

REVIEW OF MONETARY DEVELOPMENTS JUNE 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 11.9 percent higher than its projection for June 2023. This was due to higher-than-expected levels of net foreign assets for the Central Bank, offsetting a lower-than-expected level of net domestic assets.

Money Supply (M2)

Total money supply (M2) increased further by \$11.34 million (or 0.7 percent) to \$1,575.44 million. This was accounted for by a significant jump in net foreign assets (NFA), up by \$80.97 million, offsetting a reduction of \$69.63 million in net domestic assets (NDA). The considerable expansion in NFA reflected a substantial hike in the foreign holdings of the Central Bank (due to sizable inflows of government aid and budget support funds) as well as a smaller increase in the foreign assets of the commercial banks. On the other hand, net NDA contracted in-light of a surplus (net savings) of \$42.83 million in the government's net position with the monetary system as well as a further drop in total commercial bank lending to the private sector.

Consequently, the annual average growth rate of M2 accelerated further to 9.3 percent from 8.2 percent a month ago and much higher than 2.9 percent in the same month of last year.

Credit¹

Total financial system (FS) credit dropped by \$10.62 million (or 0.53 percent) to \$2,011.88 million. This was derived from reductions in both total lending of the commercial banks (by

\$6.26 million) and lending by non-bank financial institutions (NFIs) (by \$4.36 million).

By sector, the bulk of FS credit was directed to the private sector with a share of 99.2 percent while the rest was lent to the public enterprises (0.8 percent).

Furthermore, the reduction in total FS credit reflected lower credit to industries such as 'Professional and business services', 'Trade', 'Electricity, gas and water' and 'Other Activities'.

As a result, the annual average growth rate of FS credit decelerated further to -0.4 percent from -0.3 percent in the previous month and was 2.6 percent in June 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 last year.

Reserve Money²

Total reserve money (RM) continued to rise significantly by \$50.48 million (or 7.2 percent) to \$755.52 million. Responsible for this

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

expansion was an increase in commercial banks' reserves (by \$46.63 million) due to a hike in excess reserves, coupled with an increase of \$3.85 million in currency in circulation.

Similarly, total RM was \$225.46 million higher than in the previous year and was 50.24 percent and 68.91 percent higher than its levels in the past three and five years respectively.

Commercial Banks' Liquidity³

Total commercial banks' liquidity increased further by \$52.07 million (or 9.9 percent) over the previous month to its highest level yet, at \$575.41 million. This was due entirely to increases of \$45.07 million and \$10.00 million in exchange settlement accounts (ESA) and CBS securities respectively, despite a \$3.00 million reduction in vault cash holdings. The current high level of bank liquidity mainly comprised of ESA with a share of 85.7 percent.

Furthermore, total liquidity was \$229.06 million higher than its level in June last year, or 71.68 percent and 92.01 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 value of outstanding securities increased to \$50.00 million from \$40.00 million in the previous month. This increase reflected new securities issued valued at \$36.00 million, which were partially offset by \$26.00 million of securities that matured during the month. Of the total new papers issued, the 14-day paper were issued at \$6.00 million, 28-days (\$9.00 million), 56-days (\$11.00 million) and 91-days (\$10.00 million) papers. They were purchased at yields of 0.13 percent, 0.16 percent, 0.18 percent, and 0.41 percent in that order.

As a result, the overall weighted average yield on CBSS (or the official interest rate) narrowed by 1 basis point to 0.23 percent from 0.24 percent in the previous month but was 8 basis points higher than that of same month of last year.

Commercial Banks' Interest Rates

On commercial bank interest rates, the overall weighted average deposit (WAD) rate fell by 5 basis points to 1.76 percent or was 6 basis points lower than that of a year ago. On the other hand, the weighted average lending (WAL) rate increased by 1 basis point to 8.31 percent from the previous month or 2 basis point higher than its level last year. As a result, the overall weighted average interest rate spread widened to 6.55 percent from 6.50 percent in the previous month and was 6.47 percent in June 2022.

The current WAD rate was lower than its average rates of 2.22 percent and 2.42 percent for the last three and five years respectively. Similarly, the current WAL rate was also below its average rates of 8.50 percent and 8.69 percent in the same corresponding period.

NFIs⁵ **Lending Rates**⁶

The overall WAL rate for NFIs fell slightly by 3 basis point to 8.44 percent from 8.47 percent in the previous month. This was due to a decrease in the WAL rate for SNPF (down by 6 basis points) against an increase in the WAL rate for SHC (up by 15 basis points), while that for DBS remained at 3.63 percent. The current overall WAL rate, however, was higher at than its average rates of 7.89 percent and 7.78 percent in the last three and five years respectively

CENTRAL BANK OF SAMOA **8th August 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.

