



MONETARY SURVEY REPORT JULY 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.1: 2015/16

July 2015

Monetary Target

The actual money supply (M2) was 3.2 percent higher than its forecast for July 2015, due to higher than expected increases in both net foreign and domestic assets.

Money Supply¹

Total money supply (M2) expanded substantially by \$31.51 million (or 3.8 percent) to \$867.72 million due to a \$29.70 million increase in net foreign assets (NFA) and a \$1.81 million rise in net domestic assets (NDA). The significant expansion in NFA reflected upward movements in foreign holdings of the Central Bank of Samoa (CBS) and the commercial banks during the month.

Despite its sharp increase in the month under review, the annual average growth of M2 slowed down to 6.9 percent from 8.1 percent in the previous month and 9.9 percent in July last year.

Credit

Total financial system (FS) credit rebounded by \$4.07 million (or 0.3 percent) to \$1,383.54 million. This was underpinned by an increase of 2.0 percent in non-monetary financial institutions (NFIs) credit despite a drop of 0.6 percent in total commercial banks credit.

Of total FS credit, the share of loans directed to the private sector was recorded at 96.1 percent

while those to public sector stood at 3.9 percent. The former was split into 57.7 percent to 'business' sector and 42.3 percent to 'individual and households'.

The decline in commercial banks credit reflected reduction in lending to all sectors except those directed to "transportation, storage and communication" sector.

The total banks' foreign currency loans (FCLs) continued to increase, up by \$1.24 million to \$148.71 million, increasing its share to total commercial bank credit at 16.5 percent from 16.3 percent a month ago.

The annual average growth of FS credit rose further to 11.6 percent from 11.2 percent in the previous month. Similarly, when compared to the last three and five years its current level was also higher by 18.3 percent and 20.8 percent respectively.

The ratio of FS credit and M2 to Gross Domestic Product (GDP) for March 2015 registered at 71.1 percent and 42.9 percent in that order.

Reserve Money²

Total reserve money increased considerably by \$34.71 million to \$296.86 million, underpinned by a \$33.50 million jump in excess reserves, which

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

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

was slightly offset by a \$0.41 million decline in required reserves. Currency in circulation was up by \$1.62 million during the month.

This current level was 49.4 percent and 47.4 percent higher than its level in the last three and five years respectively.

Commercial Banks' Liquidity

Due to an expansion of \$33.50 million in exchange settlement account (ESA), total commercial banks liquidity increased by \$29.43 million to \$216.33 million. This was offset by a decline of \$4.07 million in bank's vault cash while investments in the Central Bank of Samoa securities (CBSS) remained stable at \$12.00 million.

CBSS and Open Market Operation (OMO)³

Given the unchanged level of CBS securities during the month its overall weighted average yield also stayed at 0.14 percent for the third consecutive month. The 14-day and 28-day papers were the only traded securities with yields of 0.13 percent and 0.16 percent respectively.

Commercial Banks' Interest Rates

Market interest rates trended downwards with both the weighted average deposit and lending rates falling by 6 and 5 basis points respectively to 2.34 percent and 9.40 percent in that order. These current levels were lower than their respective rates of 3.01 percent and 10.11 percent in July 2014.

Likewise, the current market rates were also lower than their levels of 2.43 percent and 9.84 percent in the last three years and 2.58 percent and 10.59 percent in the last five years in that order.

NFIs⁴ lending rates

The overall weighted average lending rate⁵ for NFIs increased 7 basis points to 6.80 percent but

was 25 basis points lower than that of July 2014. The current level was much lower than 10.50 percent and 10.18 percent in the last three and five years in that order. The weighted average lending rate for Samoa Housing Corporation⁶ (SHC) rose to 11.14 percent in the June 2015 quarter.

**Central Bank of Samoa
14 September 2015**

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).

⁴Non-monetary Financial Institutions.

⁵For SNPF – Samoa National Provident Fund, DBS – Development Bank of Sāmoa only.

⁶Only reports to CBS on quarterly basis.

