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## MONETARY SURVEY REPORT APRIL 2015

*This report is a monthly release of the latest available key monetary aggregates, official interest rate and the analysis on commercial banks' interest rates on the Samoan economy with information sourced from the Central Bank, commercial banks, Ministry of Finance and Non-monetary financial institutions.*

**Report No.10: 2014/15**

**April 2015**

### Monetary Target

Total money supply (M2) grew by 2.4 percent above its forecast reflecting a higher than expected level of domestic credit and reduction in government's accounts with the commercial banks in the last few months.

### Money Supply<sup>1</sup>

Following a sharp increase in the previous month, total money supply (M2) contracted by \$5.09 million to \$828.96 million, due to a drop of \$10.41 million in net domestic assets against an increase of \$5.32 million in net foreign assets. The decline in net domestic assets was largely fuelled by a decrease in domestic credit to the private sector and public institutions coupled with an increase in the deficit for other items net.

As a consequence, the annual average growth for M2 went down to 11.3 percent from 12.7 percent in March 2015, but was much higher when compared to 5.0 percent in the same month last year. Moreover, the current level was 13.6 percent and 13.0 percent higher than its level in the past three and five years respectively.

### Credit

Total lending by the financial system declined by \$8.71 million (or 0.6 percent) to \$1372.05 million, due mainly to a contraction of \$8.94 million in commercial banks credit despite a slight increase of \$0.23 million in non-monetary financial institutions (NFIs) lending. The 95.9 percent of total credit were allocated to the private sector

with the remaining 4.1 percent to the public sector. Of the private sector, 57.3 percent was disbursed to businesses and 42.7 percent to individuals and households.

The drop in the commercial banks' credit reflected decreases in lending to "professional business and services", "building, constructions and installation", "trade", "transportation, storage and communication" and "agriculture, forestry and fisheries" sectors. The ratio of foreign currency loans (FCLs) to total loans edged slightly downward to 15.9 percent from 16.0 percent a month ago.

However, the current level of total credit was 17.3 percent and 20.2 percent higher than in the last three and five years in that order.

Despite the drop, the annual average credit growth increased further to 10.0 percent from 9.4 percent in the previous month and 3.9 percent a year earlier.

The share of money supply (M2) and total credit to GDP stood at 42.6 percent and 70.2 percent respectively at end December 2014.

### Reserve Money<sup>2</sup>

Total reserve money recorded a considerable expansion of \$18.00 million (to \$264.62 million) due to a \$19.10 million increase in commercial banks reserves, which was partially offset by a

<sup>1</sup> M2 = NFA + NDA – OIN where NDA comprises of net claims on government and on other sectors. OIN (Other items net)

<sup>2</sup> 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

*Monetary Survey Report  
April 2015*

\$1.16 million decline in the currency in circulation.

The current level of reserve money was 48.8 percent and 44.3 percent higher than its levels in the last three and five years respectively.

**Commercial Banks' Liquidity**

A further hike of \$18.48 million (to \$193.61 million) was recorded for commercial banks' liquidity. This was underpinned by increases of \$18.47 million and \$3.00 million in banks' exchange settlement accounts and investments in CBS securities. These were partially offset by a contraction of \$3.00 million in commercial banks' vault cash holdings.

**CBS Securities and Open Market Operation (OMO)<sup>3</sup>**

Total value of CBS securities outstanding increased to \$12.00 million from \$9.00 million in the previous month and \$10.00 million in the corresponding month of 2014. This was underpinned by an increase in the amount of shorter securities issued (namely the 14-day and 28-day papers) at yields of 0.13 percent and 0.16 percent respectively. As a result, the official interest rate increased slightly by 1 basis point to 0.15 percent which was nevertheless much lower than 0.22 percent in April last year.

**Commercial Banks'<sup>4</sup>Interest Rates**

Market interest rates trended downwards with a decrease of 7 basis points in weighted average deposit (WAD) rate to 2.56 percent and 1 basis point slip in the weighted average lending (WAL) rate to 9.45 percent. These levels were lower than 3.14 percent and 10.24 percent in April 2014.

When compared to the last three and five years, the WAD rate was 12 percentage points higher when compared to the last three years but was lower by 41 basis points when compared to the last five years. For WAL rates, it was both 33 and 16

percentage points lower in the last 3 years and 5 years.

