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The Global price of gold in February 2019 moved up by 2.2 percent to US\$1,320.1 per ounce, from US\$1,291.8 per ounce. The price rise was due mainly to increased global demand for the commodity.

Table 5: External Sector (Global Price) Statistics

	Nov- 18	Dec- 18	Jan- 19	Feb- 19
GLOBAL PRICE				
Iron ore (US\$/MT)	73.3	69.2	76.2	88.2
Rubber (US\$/MT)	1,350	1,440.0	1,590.0	1,650.0
Rice (US\$/MT)	401.0	404.0	410.0	408.0
Crude oil (US\$/BBL)	62.3	54.0	56.6	61.1
Palm oil (US\$/MT)	539.1 [†]	535.0	584.6	603.0
Gold (US\$/Oz)	1,220.7	1,250.4	1,291.8	1,320.1

Source: www.indexmundi.com.

INTRODUCTION

The Monthly Economic Review (MER) is a regular publication by the Central Bank of Liberia (CBL) that provides a snapshot of major developments in key sectors (Real, Monetary and External Sectors) of the economy. It also summarizes the Monetary Policy Stance of the CBL.

OVERVIEW

Production of key commodities in the Liberian economy in February 2019 largely showed decline in outputs compared with the level of production in the preceding month. Headline inflation for the month declined due mainly to decrease in prices of domestic food items.

Compared with the previous month, broad money (M2) rose during the month due to increases in demand deposits as well as time and savings deposits. Disaggregation of commercial banks’ loans to the private sector by currency showed that United States dollar loans remained relatively stable compared with the previous month, while Liberian dollar loans declined. The banking industry’s performance in the review month remained resilient, evidenced by growths in some key financial soundness indicators.

Preliminary statistics on both export earnings and import payments during the month declined. The decline in export earnings was occasioned by slump in receipts from mainly minerals and iron ore exports. Import bills fell due mainly to declines in payments for machinery & transport equipment as well as minerals, fuel & lubricants. The effect of higher decline in payments than earnings led to improvement in merchandise trade deficit during the month.

Gross foreign reserves position declined during the month. However, due to a sharp fall in import payments, month of import cover rose in February, compared with January 2019. Both the average and end-of-period exchange rates of the Liberian Dollar depreciated against the United States Dollar during the month.

REAL SECTOR & PRICE DEVELOPMENTS**Production Analyses of Key Commodities**

Preliminary production data on key commodities during the month of February 2019 largely declined compared with the preceding month. Besides rubber and cement whose outputs increased in the month, the production of all other commodities (mainly gold, diamond, iron ore and beverages) declined.

Rubber output rose by 5.5 percent to 8,523.6 metric tons, on account of increase in production from smallholder farmers. Cement production inched by 4.0 percent to 37,897.0 metric tons during the review month due to a consistent increase in demand for the commodity. On the other hand, outputs from the mining sector slowdown during the month with gold and diamond production dipping by 1.5 percent and 24.8 percent, respectively. The fall in gold production during the month was mainly due to slowdown in mining activities from one of the industrial gold mines. Iron ore production fell to 412,311 metric tons from the level reported in January 2019. The 13.1 percent dip in iron ore production was on account of inventory build-up from the previous month. Output of beverages plummeted during the month by 19.0 percent to 1.7 million litres on the back of declines in production of both alcoholic and non-alcoholic beverages.

Consumer Prices

In February 2019, headline inflation declined by 1.3 percentage points to 22.0 percent, from the rate recorded in January 2019. The decline in inflation in the month was attributed to fall in prices of food and transport items. Prices of food items fell owing to fall in prices of domestic food items. On a month-on-month basis, the rate of inflation settled at negative 0.5 percent in February 2019, from negative 1.8 percent reported in January 2019, due mainly to increase in the price of health subgroup related items.

GLOBAL COMMODITY PRICE DEVELOPMENTS**Iron ore**

The international price of iron ore for the second time increased. The price of the commodity rose to US\$88.2 per metric ton in February 2019, from the price reported for the previous month. The 15.7 percent surge in the price per metric ton of iron ore was occasioned by increased demand for the commodity.

Rubber

The global price of rubber in the review month rose by 3.8 percent to US\$1,650.0 per metric ton compared with the price of a metric ton in the preceding month. The increase in the price of the commodity was due to increase in demand for the commodity amidst falling supply.

