

Quarterly Economic Bulletin Financial Sector Q1 2022

January 24, 2023



CENTRALE BANK VAN ARUBA

Cover design:

Our golden tree, our Kibrahacha. Resilient, firmly rooted, and gives a beautiful bloom.

It offers us shade and protection if needed. When it breaks out, it displays an overwhelming yellow, illustrating a brighter and bolder future.

The full text of this report is available on the CBA website.

Net foreign assets increased in the first quarter of 2022

Quarterly economic bulletin
Results for the first quarter of 2022

Money and credit

In the first quarter of 2022, the money supply expanded by Afl. 36.7 million to Afl. 5,404.8 million, compared to the fourth quarter of 2021 (Table 1 and Chart 1). This rise resulted from an increase in net foreign assets (+Afl. 403.4 million) and a decline in net domestic assets (-Afl. 366.7 million).

Table 1: Monetary survey (figures in Afl. million)	2021		2022	Changes	
	Q1	Q4	Q1	Q1-22 vs Q1-21	Q1-22 vs Q4-21
I. Net domestic assets	2,760.6	2,483.8	2,117.1	-643.5	-366.7
A. Domestic credit	3,982.2	3,787.6	3,443.6	-538.6	-344.0
◦ Net claims on the public sector	536.2	364.3	51.7	-484.5	-312.6
◦ Claims on the private sector	3,446.1	3,423.3	3,391.9	-54.2	-31.4
▪ Loans to enterprises	1,519.8	1,501.3	1,478.6	-41.2	-22.7
▪ Loans to individuals	1,913.7	1,909.5	1,900.7	-13.0	-8.8
- Consumer credit	455.6	424.1	407.3	-48.3	-16.8
- Housing mortgages	1,458.1	1,485.4	1,493.4	35.3	8.0
▪ Other claims by the banking sector	12.5	12.6	12.5	0.0	0.0
B. Non-credit-related balance sheet items	-1,221.6	-1,303.8	-1,326.5	-104.9	-22.7
II. Net foreign assets	2,096.9	2,884.3	3,287.8	1,190.9	403.4
III. Broad money	4,857.5	5,368.1	5,404.8	547.3	36.7
Money	2,814.6	3,187.4	3,323.3	508.7	135.9
Quasi-money	2,042.9	2,180.7	2,081.5	38.6	-99.2

Source: Centrale Bank van Aruba.

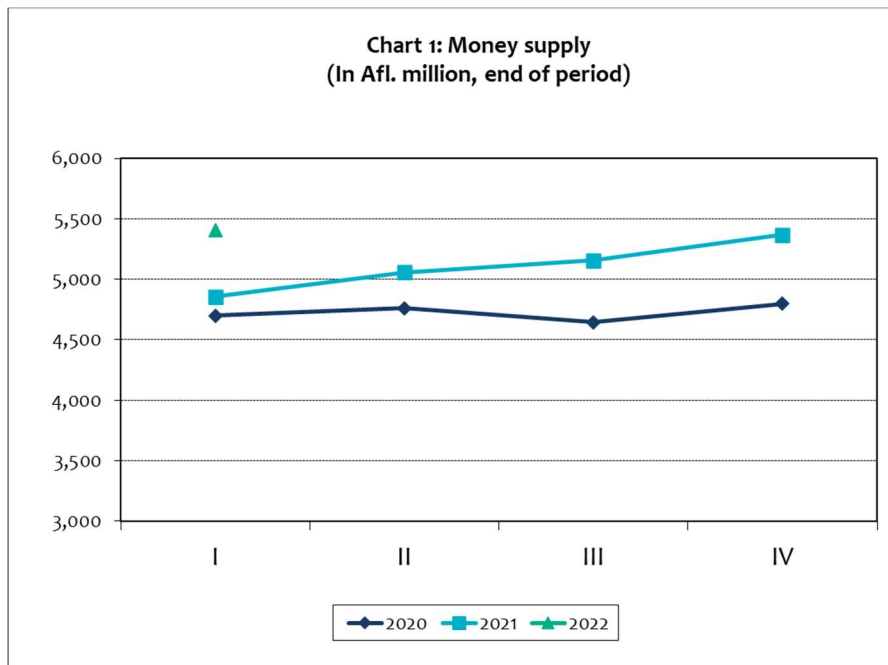
The contraction in the domestic component of the money supply was the result of decreases in domestic credit of Afl. 344.0 million and in non-credit related balance sheet items of Afl. 22.7 million. The decline in non-credit related balance sheet items resulted from reductions in 'premises and equipment' and 'provision for loan losses', in addition to increases in 'accounts receivable and prepayments' and 'shareholders' equity'.

