



CENTRALE BANK VAN ARUBA

Continued solid tourism sector performance boosted economic growth in the first quarter of 2023

Press release

July 21, 2023

Today, the Centrale Bank van Aruba (CBA) published the State of the Economy report for the first quarter of 2023. The publication contains a review and analysis of national and international economic developments. The highlights of this publication are presented below.

In the first quarter of 2023, estimated real Gross Domestic Product (GDP) grew by 3.1 percent due to the sustained robust performance of the tourism sector. During the period under review, most tourism-related indicators showed a significant improvement compared to the same period of 2022 (Table 1). A 31.1 percent expansion in stay-over visitors drove a 27.8 percent growth in visitor nights, despite a decrease in the average (intended) length of stay (ALOS). The hotel industry also reported buoyant results. Hotel occupancy (21.3 percentage points) and the average daily rate (ADR) (+14.7 percent) rose compared to the first quarter of 2022. As a result, revenue per available room (RevPAR) expanded by 54.2 percent. Following the above-mentioned developments, tourism revenue surged by 36.8 percent in the first quarter of 2023.

Table 1: Tourism indicators for Aruba

	2022	2023
Stay-over visitors	233,666	306,305
Average length of stay (in nights)	7.8	7.6
Total visitor nights	1,828,141	2,337,016
Cruise visitors	155,236	357,072
Hotel occupancy rate (%)	62.2	83.5
Average daily rate (in USD)	355.3	407.7
Revenue per available room (in USD)	220.9	340.5
Tourism revenue per night (in Afl.)	434.9	465.5
Tourism revenue* (in Afl. million)	795.0	1,087.9

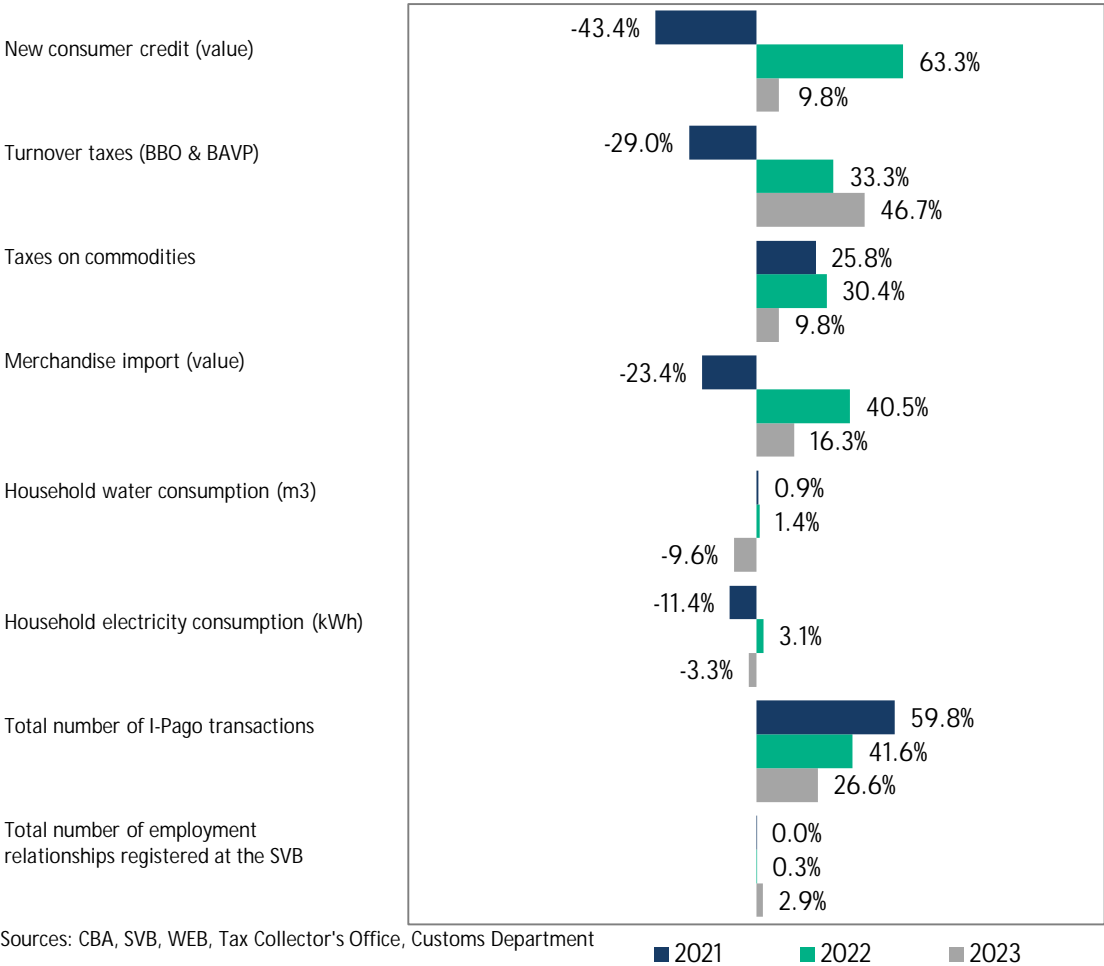
Sources: CBA, ATA, AHATA, APA, CTO, STR

*Only those registered at local commercial banks, available data at the time of writing. For the complete and final data please visit [Quarterly tables publications - Centrale Bank van Aruba \(cbaruba.org\)](https://www.cbaruba.org)

