



2025-1

STATE OF THE ECONOMY



CENTRALE BANK VAN ARUBA

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1 Executive Summary

Tourism-Led Growth Amid Slowing Momentum

In the first quarter of 2025, Aruba's economy continued its post-pandemic expansion, albeit at a more moderate pace. Real GDP expanded by 4.2% year-on-year, below the 9.7% growth recorded in 2024. Moreover, when measured by real GDP per capita, growth was consistently lower in the past five quarters, underscoring that aggregate growth translated into more modest gains for individuals. Tourism remained the cornerstone of economic activity, with stay-over arrivals increasing by 2.5% compared to the first quarter of 2024. However, the average length of stay continued to fall, maintaining a multi-year trend of shorter visits.

Domestic consumption indicators mostly showed improvements. While new consumer credit fell, employment relationships registered with the SVB grew by 3.4%, supporting household spending. Inflation remained subdued, with a 12-month average of 1.4%. Lower energy prices and easing food inflation led to a drop of 0.3 percentage point compared to the end of 2024.

Investment activity presented a mixed picture. The value of new commercial mortgages increased significantly, with growth in the number of commercial mortgages lagging behind. This indicates that the magnitude of construction projects has increased considerably in the first quarter of 2025, after recording a contraction in the same period of 2024. Construction permits also rose in both number and value. Business sentiment softened, with the Business Perception Index declining to 102.0, and short-term expectations weakening.

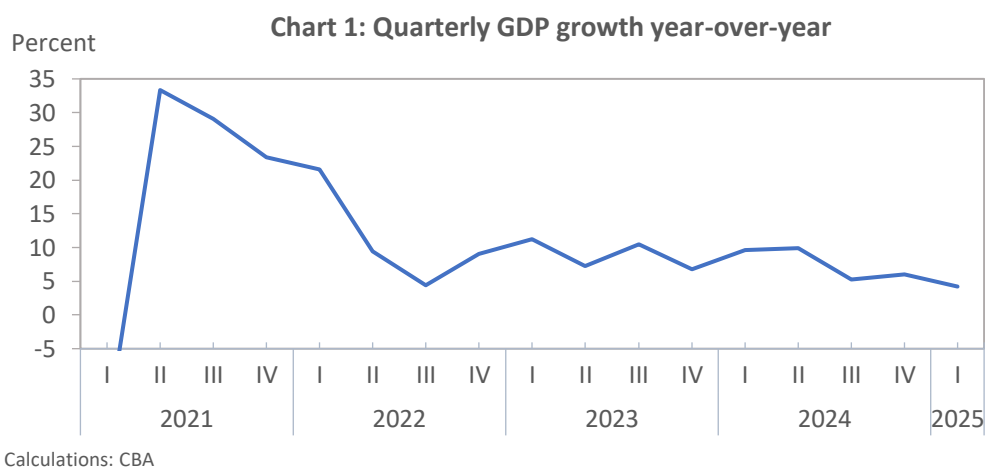
On the external front, the current account of the balance of payments continued to have a significant net inflow, supported by strong tourism exports. The latter led to a net inflow of foreign exchange, mitigated by a net outflow on the financial account. Consequently, international reserves remained robust, covering 8.1 months of current account payments. Furthermore, the measures of financial soundness remained strongly positive up to March 2025.

Government finances continued trending in the right direction, with a fiscal surplus in the first quarter of 2025, although slightly lower than the same period in 2024. Following debt repayments in the preceding 12 months, the GoA's estimated debt-to-GDP ratio declined to 67.2% from 75.9 % a year earlier. Overall, Aruba's economy showed resilience, supported by strong tourism performance, stable prices, and a sound and stable financial sector. Nonetheless, the slower growth in real GDP per capita highlights the importance of inclusive and productivity-driven development.

2 DOMESTIC

1.1 Economic Growth

According to the Central Bank of Aruba's (CBA) estimates, the Aruban economy, as measured by real Gross Domestic Product (GDP), expanded by 4.2% in the first quarter of 2025 (Chart 1). The latter signified a decrease from the 9.7% uptick recorded in the same period of 2024 and a continuation of the decelerating post-pandemic growth rate. Upturns in tourism exports and investments were the main drivers of the boost in the first three months of 2025. The rise in tourism exports was fueled by an expansion in tourist arrivals, mainly driven by the Latin American market. Investments, also contributed to this economic growth. The construction of large new projects, predominantly in the tourism sector, spurred private investments. While the economy grew 4.2% in the first quarter of 2025, per-capita output rose by 3.2%, indicating that individual economic gains, while positive, were less pronounced than the headline growth.



1.2 Tourism

In the first quarter of 2025, the tourism-related indicators point to a moderate performance for the tourism industry compared to the first quarter of 2024 (Table 1). While the number of stay-over visitors increased in the first quarter of 2025 by 2.5% compared to the corresponding period a year earlier, there was a decline in the number of total visitor nights (-0.2%) and cruise visitors (-9.1%).

Table 1: Tourism indicators for Aruba
YTD March

	2023	2024	2025
Stay-over visitors	312,359	382,723	392,421
Average length of stay (in days)	7.7	7.4	7.2
Total visitor nights	2,419,126	2,815,156	2,809,483
Cruise visitors	357,072	369,461	335,812
Hotel occupancy (%)	83.5	88.7	86.0
Average daily rate (U.S.\$)	407.7	432.0	476.7
Revenue per available room (RevPAR) (U.S.\$)	340.5	383.2	409.9
Tourism revenue per night (in Afl.)	558.67	563.73	578.22
Tourism revenue (in Afl. million)	1,351.5	1,587.0	1624.5

Sources: ATA, AHATA

Overall, the growth rates for stay-over visitors and visitor nights have trended downward since the strong rebound in 2022 (Chart 2). In terms of stay-over visitors, visitors from Brazil (+5,394 visitors; +76.4%) and Argentina (+4,501 visitors; +116.2%) were the main drivers of growth. The U.S. market, which accounts for the largest share of visitors, experienced a relatively flat development (+2,048 visitors; +0.7%). The drop in visitor nights was due to a decrease in the average length of stay (ALoS), from 7.4 nights in the first quarter of 2024 to 7.2 nights in the quarter under review (Chart 3). This implies that on average, tourists spent slightly less time on the island compared to the same quarter one year ago.

Chart 2: Stay-over visitors and visitor night growth (in %)

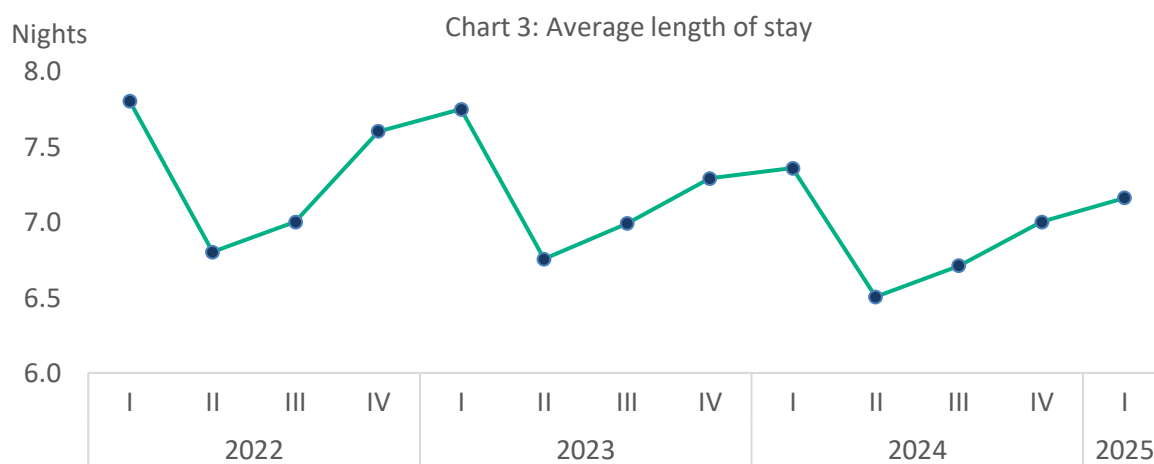


In the first quarter of 2025, tourism revenue grew by 2.4%, compared to a year earlier. Given the slight drop in visitor nights (-0.2%), tourism revenue per night was higher (2.6%) in the quarter under review than in the corresponding quarter of the previous year. Additionally, a higher average daily rate (ADR) for hotels might have contributed to the rise in tourist spending.

Furthermore, hotel sector data illustrate an overall solid performance in that sector. In the first quarter of 2025, the revenue per available room (RevPAR) increased by 7.0% compared to the same quarter a year ago. While the average hotel occupancy was lower in the first quarter of 2025 (86.0%) compared to a year earlier (88.7%), the average daily rate (ADR) rose sharply by 10.3%, driving the RevPAR hike. The lower occupancy rate can be explained to some extent by an expansion in the number of hotel rooms available (12.3%). Additionally, a growing proportion of tourists are opting for short-term vacation rentals such as Airbnb for their stay.

