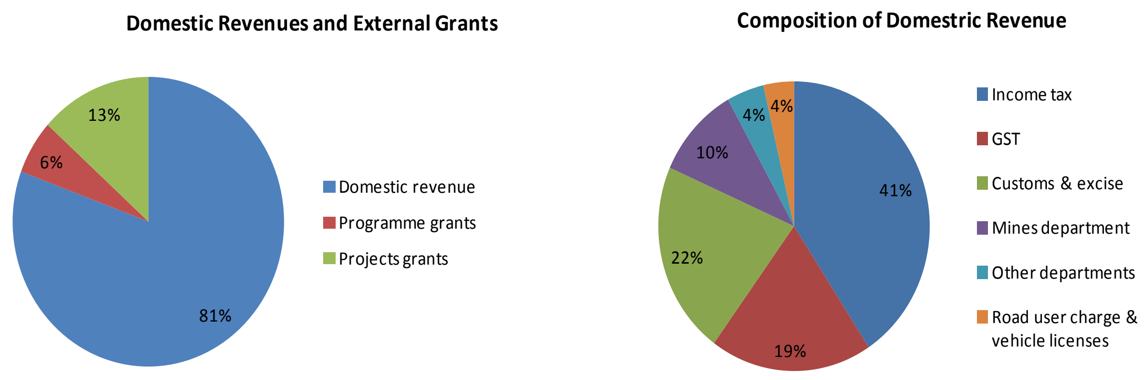
5.2.2 Grants

Grants: Total grants disbursed amounted to Le548 billion (3.0 percent of GDP) compared to the projected Le630 billion (3.6 percent of GDP) that was programmed for 2013 and Le632.6 billion received in 2012, due to lower-than-anticipated disbursement of both programme and project grants. Grants made up 19.3 percent of total revenue mobilised in 2013 compared to 25.2 percent share in total revenue in 2012, indicating reduced dependency on foreign aid.

Of total grants, programmed grants amounted to Le169.9 billion (1.0 percent of GDP) compared to the budgeted amount of Le213.2 billion. These include disbursement of budget support by UK-DfID ($20.78 million) and the European Union ($15.46 million). In addition, $1.98 million was received from the Chinese in respect of the refurbishment of the Sierra Leone UN delegation office in New York. The non-disbursements of about US$7.41 million by the Global Fund to support the payment of the salaries of Health Sector Workers under the Free Health Care Initiative (FHCI) contributed to the shortfall in programme grants.

Projects grants increased by 25.1 percent from Le301.9 billion in 2012 to Le 377.6 billion in 2013, but were 8.6 percent less than the budgeted target of Le 417.2 billion due to the slow implementation of some donor funded projects.

Figure 5-1 Composition of Total Revenue, 2013



Source: Budget Bureau, Ministry of Finance and Economic Development

5.3 Government Expenditure

Total expenditure and net lending amounted to Le3.17 trillion (17.6 percent of GDP) in 2013. This was less than the (revised) budgeted amount of Le3.37 trillion (19.5% of GDP), and also less than the Le3.4 trillion (18.7 percent of GDP) spent in 2012. The drop in total expenditure and net lending was due to the reduction in capital spending from Le1.28 trillion in 2012 to Le1.14 trillion in 2013.

5.3.1 Recurrent Expenditure

Recurrent expenditure in nominal terms increased slightly by 1.0 percent to Le2.2 trillion in 2013 from Le2.0 trillion in 2012 and was 0.5 percent higher than the Le 2.18 trillion budgeted for 2013. As a percentage of GDP, recurrent expenditure decreased from 12.3 in 2012 to 12.1 in 2013.

Wages and Salaries: the Government wage bill increased from Le936 billion (5.8 percent of GDP) in 2012 to Le1.1 trillion (5.9 percent of GDP) in 2013, and slightly above the budget ceiling of Le 2.3 billion. The overrun was due to the ongoing recruitment of technical personnel to fill the ‘missing middle’ in the civil service and hiring of additional health sector workers. This was, however, offset by the savings on the teacher payroll of Le 10.5 billion following the biometric verification and subsequent deletion of the names of 2,873 teachers (1,934 unverified and 900 retired teachers) from the payroll.

Table 5-2 Wage Bill Analysis, FY 2013

Particulars	FY2013	FY2013 Actual	Variance
	Rev. Budget	Q1-Q4	
Wages and Salaries	**251,579.00**	**267,753.00**	**16,174.00**
Charged Emoluments	36,014.00	51,569.00	15,555.00
Teachers	331,847.00	321,346.00	(10,501.00)
Police	71,664.00	69,631.00	(2,033.00)
Military-Joint force command	71,686.00	69,977.00	(1,709.00)
Foreign Missions	50,349.00	50,581.00	232.00
Local Councils	7,513.00	5,723.00	(1,790.00)
Pensions, Gratuities and other retirement benefits	50,779.00	51,366.00	587.00
Government's contribution to Social Security	81,165.00	79,066.00	(2,099.00)
Wages Arrears	5,655.00	6,286.00	631.00

Source: Budget Bureau, Ministry of Finance and Economic Development

Table 5-3 Government Expenditure and Net Lending, 2012 – 2013

In millions of Leones	Actual 2012	% of 2012 non iron ore GDP	Original Budget	Actual 2013	% of Actual 2013 non iron ore GDP
Total expenditure and net lending	**3,360,322**	**21.9**	**3,362,638**	**3,169,422**	**17.6**
Recurrent	**2,097,378**	**13.7**	**2,180,387**	**2,185,127**	**12.2**
Wages and salaries	935,912	6.1	1,057,752	1,060,021	5.9
Non salary non interest	870,635	5.7	789,190	823,948	4.6
Interest payments	290,831	1.9	333,444	301,158	1.7
Capital	**1,262,944**	**8.2**	**1,182,251**	**1,146,533**	**6.4**
Domestic	798,761	5.2	463,037	416,752	2.3
Foreign	464,182	3.0	818,000	729,781	4.1
Net Lending	**-**	**-**	**(98,786)**	**(167,663)**	**(0.9)**
Contingent	**-**	**-**	**-**	**5,425**	**0.0**
Non-Iron ore GDP	**15,324,000**		**17,284,922**	**17,990,982**	

Source: Budget Bureau, Ministry of Finance and Economic Development

Non-salary, non-interest recurrent expenditure amounted to Le 823.9 billion (4.6 percent of GDP) in 2013, which was Le34.6 billion above the budgeted amount. The overrun was due to overspending on goods and services, transfers to local councils, and grants to tertiary institutions.

Expenditure on goods and services amounted to Le520.0 billion (2.9 percent of GDP) compared to the revised budget of Le 487 billion (2.8 percent of GDP). The main reason for the over-run of Le32.3 billion was the excess spending on General Services of about Le53.9 billion, which was partly offset by the under-spending on the social and economic sectors.

Table 5-4 Analysis of Non-Salary, Non-interest Recurrent Expenditure (NSNIRE), FY2013

	FY2013		FY2013		Variance
	Rev. Budget	**%GDP**	**Actual**	**%GDP**	
Total NSNIRE	**789,190.00**	**4.60**	**823,947.00**	**0.40**	**34,757.00**
Goods and services	**487,490.00**	**2.80**	**519,821.00**	**2.90**	**32,331.00**
Social and Economic	188,406.00	1.10	162,267.00	0.90	(26,139.00)
General and others	158,425.00	0.90	212,413.00	1.20	53,988.00
Defence	65,298.00	0.40	63,298.00	0.40	(2,000.00)
Police	58,400.00	0.30	60,045.00	0.30	1,645.00
Prisons	16,961.00	0.10	21,798.00	0.10	4,837.00
Transfers	**301,700.00**	**1.70**	**304,126.00**	**1.70**	**2,426.00**
Local Councils	80,000.00	0.50	85,050.00	0.50	5,050.00
Road Maintenance Fund	93,203.00	0.50	83,242.00	0.50	(9,961.00)
Tertiary Institutions	118,437.00	0.70	125,774.00	0.60	7,337.00
Elections	10,060.00	0.10	10,060.00	0.10	-
Nominal Iron Ore GDP	**17,990,982.00**		**17,990,982.00**		

Source: Budget Bureau, Ministry of Finance and Economic Development

The share of expenditure on General Services to non-interest, non-salary recurrent expenditure remained almost unchanged at 23.4 percent in 2013. Subventions to NRA, spending by the Ministry of Finance and Economic Development, Ministry of Foreign Affairs, International Cooperation, Office of the President, and Parliament accounted for 7.8 percent, 3.3 percent, 3.1 percent, 2.4 percent, and 1.5 percent, respectively of NSNIRE.

Expenditure on Social Services amounted to Le202.3 billion and accounted for 24.6 percent of total non-interest, non-salary recurrent expenditure. The Ministry of Education, Science and Technology received Le146.8 billion; of which, Le125.7 billion was grants to tertiary institutions. The Ministry of Health and Sanitation received Le36.7 billion, of which Le8.3 billion was channeled towards the Child Health Care Services.