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Monetary Survey Aggregates

End of Period Figures	Current level compares to the previous		2014		2015	
	3-years	5-years	Jun	Jul	Jun	Jul
Monetary Survey Brief	Averages		Amount in Tala Million			
Net Foreign Assets	302.72	327.54	383.19	353.24	202.66	174.22
Net Domestic Assets	444.21	420.58	448.43	480.58	633.54	693.50
Money Supply (M2)	746.93	748.12	831.62	833.81	836.21	867.721
<i>Trend / Annual Average (%)</i>	162	16.0	8.3	9.9	8.1	6.9
Narrow Money (M1)	235.79	231.63	263.57	250.74	299.82	322.26
Currency outside banks	51.05	50.84	46.15	46.51	49.470	55.158
Demand deposits	184.74	180.79	217.42	204.24	250.348	267.102
Quasi Money	511.14	516.49	568.05	583.07	536.39	545.46
Savings Deposits	104.38	99.75	106.53	113.56	122.035	125.731
Time Deposits	347.17	371.44	344.89	349.91	357.925	357.185
Foreign Currency Deposits	59.59	45.29	116.63	119.60	56.430	62.545
Central Bank of Samoa						
Open Markets Operations			Maturity Yield			
Securities Official Rate	0.27	0.17	0.18	0.15	0.14	0.14
Reserve Money ²			Amount in Tala Million			
Total	198.70	201.42	221.85	225.41	262.15	296.86
<i>Trend / Annual Growth (%)</i>	49.4	47.4	15.5	19.7	18.3	18.6
Financial System (FS)						
FS Credit			Amounts in Tala Million			
Commercial Banks	759.80	757.93	772.49	775.49	906.92	901.31
<i>Trend / Annual Growth (%)</i>	18.6	18.9	-0.6	-0.2	13.0	14.0
Non-Monetary Financial Institutions (NFIs)	409.51	387.54	449.67	461.01	472.56	482.23
<i>Trend / Annual Growth (%)</i>	17.8	24.4	14.6	14.5	8.1	7.5
Private Sector	1111.33	1070.34	1171.41	1184.09	1323.73	1329.68
Businesses	609.38	582.62	636.39	640.67	766.14	767.23
Individuals	501.95	487.72	535.02	543.42	557.59	562.45
Public Sector (NFIs, NPEs, & Govt)	57.99	75.13	50.75	52.41	55.75	53.86
Total Credit	1169.31	1145.47	1222.16	1236.51	1379.48	1383.54
<i>Trend / Annual Growth (%)</i>	18.3	20.8	4.4	4.7	11.2	11.6
Commercial Banks						
Liquidity			Amounts in Tala Million			
Total	123.88	132.70	152.74	153.64	186.90	216.33
<i>Trend / Annual Growth (%)</i>	74.6	63.0	29.1	37.90	33.2	32.1
Interest Rates			Percentage			
Overall Weighted Average Lending	9.84	10.59	10.28	10.11	9.45	9.40
Australia New Zealand Bank Samoa	9.47	9.95	10.06	9.79	9.32	9.23
Bank South Pacific Samoa Ltd ³	9.80	10.30	10.18	10.13	9.54	9.52
National Bank of Samoa	10.27	11.43	10.81	10.68	8.91	8.90
Samoa Commercial Bank	10.30	11.65	10.50	10.44	10.26	10.24
Overall Weighted Average Deposit	2.43	2.58	3.02	3.01	2.40	2.34
Australia New Zealand Bank Samoa	2.05	1.80	2.45	2.42	2.09	2.00
Bank South Pacific Samoa Ltd ³	2.15	2.93	2.51	2.49	2.05	2.13
National Bank of Samoa	3.23	3.26	4.26	4.23	2.82	2.67
Samoa Commercial Bank	2.84	3.35	3.78	3.84	3.11	3.06
Market Shares						
Lending						
Australia New Zealand Bank Samoa	44.6	42.3	46.7	46.0	44.2	43.2
Westpac Bank Samoa Limited	20.3	22.7	20.1	20.2	20.3	20.6
National Bank of Samoa	15.3	15.4	14.5	14.9	18.4	18.7
Samoa Commercial Bank	19.9	19.6	18.6	18.9	17.1	17.5
Deposit						
Australia New Zealand Bank Samoa	43.3	42.5	46.6	46.1	44.5	43.9
Westpac Bank Samoa Limited	19.8	20.3	17.4	17.3	19.8	20.2
National Bank of Samoa	16.3	16.1	15.8	16.2	15.6	16.1
Samoa Commercial Bank	20.6	21.1	20.3	20.4	20.2	19.9
Non-monetary Financial Institutions						
Weighted Average Lending (WAL)			Percentage			
National Provident Fund (NPF)	10.00	9.66	7.67	7.72	7.69	7.69
Development Bank of Samoa (DBS)	11.96	12.01	4.61	5.58	4.80	4.94
Overall WAL (NPF & DBS)	10.50	10.18	6.70	7.05	6.73	6.80
Quarterly Rates			Mar-14	Jun-14	Mar-15	Jun-15
Samoa Housing Corporation (SHC) ¹	12.01	-	9.84	10.12	10.70	11.14

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).

(3) As of July 13th 2015, Bank South Pacific took over Westpac.

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