



Monetary Survey Report October 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.10/12

October 2011

Highlights:

Overall monetary indicators in October 2011 recorded mixed results with:

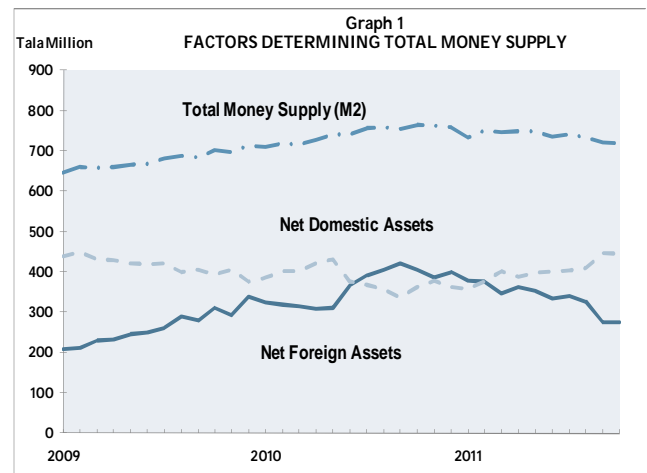
- *Total liquidity continuing its downward trend but still above minimum working level.*
- *Government's financial operations with the monetary system steady on with its expansionary path.*
- *Money supply (M2) declined due to decreases in both net foreign and domestic assets.*

Money Supply

Following a drop in the previous month, total money supply (M2) decreased by a moderate \$2.8 million to \$720.3 million in October 2011. The decline in October 2011 was due mainly to decreases of 0.5 percent and 0.2 percent in net domestic assets and net foreign assets respectively during the month. (See Table 1 and Graph 1.)

Table 1 : MONETARY SURVEY(1) (Amounts in Tala Million)			
End of Period	2010		2011
	Oct	Sep	Oct
1. Net Foreign Assets	403.87	275.49	275.03
2. Net Domestic Assets	361.74	447.56	445.28
(a) Domestic Credit	566.23	659.54	667.06
Government , net	-181.67	-145.44	-142.85
Non-financial public enterprises	55.57	67.94	66.13
Non- monetary financial institutions	34.10	41.80	41.42
Private Sector	658.23	695.24	702.36
(b) Other items , net	-204.49	-211.98	-221.78
3. Total Assets = Total Money Supply (M2)	765.61	723.05	720.31
(a) Money (M1)	227.40	218.02	228.58
(b) Quasi-money	538.20	505.03	491.73

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



As a result, the growth of money supply at end October 2011 slowed down further to 1.2 percent on an annual average basis, down from 2.4 percent in the previous month and 9.8 percent at end October 2010.

Determinants of Money Supply

In October 2011, net domestic assets (NDA) decreased by \$2.3 million to \$445.3 million,

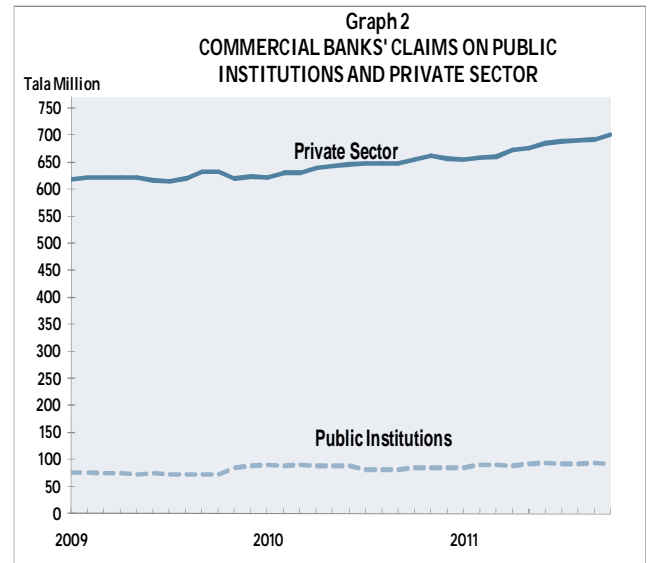
although it was \$83.5 million higher than in October 2010. The drop in net domestic assets during the month was entirely due to a \$9.8 million drop in “other items, net” which outweighed a \$7.5 million expansion in domestic credit. The drop on “other items net” was caused by increases in commercial banks’ capital accounts and other domestic liabilities in the month under review. The expansion in domestic credit on the other hand reflected a \$4.9 million increase in commercial banks’ credit to the private sector and public institutions combined and a \$2.6 million decrease in Government’s net position with the monetary system.

