



CENTRAL BANK OF LIBERIA



The Monthly Economic Review is produced by the Central Bank of Liberia (CBL). Inquiries concerning this publication should be addressed to:

The Director
 Research, Policy & Planning Department
 Central Bank of Liberia
 P. O. Box 2048

Ashmun & Lynch Streets, Monrovia, Liberia
 Contacts: +231-886-556033/886-246587/555-960556
 Email: makamara@cbl.org.lr

Table 8: External Sector Statistics

GLOBAL PRICE	Sep - 18	Jul - 19	Aug - 19	Sep - 19
	(In price per Unit of Measure)			
Iron ore (US\$/MT)	68.44	120.24	93.07	93.08
Gold (US\$/Oz)	1,198.39	1,412.89	1,500.41	1,510.58
Rubber (US\$/MT)	1,440.00	1,670.00	1,500.00	1,500.00
Cocoa Beans (US\$/MT)	2,190.00	2,420.00	2,190.00	2,310.00
Palm oil (US\$/MT)	605.15	543.88	508.61	580.30
Crude oil (US\$/BBL)	75.36	61.48	57.67	60.04
Food Price Index (FAO)	164.50	171.70	169.80	169.9
Rice_5% broken (US\$/MT)	405.00	416.00	430.00	427.00
Sugar (US\$/MT)	250.00	280.00	270.00	260.00
Commodity Price Index	132.70	118.27	112.80	115.14

Source : www.indexmundi.com, <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>

Rubber

During the review month, the price of rubber stood at US\$1,500.0 per metric ton. Compared with the price in the preceding month, the price of the commodity did not change due to weak demand for the commodity following recovery from rubber disease (pestalotiopsis) that had affected major rubber plantations, mainly in Malaysia and Indonesia. Yearly comparison of the price of rubber showed a 4.2 percent rise from US\$1,440.0 metric ton.

Food Price (FAO)¹

Food price remained relatively stable in September 2019 compared with the preceding month. Food price index stood at 169.9 as was in August 2019 due to the netting effect of high prices of vegetable oils on slump in the prices of sugar and some dairy products. Year-on-year comparison of the index showed that food price rose by 3.3 percent, from 164.5 points.

Rice

The price of rice declined during the month by 0.7 percent to US\$430.00 per metric ton compared with the price per metric ton in the preceding month. The fall in the price of rice was largely a result of slow demand for the commodity. Annual comparison of the price of the commodity showed an increase of 5.4 percent, from US\$405.0 per metric ton.

Palm oil

Following report in the previous month that unfavourable weather condition could raise the price of the commodity during this period, palm oil price further went down in September 2019 to settle at US\$580.3 per metric ton. The nearly 1.0 percent fall in the price of the commodity was a result of sudden increase in inventory. Year-on-year comparison of the price of palm oil reflected a fall by 4.1 percent, from US\$605.2 per metric ton.

Cocoa beans

Cocoa price increased in September 2019 to US\$2,310.0 per metric ton after a slight drop in the previous month. The 5.5 percent rise in the price of the commodity during the month was due to concerns surrounding slowdown in supply of the commodity from mainly Ghana and Cote d'Ivoire following the damage caused by the cocoa virus disease in Ghana and unfavourable weather condition in Cote d'Ivoire. Compared with the same month a year ago, the price of cocoa beans rose by 5.5 percent, from US\$2,190.00 per metric ton in September 2018.

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

During the month under review, production of key commodities in the Liberian economy declined for the second consecutively month. Except outputs of rubber and diamond which slightly rose during the month, outputs of iron ore, gold, cement and beverages declined. Headline inflation fell during the month due mainly to decrease in the prices of domestic food items compared with the preceding month. In the same way, core inflation also fell slightly on account of decrease in the prices of clothing and footwear and recreation and culture sub-groups.

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. During the month, the CBL continued to use various monetary policy instruments, including reserves requirements, the CBL-indexed bill, the standing deposit facility (SDF) and the foreign exchange auction to ease the pressure on the Liberian dollar.

Analysis of monetary aggregates showed that broad money (M2) declined during the month due mainly to fall in time and savings deposits. On the asset side, the slowdown in broad money was largely on account of reduction in net domestic assets (NDA). Disaggregation of commercial bank loans to the private sector showed that credit in United States dollar (USD) fell, occasioned by falls in credit to mainly the manufacturing, trade, and agriculture sectors. Liberian dollar (LD) credit rose due to increases in credit to the extractive, trade and manufacturing sectors. Assessment of the banking sector still showed strong performance of the industry, evidenced by improved performance in return on assets, return on equity and liquidity ratios.

