

REVIEW OF MONETARY DEVELOPMENTS FEBRUARY 2025

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.08: 2024/25

February 2025

Monetary Forecast

The actual level of total money supply (M2) in February was 2.5 percent below its revised forecast target for the month. This deviation reflected a lower-than-expected level of Net Domestic Assets (NDA), in light of a significant drop in 'other items, net' of the banking system, which was much lower than its forecast level.

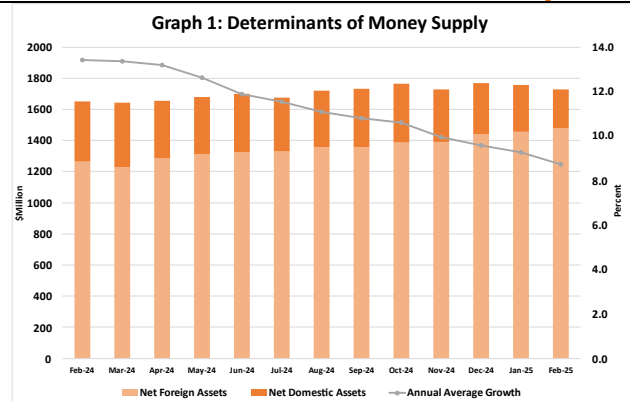
Money Supply (M2)

Total money supply (M2) fell by \$30.51 million (or 1.7 percent) in the month, reaching \$1,726.00 million. Over the year, it was 4.7 percent higher.

The current level of broad money was driven mainly by:

- A sharp contraction of \$50.17 million in NDA (to \$260.69 million), due to a huge drop in 'other items net' reflecting large movement in their capital account as well as a surplus in the government's net deposits with the monetary system.
- On the other hand, net foreign assets (NFA) increased by \$19.67 million (to \$1,465.31 million). This was due to a hike in CBS held foreign reserves.

Consequently, the annual average growth rate of M2 slowed to 8.7 percent, down from 9.3 percent in January 2025 and 13.4 percent in February 2024.



Credit¹

Total financial system (FS) credit decreased by \$0.99 million (or 0.05 percent) to \$2,197.97 million but was 6.4 percent higher than the same month last year. This decline was mainly due to a drop of \$2.37 million in commercial banks' lending, partially offset by a \$1.37 million increase in non-bank financial institutions' (NFIs) lending.

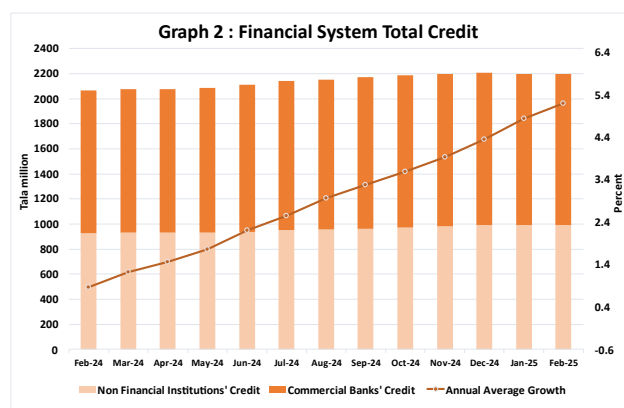
- By sector, 99.6 percent of the total loans were lent to the private sector (of which 53.4 percent were to 'households and individuals' and 46.2 percent to businesses). The remaining 0.4 percent were lent to the public sector.
- Lower lending was recorded across most industries, particularly in 'Building, construction and installation', 'Trade', 'Professional and Business Services', while lending to 'Other activities' increased over the month.
- New loans issued during the month totaled \$15.02 million, a decrease of \$1.49 million from the previous month. The majority of these new loans were extended to the

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

‘Building construction and installation’, ‘Other Activities’, and ‘Trade’ industries.

- The share of mortgage loans to total commercial bank loans increased slightly to 48.9 percent (from 48.6 percent in the previous month). Total mortgage loans for the month also increased slightly by 0.5 percent to \$590.16 million.

On an annual basis, FS credit growth rate accelerated to 5.2 percent in February 2025, up from 4.9 percent in January 2025 and 0.9 percent growth in February 2024. (See Graph 2.)



According to the Samoa Bureau of Statistics (SBS), total Nominal Gross Domestic Product (NGDP) in the year up to the September 2024 quarter amounted to \$3,063.91 million. As such, total FS credit-to-NGDP ratio narrowed slightly to 70.8 percent from 71.7 percent in the June 2024 quarter and was lower than 76.4 percent in the September 2023 quarter. Similarly, the M2-to-NGDP ratio dropped to 56.5 percent from 57.7 percent in the previous quarter and lower than 58.5 percent in September quarter of 2023.

