



# CENTRAL BANK OF SAMOA

## MONETARY SURVEY REPORT NOVEMBER 2008

*This report is a monthly release of the latest available key monetary and credit aggregates on the Samoan economy, with information sourced from the Central Bank, commercial banks, the Ministry of Finance and the Samoa Bureau of Statistics.*

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Report No.11/08

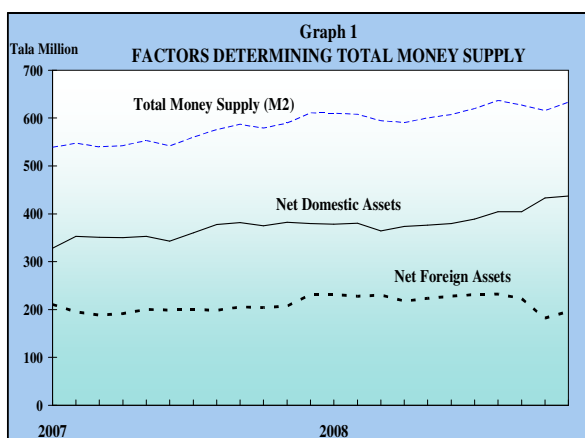
November 2008

### Money Supply

Money supply (M2) rebounded \$17.9 million (3 percent) to \$633.2 million in November 2008, 8 percent (\$44.1 million) higher than in November a year earlier, after consecutive drops in the previous two months. The expansion from the previous month was attributed largely to an increase in net foreign assets compared to a relatively smaller rise in net domestic assets during the month. (See Table 1 and Graph 1.)

**Table 1 : MONETARY SURVEY**  
(Amounts in Tala Million)

End of Period	2007		2008	
	Nov	Sep	Oct	Nov
<b>1. Net Foreign Assets</b>	<b>207.13</b>	<b>223.09</b>	<b>181.87</b>	<b>196.23</b>
<b>2. Net Domestic Assets</b>	<b>381.96</b>	<b>404.19</b>	<b>433.44</b>	<b>437.00</b>
(a) Domestic Credit	550.87	581.15	609.60	613.72
Government , net	-70.87	-82.14	-76.97	-78.50
Non-financial public enterprises	26.88	38.86	40.80	42.69
Non- monetary financial institutions	27.48	27.08	28.40	29.02
Private Sector	567.38	597.35	617.37	620.51
(b) Other items , net	-168.91	-176.96	-176.16	-176.72
<b>3. Total Assets = Total Money Supply (M2)</b>	<b>589.09</b>	<b>627.27</b>	<b>615.32</b>	<b>633.22</b>
(a) Money (M1)	170.18	162.06	146.80	170.57
(b) Quasi-money	418.91	465.21	468.52	462.65



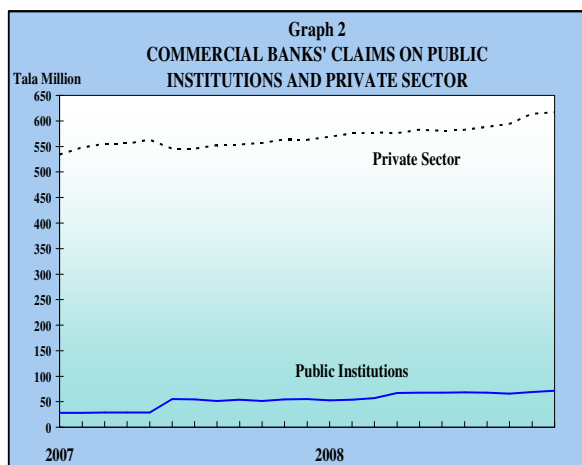
### Determinants of Money Supply

Reflecting the surge in M2 was largely a \$14.4 million, (or 8 percent) increase in net foreign assets (NFA) to \$196.2 million; a level nevertheless, 5 percent (\$10.9 million) lower than in the same month last year. This expansion was due mainly to an improvement of \$19.0 million in net foreign reserves held by the commercial banks and a smaller \$1.8 million rise in the Ministry of Finance's net foreign assets, which more than outweighed a \$6.4 million drop in net foreign reserves held by the Central Bank.

