



MONETARY SURVEY REPORT MAY 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.11: 2014/15

May 2015

Monetary Target

Total money supply (M2) was 4.2 percent higher compared to its original forecast as government funds were received and disbursed during the month.

Money Supply¹

Likewise, when compared to the previous month, M2 rebounded considerably by \$21.58 million (or 2.6 percent) to \$850.74 million due to expansions in both net domestic assets (NDA) and net foreign assets (NFA). The increase in NDA was due to higher levels of domestic credit which reflected a surplus in government's net position with the monetary system and improvements in credit directed to the private sector and public institutions combined, as well as the decline in the contractionary impact of "other items, net".

Despite the higher level of M2 recorded for the month, its annual average growth dropped to 9.6 percent from 11.3 percent a month earlier, but higher than 6.7 percent in May last year.

Similarly, the current level of M2 was 14.2 percent and 14.4 percent higher than its levels in the last three and five years respectively.

Credit

The total credit of the financial system grew by \$18.34 million (or 1.3 percent) to \$1,390.39 million, fuelled by expansions of \$10.42 million and \$7.93 in lending by commercial banks and non-monetary financial institutions respectively.

The expansion in commercial banks credit saw improvements of \$9.78 million in credit to the private sector and slight increase of \$0.63 million in public institutions credit.

The ratio of lending to the private sector credit in terms of total financial system credit remained at 95.9 percent with the remaining 4.1 percent to the public sector. The share of the lending to businesses out of total private sector credit was around 57.2 percent while 'individuals & households' absorbed 42.8 percent.

By sector, expansions were recorded for the "trade", "building, constructions and installation", "professional business and services", "manufacturing", "electricity, gas and water" and "transportation, storage and communication" sectors.

Foreign currency loans (FCLs) rose by \$3.02 million to \$145.19 million, registering a share of 16.0 percent to total commercial banks loans.

As a result, total financial system credit was 19.3 percent and 21.9 percent higher than in the last three and five years in that order.

The annual average growth rate of financial system credit increased further to 10.7 percent from 10.0 percent a month ago and 4.2 percent in the same month last year.

The share of money supply (M2) and total financial system credit to GDP stood at 42.6

¹ $M2 = NFA + NDA - OIN$ where NDA comprises of net claims on government and on other sectors. OIN (Other items net)

percent and 70.2 percent respectively at end December 2014.

Reserve Money²

Total reserve money fell by \$6.48 million to \$258.15 million due entirely to a drop of \$12.68 million in commercial banks reserves, which was partially offset by a \$6.20 million expansion in currency in circulation.

The current decline in reserve money was in contrast to its average increases of 33.0 percent and 30.3 percent in the last three and five years respectively.

Commercial Banks' Liquidity

Similarly, commercial banks' liquidity also contracted by \$14.57 million (to \$179.04 million), due mainly to a sharp decline of \$14.24 million in their exchange settlement accounts (ESAs) and a slight drop of \$0.32 million in vault cash holdings.

The contraction in the ESA level of the banking system reflected higher consumer demand during the month.

CBS Securities and Open Market Operation (OMO)³

The outstanding level of CBS securities remained at \$12.00 million from the previous month, but was higher than \$10.00 million in the same month a year earlier.

On the yields, the overall official rate edged down to 0.14 percent from 0.15 percent last month and 0.18 percent in May 2014. This was due to the fact that the bulk of the securities issued were the shorter 14-day term maturity.

Commercial Banks' Interest Rates

Market interest rates continued to fall since July 2014 with the weighted average deposit rate dropping by 9 basis points to 2.47 percent while the weighted average lending rate fell by 2 basis points to 9.43 percent. When compared to May

2014, both the WAD and WAL rates were lower than 3.11 percent and 10.32 percent in May 2014.

The current WAD rate was higher than 2.44 percent in the past three years but lower than 2.88 percent in the last five years. As for the WAL rate, it was lower than both 9.74 percent and 10.98 percent in the last three and five years respectively.

Non-monetary Financial Institutions (NFIs) lending rates⁴

The NFIs' overall weighted average official rate dropped 3 basis points to 6.81 percent in the month under reviewed but was higher than 6.71 percent in May 2014. This reflected the reduction in Development Bank of Samoa's WAL rate to 4.93 percent whereas that for the Samoa National Provident Fund remained at 7.73 percent. As for the Samoa Housing Corporation (SHC)⁵, its weighted average lending rate for the March 2015 quarter was at 10.70 percent.

**Central Bank of Samoa
3 July 2015**

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

³ 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).

⁴ SNPF – Samoa National Provident Fund, DBS – Development Bank of Samoa, SHC – Samoa Housing Corporation.

