



CENTRALE BANK VAN ARUBA

Statistical News Release

Date: September 15, 2020

Monetary and financial developments during the second quarter of 2020: Loans to enterprises and housing mortgages increased

Money and credit

In the second quarter of 2020, the money supply expanded by Afl. 60.8 million to Afl. 4,761.5 million, compared to the first quarter of 2020 (Table 1 and Chart 1). This growth resulted from an increase in net foreign assets (+Afl. 154.7 million) and a decrease in net domestic assets (-Afl. 93.8 million).

Table 1: Monetary survey (figures in Afl. million)	2019	2020		Changes	
	Q2	Q1	Q2	Q2-20 vs Q2-19	Q2-20 vs Q1-20
I. Net domestic assets	2,663.1	2,887.6	2,793.8	130.7	-93.8
A. Domestic credit	3,794.0	4,010.6	3,940.5	146.5	-70.1
◦ Net claims on the public sector	378.6	560.8	447.4	68.8	-113.4
◦ Claims on the private sector	3,415.4	3,449.8	3,493.0	77.6	43.3
▪ Loans to enterprises	1,510.1	1,511.4	1,538.6	28.5	27.2
▪ Loans to individuals	1,893.2	1,925.6	1,941.7	48.5	16.0
- Consumer credit	521.6	507.4	505.1	-16.5	-2.3
- Housing mortgages	1,371.6	1,418.2	1,436.6	65.0	18.4
▪ Other claims by the banking sector	12.1	12.8	12.8	0.7	0.0
B. Non-credit-related balance sheet items	-1,130.9	-1,123.0	-1,146.7	-15.8	-23.7
II. Net foreign assets	1,772.2	1,813.0	1,967.7	195.5	154.7
III. Broad money	4,435.3	4,700.6	4,761.5	326.2	60.8
Money	2,530.8	2,670.9	2,746.2	215.4	75.3
Quasi-money	1,904.5	2,029.7	2,015.2	110.7	-14.5

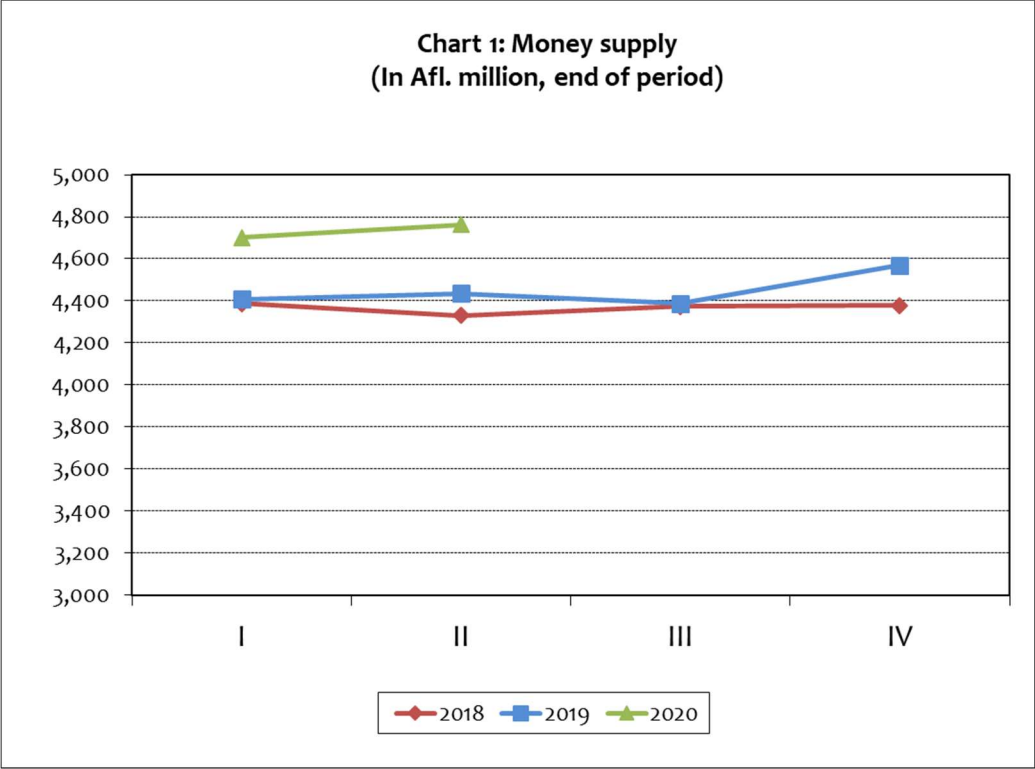
Source: Centrale Bank van Aruba

The contraction in the domestic component of the money supply was the result of decreases in domestic credit of Afl. 70.1 million and in non-credit related balance sheet items of Afl. 23.7 million. The decline in the non-credit related balance sheet items was mainly the result of decreases in 'Shareholders' Equity', 'Other Investments', and 'Accounts receivable and prepayments', and increases in 'Provision for loan losses' and 'Other liabilities'.

