

# BALANCE OF PAYMENTS DEVELOPMENTS

SECOND QUARTER OF 2021

January 7, 2022

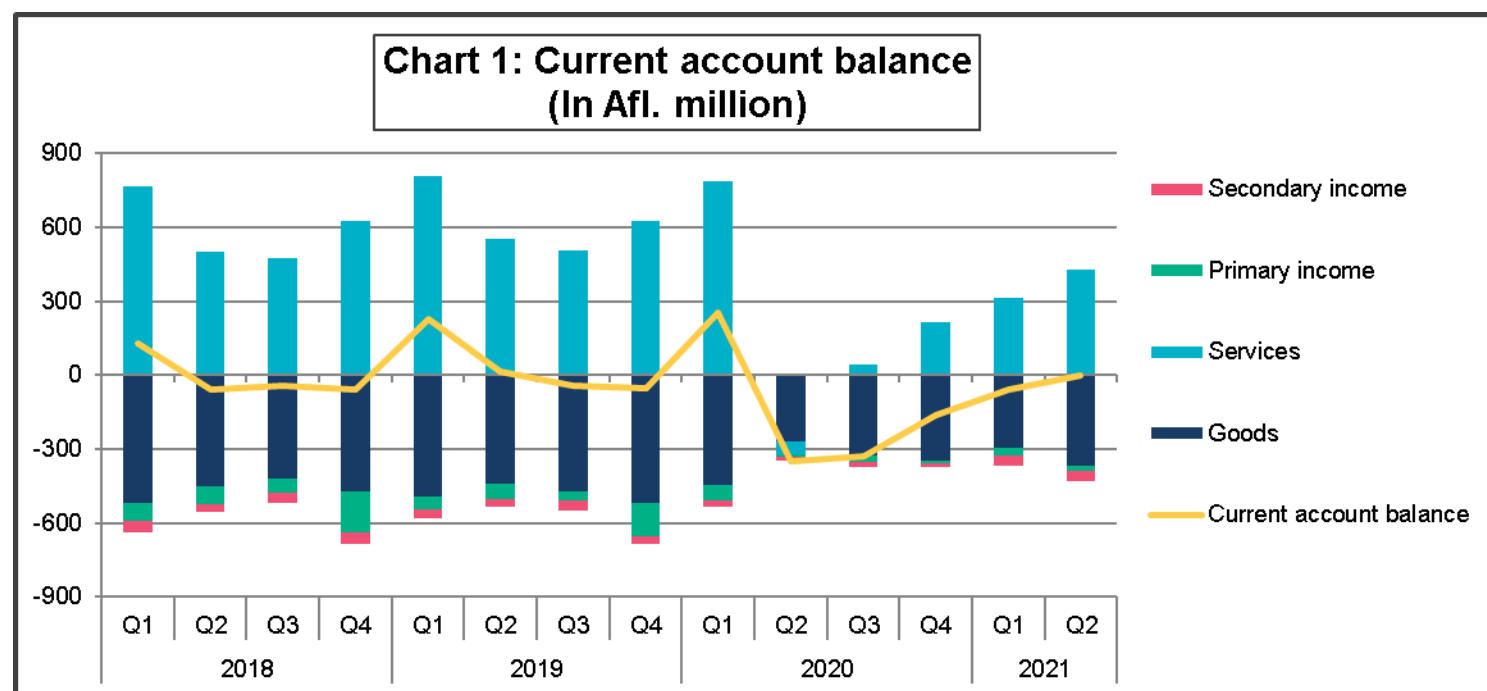


CENTRALE BANK VAN ARUBA

## BALANCE OF PAYMENTS DEVELOPMENTS

### Current account deficit in the second quarter of 2020 turned into a surplus in the second quarter of 2021

In the second quarter of 2021, the current account of the balance of payments turned from an Afl. 346.9 million deficit in the second quarter of 2020 into an Afl. 1.3 million surplus. This was caused by an increase of Afl. 482.5 million in the services account. On the other hand, the deficit on the goods, the secondary income, and the primary income accounts grew by Afl. 101.1 million, Afl. 19.9 million and Afl. 13.3 million, respectively (Chart 1 and Table 1).



Source: Centrale Bank van Aruba

## Current and capital accounts

The goods account recorded a deficit of Afl. 369.2 million, which is Afl. 101.1 million (+37.7 percent) more when compared to the second quarter of 2020. This outcome was mainly caused by an increase of Afl. 139.3 million in imports, which was somewhat offset by an Afl. 38.2 million rise in exports.

The services account grew by Afl. 482.5 million from a 53.7 million deficit to an Afl. 428.8 million surplus in the second quarter of 2021. This resulted from increases in export of services (+Afl. 604.3 million) and Afl. 121.7 million in import of services (Table 1).

The surge in export of services was mostly attributed to increases in tourism credits<sup>1</sup> (+Afl. 575.6 million or 386.2 percent), other services (+Afl. 15.5 million), and other transport services (+Afl. 11.9 million).