Net foreign assets (NFA) similarly, declined by \$0.5 million to \$275.0 million and were \$128.8 million lower than in October a year earlier. The contraction in net foreign reserves in the month under review was mainly due to declines of \$2.1 million and \$0.8 million in net foreign assets of the Ministry of Finance and the Central Bank in that order. These more than offset a \$2.4 million increase in foreign deposits held by commercial banks during the month.

Credit

The growth in bank credit in October 2011 was due entirely to an increase of \$7.1 million in loans directed to the private sector which was partially offset by a decline of \$1.8 million in credit absorbed by non-monetary public institutions. The increase in credit extended to the private sector during the month was largely due to a \$6.0 million expansion in credit absorbed by the private household, with \$1.1

million rise in loans directed to the business sector. (See Graph 2).



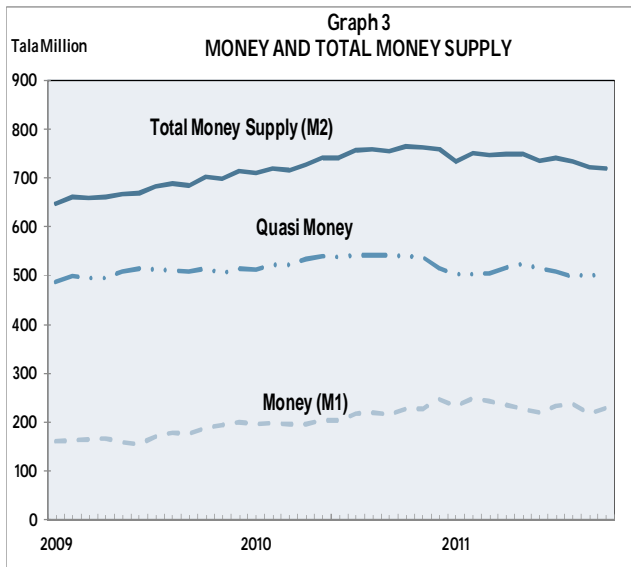
Subsequent to a \$5.2 million growth in September 2011, commercial banks’ credit to the private sector and public institutions combined further increased by \$5.3 million to \$791.3 million. And, when compared to October 2010, total credit was 7.0 percent or \$51.5 million higher, which saw the annual average credit growth edged up to 5.5 percent in October 2011 from 5.4 percent in the previous month.

While the “building and construction” sector continued to absorb the greater portion (up \$3.4 million) of total credit in October 2011, increases were also recorded in loans directed to “professional and business services” (up \$1.2 million) and “other activities” (up \$1.1 million) industries. Loans absorbed by “manufacturing” and “transportation” and communication” also edged up by \$0.1 million each during the month. On the other hand, credit extended to “trade”, “agriculture and fisheries” and “electricity and

water” sectors decreased by \$0.4 million, \$0.1 million and \$0.04 million in that order in October 2011.

Components of Money Supply

In October 2011, the growth in money supply (M2) was wholly attributed to a fall of \$13.3 million in quasi-money which more than offset a \$10.6 million increase in narrow money (M1). (See Graph 3.)



The contraction in quasi-money reflected largely a fall of \$9.6 million in time deposits, a moderate \$3.3 million decrease in foreign currency deposits of residents and a \$0.5 million decline in savings deposits in the month under review.