⁵ 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
May 2015

Monetary Survey Aggregates

End of Period Figures	Current level compares to the previous		2014		2015	
	3-years	5-years	Apr	May	Apr	May
Monetary Survey Brief	Averages		Amount in Tala Million			
Net Foreign Assets	305.13	313.66	383.89	382.43	151.03	153.73
Net Domestic Assets	439.69	429.93	431.05	459.20	677.93	697.01
Money Supply (M2)	744.82	743.59	814.94	841.62	828.96	850.74
<i>Trend / Annual Average (%)</i>	14.2	14.4	5.0	6.7	11.3	9.6
Narrow Money (M1)	231.23	223.84	249.24	270.97	284.05	299.19
Currency outside banks	61.27	55.03	57.54	63.40	46.502	53.031
Demand deposits	169.96	168.80	191.70	207.57	237.545	246.154
Quasi Money	513.58	519.76	565.71	570.65	544.92	551.56
Savings Deposits	104.07	98.54	104.20	105.74	114.932	119.158
Time Deposits	357.60	379.18	353.42	357.28	374.202	376.550
Foreign Currency Deposits	51.92	42.03	108.08	107.63	55.783	55.847
Central Bank of Samoa						
Open Markets Operations			Maturity Yield			
<i>Securities Official Rate</i>	0.19	0.21	0.22	0.18	0.15	0.14
Reserve Money (2)			Amount in Tala Million			
Total	194.11	198.07	211.27	230.06	264.62	258.15
<i>Trend / Annual Growth (%)</i>	33.0	30.3	8.1	11.6	21.1	19.2
Financial System (FS)						
FS Credit			Amounts in Tala Million			
Commercial Banks	765.02	758.73	768.38	769.18	894.97	905.39
<i>Trend / Annual Growth (%)</i>	18.3	19.3	-1.0	-0.8	10.4	11.7
Non-Monetary Financial Institutions (NFIs)	400.60	381.55	452.36	447.12	477.08	485.01
<i>Trend / Annual Growth (%)</i>	21.1	27.1	13.9	14.4	9.2	8.8
Private Sector	1106.56	1063.08	1169.50	1165.86	1315.37	1333.06
Businesses	602.23	576.74	630.61	633.66	753.30	762.61
Individuals	504.33	486.34	538.89	532.20	562.07	570.46
Public Sector (NFIs, NPEs, & Govt)	59.06	77.20	51.23	50.45	56.68	57.33
Total Credit	1165.61	1140.28	1220.73	1216.31	1372.05	1390.39
<i>Trend / Annual Growth (%)</i>	19.3	21.9	3.9	4.2	10.0	10.7
Commercial Banks						
Liquidity			Amounts in Tala Million			
Total	109.88	125.68	131.20	143.75	193.61	179.04
<i>Trend / Annual Growth (%)</i>	62.9	42.5	13.0	19.4	40.3	37.0
Interest Rates			Percentage			
Overall Weighted Average Lending	9.74	10.98	10.24	10.32	9.45	9.43
Australia New Zealand Bank Samoa	9.26	10.30	9.95	10.08	9.33	9.32
Westpac Bank Samoa Limited	9.77	10.72	10.24	10.29	9.53	9.53
National Bank of Samoa	10.14	12.24	10.81	10.86	8.88	8.95
Samoa Commercial Bank	10.33	11.78	10.52	10.54	10.22	10.08
Overall Weighted Average Deposit	2.44	2.88	3.14	3.11	2.56	2.47
Australia New Zealand Bank Samoa	1.92	2.36	2.86	2.62	2.22	2.19
Westpac Bank Samoa Limited	2.43	3.01	2.42	2.66	2.17	2.06
National Bank of Samoa	3.18	3.05	3.71	3.95	3.06	2.87
Samoa Commercial Bank	2.87	3.66	3.95	3.95	3.23	3.14
Market Shares						
Lending						
Australia New Zealand Bank Samoa	44.5	42.3	47.6	47.3	44.7	44.6
Westpac Bank Samoa Limited	20.5	22.9	18.8	19.1	20.1	19.9
National Bank of Samoa	15.1	15.3	14.9	14.7	17.7	17.9
Samoa Commercial Bank	19.8	19.4	18.7	18.9	17.4	17.6
Deposit						
Australia New Zealand Bank Samoa	44.6	42.5	45.3	48.1	43.5	43.3
Westpac Bank Samoa Limited	18.1	19.9	18.1	16.0	19.6	19.6
National Bank of Samoa	16.5	16.4	16.7	16.5	16.4	16.6
Samoa Commercial Bank	20.7	21.3	20.0	19.5	20.5	20.5
Non-monetary Financial Institutions						
Weighted Average Lending (WAL)			Percentage			
National Provident Fund (NPF)	10.08	9.68	7.74	7.74	7.73	7.73
Development Bank of Samoa (DBS)	11.96	12.01	4.37	4.43	4.99	4.93
Overall WAL (NPF & DBS)	10.56	10.20	6.72	6.71	6.84	6.81
Quarterly Rates			Mar 14	Jun 14	Sep 14	Mar 15
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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