



CENTRALE BANK VAN ARUBA

Marginal growth prospects for Aruban economy

Press release

May 3, 2019

Today, the Centrale Bank van Aruba (CBA) published the revised Economic Outlook for 2019. This publication also includes updated projections for 2018 to reflect the most recent developments and data.

The economy of Aruba is projected to grow in real terms by 0.9 percent in 2019 (nominal: 2.4 percent), according to the most recent estimation of the Centrale Bank van Aruba (CBA). The 2018 estimate of the real gross domestic product (GDP) growth was raised by 1.4 percentage points to 0.9 percent, due to higher income from tourism and a smaller contraction of investment than previously anticipated.

Tourism service exports, the main driver of economic growth, are estimated to have grown by 2.7 percent (real terms) in 2018. This growth is led by a rise in tourist arrivals. The tourism outlook for 2019 is positive, with tourism service exports growing by 2.6 percent (real terms). Actual investment activity in 2018 was higher than previously anticipated, but not sufficient to realize a gain. In 2019, investments are expected to expand significantly. Real private consumption is estimated to have posted a 1.7 percent decline in 2018. This is mainly due to the introduction of the new tax levy in July of 2018. For 2019, private consumption is likely to contract further.

The year 2018 experienced a 12-month average inflation rate of 3.6 percent. While electricity and water prices remained unchanged throughout the year, gasoline prices rose gradually. For 2019, the higher tax levy is expected to continue to exercise inflationary pressure.

Real GDP is projected to grow by an average annual rate of 1.1 percent in the medium term. This is based on information obtained on envisioned investment projects, e.g., related to the airport, and several tourism-related projects. In the medium term, the value of the import of goods is expected to show a structural growth. This increase is induced by an anticipated higher world oil price, stronger consumption demand (from residents and tourists), as well as boosting investment volumes. Additionally, the government of Aruba is expected to

make less use of foreign debt financing, thus causing a downward effect on the net foreign reserves of Aruba in the years to come.

Table 1: Economic estimates and forecasts expressed in real terms (percentage change)

Indicator	2017 ^r	2018 ^f	2019 ^f
GDP	2.0	0.9	0.9
Consumption	n.a.	-0.5	0.1
Private consumption	n.a.	-1.7	-0.2
Public consumption	n.a.	2.3	0.8
Investment	n.a.	-0.8	3.9
Private investment	n.a.	-1.9	6.2
Public investment	n.a.	32.2	-42.5
Exports	n.a.	2.1	1.9
Imports	n.a.	2.7	2.6

Sources: CBS (2017) and CBA (2018-2019).

r = realization; f = forecast; n.a. = not available

The complete publication is available on the CBA's website (www.cbaruba.org).