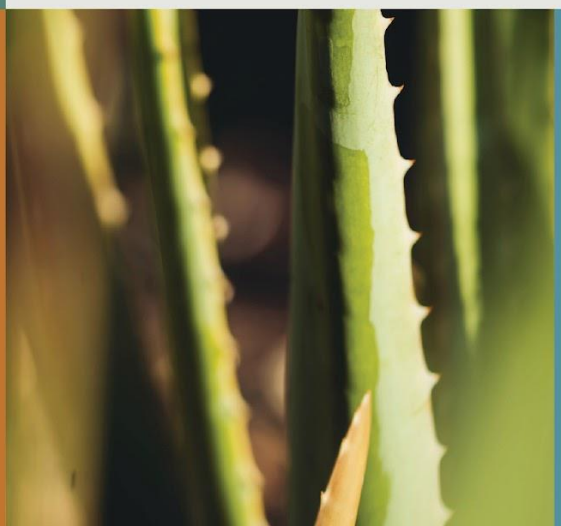
Economic Outlook

Fiscal Sector

November 2026



Executive Summary

This outlook report projects that the Government of Aruba (GoA) will continue to record fiscal surpluses over the period 2026-2030, supported by continued expansion in government revenues following sustained economic growth. In an unchanged policy scenario, the CBA expects government finances to remain compliant with the fiscal framework established under the Landsverordening Aruba Tijdelijk Financieel Toezicht (LAFT), while public debt is projected to decline steadily over the medium term (from 60.4% in 2026 to 44.4% by 2030). This improvement reflects both continued fiscal surpluses and the application of the fiscal framework, under which half of the surplus above the 1% norm is allocated to debt reduction.

For 2026, the CBA projects a fiscal surplus of Afl. 115.6 million (1.4% of GDP). Government revenues are projected to reach Afl. 2.0 billion, driven primarily by higher tax revenues reflecting continued growth in economic activity and tourism-related demand. Meanwhile, government expenditures are also forecasted to rise in 2026, primarily driven by higher transfer payments following the Afl. 150 increase in the monthly *reparatietoeslag* for pensioners, effective January 2026. Higher personnel costs, reflecting wage-related adjustments and structural changes to the public sector wage structure, are expected to add to spending pressures. In addition, the implementation of the Protocol 2019-2021 fiscal rules results in increased allocations to the Algemeen Investerings- en Ontwikkelingsfonds (AIOF) when fiscal surpluses exceed the 1% LAFT threshold, further contributing to the projected increase in government expenditures.

Nevertheless, the CBA expects expenditure growth to remain below revenue growth over the medium-term, supporting the continuation of fiscal surpluses. The CBA projects a fiscal surplus of 1.5% of GDP in 2027, rising further to 1.8% of GDP in 2028. Over the remainder of the forecast horizon, fiscal surpluses are expected to strengthen gradually, with the fiscal surplus reaching Afl. 217.7 million (2.2% of GDP) by 2030. Government revenues are projected to increase in line with economic growth, while expenditures are expected to rise at a more moderate pace.

While the outlook points to a favorable fiscal path, risks remain. Fiscal outcomes may be affected by e.g. deviations in economic growth, external economic developments, financing conditions, and higher-than-anticipated expenditures related to social security or public investment. As such, actual fiscal outcomes may differ from the baseline scenario presented in this outlook.

Contents

1. **Introduction** 4
2. **Macroeconomic and Fiscal Assumptions** 4
3. **Fiscal Outlook 2026-2030** 6
   - 3.1 **Revenues** 6
   - 3.2 **Expenditures** 7
   - 3.3 **Fiscal Balance and Public Debt** 9
4. **Compliance with Fiscal Framework** 10
5. **Risks to the Outlook** 11
6. **Conclusion** 12

1. Introduction

This publication presents the Centrale Bank van Aruba's (CBA) Government Fiscal Outlook for the period 2026-2030 and forms part of the Economic Outlook series. It provides a baseline assessment of expected fiscal developments under an unchanged policy scenario, based on the most recent macroeconomic projections. Fiscal developments are assessed within the framework of Aruba's fiscal rules, including the requirement under the LAFT[1] to maintain a minimum fiscal surplus of 1% of GDP.

