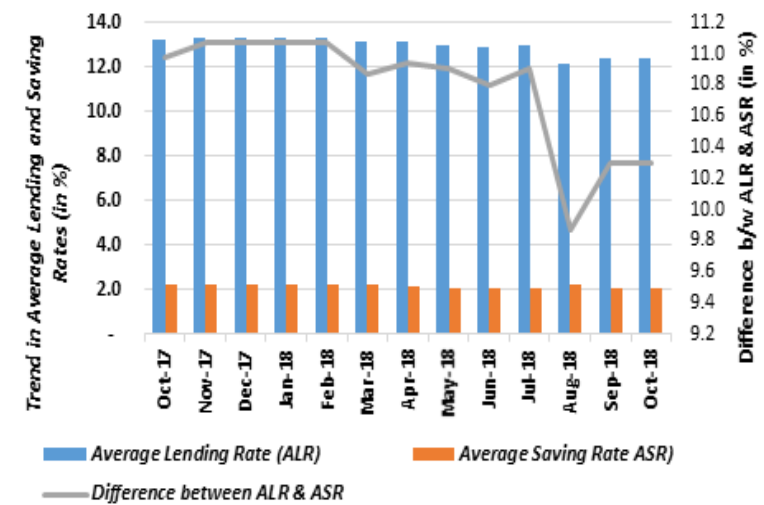




CENTRAL BANK OF LIBERIA (CBL)



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Table 6: WAMZ Countries End-of-Period Exchange Rates against the US Dollar

Currency	Oct-17	Sep-18	Oct-18	Appr (-)/Depr (+)	
				MoM	YoY
GHC	4.37	4.77	4.79	0.36	9.48
GMD	47.61	49.15	50.62	2.98	6.32
GNF	8,998.22	9,005.73	9,025.00	0.21	0.30
LRD	119.14	155.77	156.61	0.54	31.46
NGN	305.25	305.50	306.10	0.20	0.28
SLL	7,539.54	8,260.45	8,309.64	0.60	10.21

Sources: Central Banks of Liberia and W/AMA: www.amao-wama.org/

LRD—Liberian Dollar

GHC—Ghanaian Cedi

GMD—Gambian Dalasi

GNF—Guinean Franc

NGN—Nigerian Naira

SLL—Sierra Leonean Leone

USD—US Dollar

* US\$ converted to L\$
 ** Other Deposits Include Official and Manager Checks
 ***The Minimum Capital Adequacy Ratio is 10%
 ****The Required Minimum Liquidity Ratio is 15%
 ^With liquidity Effect
 ‡Reserves exclude ECF borrowing from the IMF
 † Provisional, Preliminary, Estimate; ‡ Revised; ‡Not Available (NA)

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 the four key sectors (Real, Monetary, External and Fiscal sectors) of the Liberian Economy. It highlights the Monetary Policy Stance and Operations of the CBL during the month of publication.

OVERVIEW

Generally, production of key commodities in the Liberian economy during the month of October 2018 showed increase when compared with production in the preceding month. Beside gold, production of all other commodities surged. Headline inflation at end of the month increased slightly due to increases in all major subgroups, except food and non-alcoholic beverages and restaurant and hotels.

In the monetary and financial sector, broad money supply (M2) slightly declined compared with the stock reported in the previous month mainly due to decrease in deposits. Disaggregation of commercial banks' loans to the private sector by currency showed that loans in United States dollar declined, while those in Liberian dollar increased. At end of the month, the banking industry continued to show strong performance evidenced key financial soundness indicators.

In the fiscal sector, preliminary statistics on revenue and expenditure indicated that the Government of Liberia's fiscal operations showed a surplus that originated from decline in total government expenditure. Revenue & grants increased in the review month compared with previous month, due to increase in tax revenue & grants. Money market operation in the month indicated that T-bills issuance resulted into a withdrawal of Liberian dollar from the market. There was no redemption during the month.

From the external sector, Liberia's trade deficit deteriorated in the reporting month by 17.8 percent led by a significant slump in merchandise export receipts. Gross foreign reserves position rose significantly due to increases in US dollar notes and coins and the CBL's deposits with banks abroad. Both the LRD average and the end-of-period exchange rates remained relatively stable compared with the previous month.