Similarly, net domestic assets, increased \$3.5 million to \$437.0 million and was 14 percent (\$55.1 million) higher than in the same month last year. The current month's rise reflected increases of \$3.1 million and \$2.5 million in bank credit to the private sector and public institutions respectively during the month. These, more than offset increases in Government's net deposits with the monetary system and other items (net) by \$1.5 million and \$0.6 million respectively in the month under review. (See Graph 1 and Table 1.)

### Credit

Following an increase in the previous month, commercial banks' lending to private households increased by a further \$15.9 million to \$331.0 million in November 2008, whereas that to businesses went down \$12.8 million to \$286.3 million. Consequently, bank credit to the private sector edged up 0.5 percent to \$617.3 million while those disbursed to public institutions combined increased 4 percent to \$71.7 million. (See Graph 2).

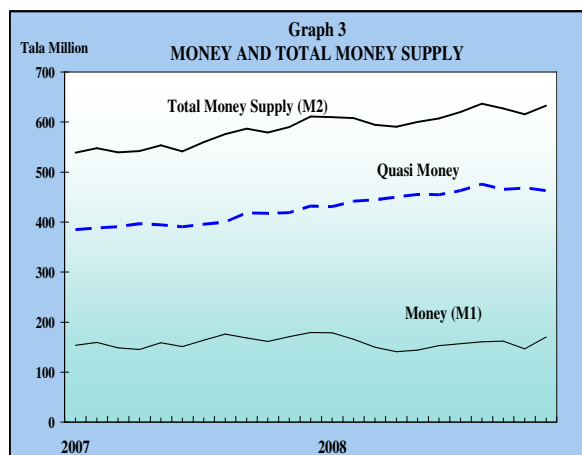


In the event, total commercial bank credit to the private sector and public institutions combined went up 1 percent (\$6.7 million) to \$689.0 million in November 2008, and was 11 percent (\$70.5 million) higher than in the same month last year. And, on an annual average basis, credit growth rose further to 9.59 percent at end November 2008 from 9.55 percent at end October 2008, in line with the current easing of monetary policy stance.

The sectoral analysis of commercial bank lending in November 2008 saw another increase in credit absorption by the “other activities” sector (up \$6.5 million) followed by increases in “transport and communication” (up \$6.2 million), “professional and business services” (up \$2.2 million) and “agriculture” (up \$0.1 million) sectors. Loans directed to the “trade”, “electricity”, “manufacturing” and “building and construction” industries, on the other hand, decreased \$4.3 million, \$2.2 million, \$1.7 million and \$1.2 million respectively during the month.

### Components of Money Supply

The monetary expansion in November 2008 reflected entirely a \$23.8 million surge in narrow money (M1), which more than outweighed a \$5.9 million drop in quasi-money. (See Graph 3.)

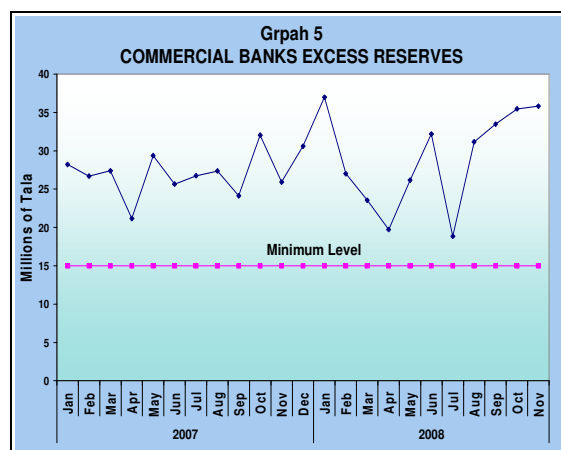
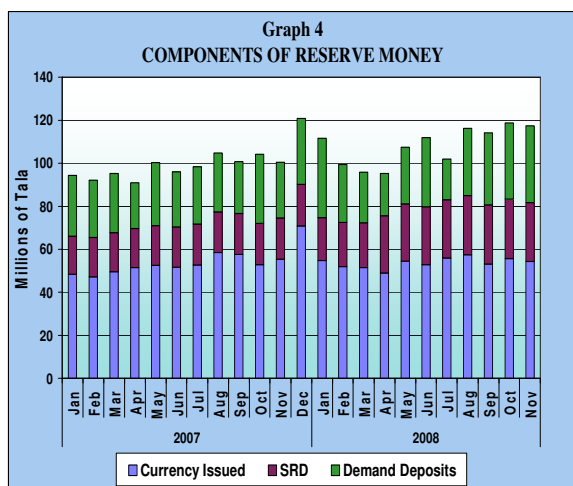


