

Quarterly Economic Bulletin Financial Sector Q3 2022

February 28, 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 decreased in the third quarter of 2022

Quarterly economic bulletin
Results for the third quarter of 2022

Money and credit

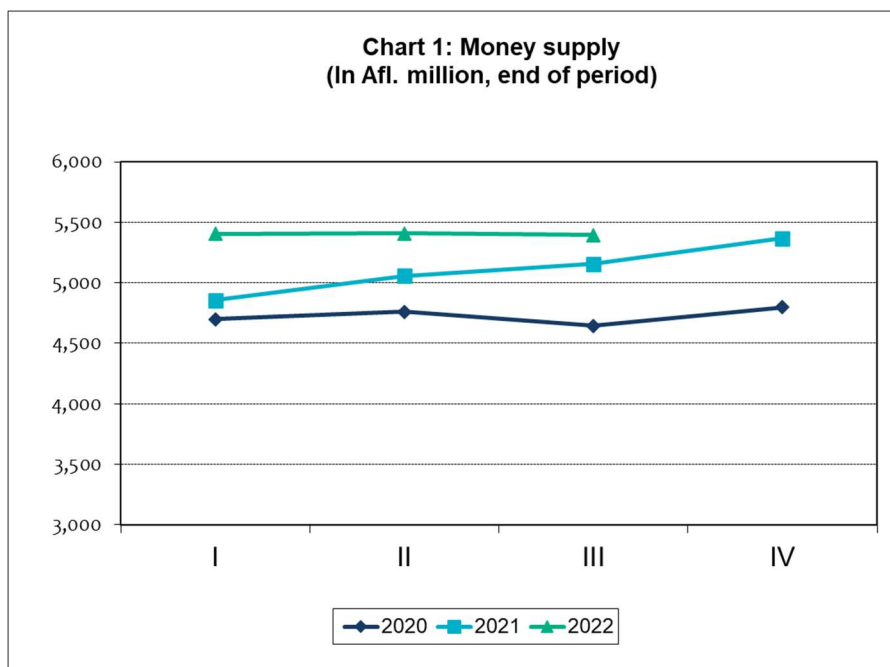
In the third quarter of 2022, the money supply decreased by Afl. 14.2 million to Afl. 5,394.3 million, compared to the second quarter of 2022 (Table 1 and Chart 1). This decline resulted from lower net foreign assets (-Afl. 199.6 million) and higher net domestic assets (+Afl. 185.4 million).

Table 1: Monetary survey (figures in Afl. million)	2021	2022		Changes	
	Q3	Q2	Q3	Q3-22 vs Q3-21	Q3-22 vs Q2-22
I. Net domestic assets	2,512.6	2,121.7	2,307.1	-205.5	185.4
A. Domestic credit	3,808.6	3,477.7	3,668.9	-139.7	191.2
◦ Net claims on the public sector	401.0	50.6	231.9	-169.1	181.3
◦ Claims on the private sector	3,407.6	3,427.1	3,436.9	29.3	9.9
▪ Loans to enterprises	1,490.4	1,500.4	1,497.4	7.0	-3.0
▪ Loans to individuals	1,904.7	1,914.1	1,926.9	22.2	12.8
- Consumer credit	434.6	408.8	403.3	-31.3	-5.5
- Housing mortgages	1,470.1	1,505.3	1,523.6	53.5	18.3
▪ Other claims by the banking sector	12.5	12.6	12.6	0.1	0.0
B. Non-credit-related balance sheet items	-1,296.1	-1,356.0	-1,361.7	-65.6	-5.7
II. Net foreign assets	2,642.1	3,286.8	3,087.2	445.1	-199.6
III. Broad money	5,154.7	5,408.5	5,394.3	239.6	-14.2
Money	3,064.8	3,335.3	3,351.4	286.6	16.1
Quasi-money	2,089.9	2,073.2	2,043.0	-46.9	-30.3

Source: Centrale Bank van Aruba.

