Centrale Bank van Aruba

2025 Q2

Ease of Lending Survey

November 2025

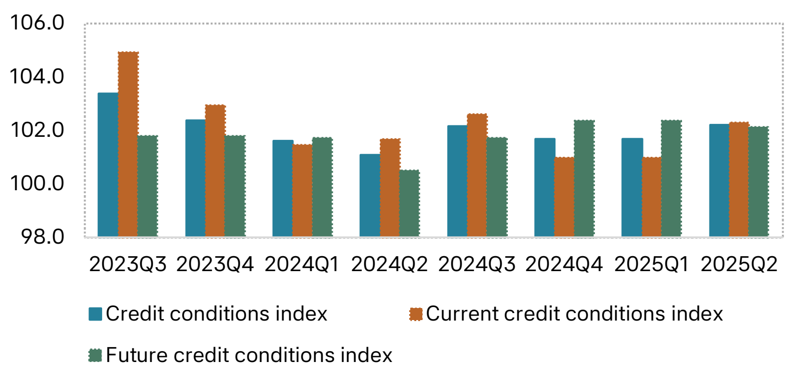
CONTENT

1. DEVELOPMENTS IN CREDIT CONDITIONS

1.1 Credit conditions index

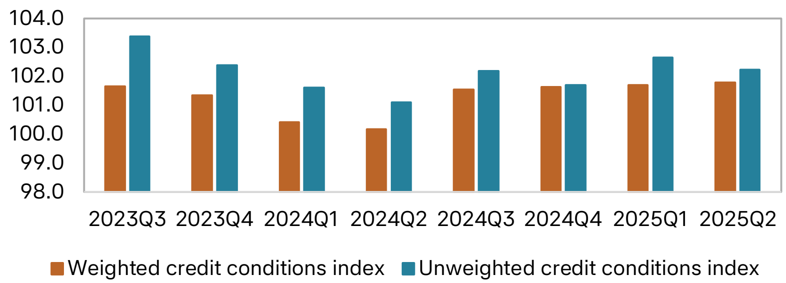
Despite perceiving less favorable credit conditions in the second quarter of 2025 compared to the first quarter, banks remain optimistic overall. The unweighted credit conditions index declined from 102.6 in the first quarter of 2025 to 102.2 in the second quarter of 2025, yet sentiment remains positive as the index stays above the neutral threshold of 100. This decline reflects decreases in both the current credit conditions index (from 102.6 to 102.3) and the future credit conditions index (from 102.6 to 102.1). Notably, banks were less optimistic about credit conditions for businesses. The current credit conditions index for businesses fell from 103.8 to 103.0, while the future index dropped sharply from 103.8 to 102.7 in the second quarter of 2025.

Chart 1: Development in credit conditions index



The weighted credit conditions index, which adjusts commercial bank responses based on loan portfolio size, remained virtually unchanged at 101.8 in the second quarter of 2025, compared to 101.7 in the previous quarter. It is worth noting that the index has risen steadily since the third quarter of 2024. In the unweighted credit conditions, smaller banks appear more prominently. Thus, the more optimistic sentiment on credit conditions was more pronounced among banks with smaller loan portfolios (Chart 2).

Chart 2: Weighted versus unweighted credit conditions index



1.2 Current credit conditions index

Commercial banks noted deteriorated current credit conditions, as the (unweighted) index decreased from 102.6 in the first quarter of 2025 to 102.3 in the second quarter of 2025. A shift in the perception of business loans was the primary driver of this contraction, as previously stronger optimism (2025Q1 index: 103.8) weakened (2025Q2 index: 103.0). In contrast, credit conditions for individuals showed a modest improvement, with the current index rising slightly from 101.4 in the first quarter of 2025 to 101.6 in the second quarter of 2025.

