CENTRAL BANK OF SAMOA

MONETARY SURVEY REPORT
FEBRUARY 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.

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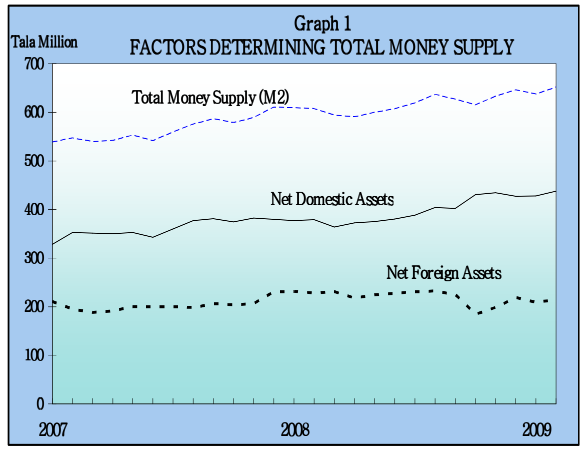
Report No.2/09	February 2009

Money Supply

Money supply (M2) rebounded 2 percent ($14.4 million) to $652.2 million in February 2009 after a 1 percent decline in the previous month. The expansion from the previous month was attributed to increases of 2 percent each in net domestic assets and net foreign assets during the month. (See Table 1 and Graph 1.)

Table 1 : MONETARY SURVEY
(Amounts in Tala Million)

	2008		2009	
End of Period	Feb	Dec	Jan	Feb
1. Net Foreign Assets	**228.10**	**219.14**	**209.52**	**213.99**
2. Net Domestic Assets	379.33	427.27	428.20	438.17
(a) Domestic Credit	555.77	603.35	599.69	617.46
Government , net	-77.06	-87.98	-92.95	-78.80
Non-financial public enterprises	28.11	45.68	48.51	48.67
Non- monetary financial institutions	26.10	28.34	28.08	28.13
Private Sector	578.62	617.31	616.05	619.46
(b) Other items , net	-176.44	-176.08	-171.49	-179.29
3. Total Assets = Total Money Supply (M2)	**607.43**	**646.42**	**637.72**	**652.16**
(a) Money (M1)	165.60	174.38	159.71	163.41
(b) Quasi-money	441.83	472.04	478.01	488.75



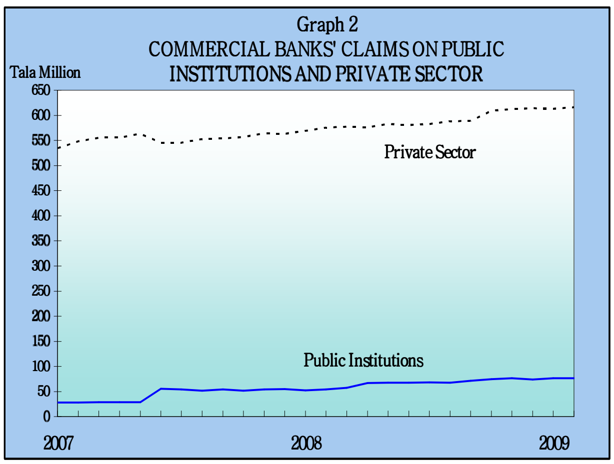
Determinants of Money Supply

Net domestic assets jumped $10.0 million to $438.2 million, as a $17.8 million expansion in domestic credit more than outweighed a $7.8 million drop in "other items, net". While the expansion in the former was driven by a drawdown of $14.2 million in Government's deposits with the monetary system and a $3.6 million increase in claims on the private sector and public institutions combined, the drop in the latter was underpinned by increases in capital accounts and other domestic liabilities of the banking system.

Net foreign assets, as well rose $4.4 million to $214.0 million in February 2009; a level that was nevertheless, 6 percent ($14.1 million) lower than in the same month last year. This expansion was due to increases of $4.5 million and $2.0 million in net foreign reserves held by the Central Bank and the commercial banks respectively, offsetting a decline ($2.1 million) in holdings of the Ministry of Finance. (See Graph 1 and Table 1.)

