

REVIEW OF MONETARY DEVELOPMENTS DECEMBER 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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December 2022

Monetary Forecast

The actual level of money supply (M2) was 2.1 percent higher than its projection for December 2022 due to higher than expected levels of net foreign assets for both the Central Bank and the banking system, which were partially outweighed by a lower than expected level of net domestic assets.

Money Supply (M2)

Total money supply (M2) jumped by \$37.31 million (or 2.7 percent) to \$1,429.71 million, on account of a significant hike of \$66.43 million in net foreign assets (NFA), offsetting a \$29.13 million reduction in net domestic assets (NDA). The expansion in NFA reflected substantial increases in the foreign assets of the Central Bank and the banking system. On the other hand, the drop in the latter was due to a increase in the government's net position with the monetary system (contractionary effect) in light of large inflow of aid and grants from its international development partners.

As a result, the annual average growth rate of M2 increased to 4.03 percent from 3.55 percent in the previous month but was lower than 4.9 percent in December 2021.

Credit¹

Total financial system (FS) credit expanded by \$7.92 million (or 0.39 percent) to \$2,026.16 million from the previous month. This reflected an increase of \$8.62 million in commercial banks' lending, outweighing a decrease of \$0.70 million in lending of non-banks' financial institutions (NFIs).

By sector, the bulk of FS credit was directed to the private sector with a share of 99.1 percent while the rest was lent to the public non-bank financial institutions.

The expansion in total FS credit was underpinned by major increases in lending to the 'Other activities' and 'Trade' as well as slight upward movements in 'Agriculture, forestry, and fisheries' and 'Transportation, Storage, and communication' sectors.

However, the annual average growth rate of the FS credit edged down to 1.1 percent from 1.4 percent in the previous month and 2.0 percent in the same month last year.

The latest update on the National Accounts released by the Samoa Bureau of Statistics (SBS) was up to the September 2022 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of around \$2,221.98 million. At this level, the share of the FS credit to NGDP dropped to 91.0 percent from 93.3 percent in the June 2022 quarter but was lower than its share of 92.8 percent in the September quarter of last year. Similarly, the share of M2 to NGDP declined to 59.85 percent from 62.5 percent in the previous quarter and 64.2 percent in the past year.

Reserve Money²

Total reserve money (RM) recorded a significant increase of \$45.44 million (or 8.2 percent) to \$602.40 million, underscored by a seasonal jump of \$35.83 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

coupled with a \$9.61 million increase in commercial banks' reserves.

At this level, total RM was \$96.34 million higher than its level in the previous year or 25.8 percent and 42.7 percent higher than its levels in the past three and five years respectively.

Commercial Banks' Liquidity³

Total commercial banks liquidity rose by \$8.50 million (or 2.2 percent) to \$389.05 million reflecting an expansion of \$9.17 million in commercial banks' holdings of excess reserves, against a drop of \$0.67 million in their vault cash holdings. Conversely, their holdings of CBS securities remained at \$15.00 million from the previous month.

In addition, total commercial bank liquidity was \$75.96 million higher than its level last year. When compared to the past three and five years, it was 27.26 percent and 46.58 percent higher in that order.

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

Total CBS securities issued during the month edged up to \$15.00 million from \$14.00 million in the previous month, at maturities of 14-days (\$3.00 million), 28-days (\$6.00 million), 56-days (\$4.00 million) and 91-days (\$2.00 million) paper. As a result, total CBS securities outstanding remained the same at \$15.00 million.

Given that there were longer-term papers (56 and 91 days) at yields of 0.18 percent and 0.41 percent respectively, the overall weighted average yield on CBSS (or official interest rate)

edged up to 0.19 percent from 0.15 percent in the previous month.

Commercial Banks' Interest Rates

The commercial banks weighted average deposit (WAD) rate dropped by 4 basis points to 1.79 percent over the previous month but was 7 basis points higher than the same month last year. The weighted average lending (WAL) rate rose by 2 basis points to 8.28 percent from the previous month or 12 basis points lower than that of last year.

As a result, the overall weighted average interest rate spread widened to 6.48 percent from 6.43 percent in the previous month but was lower than 6.68 percent in December 2021.

Compared to the last three and five years, the current WAD rate was lower than its average rates of 2.25 percent and 2.40 percent for those respective periods. Similarly, the WAL rate was also lower than its average rates of 8.56 percent and 8.72 percent in that same timeframe.

NFIs⁵ Lending Rates⁶

The overall WAL rate for NFIs increased further by 1 basis points to 8.51 percent due to a 1 basis point increase in the WAL rate for SNPF (to 8.96 percent) while WAL rates for DBS and SHC remained at 3.92 percent and 12.66 percent respectively, from the previous month.

The NFI's current overall WAL rate was also higher than rates of 8.20 percent and 7.96 percent in the last three and five years in that order.

CENTRAL BANK OF SAMOA 2nd February 2023

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.

⁶ SHC figures are provisional for the reporting month.

