Centrale Bank van Aruba

ECONOMIC OUTLOOK – EXTERNAL SECTOR

November 2026



Executive summary

The first half of 2026 reported a current account surplus of Afl 685.4 million. That is, Aruba's combined earnings from abroad related to trade, income from labor and capital, and transfers exceeded the corresponding payments to the rest of the world. The current account surplus was elevated due to a rise in tourism revenues, although mitigated by outgoing payments for services and import of goods.

The financial account also recorded an Afl. 206.2 million net inflow during the first half of 2026, meaning that Aruba received more financing from abroad than it provided to the rest of the world. This net inflow represents a shift from the net outflow recorded a year earlier, and followed a large foreign loan received by the Government of Aruba (GOA) in May 2026. Furthermore, non-residents increased their currency and deposit holdings in Aruba, while local companies decreased lending to affiliated companies abroad. Together, the current account surplus and the financial account net inflow indicate Aruba received more foreign exchange than it paid out, reflecting a balance of payments (BOP) surplus of Afl. 873.7 million and a rise in international reserves.

Baseline projections reveal that the current account surplus observed in the first half of 2026 is likely to continue in both the short and medium term. In contrast, the CBA projects that the financial account will register a net outflow in the upcoming years. Nevertheless, the projected current account surpluses outweigh the forecasted financial account net outflows, resulting in consecutive BOP surpluses. These BOP surpluses accordingly sustain foreign exchange reserve increases and ensure that foreign reserves remain adequate across monitored benchmarks. In the short term, expected current account coverage ratio hovers between 8.9 and 9.3 months, well above the recommended minimum of 3 months of coverage. Furthermore, forecasted reserves will mostly hover above the upper bound of the IMF ARA metric in the near term.

These findings also hold under an adverse scenario of costlier oil imports stemming from prolonged elevated oil prices. However, the duration and severity of the United States–Iran war could differ from this scenario. Beyond this major risk, the baseline outlook is subject to several domestic and international risks, such as weaker than expected tourism growth, the ongoing trade war, other military conflicts, tighter labor market conditions, delays in investment projects, and changes in domestic fiscal policy.

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1. Introduction

The current 'Economic Outlook (EO) – External sector' presents an update to the BOP projections of the CBA published in March 2026. This outlook contains a discussion of BOP developments up to June 2026, as well as short-term (2026-2027) and medium-term projections (2028-2030).

In the first half of 2026, Aruba received more foreign exchange than it paid out, as the BOP reported a surplus of Afl. 873.7 million (Table 1). This BOP surplus reflected a current account surplus of Afl. 685.4 million, largely attributable to strong inflows from tourism. In particular, stayover visitors grew by 10.9% in the first half of 2026 compared to the first half of 2025, boosting tourism inflows from Afl. 2,860.3 million to Afl. 3,218.4 million.

However, tourism growth and increased household spending also spurred more outflows to pay for imported goods, which rose sharply from Afl. 1,380.8 million to Afl. 1,618.7 million. In addition, other service payments to non-residents grew by Afl. 55.0 million. These payments encompass, for example, hotel management fees, banking fees, IT service fees, and others. Furthermore, investment income outflows intensified, associated with dividend payments made by the hotel and banking sectors.

In the first half of 2026, the financial account reported a net inflow of Afl. 206.2 million. This net inflow represents a shift from the net outflow of Afl. 330.0 million recorded a year earlier, and followed a large foreign loan received by the Government of Aruba (GOA) in May 2026, recorded in the portfolio investment account. Furthermore, the net outflow from the other investment account narrowed, as non-residents increased their currency and deposit holdings in Aruba. In addition, local companies decreased lending to affiliated companies abroad, giving rise to a higher net inflow in the direct investment account.

Table 1. Realized balance of payments (in Afl. million)

	2025Q1Q2	2026Q1Q2
Current account	**696.9**	**685.4**
Goods	-1,216.2	-1,439.8
Services	2,016.6	2,283.3
Primary income	-58.4	-91.9
Secondary income	-45.2	-66.2
Capital account	**15.3**	**9.5**
Financial account	**-330.0**	**206.2**
Direct investment	50.6	123.1
Portfolio investment	(153.9)	71.7
Financial derivatives	(1.8)	24.1
Other investment	(224.9)	(12.7)
Overall balance	**424.8**	**873.7**

Source: CBA
Convention: IMF BPM5

2. External sector developments

This section first presents the CBA's baseline scenario, which reflects the most likely outcomes of the BOP and foreign reserves. These outcomes are based on the latest available information[1] and assumptions of the CBA. Fiscal assumptions adhere to the legislation and budgetary parameters available at the time of forecasting. Therefore, the fiscal assumptions — and other assumptions for that matter — exclude additional policy measures beyond the cutoff date.

