

REVIEW OF MONETARY DEVELOPMENTS JANUARY 2024

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.

Report No.7: 2023/24

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Monetary Forecast

As an intermediate target for monetary policy, the actual level of Money Supply (M2) deviated slightly (by 0.01 percent) from its original forecast. This reflected a higher-than expected level of foreign assets for the Central Bank due mainly to strong foreign exchange purchases as well as influx of government funds.

Money Supply (M2)

Total money supply (M2) rose for the sixth consecutive month, by \$4.81 million (or 0.3 percent) to \$1,630.07 million. This was on account of a significant increase of \$82.52 million in net foreign assets (NFA), offsetting a major reduction of \$77.71 million in net domestic assets (NDA). The expansion in NFA reflected a large hike in the foreign assets of the Central Bank (in-light of sharp increase in foreign exchange position coupled with inflows of government budget support funds), against a drop in foreign holdings of the commercial banks. The decline in NDA was underpinned by surplus in the government's net position with the financial system (contractionary effect on NDA). This outweighed a decline in domestic credit to the private sector and public institutions combined.

As a result, the annual average growth rate of M2 accelerated further to 13.7 percent from 13.6 percent in the previous month and was much higher than 4.7 percent in the same month of last year.

Credit¹

Total financial system (FS) lending contracted by \$10.11 million (or 0.5 percent) to \$2,055.63

million. This was largely due to a downturn of \$9.61 million in commercial banks' lending, coupled with a \$0.50 million dip in non-bank financial institutions' (NFIs) lending.

By sector, the bulk of FS credit was lent to the private sector with a share of 99.4 percent while the rest (0.6 percent) was lent to public enterprises.

The contraction in total FS credit was mainly due to reductions in lending to all industries such as 'Other Activities', 'Professional and business services', 'Manufacturing', 'Transportation, storage and communication', 'Agriculture, forestry, and fisheries', 'Electricity, gas and water', and 'Trade'.

Furthermore, mortgage loans (which consist of term loans collateralized by real estate property) recorded a share of 49.0 percent to total commercial bank loans of (\$565.32 million) in January 2024, up from 47.4 percent recorded in the previous month.

However, the annual average of total FS credit growth increased slightly to 0.7 percent from 0.5 percent in the previous month but was below 0.8 percent in the same month of the previous year.

The latest update on the National Accounts released by the Samoa Bureau of Statistics (SBS) was up to the September 2023 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of \$2,683.23 million. At this level, the share of the FS credit to NGDP dropped to 76.7 percent from 78.9 percent in the June 2023 quarter and 90.8 percent in the September quarter 2023. Similarly, the share of

¹ Comprises of commercial banks and three largest non-monetary financial institutions' (NFIs) total lending.

NFIs – Samoa National Provident Fund (SNPF), Development Bank of Samoa (DBS) and Samoa Housing Corporation (SHC)

M2 to NGDP dropped to 58.7 percent from 61.8 percent in the previous quarter and was 62.4 percent in the same quarter of last year.

Reserve Money²

Total reserve money (RM) jumped by \$64.05 million (or 8.4 percent) to a record high of \$826.21 million. This increase was primarily driven by a sharp hike in commercial banks reserves by \$99.07 million (of which the bulk was excess reserves), against a pronounced drop of \$35.05 million in currency in circulation.

At this level, RM was \$190.63 million higher than its level in January 2023, and was also 48.91 and 63.88 percent higher than its correspondent levels in the past three and five years respectively

Commercial Banks' Liquidity³

Total commercial banks' liquidity in January 2024 rose considerably by \$104.89 million (or 17.7 percent) over the previous month to its highest level of \$697.09 million. This level was dominated by a hike of \$99.0 million in commercial banks exchange settlement accounts (ESA), coupled with a \$7.44 million increase in their holdings of CBS securities, offsetting a slight fall of \$1.56 million increase in vault cash holdings.

Likewise, total liquidity was \$252.91 million higher than its level in January 2023; or 86.07 percent and 101.81 percent higher than both its corresponding levels in the past three and five years.

Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)⁴

Total CBS securities issued in January 2024 fell to \$31.00 million from \$44.95 million in the

previous month. These were mainly issued at longer term maturities of 91-days (\$10.00 million) and 56-days (\$11.00 million). The remaining amount were issued at a shorter-term maturity of 28-days (\$6.00 million) and 14-days (\$4.00 million). With the total matured securities at \$23.55 million during the month, total CBS securities outstanding increased to \$100.40 million from \$92.95 million over the month.

With the lower volume of total securities issued for the month, the overall weighted average yield of CBS securities (or the official interest rate) dropped by 3 basis point to 0.24 percent and was 7 basis points higher than that for January 2023.

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate dropped by 6 basis points to 1.77 percent from the previous month but was 1 basis point higher than January 2023. The weighted average lending (WAL) rate remained at 8.43 percent from the previous month but was 18 basis points higher than its level in January 2023. As a result, the overall weighted average interest rate spread grew by 7 basis points from the previous month to 6.67 percent and was 17 basis point higher than the same month last year.

The current WAD rate was lower than its average rates of 2.03 percent and 2.26 percent for the last three and five years respectively. However, the current WAL rate was higher than its average rate of 8.38 percent for the last three years but was lower than its average rate of 8.60 percent in the last five years.

NFIs⁵ Lending Rates⁶

The overall WAL rate for NFIs increased by 2 basis points to 8.07 percent from the previous month. This was due mainly to a ⁷19-basis points increase in the WAL of Development Bank of

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

⁴ 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).

⁵ Non-Bank 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.

⁶ SHC figures are provisional for the reporting month.

⁷ DBS - reclassified loans from 2.5 percent band to 8.5 percent band.

Samoa to 3.87 percent. The Samoa Housing Corporation (SHC) WAL rate remained at 12.07 percent from the previous month while that for SNPF fell by 1 basis point to 8.44 percent.

As a result, the current overall NFI WAL rate was lower than its average rates of 8.34 percent and 8.24 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA
29th February 2024

