

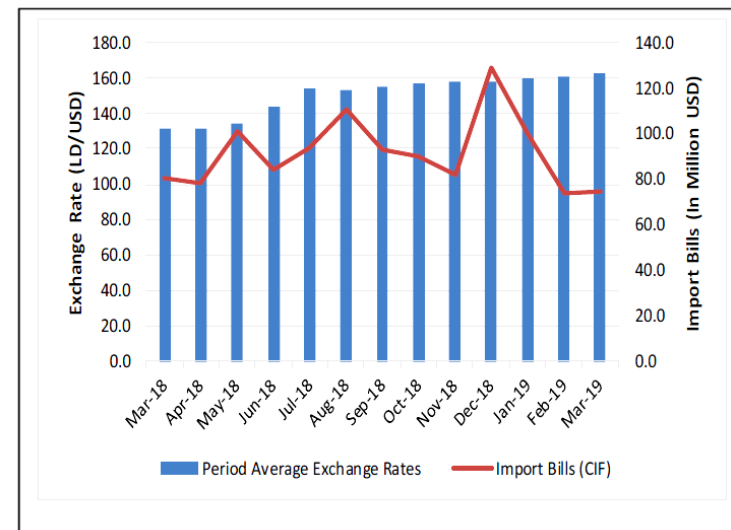


CENTRAL BANK OF LIBERIA (CBL)

MONTHLY ECONOMIC REVIEW

MAR. 2019

VOLUME 5 No. 3



The Monthly Economic Review is produced by the Central Bank of Liberia (CBL). Inquiries concerning this publication should be addressed to:

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Palm oil

Palm oil price dipped in the review month to US\$573.02 per metric ton after a second month rise in February 2019. Compared with the price in the preceding month, the US\$29.95 decline in the price per metric ton of the commodity was driven mainly by weak demand following inventory accumulations from previous months.

Rice

During March 2019, the global price of rice fell to US\$406.00 per metric ton. The 0.5 percent decline in the price of rice was occasioned largely by low demand for the commodity amidst a sudden sharp increase in supply of one of the high grades (Japonica rice).

Sugar

The global price of sugar fell by 3.4 percent during the review month from US\$290.00 per metric ton reported in the previous month. The decline was largely occasioned by increased supply of the commodity than expected.

Cocoa beans

Cocoa beans remained subdued during the month. The price of the commodity fell by 2.7 percent due, in part, to speculation that supply of the commodity would increase, mainly from top West African cocoa suppliers.

Table 7: External Sector Statistics

	Mar- 18	Jan- 19	Feb- 19	Mar- 19
GLOBAL PRICE				
Iron ore (US\$/MT)	70.35	76.16	88.22	86.47
Gold (US\$/Oz)	1,324.66	1,291.75	1,320.07	1,300.90
Crude oil (US\$/BBL)	64.17	56.58	61.13	63.79
Rubber (US\$/MT)	1,760.00	1,590.00	1,650.00	1,720.00
Cocoa Beans (US\$/MT)	2,500.00	2,260.00	2,260.00	2,200.00
Food Price Index (FAO)	173.10	163.90	166.80	167.00
Rice (US\$/MT)	430.00	410.00	408.00	406.00
Palm oil (US\$/MT)	706.19	584.58	602.97	573.02
Sugar (US\$/MT)	280.00	280.00	290.00	280.00

Source: www.indexmundi.com, <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>

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 key sectors (Real, Monetary and External Sectors) of the Liberian economy. It also summarizes the Monetary Policy Stance of the CBL and developments in exchange rates as well as consumer prices in the West African Monetary Zone (WAMZ).

OVERVIEW

Production of key commodities in the Liberian economy in March 2019 showed increases in outputs compared with the level of production in the preceding month. Outputs from the mining sector recovered during the month due to rise in production of gold, diamond and iron ore. Headline inflation for the month also inched up due to increases in prices of all major inflation groups in the commodity basket.

