



Monetary Survey Report June 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.6/12

June 2011

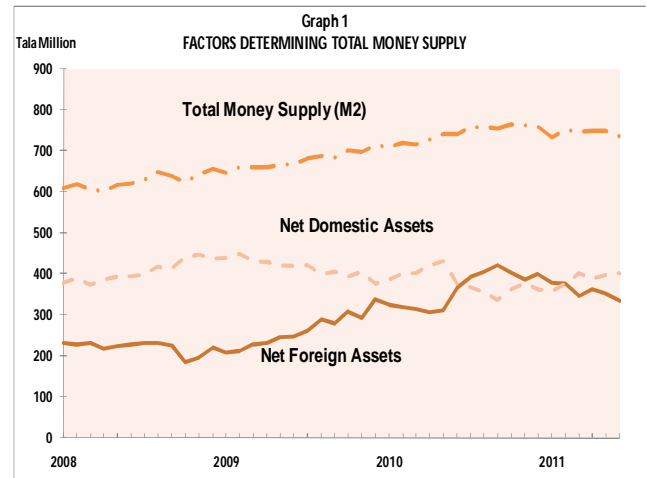
Highlights:

Overall monetary conditions during the month under review saw a downward trend in most of the monetary aggregates.

- Commercial banks' reserves and total liquidity dropped respectively.
- The official interest rate fell to 0.15 percent while commercial banks' average lending rates further dropped to 9.92 percent in June 2011
- Domestic credit continued to expand with Government's financial operations injecting more funds into the Monetary System
- Further credit were extended to the private sector (Business and private households) and non-monetary public enterprises (NPEs)
- Overall money supply (M2) fell in June 2011 as the drop in net foreign assets outweighed the increase in net domestic assets.

End of Period	2011		
	Jun	May	Jun
1. Net Foreign Assets	364.66	352.34	334.07
2. Net Domestic Assets	376.49	397.46	401.02
(a) Domestic Credit	560.25	610.79	621.65
Government , net	-181.64	-171.98	-171.40
Non-financial public enterprises	58.11	65.71	67.39
Non- monetary financial institutions	35.13	38.75	38.34
Private Sector	648.66	678.32	687.33
(b) Other items , net	-183.75	-213.33	-220.64
3. Total Assets = Total Money Supply (M2)	741.15	749.80	735.09
(a) Money (M1)	204.64	226.60	220.16
(b) Quasi-money	536.51	523.20	514.93

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



Money Supply

Following a \$1.0 million decline in the previous month, total money supply (M2) further dropped another \$14.7 million to \$735.1 million in June 2011. This month's contraction was entirely due to a 5.2 percent fall in net foreign assets which more than offset a 0.9 percent increase in net domestic assets. (See Table 1 and Graph 1.)

On an annual average basis, money supply continued to slow down to 5.9 percent at end June 2011, from 6.7 percent at end May 2011 and 7.6 percent at end June 2010.

Determinants of Money Supply

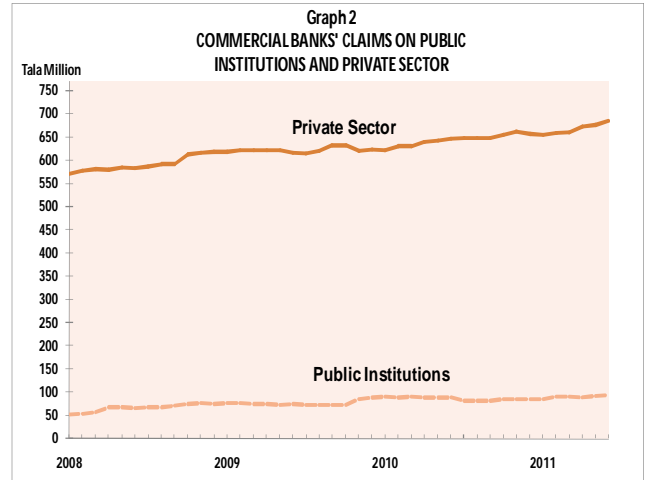
Net foreign assets (NFA) fell markedly by \$18.3 million to \$334.1 million in June 2011, or \$30.6 million lower than in the same month last year.

