Centrale Bank van Aruba

Economic Outlook for 2017

Press release

May 9, 2017

Today the Centrale Bank van Aruba (CBA) publishes the Economic Outlook for 2017. This publication also includes an update on economic developments and GDP estimates for 2016. The highlights hereof are briefly presented below.

In 2017, the Aruban economy is projected to expand in real terms by 3.4 percent, after an estimated 0.2 percent contraction in 2016. The expected growth in 2017 is driven in large part by the planned refurbishment activities of the oil refinery. A further decrease in consumer prices is forecasted in 2017 (-1.1 percent) pushed down by lower electricity tariffs. In the medium term, a higher absolute level of economic output is expected but with limited annual growth.

Tourism receipts are forecasted to grow nominally by 1.3 percent in 2017. Crucial here is the intention of the hotel sector to obtain a higher average daily rate for hotel rooms. In real terms, tourism would decrease slightly as the number of stay-over visitors and visitor nights are expected to decline by 1.9 percent and 1.7 percent, respectively. An anticipated increase in airlift from the United States should contribute to a growth in visitors from the U.S. market, but this would be insufficient to fully compensate for the significant drop in visitors from Venezuela.

Based upon available information, investments are expected to grow in real terms by 28.6 percent in 2017. This projection assumes a timely acceleration in the refinery refurbishment activities and considers a number of tourism-related accommodation projects in the pipeline, as well as a continuation of various large projects that got underway in 2016. The increasing investments should lead to additional disposable income through higher employment and, as a result thereof, to an estimated 2.8 percent rise in consumption in 2017.

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The current account of the balance of payments is projected to result in an overall deficit of Afl. 240.3 million (4.9 percent of GDP) in 2017, following surpluses in the previous two years. A strong growth in the imports of goods (partly attributed to the planned rehabilitation of the oil refinery), resulting in an expected increase in imports of 7.5 percent in 2017, is the main driver for this outcome. The capital and financial account of the balance of payments is expected to record a deficit of Afl. 10.6 million. Moreover, the intention of the government to refinance maturing foreign debt on the local market this year would induce a significant outflow of funds.

Consequently, total net foreign assets (excluding revaluation differences) are forecasted to decrease by Afl. 275.0 million to Afl. 1,502.5 million at the end of 2017. Total reserves are thus expected to be equivalent to 5.2 months of current account payments.

Main economic indicators expressed in real terms (percentage change) (April 2017 data)

Indicator	2015[e]	2016[e]	2017[f]
GDP	-0.5	-0.2	3.4
Consumption	1.7	-3.7	2.8
Investment	-5.1	-0.7	28.6
Exports	-0.1	0.3	-0.3
Imports	-2.8	-3.5	7.5

Source: CBA. e = estimate; f= forecast

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

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