

Quarterly Economic Bulletin Financial Sector Q2 2022

February 14, 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.

Loans to enterprises and housing mortgages increased in the second quarter of 2022

Quarterly economic bulletin
Results for the second quarter of 2022

Money and credit

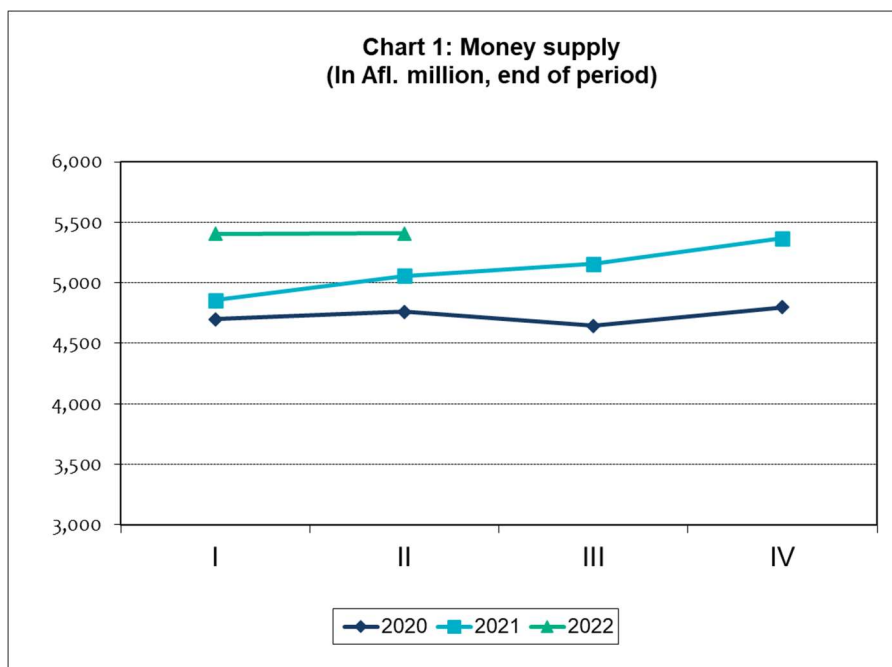
In the second quarter of 2022, the money supply increased by Afl. 3.7 million to Afl. 5,408.5 million, compared to the first quarter of 2022 (Table 1 and Chart 1). This rise resulted from a lower net foreign assets (-Afl. 0.9 million) and a higher net domestic assets (+Afl. 4.7 million).

Table 1: Monetary survey (figures in Afl. million)	2021	2022		Changes	
	Q2	Q1	Q2	Q2-22 vs Q2-21	Q2-22 vs Q1-22
I. Net domestic assets	2,651.5	2,117.1	2,121.7	-529.8	4.7
A. Domestic credit	3,904.9	3,443.6	3,477.7	-427.2	34.1
◦ Net claims on the public sector	481.0	51.7	50.6	-430.4	-1.1
◦ Claims on the private sector	3,424.0	3,391.9	3,427.1	3.1	35.2
▪ Loans to enterprises	1,505.2	1,478.6	1,500.4	-4.8	21.8
▪ Loans to individuals	1,906.2	1,900.7	1,914.1	7.9	13.4
- Consumer credit	444.3	407.3	408.8	-35.5	1.5
- Housing mortgages	1,461.9	1,493.4	1,505.3	43.4	11.9
▪ Other claims by the banking sector	12.5	12.5	12.6	0.1	0.1
B. Non-credit-related balance sheet items	-1,253.4	-1,326.5	-1,356.0	-102.6	-29.5
II. Net foreign assets	2,404.8	3,287.8	3,286.8	882.0	-0.9
III. Broad money	5,056.3	5,404.8	5,408.5	352.2	3.7
Money	3,005.5	3,323.3	3,335.3	329.8	12.0
Quasi-money	2,050.8	2,081.5	2,073.2	22.4	-8.3

Source: Centrale Bank van Aruba.

