



Monetary Survey Report July 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.7/12

July 2011

Highlights:

Overall monetary indicators in July 2011 saw a general rebound in most of the monetary aggregates.

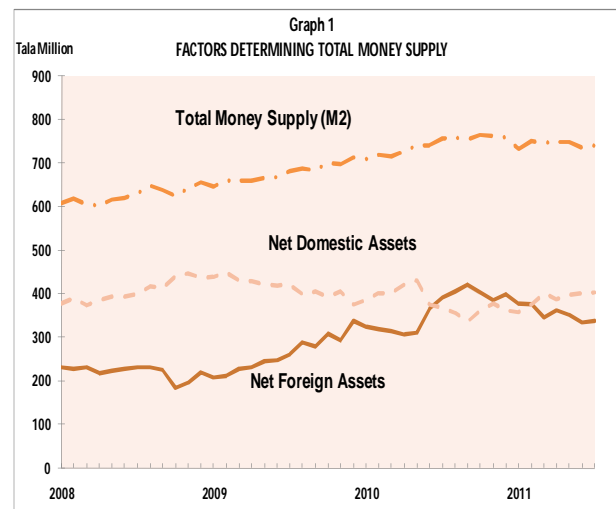
- Commercial banks' reserves and total liquidity recovered during the month.
- The official interest rate remained at 0.15 percent while both commercial banks' average lending and deposit rates further dropped to 9.90 percent and 2.27 percent respectively, while the spread edged up to 7.63 percent in July 2011.
- Domestic credit continued to expand and Government's financial operations injected funds into the monetary system.
- More credit was extended to the private sector (Business and private households).
- Money supply (M2) rebounded in July 2011 reflecting the increases in both net foreign assets and net domestic assets.

Money Supply

Total money supply (M2) bounced back by \$7.1 million to \$742.2 million in July 2011 following a drop in June 2011. This month's expansion was mainly due to 1.2 percent and 0.8 percent increases in net foreign assets and net domestic assets respectively. (See Table 1 and Graph 1.)

End of Period	2010		2011
	Jul	Jun	Jul
1. Net Foreign Assets	390.46	334.07	338.12
2. Net Domestic Assets	367.14	401.02	404.11
(a) Domestic Credit	551.60	621.65	624.50
Government , net	-187.03	-171.40	-170.44
Non-financial public enterprises	52.61	67.39	66.02
Non- monetary financial institutions	34.95	38.34	38.15
Private Sector	651.07	687.33	690.77
(b) Other items , net	-184.46	-220.64	-220.39
3. Total Assets = Total Money Supply (M2)	757.59	735.09	742.23
(a) Money (M1)	216.97	220.16	233.80
(b) Quasi-money	540.62	514.93	508.43

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



On an annual average basis, however, money supply slowed down further to 4.8 percent at end July 2011, from 5.9 percent at end June 2011 and 9.5 percent at end July 2010.

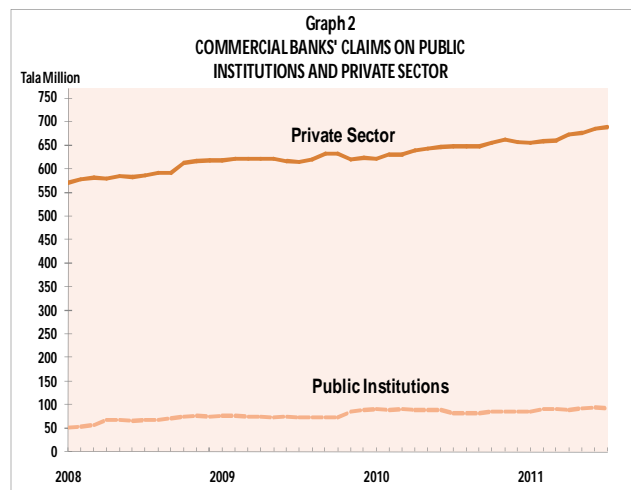
Determinants of Money Supply

Net foreign assets (NFA) rose moderately by \$4.1 million to \$338.1 million in July 2011, although it was \$52.3 million lower than in the same month last year. The expansion in net foreign reserves in July 2011 was entirely due to an \$8.8 million increase in net foreign assets of the Central Bank, which was partially offset by a \$3.1 million drop in foreign assets held by the commercial banks and a \$1.7 million reduction in foreign deposits held by the Ministry of Finance.

