

# REVIEW OF MONETARY DEVELOPMENTS

## December 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.06: 2024/25

December 2024

### Monetary Forecast

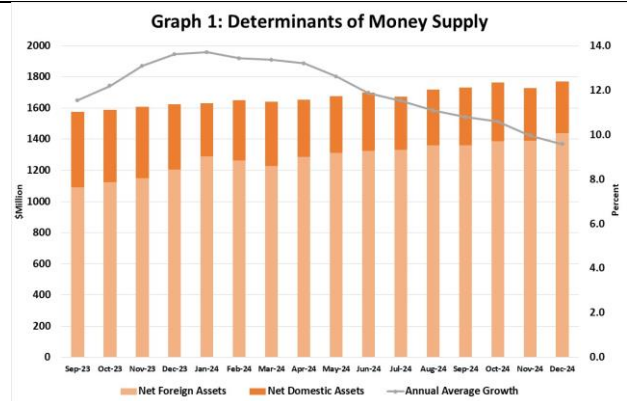
The actual level of total money supply (M2) was 0.2 percent below its revised forecast target for December 2024. This slight deviation reflected a lower-than-expected levels of Net Domestic Assets (NDA) stemming from higher inflows of government funds that contributed to a larger deficit of government positions with the monetary system.

### Money Supply (M2)

Total money supply (M2) grew by \$41.85 million (or 2.4 percent) in the month, reaching \$1,769.57 million. Over the year, it was much higher by 83.9 percent.

- This was due to a strong expansion of \$51.63 million in net foreign assets (NFA), driven by hikes in foreign reserves held by the Central Bank and foreign assets held by commercial banks.
- On the other hand, net domestic assets (NDA) dropped by \$9.79 million, due to inflows of government funds despite an expansion in the total commercial bank domestic credit.

Consequently, the annual average growth rate of M2 fell to 9.6 percent from 10.0 percent and 13.6 percent over November 2024 and December 2023 respectively.



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

Total financial system (FS)<sup>2</sup> combined lending to the private sector and public institutions increased further by \$12.47 million (or 0.6 percent) to \$2,208.55 million. This expansion is driven mainly by a \$7.31 million surge in the lending of non-bank financial institutions and \$5.17 million rise in commercial bank lending.

- By sector, 99.5 percent of the total loans were lent to the private sector (of which 52.9 percent were lent to 'households and individuals' and 47.1 percent to businesses). The remaining 0.5 percent were lent to the public sector.
- By industry, the hike in FS credit was primarily extended to 'Other Activities', 'Electricity, gas and water', 'Building constructions and installation' sectors.
- New loans<sup>3</sup> issued during the month under review was around \$21.71 million, slightly higher than \$20.71 million in November 2024. The bulk of these new loans were lent to industries such as 'Building, Construction, & Installation', 'Trade' and

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

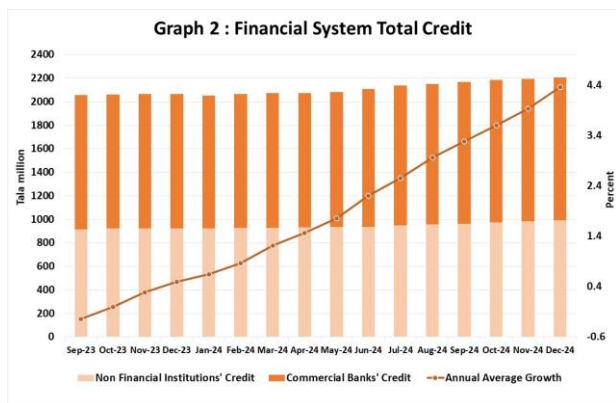
<sup>2</sup> Financial System lending includes both lending by 4 commercial banks and 4 non-bank financial institutions (NFIs)

<sup>3</sup> Effective June 2024, the banking system has started reporting new loans data to the Central Bank.

‘Transportation, Storage & Communication’.

