

REVIEW OF MONETARY DEVELOPMENTS

FEBRUARY 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.

Report No.8: 2023/24

February 2024

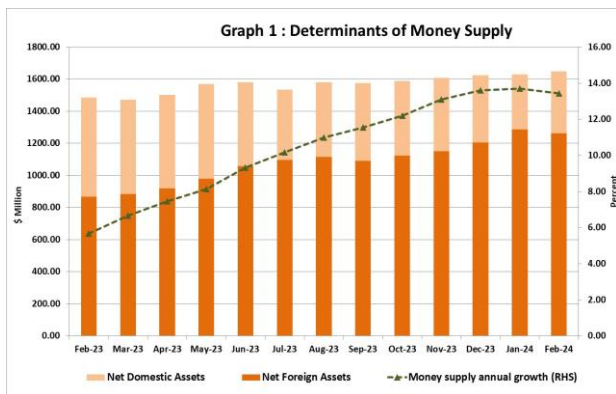
Monetary Forecast

As an intermediate target for monetary policy, the actual level of Money Supply (M2) was 2.0 percent higher than its original forecast. This reflected a higher-than expected level of banks' credit to the private sector during the month.

Money Supply (M2)

Total money supply (M2) expanded further by \$18.56 million (or 1.14 percent) to \$1,648.63 million. This was due to a large hike of \$43.15 million in Net Domestic Assets (NDA), against a reduction of \$24.59 million in Net Foreign Assets (NFA). The expansion in the former was mainly driven by a deficit in the government's net position with the monetary system (in-light of the increased government spending) as well as an increase in Other Items net. The reduction in NFA was due to a significant drop in foreign assets of the banking system as well as a smaller decline in those of the Central Bank.

As a result, the annual average growth rate of M2 dropped to 13.4 percent from 13.7 percent in the previous month but was much higher than 5.7 percent in the same month of last year.



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

Credit¹

Total financial system (FS) lending rebounded by \$10.45 million (or 0.5 percent) to \$2,065.01 million, due to expansions in lending of the commercial banks (by \$7.12 million) and lending by non-bank financial institutions (NFIs) (by \$3.33 million).

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.

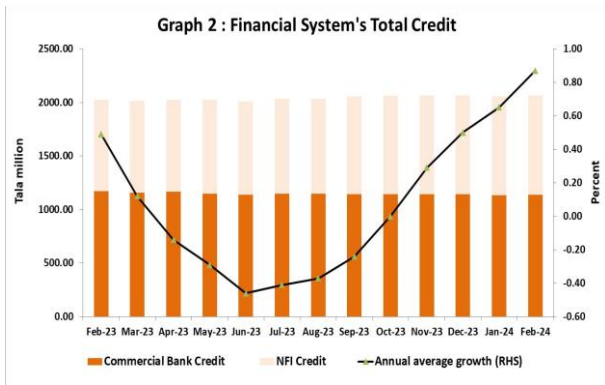
The expansion in total FS credit was mainly due to increases in lending to industries such as 'Other Activities', 'Trade', 'Professional and business services', 'Transportation, storage and communication', and 'Electricity, gas and water'.

Furthermore, mortgage loans² recorded a share of 48.0 percent to total commercial bank loans (around \$546.70 million) in February 2024, down from 48.4 percent share recorded in the previous month.

As a result, the annual average FS credit growth increased further to 0.8 percent from 0.6 percent in the previous month and was higher than 0.5 percent in the same month of the previous year.

NFIs – 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.



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 78.7 percent from 58.7 percent in the previous quarter and 62.0 percent in the same quarter of last year.

Reserve Money³

Total reserve money (RM) fell significantly by \$18.42 million (or 2.23 percent) to \$807.79 million, mainly driven by a \$19.43 million reduction in currency in circulation, against a \$1.01 million increase in commercial banks reserves.

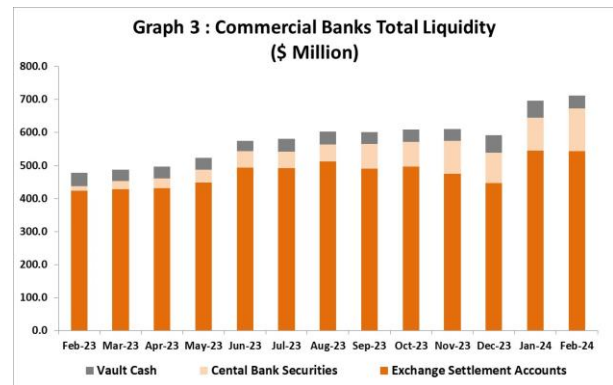
At this level, RM was \$143.00 million higher than its level in February 2023, and was also 44.02 and 59.60 percent higher than its correspondent levels in the past three and five years respectively.

