



CENTRALE BANK VAN ARUBA

Statistical News Release

Date: January 22, 2021

Monetary and financial developments during the third quarter of 2020: Loans to enterprises and housing mortgages increased

Money and credit

In the third quarter of 2020, the money supply contracted by Afl. 116.9 million to Afl. 4,644.5 million, compared to the second quarter of 2020 (Table 1 and Chart 1). This decline resulted from decreases in both net foreign assets (-Afl. 61.7 million) and in net domestic assets (-Afl. 55.3 million).

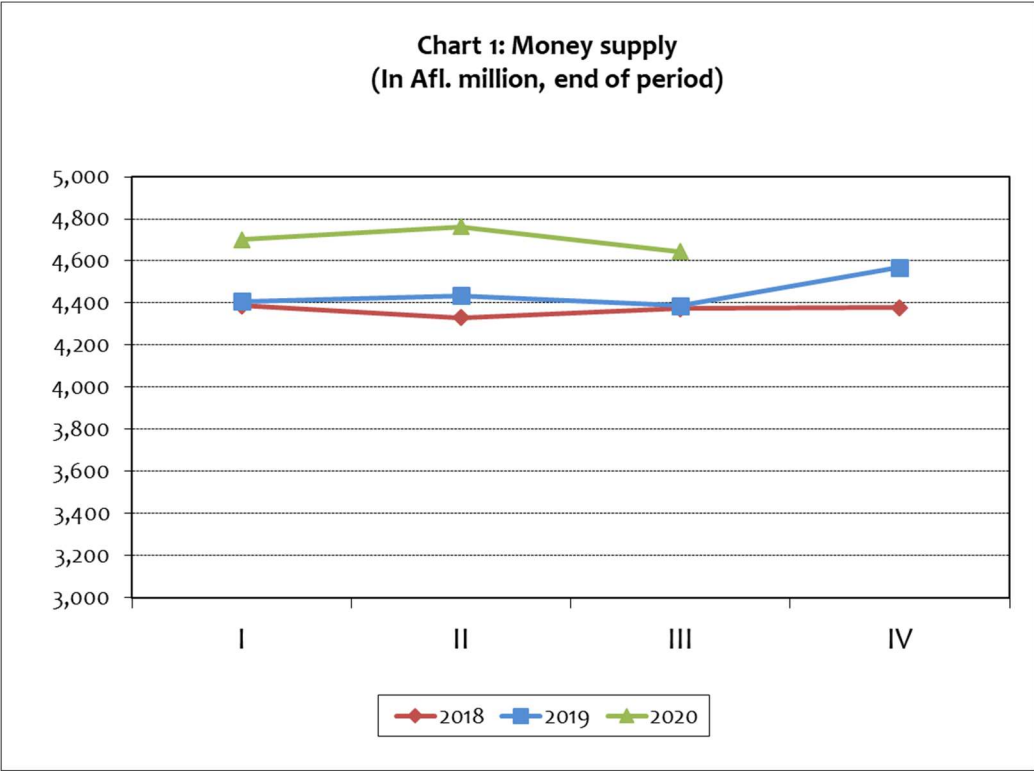
Table 1: Monetary survey (figures in Afl. million)	2019	2020		Changes	
	Q3	Q2	Q3	Q3-20 vs Q3-19	Q3-20 vs Q2-20
I. Net domestic assets	2,714.4	2,793.8	2,738.5	24.1	-55.3
A. Domestic credit	3,920.5	3,940.5	3,940.1	19.6	-0.4
◦ Net claims on the public sector	471.2	447.4	406.3	-64.9	-41.1
◦ Claims on the private sector	3,449.3	3,493.0	3,533.8	84.5	40.7
▪ Loans to enterprises	1,533.9	1,538.6	1,572.3	38.4	33.6
▪ Loans to individuals	1,903.3	1,941.7	1,948.8	45.5	7.1
- Consumer credit	513.0	505.1	495.4	-17.6	-9.6
- Housing mortgages	1,390.3	1,436.6	1,453.3	63.0	16.7
▪ Other claims by the banking sector	12.1	12.8	12.8	0.7	0.0
B. Non-credit-related balance sheet items	-1,206.1	-1,146.7	-1,201.6	4.5	-54.9
II. Net foreign assets	1,672.2	1,967.7	1,906.0	233.8	-61.7
III. Broad money	4,386.6	4,761.5	4,644.5	257.9	-116.9
Money	2,444.7	2,746.2	2,574.3	129.6	-171.9
Quasi-money	1,941.9	2,015.2	2,070.2	128.3	55.0

Source: Centrale Bank van Aruba

The contraction in the domestic component of the money supply was the result of falls in non-credit related balance sheet items of Afl. 54.9 million and in domestic credit of Afl. 0.4 million. The decline in the non-credit related balance sheet items resulted from a decrease in 'Shareholders' Equity', increases in 'Provision for loan losses', 'Other liabilities' and 'Accounts receivable and prepayments', and clearing transactions.

