

REVIEW OF MONETARY DEVELOPMENTS SEPTEMBER 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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September 2022

Monetary Forecast

The actual monthly level of money supply (M2) was 3.4 percent higher than its original monthly forecast for September 2022. This deviation reflected a higher than anticipated level of government spending, and level of foreign assets for both the commercial banks and Central Bank of Samoa.

Money Supply (M2)

Total money supply (M2) recorded a significant increase of \$16.78 million (or 1.2 percent) to \$1,389.07 million. This was due to a marked rise of \$28.50 million in Net Domestic Assets (NDA), against a reduction of \$11.77 million in Net Foreign Assets (NFA). The hike in the former was mainly driven by a higher deficit¹ in the government's net position with the financial system (in-light of increased government spending), coupled with a slight hike in the net credit to nonfinancial public enterprises. The drop in NFA was underpinned by a contraction in the foreign holdings of the Central Bank, despite a slight increase in foreign holdings of the banking system.

As a result, the annual average growth rate of M2 rose to 3.2 percent from 3.0 percent of the previous month but was lower than 5.8 percent in the same month last year.

Credit²

Total financial system (FS) broadened by \$3.20 million (or 0.16 percent) from the previous month to \$2,022.51 million. This level highlighted gains of \$3.04 million and \$0.19

million in lending of both non-banks' financial institutions (NFIs) and commercial banks' respectively.

Almost all at 99.1 percent of the total FS credit was lent to the private sector while the smallest remaining balance was lent to the public sector. Furthermore, the increase in total credit was driven mostly by expansions in lending to the 'Other activities and 'Trade' sectors.

On an annual average basis however, total FS credit growth slowed further to 2.08 percent from 2.35 percent in August 2022 but was higher than 1.6 percent in the same month of last year.

The latest update on the National Accounts released by the Samoa Bureau of Statistics (SBS) was up to the June 2022 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of around \$2,168.80 million. At this level, the share of the FS credit to NGDP dropped slightly to 93.1 percent from 93.2 percent in the March 2022 quarter but higher than its share of 91.7 percent in the June quarter of last year. Similarly, the share of M2 to NGDP increased slightly to 62.5 percent from 62.2 percent in the previous quarter but was lower than 66.6 percent in the past year.

Reserve Money³

Total reserve money (RM) rebounded by \$7.79 million (or 1.4 percent) to \$551.62 million, driven mainly by a \$6.13 million increase in commercial banks' reserves (mainly the excess

¹ When there are drawdowns from Government deposits held by the monetary system (Central Bank and the banking 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

reserves) together with a \$1.66 million increase in currency in circulation.

Furthermore, total reserve money was \$47.62 million (or 9.48 percent) higher than its level in September 2021, or 16.11 percent and 32.88 percent higher than its corresponding levels in the past three and five years respectively.

Commercial Banks' Liquidity

Total liquidity improved substantially by \$12.51 million (or 3.6 percent) to \$364.36 million over the previous month. Accounting for this expansion were hikes in the commercial banks' holdings of CBS securities and excess reserves (ESAs) by \$11.0 million and \$5.73 million in that order, offsetting a drop of \$4.22 million in banks' vault cash holdings.

Furthermore, total liquidity was \$38.21 million (or 11.72 percent) higher than its level in the same month last year or 16.56 percent and 33.55 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

Given the current high level of commercial banks' liquidity and a gradual re-opening of the Samoan economy; CBS OMO resumed in September 2022 after more than two years of temporary suspension.

As such, CBS securities that were offered amounted to \$21.00 million with the total bids received at \$13.00 million. However, successful bids totaled \$11.0 million, with maturities of 14-day (at \$3.0 million), 28-day (at \$3.0 million), 56-day (at \$3.0 million), and 91-day (at \$2.0 million) papers, at their respective yields of 0.13 percent, 0.16 percent, 0.18 percent, and 0.41 percent in that order.

Moreover, the outstanding level of securities during the month stood at \$11.00 million with an overall weighted average yield (or official interest rate) of around 0.20 percent, up from 0.15 percent since its last issuance in March 2020.

Commercial Banks' Interest Rates

The commercial banks' overall weighted average deposit (WAD) rate decreased by 2 basis points to 1.79 percent over the month and was 14 basis points lower when compared to that of September last year. Similarly, the weighted average lending (WAL) rate edged down by 3 basis point to 8.27 percent from the previous month or 22 basis points lower than a year ago. As a result, the overall weighted average interest rate spread grew to 6.66 percent from 6.48 percent in the past month but was lower than 6.55 percent of September 2021.

The current WAD rate was lower than its average rates of 2.48 percent and 2.55 percent in the last three and five years respectively. Similarly, the current WAL rate was also lower than its rates of 8.66 percent and 8.75 percent in the last three and five years in that order.

NFIs⁵ Lending Rates⁶

The overall WAL rate for NFIs remained at 8.47 percent from the previous month but was higher than 8.11 over the year. This level was underlined by a 1 basis point drop in the WAL rates for both SNPF and DBS, whilst that for the SHC improved by 1 basis point from the previous month.

The current overall NFIs' WAL rate was higher than its rates of 7.98 percent and 7.78 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA **28th October 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).

⁵Non-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.

