



MONETARY SURVEY REPORT JANUARY 2015

This report is a monthly release of the latest available key monetary aggregates, official interest rate and the analysis on commercial banks' interest rates on the Samoan economy with information sourced from the Central Bank, commercial banks, Ministry of Finance and Non-monetary financial institutions.

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January 2015

Monetary Target

The level of money supply was 4.4 percent lower than its forecast. As an intermediate target for monetary policy, the current M2 variations over forecast reflected the unanticipated contractions in the net foreign holdings of the banking system (drop in foreign assets) outweighing the increase in domestic credit to the business and individuals of the private sector.

Money Supply¹

Following a sharp increase in the previous month, the total money supply (M2) contracted by \$13.04 million (or 1.6 percent) to \$805.88 million. This was due to reductions of \$8.80 million and \$4.25 million in net foreign assets (NFA) and net domestic assets (NDA) respectively.

When compared to the previous year, the current M2 level was 7.2 percent higher, which was also 12.5 percent and 12.1 percent higher than in the last three and five years respectively. As a result, the annual average M2 growth edged down to 14.1 percent at end January 2015 from 14.2 percent in December 2014 but was still much higher than 1.8 percent in January 2014.

Credit²

Total credit of the financial system rose slightly by \$0.86 million (or 0.1 percent) to \$1,349.06 million due to a slight expansion of 0.4 percent in commercial banks' credit despite a 0.6 percent decline in non-monetary financial institutions lending.

Loans to the private sector dominated total credit with a share of 96.0 percent while those to the public sector accounted for 4.0 percent. The bulk of the private sector credit was directed to the business sector at 56.3 percent while lending to individuals and households was at 43.7 percent.

The current level of the total credit was 15.6 percent and 19.3 percent higher than its level in the last three and five years respectively. Consequently, the annual average credit growth rose to 8.0 percent from 7.5 percent a month ago and 2.8 percent in the same month last year.

The ratios of M2 and total credit to total GDP at end September 2014 stood at 43.4 percent and 71.5 percent respectively.

Reserve Money³

Total reserve money edged up by \$0.46 million to \$228.84 million in the first month of 2015,

² Commercial banks and non-monetary financial institutions combined credit.

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

¹ M2 = NFA + NDA – OIN where NDA comprises of net claims on government and on other sectors. OIN (Other items net)

which was also higher than in the same month of 2014. When compared to the last three and five years, reserve money was also 26.4 percent and 9.3 percent higher respectively.

Commercial Banks' Liquidity

Total bank liquidity rebounded \$14.73 million to \$156.76 million, mainly reflecting increases of \$14.98 million and \$4.00 million in exchange settlement account and holdings in CBS securities respectively. The current level was also 35.4 percent and 18.1 percent higher than its levels in the last three and five years respectively.

CBS Securities and Open Market Operation (OMO)⁴

Given the abundant level of liquidity, the commercial banks (only participants) increased their holdings of CBS securities to \$11.00 million from \$7.00 million in the previous month and \$10.00 million in January 2014.

Official Interest Rate

The official interest rate in January 2015 increased 3 basis points to 0.17 percent but was lower than 0.23 percent in January 2014. This was also higher than 0.13 percent three years ago but lower than 0.22 percent five years ago.

The current level was underpinned by an increased level of securities issued and the resumption of the 91-day paper's participation in the month under review.

Commercial Banks'⁵ Interest Rates

Recent developments in the market interest rates saw the weighted average deposit (WAD) rate fall further by 4 basis points to 2.75 percent while the weighted average lending rate edged up 1 basis point to 9.50 percent.

When compared to the last three and five years, the current WAD rate was higher than 2.35 percent but was lower than 3.16 percent respectively. As for the WAL rate, it was below than 9.86 percent and 11.28 percent in the last three and five years.

Despite the lower average rate of return offered on deposits, total deposit liabilities of the banking system continued to increase reflecting increases in all components of domestic deposits namely demand, time and savings.

Non-monetary Financial Institutions (NFIs)⁶ lending rates

The overall weighted average lending rate of the NFIs edged up 2 basis points to 6.97 percent but was lower than 8.61 percent in January 2014. This was also below its WAL rate of 10.54 percent and 10.19 percent in the last three and five years respectively.

The downward trend in the overall NFIs lending rate reflected concessional lending offered by Development Bank of Samoa to those sectors devastated by Cyclone Evan.

