



## REVIEW OF MONETARY DEVELOPMENTS

### June 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) in June 2018 was 3.4 percent higher than its projected level. This increase reflected higher than expected actual level of net foreign assets (CBS and commercial banks holdings) over its forecast.

#### Money Supply

Total broad money (M2) increased by \$37.32 million (or 3.4 percent) to \$1,124.44 million for the fifth consecutive month due to expansions in both net foreign assets (NFA) million and net domestic assets (NDA) by \$21.53 million and \$15.79 million respectively. The increase in NFA reflected a huge expansion in foreign holdings of the banking system during the month while the increase in NDA reflected an expansion in the government net position with the monetary system coupled with an increase in net credit to non-monetary financial institutions.

As a result, the annual average growth rate of M2 increased to 12.8 percent from 12.1 percent in the previous month and 6.6 percent in June 2017.

#### Credit

The total Financial System (FS) credit fell by \$11.64 million (or 0.7 percent) to \$1,683.10 million in June 2018. This reduction was due to contractions in total lending of the commercial banks (down \$10.95 million) to \$1,064.74 million and non-banks (down \$0.69 million) to \$618.36 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.

By industry, the drop in FS credit was due to reductions in lending directed to "Trade", "Transportation, storage and communication" and "other activities" sectors.

Consequently, the annual average growth rate declined to 5.4 percent from 5.8 percent in the previous month and 11.7 percent in the same month a year ago.

The latest update for national accounts is up to the March 2018 quarter, which shows an annual total for Nominal Gross Domestic Products (NGDP) at \$2,172.44 million. At this level, the ratios of FS credit and M2 to NGDP improved to 77.5 percent and 51.8 percent respectively, compared to their previous March 2017 levels of 76.5 percent and 45.3 percent respectively.

#### Reserve Money<sup>1</sup>

Total reserve money (RM) fell by \$2.68 million to \$320.30 million which was underpinned by decreases of \$2.42 million in "currency in circulation" and \$0.25 million in "commercial banks reserves" from the previous month. The reduction in commercial bank's reserves was due to a decrease of \$0.61 million in excess reserves while required reserves went up by \$0.35 million.

<sup>1</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

At this level, it was 30.81 percent and 41.67 percent higher than its levels in the last three and five years.

### **Commercial Banks' Liquidity**

Total commercial banks' liquidity increased slightly by \$0.01 million to \$218.90 million. This was due entirely to an increase by \$3.00 million in CBS Securities (CBSS) despite reductions of \$2.39 million in vault cash and \$0.61 million in banks' exchange settlement accounts (ESA).

As a result, the current level of total liquidity was 46.85 percent and 59.30 percent higher than its average levels in the last three and five years respectively.

### **Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)<sup>2</sup>**

Total value of outstanding securities increased to \$23.50 million from \$20.50 million in the previous month. Similarly, total CBS securities issued rose to \$24.50 million from \$18.00 million in May where the 14-day (\$7.00 million), 28-day (\$9.50 million), 56-day (\$7.00 million) and 91-day (\$1.00 million) papers were purchased at yields of 0.13 percent, 0.16 percent, 0.18 percent and 0.41 percent respectively.

As a result, the overall weighted average yield (official rate) went up to 0.17 percent from 0.15 percent the previous month and higher than 0.14 percent in June 2017.

### **Commercial Banks' Interest Rates**

On commercial bank interest rates, the overall weighted average deposit (WAD) rate fell by 4 basis points to 2.70 percent but remained the same as of June of last year. On the other hand, the weighted average lending (WAL) rate (or the cost of borrowing) increased by 9 basis points to 8.98 percent from the previous

month, and 32 basis points higher compared to June 2017.

As a result, the weighted average interest margin widened to 6.28 percent from the previous month and higher than its margin of 5.95 percent in the same month last year.

The current WAD rate was higher than 2.40 percent over the past three years but was lower than 2.83 percent in the last five years. In contrast, the WAL rate was lower than 9.57 percent and 10.17 percent in the last three and five years respectively.

### **NFIs<sup>3</sup> lending rates**

The overall WAL rate for NFIs increased slightly by 1 basis points to 7.22 percent from 7.21 percent in the previous month and 7.58 percent in the same month last year. This was due to increases of 2 basis points in the DBS WAL rate and 1 basis points for SNPF WAL rate.

The Samoa Housing Corporation's (SHC) WAL rate fell 12 basis points to 11.76 percent in the March 2018 quarter and was 4 basis points lower than 11.80 percent recorded in March 2017 quarter.

**Central Bank of Samoa**  
**10 August 2018**

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<sup>2</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).

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<sup>3</sup> Non-monetary Financial Institutions. Only reports the main NFIs, Samoa National Provident Fund (SNPF) and Development Bank of Samoa (DBS).