The drop in net foreign reserves was largely due to a \$21.7 million decrease in net foreign assets of the Central Bank with a relatively smaller \$0.4 million decline in foreign assets held by the Ministry of Finance. These were partially offset by a \$3.8 million increase in net foreign assets held by commercial banks during the month.

On the other hand, net domestic assets (NDA), went up by \$3.6 million to \$401.0 million, a level \$24.5 million higher than in June 2010. The expansion in net domestic assets during the month was entirely due to a \$10.9 million jump in domestic credit which was partially offset by a \$7.3 million drop in “other items, net”. The increase in domestic credit reflected a \$10.3 million increase in commercial banks’ credit to the private sector and public institutions combined and a \$0.6 million net injection of funds as a result of Government’s financial operations vis-à-vis the monetary system. The drop on “other items net” was caused by an increase in commercial banks’ cumulative profits, which were partially offset by their other domestic liabilities in the month under review.

Credit

The rise in bank credit in June 2011 was largely due to an increase of \$9.1 million in loans directed to the private sector with a relatively lesser \$1.4 million absorbed by non-monetary public institutions. This month’s increase in credit to the private sector was largely due to a \$7.6 million expansion in credit absorbed by the business sector and a moderate \$1.5 million increase in loans directed to the private households. (See Graph 2).



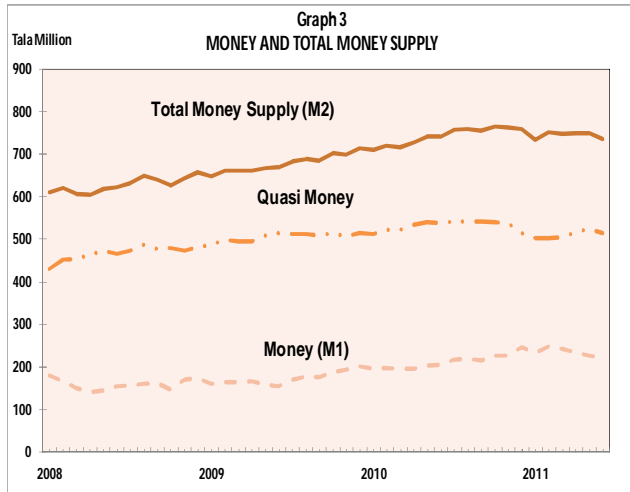
Overall, commercial banks’ credit to the private sector and public institutions increased by \$10.5 million to \$777.6 million. Likewise, when compared to June 2010, total credit was 6.0 percent or \$43.8 million higher, although the annual average credit growth rate slipped to 4.8 percent in June 2011 from 4.9 percent in the previous month.

The industrial breakdown of commercial banks’ loans to the private sector and public institutions combined in June 2011 highlighted increases in credit extended to the “professional and business services” (up \$10.4 million), “trade” (up \$4.9 million), “building and construction” (up \$2.4 million), “agriculture and fisheries” (up \$1.4 million), “transportation and communication” (up \$1.0 million) and “manufacturing” (up \$0.2 million) industries. These increases were partially outweighed by \$7.2 million and \$2.6 million decreases in loans directed to the “electricity and water” and “other activities” sectors respectively in the month under review.

Components of Money Supply

The huge drop in money supply (M2) reflected mainly decreases of \$8.3 million and \$6.4 million

in quasi-money and narrow money (M1) in that order in June 2011. (See Graph 3.)



The contraction in quasi-money, reflected decreases of \$4.8 million, \$2.6 million and \$0.9 million in time deposits, foreign currency deposits of residents and savings deposits respectively in the month under review.