Monetary Aggregates							
End of Period Figures	Average level in the previous		2023				2024
	3-years	5-years	January	October	November	December	January
Determinants of Money Supply (M2)							
Net Foreign Assets ⁸	716.58	615.62	850.09	1130.24	1150.57	1205.49	1288.01
Net Domestic Assets	641.68	686.90	609.66	457.57	456.34	419.76	342.05
Money Supply (M2)[Ⓞ]	1358.264	1302.529	1459.752	1587.810	1606.913	1625.253	1630.067
<i>Trend / Annual Average (%)</i>	3.7	6.5	4.7	12.2	13.1	13.6	13.7
<i>Narrow Money (M1)</i>	628.00	592.45	731.72	804.09	847.75	863.60	865.32
Currency outside banks	126.75	113.40	143.96	159.18	155.13	190.42	156.93
Transferable Deposits ⁴ Ⓞ	501.26	479.05	587.75	644.91	692.61	673.17	708.39
<i>Quasi Money</i>	730.26	710.08	728.04	783.72	759.16	761.65	764.75
Other Deposits ⁵	730.26	710.08	728.04	783.72	759.16	761.65	764.75
Central Bank of Samoa							
Open Markets Operations							
<i>Securites Official Rate</i>	0.16	0.16	0.18	0.18	0.25	0.27	0.24
Reserve Money²							
Total	554.85	504.15	635.571	764.606	738.107	762.159	826.205
<i>Trend / Annual Growth (%)</i>	9.5	15.6	7.8	31.0	32.7	33.2	33.7
Financial System (FS)							
FS Credit							
Commercial Banks ⁷	1183.35	1169.97	1177.39	1141.01	1142.20	1141.53	1131.95
<i>Trend / Annual Growth (%)</i>	0.8	2.3	-0.7	-2.2	-2.2	-2.3	-2.5
Non-Monetary Financial Institutions (NFIs)[Ⓞ]	834.49	797.03	852.87	921.67	923.36	924.18	923.68
<i>Trend / Annual Growth (%)</i>	4.5	7.4	2.9	3.0	3.7	4.4	5.0
Private Sector	1998.59	1938.08	2011.53	2050.20	2050.20	2053.02	2043.75
Businesses	1028.36	1027.33	980.68	975.05	978.59	967.64	959.14
Individuals	970.25	910.76	1030.86	1075.15	1075.29	1085.38	1084.61
Public Sector (NFIs, NPEs, & Govt)	19.24	28.92	18.73	12.48	11.68	12.72	11.87
Total FS Credit ⁸Ⓞ	2017.84	1967.00	2030.26	2062.68	2065.40	2065.74	2055.63
<i>Trend / Annual Growth (%)</i>	2.3	4.3	0.8	0.0	0.3	0.5	0.7
Commercial Banks³							
Liquidity							
Total	374.63	345.43	444.18	609.84	611.64	592.21	697.09
<i>Trend / Annual Growth (%)</i>	8.3	17.9	9.5	49.1	52.6	54.6	56.6
Interest Rates (%)							
Overall Weighted Average Lending ⁷	8.38	8.60	8.26	8.35	8.35	8.43	8.44
Australia New Zealand Bank (Sāmoa) Limited	7.91	8.56	7.66	7.50	7.51	7.49	7.49
Bank South Pacific (Sāmoa) Limited	7.80	7.81	7.56	7.46	7.39	7.41	7.40
National Bank of Sāmoa Limited	8.00	8.08	8.05	8.64	8.63	8.90	8.97
Samoa Commercial Bank Limited	10.05	10.33	9.87	9.92	9.96	9.99	9.96
Overall Weighted Average Deposit	2.03	2.26	1.76	1.81	1.81	1.83	1.77
Australia New Zealand Bank (Sāmoa) Limited	0.87	1.09	0.78	0.63	0.65	0.64	0.59
Bank South Pacific (Sāmoa) Limited	1.96	2.42	1.82	1.84	1.88	1.86	1.82
National Bank of Sāmoa Limited	2.83	3.26	2.45	2.48	2.37	2.63	2.62
Samoa Commercial Bank Limited	2.54	2.82	2.23	2.30	2.29	2.28	2.25
Market Shares (%)							
Lending							
Australia New Zealand Bank (Sāmoa) Limited	25.21	25.85	25.74	23.25	23.20	22.91	23.16
Bank South Pacific (Sāmoa) Limited	29.79	30.25	28.38	29.15	28.90	28.48	28.62
National Bank of Sāmoa Limited	22.62	22.88	21.28	22.52	22.40	22.85	22.42
Samoa Commercial Bank Limited	22.38	21.02	24.60	25.08	25.50	25.77	25.81
Deposit ⁹							
Australia New Zealand Bank (Sāmoa) Limited	24.93	26.18	27.18	21.84	22.25	22.58	23.36
Bank South Pacific (Sāmoa) Limited	29.96	30.37	28.90	39.92	39.06	38.93	38.43
National Bank of Sāmoa Limited	20.94	20.90	18.70	16.25	16.74	16.55	16.77
Samoa Commercial Bank Limited	24.16	22.56	25.22	22.00	21.95	21.94	21.44
Non-monetary Financial Institutions (NFIs)							
Weighted Average Lending (WAL)							
Sāmoa National Provident Fund (SNPF) ⁶	8.77	8.64	8.97	8.68	8.44	8.45	8.44
Development Bank of Samoa (DBS) [Ⓞ]	4.06	4.42	3.97	3.66	3.66	3.67	3.86
Samoa Housing Corporation (SHC) ¹ Ⓞ	12.85	12.88	12.72	13.48	13.48	12.07	12.07
NFIs' Overall WAL ^{6,8}	8.34	8.24	8.54	8.33	8.14	8.05	8.07

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 2016, 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, Sāmoa 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 SDR 15.5 million and equivalent of around \$55.5 million Tala in August 2021.

(9) Effective April 2023, the calculation of deposit shares takes into account all deposit liabilities of the banking system from both resident and non-resident sectors. Historical series has been revised to reflect these changes.

[Ⓞ] Revised