



Monetary Survey Report August 2011

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.8/12

August 2011

Highlights:

Overall monetary indicators in August 2011 recorded mixed results with:

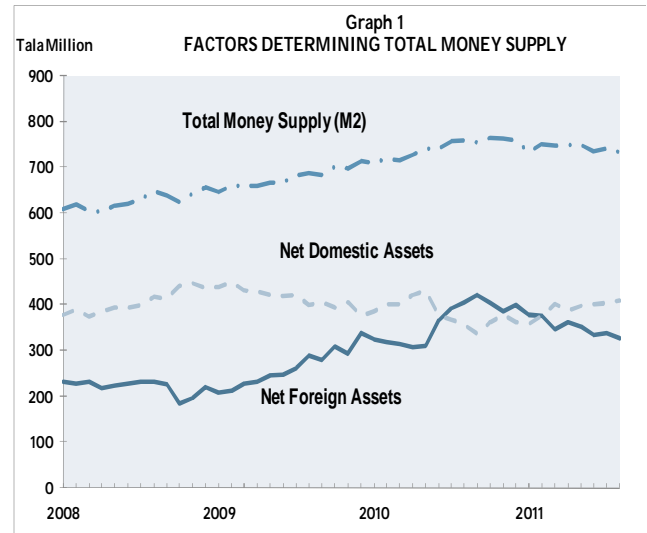
- *Commercial banks' reserves and total liquidity receding during the month reviewed.*
- *The official interest rate edged up with commercial banks' overall lending rate also rising while the average deposit rate further dropped, widening the interest rate spread to 7.67 percent.*
- *Government's financial operations with the monetary system remained expansionary.*
- *Money supply (M2) contracted due to a drop in net foreign assets.*

Money Supply

Total money supply (M2) recoiled \$8.1 million to \$734.1 million in August 2011 after a rebound in July 2011. This month's contraction was totally attributed to a 3.9 percent drop in net foreign assets which more than offset a 1.3 percent increase in net domestic assets during the month. (See Table 1 and Graph 1.)

Table 1 : MONETARY SURVEY(1) (Amounts in Tala Million)			
	2010		2011
End of Period	Aug	Jul	Aug
1. Net Foreign Assets	405.19	339.09	325.74
2. Net Domestic Assets	355.15	403.14	408.36
(a) Domestic Credit	541.28	623.53	629.25
Government , net	-196.87	-171.41	-166.56
Non-financial public enterprises	53.00	66.02	66.08
Non- monetary financial institutions	34.43	38.15	37.88
Private Sector	650.72	690.77	691.85
(b) Other items , net	-186.13	-220.39	-220.89
3. Total Assets = Total Money Supply (M2)	760.34	742.23	734.10
(a) Money (M1)	219.54	233.80	236.19
(b) Quasi-money	540.80	508.43	497.91

Source : Central Bank of Samoa
(1) Figures have been revised back to February 2008.



Consequently, on an annual average basis money supply slowed down further to 3.6 percent at end August 2011, from 4.8 percent at end July 2011 and 9.8 percent at end August 2010.

