

REVIEW OF MONETARY DEVELOPMENTS

AUGUST 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.02: 2024/25

August 2024

Monetary Forecast

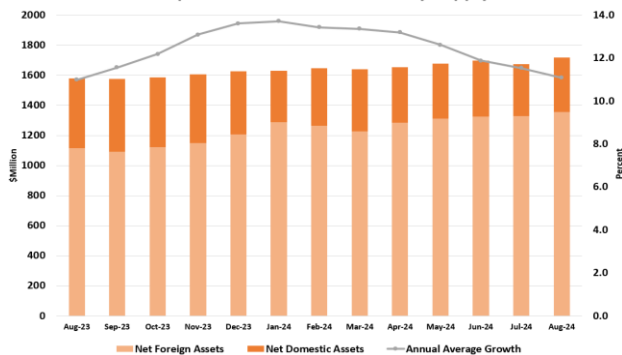
As an intermediate target for monetary policy, the actual level of the money supply (M2) in August 2024 was 3.7 percent below projections. This deviation was driven by lower-than-expected levels of Net Domestic Assets (NDA), particularly 'private sector credit' in the month under review.

Money Supply (M2)

The total money supply (M2) rebounded significantly by \$45.13 million (or 2.70 percent) to \$1,719.06 million. This growth was driven by an increase of \$27.51 million in Net Foreign Assets (NFA) and \$17.63 million in NDA. The hike in the former was due to an expansion in foreign assets of both the Central Bank and commercial banks, while the latter was mainly due to gains in credit to the private sector and 'other items net'.

However, the annual average growth rate of M2 slowed further to 11.1 percent from 11.5 percent in the previous month but slightly higher than the 11.0 percent in August 2023.

Graph 1: Determinants of Money Supply



Credit¹

Total financial system (FS) lending rose for the seventh consecutive month, up by \$10.26 million (or 0.48 percent) to \$2,151.16 million. This improvement was underpinned by an increase in lending of both commercial banks (by \$5.24 million to \$1,194.99 million) and non-bank financial institutions (NFIs) (by \$5.02 million to \$956.17 million).

By sector, 99.4 percent of the total loans were lent to the private sector (of which 52.8 percent were lent to Individuals and 47.2 percent to Businesses), with the remaining 0.6 percent lent to public enterprises.

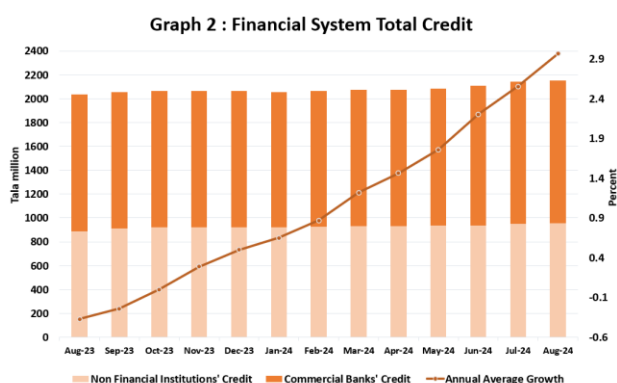
By industry, the overall expansion in total FS credit was primarily to the 'Building, construction, and installation,' 'Professional and business services,' 'Manufacturing,' and 'Transportation, storage and communication' industries.

Further analysis of commercial bank credit revealed that new loans amounted to \$18.77 million, decreasing from \$32.75 million in the previous month. The majority of these new loans were directed to the business sector, with allocations to the 'Building, Construction, and Installation,' 'Professional and Business Services,' and 'Other Activities' industries. Meanwhile, mortgage loans remained unchanged, accounting for 48.0 percent of total commercial bank loans, valued at \$572.9 million.

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

On an annual basis, FS credit growth edged up further to 3.00 percent from 2.56 percent in the previous month and compared to the contractionary -0.37 percent 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 the March 2024 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of \$2,901.58 million. At this level, the share of FS credit to NGDP declined further to 71.5 percent from 73.1 percent in the December 2023 quarter and 88.0 percent in the December quarter of 2022. Likewise, the share of M2 to NGDP declined to 56.6 percent from 57.5 percent in the previous quarter, compared to 60.3 percent in the same quarter of last year.

Reserve Money²

Total reserve money (RM) expanded notably over the month by \$11.78 million (or 1.61 percent) to a total of \$768.91 million. This was largely driven by a \$14.82 million increase in commercial banks' reserves mainly reflecting a hike in excess reserves. This was largely offset by a decline of \$3.04 million in currency in circulation.

