CENTRAL BANK OF SAMOA

MEDIA RELEASE

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MONETARY POLICY STANCE FOR FY2024/2025

At its meeting on the 28th of June 2024, the Central Bank of Samoa (CBS) Board of Directors approved the continuation of the Central Bank's monetary policy for FY2024/2025 to bring down the elevated level of excess liquidity in the financial system. In addition, the CBS will also maintain its efforts to normalise or adjust upwards its official interest rate.

The monetary policy stance will support the 6.7 percent real economic growth forecast for the year ending June 2025, further to the estimated 10.6 percent expansion by June 2024. This economic outlook reflects the positive effects envisaged from the hosting of the Commonwealth Heads of Government Meeting (CHOGM), the implementation of various new and ongoing Government projects in addition to further positive business activities associated with high tourism, remittances, and export proceeds. On the other hand, the presence of downside risks from ongoing international geopolitical tensions, modest growth in our major trading partners and our vulnerability to adverse weather conditions are high, which could impact this outlook.

The decreasing headline inflation rate to date is estimated to continue to 3.6 percent by June 2024 and will moderate to around 3.8 percent by June 2025. This is because of modest gains forecast by market surveyors for international oil and meat prices as well as strong domestic spending to be expected. Our vulnerability, however, to natural disasters and any adverse and unexpected global developments in the international commodity markets continues to pose a risk to our inflation projections.

The country's external sector will continue to remain strong in FY2024/2025, with official foreign reserves projected to be above $1.4 billion (at an equivalent of 13.5 months of import of goods only). This is more than sufficient to meet the country's international commitments. Increased inflows from tourism and private remittances together with further inflow of capital aid funds will drive this strong position over the coming year.

The financial system continues to be sound and stable, with ample banking system liquidity currently at a high of $717.1 million. The average bank lending rates are low and will remain below 9.0 percent over the near term.

With this outlook, ongoing collaboration and discussions with the financial sector are important in the Bank's efforts to support economic growth and maintain low inflation rates.

The Central Bank will continue to monitor and revisit its monetary policy decision should economic and financial conditions change over the next twelve months.