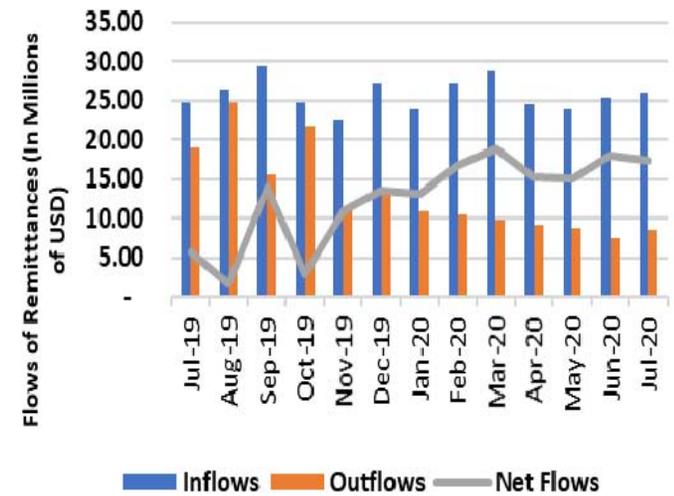




CENTRAL BANK OF LIBERIA

MONTHLY ECONOMIC REVIEW

JUL. 2020
VOLUME 6 No. 7



The Monthly Economic Review is produced by the Central Bank of Liberia (CBL). 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
Email: jkambo@cbl.org.lr

Food Price (FAO)¹

Based on the FAO food price index, the price of food increased in July indicating the second successive month in 2020. Food price index rose by 1.1 percentage points to the revised index of 93.1 due to rebound in the prices of mainly dairy products and vegetable oil. Year-on-year comparison of the index showed that food price declined modestly by 0.9 percentage point, from the revised index of 95.1.

Rice

The price of rice in the seventh month of 2020 stood at US\$480.0 per metric ton reflecting a decrease by 7.7 percent due mainly to large commodity yield during the month. Annual comparison of the price of the commodity showed an increase of 15.4 percent, from US\$416.0 per metric ton.

Palm oil

Palm oil price rose by 6.5 percent to US\$694.2 per metric ton compared to the preceding month. The increase was mainly occasioned by weak production in few producing countries due to flooding. Year-on-year comparison of the price of palm oil reflected a 27.6 percent rise, from US\$543.9 per metric ton in July 2019.

Cocoa beans

Cocoa price fell by 5.8 percent in the month of July 2020 to US\$2,100.0 per metric ton from the price recorded in the preceding month. The fall in the price of cocoa bean was due mainly to weak demand in regions that accounted for huge consumption. Demand for cocoa butter mainly in the USA and Europe Area fell sharply during the month. Similarly, annual comparison of the price of cocoa beans showed 13.2 percent fall, from US\$2,420.00 per metric ton in July 2020.

Table 8: Global Commodity Prices

GLOBAL PRICE	June -19	Apr - 20	May -20	June -20	Percent Change	
					MoM	YoY.
	(In price per Unit of Measure)					
Iron ore (US\$/MT)	108.94	84.73	93.65	103.30	10.30	(5.18)
Gold (US\$/Oz)	1,359.04	1,683.17	1,715.91	1,732.22	0.95	27.46
Rubber (US\$/MT)	1,930.00	1,330.00	1,350.00	1,400.00	3.70	(27.46)
Cocoa Beans (US\$/MT)	2,410.00	2,270.00	2,320.00	2,240.00	(3.45)	(7.05)
Palm oil (US\$/MT)	552.19	608.88	573.88	651.58	13.54	18.00
Crude oil (US\$/BBL)	59.76	21.04	30.38	39.46	29.89	(33.97)
Food Price Index (FAO)	95.30	92.40	91.10	93.20	2.31	(2.20)
Rice_5% broken (US\$/MT)	420.00	564.00	510.00	520.00	1.96	23.81
Sugar (US\$/MT)	280.00	230.00	240.00	270.00	12.50	(3.57)
Commodity Price Index	115.53	84.17	91.41	99.83	9.21	(13.59)

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

2019, the Gambia Dalasi and the Liberian dollar appreciated, while the Guinean Franc and the Nigerian Naira were relatively stable. The Cedi of Ghana and Leone of Sierra Leone recorded the highest depreciation of 7.4 percent and 8.2 percent against the USD respectively (see Table 7).

