

## REVIEW OF MONETARY DEVELOPMENTS DECEMBER 2021

*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.6: 2021/22

December 2021

### Monetary Forecast

As an intermediate target for monetary policy, the actual level of money supply (M2) was 4.0 percent lower than its projected level for December 2021. This deviation was due to lower than expected level of net foreign assets compared to its forecast.

### Money Supply (M2)

Total money supply (M2) continued to rise for the fourth consecutive month, up by \$2.08 million (or 0.2 percent) to \$1,332.04 million. This was due to an expansion of \$14.86 million in Net Foreign Assets (NFA), which outweighed a decline of \$12.78 million in Net Domestic Assets (NDA). The hike in the former reflected an increase in foreign holdings of both the commercial banks and the Central Bank whereas the latter reflected a decline in 'other items net' and domestic credit to the private sector and financial institutions.

The annual growth rate of broad money decelerated further to 4.9 percent from 5.3 percent in the previous month but was significantly higher than 1.5 percent in the same month last year.

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

Total financial system (FS) credit narrowed by \$2.90 million (or 0.14 percent) to \$2,039.77 million, on account of an \$8.90 million decline in commercial banks' lending compared to a hike of \$6.00 million in non-financial institutions' (NFIs) lending.

The decrease in total FS credit was mostly from lower lending to the 'Professional and business services', 'Transportation, Storage and Communication', 'Building, construction and installation', 'Trade' and 'Manufacturing' industries.

By sector, the bulk of the FS credit was directed to the private sector with a share of 98.9 percent, while the rest was lent to public NFIs.

On an annual average basis, total FS credit improved to 2.0 percent from 1.9 percent in the previous month, but was significantly lower than 4.6 percent in December 2020.

The latest update on National Accounts released by the Sāmoa Bureau of Statistics (SBS) was up to September 2021, which recorded an annual total Nominal Gross Domestic Product (NGDP) of around \$2,027.544 million. At this level, the share of the FS credit to NGDP increased slightly to 99.7 percent in the September 2021 quarter from 98.2 percent in the June 2021 quarter. However, the share of M2 to NGDP dropped slightly to 64.2 percent from to 65.4 percent in the previous quarter.

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

Total reserve money (RM) rebounded by \$5.48 million (or 1.1 percent) to \$506.06 million, as a result of a \$17.35 million jump in 'currency in circulation' against a reduction of \$11.87 million in commercial banks' reserves.

In addition, total reserve money was \$1.64 million (or 0.3 percent) higher than its level in

<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

December 2020, and was 16.66 percent and 37.86 percent higher than its corresponding levels in the past three and five years respectively

### **Commercial Banks' Liquidity**

Total commercial banks' liquidity contracted by \$11.13 million (or 3.4 percent) to \$313.09 million, due to a decrease of \$12.75 million (or 4.4 percent) in excess reserves, despite an increase of \$1.62 million (or 4.8 percent) in vault cash holdings.

Furthermore, total liquidity was \$10.91 million (9.2 percent) lower than the same month last year but was 12.31 percent and 39.20 percent higher than its level in the past three and five years respectively.

### **Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)<sup>3</sup>**

For liquidity reasons, the CBS OMO remained on-hold given the volatile and uncertain economic environment created by the pandemic. The sharp slowdown in business activities and production coupled with tightening global financial conditions called for a temporary halt in the OMO. As a result, the overall weighted average yield remained at 0.15 percent since December 2020.

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

The commercial banks' weighted average monthly deposit (WAD) rate fell by 14 basis points to 1.73 percent over the month, and was 93 basis points lower than the same month last year. Likewise, the weighted average lending (WAL) rate shrank by 4 basis point to 8.40 percent from the previous month, and was 10 basis points lower than December 2020. As a result, the overall weighted average interest rate spread increased to 6.68 percent from 6.59 percent in the previous month, but was significantly higher than 5.85 percent in the same month of 2020.

The current WAD rate was lower than its average rate of 2.58 percent in the last three years, and 2.53 percent over the past five years. Likewise, the current WAL rate was also below its average rates of 8.77 percent and 8.82 percent in the last three and five years respectively.

### **NFIs<sup>4</sup> lending rates<sup>5</sup>**

The overall monthly WAL rate for NFI's edged up by 1 basis point to 8.14 percent, but was lower than 8.27 percent in December 2020. This was underpinned by a 1 basis point growth in the WAL rate for SNPF (to 8.61 percent), whilst the WAL rates for DBS and SHC remained the same at 3.68 percent and 8.61 percent, respectively over the month.