Credit

Total bank credit to the business sector increased $3.4 million which was partially offset by a $0.2 million decline in bank credit to private households in the month under review. This saw credit to the private sector rise slightly (0.5 percent) to $616.2 million while those disbursed to public institutions increased by a further 0.3 percent to $76.8 million in February 2009. (See Graph 2).

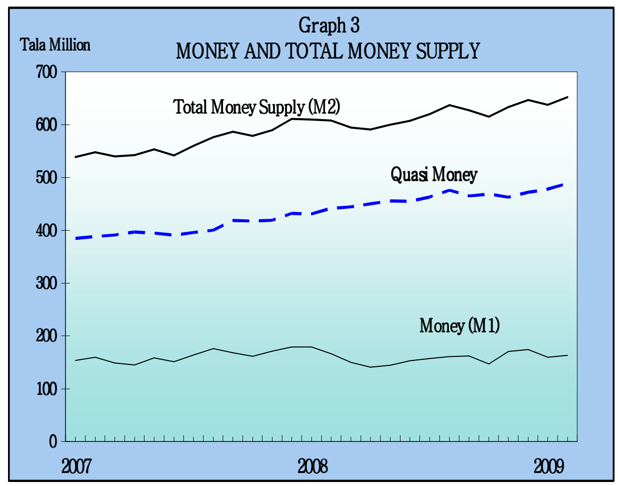


Combining the two sectors above saw total commercial bank credit (to the private sector and public institutions combined) expand 0.5 percent ($3.4 million) to $693.0 million in the month under review, and was 10 percent ($63.3 million) higher than in the same month last year. And, on an annual average basis, credit growth rose further to 9.86 percent at end February 2009 from 9.80 percent at end January 2009.

The sectoral analysis of commercial bank lending in February 2009 saw a surge in credit absorption by the "building and construction" (up $19.1 million), "agriculture" (up $16.3 million) and "other activities" (up $1.5 million) sectors.. Loans directed to the "manufacturing", "electricity", "trade", "professional and business services" and "transport and communication" industries, on the other hand, decreased $12.7 million, $8.8 million, $5.2 million, $5.1 million and $1.7 million in that order. Significant changes in sectoral absorption of loans from the previous month reflected in part some reclassifications by ANZ of its lending activities during the month.

Components of Money Supply

The monetary expansion in February 2009 produced increases of $10.7 million and $3.7 million in quasi-money and narrow money (M1) respectively. (See Graph 3.)



The expansion in quasi money was driven by a notably $8.7 million jump in time deposits and $2.6 million rise in foreign currency deposits of residents, which more than outweighed a $0.6 million decline in savings deposits during the month.

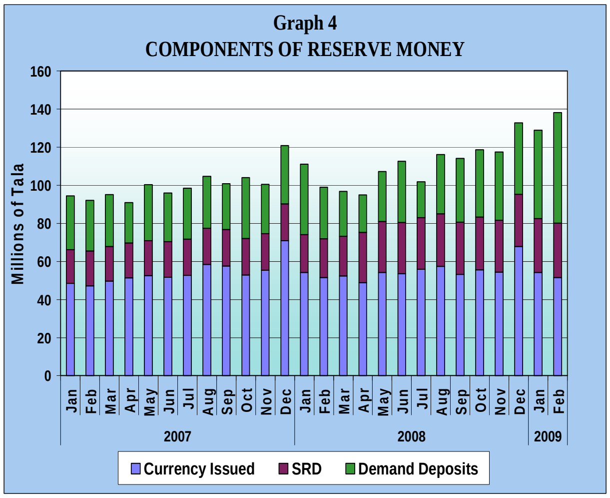
Driving the higher level of M1 in February 2009 was a $5.4 million rise in demand deposits which more than outweighed a $1.7 million decline in currency outside banks.