Fiscal operations during the month resulted to a deficit that was mainly driven by decline in government revenue in the face of an estimated rise in total government expenditure. General government debt rose slightly as a result of increase in debt from foreign creditors.

Trade deficit improved during the month compared with the previous month due mainly to increase in export earnings that exceeded the fall in import payments. Earnings on exports rose on account of rise in receipts from mainly iron ore and rubber exports, while payments for import fell due to decline in payments for manufactured goods classified as materials and mineral, fuel and lubricants.

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 2.5 months. Inflows of personal remittances grew slightly, while outward remittances fell, leading to higher net inflows of personal remittances compared with the preceding month. The average and end-of-period exchange rates of the Liberian dollar depreciated against the United States dollar due, in part, to increasing demand for foreign exchange.

REAL SECTOR & PRICE DEVELOPMENTS

Production Analyses of Key Commodities

During the review month, production declined for the second consecutive month after a moderate recovery two months ago. Compared with the previous month, production of iron ore, beverages, gold, and cement fell considerably, while rubber and diamond increased. In the mining sector, outputs of iron ore and gold dropped significantly by 23.7 percent to 228,126.0 metric tons and 22.6 percent to 6,296.0 ounces due to inventory build-up in previous months and persistent slowdown in mining activities from major industrial mines. Additionally, the decline in outputs of both alcoholic and non-alcoholic beverages during the month led to a 0.6 million liters fall in total beverages output, largely due to slowdown in production by one of the biggest manufacturers of the commodity, occasioned by annual routine maintenance of production equipment. Cement output also reduced by 22.7 percent to 16,089.0 metric tons, largely due to weak demand for the commodity on account of slowdown in economic activity.

On the other hand, rubber production grew for the third consecutive month by 4,882.0 metric tons to 9,252.0 metric tons due to significant increase in harvest from small farm holders. Diamond output surged by 6,787.0 carats to 7,363.0 carats due to increased mining activities from several industrial mines. Year-on-year production statistics showed that gold, beverages and cement outputs plunged, while iron ore, rubber, and diamond reported remarkable increases compared with the corresponding month in the previous year.

Consumer Prices

Headline inflation in September 2019 declined by 0.4 percentage point to 30.9 percent, from the rate recorded in the preceding month, due mainly to fall in the prices of food items, especially domestic food items. Month-on-month rate of inflation also fell by 2.2 percentage points to 1.1 percent in the review month, due mainly to decline in the prices of food and non-alcoholic beverages and restaurants and hotels sub-groups.

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

Rate & Currency	Sep - 18	Jul - 19	Aug - 19	Sep - 19	Appr (-)/Depr (+)	
					MoM	YoY
Currency	Currency per USD				Percent change	
GHC	4.77	5.26	5.27	5.32	0.95	11.53
GMD	49.15	50.51	50.76	50.93	0.33	3.62
GNF	9,005.73	9,168.10	9,174.98	9,210.00	0.38	2.27
NGN	305.50	306.44	306.42	306.45	0.01	0.31
SLL	8,260.45	8,901.11	9,105.78	9,444.26	3.72	14.33

Source: CBL, WAMA: 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 September 2019, the price of iron ore was relatively stable at US\$93.1 per metric ton compared with August 2019. Recovery in supply of the commodity from key producers in Brazil and Australia coupled with sluggish demand for the commodity during the month led to the stable price of the commodity. Annual comparison of the price of the mineral indicated a 36.0 percent surge in the price of iron ore from US\$68.4 per metric ton.

Gold

The price of gold rose slightly by 0.7 percent in September 2019 to US\$1,510.4 per ounce, from the price recorded in the previous month. The persistent increase in the price of the commodity is driven by monetary policy easing through incentives unleashed by both the US Fed and the European Central Bank. The lowering of interest rate by the Fed led to increased confidence in the precious metal. Compared with the same month a year ago, the price of the commodity surged by 26.1 percent, from US\$1,198.4 per ounce.