On the other hand, the expansion in narrow money was due entirely to a \$13.0 million growth in demand deposits, which was partially offset by a \$2.4 million drop in currency outside banks during the month

Reserve Money¹

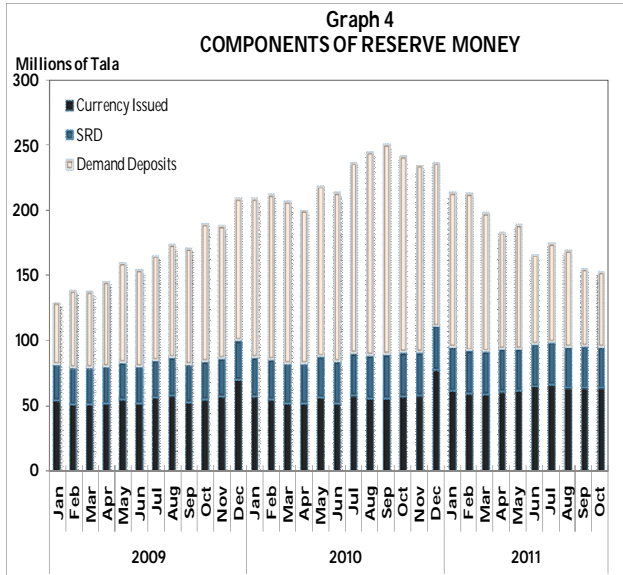
Reserve money in October 2011 tightened by \$2.3 million to \$152.8 million, and was \$88.4 million lower than in October 2010. The fall in reserve money during the month under review was due largely to decreases of \$1.7 million and \$0.4 million in commercial banks’ demand deposits and their statutory reserves with the Central Bank. Currency in circulation also went down by a slight \$0.2 million in October 2011. (See Table 2 and Graph 4.)

Table 2: Reserve Money (Tala million)

End period	Oct-10	Sep-11	Oct-11
Currency in Circulation	56.81	63.88	63.72
Commercial banks reserves	184.32	91.16	89.06
Required reserves	33.87	32.03	31.58
Excess reserves	150.45	59.13	57.48
Total	241.13	155.04	152.78

Source: Central Bank of Samoa

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

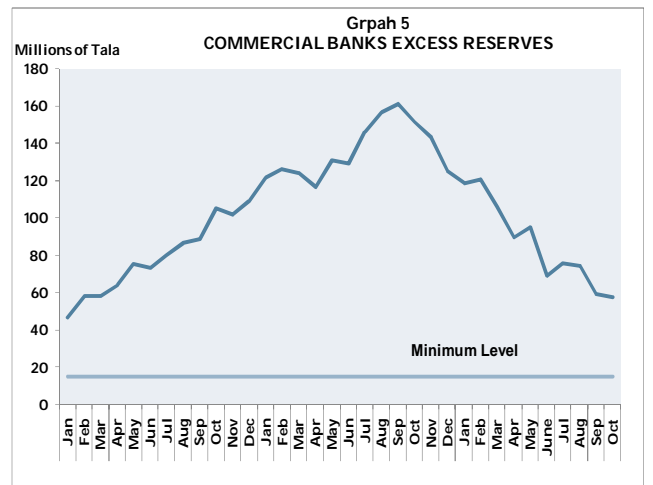


End Period	Oct-10	Sep-11	Oct-11
Vault Cash	10.59	12.59	14.83
Exchange Settlement Account (ESA)	151.24	59.13	57.49
CBS Securities	27.49	19.00	17.50
Total	189.32	90.72	89.82

Source : Central Bank of Samoa

Commercial Bank Liquidity

With commercial banks’ total liquidity decreasing \$0.9 million to \$89.8 million in October 2011, its level when compared to the same month last year was 48 percent (or \$93.0 million) lower. The decline in liquidity during the month was attributed mainly to decreases of \$1.6 million and \$1.5 million in commercial banks’ excess reserves and their outstanding securities with the Central Bank in that order. Holdings of vault cash by the commercial banks on the other hand, grew by \$2.2 million in October 2011.



Commercial banks’ excess reserves nevertheless, were still satisfactorily above their minimum working balance of \$15.0 million on a monthly basis. (See Table 3 and Graph 5.)