As well, the drop in narrow money was due completely to a \$9.0 million decline in demand deposits which more than outweighed a \$2.6 million increase in currency outside banks during the month.

Reserve Money¹

Reserve money in June 2011 dropped by \$23.1 million from the previous month to \$166.2 million, and was \$47.1 million lower than in June 2010. The contraction in reserve money in the month under review was due largely to a

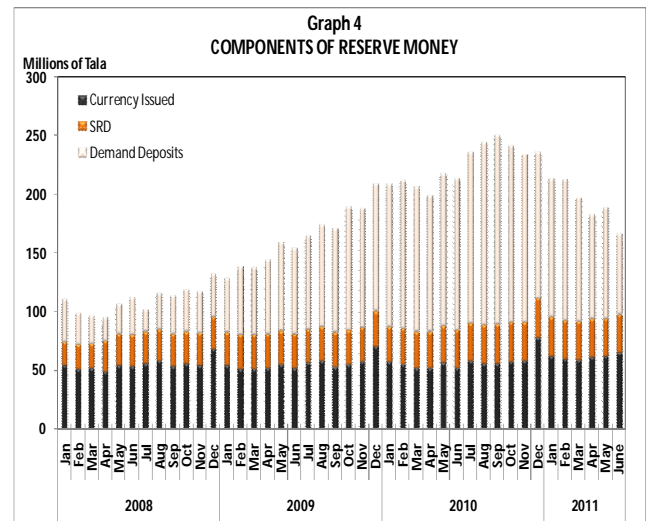
¹ Reserve Money comprises of currency in circulation, statutory reserve deposits (SRD) and demand deposits of commercial banks with the CBS.

marked \$26.4 million drop in commercial banks' demand deposits with a relatively smaller \$0.5 million decline in their corresponding statutory reserves with the Central Bank. These were partially offset by a \$3.8 million increase in currency in circulation during the month under review. (See Table 2 and Graph 4.)

Table 2: Reserve Money (Tala million)

End period	Jun-10	May-11	Jun-11
Currency in Circulation	51.79	61.03	64.87
Commercial banks reserves	161.52	128.31	101.37
Required reserves	32.38	33.08	32.55
Excess reserves	129.14	95.23	68.82
Total	213.31	189.34	166.24

Source: Central Bank of Samoa



Commercial Bank Liquidity

After an improvement in the previous month, commercial banks' total liquidity in the June 2011 dropped \$24.7 million to \$103.0 million, and was 38 percent (or \$62.3 million) lower

than in the same month a year earlier. The considerable contraction in liquidity during the month under review was entirely due to a \$26.4 million reduction in commercial banks' excess reserves with the Central Bank which more than offset \$1.2 million and \$0.5 million increases in commercial banks' holdings of vault cash and their outstanding CBS securities with the CBS respectively, in the month under review.

The liquidity development however, in June 2011 saw commercial banks' excess reserves remain well above their minimum working balance of \$15.0 million on a monthly basis. (See Table 3 and Graph 5.)

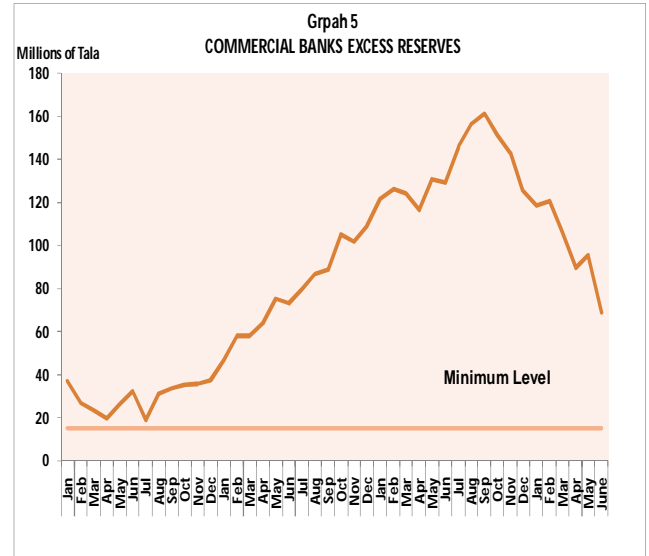


Table 1 : MONETARY SURVEY (a)
 (Amounts in Tala Million)

