

REVIEW OF MONETARY DEVELOPMENTS JULY 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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July 2022

Monetary Forecast

The actual monthly level of money supply (M2) in July 2022 was 1.3 percent higher than its original monthly forecast. This deviation reflected a higher than anticipated level of net foreign assets of both the Central Bank and the banking system.

Money Supply (M2)

Total money supply (M2) rose for the third consecutive month, increasing by \$12.72 million (or 0.9 percent) to \$1,367.39 million, on account of a \$14.92 million hike in Net Foreign Assets (NFA), against a decline of \$2.20 million in Net Domestic Assets (NDA). The former was underpinned by an increase in net foreign holdings of the banking system, and to a lesser extent those of the Central Bank of Samoa. Contrarily, the latter was underlined by a drop in the other items net, coupled with an expansion in the government net position 'deficit'¹ with the monetary system.

Consequently, the annual average growth rate of M2 edged up to 3.10 percent from 2.99 percent in the previous month but was lower than 5.7 percent in the same month last year.

Credit²

Total financial system (FS) credit declined for the third consecutive month, down by \$10.71 million (or 0.5 percent) to \$2,012.01 million. This was driven mainly by a significant drop of \$16.26 million in total lending of the non-bank financial institutions (NFIs), despite an increase

of \$5.55 million in total lending of commercial banks.

Around 99.1 percent of the total FS credit was lent to the private sector while the remaining balance was lent to the public sector.

Furthermore, the fall in total credit was driven mostly by contractions in lending to the 'Other Activities', 'Manufacturing', and 'Electricity, gas and water' sectors.

The annual average growth rate of total FS credit slipped to 2.5 percent from 2.6 percent in the previous month but was higher than 1.7 percent in the previous year.

The latest update on the National Accounts released by the Sāmoa Bureau of Statistics (SBS) was up to the March 2022 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of around \$2,179.79 million. At this level, the share of the FS credit to NGDP rose slightly to 93.2 percent from 93.1 percent in the December 2021 quarter. Similarly, the share of M2 to NGDP increased to 62.2 percent from 60.8 percent in the previous quarter.

Reserve Money³

Total reserve money (RM) rebounded sharply by \$17.07 million (or 3.2 percent) to \$547.33 million, due to gains of \$9.64 million and \$7.43 million in commercial banks reserves and currency in circulation respectively.

¹ Government deposits exceed Government loans from the monetary system

² 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)

³ 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

Likewise, total reserve money was \$24.42 million (or 4.7 percent) higher than its level in the same month last year, or 14.8 percent and 39.4 percent higher than its corresponding levels in the past three and five years respectively.

Commercial Banks' Liquidity

Total liquidity expanded by \$10.12 million (or 2.9 percent) to \$356.47 million over the previous month. This was underpinned by an expansion of \$8.93 million in commercial banks' exchange settlement accounts (ESAs), alongside an increase of \$1.19 million in their vault cash holdings.

Furthermore, total liquidity was \$14.61 million (or 5.71 percent) higher than the same month last year or 16.45 percent and 35.82 percent higher than its levels in the past three and five years respectively.

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

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' overall weighted average deposit (WAD) rate grew by 6 basis points to 1.87 percent over the previous month but was 23 basis points lower than that of July last year. On the other hand, the weighted average lending (WAL) rate remained at 8.29 percent from June 2022 but was 27 basis points lower than in July 2021. As a result, the overall

weighted average interest rate spread narrowed to 6.42 percent in the month under review but was higher than 6.46 percent in July 2021.

The current WAD rate was lower than its average rates of 2.50 percent and 2.54 percent in the last three and five years respectively. Similarly, the current WAL rate was also lower than its rates of 8.71 percent and 8.77 percent in the last three and five years in that order.

NFIs⁵ Lending Rates⁶

The overall WAL rate for NFIs jumped by 21 basis points to 8.43 percent in July 2022 but was higher than its level of 8.07 percent in the previous year. This was underpinned by a significant increase of 25 basis points in the WAL rate for SNPF, together with a 2 basis points hike in the SHC's WAL rate, whilst that for the DBS remained the same over the previous month.

The current overall NFIs' WAL rate was higher than its rates of 7.85 percent and 7.68 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA **5th September 2022**

⁴Central 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 Lending rates of SHC are provisional for the reporting month.