The moderate drop in the level of commercial banks’ excess reserves in October 2011 was due mainly to a large drop of \$12.2 million in SCB excess liquidity with a relatively smaller \$1.2 million in that of NBS bank. These were partially offset by increases of \$9.9 million and \$1.8 million in Westpac and ANZ banks excess reserves respectively in the month under review.

6th December 2011

CENTRAL BANK OF SAMOA

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

End of Period	2010		2011											
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
1. Net Foreign Assets	<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>339.09</u>	<u>325.74</u>	<u>275.49</u>	<u>275.03</u>
Ministry of Finance (b)(c)	87.32	86.52	84.21	82.61	84.73	85.69	85.43	85.12	84.62	84.26	83.58	85.36	88.53	86.46
Central Bank of Samoa (e) (g)	374.03	358.30	343.07	356.45	327.75	308.94	287.08	296.81	291.82	270.09	278.88	261.35	208.62	207.87
Commercial Banks	-40.76	-40.95	-41.36	-40.59	-35.06	-18.42	-26.23	-19.50	-24.10	-20.28	-23.37	-20.98	-21.66	-19.31
2. Net Domestic Assets	<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>403.14</u>	<u>408.36</u>	<u>447.56</u>	<u>445.28</u>
(a) Domestic Credit	539.09	566.23	578.03	569.72	563.01	584.23	610.13	599.52	610.79	621.65	623.53	629.25	659.54	667.06
(i) Government , net	-198.09	-181.67	-176.99	-180.03	-183.95	-171.86	-156.80	-176.89	-171.98	-171.40	-171.41	-166.56	-145.44	-142.85
Ministry of finance	-87.32	-86.52	-84.21	-82.61	-84.73	-85.69	-85.43	-85.12	-84.62	-84.26	-83.58	-85.36	-88.53	-86.46
Central Bank of Samoa (f)	-94.60	-85.29	-79.00	-84.22	-82.62	-62.80	-62.07	-80.48	-79.09	-77.62	-81.19	-74.92	-49.92	-48.20
Commercial Banks (f)	-16.16	-9.86	-13.77	-13.20	-16.60	-23.37	-9.29	-11.28	-8.27	-9.52	-6.65	-6.28	-6.99	-8.18
(ii) Claims on non-financial public enterprises (f)	52.53	55.57	56.66	57.09	57.48	62.10	64.66	63.31	65.71	67.39	66.02	66.08	67.94	66.13
(iii) Claims on non- monetary financial institutions (d)	34.16	34.10	33.94	33.38	32.50	32.76	39.08	38.73	38.75	38.34	38.15	37.88	41.80	41.42
(iv) Private Sector (f)	650.50	658.23	664.43	659.28	656.98	661.22	663.20	674.37	678.32	687.33	690.77	691.85	695.24	702.36
(b) Other items , net (f)	-203.10	-204.49	-201.19	-207.61	-205.81	-209.38	-209.06	-211.21	-213.33	-220.64	-220.39	-220.89	-211.98	-221.78
3. Total Assets = Total Money Supply (M2)	<u>756.579</u>	<u>765.606</u>	<u>762.761</u>	<u>760.576</u>	<u>734.620</u>	<u>751.047</u>	<u>747.353</u>	<u>750.749</u>	<u>749.800</u>	<u>735.086</u>	<u>742.23</u>	<u>734.10</u>	<u>723.05</u>	<u>720.31</u>
Narrow Money (M1)	<u>215.610</u>	<u>227.402</u>	<u>226.359</u>	<u>246.986</u>	<u>232.765</u>	<u>248.873</u>	<u>242.426</u>	<u>235.330</u>	<u>226.597</u>	<u>220.160</u>	<u>233.80</u>	<u>236.19</u>	<u>218.02</u>	<u>228.58</u>
Currency outside banks	45.224	46.219	44.743	58.454	47.182	45.621	45.902	48.707	48.061	50.662	53.65	50.95	51.28	48.88
Demand deposits	170.386	181.183	181.616	188.532	185.583	203.252	196.524	186.623	178.536	169.498	180.15	185.24	166.74	179.70
Quasi-money	<u>540.969</u>	<u>538.204</u>	<u>536.402</u>	<u>513.590</u>	<u>501.855</u>	<u>502.174</u>	<u>504.927</u>	<u>515.419</u>	<u>523.203</u>	<u>514.926</u>	<u>508.43</u>	<u>497.91</u>	<u>505.03</u>	<u>491.73</u>
Savings deposits	94.852	94.655	95.547	91.489	87.842	87.579	88.106	89.768	94.970	94.094	94.32	96.00	94.15	93.68
Time deposits (f)	425.815	425.470	421.494	404.455	397.174	383.538	391.328	398.926	395.848	391.050	385.77	374.97	378.71	369.16
Foreign currency deposits of residents	20.302	18.079	19.361	17.646	16.839	31.057	25.493	26.725	32.385	29.782	28.34	26.95	32.18	28.90