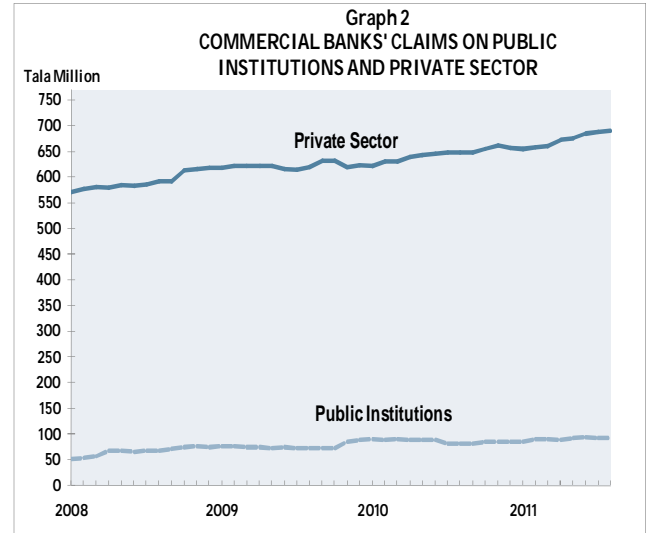
Determinants of Money Supply

In August 2011, net foreign assets (NFA), dropped by \$13.4 million to \$325.7 million and was \$79.4 million lower than in the same month last year. The contraction in net foreign reserves in August 2011 was entirely due to a \$17.5 million drop in net foreign assets of the Central Bank, which was partially offset by increases of \$2.4 million and \$1.8 million in foreign assets held by the commercial banks and the Ministry of Finance in that order.

On the other hand, net domestic assets (NDA) increased by \$5.2 million to \$408.4 million, a level \$53.2 million higher than in August 2010. The growth in net domestic assets during the month was largely due to a \$5.7 million expansion in domestic credit which was partially offset by a \$0.5 million decline in “other items, net”. The expansion in domestic credit reflected a \$4.9 million decline in Government’s net financial position vis-à-vis the monetary system and a \$0.9 million increase in commercial banks’ credit to the private sector and public institutions combined. The decrease on “other items net” was caused by an increase in commercial banks’ capital accounts and other domestic liabilities in the month under review.

Credit

The growth in bank credit in August 2011 was due entirely to an increase of \$1.1 million in loans directed to the private sector, while loans absorbed by non-monetary public institutions remained unchanged from July 2011. This month’s increase in credit to the private sector was mainly due to a \$0.8 million increase in credit absorbed by the business sector, with a relatively smaller \$0.3 million increase in loans directed to private households. (See Graph 2).



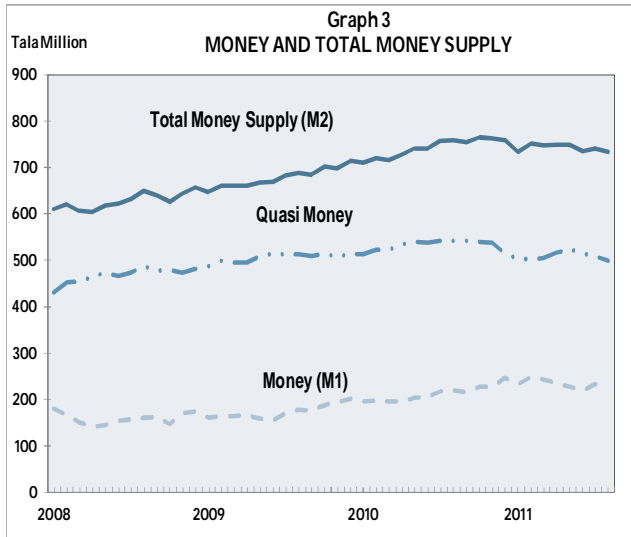
Following a \$2.1 million expansion in the previous month, commercial banks’ credit to the private sector and public institutions combined grew by another \$1.1 million to \$780.8 million. And, when compared to August 2010, total credit was 7.0 percent or \$50.8 million higher which saw the annual average credit growth increase to 5.0 percent in August 2011 from 4.9 percent in the previous month.

This increase in the month under review was mainly due to credit extended to the “trade” (up \$2.1 million), “other activities” (up \$1.6 million), “transportation and communication” (up \$0.4 million) while there was no change in those directed to the “manufacturing” industry. These increases were partially offset by reductions of \$1.8 million, \$0.7 million, \$0.3 million and \$0.2 million in loans absorbed by “building and construction”, “professional and business services”, “electricity and water” and “agriculture and fisheries” sectors respectively.

Components of Money Supply

In August 2011, the contraction in money supply (M2) reflected wholly a drop of \$10.5 million in quasi-money which more than offset a \$2.4

million increase in narrow money (M1). (See Graph 3.)



The contraction in quasi-money largely reflected a \$10.8 million drop in time deposits with a relatively moderate \$1.4 million decline in foreign currency deposits of residents, which more than offset a \$1.7 million increase in savings deposits in the month under review.

