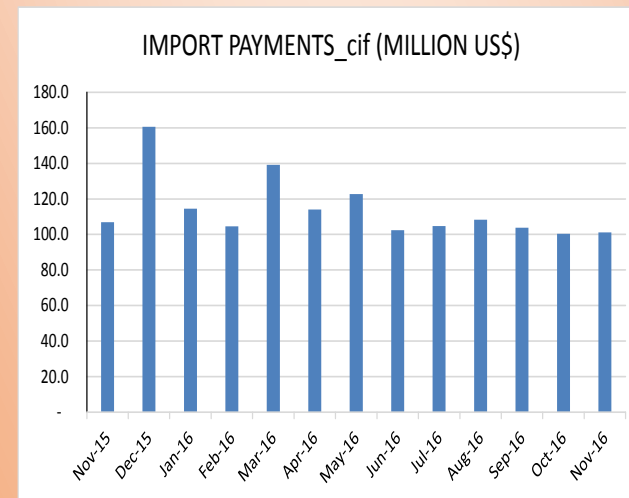




# CENTRAL BANK OF LIBERIA (CBL)

**MONTHLY  
ECONOMIC REVIEW**

**Nov. 2016  
VOLUME 2 No. 11**



The Monthly Economic Review is produced by the Bank's Research, Policy & Planning Department. Inquiries concerning this publication should be addressed to:

**The Director**  
 Research, Policy & Planning Department  
 Central Bank of Liberia  
 P. O. Box 2048

Ashmun & Lynch Streets, Monrovia, Liberia  
 Contacts: +231-880-649103/886-246587/555-960556  
 Fax: 00(231)77059642

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

Currency	Oct - 16	Nov - 16	
	Curr. Unit./US\$1	Curr Unit./US\$1	M-on-M Rate of Appr. (-)/Depr. (+)
LRD	98.50	100.50	2.0
GHC	3.96	3.98	0.5
GMD	49.86	43.65	-12.5
GNF	9,048.48	9,079.81	0.3
NGN	305.00	304.75	-0.1
SLL	7,037.65	7,212.02	2.5

Sources: Central Banks of Liberia and WAMA: [www.amao-wama.org/en/exchange.aspx](http://www.amao-wama.org/en/exchange.aspx) and [www.amao-wama.org/](http://www.amao-wama.org/)  
 LRD—Liberian Dollar  
 GHC—Ghanaian Cedi  
 GMD—Gambian Dalasi  
 GNF—Guinean Franc  
 NGN—Nigerian Naira  
 SLL—Sierra Leonean Leone

	Aug-16	Sep-16	Oct-16	Nov-16
<b>10</b>				
<b>Inflation</b>	<i>(In percent)</i>			
<b>Overall (Year-on-year) Rate of Inflation</b>	<b>9.9</b>	<b>8.5</b>	<b>9.9</b>	<b>12.0</b>
a. Food and Non-alcoholic Beverages Inflation	10.8	9.8	11.7	14.4
- Domestic Food Inflation	14.1	8.6	6.6	12.7
- Imported Food Inflation	7.8	11.1	17.0	16.1
b. Transport Inflation	14.7	20.0	20.4	23.1
c. Imported Fuels Inflation	1.1	2.2	3.8	8.0
<b>Overall (Month-on-Month) Rate of Inflation</b>	<b>0.5</b>	<b>0.5</b>	<b>1.6</b>	<b>0.5</b>
<b>Core Inflation</b>				
Inflation excluding Food & Non-alcoholic Beverages	8.8	6.9	7.9	9.3
Inflation excluding Imported Food	10.7	7.5	7.4	10.6
Inflation excluding Domestic Food	8.4	8.4	11.2	11.8
Inflation excluding Food and Transport	7.6	4.5	5.7	6.9
<b>Production</b>	<i>(Metric Tons)</i>			
Iron Ore	95,518	139,195	77,679	0
Rubber	5,519	2,218	2902	1,956
Cement	13,196	12,168	14,272	16,747
<b>Beverages</b>	<i>(In Litres)</i>			
Alcoholic	1,290,898	1,113,927	930,038†	994,105
Non-Alcoholic	820,881	645,895	569,002†	562,968
<b>11</b>				
<b>Int'l Commodity Prices</b>	<i>US\$/Unit</i>			
Iron Ore (US\$ /MT)	60.5	56.7	58.0	72.3
Rubber (US\$/MT)	1,653.0	1,604.5	1,666.69	1,879.9
Crude Oil (US\$/Barrel)/1	44.8	45.1	49.3	45.3
Rice (US\$/MT)	414.2	384.0	367.7	360.8

