



CENTRALE BANK VAN ARUBA

ECONOMIC FORECAST MONITOR

A summary of global and national projections

December 29, 2017

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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.

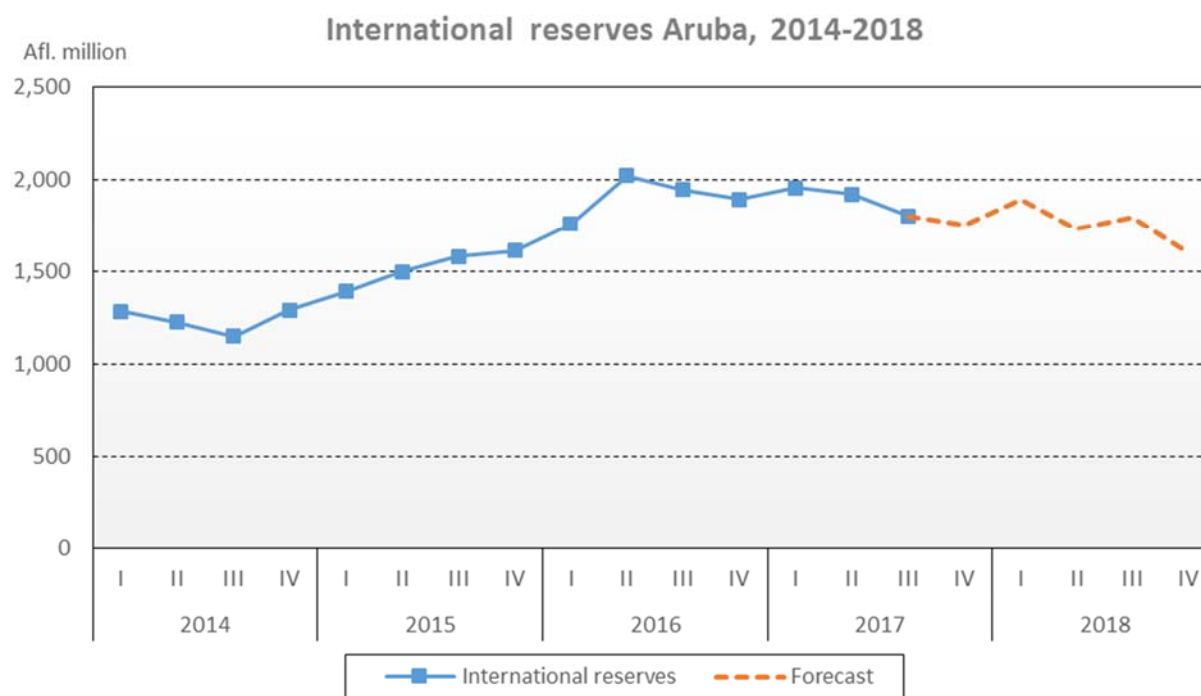
Cut-off date: December 18, 2017

Executive summary

For 2018, economic output is projected to expand further, i.e. by 2.7% (in real terms), providing timely refinery renovation investments. Without these investments, real GDP growth is estimated at 1.0%. It will be the second year of economic expansion, after an estimated 2.6% growth in 2017.

Likewise, a further increase in tourism activities is forecasted, driven by a continuing growth in the number of visitors from the United States. The tourism sector will remain the engine of growth with a forecasted 2.4% expansion in receipts and a 3.1% hike in the number of arrivals. Private consumption is projected to expand by 2.8%, while growth in private investment is estimated at 10.7% on the condition that the expected increase in refinery activities will take place.

After two years in the deflationary territory, inflationary pressures will rise to a modest 0.3% in 2018. A further decline in net foreign reserves, currently estimated at Afl. 154 million, is expected, largely due to scheduled debt repayments.



