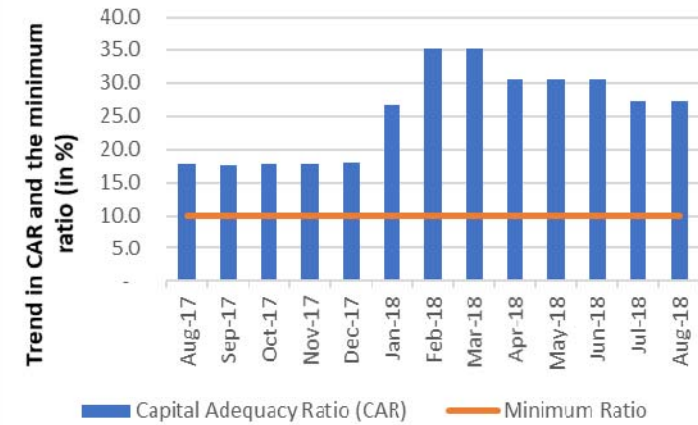




CENTRAL BANK OF LIBERIA (CBL)

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REVIEW



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

Currency	Aug-18	Jul-18	Aug-18	Appr (-)/Depr (+)	
				MoM	YoY
GHC	4.40	4.69	4.72	0.60	7.37
GMD	46.89	48.20	48.02	-0.36	2.43
GNF	8,996.15	9,010.10	9,001.66	-0.09	0.06
LRD	116.65	151.50	154.14	1.74	32.14
NGN	305.35	305.40	305.50	0.03	0.05
SLL	7,463.48	8,005.91	8,337.54	4.14	11.71

Sources: Central Banks of Liberia and WAMA: 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 monthly publication by the CBL. It provides a snapshot of major developments in the four key sectors (Real, Monetary, External and Fiscal sectors) of the Liberian Economy during each month. It also highlights the Monetary Policy Stance and Operations of the CBL during the period.

OVERVIEW

Real Sector analysis at end-August 2018 showed that the production of cement, iron ore, beverages, gold and rubber increased; while, the production of diamond declined compared with July 2018. Annual headline inflation remained unchanged during the period due largely to relative stability in the foreign exchange market.

In the monetary and financial sector, broad money supply (M2) at end of the review month grew modestly above the stock recorded in the previous month. 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 in the review month. The increase in credit was the outcome of increases in loans to key sectors of the economy; namely: agriculture, services, manufacturing and the extractive sectors. The banking industry continued to show strong performance at end-August 2018 evident by strong financial soundness indicators (FSIs).

In the fiscal sector, data on revenue and expenditure indicated that the Government fiscal operations at end-August 2018 resulted in a surplus as was in the previous month. The stock of public debt increased compared to the previous month due to increase in external debt position. T-bill operations in the review month resulted in a net withdrawal of L\$9.9 million from the banking system. The CBL issued, on behalf of GoL, the first United States dollar instrument in the T-bill market.

On the external front, Liberia's trade deficit worsened due to a significant jump in import payments for food and live animals and related commodities, mainly rice. The gross foreign reserves position of the CBL declined compared to the preceding month. In spite of the depreciation of the end-of-period exchange rate, the average exchange rate against the USD in the review month slightly appreciated relative to the previous month on account of increased CBL intervention.

REAL SECTOR & PRICE DEVELOPMENTS

Production Analyses of Key Commodities

Statistics on key commodities produced in the Liberian economy during the month end-August 2018 showed mixed production levels when compared with output during the previous month. Commodities whose production increased were cement, iron ore, rubber, gold and beverages; while the output of diamond declined.

Cement output increased by 11.9 percent to 24,314 metric tons mainly as a result of rising domestic demand for the product due to a memorandum of understanding (MOU) between the government and the producers to reduce the price of the commodity. Iron ore production grew by 2.0 percent to 309,406 metric tons. The rising global market price of the commodity from the previous month underpinned the increase in iron ore production during the month under review. Beverages production also rose by 5.0 percent to an estimated 1.46 million litres in August 2018, from a revised 1.39 million litres produced a month ago, mainly due to the increase in the production of alcoholic beverages. Gold production surged by 32.6 percent to 19,842 ounces, from the revised 14,967 ounces produced a month ago, mainly on account of the adjustments in the licensing processes. Rubber output expanded to 3,583 metric tons, down from a revised 2,997 metric tons produced in the preceding month. The increase in rubber production was attributed to the increase in production of the commodity by small farm holders.

