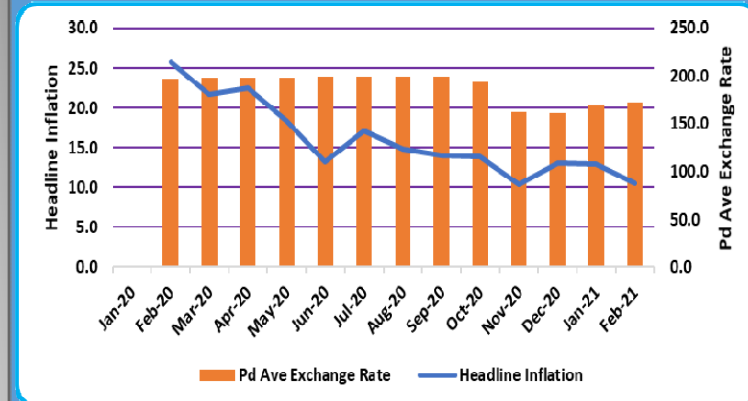




# CENTRAL BANK OF LIBERIA

## MONTHLY ECONOMIC REVIEW



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The five main sources of imports to Liberia during the month were India, Cote d'Ivoire, China, Turkey, and the United States of America. However, imports from Cote d'Ivoire, the United States and Turkey rose, while exports from India and China dropped. Payments for the purchase of minerals, fuels and lubricants and some live animals from Cote d'Ivoire rose by US\$3.3 million to US\$16.8 million. Additionally, import payments to Turkey (mainly for manufactured goods classified by materials) increased by US\$1.7 million to US\$8.5 million and payments to the United States (mainly machinery and transport equipment) increased by US\$1.4 million to US\$5.6 million. However, payments for mostly food and live animals and manufacturing products from India decreased by US\$17.7 million to US\$20.9 million and imports from China (especially manufacturing products, food, and live animals) reduced by US\$6.5 million to US\$9.8 million in comparison with the month of January 2021.

#### EXCHANGE RATE DEVELOPMENTS

At end-February 2021, both the end-of-period (EOP) and weighted average exchange rates showed depreciation of the Liberian dollar against the US dollar, relative to the rates reported at end-January 2021. The EOP exchange rate showed that the Liberian dollar depreciated against the US dollar by 1.7 percent to L\$173.45/US\$1.00. In terms of the weighted average exchange rate, the Liberia dollar also depreciated to L\$172.55/US\$1.00, from L\$168.55/US\$1.00 recorded in January 2021. The depreciation of the currency was largely attributed to the gradual uptick in demand for foreign exchange to service import payments, mainly to replenish stocks that were sold during the December festive season.

Considering the EOP exchange rate, developments in the foreign exchange market of the West African Monetary Zone (WAMZ) during the month were mixed. The EOP showed that the Nigerian Naira and the Ghanaian Cedi remained stable at NGN379.50/US\$1.00 and GHC5.76/US\$1.00. However, the Gambian Dalasi recorded slight appreciation of 0.1 percent, while the Guinean Franc and the Sierra Leonean Leone depreciated by 0.5 percent and 0.3 percent, respectively. Annual comparison showed that except the Liberian dollar that recorded appreciation, all the WAMZ currencies depreciated against the United States dollar during the month, relative to the previous month. The Nigerian Naira recorded the highest depreciation rate of 19.1 percent, while the Gambian Dalasi accounted for the lowest depreciation of 3.9 percent.

**Table 7: Exchange Rates: Official and WAMZ Countries End-of-Period Exchange Rates against the US Dollar**

Rate & Currency	Feb - 20	Dec - 20	Jan - 21	Feb - 21	Appr (+)/Depr (-)	
					MoM	YoY
Exchange Rate	<b>LD/USD</b>				Percent change	
End of Period	197.57	164.22	170.59	173.45	(1.65)	13.90
Period Average	196.76	161.55	168.55	172.55	(2.32)	14.03
Currency	Currency per USD					
GHC	5.29	5.72	5.76	5.76	0.04	(8.14)
GMD	47.83	50.44	49.85	49.78	0.14	(3.92)
GNF	9,365.23	9,930.56	10,031.37	10,080.13	(0.48)	(7.09)
NGN	306.95	379.50	379.50	379.50	0.00	(19.12)
SLL	9,753.05	10,091.68	10177.88	10,207.30	(0.29)	(4.45)

Source: CBL, WAMA: [www.amao-wama.org/](http://www.amao-wama.org/)

GHC - Ghanaian Cedi; LD - Liberian Dollar; GMD - Gambian Dalasi; USD - United States Dollar; GNF - Guinean Franc; NGN - Nigerian Naira; SLL - Sierra Leonean Leone; USD - United States Dollar

