

Quarterly Economic Bulletin Financial Sector Q4 2022

May 2, 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.

Housing mortgages increased in the fourth quarter of 2022

Quarterly economic bulletin
Results for the fourth quarter of 2022

Money and credit

In the fourth quarter of 2022, the money supply increased by Afl. 151.7 million to Afl. 5,546.1 million, compared to the third quarter of 2022 (Table 1 and Chart 1). This upsurge resulted from higher net domestic assets (+Afl. 127.5 million) and net foreign assets (+Afl. 24.3 million).

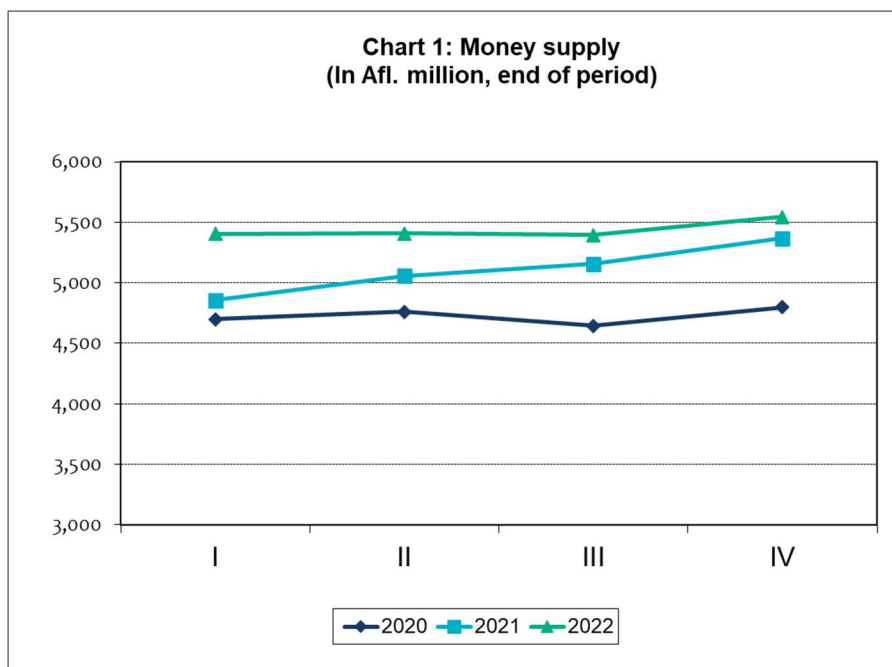
Table 1: Monetary survey (figures in Afl. million)	2021	2022		Changes	
	Q4	Q3	Q4	Q4-22 vs Q4-21	Q4-22 vs Q3-22
I. Net domestic assets	2,481.2	2,307.1	2,434.6	-46.6	127.5
A. Domestic credit	3,787.6	3,668.9	3,838.4	50.9	169.5
◦ Net claims on the public sector	364.3	231.9	357.0	-7.3	125.1
◦ Claims on the private sector	3,423.3	3,436.9	3,481.4	58.1	44.5
▪ Loans to enterprises	1,501.3	1,497.4	1,512.1	10.8	14.6
▪ Loans to individuals	1,909.5	1,926.9	1,956.9	47.4	30.0
- Consumer credit	424.1	403.3	407.0	-17.1	3.7
- Housing mortgages	1,485.4	1,523.6	1,549.9	64.5	26.3
▪ Other claims by the banking sector	12.5	12.6	12.5	-0.1	-0.1
B. Non-credit-related balance sheet items	-1,306.4	-1,361.7	-1,403.8	-97.4	-42.1
II. Net foreign assets	2,884.3	3,087.2	3,111.5	227.1	24.3
III. Broad money	5,365.5	5,394.3	5,546.1	180.6	151.7
Money	3,184.8	3,351.4	3,402.1	217.3	50.7
Quasi-money	2,180.7	2,043.0	2,144.0	-36.8	101.0

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. 169.5 million and a

contraction in non-credit related balance sheet items of Afl. 42.1 million. The decline in non-credit related balance sheet items was caused by decreases in 'Provision for loan losses' and 'accounts receivable and prepayments', and an increase in 'shareholders' equity'.

