CENTRAL BANK OF SAMOA

MONETARY SURVEY REPORT
APRIL 2009

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.

Report No.4/09 **April 2009**

MONEY SUPPLY

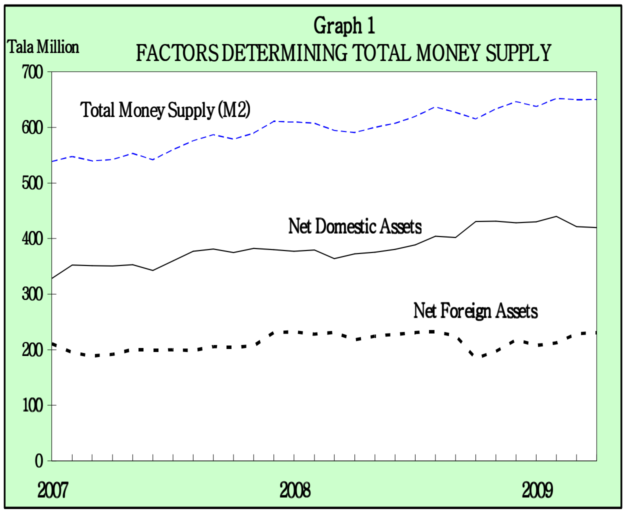
Total money supply (M2) was slightly affected by monetary developments during April 2009, edging up $0.3 million from $650.2 million in March 2009. This month's level reflected a 0.5 percent reduction in net domestic assets and a 1 percent growth in net foreign assets. (See Table 1 and Graph 1.)

Table 1 : MONETARY SURVEY
(Amounts in Tala Million)

	2008		2009	
End of Period	**Mar**	**Apr**	**Mar**	**Apr**
1. Net Foreign Assets	**231.11**	**217.72**	**228.59**	**230.90**
2. Net Domestic Assets	364.29	372.92	421.61	419.60
(a) Domestic Credit	545.22	551.64	614.89	605.95
Government , net	-92.85	-94.56	-79.31	-87.93
Non-financial public enterprises	30.16	38.18	46.54	47.12
Non- monetary financial institutions	27.19	28.71	27.53	27.53
Private Sector	580.72	579.31	620.13	619.23
(b) Other items , net	-180.93	-178.72	-193.28	-186.35
3. Total Assets = Total Money Supply (M2)	**595.40**	**590.64**	**650.20**	**650.50**
(a) Money (M1)	150.85	140.40	164.36	166.59
(b) Quasi-money	444.55	450.24	485.84	483.91

Source : Central Bank of Samoa

Graph 1
FACTORS DETERMINING TOTAL MONEY SUPPLY



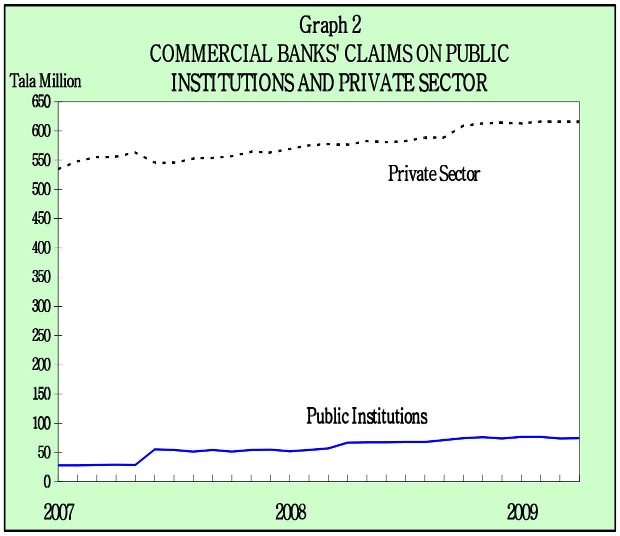
Determinants of Money Supply

Net domestic assets recorded a $2.0 million decline to $419.6 million in the month under review, a level that was 12 percent higher than a year earlier. This month's reduction was due to an $8.9 million drop in domestic credit that was offset by a $6.9 million growth in "other items, net". While the contraction in the former represented an $8.6 million cash surplus in Government's net position with the monetary system and a $0.3 million decline in claims on the private sector and public institutions combined, the increase in the latter was attributed to an expansion in commercial banks' reserves and a drop in other domestic liabilities of the banking system.

