



## MONETARY SURVEY REPORT JUNE 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.*

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June 2015

### Monetary Target

Actual money supply (M2) was 2.6 percent higher than its projection for the financial year (FY) 2014/15. This was mainly due to a higher than expected level of domestic credit given the large inflow of government funds during the latter part of the year.

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

Total M2 however, dropped \$14.53 million (or 1.7 percent) from the previous month to \$836.21 million due to a sharp fall in net domestic assets (NDA) despite a moderate increase in net foreign assets (NFA). The former reflected a huge surplus in the government net position with the monetary system reflecting the inflow of budget support funds as well as an increase in the contractionary impact of the 'other items, net'.

As a result, the average annual growth rate of M2 slipped to 8.1 percent from 9.6 percent a month ago and 8.3 percent in June 2014.

### Credit

In June 2015, total credit of the financial system<sup>2</sup> (FS) dropped \$10.91 million (or 0.8 percent) to \$1,379.48 million. This level reflected a \$12.45 million drop in total credit of the Non-monetary

Financial Institutions (NFIs) against a slight \$1.53 million expansion in those for commercial banks.

The share of total credit to the private sector stood at 96.0 percent while those to public sector registered at 4.0 percent. The break-down of private sector saw 'business' and 'individuals and households' sectors recording their shares at 58.0 percent and 42.0 percent respectively.

The increase in commercial banks' credit was underpinned by increased lending to "professional business and services", "manufacturing", "transportation, storage and communication" and "electricity, gas and water" sectors.

Foreign currency loans rose further by \$2.27 million to \$147.47 million, securing a share of 16.3 percent of total commercial banks' credit.

The current level of the FS credit was 18.4 percent and 20.7 percent higher than in the last three and five years respectively.

Despite the drop in FS credit, its annual average growth rate rose to 11.2 percent from 10.7 percent a month earlier and 4.4 percent in June 2014.

The ratio of FS credit and M2 to Gross Domestic Product (GDP) for March 2015 registered at 71.1 percent and 42.9 percent in that order.

<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> Total Credit of the financial system covers Commercial bank (4 banks) and NFIs (SNPF and DBS)

### Reserve Money<sup>3</sup>

Reserve money rebounded \$4.00 million to \$262.15 million, reflecting increases of \$3.06 million and \$0.94 million in commercial banks reserves and currency in circulation respectively.

The current level of reserve money was 30.9 percent and 33.7 percent higher than those in the last three and five years respectively.

### Commercial Banks' Liquidity

Total liquidity of the banking system also expanded by \$7.86 million to \$186.90 million reflecting increases of \$4.50 million and \$3.35 million in vault cash banks' exchange settlement accounts (ESA) in that order. Investments in Central Bank of Samoa Securities (CBSS) remained stable at \$12.00 million as in the previous month.

### CBSS and Open Market Operation (OMO)<sup>4</sup>

With an unchanged level of CBSS, the overall official interest rate also remained at 0.14 percent as in the earlier month but was lower than 0.18 percent in June 2014.

The composition of CBSS traded during the month were the only shorter-term maturities (14-day and 28-day papers), which were traded at 0.13 percent and 0.16 percent respectively.

### Commercial Banks' Interest Rates

The weighted average deposit (WAD) rate continued to decline, down by 7 basis points to 2.40 percent while the weighted average lending (WAL) rate edged up by 2 basis points to 9.45 percent. These levels were lower than their respective rates of 3.02 percent and 10.28 percent in June 2014.

The current market WAD and WAL rates were also lower than their rates of 2.48 percent and

9.82 percent in the last three years and 2.77 percent and 10.88 percent in the last five years in that order.

### NFIs<sup>5</sup> lending rates

The NFIs' overall WAL rate dropped further by 8 basis points to 6.73 percent but was up by 3 basis points than that of June 2014. Accounting for this decline was a 13 basis points decrease in the Development Bank of Samoa (DBS) WAL rate to 4.80 percent. Similarly, Samoa National Provident Funds (SNPF) WAL rate slid 4 basis points to 7.69 percent. In contrast, the WAL rates for the Samoa Housing Corporation (SHC)<sup>6</sup> rose to 11.14 percent in June 2015 quarter from 10.70 percent in March 2015.

Central Bank of Samoa  
5 August 2015

<sup>3</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

<sup>4</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>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  
June 2015*

