

## REVIEW OF MONETARY DEVELOPMENTS SEPTEMBER 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.*

Report No.3: 2023/24

September 2023

### Monetary Forecast

*As an intermediate target for monetary policy, money supply (M2), the actual level was 1.6 percent lower than its projection. This lower trend in actual M2 reflected lower-than expected level of domestic credit to the private sector and public institutions.*

### Money Supply (M2)

Total money supply (M2) recorded a slight increase of \$2.38 million (or 0.2 percent) to \$1,575.95. This was due to an expansion of \$19.91 million in Net Domestic Assets (NDA), against a reduction of \$17.53 million in Net Foreign Assets (NFA). The increase in the former was mainly driven by a deficit in the government's net position with the financial system (in-light of the increased government spending) offsetting decreases in total domestic credit to the private sector and public institutions as well as contraction in 'Other Items'. The drop in NFA was underpinned by a downturn in the foreign holdings of the Central Bank despite an increase in those for the banking system

As a result, the annual average growth rate of M2 accelerated further to 11.6 percent from 11.0 percent a month ago and was much higher than the 3.2 percent in the same month of last year.

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

Total financial system (FS) reported a further reduction of \$4.57 million (or 0.2 percent) to \$2,030.29 million from the previous month. This was reflected by a decrease of \$3.21 million in total lending of the commercial banks coupled

with a reduction of \$1.36 million in those of the non-bank financial institutions (NFIs).

By sector, the bulk of FS credit was directed to the private sector with a share of 99.4 percent while the rest was lent to the public enterprises (0.6 percent).

Furthermore, the expansion in total FS credit reflected decreases in credit to 'Agriculture, forestry and fisheries', 'Manufacturing', 'Electricity, gas and water' 'Trade' 'Transportation, storage and communication' and 'Other Activities'.

On an annual average basis total FS credit growth improved slightly to -0.3 percent from -0.4 percent in the previous month but was way below 2.1 percent in September of last year.

The latest update on the National Accounts released by the Samoa Bureau of Statistics (SBS) was up to the June 2023 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of \$2,551.24 million. At this level, the share of the FS credit to NGDP dropped to 78.9 percent from 83.1 percent in the March 2023 quarter and was 93.2 percent in the June quarter of last year. However, the share of M2 to NGDP increased to 61.8 percent from 60.6 percent in the previous quarter but was slightly lower than 62.4 percent in the same quarter of last year.

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

Total reserve money (RM) dropped considerably by \$21.64 million (or 3.0 percent) to \$758.81

<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

million, driven mainly by a \$21.57 million decrease in commercial banks' reserves (the bulk was excess reserves) coupled with a slight decrease of \$0.07 million in the currency in circulation.

Furthermore, it was \$207.20 million higher than in the same month of last year, and was also 47.6 and 63.7 percent higher than its levels in the past three and five years respectively

### **Commercial Banks' Liquidity<sup>3</sup>**

Total commercial banks' liquidity fell slightly by \$0.69 million (or 0.12 percent) over the previous month to \$601.47 million. This was due to decreases of \$22.94 million in exchange settlement accounts (ESA) and \$2.75 million in vault cash holdings, which was outweighed by an expansion of \$25.00 million in CBS securities from the previous month.

Moreover, total liquidity was \$237.11 million higher than its level in September of last year or was 78.2 percent and 96.8 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)<sup>4</sup>**

Total CBS securities issued rose to \$64.50 million from \$34.00 million in the previous month. These were mainly issued at shorter term maturities of 14-days (\$17.00 million) and 28-days (\$17.00 million). The remaining amount was issued at a longer-term maturity of 56-days (\$16.00 million) and 91-days (\$14.50 million). As a result, total CBS securities outstanding increased to \$75.00 million from \$50.00 million in the previous month.

The overall weighted average yield of CBS securities (or the official interest rate) increased

by 1 basis point to 0.21 percent and was 6 basis points higher than that for the same month of last year.

