

BALANCE OF PAYMENTS DEVELOPMENTS

FIRST QUARTER OF
2019



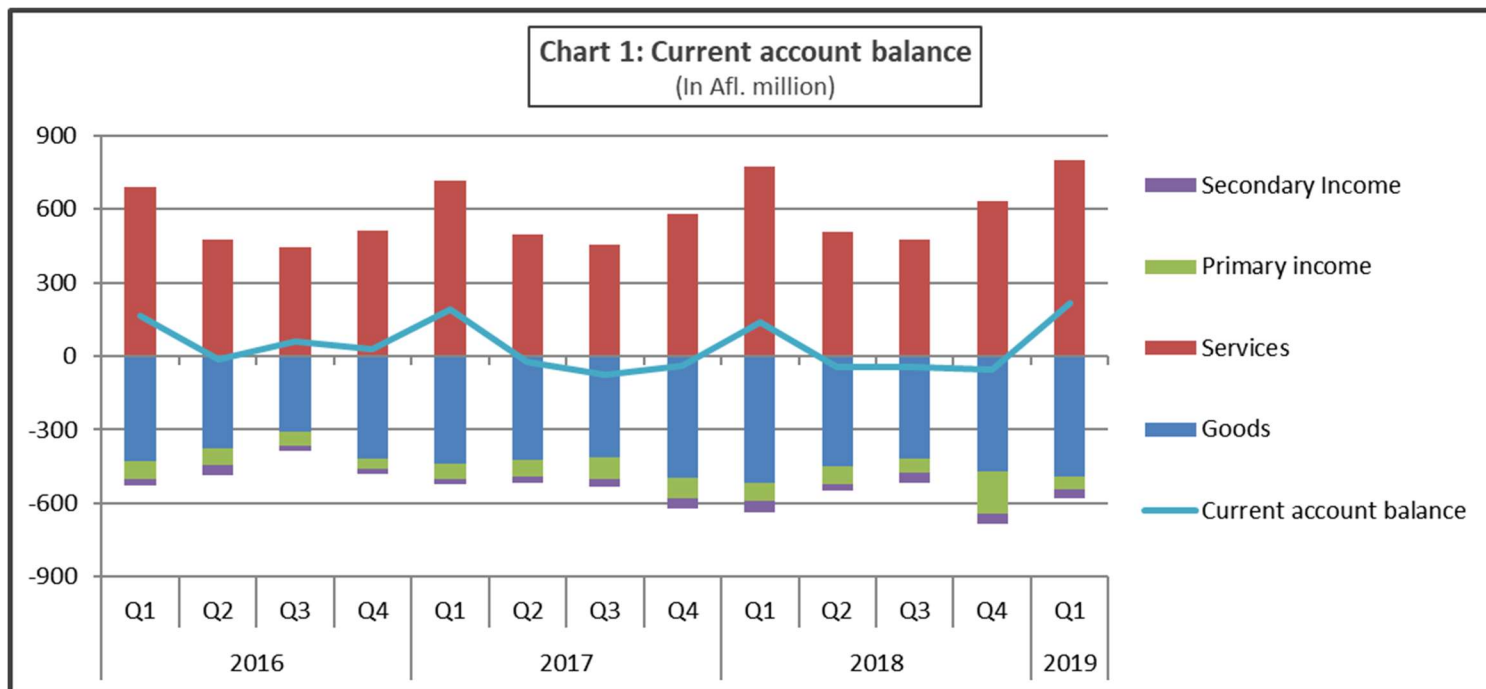
July 19th, 2019



BALANCE OF PAYMENTS DEVELOPMENTS

Current account surplus in the first quarter of 2019 higher than a year before

The current account surplus of the balance of payments expanded by Afl. 80.2 million to Afl. 217,5 million in the first quarter of 2019, compared to the first quarter of 2018. This expansion was due to an Afl. 25.6 million increase in the services account surplus and contractions in the deficits on the goods and income accounts of Afl. 25.9 million and Afl. 28.6 million, respectively (Chart 1 and Table 1).



Source: Centrale Bank van Aruba

Current and capital accounts

In the first quarter of 2019, the services account surplus expanded by Afl. 25.6 million, resulting from an Afl. 38.3 million rise in the export of services, partly counterbalanced by an Afl. 12.7 million increase in the import of services (Table 1). The growth in export of services was largely due to a 3.2 percent increase (+Afl. 34.2 million) in tourism credits¹.

