

# REVIEW OF MONETARY DEVELOPMENTS

## MAY 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.11: 2023/24

May 2024

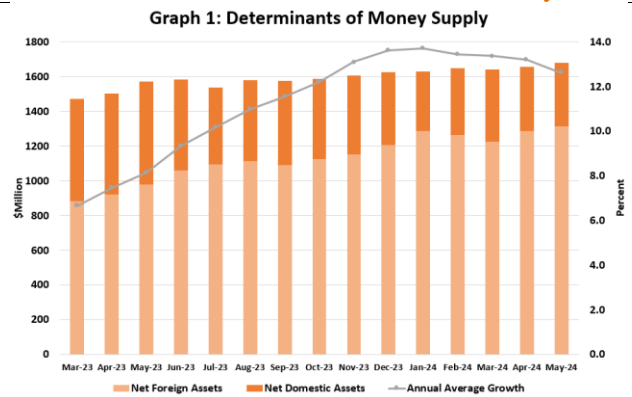
### Monetary Forecast

As an intermediate target for monetary policy, the actual level of the Money Supply (M2) was 0.3 percent above its revised forecast level. This slight increase was driven by a higher-than-expected level net foreign assets.

### Money Supply (M2)

The total money supply (M2) increased significantly by \$22.95 million (or 1.4 percent) to \$1,677.18 million. This was primarily due to a \$25.93 million increase in Net Foreign Assets (NFA), which outweighed a drop of \$2.97 million in Net Domestic Assets (NDA). The expansion in the former was due to large hikes in foreign assets for both the Central Bank and Commercial Banks. Conversely, the contraction in NDA resulted from a surplus in the government's net position with the monetary system (due to increased government deposits), which partially offset an increase in 'credit to private sector'.

Consequently, the annual average growth rate of M2 decreased slightly to 12.6 percent from 13.2 percent in the previous month but was significantly higher than 8.2 percent recorded in the same month of the previous year.



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

Total financial system (FS) lending rose for the fourth consecutive month, up by \$9.91 million (or 0.5 percent) to \$2,085.30 million. This reflected an increase of \$7.00 million in commercial banks' lending, in addition to a \$2.91 million expansion in non-bank financial institutions (NFIs).

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.

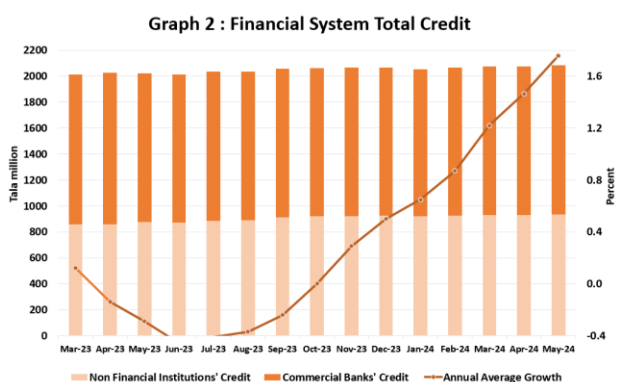
The expansion in total FS credit was primarily lent to the 'Transportation, storage and communication', 'Building, construction and installation', 'Other Activities', and 'Electricity, gas and water' industries.

Furthermore, the percentage of mortgage loans to total commercial bank loans (around \$561.94 million) remained at around 49.1 percent in May 2024.

<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)

As a result, the annual average FS credit growth rose further to 1.8 percent from 1.5 percent in the previous month and -0.3 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 March 2024 quarter, which recorded an annual total Nominal Gross Domestic Product (NGDP) of \$2,901.58 million. At this level, the share of the 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 2022. Likewise, the share of M2 to NGDP declined to 56.57 percent from 57.49 percent in the previous quarter, compared to 60.34 percent in the same quarter of last year.

### Reserve Money<sup>2</sup>

Total reserve money (RM) fell significantly by \$41.35 million (or 5.2 percent) to \$760.74 million, mainly driven by a drop of \$43.37 million in banks' reserves (mainly underpinned by huge drop in excess reserves) offsetting a rise of \$2.02 million in currency in circulation.