Crude oil price

Crude oil price during the reporting month stood at US\$61.1 per barrel. The price of the commodity rose by US\$4.5 per barrel when compared with price in the previous month. The second round increase in the price of the commodity was on the back of supply cut led by the Organization of Petroleum Exporting Countries (OPEC) and other oil producing countries.

Rice

The global price of rice reported for the second month of 2019 fell to US\$408.0 per metric ton. The 0.5 percent decline in the price of rice was occasioned largely by low demand for Indica rice that outweighed the growing demand for Japonica rice.

Palm oil

Palm oil price surged again during the second month in 2019 by 3.1 percent to US\$603.0 per metric ton compared with the price in the preceding month, occasioned in part, by pickup in global demand for the commodity amid tightening supply.

Table 6: External Sector (Trade) Statistics cont'd

	Nov- 18	Dec- 18	Jan- 19	Feb- 19
EXTERNAL SECTOR				
External Trade (Value)	(Millions of US\$)			
Imports (F.O.B)¹	75.2	117.1	89.8	66.6
Minerals, Fuel, Lubricants	13.8	9.5	16.0	14.8
-O/w Petroleum Products	11.4	7.4	13.1	10.3
Food and Live Animals (including Animal and vegetable oil)	16.7	41.3	33.1	10.5
-O/w Commercial Rice	1.5	27.7	19.3	0.9
-O/w Non-commercial Rice	0.03	0.1	0.1	0.9
Machinery & Transport Equipment	20.0	18.0	17.3	16.6
Manufactured goods classified as materials	13.9	34.1	10.0	12.3
Trade Balance	(43.4)[†]	(58.4)[†]	(40.6)	(19.3)
Import (C.I.F)	82.2	128.9	100.4	73.5
External Trade (Volume)				
-Rubber	4,161	4,232	8,082	8,524
-Iron Ore	304,721 [†]	697,729 [†]	551,130	506,301
-Commercial Rice	289,892	374,734 [±]	18,277 [±]	830 [±]
-Non-commercial Rice	34	113 [±]	76 [±]	717 [±]
- Petroleum Products	10,620	3,698	33,255	18,622
-Cocoa Beans	330	3,075	0.0 [±]	3,655
-Palm Oil	2,938	747	1,797	1,251
-Gold (Oz)	13,344	20,584	15,908	15,676
-Diamond (Carat)	7,195	1,630	5,653	4,252

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

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

[†] - Revised

[±] - Estimate

[±] - Not Available (NA)

Gross Foreign Reserves (Including SDR Holdings plus Reserve tranche)

The gross foreign reserves position stood at US\$397.7 million at end-February 2019, declining for the second time by 2.4 percent from the stock recorded in the preceding month. The slump in payments for imports during the month outweighed the decrease in gross external reserves, thus resulting to an estimated 3.8 months of import cover.

Table 1: Production and Price Statistics

	Nov- 18	Dec- 18	Jan- 19	Feb- 19
REAL SECTOR DATA	(In units as may be specified)			
Production	(In Metric tons, carat and Ounces)			
Iron Ore (Metric ton)	387,839 [±]	409,699 [±]	474,420	412,311
Gold (Ounces)	13,458	21,159	15,908	15,676
Diamond (Carat)	7,195	1,630	5,653	4,252
Rubber (Metric ton)	2,751 [±]	4,232	8,082.0	8,523.6
Cement (Metric ton)	25,234	30,735	36,442	37,897
Beverages	(In Liters)			
Alcoholic	1,074,660	1,127,417	1,069,763	820,047
Non-Alcoholic	647,708 [±]	643,056 [±]	1,022,808	862,078
Total Beverages Production	1,722,368	1,770,473	2,092,571	1,682,125
Inflation	(In percent)			
Overall (Year-on-year) Rate of Inflation	27.1	28.5	23.3	22.0
a. Food and Non-alcoholic Beverages Inflation	24.9	30.5	30.2	27.6
- Domestic Food Inflation	28.3	35.9	36.0	31.6
- Imported Food Inflation	22.7	26.8	24.4	23.6
b. Transport Inflation	41.9	35.1	25.4	20.5
c. Imported Fuels Inflation	52.7	39.2	35.2	33.7
Overall (Month-on-Month) Rate of Inflation	2.0	2.4	-1.8	-0.5
Core Inflation	(In percent)			
Inflation excluding Food & Non-alcoholic Beverages	28.3	27.5	19.7	19.1
Inflation excluding Imported Food	28.3	29.0	22.7	21.3
Inflation excluding Domestic Food	27.2	27.8	15.5	14.7
Inflation excluding Food and Transport	26.1	26.2	18.8	18.8

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

[†] Revised; [±] Estimate

MONETARY DEVELOPMENTS

Monetary Policy Stance

The monetary policy stance of the CBL remained focused on price stability through broad exchange rate stability. During the month of February 2019, the available policy instruments used by the Bank to carry out its monetary policy operations were the statutory reserves requirements for commercial banks and the CBL indexed Bill.

