



REVIEW OF MONETARY DEVELOPMENTS

June 2019

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

As an intermediate target for monetary policy, the actual level of money supply (M2) in June 2019 was 1.9 percent lower than its projected level for the month. This deviation reflected a weaker than expected level of net domestic credit due entirely to strong inflow of government funds and a drop in the domestic lending to the private sector.

Money Supply (M2)

Total money supply (M2) for the month recorded a reduction of \$16.01 million (or 1.3 percent) to \$1,236.32 million, a direct result from a dramatic fall of \$43.66 million in net domestic assets (NDA) against an increase of \$27.65 million in net foreign assets. The drop in the former was dominated by a surplus of \$35.00 million (or a contraction) in the government's net position with the monetary system coupled with a further drop in total lending to the private sector and notwithstanding the increase in foreign holdings of Central Bank.

The annual average growth rate of M2 was reduced to 13.2 percent from 13.8 percent in the previous month, but was higher than its level of 12.8 percent in the same month last year.

Credit¹

Total financial system (FS) lending saw a drop of \$9.25 million (or 0.5 percent) to \$1851.28

million for the reviewed month. This value derived from reductions of \$6.57 million and \$2.69 million in total lending of both commercial banks and non-financial institutions respectively.

By sector, the bulk of FS credit was directed to the private sector with a share of 97.1 percent while the rest went to the public non-banks financial institutions. The contraction in total FS credit highlighted the decreases in the 'Professional and Business services' 'Building, constructions and installation' and 'Transportation' industries.

As a result, the annual average growth of the FS credit rose to 8.1 percent from 7.5 percent in the previous month, and from 5.4 percent in June of last year.

According to the latest national accounts figures released by the Sāmoa Bureau of Statistics (SBS), the annual total Nominal Gross Domestic Product (NGDP)² at end March 2019 amounted to \$2,184.55 million. At this level, the share of FS credit to NGDP dropped slightly to 84.7 percent from 84.9 percent share in December 2018. As for M2, its share recorded at 57.0 percent up from 55.1 percent in the previous quarter for those respective periods.

Reserve Money³

Total reserve money (RM) fell slightly by \$0.70 million to \$407.55 million. This movement stemmed mainly from a drop of \$2.61 million

¹ 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)

² GDP 2013 Rebase became effective in December 2018.

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

in 'currency in circulation', which offset gains of \$1.76 million and \$0.22 million in commercial banks holdings of excess reserves and the required reserves respectively.

At this level, total RM was \$87.25 million higher than its level in the previous year. Similarly, it was 54.23 percent and 59.61 percent higher than its levels in the past three and five years respectively.

Commercial Banks' Liquidity

Total bank liquidity narrowed slightly by \$0.02 million to \$274.02 million. This contraction reflected a \$1.78 million decline in banks' vault cash holdings offsetting \$1.76 million rise in exchange settlement account (ESA) balances, while holdings of CBS securities on the other hand remained stable during the month.

Furthermore, total liquidity was \$55.12 million higher than its level year. Likewise, compared to its levels in the past three and five years' respectively, the current total liquidity was 41.54 percent and 38.05 percent higher.

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

Total CBS securities issued has increased to \$25.00 million from \$22.00 million of the previous month. Of this total, \$11.00 million and \$7.00 million were issued at short-term maturities of 14-day and 28-day papers respectively, while the remaining \$3.00 million and \$4.00 million were issued at longer-term maturities of 56-day and 91-day papers in that order. However, the total amount of CBS securities outstanding remained stable at \$20.00 million, same as previous month.

The official interest rate (or overall weighted average yield of CBS securities) edged up to 0.19 percent from 0.18 percent in the previous month but higher than 0.17 percent in June 2018.

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).

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) expanded by 33 basis points to 2.85 percent over the previous month, or 15 basis points higher than its level a year ago. The weighted average lending (WAL) rate remained at 8.97 percent over the month, but was less by 1 basis point to its level in the former. As a result, the overall weighted average interest rate decreased to 6.12 percent from 6.45 percent in the previous month and from 6.28 percent in June 2018.

In comparison to the last three and five years respectively, the current WAD rate was higher than 2.57 percent and 2.63 percent for those respective periods. On the other hand, the current WAL rate was higher than 8.88 percent in the past three years, but was lower than 9.30 percent in the past five years.

NFIs⁵ lending rates

The overall WAL rate for non-bank financial institutions (NFIs) edged up by 1 basis point to 8.01 percent. Accounting for the increase was 15 basis points rise (to 13.17 percent) in WAL rate of SHC, opposing to 1 basis point reductions to 8.38 percent and 4.68 percent in lending rates of SNPF and DBS respectively.