<b>Other Indicators</b>				
Import (FOB)	71.33	99.21	104.27	92.92
Gross International Reserves (GIR) <sup>2</sup>	<b>250.21</b>	<b>294.40</b>	<b>295.48</b>	<b>288.83</b>
Net Foreign Reserves Position	30.15	0.05	1.02	(5.31)
<b>Import covers (In Month)</b>	<b>2.4</b>	<b>2.4</b>	<b>2.2</b>	<b>2.2</b>
<b>Personal Remittances</b>				
Inflows	27.24	31.00	28.54	27.29
Outflows	10.43	8.78	4.40	6.24
<b>Net flows</b>	<b>16.81</b>	<b>22.22</b>	<b>24.14</b>	<b>21.05</b>
<b>Direction of Trade (DOT)</b>				
<b>Destination of Export</b>	<b>47.21</b>	<b>71.26</b>	<b>88.32</b>	<b>63.89</b>
o/w Switzerland	13.97	23.73	32.54	17.06
o/w France	6.74	18.03	15.92	16.84
o/w Poland	2.24	7.62	5.76	10.78
o/w Germany	1.71	8.64	4.11	8.47
<b>Sources of Import (fob)</b>	<b>71.33</b>	<b>99.21</b>	<b>104.27</b>	<b>92.92</b>
o/w India	5.81	16.89	38.59	20.94
o/w Cote d'Ivoire (Ivory Coast)	20.78	11.98	13.48	16.80
o/w China	13.01	15.23	16.29	9.82
o/w Turkey	4.32	7.83	6.78	8.50
o/w United States of America	6.10	7.85	4.23	5.60

Source : LRA (ASYCUDA), AML, MLME, FSL & CBL

/1 Trade data are primarily sourced from LRA (Custom) with larger coverage than BIVAC.

/1<sup>1</sup> as of July 2020, import data reported here are on CIF instead of FOB

/2 (GIR) is the sum of net foreign reserve plus SDR and Reserve tranche

† - Revised      ‡ - Not Available (na)      \* - estimate

### Remittances

The flows of personal remittances in February 2021 resulted to a net inflow of US\$21.1 million (0.7 percent of GDP), falling by 12.8 percent from the US\$24.1 million (0.8 percent of GDP) reported in the preceding month. The reduction in net flow was explained by decline in inflows of personal remittances by 4.4 percent to US\$27.3 million (0.9 percent of GDP).

### Gross International Reserves

Following a marginal growth in the first month of 2021, gross international reserves (GIR) declined by 2.2 percent to a stock of US\$288.8 million in February 2021. The decline in GIR during the month was offset by an estimated increase in payments for services, resulting to 2.2 months of import. Compared with the ECOWAS benchmark of 3.0 months, the months of import cover recorded a shortfall of 0.8 month below the regional threshold (Table 6).

### Direction of Trade (DOT)

In February 2021, Switzerland, France, Poland, and Germany were the main destinations of Liberia's exports. Exports to Switzerland (mainly gold) fell by 47.6 percent to US\$17.1 million, from US\$32.5 million recorded in the previous month.

## TABLE OF CONTENTS

	PAGE
<b>Introduction</b> .....	1
<b>Overview</b> .....	1
<b>Real Sector and Price Developments</b> .....	2
Production Analysis of Key Commodities .....	2
Consumer Prices .....	2
<b>Monetary Developments</b> .....	3
Monetary Policy Stance .....	3
Monetary Aggregates .....	4
<b>Financial Market Developments</b> .....	5
<b>Banking Sector Developments</b> .....	6
<b>Fiscal Sector Developments</b> .....	7
<b>External Sector Developments</b> .....	8
Merchandise Trade .....	8
Remittances .....	11
Gross International Reserves and Months of Import Cover .....	11
Direction of Trade .....	11
<b>Exchange Rates Developments</b> .....	12

## TABLE

<b>Table 1:</b> Production and Price Statistics .....	3
<b>Table 2:</b> Monetary Aggregates Statistics .....	4
<b>Table 3:</b> Financial Market and Interest Rates Statistics .....	5
<b>Table 4:</b> Selected Financial Soundness Indicators, FSIs .....	7
<b>Table 5:</b> Fiscal Sector Statistics .....	8
<b>Table 6:</b> External Sector Statistics .....	10
<b>Table 7:</b> Exchange Rate: Official and WAMZ Countries End-of-Period Exchange.....	12

## INTRODUCTION

The Monthly Economic Review (MER) is a regular publication of the Central Bank of Liberia (CBL) that provides a snapshot of major economic developments in key sectors (Real, Monetary, Fiscal and External) of Liberia. The MER also highlights the Monetary Policy Stance of the CBL and exchange rate developments in the West African Monetary Zone (WAMZ).

## OVERVIEW

In February 2021, outputs of key commodities, including iron ore, cement, and beverages decreased, while the production of gold and rubber increased. Information related to the output of diamond was not available during the month. Headline inflation moderated due to decrease in the prices of food and non-alcoholic beverages, as well as restaurants and hotels, among other components of the CPI basket. Similarly, core inflation<sup>1</sup> marginally moderated due to fall in the prices of housing, water, electricity, gas and other fuels, education as well as restaurants and hotels major groups.