Crude oil (Petroleum) price

The price of petroleum inched up by 4.1 percent in the review month following a 6.2 percent decline in August 2019. Petroleum price rose to US\$60.0 per barrel, from US\$57.7 per barrel in the previous month, occasioned by increased precautionary oil demand following geopolitical tension in the Middle East, mainly along the Strait of Hormuz. Compared with the corresponding month in the previous year, the price of petroleum declined by 20.3 percent, from US\$75.4 per barrel.

over 100.0 percent, from US\$5.6 million (0.2 percent of GDP) due largely to fall in outflows by 26.8 percent, from US\$21.2 million in September 2018.

Gross Foreign Reserves

The gross international reserves (GIR) position at end-September 2019 stood at US\$284.61 million, which increased marginally by 0.7 percent compared with the stock recorded in the preceding month. GIR remained relatively stable at 8.8 percent of GDP compared with the stock in the preceding month. The slight rise in gross reserves during the month resulted to an estimated 2.5 months of import cover that is 0.1 month higher than what was recorded in the previous month (Table 6).

EXCHANGE RATE DEVELOPMENTS

Both the end-of-period (EOP) and average exchange rates of the Liberian dollar depreciated against the US dollar at end-September 2019 compared with the rates reported at end-August 2019. The EOP exchange rate depreciated by 1.3 percent to L\$209.21/US\$1.00, while the average exchange rate depreciated by 2.0 percent to L\$208.46/US\$1.00. The growing demand for US dollars to finance import payments is largely responsible for the persistent depreciation of the Liberian dollar. Compare with the rates reported in the corresponding month a year ago, the EOP and average exchange rates 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 for the Nigerian Naira which remained relatively stable at ₦306.4/US\$1.00, the Sierra Leonean Leone, the Liberian Dollar, the Gambian Dalasi, the Ghanaian Cedi and the Guinea Franc depreciated during the review month. The Sierra Leonean Leone depreciated the highest by 3.7 percent, followed by the Liberian dollar, by 1.3 percent. The Ghanaian Cedi depreciated by 1.0 percent, while the Guinean Franc, by 0.4 percent and the Gambian Dalasi by 0.3 percent. All currencies in the Zone depreciated against the United States dollar at end-September 2019 compared with September 2018. The lowest depreciation (year-on-year) was recorded for the Nigerian Naira, while the highest depreciation was reported for the Liberian Dollar, followed by the Sierra Leonean Leone and the Ghanaian Cedi (Table 7).

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

Rate & Currency	Sep - 18	Jul - 19	Aug - 19	Sep - 19	Appr (-)/Depr (+)	
					MoM	YoY
Exchange Rate	LD/USD				Percent change	
End of Period	155.46	202.61	206.50	209.21	1.31	34.57
Period Average	154.73	200.29	204.36	208.46	2.01	34.73

Official core inflation decreased slightly by 0.2 percentage point as a result of decreases in the prices of clothing and footwear and recreation and culture subgroups. Other measures of core inflations recorded mixed results during the period (Table 1).

Table 1: Production and Price Statistics

REAL SECTOR DATA	Sep - 18	Jul - 19	Aug - 19	Sep - 19
	<i>(In units as may be specified)</i>			
Production	(In Metric tons, carat and Ounces)			
Iron Ore (Metric ton)	159,198	371,692	298,949	228,126
Gold (Ounces)	19,753	23,059	8,130	6,296
Diamond (Carat)	2,535	10,036	476	7,263
Rubber (Metric ton)	2,801	4,110	4,370	9,252
Cement (Metric ton)	17,487	22,307	20,816	16,089
Beverages	(In Liters)			
Alcoholic	57,242	1,007,840	898,521	394,505
Non-Alcoholic	468,968	588,597	110,658	45,936
Total Beverage Production	526,210	1,596,437	1,009,179	440,441
Inflation	(In percent)			
Overall (Y-o-Y) Rate of Inflation	26.31	29.87	31.32	30.90
a. Food and Non-alcoholic Beverages Infl.	25.17	31.76	34.59	33.18
- Domestic Food Inflation	24.80	35.24	36.02	34.55
- Imported Food Inflation	25.24	28.72	32.40	31.24
b. Transport Inflation	42.99	28.22	30.52	33.20
c. Imported Fuels Inflation	51.59	27.36	25.57	25.57
Overall (M-o-M) Rate of Inflation	1.37	3.51	3.30	1.05
Core Inflation	(In percent)			
Inflation excluding Food & Non-alcoholic Beverages	26.95	28.85	29.60	29.72
Inflation excluding Imported Food	26.56	29.95	30.74	30.58
Inflation excluding Domestic Food	26.99	21.67	23.09	23.50
Inflation excluding Food and Transport	24.67	29.13	29.50	29.25

