

## REVIEW OF MONETARY DEVELOPMENTS SEPTEMBER 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 as well as other information sourced from the Central Bank, commercial banks, Ministry of Finance, non-bank financial institutions and the Samoa Bureau of Statistics.

Report No.03: 2024/25

September 2024

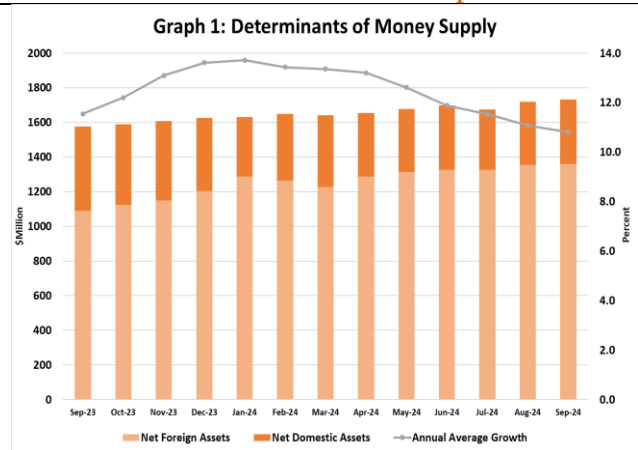
### Monetary Forecast

As an intermediate target for monetary policy, total money supply (M2) in September 2024 was more or less on target (0.1 percent lower) compared to its forecast. This reflected a lower-than-expected level of Net Foreign Assets (NFA), which offset higher-than-expected level of Net Domestic Assets (NDA), particularly the faster than anticipated growth in private sector credit.

### Money Supply (M2)

The total money supply (M2) rose by \$11.96 million (or 0.70 percent) to \$1,731.02 million. This growth was driven by an increase of \$7.68 million in NDA and a \$4.28 million hike in NFA. The rise in the former was largely due to a deficit in the government's net position, given large debt servicing repayments by Government during the month, along with an increase in private sector credit. The increase in NFA was mainly due to an expansion in Central Bank foreign assets.

However, the annual average level of M2 fell to 10.8 percent from 11.1 percent in the previous month and 11.6 percent in September 2023.



### Credit<sup>1</sup>

Total financial system (FS) lending rose for the eighth consecutive month, increasing by \$19.08 million (or 1.1 percent) to \$2,170.14 million. This was supported by increased lending from both commercial banks, (up by \$13.10 million to \$1,208.09 million) and non-bank financial institutions (NFIs), (up by \$5.98 million to \$962.05 million).

By sector, 99.6 percent of the total loans were lent to the private sector (of which 52.4 percent were lent to 'households and individuals' and 47.1 percent to businesses. The remaining 0.45 percent were lent to public enterprises.

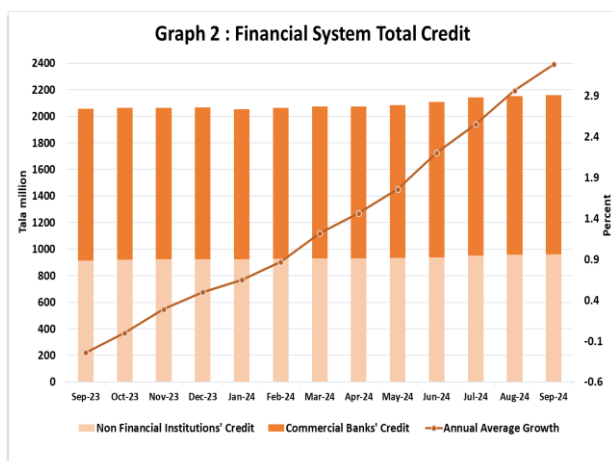
By industry, the overall expansion in total FS credit was primarily extended to the 'Building, construction, and installation,' 'Trade,' 'Professional and business services,' 'Manufacturing,' and 'Transportation, storage and communication' industries.

<sup>1</sup> Comprises of commercial banks and three largest non-monetary financial institutions' (NFIs) total lending. <sup>1</sup> Effective June 2024, the banking system has started reporting new loans data to the Central Bank.

NFIs includes Samoa National Provident Fund (SNPF), Development Bank of Samoa (DBS), Unit Trust of Samoa (UTOS) and Samoa Housing Corporation (SHC)

Further analysis of commercial banks credit revealed that 'New loans' jumped by \$41.14 million (to \$59.91 million) in September 2024 alone, from \$18.77 million recorded in the previous month. The majority of these new loans were directed to the business sector, with allocations to the 'Professional and Business Services,' and 'Building, Construction, and Installation,' industries. Meanwhile, mortgage loans remained unchanged, accounting for 48.0 percent of total commercial bank loans, valued at \$577.71 million.