1.3 Future credit conditions index

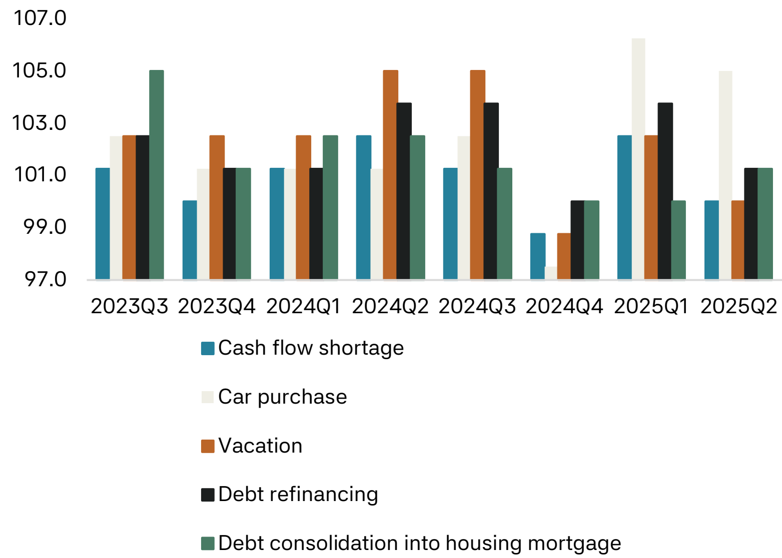
The future credit conditions index declined from 102.6 in the first quarter of 2025 to 102.1 in the second quarter, signaling a less favorable outlook. Accordingly, commercial banks anticipated more constrained credit conditions ahead. Diminished expectations for business loans were the sole driver of this shift, with the future index falling from 103.8 to 102.7. In contrast, expectations for individual loans remained stable, edging up slightly from 101.4 to 101.5.

2. DRIVERS OF CREDIT CONDITIONS

2.1 Drivers of current conditions index

Various supply and demand factors influenced the current credit conditions in the second quarter of 2025. Car loans were the main reason for demand changes to individual loans (Chart 3). In particular, all four commercial banks reported that the demand for car loans "rose a little." The stock of resident car loans corroborates this finding, where it inched up from Afl. 188.2 million end-March 2025 to Afl. 204.1 million end-June 2025 (+8.5 percent).

Chart 3: Factors relevant to individual loan demand, index (current quarter)



On the business side, commercial banks reported higher demand for commercial real estate and capital investment (Chart 4). Specifically, three out of the four commercial banks reported that these categories "rose a lot." Although not one-to-one, the momentum in commercial real estate is evident, as the loans stock related to real estate, renting, and business activities increased from Afl. 895.9 million to Afl. 933.9 million between March 2025 and June 2025 (+4.2 percent).

Chart 4: Factors relevant to business loan demand, index (current quarter)