Afterwards, this section discusses an adverse scenario in which prolonged elevated oil prices, amid the United States–Iran war, lead to costlier oil imports. Finally, it concludes with an assessment of the main outlook risks.

[1] Cutoff date: October 2026

2.1 Consecutive BOP surpluses anticipated in 2026 and 2027

The CBA forecasts a BOP surplus of Afl. 452.5 million in 2026, followed by a projected surplus of Afl. 404.7 million in 2027 (Table 2). The BOP surpluses stem from consecutive current account surpluses (2026: Afl. 903.1 million, 2027: Afl. 936.0 million), which are spurred by services inflows. Specifically, projected service inflows (2026: Afl. 6,804.0 million, 2027: Afl. 7,027.1 million) expand due to increasing tourism inflows. Furthermore, GOA's foreign interest payments, which are recorded as primary income payments in the current account, will presumably decline during this period due to decreasing foreign debt held by the GOA, as illustrated in the Box on the next page.

Table 2. Realized and short-term balance of payments (in Afl. million)

	2025	2026f	2027f
Current account	**921.3**	**903.1**	**936.0**
Goods	-2,540.6	-2,807.2	-2,882.3
Services	3,865.2	4,122.6	4,213.2
Primary income	-270.4	-272.9	-248.9
Secondary income	-132.9	-139.3	-146.0
Capital account	**49.9**	**13.3**	**21.7**
Financial account	**-424.1**	**-403.9**	**-490.2**
Direct investment	107.9	75.6	165.2
Portfolio investment	-249.5	-88.3	-174.5
Financial derivatives	0.6	26.3	0.0
Other investment	-283.1	-417.5	-480.9
Overall balance	**462.1**	**452.5**	**404.7**

Source: CBA
Convention: IMF BPM5
e: estimate, f: forecast

Nevertheless, the expectation of a growing local economy and rising global prices for services generate higher service payment outflows (2026: Afl. 2,681.4 million, 2027: Afl. 2,813.9 million), such as management fees and IT services. Moreover, higher oil prices, stayover tourists, household spending and investment push up outflows related to goods imports in 2026 to Afl.

3,151.2 million. In 2027, projected goods imports reach Afl. 3,238.1 million, indicating a modest expansion, in turn due to the expectation of falling oil prices, and milder growth in tourism and household spending.

Explanatory box: Government debt composition matters

Every year, the GOA decides how to finance its maturing debt. The composition of government debt – whether domestically acquired or on the international market – is an important consideration for the BOP outlook. While both domestic and foreign debt contribute to the overall public debt burden of Aruba, foreign debt has direct implications for the BOP through borrowing, repayments, and interest payments. In this Box, these transmission channels are explained, and the projected path of GOA foreign debt over the short and medium term are presented.

The transmission of GOA debt to BOP and foreign reserves

The BOP records transactions between Aruban residents and non-residents (rest of the world). Consequently, changes in the financing structure of government debt, in terms of domestic versus foreign, can have implications for Aruba's BOP.

When the GOA raises financing in the domestic market, the transaction takes place between resident entities and therefore does not directly affect the BOP (Table 3). In contrast, when the GOA receives the loan principal from non-residents, this transaction generates a BOP inflow on the financial account and subsequently outflows when the principal is repaid. Additionally, over the life of the debt instrument, interest payments to foreign creditors result in recurring BOP outflows on the current account.

Another relevant case for the BOP is when the GOA refinances a maturing foreign debt in the domestic market. In this case, the outflow related to the principal repayment is recorded in the BOP, but the new principal borrowed on the domestic market is not recorded in the BOP. Consequently, this way of refinancing leads to a BOP outflow on the financial account. Conversely, refinancing maturing domestic debt through foreign borrowing generates a net BOP inflow through the financial account, followed by future outflows related to principal repayments and interest payments.