End of Period	2008	2009	2010			2011									
			Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1. Net Foreign Assets	<u>219.55</u>	<u>338.612</u>	<u>364.66</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>
Ministry of Finance (b)(c)	60.67	85.77	82.65	82.41	87.43	87.32	86.52	84.21	82.61	84.73	85.69	85.43	85.12	84.62	84.26
Central Bank of Samoa (e)	173.53	271.82	325.43	353.37	361.86	374.03	358.30	343.07	356.45	327.75	308.94	287.08	296.81	291.82	270.09
Commercial Banks	-14.65	-18.97	-43.42	-45.33	-44.11	-40.76	-40.95	-41.36	-40.59	-35.06	-18.42	-26.23	-19.50	-24.10	-20.28
2. Net Domestic Assets	<u>436.66</u>	<u>376.12</u>	<u>376.49</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>
(a) Domestic Credit	606.26	570.25	560.25	551.60	541.28	539.09	566.23	578.03	569.72	563.01	584.23	610.13	599.52	610.79	621.65
(i) Government , net	-88.83	-150.20	-181.64	-187.03	-196.87	-198.09	-181.67	-176.99	-180.03	-183.95	-171.86	-156.80	-176.89	-171.98	-171.40
Ministry of finance	-60.67	-85.77	-82.65	-82.41	-87.43	-87.32	-86.52	-84.21	-82.61	-84.73	-85.69	-85.43	-85.12	-84.62	-84.26
Central Bank of Samoa (f)	-31.87	-52.51	-103.15	-99.98	-102.29	-94.60	-85.29	-79.00	-84.22	-82.62	-62.80	-62.07	-80.48	-79.09	-77.62
Commercial Banks (f)	3.71	-11.92	4.15	-4.64	-7.15	-16.16	-9.86	-13.77	-13.20	-16.60	-23.37	-9.29	-11.28	-8.27	-9.52
(ii) Claims on non-financial public enterprises (f)	45.68	59.29	58.11	52.61	53.00	52.53	55.57	56.66	57.09	57.48	62.10	64.66	63.31	65.71	67.39
(iii) Claims on non- monetary financial institutions (d)	28.34	35.03	35.13	34.95	34.43	34.16	34.10	33.94	33.38	32.50	32.76	39.08	38.73	38.75	38.34
(iv) Private Sector (f)	621.08	626.13	648.66	651.07	650.72	650.50	658.23	664.43	659.28	656.98	661.22	663.20	674.37	678.32	687.33
(b) Other items , net (f)	-169.61	-194.13	-183.75	-184.46	-186.13	-203.10	-204.49	-201.19	-207.61	-205.81	-209.38	-209.06	-211.21	-213.33	-220.64
3. Total Assets = Total Money Supply (M2)	<u>656.21</u>	<u>714.74</u>	<u>741.15</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>
Narrow Money (M1)	<u>174.38</u>	<u>200.60</u>	<u>204.64</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>
Currency outside banks	52.25	55.21	43.14	47.39	43.24	45.22	46.22	44.74	58.45	47.18	45.62	45.90	48.71	48.06	50.66
Demand deposits	122.13	145.39	161.50	169.58	176.30	170.39	181.18	181.62	188.53	185.58	203.25	196.52	186.62	178.54	169.50
Quasi-money	<u>481.83</u>	<u>514.13</u>	<u>536.51</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>
Savings deposits	72.11	85.38	88.02	91.30	93.23	94.85	94.66	95.55	91.49	87.84	87.58	88.11	89.77	94.97	94.09
Time deposits (f)	395.32	405.52	427.08	429.95	428.25	425.82	425.47	421.49	404.46	397.17	383.54	391.33	398.93	395.85	391.05
Foreign currency deposits of residents	14.40	23.24	21.42	19.37	19.31	20.30	18.08	19.36	17.65	16.84	31.06	25.49	26.73	32.39	29.78

