

## REVIEW OF MONETARY DEVELOPMENTS

### September 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.*

Report No.03: 2019/20

September 2019

#### Monetary Forecast

The actual level of money supply (M2) was 5.8 percent lower than its projected level for September 2019. This deviation reflected a weaker than expected level of net domestic assets, which highlighted strong inflows of government funds which boost the net, government position (or surplus) with the monetary system and the huge decline in credit to the non-bank financial institutions.

#### Money Supply (M2)

Total money supply (M2) recorded a reduction of \$26.11 million (or 2.1 percent) to \$1,196.56 million, on account of a significant fall of \$33.13 million in net foreign assets (NFA) against an increase of \$7.03 million in net domestic assets (NDA). The drop in the former was derived from contractions in foreign holdings of both the Central Bank and commercial banks. On the other hand, net domestic assets saw an expansion in total credit to the private sector and non-financial public sectors as well as the deficit (government spending) in the net, government position with the monetary system.

The annual average growth rate of M2 was reduced to 11.7 percent from 12.3 percent in the previous month and from 13.3 percent in September 2018.

#### Credit<sup>1</sup>

Total financial system (FS) lending was elevated by \$21.13 million (or 1.12 percent) to \$1,906.11 million, after recording further hikes of \$12.88 million and \$8.25 million in total

lending of both commercial banks and non-bank financial institutions respectively.

By sector, the bulk of FS credit was directed to the private sector with a share of 97.3 percent while the rest was attributed to the public non-banks financial institutions.

The expansion in total FS credit highlighted increases in the 'Transportation, storage and communication', 'other activities', 'Building, construction and installation', 'Agriculture, forestry and fisheries' and 'Trade' industries.

As a result, the annual average growth of the FS credit rose to 9.2 percent from 8.9 percent in the previous month, and from 4.6 percent in September 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)<sup>2</sup> at end June 2019 amounted to \$2,225.16 million. At this level, the share of FS credit to NGDP had dropped slightly to 83.2 percent from 84.7 percent in March 2019. As for M2, its share recorded a slight increase to 55.2 percent from 55.1 percent in the previous quarter.

#### Reserve Money<sup>3</sup>

Total reserve money (RM) has declined by \$7.40 million to \$434.69 million, a result of an \$11.47 million fall in commercial banks' excess reserves, contrary to minimal rises of \$1.70 million and \$0.36 million in commercial banks' required reserves and currency in circulation respectively.

<sup>1</sup> 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)

<sup>2</sup> GDP 2013 Rebase became effective in December 2018.

<sup>3</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, total RM was \$93.22 million higher than its level in the previous year. Similarly, it was 47.94 percent and 57.90 percent higher than its levels in the past three and five years respectively.

### **Commercial Banks' Liquidity**

Total bank liquidity narrowed by \$15.30 million to \$289.42 million, driven mainly from reductions of \$9.47 million and \$8.51 million in commercial banks' holdings of excess reserves and CBS securities respectively. This opposes to a slight increase of \$2.67 million in their vault cash holdings.

Consequently, total liquidity was \$63.11 million higher than its level last year. Likewise, current total liquidity was 56.45 percent and 60.71 percent higher than its levels in the past three and five years' respectively.

### **Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)<sup>4</sup>**

Total CBS securities issued during the reporting month has fallen to \$10.50 million from \$28.00 million of the previous month. Of this total, \$4.00 million and \$3.50 million were issued at short-term maturities of 14-day and 28-day papers respectively, while the remaining \$3.00 was issued at longer-term maturity of 56-day paper. Thus, the total monthly amount of CBS securities outstanding dropped to \$11.50 million.

As a result, the official interest rate (or overall weighted average yield of CBS securities) decreased slightly to 0.15 percent from 0.16 percent of the previous month, but was lower than 0.17 percent at end of September 2018.