Expenditure on the Security Services amounted to Le159 billion, of which, 39 percent (Le63.3 billion) was on the Ministry of Defense. The Sierra Leone Police received Le60.04 billion whilst Prisons Department received Le21.8 billion.

Expenditure in the Economic Sector stood at Le168.9 billion and represented 20 percent of total non-interest, non-salary recurrent expenditure. Of this amount, Le83.2 billion was channeled to the Road Maintenance Fund and Le19.3 billion to the Ministry of Agriculture, Forestry and Food Security (MAFFS). The majority of the expenditure for MAFFS (Le14.7 bn) was on food security and related activities.

Transfers to Local Councils amounted to Le85.1 billion, which was Le5.0 billion above the budget. **Transfer of Le83.2 billion to the Road Maintenance Fund** was Le10 billion below budget due to lower- than- expected collection of road user charges.

Poverty related expenditures for 2013 amounted to Le883.5 billion (5.1 percent of GDP) compared to budgeted provision of Le1.06 trillion (6.1 percent of GDP), an under spend of about Le179.5 billion, mainly due to low spending on the domestic financed capital projects.

Table 5-5 Poverty Related Expenditure, FY2013

Summary	2013 (Revised Budget)	2013 (Actual)	Variance
Total Discretionary Primary Expenditure	**1,252,227.00**	**1,245,319.83**	**(6,907.17)**
Non-Salary, Non-Interest Recurrent	789,190.00	828,567.60	39,377.60
Domestic Development	463,037.00	416,752.23	(46,284.77)
Total Poverty Related Expenditure	**1,062,999.00**	**883,535.80**	**(179,463.20)**
Non-Salary, Non-Interest Recurrent	607,069.00	539,981.92	(67,087.08)
Domestic Development	455,930.00	343,553.88	(112,376.12)
Poverty Related Expenditure (% of Total Discretionary Expenditure)	**0.85**	**0.71**	**(0.14)**
Poverty Recurrent Expenditure (% of Total Recurrent Expenditure)	0.77	0.65	(0.12)
Poverty Development Expenditure (% of Total Domestic Development Expenditure)	0.98	0.82	(0.16)

Source: Budget Bureau, Ministry of Finance and Economic Development

Total interest payments amounted to Le 301.2 billion, lower than the budgeted amount by Le32.3 billion due mainly to lower interest payments on domestic debt as interest rate on all tenors of treasury bills plummeted during the year. Foreign interest payments were also below budget.

5.3.2 Capital Expenditure and Net Lending

Capital expenditures and Net Lending amounted to Le1.15 trillion (6.4 percent of GDP) compared to a revised budget of Le1.28 trillion, resulting to a net under-spending of about Le134.0 billion.

Foreign-financed Capital Expenditure: Capital expenditure financed by foreign loans and grants amounted to Le 729.8 billion, lower than the budgeted amount by Le88.2 billion due to lower-than-expected disbursements of loans and grants during the year.

Domestic Capital Expenditure: For the past three years, domestic capital expenditure recorded significant overruns resulting in the buildup of arrears. In an effort to restore budget credibility, strengthening budgetary control, especially on the domestic capital budget, was accorded top priority. As a result, spending on domestically funded capital projects was kept within budgetary allocations. Domestic capital expenditure, fell to Le416.8 billion (2.3 percent of GDP) in 2013 from Le464.2 billion (4.8 percent of GDP) in 2012 and was below the budgeted amount by Le46.3 billion.

Road Projects accounted for the bulk of domestic capital expenditure (52.9%), followed by Energy (17.9%); Governance sector (9.4%); Water Supply (6.7%), and security sector (5.2%).

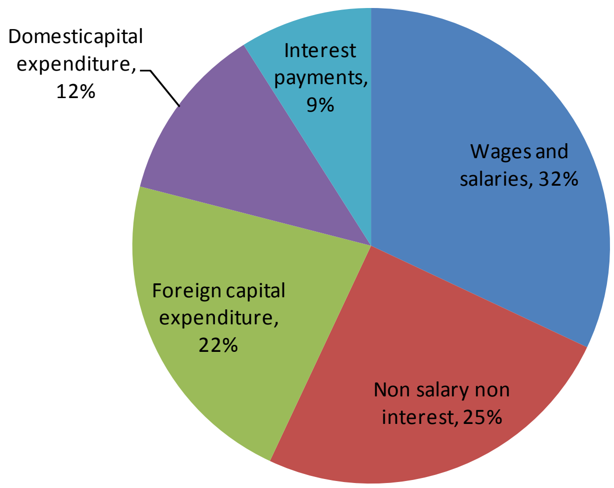
Domestic capital expenditures on Roads, Governance, Education, Agriculture, Energy, and Local Council projects were below the respective budgeted amounts. In particular, expenditure on road projects was far below the budgeted amount by Le25.6 billion; followed by Governance Sector, Le11.7 billion. In contrast, Security, Heath and Water Sector projects exceeded their respective budgets. Water projects recorded the highest overrun of Le 11.8 billion due to the need to complete most of the water projects across the country.

Table 5-6 Analysis of Domestic Capital Expenditures, FY2013

Particulars (Millions, Leones)	FY2013 Revised Budget	% of Total Capital Expenditure	FY2013 Actual	% of Domestic Capital Expenditure	Variance
Total Domestic Capital Expenditures	**463,037**	**100.00**	**416,752**	**100.00**	**(46,285)**
Governance Sector Projects	50,698	10.95	39,020	9.36	(11,678)
Security Sector Projects	21,651	4.68	21,799	5.23	148
Education Projects	1,100	0.24	644	0.15	(456)
Health Projects	3,000	0.65	3,143	0.75	143
Other Social Sector Projects	4,290	0.93	3,150	0.76	(1,140)
Agricultural Projects	6,300	1.36	4,455	1.07	(1,845)
Other Economic Sector Projects	22,012	4.75	15,869	3.81	(6,143)
Energy Projects	75,893	16.39	74,440	17.86	(1,453)
Water Supply Projects	15,905	3.43	27,798	6.67	11,893
Roads Projects	245,980	53.12	220,410	52.89	(25,570)
Local Councils Projects	15,208	3.28	5,607	1.35	(9,601)
Unallocated	1,000	0.22	417	0.10	(583)
Nominal non-iron ore GDP	**17,284,922**		**17,990,982**		

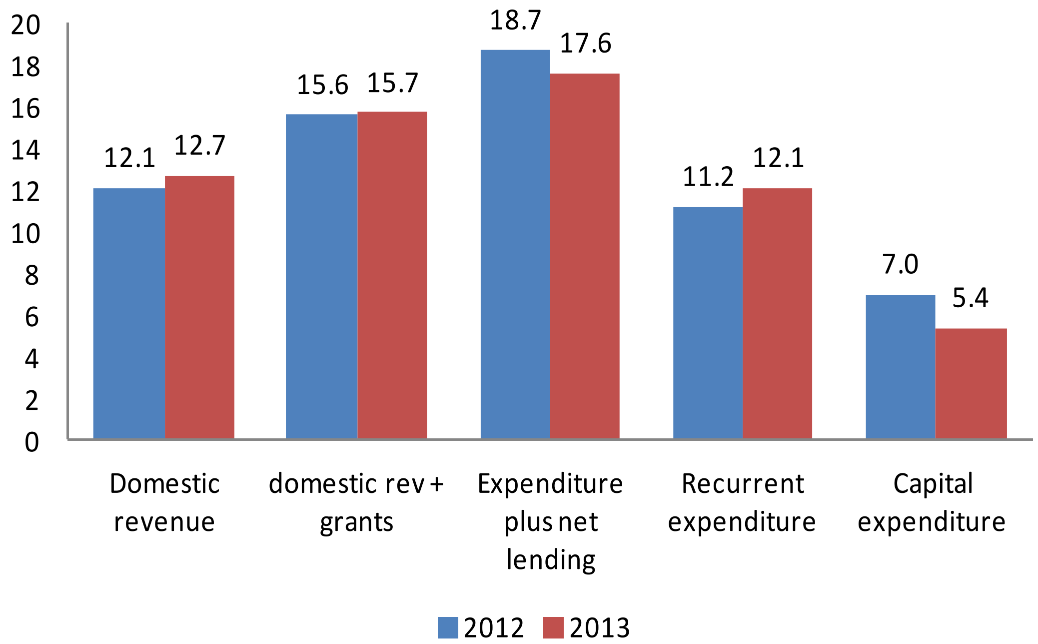
Source: Budget Bureau, Ministry of Finance and Economic Development

Figure 5-2 Composition of Total Expenditure, 2013



Source: Budget Bureau, Ministry of Finance and Economic Development

Figure 5-3 Revenue and expenditure as % of GDP, 2012-2013



Source: Budget Bureau, Ministry of Finance and Economic Development

5.4 Budget Deficit and Financing

Budget Deficit: the overall budget deficit, excluding grants, was Le883.9.0 billion or 4.9 percent of GDP compared to Le1.17 trillion (9.7 percent of GDP) in 2012. Budget deficit, including grants, amounted to Le 336.0 billion (1.9 percent of GDP) compared to Le854.3 billion (5.6 percent of GDP) in 2012.