During the month, the CBL maintained its monetary policy stance with the aim of managing Liberian dollar liquidity to maintain price stability. The CBL bills and the reserve requirement were the main monetary policy instruments used to manage liquidity and by extension support the broad stability of the exchange rate.

Movement in broad money supply (M2) was influenced by both the asset and liability categories during the month. From the asset category, the rise in M2 was due to increase in Net Domestic Assets (NDA), while on the liability side, the rise in M2 was largely induced by the upticks in time and savings as well as demand deposits. The banking industry relative to the financial soundness indicators showed mixed performances in February 2021. Return on Assets (ROA) and Return on Equity (ROE) as well as Liquidity Ratio (LR) increased during the month. LR remained above the regulatory thresholds by 31.2 percentage points, while Capital Adequacy Ratio remained constant at 31.4 percent when compared to the preceding month but rose above the minimum regulatory requirement by 21.4 percentage points. Nonperforming loans (NPLs) remained above the tolerable limit by 14.83 percentage points.

Government of Liberia's (GOL's) fiscal operations during the month of February 2021 resulted to a surplus of US\$1.7 million from deficit recorded in the previous month, occasioned by a significant decrease in total Government expenditure. The stock of public debt slightly reduced during the month largely on account of servicing of domestic debt.

Developments relating to Liberia's external trade showed that merchandise trade balance reflected a deterioration in deficit on account of a fall in earnings from exports of all major export commodities, except cocoa bean. Similarly, payments for imports decreased occasioned mainly by decline in payments for food and live animals (including animals and vegetable oil) and machinery and transport equipment.

## Rice

In three consecutive months (beginning December 2020) the price of rice has been taking an upward trend. During the month under review, rice recorded a 2.2 percent increase to US\$557.0 per metric ton, mainly underpinned by expectations of higher demand for Thai rice, while top exporters in India and Vietnam both encountered export disruptions of the commodity due to the outbreak of the coronavirus disease. Similarly, Year on Year comparison showed a 23.8 percent increase from US\$450.0 per metric ton in February 2020.

## Cocoa Beans

The price of cocoa beans recorded a marginal increase of 0.84 percent to US\$2,410 per metric ton from US\$2,390 per metric recorded in the preceding month. The increase was on account of demand recovery in the largest chocolate markets of North America and Europe. On the other hand, annual comparison of the price of cocoa beans showed a decline of 11.0 percent, from US\$2,720.0 per metric ton recorded in February 2020.

**Table 6: External Sector Statistics**

Trade Statistics	Feb - 20	Dec - 20	Jan -2021	Feb – 21
<b>External Trade (Value)</b>	<b>(Millions of USD)</b>			
<b>Exports<sup>1</sup></b>	<b>47.21</b>	<b>71.26</b>	<b>88.32</b>	<b>63.89</b>
Iron Ore	18.58	34.29	43.56	36.10
Rubber	11.00	9.56	8.03	7.05
Gold	14.04	23.81	32.54	17.06
Diamond	1.92	0.49	2.01	0.60
Cocoa Bean	0.53	0.00	0.64	0.93
Palm Oil	0.05	0.83	1.35	0.99
Other commodities	1.09	2.28	0.19	1.17
<b>Imports (CIF)<sup>1/†</sup></b>	<b>77.26</b>	<b>111.21</b>	<b>115.81</b>	<b>102.48</b>
Minerals, Fuel, Lubricants	22.13	18.19	16.98	20.36
o/w Petroleum Products	20.51	11.81	13.43	16.53
Food and Live Animals (including Animal and veg. oil)	21.34	25.12	45.46	32.23
o/w Rice	7.42	6.19	32.58	16.79
Machinery & Transport Equipment	14.40	35.27	27.59	24.88
Manufactured goods classified by materials	6.92	11.76	10.33	10.63
Other categories of imports	12.47	20.87	15.44	14.38
<b>Trade Balance</b>	<b>(30.05)</b>	<b>(39.95)</b>	<b>(27.49)</b>	<b>(38.59)</b>
<b>External Trade (Volume)</b>				
Rubber (MT)	5,457.00	8,444.64	5,744.92	6,017.64
Iron Ore (MT)	415,313.32	488,745.23	424,383.36	348,834.84
Cocoa Beans (MT)	625.00	-	1,450.00	925.00
Palm Oil (MT)	90.27	4,028.00	1,662.00	3,228.00
Gold (Oz)	10,966.13	15,377.24	20,531.39	11,781.99
Diamond (Crt)	7,452.41	5,525.74	7,863.69	4,645.64
Petroleum Products (MT)	36,751.79	11,721.05	10,081.90	11,670.62
Rice (MT)	16,451.63	2,352.06	12,229.91	21,599.61

for machinery and transport equipment by US\$2.7 million to US\$24.9 million (0.8 percent of GDP) on account of decrease in vehicles and parts by resident enterprises, including some mining companies.

