



Quarterly Economic Bulletin Financial Sector Q3 2023

May 31 , 2024



CENTRALE BANK VAN ARUBA

Cover design:

Mangroves are hotspots of biodiversity, connecting life on land with life below water. These 'forests of the sea' are essential to the health and vibrancy of our coastal ecosystems, including our community livelihoods. They provide a vital habitat for marine life, help to protect against coastal erosion and storm surges, as well as filter pollutants from the sea. Mangroves are one of nature's most effective tools in the fight against climate change and are integral to nature.

The full text of this report is available on the CBA website.



Loans to enterprises increased in the third quarter of 2023

Quarterly economic bulletin
Results for the third quarter of 2023

Money and credit

In the third quarter of 2023, the money supply dropped by Afl. 167.7 million to Afl. 5,558.6 million, compared to the second quarter of 2023 (Table 1 and Chart 1). This contraction resulted from lower net foreign assets (-Afl. 169.8 million) and higher net domestic assets (+Afl. 2.1 million).

Table 1: Monetary survey (figures in Afl. million)	2022	2023		Changes	
	Q3	Q2	Q3	Q3-23 vs Q3-22	Q3-23 vs Q2-23
I. Net domestic assets	2,307.1	2,744.4	2,746.5	439.4	2.1
A. Domestic credit	3,668.9	3,937.3	3,978.4	309.5	41.1
◦ Net claims on the public sector	231.9	263.4	225.7	-6.2	-37.7
◦ Claims on the private sector	3,436.9	3,673.9	3,752.7	315.8	78.8
▪ Loans to enterprises	1,497.4	1,670.9	1,708.7	211.3	37.8
▪ Loans to individuals	1,926.9	1,990.6	2,031.5	104.6	40.9
- Consumer credit	403.3	402.5	426.2	22.9	23.7
- Housing mortgages	1,523.6	1,588.1	1,605.3	81.7	17.3
▪ Other claims by the banking sector	12.6	12.4	12.4	-0.2	0.0
B. Non-credit-related balance sheet items	-1,361.7	-1,192.9	-1,231.8	129.9	-39.0
II. Net foreign assets	3,087.2	2,981.9	2,812.1	-275.1	-169.8
III. Broad money	5,394.3	5,726.3	5,558.6	164.3	-167.7
Money	3,351.4	3,616.0	3,426.6	75.2	-189.4
Quasi-money	2,043.0	2,110.3	2,131.9	88.9	21.7

Source: Centrale Bank van Aruba.

The minor expansion in the domestic component of the money supply was the outcome of an increase of Afl. 41.1 million in domestic credit and a decrease in non-credit related balance sheet items of Afl. 39.0 million.

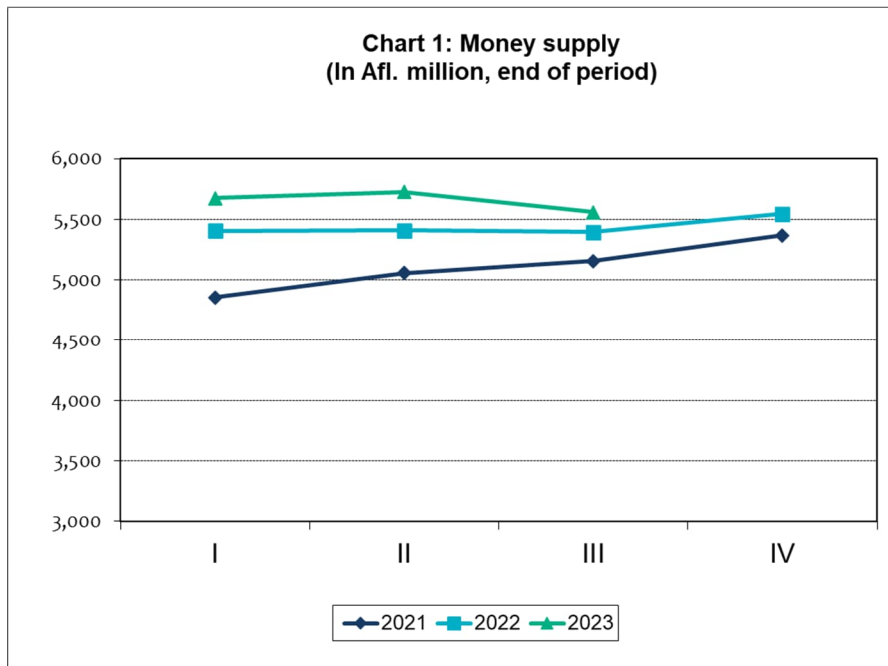
The growth in domestic credit was the result of an upturn in claims of the banking sector on the private sector (+Afl. 78.8 million) and a contraction in net claims of the banking sector on the public sector (-Afl. 37.7 million). The higher claims of the banking sector on the private sector were due to increases in loans to enterprises (+Afl. 37.8 million), consumer credit (+Afl. 23.7 million), and housing mortgages (+Afl. 17.3 million). The lower net claims of the banking sector on the public sector were brought about by lower gross claims (-Afl. 18.3 million) and higher government deposits (+Afl. 19.4 million).

