



CENTRALE BANK VAN ARUBA

## ECONOMIC FORECAST MONITOR

*A summary of global and national projections*

October 28, 2016

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Most important sources (international forecasts) (in alphabetical order):

- ABN AMRO Bank
- AllianceBernstein
- BBVA Research
- BMO Capital Markets
- BNP Paribas
- Commerzbank
- Crédit Agricole
- Danske Bank
- DBS Group
- EIA (U.S. Energy Information Association)
- IMF
- ING Bank
- Lloyds TSB
- Merrill Lynch
- Northern Trust
- OECD
- RBC Bank
- Scotiabank
- TD Bank
- The Conference Board
- United Nations
- Wells Fargo
- World Bank

The forecasts for Aruba are produced by the CBA.

Cut-off date: October 28, 2016



## Executive summary

The Aruban economy is projected to expand (in real terms) by 0.4 percent in 2016, provided that the investment activities with respect to the restart and upgrading of the oil refinery get underway. The effects hereof will be substantially larger in subsequent years as additional investments are assumed for the period of 2018 onwards, during which time the oil refinery is expected to become fully operational. Preliminary estimates of the CBA indicate a real GDP growth of 3.2 percent for 2017.

The current forecasting trend shows that international financial institutions have become slightly more pessimistic as the GDP-forecasts for 2016 of the industrialized countries were adjusted downwards, lingering beneath the 2.0 percent growth level. The outlook for 2017 is slightly more positive for the United States and Canada. The view on Europe, in particular Great Britain, is heavily influenced by the Brexit-vote last June and the plunge of the British pound. The forecasters also downgraded the 2016 growth levels of Latin America, with the notable exception of Peru. A more positive development in these countries is, however, anticipated in 2017, although the economic crisis in Venezuela will remain in effect. The only large countries with expected and continuing significant GDP-growth levels are China and India.

Projected inflation levels in advanced economies were also revised downwards and, therefore, expected to remain at low levels in 2016. In the Latin American economies, inflation is expected to pick up again, especially in Argentina, Brazil, and Venezuela.

Oil prices are forecasted to increase somewhat towards the end of 2016, i.e., to US\$ 51 per barrel. For next year, there is consensus that the oil prices will rise further. In addition, the price of gold is expected to increase somewhat in the coming period.

**Selected GDP and commodity forecasts EFM (2015-2017)**

Indicator	2015	2016	2017
<b>Real GDP (growth rate)</b>			
Aruba	-0.5	0.4	3.2
Caribbean	2.7	2.3	3.6
Latin America	-0.4	-0.9	1.8
World	3.1	3.0	3.2
United States	2.6	1.7	2.2
Euro area	2.0	1.6	1.4
<b>Commodity prices (average)</b>			
Oil price (WTI, US\$/barrel)	49	45	53
Gold price (US\$/oz)	1,160	1,262	1,310

2015: actual data (except GDP Aruba); 2016-2017: forecasts



## I Annual forecasts for Aruba

	2015	2016
<i>Last updated: October 2016</i>		
<b>GDP<sup>1</sup></b>		
Nominal	1.6	-1.3
Real	-0.5	0.4
<b>Consumption (private + public)<sup>1</sup></b>		
Nominal	-1.0	0.0
Real	-1.7	0.2
<b>Private consumption<sup>1</sup></b>		
Nominal	-3.9	1.2
Real	-4.4	2.0
<b>Public consumption<sup>1</sup></b>		
Nominal	5.8	-2.5
Real	5.3	-4.0
<b>Investment (private + public)<sup>1</sup></b>		
Nominal	-4.8	24.6
Real	-5.1	24.1
<b>Private investment<sup>1</sup></b>		
Nominal	-3.7	26.4
Real	-4.0	25.8
<b>Public investment<sup>1</sup></b>		
Nominal	-26.6	-19.0
Real	-26.8	-19.3
<b>Exports of goods and services<sup>1</sup></b>		
Nominal	1.1	-2.5
Real	-0.1	-2.0
<b>Imports of goods and services<sup>1</sup></b>		
Nominal	-3.5	6.4
Real	-2.8	5.5
<b>Current account balance<sup>2</sup></b>	4.1	-1.9
<b>Current account coverage ratio<sup>3</sup></b>	4.4	5.8

Source: CBA.

<sup>1</sup> Year/year %-change.

<sup>2</sup> Balance on the current account (in % of nominal GDP).

<sup>3</sup> Net foreign assets in months of current account payments (including the oil sector).

adjusted downwards
adjusted upwards
actual data
new forecast



## II. Quarterly and annual forecasts for Aruba

	2015				2016				2015	2016
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
<b>Real GDP</b> <sup>3</sup>	0.4	0.1	-1.5	-0.9	-1.8	-1.5			-0.5	0.4
<b>Population</b> <sup>1</sup>	108.8	109.1	109.4	110.1	110.6	110.7			110.1	111.7
<b>Inflation</b> <sup>2</sup>	1.0	1.0	0.6	-0.7	-1.0	-1.4			0.5	-0.8
<b>Stay-over visitors</b> <sup>3</sup>	20.2	12.2	12.6	12.7	5.4	-3.0			14.3	7.3
<b>Tourism nights</b> <sup>3</sup>	12.2	10.8	6.8	4.1	2.5	-2.2	1.9	3.1	8.3	1.8
<b>Tourism receipts</b> <sup>3</sup>	7.2	3.1	0.4	-0.6	-1.4	-0.5			2.8	-3.4
<b>Net foreign assets</b> <sup>4</sup>	1,388	1,496	1,580	1,611	1,756	2,020			1,611	1,836

Source: CBA.