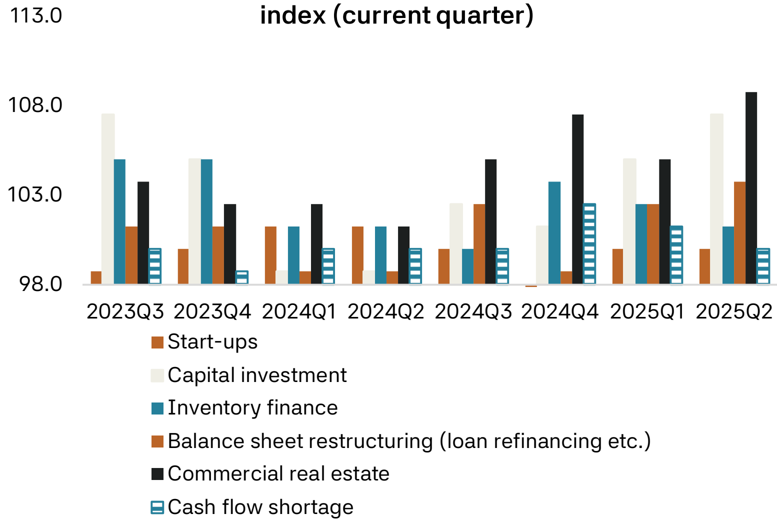
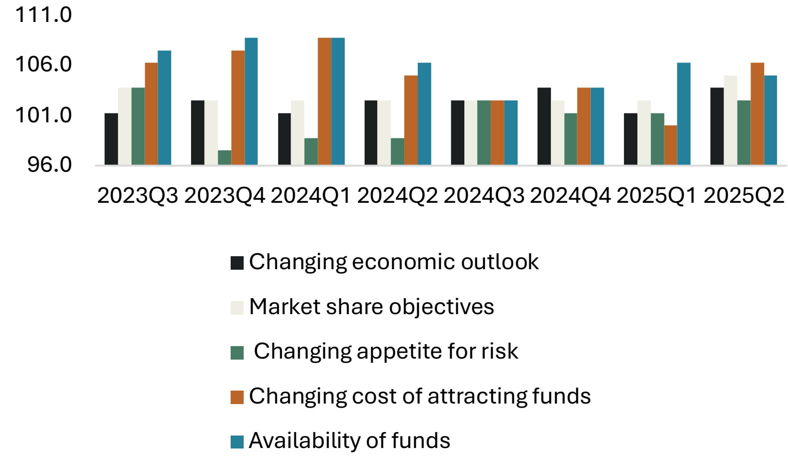
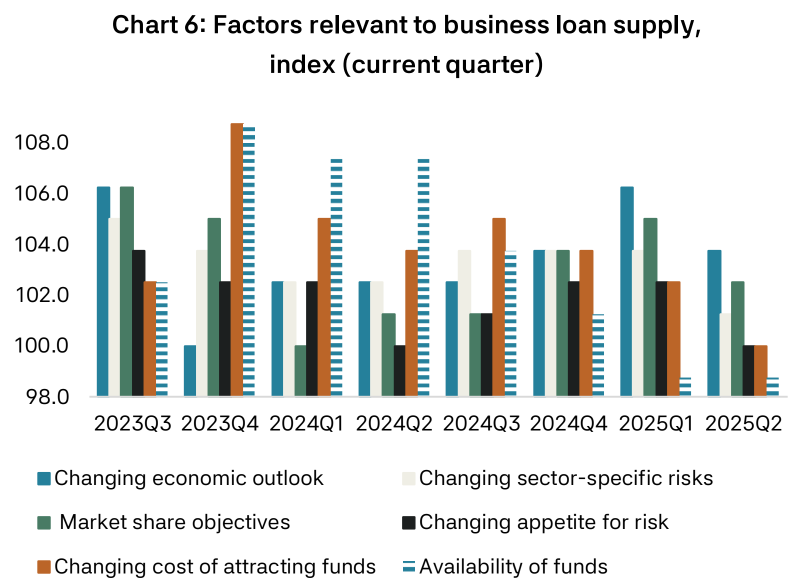


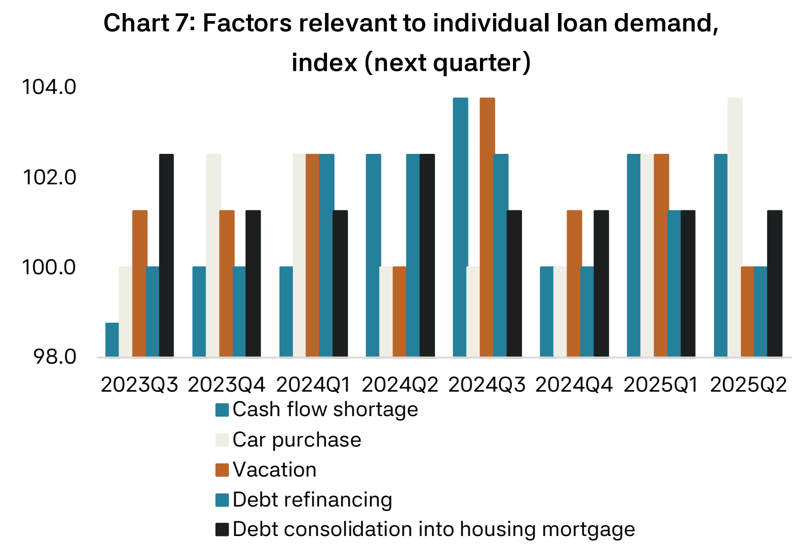
Chart 5: Factors relevant to individual loan supply, index (current quarter)



On the supply side, changing cost of attracting funds was the main contributor to credit to individuals (Chart 5). Market share objectives and the availability of funds also played a role. Regarding the latter, while the ELS survey does not quantify the impact of fund availability on credit extension, excess liquidity at commercial banks serves as a useful proxy. Notably, excess liquidity decreased by Afl. 67.0 million between March 2025 and June 2025. This decline in liquidity suggests that commercial banks are now less well-positioned to extend credit, as they have less funds available for lending.