Monetary Aggregates							
End of Period Figures	Average level in the previous		2022				
	3-years	5-years	June	March	April ⁽⁹⁾	May	June
Determinants of Money Supply (M2)							
Net Foreign Assets ⁸	622.12	543.16	709.65	884.21	919.28	978.12	1059.10
Net Domestic Assets	679.67	710.06	645.02	586.85	582.53	585.97	516.34
Money Supply (M2)[®]	1301.79	1253.23	1354.670	1471.052	1501.808	1564.095	1575.439
<i>Trend / Annual Average (%)</i>	3.42	7.26	3.0	6.7	7.5	8.2	9.3
<i>Narrow Money (M1)</i>	580.07	561.14	624.67	727.91	753.20	790.74	825.89
Currency outside banks	111.47	101.45	123.77	140.79	145.05	155.81	162.66
Transferable Deposits ⁴ [®]	468.60	459.69	500.90	587.12	608.15	634.93	663.23
<i>Quasi Money</i>	721.73	692.09	730.00	743.14	748.62	773.35	749.59
Other Deposits ⁵	721.73	692.09	730.00	743.14	748.62	773.35	749.59
Central Bank of Samoa							
Open Markets Operations							
<i>Securites Official Rate</i>	0.15	0.16	0.15	0.22	0.23	0.24	0.23
Reserve Money²							
Total	502.93	447.33	530.26	668.377	676.934	705.039	755.522
<i>Trend / Annual Growth (%)</i>	11.67	18.02	3.6	11.8	13.9	16.2	20.1
Financial System (FS)							
FS Credit							
Commercial Banks ⁷	1172.55	1141.73	1171.85	1157.37	1164.61	1146.31	1140.05
<i>Trend / Annual Growth (%)</i>	2.13	3.02	0.86	-1.16	-1.29	-1.44	-1.63
Non-Monetary Financial Institutions (NFIs)[®]	817.95	759.44	849.11	857.93	860.91	876.19	871.83
<i>Trend / Annual Growth (%)</i>	6.93	8.53	5.3	2.0	1.5	1.3	1.2
Private Sector	1965.87	1864.60	2005.51	1998.43	2008.17	2006.06	1996.16
Businesses	1048.92	1017.74	1016.51	960.65	966.27	960.28	954.03
Individuals	916.95	846.87	989.01	1038.12	1041.89	1045.79	1042.13
Public Sector (NFIs, NPEs, & Govt)	25.21	36.92	17.20	16.53	17.35	16.44	15.72
Total FS Credit ⁸[®]	1991.08	1901.52	2022.71	2015.30	2025.52	2022.50	2011.88
<i>Trend / Annual Growth (%)</i>	4.03	5.11	2.64	0.12	-0.13	-0.29	-0.47
Commercial Banks³							
Liquidity							
Total	335.17	299.68	346.352	486.91652	496.35889	523.3405	575.40926
<i>Trend / Annual Growth (%)</i>	9.71	23.26	2.5	15.7	19.2	22.9	29.4
Interest Rates (%)							
Overall Weighted Average Lending ⁷	8.50	8.69	8.29	8.32	8.33	8.30	8.31
Australia New Zealand Bank (Sāmoa) Limited	8.03	8.69	7.77	7.64	7.65	7.64	7.65
Bank South Pacific (Sāmoa) Limited	8.01	7.96	7.57	7.58	7.56	7.47	7.45
National Bank of Sāmoa Limited	8.15	8.13	8.11	8.28	8.36	8.38	8.37
Samoa Commercial Bank Limited	10.11	10.31	9.92	9.88	9.88	9.90	9.92
Overall Weighted Average Deposit	2.22	2.42	1.82	1.82	1.73	1.81	1.76
Australia New Zealand Bank (Sāmoa) Limited	1.01	1.21	0.86	0.80	0.76	0.77	0.70
Bank South Pacific (Sāmoa) Limited	2.36	2.52	1.75	1.94	1.67	1.83	1.83
National Bank of Sāmoa Limited	3.12	3.38	2.60	2.44	2.49	2.56	2.32
Samoa Commercial Bank Limited	2.55	2.86	2.27	2.29	2.26	2.24	2.26
Market Shares (%)							
Lending							
Australia New Zealand Bank (Sāmoa) Limited	25.0	26.4	25.32	25.79	25.70	24.83	24.30
Bank South Pacific (Sāmoa) Limited	30.0	29.7	29.57	28.59	28.60	29.59	29.68
National Bank of Sāmoa Limited	23.7	23.2	21.81	20.70	20.76	20.87	21.15
Samoa Commercial Bank Limited	21.3	20.7	23.30	24.92	24.93	24.71	24.87
Deposit ⁹							
Australia New Zealand Bank (Sāmoa) Limited	26.3	26.9	26.83	23.04	23.58	23.48	23.98
Bank South Pacific (Sāmoa) Limited	29.3	30.1	27.39	39.93	39.86	39.59	39.15
National Bank of Sāmoa Limited	20.9	20.7	19.89	17.15	16.06	16.49	16.77
Samoa Commercial Bank Limited	23.6	22.3	25.89	19.88	20.50	20.44	20.09
Non-monetary Financial Institutions (NFIs)							
Weighted Average Lending (WAL)							
Sāmoa National Provident Fund (SNPF) ⁶	8.47	8.33	8.64	8.95	8.95	8.92	8.87
Development Bank of Samoa (DBS) [®]	4.09	4.45	4.04	3.60	3.65	3.63	3.63
Samoa Housing Corporation (SHC) ¹ [®]	10.56	11.21	12.63	13.15	13.20	13.27	13.42
NFIs' Overall WAL ^{6 8}	7.89	7.78	8.21	8.47	8.48	8.47	8.44