

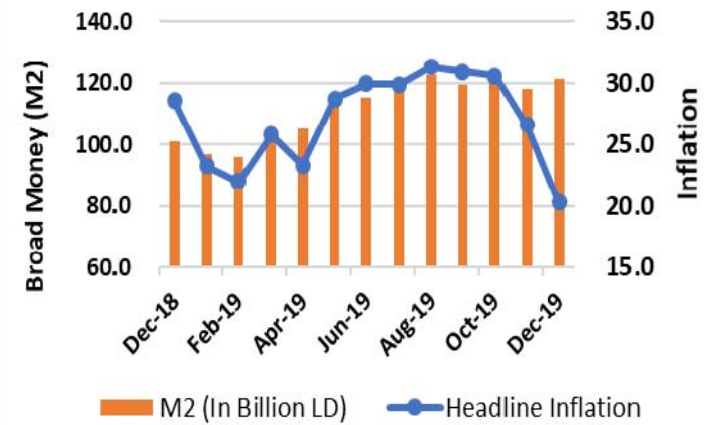


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the global market as a result of favorable harvest condition that was experienced in the main cocoa producing countries in West Africa (Ghana and Cote d'Ivoire). Compared with the same month a year ago, the price of cocoa beans rose by 10.4 percent, from US\$2,210.00 per metric ton in December 2018.

Table 8: External Sector Statistics

GLOBAL PRICE	Dec - 18	Oct - 19	Nov - 19	Dec - 19
	(In price per Unit of Measure)			
Iron ore (US\$/MT)	69.15	88.53	84.98	92.65
Gold (US\$/Oz)	1,250.40	1,494.81	1,470.79	1,479.13
Rubber (US\$/MT)	1,440.00	1,430.00	1,540.00	1,660.00
Cocoa Beans (US\$/MT)	2,210.00	2,440.00	2,520.00	2,440.00
Palm oil (US\$/MT)	535.02	591.35	683.38	769.93
Crude oil (US\$/BBL)	53.96	57.27	60.40	63.35
Food Price Index (FAO)¹	161.50	172.50	177.20	181.70
Rice_5% broken (US\$/MT)	404.00	424.00	421.00	432.00
Sugar (US\$/MT)	280.00	280.00	280.00	300.00
Commodity Price Index²	116.15	113.39	117.21	120.07

Source : www.indexmundi.com, <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>
/1 & /2 - Changes in indexes are calculated on percentage point changes

Food Price (FAO)¹

Food price Index inched up for the third consecutive month in the year 2019. The index rose by 4.5 percentage points to 181.7, from 177.2 in the preceding month due to increases in prices of mainly vegetable oils, sugar and dairy products. Year-on-year comparison of the index showed that food price rose by 20.2 percentage points, from 161.5.

Rice

During the month of December 2019, price of rice increased by 2.6 percent to US\$432.0 per metric ton compared with the price per metric ton in the month of November 2019. The rise in the price of the commodity was mainly a result of lower than expected supply of the commodity after experiencing an increase in new variety of rice in the preceding month. Annual comparison of the price of the commodity showed an increase of 6.9 percent, from US\$404.0 per metric ton.

Palm oil

During the month under review, palm oil price increased significantly for the fourth consecutive month. The price of the commodity rose by 12.7 percent to US\$769.9 per metric ton as a result of persistent firm global demand for the commodity, especially in the biodiesel sector, in the face of weak output growth. Malaysia had earlier reported lower inventory level of palm oil, while Indonesia, on the other hand, reported unfavorable weather conditions impacting oil production. The result of these two reports provides clue that the supply of palm oil could be low in the near term in 2020. Year-on-year comparison of the price of palm oil reflected a sharp rise by 43.9 percent, from US\$535.0 per metric ton.

Sugar

The price of sugar inched up to US\$300.0 per metric ton compared with the price in the preceding month. The development in sugar price during the month was triggered mainly by the desire by Brazil's sugar mills to use more sugarcane supplies to produce ethanol instead of sugar in the face of increasing crude oil prices. Similarly, year-on-year comparison of the price of sugar indicated a 7.1 percent increase in the price of the commodity.

