

REVIEW OF MONETARY DEVELOPMENTS

APRIL 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.

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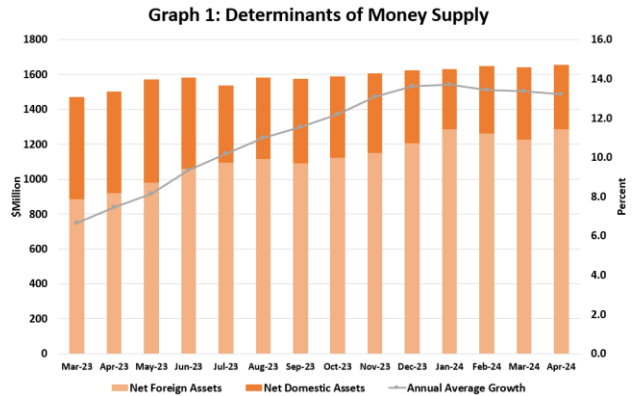
Monetary Forecast

As an intermediate target for monetary policy, the actual level of the Money Supply (M2) was 3.9 percent above its original forecast level. This was due to a higher-than-expected level of CBS foreign reserves, which mainly stemmed from the underestimation of the net government deposits (attributed to higher budget support funds).

Money Supply (M2)

The total money supply (M2) increased by \$12.75 million (or 0.78 percent) to \$1,654.23 million. This was primarily due to a \$59.79 million increase in Net Foreign Assets (NFA), which outweighed a significant reduction of \$47.05 million in Net Domestic Assets (NDA). The expansion in the former was largely due to a substantial hike in the Central Bank's foreign assets, coupled with a smaller increase in those of the commercial banks. Conversely, the contraction in NDA resulted from a surplus in the government's net position with the monetary system¹ (due to increased government deposits), which partially offset an increase in 'other items net'.

Consequently, the annual average growth rate of M2 decreased slightly to 13.2 percent from 13.4 percent in the previous month but was significantly higher than 7.5 percent recorded in the same month of the previous year.



Credit²

Total financial system (FS) lending rose for the third consecutive month, up by \$1.00 million (or 0.05 percent) to \$2,075.39 million. This reflected an increase of \$1.75 million in lending by non-bank financial institutions (NFIs), which offset a drop in commercial bank lending (by \$0.74 million) over the month.

By sector, the majority of FS credit (99.5 percent) was lent to the private sector, with the remaining 0.5 percent lent to public enterprises.

The expansion in total FS credit was primarily lent for 'Other Activities', 'Trade', 'Professional and Business Services', and 'Manufacturing' industries.

Furthermore, mortgage loans³ accounted for 48.3 percent of total commercial bank loans (around \$551.99 million) in April 2024, an increase from the 48.0 percent share in the previous month.

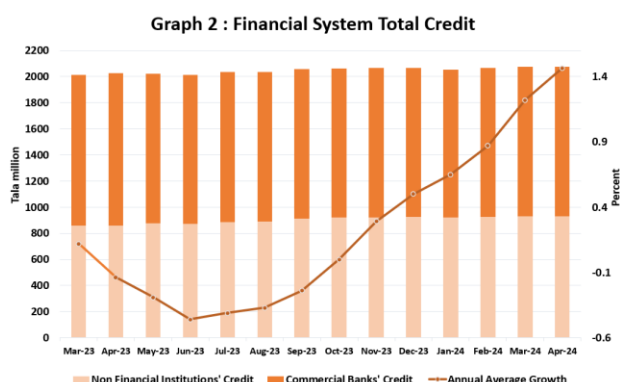
¹ This has a contractionary impact on NDA.

² Comprises of commercial banks and three largest non-monetary financial institutions' (NFIs) total lending.

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

³ Consists of term loans collateralized by real estate property.

As a result, the annual average FS credit growth rose further to 1.2 percent from 0.8 percent in the previous month and 0.2 percent recorded in the same month of the previous year.



The latest update on the National Accounts released by the Samoa Bureau of Statistics (SBS) was up to December 2023 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of \$2,826.98 million. At this level, the share of the FS credit to NGDP declined further to 73.1 percent from 76.7 percent in the September 2023 quarter and 88.0 percent in the December quarter 2022. In contrast, the share of M2 to NGDP increased to 57.49 percent from 55.75 percent in the previous, compared to 58.95 percent in the same quarter of last year.

Reserve Money⁴

Total reserve money (RM) narrowed by \$8.14 million (or 1.0 percent) to \$802.09 million, mainly driven by a \$6.66 million contraction in currency in circulation, as well as a drop of \$1.48 million in commercial banks reserves.

At this level, RM was \$125.15 million higher than its level in April 2023, or 40.34 and 56.35 percent higher than its correspondent levels in the past three and five years respectively.