Reserve Money[1]

Reserve money increased 7 percent ($9.1 million) to $138.2 million in February 2009

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

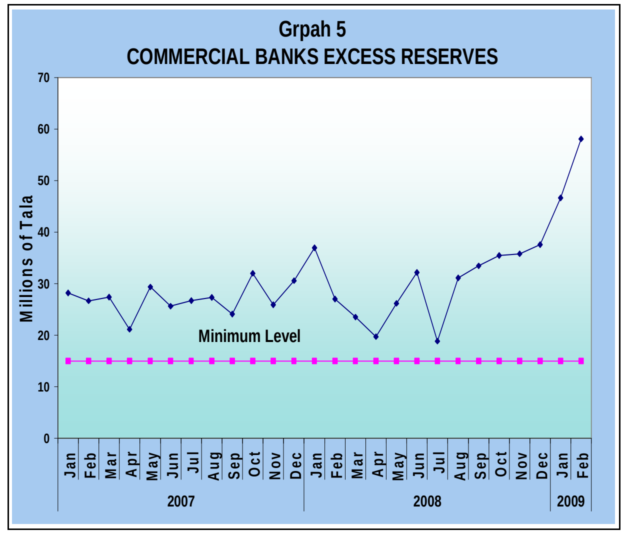
and was 40 percent ($39.2 million) higher than in the same month last year. Contributing to this month's expansion was a significant $11.4 million increase in commercial banks demand deposits and $0.3 million rise in their statutory reserve deposits with the Central Bank, which offset a $2.6 million drop in currency in circulation. (See Graph 4.)



Commercial Bank Liquidity

Commercial banks' total liquidity expanded by a further $10.5 million in February 2009. This improvement was driven entirely by a 24 percent increase in commercial banks' excess reserves, while their investment in CBS securities remained unchanged from the previous month. Vault cash, on the other hand declined 9 percent to $9.4 million. At $58.1 million, excess reserves of commercial banks were $11.4 million higher than in the previous month; comfortably well above their preferred minimum working balance level of $15.0 million.

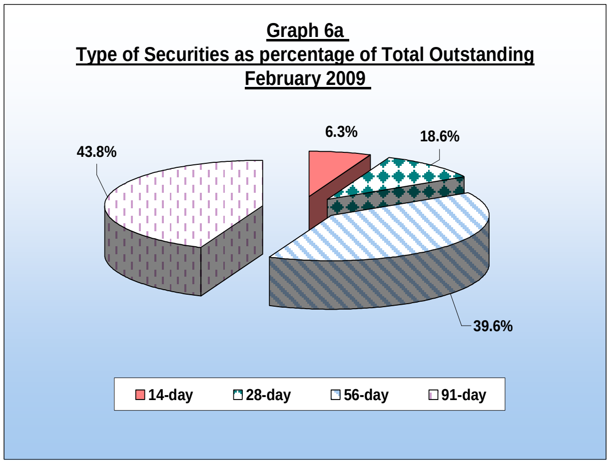
With its demand deposits with the Central Bank expanding $6.2 million to $36.1 million, ANZ continued to account for the bulk of total commercial banks' demand deposits with CBS in February 2009, followed by the WESTPAC although its level fell $3.3 million to $8.3 million. Excess reserves of NBS and SCB likewise increased $4.9 million and $3.6 million to $8.1 million and $5.6 million respectively during the month. (See Graph 5.)