The higher level of M1 was largely a result of a \$23.0 million increase in demand deposits, with a \$0.7 million rise in currency outside banks. The fall in quasi money, on the other hand, was driven entirely by the \$7.8 million drop in time deposits which was partially offset by increases of \$1.8 million and \$0.1 million in foreign currency deposits of residents and savings deposits respectively.

### Reserve Money<sup>1</sup>

The level of reserve money declined 1 percent (\$1.3 million) to \$117.4 million in November 2008, but was 18 percent (\$17.6 million) higher than in the same month last year. Contributing to this month’s contraction were decreases of \$1.3 million and \$0.3 million in currency in circulation and commercial banks’ demand deposits with the Central Bank, which more than offset a \$0.3 million rise in their statutory reserve deposits. (See Graph 4.)

<sup>1</sup> Reserve Money comprises of currency in circulation, statutory reserve deposits (SRD) and demand deposits of commercial banks with the CBS.



### Commercial Bank Liquidity

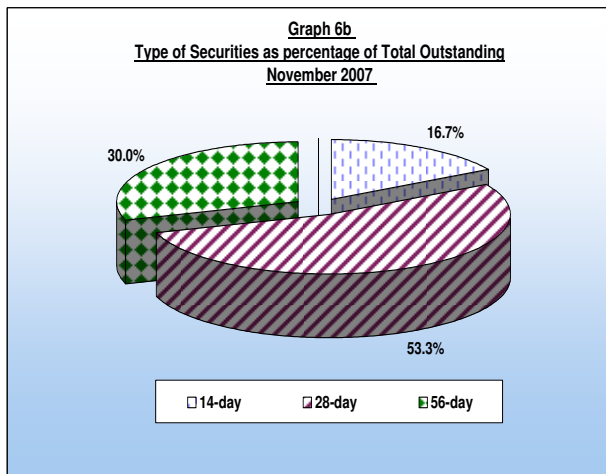
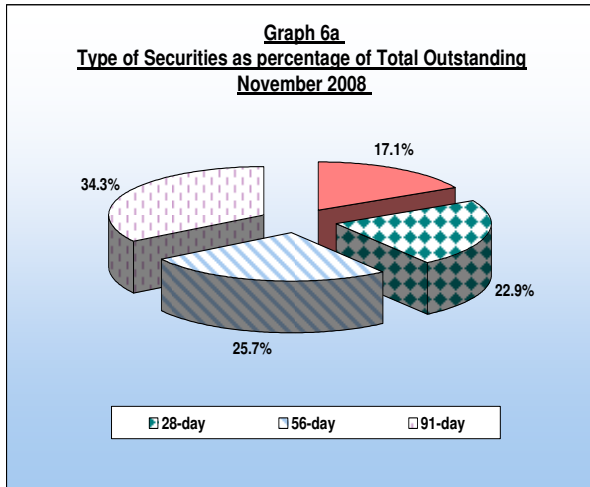
Following a decrease in the previous month, commercial banks’ total liquidity dropped further by another \$6.7 million in November 2008. This position was due mainly to decreases of 22 percent and 18 percent in commercial banks’ investment in CBS securities and cash on hand which more than offset a slight increase in their excess reserves with the CBS during the month. At \$35.8 million, commercial banks’ excess reserves were 1 percent higher than in the previous month; comfortably higher than their preferred minimum working balance level of \$15.0 million.

