



REVIEW OF MONETARY DEVELOPMENTS NOVEMBER 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, Non-bank financial institutions and Samoa Bureau of Statistics.

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Monetary Forecast

Broad money supply (M2) was 9.2 percent higher than its forecast level¹. This was due to higher than expected levels of 'Central Bank's foreign holdings' and lending to the 'private sector and non-monetary financial institutions'.

Money Supply (M2)

Total broad money rose further by \$22.21 million (or 1.9 percent) to \$1,174.25 million for the tenth months in a row. Highlighting this increase were expansions in net foreign assets (NFA) (up \$12.62 million) and net domestic assets (NDA) (up \$9.59 million). The hike in the former was due to an increase in Central Bank official reserves while the latter was underpinned by a gain in credit to the private sector and non-monetary financial institutions coupled with a slight deficit in net, government position with the monetary system.

Despite the increase, the annual average growth rate of M2 fell to 12.5 percent from 13.0 percent in the previous month but higher than 9.5 percent in the same month last year.

Credit²

Total financial system (FS) credit³ to the private sector and public institutions also increased by \$14.72 million (or 0.8 percent) to \$1,815.88

million. This expansion saw both commercial banks and non-bank financial institutions' total lending increased respectively by \$6.67 million (to \$1,115.67 million) and \$8.05 million (to \$700.21 million).

The bulk of FS credit was directed to the private sector with a share of 97.0 percent while the rest was lent to the public and non-bank financial institutions.

In addition, most of the increase in total lending was directed to the "Professional and business services", "Building, construction and installation" and "Trade" industries.

As a result, the annual average growth of FS credit edged up to 4.8 percent from 4.7 percent in the previous month but lower than 10.1 percent in the previous year.

The latest update for national accounts is up to June 2018 quarter, which recorded an annual total for Nominal Gross Domestic Product (NGDP) at \$2,210.93 million. At this level, the ratios of both FS credit and M2 to NGDP stood at 76.1 percent and 50.9 percent respectively, compared to their previous March 2018 levels of 77.3 percent and 48.7 percent respectively.

Reserve Money⁴

Total reserve money (RM) rebounded by \$14.52 million (or 4.3 percent) to \$351.79 million, which was also 18.7 percent higher than November a year ago. At this level, both

¹ Original Forecasts made in July 2018.

² Comprises of commercial banks and three largest non-monetary financial institutions' (NFIs) total lending.

NFIs – Sāmoa National Provident Fund (SNPF), Development Bank of Sāmoa (DBS) and Sāmoa Housing Corporation (SHC)

³ Starting November 2018, Samoa Housing Corporation credit is included as part of total financial system credit.

⁴ 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 and currency in circulation recorded gains of \$14.21 million and \$0.31 million respectively. The hike in commercial banks' reserves reflected increases in excess reserves (\$12.32 million) and required reserves (\$1.90 million) over the previous month.

As a result, the current RM level was 37.2 percent and 49.1 percent higher than its levels in the last three and five years respectively.

Commercial Banks' Liquidity

Commercial banks' liquidity increased \$14.41 million (or 6.3 percent) to \$241.96 million, which was 23.5 percent higher than its level last year. This increase was underpinned by expansions of \$12.32 million and \$3.00 million in the banks' exchange settlement account balances and their holdings of Central Bank securities respectively, despite a slight decline of \$0.91 million in their vault cash.

Over the last three and five years, total commercial bank liquidity was also 47.9 percent and 61.0 percent higher respectively.

Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)⁵

The value of CBS securities issued increased to \$28.00 million from \$22.50 million in the previous month, with the bulk of those issued at short-term maturities (mainly 14-day and 28-day papers). Likewise, the amount outstanding also went up to \$29.00 million (from \$27.00 million) with maturities such as the 14-day, 28-day, 56-day and 91-day papers being 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 interest rate) dropped slightly to 0.17 percent from 0.19 percent in the previous month but higher than 0.15 percent in November of last year.

⁵Central 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).

Commercial Banks' Interest Rates

Both the weighted average deposit (WAD) and weighted average lending (WAL) interest rates went up by 3 and 2 basis points respectively to 2.72 percent and 9.03 percent in that order. These were higher than their respective rates of 2.67 percent and 8.90 percent in the same month last year. Consequently, the average interest rate margin narrowed slightly to 6.31 percent from 6.32 percent last month but well above 6.23 percent in November 2017.

Compared to the last three and five years, the current WAD rate was higher than 2.37 percent but lower than 3.02 percent for those respective periods. However, the WAL rate was way below than 9.43 percent and 10.23 percent in the same corresponding period.

NFIs⁶ lending rates

The overall WAL rate for non-bank financial institutions (NFIs) increased to 7.96 percent from 7.71 percent in the previous month. The increase in the cost of borrowing for NFIs reflected an increase of 38 basis points in SNPF WAL rate (to 8.31 percent) as well as a slight hike (to 5.35 percent) in DBS's WAL rate while SHC's WAL rate remained at 12.40 percent as in the previous month.

Central Bank of Samoa 14 January 2019

⁶ Non-monetary Financial Institutions. Only reports the main NFIs, Samoa National Provident Fund (SNPF), Development Bank of Sāmoa (DBS) and Sāmoa Housing Corporation (SHC). Effective October 2018, SHC started reporting to CBS on monthly basis, as was previously reported on quarterly basis.

