

## REVIEW OF MONETARY DEVELOPMENTS JUNE 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.12: 2023/24

June 2024

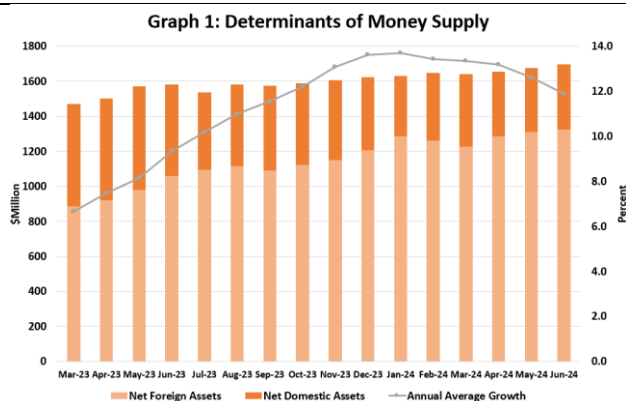
### Monetary Forecast

As an intermediate target for monetary policy, the actual level of the Money Supply (M2) was 0.7 percent higher than projected. This increase was driven by higher-than-expected levels of net foreign assets, government accounts and a large pickup in domestic credit in the reviewed month.

### Money Supply (M2)

The total money supply (M2) increased significantly by \$20.24 million (or 1.2 percent) to \$1,697.42 million. This was primarily due to a \$13.37 million increase in Net Foreign Assets (NFA) couple with an \$8.60 million rise in Net Domestic Assets (NDA). The expansion in the former was due to a hike in foreign assets of the Central Bank while the latter was due to a surplus in the government's net position with the monetary system (due to increased government deposits) as well as a significant increase in credit to the private sector.

On the other hand, the annual average growth rate of M2 slowed down to 11.9 percent from 12.6 percent in the previous month but was higher than the monetary growth rate of 9.3 percent in June 2023.



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

Total financial system (FS) lending rose for the fifth consecutive month, up by \$23.83 million (or 1.14 percent) to \$2,109.13 million, which was much higher than \$2,011.90 million in the same month of last year.

This monthly expansion reflected an increase of \$22.68 million (to \$1,173.47 million) in combined commercial banks' lending (with the bulk lent to the business sector) while \$1.16 million was lent out by non-bank financial institutions (NFIs). Of the total commercial banks' credit, \$31.62 million reflected new loans<sup>2</sup>, of which the bulk was lent to the business sector during the month.

By sector, the majority of FS credit (99.6 percent) was lent to the private sector, with the remaining 0.4 percent lent to public enterprises. Furthermore, the expansion in total FS credit was primarily to the 'Other activities<sup>3</sup>,' 'Trade,' 'Transportation, storage and communication' and 'Manufacturing,' industries.

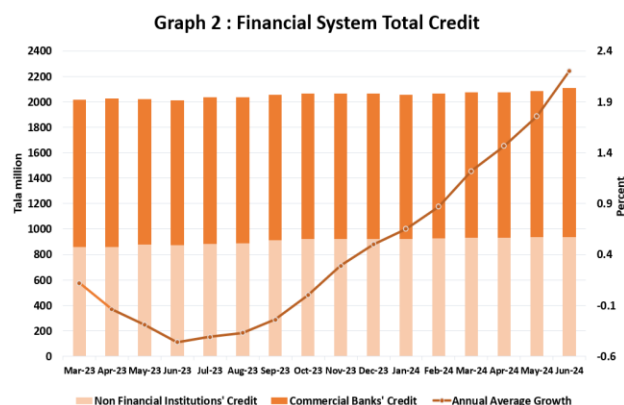
<sup>1</sup> Comprises of commercial banks and three largest non-monetary financial institutions' (NFIs) total lending. NFIs includes Samoa National Provident Fund (SNPF), Development Bank of Samoa (DBS), Unit Trust of Samoa (UTOS) and Samoa Housing Corporation (SHC)

<sup>2</sup> Effective June 2024, the banking system has started reporting new loans data to the Central Bank.