Similarly, net domestic assets (NDA), increased by \$3.1 million to \$404.1 million, a level \$37.0 million higher than in July 2010. The growth in net domestic assets during the month was largely due to a \$2.9 million rise in domestic credit and a \$0.2 million increase in "other items, net". The expansion in domestic credit reflected a \$1.9 million increase in commercial banks' credit to the private sector and public institutions combined, and a \$1.0 million decline in Government's financial position vis-à-vis the monetary system. The increase on "other items net" was caused by an increase in commercial banks' cumulative profits and other domestic liabilities in the month under review.

Credit

The growth in bank credit in July 2011 was entirely due to an increase of \$3.4 million in loans directed to the private sector, more than outweighing a \$1.3 million drop in loans absorbed by non-monetary public institutions. This month's increase in credit to the private sector was wholly due to a \$5.4 million expansion in credit absorbed by private households, partially offset by a \$2.0 million decrease in loans directed to the business sector. (See Graph 2).



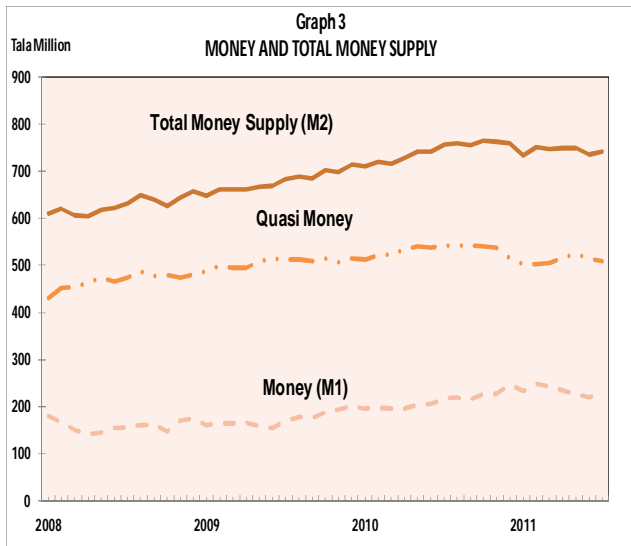
Following a \$10.5 million expansion in the previous month, commercial banks' credit to the private sector and public institutions combined grew by another \$2.1 million to \$779.7 million. And, when compared to July 2010, total credit was 6.7 percent or \$49.2 million higher, which saw the annual average credit growth edge up to 4.9 percent in July 2011 from 4.8 percent in the previous month.

This increase in the month under review was mainly due to credit extended to the "professional and business services" (up \$4.9 million) and "building and construction" (up \$2.4 million) industries. Moderate increases were also registered in loans directed to "manufacturing" (up \$0.6 million), "electricity and water" (up \$0.4 million), "agriculture and fisheries" (up \$0.1 million) and "transportation and communication" (up \$0.03 million). These increases were partially offset by decreases of \$5.1 million and \$1.2 million in loans absorbed by "trade" and "other activities" sectors respectively.

Components of Money Supply

In July 2011, the growth in money supply (M2) reflected wholly an increase of \$13.6 million in

narrow money (M1) which more than offset a \$6.5 million drop in quasi-money. (See Graph 3.)



The expansion in narrow money was due largely to a \$10.6 million increase in demand deposits, with a moderate \$3.0 million increase in currency outside banks during the month.