Nevertheless, RM was \$55.70 million higher than its level in May 2023, or 30.6 percent and 46.6 percent higher than its corresponding levels in the past three and five years respectively.

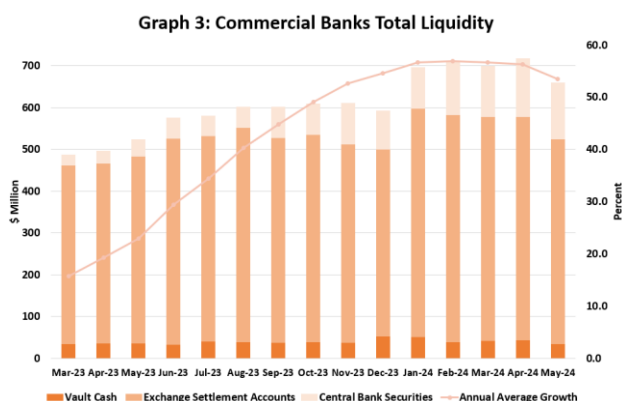
<sup>2</sup> Reserve Money (also known as monetary base) comprises of currency in circulation, statutory reserve deposits (SRD) and demand deposits of commercial banks with the CBS

<sup>3</sup> Comprises of banks' vault cash, exchange settlement account (ESA) balances and Central Bank Securities

### Commercial Banks' Liquidity<sup>3</sup>

Likewise, total commercial banks' liquidity contracted by \$57.37 million (or 8.0 percent), to \$659.77 million. This level was primarily due to a \$45.03 million reduction in commercial banks holdings of exchange settlement accounts, alongside a \$3.29 million decline in their holdings of CBS Securities.

Furthermore, total liquidity was \$136.42 million higher than its level in May 2023 or 64.4 percent and 87.56 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)<sup>4</sup>

Total CBS securities issued increased to \$78.60 million from \$75.00 million in the previous month. Of this total, \$44.60 million were issued at longer term maturities of 56-days (\$20.00 million), 91-days (\$11.00 million), 182-days (\$7.80 million) and 364-days (\$5.80 million). The remaining amount were issued at a shorter-term maturity of 14-days (\$17.70 million) and 28-days (\$16.30 million).

With total matured securities increasing to \$81.80 million during the month, total CBS securities outstanding dropped to \$136.80 million from \$140.00 million in the previous month.

<sup>4</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).

As a result, the overall weighted average yield of CBS securities (or the official interest rate) dropped by 9 basis points 0.38 percent from 0.46 percent in the previous month, or 14 basis points higher than that of the previous year.

### Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate fell by 7 basis points to 1.60 percent from the previous month or 20 basis points lower compared to May last year. On the other hand, the weighted average lending (WAL) rate remained at 8.46 percent from the previous month or 15 basis points higher than its level in previous year. As a result, the overall weighted average interest rate spread increased by 6 basis points over the previous month to 6.85 percent or 36 basis point higher than the same month last year. (Refer to Graph 4.)

The current WAD rate was lower than its average rates of 1.91 percent and 2.25 percent for the last three and five years respectively. However, the WAL rate in May 2024 was higher than 8.38 percent in the last three years but was lower than 8.59 percent in the last five years.

### NFIs<sup>5</sup> Lending Rates

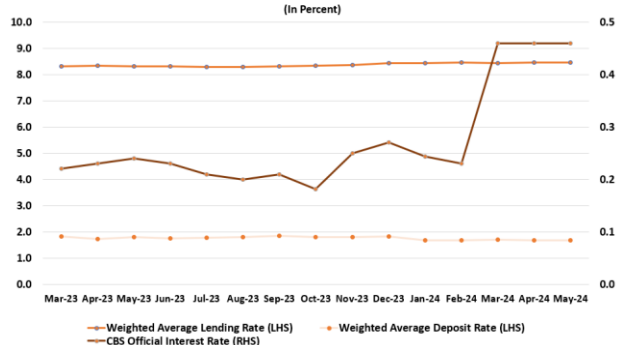
The overall WAL rate for NFIs remained at 7.95 percent of the past two months, reflecting an unchanged WAL rate for SNPF lending rate at 8.43 percent. The Development Bank of Samoa's lending rate increased by 3 basis points offsetting a 4 basis points drop in the lending rate for the Samoa Housing Corporation.

