

REVIEW OF MONETARY DEVELOPMENTS NOVEMBER 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.5: 2023/24

November 2023

Monetary Forecast

As an intermediate target for monetary policy, the actual level of Money Supply (M2) was 0.01 percent higher than its projection. This reflected a slightly higher-than expected level of foreign holdings for both the Central Bank and the banking system during the month.

Money Supply (M2)

Total money supply (M2) increased further by \$19.10 million (or 1.2 percent) to \$1,606.91 million. This was due to a large expansion of \$27.41 million in Net Foreign Assets (NFA), offsetting an \$8.31 million reduction in Net Domestic Assets (NDA). The increase in the former was highlighted by increases in the foreign holdings of both the Central Bank and the commercial banks. On the other hand, the decline in the latter reflected a surplus in the net position¹ of the Government, coupled with a slight decline in the net credit to non-bank financial institutions.

As a result, the annual average growth rate of M2 accelerated further to 13.1 percent from 12.2 percent in the previous month and was much higher than the 3.5 percent in the same month of last year.

Credit²

Total financial system (FS) increased by \$2.87 million (or 0.1 percent) to \$2,065.56 million. This was driven by expansions of \$1.19 million and \$1.68 million in lending of both commercial banks and non-bank financial institutions (NFIs) respectively.

By sector, the bulk of FS credit was directed to the private sector with a share of 99.4 percent while the rest (0.6 percent) was lent to public enterprises.

Furthermore, the expansion in total FS credit was mainly extended to industries such as 'Manufacturing' 'Electricity, gas and water', 'Trade' and 'Other Activities'.

On an annual average basis, total FS credit improved by 0.3 percent from 0.03 percent in the previous month but was below the 1.4 percent in November 2022.

The latest update on the National Accounts released by the Samoa Bureau of Statistics (SBS) was up to the September 2023 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of \$2,683.23 million. At this level, the share of the FS credit to NGDP dropped to 76.7 percent from 78.9 percent in the June 2023 quarter and was 90.8 percent in the September quarter of the previous year. Similarly, the share of M2 to NGDP dropped to 58.7 percent from 61.8 percent in the previous quarter and was 62.4 percent in the same quarter of last year.

Reserve Money³

Total reserve money (RM) dropped considerably by \$26.50 million (or 3.5 percent) to \$738.11 million, driven mainly by a \$21.43 million decrease in commercial banks' reserves (the bulk was excess reserves) coupled with a decrease of \$5.07 million in the currency in circulation.

¹ This refers to the Government's loans from the commercial banks less their deposits with the banks.

² Comprises of commercial banks and three largest non-monetary financial institutions' (NFIs) total lending.

NFIs – Samoa National Provident Fund (SNPF), Development Bank of Samoa (DBS) and Samoa Housing Corporation (SHC)

³ 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

Nevertheless, RM was still \$181.15 million higher than its level in November 2022, and was also 42.1 and 58.7 percent higher than its correspondent levels in the past three and five years respectively

Commercial Banks' Liquidity⁴

Total commercial banks' liquidity increased by \$1.79 million (or 0.3 percent) over the previous month to \$611.64 million. This was due to an increase of \$25.00 million in CBS Securities, outweighing reductions of \$22.17 million and \$1.02 million in exchange settlement accounts (ESA) and vault cash holdings respectively.

Moreover, total liquidity was \$231.08 million higher than its level in November 2022; or 76.6 percent and 95.9 percent higher than both its correspondent levels in the past three and five years respectively.

Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)⁵

Total CBS securities issued rose to \$91.00 million from \$46.50 million in the previous month. These were mainly issued at longer term maturities of 56-days (\$16.00 million) and 91-days (\$33.00 million). The remaining amount was issued at a shorter-term maturities of 14-days (\$22.00 million) and 28-days (\$20.00 million). With the total matured securities of \$66.00 million during the month, CBS securities outstanding increased to \$100.00 million from \$75.00 million in the previous month.

The overall weighted average yield of CBS securities (or the official interest rate) increased by 7 basis point to 0.25 percent and was 10 basis points higher than that for November 2022.

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate remained at 1.81 percent from the previous month but was 2 basis points lower than that of the same month in the previous year. Similarly, the weighted average lending (WAL) rate remained at 8.35 percent from the previous month but was 9 basis points higher than November 2022. As a result, the overall weighted average interest rate spread remained at 6.54 percent from the previous month but was 12 basis point higher than that of November 2022.

The current WAD rate was lower than its average rates of 2.08 percent and 2.34 percent for the last three and five years respectively. Similarly, the current WAL rate was also below its average rates of 8.45 percent and 8.64 percent for the same corresponding periods.

NFIs⁶ Lending Rates⁷

The overall WAL rate for Non-Monetary Financial Institutions (NFIs) shrank by 19 basis points to 8.14 percent from the previous month. This was due to a 25-basis point drop in the WAL rate for Samoa National Provident Fund (SNPF) whereas WAL rates for Development Bank of Samoa (DBS) and Samoa Housing Corporation (SHC) remained at 3.66 percent and 13.48 percent respectively from the previous month. The current overall NFI WAL rate was lower than its average rates of 8.30 percent and 8.21 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA
15th January 2024

⁴ Comprises of banks' vault cash, exchange settlement account (ESA) balances and Central Bank Securities

⁵ 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).

