

REVIEW OF MONETARY DEVELOPMENTS NOVEMBER 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) was 1.8 percent higher than its original monthly forecast for November 2022. This slight difference was underpinned a higher than anticipated level of foreign assets, which was partially outweighed by a lower than forecast level of net domestic assets.

Money Supply (M2)

Total money supply (M2) declined by \$4.50 million (or 0.3 percent) to \$1,392.40 million, on account of a \$33.46 million reduction in Net Domestic Assets (NDA), against an expansion of \$28.96 million in Net Foreign Assets (NFA). The contraction in NDA was due to a surplus¹ in the government's net position with the monetary system, coupled with reductions in credit to the private sector and public institutions and 'other items net'. On the latter, the improvement in NFA was dominated by an increase in foreign holdings of the Central Bank of Samoa (CBS), offsetting a drop amongst those of the commercial banks.

Despite the drop in November 2022, the annual average growth rate of M2 rose to 3.55 percent from 3.40 percent of the previous month but was lower than 5.25 percent of the same month last year.

Credit²

Total financial system (FS) credit contracted by \$1.85 million (or 0.09 percent) to \$2,017.64 million over the month due to a \$6.40 million drop in total commercial banks' lending,

outweighing a \$4.55 million hike in total lending of the non-banks' financial institutions (NFIs).

Lending to the private sector took up 99.0 percent of total FS credit (mainly to individuals and households) while the rest was lent to public (Government) institutions. Furthermore, the decline in total credit was driven mostly by contractions in lending directed to 'other activities', 'professional and business activities', 'transportation, storage and communication', 'manufacturing', and 'electricity, gas and water' sectors.

On an annual average basis, total FS credit growth slowed further to 1.4 percent in November 2022 from 1.7 percent in October 2022 and 1.90 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 Money³

Total reserve money (RM) rose by \$4.45 million (or 0.8 percent) to \$556.96 million, as a result of

¹ Equivalent to an increase in the Government's net deposits (over loans) from the commercial banks and CBS.

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

a \$7.13 million increase in currency in circulation despite a \$2.68 million drop in commercial banks' reserves (mainly excess reserves).

Furthermore, total reserve money was \$56.38 million (or 11.26 percent) higher than its level in November 2021, or 17.92 percent and 34.84 percent higher than its corresponding levels in the past three and five years respectively.

Commercial Banks' Liquidity⁴

Total liquidity expanded sharply by \$10.28 million (or 2.8 percent) to \$380.55 million over the month. This was due to hikes of \$9.34 million and \$4.00 million in commercial banks' holdings of vault cash and CBS securities respectively, offsetting a decline of \$3.06 million in their excess reserves' holdings.

In addition, total liquidity was \$56.34 million (or 17.38 percent) higher than its level in the same month last year or 21.64 percent and 38.25 percent higher than its levels in the past three and five years respectively.

Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)⁵

Total CBS securities outstanding expanded to \$15.00 million in the month under review, at their yields of 0.13 percent (for 14-day paper), 0.16 percent for 28-days, 0.18 percent for 56-days and 0.41 percent for the 91-days paper.

As a result, the overall weighted average yield (or official interest rate) edged up to 0.15 percent from 0.16 percent in the previous month, as the bulk of securities issued were mostly shorter maturity yields of 0.13 - 0.16 percent range.

Commercial Banks' Interest Rates

The commercial banks' overall weighted average deposit (WAD) rate fell slightly by 1 basis point to 1.84 percent when compared to the previous month and November last year. Similarly, the weighted average lending (WAL) rate contracted by 2 basis points to 8.26 percent from the previous month or 18 basis points lower than a year ago.

As a result, the overall weighted average interest rate spread narrowed to 6.42 percent from 6.44 percent in October 2022 but was lower than 6.59 percent in November 2021.

The current WAD rate was lower than its average rates of 2.38 percent and 2.51 percent in the last three and five years respectively. Similarly, the current WAL rate was also lower than its rates of 8.63 percent and 8.76 percent in the last three and five years in that order.

NFIs⁶ Lending Rates⁷

The overall WAL rate for NFIs edged up to 8.50 percent from 8.47 percent of the previous month and was higher than 8.13 percent over the year. This level was reflective of a 3 basis points (to 8.95 percent) hike in SNPF's WAL rate while that for SHC fell by 3 basis points to 12.66 percent in the month under review. That for the DBS remained the same at 3.92 percent over the month.

The current overall NFIs' WAL rate was higher than its average rates of 8.19 percent and 7.99 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA **12th January 2023**

⁴ Comprises of banks' vault cash, exchange settlement account (ESA) balances and Central Bank Securities

⁵ 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).

⁶ 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.

⁷ SHC figures are provisional for the reporting month.

