



# CENTRAL BANK OF SAMOA

## MONETARY SURVEY REPORT MAY 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.5/09

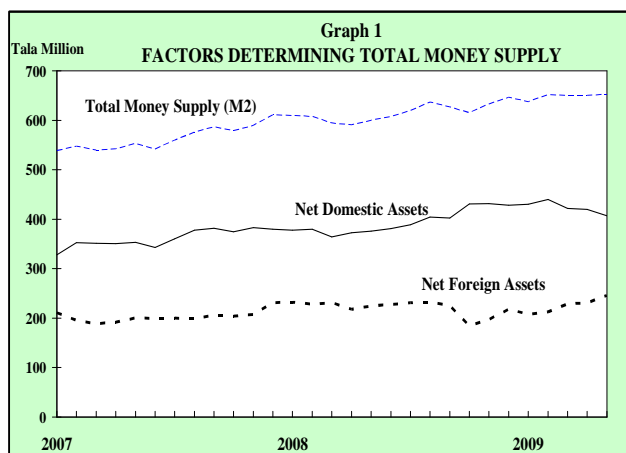
May 2009

### MONEY SUPPLY

Total money supply (M2) was highlighted by monetary developments during May 2009, increasing \$2.2 million from \$650.5 million in the previous month. This month's level reflected a 6 percent expansion in net foreign assets which outweighed a 3 percent shrink in net domestic assets. (See Table 1 and Graph 1.)

Table 1 : MONETARY SURVEY (Amounts in Tala Million)				
End of Period	2008		2009	
	Apr	May	Apr	May
<b>1. Net Foreign Assets</b>	<b>217.72</b>	<b>224.34</b>	<b>230.90</b>	<b>245.56</b>
<b>2. Net Domestic Assets</b>	<b>372.92</b>	<b>375.59</b>	<b>419.60</b>	<b>407.17</b>
<b>(a) Domestic Credit</b>	551.64	562.97	605.95	599.96
Government, net	-94.56	-90.84	-87.93	-93.50
Non-financial public enterprises	38.18	39.01	47.12	46.26
Non-monetary financial institutions	28.71	28.51	27.53	27.03
Private Sector	579.31	586.29	619.23	620.17
<b>(b) Other items, net</b>	<b>-178.72</b>	<b>-187.38</b>	<b>-186.35</b>	<b>-192.79</b>
<b>3. Total Assets = Total Money Supply (M2)</b>	<b>590.64</b>	<b>599.93</b>	<b>650.50</b>	<b>652.73</b>
<b>(a) Money (M1)</b>	140.40	144.23	166.59	158.14
<b>(b) Quasi-money</b>	450.24	455.70	483.91	494.59

Source : Central Bank of Samoa



### Determinants of Money Supply

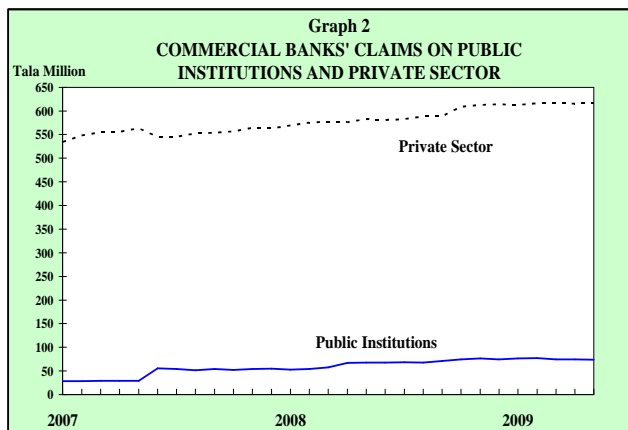
Net foreign assets surged \$14.7 million to \$245.6 million in May 2009; 10 percent (\$21.2 million) higher than a year ago. This month's expansion entirely reflected a \$17.9 million jump in holdings of net foreign reserves by the Central Bank, partially offset by decreases of \$2.5 million and \$0.8 million in net foreign assets of commercial banks' and the Ministry of Finance respectively.

