

REVIEW OF MONETARY DEVELOPMENTS JANUARY 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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January 2022

Monetary Forecast

As an intermediate target for monetary policy, the actual level of money supply (M2) was 4.2 percent lower than its projected level for January 2022. This deviation was underpinned by lower- than-expected level of net foreign assets and total lending compared to their forecast levels.

Money Supply (M2)

Total money supply (M2) contracted by \$7.07 million (or 0.5 percent) to \$1,324.97 million in the first month of 2022, on account of an \$11.36 million drop in Net Foreign Assets (NFA), against a \$4.41 million hike in Net Domestic Assets (NDA). The decline in the former was caused by decreases in the net foreign holdings of both; the commercial banks and the Central Bank. Whereas the latter reflected a deficit in the government monthly net position with the monetary system, indicating increased government spending during the month under review.

As a result, the annual growth rate of broad money slowed slightly to 4.7 percent from 4.9 percent in the previous month but was higher than 1.8 percent in the same month last year.

Credit¹

Total financial system (FS) credit rebounded by \$1.79 million (or 0.1 percent) to \$2,042.42 million, due to an increase of \$1.87 million in commercial banks' lending, offsetting a slight dip of \$0.09 million in non-banks financial institutions' (NFIs) lending.

The improvement in total FS credit was driven mostly from lending to the 'Other activities', 'Manufacturing', 'Electricity, Gas and Water', and Trade industries.

By sector, the bulk of the FS credit was directed to the private sector with a share of 97.8 percent, while the rest was lent to public institutions..

On an annual average basis, total FS credit grew by 2.2 percent from 2.0 percent in the previous month, but was significantly lower than 4.0 percent in January 2021.

The latest update on National Accounts released by the Sāmoa Bureau of Statistics (SBS) was up to September 2021, 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 to 65.4 percent in the previous quarter.

Reserve Money²

Total reserve money (RM) rose sharply by \$11.41 million (or 2.3 percent) to \$517.47 million, as a result of a significant recovery of \$26.12 million in commercial banks reserves with the Central Bank, compensating for a seasonal drop of \$14.71 million in currency in circulation.

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

In addition, total reserve money was \$5.96 million (or 1.2 percent) higher than its level in January 2021, and was 13.50 percent and 35.92 percent higher than its corresponding levels in the past three and five years respectively

Commercial Banks' Liquidity

The banking system remained highly liquid at the start of year, rising by \$23.45 million (or 7.5 percent) to \$336.54 million. The current performance of the banks' liquidity was driven mainly by an increase of \$26.53 million (or 9.5 percent) in excess reserves, offsetting a drop of \$3.08 million (or down 8.8 percent) in vault cash holdings.

Furthermore, total liquidity was \$6.64 million (1.9 percent) lower than the same month last year but was 6.68 percent and 31.19 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 edged up 2 basis points to 1.74 over the month, but was 82 basis points lower than the same month last year. The weighted average lending (WAL) rate fell for the third consecutive month, down by 6 basis point to 8.34 percent from the previous month, or 20 basis points lower than January 2021. As a result, the overall weighted average interest rate spread shrank to 6.60 percent from 6.68 percent in the previous month, but was

significantly higher than 5.98 percent in the same month of 2021.

The current WAD rate was lower than its average rates of 2.60 percent and 2.62 percent in the last three and five years respectively. Likewise, the current WAL rate was also below its average rates of 8.81 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 increased by 6 basis point to 8.20 percent, but was lower than 8.28 percent of the same month last year. This level was underpinned by a 21 basis points jump in the WAL rate for DBS (to 3.88 percent), couple with an increase in 3 basis points in the WAL rates for SNPF (to 8.64 percent) offsetting a drop of 8 basis points in SHC's WAL rate of 12.81 percent.

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 2nd March 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 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.

