

REVIEW OF MONETARY DEVELOPMENTS MARCH 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) in March 2022 was 2.9 percent lower than its projected level due to lower-than-expected levels for domestic credit and government net position balances compared to their forecast.

Money Supply (M2)

Total monthly money supply (M2) rebounded by \$8.79 million (or 0.7 percent) to \$1,309.37 million. This hike was underpinned by a \$14.91 million expansion in Net Domestic Assets (NDA), against a decline of \$6.11 million in Net Foreign Assets (NFA). The improvement in the former reflected a deficit (net spending) in the governments' net, position with the monetary system, as well as an expansion in total commercial bank's lending to the private sector. In contrast, the latter mirrored a sharp fall in Central Bank's held foreign assets, offsetting an increase in foreign assets of the commercial banks.

Nevertheless, the annual growth rate of broad money slipped to 4.0 percent from 4.5 percent in the previous month but was higher than 3.0 percent in March of last year.

Credit¹

Total financial system (FS) credit grew by \$5.51 million (or 0.3 percent) to \$2,041.34 million, on account of gains in the lending of both non-banks financial institutions and commercial banks, by \$2.81 million and \$2.71 million in that order.

The bulk of total FS credit (97.9 percent) was lent to the private sector and the remaining balance directed to the public sector.

Furthermore, the expansion was driven mostly from increased lending to the 'Trade', 'Professional and business services' and 'Other activities' sectors.

Subsequently, the annual average growth rate of FS credit edged up to 2.5 percent, from 2.3 percent in the previous month, but was lower than 3.2 percent in March 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 Money²

Total reserve money (RM) rose by \$16.74 million (or 3.3 percent) to \$530.78 million, fueled by a \$20.04 million hike in 'currency in circulation' as opposed to a \$3.06 million dip in commercial banks reserves.

At this level, it was also \$28.22 million (or 5.6 percent) higher than March 2021 or 18.64 percent and 43.24 percent above its levels 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 continued to remain elevated, rising by \$7.46 million (or 2.2%) to \$345.18 million. This was highlighted by a jump of \$10.51 million (or 36.2 percent) in commercial banks holdings of vault cash, offsetting a decrease of \$3.04 million (or 1.0 percent) in their holdings of excess reserves.

Furthermore, total liquidity was \$22.16 million (or 6.9 percent) higher than the same month last year or 13.70 percent and 42.29 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)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 for two years now March 2020.

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate edged down 1 basis point to

1.79 percent while the weighted average lending rate also fell by 2 basis point to 8.30 percent from the previous month. When compared to March last year, the weighted average lending rate was much lower than 8.57 percent with the weighted average deposit rate also below 2.33 percent.

The current WAD rate was lower than its average rates of 2.63 percent and 2.67 percent in the last three and five years respectively. Likewise, the current WAL rate was also below its average rates of 8.83 percent and 8.82 percent in the last three and five years in that order.

NFIs⁴ lending rates⁵

The overall monthly WAL rate for NFI's slipped 1 basis point to 8.21 percent from the previous month. This decline reflected a 9 basis points drop in the WAL rate for SHC (to 12.62 percent), coupled with a 1 basis point decrease in that of DBS (to 4.03 percent), whilst SNPF WAL rate remained the same at 8.65 percent.

The current overall monthly WAL rate was higher than its average rates of 8.14 percent and 7.86 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA 10th May 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).