\* 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%

‡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

^With liquidity Effect

## REAL SECTOR & PRICE DEVELOPMENTS

### Production

Production of major commodities in the economy depicts mixed result for the period ended-November, 2016.

Cement production for the month ended-November, 2016 surged to 16,747 metric tons, from 14,272 metric tons produced in the previous month. The rise in output was due to the pickup in construction activities which was partly due to the end of the rainy season. Beverages output during the month increased by 3.9 percent to 1.55 million liters, from 1.50 million liters produced during the previous month. Iron ore produced during the reviewed month was zero metric tons, from 77,679 metric tons produced in October, 2016. The lack of production of the commodity was due to holding of stock. Rubber output slumped by 33 percent or 946 metric tons when compared to the preceding period. The decline in production was as a result of decline in production by small farm holders.

### Consumer Prices

Headline inflation, during November, 2016, rose by 2.2 percentage points to 12.0 percent, up from 9.8 percent a year ago. The rise in inflation was mainly explained by the depreciation of the Liberian dollars that negatively affected the prices of food and non-alcoholic beverages; alcoholic beverages, tobacco and narcotics; transport; communication; and restaurant and hotels.

On a Month-on-month basis, the rate of inflation declined by 1.1 percentage points, to 0.5 percent, down from 1.6 percent in the previous month. The monthly decrease in inflation was driven by slump in food inflation and non-alcoholic beverages; alcoholic beverages, tobacco and narcotics; health; recreation and culture; and restaurants and hotels.

## MONETARY DEVELOPMENTS

### Monetary Policy Stance

The monetary policy stance during the reporting month remained anchored on price stability through broad exchange rate stability. As was the case of the previous month, there were no foreign exchange auction during the reporting month, the Treasury Bills was the only available tool used by the CBL to help stabilize the exchange rate.

## Monetary Aggregates and Credit

Broad money supply (M2) at end-November, 2016 expanded by 0.9 percent to L\$62,507.7 million, from L\$61,935.0 million as was recorded during the preceding month. This rise was due to a 2.8 percent growth in Narrow Money Supply (M1) resulting from increases in both currency outside bank and demand deposit by 8.9 percent and 1.0 percent, respectively.

Net foreign assets (NFA) for November, 2016 declined by 6.2 percent to US\$30,513.3 million, from L\$32,538.2 million. The decline was due to a 26.9 percent contraction in the assets of Banking Institutions. The net domestic assets (NDA), on the other hand, grew by 8.8 percent to US\$31,994.4 million from US\$29,396.8 million, on the back of a 2.1 percent rise in domestic credit which resulted from a 5.3 percent increase in credit to the private sector

Commercial bank loans to private sector in US dollars increased by 6.1 percent to US\$368.2 million, from US\$346.9 million when compared with the previous month. The Liberian dollars share of loans to private sector also rose by 7.2 percent to L\$2,763.5 million, from L\$2,577.6 million.

## Exchange Rate

At end-November, 2016, the average exchange rate between the domestic currency and the United States dollar depreciated by 1.2 percent to L\$99.6/US\$1.00, from L\$98.4/US\$1.00 a month ago, while the end-of-period exchange rate depreciated by 2.0 percent to L\$100.5/US\$1.00, from L\$98.5/US\$1.00. Year-on-year analysis showed that the average exchange rate depreciated by 13.8 percent against the US dollars. The continued depreciation of the domestic currency has been triggered by the swelling demand for US dollars in the economy.

