



CENTRALE BANK VAN ARUBA

Statistical News Release

Date: March 6, 2019

Monetary and financial developments during the fourth quarter of 2018: Continuous growth in housing mortgages

Money and credit

In the fourth quarter of 2018, the money supply expanded by Afl. 3.2 million to Afl. 4,376.9 million, compared to the third quarter of 2018 (Table 1 and Chart 1). This increase resulted from an Afl. 51.7 million growth in net foreign assets and an Afl. 48.5 million decrease in net domestic assets.

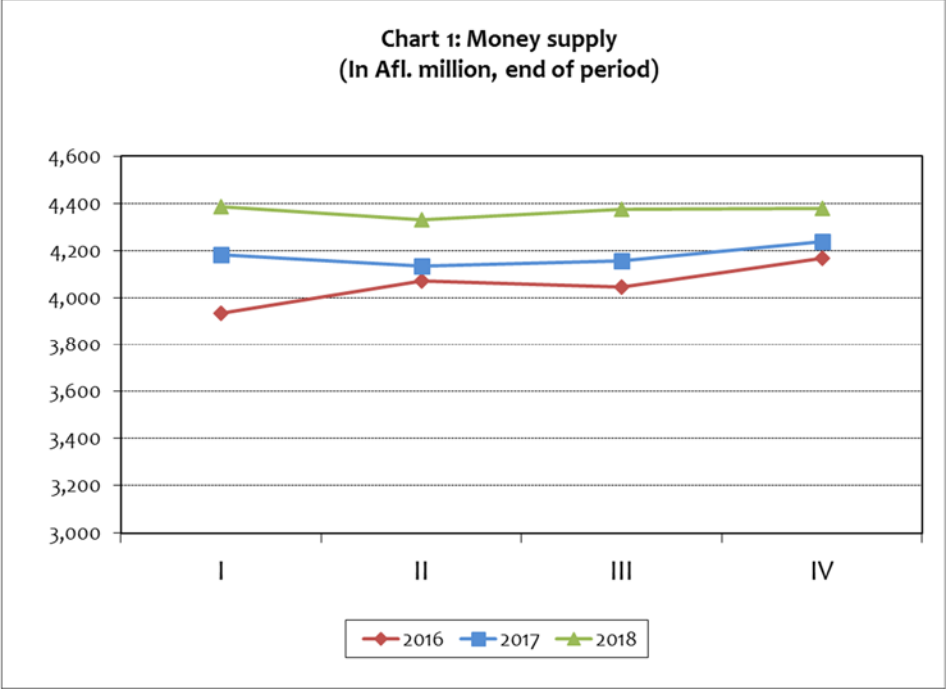
Table 1: Monetary survey (figures in Afl. million)	2017	2018		Changes	
	Q4	Q3	Q4	Q4-18 vs Q4-17	Q4-18 vs Q3-18
I. Net domestic assets	2,555.1	2,649.3	2,600.8	45.7	-48.5
A. Domestic credit	3,533.0	3,733.9	3,679.6	146.6	-54.3
◦ Net claims on the public sector	400.0	518.1	434.1	34.1	-84.1
◦ Claims on the private sector	3,133.0	3,215.7	3,245.5	112.5	29.8
▪ Loans to enterprises	1,333.3	1,356.8	1,371.6	38.3	14.8
▪ Loans to individuals	1,789.3	1,848.3	1,862.4	73.2	14.2
- Consumer credit	551.4	535.4	524.3	-27.0	-11.0
- Housing mortgages	1,237.9	1,312.9	1,338.1	100.2	25.2
▪ Other claims by the banking sector	10.5	10.6	11.4	1.0	0.8
B. Non-credit-related balance sheet items	-977.9	-1,084.6	-1,078.9	-100.9	5.7
II. Net foreign assets	1,684.8	1,724.5	1,776.2	91.4	51.7
III. Broad money	4,239.9	4,373.8	4,376.9	137.1	3.2
Money	2,421.6	2,541.1	2,433.7	12.1	-107.4
Quasi-money	1,818.3	1,832.6	1,943.2	125.0	110.6

Source: Centrale Bank van Aruba

The contraction in the domestic component of the money supply was the result of an Afl. 54.3 million decline in domestic credit, which was slightly offset by a rise in the non-credit related balance sheet items of Afl. 5.7 million. The increase in the non-credit related balance sheet items was mainly the result of an increase in “Shareholders’ equity” and clearing transactions.

The decrease in domestic credit was caused by a contraction in the net claims of the banking sector on the public sector (-Afl. 84.1 million) and a rise in the claims of the banking sector on the private sector (+Afl. 29.8 million). The lower net claims of the banking sector on the public sector resulted from a decrease in gross claims (-Afl. 53.8 million) and an increase in government deposits (+Afl. 30.3 million).

