

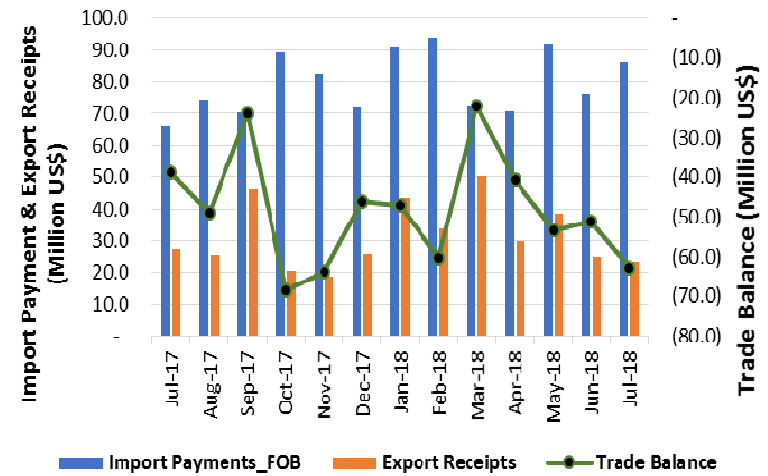


CENTRAL BANK OF LIBERIA (CBL)

MONTHLY
ECONOMIC
REVIEW

JUL. 2018

VOLUME 4 No. 7



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: +231-886-556033/886-246587/555-960556
 Fax: 00(231)77059642

Table 5: Performances of End-of-Period WAMZ Exchange Rates against the US Dollar

Currency	Jul-18	Jun-18	Jul-18	Appr (-)/Depr (+)	
				MoM	YoY
GHC	4.37	4.52	4.69	3.76	7.32
GMD	46.19	48.07	48.2	0.27	4.35
GNF	9010	9003.33	9010.1	0.08	0.00
LRD	114.56	150.77	151.5	0.48	32.25
NGN	305.2	305.3	305.4	0.03	0.07
SLL	7408.4	7740.5	8005.91	3.43	8.07

Sources: Central Banks of Liberia and WAMZA: 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

KEY INFORMATION**Table 1: Factsheet_Real Sector Monthly Statistics****Table 2: Factsheet_Monetary Sector Monthly Statistics****Table 3b: Factsheet_Fiscal Sector Monthly Statistics****Table 4: Factsheet_External Sector Monthly Statistics****Table 5: Performances of End-of-Period WAMZ Exchange Rates
against the US Dollar**

- i. External Sector trade data are sourced from Liberia Revenue Authority (ASYCUDA) with larger coverage than BIVAC
- ii. Demand deposits exclude manager checks from commercial banks
- iii. 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
- iv. Fiscal Sector data are sourced from the Ministry of Finance and Development Planning (MFDP) and the Central Bank of Liberia (CBL)

* US\$ converted to L\$	^With liquidity Effect
** Other Deposits Include Official and Manager Checks	
***The Minimum Capital Adequacy Ratio is 10%	
****The Required Minimum Liquidity Ratio is 15%	
‡Reserves exclude ECF borrowing from the IMF	
± Provisional, Preliminary, Estimate † Revised	‡Not Available (NA)
/1 Average Monthly prices of Dated Brent, West Texas Intermediate & Dubai Fateh	

OVERVIEW

Production statistics in July 2018 was characterized by mixed trends in the Liberian economy. Cement and beverages production trended downward, while the production of rubber, iron ore, diamond and gold took upward trend. Inflation rate for the month rose, year-on-year, mainly on account of depreciation of the Liberian dollar.

In the monetary and financial sector, broad money supply (M2) at end of the review month rose above the stock recorded in the previous month and the corresponding month a year ago. The growth in broad money was on account of rise in the value of net foreign assets (NFA) and net domestic assets (NDA). Disaggregation of commercial bank loans and advances to the private sector by currency showed that both the United States and the Liberian dollar components increased, supported by growth in credits to trade and service sectors. Key financial soundness indicators of the banking industry continued to show strong performance at end-July 2018.

In the fiscal sector, T-bill operations in the review month resulted into a net injection of Liberian dollars in the banking system. There was no new issuance of T-bills in the review month except the redemption of matured bill that was issued in April 2018. Government of Liberia's fiscal operations at end-July 2018 resulted in a deficit and the stock of public debt increased compared to the previous month.

On the external front, data on Liberia's trade balance showed a slight worsening position due to decline in export earnings in the face of a moderate increase in import payments during the month. The gross foreign reserves position of the CBL modestly increased compared to the preceding month. Average exchange rate of the LRD vis-à-vis the USD at end of the review month depreciated relative to the previous month and the corresponding month a year ago. The end-of-period exchange rate for July 2018 also depreciated as it was with the average exchange rate.