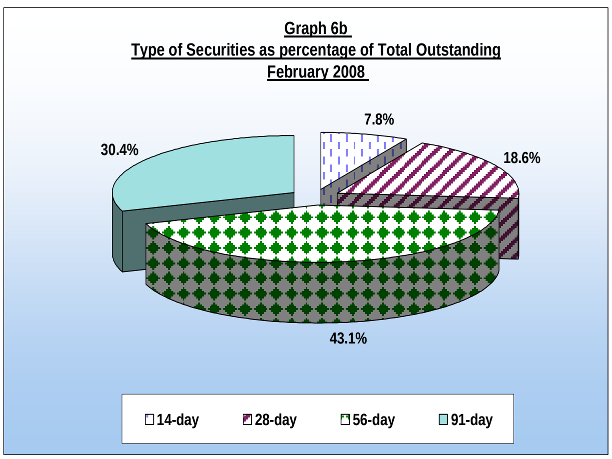


CBS Securities and Official Interest Rates

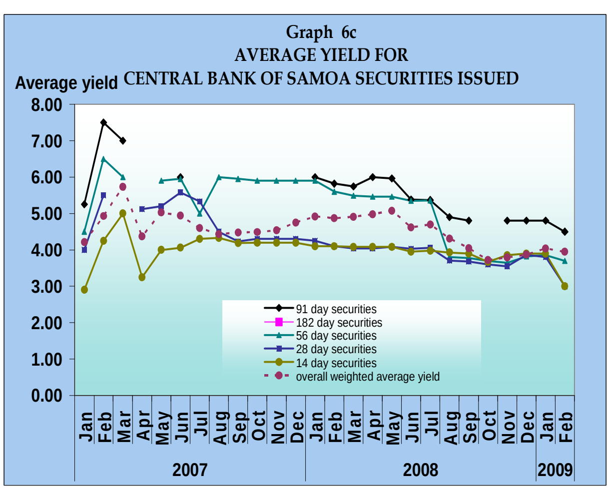
There were $15.0 million worth of CBS securities matured in February 2009, and new bills issued to commercial banks also totaled $15.0 million. In particular, short-term securities of 14-days and 28-days accepted $2.5 million each while $5.0 million each was issued for 56-days and 91-days. Consequently, the amounts outstanding of $1.5 million, $2.5 million, $9.5 million and $10.5 million for the 14-day, 28-day, 56-day and 91-day papers registered a total outstanding of $24.0 million in CBS securities at end February 2009; the same amount as was in the previous month.

As a result, the structure of securities outstanding in the month under review differed slightly from February last year. With $10.5 million outstanding for the 91 day security, it accounted for 44 percent of total securities outstanding in the month under review. This was followed by 40 percent for the 56-day paper while the 28-day and the 14-day securities accounted for 10 percent and 6 percent respectively of the outstanding papers. In comparison, the total value of securities outstanding of $51.0 million in February 2008 comprised of 43 percent, 30 percent, 19 percent and 8 percent invested in the 56-day, 91-day, 28-day and 14-day bills respectively. (See Graph 6a and 6b).



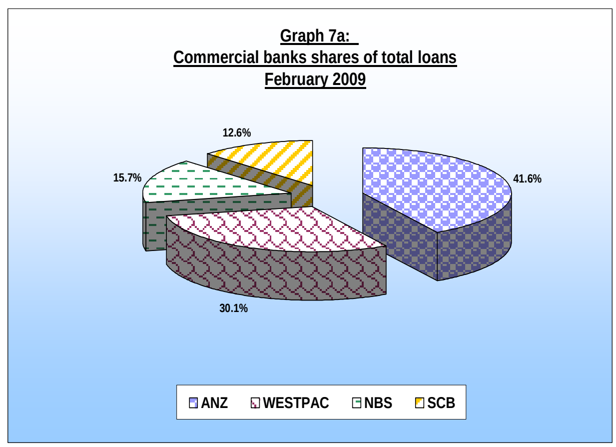


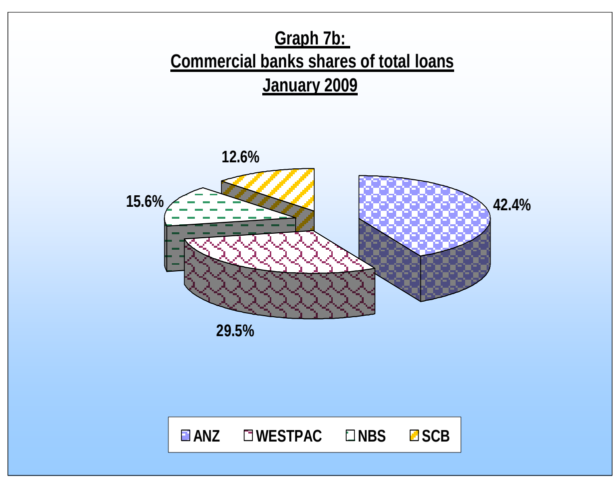
The overall official interest rate dropped 9 basis points to 3.95 percent in February 2009. (See Graph 6c.)