The decline in non-credit related balance sheet items was caused by increases in 'shareholders' equity', 'accounts receivable and prepayments' and 'other liabilities', and a decrease in 'provision for loan losses'.

new deposits and a decline of 0.2 percentage point to 6.0 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	
	Q3	Q2	Q3
Weighted average rate of interest on new deposits	0.9	1.5	2.0
Time deposits ≤ 12 months	0.6	0.9	1.7
Time deposits > 12 months	2.0	2.9	2.9
Savings deposits	1.2	0.9	1.2
Weighted average rate of interest on new loans	6.2	6.2	6.0
Individual			
Consumer credit	9.2	8.8	7.7
Housing mortgages	5.2	5.2	5.1
Commercial			
Commercial mortgages	6.0	6.5	5.9
Other loans - Including current accounts (overdraft) facilities	6.2	5.9	6.1
Interest rate margin	5.3	4.7	4.1

Source: Centrale Bank van Aruba.

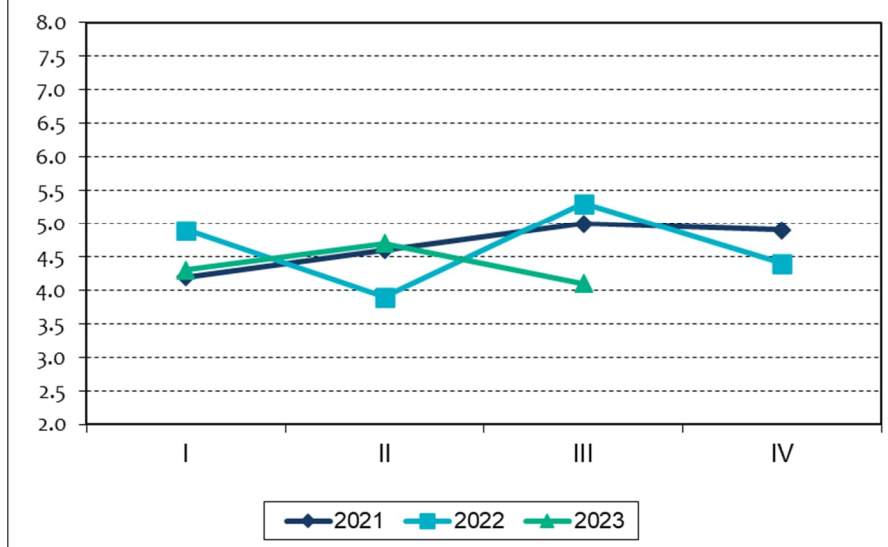


Source: Centrale Bank van Aruba.

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 0.6 percentage point to 4.1 percent in the third quarter of 2023, when compared to the second quarter of 2023 (Table 2 and Chart 2). This outcome reflected an increase of 0.5 percentage point to 2.0 percent in the weighted average rate of interest offered on

**Chart 2: Interest rate margin
(In percent, during period)**



Source: Centrale Bank van Aruba.

Nonmonetary financial institutions

In the third quarter of 2023, the aggregated balance sheet total of the nonmonetary financial institutions rose by Afl. 66.9 million or 1.3 percent to Afl. 5,269.4 million, compared to the second quarter of 2023 (Table 3). This upturn was caused by an expansion in domestic claims (+Afl. 68.7 million) and a decrease in net foreign assets (-Afl. 1.8 million). On the liability side, there were increases in the pension fund provisions (+Afl. 39.3 million), the insurance reserve fund (+Afl. 17.1 million), and 'borrowings and deposits' (+Afl. 0.1 million), when compared to the second quarter of 2023. An amount of Afl. 201.2

million was recorded for other items (net), compared to Afl. 190.8 million in the previous quarter.