The higher claims of the banking sector on the private sector were caused by expansions in housing mortgages (+Afl. 25.2 million) and loans to enterprises (+Afl. 14.8 million), which were partly offset by a decline in consumer credit (-Afl. 11.0 million).



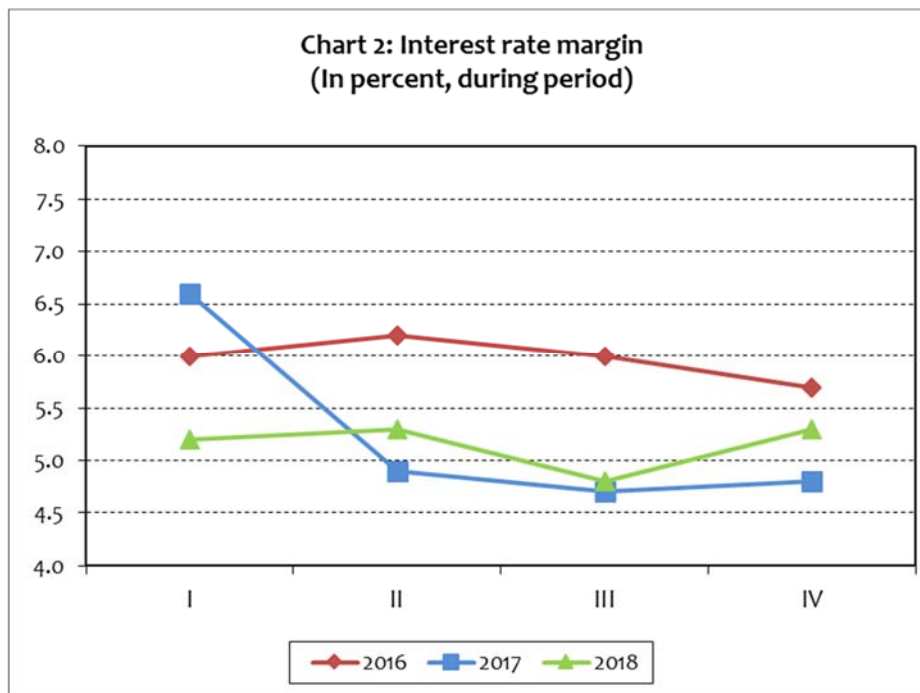
Source: Centrale Bank van Aruba

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) increased by 0.5 percentage point to 5.3 percent in the fourth quarter of 2018, when compared to the third quarter of 2018 (Table 2 and Chart 2). This resulted from a decrease of 0.4 percentage point to 1.3 percent in the weighted average rate of interest offered on new deposits and an increase in the weighted average rate of interest charged on new loans of 0.1 percentage point to 6.6 percent.

Table 2: Interest rates of the commercial banks (weighted averages related to transactions during indicated period)	2017	2018	
	Q4	Q3	Q4
Weighted average rate of interest on new deposits	1.7	1.7	1.3
Time deposits ≤ 12 months	1.4	1.1	1.2
Time deposits > 12 months	2.5	2.5	2.3
Savings deposits	1.4	1.5	1.2
Weighted average rate of interest on new loans	6.5	6.5	6.6
Individual			
Consumer credit	9.2	10.4	9.9
Housing mortgages	5.6	5.7	5.7
Commercial			
Commercial mortgages	6.4	5.8	6.3
Other loans - Including current accounts (overdraft) facilities	5.8	6.0	5.6
Interest rate margin	4.8	4.8	5.3

Source: Centrale Bank van Aruba



Source: Centrale Bank van Aruba

Nonmonetary financial institutions

The aggregated balance sheet total of the nonmonetary financial institutions contracted by Afl. 2.8 million or 0.1 percent to Afl. 3,981.0 million, compared to the third quarter of 2018 (Table 3). This decline was the result of a decrease in net foreign assets (-Afl. 36.6 million) and a rise in domestic

claims (+Afl. 33.7 million). On the liability side, the pension fund provisions, insurance reserve fund and 'borrowings and deposits' grew by Afl. 23.6 million, Afl. 9.9 million, and Afl. 0.4 million, respectively, when compared to the third quarter of 2018. A negative Afl. 337.6 million was recorded for other items (net), compared to negative Afl. 300.8 million in the previous quarter.

