



## MONETARY SURVEY REPORT FEBRUARY 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.*

**Report No.8: 2014/15**

**February 2015**

### Monetary Target

The total money supply (M2), as an intermediate target for monetary policy, was 1.8 percent lower when compared to its forecast for the month. This difference was due to a large drop in the net foreign holdings of the Ministry of Finance and the commercial banks during the month.

### Money Supply<sup>1</sup>

The M2 contracted further by \$10.13 million (1.3 percent) to \$795.75 million due entirely to a significant \$22.04 million drop in net foreign assets (NFA), despite offsetting an \$11.91 million increase in net domestic assets (NDA). The former reflected the drawdown of Government foreign assets coupled with increased foreign borrowings of the banking system. Despite the contraction, the annual average growth of M2 remained stable at 14.1 percent as in the previous month.

The current level of M2 was 10.7 percent and 9.7 percent higher than the last three and five years respectively.

### Credit<sup>2</sup>

Total financial system lending leapt by \$15.26 million (or 1.1 percent) to \$1,364.32 million. This was fuelled by a considerable increase in commercial banks credit, which rose by \$13.71 million (or 1.6 percent) as well as a \$1.55 million

hike (or 0.3 percent) in lending by non-monetary financial institutions.

The ratio of total loans directed to the private sector rose to 96.1 percent while those for the public sector accounted for 3.9 percent. The breakdown of the former saw 56.7 percent of credit directed to the business sector while individuals and households held the 43.3 percent of total loans.

The sharp rise in total financial system credit reflected the additional disbursements of foreign currency loans (FCL) for the business sector. This saw the share of FCLs to total commercial banks credit increase to 16.2 percent from 15.4 percent in the previous month and 6.10 percent in the same month last year.

As a result, the annual average growth rate of overall credit increased to 8.7 percent from 8.0 percent in January 2015 and 3.3 percent in February 2014.

### Reserve Money<sup>3</sup>

Total reserve money increased by \$5.55 million to \$234.39 million due to gains in commercial banks reserves during the month. On a point to point basis, the current level was 23.7 percent and 17.9 percent higher when compared to the last three and five years respectively.

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

<sup>2</sup> Commercial banks and non-monetary financial institutions combined credit.

<sup>3</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

### **Commercial Banks' Liquidity**

Total commercial banks' liquidity increased further by \$2.40 million to \$159.16 million in February 2015. This expansion was underpinned by \$9.65 million increase in commercial banks' exchange settlement accounts (ESA) despite reductions of \$4.58 million and \$2.67 million in bank's vault cash and their investments in CBS securities respectively.

### **CBS Securities and Open Market Operation (OMO)<sup>4</sup>**

The outstanding level of CBS securities fell to \$8.33 million from \$11.00 million in the previous month and \$7.00 million in the same month last year. The drop reflected \$3.00 million worth of CBS securities rediscounted during the month.

### **Official Interest Rate**

Given the absence of longer term maturities and the limited volume of securities during the month, the overall official interest rate dropped to 0.14 percent from 0.17 percent a month ago and slightly lower than 0.15 percent in the same month last year. The current rate was also lower than 0.15 percent and 0.20 percent in the last three and five years respectively.

### **Commercial Banks'<sup>5</sup> Interest Rates**

Market interest rates recorded mixed trends with the weighted average deposit (WAD) rate edging up 1 basis point to 2.76 percent while the weighted average lending rate (WAL) dropped 3 basis points to 9.47 percent during the month. The current WAD rate was higher than 2.38 percent over the last three years but lower than 3.10 percent in past five years. Conversely, the weighted average lending (WAL) rate was lower than 9.69 percent and 11.28 percent rates over the past three and five years respectively.

Despite the higher rate of return for domestic deposits, the total deposit liabilities of the banking system declined. On the other hand, the lower cost of borrowing in February 2015 saw a large increase in total bank credit.