Broad money (M2) rose during the month mainly on the back of increases in currency outside banks, demand deposits, and time & savings deposits. Net domestic assets expanded as a result of increases in net credits to government and the private sector. Disaggregation of commercial banks' loans to the private sector by currency showed that both United States dollar and Liberian dollar loans rose during the month compared to loans in the previous month. Performance of the banking sector remained resilient evidenced by key financial soundness indicators

Trade deficit improved during the month, occasioned by increased export earnings. Export earnings inched up on account of growth in receipts from the mining sector. Import bills during the month also saw moderate increase on the back of surge in payments for food and live animals (including animals and vegetable oil).

Gross foreign reserves position remained relatively stable during the month compared with the preceding month. Given the upturn in import payments during the month, month of import cover dropped compared with the previous month. Both the average and end-of-period exchange rates of the Liberian dollar depreciated against the United States dollar during the month.

REAL SECTOR & PRICE DEVELOPMENTS

Production Analyses of Key Commodities

Analyses of the production of key commodities in the third month of 2019 showed upward trends compared with outputs in the previous month. Outputs of all commodities (mainly cement, gold, diamond, iron ore and beverages) increased, except rubber that declined.

Compared with February 2019, cement output rose by 15.9 percent to 43,913 metric tons, mainly due to continued increase in demand for the commodity owing to growing construction works. Outputs from the mining sector recovered during the month with gold production rising by 17.9 percent on the back of pick up in mining activity in the industrial gold mine that slowed down in the previous month. Output of diamond, on the other hand, recovered from a previous 24.8 percent fall to 6.3 percent in the month under review. Iron ore production inched up by 9.3 percent largely due to anticipated increase in the global price of the commodity. Beverages recorded 15.4 percent increase during the month, largely due to increase in production of alcoholic beverages.

Consumer Prices

In March 2019, year-on-year inflation rose by 3.8 percentage points to 25.8 percent, from 22.0 percent recorded in February 2019. The rise in inflation was attributed to increase in prices of all major groups in the commodity basket, including restaurants and hotels, alcoholic beverages and communications. The reported increase in inflation arising from restaurants and hotels as well as communications and alcoholic beverages groups were largely driven by exchange rate depreciation.

On a month-on-month basis, the rate of inflation reached 5.3 percent in March 2019 from negative 0.5 percent reported in February 2019. The major drivers for month-on-month rate of inflation were increased costs of food & non-alcoholic beverages and restaurants & hotels items.

GLOBAL COMMODITY PRICE DEVELOPMENTS

Iron ore

Global price of iron ore fell in March 2019 after two consecutive increases. The price of the commodity declined by 2.0 percent to US\$86.47 per metric ton, from the price reported in the previous month due to decline in demand for the commodity owing to fall in prices of steel product.

Gold

Gold price in March 2019 lowered by 1.5 percent to US\$1,300.90 per ounce compared with price in the previous month. The fall in the price of the commodity was due mainly to slower demand for the commodity mainly from the Middle East.

Crude oil price

The price of crude oil continued to rise since the start of the year. During the reporting month, the price of the commodity rose by 4.4 percent compared with the price in the previous month. The decision by the Organization of Petroleum Exporting Countries (OPEC) and other oil producing countries to cut supply of the commodity continues to be the major cause of the rise in price of the commodity.

Rubber

Global price of rubber in the review month increased by 4.2 percent to US\$1,720.00 per metric ton compared with the price reported in the preceding month. The increase in the price of the commodity was due to increase in demand for the commodity mainly from India.

Food Price (FAO)¹

In March 2019, average global food price remained relatively stable; occasioned by declines in prices of cereal, vegetable oil and sugar that offset the increase in dairy price.

