

REVIEW OF MONETARY DEVELOPMENTS

June 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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June 2022

Monetary Forecast

The actual monthly level of Money Supply (M2) was 1.2 percent lower than its original monthly forecast for June 2022. The deviation reflected lower than expected level of credit to the private sector and a larger increase in the net government's position with the monetary system.

Money Supply (M2)

Total money supply (M2) contracted by 1.5 percent or \$20.59 million in the month under review to \$1,354.67 million, on account of a significant drop of \$52.82 million in Net Domestic Assets (NDA) despite a notable expansion of 4.8 percent or \$32.23 million in Net Foreign Assets (NFA). The reduction in NDA was due to a large surplus in the Government's net position with the monetary system, coupled with a contraction in commercial banks' lending to the private sector as well as a decline in the 'other items net'. On the other hand, the hike in NFA was highlighted by a strong increase in net foreign reserves of the Central Bank of Samoa, offsetting a small decrease in net foreign assets of the banking system.

Consequently, the annual average growth rate of M2 continued to decelerate, slowing to 3.0 percent from 3.5 percent in the previous month, and 5.5 percent in the same month of last year.

Credit¹

Total financial system (FS) credit declined by \$9.75 million (or 0.48 percent) to \$2,020.96

million, due to downturns of \$8.71 million and \$1.04 million in the total lending of both the non-bank financial institutions (NFIs) and commercial banks' correspondingly.

Around 97.8 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 'Professional and business services', 'Manufacturing', 'Transportation, storage and communication', 'Building, construction and installation', and 'Trade' sectors.

On an annual average basis, total FS credit remained at 2.64 percent over the month, but was higher than its growth rate of 2.0 percent in June 2021.

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 Money²

Total reserve money (RM) narrowed by \$4.42 million (or 0.8 percent) to \$530.26 million, driven mainly by a \$4.64 million drop in

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

currency in circulation, offsetting a slight gain of \$0.23 million in commercial banks' reserves. However, total reserve money was \$10.97 million or 2.03 percent higher than its level in the same month last year, which was 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 contracted by \$3.48 million (or 1.0 percent) to \$346.19 million over the previous month. This was underpinned by a drop of \$3.51 million in commercial banks' vault cash holdings, together with a slight dip of \$0.03 million in their exchange settlement accounts (ESAs) holdings.

Furthermore, total liquidity was \$24.55 million (or 5.71 percent) lower than the same month last year or 11.3 percent and 33.4 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 since March 2020.

Commercial Banks' Interest Rates

The commercial banks' overall weighted average deposit (WAD) rate expanded by 4 basis points to 1.82 percent over the previous month but was 29 basis points lower than that of June last year. On the contrary, the weighted average lending (WAL) rate fell by 1 basis point to 8.29 percent or 28 basis points below its level in June last year. As a result, the overall weighted average interest rate spread

narrowed to 6.47 percent over the preceding month but was higher than 6.46 percent in June 2021.

The current WAD rate was lower than its average rates of 2.53 percent and 2.60 percent in the last three and five years respectively. Similarly, the current WAL rate was also lower than its rates of 7.82 percent and 7.65 percent in the last three and five years in that order.

NFIs⁴ Lending Rates⁵

The overall WAL rate for NFIs fell by 2 basis points to 8.21 percent in June 2022 but was higher than its level of 8.03 percent in the previous year. This monthly decline was driven by a drop of 1 basis point each in the WAL rates for SNPF and SHC, whilst that of DBS edged up by 2 basis points to 4.04 percent over the month.

The current overall NFIs' WAL rate was higher than its rates of 7.82 percent and 7.65 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA 28th July

