

## MONETARY POLICY STANCE FOR 2024/2025

At its meeting on the 28<sup>th</sup> 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 to around a target of 2-3 percent in the short to medium term. *This raising of CBS interest rates is not a signal of CBS tightening monetary policy but more of the CBS building a buffer in its policy instrument, for more flexibility in the future.*

The monetary policy stance will support the 6.7 percent real economic growth forecast for the year ending June 2025, further to 9.4 percent expansion in FY2023/2024. 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 moderate to around 3.8 percent by June 2025. This would be underpinned by modest increases forecast by market surveyors for international oil and meat prices as well as expected strong domestic spending. 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.

### SUMMARY FORECASTS FOR FY 2024/2025

Main indicators	Original Forecasts FY2024/2025	Commentary
	as at 28 June 2024	
Real GDP	+6.7% to \$2,382.0 million	Strong growth in economic activities is projected amidst CHOGM preparations, but is slowing down compared to previous 2 years
Headline Inflation	3.8%	Prices will moderate but is expected to remain above 3.0 percent target
Underlying Inflation	4.0%	Prices have come down but still expected to remain above 3.0 percent target.
Balance of Payments	\$110.0m (surplus)	\$196.8 million grants expected in Budget FY 2024/25
Gross Foreign Reserves	\$1,424.3m	
Import Cover	13.5 months	



## CENTRAL BANK OF SAMOA

Exports	+6.4% to \$122.7m	Rebound in total exports due to increase in fish proceeds
Imports	+2.6% to \$1,265.5m	Steady increase in total imports
Visitor Receipts	+5.0% to \$653.2m	Further expansion in tourism
Visitor Arrivals	+2.0% to 179,368	
Priv. Remittances	+3.0% to \$904.6m	Continued expansion in remittances

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.