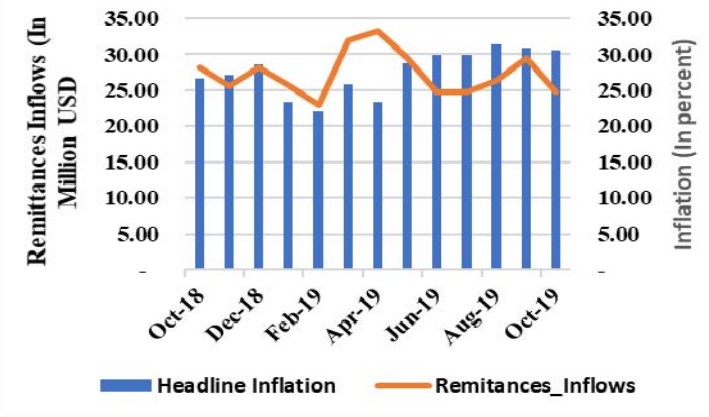




# CENTRAL BANK OF

## MONTHLY ECONOMIC REVIEW

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### Cocoa beans

Cocoa price increased further in October 2019 to US\$2,440.0 per metric ton following a rise in the previous month. The 5.6 percent increase in the price of the commodity during the month was due to speculation over declaration by Ghana and Cote d'Ivoire to limit supply of the commodity coupled with a depreciation of the US dollar during the month. Compared with the same month a year ago, the price of cocoa beans rose by 14.6 percent, from US\$2,130.00 per metric ton in October 2018.

Table 8: Global Price Statistics

GLOBAL PRICE	Oct - 18	Aug - 19	Sep - 19	Oct - 19
	(In price per Unit of Measure)			
Iron ore (US\$/MT)	73.41	93.07	93.08	88.53
Gold (US\$/Oz)	1,215.39	1,500.41	1,510.58	1,494.81
Rubber (US\$/MT)	1,430.00	1,500.00	1,500.00	1,430.00
Cocoa Beans (US\$/MT)	2,130.00	2,190.00	2,310.00	2,440.00
Palm oil (US\$/MT)	590.32	586.12	580.30	591.35
Crude oil (US\$/BBL)	76.73	57.67	60.04	57.27
<b>Food Price Index (FAO)<sup>1</sup></b>	<b>162.90</b>	<b>169.70</b>	<b>169.30</b>	<b>172.50</b>
Rice_5% broken (US\$/MT)	409.00	430.00	427.00	424.00
Sugar (US\$/MT)	290.00	270.00	260.00	280.00
<b>Commodity Price Index<sup>2</sup></b>	<b>73.41</b>	<b>93.07</b>	<b>115.14</b>	<b>113.39</b>

Source : [www.indexmundi.com](http://www.indexmundi.com), <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>  
/1 & /2 - Changes in indexes are calculated on percentage point changes

commodity dropped by 4.7 percent on the back of weak output of the commodity resulting from the persistent effect of the outbreak of the fungal disease (pestalotiopsis) that had affected major rubber plantations, from Malaysia and Indonesia to Thailand. Yearly comparison showed that the price of rubber did not change in the reporting quarter compared to this month.

### **Food Price (FAO)**

Food price inched up during the review month from a relatively stable price in September 2019. Food price index rose by 1.7 percent to 172.7 due to increase(s) in prices of mainly cereal, vegetable oils and sugar. Year-on-year comparison of the index showed that food price rose by 6.0 percent, from 162.9.

### **Rice**

The price of rice declined during the month by 0.7 percent to US\$424.0 per metric ton compared with the price per metric ton in the preceding month. The reduction in the price of rice was largely a result of low demand for the commodity amid increased production of the basmati rice in India. Annual comparison of the price of the commodity showed an increase of 5.4 percent, from US\$405.0 per metric ton.

Palm oil price further recovered during the month under review following two months of declines. The price of the commodity rose by 1.9 percent to US\$591.4 per metric ton as a result of firm global demand for the commodity in the face of weak output growth. Earlier, Malaysia reported lower inventory level of palm oil, while Indonesia reported unfavourable weather conditions to impact oil production. Year-on-year comparison of the price of palm oil reflected a fall by 4.1 percent, from US\$605.2 per metric ton.