Net domestic assets on the other hand, recorded a \$12.4 million drop to \$407.2 million in the month under review, a level that was however, 8 percent (\$31.6 million) higher than the same month a year earlier. This month's reduction was due to a \$6.0 million drop in domestic credit and a \$6.4 million growth in "other items, net". While the contraction in the former represented a \$5.6 million cash surplus in Government's net position with the monetary system and a \$0.4 million decline in claims on the private sector and public institutions combined, the increase in the latter was attributed to expansions in other domestic liabilities of the banking system and commercial banks' general reserves.

### Credit

Total bank credit disbursed to the private sector rebounded \$1.0 million to \$616.9 million in the month under review, entirely reflecting a \$4.9 million expansion in bank credit to the business sector which was partially offset by a \$3.9 million drop in claims outstanding against households. Commercial bank loans disbursed to

public institutions, on the other hand, fell \$1.4 million to \$73.3 million in May 2009. (See Graph 2).

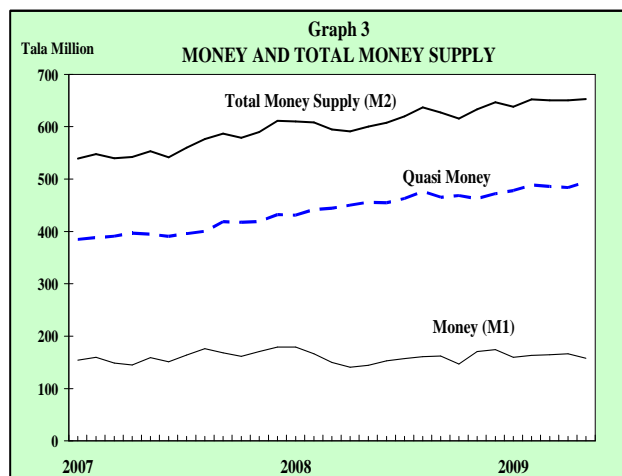


Total commercial bank credit outstanding therefore at end May 2009 declined 0.1 percent (\$0.4 million) to \$690.1 million. At this level, however, it was 6 percent (\$39.7 million) higher than in the same month last year. On an annual average basis, credit growth slowed down to 9.3 percent, from 9.6 percent at end April 2009.

The sectoral analysis of commercial bank loans to the private sector and public institutions combine showed decreased claims by the “transportation” (down \$7.9 million), “other activities” (down \$2.6 million) and “manufacturing” (down \$1.1 million) sectors. These were partially offset by increased credit extended to the “building and construction” (up \$4.6 million), “trade” (up \$4.4 million), “professional and business services” (up \$1.0 million), “agriculture” (up \$0.8 million) and “electricity” (up \$0.4 million) industries during the month under review.

### Components of Money Supply

The higher level of money supply (M2) in May 2009 wholly reflected a \$10.7 million increase in quasi-money that was partially offset by an \$8.5 million decline in narrow money (M1). (See Graph 3.)



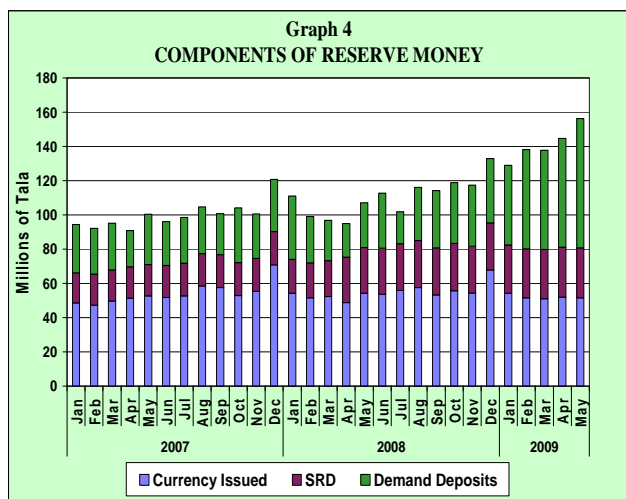
The higher level of quasi-money was mostly driven by a \$10.0 million jump in time deposits and a \$3.5 million increase in savings deposits which more than offset a \$2.8 million decline in foreign currency deposits of residents in the month under review.

