



REVIEW OF MONETARY DEVELOPMENTS MARCH 2018

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 and Non-bank financial institutions.

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Monetary Forecast

As an intermediate target for monetary policy, the actual level of money supply (M2) was 0.9 percent lower than its projection for the month. This was due to the unexpected lower level of net domestic assets, given the higher than expected surplus in the net, government position as well as the lower level of total lending to the non-monetary financial institutions and public enterprises.

Money Supply

Total broad money (M2) increased further by \$7.0 million to \$1,060.48 million due to an expansion of \$21.31 million in net foreign assets (NFA), offsetting a drop of \$14.35 million in net domestic assets (NDA). The expansion in the former accounted an increase of \$19.31 million in Central Bank held foreign reserves. On the other hand, the decline in NDA was underpinned by a \$7.90 million decline in the net, government position¹, reductions in total lending to non-bank financial Institutions (NFIs) and public enterprises as well as a drop in 'other items net'.

As a result, the annual average growth rate of M2 increased further to 11.4 percent from 10.7 percent a month ago and 6.2 percent in March 2017.

Credit²

Total Financial System (FS) credit increased further by 0.47 percent (or \$7.81 million) to

\$1,683.51 million for the second consecutive month. The current level underpinned expansions in both lending to commercial banks' (up \$4.21 million) and NFIs (up \$3.61 million).

The bulk of FS credit was directed to the private sector with a share of 96.6 percent while the remaining 3.4 percent was lent to public enterprises.

By industry, the loans' increase was mainly directed to the 'building, construction and installation' and 'trade' sectors.

Despite the increase in March 2018, the annual average growth rate of FS credit dropped to 6.9 percent from 7.6 percent last month and 12.3 percent in March 2017.

According to the latest available national accounts, total Nominal Gross Domestic Products (NGDP) for the year up to December 2017 amounted to \$2,163.45 million. At this level, the ratio of both FS credit and M2 to NGDP were at 77.8 percent and 49.0 percent respectively, compared to their ratios of 75.8 percent and 45.0 percent in that order in December 2016.

Reserve Money³

For March 2018, reserve money (RM) fell by 3.0 percent due to a contraction of \$12.60 million in commercial banks reserves, offsetting an increase of \$3.89 million in currency in circulation. The decrease in

¹ Negative figure denoting Govt. deposits with banks are larger than Govt. loans from the banks including CBS.

² Commercial banks total credit has been revised back to October 2014 due to reclassification issues.

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

commercial banks' reserves reflected a drop of \$12.70 million in excess reserves, outweighing a slight increase of \$0.11 million in required reserves. On the other hand, total RM was \$61.06 million higher than that of March 2017.

The current RM level was 19.7 percent and 31.5 percent higher than its average levels in the last three and five years respectively.

Commercial Banks' Liquidity

Total bank liquidity decreased by \$23.01 million to \$182.89 million. This was due to reductions in all of its components; namely banks' exchange settlement accounts (ESA) (down \$12.70 million), CBS Securities (CBSS) (down \$7.00 million) and vault cash (down \$3.31 million). When compared to March 2017 however, the current level was \$63.65 million higher.

Compared to the last three and five years, total liquidity was 20.6 percent and 46.8 percent higher respectively.

Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)⁴

Total CBSS outstanding fell to \$21.00 million from \$28.00 million in February 2018. Likewise, total securities purchased dropped to \$20.50 million from \$27.00 million; consisting of the 14-day (\$7.50 million), 28-day (\$7.50 million), 56-day (\$2.5 million) and 91-day (\$1.00 million) papers at yields of 0.13 percent, 0.16 percent, 0.18 percent and 0.41 percent respectively.

Given that there were longer term papers, the current official interest rate rose to 0.18 percent from 0.15 percent in February 2018 and 0.14 percent in March 2017.

Commercial Banks' Interest Rates

The weighted average deposit (WAD) rose by 3 basis points to 2.91 percent and was above

2.53 percent in the same month last year. On the other hand, the weighted average lending rate remained at 8.89 percent but higher than 8.68 percent in March 2017.

Compared to the last three and five years respectively, the current WAD rate was higher than 2.63 percent and 2.82 percent for those respective periods. In contrast, latest WAL rate was lower than 9.58 percent and 10.22 percent for those corresponding periods.

NFIs⁵ lending rates

The NFI's overall WAL rate dropped by 1 basis points to 7.22 percent but was 46 basis points lower than its rate in the same month last year. The reduction reflected a 3 basis points decrease to 7.88 percent in SNPF's WAL rate while that for DBS went up 3 basis points to 5.23 percent from the previous month.

Samoa Housing Corporation's (SHC)⁶ WAL rate which recorded a decrease of 12 basis point to 11.76 percent in March 2018 from the previous quarter and 4 basis points lower when compared to the March 2017 quarter.

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⁴Central 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 Non-monetary Financial Institutions. Only reports the main NFIs, Samoa National Provident Fund (SNPF) and Development Bank of Samoa (DBS).

⁶ Only reports on a quarterly basis.