The growth in domestic credit was due to increases in net claims of the banking sector on the public sector (+Afl. 125.1 million) and claims of the banking sector on the private sector (+Afl. 44.5 million). The higher net claims of the banking sector on the public sector were brought about by higher gross claims (+Afl. 74.6 million) and lower government deposits (-Afl. 50.5 million). The higher claims of the banking sector on the private sector were due to increases in housing mortgages (+Afl. 26.3 million), loans to enterprises (+Afl. 14.6 million), and consumer credit (+Afl. 3.7 million).



Source: Centrale Bank van Aruba.

Interest rate margin

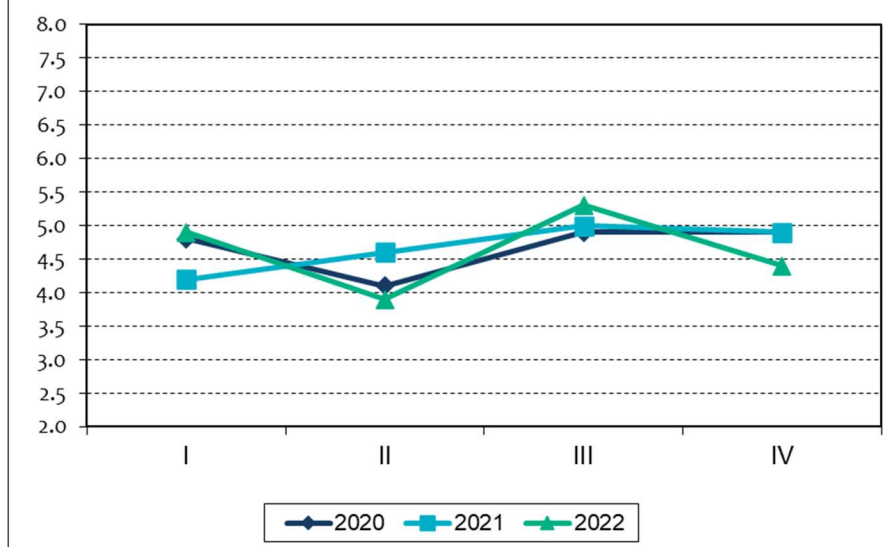
The interest rate margin of the commercial banks (calculated as the differential between the weighted average rate of interest paid on new loans and the weighted average rate of interest offered on new deposits) decreased by 0.9 percentage point to 4.4 percent in the fourth quarter of 2022, when compared to the third quarter of 2022 (Table 2 and Chart 2). This outcome reflected an increase of 0.7 percentage point to 1.6 percent in the weighted average rate of interest offered on new deposits and a decrease of 0.2 percentage

point to 6.0 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	
	Q4	Q3	Q4
Weighted average rate of interest on new deposits	1.6	0.9	1.6
Time deposits ≤ 12 months	1.4	0.6	1.1
Time deposits > 12 months	2.4	2.0	2.8
Savings deposits	1.3	1.2	1.4
Weighted average rate of interest on new loans	6.5	6.2	6.0
Individual			
Consumer credit	9.6	9.2	8.6
Housing mortgages	5.5	5.2	5.2
Commercial			
Commercial mortgages	6.3	6.0	6.0
Other loans - Including current accounts (overdraft) facilities	6.3	6.2	5.9
Interest rate margin	4.9	5.3	4.4

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 rose by Afl. 14.2 million or 0.3 percent to Afl. 4,854.7 million, compared to the third quarter of 2022 (Table 3). This upturn was caused by an expansion in net foreign assets (+Afl. 68.4 million) and a decline in domestic claims (-Afl. 54.2 million). On the liability side, there was an increase in the pension fund provisions (+Afl. 54.8 million) and a decrease in the insurance reserve fund (-Afl. 35.0 million), while the 'borrowings and deposits' remained the same, when

compared to the third quarter of 2022. An amount of -Afl. 67.5 million was recorded for other items (net), compared to -Afl. 62.0 million in the previous quarter.

