

REVIEW OF MONETARY DEVELOPMENTS JANUARY 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 4.8 percent higher than its projection for January 2023. This was due to higher-than-expected levels of net foreign assets for both the Central Bank of Samoa (CBS) and the commercial banks, which were partially outweighed by a lower than expected level of net domestic assets.

Money Supply (M2)

For the first month of 2023, total money supply (M2) continued to increase, jumping by \$30.04 million (or 2.1 percent) to \$1,459.75 million. The expansion was mainly driven by a significant hike in net foreign assets (NFA) of \$47.75 million reflecting an increase in net foreign holdings of the CBS coupled with a smaller increase in holdings of the commercial banks. On the other hand, net domestic assets (NDA) declined by \$17.72 million, driven mainly by a considerable expansion in capital accounts of the monetary system as well as a drop in net lending to non-bank financial institutions (NFIs).

Consequently, the annual average growth of M2 increased to 4.65 percent from 4.03 percent a month ago but was lower than the 4.75 percent in the same month of last year.

Credit¹

Total financial system (FS) rose by \$2.03 million (or 0.1 percent) to \$2,030.27 million, attributed mainly to expansions of \$1.54 million and \$0.49 million in total lending of NFIs and commercial banks 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 directed to the public NFIs.

The expansion in total FS credit was underpinned by increases in lending to the 'Other Activities' 'Agriculture, forestry and fisheries', and 'Manufacturing' industries.

However, the annual average growth rate of the FS credit continued to decelerate, falling to 0.8 percent from 1.1 percent in December 2022 and 2.2 percent over the 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 Money²

Total reserve money (RM) rose considerably by \$33.17 million (or 5.5 percent) to \$635.57 million, due to a significant hike of \$55.79 million in commercial banks reserves, against a drop of \$22.62 million in the 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 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

At this level, total RM was \$118.10 million higher than its level in the previous year, or 28.18 percent and 45.24 percent higher than its levels in the past three and five years respectively.

Commercial Banks' Liquidity³

Total commercial banks' liquidity leapt further by \$55.13 million (or 14.2 percent) over the previous month to a record high of \$444.18 million. This reflected a substantial hike of \$55.07 million in commercial banks' holdings of excess reserves coupled with a gain of \$0.05 million in commercial banks' vault cash. This significant increase reflected large inflows of government funds during the month. Conversely, the outstanding level of CBS securities held by banks remained at \$15.00 million from the previous month.

Furthermore, total liquidity was \$107.64 million higher than its level last year, or 33.05 percent and 49.22 percent higher than its level in the past three and five years in that order.

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

Total CBS securities issued decreased to \$10.00 million from \$15.00 million in the previous month, which were mainly issued at shorter term maturities of 14-days (\$4.0 million) and 28-days (\$3.0 million), while the remaining papers were issued at longer term maturity of 56-days (\$2.0 million) and 91-days (\$1.0 million) only. As a result, CBS securities outstanding remained at \$15 million.

Subsequently, the overall weighted average yield on CBSS (or official interest rate) narrowed by 1 basis points to 0.18 percent, from 0.19 percent over the previous month.

Commercial Banks' Interest Rates

The commercial banks weighted average deposit (WAD) rate contracted by 3 basis

points to 1.76 percent over the previous month but was the same as its level a year ago. Similarly, the weighted average lending (WAL) rate fell by 2 basis points to 8.26 percent over the previous month; or 8 basis points lower than its level last year.

As a result, the overall weighted average interest rate spread widened to 6.50 percent from 6.48 percent in the previous month but was lower than 6.57 percent in January 2022.

The current WAD rate was lower than its average rates of 2.26 percent and 2.49 percent for the last three and five years respectively. Similarly, the WAL rate was also lower than its average rates of 8.58 percent and 8.73 percent in that same timeframe.

NFIs⁵ **Lending Rates**⁶

The overall WAL rate for NFIs edged up by 1 basis points to 8.51 percent. This was underpinned by an increase of 1 basis points in the lending rate for SNPF (to 8.97 percent) while DBS and SHC remained at 3.97 percent and 12.64 percent respectively.