Moreover, the category 'other accommodations', which largely reflects short term vacation rentals, saw a gain (+11,619; +8.7%) in stay-over visitors in the first quarter of 2025 compared to the first quarter in 2024. In comparison, stay-over visitors at hotels (EP, All Inclusive) edged down (-469; -0.3%). This implies that short-term vacation rentals were the primary drivers of stay-over visitor growth (+9,698; +2.5%). Consequently, the share of accommodations accounted for by 'other accommodations' increased from 35.1% (2024Q1) to 37.2% (2025Q1). Additionally, visitor nights also increased for 'other accommodations' (+55,984; 5.1%), which mitigated the fall in visitor nights (-5,673; -0.2%), while hotels experienced a decline in visitor nights (-25378; -2.7%). As a result, the share of 'other accommodations' in total visitor nights rose from 38.7% in the first quarter of 2024 to 40.7% in the first quarter of 2025.

In the first quarter of 2025, the number of cruise visitors fell to 335,812, a contraction of 9.1% compared to the same quarter one year ago. Moreover, there were 136 cruise calls in the quarter under review, indicating a 4.9% decrease compared to the corresponding period of 2024. The development in the number of passengers and ship calls reflected a drop in the number of passengers per ship of 4.4%.



Source: ATA

1.3 Consumption

In the first quarter of 2025, most consumption-related indicators showed year-on-year improvements (Chart 4). Utilities consumption data showed mixed results, with household electricity usage decreasing by 1.4% (measured in kWh) and household gas consumption increasing by 5.3% (measured in pounds).

In contrast to the corresponding periods of 2023 and 2024, new consumer credit declined in the first quarter of 2025 compared to the same quarter of 2024. Similarly, data from the commercial banking sector points to a steeper year-to-date drop in the stock of resident consumer credit as of March 2025 (-0.5%) compared to March 2024 (-0.1%). The main driver of this sharper downturn was a stronger contraction in credit card loans (2024Q1: -3.5%; 2025Q1: -10.4%). To a lesser extent, the decrease in personal loans also widened from -1.2% to -2.7% during the same period. Moreover, year-to-date growth in the stock of car loans eased from 5.3% to 4.7%, in contrast with the findings of the Consumer Confidence Survey (CCS) of the CBA. In the first quarter of 2025, 22% of respondents regarded buying a car suitable, compared to a lower 7% in the same quarter of 2024.

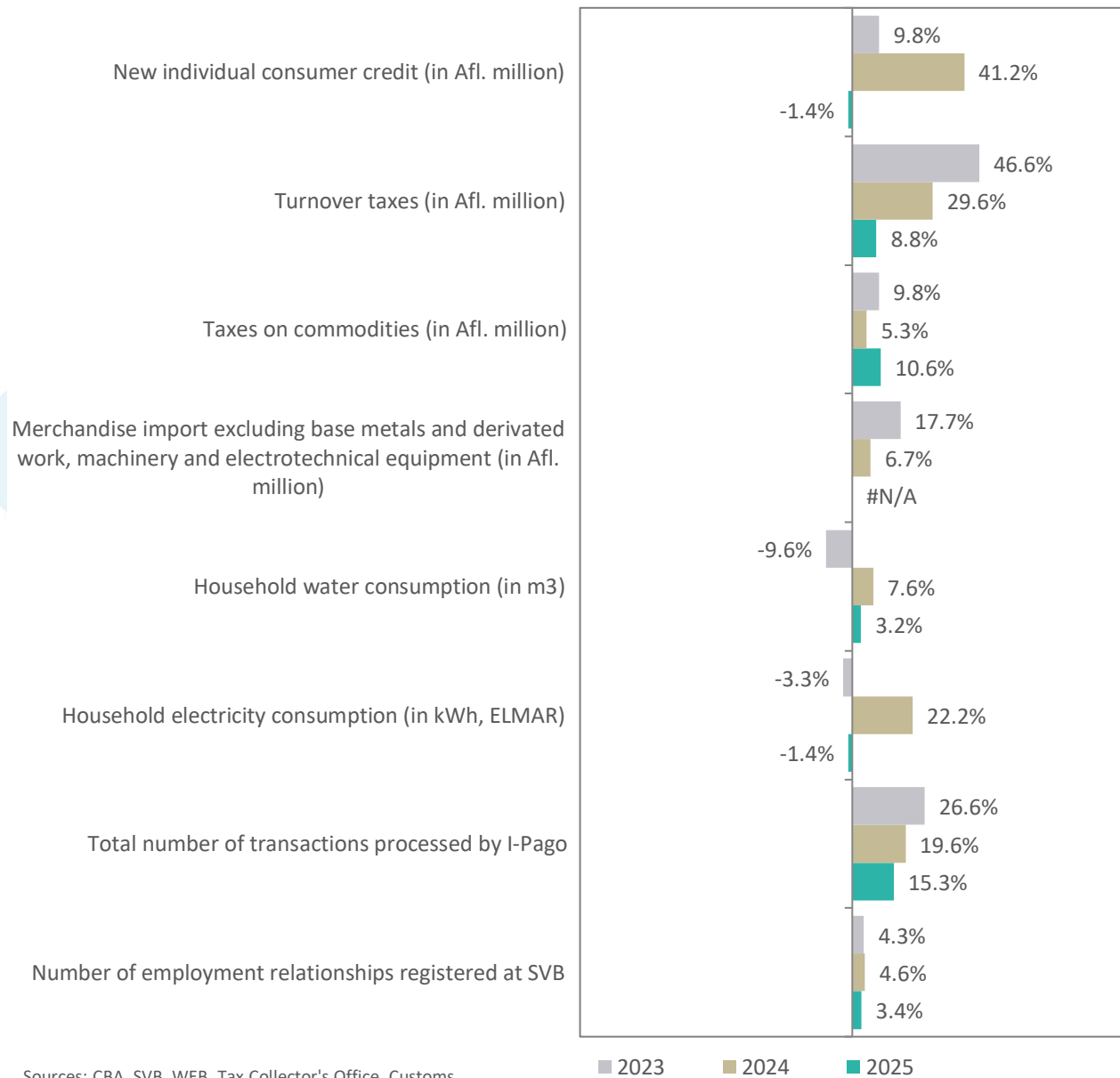
In line with most consumption indicators, the number of I-Pago transactions surged by 15.3% in the first quarter of 2025 compared to a year earlier. A 17.9% rise in transactions ranging from Afl. 0 to Afl. 250, complemented by a 12.6% growth in transactions exceeding Afl. 250 were the primary drivers of this expansion. These figures likely highlight an uptick in spending activity and wider adoption of the I-Pago platform by consumers and businesses.

Data from the Tax Collector's Office also support the earlier developments. In the first three months of 2025, revenues from turnover taxes rose by 8.8% and taxes on commodities by 10.6% when compared to the corresponding period of 2024. These upturns suggest higher local consumption levels but could also reflect stronger tourism credits, which rose by 2.4%. On a trend basis, turnover tax growth has been decelerating from the peak of 46.6% in the first quarter of 2023, which may be related to the raised BBO rate on January 1, 2023.

By the end of the first quarter of 2025, the number of employment relationships registered at the Sociale Verzekeringsbank (SVb) grew year-over-year by 3.4%, somewhat lower than in previous years (2024Q1: +4.6% and 2023Q1: +4.3%). This 3.4% growth likely contributed to greater local spending, echoing the positive trends in other consumption indicators.

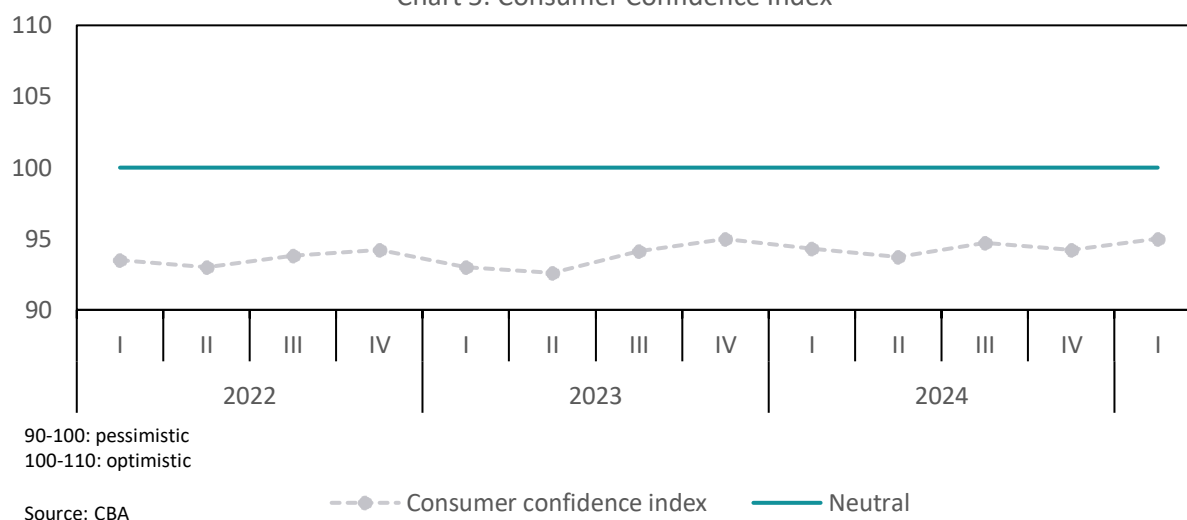
The Consumer Confidence Index (CCI) remained pessimistic in the first three months of 2025 (index: 95.0) albeit less so than in the corresponding period of the previous year (index: 94.3) (Chart 5). The higher index reflects less pessimistic sentiments among local consumers, evident through the Consumption and Borrowing Habits Index (CBHI), which jumped from 94.5 to 97.6, signalling a higher tendency to spend on big-ticket items and take out loans.