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

Rate & Currency	July - 19	May - 20	June - 20	July - 20	Appr (-)/Depr (+)	
					MoM	YoY
Exchange Rate	LD/USD				Percent change	
End of Period	202.61	198.59	199.40	199.18	0.11	1.72
Period Average	200.29	198.47	199.11	199.23	(0.06)	0.53
WAMZ Currency	Currency per USD				Percent change	
GHC	5.26	5.15	5.67	5.68	(0.18)	(7.39)
GMD	51.33	50.56	51.80	49.50	4.65	3.70
GNF	9,178.69	9,131.53	9,593.08	9,590.45	0.03	(4.29)
NGN	306.35	306.45	306.50	306.50	0.00	(0.05)
SLL	8,955.93	8,785.04	9,741.45	9,756.07	(0.15)	(8.20)

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

In July 2020, the price of iron ore increased by 5.1 percent to US\$108.5 per metric ton. The rise in the price of the mineral during the month was occasioned by supply shortage due to coronavirus effect, mainly from Brazil. Compared with the price in the corresponding month of 2019, iron ore price fell by 9.7 percent.

Crude oil (Petroleum) price

The price of petroleum increased successively for the third consecutive month by 6.6 percent to US\$42.1 per barrel. The rise in the price of petroleum in July 2020 was occasioned mainly by news of decline in U.S. crude inventories coupled with production cut decision of Organization of Petroleum Exporting Countries (OPEC). Annual comparison showed that the price of petroleum fell by 31.6 percent, from the price in July 2019.

Rubber

Rubber price increased during the month by US\$80.00 per metric ton to US\$1,480.00 per metric ton reflecting 3.7 percent rise compared to the preceding month due to increased demand for natural rubber to produce gloves and tires. Yearly comparison of the price of rubber showed 11.4 percent decline, from US\$1,670.00 per metric ton.

TABLE OF CONTENTS

	PAGE
Introduction	1
Overview	1
Real Sector and Price Developments	2
Production Analysis of Key Commodities	2
Consumer Prices	2
Monetary Developments	3
Monetary Policy Stance	3
Monetary Aggregates	3
Financial Market Developments	5
Banking Sector Developments	6
Fiscal Sector Developments	7
External Sector Developments	8
Merchandise Trade	8
Direction of Trade	9
Remittances	10
Gross International Reserves and Months of Import Cover	10
Exchange Rates Developments	10
Global Commodity Price Developments	11

TABLE

Table 1: Production and Price Statistics	3
Table 2: Monetary Aggregates Statistics	4
Table 3: Financial Market and Interest Rates Statistics	5
Table 4: Selected Financial Soundness Indicators, FSIs	6
Table 5: Fiscal Sector Statistics	7
Table 6: External Sector Statistics	8
Table 7: WAMZ Countries End-of-Period Exchange Rates	11
Table 8: Global Prices	12

INTRODUCTION

The Monthly Economic Review (MER) is one of the regular publications of the Central Bank of Liberia (CBL) and it provides a snapshot of major developments in the economy (Real, Monetary, Fiscal and External) of Liberia. The MER also highlights the Monetary Policy Stance of the CBL and exchange rate developments in the West African Monetary Zone (WAMZ).

OVERVIEW

Production of key commodities during the current month fell when compared with June 2020. Except for gold that rose during the month, beverages, cement, iron ore and rubber fell compared to the preceding month. Headline inflation and core inflation rose slightly during the month largely induced by increases in the prices of items relating to health and education.

The Monetary policy stance of the CBL remained focused on price stability using interest rate-based instruments to foster stable macroeconomic conditions. Like in the previous month, the CBL maintained a tight monetary policy stance using mainly the CBL bills with different tenors as the main monetary policy instruments aimed at stabilizing the exchange rate.

Developments in monetary aggregates showed that broad money (M2) increased during the month compared to the preceding month. The growth in M2, from the liability side, was due largely to increases in currency outside banks and demand deposits. On the asset side, the rise in M2 was mainly on account of growth in net domestic assets (NDA). Statistics on commercial banks' loans to private sector during the month showed that the share of United States dollar denominated loans slightly increased, while Liberian dollar denominated loans decreased. The banking sector during the month remained compliant with most of the regulatory requirements. Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) rose and remained above their minimum regulatory threshold. However, Returns on Assets and Equity fell compared with June 2020.