Net foreign assets, on the other hand, grew $2.3 million to $230.9 million in April 2009 to be 6 percent ($13.2 million) higher than a year ago. This month's expansion largely reflected a $4.0 million jump in holdings of net foreign reserves by the Central Bank being partially offset by $1.3 million and 0.4 million decreases respectively in net foreign assets of commercial banks' and the Ministry of Finance.

Credit

Total bank credit disbursed to the private sector fell $0.5 million to $615.9 million in the month under review, largely reflecting a $1.2 million decrease in bank credit to the business sector compared to a $0.5 million expansion in claims outstanding on households. Commercial bank loans disbursed to public institutions, on the other hand, rose $0.6 million to $74.6 million in April 2009. (See Graph 2).

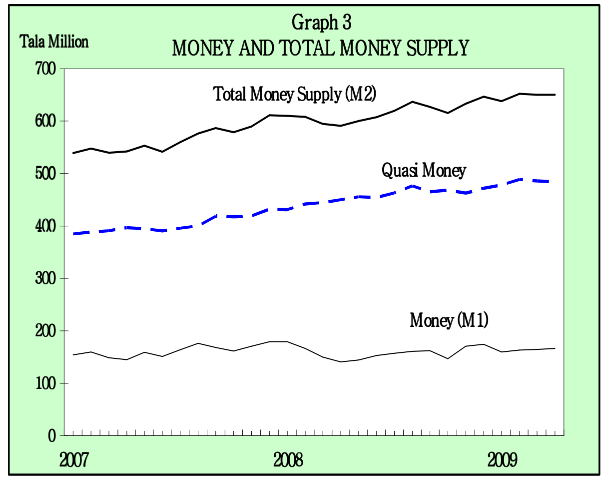


When the two sectors above are combined, the total commercial bank credit outstanding at end April 2009 rose 0.01 percent ($0.06 million) to $690.54 million. At this level, however, it was 7 percent ($47.5 million) higher than in the same month last year. On an annual average basis, credit growth slowed down to 9.6 percent, from 9.9 percent at end March 2009.

The sectoral analysis of commercial bank loans to the private sector and public institutions combined showed increased claims by the "electricity" (up $1.1 million), "manufacturing" (up $0.8 million), "agriculture" (up $0.5 million) and "other activities" (up $0.1 million) sectors. These were partially offset by decreased credit extended to the "trade" (down $1.2 million), "transportation" (down $0.7 million), "professional and business services" (down $0.3 million) and "building and construction" (down $0.2 million) industries during the month under review.

Components of Money Supply

The slightly higher level of money supply (M2) in April 2009 reflected a $2.2 million increase in narrow money (M1) that was offset by a $1.9 million decline in quasi-money. (See Graph 3.)



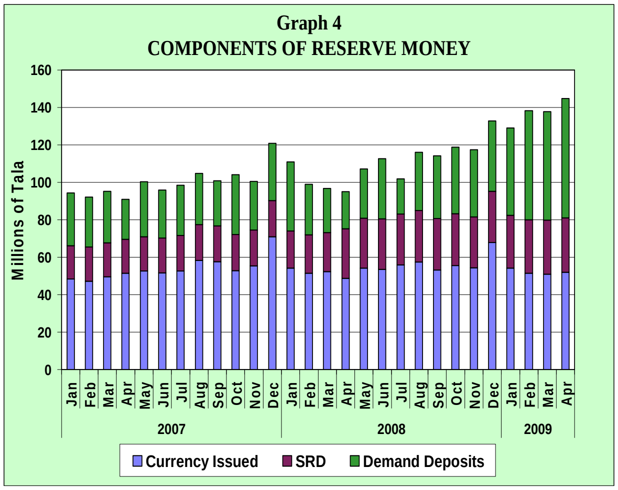
The lower level of quasi-money was mostly driven by a $3.8 million decrease in time deposits, which more than offset a $1.9 million expansion in foreign currency deposits of residents while savings deposits were unchanged from its' level in the previous month.

Narrow money (M1), on the other hand, expanded on account of a $1.9 million increase in currency outside banks and a smaller $0.3 million rise in demand deposits.

RESERVE MONEY[1]

Reserve money increased 5 percent ($7.0 million) to $144.8 million in April 2009, a level that was 52 percent ($49.8 million) higher than in the same month last year. Contributing to this month's improvement from March 2009 was a $5.8 million rebound in commercial banks' demand deposits at the Central Bank, as well as smaller increases in currency in circulation (up $0.9 million) and commercial banks' statutory reserve deposits with the Central Bank (up $0.3 million). (See Graph 4.)

