

## REVIEW OF MONETARY DEVELOPMENTS APRIL 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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April 2022

### **Monetary Forecast**

*The actual monthly level of Money Supply (M2) was virtually in line (0.02 percent lower) with its monthly forecast for April 2022. This marginal deviation was underpinned by a slightly lower than anticipated level of governments' net position with the monetary system and domestic credit compared to their forecasts.*

### **Money Supply (M2)**

Total monthly money supply (M2) increased by \$33.97 million (or 2.6 percent) to \$1,343.34 million, due to expansions of \$28.28 million (or 4.5 percent) in net foreign assets (NFA) and \$5.70 million (or 0.8 percent) in net domestic assets (NDA). The increase in NFA reflected a hike in official reserves of the Central Bank of Samoa, coupled with an increase in the foreign holdings of the banking system. In addition, the monthly improvement in NDA was underpinned by an increase in 'Other items net' and reduction in capital accounts, offsetting the surplus in the net government's position and a decline in banking system domestic credit.

Nevertheless, the annual average growth rate of M2 slowed further to 3.5 percent from 4.0 percent in the previous month, which was lower than 3.9 percent in the same month of last year.

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

Total financial system (FS) credit contracted by \$6.47 million (or 0.3 percent) to \$2,034.88 million, due to a decrease in commercial banks' credit by \$6.8 million (or 0.6 percent) despite a

slight increase of \$0.3 million in total lending of non-bank financial institutions (NFIs).

The bulk of total FS credit (97.8 percent) was lent to the private sector and the remaining balance directed to the public sector.

Furthermore, the contraction was driven mostly from lower lending to the 'Other activities', 'Trade', 'Manufacturing' and 'Transportation, Storage and Communication' sectors.

On an annual average basis, total FS credit grew by 2.6 percent, up from 2.5 percent in the previous month but was lower than 2.8 percent in April of 2021.

The latest update on the National Accounts released by the Sāmoa Bureau of Statistics (SBS) was up to December 2021 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of around \$2,191.2 million. At this level, the share of the FS credit to NGDP contracted to 93.1 percent in the December 2021 quarter from 99.7 percent in the September 2021 quarter. Likewise, the share of M2 to NGDP dropped to 60.8 percent from 64.2 percent in the previous quarter.

### **Reserve Money<sup>2</sup>**

Total reserve money (RM) fell by \$3.42 million (or 0.6 percent) to \$527.36 million, as a result of a \$7.24 million decrease in 'currency in circulation', offsetting an increase of \$3.82 million in 'commercial banks' reserves'.

<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> 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

On the other hand, total reserve money was \$17.29 million higher (or 3.39 percent) than its level in the same month last year, or 16.29 percent and 40.22 percent higher than its corresponding levels in the past three and five years.

### **Commercial Banks' Liquidity**

The banking system continued to remain liquid, despite a drop of \$3.03 million in total commercial bank liquidity to \$342.16 million. This was underpinned by a \$7.04 million reduction in their vault cash holdings, despite an increase of \$4.02 million in commercial banks' exchange settlement accounts holdings.

Furthermore, total liquidity was \$11.23 million (or 3.39 percent) higher than the same month last year or 12.74 percent and 38.72 percent higher than both its levels in the past three and five years respectively.

### **Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)<sup>3</sup>**

For liquidity reasons, the CBS OMO remained on-hold given the volatile and uncertain economic environment created by the pandemic. The sharp slowdown in business activities and production coupled with tightening global financial conditions called for a temporary halt in the OMO. As a result, the overall weighted average yield remained at 0.15 percent since March 2020.

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

The commercial banks' weighted average deposit (WAD) rate fell further by 3 basis point to 1.76 percent over the month and was 46 basis points lower than that of April last year. Similarly, the weighted average lending (WAL) rate also edged down by 1 basis point to 8.29 percent and was 29 basis points lower than a year ago. As a result, the overall weighted average interest rate spread increased to 6.53 percent from 6.51 percent in the previous month and 6.36 percent a year ago.

The current WAD rate was lower than its rates of 2.57 percent and 2.63 percent in the last three and five years respectively. Similarly, the current WAL rate was also lower than its rates of 8.80 percent and 8.79 percent in the last three and five years in that order.