Monetary Aggregates

End of Period Figures	Average level in the previous		2018		
	3-years	5-years	Nov	Oct	Nov
Determinants of Money Supply (M2) ⁷			Amount in Tala Million		
Net Foreign Assets	195.06	187.04	292.46	380.29	392.91
Net Domestic Assets	763.91	693.07	780.02	771.75	781.34
Money Supply (M2)	958.97	880.11	1072.47	1152.04	1174.250
<i>Trend</i> / Annual Average (%)	22.5	33.4	9.5	13.0	12.5
<i>Narrow Money (M1)</i>	426.59	377.98	488.92	494.41	518.98
Currency outside banks	60.03	57.08	65.50	85.14	86.36
Transferable Deposits ⁴	366.55	320.90	423.42	409.27	432.62
<i>Quasi Money</i>	532.39	502.13	583.55	657.63	655.27
Other Deposits ⁵	532.39	502.13	583.55	657.63	655.27
Central Bank of Samoa			Maturity Yield		
<i>Open Markets Operations</i>					
Securities Official Rate	0.15	0.26	0.15	0.19	0.17
Reserve Money ²			Amount in Tala Million		
Total	256.40	236.02	296.43	337.27	351.79
<i>Trend</i> / Annual Growth (%)	37.2	49.1	10.3	24.8	23.1
Financial System (FS)			Amounts in Tala Million		
<i>FS Credit</i>					
Commercial Banks ⁷	992.64	914.40	1069.85	1109.00	1115.67
<i>Trend</i> / Annual Growth (%)	12.4	22.0	8.9	3.2	3.2
Non-Monetary Financial Institutions (NFIs)	553.90	512.05	611.10	692.16 [Ⓢ]	700.21
<i>Trend</i> / Annual Growth (%)	26.4	36.8	12.3	7.3	7.6
<i>Private Sector</i>	1488.91	1365.02	1622.45	1696.55 [Ⓢ]	1711.52
Businesses	885.71	791.79	958.11	979.43 [Ⓢ]	985.27
Individuals	603.20	573.22	664.34	766.84	775.97
<i>Public Sector (NFIs, NPEs, & Govt)</i>	40.63	45.99	58.50	54.90	54.65
Total FS Credit ⁸	1529.55	1411.00	1680.95	1801.17 [Ⓢ]	1815.88
<i>Trend</i> / Annual Growth (%)	17.4	27.3	10.1	4.7	4.8
Commercial Banks ³			Amounts in Tala Million		
<i>Liquidity</i>					
Total	173.96	158.42	195.85	227.55	241.96
<i>Trend</i> / Annual Growth (%)	47.9	61.0	8.3	45.4	41.1
<i>Interest Rates</i>			Percentage		
Overall Weighted Average Lending ⁷	9.43	10.23	8.90	9.01	9.03
Australia New Zealand Bank (Samoa) Limited	8.98	9.91	9.45	9.81	9.80
Bank South Pacific (Samoa) Limited	9.73	10.21	7.76	7.83	7.88
National Bank of Samoa Limited	9.38	10.44	7.98	8.15	8.19
Samoa Commercial Bank Limited	10.23	10.89	10.51	10.55	10.60
Overall Weighted Average Deposit	2.37	3.02	2.67	2.69	2.72
Australia New Zealand Bank (Samoa) Limited	1.95	2.76	1.30	1.38	1.38
Bank South Pacific (Samoa) Limited	2.15	2.88	3.23	2.74	2.76
National Bank of Samoa Limited	2.85	3.17	3.40	3.90	3.86
Samoa Commercial Bank Limited	3.01	3.64	3.47	3.35	3.41
<i>Market Shares</i>					
Lending ⁷					
Australia New Zealand Bank (Samoa) Limited	38.42	42.12	32.3	28.7	28.6
Bank South Pacific (Samoa) Limited	23.72	21.77	26.1	29.4	29.9
National Bank of Samoa Limited	18.96	17.32	21.9	22.4	21.8
Samoa Commercial Bank Limited	18.90	18.79	19.8	19.5	19.6
Deposit					
Australia New Zealand Bank (Samoa) Limited	36.77	39.70	33.0	29.5	29.3
Bank South Pacific (Samoa) Limited	24.63	22.43	29.7	29.8	29.7
National Bank of Samoa Limited	18.00	17.48	19.2	19.7	21.0
Samoa Commercial Bank Limited	20.63	20.41	18.0	20.9	20.0
Non-monetary Financial Institutions (NFIs)			Percentage		
<i>Weighted Average Lending (WAL)</i>					
Samoa National Provident Fund (SNPF) ⁶	7.65	10.34	8.22	7.93	8.31
Development Bank of Samoa (DBS)	5.20	4.33	5.13	5.34	5.35
Samoa Housing Corporation (SHC) ¹			na	12.40	12.40
NFIs' Overall WAL ^{6,8}	6.90	8.59	7.43	7.71 [Ⓢ]	7.96

Source: Central Bank of Samoa

(1) Samoa Housing Corporation reports on a quarterly basis up to September 2018 quarter.

(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) Reflects the reclassification of loans to their appropriate interest rate structure in November 2018.

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

(8) Effective October 2018, Samoa Housing Corporation started reporting to Central Bank on monthly basis as was previously reported on quarterly basis.

[Ⓢ] Revised