REAL SECTOR & PRICE DEVELOPMENTS

Production Analyses of Key Commodities

Data on production of key commodities in October 2018 showed strong positive growth when compared with outputs of the previous month. Productions of key commodities, including iron ore, rubber, diamond, cement and beverages increased, while gold production declined.

Iron ore production surged to 428,603 metric tons, from 343,571 metric tons reported at end-September 2018. The 24.7 percent rise in iron ore production was on account of increased global price of the commodity. Rubber production slightly increased by 0.7 percent to 2,822 metric tons, from 2,801 metric tons reported for the preceding month. The marginal increase in production of the commodity was a result of increase in production by small farm holders. Cement output grew sharply to 25,610 metric tons, from 17,487 metric tons produced in the previous month as a result of increase in construction activities due to the inception of the dry season. The output of beverages significantly increased by 1.4 million litres to 1.9 million litres in the month due to increase in production capacity.

Diamond production in the reporting month increased to 4,979 carats, from 2,535 carats produced in the preceding month. The 96.4 percent increase in production was attributed to improvement in licensing regime. On the other hand, gold production declined by 2.7 percent to 18,867 ounces at end of the month, from 19,393 ounces produced a month ago.

Consumer Prices

The year-on-year rate of inflation at end-October 2018 increased slightly by 0.3 percentage point to 26.6 percent, from 26.3 percent recorded at end-September 2018. The slight rise in inflation was attributed to increases in all other major subgroups, except food and non-alcoholic beverages as well as restaurant and hotels. However, the monthly rate of inflation decreased by 0.7 percentage points to 0.7 percent, from 1.4 percent reported in the previous month.

Gross Foreign Reserves (Including SDRs plus reserve tranche)^{1/2}

The gross foreign reserve of the Central Bank of Liberia at end-October 2018 surged by 6.0 percent to US\$406.6 million, from the amount recorded in the previous month. The stock of gross external reserve resulted to an estimated 3.9 months of import cover.

Table 5: External Sector Statistics

	Jul- 18	Aug- 18	Sep- 18	Oct- 18
EXTERNAL SECTOR	<i>(In units as may be specified)</i>			
External Trade (Value)	(Millions of US\$)			
Exports^{1/}	29.0†	35.3†	37.6	27.4
- O/w Iron Ore	3.4	9.5	6.6	Na
- O/w Rubber	4.1	4.4	3.7	3.7
- O/w Mineral	17.2†	19.4†	19.1	20.5
-o/w Cocoa Bean	0.1	0.0	0.0	0.4
-o/w Palm Oil	0.0	1.4	0.2	1.7
Imports (F.O.B)^{1/}	86.2	99.8	84.3	82.4
Minerals, Fuel, Lubricants	9.11	6.0	17.2	13.0
-O/w Petroleum Products	6.82	3.5	13.7	11.1
Food and Live Animals (including Animal and vegetable oil)	18.1	40.8	18.3	16.5
-O/w Commercial Rice	5.0	16.8	0.5	1.5
-O/w Non-commercial Rice	0.23	0.4	0.8	0.4
Machinery & Transport Equipment	33.3	18.2	18.2	19.6
Import (C.I.F)	93.9	110.4	93.0	90.0
Trade Balance	-57.2	-64.6	-46.7	-55.0
External Trade (Volume)	(Metric Tons)			
- Rubber	6,560	3,583†	2,801	2,822
-Iron Ore	150,376	317,709	195,867	na
-Commercial Rice	145,026	147,166	142,786	291,925
-Non-commercial Rice	1,247	1,256	977	480
- Petroleum Products	4,355	2,205	9,759	8,464
- Cocoa Beans	200	35	0.0	965
- Palm Oil	2,750	1,583†	554	2,060

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

^{1/} Trade data are primarily sourced from LRA (Customs) with larger coverage than BIVAC

^{1/2} Gross International Reserve is being calculated by taking the CBL liquid foreign assets less net liquid liabilities to government and commercial banks plus SDR and Reserve Tranche.

Imports (FOB)

Payments for merchandise imports during the month of October 2018 dipped on account of slump in two key commodities groups; namely: Mineral, Fuel & Lubricants (especially Petroleum) and Food and Live Animals (which includes Animal and Vegetable oil). Import payments declined by 2.3 percent to US\$82.4 million compared with the value recorded in the previous month. The decline in import payments was occasioned by a 24.4 percent fall in payments for Mineral, Fuel & Lubricants to US\$13.0 million and a 9.8 percent fall in payments for Food and Live Animals to US\$16.5 million percent. Total payments for rice in October 2018 amounted to US\$1.9 million, constituting 2.3 percent of total import payments, compared to 1.5 percent in September 2018.