**Monetary Aggregates**

End of Period Figures	Average level in the previous		2017			2018		
	3-years	5-years	June	May	June	June	June	
<b>Determinants of Money Supply (M 2) <sup>7</sup></b>			<b>Amount in Tala Million</b>					
Net Foreign Assets	176.65	202.21	199.26	354.28	375.81			
Net Domestic Assets	722.25	643.53	765.97	732.84	748.63			
<b>Money Supply (M 2)</b>	<b>898.91</b>	<b>845.74</b>	<b>965.224</b>	<b>1087.117</b>	<b>1124.437</b>			
<i>Trend / Annual Average (%)</i>	20.6	28.1	6.6	2.1	2.8			
<i>Narrow Money (M 1)</i>	385.33	359.11	405.50	468.62	499.29			
Currency outside banks	59.32	56.99	67.03	75.25	75.22			
Transferable Deposits <sup>4</sup>	326.01	302.12	338.47	393.37	424.08			
<i>Quasi Money</i>	513.58	486.63	559.72	618.50	625.14			
Other Deposits <sup>5</sup>	513.58	486.63	559.72	618.50	625.14			
<b>Central Bank of Samoa</b>			<b>Maturity Yield</b>					
<b>Open Markets Operations</b>			<b>Amount in Tala Million</b>					
<i>Securites Official Rate</i>	0.14	0.16	0.14	0.15	0.17			
<b>Reserve Money <sup>2</sup></b>			<b>Amount in Tala Million</b>					
<b>Total</b>	<b>244.86</b>	<b>226.10</b>	<b>256.54</b>	<b>322.98</b>	<b>320.30</b>			
<i>Trend / Annual Growth (%)</i>	30.8	41.7	-10.5	30.3	30.6			
<b>Financial System (FS)</b>			<b>Amounts in Tala Million</b>					
<b>FS Credit</b>			<b>Amounts in Tala Million</b>					
<b>Commercial Banks <sup>7</sup></b>	<b>966.78</b>	<b>886.17</b>	<b>1046.88</b>	<b>1075.68</b>	<b>1064.74</b>			
<i>Trend / Annual Growth (%)</i>	10.1	20.1	2.1	3.9	3.5			
<b>Non-Monetary Financial Institutions (NFIs)</b>	<b>524.25</b>	<b>483.64</b>	<b>583.15</b>	<b>619.05</b>	<b>618.36</b>			
<i>Trend / Annual Growth (%)</i>	18.0	27.9	11.0	9.4	8.8			
<b>Private Sector</b>	<b>1445.22</b>	<b>1320.83</b>	<b>1598.98</b>	<b>1638.98</b>	<b>1627.99</b>			
Businesses	861.65	765.92	978.12	950.19	936.48			
Individuals	583.57	554.92	620.86	688.79	691.51			
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>	<b>45.80</b>	<b>49.30</b>	<b>31.04</b>	<b>55.76</b>	<b>55.11</b>			
<b>Total FS Credit</b>	<b>1491.02</b>	<b>1370.13</b>	<b>1630.02</b>	<b>1694.74</b>	<b>1683.10</b>			
<i>Trend / Annual Growth (%)</i>	2.9	22.9	11.7	5.8	5.4			
<b>Commercial Banks <sup>3</sup></b>			<b>Amounts in Tala Million</b>					
<b>Liquidity</b>			<b>Amounts in Tala Million</b>					
<b>Total</b>	<b>149.06</b>	<b>137.41</b>	<b>145.85</b>	<b>218.89</b>	<b>218.90</b>			
<i>Trend / Annual Growth (%)</i>	46.8	59.3	-26.8	55.3	56.9			
<b>Interest Rates</b>			<b>Percentage</b>					
<b>Overall Weighted Average Lending <sup>7</sup></b>	<b>9.57</b>	<b>10.17</b>	<b>8.64</b>	<b>8.89</b>	<b>8.98</b>			
Australia New Zealand Bank (Sāmoa) Limited	9.32	9.84	8.76	9.40	9.79			
Bank South Pacific (Sāmoa) Limited	9.54	10.25	7.59	7.76	7.80			
National Bank of Sāmoa Limited	9.57	10.32	7.94	8.05	7.92			
Samoa Commercial Bank Limited	10.26	10.74	10.55	10.56	10.56			
<b>Overall Weighted Average Deposit</b>	<b>2.40</b>	<b>2.83</b>	<b>2.70</b>	<b>2.74</b>	<b>2.70</b>			
Australia New Zealand Bank (Sāmoa) Limited	2.09	2.54	1.53	1.42	1.50			
Bank South Pacific (Sāmoa) Limited	2.05	2.49	3.29	2.77	2.69			
National Bank of Sāmoa Limited	2.82	3.26	3.28	3.77	3.60			
Samoa Commercial Bank Limited	3.11	3.39	3.24	3.60	3.57			
<b>Market Shares</b>			<b>Percentage</b>					
<b>Lending <sup>7</sup></b>			<b>Percentage</b>					
Australia New Zealand Bank (Sāmoa) Limited	41.10	43.16	34.9	30.7	30.0			
Bank South Pacific (Sāmoa) Limited	23.08	21.63	25.3	27.4	27.5			
National Bank of Sāmoa Limited	16.91	16.11	20.0	21.9	22.4			
Samoa Commercial Bank Limited	18.92	19.11	19.8	20.0	20.1			
<b>Deposit</b>			<b>Percentage</b>					
Australia New Zealand Bank (Sāmoa) Limited	38.04	40.81	33.0	29.0	29.1			
Bank South Pacific (Sāmoa) Limited	24.54	21.98	28.7	31.9	31.3			
National Bank of Sāmoa Limited	17.23	16.88	19.1	19.2	19.5			
Samoa Commercial Bank Limited	20.27	20.36	19.3	20.0	20.1			
<b>Non-monetary Financial Institutions</b>			<b>Percentage</b>					
<b>Weighted Average Lending (WAL)</b>			<b>Percentage</b>					
Sāmoa National Provident Fund (SNPF) <sup>6</sup>	7.69	10.27	8.18	7.85	7.86			
Development Bank of Samoa (DBS)	4.80	7.38	5.95	5.26	5.28			
<b>Overall WAL (NPF &amp; DBS) <sup>6</sup></b>	<b>6.73</b>	<b>9.50</b>	<b>7.58</b>	<b>7.21</b>	<b>7.22</b>			
<b>Quarterly Rates</b>	<b>Mar-15</b>	<b>Mar-13</b>	<b>Mar-17</b>	<b>Dec-17</b>	<b>Mar-18</b>			
Samoa Housing Corporation (SHC) <sup>1</sup>	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