



## CENTRALE BANK VAN ARUBA

### Statistical News Release

Date: January 8, 2019

### **Monetary and financial developments: Continued growth in housing mortgages drives money supply in the third quarter of 2018**

#### Money and credit

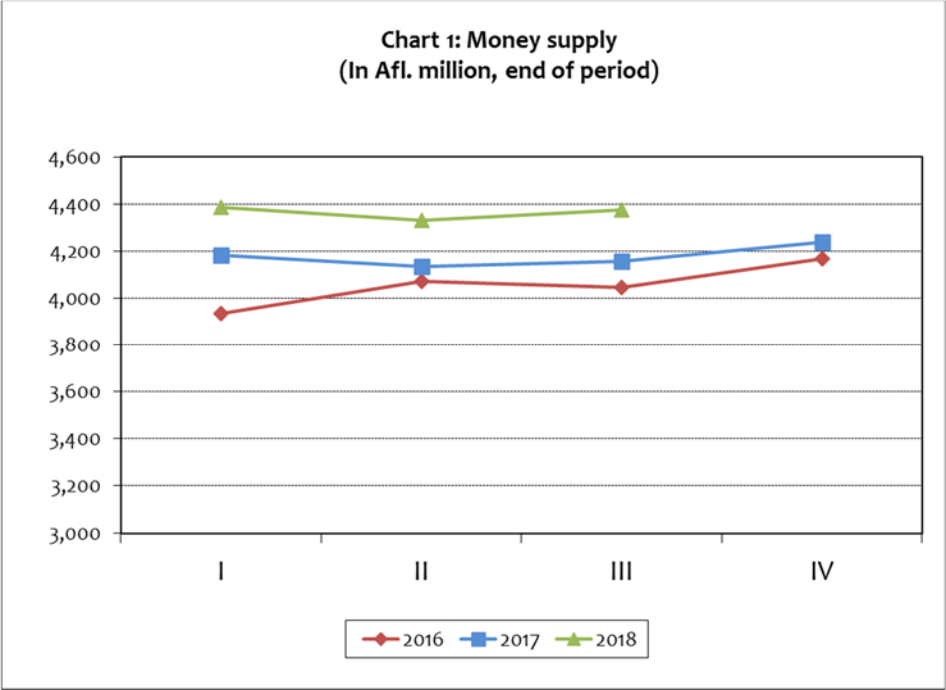
In the third quarter of 2018, the money supply expanded by Afl. 43.1 million to Afl. 4,373.8 million, compared to the second quarter of 2018 (Table 1 and Chart 1). This growth resulted from increases in net foreign assets and net domestic assets of Afl. 24.4 million and Afl. 18.6 million, respectively.

Table 1: Monetary survey (figures in Afl. million)	2017	2018		Changes	
	Q3	Q2	Q3	Q3-18 vs Q3-17	Q3-18 vs Q2-18
<b>I. Net domestic assets</b>	<b>2,498.2</b>	<b>2,630.6</b>	<b>2,649.3</b>	<b>151.1</b>	<b>18.6</b>
A. Domestic credit	3,543.0	3,685.5	<b>3,733.9</b>	190.9	48.4
◦ Net claims on the public sector	434.0	526.3	<b>518.1</b>	84.1	-8.1
◦ Claims on the private sector	3,109.0	3,159.2	<b>3,215.7</b>	106.7	56.5
▪ Loans to enterprises	1,327.7	1,331.0	<b>1,356.8</b>	29.1	25.8
▪ Loans to individuals	1,770.9	1,817.6	<b>1,848.3</b>	77.4	30.7
- Consumer credit	557.7	542.0	<b>535.4</b>	-22.3	-6.7
- Housing mortgages	1,213.2	1,275.5	<b>1,312.9</b>	99.7	37.4
▪ Other claims by the banking sector	10.4	10.6	<b>10.6</b>	0.2	0.0
B. Non-credit-related balance sheet items	-1,044.7	-1,054.8	<b>-1,084.6</b>	-39.9	-29.8
<b>II. Net foreign assets</b>	<b>1,659.2</b>	<b>1,700.0</b>	<b>1,724.5</b>	<b>65.3</b>	<b>24.4</b>
<b>III. Broad money</b>	<b>4,157.5</b>	<b>4,330.7</b>	<b>4,373.8</b>	<b>216.3</b>	<b>43.1</b>
Money	2,275.8	2,497.3	<b>2,541.1</b>	265.3	43.9
Quasi-money	1,881.6	1,833.4	<b>1,832.6</b>	-49.0	-0.8