[1] Reserve Money comprises of currency in circulation, statutory reserve deposits (SRD) and demand deposits of commercial banks with the CBS.

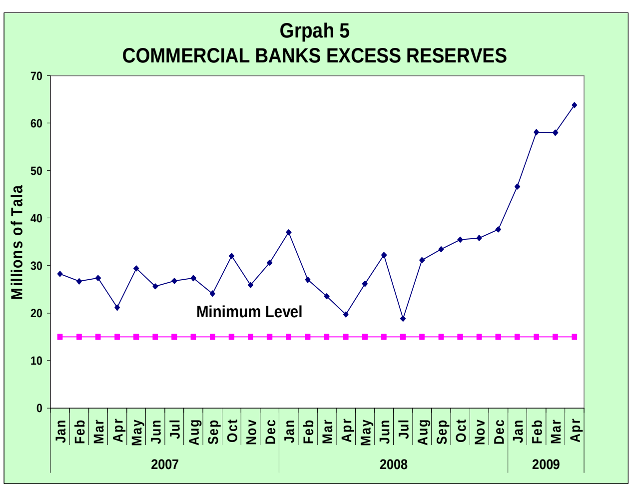


This month's higher commercial banks' excess reserves at the Central Bank was held largely by ANZ, although its' holdings fell \$1.5 million to \$40.3 million. SCB, on the other hand, raised its excess reserves at the Central Bank by \$10.0 million to account for a \$16.1 million balance at end April 2009. NBS' excess liquidity contracted \$0.2 million to \$7.2 million while Westpac reduced its' holdings of excess liquidity with the Central Bank by \$2.5 million, registering a low of \$0.2 million at the end of the month under review.

Commercial Bank Liquidity

After a huge expansion (of \$11.2 million) in the previous month, commercial banks' total liquidity rose by a smaller \$2.3 million in April 2009. This month's improvement mainly reflected a 10 percent increase in commercial banks' holdings of excess reserves at the Central Bank, which more than offset reductions in their vault cash (down 9 percent) and investments in CBS securities (down 7 percent).

The \$5.8 million rebound in commercial banks' excess reserves to \$63.8 million was its' highest monthly level recorded so far, which was comfortably well above their preferred minimum working balance level of \$15.0 million. (See Graph 5.)



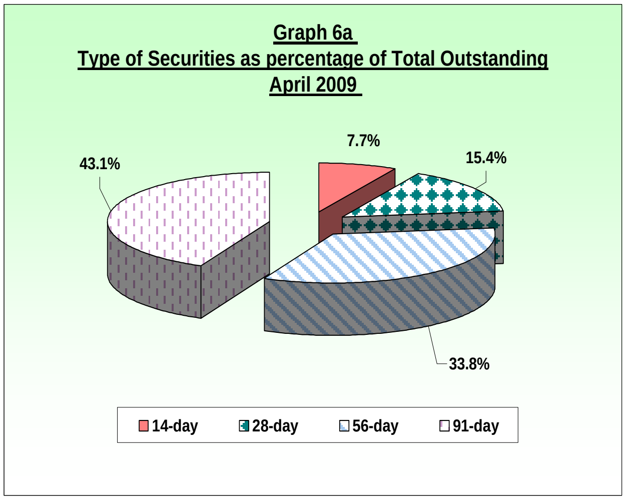
CBS SECURITIES AND OFFICIAL INTEREST RATE

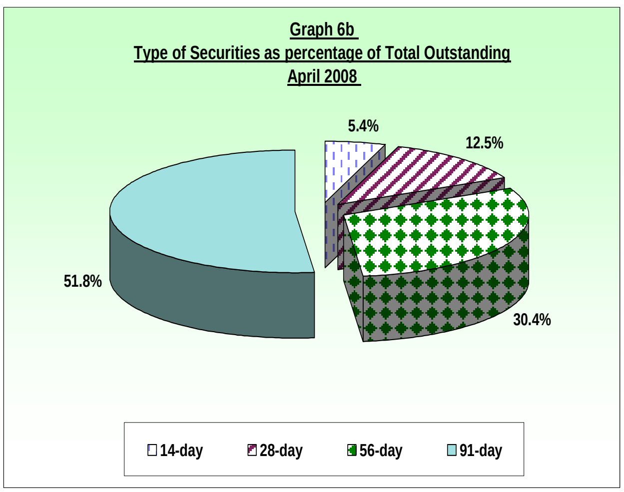
The total outstanding amount of CBS securities[2] at end April 2009 declined \$2.5 million to \$31.5 million, from \$34.0 million at end March 2009. This reflected \$19.0 million worth of CBS papers that matured during the month under review, a \$1 million rediscounted security, and a total of \$17.5 million new bills issued to commercial banks. Of these new bills issued during April 2009, \$5.0 million each were short-term papers, particularly the 14-days, 28-days and 56-days maturities. The benchmark security – 91 day paper – accounted for the remaining \$2.5 million of the new issues during the month.

