

REVIEW OF MONETARY DEVELOPMENTS JUNE 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.12: 2020/21

June 2021

Monetary Forecast

As an intermediate target for monetary policy, the actual level of money supply (M2) was 4.4 percent above its projected level for end June 2021. This stronger than expected level was mostly in-light of higher than anticipated influx of government grant funds during the year.

Money Supply (M2)

Total money supply (M2) expanded by \$25.41 million (or 2.0 percent) to \$1,325.26 million over the previous month. This result was accounted for by a significant increase in net foreign assets (NFA), up by \$19.38 million (or 3.1 percent) as well as the increase in net domestic assets by \$6.03 million (or 0.9 percent). The expansion in NFA was caused by an increase in both the official reserves of the Central Bank of Samoa as well as net foreign holdings of the banking system. In addition, the expansion in NDA was underpinned by a reduction in the government's net position (due to an increase in government spending) as well as a hike in total commercial banks' credit to the private sector.

Similarly, the annual average growth rate of M2 increased further to 5.5 percent from 4.7 percent in the previous month and 1.8 percent growth in the same month of last year.

Credit¹

Total financial system (FS) credit fell by \$12.16 million (or 0.61 percent) to \$1,990.01 million. This was mainly due to a reduction in non-bank financial institutions (NFIs) lending by \$8.70

million coupled with a slight decrease for commercial banks' credit by \$3.46 million.

By sector, the bulk of the FS credit was directed to the private sector with a share of 98.82 percent while the remaining portion was lent to the public enterprises.

Moreover, the contraction reflected decreases in lending mainly directed to the 'Other Activities', 'Building, construction and installation' 'Transportation, storage and communication' and 'Professional and business services' sectors.

On an annual average basis, total FS credit slowed further to 2.0 percent from 2.3 percent in the previous month, which was much lower than 7.5 percent in the same month of last year.

The latest update on National Accounts released by the Sāmoa Bureau of Statistics (SBS) is up to March 2021, which sees an annual total Nominal Gross Domestic Product (NGDP)² of around \$2,016.21 million. At this level, the share of the FS credit to NGDP increased to 98.1 percent in March 2021 from 96.5 percent in the December 2020 quarter. As for M2, its share to NGDP dropped to 64.6 percent from 66.7 percent in the December 2020 quarter.

Reserve Money³

Total reserve money (RM) increased significantly by \$32.72 million (or 6.4 percent) to \$541.23 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 GDP 2013 Rebase became effective December 2018

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

expansion was an increase in commercial banks' reserves (by \$39.20 million) due to a significant hike in excess reserves. This was partially offset by a \$6.48 million decline in currency in circulation.

In addition, total reserve money was \$103.93 million higher (or 23.8 percent) than its level in the same month last year, or 39.4 percent and 65.3 percent higher than its corresponding levels both in the past three and five years respectively.

Commercial Banks' Liquidity

Total liquidity jumped by \$39.96 million (or 12.1 percent) to \$370.74 million over the previous month. This was due to increases in both exchange settlement accounts (up \$39.40 million) and vault cash (up \$0.56 million).

Furthermore, total liquidity was \$82.31 million higher than the same month last year and was also 42.35 percent and 77.96 percent higher in the past three and five years respectively.

Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)⁴

CBS OMO has remained on-hold given the volatility and uncertainty of the economic environment created by the pandemic. The sharp slowdown in business activities and production coupled with the tightening of global financial conditions called for a temporary halt in the OMO since April 2020. CBSS was last issued in March 2020 with a 0.15 percent recorded for the overall weighted average yield. Therefore, the official rate remained at 0.15 percent until OMO resumes its operations again.

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate fell further by 5 basis points to 2.11 percent over the month and was also 62 basis points lower than that of the same month of last year. In contrast, the weighted average lending (WAL) rate improved by 4

basis points to 8.57 percent over the previous month but was 6 basis points lower over the year.

The current WAD rate was lower than its deposit rates of 2.73 percent and 2.64 percent in the last three and five years respectively. Similarly, the current WAL rate was also lower than its rates of 8.86 percent and 8.85 percent in the last three and five years in that order.

NFIs⁵ lending rates⁶

The overall WAL rate for NFIs fell further to 8.03 percent from 8.07 percent in the previous month. This is due to lower lending rates for SNPF (down by 2 basis points) and DBS (down by 7 basis points) whereas SHC remains at 12.92 percent.

Despite the drop, the current overall WAL rate was, however, higher than its rates of 7.66 and 7.40 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA **05 August 2021**

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-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.

⁶ Lending rates of SHC are provisional for the reporting month.