Narrow money (M1), on the other hand, contracted on account of a \$10.7 million decline in demand deposits which more than outweighed a \$2.2 million rise in currency outside banks.

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

Reserve money increased 8 percent (\$11.4 million) to \$156.2 million in May 2009, a level that was 46 percent (\$49.0 million) higher than in the same month last year. Largely contributing to this month’s improvement was an \$11.6 million surge in commercial banks’ demand deposits and a smaller \$0.1 million increase in their statutory reserve deposits with the Central Bank. These, more than outweighed an increase of \$0.3 million in currency in circulation during the month. (See Graph 4.)

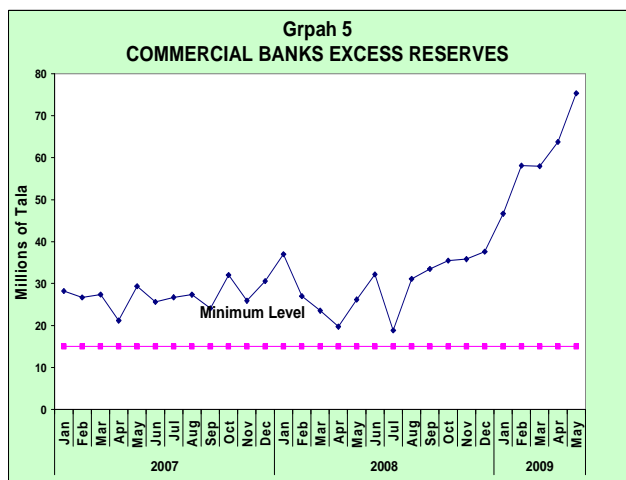
<sup>1</sup> Reserve Money comprises of currency in circulation, statutory reserve deposits (SRD) and demand deposits of commercial banks with the CBS.



### Commercial Bank Liquidity

After a smaller expansion (of \$2.3 million) in the previous month, commercial banks’ total liquidity rose by a larger \$8.1 million in May 2009. This month’s improvement mainly reflected an 8 percent increase in commercial banks’ holdings of excess reserves at the Central Bank and a 6 percent increase in their vault cash, which more than offset reductions (down 13 percent) with their investments in CBS securities during the month.

The \$11.6 million surge in commercial banks’ excess reserves to \$75.4 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.)



This month’s higher commercial banks’ excess reserves at the Central Bank was largely held by ANZ, with its’ holdings increasing \$5.1 million to \$45.3 million while SCB, although dropped its excess deposits at the Central Bank by \$1.8 million accounted for a \$14.3 million balance at the end of the month. NBS and Westpac excess liquidity, expanded \$1.2 million and \$7.2 million respectively to \$8.4 million and \$7.4 million by the end of the month under review.

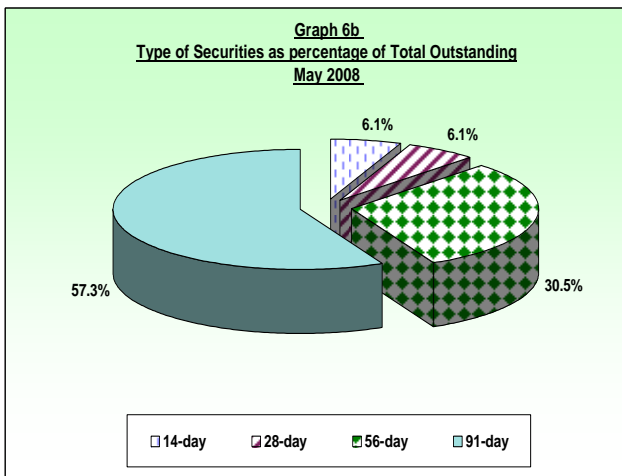
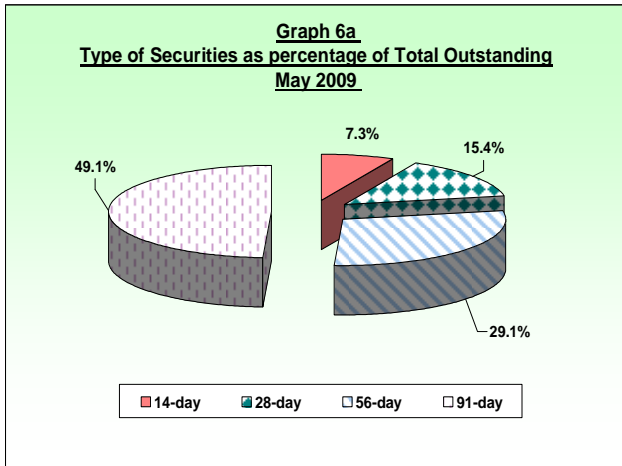
### CBS Securities and Official Interest Rate