The output of diamond during the review month fell to 3,641 carats, from 7,629 carats produced a month ago.

Consumer Prices

Annual headline inflation remained unchanged at 26.1 percent at end-August 2018. The intervention of the CBL in the foreign exchange market was the main contributing factor for the stability in the rate of inflation.

Table 5: External Sector Statistics

	May- 18	Jun- 18	Jul- 18	Aug- 18
EXTERNAL SECTOR	<i>(In units as may be specified)</i>			
External Trade (Value)	(Millions of US\$)			
Exports/1	52.4	39.7	29.0†	35.3
- O/w Iron Ore	14.1	14.2	3.4	9.5
- O/w Rubber	6.5	5.7	4.1	4.4
- O/w Mineral	29.4	12.7	17.2†	19.4
-o/w Cocoa Bean	0.0	0.0	0.1	0.0
-o/w Palm Oil	1.0	1.6	0.0	1.4
Imports (F.O.B)/1	91.8	76.3	86.2	99.8
Minerals, Fuel, Lubricants	15.8	9.5	9.11	6.0
-O/w Petroleum Products	10.8	8.3	6.82	3.5
Food and Live Animals (including Animal and vegetable oil)	23.2	18.7	18.1	40.8
-O/w Commercial Rice	9.9	9.2	5.0	16.8
-O/w Non-commercial Rice	0.2	0.1	0.23	0.45
Machinery & Transport Equipment	24.9	22.2	33.3	18.2
Import (C.I.F)	101.3	83.7	93.9	110.4
Trade Balance	-39.4	-36.6	-57.2	-64.5
External Trade (Volume)	(Metric Tons)			
- Rubber	5,094	4,205	6,560	2,969
-Iron Ore	456,280	454,778	150,376	317,709
-Commercial Rice	142,388	146,171	145,026	147,166
-Non-commercial Rice	1,266	1,314	1,247	1,256
- Petroleum Products	5,544	4,211	4,355	2,205
- Cocoa Beans	100	0.0	200	35.00
- Palm Oil	4,405	17,413	2,750	2,772

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

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

EXTERNAL SECTOR DEVELOPMENTS

Merchandise Trade

Merchandise trade performance deteriorated during the month under review. The deterioration is reflected in a widened trade deficit. Trade deficit increased by 12.8 percent to US\$64.5 million, from the revised US\$57.2 million reported in July, 2018. The increase in trade deficit was mainly occasioned by a leap in merchandise imports payments.

Imports (FOB)

Payments for import of goods during the month of August 2018 increased by 15.8 percent to US\$99.8 million compared with previous month. The increase in import payments was occasioned mainly by surge in payments for food and live animals (which includes animal and vegetable oil) that amounted to US\$40.8 million from US\$18.1 million at end of the previous month. Rice imports during the review month constituted 42.4 percent of total import payments.

Exports

Preliminary statistics on export earnings for the month of August 2018 showed an increase of 21.7 percent to US\$35.3 million, from US\$29.0 million recorded at end-July 2018. The gain in earnings during the month was driven by surge in the three key export commodities. Mineral (gold and diamond) rose by 12.8 percent, iron ore, by US\$6.1 million and rubber, by 7.3 percent to US\$19.4 million, US\$9.5 million and US\$4.4 million, respectively.

Gross Foreign Reserves (Including SDRs)/²

The gross foreign reserves of the CBL at end-August 2018 declined by 1.6 percent to US\$379.7 million, from the amount recorded in the previous month. This was largely due to 17.6 percent decline in CBL total balance with banks abroad. The gross foreign reserves position amounted to an estimated 2.98 months of import cover for the month.

^{/2} Gross International Reserve is calculated by subtracting net liquid liabilities of CBL to government and commercial banks from CBL liquid foreign assets and adding SDR & Reserve Tranche

The declines in prices of sub-groups such as transport, food and miscellaneous goods and services also contributed to stability in the inflation rate. On a monthly basis, the rate of inflation decreased by 1.3 percentage points to 2.2 percent, from 3.5 percent recorded during the previous month. With regard to transport inflation, the decline was mainly attributed to Government's policy to reduce transportation fare.