The expansion in the domestic component of the money supply was the result of a rise in domestic credit of Afl. 34.1 million and a decline in non-credit related balance sheet items of Afl. 29.5 million. The decline in non-credit related balance sheet items resulted from reductions in 'accounts receivable and prepayments', and 'taxes payable' in addition to an increase in 'shareholders' equity'.

The expanding domestic credit was due to a rise in claims of the banking sector on the private sector (+Afl. 35.2 million), as well as a decrease in net claims of the banking sector on the public sector (-Afl. 1.1 million). The higher claims of the banking sector on the private sector were caused by upturns in loans to enterprises (+Afl. 21.8 million), housing mortgages (+Afl. 11.9 million), and consumer credit (+Afl. 1.5 million).



Source: Centrale Bank van Aruba.

Interest rate margin

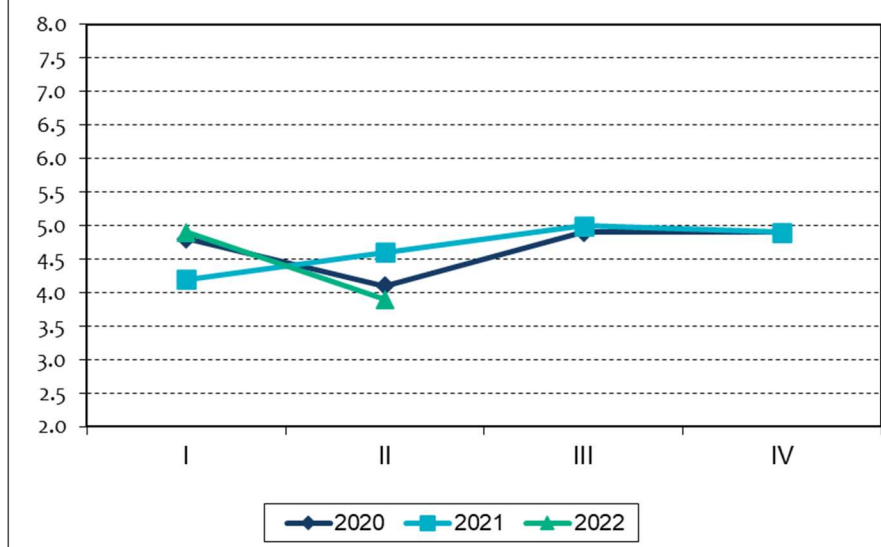
The interest rate margin of the commercial banks (calculated as the differential between the weighted average rate of interest paid on new loans and the weighted average rate of interest offered on new deposits) decreased to 3.9 percent in the second quarter of 2022, when compared to the first quarter of 2022 (Table 2 and Chart 2). This resulted from an increase of 1.3 percentage point to 2.6 percent in the weighted average rate of interest offered on new deposits and an

increase of 0.2 percentage point to 6.4 percent in the weighted average rate of interest charged on new loans.

Table 2: Interest rates of the commercial banks (weighted averages related to transactions during indicated period)	2021	2022	
	Q2	Q1	Q2
Weighted average rate of interest on new deposits	2.0	1.3	2.6
Time deposits ≤ 12 months	1.7	1.1	2.7
Time deposits > 12 months	2.8	2.3	2.1
Savings deposits	1.5	1.4	1.2
Weighted average rate of interest on new loans	6.5	6.2	6.4
Individual			
Consumer credit	9.0	9.1	9.1
Housing mortgages	5.5	5.5	5.3
Commercial			
Commercial mortgages	6.3	5.8	6.1
Other loans - Including current accounts (overdraft) facilities	6.3	6.5	6.5
Interest rate margin	4.6	4.9	3.9

Source: Centrale Bank van Aruba.

**Chart 2: Interest rate margin
(In percent, during period)**



Source: Centrale Bank van Aruba.

Nonmonetary financial institutions

The aggregated balance sheet total of the nonmonetary financial institutions decreased by Afl. 135.8 million or 2.7 percent to Afl. 4,845.6 million, compared to the first quarter of 2022 (Table 3). This decline was caused by a drop in net foreign assets (-Afl. 134.0 million) and a decrease in domestic claims (-Afl. 1.8 million). On the liability side, there were increases in the insurance reserve fund (+Afl. 31.9 million), the pension fund provisions (+Afl. 16.3 million), and the 'borrowings and deposits' (+Afl. 0.1 million) when compared to the first

quarter of 2022. An amount of Afl. 31.1 million was recorded for other items (net), compared to Afl. 215.1 million in the previous quarter.

