

BALANCE OF PAYMENTS DEVELOPMENTS FIRST QUARTER OF 2018



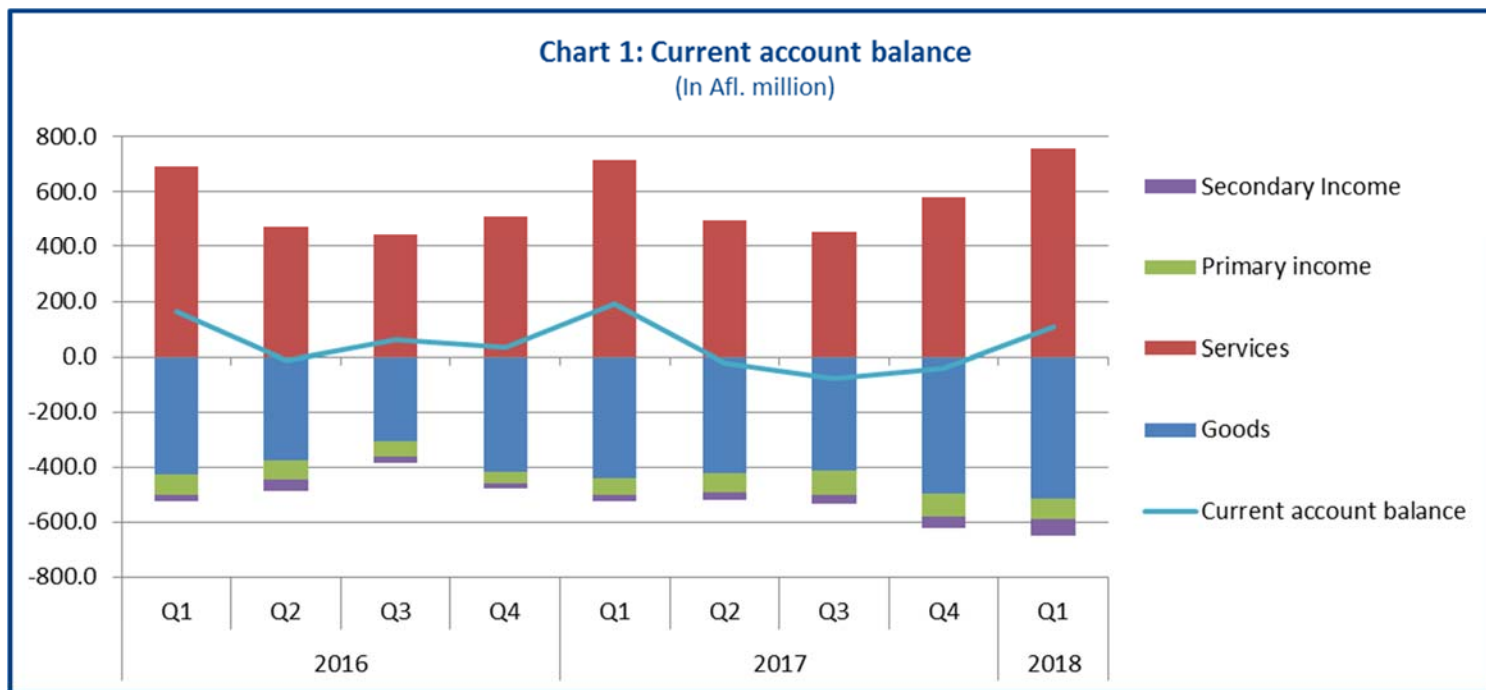
CENTRALE BANK VAN ARUBA

November 27, 2018

BALANCE OF PAYMENTS DEVELOPMENTS¹

Current account surplus for the first quarter of 2018 lower than a year before

The current account surplus of the balance of payments declined by Afl. 83.9 million to Afl. 106.5 million in the first quarter of 2018, compared to the first quarter of 2017. The contraction in the current account surplus reflected a widening of the deficits on the goods and income accounts, which were partly offset by a higher surplus on the services account (Chart 1 and Table 1).



¹ The presentation of the balance of payments for Aruba has been revised recently, please refer to the following link: [New classifications and presentation of the balance of payments for Aruba.](#)

Current and capital accounts

The goods balance recorded a deficit of Afl. 517.3 million in the first quarter of 2018, an expansion of Afl. 77.8 million, compared to the same quarter of 2017. The widening of the deficit reflected an increase of Afl. 93.9 million in imports which was partly offset by a rise of Afl. 16.1 million in exports. The capital account stood at zero, compared to an Afl. 6.7 million surplus in the first quarter of 2017 (Table 1).

The deficits on both the primary and secondary income account widened respectively by, Afl. 10.7 million and Afl. 36.9 million, compared to the corresponding quarter of 2017. On the primary income, dividends realized and paid to foreign investors in Aruba grew by Afl. 9.0 million (55.2 percent). The secondary income recorded exceptional payments related to insurance claims of Afl. 30.0 million during the first quarter of this year. The latter was in connection with the hurricane damage in Sint Maarten last year.