In the West African Monetary Zone (WAMZ), the end-of-month exchange rates showed that two currencies appreciated and six depreciated against the US dollar. The Gambian Dalasi and the Nigerian Naira appreciated by 12.5 and 0.1 percent, respectively; while the Sierra Leonean Leone, the Liberian dollar, Ghanaian Cedis and the Guinean Franc depreciated by 2.5, 2.0, 0.5 and 0.3 percent, respectively (Table 2). The global price shocks continued to be the most likely driver of the depreciation of the sub-Regional currencies.

		16-Aug	16-Sep	16-Oct	16-Nov
<b>6</b>	<b>Financial Soundness Indicators (FSI)</b>	<b>(In percent)</b>			
	Capital Adequacy Ratio (CAR)***	20.8†	20.6†	21.4	21.4
	Non-performing Loans to Total Loans	13.5	11.4	11.8	18.5
	Non-performing Loans (% change)	-7.5†	12.8†	13.4	N/A
	Returns on Assets (ROA)	0.7†	0.9	1.1	0.3
	Returns on Equity (ROE)	5.1†	6.3†	7.8	1.8
	Liquidity Ratio****	40.9	39.8	36.8	54.1
<b>7</b>	<b>Fiscal Operations</b>				
<b>7a</b>	<b>Revenue, Expenditure &amp; Debt</b>	<b>(Millions of US\$)</b>			
	Actual Revenue & Grants	31.4	33.3	33.2	38.2
	Projected Revenue & Grants	35.5	37.1	32.1	32.6
	<b>Expenditure</b>	<b>22.7†</b>	<b>40.8</b>	<b>23.5</b>	<b>29.0</b>
	<b>Public Debt Stock</b>	<b>746.7</b>	<b>748.8</b>	<b>755.6</b>	<b>769.7</b>
	Domestic	269.0	268.4	268.4	268.3
	External	477.7	480.4	487.2	501.4
<b>7b</b>	<b>Treasury Securities</b>	<b>(Millions of L\$)</b>			
	T- Bills Issued	-46.8	-48.8	-97.5	-49.0
	T- Bills Redeemed	45.3	45.8	47.3	46.8
	Net GoL Treasury Bills Operations^	<b>-1.5</b>	<b>-3.0</b>	<b>-50.2</b>	<b>-2.2</b>
	Ave. Weighted Discount Rate_T Bills	3.0	2.9	2.9	3.3
	Bond Issued (2 yrs.) amount in Billion	0	2.4	0.0	0.0
	T- Bond Issued		-1.7	0.0	0.0
	Net GoL Treasury Bond Operations^		-1.7	0.0	0.0
	Ave. Weighted Discount Rate_T Bond	0	14.5	0.0	0.0
<b>8</b>	<b>External Trade (Value)</b>	<b>(Millions of US\$)</b>			
<b>8a</b>	<b>Exports/1</b>	<b>12.7±</b>	<b>12.7</b>	<b>12.5</b>	<b>10.2</b>
	- O/w Iron Ore	1.9	2.9	3.8	2.2
	- O/w Rubber	7.2	2.9	6.6	2.9
	- O/w Mineral	2.7±	2.4	0.9	2.0
<b>8b</b>	<b>Imports (F.O.B)/1</b>	<b>99.1</b>	<b>94.9</b>	<b>92.4</b>	<b>93.9</b>
	-O/w Petroleum Products	17.8	16.7	21.4	26.3
	-O/w Commercial Rice	4.9	15.3	19.0	14.4
	-O/w Non-commercial Rice	0.08	0.4	0.0	0.2
	Import (C.I.F)	<b>108.3</b>	<b>103.8</b>	<b>100.4</b>	<b>101.2</b>
	Trade Balance (F.O.B.)	-86.4	-82.2	-79.9	-83.7
<b>9</b>	<b>External Trade (Volume)</b>	<b>(Metric Tons)</b>			
	- Rubber	5,519.20	2,217.60	2,902.10	1,956
	-Iron Ore	95,517.80	139,195.10	77,678.60	82,250
	-Commercial Rice	107,284.10	334,989.10	415,342.70	316,160
	-Non-commercial Rice	465.2	2,325.70	116.3	843
	- Petroleum Products	7,741.60	7,882.20	10,615.60	12,215

