



CENTRALE BANK VAN ARUBA

ECONOMIC FORECAST MONITOR

A summary of global and national projections

July 2, 2018

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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.

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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

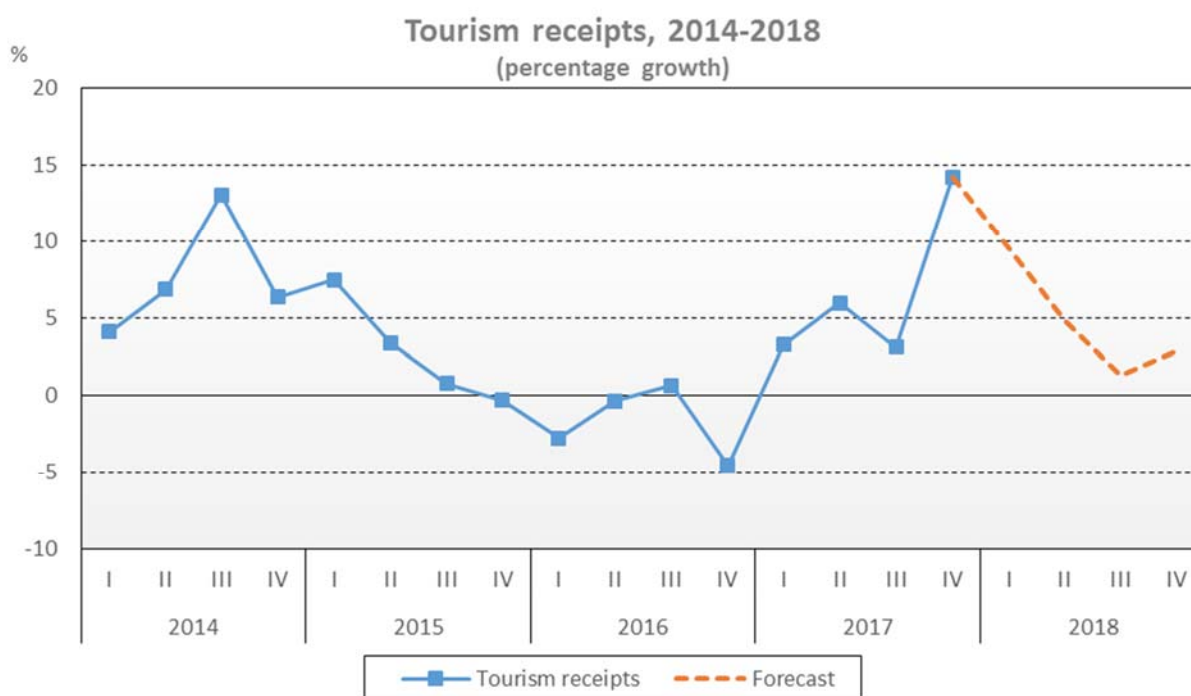
The forecasts for Aruba are produced by the CBA.

Cut-off date: June 6, 2018

Executive summary

For 2018, economic output is projected to edge up by 0.3% (in real terms), significantly lower compared to the previous estimation, which is mainly due to limited business investments and oil-refinery related activities. Nevertheless, 2018 will be the second year of positive growth, after an estimated 1.2% growth in 2017. The current forecast, however, does not take into account the (in-)direct effects of the new tax levies, and is thus subject to downside risks.

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 expansions in tourism receipts (+2.4%) and in the number of stay-over visitors (+0.3%). Tourism receipts are expected to grow significantly in the first quarter of 2018, and to remain positive in the remaining quarters of the year (Chart).



Nevertheless, the CBA expects a slight fall in tourism arrivals in the second and third quarter of 2018. Private consumption is projected to remain at the same level of 2017 in real terms, while private investment is estimated to fall by 0.3%.

On the international front, the current forecasting trend indicates that financial institutions are fractionally more optimistic with respect to the economic developments in the United States and the euro area. The 2018 outlook on both real GDP growth and unemployment rates are more favorable compared to three months ago. Especially the prospects of the

Dutch economy are currently high. In both the United States and the euro area, real GDP growth rates in 2019 are expected to be a little bit lower compared to 2018 while the unemployment rates probably will continue to decline. Inflation will linger around the 2% mark which is considered moderate. The viewpoint on the euro exchange rate is a slight appreciation in the coming 16 months to approximately 1.29 dollar at the end of 2019.

The assessments for the Latin American economies are generally positive with for most countries expected GDP-growth rates between 2% and 4% in 2018 and 2019 and rates of inflation that will remain below 5%. Notable negative exceptions are Venezuela and Argentina. The Caribbean economies are projected to grow by 3.1% in 2018 and 2019 with an average inflation rate slightly below the 4% mark.

Oil prices are forecasted to increase to an average of US\$ 61 per barrel in 2019. In addition, the price of gold is expected to increase to about US\$ 1,336.