On the other hand, the contraction in quasi-money mainly reflected a \$5.3 million drop in time deposits and a \$1.4 million decline in foreign currency deposits of residents which was partially offset by a \$0.2 million increase in savings deposits in the month under review.

Reserve Money¹

Reserve money in July 2011 bounced back by \$8.3 million from the previous month to \$174.6 million, but was \$61.8 million lower than in July 2010. The expansion in reserve money during

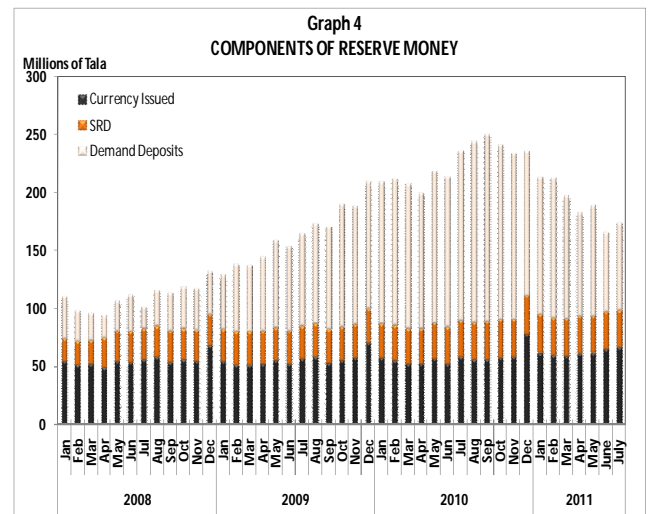
¹ Reserve Money comprises of currency in circulation, statutory reserve deposits (SRD) and demand deposits of commercial banks with the CBS.

the month was largely due to a moderate \$7.0 million increase in commercial banks’ demand deposits, with a relatively smaller \$1.2 million rise in currency in circulation. Commercial banks’ statutory reserves with the Central Bank also went up by a trivial \$0.1 million during the month under review. (See Table 2 and Graph 4.)

Table 2: Reserve Money (Tala million)

End period	Jul-10	Jun-11	Jul-11
Currency in Circulation	57.52	64.87	66.10
Commercial banks reserves	178.91	101.37	108.48
Required reserves	32.90	32.55	32.68
Excess reserves	146.01	68.82	75.80
Total	236.43	166.24	174.58

Source: Central Bank of Samoa

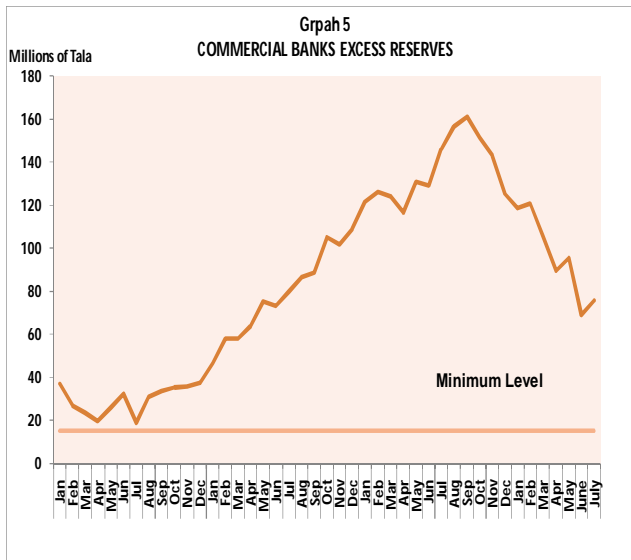


Commercial Bank Liquidity

Although commercial banks’ total liquidity rebounded by \$5.0 million to \$108.3 million in July 2011, this level was 41 percent (or \$75.4 million) lower than in the same month a year earlier. The moderate upturn in liquidity during the month was entirely due to a \$7.0 million increase in commercial banks’ excess reserves

with the Central Bank, which more than offset a \$1.8 million decrease in commercial banks' holdings of vault cash.