### **NFIs<sup>4</sup> Lending Rates<sup>5</sup>**

The overall WAL rate for NFIs increased by 2 basis point to 8.23 percent over the month and was higher than 8.18 percent in April last year. This was due to a hike in the WAL rate for DBS (up by 9 basis points) to 4.12 percent, offsetting a 2 basis points drop in WAL rate for SHC whereas SNPF's WAL rate remained at 8.65 percent.

The current overall WAL rate was higher than its rates of 7.96 and 7.73 percent in the last three and five years respectively.

## **CENTRAL BANK OF SAMOA** **3<sup>rd</sup> June 2022**

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<sup>3</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).

<sup>4</sup>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.

<sup>5</sup>Lending rates of SHC are provisional for the reporting month.

### Monetary Aggregates

End of Period Figures	Average level in the previous		2021	2022			
	3-years	5-years	Apr	January	February	March	April
<b>Determinants of Money Supply (M2) <sup>7</sup></b>				<b>Amount in Tala Million</b>			
Net Foreign Assets <sup>9</sup>	522.60	409.26	641.32	662.13	629.64	623.53	651.81
Net Domestic Assets	741.58	755.54	672.82	662.84	670.93	685.84	691.53
<b>Money Supply (M2)</b>	<b>1264.19</b>	<b>1164.80</b>	<b>1314.140</b>	<b>1324.968</b>	<b>1300.580</b>	<b>1309.370</b>	<b>1343.340</b>
<i>Trend / Annual Average (%)</i>	7.18	7.89	3.9	4.7	4.5	4.0	3.5
<i>Narrow Money (M1)</i>	562.88	506.49	590.73	607.17	591.81	587.42	602.59
Currency outside banks	102.90	87.53	120.95	121.09	116.72	126.24	126.05
Transferable Deposits <sup>4</sup>	459.98	418.96	469.78	486.08	475.10	461.18	476.54
<i>Quasi Money</i>	701.31	658.32	723.41	717.80	708.77	721.95	740.75
Other Deposits <sup>5</sup>	701.31	658.32	723.41	717.80	708.77	721.95	740.75
<b>Central Bank of Samoa</b>				<b>Maturity Yield</b>			
<b>Open Markets Operations</b>							
<i>Securites Official Rate</i>	0.16	0.16	0.15	0.15	0.15	0.15	0.15
<b>Reserve Money<sup>2</sup></b>				<b>Amount in Tala Million</b>			
<b>Total</b>	<b>453.51</b>	<b>376.09</b>	<b>510.077</b>	<b>517.466</b>	<b>514.044</b>	<b>531.027</b>	<b>527.363</b>
<i>Trend / Annual Growth (%)</i>	19.19	14.13	12.1	8.8	7.9	7.3	6.5
<b>Financial System (FS)</b>				<b>Amounts in Tala Million</b>			
<b>FS Credit</b>							
<b>Commercial Banks <sup>7</sup></b>	<b>1163.73</b>	<b>1123.12</b>	<b>1176.45</b>	<b>1193.48</b>	<b>1183.50</b>	<b>1186.21</b>	<b>1179.45</b>
<i>Trend / Annual Growth (%)</i>	3.67	5.68	1.5	0.8	0.7	0.9	0.9
<b>Non-Monetary Financial Institutions (NFIs)</b>	<b>767.20</b>	<b>700.95</b>	<b>805.08</b>	<b>848.94</b>	<b>852.33</b>	<b>855.13</b>	<b>855.43</b>
<i>Trend / Annual Growth (%)</i>	9.72	9.88	4.7	4.3	4.6	6.2	6.3
<b>Private Sector</b>	<b>1893.57</b>	<b>1782.70</b>	<b>1958.10</b>	<b>2024.00</b>	<b>2017.89</b>	<b>2023.82</b>	<b>2017.61</b>
Businesses	1041.68	1007.02	1053.28	1033.83	1028.22	1034.42	1029.83
