



CENTRAL BANK OF SAMOA

MONETARY SURVEY REPORT JULY 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.7/09

July 2009

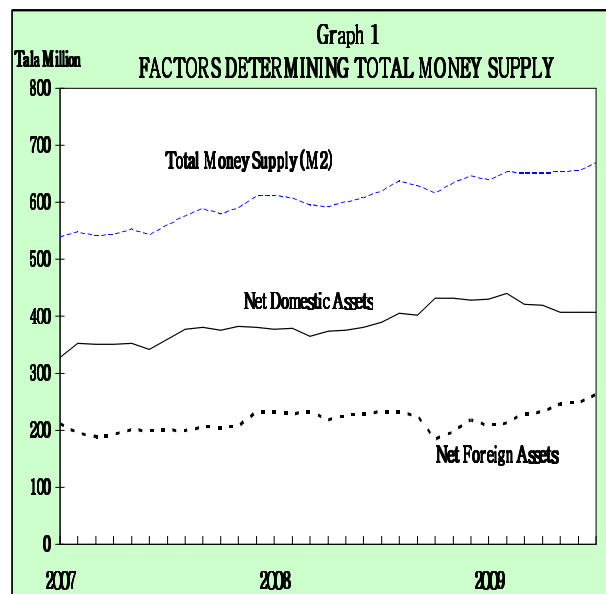
MONEY SUPPLY

Total money supply (M2) in July 2009 surged \$13.6 million to \$668.0 million following a \$1.7 million increase in the previous month. This month's significant increase reflected largely a 5 percent expansion in net foreign assets and a 0.1 percent rise in net domestic assets. (See Table 1 and Graph 1.)

Table 1 : MONETARY SURVEY
(Amounts in Tala Million)

End of Period	2008		2009	
	June	Jul	June	July
1. Net Foreign Assets	227.72	231.13	248.22	261.59
2. Net Domestic Assets	380.60	388.77	406.17	406.44
(a) Domestic Credit	563.07	564.86	602.27	606.57
Government, net	-88.60	-89.49	-86.43	-78.18
Non-financial public enterprises	38.99	39.77	46.55	45.62
Non-monetary financial institutions	28.60	28.49	27.60	27.73
Private Sector	584.08	586.09	614.55	611.40
(b) Other items, net	-182.47	-176.09	-196.10	-200.13
3. Total Assets = Total Money Supply (M2)	608.31	619.90	654.39	668.03
(a) Money (M1)	153.61	156.99	154.60	170.31
(b) Quasi-money	454.70	462.91	499.79	497.72

Source : Central Bank of Samoa



Determinants of Money Supply

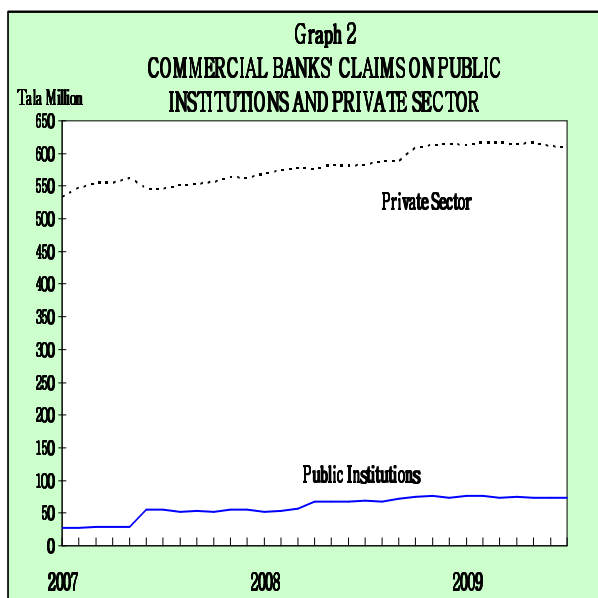
Net foreign assets rose significantly by \$13.4 million to \$261.6 million in July 2009; 13 percent (\$30.5 million) higher than in July 2008. The bulk (\$13.2 million) of this month's increase in net foreign reserves was sourced from the Central Bank's held reserves. Net foreign assets recorded with the commercial banks and the Ministry of Finance also edged up \$0.1 million and \$0.03 million respectively in the month under review.