The decrease in domestic credit was caused by a contraction in the net claims of the banking sector on the public sector (-Afl. 113.4 million) and a rise in the claims of the banking sector on the private sector (+Afl. 43.3 million). The lower net claims of the banking sector on the public sector resulted

from higher government deposits (+Afl. 71.6 million) and a decrease in gross claims (-Afl. 41.8 million).

The higher claims of the banking sector on the private sector was caused by increases in loans to enterprises (+Afl. 27.2 million) and housing mortgages (+Afl. 18.4 million), and a decrease in consumer credit (-Afl. 2.3 million).



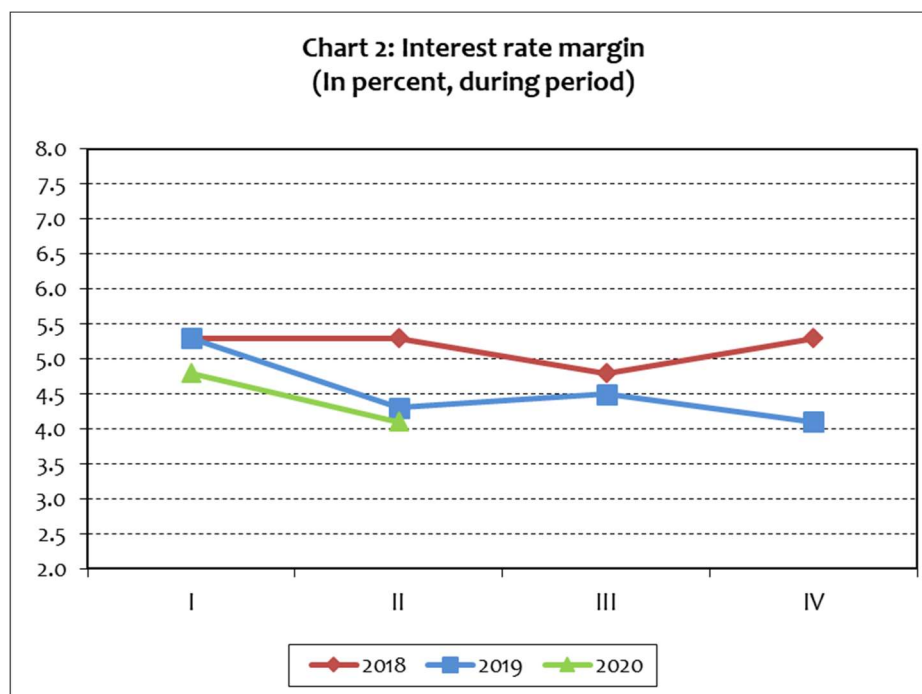
Source: Centrale Bank van Aruba

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 0.7 percentage point to 4.1 percent in the second quarter of 2020, when compared to the first quarter of 2020 (Table 2 and Chart 2). This resulted from a decrease of 0.7 percentage point to 6.1 percent in the weighted average rate of interest charged on new loans, while the weighted average rate of interest offered on new deposits remained unchanged at 2.0 percent.

Table 2: Interest rates of the commercial banks (weighted averages related to transactions during indicated period)	2019	2020	
	Q2	Q1	Q2
Weighted average rate of interest on new deposits	2.5	2.0	2.0
Time deposits ≤ 12 months	1.1	1.6	1.8
Time deposits > 12 months	4.1	2.7	2.7
Savings deposits	1.6	1.5	1.6
Weighted average rate of interest on new loans	6.8	6.8	6.1
<i>Individual</i>			
Consumer credit	9.0	9.2	8.6
Housing mortgages	5.7	5.6	5.4
<i>Commercial</i>			
Commercial mortgages	6.5	6.5	6.0
Other loans - Including current accounts (overdraft) facilities	6.7	6.3	6.5
Interest rate margin	4.3	4.8	4.1

Source: Centrale Bank van Aruba



Source: Centrale Bank van Aruba

Nonmonetary financial institutions

The aggregated balance sheet total of the nonmonetary financial institutions increased by Afl. 150.4 million or 3.4 percent to Afl. 4,582.4 million, compared to the first quarter of 2020 (Table 3). This

growth was caused by an increase in net foreign assets (+Afl. 151.2 million) and a decrease in domestic claims (-Afl. 0.8 million). On the liability side, Afl. 42.0 million was recorded for other items (net), compared to a negative Afl. 89.9 million in the previous quarter. When compared to the first quarter of 2020, the pension fund provisions and the insurance reserve fund grew by Afl. 19.3 million and Afl. 1.0 million, respectively, while the 'borrowings and deposits' declined by Afl. 1.6 million.