Table 1: Production and Price Statistics

	May- 18	Jun- 18	Jul- 18	Aug- 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)	456,750	418,006	303,300	309,406
Gold (Ounces)	26,061†	12,407	14,967	19,842
Diamond (Carat)	9,866†	128	7,629	3,641
Rubber (Metric ton)	5,094†	4,205	2,997†	3,583
Cement (Metric ton)	35,731	21,863	21,730	24,314
Beverages	<i>(In Liters)</i>			
Alcoholic	1,269,040†	1,247,654	684,981†	752,507±
Non-Alcoholic	1,045,407	768,621	707,605†	708,065±
Total Beverages Production	2,314,447	2,016,275	1,392,586†	1,460,572±
Inflation	<i>(In percent)</i>			
Overall (Year-on-year) Rate of Inflation	21.3	24.6	26.1	26.1
a. Food and Non-alcoholic Beverages Inflation	19.6	22.4	23.7	23.3
- Domestic Food Inflation	20.4	22.0	21.2	22.6
- Imported Food Inflation	18.7	22.3	25.3	23.7
b. Transport Inflation	30.3	45.4	48.0	47.3
c. Imported Fuels Inflation	31.6	40.2	55.7	55.4
Overall (Month-on-Month) Rate of Inflation	1.1	5.8	3.5	2.2
Core Inflation	<i>(In percent)</i>			
Inflation excluding Food & Non-alcoholic Beverages	22.2	25.8	27.5	27.7
Inflation excluding Imported Food	21.9	25.1	26.3	26.7
Inflation excluding Domestic Food	20.4	24.4	26.8	27.1
Inflation excluding Food and Transport	20.4	22.6	24.3	24.7

Sources: AML, MLME, FSL CEMENCO, LCCBC, RITCO, NICOM, CEMENCO, CBL and LISGIS

MONETARY DEVELOPMENTS

Monetary Policy Stance

The monetary policy stance of the CBL remained firm on price stability through broad exchange rate stability in order to foster a stable macroeconomic environment. During the month of August 2018, the Bank used foreign exchange auction and reserve requirement ratio as the main policy instrument to conduct its monetary policy operations.

Monetary Aggregates

Broad money supply (M2) grew moderately by 0.9 percent to L\$103,201.9 million at end-August 2018, from L\$102,237.0 million in the preceding month. The growth in M2 was underpinned mainly by a 5.9 percent growth in demand deposits. Currency in circulation (CIC) marginally grew by 0.2 percent at end-August 2018 compared with the preceding month, occasioned by equal growth in currency outside banks. However, yearly comparison showed that CIC expanded by 28.2 percent on account of 25.0 percent and 68.6 percent growth rates in currency outside banks and commercial banks' vault cash. In the review month, the United States dollar share of broad money accounted for 68.5 percent, while Liberian dollar accounted for 31.5 percent.

On the assets side, net foreign assets (NFA) trended downward while net domestic assets (NDA) expanded during the month. The 9.9 percent decline in NFA was caused by a 31.7 percent decline in foreign assets of the CBL which offsets the 14.3 percent increase in commercial banks foreign assets. On the other hand, the 3.8 percent growth in NDA came from increases in net credit to government and credit to the private sector including credit to other financial corporations (OFCs). On an annual basis, broad money expanded by 41.7 percent occasioned by 51.5 percent and 10.4 percent increases in NDA and NFA, respectively.

Both US dollar and Liberian dollar components of commercial banks' credit to the private sector increased during the month under review. The US dollar credit rose by 0.8 percent to US\$424.3 million, from US\$421.0 million recorded at end-July 2018, due mainly to increases in loans to key sectors of the economy; namely agriculture, services, manufacturing and the extractive sectors. Similarly, the Liberian dollar share of commercial banks' credit increased by 6.5 percent to L\$4,796.7 million, from L\$4,505.4 million reported for end-July,