Net domestic assets (NDA) as well recorded a \$0.3 million rise to \$406.4 million in the month under review, a level that was 5 percent (\$17.7 million) higher than in the same month a year earlier. This month's expansion in NDA was due to a \$4.3 million increase in domestic credit which marginally outweighed a \$4.0 million increase in "other items, net". While the

expansion in the former represented an \$8.3 million drop in cash deficit in Government’s net position with the monetary system, which was partially offset by a \$4.0 million drop in claims on the private sector and public institutions combined, the increase in “other items net” was attributed to expansions in other domestic liabilities of the banking system.

Credit

Total bank credit disbursed to the private sector fell \$3.1 million to \$608.1 million in the month under review, entirely reflecting a \$17.8 million drop in bank credit to the business sector which was partially offset by a \$14.7 million increase in claims outstanding against the private households. Commercial bank loans disbursed to public institutions also declined \$0.8 million to \$73.4 million in July 2009. (See Graph 2).

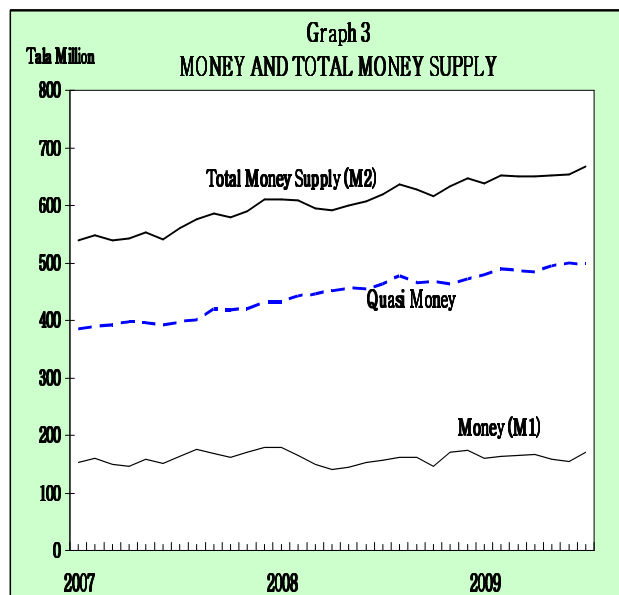


Total commercial bank credit to the private sector and public institutions combined therefore, at end July 2009, fell 0.6 percent (\$3.9 million) to \$681.4 million. At this level, however, it was 5 percent (\$30.4 million) higher than in the same month last year. On an annual average basis, credit growth continued to slow down to 8.8 percent in the month under review from 9.1 percent at end June 2009.

The sectoral analysis of commercial bank loans to the private sector and public institutions combined showed decreased claims against the “electricity” (down \$10.1 million), “transportation and communication” (down \$1.2 million), “professional and business services” (down \$1.2 million), “agriculture” (down \$0.1 million) and “manufacturing” (down \$0.1 million) sectors. These were partially offset by increased credit extended to “building and construction” (up \$7.6 million), “other activities” (up \$1.1 million) and “trade” (up \$0.1 million) industries during the month under review.

Components of Money Supply

The higher level of money supply (M2) in July 2009 reflected largely a \$15.7 million increase in narrow money (M1) which outweighed a \$2.1 million decrease in quasi-money. (See Graph 3.)



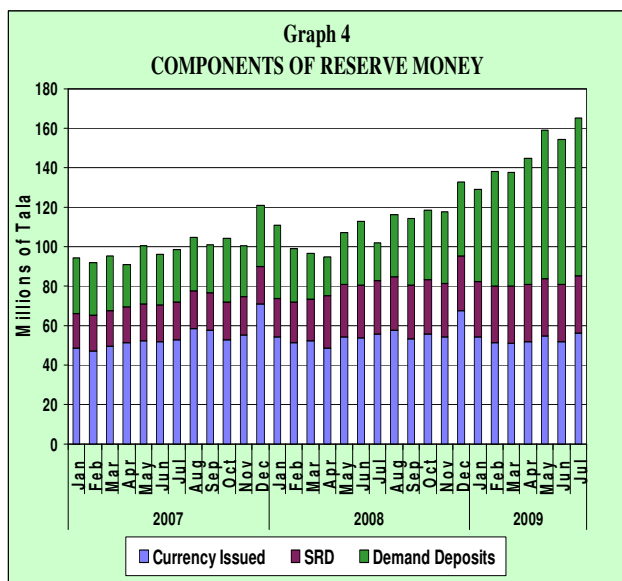
The higher level of narrow money (M1) was mainly driven by \$11.8 million and \$3.9 million expansions in demand deposits and currency outside banks respectively in July 2009.

