



CENTRALE BANK VAN ARUBA

## ECONOMIC FORECAST MONITOR

*A summary of global and national projections*

September 1, 2016

I. Executive summary .....	1
II. Annual forecasts for Aruba .....	2
III. Quarterly and annual forecasts for Aruba.....	3
IV. International forecasts.....	4
A. United States .....	4
B. Selected countries and regions.....	5
V. Commodity prices forecasts.....	6

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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: August 1, 2016



## Executive summary

Real GDP for the USA is forecasted to grow by an estimated 2.3 percent in 2016, supported by, among others, a strengthening of U.S. household balance sheets, and an improvement in the housing market. Additionally, an increase in domestic spending, pushed by gains in real disposable income and government spending, are expected to contribute to the forecasted result. Growth in the Euro Area (1.6 percent) is projected to remain at a moderate pace, attributed, among others, to high public and private debt, low investments, aging effects, and low growths in total factor productivity. Elsewhere in the advanced world, Canada's economy is expected to grow by 1.9 percent while the Japanese economy is most likely to experience a growth of 0.8 percent. The U.K. is projected to expand by 2.1 percent in 2016.

In emerging markets, Latin American GDP growth as a whole is forecasted to be negative. Yet, Chile, Colombia, Mexico and Peru are projected to record growths of 2.4 percent or higher. Brazil is expected to decrease by 2.6 percent, while Venezuela continues to contract (-7.8 percent). The current political crisis in these two countries, among others, is one of the reasons for their economic contraction. The Chinese economy is projected to grow by 6.5 percent in 2016, driven by high income growth, a robust labor market and structural reforms designed to support consumption, which aid in the country's rebalancing from investment to consumption.

Inflation in advanced economies is projected to remain at low levels (below 2.0 percent) in 2016, primarily related to the developments in oil prices in 2015 and in 2016. In Latin American economies, inflation is expected to hover between 3-5 percent, with the exception of Argentina (28 percent), Brazil (7.9 percent) and Venezuela (372.5 percent). China's inflation is anticipated to remain at 2.0 percent, attributed in part to a somewhat weaker domestic demand.

Oil prices are forecasted to remain at low levels by the end of 2016; more specifically, at US\$ 41 per barrel. Currently, there is uncertainty on the forecasted oil prices as it is unknown how much inventory global oil storage can absorb. Furthermore, there is also uncertainty on global oil demand growth and how receptive oil producers are towards sustained low oil prices.

(Sources: EIA Short-term Energy Outlook and Summer Fuel Outlook April 2016, IMF World Economic Outlook April 2016, Wells Fargo Monthly Outlook April 2016).



## I Annual forecasts for Aruba

	2014	2015	2016
<i>Last updated : April 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	110.1	108.4	110.1	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	0.5	2.4	2.6	2.5	2.4	2.4	2.3
<b>Inflation</b> <sup>2</sup>	0.1	0.4	1.1	1.5	1.7	2.1	1.6	0.1	1.6
<b>Core inflation</b> <sup>2</sup>	1.8	2.0	2.3	2.0	2.1	2.2	1.7	1.8	2.1
<b>Unemployment rate</b> <sup>3</sup>	5.1	5.0	4.9	4.9	4.8	4.8	6.2	5.3	4.9
<b>Real personal consumption</b> <sup>1</sup>	3.0	2.0	1.9	2.7	2.6	2.6	2.5	3.1	2.6
<b>Real disposable personal income</b> <sup>1</sup>	3.8	3.2	2.9	3.4	3.7	3.8	2.5	3.4	3.6
<b>Exchange rate</b> <sup>4</sup>	1.11	1.09	1.10	1.08	1.07	1.07	1.33	1.11	1.07

<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
adjusted upwards
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	3.1	3.1	3.4	3.1	3.7			
<b>Canada</b>	2.4	1.2	1.9	1.9	1.1	1.8	6.9	6.9	6.9
<b>Europe</b>									
<b>Euro Area</b>	0.9	1.6	1.6	0.0	0.5	1.2	11.6	10.9	10.3
<b>Germany</b>	1.6	1.5	1.8	0.8	0.1	0.7	6.7	4.6	5.3
<b>United Kingdom</b>	2.6	2.2	2.1	1.5	0.1	1.0	6.2	5.4	5.2
<b>The Netherlands</b>	0.8	1.9	1.8	0.3	0.2	0.6	7.4	6.9	6.5
<b>Russia</b>	0.6	-3.7	-0.8	7.8	15.5	8.2	5.1	5.6	6.5
<b>Asia</b>									
<b>Japan</b>	0.0	0.5	0.8	2.7	0.8	0.6	3.6	3.4	3.3
<b>China</b>	7.4	6.9	6.5	2.0	1.4	2.0	4.1	4.1	4.1
<b>India</b>	5.4	7.3	7.6	5.9	4.9	5.5			
<b>Latin America</b>									
<b>Argentina</b>	0.5	1.2	0.4	20.6	20.5	28.0			
<b>Brazil</b>	0.2	-3.8	-2.6	6.3	9.0	7.9	4.8	6.8	9.2
<b>Colombia</b>	4.6	3.1	2.7	2.9	4.9	5.0			
<b>Chile</b>	1.9	2.1	2.4	4.4	4.3	3.6			
<b>Mexico</b>	2.1	2.5	2.7	4.0	2.7	3.2			
<b>Peru</b>	2.4	3.3	3.4	3.2	3.5	3.5			
<b>Venezuela</b>	-4.0	-5.7	-7.8	68.1	121.7	372.5	8.0	7.4	17.4

<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	41	44	45	93	49	41
Median				42	43	45			41
<b>Gas price</b> <sup>2</sup>	2.72	2.12	2.00	2.19	2.50	2.68	4.40	2.60	2.36
Median				2.06	2.35	2.70			2.24
<b>Gold price</b> <sup>3</sup>	1,124	1,106	1,127	1,152	1,145	1,150	1,266	1,160	1,162

<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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actual data
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