On the other hand, the services account surplus expanded by Afl. 41.5 million, mostly attributed to an Afl. 63.5 million growth in net travel services exports, largely related to a 10.4 percent increase in tourism credits². The latter was somewhat counterbalanced by an Afl. 15.2 million increase in payments for transport services.

² Tourism credits refer to the consumption goods and services acquired by nonresidents during their visit to Aruba. Tourism credits do not include passenger fares, which are captured in Transportation services.

Table 1: CURRENT AND CAPITAL ACCOUNTS			
<i>In Afl. million</i>	2017 Q1	2018 Q1	Changes
1. Goods	-439.5	-517.3	-77.8
Exports	57.2	73.3	16.1
Imports	496.7	590.6	93.9
2. Services	715.1	756.6	41.5
Credits	1,104.2	1,204.9	100.7
Debits	389.1	448.2	59.1
3. Primary income	-63.6	-74.3	-10.7
4. Secondary income	-21.6	-58.6	-36.9
CURRENT account balance (1+2+3+4)	190.4	106.5	-83.9
CAPITAL account balance	6.7	0.0	-6.8
NET LENDING (+)/ BORROWING (-) FROM CURRENT AND CAPITAL ACCOUNTS	197.1	106.4	-90.7
Source: Centrale Bank van Aruba			

Financial account

The financial account resulted in net lending of Afl. 97.4 million in the first quarter of 2018, notably lower than the Afl. 178.6 million observed in the same quarter of 2017 (Table 2). This outcome resulted mainly from a turnaround from Afl. 97.3 million net repayments on financial liabilities in the first quarter of 2017 to Afl. 33.6 million net receipts of liabilities in the first quarter of 2018. This effect was partly mitigated by an Afl. 49.8 million expansion in the net acquisition of financial assets, compared to a year before (Q1 2017: +Afl. 81.3 million).

Table 2: FINANCIAL ACCOUNT			
<i>In Afl. million</i>	2017 Q1	2018 Q1	Changes
Net acquisition of financial assets	81.3	131.0	49.8
Direct investment	37.2	-1.7	-39.0
Portfolio investment	30.1	73.1	43.0
Financial derivatives	0.0	0.0	0.0
Other investment	36.5	-27.9	-64.4
Reserve assets	-22.5	87.6	110.1
Net incurrence of financial liabilities	-97.3	33.6	130.9
Direct investment	16.5	57.2	40.7
Portfolio investment	-24.4	-11.1	13.2
Financial derivatives	-15.0	-3.1	11.9
Other investment	-74.4	-9.4	65.0
NET LENDING (+)/ BORROWING (-) FROM FINANCIAL ACCOUNT	178.6	97.4	-81.2
Source: Centrale Bank van Aruba			

Net incurrence of financial liabilities

During the first quarter of 2018, the outcome of net incurrence of financial liabilities was partly generated by a growth in direct investment liabilities. The latter was mainly due to an Afl. 30.7 million rise in intercompany debt liability, compared to an Afl. 36.2 decrease in intercompany debt in the same period of last year. Increases were also recorded in the acquisition of equity capital and real-estate in Aruba of, respectively, Afl. 14.5 million and Afl. 12.0 million. Moreover, loan liabilities towards third parties augmented by Afl. 7.5 million.

In addition, there were lower net reductions of currency and deposits liabilities and domestic bonds during the first quarter of 2018, compared to last year. Currency and deposits liabilities decreased by Afl 7.9 million in the quarter under review (Q1 2017: -Afl. 47.6 million), while domestic bonds declined by Afl. 11.1 million (Q1 2017: -Afl. 24.4 million). Furthermore, payments on financial derivatives liabilities declined by Afl. 11.9 million to Afl. 3.1 million, largely caused by lower hedging expenses for the acquisition of Heavy Fuel Oil (HFO).

Net acquisition of financial assets

The outcome of net acquisition of financial assets in the first quarter of 2018 stemmed mostly from transactions in the reserve assets and portfolio investment assets. Reserve assets expanded by Afl. 87.6 million compared to an Afl. 22.5 million contraction in the same quarter of 2017. The latter increased greatly due to an Afl. 64.0 million growth in currency and deposits (Q1 2017: -Afl. 28.0 million). In addition, reserve assets securities increased by Afl. 22.6 million during the quarter under review (Q1 2017: +Afl. 5.2 million). Portfolio investment assets expanded from Afl. 30.1 million in the first quarter of 2017 to Afl. 73.1 million in the quarter under review, mainly due to higher investments in foreign debt securities in 2018 (+Afl. 77.6 million), compared to the same period a year earlier (+Afl. 48.9 million).

On the other hand, net reductions in assets were recorded in the other investment and direct investment assets. In the quarter under review, foreign bank account balances of resident enterprises decreased by Afl. 12.9 million, while an Afl. 48.7 million increase was noted a year earlier. Additionally, loan assets with third parties and intercompany debt assets decreased by, respectively, Afl. 15.5 million and Afl. 7.0 million.



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