



CENTRALE BANK VAN ARUBA

## ECONOMIC FORECAST MONITOR

*A summary of global and national projections*

**April 5, 2016**

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The sources that are used to calculate the international forecasts are of a public nature. Due care and attention has been given in the preparation of this forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. While the forecasts will be updated regularly, they are, by their very nature, subject to uncertainty and are subject to change without notice.

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

- ABN AMRO
- BMO Capital Markets
- BNP Paribas
- Commerzbank
- Crédit Agricole
- Danske Bank
- IMF
- Lloyds TSB
- OECD
- Scotiabank
- TD Bank
- United Nations
- Wells Fargo
- World Bank

The forecasts for Aruba are produced by the CBA.

Cut-off date: April 4, 2016



## Executive summary

After experiencing virtually zero growth in 2015, the Aruban economy is projected to expand in real terms by 1.1 percent in 2016 (see Table 1). In 2015, the Aruban economy grew by 1.8 percent in nominal terms, and 0.1 percent in real terms. In comparison to 2014, the 2015 output growth was tempered by a significant decline in private consumption and investments. Growth in tourism exports eased to 2.8 percent in 2015, despite a significant increase of 14.3 percent in tourist arrivals. Inflation remained stable at 0.5 percent.

For 2016, the tourism sector is expected to continue to have a positive contribution to the economy through increased tourist services' exports. However, unlike the foregoing year, private investments are likely to grow by 2.7 percent, thereby adding positively to economic activity. Private consumption is expected to remain weak and contract by 0.2 percent in 2016, as consumer confidence has been showing few signs of improvement. In addition, the public sector consumption and investments are projected to reflect the government's continued efforts to reduce fiscal deficits, and is likely to show a contraction of 0.4 percent and 0.7 percent, respectively, in 2016. Import payments are expected to increase by 0.7 percent, mainly related to the increased demand for importing construction materials.

A scenario of the reopening of the oil refinery is expected to have an even bigger impact on economic output than the baseline scenario described previously. This scenario currently is estimated to push economic growth to 6.7 percent in real terms in 2016.

On the price front, the increase in the general price level is likely to remain moderate in 2016, with the 12-month average inflation rate projected at 1.0 percent. Stay-over visitors and nights are anticipated to show signs of diminishing growth in 2016. Net foreign assets are estimated to expand in 2016, partly attributed to higher tourism receipts, as well as government borrowings abroad.

Internationally, developed economies (USA, Canada, Euro area, Germany, The Netherlands, UK and Japan) are forecasted to grow steadily between 1.0 percent and 2.5 percent in 2016. Latin American markets are showing mixed signals, as Brazilian (-1.6 percent) and Venezuelan (-4.6 percent) economies are expected to contract in 2016, while most of the other markets are expecting growths between 2.5 percent and 3.5 percent. Russia's economy is anticipated to contract slightly by -0.4 percent. In contrast, emerging Asian countries China and India are forecasted to grow by, respectively, 6.5 percent and 7.5 percent.

Inflation in developed markets is expected to be around 2.0 percent or lower. Latin America and Emerging Asia are expected to incur a somewhat higher inflationary pressure. Outliers, Argentina (27.1 percent) and Venezuela (154.2 percent), will have double or triple digit inflation.

Oil prices and gas prices are generally expected to remain at a low level compared to 2015 as WTI oil price is forecasted at \$40 per barrel and the Henry Hub Spot is forecasted at \$2.50 per million Btu. Gold price is likely to continue its decelerating trend since 2012.



## I Annual forecasts for Aruba

	2014	2015	2016
<i>Last updated : January 2016</i>			
<b><u>GDP</u></b> <sup>1</sup>			
Nominal	2.6	2.0	1.8
Real	0.8	0.1	1.1
<b><u>Consumption (private + public)</u></b> <sup>1</sup>			
Nominal	-0.8	-1.6	0.6
Real	-2.1	-2.4	-0.3
<b><u>Private consumption</u></b> <sup>1</sup>			
Nominal	0.9	-2.2	0.8
Real	0.5	-3.1	-0.2
<b><u>Public consumption</u></b> <sup>1</sup>			
Nominal	-4.5	0.0	0.1
Real	-8.1	-0.6	-0.4
<b><u>Investment (private + public)</u></b> <sup>1</sup>			
Nominal	-2.0	-1.5	4.1
Real	-2.9	-2.1	2.5
<b><u>Private investment</u></b> <sup>1</sup>			
Nominal	-2.8	-1.1	4.2
Real	-3.7	-1.7	2.7
<b><u>Public investment</u></b> <sup>1</sup>			
Nominal	17.1	-10.6	0.7
Real	16.0	-11.1	-0.7
<b><u>Exports of goods and services</u></b> <sup>1</sup>			
Nominal	4.5	2.9	3.2
Real	3.1	1.7	1.8
<b><u>Imports of goods and services</u></b> <sup>1</sup>			
Nominal	-0.8	-2.1	2.5
Real	-1.5	-1.8	0.7
<b><u>Current account balance</u></b> <sup>2</sup>	-5.4	1.3	-0.7
<b><u>Current account coverage ratio</u></b> <sup>3</sup>	3.5	4.4	4.6

Source: CBA.

<sup>1</sup> Year/year %-change.

<sup>2</sup> Balance on the current account (in % of nominal GDP).