Table 3: A summary of GOA debt impact on the BOP and foreign reserves, by source of debt

	Domestic debt	External debt
Creditor	Residents	Non-residents
Initial borrowing	Not registered in BOP	Financial account inflow
Principal repayments	Not registered in BOP	Financial account outflow
Interest repayments	Not registered in BOP	Current account outflow
Effect on BOP	None directly	Initial inflow, followed by outflows.
Impact on foreign reserves	None directly	Initial increase. Subsequent decline related to principal and interest repayments.

Principal and interest repayments to non-residents require foreign exchange. As a result, a higher share of external debt tends to increase the economy's exposure to external financing conditions and may weigh on the level of foreign exchange reserves over time.

Lower external debt and its implications for the BOP

Over the projection period 2026-2030, the share of foreign debt in total government debt is expected to decline (Figure 1). This development should help reduce interest payments to non-residents. Moreover, because local interest rates are currently more favorable than rates on the international market, pressure on the fiscal balance should ease (Figure 2)

Figure 1: Domestic versus foreign owed by the GOA

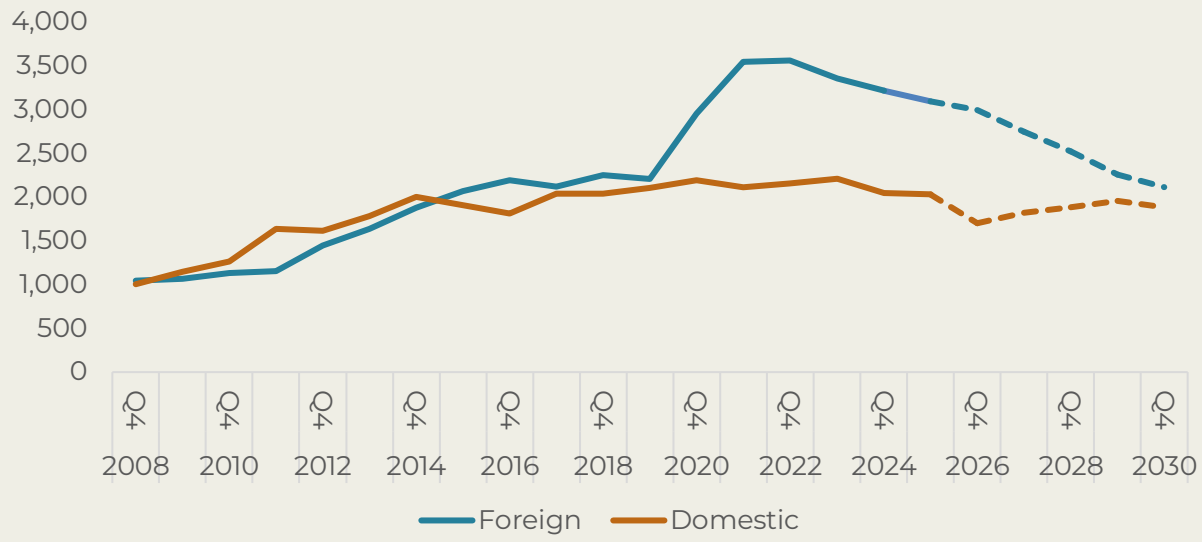
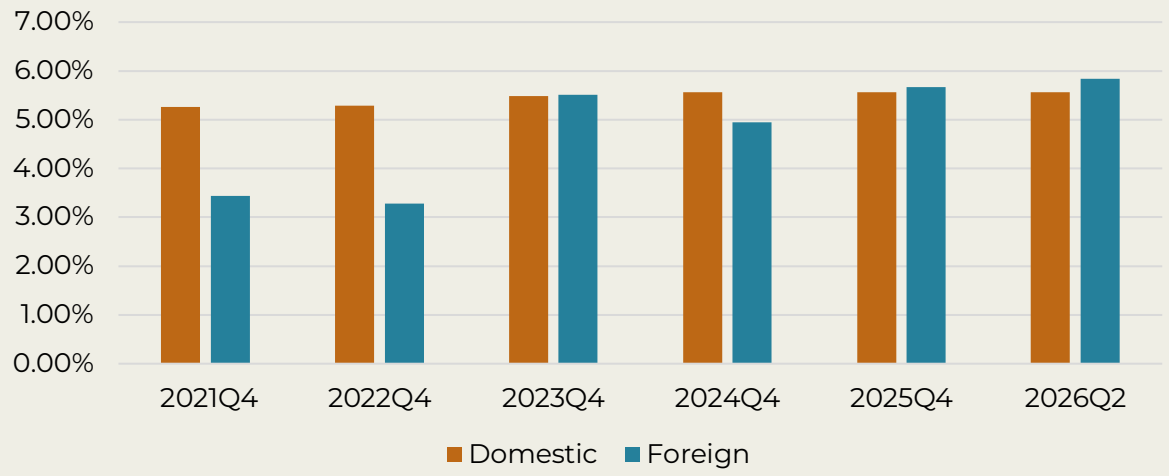


Figure 2: Interest rate on GOA bonds and private placements



From a BOP perspective, the composition of public debt matters. A lower share of external debt reduces debt-service outflows to non-residents, supporting the current account and alleviating pressure on foreign exchange reserves.