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.

(g) Includes the transfer of IMF loans of \$20.0 million from Government to Central Bank which reflect the increase in official reserves in September 2011.

Table 2 : CHANGES IN TOTAL MONEY SUPPLY

End of Period	2008	2009	2010	2011												
			Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
1. Inflow of foreign funds	<u>22.85</u>	<u>45.19</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>	<u>-50.25</u>	<u>-0.46</u>
Ministry of Finance	4.51	-4.77	-0.11	-0.80	-2.31	-1.60	2.12	0.96	-0.26	-0.31	-0.50	-0.36	-0.68	1.79	3.16	-2.06
Central Bank of Samoa	20.15	35.38	12.16	-15.73	-15.23	13.38	-28.70	-18.81	-21.87	9.74	-4.99	-21.73	8.79	-17.52	-52.73	-0.75
Commercial Banks (a)	-1.81	14.58	3.35	-0.19	-0.42	0.77	5.53	16.63	-7.80	6.73	-4.60	3.82	-3.09	2.39	-0.68	2.35
2. Domestic money creation (a)	<u>-10.46</u>	<u>-29.52</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>	<u>39.20</u>	<u>-2.28</u>
(a) Domestic credit	-8.94	-24.56	-2.18	27.14	11.80	-8.32	-6.71	21.21	25.91	-10.61	11.26	10.87	1.88	5.72	30.29	7.52
Government , net	-9.57	-36.09	-1.22	16.42	4.68	-3.04	-3.91	12.09	15.06	-20.09	4.91	0.58	-0.01	4.85	21.12	2.59
Ministry of Finance	-4.51	4.77	0.11	0.80	2.31	1.60	-2.12	-0.96	0.26	0.31	0.50	0.36	0.68	-1.79	-3.16	2.06
Central Bank of Samoa	2.31	-22.53	7.68	9.31	6.29	-5.22	1.60	19.82	0.73	-18.41	1.39	1.47	-3.57	6.27	25.00	1.72
Commercial Banks	-7.37	-18.34	-9.01	6.31	-3.92	0.57	-3.40	-6.77	14.08	-1.99	3.01	-1.25	2.88	0.37	-0.71	-1.19
Non-financial public enterprises	-1.71	0.37	-0.47	3.04	1.09	0.43	0.39	4.62	2.56	-1.36	2.40	1.69	-1.37	0.06	1.85	-1.81
Non-monetary financial institutions	-0.68	7.90	-0.27	-0.06	-0.16	-0.56	-0.87	0.26	6.32	-0.35	0.02	-0.41	-0.18	-0.27	3.92	-0.39
Private sector	3.01	3.26	-0.22	7.74	6.19	-5.15	-2.31	4.25	1.97	11.18	3.94	9.01	3.44	1.08	3.39	7.12
(b) Other domestic factors (a)	<u>-1.52</u>	<u>-4.96</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>	<u>8.91</u>	<u>-9.80</u>
3. Money Supply Creation (M2)	<u>12.38</u>	<u>15.67</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>	<u>-11.05</u>	<u>-2.75</u>
Narrow Money (M1)	3.80	7.13	-3.93	11.79	-1.04	20.63	-14.22	16.11	-6.45	-7.10	-8.73	-6.44	13.64	2.39	-18.17	10.56
Quasi-money	8.58	8.54	0.17	-2.77	-1.80	-22.81	-11.74	0.32	2.75	10.49	7.78	-8.28	-6.50	-10.51	7.12	-13.30
Memorandum items: Percentage change over a year earlier.																
Total Money Supply (M2)	7.4	8.9	10.4	9.1	9.1	6.4	3.6	4.4	4.3	3.1	1.1	-0.8	-2.0	-3.5	-4.4	-5.9
Money (M1)	-2.7	15.0	22.1	21.2	17.0	23.1	18.4	26.1	24.2	20.5	11.4	7.6	7.8	7.6	1.1	0.5
Quasi-money	11.5	6.7	6.4	4.6	6.1	-0.1	-2.1	-3.8	-3.1	-3.2	-2.8	-4.0	-6.0	-7.9	-6.6	-8.6