This outlook presents projections based on current legislation and budgetary parameters at the time of forecasting and does not incorporate additional policy measures beyond those already adopted. As such, the outlook should be interpreted as a baseline scenario, subject to uncertainties related to economic conditions, financing assumptions, and expenditure dynamics.

2. Macroeconomic and Fiscal Assumptions

The government finance outlook projects the fiscal outcome and debt trajectory for 2026-2030. Below are the primary assumptions and the outlook for the forecast horizon.

The baseline scenario considers the approved GOA 'Najaarsnota' (NJN) of 2026 and assumes an unchanged policy scenario. Furthermore, it presumes that nominal GDP grows according to the CBA's latest projection for the period 2026-2030[2] (see Table 1). Inflation projections for 2026 and 2027 are based on the CBA's September 2026 inflation forecast for 12-month average inflation. Beyond 2027, the inflation forecast for 2028-2030 follows the projections of the IMF, as presented in their October 2026 World Economic Outlook (WEO).

Table 1: Nominal GDP and Inflation projections *(Source: CBA, IMF)*

	2026f	2027f	2028f	2029f	2030f
GDP growth (%)	4.8%	4.8%	4.6%	3.7%	2.9%
Inflation (12-m avg, %)	2.4%	1.4%	2.0%	2.0%	2.0%

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[1] Landsverordening Aruba Tijdelijk Financieel Toezicht.

[2] https://www.cbaruba.org/readBlob.do?id=19209.

During the forecast horizon, the outlook assumes government tax revenues to grow according to year-to-date (YTD) June 2026 growth rates for 2026, and the ratio-to-GDP (2025 estimate) is used for 2027-2030. For 2026, tax revenues include an adjustment for the lowering of gasoline excise taxes. Non-tax revenues increase in accordance with the realized 2025 revenue-to-GDP ratios.

Regarding the 2026-2030 government expenditures, the outlook projects personnel expenses to expand with an annual automatic growth rate of 2.0% ("periodieken"). On the other hand, CBA calculations indicate that natural attrition, based on available Department of Human Resources (DRH) civil servant data and median wage, should mitigate part of the growth in personnel expenses. Additionally, inflation will likely drive up goods and services and other expenditures. Interest payments reflect the Department of Finance's (DOF) debt servicing schedule, CBA calculations, and the June 2024 agreement with the Netherlands on the COVID-19 liquidity loans. AZV expenses per insured person are projected to expand by 2.5% annually beyond 2025, while total expenditure also reflects projected population growth based on the CBA's forecast. AZV revenues grow in line with CBA projections regarding social premium contributions and indirect tax (BAZV) receipts.

With respect to health transfers, no government transfers are projected given that the AZV expects no deficits for the forecast horizon (2026-2030). Furthermore, the CBA presumes a rise in other expenditures over the forecast horizon, mainly based on anticipated large fiscal surpluses leading to the implementation of the Protocol 2019-2021 (Protocol) budget rule II.6 (to use any fiscal surplus above the established balance norm through a 50-50 distribution over debt reduction and capital investments). The investment portion as per the abovementioned rule now falls under the recently established investment fund titled 'Algemeen Investerings- en Ontwikkelingsfonds' (AIOF). As for the SVB, no government transfers are projected given that the SVB expects no deficits for 2026-2030. Lastly, the outlook assumes constant capital expenditures at the GOA NJN2026 level throughout the 2026-2030 horizon.