REAL SECTOR & PRICE DEVELOPMENTS

Production Analyses of Key Commodities

During the month of July, 2018, production statistics showed mixed trends for various commodities produced in the Liberian economy. When compared with the previous month, commodities that showed output decline included cement and beverages; while gold, rubber, diamond, and iron ore showed increases in output.

Cement output dropped by 0.1 percent or 133 metric tons, from 21,863 metric tons produced a month ago. The fall in production was a result of the rainy season which obstructed construction activities. Beverages production declined by 3.8 percent to an estimated 1.9 million litres for the month of July 2018, from 2.0 million litres produced in the previous month, occasioned by a decline in the production of non-alcoholic drinks. Also, the production of iron ore for July 2018 slumped to a revised 303,300 metric tons, down from a revised 418,006 metric tons produced during the preceding month. The 27.4 percent decline in iron ore production was attributed to the contraction of the price of the commodity on the global market.

On the other hand, diamond production during the review period moved upward to 7,501 carats, from 128 carats produced during the preceding month on account of GoL policy on the certification of diamond exporters. Similarly, the output of rubber surged to 6,560 metric tons, above the 4,205 metric tons produced in the previous month. The increase in production of rubber was attributed to increased production of the commodity by small holder farmers. Gold output rose to an estimated 17,970 ounces, up from 12,407 ounces produced a month ago on account of GoL policy on the certification of gold exporters.

Consumer Prices

Annual headline inflation increased by 1.5 percentage points to 26.1 percent at end-July 2018, up from 24.6 percent at end-June 2018. The rise in inflation was attributed to increases in the prices of all the major subgroups, except Restaurant and Hotels and Communications. The 1.5 percentage points rise in inflation was mainly due to the depreciation of the Liberian dollar against the United States dollar.

Table 4: Factsheet - External Sector Statistics

		Apr - 18	May- 18	Jun- 18	Jul- 18
9	EXTERNAL SECTOR	<i>(In units as may be specified)</i>			
9a	External Trade (Value)	(Millions of US\$)			
9ai	Exports/1	29.9	38.3	25.1	23.5
	- O/w Iron Ore	1.5	0.0	0.0	0.0
	- O/w Rubber	5.8	6.5	5.7	8.0
	- O/w Mineral	21.8	29.4	12.66	15.1
	-o/w Cocoa Bean	0.0	0.1	0.0	0.8
	-o/w Palm Oil	0.0	1.0	1.6	0.3
9aii	Imports (F.O.B)/1	72.4	91.8	76.3	86.2
	Minerals, Fuel, Lubricants	14.7	15.8	9.48	9.11
	-O/w Petroleum Products	10.9	10.8	8.25	6.82
	Food and Live Animals (including Animal and vegetable oil)	12.8	23.2	18.71	18.14
	-O/w Commercial Rice	0.1	9.9	9.23	5.03
	-O/w Non-commercial Rice	0.4	0.2	0.07	0.23
	Machinery & Transport Equipment	21.4	24.9	22.20	33.3
	Import (C.I.F)	80.5	101.3	83.7	93.9
	Trade Balance	-42.5	-54.6	-51.2	-62.7
9b	External Trade (Volume)	(Metric Tons)			
	- Rubber	4,467	5,094	4,205	6,560
	-Iron Ore	35,000±	0.0	0.0	0.0
	-Commercial Rice	145,996±	142,388	146,171	145,026
	-Non-commercial Rice	1,250±	1,266	1,314	1,247
	- Petroleum Products	5,621	5,544	4,211	4,355
	- Cocoa Beans	0.0	100	0.0	200
	- Palm Oil	2,215	4,405	17,413	2,750
/1 Trade data now sourced from Customs (LRA) with larger coverage than BIVAC.					

EXTERNAL SECTOR DEVELOPMENTS

Merchandise Trade

Merchandise trade performance declined in July. Trade balance continues to be in deficit and at end of July, 2018, the deficit increased by 22.3 percent to US\$62.7 million from US\$51.3 million recorded in June 2018. The rise in trade balance was a result of a fall in merchandise exports receipts couple with a moderated rise in merchandise imports, (See Table 4).

Imports (FOB)

Merchandise import payments increased by 12.9 percent to US\$86.2 million. The increase in payments during the month was on account of rise in imports of mainly Machinery and Transport related equipment.