Monetary Aggregates

Broad money supply (M2) at end-February 2019 expanded by 1.8 percent to L\$104,337.4 million, from L\$102,483.7 million recorded at end-January 2019. The expansion in M2 was mainly on account of increases in demand deposit and time & savings deposits by 3.6 percent and 0.4 percent, respectively. Year-on-year comparison of monetary aggregates showed that M2 grew by 22.7 percent due to 11.0 percent growth in currency outside the banking system, 22.5 percent rise in demand deposits and 30.4 percent surge in time and savings deposits.

On the assets side, net domestic assets (NDA) grew during the month by 6.2 percent, while net foreign assets (NFA) fell by 20.1 percent. The rise in NDA during the reporting month was occasioned by 13.2 percent growth in net credit to government. On the other hand, the decline in NFA was on account of falls in foreign assets of both the Central Bank and commercial banks. The NFA of CBL declined by 53.0 percent, occasioned by reduction in the Bank's placement abroad, while those of commercial banks slumped by 4.3 percent. On a year-on-year basis, NDAs expanded by 44.4 percent, while NFAs contracted by 38.9 percent.

Commercial banks loans to private sector in United States (US) dollar remained relatively stable at US\$412.1 million, on account of the net effect of increases in credits to construction, services, trade and oil & gas sectors compared with decreases in credits to the extractive, agriculture and manufacturing sectors. On the other hand, Liberian dollar credits to private sector fell by 1.9 percent to L\$5,740.9 million compared with the previous month due to decreases in loans extended to oil & gas, trade and manufacturing sectors. Compared with the same month a year ago, the US and Liberian dollar credits to private sector expanded by 5.9 and 41.2 percent, respectively.

second month of 2019 declined to US\$47.3 million, from US\$49.2 million reported for January 2019. The decline was mainly attributed to fall in volumes of key commodities exported during the month. The volume of gold exported declined by 1.5 percent, while that of iron ore fell by 8.1 percent. The fall in volumes of these two key commodities resulted to dip in export earnings during the month.

Europe (especially Switzerland) was the lead destination of exports during the month. It offered 56.1 percent of total export earnings. Export to Switzerland alone represented 63.4 percent of earnings from that region.

Imports (FOB)

Payments for merchandise imports fell by 25.8 percent in the review month to US\$66.6 million, mainly due to declines in import bills for key commodity groups such as machinery and transport equipment related product, minerals, fuel & lubricant and food & live animals (including animals and vegetable oil). Payments for machinery and transport equipment related product fell by 4.0 percent, while payments for mineral, fuel and lubricants and food & live animals (predominately rice imports) declined by 7.5 percent and 68.3 percent, respectively. The decline in rice imports was primarily due to inventory held by major importers.

Importation of goods from Asia dominated Liberia's sources of imports during the month, constituting 56.0 percent of total import bills. China recorded a large proportion of imports from Asia. Europe (mainly Spain) came second with Cote d'Ivoire making up the largest share of imports from ECOWAS.

Table 6: External Sector (Trade) Statistics

	Nov-18	Dec-18	Jan-19	Feb-19
EXTERNAL SECTOR				
External Trade (Value)	(Millions of US\$)			
Exports¹	31.8[†]	58.7[†]	49.2	47.3
- O/w Iron Ore	8.2 [†]	26.0 [†]	20.3	19.9
- O/w Rubber	5.3	5.0	8.7	9.5
- O/w Mineral	16.0	21.2	17.8	16.0
-o/w Cocoa Bean	0.3	0.8	0.0 [‡]	0.1
-o/w Palm Oil	1.5	0.4	0.9	0.4