The commercial banks' excess reserves were also well above their minimum working balance of \$15.0 million on a monthly basis. (See Table 3 and Graph 5.)



End Period	Jul-10	Jun-11	Jul-11
Vault Cash	10.13	14.21	12.46
Exchange Settlement Account (ESA)	146.01	68.82	75.80
CBS Securities	27.49	19.99	20.00
Total	183.63	103.02	108.26

Source : Central Bank of Samoa

The improved level of commercial banks' excess reserves in July 2011 was due to increases of \$4.9 million and \$4.1 million in ANZ and WESTPAC excess liquidity respectively despite moderate decreases of \$1.5 million and \$0.5 million in excess reserves held by and SCB and NBS banks in that order.

5th September 2011
CENTRAL BANK OF SAMOA

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

End of Period	2008	2009	2010			2011									
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
1. Net Foreign Assets	<u>219.55</u>	<u>338.612</u>	<u>390.46</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>338.12</u>
Ministry of Finance (b)(c)	60.67	85.77	82.41	87.43	87.32	86.52	84.21	82.61	84.73	85.69	85.43	85.12	84.62	84.26	82.61
Central Bank of Samoa (e)	173.53	271.82	353.37	361.86	374.03	358.30	343.07	356.45	327.75	308.94	287.08	296.81	291.82	270.09	278.88
Commercial Banks	-14.65	-18.97	-45.33	-44.11	-40.76	-40.95	-41.36	-40.59	-35.06	-18.42	-26.23	-19.50	-24.10	-20.28	-23.37
2. Net Domestic Assets	<u>436.66</u>	<u>376.12</u>	<u>367.14</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>404.11</u>
(a) Domestic Credit	606.26	570.25	551.60	541.28	539.09	566.23	578.03	569.72	563.01	584.23	610.13	599.52	610.79	621.65	624.50
(i) Government , net	-88.83	-150.20	-187.03	-196.87	-198.09	-181.67	-176.99	-180.03	-183.95	-171.86	-156.80	-176.89	-171.98	-171.40	-170.44
Ministry of finance	-60.67	-85.77	-82.41	-87.43	-87.32	-86.52	-84.21	-82.61	-84.73	-85.69	-85.43	-85.12	-84.62	-84.26	-82.61
Central Bank of Samoa (f)	-31.87	-52.51	-99.98	-102.29	-94.60	-85.29	-79.00	-84.22	-82.62	-62.80	-62.07	-80.48	-79.09	-77.62	-81.19
Commercial Banks (f)	3.71	-11.92	-4.64	-7.15	-16.16	-9.86	-13.77	-13.20	-16.60	-23.37	-9.29	-11.28	-8.27	-9.52	-6.65
(ii) Claims on non-financial public enterprises (f)	45.68	59.29	52.61	53.00	52.53	55.57	56.66	57.09	57.48	62.10	64.66	63.31	65.71	67.39	66.02
(iii) Claims on non- monetary financial institutions (d)	28.34	35.03	34.95	34.43	34.16	34.10	33.94	33.38	32.50	32.76	39.08	38.73	38.75	38.34	38.15
(iv) Private Sector (f)	621.08	626.13	651.07	650.72	650.50	658.23	664.43	659.28	656.98	661.22	663.20	674.37	678.32	687.33	690.77
(b) Other items , net (f)	-169.61	-194.13	-184.46	-186.13	-203.10	-204.49	-201.19	-207.61	-205.81	-209.38	-209.06	-211.21	-213.33	-220.64	-220.39
3. Total Assets = Total Money Supply (M2)	<u>656.21</u>	<u>714.74</u>	<u>757.59</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>742.23</u>
Narrow Money (M1)	<u>174.38</u>	<u>200.60</u>	<u>216.97</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>233.80</u>
Currency outside banks	52.25	55.21	47.39	43.24	45.22	46.22	44.74	58.45	47.18	45.62	45.90	48.71	48.06	50.66	53.65
Demand deposits	122.13	145.39	169.58	176.30	170.39	181.18	181.62	188.53	185.58	203.25	196.52	186.62	178.54	169.50	180.15
Quasi-money	<u>481.83</u>	<u>514.13</u>	<u>540.62</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>508.43</u>
Savings deposits	72.11	85.38	91.30	93.23	94.85	94.66	95.55	91.49	87.84	87.58	88.11	89.77	94.97	94.09	94.32
Time deposits (f)	395.32	405.52	429.95	428.25	425.82	425.47	421.49	404.46	397.17	383.54	391.33	398.93	395.85	391.05	385.77
Foreign currency deposits of residents	14.40	23.24	19.37	19.31	20.30	18.08	19.36	17.65	16.84	31.06	25.49	26.73	32.39	29.78	28.34