The slight decrease in domestic credit was caused by a contraction in the net claims of the banking sector on the public sector (-Afl. 41.1 million) and a rise in the claims of the banking sector on the private sector (+Afl. 40.7 million). The lower net claims of the banking sector on the public sector resulted from higher government deposits (+Afl. 89.9 million) and gross claims (+Afl. 48.8 million).

The higher claims of the banking sector on the private sector were caused by upturns in loans to enterprises (+Afl. 33.6 million) and housing mortgages (+Afl. 16.7 million), and a decrease in consumer credit (-Afl. 9.6 million).



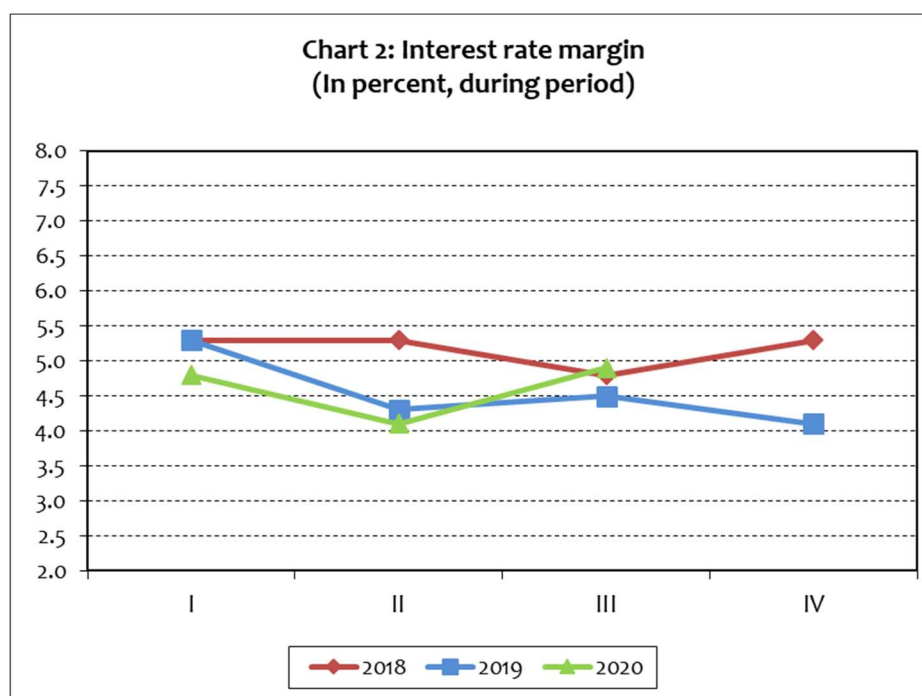
Source: Centrale Bank van Aruba

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 0.8 percentage point to 4.9 percent in the third quarter of 2020, when compared to the second quarter of 2020 (Table 2 and Chart 2). This resulted from an increase of 0.5 percentage point to 6.6 percent in the weighted average rate of interest charged on new loans and a decrease of 0.3 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)	2019	2020	
	Q3	Q2	Q3
Weighted average rate of interest on new deposits	2.3	2.0	1.7
Time deposits ≤ 12 months	1.6	1.8	1.5
Time deposits > 12 months	3.4	2.7	2.9
Savings deposits	1.4	1.6	1.2
Weighted average rate of interest on new loans	6.9	6.1	6.6
Individual			
Consumer credit	8.9	8.6	9.3
Housing mortgages	5.7	5.4	5.5
Commercial			
Commercial mortgages	6.5	6.0	6.6
Other loans - Including current accounts (overdraft) facilities	6.8	6.5	6.2
Interest rate margin	4.5	4.1	4.9

Source: Centrale Bank van Aruba



Source: Centrale Bank van Aruba

Nonmonetary financial institutions

The aggregated balance sheet total of the nonmonetary financial institutions increased by Afl. 113.3 million or 2.5 percent to Afl. 4,695.7 million, compared to the second quarter of 2020 (Table 3). This growth was caused by increases in both net foreign assets (+Afl. 58.4 million) and domestic claims

(+Afl. 54.9 million). On the liability side, Afl. 131.5 million was recorded for other items (net), compared to Afl. 42.0 million in the previous quarter. When compared to the second quarter of 2020, the pension fund provisions and the insurance reserve fund grew by Afl. 18.1 million and Afl. 6.1 million, respectively, while the 'borrowings and deposits' declined by Afl. 0.3 million.