Monetary Aggregates						
End of Period Figures	Average level in the previous		2021		2022	
	3-years	5-years	November	September	October	November
Determinants of Money Supply (M2) ⁷						
Net Foreign Assets ⁹	566.40	476.91	658.75	704.12	706.94	735.90
Net Domestic Assets	709.87	738.20	671.22	684.95	689.96	656.50
Money Supply (M2)[®]	1276.28	1215.11	1329.961	1389.070	1396.900	1392.400
<i>Trend / Annual Average (%)</i>	5.7	7.8	5.3	3.2	3.4	3.6
<i>Narrow Money (M1)</i>	556.27	535.34	607.10	649.08	641.33	642.68
Currency outside banks	107.76	95.03	117.00	137.38	132.35	130.13
Transferable Deposits ⁴ ®	448.50	440.31	490.11	511.70	508.99	512.55
<i>Quasi Money</i>	720.01	679.77	722.86	739.99	755.56	749.72
Other Deposits ⁵	720.01	679.77	722.86	739.99	755.56	749.72
Central Bank of Samoa						
Open Markets Operations						
<i>Securities Official Rate</i>	0.16	0.16	0.15	0.20	0.16	0.15
Reserve Money²						
Total	472.33	413.04	500.58	551.618	552.507	556.957
<i>Trend / Annual Growth (%)</i>	17.4	17.1	11.2	3.1	3.6	4.5
Financial System (FS)						
FS Credit						
Commercial Banks ⁷	1190.12	1151.18	1200.51	1179.00	1174.68	1168.29
<i>Trend / Annual Growth (%)</i>	3.2	4.3	0.6	0.29	-0.04	-0.37
Non-Monetary Financial Institutions (NFIs)[®]	801.74	743.56	842.16	843.50	844.81	849.35
<i>Trend / Annual Growth (%)</i>	8.9	9.3	3.9	4.7	4.3	3.9
Private Sector	1963.66	1844.99	2020.16	2004.58	1999.36	2001.35
Businesses	1055.83	1022.17	1038.76	995.69	977.51	975.75
Individuals	907.83	833.01	981.40	1008.88	1021.85	1025.61
Public Sector (NFIs, NPEs, & Govt)	28.21	39.55	22.51	17.93	20.13	16.29
Total FS Credit ⁸®	1991.87	1894.74	2042.67	2022.50	2019.49	2017.64
<i>Trend / Annual Growth (%)</i>	5.4	6.2	1.9	2.08	1.72	1.36
Commercial Banks ³						
Liquidity						
Total	312.85	275.27	324.218	364.363	370.2705	380.553
<i>Trend / Annual Growth (%)</i>	16.3	19.7	9.1	1.8	2.8	4.4
Interest Rates						
Overall Weighted Average Lending ⁷	8.63	8.76	8.44	8.27	8.28	8.26
Australia New Zealand Bank (Sāmoa) Limited	8.44	8.92	7.78	7.69	7.69	7.71
Bank South Pacific (Sāmoa) Limited	7.98	7.91	7.98	7.58	7.56	7.55
National Bank of Sāmoa Limited	8.21	8.16	8.22	8.15	8.22	8.24
Samoa Commercial Bank Limited	10.35	10.43	10.01	9.85	9.82	9.70
Overall Weighted Average Deposit	2.38	2.51	1.85	1.79	1.85	1.84
Australia New Zealand Bank (Sāmoa) Limited	1.05	1.17	0.78	0.86	0.88	0.89
Bank South Pacific (Sāmoa) Limited	2.56	2.74	1.88	1.77	1.89	1.85
National Bank of Sāmoa Limited	3.32	3.45	2.30	2.55	2.57	2.47
Samoa Commercial Bank Limited	2.87	3.10	2.45	2.21	2.25	2.30
Market Shares						
Lending ⁷						
Australia New Zealand Bank (Sāmoa) Limited	25.5	27.5	25.44	25.52	25.74	25.79
Bank South Pacific (Sāmoa) Limited	30.7	29.6	30.16	28.77	28.69	28.84
National Bank of Sāmoa Limited	23.6	22.9	21.99	22.17	21.52	21.18
Samoa Commercial Bank Limited	20.2	20.0	22.41	23.54	24.05	24.18
Deposit ⁷						
Australia New Zealand Bank (Sāmoa) Limited	26.6	28.4	23.73	26.77	26.19	25.71
Bank South Pacific (Sāmoa) Limited	28.5	29.0	30.54	28.38	29.54	30.15
National Bank of Sāmoa Limited	21.9	21.2	21.24	19.06	18.25	18.76
Samoa Commercial Bank Limited	23.0	21.4	24.49	25.79	26.02	25.38
Non-monetary Financial Institutions (NFIs)						
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF) ⁶	8.60	8.46	8.60	8.93	8.92	8.95
Development Bank of Samoa (DBS) ¹ ®	4.20	4.62	3.68	4.01	3.92	3.92
Samoa Housing Corporation (SHC) ¹ ®	13.15	12.99	12.93	12.73	12.69	12.66
NFIs' Overall WAL ^{6,8}	8.19	7.99	8.13	8.47	8.47	8.50

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 SDR15.5 million and equivalent of around \$55.5 million Tala in August 2021.

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