With ANZ’s demand deposits with the Central Bank expanding \$11.0 million to \$24.4 million, ANZ continued to account for the bulk of total commercial banks’ demand deposits with CBS at end November 2008. This increase more than outweighed decreases in excess reserves of WESTPAC, SCB and NBS by \$4.4 million, \$3.6 million and \$2.7 million to \$5.2 million, \$3.6 million and \$2.6 million respectively in the month under review. (See Graph 5.)

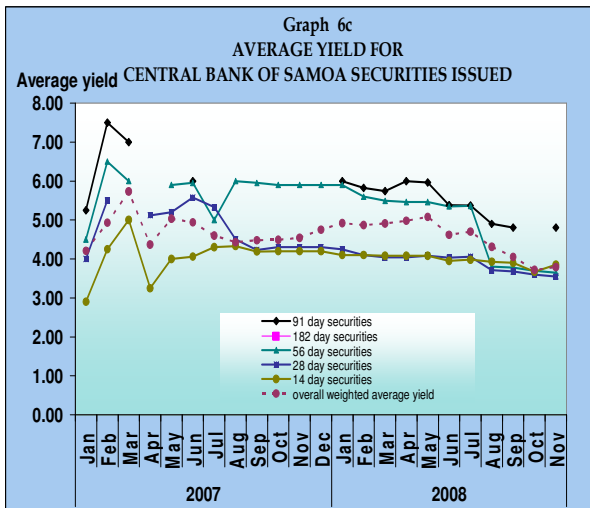
### CBS Securities and Official Interest Rates

While \$16.0 million worth of CBS securities matured in November 2008, there were new bills totaling \$11.0 million issued to commercial banks. In particular, short-term securities of 14-days (\$4.0 million), 28-days (\$4.0 million), 56-days (\$2.0 million) and 91-day days (\$1.0 million). Consequently, the amounts outstanding of \$3.0 million, \$4.0 million, \$4.5 million and \$6.0 million for the 14-day, 28-day, 56-day and 91-day papers, registered a total outstanding of \$17.5 million in CBS securities at end November 2008 from \$22.5 million in October 2008.

As a result, the structure of securities outstanding differed significantly from November 2007. With the \$1.0 million issued for the 91 day security, it accounted for 34 percent of total securities outstanding in the month under review. This was followed by 26 percent for the 56-day paper while the 28-day and the 14-day securities accounted for 23 percent and 17 percent respectively of outstanding papers in November 2008. In comparisons, the total value of securities outstanding of \$15.0 million in November 2007 comprised of 53 percent, 30 percent and 17 percent invested in the 28-day, 56-day and the 14 day papers respectively while there was none registered for the 91-day security. (See Graph 6a and 6b).



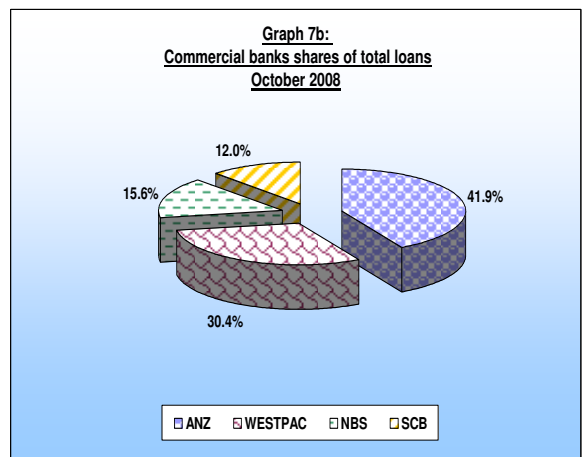
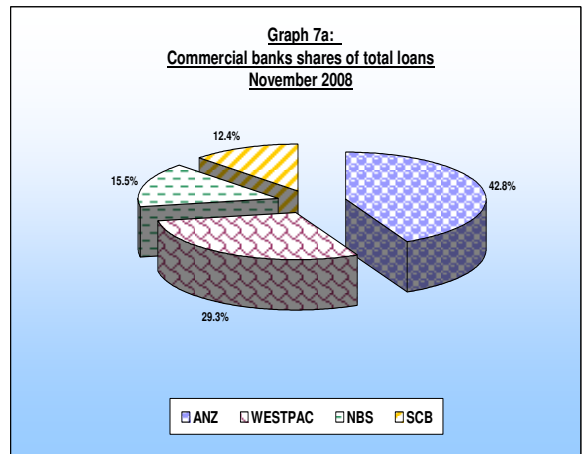
The overall official interest rate increased 7 basis points to 3.79 percent in November 2008. (See Graph 6c.)

