ARUBA’S ECONOMY STILL IN TURBULENT WATERS
Summary of the Bulletin for the first quarter of 2010
Press Release

In its Quarterly Bulletin the Centrale Bank van Aruba (CBA) concluded that the economy of Aruba is still in turbulent waters although there are some signs of a recovery, mainly in the tourism sector. However, uncertainties are also part of the deal, as Aruba’s small tourism-oriented economy is dependent on the recovery of its trading partners, in particular the United States. In the first quarter of 2010, Aruba’s tourism arrivals grew by 6.2 percent compared to the corresponding quarter of 2009. Though still below the level recorded in the first quarter of 2008, this growth, driven by an increase in U.S. arrivals, may be indicative of a turnaround in Aruba’s tourism industry. Arrivals from Latin America also exhibited a strong growth, with the most noticeable increase coming from Brazil. In contrast, tourism receipts continued to fall (-2.2 percent compared to the first quarter of 2009), showing that tourism expenditures still remain sluggish. The number of cruise passengers arriving in Aruba also decreased in the first quarter of 2010.

The relevant indicators did not reveal signs of improvement in construction activities during the first quarter of 2010. The total value of construction permits granted fell despite an observed increase in the number of permits granted. The total weight of imported cement was 54.4 percent lower than in the first quarter of 2009, further highlighting the depressed activities in the construction sector. The utility index rose by 7.4 percent in the first quarter of 2010, attributed mainly to higher consumption of electricity and water.

Price developments resulted in inflation in the first quarter of 2010 as the average price level was 5.6 percent higher than the level recorded a year earlier. The increase in the consumer price index (CPI) can be attributed largely to a strong growth in the category “housing” (including water and electricity), due to the rebound in energy prices. Excluding the energy components from the consumer price index, an inflation rate of 0.2 percent can be observed. The 12-month average inflation rate recorded a deflation of 0.1 percent.

Total government debt in the first quarter of 2010 rose to 49.9 percent of Aruba’s GDP, an increase of 1.5 percentage points since the end of 2009. At the end of March 2010, the government’s debt amounted to Afl. 2,247.2 million. The government’s financial deficit on a

---

1 The English version prevails.
cash basis reached Afl. 43.5 million in the first quarter of 2010, compared to an Afl. 11.1 million surplus in the first quarter of 2009. Tax revenues were Afl. 28.6 million lower than in the first quarter of 2009, primarily as a result of the reduction in the BBO-rate. However, the decreases in tax revenue were seen pretty much across the board. Total cash-adjusted expenditures (including net lending and the change in the unmet financing requirements) expanded by Afl. 39.0 million to Afl. 315.8 million.

The money supply grew by Afl. 79.4 million in the quarter under review, due to an Afl. 45.2 million net inflow of funds from abroad, and was accompanied by an Afl. 34.2 million rise in net domestic assets. Narrowly-defined money expanded by Afl. 111.7 million (+7.2 percent), mainly associated with an increase of the deposits holdings by enterprises (+Afl. 93.1 million) at the commercial banking sector. This is a usual pattern in the first quarter of the year when it is high tourism season. With respect to the banking sector credit, it should be noted that credit demand is still low, while the ratio of nonperforming loans to gross loans rose from 7.8 percent in the previous quarter to 8.5 percent in the first quarter of 2010, which is also indicative of a slack economic development.

The balance of payments posted an Afl. 45.2 million surplus in the first quarter of 2010 (2009: Afl. 166.2 million surplus), generating a net inflow of funds from abroad of the equivalent amount. On balance, foreign transactions of residents caused an Afl. 14.8 million increase in the net foreign assets of the commercial banks. Official reserves rose by Afl. 30.4 million, while total net foreign assets grew by Afl. 58.6 million (including revaluation differences of gold and official foreign exchange holdings) to Afl. 1,635.6 million at the end of March 2010. This amount is equivalent to 5.8 months of current account payments (excluding the oil sector, 12-month average).

Centrale Bank van Aruba
September 30, 2010

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