



## MONETARY SURVEY REPORT MARCH 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.9: 2014/15**

**March 2015**

### Monetary Target

As an intermediate target for monetary policy, total money supply (M2) was 2.9 percent higher than its forecast level for March 2015. Undepinning this increase was a higher than expected level of Government's net position with the monetary system as well as a slightly faster than expected growth in credit by commercial banks.

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

Total money supply (M2) recorded a sharp increase of \$38.30 million to \$834.05 million, attributable to a \$43.61 million jump in net domestic assets. This was due to further increase in commercial bank lending and additional disbursements of the CBS Credit Line Facility. On the other hand, net foreign assets fell by \$5.30 million. On an annual average basis, monetary growth slowed down to 12.7 percent from 14.1 percent in the previous month, but was well above the 3.8 percent growth rate in the same month last year. Additionally, the current level of M2 was 13.0 percent and 13.4 percent higher than its level for March in the last three and five years respectively.

### Credit

Total lending by the financial system<sup>2</sup> increased \$16.23 million (or 1.2 percent) to \$1,380.55 million due to expansions of \$9.55 million and

\$6.68 million in credit by non-monetary financial institutions (NFIs) and commercial banks respectively.

Credit to the private sector dominated total lending at 95.9 percent while those to the public sector accounted for 4.1 percent. Of the private sector credit, 57.1 percent was disbursed to businesses while 42.9 percent were to individuals and households.

By sector, the expansion in total financial system credit reflected increased lending to the 'building, constructions and installation', 'trade', 'other activities' and 'professional business and services' sectors during the month. Total foreign currency loans (FCLs) fell slightly, with its share of total commercial banks' loans decreasing to 16.0 percent from 16.2 percent a month ago.

Nevertheless, the annual average credit growth rate of the financial system accelerated further to 9.4 percent from 8.7 percent last month but was higher than the 3.6 percent in the same month a year ago.

The share of money supply (M2) and total credit to GDP stood at 42.6 percent and 70.2 percent respectively at end December 2014.

<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.

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

Reserve money rose by \$12.24 million to \$246.64 million due to a further increase of \$11.36 million in commercial banks reserves and a \$0.88 million expansion in currency outside banks.

When compared to its levels in the last three and five years respectively, reserve money was 39.1 percent and 31.7 percent higher in that order.

### **Commercial Banks' Liquidity**

Total commercial banks liquidity continued to increase, with another \$15.97 million expansion to \$175.13 million in the month under review. This reflected increases in commercial banks exchange settlement accounts with the Central Bank (up \$11.41 million), banks' vault cash (\$3.98 million) and holdings of CBS Securities (\$0.67 million).

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

The total amount of CBS securities outstanding edged up to \$9.00 million from \$8.33 million a month ago, but was just below the \$10.00 million outstanding twelve months earlier. The composition of CBS securities issued remained at shorter maturities, 14-day and 28-day papers, at weighted average yields of 0.13 percent and 0.16 percent respectively. As a result, the *official interest rate* was stable at 0.14 percent from the previous month but down from 0.16 percent in March 2014.

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

Market interest rates fell in March 2015 with the weighted average deposit (WAD) rate down 13 basis points to 2.63 percent while the weighted average lending (WAL) rate slid by 1 basis point to 9.46 percent. The current levels were also lower than their rates of 3.13 percent and 10.21 percent respectively in March a year ago.

Furthermore, the current WAD rate was higher than 2.45 percent in the past three years but lower than 3.05 percent in the past five years. On the other hand, the WAL rate was below the 9.72 percent and 11.17 percent levels over the same referenced periods.

Despite the drop in interest rate offered on domestic deposits, the total deposits of commercial banks expanded significantly by \$42.07 million to \$725.52 million and contributed to the high level of liquidity.