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

† Revised;

= Estimate

† The overall CPI less food and transport

MONETARY DEVELOPMENTS

Monetary Policy Stance

The monetary policy stance of the CBL remained focused on price stability through broad exchange rate stability. In pursuit of its objective, during the month, the Bank used various monetary policy instruments, including reserve requirements, the indexed bills, the Standing Deposit Facility (SDF) and foreign exchange auction in support of its continued strive to implement contractionary monetary policy.

Monetary Aggregates

Broad money supply (M2) fell (month-on-month) by 2.6 percent to L\$119,386.6 million compared with the amount recorded at end of the preceding month.

The decline in M2 was mainly due to 7.0 percent decline in time and savings deposits. On the assets side, the drop in M2 was driven largely by decline in net domestic assets by 2.8 percent. Annual Comparison showed that M2 rose by 18.9 percent, due to increases in money supply (M1) by 17.8 percent, occasioned by surge in currency outside banks and demand deposits and time & saving deposits by 22.4 percent, respectively.

During the month, the share of commercial banks' loans to private sector denominated in United States dollar dropped by 2.3 percent to US\$390.5 million, triggered by falls in credit, mainly to the manufacturing, trade and agriculture sectors. On the other hand, the Liberian dollar component grew by 6.4 percent to L\$7,176.9 million, on account of increases in credit to the extractive, trade and manufacturing sectors. Compared with the corresponding month in 2018, private sector credit in Liberian dollar rose by 46.1 percent, while the US dollar component shrank by 7.8 percent.

Table 2: Monetary Aggregates

Monetary Aggregates	Sep - 18	Jul - 19	Aug - 19	Sep - 19
	<i>(In Millions of currencies as may be specified)</i>			
CBL Net Foreign Exchange Reserves [‡]	91.89	74.46	79.03	81.67
Liberian Dollars in Circulation - (LD)	17,154.68	20,405.39	20,533.59	20,532.41
Money Supply (M1) in LD only	23,182.56	26,933.59	26,914.59	27,684.95
Broad money (M2) in LD only	31,870.04	34,895.83	35,352.54	35,893.45
Broad money (M2) ^{/1}	100,378.00	120,292.55	122,560.15	119,386.64
Net Foreign Assets (NFA) – LD	19,013.70	6,753.65	12,154.41	12,049.21
Net Domestic Assets (NDA) – LD	81,364.30	113,538.90	110,405.74	107,337.43
Loans to Private Sector				
Commercial banks loans to private sector - USD	423.63	383.72	399.70	390.46
Commercial banks loans to private sector - LD	4,913.42	6,541.25	6,744.10	7,176.89
Demand Deposits of commercial banks	<i>(In Millions of currencies as may be specified)</i>			
Demand deposits - USD	272.95	248.03	244.20	237.14
Demand deposits - LD	7,672.86	7,623.97	7,912.05	8,683.71
Time & savings deposits - USD	166.01	171.54	176.55	160.36
Time & savings deposits - LD	8,263.87	7,871.06	8,352.35	8,142.08
Other Deposits**				
Actual US\$ component of other deposits	1.72	1.91	1.57	1.59
Liberian \$ component of other deposits	423.61	91.18	85.60	66.42
Total Deposit (USD & LD) ^{/2}	84,868.30	100,982.93	103,557.61	100,385.39
	(In percent)			
Liberian Dollar share of Broad Money	31.75	29.01	28.85	30.06

Source: CBL

[‡] - Reserves under the Extended Credit Facility (ECF) with the IMF; ** - Other Deposits Inclg Official and Manager Checks^{/1} - Broad Money (both US Dollar and Liberian Dollar) converted to Liberian Dollar^{/2} - Total deposits (both US Dollar and Liberian Dollar) of commercial banks converted to Liberian dollars.