Reserve Money²

Total Reserve Money (RM) increased by \$9.14 million (or 1.2 percent) to \$795.18 million in February 2025. This growth was primarily driven by a \$27.64 million increase in commercial banks' reserves, which offset a \$18.50 million decrease in currency in circulation. The rise in bank reserves reflected a

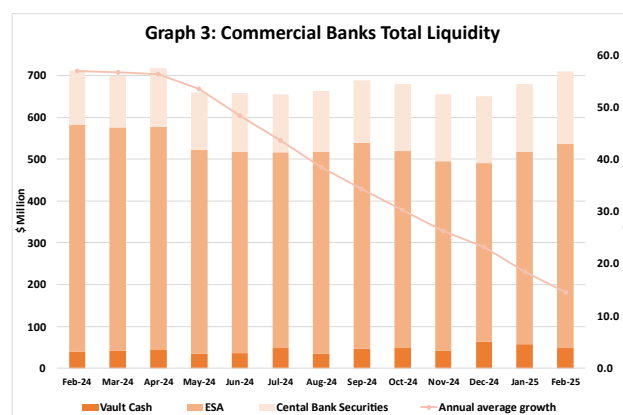
\$27.15 million hike in excess settlement accounts held at Central Bank during the month.

Compared to the same month of the previous year, RM was \$12.61 million lower. However, it was 55.0 percent and 76.5 percent higher than its levels in the past three and five years, respectively.

Commercial Banks' Liquidity³

Total commercial banks' liquidity increased by \$30.47 million (or 4.5 percent) to \$709.91 million in February 2025. This growth was driven by a \$27.15 million rise in commercial banks' ESA balances, along with a \$12.99 million increase in holdings of CBS Securities. This was partially offset by a \$9.66 million drop in vault cash holdings. (See Graph 3.)

Compared to the same month last year, total liquidity fell by \$1.96 million. Nevertheless, it remains more than double its levels from both February 2022 and February 2020, with increases of 110.2 percent and 126.5 percent, respectively.



CBSS and Open Market Operations (OMO)⁴

Total CBSS issued in February 2025 increased to \$41.50 million, up from \$27.20 million in the previous month. The majority of these were issued at longer-term maturities, including the 56-days (\$8.50 million), 91-days (\$11.50

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).

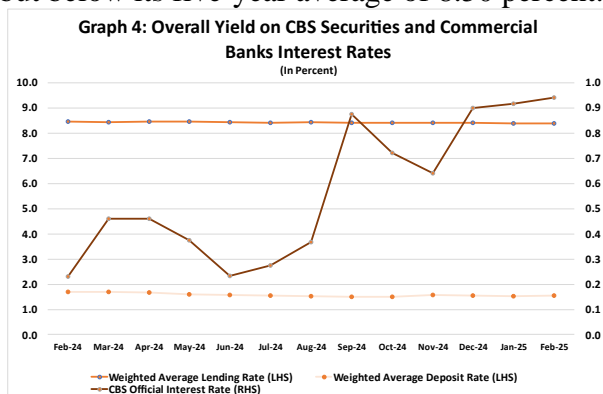
million), 182-days (\$10.50 million), and 364-days (\$9.00 million). Shorter-term maturities consisted of 28-days (\$2.00 million), while no 14-day papers were issued. Total CBSS that matured during the month amounted to \$28.50 million, resulting in an 8.1 percent increase in total CBSS outstanding of \$174.00 million at end February.

With more longer-term papers issued over the month, the overall weighted average yield rose to 0.94 percent from 0.92 percent in the previous month and 0.23 percent in the same month of the previous year.

Commercial Banks' Interest Rates

On commercial banks' interest rates, the weighted average deposit (WAD) rate rose by 2 basis points to 1.56 percent in February 2025 but was 13 basis points lower than in the same month last year. Meanwhile, the weighted average lending (WAL) rate edged down by 2 basis points to 8.37 percent, which was 9 basis points lower than in February 2024. As a result, the interest rate spread narrowed to 6.81 percent (down from 6.85 percent in the previous month), though it was 4 basis points higher than in February 2024. (See Graph 4).

The WAD rate remained below its three-year and five-year averages of 1.75 percent and 2.02 percent, respectively. In contrast, the WAL rate was above its three-year average of 8.35 percent but below its five-year average of 8.50 percent.



NFIs⁵ Lending Rates

Slight changes were recorded for NFI's WAL rates but the overall average level remained at 7.99 percent in February 2025, for the third month in a row. This was, however, lower than 8.03 percent in the same month last year. This reflected a 1 basis point decline in the DBS WAL rate to 4.05 percent, while the SNPF WAL rate edged up by 1 basis point to 8.48 percent. At the same time, the SHC WAL rate dropped by 7 basis points to 10.15 percent.

At its current level, the NFI WAL rate (at 7.99 percent) remains below both its three-year average of 8.24 percent and its five-year average of 8.23 percent.

CENTRAL BANK OF SAMOA
8th April 2025

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. WAL for DBS is provisional.

