

REVIEW OF MONETARY DEVELOPMENTS

MARCH 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 of the Samoan economy with information sourced from the Central Bank, commercial banks, Ministry of Finance, non-bank financial institutions and Samoa Bureau of Statistics.

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March 2024

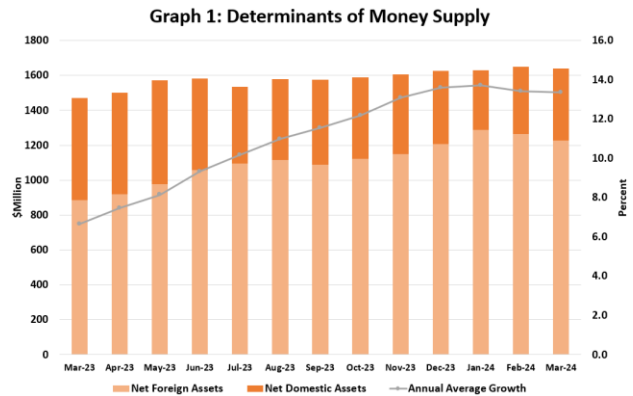
Monetary Forecast

As an intermediate target for monetary policy, the actual level of Money Supply (M2) was 3.4 percent higher than its original forecast. This reflected a higher-than expected level of commercial banks' credit to the private sector' other items net and credit to the private sector and 'other items net' of the banking system.

Money Supply (M2)

The total money supply (M2) for the reviewed month contracted by \$7.15 million (or 0.43 percent) to \$1,641.48 million. This contraction was primarily due to a decrease of \$36.87 million in Net Foreign Assets (NFA), which was partially offset by an expansion of \$29.72 million in Net Domestic Assets (NDA). The reduction in NFA was largely attributed to a significant decline in the Central Bank's foreign assets, along with a slight decrease in those of the banking system. On the other hand, the increase in NDA was driven by a deficit in the government's net position with the monetary system, (as a result of increased government spending) against an increase in 'other items net'.

As a result, the annual average growth rate of M2 remained at 13.4 percent of the previous month but was much higher than 6.7 percent in the same month of last year.



Credit¹

Total financial system (FS) lending rose by \$9.36 million (or 0.5 percent) to \$2,074.38 million, due to further expansions in lending of the commercial banks (by \$5.46 million) and lending by non-bank financial institutions (NFI) (by \$3.90 million) over the month.

By sector, the bulk of FS credit was lent to the private sector with a share of 99.4 percent while the rest (0.6 percent) was lent to public enterprises.

The expansion in total FS credit was mainly lent for 'Other Activities', 'Professional and business services', 'Manufacturing', 'Electricity, gas and water' and 'Trade industries'.

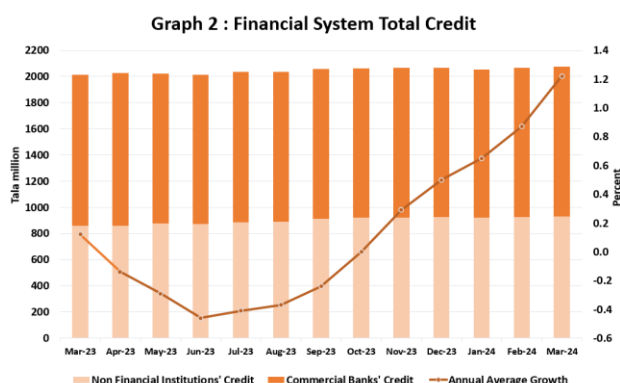
Furthermore, mortgage loans² recorded a share of 47.98 percent to total commercial bank loans (around \$549.17 million) in March 2024, down from 48.01 percent share recorded in the previous month.

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

NFI – Samoa National Provident Fund (SNPF), Development Bank of Samoa (DBS) and Samoa Housing Corporation (SHC)

² Consists of term loans collateralized by real estate property.

As a result, the annual average FS credit growth increased further to 1.2 percent from 0.8 percent in the previous month and was higher than 0.2 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 December 2023 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of \$2,826,977.6 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 quarter, compared to 58.95 percent in the same quarter of last year.

Reserve Money³

Total reserve money (RM) recorded a rebound of \$2.44 million (or 0.3 percent) to \$810.23 million, mainly driven by a \$10.59 million expansion in currency in circulation, against a fall of \$8.15 million in commercial banks reserves.

At this level, RM was \$141.89 million higher than its level in March 2023, and was also 42.84 and 59.42 percent higher than its correspondent levels in the past three and five years respectively.

