

State of the Economy first quarter of 2016

Press release

September 15, 2016

Today the Centrale Bank van Aruba (CBA) publishes the State of the Economy for the first quarter of 2016. This publication provides a synopsis of the local and international economic developments of the quarter under review in addition to its forecasts for the year 2016 as a whole. The highlights hereof are presented below, including a summary of main economic indicators.

Available indicators for the Aruban economy displayed a weakening during the first quarter of 2016, mirrored primarily by a 1.4 percent contraction in tourism receipts. Moreover, a lackluster credit market, significant declines in revenues from taxes on commodities and turnover tax (BBO) as well as decreases in a number of economic indicators, such as construction permits granted, consumer confidence, and food imports, further exemplified the slack economic conditions during the quarter under review.

On the inflationary front, the 12-month inflation continued on its downward path during the first quarter of 2016, mostly pushed down by lower gasoline prices. Moreover, a reduction in electricity tariffs (January 2016) and torpid domestic consumption contributed to the ongoing subdued general price level. The underlying price developments remain slightly inflationary, as the core inflation rate (inflation excluding food and energy components) edged up to 0.7 percent.

Net foreign assets strengthened further during the first quarter of 2016, growing by Afl. 145.2 million to Afl. 1,756.2 million. At that height, they more than adequately exceed the critical norms used by the CBA, including the number of months of current account payments covered by the net foreign assets (4.8 months).

Based upon recent CBA estimates, the Aruban economy is expected to expand by 0.4 percent in real terms in 2016, after experiencing negative growth in 2015 (-0.5 percent in real

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terms). Overall, the first three months of 2016 got off to a slow start in terms of economic activities. Economic growth in 2016 will materialize only if the restart of the oil refinery and related investments are executed as planned.

Table: Main economic indicators for the first quarter of 2016

Indicator	2015 first quarter	2016 first quarter	Change
Consumption-related taxes (Afl. million)	89.1	86.3	-2.8
Tourism receipts per night (Afl.)	403	387	-16
Business loans (Afl. million)	1,324.6	1,261.3	-63.3
Mortgage loans (Afl. million)	1,058.2	1,110.9	5.2
Twelve month average rate of inflation (percent)	0.8	0.0	-0.8
Consumer confidence index (index points)	94.8	94.5	-0.3
Current account coverage ratio (months)	3.7	4.8	1.1
Nonperforming loan ratio (percent)	6.3	4.8	-1.5

Sources: CBA, CBS (inflation rate)

The complete publication is available on the CBA's website (www.cbaruba.org).

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