

REVIEW OF MONETARY DEVELOPMENTS APRIL 2021

This report is a monthly release of the latest available key monetary aggregates, official interest rate and the analysis on commercial banks' interest rates of the Samoan economy with information sourced from the Central Bank, commercial banks, Ministry of Finance, non-bank financial institutions and Samoa Bureau of Statistics.

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Monetary Forecast

The actual level of money supply (M2) was 7.1 percent above its projection for April 2021. This reflected the higher than expected level of net foreign assets as well as an expansion in the credit to the private sector.

Money Supply (M2)

Total money supply (M2) recorded an increase of \$11.29 million (or 0.9 percent) to \$1,314.14 million, due to expansions of \$2.58 million (or 0.4 percent) in net foreign assets (NFA) and \$8.71 million (or 1.3 percent) in net domestic assets (NDA). The increase in NFA was caused by a hike in official reserves of the Central Bank of Samoa despite a decline in the foreign holdings of the banking system. In addition, the monthly improvement in NDA was underpinned by an expansion in domestic credit to the private sector despite an increase in the government's net position with the monetary system.

However, the annual average growth rate of M2 accelerated further to 3.9 percent from 3.0 percent in the previous month, which was lower than 4.1 percent in the same month of last year.

Credit¹

Total financial system (FS) credit expanded by \$3.62 million (or 0.2 percent) to \$1,981.53 million, due to an increase in commercial banks' credit by \$3.74 million (or 0.3 percent), despite a slight reduction in total lending of non-bank financial institutions (NFIs) by \$0.11 million (or 0.01 percent).

The expansion in total FS credit reflected increases in lending directed to the 'Trade' and 'Other Activities' industries.

By sector, the bulk of FS credit was directed to the private sector with a share of 98.85 percent while the remaining portion was lent to the public NFIs.

On an annual average basis, total FS credit decelerated further to 2.8 percent from 3.2 percent in the previous month, and 8.1 percent in the same month last year.

According to the latest update on national accounts released by the Sāmoa Bureau of Statistics (SBS), the annual total Nominal Gross Domestic Product (NGDP)² amounted to \$2,057.90 million at end of December 2020. At this level, the share of the FS credit to NGDP increased to 96.5 percent in the December 2020 quarter, from 93.5 percent in the September 2020 quarter. As for M2, its share to NGDP rose to 66.7 percent in the December 2020 quarter from 60.3 percent in the previous quarter.

Reserve Money³

Total reserve money (RM) recorded an expansion of \$7.51 million (or 1.5 percent) to \$510.07 million as a result of an increase of \$7.92 million in commercial banks' reserves, despite a slight decrease of \$0.40 million in "Currency in Circulation".

¹ Comprises of commercial banks and three largest non-monetary financial institutions' (NFIs) total lending.
NFIs – Sāmoa National Provident Fund (SNPF), Development Bank of Sāmoa (DBS) and Sāmoa Housing Corporation (SHC)

² GDP 2013 Rebase became effective December 2018

³ Reserve Money (also known as monetary base) comprises of currency in circulation, statutory reserve deposits (SRD) and demand deposits of commercial banks with the CBS

In addition, total reserve money was \$61.91 million higher (or 13.8 percent) than its level in the same month last year, or 33.8 percent and 59.6 percent higher than its corresponding levels in the past three and five years respectively.

Commercial Banks' Liquidity

Total commercial bank liquidity expanded by \$7.90 million to \$330.93 million, as a result of a hike of \$8.03 million in commercial banks' holdings of exchange settlement accounts (or excess reserves). This was partially offset by a slight decrease of \$0.13 million in their vault cash holdings. Furthermore, CBS Securities remained on hold since April 2020 for liquidity reasons in the wake of COVID-19 pandemic.

Consequently, total liquidity edged up by \$24.72 million over the same month last year and was also 27.5 percent and 59.4 percent higher than its levels in the past three and five years respectively.

Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)⁴

As mentioned earlier, CBS OMO remained on hold given the volatility and uncertainty of the economic environment created by the pandemic. The sharp slowdown in business activities and production coupled with the tightening of global financial conditions call for a temporary halt in the OMO since April 2020. The CBSS was last issued in March 2020 with a 0.15 percent recorded for the overall weighted average yield. Therefore, the official rate remained at 0.15 percent until OMO resumes its operations again.

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate fell further by 11 basis points to 2.22 percent over the month and was also 53 basis points lower than that of April last year. On the other hand, the weighted average lending (WAL) remained at 8.57 percent but was 23 basis points lower than a year ago. As a

result, the overall weighted average interest rate spread increased to 6.36 percent from 6.24 percent in the previous month and 6.05 percent a year ago.

The current WAD rate was lower than its deposit rates of 2.78 percent and 2.67 percent in the last three and five years respectively. Similarly, the current WAL rate was also lower than its rates of 8.89 percent and 8.94 percent in the last three and five years in that order.

NFIs⁵ lending rates⁶

The overall WAL rate for NFIs decreased by 4 basis point to 8.18 percent over the month, but was higher than 7.61 percent in March last year. This was due to a decline in lending rates for DBS (down by 8 basis points) to 3.91 percent, SHC (down 6 basis points) to 12.89 percent and SNPF (down by 3 basis points) to 8.68 percent.

Despite the drop, the current overall WAL rate was higher than its rates of 7.62 and 7.64 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA **8th June 2021**

⁴Central Bank of Samoa Securities (CBSS) is the main instrument for implementing monetary policy in the country and it is traded in various maturities in the domestic financial market through the open market operation (OMO).

⁵ Non-monetary Financial Institutions. Only reports the main NFIs, Samoa National Provident Fund (SNPF), Development Bank of Sāmoa (DBS) and Sāmoa Housing Corporation (SHC). Effective October 2018, SHC started reporting to CBS on monthly basis, as was previously reported on quarterly basis.

⁶ Lending rates of SHC are provisional for the reporting month.

