

## REVIEW OF MONETARY DEVELOPMENTS FEBRUARY 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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February 2023

### Monetary Forecast

The actual level of money supply (M2) was 6.2 percent higher than its projection for February 2023. This was due to higher-than-expected levels of net foreign assets for the Central Bank of Samoa (CBS) against a lower-than-expected level of net domestic assets.

### Money Supply (M2)

Total money supply (M2) increased further by \$25.52 million (or 1.7 percent) to \$1,485.27 million. The expansion was mainly driven by a hike in net foreign assets (NFA) of \$16.49 million. This was highlighted by an increase in net foreign holdings of the CBS, offsetting a decline in net foreign assets of the commercial banks. Similarly, net domestic assets (NDA) expanded by \$9.03 million, underpinned mainly by an expansion in 'other items net' of the monetary system. In addition, there was a decline in the net position of the government with the banking system (due to a net drawdown in Government accounts) during the month.

Consequently, the annual average growth rate of M2 rose to 5.7 percent from 4.7 percent a month ago and from 4.5 percent in the same month of last year.

### Credit<sup>1</sup>

Total financial system (FS) credit dropped by \$6.63 million (or 0.33 percent) to \$2,023.64 million, due mainly to a contraction of \$7.93 million in total lending of commercial banks, despite a gain of \$1.30 million in total lending of non-bank financial institutions (NFIs).

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

The contraction in total FS credit was mainly underpinned by a drop in lending to the 'Building, construction and installation', 'Manufacturing' with minimal reductions in those to 'Agriculture, forestry and fisheries', 'Transportation, storage and communication', 'Professional and business services', and 'Other activities' sectors.

As a result, the annual average growth of FS credit decelerated to 0.4 percent from 0.8 percent in the January 2023 and was 2.3 percent in February last year.

The latest update on the National Accounts released by the Samoa Bureau of Statistics (SBS) was up to the September 2022 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of around \$2,221.98 million. At this level, the share of the FS credit to NGDP dropped to 91.0 percent from 93.3 percent in the June 2022 quarter but was lower than its share of 92.8 percent in the September quarter of last year. Similarly, the share of M2 to NGDP declined to 59.9 percent from 62.5 percent in the previous quarter and was 64.2 percent in the past year.

### Reserve Money<sup>2</sup>

Total reserve money (RM) rose considerably by \$29.22 million (or 4.6 percent) to \$664.79 million, due to a significant hike of \$38.44 million in commercial banks' reserves, despite

<sup>1</sup> 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)

<sup>2</sup> 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

a drop of \$9.22 million in currency in circulation.

At this level, total RM was \$150.74 million higher than its level in the previous year, or 35.83 percent and 53.85 percent higher than its levels in the past three and five years respectively.

### **Commercial Banks' Liquidity<sup>3</sup>**

Total commercial banks' liquidity soared by \$33.92 million (or 7.6 percent) over the previous month to its highest level yet, at \$478.10 million. This reflected a substantial hike of \$36.54 million in commercial banks' holdings of excess reserves (ESA), outweighing a drop of \$2.62 million in their vault cash holdings. Conversely, the outstanding level of CBS securities held by banks remained at \$15.00 million from the previous month.

Furthermore, total liquidity was \$140.38 million higher than its level last year, or 45.91 percent and 62.26 percent higher than both its level in the past three and five years respectively.

### **Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)<sup>4</sup>**

Total CBS securities issued was \$16.00 million from \$10.00 million in the previous month, which were mainly issued at shorter term maturities of 14-days (\$9.0 million) and 28-days (\$5.0 million). The remaining amount was issued at a longer-term maturity of 56-days (\$2.0 million). As a result, total CBS securities outstanding remained at \$15.0 million.

Subsequently, the overall weighted average yield on CBSS (or official interest rate) narrowed by 3 basis points to 0.15 percent, from 0.18 percent over the previous month, but similar to that of same month of last year.

### **Commercial Banks' Interest Rates**

The commercial banks weighted average deposit (WAD) rate edged up by 1 basis point to 1.78 percent but was 4 basis points lower than a year ago. On the other hand, the weighted average lending (WAL) rate remained at 8.26 percent from the previous month but was 6 basis points lower than its level last year.