The narrowing domestic credit was due to a fall in net claims of the banking sector on the public sector (-Afl. 312.6 million) as well as a decrease in claims of the banking sector on the private sector (-Afl. 31.4 million). The lower net claims of the banking sector on the public sector resulted from higher government deposits (+Afl. 300.1 million) and lower gross claims (-Afl. 12.4 million). The lower claims of the banking sector on the private sector were caused by downturns in loans to enterprises (-Afl. 22.7 million) and consumer credit (-Afl. 16.8 million), and an increase in housing mortgages (+Afl. 8.0 million).

in the weighted average rate of interest charged on new loans, and a decline of 0.3 percentage point to 1.3 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)	2021		
	Q1	Q4	Q1
Weighted average rate of interest on new deposits	2.1	1.6	1.3
Time deposits ≤ 12 months	1.6	1.4	1.1
Time deposits > 12 months	2.8	2.4	2.3
Savings deposits	1.4	1.3	1.4
Weighted average rate of interest on new loans	6.3	6.5	6.2
Individual			
Consumer credit	9.5	9.6	9.1
Housing mortgages	5.4	5.5	5.5
Commercial			
Commercial mortgages	6.2	6.3	5.8
Other loans - Including current accounts (overdraft) facilities	6.0	6.3	6.5
Interest rate margin	4.2	4.9	4.9

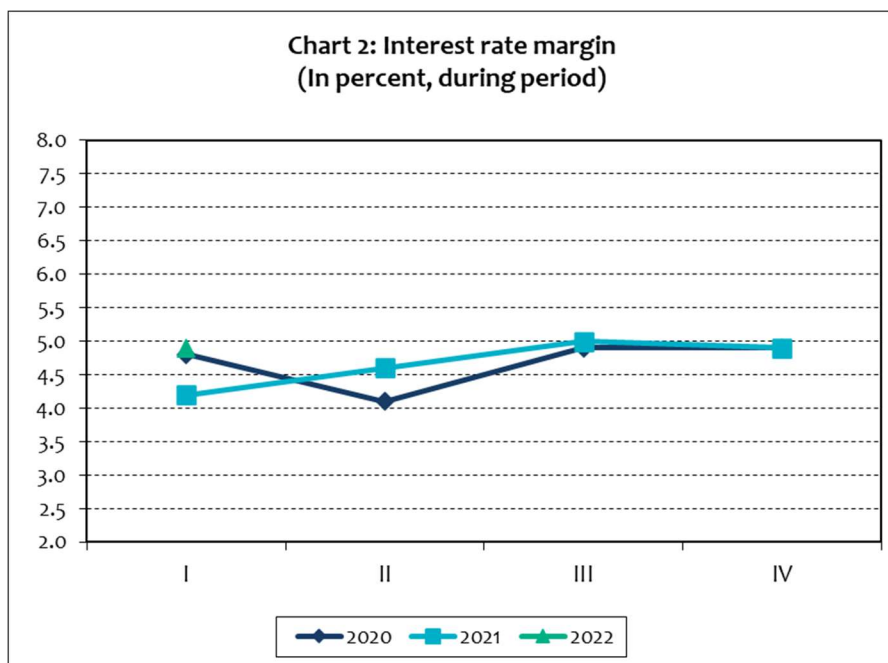
Source: Centrale Bank van Aruba.



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) remained the same at 4.9 percent in the first quarter of 2022, when compared to the fourth quarter of 2021 (Table 2 and Chart 2). This resulted from a decrease of 0.3 percentage point to 6.2 percent



Source: Centrale Bank van Aruba.

Nonmonetary financial institutions

The aggregated balance sheet total of the nonmonetary financial institutions decreased by Afl. 44.8 million or 0.9 percent to Afl. 4,981.4 million, compared to the fourth quarter of 2021 (Table 3). This decline was caused by a decrease in net foreign assets (-Afl. 48.2million) and a rise in domestic claims (+Afl. 3.4 million). On the liability side, the pension fund provisions grew by Afl. 20.2 million and the insurance reserve fund by Afl. 44.8 million, when compared to the fourth quarter of 2021. In contrast, the 'borrowings and deposits' decreased by Afl.