End of period	2022	2023		Changes	
	Q3	Q2	Q3	Q3-23 vs Q3-22	Q3-23 vs Q2-23
1. Net foreign assets	1,738.1	1,948.3	1,946.5	208.4	-1.8
2. Domestic claims	3,102.4	3,254.2	3,322.9	220.5	68.7
a. Government	1,501.0	1,468.6	1,520.9	19.9	52.3
b. Private sector	1,601.4	1,785.6	1,801.9	200.5	16.3
3. Total assets = total liabilities	4,840.5	5,202.5	5,269.4	428.9	66.9
4. Borrowings and deposits	1.9	1.7	1.8	-0.1	0.1
a. Government	1.4	1.4	1.4	0.0	0.0
b. Other residents	0.5	0.3	0.4	-0.1	0.1
5. Pension fund provisions	3,318.3	3,412.3	3,451.6	133.3	39.3
6. Insurance reserve fund	1,582.3	1,597.7	1,614.8	32.5	17.1
7. Other items, net	-62.0	190.8	201.2	263.2	10.4

Source: Centrale Bank van Aruba.

Mortgage market

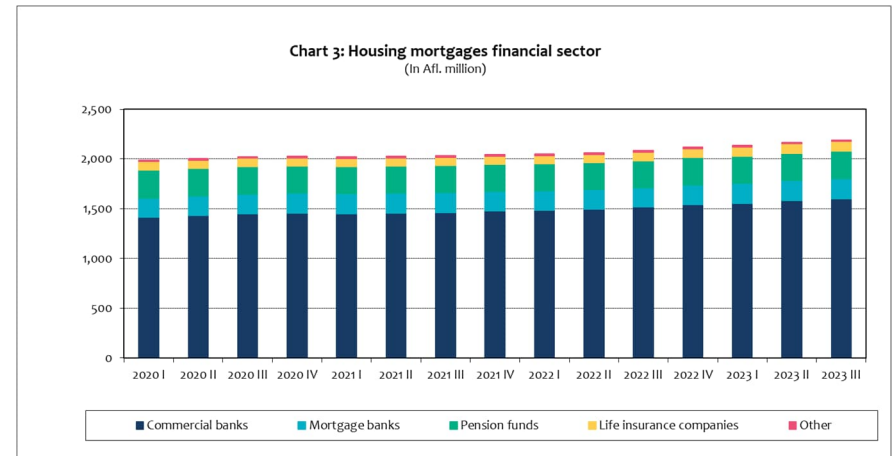
Housing mortgage lending of the financial institutions expanded by Afl. 22.5 million to Afl. 2,189.4 million at the end of September 2023, compared to the end of June 2023 (Table 4 and Chart 3). This rise resulted from increases in housing mortgage lending by the commercial banks (+Afl. 17.5 million), pension funds (+Afl. 3.6 million), mortgage banks (+Afl. 1.8 million), and life insurance

companies (+Afl. 0.1 million), and a decrease in other financial institutions (-Afl. 0.3 million).

End of period	2022			2023					
	Q3			Q2			Q3		
	Afl.	Change	Market share	Afl.	Change	Market share	Afl.	Change	Market share
Total	2,081.8	19.2	100.0%	2,166.9	32.5	100.0%	2,189.4	22.5	100.0%
Commercial banks	1,516.3	19.2	72.8%	1,580.6	24.9	72.9%	1,598.1	17.5	73.0%
Mortgage banks	194.1	-0.5	9.3%	202.3	2.4	9.3%	204.1	1.8	9.3%
Pension funds	269.1	-1.4	12.9%	273.2	1.3	12.6%	276.8	3.6	12.6%
Life Insurance Companies	86.3	2.8	4.1%	95.4	4.3	4.4%	95.5	0.1	4.4%
Other	15.9	-1.0	0.8%	15.3	-0.5	0.7%	15.0	-0.3	0.7%

Source: Centrale Bank van Aruba.

At the end of September 2023, there was an increase in the market share of the life insurance companies (+0.3 percentage point) and the commercial banks (+0.2 percentage point), when compared to the third quarter of 2022. In contrast, the market share contracted for pension funds (-0.3 percentage point) and other financial institutions (-0.1 percentage point). The market share for mortgage banks remained unchanged.



Source: Centrale Bank van Aruba.

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