The decline in quasi money on the other hand, was mainly due to a \$3.9 million and \$0.3

million decreases in time deposits and savings deposits respectively which were partially offset by a \$2.1 million increase in foreign currency deposits of residents during the month.

Reserve Money¹

Reserve money improved 7 percent (\$10.8 million) to \$165.2 million in July 2009, a level that was 62 percent (\$63.3 million) higher than in the same month last year. Contributing mainly to this month's surge were \$6.7 million and \$4.3 million increases in commercial banks' demand deposits with the Central Bank and currency in circulation in that order during the month. These, more than offset a \$0.2 million decline in their statutory reserve deposits with the Central Bank in the month under review. (See Graph 4.)



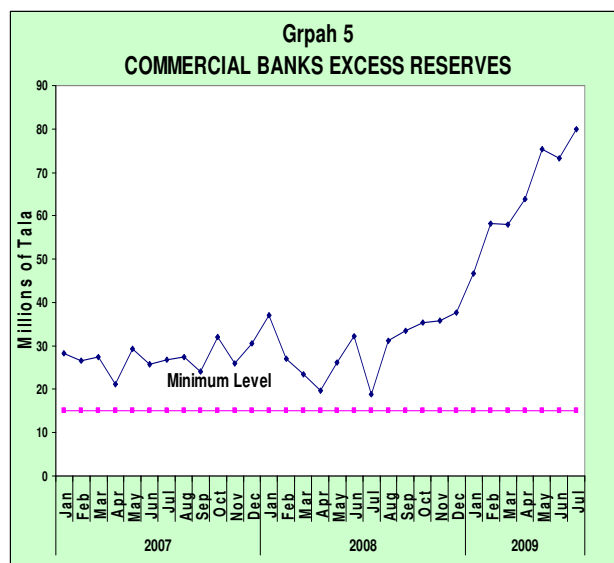
Commercial Bank Liquidity

After a \$2.2 million decline in the previous month, commercial banks' total liquidity rebounded \$7.1 million in July 2009. This month's expansion mainly reflected 9 percent and 4 percent increases in commercial banks'

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

holdings of excess reserves at the Central Bank and their vault cash respectively. On the other hand, commercial banks' investments in CBS securities remained at the same level (\$27.50 million) as it was in the previous two months.

With a record high of \$80.0 million in commercial banks' excess reserves in the month under review, this level was comfortably well above their preferred minimum working balance level of \$15.0 million. (See Graph 5.)



This significant monthly high level of commercial banks' excess reserves at the Central Bank was entirely held by ANZ, with its holdings jumping \$21.3 million to \$63.6 million during the month. WESTPAC, SCB and NBS excess liquidity on the other hand dropped \$7.4 million, \$4.8 million and \$2.4 million respectively to \$5.2 million, \$6.7 million and \$4.5 million in that order during the month.

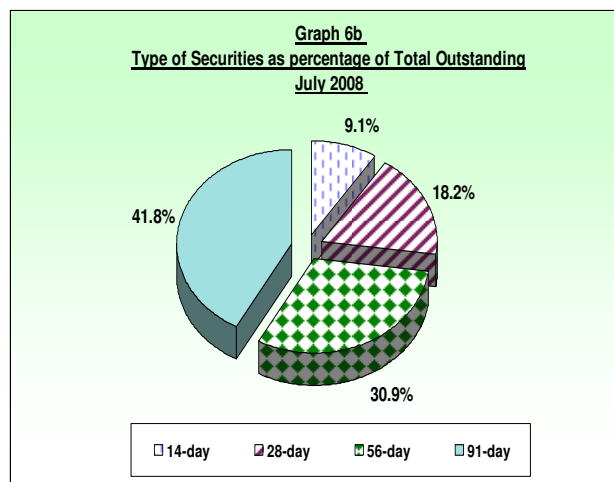
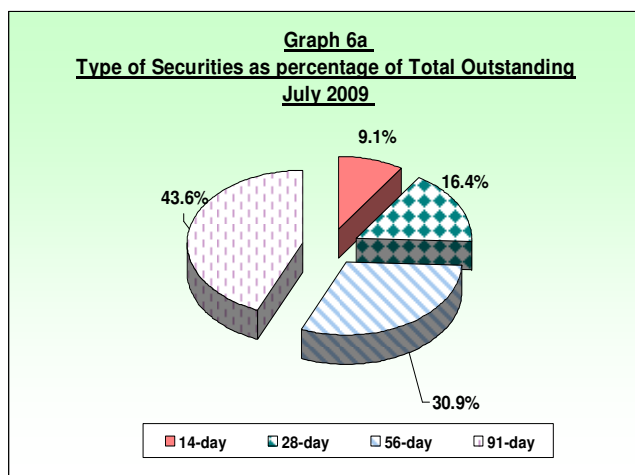
CBS Securities and Official Interest Rate