The basic primary budget balance, which is the overall deficit net of interest payments and foreign financed capital expenditures, recorded a surplus of Le 146.9 billion (0.8 percent of GDP) in 2013 compared to a deficit of Le 332.9 billion (2.2 percent of GDP in 2012). The surplus in the primary balance indicates the implementation of a tight fiscal policy in 2013.

Financing of the Budget Deficit: total financing requirement of the 2013 budget deficit amounted to Le341 billion (2.0 percent of GDP), which was financed from both foreign and domestic sources. **Net Foreign financing** of the budget deficit amounted to Le294 billion. This comprised foreign borrowing in the form of project and programme loans of Le380 billion less amortization (repayment of debt) of Le86 billion. **Net Domestic financing** of the budget deficit amounted to Le47 billion. This includes bank financing of Le299 billion less the repayment to the non-bank sector of Le252 billion. Of the bank financing, Government borrowed Le359 billion from the commercial banks, at the same time, repaid the Bank of Sierra Leone Le59 billion. Repayment to the Bank of Sierra Leone constituted Le46 billion in respects of Ways and Means and Le12.7 billion for the redemption of Government securities. Repayment to the non-bank sector included the Le241 billion of unpaid bills owed to domestic suppliers and contractors carried over into 2013 from 2012. It also included redemption of Le68 billion of Treasury Bills from non-bank financial institutions.

Table 5-7 Overall Fiscal Deficit and Financing, 2012 – 2013

In millions of Leones	Actual 2012	Actual 2012 % of non-iron ore GDP)	Original 2013 Budget	Actual 2013	Actual 2013 % of non-iron ore GDP)
Overall deficit					
Including grants	(852,251)	(5.6)	(541,000)	(341,807)	(1.9)
Excluding grants	(1,484,000)	(9.7)	(1,170,000)	(889,407)	(4.9)
Basic primary balance	(586,000)	(3.8)	(313,000)	125,000	0.8
Total financing	**863,103**	**5.6**	**540,820**	**341,093**	**2.0**
Foreign financing (net)	523,281	3.4	453,741	294,108	1.6
Borrowing	601,000	3.9	541,305	379,927	2.1
Amortization	(77,719)	-0.5	(87,564)	(85,819)	(0.5)
Domestic financing (net)	339,822	2.2	87,079	46,985	0.3
Bank	222,140	1.4	245,558	299,574	1.7
Central Bank	(94,148)	(0.6)	45,558	(59,538)	(0.3)
o/w Ways and Means	(94,148)	(0.6)	45,558	(46,834)	(0.3)
Commercial Bank	316,288	2.1	200,000	359,112	2
Non Bank	117,682	0.8	(158,479)	(252,589)	(1.4)
Non-bank institutions	125,077	0.8	91,281	(68,323)	(0.4)
Privatization receipts	8,605	0.1	13,408	12,904	0.1
Float (cheques payable)	68,000	0.4	(241,168)	(241,170)	(1.2)
o/w cheques repaid	(183,000)	(1.2)	(241,168)	(241,170)	(1.3)
o/w cheques accumulated	251,000	1.6	-	30,000	0.2
Change in arrears	(84,000)	(0.5)	(22,000)	14,000	0.1
Non-Iron ore GDP	**15,330,000**			**17,990,982**	

Source: Budget Bureau, Ministry of Finance and Economic Development

6. MONETARY DEVELOPMENTS

6.1 Trends in Monetary Aggregates

Price stability remained the primary objective of the Bank of Sierra Leone in 2013. To this end, the Bank continued to use Open Market Operations (OMO) as the main instrument of monetary policy, which is implemented through Repurchase Agreements (Repo/Reverse Repo). Open market operations are complemented by the weekly foreign exchange auctions to mop up excess liquidity in the system.

To signal its stance of monetary policy, the Bank of Sierra Leone through the Monetary Policy Committee (MPC), occasionally adjusts the Monetary Policy Rate taking into consideration developments in the domestic and international economies.

In spite of the excess liquidity in the system, the BSL reduced the Monetary Policy Rate (MPR) several times during the year, to reflect the decline in Treasury Bill rates in the domestic securities market, following Governments policy stance of not borrowing from the market. The BSL reduced the MPR from 20 percent in December 2012 to 17 percent in April 2013 and to 15 percent in June 2013 and further down to 12 percent in August and 10 percent in December 2013.

Monetary aggregates expanded in 2013, though at slower growth rates than in 2012. Broad Money (M2) grew by 21 percent, which was higher than the programme target of 14.8 percent, but slightly slower than the growth rate of 23.1 percent recorded in 2012. M3, including foreign currency deposits, grew by 16.6 percent due to the low growth of the latter. Similarly, Reserve Money grew by 17.6 percent in 2013, which was higher than programme target of 14.2 percent, but lower than the growth rate of 18.5 percent in 2012.

The growth in M2 was occasioned by increases in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the banking system. NFA grew by 15.2 percent on account of foreign inflows, including export receipts, external budgetary support, and payment of taxes in foreign currency by mining companies. NDA, which comprise domestic credits and other items net (OIN), grew by 29 percent, driven mainly by growth in domestic credits of 20 percent, while other items net declined by 84 percent. The growth in domestic credits was caused primarily by the 42 percent increase in Government borrowings from commercial banks. Government borrowing from the Bank of Sierra Leone increased by 4 percent only. Commercial banks credit to the private sector recovered strongly by 11.7 percent in 2013 after declining by 6.9 percent in 2012.

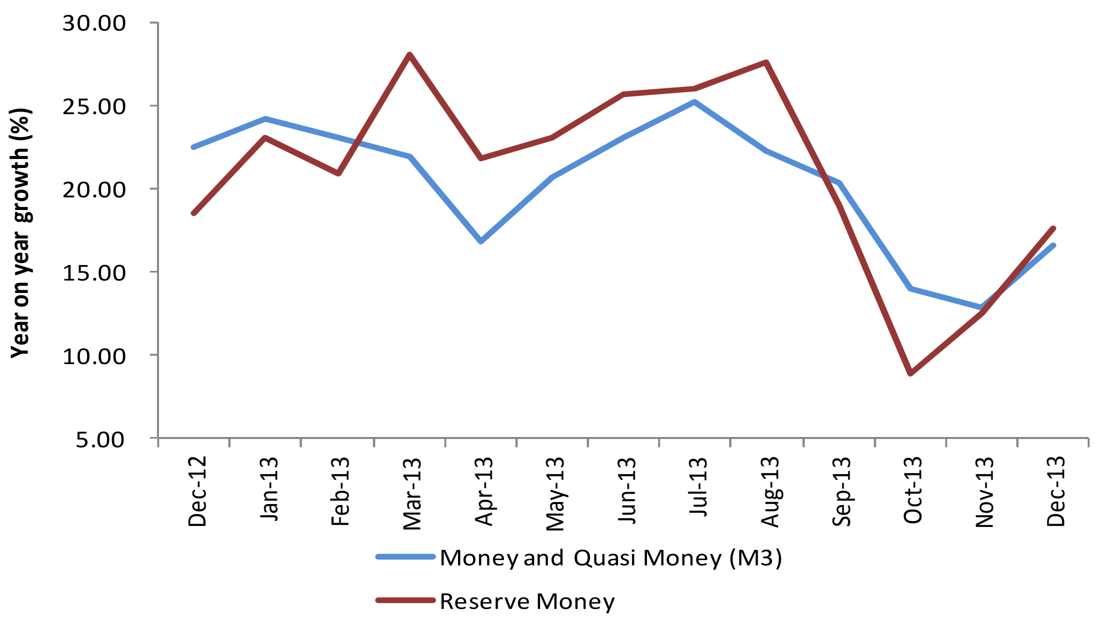
On the components of money supply, currency outside banks fell by 1.7 percent. Total deposits increased by 21.2 percent. Of these, demand deposit increased by 23.7 percent, time deposits by 20.1 percent, savings deposits by 18.5 percent, and foreign currency deposits grew by 5.4 percent.