During the month, preliminary statistics on both Government revenue and expenditure declined compared with revenue generated and expenditure made in June 2020. Revenue fell by 67.7 percent, while expenditure reduced by 69.4 percent. During the month, revenue generated exceeded expenditure made, thus reflected a surplus of US\$7.8 million that was lower than the surplus generated in June 2020. General Government Debt position rose during the month on account of increases in both domestic and external debts.

Merchandise trade balance reflected a deficit during the month, but the deficit narrowed compared with the deficit in the previous month, on account of a significant rise in receipts from exports against the decline in payments for imports. Payments for imports fell on the back of a substantial fall in payments for minerals, fuel and lubricant (of which payments on petroleum import topped), machinery and transport equipment.

shipment of iron ore and diamond to those destinations. Iron ore was the main commodity exported to France, while diamond was largely exported to Belgium

On the other hand, India, China, Cote d'Ivoire and Turkey were the top four (4) sources of merchandise imports to Liberia. Imports from India were predominantly rice, with payments amounting to US\$14.3 million. Payments to China amounted to US\$12.8 million mainly for construction materials and fertilizers. Imports from Cote d'Ivoire were principally driven by payments for petroleum products.

Remittances

During the month, Liberia recorded net inflows of personal remittances that amounted to US\$17.4 million (0.6 percent of GDP), but the net inflows was lower than the amount recorded in the preceding month. Inward remittances increased by 2.7 percent to US\$26.1 million, while outward remittances rose by 17.1 percent, from US\$7.4 million reported in June 2020. On an annualized basis, net inflows of personal remittance increased by about US\$11.7 million in July 2020, from net inflows of US\$5.7 million reported in July 2019.

Gross International Reserves

At end of the seventh month of 2020, gross international reserves (GIR) grew by 2.5 percent to US\$262.3 million, from the stock reported in June 2020. The increase in GIR was attributed to 26.5 percent declines in payments for goods and services during the month, thus marginally raising the months of import cover by 0.1 month to 2.4 months higher than the one reported in the preceding month, but 0.6 month lower than the ECOWAS benchmark of 3.0 months (Table 6).

EXCHANGE RATE DEVELOPMENTS

Based on the end of period (EOP) exchange rate, the Liberian dollar appreciated marginally by 0.1 percent to L\$199.18/US\$1.00, from L\$199.40/US\$1.00, while considering the period average (AVE) exchange rate perspective, the Liberian dollar depreciated by nearly the same magnitude of 0.1 percent to L\$199.23/US\$1.00, from the rate recorded for the preceding month. The relative stability in the foreign exchange market was largely influenced by tight monetary policy stance, the high net inflow of remittances and low demand for foreign exchange. Compared with the rates reported in the corresponding month of 2019, the EOP and AVE exchange rates revealed appreciation of the Liberian dollar by 1.7 percent and 0.5 percent, respectively.

Considering the EOP exchange rate, developments in the foreign exchange market of the West African Monetary Zone (WAMZ) at end-July 2020 showed that the Ghanaian Cedi and the Sierra Leonean Leone marginally depreciated against the US dollar by about 0.2 percent and 0.1 percent, respectively. The Gambian Dalasi, on the other hand, appreciated by 4.6 percent, while the Nigerian Naira and the Guinean Franc remained relatively stable against the US dollar at ₦306.50/US\$1.00 and FG9590.45/US\$1.00. Compared with the same month in

Trade Statistics	July - 19	May - 20	June - 20	July - 20
External Trade (Volume)	(In Units as Specified)			
Rubber (MT)	4,110.36	4,252.50	4,453.08	7,069.18
Iron Ore (MT)	350,991.30	578,891.90	272,091.29	393,300.62
Petroleum Products (MT)	9,952.88	12,267.94	51,829.73	16,717.18
Rice (MT)	28,727.02	133.10	2,087.93	22,074.25
Cocoa Beans (MT)	570.00	500.00	836.77	300.00
Palm Oil (MT)	3,247.25	250.00	6.37	150.71
Gold (Oz)	23,058.80	10,653.64	12,165.58	12,414.43
Diamond (Crt)	10,035.72	na	1,238.96	15,193.00
Personal Remittances	(Millions of USD)			
Inflows	24.70	23.82	25.39	26.06
Outflows	19.03	8.79	7.40	8.67
Net flows	(5.67)	15.03	17.98	17.39
Other Indicators				
Import (FOB)	102.80	89.55	100.75	66.60
Gross International Reserves (GIR) ²	262.50	253.75	255.38	262.30
Import covers (In Month)	2.2	2.4	2.3	2.4
Direction of Trade (DOT)	(Millions of USD)			
Destination of Export	56.68	53.43	30.53	48.40
o/w Switzerland	22.34	19.17	6.64	13.86
o/w France	3.47	6.81	6.75	7.56
o/w Belgium	1.49	6.02	1.46	6.21
Sources of Import	112.03	99.10	109.08	73.86
o/w India	33.32	7.16	2.03	14.25
o/w China	31.23	12.90	15.69	12.84
o/w Cote D'Ivoire	4.82	15.33	38.43	9.59
o/w Turkey	1.91	10.37	5.04	5.29