Table 5. Financial Market and Interest Rates Statistics

	Nov- 18	Dec- 18	Jan- 19	Feb- 19
Treasury Securities	(Millions of L\$)			
T- Bills Issued	-78.4	-78.6	-56.7	-80.4
T- Bills Redeemed	75.7	69.2	77.7	78.4
Net Treasury Bills Operations [^]	-2.7	-9.4	21.0	-2.0
Ave. Weighted Discount Rate_T Bills	3.83	3.56	5.00	3.76
CBL indexed Notes				
Note Issued	0.0	0.0	0.0	375.0
Coupon Payment	0.0	0.0	0.0	0.0
Note Payments at Maturity	0.0	0.0	0.0	0.0
CBL Bills Auction				
Bill Issued	0.0	0.0	0.0	0.0
Bill Redeemed	0.0	0.0	0.0	0.0
Net Withdrawal	0.0	0.0	0.0	0.0
CBL Bills Auction	(Millions of L\$)			
Bill Issued	0.0	0.0	0.0	0.0
Bill Redeemed	0.0	0.0	0.0	0.0
Net Withdrawal	0.0	0.0	0.0	0.0
Interest Rates	(Percent)			
- Lending rate	12.4	12.4	12.4	12.4
Average Deposit rates				
-Savings	2.1	2.1	2.1	2.1
-Time	3.5	3.5	3.5	3.5
Standing Deposit Facility (SDF)				
SDF rate	0.0	0.0	0.0	0.0

Source: CBL

[^] - with Liquidity Effect

EXTERNAL SECTOR DEVELOPMENTS

Merchandise Trade

During the month under review, both export receipts and import bills declined for the second consecutive month, but the fall in import bills outweighed the decline in receipts, leading to an improvement in trade deficit by 52.5 percent to US\$19.3 million, from a deficit of US\$40.6 million recorded in January 2019.

Exports

Preliminary statistics on earnings from merchandise exports during the

Table 2: Monetary Aggregates

	Nov- 18	Dec- 18	Jan- 19	Feb- 19
Monetary	(In Millions)			
CBL Net Foreign Exchange Reserves Position (Including SDRs) [‡] - (US\$)	162.1	162.7	159.4	149.6
CBL Gross Foreign Reserves (including SDRs) - (US\$)	410.2	410.8	407.5	397.7
Liberian Dollars in Circulation - (L\$)	18,889.6	19,302.5	18,454.5	18,044.1
Money Supply (M1) in L\$ only	25,649.8	26,571.2	24,243.1	24,758.8
Broad money (M2) in L\$ only	33,848.6	34,873.3	32,297.5	32,815.7
Broad money (M2) (both L\$ and US\$) Converted to L\$	109,550.0	106,419.7	102,483.7	104,337.4
Net Foreign Assets (NFA) – L\$	24,335.0	20,988.9	16,982.4	13,567.0
Net Domestic Assets (NDA) – L\$	85,215.0	85,430.8	85,501.4	90,770.4
	(In percent)			
Liberian Dollar share of Broad Money	30.9	32.8	26.9	31.5
Loans to Private Sector	(In Millions)			
Commercial banks loans to private sector - US\$	412.4	411.1	412.1	412.1
Commercial banks loans to private sector - L\$	5,184.0	5,996.3	5,852.6	5,740.9
Demand Deposits of commercial banks				
Demand deposits - US\$	312.1	284.7	371.9	275.0
Demand deposits - L\$	7,978.0	8,421.1	9,729.1	8,346.5
Time & Savings Deposits of commercial banks				
Time & savings deposits - US\$	167.3	169.0	204.0	169.1
Time & savings deposits - L\$	8,144.1	8,229.3	7,679.2	7,984.6
Other Deposits**				
Actual US\$ component of other deposits	0.1	0.6	0.5	0.0
Liberian \$ component of other deposits	54.7	72.7	60.6	72.2
CBL Foreign Exchange Auction				
US Dollar Amount Sold	3.4 [±]	10.0	0.0	0.0
Total Subscription	4.1 [±]	10.0	0.0	0.0
Over (+)- / Under (-) Subscription	0.7 [±]	0.0	0.0	0.0
Personal Remittances	(In Millions of US\$)			
Inflows	25.5	28.1	25.7	22.9
Outflows	56.5	21.9	16.3	10.0
Net flows	-31.0	6.2	9.4	12.9

Source: CBL

[‡] - Reserves excluding ECF borrowing from the IMF; ** - Other Deposits Including Official and Manager Checks; ± - Estimate

EXCHANGE RATE DEVELOPMENTS

The average and end-of-period (EOP) exchange rates of the Liberian dollar against the US dollar moderately depreciated in February 2019 compared with the preceding month. The average exchange rate depreciated by 1.0 percent to L\$161.05/US\$1.00, and the EOP exchange rate depreciated slightly by 0.5 percent to L\$160.64/US\$1.00, occasioned by high foreign exchange (FX) demand in the economy. On an annual basis, the average and EOP exchange rates depreciated by 26.8 percent and 24.1 percent, respectively.

