Monetary Policy
Formulation of Monetary Policy
And How Macroeconomic Statistics
Play a role
About Monetary Policy...

- 2 main Macroeconomic Policies available
  - Fiscal Policy – Government budget
  - Monetary Policy – Central/Reserve Banks

- What is Monetary Policy
  - “The regulation of the money supply and interest rates by a central bank... in order to control inflation and stabilize currency.”

- Why is regulate money?
  - Money supply can affect inflation (prices) and economic growth (credit and...
Central Bank of Samoa

Main functions include

- Conduct **Monetary policy**;
- To determine exchange rate policy;
- To issue and manage the currency of Samoa;
- To hold and manage all official international reserves of Samoa;
- To advise Government and banking and monetary matters;
- To oversee the maintenance of the stability of the financial system as a whole;
- Etc…
Monetary Policy Objectives

- Economic Growth
- Price Stability
- Safeguard Foreign reserves
- Appropriate exchange rate level
- Monetary stability
Monetary Policy Objectives, Targets and Sources

1. Economic Growth

Achieve real growth of around 3 – 4 percent per annum

National accounts: Real and Nominal GDP (quarterly and annual), GDP per capita, Disposable income, GNP, etc...
Production and expenditure approach.
(Samoa Bureau of Statistics)
1. Economic Growth

Achieve real growth of around 3 – 4 percent per annum

Increase Money Supply by around 4 – 6 percent

Encourage Commercial banks and Non Financial Institutions’ Private sector credit

Credit Line facility

(CBS Monetary Survey)
2. Maintain price stability

Maintain annual average inflation rate around 3 percent.

Monthly Consumer Price Index, annual average inflation rate.
Headline and Underlying CPI.
(Samoa Bureau of Statistics)
3. Safeguard Foreign reserves

Target level of reserves around 4 months of import cover

Balance of payments – imports of goods and services
Monetary Survey – Net and gross foreign reserves/ and assets, liabilities… (CBS)
4. Appropriate exchange rate level

Maintain exchange rate level to minimise imported inflation but encourage exports of goods and services.

Nominal and Real Effective Exchange Rates.
Global economies and Currency movements and outlook.
Review exchange rate basket.
Monetary Policy Objectives, Targets and Sources (cont’d)

5. Promote monetary stability

Ensure a sound financial system

Financial soundness indicators
Financial supervision reports (CBS)
Monetary Policy Outlook and Forecasts

Macroeconomic Forecasts

- National Accounts
- Inflation
- Balance of payments and Foreign reserves
- Monetary aggregates
- Govt Finance Statistics