On the other hand, the expansion in narrow money was due completely to a \$5.1 million increase in demand deposits, which was partially offset by a \$2.7 million decrease in currency outside banks during the month.

Reserve Money¹

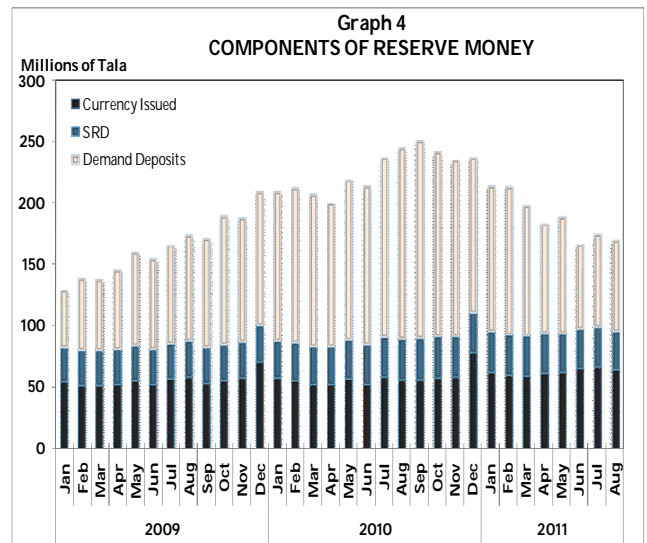
Reserve money in August 2011 shrank by \$4.7 million to \$169.9 million, and was \$74.9 million

lower than in August 2010. The drop in reserve money during the month under review was mainly due to decreases of \$2.9 million and \$1.2 million in currency in circulation and commercial banks' demand deposits with the Central Bank respectively, with a relatively smaller \$0.6 million decline in commercial banks' statutory reserves with CBS during the month. (See Table 2 and Graph 4.)

Table 2: Reserve Money (Tala million)

End period	Aug-10	Jul-11	Aug-11
Currency in Circulation	55.52	66.10	63.21
Commercial banks reserves	189.28	108.48	106.65
Required reserves	33.01	32.68	32.04
Excess reserves	156.27	75.80	74.61
Total	244.80	174.58	169.86

Source: Central Bank of Samoa



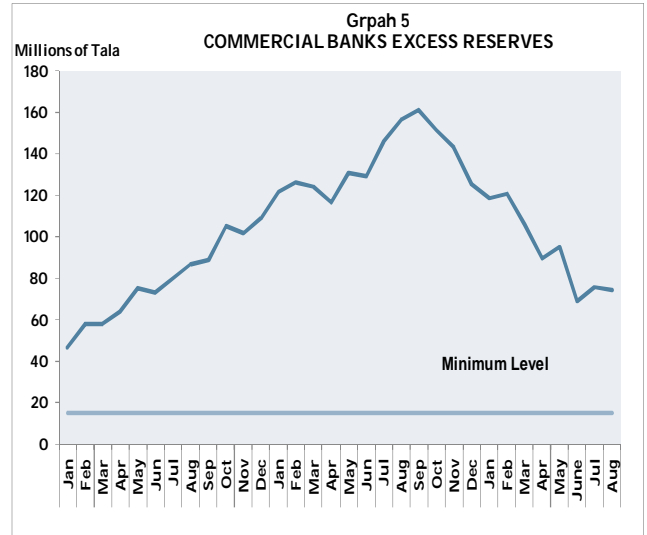
Commercial Bank Liquidity

With its level declining \$1.4 million to \$106.9 million in August 2011, commercial banks' total liquidity was 46 percent (or \$89.2 million) lower than in the same month a year earlier. The drop

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

in liquidity during the month was largely due to a \$1.2 million decrease in commercial banks' excess reserves with the Central Bank and a \$0.2 million decline in their holdings of vault cash. The outstanding CBS securities on the other hand, remained stable at \$20.0 million during the month.