Government debt repayments are based on the Department of Finance's (DOF) debt service schedule, while the CBA projects additional interest payments based on new borrowing requirements arising from the difference between financing needs and projected fiscal surpluses. For 2026, the CBA considers that the GOA will meet its refinancing needs (after using the remaining fiscal surplus, following the 50-50 allocation between debt repayment and investment, for debt repayment) on the domestic and external markets. For 2027, the CBA presumes that the GOA refinancing needs will be fully met through the domestic market due to the expectation of more favorable financing conditions domestically relative to abroad in that year. From 2028 onward, it is assumed that Afl. 150.0 million of the GOA refinancing needs will be met through the domestic market, and the remainder will be financed externally. Finally, government lending minus repayment is held

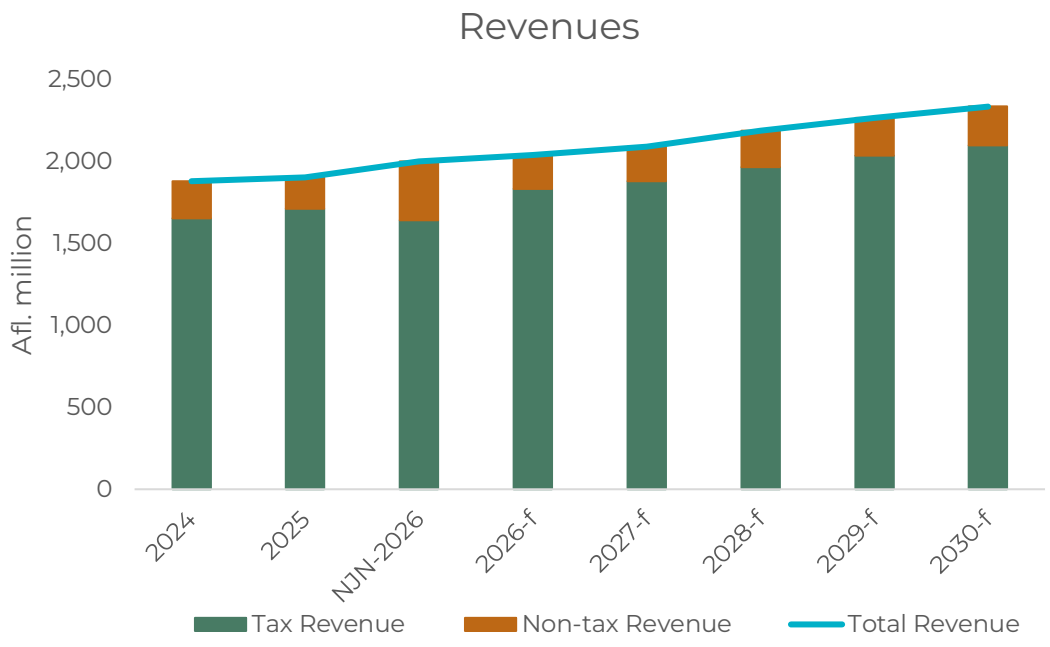
constant at the budgeted amount in the approved GOA NJN2026 budget for the entire forecasting period.

3. Fiscal Outlook 2026-2030

3.1 Revenues

The CBA anticipates that government revenues throughout the 2026-2030 forecast horizon will expand as economic growth continues to be supported by tourism activity (Chart 1, Table 2). The strong growth in tax revenues sustained by tourist and domestic demand is mitigated by the temporary reduction in gasoline excise taxes (from April 8 through August 11) in 2026. In the CBA's projection, tax revenues increase by 7.2% in 2026 and 2.4% in 2027. The main contributors to the upward push include projected rises in taxes on income and profit, taxes on commodities, and turnover tax (BBO) during the 2026-2030 period.

Chart 1: Government Revenues (*Source: CBA, DOF*)



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Table 2: Government revenues (% of nominal GDP) (*Source: CBA, DOF*)

	2026f	2027f	2028f	2029f	2030f
Tax Revenue	22.1%	21.6%	21.6%	21.6%	21.6%
Non-tax revenue	2.5%	2.5%	2.5%	2.5%	2.5%
Total revenue	24.6%	24.1%	24.1%	24.1%	24.1%

