



CENTRALE BANK VAN ARUBA

Statistical News Release

Date: March 12, 2021

Monetary and financial developments during the fourth quarter of 2020: Loans to enterprises and consumer credit decreased

Money and credit

In the fourth quarter of 2020, the money supply expanded by Afl. 147.5 million to Afl. 4,792.0 million, compared to the third quarter of 2020 (Table 1 and Chart 1). This rise resulted from an increase in net foreign assets (+Afl. 149.8 million) and a decline in net domestic assets (-Afl. 2.3 million).

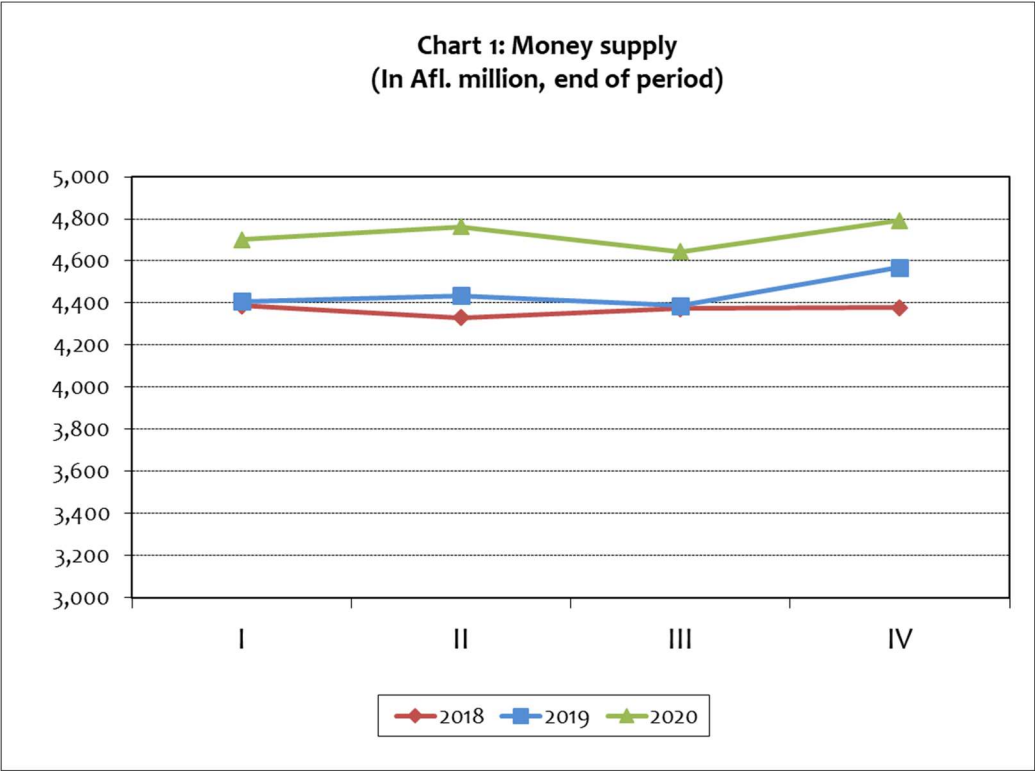
Table 1: Monetary survey (figures in Afl. million)	2019	2020		Changes	
	Q4	Q3	Q4	Q4-20 vs Q4-19	Q4-20 vs Q3-20
I. Net domestic assets	2,856.3	2,738.5	2,736.2	-120.1	-2.3
A. Domestic credit	3,964.2	3,940.1	3,938.9	-25.3	-1.2
◦ Net claims on the public sector	502.6	406.3	467.7	-34.9	61.4
◦ Claims on the private sector	3,461.5	3,533.8	3,471.2	9.6	-62.6
▪ Loans to enterprises	1,533.8	1,572.3	1,523.7	-10.1	-48.5
▪ Loans to individuals	1,915.0	1,948.8	1,934.5	19.5	-14.2
- Consumer credit	505.9	495.4	475.4	-30.5	-20.1
- Housing mortgages	1,409.1	1,453.3	1,459.2	50.1	5.8
▪ Other claims by the banking sector	12.8	12.8	12.9	0.2	0.2
B. Non-credit-related balance sheet items	-1,107.9	-1,201.6	-1,202.7	-94.9	-1.2
II. Net foreign assets	1,712.5	1,906.0	2,055.9	343.4	149.8
III. Broad money	4,568.8	4,644.5	4,792.0	223.2	147.5
Money	2,574.3	2,574.3	2,729.6	155.3	155.3
Quasi-money	1,994.6	2,070.2	2,062.5	67.9	-7.8

Source: Centrale Bank van Aruba

The slight contraction in the domestic component of the money supply was the result of decreases in both the domestic credit and non-credit related balance sheet items of Afl. 1.2 million each. The decline in the non-credit related balance sheet items resulted from increases in 'Provision for loan losses', 'Shareholders' Equity', and 'Accounts receivable and prepayments'.

