

REVIEW OF MONETARY DEVELOPMENTS AUGUST 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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August 2023

Monetary Forecast

As an intermediate target for monetary policy, money supply (M2), the actual level was 1.1 percent lower than its projection. This lower trend in actual M2 reflected lower-than expected level of domestic credit to the private sector and public institutions.

Money Supply (M2)

Total money supply (M2) jumped further by \$44.48 million (or 2.9 percent) to \$1,573.57 million reflecting hikes of \$25.49 million in net domestic assets and \$18.99 million in net foreign assets. The increase in the latter was mainly driven by a deficit in the government's net position with the monetary system (in-light of increased government spending) coupled with a gain in 'Other Items Net'. On the other hand, the former was underpinned by an increase in the foreign holdings of the Central Bank (in-light of inflow of government funds), which offset a decline in those for the banking system.

As a result, the annual average growth rate of M2 accelerated further to 11.0 percent from 10.2 percent a month ago and was much higher than the 3.0 percent in the same month of last year.

Credit¹

Total financial system (FS) expanded further by \$1.14 million (or 0.01 percent) to \$2,035.25 million, driven by an increase of \$4.36 million in total lending of the non-bank financial institutions (NFIs), offsetting a drop in those of the banking system by \$3.22 million at the end of the month.

By sector, the bulk of FS credit was directed to the private sector with a share of 99.3 percent while the rest was lent to the public enterprises (0.7 percent).

Furthermore, the expansion in total FS credit reflected a large increase in credit to 'Other Activities' with small hikes in lending to 'Agriculture, forestry and fisheries', 'Manufacturing', and 'Transportation, storage and communication'.

Consequently, the annual average growth rate of FS credit rose slightly to -0.3 percent from -0.4 percent in the previous month but was way below 2.4 percent in August of last year.

The latest update on the National Accounts released by the Samoa Bureau of Statistics (SBS) was up to the June 2023 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of \$2,551.24 million. At this level, the share of the FS credit to NGDP dropped to 78.9 percent from 83.1 percent in the March 2023 quarter and was 93.2 percent in the June quarter of last year. However, the share of M2 to NGDP increased to 61.8 percent from 60.6 percent in the previous quarter but was slightly lower than 62.4 percent in the same quarter of last year.

Reserve Money²

Total reserve money (RM) expanded by \$22.42 million (or 3.0 percent) to \$780.45 million. This was underpinned by an increase of \$22.12 million in commercial banks' reserves (the bulk

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 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

was excess reserves) coupled with a marginal hike of \$0.30 million in currency in circulation.

At this level, it was \$236.62 million higher than in the same month of last year, and was 51.8 and 68.0 percent higher than its levels in the past three and five years respectively

Commercial Banks' Liquidity³

Similarly, total commercial banks' liquidity leapt by \$21.44 million (or 3.7 percent) over the previous month to its highest level yet, at \$602.16 million. This was also due to an increase of \$21.30 million in exchange settlement accounts (ESA) offsetting a slight drop of \$0.19 million in vault cash holdings while CBS securities remained at \$50.00 million from the previous month.

Furthermore, total liquidity was \$250.31 million higher than its level in August of last year or was 79.3 percent and 94.4 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)⁴

Total CBS securities issued had increased to \$34.00 million from \$26.00 million in the previous month, which were similar to those that were matured during the month. As a result, total CBS securities outstanding remained at \$50.00 million from the previous month.

CBS securities overall weighted average yield (or the official interest rate) remained stable at 0.21 percent as in the previous month and was 6

basis points higher than that for the same month of last year.

Commercial Banks' Interest Rates

The commercial banks weighted average deposit (WAD) rate increased by 3 basis points to 1.80 percent but was 2 basis points lower than that of a year ago. In contrast, the weighted average lending (WAL) rate remained at 8.30 percent from the previous month and was the same month of last year. As a result, the overall weighted average interest rate spread narrowed to 6.50 percent from 6.53 percent in July 2023 and was higher than 6.48 percent in August of 2022.

The current WAD rate was lower than its average rates of 2.15 percent and 2.36 percent for the last three and five years respectively. Similarly, the current WAL rate was also below its average rates of 8.47 percent and 8.65 percent in the same corresponding period.

NFIs⁵ **Lending Rates**⁶

The overall WAL rate for NFIs edged up by 1 basis point to 8.46 percent from the previous month. This was due to a 9 basis point increase in the SHC's WAL rate while those for SNPF declined by 1 basis point as the DBS remained constant as in the past month. The current overall WAL rate was slightly lower than its average rates of 7.97 percent and 7.84 percent in the last three and five years respectively.

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

³ Comprises of banks' vault cash, exchange settlement account (ESA) balances and Central Bank Securities

⁴ 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).

⁵ Non-Bank 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.

⁶ SHC figures are provisional for the reporting month.