Exports

Preliminary statistics on export earnings during the month of July 2018 showed a decrease of 6.4 percent. Earnings fell to US\$23.5 million, from US\$25.1 million recorded at end-June 2018. The dip in export earnings during the month was mainly attributed to US\$1.3 million fall in receipts from Palm oil which was occasioned by a significant drop in the volume of palm oil exported during the review month.

Gross Foreign Reserves^{/1}

The gross foreign reserve on a month-on-month basis increased by 0.8 percent at end-July 2018, from the amount recorded in the previous month. The stock of gross foreign reserve rose to US\$385.8 million, from US\$382.6 million at the end of the preceding month due largely to 18.7 percent reduction in the CBL's net liabilities to general government. In term of months of imports, gross forex reserve at end-July 2018 was 4.1 months.

Month-on-month rate of inflation decreased by 2.3 percentage points to 3.5 percent from 5.8 percent recorded during the previous month. The decrease in the monthly inflation rate was mainly attributed to the decline in the sub-group of Transport due to Government policy to reduce transportation fare.

Table 1: Factsheet - Real Sector Statistics

		Apr - 18	May- 18	Jun- 18	Jul- 18
1	REAL SECTOR DATA	<i>(In units as may be specified)</i>			
1a	Production	<i>(In Metric tons, carat and Ounces)</i>			
	Iron Ore† (Metric ton)	408,010	456,750	418,006	303,300
	Gold (Ounces)	17,301	26,061†	12,407	17,970
	Diamond (Carat)	13,473	9,866†	128	7,629
	Rubber (Metric ton)	4,467	5,094†	4,205	6,560
	Cement (Metric ton)	43,397‡	35,731	21,863	21,730
	Beverages	<i>(In Liters)</i>			
	Alcoholic	964,591	1,269,040†	1,247,654	995,686
	Non-Alcoholic	1,042,549	1,045,407	768,621	942,592
	Total Beverages Production	2,007,140	2,314,447	2,016,275	1,938,278
1b	Inflation	<i>(In percent)</i>			
	Overall (Year-on-year) Rate of Inflation	21.4	21.3	24.6	26.1
	a. Food and Non-alcoholic Beverages Inflation	20.1	19.6	22.4	23.7
	- Domestic Food Inflation	21.3	20.4	22.0	21.2
	- Imported Food Inflation	19.2	18.7	22.3	25.3
	b. Transport Inflation	30.3	30.3	45.4	48.0
	c. Imported Fuels Inflation	28.0	31.6	40.2	55.7
	Overall (Month-on-Month) Rate of Inflation	1.4	1.1	5.8	3.5
1c	Core Inflation	<i>(In percent)</i>			
	Inflation excluding Food & Non-alcoholic Beverages	22.1	22.2	25.8	27.5
	Inflation excluding Imported Food	21.9	21.9	25.1	26.3
	Inflation excluding Domestic Food	20.4	20.4	24.4	26.8
	Inflation excluding Food and Transport	20.8	20.4	22.6	24.3
* US\$ converted to L\$		^With liquidity Effect			
** Other Deposits Include Official and Manager Checks					
***The Minimum Capital Adequacy Ratio is 10%					
****The Required Minimum Liquidity Ratio is 15%					
‡Reserves exclude ECF borrowing from the IMF					
± Provisional, Preliminary, Estimate		† Revised		‡Not Available (NA)	
/1 Average Monthly prices of Dated Brent, West Texas Intermediate & Dubai Fatch					

MONETARY DEVELOPMENTS

Monetary Policy Stance

The monetary policy stance of the Central Bank of Liberia (CBL) remained firm on price stability through broad exchange rate stability in order to foster conducive and balanced growth. During the review month, the CBL used foreign exchange auction, reserve requirement ratio and GoL T-bonds to conduct its policy operations. These three instruments were the available tools to the disposal of the CBL.

Monetary Aggregates and Credit

Broad money supply (M2) grew by 6.7 percent to L\$102,237.0 million, from L\$95,801.2 million recorded at end-June 2018. The growth in M2 was occasioned by 7.2 percent rise in currency outside banks, 4.3 percent increase in demand deposits and 10.1 percent rise in quasi money.

Disaggregation of assets components of monetary aggregates showed that both net foreign assets (NFA) and net domestic assets (NDA) grew during the month. NFA grew by 6.2 percent when compared with the preceding month as a result of 18.4 percent growth in foreign asset of banking institutions. NDA grew by 6.9 percent owing to 7.7 percent growth in net credit to government and 0.3 percent increase in credit to the private sector.

