CENTRALE BANK VAN ARUBA

Lingering demand for consumer credit in April 2021

Press Release

During its meeting of June 8, 2021 and after reviewing the most recent economic and monetary data, the Monetary Policy Committee (MPC)[1] of the Centrale Bank van Aruba (CBA) decided to keep the reserve requirement at 7.0 percent. The reserve requirement refers to the minimum amount of reserves that commercial banks must hold at the CBA and is equal to 7.0 percent of their liabilities with a maturity less than 2 years. The following information and analysis were considered in reaching this decision.

International reserves

International reserves (including revaluation differences of gold and foreign exchange holdings), up to and including May 21, 2021, strengthened by Afl. 248.1 million compared to the end of December 2020. This expansion was primarily the result of the liquidity support provided to the government of Aruba from the Netherlands, as well as higher inflows related to tourism. Meanwhile, official reserves increased by Afl. 98.3 million. Consequently, the official and international reserves reached, respectively, Afl. 2,306.2 million and Afl. 2,604.7 million as of May 21, 2021. Accordingly, the level of reserves remained adequate when benchmarked against the current account payments and the IMF ARA[2] metric (Figure 1).

[1] The MPC was instituted in May 2010 to periodically evaluate and determine the monetary policy of the CBA. In addition, the MPC aims at improving the transparency of the monetary policy.

[2] The IMF ARA metric refers to "Assessing Reserve Adequacy Metric" from the International Monetary Fund, which measures the adequacy of official reserves by benchmarking these against a weighted average of broad money, intercompany lending, short-term and long-term debt, and export of goods and services.

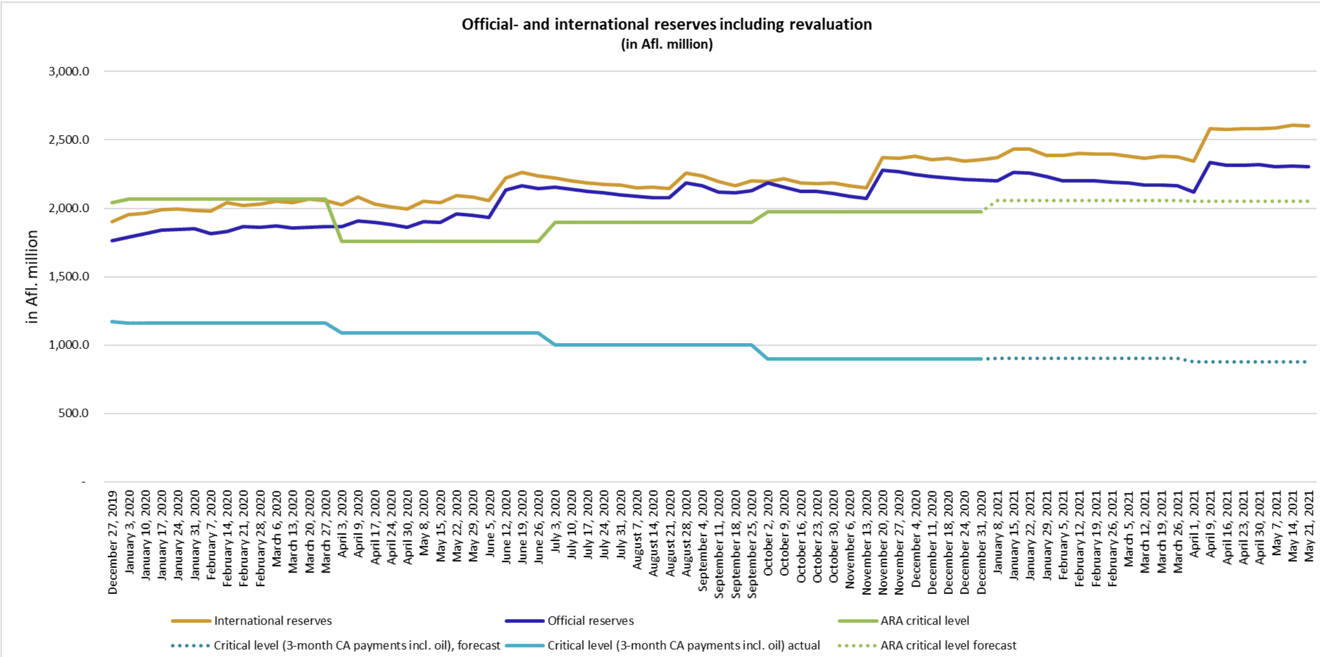

Figure 1: Developments in official and international reserves.

