



CENTRALE BANK VAN ARUBA

Continued slowdown in the Aruba economy

Summary of the monthly bulletin for May 2009

Press Release ¹

The economy of Aruba has yet to bounce back from the current economic slowdown. The real BBO, an indicator of production on the island, dropped by 21.0 percent in May 2009, compared to the corresponding period of 2008. During the first five months of 2009 the real turnover tax revenue (BBO) declined by Afl. 5.7 million or 9.1 percent.²

Preliminary data on real tourism receipts³ show a 10.4 percent contraction in May 2009, compared to an 8.3 percent increase in the corresponding period of 2008. In May 2009, the average occupancy rate of both hotels and timeshares registered a 3.3 percentage points fall to 68.2 percent, compared to a year earlier. The number of cruise passengers dropped by 13.3 percent compared to May 2008, while the number of ship calls grew by 66.7 percent, indicating that relatively smaller ships called at Aruba's port.

In the month of May 2009, money supply rose by Afl. 16.3 million to Afl. 3,045.7 million. This was the result of an Afl. 24.8 million net inflow of funds from abroad, which was partially offset by an Afl. 8.5 million contraction in net domestic assets. Mentioned net inflow of foreign funds was Afl. 34.2 million less than in May 2008 due to lower tourism receipts and declines in net inflows related to real estate, domestic debt securities, and transactions from foreign bank accounts. These were partially offset by decreased import payments. Consequently, net foreign assets (excluding revaluation differences of gold and foreign exchange holdings) increased to Afl. 1,477.6 million at the end of May 2009, which is Afl. 560.6 million, or 61.1 percent, more than the amount recorded in the corresponding month of 2008.

The end of period consumer price index (CPI) of May showed a deflation of 3.6 percent. This decline in prices were mostly due to lower water and electricity tariffs, as well as lower gasoline prices.⁴ In May, the 12-month average inflation rate fell by 4.4 percentage points to 3.5 percent. The differential with the inflation in the United States, our main trading

¹ The English original prevails.

² The figures used here are based on the BBO collected in June, which is indicative of turnover mostly generated in the previous month. On April 20, 2009, the Aruban tax court overruled Valero's protest regarding the turnover tax assessed in January and February 2007. Consequently, Valero agreed to pay Afl. 15 million (US\$ 8.3 million) in June 2009. The mentioned declines in BBO receipts are excluding the Afl. 15 million payment by Valero.

³ Total tourism receipts, as recorded in the balance of payments, comprise transactions reported by the commercial banks (on a monthly basis), the Centrale Bank van Aruba (on a monthly basis) and enterprises holding accounts with nonresidents (on a quarterly basis). About 87 percent of total tourism receipts are reported by the commercial banks.

⁴ Despite ongoing increases in energy prices, these still remain below their 2008 price levels.

partner, dropped to 1.6 percentage points in May. When excluding the energy related components (water, electricity and gasoline) from the CPI, the 12-month inflation rate showed a 0.5 percentage point drop to 3.9 percent.

Centrale Bank van Aruba
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For further information, please visit our website (www.cbaruba.org) or contact the Research Department of the Centrale Bank van Aruba, tel. +297 5252100.