



CENTRALE BANK VAN ARUBA

ECONOMIC FORECAST MONITOR

A summary of global and national projections

March 20, 2018

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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: March 7, 2018

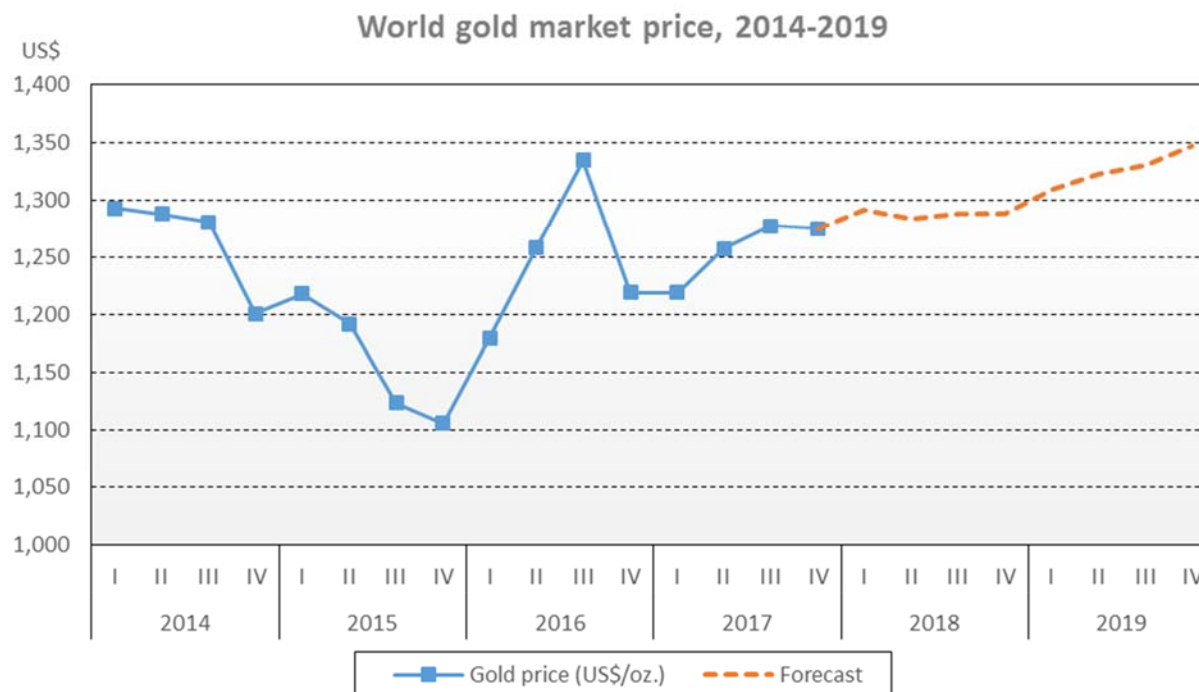


Executive summary

In the first three months of 2018, the view on international economic development turned more optimistic. Especially the 2018 outlook on real GDP-growth in advanced economies and Latin-American countries has been adjusted upwards. As a result, global GDP-growth for 2018 is currently forecasted at 3.6%, up from 3.5%. This development is mainly caused by the ongoing economic expansion of the large Asian countries China and India (expected GDP growth rates of more than 6%). The Latin American economies, with the exception of Venezuela, are anticipated to perform well with GDP-growth rates of more than 2% similar to most industrialized countries. The real GDP-estimates for 2019 are generally considered to remain more or less equal to the 2018 forecasts for the Asian countries and the Latin American continent (except Venezuela), and slightly lower for the advanced economies.

The revised forecasts also denote more optimistic labor market expectations. Unemployment levels are expected to decrease gradually, especially in the euro area and Brazil. Nevertheless, the projected euro area unemployment rate (8% in 2019) is still high, due to the double-digit rates in Spain, Portugal, and Italy.

Inflation outlook for 2018 is moderate. The consensus view is a global inflation of 2.9%, a decrease of 1 percentage point compared to 2017, partly as a result of lower price increases in many Latin American countries. Inflation in North America and Europe remain near the 2% target mark. It is anticipated that the world oil price (WTI) will only gradually increase to an average of slightly less than US\$ 60 in the coming two years. The price of gold on the world market is projected to hover just below US\$ 1,300 during this year, gradually rising to US\$ 1,350 in 2019 (Chart).