Chart 4: Consumption-related indicators
(2025Q1 vs. 2024Q1 vs. 2023Q1)



Sources: CBA, SVB, WEB, Tax Collector's Office, Customs Department

Chart 5: Consumer Confidence Index



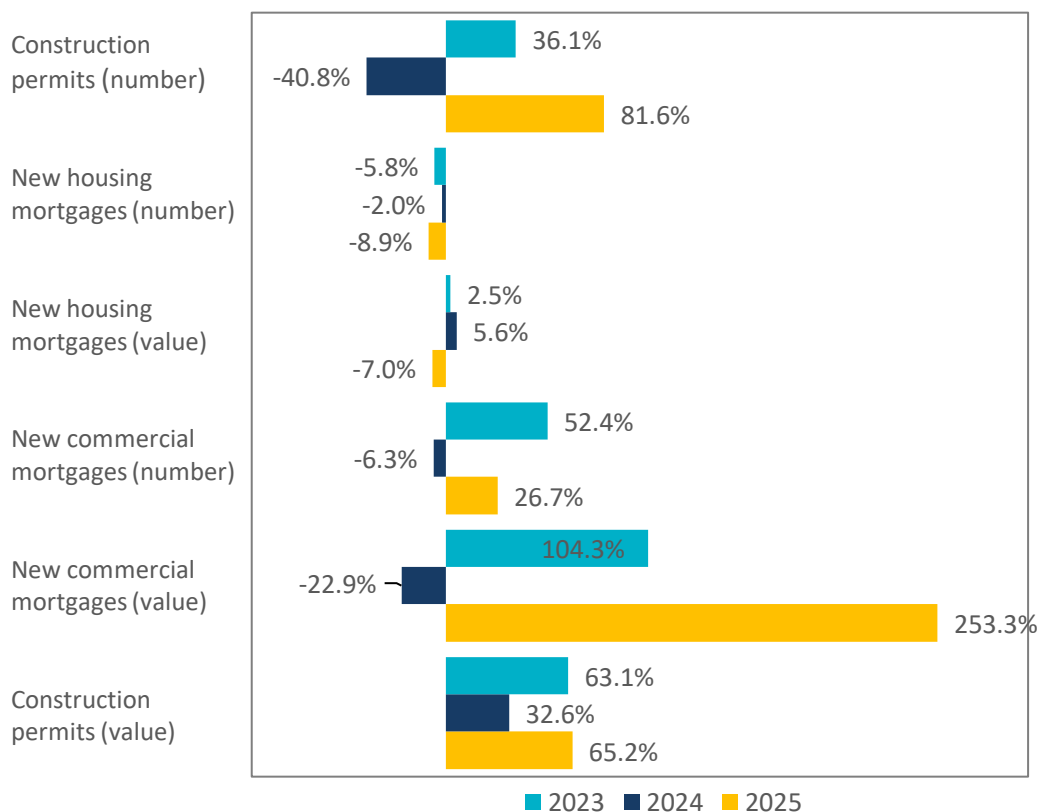
1.4 Investment

During the first quarter of 2025, data on new mortgage activities from the commercial banking sector exhibited mixed signals. The value of new commercial mortgages grew strongly by 253.3%, while the number of new commercial mortgages also rose, albeit more mildly, by 26.7% (Chart 6). This represents a reversal from the contraction (value: -22.9%, number: -6.3%) observed in the first quarter of 2024 and the corresponding period in 2023 (value: -54.9%, number: -39.6%). In the first quarter of 2025, the average loan size grew, reversing the drop seen in the same period of 2024 and far outpacing the more moderate growth recorded in 2023 (2025: +178.9% vs. 2024: -17.7% vs. 2023: 34.1%). Considering the rise in number and value of commercial mortgages, – this may indicate that, the magnitude of construction projects has increased considerably compared to 2023 and 2024. Conversely, when considering the number and value of new housing mortgages, we see the opposite trend of a reduction, compared to previous years. Data from the first three months of 2025 suggest that new housing mortgages declined in the number (-8.9%) and value (-7.0%). The corresponding periods of 2024 and 2023 also registered decreases in the number (2024: -2.0%, 2023: -5.8%) but an expansion in the value (2024: +5.6%, 2023: +2.5%) of new housing mortgages. For both the number and value of new housing mortgages, these indicators provide a sign of waning as compared to previous years. The contrasting conclusions to be drawn from the data for housing and commercial mortgages suggest that differing investment appetite, or other factors are affecting the decisions, between consumers and businesses.

The number and value of construction permits increased sharply as compared to previous years, mainly due to the component others. In terms of construction permits, the total number augmented by 102 permits (+81.6 %), while the value augmented by Afl. 63.0 million (+65.2%). The largest contributor to the upturn in the number of construction permits was the category 'houses' (+75 permits; +100.0%). On the other hand, the rise in the value of construction permits stems mainly from construction permits in the category 'others' (+Afl. 56.6 million; +284.6%). The latter includes construction permits for condominiums. As the growth in the number of construction permits for the category 'others' (+37.9%) is much smaller than the aforementioned figure for the

surge in the value (+284.6%), it suggests that the individual construction permits granted were of considerably higher value compared to previous years. Alternatively, large construction projects could be included herein, which may push up the overall figures. It should be noted that construction permits data are to be interpreted with caution due to the potential time lag between the issuance of permits and actual investment. Consequently, the value of construction permits does not necessarily equal investment expenditures during the period under review.

Chart 6: Investment-related indicators
(Percentage change Q1 2025 vs. Q1 2024 vs. Q1 2023)



Sources: CBA, DOW

The Business Perception Index (BPI) reported in the CBA's Business Perception Survey (BPS) reached 102.0 at the end of the first quarter of 2025, a contraction of 4.8 index points compared to the same period in 2024 (Chart 7). While the current economic conditions index also decreased (-0.1 index point), the decline in the overall BPI mostly related to a worsening (-10.6 index points) in the short-term economic conditions index.

When compared to the previous quarter (Q4 2024), both current economic conditions and short-term economic conditions indices showed signs of deterioration, by -2.7 index points and -9.6 index points, respectively. These drop in confidence coincided with the announcement and implementation of new tariffs by the United States and may reflect the uncertainties in local businesses' perceptions of current and future economic conditions.. Likewise, the BPS Investment Index narrowed from 106.8 in the first quarter of 2024 to 104.8 in the first quarter of 2025. The latter occurred as more respondents reported a worsening in short-term investment conditions in the first quarter of 2025 compared to the first quarter of 2024 (2025-I:14.6% vs. 2024-I: 0.0%). With regard to short-term investment plans, a larger share of respondents indicated that such plans were not applicable in the BPS of the first quarter of 2025 (37.5%) versus the same period of 2024 (30.8%) (Chart 8).

