



## CENTRALE BANK VAN ARUBA

### Statistical News Release

Date: June 18, 2021

### Monetary and financial developments during the first quarter of 2021: Loans to enterprises and individuals decreased

#### Money and credit

In the first quarter of 2021, the money supply expanded by Afl. 60.1 million to Afl. 4,857.5 million, compared to the fourth quarter of 2020 (Table 1 and Chart 1). This rise resulted from increases in both net foreign assets (+Afl. 41.0 million) and in net domestic assets (+Afl. 19.1 million).

Table 1: Monetary survey (figures in Afl. million)	2020		2021	Changes	
	Q1	Q4	Q1	Q1-21 vs Q1-20	Q1-21 vs Q4-20
<b>I. Net domestic assets</b>	<b>2,887.6</b>	<b>2,741.5</b>	<b>2,760.6</b>	<b>-127.0</b>	<b>19.1</b>
A. Domestic credit	4,010.6	3,938.3	3,982.2	-28.4	43.9
◦ Net claims on the public sector	560.8	467.7	536.2	-24.6	68.4
◦ Claims on the private sector	3,449.8	3,470.6	3,446.1	-3.7	-24.5
▪ Loans to enterprises	1,511.4	1,523.7	1,519.8	8.4	-3.9
▪ Loans to individuals	1,925.6	1,934.5	1,913.7	-11.9	-20.8
- Consumer credit	507.4	475.4	455.6	-51.8	-19.8
- Housing mortgages	1,418.2	1,459.2	1,458.1	39.9	-1.0
▪ Other claims by the banking sector	12.8	12.3	12.5	-0.3	0.2
B. Non-credit-related balance sheet items	-1,123.0	-1,196.8	-1,221.6	-98.6	-24.8
<b>II. Net foreign assets</b>	<b>1,813.0</b>	<b>2,055.9</b>	<b>2,096.9</b>	<b>283.9</b>	<b>41.0</b>
<b>III. Broad money</b>	<b>4,700.6</b>	<b>4,797.4</b>	<b>4,857.5</b>	<b>156.9</b>	<b>60.1</b>
Money	2,670.9	2,734.9	2,814.6	143.7	79.7
Quasi-money	2,029.7	2,062.5	2,042.9	13.2	-19.6