On the international front, the current forecasting trend indicates that financial institutions are more optimistic with respect to the economic developments in the European countries. The 2018 outlook on both real GDP-growth and unemployment rates (respectively 1.9 and 8.6 percent) are more favorable compared to six months ago. Especially the prospects of the Dutch economy are currently high. With 1.4%, price expectations in the euro area are moderate, except in the United Kingdom



where inflation is expected to beat the 2 percent mark, generally considered the desired rate of inflation. The euro is estimated to appreciate to US\$ 1.21 at the end of 2018.

The view on GDP-developments in the United States remains virtually unchanged at 2.4%. The projections on inflation (2.0%) and unemployment (4.1%) are fractionally lower than six months ago. Disposable personal income of the average U.S.-citizen will probably increase by 2.3% in 2018.

The assessments for Latin American economies are mixed. Forecasted 2018 real GDP-growth for the continent as a whole declined slightly to 2.2%. Countries with above average growth expectations are Argentina, Colombia, Chile and Peru. Economic developments in Venezuela will remain largely negative (-3.6%). The rate of inflation in Latin America will likely be lower than in 2017, typically in the range from 2 to 4% with exceptions of Venezuela and Argentina. The Caribbean economies are projected to grow by 3.1% with an average inflation rate of approximately 4%.

Oil prices are forecasted to increase to an average of US\$ 54 per barrel in 2018. In addition, the price of gold is expected to remain just below the US\$ 1,300 mark.

Selected GDP and commodity price forecasts (2016-2018)

Indicator	2016	2017	2018
Real GDP (growth rate)			
Aruba	-0.2	2.6	2.7
Caribbean	2.0	2.0	3.1
Latin America	-0.9	1.3	2.2
World	3.0	3.4	3.5
United States	1.5	2.2	2.4
Euro area	1.8	2.1	1.9
Commodity prices (average)			
Oil price (WTI, US\$/barrel)	43	50	54
Gold price (US\$/oz)	1,248	1,261	1,288

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

I Annual forecasts for Aruba

	2016	2017	2018
<i>Last forecast update: December 2017</i>			
GDP¹			
Nominal	-1.6	2.6	2.9
Real	-0.2	2.6	2.7
Consumption (private + public)¹			
Nominal	-3.7	2.8	2.3
Real	-3.0	2.1	1.9
Private consumption¹			
Nominal	-4.8	1.6	3.1
Real	-4.0	1.9	2.8
Public consumption¹			
Nominal	-1.2	5.4	0.6
Real	-0.7	2.6	-0.2
Investment (private + public)¹			
Nominal	0.8	16.5	9.0
Real	0.3	14.9	8.5
Private investment¹			
Nominal	-0.3	18.4	11.3
Real	-0.9	16.8	10.7
Public investment¹			
Nominal	30.1	-20.2	-54.9
Real	29.4	-21.2	-55.1
Exports of goods and services¹			
Nominal	-1.3	3.4	2.0
Real	-0.9	1.8	1.6
Imports of goods and services¹			
Nominal	-2.9	7.6	3.4
Real	-3.5	5.4	3.0
Current account balance²	4.9	-2.1	-11.3
Current account coverage ratio³	6.1	5.6	4.9

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 (excluding the oil sector).

adjusted downwards
adjusted upwards
actual data
new forecast

II. Quarterly and annual forecasts for Aruba

	2017				2018				2016	2017	2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Last forecast update: December 2017</i>											
Population ¹	110.6	110.9							110.5		
Inflation ²	-0.2	-0.3	-0.9						-0.9	-0.3	0.3
Stay-over visitors ³	-15.0	-1.2	-0.8						-10.0	-4.6	3.1
Tourism nights ³	-7.3	2.2	-1.6						-4.3	-1.2	2.4
Tourism receipts ³	3.5	6.3							-1.9	3.8	2.4
Net foreign assets ⁴	1,953	1,918	1,801	1,751	1,888	1,730	1,791	1,597	1,892	1,751	1,597

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.