Monetary Aggregates

End of Period Figures	Average level in the previous		2021			
	3-years	5-years	Jun20	Apr	May	June
Determinants of Money Supply (M2) ⁷			Amount in Tala Million			
Net Foreign Assets	450.89	340.43	503.23	641.32	634.12	653.49
Net Domestic Assets	744.51	748.91	722.23	672.82	665.73	671.77
Money Supply (M2)	1195.40	1089.34	1225.454	1314.140	1299.849	1325.260
<i>Trend / Annual Average (%)</i>	9.27	8.42	1.8	3.9	4.7	5.5
Narrow Money (M1)	527.36	476.36	516.61	590.73	562.89	598.92
Currency outside banks	90.30	79.88	98.09	120.95	119.59	112.55
Transferable Deposits ⁴	437.06	396.49	418.52	469.78	443.30	486.37
<i>Quasi Money</i>	668.04	612.98	708.85	723.41	736.96	726.34
Other Deposits ⁵	668.04	612.98	708.85	723.41	736.96	726.34
Central Bank of Samoa			Maturity Yield			
Open Markets Operations						
<i>Securites Official Rate</i>	0.17	0.16	0.15	0.15	0.15	0.15
Reserve Money ²			Amount in Tala Million			
Total	388.39	327.52	437.30	510.077	508.51	541.231
<i>Trend / Annual Growth (%)</i>	24.14	14.06	17.3	12.1	12.8	14.1
Financial System (FS)			Amounts in Tala Million			
FS Credit						
Commercial Banks ⁷	1120.50	1078.05	1170.48	1176.45	1178.19	1175.33
<i>Trend / Annual Growth (%)</i>	4.48	6.90	4.7	1.5	1.1	0.8
Non-Monetary Financial Institutions (NFIs)	711.14	646.72	790.05	805.08	823.38	814.68
<i>Trend / Annual Growth (%)</i>	11.23	10.46	11.8	4.7	4.2	3.7
Private Sector	1783.63	1679.63	1925.50	1958.10	1977.80	1966.60
Businesses	1003.01	972.63	1067.08	1053.28	1067.83	1063.16
Individuals	780.63	707.00	858.41	904.82	909.97	903.44
Public Sector (NFIs, NPEs, & Govt)	48.00	45.13	35.03	23.42	23.77	23.41
Total FS Credit ⁸	1831.63	1724.76	1960.53	1981.53	2001.57	1990.01
<i>Trend / Annual Growth (%)</i>	6.98	8.22	7.5	2.8	2.3	2.0
Commercial Banks ³			Amounts in Tala Million			
Liquidity						
Total	260.44	208.33	288.42	330.925	330.777	370.737
<i>Trend / Annual Growth (%)</i>	34.39	16.28	16.0	7.5	8.7	10.6
Interest Rates			Percentage			
Overall Weighted Average Lending ⁷	8.86	8.85	8.63	8.57	8.53	8.572
Australia New Zealand Bank (Sāmoa) Limite	9.26	9.12	8.42	8.24	7.99	7.91
Bank South Pacific (Sāmoa) Limited	7.96	7.79	8.10	8.31	8.34	8.35
National Bank of Sāmoa Limited	8.13	8.28	8.20	7.87	7.98	8.15
Samoa Commercial Bank Limited	10.50	10.53	10.29	10.21	10.14	10.12
Overall Weighted Average Deposit	2.73	2.64	2.73	2.22	2.16	2.11
Australia New Zealand Bank (Sāmoa) Limite	1.42	1.51	1.24	1.01	0.97	0.92
Bank South Pacific (Sāmoa) Limited	2.85	2.78	3.04	2.01	2.14	2.29
National Bank of Sāmoa Limited	3.88	3.64	4.08	2.88	2.89	2.69
Samoa Commercial Bank Limited	3.14	3.11	2.78	2.83	2.73	2.61
Market Shares						
Lending ⁷						
Australia New Zealand Bank (Sāmoa) Limite	27.26	31.81	25.05	24.39	24.51	24.70
Bank South Pacific (Sāmoa) Limited	29.72	27.45	30.51	30.86	30.28	30.00
National Bank of Sāmoa Limited	23.47	21.22	25.32	24.23	24.14	23.96
Samoa Commercial Bank Limited	19.55	19.51	19.11	20.52	21.07	21.34
Deposit						
Australia New Zealand Bank (Sāmoa) Limite	27.68	30.53	27.22	23.57	24.35	24.76
Bank South Pacific (Sāmoa) Limited	30.51	29.07	28.88	31.51	30.39	31.57
National Bank of Sāmoa Limited	20.96	19.79	22.29	21.91	21.95	20.50
Samoa Commercial Bank Limited	20.85	20.63	21.61	23.01	23.32	23.16
Non-monetary Financial Institutions (NFIs)			Percentage			
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF) ⁶	8.17	7.98	8.28	8.68	8.51	8.48
Development Bank of Samoa (DBS)	4.79	5.22	4.41	3.91	3.89	3.83
Samoa Housing Corporation (SHC) ¹	9.65	9.65	6.13	12.89	12.92	12.92
NFIs' Overall WAL ^{6,8}	7.55	7.40	7.42	8.18	8.07	8.03

Review of Monetary Developments
June 2021

Source: Central Bank of Samoa

- (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.
- © Revised