

REVIEW OF MONETARY DEVELOPMENTS OCTOBER 2022

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 monthly level of money supply (M2) was 3.3 percent higher than its original monthly forecast for October 2022. This slight difference mainly reflected a higher than anticipated level of foreign assets for both the banking system and Central Bank of Samoa.

Money Supply (M2)

Total money supply (M2) continued to increase, up by \$7.83 million (or 0.6 percent) to \$1,396.90 million, considering an \$2.82 million hike in Net Foreign Assets (NFA) coupled with an expansion of \$5.01 million in Net Domestic Assets (NDA). The increase in NFA was caused by a jump in net foreign holdings of the banking system despite a decline in the official reserves of the Central Bank. In addition, the improvement in NDA was underpinned by an increase in 'Other items net' offsetting a surplus in the net government's position with the monetary system and a reduction in credit to the private sector.

As a result of the monthly increase, the annual average growth rate of M2 rose to 3.4 percent from 3.2 percent in the previous month but was lower than 5.6 percent of the same month last year.

Credit¹

Total financial system (FS) contracted by \$3.02 million (or 0.15 percent) from the previous month to \$2,019.49 million. This reflected a \$4.32 million reduction in commercial banks' lending, outweighing an increase of \$1.31

million in lending of non-banks' financial institutions (NFIs).

The private sector dominance of total FS credit continued with a 99.0 percent share while the rest was lent to public institutions.

Furthermore, the decline in total credit was driven mostly by contractions in credit directed to 'other activities', 'professional and business activities', 'transportation, storage and communication', 'manufacturing' and 'electricity gas and water' sectors.

On an annual average basis however, total FS credit growth slowed further to 1.72 percent in October 2022 from 2.08 percent in September 2022 and 1.80 percent in the same month of last year.

The latest update on the National Accounts released by the Samoa Bureau of Statistics (SBS) was up to the June 2022 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of around \$2,168.80 million. At this level, the share of the FS credit to NGDP dropped slightly to 93.1 percent from 93.2 percent in the March 2022 quarter but higher than its share of 91.7 percent in the June quarter of last year. Similarly, the share of M2 to NGDP increased slightly to 62.5 percent from 62.2 percent in the previous quarter but was lower than 66.6 percent in the past year.

Reserve Money²

Total reserve money (RM) rose by \$0.89 million (or 0.14 percent) to \$552.51 million, as a result

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 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

of an increase in commercial banks' reserves (mainly excess reserves) by \$3.72 million, offsetting a reduction of \$2.83 million in currency in circulation.

Furthermore, total reserve money was \$44.27 million (or 8.71 percent) higher than its level in October 2021, or 15.78 percent and was 32.48 percent higher than its corresponding levels in the past three and five years respectively.

Commercial Banks' Liquidity³

Total liquidity expanded by \$5.91 million (or 1.62 percent) to \$370.27 million due to an increase of \$2.20 million in commercial banks' vault cash holdings coupled with a \$3.71 million increase in their excess reserves (ESAs). Commercial banks' holdings of CBS securities remained the same as from the previous month.

In addition, total liquidity was \$42.81 million (or 13.07 percent) higher than its level in the same month last year or 17.49 percent and 33.03 percent higher than its levels in the past three and five years respectively.

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

Total CBS securities outstanding remained at \$11.00 million in October 2022 from the previous month, at their yields of 0.13 percent (for the 14 days paper), 0.16 percent (28 days), 0.18 percent (56 days) and 0.41 percent (for the 91 days paper).

Due to the slight change in the composition of the papers issued, the overall weighted average yield (or official interest rate) slipped to 0.18 percent in October 2022 compared to 0.20 percent in the previous month.

Commercial Banks' Interest Rates

The commercial banks' overall weighted average deposit (WAD) rate increased by 6 basis points to 1.85 percent over the month and was 1 basis point higher when compared to that of October last year. Similarly, the weighted average lending (WAL) rate edged up by 1 basis point to 8.28 percent from the previous month or 23 basis points lower than a year ago. As a result, the overall weighted average interest rate spread fell to 6.44 percent from 6.48 percent in September 2022 but was lower than 6.67 percent in October 2021.

The current WAD rate was lower than its average rates of 2.45 percent and 2.57 percent in the last three and five years respectively. Similarly, the current WAL rate was also lower than its rates of 8.67 percent and 8.77 percent in the last three and five years in that order.

NFIs⁵ **Lending Rates**⁶

The overall WAL rate for NFIs remained at 8.47 percent from the previous month but was higher than 8.16 percent over the year. This reflects a drop in the WAL rates for SNPF, DBS and SHC to 8.92 percent, 3.92 percent, and 12.69 percent in that order.

The current overall NFIs' WAL rate was higher than its rates of 8.18 percent and 7.99 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA **1st December 2022**

³ Comprises of banks' vault cash, exchange settlement account (ESA) balances and Central Bank Securities

⁴ 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).

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.

