

Economic outlook for 2021 dependent on the strength of tourism recovery

Press release

December 30, 2020

Today, the Centrale Bank van Aruba (CBA) published its most recently revised GDP estimate and outlook for, respectively, 2020 and 2021.

The CBA, recently, updated its economic estimates for 2020 based upon perceived economic developments and available data up to and including October 2020. In 2020, the main economic activity, being tourism, contracted significantly. Compared to 2019, a drop of 70.0 percent in stay-over visitors is estimated for the year 2020, which would likely conduce to a 56.6 percent fall in tourism revenue.

In addition, the CBA performed its first projections for 2021. Considering the persistence of significant uncertainty in 2021 how the COVID-19 pandemic would further evolve, a baseline scenario is presented, based on assumptions of the most likely developments with regard to various important economic aggregates. In the baseline scenario, tourism is expected to continue its path to further betterment during 2021. At end-2021, total stay-over visitors are projected to reach 60.0 percent of the 2019 level, resulting in a gain of 14.4 percent in tourism revenue. In addition to the baseline scenario, both a pessimistic and optimistic scenario are included. The pessimistic and optimistic scenarios deviate from the baseline in terms of the speed of the tourism recovery. The latter impacts consumption, investment, and import and export levels.

In 2020, Aruba experienced a significant economic contraction; real Gross Domestic Product (GDP) is estimated to have crumbled by 26.4 percent. The economic slump in 2020 follows a steep decline in tourism activity, private consumption, and investments, triggered by the Covid-19 pandemic and the measures taken by the government of Aruba to contain its spread.

The near-term economic outlook remains uncertain. For the year 2021, the CBA made its first projections, in which the results are highly dependent on the depth and length of the pandemic and the strength of the tourism recovery. The main driver of the resumption in economic activities in 2021 would be an improved performance in the tourism sector, as it is expected to remain on the gradual path to resurgence. Nonetheless, tourism related activities are foreseen to remain well below 2019-levels in all scenarios. Real GDP is anticipated to grow by 2.5 percent under the baseline

scenario, and 5.2 percent in the optimistic scenario, but would shrink further, i.e., by 3.4 percent in the pessimistic scenario.

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

Indicador	2019 e	2020 e	2021 o f	2021 b f	2021 p f
Economic outlook (December 2020)					
GDP	-0.7	-26.4	5.2	2.5	-3.4
Consumption	-0.3	-12.9	4.0	2.4	-5.2
Private consumption	-0.1	-16.2	5.9	3.7	-6.8
Public consumption	-0.8	-2.5	-1.1	-1.1	-1.1
Investment	-0.9	-22.5	-10.6	-12.0	-13.4
Private investment	1.7	-20.3	-10.7	-12.0	-13.4
Public investment	-46.9	-94.3	-0.3	-0.3	-0.3
Export	1.7	-52.4	18.2	9.8	1.4
Tourism export	2.7	-54.6	21.1	11.4	1.6
Import	2.0	-36.7	6.9	2.2	-6.4

Sources: CBA.

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

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