Review of Monetary Developments
August 2023

Monetary Aggregates						
End of Period Figures	Average level in the previous		2022		2023	
	3-years	5-years	August	June	July	August
Determinants of Money Supply (M2)						
Net Foreign Assets ⁸	654.58	569.66	715.89	1059.10	1095.46	1114.45
Net Domestic Assets	653.30	687.79	656.45	516.34	433.63	459.12
Money Supply (M2)[®]	1297.49	1250.58	1372.339	1575.439	1529.090	1573.570
<i>Trend / Annual Average (%)</i>	3.26	6.46	3.0	9.3	10.2	11.0
<i>Narrow Money (M1)</i>						
Currency outside banks	580.05	565.59	633.44	825.89	778.43	805.22
Transferable Deposits ⁴ ®	119.52	111.19	131.50	162.66	158.34	158.84
<i>Quasi Money</i>	460.53	454.40	501.94	663.23	620.09	646.38
Other Deposits ⁵	727.83	704.91	738.90	749.59	750.66	768.35
Total	727.83	704.91	738.90	749.59	750.66	768.35
Central Bank of Samoa						
Open Markets Operations						
Securities Official Rate	0.15	0.16	0.15	0.23	0.21	0.21
Reserve Money ²						
Total	514.07	469.49	543.829	755.522	758.030	780.450
<i>Trend / Annual Growth (%)</i>	10.32	15.09	2.6	20.1	23.0	26.3
Financial System (FS)						
FS Credit						
Commercial Banks ⁷	1177.34	1148.01	1178.78	1139.86	1149.23	1146.01
<i>Trend / Annual Growth (%)</i>	1.9	2.8	0.5	-1.6	-1.8	-2.0
Non-Monetary Financial Institutions (NFIs) [®]	822.06	773.66	840.35	871.84	884.88	889.24
<i>Trend / Annual Growth (%)</i>	6.1	8.6	5.0	1.2	1.5	1.9
Private Sector	1976.41	1887.51	2001.74	1996.30	2019.34	2022.23
Businesses	1051.19	1012.31	1001.49	954.18	961.55	957.43
Individuals	925.22	875.19	1000.26	1041.93	1057.78	1064.79
Public Sector (NFIs, NPEs, & Govt)	23.49	34.17	17.39	15.59	14.78	13.03
Total FS Credit ⁸®	1999.40	1921.67	2019.13	2011.70	2034.11	2035.25
<i>Trend / Annual Growth (%)</i>	3.5	5.0	2.4	-0.5	-0.4	-0.4
Commercial Banks ³						
Liquidity						
Total	335.82	311.76	351.85	575.41	581.06	602.16
<i>Trend / Annual Growth (%)</i>	9.6	21.3	4.1	32.4	28.1	27.0
Interest Rates (%)						
Overall Weighted Average Lending ⁷						
Australia New Zealand Bank (Sāmoa) Limited	8.00	8.61	7.72	7.65	7.62	7.51
Bank South Pacific (Sāmoa) Limited	7.94	7.80	7.58	7.45	7.43	7.41
National Bank of Sāmoa Limited	8.15	8.15	8.19	8.37	8.40	8.50
Samoa Commercial Bank Limited	10.12	10.26	9.91	9.92	9.91	9.92
Overall Weighted Average Deposit	2.15	2.33	1.82	1.76	1.77	1.80
Australia New Zealand Bank (Sāmoa) Limited	0.94	1.12	0.85	0.70	0.70	0.67
Bank South Pacific (Sāmoa) Limited	2.39	2.53	1.77	1.83	1.81	1.85
National Bank of Sāmoa Limited	3.07	3.31	2.52	2.32	2.42	2.52
Samoa Commercial Bank Limited	2.34	2.72	2.29	2.26	2.29	2.27
Market Shares (%)						
Lending						
Australia New Zealand Bank (Sāmoa) Limited	24.99	26.14	25.48	24.30	24.28	23.98
Bank South Pacific (Sāmoa) Limited	29.84	29.74	28.78	29.68	29.09	29.12
National Bank of Sāmoa Limited	23.74	23.01	22.36	21.15	21.87	22.12
Samoa Commercial Bank Limited	21.43	21.14	23.37	24.87	24.76	24.78
Deposit ⁹						
Australia New Zealand Bank (Sāmoa) Limited	26.20	27.76	26.39	23.98	23.04	22.53
Bank South Pacific (Sāmoa) Limited	29.25	28.68	27.82	39.15	41.14	39.89
National Bank of Sāmoa Limited	20.42	20.14	19.21	16.77	15.63	16.36
Samoa Commercial Bank Limited	24.13	23.41	26.58	20.09	20.19	21.22
Non-monetary Financial Institutions (NFIs)						
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF) ⁶	8.59	8.53	8.94	8.87	8.88	8.87
Development Bank of Samoa (DBS) [®]	4.21	4.50	4.02	3.63	3.63	3.63
Samoa Housing Corporation (SHC) ¹ ®	10.57	11.24	12.72	13.42	13.42	13.51
NFIs' Overall WAL ⁶®	7.99	7.97	8.47	8.44	8.46	8.46

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, Sāmoa 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 SDR \$5.5 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-resident sectors. Historical series has been revised to reflect these changes.

® Revised