CENTRALE BANK VAN ARUBA

Tourism to remain a strong contributor to GDP growth in 2023 and 2024

Press release

March 4, 2024

Today, the Centrale Bank van Aruba (CBA) published an update of the Economic Outlook for 2023 and 2024.[1]

Emulating the strong performance of the tourism sector in 2022, tourism activities registered marked growth rates in the first half of 2023. Total stay-over visitors (+15.6 percent), the average daily rate (ADR) (+15.0 percent), and the revenue per available room (RevPAR) (+28.2 percent) rose markedly compared to the first half of 2022. These positive developments, amplified by an upturn in the general level of prices of goods and services, resulted in a 22.5 percent rise in tourism revenue[2] compared to the first half of the previous year. Investment-related indicators, on the other hand, painted a mixed picture during the first six months of 2023. Buoyant import indicators initially seem to stand in stark contrast with credit indicators. Nonetheless, the growth in the total value of construction permits (+22.9 percent) during the first half of 2023, a leading indicator on future construction, suggests there is more investment underway. Indicative of consumption growth, employment contracts registered at the Social Insurance Bank of Aruba (SVb Aruba) rose by 5.1 percent in the first half of 2023 compared to the first half of 2022. All in all, the observed economic indicators point to a vigorous first half of 2023.

Tourism related activities remain the strongest contributor to gross domestic product (GDP) growth in 2023 and 2024. The number of stay-over visitors in 2023 and 2024 will likely reach 110.0 percent and 113.0 percent of the 2019-level, respectively. Despite these expectations, the CBA projects the overall balance of payments (BOP) to record a deficit in 2023. This BOP deficit

[1] The Economic Outlook contains forecasts that represent assumptions and expectations of the Centrale Bank van Aruba (CBA) in light of available information up to and including October 2023 (cut-off date). These forecasts involve uncertainties. The actual results may differ from those projected in the Economic Outlook. Consequently, no guarantee is presented or implied as to the accuracy of specific forecasts contained therein. The CBA does not assume any liability for any loss that may result from the reliance on this information.

[2] Only those registered at commercial banks.

is spurred by a large net financial account outflow on account of global financial tightening leading to the domestic refinancing of foreign loans. Unlike 2023, the CBA envisages an Afl. 620.1 million BOP surplus in 2024, as the GoA is expected to finance its maturing debt externally. Furthermore, tighter expected commercial bank liquidity slows down local financing of share purchases and foreign maturing debt. The projected BOP surplus of 2024 results from the presumption of a current account surplus, again prompted by the tourism sector, outweighing the financial account deficit. An anticipated pick-up in the pace of construction projects pushed up investment in 2023. Due to a lack of new investment projects to compensate for the projects completed in the previous year, investment is forecasted to decline in 2024. Consumption remained stable in 2023, and is likely to expand in 2024. Following the developments in consumption, investment, and exports, imports will probably increase in 2023. In contrast, the CBA foresees a contraction in 2024 as the anticipated upturns in tourism exports and private consumption are not sufficient to compensate for the forecasted decline in investment.

With regard to price increases, the CBA projects a 12-month average inflation rate of 2.9 percent in 2023, mostly due to upward pressures from supply chain disruptions, higher utility tariffs, and fiscal reform measures. In 2024, the 12-month average inflation rate is expected to reach 0.1 percent, following the abatement of the aforementioned pressures on prices.

Based on the aforementioned assumptions, the CBA estimates that real GDP rose by 5.1 percent in 2023, mostly due to an expansion in real exports (+9.4 percent) and real investment (+24.5 percent). On the contrary, the CBA anticipates a 0.1 percent contraction in real GDP in 2024. Despite the expected upturn in real tourism exports, which is complemented by a rise in non-tourism exports and real consumption, real investment (-23.6 percent) is foreseen to decline due to fewer new construction projects, which cannot replenish the stock of relatively large construction projects finalized in 2023. The CBA projects nominal economic growth to reach 11.9 percent in 2023 and 1.2 percent in 2024, marking an end to the post-pandemic economic growth surges observed since 2021.

Table 1: Growth of real GDP and its components 2022 – 2024 (in percent)			
Indicator	2022 e	2023 f	**2024 f**
GDP	8.0	5.1	-0.1
Consumption	-2.2	0.1	1.7
Private consumption	-3.1	1.0	2.7
Public consumption	0.6	-2.3	-1.1
Investment	-0.9	24.5	-23.6
Private investment	1.8	23.9	-24.0
Public investment	-72.6	81.1	-1.3
Exports	29.1	9.4	3.7
Tourism exports	28.9	11.4	4.2
Imports	12.6	9.7	-1.7

Source: CBA e = estimate, f= forecast

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