The total outstanding amount of CBS securities<sup>2</sup> at end May 2009 declined \$4.0 million to \$27.5 million, from \$31.5 million at end April 2009. This reflected \$25.0 million worth of CBS papers that matured during the month under review (excluding \$1.0 million rediscounted in April 2009) and a total of \$21 million new bills issued to commercial banks. Of these new bills issued during May 2009, \$17 million were short-term papers, particularly the 14-days (\$5.0 million), 28-days (\$5.5 million) and 56-days (\$6.5 million) maturities. The benchmark security – 91 day paper – accounted for the remaining \$10.5 million of the new issues during the month.

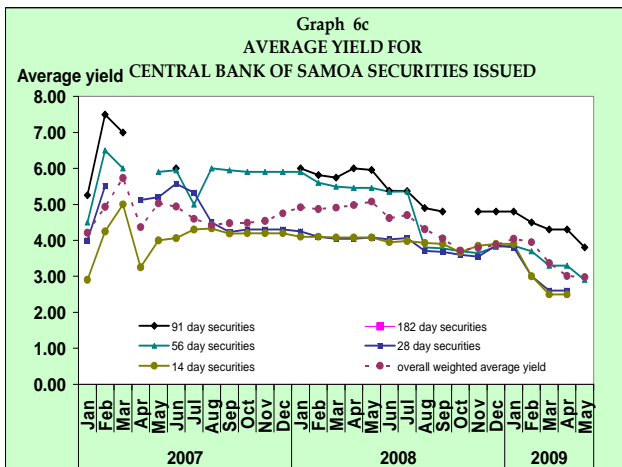
The total outstanding amount of CBS securities at end May 2009, therefore, was distributed among the 14-day (\$2.0 million), 28-day (\$4.0 million), 56-day (\$8.0 million) and 91-day (\$13.5 million) maturities. As a result, the structure of securities outstanding in the month under review differed slightly from those of a year ago. In particular, the current outstanding amount for the 91-day paper accounted for 49 percent, down from its 57 percent share in May 2008. This was followed by the 56-day bill, with a 29 percent of this month’s outstanding securities, down from its 31 percent share in May last year. Likewise, the shares of outstanding values for the 28-day and 14-day papers was higher at 15 percent and 7 percent respectively in the month under review

<sup>2</sup> Outstanding securities are quoted at their face value.

compared to respective shares of 6 percent each a year ago. (See Graph 6a and 6b).

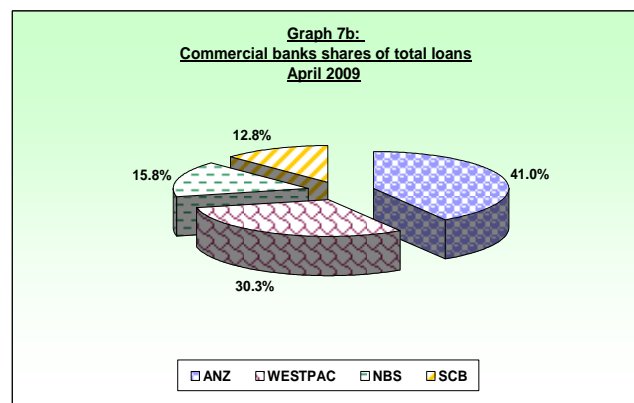
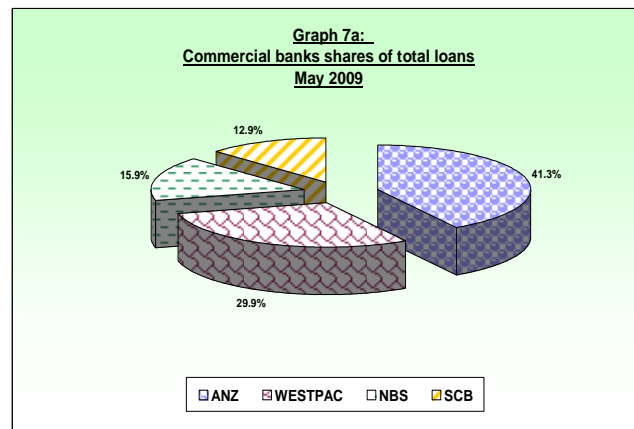


