

REVIEW OF MONETARY DEVELOPMENTS JANUARY 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.07: 2024/25

January 2025

Monetary Forecast

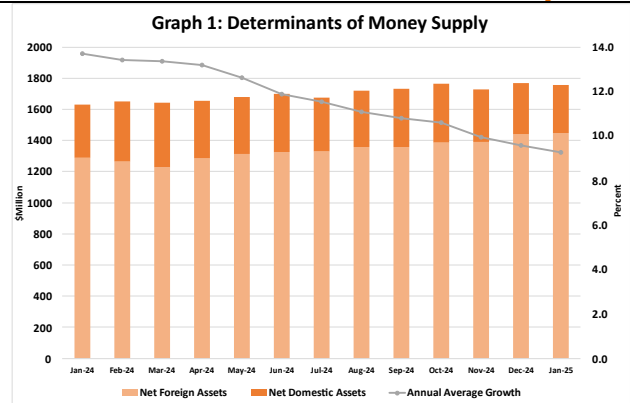
The actual level of total money supply (M2) in January 2025 was 0.8 percent below than its revised forecast target for the month. This slight deviation reflected a lower-than-expected level of Net Domestic Assets (NDA) together with a slightly lower Net Foreign Assets (NFA) than its forecast level.

Money Supply (M2)

Total money supply (M2) fell by \$13.06 million (or 0.7 percent) to \$1,756.50 million in the month under review, a level that was 7.8 percent higher over the past year. This decline was driven by a considerable drop of \$27.68 million in net domestic assets (NDA), which outweighed a \$14.62 million increase in net foreign assets (NFA).

- The reduction in NDA was mainly attributed to a significant decrease of \$23.28 million (or a surplus) in the Government's net position with the financial system, as well as a \$9.33 million decline in commercial banks' credit to the private sector.
- Meanwhile, the increase in NFA reflected a \$21.80 million jump in Central Bank foreign assets as well as a \$2.66 million increase in commercial banks' foreign assets.

On an annual average basis, the growth rate of M2 slowed further to 9.3 percent, down from 9.6 percent in December 2024 and 13.7 percent in January 2024.



Credit¹

Total financial system (FS)² credit dropped by \$9.28 million (or 0.4 percent) to \$2,199.27 million but was 7.0 percent higher than that of the same period last year. The current level was largely due to a drop of \$9.62 million in commercial banks' lending, partially offset by a \$0.34 million hike in non-bank financial institutions' (NFIs) lending.

- By sector, 99.5 percent of the total loans were lent to the private sector (of which 53.1 percent were lent to 'households and individuals' and 46.5 percent to businesses). The remaining 0.5 percent were lent to the public sector.
- Lower lending were recorded to all industries, notably the 'Other Activities', 'Professional and business services', 'Manufacturing', 'Transportation, storage and communication', 'Agriculture, forestry, and fisheries', and 'Trade'.
- New loans issued during the month totalled \$16.51 million, a decrease of \$5.20 million from the previous month. The majority of these new loans were extended to the 'Trade', 'Other Activities', and

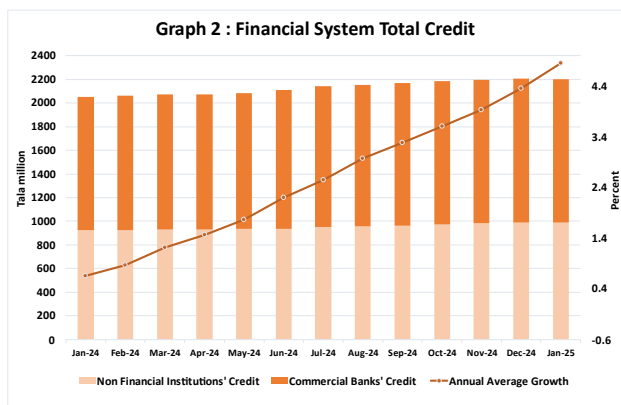
¹ Comprises of commercial banks and three largest non-monetary financial institutions' (NFIs) total lending.

² Financial System lending includes both lending by 4 commercial banks and 4 non-bank financial institutions (NFIs)

‘Professional and Business Services’ industries.

- The share of mortgage loans to total commercial bank loans rose slightly to 48.6 percent (from 48.5 percent in the previous month) despite a 0.5 percent drop to \$587.09 million.

On an annual basis, FS credit growth rate accelerated to 4.9 percent in January 2025, up from 4.4 percent in December 2024 and 0.6 percent in January 2024. (See Graph 2.)