Source: Centrale Bank van Aruba

The expansion in the domestic component of the money supply was the result of an Afl. 48.4 million rise in domestic credit, which was partly offset by a decrease in the non-credit related balance sheet items of Afl. 29.8 million. The decline in the non-credit related balance sheet items was mainly the result of clearing transactions, an increase in “Shareholders’ equity”, and decreases in “Other Liabilities” and “Accounts receivables and prepayments”.

Developments in domestic credit were caused by a rise in the claims of the banking sector on the private sector (+Afl. 56.5 million) and a decline in the net claims of the banking sector on the public sector (-Afl. 8.1 million). The higher claims of the banking sector on the private sector were caused by expansions in housing mortgages (+Afl. 37.4 million) and loans to enterprises (+Afl. 25.8 million), which were partly offset by a decline in consumer credit (-Afl. 6.7 million). The lower net claims of the banking sector on the public sector resulted from decreases in gross claims (-Afl. 39.6 million), government deposits (-Afl. 30.6 million), and development funds (-Afl. 0.9 million).



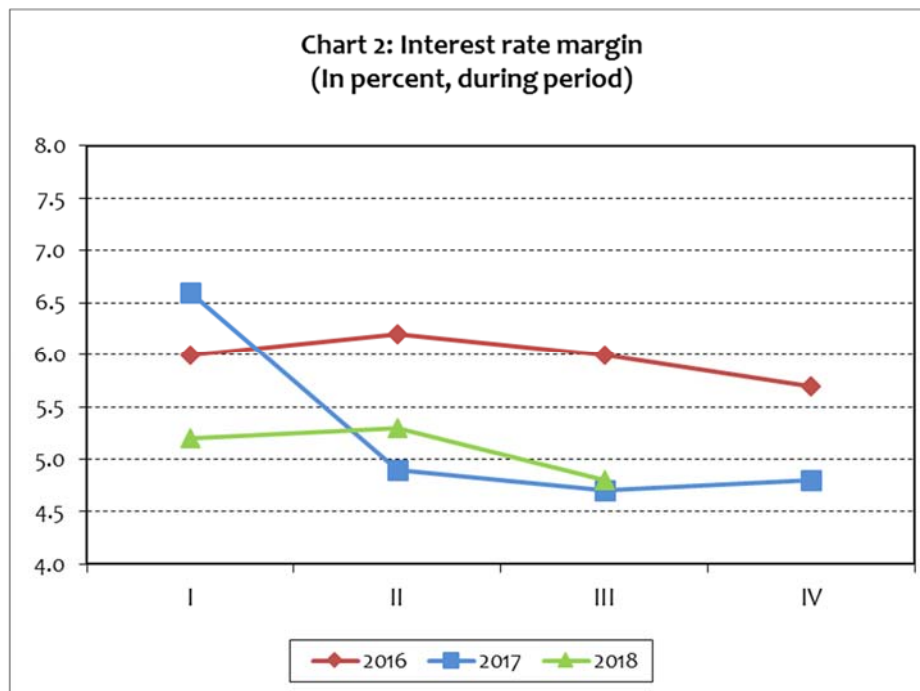
Source: Centrale Bank van Aruba

*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 0.5 percentage point to 4.8 percent in the third quarter of 2018, when compared to the second quarter of 2018 (Table 2 and Chart 2). This resulted from a decrease in the weighted average rate of interest charged on new loans of 0.4 percentage point to 6.5 percent and an increase of 0.1 percentage point to 1.7 percent in the weighted average rate of interest offered on new deposits.

