

REVIEW OF MONETARY DEVELOPMENTS

October 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.

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Monetary Forecast

As an intermediate target for monetary policy, the actual level of money supply (M2) was 1.7 percent lower than its forecast for October 2021. This lower than expected level was mostly due to lower levels of net foreign assets as well as the claims on non-banks financial institutions than their forecast levels.

Money Supply (M2)

Total money supply (M2) increased by \$18.16 million (or 1.4 percent) to \$1,320.00 million, due to expansions of \$13.18 million (or 2.0 percent) in net foreign assets (NFA) and \$4.99 million (or 0.8 percent) in net domestic assets (NDA). The increase in net foreign assets was caused by a hike in the net foreign holdings of the banking system despite a decline in the official reserves of the Central Bank of Samoa. In addition, the improvement in NDA was underpinned by an increase in domestic credit to the private sector, coupled with an increase in government spending over the month.

However, the annual average growth rate of M2 dropped slightly to 5.6 percent from 5.8 percent in the previous month but was significantly higher than 1.1 percent in the same month last year.

Credit¹

Total financial system (FS) credit increased further by \$12.92 million (or 0.6 percent) to \$2,033.52 million, due to increases in both commercial banks' credit (by \$5.86 million or 0.5 percent) and non-bank financial institutions (NFIs) by (\$7.06 million or 0.9 percent).

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)

The expansion in total FS credit reflected increases in lending directed to the 'Building, Construction and Installation' and 'Other Activities' industries.

The private sector's dominance of total FS credit continued with a 98.9 percent share while the rest was lent to public institutions.

On an annual average basis, total FS credit accelerated slightly to 1.8 percent from 1.6 percent in the past month, but was significantly lower than 5.6 percent of the same month in the previous year.

The latest update on National Accounts released by the Sāmoa Bureau of Statistics (SBS) was up to June 2021, which saw an annual total Nominal Gross Domestic Product (NGDP) of around \$2,026.74 million. At this level, the share of the FS credit to NGDP increased slightly to 98.2 percent from 98.1 percent in the March 2021 quarter. As for M2, its share to NGDP increased to 65.4 percent from to 64.6 percent in the previous quarter.

Reserve Money²

Total reserve money (RM) rebounded by \$4.24 million (or 0.84 percent) to \$508.24 million as a result of expansions in both currency in circulation by \$2.42 million and commercial banks' reserves by \$1.82 million.

Furthermore, total reserve money was \$14.41 (or 0.84 percent) million higher than its level in October 2020, and was also 20.95 percent and 41.42 percent higher than its corresponding

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

levels in the past three and five years respectively

Commercial Banks' Liquidity

Total Commercial Banks' Liquidity expanded by \$1.31 million (or 0.4 percent) due to an increase of \$1.52 million (or 0.5 percent) in excess reserves, offsetting a decrease of \$0.22 million (or 0.7 percent) in vault cash holdings.

In addition, total liquidity was \$5.72 million (1.8 percent) higher than the same month last year and was also 16.18 percent and 38.16 percent higher than its level in the past three and five years respectively.

Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)³

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 call for a temporary halt in the OMO. As a result, the overall weighted average yield remained at 0.15 percent in October 2021.

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate fell further by 9 basis points to 1.84 percent over the month and was also 91 basis points lower than that of October last year. On the other hand, the weighted average lending (WAL) edged up by 2 basis point to 8.51 percent over the previous month but was 16 basis points lower than a year ago. As a result, the weighted average interest rate spread continued to widen, rising by 11 basis points to 6.67 percent from the previous month and 5.93 percent in October 2020.

The current WAD rate was lower than its average rates over the last three and five years of 2.74 percent and 2.69 percent respectively. Similarly, the current WAL rate was also lower

than 8.84 percent for both the last three years and five years in that order.