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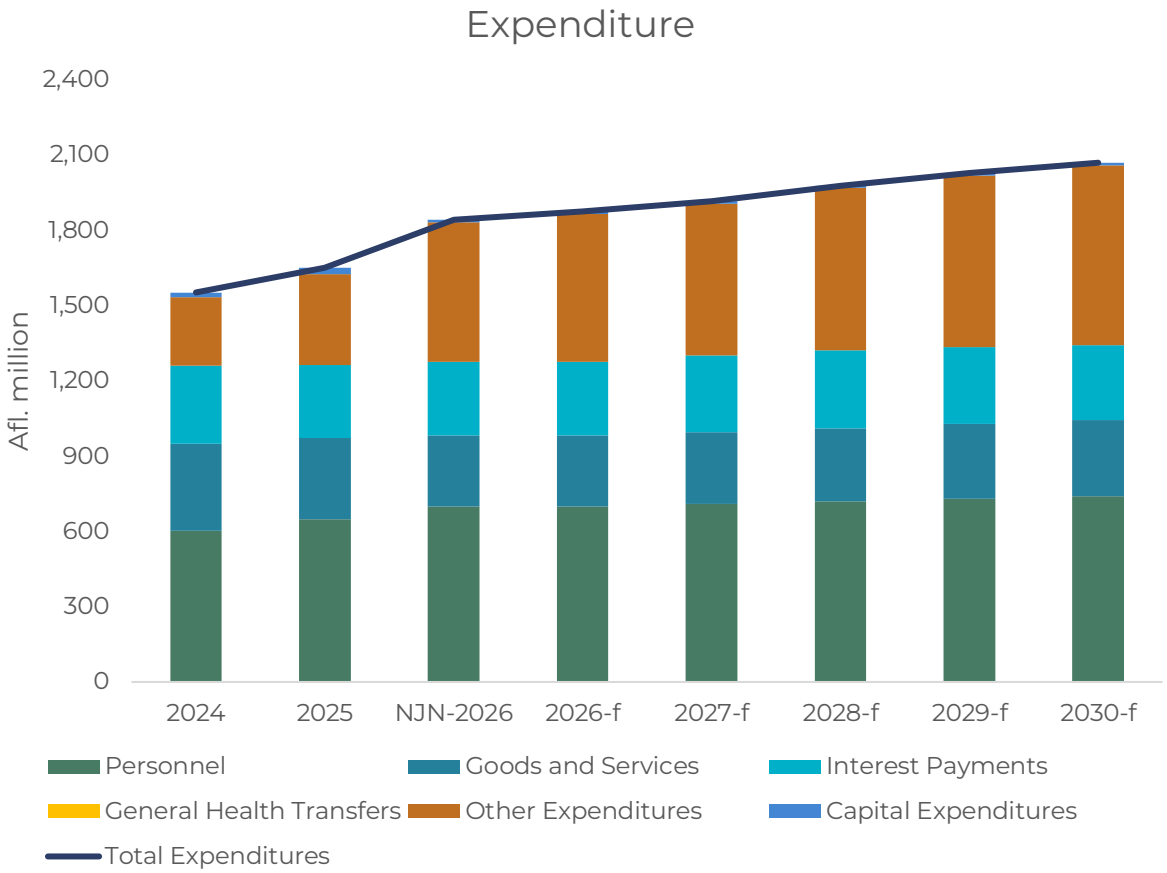
3.2 Expenditures

The CBA also expects a rise in government expenditure during the forecast horizon (2026-2030). During this period, several major expenditure components will likely register an uptick (Chart 2, Table 3). Personnel costs, consisting of wages, employer's contribution, and wage subsidies, will presumably grow by 7.9% in 2026, reflecting the 2% 'periodieken' and the restructuring of the salary structure for teachers. Additionally, the CBA assumes a gradual reduction in the number of civil servants over the forecast period, as some employees are expected to leave the public sector through natural attrition or participation in the early retirement scheme (VUT). Nevertheless, throughout the forecast horizon, the overall costs of government personnel are projected to rise.

