



CENTRAL BANK OF SAMOA

MONETARY SURVEY REPORT JANUARY 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.1/09

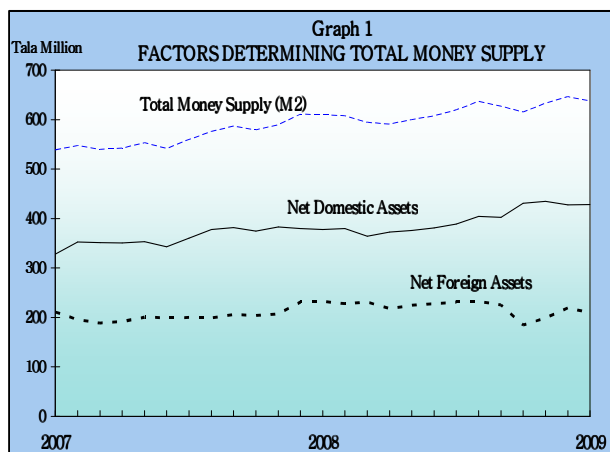
January 2009

Money Supply

After a seasonal expansion in December 2008, M2 fell 1 percent (\$8.7 million) to \$637.7 million in January 2009. The contraction from the previous month was attributed entirely to a 4 percent drop in net foreign assets, more than outweighing a slight increase in net domestic assets during the month. (See Table 1 and Graph 1.)

Table 1 : MONETARY SURVEY
(Amounts in Tala Million)

End of Period	2008			2009
	Jan	Nov	Dec	Jan
1. Net Foreign Assets	231.92	198.74	219.14	209.52
2. Net Domestic Assets	377.49	434.49	427.27	428.20
(a) Domestic Credit	552.50	611.21	603.35	599.69
Government, net	-72.36	-81.01	-87.98	-92.95
Non-financial public enterprises	25.91	42.69	45.68	48.51
Non-monetary financial institutions	26.39	29.02	28.34	28.08
Private Sector	572.56	620.51	617.31	616.05
(b) Other items, net	-175.01	-176.72	-176.08	-171.49
3. Total Assets = Total Money Supply (M2)	609.41	633.22	646.42	637.72
(a) Money (M1)	178.36	170.57	174.38	159.71
(b) Quasi-money	431.05	462.65	472.04	478.01



Determinants of Money Supply

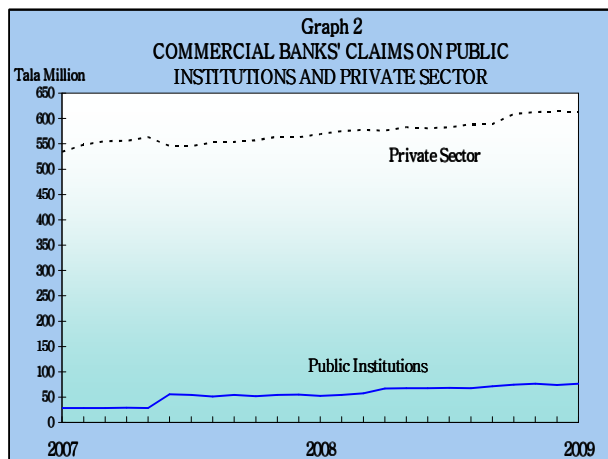
Net foreign assets fell \$9.6 million to \$209.5 million in January 2009; a level that was 10 percent (\$22.4 million) lower than in the same month last year. This decline was due to decreases of \$7.4 million and \$2.5 million in net foreign reserves held by the commercial banks and the Central Bank respectively, offsetting a slight increase (\$0.3 million) in holdings of the Ministry of Finance.

Net domestic assets, on the other hand rose \$0.9 million to \$428.2 million, as a \$4.6 million increase in "other items, net" more than outweighed a \$3.7 million decline in domestic credit. While the expansion in the former was underpinned by a fall in general reserves of the banking system, the decline in the latter was driven by a further increase (\$5 million) in Government's net deposits with the monetary system and modest declines in claims on the private sector and non-monetary financial institutions. Claims on non-financial public enterprises, on the other hand, rose, \$2.8 million. (See Graph 1 and Table 1.)