Table 4. Fiscal Sector Statistics

	May- 18	Jun- 18	Jul- 18	Aug- 18
Fiscal Operations				
Revenue, Expenditure & Debt	(Millions of US\$)			
Actual Revenue & Grants	35.7	33.2	33.9	41.2
Projected Revenue & Grants	94.8	51.1	36.1	33.6
Expenditure	25.3	27.8	14.5	34.8
Public Debt Stock	938.0	942.6	959.3	963.6
Domestic	266.2	266.2	266.1	266.0
External	671.8	676.4	693.2	697.6
Treasury Securities	(Millions of L\$)			
T- Bills Issued	-65.8	-69.1	0.0	-75.7
T- Bills Redeemed	63.4	65.6	65.6	65.8
Net GoL Treasury Bills Operations [^]	-2.4	-3.5	65.6	-9.9
Ave. Weighted Discount Rate_T Bills	2.94	2.90	0.0	3.08
Bond Issued (2 yrs.)	(Billions of L\$)			
T- Bond Issued	0.0	0.0	4,900.0	0.0
T- Bond Settled	0.0	0.0	3,590.0	0.0
Net GoL Treasury Bond Operations [^]	0.0	0.0	-310.0	0.0
Ave. Weighted Discount Rate_T Bond	0.0	0.0	16.0	0.0

Sources: Central Bank of Liberia and Ministry of Finance and Development Planning

Table 3: Selected Financial Soundness Indicators, FSIs

	May- 18	Jun- 18	Jul-18	Aug-18
Financial Soundness Indicators (FSI)	<i>(In percent)</i>			
Capital Adequacy Ratio (CAR)***	39.7	30.54	27.2	27.2
Non-performing Loans to Total Gross Loans (ratio)	13.2	13.8	12.3	12.6
Total Gross Loans (In Billion L\$)	61.7	71.6	68.1	69.0
Non-performing Loans (% change)	-8.2	9.6	-15.2	4.0
Returns on Assets (ROA)	0.5	0.7	0.8	1.0
Returns on Equity (ROE)	2.9	4.3	5.0	6.2
Liquidity Ratio****	41.5	40.7	38.7	38.5

Source: Central Bank of Liberia

FISCAL DEVELOPMENTS

Revenue (including Grants) & Expenditures

For the month under review, total revenue and grants rose by 21.5 percent to US\$41.2 million. Total expenditure also increased by US\$20.3 million to US\$34.8 million reflecting a fiscal surplus of US\$6.4 million at end-August 2018. The improvement in fiscal outturn was due to increased revenue generated through direct taxes in the review month as compared to the previous. Compared with the preceding month, the surplus in the review month worsened by US\$13.0 million, from US\$19.4 million, due mainly to increased government expenditure that outweighed the rise in actual revenue and grants. Tax revenue and grants in the month accounted for 81.3 percent of total revenue and grants.

Liberia's public sector debt at end-August 2018 increased by US\$4.3 million to US\$963.6 million when compared with the preceding month. The increase in public sector debt during the month was occasioned by a 9.1 percent rise in external debt which constituted 72.4 percent of total public sector debt stock.

2018, driven primarily by growth in credit to the oil and gas, extractive, and manufacturing sectors.

Exchange Rate

The average exchange rate (AER) of the Liberian dollar vis-à-vis the US dollar at end-August 2018 appreciated marginally by 0.6 percent to L\$153.55/US\$1.00 by end-August 2018, from L\$154.48/US\$1.00 recorded in the previous month. The end-of-period (EOP) exchange rate for the month depreciated by 1.7 percent to L\$154.14/US\$1.00. The vigorous intervention of the CBL in the FX market to supply FX to importers helped to reduce the pressure on both the AER and the EOP exchange rate in August. On year-on-year basis, the Liberian dollar exchange rate depreciated by 32.2 percent. The high demand for foreign exchange to facilitate import payment in the face of decline in FX supply in the economy is a key driver of the depreciation of the domestic currency.

In the West African Monetary Zone (WAMZ), the Gambian Dalasi and Guinean Franc were the two currencies that appreciated against the US dollar by 0.4 percent and 0.1 percent, respectively. The Nigerian Naira, Ghana Cedi, Liberian Dollar and the Sierra Leonean Leone depreciated against the US dollar by 0.03 percent, 0.60 percent, 1.7 percent and 4.1 percent, respectively. Year-on-year comparisons of currencies in the WAMZ revealed that all currencies in the zone depreciated relative to the US dollar.