Review of Monetary Developments
October 2022

Monetary Aggregates						
End of Period Figures	Average level in the previous		2021		2022	
	3-years	5-years	October	August	September	October
Determinants of Money Supply (M2) ⁷						
Net Foreign Assets ⁹	571.44	469.09	664.84	715.89	704.12	706.94
Net Domestic Assets	690.98	726.98	655.16	656.45	684.95	689.96
Money Supply (M2)[®]	1262.42	1196.07	1320.000	1372.339	1389.070	1396.900
<i>Trend / Annual Average (%)</i>	5.93	7.88	5.6	3.0	3.2	3.4
<i>Narrow Money (M1)</i>	542.21	514.24	581.85	633.44	649.08	641.33
Currency outside banks	110.62	96.32	121.85	131.50	137.38	132.35
Transferable Deposits ^{4®}	431.59	417.92	460.00	501.94	511.70	508.99
<i>Quasi Money</i>	720.21	681.84	738.16	738.90	739.99	755.56
Other Deposits ⁵	720.21	681.84	738.16	738.90	739.99	755.56
Central Bank of Samoa						
Open Markets Operations						
<i>Securites Official Rate</i>	0.16	0.17	0.15	0.15	0.20	0.18
Reserve Money²						
Total	477.19	417.06	508.237	543.829	551.618	552.507
<i>Trend / Annual Growth (%)</i>	17.95	16.75	13.0	2.6	3.1	3.6
Financial System (FS)						
FS Credit						
Commercial Banks ⁷						
Total	1181.67	1141.92	1199.94	1178.78	1179.00	1174.68
<i>Trend / Annual Growth (%)</i>	3.26	4.53	0.5	0.53	0.29	-0.04
Non-Monetary Financial Institutions (NFIs)[®]						
Total	794.57	736.42	833.58	840.35	843.50	844.81
<i>Trend / Annual Growth (%)</i>	9.19	9.37	3.7	5.0	4.7	4.3
Private Sector						
Total	1948.23	1866.69	2011.46	2001.74	2004.58	1999.36
Businesses	1051.64	1020.30	1037.05	1001.49	995.69	977.51
Individuals	896.59	822.30	974.41	1000.26	1008.88	1021.85
Public Sector (NFIs, NPEs, & Govt)						
Total	28.01	35.74	22.06	17.39	17.93	20.13
Total FS Credit ^{8®}	1976.24	1878.34	2033.52	2019.13	2022.50	2019.49
<i>Trend / Annual Growth (%)</i>	5.52	6.35	1.8	2.35	2.08	1.72
Commercial Banks³						
Liquidity						
Total	315.16	278.34	327.46	351.854	364.363	370.2705
<i>Trend / Annual Growth (%)</i>	17.12	19.12	11	1.0	1.8	2.8
Interest Rates						
Overall Weighted Average Lending ⁷						
Australia New Zealand Bank (Sāmoa) Limited	8.58	8.95	7.83	7.72	7.69	7.69
Bank South Pacific (Sāmoa) Limited	8.04	7.93	8.22	7.58	7.58	7.56
National Bank of Sāmoa Limited	8.17	8.14	8.18	8.19	8.15	8.22
Samoa Commercial Bank Limited	10.37	10.43	10.07	9.91	9.85	9.82
Overall Weighted Average Deposit	2.45	2.57	1.84	1.82	1.79	1.85
Australia New Zealand Bank (Sāmoa) Limited	1.11	1.22	0.76	0.85	0.86	0.88
Bank South Pacific (Sāmoa) Limited	2.72	2.88	1.92	1.77	1.77	1.89
National Bank of Sāmoa Limited	3.41	3.52	2.26	2.52	2.55	2.57
Samoa Commercial Bank Limited	2.90	3.09	2.47	2.29	2.21	2.25
Market Shares						
Lending ⁷						
Australia New Zealand Bank (Sāmoa) Limited	25.23	27.36	25.45	25.48	25.52	25.74
Bank South Pacific (Sāmoa) Limited	30.89	29.66	30.15	28.78	28.77	28.69
National Bank of Sāmoa Limited	23.95	23.17	22.93	22.36	22.17	21.52
Samoa Commercial Bank Limited	19.93	19.82	21.46	23.37	23.54	24.05
Deposit ⁷						
Australia New Zealand Bank (Sāmoa) Limited	26.65	28.29	24.52	26.39	26.77	26.19
Bank South Pacific (Sāmoa) Limited	29.05	29.21	30.31	27.82	28.38	29.54
National Bank of Sāmoa Limited	21.42	20.83	20.84	19.21	19.06	18.25
Samoa Commercial Bank Limited	22.88	21.65	24.33	26.58	25.79	26.02
Non-monetary Financial Institutions (NFIs)						
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF) ⁶	8.57	8.37	8.58	8.94	8.93	8.92
Development Bank of Samoa (DBS) [®]	4.30	4.69	3.98	4.02	4.01	3.92
Samoa Housing Corporation (SHC) ^{1®}	13.16	12.97	12.91	12.72	12.73	12.69
NFIs' Overall WAL ^{6 8}	8.18	7.99	8.16	8.47	8.47	8.47

- (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, Sāmoa Housing Corporation started reporting to Central Bank on monthly basis as was previously reported on quarterly basis.
- (9) Samoa received the IMF-Special Drawing Rights (SDRs) allocation of SDR15.5 million, an equivalent of around \$55.5 million Tala in August 2021.