

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

*The Centrale Bank van Aruba maintains reserve requirement at 12.5% as of November 1, 2026 amid strong reserves but continued global uncertainty*

*During its meeting held on October 2, 2026, the Monetary Policy Committee (MPC) of the Centrale Bank van Aruba (CBA) decided to maintain the reserve requirement rate at 12.5%, effective November 1, 2026. The decision reflects Aruba's continued strong external financial position, supported by adequate international reserves and solid economic activity, while recognizing the risks posed by global uncertainty and recent inflation developments.*

*Although Aruba's economy continues to demonstrate resilience, developments in international energy markets, geopolitical tensions, and global trade policies warrant continued vigilance. Against this background, the MPC considers it appropriate to maintain its current monetary policy stance. Central to this decision were the following considerations:*

### **i. Adequate foreign reserves**

As of September 11, 2026, foreign reserves remained amply above the benchmarks monitored by the CBA. International reserves equaled 9.6 months of current account coverage. Moreover, the CBA expects foreign reserves to stay adequate in 2026.

**ii. A rising inflation environment**

The 12-month average inflation increased to 0.7% in July 2026 and subsequently to 1.0% in August 2026. Moreover, end-of-period inflation declined initially to 2.2% in July but rose to 2.7% in August.

**iii. Global economic uncertainty**

Global uncertainties, including persistent geopolitical tensions, may impact foreign exchange reserves and inflation, potentially leading to deviations from current baseline projections.

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

**1. Adequate official and international reserves up to September 11, 2026**

The international reserves (including revaluation differences of gold and foreign exchange holdings) rose by Afl. 599.4 million between end-December 2025 and September 11, 2026. This increase resulted mainly from an expansion in official reserves (+Afl. 654.6 million). On the other hand, a decrease in foreign exchange reserves held by the commercial banks (-Afl. 55.2 million), largely related to a resident purchase of non-resident hotel shares, dampened the growth in international reserves.

Given these developments, the official and international reserves (including revaluation differences) stood at Afl. 4,707.6 million and Afl. 5,108.7 million, respectively, as of September 11, 2026. Consequently, the international and official reserves remained more than adequate, benchmarked against the current account coverage ratio (9.6 months) and the IMF ARA metric (176.8%).

**2. Rising inflation environment**

End-of-period inflation decreased from 2.4% in June 2026 to 2.2% in July 2026, with higher transportation costs (following higher gasoline and diesel prices) remaining the main driver of end-of-period inflation (+1.1 percentage point contribution).

As of July 2026, the period average inflation recorded 0.7%, an uptick compared to 0.5% in June 2026. The main inflationary pressures stemmed from the components restaurants and hotels (0.3 percentage points), housing (0.3 percentage points), communication (0.3 percentage points), and food and non-alcoholic beverages (0.2 percentage points). Exerting downward pressure on the period average inflation were predominantly the prices for household operation (-0.4 percentage points).

Inflation picked up further in August 2026, with end-of-period inflation rising to 2.7% and period average inflation climbing to 1.0%.

### **3. Global economic uncertainty**

Geopolitical tensions, particularly the conflict in the Middle East and its impact on global oil prices, continue to drive global uncertainty. Additionally, the trade tariff developments have resurfaced, causing uncertainty to remain high. The potential economic and financial repercussions for Aruba are still uncertain at this time. Given Aruba's small, open economy, its reliance on the U.S. economy, and tourism as its main source of income, this uncertainty may cause deviations from current baseline projections of foreign exchange reserves and inflation, among others.

### **4. Preliminary excess liquidity expanded up to August 2026**

Preliminary data indicated that the excess liquidity of the commercial banks rose by Afl. 78.4 million as per August 2026, compared to December 2025. Buoyant tourism activity mainly drove the uptick.

### **5. Overall credit grew up to August 2026**

The overall resident loan portfolio of the commercial banks grew by Afl. 472.4 million (+9.2%) per end-August 2026, up from Afl. 5,162.4 million at end-December 2025. This expansion was driven mainly by business loans (+Afl. 333.6 million) and loans to individuals (+Afl. 127.5 million). A key driver of the increase in business term loans was financing provided for the purchase of the shares of a local hotel earlier this year, supplemented by additional commercial lending for real estate activities. Meanwhile, the rise in loans to individuals was primarily driven by the growth in car loans and housing mortgages, and an increase in credit card lending to a lesser extent. The CBA continues to closely monitor these credit developments.

## 6. Decision

The MPC decided to hold the reserve requirement rate at 12.5%. This decision was largely based on recent inflation developments and the potential impact of current global uncertainties on foreign exchange reserves and inflation. Meanwhile, the July and August end-of-period inflation and 12-month average inflation figures rose compared to December 2025. These considerations outweighed the fact that the MPC observed a more than adequate level of official and international reserves as measured by the IMF ARA metric and the current account coverage ratio.

## 7. Federal Reserve policy

Furthermore, the CBA has taken note of the recent interest rate hike by the Federal Reserve, and the updated policy projections which point to a higher-for-longer U.S. interest rate environment. While not one of the (direct) considerations when determining the reserve requirement, the higher U.S. interest rate environment remains relevant to the CBA's assessment of monetary and financial conditions. Given Aruba's fixed exchange rate with the U.S. dollar, U.S. monetary policy can influence international investments, and capital flows. Higher U.S. benchmark yields also raise the international reference rates against which sovereign and private-sector borrowing costs are determined. Consequently, developments in global interest rates remain relevant for Aruba's financing conditions. Therefore, the CBA will continue to closely monitor the possible impact of the Federal Reserve's monetary policy decisions on the Aruban economy.

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.

For further information, please contact us via email at [communications@cbaruba.org](mailto:communications@cbaruba.org).

Centrale Bank van Aruba

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