

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

During its meeting on October 10, 2025, the Monetary Policy Committee (MPC) of the Centrale Bank van Aruba (CBA) kept the reserve requirement rate at 12.5% as of November 1, 2025. Central to this decision were the following considerations:

i. Adequate foreign reserves despite credit growth

Up to August 2025, foreign reserves remained 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.

ii. A low inflation environment

Both the end-of-period (EOP) and period average inflation remained at a low level of - 0.8% and 0.4%, respectively, in August 2025.

iii. Global economic uncertainty

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

iv. Other domestic developments

Local refinancing of government external debt may impact the level of foreign exchange reserves.

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



1. Increase in official and international reserves up to August 2025

The international reserves (including revaluation differences of gold and foreign exchange holdings) rose by Afl. 496.5 million as of August 2025, compared to end December 2024. This increase resulted from expanded official reserves (+Afl. 450.9 million), of which the revaluation of gold accumulated to Afl. 202.9 million. This was also amplified by an uptick in foreign exchange reserves held by the commercial banks (+Afl. 45.6 million).

Given these developments, as of August 2025, the official and international reserves (including revaluation differences) stood at Afl. 3,858.2 million and Afl. 4,162.8 million, respectively. Consequently, the international and official reserves remained more than adequate benchmarked against the current account coverage ratio (7.8 months) and the International Monetary Fund (IMF) Assessing Reserve Adequacy (ARA) metric (147.5%).

2. The EOP inflation and 12-month average inflation rate remained at low levels

The EOP inflation decreased from -0.1% in July 2025 to -0.8% in August 2025, mainly pulled down by the negative contribution of the component household operations.

As of August 2025, the period average inflation eased to 0.4%, down from 0.7% in the previous month. Several of the inflationary pressures in July 2025 persisted in August 2025. These included telephone services (remaining at +0.1 percentage point contribution), along with maintenance and repair of the dwelling (remaining at +0.1 percentage point contribution).

Meanwhile, in August 2025, EOP core inflation (excluding energy and food) decelerated to -0.8%, down from -0.1% in July 2025. On a period average basis, core inflation slipped from 1.2% to 1.0%.

3. Global economic uncertainty

According to the Global Economic Policy Uncertainty Index based on the Federal Reserve Economic Data, uncertainty regarding U.S. policy has decreased from its peak in April, but remains elevated. Given the small, open economy of Aruba and its reliance on the U.S. economy, this uncertainty may cause deviations from current baseline projections of foreign exchange reserves and inflation, among others.

4. Preliminary excess liquidity contracted in September 2025

Preliminary data show that the excess liquidity (including undisbursed loan funds and other commitments) of commercial banks fell to Afl. 970.1 million at the end of September 2025, down from Afl. 994.4 million at the end of August 2025.

5. Overall credit grew up to August 2025

The overall resident loan portfolio of the commercial banks grew by Afl. 256.9 million (+5.5%) to Afl. 4,947.9 million in August 2025, up from Afl. 4,691.0 million in December 2024. An Afl. 106.2 million increase in loans to businesses was the main driver of this expansion. The latter was largely related to commercial mortgages. In addition, loans to individuals went up by Afl. 118.5 million, driven for the biggest part by housing mortgages.

6. Decision

The MPC decided to hold the reserve requirement rate at 12.5%. This decision was largely based on the potential impact of current global uncertainties on foreign exchange reserves and inflation, in addition to the uncertainty regarding the domestic refinancing of maturing external debt of the government. 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 continued at relatively low levels of, respectively, -0.8% and 0.4% in August 2025. Furthermore, excess liquidity remains elevated with a level of Afl. 970.1 million at the end of September 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.

For further information, please email: communications@cbaruba.org

Centrale Bank van Aruba

December 3, 2025