As a result, the current overall NFI WAL rate was lower than its average rates of 8.26 percent and 8.09 percent in the last three and five years respectively.



## **CENTRAL BANK OF SAMOA** **26<sup>th</sup> June 2024**

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



<sup>5</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.

**Review of Monetary Developments**  
**April 2024**

<b>Monetary Aggregates</b>							
End of Period Figures	Average level in the previous		2023		2024		
	3-years	5-years	May	February	March	April	May
<b>Determinants of Money Supply (M2)</b>							
Net Foreign Assets	763.19	643.21	978.12	1263.42	1226.55	1286.35	1312.27
Net Domestic Assets	649.88	700.32	585.97	385.21	414.92	367.87	364.90
<b>Money Supply (M2)</b>	<b>1413.067</b>	<b>1343.526</b>	<b>1564.095</b>	<b>1648.626</b>	<b>1641.480</b>	<b>1654.230</b>	<b>1677.173</b>
<i>Trend / Annual Average (%)</i>	5.4	6.8	8.2	13.4	13.4	13.2	12.6
<i>Narrow Money (M1)</i>							
Currency outside banks	133.43	117.61	155.81	150.56	157.92	149.05	160.12
Transferable Deposits <sup>2</sup> ®	528.31	499.01	634.93	703.09	689.26	708.75	726.74
<i>Quasi Money</i>	751.33	726.90	773.35	794.97	794.29	796.43	790.32
Other Deposits <sup>3</sup>	751.33	726.90	773.35	794.97	794.29	796.43	790.32
<b>Central Bank of Samoa</b>							
<b>Open Markets Operations</b>							
<i>Securities Official Rate</i>	0.18	0.18	0.24	0.23	0.46	0.46	0.38
<b>Reserve Money<sup>1</sup></b>							
<b>Total</b>	<b>582.74</b>	<b>519.73</b>	<b>705.039</b>	<b>807.785</b>	<b>810.226</b>	<b>802.088</b>	<b>760.738</b>
<i>Trend / Annual Growth (%)</i>	11.6	16.0	16.2	32.8	32.2	31.2	28.9
<b>Financial System (FS) Credit</b>							
<b>Commercial Banks</b>	<b>1165.80</b>	<b>1162.43</b>	<b>1146.31</b>	<b>1139.07</b>	<b>1144.53</b>	<b>1143.79</b>	<b>1150.80</b>
<i>Trend / Annual Growth (%)</i>	0.2	2.0	-1.4	-2.6	-2.5	-2.6	-2.3
<b>Non-Monetary Financial Institutions (NFIs)®</b>	<b>852.46</b>	<b>810.78</b>	<b>876.19</b>	<b>925.94</b>	<b>929.84</b>	<b>931.60</b>	<b>934.50</b>
<i>Trend / Annual Growth (%)</i>	3.2	6.8	1.3	5.7	6.4	7.0	7.4
<b>Private Sector</b>	<b>1999.31</b>	<b>1944.11</b>	<b>2006.06</b>	<b>2053.19</b>	<b>2062.51</b>	<b>2064.85</b>	<b>2076.02</b>
Businesses	1015.94	1023.91	960.28	965.28	969.18	961.97	969.66
Individuals	983.37	920.20	1045.79	1087.91	1093.33	1102.87	1106.36
<b>Public Sector (NFIs, NPEs, &amp; Govt)</b>	<b>18.95</b>	<b>29.09</b>	<b>16.44</b>	<b>11.82</b>	<b>11.87</b>	<b>10.54</b>	<b>9.28</b>