Credit

Total bank credit to private households rose \$1.6 million which was partially offset by a \$2.8 million drop in total bank credit to the business sector in the month under review. This saw credit to the private sector fall slightly (0.2 percent) to \$612.9 million while those disbursed to public institutions increased by a

further 4 percent to \$76.6 million in January 2009. (See Graph 2).



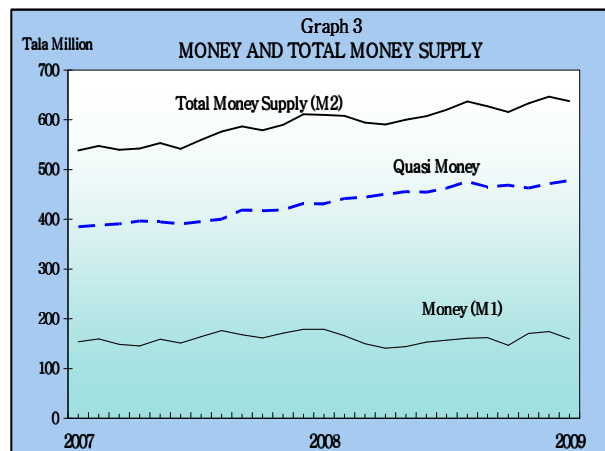
Combining the two sectors above saw total commercial bank credit (to the private sector and public institutions combined) increased 0.2 percent (\$1.3 million) to \$689.5 million in the month under review, and was 11 percent (\$67.9 million) higher than in the same month last year. And, on an annual average basis, credit growth rose further to 9.80 percent at end January 2009 from 9.75 percent at end December 2008, in line with the current easing of monetary policy stance.

The sectoral analysis of commercial bank lending in January 2009 saw a surge in credit absorption by the “professional and business services” (up \$29.2 million), “electricity” (up \$11.3 million), “other activities” (up \$5.3 million) and “manufacturing” (up \$1.4 million) sectors. Loans directed to the “building and construction”, “trade”, “transport and communication” and “agriculture” industries, on the other hand, decreased \$33.5 million, \$10.9 million, \$1.4 million and \$0.1 million in that order during the month.

Components of Money Supply

The monetary contraction in January 2009 entirely reflected a huge \$14.7 million drop in narrow money (M1) which outweighed a \$6.0

million increase in quasi-money. (See Graph 3.)

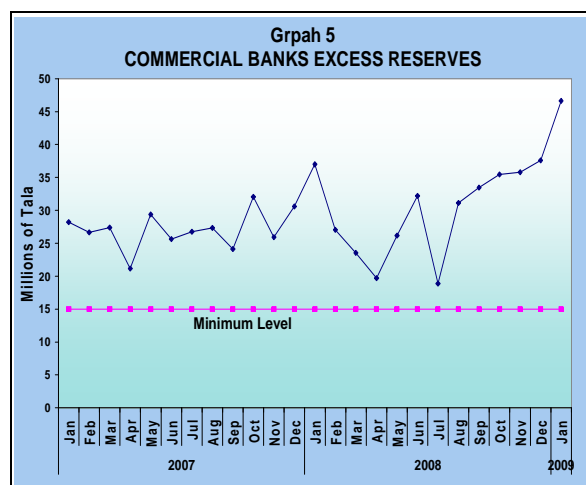
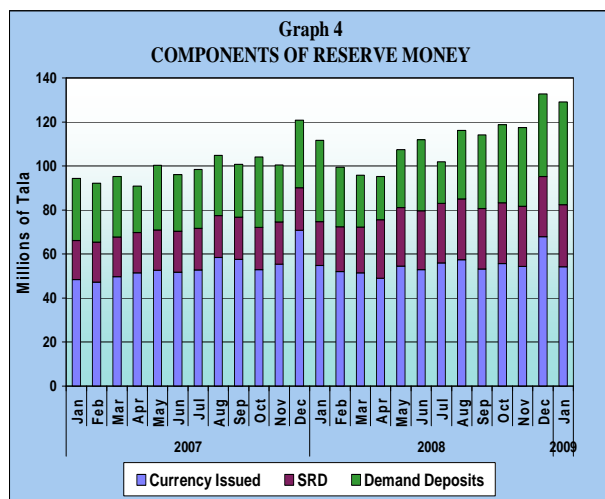