<sup>3</sup> This includes small consumer loans to individuals and households

Mortgage loans (around \$565.09 million) accounted for 48.2 percent of total commercial bank loans in June 2024, unchanged from the previous month.

Overall, the annual average FS credit growth rose further to 2.2 percent from 1.7 percent in the previous month and -0.5 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 Money<sup>4</sup>

Total reserve money (RM) fell by \$3.85 million (or 0.5 percent) to a total of \$756.89 million. This was mainly driven by a drop of \$6.93 million in banks' reserves (mainly underpinned by a decrease in excess reserves) offsetting a rise of \$3.08 million in currency in circulation.

<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

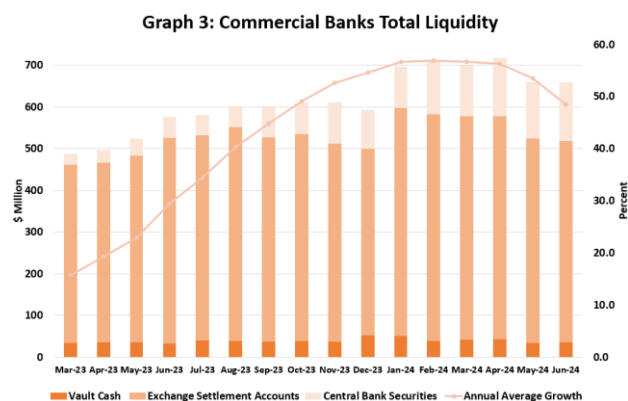
<sup>5</sup> Comprises of banks' vault cash, exchange settlement account (ESA) balances and Central Bank Securities

Nevertheless, RM rose slightly by \$1.36 million over June 2023, or 24.3 percent and 41.7 percent higher than its corresponding levels in the past three years and five years respectively.

### Commercial Banks' Liquidity<sup>5</sup>

Likewise, total commercial banks' liquidity contracted by \$2.43 million (or 0.41 percent) to \$657.34 million. This level was primarily due to a \$6.41 million reduction in commercial banks' holdings of exchange settlement accounts, against increases of \$3.16 million and \$0.82 million respectively in their holdings of CBS Securities and vault cash.

Furthermore, total liquidity was \$81.93 million higher than its level in June 2023 or 52.6 percent and 77.2 percent higher than both its corresponding levels in the past three years and five years.



### Central Bank of Samoa Securities (CBSS) and Open Market Operations (OMO)<sup>6</sup>

Total CBS Securities issued in June dropped to \$62.65 million from \$78.60 million in the previous month. Of this total, \$26.35 million were issued at longer-term maturities of 56 days (\$14.35 million), 91 days (\$9.00 million), and 182 days (\$3.00 million). The remaining amount was issued at shorter-term maturities of 14 days (\$18.30 million) and 28 days (\$18.00 million).

<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).

With total matured securities of \$59.10 million during the month, total CBS securities outstanding increased to \$140.35 million from \$136.80 million in the previous month.

As a result of the lower volume of longer term papers, the overall weighted average yield of CBS securities (or the official interest rate) dropped by 14 basis points to 0.23 percent from 0.38 percent in the previous month but was unchanged when compared to June last year.

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

The commercial banks' weighted average deposit (WAD) rate fell by 3 basis points to 1.57 percent from the previous month and was 18 basis points lower compared to June last year. Likewise, the weighted average lending (WAL) rate dropped to 8.43 percent from the previous month but was 15 basis points higher than its level in the previous year. As a result, the overall weighted average interest rate spread edged up by 1 basis point over the previous month to 6.86 percent or 31 basis points higher than the same month last year. (Refer to Graph 4.)

The current WAD rate was lower than its average rates of 1.89 percent and 2.23 percent for the last three years and five years respectively. However, the WAL rate in June 2024 was higher than 8.39 percent in the last three years but was lower than 8.55 percent in the last five years.