Similarly, earnings from exports decreased by 27.7 percent to US\$63.9 million (2.1 percent of GDP), from a revised US\$88.3 million (2.8 percent of GDP), driven mainly by decrease in receipts from iron ore, gold, and rubber exports. Receipt from iron ore export fell by 17.1 percent to US\$36.10 million, from US\$43.56 million (1.4 percent of GDP) recorded in the preceding period, while earnings from gold exports fell by 47.6 percent to US\$17.1 million from US\$32.5 million (1.0 percent of GDP), due to slowdown in the volumes of the commodities exported. Receipt from rubber exports dropped by 12.3 percent to US\$7.1 million, from US\$8.0 million, on account of decrease in the price of the commodity.

## GLOBAL COMMODITY PRICE DEVELOPMENTS

### Iron ore

The price of iron ore declined by 2.9 percent in February 2021 to US\$164.77 per metric ton due to weak demand as markets eyed the possibility of further production cuts in China, which has shut down numerous small and low-quality iron ore mines.

### Crude Oil (Petroleum) Price

The price of petroleum increased by 12.8 percent to US\$60.46 per barrel. The rise was induced by increased demand and lower inventories associated with OPEC supply cuts.

### Rubber

Rubber price increased slightly by 2.2 percent to US\$2,350.0 per metric ton compared with the price in the preceding month due to increased demand, especially from China. On a year-on-year basis, the price rose by 46.0 percent from the US\$1,610.0 per metric ton recorded the same period a year ago.

### Food Price

The price of food, based on FAO food price index, showed an increase of 16.7 percent in February 2021, compared with the February 2020 price index. The performance during the month was largely on account of increases in the prices of vegetable oil, cereals, and dairy. Food price rose by 2.5 percent to 116.0 points compared with the slightly revised index of 113.2 in January.

### Sugar

The price of sugar rose by 5.9 percent to US\$360.0 per metric ton in February, mainly underpinned by fall in production of major sugar producing countries and strong demand from Asia. Year on year analysis reveals that, the price of sugar increased by 9.1 percent, from US\$330.0 per metric ton in February 2020.

### Palm Oil

In February 2021, palm oil price rose by 2.7 percent to US\$1,017.33 per metric ton compared to January 2021. The price increase was driven by developments in Indonesia and Malaysia, which contribute 85 percent of world production. The price hike was on account of heavy rains and a labor shortage exacerbated by the pandemic. Annual comparison of the price of palm oil reflected a 39.6 percent rise, from US\$728.8 per metric ton in February 2020.

Statistics on the direction of trade showed that four countries (Switzerland, France, Poland, and Germany) were the dominant destination of exports, while five countries (India, China, Cote d'Ivoire, Turkey, and the United States) remained the main sources of imports for the second consecutive month.

Gross international reserves (GIR) decreased during the month compared to the stock reported in the preceding month mainly on account of reduction in foreign liquid assets. The fall in GIR was further exacerbated by an estimated increase in payment for mainly services, which resulted to the months of import cover at 2.2 months, reflecting a shortfall of 0.8 month below the regional threshold of 3.0 months.

Net inflow of personal remittances decreased during the month compared to the preceding month, predominantly explained by the slowdown in inward of remittances. Inward remittances fell by US\$3.1 million to US\$27.3 million, from the previous amount, while outward remittances increased by about US\$1.8 million to US\$6.2 million.

Analysis of both the weighted average and end of period exchange rates showed that the Liberian dollar depreciated against the US dollar by 2.32 percent and 1.65 percent, respectively compared with the rates reported in January 2021.

## REAL SECTOR & PRICE DEVELOPMENTS

### Production Analyses of Key Commodities

Production statistics of key commodities for month of February 2021 showed mixed results as outputs of iron ore, cement, and beverages decreased, while the production of gold and rubber increased. Information on the production of diamond during the month was not available up to the release of this report. In the mining sector, iron ore output decreased by 9.1 percent to 400,000.0 metric tons, from 440,000 metric tons produced in the preceding month; gold output rose by 9.1 percent to 22,439.0 ounces in the month, from 20,531.0 ounces produced in January 2021. The expansion in gold production was due to increased mining activities by industrial gold miners. On the contrary, data on the production of diamond was not available during the review month at the time of the analysis of this report.

Output in the manufacturing subsector, inclusive of the production of all commodities, decreased during the review month. Cement production fell by 3.9 percent to 43,640.0 metric tons, from 45,407.0 metric tons produced in the previous month due to available inventory. Total beverage production also decreased by 75.5 percent to 514,690 liters, from 2.1 million liters as a result of ongoing maintenance work on production plant. In the agriculture subsector, rubber output rose by 3.0 percent to 6,018.0 metric tons, from 5,841.0 metric tons in the previous month. The rise in output of rubber was due to increased harvest of the commodity from the largest producing company.

### Consumer Prices

Headline inflation in the second month of 2021 moderated by 2.4 percentage points to 10.5 percent, from 12.9 percent in the preceding month. The moderation in headline inflation was mainly attributed to persistent decrease in the prices of food and non-alcoholic beverages, housing, water, electricity, gas and other fuels, education as well as restaurants and hotels components in the CPI basket.