The fall in M1 was a result of a decline in both of its components - namely currency outside banks (down \$8.4 million) and demand deposits (down \$6.3 million) – reflecting a seasonal fall in the demand for holding cash after the festive season. On the other hand, the higher level of quasi money was driven by a \$6.1 million surge in time deposits and \$0.9 million rise in foreign currency deposits of residents which more than outweighed a decrease of \$1.0 million in savings deposits during the month.

Reserve Money¹

The level of reserve money dropped 3 percent (\$3.8 million) to \$129.0 million in January 2009 but was 16 percent (\$18.0 million) higher than in the same month last year. Entirely contributing to this month’s contraction was a \$13.7 million drop in currency in circulation which more than offset increases of \$9.1 million and \$0.8 million in commercial banks demand deposits with the Central Bank and their statutory reserve deposits respectively. (See Graph 4.)

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



Commercial Bank Liquidity

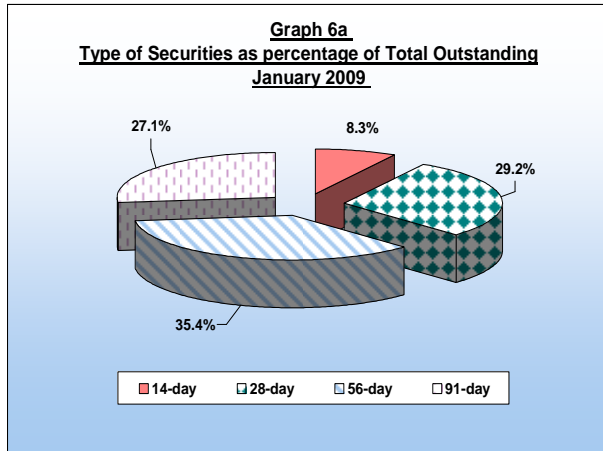
Commercial banks total liquidity increased by a further \$7.8 million in January 2008. This improvement was underpinned by increases of 24 percent and 20 percent in commercial banks' excess reserves and investment in CBS securities respectively. Vault cash, on the other hand declined by 34 percent to \$10.3 million. At \$46.6 million, excess reserves of commercial banks were \$9.1 million higher than in December 2008; comfortably higher than their preferred minimum working balance level of \$15.0 million.

With its demand deposits with the Central Bank expanding \$1.2 million to \$30.0 million, ANZ continued to account for the bulk of total commercial banks' demand deposits with CBS at end January 2009, followed by the WESTPAC which ESA level jumped \$6.0 million to \$11.5 million. While excess reserves of NBS likewise increased \$3.0 million to \$3.2 million, those of the SCB fell \$1.2 million to \$2.0 million in the month under review. (See Graph 5.)