Review of Monetary Developments
December 2022

Monetary Aggregates							
End of Period Figures	Average level in the previous		2022				
	3-years	5-years	August	September	October	November	December
Determinants of Money Supply (M2) ⁷							
Net Foreign Assets ⁹	598.16	501.74	715.89	704.12	706.94	735.90	802.33
Net Domestic Assets	696.77	727.26	656.45	684.95	689.96	656.50	627.38
Money Supply (M2)⁸	1294.94	1229.00	1372.339	1389.070	1396.900	1392.400	1429.713
<i>Trend / Annual Average (%)</i>	5.52	7.59	3.0	3.2	3.4	3.6	4.0
<i>Narrow Money (M1)</i>							
Currency outside banks	121.03	110.71	131.50	137.38	132.35	130.13	166.63
Transferable Deposits ⁴ Ⓢ	453.27	438.30	501.94	511.70	508.99	512.55	540.17
<i>Quasi Money</i>	720.63	683.91	738.90	739.99	755.56	749.72	722.91
Other Deposits ⁵	720.63	683.91	738.90	739.99	755.56	749.72	722.91
Central Bank of Samoa							
Open Markets Operations							
<i>Securities Official Rate</i>	0.16	0.16	0.15	0.20	0.16	0.15	0.19
Reserve Money ²							
Total	478.91	422.11	543.829	551.618	552.507	556.957	602.400
<i>Trend / Annual Growth (%)</i>	16.72	17.31	2.6	3.1	3.6	4.5	6.0
Financial System (FS)							
FS Credit							
Commercial Banks ⁷	1186.87	1152.56	1178.78	1179.00	1174.68	1168.29	1176.90
<i>Trend / Annual Growth (%)</i>	3.06	4.07	0.53	0.29	-0.04	-0.37	-0.52
Non-Monetary Financial Institutions (NFIs)⁸	808.84	748.60	840.35	843.50	844.81	849.35	849.26
<i>Trend / Annual Growth (%)</i>	8.63	9.20	5.0	4.7	4.3	3.9	3.4
Private Sector							
Businesses	1056.63	1023.98	1001.49	995.69	977.51	976.35	976.36
Individuals	912.21	838.04	1000.26	1008.88	1021.85	1025.60	1031.05
Public Sector (NFIs, NPEs, & Govt)							
Total FS Credit ⁸Ⓢ	1995.71	1901.16	2019.13	2022.50	2019.49	2017.64	2026.16
<i>Trend / Annual Growth (%)</i>	5.19	6.00	2.35	2.08	1.72	1.36	1.07
Commercial Banks ³							
Liquidity							
Total	305.71	265.43	351.854	364.363	370.2705	380.553	389.054
<i>Trend / Annual Growth (%)</i>	15.41	20.44	1.0	1.8	2.8	4.4	6.6
Interest Rates							
Overall Weighted Average Lending ⁷							
Australia New Zealand Bank (Sāmoa) Limited	8.45	8.93	7.72	7.69	7.69	7.71	7.69
Bank South Pacific (Sāmoa) Limited	7.92	7.87	7.58	7.58	7.56	7.55	7.55
National Bank of Sāmoa Limited	7.99	8.01	8.19	8.15	8.22	8.24	8.10
Samoa Commercial Bank Limited	10.31	10.42	9.91	9.85	9.82	9.70	9.88
Overall Weighted Average Deposit							
Australia New Zealand Bank (Sāmoa) Limited	1.06	1.21	0.85	0.86	0.88	0.89	0.82
Bank South Pacific (Sāmoa) Limited	2.46	2.55	1.77	1.77	1.89	1.85	1.83
National Bank of Sāmoa Limited	3.34	3.20	2.52	2.55	2.57	2.47	2.49
Samoa Commercial Bank Limited	2.88	3.11	2.29	2.21	2.25	2.30	2.26
Market Shares							
Lending ⁷							
Australia New Zealand Bank (Sāmoa) Limited	25.3	27.1	25.48	25.52	25.74	25.79	25.87
Bank South Pacific (Sāmoa) Limited	30.7	29.7	28.78	28.77	28.69	28.84	28.75
National Bank of Sāmoa Limited	23.7	23.1	22.36	22.17	21.52	21.18	20.83
Samoa Commercial Bank Limited	20.3	20.0	23.37	23.54	24.05	24.18	24.55
Deposit ⁷							
Australia New Zealand Bank (Sāmoa) Limited	25.9	27.3	26.39	26.77	26.19	25.71	26.35
Bank South Pacific (Sāmoa) Limited	29.2	29.4	27.82	28.38	29.54	30.15	29.76
National Bank of Sāmoa Limited	22.2	21.8	19.21	19.06	18.25	18.76	18.49
Samoa Commercial Bank Limited	22.7	21.5	26.58	25.79	26.02	25.38	25.40
Non-monetary Financial Institutions (NFIs)							
Weighted Average Lending (WAL)							
Sāmoa National Provident Fund (SNPF) ⁶	8.62	8.42	8.94	8.93	8.92	8.95	8.96
Development Bank of Samoa (DBS) ⁸ Ⓢ	4.17	4.61	4.02	4.01	3.92	3.92	3.92
Samoa Housing Corporation (SHC) ¹ Ⓢ	13.09	12.75	12.72	12.73	12.69	12.66	12.66
NFIs' Overall WAL ^{6,8}	8.20	7.96	8.47	8.47	8.47	8.50	8.51

Source: Central Bank of Samoa

- (1) Reserve Money is composed of: Currency in Circulation and commercial banks Exchange Settlement Accounts (ESA) and Statutory Required Deposits (SRDs).
 - (2) As of July 13th, 2015, Bank South Pacific took over Westpac.
 - (3) Comprised of demand deposits, foreign currency deposits of residents, and interest payable on these deposits.
 - (4) Comprised of time deposits, savings deposits, and the interest payable on these deposits.
 - (5) Reflects the reclassification of loans to their appropriate interest rate structure in November 2018.
 - (6) Changes back to June 2016 under Financial System Credit section due to revised figures from the commercial banks
 - (7) Effective October 2018, Samoa Housing Corporation started reporting to Central Bank on monthly basis as was previously reported on quarterly basis.
 - (8) Samoa received the IMF-Special Drawing Rights (SDRs) allocation of SDR 15.5 million and equivalent of around \$55.5 million Tala in August 2021.
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