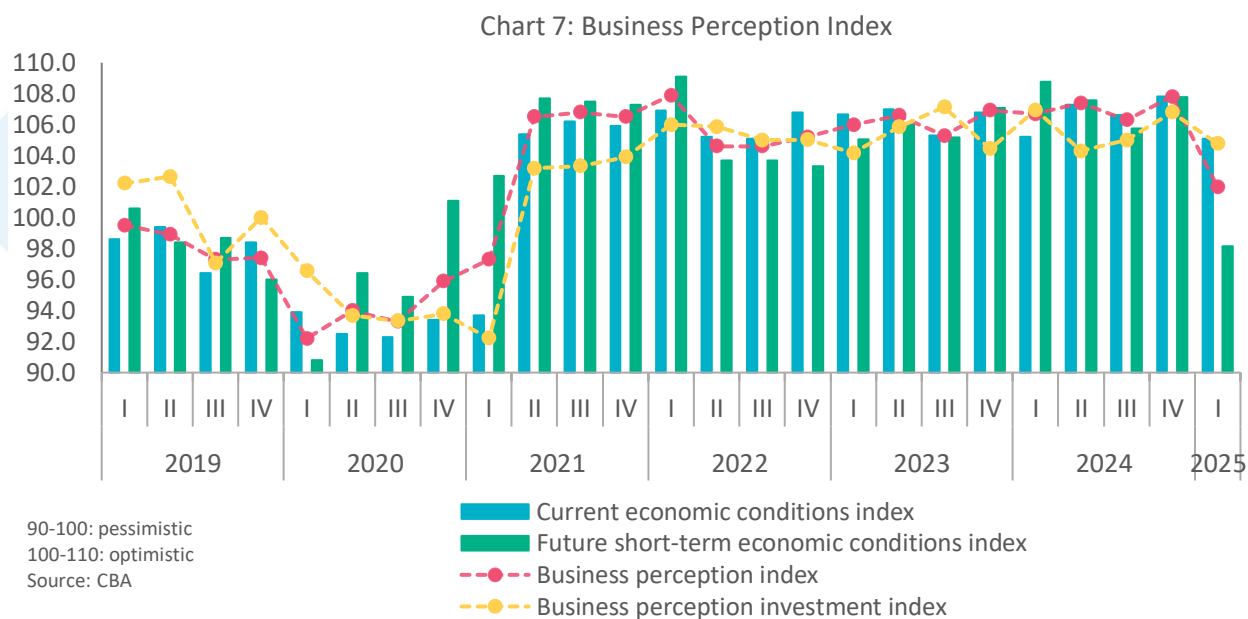
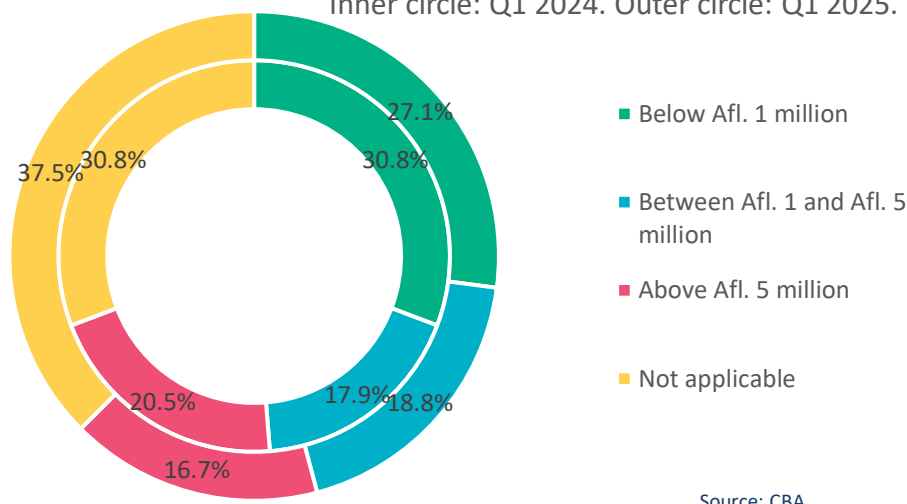


Chart 8: Share of businesses responses on their investment plans

Inner circle: Q1 2024. Outer circle: Q1 2025.

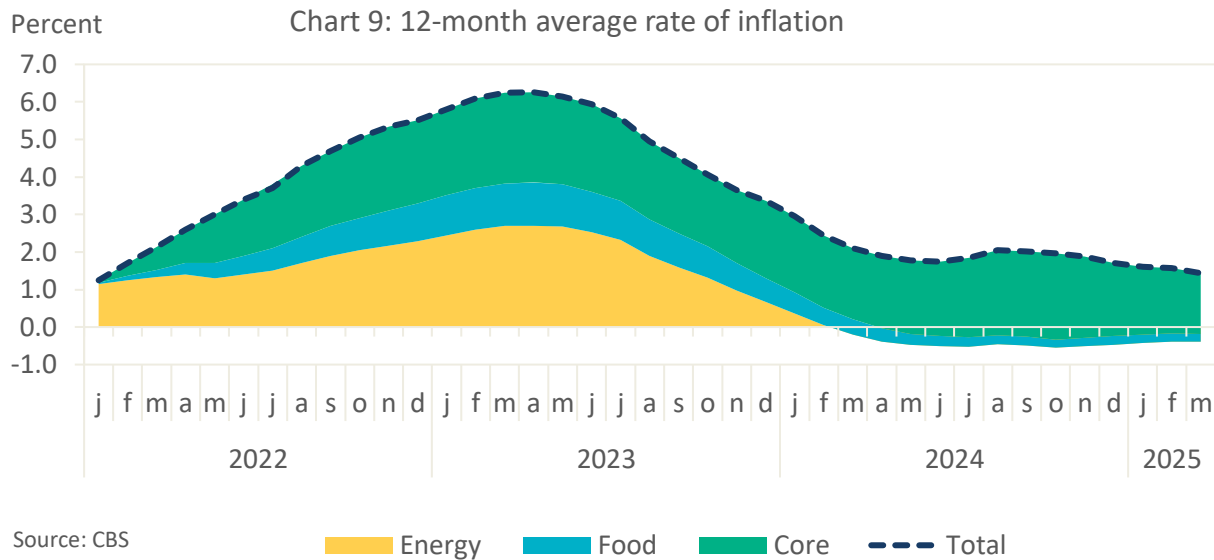


Source: CBA

1.5 Consumer Price Index

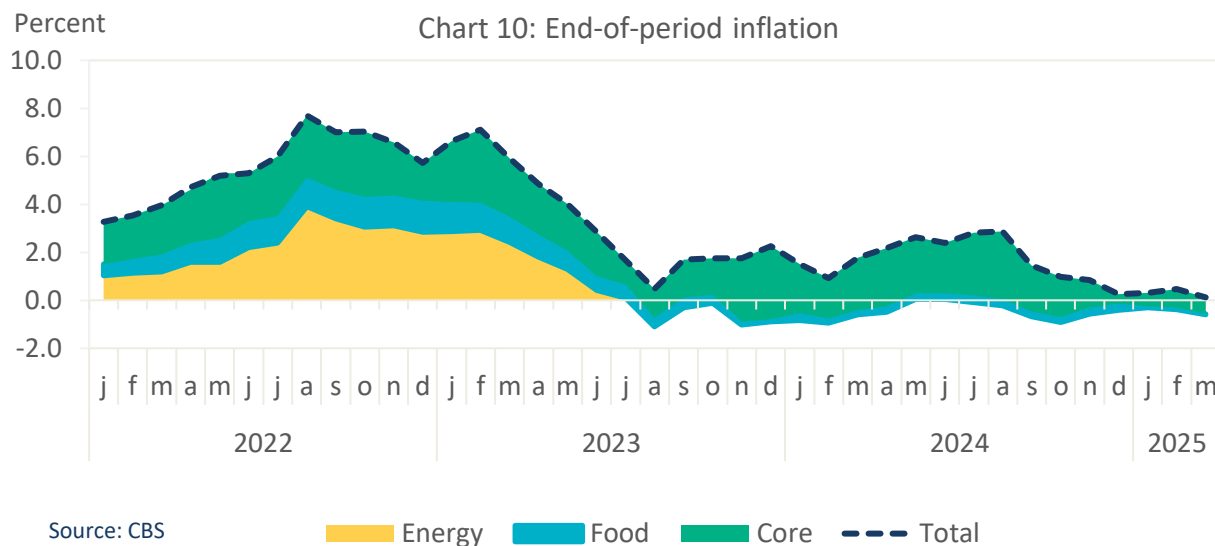
At the end of the first quarter of 2025, Aruba's 12-month average inflation rate stood at 1.4%, marking a 0.3 percentage point decline compared to December 2024 (Chart 9). Overall, the 12-month average inflation rate has followed a downward trajectory since May 2023, with the exception of a temporary uptick in August 2024, when it rose from 1.8% in July to 2.0%, remaining stable through October before resuming its decline. This general downward trend reflects falling energy prices - particularly in electricity supply — alongside a deceleration in the increase in food prices.

Over the past three months, Aruba's 12-month inflation continued its downward trajectory, reflecting a deceleration in the increase of the general price level. The communication component (+0.6 percentage point) - particularly prices for subscription of landline phones (+0.2 percentage point) and DSI-connection internet and cable TV (+0.3 percentage point) — was the primary factor pushing up prices in March 2025. A negative contribution from the recreation and culture component (-0.2 percentage point), driven by lower holiday prices (-0.2 percentage point) and household operation component (-0.1 percentage point), reflecting lower prices for household appliances (-0.2 percentage point) partially offset the impact of the communication component. Other contributors to the inflation level in March included housing (+0.3 percentage point) and miscellaneous goods and services (+0.3 percentage point), amongst others. The disinflationary trend over the past three months has been driven in part by a reduced contribution from prices for phone, internet, and cable TV. Meanwhile, core inflation, which excludes energy and food, also fell — also primarily due to reduced prices in the communication category, with the drop largely attributed to lower costs for telephone and telefax services.



Similarly, the end-of-period (EOP) inflation rate has been on a downward trajectory, since August 2024, but picked up in February of this year when it went from 0.3% in January to 0.5% (Chart 10). The overall decline since August 2024 is largely due to a contraction in core inflation, which excludes the prices of energy and food. The core inflation has been declining due mainly to the housing component maintenance and repair of the dwelling. Moreover, holiday prices — as well as the costs of internet subscriptions and cable TV — have also been declining. The drop in housing-related inflation may signal normalization in Aruba's real estate market, though further data are required to confirm this trend.