Cocoa beans

Cocoa price decreased in December 2019 to US\$2,440.0 per metric ton following a slight rise in the previous month. The 3.2 percent decline in the price of the commodity was largely due to increase supply of the commodity on

INTRODUCTION

The Monthly Economic Review (MER) is a regular publication of the Central Bank of Liberia (CBL) that provides a snapshot of major developments in key sectors (Real, Monetary, Fiscal and External) of the Liberian economy. The MER also highlights the Monetary Policy Stance of the CBL and exchange rates developments in the West African Monetary Zone (WAMZ).

OVERVIEW

During the month under review, production statistics for key commodities in the Liberian economy showed considerable improvement. The outputs of diamond slightly fell during the month, while outputs of iron ore, gold, cement, rubber and beverages increased following reductions recorded in the preceding month. Headline inflation fell during the month mainly explained by the appreciation of the Liberian dollar. Similarly, core inflation reduced slightly on account of fall in the prices of clothing and footwear items.

Monetary policy stance of the CBL is focused on price stability using interest rate-based instruments to manage excess Liberian dollar liquidity in the economy. During the month, the CBL used various monetary policy instruments including reserves requirements, the CBL bill at different tenors and the standing deposit facility (SDF) to ease pressure on the Liberian dollar.

Analysis of monetary aggregates showed that broad money (M2) supply inched up during the month. The increase in money supply was due mainly to rise in time and savings deposits, demand deposits and currency outside banks. On the asset side, the growth in broad money supply was largely on account of an increase in net foreign assets (NFA). Disaggregation of commercial banks loans to private sector showed that the share of commercial banks' loans denominated in United States Dollar reduced during the month, occasioned mainly by reductions in credit to manufacturing and construction sectors as well as loan to individuals. Loans in Liberian Dollar expanded slightly compared with credits in the preceding month due to rise in credits to the construction, individuals, services and extractive sectors. Assessment of the banking sector still showed strong performance of the industry, evidenced by improved performance in Return on Assets (RoA), Return on Equity (RoE) and Capital Adequacy Ratio (CAR) in December 2019.

Fiscal operations during the month resulted to a marginal surplus compared with the surplus recorded in the preceding month. The slight increase in fiscal surplus was occasioned by an increase in government revenue, reflecting a rise in both tax and non-tax revenue. General government debt grew slightly as a result of increase in external debt. Trade deficit improved during the month compared to the deficit in the previous month, on account of increase in export receipts for goods.

The rise in export receipts was due to increases in receipts from iron ore, gold and rubber.

The stock of gross international reserves (GIR) increased during the month compared with the preceding month. The rise in GIR led to a 0.1 month increase in terms of the months of import cover to 2.4 months, from the 2.3 months recorded in the preceding month. Both inflows and outflows of personal remittances grew during the month resulting to higher net inflows of personal remittances compared with the preceding month. The average and end-of-period exchange rates of the Liberian dollar appreciated against the United States dollar, reflecting the introduction of the new monetary policy rate and instruments as well as net inflows of remittances.

REAL SECTOR & PRICE DEVELOPMENTS

Production Analyses of Key Commodities

Production statistics for the month under review showed considerable improvements following declines in the preceding month. Production of beverages, iron ore, gold, rubber and cement rose, while the output of diamond fell compared with output in November 2019. Total production of beverages (alcoholic and nonalcoholic) rose by 36.0 percent due to increased consumption demand for the commodity during the festive season. When disaggregated, alcoholic beverages constituted 95.3 percent of total beverages produced during the review month.

Iron ore production increased to 458,153 metric tons, from the volume recorded in the previous month, owing to a favorable mining condition that prevailed during the month. Gold output inched up by 8,400 ounces to 13,824 ounces in the review month, due to increased effort by industrial miners to raise output after a dip in the previous month. Cement production grew by 38.4 percent to 28,839 metric tons, occasioned by expansion in manufacturing plants. Following a decline in output of rubber in the preceding month, rubber production expanded by 69.6 percent during the month due to favorable harvest by small farm holders. On the other hand, diamond output dropped by 56.1 percent to 2,239.0 carats for the month of December 2019. Compared with the same month a year ago, production analysis revealed mixed results. The outputs of gold, beverages, iron ore, and cement dipped significantly, while diamond and rubber outputs showed increases.