¹ FAO Food Price Index is a measure of the monthly change in international prices of a basket of five commodity food groups. See: <http://www.fao.org/worldfoodsituation/foodpricesindex/en/>

Table 6: External Sector Statistics cont'd

	Mar-18	Jan-19	Feb-19	Mar-19
EXTERNAL SECTOR				
External Trade (Value)	(Millions of USD)			
Food and Live Animals (including Animal and vegetable oil)	26.32	33.06	10.51	18.14
-O/w Commercial Rice	18.46	19.31	0.88	1.27
-O/w Non-commercial Rice	0.40	0.09	0.95	0.68
Machinery & Transport Equipment	23.03	17.32	16.60	18.40
Manufactured goods classified as materials	6.63	10.00	12.34	14.52
Trade Balance	(22.24)	(40.63)	(19.31)	(16.65)
Import (C.I.F)	101.27	100.39	73.50	74.61
External Trade (Volume)				
-Rubber (MT)	5,792	8,082	8,524	3,828
-Iron Ore (MT)	314,104	551,130	506,301	489,298
-Commercial Rice (MT)	101,118.2 [†]	136,490.3 [±]	7,745.4 [±]	11,264.3 [±]
-Non-commercial Rice (MT)	1,188	76 [±]	717	426
- Petroleum Products (MT)	2,807	24,358	18,622	3,727
-Cocoa Beans (MT)	25	0.0 [±]	3,655	0.0 [±]
-Palm Oil (MT)	21,661	1,797	1,251	295
-Gold (Oz)	15,873	15,908	15,676	18,476
-Diamond (Crt)	10,549	5,653	4,252	4,518

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

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

† - Revised

± - Estimate

± - Not Available (na)

Gross Foreign Reserves (Including SDR Holdings plus Reserve tranche)

The gross foreign reserves position at end-March 2019 stood at US\$398.3 million, remaining relatively stable compared with the stock recorded in the preceding month. The relative stability in gross reserves coupled with a slight rise in payments for imports during the month resulted to an estimated 3.7 months of import cover which is slightly lower than the previous month.

Table 1: Production and Price Statistics

	Mar-18	Jan-19	Feb-19	Mar-19
REAL SECTOR DATA	<i>(In units as may be specified)</i>			
Production	<i>(In Metric tons, carat and Ounces)</i>			
Iron Ore (Metric ton)	469,047	474,420	412,311	450,822
Gold (Ounces)	16,109	15,908	15,676	18,475
Diamond (Carat)	10,549	5,653	4,252	4,518
Rubber (Metric ton)	5,792	8,082	8,524	3,828
Cement (Metric ton)	37,980	36,442	37,897	43,913
Beverages	<i>(In Liters)</i>			
Alcoholic	497,147	1,069,763	820,047	1,054,194
Non-Alcoholic	931,039	1,022,808	862,078	886,185
Total Beverages Production	1,428,186	2,092,571	1,682,125	1,940,379
Inflation	(In percent)			
Overall (Year-on-year) Rate of Inflation	19.52	23.28	22.00	25.79
a. Food and Non-alcoholic Beverages Inflation	17.40	30.17	27.61	23.40
- Domestic Food Inflation	19.80	36.04	31.56	28.96.0
- Imported Food Inflation	15.67	24.38	23.56	18.36
b. Transport Inflation	30.79	25.37	20.46	22.48
c. Imported Fuels Inflation	28.08	35.16	33.70	33.22
Overall (Month-on-Month) Rate of Inflation	2.08	-1.77	-0.49	5.25
Core Inflation	<i>(In percent)</i>			
Inflation excluding Food & Non-alcoholic Beverages	20.74	19.72	19.09	27.03
Inflation excluding Imported Food	20.57	22.71	21.31	27.38
Inflation excluding Domestic Food	18.32	15.45	14.69	19.43
Inflation excluding Food and Transport	19.12	18.78	18.79	27.59

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

† Revised; ± Estimate

MONETARY DEVELOPMENTS

Monetary Policy Stance

The monetary policy stance of the CBL remained focused on price stability through broad exchange rate stability. In addition to the statutory reserves requirements for commercial banks that remained enforced, other monetary policy instruments used by the CBL to carry out monetary policy operations were the foreign exchange auction, the CBL indexed bills and the standing deposits facilities (SDF).