Credit developments

In April 2021, total credit contracted by Afl. 44.2 million or 1.1 percent to Afl. 3,920.0 million, when compared to the end of 2020. This was driven by the categories 'loans to individuals' (-Afl. 25.1 million or -1.3 percent), 'business loans' (-Afl. 14.3 million or -0.9 percent), and 'other' (-Afl. 4.9 million or -0.9 percent). The category 'loans to individuals' was mostly influenced by a lower demand in consumer credit and to a lesser extent due to decreasing housing mortgages. Meanwhile, the component 'business loans' was for the most part negatively impacted by current account loans, commercial mortgages, and term loans equal to or below two years, all of which showed a decrease.

Inflation

The CPI was 0.4 percent lower in April 2021, compared to the corresponding month a year earlier (Figure 2). This was mainly attributed to lower prices in the categories 'recreation and culture' and 'clothing and footwear'. The 12-month average inflation rate continued its downward trend reaching -2.3 percent in April 2021. When excluding energy and food, the 12-month average core inflation rate stood at -1.0 percent in April 2021, down from 0.1 percent in December 2020.

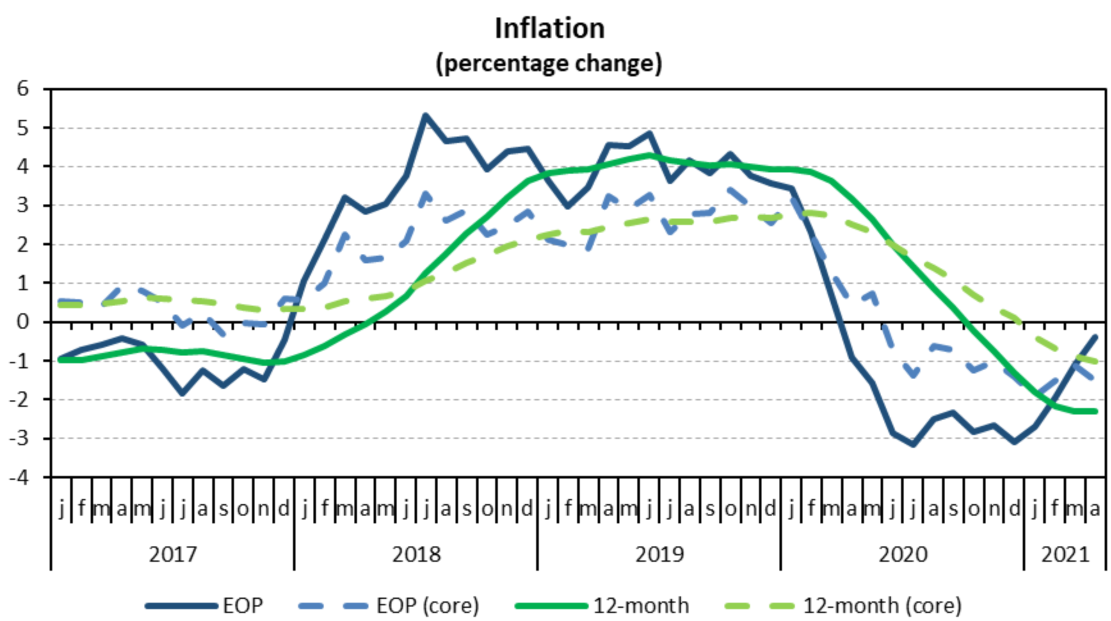

Figure 2: Inflation

Prudential liquidity

The prudential liquidity ratio of the commercial banks, which measures the amount of their liquid assets to their total net assets, remained at a comfortable level in April 2021 (36.6 percent), far above the minimum required prudential liquidity ratio of 15.0 percent.

Centrale Bank van Aruba

July 15, 2021