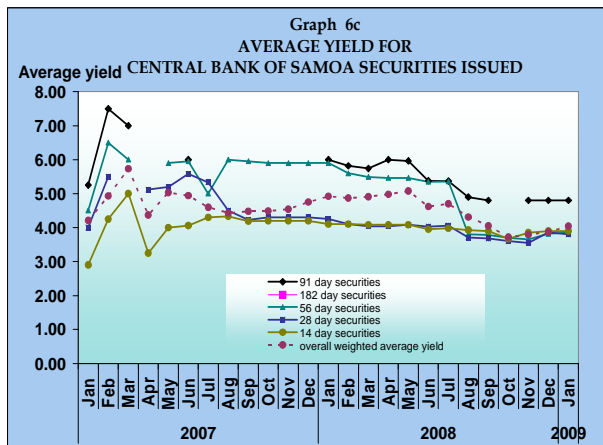
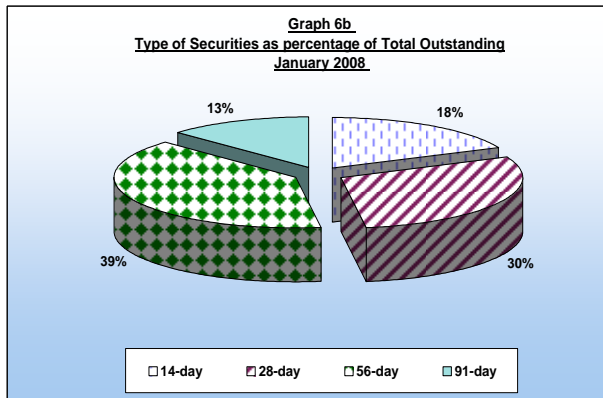
CBS Securities and Official Interest Rates

There were \$19.0 million worth of CBS securities matured in January 2009, and new bills issued to commercial banks totaled \$23.0 million. In particular, short-term securities of 14-days and 28-days accepted \$7.0 million each while \$4.5 million each was issued for 56-days and 91-days. Consequently, the amounts outstanding of \$2.0 million, \$7.0 million, \$8.5 million and \$6.5 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 January 2009 from \$20.0 million in December 2008.

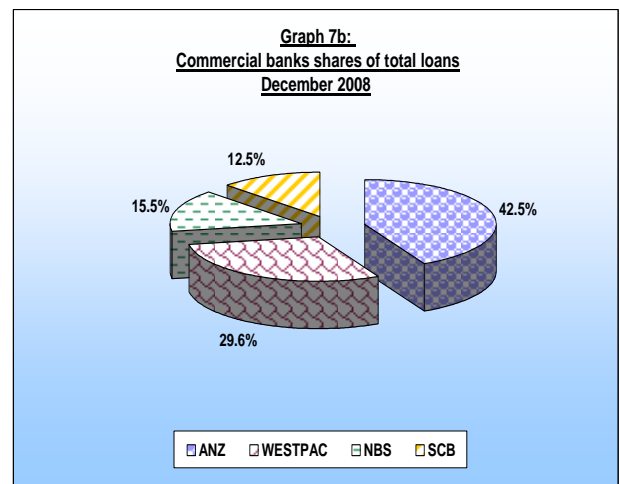
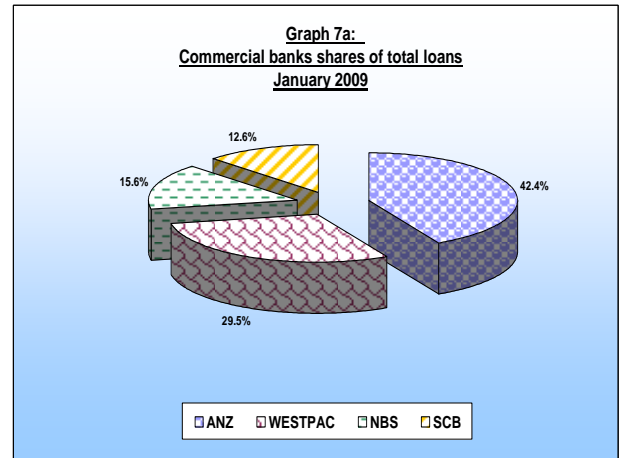
As a result, the structure of securities outstanding differed slightly from January 2008. With \$8.5 million outstanding for the 56 day security, it accounted for 36 percent of total securities outstanding in the month under review. This was followed by 29 percent for the 28-day paper while the 91-day and the 14-day securities accounted for 27 percent and 8 percent respectively of the outstanding papers. In comparisons, the total value of securities outstanding of \$35.5 million in January 2008 comprised of 39 percent, 30 percent, 18 percent and 13 percent invested in the 56-day, 28-day, 14 day and 91-day bills respectively. (See Graph 6a and 6b).