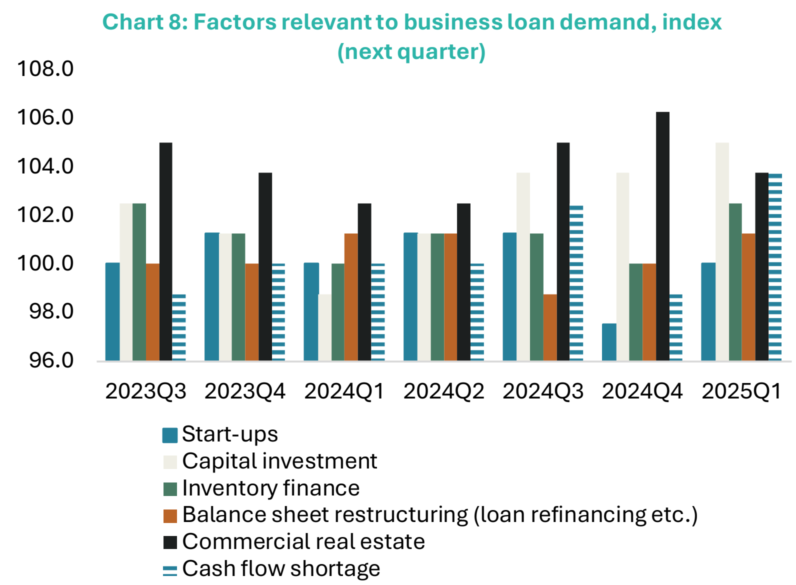
Changing economic outlook and market share objectives were the most prominent drivers of business loan supply (Chart 6). In contrast to the factors influencing individual loan supply, the availability of funds is playing a less significant role for business loan supply compared to previous quarters.





2.2 Drivers of future conditions index

Several supply and demand factors potentially shape the credit conditions in the third quarter of 2025. For individual loans, commercial banks foresee higher demand due to car purchases, cash flow shortages, and debt consolidation into housing mortgage (Chart 7). For commercial loans, businesses are expected to show increased credit demand driven by capital investment, cash flow shortages, inventory financing, balance sheet restructuring, and commercial real estate needs (Chart 8).



Concerning the supply side, commercial banks foresee the changing cost of attracting funds as the most important factor in individuals loans (Chart 9). To a lesser extent, commercial banks also regarded market share objectives and the availability of funds as a relevant factor. For business loan supply, the changing economic outlook – possibly related to the U.S. trade policy uncertainty – and market share objectives will likely play a prominent role (Chart 10).

Chart 9: Factors relevant to individual loan supply, index (next quarter)

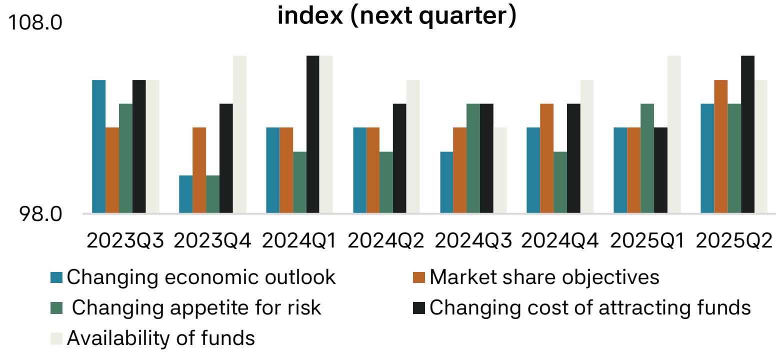
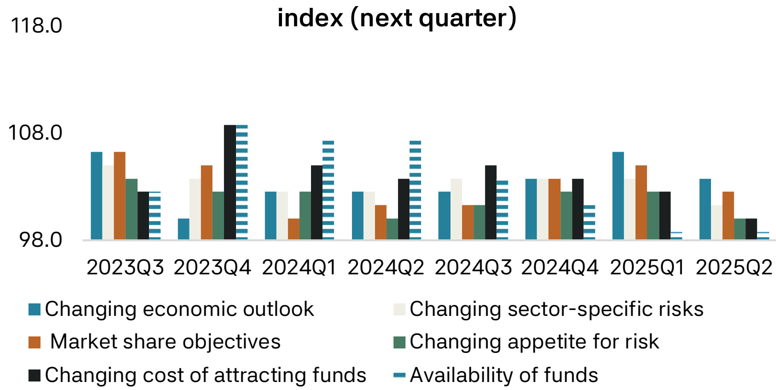


