CENTRALE BANK VAN ARUBA

ECONOMIC FORECAST MONITOR

A summary of global and national projections

July 11, 2017

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For queries, please contact the Research Department of the Centrale Bank van Aruba at tel. +297 525 2100 or email research.department@cbaruba.org.

Most important sources (international forecasts) (in alphabetical order):

- ABN AMRO Bank
- AllianceBernstein
- BBVA Research
- BMO Capital Markets
- BNP Paribas
- Commerzbank
- Crédit Agricole
- Danske Bank
- DBS Group
- EIA (U.S. Energy Information Association)
- IMF
- ING Bank
- Lloyds TSB
- Merrill Lynch
- Northern Trust
- OECD
- RBC Bank
- Scotiabank
- TD Bank
- The Conference Board
- United Nations
- Wells Fargo
- World Bank

The forecasts for Aruba are produced by the CBA.

Cut-off date: June 14, 2017

Executive summary

In 2017, the Aruban economy is projected to expand by 3.4 percent (in real terms), provided that refinery renovation investments, phased over a period of 48 months, start in July 2017. Based on current estimates, the number of stay-over tourists visiting Aruba is forecasted to decline by 1.9 percent in 2017, mainly the result of the drop in visitors from Venezuela. Nevertheless, for 2017 it is expected that total tourism receipts will grow by 1.3 percent.

On the international, the current forecasting trend indicates that financial institutions have become more optimistic with respect to the economic developments in the European countries. The consensus view on economic developments in the United States remains virtually unchanged. The assessments for Latin American economies are generally more pessimistic compared to the end of last year. Forecasted 2017 real GDP-growth declined from 1.8 percent to 1.2 percent for the continent as a whole. The main culprit is Venezuela with an anticipated contraction of 4.6 percent, while Brazil is also not presumed to perform very well (+0.5 percent). Brazil is expected to rebound in 2018. Inflation in Latin America will likely range from the 3 to 5 percent area with notable exceptions of Venezuela and Argentina. The Caribbean economies are projected to grow by 3.1 percent, fueled by the firm development in the Dominican Republic (+5.1 percent). In contrast, Suriname and Trinidad & Tobago are likely to perform poorly.

Oil prices are forecasted to increase to an average of US$ 54 per barrel in 2017. For 2018, these prices are anticipated to rise further, albeit slightly. In addition, the price of gold is expected to reach a somewhat higher level in the coming period.

Selected GDP and commodity price forecasts (2016-2018)

Indicator	2016	2017	2018
Real GDP (growth rate)			
Aruba	-0.2	3.4	1.8
Caribbean	2.0	3.1	3.4
Latin America	-1.0	1.2	2.3
World	3.0	3.3	3.4
United States	1.6	2.2	2.4
Euro area	1.8	1.7	1.6
Commodity prices (average)			
Oil price (WTI, US$/barrel)	43	54	57
Gold price (US$/oz)	1,248	1,225	1,272

2016: actual data (except GDP Aruba); 2017-2018: forecasts

I Annual forecasts for Aruba

	2015	2016	2017
Last forecast update: May 2017			
GDP [1]			
Nominal	1.6	-0.9	2.1
Real	-0.5	-0.2	3.4
Consumption (private + public) [1]			
Nominal	-0.9	-3.7	2.3
Real	-1.6	-3.7	2.8
Private consumption [1]			
Nominal	-3.9	-4.8	3.2
Real	-4.4	-3.9	4.3
Public consumption [1]			
Nominal	6.1	-1.2	0.5
Real	5.6	-3.3	-0.6
Investment (private + public) [1]			
Nominal	-4.8	0.1	30.7
Real	-5.1	-0.7	28.6
Private investment [1]			
Nominal	-3.7	1.4	32.7
Real	-4.0	0.5	30.6
Public investment [1]			
Nominal	-26.6	-32.7	-43.8
Real	-26.8	-33.1	-44.7
Exports of goods and services [1]			
Nominal	1.1	0.0	1.2
Real	-0.1	0.3	-0.3
Imports of goods and services [1]			
Nominal	-3.5	-2.8	9.8
Real	-2.8	-3.5	7.5
Current account balance [2]	4.1	5.3	-4.9
Current account coverage ratio [3]	4.7	6.0	5.3

Source forecasts: CBA.

[1] Year/year %-change.
[2] Balance on the current account (in % of nominal GDP).
[3] Net foreign assets in months of current account payments (including the oil sector).

adjusted downwards
adjusted upwards
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new forecast

II. Quarterly and annual forecasts for Aruba

	2016				2017				2015	2016	2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Last forecast update: May 2017											
Real GDP [3]	-1.2	0.8	0.1	-0.4	1.9	2.3	3.3	6.3	-0.5	-0.2	3.4
Population [1]	110.6	110.7	110.3	110.5	110.6				110.1	110.5	
Inflation [2]	-1.0	-1.4	-1.1	-0.1	-0.2				0.5	-1.0	-1.1
Stay-over visitors [3]	5.4	1.3	-4.2	-10.0	-15.0				14.3	-10.0	-1.9
Tourism nights [3]	2.5	0.3	-1.2	-4.3	-7.3				8.3	-4.3	-1.7
Tourism receipts [3]	-1.3	-0.2	1.2	-4.2					2.8	-1.2	1.3
Net foreign assets [4]	1,756	2,020	1,942	1,892	1,953	1,822	2,037	1,857	1,611	1,892	1,857

Source forecasts: CBA.