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

The commercial banks' weighted average deposit (WAD) rate increased by 3 basis points to 1.84 percent and was 5 basis points higher than that of a year ago. Similarly, the weighted average lending (WAL) rate edged up by 2 basis points to 8.32 percent from the previous month or 5 basis points higher than the same month of last year. As a result, the overall weighted average interest rate spread narrowed to 6.49 percent from 6.50 percent in the previous month but was 1 basis point higher than in September of 2022.

The current WAD rate was lower than its average rates of 2.16 percent and 2.36 percent for the last three and five years respectively. Similarly, the current WAL rate was also below its average rates of 8.47 percent and 8.65 percent for the same corresponding period.

### **NFIs<sup>5</sup> Lending Rates<sup>6</sup>**

The overall WAL rate for Non-Monetary Financial Institutions (NFIs) remained at 8.46 percent from the previous month. This was due to a 3-basis point decrease in the Samoa Housing Corporation (SHC's) WAL rate while those for Development Bank of Samoa (DBS) increased by 1 basis point while Samoa National Provident Fund (SNPF's) WAL rate remained unchanged from the past month. The current overall WAL rate was slightly higher than its average rates of 8.11 percent and 7.95 percent in the last three and five years respectively.

## **CENTRAL BANK OF SAMOA** **30<sup>th</sup> October 2023**

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<sup>3</sup> Comprises of banks' vault cash, exchange settlement account (ESA) balances and Central Bank Securities

<sup>4</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).

<sup>5</sup> Non-Bank 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.

<sup>6</sup> SHC figures are provisional for the reporting month.