Monetary Aggregates

End of Period Figures	Average level in the previous		2021			
	3-y years	5-y years	Apr20	Feb	Mar	Apr
Determinants of Money Supply (M2) ⁷			Amount in Tala Million			
Net Foreign Assets	416.73	307.06	475.84	626.84	638.74	641.32
Net Domestic Assets	766.84	774.28	744.74	651.69	664.11	672.82
Money Supply (M2)	1183.57	1081.35	1220.586	1278.530	1302.860	1314.140
<i>Trend / Annual Average (%)</i>	12.67	8.48	4.1	2.3	3.0	3.9
<i>Narrow Money (M1)</i>	512.86	464.55	521.67	536.82	575.44	590.73
Currency outside banks	84.31	75.69	95.30	113.01	121.23	120.95
Transferable Deposits ⁴	428.55	388.86	426.36	423.82	454.21	469.78
<i>Quasi Money</i>	670.71	616.80	698.92	741.71	727.42	723.41
Other Deposits ⁵	670.71	616.80	698.92	741.71	727.42	723.41
Central Bank of Samoa			Maturity Yield			
<i>Open Markets Operations</i>			0.15	0.15	0.15	0.15
<i>Securites Official Rate</i>	0.16	0.16				
Reserve Money ²			Amount in Tala Million			
Total	380.97	319.68	448.17	503.792	502.564	510.077
<i>Trend / Annual Growth (%)</i>	24.62	14.60	20.6	11.8	11.9	12.1
Financial System (FS)			Amounts in Tala Million			
<i>FS Credit</i>						
Commercial Banks ⁷	1127.57	1080.49	1179.23	1178.64	1172.71	1176.45
<i>Trend / Annual Growth (%)</i>	4.67	7.20	5.0	2.2	1.8	1.5
Non-Monetary Financial Institutions (NFIs)	705.00	644.79	781.72	802.50	805.19	805.08
<i>Trend / Annual Growth (%)</i>	11.28	10.37	13.1	5.8	5.2	4.7
<i>Private Sector</i>	1784.45	1678.84	1927.53	1958.31	1954.49	1958.10
Businesses	1009.38	963.79	1064.12	1064.87	1054.70	1053.28
Individuals	775.07	715.06	863.41	893.44	899.79	904.82
<i>Public Sector (NFIs, NPEs, & Govt)</i>	48.13	46.44	33.42	22.83	23.41	23.42
Total FS Credit ⁸	1832.57	1725.28	1960.94	1981.13	1977.90	1981.53
<i>Trend / Annual Growth (%)</i>	7.12	8.39	8.1	3.7	3.2	2.8
Commercial Banks ³			Amounts in Tala Million			
<i>Liquidity</i>						
Total	259.48	207.67	306.21	331.939	323.022	330.925
<i>Trend / Annual Growth (%)</i>	35.09	17.59	19.6	8.4	7.8	7.5
<i>Interest Rates</i>			Percentage			
Overall Weighted Average Lending ⁷	8.89	8.94	8.80	8.54	8.57	8.57
Australia New Zealand Bank (Sāmoa) Limite	9.37	9.20	9.06	8.28	8.24	8.24
Bank South Pacific (Sāmoa) Limited	7.92	8.06	8.06	8.16	8.31	8.31
National Bank of Sāmoa Limited	8.16	8.38	8.25	7.83	7.86	7.87
Samoa Commercial Bank Limited	10.50	10.51	10.38	10.27	10.20	10.21
Overall Weighted Average Deposit	2.78	2.67	2.75	2.44	2.33	2.22
Australia New Zealand Bank (Sāmoa) Limite	1.44	1.55	1.32	1.11	1.01	1.01
Bank South Pacific (Sāmoa) Limited	2.94	2.80	2.89	2.35	2.13	2.01
National Bank of Sāmoa Limited	3.89	3.68	4.00	3.46	3.21	2.88
Samoa Commercial Bank Limited	3.26	3.18	3.09	2.97	2.93	2.83
<i>Market Shares</i>						
Lending ⁷						
Australia New Zealand Bank (Sāmoa) Limite	27.81	34.12	25.36	24.54	24.20	24.39
Bank South Pacific (Sāmoa) Limited	29.55	26.35	30.84	30.97	30.70	30.86
National Bank of Sāmoa Limited	23.16	20.11	24.90	24.32	24.70	24.23
Samoa Commercial Bank Limited	19.52	19.44	18.90	20.17	20.40	20.52
Deposit						
Australia New Zealand Bank (Sāmoa) Limite	28.49	31.88	26.83	24.53	23.80	23.57
Bank South Pacific (Sāmoa) Limited	30.23	28.19	30.86	30.99	31.60	31.51
National Bank of Sāmoa Limited	21.41	19.90	21.74	22.30	22.50	21.91
Samoa Commercial Bank Limited	19.88	20.00	20.57	22.18	22.10	23.01
Non-monetary Financial Institutions (NFIs)			Percentage			
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF) ⁶	8.25	8.30	8.55	8.71	8.71	8.68
Development Bank of Samoa (DBS)	5.00	5.38	4.44	4.33	3.99	3.91
Samoa Housing Corporation (SHC) ¹	9.53	9.53	6.19	12.97	12.95	12.89
NFIs' Overall WAL ^{6,8}	7.62	7.64	7.61	8.27	8.22	8.18

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Source: Central Bank of Samoa

- (1) Samoa Housing Corporation reports on a quarterly basis up to September 2018 quarter.
- (2) Reserve Money is composed of: Currency in Circulation and commercial banks Exchange Settlement Accounts (ESA) and Statutory Required Deposits (SRDs).
- (3) As of July 13th 2015, Bank South Pacific took over Westpac.
- (4) Comprised of demand deposits, foreign currency deposits of residents, and interest payable on these deposits.
- (5) Comprised of time deposits, savings deposits, and the interest payable on these deposits.
- (6) Reflects the reclassification of loans to their appropriate interest rate structure in November 2018.
- (7) Changes back to June 2016 under Financial System Credit section due to revised figures from the commercial banks
- (8) Effective October 2018, Samoa Housing Corporation started reporting to Central Bank on monthly basis as was previously reported on quarterly basis.