

REVIEW OF MONETARY DEVELOPMENTS

September 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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September 2021

Monetary Forecast

As an intermediate target for monetary policy, the actual level of money supply (M2) was 4.3 percent lower than its forecast for September 2021. This lower than expected level was mostly in-light of a drop in official foreign reserves compared to its forecast level.

Money Supply (M2)

Total money supply (M2) declined by \$5.27 million (or 0.4 percent) to \$1,301.84 million, on account of a \$10.47 million contraction in net foreign assets (NFA), against a hike of \$5.18 million in net domestic assets (NDA). The drop in NFA was mainly due to a decline in foreign holdings of the Central Bank, which outweighed an increase in foreign assets held by the banking system. On the contrary, the rise in NDA was underpinned by an expansion in the domestic lending of the banking system while the governments' net position with the monetary system registered a surplus during the month.

Overall, the annual average growth rate of M2 dropped to 5.8 percent from 6.0 percent in the previous month but was higher than 0.9 percent in the same month last year.

Credit¹

Total financial system (FS) credit rose further by \$8.29 million (or 0.41 percent) to \$2,020.55 million from the previous month. This reflected gains of \$6.67 million and a \$1.62 million in both commercial banks' and non-banks' financial institutions (NFIs) lending respectively.

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)

Furthermore, expansions were recorded in lending to 'trade', 'professional and business services', 'manufacturing', and 'agriculture, forestry and fisheries' sectors.

The private sector's dominance of total FS credit continued with a 98.8 percent share while the rest was lent to public institutions.

On an annual average basis, total FS credit growth started to pick up; improving to 1.6 percent from 1.5 percent in the previous month but was lower than 6.1 percent in the same month last year. This hike comes after eleven months of consecutive declines.

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) fell for the third consecutive month, down by \$14.97 million (or 2.9 percent) to \$504.00 million. This drop was dominated by a decline of \$17.95 million in commercial banks excess reserves, offsetting an increase of \$3.04 million in currency in circulation.

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

However, total reserve money was \$17.48 million higher than its level in September 2020 or 6.65 percent and 8.03 percent higher than its levels in the past three and five years respectively.

Commercial Banks' Liquidity

Total liquidity of the banking system declined by \$16.00 million due to a \$17.95 million drop in commercial banks holdings of exchange settlement accounts (ESA), despite a slight gain of \$1.95 million in their vault cash holdings. Meanwhile, CBS open market operations (Securities) remained on-hold since March 2020.

Furthermore, total liquidity was \$3.92 million higher than the same month last year and was also 31.07 percent and 13.87 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 at the end of September 2021.

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate decreased further by 1 basis point to 1.93 percent over the previous month but it was 83 basis points lower than that of last year. On the contrary, the weighted average lending (WAL) rate edged up 1 basis point to 8.49 percent over the previous month but was 17 basis points lower than a year ago.

As a result, the weighted average interest rate margin continued to increase, rising by 2 basis points to 6.56 percent from the previous month

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).

and was higher than 5.90 percent in the same month of 2020.

The current WAD rate was lower than its average rates over the last three and five years of 2.70 percent and 2.62 percent respectively. Similarly, the current WAL rate was also lower than 8.83 percent in 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 3 basis points to 8.11 percent over the previous month and was higher than 7.75 percent in September 2020. This was underpinned by hikes in the lending rates for SHC (up by 4 basis points to 12.89 percent) and SNPF (up by 3 basis points to 8.58 percent), whilst that of DBS remained at 3.74 percent from the previous month.

The current overall WAL rate was higher than its rates of 7.72 percent and 7.50 percent in the last three years and five years respectively