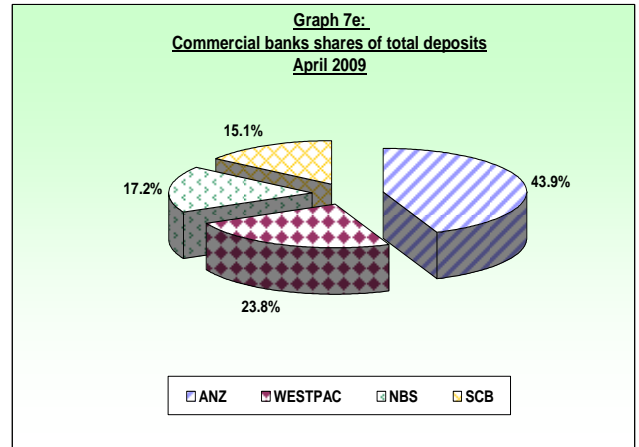
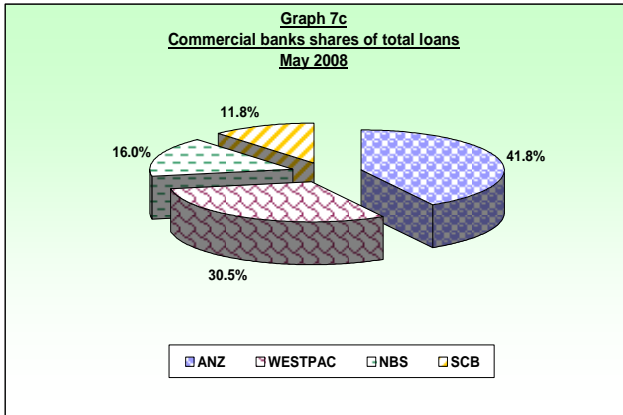
The overall official interest rate declined another 3 basis points to 2.98 percent in May 2009. (See Graph 6c.)



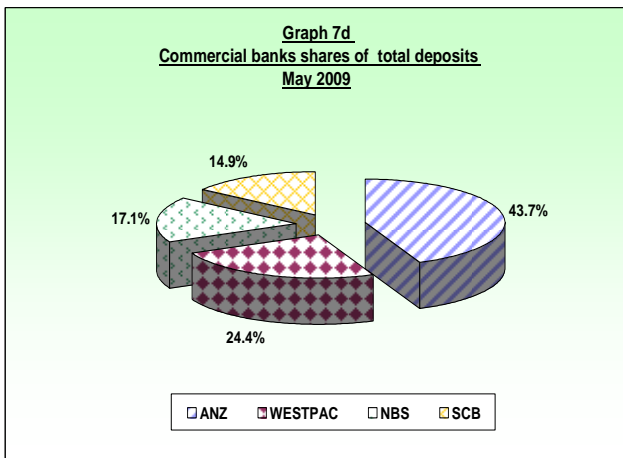
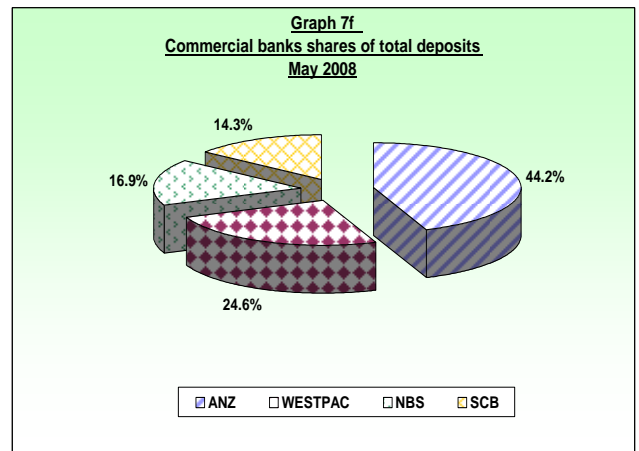
**Commercial Bank Credit and Deposit Market Shares**