The total outstanding amount of CBS securities at end April 2009, therefore, was distributed among the 14-day (\$2.5 million), 28-day (\$5.0 million), 56-day (\$11.0 million) and 91-day (\$14.0 million) maturities. As a result, the structure of securities outstanding in the month under review differed slightly from those of a year ago. In particular, the current outstanding amount for the 91-day paper was equivalent to 43 percent, down from its 52 percent share in April 2008. This was followed by the 56-day bill, which accounted for 34 percent of this year's outstanding securities, up from its 30 percent share in

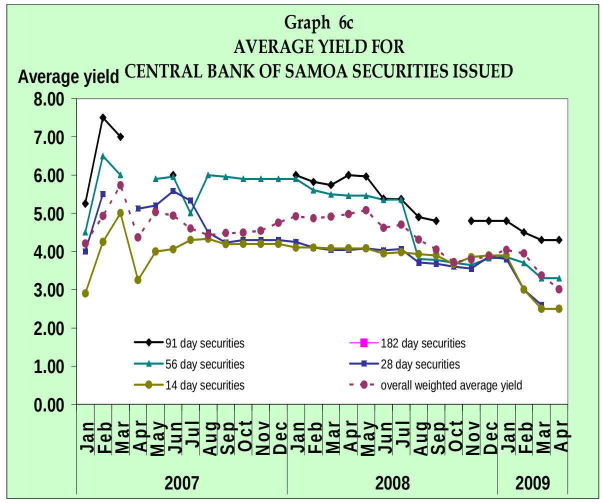
[2] Outstanding securities are quoted at their face value.

April last year. Likewise, the shares of outstanding values for the 28-day and 14-day papers was higher at 15 percent and 8 percent respectively in April 2009 compared to 13 percent and 5 percent in that order a year ago. (See Graph 6a and 6b).



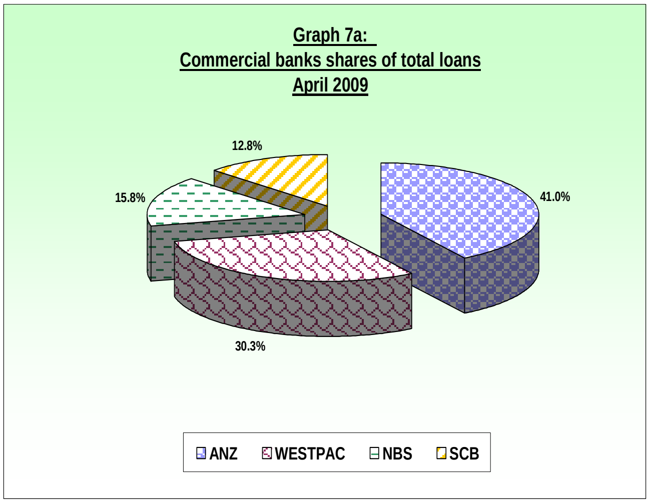


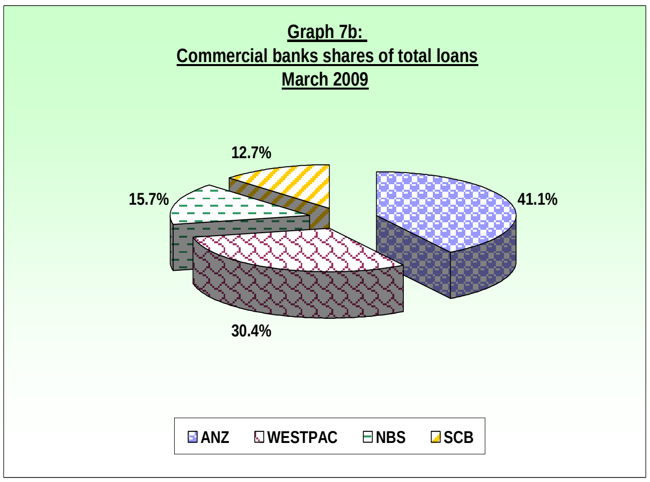
The overall official interest rate dropped another 36 basis points to 3.01 percent in April 2009. (See Graph 6c.)