Table 2: Interest rates of the commercial banks (weighted averages related to transactions during indicated period)	2017	2018	
	Q3	Q2	Q3
<b>Weighted average rate of interest on new deposits</b>	<b>1.8</b>	<b>1.6</b>	<b>1.7</b>
Time deposits ≤ 12 months	1.4	1.2	1.1
Time deposits > 12 months	2.1	2.2	2.5
Savings deposits	1.4	1.3	1.5
<b>Weighted average rate of interest on new loans</b>	<b>6.5</b>	<b>6.9</b>	<b>6.5</b>
<b>Individual</b>			
Consumer credit	10.3	8.9	10.4
Housing mortgages	5.6	5.7	5.7
<b>Commercial</b>			
Commercial mortgages	6.2	6.3	5.8
Other loans - Including current accounts (overdraft) facilities	5.8	6.8	6.0
<b>Interest rate margin</b>	<b>4.7</b>	<b>5.3</b>	<b>4.8</b>

Source: Centrale Bank van Aruba



Source: Centrale Bank van Aruba

### Nonmonetary financial institutions

The aggregated balance sheet total of the nonmonetary financial institutions expanded by Afl. 9.5 million or 0.2 percent to Afl. 3,983.8 million, compared to the second quarter of 2018 (Table 3). This rise was the result of increases in net foreign assets (+Afl. 6.5 million) and domestic claims (+Afl. 3.0

million). On the liability side, the insurance reserve fund went down by Afl. 45.6 million, when compared to the second quarter of 2018. The pension fund provisions and 'borrowings and deposits' grew by Afl. 60.3 million and Afl. 1.2 million, respectively. A negative Afl. 300.8 million was recorded for other items (net), compared to negative Afl. 294.5 million in the previous quarter.

Table 3: Nonmonetary financial institutions End of period	2017	2018		Changes	
	Q3	Q2	Q3	Q318 vs Q317	Q318 vs Q218
1. Net foreign assets	1,315.3	1,393.2	<b>1,399.7</b>	84.4	6.5
2. Domestic claims	2,688.6	2,581.1	<b>2,584.1</b>	-104.5	3.0
a. Government	1,592.5	1,416.4	<b>1,444.0</b>	-148.5	27.6
b. Private sector	1,196.1	1,164.6	<b>1,140.1</b>	-56.0	-24.5
3. Total assets = total liabilities	4,003.9	3,974.3	<b>3,983.8</b>	-20.1	9.5
4. Borrowings and deposits	23.0	8.2	<b>9.4</b>	-13.6	1.2
a. Government	2.0	2.0	<b>2.0</b>	0.0	0.0
b. Other residents	21.0	6.2	<b>7.4</b>	-13.6	1.2
5. Pension fund provisions	2,971.1	3,016.4	<b>3,076.7</b>	105.6	60.3
6. Insurance reserve fund	1,134.6	1,244.1	<b>1,198.5</b>	63.9	-45.6
7. Other items, net	-124.8	-294.5	<b>-300.8</b>	-176.0	-6.3