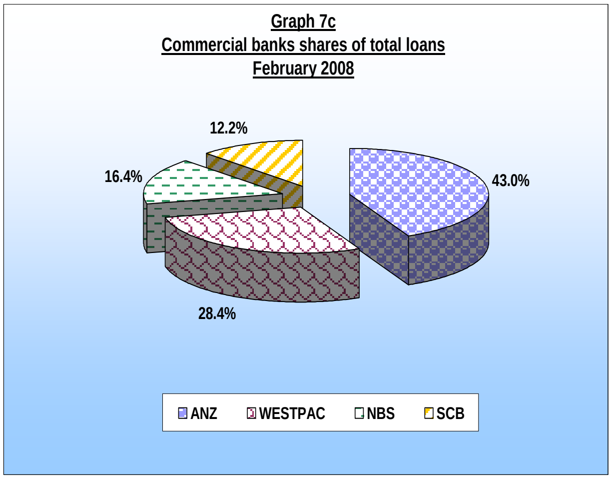


Commercial Bank Credit and Deposit Market Shares

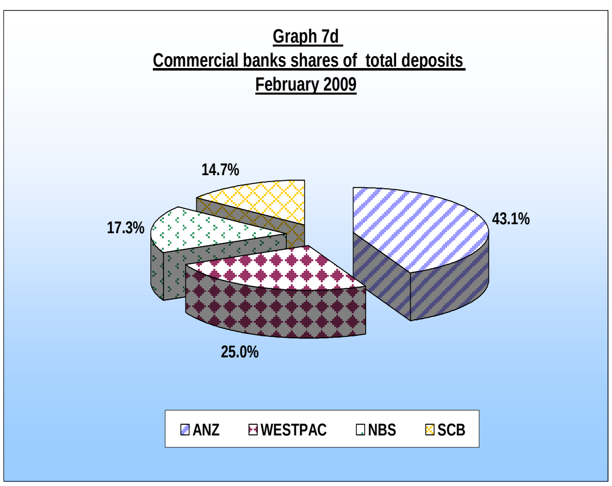
ANZ maintained its position as the largest provider of credit to the private sector and public institutions combined in February 2009, although its share went down further to 41.6 percent from 42.4 percent in January 2009 and 43.0 percent in February 2008. WESTPAC followed, with its share increasing to 30.1 percent from 29.5 percent in the previous month; notably higher than the 28.4 percent in February a year earlier. The ratio for NBS likewise, rose slightly to 15.7 percent from 15.6 percent in the previous month but was lower than its share of 16.4 percent in the same month last year. SCB's share, on the other hand, remained unchanged at 12.6 percent from the previous month but was higher than 12.2 percent in the same month a year earlier. (See Graphs 7a, 7b and 7c.)