### **Sugar**

During the review month, the price of sugar went up following two months of decline. The price of the commodity inched up to US\$280.0 per metric ton, from US\$260.0 per metric ton in the preceding month. The 7.7 percent month-on-month rise in the price of the commodity was basically occasioned by expectation of much decreased supply of the commodity in the month. The contraction in sugar output in India and Thailand suggested that supply of the commodity to market would significantly reduce. However, year-on-year comparison of the price of sugar indicated a 3.5 percent slowdown in the price of the commodity.

## **INTRODUCTION**

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

## **OVERVIEW**

In the tenth month of 2019, production of key commodities in the Liberian economy improved considerably on account of increases in outputs of iron ore, gold, cement and beverages. Headline inflation fell for the second consecutive month due mainly to decrease in the prices of food and non-alcoholic beverages items in the HCPI basket and transportation related products. Similarly, core inflation fell slightly on account of decreases in the prices of furnishings, household equipment and routine house maintenance as well as recreation and culture subgroups.

Monetary policy stance of the CBL remained focused on price stability through broad exchange rate stability by managing excess Liberian dollar liquidity in the economy to contain inflation. During the month, the CBL used a mixed of various monetary policy instruments such as reserves requirements, the CBL-indexed bill and the standing deposit facility (SDF) to ease pressure on the Liberian dollar.

Developments in monetary aggregates showed that broad money supply (M2) inched up during the month due mainly to increases in currency outside bank (COB) and time and savings deposits. On the asset side, the uptick in M2 was largely on account of growth in net domestic assets (NDA). A disaggregation of commercial bank loans to private sector showed that credits in both United States dollar (USD) and Liberian dollar (LD) grew. Credit in USD expanded due mainly to increases in credit to services and extractive sectors, while credit in LD rose on the back of growth in credit to the agriculture sectors. Assessment of the banking sector still showed strong performance of the industry at end-October 2019, evidenced by improved performance in returns on assets (ROA), returns on equity (ROE) and liquidity ratio.

Fiscal operations showed that both Government revenue and expenditure increased during the review month, but overall balance ended in a deficit, mainly driven by increased expenditure over revenue generated. Also, General government debt rose slightly as a result of increase in debt from foreign creditors.

Both earnings from export and payments for imports declined during the review month. The decline in payments exceeded the decrease in earnings, leading to an improvement in trade deficit during the month compared with the previous month. Earnings on exports fell on account of drops in receipts from mainly iron ore and

rubber exports, while payments for imports fell due to decline in payments for all commodity groups except “minerals, fuel, lubricant” group.

The stock of gross international reserves (GIR) marginally increased during the month compared with the preceding month. The rise in GIR, coupled with the fall in import payments during the month, led to an estimated increase in the months of import cover to 3.1 months, from 2.3 months in the previous month. Inflows of personal remittances slumped, while outward remittances surged considerably translating into a lower net inflow of personal remittances compared with the preceding month. The average and end-of-period exchange rates of the Liberian dollar depreciated vis-à-vis the United States dollar due, in part, to persistent increased demand for foreign exchange.

## REAL SECTOR & PRICE DEVELOPMENTS

### Production Analyses of Key Commodities

Production statistics for the month under review showed considerable improvements in the production of several commodities. Compared with the previous month, outputs of iron ore, beverages, gold, and cement rose significantly, while the productions of rubber and diamond decreased. In the mining sector, outputs of iron ore and gold increased significantly by 39.5 percent and 29.2 percent, respectively, due to increased mining activities. Output of diamond, on the other hand, fell by 34.1 percent due to low discovery of the commodity. Cement output surged by 38.8 percent on the back of significant uptick in demand for the commodity, especially as construction activities pick. Additionally, production of beverages rose substantially by 482.4 thousand liters, from 440.4 thousand liters produced in the preceding month due to resumption of production after a period of annual routine maintenance of production equipment from one of the largest manufacturers. On a disaggregated basis, beverage output showed that the production of both alcoholic and non-alcoholic beverages rose significantly. Alcoholic beverages constituted 82.8 percent of total beverages produced, while non-alcoholic beverages accounted for 17.2 percent. Rubber production during the month fell by more than half of the previous month’s output owing to slowdown in harvest from small farm holders. However, a year-on-year comparison showed that output of gold, beverages, iron ore, diamond and cement declined, while rubber production increased compared with the corresponding month in the previous year.