Note: The 2016 forecasts published in the Economic Outlook of September 2016 on inflation, tourism and net foreign assets are currently being revised. Revised forecasts will be published in the next Economic Outlook.

[1] End of period, x 1000.

[2] Year/year %-change, average for the period, seasonally adjusted.

[3] Year/year %-change.

[4] Including revaluation differences, end of period, in Afl. million.

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III. International forecasts

III.A. United States

	2016	2017				2018			2016	2017	2018
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3			
Update: June 2017											
Real GDP [1]	2.1	1.2	2.8	2.5	2.4	2.3	2.4	2.4	1.6	2.2	2.4
Inflation [2]	1.8	2.6	2.2	2.4	2.3	2.2	2.3	2.4	1.3	2.3	2.2
Core inflation [2]	2.2	2.2	2.0	2.2	2.2	2.2	2.2	2.3	2.2	2.2	2.2
Unemployment rate [3]	4.7	4.7	4.5	4.4	4.4	4.3	4.3	4.2	4.9	4.6	4.4
Real personal consumption [1]	3.5	0.6	2.7	2.4	2.3	2.5	2.5	2.5	2.7	2.5	2.5
Real disposable personal income [1]	-0.3	1.7	3.2	2.5	2.7	2.9	3.4	3.2	2.6	2.3	3.0
Exchange rate [4]	1.08	1.07	1.08	1.09	1.10	1.10	1.11	1.12	1.11	1.08	1.11

[1] Quarter/quarter % change, seasonally adjusted annual rate.
[2] Year/year %-change, average for the period, seasonally adjusted.
[3] In % of labor force, average for the period, seasonally adjusted.
[4] US$/EUR, average for the period.

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III.B. Selected countries and regions

	Real GDP [1]			Inflation [2]			Unemployment rate[3]		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Update: June 2017									
World	3.0	3.3	3.4	2.7	3.2	3.1			
Canada	1.4	2.2	2.0	1.4	1.9	2.0	7.0	6.7	6.5
Europe									
Euro Area	1.8	1.7	1.6	0.2	1.6	1.4	10.0	9.4	9.1
Germany	1.9	1.7	1.7	0.4	1.7	1.6	4.1	4.0	4.0
United Kingdom	1.8	1.5	1.3	0.7	2.6	2.6	4.8	5.0	5.2
The Netherlands	2.2	2.1	1.8	0.1	1.3	1.4	6.0	5.1	4.8
Russia	-0.2	1.3	1.6	7.1	4.7	4.3	5.5	5.6	5.5
Asia									
Japan	1.0	1.1	0.9	-0.1	0.7	1.0	3.1	3.0	3.0
China	6.7	6.4	6.1	2.0	2.1	2.3	4.0	4.1	4.2
India	6.7	7.1	7.5	4.9	4.7	5.1			
Latin America	-1.0	1.2	2.3	5.6	5.8	4.5			
Argentina	-2.3	2.6	3.1	37.5	22.4	15.3	8.5	7.4	7.3
Brazil	-3.6	0.5	2.3	8.7	4.6	4.6	11.5	11.9	11.2
Colombia	2.0	2.4	3.0	6.9	4.4	3.5	9.2	9.5	9.8
Chile	1.6	1.8	2.4	3.8	2.9	3.0	6.7	6.9	6.8
Mexico	2.4	1.8	2.2	2.8	4.8	3.8	3.9	4.1	4.4
Peru	3.9	3.4	4.0	3.6	3.3	2.7	6.8	6.7	6.7
Venezuela	-11.8	-4.6	-1.4	254.9	526.8	734.4	19.2	25.3	28.2
Caribbean	2.0	3.1	3.4	3.7	3.9	4.1			

[1] Year/year %-change.
[2] Year/year %-change, average for the period.
[3] In % of labor force, average for the period, seasonally adjusted.

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IV. Commodity prices

	2016	2017				2018			2016	2017	2018
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3			
Update: June 2017											
Oil price [1]	49	52	52	55	57	56	57	56	43	54	57
Median	50	52	53	55	55	56	56	55	43	54	57
Gas price [2]	3.04	3.01	3.13	3.13	3.23	3.35	3.11	3.15	2.52	3.19	3.26
Median	3.00	3.01	3.17	3.20	3.20	3.40	3.20	3.20	2.50	3.18	3.28
Gold price [3]	1,219	1,219	1,221	1,234	1,275	1,266	1,278	1,312	1,248	1,225	1,272

[1] WTI, US$/barrel, average for the period.

[2] Henry Hub Spot, US$/mln. Btu, average for the period. The (approximate) energy equivalent of 1 barrel of oil is 5.8 mln. Btu.

[3] US$/oz, average for the period.

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