

EBS/84/223

CONFIDENTIAL

October 31, 1984

To: Members of the Executive Board
From: The Secretary
Subject: Sierra Leone - Real Effective Exchange Rate -
Information Notice

There is attached for the information of the Executive Directors an information notice on a change in the real effective exchange rate of the Sierra Leonean leone.

If Executive Directors have technical or factual questions relating to this paper, they should contact Mr. G. G. Johnson (ext. (5)8671).

Att: (1)

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INTERNATIONAL MONETARY FUND

SIERRA LEONE

Real Effective Exchange Rate--Information Notice

Prepared by the African Department and the
Exchange and Trade Relations Department

(In consultation with the Legal Department
and the Research Department)

Approved by J.B. Zulu and Eduard Brau

October 31, 1984

The recent evolution of Sierra Leone's real effective exchange rate, as measured by the standard index developed in connection with the information notice system, is set out in the attached table and chart. Based on this index, as of August 1984 the Sierra Leonean leone has appreciated in real effective terms by more than 10 percent since the last occasion on which the Executive Board had an opportunity to discuss Sierra Leone's exchange rate policy--the consideration of a request for a stand-by arrangement in February 1984. The appreciation is estimated to have amounted to 21.4 percent.

The leone has been pegged to the U.S. dollar at a rate of Le 2.50 = US\$1 since the 50 percent devaluation of the official rate on July 1, 1983 that unified the exchange markets. Consumer prices rose at a seasonally adjusted annual rate of 81 percent between the third quarter of 1983 and the second quarter of 1984. This inflation, coupled with some nominal effective appreciation due to the strength of the U.S. dollar, resulted in a real effective appreciation of some 53 percent over the same period. Data on consumer prices for the third quarter of 1984 are not yet available, but even on a conservative estimate of inflation there has been further real appreciation. By August the effects of the July 1983 devaluation on the real effective rate appear to have been almost completely reversed.

The negative implications of these developments for Sierra Leone's economic prospects and policies have been reviewed in the Staff Report for the 1984 Article IV consultation (SM/84/222, 10/10/84), scheduled for Executive Board discussion on November 5, 1984.

Table. Sierra Leone: Real Effective Exchange Rate and Related Series
(Indexes: 1980 = 100)

	Real Effective Exchange Rate <u>1/2/</u>	Nominal Effective Exchange Rate <u>1/</u>	Relative Consumer Prices (Local Currencies)	Exchange Rate in Terms of U.S. Dollars <u>1/</u>	Consumer Price Index (Seasonally Adjusted)	Consumer Price Index (Not Seasonally Adjusted)
<u>Quarterly</u>						
1979						
I	101.9	103.8	98.2	99.0	82.5	80.4
II	104.5	102.9	101.6	97.9	87.8	89.2
III	103.4	100.9	102.5	100.2	92.2	94.4
IV	107.3	102.5	104.7	100.1	97.4	96.0
1980						
I	104.0	101.4	102.7	100.2	99.0	96.1
II	98.4	100.4	98.0	99.5	96.7	98.6
III	97.6	99.3	98.3	101.4	99.6	102.1
IV	99.9	98.9	101.0	98.9	104.8	103.1
1981						
I	105.3	100.1	105.1	95.6	111.8	108.2
II	114.7	103.7	110.5	90.8	121.7	124.5
III	122.1	107.9	113.1	87.1	126.8	140.4
IV	122.8	106.2	115.6	89.2	132.5	130.0
1982						
I	129.5	107.2	120.8	87.3	140.9	135.8
II	140.5	109.1	128.7	85.9	153.0	157.0
III	153.5	110.4	139.0	83.4	167.8	173.0
IV	170.3	112.5	151.3	82.6	184.4	180.5
1983						
I	199.7	115.8	172.4	83.8	211.0	202.9
II	238.7	116.0	205.8	82.8	261.9	269.3
III	135.2	61.1	221.2	42.0	275.1	284.3
IV	165.4	62.2	265.9	42.0	348.1	340.1
1984						
I	186.8	63.2	295.7	42.0	387.4	372.1
II	206.6	64.2	321.9	42.0	428.8	441.3
<u>Monthly</u>						
1984						
Feb. <u>3/</u>	187.0	63.2	295.7	42.0	387.4 <u>4/</u>	...
Mar.	188.5	61.9	304.5	42.0	400.7	...
Apr.	197.6	62.9	314.1	42.0	414.5	...
May	209.4	64.7	323.9	42.0	428.8	...
June	212.8	65.0	327.6	42.0	435.1	...
July	223.6	67.4	331.5	42.0	441.6	...
Aug.	226.9	67.9	334.0	42.0	448.1	...
Percentage change						
Feb. 1984- Aug. 1984	21.4	7.5	12.9	--	15.7	...