Consumer Prices

Headline inflation in December 2019 stood at 20.3 percent, down by 6.4 percentage points from the rate reported in November 2019. The decline in inflation during the month was largely due to slowdown in demand. Unlike headline inflation, month-on-month inflation for December 2019 rose to negative

Table 7: Exchange Rates: WAMZ Countries End-of-Period Exchange Rates against the US Dollar

Rate & Currency	Dec - 18	Oct - 19	Nov - 19	Dec - 19	Appr (-)/Depr (+)	
					MoM	YoY
Exchange Rate	LD/USD				Percent change	
End of Period	157.56	211.50	191.76	187.93	2.04	(16.14)
Period Average	157.50	211.14	199.80	188.39	6.06	(16.40)
WAMZ Currency	Currency per USD				Percent change	
GHC	4.82	5.34	5.38	5.54	(2.89)	(13.00)
GMD	49.68	50.27	50.64	50.61	0.06	(1.84)
GNF	9,048.80	9,260.15	9,322.23	9,375.32	(0.57)	(3.48)
NGN	306.5	306.5	306.45	306.46	0.00	0.01
SLL	8,396.00	9,609.36	9,630.83	9,712.45	(0.84)	(13.55)

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

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

GLOBAL COMMODITY PRICE DEVELOPMENTS

Iron ore

During the review month, the price of Iron ore rose by 9.0 percent to US\$92.7 per metric ton, from the amount reported in the previous month. The increase in the price of the commodity was mainly influenced by slowdown in the supply of the commodity during the month. A year-on-year comparison of the price of the mineral indicated a 34.0 percent surge, from US\$69.2 per metric ton.

Crude oil (Petroleum) price

The price of petroleum inched up by 4.9 percent in the month, following a 5.5 percent decline in November 2019. The rise in the price of crude oil to US\$63.4 per barrel was, to a large extent, occasioned by increased demand for the commodity in the face of OPEC+ Group recent decision to further cut supply of the commodity by 500,000 barrels per day. Compared with the corresponding month in 2018, the price of petroleum rose by 17.4 percent, from US\$54.0 per barrel.

Rubber

During the review month, the price of rubber stood at US\$1,660.00 per metric ton. Compared with the price per metric ton in the preceding month, the price of the commodity increased by 7.8 percent on account of weak supply of the commodity from key producing countries, namely, Thailand, Indonesia and Malaysia. The weak supply was an outcome of the persistent devastation being caused by the fungal disease (pestalotiopsis) which affected the quality of the commodity in those areas. Yearly comparison of the price of rubber showed a 15.3 percent rise from US\$1440.00 metric ton.

Remittances

In December 2019, both inflows and outflows of personal remittances increased. The rise in inflows exceeded the growth in outflows, resulted into a net inflow of US\$13.6 million, which was 24.6 percent higher than the amount recorded in the previous month. During the month, inward personal remittances grew by 21.2 percent to US\$27.4 million, compared with the amount reported at end-November 2019. On a month-on-month basis, outward personal remittances increased by 18.0 percent to US\$13.7 million, from US\$11.6 million in the preceding month.

Gross International Reserves

Gross international reserves (GIR) position stood at US\$252.4 million at end-December 2019, increasing by 3.1 percent compared with the stock recorded in the preceding month. However, months of import cover remained relatively low and stable at 2.3 months, which is below the ECOWAS benchmark of 3.0 months. This performance was largely due to a rise in payments for imports (Table 6).

EXCHANGE RATE DEVELOPMENTS

At end-December 2019, the end of period (EOP) and average (Ave) exchange rates of the Liberian dollar appreciated against the US dollar compared with the rates reported at end-November 2019. The EOP exchange rate appreciated by 2.0 percent to L\$187.93/US\$1.00, while the average exchange rate appreciated by 6.1 percent to L\$188.39/US\$1.00. The appreciation of the Liberian dollar was largely due to the Liberian dollar liquidity squeeze, increased inflows of remittances as well as the contractionary monetary policy stance of the CBL. Compared with the rates recorded in the same period a year ago, the average and EOP exchange rates depreciated by 16.4 percent and 16.1 percent, respectively.

