

REVIEW OF MONETARY DEVELOPMENTS JULY 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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July 2023

Monetary Forecast

The actual level of money supply (M2) in July was 4.3 percent lower than its projection for July 2023. This was due to lower-than-expected levels of net domestic asset, as reflected in the surpluses in government net, position with the monetary system.

Money Supply (M2)

Total money supply (M2) dropped considerably by \$46.35 million (or 2.9 percent) to \$1,529.09 million in the month under review. This decline was underpinned by a \$82.71 million drop in net domestic assets (NDA), offsetting a \$36.36 million increase in net foreign assets (NFA). The current performance in the former reflected considerable surplus in the net position of the government both with the Central Bank and the Banking system, in-light of inflows of funds to support government's operation at the beginning of the FY2023/24, coupled with the reduction in 'Other Items Net'. These offset an increase in the total domestic lending to the private.

However, the annual average growth rate of M2 accelerated further to 10.2 percent from 9.3 percent a month ago and was much higher than 3.0 percent in the same month of last year.

Credit¹

Total financial system (FS) credit rebounded sharply by \$22.41 million (or 1.11 percent) to \$2,034.11 million, due to expansions in lending of the commercial banks (by \$9.37 million) and lending by non-bank financial institutions (\$13.04 million).

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 more lending to industries such as 'Agriculture, forestry and fisheries', 'Manufacturing', 'Building, construction, and installation' 'Trade' and 'Other Activities'.

Nevertheless, the annual average growth rate of FS credit remained at -0.4 percent from the previous month and was way below 2.5 percent in July of last year.

The latest update on the National Accounts released by the Samoa Bureau of Statistics (SBS) was up to the March 2023 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of \$2,414.46 million. At this level, the share of the FS credit to NGDP dropped to 83.5 percent from 88.0 percent in the December 2022 quarter and was 93.6 percent in the March quarter of last year. Similarly, the share of M2 to NGDP declined to 60.9 percent from 62.0 percent in the previous quarter but was slightly higher than 60.0 percent in the same quarter of last year.

Reserve Money²

Total reserve money (RM) recorded an increase of \$2.51 million (or 0.3 percent) to \$758.03 million. This is underpinned by an increase of \$2.71 million in currency in circulation offsetting a \$0.20 million reduction in commercial banks' reserves.

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

Likewise, total RM was \$210.70 million higher than in the previous year and was 49.14 percent and 65.91 percent higher than its levels in the past three and five years respectively.

Commercial Banks' Liquidity³

Total commercial banks' liquidity increased slightly by \$2.09 million (or 0.4 percent) over the previous month to its highest level yet, at \$577.50 million. This was due to an increase of \$7.03 million in vault cash holdings despite counteracting a minimal reduction of \$1.40 million in exchange settlement accounts (ESA) whereas CBS securities remained at \$50.00 million from the previous month.

Furthermore, total liquidity was \$221.03 million higher than its level in July of last year or was 75.6 percent and 91.0 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 decreased to \$26.00 million from \$36.00 million in the previous month, which were mainly issued at shorter term maturities of 14-days (\$7.00 million) and 28-days (\$7.00 million). The remaining amount was issued at a longer-term maturity of 56-days (\$7.50 million) and 91-days (\$4.50 million). With the total matured securities also stood at \$26.00 million, the total CBS securities outstanding remained at \$50.00million.

Consequently, the overall weighted average yield on CBS securities (or the official interest

rate) narrowed by 3 basis point to 0.20 percent from 0.23 percent in the previous month but was 5 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 1 basis points to 1.77 percent but was 10 basis points lower than that of a year ago. On the other hand, the weighted average lending (WAL) rate decreased by 1 basis point to 8.30 percent from the previous month but was 1 basis point higher than its level last year. As a result, the overall weighted average interest rate spread narrowed to 6.53 percent from 6.55 percent in the previous month and was higher than 6.42 percent in July 2022.

The current WAD rate was lower than its average rates of 2.23 percent and 2.41 percent for the last three and five years respectively. Similarly, the current WAL rate was also below its average rates of 8.49 percent and 8.68 percent in the same corresponding period.

