

Quarterly Economic Bulletin Financial Sector

Q1 2023

June 20, 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 first quarter of 2023

Quarterly economic bulletin
Results for the first quarter of 2023

Money and credit

In the first quarter of 2023, the money supply increased by Afl. 129.4 million to Afl. 5,675.4 million, compared to the fourth quarter of 2022 (Table 1 and Chart 1). This upsurge resulted from higher net domestic assets (+Afl. 304.8 million) and lower net foreign assets (-Afl. 175.4 million).

Table 1: Monetary survey (figures in Afl. million)	2022		2023	Changes	
	Q1	Q4	Q1	Q1-23 vs Q1-22	Q1-23 vs Q4-22
I. Net domestic assets	2,117.1	2,434.6	2,739.4	622.3	304.8
A. Domestic credit	3,443.6	3,838.4	3,925.5	481.9	87.0
◦ Net claims on the public sector	51.7	357.0	316.5	264.8	-40.5
◦ Claims on the private sector	3,391.9	3,481.4	3,609.0	217.1	127.6
▪ Loans to enterprises	1,478.6	1,512.1	1,631.9	153.3	119.8
▪ Loans to individuals	1,900.7	1,956.9	1,964.6	63.9	7.7
- Consumer credit	407.3	407.0	401.4	-5.9	-5.7
- Housing mortgages	1,493.4	1,549.9	1,563.2	69.8	13.3
▪ Other claims by the banking sector	12.5	12.5	12.5	0.0	0.1
B. Non-credit-related balance sheet items	-1,326.5	-1,403.8	-1,186.1	140.4	217.8
II. Net foreign assets	3,287.8	3,111.5	2,936.1	-351.7	-175.4
III. Broad money	5,404.8	5,546.1	5,675.4	270.6	129.4
Money	3,323.3	3,402.1	3,583.4	260.1	181.3
Quasi-money	2,081.5	2,144.0	2,092.0	10.5	-52.0

Source: Centrale Bank van Aruba.

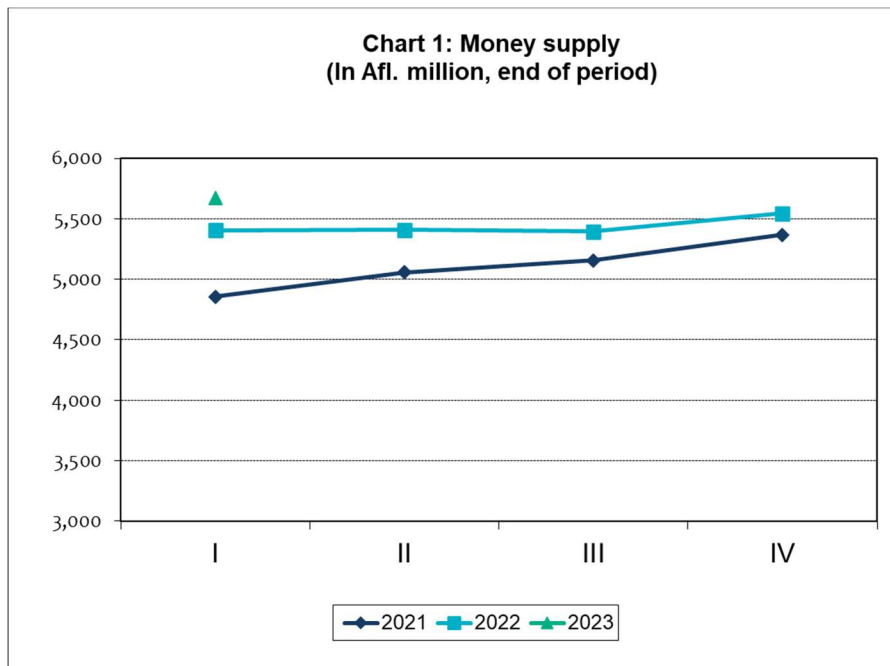
The expansion in the domestic component of the money supply was the outcome of increases in non-credit related balance sheet items of Afl. 217.8 million and in domestic credit of Afl. 87.0 million. The rise in non-credit related balance sheet items was caused by decreases in 'shareholders' equity' and 'provision for loan losses' and increases in 'other liabilities' and 'accounts receivable and prepayments'.

