

## REVIEW OF MONETARY DEVELOPMENTS MARCH 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.*

Report No.09: 2022/23

March 2023

### Monetary Forecast

*The actual level of money supply (M2) was 5.5 percent higher than its projection for March 2023. This was due to higher-than-expected levels of net foreign assets for the Central Bank of Samoa (CBS), more than offsetting a lower-than-expected level of net domestic assets.*

### Money Supply (M2)

Total money supply (M2) contracted by \$14.22 million (or 1.0 percent) to \$1,471.05 million. The reduction was mainly driven by a decrease of \$31.84 million in net domestic assets (NDA), which outweighed an expansion of \$17.62 million in net foreign assets (NFA). The former reflected an increase in the government's net position, coupled with a decrease in credit to the private sector. On the other hand, the hike in the latter was due to an increase in the foreign holdings of the Central Bank offsetting a decline in the net foreign holdings of the commercial banks.

Despite the monthly contraction in M2, its annual average growth rate increased to 6.7 percent from 5.7 percent a month ago and was 4.0 percent in the same month of last year.

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

Total financial system (FS) credit contracted by \$8.42 million (or 0.42 percent) to \$2,014.95 million, due mainly to a contraction of \$12.09 million in total lending of commercial banks. On the other hand, total lending of non-bank financial institutions (NFIs) improved by \$3.67 million in the month under review.

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

The contraction in total FS credit was mainly underpinned by a drop in lending to the 'Other activities', 'Trade', 'Building, construction, and installation' and 'Transportation, storage and communication' sectors.

As a result, the annual average growth rate of FS credit decelerated further to 0.1 percent from 0.5 percent in the previous month and was 2.5 percent in March last year.

The latest update on the National Accounts released by the Samoa Bureau of Statistics (SBS) was up to the December 2022 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of \$2,305.16 million. At this level, the share of the FS credit to NGDP dropped to 88.0 percent from 90.8 percent in the September 2022 quarter and 93.1 percent in the December quarter of last year. Similarly, the share of M2 to NGDP declined to 62.0 percent from 62.4 percent in the previous quarter and was higher than 60.8 percent in the same time last year.

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

Total reserve money (RM) rose by \$3.59 million (or 0.54 percent) to \$668.38 million, due to an increase of \$7.18 million in commercial banks' reserves, against a drop of \$3.59 million in the currency in circulation.

At this level, total RM was \$137.35 million higher than its level in the previous year, or

<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

35.76 percent and 54.80 percent higher than its levels in the past three and five years respectively.

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

Total commercial banks' liquidity continued to increase by \$8.82 million (or 1.8 percent) over the previous month to its highest level yet, at \$486.92 million. This was mainly due to an increase of \$5.84 million in commercial banks' holdings of excess reserves (ESA), coupled with an \$10.0 million increase in CBS securities held by the commercial banks, offsetting a drop of \$7.02 million in their vault cash holdings.

Furthermore, total liquidity was \$141.73 million higher than its level last year, or 49.37 percent and 69.20 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)<sup>4</sup>**

Total CBS securities issued rose to \$29.00 million from \$16.00 million in the previous month, which were mainly issued at shorter term maturities of 14-days (\$8.0 million) and 28-days (\$7.0 million) respectively. The remaining amount (\$6.0 million) was issued at a longer-term maturity of 56-days. As a result, total CBS securities outstanding increased to \$25.00 million from \$15.00 million in the previous month.

Subsequently, the overall weighted average yield on CBSS (or official interest rate) edged up by 7 basis points to 0.22 percent, from 0.15 percent over the previous month, but was also 7 basis points higher to that of same month of last year.

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

The commercial banks weighted average deposit (WAD) rate edged up by 6 basis point to 1.82 percent and was also 3 basis points

higher than a year ago. Likewise, the weighted average lending (WAL) also increased by 6 basis points to 8.32 percent from the previous month or 2 basis points higher than its level last year.

As a result, the overall weighted average interest rate spread remained at 6.49 percent from previous month but was lower than 6.51 percent in March 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 rose by 2 basis points to 8.50 percent over the previous month. This was underpinned by an expansion of 20 basis points in the lending rate for SHC (to 13.15 percent) whereas SNPF and DBS lending rates remained the same over the month at 8.95 percent and 3.75 percent respectively.

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** **9<sup>th</sup> May 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.