Table 6: External Sector Statistics II

Trade Statistics	Sep - 18	Jul - 19	Aug - 19	Sep - 19
External Trade (Value)	(Millions of USD)			
O/w Non-commercial Rice	0.81	0.01	0.57	0.09
Machinery & Transport Equipment	18.24	31.78	16.32	23.31
Manufactured goods by materials	17.21	10.27	10.71	10.10
Trade Balance	(48.25)	(46.12)	(54.13)	(33.01)
External Trade (Volume)	(In Units as Specified)			
Rubber (MT)	2,800.98	4,110.36	4,370.3	9,251.9
Iron Ore (MT)	159,198.00	350,991.30	144,048.0	285,336.1
Commercial Rice (MT)	1,109.18	28,722.43	13,591.84	21,990.32
Non-commercial Rice (MT)	732.61	4.59	211.44	115.08
Petroleum Products (MT)	9,758.60	9,952.88	43,570.96	15,479.90
Cocoa Beans (MT)	na	570.00	400.00	700.00
Palm Oil (MT)	553.94	3,247.25	1,773.00	3,844.00
Gold (Oz)	19,077.31	23,058.80	8,113.00	6,295.80
Diamond (Crt)	2,534.91	10,035.72	476.00	7,263.10
External Trade (Volume)	(In Units as Specified)			
Rubber (MT)		4,110.36	4,370.3	
Iron Ore (MT)		350,991.30	144,048.0	
Commercial Rice (MT)		28,722.43	13,591.84	
Non-commercial Rice (MT)		4.59	211.44	
Petroleum Products (MT)		9,952.88	43,570.96	
Cocoa Beans (MT)		570.00	400.00	
Palm Oil (MT)		3,247.25	1,773.00	
Gold (Oz)		23,058.80	8,113.00	
Diamond (Crt)		10,035.72	476.00	
Personal Remittances	(Millions of USD)			
Inflows	26.8	24.70	26.42	29.52
Outflows	21.2	19.03	24.80	15.52
Net flows	5.6	5.67	1.62	14.0
Other Indicators	(Millions of USD)			
Import (C.I.F)	92.96	112.03	86.44	84.73
Gross International Reserves (GIR) ^{/2}	312.56	279.21	282.72	284.61
Import covers (In Month)	2.8	2.1	2.4	2.5

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

^{/1} Trade data are primarily sourced from LRA (Custom) with larger coverage than BIVAC.^{/2} (GIR) is the sum of net foreign reserve plus SDR and Reserve tranche

‡ - Not Available (na)

Remittances

In the month of September 2019, the flows of personal remittances resulted into a net inflow of US\$14.0 million (0.4 percent of annual GDP) due to higher amount of inflows over outflows. Compared with the preceding month, net inflows of personal remittances grew by US\$12.4 million, from US\$1.6 million, on account of a 37.4 percent slowdown in outflows that exceeded the 11.7 percent increase in inflows. Compared with the same month a year ago, net inflows of personal remittances rose by

Statistics on the direction of exports showed that Europe (especially Switzerland) and North America were the main exporting regions during the month. Gold was the leading commodity exported to Switzerland in Europe, while a large volume of rubber went to North America (especially the United States). During the month, Europe accounted for 65.1 percent of total export earnings, while North America constituted 12.7 percent and 12.2 percent of total exports, respectively.

Imports (FOB)

Payments for import of goods amounted to US\$76.5 million (2.4 percent of GDP). Compared with the amount of payments in the previous month, payments declined by 3.3 percent, occasioned largely by decreases in payments for manufactured goods classified as materials and mineral, fuel and lubricants imports. Import payments for mineral, fuel and lubricants plummeted by 67.5 percent compared to the value reported during the previous month, due, in part, to inventory resulting from increased imports in the preceding month. On the other hand, payments for manufactured goods classified by materials fell by 5.7 percent in the month after an increase in the previous month.

During the month, the top two regions that dominated sources of imports to Liberia were Asia and Europe. Imports from Asia grew and constituted 68.0 percent of total import payments with India being the largest source of imports from that region. Goods imported from India were predominantly rice and other machinery equipment including vehicle and parts. Payments for import from Europe constituted 16.7 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 I