The growth in domestic credit was the result of an upturn in claims of the banking sector on the private sector (+Afl. 127.6 million) and a contraction in net claims of the banking sector on the public sector (-Afl. 40.5 million). The higher claims of the banking sector on the private sector were due to increases in loans to enterprises (+Afl. 119.8 million), and housing mortgages (+Afl. 13.3 million), while consumer credit decreased (-Afl. 5.7 million). The lower net claims of the banking sector on the public sector were brought about by higher government deposits (+Afl. 40.9 million) and higher gross claims (+Afl. 0.4 million).

point to 1.8 percent in the weighted average rate of interest offered on new deposits and 0.1 percentage point to 6.1 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)	2022		2023
	Q1	Q4	Q1
Weighted average rate of interest on new deposits	1.3	1.6	1.8
Time deposits ≤ 12 months	1.1	1.1	1.4
Time deposits > 12 months	2.3	2.8	2.5
Savings deposits	1.4	1.4	1.3
Weighted average rate of interest on new loans	6.2	6.0	6.1
<i>Individual</i>			
Consumer credit	9.1	8.6	9.0
Housing mortgages	5.5	5.2	5.2
<i>Commercial</i>			
Commercial mortgages	5.8	6.0	6.0
Other loans - Including current accounts (overdraft) facilities	6.5	5.9	6.0
Interest rate margin	4.9	4.4	4.3

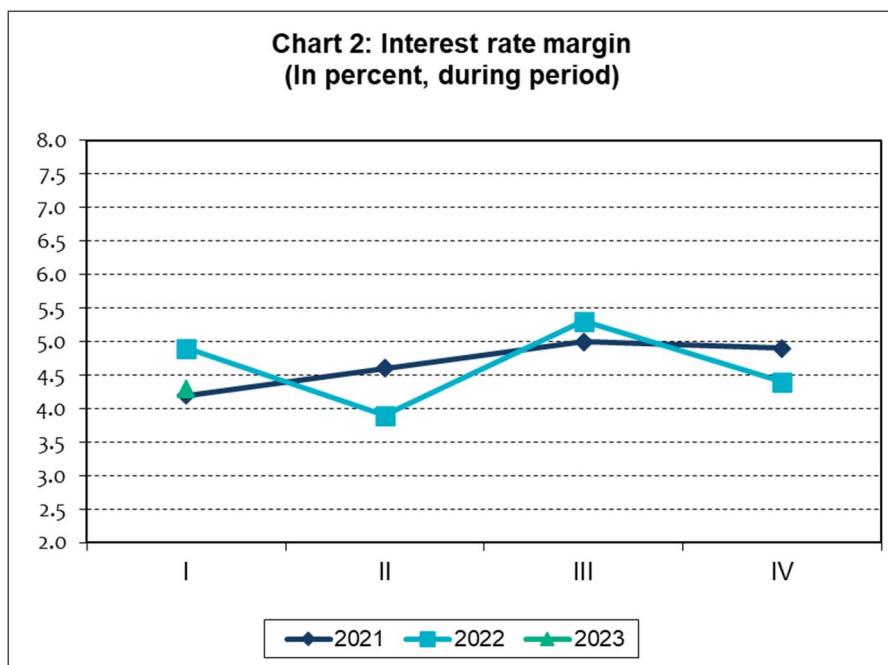
Source: Centrale Bank van Aruba.



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 0.1 percentage point to 4.3 percent in the first quarter of 2023, when compared to the fourth quarter of 2022 (Table 2 and Chart 2). This outcome reflected increases of 0.2 percentage



Source: Centrale Bank van Aruba.

Nonmonetary financial institutions

In the first quarter of 2023, the aggregated balance sheet total of the nonmonetary financial institutions rose by Afl. 225.2 million or 4.6 percent to Afl. 5,083.7 million, compared to the fourth quarter of 2022 (Table 3). This upturn was caused by an expansions in domestic claims (+Afl. 150.4 million) and net foreign assets (+Afl. 74.8 million). On the liability side, there were increases in the pension fund provisions (+Afl. 16.9 million) and the insurance reserve fund (+Afl. 28.2 million), while the 'borrowings and deposits' remained the same,

when compared to the fourth quarter of 2022. An amount of Afl. 118.0 million was recorded for other items (net), compared to -Afl. 62.1 million in the previous quarter.