adjusted downwards
adjusted upwards
actual data
new forecast

III. International forecasts

III.A. United States

	2017				2018				2016	2017	2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Update: December 2017</i>											
Real GDP ¹	1.2	3.1	3.3	2.6	2.3	2.3	2.2	2.2	1.5	2.2	2.4
Inflation ²	2.6	1.9	2.0	2.0	1.8	2.2	2.2	2.1	1.3	2.1	2.0
Core inflation ²	2.2	1.8	1.7	1.8	1.8	2.1	2.2	2.1	2.2	1.9	2.1
Unemployment rate ³	4.7	4.4	4.3	4.2	4.1	4.1	4.0	4.0	4.9	4.4	4.1
Real personal consumption ¹	1.9	3.3	2.3	2.6	2.3	2.4	2.3	2.2	2.7	2.6	2.5
Real disposable personal income ¹	2.9	2.7	0.5	1.8	2.5	3.1	2.8	2.9	1.4	1.4	2.3
Exchange rate ⁴	1.07	1.10	1.18	1.17	1.17	1.18	1.19	1.21	1.11	1.12	1.18

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.

adjusted downwards
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actual data
new forecast

III.B. Selected countries and regions

	Real GDP ¹			Inflation ²			Unemployment rate ³		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
<i>Update: December 2017</i>									
World	3.0	3.4	3.5	2.7	2.8	2.9			
Canada	1.5	2.7	2.0	1.4	1.7	1.9	7.0	6.4	6.1
Europe									
Euro Area	1.8	2.1	1.9	0.2	1.5	1.4	10.0	9.2	8.6
Germany	1.9	2.1	2.0	0.4	1.6	1.6	4.1	3.8	3.6
United Kingdom	1.8	1.5	1.3	0.7	2.7	2.4	4.8	4.5	4.6
The Netherlands	2.2	2.9	2.4	0.1	1.2	1.4	6.0	4.9	4.5
Russia	-0.2	1.6	1.7	7.1	4.1	4.0	5.5	5.4	5.3
Asia									
Japan	1.0	1.5	1.2	-0.1	0.5	0.8	3.1	2.8	2.8
China	6.7	6.6	6.3	2.0	1.7	2.2	4.0	4.2	4.1
India	6.7	6.7	7.3	4.9	3.7	4.4			
Latin America	-0.9	1.3	2.2	5.6	5.4	4.5			
Argentina	-2.3	2.6	3.1	38.6	23.6	16.7	8.5	7.9	8.2
Brazil	-3.6	0.8	2.1	8.7	3.6	3.9	11.5	12.8	11.8
Colombia	2.0	1.8	2.7	6.9	4.3	3.5	9.2	9.8	9.7
Chile	1.6	1.5	2.6	3.8	2.3	2.7	6.5	6.8	6.7
Mexico	2.3	2.1	2.1	2.8	5.7	3.9	3.9	3.6	3.6
Peru	3.9	2.7	3.9	3.6	2.8	2.4	6.7	7.0	6.9
Venezuela	-16.5	-8.2	-3.6	254.4	760.6	1848.1	14.5	17.5	19.1
Caribbean	2.0	2.0	3.1	5.1	4.2	3.9			

¹ Year/year %-change.

² Year/year %-change, average for the period.

³ In % of labor force, average for the period, seasonally adjusted.

adjusted downwards
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IV. Commodity prices

	2017				2018				2016	2017	2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Update: December 2017</i>											
Oil price ¹	52	48	48	52	54	54	54	55	43	50	54
Median	52	50	48	54	53	52	52	55	43	51	52
Gas price ²	3.01	3.08	2.95	3.13	3.29	3.09	3.05	3.17	2.52	3.08	3.15
Median	3.01	3.12	3.05	3.02	3.27	3.15	3.10	3.13	2.50	3.02	3.14
Gold price ³	1,219	1,257	1,278	1,284	1,299	1,295	1,298	1,298	1,248	1,261	1,288

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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