Chart 10: Factors relevant to business loan supply, index (next quarter)

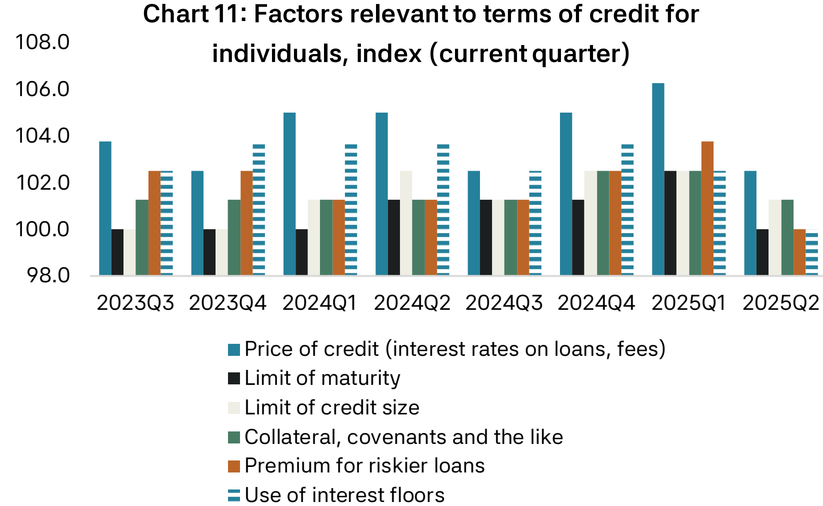


3. EFFECTS OF CREDIT SUPPLY CONDITIONS

3.1 Effects of current supply conditions

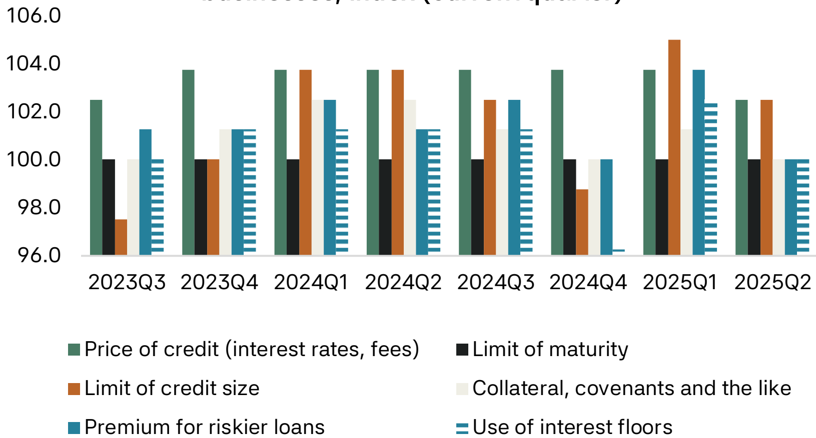
Credit pricing was the primary factor associated with commercial banks' willingness to extend individual credit in the second quarter of 2025 (Chart 11). Although the survey does not specify whether credit prices increased or decreased, supplementary data provide further insights. Specifically, the weighted average interest rate on new individual loans remained unchanged (2025Q1: 6.3 percent; 2025Q2: 6.3 percent). The stationary interest rate, despite its lack of fluctuation, appears to have been the most influential factor in facilitating credit extension to individuals during the second quarter of 2025.

Chart 11: Factors relevant to terms of credit for individuals, index (current quarter)



Limit on credit sizes was one of the primary factors affecting willingness to extend business credit. Furthermore, similar to the two previous quarters and in line with the observations for loans to individuals, credit pricing influenced commercial banks' willingness to supply business credit (Chart 12).

Chart 12: Factors relevant to terms of credit for businesses, index (current quarter)



3.2 Effects of future supply conditions

Various factors reflect commercial banks' eagerness to supply credit in the short term. For individual loans, credit pricing, credit size limits, and 'collateral, covenants and the like' stood out as the main factors (Chart 13). Meanwhile, credit size limits, credit pricing, and maturity limits were the chief factors for business loans (Chart 14).