End of period	2021	2022		Changes	
	Q2	Q1	Q2	Q2-22 vs Q2-21	Q2-22 vs Q1-22
1. Net foreign assets	1,886.3	1,934.8	1,800.8	-85.5	-134.0
2. Domestic claims	3,053.3	3,046.6	3,044.8	-8.5	-1.8
a. Government	1,565.7	1,511.7	1,501.2	-64.5	-10.5
b. Private sector	1,487.6	1,534.9	1,543.6	56.0	8.7
3. Total assets = total liabilities	4,939.6	4,981.4	4,845.6	-94.0	-135.8
4. Borrowings and deposits	4.5	1.9	2.0	-2.5	0.1
a. Government	1.8	1.6	1.6	-0.2	0.0
b. Other residents	2.7	0.3	0.4	-2.3	0.1
5. Pension fund provisions	3,241.7	3,285.2	3,301.5	59.8	16.3
6. Insurance reserve fund	1,433.6	1,479.1	1,511.0	77.4	31.9
7. Other items, net	259.9	215.1	31.1	-228.8	-184.0

Source: Centrale Bank van Aruba.

Mortgage market

Housing mortgage lending of the financial institutions expanded by Afl. 13.4 million to Afl. 2,062.7 million at the end of June 2022, compared to the end of March 2022 (Table 4 and Chart 3). This rise resulted from an increase in housing mortgage lending by the commercial banks (+Afl. 10.9 million), pension funds (+Afl. 2.2 million), other financial institution (+Afl. 0.7 million), and life insurance

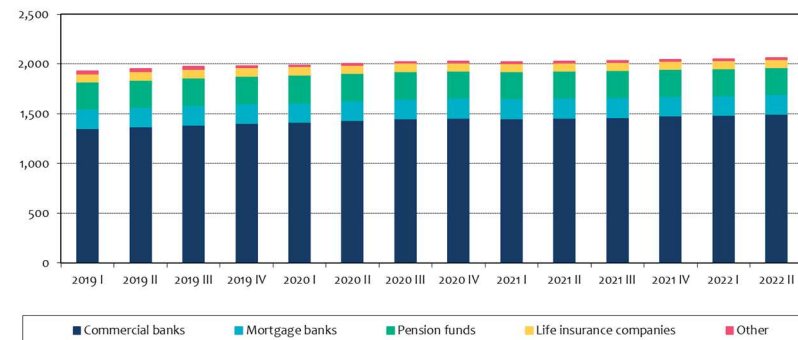
companies (+Afl. 0.2 million). In contrast, lending by mortgage banks (-Afl. 0.5 million) decreased.

End of period	2021			2022					
	Q2			Q1			Q2		
	Afl.	Change	Market share	Afl.	Change	Market share	Afl.	Change	Market share
Total	2,026.9	4.1	100.0%	2,049.3	5.3	100.0%	2,062.7	13.4	100.0%
Commercial banks	1,454.6	3.7	71.8%	1,486.3	8.7	72.5%	1,497.2	10.9	72.6%
Mortgage banks	199.7	0.2	9.9%	195.1	-2.6	9.5%	194.6	-0.5	9.4%
Pension funds	274.8	1.9	13.6%	268.3	-2.9	13.1%	270.5	2.2	13.1%
Life Insurance Companies	81.4	-1.1	4.0%	83.3	2.5	4.1%	83.5	0.2	4.0%
Other	16.4	-0.5	0.8%	16.2	-0.4	0.8%	16.9	0.7	0.8%

Source: Centrale Bank van Aruba.

At the end of June 2022, there was an increase in the market share of the commercial banks (+0.8 percentage point) when compared to the second quarter of 2021. In contrast, the market share contracted for mortgage banks (-0.5 percentage point) and pension funds (-0.5 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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