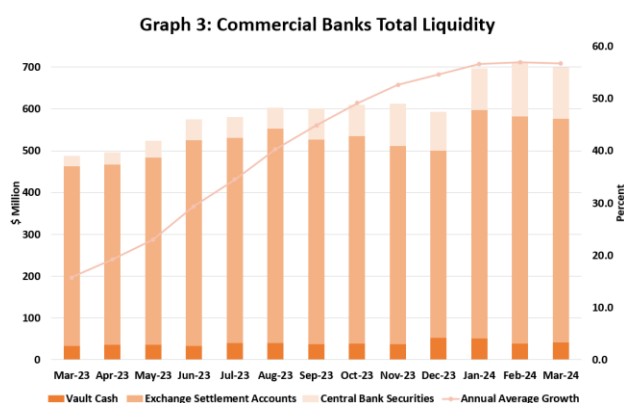
³ Reserve Money (also known as monetary base) comprises of currency in circulation, statutory reserve deposits (SRD) and demand deposits of commercial banks with the CBS

⁴ Comprises of banks' vault cash, exchange settlement account (ESA) balances and Central Bank Securities

Commercial Banks' Liquidity⁴

In contrast, total commercial banks' liquidity dropped by \$12.80 million (or 1.8 percent) over the previous month to \$699.08 million. This reflected a contraction of \$8.42 million in commercial banks exchange settlement accounts, in addition to a fall of \$7.62 million in their holdings of CBS Securities outweighing an increase of \$3.23 million in their vault cash holdings.

Furthermore, total liquidity was \$212.16 million higher than its level in March 2023 or 81.56 percent and 100.55 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)⁵

Total CBS securities issued fell to \$63.50 million from \$110.50 million in the previous month. Of this total, \$44.50 million were issued at longer term maturities of 56-days (\$12.50 million), 91-days (\$19.00 million), 182-days (\$6.00 million) and 364 days (\$7.00 million). The remaining amount were issued at a shorter-term maturity of 14-days (\$8.50 million) and 28-days (\$10.50 million).

With the total matured securities reduced to \$71.00 million during the month, total CBS

⁵ 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).

securities outstanding fell to \$122.50 million from \$130.00 million over the previous month. However, the overall weighted average yield of CBS securities (or the official interest rate) rose remarkably by 23 basis points to 0.46 percent from 0.23 percent and 0.22 percent of the previous year. The hike highlighted the re-issuance of longest-term papers of 182-days and 364 days.

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate increased by 2 basis points to 1.71 percent from the previous month, but was 12 basis points lower than March 2023. On the other hand, the weighted average lending (WAL) rate fell by 2 basis points to 8.44 percent from the previous month but was 13 basis points higher than its level in March 2023. As a result, the overall weighted average interest rate spread fell by 3 basis points from the previous month to 6.74 percent or 34 basis point higher than the same month last year. (Refer to Graph 4)

The current WAD rate was lower than its average rates of 1.98 percent and 2.30 percent for the last three and five years respectively. However, the current WAL rate was higher than its average rate of 8.40 percent for the last three years but was lower than its average rate of 8.62 percent in the last five years.

NFIs⁶ Lending Rates

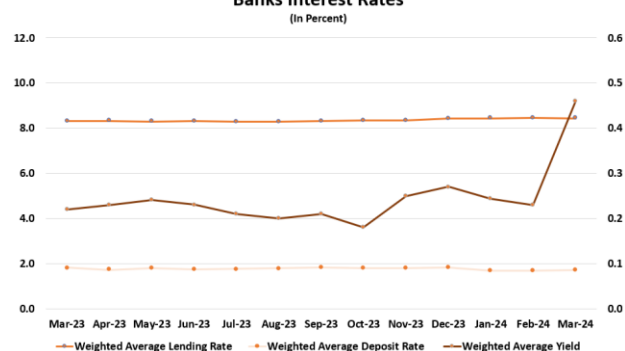
The overall WAL rate for NFIs dropped by 8 basis points to 7.95 percent from the previous month. This was due to a drop of 102 basis points to 10.77 percent⁷ in the WAL of Samoa Housing Corporation (SHC) together with a drop of 1 basis point to 8.43 percent in the WAL of Samoa National Provident Fund, whilst the WAL for Development Bank of Samoa remained at 3.78 percent over the month.

As a result, the current overall NFI WAL rate was lower than its average rates of 8.30 percent and 8.22 percent in the last three and five years respectively.



CENTRAL BANK OF SAMOA **5th April 2024**

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



⁶ 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.

⁷ SHC commitment to continuous credit assistance (through lower borrowing costs) for their clients, which began in December 2023.