The expansion in the domestic component of the money supply was the outcome of a rise in domestic credit of Afl. 191.2 million and a contraction in non-credit related balance sheet items of Afl. 5.7 million. The decline in non-credit related balance sheet items was caused by increases in 'shareholders' equity', and 'other liabilities', 'accounts receivable and prepayments'.

The growth in domestic credit was due to rises in net claims of the banking sector on the public sector (+Afl. 181.3 million) and claims of the banking sector on the private sector (+Afl. 9.9 million). The higher net claims of the banking sector on the public sector were brought about by lower government deposits (-Afl. 187.2 million) and lower gross claims (-Afl. 5.9 million). The higher claims of the banking sector on the private sector were due to an increase in housing mortgages (+Afl. 18.3 million), and decreases in consumer credit (-Afl. 5.5 million) and loans to enterprises (-Afl. 3.0 million).



Source: Centrale Bank van Aruba.

new deposits and a decrease of 0.2 percentage point to 6.2 percent in the weighted average rate of interest charged on new loans.

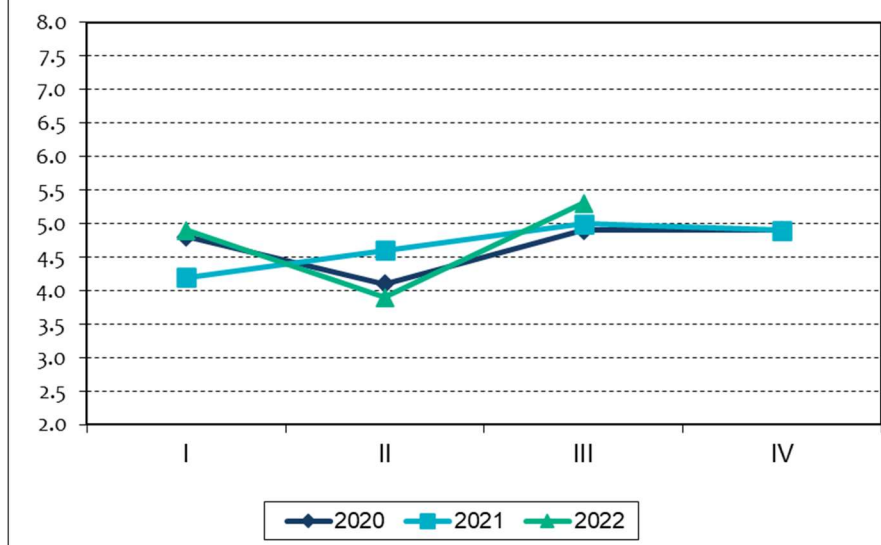
Table 2: Interest rates of the commercial banks (weighted averages related to transactions during indicated period)	2021	2022	
	Q3	Q2	Q3
Weighted average rate of interest on new deposits	1.6	2.6	0.9
Time deposits ≤ 12 months	1.3	2.7	0.6
Time deposits > 12 months	2.5	2.1	2.0
Savings deposits	1.8	1.2	1.2
Weighted average rate of interest on new loans	6.6	6.4	6.2
Individual			
Consumer credit	9.4	9.1	9.2
Housing mortgages	5.5	5.3	5.2
Commercial			
Commercial mortgages	6.3	6.1	6.0
Other loans - Including current accounts (overdraft) facilities	6.3	6.5	6.2
Interest rate margin	5.0	3.9	5.3

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) rose by 1.4 percentage points to 5.3 percent in the third quarter of 2022, when compared to the second quarter of 2022 (Table 2 and Chart 2). This outcome reflected a decrease of 1.7 percentage point to 0.9 percent in the weighted average rate of interest offered on

**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 went down by Afl. 5.1 million or 0.1 percent to Afl. 4,840.5 million, compared to the second quarter of 2022 (Table 3). This decline was caused by a contraction in net foreign assets (-Afl. 62.7 million) and a rise in domestic claims (+Afl. 57.6 million). On the liability side, there were increases in the insurance reserve fund (+Afl. 71.3 million) and the pension fund provisions (+Afl. 16.8 million), while the 'borrowings and deposits' decreased (-Afl. 0.1 million), when

compared to the second quarter of 2022. An amount of -Afl. 62.0 million was recorded for other items (net), compared to Afl. 31.1 million in the previous quarter.