Chart 13: Factors relevant to terms of credit for individuals, index (next quarter)

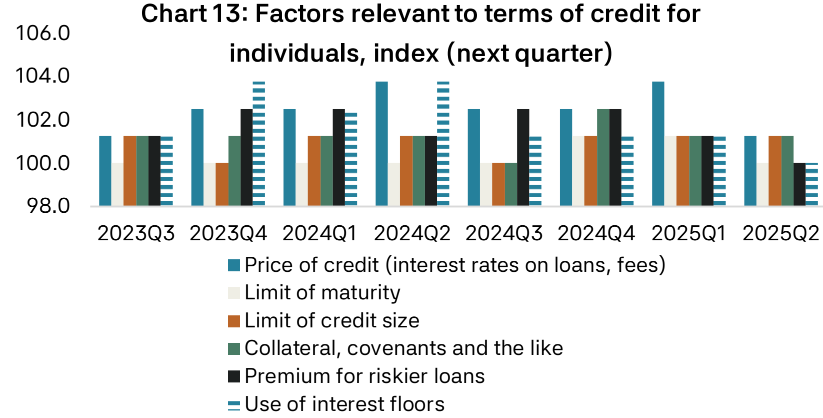
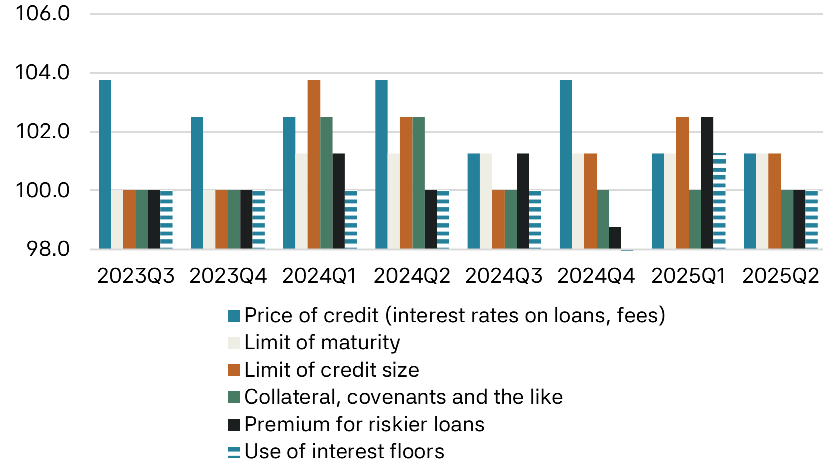
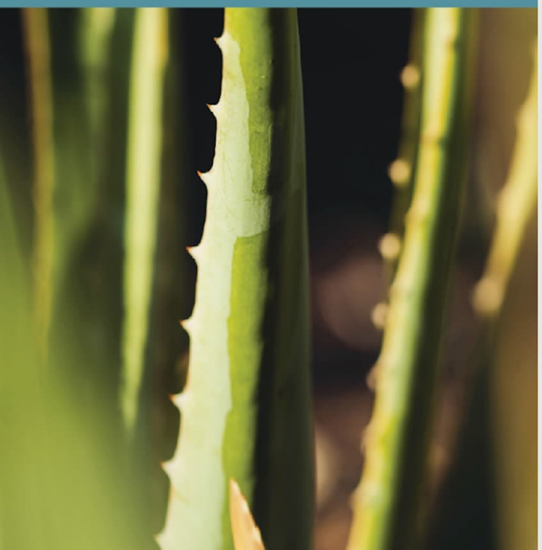


Chart 14: Contributors to terms of credit change for businesses, index (next quarter)



3.3 Concluding remarks

Commercial banks maintained a positive sentiment about credit conditions despite a deterioration in the second quarter of 2025. The overall (unweighted) credit conditions index decreased from 102.6 in 2025Q1 to 102.2 in 2025Q2. This development reflects declines in both the current credit conditions index (from 102.6 to 102.3) and the future credit conditions index (from 102.6 to 102.1).



Tel: (297) 5252 100
J.E. Irausquin Boulevard 8 P.O. Box 18
Oranjestad, Aruba