



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)

Monetary Policy Objectives, Targets and Sources (cont'd)

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)

Monetary Policy Objectives, Targets and Sources (cont'd)

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)

Monetary Policy Objectives, Targets and Sources (cont'd)

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)

Monetary Policy Objectives, Targets and Sources (cont'd)

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

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graph TD; A[5. Promote monetary stability] --> B[Ensure a sound financial system]; B --> C[Financial soundness indicators  
Financial supervision reports (CBS)];
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Ensure a sound financial system

Financial soundness indicators
Financial supervision reports (CBS)

Monetary Policy Outlook and Forecasts