The overall official interest rate increased 17 basis points to 4.04 percent in January 2009. (See Graph 6c.)

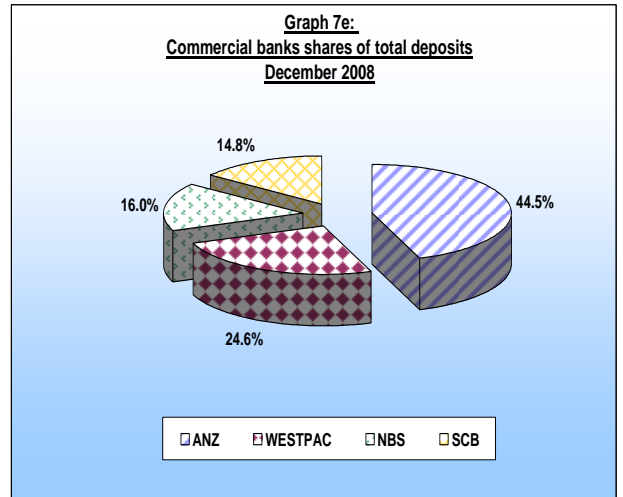
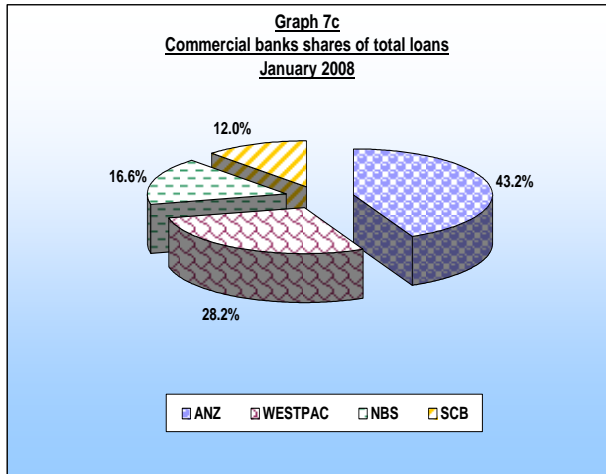


although its share edged down to 42.4 percent from 42.5 percent in December 2008 and lower than the 43.2 percent in January 2008. WESTPAC followed, with its share slipping to 29.5 percent from 29.6 percent in the previous month but notably higher than the 28.2 percent in January a year earlier. The ratio for SCB on the other hand, rose slightly to 15.6 percent from 15.5 percent in the previous month but lower than its share of 16.6 percent in the same month last year. NBS's share, as well, increased to 12.6 percent from 12.5 percent in December 2008; higher than the 12.0 percent in the same month a year earlier. (See Graphs 7a, 7b and 7c.)