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

The NFIs overall weighted average lending rate dropped 8 basis points to 6.88 percent but was higher compared to March 2014. The drop in the month under review was underpinned by reductions in WAL rates for both the Samoa National Provident Fund (SNPF) and Development Bank of Samoa. As for Samoa Housing Corporation (SHC)<sup>7</sup> its weighted average lending rate edged up 2 basis points to 10.70 percent for the reviewed quarter from December 2014.

**Central Bank of Samoa  
1 May 2015**

<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

<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, SHC – Samoa Housing Corporation.

<sup>7</sup> Samoa Housing Corporation reports to the Central Bank on quarterly basis and being excluded from the calculation of the NFIs overall weighted average lending rate.

*Monetary Survey Report*  
*March 2015*

**Monetary Survey Aggregates**

End of Period Figures	Current level compares to the previous		2014		2015	
	3-years	5-years	Feb	Mar	Feb	Mar
<b>Monetary Survey Brief</b>	<b>Averages</b>		<b>Amount in Tala Million</b>			
Net Foreign Assets	287.25	304.43	305.60	367.87	151.22	145.92
Net Domestic Assets	450.63	431.02	442.19	449.23	644.52	688.13
<b>Money Supply (M2)</b>	<b><u>737.88</u></b>	<b><u>735.46</u></b>	<b><u>747.79</u></b>	<b><u>817.10</u></b>	<b><u>795.75</u></b>	<b><u>834.05</u></b>
<i>Trend / Annual Average (%)</i>	<u>13.0</u>	<u>13.4</u>	2.4	3.8	14.1	12.7
<b>Narrow Money (M1)</b>	<b>226.88</b>	<b>223.65</b>	<b>250.15</b>	<b>249.96</b>	<b>253.10</b>	<b>280.45</b>
Currency outside banks	54.47	50.28	54.99	53.21	47.676	44.663
Demand deposits	172.41	173.37	195.16	196.75	205.427	235.784
<b>Quasi Money</b>	<b>511.01</b>	<b>511.80</b>	<b>497.63</b>	<b>567.14</b>	<b>542.65</b>	<b>553.60</b>
Savings Deposits	96.10	91.81	103.18	103.91	111.320	114.009
Time Deposits	365.24	381.11	359.08	358.23	366.707	375.729
Foreign Currency Deposits	49.67	38.88	35.37	105.00	64.618	63.866
<b>Central Bank of Samoa</b>						
<b>Open Markets Operations</b>			<b>Maturity Yield</b>			
Securites Official Rate	0.16	0.20	0.15	0.16	0.14	0.14
<b>Reserve Money (2)</b>			<b>Amount in Tala Million</b>			
<b>Total</b>	<b>177.28</b>	<b>187.22</b>	<b>224.26</b>	<b>211.09</b>	<b>234.39</b>	<b>246.64</b>
<i>Trend / Annual Growth (%)</i>	<u>39.12</u>	<u>31.73</u>	3.0	5.4	22.8	21.6
<b>Financial System (FS)</b>						
<b>FS Credit</b>			<b>Amounts in Tala Million</b>			
<b>Commercial Banks</b>	<b>775.51</b>	<b>759.54</b>	<b>769.92</b>	<b>770.01</b>	<b>897.02</b>	<b>903.70</b>
<i>Trend / Annual Growth (%)</i>	<u>16.5</u>	<u>19.0</u>	-1.33	-1.28	7.55	9.06
<b>Non-Monetary Financial Institutions (NFIs)</b>	<b>402.05</b>	<b>383.31</b>	<b>442.45</b>	<b>451.14</b>	<b>467.30</b>	<b>476.85</b>