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 liquid asset plus SDR and Reserve tranche less liabilities to CoBs and GoL.

³ As of July 2020, import payments will be reported on CIF basis, while Sources of Import will be on FOB basis

† - Revised

On the other hand, earnings from exports rose by 65.3 percent to US\$50.5 million (1.6 percent of GDP), from US\$30.5 million (1.0 percent of GDP), mainly on account of increases in receipts from exports of iron ore, gold and rubber. Earnings from iron ore export rose by 56.5 percent to US\$19.9 million, from the US\$12.7 million recorded in the preceding month. The increased volume of production was the key driver of growth in iron ore export receipts. Gold export receipt increased by 48.2 percent to US\$15.0 million, from a revised US\$10.1 million on account of increase in its export volume. Additionally, earnings from rubber rose by 45.5 percent to US\$6.8 million, from the amount recorded in the preceding month.

Direction of Trade

Switzerland, France and Belgium were the top destinations of Liberia's exports. Exports to Switzerland more than doubled with gold reflected as the main commodity of exports. Exports to France and Belgium also rose due to increases in

The stock of Gross International Reserves (GIR) at end-July 2020 rose compared to the preceding month. The increase in GIR was supported by a fall in payments for merchandise imports, resulting to an estimated increase in the months of import cover to 2.4 month. Both inflows and outflows of personal remittance rose during the month, but the increase in outflows exceeded the rise in inflows, thus leading to a net inflow of remittances to US\$17.4 million that was slightly lower than the one reported in the preceding month. The Liberian dollar, based on average and end-of-period exchange rates, appreciated marginally against the United States dollar due, in part, to the weak demand for foreign currency to facilitate trade and a corresponding gain in flows of remittances.

REAL SECTOR & PRICE DEVELOPMENTS

Production Analyses of Key Commodities

Production statistics in July 2020 showed mixed outturns in outputs of several commodities compared with outputs in the previous month. Except for gold, diamond and rubber that increased during the month, outputs of cement, iron ore and beverages decreased. Cement output fell by 14.6 percent to 29,817.0 metric tons, from 34,926.0 metric tons in June 2020, mainly attributed to inventory build-up in the preceding month. Total beverage production declined marginally to 1.23 million liters, from about 1.28 million liters. The fall in total beverage production was a result of an excess decline in output of non-alcoholic beverages.

Rubber output rose during the month by 58.7 percent to 7,069.0 metric tons due to increase in production from smallholder farmers. In the mining sector, iron ore production dropped by 6.1 percent to 310,000.0 metric tons on account of reduction in mining activity occasioned by the effect of the rainy season. Gold output, on the other hand, grew by 2.0 percent as a result of an increase in industrial mining. Diamond production at end July 2020 increased by 13,954 carats to 15,193.0 carat, compared to the volume reported in the preceding month. Annual comparison of outputs of commodities showed that except for the production of cement, all outputs declined.

Consumer Prices

During the month, on average, prices of commodities increased, inducing rise in the rate of inflation. Headline inflation rose by 3.9 percentage points to 17.1 percent. The rise in headline inflation was largely due to increases in the prices of items relating to housing, water, electricity, gas and other fuels, health, education as well as restaurants and hotels. Similarly, core inflation¹ increased by 9.2 percentage point to 17.7 percent, due mainly to increases in the prices of items relating to health, education and restaurants and hotels sub-groups. Additionally, monthly inflation reflected an increase by 5.1 percentage points in July 2020, from 2.0 percent in June 2020 due largely to increase in the prices of items in health, education and restaurants & hotels sub-groups (Table 1).