<sup>1</sup> End of period, x 1000.

<sup>2</sup> Year/year %-change, average for the period, seasonally adjusted.

<sup>3</sup> Year/year %-change.

<sup>4</sup> Including revaluation differences, end of period, in Afl. million.

adjusted downwards
adjusted upwards
actual data
new forecast



### III. International forecasts

#### III.A. United States

	2016				2017				2015	2016	2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<b>Real GDP</b> <sup>1</sup>	0.8	1.4	2.9	2.3	2.2	2.3	2.2	2.1	2.6	1.7	2.2
<b>Inflation</b> <sup>2</sup>	1.1	1.1	1.1	1.6	2.2	2.2	2.3	2.3	0.1	1.3	2.2
<b>Core inflation</b> <sup>2</sup>	2.3	2.2	2.2	2.3	2.2	2.2	2.2	2.2	1.8	2.2	2.2
<b>Unemployment rate</b> <sup>3</sup>	4.9	4.9	4.9	4.7	4.7	4.7	4.6	4.6	5.3	4.8	4.7
<b>Real personal consumption</b> <sup>1</sup>	1.6	4.3	2.1	2.5	2.3	2.4	2.3	2.0	3.2	2.7	2.5
<b>Real disposable personal income</b> <sup>1</sup>	2.1	2.1	2.2	2.1	2.2	2.2	2.1	1.9	3.5	2.6	2.3
<b>Exchange rate</b> <sup>4</sup>	1.10	1.13	1.12	1.10	1.09	1.09	1.11	1.10	1.11	1.10	1.10

<sup>1</sup> Quarter/quarter % change, seasonally adjusted annual rate.

<sup>2</sup> Year/year %-change, average for the period, seasonally adjusted.

<sup>3</sup> In % of labor force, average for the period, seasonally adjusted.

<sup>4</sup> US\$/EUR, average for the period.

adjusted downwards
adjusted upwards
actual data
new forecast



### III.B. Selected countries and regions

	Real GDP <sup>1</sup>			Inflation <sup>2</sup>			Unemployment rate <sup>3</sup>		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
<b>World</b>	3.1	3.0	3.2	3.1	3.0	3.3			
<b>Canada</b>	1.1	1.4	2.0	1.1	1.6	2.0	6.9	7.0	6.8
<b>Europe</b>									
<b>Euro Area</b>	2.0	1.6	1.4	0.3	1.1	1.4	10.9	10.2	9.8
<b>Germany</b>	1.7	1.7	1.4	0.1	0.5	1.5	4.6	4.4	4.4
<b>United Kingdom</b>	2.2	1.8	0.8	0.0	0.8	2.2	5.3	5.1	5.4
<b>The Netherlands</b>	2.0	1.7	1.7	0.2	0.3	1.2	6.9	6.3	6.1
<b>Russia</b>	-3.7	-0.9	1.1	15.5	7.5	5.9	5.6	5.9	6.0
<b>Asia</b>									
<b>Japan</b>	0.5	0.6	0.7	0.8	0.1	0.7	3.4	3.2	3.1
<b>China</b>	6.9	6.5	6.1	1.4	2.0	1.9	4.1	4.1	4.1
<b>India</b>	7.6	7.5	7.6	4.9	5.3	5.2			
<b>Latin America</b>									
<b>Argentina</b>	1.2	-0.8	2.8	20.7	35.1	20.9			
<b>Brazil</b>	-3.8	-3.3	0.7	9.0	8.2	5.8	8.5	10.4	10.8
<b>Colombia</b>	3.1	2.4	3.0	4.7	6.5	4.5			
<b>Chile</b>	2.1	2.0	2.4	4.3	3.8	3.1			
<b>Mexico</b>	2.5	2.3	2.6	2.7	3.0	3.3			
<b>Peru</b>	3.3	3.7	4.1	3.5	3.4	2.8			
<b>Venezuela</b>	-5.7	-8.9	-2.7	121.7	341.6	616.5	7.4	18.1	21.4
<b>Caribbean</b>	2.7	2.3	3.6	3.5	2.7	4.1			

<sup>1</sup> Year/year %-change.

<sup>2</sup> Year/year %-change, average for the period.

adjusted downwards
adjusted upwards
actual data
new forecast



#### IV. Commodity prices

	2016				2017				2015	2016	2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<b>Oil price</b> <sup>1</sup>	33	46	45	51	51	50	55	57	49	45	53
Median				50	51	51	55	56		44	53
<b>Gas price</b> <sup>2</sup>	2.00	2.14	2.88	2.82	3.04	3.12	3.07	3.22	2.63	2.38	3.09
Median				2.90	3.10	3.18	3.20	3.23		2.43	3.19
<b>Gold price</b> <sup>3</sup>	1,181	1,259	1,335	1,311	1,313	1,295	1,321	1,368	1,160	1,262	1,310

<sup>1</sup> WTI, US\$/barrel, average for the period.

<sup>2</sup> Henry Hub Spot, US\$/mln. Btu, average for the period. The (approximate) energy equivalent of 1 barrel of oil is 5.8 mln. Btu.

<sup>3</sup> US\$/oz, average for the period.

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