TOURISM CONTINUES TO PERFORM ABOVE EXPECTATION
Summary of the Bulletin for the third quarter of 2011
Press Release

The Centrale Bank van Aruba (CBA) concludes in its Quarterly Bulletin of the third quarter of 2011 that Aruba remained on the path to recovery as tourism continued to perform above expectation. In the third quarter of 2011, the tourism sector activities improved over the same period of 2010, with total visitors increasing by 17,715 (+8.6 percent) to a total of 224,774 due to a pick-up in all market segments (North America, South America, and Europe). In contrast, the number of cruise passengers who visited Aruba contracted by 2,017 (-11.8 percent), associated with a smaller average passenger capacity of the ships that called at the port of Aruba. On balance, tourism receipts recorded a substantial growth of 9.6 percent.

Furthermore, the Business Perception Survey (BPS) for the third quarter of 2011 indicated that companies continued to maintain a positive outlook on the economy. The level of confidence experienced a slight decline, but responses showed that most firms seemed to be as optimistic about the economy as when surveyed in 2007, i.e., before the economic downturn. In addition to the positive business sentiment, increased imports related to cement and investment goods along with a higher value of the construction permits granted are indicative of the renewed investment activities. Moreover, higher proceeds from the turnover tax (BBO), profit tax, and import duties all pointed to a continuation of the economic recovery.

An unfavorable development has been the steady hike in oil prices in the international markets over the past year, which resulted in raised price levels in the third quarter of 2011 (on average 6.1 percent higher than the level recorded a year earlier). An upward movement in prices was registered in almost all components, most notably in food and non-alcoholic beverages, alcoholic beverages and tobacco, housing, and transport. When the energy and food components are excluded from the total consumer basket, the result shows a quarterly core inflation of 2.0 percent.

The government's financial deficit on a cash-adjusted basis totaled Afl. 61.8 million in the third quarter of 2011. Total tax revenue recorded a slight decrease of Afl. 1.0 million to Afl. 202.5 million when compared to the third quarter of 2010. Total expenditures on a cash-adjusted basis (i.e., including the change in unmet financing requirements) fell by Afl. 43.3 million to Afl. 277.2 million. The total financing needs of the government equaled Afl. 104.6 million, comprising Afl. 59.9 million in financial deficit on a cash basis and Afl. 42.8 million in repayments on loans. The financing needs of the government were

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1 The English version prevails. This bulletin does not take into account the recent developments regarding the oil refinery, which could pose significant downside risks to the Aruban economy.
largely met by the issuance of Afl. 29.5 million in government bonds and the drawing down of government deposits by Afl. 67.6 million. On balance, government debt decreased to Afl. 2,552.8 million, while its ratio to the nominal GDP fell by 3.3 percentage points to an estimated 54.0 percent.

With regard to monetary developments, the money supply shrank by Afl. 1.9 million to Afl. 3,202.4 million during the third quarter of 2011. This decline was the result of a net outflow of foreign funds equal to Afl. 98.3 million, which was largely offset by an Afl. 96.4 million expansion in the domestic component of the money supply. Government transactions contributed Afl. 54.8 million to the expansion of the domestic component of the money supply. In addition, the claims on the private sector went up by Afl. 32.3 million, the principal contributor being a rise in housing mortgages (+Afl. 14.1 million) followed by higher business credit (+Afl. 12.5 million) and consumer credit (+Afl. 6.5 million). In the period spanning the second quarter of 2010 up to and including the third quarter of 2011, international reserves (including revaluation differences of gold and official foreign exchange holdings) fell by Afl. 329.0 million to Afl. 1,223.1 million, which is still an adequate level when measured against relevant international benchmarks. Illustrative hereof is, that these reserves at afore-mentioned level, were equivalent to 5.2 months of current account payments (12-month average, excluding the oil sector).

The balance of payments posted an Afl. 98.3 million deficit in the third quarter of 2011 (2010: Afl. 124.1 million deficit), resulting in a corresponding net outflow of funds to abroad. The deficit on the current account of the balance of payments tumbled by Afl. 245.0 million to Afl. 198.6 million. This lower deficit was mainly associated with a strong improvement in the goods account due to the resumption of exports by the oil sector. In contrast, the services account surplus dipped by Afl. 31.6 million to Afl. 279.3 million, predominantly because of substantially higher freight payments for crude oil imports by the refinery. Additionally, payments for government and construction services increased significantly, in part on account of tourism promotion. The marked improvement in the tourism receipts (+9.6 percent) could not fully compensate for this negative outcome. The capital and financial account registered an Afl. 92.5 million surplus in the third quarter of 2011 (2010: Afl. 327.0 million surplus), primarily related to considerable net inflows for direct investment (+Afl. 712.4 million), which were to a large extent offset by Afl. 605.6 million in net outflows of other investment (mainly trade credits). These results were heavily influenced by the resumption of oil refinery operations.

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