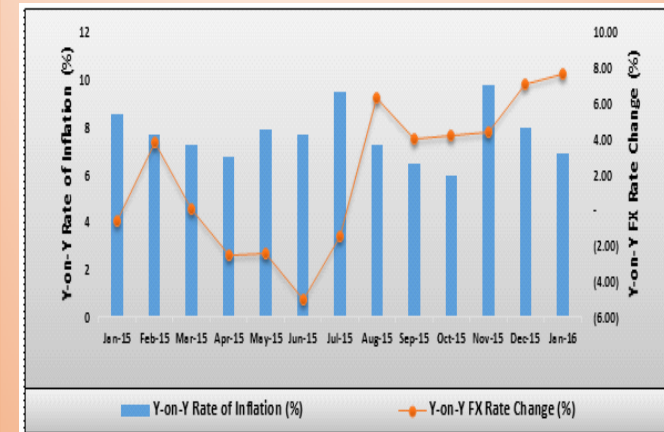




CENTRAL BANK OF LIBERIA (CBL)

MONTHLY
ECONOMIC REVIEW



JANUARY 2016
VOLUME 2 No. 1

The Monthly Economic Review is produced by the Bank's Research, Policy & Planning Department. 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: +231-880-649103/886-246587/555-960556
Fax: 00(231)77059642

Table 2: Performances of End-of-Period WAMZ Exchange Rates against the US Dollar

Currency	Dec-15	Jan-16	
	Curr. Unit./US\$1	Curr Unit./US\$1	M-on-M Rate of Appr (-)/Depr(+)
LRD	88.50	89.50	1.1
FCFA	603.46	596.00	(0.3)
CVE	101.44	101.14	(0.3)
GHC	3.79	3.83	1.1
GMD	40.98	42.23	3.1
GNF	7547.65	7547.65	0.0
NGN	196.50	196.50	0.0
SLL	5,600.72	5702.61	1.8

Sources: Central Banks of Liberia and WAMA: www.amao-wama.org/en/exchange.aspx and www.amao-wama.org/

LRD—Liberian Dollar

FCFA—Franc CFA

CVE—Cape Verdean Escudo

GHC—Ghanaian Cedi

GMD—Gambian Dalasi

GNF—Guinean Franc

NGN—Nigerian Naira

SLL—Sierra Leonean Leone

USD—US Dollar

GBP—British Pound

		Oct-15	Nov-15	Dec-15	Jan-15
11	INFLATION	<i>(In percent)</i>			
	Overall (Year-on-year) Rate of Inflation	6.0	9.8	8.0	7.0
	a. Food and Non-alcoholic Beverages Inflation	2.8	9.0	5.9	7.4
	- Domestic Food Inflation	8.0	11.7	12.0	11.7
	- Imported Food Inflation	-2.1	6.5	0.3	3.2
	b. Transport Inflation	9.6	8.9	14.4	9.1
	c. Imported Fuels Inflation	-15.8	-18.9	-17.5	-5.4
	Overall (Month-on-Month) Rate of Inflation	-0.3	-1.4	0.1	0.1
	CORE INFLATION				
	Inflation excluding Food & Non-alcoholic Beverages	4.7	9.9	10.6	8.0
	Inflation excluding Imported Food	9.2	11.0	11.1	8.4
	Inflation excluding Domestic Food	5.3	9.1	6.7	5.2
	Inflation excluding Food and Transport	10.0	10.9	9.9	5.9

* 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%

“Revised

‡Reserves exclude ECF borrowing from the IMF

± Provisional

†Revised

‡Not Available (NA)

/1 Average Monthly prices of Dated Brent, West Texas Intermediate & Dubai Fateh

^With liquidity Effect

REAL SECTOR & PRICE DEVELOPMENTS

Production

Production was marred by mixed outcomes during the month of January, 2016. Rubber output surged by 16.0 percent, to 3,204 metric tons, up from 2,762 metric tons produced in the previous month. Beverages produced decreased by an estimated 32.5 percent, to 1.9 million liters, down from 2.8 million liters produced a month earlier. Cement output surged by 28.2 percent, to 27,824 metric tons, up from 21,704 metric tons produced in December, 2015, mainly as a result of increased construction activities. Total output of Iron ore in January fell to 0.24 million metric tons, down from 0.38 million metric tons produced in the previous month. The 36.8 percent slowdown in output was mainly due to the prevailing slump in global metal prices.