Table 1: Production and Price Statistics

Production	July - 19	May - 20	June - 20	July - 20
	(Millions of USD)			
(In Metric tons, carat and Ounces)				
Iron Ore (Metric ton)	371,692	400,000	330,000	310,000
Gold (Ounces)	23,059	10,654	12,166	12,414
Diamond (Carat)	22	na	1,239	15,193
Rubber (Metric ton)	4,110	4,253	4,453	7,069
Cement (Metric ton)	22,307	34,532	34,926	29,817
Beverages	(In Liters)			
Alcoholic	1,007,840	1,061,460	1,166,473	1,202,707
Non-Alcoholic	588,597	80,436	113,890	30,848
Total Beverage Production	1,436,747	1,745,489	1,280,363	1,233,555
Inflation	(In percent)			
Overall (Y-o-Y) Rate of Inflation	29.87	18.38	13.14	17.06
a. Food and Non-alcoholic Beverages inflt'n	31.76	28.28	21.08	17.83
-Domestic Food Inflation	35.24	35.60	37.30	21.50
-Imported Food Inflation	28.72	22.69	9.49	15.14
b. Transport Inflation	28.22	10.96	12.88	9.25
c. Imported Fuels Inflation	27.36	3.64	0.50	-9.27
Overall (M-o-M) Rate of Inflation	3.51	2.02	2.00	7.09
Core Inflation				
Inflation less Food & Non-alcoholic Beverages	28.85	13.17	8.96	16.66
Inflation less Imported Food	29.95	17.44	14.12	17.54
Inflation less Domestic Food	21.67	15.66	9.42	17.70
Inflation less Food and Transport	29.13	13.47	8.44	17.65
(Millions USD, except otherwise specified)				
Nominal GDP Annual	3,176.06	3,066.80 [†]	3,066.80 [†]	3,066.80 [†]
Real GDP Annual	3,182.06	3,086.93 [†]	3,086.93 [†]	3,086.93 [†]
Real GDP growth rate (in percent)	(2.5)	(3.0) [†]	(3.0) [†]	(3.0)

Sources: AML, MLME, FSL, CEMENCO, LCCBC, RITCO, NICOM, CEMENCO, CBL & LISGIS; IMF & Liberian Authorities: Liberia Mini Model
[†] revised

MONETARY DEVELOPMENTS

Monetary Policy Stance

The focus of CBL's monetary policy stance remained on price stability through broad exchange rate management anchored on interest-rate based instruments to manage Liberian dollar liquidity. During the month, the Bank maintained its tight policy stance mainly using CBL bills at different tenors (two weeks, one month and three months).

Monetary Aggregates

At end-July 2020, broad money rose by 2.5 percent to L\$131,552.6 million, from the stock recorded at end of the preceding month. The growth in M2, from the liability component, was occasioned largely by 4.3 and 2.7 percent increases in currency outside banks and demand deposits, respectively. Additionally, the increase in M2, from the asset side, was primarily on account of a rise in Net Domestic Assets (NDA). NDA grew by 3.8 percent as a result of 3.6 percent rise in net credit to the Government, while Net Foreign Assets (NFA) decreased by 6.9 percent on account of

percent, from the amount recorded in June 2020. Annual comparison also showed that overall government expenditure reduced by 9.8 percent largely on account of fall in current expenditure.

The total stock of public debt during the seventh month of 2020 stood at 53.5 percent of GDP, increasing by 0.4 percent of GDP compared to the share of GDP in the preceding month. The rise in debt stock was mainly attributed to slight increases in both domestic and external borrowings. The stock of domestic debt increased by 0.2 percent to 19.9 percent of GDP, while the external debt position rose by 0.2 percent to 30.0 percent of GDP with the aim of facilitating productive investment.

EXTERNAL SECTOR DEVELOPMENTS

Merchandise Trade

Preliminary statistics on merchandise trade balance during the month showed relatively favorable developments. The trade deficit narrowed to US\$23.4 million (0.8 percent of GDP), from US\$78.5 million (2.6 percent of GDP) in June 2020 on account of a significant reduction in payments for imports amidst a considerable rise in earnings from exports.