The financial account is projected to record a smaller net outflow of Afl. 403.9 million in 2026 (Table 2). This outcome results from the expectation of lower GOA foreign repayments (2026: Afl. 364.3 million, 2025: Afl. 374.1 million[2]) and higher GOA foreign borrowing (2026: Afl. 288.0 million, 2025: Afl. 252.0 million). As a result, the public sector financial account records a smaller net outflow. Put differently, the public sector will have a smaller reduction in its external liability.

Furthermore, the financial derivatives account will likely register a net inflow of Afl. 26.3 million, considerably higher than the Afl. 0.6 million noted in the previous year. The larger inflow, in turn, is attributable to more favorable hedging outcomes in the utility sector because of the higher than expected oil prices during 2026.

However, direct investments by the private sector are forecasted to register a lower net inflow (2026: Afl. 75.6 million, 2025: Afl. 107.9 million). This outturn is partly due to a large purchase of foreign-owned shares of a local hotel by residents in the second quarter of 2026. Moreover, expected foreign direct

[2] Figures may differ from those reported in the "Uitvoeringsrapportage," as some locally issued bonds are held by non-residents. Although the GOA makes the related payments to the CBA, the CBA subsequently transfers these funds to the foreign bondholders.

investment relating to vacation homes soften during the forecasting horizon, in connection with land scarcity, local sentiment, and potential regulation.

Private sector portfolio investment largely depends on the relative attractiveness of tourism-related investment opportunities, particularly hotel construction activity, compared to investment opportunities abroad. Specifically, forecasted hotel construction activity in 2026 differs slightly from 2025, implying local investment opportunities for institutional investors also changes marginally. Consequently, the relative attractiveness of investing abroad, for example in foreign bonds, remains broadly the same. Accordingly, the net outflow in the private portfolio investment account is kept more or less constant (2026: Afl. 204.1 million, 2025: Afl. 200.4 million).

Similar to private portfolio investments, the net outflow in the private sector's other investments varies little in 2026 (2026: Afl. 222.2 million, 2025: Afl. 212.1 million).

In 2027, the financial account net outflow will likely expand to Afl. 490.2 million (Table 2). This outturn reflects the assumption that GOA foreign repayments (Afl. 248.1 million) will be fully refinanced locally, in contrast to 2026. Additionally, limited information on future hedging by the utility sector warrants a more conservative assumption for financial derivatives. Therefore, this outlook projects a lower net inflow to the financial derivatives account.

On the other hand, incidental direct investment outflows, such as the hotel share purchase in 2026, are not expected in 2027. Consequently, projected foreign direct investment outflows decline. Concurrently, a presumed resurgence in hotel construction activity boosts foreign direct investment inflows. Together, these developments result in a larger projected net inflow in the direct investment account, partially offsetting the aforementioned domestic refinancing of GOA foreign debt repayment.

Increased hotel construction activity also enables institutional investors to invest more domestically, for example, by co-financing those projects. To the extent that local investments and foreign investments compete for the same funds, and that institutional investors prefer local investments, less funds will be available for foreign investments. Therefore, the projected net outflow from private portfolio investments will likely fall to Afl. 174.5 million.

As for other investments of the private sector, consecutive net outflows are expected for 2026 (Afl. 222.2 million) and for 2027 (Afl. 232.9 million), in line with developments in 2024 and 2025. This outcome remains likely as long as no short-term shocks materialize.

Given the forecasted BOP surpluses, international reserves, excluding revaluation differences, will climb to Afl. 4,189.8 million in 2026 and Afl. 4,594.5 million in 2027. Revaluation differences are included to assess reserve adequacy. In this case, international reserves will likely cover 8.9 months of current account payments in 2026, before rising to 9.3 months in 2027, and thus remaining well above the minimum of 3 months (Figure 3). Furthermore, projected official reserves hover above the upper bound of the IMF ARA metric in the short term (Figure 4).