Consumer Prices

Year-on-year, the rate of inflation dropped by 1.7 percentage points to 7.0 percent, from 8.7 percent reported a year ago, driven by declining prices of imported fuels.

MONETARY DEVELOPMENTS

Monetary Policy Stance

Monetary policy stance of the CBL during the month of January 2016, remained anchored on price stability through broad exchange rate stability. As was the case of December 2015, the Bank used the readily available tool (Fx Auction) to stabilize the exchange rate for the period.

Monetary Aggregates and Credit

Broad money supply (M2) at end-January 2016, decreased by 2.0 percent to LD\$59,389.9 million, from LD\$60,627.3 million at end-December 2015. The fall in M2 was occasioned by 3.5 percent fall in Narrow money (M1), which declined mainly as a result of a 6.5 percent shrink in currency outside bank and a 2.6 percent decline in demand deposits. Net Foreign Assets (NFA) during the month declined by 4.2 percent, while Net Domestic Assets (NDA) grew by 0.7 percent mainly as a result of 1.7 percent growth in domestic credit that was triggered by a 2.0 percent growth in credit to private sector. Commercial banks loan to private sector denominated in US dollar increased by 1.4 percent to US\$354.5 million, from US\$349.6 million compared with the previous month while the Liberian dollar component decreased by 0.4 percent to L\$1,882.4 million, from L\$1,890.1 million for the same period.

Exchange Rate

The Liberian-US dollar average exchange rate at end-January, 2016, depreciated by 1.1 percent to L\$89.5/US\$1.00 compared with L\$88.5/US\$1.00 at the end of the previous month. On an end-of-period basis, the Liberian dollar depreciated by 2.3 percent to L\$90.5/US\$1.00. Year-on-year, the monthly average exchange rate depreciated by 6.4 percent against the US dollar. The depreciation in both the end-of-period and period average exchange rates were mainly on account of deterioration in the country's terms of trade, rising import demand and the fall in the country's major commodity export prices.

In the West African Monetary Zone (WAMZ), the Guinean Franc and the Nigerian Naira remained stable. The Franc CFA and Cape Verdean Escudo appreciated by 0.3 percent, respectively, while the Gambian Dalasi, Sierra Leonean Leone and Ghana Cedi depreciated by 3.1 percent, 1.8 percent and 1.1 percent, respectively, at end-January, 2016 (Table 2).

Money Market Developments

Money market operations during the month of January 2016, remained the same as the previous month. Total GoL T-bill issued amounted to L\$43.3 million while redemption was L\$73.1 million, resulting into a net T-Bill operations of negative 29.8 million. The weighted average discount rate for the month was 3.69 percent, 46.0 basis points lower than the previous month weighted average discount rate. There were no CBL bill issued during the month.

		Oct-15	Nov-15	Dec-15	Jan-16
6	FINANCIAL SOUNDNESS INDICATORS (FSI)	<i>(In percent)</i>			
	Capital Adequacy Ratio (CAR)***	20.6	19.4	15.5	19.7
	Non-performing Loans to Total Loans	18.0	16.9	15.7	15.7
	Non-performing Loans (% change)	19.5	1.9	-5.2	4.8
	Returns on Assets	-0.9	-0.6	-1.0	-2.1
	Returns on Equity (ROE)	-7.0	-5.0	-0.9	-18.0
	Liquidity Ratio****	39.1	37.8	36.8	28.1
7	FISCAL OPERATIONS				
7a	REVENUE, EXPENDITURE & DEBT	<i>(Millions of US\$)</i>			
	Actual Revenue & Grants	62.1	28.6	33.8	67.7
	Projected Revenue & Grants	40.8	28.4	37.0	65.0
	Expenditure	65.2	34.1	55.8	36.5
	Public Debt Stock	648.7	652.9	654.9	691.0
	Domestic	269.2	269.2	269.2	269.5
	External	379.5	383.8	385.4	421.5
7b	TREASURY SECURITIES	<i>(Millions of L\$)</i>			
	T- Bills Issued	-73.1	-88.5	-43.8	-43.3
	T- Bills Redeemed	84.5	87.5	88.5	73.1
	Net GoL Treasury Operation^	11.4	-1.0	44.7	29.8
	Average Weighted Discount Rate	3.52	4.10	4.15	3.69
8	EXTERNAL TRADE (VALUE)	<i>(Millions of US\$)</i>			
8a	EXPORTS/ 1	20.0	19.4	21.4	17.8
	- O/w Iron Ore	8.8	11.6	11.2	5.6
	- O/w Rubber	5.1	2.3	5.3	7.4
	- O/w Mineral	3.6	1.9	2.3	2.4
8b	IMPORTS (F.O.B)/ 1	137.3	98.3	148.1	106.4
	-O/w Petroleum Products	23.6	22.4	35.7	32.4
	-O/w Commercial Rice	33.8	8.2	0.4	0.7
	-O/w Non-commercial Rice	1.1	0.6	0.2	0.6
	Trade Balance	-132.8	-96.7	-143.3	-88.6
9	EXTERNAL TRADE (VOLUME)	<i>(Metric Tons)</i>			
	- Rubber	3,312	1,814.3	4,170.6	7388.5
	-Iron Ore	207,470	310,761	378,620	239,699
	-Commercial Rice	6,983	8,739	8,913.8	15,326.3
	-Non-commercial Rice	1,040	1,089	1,121	3,488.6
	- Petroleum Products	6,283	8,149	10,386	12,682
10	INT'L COMMODITY PRICES & LIBERIA'S TERMS OF TRADE	US\$/Unit			
	Iron Ore (US\$ /MT)	52.7	46.2	39.6	41.3
	Rubber (US\$/MT)	1,300.7	1,222.2	1,247.6	1,257.5
	Crude Oil (US\$/Barrel)/1	47.0	43.1	36.6	29.9
	Rice (US\$/MT)	360.5	358.4	354.4	359.5
	Terms of Trade (Y-on-Y) %	(NA)	(NA)	(NA)	(NA)