### **Non-monetary Financial Institutions (NFIs)<sup>6</sup> lending rates**

The overall weighted average lending rate for the two largest non-monetary financial institutions, namely the Samoa National Provident Fund (SNPF) and Development Bank of Samoa (DBS), declined further by 1 basis point to 6.96 percent in February 2015. This was way below its 10.53 percent and 10.24 percent WAL rates in the last three and five years respectively.

**Central Bank of Samoa  
01 April 2015**

---

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

---

<sup>6</sup> SNPF – Samoa National Provident Fund, DBS – Development Bank of Samoa

*Monetary Survey Report*  
*February 2015*

**Monetary Survey Aggregates**

End of Period Figures	Current level compares to		2014		2015	
	3-years	5-years	Jan	Feb	Jan	Feb
<b>Monetary Survey Brief</b>	<b>Averages</b>		<b>Amount in Tala Million</b>			
Net Foreign Assets	281.90	308.05	304.92	305.60	173.26	151.22
Net Domestic Assets	436.96	417.36	446.57	442.19	632.62	644.52
<b>Money Supply (M2)</b>	<b>718.86</b>	<b>725.41</b>	<b>751.49</b>	<b>747.79</b>	<b>805.88</b>	<b>795.75</b>
<i>Trend / Annual Average (%)</i>	<i>10.7</i>	<i>9.7</i>	<i>1.8</i>	<i>2.4</i>	<i>14.1</i>	<i>14.1</i>
<b>Narrow Money (M1)</b>	<b>230.69</b>	<b>227.66</b>	<b>259.48</b>	<b>250.15</b>	<b>265.54</b>	<b>253.10</b>
Currency outside banks	53.09	49.93	56.63	54.99	47.718	47.676
Demand deposits	177.60	177.73	202.85	195.16	217.818	205.427
<b>Quasi Money</b>	<b>488.16</b>	<b>497.75</b>	<b>492.01</b>	<b>497.63</b>	<b>540.35</b>	<b>542.65</b>
Savings Deposits	96.01	92.21	102.18	103.18	112.627	111.320
Time Deposits	364.63	377.90	353.04	359.08	358.771	366.707
Foreign Currency Deposits	27.52	27.63	36.79	35.37	68.947	64.618
<b>Central Bank of Samoa</b>						
<b>Open Markets Operations</b>			<b>Maturity Yield</b>			
Securities Official Rate	0.15	0.20	0.23	0.15	0.17	0.14
<b>Reserve Money (2)</b>			<b>Amount in Tala Million</b>			
<b>Total</b>	<b>172.50</b>	<b>212.30</b>	<b>222.85</b>	<b>224.26</b>	<b>228.84</b>	<b>234.39</b>
<i>Trend / Annual Growth (%)</i>	<i>23.74</i>	<i>17.94</i>	<i>0.4</i>	<i>3.0</i>	<i>25.3</i>	<i>22.8</i>
<b>Financial System (FS)</b>						
<b>FS Credit</b>			<b>Amounts in Tala Million</b>			
<b>Commercial Banks</b>	<b>778.40</b>	<b>760.37</b>	<b>771.04</b>	<b>769.92</b>	<b>883.31</b>	<b>897.02</b>
<i>Trend / Annual Growth (%)</i>	<i>15.2</i>	<i>18.0</i>	<i>-1.62</i>	<i>-1.33</i>	<i>6.16</i>	<i>7.55</i>
<b>Non-Monetary Financial Institutions (NFIs)</b>	<b>397.30</b>	<b>379.40</b>	<b>438.49</b>	<b>442.45</b>	<b>465.75</b>	<b>467.30</b>
<i>Trend / Annual Growth (%)</i>	<i>17.6</i>	<i>23.2</i>	<i>12.19</i>	<i>12.92</i>	<i>11.52</i>	<i>10.75</i>