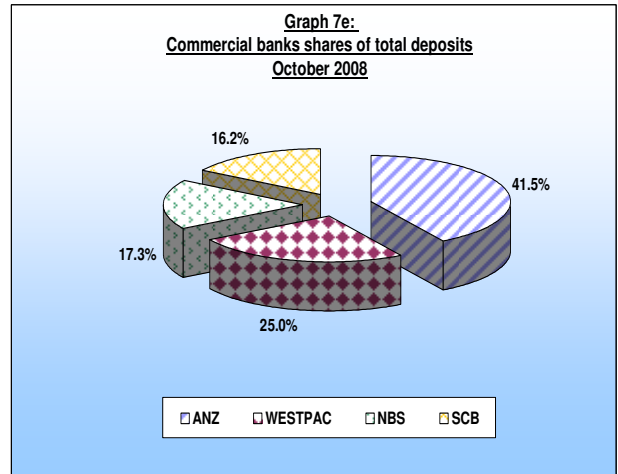
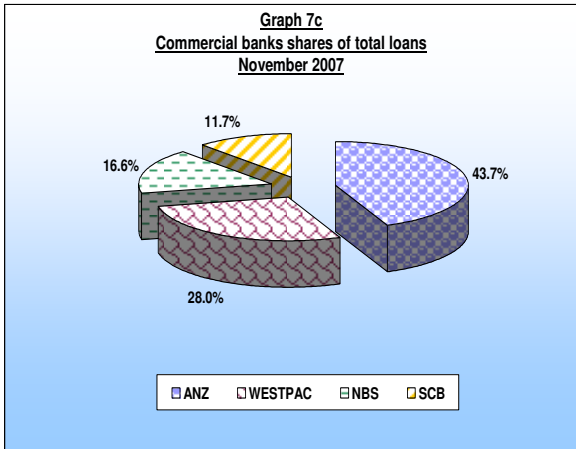


### Commercial Bank Credit and Deposit Market Shares

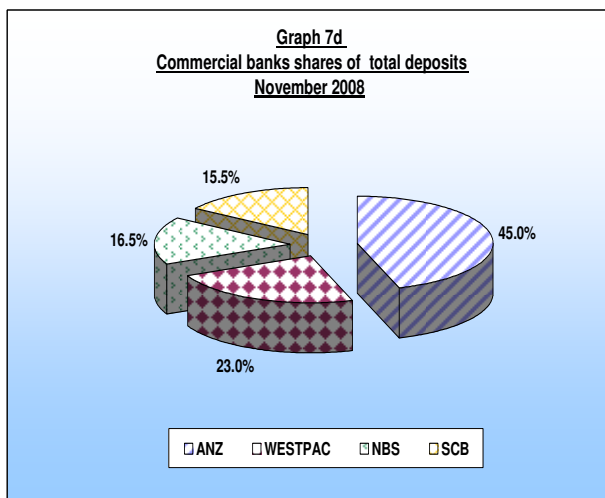
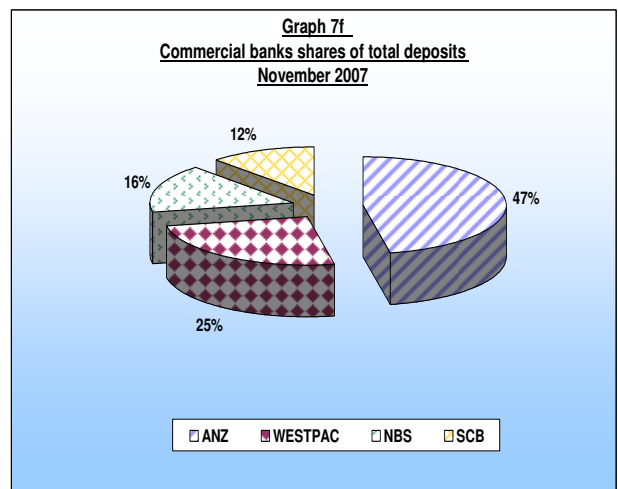
ANZ maintained its position as the largest provider of credit to the private sector and