According to the Samoa Bureau of Statistics (SBS), total Nominal Gross Domestic Product (NGDP) 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 Money³

Total reserve money (RM) increased by \$17.34 million (or 2.3 percent) to \$786.04 million in the month under review. This growth was mainly driven by a \$34.16 million increase in commercial banks' reserves, which offset a \$16.81 million decline in currency in circulation. The rise in bank reserves reflected a \$33.24

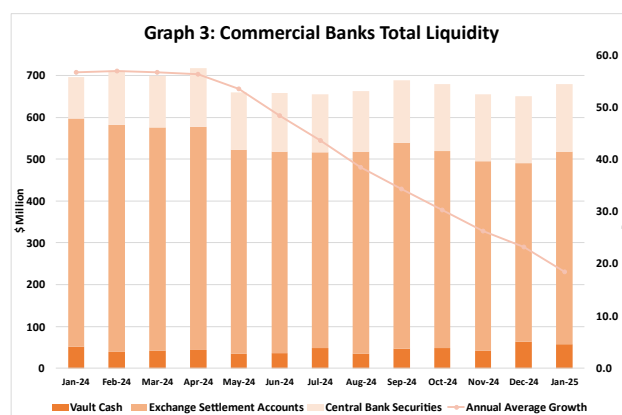
million buildup in excess reserves during the month.

Compared to the same month of the previous year, RM was \$40.17 million lower. However, it was 51.9 percent and 71.4 percent higher than its levels in the past three and five years, respectively.

Commercial Banks' Liquidity⁴

Total commercial banks' liquidity leapt further by \$28.94 million to \$679.44 million in January 2025. This was mainly driven by a \$33.36 million jump in commercial banks' exchange settlement account (ESA) balances and a modest \$0.71 million increase in their holdings of CBS Securities (CBSS). This was partially outweighed by a \$5.13 million decline in their vault cash holdings (See Graph 3.)

Compared to the same month last year, total liquidity fell by \$17.65 million. Nevertheless, it remains significantly higher, at more than double its corresponding levels in the past three and five years ago respectively.



CBSS and Open Market Operations (OMO)⁵

Total CBSS issued in January 2025 declined to \$27.20 million from \$32.50 million in the previous month. The majority of these were issued at longer-term maturities, including the 56-days (\$5.00 million), 91-days (\$7.70

³ 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

⁴ Comprises of banks' vault cash, exchange settlement account (ESA) balances and Central Bank Securities

⁵ 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).

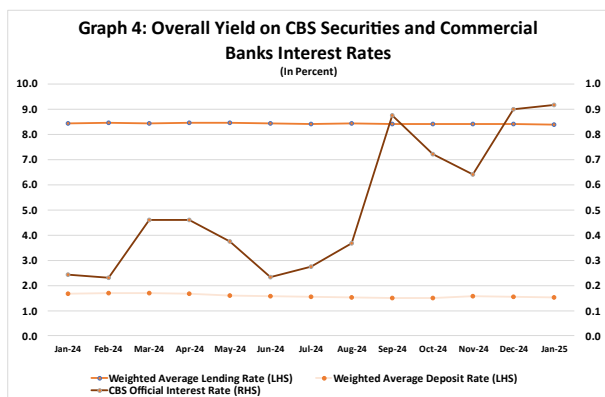
million), 182-days (\$6.00 million) and 364-days (\$4.50 million). Shorter-term maturities consisted of 14-days (\$2.00 million) and 28-days (\$2.00 million) papers. As a result, total CBSS matured during the month amounted to \$26.50 million, which led to a 0.4 percent hike in total CBSS outstanding to \$161.00 million.

The overall weighted average yield of CBSS edged up to 0.92 percent, from 0.90 percent in the previous month and 0.24 percent in the same month of the previous year.

Commercial Banks' Interest Rates

On commercial banks' rates, the weighted average deposit (WAD) rate edged down by 1 basis point to 1.54 percent, which was 14 basis points lower than that of January of last year. At the same time, the weighted average lending (WAL) rate decreased by 2 basis points to 8.39 percent, also 5 basis points lower than in January 2024. As a result, the interest rate spread narrowed slightly by 1 basis point to 6.85 percent, but was still 10 basis points higher than the same month a year ago. (See Graph 4).

The WAD rate in January 2025 was below its three-year and five-year averages of 1.73 percent and 2.04 percent, respectively. In contrast, the WAL rate remained above its three-year average of 8.34 percent, but below its five-year average of 8.49 percent.



NFIs⁶ Lending Rates

The overall weighted average lending (WAL) rate for non-bank financial institutions (NFIs) edged up slightly by 1 basis point to 8.00 percent over the month, though it remained lower than 8.05 percent in January 2024. This slight increase was driven by a 3 basis points rise in the WAL rate for the Development Bank of Samoa (DBS) to 4.06 percent, while WAL rates for the National Provident Fund (NPF) and the Samoa Housing Corporation (SHC) remained unchanged at 8.47 percent and 10.30 percent, respectively.

As a result, the current overall NFI WAL rate (at 8.00 percent) was below both its three-year average (of 8.26 percent) and its five-year average (of 8.25 percent).