Figure 3: Adequacy of net international reserves (including revaluation differences)

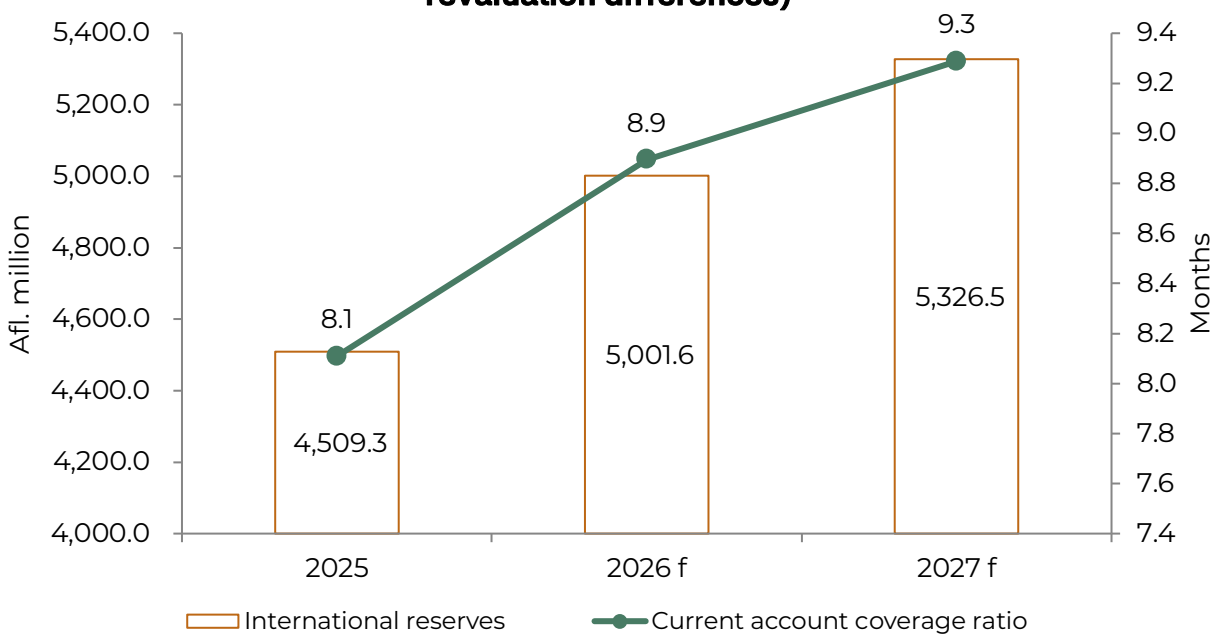
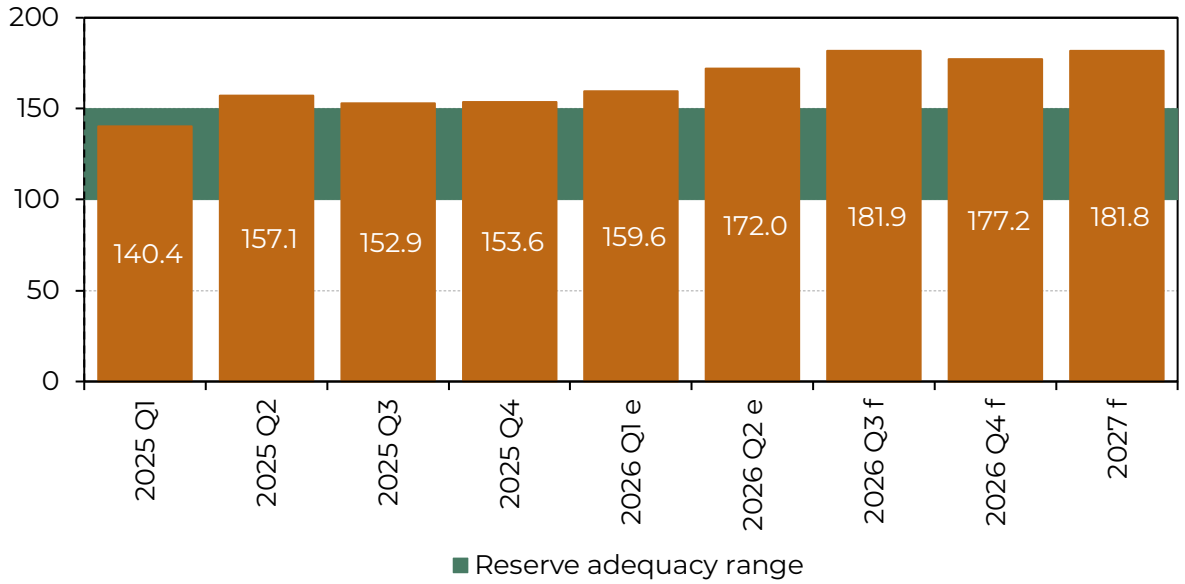


