

REVIEW OF MONETARY DEVELOPMENTS DECEMBER 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

As an intermediate target for monetary policy, the actual level of Money Supply (M2) deviated slightly by 0.07 percent from its original forecast. This reflected a higher-than expected level of foreign holdings for both the Central Bank and the banking system during the month.

Money Supply (M2)

Total money supply (M2) expanded for the fifth consecutive month, rising by \$18.34 million (or 1.1 percent) to \$1,625.25 million. This was on account of a significant hike of \$54.92 million in net foreign assets (NFA), offsetting a \$36.58 million reduction in net domestic assets (NDA). The expansion in NFA reflected increases in the foreign assets of the Central Bank (given influx of government budget support funds coupled with gains from CBS Foreign Exchange settlements) and the commercial banks. The drop in NDA reflected a surplus in the government's net position with the financial system in light of the significant aid and grant assistance from development partners.

As a result, the annual average growth rate of M2 accelerated further to 13.6 percent from 13.1 percent in the previous month and was much higher than the 4.0 percent in the same month of last year.

Credit¹

Total financial system (FS) increased further by \$0.34 million (or 0.01 percent) to \$2,065.74 million. This was driven by an increase of \$0.82 million in commercial banks' lending, offsetting

a \$0.48 million decrease in non-bank financial institutions (NFIs) lending.

By sector, the bulk of FS credit was directed to the private sector with a share of 99.4 percent while the rest (0.6 percent) was lent to public enterprises.

Furthermore, the expansion in total FS credit was mainly extended to industries such as 'Agriculture, forestry, and fisheries', 'Electricity, gas and water', and 'Other Activities'.

On an annual average basis, total FS credit increased further to 0.5 percent from 0.3 percent in the previous month but was below 1.1 percent in the same month of the previous year.

The latest update on the National Accounts released by the Samoa Bureau of Statistics (SBS) was up to the September 2023 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of \$2,683.23 million. At this level, the share of the FS credit to NGDP dropped to 76.7 percent from 78.9 percent in the June 2023 quarter and was 90.8 percent in the September quarter of the previous year. Similarly, the share of M2 to NGDP dropped to 58.7 percent from 61.8 percent in the previous quarter and was 62.4 percent in the same quarter of last year.

Reserve Money²

Total reserve money (RM) rebounded by a seasonal \$24.05 million (or 3.3 percent) to \$762.16 million. This reflected a \$50.92 million jump in currency in circulation against a \$26.87

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

million reduction in commercial banks' reserves (of which the bulk was excess reserves).

At this level, RM was \$159.76 million higher than its level in December 2022, and was also 41.8 and 58.1 percent higher than its correspondent levels in the past three and five years respectively

Commercial Banks' Liquidity³

Total commercial banks' liquidity dropped considerably by \$19.43 million (or 3.2 percent) over the previous month to \$592.21 million due to decreases of \$28.00 million and \$7.06 million in exchange settlement accounts (ESA) and CBS securities respectively, outweighing a \$15.63 million increase in vault cash holdings.

However, total liquidity was \$203.15 million higher than its level in December 2022; or 73.1 percent and was 92.5 percent higher than both its correspondent 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 in December 2023 decreased to \$44.95 million from \$91.00 million in the previous month. These were mainly issued at longer term maturities of 56-days (\$16.90 million) and 91-days (\$18.50 million). The remaining amount were issued at a shorter-term maturity of 14-days (\$3.00 million) and 28-days (\$6.55 million). With the total matured securities of \$52.00 million during the month, CBS securities outstanding decreased to \$92.95 million from \$100.00 million in the previous month.

With more longer-term securities issued, the overall weighted average yield of CBS securities (or the official interest rate) increased further by 2 basis point to 0.27 percent and was 8 basis points higher than that for December 2022.

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).

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate increased by 2 basis points to 1.83 percent from the previous month but was 4 basis points higher than that of the same month in the previous year. Similarly, the weighted average lending (WAL) rate edged up by 8 basis points to 8.43 percent from the previous month but was 16 basis points higher than December 2022. As a result, the overall weighted average interest rate spread increased to 6.60 percent from the previous month and was 12 basis point higher than that of December 2022.

The current WAD rate was lower than its average rates of 2.07 percent and 2.26 percent for the last three and five years respectively. However, the current WAL rate was higher than its average rate of 8.39 percent for the last three years but was lower than its average rate of 8.60 percent in the last five years.

NFIs⁵ **Lending Rates**⁶

The overall WAL rate for Non-Monetary Financial Institutions (NFIs) narrowed by 10 basis points to 8.05 percent from the previous month. This was due mainly to a 140-basis point drop in the Samoa Housing Corporation (SHC) WAL rate to 12.07 percent from 13.48 percent in the previous month as part of their assistance to their clients. In contrast, the WAL rate for the Development Bank of Samoa (DBS) and Samoa National Provident Fund (SNPF) both increased by 2-basis points to 3.67 percent and 1-basis point to 8.45 percent in that order.

As a result, the current overall NFI WAL rate was lower than its average rates of 8.31 percent and 8.22 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA **2nd February 2024**

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.