Table 3: Nonmonetary financial institutions End of period	2017	2018		Changes	
	Q4	Q3	Q4	Q418 vs Q417	Q418 vs Q318
1. Net foreign assets	1,407.0	1,399.7	1,363.2	-43.8	-36.6
2. Domestic claims	2,639.6	2,584.1	2,617.8	-21.8	33.7
a. Government	1,442.7	1,444.0	1,481.3	38.7	37.4
b. Private sector	1,196.9	1,140.1	1,136.5	-60.5	-3.6
3. Total assets = total liabilities	4,046.6	3,983.8	3,981.0	-65.6	-2.8
4. Borrowings and deposits	25.8	9.4	9.8	-16.0	0.4
a. Government	2.0	2.0	2.0	0.0	0.0
b. Other residents	23.8	7.4	7.8	-16.0	0.4
5. Pension fund provisions	2,988.1	3,038.2	3,061.8	73.7	23.6
6. Insurance reserve fund	1,155.0	1,237.0	1,246.9	91.9	9.9
7. Other items, net	-122.3	-300.8	-337.6	-215.3	-36.8

Source: Centrale Bank van Aruba

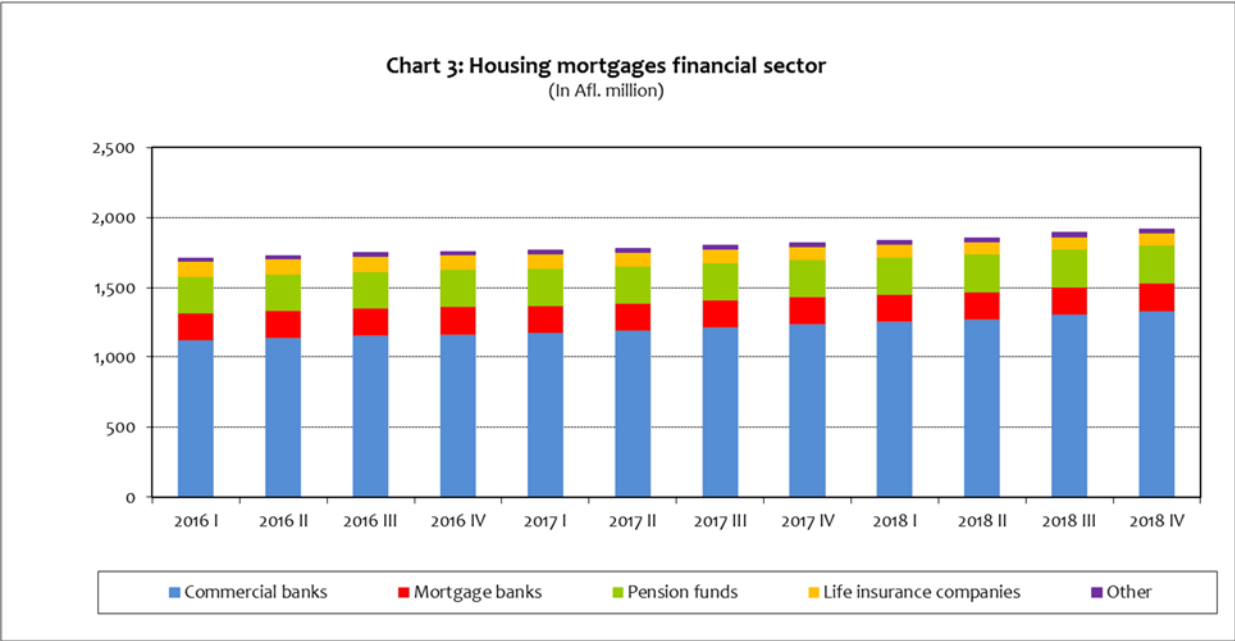
Mortgage market

Housing mortgage lending of the financial institutions expanded by Afl. 25.1 million to Afl. 1,919.0 million at the end of December 2018, compared to the end of September 2018 (Table 4 and Chart 3). This increase resulted from the growth in housing mortgage lending by the commercial banks (+Afl. 25.5 million), pension funds (+Afl. 2.8 million), and other financial institutions (+Afl. 0.2 million). In contrast, housing mortgage lending by life insurance companies and mortgage bank decreased by Afl. 2.1 million and Afl. 1.3 million, respectively.

Table 4: Housing mortgages	2017			2018					
	Q4			Q3			Q4		
	Afl.	Change	Market share	Afl.	Change	Market share	Afl.	Change	Market share
End of period									
Total	1,822.5	19.8	100.0%	1,893.9	37.4	100.0%	1,919.0	25.1	100.0%
Commercial banks	1,232.0	24.8	67.6%	1,307.4	37.2	69.0%	1,332.9	25.5	69.5%
Mortgage banks	202.5	-3.8	11.1%	199.4	-0.4	10.5%	198.1	-1.3	10.3%
Pension funds	266.5	1.0	14.6%	270.1	1.1	14.3%	272.9	2.8	14.2%
Life Insurance Companies	93.5	-2.1	5.1%	87.2	-1.6	4.6%	85.1	-2.1	4.4%
Other	28.0	0.0	1.5%	29.8	1.1	1.6%	29.9	0.2	1.6%

Source: Centrale Bank van Aruba

At the end of December 2018, there was a rise in the market share of the commercial banks of 1.9 percentage points, when compared to the fourth quarter of 2017. The market share of the mortgage banks, life insurance companies and pension funds, decreased by 0.8 percentage point, 0.7 percentage point, and 0.4 percentage point, respectively.



Source: Centrale Bank van Aruba