With the reinforced easing stance of monetary policy, the total outstanding amount of CBS securities² at end July 2009 continued to remain at \$27.50 million. This reflected \$20.5 million worth of CBS papers that matured during the

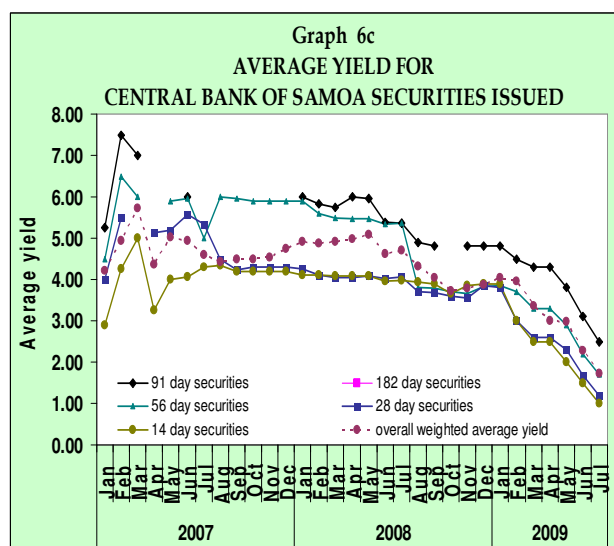
² Outstanding securities are quoted at their face value.

month under review and a total of \$20.5 million new bills issued to commercial banks. Of these new securities, \$16.5 million were short-term issues, whereby the 14-days, 28-days and 56-days securities issued \$5.5 million each. The benchmark 91 day-paper accounted for the remaining \$4.0 million of the new issues during the month.

The total outstanding amount of CBS securities at end July 2009, therefore, was distributed among the 14-day (\$2.5 million), 28-day (\$4.5 million), 56-day (\$8.5 million) and 91-day (\$12.0 million) maturities. As a result, the structure of securities outstanding in the month under review changed slightly from that of a year ago. In particular, the current outstanding amount for the 91-day paper accounted for 44 percent, up slightly from 42 percent share in July 2008. This was followed by the 56-day bill, with 31 percent of this month’s outstanding securities, the same as that portion in July last year while, the share of outstanding bills for the 28-day maturities declined to 16 percent in July 2009 from 18 percent in the same month a year earlier, whereas the 14-day paper’s share remained the same as it was in July 2008 at 9 percent. (See Graph 6a and 6b).