As a result, the overall weighted average interest rate spread narrowed to 6.49 percent from 6.50 percent in the previous month and 6.51 percent in February 2022.

The current WAD rate was lower than its average rates of 2.22 percent and 2.45 percent for the last three and five years respectively. Similarly, the current WAL rate was also lower than its average rates of 8.59 percent and 8.74 percent in the same corresponding period.

### **NFIs<sup>5</sup> Lending Rates<sup>6</sup>**

The overall WAL rate for NFIs fell by 8 basis points to 8.46 percent over the previous month. This was underpinned by a reduction of 22 basis points in the lending rate for DBS (to 3.75 percent) coupled with a 2 basis points drop in the WAL for SNPF (to 8.95 percent). On the other hand, SHC's WAL rate remained at 12.72 percent over the month.

The current overall WAL rate, however, was higher at than its average rates of 8.21 percent and 7.98 percent in the last three and five years respectively

**CENTRAL BANK OF SAMOA  
30<sup>th</sup> March 2023**

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

<sup>4</sup> 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).

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<sup>5</sup> 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.

<sup>6</sup> SHC figures are provisional for the reporting month.

**Review of Monetary Developments**  
**February 2023**

<b>Monetary Aggregates</b>							
End of Period Figures	Average level in the previous		2022			2023	
	3-years	5-years	February	November	December	January	February
<b>Determinants of Money Supply (M2) <sup>7</sup></b>							
Net Foreign Assets <sup>9</sup>	573.01	494.15	629.64	735.90	802.33	850.09	866.58
Net Domestic Assets	693.58	725.39	670.93	656.50	627.38	609.66	618.69
<b>Money Supply (M2)<sup>®</sup></b>	<b>1266.60</b>	<b>1219.54</b>	<b>1300.580</b>	<b>1392.400</b>	<b>1429.713</b>	<b>1459.752</b>	<b>1485.270</b>
<i>Trend / Annual Average (%)</i>	4.7	7.5	4.5	3.6	4.0	4.7	5.7
<i>Narrow Money (M1)</i>	553.65	535.53	591.81	642.68	706.80	731.72	754.67
Currency outside banks	109.11	96.54	116.72	130.13	166.63	143.96	137.36
Transferable Deposits <sup>4®</sup>	444.55	439.00	475.10	512.55	540.17	587.75	617.32
<i>Quasi Money</i>	712.95	684.01	708.77	749.72	722.91	728.04	730.60
Other Deposits <sup>5</sup>	712.95	684.01	708.77	749.72	722.91	728.04	730.60
<b>Central Bank of Samoa</b>							
<b>Open Markets Operations</b>							
<i>Securites Official Rate</i>	0.17	0.17	0.15	0.15	0.19	0.18	0.15
<b>Reserve Money<sup>2</sup></b>							
<b>Total</b>	<b>489.42</b>	<b>432.10</b>	<b>514.044</b>	<b>556.957</b>	<b>602.400</b>	<b>635.571</b>	<b>664.786</b>
<i>Trend / Annual Growth (%)</i>	14.8	18.1	7.9	4.5	6.0	7.8	10.1
<b>Financial System (FS)</b>							
<b>FS Credit</b>							
<b>Commercial Banks <sup>7</sup></b>	<b>1177.91</b>	<b>1145.35</b>	<b>1183.50</b>	<b>1168.29</b>	<b>1176.90</b>	<b>1177.39</b>	<b>1143.43</b>
<i>Trend / Annual Growth (%)</i>	2.8	3.6	0.7	-0.37	-0.52	-0.73	-1.05