Similarly, the month-on-month rate of inflation decreased by 0.1 percentage point, reflecting developments in the prices of food and non-alcoholic beverages, communication, recreation and culture as well as the miscellaneous goods and services sub-groups.

Additionally, core inflation<sup>1</sup> marginally moderated by 0.8 percentage point to 11.0 percent in the month under review, from 11.8 percent in the previous month. The moderation was explained largely by fall in the prices of housing, water, electricity, gas and other fuels, education as well as restaurants and hotels. (Table 1).

**Table 1: Production and Price Statistics**

Production	Feb - 20	Dec - 20	Jan - 21	Feb - 21
	<i>(In Metric ton, Ounce, Carat and Liter)</i>			
Iron Ore (Metric ton)	404,850	488,000	440,000	400,000
Gold (Ounces)	10,966	15,377	20,531	22,439
Diamond (Carat)	7,452	5,526	7,864	na
Rubber (Metric ton)	5,457	8,445	5,841	6,018
Cement (Metric ton)	36,482	36,686	45,407	43,640
Total Beverages (liter)	984,644	1,413,401	2,096,672	514,690
Alcoholic	874,928	1,364,131	1,938,510	463,052
Non-Alcoholic	109,716	49,270	158,162	51,638
<i>(In Million USD)</i>				
Annual Gross Domestic Product (GDP)				
Nominal (NGDP)	3,066.80 <sup>†</sup>	3,066.80 <sup>†</sup>	3,106.69 <sup>±</sup>	3,106.69 <sup>±</sup>
Real (RGDP)	3,086.93 <sup>†</sup>	3,086.93 <sup>†</sup>	3,186.64 <sup>±</sup>	3,186.64 <sup>±</sup>
RGDP growth (in percent)	(3.0) <sup>†</sup>	(3.0) <sup>†</sup>	3.2 <sup>±</sup>	3.2 <sup>±</sup>
<i>(In percent)</i>				
<b>Inflation</b>				
<b>Overall (Y-o-Y) Rate of Inflation</b>	<b>25.76</b>	<b>13.12</b>	<b>12.92</b>	<b>10.50</b>
a. Food and Non-alcoholic Beverages Inflation	25.26	15.74	16.31	10.48
- Domestic Food Inflation	25.56	20.95	20.57	20.44
- Imported Food Inflation	25.19	11.76	12.90	2.62
b. Transport Inflation	30.55	6.29	5.85	6.73
c. Imported Fuels Inflation	16.49	(10.43)	(22.59)	(12.56)
Overall (M-o-M) Rate of Inflation	(1.10)	(0.36)	(0.75)	(0.88)
<i>(In percent)</i>				
<b>Core Inflation</b>				
Inflation excluding Food & NAB <sup>1</sup>	26.02	11.72	11.06	10.51
Inflation excluding Imported Food	25.19	13.51	12.98	12.44
Inflation excluding Domestic Food	25.56	12.81	12.48	9.86
<b>Inflation excluding Food and Transport</b>	<b>25.45</b>	<b>12.47</b>	<b>11.76</b>	<b>11.01</b>

Sources: AML, MLME, FSL, CEMENCO, LCCBC, RITCO, NICOM, MB, CEMENCO, CBL & LISGIS;

/1 Non-alcoholic beverages

± - Projection

† revise

## MONETARY DEVELOPMENTS

### Monetary Policy Stance

The focus of CBL's monetary policy stance remained on price stability through interest-rate based instruments to manage Liberian dollar liquidity and support broad exchange rate stability. During the month, the Bank issued and redeemed CBL bills at different tenors (two weeks, one month and three months).

**Table 5. GOL's Fiscal Operations Statistics**

Fiscal Operations	Feb - 20	Dec - 20	Jan - 21	Feb - 21
	<i>(Millions of USD)</i>			
<b>Government Revenue</b>	<b>79.12</b>	<b>95.32</b>	<b>43.93</b>	<b>36.50</b>
Tax Revenue	32.60	36.76	38.55	30.55
O/W Taxes on Income & Profits	18.14	11.19	18.87	9.67
O/W Taxes on International Trade	10.79	19.16	15.68	15.76
Non-tax Revenue (excluding grants)	5.52	9.97	5.38	5.95
O/W Property Income	3.86	8.94	4.15	4.52
O/W Administrative Fees and Fines	1.66	1.03	1.23	1.43
Other tax Revenue (including grant)	41.00	48.59	0.00	0.00
<b>Government Expenditure by Codes</b>	<b>26.86</b>	<b>65.88</b>	<b>59.59</b>	<b>34.78</b>
Current Expenditure	25.81	54.68	57.63	30.99
O/W Compensation	11.74	33.30	20.89	14.24
O/W Goods and Services	6.97	12.85	27.85	11.58
Capital Expenditure	0.05	0.02	0.13	0.23
Payments on Loans, interest and others	1.00	11.18	1.83	3.56
<b>Overall Balance (Surplus+; Deficit -)</b>				
<b>Public Sector Debt</b>	<b>1,466.58</b>	<b>1,596.78</b>	<b>1,601.59</b>	<b>1,597.35</b>
<i>Domestic</i>	<b>604.40</b>	<b>643.82</b>	<b>647.10</b>	<b>642.86</b>
Financial Sector	552.71	586.02	589.53	589.53
Other debt	51.70	57.80	57.56	53.33
<i>External</i>	<b>862.17</b>	<b>952.97</b>	<b>954.49</b>	<b>954.49</b>
Multilateral	748.70	840.29	841.81	841.81
Bilateral	113.47	112.68	112.68	112.68
<i>Memo Items</i>				
<b>Government Revenue (% of GDP)</b>	2.58	3.11	1.41	1.17
<b>Government Expenditure (% of GDP)</b>	0.88	2.15	1.92	1.12
<b>Total Stock of Public Debt (% of GDP)</b>	47.82	52.07	51.55	51.42