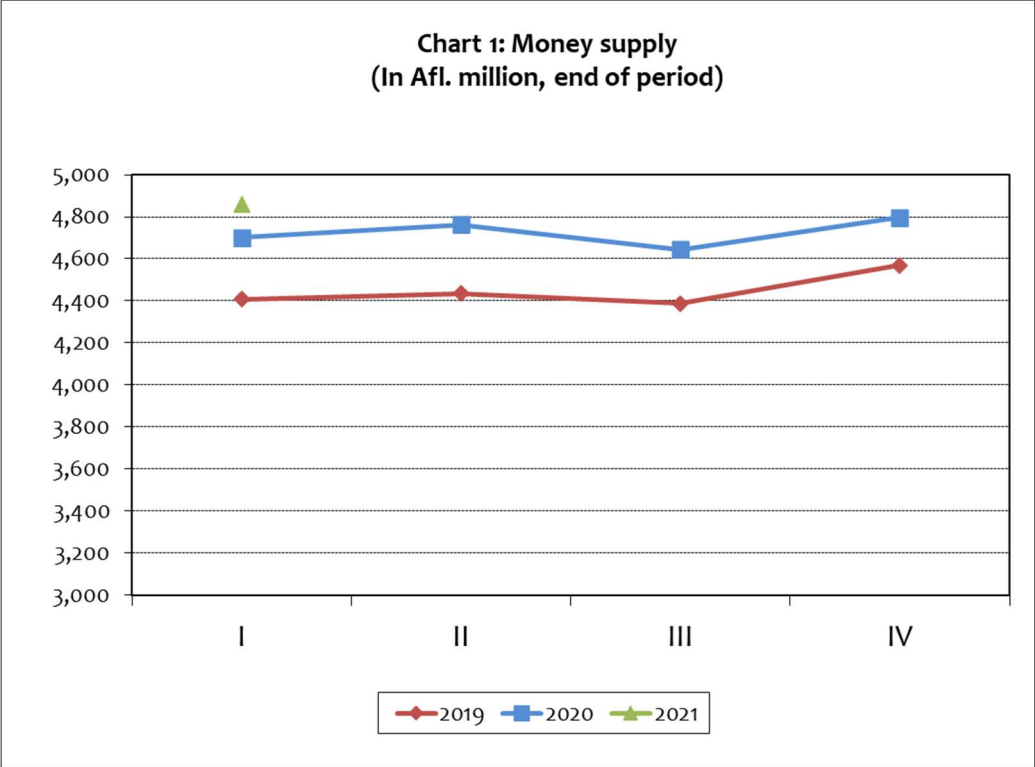
Source: Centrale Bank van Aruba

The expansion in the domestic component of the money supply was the result of an increase in the domestic credit of Afl. 43.9 million and a decline in non-credit related balance sheet items of Afl. 24.8 million. The decline in the non-credit related balance sheet items resulted from increases in 'Other Liabilities', 'Provision for loan losses', and 'Shareholders' Equity', and decreases in 'premises and equipment' and 'Accounts receivable and prepayments'.

The increase in domestic credit was due to a rise in the net claims of the banking sector on the public sector (+Afl. 68.4 million) and a decrease in the claims of the banking sector on the private sector (-

Afl. 24.5 million). The higher net claims of the banking sector on the public sector resulted from lower government deposits (-Afl. 88.3 million) and gross claims (-Afl. 19.9 million).

The lower claims of the banking sector on the private sector was caused by downturns in consumer credit (-Afl. 19.8 million), loans to enterprises (-Afl. 3.9 million), and housing mortgages (-Afl. 1.0 million).



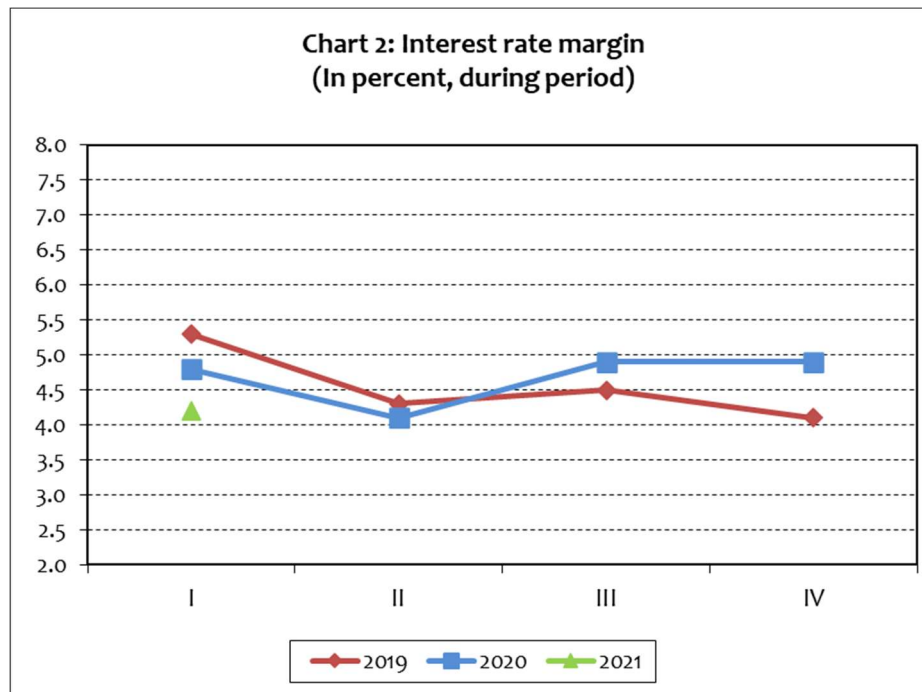
Source: Centrale Bank van Aruba

*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 4.2 percent in the first quarter of 2021, when compared to the fourth quarter of 2020 (Table 2 and Chart 2). This resulted from a decrease of 0.4 percentage point to 6.3 percent in the weighted average rate of interest charged on new loans and an increase of 0.4 percentage point to 2.1 percent in the weighted average rate of interest offered on new deposits.