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

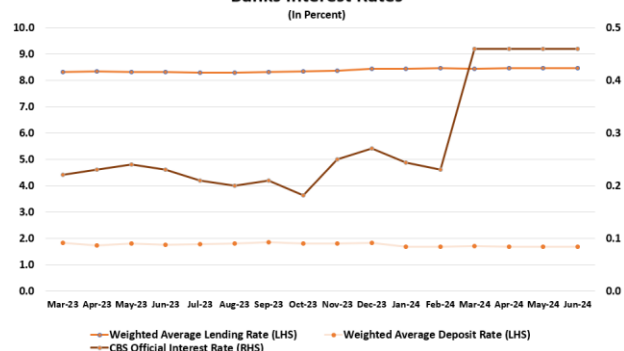
The overall WAL rate for NFIs remained at 7.95 percent for the past 3 months. This reflected a one basis point increase in the WAL rate for SNPF lending at 8.43 percent. On the other hand, the Development Bank of Samoa's WAL rate dropped by 1 basis point coupled with a 10 basis points drop in the WAL rate for the Samoa Housing Corporation.

As a result, the current overall NFI WAL rate was lower than its average rates of 8.23 percent and 8.02 percent in the last three and five years respectively.



## **CENTRAL BANK OF SAMOA** **13<sup>th</sup> August 2024**

**Graph 4: Overall Yield on CBS Securities and Commercial Banks Interest Rates**  
(In Percent)



<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.