<i>Trend / Annual Growth (%)</i>	<u>18.6</u>	<u>24.4</u>	12.92	13.66	10.75	9.92
<b>Private Sector</b>	<b>1112.90</b>	<b>1062.00</b>	<b>1160.69</b>	<b>1170.67</b>	<b>1311.65</b>	<b>1324.18</b>
Businesses	604.65	575.86	627.24	634.99	743.27	756.69
Individuals	508.25	486.14	533.45	535.68	568.39	567.49
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>	<b>64.66</b>	<b>80.85</b>	<b>51.68</b>	<b>50.48</b>	<b>52.67</b>	<b>56.37</b>
<b>Total Credit</b>	<b>1177.56</b>	<b>1142.85</b>	<b>1212.37</b>	<b>1221.15</b>	<b>1364.32</b>	<b>1380.55</b>
<i>Trend / Annual Growth (%)</i>	<u>17.2</u>	<u>20.8</u>	3.3	3.6	8.7	9.4
<b>Commercial Banks</b>						
<b>Liquidity</b>			<b>Amounts in Tala Million</b>			
<b>Total</b>	<b>101.03</b>	<b>121.24</b>	<b>148.65</b>	<b>135.02</b>	<b>159.16</b>	<b>175.13</b>
<i>Trend / Annual Growth (%)</i>	<u>73.3</u>	<u>44.5</u>	2.4	8.00	44.0	40.9
<b>Interest Rates</b>			<b>Percentage</b>			
<b>Overall Weighted Average Lending</b>	<b>9.72</b>	<b>11.17</b>	<b>10.20</b>	<b>10.21</b>	<b>9.47</b>	<b>9.46</b>
Australia New Zealand Bank Samoa	9.24	10.62	9.95	9.95	9.33	9.35
Westpac Bank Samoa Limited	9.70	10.54	10.23	10.22	9.50	9.52
National Bank of Samoa	10.11	12.40	10.57	10.71	8.99	8.96
Samoa Commercial Bank	10.43	12.25	10.42	10.49	10.24	10.20
<b>Overall Weighted Average Deposit</b>	<b>2.45</b>	<b>3.05</b>	<b>3.14</b>	<b>3.13</b>	<b>2.76</b>	<b>2.63</b>
Australia New Zealand Bank Samoa	2.00	2.47	2.71	2.72	2.52	2.41
Westpac Bank Samoa Limited	2.33	3.17	2.88	2.68	2.32	2.18
National Bank of Samoa	3.06	3.27	3.62	3.75	3.24	3.09
Samoa Commercial Bank	2.91	4.04	3.99	4.02	3.29	3.21
<b>Market Shares</b>						
<b>Lending</b>						
Australia New Zealand Bank Samoa	45.1	42.7	48.5	48.5	44.9	44.5
Westpac Bank Samoa Limited	20.1	22.7	17.0	17.3	20.8	20.4
National Bank of Samoa	15.3	15.5	15.5	15.2	16.9	17.8
Samoa Commercial Bank	19.5	19.2	19.0	18.9	17.4	17.3
<b>Deposit</b>						
Australia New Zealand Bank Samoa	43.3	42.5	46.0	46.3	44.2	45.9
Westpac Bank Samoa Limited	18.9	20.4	18.2	18.4	19.1	18.8
National Bank of Samoa	16.5	16.0	16.9	16.3	15.9	15.9
Samoa Commercial Bank	21.3	21.1	18.8	19.0	20.9	19.4
<b>Non-monetary Financial Institutions</b>						
<b>Weighted Average Lending (WAL)</b>			<b>Percentage</b>			
National Provident Fund (NPF)	10.06	9.74	7.83	7.69	7.75	7.74
Development Bank of Samoa (DBS)	11.96	12.01	4.32	4.33	5.23	5.10
<b>Overall WAL (NPF &amp; DBS)</b>	<b>10.54</b>	<b>10.24</b>	<b>6.80</b>	<b>6.68</b>	<b>6.96</b>	<b>6.88</b>
<b>Quarterly Rates</b>			<b>Mar 14</b>	<b>Jun 14</b>	<b>Sep14</b>	<b>Mar 15</b>
Samoa Housing Corporation (SHC) (1)	-	-	9.84	10.12	10.55	10.70

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).

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