



CENTRALE BANK VAN ARUBA

Continued recovery of the Aruban economy during the second quarter of 2021

Press release

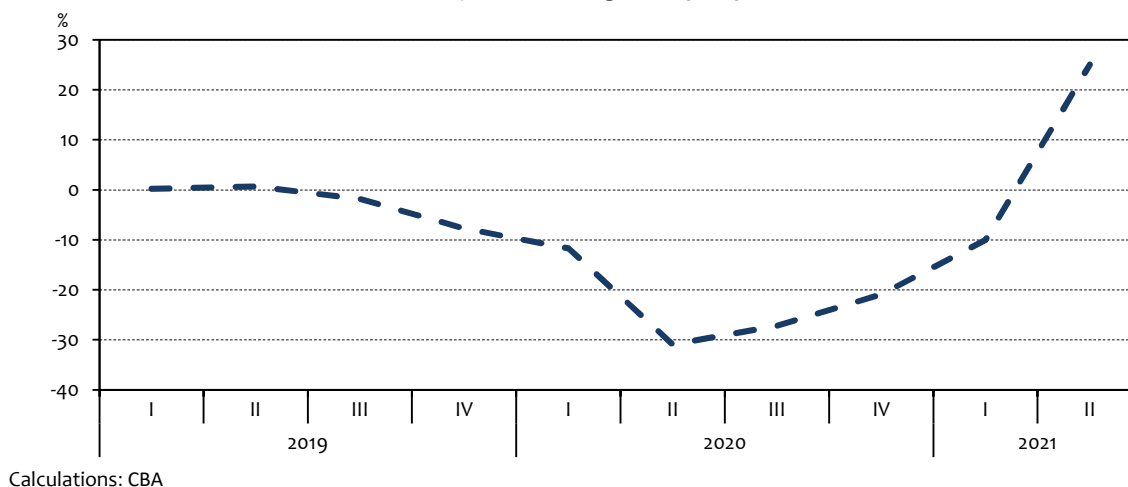
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Today the Centrale Bank van Aruba (CBA) published the State of the Economy for the second quarter of 2021. This publication provides a synopsis of the local and international economic developments of this period. The domestic highlights are presented below, including a summary of main economic indicators.

Aruba remains on track to economic recovery during the second quarter of 2021

During the second quarter of 2021, the Aruban economy continued to recover from the economic impacts of the COVID-19 pandemic, driven by the strong recuperation in tourism sector activities. The progressive return of stay-over visitors pushed up real Gross Domestic Product (GDP) by 25.1 percent (see Chart 1) compared to the second quarter of 2020 when the borders were closed to international travel. The year-on-year real GDP continuously improved each quarter since the re-opening of the borders in the third quarter of 2020.

Chart 1: Year-on-year real GDP growth per quarter



Virtually all tourism indicators, excluding the number of cruise visitors, bounced back during the first six months of 2021 compared to the same period a year before. For that reason, Aruba proved to remain an attractive tourism destination, despite the lingering uncertainties brought by the COVID-19 pandemic. To be specific, the number of stay-over visitors grew by 42.7 percent, while tourism credits rose by 8.9 percent. The significant recovery in the number of stay-over visitors led to a simultaneous recuperation in the Aruban hotel sector as the Average Daily Rate (ADR), the Revenue per Available Room (RevPAR), and the average hotel occupancy rate showed signs of remarkable recovery during the period under

review (YTD 2021 Q2 vs. YTD 2020 Q2). On the other hand, the cruise industry lagged behind the noted optimistic developments as the number of cruise visitors contracted by 99.4 percent compared to the same period a year before.

End-of-period inflation is in positive territory again

The Consumer Price Index for June 2021 recorded a 1.0 percent increase at the end of June 2021 compared to the same month a year earlier. The uptick in prices is mainly the result of surging gasoline prices paired with more expensive household appliances. In general, the end-of-period inflation has been trending upwards since July 2020 due to a recovery in the prices of the aforementioned inflation components. The end-of-period inflation in June 2021 marked the first positive value recorded since March 2020 at the onset of the COVID-19 pandemic.

Net borrowings from abroad partly offset current account deficit

The current account of the balance of payments recorded an Afl. 75.4 million deficit during the first two quarters of 2021, despite the ongoing tourism recovery. This outcome was spurred by the outflow of funds for the import of goods and services as well as net income payments, thus surpassing the amount of net service receipts attributed to tourism.

The financial account registered a net borrowing of Afl. 410.6 million from abroad during the first two quarters of 2021. The outcome on the financial account is mostly the result of short-term loans received by the Government of Aruba (GoA) from the Netherlands for liquidity financing purposes.

Official and international reserves remained above benchmarks monitored

The amount of money circulating in the Aruban economy increased during the first half of 2021 as broad money went up from Afl. 4,797.4 million at the end of December 2020 to Afl. 5,056.3 million at the end of the second quarter of 2021. This expansion was the result of an Afl. 349.0 million surge in international reserves (excluding revaluation differences), partly offset by an Afl. 90.0 million reduction in net domestic assets. Official and international reserves proved to be resilient as they remain above the benchmarks monitored by the CBA at the end of the second quarter of 2021.

Government financial deficit remained virtually unchanged

The financial deficit of the GoA reached Afl. 330.6 million during the first half of 2021 compared to Afl. 330.3 million recorded in the same period a year before. The resulting outcome for the first two quarters of 2021 was the result of a drop in government revenues combined with a similar fall in government expenditures. The debt burden continued to swell as a result of the short-term loans received from the Netherlands for liquidity financing purposes related to the COVID-19 pandemic. In the first half of 2021 government debt rose by Afl. 308.7 million to Afl. 5,454.3 million compared to December 2020.

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