



Monetary Survey Report September 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.9/12

September 2011

Highlights:

Overall monetary indicators in September 2011 recorded mixed results with:

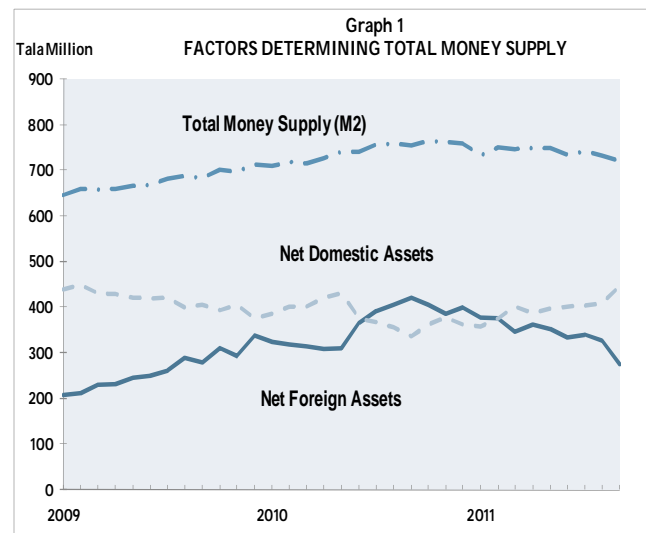
- *Total liquidity continuing its downward trend but still above minimum working level.*
- *The commercial banks' overall lending rate fell while the average deposit rate increased, narrowing the interest rate spread to 7.55 percent.*
- *Government's financial operations with the monetary system continued on its expansionary path.*
- *Money supply (M2) contracted due to a drop in net foreign assets.*

Money Supply

Total money supply (M2) dropped a further \$11.0 million to \$723.1 million in September 2011 following a decrease in the previous month. The contraction in September 2011 was entirely due to a 15.4 percent drop in net foreign assets which more than offset a 9.6 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	Sep	Aug	Sep
1. Net Foreign Assets	420.59	325.74	275.49
2. Net Domestic Assets	335.99	408.36	447.56
(a) Domestic Credit	539.09	629.25	659.54
Government , net	-198.09	-166.56	-145.44
Non-financial public enterprises	52.53	66.08	67.94
Non- monetary financial institutions	34.16	37.88	41.80
Private Sector	650.50	691.85	695.24
(b) Other items , net	-203.10	-220.89	-211.98
3. Total Assets = Total Money Supply (M2)	756.58	734.10	723.05
(a) Money (M1)	215.61	236.19	218.02
(b) Quasi-money	540.97	497.91	505.03

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



As a result, the growth in money supply slowed down further to 2.4 percent on an annual average basis at end September 2011, from 3.6 percent at end August 2011 and 10.1 percent at end September 2010.

Determinants of Money Supply

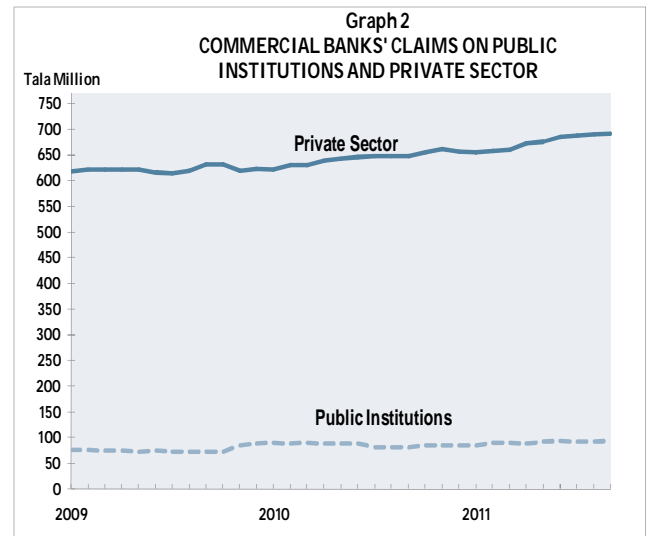
In September 2011, net foreign assets (NFA) tumbled by \$50.2 million to \$275.5 million and were \$145.1 million lower than in the same month last year. The contraction in net foreign reserves in September 2011 was largely due to a \$52.7 million fall in net foreign assets of the Central Bank and a relatively smaller \$0.7 million decline in commercial banks’ net foreign assets. These more than offset a \$3.2 million increase in foreign deposits held by the Ministry of Finance during the month.

On the other hand, net domestic assets (NDA) expanded by a significant \$39.2 million to \$447.6 million, a level \$111.6 million higher than in September 2010. The growth in net domestic assets during the month was largely due to a \$30.3 million expansion in domestic credit and an \$8.9 million increase in “other items, net”. The expansion in domestic credit reflected a \$21.1 million drop in Government’s net financial position vis-à-vis the monetary system and a \$9.2 million increase in commercial banks’ credit to the private sector and public institutions combined. The increase on “other items net” was caused by an increase in commercial banks’ capital accounts and other domestic borrowings in the month under review.