Goods and services expenditures increase in line with the projected inflation rates over 2026–2030. In 2026 and 2027, inflation is expected to register 2.4% and 1.4%, respectively, before stabilizing around 2.0% in the medium-term (2028-2030). Other expenditures generally grow throughout the forecast horizon with inflation. In 2026, higher transfer payments resulting from the increase in the monthly 'reparatietoeslag' for pensioners by Afl. 150 (effective January 1, 2026) are expected to further raise other expenditures. Additionally, capital transfers to the newly established AIOF now fall under other expenditures and are funded via the excess of the 1.0% LAFT norm (the Protocol's budget rule II.6) distributed for investment (50% of the funds above 1% of GDP).

Regarding the government's costs related to the provision of social security, the outlook does not include transfers to the AZV or to the SVB, reflecting the foreseen absence of deficits at both institutions throughout the forecast period. Lastly, the CBA presumes capital expenditure to remain constant throughout 2026-2030.

Chart 2: Government expenditures including capital (*Source: CBA, DOF*)



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Table 3: Government expenditures (% of nominal GDP) (*Source: CBA, DOF*)

	NJN2026	2026f	2027f	2028f	2029f	2030f
Personnel	8.7%	8.4%	8.2%	7.9%	7.8%	7.6%
Goods and Services	3.5%	3.4%	3.3%	3.2%	3.2%	3.1%
Interest Payments	3.7%	3.6%	3.5%	3.4%	3.3%	3.1%
General Health Transfers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Expenditures	6.9%	7.1%	7.0%	7.1%	7.3%	7.4%
Capital Expenditures	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%

f: forecast

3.3 Fiscal Balance and Public Debt

Based on projected government revenue and expenditure trends, the CBA estimates a fiscal surplus of Afl. 115.6 million (1.4% of GDP) in 2026 and a debt-to-GDP ratio of 60.4% (Chart 3). Over the medium term, the debt-to-GDP ratio should decline steadily, supported by continued fiscal surpluses. The fiscal balance will presumably reach 2.2% of GDP in 2030. The outlook foresees that surpluses exceeding 1% of GDP are allocated equally between debt reduction and capital investment (allocated to the AIOF), enabling the debt ratio to fall to 44.4% by 2030.

Chart 3: Fiscal balance and debt-to-GDP (Source: CBA, DOF)