Central Bank of Samoa
11 March 2015

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 ANZ – ANZ Bank (Samoa) Limited, Westpac – Westpac Bank Samoa Limited, NBS – National Bank of Samoa, SCB – Samoa Commercial Bank Limited

⁶ SNPF – Samoa National Provident Fund, DBS – Development Bank of Samoa

Monetary Survey Report
January 2015

Monetary Survey Aggregates

End of Period Figures	Averages		2014			2015
	3-years	5-years	Jan	Nov	Dec	Jan
Monetary Survey Brief						
Net Foreign Assets	290.99	315.02	304.92	177.79	182.06	173.26
Net Domestic Assets	425.42	403.63	446.57	622.74	636.87	632.62
Amount in Tala Million						
Money Supply (M2)	716.40	718.64	751.49	800.52	818.93	805.88
<i>Trend / Annual Average (%)</i>	<i>12.5</i>	<i>12.1</i>	1.8	14.0	14.2	14.1
Narrow Money (M1)	233.45	225.93	259.48	260.40	275.80	265.54
Currency outside banks	53.82	51.07	56.63	49.20	58.12	47.718
Demand deposits	179.63	174.86	202.85	211.20	217.68	217.818
Quasi Money	482.95	492.72	492.01	540.13	543.12	540.35
Savings Deposits	94.29	91.01	102.18	114.70	111.93	112.627
Time Deposits	359.97	376.31	353.04	353.75	358.44	358.771
Foreign Currency Deposits	28.69	25.39	36.79	71.67	72.76	68.947
Central Bank of Samoa						
Open Markets Operations						
<i>Securites Official Rate</i>	0.13	0.22	0.23	0.15	0.14	0.17
Maturity Yield						
Reserve Money (2)				Amount in Tala Million		
Total	181.05	209.33	222.85	228.70	228.38	228.84
<i>Trend / Annual Growth (%)</i>	<i>19.37</i>	<i>14.64</i>	0.4	29.3	28.2	25.3
Financial System (FS)						
Amounts in Tala Million						
FS Credit						
Commercial Banks	774.23	754.42	771.04	870.20	879.75	883.31
<i>Trend / Annual Growth (%)</i>	<i>14.1</i>	<i>17.1</i>	-1.62	3.64	4.89	6.16
Non-Monetary Financial Institutions (NFIs)	393.20	376.00	438.49	466.83	468.45	465.75
<i>Trend / Annual Growth (%)</i>	<i>18.5</i>	<i>23.9</i>	12.19	12.99	12.36	11.52
Private Sector	1097.69	1047.53	1157.67	1280.32	1292.76	1295.13
Businesses	598.41	568.47	642.06	720.84	731.01	729.47
Individuals	499.27	479.06	515.61	559.48	561.75	565.66
Public Sector (NFIs, NPEs, & Govt)	69.74	82.89	51.86	56.70	55.43	53.93
Total Credit	1167.43	1130.42	1209.53	1337.02	1348.19	1349.06
<i>Trend / Annual Growth (%)</i>	<i>15.6</i>	<i>19.3</i>	2.8	6.9	7.5	8.0
Commercial Banks						
Amounts in Tala Million						
Liquidity						
Total	115.80	132.70	144.40	155.76	142.04	156.76
<i>Trend / Annual Growth (%)</i>	<i>35.4</i>	<i>18.1</i>	-4.0	58.8	56.0	50.6
Interest Rates						
Percentage						
Overall Weighted Average Lending	9.86	11.28	10.22	9.48	9.49	9.50
Australia New Zealand Bank Samoa	9.56	10.67	9.83	9.32	9.45	9.44
Westpac Bank Samoa Limited	9.50	10.76	10.23	9.55	9.48	9.49
National Bank of Samoa	10.04	12.48	10.57	9.01	8.77	8.87
Samoa Commercial Bank	10.75	12.38	10.92	10.31	10.33	10.28
Overall Weighted Average Deposit	2.35	3.16	3.03	2.89	2.79	2.75
Australia New Zealand Bank Samoa	1.90	1.88	2.70	2.48	2.50	2.54
Westpac Bank Samoa Limited	2.25	3.49	2.75	2.40	2.26	2.11
National Bank of Samoa	2.92	4.73	3.34	3.67	3.36	3.33
Samoa Commercial Bank	2.90	4.43	3.81	3.54	3.43	3.36
Market Shares						
Lending						
Australia New Zealand Bank Samoa	44.2	42.1	48.8	44.7	44.3	44.6
Westpac Bank Samoa Limited	20.4	23.2	16.8	19.8	20.8	20.9
National Bank of Samoa	15.5	15.6	15.5	17.9	17.3	17.2
Samoa Commercial Bank	19.8	19.1	19.0	17.6	17.6	17.3
Deposit						
Australia New Zealand Bank Samoa	41.9	41.3	44.7	43.5	43.7	42.5
Westpac Bank Samoa Limited	19.4	21.1	18.7	18.8	18.9	20.5
National Bank of Samoa	17.0	16.4	17.8	17.2	16.8	16.5
Samoa Commercial Bank	21.7	21.3	18.8	20.5	20.6	20.6
Non-monetary Financial Institutions						
Percentage						
Weighted Average Lending (WAL)						
National Provident Fund (NPF)	10.02	9.69	10.35	7.75	7.75	7.75
Development Bank of Samoa (DBS)	11.96	12.01	4.33	5.63	5.19	5.26
Samoa Housing Corporation (SHC) (1)	-	-	-	-	10.68	-
Overall WAL (NPF & DBS)	10.54	10.19	8.61	7.08	6.95	6.97

Source: Central Bank of Samoa

(1) Samoa Housing Corporation reports on quarterly basis.

(2) Reserve Money is composed of: Currency in Circulation and commercial banks Excess Settlement Accounts (ESAs) and Statutory Required Deposits (SRDs).

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