

REVIEW OF MONETARY DEVELOPMENTS APRIL 2023

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 5.2 percent higher than its projection for April 2023. This was due to higher-than-expected levels of net foreign assets for the Central Bank, offsetting a lower-than-expected level of net domestic assets.

Money Supply (M2)

Total money supply (M2) expanded by \$30.76 million (or 2.1 percent) to \$1,501.81 million. Underpinning this increase was a significant jump in net foreign assets (NFA) by \$35.07 million despite a drop of \$4.31 million in net domestic assets (NDA). The substantial expansion in the former was due to increases in the foreign holdings of the Central Bank and the commercial banks. The decline in the latter reflected a surplus¹ in the government's net position, coupled with a slight decline in credit to non-monetary financial institutions.

As a result, the annual average growth rate of M2 accelerated to 7.5 percent from 6.7 percent a month ago and was 3.5 percent higher than the same month of last year.

Credit²

Total financial system (FS) credit increased by \$8.68 million (or 0.43 percent) to \$2,023.98 million. This was driven by expansion of \$7.25 million and \$1.43 million in both commercial banks and non-bank financial institutions' lending respectively.

By sector, the bulk of FS credit was directed to the private sector with a share of 99.1 percent while the rest was lent to the public enterprises.

The expansion in total FS credit was mainly lent to industries such as 'Other activities', 'Trade', 'Building, construction, and installation' and 'Transportation, storage and communication' and 'Electricity, gas and water'.

Despite the rise in total FS credit, its annual average growth rate decelerated further to -0.1 percent from 0.1 percent in the previous month and was much lower than 2.6 percent growth in April last year.

The latest update on the National Accounts released by the Samoa Bureau of Statistics (SBS) was up to the December 2022 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of \$2,305.16 million. At this level, the share of the FS credit to NGDP dropped to 88.0 percent from 90.8 percent in the September 2022 quarter and 93.1 percent in the December quarter of last year. Similarly, the share of M2 to NGDP declined to 62.0 percent from 62.4 percent in the previous quarter but was higher than 60.8 percent in the same time last year.

Reserve Money³

Total reserve money (RM) continued to rise by \$8.56 million (or 1.28 percent) to \$676.93 million, due to an increase of \$6.25 million in currency in circulation, coupled with an increase of \$2.31 million in the commercial banks' reserves, mainly the banks excess reserves.

¹ It has a contractionary impact on NDA

² 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)

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

This level of RM was \$149.55 million higher than in the previous year, and was 36.68 percent and 55.22 percent higher than its levels in the past three and five years respectively.

Commercial Banks' Liquidity⁴

Total commercial banks' liquidity rose by \$9.44 million (or 1.9 percent) over the previous month to its highest level yet, at \$496.36 million. This represented increases in all its components, namely CBS Securities held by the commercial banks (up by \$5.00 million), exchange settlement accounts (up \$2.45 million) and vault cash holdings (up \$1.99 million).

Furthermore, total liquidity was \$154.20 million higher than its level last year, or 52.06 percent and 70.98 percent higher than both its levels in the past three and five years respectively.

Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)⁵

Total outstanding CBS securities increased to \$30.00 million in April 2023 from \$25.00 million in the previous month, reflecting new issuance of \$18.00 million in CBS Securities offsetting the \$13.00 million that matured during the month. Of the new issuance, \$7.00 million were at short-term maturities of 14-days and 28 days, while the remaining \$11.00 million was issued at longer-term maturities of 56-days and 91-days.

As a result, the overall weighted average yield on CBSS (or official interest rate) edged up by 1 basis points to 0.23 percent from 0.22 percent in the previous month but was 8 basis points higher than that of same month of last year.

Commercial Banks' Interest Rates

The commercial banks weighted average deposit (WAD) rate declined by 9 basis points to 1.73 percent or was 3 basis points lower than a year ago. On the other hand, the weighted average lending (WAL) rose by 1 basis point to 8.33 percent from the previous month or 4 basis points higher than its level last year.

As a result, the overall weighted average interest rate spread widened to 6.60 percent from 6.59 percent in the previous month and 6.52 percent in April 2022.

The current WAD rate was lower than its average rates of 2.24 percent and 2.46 percent for the last three and five years respectively. Similarly, the current WAL rate was below than its average rates of 8.55 percent and 8.71 percent in the same corresponding period.

NFIs⁶ Lending Rates⁷

The overall WAL rate for NFIs remained at 8.47 percent from the previous month. This was underpinned by unchanged levels in the lending rates of SNPF (8.95 percent), DBS (3.60 percent) and SHC (13.15 percent) respectively.

The current overall WAL rate, however, was higher at than its average rates of 8.0 percent and 7.85 percent in the last three and five years respectively

CENTRAL BANK OF SAMOA **5th June 2023**

⁴ Comprises of banks' vault cash, exchange settlement account (ESA) balances and Central Bank Securities

⁵ Central 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).

⁶ Non-monetary Financial Institutions. Only reports the main NFIs, Samoa National Provident Fund (SNPF), Development Bank of Samoa (DBS) and Samoa Housing Corporation (SHC). Effective October 2018, SHC started reporting to CBS on monthly basis, as was previously reported on quarterly basis.

⁷ SHC figures are provisional for the reporting month.