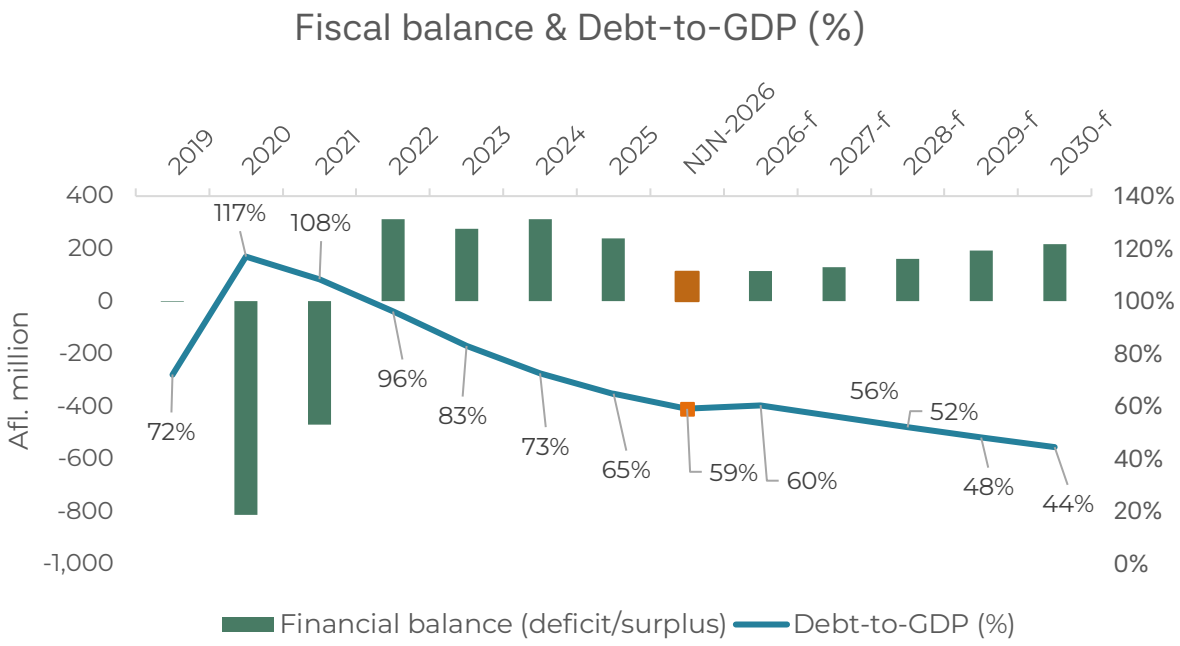


Table 4: Key fiscal indicators for the outlook 2026-2030 as a % of GDP (Source: DOF, CBA)

Outlook	NJN2026	2026f	2027f	2028f	2029f	2030f
Total revenue	24.8%	24.6%	24.1%	24.1%	24.1%	24.1%
Tax revenue	20.3%	22.1%	21.6%	21.6%	21.6%	21.6%
Non-tax revenue	4.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Total expenditure	22.8%	22.6%	22.0%	21.8%	21.5%	21.3%
Fiscal balance-to-GDP	1.4%	1.4%	1.5%	1.8%	2.0%	2.2%
Debt-to-GDP	59.0%	60.4%	56.2%	51.9%	48.0%	44.4%

f: forecast

4. Compliance with Fiscal Framework

In an unchanged policy scenario, the CBA foresees that the GoA will meet the LAFT requirement of a fiscal surplus of at least 1.0% of GDP in 2026 (Chart 4). Looking ahead, fiscal surpluses will likely strengthen over the medium term, reaching Afl. 217.7 million (2.2% of GDP) by 2030. This trajectory would ensure continued compliance with LAFT norms throughout the forecast period.

Chart 4: LAFT norm gap with projected fiscal outlook (Source: CBA, DOF, LAFT)

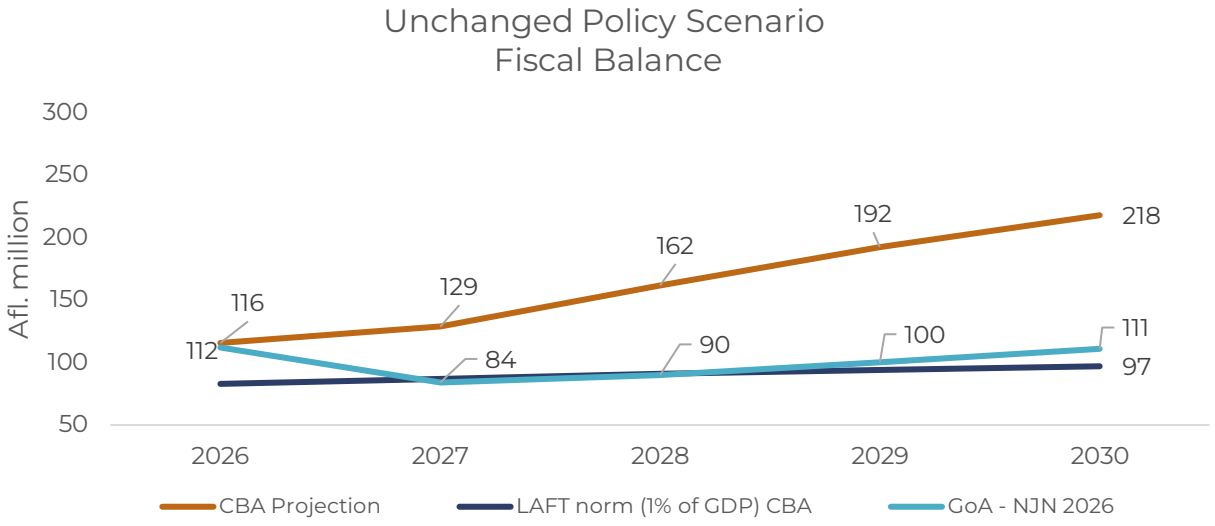


Table 5: CBA projections (2026-2030) and the LAFT agreement on surplus exceeding 1.0% of GDP (Source: CBA, DOF)