- The share of mortgage loans to total commercial bank loans rose to 48.5 percent to a total value of \$590.14 million.

On an annual basis, FS credit growth rate accelerated to 4.4 percent in December 2024 from 3.9 percent a month ago and 0.5 percent in the same month of last year. (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 but 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 but lower than 58.5 percent in September of 2023.

### **Reserve Money<sup>4</sup>**

Total reserve money (RM) rebounded by \$22.58 million (or 3.0 percent) to \$768.82 million. This was due entirely to a seasonal expansion in currency in circulation in contrast to a drop in commercial banks reserves. The latter reflected the usual downward trend in excess reserves (by \$25.60 million) in line with the pickup in consumer spending ahead of the end of year festive season.

<sup>4</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

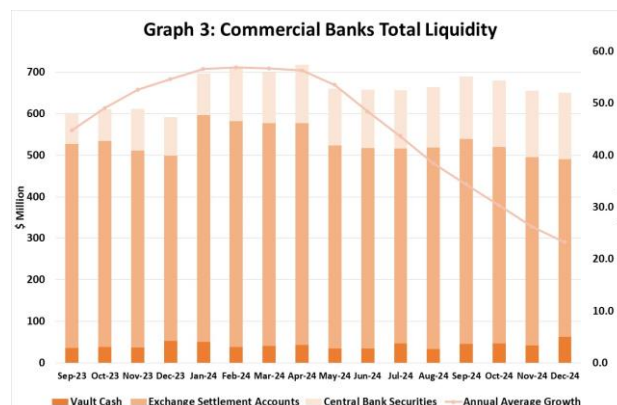
<sup>5</sup> Comprises of banks’ vault cash, exchange settlement account (ESA) balances and Central Bank Securities

The current level of RM was also \$6.66 million higher than its level in December 2023 and was also 23.3 percent and 37.2 percent higher than its levels in the past three and five years respectively.

### **Commercial Banks’ Liquidity<sup>5</sup>**

Total banking system liquidity declined by a seasonal \$4.48 million to \$650.50 million in December 2024. This was highlighted by a \$25.60 million decrease in exchange settlement accounts (ESA), offsetting an increase of \$20.82 million in commercial banks’ vault cash holdings and a \$0.30 million rise in their holdings of CBS Securities (CBSS). (See Graph 3.)

Total liquidity, however, was still \$58.29 million higher than its level in December 2023, and was also 50.8 percent and 71.3 percent higher than its corresponding levels three and five years ago, respectively.



### **CBSS and Open Market Operations (OMO)<sup>6</sup>**

Total CBSS issued fell further to \$32.50 million from \$42.50 million in the previous month. Of this total, the bulk were issued at longer term maturities, namely the 56-days (\$8.00 million), 91-days (\$8.00 million), 182-days (\$7.00 million) and 364-days (\$6.5 million). The shorter-term papers consisted of 28-days (at \$3.00 million) while there was no issue for 14-

<sup>6</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).

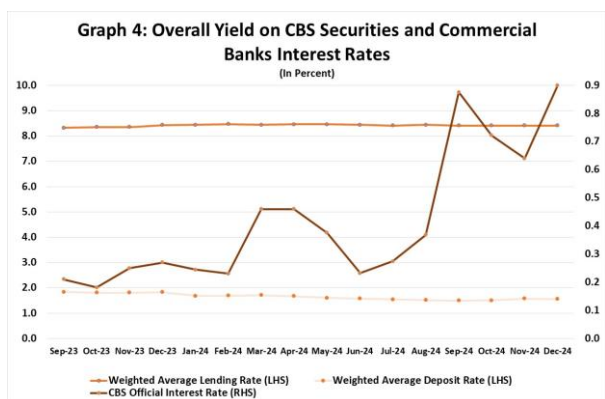
days paper. On the other hand, total CBS Securities that matured during the month amounted to \$32.65 million, which saw total CBSS outstanding edge up by 0.2 percent to \$160.30 million in December 2024.

