

REVIEW OF MONETARY DEVELOPMENTS FEBRUARY 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.

Report No.8: 2021/22

February 2022

Monetary Forecast

The actual level of M2 was 2.6 percent lower than its revised forecast for the reviewed month, mainly due to a slower-than-expected growth in domestic credit and lower level of foreign assets of the banking system.

Money Supply (M2)

Total money supply (M2) dropped considerably by \$24.39 million (or 1.8 percent) to \$1,300.58 million in month under review. This decline was underpinned by a \$32.49 million drop in Net Foreign Assets (NFA), offsetting an \$8.09 million increase in Net Domestic Assets (NDA). The decrease in the former reflected reductions in official foreign assets held by the Central Bank as well as those of the commercial banks. In contrast, the latter reflected a drop in government net, position with the monetary system as government spending picked up. In addition commercial banks' credit to the private sector and public enterprises fell in February 2022.

As a result, the annual growth rate of broad money slipped to 4.5 percent from 4.7 percent in the previous month but was higher than 2.3 percent in February of last year.

Credit¹

Total financial system (FS) credit declined by \$4.98 million (or 0.2 percent) to \$2,037.44 million, due to a \$9.98 million drop in commercial banks' lending, against an expansion of \$5.00 million in non-banks financial institutions' (NFIs) credit. 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 reduced lending to the 'Building, construction and installation', 'Manufacturing', 'Trade', and 'Transportation' industries.

Nevertheless, the annual average growth of FS credit rose to 2.3 percent, up slightly from 2.2 percent in the previous month, but was lower than 3.7 percent in February of 2021.

The latest update on the National Accounts released by the Sāmoa Bureau of Statistics (SBS) was up to September 2021 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of around \$2,027.544 million. At this level, the share of the FS credit to NGDP increased to 99.7 percent in the September 2021 quarter from 98.2 percent in the June 2021 quarter. However, the share of M2 to NGDP dropped slightly to 64.2 percent from 65.4 percent in the previous quarter.

Reserve Money²

Total reserve money (RM) fell by \$3.42 million (or 0.7 percent) to \$514.04 million, fueled by a \$7.41 million drop in 'currency in circulation' against a \$3.99 million rise in commercial banks reserves.

At this level, it was \$10.25 million (or 2.0 percent) higher than February 2021 or 14.07 percent and 37.77 percent above its level in the past three and five years respectively.

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

Commercial Banks' Liquidity

Total liquidity remained ample, rising slightly by \$1.19 million (or 0.4 percent) to \$337.72 million. This was underpinned by an increase of \$4.22 million (or 1.4 percent) in excess reserves, offsetting a drop of \$3.04 million (or 9.5 percent) in banks' vault cash holdings.

Furthermore, total liquidity was \$5.79 million (or 1.2 percent) higher than the same month last year or 8.98 percent and 34.37 percent higher than its level in the past three and five years respectively.

Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)³

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 increased 5 basis points to 1.79 percent over the month, but was 65 basis points lower than the same month last year. On the other hand, the weighted average lending

(WAL) rate fell for the fourth consecutive month, dropping by 2 basis points to 8.32 percent from the previous month, or 22 basis points lower than the same month of last year. Consequently, the overall weighted average interest rate spread narrowed to 6.53 percent from 6.60 percent in the previous month, but was higher than 6.10 percent in the same month of 2021.

The current WAD rate was lower than its average rates of 2.53 percent and 2.56 percent in the last three and five years respectively. Likewise, the current WAL rate was also below its average rates of 8.82 percent and 8.84 percent in the last three and five years in that order.

NFIs⁴ lending rates⁵

The overall monthly WAL rate for NFI's edged up by 1 basis point to 8.21 percent, but was lower than 8.27 percent of the same month last year. This was due to a 1 basis point rise in the WAL rate for SNPF (to 8.65 percent) where as those for DBS and SHC remained unchanged at 3.88 percent and 12.81 percent respectively.

The current overall monthly WAL rate was higher than its average rates of 8.15 percent and 7.71 percent in the last three and five years respectively

**CENTRAL BANK OF SAMOA
12th April 2022**

³Central 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).

⁴ 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.