Commercial Banks' Liquidity⁴

In contrast, total commercial banks' liquidity increased further by \$14.78 million (or 2.12 percent) over the previous month to its highest level of \$711.88 million. This reflected an increase of \$29.59 million in commercial bank

holdings of CBS Securities outweighing reductions of \$13.06 million and \$1.75 million in vault cash holdings and exchange settlement accounts respectively.

Furthermore, total liquidity was \$233.77 million higher than its level in February 2023 or 86.07 percent and 103.92 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 rose to \$110.50 million from \$31.00 million in the previous month. These were mainly issued at longer term maturities of 56-days (\$31.00 million) and 91-days (\$31.50 million). The remaining amount were issued at a shorter-term maturity of 28-days (\$25.00 million) and 14-days (\$23.00 million). With the total matured securities at \$80.90 million during the month, total CBS securities outstanding increased to \$130.00 million from \$100.40 million over the previous month.

However, the overall weighted average yield of CBS securities (or the official interest rate) dropped to 0.23 percent from 0.24 percent in the same month of the previous year.

Commercial Banks' Interest Rates

The commercial banks' weighted average deposit (WAD) rate dropped by 14 basis points

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

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).

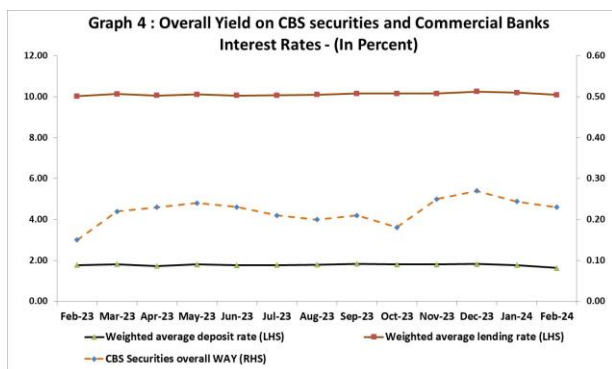
to 1.63 percent from the previous month and was also 14 basis points lower than February 2023. On the other hand, the weighted average lending (WAL) rate increased by 3 basis points to 8.46 percent from the previous month and was 20 basis points higher than its level in February 2023. As a result, the overall weighted average interest rate spread widened further by 17 basis points from the previous month to 6.83 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 2.01 percent and 2.23 percent for the last three and five years respectively. However, the current WAL rate was higher than its average rate of 8.37 percent for the last three years but was lower than its average rate of 8.61 percent in the last five years.

Development Bank of Samoa (DBS) respectively.

As a result, the current overall NFI WAL rate was lower than its average rates of 8.34 percent and 8.24 percent in the last three and five years respectively.

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



NFIs⁶ Lending Rates

The overall WAL rate for NFIs dropped by 2 basis points to 8.03 percent from the previous month. This was due to an 11 basis points decrease to 11.79 percent in the WAL of Samoa Housing Corporation together with decreases of 1 basis point to 8.44 percent and 8 basis points to 3.78 percent in the WAL rates for Samoa National Provident Fund (SNPF) and

started reporting to CBS on monthly basis, as was previously reported on quarterly basis.