Monetary Aggregates						
End of Period Figures	Average level in the previous		2024		2025	
	3-years	5-years	February	December	January	February
Determinants of Money Supply (M2)						
Net Foreign Assets	919.81	769.76	1263.42	1440.38	1445.64	1465.31
Net Domestic Assets	558.35	616.98	385.21	329.19	310.86	260.69
Money Supply (M2)	1478.16	1386.74	1648.626	1769.570	1756.506	1726.000
<i>Trend / Annual Average (%)</i>	7.87	6.65	13.4	9.6	9.3	8.7
<i>Narrow Money (M1)</i>	733.38	653.85	853.65	973.77	951.49	922.89
Currency outside banks	134.88	123.05	150.56	199.89	188.22	179.38
Transferable Deposits ²	598.50	530.81	703.09	773.87	763.27	743.51
<i>Quasi Money</i>	744.78	732.88	794.97	795.81	805.02	803.10
Other Deposits ³	744.78	732.88	794.97	795.81	805.02	803.10
Central Bank of Samoa						
Open Markets Operations						
<i>Securites Official Rate</i>	0.18	0.18	0.23	0.90	0.92	0.94
Reserve Money¹						
Total	662.21	588.16	807.785	768.696	786.039	795.178
<i>Trend / Annual Growth (%)</i>	16.93	17.48	32.8	7.9	5.1	3.3
Financial System (FS) Credit						
Commercial Banks	1164.01	1168.45	1139.07	1217.75	1208.13	1205.76
<i>Trend / Annual Growth (%)</i>	-0.91	0.97	-2.6	2.2	3.1	3.8
Non-Monetary Financial Institutions (NFIs)	877.39	842.43	925.94	990.80	990.84	992.21
<i>Trend / Annual Growth (%)</i>	4.23	6.50	5.7	7.2	7.1	7.0
Private Sector	2025.59	1990.05	2053.19	2198.05	2188.93	2188.60
Businesses	989.00	1015.22	965.28	1030.66	1021.64	1015.68
Individuals	1036.60	974.83	1087.91	1167.39	1167.30	1172.91
Public Sector (NFIs, NPEs, & Govt)	15.81	20.84	11.82	10.49	10.03	9.37
Total FS Credit	2041.49	2010.93	2065.01	2208.55	2198.96	2197.97
<i>Trend / Annual Growth (%)</i>	1.23	3.20	0.9	4.4	4.8	5.2
Commercial Banks						
Liquidity						
Total	509.24	434.60	711.88	650.50	679.44	709.91
<i>Trend / Annual Growth (%)</i>	25.37	21.83	56.9	23.2	18.4	14.5
Interest Rates (%)						
Overall Weighted Average Lending	8.35	8.50	8.46	8.41	8.39	8.37
Australia New Zealand Bank (Sāmoa) Limited	7.65	8.08	7.51	7.58	7.58	7.58
Bank South Pacific (Sāmoa) Limited	7.54	7.77	7.46	7.23	7.21	7.23
National Bank of Sāmoa Limited	8.40	8.25	8.98	9.22	9.20	9.23
Samoa Commercial Bank Limited	9.95	10.17	9.95	9.68	9.64	9.51
Overall Weighted Average Deposit	1.75	2.02	1.69	1.55	1.54	1.56
Australia New Zealand Bank (Sāmoa) Limited	0.71	0.93	0.59	0.57	0.51	0.50
Bank South Pacific (Sāmoa) Limited	1.71	2.14	1.69	1.51	1.47	1.44
National Bank of Sāmoa Limited	2.46	2.96	2.50	2.25	2.26	2.36
Samoa Commercial Bank Limited	2.32	2.62	2.23	2.03	2.04	2.04
Market Shares (%)						
Lending						
Australia New Zealand Bank (Sāmoa) Limited	24.63	24.86	22.95	16.44	16.38	16.22
Bank South Pacific (Sāmoa) Limited	29.14	29.88	28.55	33.36	33.58	33.32
National Bank of Sāmoa Limited	21.80	22.78	22.54	22.52	22.32	22.64
Samoa Commercial Bank Limited	24.43	22.48	25.97	27.68	27.72	27.83
Deposit⁵						
Australia New Zealand Bank (Sāmoa) Limited	24.00	24.82	22.84	20.03	19.94	19.11
Bank South Pacific (Sāmoa) Limited	35.25	33.32	38.37	39.62	40.39	40.72
National Bank of Sāmoa Limited	18.70	19.95	17.21	18.47	18.01	18.39
Samoa Commercial Bank Limited	22.05	21.90	21.58	21.87	21.66	21.78
Non-monetary Financial Institutions (NFIs)						
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF)	8.68	8.66	8.44	8.47	8.47	8.48
Development Bank of Samoa (DBS) ®	3.86	4.07	3.78	4.03	4.06	4.05
Samoa Housing Corporation (SHC)	12.48	12.73	11.79	10.30	10.22	10.15
NFIs' Overall WAL ®	8.24	Pag8.23	8.03	7.99	7.99	7.99

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).