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		2022				
	3-years	5-years	June	March	April	May	June
Determinants of Money Supply (M2) ⁷							
Net Foreign Assets ⁹	543.45	441.08	653.49	623.53	651.81	677.31	709.65
Net Domestic Assets	718.89	734.25	671.77	685.84	691.53	697.94	645.02
Money Supply (M2)	1262.343	1175.338	1325.260	1309.370	1343.340	1375.258	1354.670
<i>Trend / Annual Average (%)</i>	6.8	8.0	5.5	4.0	3.5	3.4	3.0
<i>Narrow Money (M1)</i>	560.57	517.30	598.92	587.42	602.59	631.59	624.67
Currency outside banks	102.75	90.10	112.55	126.24	126.05	124.90	123.77
Transferable Deposits ⁴	457.83	427.20	486.37	461.18	476.54	506.69	500.90
<i>Quasi Money</i>	701.77	658.04	726.34	721.95	740.75	743.67	730.00
Other Deposits ⁵	701.77	658.04	726.34	721.95	740.75	743.67	730.00
Central Bank of Samoa							
Open Markets Operations							
<i>Securites Official Rate</i>	0.16	0.16	0.15	0.15	0.15	0.15	0.15
Reserve Money²							
Total	462.03	392.59	541.231	531.027	527.363	534.67467	530.26
<i>Trend / Annual Growth (%)</i>	18.6	15.2	14.1	7.3	6.5	5.7	3.6
Financial System (FS)							
FS Credit							
Commercial Banks ⁷	1157.36	1116.74	1175.33	1186.21	1179.45	1172.89	1171.85
<i>Trend / Annual Growth (%)</i>	3.6	5.3	0.8	0.90	0.94	0.92	0.86
Non-Monetary Financial Institutions (NFIs)	776.58	706.25	814.68	855.13	855.43	857.82	849.11
<i>Trend / Annual Growth (%)</i>	9.5	9.7	3.7	6.2	6.3	4.2	5.3
Private Sector	1896.51	1783.30	1966.60	2023.82	2017.61	2014.07	2012.46
Businesses	1045.24	1010.06	1063.16	1034.42	1029.83	1019.71	1016.51
Individuals	851.27	773.24	903.44	989.40	987.78	994.36	987.25
Public Sector (NFIs, NPEs, & Govt)	37.43	39.69	23.41	17.52	17.26	16.64	17.20
Total FS Credit ⁸	1933.94	1822.99	1990.01	2041.35	2034.88	2030.71	2020.96
<i>Trend / Annual Growth (%)</i>	5.8	6.9	2.0	2.49	2.62	2.64	2.64
Commercial Banks³							
Liquidity							
Total	311.06	259.58	370.737	345.181	342.155	349.673	346.19
<i>Trend / Annual Growth (%)</i>	19.0	17.4	10.6	6.6	6.2	5.3	2.5
Interest Rates							
Overall Weighted Average Lending ⁷	8.72	8.76	8.57	8.30	8.29	8.30	8.29
Australia New Zealand Bank (Sāmoa) Limited	8.63	8.89	7.91	7.74	7.74	7.76	7.77
Bank South Pacific (Sāmoa) Limited	8.14	7.96	8.35	7.61	7.60	7.59	7.57
National Bank of Sāmoa Limited	8.20	8.09	8.15	8.17	8.15	8.18	8.11
Samoa Commercial Bank Limited	10.35	10.43	10.12	9.96	9.94	9.92	9.92
Overall Weighted Average Deposit	2.53	2.60	2.11	1.79	1.76	1.78	1.82
Australia New Zealand Bank (Sāmoa) Limited	1.23	1.34	0.92	0.78	0.89	0.87	0.86
Bank South Pacific (Sāmoa) Limited	2.72	2.83	2.29	1.66	1.41	1.58	1.75
National Bank of Sāmoa Limited	3.57	3.52	2.69	2.40	2.52	2.46	2.60
Samoa Commercial Bank Limited	2.82	3.05	2.61	2.43	2.42	2.38	2.27
Market Shares							
Lending ⁷							
Australia New Zealand Bank (Sāmoa) Limited	25.5	28.3	24.70	25.04	24.97	25.05	24.85
Bank South Pacific (Sāmoa) Limited	30.6	28.9	30.00	30.32	30.25	30.10	29.93
National Bank of Sāmoa Limited	24.0	22.9	23.96	22.01	22.05	21.89	21.86
Samoa Commercial Bank Limited	20.0	20.0	21.34	22.63	22.72	22.97	23.36
Deposit							
Australia New Zealand Bank (Sāmoa) Limited	26.2	28.2	24.76	23.87	25.09	25.40	26.83
Bank South Pacific (Sāmoa) Limited	30.6	30.4	31.57	29.15	29.75	29.62	27.39
National Bank of Sāmoa Limited	21.3	20.5	20.50	21.92	20.66	20.51	19.89
Samoa Commercial Bank Limited	21.9	21.0	23.16	25.06	24.50	24.47	25.89
Non-monetary Financial Institutions (NFIs)							
Weighted Average Lending (WAL)							
Sāmoa National Provident Fund (SNPF) ⁶	8.38	8.24	8.48	8.65	8.64	8.65	8.64
Development Bank of Samoa (DBS) ¹⁰	4.31	4.83	3.83	4.03	4.12	4.02	4.04
Samoa Housing Corporation (SHC) ¹	10.74	10.74	12.92	12.62	12.60	12.64	12.63
NFIs' Overall WAL ^{6,8}	7.82	7.65	8.03	8.21	8.22	8.23	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.