<b>Total FS Credit®</b>	<b>2018.26</b>	<b>1973.20</b>	<b>2022.50</b>	<b>2065.01</b>	<b>2074.38</b>	<b>2075.39</b>	<b>2085.30</b>
<i>Trend / Annual Growth (%)</i>	1.5	3.9	-0.3	0.9	1.2	1.5	1.8
<b>Commercial Banks</b>							
<b>Liquidity</b>							
<b>Total</b>	<b>401.26</b>	<b>356.67</b>	<b>523.34</b>	<b>711.88</b>	<b>699.08</b>	<b>717.13</b>	<b>659.77</b>
<i>Trend / Annual Growth (%)</i>	12.3	18.3	22.9	56.9	56.7	56.3	53.5
<b>Interest Rates (%)</b>							
<b>Overall Weighted Average Lending</b>							
	<b>8.38</b>	<b>8.59</b>	<b>8.30</b>	<b>8.46</b>	<b>8.44</b>	<b>8.46</b>	<b>8.46</b>
Australia New Zealand Bank (Sāmoa) Limited	7.80	8.43	7.64	7.51	7.50	7.49	7.60
Bank South Pacific (Sāmoa) Limited	7.80	7.87	7.47	7.46	7.40	7.41	7.30
National Bank of Sāmoa Limited	8.18	8.20	8.38	8.98	9.02	9.11	9.12
Samoa Commercial Bank Limited	9.99	10.21	9.90	9.95	9.88	9.86	9.84
<b>Overall Weighted Average Deposit®<sup>6</sup></b>							
	<b>1.91</b>	<b>2.25</b>	<b>1.81</b>	<b>1.69</b>	<b>1.71</b>	<b>1.67</b>	<b>1.67</b>
Australia New Zealand Bank (Sāmoa) Limited	0.87	1.07	0.77	0.59	0.59	0.61	0.62
Bank South Pacific (Sāmoa) Limited	1.85	2.25	1.83	1.69	1.77	1.60	1.50
National Bank of Sāmoa Limited	2.64	3.20	2.56	2.50	2.52	2.46	2.45
Samoa Commercial Bank Limited	2.45	2.72	2.24	2.23	2.24	2.22	2.16
<b>Market Shares (%)</b>							
<b>Lending</b>							
Australia New Zealand Bank (Sāmoa) Limited	24.98	25.47	24.83	22.95	22.77	22.63	21.45
Bank South Pacific (Sāmoa) Limited	29.86	30.20	29.59	28.55	28.39	28.18	29.13
National Bank of Sāmoa Limited	22.28	22.90	20.87	22.54	22.79	22.89	22.78
Samoa Commercial Bank Limited	22.89	21.43	24.71	25.97	26.06	26.30	26.64
<b>Deposit<sup>5</sup>®</b>							
Australia New Zealand Bank (Sāmoa) Limited	24.41	25.70	23.48	22.84	23.14	20.68	21.80
Bank South Pacific (Sāmoa) Limited	33.20	32.32	39.59	38.37	39.41	41.45	40.54
National Bank of Sāmoa Limited	19.65	20.31	16.49	17.21	17.09	17.74	18.15
Samoa Commercial Bank Limited	22.74	21.67	20.44	21.58	20.36	20.13	19.50
<b>Non-monetary Financial Institutions (NFIs)</b>							
<b>Weighted Average Lending (WAL)</b>							
Sāmoa National Provident Fund (SNPF)	8.69	8.60	8.92	8.44	8.43	8.43	8.43
Development Bank of Samoa (DBS)	3.85	4.27	3.63	3.78	3.78	3.76	3.80
Samoa Housing Corporation (SHC)	12.94	11.58	13.27	11.79	10.77	10.71	10.68
<b>NFIs' Overall WAL</b>	<b>8.26</b>	<b>8.09</b>	<b>8.47</b>	<b>8.03</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.