



## REVIEW OF MONETARY DEVELOPMENTS

### July 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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July 2018

#### Monetary Forecast

As an intermediate target for monetary policy, the actual level of money supply (M2) was 0.4 percent higher than its forecast for July 2018. This increase reflected higher than expected levels of Central Bank of Samoa (CBS) and commercial banks' foreign assets holdings.

#### Money Supply

Total broad money (M2) recorded an expansion of \$7.72 million (or 0.7 percent) to \$1,132.16 million. This monthly increase was due to a notable increase of \$32.18 million in net foreign assets (NFA), offsetting the decline of \$24.46 million in net domestic assets. The hike in NFA reflected further expansions in foreign holdings of the CBS and the commercial banks during the month. On the other hand, the decline in NDA was due to a surplus in the net government position with the monetary system.

As a result, the annual average growth rate of M2 for the first month of the financial year rose to 13.4 percent from 12.8 percent in the previous month and 6.8 percent in July 2017.

#### Credit

The total monthly credit of the Financial System (FS) credit grew by \$17.95 million (or 1.07 percent) to \$1,701.06 million. The expansion in FS credit was due to increases of \$13.66 million and \$4.30 million in total monthly lending of NFIs and commercial banks respectively.

At this level, the hike in total FS credit was mainly to the private sector at 96.7 percent to

total FS credit while the remaining 3.3 percent was to Non-bank Financial Institutions and public enterprises.

By industry, the bulk of the lending was mainly directed to "Professional and business services", "building constructions and installation" and "manufacturing" industries.

Despite this monthly increase, the annual average growth of the FS Credit slowed down to 4.9 percent from 5.4 percent in the previous month and way below 11.6 percent in July last year.

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 rebounded \$12.24 million (or 3.8 percent) to \$332.54 million on the back of increases in commercial banks' reserves (up \$7.00 million) and currency in circulation (up \$5.25 million). The growth in commercial banks' reserves was due to gains in both excess reserves and required reserves.

<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

In addition, total reserve money was 25.05 percent and 38.69 percent higher when compared to its level in the last three and five years respectively.

### **Commercial Banks' Liquidity**

Similarly, total commercial banks' liquidity also increased by \$17.75 million (or 8.1 percent) to \$236.65 million. This was mainly due to expansions in all of its components, namely commercial banks' exchange settlement accounts (ESA) (up \$6.16 million), commercial banks' holdings of both CBS Securities (up \$6.00 million) and vault cash (up \$5.59 million).

As a result, the current level of total liquidity was 40.67 percent and 57.23 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>**

Given the abundant level of bank liquidity, the commercial banks (only OMO participants) increased their holdings of CBS securities to \$29.50 million from \$20.50 million in the previous month. In terms of maturities, the 14-day (\$6.00 million), 28-day (\$11.00 million), 56-day (\$7.50 million) and 91-day (\$5.00 million) papers were purchased at yields of 0.13 percent, 0.16 percent, 0.18 percent and 0.41 percent in that order.

As a result, the overall weighted average yield (official rate) went up 2 basis points to 0.19 percent from the previous month and 0.14 percent in July 2017.

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

The overall weighted average deposit (WAD) rate fell further by 5 basis points to 2.65 percent but was 12 basis points higher than that of the same month last year. On the other hand, the weighted average lending (WAL) rate

edged up 1 basis point to 8.99 percent or 29 basis points higher than its rate in July last year.

Consequently, the weighted average interest rates margin widened to 6.34 percent from 6.28 percent in the previous month and 6.17 percent in the same month last year.

The current WAD rate was higher than 2.34 percent in the last three years but was lower than 2.83 percent in the past five years. In contrast, the WAL rate was lower than 9.52 percent and 10.21 percent for those respective periods.

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

The overall weighted average (WAL) lending rate for NFIs rose by 4 basis points to 7.26 percent. This was due to a hike of 3 basis points in the Samoa National Provident Fund (SNPF) lending rate to 7.89 percent whilst that for Development Bank of Samoa (DBS) remained at 5.28 percent during the month.