**Non-monetary Financial Institutions (NFIs)<sup>5</sup> lending rates**

The overall weighted average lending of NFIs fell further by 4 basis points to 6.84 percent but was higher than its 6.72 percent in April last year. This was underpinned by decreases in both the National Provident Fund (NPF) and Development Bank of Samoa's (DBS) weighted average lending rates. As for the Samoa Housing Corporation (SHC)<sup>6</sup>, its weighted average lending rate for the March 2015 quarter was at 10.70 percent.

**Central Bank of Samoa  
6 June 2015**

<sup>3</sup>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).

<sup>4</sup>ANZ – ANZ Bank (Samoa) Limited, Westpac – Westpac Bank Samoa Limited, NBS – National Bank of Samoa, SCB – Samoa Commercial Bank Limited

<sup>5</sup>SNPF – Samoa National Provident Fund, DBS – Development Bank of Samoa, SHC – Samoa Housing Corporation.

<sup>6</sup>Samoa Housing Corporation reports to the Central Bank on quarterly basis and being excluded from the calculation of the NFIs overall weighted average lending rate.

**Monetary Survey Report**  
**April 2015**

**Monetary Survey Aggregates**

End of Period Figures	Current level compares to the previous		2014		2015	
	3-years	5-years	Mar	Apr	Mar @	Apr
<b>Monetary Survey Brief</b>	<b>Averages</b>		<b>Amount in Tala Million</b>			
Net Foreign Assets	293.86	310.29	367.87	383.89	145.71	151.03
Net Domestic Assets	436.12	423.42	449.23	431.05	688.35	677.93
<b>Money Supply (M2)</b>	<b>729.99</b>	<b>733.71</b>	<b>817.10</b>	<b>814.94</b>	<b>834.05</b>	<b>828.96</b>
<i>Trend / Annual Average (%)</i>	<i>13.6</i>	<i>13.0</i>	3.8	5.0	12.7	11.3
<b>Narrow Money (M1)</b>	<b>223.87</b>	<b>220.44</b>	<b>249.96</b>	<b>249.24</b>	<b>280.45</b>	<b>284.05</b>
Currency outside banks	53.39	50.27	53.21	57.54	44.663	46.502
Demand deposits	170.48	170.17	196.75	191.70	235.784	237.545
<b>Quasi Money</b>	<b>506.12</b>	<b>513.27</b>	<b>567.14</b>	<b>565.71</b>	<b>553.60</b>	<b>544.92</b>
Savings Deposits	101.20	95.58	103.91	104.20	114.009	114.932
Time Deposits	353.53	377.45	358.23	353.42	375.729	374.202
Foreign Currency Deposits	51.38	40.24	105.00	108.08	63.866	55.783
<b>Central Bank of Samoa</b>						
<b>Open Markets Operations</b>			<b>Maturity Yield</b>			
<i>Securites Official Rate</i>	0.17	0.20	0.16	0.22	0.14	0.15
<b>Reserve Money (2)</b>			<b>Amount in Tala Million</b>			
<b>Total</b>	<b>177.79</b>	<b>183.33</b>	<b>211.09</b>	<b>211.27</b>	<b>246.64</b>	<b>264.62</b>
<i>Trend / Annual Growth (%)</i>	<i>48.8</i>	<i>44.3</i>	5.4	8.1	21.6	21.1
<b>Financial System (FS)</b>						
<b>FS Credit</b>			<b>Amounts in Tala Million</b>			
<b>Commercial Banks</b>	<b>768.61</b>	<b>758.84</b>	<b>770.01</b>	<b>768.38</b>	<b>903.91</b>	<b>894.97</b>
<i>Trend / Annual Growth (%)</i>	<i>16.4</i>	<i>17.9</i>	-1.3	-1.0	9.1	10.4
<b>Non-Monetary Financial Institutions (NFIs)</b>	<b>403.84</b>	<b>382.28</b>	<b>451.14</b>	<b>452.36</b>	<b>476.85</b>	<b>477.08</b>