On an annual basis, FS credit growth rate edged up further to 3.3 percent from 3.0 percent in the previous month but much higher than -0.2 percent in September 2023.



According to the Samoa Bureau of Statistics (SBS), total Nominal Gross Domestic Product (NGDP) up to the June 2024 quarter amounted to \$2,943.46 million. As such, total FS credit-to-NGDP ratio rose slightly to 71.7 percent from 71.2 percent in the March 2024 quarter but was lower than 78.5 percent in the June 2023 quarter. Similarly, the M2-to-NGDP ratio rose to 57.7 percent from 56.4 percent in the previous quarter but lower than 61.5 percent in June of 2023.

### Reserve Money<sup>2</sup>

Total reserve money (RM) expanded for the third consecutive month, increasing by \$13.06

<sup>2</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>3</sup> Comprises of banks' vault cash, exchange settlement account (ESA) balances and Central Bank Securities

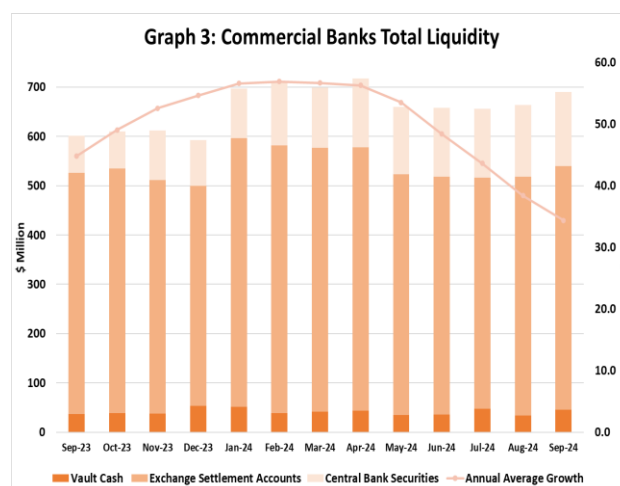
million (or 1.70 percent) to \$781.96 million. This growth was largely driven by an \$11.28 million expansion in commercial banks' reserves, reflecting an increase in excess reserves and a \$1.78 million rebound in currency in circulation.

RM was \$23.15 million higher than its level in September 2023 and was 29.29 percent and 42.92 percent higher than levels seen in the past three and five years, respectively.

### Commercial Banks' Liquidity<sup>3</sup>

Total commercial banks' liquidity jumped by \$25.94 million (3.9 percent) to \$689.81 million. This reflected a \$12.04 million jump in vault cash holdings, a \$9.91 million hike in excess reserves and a \$4.00 million increase in CBS Securities (CBSS) holdings.

Overall, total liquidity was \$88.33 million higher than its level in September 2023 or 60.17 percent and 81.18 percent higher than both its corresponding levels in the past three years and five years respectively.



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

Total CBSS issued in September 2024 dropped to \$56.65 million from \$81.50 million in the previous month. Of this total, \$45.15 million

<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).

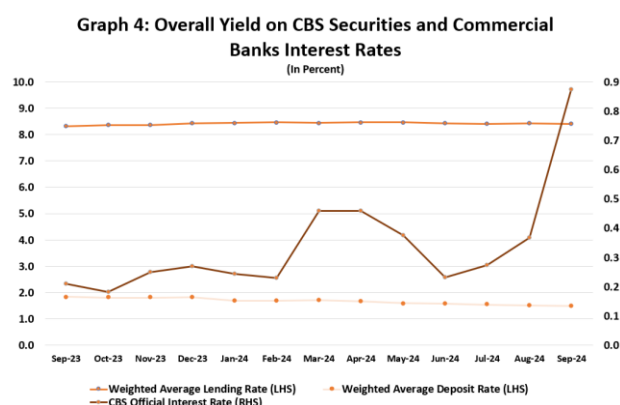
were issued at longer-term maturities of 56 days (\$9.00 million), 91 days (\$10.15 million), 182 days (\$13.00 million) and 364 days (\$13.00 million). The remaining portion was issued at shorter-term maturities of 14 days (\$5.00 million) and 28 days (\$6.50 million).

With total matured securities of \$56.00 million in September 2024, total CBS securities outstanding stood at \$147.00 million, just short of its targeted level of \$150.0 million. As a result, the overall weighted average yield of CBS securities (or the official interest rate) shot up by 51 basis points to 0.88 percent from 0.37 percent in the previous month and 0.21 percent in September last year.