The minor decrease in domestic credit was due to a contraction in the claims of the banking sector on the private sector (-Afl. 62.6 million) and a rise in the net claims of the banking sector on the public sector (+Afl. 61.4 million). The higher net claims of the banking sector on the public sector resulted from lower government deposits (-Afl. 92.8 million) and gross claims (-Afl. 31.3 million).

The lower claims of the banking sector on the private sector were caused by downturns in loans to enterprises (-Afl. 48.5 million) and consumer credit (-Afl. 20.1 million), and an increase in housing mortgages (+Afl. 5.8 million).



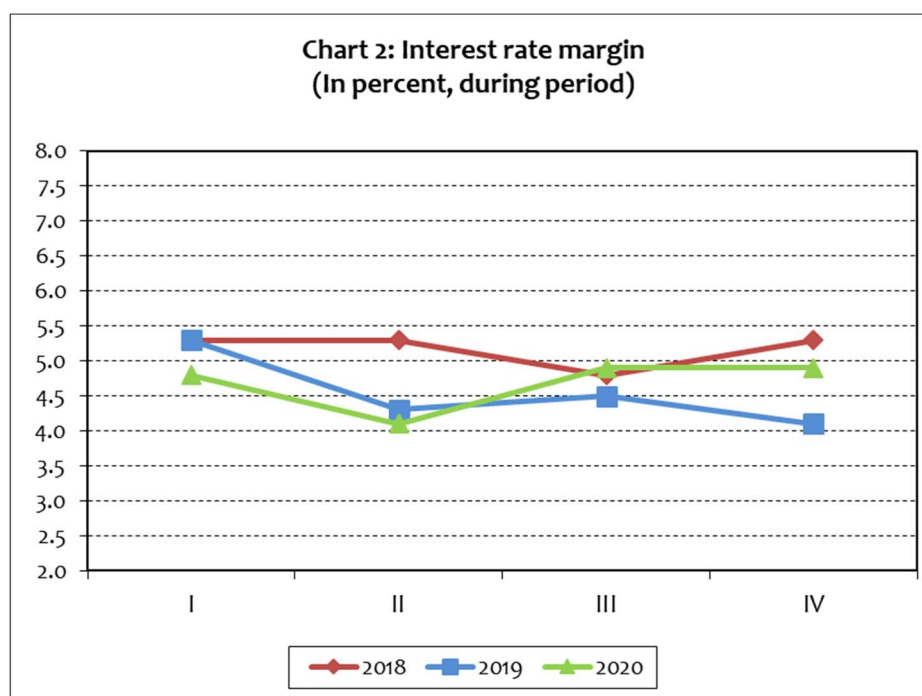
Source: Centrale Bank van Aruba

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) remained the same at 4.9 percent in the fourth quarter of 2020, when compared to the third quarter of 2020 (Table 2 and Chart 2). This resulted from an increase of 0.1 percentage point to 6.7 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 1.7 percent.

Table 2: Interest rates of the commercial banks (weighted averages related to transactions during indicated period)	2019	2020	
	Q4	Q3	Q4
Weighted average rate of interest on new deposits	2.0	1.7	1.7
Time deposits ≤ 12 months	1.6	1.5	1.5
Time deposits > 12 months	2.8	2.9	3.1
Savings deposits	1.9	1.2	1.7
Weighted average rate of interest on new loans	6.1	6.6	6.7
Individual			
Consumer credit	9.2	9.3	8.8
Housing mortgages	5.6	5.5	5.6
Commercial			
Commercial mortgages	6.4	6.6	6.3
Other loans - Including current accounts (overdraft) facilities	5.4	6.2	6.8
Interest rate margin	4.1	4.9	4.9

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. 86.7 million or 1.8 percent to Afl. 4,782.4 million, compared to the third quarter of 2020 (Table 3). This growth was caused by increases in both net foreign assets (+Afl. 54.1 million) and domestic claims

(+Afl. 32.4 million). On the liability side, Afl. 177.6 million was recorded for other items (net), compared to Afl. 131.5 million in the previous quarter. When compared to the third quarter of 2020, the pension fund provisions and the insurance reserve fund grew by Afl. 26.0 million and Afl. 21.3 million, respectively, while the 'borrowings and deposits' declined by Afl. 6.7 million.