Also, the goods balance recorded a deficit of Afl. 491.5 million in the first quarter of 2019, an Afl. 25.9 million decline, compared to the same period of 2018. The narrowing of the deficit reflected a higher decrease in imports (-Afl. 39.4 million), compared to exports (-Afl. 13.5 million).

In the quarter under review, the deficits on both the primary and secondary income accounts contracted by Afl. 19.6 million and Afl. 9.0 million, respectively. The reduction in the primary income account deficit was mostly due to an Afl. 7.6 million increase in interest received from investment in foreign debt securities (Q1 2019: Afl. 15.2 million) and Afl. 14.7 million lower payments (dividend and interest) on intercompany investments (Q1 2019: Afl. 25.6 million). The contraction in the secondary income account deficit was caused mostly by lower payments in connection with insurance claims.

¹ 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.

Financial account

The financial account resulted in a net lending of Afl. 212.6 million in the first quarter of 2019, compared to Afl. 127.1 million in the same period of 2018 (Table 2). This outcome resulted from an Afl. 208.7 million net increase of financial assets (1st quarter of 2018: +Afl. 133.6 million) and an Afl. 3.9 million net decrease of financial liabilities (1st quarter of 2018: +Afl. 6.5 million).

Net acquisition of financial assets

The net growth in financial assets in the first quarter of 2019 resulted from increases in all components with the exception of other investment assets. Reserve assets showed an Afl. 111.6 million net increase, largely related to net investment in foreign debt securities which was partly mitigated by a decrease in deposits on foreign bank accounts. In the corresponding period of 2018, an Afl. 87.6 million net increase in reserve assets was noted.

Furthermore, intercompany lending grew by Afl. 42.9 million and investments in foreign equity securities and foreign debt securities rose by Afl. 25.8 million and Afl. 29.4 million, respectively.

Other investment assets recorded an Afl. 4.1 million drop in the period under review, compared to a reduction of Afl. 30.0 million in the same quarter of 2018.

Net incurrence of financial liabilities

During the first quarter of 2019, the net decrease in financial liabilities resulted from net declines in other investment and direct investment liabilities which were greatly counterbalanced by a net increase in portfolio investment liabilities.

Other investments liabilities in the form of deposits held by nonresidents at local banks declined by Afl 40.7 million. Also, direct investment debt declined by Afl. 35.4 million. On the other hand, net increases were noted for investment in real estate in Aruba (+Afl. 23.7 million) and loan liabilities to third parties (+Afl. 21.9 million). In addition, an Afl. 42.7 million net rise in portfolio investment liabilities was recorded in the first quarter of 2019, compared to an Afl. 11.1 million reduction in the same period of 2018. The surge in the first quarter of 2019 was mostly attributed to the government debt issuance on the international capital market.

Table 1: CURRENT AND CAPITAL ACCOUNTS			
<i>In Afl. million</i>	2018 Q1	2019 Q1	Changes
1. Goods	-517.3	-491.5	25.9
Exports	73.4	59.9	-13.5
Imports	590.7	551.3	-39.4
2. Services	774.0	799.6	25.6
Credits	1,203.1	1,241.4	38.3
Debits	429.1	441.8	12.7
3. Primary income	-74.1	-54.5	19.6
4. Secondary income	-45.2	-36.2	9.0
CURRENT account balance (1+2+3+4)	137.3	217.5	80.2
CAPITAL account balance	0.0	0.2	0.2
NET LENDING (+)/ BORROWING (-) FROM CURRENT AND CAPITAL ACCOUNTS	137.3	217.7	80.4
Source: Centrale Bank van Aruba			

Table 2: FINANCIAL ACCOUNT			
<i>In Afl. million</i>	2018 Q1	2019 Q1	Changes
Net acquisition of financial assets	133.6	208.7	75.1
Direct investment	-1.7	46.0	47.8
Portfolio investment	77.8	55.2	-22.6
Financial derivatives	0.0	0.0	0.0
Other investment	-30.0	-4.1	25.9
Reserve assets	87.6	111.6	24.0
Net incurrence of financial liabilities	6.5	-3.9	-10.4
Direct investment	48.2	-10.7	-58.9
Portfolio investment	-11.1	42.7	53.8
Financial derivatives	-3.1	0.9	4.0
Other investment	-27.5	-36.8	-9.3
NET LENDING (+)/ BORROWING (-) FROM FINANCIAL ACCOUNT	127.1	212.6	85.5
Source: Centrale Bank van Aruba			

General notes to the tables: Owing to rounding of figures, the sum of separate items may differ (minimally) from the total shown.