Financial Market Developments

At end-August 2018, the Government of Liberia (GoL) treasury-bill operations were conducted in both Liberian and United States dollars. T-bills issued and redeemed in Liberian dollar amounted to L\$75.7 million and L\$65.8 million, respectively, resulting in a net issuance of L\$9.9 million. Also, T-bill issued in United States dollar amounted to US\$447.6 million. There was no redemption in United States dollar.

Table 2: Monetary Aggregates

	May- 18	Jun- 18	Jul-18	Aug-18
Monetary	<i>(Millions of US\$)</i>			
CBL Net Foreign Exchange Reserves Position (Including SDRs)‡	131.4	134.5	137.7	131.6
CBL Gross Foreign Reserves (including SDRs)	379.5	382.6	385.8	379.7
Liberian Dollars in Circulation	17,029.9	17,236.1	17,943.9	17,128.8
Money Supply (M1) in L\$ only	22,511.3	22,741.6	24,084.6	23,278.8
Broad money (M2) in L\$ only	29,766.3	30,233.3	32,461.5	32,118.6
Broad money (M2) in both L\$ and US\$*	86,368.9	95,801.2	102,237.0	103,201.9
Net Foreign Assets (NFA)	20,210.7	20,065.8	21,310.6	19,392.2
Net Domestic Assets (NDA)	66,158.2	75,735.4	80,926.4	84,008.6
	<i>(In percent)</i>			
Liberian Dollar share of Broad Money	34.5	31.6	31.8	31.1
Interest Rates				
- Lending rate	13.0	12.9	13.0	12.1
-Average Deposit rates				
-Savings	2.10	2.10	2.10	2.23
-Time	3.53	3.53	3.53	3.86
	<i>(In Millions of Currencies)</i>			
Commercial banks loans to private sector - US\$	364.1	421.4	421.0	424.3
Commercial banks loans to private sector - L\$	4,179.4	4,341.8	4,505.4	4,796.7
Demand Deposits of commercial banks				
Demand deposits - US\$	257.8	270.0	280.8	293.8
Demand deposits - L\$	7,268.8	7,198.7	7,422.7	7,801.0
- Time & Savings Deposits of commercial banks				
Time & savings deposits - US\$	150.4	164.3	179.4	161.3
Time & savings deposits - L\$	7,200.0	7,428.4	8,377.8	8,395.3
Other Deposits**				
Actual US\$ component of other deposits	1.1	0.6	0.4	7.9
Liberian \$ component of other deposits	55.0	63.3	-0.9	444.5
CBL's Foreign Exchange Auction	<i>(Millions of US\$)</i>			
US Dollar Amount Sold	5.8	5.1	3.8	6.3
Total Subscription	5.0	8.0	3.8	7.3
Over (+)- / Under (-) Subscription	-0.8	2.9	0.0	1.0

	May- 18	Jun- 18	Jul-18	Aug-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	46.0	29.0	31.6	48.6
Outflows	35.4	14.8	15.8	19.4
Net flows	10.6	14.2	15.8	29.2
Exchange Rate	<i>(USD/LD)</i>			
End of Period	138.3	150.8	151.50	154.14
Period Average	134.4	143.3	154.5	153.55

Source: Central Bank of Liberia

Banking Sector Developments

The banking industry's performance at end-August, 2018 remained strong, evidenced by favourable FSIs. Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) continue to exceed the minimum requirements of 10.0 percent and 15.0 percent, respectively. LR fell by 0.2 percentage point to 38.5 percent, from the previous month, while preliminary data on CAR remained relatively stable at 27.2 percent, when compared with the figure reported for July, 2018.

The ratio of non-performing loans (NPLs) increased from 12.3 percent to 15.8 percent during the month under review above the tolerable limit of 10 percent prescribed by the CBL. In absolute terms, NPLs expanded by 31.4 percent while total loans increased by 2.3 percent implying that NPLs grew faster than total loans, resulting in a 3.5 percentage points increase in the ratio of NPLs to total loan. Preliminary data showed that Return on Assets (ROA) rose by 0.17 percentage points and Return on Equity (ROE) increased by 1.2 percentage points.