Monetary Policy (June 2017)
Press Release

During its meeting of June 1, 2017, the Monetary Policy Committee (MPC)\(^2\) of the Centrale Bank van Aruba (CBA) decided to keep the reserve requirement at 11.0 percent and to uphold the advance rate at 1.0 percent, after reviewing the most recent economic and monetary data. The following information and analysis were considered in reaching this decision.

**International reserves**
The international reserves (including revaluation differences of gold and foreign exchange holdings) and official reserves remained at adequate levels at the end of April 2017. Increases were registered in both the international reserves (+Afl. 36.1 million or +1.9 percent) and official reserves (+Afl. 25.6 million or +1.5 percent), compared to December 2016. Consequently, the international reserves and the official reserves reached, respectively, Afl. 1,928.5 million and Afl. 1,698.8 million at end-April 2017.

**Credit developments**
Overall credit growth within the domestic commercial banking sector remained positive (+3.9 percent) at the end of April 2017 compared to December 2016. While a decrease was registered in consumer credit (−1.7 percent), expansions were noted in housing mortgages (+3.3 percent), business loans (+1.1 percent), and the component “other” of commercial banking credit (+32.4 percent) in the period of January–April 2017. The increase in the component “other” reflected the purchase of government bonds by the commercial banks.

**Inflation**
In April 2017, a decline was registered in both the end of period (−0.1 percent) and the 12-month average price level (−0.6 percent). Both decreases were mainly the result of reductions in electricity tariffs. The 12-month core inflation (excluding energy and food) edged up by 0.4 percent, mainly reflecting an increase in the housing component of the CPI.

**Tourism**
During the first four months of 2017, the weakness in the Venezuelan market continued to wane tourism arrivals (−11.9 percent) and visitor nights (−4.3 percent). On the other hand, a growth was

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\(^1\) The English text prevails.

\(^2\) The MPC was instituted in May 2010 to periodically evaluate and determine the monetary policy of the CBA. In addition, the MPC aims at improving the transparency of the monetary policy.
observed in cruise visitors (+4.1 percent), while the U.S. market performed favorably, reflected in an upturn in tourism receipts recorded at commercial banks (+2.5 percent).

**Money supply**

In April 2017, money supply registered a decrease of Afl. 43.1 million to Afl. 4,137.8 million compared to the previous month. This resulted from contractions in the net domestic assets (−Afl. 17.9 million) and the net foreign assets (−Afl. 25.2 million, excluding revaluation differences). The fall in the domestic component of the money supply was attributed to reductions in domestic credit (−Afl. 11.2 million) and non-credit related balance sheet items (−Afl. 38.3 million). Meanwhile, the decline in the net foreign assets stemmed mostly from net sales of foreign exchange of Afl. 216.0 million to the public, which was mainly associated with the import of goods, the payments of other services, and transfers through the income account. This was largely counter-balanced by net purchases of foreign exchange of Afl. 190.7 million from the public, primarily owing to foreign exchange revenue from tourism activities, net transfers from foreign accounts, and receipts from transportation services.

**Financial markets**

In April 2017, a decline was recorded in the weighted average interest rate on new loans (−0.9 percentage point to 7.0 percent), whereas the weighted average interest rate on new deposits increased (+0.2 percentage point to 1.4 percent), when compared to the previous month. Consequently, the weighted average interest rate margin fell by 1.1 percentage points to 5.6 percent.

**Advance rate**

The determinants of the CBA’s advance rate stayed stable. The margin between the CBA’s advance rate and the Federal Funds rate stood at 0.10 percentage point in April 2017. Consequently, there was no need to change the CBA’s advance rate.

Centrale Bank van Aruba
September 19, 2017