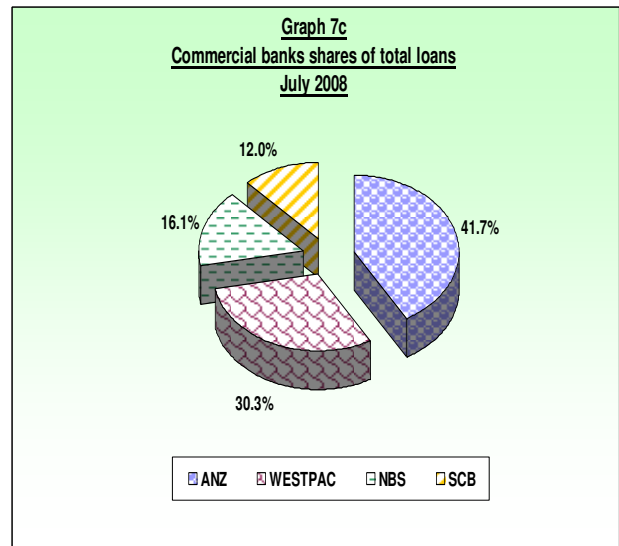
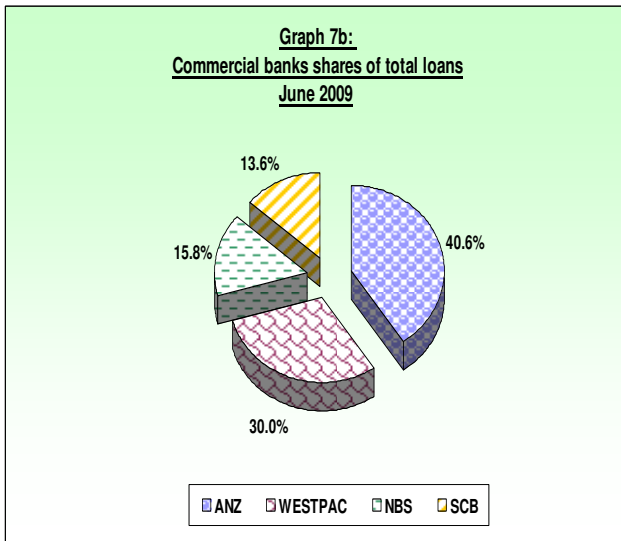
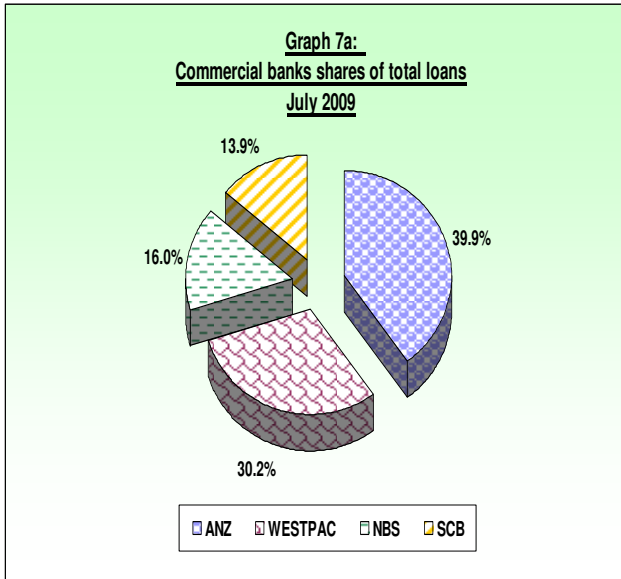
Reflecting the prevalent easing monetary policy stance, the overall official interest rate dropped another 56 basis points to 1.72 percent in July 2009. (See Graph 6c.)



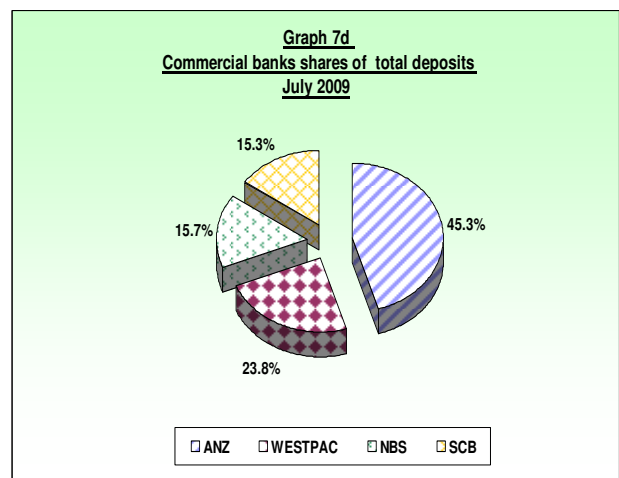
Commercial Bank Credit and Deposit Market Shares

