



REVIEW OF MONETARY DEVELOPMENTS

May 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

The actual level of money supply (M2) was 0.3 percent lower than its projected level for the month. This was higher than expected than the surplus¹ in the net, government position as well as a drop in lending to non-banks and public enterprises.

Money Supply

Total broad money (M2) rose further by \$14.84 million (or 1.4 percent) to \$1,087.12 million in May 2018. Underpinning the increase was a huge jump in net foreign assets (NFA) of \$30.59 million despite a drop of \$14.85 million in net domestic assets (NDA). The substantial expansion in the former was dominated by a significant increase in Central Bank held foreign reserves whereas the decline in the latter reflected a surplus in the net, government position (in light of large inflow of government budget support funds) as well as a drop in total credit to the non-monetary financial institutions and public enterprises.

As a result, the annual average growth rate of M2 accelerated to 12.1 percent from 11.8 percent in the previous month and 6.5 percent in the same month last year

Credit

For the fourth month in a row, the total Financial System (FS) credit increased by \$7.71 million (or 0.7 percent) to \$1,075.68 million. The expansion was due to increases in total lending of the commercial banks (up \$7.71

million) to \$1,075.68 million and non-banks (up \$0.56 million) to \$619.05 million.

At this level, 96.7 percent of FS credit was directed to the private sector while the 3.3 percent was lent to non-banks and public enterprises. The bulk of the increase was lent to both the 'building, construction and installation' and 'professional and business services' sectors.

Despite the rise in FS credit, its annual average growth rate decelerated to 5.8 percent from 6.3 percent a month ago and 12.0 percent in the same month a year ago

The latest update for national accounts is up to the December 2017 quarter, which shows an annual total for Nominal Gross Domestic Products (NGDP) at \$2,163.45 million. At this level, the ratios of FS credit and M2 to NGDP improved to 77.8 percent and 49.0 percent respectively, compared to their levels of 75.8 percent and 45.0 percent respectively in December 2016.

Reserve Money²

May 2018 saw the total reserve money jumped by \$30.51 million to \$322.98 million, due mainly to expansions of \$20.17 million and \$10.93 million in commercial banks reserves (which comprises of excess reserves and required reserves) and currency in circulation respectively.

¹ It has a contractionary effect on money supply (M2).

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

At this level, it was 36.95 percent and 45.80 percent higher than its levels in the last three and five years ago.

Commercial Banks' Liquidity

Likewise, the bank liquidity continued to expand, highlighted by an increase of \$20.17 million in exchange settlement account and a marginal increase of vault cash (up \$0.85 million) while CBS securities edged down by \$1.00 million in the month under review. At this level, it was also \$90.34 million higher than in the same month last year.

The current high level of bank liquidity was also 56.01 percent and 68.40 percent over the last three and five years respectively.

Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)³

Total CBS securities issued dropped to \$18.00 million from \$23.50 million in the previous month. At this level, the 14-day (\$6.00 million) and 28-day papers (\$9.00 million) were purchased at yields of 0.13 percent and 0.16 percent respectively, while the 56-day paper (\$3.00 million) was tendered at 0.18 percent. As a result, the total value of outstanding securities edged down to \$20.50 million from \$21.50 million a month ago.

Consequently, the overall weighted average yield (official rate) remained at 0.15 percent as in the previous period but 1 basis point lower than that of May last year.

Commercial Banks' Interest Rates

The reviewed month saw a mixed performance in interest rates as the weighted average deposit (WAD) rate dropped 10 basis point to 2.74 percent but was 3 basis points higher than in the same month last year. However, the weighted average lending (WAL) rate picked up by 4 basis points to 8.89 percent or 27 basis

points higher than in May 2017. As a result, the weighted average interest rate margin grew by 13 basis points to 6.15 percent, which was also higher than 5.91 percent in May last year.

The current WAD rate was higher than 2.47 percent over the past three years but was lower than 2.91 percent in the last five years. As for the WAL rate, it was lower than 9.55 percent and 10.21 percent for those respective periods.

NFIs⁴ lending rates

The overall WAL rate for NFIs picked up 3 basis points to 7.21 percent from 7.18 percent in the previous month and 7.55 percent in the same month last year. This was underpinned by an increase of 8 basis points in the DBS WAL rate while that for SNPF remained at 7.85 percent as in the previous month.

Samoa Housing Corporation's (SHC)⁵ WAL rate declined by 12 basis points to 11.76 percent in the March 2018 quarter over the previous quarter and was also 4 basis points lower when compared to the March 2017 quarter.

**Central Bank of Samoa
5 July 2018**

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).

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

⁵ Only reports on a quarterly basis.