The current overall monthly WAL rate was slightly lower than its average rate of 8.15 percent in the last three years but higher than 7.69 percent in the last five years.

## **CENTRAL BANK OF SAMOA 15<sup>th</sup> February 2022**

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<sup>3</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>4</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>5</sup> Lending rates of SHC are provisional for the reporting month.

## Monetary Aggregates

End of Period Figures	Average level in the previous		2020	2021		
	3-years	5-years	December	October	November	December
<b>Determinants of Money Supply (M2) <sup>7</sup></b>	<b>Amount in Tala Million</b>					
Net Foreign Assets <sup>9</sup>	514.22	395.88	654.16	664.84	658.75	673.60
Net Domestic Assets	732.61	760.23	655.73	655.16	671.22	658.44
<b>Money Supply (M2)</b>	<b>1246.84</b>	<b>1156.108</b>	<b>1309.908</b>	<b>1320.000</b>	<b>1329.961</b>	<b>1332.037</b>
<i>Trend / Annual Average (%)</i>	7.8	8.1	1.5	5.6	5.3	4.9
Narrow Money (M1)	543.79	510.09	554.96	581.85	607.10	617.33
Currency outside banks	111.19	99.82	121.80	121.85	117.00	132.72
Transferable Deposits <sup>4</sup>	432.60	410.26	433.16	460.00	490.11	484.61
<i>Quasi Money</i>	703.05	646.02	754.95	738.16	722.86	714.71
Other Deposits <sup>5</sup>	703.05	646.02	754.95	738.16	722.86	714.71
<b>Central Bank of Samoa</b>	<b>Maturity Yield</b>					
<b>Open Markets Operations</b>	<b>Amount in Tala Million</b>					
<i>Securites Official Rate</i>	0.16	0.16	0.15	0.15	0.15	0.15
<b>Reserve Money<sup>2</sup></b>	<b>Amount in Tala Million</b>					
<b>Total</b>	<b>433.78</b>	<b>367.07</b>	<b>504.43</b>	<b>508.237</b>	<b>500.58</b>	<b>506.061</b>
<i>Trend / Annual Growth (%)</i>	20.9	13.1	12.2	13.0	11.2	9.7
<b>Financial System (FS)</b>	<b>Amounts in Tala Million</b>					
<b>FS Credit</b>	<b>Amounts in Tala Million</b>					
<b>Commercial Banks <sup>7</sup></b>	<b>1164.62</b>	<b>1119.31</b>	<b>1184.69</b>	<b>1199.94</b>	<b>1200.51</b>	<b>1191.61</b>
<i>Trend / Annual Growth (%)</i>	3.9	6.2	3.1	0.5	0.6	0.6
<b>Non-Monetary Financial Institutions (NFIs)</b>	<b>760.95</b>	<b>693.56</b>	<b>801.94</b>	<b>833.58</b>	<b>842.16</b>	<b>848.16</b>
<i>Trend / Annual Growth (%)</i>	10.1	10.3	7.0	3.7	3.9	4.1
<b>Private Sector</b>	<b>1885.91</b>	<b>1768.86</b>	<b>1964.79</b>	<b>2011.46</b>	<b>2020.16</b>	<b>2021.08</b>
Businesses	1043.84	1005.16	1077.44	1037.05	1038.76	1033.37
Individuals	842.67	764.07	887.36	974.41	981.40	987.72
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>	<b>39.06</b>	<b>43.65</b>	<b>21.84</b>	<b>22.06</b>	<b>22.51</b>	<b>18.69</b>
<b>Total FS Credit <sup>8</sup></b>	<b>1925.57</b>	<b>1812.87</b>	<b>1986.63</b>	<b>2033.52</b>	<b>2042.67</b>	<b>2039.77</b>
<i>Trend / Annual Growth (%)</i>	6.2	7.7	4.6	1.8	1.9	2.0
<b>Commercial Banks<sup>3</sup></b>	<b>Amounts in Tala Million</b>					
<b>Liquidity</b>	<b>Amounts in Tala Million</b>					
<b>Total</b>	<b>278.77</b>	<b>224.93</b>	<b>324.00</b>	<b>327.46</b>	<b>324.218</b>	<b>313.09</b>
<i>Trend / Annual Growth (%)</i>	25.9	13.6	9.4	11	9.1	7.5
<b>Interest Rates</b>	<b>Percentage</b>					