The expansion in import of services was largely due to a rise in tourism debits (+Afl. 67.7 million), other business services (+Afl. 45.4 million), and freight services (+Afl. 11.4 million).

Furthermore, the deficit on the income account grew by Afl. 33.2 million to Afl. 58.3 million. The deficit on secondary income grew by Afl. 19.9 million to Afl. 37.4 million, because of more payments in connection with social contributions, personal transfers, and (re-) insurance. The primary income deficit increased by Afl. 13.3 million to Afl. 20.9 million, mostly attributed to more outgoing payments related to dividend and interest.

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<sup>1</sup> 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. 19.6 million in the second quarter of 2021, compared to a net borrowing of Afl. 367.4 million in the same quarter a year earlier (Table 2). This outcome resulted from (+Afl. 246.2 million) net increases in both financial assets (Q2 2020: +Afl. 121.1 million) and (+ Afl. 226.7 million) in financial liabilities (Q2 2020: +Afl. 488.5 million).

### **Net acquisition of financial assets**

The net increase in financial assets resulted from a rise in the reserve assets of Afl. 194.8 million, due to an Afl. 133.4 million growth in long-term debt securities and an expansion in currency and deposits held abroad by the central bank (+Afl. 61.5 million). Also, other investment assets (+Afl. 79.2 million) grew because of currency and deposits held abroad by the commercial banks and other sectors (+Afl. 79.1 million). Furthermore, direct investment increased by Afl. 4.4 million, mainly due to higher intercompany lending.

On the other hand, portfolio investment (-Afl. 19.8 million) and financial derivatives (-Afl. 12.4 million) contracted. The drop in portfolio investment assets was caused by an Afl. 24.3 million net decrease in investments in debt securities abroad, which was offset by a rise in equity securities (+Afl. 4.5 million).

### **Net incurrence of financial liabilities**

The net increase in financial liabilities resulted from expansions in other investment (+Afl. 186.3 million) and direct investment (+Afl. 57.1 million). The rise in other investments liabilities was caused by an increase in foreign loans (+Afl. 221.8 million), mostly due to new government loans, which was slightly offset by contractions in currency and deposits held by nonresidents at the commercial banks (-Afl. 22.1 million), and other liabilities (-Afl. 13.4 million). The rise in direct investment liabilities was caused by increases in real estate investment (+Afl. 45.5 million) and equity capital contribution (+Afl. 11.2 million). In contrast, portfolio investment liabilities related to long-term debt securities decreased (-Afl. 16.7 million).

<b>Table 1: CURRENT AND CAPITAL ACCOUNTS</b>			
<i>In Afl. million</i>	<b>2020 Q2</b>	<b>2021 Q2</b>	<b>Changes</b>
<b>1. Goods</b>	<b>-268.1</b>	<b>-369.2</b>	<b>-101.1</b>
Exports	19.1	57.2	38.2
Imports	287.2	426.5	139.3
<b>2. Services</b>	<b>-53.7</b>	<b>428.8</b>	<b>482.5</b>
Credits	261.7	865.9	604.3
Debits	315.4	437.1	121.7
<b>3. Primary income</b>	<b>-7.6</b>	<b>-20.9</b>	<b>-13.3</b>
<b>4. Secondary income</b>	<b>-17.5</b>	<b>-37.4</b>	<b>-19.9</b>
<b>CURRENT account balance (1+2+3+4)</b>	<b>-346.9</b>	<b>1.3</b>	<b>348.2</b>
<b>CAPITAL account balance</b>	<b>2.9</b>	<b>10.3</b>	<b>7.4</b>
<b>NET LENDING (+)/ BORROWING (-) FROM CURRENT AND CAPITAL ACCOUNTS</b>	<b>-344.1</b>	<b>11.5</b>	<b>355.6</b>
Source: Centrale Bank van Aruba			

<b>Table 2: FINANCIAL ACCOUNT</b>			
<i>In Afl. million</i>	<b>2020 Q2</b>	<b>2021 Q2</b>	<b>Changes</b>
<b>Net acquisition of financial assets</b>	<b>121.1</b>	<b>246.2</b>	<b>125.1</b>
Direct investment	-3.4	4.4	7.9
Portfolio investment	28.5	-19.8	-48.3
Financial derivatives	0.0	-12.4	-12.4
Other investment	-166.3	79.2	245.5
Reserve assets	262.4	194.8	-67.6
<b>Net incurrence of financial liabilities</b>	<b>488.5</b>	<b>226.7</b>	<b>-261.8</b>
Direct investment	79.4	57.1	-22.3
Portfolio investment	213.8	-16.7	-230.5
Financial derivatives	-9.9	0.0	9.9
Other investment	205.2	186.3	-18.9
<b>NET LENDING (+)/ BORROWING (-) FROM FINANCIAL ACCOUNT</b>	<b>-367.4</b>	<b>19.6</b>	<b>386.9</b>
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.





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