

Reserve requirement decision and considerations of the January 2026 Monetary Policy Committee Meeting

During its meeting on January 15, 2026, the Monetary Policy Committee (MPC) of the Centrale Bank van Aruba (CBA) kept the reserve requirement rate at 12.5% as of February 1, 2026. Central to this decision were the following considerations:

i. Adequate foreign reserves despite credit growth

Up to December 26, 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 -0.2% and 0.1%, respectively, in November 2025.

iii. Global economic uncertainty

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

The main considerations of the MPC to maintain the reserve requirement unchanged were:

1. Increase in official and international reserves during 2025

The international reserves (including revaluation differences of gold and foreign exchange holdings) rose by Afl. 753.0 million as of December 26, 2025, compared to end December 2024. This increase resulted from expanded official reserves (+Afl. 690.8 million), of which Afl. 360.4 million was accumulated by the revaluation of gold. An uptick in foreign exchange





reserves held by the commercial banks (+Afl. 62.1 million) also contributed to the growth in international reserves.

Given these developments, as of December 26, 2025, the official and international reserves (including revaluation differences) stood at Afl. 4,006.1 million and Afl. 4,419.3 million, respectively. Consequently, the international and official reserves remained more than adequate, benchmarked against the current account coverage ratio (8.1 months) and the International Monetary Fund (IMF) Assessing Reserve Adequacy (ARA) metric (146.6%).

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

The EOP inflation decreased from -0.1% in October 2025 to -0.2% in November 2025, mainly due to a negative contribution of the transport component.

As of November 2025, the period average inflation eased to 0.1%, down from 0.2% in the previous month. Several of the inflationary pressures in October 2025 persisted in November 2025. These included the components food and non-alcoholic beverages (0.1 percentage point), communication (0.2 percentage point), and restaurants and hotels (0.2 percentage point).

Meanwhile, in November 2025, EOP core inflation (excluding energy and food) fell to 0.1%, down from 0.3% in October 2025. Meanwhile, the 12-month-average core inflation inched downwards to 0.7% from 0.8% in October 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 2025, but remains elevated. Furthermore, heightened geopolitical tensions causes additional uncertainty. 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 December 2025

Preliminary data show that the excess liquidity of the commercial banks amounted to Afl. 976.3 million as of December 26, 2025, up from Afl. 903.3 million at the end of November 2025.

5. Overall credit grew up to November 2025

The overall resident loan portfolio of the commercial banks grew by Afl. 452.5 million (+9.6%) to Afl. 5,143.5 million in November 2025, up from Afl. 4,691.0 million in December 2024. Business loans and loans to individuals drove this expansion jointly, with the former growing by Afl. 209.8 million and the latter by Afl. 200.6 million. In turn, commercial mortgages (+Afl. 143.7 million increase) were the main driver of the rise in business loans, while both housing mortgages (+Afl. 114.8 million increase) and consumer credit (+Afl. 85.8 million increase) accounted for the uptick in loans to individuals.

6. Decision

The MPC decided to hold the reserve requirement rate at 12.5%. This decision was largely based on the potential impact of prevailing 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, -0.2% and 0.1% in November 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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March 31, 2026