### Consumer Prices

Headline inflation in the review month declined by 0.4 percentage point to 30.6 percent, from the rate recorded in the preceding month, due mainly to fall in the prices of food and non-alcoholic beverages items and transportation related

the highest by 1.7 percent, while the Liberian dollar, by 1.1 percent. The lowest depreciation was recorded for the Ghanaian cedi, while the highest depreciation was the Sierra Leonean Leone (Table 7).

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

Rate & Currency	Oct - 18	Aug - 19	Sep - 19	Oct - 19	Appr (-)/Depr (+)	
					MoM	YoY
<b>Exchange Rate</b>	<b>LD/USD</b>				<b>Percent change</b>	
End of Period	157.13	206.50	209.21	211.50	1.09	34.60
Period Average	156.69	204.36	208.46	211.14	1.29	34.75
<b>WAMZ Currency</b>	<b>Currency per USD</b>				<b>Percent change</b>	
GHC	4.79	5.27	5.32	5.34	0.38	11.48
GMD	50.62	50.76	50.93	50.27	(1.30)	(0.69)
GNF	9,025.00	9,174.98	9,210.00	9,260.15	0.54	2.61
NGN	306.1	306.42	306.45	306.5	0.02	0.13
SLL	8,309.64	9,105.78	9,444.26	9,609.36	1.75	15.64

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

## GLOBAL COMMODITY PRICE DEVELOPMENTS

### Iron ore

In October 2019, the price of iron ore declined after enjoying a relatively stable price in the last two consecutive months. The price of the commodity fell by 4.9 percent to US\$88.5 per metric ton due to weak demand from steel firms. Annual comparison of the price of the mineral indicated a 20.6 percent surge in its price from US\$73.4 per metric ton.

### Crude oil (Petroleum) price

Petroleum price was reported at US\$57.3 per barrel, indicating a 4.6 percent decline from the price in the previous. The fall in the price of the commodity was occasioned by fear of weakened oil demand amid growing fear of economic slowdown due to the US-China trade war. China has persistently threatened to levy tariffs on U.S. goods in retaliation to US non-compliance posture to the WTO ruling in a tariff case dating back to President Obama’s presidency. Compared with the corresponding month in the previous year, the price of petroleum declined by 25.4 percent, from US\$76.7 per barrel.

### Rubber

During the review month, the price of rubber stood at US\$1,430.00 per metric ton. Compared with the price per metric ton in the preceding month, the price of the

Trade Statistics	Oct - 18	Aug - 19	Sep - 19	Oct - 19
<b>Other Indicators</b>	(Millions of USD)			
Import (C.I.F)	90.04	86.44	84.73	60.40
Gross International Reserves (GIR) <sup>2</sup>	294.14 <sup>1</sup>	267.23 <sup>1</sup>	266.95	268.73
<b>Import covers (In Month)</b>	<b>2.7</b>	<b>2.2</b>	<b>2.3</b>	<b>3.1</b>

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

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

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

## Remittances

During the review month, inflows of personal remittances stood at US\$24.7 million, while outflows amounted to US\$21.8 million. The flows of personal remittances resulted to a surplus of US\$2.9 million, reflecting a net inflow of personal remittance. Compared with the previous month, inward personal remittances declined by 28.7 percent, outward remittances surged by 40.7 percent and net flows of personal remittances declined by US\$11.1 million. Though both inwards and outwards remittances declined on a year-on-year basis; net inflows of remittances rose by US\$12.8 million, from net outflows of US\$9.9 million in October 2019.

## Gross International Reserves

During the review month, gross international reserves (GIR) position stood at US\$268.7 million, increasing moderately by 0.7 percent compared with the stock recorded in the preceding month. In the same way, month of import cover rose by 3.2 weeks above the benchmark of 3.0 months due basically to decline in payments for imports (Table 6).

## EXCHANGE RATE DEVELOPMENTS

During the review month, both the end-of-period (EOP) and average (Ave.) exchange rates of the Liberian dollar depreciated against the US dollar at end-October 2019 compared with the rates reported at end-September 2019. The EOP exchange rate depreciated by 1.1 percent to L\$211.50/US\$1.00, while the Ave. exchange rate depreciated by 1.3 percent to L\$211.14/US\$1.00. The depreciation of the Liberian dollar against the US dollar was occasioned by a high demand for foreign exchange (USD) to service import demand during the festive seasons. Compare with the rates reported in the corresponding month a year ago, the EOP and Ave exchange rates also, depreciated by 34.6 percent and 34.7 percent, respectively.