Monetary Aggregates

Broad money supply (M2) at end-March 2019 expanded by 3.7 percent to L\$108,182.07 million, from L\$104,337.40 million recorded at end-February 2019. The growth in M2 was mainly prompted by 5.1 percent growth in currency outside banks as well as 2.1 percent, 5.3 percent and 70.1 percent growths in demand deposits, time & savings deposits and other deposits, respectively. Currency outside banks grew as a result of growth in currency in circulation. Compared with the same month a year ago, M2 surged by 24.4 percent due to a 9.9 percent growth in currency outside the banking system, 29.7 percent rise in demand deposits and 25.3 percent expansion in time & savings deposits.

The increase in M2, from the assets side, was due to growth in net domestic assets (NDA) which rose by 5.1 percent at end-March 2019. The rise in NDA was prompted by 8.9 percent expansion in net credit to government, 3.2 percent increase in credits to private sector including credits to other financial corporations (OFCs). Net foreign assets (NFA) slowed down by 11.1 percent due to falls in foreign assets of both the Central Bank and commercial banks. The NFA of CBL reduced by 30.0 percent, occasioned by decline in the Bank's placement abroad, while those of commercial banks slumped by 6.7 percent. On a year-on-year basis, NDAs expanded by 53.4 percent, while NFAs contracted by 50.3 percent.

The share of commercial banks' loans to private sector in both United States (US) dollar and Liberian dollar rose during the month. US dollar credits inched up by 0.3 percent to US\$413.2 million, from US\$412.1 million reported in the preceding month, due to moderate growth mainly in credit to the extractive sector, while the Liberian dollar component of credits to private sector rose by 11.1 percent to L\$6,377.9 million compared with credits in the previous month, due to expansions in loans extended to extractive, construction and trade sectors of the economy. Compared with credits extended to the private sector in the same month a year ago, Liberian dollar credits surged by 56.8 percent, while the US dollar increased by 6.7 percent.

volume of the commodity from mines.

Europe (especially Switzerland) and Asia (mainly China) were the two leading destinations of exports during the month. Export to Switzerland alone represented 54.9 percent of earnings from that region, while China recorded 54.1 percent of earnings from Asia.

Imports (FOB)

Payments for merchandise imports took an upturn during the month under review to US\$66.65 million. Amid the mix trends in payments for key commodities groups, the marginal rise was mainly occasioned by increase in import bills for food & live animals (including animals and vegetable oil). Payments for food & live animals (including animals and vegetable oil) surged by 72.7 percent, occasioned by speculation that demand for the commodity groups will continue to rise. Most of the commodities were imported by frozen food companies, supermarkets among others.

The top three regions dominating sources of merchandise imports to Liberia during the month were Asia, Europe and North America. Imports from Asia constituted 57.9 percent of total import bills with China recording a large proportion of imports from that region. Europe (mainly Spain) came second with USA making up the largest share of imports from North America.

Table 6: External Sector Statistics

	Mar- 18	Jan- 19	Feb- 19	Mar- 19
EXTERNAL SECTOR				
External Trade (Value)	(Millions of US\$)			
Exports¹	50.10	49.20	47.30	50.00
- O/w Iron Ore	13.41	20.26	19.91	20.11
- O/w Rubber	20.04	8.67	9.51	4.97
- O/w Mineral	19.54	17.84	16.00	19.27
-o/w Cocoa Bean	0.02	0.00	0.13	0.00
-o/w Palm Oil	0.72	0.89	0.44	0.04
Imports (F.O.B)¹	72.34	89.83	66.61	66.65
Minerals, Fuel, Lubricants	7.77	16.00	14.82	3.34
-O/w Petroleum Products	5.31	13.14	10.30	0.70