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			2011						
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
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>4.05</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	-1.65
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
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. 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>3.09</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	2.85
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	0.96
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	1.65
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
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
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
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
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
(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>
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>
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
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
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
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
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

Source : Central Bank of Samoa

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

End of Period	2008	2009	2010			2011			2011						
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
	Tala Million														
Agriculture, forestry and fisheries	12.38	12.60	12.92	12.84	12.96	12.75	12.68	12.63	12.52	12.43	13.54	13.35	15.97	17.39	17.49
Manufacturing	24.08	31.24	35.06	44.27	44.54	36.06	36.76	36.37	36.43	45.13	45.14	37.13	36.73	36.96	37.54
Building, construction and installation	326.43	299.84	294.71	280.08	284.08	286.96	293.92	300.30	288.35	284.71	287.07	288.74	294.47	296.88	299.23
Electricity, gas and water	14.80	23.36	11.15	11.41	11.03	11.01	10.82	10.79	11.54	11.55	11.47	11.55	19.51	12.32	12.68
Trade	120.54	100.87	108.76	111.22	107.40	114.08	115.90	114.89	113.37	110.35	114.08	106.35	107.71	112.59	107.54
Transportation, storage and communication	69.77	80.18	68.81	80.63	80.24	80.38	79.94	78.40	78.87	82.76	82.85	82.28	82.36	83.40	83.43
Professional and business services	37.34	59.53	85.47	74.53	74.83	85.31	84.54	74.59	84.88	86.68	85.18	109.41	97.57	107.94	112.82
Other activities (1)	86.62	104.59	113.65	114.97	113.97	113.22	112.30	113.72	113.06	114.63	111.85	111.96	112.81	110.16	108.98
Total	<u>691.96</u>	<u>712.20</u>	<u>730.53</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>
	Proportion of Total														
Agriculture, forestry and fisheries	1.79	1.77	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
Manufacturing	3.48	4.39	4.80	6.06	6.11	4.87	4.92	4.90	4.93	6.03	6.01	4.88	4.79	4.75	4.81
Building, construction and installation	47.17	42.10	40.34	38.37	38.97	38.79	39.35	40.49	39.02	38.05	38.22	37.95	38.39	38.18	38.38
Electricity, gas and water	2.14	3.28	1.53	1.56	1.51	1.49	1.45	1.45	1.56	1.54	1.53	1.52	2.54	1.58	1.63
Trade	17.42	14.16	14.89	15.24	14.73	15.42	15.52	15.49	15.34	14.75	15.19	13.98	14.04	14.48	13.79
Transportation, storage and communication	10.08	11.26	9.42	11.05	11.01	10.87	10.70	10.57	10.67	11.06	11.03	10.82	10.74	10.72	10.70
Professional and business services	5.40	8.36	11.70	10.21	10.26	11.53	11.32	10.06	11.49	11.58	11.34	14.38	12.72	13.88	14.47
Other activities (1)	12.52	14.69	15.56	15.75	15.63	15.30	15.04	15.33	15.30	15.32	14.89	14.72	14.71	14.17	13.98
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.