Table 6-1 Monetary Aggregates, end-2012 and end-2013

In Billions of Leones	End-2012	End 2013	% Change
Money and quasi money (M3)	3,623	4,224	16.6
o/w broad money (M2)	2,594	3,140	21.0
o/w foreign currency deposits	1,029	1,084	5.4
Reserve money	1,019	1,198	17.6
Net foreign assets (NFA) of banking system	2,485	2,863	15.2
Net claims on Government by banking system	1,299	1,681	29.4
o/w credit to Government by BSL	441	459	4.0
o/w credit to Government by commercial banks	860	1,219	42.0
Net credit to private sector by commercial banks	888	989	11.3
Currency outside banks	790	776	(1.7)
Total deposits (demand, time, saving, foreign currency, government, and other)	2,812	3,409	21.2
o/w demand deposits	597	739	23.7
o/w time deposits	247	296	20.1
o/w saving deposits	662	784	18.5
o/w foreign currency deposits	1,029	1,084	5.4
o/w other deposits	1.96	2.07	6.0
o/w Government deposits	275	503	82.9

Source: Bank of Sierra Leone

Figure 6-1 Trends in Monetary Aggregates (Year-on-year growth)

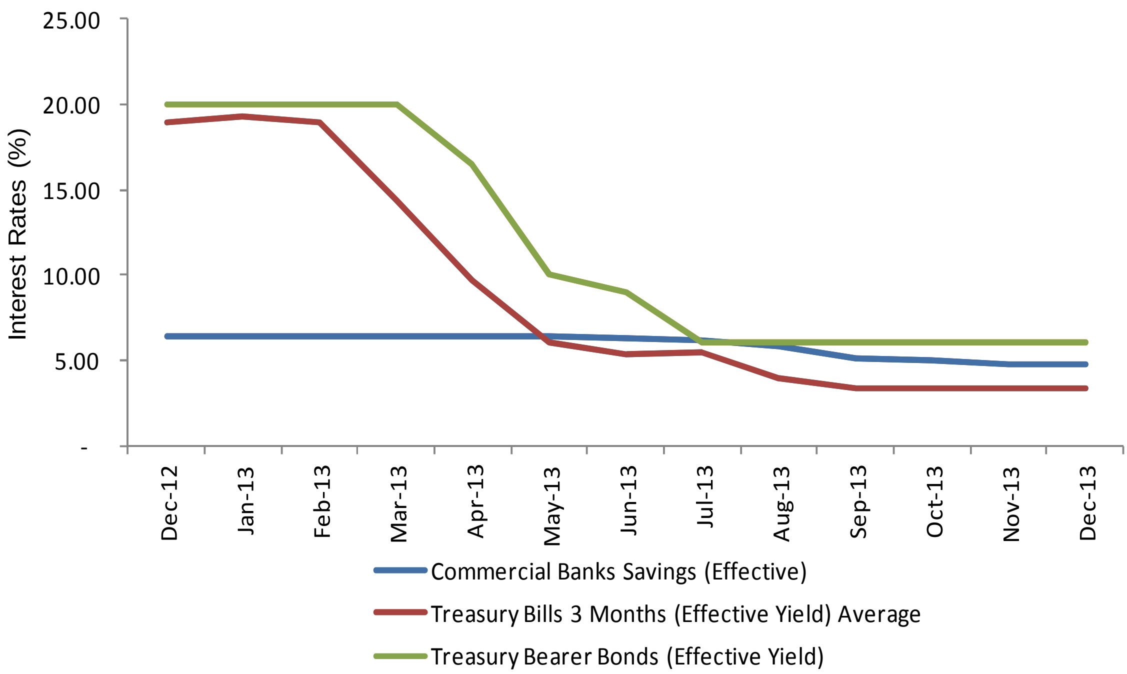


Source: Bank of Sierra Leone

6.2 Interest rates

Domestic interest rates declined during 2013 mainly due to the policy stance of minimum borrowing from the domestic securities market adopted by Government to i) contain the growth of domestic debt accumulated over the years due to excessive borrowing and hence reduce the cost of borrowing (high interest rates); ii) encourage the commercial banks to give loans to potential borrowers instead investing in Government securities in order to support private sector investment activities.

Figure 6-2 Trends in Selected Domestic Interest Rates



Source: Bank of Sierra Leone

As a result, interest rates on Government securities plummeted in 2013 as shown in the chart 6.2 below. The rate on the 91-day Treasury Bills declined to 3.4 percent at end December 2013 from 19 percent for the corresponding period in 2012. The rate on the 182-day Treasury Bills fell to 7.5 percent from 25.5 percent while the rate on the 364-day Treasury Bills declined to 9.5 percent from 25.8 percent. The Treasury Bearer Bond rate fell to 6 percent from 20 percent at end December 2012. The monetary policy rate also declined to 10 percent from 20 percent.

Despite the significant fall in rates on Government securities and the Monetary Policy Rate, commercial bank lending rates declined only moderately from a range of 21-29 percent in 2012 to a range of 19.7-25.3 percent in 2013.

7. EXTERNAL SECTOR PERFORMANCE

7.1 Introduction

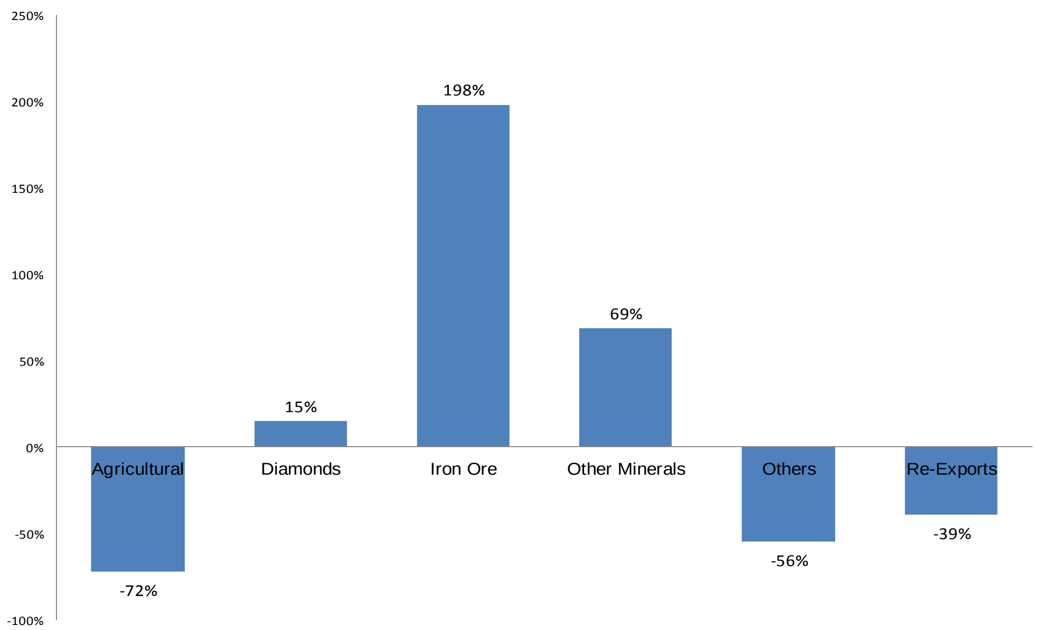
The external sector improved significantly in 2013. As a result of strong growth in mineral exports driven largely by iron ore combined with the decline in mining-related imports of machinery and equipment, the trade deficit was fully eliminated in 2013. For the first time in recent history, Sierra Leone recorded a trade surplus of US$362.3 million in 2013 from a deficit of US$796.1 million in 2012.

7.2 Exports

Domestic exports (FoB) increased dramatically from US$1.16 billion in 2012 to US$1.92 billion in 2013. Mineral exports accounted for over 90 percent of total exports with iron ore being the most important contributor (See Figure 7.1). The value of mineral exports as a whole doubled from US$839.7 million in 2012 to US$1.79 billion in 2013. Of these, iron ore exports increased from US$857 million in 2012 to US$1.06 billion in 2013, reflecting increased production volumes and favourable market conditions. Diamond exports increased from US$161.7 million to US$185.7 million. The combined exports of other mineral exports (rutile, ilmenite, bauxite, and gold) increased by 69 percent. Agricultural exports contracted, as cocoa production dropped during the review period. The export of rice, palm oil and garri to neighbouring countries through unofficial channels remained unrecorded.

Prospects for growth in agricultural exports in the medium-term are favourable as coffee and cocoa plantations are being rehabilitated as well as new private investments in cash crop production including oil palm, rubber and sugar cane.

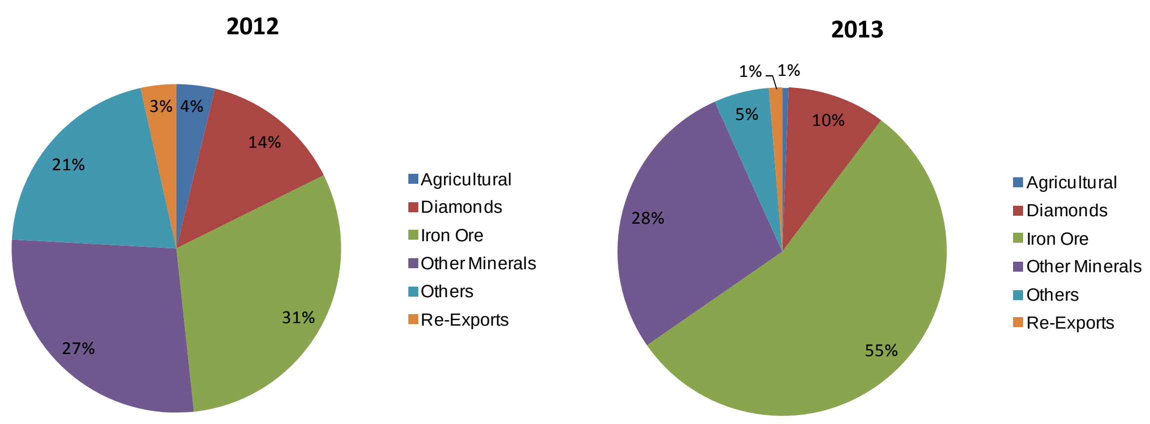
Figure 7-1 Growth of merchandise exports between 2012 and 2013



Source: Bank of Sierra Leone

The composition of exports demonstrates huge dependency on mining activities, with mineral exports accounting for 93.4% of the total exports. The share of iron ore in total exports expanded from 31.8 percent to 55.5 percent, on account of the expansion of production by both African Minerals Limited and London Mining in 2013.