Selected GDP and commodity price forecasts (2017-2019)

Indicator	2017	2018	2019
Real GDP (growth rate)			
Aruba	1.2	0.3	n.a.
Caribbean	2.7	3.1	3.1
Latin America	1.3	2.2	2.6
World	3.8	3.6	3.6
United States	2.3	2.7	2.4
Euro area	2.4	2.2	1.9
Commodity prices (average)			
Oil price (WTI, US\$/barrel)	51	62	61
Gold price (US\$/oz)	1,258	1,300	1,336

2017: actual data (except GDP Aruba); 2018-2019: forecasts



I Annual forecasts for Aruba

	2016	2017	2018
<i>Last forecast update: February 2018</i>			
GDP¹			
Nominal	-1.6	2.0	1.4
Real	-0.1	1.2	0.3
Consumption (private + public)¹			
Nominal	-3.7	2.2	1.7
Real	-3.0	1.4	0.9
Private consumption¹			
Nominal	-4.8	0.6	0.8
Real	-4.0	1.1	0.0
Public consumption¹			
Nominal	-1.2	5.7	3.5
Real	-0.7	2.0	2.8
Investment (private + public)¹			
Nominal	0.8	-0.5	-1.5
Real	0.3	-1.7	-2.9
Private investment¹			
Nominal	-0.3	-0.1	1.1
Real	-0.9	-1.3	-0.3
Public investment¹			
Nominal	30.1	-8.5	-56.4
Real	29.4	-9.6	-57.0
Exports of goods and services¹			
Nominal	-1.3	3.4	3.2
Real	-0.8	1.7	1.1
Imports of goods and services¹			
Nominal	-2.9	2.8	2.5
Real	-3.5	0.9	0.6
Current account balance²	4.9	2.7	-0.7
Current account coverage ratio³	6.1	5.7	5.5

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				2019			2017	2018	2019
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3			
<i>Last forecast update: June 2018</i>											
Population ¹	111.1								111.1		
Inflation ²	-0.6	1.8							-0.5		
Stay-over visitors ³	8.3	4.3	-2.8	-2.9	1.1				-2.9	0.3	
Tourism nights ³	7.4	5.0	0.5	-3.0	-1.5				-0.1	1.8	
Tourism receipts ³	14.2	9.6	4.9	1.3	2.9				6.5	4.4	
Net foreign assets ⁴	1,824	1,885	1,901	2,031	1,877	1,998	1,938	2,178	1,824	1,877	1,947

Source forecasts: CBA.

¹ End of period, x 1000.

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

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

	2018				2019				2017	2018	2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Update: June 2018</i>											
Real GDP ¹	2.3	3.0	2.8	2.7	2.3	2.3	2.1	2.0	2.3	2.7	2.4
Inflation ²	2.3	2.5	2.6	2.3	2.1	2.2	2.2	2.2	2.1	2.3	2.2
Core inflation ²	1.9	2.2	2.3	2.3	2.2	2.3	2.3	2.3	1.8	2.2	2.3
Unemployment rate ³	4.1	3.9	3.9	3.8	3.7	3.6	3.6	3.6	4.4	3.9	3.7
Real personal consumption ¹	1.1	2.7	2.6	2.5	2.2	2.2	2.1	2.0	2.8	2.7	2.4
Real disposable personal income ¹	3.4	2.6	1.9	2.4	2.3	2.5	2.0	2.0	1.2	2.3	2.6
Exchange rate ⁴	1.23	1.21	1.21	1.23	1.24	1.26	1.28	1.29	1.13	1.21	1.25

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		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
<i>Update: June 2018</i>									
World	3.8	3.6	3.6	3.0	3.0	3.0			
Canada	3.0	2.1	1.9	1.6	2.1	2.0	6.3	5.9	5.9
Europe									
<u>Euro Area</u>	2.4	2.2	1.9	1.5	1.5	1.6	9.1	8.4	7.9
<u>Germany</u>	2.2	2.3	2.0	1.7	1.6	1.7	3.8	3.5	3.4
<u>United Kingdom</u>	1.8	1.4	1.5	2.7	2.5	2.1	4.4	4.3	4.4
<u>The Netherlands</u>	3.2	2.9	2.3	1.3	1.6	2.0	4.9	4.1	3.9
<u>Russia</u>	1.5	1.7	1.7	3.7	3.6	4.0	5.2	5.1	5.0
Asia									
<u>Japan</u>	1.7	1.3	1.1	0.5	1.0	1.2	2.8	2.7	2.6
<u>China</u>	6.9	6.4	6.2	1.6	2.3	2.3	3.9	4.0	4.0
<u>India</u>	6.7	7.3	7.4	3.6	4.5	4.7			
Latin America	1.3	2.2	2.6	4.1	4.8	4.5			
<u>Argentina</u>	2.9	2.6	2.6	25.7	21.4	14.8	8.4	8.2	7.9
<u>Brazil</u>	1.0	2.3	2.7	3.4	3.5	4.1	12.8	11.6	10.7
<u>Colombia</u>	1.8	2.6	3.0	4.3	3.3	3.3	9.3	9.8	9.7
<u>Chile</u>	1.5	3.1	3.1	2.2	2.5	3.0	6.7	6.6	6.3
<u>Mexico</u>	2.0	2.1	2.5	6.0	4.1	3.6	3.4	3.5	3.6
<u>Peru</u>	2.5	3.6	3.8	2.8	2.0	2.5	6.7	6.9	6.9
<u>Venezuela</u>	-14.0	-9.1	-3.0	1,088	17,504	4,036	27.1	20.7	23.0
Caribbean	2.0	3.1	3.1	4.2	3.6	3.7			

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
adjusted upwards
actual data
new forecast



IV. Commodity prices

	2018				2019				2017	2018	2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<i>Update: June 2018</i>											
Oil price ¹	63	61	62	61	62	61	63	63	51	62	61
Median		63	66	65	66	65	66	66	51	65	65
Gas price ²	3.01	2.88	2.89	2.97	3.09	2.90	2.93	3.01	3.10	2.94	2.98
Median		2.84	2.90	3.00	3.09	3.00	2.95	3.00	3.02	2.99	3.01
Gold price ³	1,292	1,293	1,290	1,289	1,307	1,322	1,339	1,350	1,258	1,300	1,336

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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