And with their minimum working balance at \$15.0 million on a monthly basis, commercial banks' excess reserves, still gained comfortably above this level. (See Table 3 and Graph 5.)



End Period	Aug-10	Jul-11	Aug-11
Vault Cash	12.28	12.46	12.26
Exchange Settlement Account (ESA)	156.3	75.80	74.61
CBS Securities	27.49	20.00	20.00
Total	196	108.3	106.87

Source : Central Bank of Samoa

The downturn in the level of commercial banks' excess reserves in August 2011 was due to decreases of \$8.1 million, \$6.8 million and \$3.5 million in NBS, SCB and ANZ excess liquidity respectively, which were almost offset by a huge \$17.2 million surge in excess reserves held by the Westpac bank.

11th October 2011

CENTRAL BANK OF SAMOA

Table 1 : MONETARY SURVEY (a)
(Amounts in Tala Million)

End of Period	2008	2009	2010		2011										
			Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
1. Net Foreign Assets	<u>219.55</u>	<u>338.612</u>	<u>405.19</u>	<u>420.59</u>	<u>403.87</u>	<u>385.92</u>	<u>398.47</u>	<u>377.42</u>	<u>376.21</u>	<u>346.28</u>	<u>362.44</u>	<u>352.34</u>	<u>334.07</u>	<u>339.088</u>	<u>325.742</u>
Ministry of Finance (b)(c)	60.67	85.77	87.43	87.32	86.52	84.21	82.61	84.73	85.69	85.43	85.12	84.62	84.26	83.579	85.364
Central Bank of Samoa (e)	173.53	271.82	361.86	374.03	358.30	343.07	356.45	327.75	308.94	287.08	296.81	291.82	270.09	278.877	261.353
Commercial Banks	-14.65	-18.97	-44.11	-40.76	-40.95	-41.36	-40.59	-35.06	-18.42	-26.23	-19.50	-24.10	-20.28	-23.368	-20.975
2. Net Domestic Assets	<u>436.66</u>	<u>376.12</u>	<u>355.15</u>	<u>335.99</u>	<u>361.74</u>	<u>376.84</u>	<u>362.11</u>	<u>357.20</u>	<u>374.84</u>	<u>401.07</u>	<u>388.31</u>	<u>397.46</u>	<u>401.02</u>	<u>403.139</u>	<u>408.361</u>
(a) Domestic Credit	606.26	570.25	541.28	539.09	566.23	578.03	569.72	563.01	584.23	610.13	599.52	610.79	621.65	623.528	629.252
(i) Government , net	-88.83	-150.20	-196.87	-198.09	-181.67	-176.99	-180.03	-183.95	-171.86	-156.80	-176.89	-171.98	-171.40	-171.412	-166.561
Ministry of finance	-60.67	-85.77	-87.43	-87.32	-86.52	-84.21	-82.61	-84.73	-85.69	-85.43	-85.12	-84.62	-84.26	-83.579	-85.364