<i>Trend / Annual Growth (%)</i>	<i>18.1</i>	<i>24.8</i>	13.7	13.9	9.9	9.2
<b>Private Sector</b>	<b>1112.20</b>	<b>1063.60</b>	<b>1170.67</b>	<b>1169.50</b>	<b>1324.39</b>	<b>1315.37</b>
Businesses	601.20	574.91	634.99	630.61	756.90	753.30
Individuals	510.99	488.69	535.68	538.89	567.49	562.07
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>	<b>60.26</b>	<b>77.52</b>	<b>50.48</b>	<b>51.23</b>	<b>56.37</b>	<b>56.68</b>
<b>Total Credit</b>	<b>1172.45</b>	<b>1141.12</b>	<b>1221.15</b>	<b>1220.73</b>	<b>1380.76</b>	<b>1372.05</b>
<i>Trend / Annual Growth (%)</i>	<i>17.3</i>	<i>20.2</i>	3.6	3.9	9.4	10.0
<b>Commercial Banks</b>						
<b>Liquidity</b>			<b>Amounts in Tala Million</b>			
<b>Total</b>	<b>101.50</b>	<b>116.74</b>	<b>135.02</b>	<b>131.20</b>	<b>175.13</b>	<b>193.61</b>
<i>Trend / Annual Growth (%)</i>	<i>90.7</i>	<i>65.8</i>	8.0	13.0	40.9	40.3
<b>Interest Rates</b>			<b>Percentage</b>			
<b>Overall Weighted Average Lending</b>	<b>9.78</b>	<b>11.06</b>	<b>10.21</b>	<b>10.24</b>	<b>9.46</b>	<b>9.45</b>
Australia New Zealand Bank Samoa	9.29	10.37	9.95	9.95	9.35	9.33
Westpac Bank Samoa Limited	9.80	10.68	10.22	10.24	9.52	9.53
National Bank of Samoa	10.10	12.39	10.71	10.81	8.96	8.88
Samoa Commercial Bank	10.48	11.96	10.49	10.52	10.20	10.22
<b>Overall Weighted Average Deposit</b>	<b>2.44</b>	<b>2.97</b>	<b>3.13</b>	<b>3.14</b>	<b>2.63</b>	<b>2.56</b>
Australia New Zealand Bank Samoa	1.94	2.37	2.72	2.86	2.41	2.22
Westpac Bank Samoa Limited	2.34	3.04	2.68	2.42	2.18	2.17
National Bank of Samoa	3.18	3.11	3.75	3.71	3.09	3.06
Samoa Commercial Bank	2.85	3.76	4.02	3.95	3.21	3.23
<b>Market Shares</b>						
<b>Lending</b>						
Australia New Zealand Bank Samoa	44.7	42.6	48.5	47.6	44.5	44.7
Westpac Bank Samoa Limited	20.4	22.8	17.3	18.8	20.4	20.1
National Bank of Samoa	15.1	15.3	15.2	14.9	17.8	17.7
Samoa Commercial Bank	19.7	19.3	18.9	18.7	17.3	17.4
<b>Deposit</b>						
Australia New Zealand Bank Samoa	43.0	41.9	46.3	45.3	45.9	43.5
Westpac Bank Samoa Limited	19.6	20.8	18.4	18.1	18.8	19.6
National Bank of Samoa	16.6	16.4	16.3	16.7	15.9	16.4
Samoa Commercial Bank	20.7	20.9	19.0	20.0	19.4	20.5
<b>Non-monetary Financial Institutions</b>						
<b>Weighted Average Lending (WAL)</b>			<b>Percentage</b>			
National Provident Fund (NPF)	10.08	9.68	7.69	7.74	7.74	7.73
Development Bank of Samoa (DBS)	11.96	12.01	4.33	4.37	5.10	4.99
<b>Overall WAL (NPF &amp; DBS)</b>	<b>10.56</b>	<b>10.20</b>	<b>6.68</b>	<b>6.72</b>	<b>6.88</b>	<b>6.84</b>
<b>Quarterly Rates</b>			<b>Mar 14</b>	<b>Jun 14</b>	<b>Sep14</b>	<b>Mar 15</b>
Samoa Housing Corporation (SHC) (1)	12.13	-	9.84	10.12	10.55	10.70

Source: Central Bank of Samoa

(1) Samoa Housing Corporation reports on a quarterly basis.

(2) Reserve Money is composed of: Currency in Circulation and commercial banks Exchange Settlement Accounts (ESA) and Statutory Required Deposits (SRDs).

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