

REVIEW OF MONETARY DEVELOPMENTS MAY 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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May 2023

Monetary Forecast

The actual level of money supply (M2) was 11.5 percent higher than its projection for May 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) jumped further by \$62.28 million (or 4.1 percent) to \$1,564.09 million. This was underpinned by expansions of \$55.24 million in net foreign assets (NFA) and \$7.04 million in net domestic assets (NDA). The increase in NFA reflected substantial expansions in both foreign holdings of the Central Bank and the banking system. In addition, the increase in NDA was underpinned by an increase in 'Other items net', coupled with an increase in government spending during the month offsetting a reduction in domestic credit.

As a result, the annual average growth rate of M2 accelerated to 8.2 percent from 7.5 percent a month ago and was 3.5 percent in the same month of last year.

Credit¹

Total financial system (FS) credit fell by \$3.02 million (or 0.15 percent) to \$2,022.50 million. This has reflected a decrease of \$18.30 million in total lending of the commercial banks, while the non-bank financial institutions lending increased by \$15.28 million.

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.

Furthermore, the reduction in total FS credit was mainly to industries such as 'Transportation, storage and communication' and 'Other activities' and 'Manufacturing'.

On an annual average basis, total FS credit decelerated further to -0.3 percent from 0.1 percent in the previous month and was 2.6 percent in May 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 was 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 but was higher than 60.8 percent in the same month last year.

Reserve Money²

Total reserve money (RM) continued to rise by \$28.11 million (or 4.2 percent) to \$705.04 million, as a result of a \$17.26 million hike in 'currency in circulation', coupled with an increase of \$10.85 million in 'commercial banks' reserves.

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

Similarly, total RM was \$171.29 million higher than in the previous year and was 42.80 percent and 59.34 percent higher than its levels in the past three and five years respectively.

Commercial Banks' Liquidity³

Total commercial banks' liquidity expanded by \$26.98 million (or 5.4 percent) over the previous month to its highest level yet, at \$523.34 million. This was highlighted by an increase of \$16.90 million in exchange settlement accounts (ESAs) together with both increases of \$10.00 million in CBS Securities held by the commercial banks and \$0.09 million in their vault cash holdings.

Furthermore, total liquidity was \$173.67 million higher than its level last year, or 63.31 percent and 79.93 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 CBS securities issued has increased to \$23.00 million from \$18.00 million in the previous month. At this level, the 14-days totaled \$2.00 million, 28-days (\$6.00 million), 56-days paper (\$8.00 million) and 91-days paper (\$7.00 million). These papers were purchased at yields of 0.13 percent, 0.16 percent, 0.18 percent and 0.41 percent in that order.

With the total securities issued, the value of outstanding securities edged up from \$30.00 million a month ago to \$40.00 million, netting out a \$13.00 million that were matured during the month.

Consequently, the overall weighted average yield on CBSS (or official interest rate) edged up by 1 basis points to 0.24 percent from 0.23

percent in the previous month but was 9 basis points higher than that of same month of last year.

Commercial Banks' Interest Rates

The commercial banks weighted average deposit (WAD) rate increased by 8 basis points to 1.81 percent or was 3 basis points higher than a year ago. On the other hand, the weighted average lending (WAL) rate fell by 2 basis point to 8.30 percent from the previous month or 1 basis point higher than its level last year.

As a result, the overall weighted average interest rate spread narrowed to 6.50 percent from 6.60 percent in the previous month and was 6.52 percent in April 2022.

The current WAD rate was lower than both its average rates of 2.23 percent and 2.39 percent for the last three and five years respectively. Similarly, the current WAL rate was below its average rates of 8.48 percent and 8.66 percent in the same corresponding period.

NFIs⁵ **Lending Rates**⁶

The overall WAL rate for NFIs decreased by 1 basis point to 8.47 percent from the previous month. This was due to a decrease in the WAL for SNPF (down by 2 basis points) and for DBS (down by 1 basis point), offsetting a 7 basis points increase in the WAL rate for SHC.

The current overall WAL rate, however, was higher than its average rates of 8.0 percent and 7.8 percent in the last three and five years respectively

CENTRAL BANK OF SAMOA **4th July 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-monetary 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.