Developments in the foreign exchange market in the West African Monetary Zone (WAMZ) showed that except the Gambian Dalasi, which appreciated by 1.3 percent and the Nigerian Naira which remained relatively stable at ₦306.5/US\$1.00, all currencies in the Zone depreciated against the USD. The Ghanaian cedi, depreciated by 0.4 percent; the Guinean franc, by 0.5 percent; Sierra Leonean Leone depreciated the

products. The decline in food items was mainly caused by domestic food items. Month-on-month rate of inflation also fell marginally by 0.6 percentage point to 0.4 percent in the review month, due mainly to decline in the prices of food and non-alcoholic beverages and restaurants and hotels sub-groups.

Official core inflation<sup>1</sup> decreased slightly by 0.1 percentage point as a result of decreases in the prices of furnishings, household equipment and routine maintenance of the house and recreation and culture subgroups. Other measures of core inflations recorded decreases during the period (Table 1).

**Table 1: Production and Price Statistics**

REAL SECTOR DATA	Oct - 18	Aug - 19	Sep - 19	Oct - 19
<b>Production</b>	(In units as may be specified)			
Iron Ore (Metric ton)	433,475	298,949	228,126	318,155
Gold (Ounces)	18,867	8,130	6,296	8,136
Diamond (Carat)	4,979	476	7,263	4,783
Rubber (Metric ton)	2,822	4,370	9,252	4,453
Cement (Metric ton)	25,610	20,816	16,089	22,338
<b>Beverages</b>	(In Liters)			
Alcoholic	975,809	898,521	394,505	763,739
Non-Alcoholic	967,002	110,658	45,936	159,144
Total Beverage Production	1,942,811	1,009,179	440,441	922,883
<b>Inflation</b>	(In Percent)			
<b>Overall (Y-o-Y) Rate of Inflation</b>	<b>26.60</b>	<b>31.32</b>	<b>30.90</b>	<b>30.55</b>
a. Food and Non-alcoholic Beverages Infl.	24.20	34.59	33.18	32.38
- Domestic Food Inflation	25.10	36.02	34.55	32.53
- Imported Food Inflation	23.40	32.40	31.24	31.38
b. Transport Inflation	38.90	30.52	33.20	32.51
c. Imported Fuels Inflation	45.60	25.57	25.57	29.28
<b>Overall (M-o-M) Rate of Inflation</b>	<b>0.70</b>	<b>3.30</b>	<b>1.05</b>	<b>0.43</b>
<b>Core Inflation</b>	(In Percent)			
Inflation excluding Food & Non-alcoholic Beverages	27.90	29.60	29.72	29.56
Inflation excluding Imported Food	27.40	30.74	30.58	30.08
Inflation excluding Domestic Food	27.30	23.09	23.50	23.44
<b>Inflation excluding Food and Transport</b>	<b>26.20</b>	<b>29.50</b>	<b>29.25</b>	<b>29.13</b>
	(Millions USD, except otherwise specified)			
<b>Nominal GDP Annual</b>	<b>3,263.87</b>	<b>3,155.48</b>	<b>3,155.48</b>	<b>3,155.48</b>
<b>Real GDP Annual</b>	<b>1,436.28</b>	<b>1,416.83</b>	<b>1,416.83</b>	<b>1,416.83</b>
<b>Real GDP growth rate (in percent)</b>	<b>1.2</b>	<b>(1.4)</b>	<b>(1.4)</b>	<b>(1.4)</b>

Source: AML, MLME, FSL, CEMENCO, LCCBC, RITCO, NICOM, CEMENCO, CBL & LISGIS

## MONETARY DEVELOPMENTS

### Monetary Policy Stance

The monetary policy stance of the CBL remained focus on price stability through broad exchange rate stability. In pursue of its objective, during the month, the Bank used mixed of monetary policy instruments, including reserve requirements, the CBL indexed bills and the SDF in support of its continued strive to implement its choice of monetary

policy.