<sup>3</sup> Net foreign assets in months of current account payments (including the oil sector).

adjusted downwards
adjusted upwards
actual data
new forecast



## II. Quarterly and annual forecasts for Aruba

	2014		2015				2014	2015	2016
	Q3	Q4	Q1	Q2	Q3	Q4			
<b>Population</b> <sup>1</sup>	108.1	108.4	108.8	109.1	109.4	109.5	108.4	109.5	110.6
<b>Inflation</b> <sup>2</sup>	0.5	1.6	1.0	1.0	0.6	-0.7	0.4	0.5	1.0
<b>Stay-over visitors</b> <sup>3</sup>	13.6	13.0	20.2	12.2	12.6	12.7	9.5	14.3	5.3
<b>Tourism nights</b> <sup>3</sup>	9.1	11.2	12.2	10.8	6.8	4.1	7.9	8.3	3.7
<b>Tourism receipts</b> <sup>3</sup>	13.0	6.3	7.2	3.1	0.4	-0.6	7.3	2.8	3.7
<b>Net foreign assets</b> <sup>4</sup>	1,147	1,289	1,388	1,496	1,580	1,611	1,289	1,611	1,670

Source: CBA.

<sup>1</sup> End of period, x 1000.

<sup>2</sup> Year/year %-change, average for the period, seasonally adjusted.

<sup>3</sup> Year/year %-change.

<sup>4</sup> Including revaluation differences, end of period, in Afl. million.

adjusted downwards
adjusted upwards
actual data
new forecast



### III. International forecasts

#### III.A. United States

	2015		2016				2014	2015	2016
	Q3	Q4	Q1	Q2	Q3	Q4			
<b>Real GDP</b> <sup>1</sup>	2.0	1.0	2.4	2.6	2.6	2.5	2.4	2.4	2.4
<b>Inflation</b> <sup>2</sup>	0.1	0.4	1.5	1.4	1.6	2.2	1.6	0.10	1.8
<b>Core inflation</b> <sup>2</sup>	1.8	2.0	2.0	1.9	2.0	2.1	1.7	1.80	2.0
<b>Unemployment rate</b> <sup>3</sup>	5.1	5.0	5.0	4.9	4.8	4.8	6.2	5.30	4.9
<b>Real personal consumption</b> <sup>1</sup>	3.0	2.0	2.9	2.7	2.7	2.8	2.5	3.1	2.7
<b>Real disposable personal income</b> <sup>1</sup>	3.8	3.2	3.9	3.8	3.9	3.9	2.5	3.4	3.8
<b>Exchange rate</b> <sup>4</sup>	1.11	1.09	1.07	1.07	1.06	1.07	1.33	1.11	1.06

<sup>1</sup> Quarter/quarter % change, seasonally adjusted annual rate.

<sup>2</sup> Year/year %-change, average for the period, seasonally adjusted.

<sup>3</sup> In % of labor force, average for the period, seasonally adjusted.

<sup>4</sup> US\$/EUR, average for the period.

adjusted downwards
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actual data
new forecast



### III.B. Selected countries and regions

	Real GDP <sup>1</sup>			Inflation <sup>2</sup>			Unemployment rate <sup>3</sup>		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
<b>World</b>	3.4	3.0	3.3	3.4	3.1	3.1			
<b>Canada</b>	2.4	1.4	2.0	1.9	1.3	1.9	6.9	6.8	6.8
<b>Europe</b>									
<b>Euro Area</b>	0.9	1.5	1.5	0.0	0.6	1.2	11.6	10.9	10.4
<b>Germany</b>	1.6	1.5	1.9	0.8	0.1	1.0	6.7	6.4	5.2
<b>United Kingdom</b>	2.6	2.2	2.3	1.5	0.0	1.1	6.2	5.4	5.3
<b>The Netherlands</b>	0.8	1.9	1.9	0.3	0.2	0.9	7.4	6.9	6.6
<b>Russia</b>	0.6	-3.2	-0.4	7.8	14.7	8.4	5.1	6.5	6.5
<b>Asia</b>									
<b>Japan</b>	0.0	0.5	1.0	2.7	0.8	0.7	3.6	3.4	3.3
<b>China</b>	7.4	6.9	6.5	2.0	1.4	1.9	4.1	4.1	4.1
<b>India</b>	5.4	7.2	7.5	5.9	5.4	5.6			
<b>Latin America</b>									
<b>Argentina</b>	0.5	1.3	0.8	20.6	20.5	27.1			
<b>Brazil</b>	0.2	-3.1	-1.6	6.3	9.1	7.2	4.8	6.6	8.6
<b>Colombia</b>	4.6	2.9	2.8	2.9	4.9	4.2			
<b>Chile</b>	1.9	2.3	2.8	4.4	4.0	3.5			
<b>Mexico</b>	2.1	2.4	2.9	4.0	2.7	3.4			
<b>Peru</b>	2.4	2.7	3.3	3.2	3.7	3.4			
<b>Venezuela</b>	-4.0	-8.1	-4.6	68.1	164.5	154.2	8.0	14.0	18.1

<sup>1</sup> Year/year %-change.

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

adjusted downwards
adjusted upwards
actual data
new forecast



#### IV. Commodity prices

	2015		2016				2014	2015	2016
	Q3	Q4	Q1	Q2	Q3	Q4			
<b>Oil price</b> <sup>1</sup>	47	42	33	36	41	45	93	49	40
Median			31	35	40	44			38
<b>Gas price</b> <sup>2</sup>	2.72	2.12	2.30	2.41	2.57	2.76	4.40	2.60	2.50
Median			2.33	2.45	2.48	2.71			2.50
<b>Gold price</b> <sup>3</sup>	1,124	1,106	1,078	1,094	1,098	1,104	1,266	1,160	1,115

<sup>1</sup> WTI, US\$/barrel, average for the period.

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

<sup>3</sup>US\$/oz, average for the period.

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