Credit

The growth in bank credit in September 2011 was due mainly to increases of \$3.4 million and \$1.8 million in loans directed to the private sector and non-monetary public institutions respectively. This month’s increase in credit to the private sector was entirely due to a \$3.5

million increase in credit absorbed by the private household, which was partially offset by a \$0.2 million decline in loans directed to the business sector. (See Graph 2).



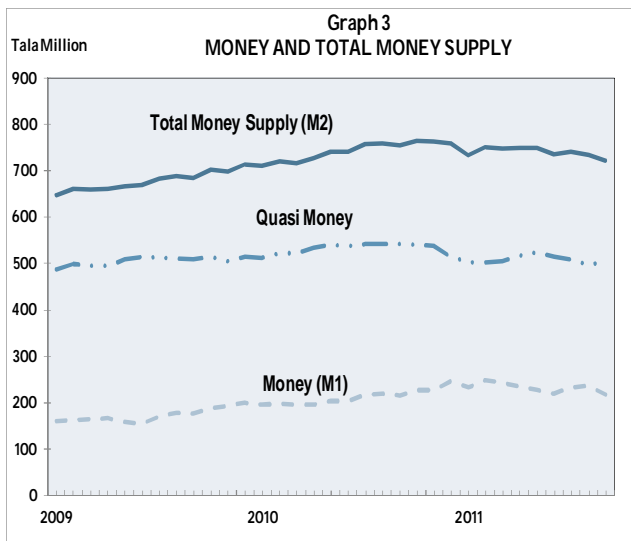
After a \$1.1 million expansion in the previous month, commercial banks’ credit to the private sector and public institutions combined increased by another \$5.2 million to \$785.9 million. And, when compared to September 2010, total credit was 8.0 percent or \$56.9 million higher, which saw the annual average credit growth increase to 5.4 percent in September 2011 from 5.0 percent in the previous month.

While the bulk of the increase was absorbed by the “building and construction” sector (up \$5.2 million) in the month under review, increases were also recorded in credit extended to “manufacturing” (up \$1.5 million), “electricity and water” (up \$1.4 million) and “professional and business services” (up \$1.1 million) industries. Loans absorbed by “transportation and communication” also edged up by \$0.1 million during the month. On the other hand,

credit directed to “other activities”, “trade” and “agriculture and fisheries” sectors went down \$2.2 million, \$1.9 million and \$0.1 million in that order in September 2011.

Components of Money Supply

In September 2011, the contraction in money supply (M2) was underpinned by a sharp drop of \$18.2 million in narrow money (M1) which more than offset a \$7.1 million increase in quasi-money. (See Graph 3.)



The contraction in narrow money was due entirely to an \$18.5 million drop in demand deposits, which was partially offset by a \$0.3 million rise in currency outside banks during the month

On the other hand, the expansion in quasi-money reflected mainly increases of \$5.2 million and \$3.7 million in foreign currency deposits of residents and time deposits respectively, which more than outweighed a \$1.8 million decline in savings deposits in the month under review.

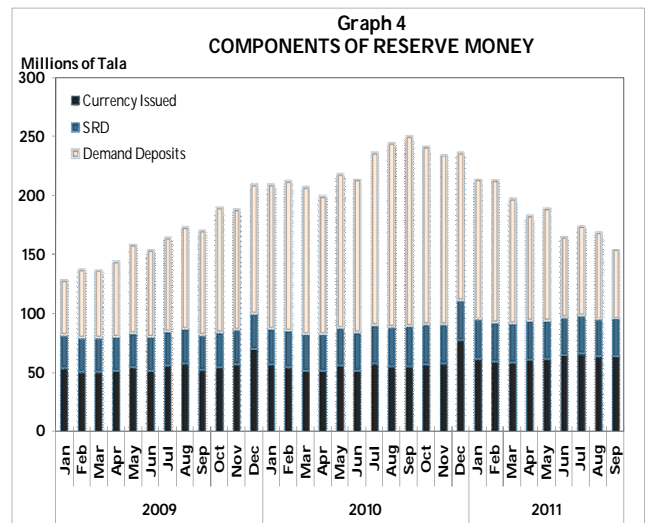
Reserve Money¹

Reserve money in September 2011 tightened by \$14.8 million to \$155.0 million, and was \$92.7 million lower than in September 2010. The drop in reserve money during the month under review was due largely to a reduction of \$15.5 million in commercial banks’ demand deposits with a slight \$0.01 million decline in their statutory reserves with the Central Bank. Currency in circulation on the other hand, increased \$0.7 million in September 2011. (See Table 2 and Graph 4.)