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

**Table 1: Fact Sheet**

	Aug-16	Sep-16	Oct-16	Nov-16
<b>1 Monetary</b>	<i>(Millions of US\$)</i>			
CBL Net Foreign Exchange Reserves Position (Including SDRs) <sup>‡</sup>	166.0	166.2	164.8	168.8
CBL Gross Foreign Reserves (excluding SDRs)	275.5	265.2	246.1	250.8
Liberian Dollars in Circulation	9,779.9	9,711.3	9,939.8	10,830.9
Money Supply (M1) in L\$ only	13,288.9	13,307.1	13,472.6	14,042.7
Broad money (M2) in L\$ only	18,709.7	18,933.7	19,271.1	19,551.7
Broad money (M2) in both L\$ and US\$*	62,711.3	62,922.1	61,935.0	62,507.7
	<i>(In percent)</i>			
Liberian Dollar share of Broad Money	29.8	30.1	31.1	31.3
Interest Rates				
- Lending rate	13.7	13.7	13.7	13.3
-Average Deposit rates				
-Savings	2.0	2.0	2.0	2.2
-Time	3.8	3.9	3.4	3.4
Commercial banks loans to private sector - US\$	331.1	344.4	346.9	368.2
Commercial banks loans to private sector - L\$	2,601.9	2,670.7	2,577.6	2,763.5
- Demand Deposits of commercial banks				
Demand deposits - US\$	292.0	286.3	266.8	269.0
Demand deposits - L\$	4,490.8	4,466.4	4,354.8	4,110.9
- Time & Savings Deposits of commercial banks				
Time & savings deposits - US\$	163.9	164.8	161.5	162.32
Time & savings deposits - L\$	5,400.3	5,616.6	5,787.4	5,497.0
- Other Deposits**				
Actual US\$ component of other deposits	0.9	0.0	5.3	0.1
Liberian \$ component of other deposits	20.4	10.1	11.1	12.0
<b>2 CBL's Foreign Exchange Auction</b>	<i>(Millions of US\$)</i>			
US Dollar Amount Sold	2.0	2.0	0.0	0.0
Total Subscription	4.8	7.8	0.0	0.0
Over(+)- / Under(-) Subscription	2.8	5.8	0.0	0.0
<b>3 CBL Bills Auction</b>	<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
<b>4 Personal Remittances</b>	<i>(Millions of US\$)</i>			
Inflows	61.0	36.0	71.3	32.3
Outflows	30.7	16.0	15.1	52.3
<b>Net flows</b>	30.2	20.0	56.1	-20.0
<b>5 Exchange Rate</b>				
End of Period	97.5	97.5	98.5	100.5
Period Average	96.3	97.5	98.4	99.6

**Money Market Developments**

During the month in review, T-bill issuance declined by nearly 50 percent to L\$49.0 million below the preceding month. Redemption in the month also declined resulting into a net withdrawal of L\$\$2.2 million from the economy. The decline in T-bill issued was mainly triggered by the incompetitiveness of the bills as the result of lower yield. The average weighted discount rate (average yield) for the month was recorded at 3.3, far below the lending rate. (See Table 1).

**Banking Sector Developments**

Statistics on banking sector's operations show that the sector remained robust, but suffered increased non-performing loan which largely affects returns to asset and equity simultaneously. Liquid asset in the sector rose by 17.3 percentage point to 54.1 percent, from 36.8 percent, while unpaid loan to total loans rose by 56.9 percent. Domestic variables such as unstable exchange rate and high operational cost continued to affect the sector.

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

Fiscal operations in November, 2016, resulted in a surplus of US\$9.2 million, down from a surplus of US\$9.7 million recorded in the previous month, mainly explained by month-on-month 14.9 percent increase in actual revenue and grants that outweighed the 23.4 percent growth in total public expenditure. Tax and non-tax revenue & grants constituted 66.0 percent and 34.0 percent of total revenue and grants, respectively. Actual revenue and grants rose above budgetary projections during the month by US\$5.6 million or 17.1 percent. Recurrent expenditure accounted for about 99.9 percent of total public expenditure for the review month.