### **Commercial Banks' Interest Rates**

The commercial banks' weighted average deposit (WAD) rate decreased for the sixth consecutive month, dropping by 2 basis points to 1.49 percent, or 34 basis points lower than in September last year. Likewise, the weighted average lending (WAL) rate dropped by 3 basis points to 8.40 percent compared to the previous month but was 8 basis points higher than last year. Consequently, the overall interest rate spread widened slightly by 1 basis point to 6.91 percent, and was 42 basis points higher than in September 2023. (Refer to Graph 4).

The current WAD rate was lower than its average rates of 1.85 percent and 2.21 percent for the last three years and five years respectively. However, the WAL rate in September 2024 was higher than its average rates of 8.36 percent in the last three years but was lower than 8.52 percent in the last five years.



### **NFIs<sup>5</sup> Lending Rates**

The overall WAL rate for NFIs remained at 7.97 percent over the month, due to stationary lending rates for DBS and SHC, while that of SNPF increased by 1 basis point.

As a result, the current overall NFI WAL rate was lower than its average rates of 8.30 percent and 8.15 percent in the last three and five years respectively.



## **CENTRAL BANK OF SAMOA 29<sup>th</sup> October 2024**

<sup>5</sup> 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. WAL for DBS is provisional.

Monetary Aggregates									
End of Period Figures	Average level in the previous		2023					2024	
	3-years	5-years	September	June	July	August	September		
<b>Determinants of Money Supply (M2)</b>									
Net Foreign Assets	817.57	699.83	1096.92	1325.66	1327.45	1355.78	1360.06		
Net Domestic Assets	604.72	645.04	479.04	371.77	346.48	364.12	370.97		
<b>Money Supply (M2)</b>	<b>1422.29</b>	<b>1344.87</b>	<b>1575.954</b>	<b>1697.414</b>	<b>1673.926</b>	<b>1719.070</b>	<b>1731.020</b>		
<i>Trend / Annual Average (%)</i>	6.86	6.64	11.6	11.9	11.5	11.1	10.8		
<i>Narrow Money (M1)</i>	673.78	616.70	794.07	934.11	900.72	940.15	959.12		
Currency outside banks	139.37	124.88	161.52	162.37	164.29	171.83	164.57		
Transferable Deposits <sup>2</sup>	534.41	491.81	632.56	771.74	736.43	768.32	794.55		
<i>Quasi Money</i>	748.50	728.18	781.88	763.31	773.21	778.91	771.90		
Other Deposits <sup>3</sup>	748.50	728.18	781.88	763.31	773.21	778.91	771.90		
<b>Central Bank of Samoa</b>									
<b>Open Markets Operations</b>									
<i>Securities Official Rate</i>	0.19	0.17	0.21	0.23	0.27	0.37	0.88		
<b>Reserve Money<sup>1</sup></b>									
<b>Total</b>	<b>604.81</b>	<b>547.13</b>	<b>758.813</b>	<b>756.886</b>	<b>757.129</b>	<b>768.907</b>	<b>781.960</b>		
<i>Trend / Annual Growth (%)</i>	15.23	17.13	28.6	25.0	21.6	17.8	18.8		
<b>Financial System (FS) Credit</b>									
<b>Commercial Banks</b>	<b>1172.45</b>	<b>1167.66</b>	<b>1144.25</b>	<b>1173.47</b>	<b>1189.75</b>	<b>1194.99</b>	<b>1208.09</b>		
<i>Trend / Annual Growth (%)</i>	-0.47	1.64	-2.1	-1.9	-1.4	-0.8	-0.1		
<b>Non-Monetary Financial Institutions (NFIs)</b>	<b>861.41</b>	<b>824.98</b>	<b>914.26</b>	<b>935.66</b>	<b>951.15</b>	<b>956.07</b>	<b>962.05</b>		
<i>Trend / Annual Growth (%)</i>	3.49	7.08	2.4	7.8	7.9	8.1	7.8		
<b>Private Sector</b>	<b>2015.58</b>	<b>1969.23</b>	<b>2044.48</b>	<b>2099.59</b>	<b>2131.62</b>	<b>2141.22</b>	<b>2160.47</b>		