Individuals	851.89	775.68	904.82	990.22	989.67	989.40	987.78
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>	<b>37.35</b>	<b>41.37</b>	<b>23.42</b>	<b>18.38</b>	<b>17.94</b>	<b>17.52</b>	<b>17.26</b>
<b>Total FS Credit <sup>8</sup></b>	<b>1930.93</b>	<b>1824.07</b>	<b>1981.53</b>	<b>2042.42</b>	<b>2035.83</b>	<b>2041.35</b>	<b>2034.88</b>
<i>Trend / Annual Growth (%)</i>	5.96	7.27	2.8	2.2	2.3	2.5	2.6
<b>Commercial Banks<sup>3</sup></b>				<b>Amounts in Tala Million</b>			
<b>Liquidity</b>							
<b>Total</b>	<b>303.50</b>	<b>246.65</b>	<b>330.925</b>	<b>336.537</b>	<b>337.725</b>	<b>345.181</b>	<b>342.155</b>
<i>Trend / Annual Growth (%)</i>	20.69	15.85	7.5	6.7	6.4	6.6	6.2
<b>Interest Rates</b>				<b>Percentage</b>			
<b>Overall Weighted Average Lending <sup>7</sup></b>	<b>8.80</b>	<b>8.79</b>	<b>8.57</b>	<b>8.34</b>	<b>8.32</b>	<b>8.30</b>	<b>8.29</b>
Australia New Zealand Bank (Sāmoa) Limited	8.99	9.04	8.24	7.79	7.77	7.74	7.74
Bank South Pacific (Sāmoa) Limited	8.10	7.93	8.31	7.64	7.62	7.61	7.60
National Bank of Sāmoa Limited	8.12	8.09	7.87	8.21	8.17	8.17	8.15
Samoa Commercial Bank Limited	10.43	10.45	10.21	10.00	10.00	9.96	9.94
<b>Overall Weighted Average Deposit</b>	<b>2.57</b>	<b>2.63</b>	<b>2.22</b>	<b>1.76</b>	<b>1.81</b>	<b>1.79</b>	<b>1.76</b>
Australia New Zealand Bank (Sāmoa) Limited	1.25	1.36	1.01	0.79	0.79	0.78	0.89
Bank South Pacific (Sāmoa) Limited	2.58	2.78	2.01	1.48	1.55	1.66	1.41
National Bank of Sāmoa Limited	3.65	3.61	2.88	2.36	2.41	2.40	2.52
Samoa Commercial Bank Limited	3.02	3.17	2.83	2.44	2.47	2.43	2.42
<b>Market Shares</b>							
<b>Lending <sup>7</sup></b>							
Australia New Zealand Bank (Sāmoa) Limited	25.60	28.57	24.39	25.25	25.12	25.47	25.46
Bank South Pacific (Sāmoa) Limited	30.77	28.95	30.86	30.42	30.33	30.15	30.05
National Bank of Sāmoa Limited	23.97	22.78	24.23	21.91	21.84	21.89	21.91
Samoa Commercial Bank Limited	19.66	19.72	20.52	22.42	22.71	22.50	22.58
<b>Deposit</b>							
Australia New Zealand Bank (Sāmoa) Limited	26.15	28.81	23.57	23.92	23.77	23.87	25.09
Bank South Pacific (Sāmoa) Limited	31.04	29.91	31.51	30.22	29.38	29.15	29.75
National Bank of Sāmoa Limited	21.95	20.93	21.91	21.46	21.99	21.92	20.66
Samoa Commercial Bank Limited	20.86	20.35	23.01	24.40	24.86	25.06	24.50
<b>Non-monetary Financial Institutions (NFIs)</b>				<b>Percentage</b>			
<b>Weighted Average Lending (WAL)</b>							
Sāmoa National Provident Fund (SNPF) <sup>6</sup>	8.53	8.33	8.68	8.64	8.65	8.65	8.65
Development Bank of Samoa (DBS)®	4.57	4.97	3.91	3.88	4.04	4.03	4.12
Samoa Housing Corporation (SHC) <sup>1</sup>	10.65	10.65	12.89	12.81	12.71	12.62	12.60
<b>NFIs' Overall WAL <sup>6,8</sup></b>	<b>7.96</b>	<b>7.73</b>	<b>8.18</b>	<b>8.20</b>	<b>8.22</b>	<b>8.21</b>	<b>8.23</b>

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, 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.