The latest quarterly update for Samoa Housing Corporation's (SHC) saw its WAL rate climb 12 basis points to 11.88 percent in the June 2018 quarter, which was also slightly higher by 1 basis point over the same quarter last year.

## **Central Bank of Samoa 04 September 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	July	June	July	June	July	
<b>Determinants of Money Supply (M2) <sup>7</sup></b>	<b>Amount in Tala Million</b>							
Net Foreign Assets	199.08	211.32	221.16	375.81	407.98	221.16	375.81	
Net Domestic Assets	723.28	650.26	764.94	748.63	724.17	764.94	748.63	
<b>Money Supply (M2)</b>	<b>922.35</b>	<b>861.58</b>	<b>986.099</b>	<b>1124.437</b>	<b>1132.156</b>	<b>986.099</b>	<b>1124.437</b>	
<i>Trend / Annual Average (%)</i>	22.7	31.4	6.8	2.8	13.4	6.8	2.8	
<i>Narrow Money (M1)</i>	407.57	371.96	420.83	499.29	493.10	420.83	499.29	
Currency outside banks	62.11	58.12	66.01	75.22	74.87	66.01	75.22	
Transferable Deposits <sup>4</sup>	345.46	313.84	354.83	424.08	418.23	354.83	424.08	
Quasi Money	514.78	489.62	565.27	625.14	639.06	565.27	625.14	
Other Deposits <sup>5</sup>	514.78	489.62	565.27	625.14	639.06	565.27	625.14	
<b>Central Bank of Samoa</b>	<b>Maturity Yield</b>							
<b>Open Markets Operations</b>	<b>Amount in Tala Million</b>							
Securities Official Rate	0.14	0.27	0.14	0.17	0.19	0.14	0.17	
<b>Reserve Money <sup>2</sup></b>	<b>Amount in Tala Million</b>							
<b>Total</b>	<b>265.93</b>	<b>239.78</b>	<b>266.89</b>	<b>320.30</b>	<b>332.54</b>	<b>266.89</b>	<b>320.30</b>	
<i>Trend / Annual Growth (%)</i>	25.0	38.7	-7.6	30.6	31.5	-7.6	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>958.84</b>	<b>879.98</b>	<b>1043.35</b>	<b>1064.74</b>	<b>1069.04</b>	<b>1043.35</b>	<b>1064.74</b>	
<i>Trend / Annual Growth (%)</i>	115	21.4	118	3.5	3.1	115	21.4	
<b>Non-Monetary Financial Institutions (NFIs)</b>	<b>535.17</b>	<b>495.03</b>	<b>594.91</b>	<b>618.36</b>	<b>632.02</b>	<b>594.91</b>	<b>618.36</b>	
<i>Trend / Annual Growth (%)</i>	13.1	27.7	112	8.8	8.3	13.1	27.7	
<b>Private Sector</b>	<b>1453.25</b>	<b>1329.78</b>	<b>1605.81</b>	<b>1627.99</b>	<b>1645.13</b>	<b>1605.81</b>	<b>1627.99</b>	
Businesses	861.65	765.92	963.83	936.48	950.48	861.65	765.92	
Individuals	583.57	554.92	641.98	691.51	694.66	583.57	554.92	
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>	<b>40.75</b>	<b>45.51</b>	<b>32.45</b>	<b>55.11</b>	<b>55.93</b>	<b>40.75</b>	<b>45.51</b>	
<b>Total FS Credit</b>	<b>1494.00</b>	<b>1375.29</b>	<b>1638.26</b>	<b>1683.10</b>	<b>1701.06</b>	<b>1638.26</b>	<b>1683.10</b>	