<b>Monetary Aggregates</b>						
End of Period Figures	Average level in the previous		2022	2023		
	3-years	5-years	March	January	February	March
<b>Determinants of Money Supply (M2) <sup>7</sup></b>						
Net Foreign Assets <sup>9</sup>	578.49	498.20	623.53	850.09	866.58	884.21
Net Domestic Assets	699.56	729.80	685.84	609.66	618.69	586.85
<b>Money Supply (M2)<sup>8</sup></b>	<b>1278.06</b>	<b>1228.00</b>	<b>1309.370</b>	<b>1459.752</b>	<b>1485.270</b>	<b>1471.052</b>
<i>Trend / Annual Average (%)</i>	4.25	7.45	4.0	4.7	5.7	6.7
<i>Narrow Money (M1)</i>	560.95	539.88	587.42	731.72	754.67	727.91
Currency outside banks	113.04	100.92	126.24	143.96	137.36	140.79
Transferable Deposits <sup>4</sup> <sup>8</sup>	447.91	438.96	461.18	587.75	617.32	587.12
<i>Quasi Money</i>	717.11	688.12	721.95	728.04	730.60	743.14
Other Deposits <sup>5</sup>	717.11	688.12	721.95	728.04	730.60	743.14
<b>Central Bank of Samoa</b>						
<b>Open Markets Operations</b>						
Securities Official Rate	0.15	0.17	0.15	0.18	0.15	0.22
<b>Reserve Money<sup>2</sup></b>						
<b>Total</b>	<b>492.39</b>	<b>431.81</b>	<b>531.027</b>	<b>635.571</b>	<b>664.786</b>	<b>668.377</b>
<i>Trend / Annual Growth (%)</i>	13.95	18.38	7.3	7.8	10.1	11.8
<b>Financial System (FS)</b>						
<b>FS Credit</b>						
<b>Commercial Banks <sup>7</sup></b>	<b>1180.07</b>	<b>1147.52</b>	<b>1186.21</b>	<b>1177.39</b>	<b>1169.46</b>	<b>1157.37</b>
<i>Trend / Annual Growth (%)</i>	2.63	3.44	0.90	-0.73	-0.86	-1.16
<b>Non-Monetary Financial Institutions (NFIs)<sup>8</sup></b>	<b>813.79</b>	<b>753.29</b>	<b>855.13</b>	<b>852.87</b>	<b>853.91</b>	<b>857.59</b>
<i>Trend / Annual Growth (%)</i>	8.36	9.09	6.2	2.9	2.4	2.0
<b>Private Sector</b>						
<b>1969.13</b>	<b>1863.91</b>	<b>2023.82</b>	<b>2011.53</b>	<b>2005.70</b>	<b>1998.43</b>	<b>1998.43</b>
Businesses	1048.80	1020.44	1034.42	980.68	973.49	960.30
Individuals	920.33	843.47	989.40	1030.86	1032.21	1038.12
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>						
<b>24.73</b>	<b>36.90</b>	<b>17.52</b>	<b>18.73</b>	<b>17.67</b>	<b>16.53</b>	<b>16.53</b>
<b>Total FS Credit <sup>8</sup> <sup>8</sup></b>	<b>1993.86</b>	<b>1900.81</b>	<b>2041.35</b>	<b>2030.26</b>	<b>2023.64</b>	<b>2014.95</b>
<i>Trend / Annual Growth (%)</i>	4.69	5.48	2.49	0.77	0.50	0.12
<b>Commercial Banks<sup>3</sup></b>						
<b>Liquidity</b>						
<b>Total</b>	<b>325.98</b>	<b>287.78</b>	<b>345.181</b>	<b>444.179</b>	<b>478.10537</b>	<b>486.91652</b>
<i>Trend / Annual Growth (%)</i>	12.00	23.31	6.6	9.5	12.8	15.7
<b>Interest Rates</b>						
<b>Overall Weighted Average Lending <sup>7</sup></b>						
<b>8.58</b>	<b>8.74</b>	<b>8.30</b>	<b>8.26</b>	<b>8.26</b>	<b>8.32</b>	<b>8.32</b>
Australia New Zealand Bank (Sāmoa) Limited	8.37	8.85	7.74	7.66	7.66	7.64
Bank South Pacific (Sāmoa) Limited	7.99	7.93	7.61	7.56	7.53	7.58
National Bank of Sāmoa Limited	8.09	8.11	8.17	8.05	8.06	8.28
Samoa Commercial Bank Limited	10.27	10.41	9.96	9.87	9.89	9.88
<b>Overall Weighted Average Deposit</b>						
<b>2.29</b>	<b>2.52</b>	<b>1.79</b>	<b>1.76</b>	<b>1.77</b>	<b>1.82</b>	<b>1.82</b>
Australia New Zealand Bank (Sāmoa) Limited	1.06	1.24	0.78	0.78	0.76	0.80
Bank South Pacific (Sāmoa) Limited	2.22	2.57	1.66	1.82	1.90	1.94
National Bank of Sāmoa Limited	3.16	3.44	2.40	2.45	2.46	2.44
Samoa Commercial Bank Limited	2.86	3.06	2.43	2.23	2.24	2.29
<b>Market Shares</b>						
<b>Lending <sup>7</sup></b>						
Australia New Zealand Bank (Sāmoa) Limited	25.1	26.8	25.04	25.74	25.82	25.79
Bank South Pacific (Sāmoa) Limited	30.5	29.8	30.32	28.38	28.55	28.59
National Bank of Sāmoa Limited	23.7	23.1	22.01	21.28	21.02	20.70
Samoa Commercial Bank Limited	20.7	20.3	22.63	24.60	24.62	24.92
<b>Deposit <sup>7</sup></b>						
Australia New Zealand Bank (Sāmoa) Limited	24.9	26.4	23.87	27.18	27.94	26.21
Bank South Pacific (Sāmoa) Limited	30.2	30.5	29.15	28.90	29.79	30.33
National Bank of Sāmoa Limited	22.1	21.7	21.92	18.70	17.91	18.50
Samoa Commercial Bank Limited	22.8	21.4	25.06	25.22	24.37	24.96
<b>Non-monetary Financial Institutions (NFIs)</b>						
<b>Weighted Average Lending (WAL)</b>						
Sāmoa National Provident Fund (SNPF) <sup>6</sup>	8.64	8.43	8.65	8.97	8.95	8.95
Development Bank of Samoa (DBS) <sup>1</sup> <sup>8</sup>	4.16	4.61	4.03	3.97	3.75	3.75
Samoa Housing Corporation (SHC) <sup>1</sup> <sup>8</sup>	12.91	12.84	12.62	12.72	12.94	13.15
<b>NFIs' Overall WAL <sup>6</sup> <sup>8</sup></b>	<b>8.19</b>	<b>7.97</b>	<b>8.21</b>	<b>8.54</b>	<b>8.47</b>	<b>8.49</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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