

# BALANCE OF PAYMENTS DEVELOPMENTS

THIRD QUARTER OF 2021

March 2, 2022

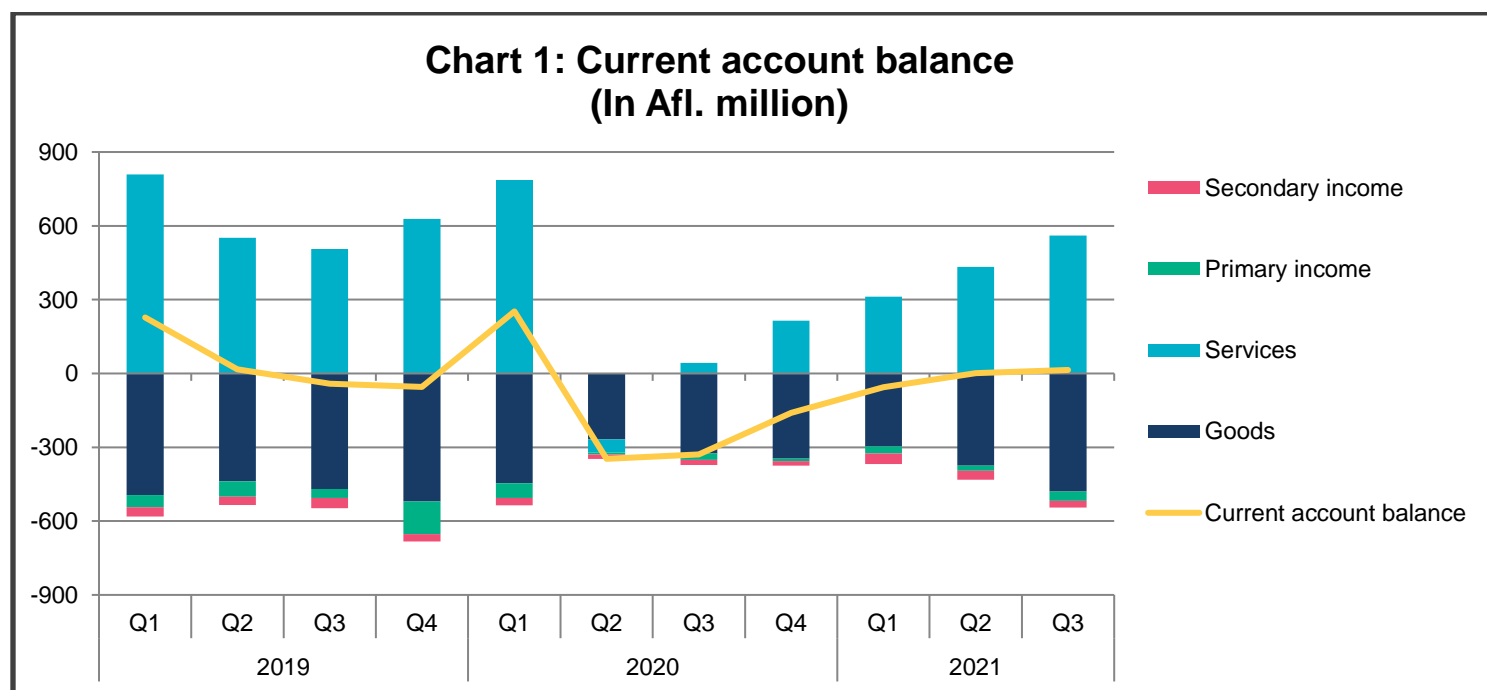


CENTRALE BANK VAN ARUBA

## BALANCE OF PAYMENTS DEVELOPMENTS

### The current account deficit in the third quarter of 2020 turned into a surplus in the third quarter of 2021

In the third quarter of 2021, the current account of the balance of payments turned from an Afl. 329.2 million deficit in the third quarter of 2020 into an Afl. 14.7 million surplus. This resulted from an increase of Afl. 517.0 million in the services account, which was partially mitigated by growth in the deficits on the goods, the primary income, and the secondary income accounts which rose by Afl. 154.7 million, Afl. 12.0 million, and Afl. 6.5 million, respectively (Chart 1 and Table 1).



Source: Centrale Bank van Aruba

## Current and capital accounts

The goods account recorded a deficit of Afl. 480.0 million, which is Afl. 154.7 million more compared to the third quarter of 2020. This outcome was mainly caused by increases of Afl. 184.2 million in imports and Afl. 29.5 million in exports.

The services account surplus grew by Afl. 517.0 million to Afl. 560.3 million in the third quarter of 2021. This resulted from increases in export of services (+Afl. 638.2 million) and in import of services (+ Afl. 121.2 million) (Table 1).

The surge in export of services was mostly attributed to increases in tourism credits<sup>1</sup> (+Afl. 582.4 million or 225.3 percent), other transport services (+Afl. 28.8 million), and other services (+Afl. 25.9 million).

The rise in import of services was largely due to the expansion in other (business) services (+Afl. 68.6 million), tourism debits (+Afl. 40.5 million), and freight services (+Afl. 7.8 million).