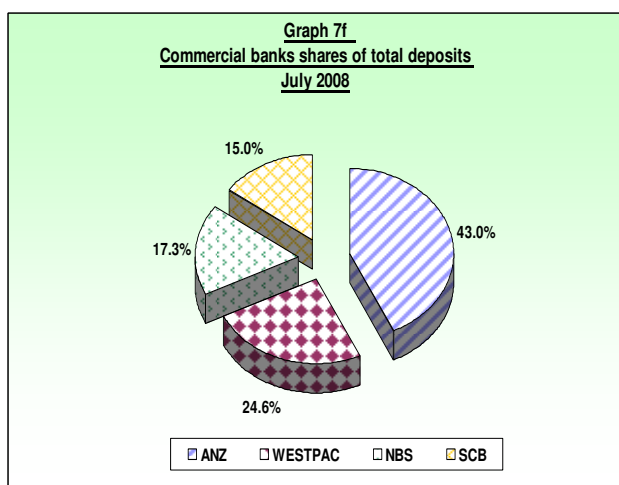
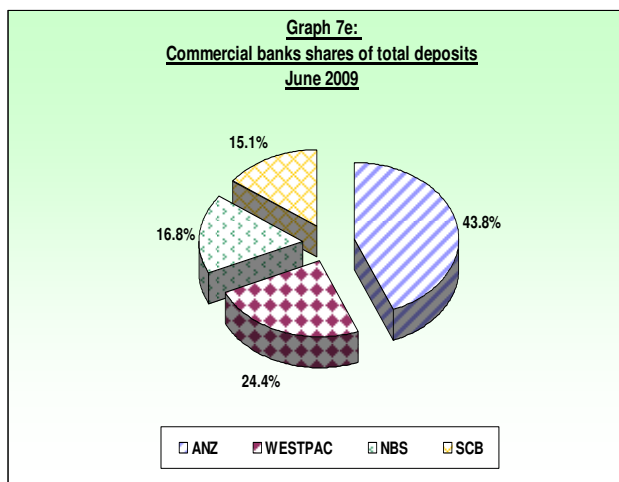
Although its share declined in July 2009, ANZ continued to be the largest provider of credit to the private sector and public institutions combined with a share of 39.9 percent, down from 40.6 percent in the previous month and 41.9 percent a year ago. The loss of ANZ’s share was absorbed by WESTPAC, NBS and SCB during the month with Westpac bank raising its share to 30.2 percent from 30.0 percent in the previous month but lower than

30.4 percent in July 2008. NBS, likewise, accounted for 16.0 percent of total commercial banks' loans disbursed at end July 2009, up from 15.8 percent in the previous month but lower than 16.3 percent in July 2008. SCB's ratio of total loans in the month under review increased to 13.9 percent from 13.6 percent and 11.5 percent respectively in the previous month and 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 as its share increased to 45.3 percent from June 2009 and 43.0 percent in July 2008. WESTPAC followed, with a 23.8 percent share although lower than 24.4 percent in the previous month and 24.6 percent in July last year. NBS deposit ratio declined to 15.7 percent from 16.8 percent in June 2009 and 17.3 percent in July 2008. Similarly, SCB's share of total deposits by the banking system edged up to 15.3 percent from 15.1 percent in June 2009 and 15.0 percent in the same month a year ago. (See Graph 7d, 7e and 7f.)





Commercial Bank Interest Rates

Commercial banks’ interest rates moved in the same direction in July 2009. With monetary policy firming on its easing stance, the weighted average lending rates declined another 6 basis points to 12.15 percent while that of deposits further dropped 38 basis points to 4.81 percent in July 2009. With deposit rates falling faster than lending rates, the commercial banks’ interest rate spread widened 32 basis points to 7.34 percent. (See Graph 8.)

The decreased overall weighted average lending rate in July 2009 was mainly due to a 27 basis points drop to 12.33 percent in lending rates by NBS, 6 basis points decline to 11.99 percent in that of Westpac bank and 1 basis point decline to 12.76 percent for SCB. The weighted average lending rate for ANZ bank on the other hand

remained unchanged from June 2009 at 11.99 percent. Although it remained the same as it was in the previous month, ANZ continued to offer the lowest lending rate in the banking system while SCB offering the highest weighted average lending rate, although slightly down to 12.76 percent from 12.77 percent in the previous month.

The movements in deposit rates, although not quiet aligned with lending rates of the commercial banks during the month, saw ANZ’s average deposit rate, which was the lowest during the month, dropped 40 basis points to 3.63 percent. NBS recorded the highest weighted average deposit rate for the month, although it declined 13 basis points to 6.47 percent. WESTPAC and SCB’s weighted average deposit rates as well dropped 37 basis points and 33 basis points respectively to 5.45 percent and 5.64 percent in the month under review. (See Table 2.)