**Review of Monetary Developments**  
**September 2023**

<b>Monetary Aggregates</b>						
End of Period Figures	Average level in the previous		2022		2023	
	3-years	5-years	September	July	August	September
<b>Determinants of Money Supply (M2)</b>						
Net Foreign Assets <sup>8</sup>	649.74	555.17	704.12	1095.46	1114.45	1096.92
Net Domestic Assets	667.54	703.69	684.95	433.63	459.12	479.04
<b>Money Supply (M2)<sup>®</sup></b>	<b>1317.28</b>	<b>1258.86</b>	<b>1389.070</b>	<b>1529.090</b>	<b>1573.570</b>	<b>1575.954</b>
<i>Trend / Annual Average (%)</i>	3.32	6.99	3.2	10.2	11.0	11.6
<i>Narrow Money (M1)</i>						
Currency outside banks	582.82	544.18	649.08	778.43	805.22	794.07
Transferable Deposits <sup>4</sup> ®	121.00	110.71	137.38	158.34	158.84	161.52
<i>Quasi Money</i>	461.81	433.47	511.70	620.09	646.38	632.56
Other Deposits <sup>5</sup>	734.46	700.71	739.99	750.66	768.35	781.88
734.46	700.71	739.99	750.66	768.35	781.88	781.88
<b>Central Bank of Samoa</b>						
<b>Open Markets Operations</b>						
<i>Securities Official Rate</i>	0.17	0.16	0.20	0.21	0.21	0.21
<b>Reserve Money<sup>2</sup></b>						
<b>Total</b>	<b>514.05</b>	<b>463.66</b>	<b>551.618</b>	<b>758.030</b>	<b>780.450</b>	<b>758.813</b>
<i>Trend / Annual Growth (%)</i>	9.85	17.05	3.1	23.0	26.3	28.6
<b>Financial System (FS)</b>						
<b>FS Credit</b>						
<b>Commercial Banks <sup>7</sup></b>	<b>1182.42</b>	<b>1158.57</b>	<b>1179.00</b>	<b>1149.23</b>	<b>1146.01</b>	<b>1144.25</b>
<i>Trend / Annual Growth (%)</i>	1.70	2.71	0.3	-1.8	-2.0	-2.1
<b>Non-Monetary Financial Institutions (NFIs)<sup>®</sup></b>	<b>817.08</b>	<b>769.73</b>	<b>843.50</b>	<b>884.88</b>	<b>889.24</b>	<b>887.49</b>
<i>Trend / Annual Growth (%)</i>	5.61	8.02	4.7	1.5	1.9	2.1
<b>Private Sector</b>						
Businesses	1978.53	1896.68	2004.58	2019.34	2022.23	2022.23
Individuals	1034.35	1022.60	995.69	961.55	957.43	951.05
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>	<b>20.97</b>	<b>31.62</b>	<b>17.93</b>	<b>14.78</b>	<b>13.03</b>	<b>14.03</b>
<b>Total FS Credit <sup>8</sup>®</b>	<b>1999.49</b>	<b>1928.29</b>	<b>2022.50</b>	<b>2034.11</b>	<b>2035.25</b>	<b>2031.74</b>
<i>Trend / Annual Growth (%)</i>	3.26	4.72	2.1	-0.4	-0.4	-0.3
<b>Commercial Banks<sup>3</sup></b>						
<b>Liquidity</b>						
<b>Total</b>	<b>337.58</b>	<b>305.69</b>	<b>364.36</b>	<b>581.06</b>	<b>602.16</b>	<b>601.47</b>
<i>Trend / Annual Growth (%)</i>	8.11	21.34	1.8	28.1	27.0	21.7
<b>Interest Rates (%)</b>						
<b>Overall Weighted Average Lending <sup>7</sup></b>	<b>8.47</b>	<b>8.65</b>	<b>8.27</b>	<b>8.30</b>	<b>8.30</b>	<b>8.32</b>
Australia New Zealand Bank (Sāmoa) Limited	7.98	8.62	7.69	7.62	7.51	7.49
Bank South Pacific (Sāmoa) Limited	7.96	7.89	7.58	7.43	7.41	7.40
National Bank of Sāmoa Limited	8.16	8.15	8.15	8.40	8.50	8.63
Samoa Commercial Bank Limited	10.11	10.31	9.85	9.91	9.92	9.93
<b>Overall Weighted Average Deposit</b>	<b>2.16</b>	<b>2.36</b>	<b>1.79</b>	<b>1.77</b>	<b>1.80</b>	<b>1.84</b>
Australia New Zealand Bank (Sāmoa) Limited	0.93	1.11	0.86	0.70	0.67	0.66
Bank South Pacific (Sāmoa) Limited	2.27	2.52	1.77	1.81	1.85	1.89
National Bank of Sāmoa Limited	3.04	3.26	2.55	2.42	2.52	2.54
Samoa Commercial Bank Limited	2.63	2.86	2.21	2.29	2.27	2.28
<b>Market Shares (%)</b>						
<b>Lending</b>						
Australia New Zealand Bank (Sāmoa) Limited	24.82	26.03	25.52	24.28	23.98	23.46
Bank South Pacific (Sāmoa) Limited	29.88	30.18	28.77	29.09	29.12	29.42
National Bank of Sāmoa Limited	23.82	23.24	22.17	21.87	22.12	22.41
Samoa Commercial Bank Limited	21.48	20.54	23.54	24.76	24.78	24.70
<b>Deposit <sup>9</sup></b>						
Australia New Zealand Bank (Sāmoa) Limited	26.20	27.16	26.77	23.04	22.53	22.26
Bank South Pacific (Sāmoa) Limited	29.10	29.36	28.38	41.14	39.89	39.25
National Bank of Sāmoa Limited	20.59	20.53	19.06	15.63	16.36	16.00
Samoa Commercial Bank Limited	24.11	22.97	25.79	20.19	21.22	22.48
<b>Non-monetary Financial Institutions (NFIs)</b>						
<b>Weighted Average Lending (WAL)</b>						
Sāmoa National Provident Fund (SNPF) <sup>6</sup>	8.72	8.50	8.93	8.88	8.87	8.87
Development Bank of Samoa (DBS) <sup>®</sup>	4.18	4.52	4.01	3.63	3.63	3.65
Samoa Housing Corporation (SHC) <sup>1</sup> ®	10.59	11.29	12.73	13.42	13.51	13.48
<b>NFIs' Overall WAL <sup>6,8</sup></b>	<b>8.11</b>	<b>7.95</b>	<b>8.47</b>	<b>8.46</b>	<b>8.46</b>	<b>8.46</b>

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.

<sup>®</sup> Revised