Table 3: Nonmonetary financial institutions End of period	2021	2022		Changes	
	Q3	Q2	Q3	Q3-22 vs Q3-21	Q3-22 vs Q2-22
1. Net foreign assets	1,919.4	1,800.8	1,738.1	-181.3	-62.7
2. Domestic claims	3,036.2	3,044.8	3,102.4	66.2	57.6
a. Government	1,529.6	1,501.2	1,501.0	-28.6	-0.2
b. Private sector	1,506.6	1,543.6	1,601.4	94.8	57.8
3. Total assets = total liabilities	4,955.5	4,845.6	4,840.5	-115.0	-5.1
4. Borrowings and deposits	2.0	2.0	1.9	-0.1	-0.1
a. Government	1.6	1.6	1.4	-0.2	-0.2
b. Other residents	0.4	0.4	0.5	0.1	0.1
5. Pension fund provisions	3,246.3	3,301.5	3,318.3	72.0	16.8
6. Insurance reserve fund	1,449.1	1,511.0	1,582.3	133.2	71.3
7. Other items, net	258.1	31.1	-62.0	-320.1	-93.1

Source: Centrale Bank van Aruba.

Mortgage market

Housing mortgage lending of the financial institutions expanded by Afl. 19.1 million to Afl. 2,081.8 million at the end of September 2022, compared to the end of June 2022 (Table 4 and Chart 3). This rise resulted from increases in housing mortgage lending by the commercial banks (+Afl. 19.1 million) and life insurance companies

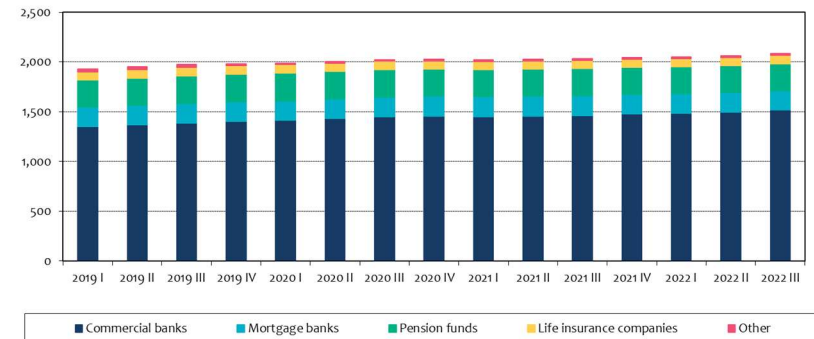
(+Afl. 2.8 million). In contrast, lending by pension funds (-Afl. 1.4 million), other financial institutions (-Afl. 1.0 million), and mortgage banks (-Afl. 0.5 million) decreased.

End of period	2021			2022					
	Q3			Q2			Q3		
	Afl.	Change	Market share	Afl.	Change	Market share	Afl.	Change	Market share
Total	2,032.7	5.8	100.0%	2,062.7	13.4	100.0%	2,081.8	19.1	100.0%
Commercial banks	1,462.2	7.7	71.9%	1,497.2	10.9	72.6%	1,516.3	19.1	72.8%
Mortgage banks	199.3	-0.4	9.8%	194.6	-0.5	9.4%	194.1	-0.5	9.3%
Pension funds	272.7	-2.1	13.4%	270.5	2.2	13.1%	269.1	-1.4	12.9%
Life Insurance Companies	81.8	0.5	4.0%	83.5	0.2	4.0%	86.3	2.8	4.1%
Other	16.6	0.2	0.8%	16.9	0.7	0.8%	15.9	-1.0	0.8%

Source: Centrale Bank van Aruba.

At the end of September 2022, there was an increase in the market share of the commercial banks (+0.9 percentage point) and the life insurance companies (+0.1 percentage point), when compared to the third 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 other financial institutions remained the same.

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



Source: Centrale Bank van Aruba.



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