Source: CBL's calculation using MFDP's data : Revenue Department, Expenditure Department and Debt Management Unit, MFDP

† - revised

± - Estimate

## EXTERNAL SECTOR DEVELOPMENTS

### Merchandise Trade

The preliminary merchandise trade statistics for the month of February 2021 showed a decrease in total trade to US\$166.4 million (5.4 percent of GDP), from US\$204.1 million (6.6 percent of GDP). During the month, the reduction in earnings from exports far exceeded the reduction in payments for imports compared to the preceding month. Liberia's merchandise trade balance widened to a deficit of US\$38.6 million (1.2 percent of GDP), from US\$27.5 million (0.9 percent of GDP) recorded in January 2021. Payments for merchandise imports fell by 11.5 percent to US\$102.5 million (3.3 percent of GDP), from US\$115.8 million (3.7 percent of GDP), driven mainly by decreases in payments for food and live animals (including animals and vegetable oil) by US\$13.2 million to US\$32.2 million (1.0 percent of GDP) and payment for

Liquidity ratio also rose by 5.7 percentage points to 46.2 percent to remain above the minimum regulatory requirement by 31.2 percentage points. Gross loans increased by 4.7 percent to L\$77.18 billion (14.3 percent of GDP), occasioned by additional lending by the commercial banks during the month, while non-performing loans (NPLs) rose to L\$19.16 billion (3.57 percent of GDP), from L\$19.05 billion (3.64 percent of GDP) recorded in the preceding month. This performance was partly induced by the slow pace of recovery in several businesses.

**Table 4: Selected Financial Soundness Indicators, FSIs**

FSIs	Feb - 20	Dec - 20	Jan - 21	Feb - 21
	<i>(In Billion LD)</i>			
Total Gross Loans	84.06	73.58	73.68	77.18
Total Non-performing Loans	18.22	15.58	19.05	19.16
	<i>(In percent)</i>			
Non-performing Loans to Total Gross Loans (ratio)	21.68	21.17	25.85	24.83
Gross Loan (growth)	0.04	5.52	0.14	4.74
Non-performing Loans (growth)	28.21	24.24	22.27	0.58
Returns on Assets (ROA)	0.39	1.24	0.29	0.46
Returns on Equity (ROE)	2.36	7.22	1.72	2.83
Liquidity Ratio***	38.73	36.75	40.50	46.21
Capital Adequacy Ratio (CAR)****	28.58	30.87	31.41	31.41
<i>MEMO ITEMS</i>				
Liquidity Ratio – excess of minimum requirement (15.0%)	18.58	20.87	21.41	21.41
Capital Adequacy Ratio (CAR) – excess of minimum requirement (10.0%)	(11.67)	(11.17)	(15.86)	(14.83)
Total Gross Loans (% of GDP)	13.87	14.61	13.90	14.32
Total Non-performing Loans (% of GDP)	3.02	3.14	3.64	3.57

Source : CBL

\*\*\*\* - The Minimum Capital Adequacy Ratio is 10%

\*\*\* - The Required Minimum Liquidity Ratio is 15%

† - revised

## FISCAL SECTOR DEVELOPMENTS

GOL's fiscal operations in February 2021 showed a surplus of US\$1.7 million (0.1 percent of GDP), from the deficit of US\$15.7 million (0.5 percent of GDP) reported in the first month of 2021. Preliminary statistics showed that the performance was mainly attributed to a sharp fall in Government expenditure during the month. Total GOL expenditure amounted to US\$34.8 million (1.1 percent of GDP), reflecting 41.6 percent decline from the amount recorded in the preceding month. The decline in expenditure was on account of 46.2 percent reduction in recurrent expenditure to US\$31.0 million (approximately 1.0 percent of GDP). Similarly, total Government revenue reduced by 16.9 percent to US\$36.5 million (1.2 percent of GDP), from US\$43.9 million (1.4 percent of GDP) reported in the preceding month. The contraction in overall revenue was a result of 20.8 percent fall in tax revenue, which was further induced by a reduction in levies from income and profit.

Additionally, the total stock of public debt fell marginally by 0.2 percent to 51.4 percent of GDP compared to the previous month. The slight decrease in public debt was explained by marginal reduction in domestic debt by 0.7 percent.