⁶ 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.

⁷ SHC figures are provisional for the reporting month.

Review of Monetary Developments
November 2023

Monetary Aggregates						
End of Period Figures	Average level in the previous		2022		2023	
	3-years	5-years	November	September	October	November
Determinants of Money Supply (M2)						
Net Foreign Assets ⁸	665.93	565.60	735.90	1096.92	1130.24	1150.57
Net Domestic Assets	672.24	713.49	656.50	479.04	457.57	456.34
Money Supply (M2)⁹	1338.16	1279.10	1392.400	1575.954	1587.810	1606.913
<i>Trend / Annual Average (%)</i>	3.44	6.66	3.6	11.6	12.2	13.1
<i>Narrow Money (M1)</i>						
Currency outside banks	595.74	566.09	642.68	794.07	804.09	847.75
Transferable Deposits ⁴ ®	118.38	107.96	130.13	161.52	159.18	155.13
<i>Quasi Money</i>	477.36	458.13	512.55	632.56	644.91	692.61
Other Deposits ⁵	742.42	713.01	749.72	781.88	783.72	759.16
Central Bank of Samoa						
Open Markets Operations						
<i>Securities Official Rate</i>	0.15	0.16	0.15	0.21	0.18	0.25
Reserve Money²						
Total	519.40	465.15	556.957	758.813	764.606	738.107
<i>Trend / Annual Growth (%)</i>	9.20	15.95	4.5	28.6	31.0	32.7
Financial System (FS)						
FS Credit						
Commercial Banks ⁷	1185.18	1170.86	1168.29	1144.25	1141.01	1142.20
<i>Trend / Annual Growth (%)</i>	1.25	2.47	-0.4	-2.1	-2.2	-2.2
Non-Monetary Financial Institutions (NFIs)⁸	828.62	791.21	849.35	914.26	921.67	923.36
<i>Trend / Annual Growth (%)</i>	5.11	7.65	3.9	2.4	3.0	3.7
Private Sector						
Businesses	1993.60	1920.89	2001.95	2044.48	2050.20	2050.20
Individuals	1031.04	1025.82	976.35	974.63	975.05	978.59
Public Sector (NFIs, NPEs, & Govt)	962.56	905.27	1025.60	1069.85	1075.15	1075.29
Total FS Credit ⁸®	20.40	31.11	16.29	12.58	12.48	11.68
<i>Trend / Annual Growth (%)</i>	2014.00	1962.20	2018.24	2057.06	2062.68	2065.56
	2.80	4.45	1.4	-0.3	0.0	0.3
Commercial Banks³						
Liquidity						
Total	346.38	312.21	380.55	601.47	609.84	611.64
<i>Trend / Annual Growth (%)</i>	7.73	18.89	4.4	21.7	18.6	14.7
Interest Rates (%)						
Overall Weighted Average Lending ⁷	8.45	8.64	8.26	8.32	8.35	8.35
Australia New Zealand Bank (Sāmoa) Limited	7.94	8.57	7.71	7.49	7.50	7.51
Bank South Pacific (Sāmoa) Limited	7.89	7.87	7.55	7.40	7.46	7.39
National Bank of Sāmoa Limited	8.23	8.21	8.24	8.63	8.64	8.63
Samoa Commercial Bank Limited	10.01	10.27	9.70	9.93	9.92	9.96
Overall Weighted Average Deposit	2.08	2.34	1.84	1.84	1.81	1.81
Australia New Zealand Bank (Sāmoa) Limited	0.90	1.08	0.89	0.66	0.63	0.65
Bank South Pacific (Sāmoa) Limited	2.10	2.46	1.85	1.89	1.84	1.88
National Bank of Sāmoa Limited	2.89	3.26	2.47	2.54	2.48	2.37
Samoa Commercial Bank Limited	2.61	2.87	2.30	2.28	2.30	2.29
Market Shares (%)						
Lending						
Australia New Zealand Bank (Sāmoa) Limited	25.30	26.21	25.79	23.46	23.25	23.20
Bank South Pacific (Sāmoa) Limited	29.82	30.15	28.84	29.42	29.15	28.90
National Bank of Sāmoa Limited	22.71	22.75	21.18	22.41	22.52	22.40
Samoa Commercial Bank Limited	22.17	20.88	24.18	24.70	25.08	25.50
Deposit ⁹						
Australia New Zealand Bank (Sāmoa) Limited	25.09	26.97	25.71	22.26	21.84	22.25
Bank South Pacific (Sāmoa) Limited	29.70	29.10	30.15	39.25	39.92	39.06
National Bank of Sāmoa Limited	20.99	21.08	18.76	16.00	16.25	16.74
Samoa Commercial Bank Limited	24.22	22.85	25.38	22.48	22.00	21.95
Non-monetary Financial Institutions (NFIs)						
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF) ⁶	8.74	8.61	8.95	8.68	8.68	8.44
Development Bank of Samoa (DBS) ¹⁰ ®	3.99	4.38	3.92	3.65	3.66	3.66
Samoa Housing Corporation (SHC) ¹⁰ ®	12.90	12.93	12.66	13.48	13.48	13.48
NFIs' Overall WAL ^{6,8}	8.30	8.21	8.50	8.32	8.33	8.14

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.

(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.

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