

REVIEW OF MONETARY DEVELOPMENTS

December 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

The actual level of money supply (M2) was 1.0 percent lower than its revised projection in December 2019, resulting from lower than expected level of net domestic assets and an increase in net, government position (reflecting inflows of budget support funds) against higher than expected lending to the private sector at the end of the month.

Money Supply (M2)

Total money supply (M2) recorded a sharp rise of \$36.11 million (or 3.0 percent) to \$1,242.87 million, on account of a significant increase of \$28.46 million in net foreign assets (NFA), and an upturn of \$7.66 million in net domestic assets (NDA). The increase in the former was resulted from an increase in the foreign holdings of the banking sector while the latter reflected an expansion in other items, net and a slight expansion in credit to the private sector.

Despite the monthly increase, the annual average growth rate of M2 slowed to 10.1 percent from 10.5 percent in the previous month and from 11.9 percent in December 2018.

Credit¹

Total financial system (FS) credit expanded further by \$9.05 million (or 0.46 percent) to \$1,960.87 million for the sixth consecutive month, attributed mainly to expansions in both non-banks (up \$7.84 million) and commercial banks' (up \$1.21 million) total lending.

By sector, the bulk of FS credit was directed to the private sector with a share of 97.9 percent while the rest was directed to the public non-bank financial institutions.

The expansion in total FS credit highlighted increases in lending to the 'Professional and business services' and 'Other activities' industries.

However, an annual average growth rate of the FS credit dropped to 8.9 percent from 9.1 percent in the previous month but was higher than 5.0 percent over the 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 September 2019 amounted to \$2,255.98 million. At this level, the share of the FS credit to NGDP increased to 86.3 percent from 83.2 percent in the June 2019 quarter. As for M2, its share to NGDP declined to 53.0 percent from 55.6 percent in the previous quarter.

Reserve Money³

Total reserve money (RM) recorded a marked rebound of \$10.50 million (or 2.5 percent) to \$426.23 million, as driven by a seasonal notable hike of \$27.79 million in currency in circulation offsetting a fall of \$17.29 million commercial banks' reserves.

At this level, total RM was \$55.54 million higher than its level in the previous year or 41.34 percent and 52.96 percent higher than its

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

levels in the past three and five years respectively.

Commercial Banks' Liquidity

Total bank liquidity marginally increased by \$0.12 million (or 0.04 percent) to \$280.06 million, after recording an expansion of \$17.50 million in commercial banks' vault cash against a drop of \$17.38 million in commercial banks' holdings of excess reserves. Conversely, CBS securities held by banks remained at \$20.00 million from the previous month.

Consequently, total liquidity was \$47.81 million higher than its level last year, likewise the past three and five years, where it was 53.27 percent and 57.54 percent higher in that order.

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

Total CBS securities issued narrowed to \$12.50 million from \$28.50 million in the previous month, at issues of shorter term maturity of 28-days (\$7.5 million) and at longer term maturity of 56-days (\$5.00 million) only. As a result, securities outstanding remained the same at \$20.00 million.

Subsequently, the overall weighted average yield on CBSS (or official interest rate) was unchanged at 0.17 percent from both the previous month and December 2018.

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) dropped by 34 basis points to 2.38 percent over the previous month and the same month last year. Similarly, the weighted average lending (WAL) rate fell further by 2 basis points to 8.79 percent from the previous month or 24 basis points lower than that of last year.

As a result of the significant reduction in the WAD rate, the overall weighted average interest rate spread widened to 6.41 percent from 6.09 percent in the previous month and

also higher than 6.31 percent in December 2018.

Over the last three and five years, the current WAD rate was higher than its average rates of 2.54 percent and 2.58 percent for those respective periods. On the other hand, the WAL rate was lower than its average rates of 8.94 percent and 9.17 percent in that order.

NFIs⁵ lending rates⁶

The overall WAL rate for non-bank financial institutions (NFIs) increased further by 2 basis points to 8.18 percent. This was underpinning by rises in both lending rates of SNPF by 2 basis points (to 8.54 percent) and DBS by 1 basis point (to 4.56 percent) contrary with 8 basis points drop to 13.31 percent in SHC lending rate.

NFI's current overall WAL rate was higher than 7.33 percent and 7.16 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA 31 January 2020

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).

⁵ 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.

⁶ Lending rates of SHC are provisional for the reporting month.