Monetary Aggregates

End of Period Figures	Average level in the previous		2022				
	3-years	5-years	July	April	May	June	July
Determinants of Money Supply (M2) ⁷							
Net Foreign Assets ⁹	546.16	453.53	636.16	651.81	677.31	709.65	724.57
Net Domestic Assets	712.58	725.37	663.10	691.53	697.94	645.02	642.82
Money Supply (M2)	1258.744	1178.898	1299.260	1343.340	1375.258	1354.670	1367.390
<i>Trend / Annual Average (%)</i>	6.5	8.0	5.7	3.5	3.4	3.0	3.1
<i>Narrow Money (M1)</i>	554.00	515.18	578.44	602.59	631.59	624.67	625.58
Currency outside banks	111.68	95.18	122.16	126.05	124.90	123.77	130.00
Transferable Deposits ⁴	442.31	420.00	456.27	476.54	506.69	500.90	495.58
<i>Quasi Money</i>	704.76	663.72	720.84	740.75	743.67	730.00	741.81
Other Deposits ⁵	704.76	663.72	720.84	740.75	743.67	730.00	741.81
Central Bank of Samoa							
Open Markets Operations							
<i>Securities Official Rate</i>	0.15	0.16	0.15	0.15	0.15	0.15	0.15
Reserve Money²							
Total	468.18	400.79	522.905	527.363	534.67467	530.26	547.328
<i>Trend / Annual Growth (%)</i>	18.4	15.8	14.8	6.5	5.7	3.6	2.9
Financial System (FS)							
FS Credit							
Commercial Banks ⁷	1157.43	1116.93	1182.18	1179.45	1172.89	1171.85	1177.40
<i>Trend / Annual Growth (%)</i>	3.5	5.1	0.5	0.94	0.92	0.86	0.75
Non-Monetary Financial Institutions (NFIs)	786.34	717.19	821.40	855.43	857.82	849.11	834.61
<i>Trend / Annual Growth (%)</i>	9.5	9.6	3.4	6.3	4.2	5.3	5.1
Private Sector	1910.04	1796.21	1980.74	2017.61	2014.07	2005.51	2012.46
Businesses	1049.37	1012.48	1069.87	1029.83	1019.71	1016.51	1001.51
Individuals	860.67	783.73	910.87	987.78	994.36	989.01	992.62
Public Sector (NFIs, NPEs, & Govt)	33.67	37.88	22.67	17.26	16.64	17.20	17.88
Total FS Credit ⁸	1943.77	1834.12	2003.57	2034.88	2030.71	2022.71	2012.01
<i>Trend / Annual Growth (%)</i>	5.8	6.8	1.7	2.62	2.64	2.64	2.53
Commercial Banks³							
Liquidity							
Total	306.11	262.46	341.865	342.155	349.673	346.352	356.473
<i>Trend / Annual Growth (%)</i>	18.1	18.3	12	6.2	5.3	2.5	1.5
Interest Rates							
Overall Weighted Average Lending ⁷	8.71	8.77	8.56	8.29	8.30	8.29	8.29
Australia New Zealand Bank (Sāmoa) Limited	8.53	8.83	7.63	7.74	7.76	7.77	7.77
Bank South Pacific (Sāmoa) Limited	8.11	7.97	8.35	7.60	7.59	7.57	7.57
National Bank of Sāmoa Limited	8.20	8.15	8.14	8.15	8.18	8.11	8.11
Samoa Commercial Bank Limited	10.34	10.42	10.10	9.94	9.92	9.92	9.92
Overall Weighted Average Deposit	2.50	2.54	2.11	1.76	1.78	1.82	1.82
Australia New Zealand Bank (Sāmoa) Limited	1.10	1.25	0.90	0.89	0.87	0.86	0.86
Bank South Pacific (Sāmoa) Limited	2.86	2.82	2.29	1.41	1.58	1.75	1.75
National Bank of Sāmoa Limited	3.50	3.43	2.60	2.52	2.46	2.60	2.60
Samoa Commercial Bank Limited	2.76	3.01	2.66	2.42	2.38	2.27	2.27
Market Shares							
Lending ⁷®							
Australia New Zealand Bank (Sāmoa) Limited	25.2	27.9	24.74	25.54	25.60	25.32	25.39
Bank South Pacific (Sāmoa) Limited	30.7	29.2	30.28	29.85	29.70	29.57	29.63
National Bank of Sāmoa Limited	24.1	22.9	23.76	21.97	21.82	21.81	21.55
Samoa Commercial Bank Limited	20.0	20.0	21.22	22.64	22.89	23.30	23.42
Deposit ⁷®							
Australia New Zealand Bank (Sāmoa) Limited	27.2	28.8	24.17	25.09	25.40	26.83	26.07
Bank South Pacific (Sāmoa) Limited	29.2	29.2	31.23	29.75	29.62	27.39	28.43
National Bank of Sāmoa Limited	21.2	20.6	20.77	20.66	20.51	19.89	19.28
Samoa Commercial Bank Limited	22.4	21.4	23.83	24.50	24.47	25.89	26.21
Non-monetary Financial Institutions (NFIs)							
Weighted Average Lending (WAL)							
Samoa National Provident Fund (SNPF) ⁶	8.40	8.26	8.53	8.64	8.65	8.64	8.89
Development Bank of Samoa (DBS) [®]	4.31	4.83	3.83	4.12	4.02	4.04	4.04
Samoa Housing Corporation (SHC) ¹	10.81	10.81	12.96	12.60	12.64	12.63	12.66
NFIs' Overall WAL ^{6,8}	7.85	7.68	8.07	8.22	8.23	8.21	8.43

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.

® Revised