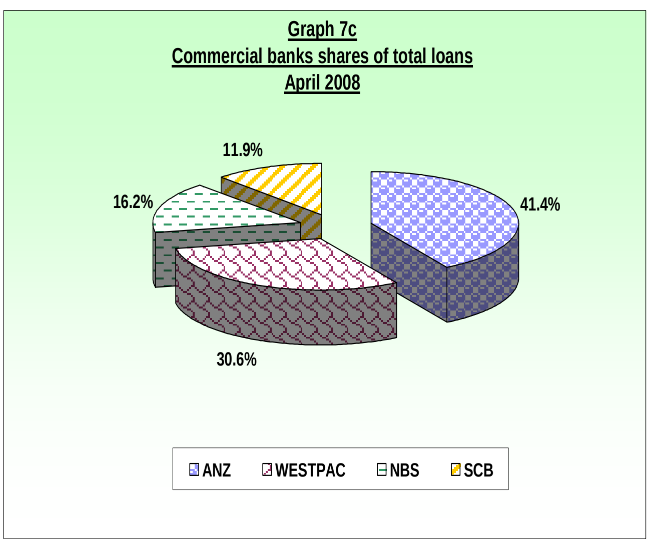


Commercial Bank Credit and Deposit Market Shares

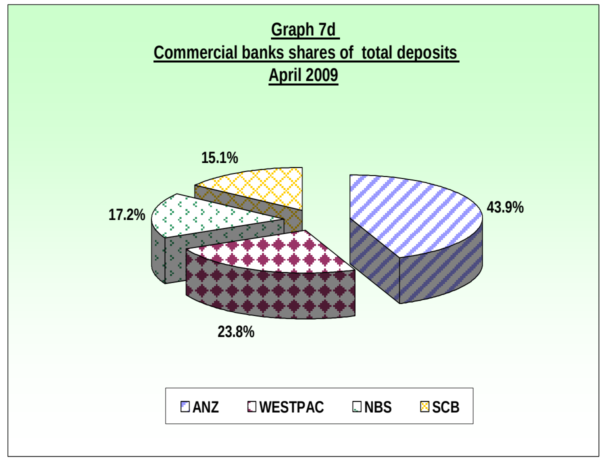
ANZ continued to be the largest provider of credit to the private sector and public institutions combined in April 2009 with a share of 41 percent that was similar to the previous month and a year ago. WESTPAC was the second major provider of bank credit, maintaining its 30 percent share from March 2009 and slightly lower than its 31 percent share in April 2008. NBS, likewise, accounted for 16 percent of total commercial banks' loans offered at end April 2009, which was the same as its shares in March 2009 and April 2008. Similarly, SCB's ratio of total loans in the month under review remained at 13 percent from the previous month but higher than its 12 percent contribution last year. (See Graphs 7a, 7b and 7c.)