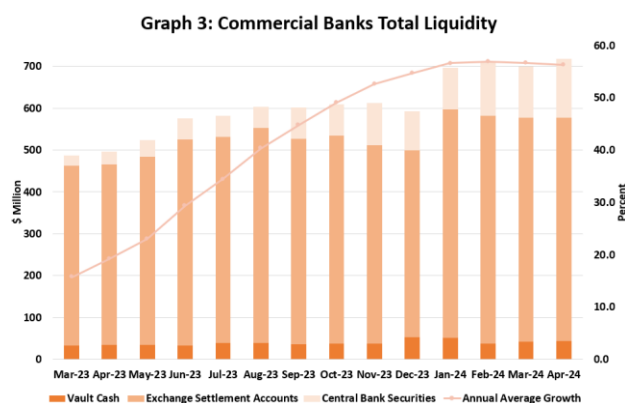
⁴ Reserve Money (also known as monetary base) comprises of currency in circulation, statutory reserve deposits (SRD) and demand deposits of commercial banks with the CBS

⁵ Comprises of banks' vault cash, exchange settlement account (ESA) balances and Central Bank Securities

Commercial Banks' Liquidity⁵

In contrast, total commercial banks' reserves continued to increase by \$18.06 million (or 2.6 percent), reaching a record level of \$717.13 million. This reflected an expansion of \$17.34 million in commercial banks holdings of CBS Securities in addition to an increase of \$2.21 million in their vault cash holdings. On the other hand, their holdings of exchange settlement accounts fell by \$1.50 million.

Furthermore, total liquidity was \$220.77 million higher than its level in April 2023 or 84.0 percent and 105.0 percent higher than both its corresponding levels in the past three and five years.



Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)⁶

Total CBS securities issued increased to \$75.00 million from \$63.50 million in the previous month. Of this total, \$49.00 million were issued at longer term maturities of 56-days (\$15.50 million), 91-days (\$16.00 million), 182-days (\$9.50 million) and 364 days (\$8.00 million). The remaining amount were issued at a shorter-term maturity of 14-days (\$12.50 million) and 28-days (\$13.50 million).

With total matured securities falling to \$57.50 million during the month, total CBS securities

⁶Central 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).

outstanding increased to \$140.00 million from \$122.30 million in the previous month.

The overall weighted average yield of CBS securities (or the official interest rate) remained at 0.46 from the previous month or 23 basis points higher than the previous year.

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate reduced by 3 basis points to 1.67 percent from the previous month or 6 basis points lower compared to April last year. On the other hand, the weighted average lending (WAL) rate increased by 2 basis points to 8.46 percent over the previous month or 14 basis points higher than its level in previous year. As a result, the overall weighted average interest rate spread increased by 6 basis points over the previous month to 6.79 percent or 19 basis point higher than the same month last year. (Refer to Graph 4.)

The current WAD rate was lower than its average rates of 1.90 percent and 2.24 percent for the last three and five years respectively. However, the WAL rate in April 2024 was higher than 8.39 percent in the last three years but was lower than 8.60 percent in the last five years.

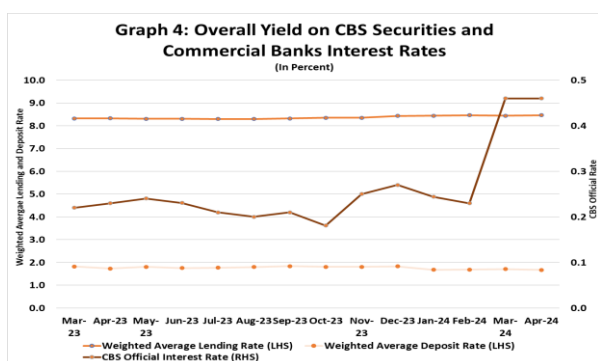
NFIs⁷ Lending Rates

The overall WAL rate for NFIs remained at 7.95 percent over the month, reflecting an unchanged WAL rate for SNPF lending rate at 8.43 percent. On the other hand, the WAL rate for Samoa Housing Corporation dropped by 6 basis points to 10.71 percent, and that for Development Bank of Samoa dropped by 1 basis point to 3.76 percent.

As a result, the current overall NFI WAL rate was lower than its average rates of 8.29 percent and 8.11 percent in the last three and five years respectively.



CENTRAL BANK OF SAMOA **7th June 2024**



⁷ 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.

