Monetary and financial developments: Money supply increased in the fourth quarter of 2016

Money and credit

In the fourth quarter of 2016, the money supply increased by Afl. 121.7 million to Afl. 4,166.4 million, compared to the previous quarter (Table 1 and Chart 1). This growth resulted from an Afl. 128.2 million upsurge in the domestic component of the money supply and an Afl. 6.5 million outflow of foreign funds.

<table>
<thead>
<tr>
<th>Table 1: Monetary survey</th>
<th>2015</th>
<th>2016</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>I. Net domestic assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Domestic credit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>◦ Net claims on the public sector</td>
<td>195.6</td>
<td>197.4</td>
<td>287.0</td>
</tr>
<tr>
<td>◦ Claims on the private sector</td>
<td>2,968.1</td>
<td>2,995.0</td>
<td>3,020.5</td>
</tr>
<tr>
<td>• Loans to enterprises</td>
<td>1,270.6</td>
<td>1,261.9</td>
<td>1,286.0</td>
</tr>
<tr>
<td>• Loans to individuals</td>
<td>1,687.7</td>
<td>1,722.9</td>
<td>1,724.2</td>
</tr>
<tr>
<td>- Consumer credit</td>
<td>586.0</td>
<td>579.2</td>
<td>572.7</td>
</tr>
<tr>
<td>- Housing mortgages</td>
<td>1,101.7</td>
<td>1,143.7</td>
<td>1,151.5</td>
</tr>
<tr>
<td>• Other claims by the banking sector</td>
<td>9.8</td>
<td>10.2</td>
<td>10.3</td>
</tr>
<tr>
<td>B. Non-credit-related balance sheet items</td>
<td>-874.5</td>
<td>-931.6</td>
<td>-918.6</td>
</tr>
<tr>
<td>II. Net foreign assets</td>
<td>1,515.7</td>
<td>1,784.0</td>
<td>1,777.5</td>
</tr>
<tr>
<td>III. Broad money</td>
<td>3,804.9</td>
<td>4,044.7</td>
<td>4,166.4</td>
</tr>
<tr>
<td>Money</td>
<td>2,060.6</td>
<td>2,213.1</td>
<td>2,250.3</td>
</tr>
<tr>
<td>Quasi-money</td>
<td>1,744.3</td>
<td>1,831.6</td>
<td>1,916.1</td>
</tr>
</tbody>
</table>

Source: Centrale Bank van Aruba

The expansion in net domestic assets was mainly due to the strengthening in both domestic credit and non-credit related balance sheet items of Afl. 115.1 million and Afl. 13.1 million, respectively. The rise in domestic credit was due to increases in the net claims of the banking sector on the public sector (Afl. 89.6 million), chiefly resulting from drawing down of government deposits (Afl. 101 million), and claims of the banking sector on the private sector (Afl. 25.5 million).
The higher claims of the banking sector on the private sector resulted primarily from expansions in loans to enterprises (Afl. 24.2 million) and housing mortgages (Afl. 7.8 million). In contrast, consumer credit decreased by Afl. 6.5 million. The Afl. 13.1 million rise in non-credit related balance sheet items was mainly due to increases in balance sheet items “shareholders’ equity” and “accounts receivable and prepayments”, and clearing transactions.

![Chart 1: Money supply (In Afl. million, end of period)](chart1)

Source: Centrale Bank van Aruba

**Interest rate margin**

The interest rate margin of the commercial banks (calculated as the differential between the weighted average rate of interest paid on new loans and the weighted average rate of interest offered on new deposits) decreased by 0.3 percentage point to 5.7 percent in the fourth quarter of 2016, when compared to the third quarter of 2016 (Table 2 and Chart 2). This resulted from an increase in the weighted average rate of interest offered on new deposits of 0.3 percentage point to 1.8 percent. The weighted average rate of interest charged on new loans remained unchanged at 7.5 percent.
Nonmonetary financial institutions

The aggregated balance sheet total of the nonmonetary financial institutions expanded by Afl. 40.4 million or 1.1 percent to Afl. 3,718.1 million, compared to the end of September 2016 (Table 3). This growth was the result of an Afl. 53.9 million increase in net foreign assets, which was partially offset
by an Afl. 13.6 million decline in domestic claims. On the liability side, pension fund provisions, other items net and insurance reserve fund rose by Afl. 41.7 million, Afl. 29.1 million and Afl. 13.3 million, respectively, when compared to the end of September 2016. In contrast, borrowings and deposits decreased by Afl. 43.7 million, reflecting an Afl. 36.6 million decline in government borrowings.