Furthermore, the deficit on the income account grew by Afl. 18.5 million to Afl. 65.5 million. The primary income deficit increased by Afl. 12.0 million to Afl. 38.1 million, mostly attributed to more outgoing payments related to dividend and interest. The deficit on the secondary income grew by Afl. 6.5 million to Afl. 27.4 million, because of higher payments in connection with (re)insurances.

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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 borrowing of Afl. 9.3 million in the third quarter of 2021, compared to a net borrowing of Afl. 319.6 million in the same quarter a year earlier (Table 2). This resulted from a net increase in financial liabilities of Afl. 260.4 million (Q3 2020: +Afl. 166.9 million) compared to a rise in financial assets of Afl. 251.1 million (Q3 2020: -Afl. 152.7 million).

## **Net incurrence of financial liabilities**

The net increase in financial liabilities resulted from growth in other investment (+Afl. 352.3 million) and direct investment (+Afl. 52.7 million), which were partially offset by an Afl. 144.7 million decrease in portfolio investment. The rise in other investments liabilities was caused by increases in foreign loans (+Afl. 348.3 million), mostly due to new government loans, and in currency and deposits held by nonresidents at the commercial banks (+Afl.20.0 million), which were slightly offset by a contraction in other liabilities (-Afl. 15.9 million). The rise in direct investment liabilities was caused by increases in real estate investment (+Afl. 56.5 million). In contrast, portfolio investment liabilities related to long-term debt securities decreased (-Afl. 144.7 million) due to repayments in government bonds.

## **Net acquisition of financial assets**

The net increase in financial assets was mostly caused by a rise in the reserve assets of Afl. 230.6 million, due to an Afl. 276.6 million growth in long-term debt securities, which was somewhat offset by a contraction in currency and deposits held abroad by the central bank (-Afl. 45.0 million).

In addition, other investment assets grew (+Afl. 42.6 million) because of increases in currency and deposits held abroad by the commercial banks and other sectors (+Afl. 47.2 million) and other assets (+Afl. 16.1 million). These were partly offset by a decrease in extended loans (-Afl. 20.2 million). Furthermore, direct investment increased by Afl. 1.9 million, mainly due a rise in intercompany lending (+Afl. 4.4 million), and contraction in real estate (-Afl. 2.6 million).

On the other hand, financial derivatives (-Afl. 18.1 million), and portfolio investment (-Afl. 5.9 million) contracted. The drop in portfolio investment assets was caused by a net decrease in investment in foreign equity securities (-Afl. 21.7 million), which was offset by an Afl. 15.8 million net increase in investments in debt securities abroad.

<b>Table 1: CURRENT AND CAPITAL ACCOUNTS</b>			
<i>In Afl. million</i>	<b>2020 Q3</b>	<b>2021 Q3</b>	<b>Changes</b>
<b>1. Goods</b>	<b>-325.4</b>	<b>-480.0</b>	<b>-154.7</b>
Exports	33.5	63.1	29.5
Imports	358.9	543.1	184.2
<b>2. Services</b>	<b>43.3</b>	<b>560.3</b>	<b>517.0</b>
Credits	354.8	993.0	638.2
Debits	311.4	432.7	121.2
<b>3. Primary income</b>	<b>-26.1</b>	<b>-38.1</b>	<b>-12.0</b>
<b>4. Secondary income</b>	<b>-21.0</b>	<b>-27.4</b>	<b>-6.5</b>
<b>CURRENT account balance (1+2+3+4)</b>	<b>-329.2</b>	<b>14.7</b>	<b>343.8</b>
<b>CAPITAL account balance</b>	<b>10.9</b>	<b>0.8</b>	<b>-10.1</b>
<b>NET LENDING (+)/ BORROWING (-) FROM CURRENT AND CAPITAL ACCOUNTS</b>	<b>-318.3</b>	<b>15.4</b>	<b>333.7</b>
Source: Centrale Bank van Aruba			

<b>Table 2: FINANCIAL ACCOUNT</b>			
<i>In Afl. million</i>	<b>2020 Q3</b>	<b>2021 Q3</b>	<b>Changes</b>
<b>Net acquisition of financial assets</b>	<b>-152.7</b>	<b>251.1</b>	<b>403.8</b>
Direct investment	18.3	1.9	-16.4
Portfolio investment	-59.9	-5.9	54.0
Financial derivatives	-1.7	-18.1	-16.4
Other investment	-98.1	42.6	140.7
Reserve assets	-11.4	230.6	241.9
<b>Net incurrence of financial liabilities</b>	<b>166.9</b>	<b>260.4</b>	<b>93.5</b>
Direct investment	61.8	52.7	-9.0
Portfolio investment	111.1	-144.7	-255.8
Financial derivatives	-2.3	0.0	2.3
Other investment	-3.6	352.3	356.0
<b>NET LENDING (+)/ BORROWING (-) FROM FINANCIAL ACCOUNT</b>	<b>-319.6</b>	<b>-9.3</b>	<b>310.4</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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