Review of Monetary Developments
May 2023

Monetary Aggregates							
End of Period Figures	Average level in the previous		2023				
	3-years	5-years	May	February	March	April (9)	May
Determinants of Money Supply (M2)							
Net Foreign Assets ⁸	590.43	514.31	677.31	866.58	884.21	919.28	974.52
Net Domestic Assets	707.22	732.17	697.94	618.69	586.85	582.53	589.57
Money Supply (M2)[®]	1297.65	1246.48	1375.258	1485.270	1471.052	1501.808	1564.095
<i>Trend / Annual Average (%)</i>	3.58	7.33	3.4	5.7	6.7	7.5	8.2
<i>Narrow Money (M1)</i>							
Currency outside banks	570.06	551.64	631.59	754.67	727.91	753.20	790.74
Transferable Deposits ⁴ ®	115.58	104.08	124.90	137.36	140.79	145.05	155.81
<i>Quasi Money</i>	454.49	447.56	506.69	617.32	587.12	608.15	634.93
Other Deposits ⁵	727.59	694.84	743.67	730.60	743.14	748.62	773.35
	727.59	694.84	743.67	730.60	743.14	748.62	773.35
Central Bank of Samoa							
Open Markets Operations							
Securities Official Rate	0.15	0.16	0.15	0.15	0.22	0.23	0.24
Reserve Money²							
Total	494.04	442.66	534.67467	664.786	668.377	676.934	705.039
<i>Trend / Annual Growth (%)</i>	12.48	18.41	5.7	10.1	11.8	13.9	16.2
Financial System (FS)							
FS Credit							
Commercial Banks ⁷	1177.25	1148.06	1172.89	1169.46	1157.37	1164.61	1146.31
<i>Trend / Annual Growth (%)</i>	2.31	3.14	0.92	-0.86	-1.16	-1.29	-1.44
Non-Monetary Financial Institutions (NFIs)[®]	826.11	765.01	857.82	853.91	857.93	860.91	876.19
<i>Trend / Annual Growth (%)</i>	6.96	8.49	4.2	2.4	2.0	1.5	0.3
Private Sector							
Businesses	1977.76	1875.40	2014.07	2005.70	1998.43	2008.17	2006.06
Individuals	1054.63	1024.85	1019.71	973.49	960.65	966.27	960.28
Public Sector (NFIs, NPEs, & Govt)							
Businesses	923.13	850.54	994.36	1032.21	1038.12	1041.89	1045.79
Individuals	25.59	37.68	16.64	17.67	16.53	17.35	16.44
Total FS Credit ⁸®	2003.35	1913.07	2030.71	2023.64	2015.30	2025.52	2022.50
<i>Trend / Annual Growth (%)</i>	4.24	5.21	2.64	0.50	0.12	-0.13	-0.29
Commercial Banks³							
Liquidity							
Total	320.47	290.87	349.673	478.10537	486.91652	496.35889	523.3405
<i>Trend / Annual Growth (%)</i>	10.56	23.80	5.3	12.8	15.7	19.2	22.9
Interest Rates (%)							
Overall Weighted Average Lending ⁷							
Australia New Zealand Bank (Sāmoa) Limited	8.48	8.66	8.30	8.26	8.32	8.33	8.30
Bank South Pacific (Sāmoa) Limited	8.02	8.61	7.76	7.66	7.64	7.65	7.64
National Bank of Sāmoa Limited	7.99	7.93	7.59	7.53	7.58	7.56	7.47
Samoa Commercial Bank Limited	8.13	8.12	8.18	8.06	8.28	8.36	8.38
	10.14	10.33	9.92	9.89	9.88	9.88	9.90
Overall Weighted Average Deposit							
Australia New Zealand Bank (Sāmoa) Limited	2.23	2.39	1.78	1.77	1.82	1.73	1.81
Bank South Pacific (Sāmoa) Limited	1.06	1.21	0.87	0.76	0.80	0.76	0.77
National Bank of Sāmoa Limited	2.26	2.33	1.58	1.90	1.94	1.67	1.83
Samoa Commercial Bank Limited	3.07	3.37	2.46	2.46	2.44	2.49	2.56
	2.69	2.95	2.38	2.24	2.29	2.26	2.24
Market Shares (%)							
Lending							
Australia New Zealand Bank (Sāmoa) Limited	25.2	26.7	25.60	25.82	25.79	25.70	24.83
Bank South Pacific (Sāmoa) Limited	30.2	29.7	29.70	28.55	28.59	28.60	29.59
National Bank of Sāmoa Limited	23.7	23.1	21.82	21.02	20.70	20.76	20.87
Samoa Commercial Bank Limited	20.9	20.4	22.89	24.62	24.92	24.93	24.71
Deposit ⁹							
Australia New Zealand Bank (Sāmoa) Limited	25.5	26.7	25.40	25.40	23.04	23.58	23.48
Bank South Pacific (Sāmoa) Limited	30.2	30.7	29.62	38.00	39.93	39.86	39.59
National Bank of Sāmoa Limited	21.2	20.8	20.51	16.90	17.15	16.06	16.49
Samoa Commercial Bank Limited	23.0	21.8	24.47	19.70	19.88	20.50	20.44
Non-monetary Financial Institutions (NFIs)							
Weighted Average Lending (WAL)							
Sāmoa National Provident Fund (SNPF) ⁶	8.49	8.34	8.65	8.95	8.95	8.95	8.92
Development Bank of Samoa (DBS) [®]	4.05	4.42	4.02	3.75	3.60	3.65	3.63
Samoa Housing Corporation (SHC) [®]	10.58	11.19	12.64	12.94	13.15	13.20	13.27
NFIs' Overall WAL ^{6 8}	7.91	7.79	8.23	8.47	8.47	8.48	8.47

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, Sāmoa 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 SDR \$5.5 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.

[®] Revised