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	January	November	December	January
Determinants of Money Supply (M2) ⁷			Amount in Tala Million			
Net Foreign Assets ⁹	521.96	400.16	637.53	658.75	673.60	662.13
Net Domestic Assets	720.67	746.23	652.54	671.22	658.44	662.84
Money Supply (M2)	1242.642	1146.385	1290.072	1329.961	1332.037	1324.968
<i>Trend / Annual Average (%)</i>	7.7	8.0	1.8	5.3	4.9	4.7
<i>Narrow Money (M1)</i>	541.12	498.20	545.12	607.10	617.33	607.17
Currency outside banks	100.64	86.60	115.19	117.00	132.72	121.09
Transferable Deposits ⁴	440.48	411.60	429.93	490.11	484.61	486.08
<i>Quasi Money</i>	701.52	648.19	744.96	722.86	714.71	717.80
Other Deposits ⁵	701.52	648.19	744.96	722.86	714.71	717.80
Central Bank of Samoa			Maturity Yield			
Open Markets Operations			Amount in Tala Million			
<i>Securities Official Rate</i>	0.16	0.16	0.15	0.15	0.15	0.15
Reserve Money²			Amount in Tala Million			
Total	455.91	380.7	511.51	500.58	506.061	517.466
<i>Trend / Annual Growth (%)</i>	20.4	13.2	11.9	11.2	9.7	8.8
Financial System (FS)			Amounts in Tala Million			
FS Credit			Amounts in Tala Million			
Commercial Banks ⁷	1159.66	1114.23	1179.17	1200.51	1191.61	1193.48
<i>Trend / Annual Growth (%)</i>	3.8	6.1	2.5	0.6	0.6	1.2
Non-Monetary Financial Institutions (NFIs)	761.11	693.61	801.66	842.16	849.02	848.94
<i>Trend / Annual Growth (%)</i>	10.0	10.2	6.4	3.9	4.1	4.3
Private Sector	1884.95	1766.64	1960.23	2020.16	2021.95	2024.00
Businesses	1040.72	1001.83	1070.57	1038.76	1033.37	1033.83
Individuals	844.23	764.81	889.66	981.40	988.58	990.22
Public Sector (NFIs, NPEs, & Govt)	35.83	41.20	20.60	22.51	18.69	18.38
Total FS Credit ⁸	1920.78	1807.84	1980.83	2042.67	2040.64	2042.42
<i>Trend / Annual Growth (%)</i>	6.1	7.6	4.0	1.9	2.0	2.2
Commercial Banks³			Amounts in Tala Million			
Liquidity			Amounts in Tala Million			
Total	315.47	256.52	343.18	324.218	313.09	336.537
<i>Trend / Annual Growth (%)</i>	24.52	13.83	8.8	9.1	7.5	6.7
Interest Rates			Percentage			
Overall Weighted Average Lending ⁷	8.81	8.84	8.54	8.44	8.38	8.34
Australia New Zealand Bank (Sāmoa) Limited	9.13	9.20	8.28	7.78	7.79	7.79
Bank South Pacific (Sāmoa) Limited	7.95	7.83	8.21	7.98	7.80	7.64
National Bank of Sāmoa Limited	8.05	8.11	7.75	8.22	8.23	8.21
Samoa Commercial Bank Limited	10.59	10.55	10.29	10.01	9.95	10.00
Overall Weighted Average Deposit	2.60	2.62	2.56	1.85	1.72	1.74
Australia New Zealand Bank (Sāmoa) Limited	1.29	1.41	1.05	0.78	0.75	0.79
Bank South Pacific (Sāmoa) Limited	2.93	2.88	2.57	1.88	1.52	1.48
National Bank of Sāmoa Limited	3.82	3.66	3.69	2.30	2.31	2.36
Samoa Commercial Bank Limited	3.15	3.23	2.94	2.45	2.43	2.44
Market Shares			Percentage			
Lending ⁷			Percentage			
Australia New Zealand Bank (Sāmoa) Limited	26.1	29.4	24.64	25.44	25.32	25.25
Bank South Pacific (Sāmoa) Limited	30.8	28.7	30.58	30.16	30.03	30.42
National Bank of Sāmoa Limited	23.7	22.5	24.66	21.99	22.04	21.91
Samoa Commercial Bank Limited	19.4	19.5	20.11	22.41	22.61	22.42
Deposit			Percentage			
Australia New Zealand Bank (Sāmoa) Limited	26.6	29.4	23.70	23.73	24.65	23.92
Bank South Pacific (Sāmoa) Limited	30.9	29.3	30.77	30.54	28.99	30.22
National Bank of Sāmoa Limited	21.4	20.9	22.67	21.24	21.81	21.46
Samoa Commercial Bank Limited	21.1	20.5	22.86	24.49	24.56	24.40
Non-monetary Financial Institutions (NFIs)			Percentage			
Weighted Average Lending (WAL)			Percentage			
Sāmoa National Provident Fund (SNPF) ⁶	8.52	8.14	8.71	8.60	8.61	8.64
Development Bank of Samoa (DBS)®	4.75	5.08	4.33	3.68	3.67	3.88
Samoa Housing Corporation (SHC) ¹	12.96	12.96	13.02	12.93	12.89	12.81
NFIs' Overall WAL ^{6,8}	8.15	7.71	8.28	8.13	8.14	8.20

Source: Central Bank of Samoa

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- (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.