Monetary Aggregates

End of Period Figures	Average level in the previous		2022		2023	
	3-years	5-years	April	February	March	April (a)
Determinants of Money Supply (M2)						
Net Foreign Assets ²	589.66	508.66	651.81	866.58	884.21	919.28
Net Domestic Assets	703.03	732.97	691.53	618.69	586.85	582.53
Money Supply (M2)³	1292.69	1241.64	1343.340	1485.270	1471.052	1501.808
<i>Trend / Annual Average (%)</i>	3.83	7.37	3.5	5.7	6.7	7.5
Narrow Money (M1)						
Currency outside banks	571.66	546.38	602.59	754.67	727.91	753.20
Transferable Deposits ⁴ ⊗	114.10	99.98	126.05	137.36	140.79	145.05
Quasi Money	457.56	446.39	476.54	617.32	587.12	587.12
Other Deposits ⁵	721.03	695.26	740.75	730.60	743.14	748.62
Central Bank of Samoa						
Open Markets Operations						
Securities Official Rate	0.15	0.16	0.15	0.15	0.22	0.23
Reserve Money²						
Total	495.20	436.07	527.363	664.786	668.377	676.934
<i>Trend / Annual Growth (%)</i>	13.06	18.49	6.5	10.1	11.8	13.9
Financial System (FS)						
FS Credit						
Commercial Banks ⁷	1178.38	1147.72	1179.45	1169.46	1157.37	1164.61
<i>Trend / Annual Growth (%)</i>	2.48	3.29	0.94	-0.86	-1.16	-1.29
Non-Monetary Financial Institutions (NFIs) ⁸	814.08	755.10	855.43	853.91	857.59	859.37
<i>Trend / Annual Growth (%)</i>	8.05	8.97	6.3	2.4	2.0	1.5
Private Sector						
Businesses	1967.75	1865.81	2017.61	2005.70	1998.43	2006.63
Individuals	1049.08	1022.25	1029.83	973.49	960.30	965.18
Public Sector (NFIs, NPEs, & Govt)	918.67	843.56	987.78	1032.21	1038.12	1041.45
Total FS Credit ⁸⊗	1992.45	1902.83	2034.88	2023.64	2015.30	2023.98
<i>Trend / Annual Growth (%)</i>	4.50	5.36	2.62	0.50	0.12	0.14
Commercial Banks³						
Liquidity						
Total	326.43	290.30	342.155	478.10537	486.91652	496.35889
<i>Trend / Annual Growth (%)</i>	11.12	23.79	6.2	12.8	15.7	19.2
Interest Rates (%)						
Overall Weighted Average Lending⁷						
Australia New Zealand Bank (Sāmoa) Limited	8.55	8.71	8.29	8.26	8.32	8.33
Bank South Pacific (Sāmoa) Limited	8.34	8.82	7.74	7.66	7.64	7.65
National Bank of Sāmoa Limited	7.99	7.93	7.60	7.53	7.58	7.56
Samoa Commercial Bank Limited	8.09	8.10	8.15	8.06	8.28	8.36
Overall Weighted Average Deposit	10.17	10.33	9.94	9.89	9.88	9.88
Australia New Zealand Bank (Sāmoa) Limited	2.24	2.46	1.76	1.77	1.82	1.73
Bank South Pacific (Sāmoa) Limited	1.07	1.25	0.89	0.76	0.80	0.76
National Bank of Sāmoa Limited	2.10	2.45	1.41	1.90	1.94	1.67
Samoa Commercial Bank Limited	3.14	3.41	2.52	2.46	2.44	2.49
Market Shares (%)	2.78	3.00	2.42	2.24	2.29	2.26
Lending						
Australia New Zealand Bank (Sāmoa) Limited	25.1	26.7	25.54	25.82	25.79	25.70
Bank South Pacific (Sāmoa) Limited	30.5	29.9	29.85	28.55	28.59	28.60
National Bank of Sāmoa Limited	23.7	23.1	21.97	21.02	20.70	20.76
Samoa Commercial Bank Limited	20.7	20.3	22.64	24.62	24.92	24.93
Deposit ⁹						
Australia New Zealand Bank (Sāmoa) Limited	24.8	26.6	24.11	25.40	23.04	23.58
Bank South Pacific (Sāmoa) Limited	32.7	31.6	35.85	38.00	39.93	39.86
National Bank of Sāmoa Limited	21.0	21.1	19.41	16.90	17.15	16.06
Samoa Commercial Bank Limited	21.4	20.7	20.63	19.70	19.88	20.50
Non-monetary Financial Institutions (NFIs)						
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF) ⁶	8.62	8.41	8.64	8.95	8.95	8.95
Development Bank of Samoa (DBS) [⊗]	4.16	4.60	4.12	3.75	3.75	3.75
Samoa Housing Corporation (SHC) ¹ ⊗	10.56	11.14	12.60	12.94	13.15	13.15
NFIs' Overall WAL ⁸*	8.00	7.85	8.22	8.47	8.49	8.49

Source: Central Bank of Samoa

(1) Reserve Money is composed of: Currency in Circulation and commercial banks Exchange Settlement Accounts (ESA) and Statutory Required Deposits (SRDs).

(2) As of July 13th 2015, Bank South Pacific took over Westpac.

(3) Comprised of demand deposits, foreign currency deposits of residents, and interest payable on these deposits.

(4) Comprised of time deposits, savings deposits, and the interest payable on these deposits.

(5) Reflects the reclassification of loans to their appropriate interest rate structure in November 2018.

(6) Changes back to June 2016 under Financial System Credit section due to revised figures from the commercial banks

(7) Effective October 2018, Samoa Housing Corporation started reporting to Central Bank on monthly basis as was previously reported on quarterly basis.

(8) Samoa received the IMF-Special Drawing Rights (SDRs) allocation of SDR15.5 million and equivalent of around \$55.5 million Tala in August 2021.

(9) Effective April 2023, the calculation of deposit shares takes into account all deposit liabilities of the banking system from both resident and non-reside sectors. Historical series has been revised to reflect these changes.

⊗ Revised