Trade Statistics	Sep - 18	Jul - 19	Aug - 19	Sep - 19
External Trade (Value)	(Millions of USD)			
Exports/1	36.09	56.68	24.99	43.47
O/w Iron Ore	5.06	23.12	9.55	18.99
O/w Rubber	3.66	5.83	5.65	9.69
O/w Gold	17.51	2.35	8.36	7.29
O/w Diamond	1.57	23.93	0.14	1.69
O/w Cocoa Bean	na	0.11	0.39	0.70
O/w Palm Oil	0.25	1.30	1.06	1.35
Imports (F.O.B)/1	84.34	102.80	79.12	76.48
Minerals, Fuel, Lubricants	17.18	5.52	15.30	4.97
O/w Petroleum Products	13.72	4.68	13.98	3.24
Food and Live Animals (including Animal and vegetable oil)	18.33	40.34	19.53	26.22
O/w Commercial Rice	0.50	28.67	8.92	12.32

BANKING SECTOR DEVELOPMENTS

During the month under review, the banking sector remained sound and resilient, evidenced by increases mainly in liquidity ratio (LR), return on assets (ROA) and return on equity (ROE). The LR was above the regulatory threshold by 30.4 percentage points, while ROA and ROE rose by 0.1 percentage point and 0.7 percentage point, respectively. Capital adequacy ratio (CAR) remained far above the minimum regulatory requirement by 15.6 percentage points, but remained stable at 25.6 percent compared with the preceding month.

Total (gross) loans during the month stood at L\$91.9 billion (13.6 percent of GDP), from US\$92.0 million (13.8 percent GDP) recorded in the previous month. The decline in gross loans was largely attributed to the decrease in credit to mainly household and the services sector (Table 3).

Financial Soundness Indicators (FSI)	Sep - 18	Jul - 19	Aug - 19	Sep - 19
	(In percent)			
Capital Adequacy Ratio (CAR)***	27.36	25.60 [†]	25.60	25.60
Non-performing Loans to Total Gross Loans (ratio)	14.48 [†]	11.75 [†]	13.68	12.94
Total Gross Loans (In Billion L\$)	72.73 [†]	88.49	91.97	91.89
Non-performing Loans (% change)	-5.66	-8.62	17.25	-5.86
Returns on Assets (ROA)	0.99	1.09 [†]	1.33	1.38
Returns on Equity (ROE)	5.96	6.89 [†]	8.24	8.96
Liquidity Ratio****	39.47	39.95	40.01	45.44

Source: CBL

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

[†] - revised

FINANCIAL MARKET DEVELOPMENTS

During the month under review, the total CBL-indexed bill sold amounted to L\$481.8 million with no early redemption. At end of the month, the total outstanding indexed-bill surged by 43.6 percent to L\$1,583.8 million, from L\$1,102.6 million in the preceding month. Additionally, the CBL auctioned a total of US\$4.0 million in the foreign exchange (FX) market. Due to the high demand for United States dollar to facilitate imports, the auction was oversubscribed by US\$2.5 million. Statistics on Treasury securities showed that the Government issued the amount of US\$2.0 million in Treasury bills and redeemed the same amount. The total outstanding treasury bills remained at L\$1,560.9 million compared with the previous month. Like in the preceding month, there were no issuance and redemption of government's 2-year bond during the review month; hence, the total outstanding Treasury bonds remained at L\$6,000.0 million.

The standing deposit facility (SDF) during the month amounted to L\$6,100.0 million; reflecting an increase of L\$4,150.00 million, driven by increased demand for the facility during the month. Money market transactions in repos were traded at the average interest rate of 5.5 percent, while swaps and lending between commercial banks were traded at the average interest rate of 6.0 percent (See Table 4).