ANZ continued to be the largest provider of credit to the private sector and public institutions combined in May 2009 with a share of 41 percent that was similar to the previous month but slightly lower than its 42 percent share a year ago. WESTPAC was the second major provider of bank credit, maintaining its 30 percent share in April 2009 and May 2008. NBS, likewise, accounted for 16 percent of total commercial banks' loans disbursed at end May 2009, which was the same as its shares in the previous month and May 2008. On the other hand, 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 in the same month last year. (See Graphs 7a, 7b and 7c.)



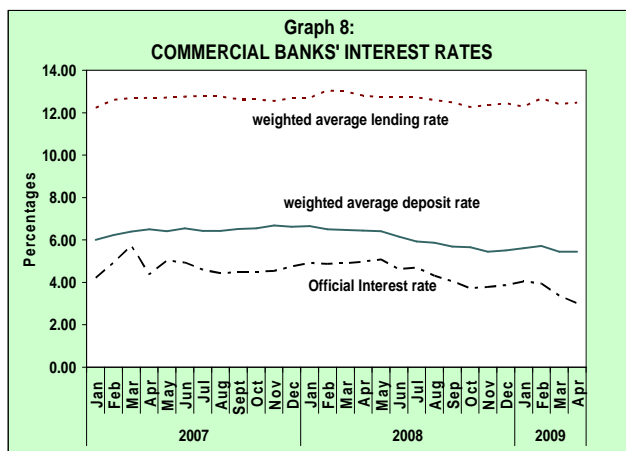


On deposits, ANZ also continued to account for most of the commercial banks’ total deposits, with its share remaining at 44 percent from April 2009 and May 2008. WESTPAC followed, with its 24 percent share also the same as in the previous month but slightly lower than 25 percent in May last year. NBS maintained its deposit ratio with 17 percent from April 2009 and May 2008. Similarly, SCB’s share of total deposits by the banking system stayed the same as it was in April 2009; slightly higher than its 14 percent share in the same month a year ago. (See Graph 7d, 7e and 7f.)



### Commercial Bank Interest Rates

Commercial banks’ interest rates moved in a similar direction in May 2009. And with monetary policy starting to bite, the weighted average lending rates dropped 15 basis points to 12.30 percent while that of deposits edged down to 5.38 percent from 5.39 percent in May 2009. As a result, commercial banks’ interest rate spread narrowed 14 basis points to 6.92 percent. (See Graph 8.)



	ANZ	WESTPAC	NBS	SCB	Actual WA
<b>Lending</b>					
April 2009	12.30	12.36	12.60	12.92	12.45
May 2009	11.95	12.38	12.60	12.89	12.30
<b>Deposit</b>					
April 2009	4.04	6.07	7.11	6.29	5.39
May 2009	4.18	6.04	6.69	6.36	5.38