Table 5. Financial Market and Interest Rates Statistics cont'd

	Mar- 18	Jan- 19	Feb- 19	Mar- 19
CBL indexed Bills	(Millions of LD)			
Bills issued	0.00	0.00	375.00	135.93
Coupon rate (%)	0.00	0.00	7.00	7.00
CBL Foreign Exchange Auction				
US Dollar Amount Sold	1.89	6.00	0.00	1.20
Total Subscription	2.00	6.00	0.00	1.20
Over (+)- / Under (-) Subscription	0.11	0.00	0.00	0.00
Personal Remittances	(Millions of USD)			
Inflows	49.59	25.73	22.94	31.89
Outflows	31.95	16.34	10.02	7.04
Net flows	17.64	9.40	12.93	24.85
Interest Rates	(Percent)			
- Lending rate	13.14	12.44	12.44	12.44
Average Deposit rates				
-Savings	2.23	2.10	2.10	2.10
-Time	3.64	3.53	3.53	3.53
Standing Deposit Facility (SDF)				
SDF rate (%)	0.00	0.00	0.00	4.00
SDF Amount (In Millions LD)	0.00	0.00	0.00	260.00

Source: CBL

^ - with Liquidity Effect

EXTERNAL SECTOR DEVELOPMENTS

Merchandise Trade

During the month under review, both export receipts and import bills increased, but the rise in export earnings outweighed the moderate increase in import bills, leading to an improvement in trade deficit by 13.8 percent to US\$16.7 million, from the deficit recorded in the previous month.

Exports

Preliminary statistics on earnings from merchandise exports in March 2019 stood at US\$50.0 million, a 5.7 percent rise over the earnings reported in the previous month. The increase in earnings during the month was mainly attributed to surge in receipts from minerals (especially gold) and iron ore. The rise in earnings from gold during the

Table 2: Monetary Aggregates

	Mar- 18	Jan- 19	Feb- 19	Mar- 19
Monetary	(In Millions)			
CBL Net Foreign Exchange Reserves Position (Including SDRs) [‡] - (USD)	188.12	159.41	149.58	150.19
CBL Gross Foreign Reserves (including SDRs) - (USD)	438.72	407.51	397.68	398.29
Liberian Dollars in Circulation - (LD)	16,692.59	18,454.51	18,044.11	18,693.93
Money Supply (M1) in LD only	22,572.72	26,018.15	24,758.84	26,201.14
Broad money (M2) in LD only	30,158.11	33,757.90	32,815.71	34,325.94
Broad money (M2) (both LD and USD) Converted to LD	87,003.69	125,678.28	104,337.43	108,182.07
Net Foreign Assets (NFA) – LD	24,248.38	18,456.63	13,567.03	12,056.61
Net Domestic Assets (NDA) – LD	62,676.41	107,221.65	90,770.40	96,125.45
	(In percent)			
Liberian Dollar share of Broad Money	34.66	26.86	31.45	31.73
Loans to Private Sector	(In Millions)			
Commercial banks loans to private sector - USD	387.43	412.10	412.12	413.24
Commercial banks loans to private sector - LD	4,068.96	5,852.58	5,740.95	6,377.94
Demand Deposits of commercial banks				
Demand deposits - USD	272.79	371.94	275.01	275.99
Demand deposits - LD	6,943.52	9,729.12	8,346.53	8,956.11
Time & savings deposits - USD	173.33	203.96	169.10	178.89
Time & savings deposits - LD	7,524.74	7,679.17	7,984.64	8,068.15
Other Deposits**				
Actual US\$ component of other deposits	1.31	0.51	0.00	0.41
Liberian \$ component of other deposits	60.66	60.59	72.23	56.65

Source: CBL

[‡] - Reserves excluding ECF borrowing from the IMF; ** - Other Deposits Including Official and Manager Checks; ± - Estimate

EXCHANGE RATE DEVELOPMENTS

The end-of-period (EOP) and average exchange rates of the Liberian dollar against the US dollar slightly depreciated in March 2019 compared with the rates in the preceding month. The end-of-period exchange rate depreciated by 0.9 percent to L\$163.05/US\$1.00 and the average exchange rate depreciated by 0.7 percent to L\$162.22/US\$1.00, on the back of high foreign exchange (FX) demand in the economy. Compared with the figure reported a year ago, the EOP and average exchange rates depreciated by 25.2 percent and 27.7 percent, respectively.