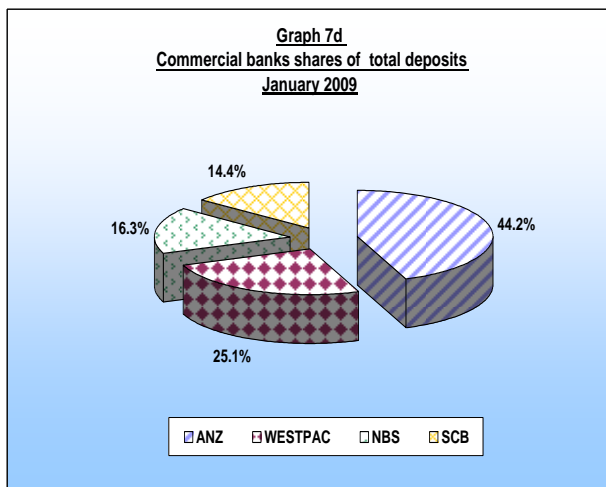
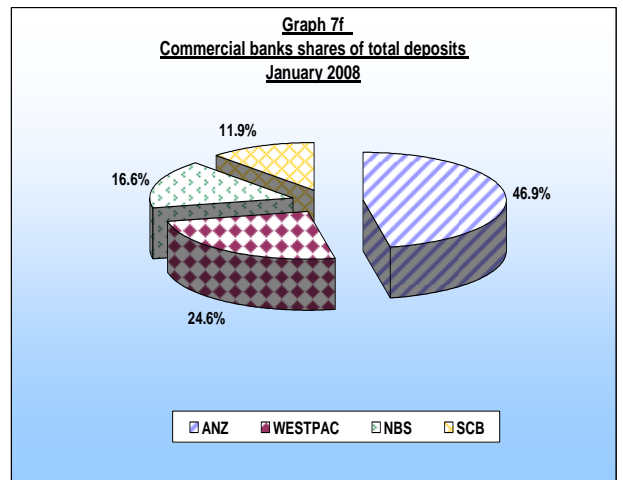


Commercial Bank Credit and Deposit Market Shares

ANZ maintained its position as the largest provider of credit to the private sector and public institutions combined in January 2009,

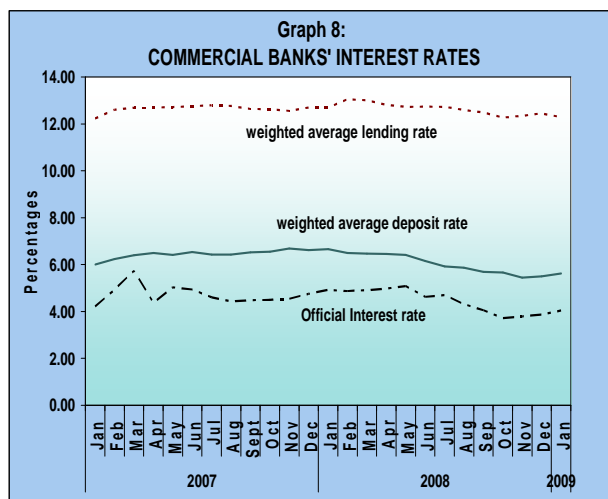


On deposits, ANZ also continued to account for most of the commercial banks' total deposits, although its share declined to 44.2 percent from 44.5 percent in the previous month and 46.9 percent in January 2008. WESTPAC followed with its share increasing to 25.1 percent from 24.6 percent in the previous month and in January 2008. NBS's share of 16.3 percent was higher than the 16.0 percent in December 2008 but was lower than 16.6 percent in January last year. The share by SCB, on the other hand, declined to 14.4 percent from 14.8 percent in the previous month but was higher than its 11.9 percent portion in January 2008. (See Graph 7d, 7e and 7f.)



Commercial Bank Interest Rates

Commercial banks' weighted average interest rate for lending dropped in January 2009 by 16 basis points to 12.29 percent while that for deposits increased 12 basis points to 5.62 percent. As a result commercial banks' interest rate spread narrowed 28 basis points to 6.67 percent in the month under review. (See Graph 8.)



The lower overall weighted average lending rate during the month under review was driven by reduced rates offered by all the banks except for the NBS which rate remained unchanged from the previous month at 12.73 percent. The weighted average lending rates charged by ANZ, WESTPAC and SCB dropped 27 basis points to 12.41 percent, 16 basis points to 12.47 percent and 2 basis points to 10.89 percent respectively. Consequently, NBS offered the highest lending rate in the market while SCB charged the lowest.

