



CENTRALE BANK VAN ARUBA

## **Effective October 1, 2024, the Central Bank of Aruba lowered the reserve requirement to 17.5 percent**

Press Release

**Effective October 1, 2024, the Central Bank of Aruba (CBA) lowered the reserve requirement from 18.5 percent to 17.5 percent.** This monetary policy decision eases the minimum balance that Aruban commercial banks must hold at the CBA.

### **Key highlights**

#### **1. Rise in credit growth and adequate foreign reserves**

Credit growth rose in recent months compared to the start of 2024. The average monthly growth was Afl. 40.6 million during the past three months (May, June, and July), compared to an average of Afl. 25.3 million during the first four months of 2024. However, when excluding the large incidentals, the expansion in credit was modest, with an average monthly growth of Afl. 5.2 million during the past three months vis-à-vis an average of Afl. 18.3 million during the first four months of 2024. Furthermore, according to the August 23, 2024 figures, foreign reserves expanded well above the reserve adequacy benchmarks monitored by the CBA, being the current account coverage (7.0 months relative to the minimum threshold of 3.0 months), as well as the International Monetary Fund (IMF) reserve adequacy metric (126.4 percent relative to the minimum threshold of 100.0 percent). The CBA expects that official and international reserves will remain adequate during the remaining months of 2024.

#### **2. The projected slowdown in the End-of-Period (EOP) inflation**

In July 2024, the EOP inflation rate continued its upward trend. It increased to 2.8 percent, compared to 2.4 percent in the previous month. The main contributors to this higher inflation in recent months are the extinguished effect of the reduction in electricity tariffs in May 2023 and the diminishing effect of lower car prices in 2023. Nevertheless, the EOP inflation is foreseen to decelerate by the end of December 2024.

The CBA will continue to monitor the monetary and economic indicators and adjust its monetary policy stance as needed to maintain the value of the florin.

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Centrale Bank of Aruba

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