Liberia's public debt stock at end-November, 2016, stood at US\$769.7 million, increasing by 1.9 percent against the stock of US\$755.7 million recorded in the preceding month, mainly explained by 2.9 percent growth in external debt stock during the review period. Domestic and external debt stocks constituted 34.9 percent and 65.1 percent of Liberia's total public debt stock at end-November, 2016, respectively (Table 1).

**EXTERNAL SECTOR DEVELOPMENTS****Merchandise Trade**

During the month ended-November, 2016, merchandise trade balance worsened

slightly by 4.8 percent after three consecutive months of improvements, showing an estimated deficit of US\$83.7 million. The worsening trade balance during the month was attributed to 18.4 percent slump in exports receipts as payments for imports rose by 1.6 percent (Table 1).

### Exports

Preliminary statistics on export receipt at end-November, 2016 fell significantly by 18.4 percent to US\$10.2 million when compared to the preceding month. The fall in export receipts was largely on the back of decreases in the major export commodities; notably rubber (by 56.4 percent) and iron ore (by 42.3 percent). (Table 1)

### Imports

Import payments (f.o.b) during the month ended-November, 2016 showed a slight rise in payments to US\$93.9 million, from US\$92.4 million reported for the preceding month. The 1.6 percent rise in import payments during the month was chiefly on account of rise in payments for mineral, fuel and lubricants related products (especially petroleum) (Table 1)

### Global Commodity Price Review

Average global commodity price declined during the month ended-November, 2016 by 1.2 percent, from a peak of 5.7 percent in the previous month. The 6.9 percentage points fall in the commodity price index was largely explained by a considerable decline in energy price.

### Iron ore

At end-November, 2016, Iron ore price surged by 24.7 percent, the highest increase in 2016. The price rose to US\$72.3 per metric ton, from US\$58.0 per metric ton recorded in the preceding month on account of increasing demand for steel (Table 1).

### Rubber (natural)

Rubber price rose further by 12.8 percent, from US\$1,666.7 per metric ton as was reported in the previous month to US\$1,879.9 per metric ton at end-November, 2016. The rising trend in the price of the commodity for the first two months in the last quarter of 2016 has been on the back of speculation of supply shortage based on decision by major rubber producing economies to cut down on production.

### Petroleum (Crude Oil)<sup>1</sup>

During the month ended-November, 2016, the price of petroleum slumped by 8.1 percent to US\$45.3 per barrels, from US\$49.3 per barrel during the previous month. The sudden slump in the price of the product was on the back of excess supply of the commodity ahead of decision to cut down on production.

### Gold

The global price of Gold stood at US\$1,238.4 per ounce at end-November, 2016, from US\$1,266.3 per ounce during the preceding month. The 2.2 percent fall in the price of the commodity has been attributed to speculation of rising public spending in the USA.

### Food (Rice)

During the review period, the international food price plummeted due to much higher decline in sugar, meat and cereal prices. In line with the fall in global cereal price, rice price slumped by 1.9 percent to US\$360.8 per metric ton, from US\$367.7 per metric ton recorded during the previous month. The continuous decline in the price of rice has been due to increased supply of the commodity as against slowing demand.

### Gross Foreign Reserves

At end-November, 2016, gross foreign reserves (excluding SDR<sup>2</sup> holdings) of the Central Bank rose by 1.9 percent to US\$250.8 million, from US\$246.1 million recorded in the previous month. The slight rise in gross foreign reserves position of the Bank was on account of the significant surge in cash balances with Banks abroad (See Table 1).

### Month-of-Import Covers<sup>3</sup>

On account of rise in gross foreign reserve per import payments during the month of November, 2016, import coverage for the month stood at approximately 2.5 month.

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

<sup>2</sup>Special Drawing Rights

<sup>3</sup>Calculated by dividing the stock of gross foreign reserve in a month by total import payments (on cif basis) in the same month.