⁵ 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	Feb	December	January	February
Determinants of Money Supply (M2) ⁷			Amount in Tala Million			
Net Foreign Assets ⁹	516.16	398.35	626.84	673.60	662.13	629.64
Net Domestic Assets	731.71	749.94	651.69	658.44	662.84	670.93
Money Supply (M2)	1247.87	1148.30	1278.530	1332.037	1324.968	1300.580
<i>Trend / Annual Average (%)</i>	7.48	7.90	2.3	4.9	4.7	4.5
<i>Narrow Money (M1)</i>	549.61	500.34	536.82	617.33	607.17	591.81
Currency outside banks	99.86	85.02	113.01	132.72	121.09	116.72
Transferable Deposits ⁴	449.75	415.32	423.82	484.61	486.08	475.10
<i>Quasi Money</i>	698.26	647.96	741.71	714.71	717.80	708.77
Other Deposits ⁵	698.26	647.96	741.71	714.71	717.80	708.77
Central Bank of Samoa			Maturity Yield			
Open Markets Operations						
<i>Securities Official Rate</i>	0.19	0.17	0.15	0.15	0.15	0.15
Reserve Money²			Amount in Tala Million			
Total	450.62	373.12	503.792	506.061	517.466	517.466
<i>Trend / Annual Growth (%)</i>	19.86	13.34	11.8	9.7	8.8	8.8
Financial System (FS)			Amounts in Tala Million			
FS Credit						
Commercial Banks ⁷	1160.66	1117.51	1178.64	1191.61	1193.48	1183.50
<i>Trend / Annual Growth (%)</i>	3.75	6.03	2.2	0.6	0.8	0.7
Non-Monetary Financial Institutions (NFIs)	761.31	695.24	802.50	849.02	848.94	853.94
<i>Trend / Annual Growth (%)</i>	9.87	10.08	5.8	4.1	4.3	4.6
Private Sector	1885.20	1771.26	1958.31	2021.95	2024.00	2019.37
Businesses	1036.53	1002.24	1064.87	1033.37	1033.83	1028.81
Individuals	848.67	769.03	893.44	988.58	990.22	990.56
Public Sector (NFIs, NPEs, & Govt)	36.76	41.49	22.83	18.69	18.38	17.94
Total FS Credit ⁸	1921.96	1812.75	1981.13	2040.64	2042.42	2037.44
<i>Trend / Annual Growth (%)</i>	6.07	7.54	3.7	2.0	2.2	2.3
Commercial Banks³			Amounts in Tala Million			
Liquidity						
Total	309.89	251.35	331.939	313.09	336.537	337.725
<i>Trend / Annual Growth (%)</i>	22.93	14.34	8.4	7.5	6.7	6.4
Interest Rates			Percentage			
Overall Weighted Average Lending ⁷	8.82	8.84	8.54	8.38	8.34	8.32
Australia New Zealand Bank (Sāmoa) Limited	9.06	9.15	8.28	7.79	7.79	7.77
Bank South Pacific (Sāmoa) Limited	8.04	7.88	8.16	7.80	7.64	7.62
National Bank of Sāmoa Limited	8.08	8.09	7.83	8.23	8.21	8.17
Samoa Commercial Bank Limited	10.56	10.56	10.27	9.95	10.00	10.00
Overall Weighted Average Deposit	2.53	2.56	2.44	1.72	1.74	1.79
Australia New Zealand Bank (Sāmoa) Limited	1.29	1.42	1.11	0.75	0.79	0.79
Bank South Pacific (Sāmoa) Limited	2.81	2.74	2.35	1.52	1.48	1.55
National Bank of Sāmoa Limited	3.82	3.64	3.46	2.31	2.36	2.41
Samoa Commercial Bank Limited	3.12	3.21	2.97	2.43	2.44	2.47
Market Shares						
Lending ⁷						
Australia New Zealand Bank (Sāmoa) Limited	25.99	29.13	24.54	25.32	25.25	45.30
Bank South Pacific (Sāmoa) Limited	30.57	28.72	30.97	30.03	30.42	54.70
National Bank of Sāmoa Limited	23.87	22.54	24.32	22.04	21.91	0.00
Samoa Commercial Bank Limited	19.57	19.61	20.17	22.61	22.42	0.00
Deposit						
Australia New Zealand Bank (Sāmoa) Limited	27.19	29.51	24.53	24.65	23.92	23.77
Bank South Pacific (Sāmoa) Limited	30.89	29.25	30.99	28.99	30.22	29.38
National Bank of Sāmoa Limited	21.13	21.08	22.30	21.81	21.46	21.99
Samoa Commercial Bank Limited	20.78	20.13	22.18	24.56	24.40	24.86
Non-monetary Financial Institutions (NFIs)			Percentage			
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF) ⁶	8.53	8.15	8.71	8.61	8.64	8.65
Development Bank of Samoa (DBS)®	4.71	5.06	4.33	3.67	3.88	3.88
Samoa Housing Corporation (SHC) ¹	12.92	12.92	12.97	12.89	12.81	12.81
NFIs' Overall WAL ^{6,8}	8.15	7.71	8.27	8.14	8.20	8.21

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.