The US dollar component of commercial bank loans to private sector for July 2018, declined by 6.4 percent to US\$394.6 million, from US\$421.4 million recorded at end-June 2018, due mainly to decreases in credits to all sectors, except construction sector. On the other hand, the Liberian dollar component of commercial banks' loan grew by 3.8 percent to L\$4,505.4 million, from 4,341.8 million for the same period, driven by increase in credits to the oil and gas sector as well as credits to individual.

Table 3b. Factsheet - Fiscal Sector Statistics

		Apr - 18	May- 18	Jun- 18	Jul- 18
8	Fiscal Operations				
8a	Revenue, Expenditure & Debt	(Millions of US\$)			
	Actual Revenue & Grants	42.9	35.7	33.2	41.0
	Projected Revenue & Grants	61.5	94.8	51.1	65.6
8b	Expenditure	39.5	25.3	43.2	45.2
8c	Public Debt Stock	930.7	938.0	942.6	959.3
	Domestic	265.9	266.2	266.2	266.1
	External	664.8	671.8	676.4	639.2
8d	Treasury Securities	(Millions of L\$)			
	T- Bills Issued	-63.4	-65.8	-69.1	0.0
	T- Bills Redeemed	62.8	63.4	65.6	65.6
	Net GoL Treasury Bills Operations^	-0.6	-2.4	-3.5	65.6
	Ave. Weighted Discount Rate_T Bills	2.91	2.94	2.90	0.0
	Bond Issued (2 yrs.) amount in Billion				
	T- Bond Issued	0.0	0.0	0.0	4,900.0-
	T- Bond Settled	0.0	0.0	0.0	3,590.0
	Net GoL Treasury Bond Operations^	0.0	0.0	0.0	-310.0
	Ave. Weighted Discount Rate_T Bond	0.0	0.0	0.0	16.0

Source: MFDP & CBL

FISCAL DEVELOPMENTS

Revenue (including Grants) & Expenditures

For the month of July 2018, estimated fiscal outturn resulted in a deficit of US\$11.3 million (25.1 percent of total expenditure) from a deficit of US\$10.1 million (23.1 percent of total expenditure) recorded in June 2018. This estimated deficit was occasioned by a more than 100 percent increase in estimated debt service for the month.

Tax and non-tax revenue & grants accounted for 95.4 percent and 4.6 percent of total revenue and grants during the period under review, respectively. Actual revenue and grant fall below budgetary projection by US\$2.2 million. Recurrent expenditure including debt services constituted 96.4 percent and the remaining made up capital expenditure for the month of July 2018.

Statistics shows that Liberia's public debt stock for July 2018 amounted to US\$959.3 million, indicating an increase of 1.8 percent compared with the stock of US\$942.6 million recorded for the previous month. Domestic and external debt stocks constituted 27.7 percent and 72.3 percent of total public debt stock at end-July 2018, respectively (See Table 3b).

Table 3a: Factsheet - Monetary Sector Statistics ii

		Apr - 18	May- 18	Jun- 18	Jul-18
7	Financial Soundness Indicators (FSI)	<i>(In percent)</i>			
	Capital Adequacy Ratio (CAR)***	34.9	39.7	30.54	27.2
	Non-performing Loans to Total Gross Loans (ratio)	16.3	13.2	13.8	12.3
	Total Gross Loans (In Billion L\$)	57.6	61.7	71.6	68.1
	Non-performing Loans (% change)	-6.7	-8.2	9.6	-15.2
	Returns on Assets (ROA)	0.5	0.5	0.7	0.9
	Returns on Equity (ROE)	2.9	2.9	4.3	5.0
	Liquidity Ratio****	42.7	41.5	40.7	38.7

Exchange Rate

The average exchange rate of the Liberian dollar vis-à-vis the US dollar at end-July 2018, depreciated by 7.8 percent to L\$154.5/US\$1.00, from L\$143.3/US\$1.00 recorded in June 2018. The end-of-period (EOP) exchange rate for the same period marginally depreciated by 0.5 percent to L\$151.5/US\$1.00, from L\$150.8/US\$1.00 recorded in June 2018. The vigorous intervention of the CBL through the Foreign Exchange Auction helped to slow down the pressure on the end of period (EOP) exchange rate. On a year-on-year basis, the EOP Liberian dollar exchange rate depreciated by 32.3 percent. High demand for foreign exchange to facilitate import payments continue to drive the depreciation of the Liberian dollar exchange rate

The EOP rate in the West African Monetary Zone (WAMZ) for all currencies depreciated at end-July 2018 compared to the US Dollar. The Nigerian Naira and the Guinean Franc slightly depreciated by 0.03 percent and 0.08 percent, respectively, while the Gambian Dalasi, the Liberian dollar, the Sierra Leonean Leone and the Ghana Cedi depreciated by 0.27 percent, 0.48 percent, 3.43 percent and 3.76 percent, respectively. Year-on-year comparison of currencies in the WAMZ revealed that the Guinean Franc and the Nigerian Naira remained relatively stable while all other currencies in the zone experienced depreciation (see Table 5).