Businesses	1001.79	1023.58	974.63	985.38	1006.35	1010.47	1022.79		
Individuals	1013.78	945.65	1069.85	1114.21	1125.28	1130.75	1137.68		
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>	<b>17.79</b>	<b>23.13</b>	<b>12.58</b>	<b>9.54</b>	<b>9.24</b>	<b>9.94</b>	<b>9.67</b>		
<b>Total FS Credit</b>	<b>2033.37</b>	<b>1992.36</b>	<b>2057.06</b>	<b>2109.13</b>	<b>2140.87</b>	<b>2151.16</b>	<b>2170.14</b>		
<i>Trend / Annual Growth (%)</i>	1.11	3.74	-0.3	2.2	2.6	3.0	3.3		
<b>Commercial Banks</b>									
<b>Liquidity</b>									
<b>Total</b>	<b>430.66</b>	<b>380.73</b>	<b>601.47</b>	<b>657.34</b>	<b>656.25</b>	<b>663.86</b>	<b>689.81</b>		
<i>Trend / Annual Growth (%)</i>	19.4	19.6	44.8	48.4	43.6	38.4	34.4		
<b>Interest Rates (%)</b>									
<b>Overall Weighted Average Lending</b>	<b>8.36</b>	<b>8.52</b>	<b>8.32</b>	<b>8.43</b>	<b>8.41</b>	<b>8.44</b>	<b>8.40</b>		
Australia New Zealand Bank (Sāmoa) Limited	7.66	8.16	7.49	7.57	7.59	7.59	7.59		
Bank South Pacific (Sāmoa) Limited	7.72	7.81	7.40	7.25	7.24	7.27	7.11		
National Bank of Sāmoa Limited	8.31	8.27	8.63	9.20	9.09	9.11	9.10		
Samoa Commercial Bank Limited	9.95	10.18	9.93	9.82	9.76	9.79	9.88		
<b>Overall Weighted Average Deposit</b>	<b>1.85</b>	<b>2.21</b>	<b>1.84</b>	<b>1.57</b>	<b>1.54</b>	<b>1.52</b>	<b>1.49</b>		
Australia New Zealand Bank (Sāmoa) Limited	0.78	0.95	0.66	0.53	0.54	0.51	0.52		
Bank South Pacific (Sāmoa) Limited	1.88	2.38	1.89	1.49	1.54	1.52	1.52		
National Bank of Sāmoa Limited	2.52	3.11	2.54	2.53	2.03	1.96	1.91		
Samoa Commercial Bank Limited	2.34	2.64	2.28	2.16	2.17	2.10	2.03		
<b>Market Shares (%)</b>									
<b>Lending</b>									
Australia New Zealand Bank (Sāmoa) Limited	24.73	24.89	23.46	21.28	21.12	20.49	16.99		
Bank South Pacific (Sāmoa) Limited	29.42	30.22	29.42	29.98	29.45	29.51	32.60		
National Bank of Sāmoa Limited	22.65	23.32	22.41	22.38	22.90	23.32	23.51		
Samoa Commercial Bank Limited	23.20	21.56	24.70	26.36	26.54	26.68	26.91		
<b>Deposit<sup>5</sup></b>									
Australia New Zealand Bank (Sāmoa) Limited	24.40	26.03	22.26	22.00	20.51	20.74	20.59		
Bank South Pacific (Sāmoa) Limited	32.97	30.97	39.25	40.00	40.11	40.93	40.63		
National Bank of Sāmoa Limited	18.56	19.71	16.00	17.44	17.80	17.29	17.53		
Samoa Commercial Bank Limited	24.07	23.28	22.48	20.50	21.58	21.03	21.25		
<b>Non-monetary Financial Institutions (NFIs)</b>									
<b>Weighted Average Lending (WAL)</b>									
Sāmoa National Provident Fund (SNPF)	8.73	8.65	8.68	8.44	8.44	8.44	8.45		
Development Bank of Samoa (DBS) ©	3.80	4.18	3.65	3.79	3.80	3.89	3.88		
Samoa Housing Corporation (SHC)	13.03	11.72	13.48	10.58	10.58	10.61	10.61		
<b>NFIs' Overall WAL ©</b>	<b>8.30</b>	<b>8.15</b>	<b>8.32</b>	<b>7.96</b>	<b>7.96</b>	<b>7.97</b>	<b>7.97</b>		
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) Comprised of demand deposits, foreign currency deposits of residents, and interest payable on these deposits.									
(3) Comprised of time deposits, savings deposits, and the interest payable on these deposits.									
(4) 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.									
(5) 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									
(6) Revised to include Foreign Currency Deposits of Residents to the calculation of Weighted Average Deposit Interest Rates of Commercial Banks.									