



CENTRALE BANK VAN ARUBA

The Centrale Bank van Aruba projects a stronger recovery of the Aruban economy during 2021

Press release

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The Centrale Bank van Aruba (CBA) recently updated its previously published Gross Domestic Product (GDP) estimates and outlook for 2020 and 2021, and published its results today. The complete publication titled “Economic Snapshot: The current GDP outlook for Aruba, more than one year into the COVID-19 pandemic” is available on the CBA’s website (www.cbaruba.org).

Following a 22.3 percent contraction in real GDP in 2020 due to the effects of the COVID-19 pandemic, economic activity for 2021 is expected to accelerate, based upon economic developments and available data up to and including April 2021. For 2021, real GDP is expected to grow by 15.5 percent under the optimistic scenario, 12.7 percent under the baseline scenario, and 8.2 percent under the pessimistic scenario. Despite this substantial increase, the level of economic activity in 2021 will remain significantly lower than the 2019-level.

The main driver for the 2021 envisaged significant recovery in economic activities is the tourism sector, which is expected to continue its path to a relatively strong recovery. The latter is to be driven by a firm rebound in U.S. travel demand, pushed up by a solid pick-up of the U.S. economy, strengthened by accelerated vaccination gains, and robust government stimulus programs. The two above-mentioned scenarios deviate from the baseline based upon the expected number of stay-over visitors in 2021 and its impact on the export of services, benchmarked against the 2019-level. The optimistic scenario assumes stay-over visitors to recover to 58.0 percent of the 2019-level, the baseline 55.0 percent, and the pessimistic scenario 49.0 percent. It is noteworthy that tourism spending is anticipated to surpass the 2019-level as visitors appear eager to spend, as well as incur additional costs related to COVID-19 testing and insurance.

A different unemployment rate, given the recovery of the tourism sector, is assumed in each scenario. These developments in unemployment have a substantial impact on consumption. Particularly, the continuation of the Government of Aruba’s wage subsidy program is essential in supporting employment and thereby private consumption, if the labor market does not recover strong enough to reach pre-COVID employment levels. The FASE program and the drawing down of savings also help to maintain a given level of private consumption.

The cutbacks in government spending as aspired in the government's draft budget for 2021, as well as liquidity constraints, dampen public consumption and public investment. Meanwhile, private investment is foreseen to contract in 2021, where each scenario assumes a different execution pace of construction projects.

Table: Real GDP growth and its components 2019-2021 (in percent)

Indicator	2019 e	2020 e	2021 o f	2021 b f	2021 p f
Economic outlook (June 2021)					
GDP	-2.2	-22.3	15.5	12.7	8.2
Consumption	-1.6	-7.7	1.0	1.0	0.8
Private consumption	1.3	-11.9	2.6	2.5	2.2
Public consumption	-8.3	3.4	-2.4	-2.4	-2.4
Investment	-0.2	-20.9	-15.7	-19.2	-22.6
Private investment	1.5	-21.4	-14.3	-17.9	-21.5
Public investment	-37.2	-0.7	-54.8	-54.8	-54.8
Export	0.6	-44.4	50.6	42.0	27.6
Tourism export	-0.6	-51.9	70.2	59.8	41.0
Import	1.9	-27.1	11.3	7.8	2.3

Sources: CBA

e = estimate; f = forecast; o = optimistic; b = baseline; p = pessimistic.