Figure 7-2 Composition of merchandise exports



Source: Bank of Sierra Leone

Major export destinations are China (accounted for 77.3 percent of total exports) and the European Union (12.9 percent), the United Kingdom and Belgium.

7.3 Imports

The value of total imports (FoB) dropped from US$1.96 billion in 2012 to US$1.57 billion in 2013. The 19.9 percent decrease was largely due to the decline in the import of mining related machinery and transport equipment. The import of machinery and transport equipment decreased by 17.6 percent to US$352.5 million in 2013 from $427.6 million in 2012, which more than offset the increase in petroleum and food import bills.The drop in the importation of machinery and transport equipment reflects the shift to the production phase by the iron ore mining companies after completing the investment phase of their business plans.

The value of petroleum imports increased by 29.8 percent to US$330.9 million, reflecting the increase in volumes of the various products as mining and construction activities continue to expand.

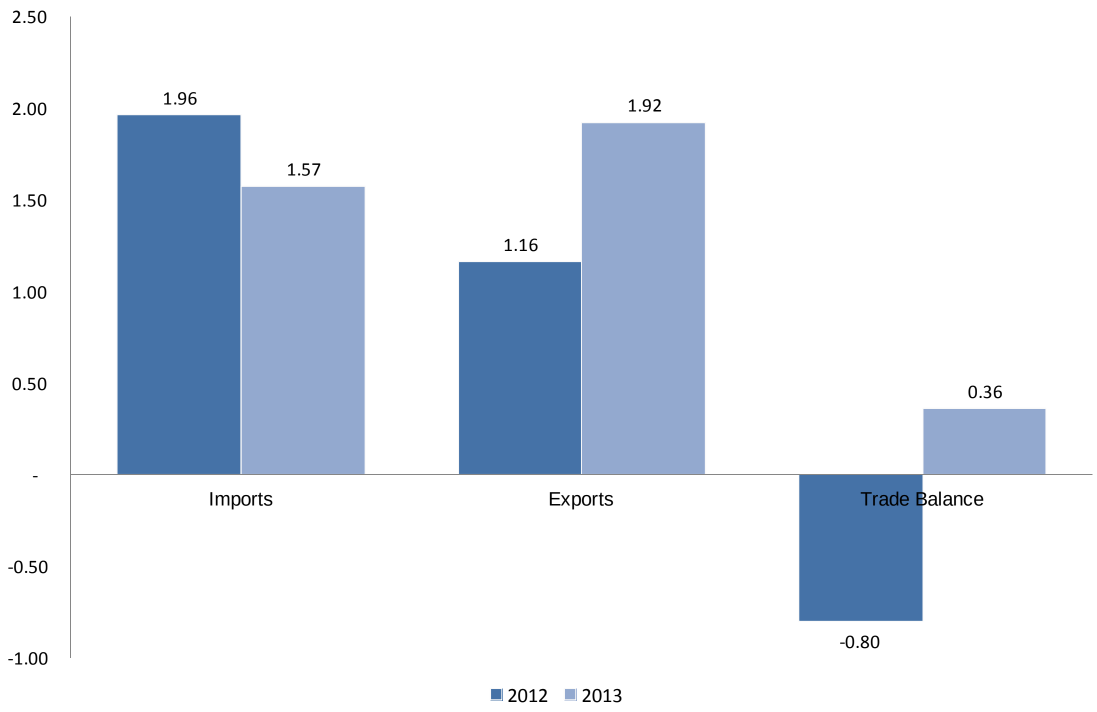
Food imports increased to US$314.8 million in 2013 from US$269.3 million in 2012. The unofficial export of locally produced rice to neighbouring countries partly contributed to the inadequate supply in the domestic market and hence the need to fill the demand gap through imports.

The value of manufactured goods decreased to US$153.3 million in 2013 from US$175.9 million in 2012. Over the period, imports of intermediate goods, comprising chemicals and crude materials, increased to US$140.8 million from US$123.5 million. Imports of beverage and tobacco also increased from US$25.1 million to US$28.6 million.

7.4 Trade Balance

The trade balance, which had been in persistent deficit, turned to a surplus in 2013 on account of the strong growth of mineral exports, especially iron ore, combined with the decline in imports. The external sector recorded a trade surplus of US$362.3 million in 2013 compared to a trade deficit of US$796.1 million recorded in 2012.

Figure 7-3 Aggregate exports, imports, and trade balance (Billions, US$)



Source: Bank of Sierra Leone

7.5 Current Account

The import of services increased in 2013 relative to 2012 from US$349.2 million to US$544.8 million. Net outflows of income increased from US$128.1 million to US$557.3 million. Net official transfers declined from US$236.3 million in 2012 to US$202.1 million as both official development assistance and bilateral assistance declined over the same period. Despite of these adverse developments, the current account deficit narrowed to US$511.8 million (12.4 percent of GDP) in 2013 from US$1.1 billion (30.9 percent of GDP) in 2012, mainly due to the surplus in the trade balance.

7.6 Capital and Financial Account

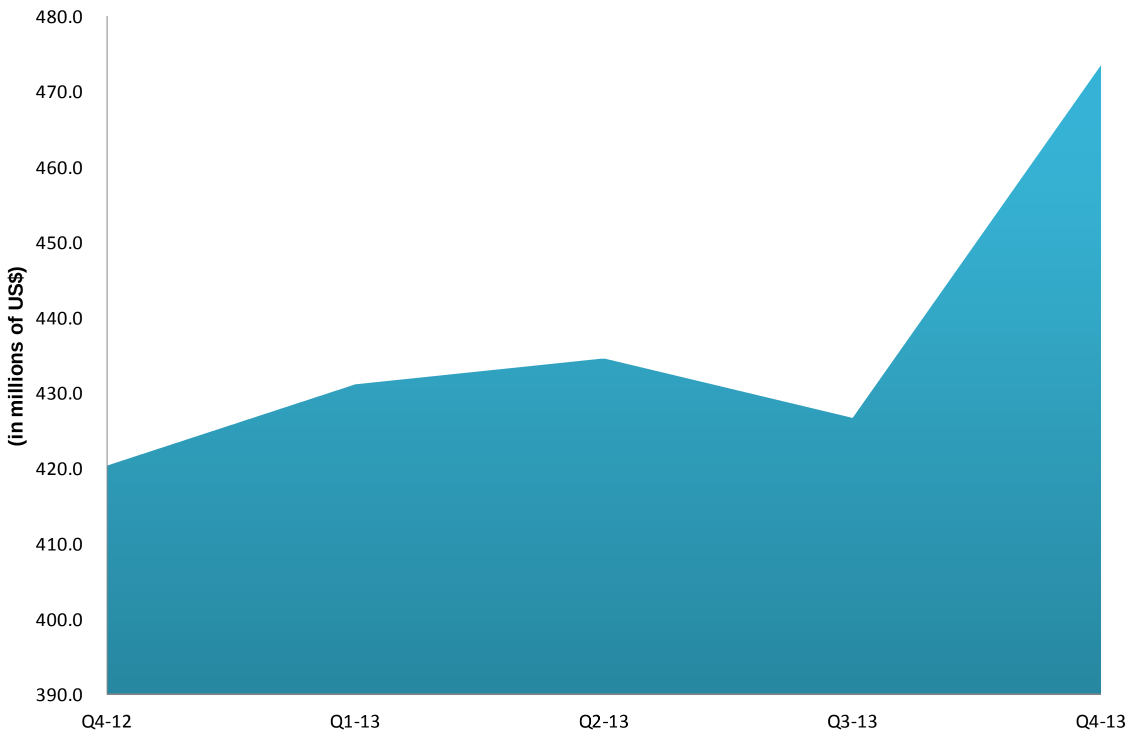
The capital and financial account recorded a surplus of US$566.5 million or 13.7 percent of GDP in 2013, down from US$1.1 billion or 31.4 percent of GDP in 2012. The reduction, from US$632.8 million in 2012 to US$369.1 million in 2013, reflects the moderation in FDI inflows.

Balance of Payments: The overall balance of payments recorded a surplus of about US$46.6 million in 2013.

