

Reserve requirement decision and considerations of the September 2025 Monetary Policy Committee Meeting

During its meeting on September 1, 2025, the Monetary Policy Committee (MPC) of the Centrale Bank van Aruba (CBA) kept the reserve requirement rate at 12.5% as of October 1, 2025. Central to this decision were the following considerations:

i. Global economic uncertainty

Current global uncertainties may impact foreign exchange reserves and inflation, potentially causing deviations from the current baseline projections.

ii. Adequate foreign reserves despite credit growth

Up to July 2025, foreign reserves were amply above the benchmarks monitored by the MPC, even amid increased credit activity. Moreover, the CBA expects foreign reserves to stay adequate and continue to grow.

iii. A low inflation environment

Despite a rise in the end-of-period (EOP) inflation in June 2025, the end-of-period (EOP) and period average inflation prevailed at low levels of 0.6% and 0.9%, respectively.

iv. Elevated excess liquidity

Excess liquidity remains above pre-pandemic levels and rose in July 2025 compared to the previous month

Below are the detailed considerations of the MPC to maintain the reserve requirement unchanged:

1. Global economic uncertainty

According to the Federal Open Market Committee (FOMC) projections, confidence intervals for U.S. Gross Domestic Product (GDP) growth are wide, risks are tilted to the downside, and



growth uncertainty remains high. Given the small, open economy of Aruba and its reliance on the U.S. economy, those risks may cause deviations from current baseline projections of foreign exchange reserves and inflation, among others.

2. Increase in official and international reserves up to July 2025

The international reserves (including revaluation differences of gold and foreign exchange holdings) rose by Afl. 579.5 million as of July 2025, compared to end December 2024. This increase resulted from expanded official reserves (+Afl. 540.7 million), which were amplified by an uptick in foreign exchange reserves held by the commercial banks (+Afl. 38.8 million).

Given these developments, as of July 2025, the official and international reserves (including revaluation differences) stood at Afl. 3,856.0 million and Afl. 4,245.8 million, respectively. Consequently, the international and official reserves remained more than adequate according to the current account coverage ratio (8.0 months) and the International Monetary Fund (IMF) Assessing Reserve Adequacy (ARA) metric (155.8%), as measured by the CBA.

3. The EOP inflation rate increased to 0.6% in June 2025

The EOP inflation rose from 0.1% in May 2025 to 0.6% in June 2025, mainly due to a higher contribution of household appliances (from 0.1 percentage point to 0.3 percentage point).

As of June 2025, the period average inflation eased to 0.9%, down from 1.1% in the previous month. Several of the inflationary pressures in May 2025 persisted in June 2025. These included telephone and telefax services (from +0.3 percentage point to +0.2 percentage point contribution), along with maintenance and repair of the dwelling (remaining at +0.2 percentage point contribution).

Meanwhile, in June 2025, EOP core inflation (excluding energy and food) accelerated to 0.6%, up from 0.1% in May 2025. On a period average basis, core inflation inched up from 1.3% to 1.5%.

4. Excess liquidity expanded in July 2025

Preliminary data show that the excess liquidity (including undisbursed loan funds and other commitments) of commercial banks rose to Afl. 1,101.4 million at the end of July 2025, up from Afl. 1,067.6 million at the end of June 2025. The level of excess liquidity remains elevated, with year-to-date excess liquidity growth exceeding credit expansion up to July 2025.

5. Overall credit grew up to June 2025

The overall resident loan portfolio of the commercial banks grew by Afl. 153.4 million (+3.3%) to Afl. 4,844.4 million in June 2025, up from Afl. 4,691.0 million in December 2024. An Afl. 63.7 million increase in loans to businesses, mostly related to commercial mortgages was the main driver of this expansion. In addition, loans to individuals went up by Afl. 60.4 million, driven for the most part by housing mortgages.

6. Decision

The MPC decided to hold the reserve requirement rate at 12.5%. The potential impact of current global uncertainties on foreign exchange reserves and inflation largely formed the basis for this decision. Currently, the MPC observes a more than adequate level of official and international reserves in terms of the IMF ARA metric and the current account coverage ratio. On inflation, the EOP and period average inflation remained at low levels of, respectively, 0.6% and 0.9% in June 2025. Excess liquidity remains elevated with its year-to-date growth outpacing credit expansion up to July 2025.

The CBA monitors monetary and economic indicators and adjusts its monetary policy stance as needed to maintain the fixed exchange rate between the florin and the US dollar.

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