Figure 4: Gross official reserves (including revaluation differences)

in percent of the IMF ARA lower bound



2.2 BOP surpluses despite an adverse oil price shock scenario

Against the background of the United States–Iran war, oil prices have surged, leading to costlier oil imports for Aruba. In turn, this development has placed downward pressure on the BOP current account and foreign exchange reserves. However, uncertainty remains around the duration of the war and the severity of its impact on the global economy. Accordingly, the actual BOP and foreign exchange reserve outcome may materially deviate from the baseline projection.

To highlight this possible deviation from the baseline, this outlook presents an adverse scenario. In this scenario, WTI oil prices remain at their September 2026 average of USD 97.3 per barrel from October 2026 until December 2027. As a result of the higher oil prices, oil imports become more expensive, and the current account surplus decreases compared to the baseline (Table 4). Notably, the 2027 current account surplus narrows from Afl. 936.0 million in the baseline to Afl. 832.9 million in the adverse scenario.

Table 4. Balance of payments in the baseline versus adverse scenario (in Afl. million)

	2026 baseline	2026 scenario	2027 baseline	2027 scenario
Current account	**903.1**	**902.6**	**936.0**	**832.9**
Goods	-2,807.2	-2,807.7	-2,882.3	-2,982.5
Services	4,122.6	4,122.6	4,213.2	4,215.0
Primary income	-272.9	-273.0	-248.9	-253.6
Secondary income	-139.3	-139.3	-146.0	-146.0
Capital account	**13.3**	**13.3**	**21.7**	**21.7**
Financial account	**-403.9**	**-403.9**	**-490.2**	**-490.2**
Overall balance	**452.5**	**452.0**	**404.7**	**301.6**

The current account impact is more pronounced in 2027 than in 2026, due to a larger deviation in oil prices from the baseline. Namely, the baseline WTI oil price averages USD 87.9 in 2026 and USD 74.5 in 2027, while in the adverse scenario the price averages USD 88.1 in 2026 and USD 97.3 in 2027. The difference between the baseline and adverse scenario is limited in 2026 because the adverse scenario only differs from the baseline for the final three months of the year. Moreover, the baseline oil price is still elevated for those three months, thereby limiting the gap between the two scenarios. In contrast, for 2027, the adverse scenario maintains the higher oil price throughout the year, causing a much wider gap relative to the baseline.

Given the forecasted BOP surpluses in the adverse scenario, international reserves, excluding revaluation differences, reach Afl. 4,189.3 million in 2026 and Afl. 4,490.9 million in 2027. When including revaluation differences for reserve adequacy purposes, international reserves sit below the baseline projections. Even so, forecasted international reserves cover 8.9 months of current account payments in 2026 and 9.1 months in 2027 in this scenario, remaining well above the minimum of 3 months. Similarly, projected official reserves remain above the upper bound of the IMF ARA metric over the short term.

Despite favorable foreign reserve levels, even in the adverse scenario, such oil price shocks do not happen in isolation. That is, big oil price shocks may also be accompanied by global slowdown and tourism decline. In response to high inflation, major central banks may also tighten the

monetary stance, leading to higher interest rates. Consequently, refinancing foreign maturing debt in the domestic market may become more attractive, which may lead to more financial account outflows. Section 2.4 discusses these risks in more detail.

2.3 Continued BOP surpluses throughout 2028-2030

In the CBA's medium term projection, elevated current account surpluses drive BOP surpluses in the medium term as tourism inflows advance (Table 5). The financial account net outflows mitigate this effect on the BOP throughout the 2028-2030 period.