At the end of March 2025, Aruba's EOP inflation stood at 0.1%, primarily driven by the purchase price of cars, which contributed with 0.5 percentage point. Several other components — including health, communication, and restaurants and hotels — also contributed positively to March's inflation figure. On the other hand, inflation was pulled down by the recreation and culture component (-0.5 percentage point), largely due to lower holiday prices (-0.4 percentage point). Additionally, the household operation component contributed with a -0.2 percentage point decrease, reflecting reduced prices for household appliances (-0.2 percentage point).



1.6 International Competitiveness

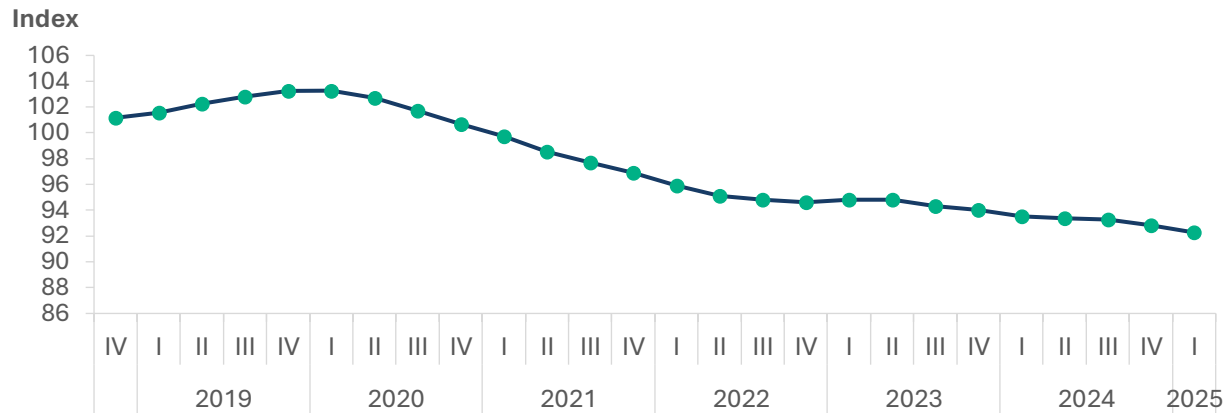
The Real Exchange Rate (RER) measures the competitive position of the Aruban florin relative to the U.S. dollar (Chart11). A drop in the RER signals an improvement in the florin's competitiveness as prices in Aruba become less expensive relative to those in the United States. Conversely, an increase suggests a deterioration.

Since the onset of the COVID-19 pandemic, the RER has generally trended downward, indicating an improvement in the competitive position of the florin against the U.S. dollar. Higher inflation in the United States compared to Aruba has been the driver of this trend. While the RER rose slightly in some quarters - such as the first quarter of 2023 - the overall trajectory continued to shift downward.

In the first quarter of 2025, the RER continued to decline, reaching 92.3, a 0.6 percentage point decrease from the previous quarter. This change reflects a widening inflation differential in Aruba's favor: in March 2025, the 12-month average inflation differential stood at -1.4 percentage points, compared to -1.2 in December 2024. In other words, the U.S. inflation rate exceeded that of Aruba in both months.

At the end of the first quarter of 2025, Aruba's 12-month inflation rate was 1.4 percent, while the U.S. recorded 2.8 percent. Although inflation rates have generally declined in both countries in recent months, Aruba's has contracted at a faster pace, further enhancing the florin's competitive position against the U.S. dollar.

Chart 11: Real exchange rate Aruban florin vis-à-vis the U.S. dollar (2017=100)



Source: CBA

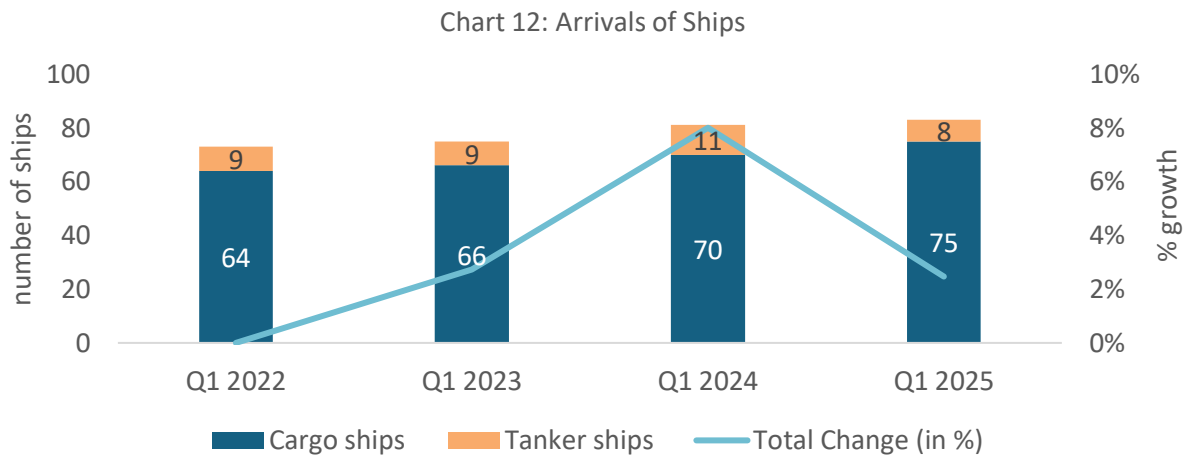
1.7 Foreign Trade

Up to March 31, 2025, the value of imported and exported goods to Aruba expanded compared to the same period in 2024¹. During the period under review, the value of imported goods grew by 9.7% (+Afl. 60.8 million), while exported goods from Aruba also rose by 10.2% (+Afl. 7.1 million).

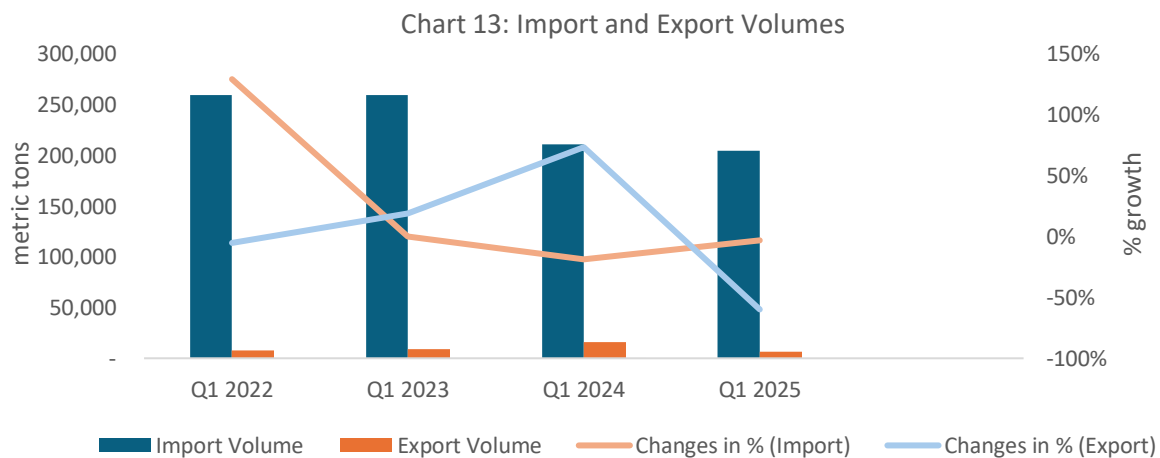
Data from the IMF PortWatch Platform² reveal that the aggregated number of arrivals of ships in the Oranjestad-Barcadera and Sint Nicolaas-Baai ports increased by respectively, 2.5% and 2 additional ships. Taking a closer look at the arrival of ships, and distinguishing between cargo ships and tanker ships, we can see that the number of cargo ships has risen year-on-year since 2022, while the number of tanker ships has shown no clear pattern throughout the corresponding period (see Chart 12). The increase in cargo ships is in line with a growth in tourist arrivals experienced post-pandemic, and increased domestic consumption as an indirect result hereof.

¹ According to first quarter Balance of Payments (BOP) data

² IMF Portwatch Platform uses Automatic Identification System (AIS) trade data, which is information gathered from the global vessel tracking system



Developments in the import-export volumes³ showed differing patterns from the aforementioned values. During the first quarter of 2025, import volumes (-2.9%; -6.2 metric tons) and export volumes (-59.9%; -9.6 metric tons) decreased compared to the corresponding period of 2024. Considering a longer timeline (as is pictured in Chart 13) shows that import volumes have been on a diminishing trend since 2022.



³ Based on IMF Portwatch Platform data

Moreover, data on containers⁴ show a 6.0% (+266 containers) rise in number of containers during the first quarter of 2025, compared to the same period in 2024. Pushing up this growth was the 200 container (+5.9%) increase in 40ft HC containers⁵, supported also by growth in the 20ft containers (+38 containers; +4.1%) and 40 ft LC containers⁶ (+29 containers; +24.4%). Considering items and materials shipped via breakbulk, data on motor vehicles show an increase of 168 units, and 15% respectively as compared to the first three months of 2024. Cement totals also increased considerably during the corresponding period, namely by 5,972 tons, and 339.3%.