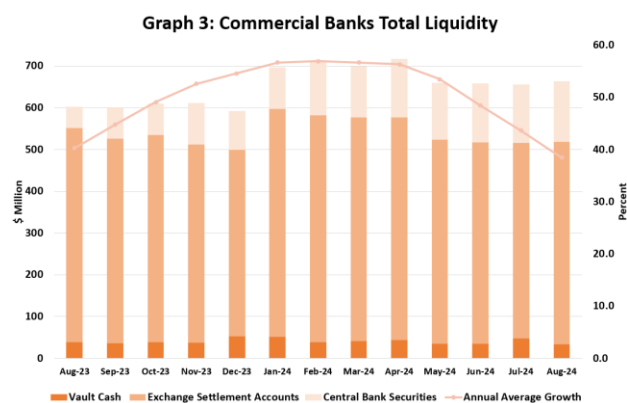
When compared to August 2023, RM was \$11.55 million lower, but was 25.14 percent and 38.96 percent higher than its corresponding

levels in the past three years and five years respectively.

Commercial Banks' Liquidity³

Total commercial banks' liquidity expanded by \$7.61 million (or 1.21 percent) to \$663.86 million. This level resulted from a \$15.19 million rise in commercial banks' holdings of exchange settlement accounts at CBS, in addition to an increase of \$6.00 million in their holdings of CBS Securities, against a drop of \$13.58 million in their vault cash holdings.

Overall, total liquidity was \$61.70 million higher than its level in August 2023 or 53.65 percent and 73.39 percent higher than both its corresponding levels in the past three years and five years respectively.



Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)⁴

Total CBS Securities issued in August 2024 rose to \$81.50 million from \$74.15 million in the previous month. Of this total, \$42.75 million were issued at longer-term maturities of 56 days (\$14.0 million), 91 days (\$16.75 million), 182 days (\$6.00 million) and 364 days (\$6.00 million). The remaining amount was issued at shorter-term maturities of 14 days (\$19.75 million) and 28 days (\$19.0 million).

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).

With total matured securities of \$75.50 million in August 2024, total CBS securities outstanding stood at \$146.35 million, below its targeted level of \$150.0 million. As a result, the overall weighted average yield of CBS securities (or the official interest rate) increased by 9 basis points to 0.37 percent from 0.27 percent in the previous month and 0.20 percent in August last year.

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate decreased for the fifth consecutive month, dropping by 2 basis points to 1.52 percent, or 28 basis points lower than in August last year. In contrast, the weighted average lending (WAL) rate edged up by 3 basis points to 8.44 percent compared to the previous month, and by 14 basis points over the year. Consequently, the overall interest rate spread widened by 5 basis points to 6.92 percent, 42 basis points higher than in the same month last year (refer to Graph 4).

The current WAD rate was lower than its average rates of 1.84 percent and 2.17 percent for the last three years and five years respectively. However, the WAL rate in August 2024 was higher than its average rate of 8.36 percent in the last three years but was lower than 8.52 percent in the last five years.

NFIs⁵ Lending Rates

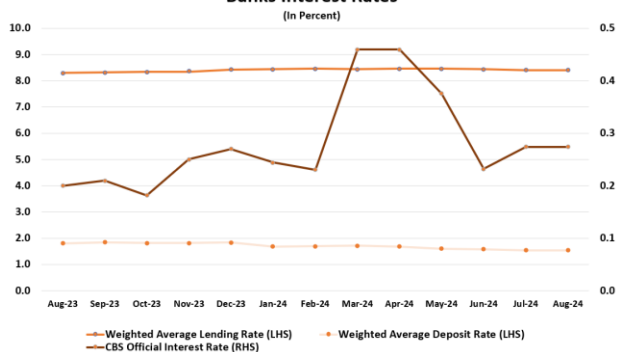
The overall WAL rate for NFIs rose by 1 basis point to 7.96 percent, following five consecutive months at 7.95 percent. This increase was driven by a 2-basis point rise in the lending rate of SHC, while the lending rates for SNPF and DBS remained unchanged.

As a result, the current overall NFI WAL rate was lower than its average rates of 8.34 percent and 8.13 percent in the last three and five years respectively.