Asia, Europe and Africa were the three leading sources of imports to Liberia with imports from Asia constituting 43.7 percent of total payments during the month. China led imports from Asia, the United Kingdom accounted for a large proportion of imports from Europe and the ECOWAS countries led imports from Africa.

Exports

Earnings from merchandise export during the month plummeted by 27.1 percent to US\$27.4 million, from US\$37.6 million reported at end-September 2018. It is important to note that export earnings during the month does not include iron ore which is a major contributor to total exports earnings.

Earnings from trade with Europe during the month constituted 69.7 percent of total export earnings with Switzerland being the leading destination of export, accounting for 91.8 percent of earnings from the region.

The decrease in monthly rate of inflation was mainly attributed to decline in food and non-alcoholic beverages.

Table 1: Production and Price Statistics

	Jul- 18	Aug- 18	Sep- 18	Oct- 18
REAL SECTOR DATA	<i>(In units as may be specified)</i>			
Production	<i>(In Metric tons, carat and Ounces)</i>			
Iron Ore† (Metric ton)	303,300	309,406	343,571±	428,603±
Gold (Ounces)	17,970	19,842	19,393	18,867
Diamond (Carat)	7,629	3,641	2,535	4,979
Rubber (Metric ton)	6,560	3,583	2,801	2,822
Cement (Metric ton)	21,730	24,314	17,487	25,610
Beverages	<i>(In Liters)</i>			
Alcoholic	684,981†	778,572†	57,242	977,304±
Non-Alcoholic	707,605†	754,017†	468,968	967,002
Total Beverages Production	1,392,586†	1,532,589†	526,210	1,944,304±
Inflation	<i>(In percent)</i>			
Overall (Year-on-year) Rate of Inflation	26.1	26.1	26.3	26.6
a. Food and Non-alcoholic Beverages Inflation	23.7	23.3	25.2	24.2
- Domestic Food Inflation	21.2	22.6	24.8	25.1
- Imported Food Inflation	25.3	23.7	25.2	23.4
b. Transport Inflation	48.0	47.3	43.0	38.9
c. Imported Fuels Inflation	55.7	55.4	51.6	45.6
Overall (Month-on-Month) Rate of Inflation	3.5	2.2	1.4	0.7
Core Inflation	<i>(In percent)</i>			
Inflation excluding Food & Non-alcoholic Beverages	27.5	27.7	26.9	27.9
Inflation excluding Imported Food	26.3	26.7	26.6	27.4
Inflation excluding Domestic Food	26.8	27.1	27.0	27.3
Inflation excluding Food and Transport	24.3	24.7	24.5	26.2

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

MONETARY DEVELOPMENTS

Monetary Policy Stance

The monetary policy stance of the CBL focused on price stability through broad exchange rate stability. During the month ended-October 2018, the foreign exchange auction and reserve requirement ratio were the available policy instruments used by the Bank for its monetary policy operations.

Monetary Aggregates

Broad money supply (M2) at end-October 2018 slowdown by 0.1 percent to L\$104,074.0 million, from the stock recorded at end-September 2018. The slight decrease in M2 was mainly on account of a 2.2 percent decline in demand deposits.

Unlike the preceding month, net domestic assets (NDA) during the review month declined, while net foreign assets (NFA) saw an increase. NDA declined by 5.6 percent, occasioned by decreases in credits to public corporations and other financial corporations, by 4.1 percent and 17.8 percent, respectively. NFA, on the other hand, grew by 25.0 percent as a result of increases in foreign assets of both the CBL and commercial banks. Year-on-year comparison of NDA and NFA showed that NDA declined by L\$35.7 billion, while NFA grew by L\$7.9 billion. The annual fall in domestic assets led to an annual corresponding decline in M2 at end-October 2018.

The US dollar component of commercial banks' credit to private sector declined by 2.9 percent to US\$411.2 million when compared with the previous month. The decline in credits extended to manufacturing, individuals, agriculture and trade sectors led the contraction in US dollar credit. However, the Liberian dollar component rose by 4.6 percent to L\$5,140.7 million, from L\$4,913.4 million at end-September 2018, resulting from increases in loans extended to the agriculture, services and extractive sectors of the economy.