Payments for merchandise imports declined by 32.3 percent to US\$73.9 million (2.4 percent of GDP) during the month. The decline was driven substantially by fall in payments for minerals, fuel and lubricants as well as payments for other commodities groups, except food, live animals and oil related group. Payments for minerals, fuel and lubricants fell by 72.1 percent with petroleum product falling by 76.0 percent to US\$9.1 million on account of decision to use inventory.

Table 6: External Sector Statistics

Trade Statistics	July - 19	May - 20	Jun - 20	July - 20
External Trade (Value)	(Millions of USD)			
Exports^{1/}	56.68	53.43	30.53	50.46
o/w Iron Ore	23.12	28.75	12.70	19.87
o/w Rubber	5.83	4.01	4.66	6.78
o/w Gold	23.93	14.62	14.57	17.06
o/w Diamond	2.35	na	1.40	2.38
o/w Cocoa Bean	0.11	0.49	0.84	0.30
o/w Palm Oil	1.30	0.19	0.01	0.07
Imports (F.O.B)^{1/†}	112.03	99.10	109.08	73.86
Minerals, Fuel, Lubricants	5.67	18.98	41.29	11.54
o/w Petroleum Products	4.68	15.09	38.15	9.14
Food and Live Animals (incdg Animal and veg. oil)	45.38	23.38	21.70	25.43
o/w Commercial Rice	31.70	0.29	0.83	11.57
o/w Non-commercial Rice	33.02	22.70	14.00	13.91
Machinery & Transport Equipment	11.60	9.84	10.40	10.25
Manufactured goods classified by materials	16.36	24.2	21.69	12.73
Trade Balance	(55.35)	(45.67)	(78.55)	(23.40)

FISCAL SECTOR DEVELOPMENTS

During the month, the fiscal operations of the Government resulted to budget surplus, despite the declines in both revenue and expenditure in comparison with the preceding month. Preliminary statistics on GOL's fiscal operations revealed a surplus of US\$7.4 million (0.2 percent of GDP), due to much higher government revenue generated during the month. However, the surplus declined by 0.4 percent of GDP, from US\$18.8 million (0.6 percent of GDP) in the previous month, occasioned by a decrease in government revenue.

Total government revenue reduced by 67.7 percent to US\$30.8 million (1.0 percent of GDP) driven largely by decreases in tax and other-tax revenue. Tax revenue amounted to US\$27.7 million, reflecting a fall by 33.0 percent from the amount generated in the preceding month, due mainly to reduction in taxes from income and profits. Additionally, the weak performance in other-tax revenue was a result of slowdown in grant during the month. Year-on-year comparison showed that total revenue declined by 8.0 percent, driven largely by reduction in taxes on income and profit.

Data on total government cash expenditure showed that, compared with the previous month, expenditure reduced by 69.4 percent to US\$23.4 million (0.8 percent of GDP) mainly due to scale down in current expenditure. Current expenditure slowed to US\$21.6 million (0.7 percent of GDP), declining by 70.8

Table 5. Fiscal Sector Statistics

Fiscal Operations	July - 19	May - 20	June - 20	July - 20
	(Millions of USD)			
Government Revenue	33.43	44.10	95.32	30.75
Tax Revenue	27.50	29.28	41.27	27.65
O/W Taxes on Income & Profits	12.76	9.43	15.90	11.54
O/W Taxes on International Trade	12.00	16.77	13.20	13.84
Non-tax Revenue (excluding grants)	5.93	7.95	5.05	3.10
O/W Property Income	4.85	7.47	4.11	2.15
O/W Administrative Fees and Fines	1.07	0.48	0.94	0.94
Other tax Revenue (including grant)	0.00	6.87	49.00	0.00
Government Expenditure by Codes	25.93	42.34	76.50	23.38
Current Expenditure	23.95	35.92	74.02	21.58
Capital Expenditure	0.55	0.20	0.00	0.00
Loans, interest and other Payments	1.43	6.21	2.48	1.80
Overall Balance	7.49	1.77	18.83	7.36
Public Sector Debt	1,219.32	1,514.94	1,517.55	1,530.52
Domestic	422.01	604.40	603.45	610.94
Financial Sector	368.10	552.71	552.71	552.71
Other Sector	53.91	51.70	50.75	58.24
External	797.31	910.53	914.10	919.57
Multilateral	683.39	796.58	800.15	805.62
Bilateral	113.92	113.95	113.95	113.95

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

fall in foreign assets of the Central Bank.