NFIs⁴ lending rates⁵

The overall WAL rate for non-bank financial institutions (NFIs) increased by 6 basis points to 8.16 percent over the month, but was 6 basis points lower than October last year. This increase reflects a hike of 3 basis points for DBS and a 2 basis points increase for SHC, rising to 3.98 percent and 12.91 percent in that order. On the other hand, the lending rate for SNPF remained at 8.58 percent.

The current overall WAL rate was lower than its rates of 8.18 percent in the last three years, but higher than 7.63 percent in the last five years.

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³Central 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).

⁴ 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.

⁵ 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 | Oct20 | August | September | October |
| Determinants of Money Supply (M2) ⁷ | Amount in Tala Million | | | | | |
| Net Foreign Assets ⁹ | 331.16 | 358.38 | 600.70 | 662.12 | 651.66 | 664.84 |
| Net Domestic Assets | 672.47 | 757.14 | 669.33 | 644.99 | 650.17 | 655.16 |
| Money Supply (M2) | 1003.63 | 1115.52 | 1270.031 | 1307.110 | 1301.832 | 1320.000 |
| <i>Trend / Annual Average (%)</i> | 11.39 | 8.14 | 1.1 | 6.0 | 5.8 | 5.6 |
| <i>Narrow Money (M1)</i> | 396.73 | 475.12 | 530.34 | 589.13 | 578.20 | 581.85 |
| Currency outside banks | 74.45 | 84.19 | 113.98 | 118.12 | 119.21 | 121.85 |
| Transferable Deposits ⁴ | 322.28 | 390.92 | 416.35 | 471.01 | 458.99 | 460.00 |
| <i>Quasi Money</i> | 606.90 | 640.40 | 739.70 | 717.98 | 723.64 | 738.16 |
| Other Deposits ⁵ | 606.90 | 640.40 | 739.70 | 717.98 | 723.64 | 738.16 |
| Central Bank of Samoa | Maturity Yield | | | | | |
| Open Markets Operations | Amount in Tala Million | | | | | |
| <i>Securities Official Rate</i> | 0.17 | 0.16 | 0.15 | 0.15 | 0.15 | 0.15 |
| Reserve Money² | Amount in Tala Million | | | | | |
| Total | 420.20 | 359.39 | 493.83 | 518.97 | 504.001 | 508.237 |
| <i>Trend / Annual Growth (%)</i> | 21.9 | 12.8 | 11.6 | 14.8 | 14.0 | 13.0 |
| Financial System (FS) | Amounts in Tala Million | | | | | |
| FS Credit | Amounts in Tala Million | | | | | |
| Commercial Banks ⁷ | 1151.36 | 1103.77 | 1178.58 | 1187.42 | 1194.09 | 1199.94 |
| <i>Trend / Annual Growth (%)</i> | 4.16 | 6.42 | 4.1 | 0.5 | 0.4 | 0.5 |
| Non-Monetary Financial Institutions (NFIs) | 747.43 | 677.92 | 785.67 | 824.84 | 826.46 | 833.58 |
| <i>Trend / Annual Growth (%)</i> | 10.40 | 10.48 | 8.1 | 3.1 | 3.4 | 3.7 |
| Private Sector | 1916.62 | 1742.36 | 1942.35 | 1990.21 | 1997.68 | 2011.46 |
| Businesses | 1032.43 | 996.55 | 1073.19 | 1069.09 | 1035.05 | 1037.05 |
| Individuals | 827.40 | 746.59 | 869.16 | 921.11 | 962.62 | 974.41 |