Table 4. Financial Market and Interest Rates Statistics

Market Instruments	Sep - 18	Jul - 19	Aug - 19	Sep - 19
CBL indexed Bills	(Millions of LD)			
Bills Purchased	na	90.80	0.00	481.80
Bills outstanding	na	80.00	60.00	0.00
Early Redemption during the month)	na	1,162.60	1,102.60	1,584.40
Coupon rate (%)	na	7.00	7.00	7.00
CBL Foreign Exchange (Fx) Auction¹	(Millions of USD)			
US Dollar Amount Sold	(5.52)	(2.00)	0.00	(4.00)
US Dollar Amount Sold	5.52	1.72	0.00	4.00
Total Subscription	6.85	1.72	0.00	6.47
Over (+) /Under (-) Subscription	1.33	(0.28)	0.00	2.47
Treasury Securities	(Millions of LD, unless otherwise stated)			
T- Bills Issued	(69.24)	(700.00)	0.00	0.00
T- Bills Redeemed	69.15	0.00	0.00	0.00
T-Bills outstanding	144.99	1,560.94	1,560.94	1,560.94
Net Treasury Bills Operations[^]	(0.09)	(700.00)	0.00	0.00
Ave. Weighted Discount Rate (T-Bills)	3.34	7.47	7.47	7.47
T- Bills Issued (USD)	na	na	na	(2.00)
T- Bills Redeemed (USD)	na	na	na	2.00
Net Treasury Bills Operations[^]	na	na	na	0.00
T- Bond Issued	1,100.00	0.00	0.00	0.00
T- Bond Outstanding	6,000.00	6,000.00 [†]	6,000.00	6,000.00
Semi-annual Coupon Payment	0.00	392.00	0.00	0.00
Coupon rate (%)		16.00	16.00	16.00
Standing Deposit Facility (SDF)	(Percent)			
SDF rate (%)	na	4.00	4.00	4.00
SDF Amount (In Millions LD)	na	950.00	1,950.00	6,100.00
Interest Rates				
- Lending rate	12.44	12.44	12.44	12.44
Average Deposit rates				
-Savings	2.10	2.10	2.10	2.10
-Time	3.53	3.53	3.53	3.53

Source: CBL

[^] - with Liquidity Effect where withdrawal (-)/injection (+)¹ - CBL Foreign Exchange Auction includes use of the remittance split to ease the demand for foreign currency[†] - revised; na - not applicable - during this month, the instruments were not introduced**FISCAL SECTOR DEVELOPMENTS**

In September 2019, total government revenue generated amounted to US\$22.6 million (0.7 percent of annual GDP), declining by 22.0 percent from the amount generated in the preceding month. Total expenditure, on the other hand, was estimated at US\$40.6 million (1.3 percent of GDP), increasing by US\$23.4 million, from US\$17.2 million (0.5 percent of GDP) reported in the preceding month. The increase in total expenditure against total revenue during the month resulted to a fiscal deficit.

At end of the review month, statistics on general government debt showed a moderate rise in the stock of debt to US\$1,228.0 million (38.1 percent of GDP) compared with the previous month. The rise in general government debt was occasioned by a 1.2 percent increase in external debt that accounted for 65.9 percent of total public debt during the month (Table 5).

Table 5. FISCAL SECTOR DEVELOPMENTS

Fiscal Operations	Sep - 18	Jul - 19	Aug - 19	Sep - 19
	(Millions of USD)			
Government Revenue	38.60	31.79	28.96	22.58
Tax Revenue	27.10	26.20	21.34	17.30
Non-tax Revenue	4.50	5.59	7.62	5.28
Grant	7.00	0.00	0.00	0.00
Government Expenditure	38.90	5.08[†]	17.19	40.59[±]
Current Expenditure	37.30	4.38	17.19	38.1
Capital Expenditure	0.00	0.00	0.00	0.00
Payments on Loans, interest and others	1.60	0.70	0.00	2.49
Public Sector Debt	978.34	1,219.32	1,218.23	1,227.96
Domestic	265.49	422.01	422.01	422.01
External	712.84	797.31	796.22	805.95

Source: Revenue Department, MFDP, Expenditure Department, MFDP & Debt Management Unit, MFDP; [†] - revised, [±] - Estimate**EXTERNAL SECTOR DEVELOPMENTS****Merchandise Trade**

During the month under review, earnings from exports improved by 73.9 percent, while import payments declined. The month-on-month improvement in export earnings resulted in a lower merchandise trade deficit than the deficit recorded in the previous month. The trade deficit during the review month narrowed by 39.0 percent to US\$33.0 million (1.0 percent of annual GDP) compared with the previous month. Compared with the corresponding month a year ago, merchandise trade deficit fell by 31.6 percent, from US\$48.3 million (1.5 percent of GDP) in September 2018.

Exports

During the month of September 2019, earnings from merchandise exports plunged by US\$18.5 million to US\$43.5 million (1.4 percent of annual GDP) compared with earnings recorded in the previous month, due mainly to a sharp rise in receipts from exports of iron ore and rubber. Receipts from iron ore and rubber rose by US\$9.4 million and US\$4.0 million, respectively, on the back of increases in the volumes of the commodities exported. Receipts from both commodities constituted 66.0 percent of total export earnings during the month. When matched with the corresponding month in 2018, export earnings rose by 20.5 percent, from US\$36.1 million (1.1 percent of GDP).