Monetary Aggregates							
End of Period Figures	Average level in the previous		2022	2023			
	3-years	5-years	December	September	October	November	December
Determinants of Money Supply (M2)							
Net Foreign Assets ⁸	710.03	603.72	802.33	1096.92	1130.24	1150.57	1205.49
Net Domestic Assets	647.18	696.73	627.38	479.04	457.57	456.34	419.76
Money Supply (M2)[®]	1357.22	1300.45	1429.713	1575.954	1587.810	1606.913	1625.253
<i>Trend / Annual Average (%)</i>	3.49	6.50	4.0	11.6	12.2	13.1	13.6
<i>Narrow Money (M1)</i>	626.36	591.10	706.80	794.07	804.09	847.75	863.60
Currency outside banks	140.39	126.58	166.63	161.52	159.18	155.13	190.42
Transferable Deposits ^{4®}	485.98	464.52	540.17	632.56	644.91	692.61	673.17
<i>Quasi Money</i>	730.86	709.35	722.91	781.88	783.72	759.16	761.65
Other Deposits ⁵	730.86	709.35	722.91	781.88	783.72	759.16	761.65
Central Bank of Samoa							
Open Markets Operations							
<i>Securities Official Rate</i>	0.16	0.16	0.19	0.21	0.18	0.25	0.27
Reserve Money²							
Total	537.63	481.96	602.400	758.813	764.606	738.107	762.159
<i>Trend / Annual Growth (%)</i>	9.31	15.71	6.0	28.6	31.0	32.7	33.2
Financial System (FS)							
FS Credit							
Commercial Banks ⁷	1184.40	1172.48	1176.90	1144.25	1141.01	1142.20	1141.53
<i>Trend / Annual Growth (%)</i>	1.07	2.35	-0.5	-2.1	-2.2	-2.2	-2.3
Non-Monetary Financial Institutions (NFIs)[®]	833.41	796.22	849.26	914.26	921.67	923.36	924.18
<i>Trend / Annual Growth (%)</i>	4.83	7.54	3.4	2.4	3.0	3.7	4.4
Private Sector							
Businesses	1029.62	1028.59	978.04	974.63	975.05	978.59	967.64
Individuals	969.13	909.61	1031.44	1069.85	1075.15	1075.29	1085.38
Public Sector (NFIs, NPEs, & Govt)							
19.76	30.92	18.76	12.58	12.48	11.68	11.68	12.72
Total FS Credit ^{8®}	2018.50	1969.12	2028.24	2057.06	2062.68	2065.40	2065.74
<i>Trend / Annual Growth (%)</i>	2.57	4.33	1.1	-0.3	0.0	0.3	0.5
Commercial Banks³							
Liquidity							
Total	342.05	307.69	389.05	601.47	609.84	611.64	592.21
<i>Trend / Annual Growth (%)</i>	7.85	18.37	6.6	21.7	18.6	14.7	7.6
Interest Rates (%)							
Overall Weighted Average Lending ⁷							
Australia New Zealand Bank (Sāmoa) Limited	7.92	8.57	7.69	7.49	7.50	7.51	7.49
Bank South Pacific (Sāmoa) Limited	7.85	7.83	7.55	7.40	7.46	7.39	7.41
National Bank of Sāmoa Limited	7.97	8.04	8.10	8.63	8.64	8.63	8.90
Samoa Commercial Bank Limited	10.05	10.30	9.88	9.93	9.92	9.96	9.99
Overall Weighted Average Deposit							
Australia New Zealand Bank (Sāmoa) Limited	0.87	1.09	0.82	0.66	0.63	0.65	0.64
Bank South Pacific (Sāmoa) Limited	2.03	2.42	1.83	1.89	1.84	1.88	1.86
National Bank of Sāmoa Limited	2.88	3.23	2.49	2.54	2.48	2.37	2.63
Samoa Commercial Bank Limited	2.57	2.86	2.26	2.28	2.30	2.29	2.28
Market Shares (%)							
Lending							
Australia New Zealand Bank (Sāmoa) Limited	25.23	25.95	25.87	23.46	23.25	23.20	22.91
Bank South Pacific (Sāmoa) Limited	29.73	30.13	28.75	29.42	29.15	28.90	28.48
National Bank of Sāmoa Limited	22.63	22.92	20.83	22.41	22.52	22.40	22.85
Samoa Commercial Bank Limited	22.41	21.00	24.55	24.70	25.08	25.50	25.77
Deposit ⁹							
Australia New Zealand Bank (Sāmoa) Limited	25.21	26.58	26.35	22.26	21.84	22.25	22.58
Bank South Pacific (Sāmoa) Limited	29.50	29.41	29.76	39.25	39.92	39.06	38.93
National Bank of Sāmoa Limited	20.97	21.26	18.49	16.00	16.25	16.74	16.55
Samoa Commercial Bank Limited	24.31	22.73	25.40	22.48	22.00	21.95	21.94
Non-monetary Financial Institutions (NFIs)							
Weighted Average Lending (WAL)							
Sāmoa National Provident Fund (SNPF) ⁶	8.76	8.63	8.96	8.68	8.68	8.44	8.45
Development Bank of Samoa (DBS) [®]	3.97	4.37	3.97	3.65	3.66	3.66	3.67
Samoa Housing Corporation (SHC) [®]	12.87	12.90	12.64	13.48	13.48	13.48	12.07
NFIs' Overall WAL ^{6,8}	8.31	8.22	8.51	8.32	8.33	8.14	8.05

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