**Monetary Survey Aggregates**

End of Period Figures	Current level compares to the previous		2014		2015	
	3-years	5-years	May	Jun	May	June
<b>Monetary Survey Brief</b>	<b>Averages</b>		<b>Amount in Tala Million</b>			
Net Foreign Assets	313.98	328.13	382.43	383.19	153.73	202.66
Net Domestic Assets	431.94	414.67	459.20	448.43	697.01	633.54
<b>Money Supply (M2)</b>	<b>745.92</b>	<b>742.80</b>	<b>841.62</b>	<b>831.62</b>	<b>850.74</b>	<b>836.21</b>
<i>Trend / Annual Average (%)</i>	12.1	12.6	6.7	8.3	9.6	8.1
<b>Narrow Money (M1)</b>	<b>235.56</b>	<b>226.30</b>	<b>270.97</b>	<b>263.57</b>	<b>299.19</b>	<b>299.82</b>
Currency outside banks	55.26	51.91	63.40	46.15	53.031	49.470
Demand deposits	180.30	174.38	207.57	217.42	246.154	250.348
<b>Quasi Money</b>	<b>510.36</b>	<b>516.50</b>	<b>570.65</b>	<b>568.05</b>	<b>551.56</b>	<b>536.39</b>
Savings Deposits	101.32	97.21	105.74	106.53	119.158	122.035
Time Deposits	349.19	373.14	357.28	344.89	376.550	357.925
Foreign Currency Deposits	59.85	46.15	107.63	116.63	55.847	56.430
<b>Central Bank of Samoa</b>						
<b>Open Markets Operations</b>			<b>Maturity Yield</b>			
Securities Official Rate	0.21	0.22	0.18	0.18	0.14	0.14
<b>Reserve Money (2)</b>			<b>Amount in Tala Million</b>			
<b>Total</b>	<b>200.21</b>	<b>196.03</b>	<b>230.06</b>	<b>221.85</b>	<b>258.15</b>	<b>262.15</b>
<i>Trend / Annual Growth (%)</i>	<u>28.1</u>	<u>30.8</u>	11.6	15.5	19.2	18.3
<b>Financial System (FS)</b>						
<b>FS Credit</b>			<b>Amounts in Tala Million</b>			
<b>Commercial Banks</b>	<b>763.97</b>	<b>760.67</b>	<b>769.18</b>	<b>772.49</b>	<b>905.39</b>	<b>906.92</b>
<i>Trend / Annual Growth (%)</i>	<u>18.7</u>	<u>19.2</u>	-0.8	-0.6	11.7	13.0
<b>Non-Monetary Financial Institutions (NFIs)</b>	<b>401.32</b>	<b>382.09</b>	<b>447.12</b>	<b>449.67</b>	<b>485.01</b>	<b>472.56</b>
<i>Trend / Annual Growth (%)</i>	18.6	24.6	14.4	14.6	8.8	8.1
<b>Private Sector</b>	<b>1105.38</b>	<b>1064.99</b>	<b>1165.86</b>	<b>1171.41</b>	<b>1333.06</b>	<b>1323.73</b>
Businesses	607.30	581.71	633.66	636.39	762.61	766.14
Individuals	498.09	483.27	532.20	535.02	570.46	557.59
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>	<b>59.91</b>	<b>77.77</b>	<b>50.45</b>	<b>50.75</b>	<b>57.33</b>	<b>55.75</b>
<b>Total Credit</b>	<b>1165.30</b>	<b>1142.76</b>	<b>1216.31</b>	<b>1222.16</b>	<b>1390.39</b>	<b>1379.48</b>
<i>Trend / Annual Growth (%)</i>	<u>18.7</u>	<u>21.0</u>	4.2	4.4	10.7	11.2
<b>Commercial Banks</b>						
<b>Liquidity</b>			<b>Amounts in Tala Million</b>			
<b>Total</b>	<b>121.20</b>	<b>126.42</b>	<b>143.75</b>	<b>152.74</b>	<b>179.04</b>	<b>186.90</b>
<i>Trend / Annual Growth (%)</i>	54.2	47.8	19.4	29.1	37.0	33.2
<b>Interest Rates</b>			<b>Percentage</b>			
<b>Overall Weighted Average Lending</b>	<b>9.82</b>	<b>10.88</b>	<b>10.32</b>	<b>10.28</b>	<b>9.43</b>	<b>9.45</b>
Australia New Zealand Bank Samoa	9.44	10.39	10.08	10.06	9.32	9.32
Westpac Bank Samoa Limited	9.80	10.29	10.29	10.18	9.53	9.54
National Bank of Samoa	10.21	12.20	10.86	10.81	8.95	8.91
Samoa Commercial Bank	10.32	11.67	10.54	10.50	10.08	10.26
<b>Overall Weighted Average Deposit</b>	<b>2.48</b>	<b>2.77</b>	<b>3.11</b>	<b>3.02</b>	<b>2.47</b>	<b>2.40</b>
Australia New Zealand Bank Samoa	2.07	2.26	2.62	2.45	2.19	2.09
Westpac Bank Samoa Limited	2.27	2.96	2.66	2.51	2.06	2.05
National Bank of Samoa	3.22	2.99	3.95	4.26	2.87	2.82
Samoa Commercial Bank	2.86	3.43	3.95	3.78	3.14	3.11
<b>Market Shares</b>						
<b>Lending</b>						
Australia New Zealand Bank Samoa	44.4	42.3	47.3	46.7	44.6	44.2
Westpac Bank Samoa Limited	20.7	22.9	19.1	20.1	19.9	20.3
National Bank of Samoa	15.1	15.3	14.7	14.5	17.9	18.4
Samoa Commercial Bank	19.9	19.5	18.9	18.6	17.6	17.1
<b>Deposit</b>						
Australia New Zealand Bank Samoa	43.1	42.1	48.1	46.6	43.3	44.5
Westpac Bank Samoa Limited	19.5	20.2	16.0	17.4	19.6	19.8
National Bank of Samoa	16.3	16.2	16.5	15.8	16.6	15.6
Samoa Commercial Bank	21.1	21.5	19.5	20.3	20.5	20.2
<b>Non-monetary Financial Institutions</b>						
<b>Weighted Average Lending (WAL)</b>			<b>Percentage</b>			
National Provident Fund (NPF)	10.02	9.67	7.74	7.67	7.73	7.69
Development Bank of Samoa (DBS)	11.96	12.01	4.43	4.61	4.93	4.80
<b>Overall WAL (NPF &amp; DBS)</b>	<b>10.52</b>	<b>10.19</b>	<b>6.71</b>	<b>6.70</b>	<b>6.81</b>	<b>6.73</b>
<b>Quarterly Rates</b>			<b>Mar-14</b>	<b>Jun-14</b>	<b>Mar-15</b>	<b>Jun-15</b>
Samoa Housing Corporation (SHC) (1)	12.01	-	9.84	10.12	10.70	11.14

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).