**Table 3: Nonmonetary financial institutions**

<table>
<thead>
<tr>
<th>End of period</th>
<th>2015</th>
<th>2016</th>
<th>Changes</th>
<th>2015 vs</th>
<th>2016 vs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4</td>
<td>Q3</td>
<td>Q4</td>
<td>Q416 vs</td>
<td>Q416 vs</td>
</tr>
<tr>
<td>1. Net foreign assets</td>
<td>1,038.6</td>
<td>1,103.7</td>
<td>1,157.6</td>
<td>119.0</td>
<td>53.9</td>
</tr>
<tr>
<td>2. Domestic claims</td>
<td>2,592.4</td>
<td>2,574.1</td>
<td>2,560.5</td>
<td>-31.9</td>
<td>-13.5</td>
</tr>
<tr>
<td>a. Government</td>
<td>1,445.8</td>
<td>1,397.2</td>
<td>1,395.7</td>
<td>-50.0</td>
<td>-1.5</td>
</tr>
<tr>
<td>b. Private sector</td>
<td>1,146.7</td>
<td>1,176.9</td>
<td>1,164.8</td>
<td>18.2</td>
<td>-12.1</td>
</tr>
<tr>
<td>3. Total assets = total liabilities</td>
<td>3,631.0</td>
<td>3,677.8</td>
<td>3,718.1</td>
<td>87.1</td>
<td>40.4</td>
</tr>
<tr>
<td>4. Borrowings and deposits</td>
<td>38.8</td>
<td>67.0</td>
<td>23.3</td>
<td>-15.5</td>
<td>-43.7</td>
</tr>
<tr>
<td>a. Government</td>
<td>38.6</td>
<td>38.6</td>
<td>2.0</td>
<td>-36.6</td>
<td>-36.6</td>
</tr>
<tr>
<td>b. Other residents</td>
<td>0.2</td>
<td>28.4</td>
<td>21.3</td>
<td>21.1</td>
<td>-7.0</td>
</tr>
<tr>
<td>5. Pension fund provisions</td>
<td>2,837.8</td>
<td>2,869.4</td>
<td>2,911.1</td>
<td>73.3</td>
<td>41.7</td>
</tr>
<tr>
<td>6. Insurance reserve fund</td>
<td>972.4</td>
<td>1,047.0</td>
<td>1,060.3</td>
<td>87.9</td>
<td>13.3</td>
</tr>
<tr>
<td>7. Other items, net</td>
<td>-218.0</td>
<td>-305.6</td>
<td>-276.5</td>
<td>-58.5</td>
<td>29.1</td>
</tr>
</tbody>
</table>

Source: Centrale Bank van Aruba

**Mortgage market**

Housing mortgage lending of the financial institutions rose by Afl. 10.4 million to Afl. 1,746 million at the end of December 2016, compared to the end of September 2016 (Table 4 and Chart 3). This growth resulted from increases in housing mortgage lending by the commercial banks (Afl. 7.7 million), the pension funds (Afl. 3.2 million), mortgage banks (Afl. 2.8 million) and other financial institutions (Afl. 0.8 million). In contrast, housing mortgage lending by life insurance companies decreased by Afl. 4.1 million.
At the end of December 2016, there was a rise in the market share of the commercial banks and the other financial institutions of 0.6 percentage point and 0.2 percentage point, respectively, when compared to the fourth quarter of 2015. The market share of the life insurance companies, pension funds, and mortgage banks decreased by 0.5 percentage point, 0.2 percentage point and 0.1 percentage point, respectively.

Source: Centrale Bank van Aruba

### Table 4: Housing mortgages

<table>
<thead>
<tr>
<th>End of period</th>
<th>2015</th>
<th>2016</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q4</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td>Total</td>
<td>1,684.0</td>
<td>21.3</td>
<td>100.0%</td>
</tr>
<tr>
<td>Commercial banks</td>
<td>1,095.4</td>
<td>18.3</td>
<td>65.0%</td>
</tr>
<tr>
<td>Mortgage banks</td>
<td>200.6</td>
<td>1.9</td>
<td>11.9%</td>
</tr>
<tr>
<td>Pension funds</td>
<td>257.9</td>
<td>0.9</td>
<td>15.3%</td>
</tr>
<tr>
<td>Life Insurance Companies</td>
<td>110.0</td>
<td>-0.5</td>
<td>6.5%</td>
</tr>
<tr>
<td>Other</td>
<td>20.0</td>
<td>0.6</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

Source: Centrale Bank van Aruba