<i>Trend / Annual Growth (%)</i>	13.9	23.7	116	5.4	4.9	13.9	23.7	
<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>168.22</b>	<b>150.51</b>	<b>157.32</b>	<b>218.90</b>	<b>236.65</b>	<b>157.32</b>	<b>218.90</b>	
<i>Trend / Annual Growth (%)</i>	40.7	57.2	-22.2	56.9	59.4	40.7	57.2	
<b>Interest Rates</b>	<b>Percentage</b>							
<b>Overall Weighted Average Lending <sup>7</sup></b>	<b>9.52</b>	<b>10.21</b>	<b>8.70</b>	<b>8.98</b>	<b>8.99</b>	<b>9.52</b>	<b>10.21</b>	
Australia New Zealand Bank (Samoa) Limited	9.23	9.87	8.71	9.79	9.83	9.23	9.87	
Bank South Pacific (Samoa) Limited	9.52	10.26	7.65	7.80	7.85	9.52	10.26	
National Bank of Samoa Limited	9.54	10.36	8.20	7.92	7.94	9.54	10.36	
Samoa Commercial Bank Limited	10.24	10.84	10.53	10.56	10.53	10.24	10.84	
<b>Overall Weighted Average Deposit</b>	<b>2.34</b>	<b>2.83</b>	<b>2.53</b>	<b>2.70</b>	<b>2.65</b>	<b>2.34</b>	<b>2.83</b>	
Australia New Zealand Bank (Samoa) Limited	2.00	2.49	1.48	1.50	1.45	2.00	2.49	
Bank South Pacific (Samoa) Limited	2.13	2.73	2.83	2.69	2.68	2.13	2.73	
National Bank of Samoa Limited	2.67	3.26	3.12	3.60	3.55	2.67	3.26	
Samoa Commercial Bank Limited	3.06	3.31	3.29	3.57	3.46	3.06	3.31	
<b>Market Shares</b>	<b>Percentage</b>							
<b>Lending <sup>7</sup></b>	<b>Percentage</b>							
Australia New Zealand Bank (Samoa) Limited	40.23	42.56	34.6	30.0	29.5	40.23	42.56	
Bank South Pacific (Samoa) Limited	23.28	21.76	25.6	27.5	28.4	23.28	21.76	
National Bank of Samoa Limited	17.27	16.41	19.9	22.4	22.1	17.27	16.41	
Samoa Commercial Bank Limited	19.22	19.27	19.8	20.1	20.1	19.22	19.27	
<b>Deposit</b>	<b>Percentage</b>							
Australia New Zealand Bank (Samoa) Limited	38.82	41.40	32.9	29.1	29.5	38.82	41.40	
Bank South Pacific (Samoa) Limited	24.26	21.73	28.2	31.3	30.4	24.26	21.73	
National Bank of Samoa Limited	17.42	17.03	19.8	19.5	19.7	17.42	17.03	
Samoa Commercial Bank Limited	19.53	19.86	19.2	20.1	20.4	19.53	19.86	
<b>Non-monetary Financial Institutions</b>	<b>Percentage</b>							
<b>Weighted Average Lending (WAL)</b>	<b>Percentage</b>							
Samoa National Provident Fund (SNPF) <sup>6</sup>	7.69	10.26	8.21	7.86	7.89	7.69	10.26	
Development Bank of Samoa (DBS)	4.94	7.38	5.93	5.28	5.28	4.94	7.38	
<b>Overall WAL (NPF &amp; DBS) <sup>6</sup></b>	<b>6.80</b>	<b>9.46</b>	<b>7.61</b>	<b>7.22</b>	<b>7.26</b>	<b>6.80</b>	<b>9.46</b>	
<b>Quarterly Rates</b>	<b>Jun-15</b>	<b>Jun-13</b>	<b>Jun-17</b>	<b>Mar-18</b>	<b>Jun-18</b>	<b>Jun-15</b>	<b>Jun-13</b>	
Samoa Housing Corporation (SHC) <sup>1</sup>	11.14	10.31	11.87	11.76	11.88	11.14	10.31	

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