CENTRAL BANK OF SAMOA **10th March 2025**

⁶ 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	January	November	December	January
Determinants of Money Supply (M2)						
Net Foreign Assets	933.42	784.16	1288.01	1388.74	1440.38	14455.00
Net Domestic Assets	538.18	603.02	342.05	338.97	329.19	301.50
Money Supply (M2)	1471.596	1387.172	1630.067	1727.719	1769.570	1756.506
<i>Trend / Annual Average (%)</i>	7.7	6.8	13.7	10.0	9.6	9.3
<i>Narrow Money (M1)</i>	734.74	656.93	865.32	939.43	939.43	951.49
Currency outside banks	140.66	127.13	156.93	171.22	199.89	188.22
Transferable Deposits ²	594.08	529.80	708.39	768.21	773.87	763.27
<i>Quasi Money</i>	736.86	730.24	764.75	788.29	795.81	805.02
Other Deposits ³	736.86	730.24	764.75	788.29	795.81	805.02
Central Bank of Samoa						
Open Markets Operations						
<i>Securites Official Rate</i>	0.19	0.17	0.24	0.64	0.90	0.92
Reserve Money¹						
Total	659.75	589.85	826.205	746.235	768.817	786.039
<i>Trend / Annual Growth (%)</i>	16.8	17.8	33.7	9.8	7.9	0.1
Financial System (FS) Credit						
Commercial Banks	1167.61	1173.93	1131.95	1212.58	1217.75	1208.13
<i>Trend / Annual Growth (%)</i>	-0.8	1.1	-2.5	1.4	2.2	3.1
Non-Monetary Financial Institutions (NFIs)	875.16	840.93	923.68	983.49	990.80	991.14
<i>Trend / Annual Growth (%)</i>	4.1	6.6	5.0	7.3	7.2	7.1
Private Sector	2026.07	1994.05	2042.68	2186.17	2198.05	2189.24
Businesses	991.22	1022.50	959.14	1031.11	1030.66	1021.64
Individuals	1034.87	971.56	1083.54	1155.06	1167.39	1167.60
Public Sector (NFIs, NPEs, & Govt)	16.33	20.59	11.87	9.90	10.49	10.03
Total FS Credit	2042.41	2014.65	2054.56	2196.07	2208.55	2199.27
<i>Trend / Annual Growth (%)</i>	1.2	3.3	0.7	3.9	4.4	4.8
Commercial Banks						
Liquidity						
Total	492.60	428.56	697.09	654.98	650.50	679.44
<i>Trend / Annual Growth (%)</i>	24.3	21.7	56.6	26.2	23.2	18.4
Interest Rates (%)						
Overall Weighted Average Lending	8.34	8.49	8.44	8.40	8.41	8.39
Australia New Zealand Bank (Sāmoa) Limited	7.65	8.11	7.49	7.58	7.58	7.58
Bank South Pacific (Sāmoa) Limited	7.53	7.72	7.40	7.18	7.23	7.21
National Bank of Sāmoa Limited	8.41	8.23	8.97	9.18	9.22	9.20
Samoa Commercial Bank Limited	9.94	10.19	9.96	9.77	9.68	9.64
Overall Weighted Average Deposit	1.73	2.04	1.68	1.57	1.55	1.54
Australia New Zealand Bank (Sāmoa) Limited	0.70	0.91	0.53	0.50	0.57	0.51
Bank South Pacific (Sāmoa) Limited	1.67	2.17	1.72	1.54	1.51	1.47
National Bank of Sāmoa Limited	2.43	2.98	2.49	2.24	2.25	2.26
Samoa Commercial Bank Limited	2.30	2.62	2.24	2.03	2.03	2.04
Market Shares (%)						
Lending						
Australia New Zealand Bank (Sāmoa) Limited	24.71	24.88	23.16	16.50	16.44	16.38
Bank South Pacific (Sāmoa) Limited	29.14	29.96	28.62	33.67	33.36	33.58
National Bank of Sāmoa Limited	21.87	22.92	22.42	22.28	22.52	22.32
Samoa Commercial Bank Limited	24.28	22.25	25.81	27.55	27.68	27.72
Deposit⁵						
Australia New Zealand Bank (Sāmoa) Limited	24.82	25.17	23.36	20.36	20.03	19.94
Bank South Pacific (Sāmoa) Limited	32.52	31.73	38.43	39.86	39.62	40.39
National Bank of Sāmoa Limited	18.98	20.26	16.77	17.95	18.47	18.01
Samoa Commercial Bank Limited	23.69	22.84	21.44	21.83	21.87	21.66
Non-monetary Financial Institutions (NFIs)						
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF)	8.68	8.66	8.44	8.46	8.47	8.47
Development Bank of Samoa (DBS) ®	3.90	4.12	3.86	3.98	4.03	4.06
Samoa Housing Corporation (SHC)	12.48	12.75	11.90	10.31	10.30	10.30
NFIs' Overall WAL ®	8.26	8.25	8.05	7.98	7.99	8.00

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.

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