Real private consumption, pushed up by domestic demand for goods and services, also contributed to real economic growth. During the first quarter of 2023, consumption-related indicators painted a

broadly positive picture of economic activities compared to the same period in 2022 (Chart 1). Income from the turnover tax (BBO & BAVP) and taxes on commodities expanded due to increased economic activity, higher prices, and the 1.0 percentage point BBO rate raise implemented on January 1, 2023. Moreover, the total number of employment relationships registered at SVB advanced, indicating improved labor market conditions, consistent with the observed performance of the tourism sector. Data from local commercial banks corroborate the denoted growth in domestic demand, as the total number of I-Pago transactions increased compared to the first quarter of 2022.

Chart 1: Consumption-related indicators (Jan-Mar vs. Jan-Mar previous year)



During the period under review, investment-related indicators reflected a mixed image of private investment developments. Credit indicators showed contractions, while import and permits indicators rose compared to the first quarter of 2022. Furthermore, data from the CBA's Business Perception Survey (BPS), although still optimistic, denoted less optimism with regard to investment.

In the first quarter of 2023, the Investment Index reached 104.2, down from 106.0 recorded in the same quarter of the previous year. While the respondents indicated that current investment conditions in Aruba improved, they were less optimistic about investment conditions in the short-term future. Even so, the share of businesses with investment plans over the next 12 months increased compared to the first quarter of 2022.

During the first quarter of 2023, the general level of prices of goods and services remained elevated, as the 12-month average inflation continued its upward path since May 2021, reaching 6.2 percent at the end of March 2023. The upward pressure on prices mostly came from the higher prices for utilities (following the increase in utility tariffs of August and September 2022), food, gasoline, and the purchase of vehicles. Meanwhile, the 12-month average core inflation reached 2.4 percent at the end of March 2023.

International transactions settled through the commercial banking sector gave rise to a net foreign exchange outflow of Afl. 175.4 million during the first three months of 2023 (Table 2). The financial account predominantly caused this outcome as it incurred a net outflow of Afl. 315.1 million during the period under review. The latter stemmed mainly from a large net outflow from foreign accounts, driven primarily by a local refinancing of a foreign loan by the private sector. The net inflow on the current account, spurred by the strong tourism performance, could not completely mitigate the financial account deficit. Moreover, both the capital account and “items yet not classified” registered net outflows during the first quarter of 2023.

Table 2: Balance of payments (in Afl. million)	YTD Q1 2022	YTD Q1 2023
Current account	161.5	155.7
Goods	-453.2	-529.1
Services	642.3	873.5
Primary income	-31.5	-179.2
Secondary income	3.9	-9.5
Capital account	-9.4	-5.5
Financial account	250.0	-315.1
Direct investment	56.2	31.7
Portfolio investment	-41.3	-67.4
Financial derivatives	4.7	0.7
Other investment	274.1	-59.0
Foreign accounts	-43.9	-221.1
Items not yet classified	0.7	-10.5
Change in international reserves (excluding revaluation differences)	402.8	-175.4

Source: CBA

During the first quarter of 2023, the Government of Aruba (GoA) recorded a financial surplus of Afl. 16.9 million, compared to an Afl. 52.0 million deficit a year before. This turnaround was completely driven by a jump in revenues, which was partly mitigated by higher government expenditures. The positive developments in revenues reflected a solid economic performance driven by the sustained recovery of the tourism sector, the rise in the tourism levy rate and the redistribution of its collection between the GoA and the Aruba Tourism Authority (ATA), as well as the 1.0 percentage point increase in the BBO as of January 1, 2023.

Data on outstanding government debt showed that total government debt increased to Afl. 5,763.2 million in the first quarter of 2023 compared to Afl. 5,717.6 million in December 2022. This jump was brought about by higher domestic debt, which was partially offset by a contraction in foreign debt. Total government debt remained above the pre-pandemic level of Afl. 4,311.6 million (Q1 2020), highlighting the pandemic induced expansion in government debt. At the end of the first quarter of 2023, the debt-to-GDP ratio reached 88.1 percent, marking a contraction of 2.1 percentage points compared to the last quarter of 2022, as GDP growth outpaced debt expansion.

The complete publication is available on the CBA's website (<https://www.cbaruba.org/document/state-of-the-economy>).