CENTRAL BANK OF SAMOA **01 October 2024**

Graph 4: Overall Yield on CBS Securities and Commercial Banks Interest Rates



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		2023		2024		
	3-years	5-years	August	May	June	July	August
Determinants of Money Supply (M2)							
Net Foreign Assets	830.82	712.72	1114.45	1312.27	1325.65	1327.44	1354.95
Net Domestic Assets	586.85	631.26	459.12	364.90	371.77	346.48	364.12
Money Supply (M2)	1417.673	1343.975	1573.570	1677.173	1697.414	1673.926	1719.070
<i>Trend / Annual Average (%)</i>	6.7	6.6	11.0	12.6	11.9	11.5	11.1
<i>Narrow Money (M1)</i>							
Currency outside banks	136.15	123.92	158.84	160.12	162.37	164.29	171.83
Transferable Deposits ² ®	539.78	495.46	646.38	726.74	771.74	736.43	768.32
<i>Quasi Money</i>	<i>741.74</i>	<i>724.59</i>	<i>768.35</i>	<i>790.32</i>	<i>763.31</i>	<i>773.21</i>	<i>778.91</i>
Other Deposits ³	741.74	724.59	768.35	790.32	763.31	773.21	778.91
Central Bank of Samoa							
Open Markets Operations							
<i>Securites Official Rate</i>	0.17	0.16	0.21	0.38	0.23	0.27	0.37
Reserve Money¹							
Total	614.42	553.35	780.450	760.738	756.886	757.129	768.907
<i>Trend / Annual Growth (%)</i>	14.6	16.7	26.3	28.9	25.0	21.6	17.8
Financial System (FS) Credit							
Commercial Banks	1170.74	1162.36	1146.01	1150.80	1173.47	1189.75	1194.99
<i>Trend / Annual Growth (%)</i>	-0.3	1.8	-2.0	-2.3	-1.9	-1.4	-0.8
Non-Monetary Financial Institutions (NFIs)®	851.48	821.32	889.24	934.50	935.66	951.15	956.17
<i>Trend / Annual Growth (%)</i>	3.3	7.0	1.9	7.4	7.8	7.9	8.1
Private Sector	2004.60	1957.09	2021.84	2076.02	2099.59	2131.62	2141.22
Businesses	1009.20	1024.96	957.03	969.66	985.38	1006.35	1010.47
Individuals	995.39	932.13	1064.81	1106.36	1114.21	1125.28	1130.75
Public Sector (NFIs, NPEs, & Govt)	18.00	26.82	13.03	9.28	9.54	9.24	9.94
Total FS Credit ®	2022.21	1983.68	2035.25	2085.30	2109.13	2140.87	2151.16
<i>Trend / Annual Growth (%)</i>	1.2	3.8	-0.4	1.8	2.2	2.6	3.0
Commercial Banks							
Liquidity							
Total	432.05	382.87	602.16	659.77	657.34	656.25	663.86
<i>Trend / Annual Growth (%)</i>	19.0	19.3	40.3	53.5	48.4	43.6	38.4
Interest Rates (%)							
Overall Weighted Average Lending	8.36	8.52	8.30	8.46	8.43	8.41	8.44
Australia New Zealand Bank (Sāmoa) Limited	7.70	8.19	7.51	7.60	7.57	7.59	7.59
Bank South Pacific (Sāmoa) Limited	7.72	7.84	7.41	7.30	7.25	7.24	7.27
National Bank of Sāmoa Limited	8.26	8.23	8.50	9.12	9.20	9.09	9.11
Samoa Commercial Bank Limited	9.97	10.17	9.92	9.84	9.82	9.76	9.79
Overall Weighted Average Deposit ®⁶	1.85	2.17	1.80	1.60	1.57	1.54	1.52
Australia New Zealand Bank (Sāmoa) Limited	0.77	0.96	0.67	0.62	0.53	0.54	0.51
Bank South Pacific (Sāmoa) Limited	1.98	2.44	1.85	1.50	1.49	1.54	1.52
National Bank of Sāmoa Limited	2.55	3.06	2.52	2.45	2.53	2.03	1.96
Samoa Commercial Bank Limited	2.22	2.46	2.27	2.16	2.16	2.17	2.10
Market Shares (%)							
Lending							
Australia New Zealand Bank (Sāmoa) Limited	24.84	24.97	23.98	21.45	21.28	21.12	20.49
Bank South Pacific (Sāmoa) Limited	29.35	30.11	29.12	29.13	29.98	29.45	29.51
National Bank of Sāmoa Limited	22.66	23.26	22.12	22.78	22.38	22.90	23.32
Samoa Commercial Bank Limited	23.16	21.66	24.78	26.64	26.36	26.54	26.68
Deposit⁵ ®							
Australia New Zealand Bank (Sāmoa) Limited	24.61	26.16	22.53	21.80	22.00	20.51	20.74
Bank South Pacific (Sāmoa) Limited	33.00	31.19	39.89	40.54	40.00	40.11	40.93
National Bank of Sāmoa Limited	18.48	19.63	16.36	18.15	17.44	17.80	17.29
Samoa Commercial Bank Limited	23.91	23.02	21.22	19.50	20.50	21.58	21.03
Non-monetary Financial Institutions (NFIs)							
Weighted Average Lending (WAL)							
Sāmoa National Provident Fund (SNPF)	8.79	8.64	8.87	8.43	8.44	8.44	8.44
Development Bank of Samoa (DBS)	3.83	4.19	3.63	3.80	3.79	3.79	3.79
Samoa Housing Corporation (SHC)	13.02	11.72	13.51	10.68	10.58	10.58	10.61
NFIs' Overall WAL	8.34	8.13	8.46	7.95	7.95	7.95	7.96

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 \$5.5 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.