Source : Central Bank of Samoa

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

End of Period	2008	2009	2010	2011												
			Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
	Tala Million															
Agriculture, forestry and fisheries	12.38	12.60	12.75	12.68	12.63	12.52	12.43	13.54	13.35	15.97	17.39	17.49	17.23	17.14	17.02	
Manufacturing	24.08	31.24	36.06	36.76	36.37	36.43	45.13	45.14	37.13	36.73	36.96	37.54	37.54	39.05	39.16	
Building, construction and installation	326.43	299.84	286.96	293.92	300.30	288.35	284.71	287.07	288.74	294.47	296.88	299.23	297.46	302.67	306.08	
Electricity, gas and water	14.80	23.36	11.01	10.82	10.79	11.54	11.55	11.47	11.55	19.51	12.32	12.68	12.33	13.74	13.70	
Trade	120.54	100.87	114.08	115.90	114.89	113.37	110.35	114.08	106.35	107.71	112.59	107.54	109.62	107.71	107.31	
Transportation, storage and communication	69.77	80.18	80.38	79.94	78.40	78.87	82.76	82.85	82.28	82.36	83.40	83.43	83.86	83.99	84.08	
Professional and business services	37.34	59.53	85.31	84.54	74.59	84.88	86.68	85.18	109.41	97.57	107.94	112.82	112.13	113.24	114.46	
Other activities (1)	86.62	104.59	113.22	112.30	113.72	113.06	114.63	111.85	111.96	112.81	110.16	108.98	110.60	108.40	109.45	
Total	<u>691.96</u>	<u>712.20</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>	<u>785.94</u>	<u>791.25</u>	
	Proportion of Total															
Agriculture, forestry and fisheries	1.79	1.77	1.72	1.70	1.70	1.69	1.66	1.80	1.76	2.08	2.24	2.24	2.21	2.18	2.15	
Manufacturing	3.48	4.39	4.87	4.92	4.90	4.93	6.03	6.01	4.88	4.79	4.75	4.81	4.81	4.97	4.95	
Building, construction and installation	47.17	42.10	38.79	39.35	40.49	39.02	38.05	38.22	37.95	38.39	38.18	38.38	38.10	38.51	38.68	
Electricity, gas and water	2.14	3.28	1.49	1.45	1.45	1.56	1.54	1.53	1.52	2.54	1.58	1.63	1.58	1.75	1.73	
Trade	17.42	14.16	15.42	15.52	15.49	15.34	14.75	15.19	13.98	14.04	14.48	13.79	14.04	13.71	13.56	
Transportation, storage and communication	10.08	11.26	10.87	10.70	10.57	10.67	11.06	11.03	10.82	10.74	10.72	10.70	10.74	10.69	10.63	
Professional and business services	5.40	8.36	11.53	11.32	10.06	11.49	11.58	11.34	14.38	12.72	13.88	14.47	14.36	14.41	14.47	
Other activities (1)	12.52	14.69	15.30	15.04	15.33	15.30	15.32	14.89	14.72	14.71	14.17	13.98	14.17	13.79	13.83	
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.