Central Bank of Samoa (f)	-31.87	-52.51	-102.29	-94.60	-85.29	-79.00	-84.22	-82.62	-62.80	-62.07	-80.48	-79.09	-77.62	-81.187	-74.921
Commercial Banks (f)	3.71	-11.92	-7.15	-16.16	-9.86	-13.77	-13.20	-16.60	-23.37	-9.29	-11.28	-8.27	-9.52	-6.646	-6.276
(ii) Claims on non-financial public enterprises (f)	45.68	59.29	53.00	52.53	55.57	56.66	57.09	57.48	62.10	64.66	63.31	65.71	67.39	66.023	66.084
(iii) Claims on non- monetary financial institutions (d)	28.34	35.03	34.43	34.16	34.10	33.94	33.38	32.50	32.76	39.08	38.73	38.75	38.34	38.152	37.883
(iv) Private Sector (f)	621.08	626.13	650.72	650.50	658.23	664.43	659.28	656.98	661.22	663.20	674.37	678.32	687.33	690.765	691.846
(b) Other items , net (f)	-169.61	-194.13	-186.13	-203.10	-204.49	-201.19	-207.61	-205.81	-209.38	-209.06	-211.21	-213.33	-220.64	-220.389	-220.891
3. Total Assets = Total Money Supply (M2)	<u>656.21</u>	<u>714.74</u>	<u>760.34</u>	<u>756.58</u>	<u>765.61</u>	<u>762.76</u>	<u>760.58</u>	<u>734.62</u>	<u>751.05</u>	<u>747.35</u>	<u>750.75</u>	<u>749.80</u>	<u>735.09</u>	<u>742.227</u>	<u>734.103</u>
Narrow Money (M1)	<u>174.38</u>	<u>200.60</u>	<u>219.54</u>	<u>215.61</u>	<u>227.40</u>	<u>226.36</u>	<u>246.99</u>	<u>232.77</u>	<u>248.87</u>	<u>242.43</u>	<u>235.33</u>	<u>226.60</u>	<u>220.16</u>	<u>233.802</u>	<u>236.189</u>
Currency outside banks	52.25	55.21	43.24	45.22	46.22	44.74	58.45	47.18	45.62	45.90	48.71	48.06	50.66	53.649	50.950
Demand deposits	122.13	145.39	176.30	170.39	181.18	181.62	188.53	185.58	203.25	196.52	186.62	178.54	169.50	180.153	185.239
Quasi-money	<u>481.83</u>	<u>514.13</u>	<u>540.80</u>	<u>540.97</u>	<u>538.20</u>	<u>536.40</u>	<u>513.59</u>	<u>501.86</u>	<u>502.17</u>	<u>504.93</u>	<u>515.42</u>	<u>523.20</u>	<u>514.93</u>	<u>508.425</u>	<u>497.914</u>
Savings deposits	72.11	85.38	93.23	94.85	94.66	95.55	91.49	87.84	87.58	88.11	89.77	94.97	94.09	94.319	95.997
Time deposits (f)	395.32	405.52	428.25	425.82	425.47	421.49	404.46	397.17	383.54	391.33	398.93	395.85	391.05	385.767	374.971
Foreign currency deposits of residents	14.40	23.24	19.31	20.30	18.08	19.36	17.65	16.84	31.06	25.49	26.73	32.39	29.78	28.339	26.946