/1 Trade data now sourced from Customs (LRA) with larger coverage than BIVAC.

Table 1: Fact Sheet

	Oct-15	Nov-15	Dec-15	Jan-16
1 MONETARY	<i>(Millions of US\$)</i>			
CBL Net Foreign Exchange Reserves Position (Including SDRs) [‡]	164.0	168.6	164	166.3
CBL Gross Foreign Reserves (excluding SDRs)	299.9	281.4	277.7	279.7
Liberian Dollars in Circulation	9,387.8	9,505.9	10,357.3	10,235.5
Money Supply (M1) in L\$ only	12,065.9	12,418.5	13,458.5	13,118.3
Broad money (M2) in L\$ only	17,330.5	17,695.7	18,069.4	17,720.4
Broad money (M2) in both L\$ and US\$*	58,806.7	59,190.5	60,627.3	59,389.9
	<i>(In percent)</i>			
Liberian Dollar share of Broad Money	29.2	31.8	29.8	29.8
Interest Rates				
- Lending rate	13.7	13.7	13.7	13.7
-Average Deposit rates				
-Savings	2.01	2.0	2.0	2.0
-Time	4.8	4.5	4.5	4.4
Commercial banks loans to private sector - US\$	349.9	355.8	349.7	354.5
Commercial banks loans to private sector - L\$	1,768.6	1,864.1	1,890.1	1,882.4
- Demand Deposits of commercial banks				
Demand deposits - US\$	307.9	304.2	311.6	292.5
Demand deposits - L\$	3,740.8	3,798.3	3,802.3	4,093.7
- Time & Savings Deposits of commercial banks				
Time & savings deposits - US\$	165.2	168.9	168.3	167.5
Time & savings deposits - L\$	5,255.2	5,267.9	4,602.3	4,593.6
- Other Deposits**				
Actual US\$ component of other deposits	0.88	1.08	0.96	0.45
Liberian \$ component of savings deposits	9.1	9.3	9.2	8.5
2 CBL'S FOREIGN EXCHANGE AUCTION	<i>(Millions of US\$)</i>			
US Dollar Amount Sold	3.0	1.5	5.1	1.5
Total Subscription	4.6	2.9	7.0	5.1
Over(+)- / Under(-) Subscription	1.6	1.4	1.9	3.6
3 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
4 PERSONAL REMITTANCES	<i>(Millions of US\$)</i>			
Inflows	44.4	29.8	33.9	44.8
Outflows	19.9	22.0	21.3	16.7
Net flows	24.6	7.7	12.7	28.1
5 EXCHANGE RATE				
End of Period	87.5	87.5	88.5	90.5
Period Average	88.1	87.5	88.5	89.5

Banking Sector Developments

During the month of January, 2016, the banking sector access to capital remained resilient with a 4.2 percentage points increase in its adequacy ratio to 19.7 percent, from 15.5 percent. However, its liquidity ratio fell by 8.7 percentage points to 28.1 percent, from 36.8 percent in the previous month. Even though non-performing loans to total loans remained stable, growth in non-performing loans increased to 4.8 percent, from -5.2 percent. The high level of operating cost of banks couple with the industry's high level of non-performing loans continue to undermine its profitability (Table 1).