The overall weighted average yield of CBSS rose to 0.90 percent from 0.64 percent in the previous month, and 0.27 percent in December 2023.

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

On commercial banks rates, the weighted average deposit (WAD) rate slid by 2 basis points to 1.55 percent or 28 basis points lower than that of December last year. Similarly, the weighted average lending (WAL) rate edged up by 1 basis point to 8.41 percent but was 2 basis point lower than December a year ago. As a result, the interest rate spread widened by 2 basis point to 6.86 percent and was also 26 basis points higher than that of December of 2023. (See Graph 4).

The WAD rate in December 2024 was lower than its three-year and five-year averages of 1.80 percent and 1.94 percent respectively. Conversely, the WAL rate was higher than its three-year average of 8.36 percent but slightly below its five-year average of 8.47 percent.



### **NFIs<sup>7</sup> Lending Rates**

The overall WAL rate for non-bank financial institutions (NFIs) edged up by 1 basis point to

7.99 percent over the month, and was much lower than 8.05 percent in December 2023. The slight increase was mainly due to hikes in lending rates of the DBS (by 5 basis points to 4.03 percent) and NPF (by 1 basis points to 8.47 percent). In contrast, SHC's WAL rate fell by 1 basis point to 10.30 percent in over the month.

As a result, the current overall NFI's WAL rate (7.99 percent) was lower than its average rates of 8.32 percent in the last three years but was higher than 7.96 percent in the last five years.

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**CENTRAL BANK OF SAMOA**  
**4<sup>th</sup> February 2025**