public institutions combined in November 2008, as its share went up to 42.8 percent from 41.9 percent in October 2008, but was lower than the 43.7 percent in November 2007. WESTPAC followed, with a share of 29.3 percent although lower than the 30.4 percent in the previous month but was higher than 28.0 percent in November 2007. The ratio for NBS as well edged down to 15.5 percent from 15.6 percent in the previous month and 16.6 percent in the previous month and the same month last year respectively. NBS's share at 12.4 percent was higher than its respective shares of 12.0 percent and 11.7 percent in the previous month and in November 2007. (See Graphs 7a, 7b and 7c.)



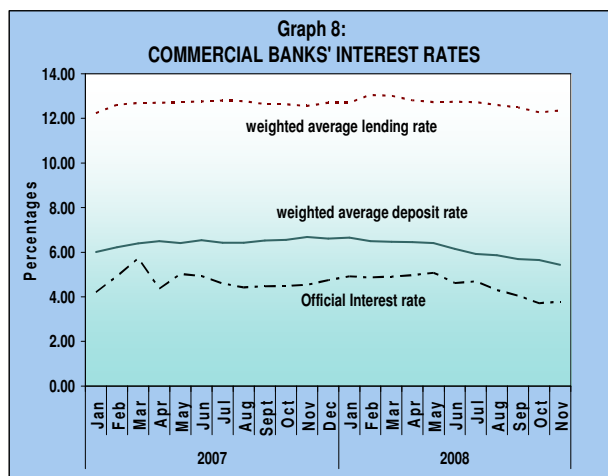


On deposits, ANZ also continued to account for most of the commercial banks’ total deposits, despite its share rebounded and jumped to 45.0 percent from 41.5 percent in October 2008 but lower than 46.8 percent in November 2007. This was followed by WESTPAC’s share of 23.0 percent, which was slightly higher than its 25.0 percent share in the previous month and 25.2 percent in November last year. NBS and SCB, accounted for 16.5 percent and 15.5 percent of total deposits in the month under review; lower than their respective shares of 17.3 percent and 16.2 percent in the previous month but higher than the 16.1 percent and 11.8 percent respectively in the same month a year earlier. (See Graph 7d, 7e and 7f.)



### Commercial Bank Interest Rates

Commercial banks’ weighted average deposit interest rate continued with its downward trend in November 2008, dropping 22 basis points to 5.44 percent. The overall weighted average lending rate, on the other hand, increased 7 basis points to 12.35 percent, resulting in the widening in commercial banks’ interest rate spread by 30 basis points to 6.91 percent in November 2008. (See Graph 8.)



The higher overall weighted average lending rate during the month under review was driven by the ANZ and WESTPAC. The weighted average lending rates charged by ANZ increased 11 basis points to 12.70 percent while that of WESTPAC went up 24 basis points to 12.23 percent. NBS and SCB, on the other hand, lowered their lending rate by 11 basis points and 21 basis points to 12.68 percent and 11.03 percent respectively. Consequently, ANZ offered the highest lending rate in the market while SCB charged the lowest.

On the deposits side, the lower weighted average deposit rate was driven by ANZ and NBS, with their weighted average interest rates on deposits decreasing 60 basis points and 13 basis points to 4.45 percent and 6.85 percent in that order. SCB and WESTPAC's weighted average deposit rates, on the other hand, expanded 5 basis points and 35 basis points to 6.45 percent and 5.71 percent during the month. NBS offered the highest deposit rate while ANZ's rate was the lowest. (See Table 2.)