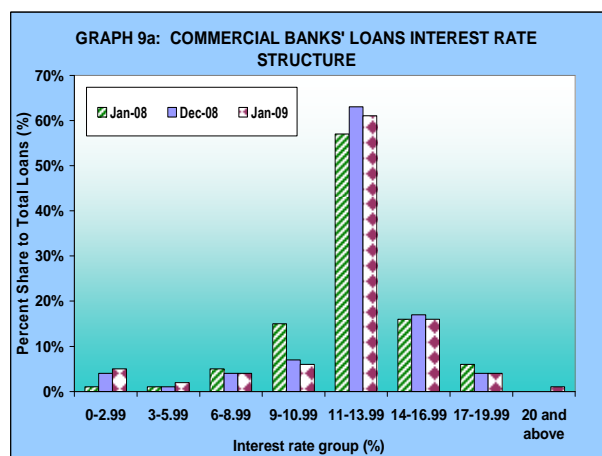
On the deposits side, the higher weighted average deposit rate was driven by WESTPAC, NBS and SCB with their weighted average interest rates on deposits increasing 26 basis points, 23 basis points and 17 basis point to 6.11 percent, 6.91 percent and 6.58 percent in that order. The weighted average deposit rate offered by ANZ, on the other hand, went down 4 basis points to 4.56 percent. NBS offered the highest deposit rate during the month, while ANZ's rate was the lowest. (See Table 2.)

		ANZ	WESTPAC	NBS	SCB	Actual WA
Lending	Dec-08	12.68	12.63	12.73	10.91	12.45
	Jan-09	12.41	12.47	12.73	10.89	12.29
Deposit	Dec-08	4.60	5.85	6.68	6.41	5.50
	Jan-09	4.56	6.11	6.91	6.58	5.62

Commercial Banks Interest Rate Structure.

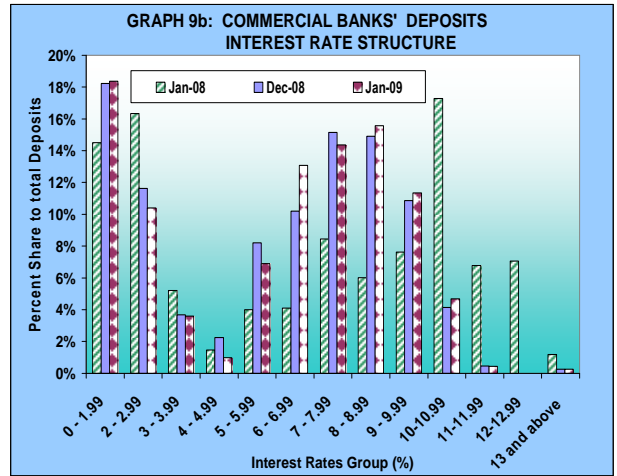
In January 2009, the movements in commercial banks' weighted average interest rates saw some changes in their overall structure.

On the lending side, the bulk (or 61 percent) of total commercial banks' loans were charged at interest rates within the 11.00–13.99 percent band, the same as that in the previous month but higher than the 57 percent in January 2008. 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 December 2008 but lower than the 22 percent in January 2008. The proportion of loans (6 percent) issued at interest rates between 9.00 – 10.99 percent was lower than the 7 percent in the previous month and 13 percent ratio in January last year. The remaining 11 percent of total commercial bank loans were issued at interest rates within the 0.00 – 8.99 percent; higher than the 9 percent share in the previous month and 6 percent share in the same month a year ago. (See Graph 9a.)



The share of the interest rate range (10 percent and above) that was introduced two years ago to attract more deposits rebounded slightly to 6 percent in January 2009 from 5 percent in December 2008, but was significantly lower than the 32 percent share in January 2008. The share of the 7-9.99 percent interest-rate band at

41 percent remained the same as was in the previous month; but was higher than 22 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 two months and more than doubled its 9 percent share in January a year earlier. The lower end of the interest rate spectrum of 0–3.99 percent attracted 32 percent of total deposits, slightly down from the 33 percent share in the previous month and 36 percent in January 2008. (See Graph 9b).



CENTRAL BANK OF SAMOA
 24th February 2009