Table 2: Interest rates of the commercial banks (weighted averages related to transactions during indicated period)	2020		2021
	Q1	Q4	Q1
<b>Weighted average rate of interest on new deposits</b>	<b>2.0</b>	<b>1.7</b>	<b>2.1</b>
Time deposits ≤ 12 months	1.6	1.5	1.6
Time deposits > 12 months	2.7	3.1	2.8
Savings deposits	1.5	1.7	1.4
<b>Weighted average rate of interest on new loans</b>	<b>6.8</b>	<b>6.7</b>	<b>6.3</b>
<i>Individual</i>			
Consumer credit	9.2	8.8	9.5
Housing mortgages	5.6	5.6	5.4
<i>Commercial</i>			
Commercial mortgages	6.5	6.3	6.2
Other loans - Including current accounts (overdraft) facilities	6.3	6.8	6.0
<b>Interest rate margin</b>	<b>4.8</b>	<b>4.9</b>	<b>4.2</b>

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. 89.8 million or 1.9 percent to Afl. 4,863.8 million, compared to the fourth quarter of 2020 (Table 3). This

growth was caused by increases in both net foreign assets (+Afl. 67.8 million) and in domestic claims (+Afl. 22.0 million). On the liability side, Afl. 198.9 million was recorded for other items (net), compared to Afl. 169.2 million in the previous quarter. When compared to the fourth quarter of 2020, the insurance reserve fund, pension fund provisions, and the 'borrowings and deposits' grew by Afl. 36.2 million, Afl. 29.7 million, and Afl. 7.8 million, respectively.

Table 3: Nonmonetary financial institutions End of period	2020		2021	Changes	
	Q1	Q4	Q1	Q1-21 vs Q1-20	Q1-21 vs Q4-20
1. Net foreign assets	1,478.5	1,742.1	1,809.9	331.4	67.8
2. Domestic claims	2,953.5	3,031.9	3,053.9	100.4	22.0
a. Government	1,456.0	1,532.4	1,566.3	110.3	33.9
b. Private sector	1,497.5	1,499.5	1,487.6	-9.9	-11.9
3. Total assets = total liabilities	4,432.0	4,774.0	4,863.8	431.8	89.8
4. Borrowings and deposits	20.2	11.5	19.3	-0.9	7.8
a. Government	2.0	1.8	1.8	-0.2	0.0
b. Other residents	18.2	9.7	17.5	-0.7	7.8
5. Pension fund provisions	3,142.8	3,206.1	3,222.1	79.3	16.0
6. Insurance reserve fund	1,358.9	1,387.2	1,423.4	64.5	36.2
7. Other items, net	-89.9	169.2	198.9	288.8	29.7