1.8 Balance of Payments

In the first quarter of 2025, the Balance of Payments (BOP) reported a current account surplus of Afl. 508.7 million, which was primarily driven by inflows from tourism services (Table 2). Compared to the first quarter of 2024, the current account surplus fell by Afl. 13.4 million, due to an increase in the deficit in the goods account; however, this was mitigated by a smaller deficit in the income accounts. The main driver of the larger deficit in the goods account is the larger outflows relating to imports of goods: imports rose with Afl. 60.8 million in the first quarter of 2025 compared to the same period one year ago. In contrast, the services account exhibited little change, registering a net inflow of Afl. 1,167.6 million in the first quarter of 2025, compared to Afl. 1,167.3 million in the first quarter of 2024. Within services, tourism-related inflows grew in the first quarter of 2025 compared to one year ago (2025Q1: Afl. 1,624.5 million, 2024Q1: Afl. 1,587.0 million). However, this growth was mitigated by increases in outflows related to transport and other services. With regards to the narrowing deficit in the income account, this is primarily the result of a smaller deficit in the primary income account, which in turn was driven by a decrease in investment income outflows. Finally, the capital account recorded a surplus of Afl. 6.8 million, representing an increase of Afl. 4.6 million compared to one year ago.

Furthermore, the financial account registered a net lending amount of Afl. 517.1 million, which is Afl. 43.2 million higher than what was reported in the first quarter of 2024 (Afl. 473.9 million). This increase was mainly the result of an Afl. 115.8 million expansion in the CBA's reserve assets (2025Q1: Afl. 215.4 million, 2024Q1: Afl. 99.6 million) which in turn increased due to a surge in currency and deposits (2025Q1: Afl. 273.7 million, 2024Q1: Afl. 32.8 million), mitigated by a decline in long-term debt securities (2025Q1: Afl. -57.0 million, 2024Q1: Afl. 63.2 million). To a lesser extent, the net lending growth in the financial account was driven by a net lending increase in portfolio investment (2025Q1: Afl. 164.3 million, 2024Q1: Afl. 110.6 million). In contrast, direct investment mitigated the rise in net lending in the financial account, changing from a net lending position in the first quarter of 2024 to a net borrowing position in the first quarter of 2025 (2025Q1: Afl. -51.9 million, 2024Q1: Afl. 114.5 million). In 2024, the net lending position was mainly driven by the resident purchase of local hotel shares from non-residents, which significantly drove down the net incurrence of financial liabilities.

⁴ From the Oranjestad-Barcadera Port Statistics

⁵ HC containers are 1 ft taller than a standard container

⁶ LC containers refers to Less Container Load which are smaller than a full container load cargo. In these cases, the container includes cargo from multiple shippers.

Table 2: Balance of payments (in Afl. million) 2024Q1 2025Q1

Current account	522.0	508.7
Goods	-558.0	-611.8
Services	1167.3	1167.6
Primary income	-47.7	-14.8
Secondary income	-39.5	-32.4
Capital account	2.2	6.8
Financial account	473.9	517.1
Direct investment	114.5	-51.9
Portfolio investment	110.6	164.3
Financial derivatives	0.4	3.6
Other investment	148.8	185.6
Reserve assets	99.6	215.4

Source: CBA

1.9 Monetary Survey

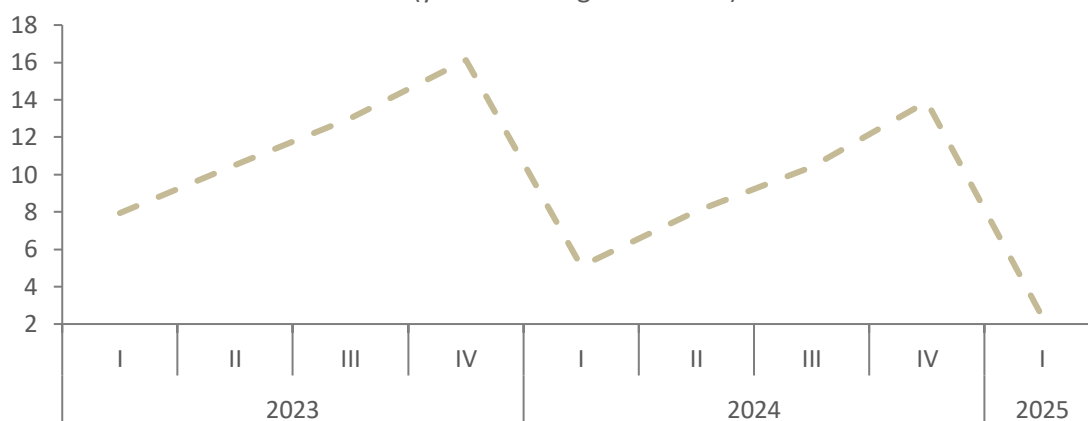
At the end of March 2025, money supply reached Afl. 6,534.1 million, an expansion of Afl. 309.8 million since end-December 2024. A net foreign assets increase (2024Q4: Afl. 3,275.1 million; 2025Q1 Afl. 3,594.3 million) was the primary reason for the broadened money supply.

Regarding net foreign assets, official and international reserves (including revaluation differences) significantly exceeded monitored benchmarks and remained more than adequate at the conclusion of March 2025. Official reserves, benchmarked by the International Monetary Fund's Assessing Reserve Adequacy metric, stood at 133.0% of the point of reference. Moreover, international reserves covered 8.1 months of current account payments, amply above the CBA's minimum standard of 3 months.

However, net domestic assets slipped by Afl. 9.4 million, mitigating the expansion in money supply. The lower net domestic assets stemmed from increasing government deposits at money creating institutions (2024Q4: Afl. 289.4 million; 2025Q1 Afl. 313.9 million), which dragged down net claims on the public sector.

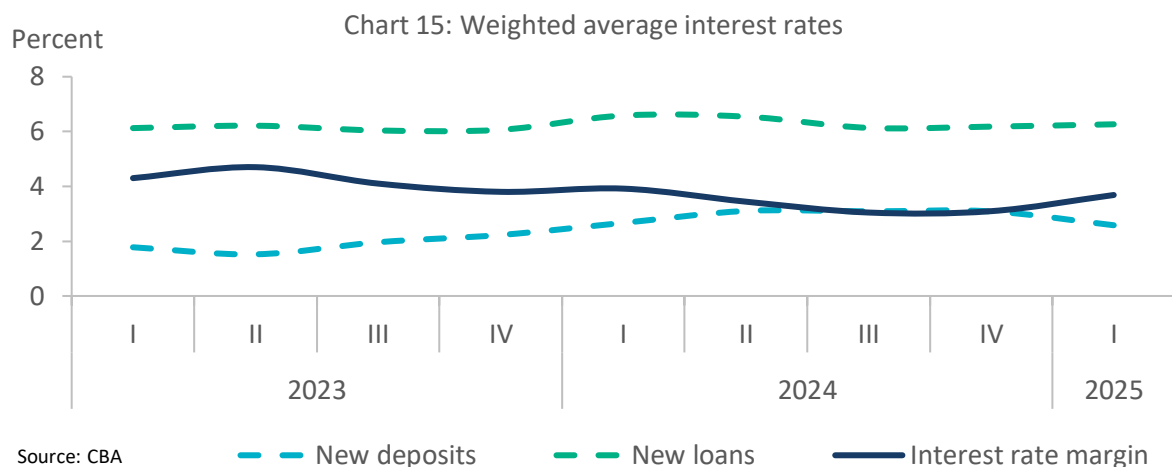
In contrast to net claims on the public sector, private sector claims expanded (2024Q4: Afl. 4,197.4 million; 2025Q1: Afl. 4,254.9 million). This growth was mainly due to a higher rate of business loans (+Afl. 48.0 million; +2.4%) (Chart 14). To a lesser extent, rising loans to individuals (2024Q4: Afl. 2,185.7 million; 2025Q1: Afl. 2,195.2 million) also contributed to greater claims on the private sector. With regards to loans to individuals, housing mortgages increased (+Afl. 12.0 million), while consumer credit edged down (-Afl. 2.6 million).

Chart 14: Loans to enterprises - monetary survey
(year-to-date growth rates)



Source: CBA

Continuing the broad downward trend since 2023, the interest rate margin of the commercial banks slid marginally to 3.7% in the first quarter of 2025, down from 3.9% a year earlier (Chart 15). The slightly narrower interest margin resulted mainly from a lower interest rate on new loans (2024Q1: 6.6%; 2025Q1: 6.3%) while the interest rate on new deposits compressed modestly (2024Q1: 2.7%; 2025Q1: 2.6%). The interest rate for new loans declined due to decreasing rates for new business loans.



