



REVIEW OF MONETARY DEVELOPMENTS

JULY 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.01: 2024/25

July 2024

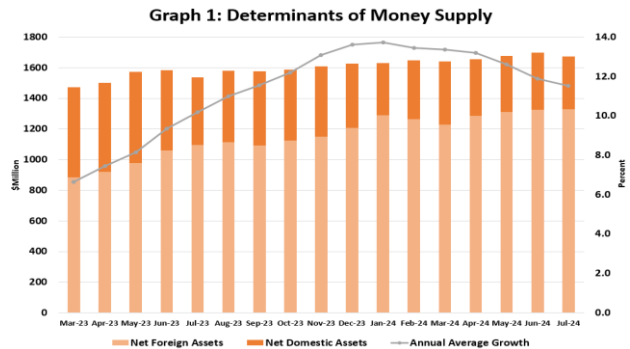
Monetary Forecast

As an intermediate target for monetary policy, the actual level of the money supply (M2) was 1.2 percent lower than projected. This deviation was driven by lower-than-expected levels of net domestic assets, particularly that of private sector credit and net government deposits in the month under review.

Money Supply (M2)

The total money supply (M2) contracted significantly by \$23.49 million (or 1.4 percent) to \$1,673.93 million. This was primarily due to a \$25.28 million decrease in Net Domestic Assets (NDA) against an increase of \$1.79 million in Net Foreign Assets (NFA). The contraction in the former was due to a sharp drop in 'other items (net)' of the commercial banks, while the latter was due to an expansion in foreign assets of both the commercial banks and the Central Bank of Samoa.

Consequently, the annual average growth rate of M2 slowed down to 11.5 percent from 11.9 percent in the previous month but was still higher than 10.2 percent in July 2023.



Credit¹

Total financial system (FS) lending rose for the sixth consecutive month, up by a hefty \$31.74 million (or 1.50 percent) to \$2,140.87 million over the same month of last year. By sector, 99.6 percent of the total loans were lent to the private sector, with the remaining 0.4 percent lent to public enterprises.

Furthermore, the overall expansion in total FS credit was primarily to the 'Other activities², 'Building, construction, and installation,' 'Electricity, gas and water,' and 'Professional and business services,' industries.

This month's credit development reflected an increase of \$16.28 million (to \$1,189.75 million) in combined commercial banks' loans (with the bulk extended to the business sector), in addition to an increase of \$15.46 million lent out by non-bank financial institutions (NFIs).

Of this month's increase in total bank credit, \$32.74 million were new loans³ compared to

¹ 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)

² This includes small consumer loans to individuals and households

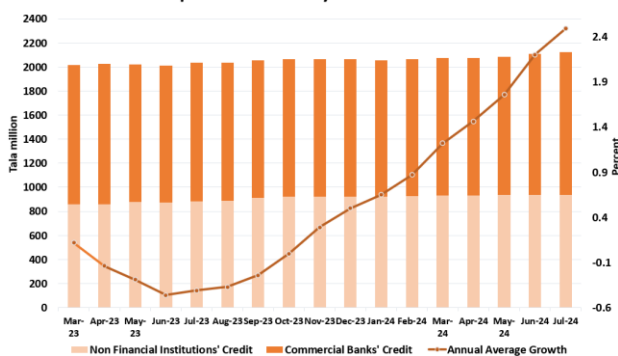
³ Effective June 2024, the banking system has started reporting new loans data to the Central Bank.

\$31.64 million in the previous month. The bulk of these new loans were to the business sector, primarily in the ‘building and construction’, ‘electricity, gas and water’ and ‘trade’ industries.

Mortgage loans (around \$570.73 million) accounted for 48.0 percent of total commercial bank loans in July 2024, unchanged from the previous month.

Overall, the annual average FS credit growth inched up further to 2.5 percent from 2.2 percent in the previous month and -0.4 percent in the same month of the previous year.

Graph 2 : Financial System Total Credit



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 Money⁴

Total reserve money (RM) increased slightly by \$0.24 million (or 0.03 percent) to a total of \$757.13 million. This was due to a \$13.91 million increase in currency in circulation,

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

offsetting a drop of \$13.66 million in commercial banks’ reserves (mainly underpinned by a decrease in excess reserves).

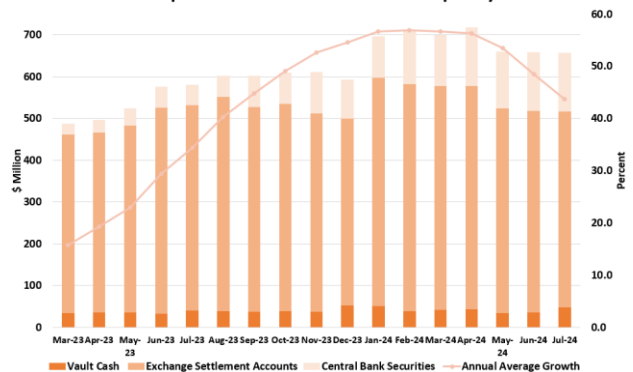
Nevertheless, RM was marginally lower by \$0.9 million compared to July 2023, but was 24.2 percent and 39.7 percent higher than its corresponding levels in the past three years and five years respectively.