The overall WAL level, however, was higher than its rates of 8.21 percent and 7.97 percent in the last three and five years respectively

CENTRAL BANK OF SAMOA 7th March 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-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 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	November	December	January
Determinants of Money Supply (M2) ⁷					
Net Foreign Assets ⁹	579.00	503.79	735.90	802.33	850.09
Net Domestic Assets	694.93	717.42	656.50	627.38	609.66
Money Supply (M2)[®]	1273.93	1221.21	1392.400	1429.713	1459.752
<i>Trend / Annual Average (%)</i>	5.65	7.60	3.6	4.0	4.7
<i>Narrow Money (M1)</i>	558.85	533.57	642.68	706.80	731.72
Currency outside banks	111.52	98.50	130.13	166.63	143.96
Transferable Deposits ⁴ [®]	447.33	435.08	512.55	540.17	587.75
<i>Quasi Money</i>	715.08	687.64	749.72	722.91	728.04
Other Deposits ⁵	715.08	687.64	749.72	722.91	728.04
Central Bank of Samoa					
Open Markets Operations					
<i>Securities Official Rate</i>	0.15	0.16	0.15	0.19	0.18
Reserve Money²					
Total	495.83	437.61	556.957	602.400	635.571
<i>Trend / Annual Growth (%)</i>	15.81	17.64	4.5	6.0	7.8
Financial System (FS)					
FS Credit					
Commercial Banks ⁷					
<i>Trend / Annual Growth (%)</i>	2.95	3.85	-0.37	-0.52	-0.73
Non-Monetary Financial Institutions (NFIs)[®]					
<i>Trend / Annual Growth (%)</i>	8.36	9.06	3.9	3.4	2.9
Private Sector					
Total	1972.01	1858.13	2001.95	2009.48	2011.53
Businesses	1057.56	1019.44	976.35	978.04	980.68
Individuals	914.47	838.71	1025.60	1031.44	1030.86
Public Sector (NFIs, NPEs, & Govt)					
Total FS Credit ⁸[®]	1996.14	1895.17	2018.24	2028.24	2030.26
<i>Trend / Annual Growth (%)</i>	5.04	5.80	1.36	1.08	0.77
Commercial Banks³					
Liquidity					
Total	333.85	297.66	380.553	389.054	444.179
<i>Trend / Annual Growth (%)</i>	14.21	21.19	4.4	6.6	9.5
Interest Rates					
Overall Weighted Average Lending ⁷					
Australia New Zealand Bank (Sāmoa) Limited	8.46	8.92	7.71	7.69	7.66
Bank South Pacific (Sāmoa) Limited	7.88	7.84	7.55	7.55	7.56
National Bank of Sāmoa Limited	8.05	8.10	8.24	8.10	8.05
Samoa Commercial Bank Limited	10.37	10.44	9.70	9.88	9.87
Overall Weighted Average Deposit					
Australia New Zealand Bank (Sāmoa) Limited	1.08	1.23	0.89	0.82	0.78
Bank South Pacific (Sāmoa) Limited	2.43	2.72	1.85	1.83	1.82
National Bank of Sāmoa Limited	3.32	3.51	2.47	2.49	2.45
Samoa Commercial Bank Limited	2.88	3.10	2.30	2.26	2.23
Market Shares					
Lending ⁷					
Australia New Zealand Bank (Sāmoa) Limited	25.2	27.0	25.79	25.87	25.74
Bank South Pacific (Sāmoa) Limited	30.9	30.0	28.84	28.75	28.38
National Bank of Sāmoa Limited	23.6	22.9	21.18	20.83	21.28
Samoa Commercial Bank Limited	20.3	20.1	24.18	24.55	24.60
Deposit ⁷					
Australia New Zealand Bank (Sāmoa) Limited	25.1	26.8	25.71	26.35	27.18
Bank South Pacific (Sāmoa) Limited	30.4	30.5	30.15	29.76	28.90
National Bank of Sāmoa Limited	21.9	21.3	18.76	18.49	18.70
Samoa Commercial Bank Limited	22.5	21.5	25.38	25.40	25.22
Non-monetary Financial Institutions (NFIs)					
Weighted Average Lending (WAL)					
Sāmoa National Provident Fund (SNPF) ⁶	8.62	8.42	8.95	8.96	8.97
Development Bank of Samoa (DBS) ¹ [®]	4.25	4.66	3.92	3.97	3.97
Samoa Housing Corporation (SHC) ¹ [®]	13.05	12.93	12.66	12.64	12.64
NFIs' Overall WAL ⁶⁸	8.21	7.97	8.50	8.50	8.51

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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