Table 4. Fiscal Sector Statistics

	Jul- 18	Aug- 18	Sep- 18	Oct- 18
Fiscal Operations (In Million US\$)	19.4	6.4	0.6	3.9
Revenue, Expenditure & Debt	(Millions of US\$)			
Actual Revenue & Grants	33.9	41.2†	37.3	37.4
Projected Revenue & Grants	36.1	33.6	42.8	39.0
Expenditure	14.5†	34.8	36.7	33.5
Public Debt Stock	959.3	963.6	976.9	976.9
Domestic	266.1	266.0	265.5	265.5
External	693.2	697.6	711.4	711.4
Treasury Securities	(Millions of L\$)			
T- Bills Issued	0.0	-75.7	-69.2	-77.7
T- Bills Redeemed	65.6	65.8	69.1	0.0
Net GoL Treasury Bills Operations^	65.6	-9.9	-0.1	-77.7
Ave. Weighted Discount Rate T Bills	0.0	3.08	3.34	3.17
Bond Issued (2 yrs.) amount in Billion				
T- Bond Issued	-4,900.0	0.0	-1.1	0.0
T- Bond Settled	3,590.0	0.0	2.4	0.0
Net GoL Treasury Bond Operations^	1,310.0	0.0	1.3	0.0
Ave. Weighted Discount Rate T Bond	16.0	0.0	16.0	0.0

Source: MFDP & CBL

EXTERNAL SECTOR DEVELOPMENTS

Merchandise Trade

Merchandise trade performance in during the month fell below the level recorded during the preceding month. Trade deficit at the end of the review month deteriorated by 17.8 percent to US\$55.0 million, from a deficit of US\$46.7 million recorded at end-September 2018 mainly occasioned by an acute dip in merchandise export receipts.

Table 3: Selected Financial Soundness Indicators, FSIs

	Jul- 18	Aug- 18	Sep- 18	Oct- 18
Financial Soundness Indicators (FSI)	<i>(In percent)</i>			
Capital Adequacy Ratio (CAR)***	27.6	27.6	27.6	27.6
Non-performing Loans to Total Gross Loans (ratio)	12.3	15.8†	14.2	13.8
Total Gross Loans (In Billion L\$)	68.1	69.7†	70.6	69.6
Non-performing Loans (% change)	(15.2)	4.0	(9.0)	(4.4)
Returns on Assets (ROA)	0.8	1.0	1.0	1.1
Returns on Equity (ROE)	5.0	6.2	6.3	6.4
Liquidity Ratio****	38.7	38.5	39.0	40.8

Source: CBL

FISCAL DEVELOPMENTS

Revenue (including Grants) & Expenditures

Preliminary statistics on fiscal operations during the month of October 2018 showed a surplus of US\$3.9 million, from US\$0.6 million reported in September 2018. The US\$3.6 million increase in the fiscal surplus for the month was occasioned by decrease in total government expenditure.

Revenue (including grants) grew modestly by 0.2 percent on account of increase in tax revenue & grants that accounted for 79.9 percent of total revenue & grants. Compared with budgetary projections for the month, actual revenue & grants declined by US\$1.6 million which is 4.1 percent of projected revenue and grants.

Total government expenditure fell during the month by 8.7 percent to US\$33.5 million, from US\$36.7 million reported at end-September 2018. The decline in expenditure was a result of a 10.6 percent fall in recurrent expenditure which is the biggest component of total government expenditure. Recurrent expenditure (including debt services), during the month, made up 97.9 percent of total expenditure.

Preliminary statistics on Liberia's total public sector debt during the month showed that the stock of debt remained relatively stable. It is important to note that up to the time of reporting, there was no official data on public debt for the month (See Table 4).

EXCHANGE RATE DEVELOPMENTS

During the review month, all currencies in the West African Monetary Zone (WAMZ) depreciated vis-à-vis the US dollar, some marginally. The Gambian dalasi, Sierra Leonean Leone, and the Liberian dollar depreciated against the United States dollar by 3.0 percent, 0.6 percent, and 0.5 percent, respectively; followed by the Ghanaian cedi, the Guinean franc and the Nigerian naira by 0.4 percent, 0.2 percent and 0.2 percent, respectively. Year-on-year comparisons also showed depreciations of all currencies in the zone relative to the United States dollar, (See Table 6).