7.7 Gross Foreign Reserves

Gross foreign reserves[1] increased steadily from US$ 420.3 million at the end of 2012 to US$ 473.5 million at the end of 2013. This is equivalent to three and half months of imports. The main sources of the foreign reserve inflows include mining export receipts and budget support disbursements from the development partners including the European Commission, DfID and the World Bank; as well as balance of payment support from the IMF. Receipts of royalties and taxes paid by mining companies also contribute to the accumulation of foreign reserves.

Figure 7-4 Gross Foreign Reserves, Q4 2012 – Q4 2013



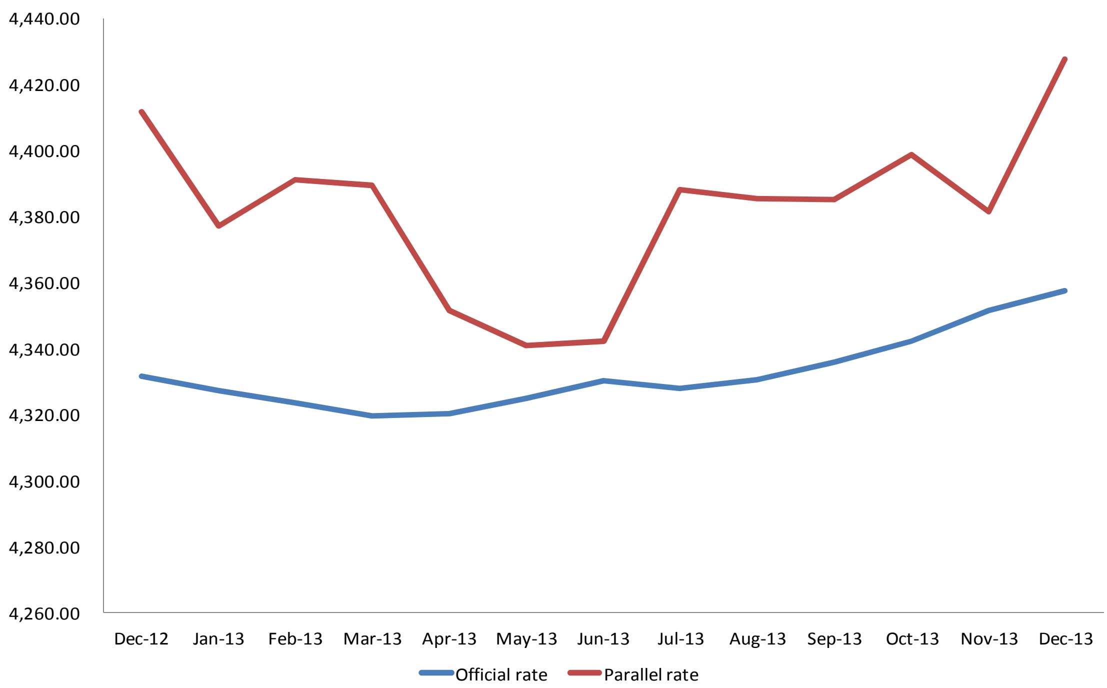
Source: IMF

[1] Using the IMF programme rate

7.8 Exchange Rates

The exchange rate of the Leone to the US dollar remains stable in general, depreciating by only 0.6 percent in 2013. The exchange rate depreciated from Le 4331/US$ in December 2012 to Le4357/US$ in December 2013. In 2012, the official Le/US$ exchange rate appreciated by 1.0 percent from Le4376/US$ in December 2011 to Le4331/US$ in December 2012. The stability of the exchange rate was the result of the increasing export earnings, constant FDI inflows, and remittances from overseas.

Figure 7-5 Foreign Exchange Rate, (Le/US$)



Source: Bank of Sierra Leone

8. PUBLIC DEBT

8.1 Domestic Debt

The stock of domestic debt reached Le1.97 trillion as of end 2013 from Le1.76 trillion by end 2012, indicating an increase of 10 percent over the period. However, the ratio of domestic debt to GDP slightly declined to 10.96 percent end of 2013 from 11.65 percent at the end of 2012. Government continued to pursue prudent debt management practices in 2013. This is manifested in the restrictions on new borrowing during the first half of 2013 due to fiscal consolidation while also restructuring the stock of domestic debt. The policy of rolling over of existing maturities was also sustained. These actions led to dramatic decline in the yields across all tenors of treasury securities. Although, expenditure pressures in the second half of the year compelled Government to borrow, interest rates remained below 10 percent on all tenors by the end of the year.

Of the total stock of domestic debt, the Bank of Sierra Leone accounted for Le460.81 billion or 23.4 percent, held mainly as medium-term bonds for capitalising the Bank and addressing the impairment of its capital base. The rest was held by market participants including banks, non-bank financial institutions and individuals.

Table 8-1 Stock of Domestic Debt end of 2013 by Instrument Type

	2011		2012		2013	
	Amount	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
Securities	**1,312.82**	**88.61**	**1,626.15**	**91.06**	**1,959.50**	**99.41**
Treasury Bills	846.38	57.13	1,158.24	64.86	1,456.62	73.90
91-day	204.44	13.80	217.00	12.15	242.83	12.32
182-day	365.15	24.65	380.68	21.32	506.31	25.69
364-day	276.79	18.68	560.55	31.39	707.48	35.89
Treasury Bonds	466.44	31.48	467.92	26.20	502.88	25.51
1-year	108.92	7.35	110.40	6.18	104.87	5.32
2-year (NASSIT)	0.00	0.00	0.00	0.00	40.49	2.05
3-year	77.52	5.23	77.52	4.34	77.52	3.93
5-year	280.00	18.90	280.00	15.68	280.00	14.20
Other	**168.67**	11.39	**159.74**	8.94	**11.70**	0.59
Remaining NNB	81.80	5.52	81.80	4.58	0.00	0.00
Ways and Means Advances	26.80	1.81	48.12	2.69	1.28	0.06
Domestic Arrears/Ex-Ambassador Arrears	60.87	4.11	29.82	1.67	10.42	0.53
Total	**1,481.49**		**1,785.89**		**1,971.20**	

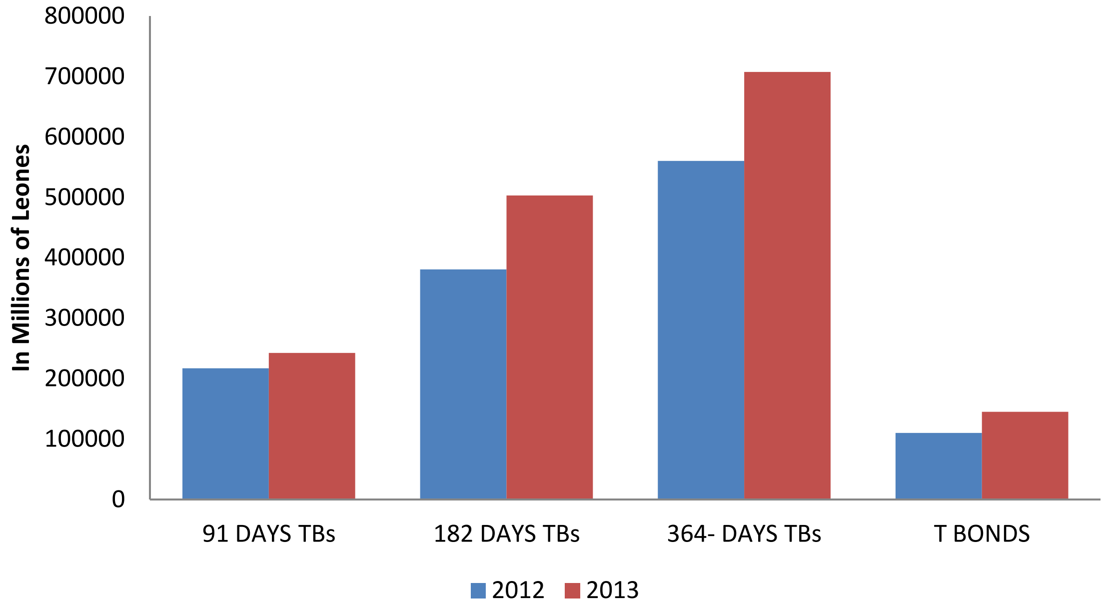
Source: BSL and PDMD, Ministry of Finance and Economic Development

Developments in the Government Securities Market: the primary market for Government securities was characterized largely by over subscription during 2013, reflecting the underlying excess liquidity situation in the system. The huge over subscriptions, owing to Government's stance to restrict borrowing in the first half of 2013, exerted downward pressure on interest rates. As a result, yields across all tenures of Government securities fell below 10% by end of 2013.

The policy stance of zero new domestic borrowing was lifted in the second half of 2013 as pressures to finance critical expenditures increased. As a result, the stock of domestic debt increased by Le251.25 billion in treasury securities to finance the budget. This development did not however, reverse the downward spiral in interest rates as excess liquidity persists.