Table 3: Nonmonetary financial institutions End of period	2021	2022		Changes	
	Q4	Q3	Q4	Q4-22 vs Q4-21	Q4-22 vs Q3-22
1. Net foreign assets	1,983.0	1,738.1	1,806.5	-176.5	68.4
2. Domestic claims	3,043.2	3,102.4	3,048.2	5.0	-54.2
a. Government	1,485.8	1,501.0	1,469.0	-16.8	-32.0
b. Private sector	1,557.4	1,601.4	1,579.2	21.8	-22.2
3. Total assets = total liabilities	5,026.2	4,840.5	4,854.7	-171.5	14.2
4. Borrowings and deposits	2.0	1.9	1.8	-0.2	0.0
a. Government	1.6	1.4	1.4	-0.2	0.0
b. Other residents	0.4	0.5	0.4	0.0	0.0
5. Pension fund provisions	3,265.0	3,318.3	3,373.0	108.0	54.8
6. Insurance reserve fund	1,434.3	1,582.3	1,547.4	113.1	-35.0
7. Other items, net	324.9	-62.0	-67.5	-392.4	-5.6

Source: Centrale Bank van Aruba.

Mortgage market

Housing mortgage lending of the financial institutions expanded by Afl. 36.0 million to Afl. 2,117.8 million at the end of December 2022, compared to the end of September 2022 (Table 4 and Chart 3). This rise resulted from increases in housing mortgage lending by the commercial banks (+Afl. 25.8 million), pension funds (+Afl. 5.2

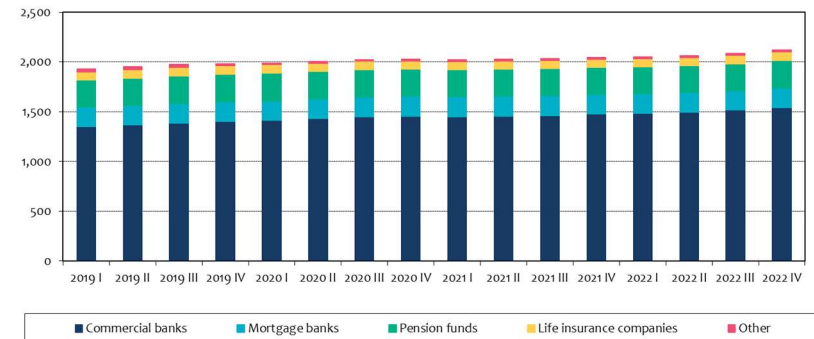
million), mortgage banks (+Afl. 3.3 million), life insurance companies (+Afl. 1.5 million), and other financial institutions (+Afl. 0.2 million).

Table 4: Housing mortgages	2021			2022					
	Q4			Q3			Q4		
	Afl.	Change	Market share	Afl.	Change	Market share	Afl.	Change	Market share
End of period									
Total	2,044.0	11.2	100.0%	2,081.8	19.1	100.0%	2,117.8	36.0	100.0%
Commercial banks	1,477.6	15.4	72.3%	1,516.3	19.1	72.8%	1,542.2	25.8	72.8%
Mortgage banks	197.7	-1.6	9.7%	194.1	-0.5	9.3%	197.4	3.3	9.3%
Pension funds	271.2	-1.5	13.3%	269.1	-1.4	12.9%	274.3	5.2	13.0%
Life Insurance Companies	80.8	-1.0	4.0%	86.3	2.8	4.1%	87.7	1.5	4.1%
Other	16.6	-0.1	0.8%	15.9	-1.0	0.8%	16.2	0.2	0.8%

Source: Centrale Bank van Aruba.

At the end of December 2022, there was an increase in the market share of the commercial banks (+0.5 percentage point) and the life insurance companies (+0.1 percentage point), when compared to the fourth 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 other financial institutions remained the same.

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



Source: Centrale Bank van Aruba.



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