<sup>7</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	December	September	October	November	December
<b>Determinants of Money Supply (M2)</b>							
Net Foreign Assets	893.81	787.04	1205.49	1360.06	1386.23	1388.74	1440.38
Net Domestic Assets	568.52	620.43	419.76	370.97	376.49	338.97	329.19
<b>Money Supply (M2)</b>	<b>1462.33</b>	<b>1407.47</b>	<b>1625.253</b>	<b>1731.022</b>	<b>1762.723</b>	<b>1727.719</b>	<b>1769.570</b>
<i>Trend / Annual Average (%)</i>	7.51	8.16	13.6	10.8	10.6	10.0	9.6
<i>Narrow Money (M1)</i>							
Currency outside banks	729.24	684.59	863.60	959.12	974.74	939.43	939.43
Transferable Deposits <sup>2</sup>	163.26	149.59	190.42	164.57	166.80	171.22	199.89
<i>Quasi Money</i>	565.98	535.00	673.17	794.55	807.94	768.21	773.87
Other Deposits <sup>3</sup>	733.09	722.88	761.65	771.90	787.99	788.29	795.81
733.09	722.88	761.65	771.90	787.99	788.29	795.81	
<b>Central Bank of Samoa</b>							
<b>Open Markets Operations</b>							
<i>Securites Official Rate</i>	0.20	0.20	0.27	0.88	0.72	0.64	0.90
<b>Reserve Money<sup>1</sup></b>							
<b>Total</b>	<b>623.54</b>	<b>574.21</b>	<b>762.159</b>	<b>781.960</b>	<b>765.871</b>	<b>746.235</b>	<b>768.817</b>
<i>Trend / Annual Growth (%)</i>	16.30	19.28	33.2	15.1	12.1	9.8	7.9
<b>Financial System (FS) Credit</b>							
<b>Commercial Banks</b>							
<i>Trend / Annual Growth (%)</i>	-0.74	0.81	-2.3	-0.1	0.7	1.4	2.2
<b>Non-Monetary Financial Institutions (NFIs)</b>							
<i>Trend / Annual Growth (%)</i>	3.95	6.67	4.4	7.8	7.5	7.3	7.2
<b>Private Sector</b>							
Businesses	2028.15	2001.06	2053.02	2160.47	2175.49	2186.17	2198.05
Individuals	993.02	1009.53	967.64	1022.79	1031.87	1031.11	1030.66
1035.13	991.53	1085.38	1137.68	1143.62	1155.06	1167.39	
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>							
<b>Total FS Credit</b>	<b>16.72</b>	<b>22.56</b>	<b>12.72</b>	<b>9.67</b>	<b>9.15</b>	<b>9.90</b>	<b>10.49</b>
<i>Trend / Annual Growth (%)</i>	2044.87	2023.62	2065.74	2170.14	2184.64	2196.07	2208.55
	1.2	3.1	0.5	3.3	3.6	3.9	4.4
<b>Commercial Banks</b>							
<b>Liquidity</b>							
<b>Total</b>	<b>431.45</b>	<b>393.60</b>	<b>592.21</b>	<b>689.81</b>	<b>679.36</b>	<b>654.98</b>	<b>650.50</b>
<i>Trend / Annual Growth (%)</i>	22.91	24.50	54.6	34.4	30.3	26.2	23.2
<b>Interest Rates (%)</b>							
<b>Overall Weighted Average Lending</b>							
Australia New Zealand Bank (Sāmoa) Limited	8.36	8.47	8.43	8.40	8.41	8.40	8.41
Bank South Pacific (Sāmoa) Limited	7.66	8.06	7.49	7.59	7.59	7.58	7.58
National Bank of Sāmoa Limited	7.58	7.63	7.41	7.11	7.15	7.18	7.23
Samoa Commercial Bank Limited	8.41	8.35	8.90	9.10	9.14	9.18	9.22
9.94	10.12	9.99	9.88	9.82	9.77	9.68	
<b>Overall Weighted Average Deposit</b>							
Australia New Zealand Bank (Sāmoa) Limited	1.80	1.94	1.83	1.49	1.51	1.57	1.55
Bank South Pacific (Sāmoa) Limited	0.74	0.90	0.64	0.52	0.46	0.50	0.57
National Bank of Sāmoa Limited	1.74	2.08	1.86	1.52	1.51	1.54	1.51
Samoa Commercial Bank Limited	2.48	2.82	2.63	1.91	2.08	2.24	2.25
2.32	2.54	2.28	2.03	2.06	2.03	2.03	
<b>Market Shares (%)</b>							
<b>Lending</b>							
Australia New Zealand Bank (Sāmoa) Limited	24.70	25.04	22.91	16.99	16.59	16.50	16.44
Bank South Pacific (Sāmoa) Limited	29.09	29.76	28.48	32.60	33.20	33.67	33.36
National Bank of Sāmoa Limited	21.91	22.43	22.85	23.51	23.11	22.28	22.52
Samoa Commercial Bank Limited	24.31	22.77	25.77	26.91	27.10	27.55	27.68
<b>Deposit<sup>5</sup></b>							
Australia New Zealand Bank (Sāmoa) Limited	24.52	25.53	22.58	20.59	20.98	20.36	20.03
Bank South Pacific (Sāmoa) Limited	32.56	31.60	38.93	40.63	39.34	39.86	39.62
National Bank of Sāmoa Limited	18.95	19.74	16.55	17.53	18.40	17.95	18.47
Samoa Commercial Bank Limited	23.97	23.13	21.94	21.25	21.29	21.83	21.87
<b>Non-monetary Financial Institutions (NFIs)</b>							
<b>Weighted Average Lending (WAL)</b>							
Sāmoa National Provident Fund (SNPF)	8.67	8.64	8.45	8.45	8.45	8.46	8.47
Development Bank of Samoa (DBS) ©	3.77	3.97	3.67	3.88	3.98	3.98	4.03
Samoa Housing Corporation (SHC)	12.53	12.73	12.07	10.43	10.33	10.31	10.30
<b>NFIs' Overall WAL ©</b>	<b>8.23</b>	<b>8.22</b>	<b>8.05</b>	<b>7.96</b>	<b>7.97</b>	<b>7.98</b>	<b>7.99</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.