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	Jul	Aug	Sep	Oct	Nov	Dec	2011					
			Jun							Jan	Feb	Mar	Apr	May	Jun
1. Inflow of foreign funds	22.85	45.19	53.74	25.80	14.74	15.40	-16.72	-17.95	12.55	-21.05	-1.21	-29.92	16.16	-10.10	-18.27
Ministry of Finance	4.51	-4.77	-0.55	-0.24	5.02	-0.11	-0.80	-2.31	-1.60	2.12	0.96	-0.26	-0.31	-0.50	-0.36
Central Bank of Samoa	20.15	35.38	48.85	27.94	8.49	12.16	-15.73	-15.23	13.38	-28.70	-18.81	-21.87	9.74	-4.99	-21.73
Commercial Banks (a)	-1.81	14.58	5.43	-1.91	1.22	3.35	-0.19	-0.42	0.77	5.53	16.63	-7.80	6.73	-4.60	3.82
2. Domestic money creation (a)	-10.46	-29.52	-54.26	-9.36	-11.99	-19.16	25.75	15.10	-14.73	-4.91	17.64	26.23	-12.76	9.15	3.56
(a) Domestic credit	-8.94	-24.56	-45.23	-8.65	-10.32	-2.18	27.14	11.80	-8.32	-6.71	21.21	25.91	-10.61	11.26	10.87
Government , net	-9.57	-36.09	-47.51	-5.39	-9.84	-1.22	16.42	4.68	-3.04	-3.91	12.09	15.06	-20.09	4.91	0.58
Ministry of Finance	-4.51	4.77	0.55	0.24	-5.02	0.11	0.80	2.31	1.60	-2.12	-0.96	0.26	0.31	0.50	0.36
Central Bank of Samoa	2.31	-22.53	-52.84	3.17	-2.30	7.68	9.31	6.29	-5.22	1.60	19.82	0.73	-18.41	1.39	1.47
Commercial Banks	-7.37	-18.34	4.78	-8.79	-2.51	-9.01	6.31	-3.92	0.57	-3.40	-6.77	14.08	-1.99	3.01	-1.25
Non-financial public enterprises	-1.71	0.37	-0.17	-5.49	0.38	-0.47	3.04	1.09	0.43	0.39	4.62	2.56	-1.36	2.40	1.69
Non-monetary financial institutions	-0.68	7.90	-0.50	-0.18	-0.52	-0.27	-0.06	-0.16	-0.56	-0.87	0.26	6.32	-0.35	0.02	-0.41
Private sector	3.01	3.26	2.95	2.41	-0.35	-0.22	7.74	6.19	-5.15	-2.31	4.25	1.97	11.18	3.94	9.01
(b) Other domestic factors (a)	-1.52	-4.96	-9.02	-0.71	-1.67	-16.98	-1.39	3.30	-6.42	1.80	-3.57	0.32	-2.15	-2.12	-7.31
3. Money Supply Creation (M2)	12.38	15.67	-0.52	16.44	2.74	-3.76	9.03	-2.84	-2.19	-25.96	16.43	-3.69	3.40	-0.95	-14.71
Narrow Money (M1)	3.80	7.13	1.25	12.33	2.57	-3.93	11.79	-1.04	20.63	-14.22	16.11	-6.45	-7.10	-8.73	-6.44
Quasi-money	8.58	8.54	-1.77	4.11	0.17	0.17	-2.77	-1.80	-22.81	-11.74	0.32	2.75	10.49	7.78	-8.28
Memorandum items: Percentage change over a year earlier.															
Total Money Supply (M2)	7.4	8.9	10.9	11.1	10.4	10.4	9.1	9.1	6.4	3.6	4.4	4.3	3.1	1.1	-0.8
Money (M1)	-2.7	15.0	32.4	27.4	23.6	22.1	21.2	17.0	23.1	18.4	26.1	24.2	20.5	11.4	7.6
Quasi-money	11.5	6.7	4.4	5.7	5.8	6.4	4.6	6.1	-0.1	-2.1	-3.8	-3.1	-3.2	-2.8	-4.0