Review of Monetary Developments
April 2024

Monetary Aggregates						
End of Period Figures	Average level in the previous		2023		2024	
	3-years	5-years	April (9)	February	March	April
Determinants of Money Supply (M2)						
Net Foreign Assets	737.47	627.78	919.28	1263.42	1226.55	1286.35
Net Domestic Assets	648.96	699.76	582.53	385.21	414.92	367.87
Money Supply (M2)	1386.429	1327.543	1501.808	1648.626	1641.480	1654.230
<i>Trend / Annual Average (%)</i>	5.0	6.5	7.5	13.4	13.4	13.2
Narrow Money (M1)						
Currency outside banks	648.84	608.88	753.20	853.65	847.18	857.80
Transferable Deposits ² ®	130.68	115.96	145.05	150.56	157.92	149.05
<i>Quasi Money</i>	518.16	492.92	608.15	703.09	689.26	708.75
Other Deposits ³	737.59	718.66	748.62	794.97	794.29	796.43
	737.59	718.66	748.62	794.97	794.29	795.29
Central Bank of Samoa						
Open Markets Operations						
<i>Securities Official Rate</i>	0.18	0.17	0.23	0.23	0.46	0.46
Reserve Money¹						
Total	571.458	512.964	676.934	807.785	810.226	802.088
<i>Trend / Annual Growth (%)</i>	10.83	15.59	13.9	32.8	32.2	31.2
Financial System (FS) Credit						
Commercial Banks						
Total	1173.50	1167.05	1164.61	1139.07	1144.53	1143.79
<i>Trend / Annual Growth (%)</i>	0.4	2.1	-1.3	-2.6	-2.5	-2.6
Non-Monetary Financial Institutions (NFIs)®						
Total	840.47	803.59	860.91	925.94	929.84	931.60
<i>Trend / Annual Growth (%)</i>	4.2	7.4	1.5	5.7	6.4	7.0
Private Sector						
Businesses	1994.63	1941.30	2008.17	2053.19	2062.51	2063.51
Individuals	1016.46	1024.23	966.27	965.28	969.18	961.97
978.16	917.07	1041.89	1087.91	1093.33	1102.87	
Public Sector (NFIs, NPEs, & Govt)						
Total FS Credit ®	19.34	29.33	17.35	11.82	11.87	10.54
<i>Trend / Annual Growth (%)</i>	2013.98	1970.64	2025.52	2065.01	2074.38	2075.39
	1.8	4.1	-0.1	0.9	1.2	1.5
Commercial Banks						
Liquidity						
Total	389.81	349.80	496.36	711.88	699.08	717.13
<i>Trend / Annual Growth (%)</i>	11.0	17.5	19.2	56.9	56.7	56.3
Interest Rates (%)						
Overall Weighted Average Lending						
Australia New Zealand Bank (Sāmoa) Limited	8.39	8.60	8.33	8.46	8.44	8.46
Bank South Pacific (Sāmoa) Limited	7.87	8.47	7.65	7.51	7.50	7.49
National Bank of Sāmoa Limited	7.82	7.89	7.56	7.46	7.40	7.41
Sāmoa Commercial Bank Limited	8.13	8.17	8.36	8.98	9.02	9.11
10.01	10.22	9.88	9.95	9.88	9.86	
Overall Weighted Average Deposit⁶®						
Australia New Zealand Bank (Sāmoa) Limited	1.90	2.24	1.73	1.69	1.71	1.67
Bank South Pacific (Sāmoa) Limited	0.89	1.08	0.76	0.59	0.59	0.61
National Bank of Sāmoa Limited	1.69	2.16	1.67	1.69	1.77	1.60
Sāmoa Commercial Bank Limited	2.63	3.19	2.49	2.50	2.52	2.46
2.50	2.75	2.26	2.23	2.24	2.22	
Market Shares (%)						
Lending						
Australia New Zealand Bank (Sāmoa) Limited	25.21	25.61	25.70	22.95	22.77	22.63
Bank South Pacific (Sāmoa) Limited	29.77	30.15	28.60	28.55	28.39	28.18
National Bank of Sāmoa Limited	22.32	22.93	20.76	22.54	22.79	22.89
Sāmoa Commercial Bank Limited	22.70	21.31	24.93	25.97	26.06	26.30
Deposit⁵®						
Australia New Zealand Bank (Sāmoa) Limited	23.75	25.31	23.58	22.84	23.14	20.68
Bank South Pacific (Sāmoa) Limited	35.74	33.84	39.86	38.37	39.41	41.45
National Bank of Sāmoa Limited	19.13	20.00	16.06	17.21	17.09	17.74
Sāmoa Commercial Bank Limited	21.38	20.86	20.50	21.58	20.36	20.13
Non-monetary Financial Institutions (NFIs)						
Weighted Average Lending (WAL)						
Sāmoa National Provident Fund (SNPF)	8.76	8.63	8.95	8.44	8.43	8.43
Development Bank of Samoa (DBS)	3.89	4.30	3.65	3.78	3.78	3.76
Sāmoa Housing Corporation (SHC)	12.90	11.55	13.20	11.79	10.77	10.71
NFIs' Overall WAL	8.29	8.11	8.48	8.03	7.95	7.95

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.