A review of exchange rates in the West African Monetary Zone (WAMZ) showed that the Gambian dalasi appreciated, the Nigerian naira remained relatively stable, while the rest of the currencies depreciated against the US dollar in February 2019. The dalasi appreciated by 1.88 percent, while the Ghanaian cedi, the Liberian dollar, the Sierra Leonean leone, and the Guinean franc depreciated by 4.18 percent, 1.21 percent, 0.57 percent and 0.13 percent, respectively. On the other hand, the Nigerian naira remained relatively stable at ₦306.35/US\$1.00 during the month compared with the previous month. All currencies in the Zone depreciated relative to the United States dollar compared with the same month a year ago (See Table 3).

Table 3: Exchange Rates: Official and WAMZ Countries End-of-Period Exchange Rates against the US Dollar

Rate & Currency	Feb - 18	Dec- 18	Jan- 19	Feb- 19	Appr (-)/Depr (+)	
					MoM	YoY
Exchange Rate	L\$/US\$				Percent change	
End of Period (LRD)	130.21	157.56	160.81	161.64	0.52	24.14
Period Average (LRD)	127.05	157.50	159.47	161.05	0.99	26.76
Currency	Currency per US\$					
GHC	4.42	4.82	4.95	5.16	4.24	16.74
GMD	46.98	49.86	48.95	48.03	-1.88	2.23
GNF	9,000.00	9084.80	9,095.67	9,107.69	0.13	1.20
NGN	305.45	306.50	306.25	306.35	0.03	0.29
SLL	7,573.36	8396.05	8,453.57	8,556.26	1.21	12.98

Source: CBL, WAMA: www.amao-wama.org/

GHC - Ghanaian Cedi; GMD - Gambian Dalasi; GNF - Guinean Franc; LRD - Liberian Dollar; NGN - Nigerian Naira; SLL—Sierra Leonean Leone

BANKING SECTOR DEVELOPMENTS

Despite mixed movements in some financial soundness indicators during the month, the performance of the banking sector remained resilient. The capital adequacy ratio (CAR) remained stable at 27.2 percent compared with January 2019 but is kept far above the minimum regulatory requirement of 10.0 percent. On the other hand, liquidity ratio rose slightly by 0.1 percentage point to 38.2 percent which is 23.2 percent above the minimum requirement of 15 percent.

Total (gross) loans declined during the month by 1.6 percent to L\$74.8 billion, while non-performing loans (NPL) fell by 9.3 percentage points compared with the previous month (See Table 4).

Table 4: Selected Financial Soundness Indicators, FSIs

	Nov- 18	Dec- 18	Jan- 19	Feb- 19
Financial Soundness Indicators (FSI)	<i>(In percent)</i>			
Capital Adequacy Ratio (CAR)***	27.6	25.8	27.2	27.2
Non-performing Loans to Total Gross Loans (ratio)	14.6	13.8	13.8	13.5
Total Gross Loans (In Billion L\$)	70.4	71.3	76.0	74.8
Non-performing Loans (% change)	7.6	(4.5)	6.1	(3.2)
Returns on Assets (ROA)	1.1	1.3	0.2	0.3
Returns on Equity (ROE)	6.8	7.2	1.0	1.9
Liquidity Ratio****	40.1	39.5	38.1	38.2

Source: CBL

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

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

FINANCIAL MARKET DEVELOPMENTS

On behalf of the Government of Liberia (GoL), the CBL issued L\$80.4 million in T-bills in February 2019 and redeemed L\$78.4 million resulting to a net withdrawal of L\$2.0 million from the banking system. The weighted average discount rate on T-bills issued during the month was 3.8 percent reflecting a 1.2 percentage points decline compared with the discount rate recorded in January 2019 (See Table 5).