Developments in exchange rate movements in the West African Monetary Zone (WAMZ) indicated that the Nigerian Naira remained relatively stable at ₦306.5/US\$1.00, follow by The Gambian Dalasi which slightly appreciated by 0.1 percent. On the other hand, the Guinea Franc, the Sierra Leonean Leone and the Ghanaian Cedi depreciated during the month by 0.6 percent, 0.8 percent and 2.9 percent, respectively, compared with the preceding month. An annual comparison also showed that the Nigerian Naira remained relatively stable in the region, while the rest of the currencies in the WAMZ depreciated against the United States Dollar. Liberian dollar saw the highest level of depreciation by 16.1 percent, followed by the Sierra Leonean Leon and the Ghana Cedi by 13.6 percent and 13.0 percent, respectively. Depreciation in the Guinea Franc and The Gambia Dalasi were moderate by 3.5 percent and by 1.8 percent, respectively (Table 7).

2.8 percent compared with the negative 1.1 percent in the preceding month. Similarly, official core inflation¹ decreased by 6.2 percentage points to 17.9 percent mainly due to items relating to clothing and footwear (Table 1).

Table 1: Production and Price Statistics

REAL SECTOR DATA	Dec - 18	Oct - 19	Nov - 19	Dec - 19
Production	<i>(In units as may be specified)</i>			
Iron Ore (Metric ton)	697,729	318,155	248,224	458,153
Gold (Ounces)	21,159	8,136	5,424	13,824
Diamond (Carat)	1,630	4,783	5,106	2,239
Rubber (Metric ton)	4,232	4,453	3,744	6,349
Cement (Metric ton)	30,735	22,338	20,843	28,839
Beverages	<i>(In Liters)</i>			
Alcoholic	1,129,483	763,739	818,096	1,133,470
Non-Alcoholic	643,056	159,144	55,836	55,440
Total Beverage Production	1,772,539	922,883	873,932	1,188,910
Inflation	<i>(In Percent)</i>			
Overall (Y-o-Y) Rate of Inflation	28.53	30.55	26.62	20.25
a. Food and Non-alcoholic Beverages Infl.	30.48	32.38	30.51	23.04
- Domestic Food Inflation	35.88	32.53	30.61	22.27
- Imported Food Inflation	26.80	31.38	29.37	22.29
b. Transport Inflation	35.09	32.51	29.00	26.25
c. Imported Fuels Inflation	39.21	29.28	19.51	22.39
Overall (M-o-M) Rate of Inflation	2.39	0.43	-1.10	-2.76
Core Inflation	<i>(In Percent)</i>			
Inflation excluding Food & Non-alcoholic Beverages	27.47	29.56	24.59	18.81
Inflation excluding Imported Food	28.96	30.08	25.68	19.47
Inflation excluding Domestic Food	27.84	23.44	19.88	14.15
Inflation excluding Food and Transport	26.20	29.13	24.01	17.85
	<i>(Millions USD, except otherwise specified)</i>			
Nominal GDP Annual	3,263.87	3,155.48	3,155.48	3,155.48
Real GDP Annual	1,436.28	1,416.83	1,416.83	1,416.83
Real GDP growth rate (in percent)	1.2	(1.4)	(1.4)	(1.4)

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

MONETARY DEVELOPMENTS

Monetary Policy Stance

The monetary policy stance of the CBL remained focused on price stability using interest-rate based instruments to manage excess Liberian dollar liquidity. In pursuit of its objective, during the month, the Bank used various monetary policy instruments, including reserve requirements, the CBL bills and the SDF.