## Monetary Aggregates

Broad money supply (M2) rose to L\$123,940.1 million compared with the amount recorded at end-September 2019. The 3.8 percent growth in M2 was occasioned by a 5.9 percent increase in currency outside bank and a 5.5 percent rise in time and savings deposits. On the assets side, the increased in M2 was largely driven by a 6.5 percent growth in net domestic assets. Compared with the stock of broad money in October 2018, M2 rose by 26.0 percent, occasioned by surge in currency outside banks, demand deposits and time and saving deposits by 23.9 percent, 24.3 percent and 31.2 percent, respectively.

The share of commercial banks' loans to private sector denominated in United States dollar slightly rose to US\$390.9 million, due to increase in credit to services, individual and extractive sectors. Similarly, the Liberian dollar component of commercial banks' loans to private sector expanded by 14.7 percent to L\$8,234.5 million, on account of an increase in credit to the agriculture sector.

**Table 2: Monetary Aggregates**

Monetary Aggregates	Oct - 18	Aug - 19	Sep - 19	Oct - 19
	<i>(In Millions of currencies as may be specified)</i>			
CBL Net Foreign Exchange Reserves <sup>‡</sup>	75.54	63.54	64.01	63.40
Liberian Dollars in Circulation - (LD)	17,536.14	20,533.59	20,532.41	20,745.85
Money Supply (M1) in LD only	22,807.89	26,914.59	27,684.95	30,097.06
Broad money (M2) in LD only	30,453.35	35,352.54	35,893.45	38,719.14
Broad money (M2) <sup>/1</sup>	98,366.32	122,560.15	119,386.64	123,940.06
Net Foreign Assets (NFA) – LD	19,610.03	12,154.41	12,049.21	9,587.76
Net Domestic Assets (NDA) – LD	78,756.29	110,405.74	107,337.43	114,352.30
<b>Loans to Private Sector</b>				
Commercial banks loans to private sector - USD	411.20	399.70	390.46	390.89
Commercial banks loans to private sector - LD	5,140.73	6,744.10	7,176.89	8,234.53
<b>Demand Deposits of commercial banks</b>	<i>(In Millions of currencies as may be specified)</i>			
Demand deposits - USD	262.70	244.20	237.14	233.97
Demand deposits - LD	6,569.61	7,912.05	8,683.71	9,978.59
Time & savings deposits - USD	164.94	176.55	160.36	167.38
Time & savings deposits - LD	7,589.39	8,352.35	8,142.08	8,563.57
<b>Other Deposits**</b>				
Actual US\$ component of other deposits	4.56	1.57	1.59	1.59
Liberian \$ component of other deposits	56.07	85.60	66.42	58.51
Total Deposit (USD & LD) <sup>/2</sup>	82,128.04	103,557.61	100,385.39	103,821.58
	<b>(In Percent)</b>			
Liberian Dollar share of Broad Money	30.96	28.85	30.06	31.24

Source: CBL

<sup>‡</sup> - Reserves under the Extended Credit Facility (ECF) with the IMF; \*\* - Other Deposits Including Official and Manager Checks

<sup>/1</sup> – Broad Money (both US Dollar and Liberian Dollar) converted to Liberian Dollar

<sup>/2</sup> – Total deposits (both US Dollar and Liberian Dollar) of commercial banks converted to Liberian dollars.

Similarly, payments for machinery and transport related products as well as manufactured goods classified by raw materials fell during the month by 52.1 percent and 13.3 percent, respectively.

Three regions (Asia, Africa and Europe) dominated sources of imports to Liberia during the month. Payments for imports from Asia (mainly China) constituted 46.0 percent of total payments and mainly comprised electrical and machinery equipment and household materials. Imports from Africa (especially Cote d'Ivoire) comprised mainly mineral, fuel & lubricant and constituted 21.4 percent of total payments. Whereas, payments for import from Europe constituted 19.4 percent of total payment during the month and contained vehicle parts and accessories, machinery and appliances, edible vegetables, frozen food as well as chemical products.