Table 2 : Weighted Average Rates by Commercial Banks

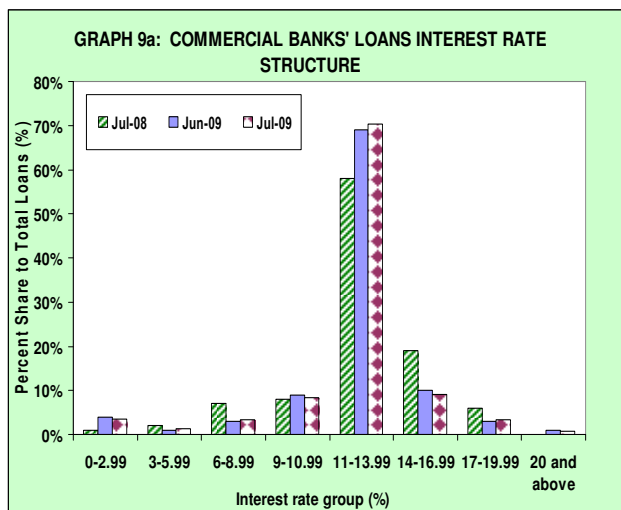
	ANZ	WESTPAC	NBS	SCB	Actual WA
Lending					
June 2009	11.99	12.05	12.60	12.77	12.21
July 2009	11.99	11.99	12.33	12.76	12.15
Deposit					
June 2009	4.03	5.82	6.60	5.97	5.19
July 2009	3.63	5.45	6.47	5.64	4.18

Commercial Banks Interest Rate Structure.

There were some changes in the overall structure of commercial banks’ interest rates during the month under review.

On the lending side, more than two-thirds (70 percent) of total commercial banks’ loans outstanding in July 2009 were charged at interest rates within the 11.00 – 13.99 percent range, which was higher than its 69 percent share in June 2009 and 58 percent share in July

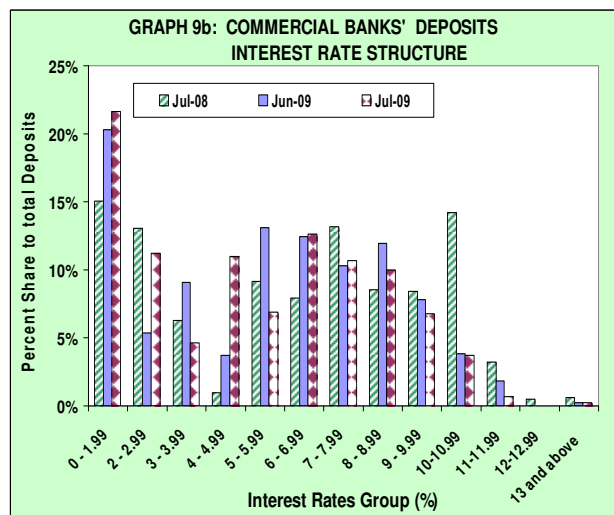
last year. Loans disbursed by commercial banks within the 14.00 – 16.99 percent interest rate band accounted for a 9 percent share, down from 10 percent in the previous month and 19 percent in July last year. Interest rates between 9.00 – 10.99 percent accounted for 8 percent in July 2009, similar to June 2009 and July 2008. The share of loans that were charged at interest rates above 17 percent remained at 4 percent as it was in June 2009 but, were, lower than its 6 percent share in July a year ago. The remaining 8 percent of outstanding bank credit in the month under review were charged at interest rates within the 0.00 – 8.99 percent range; the same as that in the previous month but lower than its 10 percent portion in the same month last year. (See Graph 9a.)



On deposits, some significant changes in the shares of different interest rate bands in July 2009 were recorded, although they were not as prominent in comparison to last year's structure.

In particular, the share of the interest rate range (10 percent and above) that was introduced two years ago to attract more deposits, edged down to 5 percent from 6 percent in the previous month, but was a significant shift from its 18 percent share in July 2008. This decline over the year in the share of deposits from the higher-end of the interest rate spectrum was reflected in an increase in the middle to the lower ranges in July 2009. That was, 28 percent of this month's total deposits from 30 percent share each in June

2009 and July 2008 interest rates were between the 7.00 to 9.99 percent range. As well, total deposits in July 2009 at 4.00 – 6.99 percent range, accounted for 30 percent; higher than its 29 percent share in the previous month and 18 percent in the same month a year ago. Similarly, the lower end of the interest rate spectrum of 0–3.99 percent range, absorbed 37 percent of total deposits in July 2009 from 35 percent and 34 percent in the previous month and the same month of 2008 respectively. (See Graph 9b).



 CENTRAL BANK OF SAMOA
 24TH AUGUST 2009