Review of Monetary Developments
September 2022

Monetary Aggregates									
End of Period Figures	Average level in the previous		2021					2022	
	3-years	5-years	September	June	July	August	September		
Determinants of Money Supply (M2) ⁷									
Net Foreign Assets ⁹	566.04	464.96	651.66	709.65	701.71	715.89	704.12		
Net Domestic Assets	687.07	723.10	650.17	645.02	642.82	656.45	684.95		
Money Supply (M2)⁸	1253.11	1188.07	1301.832	1354.670	1344.535	1372.339	1389.070		
<i>Trend / Annual Average (%)</i>	6.14	7.90	5.8	3.0	3.0	3.0	3.2		
<i>Narrow Money (M1)</i>									
Currency outside banks	108.51	97.09	119.21	123.77	130.00	131.50	137.38		
Transferable Deposits ⁴ ®	438.27	406.53	458.99	500.90	472.73	501.94	511.70		
<i>Quasi Money</i>									
Other Deposits ⁵	706.34	670.48	723.64	730.00	741.81	738.90	739.99		
Central Bank of Samoa									
Open Markets Operations									
Securities Official Rate	0.15	0.15	0.15	0.15	0.15	0.15	0.20		
Reserve Money ²									
Total	475.07	415.13	504.001	530.26	547.328	543.829	551.618		
<i>Trend / Annual Growth (%)</i>	17.98	16.45	14.0	3.6	2.9	2.6	3.1		
Financial System (FS)									
FS Credit									
Commercial Banks ⁷	1171.69	1130.90	1194.09	1171.85	1177.40	1178.78	1179.00		
<i>Trend / Annual Growth (%)</i>	3.35	4.75	0.4	0.86	0.75	0.53	0.29		
Non-Monetary Financial Institutions (NFIs)⁸	789.05	722.05	826.46	849.11	834.61	840.35	843.50		
<i>Trend / Annual Growth (%)</i>	9.43	9.44	3.4	5.3	5.1	5.0	4.7		
Private Sector									
Businesses	1049.19	1016.36	1035.05	1016.51	1001.87	1001.49	995.69		
Individuals	883.17	802.10	962.62	989.01	992.62	1000.26	1008.88		
Public Sector (NFIs, NPEs, & Govt)									
Total FS Credit ⁸ ®	1960.74	1852.96	2020.55	2022.71	2012.01	2019.13	2022.50		
<i>Trend / Annual Growth (%)</i>	5.65	6.51	1.6	2.64	2.53	2.35	2.08		
Commercial Banks ³									
Liquidity									
Total	312.60	272.83	326.153	346.352	356.473	351.854	364.363		
<i>Trend / Annual Growth (%)</i>	17.11	19.00	11.7	2.5	1.5	1.0	1.8		
Interest Rates									
Overall Weighted Average Lending ⁷									
Australia New Zealand Bank (Sāmoa) Limited	8.53	8.89	7.81	7.77	7.77	7.72	7.69		
Bank South Pacific (Sāmoa) Limited	8.03	7.92	8.19	7.57	7.58	7.58	7.58		
National Bank of Sāmoa Limited	8.19	8.14	8.14	8.11	8.10	8.19	8.15		
Samoa Commercial Bank Limited	10.37	10.44	10.08	9.92	9.92	9.91	9.85		
Overall Weighted Average Deposit									
Australia New Zealand Bank (Sāmoa) Limited	1.08	1.22	0.81	0.86	0.83	0.85	0.86		
Bank South Pacific (Sāmoa) Limited	2.75	2.85	1.99	1.75	1.90	1.77	1.77		
National Bank of Sāmoa Limited	3.49	3.42	2.47	2.60	2.58	2.52	2.55		
Samoa Commercial Bank Limited	2.90	3.09	2.53	2.27	2.33	2.29	2.21		
Market Shares									
Lending ⁷									
Australia New Zealand Bank (Sāmoa) Limited	25.15	27.49	25.22	25.32	25.39	25.48	25.52		
Bank South Pacific (Sāmoa) Limited	30.98	29.71	30.06	29.57	29.63	28.78	28.77		
National Bank of Sāmoa Limited	24.01	22.99	23.37	21.81	21.55	22.36	22.17		
Samoa Commercial Bank Limited	19.86	19.81	21.34	23.30	23.42	23.37	23.54		
Deposit ⁷									
Australia New Zealand Bank (Sāmoa) Limited	27.04	28.28	24.17	26.83	26.07	26.39	26.77		
Bank South Pacific (Sāmoa) Limited	29.07	29.42	31.28	27.39	28.43	27.82	28.38		
National Bank of Sāmoa Limited	21.17	20.74	20.61	19.89	19.28	19.21	19.06		
Samoa Commercial Bank Limited	22.71	21.57	23.94	25.89	26.21	26.58	25.79		
Non-monetary Financial Institutions (NFIs)									
Weighted Average Lending (WAL)									
Sāmoa National Provident Fund (SNPF) ⁶	8.55	8.36	8.58	8.64	8.89	8.94	8.93		
Development Bank of Samoa (DBS) ¹ ®	4.42	4.91	3.74	4.04	4.02	4.02	4.01		
Samoa Housing Corporation (SHC) ¹ ®	10.81	10.81	12.89	12.63	12.66	12.72	12.73		
NFIs' Overall WAL ^{6,8}	7.98	7.78	8.11	8.21	8.42	8.47	8.47		

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