A review of exchange rate developments in the West African Monetary Zone (WAMZ) showed that the Ghanaian cedi appreciated, the Guinean franc and the Nigerian naira remained relatively stable at GNF9,105.83/US\$1.00 and ₦306.45/US\$1.00, respectively, while the Gambian dalasi, the Sierra Leonean leone and the Liberian dollar depreciated during the month. The Ghanaian cedi appreciated by 1.6 percent, while the Gambian dalasi and the Sierra Leonean leone depreciated by 3.2 percent, and 1.4 percent, respectively. Compared with the same month a year ago, all currencies in the Zone depreciated relative to the United States dollar with the lowest depreciation recorded for the Nigerian naira and the highest, for the Liberian dollar (See Table 3).

Table 3: Exchange Rates: Official and WAMZ Countries End-of-Period Exchange Rates against the US Dollar

Rate & Currency	Mar-18	Jan-19	Feb-19	Mar-19	Appr (-)/Depr (+)	
					MoM	YoY
Exchange Rate	LD/USD				Percent change	
End of Period	130.21	160.81	161.64	163.05	0.87	25.22
Period Average	127.05	159.47	161.05	162.22	0.73	27.68
Currency	Currency per USD					
GHC	4.40	4.95	5.16	5.08	(1.55)	15.45
GMD	46.76	48.95	48.03	49.56	3.19	5.99
GNF	8,995.13	9,095.67	9,107.69	9,105.83	(0.02)	1.23
NGN	305.15	306.25	306.35	306.45	0.03	0.43
SLL	7,546.79	8,453.57	8,556.26	8,675.70	1.40	14.96

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

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

BANKING SECTOR DEVELOPMENTS

Even though the performance of the banking sector was resilient during March 2019, returns on assets of the sector remained low and nonperforming loans (NPLs) increased by 3.0 percent.

The sector's capital adequacy ratio (CAR), liquidity ratio and returns on equity increased during the review month. CAR inched up by 30.0 basis points above the ratio reported in February 2019, while LR fell slightly by 21.0 basis point to 38.0 percent. Returns on equity rose by 1.3 percentage points, compared with the previous month.

Total (gross) loans rose during the month by 1.9 percent to L\$76.18 billion, while NPLs increased by 6.2 percentage points compared with the previous month (See Table 4).

Table 4: Selected Financial Soundness Indicators, FSIs

	Mar-18	Jan-19	Feb-19	Mar-19
Financial Soundness Indicators (FSI)	<i>(In percent)</i>			
Capital Adequacy Ratio (CAR)***	35.14	27.22	27.22	27.52
Non-performing Loans to Total Gross Loans (ratio)	17.00	13.76	13.54	13.69
Total Gross Loans (In Billion L\$)	57.90	75.97	74.76	76.18
Non-performing Loans (% change)	12.30	6.15	-3.18	3.03
Returns on Assets (ROA)	0.12	0.17	0.34	0.59
Returns on Equity (ROE)	0.77	0.97	1.92	3.26
Liquidity Ratio****	47.60	38.12	38.22	38.01

Source: CBL

*** - The Minimum Capital Adequacy Ratio is 10%

**** - The Required Minimum Liquidity Ratio is 15%

FINANCIAL MARKET DEVELOPMENTS

During the month of March 2019, there were no issuances and redemption of Treasury bills. The total CBL-indexed bills sold was L\$135.9 million, while total SDF issued was L\$260.00 million. The interest rates on the CBL-indexed bills and the SDF were 7 percent and 4 percent, respectively (See Table 5).

Table 5. Financial Market and Interest Rates Statistics

	Mar-18	Jan-19	Feb-19	Mar-19
Treasury Securities	<i>(Millions of LD)</i>			
T- Bills Issued	-63.43	-56.68	-80.40	0.00
T- Bills Redeemed	18.83	77.73	78.36	0.00
Net Treasury Bills Operations^	-44.60	21.05	-2.05	0.00
Ave. Weighted Discount Rate_T Bills	2.91	5.00	3.76	0.00