Table 5. Medium-term balance of payments (in Afl. million)

	2028f	2029f	2030f
Current account	952.7	929.9	982.9
Capital account	21.7	21.7	21.7
Financial account	-453.0	-646.3	-512.7
Overall balance	**455.8**	**237.2**	**421.8**

Source: CBA
Convention: IMF BPM5

2.4 Despite positive BOP developments, significant risks remain

The BOP results presented in the CBA's baseline scenario are subject to various domestic and international risks:

- **Geopolitical tensions.** A major risk to the baseline BOP result stems from the geopolitical tensions in the Middle East, particularly between the United States and Iran. The transmission channels and potential implications of this risk are discussed in the subsequent bullet points.
- **Weak tourism growth.** Assumed tourism spending per night, which depends on the number of stay-over visitors, their average length of stay, and spending behavior significantly influence the current account inflows. Any shifts in travel, lodging, or spending propensities — potentially triggered by geopolitical tensions and AI disruptions — could alter baseline assumptions.
- **Inflation.** Inflation surges constitute a risk to the import forecast. Factors that potentially conduce to the aforementioned risk include the United States–Iran war, supply chain disruptions, oil market volatility, productivity gains from AI, possible labor market tightening

associated with shortfalls in labor import, as well as extreme weather events that threaten the availability and prices of food items.

- **Monetary policy of major foreign central banks will impact external financing conditions.** Considering the inflationary pressures in several major economies stemming, among other things, from the United States–Iran war, major central banks may start raising interest rates. This tighter monetary stance increases the foreign borrowing costs for the GOA and could lead to larger future interest payment outflows. Furthermore, higher interest rates in foreign markets relative to the domestic market, may make refinancing foreign maturing debt in the domestic market more attractive, which may lead to more financial account outflows.
- **Severity of the trade war.** The ongoing trade war continues to disrupt global economies, including that of the United States. Given Aruba's strong dependence on tourism, imports and foreign direct investment from the United States, the fallout of the trade war could have significant consequences for the baseline BOP results.
- **Delay in investment projects.** The projected results reflect the CBA's inferences on the timing and construction speed of foreign direct investment projects. These assumptions entail a source of risk to the financial account inflows. The execution of investment projects may be affected by numerous factors, such as the ongoing geopolitical tensions, the trade war, (perceived) red tape, inflation, labor market conditions, financial market conditions, and the availability of construction materials.
- **Additional government measures.** In 2026, the GOA introduced structural measures on the expenditure side including the restructuring of teacher's salaries, and a 'reparatietoeslag' to the elderly, which as a result increased expenditures over the outlook horizon. The implementation of additional measures, including the introduction of income-generating or expenditure reducing measures, could impact consumption, and accordingly import demand.
- **Government fiscal balance, external financing needs, and borrowing mix.** An increase in government financing requirements could heighten external vulnerabilities, particularly if a significant share of financing is sourced from abroad. Greater reliance on external borrowing may increase debt-service obligations and related foreign exchange outflows, while unfavorable borrowing terms could strain the current account, therefore decreasing the BOP overall balance.

- **Refinancing liquidity loans at lower rates dependent on parliamentary vote on Kingdom Law.** The outlook assumes a continuation of the current interest rates during the 2026-2030 horizon. The refinancing of existing liquidity loans at more favorable interest rates remains contingent on the approval of the Kingdom Law in both the Aruban Parliament and Dutch 'Tweede Kamer'. The decision whether to introduce the Kingdom Law, or not, would lead to different paths regarding refinancing market rates, interest payments, and external financing needs. This would also cause deviations in foreign exchange outflows and the BOP outlook.

3. Concluding remarks

During the first half of 2026, both the current account and BOP reported surpluses of Afl. 685.4 million and Afl. 873.7 million, respectively. The CBA expects this trend to continue in the short term (2026-2027) and medium term (2028-2030), mainly due to large tourism inflows. The growth in goods imports serves as the primary mitigator to the persistent current account surpluses. In contrast, financial account net outflows are foreseen for both the short term and medium term.

Given the forecasted BOP surpluses, the CBA expects the level of foreign reserves to remain adequate in the short term, both in terms of the current account coverage ratio and the IMF ARA metric. These findings also hold in an adverse scenario of costlier oil imports stemming from prolonged elevated oil prices.

However, the duration and severity of the United States – Iran war could differ from the adverse scenario presented in this outlook. Beyond this major risk, the baseline outlook is subject to several domestic and international risks. These risks include, among others, geopolitical tensions, a surge in inflation, delay in investment projects, changes in domestic fiscal policy, negative tourism shocks, global developments in monetary policy, and the result of parliamentary votes on the Kingdom Law.

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