FISCAL DEVELOPMENTS**Revenue (including Grants) & Expenditures**

Fiscal operations in January, 2016, resulted in a surplus of US\$31.2 million, up from US\$22.0 million deficit recorded in the previous month, explained by month-on-month 33.9 million growth in total actual revenue & grants and 34.6 percent declined in total public expenditure for the review period. Tax and non-tax revenue & grants constituted US\$35.5 million and US\$32.2 million of total revenue and grants, respectively. Actual revenue and grants fell short in meeting budgetary target for the month by 4.1 percent or US\$3.0 million. Recurrent and capital expenditure accounted for 85.8 percent and 14.2 percent of total public expenditure for the review month, respectively.

Liberia's public debt stock at end-January, 2016, stood at US\$691.0 million, growing by 5.5 percent against the stock recorded in the preceding month, mainly explained by a 9.6 percent growth in external debt stock. Domestic and external debt stocks constituted 39.0 percent and 61.0 percent of Liberia's total public debt stock at end-January, 2016, respectively (Table 1).

EXTERNAL SECTOR DEVELOPMENTS**Merchandise Trade**

January, 2016 preliminary statistics on merchandise trade showed that Liberia's trade balance, though still in deficit, improved by 38.0 percent to US\$88.6 million, from US\$143.3 million in the previous month. The trade balance improvement was largely explained by decline in import payments resulting from commodity gluts, esp. for crude oil. (Table 1).

Exports

On the back of falling commodity prices, export receipts fell by 16.8 percent to US\$17.8 million in the first month of 2016, from US\$21.4 million in the previous month. The decline in export receipts was largely attributed to the fall in iron ore earnings that offset the rise in rubber proceeds (although the price of the commodity fell) during the month (Table 1).

Imports

Import payments (fob) in the reviewed month fell by 28 percent to US\$106.4 million, from US\$148.1 million recorded during the previous month, on account of declines in payments on petroleum products and others (Table 1).

International Commodity Price Review

During the first month of 2016, global commodity prices fell by 8.1 percent, from 7.1 percent in the last month of 2015. The fall was, for the second time, attributed largely to sharp decline in oil prices. Year-on-year comparison showed a 27.6 percent drop in global commodity price index, driven by substantial falls in the price of energy (by 37.1 percent) and beverages (by 7.9 percent).

Iron ore

Iron ore price during the review month slightly rose by 4.2 percent to US\$41.3 per metric ton, from US\$39.6 per metric ton in the previous month, largely reflective of a strong recovery in seaborne iron ore prices amid supply disruptions from Australia and Brazil. The disruption in supply of the commodity outweighed the impact of slowdown in the Chinese real estate market and steel industry (Table 1).

Rubber

The price of rubber during the review month declined by 2.2 percent to US\$1,219.8 per metric ton, from US\$1,247.6 per metric ton in December, 2015. The low demand for the commodity as against its substitute, synthetic rubber is the main factor driving its decline. Year-on-year comparison also indicated that rubber price declined by 26.3 percent in January, 2016.

Petroleum (Crude Oil)¹

Average crude oil price in January, 2016 fell sharply by 18.2 percent to US\$29.9 per barrel. The decline was mainly reflective of continuous increasing supply of the commodity from OPEC member states as global energy demand remained relatively weak. Year-on-year, crude oil price fell by 39.6 percent during the month under review. The continued attractive lowering risk in the financial market will further weaken the demand for oil.

Food (Rice)

Global food price index for the Month inched up by 1.4 percent. Coincidentally, Rice price inched up by the same percentage point to US\$359.5 per metric ton in January, 2016, from US\$354.4 per metric ton in December, 2015. The slight rise in the price of the commodity was underpinned by stronger Japonica rice quotations resulting from disposal of low quality supplies in China and Thailand.

Gross Foreign Reserves

Exclusive of SDR holdings, gross foreign reserves position of the Central Bank of Liberia increased slightly by 0.7 percent to US\$279.7 million at end-January, 2016, from US\$277.7 million at end-December. Gross foreign reserves (including SDR holdings) amounted to approximately 3.1 months of import cover at end-January, 2016.

¹Crude oil price is the average of the three global oil price benchmarks: Dated Brent, West Texas Intermediate and Dubai Fateh.

²Special Drawing Rights