Table 3: Nonmonetary financial institutions End of period	2019	2020		Changes	
	Q4	Q3	Q4	Q4-20 vs Q4-19	Q4-20 vs Q3-20
1. Net foreign assets	1,634.2	1,688.1	1,742.2	108.0	54.1
2. Domestic claims	2,948.5	3,007.7	3,040.1	91.6	32.4
a. Government	1,499.4	1,494.8	1,533.6	34.2	38.8
b. Private sector	1,449.1	1,512.9	1,506.6	57.5	-6.3
3. Total assets = total liabilities	4,582.7	4,695.7	4,782.4	199.7	86.7
4. Borrowings and deposits	18.9	18.2	11.5	-7.4	-6.7
a. Government	2.0	1.8	1.8	-0.2	0.0
b. Other residents	16.9	16.4	9.7	-7.2	-6.7
5. Pension fund provisions	3,126.1	3,180.1	3,206.1	80.0	26.0
6. Insurance reserve fund	1,321.9	1,365.9	1,387.2	65.3	21.3
7. Other items, net	115.7	131.5	177.6	61.9	46.0

Source: Centrale Bank van Aruba

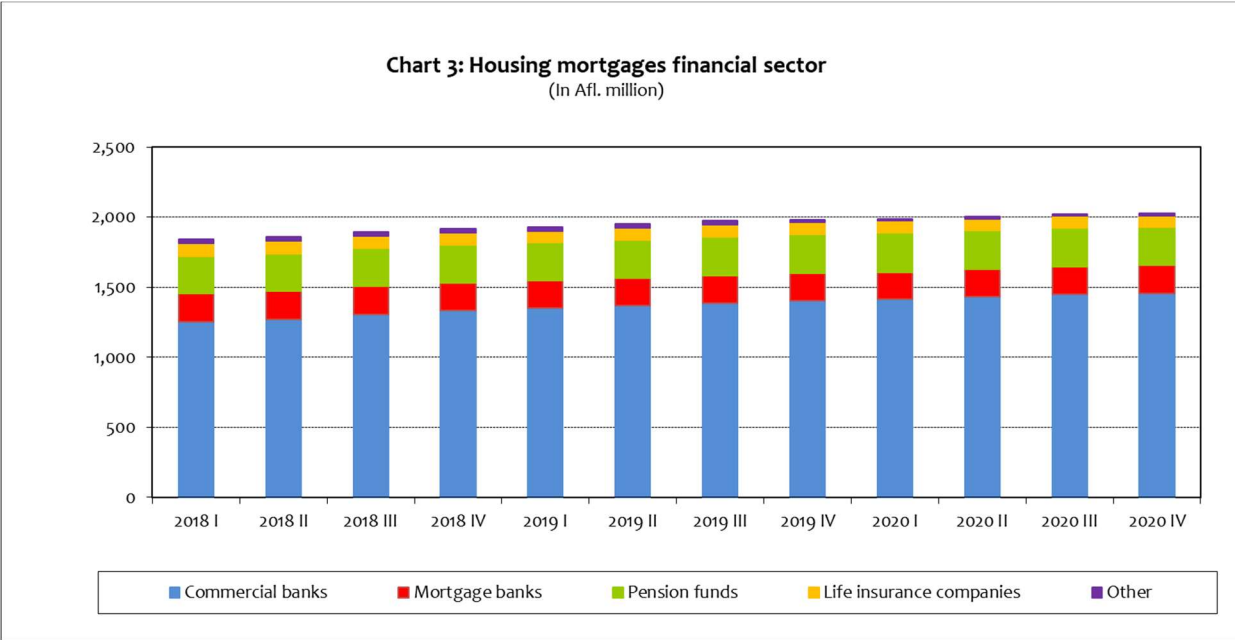
Mortgage market

Housing mortgage lending of the financial institutions expanded by Afl. 4.0 million to Afl. 2,026.5 million at the end of December 2020, compared to the end of September 2020 (Table 4 and Chart 3). This increase resulted from the growth in housing mortgage lending by the commercial banks (+Afl. 5.5 million), mortgage banks (+Afl. 1.3 million), life insurance companies (+Afl. 0.4 million), and other financial institution (+Afl. 0.3 million). In contrast, housing mortgage lending by pension funds (-Afl. 3.4 million) decreased.

Table 4: Housing mortgages	2019			2020					
	Q4			Q3			Q4		
	Afl.	Change	Market share	Afl.	Change	Market share	Afl.	Change	Market share
End of period									
Total	1,979.3	18.7	100.0%	2,022.5	17.5	100.0%	2,026.5	4.0	100.0%
Commercial banks	1,402.8	18.3	70.9%	1,446.8	16.4	71.5%	1,452.3	5.5	71.7%
Mortgage banks	194.8	-2.2	9.8%	200.7	5.4	9.9%	202.0	1.3	10.0%
Pension funds	279.9	1.2	14.1%	277.9	-2.2	13.7%	274.5	-3.4	13.5%
Life Insurance Companies	85.3	0.6	4.3%	81.3	-1.0	4.0%	81.7	0.4	4.0%
Other	16.5	0.9	0.8%	15.7	-1.1	0.8%	16.0	0.3	0.8%

Source: Centrale Bank van Aruba

At the end of December 2020, there were increases in the market share of the commercial banks (+0.8 percentage point) and mortgage banks (+0.2 percentage point), when compared to the fourth quarter of 2019. In contrast, the market share decreased for pension funds (-0.6 percentage point) and life insurance companies (-0.3 percentage point). The market share for the other financial institutions remained the same.



Source: Centrale Bank van Aruba