Monetary Aggregates

End of Period Figures	Average level in the previous		2017			2018		
	3-years	5-years	May	Apr	May			
Determinants of Money Supply (M2) ⁷			Amount in Tala Million					
Net Foreign Assets	140.44	178.99	163.12	323.69	354.28			
Net Domestic Assets	760.71	669.45	804.27	748.59	732.84			
Money Supply (M2)	901.14	848.44	967.377	1072.272	1087.117			
<i>Trend / Annual Average (%)</i>	20.6	28.1	6.5	118	2.1			
<i>Narrow Money (M1)</i>	379.04	351.51	408.15	440.67	468.62			
Currency outside banks	60.22	60.80	66.27	65.17	75.25			
Transferable Deposits ⁴	318.82	290.70	341.89	375.51	393.37			
<i>Quasi Money</i>	522.10	496.93	559.22	631.60	618.50			
Other Deposits ⁵	522.10	496.93	559.22	631.60	618.50			
Central Bank of Samoa			Maturity Yield					
Open Markets Operations			0.14	0.15	0.15			
Securities Official Rate	0.14	0.34	0.14	0.15	0.15			
Reserve Money ²			Amount in Tala Million					
Total	235.83	221.52	238.33	292.47	322.98			
<i>Trend / Annual Growth (%)</i>	37.0	45.8	-13.2	28.4	30.3			
Financial System (FS)			Amounts in Tala Million					
FS Credit								
Commercial Banks ⁷	968.73	886.50	1061.47	1067.98	1075.68			
<i>Trend / Annual Growth (%)</i>	11.0	21.3	2.7	4.5	3.9			
Non-Monetary Financial Institutions (NFIs)	531.10	486.62	576.11	618.50	619.05			
<i>Trend / Annual Growth (%)</i>	16.6	27.2	10.7	9.4	9.4			
Private Sector	1451.05	1322.96	1599.20	1630.73	1638.98			
Businesses	851.38	758.70	974.64	956.38	950.19			
Individuals	599.67	564.26	624.57	674.35	688.79			
Public Sector (NFIs, NPEs, & Govt)	48.78	50.51	38.37	55.75	55.76			
Total FS Credit	1499.83	1373.46	1637.58	1686.48	1694.74			
<i>Trend / Annual Growth (%)</i>	13.0	23.4	2.0	6.3	5.8			
Commercial Banks ³			Amounts in Tala Million					
Liquidity								
Total	140.30	129.99	128.55	198.88	218.89			
<i>Trend / Annual Growth (%)</i>	56.0	68.4	-30.8	50.7	55.3			
Interest Rates			Percentage					
Overall Weighted Average Lending ⁷	9.55	10.21	8.64	8.85	8.89			
Australia New Zealand Bank (Samoa) Limited	9.32	9.86	8.72	9.38	9.40			
Bank South Pacific (Samoa) Limited	9.53	10.41	7.59	7.77	7.76			
National Bank of Samoa Limited	9.62	10.29	7.92	8.00	8.05			
Samoa Commercial Bank Limited	10.08	10.73	10.56	10.43	10.56			
Overall Weighted Average Deposit	2.47	2.91	2.71	2.84	2.74			
Australia New Zealand Bank (Samoa) Limited	2.19	2.56	1.47	1.59	1.42			
Bank South Pacific (Samoa) Limited	2.06	2.74	3.17	3.10	2.77			
National Bank of Samoa Limited	2.87	3.38	3.71	3.60	3.77			
Samoa Commercial Bank Limited	3.14	3.41	3.23	3.54	3.60			
Market Shares								
Lending ⁷								
Australia New Zealand Bank (Samoa) Limited	41.25	43.36	34.9	31.0	30.7			
Bank South Pacific (Samoa) Limited	22.79	21.31	25.0	27.2	27.4			
National Bank of Samoa Limited	16.97	16.17	20.5	21.8	21.9			
Samoa Commercial Bank Limited	18.99	19.16	19.6	20.1	20.0			
Deposit								
Australia New Zealand Bank (Samoa) Limited	38.83	41.98	34.0	30.2	29.0			
Bank South Pacific (Samoa) Limited	23.30	20.66	26.9	28.7	31.9			
National Bank of Samoa Limited	17.60	17.21	19.9	21.6	19.2			
Samoa Commercial Bank Limited	20.30	20.17	19.2	19.5	20.0			
Non-monetary Financial Institutions			Percentage					
Weighted Average Lending (WAL)								
Samoa National Provident Fund (SNPF) ⁶	7.73	10.27	8.16	7.85	7.85			
Development Bank of Samoa (DBS)	4.93	7.38	5.92	5.18	5.26			
Overall WAL (NPF & DBS) ⁶	6.81	9.50	7.55	7.18	7.21			
Quarterly Rates								
Samoa Housing Corporation (SHC) ¹	10.70	11.32	11.80	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