Commercial Banks’ Liquidity⁵

Total commercial banks’ liquidity fell by \$1.95 million (or 0.3 percent) to \$655.39 million. This level was driven by a \$13.92 million reduction in commercial banks’ holdings of exchange settlement accounts at the Central Bank against an expansion of \$11.99 million in their holdings of vault cash. The banks’ holding of CBS Securities was unchanged from the previous month.

Furthermore, total liquidity was \$74.33 million higher than its level in July 2023 or 53.7 percent and 76.6 percent higher than both its corresponding levels in the past three years and five years respectively.

Graph 3: Commercial Banks Total Liquidity



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

Total CBS Securities issued in July 2024 rose to \$74.15 million from \$60.35 million in the previous month. Of this total, \$29.75 million

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).

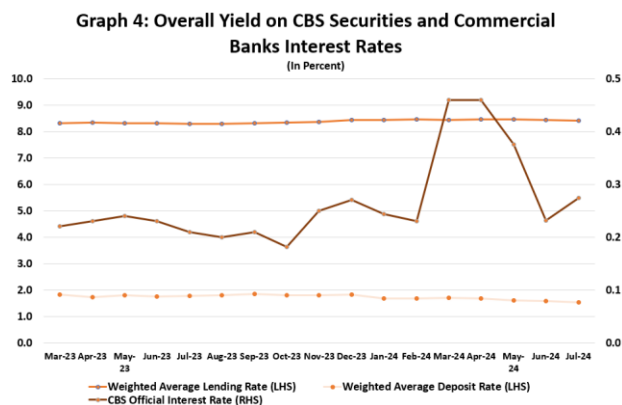
were issued at longer-term maturities of 56 days (\$14.25 million), 91 days (\$9.50 million), and 182 days (\$3.00 million) and 364 days (\$3.00 million). The remaining amount was issued at shorter-term maturities of 14 days (\$20.00 million) and 28 days (\$14.25 million).

With total matured securities of \$74.15 million during the month, total CBS securities remained at its targeted level of \$140.35 million over the previous month. As a result, the overall weighted average yield of CBS securities (or the official interest rate) increased by 4 basis points to 0.27 percent from 0.23 percent in the previous month but was higher than 0.21 percent in July last year.

Commercial Banks' Interest Rates

The commercial banks weighted average deposit (WAD) rate fell for the fifth consecutive month, down by 3 basis points to 1.54 percent over the month or 23 basis points lower compared to July last year. Likewise, the weighted average lending (WAL) rate dropped by 2 basis points to 8.41 percent from the previous month but was 11 basis points higher than July last year. As a result, the overall weighted average interest rate spread edged up by 1 basis point over the previous month to 6.87 percent or 33 basis points higher than the same month last year. (Refer to Graph 4.)

The current WAD rate was lower than its average rates of 1.92 percent and 2.23 percent for the last three years and five years respectively. However, the WAL rate in July 2024 was higher than its average rate of 8.38 percent in the last three years but was lower than 8.55 percent in the last five years.



NFIs⁷ Lending Rates

The overall WAL rate for NFIs remained at 7.95 percent from the past 4 months. This reflected unchanged lending rates of all three NFIs (SNPF, DBS and SHC) in July 2024.

As a result, the current overall NFI WAL rate was lower than its average rates of 8.32 percent and 8.08 percent in the last three and five years respectively.

CENTRAL BANK OF SAMOA
4th September 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. WAL for DBS and SHC are provisional.