<b>Non-Monetary Financial Institutions (NFIs)<sup>®</sup></b>	<b>810.76</b>	<b>750.13</b>	<b>852.33</b>	<b>849.35</b>	<b>849.26</b>	<b>852.87</b>	<b>854.17</b>
<i>Trend / Annual Growth (%)</i>	8.1	8.9	4.6	3.9	3.4	2.9	2.4
<b>Private Sector</b>							
<b>Businesses</b>	<b>1045.78</b>	<b>1016.65</b>	<b>1028.22</b>	<b>976.35</b>	<b>978.04</b>	<b>980.68</b>	<b>973.49</b>
<b>Individuals</b>	<b>918.00</b>	<b>841.58</b>	<b>989.67</b>	<b>1025.60</b>	<b>1031.44</b>	<b>1030.86</b>	<b>1006.44</b>
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>							
<b>Total FS Credit <sup>8®</sup></b>	<b>1988.67</b>	<b>1895.48</b>	<b>2035.83</b>	<b>2018.24</b>	<b>2028.24</b>	<b>2030.26</b>	<b>1997.60</b>
<i>Trend / Annual Growth (%)</i>	4.9	5.6	2.3	1.36	1.08	0.77	0.39
<b>Commercial Banks<sup>3</sup></b>							
<b>Liquidity</b>							
<b>Total</b>	<b>327.68</b>	<b>294.66</b>	<b>337.725</b>	<b>380.553</b>	<b>389.054</b>	<b>444.179</b>	<b>478.10537</b>
<i>Trend / Annual Growth (%)</i>	13.1	22.3	6.4	4.4	6.6	9.5	12.8
<b>Interest Rates</b>							
<b>Overall Weighted Average Lending <sup>7</sup></b>							
Australia New Zealand Bank (Sāmoa) Limited	8.59	8.74	8.32	8.26	8.28	8.26	8.26
Bank South Pacific (Sāmoa) Limited	8.41	8.88	7.77	7.71	7.69	7.66	7.66
National Bank of Sāmoa Limited	7.96	7.91	7.62	7.55	7.55	7.56	7.53
Samoa Commercial Bank Limited	8.07	8.08	8.17	8.24	8.10	8.05	8.06
	10.34	10.44	10.00	9.70	9.88	9.87	9.89
<b>Overall Weighted Average Deposit</b>							
Australia New Zealand Bank (Sāmoa) Limited	2.22	2.45	1.81	1.84	1.84	1.76	1.77
Bank South Pacific (Sāmoa) Limited	1.09	1.23	0.79	0.89	0.82	0.78	0.76
National Bank of Sāmoa Limited	2.37	2.64	1.55	1.85	1.83	1.82	1.90
Samoa Commercial Bank Limited	3.28	3.51	2.41	2.47	2.49	2.45	2.46
	2.87	3.09	2.47	2.30	2.26	2.23	2.24
<b>Market Shares</b>							
<b>Lending <sup>7</sup></b>							
Australia New Zealand Bank (Sāmoa) Limited	25.2	26.8	25.12	25.79	25.87	25.74	25.82
Bank South Pacific (Sāmoa) Limited	30.8	29.8	30.33	28.84	28.75	28.38	28.55
National Bank of Sāmoa Limited	23.4	23.0	21.84	21.18	20.83	21.28	21.02
Samoa Commercial Bank Limited	20.6	20.3	22.71	24.18	24.55	24.60	24.62
<b>Deposit <sup>7</sup></b>							
Australia New Zealand Bank (Sāmoa) Limited	25.3	27.0	23.77	25.71	26.35	27.18	27.94
Bank South Pacific (Sāmoa) Limited	30.1	30.2	29.38	30.15	29.76	28.90	29.79
National Bank of Sāmoa Limited	21.9	21.5	21.99	18.76	18.49	18.70	17.91
Samoa Commercial Bank Limited	22.7	21.3	24.86	25.38	25.40	25.22	24.37
<b>Non-monetary Financial Institutions (NFIs)</b>							
<b>Weighted Average Lending (WAL)</b>							
Sāmoa National Provident Fund (SNPF) <sup>6</sup>	8.63	8.43	8.65	8.95	8.96	8.97	8.95
Development Bank of Samoa (DBS) <sup>1®</sup>	4.28	4.68	4.04	3.92	3.97	3.97	3.75
Samoa Housing Corporation (SHC) <sup>1®</sup>	12.97	12.87	12.71	12.66	12.64	12.72	12.72
<b>NFIs' Overall WAL <sup>6,8</sup></b>	<b>8.21</b>	<b>7.98</b>	<b>8.22</b>	<b>8.50</b>	<b>8.51</b>	<b>8.54</b>	<b>8.46</b>

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.
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