**CENTRAL BANK OF SAMOA
29th October 2021**

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		2020		2021	
	3-years	5-years	Sep	July	August	September
Determinants of Money Supply (M2) ⁷	Amount in Tala Million					
Net Foreign Assets ⁹	473.35	364.36	593.45	636.16	662.12	651.66
Net Domestic Assets	727.77	749.09	667.48	663.10	644.99	650.17
Money Supply (M2)	1201.127	1113.450	1260.934	1299.260	1307.110	1301.832
<i>Trend / Annual Average (%)</i>	8.6	8.2	0.9	5.7	6.0	5.8
Narrow Money (M1)	497.87	468.77	521.17	578.44	589.13	578.20
Currency outside banks	98.99	86.36	106.41	122.16	118.12	119.21
Transferable Deposits ⁴	398.88	382.42	414.76	456.27	471.01	458.99
<i>Quasi Money</i>	679.98	630.71	739.77	720.84	717.98	723.64
Other Deposits ⁵	679.98	630.71	739.77	720.84	717.98	723.64
Central Bank of Samoa	Maturity Yield					
Open Markets Operations	nt in Tala Million					
<i>Securities Official Rate</i>	0.16	0.15	0.15	0.15	0.15	0.15
<i>Reserve Money²</i>						
Total	420.90	360.54	486.52	522.905	518.97	504.001
<i>Trend / Annual Growth (%)</i>	22.7	12.9	12.4	14.8	14.8	14.0
Financial System (FS)	Amounts in Tala Million					
FS Credit	Amounts in Tala Million					
Commercial Banks ⁷	1139.92	1092.64	1174.17	1182.18	1187.42	1194.09
<i>Trend / Annual Growth (%)</i>	4.28	6.46	4.4	0.5	0.5	0.4
Non-Monetary Financial Institutions (NFIs)	726.22	663.92	781.26	821.40	824.84	826.46
<i>Trend / Annual Growth (%)</i>	10.67	10.54	8.8	3.4	3.1	3.4
Private Sector	1827.04	1719.46	1933.33	1980.74	1990.21	1997.68
Businesses	1027.42	991.41	1072.30	1069.87	1069.09	1035.05
Individuals	799.63	728.05	861.03	910.87	921.11	962.62
Public Sector (NFIs, NPEs, & Govt)	39.10	37.10	22.10	22.67	23.57	22.87
Total FS Credit ⁸	1866.14	1756.56	1955.43	2003.57	2012.26	2020.55
<i>Trend / Annual Growth (%)</i>	6.65	8.03	6.1	1.7	1.5	1.6
Commercial Banks³	Amounts in Tala Million					
Liquidity	Amounts in Tala Million					
Total	279.31	233.32	322.23	341.865	342.15	326.153
<i>Trend / Annual Growth (%)</i>	31.07	13.87	10.8	12	12.6	11.7
Interest Rates	Percentage					
Overall Weighted Average Lending ⁷	8.83	8.83	8.66	8.56	8.48	8.49
Australia New Zealand Bank (Sāmoa) Limited	9.20	9.17	8.45	7.63	7.87	7.81
Bank South Pacific (Sāmoa) Limited	7.90	7.75	8.10	8.35	8.17	8.19
National Bank of Sāmoa Limited	8.15	8.18	8.20	8.14	8.08	8.14
Samoa Commercial Bank Limited	10.54	10.54	10.40	10.10	10.08	10.08
Overall Weighted Average Deposit	2.70	2.62	2.77	2.11	1.94	1.93
Australia New Zealand Bank (Sāmoa) Limited	1.30	1.38	1.11	0.90	0.80	0.81
Bank South Pacific (Sāmoa) Limited	2.96	2.84	3.06	2.29	2.32	1.99
National Bank of Sāmoa Limited	3.77	3.62	4.10	2.60	2.60	2.47
Samoa Commercial Bank Limited	3.19	3.16	3.14	2.66	2.11	2.53
Market Shares	Percentage					
Lending ⁷	Percentage					
Australia New Zealand Bank (Sāmoa) Limited	26.5	30.3	23.71	24.74	25.06	25.22
Bank South Pacific (Sāmoa) Limited	30.7	28.3	30.81	30.28	30.14	30.06
National Bank of Sāmoa Limited	23.6	22.0	25.91	23.76	23.49	23.37
Samoa Commercial Bank Limited	19.3	19.4	19.57	21.22	21.32	21.34
Deposit	Percentage					
Australia New Zealand Bank (Sāmoa) Limited	28.3	31.3	27.67	24.17	24.90	24.17
Bank South Pacific (Sāmoa) Limited	29.0	27.7	27.64	31.23	31.29	31.28
National Bank of Sāmoa Limited	21.0	20.1	22.09	20.77	19.88	20.61
Samoa Commercial Bank Limited	21.7	20.9	22.60	23.83	23.93	23.94
Non-monetary Financial Institutions (NFIs)	Percentage					
Weighted Average Lending (WAL)	Percentage					
Sāmoa National Provident Fund (SNPF) ⁶	8.34	8.09	8.66	8.53	8.55	8.58
Development Bank of Samoa (DBS)®	4.95	5.25	4.80	3.83	3.74	3.74
Samoa Housing Corporation (SHC) ¹	9.77	9.77	6.16	12.96	12.84	12.89
NFIs' Overall WAL ^{6,8}	7.72	7.50	7.75	8.07	8.08	8.11

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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.