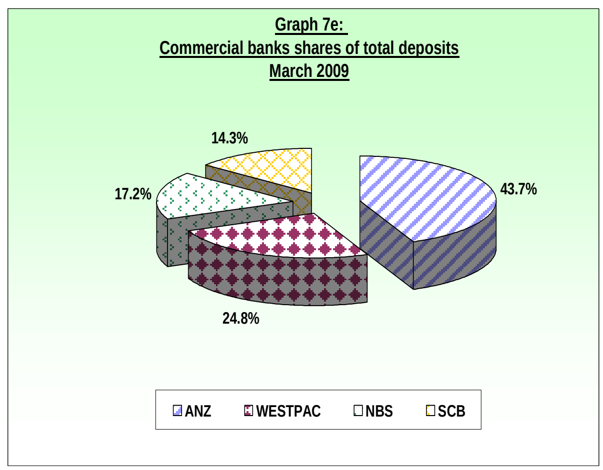


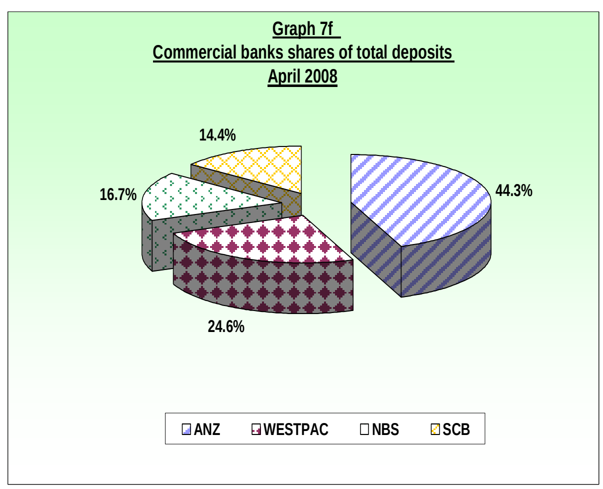




On deposits, ANZ also continued to account for most of the commercial banks' total deposits, with its share remaining at 44 percent from March 2009 and April 2008. WESTPAC followed, although its share dropped to 24 percent from 25.0 percent in the previous month and April last year. NBS maintained its deposit ratio with 17 percent from March 2009 and April 2008. SCB, on the other hand, slightly improved its share of total deposits by the banking system, with 15 percent in April 2009 compared to 14 percent shares each in the previous month and a year ago. (See Graph 7d, 7e and 7f.)

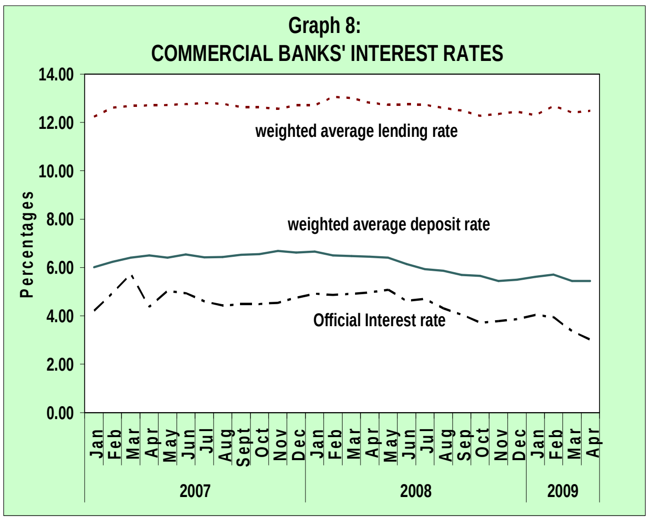






Commercial Bank Interest Rates

Commercial banks' interest rates moved in different directions in April 2009. While the weighted average lending rates rose 4 basis points to 12.45 percent, that of deposits fell to 5.39 percent from 5.44 percent in March 2009. As a result, commercial banks' interest rate spread widened 9 basis points to 7.06 percent, the first time in over two years, that it has surpassed the 7.0 percent level. (See Graph 8.)



The increased overall weighted average lending rate in April 2009 was mainly due to a 34 basis points increase to 12.36 percent in lending rates by WESTPAC during the month. This was partially outweighed by further reductions in lending rates by ANZ (down 3 basis points to 12.30 percent) and NBS (down 9 basis points to 12.60 percent), with the former now offering the lowest lending rate in the banking system. SCB, on the other hand, continued to offer the highest weighted average lending rate, although it was reduced to 12.92 percent (from 13.20 percent in the previous month).

On the deposits side, there were different movements by the commercial banks during the month under review. In particular, ANZ reduced their weighted average deposit rates by 3 basis points to 4.04 percent – the lowest deposit rates in the banking system. Similarly, NBS dropped their deposit rates by an average 2 basis points to 7.11 percent, which was the highest level in April 2009. WESTPAC, on the other hand, increased their weighted average deposit rates by 9 basis points to 6.07 percent, while those offered by SCB decreased 42 basis points to 6.29 percent. (See Table 2.)