Monetary Aggregates							
End of Period Figures	Average level in the previous		2023		2024		
	3-years	5-years	June	March	April	May	June
<b>Determinants of Money Supply (M2)</b>							
Net Foreign Assets	807.41	679.82	1059.10	1226.55	1286.35	1312.27	1325.65
Net Domestic Assets	611.04	663.61	516.34	414.92	367.87	364.90	371.77
<b>Money Supply (M2)</b>	<b>1418.456</b>	<b>1343.428</b>	<b>1575.439</b>	<b>1641.480</b>	<b>1654.230</b>	<b>1677.173</b>	<b>1697.414</b>
<i>Trend / Annual Average (%)</i>	5.9	6.6	9.3	13.4	13.2	12.6	11.9
<i>Narrow Money (M1)</i>							
Currency outside banks	683.16	626.46	825.89	847.18	857.80	886.86	934.11
Transferable Deposits <sup>2</sup> ®	132.99	118.94	162.66	157.92	149.05	160.12	162.37
<i>Quasi Money</i>	550.17	507.52	663.23	689.26	708.75	726.74	771.74
Other Deposits <sup>3</sup>	735.31	716.98	749.59	794.29	796.43	790.32	763.31
735.31	716.98	749.59	794.29	796.43	790.32	763.31	763.31
<b>Central Bank of Samoa</b>							
<b>Open Markets Operations</b>							
<i>Securities Official Rate</i>	0.18	0.17	0.23	0.46	0.46	0.38	0.23
<b>Reserve Money<sup>1</sup></b>							
<b>Total</b>	<b>609.00</b>	<b>534.37</b>	<b>755.522</b>	<b>810.226</b>	<b>802.088</b>	<b>760.738</b>	<b>756.886</b>
<i>Trend / Annual Growth (%)</i>	12.6	15.9	20.1	32.2	31.2	28.9	25.0
<b>Financial System (FS) Credit</b>							
<b>Commercial Banks</b>							
<i>Trend / Annual Growth (%)</i>	1162.35	1156.76	1139.86	1144.53	1143.79	1150.80	1173.47
	0.0	2.0	-1.6	-2.5	-2.6	-2.3	-1.9
<b>Non-Monetary Financial Institutions (NFIs)®</b>							
<i>Trend / Annual Growth (%)</i>	845.21	810.14	871.84	929.84	931.60	934.50	935.66
	3.4	7.0	1.2	6.4	7.0	7.4	7.8
<b>Private Sector</b>							
Businesses	1989.47	1938.27	1996.30	2062.51	2064.85	2076.02	2099.59
Individuals	1011.28	1021.28	954.18	969.18	961.97	969.66	985.38
Public Sector (NFIs, NPEs, & Govt)	978.13	916.95	1041.93	1093.33	1102.87	1106.36	1114.21
<b>Total FS Credit®</b>	<b>18.73</b>	<b>29.02</b>	<b>15.59</b>	<b>11.87</b>	<b>10.54</b>	<b>9.28</b>	<b>9.54</b>
<i>Trend / Annual Growth (%)</i>	<b>2008.14</b>	<b>1967.25</b>	<b>2011.70</b>	<b>2074.38</b>	<b>2075.39</b>	<b>2085.30</b>	<b>2109.13</b>
	1.4	3.9	-0.5	1.2	1.5	1.8	2.2
<b>Commercial Banks</b>							
<b>Liquidity</b>							
<b>Total</b>	<b>430.83</b>	<b>370.99</b>	<b>575.41</b>	<b>699.08</b>	<b>717.13</b>	<b>659.77</b>	<b>657.34</b>
<i>Trend / Annual Growth (%)</i>	14.2	17.7	29.4	56.7	56.3	53.5	48.4
<b>Interest Rates (%)</b>							
<b>Overall Weighted Average Lending</b>							
Australia New Zealand Bank (Sāmoa) Limited	8.39	8.55	8.31	8.44	8.46	8.46	8.43
Bank South Pacific (Sāmoa) Limited	7.78	8.26	7.65	7.50	7.49	7.60	7.57
National Bank of Sāmoa Limited	7.79	7.89	7.45	7.40	7.41	7.30	7.25
Samoa Commercial Bank Limited	8.21	8.22	8.37	9.02	9.11	9.12	9.20
Overall Weighted Average Deposit <sup>5</sup> ®	9.99	10.18	9.92	9.88	9.86	9.84	9.82
Australia New Zealand Bank (Sāmoa) Limited	1.89	2.23	1.76	1.71	1.67	1.60	1.57
Bank South Pacific (Sāmoa) Limited	0.83	1.05	0.70	0.59	0.61	0.62	0.53
National Bank of Sāmoa Limited	1.96	2.35	1.83	1.77	1.60	1.50	1.49
Samoa Commercial Bank Limited	2.53	3.13	2.32	2.52	2.46	2.45	2.53
Market Shares (%)	2.38	2.60	2.26	2.24	2.22	2.16	2.16
<b>Lending</b>							
Australia New Zealand Bank (Sāmoa) Limited	24.77	25.22	24.30	22.77	22.63	21.45	21.28
Bank South Pacific (Sāmoa) Limited	29.75	30.18	29.68	28.39	28.18	29.13	29.98
National Bank of Sāmoa Limited	22.31	22.98	21.15	22.79	22.89	22.78	22.38
Samoa Commercial Bank Limited	23.17	21.62	24.87	26.06	26.30	26.64	26.36
<b>Deposit<sup>5</sup>®</b>							
Australia New Zealand Bank (Sāmoa) Limited	25.19	25.90	23.98	23.14	20.68	21.80	22.00
Bank South Pacific (Sāmoa) Limited	32.70	31.67	39.15	39.41	41.45	40.54	40.00
National Bank of Sāmoa Limited	19.16	20.17	17.09	17.09	17.74	18.15	17.44
Samoa Commercial Bank Limited	23.05	22.32	20.09	20.36	20.13	19.50	20.50
<b>Non-monetary Financial Institutions (NFIs)</b>							
<b>Weighted Average Lending (WAL)</b>							
Sāmoa National Provident Fund (SNPF)	8.66	8.53	8.87	8.43	8.43	8.43	8.44
Development Bank of Samoa (DBS)	3.83	4.12	3.63	3.78	3.76	3.80	3.79
Samoa Housing Corporation (SHC)	12.99	11.65	13.42	10.77	10.71	10.68	10.58
<b>NFIs' Overall WAL</b>	<b>8.23</b>	<b>8.02</b>	<b>8.44</b>	<b>7.95</b>	<b>7.95</b>	<b>7.95</b>	<b>7.95</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 \$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.