## Monetary Aggregates

At end-February 2021, broad money supply (M2) rose by 3.3 percent to L\$140,220.2 million, from L\$135,707.9 million recorded at the end of January 2021. Based on the liability side, the expansion in M2 was mainly explained by 5.0 percent rise in time and savings deposits and 4.7 percent increase in demand deposits. On the asset side, the rise in M2 was driven by Net Domestic Assets (NDA), through 4.4 percent growth in net credit to the private sector.

In February 2021, the stock of commercial banks' loans to private sector in both United States and Liberian dollars declined. The US dollar share of private sector credit reduced by 0.8 percent to US\$387.9 million, mainly driven by decrease in loans advanced to individuals, services, extractive and agriculture subsectors. The share of commercial banks' loans denominated in Liberian dollar accounted for 0.4 percent (L\$5,663.7 million) on account of decline in loans to individuals and the agriculture subsector.

In terms of conversion to Liberian dollars, all deposits at end of the reporting month stood at L\$ 119,524.3 million (22.2 percent of GDP). This amount was up by 0.6 percentage point compared with the 21.5 percent of GDP reported in the preceding month, partly explained by exchange rate pass-through effect which affected time and savings as well as other deposits (Table 2).

**Table 2: Monetary Aggregates**

Monetary Aggregates	Feb - 21	Dec - 20	Jan - 21	Feb - 21
	<i>(In Millions)</i>			
Liberian Dollars in Circulation - (LD)	21,026.19	23,902.53	23,608.48	23,179.84
Money Supply (M1) in LD only	29,148.03	33,749.79	33,133.47	32,726.89
Broad money (M2) in LD only	37,320.62	41,626.90	40,874.62	40,385.42
Broad money (M2) (both LD and USD) Converted to LD	125,473.19	127,296.86	135,707.94	140,220.18
Net Foreign Assets (NFA) – LD	11,644.40	12,099.55	15,262.11	14,428.38
Net Domestic Assets (NDA) – LD	113,828.79	115,197.32	120,445.83	125,791.80
<i>Loans to Private Sector</i>				
Commercial banks loans to private sector- USD	370.64	386.63	391.10	387.98
Commercial banks loans to private sector - LD	7,199.72	5,796.79	5,686.40	5,663.73
<i>Demand Deposits of commercial banks</i>				
Demand deposits - USD	269.70	317.68	353.23	364.27
Demand deposits - LD	9,269.47	11,158.47	11,555.25	12,031.02
Time & savings deposits - USD	174.35	201.90	200.62	209.67
Time & savings deposits - LD	8,030.79	7,745.40	7,595.16	7,582.58
<i>Other Deposits**</i>				
Actual US\$ component of other deposits USD	2.13	2.11	1.73	1.64
Liberian \$ component of other deposits	141.80	131.71	145.99	75.95
Grand Total Deposits (USD & LD) in Liberian dollar <sup>1</sup>	<b>105,594.64</b>	<b>104,705.54</b>	<b>114,129.72</b>	<b>119,524.31</b>
	<i>(In percent)</i>			
<b>Liberian Dollar share of Broad Money</b>	<b>29.74</b>	<b>32.70</b>	<b>30.12</b>	<b>28.80</b>

Source : CBL

‡ - Reserves excluding ECF borrowing from the IMF;

\*\* - Other Deposits Including Official and Manager Checks;

/1 – The total deposits (US and Liberian dollars) of commercial banks expressed entirely in Liberian dollars.

## FINANCIAL MARKET (FM) DEVELOPMENTS

During the second month of 2021, business and public confidence gradually increased in the CBL bill, partly induced by lowered inflation expectation. The CBL continued the issuance of the bill with tenors of 2-week, 1-month, and 3-months on an effective annual rate of 25.0 percent. The Bank continued its regular and timely redemption of the CBL bills and the dissemination of periodic redemption reports on the CBL website. The total CBL bills issued amounted to L\$2,558.4 million, a 37.7 percent decline from the amount purchased in January 2021. Of the total amount of the CBL bills issued, commercial banks' purchase constituted 97.8 percent (L\$2,501.00 million). On the other hand, the CBL total redemption increased by 24.9 percent to L\$3,251.3 million of its outstanding bills, thus bringing the total outstanding CBL bills at the end of February 2021 to L\$5,452.4 million.

The Government of Liberia paid US\$0.17 million to commercial banks as coupon on its USD Treasury bonds, thus reducing the USD T-bond and outstanding coupon to US\$60.2 million. No coupon payment was due or made during the period, keeping the outstanding Liberian Dollars T-Bond unchanged at L\$6,278.6 million. Similarly, outstanding Treasury bills in both Liberian and United States dollars remained unchanged at L\$1,250.3 million and US\$5.5 million, respectively.

All other rates, including the rates on money market instruments, lending, average savings, and time deposits remained unchanged in February 2021. The interest rate on lending was kept at 12.4 percent, while the rates on time and savings deposits remained at 3.5 percent and 2.1 percent, respectively resulting to a high interest rate spread. Money markets instruments such as repo traded at 5.5 percent, whereas swap lending among commercial banks remained traded at an average interest rate of 6.0 percent (Table 3).