On year on year basis in reference to the same month, M2 grew by 9.4 percent, from L\$120,292.6 million due mainly to 10.1 percent increase in narrow money supply (M1). M1 increased mainly due to increases in demand deposits. Currency outside banks and demand deposits rose by 12.2 percent and 4.0 percent, respectively.

During the seventh month of 2020, commercial banks' loans to private sector denominated in United States dollar rose modestly by 1.1 percent to US\$375.6 million as a result of growth in loans to the trade, oil and gas subsectors as well as to individuals. Loans in Liberian dollars declined by 46.9 percent to L\$3,386.9 million, driven largely by reduction in loans to the agriculture and services subsectors of the economy. Compared with the same month a year ago, commercial banks' loans in both Liberian and US dollars declined, but the Liberian dollar loans exceeded loans denominated in US dollar.

Total deposits converted to Liberian dollar stood at L\$111.5 billion (18.3 percent of GDP), rising by 0.3 percentage point compared with the 18.0 percent of GDP reported in the preceding month. The increase was driven partly by exchange rate pass-through which mainly affected time and savings as well as other deposits (Table 2).

Table 2: Monetary Aggregates Statistics

Monetary Aggregates	July - 19	May - 20	June - 20	July - 20
	(In Millions)			
Liberian Dollars in Circulation - (LD)	20,405.39	20,801.95	20,753.88	21,371.41
Money Supply (M1) in LD only	26,933.59	28,798.14	28,582.17	28,602.55
Broad money (M2) in LD only	34,895.83	35,928.08	36,200.93	36,317.39
M2 (in both LD & USD) Converted to LD	120,292.55	125,238.77	128,400.28	131,552.55
Net Foreign Assets (NFA) – LD	6,753.33	20,558.82	16,637.30	15,496.30
Net Domestic Assets (NDA) – LD	113,539.23	104,679.95	111,762.98	116,056.25
Loans to Private Sector				
Commercial banks loans to private sector- US	383.72	375.17	371.55	375.57
Commercial banks loans to private sector - LD	6,541.25	6,689.46	6,375.85	3,386.93
Demand Deposits of commercial banks				
Demand deposits - USD	248.03	260.50	270.20	283.20
Demand deposits - LD	7,623.97	9,337.36	9,327.76	8,517.50
Time & savings deposits - USD	171.54	187.63	190.07	193.25
Time & savings deposits - LD	7,871.06	6,980.19	7,556.78	7,583.07
Other Deposits**				
Actual US\$ component of other deposits	1.91	1.61	2.11	1.68
Liberian \$ component of other deposits	91.18	149.75	62.01	131.77
Total Deposits (USD & LD) converted to LD ¹	100,982.93	105,777.99	109,815.87	111,467.51
Liberian Dollar share of Broad Money	30.64	29.50	28.69	28.19

Source: CBL

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

/1 - The total deposits (US and Liberian dollars) of commercial banks expressed entirely in Liberian dollars.

FINANCIAL MARKET (FM) DEVELOPMENTS

In the third successive month, the monetary policy rate (MPR) was kept at 25.0 percent in line with declining inflation expectation; hence, the CBL bills during the month were offered at an Effective Annual Rate (EAR) of 25.0 percent. The bills were issued with tenors of 2-week, 1-month and 3-month. The reduction of MPR led to the adjustment in the EAR to the periodic interest rates of 0.86 percent for 2-week, 1.88 percent for 1-month and 5.74 percent for 3-month tenor CBL bills.