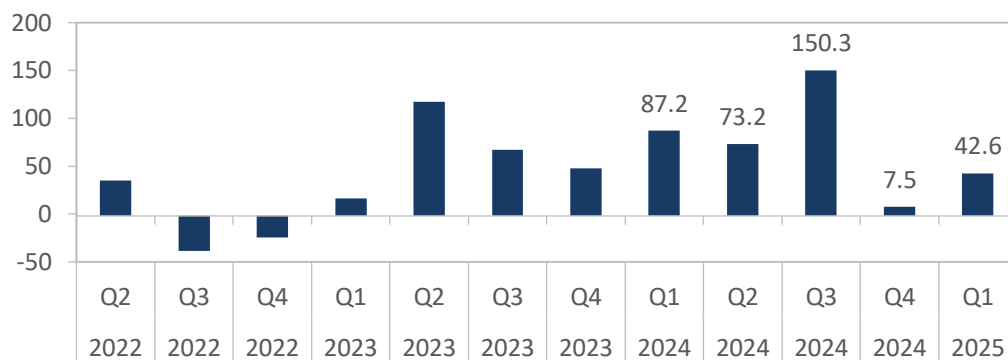
The measures of financial soundness remained positive up to March 2025. Nonperforming loans to gross loans remained at low levels, recording 1.2% at the end-March 2025, the same level as the of end-December 2024. The capital adequacy ratio improved slightly by 0.2 percentage point to 32.3%, amply above the minimum of 16%. As for the prudential liquidity ratio (PLR) – the ratio of liquid assets to total net assets – increased from 30.4% to 33.7% between December 2024 and March 2025, also far surpassing the minimum of 19.0%.

1.10 Government

During the first quarter of 2025, the government of Aruba (GoA) registered a financial surplus of Afl. 42.6 million, compared to the surplus of Afl. 87.2 million achieved in the first quarter of 2024 (Chart 16). This decrease is primarily attributable to an increase in government expenditures (+Afl. 43.9 million; +13.5%), while government revenues experienced a minor decline (-Afl. 0.3 million; -0.1%).

Afl. million

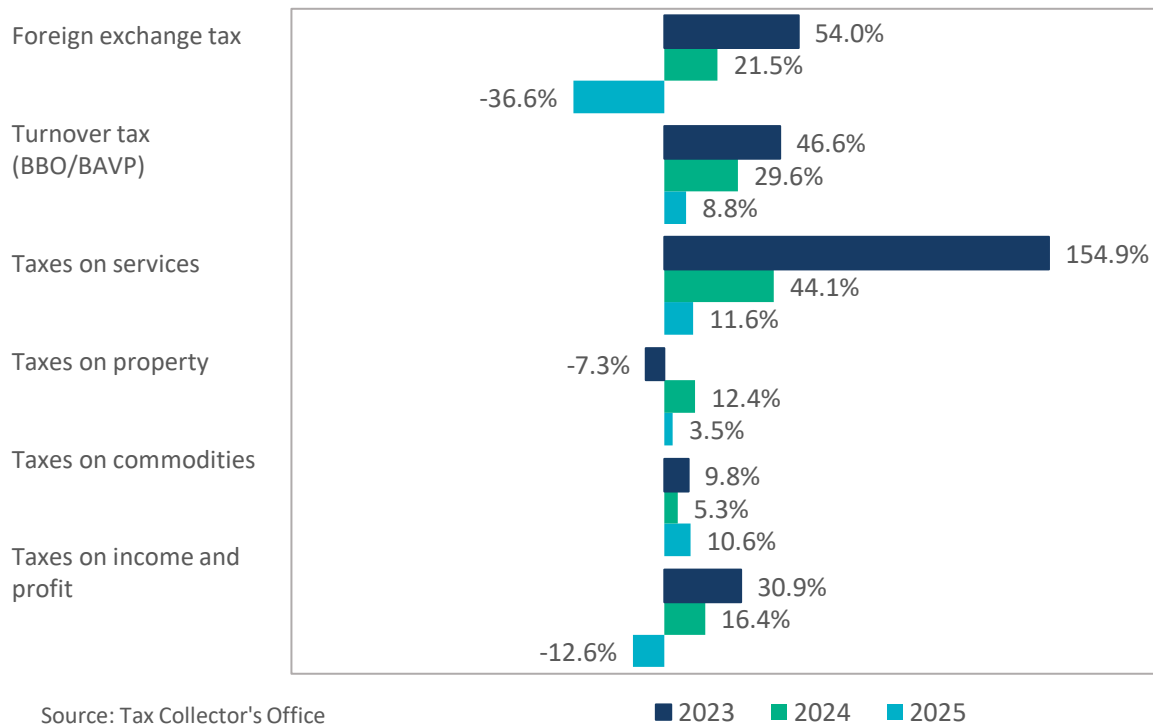
Chart 16: Fiscal balance



Calculations: CBA
e = estimated

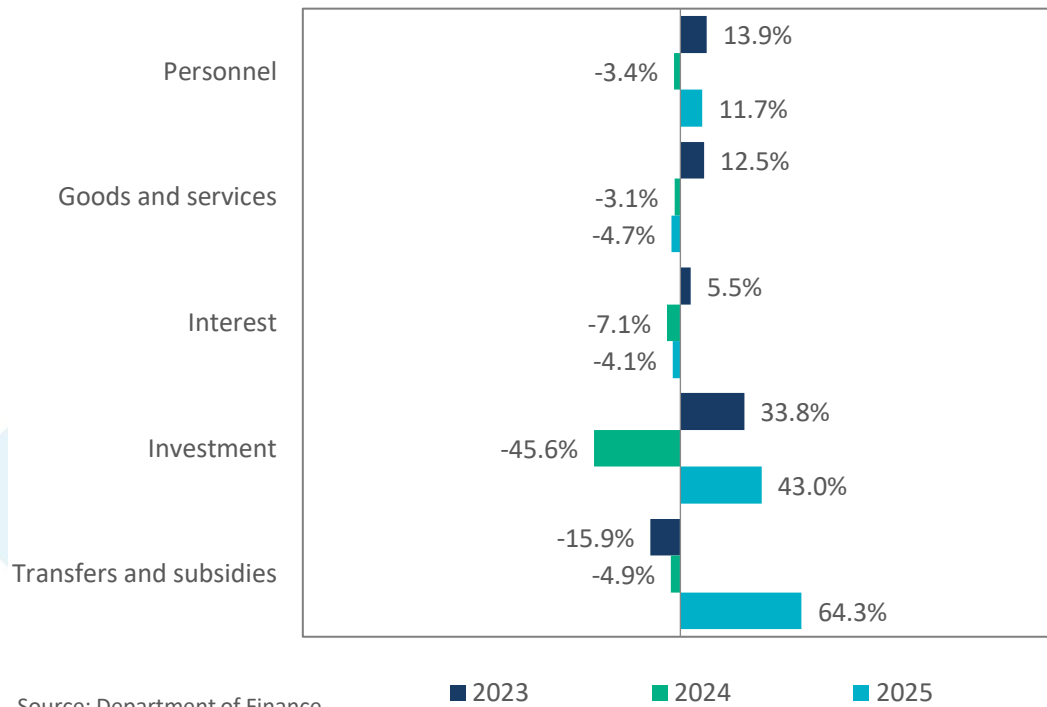
During the first quarter of 2025, total tax revenue edged up by Afl. 2.7 million (+0.7%) compared to the first quarter of 2024. Consequently, total tax revenue amounted to Afl. 387.3 million, capturing 93.8% of total revenues (Afl. 413.1 million). Nontax revenues captured the remaining 6.2% of total revenues. Most of the tax categories experienced an uptick in revenues except for the 'Foreign exchange tax' and 'Taxes on income and profit' categories (Chart 17). Revenues from taxes on commodities contributed the most (+Afl. 9.5 million; +10.6%) to the rise in total tax revenues, followed by turnover tax revenues (+Afl. 8.8 million; +8.8%), and revenues from taxes on services (+Afl. 4.6 million; +11.6%). Import duties (+Afl. 7.0 million) were the main driver of the increased receipts from taxes on commodities, while increased economic activity contributed to higher turnover tax revenues. Moreover, higher proceeds from the hotel room tax (+Afl. 3.6 million) stemming from increased tourist stayover arrivals and higher hotel room rates contributed the most to the hike in revenues from taxes on services. In contrast, revenue from taxes on income and profit fell by Afl. 12.8 million (-12.6%) compared to the first quarter of 2024, while foreign exchange tax revenues slipped by Afl. 8.5 million (-36.6%). A decline in wage tax revenues (-Afl. 14.9 million), following a reduction in the income and wage tax rate, which came into effect in January 2025, was the main reason for the fall in receipts from taxes on income and profit. An upturn in income tax receipts (+Afl. 3.9 million) partially offset this drop in wage tax income.