Table 3: Nonmonetary financial institutions End of period	2019	2020		Changes	
	Q3	Q2	Q3	Q3-20 vs Q3-19	Q3-20 vs Q2-20
1. Net foreign assets	1,584.7	1,629.7	1,688.1	103.4	58.4
2. Domestic claims	3,008.3	2,952.7	3,007.7	-0.6	54.9
a. Government	1,512.0	1,447.9	1,494.8	-17.2	46.8
b. Private sector	1,496.4	1,504.8	1,512.9	16.5	8.1
3. Total assets = total liabilities	4,593.1	4,582.4	4,695.7	102.6	113.3
4. Borrowings and deposits	14.4	18.5	18.2	3.8	-0.3
a. Government	2.0	2.0	1.8	-0.2	-0.2
b. Other residents	12.4	16.5	16.4	4.0	-0.1
5. Pension fund provisions	3,109.3	3,162.1	3,180.1	70.8	18.1
6. Insurance reserve fund	1,307.0	1,359.8	1,365.9	58.9	6.1
7. Other items, net	162.3	42.0	131.5	-30.8	89.6

Source: Centrale Bank van Aruba

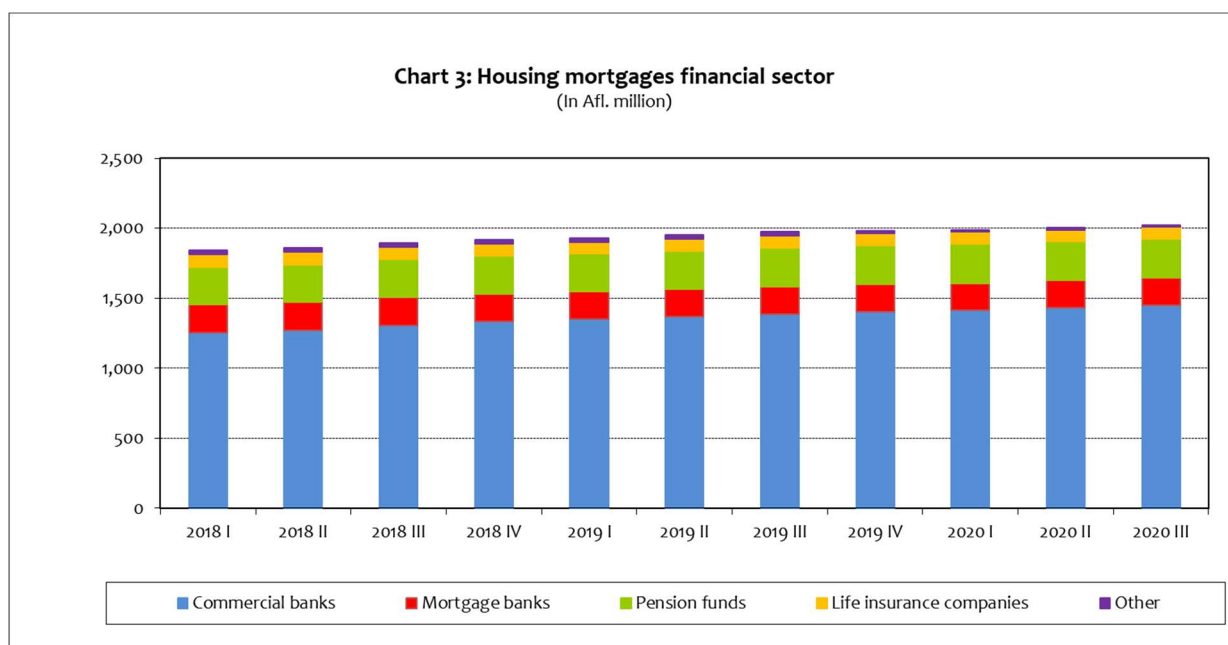
Mortgage market

Housing mortgage lending of the financial institutions expanded by Afl. 17.5 million to Afl. 2,022.5 million at the end of September 2020, compared to the end of June 2020 (Table 4 and Chart 3). This increase resulted from the growth in housing mortgage lending by the commercial banks (+Afl. 16.4 million) and mortgage banks (+Afl. 5.4 million). In contrast, housing mortgage lending by pension funds (-Afl. 2.2 million), other financial institution (-Afl. 1.1 million), and life insurance companies (-Afl. 1.0 million) decreased.

Table 4: Housing mortgages	2019			2020					
	Q3			Q2			Q3		
	Afl.	Change	Market share	Afl.	Change	Market share	Afl.	Change	Market share
End of period									
Total	1,960.6	10.0	100.0%	2,005.0	16.5	100.0%	2,022.5	17.5	100.0%
Commercial banks	1,384.4	18.2	70.6%	1,430.4	18.4	71.3%	1,446.8	16.4	71.5%
Mortgage banks	197.1	1.3	10.1%	195.3	-0.1	9.7%	200.7	5.4	9.9%
Pension funds	278.8	2.3	14.2%	280.1	-0.3	14.0%	277.9	-2.2	13.7%
Life Insurance Companies	84.8	2.6	4.3%	82.3	-2.2	4.1%	81.3	-1.0	4.0%
Other	15.6	-14.3	0.8%	16.9	0.7	0.8%	15.7	-1.1	0.8%

Source: Centrale Bank van Aruba

At the end of September 2020, there was an increase in the market share of the commercial banks of 0.9 percentage point, when compared to the third quarter of 2019. In contrast, the market share decreased for pension funds (-0.5 percentage point), and life insurance companies (-0.3 percentage point). The market share for the other financial institutions remained the same.



Source: Centrale Bank van Aruba