Monetary Aggregates

At end-December 2019, broad money supply (M2) grew by 2.4 percent to L\$121,006.3 million, from L\$118,194.4 due mainly to increases in demand deposits, currency outside

banks and time and savings deposits. Demand deposit rose by 1.3 percent compared with the preceding month, while currency outside banks and time and savings deposits grew by 0.4 percent and 1.7 percent, respectively. On the other hand, the expansion in M2 was largely triggered by 36.8 percent increase in net foreign assets. Compared with the corresponding month in 2018, M2 rose by 19.8 percent, mainly due to increase in narrow money supply (M1) by 14.0 percent, occasioned by growths in currency outside banks and demand deposits by 13.1 percent and 14.3 percent, respectively as well as increase in quasi money through time & savings deposits which surged by 28.1 percent.

With respect to loans by currency denomination during the period, the United States dollar share of credit to the private sector fell by 1.5 percent to US\$383.6 million, explained mainly by fall in credit to the manufacturing, construction, oil and gas sectors and individual households. On the other hand, the Liberian dollar component slightly grew by 2.0 percent to L\$7,249.2 million, on account of increases in credit to the construction, individuals, services and extractive sectors. Compared with the corresponding month in 2018, private sector credit in Liberian dollar rose by 20.9 percent, while the US dollar component fell by 6.7 percent.

Table 2: Monetary Aggregates

Monetary Aggregates	Dec - 18	Oct - 19	Nov - 19	Dec - 19
	<i>(In Millions of currencies as may be specified)</i>			
CBL Net Foreign Exchange Reserves [‡]	70.13	63.40	41.94	27.51
Liberian Dollars in Circulation - (LD)	19,301.14	20,745.85	20,896.80	21,120.80
Money Supply (M1) in LD only	25,186.02	30,097.06	30,356.24	29,627.21
Broad money (M2) in LD only	32,419.93	38,719.14	39,053.23	38,689.20
Broad money (M2) ^{/1}	100,974.35	123,940.06	118,194.36	121,006.34
Net Foreign Assets (NFA) – LD	12,379.07	9,587.97	9,222.40	12,619.27
Net Domestic Assets (NDA) – LD	88,595.28	114,352.08	108,971.96	108,387.07
Loans to Private Sector				
Commercial banks loans to private sector - USD	423.63	383.72	399.70	390.46
Commercial banks loans to private sector - LD	4,913.42	6,541.25	6,744.10	7,176.89
Demand Deposits of commercial banks	<i>(In Millions of currencies as may be specified)</i>			
Demand deposits - USD	268.91	233.97	239.09	252.12
Demand deposits - LD	7,037.20	9,978.59	9,894.98	9,091.86
Time & savings deposits - USD	164.24	167.38	172.01	177.24
Time & savings deposits - LD	7,161.19	8,563.57	8,638.44	9,006.35
Other Deposits**				
Actual US\$ component of other deposits	1.96	1.59	1.60	8.67
Liberian \$ component of other deposits	72.72	58.51	58.55	55.64
Total Deposit (USD & LD) /2	82,825.53	103,821.58	97,733.10	100,470.99
	(In Percent)			
Liberian Dollar share of Broad Money	32.11	31.24	33.04	31.97

Source: CBL

[‡] - Reserves under the Extended Credit Facility (ECF) with the IMF; ** - Other Deposits Including Official and Manager Checks

^{/1} - Broad Money (both US Dollar and Liberian Dollar) converted to Liberian Dollar

^{/2} - Total deposits (both US Dollar and Liberian Dollar) of commercial banks converted to Liberian dollars.

and China were predominately rice, machinery and equipment. Import payments to Europe also increased by 50.4 percent to US\$10.0 million. The Eurozone recorded the largest share of import payments for goods coming from Europe, mainly vehicle parts & accessories, machinery & appliances, edible vegetables, frozen food as well as chemical products.