Table 2: Weighted Average Rates by Commercial Banks

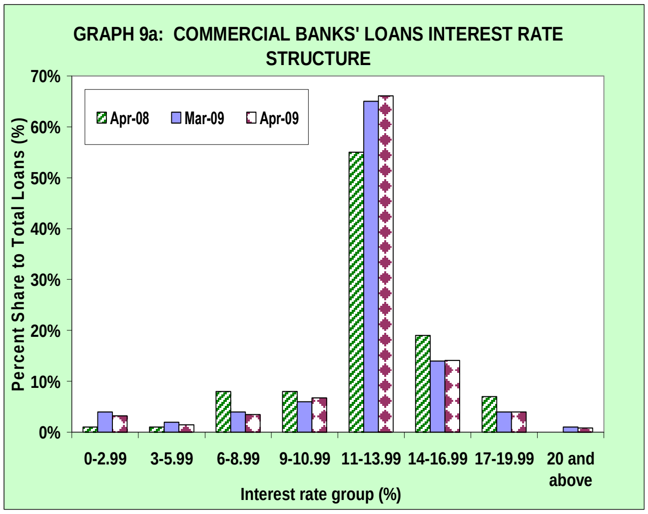
	ANZ	WESTPAC	NBS	SCB	Actual WA
Lending					
March 2009	12.33	12.02	12.69	13.20	12.41
April 2009	12.30	12.36	12.60	12.92	12.45
Deposit					
March 2009	4.07	5.98	7.13	6.71	5.44
April 2009	4.04	6.07	7.11	6.29	5.39

p=provisional

Commercial Banks Interest Rate Structure.

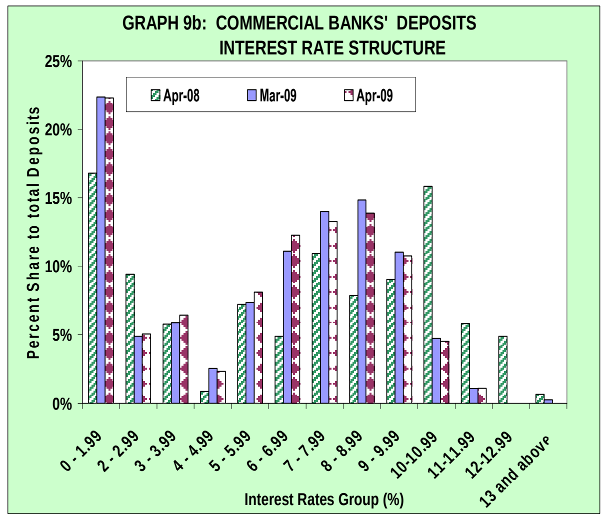
There were some changes in the overall structure of commercial banks' interest rates associated with their movements during the month under review.

On the lending side, two-thirds (66 percent) of total commercial banks' loans outstanding in April 2009 were charged at interest rates within the 11.00 – 13.99 percent range, which was higher than its 65 percent share in March 2009 and 55 percent share in April last year. Loans disbursed by commercial banks at the interest rate of 14.00 – 16.99 percent accounted for a similar share of 14 percent from March 2009 but was lower than its 19 percent share a year ago. There were slightly more loans charged at interest rates between 9.00 – 10.99 percent in April 2009 (7 percent) compared to its 6 percent proportion in the previous month but were below its 8 percent share in April 2008. Total commercial banks' loans outstanding in April 2009 that were charged at interest rates above 17 percent remained at 5 percent from March 2009 and were lower than their 7 percent share a year ago. The remaining 7 percent of outstanding bank credit in the month under review were charged at interest rates within the 0.00 – 8.99 percent range; lower than the 10 percent share each in the previous month and the same month a year ago. (See Graph 9a.)



On deposits, although there were slight changes in the shares of different interest rate bands in April 2009 from those in the previous month, however, when compared to a year ago, there were notable movements.

In particular, the share of the interest rate range (10 percent and above) that was introduced two years ago to attract more deposits remained at 6 percent from March 2009, a significant shift from its 28 percent share in April 2008. This decline over the year in deposits from the higher-end of the interest rate spectrum was reflected in the mid-range in April 2009. In particular, at interest rates between 7.00 - 9.99 percent, there were 38 percent of this month's total deposits (down from its 40 percent share in March 2009) compared to 28 percent in April 2008. Likewise, total deposits in April 2009 at the 4.00 – 6.99 percent range accounted for 23 percent (higher than its 21 percent share in the previous month) in contrast to only 13 percent a year ago. The lower end of the interest rate spectrum of 0–3.99 percent, on the other hand, attracted 34 percent of total deposits in April 2009; similar to that of the previous month and slightly higher than its 32 percent share in April 2008. (See Graph 9b).



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CENTRAL BANK OF SAMOA
26th May 2009