| Public Sector (NFIs, NPEs, & Govt) | 38.96 | 38.54 | 21.90 | 23.57 | 22.87 | 22.06 |
| Total FS Credit ⁸ | 1898.79 | 1781.68 | 1964.24 | 2012.26 | 2020.55 | 2033.52 |
| <i>Trend / Annual Growth (%)</i> | 6.49 | 7.91 | 5.6 | 1.5 | 1.6 | 1.8 |
| Commercial Banks³ | Amounts in Tala Million | | | | | |
| Liquidity | Amounts in Tala Million | | | | | |
| Total | 281.86 | 237.02 | 321.74 | 342.15 | 326.153 | 327.46 |
| <i>Trend / Annual Growth (%)</i> | 28.58 | 13.32 | 9.3 | 12.6 | 11.7 | 11 |
| Interest Rates | Percentage | | | | | |
| Overall Weighted Average Lending ⁷ | 8.84 | 8.84 | 8.67 | 8.48 | 8.49 | 8.51 |
| Australia New Zealand Bank (Sāmoa) Limited | 9.24 | 9.21 | 8.42 | 7.87 | 7.81 | 7.83 |
| Bank South Pacific (Sāmoa) Limited | 7.91 | 7.78 | 8.14 | 8.17 | 8.19 | 8.22 |
| National Bank of Sāmoa Limited | 8.16 | 8.16 | 8.23 | 8.08 | 8.14 | 8.18 |
| Samoa Commercial Bank Limited | 10.53 | 10.53 | 10.36 | 10.08 | 10.08 | 10.07 |
| Overall Weighted Average Deposit | 2.74 | 2.69 | 2.74 | 1.94 | 1.93 | 1.84 |
| Australia New Zealand Bank (Sāmoa) Limited | 1.32 | 1.41 | 1.22 | 0.80 | 0.81 | 0.76 |
| Bank South Pacific (Sāmoa) Limited | 2.99 | 2.98 | 2.94 | 2.32 | 1.99 | 1.92 |
| National Bank of Sāmoa Limited | 3.96 | 3.75 | 4.07 | 2.60 | 2.47 | 2.26 |
| Samoa Commercial Bank Limited | 3.19 | 3.16 | 3.16 | 2.11 | 2.53 | 2.47 |
| Market Shares | Percentage | | | | | |
| Lending ⁷ | Percentage | | | | | |
| Australia New Zealand Bank (Sāmoa) Limited | 26.31 | 30.05 | 23.63 | 25.06 | 25.22 | 25.45 |
| Bank South Pacific (Sāmoa) Limited | 30.64 | 28.29 | 30.75 | 30.14 | 30.06 | 30.15 |
| National Bank of Sāmoa Limited | 23.77 | 22.27 | 25.75 | 23.49 | 23.37 | 22.93 |
| Samoa Commercial Bank Limited | 19.27 | 19.39 | 19.86 | 21.32 | 21.34 | 21.46 |
| Deposit | Percentage | | | | | |
| Australia New Zealand Bank (Sāmoa) Limited | 28.31 | 30.75 | 26.13 | 24.90 | 24.17 | 24.52 |
| Bank South Pacific (Sāmoa) Limited | 28.88 | 27.91 | 29.15 | 31.29 | 31.28 | 30.31 |
| National Bank of Sāmoa Limited | 21.04 | 20.36 | 22.26 | 19.88 | 20.61 | 20.84 |
| Samoa Commercial Bank Limited | 21.74 | 20.96 | 22.46 | 23.93 | 23.94 | 24.33 |
| Non-monetary Financial Institutions (NFIs) | Percentage | | | | | |
| Weighted Average Lending (WAL) | Percentage | | | | | |
| Sāmoa National Provident Fund (SNPF) ⁶ | 8.35 | 8.11 | 8.66 | 8.55 | 8.58 | 8.58 |
| Development Bank of Samoa (DBS)® | 4.76 | 4.96 | 4.22 | 3.74 | 3.74 | 3.98 |
| Samoa Housing Corporation (SHC) ¹ | 12.99 | 12.99 | 13.15 | 12.84 | 12.89 | 12.91 |
| NFIs' Overall WAL ^{6,8} | 8.18 | 7.63 | 8.23 | 8.08 | 8.11 | 8.16 |

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.
- (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.