Table 6: External Sector Statistics

Trade Statistics	Dec - 18	Oct - 19	Nov - 19	Dec - 19
External Trade (Value)	(Millions of USD)			
Exports^{/1}	58.67	36.56	27.66	61.27
o/w Iron Ore	25.95	18.61	14.36	30.47
o/w Rubber	5.03	5.59	4.10	6.78
o/w Gold	20.08	8.88	6.38	16.74
o/w Diamond	1.08	0.84	1.01	0.58
o/w Cocoa Bean	0.81	0.46	0.70	1.42
o/w Palm Oil	0.38	1.63	0.97	0.76
Imports (F.O.B)/1	117.15	53.96	67.83	80.98
Minerals, Fuel, Lubricants	9.53	11.31	19.00	17.57
o/w Petroleum Products	7.36	9.21	17.07	14.92
Food and Live Animals (including Animal and vegetable oil)	41.31	12.48	16.46	32.29
o/w Commercial Rice	27.71	0.73	3.30	21.81
o/w Non-commercial Rice	0.15	0.31	0.78	0.27
Machinery & Transport Equipment	18.02	11.16	10.67	13.91
Manufactured goods classified by materials	34.14	8.76	8.40	7.04
Trade Balance	(58.48)	(17.40)	(40.17)	(19.71)
External Trade (Volume)	(In Units as Specified)			
Rubber (MT)	4,232.08	4,453.08	3743.48	6,348.88
Iron Ore (MT)	697,729.00	412,671.85	306,776.01	622,194.43
Petroleum Products (MT)	3,698	18,480	51,078	25,728
Commercial Rice (MT)	60,906.60	1,192.08	6,592.25	49,719.06
Non-commercial Rice (MT)	126.92	388.39	1,039.50	169.26
Cocoa Beans (MT)	3,075.00	653.47	700.0	2,595.00
Palm Oil (MT)	747.00	1,729.01	1660.2	1,298.83
Gold (Oz)	20,584.26	8,126.06	5423.9	13,823.80
Diamond (Crt)	1,630.48	4,782.98	5,106.4	2,238.60
Personal Remittances	(Millions of USD)			
Inflows	28.10	24.73	22.58	27.37
Outflows	21.86	21.84	11.64	13.74
Net flows	6.24	2.89	10.94	13.63
Other Indicators	(Millions of USD)			
Import (C.I.F)	128.95	60.40	74.79	89.71
Gross International Reserves (GIR) ^{/2}	287.18	268.73	244.69	252.36
Import covers (In Month)	1.9	3.1	2.3	2.4

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

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

^{/2} (GIR) is the sum of net foreign reserve plus SDR and Reserve tranche

EXTERNAL SECTOR DEVELOPMENTS

Merchandise Trade

Merchandise trade balance remained in deficit during the month, despite recording improvement. The deficit improved to US\$19.7 million from US\$40.2 million in the preceding month, driven largely by a rise in export receipts which more than offset the increase in import payments.

Exports

Preliminary data on merchandise exports during the last month of 2019 was US\$61.3 million (1.9 percent of GDP), increasing by US\$33.6 million (1.1 percent of GDP) compared with the receipts in the preceding month. The growth in export receipts resulted from increased earnings from all export commodities, except diamond and palm oil. Earnings from iron ore increased by US\$16.1 million to US\$30.5 million in the review month, while earnings from gold and rubber rose by US\$10.4 million and US\$2.7 million, respectively. These performances were occasioned by a significant increase in the volumes of exports, despite the favourable prices of commodities during the month.

Europe has maintained the rank of being the main destination of Liberia's exports. During the review month, Switzerland, France and Belgium accounted for about 70.7 percent of total exports. Gold was the lead commodity of exports to Switzerland, accounting 38.6 percent of total exports, followed by France that accounted for 23.3 percent of total exports. France accounted for the largest share of iron ore exports, while Belgium accounted for 8.8 percent of rubber exports to Europe.

Imports (FOB)

Payments for merchandise imports rose by 19.4 percent to US\$81.0 million (2.6 percent of GDP). The increase in payments was largely occasioned by increases in import payments for food & live animals as well as machinery and transport equipment. Payments for food and live animals as well as machinery and transport equipment rose to US\$32.3 million and US\$13.9 million, respectively largely influenced by major importers' decisions to meet future demands considering seasonal patterns. In particular, payments for machinery and transport equipment group were occasioned by high volume of import of electrical, machinery and appliances.