End of period	2022		2023	Changes	
	Q1	Q4	Q1	Q1-23 vs Q1-22	Q1-23 vs Q4-22
1. Net foreign assets	1,934.8	1,806.5	1,881.3	-53.5	74.8
2. Domestic claims	3,046.6	3,052.0	3,202.3	155.7	150.4
a. Government	1,511.7	1,468.8	1,477.8	-33.9	9.0
b. Private sector	1,534.9	1,583.2	1,724.5	189.6	141.3
3. Total assets = total liabilities	4,981.4	4,858.5	5,083.7	102.3	225.2
4. Borrowings and deposits	1.9	1.7	1.7	-0.2	0.0
a. Government	1.6	1.4	1.4	-0.2	0.0
b. Other residents	0.3	0.3	0.3	0.0	0.0
5. Pension fund provisions	3,285.2	3,371.5	3,388.4	103.2	16.9
6. Insurance reserve fund	1,479.1	1,547.4	1,575.6	96.5	28.2
7. Other items, net	215.1	-62.1	118.0	-97.1	180.0

Source: Centrale Bank van Aruba.

Mortgage market

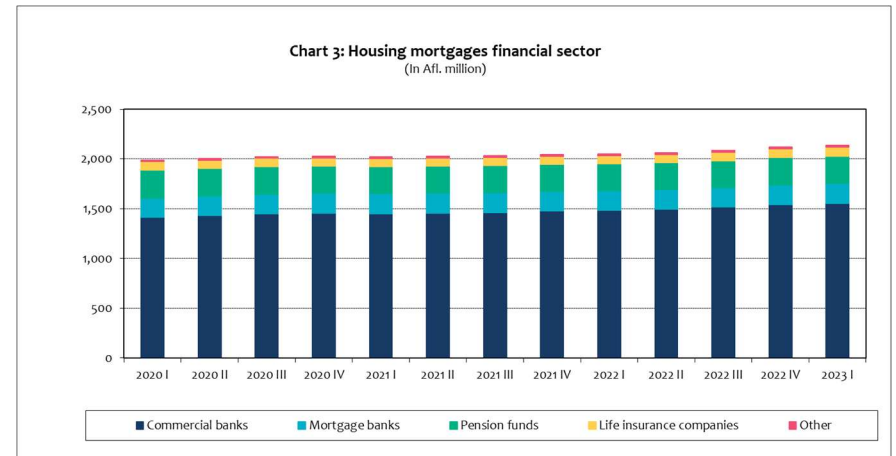
Housing mortgage lending of the financial institutions expanded by Afl. 16.9 million to Afl. 2,134.4 million at the end of March 2023, compared to the end of December 2022 (Table 4 and Chart 3). This rise resulted from increases in housing mortgage lending by the commercial banks (+Afl. 13.5 million), life insurance companies (+Afl.

3.4 million), mortgage banks (+Afl. 2.5 million), and decreases in pension funds (-Afl. 2.0 million), and other financial institutions (-Afl. 0.4 million).

End of period	2022						2023		
	Q1			Q4			Q1		
	Afl.	Change	Market share	Afl.	Change	Market share	Afl.	Change	Market share
Total	2,049.3	5.3	100.0%	2,117.5	35.7	100.0%	2,134.4	16.9	100.0%
Commercial banks	1,486.3	8.6	72.5%	1,542.2	25.8	72.8%	1,555.7	13.5	72.9%
Mortgage banks	195.1	-2.6	9.5%	197.4	3.3	9.3%	199.9	2.5	9.4%
Pension funds	268.3	-2.9	13.1%	274.0	4.9	12.9%	271.9	-2.0	12.7%
Life Insurance Companies	83.3	2.5	4.1%	87.7	1.5	4.1%	91.1	3.4	4.3%
Other	16.2	-0.3	0.8%	16.2	0.2	0.8%	15.8	-0.4	0.7%

Source: Centrale Bank van Aruba.

At the end of March 2023, there was an increase in the market share of the commercial banks (+0.4 percentage point) and the life insurance companies (+0.2 percentage point), when compared to the first quarter of 2022. In contrast, the market share contracted for pension funds (-0.4 percentage point), mortgage banks (-0.1 percentage point) and other financial institutions (-0.1 percentage point).



Source: Centrale Bank van Aruba.



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