Source: Centrale Bank van Aruba

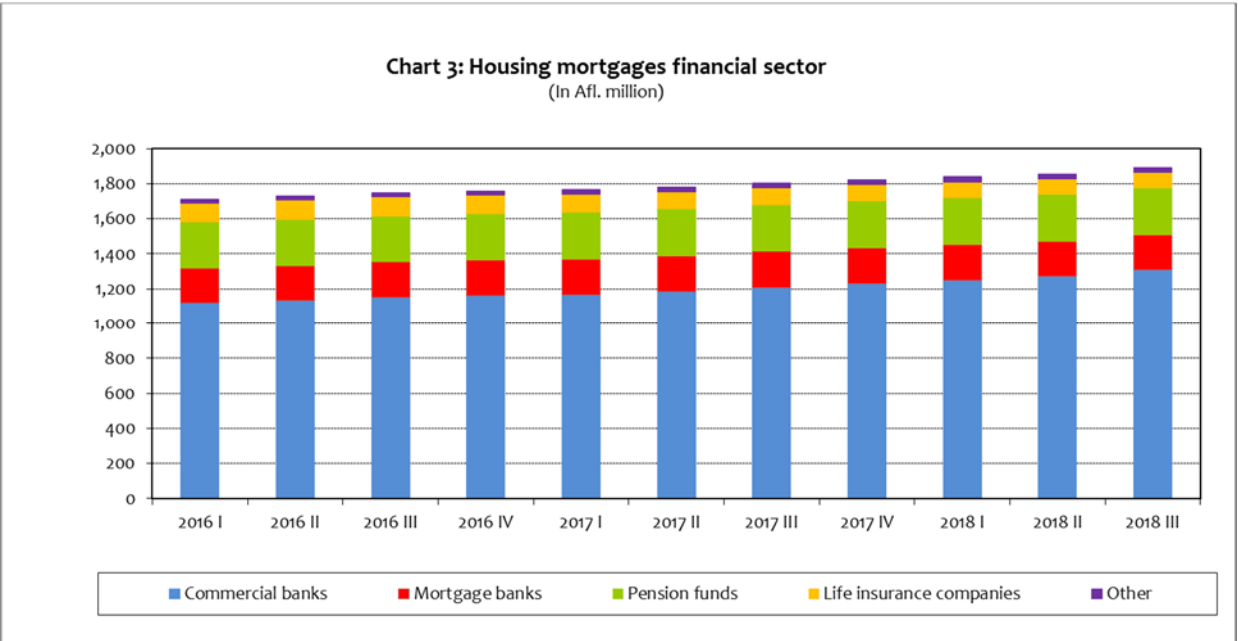
### Mortgage market

Housing mortgage lending of the financial institutions expanded by Afl. 37.4 million to Afl. 1,893.9 million at the end of September 2018, compared to the end of June 2018 (Table 4 and Chart 3). This increase resulted from the growth in housing mortgage lending by the commercial banks (+Afl. 37.2 million), pension funds (+Afl. 1.1 million), and other financial institutions (+Afl. 1.1 million). In contrast, housing mortgage lending by life insurance companies and mortgage bank decreased by Afl. 1.6 million and Afl. 0.4 million, respectively.

Table 4: Housing mortgages	2017			2018					
	Q3			Q2			Q3		
	Afl.	Change	Market share	Afl.	Change	Market share	Afl.	Change	Market share
End of period									
<b>Total</b>	<b>1,802.6</b>	<b>23.1</b>	<b>100.0%</b>	<b>1,856.5</b>	<b>17.6</b>	<b>100.0%</b>	<b>1,893.9</b>	<b>37.4</b>	<b>100.0%</b>
Commercial banks	1,207.2	23.8	67.0%	1,270.2	19.1	68.4%	1,307.4	37.2	69.0%
Mortgage banks	206.3	2.3	11.4%	199.8	-1.5	10.8%	199.4	-0.4	10.5%
Pension funds	265.6	-1.8	14.7%	269.0	2.6	14.5%	270.1	1.1	14.3%
Life Insurance Companies	95.6	-2.4	5.3%	88.8	-2.8	4.8%	87.2	-1.6	4.6%
Other	28.0	1.2	1.6%	28.6	0.3	1.5%	29.8	1.1	1.6%

Source: Centrale Bank van Aruba

At the end of September 2018, there was a rise in the market share of the commercial banks of 2.0 percentage points, when compared to the third quarter of 2017. The market share of the mortgage banks, life insurance companies and pension funds, decreased by 0.9 percentage point, 0.7 percentage point, and 0.4 percentage point, respectively.



Source: Centrale Bank van Aruba