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

Monetary Aggregates							
End of Period Figures	Average level in the previous		2023			2024	
	3-years	5-years	February	November	December	January	February
Determinants of Money Supply (M2)							
Net Foreign Assets	707.69	608.94	866.58	1150.57	1205.49	1288.01	1263.42
Net Domestic Assets	647.10	696.95	618.69	456.34	419.76	342.05	385.21
Money Supply (M2)	1354.79	1305.89	1485.270	1606.913	1625.253	1630.067	1648.626
<i>Trend / Annual Average (%)</i>	4.16	6.52	5.7	13.1	13.6	13.7	13.4
<i>Narrow Money (M1)</i>	627.77	599.06	754.67	847.75	863.60	865.32	853.65
Currency outside banks	122.36	110.73	137.36	155.13	190.42	156.93	150.56
Transferable Deposits ² ®	505.41	488.33	617.32	692.61	673.17	708.39	703.09
<i>Quasi Money</i>	727.03	706.83	730.60	759.16	761.65	764.75	794.97
Other Deposits ³	727.03	706.83	730.60	759.16	761.65	764.75	794.97
Central Bank of Samoa							
Open Markets Operations							
<i>Securities Official Rate</i>	0.15	0.17	0.15	0.25	0.27	0.24	0.58
Reserve Money¹							
Total	560.87	502.52	664.786	738.107	762.159	826.205	807.785
<i>Trend / Annual Growth (%)</i>	9.93	15.26	10.1	32.7	33.2	33.7	32.8
Financial System (FS)							
FS Credit							
Commercial Banks	1177.20	1166.99	1169.46	1142.20	1141.53	1131.95	1139.07
<i>Trend / Annual Growth (%)</i>	0.69	2.23	-0.9	-2.2	-2.3	-2.5	-2.6
Non-Monetary Financial Institutions (NFIs)®	836.24	798.03	853.91	923.36	924.18	923.68	925.94
<i>Trend / Annual Growth (%)</i>	4.26	7.32	2.4	3.7	4.4	5.0	5.7
Private Sector	1993.97	1935.84	2005.70	2050.20	2053.02	2042.68	2053.19
Businesses	1022.19	1022.26	973.49	978.59	967.64	959.14	965.28
Individuals	971.77	913.58	1032.21	1075.29	1085.38	1083.54	1087.91
Public Sector (NFIs, NPEs, & Govt)	19.48	29.18	17.67	11.68	12.72	11.87	11.82
Total FS Credit®	2013.53	1965.07	2023.64	2065.40	2065.74	2054.56	2065.01
<i>Trend / Annual Growth (%)</i>	2.16	4.20	0.5	0.3	0.5	0.7	0.9
Commercial Banks							
Liquidity							
Total	382.59	349.10	478.11	611.64	592.21	697.09	711.88
<i>Trend / Annual Growth (%)</i>	9.21	17.60	12.8	52.6	54.6	56.6	56.9
Interest Rates (%)							
Overall Weighted Average Lending	8.37	8.61	8.26	8.35	8.43	8.44	8.46
Australia New Zealand Bank (Sāmoa) Limited	7.90	8.52	7.66	7.51	7.49	7.49	7.51
Bank South Pacific (Sāmoa) Limited	7.77	7.86	7.53	7.39	7.41	7.40	7.46
National Bank of Sāmoa Limited	8.02	8.10	8.06	8.63	8.90	8.97	8.98
Samoa Commercial Bank Limited	10.06	10.31	9.89	9.96	9.99	9.96	9.95
Overall Weighted Average Deposit	2.01	2.23	1.77	1.81	1.83	1.77	1.63
Australia New Zealand Bank (Sāmoa) Limited	0.89	1.08	0.76	0.65	0.64	0.59	0.66
Bank South Pacific (Sāmoa) Limited	1.93	2.37	1.90	1.88	1.86	1.82	1.80
National Bank of Sāmoa Limited	2.78	3.27	2.46	2.37	2.63	2.62	1.84
Samoa Commercial Bank Limited	2.56	2.82	2.24	2.29	2.28	2.25	2.24
Market Shares (%)							
Lending							
Australia New Zealand Bank (Sāmoa) Limited	25.16	25.78	25.82	23.20	22.91	23.16	22.95
Bank South Pacific (Sāmoa) Limited	29.95	30.12	28.55	28.90	28.48	28.62	28.55
National Bank of Sāmoa Limited	22.39	22.89	21.02	22.40	22.85	22.42	22.54
Samoa Commercial Bank Limited	22.50	21.21	24.62	25.50	25.77	25.81	25.97
Deposit⁵							
Australia New Zealand Bank (Sāmoa) Limited	24.57	26.15	25.40	22.25	22.58	23.36	22.84
Bank South Pacific (Sāmoa) Limited	32.79	32.01	38.00	39.06	38.93	38.43	38.37
National Bank of Sāmoa Limited	20.40	20.46	16.90	16.74	16.55	16.77	17.21
Samoa Commercial Bank Limited	22.25	21.38	19.70	21.95	21.94	21.44	21.58
Non-monetary Financial Institutions (NFIs)							
Weighted Average Lending (WAL)							
Sāmoa National Provident Fund (SNPF)	8.77	8.64	8.95	8.44	8.45	8.44	8.44
Development Bank of Samoa (DBS)	4.04	4.39	3.75	3.66	3.67	3.86	3.78
Samoa Housing Corporation (SHC)®	12.87	12.88	12.94	13.48	12.07	11.90	11.79
NFIs' Overall WAL	8.32	8.23	8.47	8.14	8.05	8.05	8.03

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