Monetary Aggregates

End of Period Figures	Average level in the previous		2018	2019		
	3-y ears	5-y ears	Dec	Oct	Nov	Dec
Determinants of Money Supply (M2) ⁷				Amount in Tala Million		
Net Foreign Assets	286.16	238.51	421.77	449.08	437.495	465.95
Net Domestic Assets	789.76	744.51	765.97	748.16	769.25	776.909
Money Supply (M2)	1075.92	983.02	1187.740	1197.242	1203.745	1242.865
<i>Trend / Annual Average (%)</i>	9.58	9.64	11.9	11.1	10.5	10.1
<i>Narrow Money (M1)</i>	481.61	433.45	525.77	514.46	524.25	524.25
Currency outside banks	89.58	76.77	103.18	96.03	98.29	108.579
Transferable Deposits ⁴	392.03	356.68	422.59	418.43	425.962	442.064
<i>Quasi Money</i>	594.31	549.57	661.97	682.79	682.495	692.222
Other Deposits ⁵	594.31	549.57	661.97	48.39	54.06	64.29
Central Bank of Samoa				Maturity Yield		
<i>Open Markets Operations</i>						
Securities Official Rate	0.15	0.15	0.15	0.17	0.17	0.17
Reserve Money ²				Amount in Tala Million		
Total	301.57	278.65	370.69	429.51	415.73	426.23
<i>Trend / Annual Growth (%)</i>	8.4	14.1	22.4	29.2	29.0	28.2
Financial System (FS)				Amounts in Tala Million		
<i>FS Credit</i>						
Commercial Banks ⁷	1075.85	992.78	1124.86	1166.5	1183.11	1184.31
<i>Trend / Annual Growth (%)</i>	7.50	7.33	3.1	5.2	5.4	5.3
Non-Monetary Financial Institutions (NFIs)	630.10	573.08	705.35	764.45	768.72	776.56
<i>Trend / Annual Growth (%)</i>	9.90	9.62	8.4	15.8	15.3	14.8
Private Sector	1653.24	1512.96	1773.14	1890.89	1912.12	1919.79
Businesses	959.44	870.62	984.06	1044.68	1050.71	1059.09
Individuals	690.76	640.51	779.95	846.2	861.41	860.70
Public Sector (NFIs, NPEs, & Govt)	52.07	52.52	55.15	40.07	39.7	41.09
Total FS Credit ⁸	1705.94	1565.86	1830.21	1930.57	1951.83	1960.87
<i>Trend / Annual Growth (%)</i>	8.37	8.13	5.0	9.1	9.1	8.9
Commercial Banks ³				Amounts in Tala Million		
<i>Liquidity</i>						
Total	173.53	168.06	232.25	296.29	279.95	280.06
<i>Trend / Annual Growth (%)</i>	9.72	22.21	39.0	31	30.2	29.3
<i>Interest Rates</i>				Percentage		
Overall Weighted Average Lending ⁷	8.94	9.17	9.03	8.84	8.81	8.79
Australia New Zealand Bank (Sāmoa) Limite	9.48	9.36	9.79	9.5	9.23	9.28
Bank South Pacific (Sāmoa) Limited	7.70	8.45	7.86	7.77	7.80	7.76
National Bank of Sāmoa Limited	8.12	8.67	8.15	8.1	8.18	8.17
Samoa Commercial Bank Limited	10.64	10.49	10.68	10.68	10.72	10.67
Overall Weighted Average Deposit	2.54	2.58	2.72	2.78	2.72	2.38
Australia New Zealand Bank (Sāmoa) Limite	1.53	1.82	1.43	1.35	1.35	1.39
Bank South Pacific (Sāmoa) Limited	2.53	2.43	2.87	3.29	3.24	3.11
National Bank of Sāmoa Limited	3.04	3.13	3.64	3.91	3.76	3.87
Samoa Commercial Bank Limited	3.30	3.26	3.41	3.06	3.08	3.18
<i>Market Shares</i>						
Lending ⁷						
Australia New Zealand Bank (Sāmoa) Limite	32.3	37.3	28.0	26.6	26.6	26.0
Bank South Pacific (Sāmoa) Limited	26.7	24.8	29.7	31.8	31.4	31.8
National Bank of Sāmoa Limited	21.4	18.8	22.7	23.2	23.8	24.0
Samoa Commercial Bank Limited	19.6	19.1	19.6	18.5	18.3	18.2
Deposit						
Australia New Zealand Bank (Sāmoa) Limite	31.7	35.7	28.7	29.3	30.3	28.6
Bank South Pacific (Sāmoa) Limited	27.9	24.9	29.8	27.7	26.7	28.7
National Bank of Sāmoa Limited	20.7	19.1	21.3	21.2	21.4	22.1
Samoa Commercial Bank Limited	19.6	20.3	20.1	21.8	21.6	20.6
Non-monetary Financial Institutions (NFIs)				Percentage		
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF) ⁶	7.80	7.75	8.33	8.44	8.52	8.54
Development Bank of Samoa (DBS)	5.42	5.34	5.39	4.72	4.55	4.56
Samoa Housing Corporation (SHC) ¹	12.23	12.23	12.57	13.43	13.39	13.31
NFIs' Overall WAL ^{6,8}	7.33	7.16	8.01	8.14	8.16	8.18

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 pa

(5) Comprised of time deposits, savings deposits, and the interest payable on these depo:

(6) Reflects the reclassification of loans to their appropriate interest rate structure in Nove

(7) Changes back to June 2016 under Financial System Credit section due to revised figu

(8) Effective October 2018, Sāmoa Housing Corporation started reporting to Central Ban