The top three regions that dominated sources of merchandise imports to Liberia during the month were Asia, Africa and Europe. Imports from Asia increased by 41.3 percent, constituting 58.2 percent of total import payments with India and China recording a large proportion of imports from that region. Goods imported from India

BANKING SECTOR DEVELOPMENTS

During the month, the banking sector remained relatively sound and resilient, evidenced, by growth in CAR, ROA and ROE. CAR grew by 0.3 percentage point, while ROA and ROE inched up by 0.7 percentage point and 3.9 percentage points, respectively. On the other hand, liquidity ratio (LR) of the sector slightly fell by 2.0 percent below the rate in the preceding month. Liquidity ratio, however, remained above the regulatory threshold by 24.8 percentage points, while CAR was still above the minimum regulatory requirement by 17.8 percentage points.

Total (gross) loans during the month stood at L\$84.6 billion (14.2 percent of GDP), from 13.4 percent of GDP recorded in the previous month. The moderate rise in gross loans was largely attributed to the reclassification of the Government of Liberia related credit facilities into long-term security.

Table 3: Selected Financial Soundness Indicators, FSIs

Financial Soundness Indicators (FSI)	Dec - 18	Oct - 19	Nov - 19	Dec - 19
	(In percent, except otherwise specified)			
Capital Adequacy Ratio (CAR)***	27.22	25.47	27.51	27.81
Non-performing Loans to Total Gross Loans (ratio)	13.86	13.97	16.76	17.21
Total Gross Loans (In Billion L\$)	74.89	89.89	84.45	84.59
Non-performing Loans (% change)	(3.93)	22.49	8.20	2.87
Returns on Assets (ROA)	1.25	1.82	1.72	2.40
Returns on Equity (ROE)	7.21	11.17	10.36	14.29
Liquidity Ratio****	38.99	51.19	41.83	39.83

Source: CBL

*** - The Minimum Capital Adequacy Ratio is 10%; **** - The Required Minimum Liquidity Ratio is 15%

FINANCIAL MARKET (FM) DEVELOPMENTS

Review of financial market operations in the month ended December 2019 showed that the instruments used by the CBL to reduce excess liquidity from circulation were the CBL bill issued on effective annual rate, the Standard Deposit Facility (SDF) and the statutory reserves requirements. The total amount of L\$800.4 million of bill was purchased, an increase of L\$700.1 million, from the amount purchased in the preceding month. While the total amount of L\$280.5 million was the redemption for both indexed and the effective annual rate bills; thus, bringing the total outstanding balance of bills to L\$2,034.6 million.

In November 2019, the CBL began the effective use of interest-rate based kind of monetary policy implementation thus abolishing the issuance of the CBL indexed bills (on a coupon rate of 7.0 percent) and introduced a new bill based on effective annual rate of 30.0 percent. The CBL indexed bill will remain in effect until the maturities and early redemptions are extinguished. At the overnight monthly interest rate of 0.07 percent, the SDF stood at L\$13,275 million, indicating a growth by L\$8,275.0 million more than the amount in November 2019.

Money markets instrument such as repo traded at the average interest rate of 5.5 percent, while swap lending remained traded at the average interest of 6.0 percent between commercial banks. (Table 4).