Table 3: Nonmonetary financial institutions End of period	2019	2020		Changes	
	Q2	Q1	Q2	Q2-20 vs Q2-19	Q2-20 vs Q1-20
1. Net foreign assets	1,553.1	1,478.5	1,629.7	76.6	151.2
2. Domestic claims	2,910.8	2,953.5	2,952.7	41.9	-0.8
a. Government	1,468.2	1,456.0	1,447.9	-20.3	-8.1
b. Private sector	1,442.6	1,497.5	1,504.8	62.2	7.3
3. Total assets = total liabilities	4,463.9	4,432.0	4,582.4	118.5	150.4
4. Borrowings and deposits	12.9	20.2	18.5	5.6	-1.6
a. Government	2.0	2.0	2.0	0.0	0.0
b. Other residents	10.9	18.2	16.5	5.6	-1.6
5. Pension fund provisions	3,093.0	3,142.8	3,162.1	69.1	19.3
6. Insurance reserve fund	1,295.4	1,358.9	1,359.8	64.4	1.0
7. Other items, net	62.6	-89.9	42.0	-20.6	131.8

Source: Centrale Bank van Aruba

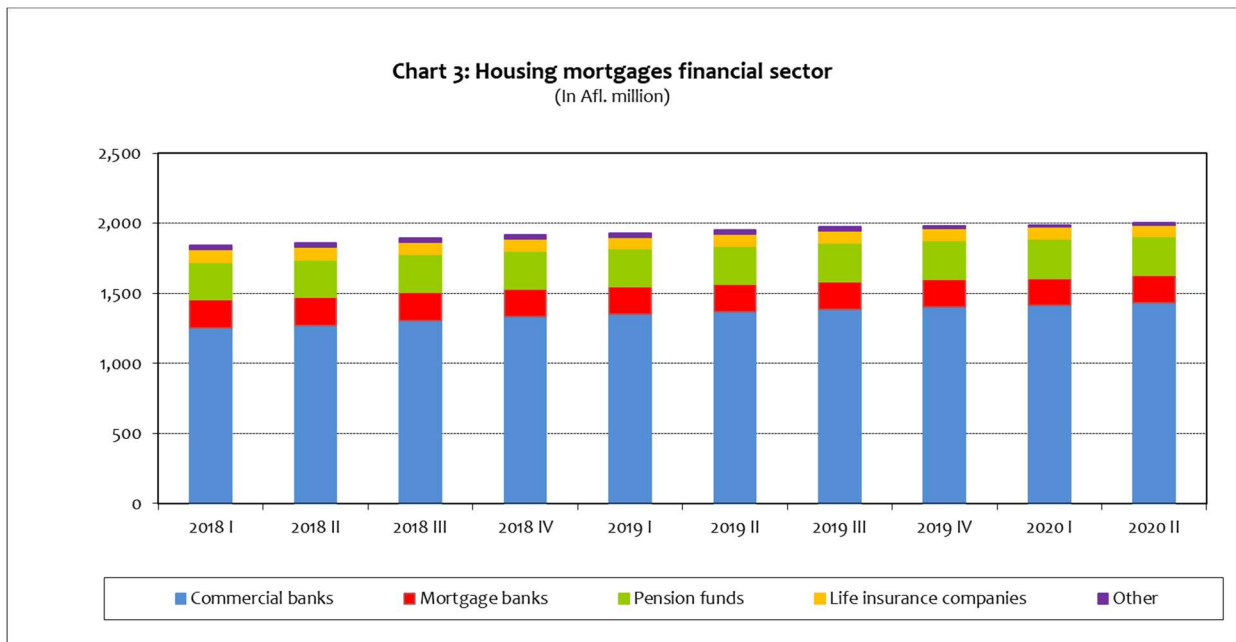
Mortgage market

Housing mortgage lending of the financial institutions expanded by Afl. 16.5 million to Afl. 2,005.0 million at the end of June 2020, compared to the end of March 2020 (Table 4 and Chart 3). This increase resulted from the growth in housing mortgage lending by the commercial banks (+Afl. 18.4 million) and other financial institutions (+Afl. 0.7 million). In contrast, housing mortgage lending by life insurance companies (-Afl. 2.2 million), pension funds (-Afl. 0.3 million), and mortgage banks (-Afl. 0.1 million) decreased.

Table 4: Housing mortgages	2019			2020					
	Q2			Q1			Q2		
	Afl.	Change	Market share	Afl.	Change	Market share	Afl.	Change	Market share
End of period									
Total	1,950.6	20.8	100.0%	1,988.5	9.2	100.0%	2,005.0	16.5	100.0%
Commercial banks	1,366.3	17.3	70.0%	1,412.0	9.2	71.0%	1,430.4	18.4	71.3%
Mortgage banks	195.8	-0.9	10.0%	195.4	0.6	9.8%	195.3	-0.1	9.7%
Pension funds	276.4	3.8	14.2%	280.4	0.5	14.1%	280.1	-0.3	14.0%
Life Insurance Companies	82.2	1.0	4.2%	84.6	-0.7	4.3%	82.3	-2.2	4.1%
Other	29.9	-0.4	1.5%	16.2	-0.3	0.8%	16.9	0.7	0.8%

Source: Centrale Bank van Aruba

At the end of June 2020, there was an increase in the market share of the commercial banks of 1.3 percentage points, when compared to the second quarter of 2019. In contrast, the market share decreased for the other financial institutions (-0.7 percentage point), mortgage banks (-0.3 percentage point), pension funds (-0.2 percentage point), and life insurance companies (-0.1 percentage point).



Source: Centrale Bank van Aruba