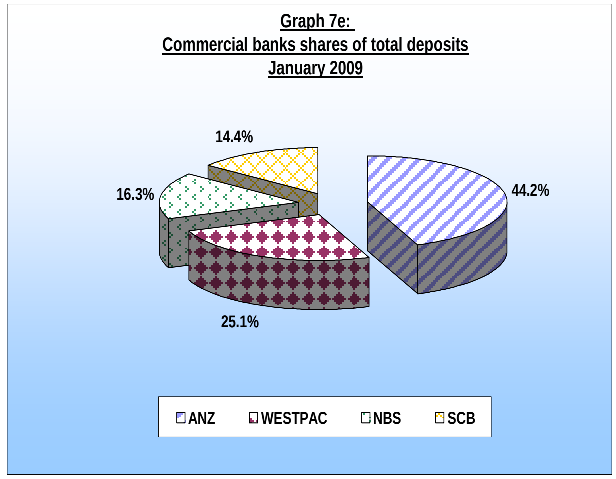


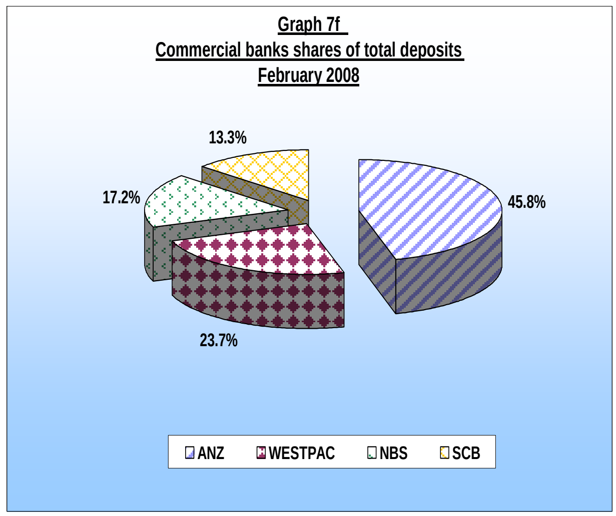




On deposits, ANZ also continued to account for most of the commercial banks' total deposits, although its share declined further to 43.1 percent from 44.2 percent in the previous month and 45.8 percent in February 2008. WESTPAC followed with is share edging down to 25.0 percent from 25.1 percent in the previous month but was higher than 23.7 percent in February 2008. NBS gained its share to 17.3 percent from 16.3 percent in January 2009 and 17.2 percent in February last year. Similarly, SCB's share of 14.7 percent was higher than its 14.4 percent ratio a month earlier and 13.3 percent share in February 2008. (See Graph 7d, 7e and 7f.)

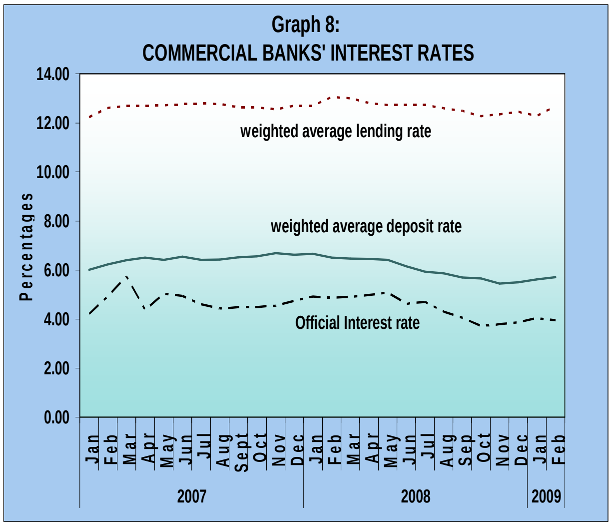






Commercial Bank Interest Rates

Commercial banks' interest rates increased in February 2009. Both the weighted average interest rates for lending and deposits rose 39 basis points to 12.68 percent and 9 basis points to 5.71 percent respectively. As a result commercial banks' interest rate spread widened 30 basis points to 6.97 percent in the month under review. (See Graph 8.)



The higher overall weighted average lending rate during the month under review was driven by increased rates offered by all banks except NBS and WESTPAC which rates respectively declined 3 basis points to 12.70 percent and remained unchanged at 12.47 percent from the previous month. The weighted average lending rates charged by ANZ went up 27 basis points to 12.68 percent while SCB's rate surged 228 basis points to 13.17 percent, reflecting largely the reclassification of its loan portfolio in the month under review. As a result, SCB's weighted lending rate was the highest rate in the market while WESTPAC charged the lowest.

On the deposits side, the higher weighted average deposit rate was driven by WESTPAC, NBS and SCB with their weighted average rates on deposits increasing 7 basis points to 6.18 percent, 25 basis points to 7.16 percent and 19 basis points to 6.77 percent in that order. The weighted average deposit rate offered by ANZ, on the other hand, declined 5 basis points to 4.51 percent. NBS offered the highest deposit rate during the month, while ANZ's rate was the lowest. (See Table 2.)