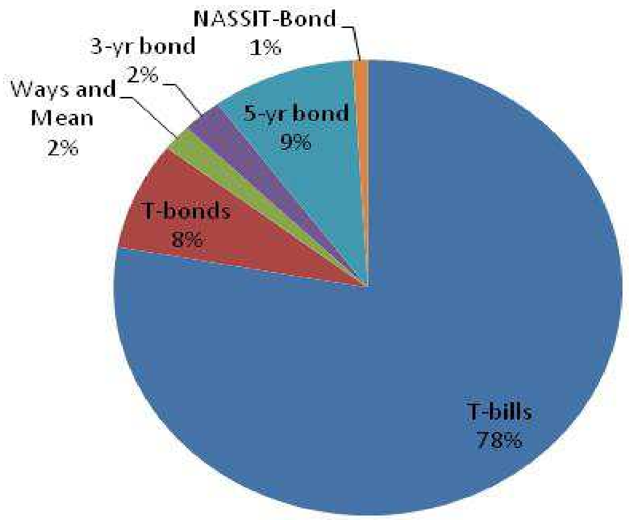
Furthermore, demand for Government securities continued to skew towards long-term instruments, with yields declining but remain higher than those for the short-term securities, consistent with the normal upward sloping yield curve.

Figure 8-1 Government Securities by Type end of 2013



Source: Public Debt Management Division, Ministry of Finance and Economic Development

Figure 8-2 Share of Domestic Interest Payment by Instrument



Source: Public Debt Management Division, Ministry of Finance and Economic Development

Domestic interest payments for 2013 amounted to Le275.64 billion, representing an increase of 8.77 percent compared to 2012. Interest paid on T-bills accounted for the largest portion, accounting for 78 percent of the total. Domestic interest payments accounted for 11.7 percent of domestic revenue and 12.6 percent of recurrent expenditure in 2013.

8.2 External Debt

Public and publicly guaranteed external debt increased from US$890.68 million in 2012 to US$1,044.5 million (equivalent to Le4.59 trillion) in 2013, reflecting an increase of 6.5 percent. The increase was attributed to various disbursements (totalling US$91 million) for project financing mainly. Disbursements from multilateral creditors, including the WB, IMF, Islamic Development Bank (IDB), and OPEC Fund for International Development (OFID) and others amounted to US$79.3 million in 2013. The World Bank and IMF disbursed US$15 million and US$13.3 million, respectively. The IDB and OFID also disbursed US$13.1 million and US$12.2 million, respectively. Other multilateral creditors disbursed a total of US$25.7 million.

Disbursements from bilateral creditors, which include EXIM Bank of China, EXIM Bank of India, Saudi Fund and Kuwait Fund, amounted to US$11.5 million. All of these disbursements related to project financing except for the disbursement from the IMF, which is a balance of payment support.

At the end of 2013, debt owed to multilateral creditors accounted for 66.0 percent up from 64.2 percent as at end 2012. Bilateral and commercial creditors accounted for 13.5 percent and 20.5 percent of total external debt as at end 2013 compared to 13.2 percent and 22.5 percent as at end 2012, respectively.

Table 8-2 External Debt Stock End of 2013 (Million, US Dollar)

	End 2012	Composition %	End 2013	Composition %	% change (Year-on-Year)
Total External Debt	**980.68**	**100.00**	**1,044.58**	**100.0**	**6.52**
Multilateral	630.73	64.32	689.80	66.0	9.37
Official Bilateral	128.96	13.15	141.08	13.5	9.40
Commercial Creditors	220.99	22.53	213.69	20.5	-3.30

Source: PDMD, Ministry of Finance and Economic Development

8.3 Debt Service Payment

Total external debt service payments, excluding principal repayments to IMF amounted to Le121.2 billion (US$27.9 million). This indicated an increase of 7.9 percent when compared to Le112.3 billion paid in 2012. Of this, external debt amortization (excluding IMF principal repayments) amounted to Le85.9 billion (US$19.8 million) while interest payments amounted to Le35.2 billion (US$8.2 million).

8.4 HIPC Inflow

Total HIPC inflow for 2013 amounted to Le8.4 billion (US$1.9 million). The European Investment Bank (EIB) and IFAD delivered US$0.8 million and US$1.1 million debt relief, respectively. The delivery of HIPC relief inflow for OFID was exhausted in 2012. It is expected that about US$1.0 million of debt relief would be delivered through IFAD and EIB in 2014 based on debt serving falling due for specific loans.

Table 8-3 Quarterly Debt Service Savings from HIPC Relief 2013 (000s, US Dollars)

Creditor	2013				
	Q1	**Q2**	**Q3**	**Q4**	**Total**
EEC/EIB		412.93		394.90	807.83
IFAD	567.37		569.70		1,137.07
Total	**567.37**	**412.93**	**569.70**	**394.90**	**1,944.90**
Leone Equiv. (Millions)	**2,397.61**	**1,778.29**	**2,478.20**	**1,717.82**	**8,371.91**

Source: PDMD, Ministry of Finance and Economic Development

9. MEDIUM-TERM MACROECONOMIC OUTLOOK: 2014-2016

The medium-term outlook of the economy is favourable. The economy is projected to grow further by 11.3 percent in 2014, 8.9 percent in 2015 and 8.2 percent in 2016. The non-iron ore economy will expand by an average 6.3 percent during 2014-2016. Economic growth will be supported by the expected increase in iron ore and other mining activities; continued strong output in the agriculture; expansion in construction and services sectors and the recovery in manufacturing as electricity supply and distribution improve.

Inflation will remain in single digit in the medium-term, and expected to fall further to 8.5 percent in 2014, and to 5.4 percent in 2016. Increase in domestic food production combined with proactive monetary and prudent fiscal policy as well as the stable exchange rate will help to contain inflationary pressures. Monetary policy will remain proactive to contain inflationary pressures. The Bank of Sierra Leone will continue to adjust the Monetary Policy Rate to signal its stance of monetary policy and continue to use open market operations with Repurchase Agreements (Repo and Reverse Repo) to conduct monetary policy operations.

The medium-term fiscal strategy aims to strengthen revenue collection, improve expenditure management, and reduce domestic debt. Domestic revenue will increase from 12.7 percent of GDP in 2013 to 13.7 percent of GDP in 2016. This will be supported by measures to strengthen tax administration, especially for the extractive sector to improve the collection of royalties and other revenues from the mineral sector.

Government expenditures will continue to be rationalised and re-oriented towards capital investments and poverty reduction programmes. Total expenditures will average around 20.7 percent of GDP as capital expenditures increase to 8.3 percent of GDP with domestic –financed capital expenditures increasing to 3.5 percent of GDP. Recurrent expenditures will be maintained at 12.5 percent of GDP.

The anticipated strong growth in exports and moderation in import growth will improve the current account deficit to 8.7 percent of GDP in 2016 from 12.4 percent of GDP in 2013. Gross foreign reserves are programmed to increase to 4 months of import cover in 2016.

Public debt policy in the medium term will prioritize grants and highly concessional loans to ensure debt sustainability in the medium to long term.

ANNEX 1 – SELECTED ECONOMIC AND FINANCIAL INDICATORS

	2012	2013
Production		
Minerals		
Diamonds('000 carats)	559.79	603.81
o/w Industrial	159.63	141.78
o/w Gem	401.15	453.03
Rutile (000M/tons)	94.49	120.35
Bauxite (000M/tons)	666.32	543.39
Ilmenite (000' M/tons)	21.52	32.36
Gold (ounces)	4,354.70	2,893.29
Iron Ore (000 M/Tons)	6,600.00	14,745.31
Zircon		3.34
Agriculture		
Coffee (M/tons)	-	5,875.30
Cocoa (M/tons)	6,163.13	40,684.89
Manufactured Goods		
Beer & Stout ('000 Ctns)	842.28	825.92
Maltina ('000 Ctns)	323.50	273.10
Soft Drinks ('000 Crates)	2,139.38	2,274.03
Cement ('000 M tons)	335.40	313.36
Confectionery ('000 Ibs)	3,164.51	3,516.26
Paint ('000 gallons)	182.18	233.56
Acetylene (000'Cu. Ft.)	191.62	235.14
Oxygen (000' Cu. Ft.)	230.20	263.60
Common Soap (M tons)	723.19	636.61
Flour (000' M/tons)	23.15	8.75
Electricity (Gigawatts)		
Units generated	186.90	164.39
Total units sold	106.30	68.56
o/w Industrial consumption	30.20	28.73
Consumer Prices (%)		
National CPI (New Series)		
12- Month Average	12.94	10.44
Year-on-year (end period)	11.40	8.23
Monthly	1.11	0.44
Freetown CPI (old series)		
12- Month Average	13.83	10.88
Year-on-year (end period)	12.04	8.52
Monthly	0.58	0.41
Petroleum Product Prices (Le/G) (End Period) From May 2011 (Le/Litre) (1 G = 4.54 Litres)		
Petrol (PMS)	4,500.00	4,500.00
Diesel (AGO)	4,500.00	4,500.00
Kerosene (KERO)	4,500.00	4,500.00