Table 3. Financial Market and Interest Rates Statistics

Market Instruments	Feb - 20	Dec - 20	Jan - 21	Feb - 21
CBL indexed Bills	<i>(Millions of LD)</i>			
Bills Purchased per month on coupon basis	0.00	0.00	0.00	0.00
Redemption during the month (coupon rate)	375.3	0.00	0.00	0.00
Bills (Index) outstanding on coupon basis	659.58	0.00	0.00	0.00
Coupon rate (%)	7.00	7.00	7.00	7.00
Bills Purchased on EAR basis	2,118.32	4,632.64	4,103.78	2,558.43
Redemption during the month (EAR basis)	2,034.75	5,037.93	2,602.75	3,251.34
Total Bill Outstanding (EAR basis)	1,790.74	4,644.25	6,145.28	5,452.37
Effective Annual Rate (EAR)	30.00	25.00	25.00	25.00
Total Purchases (coupon rate & EAR)	2,118.32	4,632.64	4,103.78	2,558.43
Total Redemption (coupon rate & EAR)	2,410.05	5,037.93	2,602.75	3,251.34
Total Outstanding Bills (coupon rate & EAR)	2,450.32	4,644.25	6,145.28	5,452.37
CBL Foreign Exchange Auction/1	<i>(Millions of USD)</i>			
US Dollar offered	0.00	0.00	0.00	0.00
US Dollar Amount Sold	0.00	0.00	0.00	0.00
Total Subscription	0.00	0.00	0.00	0.00
Over (+)/ Under (-) Subscription	0.00	0.00	0.00	0.00
Treasury Securities	<i>(Millions of LD)</i>			
T- Bills Issued (in LD)	0.00	0.00	0.00	0.00

T- Bills Redeemed (in LD)	0.00	0.00	0.00	0.00
T-Bills Outstanding	860.94	860.94	1,250.26	1,250.26
<b>Net Treasury Bills Operations<sup>^</sup> withdrawal (+)/Inject'n (-)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Ave. Weighted Discount Rate (T-Bills)	7.47	7.47	5.00	5.00
T- Bills Issued (In USD)	na	0.92	2.01	0.00
T- Bills Redeemed (In USD)	na	na	na	0.00
T-Bills Outstanding	<b>2.60</b>	<b>3.52</b>	<b>5.53</b>	<b>5.53</b>
<b>Net Treasury Bills Operations<sup>^</sup> withdrawal (+)/Inject'n (-)</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Ave. Weighted Discount Rate (T-Bills)		<b>6.5</b>	<b>6.5</b>	<b>6.5</b>
Treasury Bond Issued (2 years)	0.00	0.00	0.00	0.00
Treasury Bond Outstanding	6,000.00	6,000.00	6,000.00	6,000.00
Treasury Bond Coupon Outstanding	0.00	278.61	278.61	278.61
Coupon Payment	0.00	0.00	0.00	0.00
Early Redemption	0.00	0.00	0.00	0.00
Coupon rate (%)	16.00	16.00	16.00	16.00
Treasury Bond Principal Payments (USD)	na	na	0.00	0.00
Coupon Payments (USD)	na	na	0.00	0.167
Treasury Bond Outstanding (USD)	na	na	60.40	60.23
<b>Standing Deposit Facility (SDF)</b>	<i>(As specified)</i>			
SDF rate (4.0%)	4.00	0.00	0.00	0.00
SDF Amount (In Millions LD)	0.00	0.00	0.00	0.00
SDF overnight monthly rate (0.07%)	0.07	0.07	0.07	0.00
SDF Amount (In Millions LD)	21,865.00	0.00	0.00	0.00
<b>Interest Rates</b>	<i>(In Percent)</i>			
- Lending rate	12.44	12.44	12.44	12.44
<b>Average Deposit rates</b>				
-Savings	2.10	2.10	2.10	2.10
-Time	3.53	3.53	3.53	3.53
<b>Money Markets Instrument (In percent)</b>				
Repo	5.50	5.50	5.50	5.50
Swap lending	6.0	6.0	6.0	6.0

Source: CBL

<sup>^</sup> - with Liquidity Effect

/1 - CBL Foreign Exchange Auction includes use of the remittance split to ease the demand for foreign currency.

/2 - Treasury Bill issued and redeemed during the month were in US Dollar

† - revised

## BANKING SECTOR DEVELOPMENTS

During the month of February 2021, the banking industry was generally in compliance with regulatory threshold. However, in comparison with the previous month, data on the financial soundness indicators showed mixed performances as some indicators increased, while others decreased. Return on Assets (ROA) increased by 0.2 percentage point to 0.5 percent, while Return on Equity (ROE) increased by 1.1 percentage points to 2.8 percent when matched against the previous month. Capital Adequacy Ratio of the industry remained constant at 31.4 percent when compared with January 2021, reflecting 21.4 percentage points above the minimum regulatory threshold of 10.0 percent.