Chart 17: Tax revenue growth for YTD March
(current year vs. prior years)

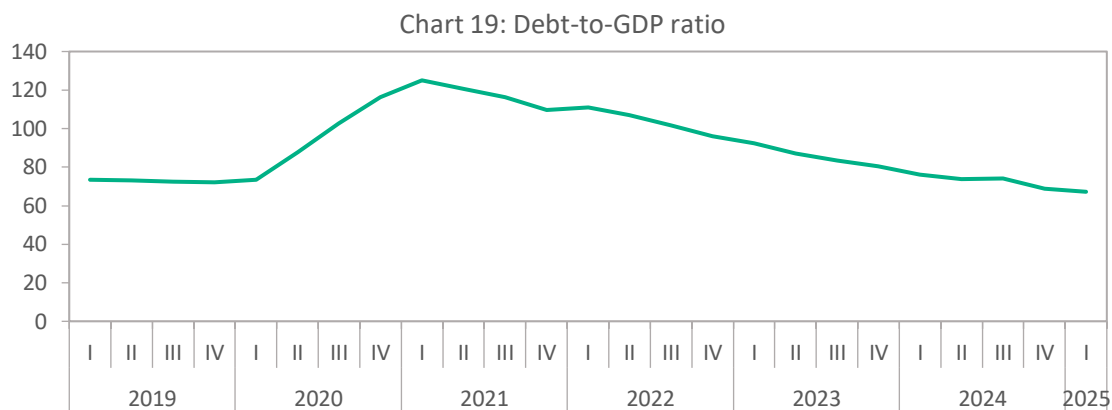


Government expenditures increased in the first quarter of 2025 by Afl. 43.9 million (+13.5%) compared to the first quarter of 2024. Total expenditures were equal to Afl. 368.5 million. Several expenditure components were responsible for this development (Chart 18). The main contribution came from larger transfers and subsidies (+Afl. 32.4 million; +64.3%), followed by higher personnel costs (+Afl. 16.6 million; +11.7%) and increased investment (+Afl. 0.7 million; +43.0%). Meanwhile, there was a reduction in interest payments (-Afl. 2.3 million; -4.1%) and good and services expenses (-Afl. 3.5 million; -4.7%).

Chart 18: Government expenditure
(Percentage change YTD March 2025 vs. previous years)



In the first quarter of 2025, the GoA's estimated debt-to-GDP ratio reached 67.2%, down from 75.9% in the first quarter from the previous year (Chart 19). In absolute terms, total government debt fell by Afl. 203.3 million (-3.7%) to Afl. 5,236.0 million in the first quarter of 2025, compared to the first quarter of 2024. This reduction can be attributed to a decline in outstanding domestic debt (-Afl. 174.1 million; -7.8%) and to a lesser extent to a fall in outstanding foreign debt (-Afl. 29.1 million; -0.9%). In turn, the shrinking in domestic debt was primarily driven by a decrease in long-term non-negotiable debt liabilities to APFA (-Afl. 67.2 million) and liabilities relating to private loans (-Afl. 63.8 million). The contraction in foreign debt was the result of a drop in debt obligations to the Netherlands (-Afl. 47.6 million) and to other (excluding United States) countries (-Afl. 102.7 million), mitigated by an increase in debt liabilities owed to the U.S. (+Afl. 121.7 million). Consequently, a declining debt, coupled with a rising GDP, contributed to a lower debt-to-GDP ratio. Overall, the debt-to-GDP ratio has been steadily declining from its peak during the COVID-19 pandemic (126.6% in the first quarter of 2021) and is below pre-pandemic levels (2019Q4: 72.1%). By the first quarter of 2025, 39.5% of the GoA's total outstanding debt consisted of domestic debt, and 60.5% of foreign debt.



Calculations: CBA
Values in the figure reflect

3 INTERNATIONAL DEVELOPMENTS

The International Monetary Fund (IMF) released its World Economic Outlook update on July 29, 2025, projecting global Gross Domestic Product (GDP) growth of 3.0% for 2025 and 3.1% for 2026 (Table 3). These figures represent a modest upward revision from the April 2025 outlook. Specifically, this entails a rise of 0.2 percentage point for 2025 and 0.1 percentage point for 2026. The revision reflects several developments: stronger-than-anticipated front-loading of economic activity ahead of expected tariff hikes, lower average effective U.S. tariff rates than previously announced, improved financial conditions spurred in part by a weaker U.S. dollar, and increased fiscal spending in major economies.

Table 3: Projection for the world economy and selected economies (Real GDP growth, in percent)

Economy	2025	2026
World	3.0	3.1
United States	1.9	2.0
Euro Area	1.0	1.2
Latin America and the Caribbean	2.2	2.4

Source: International Monetary Fund

In 2025, Emerging Market and Developing Economies (EMDEs) are expected to outpace Advanced Economies in terms of growth, with projected GDP expansion of 4.1% compared to 1.5% for Advanced Economies. This development is largely driven by Emerging and Developing Asia, which is forecasted to grow by 5.1%. The same trend is anticipated in 2026, with EMDEs foreseen to grow by 4.0%, while Advanced Economies are anticipated to expand by 1.6%. Once again, Emerging and Developing Asia is set to be the primary engine of growth within the EMDEs group. In Latin America and the Caribbean (LAC), growth is set to reach 2.2% in 2025 and 2.4% in 2026, representing an upward adjustment in 2025 and remaining unchanged in 2026 vis-à-vis the April 2025 World Economic Outlook. According to the Economic Commission for Latin America and the Caribbean (ECLAC), the region remains in a prolonged period of low economic growth, marked by notable differences across countries and subregions. Meanwhile, lower-than-expected tariff rates and more accommodative financial conditions have led to an upward revision of GDP growth in Aruba's largest trading partner — the United States — from 1.8% to 1.9% in 2025 and from 1.7% to 2.0% in 2026. In 2026, tax incentives boosting corporate investment will fuel growth.

As in the April 2025 World Economic Outlook, risks to global growth remain tilted to the downside. Specifically, a resurgence in tariff rates could dampen economic performance. Rising uncertainty may also weigh on activity, particularly if deadlines for additional tariffs pass without progress toward subnational, permanent agreements. Other downside risks include escalating geopolitical tensions that could disrupt global supply chains and drive-up commodity prices. Additionally, widening fiscal deficits or increased risk aversion may push up long-term interest rates, tightening global financial conditions. These factors — coupled with concerns over economic fragmentation — could reignite volatility in financial markets.

On the upside, successful trade negotiations that establish a more predictable framework and reduce tariffs could boost global growth. Such developments would enhance confidence, improve predictability, and support more sustainable economic momentum.

Lastly, regarding inflation, global headline inflation is projected to reach 4.2% in 2025 and 3.6% in 2026, remaining virtually unchanged from the April 2025 World Economic Outlook. However, inflation trends vary significantly across countries. The United States is expected to remain above its target, while other major economies are likely to experience more subdued inflationary pressures.

4 CONCLUSION

In the first quarter of 2025, Aruba's economy continued to expand, although at a slower pace. Real GDP grew by 4.2% year-over-year, compared to 9.7% a year ago. While the number of stay-over visitors increased by 2.5%, their average length of stay declined slightly to 7.2 days. The tourism sector remained the primary engine of growth, boosting consumption and investment indicators. However, lower real GDP per capita growth, underscored the fact that aggregate growth translated into more modest gains for individuals.

The hotel industry maintained robust performance in the period under review. The average daily rate (ADR) rose by 10.3% and improved revenue per available room (RevPAR) by 7.0%. The lower occupancy rate can be

explained to some extent by an expansion in the number of hotel rooms available (12.3%). On the other hand, the number of cruise visitors fell by 9.1%.

In the first quarter of 2025, inflation remained subdued. The 12-month average inflation rate stood at 1.4% in March 2025, down from 1.7% in December 2024. Lower energy prices and a moderation in food inflation helped ease overall price pressures. End-of-period inflation was 0.1%, down from 0.3% at the end of 2024.

The real exchange rate index declined to 92.3, indicating a further improvement in Aruba's international competitiveness relative to the U.S. dollar. This change reflects a widening inflation differential between the United States and Aruba.

In the first three months of 2025, the balance of payments recorded a current account surplus of Afl. 508.7million, and international reserves remained robust, covering 8.1 months of current account payments. The financial account showed a rise in net lending compared to the first quarter of 2024. This hike was mainly the result of an Afl. 115.8 million expansion in the CBA's reserve assets.

Credit to the private sector expanded, particularly in loans to enterprises and housing mortgages. Meanwhile, consumer credit edged down. The measures of financial soundness remained positive up to March 2025. Non-performing loans remained low while the capital adequacy ratio improved slightly. Moreover, the prudential liquidity ratio rose in the period under review.

Government finances continued trending in the right direction. The Government of Aruba recorded a fiscal surplus of Afl. 42.6 million in the first quarter of 2025, despite a small drop in government revenues and expanding government expenditures. The debt-to-GDP ratio fell further to an estimated 67.2%, continuing its downward trend from the pandemic peak.

Globally, the IMF revised its 2025 growth forecast upward to 3.0%, reflecting stronger-than-anticipated front-loading of economic activity ahead of expected tariff hikes, lower average effective U.S. tariff rates than previously announced, improved financial conditions spurred in part by a weaker U.S. dollar, and increased fiscal spending in major economies.

The background of the page is a light blue and green beach scene with waves and sand. Overlaid on this are several geometric shapes: a large grey triangle in the top left, a teal triangle in the top center, a blue triangle in the top right, a brown triangle in the middle left, a teal triangle in the middle center, a blue triangle in the middle right, a white triangle in the bottom left, a teal triangle in the bottom center, a brown triangle in the bottom right, and a grey triangle in the bottom right. The text is located in a teal box in the bottom left corner.

CENTRALE BANK VAN ARUBA

J.E. Irausquin Blvd 8

P.O. Box 18

Oranjestad, Aruba

Phone: (+297) 5252 100

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