Source: Information Notice System.

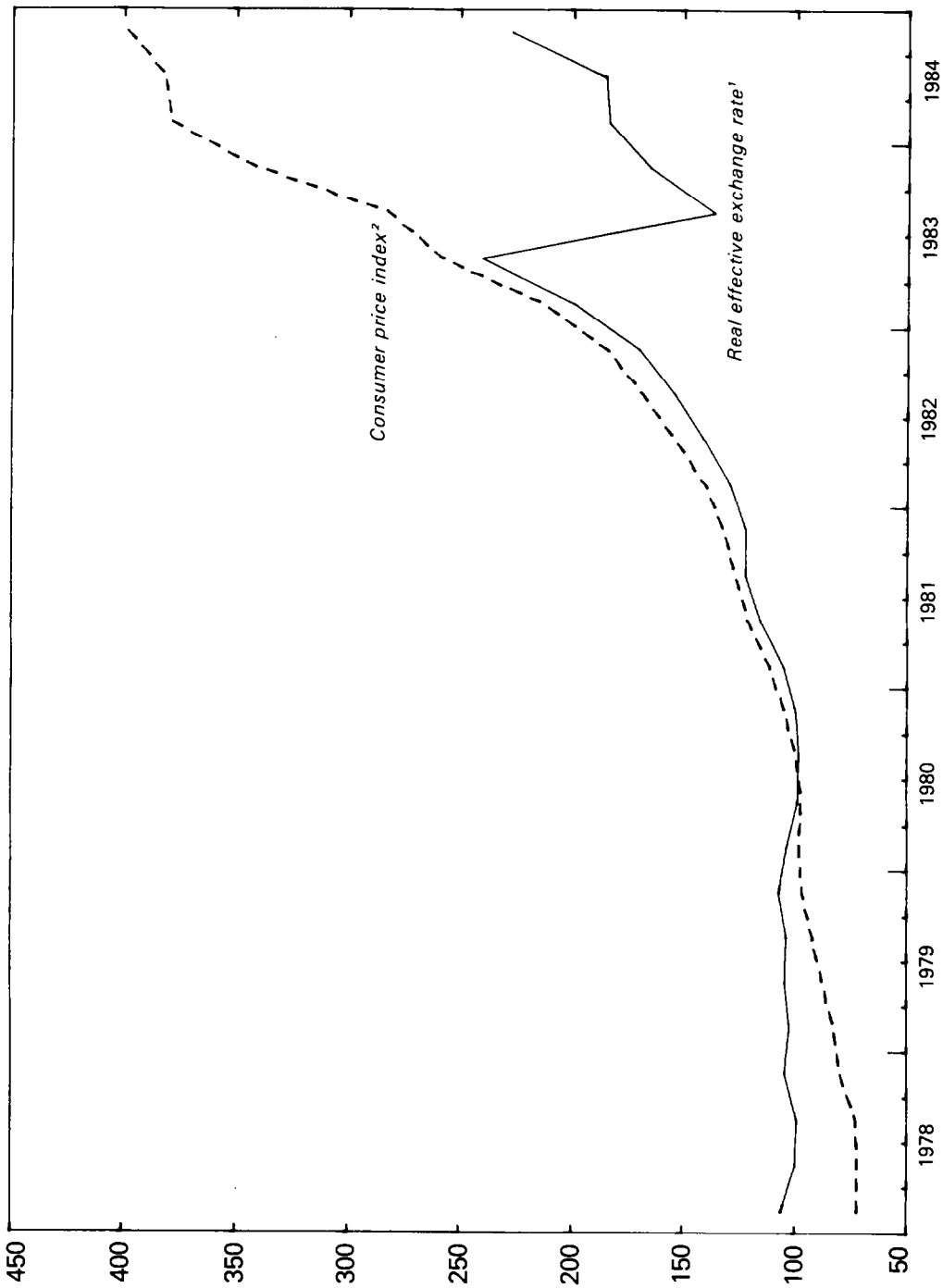
1/ Increase means appreciation.

2/ Using seasonally adjusted consumer price indexes.

3/ Date of latest consideration by Executive Board.

4/ Monthly data derived by interpolation of seasonally adjusted quarterly series; the third quarter data are staff estimates.

SIERRA LEONE INFORMATION NOTICE SYSTEM INDEX OF REAL EFFECTIVE EXCHANGE RATE (1980 = 100)



¹Trade weighted index of nominal exchange rates deflated by seasonally adjusted relative consumer prices; increases mean appreciation.
²Seasonally adjusted. The figure for the third quarter of 1984 is a staff estimate.