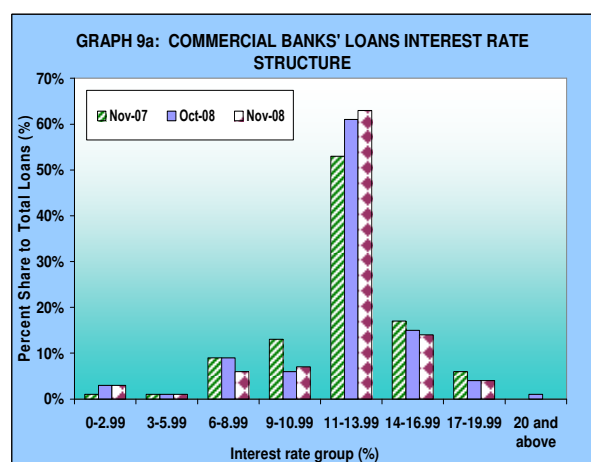
**Table 2 : Weighted Average Rates by Commercial Banks**

		ANZ	WESTPAC	NBS	SCB	Actual WA
Lending	Oct-08	12.59	11.99	12.79	11.24	12.27
	Nbv-08	12.70	12.23	12.68	11.03	12.35
Deposit	Oct-08	5.05	5.36	6.98	6.40	5.66
	Nbv-08	4.45	5.71	6.85	6.45	5.44

## Commercial Banks Interest Rate Structure.

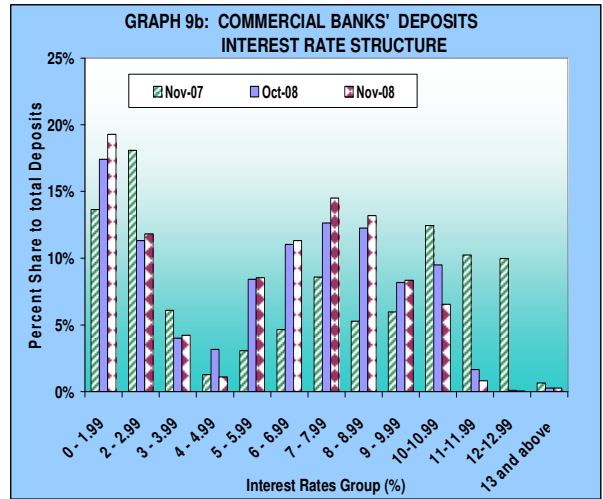
The movements in commercial banks' weighted average interest rates in November 2008 saw some changes in the overall structure of interest rates.

On the lending side, the bulk (or 63 percent) of total commercial banks' loans were charged at interest rates within the 11.00–13.99 percent band, higher than 61 percent in the previous month and 53 percent in November 2007. Disbursed loans at the interest rate range of 14.00–20 percent and above represented 19 percent of total bank loans during the month, lower than 20 percent ratio in October 2008 and 23 percent in November 2007. The proportion of loans issued at interest rates between 9.00 – 10.99 percent also went up to 7 percent from 6 percent in the previous month, but lower than the 13 percent ratio in November a year earlier. The remaining 11 percent of total commercial bank loans were issued at interest rates within the 0.00 – 8.99 percent; lower than the 13 percent share in the previous month and the same as the 11 percent share in November last year. (See Graph 9a.)



As most deposits tended to spread towards the middle range during the month, the higher deposit rate range of 10 percent and above, which were introduced in October 2006 to attract more deposits, accounted for a lower share of 8 percent than the 12 percent share in

October 2008 and 33 percent in November 2007. Deposits in the 7-9.99 percent interest-rate band with a share of 36 percent, was higher than the 33 percent in the previous month and 20 percent in the same month last year. For the 4.00 - 6.99 percent interest range, its share of total deposits in the month under review of 21 percent was slightly lower than the 22 percent share in the previous month and more than doubled the 9 percent share in November a year earlier. The lower end of the interest rate spectrum of 0–3.99 percent attracted 35 percent of total deposits from the 33 percent share in the previous month but lower than the 38 percent share in November 2007. (See Graph 9b).



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**CENTRAL BANK OF SAMOA**  
 13<sup>th</sup> January 2009