**Table 6: External Sector Statistics**

Trade Statistics	Oct - 18	Aug - 19	Sep - 19	Oct - 19
<b>External Trade (Value)</b>	<b>(Millions of USD)</b>			
<b>Exports<sup>/1</sup></b>	<b>42.88</b>	<b>24.99</b>	<b>43.47</b>	<b>36.56</b>
o/w Iron Ore	15.45	9.55	18.99	18.61
o/w Rubber	3.65	5.65	9.69	5.59
o/w Gold	17.74	8.36	7.29	8.88
o/w Diamond	2.81	0.14	1.69	0.84
o/w Cocoa Bean	0.42	0.39	0.70	0.46
o/w Palm Oil	1.71	1.06	1.35	1.63
<b>Imports (F.O.B)<sup>/1</sup></b>	<b>82.42</b>	<b>79.12</b>	<b>76.48</b>	<b>53.96</b>
Minerals, Fuel, Lubricants	13.01	15.30	4.97	11.31
o/w Petroleum Products	11.05	13.98	3.24	9.21
Food and Live Animals (including Animal and vegetable oil)	16.47	19.53	26.22	12.48
o/w Commercial Rice	1.53	8.92	12.32	0.73
o/w Non-commercial Rice	0.41	0.57	0.09	0.31
Machinery & Transport Equipment	19.59	16.32	23.31	11.16
Manufactured goods classified by materials	17.29	10.71	10.10	8.76
<b>Trade Balance</b>	<b>(39.54)</b>	<b>(54.13)</b>	<b>(33.01)</b>	<b>(17.40)</b>
<b>External Trade (Volume)</b>	<b>(In Units as Specified)</b>			
Rubber (MT)	2,822.48	4,370.26	9,251.90	4,453.08
Iron Ore (MT)	433,475.00	144,048.00	285,336.11	412,671.85
Petroleum Products (MT)	8,463.69	43,570.96	15,479.90	18,480.78
Commercial Rice (MT)	3,433.55	13,591.84	21,990.32	1,192.08
Non-commercial Rice (MT)	351.77	211.44	115.08	388.39
Cocoa Beans (MT)	965.00	400.00	700.00	653.47
Palm Oil (MT)	4,748.00	1,773.00	3,844.00	1,729.01
Gold (Oz)	18,390.95	8,129.58	6,295.84	8,126.06
Diamond (Crt)	4,979.34	476.00	7,263.06	4,782.98
<b>Personal Remittances</b>	<b>(Millions of USD)</b>			
Inflows	28.16	26.42	29.52	24.73
Outflows	38.02	24.80	15.52	21.84
Net flows	<b>(9.86)</b>	<b>1.62</b>	<b>14.0</b>	<b>2.89</b>

## EXTERNAL SECTOR DEVELOPMENTS

## Merchandise Trade

During the month under review, both earnings from exports and payments for imports slowed down. The 15.9 percent fall in earnings from exports was a result of declines in receipts from the exports of iron ore and rubber, while payments for import declined owing to slumps in payments for “food and live animals, including oil made from animals and vegetables”, machinery and transport related products and manufactured goods classified by raw materials.

The month-on-month decline in both export earnings and import payments resulted in a lower merchandise trade deficit than the deficit recorded in the previous month. The trade deficit during the review month improved by 47.3 percent to US\$17.4 million (0.6 percent of annual GDP) compared with the previous month.

## Exports

In October 2019, earnings from merchandise exports amounted to US\$36.6 million (1.2 percent of GDP). Earnings declined by 15.9 percent from US\$43.5 million reported in the previous month, occasioned by dips in earnings from mainly iron ore and rubber. Receipt from iron ore export fell by 2.0 percent on the back of slowdown in the price of the commodity; receipts from rubber export slumped by 42.3 percent compared with the value reported in the preceding month due to reduction in the volumes of the commodity exported. At close of the review month, earnings from both iron ore and rubber made up 66.2 percent of total export earnings.

During the month, Europe and North America were the two leading regions of destination of trade. Four countries in Europe (Switzerland, France, Spain and Germany) and the United States of America (in North America) were the main destination of exports. Key commodities exported to Europe were gold and iron ore which constituted 75.2 percent of total export earnings, while rubber became the key commodity exported to North America (especially United States). At end of the month, Europe alone accounted for 73.1 percent of total export earnings while North America constituted 13.5 percent.

## Imports (FOB)

During the month under review, payments for import of goods fell by 29.5 percent to US\$54.0 million (1.7 percent of GDP), from the amount reported in the preceding month. The decline was occasioned by decreases in payments for all commodity subgroups except “minerals, fuel, lubricant.” Payments for “food and live animals, including oil made from animals and vegetables” that constituted 23.1 percent of total payments, plummeted during the month by 52.4 percent due to increased stock of the commodity.