NFIs⁵ Lending Rates⁶

The overall WAL rate for NFIs edged up by 1 basis point to 8.46 percent from the previous month. This was due to an increase of 1 basis point in the WAL rate for SNPF whereas WAL rates for DBS and SHC remained the same over the month. The current overall WAL rate, however, was higher than its average rates of 7.97 percent and 7.84 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA **11th September 2023**

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

⁴Central 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
July 2023

Monetary Aggregates						
End of Period Figures	Average level in the previous		2022		2023	
	3-years	5-years	July	May	June	July
Determinants of Money Supply (M2)						
Net Foreign Assets ⁸	618.27	549.64	701.71	978.12	1059.10	1095.46
Net Domestic Assets	679.21	700.95	642.82	585.97	516.34	433.63
Money Supply (M2)⁸	1297.49	1250.58	1344.535	1564.095	1575.439	1529.090
<i>Trend / Annual Average (%)</i>	3.30	7.20	3.0	8.2	9.3	10.2
<i>Narrow Money (M1)</i>						
Currency outside banks	568.76	551.56	602.73	790.74	825.89	778.43
Transferable Deposits ⁴	120.44	107.98	130.00	155.81	162.66	158.34
<i>Quasi Money</i>	448.32	443.58	472.73	634.93	663.23	620.09
Other Deposits ⁵	728.74	699.03	741.81	773.35	749.59	750.66
728.74	699.03	741.81	773.35	749.59	750.66	750.66
Central Bank of Samoa						
Open Markets Operations						
<i>Securities Official Rate</i>	0.15	0.16	0.15	0.24	0.23	0.20
Reserve Money²						
Total	508.25	456.88	547.328	705.039	755.522	758.029
<i>Trend / Annual Growth (%)</i>	11.06	17.91	2.9	16.2	20.1	23.0
Financial System (FS)						
FS Credit						
Commercial Banks⁷	1176.81	1143.75	1177.40	1146.31	1139.86	1149.23
<i>Trend / Annual Growth (%)</i>	1.99	2.89	0.75	-1.44	-1.64	-1.80
Non-Monetary Financial Institutions (NFIs)⁸	817.02	765.13	834.61	876.19	871.84	884.88
<i>Trend / Annual Growth (%)</i>	6.50	8.36	5.1	1.3	1.2	1.5
Private Sector						
Businesses	1970.71	1873.95	1994.49	2006.06	1996.16	1996.16
Individuals	1049.41	1020.09	1001.87	960.28	954.18	961.55
Public Sector (NFIs, NPEs, & Govt)	23.18	34.96	17.88	16.44	15.59	14.78
Total FS Credit⁸ ^a	1993.83	1908.87	2012.01	2022.50	2011.70	2034.11
<i>Trend / Annual Growth (%)</i>	3.79	4.96	2.53	-0.29	-0.47	-0.47
Commercial Banks³						
Liquidity						
Total	328.97	302.29	356.473	523.341	575.409	577.501
<i>Trend / Annual Growth (%)</i>	9.22	23.03	1.5	22.9	29.4	29.4
Interest Rates (%)						
Overall Weighted Average Lending⁷						
Australia New Zealand Bank (Sāmoa) Limited	8.49	8.68	8.29	8.30	8.31	8.30
Bank South Pacific (Sāmoa) Limited	7.94	8.64	7.77	7.64	7.65	7.62
National Bank of Sāmoa Limited	7.99	7.95	7.58	7.47	7.45	7.43
Samoa Commercial Bank Limited	8.15	8.13	8.10	8.38	8.37	8.40
	10.12	10.30	9.92	9.90	9.92	9.91
Overall Weighted Average Deposit	2.23	2.41	1.87	1.81	1.76	1.77
Australia New Zealand Bank (Sāmoa) Limited	0.96	1.12	0.83	0.77	0.70	0.70
Bank South Pacific (Sāmoa) Limited	2.41	2.64	1.90	1.83	1.83	1.81
National Bank of Sāmoa Limited	3.06	3.33	2.58	2.56	2.32	2.42
Samoa Commercial Bank Limited	2.55	2.81	2.33	2.24	2.26	2.29
Market Shares (%)						
Lending						
Australia New Zealand Bank (Sāmoa) Limited	24.9	26.1	25.39	24.83	24.30	24.20
Bank South Pacific (Sāmoa) Limited	30.1	30.0	29.63	29.59	29.68	29.31
National Bank of Sāmoa Limited	23.7	23.2	21.55	20.87	21.15	21.81
Samoa Commercial Bank Limited	21.3	20.7	23.42	24.71	24.87	24.68
Deposit⁹						
Australia New Zealand Bank (Sāmoa) Limited	25.7	27.4	26.07	23.48	23.98	23.04
Bank South Pacific (Sāmoa) Limited	29.5	29.3	28.43	39.59	39.15	41.14
National Bank of Sāmoa Limited	20.8	20.5	19.28	16.49	16.77	15.63
Samoa Commercial Bank Limited	24.0	22.8	26.21	20.44	20.09	20.19
Non-monetary Financial Institutions (NFIs)						
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF) ⁶	8.56	8.40	8.89	8.92	8.87	8.88
Development Bank of Samoa (DBS) ⁸	4.08	4.44	4.02	3.63	3.63	3.63
Samoa Housing Corporation (SHC) ¹	10.60	11.27	12.66	13.27	13.42	13.42
NFIs' Overall WAL^{6,8}	7.97	7.84	8.42	8.47	8.44	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.

¹ Revised