Fuel Oil (MFO)	3,273.55	3,273.55
Essential Commodity Prices (Le) (Average Prices)		
Local rice/kg	3,935.50	4,544.29
Imported rice/kg	3,783.10	4,533.37
Palm oil (0.33 litre)	2,095.83	2,289.12
Fish (dried bonga)/Kg	16,573.80	18,031.67
Flour (25Kg)	92,950.00	94,991.64
External Trade (US$ '000)		
Merchandise Imports (f.o.b)	1,960,600.00	1,570,300.02
Food	269,321.36	314,877.46
o/w Rice	98,048.03	113,859.04
Animal & Vegetable oils	8,808.91	12,380.10
Beverages & Tobacco	25,077.64	28,633.70
Mineral Fuel and Lubricant	304,982.28	366,054.04
o/w Fuel	283,453.01	330,943.32
Crude Materials	29,401.82	26,074.49
Chemicals	94,147.30	114,686.00
Machinery & Transport Equipment	427,618.77	352,547.01
Manufactured Goods	148,988.42	127,943.99
Others	652,254.49	227,103.22
Merchandise Exports (f.o.b)	1,164,500.00	1,932,600.99
Agricultural Exports	43,858.66	12,112.28
Coffee	3,845.093	2,815.86
Cocoa	22,525.53	8,964.71
Piassava	-	15.00
Fish and Shrimps	17,488.04	316.70
Mineral Exports	839,679.87	1,790,999.91
Diamond	161,719.61	185,667.36
Rutile	171,708.52	129,556.43
Bauxite	17,084.12	13,815.87
Gold	5,740.16	3,676.97
Ilmenite	3,751.88	2,920.52
Zircon	4,605.22	723.56
Iron Ore	357,002.30	1,064,385.71
Other Minerals	118,068.06	390,253.49
Others	240,315.13	104,831.48
Domestic Exports	1,123,853.7	1,907,943.7
Re-Exports	40,646.34	24,657.32
Trade Balance	(796,100.00)	362,300.69
Money and Credit (Millions of Leones)(End Period)		
M3	3,623,234.00	4,224,009.00
Credit to the private sector (DMB)	888,056.00	988,548.00
Reserve money	1,018,924.20	1,197,935.00

Year-on-year (% Change)		
M3	22.48	16.58
Credit to the private sector (DMB)	(7.10)	11.32
Reserve money	18.53	17.57
Exchange Rates (Le/US$) monthly average		
Official rate (mid -rate) (end of period)	4,331.31	4,357.37
Commercial bank (mid-rate) (end of period)	4,332.23	4,356.32
Parallel Market Rate (Mid-rate) (end of period)	4,370.00	4,425.00
Interest Rates (%) (End Period)		
Commercial Banks Savings (effective)	6.42	4.73
Commercial Bank Time (1-3 months)(Effective)	9.75	5.57
Commercial Bank Time (3-6 Months)	-	
Commercial Bank Time (6-9 Months)	-	
Commercial Banks Time 12 Months)	11.91	8.59
Treasury Bills 3-months (Effective Yield)-Average.	18.99	3.39
Treasury Bills 6-months (Effective Yield)-Average.	25.48	7.50
Treasury Bills (1 Year) Average	25.83	9.47
Treasury Bearer Bonds (1-year)	20.00	6.00
Commercial Banks Lending (overdraft) Rate	21-29	19.7-25.3
Gross Reserves (End Period)		
Foreign Exchange Reserves (Millions US $)-End Period	420.31	473.5
Central Government Budget (Millions of Le)		
Balance, excluding grants	(1,484,000.00)	(889,407.00)
Balance, including grants	(852,251)	(341,807.00)
Domestic Primary Balance	(586,000.00)	125,000.00
Total expenditure and net lending	3,360,322.00	3,163,997.00
Domestic revenue	1,873,506.00	2,280,015.00
Programme Grants	266,393.00	169,982.00
Project Grants	301,891.38	377,006.00
Central Government Budget (% of non-iron ore GDP)		
Balance, excluding grants	(9.70)	(4.91)
Balance, including grants	(5.57)	(1.87)
Domestic Primary Balance	(3.80)	0.82
Total expenditure and net lending	21.92	17.59
Domestic revenue	12.22	12.67
Programme Grants	1.74	0.94
Project Grants	1.97	2.10
Nominal (in billions of leones)	16,453.00	21,356.00
Excluding Iron Ore (in billions of leones)	15,324.00	17,990.00

ANNEX 2 – SELECTED GLOSSARY

Term	Definition
Balance of payments (BOP)	A statement that summarizes the transactions between the residents of an economy and nonresidents during a specific period, usually a year. Transactions recorded in the BOP include the exchange of goods, provision of services and factor of production, donations and transfers, exchange of assets, incurrence and extinction of liabilities. The BOP is recorded on a accrual basis.
Broad money (M2)	A measure of the money supply that includes both money (currency and checking deposits) and quasi-money (time, saving deposits and money market fund accounts). M3 is acquired after including the foreign exchange deposits.
Capital account	The capital account in the international accounts shows (a) capital transfers receivable and payable between residents and nonresidents and (b) the acquisition and disposal of nonproduced, nonfinancial assets between residents and nonresidents.
Capital expenditures	Purchases of land, intangible assets, Government stocks, and nonmilitary equipment that will be used for more than one year. Capital expenditures are sometimes recorded in a separate capital account
Consumer price index (CPI)	A measure of the general level of prices based on the cost of a typical basket of consumer goods and services.
Current account	The portion of the BOP that records transactions in goods, services, return accrued or payable for providing or using factors of productions, and current transfers.
Debt service	Interest and amortization on debt. In the BOP, the interest due is recorded in the current account as a debit entry, under primary income, while amortization is recorded as a debit entry in the financial account.
Demand deposits	Also called checking accounts. Funds held in an account with a bank that are transferable by check.
Discretionary expenditure	Government expenditure that may be changed from year to year at the discretion of policy-makers.
External debt	Debt is a type of liability that requires the payment of principal and/or interest at some point(s) in the future.
Financial account	The portion of the BOP that records transactions in assets and liabilities. The financial account records transactions in direct investments, portfolio investments, financial derivatives and employee stock options, other investments, and reserves.
Fiscal balance	An indicator summarizing some aspect of public sector performance and financial/or situation.

Gross Domestic Product (GDP)	The market value of all final goods and services produced within a country in a given period. The GDP is determined using data for production, expenditures, or income and is presented in current or constant prices.
Inflation	A sustained increase in the general price level. The rate of inflation is the percentage change in the price level in a given period (usually one year).
Liquidity	Liquidity of an asset is the degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterized by a high level of trading activity. Assets that can be easily bought or sold are known as liquid assets
Net domestic assets (NDA)	The sum of net domestic credit and other items, net (OIN). The latter is a residual category in the monetary survey combining all the balance sheet items that are not reflected in net foreign assets, domestic credit, and money and quasi-money. Other items include profit and loss accounts, real estate holdings, other tangible assets, net intrasector float, and items to be classified.
Net foreign assets (NFA)	The sum of the foreign assets of the central bank and the other depository corporations, less any foreign liabilities.
Net lending/borrowing	Equal to revenue minus expenses and net acquisition of nonfinancial assets. The balance is generally referred to as the budget surplus or deficit of the given level of Government. Also equal to the net acquisition of financial assets minus the net incurrence of liabilities.
Open market operation	The buying and selling of Government securities in the open market in order to expand or contract the amount of money in the banking system. Purchases inject money into the banking system and stimulate growth while sales of securities do the opposite
Overall balance (External)	The sum of the current and capital account balances and net errors and omissions, minus the financial account balance. If the overall balance is positive, the BOP is in surplus - that is, receipts in respect of all transactions covered exceed payments, and foreign reserves increase. If the balance is negative, the BOP is in deficit, and foreign reserves fall.
Overall balance (Government)	Net lending/borrowing adjusted through the rearrangement of transactions in assets and liabilities that are deemed to be for public policy purposes. In particular, all proceeds under privatization (including fixed asset sales) would be deducted (treated as financial items) as well as subsidies given in the form of loans (treated as expense).
Primary balance	It is defined as Government net borrowing or net lending, excluding interest payments on consolidated Government liabilities.

Recurrent expenditure	Ongoing expenditure of an organization, such as salaries and travelling expenses
Reserves assets	Reserve assets are those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the currency exchange rate, and for other related purposes (such as maintaining confidence in the currency and the economy, and serving as a basis for foreign borrowing). These include Reserve assets consist of monetary gold, SDR holdings, reserve position in the IMF, currency and deposits, securities (including debt and equity securities), financial derivatives, and other claims (loans and other financial instruments).
Time deposits	Bank savings deposits with scheduled maturity dates. If funds are withdrawn prior to maturity dates, some interest is lost as a penalty.
Treasury bill	A short-term noninterest-bearing obligation issued by the Treasury, payable to bearer and maturing usually in three months, within which it is tradable on a discount basis on the open market. Treasury Bonds are issued for long term obligation.