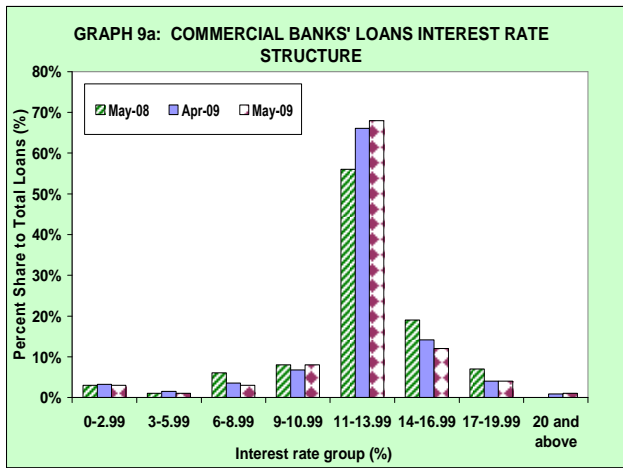
The decreased overall weighted average lending rate in May 2009 was mainly due to a 35 basis points drop to 11.95 percent in lending rates by ANZ and a 2 basis points decline to 12.89 percent in that of SCB. This was partially offset by an increase of 2 basis points to 12.38 percent in lending rates by Westpac bank whereas NBS’s rate remained the same as it was in the previous month. In effect ANZ offered the lowest lending rate in the banking system while SCB continued to offer the highest weighted average lending rate, although it was reduced to 12.89 percent (from 12.91 percent in the previous month).

The deposits side saw reversal movements by the commercial banks when compared to the previous month. In particular, ANZ (although offering the lowest deposit rate during the month) and SCB rebounded their weighted average deposit rates in the banking system by 14 basis points and 7 basis points to 4.18 percent and 6.36 percent respectively from April 2009. And, although NBS dropped its deposit rate by 42 basis points to 6.69 percent, it was still the highest level in May 2009. WESTPAC’s weighted average deposit rate as well, declined by 3 basis points to 6.04 percent in the month under review. (See Table 2.)

### 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.

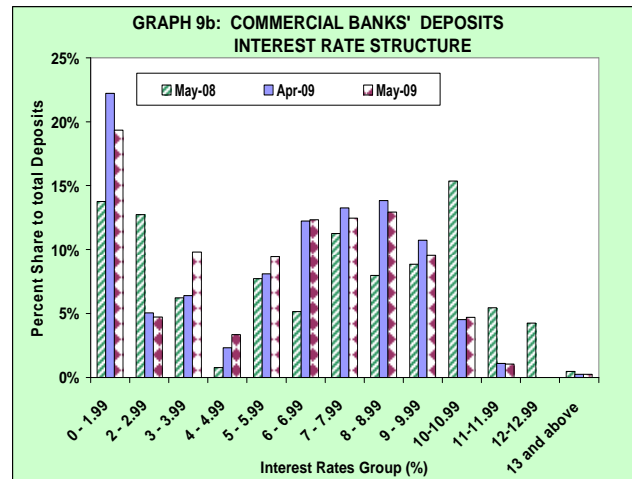
On the lending side, more than two-thirds (68 percent) of total commercial banks’ loans outstanding in May 2009 were charged at interest rates within the 11.00 – 13.99 percent range, which was higher than its 66 percent share in April 2009 and 56 percent share in May last year. Loans disbursed by commercial banks at the interest rate of 14.00 – 16.99 percent accounted for a 12 percent share from 14 percent in April 2009; much lower than its 19 percent share a year earlier. There were slightly more loans charged at interest rates between 9.00 – 10.99 percent in May 2009 (8 percent) compared to its 7 percent proportion in the previous month but the same level as it was in May 2008. Total commercial banks’ loans outstanding in May 2009 that were charged at interest rates above 17 percent remained at 5 percent from April 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 8 percent share in the previous month and 10 percent in the same month last year. (See Graph 9a.)



On deposits, although there were slight changes in the shares of different interest rate bands in May 2009 from those in the previous month, 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 since January 2009, a significant shift from its 24 percent share in May 2008. This decline over the year in deposits from the higher-end of the interest rate spectrum was reflected in the mid-range in May 2009. In particular, at interest rates between 7.00 - 9.99 percent, there were 35 percent of this month's total deposits (down from its 38 percent share in April 2009) compared to 28 percent in May 2008. As well, total deposits in May 2009 at

4.00 – 6.99 percent range, accounted for 25 percent; higher than its 22 percent share in the previous month and only 14 percent in the same month 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 May 2009; similar to that of the previous month and May 2008. (See Graph 9b).



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**CENTRAL BANK OF SAMOA**  
23<sup>rd</sup> June 2009