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

The commercial banks' weighted average deposit (WAD) rate has further increased by 8 basis points to 2.95 percent over the previous month, and was also higher by 36 basis points over the previous year. On the other hand, the

weighted average lending (WAL) rate has reduced by 4 basis to 8.84 percent over the previous month, and by 14 basis points than that of last year. As a result, the overall weighted average spread has dropped to 5.89 percent from 6.01 percent in the previous month and from 6.39 percent in September 2018.

In comparison to the last three and five years respectively, the current WAD rate was higher than 2.53 percent and 2.58 percent for those respective periods. On the other hand, the current WAL rate was lower than 8.88 percent and 9.17 percent in the past three and five years, in that order.

### **NFIs<sup>5</sup> lending rates<sup>6</sup>**

The overall WAL rate for non-bank financial institutions (NFIs) has declined by 12 basis points to 8.09 percent. Accounting for the decline was a 17 basis points and a 2 basis points drop in WAL rates of SNPF and DBS respectively, although SHC WAL remained stable for the month.

**CENTRAL BANK OF SAMOA**  
**04 November 2019**

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<sup>4</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>5</sup> 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.

<sup>6</sup> Lending rates of SHC are provisional for the reporting month.

**Monetary Aggregates**

End of Period Figures	Average level in the previous		2018		2019	
	3-years	5-years	Sep	July	August	September
<b>Determinants of Money Supply (M2) <sup>7</sup></b>			<b>Amount in Tala Million</b>			
Net Foreign Assets	258.45	224.27	373.60	485.64	486.04	452.90
Net Domestic Assets	778.14	725.31	772.28	742.66	736.63	743.66
<b>Money Supply (M2)</b>	<b>1036.58</b>	<b>949.59</b>	<b>1145.88</b>	<b>1228.299</b>	<b>1222.668</b>	<b>1196.563</b>
<i>Trend / Annual Average (%)</i>	9.49	9.40	13.3	12.7	12.3	11.7
<i>Narrow Money (M1)</i>	450.53	408.38	501.33	558.43	551.54	540.95
Currency outside banks	75.16	65.40	90.66	103.71	102.20	99.89
Transferable Deposits <sup>4</sup>	375.37	342.98	410.67	454.72	449.34	441.06
<i>Quasi Money</i>	586.05	541.20	644.55	669.87	671.13	655.61
Other Deposits <sup>5</sup>	586.05	541.20	644.55	65.71	58.08	58.07
<b>Central Bank of Samoa</b>			<b>Maturity Yield</b>			
<b>Open Markets Operations</b>						
Securities Official Rate	0.15	0.15	0.17	0.16	0.16	0.15
<b>Reserve Money<sup>2</sup></b>			<b>Amount in Tala Million</b>			
<b>Total</b>	<b>293.83</b>	<b>275.30</b>	<b>341.48</b>	<b>427.11</b>	<b>444.09</b>	<b>434.69</b>
<i>Trend / Annual Growth (%)</i>	8.2	14.2	28.2	24.9	26.1	27.5
<b>Financial System (FS)</b>			<b>Amounts in Tala Million</b>			
<b>FS Credit</b>						
<b>Commercial Banks <sup>7</sup></b>	<b>1047.41</b>	<b>964.83</b>	<b>1098.78</b>	<b>1119.27</b>	<b>1133.79</b>	<b>1146.67</b>
<i>Trend / Annual Growth (%)</i>	7.55	6.95	3.2	5.4	5.3	5.2
<b>Non-Monetary Financial Institutions (NFIs)</b>	<b>592.96</b>	<b>547.05</b>	<b>637.97</b>	<b>742.55</b>	<b>751.19</b>	<b>759.43</b>
<i>Trend / Annual Growth (%)</i>	9.25	9.62	7.1	14.0	15.0	16.2
<b>Private Sector</b>	<b>1599.30</b>	<b>1465.10</b>	<b>1681.71</b>	<b>1812.11</b>	<b>1834.38</b>	<b>1865.94</b>
Businesses	948.18	852.07	969.72	1002.24	1014.18	1040.09
Individuals	651.11	613.03	711.99	810.72	820.20	825.85
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>	<b>41.08</b>	<b>46.77</b>	<b>55.04</b>	<b>49.34</b>	<b>50.60</b>	<b>40.16</b>
<b>Total FS Credit <sup>8</sup></b>	<b>1640.38</b>	<b>1511.88</b>	<b>1736.75</b>	<b>1861.82</b>	<b>1884.98</b>	<b>1906.11</b>
<i>Trend / Annual Growth (%)</i>	8.27	7.91	4.6	8.5	8.9	9.2
<b>Commercial Banks<sup>3</sup></b>			<b>Amounts in Tala Million</b>			
<b>Liquidity</b>						
<b>Total</b>	<b>184.99</b>	<b>180.09</b>	<b>226.30</b>	<b>287.88</b>	<b>304.72</b>	<b>289.42</b>
<i>Trend / Annual Growth (%)</i>	9.91	23.24	53.6	28.1	27.6	27.9
<b>Interest Rates</b>			<b>Percentage</b>			
<b>Overall Weighted Average Lending <sup>7</sup></b>	<b>8.88</b>	<b>9.17</b>	<b>8.98</b>	<b>8.95</b>	<b>8.88</b>	<b>8.84</b>
Australia New Zealand Bank (Sāmoa) Limited	9.35	9.27	9.79	9.55	9.42	9.35
Bank South Pacific (Sāmoa) Limited	7.62	8.45	7.80	7.93	7.99	7.79
National Bank of Sāmoa Limited	8.17	8.84	8.03	8.25	8.22	8.22
Samoa Commercial Bank Limited	10.56	10.47	10.59	10.58	10.59	10.64
<b>Overall Weighted Average Deposit</b>	<b>2.53</b>	<b>2.58</b>	<b>2.59</b>	<b>2.83</b>	<b>2.87</b>	<b>2.95</b>
Australia New Zealand Bank (Sāmoa) Limited	1.49	1.80	1.47	1.25	1.32	1.32
Bank South Pacific (Sāmoa) Limited	2.65	2.49	2.61	3.26	3.20	3.20
National Bank of Sāmoa Limited	3.37	3.34	3.31	3.91	3.58	3.89
Samoa Commercial Bank Limited	3.21	3.28	3.38	2.96	3.04	3.04