Financial Market Developments

The Government of Liberia (GoL) T-bill operations amounted to a net injection of L\$65.6 million in the economy at end-July 2018 in settlement of its maturing T-bills bought in the previous months.

Banking Sector Developments

The banking industry's performance at end-July 2018 remained strong, evidenced by key financial soundness indicators. Capital adequacy ratio (CAR) and liquidity ratio continue to exceed the minimum requirements of 10.0 percent and 15.0 percent, respectively; even though there were slight declines in the ratios compared to the preceding month.

Data on financial soundness during the month revealed 1.8 percentage points drop in liquidity ratio to 38.7 percent from previous month, while CAR was 27.2 percent, falling by 3.3 percentage points compared with the figure recorded in June, 2018.

The amount of non-performing loans (NPLs) decreased during the month by 15.2 percent with decline in total commercial bank loans by 4.9 percent. Non-performing loans ratio amounted to 12.3 percent, a 1.5 percentage points fall from the amount recorded in June 2018.

On the profitability front, both return on assets and return on equity showed relatively slight increases. Return on assets rose by 0.1 percentage points to 0.9 percent compared with previous month and Return on Equity inched up by 1.0 percentage point.

Table 2: Factsheet - Monetary Sector Statistics i

		Apr - 18	May- 18	Jun- 18	Jul- 18
2	Monetary	<i>(Millions of US\$)</i>			
	CBL Net Foreign Exchange Reserves Position (Including SDRs)‡	130.9	131.4	134.5	137.7
	CBL Gross Foreign Reserves (including SDRs)	224.8	219.7	203.0	200.4
	Liberian Dollars in Circulation	16,900.6	17,029.9	17,236.1	17,943.9
	Money Supply (M1) in L\$ only	22,189.5	22,511.3	22,741.6	24,084.6
	Broad money (M2) in L\$ only	29,433.0	29,766.3	30,233.3	32,461.5
	Broad money (M2) in both L\$ and US\$*	87,510.3	86,368.9	95,801.2	102,237.0
	Net Foreign Assets (NFA)	21,497.4	20,210.7	20,065.8	21,310.6
	Net Domestic Assets (NDA)	66,012.9	66,158.2	75,735.4	80,926.4

		Apr - 18	May- 18	Jun- 18	Jul-18
		<i>(In percent)</i>			
	Liberian Dollar share of Broad Money	33.6	34.5	31.8	68.2
	Interest Rates				
	- Lending rate	13.1	13.0	12.9	13.0
	-Average Deposit rates				
	-Savings	2.16	2.10	2.10	2.10
	-Time	3.64	3.53	3.53	3.53
		<i>(In Millions of Currencies)</i>			
	Commercial banks loans to private sector - US\$	383.5	364.1	421.4	421.0
	Commercial banks loans to private sector - L\$	4,152.9	4,179.4	4,341.8	4,505.4
	Demand Deposits of commercial banks				
	Demand deposits - US\$	278.5	257.8	270.0	280.8
	Demand deposits - L\$	6,757.3	7,268.8	7,198.7	7,422.7
	- Time & Savings Deposits of commercial banks				
	Time & savings deposits - US\$	162.4	150.4	164.3	179.4
	Time & savings deposits - L\$	7,186.3	7,200.0	7,428.4	8,377.8
	Other Deposits**				
	Actual US\$ component of other deposits	0.7	1.1	0.6	0.4
	Liberian \$ component of other deposits	57.2	55.0	63.3	-0.9
3	CBL's Foreign Exchange Auction	<i>(Millions of US\$)</i>			
	US Dollar Amount Sold	4.0	5.8	5.1	3.8
	Total Subscription	3.4	5.0	8.0	3.8
	Over (+)- / Under (-) Subscription	-0.6	-0.8	2.9	0.0
4	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
5	Personal Remittances	<i>(Millions of US\$)</i>			
	Inflows	42.1	46.0	29.0	31.6
	Outflows	31.0	35.4	14.8	15.8
	Net flows	11.1	10.6	14.2	15.8
6	Exchange Rate	<i>(USD/LD)</i>			
	End of Period	131.5	138.3	150.8	151.50
	Period Average	131.2	134.4	143.3	154.45