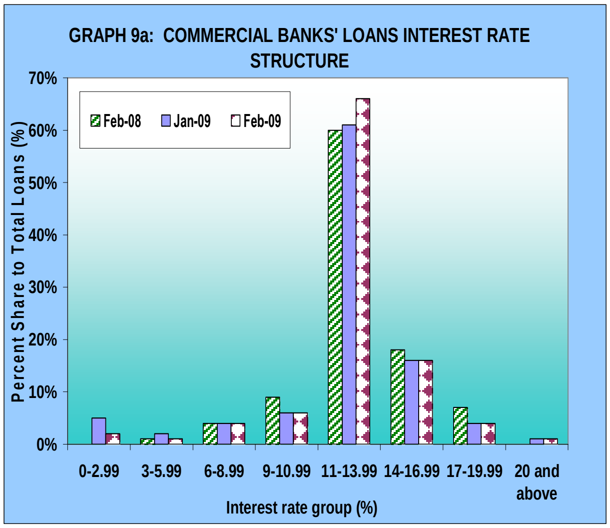
Table 2 : Weighted Average Rates by Commercial Banks

		ANZ	WESTPAC	NBS	SCB	Actual WA
Lending	Jan-09	12.41	12.47	12.73	10.89	12.29
	Feb-09	12.68	12.47	12.70	13.17	12.68
Deposit	Jan-09	4.56	6.11	6.91	6.58	5.62
	Feb-09	4.51	6.18	7.16	6.77	5.71

Commercial Banks Interest Rate Structure.

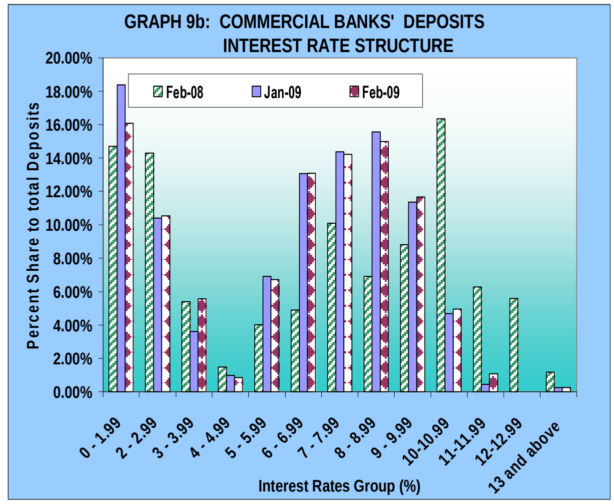
In February 2009, the movements in commercial banks' weighted average interest rates saw some changes in their overall structure.

On the lending side, the bulk (or 66 percent) of total commercial banks' loans were charged at interest rates within the 11.00–13.99 percent band, higher than the 61 percent in January 2009. Disbursed loans at the interest rate range of 14.00–20 percent and above represented 21 percent of total bank loans during the month, the same ratio as was in the previous month but was lower than 25 percent in February 2008. The proportion of loans (6 percent) issued at interest rates between 9.00 – 10.99 percent was the same as that in the previous month but was lower than 9 percent ratio in February last year. The remaining 7 percent of total commercial bank loans were issued at interest rates within the 0.00 – 8.99 percent; lower than the 11 percent share in the previous month but higher than the 6 percent share in the same month a year ago. (See Graph 9a.)



On deposits, there was no change in the shares of different interest rate bands in February 2009 from those in the previous month.

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 in February as it was in January 2009 but was significantly lower than the 29 percent share in February 2008. Similarly, the share of the 7-9.99 percent interest-rate band at 41 percent also remained the same as it was in the previous month but was higher than 26 percent in the same month last year. For the 4.00 - 6.99 percent interest rate bracket, its share of total deposits in the month under review of 21 percent remained unchanged from the previous three months but was higher than its 11 percent share in February last year. The lower end of the interest rate spectrum of 0–3.99 percent attracted 32 percent of total deposits, the same as its share in the previous month but lower than 34 percent in February 2008. (See Graph 9b).



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CENTRAL BANK OF SAMOA
24th March 2009