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<b>Market Shares</b>						
<b>Lending <sup>7</sup></b>						
Australia New Zealand Bank (Sāmoa) Limited	33.82	38.39	29.2	26.20	25.90	26.52
Bank South Pacific (Sāmoa) Limited	26.26	24.27	29.2	31.50	31.90	32.50
National Bank of Sāmoa Limited	20.41	18.41	22.0	22.80	22.90	22.77
Samoa Commercial Bank Limited	19.51	18.93	19.6	19.40	19.20	18.66
<b>Deposit</b>						
Australia New Zealand Bank (Sāmoa) Limited	33.17	37.01	27.9	30.48	29.68	29.29
Bank South Pacific (Sāmoa) Limited	27.47	24.47	31.2	27.29	28.30	28.30
National Bank of Sāmoa Limited	19.27	17.79	20.1	20.58	20.52	20.81
Samoa Commercial Bank Limited	20.17	20.80	20.9	21.64	21.49	21.60
<b>Non-monetary Financial Institutions (NFIs)</b>						
<b>Weighted Average Lending (WAL)</b>				<b>Percentage</b>		
Sāmoa National Provident Fund (SNPF) <sup>6</sup>	7.79	7.75	7.93	8.41	8.59	8.42
Development Bank of Samoa (DBS)	5.58	5.60	5.34	4.69	4.73	4.71
Samoa Housing Corporation (SHC) <sup>1</sup>			12.32	13.29	13.37	13.37
<b>NFIs' Overall WAL <sup>6 8</sup></b>	7.22	7.15	<b>7.32</b>	<b>8.03</b>	<b>8.21</b>	<b>8.09</b>