



CENTRALE BANK VAN ARUBA

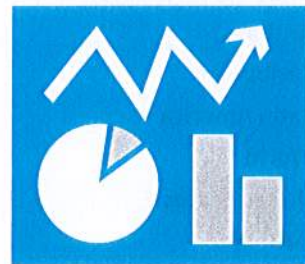
Economic Forecast Monitor

Press release

July 11, 2017

Today the Centrale Bank van Aruba (CBA) publishes an update of the Economic Forecast Monitor (EFM) on its website. The EFM provides an overview of both local and global economic forecasts by different institutions. This update also includes the revised local forecasts earlier published in the CBA's Economic Outlook. A summary of the forecasts is presented below.

In 2017, the Aruban economy is projected to expand by 3.4 percent (in real terms), provided that refinery renovation investments, phased over a period of 48 months, start in July 2017. Based on current estimates, the number of stay-over tourists visiting Aruba is forecasted to decline by 1.9 percent in 2017, mainly the result of the drop in visitors from Venezuela. Nevertheless, for 2017 it is expected that total tourism receipts will grow by 1.3 percent (in nominal terms).



On the international front, the current forecasting trend indicates that financial institutions have become more optimistic with respect to the economic developments in the European countries. The outlook on both real GDP-growth and unemployment rates are more favorable compared to six months ago. Price expectations in the euro area are picking up and are forecasted to approach the 2 percent mark, generally considered the desired rate of inflation.

The consensus view on economic developments in the United States remains virtually unchanged. Political shifts in the country have not had a significant impact on the short-run economic projections. The projections on GDP-growth and its components in 2017 continue to be stable, while inflation forecasts are fractionally higher and unemployment estimates marginally lower.

The assessments for Latin American economies are generally more pessimistic compared to the end of last year. Forecasted 2017 real GDP-growth declined from 1.8 percent to 1.2 percent for the continent as a whole. The main culprit is Venezuela with an anticipated

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contraction of 4.6 percent, while Brazil is also not presumed to perform very well (+0.5 percent). Brazil is expected to rebound in 2018. Inflation in Latin America will likely range from the 3 to 5 percent area with notable exceptions of Venezuela and Argentina.

The Caribbean economies are projected to grow by 3.1 percent, fueled by the firm development in the Dominican Republic (+5.1 percent). In contrast, Suriname and Trinidad & Tobago are likely to perform poorly.

Oil prices are forecasted to increase to an average of US\$ 54 per barrel in 2017. For 2018, these prices are anticipated to rise further, albeit slightly. In addition, the price of gold is expected to reach a somewhat higher level in the coming period.

Selected GDP and commodity price forecasts (2016-2018)

| Indicator | 2016 | 2017 | 2018 |
|-----------------------------------|-------|-------|-------|
| Real GDP (growth rate) | | | |
| Aruba | -0.2 | 3.4 | 1.8 |
| Caribbean | 2.0 | 3.1 | 3.4 |
| Latin America | -1.0 | 1.2 | 2.3 |
| World | 3.0 | 3.3 | 3.4 |
| United States | 1.6 | 2.2 | 2.4 |
| Euro area | 1.8 | 1.7 | 1.6 |
| Commodity prices (average) | | | |
| Oil price (WTI, US\$/barrel) | 43 | 54 | 57 |
| Gold price (US\$/oz) | 1,248 | 1,225 | 1,272 |

2016: actual data (except GDP Aruba); 2017-2018: forecasts

The complete publication is available on the CBA's website (www.cbaruba.org).

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