Monetary Aggregates							
End of Period Figures	Average level in the previous		2023		2024		
	3-years	5-years	March	December	January	February	March
Determinants of Money Supply (M2)							
Net Foreign Assets	715.49	612.25	884.21	1205.49	1288.01	1263.42	1226.55
Net Domestic Assets	645.60	697.86	586.85	419.76	342.05	385.21	414.92
Money Supply (M2)	1361.094	1310.117	1471.052	1625.253	1630.067	1648.626	1641.480
<i>Trend / Annual Average (%)</i>	4.6	6.5	6.7	13.6	13.7	13.4	13.4
<i>Narrow Money (M1)</i>	630.26	597.54	727.91	863.60	865.32	853.65	847.18
Currency outside banks	129.42	114.36	140.79	190.42	156.93	150.56	157.92
Transferable Deposits ² ®	500.84	483.18	587.12	673.17	708.39	703.09	689.26
<i>Quasi Money</i>	730.84	712.57	743.14	761.65	764.75	794.97	794.29
Other Deposits ³	730.84	712.57	743.14	761.65	764.75	794.97	794.29
Central Bank of Samoa							
Open Markets Operations							
<i>Securites Official Rate</i>	0.17	0.17	0.22	0.27	0.24	0.23	0.46
Reserve Money¹							
Total	567.32	508.31	668.377	762.159	826.205	807.785	810.226
<i>Trend / Annual Growth (%)</i>	10.33	15.54	11.8	33.2	33.7	32.8	32.2
Financial System (FS) Credit							
Commercial Banks	1172.10	1165.90	1157.37	1141.53	1131.95	1139.07	1144.53
<i>Trend / Annual Growth (%)</i>	0.51	2.17	-1.2	-2.3	-2.5	-2.6	-2.5
Non-Monetary Financial Institutions (NFIs)®	839.42	801.27	857.93	924.18	923.68	925.94	929.84
<i>Trend / Annual Growth (%)</i>	4.47	7.51	2.0	4.4	5.0	5.7	6.4
Private Sector	1992.25	1938.18	1998.43	2053.02	2042.68	2053.19	2062.51
Businesses	1016.59	1022.01	960.65	967.64	959.14	965.28	969.18
Individuals	975.77	916.24	1038.12	1085.38	1083.54	1087.91	1093.33
Public Sector (NFIs, NPEs, & Govt)	19.15	28.92	16.53	12.72	11.87	11.82	11.87
Total FS Credit ®	2011.52	1967.17	2015.30	2065.74	2054.56	2065.01	2074.38
<i>Trend / Annual Growth (%)</i>	1.94	4.12	0.1	0.5	0.7	0.9	1.2
Commercial Banks							
Liquidity							
Total	385.04	348.58	486.92	592.21	697.09	711.88	699.08
<i>Trend / Annual Growth (%)</i>	10.0	17.6	15.7	54.6	56.6	56.9	56.7
Interest Rates (%)							
Overall Weighted Average Lending	8.40	8.62	8.32	8.43	8.44	8.46	8.44
Australia New Zealand Bank (Sāmoa) Limited	7.87	8.49	7.64	7.49	7.49	7.51	7.50
Bank South Pacific (Sāmoa) Limited	7.83	7.89	7.58	7.41	7.40	7.46	7.40
National Bank of Sāmoa Limited	8.10	8.16	8.28	8.90	8.97	8.98	9.02
Samoa Commercial Bank Limited	10.01	10.28	9.88	9.99	9.96	9.95	9.88
Overall Weighted Average Deposit ®⁶	1.98	2.30	1.82	1.83	1.68	1.69	1.71
Australia New Zealand Bank (Sāmoa) Limited	0.86	1.08	0.80	0.64	0.53	0.59	0.59
Bank South Pacific (Sāmoa) Limited	1.91	2.31	1.94	1.86	1.72	1.69	1.77
National Bank of Sāmoa Limited	2.68	3.18	2.44	2.63	2.49	2.50	2.52
Samoa Commercial Bank Limited	2.55	2.81	2.29	2.28	2.24	2.23	2.24
Market Shares (%)							
Lending							
Australia New Zealand Bank (Sāmoa) Limited	25.01	25.74	25.79	22.91	23.16	22.95	22.77
Bank South Pacific (Sāmoa) Limited	29.87	30.03	28.59	28.48	28.62	28.55	28.39
National Bank of Sāmoa Limited	22.47	22.93	20.70	22.85	22.42	22.54	22.79
Samoa Commercial Bank Limited	22.65	21.29	24.92	25.77	25.81	25.97	26.06
Deposit⁵ ®							
Australia New Zealand Bank (Sāmoa) Limited	23.57	25.07	23.04	22.58	23.36	22.84	23.14
Bank South Pacific (Sāmoa) Limited	33.56	32.44	39.93	38.93	38.43	38.37	39.41
National Bank of Sāmoa Limited	20.52	20.98	17.15	16.55	16.77	17.21	17.09
Samoa Commercial Bank Limited	22.35	21.50	19.88	21.94	21.44	21.58	20.36
Non-monetary Financial Institutions (NFIs)							
Weighted Average Lending (WAL)							
Sāmoa National Provident Fund (SNPF)	8.77	8.65	8.95	8.45	8.44	8.44	8.43
Development Bank of Samoa (DBS)	3.87	4.28	3.60	3.67	3.86	3.78	3.78
Samoa Housing Corporation (SHC)	12.91	12.90	13.15	12.07	11.90	11.79	10.77
NFIs' Overall WAL	8.30	8.22	8.47	8.05	8.05	8.03	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.