Monetary Aggregates

End of Period Figures	Average level in the previous		2017			2018		
	3-years	5-years	Mar	Feb	Mar			
Determinants of Money Supply (M2) ⁷			Amount in Tala Million					
Net Foreign Assets	135.87	172.50	136.00	292.64	313.95			
Net Domestic Assets	748.79	661.57	793.85	760.87	746.53			
Money Supply (M2)	884.67	834.07	929.853	1053.513	1060.479			
<i>Trend</i> / Annual Average (%)	19.9	27.1	6.2	10.7	11.4			
<i>Narrow Money (M1)</i>	375.37	344.53	391.30	437.02	439.60			
Currency outside banks	55.09	55.65	62.45	66.37	73.57			
Transferable Deposits ⁴	320.28	288.88	328.85	370.65	366.03			
<i>Quasi Money</i>	509.30	489.54	538.55	616.49	620.88			
Other Deposits ⁵	509.30	489.54	538.55	616.49	620.88			
Central Bank of Samoa			Maturity Yield					
<i>Open Markets Operations</i>								
<i>Securities Official Rate</i>	0.14	0.22	0.14	0.15	0.18			
Reserve Money ²			Amount in Tala Million					
Total	238.79	217.48	224.83	294.59	285.89			
<i>Trend</i> / Annual Growth (%)	19.7	31.5	-16.3	22.8	26.0			
Financial System (FS)			Amounts in Tala Million					
<i>FS Credit</i>								
Commercial Banks ⁷	954.58	881.51	1048.97	1061.29	1065.50			
<i>Trend</i> / Annual Growth (%)	11.6	20.8	13.1	6.0	5.2			
Non-Monetary Financial Institutions (NFIs)	524.67	483.03	582.61	614.41	618.02			
<i>Trend</i> / Annual Growth (%)	17.8	28.0	10.7	10.5	9.9			
Private Sector	1430.67	1314.18	1593.19	1617.62	1627.39			
Businesses	831.99	748.82	956.26	945.41	952.78			
Individuals	598.68	565.36	636.92	672.22	674.31			
Public Sector (NFIs, NPEs, & Govt)	48.57	50.71	38.39	58.08	56.42			
Total FS Credit	1479.24	1364.89	1631.58	1675.70	1683.51			
<i>Trend</i> / Annual Growth (%)	14.9	24.3	12.2	7.6	6.9			
Commercial Banks ³			Amounts in Tala Million					
<i>Liquidity</i>								
Total	151.71	133.74	119.24	205.90	182.89			
<i>Trend</i> / Annual Growth (%)	20.5	36.7	-34.7	36.2	44.4			
<i>Interest Rates</i>			Percentage					
Overall Weighted Average Lending ⁷	9.58	10.22	8.70	8.89	8.89			
Australia New Zealand Bank (Samoa) Limited	9.35	9.83	8.84	9.44	9.40			
Bank South Pacific (Samoa) Limited	9.52	10.45	7.54	7.79	7.78			
National Bank of Samoa Limited	9.62	10.29	8.09	7.97	8.02			
Samoa Commercial Bank Limited	10.20	10.84	10.56	10.54	10.55			
Overall Weighted Average Deposit	2.63	2.82	2.53	2.88	2.91			
Australia New Zealand Bank (Samoa) Limited	2.41	2.36	1.68	1.52	1.57			
Bank South Pacific (Samoa) Limited	2.18	2.48	2.62	3.23	3.23			
National Bank of Samoa Limited	3.09	3.49	3.32	3.65	3.76			
Samoa Commercial Bank Limited	3.21	3.42	3.18	3.60	3.56			
<i>Market Shares</i>								
Lending ⁷								
Australia New Zealand Bank (Samoa) Limited	41.77	43.86	35.4	31.1	31.1			
Bank South Pacific (Samoa) Limited	23.03	21.20	25.0	27.2	27.4			
National Bank of Samoa Limited	16.66	16.07	20.1	21.6	21.5			
Samoa Commercial Bank Limited	18.53	18.87	19.5	20.1	20.1			
Deposit								
Australia New Zealand Bank (Samoa) Limited	39.85	41.91	36.2	29.7	29.7			
Bank South Pacific (Samoa) Limited	22.75	20.64	25.1	29.0	30.2			
National Bank of Samoa Limited	17.30	17.11	19.5	22.0	20.7			
Samoa Commercial Bank Limited	20.09	20.34	19.2	19.2	19.4			
Non-monetary Financial Institutions			Percentage					
Weighted Average Lending (WAL)								
Samoa National Provident Fund (SNPF) ⁶	7.74	10.19	8.33	7.91	7.88			
Development Bank of Samoa (DBS)	5.10	7.38	5.92	5.20	5.23			
Overall WAL (NPF & DBS) ⁶	6.88	9.46	7.68	7.23	7.22			
Quarterly Rates			Mar-17	Dec-17	Mar-18			
Samoa Housing Corporation (SHC) ¹	10.70	11.32	11.8	11.88	11.76			

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.

(4) Comprised of demand deposits, foreign currency deposits of residents, and interest payable on these deposits.

(5) Comprised of time deposits, savings deposits, and the interest payable on these deposits.

(6) Historical Series for SNPF and overall WAL rate has been revised to reflect the reclassification of personal and short term loans to their appropriate rates (effective April 2017).

(7) Changes back to June 2016 under Financial System Credit section due to revised figures from the commercial banks