0.1 million. An amount of Afl. 215.1 million was recorded for other items (net), compared to Afl. 324.9 million in the previous quarter.

End of period	2021		2022	Changes	
	Q1	Q4	Q1	Q1-22 vs Q1-21	Q1-22 vs Q4-21
1. Net foreign assets	1,809.9	1,983.0	1,934.8	124.9	-48.2
2. Domestic claims	3,053.9	3,043.2	3,046.6	-7.3	3.4
a. Government	1,566.3	1,485.8	1,511.7	-54.6	25.9
b. Private sector	1,487.6	1,557.4	1,534.9	47.3	-22.5
3. Total assets = total liabilities	4,863.8	5,026.2	4,981.4	117.6	-44.8
4. Borrowings and deposits	19.3	2.0	1.9	-17.4	-0.1
a. Government	1.8	1.6	1.6	-0.2	0.0
b. Other residents	17.5	0.4	0.3	-17.2	-0.1
5. Pension fund provisions	3,222.1	3,265.0	3,285.2	63.1	20.2
6. Insurance reserve fund	1,423.4	1,434.3	1,479.1	55.7	44.8
7. Other items, net	198.9	324.9	215.1	16.2	-109.8

Source: Centrale Bank van Aruba.

Mortgage market

Housing mortgage lending of the financial institutions expanded by Afl. 5.3 million to Afl. 2,049.3 million at the end of March 2021, compared to the end of December 2021 (Table 4 and Chart 3). This rise resulted from an increase in housing mortgage lending by the commercial banks (+Afl. 8.7 million) and life insurance companies (+Afl. 2.5 million). In contrast, lending by mortgage banks (-Afl. 2.6

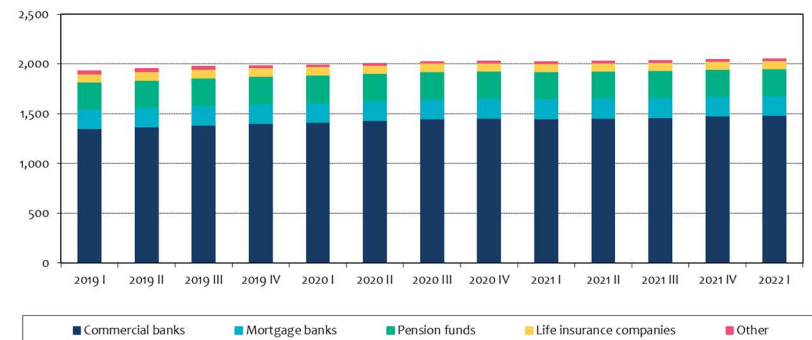
million), pension funds (-Afl. 2.9 million), and other financial institution (-Afl. 0.4 million) decreased.

End of period	2021						2022		
	Q1			Q4			Q1		
	Afl.	Change	Market share	Afl.	Change	Market share	Afl.	Change	Market share
Total	2,022.8	-3.1	100.0%	2,044.0	11.2	100.0%	2,049.3	5.3	100.0%
Commercial banks	1,450.9	-1.4	71.7%	1,477.6	15.4	72.3%	1,486.3	8.7	72.5%
Mortgage banks	199.5	-2.5	9.9%	197.7	-1.6	9.7%	195.1	-2.6	9.5%
Pension funds	272.9	-1.0	13.5%	271.2	-1.5	13.3%	268.3	-2.9	13.1%
Life Insurance Companies	82.5	0.8	4.1%	80.8	-1.0	4.0%	83.3	2.5	4.1%
Other	16.9	0.9	0.8%	16.6	-0.1	0.8%	16.2	-0.4	0.8%

Source: Centrale Bank van Aruba.

At the end of March 2022, there was an increase in the market share of the commercial banks (+0.8 percentage point) when compared to the first quarter of 2021. In contrast, the market share contracted for mortgage banks (-0.4 percentage point) and pension funds (-0.4 percentage point). The market share for life insurance companies and other financial institutions remained the same.

Chart 3: Housing mortgages financial sector
(In Afl. million)



Source: Centrale Bank van Aruba.



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