Source : Central Bank of Samoa

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

End of Period	2008	2009	2010	Jul	Aug	Sep	Oct	Nov	Dec	2011					
			Jun							Jan	Feb	Mar	Apr	May	Jun
	Tala Million														
Agriculture, forestry and fisheries	12.38	12.60	12.93	12.92	12.84	12.96	12.75	12.68	12.63	12.52	12.43	13.54	13.35	15.97	17.39
Manufacturing	24.08	31.24	35.87	35.06	44.27	44.54	36.06	36.76	36.37	36.43	45.13	45.14	37.13	36.73	36.96
Building, construction and installation	326.43	299.84	296.38	294.71	280.08	284.08	286.96	293.92	300.30	288.35	284.71	287.07	288.74	294.47	296.88
Electricity, gas and water	14.80	23.36	15.04	11.15	11.41	11.03	11.01	10.82	10.79	11.54	11.55	11.47	11.55	19.51	12.32
Trade	120.54	100.87	108.31	108.76	111.22	107.40	114.08	115.90	114.89	113.37	110.35	114.08	106.35	107.71	112.59
Transportation, storage and communication	69.77	80.18	68.59	68.81	80.63	80.24	80.38	79.94	78.40	78.87	82.76	82.85	82.28	82.36	83.40
Professional and business services	37.34	59.53	79.04	85.47	74.53	74.83	85.31	84.54	74.59	84.88	86.68	85.18	109.41	97.57	107.94
Other activities (1)	86.62	104.59	117.64	113.65	114.97	113.97	113.22	112.30	113.72	113.06	114.63	111.85	111.96	112.81	110.16
Total	691.96	712.20	733.80	730.53	729.95	729.05	739.77	746.86	741.69	739.02	748.23	751.18	760.77	767.13	777.64
	Proportion of Total														
Agriculture, forestry and fisheries	1.79	1.77	1.76	1.77	1.76	1.78	1.72	1.70	1.70	1.69	1.66	1.80	1.76	2.08	2.24
Manufacturing	3.48	4.39	4.89	4.80	6.06	6.11	4.87	4.92	4.90	4.93	6.03	6.01	4.88	4.79	4.75
Building, construction and installation	47.17	42.10	40.39	40.34	38.37	38.97	38.79	39.35	40.49	39.02	38.05	38.22	37.95	38.39	38.18
Electricity, gas and water	2.14	3.28	2.05	1.53	1.56	1.51	1.49	1.45	1.45	1.56	1.54	1.53	1.52	2.54	1.58
Trade	17.42	14.16	14.76	14.89	15.24	14.73	15.42	15.52	15.49	15.34	14.75	15.19	13.98	14.04	14.48
Transportation, storage and communication	10.08	11.26	9.35	9.42	11.05	11.01	10.87	10.70	10.57	10.67	11.06	11.03	10.82	10.74	10.72
Professional and business services	5.40	8.36	10.77	11.70	10.21	10.26	11.53	11.32	10.06	11.49	11.58	11.34	14.38	12.72	13.88
Other activities (1)	12.52	14.69	16.03	15.56	15.75	15.63	15.30	15.04	15.33	15.30	15.32	14.89	14.72	14.71	14.17
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

(1) Including personal loans not classified elsewhere.