Source : Central Bank of Samoa

(a) The monetary survey consolidates the accounts of the Central Bank, the commercial banks and the Ministry of Finance (formerly known as Treasury Department).

The latter's accounts relate to the holding of foreign exchange and the position with the International Monetary Fund (IMF).

This survey shows the financial relationship between the monetary institutions' subsectors, whose liabilities include the economy's domestic liquidity, and other sectors of the economy.

(b) The increase in net foreign assets of Ministry of Finance reflect the change in the treatment of SDR allocation, effective August 2009.

(c) Reflects the US\$9.3million loan from IMF for reconstruction and recovery following the September 2009 earthquake and tsunami.

(d) The increase reflects the new credit line facility by Central Bank for Development Bank of Samoa, effective December 2009.

(e) Reflects the US\$20million from World Bank for economic recovery in Samoa, disbursed in June 2010.

(f) Figures have been revised since February 2008 due to reclassifications.

Table 2 : CHANGES IN TOTAL MONEY SUPPLY

End of Period	2008	2009	2010			2011										
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
1. Inflow of foreign funds	<u>22.85</u>	<u>45.19</u>	<u>25.80</u>	<u>14.74</u>	<u>15.40</u>	<u>-16.72</u>	<u>-17.95</u>	<u>12.55</u>	<u>-21.05</u>	<u>-1.21</u>	<u>-29.92</u>	<u>16.16</u>	<u>-10.10</u>	<u>-18.27</u>	<u>5.02</u>	<u>-13.35</u>
Ministry of Finance	4.51	-4.77	-0.24	5.02	-0.11	-0.80	-2.31	-1.60	2.12	0.96	-0.26	-0.31	-0.50	-0.36	-0.68	1.79
Central Bank of Samoa	20.15	35.38	27.94	8.49	12.16	-15.73	-15.23	13.38	-28.70	-18.81	-21.87	9.74	-4.99	-21.73	8.79	-17.52
Commercial Banks (a)	-1.81	14.58	-1.91	1.22	3.35	-0.19	-0.42	0.77	5.53	16.63	-7.80	6.73	-4.60	3.82	-3.09	2.39
2. Domestic money creation (a)	<u>-10.46</u>	<u>-29.52</u>	<u>-9.36</u>	<u>-11.99</u>	<u>-19.16</u>	<u>25.75</u>	<u>15.10</u>	<u>-14.73</u>	<u>-4.91</u>	<u>17.64</u>	<u>26.23</u>	<u>-12.76</u>	<u>9.15</u>	<u>3.56</u>	<u>2.12</u>	<u>5.22</u>
(a) Domestic credit	-8.94	-24.56	-8.65	-10.32	-2.18	27.14	11.80	-8.32	-6.71	21.21	25.91	-10.61	11.26	10.87	1.88	5.72
Government , net	-9.57	-36.09	-5.39	-9.84	-1.22	16.42	4.68	-3.04	-3.91	12.09	15.06	-20.09	4.91	0.58	-0.01	4.85
Ministry of Finance	-4.51	4.77	0.24	-5.02	0.11	0.80	2.31	1.60	-2.12	-0.96	0.26	0.31	0.50	0.36	0.68	-1.79
Central Bank of Samoa	2.31	-22.53	3.17	-2.30	7.68	9.31	6.29	-5.22	1.60	19.82	0.73	-18.41	1.39	1.47	-3.57	6.27
Commercial Banks	-7.37	-18.34	-8.79	-2.51	-9.01	6.31	-3.92	0.57	-3.40	-6.77	14.08	-1.99	3.01	-1.25	2.88	0.37
Non-financial public enterprises	-1.71	0.37	-5.49	0.38	-0.47	3.04	1.09	0.43	0.39	4.62	2.56	-1.36	2.40	1.69	-1.37	0.06
Non-monetary financial institutions	-0.68	7.90	-0.18	-0.52	-0.27	-0.06	-0.16	-0.56	-0.87	0.26	6.32	-0.35	0.02	-0.41	-0.18	-0.27
Private sector	3.01	3.26	2.41	-0.35	-0.22	7.74	6.19	-5.15	-2.31	4.25	1.97	11.18	3.94	9.01	3.44	1.08
(b) Other domestic factors (a)	<u>-1.52</u>	<u>-4.96</u>	<u>-0.71</u>	<u>-1.67</u>	<u>-16.98</u>	<u>-1.39</u>	<u>3.30</u>	<u>-6.42</u>	<u>1.80</u>	<u>-3.57</u>	<u>0.32</u>	<u>-2.15</u>	<u>-2.12</u>	<u>-7.31</u>	<u>0.25</u>	<u>-0.50</u>
3. Money Supply Creation (M2)	<u>12.38</u>	<u>15.67</u>	<u>16.44</u>	<u>2.74</u>	<u>-3.76</u>	<u>9.03</u>	<u>-2.84</u>	<u>-2.19</u>	<u>-25.96</u>	<u>16.43</u>	<u>-3.69</u>	<u>3.40</u>	<u>-0.95</u>	<u>-14.71</u>	<u>7.14</u>	<u>-8.12</u>
Narrow Money (M1)	3.80	7.13	12.33	2.57	-3.93	11.79	-1.04	20.63	-14.22	16.11	-6.45	-7.10	-8.73	-6.44	13.64	2.39
Quasi-money	8.58	8.54	4.11	0.17	0.17	-2.77	-1.80	-22.81	-11.74	0.32	2.75	10.49	7.78	-8.28	-6.50	-10.51
Memorandum items: Percentage change over a year earlier.																
Total Money Supply (M2)	7.4	8.9	11.1	10.4	10.4	9.1	9.1	6.4	3.6	4.4	4.3	3.1	1.1	-0.8	-2.0	-3.5
Money (M1)	-2.7	15.0	27.4	23.6	22.1	21.2	17.0	23.1	18.4	26.1	24.2	20.5	11.4	7.6	7.8	7.6
Quasi-money	11.5	6.7	5.7	5.8	6.4	4.6	6.1	-0.1	-2.1	-3.8	-3.1	-3.2	-2.8	-4.0	-6.0	-7.9