Selected GDP and commodity price data and forecasts (2017-2019)

Indicator	2017	2018	2019
Real GDP (growth rate)			
World	3.5	3.6	3.5
United States	2.3	2.6	2.2
Euro area	2.3	2.1	1.9
The Netherlands	3.1	2.8	2.2
Venezuela	-10.1	-5.6	-2.2
China	6.9	6.3	6.1
Commodity prices (average)			
Oil price (WTI, US\$/barrel)	51	57	58
Gold price (US\$/oz.)	1,258	1,281	1,312

2017: actual data (except GDP World and Venezuela); 2018-2019: forecasts



I. International forecasts

I.A. United States

	2017	2018				2019			2017	2018	2019
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3			
<i>Update: March 2018</i>											
Real GDP ¹	2,5	2,5	2,6	2,5	2,4	2,2	2,2	2,1	2,3	2,6	2,2
Inflation ²	2,1	2,0	2,4	2,4	2,1	2,0	2,1	2,1	2,1	2,2	2,1
Core inflation ²	1,7	1,9	2,2	2,3	2,3	2,2	2,2	2,2	1,8	2,1	2,2
Unemployment rate ³	4,1	4,1	4,0	3,9	3,9	3,7	3,7	3,7	4,4	4,0	3,9
Real personal consumption ¹	3,8	2,4	2,6	2,5	2,4	2,3	2,1	2,0	2,7	2,6	2,2
Real disposable personal income ¹	1,1	4,8	2,9	2,3	2,2	2,4	2,3	2,0	1,2	2,5	2,6
Exchange rate ⁴	1,18	1,20	1,20	1,21	1,22	1,24	1,25	1,26	1,13	1,20	1,23

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

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

³ In % of labor force, average for the period, seasonally adjusted.

⁴ US\$/EUR, average for the period.

adjusted downwards
adjusted upwards
actual data
new forecast

I.B. Selected countries and regions

	Real GDP ¹			Inflation ²			Unemployment rate ³		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
<i>Update: March 2018</i>									
World	3,5	3,6	3,5	3,9	2,9	3,0			
Canada	3,0	2,1	1,9	1,6	1,9	2,0	6,3	6,0	5,9
Europe									
<u>Euro Area</u>	2,3	2,1	1,9	1,5	1,5	1,6	9,1	8,5	8,0
<u>Germany</u>	2,2	2,3	2,0	1,7	1,6	1,8	3,8	3,6	3,4
<u>United Kingdom</u>	1,7	1,4	1,4	2,7	2,5	2,1	4,4	4,4	4,5
<u>The Netherlands</u>	3,1	2,8	2,2	1,3	1,6	2,0	4,9	4,2	4,0
<u>Russia</u>	1,6	1,7	1,7	3,7	3,9	4,0	5,2	5,2	5,2
Asia									
<u>Japan</u>	1,6	1,3	1,0	0,5	0,9	1,2	2,8	2,7	2,7
<u>China</u>	6,9	6,3	6,1	1,6	2,2	2,3	3,9	4,1	4,1
<u>India</u>	6,7	7,3	7,4	2,5	4,6	4,8			
Latin America	1,3	2,3	2,6	5,5	4,7	4,4			
<u>Argentina</u>	2,8	3,2	2,9	24,8	18,4	12,6	7,9	8,2	7,8
<u>Brazil</u>	1,0	2,2	2,5	3,4	3,7	4,1	12,7	11,6	10,6
<u>Colombia</u>	1,8	2,7	3,0	4,3	3,3	3,3	9,4	9,7	9,7
<u>Chile</u>	1,5	2,9	2,9	2,2	2,6	3,0	6,6	6,7	6,3
<u>Mexico</u>	2,0	2,1	2,4	6,0	4,1	3,7	3,4	3,6	3,7
<u>Peru</u>	2,5	3,8	4,0	2,8	2,2	2,5	6,9	6,9	6,9
<u>Venezuela</u>	-10,1	-5,6	-2,2	852	2.321	1.923	17,3	18,9	20,7
Caribbean	2,0	3,1	3,2	4,2	3,9	3,8			

¹ Year/year %-change.

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

³ In % of labor force, average for the period, seasonally adjusted.

adjusted downwards
adjusted upwards
actual data
new forecast



II. Commodity prices

	2017	2018				2019			2017	2018	2019
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3			
<i>Update: March 2018</i>											
Oil price ¹	55	58	57	57	57	57	57	61	51	57	58
Median	54	60	58	56	57	58	57	59	51	58	58
Gas price ²	2,90	3,23	3,02	3,04	3,13	3,25	3,10	3,16	3,10	3,09	3,09
Median	3,02	3,25	3,07	3,09	3,13	3,25	3,10	3,18	3,02	3,10	3,10
Gold price ³	1.275	1.292	1.285	1.288	1.288	1.310	1.323	1.331	1.258	1.288	1.327

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

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

³ US\$/oz, average for the period.

adjusted downwards
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