⁴Non-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	Mar	January	February	March
Determinants of Money Supply (M2) ⁷	Amount in Tala Million					
Net Foreign Assets ⁹	517.84	400.69	638.74	662.13	629.64	623.53
Net Domestic Assets	738.88	751.40	664.11	662.84	670.93	685.84
Money Supply (M2)	1256.721	1152.099	1302.860	1324.968	1300.580	1309.370
<i>Trend / Annual Average (%)</i>	7.3	7.9	3.0	4.7	4.5	4.0
Narrow Money (M1)	557.46	500.66	575.44	607.17	591.81	587.42
Currency outside banks	101.59	88.16	121.23	121.09	116.72	126.24
Transferable Deposits ⁴	455.87	412.50	454.21	486.08	475.10	461.18
<i>Quasi Money</i>	699.26	651.44	727.42	717.80	708.77	721.95
Other Deposits ⁵	699.26	651.44	727.42	717.80	708.77	721.95
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	447.38	370.57	502.564	517.466	514.044	531.027
<i>Trend / Annual Growth (%)</i>	19.53	13.66	11.9	8.8	7.9	7.3
Financial System (FS)	Amounts in Tala Million					
FS Credit	Amounts in Tala Million					
Commercial Banks ⁷	1161.97	1120.07	1172.71	1193.48	1183.50	1186.21
<i>Trend / Annual Growth (%)</i>	3.7	5.9	1.8	0.8	0.7	0.9
Non-Monetary Financial Institutions (NFIs)	764.43	698.78	805.19	848.94	852.33	855.13
<i>Trend / Annual Growth (%)</i>	9.8	10.0	5.2	4.3	4.6	6.2
Private Sector	1889.55	1777.79	1954.49	2024.00	2017.89	2023.82
Businesses	1038.33	1004.81	1054.70	1033.83	1028.22	1034.42
Individuals	851.22	772.98	899.79	990.22	989.67	989.40
Public Sector (NFIs, NPEs, & Govt)	36.84	41.07	23.41	18.38	17.94	17.52
Total FS Credit ⁸	1926.40	1818.86	1977.90	2042.42	2035.83	2041.35
<i>Trend / Annual Growth (%)</i>	6.0	7.4	3.2	2.2	2.3	2.5
Commercial Banks³	Amounts in Tala Million					
Liquidity	Amounts in Tala Million					
Total	303.60	242.59	323.022	336.537	337.725	345.181
<i>Trend / Annual Growth (%)</i>	21.86	15.05	7.8	6.7	6.4	6.6
Interest Rates	Percentage					
Overall Weighted Average Lending ⁷	8.83	8.82	8.57	8.34	8.32	8.30
Australia New Zealand Bank (Sāmoa) Limited	9.03	9.07	8.24	7.79	7.77	7.74
Bank South Pacific (Sāmoa) Limited	8.09	7.92	8.31	7.64	7.62	7.61
National Bank of Sāmoa Limited	8.12	8.10	7.86	8.21	8.17	8.17
Samoa Commercial Bank Limited	10.51	10.53	10.20	10.00	10.00	9.96
Overall Weighted Average Deposit	2.63	2.67	2.33	1.76	1.81	1.80
Australia New Zealand Bank (Sāmoa) Limited	1.28	1.42	1.01	0.79	0.79	0.78
Bank South Pacific (Sāmoa) Limited	2.66	2.76	2.13	1.48	1.55	1.66
National Bank of Sāmoa Limited	3.68	3.63	3.21	2.36	2.41	2.40
Samoa Commercial Bank Limited	3.11	3.22	2.93	2.44	2.47	2.43
Market Shares	Percentage					
Lending ⁷	Percentage					
Australia New Zealand Bank (Sāmoa) Limited	25.96	28.87	24.20	25.25	25.12	25.47
Bank South Pacific (Sāmoa) Limited	30.42	28.74	30.70	30.42	30.33	30.15
National Bank of Sāmoa Limited	23.97	22.70	24.70	21.91	21.84	21.89
Samoa Commercial Bank Limited	19.64	19.70	20.40	22.42	22.71	22.50
Deposit	Percentage					
Australia New Zealand Bank (Sāmoa) Limited	26.15	28.88	23.80	23.92	23.77	23.87
Bank South Pacific (Sāmoa) Limited	31.04	29.67	31.60	30.22	29.38	29.15
National Bank of Sāmoa Limited	21.95	21.21	22.50	21.46	21.99	21.92
Samoa Commercial Bank Limited	20.86	20.23	22.10	24.40	24.86	25.06
Non-monetary Financial Institutions (NFIs)	Percentage					
Weighted Average Lending (WAL)	Percentage					
Sāmoa National Provident Fund (SNPF) ⁶	8.54	8.37	8.71	8.64	8.65	8.65
Development Bank of Samoa (DBS)®	4.60	4.99	3.99	3.88	4.04	4.03
Samoa Housing Corporation (SHC) ¹	12.91	12.91	12.95	12.81	12.71	12.62
NFIs' Overall WAL ^{6,8}	8.14	7.86	8.22	8.20	8.22	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.