## BANKING SECTOR DEVELOPMENTS

Sectorial analysis of the banking system revealed that the banking sector was sound and resilient during the month of October 2019, evidenced by increases in mainly liquidity ratio (LR), ROA and ROE. However, constraints from non-performing loans remains one of the key risks to the sector. The LR grew by 5.8 percentage points from the preceding month and was above the regulatory threshold by 30.4 percentage points, while ROA and ROE also rose by 0.1 percentage point and 0.7 percentage point, respectively. Capital adequacy ratio (CAR) remained far above the minimum regulatory requirement by 15.5 percentage points, but fell during the month by 2.5 percentage points compared with the preceding month.

Total (gross) loans during the month stood at L\$93.7 billion (14.1 percent of GDP), declining from L\$91.9 billion (13.4 percent GDP) in the preceding month. Gross loans declined during the month largely on the back of decrease in credit to household and services sector (Table 3).

Table 3: Selected Financial Soundness Indicators, FSIs

Financial Soundness Indicators (FSI)	Oct - 18	Aug - 19	Sep - 19	Oct - 19
	(In percent, except otherwise specified)			
Capital Adequacy Ratio (CAR)***	27.22	28.52	27.98	25.47
Non-performing Loans to Total Gross Loans (ratio)	14.67	13.96	12.94	16.48
Total Gross Loans (In Billion L\$)	71.91	91.97	91.89	93.73
Non-performing Loans (% change)	1.45	17.25	5.86	22.49
Returns on Assets (ROA)	1.03	1.29	1.38	1.82
Returns on Equity (ROE)	6.06	8.29	8.96	11.17
Liquidity Ratio****	41.01	40.01	45.44	51.19

Source: CBL

\*\*\* - The Minimum Capital Adequacy Ratio is 10%; \*\*\*\* - The Required Minimum Liquidity Ratio is 15%

## FINANCIAL MARKET (FM) DEVELOPMENTS

During the month, only few instruments were traded in the financial market. There was no foreign exchange auction conducted by the Bank and no Treasury bill issuance on behalf of Government; however, the CBL indexed bill and the SDF were the tools used by the Bank to carry out its monetary policy operations. The total CBL indexed bill issued amounted to L\$90.0 million, declining by L\$391.8 million compared with the purchase in September 2019. Given an early redemption of L\$170.0 million, the total outstanding balance at end of the review month stood at L\$1,504.4 million from the L\$5,000.0 million targeted to be mopped up. On the other hand, there was no T-bill issuance; however, a total of L\$700.0 million was redeemed. The total outstanding T-bill during the month amounted to L\$860.9 million.

At the end of the month, the aggregate SDF stood at L\$19,800.0 million, increasing by L\$13,700.0 million compare to the preceding month. Money markets instrument such as repo traded at the average interest rate of 5.5 percent, while Swap and lending remained

traded at the average interest of 6.0 percent between commercial banks (Table 4).