Review of Monetary Developments
July 2024

Monetary Aggregates							
End of Period Figures	Average level in the previous		2024				
	3-years	5-years	July	April	May	June	July
Determinants of Money Supply (M2)							
Net Foreign Assets	811.11	687.13	1095.46	1286.35	1312.27	1325.65	1327.44
Net Domestic Assets	579.85	642.84	433.63	367.87	364.90	371.77	346.48
Money Supply (M2)	1390.962	1329.972	1529.090	1654.230	1677.173	1697.414	1673.926
<i>Trend / Annual Average (%)</i>	6.3	6.6	10.2	13.2	12.6	11.9	11.5
Narrow Money (M1)							
Currency outside banks	653.20	608.63	778.43	857.80	886.86	934.11	900.72
Transferable Deposits ² Ⓞ	136.83	124.68	158.34	149.05	160.12	162.37	164.29
<i>Quasi Money</i>	516.36	483.95	620.09	708.75	726.74	771.74	736.43
Other Deposits ³	737.77	721.35	750.66	796.43	790.32	763.31	773.21
737.77	721.35	750.66	796.43	790.32	763.31	773.21	773.21
Central Bank of Samoa							
Open Markets Operations							
<i>Securities Official Rate</i>	0.17	0.16	0.21	0.46	0.38	0.23	0.27
Reserve Money¹							
Total	609.42	541.98	758.030	802.088	760.738	756.886	757.129
<i>Trend / Annual Growth (%)</i>	13.6	16.2	23.0	31.2	28.9	25.0	21.6
Financial System (FS) Credit							
Commercial Banks	1169.60	1159.78	1149.23	1143.79	1150.80	1173.47	1189.75
<i>Trend / Annual Growth (%)</i>	-0.2	1.9	-1.8	-2.6	-2.3	-1.9	-1.4
Non-Monetary Financial Institutions (NFIs)Ⓞ	846.96	815.70	884.88	931.60	934.50	935.66	951.12
<i>Trend / Annual Growth (%)</i>	3.3	7.0	1.5	7.0	7.4	7.8	7.9
Private Sector	1998.19	1948.79	2019.34	2064.85	2076.02	2099.59	2131.62
Businesses	1011.10	1022.31	961.55	961.97	969.66	985.38	1006.35
Individuals	987.09	926.48	1057.78	1102.87	1106.36	1114.21	1125.28
Public Sector (NFIs, NPEs, & Govt)	18.44	26.73	14.78	10.54	9.28	9.54	9.24
Total FS Credit Ⓞ	2016.56	1975.48	2034.11	2075.39	2085.30	2109.13	2140.87
<i>Trend / Annual Growth (%)</i>	1.3	3.9	-0.4	1.5	1.8	2.2	2.6
Commercial Banks							
Liquidity							
Total	426.47	371.17	581.06	717.13	659.77	657.34	656.25
<i>Trend / Annual Growth (%)</i>	16.0	18.0	34.5	56.3	53.5	48.4	43.6
Interest Rates (%)							
Overall Weighted Average Lending	8.38	8.55	8.30	8.46	8.46	8.43	8.41
Australia New Zealand Bank (Sāmoa) Limited	7.67	8.20	7.62	7.49	7.60	7.57	7.59
Bank South Pacific (Sāmoa) Limited	7.79	7.87	7.43	7.41	7.30	7.25	7.24
National Bank of Sāmoa Limited	8.21	8.22	8.40	9.11	9.12	9.20	9.09
Samoa Commercial Bank Limited	9.98	10.17	9.91	9.86	9.84	9.82	9.76
Overall Weighted Average Deposit Ⓞ⁶	1.92	2.23	1.77	1.67	1.60	1.57	1.54
Australia New Zealand Bank (Sāmoa) Limited	0.81	0.97	0.70	0.61	0.62	0.53	0.54
Bank South Pacific (Sāmoa) Limited	2.00	2.46	1.81	1.60	1.50	1.49	1.54
National Bank of Sāmoa Limited	2.54	3.10	2.42	2.46	2.45	2.53	2.03
Samoa Commercial Bank Limited	2.42	2.58	2.29	2.22	2.16	2.16	2.17
Market Shares (%)							
Lending							
Australia New Zealand Bank (Sāmoa) Limited	24.80	25.03	24.28	22.63	21.45	21.28	21.12
Bank South Pacific (Sāmoa) Limited	29.67	30.19	29.09	28.18	29.13	29.98	29.45
National Bank of Sāmoa Limited	22.39	23.14	21.87	22.89	22.78	22.38	22.90
Samoa Commercial Bank Limited	23.13	21.64	24.76	26.30	26.64	26.36	26.54
Deposit⁵ Ⓞ							
Australia New Zealand Bank (Sāmoa) Limited	24.43	26.14	23.04	20.68	21.80	22.00	20.51
Bank South Pacific (Sāmoa) Limited	33.60	31.40	41.14	41.45	40.54	40.00	40.11
National Bank of Sāmoa Limited	18.56	19.72	15.63	17.74	18.15	17.44	17.80
Samoa Commercial Bank Limited	23.41	22.74	20.19	20.13	19.50	20.50	21.58
Non-monetary Financial Institutions (NFIs)							
Weighted Average Lending (WAL)							
Sāmoa National Provident Fund (SNPF)	8.77	8.59	8.88	8.43	8.43	8.44	8.44
Development Bank of Samoa (DBS)	3.83	4.12	3.63	3.76	3.80	3.79	3.79
Samoa Housing Corporation (SHC)	13.01	11.70	13.42	10.71	10.68	10.58	10.58
NFIs' Overall WAL	8.32	8.08	8.46	7.95	7.95	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.