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⁵ Non-monetary Financial Institutions. Only reports the main NFIs, Samoa National Provident Fund (SNPF), Development Bank of Samoa (DBS) and Samoa 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		2019
	3-years	5-years	Jun	May	June
Determinants of Money Supply (M2) ⁷			Amount in Tala Million		
Net Foreign Assets	241.77	241.39	375.81	445.99	473.64
Net Domestic Assets	753.21	689.17	748.63	806.33	762.67
Money Supply (M2)	<u>994.98</u>	<u>930.56</u>	1124.44	1252.329	1236.320
<i>Trend / Annual Average (%)</i>	9.02	8.68	12.8	13.5	13.2
<i>Narrow Money (M1)</i>	433.01	407.09	499.29	579.39	566.19
Currency outside banks	67.90	59.86	75.22	98.44	97.61
Transferable Deposits ⁴	365.11	347.23	424.08	480.95	468.58
<i>Quasi Money</i>	561.98	523.46	625.14	672.94	402.91
Other Deposits ⁵	561.98	523.46	625.14	681.94	65.68
Central Bank of Samoa			Maturity Yield		
Open Markets Operations					
Securites Official Rate	0.15	0.16	0.17	0.18	0.19
Reserve Money²			Amount in Tala Million		
Total	264.24	255.35	320.30	408.26	407.55
<i>Trend / Annual Growth (%)</i>	9.5	12.5	30.6	24.3	24.5
Financial System (FS)			Amounts in Tala Million		
FS Credit					
Commercial Banks ⁷	1031.16	947.51	1064.74	1132.87	1126.27
<i>Trend / Annual Growth (%)</i>	8.2	6.70	3.5	4.9	5.2
Non-Monetary Financial Institutions (NFIs)	572.85	528.15	618.36	727.69	725.00
<i>Trend / Annual Growth (%)</i>	9.1	10.03	8.8	12.1	13.1
Private Sector	1558.42	1427.19	1627.99	1804.73	1798.44
Businesses	930.21	831.74	936.48	1010.17	1005.46
Individuals	628.21	595.45	691.51	794.56	791.96
Public Sector (NFIs, NPEs, & Govt)	45.59	48.65	55.11	55.84	53.76
Total FS Credit ⁸	1604.01	1475.84	1683.10	1860.56	1851.28
<i>Trend / Annual Growth (%)</i>	8.53	7.81	5.4	7.5	8.1
Commercial Banks³			Amounts in Tala Million		
Liquidity					
Total	159.73	163.77	218.90	274.03	274.02
<i>Trend / Annual Growth (%)</i>	11.71	19.48	56.9	32.0	30.2
Interest Rates			Percentage		
Overall Weighted Average Lending ⁷	8.88	9.30	8.98	8.97	8.97
Australia New Zealand Bank (Sāmoa) Limited	9.21	9.40	9.79	9.60	9.56
Bank South Pacific (Sāmoa) Limited	7.63	8.52	7.80	7.91	7.97
National Bank of Sāmoa Limited	8.31	9.06	7.92	8.19	8.26
Samoa Commercial Bank Limited	10.58	10.50	10.56	10.67	10.65
Overall Weighted Average Deposit	2.57	2.63	2.70	2.52	2.85
Australia New Zealand Bank (Sāmoa) Limited	1.59	1.86	1.50	1.47	1.53
Bank South Pacific (Sāmoa) Limited	2.69	2.52	2.69	2.13	2.82
National Bank of Sāmoa Limited	3.40	3.45	3.60	3.90	3.96
Samoa Commercial Bank Limited	3.24	3.32	3.57	3.09	3.06
Market Shares					
Lending ⁷					
Australia New Zealand Bank (Sāmoa) Limited	35.76	40.00	30.0	27.10	26.70
Bank South Pacific (Sāmoa) Limited	25.20	23.37	27.5	30.70	31.10
National Bank of Sāmoa Limited	19.37	17.53	22.4	22.80	22.70

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Samoa Commercial Bank Limited	19.67	19.10	20.1	19.40	19.40
Deposit					
Australia New Zealand Bank (Sāmoa) Limited	32.91	37.96	29.1	27.86	26.73
Bank South Pacific (Sāmoa) Limited	28.37	24.45	31.3	30.84	31.36
National Bank of Sāmoa Limited	18.53	17.39	19.5	21.30	21.08
Samoa Commercial Bank Limited	20.23	20.23	20.1	20.01	20.83
Non-monetary Financial Institutions (NFIs)					
Weighted Average Lending (WAL)				Percentage	
Sāmoa National Provident Fund (SNPF) ⁶	7.74	7.72	7.86	8.39	8.38
Development Bank of Samoa (DBS)	5.67	5.28	5.28	4.69	4.68
Samoa Housing Corporation (SHC) ¹	11.84	11.85	11.88	13.02	13.17
NFIs' Overall WAL^{6 8}	7.18	7.00	7.22	8.00	8.01

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

(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, Sāmoa Housing Corporation started reporting to Central Bank on monthly basis as was previously

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