FINANCIAL MARKET DEVELOPMENTS

The Government of Liberia (GoL) Treasury bills operation during the month of October 2018 resulted to a net withdrawal of L\$77.7 million as there was no scheduled redemption of T-bills in the month. The weighted average discount rate on T bills issued during the period was 3.3 percent.

Table 2: Monetary Aggregates

	Jul- 18	Aug- 18	Sep- 18	Oct- 18
Monetary	<i>(Millions of US\$)</i>			
CBL Net Foreign Exchange Reserves Position (Including SDRs)‡	137.7	131.6	135.6	158.5
CBL Gross Foreign Reserves (including SDRs)	385.8	379.7	383.7	406.6
Liberian Dollars in Circulation	17,943.9	17,128.8	17,154.7	17,536.1
Money Supply (M1) in L\$ only	24,084.6	23,278.8	23,767.7	24,199.9
Broad money (M2) in L\$ only	32,461.5	32,118.6	32,796.9	32,793.4
Broad money (M2) in both L\$ and US\$*	102,237.0	103,201.9	104,191.6	104,074.0
Net Foreign Assets (NFA)	21,310.6	19,392.2	18,571.4	23,219.0
Net Domestic Assets (NDA)	80,926.4	84,008.6	85,620.2	80,855.0
	<i>(In percent)</i>			
Liberian Dollar share of Broad Money	31.8	31.1	31.5	31.5
Interest Rates				
- Lending rate	13.0	12.1	12.4	12.4
-Average Deposit rates				
-Savings	2.10	2.23	2.10	2.10
-Time	3.53	3.86	3.53	3.53
	<i>(In Millions of Currencies)</i>			
Commercial banks loans to private sector - US\$	421.0	424.3	423.6	411.2
Commercial banks loans to private sector - L\$	4,505.4	4,796.7	4,913.4	5,140.7
Demand Deposits of commercial banks				
Demand deposits - US\$	280.8	293.8	294.5	285.2
Demand deposits - L\$	7,422.7	7,801.0	8,258.0	7,961.6
- Time & Savings Deposits of commercial banks				
Time & savings deposits - US\$	179.4	161.3	166.5	166.5
Time & savings deposits - L\$	8,377.8	8,395.3	8,605.6	8,537.4
Other Deposits**				
Actual US\$ component of other deposits	0.4	7.9	0.4	3.2
Liberian \$ component of other deposits	-0.9	444.5	423.6	56.1
CBL's Foreign Exchange Auction	<i>(Millions of US\$)</i>			
US Dollar Amount Sold	3.8	6.3	0.4	3.5
Total Subscription	3.8	7.3	0.5	4.4
Over (+)- / Under (-) Subscription	0.0	1.0	0.1	0.9

	Jul- 18	Aug- 18	Sep- 18	Oct- 18
CBL Bills Auction	<i>(Millions of L\$)</i>			
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
Personal Remittances	<i>(Millions of US\$)</i>			
Inflows	31.6	48.6	26.8	28.2±
Outflows	15.8	19.4	21.2	38.0±
Net flows	15.8	29.2	5.6	-9.8
Exchange Rate	<i>(USD/LD)</i>			
End of Period	151.50	154.14	155.5	157.1
Period Average	154.5	153.55	154.7	156.7

Source: Central Bank of Liberia

BANKING SECTOR DEVELOPMENTS

The banking industry's performance at end-October 2018 remained strong evidenced by strong financial soundness indicators. Capital adequacy ratio (CAR) and liquidity ratio (LR) continued to be far beyond the minimum regulatory requirements of 10.0 percent and 15.0 percent, respectively. During the month, CAR remained stable when compared with the previous month, while LR increased by 1.8 percentage points to 40.8 percent.

Unlike the previous month, both total (gross) loans and non-performing loans (NPLs) declined during the reporting month. Total NPL declined by 4.4 percent while total gross loan contracted by 3.1 percent to L\$69.6 billion, from L\$70.6 billion reported at end of the preceding month.

Return on assets (ROA) and return on equity (ROE) slightly inched up during the month. ROA increased by 0.1 percentage point indicating a marginal gain on assets of the banking industry, while return on equity also grew by 0.1 percentage point (See Table 3).