<b>Overall Weighted Average Lending <sup>7</sup></b>	<b>8.77</b>	<b>8.82</b>	<b>8.50</b>	<b>8.51</b>	<b>8.44</b>	<b>8.40</b>
Australia New Zealand Bank (Sāmoa) Limited	9.12	9.20	8.29	7.83	7.78	7.79
Bank South Pacific (Sāmoa) Limited	7.94	7.82	8.21	8.22	7.98	7.80
National Bank of Sāmoa Limited	7.96	8.02	7.57	8.18	8.22	8.23
Samoa Commercial Bank Limited	10.55	10.58	10.31	10.07	10.01	10.02
<b>Overall Weighted Average Deposit</b>	<b>2.58</b>	<b>2.53</b>	<b>2.65</b>	<b>1.84</b>	<b>1.85</b>	<b>1.73</b>
Australia New Zealand Bank (Sāmoa) Limited	1.29	1.40	1.04	0.76	0.78	0.75
Bank South Pacific (Sāmoa) Limited	2.91	2.69	2.75	1.92	1.88	1.52
National Bank of Sāmoa Limited	3.78	3.36	3.84	2.26	2.30	2.31
Samoa Commercial Bank Limited	3.20	3.22	3.01	2.47	2.45	2.44
<b>Market Shares</b>	<b>Percentage</b>					
<b>Lending <sup>7</sup></b>	<b>Percentage</b>					
Australia New Zealand Bank (Sāmoa) Limited	26.2	29.5	24.51	25.45	25.44	25.32
Bank South Pacific (Sāmoa) Limited	30.6	28.5	30.40	30.15	30.16	30.03
National Bank of Sāmoa Limited	23.9	22.6	25.01	22.93	21.99	22.04
Samoa Commercial Bank Limited	19.3	19.4	20.08	21.46	22.41	22.61
<b>Deposit</b>	<b>Percentage</b>					
Australia New Zealand Bank (Sāmoa) Limited	27.3	29.7	24.65	24.52	23.73	24.65
Bank South Pacific (Sāmoa) Limited	29.4	28.5	29.75	30.31	30.54	28.99
National Bank of Sāmoa Limited	22.0	21.4	22.62	20.84	21.24	21.81
Samoa Commercial Bank Limited	21.2	20.5	22.98	24.33	24.49	24.56
<b>Non-monetary Financial Institutions (NFIs)</b>	<b>Percentage</b>					
<b>Weighted Average Lending (WAL)</b>	<b>Percentage</b>					
Sāmoa National Provident Fund (SNPF) <sup>6</sup>	8.53	8.13	8.70	8.58	8.60	8.61
Development Bank of Samoa (DBS) <sup>®</sup>	4.74	5.02	4.28	3.98	3.68	3.68
Samoa Housing Corporation (SHC) <sup>1</sup>	12.99	12.71	13.08	12.91	12.93	12.93
<b>NFIs' Overall WAL <sup>6,8</sup></b>	<b>8.15</b>	<b>7.69</b>	<b>8.27</b>	<b>8.16</b>	<b>8.13</b>	<b>8.14</b>

Source: Central Bank of Samoa

**Review of Monetary Developments**  
**December 2021**

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- (1) Samoa Housing Corporation reports on a quarterly basis up to September 2018 quarter.
- (2) Reserve Money is composed of: Currency in Circulation and commercial banks Exchange Settlement Accounts (ESA) and Statutory Required Deposits (SRDs).
- (3) As of July 13th 2015, Bank South Pacific took over Westpac.
- (4) Comprised of demand deposits, foreign currency deposits of residents, and interest payable on these deposits.
- (5) Comprised of time deposits, savings deposits, and the interest payable on these deposits.
- (6) Reflects the reclassification of loans to their appropriate interest rate structure in November 2018.
- (7) Changes back to June 2016 under Financial System Credit section due to revised figures from the commercial banks
- (8) Effective October 2018, Sāmoa Housing Corporation started reporting to Central Bank on monthly basis as was previously reported on quarterly basis.
- (9) Samoa received the IMF-Special Drawing Rights (SDRs) allocation of SDR15.5 million, an equivalent of around \$55.5 million Tala in August 2021.