

## **Reserve requirement decision and considerations of the November 2025 Monetary Policy Committee Meeting**

During its meeting on November 27, 2025, the Monetary Policy Committee (MPC) of the Centrale Bank van Aruba (CBA) kept the reserve requirement rate at 12.5% as of December 1, 2025. Central to this decision were the following considerations:

**i. Adequate foreign reserves despite credit growth**

Up to September 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 -0.4% and 0.2%, respectively, in September 2025.

**iii. Global economic uncertainty**

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

Below the main considerations of the MPC to maintain the reserve requirement unchanged:

### **1. Increase in official and international reserves up to September 2025**

The international reserves (including revaluation differences of gold and foreign exchange holdings) rose by Afl. 526.5 million as of September 2025, compared to end December 2024. This increase resulted from expanded official reserves (+Afl. 519.3 million), of which Afl. 242.0 million was accumulated by the revaluation of gold. A marginal uptick in foreign exchange reserves held by the commercial banks (+Afl. 7.2 million) also contributed.



Given these developments, as of September 2025, the official and international reserves (including revaluation differences) stood at Afl. 3,766.2 million and Afl. 4,192.8 million, respectively. Consequently, the international and official reserves remained more than adequate, benchmarked against the current account coverage ratio (7.7 months) and the International Monetary Fund (IMF) Assessing Reserve Adequacy (ARA) metric (150.7%).

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

The EOP inflation increased from -0.8% in August 2025 to -0.4% in September 2025, mainly pulled up by the less negative contribution of the component household operations and an increase in the contribution of the component restaurants and hotels.

As of September 2025, the period average inflation eased to 0.2%, down from 0.4% in the previous month. Several of the inflationary pressures in August 2025 persisted in September 2025. These included the components food (0.1 percentage point), communication (0.2 percentage point), and restaurants and hotels (0.2 percentage point).

Meanwhile, in September 2025, EOP core inflation (excluding energy and food) accelerated to 0.3%, up from 0.0% in August 2025. On the 12-month-average inflation, core inflation slipped to 0.9% from 1.0% in August 2025.

## **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 expanded in October 2025**

Preliminary data show that the excess liquidity of the commercial banks amounted to Afl. 922.4 million on October 24, 2025, up from Afl. 910.2 million at the end of September 2025.

## 5. Overall credit grew up to September 2025

The overall resident loan portfolio of the commercial banks grew by Afl. 311.4 million (+6.6%) to Afl. 5,002.4 million in September 2025, up from Afl. 4,691.0 million in December 2024. Loans to individuals was the main driver of this expansion, which went up by Afl. 148.7 million driven primarily by housing mortgages. In addition, an Afl. 134.5 million increase in loans to businesses also drove the rise. The latter was largely related to commercial mortgages.

## 6. Decision

The MPC decided to hold the reserve requirement rate at 12.5%. The MPC largely based this decision on the potential impact of current global uncertainties on foreign exchange reserves and inflation. In addition, 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 12-month average inflation continued at relatively low levels of, respectively, -0.4% and 0.2% in September 2025. Furthermore, excess liquidity remains elevated with a level of Afl. 922.4 million at the end of October 2025.

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

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