Table 2: Reserve Money (Tala million)

End period	Sep-10	Aug-11	Sep-11
Currency in Circulation	55.67	63.21	63.88
Commercial banks reserves	194.72	106.65	91.16
Required reserves	33.65	32.04	32.03
Excess reserves	161.07	74.61	59.13
Total	250.39	169.86	155.04

Source: Central Bank of Samoa

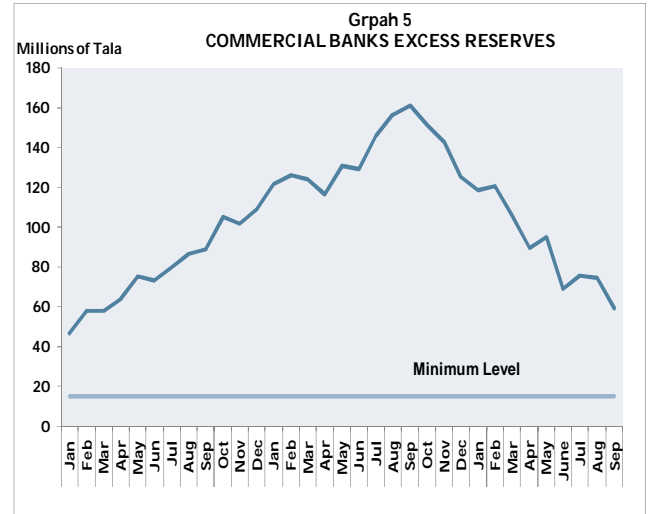


¹ Reserve Money comprises of currency in circulation, statutory reserve deposits (SRD) and demand deposits of commercial banks with the CBS.

Commercial Bank Liquidity

With its level falling by \$16.2 million to \$90.7 million in September 2011, commercial banks' total liquidity was 54 percent (or \$108.3 million) lower than in the same month a year ago. The marked decrease in liquidity during the month was largely due to a \$15.5 million drop in commercial banks' excess reserves and a \$1.0 million decrease in their outstanding securities with the Central Bank. On the other hand, commercial banks' holdings of vault cash edged up \$0.3 million in September 2011.

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



The significant drop in the level of commercial banks' excess reserves in September 2011 was due to decreases of \$15.1 million and \$10.4 million in Westpac and ANZ excess liquidity respectively, which more than offset increases of \$6.7 million and \$3.4 million in SCB and NBS banks excess reserves in that order in the month under review.

End Period	Sep-10	Aug-11	Sep-11
Vault Cash	10.44	12.28	12.59
Exchange Settlement Account (ESA)	161.06	74.60	59.13
CBS Securities	27.49	20.00	19.00
Total	198.99	106.88	90.72

Source : Central Bank of Samoa

8th November 2011

CENTRAL BANK OF SAMOA

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

End of Period	2008	2009	2010	2011											
			Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1. Net Foreign Assets	<u>219.55</u>	<u>338.612</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>339.09</u>	<u>325.74</u>	<u>275.49</u>
Ministry of Finance (b)(c)	60.67	85.77	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
Central Bank of Samoa (e)	173.53	271.82	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
Commercial Banks	-14.65	-18.97	-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
2. Net Domestic Assets	<u>436.66</u>	<u>376.12</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>403.14</u>	<u>408.36</u>	<u>447.56</u>
(a) Domestic Credit	606.26	570.25	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
(i) Government , net	-88.83	-150.20	-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
Ministry of finance	-60.67	-85.77	-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
Central Bank of Samoa (f)	-31.87	-52.51	-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
Commercial Banks (f)	3.71	-11.92	-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
(ii) Claims on non-financial public enterprises (f)	45.68	59.29	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
(iii) Claims on non- monetary financial institutions (d)	28.34	35.03	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
(iv) Private Sector (f)	621.08	626.13	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
(b) Other items , net (f)	-169.61	-194.13	-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
3. Total Assets = Total Money Supply (M2)	<u>656.21</u>	<u>714.74</u>	<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>
Narrow Money (M1)	<u>174.38</u>	<u>200.60</u>	<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>
Currency outside banks	52.25	55.21	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
Demand deposits	122.13	145.39	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
Quasi-money	<u>481.83</u>	<u>514.13</u>	<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>
Savings deposits	72.11	85.38	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
Time deposits (f)	395.32	405.52	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
Foreign currency deposits of residents	14.40	23.24	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

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	Oct	Nov	Dec	2011								
			Sep				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
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>
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
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
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. 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>
(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
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
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
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
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
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
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
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
(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>
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>
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
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
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
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
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

Source : Central Bank of Samoa

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

End of Period	2008	2009	2010		Oct	Nov	Dec	2011								
			Aug	Sep				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
	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	17.14
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	39.05
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	302.67
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	13.74
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	107.71
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	83.99
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	113.24
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	108.40
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>	<u>785.94</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	2.18
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	4.97
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	38.51
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	1.75
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	13.71
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	10.69
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	14.41
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	13.79
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>	<u>100.00</u>

(1) Including personal loans not classified elsewhere.