	2026f	2027f	2028f	2029f	2030f
Fiscal balance (incl. 50-50 agreement)*	116	129	162	192	218
1. Initial surplus (excl. 50-50 agreement)	148	170	232	290	338
2. of which: 1% LAFT	83	87	91	94	97
3. of which: >1%, 50% towards investment	33	42	71	98	121
4. of which: >1%, 50% towards debt repayment	33	42	71	98	121
*Fiscal balance = 1-3					

In Afl. million, f: forecast, GDP based on CBA Economic Outlook September 2026

Table 6: Fiscal balance projections (Source: CBA, DOF)

	2026f	2027f	2028f	2029f	2030f
CBA	116	129	162	192	218
NJN2026 (GoA)	112	84	90	100	111
LAFT norm (1% of GDP)	83	87	91	94	97

In Afl. million, f: forecast

5. Risks to the Outlook

While the baseline outlook foresees sustained fiscal surpluses and a declining public debt trajectory, both upside and downside risks could cause fiscal outcomes to diverge from the projected path:

- **Deviations from projected economic growth.** The fiscal outlook is sensitive to deviations from the assumed nominal GDP growth path. For instance, a faster (or slower) normalization of tourism demand could dampen (or further boost) economic activity, and in turn, government revenues.
- **External shocks.** Global economic developments, geopolitical tensions, or financial market volatility could affect tourism flows, trade, and financing conditions, with consequent spillovers to fiscal outcomes.
- **Health and social security expenditures.** The baseline scenario assumes no transfers to the AZV or SVB. However, higher-than-expected costs, lower than projected revenues, or demographic pressures could give rise to additional fiscal demands in the future.
- **Financing risks.** The debt outlook is based on assumed refinancing terms and interest rates. Changes in global or regional financial markets, such as shifts in interest rates, investor sentiment, or credit spreads, could lead to refinancing terms that are either more or less favorable than projected. Additionally, the ongoing negotiations with the Netherlands regarding the kingdom law could affect the projected debt path, as a successful outcome in negotiations with the Netherlands would likely improve financing conditions and contribute to a more favorable debt trajectory.

These risks underscore the uncertainty surrounding the fiscal projections and the possibility that actual fiscal outcomes may diverge from the forecasted path presented in this outlook.

6. Conclusion

The CBA's baseline outlook for 2026-2030 indicates that Aruba's public finances are expected to remain on a favorable trajectory in an unchanged policy scenario. The CBA foresees that continued economic growth will support steady increases in government revenues, while expenditure growth remains manageable despite upward pressures from personnel costs, inflation-related spending, and investment-related allocations. As a result, fiscal surpluses are expected to be maintained throughout the forecast horizon, increasing from 1.4% of GDP in 2026 to 2.2% of GDP by 2030.

The projected fiscal balances exceed the minimum surplus requirement (1%) established under the LAFT across the entire forecast period, supporting continued compliance with Aruba's fiscal framework. Correspondingly, sustained surpluses are expected to contribute to a significant reduction in public debt, with the debt-to-GDP ratio declining from 60.4% in 2026 to 44.4% by 2030. This gradual strengthening of the government's fiscal position would improve fiscal sustainability and enhance resilience against future economic or financial shocks.

Nevertheless, these projections are subject to important uncertainties. Fiscal outcomes will depend on the evolution of economic activity, financing conditions, and expenditure developments, including in the areas of social security and public investment. Deviations from this path could lead to fiscal outcomes that differ from those projected in this outlook. Consequently, while the baseline scenario points to a continued improvement in Aruba's fiscal position, maintaining prudent fiscal management and adherence to the fiscal framework will remain essential to preserving fiscal sustainability over the medium term.

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