Source: Centrale Bank van Aruba

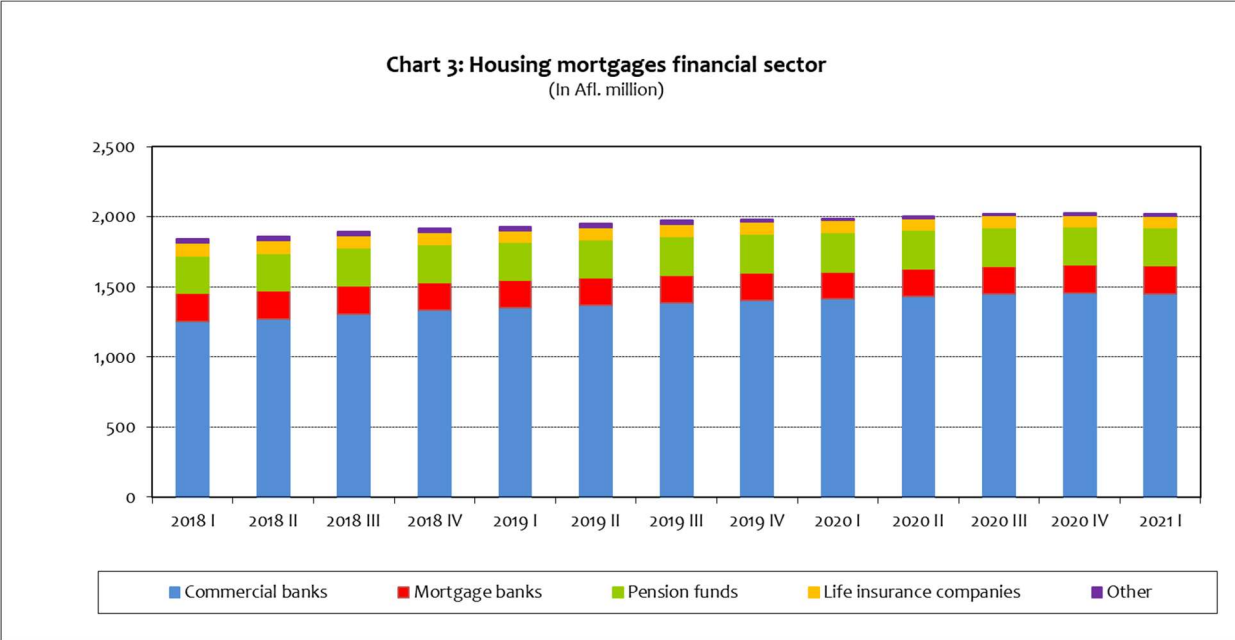
### Mortgage market

Housing mortgage lending of the financial institutions contracted by Afl. 3.1 million to Afl. 2,022.8 million at the end of March 2021, compared to the end of December 2020 (Table 4 and Chart 3). This decrease resulted from the decline in housing mortgage lending by the mortgage banks (-Afl. 2.5 million), commercial banks (-Afl. 1.4 million), and pension funds (-Afl. 1.0 million). In contrast, housing mortgage lending by other financial institution (+Afl. 0.9 million) and life insurance companies (+Afl. 0.8 million) increased.

Table 4: Housing mortgages	2020						2021		
	Q1			Q4			Q1		
	Afl.	Change	Market share	Afl.	Change	Market share	Afl.	Change	Market share
End of period									
<b>Total</b>	<b>1,988.5</b>	<b>9.2</b>	<b>100.0%</b>	<b>2,025.9</b>	<b>3.5</b>	<b>100.0%</b>	<b>2,022.8</b>	<b>-3.1</b>	<b>100.0%</b>
Commercial banks	1,412.0	9.2	71.0%	1,452.3	5.5	71.7%	1,450.9	-1.4	71.7%
Mortgage banks	195.4	0.5	9.8%	202.0	1.3	10.0%	199.5	-2.5	9.9%
Pension funds	280.4	0.5	14.1%	273.9	-4.0	13.5%	272.9	-1.0	13.5%
Life Insurance Companies	84.6	-0.8	4.3%	81.7	0.4	4.0%	82.5	0.8	4.1%
Other	16.2	-0.3	0.8%	16.0	0.3	0.8%	16.9	0.9	0.8%

Source: Centrale Bank van Aruba

At the end of March 2021, there were increases in the market share of the commercial banks (+0.7 percentage point) and mortgage banks (+0.1 percentage point), when compared to the first quarter of 2020. In contrast, the market share decreased for pension funds (-0.6 percentage point) and life insurance companies (-0.2 percentage point). The market share for the other financial institutions remained the same.



Source: Centrale Bank van Aruba