<b>Private Sector</b>	<b>1108.76</b>	<b>1057.98</b>	<b>1157.67</b>	<b>1160.69</b>	<b>1295.13</b>	<b>1311.65</b>
Businesses	601.18	570.90	642.06	627.24	729.47	743.27
Individuals	507.58	487.08	515.61	533.45	565.66	568.39
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>	<b>66.94</b>	<b>81.79</b>	<b>51.86</b>	<b>51.68</b>	<b>53.93</b>	<b>52.67</b>
<b>Total Credit</b>	<b>1175.70</b>	<b>1139.77</b>	<b>1209.53</b>	<b>1212.37</b>	<b>1349.06</b>	<b>1364.317</b>
<i>Trend / Annual Growth (%)</i>	<i>16.0</i>	<i>19.7</i>	<i>2.8</i>	<i>3.3</i>	<i>8.0</i>	<i>8.7</i>
<b>Commercial Banks</b>						
<b>Liquidity</b>			<b>Amounts in Tala Million</b>			
<b>Total</b>	<b>113.39</b>	<b>132.56</b>	<b>144.40</b>	<b>148.65</b>	<b>156.76</b>	<b>159.16</b>
<i>Trend / Annual Growth (%)</i>	<i>40.4</i>	<i>20.1</i>	<i>-4.0</i>	<i>2.4</i>	<i>50.6</i>	<i>44.0</i>
<b>Interest Rates</b>			<b>Percentage</b>			
<b>Overall Weighted Average Lending</b>	<b>9.69</b>	<b>11.28</b>	<b>10.22</b>	<b>10.20</b>	<b>9.50</b>	<b>9.47</b>
Australia New Zealand Bank Samoa	9.25	10.68	9.83	9.95	9.44	9.33
Westpac Bank Samoa Limited	9.36	10.74	10.23	10.23	9.49	9.50
National Bank of Samoa	10.11	12.62	10.57	10.57	8.87	8.99
Samoa Commercial Bank	10.67	12.32	10.92	10.42	10.28	10.24
<b>Overall Weighted Average Deposit</b>	<b>2.38</b>	<b>3.10</b>	<b>3.03</b>	<b>3.14</b>	<b>2.75</b>	<b>2.76</b>
Australia New Zealand Bank Samoa	1.96	2.36	2.70	2.71	2.54	2.52
Westpac Bank Samoa Limited	2.22	3.36	2.75	2.88	2.11	2.32
National Bank of Samoa	3.01	3.41	3.34	3.62	3.33	3.24
Samoa Commercial Bank	2.93	4.17	3.81	3.99	3.36	3.29
<b>Market Shares</b>						
<b>Lending</b>						
Australia New Zealand Bank Samoa	44.9	42.3	48.8	48.5	44.6	44.9
Westpac Bank Samoa Limited	20.1	22.9	16.8	17.0	20.9	20.8
National Bank of Samoa	15.3	15.7	15.5	15.5	17.2	16.9
Samoa Commercial Bank	19.8	19.2	19.0	19.0	17.3	17.4
<b>Deposit</b>						
Australia New Zealand Bank Samoa	43.2	42.1	44.7	46.0	42.5	44.2
Westpac Bank Samoa Limited	18.9	20.6	18.7	18.2	20.5	19.1
National Bank of Samoa	16.5	16.1	17.8	16.9	16.5	15.9
Samoa Commercial Bank	21.5	21.2	18.8	18.8	20.6	20.9
<b>Non-monetary Financial Institutions</b>						
<b>Weighted Average Lending (WAL)</b>			<b>Percentage</b>			
National Provident Fund (NPF)	10.03	9.76	10.35	7.83	7.75	7.75
Development Bank of Samoa (DBS)	11.96	12.01	4.33	4.32	5.26	5.23
<b>Overall WAL (NPF &amp; DBS)</b>	<b>10.53</b>	<b>10.24</b>	<b>8.61</b>	<b>6.80</b>	<b>6.97</b>	<b>6.96</b>
<b>Quarterly Rates</b>			<b>Mar 14</b>	<b>Jun 14</b>	<b>Sep 14</b>	<b>Dec 14</b>
Samoa Housing Corporation (SHC) (1)	-	-	9.84	10.12	10.55	10.68

Source: Central Bank of Samoa

(1) Samoa Housing Corporation reports on a quarterly basis.

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

© Revised