**Table 4. Financial Market and Interest Rates Statistics**

Market Instruments	Oct - 18	Aug - 19	Sep - 19	Oct - 19
<b>CBL (indexed) Bills</b>	<b>(Millions of LD)</b>			
Bills Purchased on 7% coupon basis	na	0.00	481.80	90.00
Redemption on 7% basis	na	60.00	0.00	170.00
<b>Bills outstanding on 7% coupon basis</b>	<b>na</b>	<b>1,102.56</b>	<b>1,584.36</b>	<b>1,504.36</b>
Coupon rate (%)	na	7.00	7.00	7.00
Bills Purchased on EAR basis	na	na	na	na
Redemption on EAR basis	na	na	na	na
<b>Total Bill Outstanding (EAR)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
Effective Annual Rate (EAR) (%)	na	na	na	na
<b>Total Bills purchased (7% and 30% EAR)</b>	<b>na</b>	<b>na</b>	<b>481.80</b>	<b>90.00</b>
<b>Total Redemption (7% and 30% EAR)</b>	<b>na</b>	<b>60.00</b>	<b>0.00</b>	<b>170.00</b>
<b>Total Bill Outstanding (7% and EAR)</b>	<b>na</b>	<b>1,102.56</b>	<b>1,584.36</b>	<b>1,504.36</b>
<b>CBL Foreign Exchange (Fx) Auction<sup>1</sup></b>	<b>(Millions of USD)</b>			
US Dollar Amount Sold	(5.50)	0.00	(4.00)	0.00
US Dollar Amount Sold	5.48	0.00	4.00	0.00
Total Subscription	5.48	0.00	6.74	0.00
<b>Over (+) /Under (-) Subscription</b>	<b>(0.02)</b>	<b>0.00</b>	<b>2.74</b>	<b>0.00</b>
<b>Treasury Securities</b>	<b>(Millions of LD, unless otherwise stated)</b>			
T- Bills Issued	(77.73)	0.00	0.00	0.00
T- Bills Redeemed	0.00	0.00	0.00	700.00
T-Bills outstanding	<b>222.72</b>	<b>1,000.20</b>	<b>1,000.20</b>	<b>300.20</b>
<b>Net Treasury Bills Operations<sup>^</sup></b>	<b>(77.73)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Ave. Weighted Discount Rate (T-Bills)	3.17	7.47	7.47	7.47
T- Bills Issued (USD)			2.00	na
T- Bills Redeemed (USD)	na	na	2.00	na
<b>T-Bills Outstanding_USD</b>	na	na	<b>0.00</b>	<b>na</b>
T- Bond Issued	0.00	0.00	0.00	0.00
T- Bond Outstanding	6,000.00	6,000.00 <sup>†</sup>	6,000.00	6,000.00
Semi-annual 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
<b>Standing Deposit Facility (SDF)</b>	<b>(In Percent)</b>			
SDF rate (%)	na	4.00	4.00	4.00
SDF Amount (In Millions LD)	na	1,950.00	6,100.00	19,800.00
SDF overnight monthly rate (%)	na	na	na	na
SDF Amount (In Millions LD)	Na	na	na	na

Market Instruments	Oct - 18	Aug - 19	Sep - 19	Oct - 19
<b>Interest Rates</b>	<b>(Percent)</b>			
- 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

Source: CBL

<sup>^</sup> - with Liquidity Effect where withdrawal (+)/injection (-)

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

## FISCAL SECTOR DEVELOPMENTS

During the tenth month of the year, preliminary statistics on fiscal operations resulted to a deficit of US\$13.6 million due to increased expenditure over revenue generated in the month. Total government revenue generated amounted to US\$31.5 million (1.0 percent of annual GDP), an increase of US\$5.5 million, from the amount generated in September 2019. The rise in total revenue was mainly occasioned by surge in tax revenue by 31.0 percent. Similarly, total expenditure increased by US\$22.4 million to US\$45.1 million (1.4 percent of GDP), as a result of a significant surge in payments of employees' compensation and interest on loans and other charges.

Additionally, statistics on general government debt showed a slight increase to US\$1,248.4 million (39.6 percent of GDP), from the stock recorded in the preceding month. The 1.7 percent rise in general government debt was due to a 2.6 percent increase in external debt. Total external debt constituted 66.3 percent of total public debt at end of the month (Table 5).

**Table 5. Fiscal Sector Developments**

Fiscal Operations	Oct - 18	Aug - 19	Sep - 19	Oct - 19
	<b>(Millions of USD)</b>			
<b>Government Revenue</b>	<b>48.72<sup>†</sup></b>	<b>32.33</b>	<b>26.00</b>	<b>31.46</b>
Tax Revenue	41.95	25.55	20.95	27.44
Non-tax Revenue	6.77	6.76	5.06	4.0
Other tax Revenue	0.00	0.02	0.00	0.00
<b>Government Expenditure by Codes</b>	<b>53.33</b>	<b>19.85</b>	<b>22.66</b>	<b>45.08</b>
Current Expenditure	50.72	16.77	21.60	40.38
Capital Expenditure	0.80	0.00	0.00	0.00
Loans, interest and other Payments	1.81	3.08	1.06	4.70
<b>Overall Balance</b>	<b>(3.82)</b>	<b>9.31</b>	<b>(0.30)</b>	<b>(11.51)</b>
<b>Public Sector Debt</b>	<b>984.73</b>	<b>1,218.26</b>	<b>1,227.94</b>	<b>1,248.38</b>
Domestic	719.48	796.25	805.93	827.18
External	265.25	422.01	422.01	421.20

Source: Revenue Department, Expenditure Department and Debt Management Unit, MFDP