Table 4. Financial Market and Interest Rates Statistics

Market Instruments	Dec - 18	Oct - 19	Nov - 19	Dec - 19
CBL (indexed) Bills	(Millions of LD)			
Bills Purchased on 7% coupon basis	na	90.00	0.00	0.00
Redemption on 7% basis	na	170.00	90.00	130.15
Bills outstanding on 7% coupon basis	na	1,504.36	1,414.36	1,284.21
Coupon rate (%)	na	7.00	7.00	7.00
Bills Purchased on EAR basis	na	na	100.30	800.4
Redemption on EAR basis	na	na	0.00	150.30
Total Bill Outstanding (EAR)	na	na	100.30	750.40
Effective Annual Rate (EAR) (%)	na	na	30.00	30.00
Total Bills purchased (7% and 30% EAR)	na	90.00	100.30	800.40
Total Redemption (7% and 30% EAR)	na	170.00	90.00	280.45
Total Bill Outstanding (7% and EAR)	na	1,504.36	1,514.66	2,034.61
CBL Foreign Exchange (Fx) Auction¹	(Millions of USD)			
US Dollar Amount Sold	0.00	0.00	0.00	0.00
US Dollar Amount Sold	0.00	0.00	0.00	0.00
Total Subscription	0.00	0.00	0.00	0.00
Over (+) /Under (-) Subscription	0.00	0.00	0.00	0.00
Treasury Securities	(Millions of LD, unless otherwise stated)			
T- Bills Issued	78.57	0.00	560.74	0.00
T- Bills Redeemed	69.24	700.00	0.00	0.00
T-Bills outstanding	234.65	300.20	860.94	860.94
Net Treasury Bills Operations[^]	9.33	(700.00)	560.74	0.00
Ave. Weighted Discount Rate (T-Bills)	3.56	7.47	7.47	7.47
Treasury Securities	(Millions of LD, unless otherwise stated)			
T- Bills Issued (USD)	na	na	na	2.6
T- Bills Redeemed (USD)	na	na	na	na
T-Bills Outstanding_ USD	na	na	na	2.00
T- Bond Issued	0.00	0.00	0.00	0.00
T- Bond Outstanding	0.00	6,000.00	6,000.00	6,000
Semi-annual Coupon Payment	0.00	0.00	0.00	0.00
Early Redemption	0.00	0.00	0.00	0.00
Coupon rate (%)	0.00	16.00	16.0	16.0
Standing Deposit Facility (SDF)	(Percent)			
SDF rate (%)	na	4.00	4.00	4.00
SDF Amount (In Millions LD)	na	19,800.00	10,160.00	0.00
SDF overnight monthly rate (%)	na	na	0.07	0.07
SDF Amount (In Millions LD)	na	na	5,000.00	13,275
Interest Rates				
- Lending rate	12.44	12.44	12.44	12.44
Average Deposit rates				
-Savings	2.10	2.10	2.10	2.10
-Time	3.53	3.53	3.53	3.53

Source: CBL

[^] - with Liquidity Effect where withdrawal (+)/injection (-)¹ - CBL Foreign Exchange Auction includes use of the remittance split to ease the demand for foreign currency

FISCAL SECTOR DEVELOPMENTS

During the month, both government revenue and expenditure increased. Preliminary statistics showed that fiscal operations in December 2019 resulted to a deficit of US\$5.4 million, occasioned by a rise in total government expenditure that outweighed increase in revenue. Total government revenue (including grants) generated in December 2019 increased by 26.3 percent to US\$37.3 million (representing 1.2 percent of the revised 2019 GDP). The rise in government revenue was occasioned by increases in both tax revenue and non-tax revenue. Tax revenue rose by 14.7 percent to US\$28.3 million, while non-tax revenue increased significantly by 85.0 percent to US\$9.0 million, compared with the preceding month. Similarly, total government expenditure increased by 56.7 percent to US\$42.7 million (representing 1.4 percent of GDP). The rise was largely explained by an increase in current expenditure of government.

Total public debt increased marginally by 1.0 percent to US\$1,269.8 million (representing 40.2 percent of GDP). The increase in public debt was driven by a rise in external debt by 1.7 percent which constituted 66.9 percent of total public debt stock at end-December 2019 (Table 5).

Table 5. Fiscal Sector Developments

Fiscal Operations	Dec - 18	Oct - 19	Nov - 19	Dec - 19
	(Millions of USD)			
Government Revenue	37.32	31.47	29.55	37.32
Tax Revenue	31.75	27.44	24.67	28.29
Non-tax Revenue	5.57	4.02	4.88	9.03
Other tax Revenue	0.00	0.00	0.00	0.00
Government Expenditure by Codes	44.09	45.08	27.27	42.74
Current Expenditure	40.03	40.38	24.59	40.30
Capital Expenditure	1.70	0.00	0.01	0.01
Loans, interest and other Payments	2.36	4.70	2.67	2.43
Overall Balance	(6.77)	(13.61)	2.28	1.06
Public Sector Debt	1,039.87	1,248.38	1,256.80	1,269.79
Domestic	265.01	421.20	421.20	419.80
External	774.86	827.18	835.60	849.99

Source: Revenue Department, Expenditure Department and Debt Management Unit, MFD