Source : Central Bank of Samoa

Table 3 : COMMERCIAL BANKS LOANS TO PRIVATE SECTOR AND PUBLIC INSTITUTIONS

End of Period	2008	2009	2010			2011									
			Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
	Tala Million														
Agriculture, forestry and fisheries	12.38	12.60	12.84	12.96	12.75	12.68	12.63	12.52	12.43	13.54	13.35	15.97	17.39	17.49	17.23
Manufacturing	24.08	31.24	44.27	44.54	36.06	36.76	36.37	36.43	45.13	45.14	37.13	36.73	36.96	37.54	37.54
Building, construction and installation	326.43	299.84	280.08	284.08	286.96	293.92	300.30	288.35	284.71	287.07	288.74	294.47	296.88	299.23	297.46
Electricity, gas and water	14.80	23.36	11.41	11.03	11.01	10.82	10.79	11.54	11.55	11.47	11.55	19.51	12.32	12.68	12.33
Trade	120.54	100.87	111.22	107.40	114.08	115.90	114.89	113.37	110.35	114.08	106.35	107.71	112.59	107.54	109.62
Transportation, storage and communication	69.77	80.18	80.63	80.24	80.38	79.94	78.40	78.87	82.76	82.85	82.28	82.36	83.40	83.43	83.86
Professional and business services	37.34	59.53	74.53	74.83	85.31	84.54	74.59	84.88	86.68	85.18	109.41	97.57	107.94	112.82	112.13
Other activities (1)	86.62	104.59	114.97	113.97	113.22	112.30	113.72	113.06	114.63	111.85	111.96	112.81	110.16	108.98	110.60
Total	<u>691.96</u>	<u>712.20</u>	<u>729.95</u>	<u>729.05</u>	<u>739.77</u>	<u>746.86</u>	<u>741.69</u>	<u>739.02</u>	<u>748.23</u>	<u>751.18</u>	<u>760.77</u>	<u>767.13</u>	<u>777.64</u>	<u>779.71</u>	<u>780.77</u>
	Proportion of Total														
Agriculture, forestry and fisheries	1.79	1.77	1.76	1.78	1.72	1.70	1.70	1.69	1.66	1.80	1.76	2.08	2.24	2.24	2.21
Manufacturing	3.48	4.39	6.06	6.11	4.87	4.92	4.90	4.93	6.03	6.01	4.88	4.79	4.75	4.81	4.81
Building, construction and installation	47.17	42.10	38.37	38.97	38.79	39.35	40.49	39.02	38.05	38.22	37.95	38.39	38.18	38.38	38.10
Electricity, gas and water	2.14	3.28	1.56	1.51	1.49	1.45	1.45	1.56	1.54	1.53	1.52	2.54	1.58	1.63	1.58
Trade	17.42	14.16	15.24	14.73	15.42	15.52	15.49	15.34	14.75	15.19	13.98	14.04	14.48	13.79	14.04
Transportation, storage and communication	10.08	11.26	11.05	11.01	10.87	10.70	10.57	10.67	11.06	11.03	10.82	10.74	10.72	10.70	10.74
Professional and business services	5.40	8.36	10.21	10.26	11.53	11.32	10.06	11.49	11.58	11.34	14.38	12.72	13.88	14.47	14.36
Other activities (1)	12.52	14.69	15.75	15.63	15.30	15.04	15.33	15.30	15.32	14.89	14.72	14.71	14.17	13.98	14.17
Total	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

(1) Including personal loans not classified elsewhere.