Table 3. Financial Market and Interest Rates Statistics

Market Instruments	July - 19	May - 20	June - 20	July - 20
CBL (indexed) Bills	(Millions of LD)			
Bills Purchased on 7% coupon basis	90.79	0.00	0.00	0.00
Redemption on 7% basis	80.00	100.90	1.46	0.60
Bills outstanding on 7% coupon basis	1,162.55	403.27	401.81	401.21
Coupon rate (%)	na	7.00	7.00	7.00
Bills Purchased on EAR basis	na	4,356.45	5,227.43	5,420.70
Redemption on EAR basis	na	6,063.29	2,361.08	5,490.83
Bills Outstanding on EAR basis	na	1,516.38	4,382.73	4,312.60
Effective Annual Rate (EAR) (%)	na	30.00	25.00	25.00
Total Bills purchased (7% and 30% EAR)	90.79	4,356.45	5,227.43	5,420.70
Total Redemption (7% and 30% EAR)	80.00	6,164.19	2,362.54	5,491.43
Total Bill Outstanding (7% and EAR)	1,162.55	1,919.65	4,784.54	4,713.81
CBL Foreign Exchange (Fx) Auction¹	(Millions of USD)			
US Dollar Amount Sold	(2.00)	0.00	0.00	0.00
US Dollar Amount Sold	1.72	0.00	0.00	0.00
Total Subscription	1.72	0.00	0.00	0.00
Over (+) /Under (-) Subscription	(0.28)	0.00	0.00	0.00
Treasury Securities	(Millions of LD, unless otherwise stated)			
T- Bills Issued	(700.00)	0.00	0.00	0.00
T- Bills Redeemed	0.00	0.00	0.00	0.00
T-Bills outstanding	1,000.20	860.94	860.94	860.94
Net Treasury Bills Operations[^]	700.00	0.00	0.00	0.00
Ave. Weighted Discount Rate (T-Bills)	7.47	7.47	7.47	7.47
T- Bills Issued (USD)	na	na	na	na
T- Bills Redeemed (USD)	na	na	na	na
T-Bills Outstanding_ USD	na	2.60	2.60	2.60
T- Bond Issued	0.00	0.00	0.00	0.00
T- Bond Outstanding	6,000.00	6,000.00	6,000.00	6,000.00
Semi-annual Coupon Payment	392.00	0.00	0.00	0.00
Early Redemption	0.00	0.00	0.00	0.00
Coupon rate (%)	16.00	16.00	16.00	16.00
Standing Deposit Facility (SDF)	(In Percent, unless otherwise stated)			
SDF rate (%)	4.00	0.00	0.00	0.00
SDF Amount (In Millions LD)	950.00	0.00	0.00	0.00
SDF overnight monthly rate (%)	na	0.07	0.07	0.07
SDF Amount (In Millions LD)	na	0.00	0.00	0.00

Market Instruments	July - 19	May - 20	June - 20	July - 20
Interest Rates	(In Percent, unless otherwise stated)			
- 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
Money Markets Instrument				
Repo	na	5.50	5.50	5.50
Swap lending	na	6.0	6.0	6.00

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

BANKING SECTOR DEVELOPMENTS

As uncertainty induced by the coronavirus pandemic continues, the banking sector was however resilient. At end-July 2020, all key financial soundness indicators, except non-performing loans and advances, returns on assets and equity, showed improvement compared with the preceding month. Liquidity Ratio slightly increased by 0.2 percentage points and remained above the minimum requirement by 25.5 percentage points. Capital Adequacy Ratio, on the other hand, grew by 0.9 percentage point and remained above its minimum requirement by 18.4 percentage points. On the other hand, ROA and ROE modestly fell by 0.1 percentage point and 0.4 percentage point, respectively.

Despite the marginal rise of 0.2 percent in commercial banks loans to the public, non-performing loans (NPLs) rose by 16.6 percent. Commercial banks' lending (total loans) rose slightly to L\$84.5 billion (13.8 percent of GDP), from L\$84.3 billion reported in the preceding month.

NPLs increased to L\$19.5 billion, from L\$16.7, but the ratio of NPLs to total (gross) loans stood at 13.1 percentage points above the tolerable limit of 10.0 percent, reflective of slowdown in the economy as a result of COVID-19.

Table 4: Selected Financial Soundness Indicators, FSIs

Financial Soundness Indicators	July - 19	May - 20	June - 20	July - 20
	(In Billion LD)			
Total Gross Loans	88.49	84.33	84.28	84.49
Total Non-performing Loans	10.36	18.99	16.74	19.52
	(In percent)			
Non-performing Loans to Total Gross Loans (ratio)	11.71	22.52	19.86	23.10
Gross Loan (growth)	4.23	(0.49)	(0.06)	0.25
Non-performing Loans (growth)	(8.64)	21.19	(11.85)	16.58
Returns on Assets (ROA)	1.13	1.02	0.85	0.75
Returns on Equity (ROE)	7.33	6.13	4.88	4.45
Liquidity Ratio***	39.50	38.44	40.27	40.50
Capital Adequacy Ratio (CAR)****	29.14	28.58	27.55	28.41

Source: CBL

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

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

† - revised